

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

January Pool Price Calculation

The January 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.70 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$17.15 per hundredweight. The January statistical uniform price was \$1.01 per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$1.70 per hundredweight, an increase of 43 cents per hundredweight from last month.

Product Prices Effect

Similar to December, all commodity product prices declined from the previous month. Butter, nonfat dry milk, and dry whey each fell 3 cents, while cheese dropped 13 cents, all on a per pound basis. These changes resulted in a 38-cent decline in the protein price, and a 3-cent decrease in each of the nonfat solids and other solids prices. The butterfat price fell 4 cents per pound, but was the second highest ever for the month of January.

Both the Class I and III prices dropped \$1.44 per hundredweight from December. The Class II and IV prices each declined 38 cents per hundredweight from the previous month. The result was a lower SUP than the previous month. The PPD increased as the spread between the Class III price and the Class I price grew even larger than in December.

Selected Statistics

The total volume of producer milk receipts for January 2018 was below the level for the same month last year. Of the individual classes, only Class II surpassed the previous year's volume for the month of January. Average daily deliveries per producer (DDP) set a new record for the month of January. The average producer component butterfat and protein tests also set new record highs for the month. ❖

Pool Summary

- A total of 11,054 producers were pooled under the Order with an average daily delivery per producer of 6,661 pounds.
- Pooled milk receipts totaled 2.283 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.4 percent of total milk receipts, down 1.0 percentage point from December.
- The average butterfat test of producer receipts was 3.97 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.4	762,059,432
Class II	23.7	541,627,441
Class III	25.8	589,661,458
Class IV	17.1	389,279,157
Total Pooled Milk		2,282,627,488

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.6612	2.1768
Butterfat Price	2.4531	2.5253
Other Solids Price	0.0787	0.2503

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.69	20.70
Class II	14.11	16.36
Class III	14.00	16.77
Class IV	13.13	16.19

Daily Deliveries per Producer

The accompanying chart presents trends in the average daily delivery per producer (DDP) for select states in the northeast, based on pounds pooled on the Northeast Order, for the month of January, from 2008 to 2018. The DDP statistic is calculated by dividing the total production of an area, by the number of producers, and then again by the number of days in the period. In general, DDP is a reflection of the average size operations in the area represented. Since the data used are pounds pooled, the average can be impacted by which size producer(s) may be pooled in a given month, but not in the next. Additionally, milk pooled on the Northeast Order may not include all the milk from a state. Some of the state's milk may be pooled on nearby orders, on a state order, or not pooled at all, depending on the location of processors and the marketing options that exist.

DDP by Selected Northeast States

The accompanying table presents the average DDP for January 2018 and the percent change since January 2008. During January 2018, the average DDP for the Northeast Order was 6,661 pounds. Connecticut led all states, topping 12,500 pounds. Vermont was second with 10,337 pounds, followed by New York with 8,748 pounds. Pennsylvania's DDP was second lowest at 4,964 pounds. Virginia had the lowest DDP of those depicted in the table at 3,482 but had less than 25 producers and

January 2018 DDP by State, and Percent Change From January 2008 (Ranked by DDP)

State	DDP	Percent Change
	January 2018 (pounds)	From January 2008
CT	12,530	74.9
VT	10,337	57.3
NY	8,748	53.7
NH	7,110	21.9
ME	6,996	47.3
MD	5,831	18.3
MA	5,099	31.7
PA	4,964	31.0
VA	2,705	(32.8)
Total	6,661	39.1

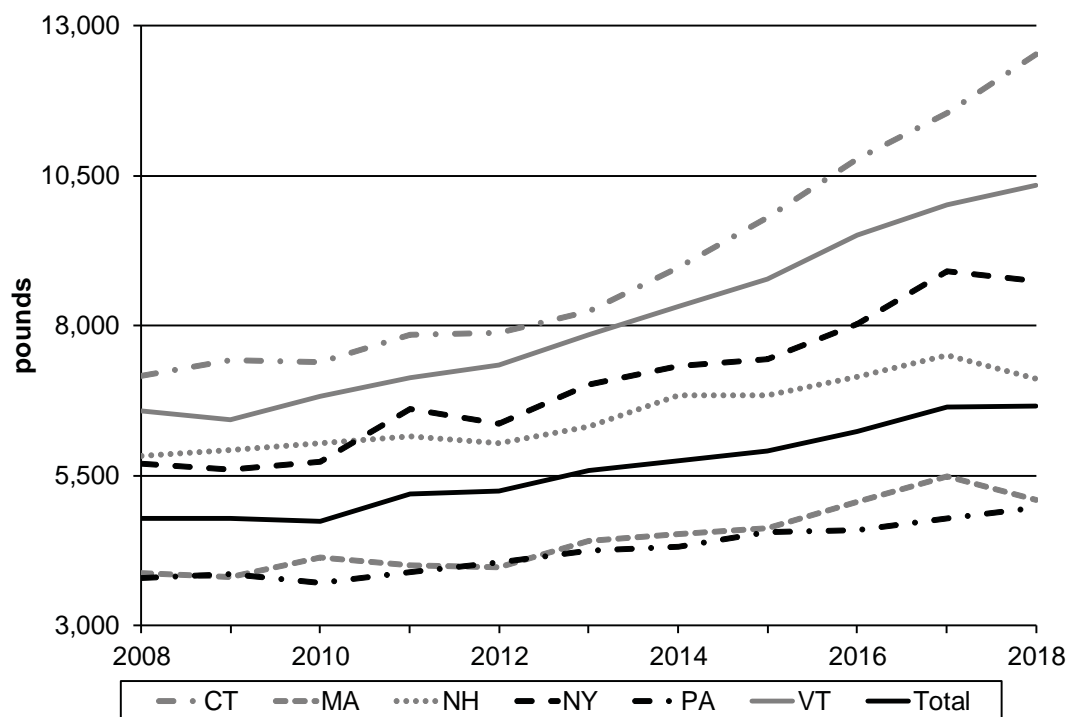
2 million pounds total. With few farms pooled on the order from Virginia, just a handful of very small size organic operations may skew the average DDP lower. Additionally, in some cases, only a portion of a producer's milk is pooled on the Northeast Order during the month. The data would still capture the producer in the count but not all the pounds, thus pulling an average down to a degree. It should also

be noted that also where the number of producers pooled is small, such as in Connecticut, a few large size producers may skew the average DDP higher.

Trend Since 2008

The DDP for all producers pooled on the Northeast order increased by 39.1 percent since 2008. All states depicted showed an increased DDP except for Virginia (not shown in the chart), which declined by about 25 percent. By state, Connecticut, Vermont, and New York ranked the first through third based on the largest percent increases, increasing by 75, 57, and 54 percent, (continued on page 3)

Average Daily Deliveries per Producer, by Selected States, January 2008–2018



Market Services 2017 Summary

The Market Administrator of the Northeast Order oversees a Market Services program that verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

Calibration Program

One aspect of Market Services is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing these services, the two trucks combined covered 24,051 miles in 2017, up from 20,884 miles the previous year. The market service department checked 256 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2017 season, up from 213 in 2016.

Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling,

recalibrations are performed the same day or rescheduled for another day.

Checks/Calibration Results

Of the 256 tanks checked, 29 (11 percent) were out of tolerance and were recalibrated. Of the tanks requiring recalibration, 76 percent were over measuring; the rest were under measuring the amount of milk. An additional 109 calibrations/recalibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. This number is up from 93 in 2016. Of the tanks that were recalibrated or calibrated, 65 percent were 1,500 gallon tanks or smaller. This figure is down from 70 percent in 2016.

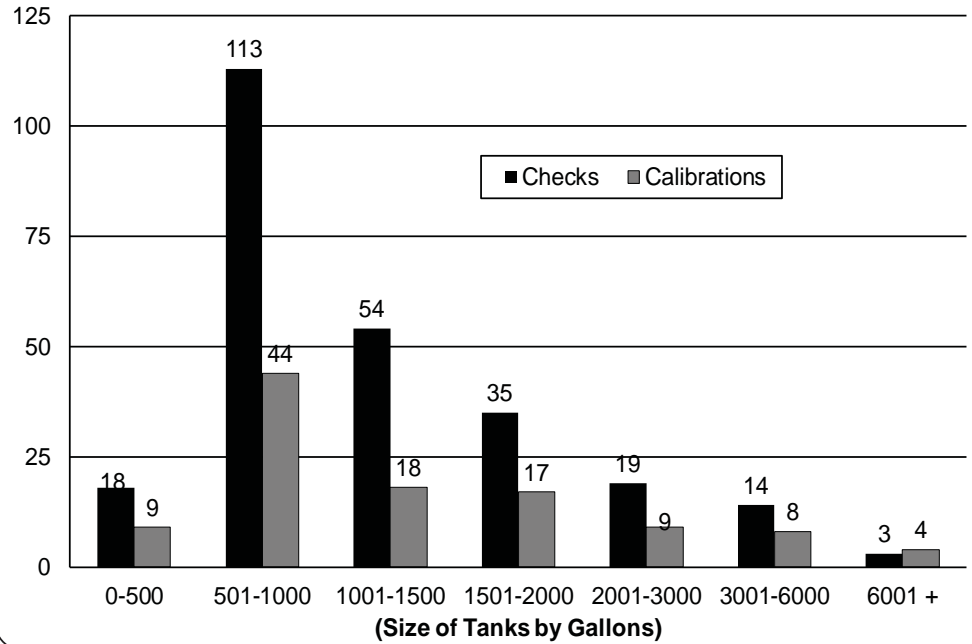
The 256 checks and the 109 additional calibrations total at least 365 farm visits. The accompanying table shows a breakdown of checks and calibrations by tank size. A tentative schedule for the calibration trucks during the upcoming season is included below. ❖



Daily Deliveries *(continued from page 2)*

respectively. Maine also was above the Order average, increasing by just over 47 percent. Pennsylvania, New Hampshire, Maryland, and Massachusetts, all increased, but by less than the Order average. Notably, for the month of January, DDP in Maine, Maryland, Massachusetts, New Hampshire, and New York declined from 2017 to 2018. ❖

2017 Tank Checks and Calibrations, by Tank Size



Tentative Calibration Truck Schedule, 2018

Month	Area
April	Southern PA, Northern PA, Central NY
May	Finger Lakes Region NY, Eastern NY, Connecticut
June	Central PA, Eastern NY, Vermont and New Hampshire
July	Southern PA, Northern NY, Central NY
August	Western NY, Eastern NY
September	Central PA, Eastern NY, Maine
October	Southern PA, Central NY
November	Finger Lakes Region NY, Southern PA

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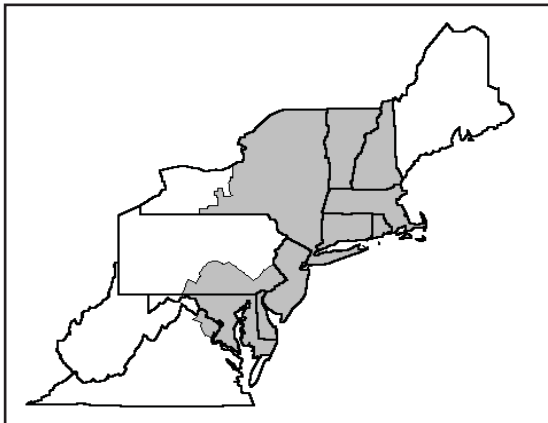
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	746,054,756	\$10.23	76,321,401.54	
Butterfat	16,004,676	2.5200	40,331,783.52	
Less: Location Adjustment to Handlers			(2,841,999.73)	\$113,811,185.44
Class II— Butterfat	30,901,319	2.4601	76,020,334.88	
Nonfat Solids	47,319,865	0.6333	29,967,670.48	105,988,005.36
Class III— Butterfat	28,209,990	2.4531	69,201,926.45	
Protein	18,604,017	1.6612	30,904,993.04	
Other Solids	33,482,675	0.0787	2,635,086.51	102,742,006.00
Class IV— Butterfat	15,532,766	2.4531	38,103,428.28	
Nonfat Solids	34,669,538	0.5235	18,149,503.16	56,252,931.44
Total Classified Value				\$378,794,128.24
Add: Overage—All Classes				106,074.49
Inventory Reclassification—All Classes				59,130.90
Other Source Receipts	1,188,803 Pounds			47,290.75
Total Pool Value				\$379,006,624.38
Less: Producer Component Valuations @ Class III Component Prices				(352,640,161.49)
Total PPD Value Before Adjustments				\$26,366,462.89
Add: Location Adjustment to Producers				12,716,279.42
One-half Unobligated Balance—Producer Settlement Fund				686,133.80
Less: Producer Settlement Fund—Reserve				(943,999.25)
Total Pool Milk & PPD Value	2,283,816,291 Producer pounds			\$38,824,876.86
Producer Price Differential		\$1.70		
Statistical Uniform Price		\$15.70		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.



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February Pool Price Calculation

The February 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.88 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$16.04 per hundredweight. The February statistical uniform price was 82 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$1.48 per hundredweight, a decrease of 22 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices declined from the previous month except nonfat dry milk that rose 1 cent per pound. The butter price fell 9 cents; cheese dropped 4 cents; and dry whey declined 2 cents, all on a per pound basis. These changes resulted in a 10-cent decline in the butterfat price, a 3-cent decrease in the protein price, 2-cent drop in the other solids price, and a 1-cent increase in the nonfat solids price.

All class prices declined from January. Class I fell \$1.19 per hundredweight, Class II dropped 67 cents, Class III decreased 60 cents, and Class IV was down 26 cents, all on a per hundredweight basis. The result was a lower SUP than the previous month. The PPD decreased as the spread between the lower classes and the Class I price tightened.

Selected Statistics

Producer milk receipts for February 2018 were the largest per day volume since June 2017. Total pooled milk volume was the third highest level for the month of February on record, although below the previous 2 years. The total number of producers pooled fell below 11,000 for the second time ever under the Order. Average daily deliveries per producer (DDP) set a new record for the month of February and topped 7,000 pounds for the third time ever since the Order's inception. Class II and IV utilizations were the second highest ever for the month of February. ❖

Pool Summary

- A total of 10,775 producers were pooled under the Order with an average daily delivery per producer of 7,019 pounds.
- Pooled milk receipts totaled 2.118 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.7 percent of total milk receipts, down 1.7 percentage point from January.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.7	671,598,382
Class II	24.9	526,819,972
Class III	26.0	549,973,536
Class IV	17.4	369,230,499
Total Pooled Milk		2,117,622,389

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.6265	2.2348
Butterfat Price	2.3490	2.4274
Other Solids Price	0.0550	0.2990

Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.50	19.98
Class II	13.44	16.52
Class III	13.40	16.88
Class IV	12.87	15.59

U.S. Milk Production Increase Tops Last Year

The total milk production in the United States grew 1.7 percent in 2017, an even higher rate than in 2016 (1.6 percent). The rate of growth in 2015 was 1.3 percent. All comparisons have been adjusted for the extra day in 2016 (leap year).

The increase in the top ten milk-producing states combined was slightly less than the national average; the combined total for the top 23 milk-producing states reported by the National Agricultural Statistics Service (NASS) was slightly higher. The accompanying table shows the top ten states ranked by their total 2017 production and comparisons to the top 23 states total and the U.S. total for production, cows, and milk production per cow (MPC).

Rank	State	2016 (million pounds)	2017	Percent Change#	2017	
					Cows (1,000 head)	MPC*# (pounds)
1	California	40,469	39,798	(1.4)	1,749	22,755
2	Wisconsin	30,110	30,320	1.0	1,278	23,725
3	New York	14,777	14,912	1.2	623	23,936
4	Idaho	14,665	14,627	0.0	600	24,378
5	Texas	10,773	12,054	12.2	511	23,589
6	Michigan	10,876	11,231	3.5	427	26,302
7	Pennsylvania	10,820	10,938	1.4	525	20,834
8	Minnesota	9,666	9,864	2.3	458	21,537
9	New Mexico	7,711	8,212	6.8	329	24,960
10	Washington	6,650	6,526	(1.6)	274	23,818
	Top Ten Total	156,517	158,482	1.5	6,774	23,460
	Top 23 Total	199,434	202,455	1.8	8,726	23,265
	U.S. Total	212,405	215,466	1.7	9,392	22,941

Source: NASS, *Milk Production*. * Milk Produced per Cow.
Adjusted for leap year.

Changes in Top Producing States

The top ten list contained the same states as in 2016 although the order has changed. California and Wisconsin remained numbers one and two. New York held its number 3 spot ahead of Idaho and widened the gap by 173 million pounds. Other changes in rank included Texas, which reported the largest increase of the top-ten states, jumping from number 7 in 2016 to number 5 in 2017 and Michigan and Pennsylvania each dropping down a level. As reported in 2016, number one-ranked California showed a decline in production; the only other top-ten state that decreased was Washington. The rest of the top ten had increases with Texas, New Mexico, and Michigan all reporting over 3 percent growth.

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.0 percent in 2017, below the U.S., top ten, and top 23 state averages. The states with the strongest growth were Connecticut (3.0 percent) and Pennsylvania (1.4 percent). After reporting an increase of 4.5 percent in 2016, production in New York tapered to a conservative 1.2 percent. New York began 2017 strong, averaging about 4 percent growth through April, then flattened during the summer months and declined from fall through the end of the year. Other Northeast state increases were Virginia with 1.0 percent and Maine and Vermont with a slight 0.3 percent each.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.7 percent in 2017; in 2016, they rose a slight 0.2 percent. Twenty states showed declining cow numbers, 15 states

reporting increases, and the remainder had no change. Of those with increasing cow numbers, five were in the top ten states. In the Northeast milkshed states, milk cow numbers declined 0.5 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.2 percent from 2016; Pennsylvania and Vermont both dropped 0.8 percent; New York increased 0.5 percent.

Average MPC grew 0.7 percent nationally, less than the 1.4 percent increase in 2016. For the Northeast, the increase was 1.5 percent. The U.S. average milk per cow was 22,941 pounds in 2017; the average was 22,077 pounds in the Northeast states. New York's MPC (23,936 pounds) was above the national average. Only fourteen states had MPC greater than the national average; seven of them are in the top ten. ❖

Dairy Product Stocks and Prices

After peaking in August 2017 at \$18.33 per hundredweight (cwt), the Statistical Uniform Price (SUP) has declined consistently each month to February's \$14.88 per cwt. Though the first two months of 2018 averaged \$2.70 per cwt below the first two months of last year, and \$0.12 below the same two months of 2016, the SUP is expected to increase through the year, beginning in March. Using Chicago Mercantile Exchange Class III and Class IV milk futures prices as settled on March 14, the SUP for the year projects to average \$16.02 per cwt. This is \$1.41 below last year, but \$1.67 above 2016.

Federal Order minimum pricing of milk uses the prices of dairy products in calculating minimum class prices. The market prices for these products, as surveyed by the (continued on page 3)

Dairy Product Stocks *(continued from page 2)*

Agricultural Marketing Service, are important to monitor when understanding milk prices. Following is a brief look at recent trends in stocks and prices of dairy products.

