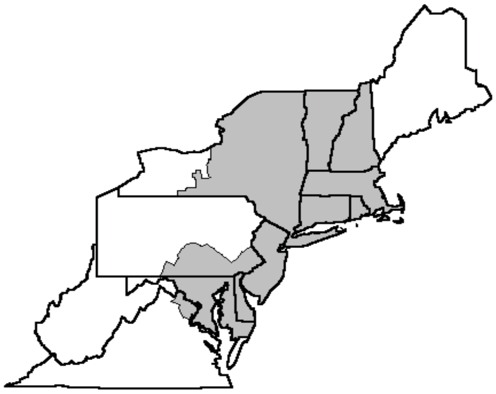

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

John D. Marcucci, Acting Market Administrator

September 2018 Federal Order No. 1

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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

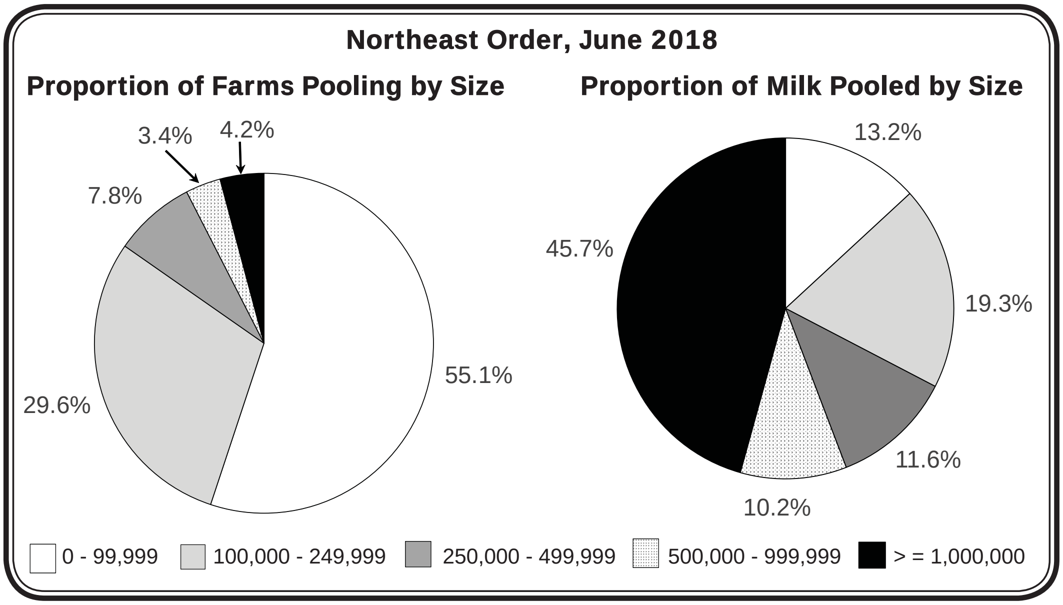
Producer Component Prices

	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 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		Producers				Milk (million pounds)				Percent Change Since 2006	
Monthly Pounds	Herd Size (approx.)	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 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.❖

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

Selected Locations	Location Differential	PPD	SUP	Class I	Class II	Class III	Class IV	Total Pool Pounds
				(million pounds)				
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

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 2017	Total Producer Milk 2018	Change^	Producer Price Differential# 2017	Producer Price Differential# 2018	Statistical Uniform Price#* 2017	Statistical Uniform Price#* 2018
		pounds		percent	dollars per hundredweight			
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*

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