

# The Market Administrator's

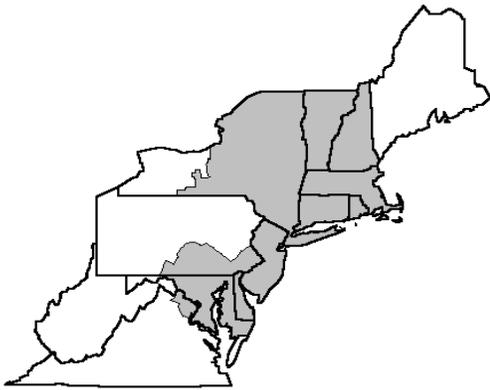
# BULLETIN

## NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

February 2021

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: [NortheastOrder@fedmilk1.com](mailto:NortheastOrder@fedmilk1.com)  
website address: [www.fmmone.com](http://www.fmmone.com)

## February Pool Price Calculation

The February 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.80 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 \$17.35 per hundredweight. The February statistical uniform price was 11 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$0.05 per hundredweight, an increase of 18 cents from the previous month.

### Product Prices Effect

All commodity prices decreased in February except dry whey. As reported on the National Dairy Product Sales Report on a per pound basis, butter fell 10 cents, nonfat dry milk declined 2 cents, and the cheese price dropped 5 cents based off a 3-cent decline in the block price and an 8-cent drop in the barrel price. The dry whey price rose 5 cents per pound. The commodity price changes translated to similar changes in the component prices. Butterfat fell 12 cents, nonfat solids decreased 2 cents, and protein dropped 5 cents, all on a per pound basis. Other solids increased 5 cents per pound.

All class prices decreased from the previous month except the Class I price, which calculated from product prices in mid-January, increased 40 cents per hundredweight. The Class II price decreased 18 cents; Class III declined 29 cents; and Class IV dropped 56 cents, all on a per hundredweight basis. These lower prices, combined with the month's class utilizations, generated a lower SUP. With the spread between the higher and lower classes increasing, the PPD returned to a positive value at Boston, but since most milk is received at plants not located in the base zone, most producers' paychecks will reflect a negative PPD value.

### Selected Statistics

Average daily deliveries per producer set a new record high for the Order. The February average producer butterfat set a new record high for the Order. The producer protein test set tied with December 2020 and January 2021 for an Order record high for the month. The February producer other solids test tied with May 2020 as a record high for the Order. ❖

## Pool Summary

- A total of 8,959 producers were pooled under the Order with an average daily delivery per producer of 8,377 pounds.
- Pooled milk receipts totaled 2.101 billion pounds, an increase of 0.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.0 percent of total milk receipts, up 0.6 percentage points from January.
- The average butterfat test of producer receipts was 4.11 percent.
- The average true protein test of producer receipts was 3.21 percent.
- The average other solids test of producer receipts was 5.79 percent. ❖

### Class Utilization

| Pooled Milk       | Percent | Pounds        |
|-------------------|---------|---------------|
| Class I           | 31.0    | 652,242,437   |
| Class II          | 25.3    | 530,477,659   |
| Class III         | 25.0    | 524,907,512   |
| Class IV          | 18.7    | 393,848,387   |
| Total Pooled Milk |         | 2,101,475,995 |

### Producer Component Prices

|                    | 2021   | 2020   |
|--------------------|--------|--------|
|                    | \$/lb  |        |
| Protein Price      | 2.9816 | 3.0309 |
| Butterfat Price    | 1.4376 | 1.9813 |
| Other Solids Price | 0.3161 | 0.1750 |

### Class Prices

|           | 2021   | 2020  |
|-----------|--------|-------|
|           | \$/cwt |       |
| Class I   | 18.79  | 20.80 |
| Class II  | 14.00  | 16.84 |
| Class III | 15.75  | 17.00 |
| Class IV  | 13.19  | 16.20 |

# U.S. Milk Production Growth Highest in Six Yers

Total milk production in the United States rose 1.9 percent in 2020, the largest year-to-year increase in milk production since 2014. The rate of growth was only 0.4 in 2019. Percent changes have been adjusted for leap year in 2020.

The increase in the top ten milk-producing states combined was slightly below the national average. Growth in the combined total for the selected 24 milk-producing states reported by the National Agricultural Statistics Service (NASS) was slightly higher than the national average. The accompanying table shows the top ten states ranked by their total 2020 production and comparisons to the selected 24 states total and the U.S. total for production, cows, and milk production per cow (MPC).