Milk Volume

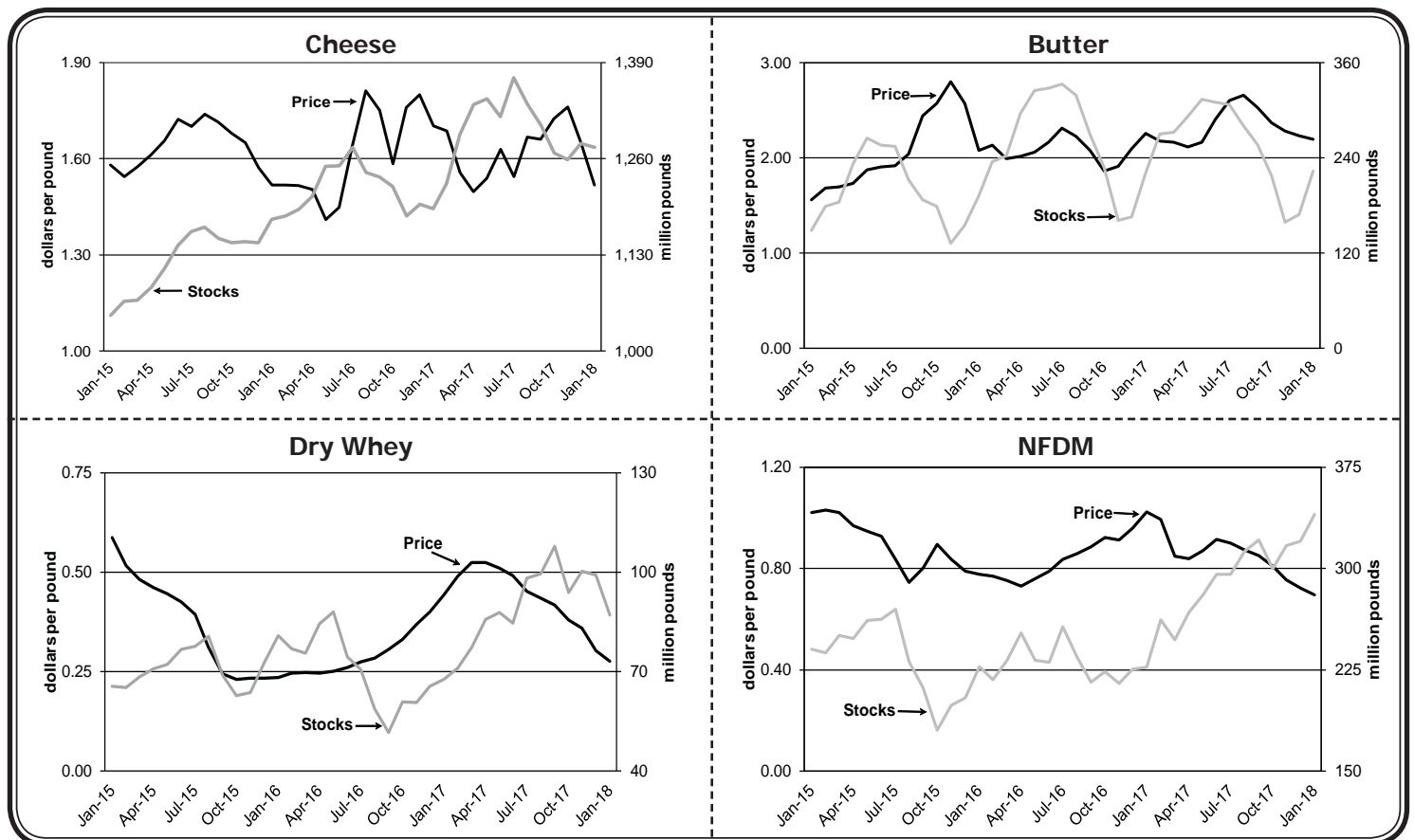
Much has been discussed regarding the volume of milk being produced and pooled on the Northeast Order as well as produced in the country as a whole. When milk volumes are very strong and potentially exceed current demand, stocks of dairy products can build. This may send a signal that prices must move lower or remain low. For ten months in a row, from December 2016 through September 2017, record high volumes of milk were pooled on the Northeast Order. In spite of these strong milk volumes, the 2017 prices were almost 10 percent higher than in 2016. Since September, total pool volume has been below the previous year four out of five months. This may be a signal that some relenting in year-over-year milk production growth can be expected into 2018, at least in the Northeast.

Product Prices and Stocks

The accompanying charts present stocks and prices since January 2015 of the four products used in Federal Order Class pricing formulas. The prices are the monthly average prices from the Agricultural Marketing Service's National Dairy Product Sales Report. Stocks data for butter

and total cheese are from the USDA, National Agricultural Statistics Service (NASS), Cold Storage Report. Stocks data for nonfat dry milk (NFD) and dry whey are from the USDA, NASS, Dairy Products Report.

The resurgence of overall demand for butter continues to be felt as evidenced by the current butter price holding above \$2.10 per pound, and having been above \$2.00 per pound for 29 for the last 31 months. Butter stocks (224 million pounds in January 2018) show a cyclical trend with a low to high range of about 150 million pounds. There does not appear to be a trend up or down across the period. Nonfat dry milk stocks appear to be climbing fairly steadily since October 2015, reaching 340 million pounds by January 2018. Nonfat dry milk prices remained at low levels through much of the period presented, and decline steadily from \$0.9137 per pound in June 2017, to a record low of \$0.6966 per pound in December 2017. The cheese price fluctuated in a range about \$0.20 above and below \$1.60 per pound since January 2015, but overall, resulted in a flat trend line during this period. During that same period, total cheese stocks trended up, and at 1.275 billion pounds in January 2018, are about 20 percent higher than in January 2015. The dry whey price began to increase mid 2016 around the time when dry whey stocks hit a low of about 52 million pounds. Dry whey prices have declined steadily since April 2017 as stocks have remained about 90 to 100 million pounds. ❖



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	657,525,819	\$8.96	58,914,313.38	
Butterfat	14,072,563	2.5301	35,604,991.65	
Less: Location Adjustment to Handlers			(2,548,845.02)	\$91,970,460.04
Class II— Butterfat	28,830,021	2.3560	67,923,529.47	
Nonfat Solids	45,958,598	0.5978	27,474,049.89	95,397,579.36
Class III— Butterfat	26,049,585	2.3490	61,190,475.20	
Protein	17,090,443	1.6265	27,797,605.54	
Other Solids	31,352,829	0.0550	1,724,405.73	90,712,486.47
Class IV— Butterfat	13,806,130	2.3490	32,430,599.42	
Nonfat Solids	32,821,111	0.5352	17,565,858.66	49,996,458.08
Total Classified Value				\$328,076,983.95
Add: Overage—All Classes				58,841.22
Inventory Reclassification—All Classes				(29,420.42)
Other Source Receipts	1,505,448 Pounds			44,532.30
Total Pool Value				\$328,150,937.05
Less: Producer Component Valuations @ Class III Component Prices				(308,396,595.86)
Total PPD Value Before Adjustments				\$19,754,341.19
Add: Location Adjustment to Producers				11,911,651.19
One-half Unobligated Balance—Producer Settlement Fund				736,617.27
Less: Producer Settlement Fund—Reserve				(1,039,517.60)
Total Pool Milk & PPD Value	2,119,127,837 Producer pounds			\$31,363,092.05
Producer Price Differential		\$1.48		
Statistical Uniform Price		\$14.88		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

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Product Prices Effect

All commodity product prices increased from the previous month except nonfat dry milk that declined 1 cent per pound. The cheese price rose 8 cents; butter increased 6 cents; and dry whey was up less than a half cent, all on a per pound basis. These changes resulted in an 18-cent increase in the protein price, an 8-cent increase in the butterfat price, roughly no change in the other solids price, and a 1-cent drop in the nonfat solids price.

All class prices except Class I increased from February. Class I fell \$0.89 per cwt, Class II increased 44 cents, Class III rose 82 cents, and Class IV was up 17 cents, all on a per cwt basis. The result was a higher SUP than the previous month. The PPD decreased as the price spread between the higher manufacturing classes and the lower Class I price tightened.

Selected Statistics

Producer milk receipts for March 2018 were the second largest volume for the month, down about 25 million pounds from the previous March's record high. Average daily deliveries per producer (DDP) set a new record for the month of March and topped 7,000 pounds for the fourth time ever since the Order's inception and second month in a row. Class I utilization was up slightly for the first time in three months, and for the second March in a row. Class III utilization, 597.3 million pounds, was the highest level since 2003, the last time Class III utilization was above 600 million pounds for March. Class IV utilization was below the previous years record high but still second highest for the month of March. ❖

Pool Summary

- A total of 10,755 producers were pooled under the Order with an average daily delivery per producer of 7,111 pounds.
- Pooled milk receipts totaled 2.371 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.4 percent of total milk receipts, up 0.7 percentage points from February.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.4	768,874,749
Class II	23.4	555,066,168
Class III	25.2	597,327,343
Class IV	19.0	449,502,658
Total Pooled Milk		2,370,770,918

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.8066	1.8198
Butterfat Price	2.4273	2.4176
Other Solids Price	0.0556	0.3345

Class Price Factors

	2018	2017
	\$/cwt	
Class I	16.61	20.15
Class II	13.88	16.21
Class III	14.22	15.81
Class IV	13.04	14.32

Top Producing Counties—Northeast Milkshed

In 2017, the top ten counties in terms of milk pooled on the Northeast Order accounted for 34.3 percent of all milk pooled during the year. There was a steady increase in the top ten counties' proportion of the total pool from 2001 through 2009, from 28.6 percent to 33.5 percent, respectively. This period was followed by a relatively steady proportion averaging 33.6 percent from 2010 through 2016. There was a noticeable increase in this proportion in 2017, to 34.3 percent. This trend is presented in the accompanying chart. Pooled milk receipts do not necessarily account for all milk produced in a county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The accompanying table shows the top ten ranked counties for 2017 based on their volume pooled on the Order.

Top Ten Counties Pooling on the Northeast Order, 2017

Rank	County	State	Volume Pooled on Order million lbs	Number of Farms	DDP
1	Lancaster	PA	2,358,394	1,529	4,227
2	Cayuga	NY	1,107,414	94	32,420
3	Wyoming	NY	906,324	110	22,659
4	St. Lawrence	NY	798,710	302	7,244
5	Franklin	VT	790,382	140	15,504
6	Addison	VT	752,041	98	21,024
7	Franklin	PA	735,298	257	7,828
8	Jefferson	NY	684,485	164	11,464
9	Genesee	NY	645,729	51	34,576
10	Onondaga	NY	615,833	66	25,435
Top Ten Total			9,394,610	2,810	9,160
Total Pooled on Order			27,375,831	10,761	6,970
Top 10 Proportion (%)			34.3	26.1	

Source: Northeast Order audited producer payroll reports.

Change in Rankings

Lancaster County, PA, continues to lead all counties, accounting for 8.6 percent of total milk pooled on the Order in 2017, slightly down from 8.9 percent in 2012. Lancaster County accounted for 25.1 percent of the milk pooled from these top ten counties in 2017, down from 26.9 percent of the milk from the top ten counties in 2012, implying their growth relative to the other largest counties has been slower.

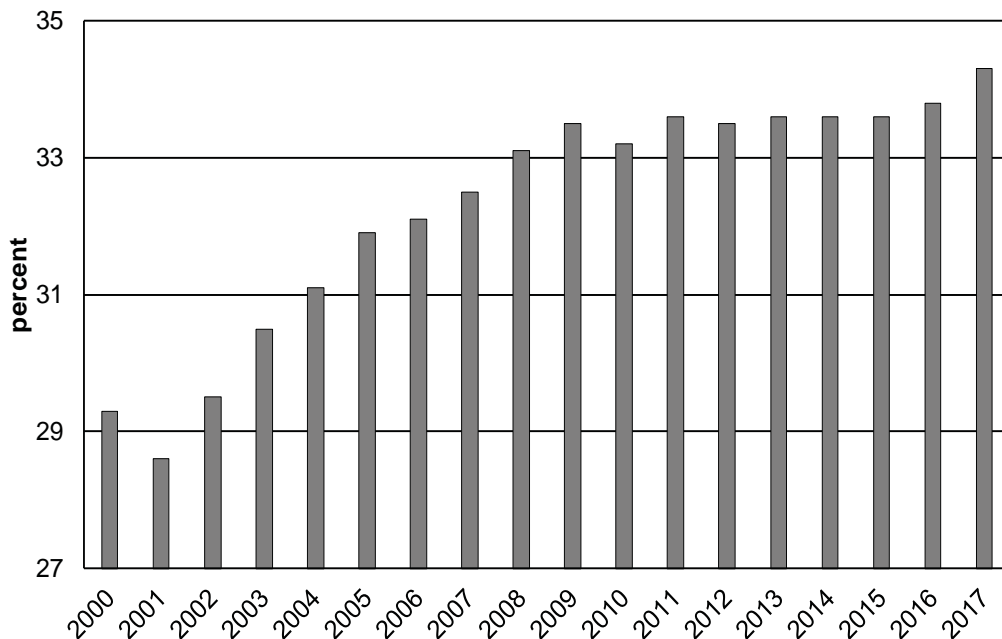
Notable changes in the ranking since 2012 include

Genesee County making the list ranked 8, while Lewis County, NY, ranked 9 in 2012, fell out of the top ten. Wyoming County NY, increased from ranking eighth in 2012 to third position in 2017. Franklin County, PA, dropped from the third position in 2012, to the seventh spot in 2017.

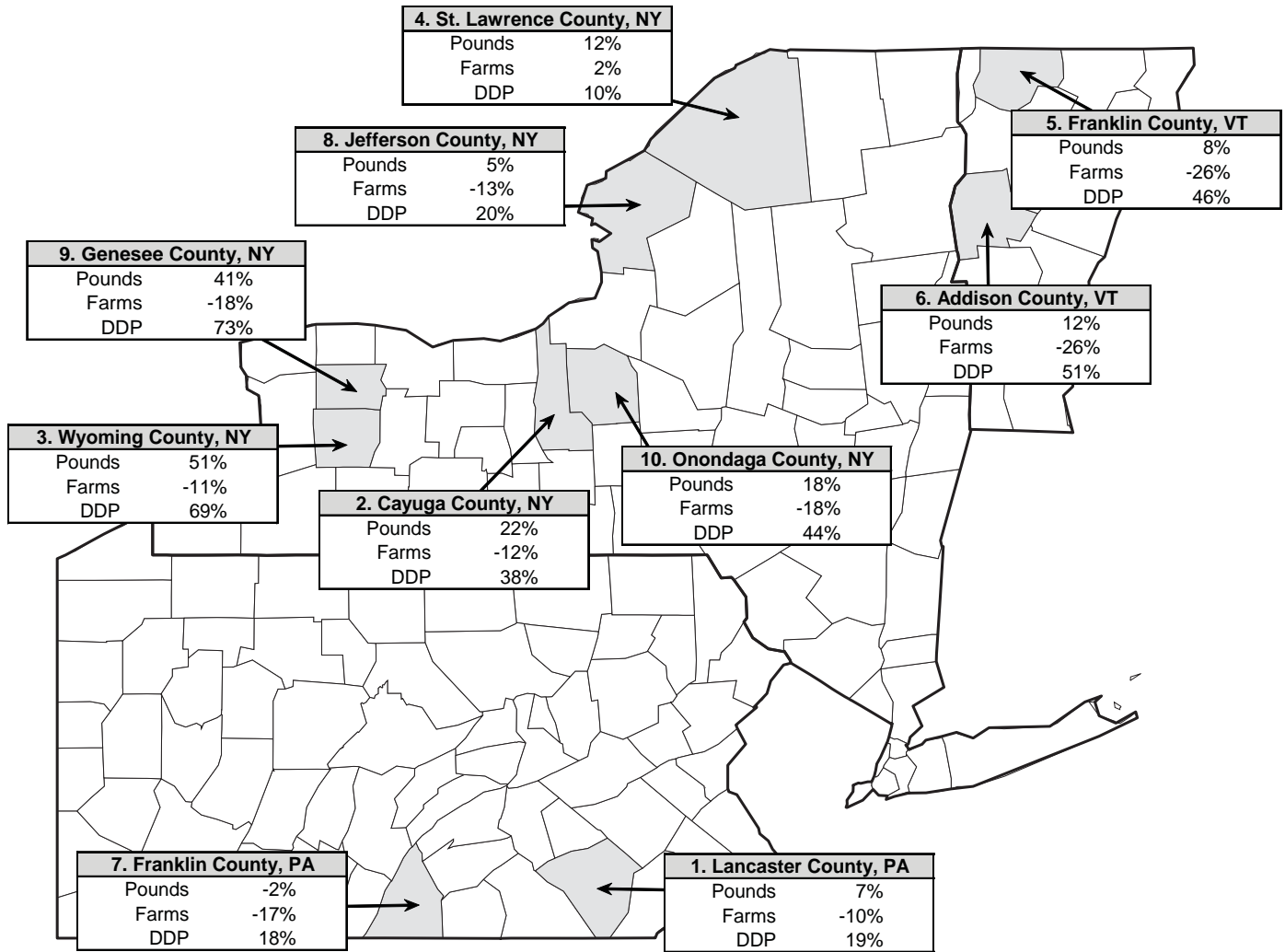
Proportion of Farms and DDP

The top ten counties accounted for 26.1 percent of all farms shipping to handlers regulated on the Northeast Order in 2017. Lancaster County accounted for 14.2 percent of all farms on the Order, and 54.4 percent of the farms from all top ten counties. Of the top ten counties, Genesee County had the least number of farms, only 51, but had the highest average daily deliveries per producer (DDP) of the top ten. The top ten counties combined average DDP equaled 9,160 pounds in 2017. This was up from 7,052 in 2012. The average DDP for the Order as a whole was 6,970 pounds in 2017. This is up from 5,555 pounds in 2012. The accompanying map on page 3 presents changes in pounds pooled, farms pooled, and DDP since 2012. ❖

Top Ten Counties Proportion of Milk Pooled on the Northeast Order, 2000–2017



**Top Ten Counties Percent Change in Pounds and Farms Pooled and DDP, 2012–2017
(Pool Pounds Rank Indicated)**



Pool Summary for All Federal Orders, January–March, 2017–2018

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2017	2018	Change^	2017	2018	2017	2018
		pounds			dollars per hundredweight			
1	Northeast	6,895,386,458	6,771,020,795	(1.8)	1.27	1.34	17.76	15.21
5	Appalachian	1,418,159,768	1,502,608,205	6.0	N/A	N/A	19.40	16.62
6	Florida	680,746,235	673,746,309	(1.0)	N/A	N/A	21.52	18.78
7	Southeast	1,444,258,165	1,405,745,058	(2.7)	N/A	N/A	19.59	16.96
30	Upper Midwest	7,730,054,228	8,417,311,577	8.9	0.17	0.16	16.66	14.03
32	Central	3,991,486,120	4,184,882,132	4.8	0.31	0.18	16.80	14.05
33	Mideast	5,207,544,121	4,922,767,871	(5.5)	0.41	0.49	16.90	14.36
124	Pacific Northwest	1,774,803,666	2,053,898,071	15.7	0.03	0.08	16.51	13.95
126	Southwest	3,431,985,529	3,408,579,307	(0.7)	1.03	1.04	17.51	14.91
131	Arizona	1,310,541,874	1,351,741,566	3.1	N/A	N/A	16.70	14.16
All Market Total/Average		33,884,966,164	34,692,300,891	2.4	0.54	0.55	17.94	15.30

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	752,407,887	\$8.63	64,932,800.65	
Butterfat	16,466,862	2.3659	38,958,948.81	
Less: Location Adjustment to Handlers			(2,872,486.96)	\$101,019,262.52
Class II— Butterfat	32,866,408	2.4343	80,006,696.96	
Nonfat Solids	48,169,532	0.6167	29,706,150.34	109,712,847.30
Class III— Butterfat	27,326,685	2.4273	66,330,062.45	
Protein	18,537,414	1.8066	33,489,692.11	
Other Solids	34,141,639	0.0556	1,898,275.15	101,718,029.71
Class IV— Butterfat	15,970,948	2.4273	38,766,282.08	
Nonfat Solids	40,016,723	0.5232	20,936,749.50	59,703,031.58
Total Classified Value				\$372,153,171.11
Add: Overage—All Classes				65,721.43
Inventory Reclassification—All Classes				276,045.65
Other Source Receipts	538,987 Pounds			12,544.60
Total Pool Value				\$372,507,482.79
Less: Producer Component Valuations @ Class III Component Prices				(365,562,171.47)
Total PPD Value Before Adjustments				\$6,945,311.32
Add: Location Adjustment to Producers				13,190,181.95
One-half Unobligated Balance—Producer Settlement Fund				844,160.35
Less: Producer Settlement Fund—Reserve				(1,060,650.40)
Total Pool Milk & PPD Value	2,371,309,905 Producer pounds			\$19,919,003.22
Producer Price Differential		\$0.84		
Statistical Uniform Price		\$15.06		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

April 2018

Federal Order No. 1

To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

April Pool Price Calculation

The April 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.46 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$16.64 per hundredweight. The April statistical uniform price was 40 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$0.99 per hundredweight, an increase of 15 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month. The butter price rose 7 cents; cheese and nonfat dry milk each increased about 2 cents; and dry whey was up about 1 cent, all on a per pound basis. These changes resulted in an 8-cent jump in the butterfat price, a 3-cent decrease in the protein price, 2-cent increase in the nonfat solids price, and a 1-cent increase in the other solids price.

All class prices rose from March. Class I increase the most with 74 cents per hundredweight. The other classes had more modest increases: Class II was up 15 cents, Class III increased 25 cents, and Class IV rose 44 cents, all on a per hundredweight basis. The result was a higher SUP than the previous month. The PPD increased as well as the spread between the lower classes and the Class I price grew.

Selected Statistics

April reported the fifth month in a row that producer milk receipts were below the same month previous year. Class I utilization was higher than the previous year for April; all other classes were below April 2017.

