



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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June Pool Price Calculation

The June 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.50 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 \$19.44 per hundredweight. The June statistical uniform price was 16 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$1.29 per hundredweight, an increase of \$1.91 from the previous month's -\$0.62.

Product Prices Effect

Most of the commodity prices declined, with cheese facing the largest drop. As reported on the National Dairy Product Sales Report on a per pound basis, butter decreased 2 cents, dry whey declined 1 cent, and cheese fell 18 cents based on the combined decreases of 20 cents in blocks and 15 cents in barrels, all on a per pound basis. Nonfat dry milk, the only commodity to increase, rose 3 cents per pound. The commodity price changes translated to similar changes in the component prices. Butterfat decreased 2 cents, other solids declined 1 cent, and nonfat solids rose 3 cents, all per pound. Protein fell 55 cents per pound as a result of the large drop in the cheese price. The other solids price was the third highest ever for the month of June.

All class prices increased from the previous month except Class III. The Class I price rose \$1.19; Class II increased 44 cents; and Class IV was up 19 cents, all on a per hundredweight basis. The Class III price fell \$1.75 per hundredweight. Both the Class I price and SUP were the highest for June since 2014. The combination of the class prices with the month's class utilizations generated a higher SUP. The spread between the highest class price and the Class III price increased considerably, and combined with the utilizations, generated a positive PPD at all differential zones usually associated with the Northeast milkshed.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of June. The Class IV volume and utilization percentage for June were the highest for the month since the Order's inception. Average producer butterfat and protein tests set new record highs for the month. ❖

Pool Summary

- A total of 8,684 producers were pooled under the Order with an average daily delivery per producer of 8,568 pounds.
- Pooled milk receipts totaled 2.232 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.1 percent of total milk receipts, down 0.8 percentage points from May.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.1	628,211,082
Class II	24.8	552,394,003
Class III	24.9	554,894,250
Class IV	22.2	496,581,955
Total Pooled Milk		2,232,081,290

Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	2.5834	4.5349
Butterfat Price	1.9641	1.8591
Other Solids Price	0.4579	0.1696

Class Prices

	2021	2020
	\$/cwt	
Class I	21.54	14.67
Class II	16.66	12.99
Class III	17.21	21.04
Class IV	16.35	12.90

Change in Utilization—Initial Covid Effect

During the initial months of the COVID-19 pandemic, restaurant, plant, and school closures created an unusual situation for the dairy industry. Milk production was strong early on in 2020, which added to the stress of moving and processing milk during that uncertain time.

This article compares the changes in utilization of milk products for the March-May period of 2020 to the 3 years prior and to 2021. The accompanying table shows changes in milk used in selected products for these time periods; it does not represent sales of these products. These changes only reflect occurrences for the Northeast Order region and are not necessarily reflective of the rest of the United States.

Class I Usage

For the 3 years prior to the COVID-19 pandemic, Class I sales (fluid products) were on an increasing decline. As often occurs in times of uncertainty, there was significant panic buying during the initial months of COVID-19 shutdowns in the Northeast that began about mid-March of 2020. In addition, schools and other agencies took action to ensure that even though schools were physically closed, meals were still provided to students at various drop off locations. These activities resulted in a slight increase in overall Class I sales for the March-May 2020 period compared to the same period in 2019. Notable increases were recorded in whole and reduced fat milk while all other products such as flavored milk and drinks (lower fat flavored milk products) and buttermilk experienced significant declines. Comparatively, for the same period in 2021, low fat and fat free milk continued to decline but whole and reduced fat milk also declined significantly, while flavored milk and drinks, organic products, and buttermilk have rebounded to more expected levels.

Manufactured Products

Other products faced noticeable changes during the March-May 2020 period due to the closure of restaurants, changes to take-out options, and more cooking and eating at home. Product used in packaged cream and the bakery/candy/soup category, which are used in many commercial outlets, reported double-digit declines but have since rebounded in 2021. Milk utilized in cottage cheese and ricotta cheese both jumped during the 3-month period, and have since dropped significantly in 2021.

