

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### August Pool Price Calculation

The August 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.97 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 \$19.69 per hundredweight. The August statistical uniform price was 14 cents per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was \$1.37 per hundredweight, an increase of 9 cents per hundredweight from last month.

### Product Prices Effect

Commodity product price changes were mixed in August. Butter dropped 2 cents, nonfat dry milk fell 1 cent, and cheese and dry whey each rose less than 1 cent, all on a per pound basis. These changes resulted in a nearly 3-cent (per pound) decrease in the butterfat price, a 1-cent decline in the nonfat solids price, less than a 1-cent increase in the other solids price, and a 4-cent increase in the protein price.

Class price changes also were mixed. The Class I price rose 71 cents, Class II decreased 1 cent, Class III increased 5 cents, and Class IV dropped 16 cents, all on a per hundredweight basis. The Class II and III prices were the same for the month, only the second time ever since the Order's inception (last time was in January 2015). The Class IV price remained the lowest. Class I utilization increased from the previous month. With a higher Class I price and increased utilization in the higher-priced classes, the SUP increased. The spread between the highest class and the lowest-priced class increased resulting in a higher PPD.

### Selected Statistics

Average daily deliveries per producer set a new record high for the month of August. Even though it increased from July, the Class I volume was the lowest ever for the month. The Class IV volume was the highest ever for August. For the first time since September 2018, the average producer butterfat did not set a record for the current month (or tie with a prior month); it was the second highest ever for the month of August. ❖

### Pool Summary

- A total of 9,617 producers were pooled under the Order with an average daily delivery per producer of 7,503 pounds.
- Pooled milk receipts totaled 2.237 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.4 percent of total milk receipts, up 0.8 percentage points from July.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.4	678,896,784
Class II	25.4	568,325,106
Class III	27.4	613,167,944
Class IV	16.8	376,491,640
Total Pooled Milk		2,236,881,474

#### Producer Component Prices

	2019	2018
	\$/lb	
Protein Price	2.4453	1.6245
Butterfat Price	2.6574	2.6009
Other Solids Price	0.1730	0.1741

#### Class Prices

	2019	2018
	\$/cwt	
Class I	21.14	17.40
Class II	17.60	15.07
Class III	17.60	14.95
Class IV	16.74	14.63

## Year-to-Date Class Utilization Changes

For the January through August 2019 period, producer milk pooled on the Northeast Order is below the same period in 2019 by 2 percent. This milk is combined with current plant inventories and bulk and packaged plant transfers and is reflected in the total utilization of milk under the Order. For the same period, total utilization is down 2.6 percent. The accompanying table shows changes in utilization by class and highlights selected product changes for the January-August period for 2019 compared to 2018, 2014, and 2010.

### Class I

Class I utilization is down 5.4 percent for the January-August 2019 period compared to the same time in 2018. Conventional whole milk is unchanged from 2018 and up from 2014 and 2010, but other conventional products not shown in the table (reduced fat, lowfat, fat free, and flavored milk and drinks) are down compared to all years. Organic milk is down from 2018 and 2014, but up significantly from 2010 when the Order started collecting organic data.

### Class II

Through August, Class II utilization is down 2.2 percent. Compared to 2014, it is up 2.7 percent, and up 20.9 percent compared to 2010. As highlighted in the table, yogurt is up 2.3 percent from 2018; compared to 2014, it is up 16.5 percent and it is nearly 4 times higher than in 2010. Combined cottage and ricotta cheese are up from 2018 but down from 2014 and 2010. Ice cream (frozen desserts) has

declined consistently over the years shown. The prepared foods category (bakery, candy, soup, and other products) has consistently increased, although much less in 2019.

### Class III

As the table shows, Class III utilization for 2019 is down 0.7 percent from 2018 but up from both 2014 and 2010. Milk used in Italian cheese is unchanged from 2018 and up from 2014 and 2010. Milk used in the production of American and other cheeses (cream, Swiss, and other types) has declined from 2018, but is up from the other years.

### Class IV

Overall Class IV utilization is down a slight 0.1 percent for January-August 2019. Milk used in butter is down 8.1 percent from 2018, while dried milk products are up slightly. Both products are up noticeably from 2014 and 2010.

### Minimum Price Class

Milk assigned to the minimum price class is down 23.7 percent from 2018 for the January-August period. Compared to 2014 and 2010 it is up substantially. This category includes milk used for animal feed, dumped or lost due to various reasons, and other uses as defined in section 1000.40 of the Order. ❖

## Milk Donation Reimbursement Program

A provision of the 2018 Farm Bill requires establishment of the Milk Donation Reimbursement Program (MDRP). Under the program, eligible dairy organizations that account to a federal milk marketing order marketwide pool and incur qualified expenses related to certain fluid milk product donations may apply and receive limited reimbursements to cover those expenses. The program is intended to reduce food waste and provide nutrition assistance to individuals in low-income groups. The program became effective September 16, 2019.