The average producer butterfat test set a new record for the month of April. The average producer protein and other solids tests tied with previous year's records set for the month. ❖

Pool Summary

- A total of 10,563 producers were pooled under the Order with an average daily delivery per producer of 7,242 pounds.
- Pooled milk receipts totaled 2.294.8 billion pounds, no change from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.8 percent of total milk receipts, down 1.6 percentage point from March.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.8	706,563,666
Class II	23.6	541,958,215
Class III	25.4	583,236,372
Class IV	20.2	463,051,662
Total Pooled Milk		2,294,809,915

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.7810	1.6955
Butterfat Price	2.5113	2.3548
Other Solids Price	0.0619	0.3350

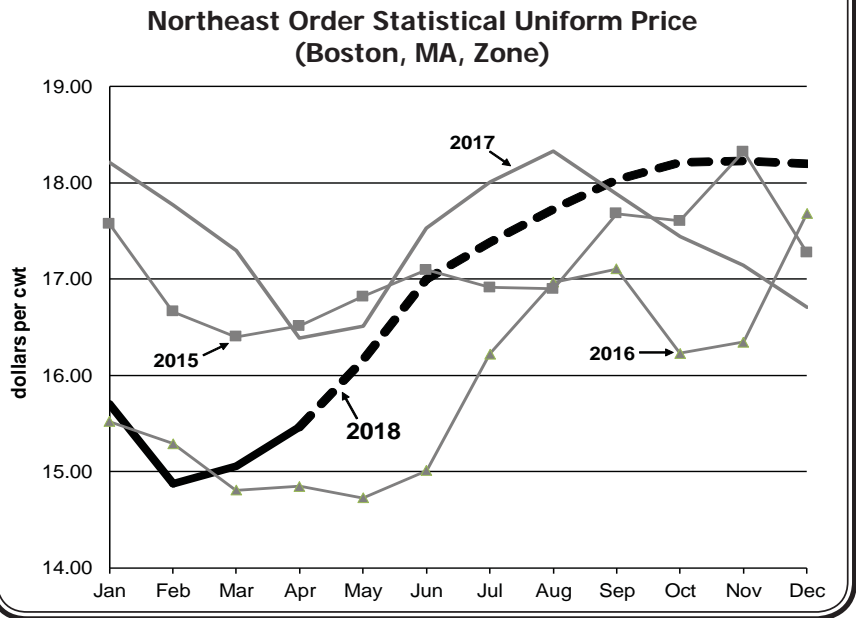
Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.35	19.30
Class II	14.03	14.81
Class III	14.47	15.22
Class IV	13.48	14.01

Price Outlook

Price strengthening is occurring and is expected to continue throughout the year, while Northeast pool volumes show signs of slowing and contracting. Indications are that the lowest price for the year is in the past. The Statistical Uniform Price (SUP) for the first four months of 2018 has averaged \$15.28 per hundredweight (cwt) at the Boston, MA, base zone for the Northeast Order. Using Chicago Mercantile Exchange (CME) futures prices as of May 15, 2018, the SUP projects to average \$16.84 per cwt for this year. This would be 3.4 percent below 2017. Notably, the same CME futures predict an SUP that would be the highest SUP level of the past four years for the September through December portion of the year, averaging \$18.17 per cwt for that period. Since the middle of March, the projected annual average SUP for 2018 has risen \$0.76 per cwt largely. Chart 1 presents the SUP for the most recent three years and the projected prices for the remainder of 2018.

Chart 1



2018 has risen \$0.76 per cwt largely. Chart 1 presents the SUP for the most recent three years and the projected prices for the remainder of 2018.

Butter

A strong butter price continues to bolster the current SUP. National Dairy Product Sales Report (NDPSR) prices, which are used in Federal Order pricing, were \$2.1759 and \$2.2452 per pound for March and April, respectively. Both of these were record highs for the respective months. The butter price has averaged 24 to 39 cents higher than the most recent five-year average through April. May is expected to continue the record-breaking trend. The CME spot butter price on May 15 closed at \$2.3825 per pound. CME Butter futures peak at or above \$2.48 per

Cheese

Monthly NDPSR Cheese prices, have averaged \$1.5295 per pound over the first 4 months of 2018. Monthly prices have been between 16 and 27 cents per pound below the most recent five-month average. As of May 15, the block and barrel cheese CME spot prices were \$1.64 and \$1.60 per pound, respectively. CME Cheese futures peaked just above \$1.75 per pound during September and October.

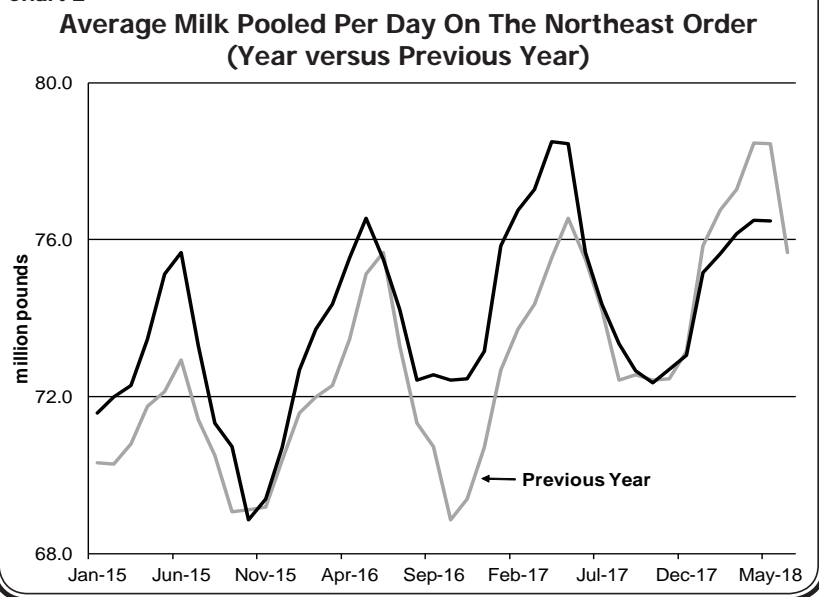
NFDM

Monthly NDPSR Nonfat dry milk (NFDM) prices averaged \$0.7037 for the first four months of 2018. During this period, the NFDM price has averaged 55 cents below its previous five year average. The NDPSR price for the first week of May was \$0.7631 per pound. The CME Spot price for NFDM on May 15 was \$0.8475 and CME futures for NFDM climb roughly a penny each month from June on, reaching \$0.9245 per pound in December.

Northeast Pool Volume Slowing

Stronger price recovery can be aided if milk supplies relative to demand slow or contract. Some evidence of this currently happening in the Northeast can be seen in recent volumes of milk pooled on the Northeast Order. Chart 2 shows year versus previous year average daily pooled pounds per month. Of note is that January 2018 forward is the first time during the period shown, since January 2015, that any sustained period of year over year contraction has occurred. ❖

Chart 2



Manufactured Dairy Products—2017 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2017 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2017 to 2016 and 2012, for both the U.S. and for milk used in the Northeast Order. All changes have been adjusted for leap years in 2012 and 2016.

Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew 4.2 percent from 2016. The greatest increases were seen in American and other types (includes Hispanic, feta, and Muenster; blue and gorgonzola, brick, Gouda and some other varieties) that both grew 6.6 percent from the previous year. Cream cheese rose 4.0 percent while total Italian (includes ricotta that declined 5.0 percent) and Swiss both increased 1.8 percent.

When compared to five years earlier, total cheese is up 16.6 percent. American, Italian, and cream cheese all have had growth of about 17 percent; other types grew 22.9 percent from 5 years ago.

In the Northeast, milk used in making cheese rose 4.0 percent from 2016 to 2017. By category, milk used in Italian cheese was up 5.5 percent (this figure includes ricotta, which increased 6.6 percent); cream cheese grew 4.1 percent; and American rose 3.8 percent. Swiss (which includes other cheeses) decreased 2.5 percent from the previous year. Compared to 2012, milk used in cheese rose 19.7 percent. Increases in individual products rose 12 to 28 percent.

Other Products

U.S. butter and yogurt (plain and fruit flavored) production increased slightly from 2016 to 2017 (up 0.7 percent); in the Northeast butter rose 18.4 percent while yogurt increased a slight 0.9 percent. Nonfat dry milk (NFDm) increased 5 percent from 2016, nationally. In the Northeast, milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) grew 1.1 percent from 2016. Compared to 2012, NFDm rose 4.3 percent nationally. It increased 91.1 percent in the Northeast from 2012.

Leading States

The top three cheese-producing states continued to be Wisconsin, California, and Idaho; New York ranked

Change in Selected Manufactured Dairy Products, 2017

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2017 from:			
	2012	2016	2012	2016
	(percent change)			
Cheese				
American^	16.8	6.6	26.7	3.8
Italian+	16.5	1.8	13.8	5.5
Cream and Neufchatel	17.1	4.0	17.4	4.1
Other*	15.9	5.4	28.4	(2.5)
Total Cheese(excludes cottage)	16.6	4.2	19.7	4.0
Butter	(0.4)	0.7	48.3	18.4
NFDm~	4.3	5.0	91.1	1.1
Yogurt	1.7	0.7	(1.3)	0.9

Source: USDA, NASS - Dairy Products 2017 Summary; Northeast Order pool report data; percent change adjusted for leap years.

Based on total milk used in manufacture of products.

^ Includes Cheddar, Colby, Monterey, and Jack.

+ Includes ricotta, mozzarella, parmesan, provolone, and other Italian varieties.

* Includes Swiss, Hispanic, Muenster, feta, and other varieties.

~ For human use; Northeast data includes some whole milk powder.

fourth. Wisconsin remained the number one producer of both American and Italian cheese. California continued to lead in butter, unsweetened condensed, ice cream, and nonfat dry milk. New York remained the largest producer of yogurt, sour cream, and lowfat and creamed cottage cheese. State rankings for certain products such as cream cheese were not given due to having fewer than 3 handlers reporting.

Percent of Total Milk Production

Of U.S. total milk production, 77.7 percent was used in manufactured products (22.3 percent sold for fluid use) in 2017, up from 76.9 percent in 2016 and 73.7 percent in 2012.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 67.3 percent in 2017; this compares to 66.9 in 2016 and 60.1 in 2012. ❖

Market Administrator Retires

On May 3, 2018, Erik F. Rasmussen retired from the position of Market Administrator of the Northeast Milk Marketing Area. Mr. Rasmussen had more than 44 years of government service, most of it within USDA's Dairy Program. He held the position of Market Administrator since the inception of the Northeast Marketing Area in January 2000.

Shawn M. Bookoff will serve as Acting Market Administrator effective May 4 through July 31, 2018. A further notice will be issued on or before this date as to whether a permanent appointment will be made. ❖

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	691,476,387	\$9.07	62,716,908.30	
Butterfat	15,087,279	2.4576	37,078,496.87	
Less: Location Adjustment to Handlers			(2,681,559.62)	\$97,113,845.52
Class II— Butterfat	32,101,781	2.5183	80,841,915.10	
Nonfat Solids	46,968,652	0.6011	28,232,856.70	109,074,771.80
Class III— Butterfat	27,032,531	2.5113	67,886,795.10	
Protein	18,014,189	1.7810	32,083,270.64	
Other Solids	33,353,090	0.0619	2,064,556.29	102,034,622.03
Class IV— Butterfat	15,252,292	2.5113	38,303,080.91	
Nonfat Solids	41,305,245	0.5401	22,308,962.82	60,612,043.73
Total Classified Value				\$368,835,283.08
Add: Overage—All Classes				26,777.02
Inventory Reclassification—All Classes				235,784.44
Other Source Receipts	224,148 Pounds			6,532.19
Total Pool Value				\$369,104,376.73
Less: Producer Component Valuations @ Class III Component Prices				(359,242,597.35)
Total PPD Value Before Adjustments				\$9,861,779.38
Add: Location Adjustment to Producers				12,953,386.85
One-half Unobligated Balance—Producer Settlement Fund				925,964.13
Less: Producer Settlement Fund—Reserve				(1,020,293.20)
Total Pool Milk & PPD Value	2,295,034,063 Producer pounds			\$22,720,837.16
Producer Price Differential		\$0.99		
Statistical Uniform Price		\$15.46		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

May 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
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 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

May Pool Price Calculation

The May 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.14 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$17.02 per hundredweight. The May statistical uniform price was 68 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$0.96 per hundredweight, a decrease of 3 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month. The butter price rose 9 cents; nonfat dry milk increased 8 cents; cheese was up 6 cents; and dry whey was up about 1 cent, all on a per pound basis. These changes resulted in an 11-cent jump in the butterfat price, making it the highest butterfat price for the month of May on record. The commodity price changes also resulted in 8-cent increases in both the nonfat solids and protein prices, and a 1-cent increase in the other solids price.

All class prices rose from April. Class I increased 34 cents; Class III was up 71 cents; and Class IV jumped \$1.09, all on a per hundredweight basis. The Class II price rose 44 cents, but was the lowest of the classes.

The result was a higher SUP than the previous month. The PPD decreased slightly as the spread between the lower classes and the Class I price tightened.

Selected Statistics

Total pooled milk receipts for April 2018 were the largest volume ever reported for the Northeast Order since its inception; the daily deliveries per producer (DDP) also set a new record high. Total Class II volume was the highest ever for the Order, partially due to it being the lowest prices class.

The average producer butterfat test tied with last year's record for the month of May. The average producer protein test was the second highest for the month and the other solids tests tied with previous year's records set for the month. ❖

Pool Summary

- A total of 10,569 producers were pooled under the Order with an average daily delivery per producer of 7,433 pounds.
- Pooled milk receipts totaled 2.435 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.2 percent of total milk receipts, down 0.6 percentage point from April.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.2	735,673,627
Class II	26.0	633,583,138
Class III	24.9	605,242,084
Class IV	18.9	460,861,256
Total Pooled Milk		2,435,360,105

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.8609	1.7723
Butterfat Price	2.6239	2.4134
Other Solids Price	0.0742	0.3196

Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.69	18.45
Class II	14.47	14.84
Class III	15.18	15.57
Class IV	14.57	14.49

Fluid Milk Container Sales Survey

The 2017 container sales survey of Class I handlers regulated under the Northeast Order was recently completed. This survey is conducted biennially and records sales of fluid milk products by various package types and sizes for the month of November. The survey collects sales data from handlers (fully and partially regulated, exempt, and producer-handlers) under the Northeast Order that have sales of packaged fluid milk within the defined geographic region of the Northeast Milk Marketing Area. Sales reported by these handlers include those in the Marketing Area, along with sales to unregulated areas and other federal order areas.

Started in 1964, the survey was conducted annually through 1967 and biennially since. Its purpose is to reflect bottling changes in the industry from various containers such as glass to paper and plastic, and from various sizes such as quarts to gallons and in later years, round single serve plastic containers. More recent surveys added organic products, extended shelf life (ultra and aseptic pasteurized), and additional categories in methods of distribution.

Container Size and Type

Packaged sales reported by handlers in the Northeast continue their decline and totaled 772 million pounds in November 2017, down from 791 million in 2015 and 872 million in 2013. There was little change in the proportion sold by container size. Gallons still accounted for over half of all milk sold in the Northeast at 54.3 percent (see accompanying chart). Unchanged from the last survey, they were followed by half gallons at 27.3 percent and quarts

November Container Sales Survey

Method of Distribution*	2015	2017
	Percent	
Supermarket chains	38.0	36.0
Mass merchandisers	9.9	9.0
Club Stores	4.5	6.9
Convenience stores	9.1	8.7
Drug Stores	1.2	1.0
Schools	4.2	4.1
Institutions	2.5	1.8
Wholesale distributors	25.2	25.0
Home delivery routes	0.2	0.1
Other	5.4	7.4
Total	100.1	100.0

* Sales of packaged fluid milk products from regulated handlers in the Northeast Marketing Area, unregulated areas, and other federal order areas. A new category (Internet Ordered Home Delivery) was added in 2017, but sales accounted for less than 0.1 percent.

at 5.5 percent. Half pints were up slightly from 8.1 to 8.6 percent. The round plastic 14, 12, and 10 ounce containers proportion remained the same as in 2015, at 0.5 percent.

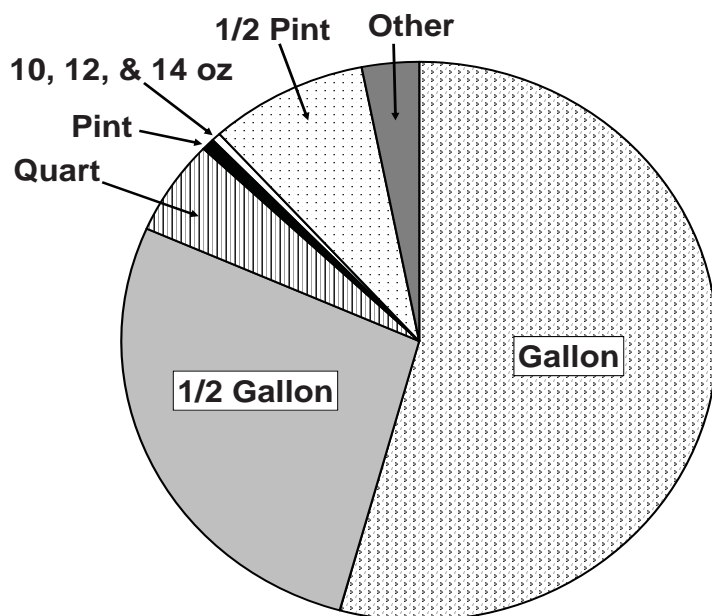
Proportions of type of container remained nearly the same as in 2015. Glass usage declined to 0.3 percent; it had increased to a 0.4 percent share of sales in the marketing area in 2013. Paper rose to 22.5 percent (from 21.1 in 2015), while plastic declined slightly to 77.2 percent (from 78.5 in 2015). The paper proportion has risen in the past two surveys.

Product Type

Whole milk (unflavored) continued to hold the largest market share with 37.6 percent, up from 34.3 percent in 2015. Sales of reduced fat (2 %), low fat (1%), and fat free (skim) accounted for a combined total of 53.0 percent, a decline from the last survey (56.6 percent in 2015). Flavored milk and drinks (lower fat flavored milk) had 6.5 percent of all sales, down slightly from 6.7 in 2015. Buttermilk was unchanged at 0.5 percent; eggnog increased to 2.3 percent (from 1.8 percent in 2015).

Organic milk (included regular and flavored, whole and lower fat) rose to 6.3 percent of all sales, up slightly from 6.1 during the last survey. Within the organic category, 39.8 percent was whole milk, the remaining
(continued on page 3)

Sales by Container Size, November 2017



Fluid Milk *(continued from page 2)*

60.2 percent lower fat products. Only 0.8 percent of organic milk sold was flavored.

As mentioned above, this survey broke out extended shelf life (ESL) products. Of total sales reported, 11.2 percent were ESL (up from 8.7 percent in 2015). Within product categories, they accounted for 7.8 percent of whole milk, 13.3 percent of reduced fat, 6.6 percent of low fat, 18.6 percent of fat free, and 8.0 percent of organic milk. ESL products predominantly are sold in paper half gallons, followed by plastic gallons and paper quarts.

