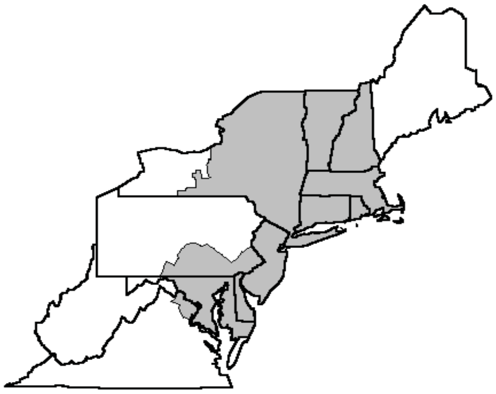

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

June 2018 Federal Order No. 1

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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

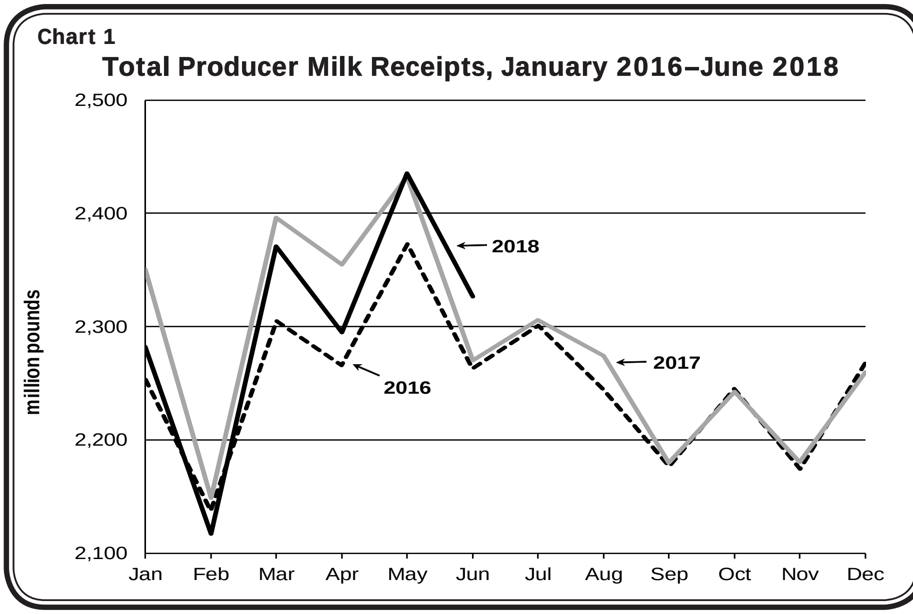
	2018	2017
	$/lb	
Protein Price	1.7478	1.7545
Butterfat Price	2.6692	2.7066
Other Solids Price	0.1128	0.3014

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

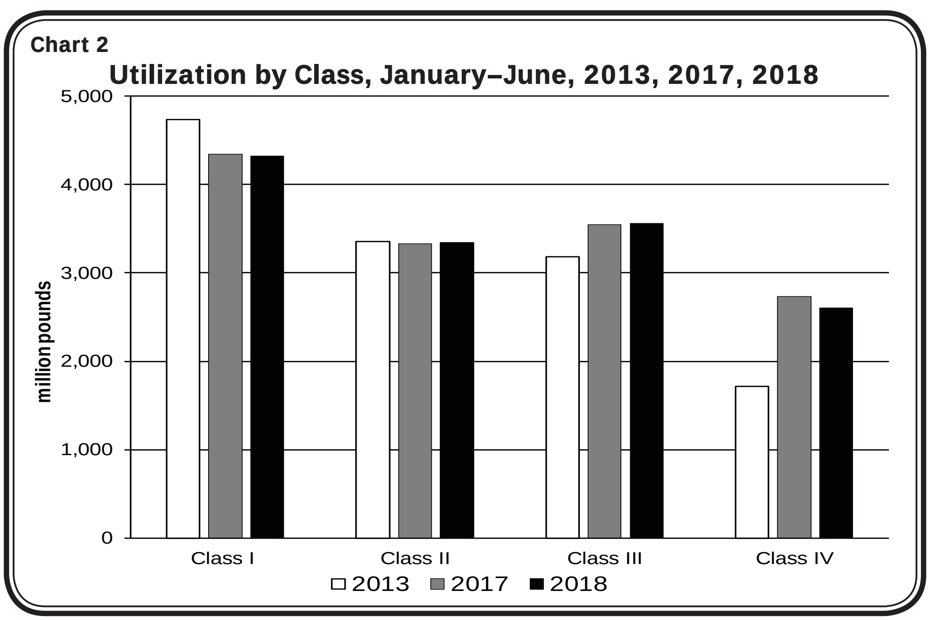
Chart 2 shows utilization by class for the first 6 months of 2018 compared to last year and 5 years ago.

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.

MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

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Computation of Producer Price Differential and Statistical Uniform Price*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
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.