Under an Federal Milk Marketing Order (FMMO), regulated milk handlers receiving dairy farmers' milk account to a marketwide pool on their end-use classification of the milk. FMMOs require regulated handlers to account to the FMMO pool at the Class I value for milk in all unreturned deliveries of packaged fluid milk products. Regulated handlers who elect to donate packaged fluid milk are required to account to a pool for milk contained in donated fluid milk products at Class I values. Thus, handlers may have found dumping surplus milk a more financially sound alternative than donation because they would avoid an FMMO pool obligation. Under the MDRP outlined in this rule, eligible handlers (continued on page 3)

**Utilization Comparison of Selected Products,  
Northeast Order, January–August**

	Percent change to 2019 from:		
	2010	2014	2018
<b>Class I Milk</b>			
Conventional Whole Milk	1.3	8.7	(0.0)
Organic Milk (whole and Reduced)	16.5	(5.3)	(14.2)
<b>Total Class I Utilization*</b>	<b>(19.7)</b>	<b>(9.7)</b>	<b>(5.4)</b>
<b>Class II Milk</b>			
Prepared Foods	13.4	10.2	1.2
Cottage and Ricotta Cheese	(28.9)	(4.7)	2.9
Yogurt	378.1	16.5	2.3
Ice Cream (Frozen Desserts)	(39.4)	(12.1)	(13.4)
<b>Total Class II Utilization*</b>	<b>20.9</b>	<b>2.7</b>	<b>(2.2)</b>
<b>Class III Milk</b>			
American-Type Cheeses	29.3	6.0	(1.6)
Italian-Type Cheeses	11.0	4.1	0.0
Other Cheeses	29.3	10.5	(6.7)
<b>Total Class III Utilization*</b>	<b>19.9</b>	<b>4.9</b>	<b>(0.7)</b>
<b>Class IV Milk</b>			
Butter	36.6	21.9	(8.1)
Dried Milk Products	67.4	28.8	0.2
<b>Total Class IV Utilization*</b>	<b>45.5</b>	<b>24.7</b>	<b>(0.1)</b>
<b>Minimum Price Class#</b>	<b>82.3</b>	<b>125.4</b>	<b>(23.7)</b>
<b>Total Utilization~</b>	<b>8.2</b>	<b>3.1</b>	<b>(2.6)</b>

\* Includes products not shown.

# As defined in section 1000.40 of the Order.

~ Includes sales to nonpool manufacturing plants.

## Federal Milk Marketings by County

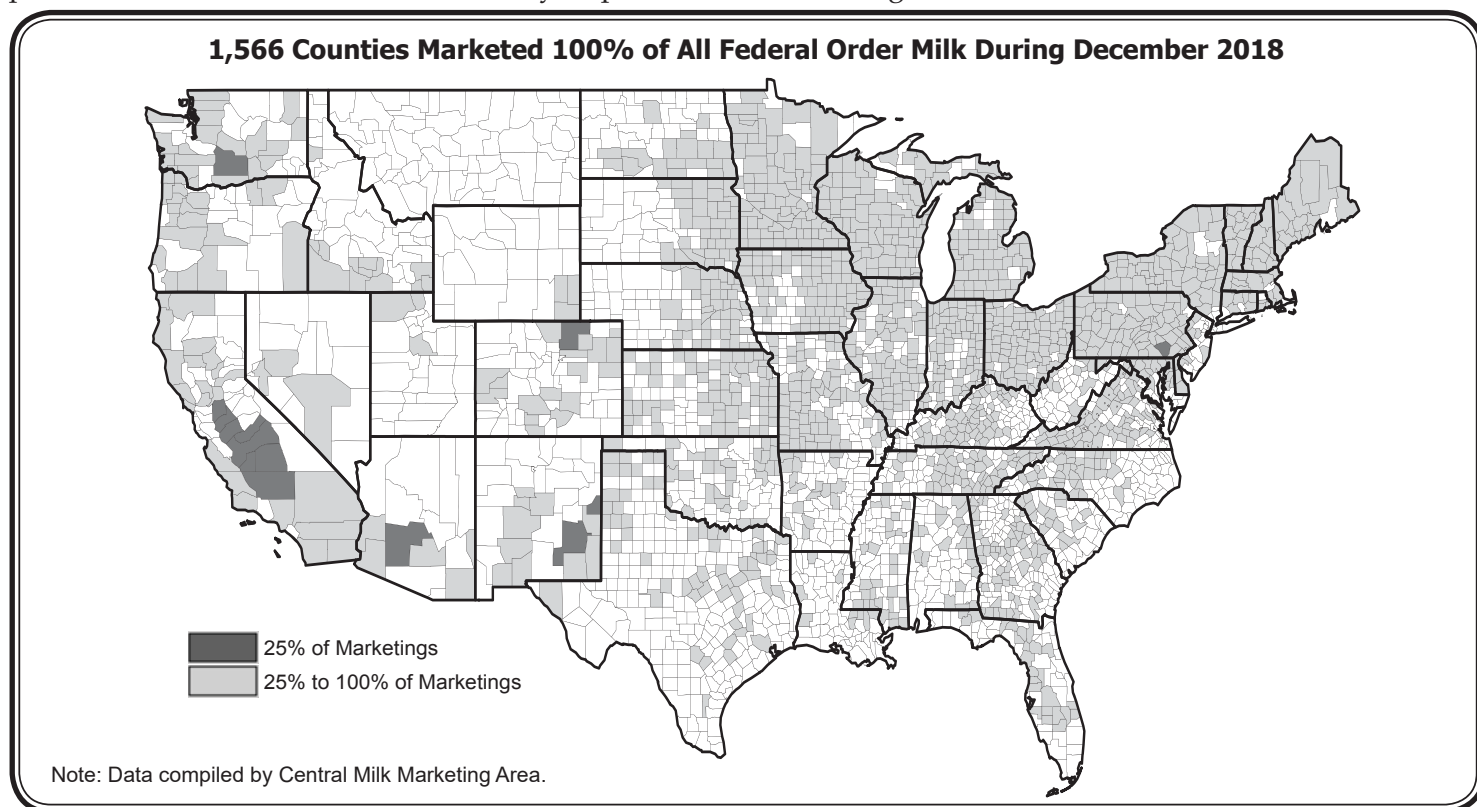
The July *Bulletin* highlighted changes in federal order milk pooled by county in the Northeast Area Milkshed from 2013 to 2018 for the month of December. A map showed the counties with changes. This month the accompanying map shows all counties in the United States (shaded areas) that contain producers that have milk pooled by handlers regulated by Federal Milk Marketing Orders for the month of December 2018. As the map depicts, federal order pooled milk is concentrated in the Upper Midwest, Northeast, and western United States.

