

The Market Administrator's

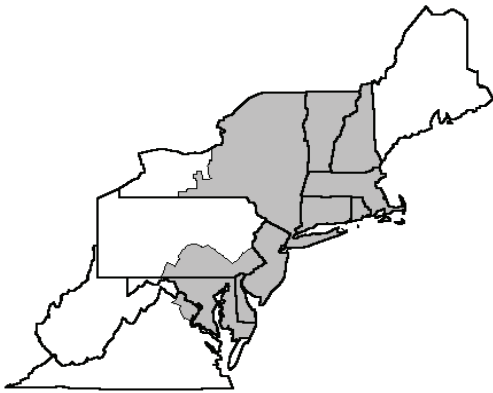
BULLETIN

NORTHEAST MARKETING AREA

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September 2021

Federal Order No. 1



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September Pool Price Calculation

The September 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.96 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 \$19.12 per hundredweight. The September statistical uniform price was 27 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was \$1.43 per hundredweight, a decrease of 31 cents from the previous month.

Product Prices Effect

All commodity prices increased except dry whey as reported on the National Dairy Product Sales Report. Butter jumped 7 cents, nonfat dry milk increased nearly 2 cents, and dry whey declined 3 cents, all on a per pound basis. The cheese price rose 7 cents per pound due to a combination of a nearly 9-cent increase in the block price and a 5-cent rise in the barrel price. The commodity price changes translated to per-pound increases of nearly 9 cents in the butterfat price, 2 cents in the nonfat solids prices, and a 14-cent jump in the protein price. The other solids price fell about 3 cents per pound.

The Class I price, based on lower prices in August, decreased 31 cents from the previous month. All other class prices increased: Class II rose 38 cents; Class III increased 58 cents; and Class IV was up 44 cents, all on a per hundredweight basis. Due to the slightly higher class prices, the SUP increased but, with a tighter spread between the class prices, the PPD decreased.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of September and topped 8,000 pounds for the eleventh month in a row. Total producer milk receipts were the second highest ever for the month. The Class II volume was the highest ever for the month and the Class III volume was the third highest ever for the month. Average producer component tests for butterfat and protein set new record highs for the month❖.

Pool Summary

- A total of 8,851 producers were pooled under the Order with an average daily delivery per producer of 8,198 pounds.
- Pooled milk receipts totaled 2.177 billion pounds, a decrease of 0.8 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 2.6 percentage points from August.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.0	673,631,483
Class II	26.7	580,348,523
Class III	27.3	595,102,564
Class IV	15.0	327,607,608
Total Pooled Milk		2,176,690,178

Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	2.6010	3.3935
Butterfat Price	1.9388	1.5932
Other Solids Price	0.3445	0.1241