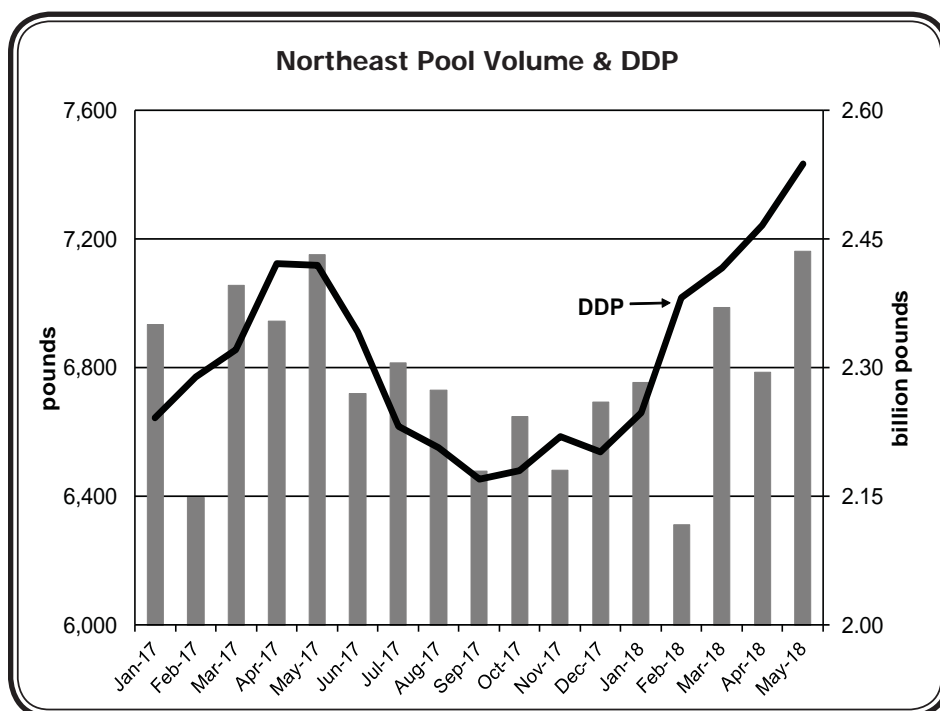
Method of Distribution

This survey added an additional category to the

Methods of Distribution section – Internet Ordered Home Delivery. Only two handlers reported sales in this category and the total was too small to register any percentage. Supermarket sales accounted for the largest volume at 36.0 percent (see accompanying table). Wholesale distributors were second, followed by mass merchandisers (Wal-Mart, Target, etc.). Club stores (Costco, Sam’s Club, BJ’s Wholesale, etc.) increased to 7.0 percent, up from 4.5 percent in the last survey. Convenience stores (not drug stores) accounted for nearly 9 times the volume of drug stores (CVS, Rite Aid, Walgreens, etc.). School sales were down slightly from previous surveys. ❖

Pool Volume and Dairy Deliveries per Producer

The recent Northeast milk market has been characterized by large volumes of milk produced and pooled on the Northeast Order. More recently, data have shown some evidence of easing in this trend as monthly pool volumes have been below previous year levels in six of the last eight months. Additionally, Class IV volume has been below previous year levels for six straight months (averaging 38.9 million pounds lower). However, May’s pool topped last year by 3 million pounds after a 5-month stretch where the pool volume averaged 38 million pounds below. May’s daily deliveries per producer (DDP) set an all time record high for the second month straight. The accompanying chart presents DDP and total Northeast Order pool volume since January 2017. ❖



Producers Approve California Order

On June 7, 2018, the USDA announced that California dairy producers voted to approve a Federal Milk Marketing Order (FMMO) for the state of California. A final rule was published in the Federal Register also on this date. The new California FMMO will be implemented October 17, 2018, with publication of the Announcement of Advanced Prices and Pricing Factors. Affected parties must comply with all provisions beginning November 1, 2018.

California represents over 18 percent of all U.S. milk production and is currently regulated by a state milk marketing order administered by the California Department of Agriculture (CDFA). Once the new FMMO is established, over 80 percent of the U.S. milk supply

would fall under the FMMO regulatory framework.

Where appropriate, the California FMMO adopts the uniform order provisions contained in the 10 current FMMOs in the national system. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas, and the producer-handler definition. The new FMMO recognizes the unique market structure of the California dairy industry through tailored, performance-based standards to determine eligibility for pool participation. The order also provides for the recognition of producer quota as administered by the CDFA.

The entire record of the rulemaking is available at www.ams.usda.gov/caorder. ❖

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	720,305,151	\$9.23	66,484,165.44	
Butterfat	15,368,476	2.5102	38,577,948.46	
Less: Location Adjustment to Handlers			(2,770,908.62)	\$102,291,205.30
Class II— Butterfat	34,472,142	2.6309	90,692,758.37	
Nonfat Solids	54,836,150	0.6056	33,208,772.41	123,901,530.78
Class III— Butterfat	27,208,847	2.6239	71,393,293.63	
Protein	18,363,141	1.8609	34,171,969.05	
Other Solids	34,692,922	0.0742	2,574,214.83	108,139,477.51
Class IV— Butterfat	15,571,270	2.6239	40,857,455.36	
Nonfat Solids	40,783,601	0.6196	25,269,519.16	66,126,974.52
Total Classified Value				\$400,459,188.11
Add: Overage—All Classes				103,187.02
Inventory Reclassification—All Classes				249,323.20
Other Source Receipts	394,859 Pounds			10,438.16
Total Pool Value				\$400,822,136.49
Less: Producer Component Valuations @ Class III Component Prices				(391,023,260.04)
Total PPD Value Before Adjustments				\$9,798,876.45
Add: Location Adjustment to Producers				13,670,218.32
One-half Unobligated Balance—Producer Settlement Fund				1,041,814.95
Less: Producer Settlement Fund—Reserve				(1,127,661.99)
Total Pool Milk & PPD Value	2,435,754,964 Producer pounds			\$23,383,247.73
Producer Price Differential		\$0.96		
Statistical Uniform Price		\$16.14		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

June 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

June Pool Price Calculation

The June 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.70 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$17.37 per hundredweight. The June statistical uniform price was 56 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$1.49 per hundredweight, an increase of 53 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month, except cheese. The butter and dry whey prices rose nearly 4 cents, while nonfat dry milk increased 2 cents, all on a per pound basis. Cheese declined 2 cents per pound. These changes translated into approximately 4-cent increases in both the butterfat and other solids prices, a 2-cent increase in the nonfat solids price, and an eleven cent drop in the protein price.

All class prices rose from May. Class I increased 81 cents, Class II jumped \$1.01, Class III rose a slight 3 cents, and Class IV was up 34 cents, all on a per hundredweight basis. The Class IV price became the lowest price class once again.

The result was a higher SUP than the previous month. The PPD also increased as the spread between the lower classes and the Class I price widened.

Selected Statistics

Total pooled milk receipts for June 2018 were the largest volume ever reported for the month. Total Class IV volume also was the highest ever for the month of June, partially due to it being the lowest prices class.

The average producer butterfat test tied with last year's record for the month of June. The average producer protein test was the second highest for the month and the other solids tests tied with previous year's records set for the month. ❖

Pool Summary

- A total of 10,456 producers were pooled under the Order with an average daily delivery per producer of 7,418 pounds.
- Pooled milk receipts totaled 2.327 billion pounds, a decrease of 1.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.3 percent of total milk receipts, down 0.9 percentage points from May.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.3	680,807,803
Class II	23.3	542,203,602
Class III	27.1	631,811,885
Class IV	20.3	472,122,348
Total Pooled Milk		2,326,945,638

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.7478	1.7545
Butterfat Price	2.6692	2.7066
Other Solids Price	0.1128	0.3014

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.50	18.56
Class II	15.48	16.15
Class III	15.21	16.44
Class IV	14.91	15.89

Pooled Milk Receipts and Utilization

During 2017, the strength in volume of milk pooled on the Northeast Order started to slow a bit, particularly from June onward. The year finished 1.7 percent above the previous year. Each month set a new Order record in volume except October and December (see Chart 1).

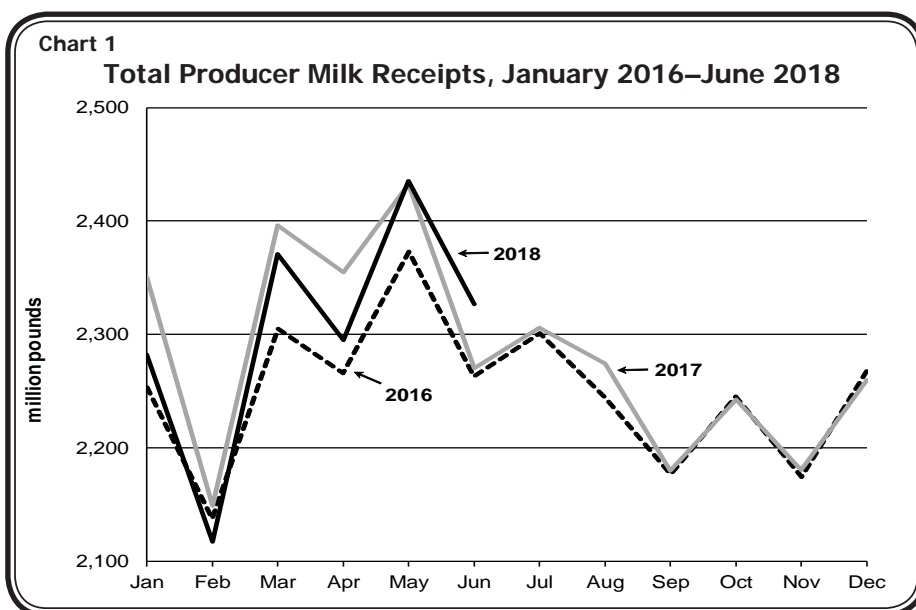
The new year followed this trend with January through April strong but falling short of the previous year volumes-until May. Both May and June volumes have surpassed the previous year and set new Order records. For the first 6 months, total milk receipts are 0.9 percent below the same period in 2017. This compares to a 3.2 percent increase seen for the January-June period last year, compared to the same period in 2016 (adjusted for leap year).

Utilization by Class

Chart 2 shows utilization by class for the first 6 months of 2018 compared to last year and 5 years ago.

For the first 6 months of 2018, milk used in Class I was down a slight 0.4 percent compared to the same period in 2017. This is the smallest decline in 7 years. Within the Class I fluid sales category, whole milk (conventional, organic, and flavored) is the only product to see an increase from 2017. Compared to 2013, Class I utilization is down 8.7 percent.

Class II usage was up a slight 0.4 percent for the January-June period. Milk used for Class II purposes hit a peak in 2013 (accounting for almost 26 percent), primarily due to yogurt. Overall usage is still strong, accounting for an average of about 24 percent of all milk

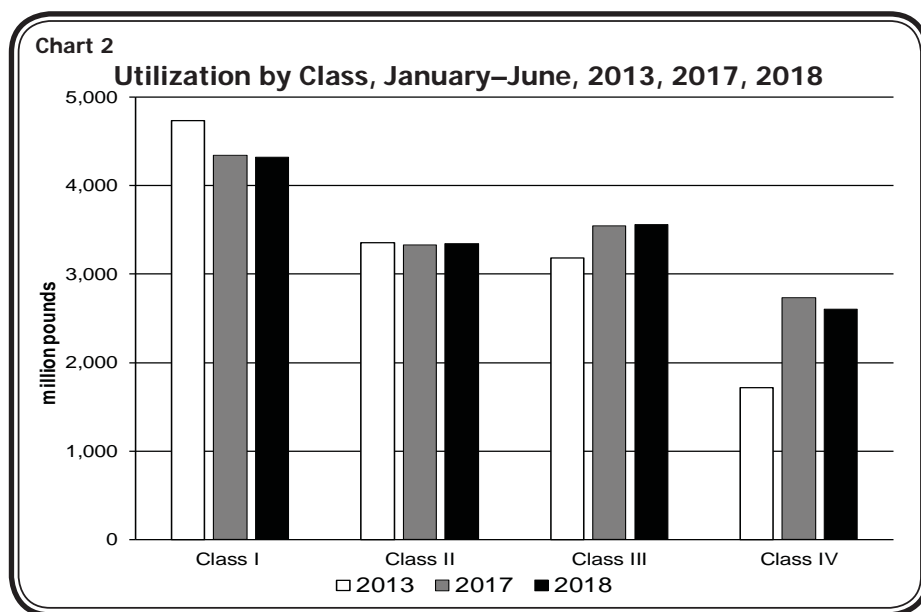


pooled on the Order. For 2018, milk used in yogurt is up 1.2 percent. The categories of bakery/candy/soup and cottage cheese had the largest growth from 2017 with 5.2 and 10.4 percent, respectively.

Milk used for Class III products (mostly cheese) increased a slight 0.3 percent for the 6 month period. American cheese usage decreased 2.8 percent; cream cheese jumped 11.2 percent; Swiss and other type cheeses rose 5.9 percent; while Italian grew less than 1 percent. Compared to 5 years ago, Class III usage is up 11.7 percent.

Class IV volumes during 2018 have been strong and June set a record for the month. But compared to 2017, which included Order record-setting volumes the first 5 months, total Class IV utilization for the period declined 4.7 percent. Within product categories, butter usage dropped 9.4 percent, dried products decreased 1.6 percent, and condensed products rose 11.5 percent.

Compared to 2013, Class IV has jumped 51.5 percent.



Minimum Price Class

The Class IV total volume was also impacted by the class price for May. Since the Class II price for May was the lowest of the classes, any milk assigned to the minimum class was included in Class II utilization. For all other months during 2018, and the first 6 months of 2017, the lowest class price was Class IV. This decreased the overall Class IV volume and increased Class II somewhat.

Milk assigned to the minimum price class includes milk used for animal feed, dumpage, and other uses as defined in section 1000.40 of the Order. ❖

Shipping Percentage Changed for Fall Months

In April, the Market Administrator received a request from a plant operator to lower the percentage of milk that pool supply plants and cooperative Section 1000.9(c) handlers must deliver to Class I pool distributing plants during the months of September, October, and November. It was requested that the shipping percentages specified in Section 1001.7 (c) (2) be lowered from 20 to 10 percent for the months listed until further notice. Reductions in the required shipping percentage for the stated period have been approved since 2013. In each of these years, the approved adjusted shipping percentage was 15 percent. Similar to requests since 2013, the requesting handler cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and no instances where Class I needs have not been covered as arguments for their petition. The petition also stated that the reduction in shipping percentages would have an insignificant effect on individual producer's pay prices. Following receipt of the request, the Market Administrator's office sent a letter to pool handlers inviting them to submit comments, data, or views regarding the request. The office reviewed the comments received and conducted an analysis of milk volumes pooled on the Order and milk utilization.

Pool volumes for 2018 have been strong, while Class I sales have continued to decline, though at a somewhat slower pace. The Class I utilization for May 2018 (the most recent pool month at the time of the shipping percentage decision), at 735.7 million pounds, was the second lowest volume for the month in 19 years. Class I utilization for June 2018, at 680.8 million pounds, was the lowest ever for that month. In contrast, the volume of milk pooled on the Order through the first 6 months of this year is the second largest volume since

the inception of the Northeast Order, second only to the previous year.

Also taken into consideration, was the closing of long-operating bottling plants in the marketing area, as well as other bottling plants' comments that current supplies of milk were in excess of their demand. These situations were considered reflective of a market place where Class I handlers feel they have all the milk they need.

Milk used and priced as animal feed, dumpage, destroyed, and other uses (such as lost to vehicle accident, equipment failure or other occurrences beyond a handler's control) totaled 30.6 million pounds in June 2018, about 13.1 million pounds more than the same month in 2017. Currently, the Northeast Order is operating under temporary reauthorization of the pooling of milk disposed of or "dumped" at farm or other non-plant locations through July 15, 2018, though just 0.25 percent of the milk in the other use category for June, as previously mentioned, would be defined by this temporary allowance. That the current market is characterized by these situations was also considered in the shipping percentage decision.

After reviewing the data and comments, the Market Administrator's office, as permitted by Section 1001.7(g) of the Northeast Order, decided that the shipping percentage will be reduced from 20 to 10 percent for the months of September, October, and November. In consideration of the current milk price cycle and the potential impact on future milk production within the region, the decision at this time will be limited to a single year, 2018. For additional information, copies of the request, comments, and the decision, see the links on our webpage at www.fmmone.com. ❖

Pool Summary for All Federal Orders, January–June, 2017–2018

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2017	2018	Change^	2017	2018	2017	2018
		pounds			percent	dollars per hundredweight		
1	Northeast	13,952,736,030	13,828,136,453	(0.9)	1.17	1.24	17.29	15.66
5	Appalachian	2,870,735,082	2,932,291,911	2.1	N/A	N/A	18.67	16.91
6	Florida	1,323,351,463	1,284,227,250	(3.0)	N/A	N/A	20.79	19.04
7	Southeast	2,893,462,584	2,764,331,329	(4.5)	N/A	N/A	18.88	17.22
30	Upper Midwest	16,008,292,102	16,654,140,274	4.0	0.15	0.14	16.26	14.55
32	Central	8,192,539,529	8,468,924,118	3.4	0.19	0.11	16.30	14.52
33	Mideast	10,562,597,144	10,000,195,680	(5.3)	0.33	0.40	16.45	14.82
124	Pacific Northwest	3,633,361,269	4,201,137,302	15.6	0.00	0.06	16.12	14.47
126	Southwest	6,726,456,326	6,769,239,468	0.6	0.98	0.99	17.09	15.41
131	Arizona	2,632,181,167	2,671,113,511	1.5	N/A	N/A	16.26	14.66
All Market Total/Average		68,795,712,696	69,573,737,296	1.1	0.47	0.49	17.41	15.73

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	665,891,912	\$9.60	63,925,623.55	
Butterfat	14,915,891	2.6399	39,376,460.65	
Less: Location Adjustment to Handlers			(2,559,463.95)	\$100,742,620.30
Class II— Butterfat	32,536,137	2.6762	87,073,209.85	
Nonfat Solids	46,422,598	0.7033	32,649,013.18	119,722,223.03
Class III— Butterfat	26,400,572	2.6692	70,468,406.80	
Protein	18,999,690	1.7478	33,207,658.21	
Other Solids	36,288,947	0.1128	4,093,393.22	107,769,458.23
Class IV— Butterfat	13,160,057	2.6692	35,126,824.14	
Nonfat Solids	41,790,889	0.6407	26,775,422.60	61,902,246.74
Total Classified Value				\$390,136,548.30
Add: Overage—All Classes				130,171.89
Inventory Reclassification—All Classes				261,695.29
Other Source Receipts	1,273,448 Pounds			39,315.28
Total Pool Value				\$390,567,730.76
Less: Producer Component Valuations @ Class III Component Prices				(369,520,323.68)
Total PPD Value Before Adjustments				\$21,047,407.08
Add: Location Adjustment to Producers				13,235,950.33
One-half Unobligated Balance—Producer Settlement Fund				1,447,964.79
Less: Producer Settlement Fund—Reserve				(1,040,857.82)
Total Pool Milk & PPD Value	2,328,219,086 Producer pounds			\$34,690,464.38
Producer Price Differential		\$1.49		
Statistical Uniform Price		\$16.70		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

July 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
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 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

July Pool Price Calculation

The July 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.14 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$16.60 per hundredweight. The July statistical uniform price was 56 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was \$2.04 per hundredweight, an increase of 55 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices decreased from the previous month, except dry whey. The butter price dropped almost 12 cents, cheese fell nearly 13 cents, and nonfat dry milk declined 3 cents, all on a per pound basis. The dry whey price increased about 3 cents per pound. These changes translated into the butterfat pricing falling 14 cents, the protein price dropping 26.5 cents, and the nonfat solids price declining 3 cents, all on a per pound basis. The other solids price increase 3 cents per pound.

The Class I price, announced in advance and based on higher prices in June, increased 11 cents per hundredweight. All other class prices declined from June: Class II decreased 28 cents, Class III dropped \$1.11, and Class IV fell 77 cents, all on a per hundredweight basis. The Class III price became the lowest priced class.

The result was a lower SUP than the previous month. The PPD increased as the spread between the lower classes and the Class I price widened.

Selected Statistics

Total pooled milk receipts for July 2018 were the largest volume ever reported for the month. Total Class III volume was the highest ever for the month since 2002, partially due to it being the lowest priced class. Class I volume was the lowest ever for the month and the smallest ever for the Order on a per day basis.

The average producer butterfat test was the second highest ever for the month of July. ❖

Pool Summary

- A total of 10,358 producers were pooled under the Order with an average daily delivery per producer of 7,199 pounds.
- Pooled milk receipts totaled 2.311 billion pounds, a decrease of 3.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.1 percent of total milk receipts, down 0.2 percentage points from June.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 2.97 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.1	672,098,878
Class II	24.4	563,372,728
Class III	29.1	673,452,800
Class IV	17.4	402,542,155
Total Pooled Milk		2,311,466,561

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.4827	1.2248
Butterfat Price	2.5287	2.9456
Other Solids Price	0.1422	0.2599

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.61	19.84
Class II	15.20	17.48
Class III	14.10	15.45
Class IV	14.14	16.60

Price Outlook

After four months of increasing Statistical Uniform Prices, July's price declined 56 cents per hundredweight (cwt) from the previous month. During the increasing months, the price had risen \$1.83 per cwt. The Statistical Uniform Price (SUP) for the first seven months of 2018 has averaged \$15.73 per hundredweight (cwt) at the Boston, MA, base zone for the Northeast Order. Using Chicago Mercantile Exchange (CME) futures prices as of August 14, 2018, the SUP projects to average \$16.34 per cwt for this year. This would be 6.3 percent below 2017. The accompanying chart presents the SUP for the most recent three years and the projected prices for the remainder of 2018.