## Top Ten Rankings Unchanged

The top ten list contained the same states as in 2019 with California, Wisconsin, and Idaho holding the top 3 spots. In the Northeast, New York and Pennsylvania remained numbers 4 and 7, respectively. As in 2019, Texas reported the largest year-to-year increase in production of the top ten. New Mexico was the only top ten state to report a decrease from the previous year.

Of the NASS selected 24 states, six reported decreases from 2019. The largest increase reported by this group was South Dakota with 10.7 percent followed by Colorado and Texas that each rose 6.8 percent. Vermont reported the largest decline with 3.8 percent from 2019. The only changes in rank were Oregon and Vermont that switched positions from last year (now ranked 18 and 19, respectively), and Illinois and Georgia that also switched positions (now ranked 22 and 23, respectively). The selected 24 states in total accounted for 95.4 percent of the US total in 2020, up from 95.3 percent the prior year.

## Northeast Production

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 0.8 percent in 2020. The milkshed state reporting the largest growth was Maryland with 4.2 percent; Massachusetts followed with 2.8 percent. Maine reported the largest decline of the milkshed (4.8 percent), followed by Delaware with 4.6 percent. The combined New England states reported a drop of 2.9 percent while the three largest contributing states to the Northeast Order (New York, Pennsylvania, and Vermont) reported a combined increase of 0.8 percent from 2019. Comparatively, total milk pooled on the Northeast Order was unchanged from to 2019.

## Cow Numbers and Production per Cow

Nationally, the number of milk cows fell 0.7 percent in 2020, the same change as in 2019. The number of states showing declining cow numbers totaled 23, down from 35 in 2019. Twelve states reported increases and 13 had no change. Of those with increasing cow numbers, four were in the top ten states. Wyoming reported the largest percentage increase (25 percent) but only had 7,500 head; South Dakota had the second largest increase (8 percent) with 135,000 head. California had 18.3 percent of the 2020 total number of cows in the U.S.; Wisconsin followed with 13.4 percent.

In the Northeast milkshed states, milk cow numbers declined 0.9 percent; this follows a drop of 2.8 percent in 2019. The combined total for New York, Pennsylvania, and Vermont was down 0.8 percent from 2019.

Average MPC grew 1.4 percent nationally, up from 1.0 percent in 2019. Michigan continues to lead the nation in MPC, followed by Colorado. Only fourteen states had MPC greater than the national average; eight of them were in the top ten. The only top-ten states below the national average were Minnesota and Pennsylvania.

The Northeast states' increase in MPC was 1.7 percent, above the national average change of 1.4 percent, but MPC in the Northeast states trails the U.S. The U.S. average milk per cow was 23,777 pounds in 2020; the average was 23,402 pounds in the Northeast states. New York's MPC (24,500 pounds) was above the national average.

NASS reported data for Alaska and Hawaii in a combined Other States category to avoid disclosing data for individual operations. ❖

**Top Ten States Ranked by Milk Production, 2020**

| Rank | State         | 2020                     |                          | Percent Change* | 2020                 |                  |
|------|---------------|--------------------------|--------------------------|-----------------|----------------------|------------------|
|      |               | 2019<br>(million pounds) | 2020<br>(million pounds) |                 | Cows<br>(1,000 head) | MPC#<br>(pounds) |
| 1    | California    | 40,595                   | 41,282                   | 1.4             | 1,721                | 23,987           |
| 2    | Wisconsin     | 30,588                   | 30,730                   | 0.2             | 1,259                | 24,408           |
| 3    | Idaho         | 15,632                   | 16,241                   | 3.6             | 645                  | 25,180           |
| 4    | New York      | 15,122                   | 15,337                   | 1.1             | 626                  | 24,500           |
| 5    | Texas         | 13,850                   | 14,831                   | 6.8             | 595                  | 24,926           |
| 6    | Michigan      | 11,385                   | 11,683                   | 2.3             | 430                  | 27,170           |
| 7    | Pennsylvania  | 10,108                   | 10,276                   | 1.4             | 482                  | 21,320           |
| 8    | Minnesota     | 9,922                    | 10,149                   | 2.0             | 447                  | 22,705           |
| 9    | New Mexico    | 8,187                    | 8,169                    | (0.5)           | 330                  | 24,755           |
| 10   | Washington    | 6,783                    | 6,817                    | 0.2             | 280                  | 24,346           |
|      | Top Ten Total | 162,172                  | 165,515                  | 1.8             | 6,815                | 24,287           |
|      | NASS 24 Total | 208,118                  | 212,852                  | 2.0             | 8,866                | 24,008           |
|      | U.S. Total    | 218,441                  | 223,220                  | 1.9             | 9,388                | 23,777           |

Source: NASS, *Milk Production*

\* Adjusted for leap year.