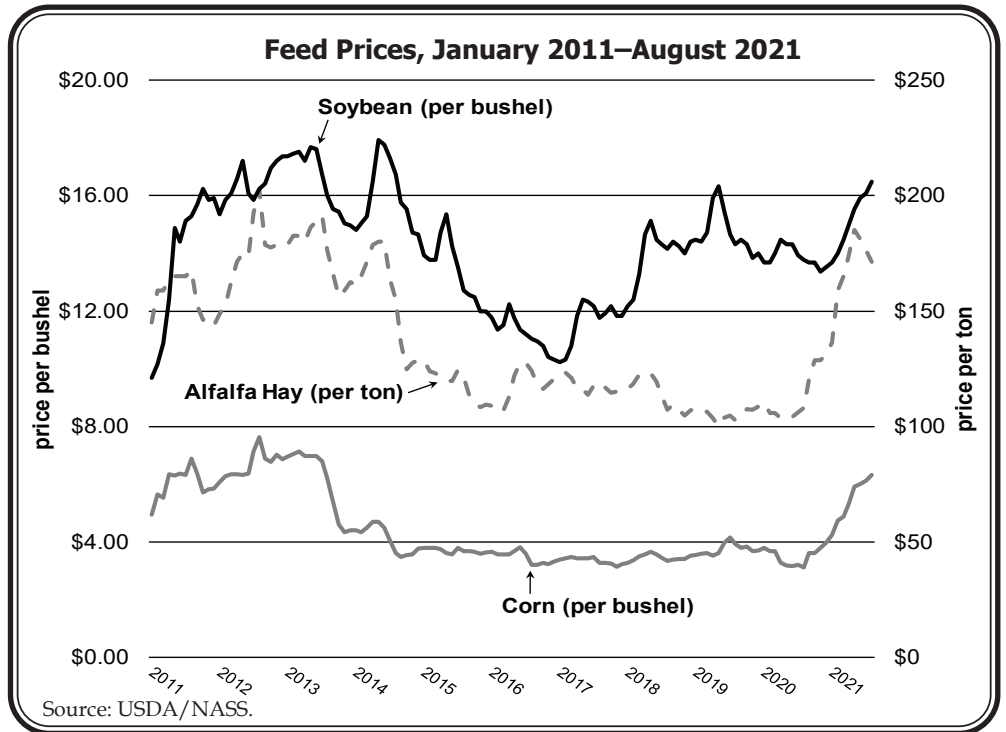
Class Prices

	2021	2020
	\$/cwt	
Class I	19.84	21.69
Class II	16.89	13.16
Class III	16.53	16.43
Class IV	16.36	12.75

Feed Prices & DMC Payments

At \$17.35 per hundredweight, the statistical uniform price for the first 9 months of 2021 averaged almost 60 cents higher than the most recent 5-year average for the same period. At the same time, the rise in feed prices that began last fall, and has been consistent since the beginning of 2021, continues to add to the cost of milk production. The USDA National Agricultural Statistics Service (NASS) reports per bushel prices for corn and soybeans and per ton prices for alfalfa hay in their monthly *Agricultural Prices* publication. The most recently reported prices show the August price of corn at \$6.32 per bushel, an increase of 49.1 percent from January. The announced price of soybean for August was \$13.70 per bushel, an increase of 25.7 percent since January. The price of alfalfa hay has increased the least of the three since the beginning of 2021 (20.5 percent), and was reported at \$206 per ton for the month of August. When compared to the previous year, August prices were up nearly 103 percent for corn, 58.2 percent for soybeans, and 19.8 percent for hay.

As displayed in the chart, recent corn and soybean prices are reminiscent of 2012 and early 2013. Both prices were at a ten-year high record in August of 2012 with corn priced at \$7.63 per bushel and soybeans at \$16.20 per bushel. Corn prices remained high for about a year after the record high, but fell below \$4.00 per bushel in August 2014 where they stayed until January of this year. Soybean prices remained fairly high from the record setting in August 2012 to June of 2014. From August 2016 through October 2020, they remained below \$10.00 per bushel. The alfalfa hay price peaked in May of 2014 at \$224 per ton, and remained below \$200 from September 2014 through July of 2021, with the exception of May 2019 when it hit \$204 per ton.



DMC Payments

The Dairy Margin Coverage (DMC) program is a voluntary program by USDA Farm Service Agency to provide dairy operations with risk management coverage that will pay producers when the difference (the margin) between the All Milk price (All Milk price represents the gross price from the top 24 major milk-producing states per hundredweight as defined by NASS) and the average cost of feed falls below a certain level selected by the program participants. For producers who opted to participate in the DMC program, these prices resulted in payments for the months of January through August for 2021. Payments for 2020 were issued for the months of March through May, September, and December; for 2019 January through July resulted in payments.

Payments through the DMC program are triggered when the Milk Margin Above Feed Costs for DMC (\$/cwt) falls under the maximum coverage level of \$9.50

and issued depending on the level of coverage chosen by the producer. The DMC prices are calculated using the prices of corn, blended alfalfa hay, and soybean meal. Although highlighted in the article, alfalfa and soybean prices are not used in the DMC program. The accompanying table displays the per month 2021 prices for Corn per bushel, Blended Alfalfa Hay per ton, Soybean Meal per ton, All Milk by hundredweight (cwt), Final Feed Cost for DMC per cwt, and Milk Margin Above (continued on page 3)