Butter

A strong butter price continues to bolster the current SUP. National Dairy Product Sales Report (NDPSR) prices, which are used in Federal Order pricing, averaged \$2.3197 per pound from April through June, each month recording a record high for the month. July's butter price softened somewhat at \$2.2596 per pound, but was still above the previous 5-year average for July of \$2.13 per pound. The CME spot butter price on August 14 closed at \$2.3875 per pound. CME Butter futures range from \$2.32 to \$2.41 per pound, from August through December.

Cheese

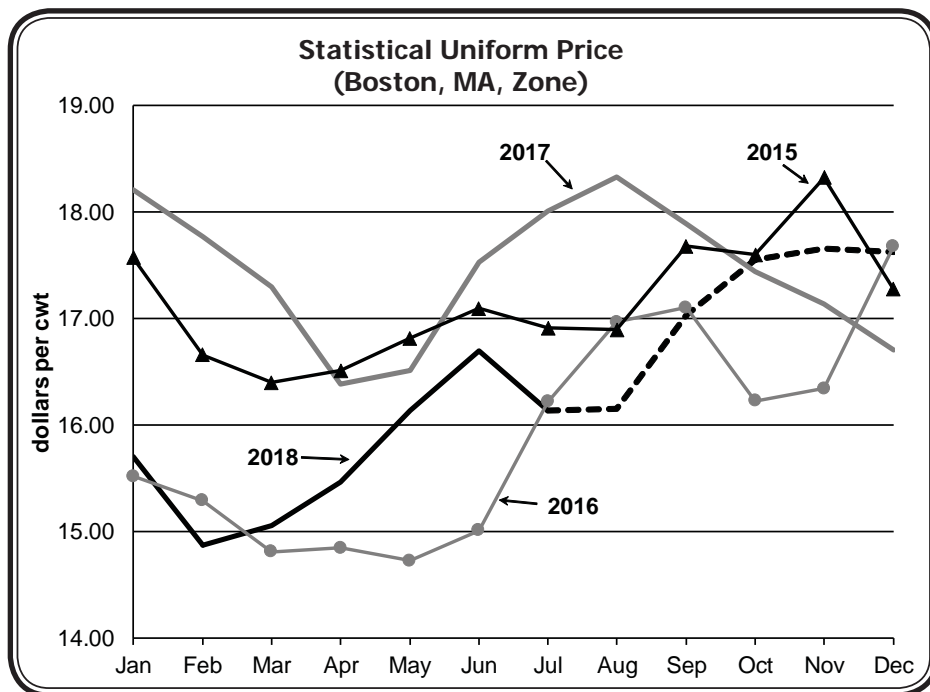
Monthly NDPSR cheese prices, have averaged \$1.5507 per pound over the first seven months of 2018. Monthly prices have averaged almost 18 cents per pound below the most recent five-year average, over 24 cents below during July. As of August 14, the block and barrel cheese CME spot prices were \$1.6550 and \$1.6700 per pound, respectively. CME Cheese futures through 2018 peak just above \$1.68 per pound during October.

NFDM

Monthly NDPSR Nonfat dry milk (NFDM) prices average \$0.7437 for the first seven months of 2018. During this period, the NFDM price has averaged 50 cents below its previous five year average. The CME Spot price for NFDM on August 14 was \$0.8200 and CME futures for NFDM climb to a peak of \$0.9043 per pound in December.

Northeast Pool Volume

Stronger price recovery can be aided if milk supplies relative to demand slow or contract. Through seven months, total Northeast Order pool volume for the year



is down about 119 million pounds. The lower volume is attributable to year-over-year declines during January through April. Since then, monthly pool volumes have again been higher than the previous year, setting record highs each month. The accompanying article in this month's *Bulletin* provides further detail on milk production overall.

Exports

It's often stated how important exports have become in the current U.S. dairy demand equation with the large volume now exported and increasing responsiveness to world pricing. Amid the news of tariffs and trade wars, the United States Dairy Export Council (USDEC) reported in August that U.S. dairy exports were a record 16.8 percent of milk solids for the first half of 2018. This is the highest percentage in history for the first half of the year. The previous record was 16.4 percent exported during the first half of 2014. Still, this period mostly preceded the discussions and impositions of new tariffs. The possible impact of tariffs has created some uncertainty looking ahead. The USDEC stated that much uncertainty stems from the impact tariffs may have on China's economy, claiming China has been the engine that has driven dairy import demand for the past decade. A weaker Chinese economy could soften dairy demand in that country. June exports to Mexico were very strong, due to some buying forward by Mexican importers ahead of possible increases in tariffs in July. The two countries (as well as Canada) hope for a quick conclusion to North America Free Trade Agreement negotiations in order to avoid any tariffs now being assigned. ❖

U.S. Milk Production Stronger Than Northeast Pooled Volume

Total estimated US milk production for the first 6 months of 2018 increased 1.1 percent from the same period in 2017. During the same period, the total pooled milk volume for the Northeast Order decreased 0.9 percent.

Milk Production

The top ten states based on total production for the first 6 months increased 1.2 percent from 2017. The accompanying table shows the comparison along with selected other areas. States showing declines include Michigan, Minnesota, New York, and Pennsylvania. Total production for the top 23 states as reported by NASS (National Agricultural Statistics Service) rose 1.3 percent for January-June period compared to the previous year.

The accompanying map shows year-to-year percent changes for the January-June period for the top 23 milk production states. In the Northeast, the states contributing to the Northeast Order milkshed had a combined decrease of 1.4 percent. The combined New England states declined 2.2 percent for the period. The only Northeast milkshed states showing increases were Connecticut, Delaware, and Maryland. The top three contributing states (New York, Pennsylvania, and Vermont) had a combined decline of 1.2 percent.

Milk Production in the Top Ten States and Selected Areas, January–June, 2017 vs. 2018

Rank	State	2017 (million pounds)	2018	Percent Change
1	California	20,281	20,601	1.6
2	Wisconsin	15,153	15,223	0.5
3	New York	7,539	7,430	(1.4)
4	Idaho	7,203	7,416	3.0
5	Texas	6,094	6,464	6.1
6	Michigan	5,642	5,639	(0.1)
7	Pennsylvania	5,579	5,541	(0.7)
8	Minnesota	4,961	4,937	(0.5)
9	New Mexico	4,170	4,267	2.3
10	Washington	3,246	3,345	3.0
Top Ten Total		79,868	80,863	1.2
Top 23 Total		102,132	103,480	1.3
Northeast Milkshed		16,766	16,540	(1.3)
Top 3 Northeast		14,495	14,322	(1.2)
U.S. Total		108,906	110,157	1.1

Source: NASS, *Milk Production*.

Pool Volume

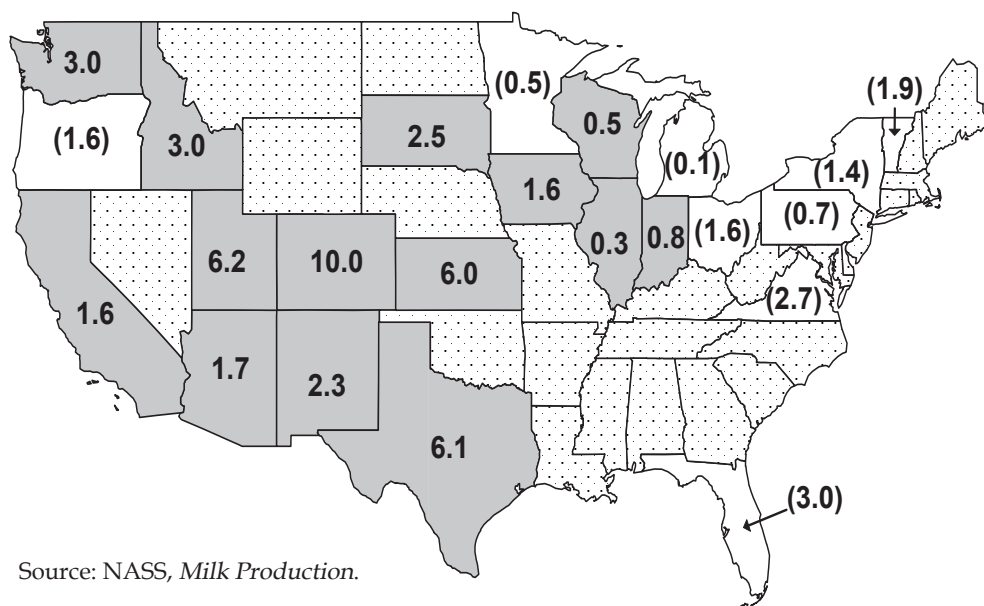
Total producer volume for the first six months for the Northeast Order was down 0.9 percent from the same period in 2017. This compares to an increase of 3.2 percent (leap year adjusted) for the 6 month period in 2017 over 2016. July pooled receipts set a monthly record

but were 3.8 percent below June on an average daily basis, the largest June to July decline since 2013. Based on estimated pooled volume for the last five months of 2018, total annual pooled volume is projected to decline about 0.4 percent from the previous year.

Even though the pooled volume is expected to slow down somewhat for the remainder of 2018, the annual total likely will be the second highest ever for the Order. Pooled milk volume has set record highs for the past 3 months and in ten out of 12 months in 2017. The strong volumes have contributed to significant volumes in the lowest class price category (animal feed, dumpage, other uses) and a reduction in the required shipping percentage for fall months (see the June *Bulletin*).

Strong milk volume has coincided with lower prices. Declining volumes could aid in price recovery (see Price Outlook article on page 2). ❖

January–June 2018 Milk Production in the Top 23 States (Year-to-Year Percent Change)



Source: NASS, *Milk Production*.

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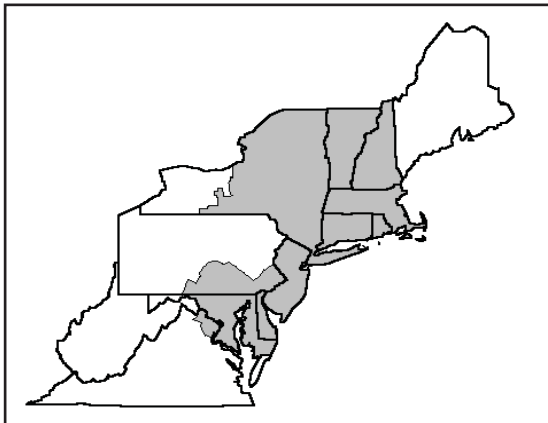
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	657,386,065	\$9.50	62,451,676.18	
Butterfat	14,712,813	2.6966	39,674,571.54	
Less: Location Adjustment to Handlers			(2,508,746.47)	\$99,617,501.37
Class II— Butterfat	32,961,273	2.5357	83,579,899.98	
Nonfat Solids	48,006,371	0.7278	34,939,036.82	118,518,936.80
Class III— Butterfat	26,863,621	2.5287	67,930,038.47	
Protein	20,001,037	1.4827	29,655,537.53	
Other Solids	38,659,879	0.1422	5,497,434.81	103,083,010.81
Class IV— Butterfat	10,908,229	2.5287	27,583,638.63	
Nonfat Solids	35,500,569	0.6085	21,602,096.23	49,185,734.86
Total Classified Value				\$370,405,183.84
Add: Overage—All Classes				208,535.76
Inventory Reclassification—All Classes				(200,845.36)
Other Source Receipts	1,173,082 Pounds			43,091.03
Total Pool Value				\$370,455,965.27
Less: Producer Component Valuations @ Class III Component Prices				(336,646,914.17)
Total PPD Value Before Adjustments				\$33,809,051.10
Add: Location Adjustment to Producers				13,234,173.52
One-half Unobligated Balance—Producer Settlement Fund				1,190,297.84
Less: Producer Settlement Fund—Reserve				(1,055,673.74)
Total Pool Milk & PPD Value	2,312,639,643 Producer pounds			\$47,177,848.72
Producer Price Differential		\$2.04		
Statistical Uniform Price		\$16.14		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

John D. Marcucci, Acting Market Administrator

August 2018

Federal Order No. 1

To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

August Pool Price Calculation

The August 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.21 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$16.78 per hundredweight. The August statistical uniform price was 7 cents per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was \$1.26 per hundredweight, a decrease of 78 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month. The butter price rose 6 cents, cheese was up 7 cents, and nonfat dry milk and dry whey both increased 3 cents, all on a per pound basis. These changes translated into the butterfat pricing rising 7 cents, the protein price jumping 14 cents, and the nonfat solids and other solids prices increasing 3 cents, all on a per pound basis.

The Class I price, announced in advance and based on lower prices in July, decreased \$1.21 per hundredweight. The Class II price, which also is based on some of July's prices, declined 13 cents. Due to the increases in the commodity prices, the Class III price rose 85 cents and the Class IV price increased 49 cents, both on a per hundredweight basis. The Class IV price became the lowest priced class.

With some schools back in session, a higher proportion of milk pooled was utilized in the higher prices classes. This resulted in a higher SUP than the previous month. The PPD declined as the spread between the higher priced classes and the lower ones tightened.

Selected Statistics

Total pooled milk receipts for August 2018 were the second largest volume ever reported for the month. Total Class III volume was the highest ever for the month of August since the Order's inception. Class IV volume was the second highest ever for the month. For the seventh month in a row, average daily deliveries per producer were over 7,000 pounds. ❖

Pool Summary

- A total of 10,383 producers were pooled under the Order with an average daily delivery per producer of 7,048 pounds.
- Pooled milk receipts totaled 2.268 billion pounds, a decrease of 1.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.1 percent of total milk receipts, up 2.0 percentage points from July.
- The average butterfat test of producer receipts was 3.71 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.1	706,439,285
Class II	25.0	567,592,742
Class III	28.7	649,880,500
Class IV	15.2	344,498,747
Total Pooled Milk		2,268,411,274

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.6245	1.5536
Butterfat Price	2.6009	3.0109
Other Solids Price	0.1741	0.2425

Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.40	19.97
Class II	15.07	17.56
Class III	14.95	16.57
Class IV	14.63	16.61

Component Prices and Tests

Under component pricing, producers are paid on the level of butterfat, protein, and other solids in their milk. The price received for these components and the percentage of these components in the milk largely determine how much a producer will receive for their milk. Although producers cannot directly affect the prices paid for components, their dairying practices may affect the level of components in the milk their herd produces.

The accompanying charts compare the August average component price and the average component test since 2000 to highlight the relationship between the two. Since only the month of August over time is presented, some variability from year to year may be related to a weather or feed related issue. Component tests have generally increased over time since 2000. Both protein and butterfat reached record highs for the month of August during 2017, compared to previous years. Protein tests set or tied record highs during eight months in 2017. Through August of this year, test levels have come down somewhat. Butterfat tests have not broken any record highs, and they have matched a previous high, just twice. Protein broke a record high in January of this year and ties a previous high during one other month.

Protein

A look at the protein chart shows stronger increases in tests and prices the first half of the period shown. However, since 2011, protein prices have shown a consistent and large decline, from \$3.8305 per pound to \$1.6245 per pound in 2018, a roughly 57 percent decline. Still, an increasing trend for protein tests exists overall.

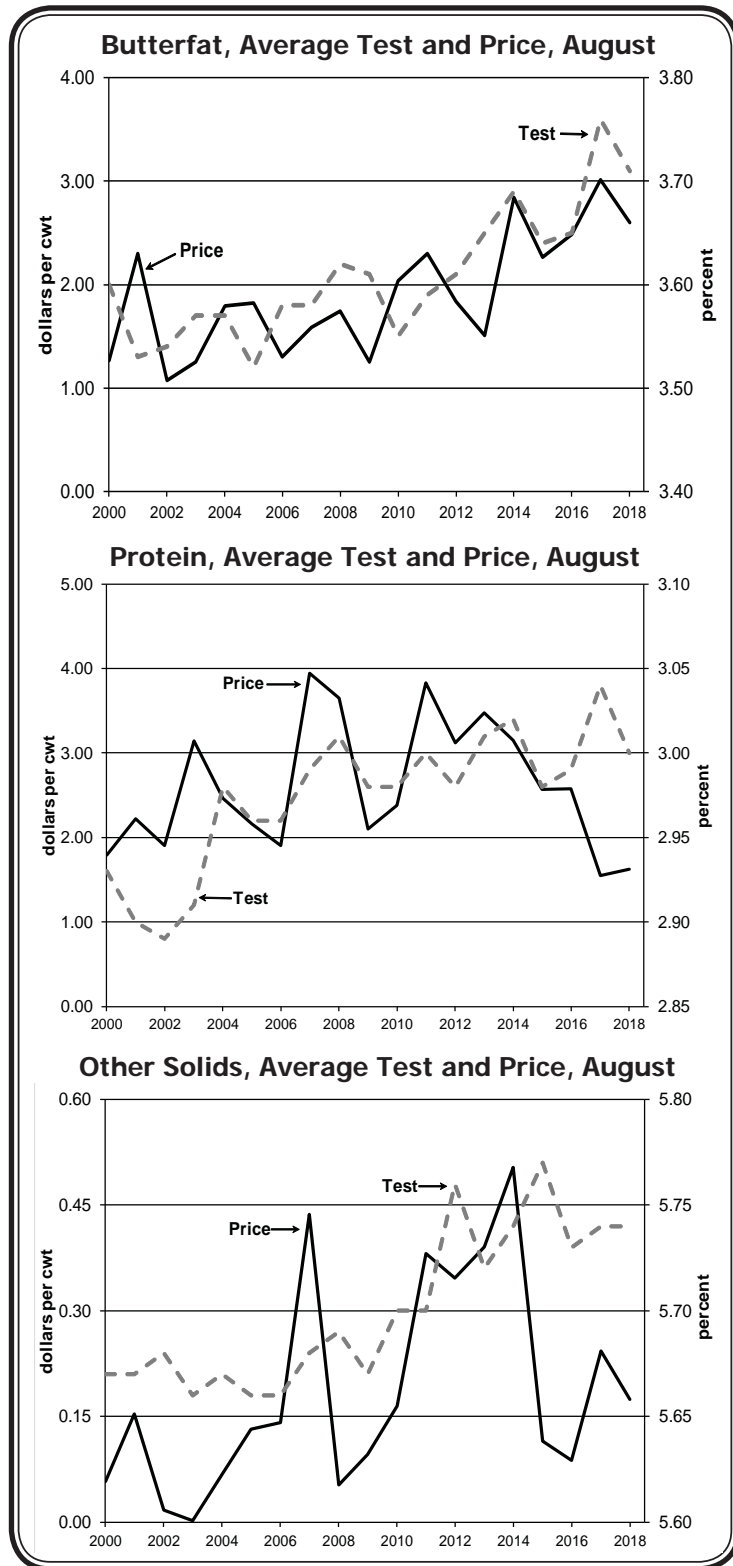
Butterfat

The trend for butterfat tests from 2000 to 2010 is fairly flat, but positive, while the price trend was about flat over that period. Since 2009 and 2010, average butterfat prices and tests have increased more notably, with some occasional dips. This trend may be attributable to the change in consumer sentiment towards butter. As consumers have returned to butter, butterfat prices have increased, and producers appear to have responded to the market signal by producing more butterfat in the milk. Butterfat prices for August averaged \$1.00 per pound more for the 2014 through 2018 period compared to 2000 through 2013.

Other Solids

Other solids average test levels have shown steady growth since 2006. The August other solids price has averaged just 15.5 cents since 2015, reflecting lower dry whey prices over the same time that are used to calculate the other solids price.

Though average component tests can be higher or lower, it does not necessarily indicate the total volume of the component available to the market as these charts do not show total production during this period. A period with lower component tests may be compensated by higher total production. The three charts together tell a story of increasing value from butterfat in recent years relative to the value derived from protein and other solids during this time period. ❖



Minimum Price Class Usage Back to Normal

The total volume of pooled producer receipts assigned to the minimum price class for August 2018 was slightly below the same month last year, a more “normal” range. With strong milk production this spring and summer that resulted in record-setting volumes, milk assigned to this class were significantly above May, June, and July of the previous year (see accompanying table). Changes in manufacturing plant processing schedules, affected by holidays and other shut downs, resulted in no alternative options and contributed to the higher volumes. As the table shows, volumes in March and April were below the same months in 2017, following a record-setting February. The volumes that occurred in May, June, and July factored into the decision to reduce fall month shipping requirements to Class I plants. Though volumes assigned to the minimum price class have returned to more normal levels, the Northeast Order still experienced near record level milk volume and a record low Class I utilization percent in August.