Milk used for Italian cheese increased during the March-May period in 2020, but at a lower rate than in 2019. Italian cheese is a major ingredient in pizza, which continued to be purchased through take-out and delivery options when the COVID-19 shut-down began. Milk used in the Swiss and other type cheese category declined

Changes in Utilization for Selected Products, Northeast Order

	Year-to-Year Change				
	2016-17	2017-18	2018-19	2019-20	2020-21
	percent				
Fluid Products					
Whole Milk	3.5	2.2	(0.2)	6.4	(10.8)
Reduced Fat Milk	(1.5)	(1.6)	(3.9)	8.0	(1.9)
Lowfat Milk	(5.9)	(5.7)	(7.8)	(1.2)	(1.4)
FatFree	(11.4)	(8.4)	(12.2)	(14.5)	(12.0)
Flavored Milk and Drinks	(4.1)	(1.8)	(2.6)	(41.6)	28.9
Organic Milk & Fat Reduced Products	1.7	(1.4)	(18.0)	(3.8)	6.0
Buttermilk & Eggnog	2.7	0.8	3.2	(34.3)	35.9
Total Class I Products	(0.6)	(0.2)	(4.1)	0.1	(2.4)
Manufactured Products					
Packaged Cream	2.8	7.3	(15.7)	(23.1)	20.4
Bakery, Candy, Soup	(7.4)	12.7	(2.2)	(14.1)	11.2
Cottage Cheese	(2.7)	9.0	(1.1)	26.0	(16.2)
Ricotta Cheese	12.4	(7.2)	(1.5)	13.1	(14.7)
Italian-Type Cheeses	10.6	0.6	3.9	2.8	(5.5)
Swiss and Other-Type Cheeses	2.7	(3.0)	(2.5)	(11.6)	2.3
Condensed Products	(0.5)	18.7	11.0	59.6	(6.8)
Butter	29.0	(18.1)	(11.6)	24.5	(14.9)
Total Other Uses Utilization	26.6	(37.5)	(24.1)	333.5	(74.2)

more severely in 2020 than in prior years, but has since rebounded somewhat. Many of the cheeses in this category are used in restaurants, food service, or are considered gourmet or luxury.

Condensed product utilization jumped over 50 percent for the 3-month period as manufacturers reverted to products that were more storable; that category has declined nearly 7 percent for the same period in 2021. Similarly, product used in butter grew nearly 25 percent in 2020 and has since dropped almost 15 percent in 2021.

During the March-May 2020 period, with the dairy industry facing significant obstacles in the supply chain from plant closures to limited delivery options, the volume of milk dumped or used for purposes other than normal manufacturing or bottling was three times the volume in 2019. For the 2021 period, with plants back to normal operations, this volume was down 74 percent. This article focused on impacts to utilization as a result of the most severe period of shut downs early in the pandemic period. Though the economy has largely opened, challenges to demand and the supply chain continue. ❖

Shipping Percent Adjusted for Fall Months

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. Similar to other recent *(continued on page 3)*

Shipping Percent Adjusted (continued from page 2)

requests, 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. 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, milk utilization, and market conditions.

Section 1001.7 (g) of the Northeast Order states that the shipping percentages under the above provision may be increased or decreased by the Market Administrator if, after conducting an investigation and soliciting comments, the market administrator determines that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

Monthly pool statistics continue to present a picture of declining Class I utilization for the Northeast Order, though there had been some slowing of this trend earlier in 2021; The Class I utilization for the most recent pool, May 2021, at 672.2 million pounds was the lowest volume for the month in 20 years. At 28.9 percent, Class I utilization in May was the lowest ever for the month and fourth lowest Class I utilization by percent for any month since the Order's inception.

The volume of milk pooled on the Order through the first 5 months of this year is the fourth largest volume since the inception of the Northeast Order, though slightly below the prior year, adjusted for leap year. Milk utilized in Class IV—historically considered a balancing class with the manufacture of lower valued storable products—typically exhibits year-to-year variation in the

Northeast Order in response to the overall supply and demand for milk in the region. During the first 5 months of this year, the pounds of milk utilized in Class IV has ranked third highest since the Order's inception (only this period in 2017 and 2020 being higher). Class IV utilization for May 2021 was the third highest ever for that month and fourth highest ever for the Order (two higher months were April and May of 2020, months in which the onset of the pandemic and its associated demand and supply chain changes contributed to).