Not all of the milk produced in a county is necessarily pooled on federal orders. Some milk may be pooled on

state orders or in unregulated areas. In addition, some areas do not have any milk production as they may not be conducive to dairying.

The darker shaded areas represent the 14 counties that, alone, account for 25 percent of all federal milk marketings. Of these, 8 are located in California. Of the remainder, 2 are in New Mexico, and one each in Arizona, Colorado, and Washington. The only county not located in the western half of the U.S. is Lancaster County, Pennsylvania, and it is the only Northeast Area Milkshed county in this top group.

Map data was compiled by the Central Milk Marketing Area. ❖



## Milk Donation Reimbursement *(continued from page 2)*

who account to FMMO pools and donate packaged fluid milk products to eligible non-profit organizations may claim reimbursements for all or part of the FMMO cost difference between the Class I value at the plant and the lowest classified value for the month. Under the provisions of the MDRP, handlers may not claim reimbursements for other costs related to donating fluid milk products, such as the costs for processing, bottling, and transporting donated milk. The intent of the MDRP is to encourage handlers to make donations to food assistance programs and reduce food waste.

The program is funded up to \$9 million for fiscal year 2019 and \$5 million each fiscal year thereafter. Unused funds roll over to the following fiscal year. Using 2018

average FMMO classified prices and the weighted average FMMO Class I differential, AMS estimates that, had the program been in place in fiscal year 2018, \$9 million could have reimbursed eligible distributors for milk donations of approximately 28 million gallons of fresh fluid milk (assuming a reimbursement rate of 100 percent of the difference between the Class I price and the lowest classified price). AMS further estimates that 28 million gallons of fresh fluid milk represented less than 0.6 percent of all FMMO Class I sales during 2018.

For additional details about the program and program timeline, go to <https://www.ams.usda.gov/services/milk-donation-reimbursement-program>. ❖

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**FIRST CLASS MAIL**

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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	663,415,047	\$12.06	80,007,854.67	
Butterfat	15,481,737	2.7155	42,040,656.82	
Less: Location Adjustment to Handlers			(2,650,053.91)	\$119,398,457.59
Class II— Butterfat	31,394,939	2.6644	83,648,675.47	
Nonfat Solids	48,917,574	0.9522	46,579,313.98	130,227,989.45
Class III— Butterfat	25,350,758	2.6574	67,367,104.30	
Protein	18,517,300	2.4453	45,280,353.69	
Other Solids	35,146,862	0.1730	6,080,407.15	118,727,865.14
Class IV— Butterfat	11,483,671	2.6574	30,516,707.33	
Nonfat Solids	33,269,669	0.8570	28,512,106.36	59,028,813.69
<b>Total Classified Value</b>				<b>\$427,383,125.87</b>
Add: Overage—All Classes				36,860.72
Inventory Reclassification—All Classes				58,623.97
Other Source Receipts	173,187 Pounds			5,533.88
<b>Total Pool Value</b>				<b>\$427,484,144.44</b>
Less: Producer Component Valuations @ Class III Component Prices				(409,806,745.91)
<b>Total PPD Value Before Adjustments</b>				<b>\$17,677,398.53</b>
Add: Location Adjustment to Producers				13,049,061.05
One-half Unobligated Balance—Producer Settlement Fund				889,914.99
Less: Producer Settlement Fund—Reserve				(968,725.65)
<b>Total Pool Milk &amp; PPD Value</b>	2,237,054,661 Producer pounds			<b>\$30,647,648.92</b>
Producer Price Differential		<b>\$1.37</b>		
Statistical Uniform Price		<b>\$18.97</b>		

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