Milk assigned to the minimum price class includes milk used for animal feed, dumpage, and other uses as defined in section 1000.40 of the Order. Usually, the

**Milk Assigned to Minimum Price Class*,
January–August, 2017–2018**

	2017	2018	Yr-to-Yr Change
	pounds		percent
January	11,554,401	14,779,895	27.9
February	16,633,715	25,386,127	52.6
March	16,670,847	9,083,444	(45.5)
April	38,796,873	13,973,828	(64.0)
May	25,184,645	27,359,268	8.6
June	17,481,856	30,649,059	75.3
July	12,360,871	23,559,956	90.6
August	6,238,802	6,153,897	(1.4)
	144,922,010	150,945,474	4.2

* Includes milk used for animal feed, dumpage, and other uses as defined in section 1000.40 of the Order.

minimum price is the Class IV price, but it can be the Class II or III price as occurred during May (Class II) and July (Class III). It also was the Class III price during July and August of 2017. ❖

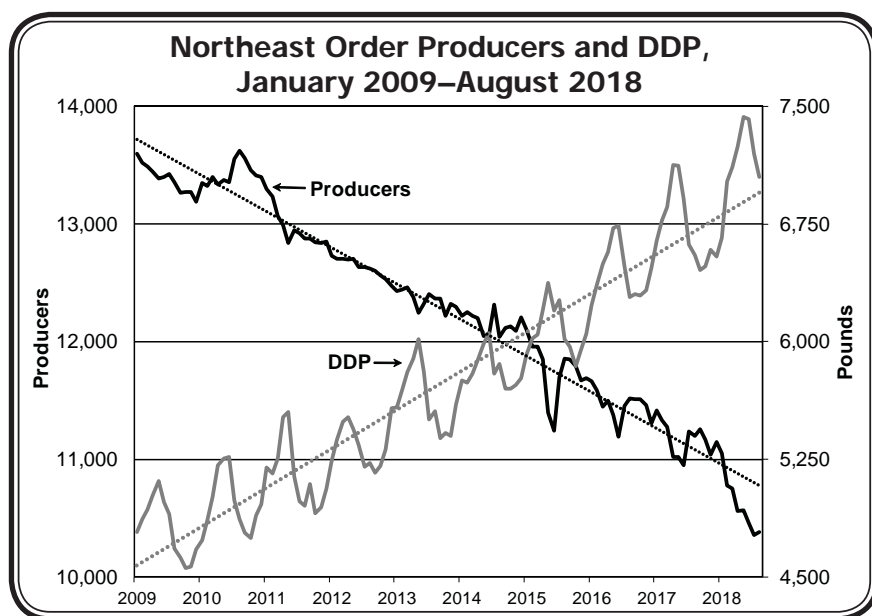
Strong Volume Reflected in Daily Deliveries Per Producer

The levels of producer milk receipts have been discussed many times in the monthly Bulletin during 2018. These volumes also have been reflected in record-setting average daily deliveries per producer (DDP). DDP topped 7,000 in February 2018 for the first time ever under the Order. It has remained over 7,000 pounds for the past 7 months. For the January through August period, DDP averaged 7,141 pounds, up 4.6 percent compared to the same period in 2017.

The accompanying chart shows DDP and producer numbers from January 2009 through August 2018. Trend lines have been added to show the degree in change

more easily. As depicted in the chart, even though there is obvious seasonality in DDP, it continues to increase overall at a fairly consistent level. In contrast, the number of producers has declined steadily over the same period. While the decline has been consistent for about the past 7 years, the current year shows a sharper decline than the trend would suggest. Since DDP continues to increase, this would indicate that the producers leaving are likely smaller, rather than larger, which has been a trend discussed in the past.

Last month we discussed how pooled producer receipts are not always reflective of milk production in an area. National Agricultural Statistics Service (NASS) milk production data in the Northeast states that contribute to the Northeast Order pool show a decrease in milk production of 1.3 percent for the January-June period. NASS data also show cow numbers declining 0.7 percent and milk production per cow (MPC) decreasing 0.6 percent for the first 6 months of 2018 compared to the same period in 2017. Northeast Order pool data for the same period show a decline in total pooled receipts of 0.9 percent. DDP for the 6-month period have risen 3.5 percent while producer numbers have dropped 4.2 percent. Based on this data, DDP is not growing due to additional cows or higher MPC, but rather the proportion of larger farms compared to smaller farms has increased. ❖



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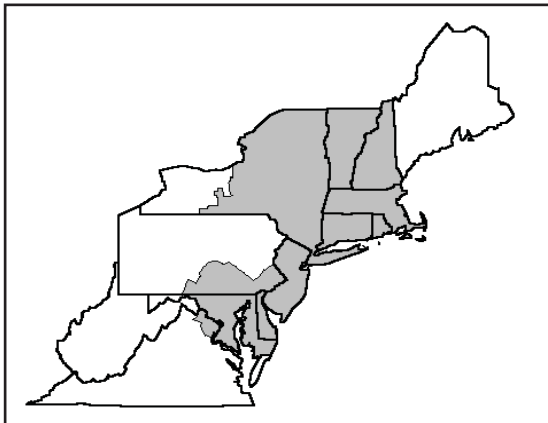
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	690,898,115	\$8.71	60,177,225.82	
Butterfat	15,541,170	2.5688	39,922,157.50	
Less: Location Adjustment to Handlers			(2,639,450.56)	\$97,459,932.77
Class II— Butterfat	31,727,086	2.6079	82,741,067.61	
Nonfat Solids	48,637,544	0.6844	33,287,535.13	116,028,602.74
Class III— Butterfat	26,162,229	2.6009	68,045,341.44	
Protein	19,510,949	1.6245	31,695,536.65	
Other Solids	37,241,007	0.1741	6,483,659.33	106,224,537.42
Class IV— Butterfat	10,776,547	2.6009	28,028,721.07	
Nonfat Solids	30,328,639	0.6369	19,316,310.19	47,345,031.26
Total Classified Value				\$367,058,104.19
Add: Overage—All Classes				414,182.49
Inventory Reclassification—All Classes				206,614.80
Other Source Receipts	301,127 Pounds			6,705.82
Total Pool Value				\$367,685,607.30
Less: Producer Component Valuations @ Class III Component Prices				(352,167,881.40)
Total PPD Value Before Adjustments				\$15,517,725.90
Add: Location Adjustment to Producers				13,028,028.32
One-half Unobligated Balance—Producer Settlement Fund				1,139,115.73
Less: Producer Settlement Fund—Reserve				(1,099,093.60)
Total Pool Milk & PPD Value	2,268,712,401 Producer pounds			\$28,585,776.35
Producer Price Differential		\$1.26		
Statistical Uniform Price		\$16.21		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

John D. Marcucci, Acting Market Administrator

September 2018

Federal Order No. 1

To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

September Pool Price Calculation

The September 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.71 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$17.48 per hundredweight. The September statistical uniform price was 50 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was \$0.62 per hundredweight, a decrease of 64 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month except butter. The cheese price rose 10 cents, nonfat dry milk increased 4 cents, and dry whey was up 3 cents, all on a per pound basis. Based on these changes, the butterfat pricing dropped 6 cents, the protein price jumped 38 cents, and the nonfat solids and other solids prices increased 4 cents, all on a per pound basis.

All class prices increased. The Class I price rose 70 cents, Class II increased 6 cents, Class III jumped \$1.14, and Class IV price rose 18 cents, all on a per hundredweight basis. The typical fall increase in fluid beverage milk resulting from schools back in session, was reflected in a higher proportion of pooled milk utilized in Class I. This, along with higher class prices, resulted in an increase in the SUP over last month. The PPD declined as the spread between the higher priced classes and the lower ones, mainly the Class III price, continued to tighten.

Selected Statistics

Following a record setting volume last September, the total pooled milk receipts for September 2018 were below September totals in 2016 and 2017, and the larger than average decline from August to September is a sign that milk production in the the region may be slowing. Average daily deliveries per producer were 6,725 for September, record-setting for the month, but down from the past seven months that were all over 7,000 pounds. Average producer butterfat and protein tests were each below last year's record-setting levels. The producer other solids test tied with last September for a record high. ❖

Pool Summary

- A total of 10,631 producers were pooled under the Order with an average daily delivery per producer of 6,725 pounds.
- Pooled milk receipts totaled 2.145 billion pounds, a decrease of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.2 percent of total milk receipts, up 2.1 percentage points from August.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.2	712,975,843
Class II	24.8	530,884,530
Class III	27.3	586,105,275
Class IV	14.7	314,987,921
Total Pooled Milk		2,144,953,569

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	2.0029	1.6988
Butterfat Price	2.5442	2.8559
Other Solids Price	0.2098	0.2241

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.10	19.96
Class II	15.13	16.80
Class III	16.09	16.36
Class IV	14.81	15.86

Production Shift to Larger Farm Operations Continuing

Based on producer payroll data, the number of farms pooled on the Northeast Order in June 2006 (13,736 farms) compared to June 2018 (10,098 farms), a span of 12 years, dropped by 26.5 percent. For the same period, the milk pooled on the Order by the remaining respective farms increased by 22.4 percent. Of course, the implication of the trend is that, overall, more milk is being produced by larger farms.

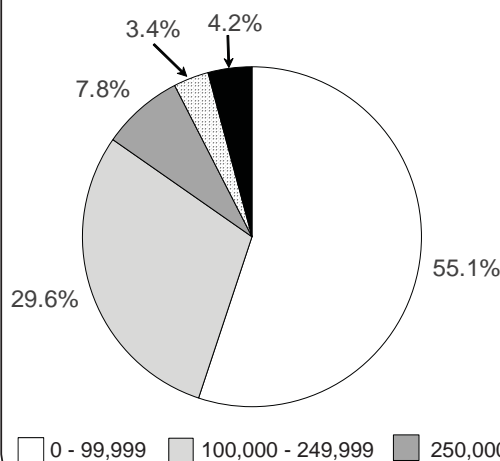
Using the same source of data, farms were grouped into five size categories, from the smallest farm category (less than 100,000 pounds per month) to the largest farm category (at least one million pounds per month). The accompanying table presents the portion of total milk pooled on the Northeast Order by each farm size category for the month of June in four-year intervals, 2006, 2010, 2014, and 2018. The table includes a herd size range that approximately equates to the production range for better understanding of the types of operations in each grouping. The Market Administrator does not capture information on herd size. Estimates for the herd size range use average milk per cow data from New York, Pennsylvania, and Vermont as reported by USDA. The accompanying chart depicts portions of farms and milk pooled by size category in June 2018.

Portion of Total Pool Volume by Farm Size

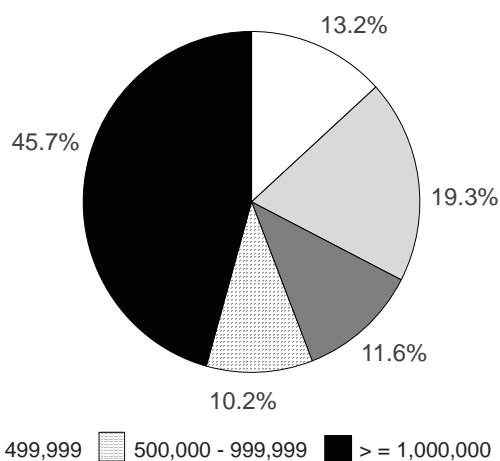
The data show that total volume pooled declined in the two smallest farm size categories. The middle and second largest size categories showed fairly similar volumes between 2018 and 2006, though slightly higher. The large majority of the increase in pool volume in 2018 compared to 2006 comes from the top size category. The

Northeast Order, June 2018

Proportion of Farms Pooled by Size



Proportion of Milk Pooled by Size



volume of milk pooled by the largest farm size category grew dramatically since 2006, rising from 347 million pounds pooled in June 2006 to almost 1.1 billion pounds pooled in June 2018 (a 206 percent increase). This category accounted for 45.7 percent of the Northeast Order pool volume in June 2018, up from 18.3 percent in 2006.

Portion of Farms By Size

In 2006, the largest category had 193 farms (1.4 percent of all producers). This has grown to 422 farms during June 2018 (4.2 percent of all producers) and reflects a 206 percent increase. Conversely, though they declined as group by 35.1 percent since 2006, farms producing less than 100,000 pounds a month account for 55.1 percent of all farms (pooling 13.2 percent of the milk).

Largest Farms By State

Of the largest farms in 2018, 257 are located in New York, more than doubling the number (118) in 2006. Pennsylvania ranks second in number of these farms with 75, up from 26 in 2006. Vermont ranks third with 56, compared to 35 in 2006. *(continued on page 3)*

Northeast Order Pooled Pounds and Producers by Farm Size Category, June, 2006, 2010, 2014, and 2018

Pool Volume Range	Herd Size (approx.)	Producers				Milk (million pounds)				Percent Change Since 2006	
		2006	2010	2014	2018	2006	2010	2014	2018	Producers	Milk
0-99,999	0-50	8,579	7,827	6,778	5,564	491	442	379	308	(35.1)	(37.4)
100,000-249,999	50-150	3,865	3,628	3,330	2,987	579	543	500	450	(22.7)	(22.4)
250,000-499,999	150-275	787	805	754	786	267	272	257	269	(0.1)	0.9
500,000-999,999	275-550	312	324	334	339	216	228	237	237	8.7	9.9
>=1,000,000	>550	193	303	365	422	347	624	814	1,062	118.7	206.1
Total/Percent Change		13,736	12,887	11,561	10,098	1,901	2,109	2,187	2,326	(26.5)	22.4

Negative PPDs in Some Zones

The September 2018 producer price differential (PPD) was \$0.62 per hundredweight (cwt) at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order and a \$3.25 differential zone. For the month of September, milk delivered to plants located in the zones below \$2.70 received a negative PPD. This region runs from the northern halves of Maine, New Hampshire, and Vermont through the central areas of New York and Pennsylvania, down through western Maryland and West Virginia, and includes all areas west of this region as it gets further away from the Boston base point.

Even though there have been some negative PPDs in the farther out zones during this year, the last time they were as far reaching was in November 2017. There have been no negative PPDs during the past 3 months. For September, 47.5 percent of the milk pooled on the Order was received at plants in the zones impacted. The accompanying table shows the September pooled milk receipts by class and plant differential zone at which priced.

In September a \$1.14 per cwt jump in the Class III price, while the other classes increased at a lesser rate, contributed to the decline in the PPD. During September, the cheese price rose significantly higher than other commodity market prices. Increases in cheese translate to increases in the producer protein price and the overall Class III price. It should be noted that while the PPD declined, the statistical

**Northeast Order Pool Milk from Producers
by Plant Location at Which Priced, September 2018**

Selected Locations	Location Differential	PPD	SUP	Class (million pounds)				Total Pool Pounds
				Class I	Class II	Class III	Class IV	
Boston, MA	3.25	0.62	16.71	56.5	6.1	2.0	5.0	69.6
New York, NY	3.15	0.52	16.61	26.6	28.7	34.7	2.2	92.2
Long Valley, NJ	3.10	0.47	16.56	29.5	1.5	10.4	1.1	42.5
Philadelphia, PA	3.05	0.42	16.51	126.8	32.2	0.7	5.9	165.6
Agawam, MA/Baltimore, MD	3.00	0.37	16.46	120.3	46.6	1.8	54.7	223.5
Frederick, MD/New Holland, PA	2.90	0.27	16.36	30.9	13.2	6.2	1.5	51.8
Mt. Holly Springs, PA	2.80	0.17	16.26	112.4	93.0	44.8	114.9	365.1
Albany/Binghamton, NY	2.70	0.07	16.16	81.8	25.0	6.9	3.1	116.8
Middlebury, VT	2.60	(0.03)	16.06	7.9	4.1	84.7	0.7	97.3
Syracuse, NY	2.50	(0.13)	15.96	79.0	157.4	79.1	25.8	341.4
St. Albans/Swanton, VT	2.40	(0.23)	15.86	0.3	28.8	10.9	20.2	60.1
Watertown/Rochester, NY	2.30	(0.33)	15.76	17.2	61.9	248.3	51.1	378.5
Buffalo, NY	2.20	(0.43)	15.66	23.7	32.3	50.8	26.3	133.2
Jamestown, NY	2.10	(0.53)	15.56	0.0	0.1	2.7	0.0	2.7
All Other Locations				0.0	0.1	2.1	2.4	4.6
Market Total				713.0	530.9	586.1	315.0	2,145.0

uniform price (SUP) increased from the previous month, a reminder that a lower PPD does not necessarily correspond to a lower overall blend price. Based on the most recent commodity prices, no negative PPDs are predicted for the remainder of 2018. ❖

Production Shift (continued from page 2)

Of all milk pooled on the Northeast Order from New York, 63 percent is from the largest size farm category in June 2018, up from 27.7 percent in 2006. Of the milk pooled from Pennsylvania during June 2018, 20.7 percent is from the largest size category, up from 5.8 percent in 2006. For Vermont during June 2018, 55.8 percent is from the largest category, up from 28.1 percent in 2006. ❖

Pool Summary for All Federal Orders, January–September, 2017–2018

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2017 pounds	2018 pounds	Change^ percent	2017 dollars per hundredweight	2018 dollars per hundredweight	2017	2018
1	Northeast	20,712,691,556	20,552,967,857	(0.8)	1.43	1.26	17.55	15.89
5	Appalachian	4,308,221,350	4,296,893,980	(0.3)	N/A	N/A	18.88	17.04
6	Florida	1,938,636,187	1,901,739,473	(1.9)	N/A	N/A	20.97	19.11
7	Southeast	4,151,515,232	3,974,398,612	(4.3)	N/A	N/A	19.17	17.44
30	Upper Midwest	25,437,658,839	25,012,765,303	(1.7)	0.18	0.13	16.30	14.75
32	Central	12,508,353,280	12,455,234,054	(0.4)	0.35	0.11	16.46	14.74
33	Mideast	15,560,118,743	14,825,879,138	(4.7)	0.57	0.41	16.69	15.03
124	Pacific Northwest	5,859,804,369	6,216,961,461	6.1	0.21	0.05	16.33	14.67
126	Southwest	10,333,706,017	9,930,204,265	(3.9)	1.15	0.98	17.27	15.61
131	Arizona	3,869,900,163	3,854,856,444	(0.4)	N/A	N/A	16.54	14.91
All Market Total/Average		104,680,605,736	103,021,900,587	(1.6)	0.65	0.49	17.62	15.92

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Some declines may be the result of depooling that occurred during 2018.

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	697,432,532	\$9.17	63,954,563.18	
Butterfat	15,543,311	2.6443	41,101,177.28	
Less: Location Adjustment to Handlers			(2,748,002.33)	\$102,307,738.13
Class II— Butterfat	29,857,482	2.5512	76,172,408.04	
Nonfat Solids	45,712,441	0.7144	32,656,967.83	108,829,375.87
Class III— Butterfat	24,613,177	2.5442	62,620,844.94	
Protein	17,867,879	2.0029	35,787,574.84	
Other Solids	33,499,353	0.2098	7,028,164.27	105,436,584.05
Class IV— Butterfat	10,547,910	2.5442	26,835,992.59	
Nonfat Solids	27,804,511	0.6801	18,909,847.92	45,745,840.51
Total Classified Value				\$362,319,538.56
Add: Overage—All Classes				131,570.60
Inventory Reclassification—All Classes				106,351.61
Other Source Receipts	240,443 Pounds			3,506.65
Total Pool Value				\$362,560,967.42
Less: Producer Component Valuations @ Class III Component Prices				(361,732,401.82)
Total PPD Value Before Adjustments				\$828,565.60
Add: Location Adjustment to Producers				12,289,306.02
One-half Unobligated Balance—Producer Settlement Fund				1,206,299.64
Less: Producer Settlement Fund—Reserve				(1,023,968.46)
Total Pool Milk & PPD Value	2,145,194,012 Producer pounds			\$13,300,202.80
Producer Price Differential		\$0.62		
Statistical Uniform Price		\$16.71		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

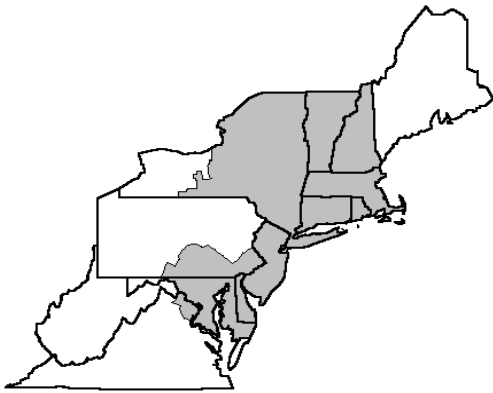
BULLETIN

NORTHEAST MARKETING AREA

John D. Marcucci, Acting Market Administrator

October 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

October Pool Price Calculation

The October 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.19 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$18.47 per hundredweight. The October statistical uniform price was 48 cents per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was \$1.66 per hundredweight, an increase of \$1.04 cents per hundredweight from last month.

