

# The Market Administrator's

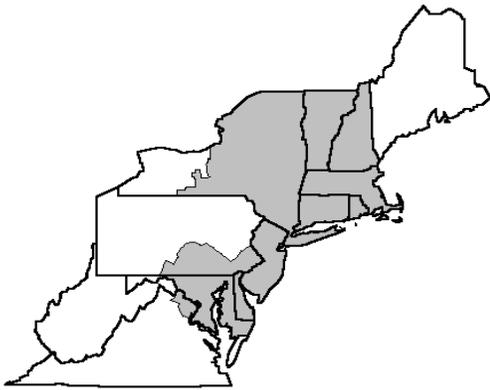
# BULLETIN

## NORTHEAST MARKETING AREA

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November 2019

Federal Order No. 1



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## November Pool Price Calculation

The November 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.20 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 \$21.22 per hundredweight. The November statistical uniform price was 48 cents per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was \$-1.25 per hundredweight; it was \$0.00 in October.

### Product Prices Effect

Commodity product price changes continued to be mixed. The November butter price fell 7 cents and the dry whey price declined 3 cents per pound while the nonfat dry milk price rose 6 cents and the cheese price jumped 20 cents per pound. These changes resulted in an 8-cent drop in the butterfat price, a 74-cent jump in the protein price, a 6-cent increase in the nonfat solids price, and a 3-cent decline in the other solids price, all on a per pound basis.

All class prices increased from the previous month. The Class I price rose 30 cents, Class II increased 17 cents, Class III jumped \$1.73, and Class IV was up 21 cents, all on a per hundredweight basis. With higher prices in all classes, especially the classes with the highest utilization percentages (Classes I and III), the SUP increased. Since producers are paid based on their components at the Class III level, the payout exceeded the pool value resulting in a negative PPD at all zones. The last time this happened was November 2016.

### Selected Statistics

Average daily deliveries per producer set a new record high for the month of November. The Class IV volume was the second highest ever for November. The average producer butterfat test set a new record high for the Order. The average producer protein test was the second highest ever for the Order. The average other solids test tied with 2016 and 2018 as a record-high for November. ❖

## Pool Summary

- A total of 9,558 producers were pooled under the Order with an average daily delivery per producer of 7,238 pounds.
- Pooled milk receipts totaled 2.075 billion pounds, a decrease of 3.5 percent from last month on an average daily basis.
- Class I usage accounted for 31.8 percent of total milk receipts, down 1.1 percentage points from October.
- None of the comparisons above were adjusted for milk not pooled in November.
- The average butterfat test of producer receipts was 4.02 percent.
- The average true protein test of producer receipts was 3.20 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.8	660,851,928
Class II	22.8	473,578,916
Class III	27.8	575,827,242
Class IV	17.6	365,110,742
Total Pooled Milk		2,075,368,828

### Producer Component Prices

	2019	2018
	\$/lb	
Protein Price	3.9118	1.3419
Butterfat Price	2.3195	2.5385
Other Solids Price	0.1112	0.2714

### Class Prices

	2019	2018
	\$/cwt	
Class I	21.39	18.77
Class II	16.85	15.63
Class III	20.45	14.44
Class IV	16.60	15.06

## Looking Ahead 2020

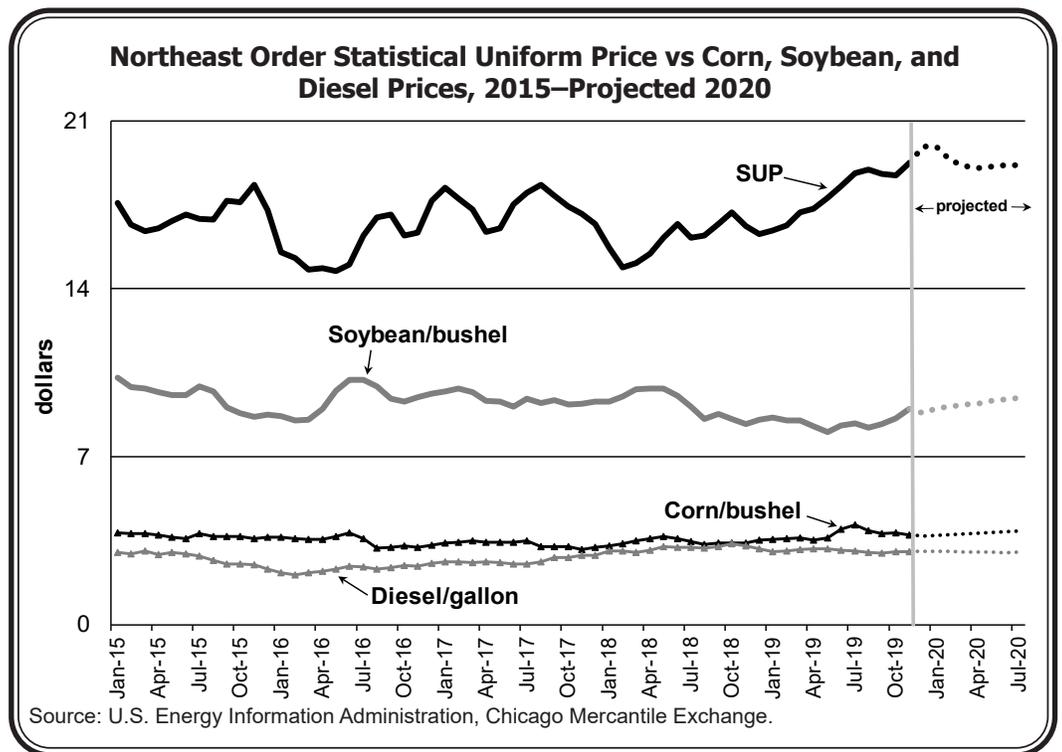
Projections using the Chicago Mercantile Exchange (CME) futures prices imply that the Northeast statistical uniform price (SUP) will finish the year 2019 averaging \$18.17 per hundredweight (cwt), which is a \$2.10 increase over last year's average of \$16.07 per cwt.