# Milk Produced per Cow; not adjusted for leap year.

## Market Situation

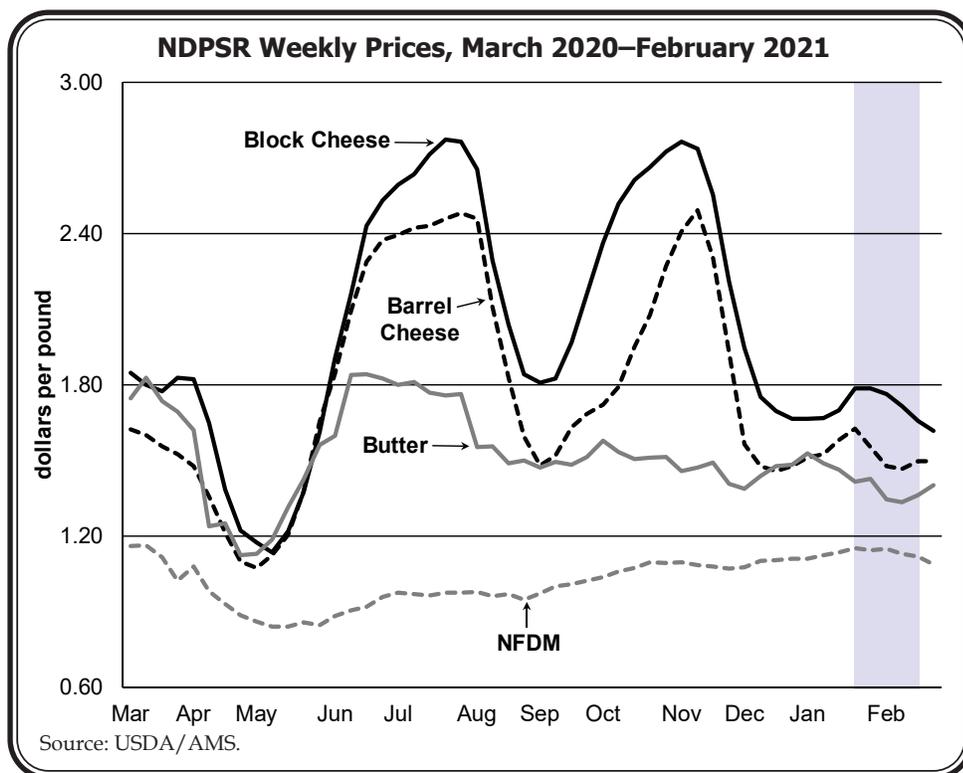
Agricultural Marketing Service National Dairy Product Sales Report (NDPSR) prices of Cheddar cheese, butter, nonfat dry milk, and dry whey are the inputs to federal milk market order class and component prices. The accompanying chart presents weekly NDPSR cheese prices that established federal order minimum prices over the past 9 months.

The February Statistical Uniform Price (SUP) reflected NDPSR prices for weeks ending February 6 through February 27. The shaded area on the accompanying chart highlights the NDPSR cheese prices during this period. NDPSR prices for the first two weeks of February also are shown.

### **CME Prices Indicate Some Increase to Product Prices**

NDPSR prices tend to lag Chicago Mercantile Exchange (CME) prices by approximately 2 weeks. Looking at average CME prices for the week of March 12, block and barrel cheese averaged \$1.76 and \$1.52 per pound, respectively. Average NDPSR prices for cheese have been fairly steady. The average weekly NDPSR Block and barrel cheese have averaged \$1.71 and \$1.52 per pound, respectively since the beginning of 2021. The range of both prices over that time period was roughly 16 cents per pound. March 16 CME spot prices for blocks and barrels, were \$1.80 and \$1.64, respectively, indicating some upward trend in those prices in the short term. The CME cash price for nonfat dry milk on March 16 closed at about \$1.17 per pound, 8 cents above where the most recent weekly NDPSR prices averaged. The butter price closed at \$1.71 per pound, 31 cents above the NDPSR price for the last week of February, indicating there may be some upward movement in butter prices in the short term. Dry whey was just under \$0.60 per pound, indicating potential movement upward in dry whey prices as well, compared to the level of the most recent NDPSR prices.