Product Prices Effect

Commodity product price changes were mixed compared to the previous month. The cheese price dropped 8 cents per pound resulting in a 28-cent per pound decline in the protein. Dry whey rose 4 cents, nonfat dry milk increased 2 cents, and butter rose a slight 1 cent, all on a per pound basis. These changes translated to similar increases in the butterfat, nonfat solids and other solids component prices.

The decrease in the protein price was reflected in the 56-cent drop in the Class III price. All other class prices increased. The Class I price rose \$1.48, Class II increased 41 cents, and Class IV price rose 20 cents, all on a per hundredweight basis. The percentage of pooled receipts used in Class I was the highest since November 2017, and along with a higher price than last month, contributed to a higher uniform price. The PPD also rose as the spread between the higher priced classes and the Class III price grew.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of October. Overall producer milk receipts were the third highest ever for the month. The volume of milk used in Class I was the highest so far for 2018 and the higher than the past 2 years for the month of October.

The average producer butterfat set a record high for the month of October. ❖

Pool Summary

- A total of 10,557 producers were pooled under the Order with an average daily delivery per producer of 6,781 pounds.
- Pooled milk receipts totaled 2.219 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.9 percent of total milk receipts, up 1.7 percentage points from September.
- The average butterfat test of producer receipts was 3.89 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.9	774,595,196
Class II	24.8	551,371,488
Class III	27.0	598,774,719
Class IV	13.3	294,552,700
Total Pooled Milk		2,219,294,103

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.7185	2.1084
Butterfat Price	2.5551	2.6646
Other Solids Price	0.2553	0.1853

Class Price Factors

	2018	2017
	\$/cwt	
Class I	19.58	19.69
Class II	15.54	15.95
Class III	15.53	16.69
Class IV	15.01	14.85

Change in Pool Volume by State Highlighted

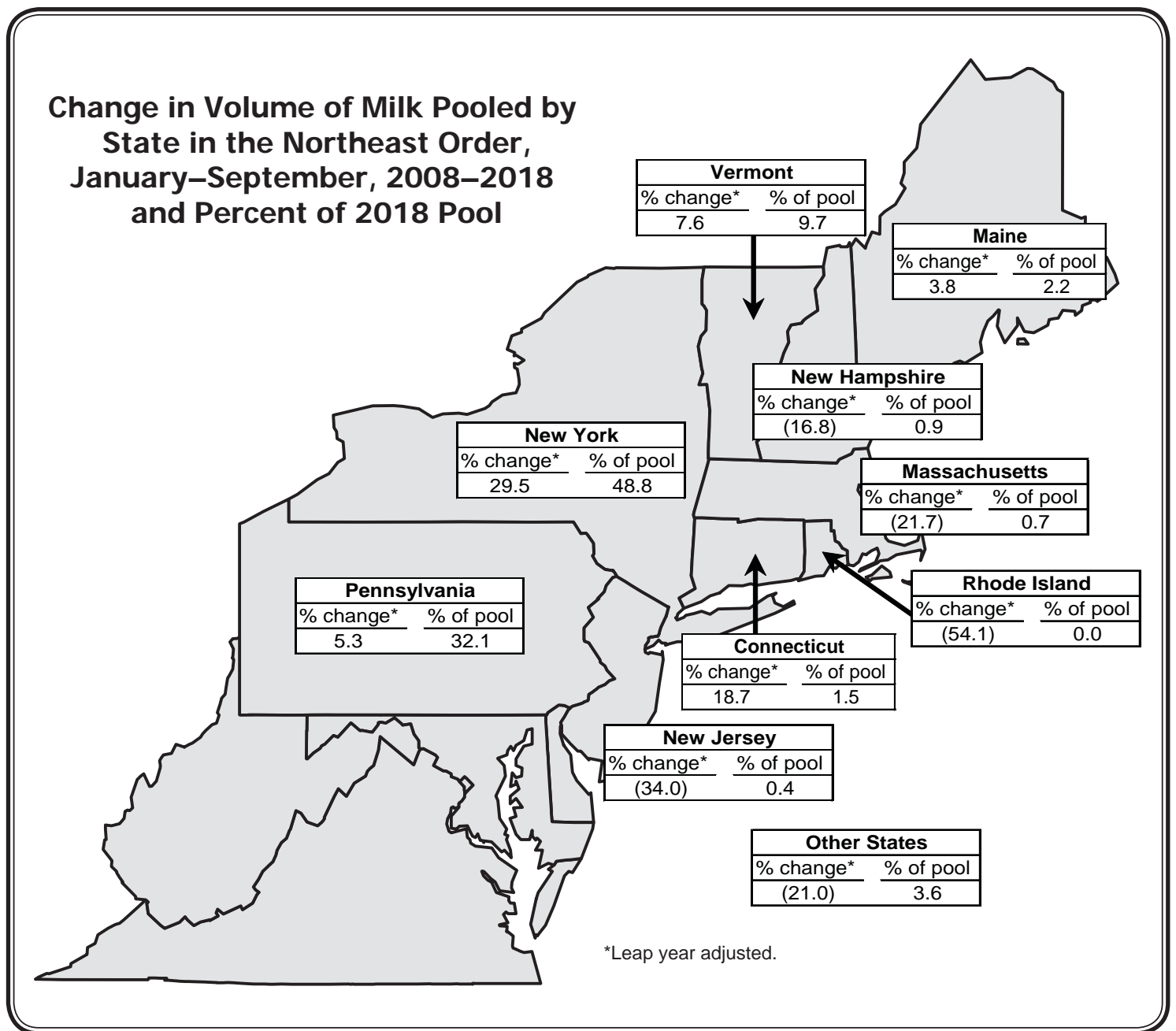
The accompanying map shows the change in total pooled milk receipts for the January through September period for 2008 and 2018 for states that have producer milk that is normally pooled on the Northeast Order. Changes are adjusted for leap year in 2008.

New York reported the largest increase in total receipts when comparing the two time periods and has accounted for nearly half of the entire pooled volume so far in 2018. Pennsylvania, which has the second largest total pooled volume on the Order, reported an increase of 5.3 percent for the time shown.

In the New England states, Connecticut shows the largest increase on a percentage basis but the state only accounted for 1.5 percent of the total pooled volume for the

2018 period. Maine and Vermont also reported increases in volumes for the period. They accounted for 2.2 percent and 9.7 percent of the total, respectively. Massachusetts, New Hampshire, and Rhode Island all reported large declines; together they accounted for less than 2 percent of the total.

New Jersey reported a large drop but accounts for less than half of 1 percent of the pool. Maryland and Virginia were included with other states as their Northeast pooled volumes vary more than the other states due to their proximity to other Federal orders where producers in those states may be pooled. Milk received from distant states has declined slightly. Overall other states only accounted for 3.6 percent of the total volume. ❖



Class II Utilization, Use Levels & Seasonal Trends

Class II milk is milk used to produce a large array of products. It generally refers to milk going into 'soft' manufactured products such as yogurt, cottage cheese, ice cream, sour cream and ricotta cheese. The class also includes milk used for foods such as puddings, custards, baking mixes, candy, and soup, among other items. The accompanying charts present average daily milk used data for four selected categories within Class II; yogurt, ice cream, cottage cheese, and bakery, candy, and soup products. Together, these categories account for roughly 70 percent of the Class II usage. Shown is the period from October through September (12 months) for the past four years. In the past 48 months, Class II utilization has accounted for 24.1 percent of milk pooled on the Northeast Order, compared to 20.5 percent prior to 2014. Class II utilization tends to be higher from May to September, peaking in August during three of the past four years.

Yogurt

Within Class II, yogurt accounts for almost 35 percent of the milk used over the past 12 months. Prior to 2010, yogurt accounted for less than 10 percent of the category. The chart for yogurt shows generally less production during the October through December period, with peaks in February, May, and August. Use has been fairly similar year to year during the month of September. A notable trend seems to be that of flatter seasonal differences, most observable in that production levels during October through December are increasingly more similar to levels during the rest of the year.

Ice Cream

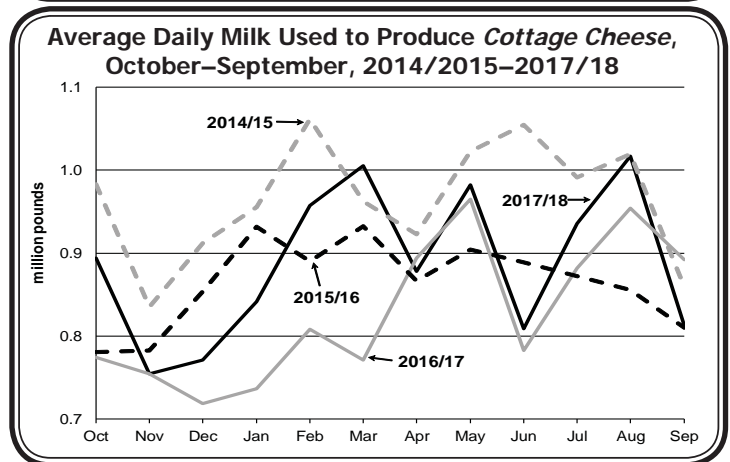
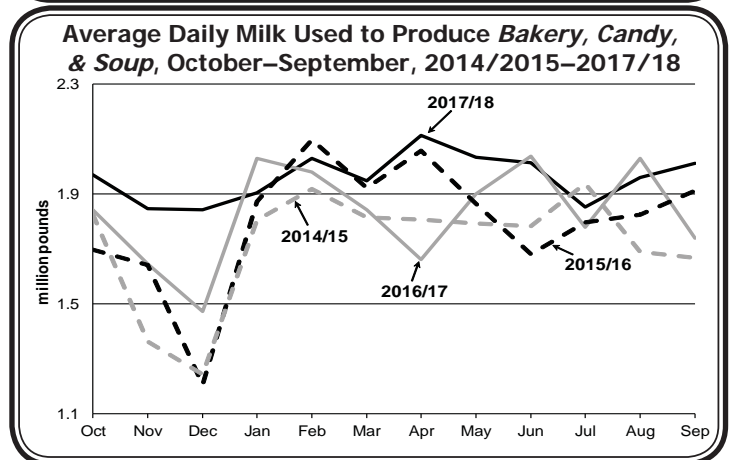
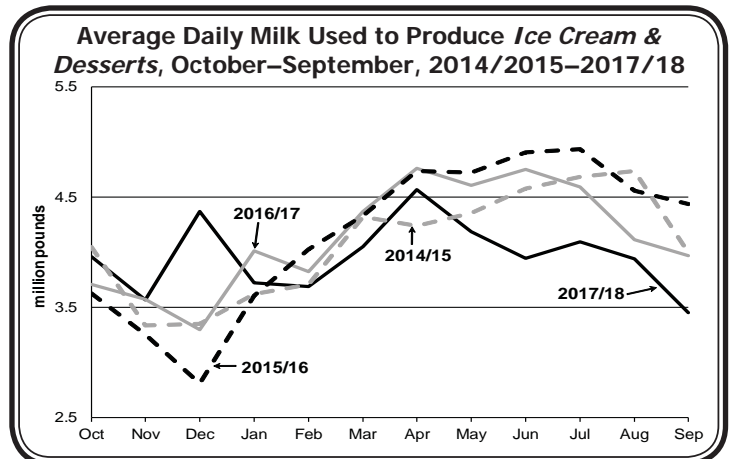
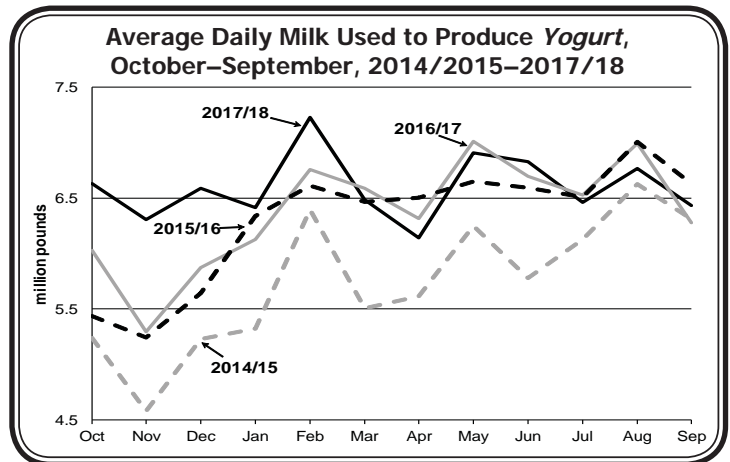
Milk used to produce ice cream and desserts shows a seasonal trend of low production from about September through February, with higher production levels during March through August. A notable difference is that the most recent April through August period (during 2018) did not exhibit the usual bump in milk used to produce ice cream. It also was the second summer in a row in which milk used to produce ice cream was lower than the previous year.

Bakery, Candy, Soup

Milk used to produce bakery, candy, and soup products shows an observable dip during November and December, but fairly consistent levels for the remainder of the year. This category also shows a much more even usage through all months during the most recent period of 2017-2018. This category was a bit stronger for the most recent 12 months overall.

Cottage Cheese

Lastly, cottage cheese does not exhibit any glaring trends. There appears to be an increase in milk used for cottage cheese from November through February, followed by some up and down patterns that are not as consistent in their timing. ❖



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	757,500,611	\$10.96	83,022,066.97	
Butterfat	17,094,585	2.5718	43,963,853.70	
Less: Location Adjustment to Handlers			(3,016,444.90)	\$123,969,475.79
Class II— Butterfat	32,156,480	2.5621	82,388,117.40	
Nonfat Solids	47,927,193	0.7567	36,266,506.96	118,654,624.36
Class III— Butterfat	26,079,469	2.5551	66,635,651.23	
Protein	18,781,443	1.7185	32,275,909.82	
Other Solids	34,181,362	0.2553	8,726,501.72	107,638,062.77
Class IV— Butterfat	11,109,369	2.5551	28,385,548.71	
Nonfat Solids	26,159,782	0.6990	18,285,687.64	46,671,236.35
Total Classified Value				\$396,933,399.27
Add: Overage—All Classes				79,423.63
Inventory Reclassification—All Classes				136,784.85
Other Source Receipts	341,727 Pounds			13,388.26
Total Pool Value				\$397,162,996.01
Less: Producer Component Valuations @ Class III Component Prices				(373,098,844.15)
Total PPD Value Before Adjustments				\$24,064,151.86
Add: Location Adjustment to Producers				12,732,265.61
One-half Unobligated Balance—Producer Settlement Fund				984,197.67
Less: Producer Settlement Fund—Reserve				(934,660.46)
Total Pool Milk & PPD Value	2,219,635,830 Producer pounds			\$36,845,954.68
Producer Price Differential		\$1.66		
Statistical Uniform Price		\$17.19		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

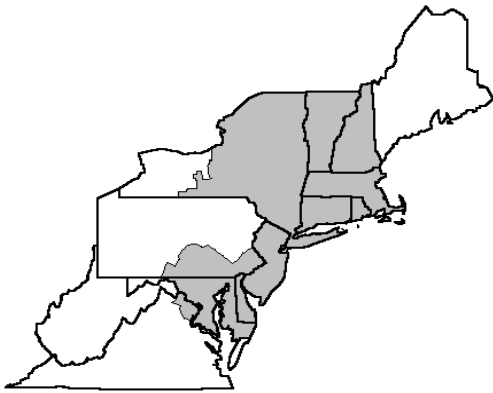
BULLETIN

NORTHEAST MARKETING AREA

John D. Marcucci, Acting Market Administrator

November 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
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e-mail address: Northeast Order@fedmilk1.com
website address: www.fmmone.com

November Pool Price Calculation

The November 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.62 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$18.22 per hundredweight. The November statistical uniform price was 57 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was \$2.18 per hundredweight, an increase of 52 cents per hundredweight from last month.

Product Prices Effect

Commodity product price changes were mixed. The cheese price dropped 12 cents per pound resulting in a nearly 38-cent per pound decline in the protein. Other prices were less severe. Butter declined 1 cent and nonfat dry milk and dry whey each rose about 1 cent, all on a per pound basis. These changes translated to similar changes in the butterfat, nonfat solids and other solids component prices.

The decrease in the protein price was reflected in a \$1.09 drop in the Class III price. The Class I price, based on the declines that occurred in October, also fell considerably (81 cents). The Class II price increased 9 cents and the Class IV price rose 5 cents, all on a per hundredweight basis. With the overall lower prices, the SUP declined. The PPD rose as the spread between the higher priced classes and the Class III price grew, resulting in the highest PPD since July 2017.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of November, as did the Class III volume.

The average producer butterfat set a record high for the Order, topping 4.0 percent for the first time ever. The producer protein test also set a record high for the Order. The producer other solids test tied with 2016 as a record high for the month of November. ❖

Pool Summary

- A total of 10,431 producers were pooled under the Order with an average daily delivery per producer of 6,767 pounds.
- Pooled milk receipts totaled 2.118 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.7 percent of total milk receipts, up 0.8 percentage points from October.
- The average butterfat test of producer receipts was 4.01 percent.
- The average true protein test of producer receipts was 3.21 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.7	755,389,369
Class II	22.4	474,333,164
Class III	27.6	584,755,987
Class IV	14.3	303,255,370
Total Pooled Milk		2,117,733,890

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.3419	2.3412
Butterfat Price	2.5385	2.5546
Other Solids Price	0.2714	0.1644

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.77	19.66
Class II	15.63	15.32
Class III	14.44	16.88
Class IV	15.06	13.99

2019 Outlook

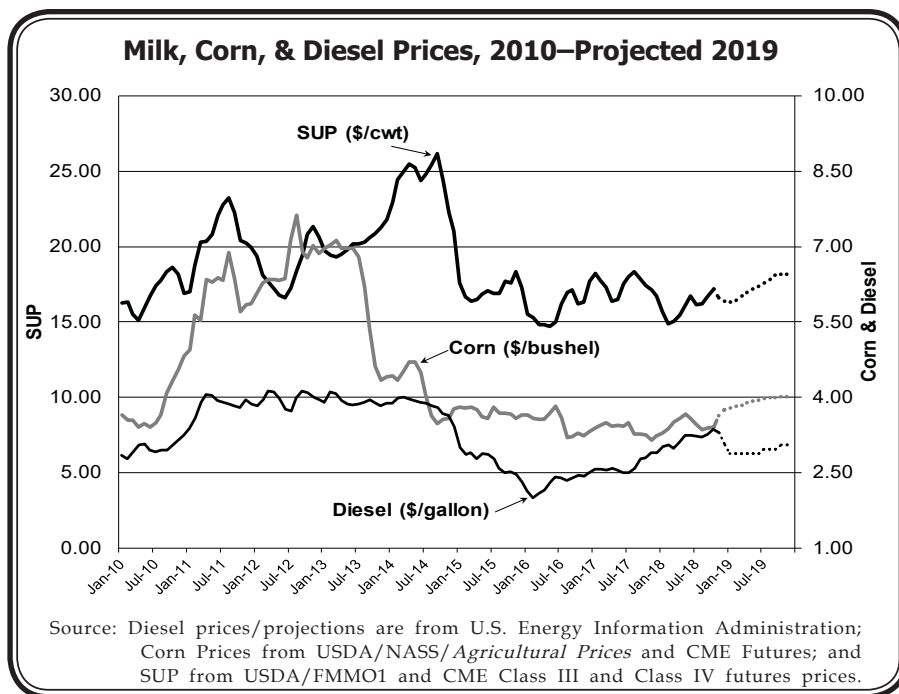
Based on current projections using Chicago Mercantile Exchange (CME) Class III and Class IV futures prices as settled on December 12, the statistical uniform price (SUP) at Boston, MA, will finish the year averaging \$16.10 per hundredweight (cwt) for 2018. This is a 7.7 percent decrease from 2017, or a \$1.33 per cwt decrease. At the same time, the annual average corn price projects to finish 2018 increasing by 4.3 percent from its 2017 level if CME corn futures play out as they settled on December 12. The projected average annual corn price for 2018, \$3.50 per bushel, is slightly higher than the previous two years, (\$3.36 and \$3.48 per bushel for 2017 and 2016, respectively). The accompanying chart presents where the Northeast statistical uniform price and corn and fuel costs have been and where they may be headed. We'll take a look at supply and demand factors as we head toward the new year, and present a futures market-based forecast for the milk price in 2019.

Supply Factors

In the December *World Agricultural Supply and Demand Estimates* report, USDA forecast record high milk production for 2018 totaling 217.8 billion pounds. This would be an increase of about 1.1 percent over 2017 U.S. milk production. USDA expects 2019 U.S. milk production to increase another 1.3 percent over 2018 to total 220.6 billion pounds.