### Selected Cost Factors

Production costs due to feed and fuel have had modest increases. Corn prices gradually increased 12.2 percent year-over-year, and CME corn futures suggest current prices holding steady in 2020. Soybean prices are nearly identical as the same month last year, around \$8.60 per bushel. CME soybean futures indicate prices may rise above \$9.00 per bushel in the spring of 2020. According to the U.S. Energy Information Administration (USEIA) the cost of regular fuel saw a sharp spike from \$2.25 per gallon to \$2.85 during the first two quarters of the year, but has been receding since May. The USEIA anticipates future fuel energy prices will remain stable at their current price as we head into 2020. The accompanying graph shows USEIA diesel prices, CME projected corn and soybean prices, as well as the projected SUP for the first half of 2020.

### Supply Factors

The United States Department of Agriculture's (USDA) *World Agricultural and Supply and Demand* December report projects dairy production in the U.S. to be 222.4 billion pounds in 2020. This is a 1.7 percent increase over the 2019 estimated milk production of 218.6 billion pounds. According to the *Milk Production* report by the USDA National Agricultural Statistics Service (NASS) as of December 17, milk production in the 24 major milk producing states had been nearly identical to last year's for the first six months of 2019. Since then, however, there has been a steady increase in monthly year-over-year milk production. Milk production per cow has increased 1.7 percent this year with the majority of that increase occurring after March. While milk production across the U.S. has been increasing steadily over the past three years, 2019 monthly Northeast pool volumes have not followed the same pattern. Northeast pool volumes for the first ten months of 2019 have only been above their 2018 counterpart 3 times. The total volume of pooled milk



has decreased through the first ten months of 2019, down 1.5 percent from the same period in 2018.

According to NASS's *Cold Storage* report, stocks of butter are up 3 percent nationally from 2018 while cheese stocks are down 2 percent through the first ten months of 2019. NASS's *Dairy Products* report indicates that dry whey stocks are up 5 percent from last October while nonfat dry milk (NFD) stocks tumbled 11.6 percent year-over-year. The global supply of NFD also can play a substantial role in the price U.S. producers receive. According to the European Commission, the public stocks of NFD that peaked at 430,000 tons in 2016 were officially empty as of June 2019. The decrease in NFD stocks both domestically and internationally may have helped contribute to a NASS monthly average NFD price of \$1.15 per pound, a price not seen since 2014.

### Demand Factors

According to the U.S. Dairy Export Council (USDEC), the U.S. exported 14.4 percent of its dairy production in 2019, a slight drop from the 15.2 percent export rate in 2018. It's important to note that while exports as a percentage of production have decreased this year, dairy production has increased overall. Dairy exports still account for one-seventh of total dairy production. Notably, butterfat and dry whey are leading contributors to the decline in exports this year, at a 45 and 33 percent decrease, respectively, compared to the first ten months of last year.

Strong cheddar blocks and barrels prices during the late summer and early fall helped bring weighted cheese (continued on page 3)

## Looking (continued from page 2)

prices up to 2014 levels. Additionally, cheese exports topped 300,000 metric tons for the first ten months of 2019, a phenomenon that has occurred only one other time since 2012. The USDEC expects an increase in cheese export volumes compared to 2019. As of December 17, CME futures predicts cheese prices falling throughout the entire year of 2020 including a low of \$1.77 per pound in December.

### Domestic Situation

The trade tensions that have left producers, exporters, and trading partners uncertain about international trade have put even more importance on the performance of the domestic market in the coming months. This importance is reflected by the fact that over 80 percent of milk produced in the U.S. stays inside our borders.

A broad measurement of the health of the U.S. economy is the unemployment rate, which currently lays near a 50 year low at 3.5 percent. The Conference Board's Consumer Sentiment Index (CSI), a measurement of the consumer's view of the health of the economy, is at 99.2 which is 0.9 percent higher year-over-year. While these numbers reflect some positive indicators in the economy, there are some signs of softness and uncertainty in the economy.