The chart depicts two sizeable and rapid increases and then decreases in the cheese price in 2020. These price movements were largely related to federal government purchases, particularly the Farms to Families Food Box Program. A fifth round of purchases for that same program for a period covering January through April 2021 contributed to a



rise in cheese prices in January, though not nearly to the same level and was not sustained. This smaller “bump” is also evident in the chart. In addition to the Food Box Program, the Consolidated Appropriations Act of 2021, signed into law on December 27, 2020, includes a dairy donation program to provide \$400 million to pay for milk to be processed into dairy products and donated to non-profit entities.

### **Updated Outlook**

As spring approaches, milk production levels may put downward pressure on prices. January U.S. milk production was up 1.8 percent, year-over-year. Milk cow numbers in January exceeded the prior year by 85,000 and milk per cow was up by roughly 0.6 percent. These figures are not quite as strong relative to the prior year as in December, but still suggest strong milk production. With uncertainty of demand in a continuing pandemic economic environment, the mentioned government purchases may play an important role in supporting milk prices if strong milk production gains continue into spring. Additionally, continued strong U.S. exports may also be looked to for helping to clear production volumes. The U.S. exported an all-time high of 16 percent of its milk solids produced during the year 2020. Using CME futures prices for Class III and Class IV milk as settled on March 15, the 2021 SUP for the Northeast Order projects to average \$17.96 per hundredweight. ❖

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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   | 637,341,492           | \$13.62                   | \$86,805,911.21        |                          |
| Butterfat   | 14,900,945            | 1.6129                    | 24,033,734.19          |                          |
| Less: Location Adjustment to Handlers                 |                       |                           | (2,738,450.47)         | \$108,101,194.93         |
| Class II— Butterfat                                   | 29,306,814            | 1.4446                    | 42,336,623.51          |                          |
| Nonfat Solids   | 47,008,397            | 1.0300                    | 48,418,648.91          | 90,755,272.42            |
| Class III— Butterfat                                  | 25,677,637            | 1.4376                    | 36,914,170.94          |                          |
| Protein   | 16,786,944            | 2.9816                    | 50,051,952.20          |                          |
| Other Solids  | 30,166,043            | 0.3161                    | 9,535,486.17           | 96,501,609.31            |
| Class IV— Butterfat                                   | 16,449,730            | 1.4376                    | 23,648,131.82          |                          |
| Nonfat Solids   | 35,410,958            | 0.9391                    | 33,254,430.66          | 56,902,562.48            |
| <b>Total Classified Value</b>                         |                       |                           |                        | <b>\$352,260,639.14</b>  |
| Add: Overage—All Classes                              |                       |                           |                        | 41,566.89                |
| Inventory Reclassification—All Classes                |                       |                           |                        | 31,557.67                |
| Other Source Receipts                                 | 374,130               |                           |                        | 7,896.72                 |
| <b>Total Pool Value</b>                               |                       |                           |                        | <b>\$352,341,660.42</b>  |
| Less: Value of Producer Butterfat                     | 86,335,126            | 1.4376                    | (124,115,377.12)       |                          |
| Value of Producer Protein                             | 67,391,750            | 2.9816                    | (200,935,241.78)       |                          |
| Value of Producer Other Solids                        | 121,583,505           | 0.3161                    | (38,432,545.94)        | (363,483,164.84)         |
| <b>Total PPD Value Before Adjustments</b>             |                       |                           |                        | <b>(\$11,141,504.42)</b> |
| Add: Location Adjustment to Producers                 |                       |                           |                        | 12,187,403.18            |
| One-half Unobligated Balance—Producer Settlement Fund |                       |                           |                        | 868,653.80               |
| Less: Producer Settlement Fund—Reserve                |                       |                           |                        | (863,627.52)             |
| <b>Total Pool Milk &amp; PPD Value</b>                | <b>2,101,850,125</b>  |                           |                        | <b>\$1,050,925.04</b>    |
| Producer Price Differential                           |                       | <b>\$0.05</b>             |                        |                          |
| Statistical Uniform Price                             |                       | <b>\$15.80</b>            |                        |                          |

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