The data on current milk volumes and Class I demand, suggest the lower 10 percent level remains appropriate for the fall period. Continuing COVID-19 impacts on the supply chain and demand and the uncertain economic environment support limiting a change to just the September through November, 2021 period.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, fluid sales reports for the Order, and recent industry dynamics, together with comments submitted by parties responding to the call for comments, a reduction in the shipping percentage under Section 1001.7 (c) (2) of the Northeast Order from 20 to 10 percent for the three months of September, October, and November of 2021, is approved. In consideration of the recent and ongoing uncertainty associated with a marketplace and supply chain that has been challenged by the COVID-19 pandemic, the approved 10 percent level is not extended to "until further notice."

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, 2020–2021

Federal Order		Total Producer Milk*			Producer Price Differential#		Statistical Uniform Price#		
Number	Name	2020	2021	Change^	2020	2021	2020	2021	
		pounds			percent	dollars per hundredweight			
1	Northeast	13,319,546,417	13,606,911,335	2.7	0.36	0.11	16.45	17.07	
5	Appalachian	2,685,290,102	2,709,099,320	1.4	N/A	N/A	18.01	18.48	
6	Florida	1,279,577,171	1,226,787,318	(3.6)	N/A	N/A	20.02	20.46	
7	Southeast	2,379,606,044	2,360,562,752	(0.3)	N/A	N/A	18.25	18.60	
30	Upper Midwest	13,598,880,348	6,048,351,411	(55.3)	(0.48)	(0.77)	15.61	16.19	
32	Central	7,923,548,070	5,758,414,555	(26.9)	(1.06)	(1.29)	15.03	15.68	
33	Mideast	10,025,152,490	8,473,952,474	(15.0)	(0.57)	(0.78)	15.52	16.19	
51	California^	11,842,867,989	11,760,720,527	(0.1)	(1.35)	(1.46)	14.75	15.50	
124	Pacific Northwest	3,934,863,153	3,651,139,509	(6.7)	(1.00)	(1.11)	15.09	15.85	
126	Southwest	6,158,050,851	6,000,987,426	(2.0)	(0.50)	(0.79)	15.59	16.18	
131	Arizona	2,586,226,650	2,126,355,390	(17.3)	N/A	N/A	15.49	16.11	
All Market Total/Average		75,733,609,285	63,723,282,017	(15.4)	(0.66)	(0.87)	16.35	16.94	

Price at designated order location.

^ Adjusted for leap year.

N/A = Not applicable.

* Data may not be comparable to previous years as a significant volume of milk was not pooled on federal orders.

RETURN SERVICE REQUESTED

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	613,669,874	\$15.07	\$92,480,505.01	
Butterfat	14,541,208	1.9999	29,080,961.88	
Less: Location Adjustment to Handlers			(2,700,905.75)	\$118,860,106.14
Class II— Butterfat	31,950,539	1.9711	62,977,707.43	
Nonfat Solids	47,868,333	1.1244	53,823,153.63	116,800,861.06
Class III— Butterfat	26,096,046	1.9641	51,255,243.95	
Protein	16,944,565	2.5834	43,774,589.20	
Other Solids	31,792,028	0.4579	14,557,569.65	109,587,402.80
Class IV— Butterfat	13,627,541	1.9641	26,765,853.25	
Nonfat Solids	44,419,734	1.0908	48,453,045.82	75,218,899.07
Total Classified Value				\$420,467,269.07
Add: Overage—All Classes				269,534.22
Inventory Reclassification—All Classes				272,650.98
Other Source Receipts	41,895			1,700.20
Total Pool Value				\$421,011,154.47
Less: Value of Producer Butterfat	86,215,334	1.9641	(169,335,537.46)	
Value of Producer Protein	68,447,409	2.5834	(176,827,036.40)	
Value of Producer Other Solids	128,894,950	0.4579	(59,020,997.61)	(405,183,571.47)
Total PPD Value Before Adjustments				\$15,827,583.00
Add: Location Adjustment to Producers				12,988,218.34
One-half Unobligated Balance—Producer Settlement Fund				981,598.13
Less: Producer Settlement Fund—Reserve				(1,003,010.36)
Total Pool Milk & PPD Value	2,232,123,185			\$28,794,389.11
Producer Price Differential		\$1.29		
Statistical Uniform Price		\$18.50		

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