Record high milk production and strong growth have been the story for the Northeast U.S. as well, though there is some more recent indications of leveling off. Northeast Order pool volume set record high levels during 3 of 11 months through November, but the year ultimately could fall below 2017 total pool volumes. Through November, total pool volume for the year is down almost 1 percent from the prior year. Though pooled volume does not equate to total milk production in the region, it is generally indicative of milk production trends. Year-over-year milk production in the top 23 milk producing states, as reported by the National Agricultural Statistics Service (NASS) *Milk Production* report, grew an average of 1.3 percent per month for the first ten months of the year. Closer to home, New York declined an average of 0.4 percent per month during the same period. Vermont declined by an average of negative 1.8 percent per month, while Pennsylvania declined by 1.5 percent.

According to the USDA, NASS, *Cold Storage* report, October stocks of butter were 5.9 percent higher than a year ago. October total cheese stocks were 8.0 percent



higher. According to USDA, NASS, *Dairy Products* report, October nonfat dry milk stocks were 20.2 percent below a year ago and dry whey stocks were 21.1 percent below.

Demand Factors

The U.S. exported 16.3 percent of its milk production, on a total milk solids basis, for the period January through October 2018. This compares with 14.3 percent for the same period a year earlier. October exports accounted for 15.3 percent of U.S. production, up from 15.2 percent the previous October. Still, these levels equate to over one day's milk production per week finding a home in the export market and highlights the importance of this part of the dairy demand equation.

U.S. Dairy Exports may finish with a record year measured by volume or by value, despite flat sales in October. According to the U.S. Dairy Export Council, milk powder, whey, lactose, cheese and butterfat to China were down 47 percent in October, while exports to elsewhere were up 14 percent, with large sales gains to Southeast Asia and Mexico. In the first 10 months of 2018, dairy exports totaled \$4.71 billion, 4 percent more than the same period last year, while overall volume was up 15 percent.

International, political, and policy issues have created some uncertainty in export markets. Some dairy analysts expect international dairy markets to be tighter with firmer prices into spring 2019. Global milk supply growth is slowing and more closely matches steady demand growth.

The European Union Commissioner of Agriculture has stated there has been a very fast reduction in the quantities (continued on page 3)

Outlook (continued from page 2)

of skim milk powder held in European intervention stocks. Expectations are the remaining stocks could be gone by spring 2019. Analysts have often claimed significant price recovery will only happen once these European intervention stocks disappear.

Currency Impacts

U.S. exports are influenced by currency exchange rates that impact the relative value of U.S. dairy products. The dollar has generally strengthened in value throughout much of the year, particularly since about midyear. Analysts currently tie the strengthening to the view of the U.S. dollar as a safe haven amid signs of weakness in the Chinese economy, and concerns over budgets, taxes, and policy changes in some European countries. This movement would have made U.S. product relatively more expensive on international markets. Current expectations seem to indicate the U.S. dollar will remain close to current levels through early 2019. Too strong a dollar may have adverse impacts on further export growth.

Domestic Situation

The U.S. domestic market will continue to be counted on as a home to the large majority of milk produced here. Following are some demand indicators important to U.S. dairy domestic consumption. The unemployment rate has continued to decline steadily since its high near 10 percent in 2009 and averaged 4.4 percent in 2017, reaching 3.7 percent in November 2018. Per capita disposable personal income increased 1.6 percent in the third quarter of 2018. In October, the Restaurant Performance Index (that tracks the health and outlook of the U.S. restaurant industry) stood at 101.2, driven by improving stronger same-store sales and customer traffic levels. The current situation index was 100.9, above 100 for the ninth consecutive month. The expectations index was 101.6, having been fairly steady in recent months. Values above 100 signify expansion in the industry, and below that level signify contraction. Restaurant sales are an important outlet for dairy products and so the index is used as an indicator of demand for dairy products. The Consumer Confidence Index reached 135.7 in November, roughly a 2-decade high, indicating strong demand. A larger proportion of consumers expect there to be more jobs in the months ahead. However, the percentage of consumers expecting improvement in short-term income prospects declined marginally from 115.1 in October to 111.0 in November. The Conference Board, which publishes the index, cautioned that if expectations soften further in the coming months, the pace of growth is likely to moderate. There is reason to be optimistic that the domestic market will continue to buoy demand for dairy products, though some softening of expectations of the short-term outlook of income and labor bear watching.

Looking to 2019

The USDA forecasts the U.S. all-milk price for 2019 to range between \$16.40 and \$17.20 per cwt. Using CME futures prices from December 12 for Class III and Class IV milk, the Northeast Order SUP projects to finish 2018 averaging \$16.10 per cwt for the year, about \$0.26 below what was expected when predictions were made last year. Again, using the December 12 CME futures prices, **the 2019 Northeast SUP is forecast to average \$17.42 per cwt for the year, 8.2 percent and \$1.32 above the 2018 price level.** Supply conditions show some signs of slow down, and demand conditions appear strong heading into 2019. Still, price recovery is projected to be stronger from spring through later in the year. ❖

2019 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/28/19
February	Tuesday	2/26/19
March	Tuesday	3/26/19
April	Friday	4/26/19
May	Tuesday	5/28/19
June	Wednesday	6/26/19
July	Friday	7/26/19
August	Monday	8/26/19
September	Thursday	9/26/19
October	Monday	10/28/19
November	Tuesday	11/26/19
December	Thursday	12/26/19

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	737,724,914	\$10.06	74,215,126.35	
Butterfat	17,664,455	2.5903	45,756,237.79	
Less: Location Adjustment to Handlers			(2,900,311.35)	\$117,071,052.83
Class II— Butterfat	29,397,680	2.5455	74,831,794.47	
Nonfat Solids	41,518,770	0.7733	32,106,464.86	106,938,259.33
Class III— Butterfat	26,504,439	2.5385	67,281,518.42	
Protein	18,742,426	1.3419	25,150,461.46	
Other Solids	33,424,921	0.2714	9,071,523.57	101,503,503.45
Class IV— Butterfat	11,323,299	2.5385	28,744,194.51	
Nonfat Solids	27,250,611	0.7110	19,375,184.43	48,119,378.94
Total Classified Value				\$373,632,194.55
Add: Overage—All Classes				162,227.43
Inventory Reclassification—All Classes				(8,492.64)
Other Source Receipts	294,922			12,028.69
Total Pool Value				\$373,797,958.03
Less: Producer Component Valuations @ Class III Component Prices				(339,779,814.14)
Total PPD Value Before Adjustments				\$34,018,143.89
Add: Location Adjustment to Producers				12,076,685.75
One-half Unobligated Balance—Producer Settlement Fund				957,807.40
Less: Producer Settlement Fund—Reserve				(879,608.89)
Total Pool Milk & PPD Value	2,118,028,812			\$46,173,028.15
Producer Price Differential		\$2.18		
Statistical Uniform Price		\$16.62		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

The Market Administrator's

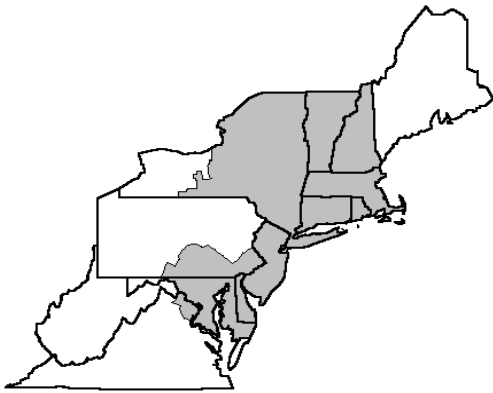
BULLETIN

NORTHEAST MARKETING AREA

Peter F. Fredericks, Acting Market Administrator

December 2018

Federal Order No. 1



To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: Northeast Order@fedmilk1.com
 website address: www.fmmone.com

December Pool Price Calculation

The December 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.27 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$17.78 per hundredweight. The December statistical uniform price was 35 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was \$2.49 per hundredweight, an increase of 31 cents per hundredweight from last month.

Product Prices Effect

Similar to November, commodity product price changes were mixed. The cheese price dropped 7 cents per pound, which equated to a 20-cent per pound decline in the protein. The butter price declined 2.5 cents resulting in a 3-cent drop in the butterfat price. Even so, the butterfat price was record-setting for the month of December. Both nonfat dry milk and dry whey each rose slightly and translated to similar changes in the nonfat solids and other solids component prices.

The Class I price declined 47 cents per hundredweight. The Class III price dropped 66 cents, again due to the decrease in the protein component. Both the Class II and Class IV prices rose slightly. The spread between the Class I price and the lowest class price (Class III) rose from last month. The overall lower prices, combined with higher utilizations in the lowest priced classes resulted in a decreased SUP. The PPD rose as the spread between the higher priced classes and the Class III price grew, again resulting in the highest PPD since July 2017.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of December. The average producer butterfat tied with November as a record high for the Order. The producer protein test set a record high for the month of December. ❖

Pool Summary

- A total of 10,359 producers were pooled under the Order with an average daily delivery per producer of 6,910 pounds.
- Pooled milk receipts totaled 2.219 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.0 percent of total milk receipts, down 1.7 percentage points from November.
- The average butterfat test of producer receipts was 4.01 percent.
- The average true protein test of producer receipts was 3.19 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.0	753,707,768
Class II	21.0	466,776,916
Class III	26.5	588,709,713
Class IV	18.5	409,751,162
Total Pooled Milk		2,218,945,559

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.1417	2.0378
Butterfat Price	2.5080	2.4951
Other Solids Price	0.2775	0.1070

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.30	20.13
Class II	15.67	14.49
Class III	13.78	15.44
Class IV	15.09	13.51

2018 Northeast Order Statistics Summarized

For the first time since 2009, the volume of milk received from producers shipping to handlers regulated under the Northeast Order did not surpass the previous year. Total milk received from producers equaled 27.1 billion pounds in 2018, down 1.0 percent from 2017.

Even though the total amount of milk pooled on the Order declined, the average volume per producer grew 4.5 percent and topped 7,000 pounds for the first time ever since the Order's inception. The year ended with 789 fewer producers than at the end of 2017, the largest year-to-year drop recorded for the Order. Although the volume of milk pooled declined in the Northeast, lower prices reflected the strong supply that demand could not keep pace with. All class prices declined and the statistical uniform price (SUP) averaged 7.7 percent below 2017.

The accompanying table compares selected pool statistics for 2017 and 2018.

Class Utilization Changes

Class I utilization averaged 32.1 percent in 2018, unchanged from the previous year. There was a decline of 97.7 million pounds (1.1 percent) from 2017, but due to the decline in the total volume, the utilization percentage was unchanged. The total volume of producer receipts used in Class II declined 0.7 percent from 2017, resulting in a 0.1 percentage point increase in the utilization percentage to 24.0 percent of total producer milk pooled in 2018.

Class III volume grew 1.5 percent and beat out last year for the third largest total since the Order's inception; the only two years higher being 2001 and 2002. Utilization averaged 26.7 percent, up 0.7 percentage points from 2017. The amount of milk used in Class IV dropped 5.0 and accounted for an annual average of 17.2 percent utilization, a drop of 0.8 percentage points.

Prices Lower Than 2017

As previously mentioned, milk supplies were down but still plentiful during 2018. Butterfat demand was strong during the first half of 2018, and set record-high butter prices during March, April, and May as reported by National Dairy Products Sales Report (NDPSR). Prices dropped sharply beginning in July. The year finished with a \$2.2572 per pound average butter price, 3.1 percent lower than in 2017.

Cheese prices began the year considerably below 2017. They rose above previous year levels in April and May, but declined during the rest of 2018, especially in the last 2 months of the year. The NDPSR cheese price averaged \$1.5377 per pound for 2018, down 5.9 percent from 2017. Nonfat dry milk prices also began the year with record low levels, but rose somewhat during

Northeast Order Pool Statistics, 2017–2018

Pool Statistics	2017	2018	2017-18 Change
	million pounds		percent
Class I	8,798.5	8,700.8	(1.1)
Class II	6,543.4	6,495.6	(0.7)
Class III	7,132.7	7,238.9	1.5
Class IV	4,921.9	4,673.6	(5.0)
Total	27,396.5	27,108.9	(1.0)
	pounds		
DDP	6,722	7,026	4.5
	utilization percentage		change
Class I	32.1	32.1	0.0
Class II	23.9	24.0	0.1
Class III	26.0	26.7	0.7
Class IV	18.0	17.2	(0.8)
	dollars/cwt		percent
Class I	19.70	18.09	(8.2)
Class II	16.04	14.80	(7.7)
Class III	16.17	14.61	(9.6)
Class IV	15.16	14.23	(6.1)
SUP	17.44	16.09	(7.7)
Producer Component:			
Tests:	percent		change
Butterfat	3.86	3.86	0.00
Protein	3.10	3.09	(0.01)
Other Solids	5.75	5.75	0.00
Prices:	dollars/lb		percent
Butterfat	2.6143	2.5258	(3.4)
Protein	1.8682	1.6497	(11.7)
Other Solids	0.2519	0.1474	(41.5)
Nonfat Solids	0.6918	0.6204	(10.3)

the last 4 months of 2018. They averaged \$0.7945 per pound in 2017, 8.3 percent below the previous year. Dry whey prices followed a similar pattern as nonfat dry milk, weaker early in the year and slightly stronger near the end, averaging 0.3422 per pound, a drop of 22.9 percent from 2017.

All component prices averaged were down compared to the previous year. The price paid to producers for butterfat averaged \$2.5258 per pound, down 3.4 percent from 2017, but the second highest reported since the Order's inception in 2000. The per-pound annual average protein price was \$1.6497 per pound, the lowest in the Order's history, and a decline of 11.7 percent from 2017. The other solids price averaged \$0.1474 per pound, a drop of 41.5 percent from the previous year. The nonfat solids price averaged \$0.6204 per pound, 10.3 percent below the 2017 price and the lowest since the Order's inception.

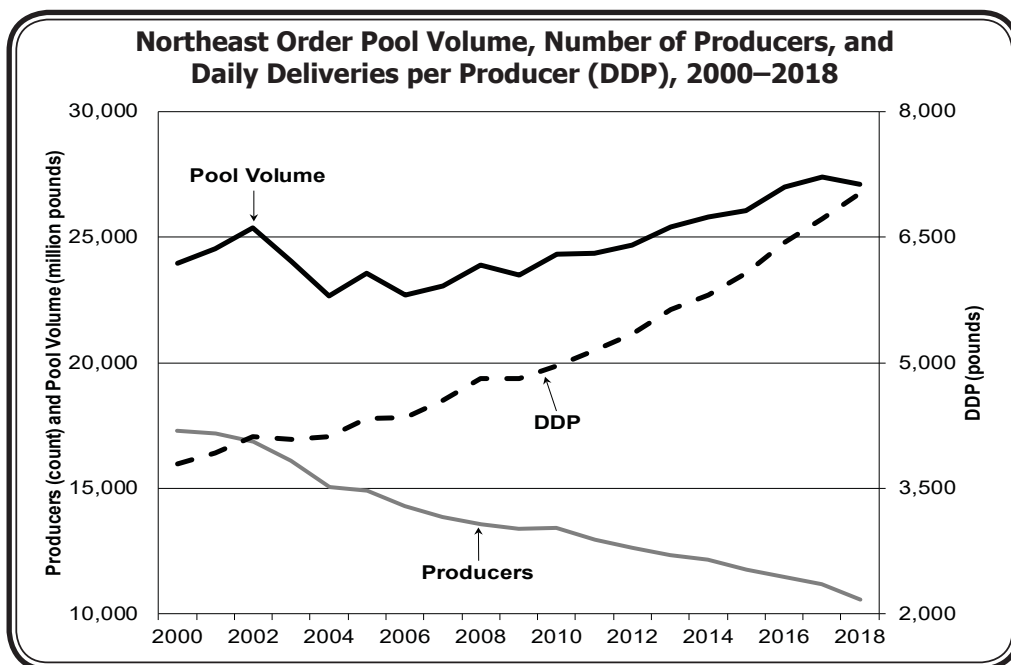
(continued on page 3)

2018 Northeast Order (continued from page 2)

Lower component prices translated into lower class prices, which were about 6-10 percent below last year's. The Class I price averaged \$18.09 per hundredweight in 2018, down 8.2 percent from the 2017 annual average. The Class II price averaged \$14.80 per hundredweight, a decrease of 7.7 percent from the previous year. The Class III price averaged \$14.61, down 9.6 percent from 2017. The Class IV price dropped to \$14.23, a decline of 6.1 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$16.09 per hundredweight, 7.7 percent below the 2017 average.

Producer Tests

The annual average producer butterfat test equaled 3.86 percent in 2018, unchanged from 2017. There were record highs set during the months of January, April, October, November and December; during the last two months, the test topped 4.00 percent for the first time ever under the Order. The annual average producer protein test was 3.09 percent, down 0.01 point from 2017 although record highs were set in January, November, and December. The producer other solids test remained at the record-high average of 5.75 percent, unchanged from the past 3 previous years. ❖



Federal Orders and Government Shutdown

The daily operations and all pricing and pooling functions of the Northeast Federal Milk Order, or any other Federal Milk Marketing Order, continue to operate as usual during a USDA shutdown resulting from a lapse in federal funding. The operations of a Federal Milk Order are individually funded via user fees and therefore are considered excepted. The monthly Class and Component Prices calculated and issued by the Market Information Branch of USDA Agricultural Marketing Service Dairy Program also will continue as scheduled during the shutdown. ❖

Pool Summary for All Federal Orders, January–December, 2017–2018

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2017	2018	Change	2017	2018	2017	2018
		pounds			percent		dollars per hundredweight	
1	Northeast	27,396,555,819	27,108,941,409	(1.0)	1.26	1.48	17.44	16.09
5	Appalachian	5,801,007,337	5,734,468,520	(1.1)	N/A	N/A	18.79	17.31
6	Florida	2,602,265,099	2,565,407,872	(1.4)	N/A	N/A	20.91	19.37
7	Southeast	5,451,402,443	5,209,311,352	(4.4)	N/A	N/A	19.15	17.75
30	Upper Midwest	32,311,866,428	33,322,551,404	3.1	0.13	0.17	16.30	14.78
32	Central	15,879,252,633	16,604,254,052	4.6	0.17	0.27	16.34	14.89
33	Mideast	20,241,147,953	19,602,920,451	(3.2)	0.39	0.60	16.57	15.21
51	California^	N/A	4,117,330,302	N/A	N/A	1.07	N/A	15.18
124	Pacific Northwest	7,660,879,854	8,558,063,981	11.7	(0.02)	0.22	16.16	14.84
126	Southwest	13,092,462,779	13,727,391,349	4.8	0.97	1.13	17.14	15.74
131	Arizona	5,064,797,810	5,132,875,002	1.3	N/A	N/A	16.40	15.12
All Market Total/Average		135,501,638,155	141,683,515,694	4.6	0.48	0.70	17.52	16.02

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ California Milk Marketing Area (F.O. 51) became effective November 1, 2018.

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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	736,635,948	\$9.67	71,232,696.17	
Butterfat	17,071,820	2.5611	43,722,638.20	
Less: Location Adjustment to Handlers			(2,898,160.63)	\$112,057,173.78
Class II— Butterfat	28,740,027	2.5150	72,281,168.11	
Nonfat Solids	40,648,492	0.7911	32,157,022.00	104,438,190.11
Class III— Butterfat	27,429,367	2.5080	68,792,852.40	
Protein	18,707,877	1.1417	21,358,783.18	
Other Solids	33,493,513	0.2775	9,294,449.92	99,446,085.50
Class IV— Butterfat	15,751,821	2.5080	39,505,567.03	
Nonfat Solids	36,631,370	0.7269	26,627,342.85	66,132,909.88
Total Classified Value				\$382,074,359.27
Add: Overage—All Classes				47,722.77
Inventory Reclassification—All Classes				3,382.90
Other Source Receipts	418,688 Pounds			17,687.71
Total Pool Value				\$382,143,152.65
Less: Producer Component Valuations @ Class III Component Prices				(339,178,188.55)
Total PPD Value Before Adjustments				\$42,964,964.10
Add: Location Adjustment to Producers				12,566,505.62
One-half Unobligated Balance—Producer Settlement Fund				783,682.60
Less: Producer Settlement Fund—Reserve				(1,052,982.47)
Total Pool Milk & PPD Value	2,219,364,247 Producer pounds			\$55,262,169.85
Producer Price Differential		\$2.49		
Statistical Uniform Price		\$16.27		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.