The Restaurant Expectation Index (RPI) sits at 101.6, down from 101.7 in October. A measure above 100 signifies expansion in the industry, but the index has been trending downward since 2017. A broad indication of consumers' purchasing power is the growth of wages and income year-over-year. Wages have grown at a moderate 2.09 percent rate since last November while inflation (consumer price index) is 2.04 percent over the same period. This indicates a lack of growth in real disposable income for consumers as the growth in wages has primarily been matched by rising overall prices. Consumer spending accounts for roughly 70 percent of the U.S. economy, therefore a static consumer disposable income and a weakening consumer sentiment index may impact consumers' demand to purchase goods and services.

### Outlook 2020

USDA forecasts the all-milk price for 2020 to be \$19.40 per cwt. Using December 17 CME Class III and Class IV future prices, the 2020 Northeast SUP is estimated to average \$19.25 per cwt. The U.S. remains a brighter spot in the global economy. Economic powerhouses such as Canada, China, France, Germany, Japan, South Korea, and United Kingdom have all seen lower than expected growth rates through 2019. Weaker international economies could weigh down dairy exports and increase the reliance on the American economy for purchases. Despite the slowing global economy, the USDA Foreign Agriculture Service predicts a \$300 million increase in dairy exports to \$5.8

billion in 2020. According to the Federal Reserve Bank, the United States expects an economic growth rate of 1.9 percent for 2020, heavily relying on a steady level of consumer spending. The USDA Economic Research Service (ERS) anticipates an increase in domestic consumer demand for cheese and NFDMM in 2020, while butter may see an increase in international demand due to a lower price. On the supply side, ERS anticipates higher milk stocks and more production in 2020. They expect the higher stocks will cover any increase in demand, reinforcing their expected all-milk price to be \$19.40 per cwt. ❖

## 2020 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	1/27/20
February	Wednesday	2/26/20
March	Thursday	3/26/20
April	Monday	4/27/20
May	Tuesday	5/26/20
June	Friday	6/26/20
July	Monday	7/27/20
August	Wednesday	8/26/20
September	Monday	9/28/20
October	Monday	10/26/20
November	Friday	11/27/20
December	Monday	12/28/20



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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<b>Product Pounds</b>	<b>Price per cwt./lb.</b>	<b>Component Value</b>	<b>Total Value</b>
Class I— Skim	645,235,136	\$13.36	86,203,414.17	
Butterfat	15,616,792	2.4280	37,917,570.98	
Less: Location Adjustment to Handlers			(2,693,325.76)	\$121,427,659.41
Class II— Butterfat	29,081,851	2.3265	67,658,926.36	
Nonfat Solids	41,435,216	1.0022	41,526,373.45	109,185,299.81
Class III— Butterfat	26,623,552	2.3195	61,753,328.86	
Protein	18,339,092	3.9118	71,738,860.06	
Other Solids	32,928,653	0.1112	3,661,666.22	137,153,855.14
Class IV— Butterfat	12,075,174	2.3195	28,008,366.09	
Nonfat Solids	32,985,516	0.9763	32,203,759.26	60,212,125.35
<b>Total Classified Value</b>			<b>Total value of milk in the pool</b>	<b>\$427,978,939.71</b>
Add: Overage—All Classes				134,843.50
Inventory Reclassification—All Classes				174,896.87
Other Source Receipts	199,419			641.29
<b>Total Pool Value</b>			<b>Total value of producer components</b>	<b>\$428,289,321.37</b>
Less: Producer Component Valuations @ Class III Component Prices				(466,420,841.81)
<b>Total PPD Value Before Adjustments</b>				<b>(\$38,131,520.44)</b>
Add: Location Adjustment to Producers				12,174,936.78
One-half Unobligated Balance—Producer Settlement Fund				1,002,750.43
Less: Producer Settlement Fund—Reserve				(990,769.80)
<b>Total Pool Milk &amp; PPD Value</b>	2,075,568,247	Producer pounds		<b>(\$25,944,603.03)</b>
Producer Price Differential		<b>(\$1.25)</b>		
Statistical Uniform Price		<b>\$19.20</b>		

**Negative value from which PPD per hundredweight is calculated**

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

**Plants Not Included in Producer Price Differential Computation**

A public announcement is hereby made pursuant to §1000.25(c)(5) of the General Provisions of Federal Milk Marketing orders that Dean Foods, Dallas, Texas, failed to make required payments into the October producer-settlement fund. Therefore, its milk receipts and utilizations were not included for the days of November 1-11, 2019, in the November producer price differential computation. On November 12, Dean Foods filed for Chapter 11 bankruptcy and will be referred to in the Federal Milk Marketing Order Program from that date forward as Dean Foods (DIP), a new pooled handler. Milk receipts and utilization for the period November 12-30, 2019, by Dean Foods (DIP) were included in the computations.