DMC Prices, January–August 2021

Month	Corn (\$/bushel)	Blended Alfalfa Hay (\$/ton)	Soybean Meal (\$/ton)	All Milk (\$/cwt)	Final Feed Costs for DMC (\$/hundredweight)	Milk Margin
						Above Feed Costs for DMC
January	4.24	188.5	439.24	17.50	10.36	7.14
February	4.75	193.0	427.28	17.10	10.88	6.22
March	4.89	195.5	410.02	17.40	10.94	6.46
April	5.31	199.0	413.36	18.40	11.46	6.94
May	5.91	210.0	421.03	19.20	12.31	6.89
June	6.00	214.5	378.18	18.40	12.16	6.24
July	6.12	216.5	365.23	17.90	12.22	5.68
August	6.32	222.0	358.21	17.70	12.45	5.25

Source: USDA/NASS and USDA/FSA.

Pandemic Market Volatility Assistance Program (PMVAP) Update

Since the announcement of the Pandemic Market Volatility Assistance Program (PMVAP) in mid-August, USDA has been actively implementing the administration of this program that will distribute up to \$350 million in payments directly to dairy farmers.

The role of the handler/cooperative

USDA is wrapping up one-on-one meetings with approximately 200 handlers and cooperatives that purchased milk and participated in the Federal Milk Marketing Order program during the July-December 2020 period. Handlers and cooperatives are critical to the administration of the PMVAP. They have the proprietary producer production data that determines the eligible milk under PMVAP rules. Further, they are the entities that distribute program funds to dairy farmers. To ensure the integrity of the PMVAP and proper distribution of funds, USDA will enter into an agreement with each handler and cooperative. This process, along with a thorough explanation of the mechanics of the program, is currently underway.

Dairy farmer payments

As reported when the program was announced on August 19, 2021, PMVAP is designed to provide pandemic assistance payments directly to dairy farmers who received a lower value for their milk due to market abnormalities caused by the pandemic. Funds are projected to be paid to dairy farmers by the end of December 2021.

AGI Certification Required By Dairy Farmers

Similar to many USDA programs the PMVAP requires

dairy farmers to attest that they meet *either of the following* adjusted gross income (AGI) requirements of the program:

- Less than \$900,000 average AGI for tax years 2016, 2017, and 2018, **or**
- 75 percent of your average taxable income for tax years 2016, 2017, and 2018 came from farming, ranching, or forestry-related activities.

Your handler or cooperative may have provided you with an attestation statement, which you **MUST** complete and return in order to receive a payment from the program.

Additional Information

Program information for handlers and dairy farmers can be found at <https://www.ams.usda.gov/services/pandemic-market-volatility-assistance-program>.

For additional questions not covered in the resources online, please email PMVAP@usda.gov. ❖

Feed Prices (continued from page 2)

Feed Costs for DMC per cwt. For the month of August, the Milk Margin Above Feed Costs for DMC was reported as \$5.25 per cwt, \$4.25 below the maximum coverage level.

As of August 30, almost 19,000 producers have enrolled in the DMC program across the United States in 2021. The program has paid out an estimated \$669,741,798 to enrolled producers. In the Northeast, 26.53 percent of producers participate in the program totaling 5,038 producers. The DMC program has paid out \$155,087,573 to northeastern dairy farmers, averaging \$30,784 per producer. ❖

Pool Summary for All Federal Orders, January–September, 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	20,092,823,779	20,394,586,085	1.9	(0.52)	0.60	16.95	17.35
5	Appalachian	3,959,667,116	3,977,750,183	0.8	N/A	N/A	18.59	18.79
6	Florida	1,864,301,934	1,815,899,355	(2.2)	N/A	N/A	20.61	20.79
7	Southeast	3,529,063,412	3,437,924,982	(2.2)	N/A	N/A	18.69	18.97
30	Upper Midwest	16,753,958,897	12,308,045,160	(26.3)	(1.14)	(0.44)	16.34	16.31
32	Central	10,481,383,302	9,578,487,940	(8.3)	(2.15)	(0.74)	15.32	16.01
33	Mideast	14,033,981,009	13,679,391,778	(2.2)	(1.63)	(0.27)	15.85	16.48
51	California^	17,351,383,735	18,044,986,802	4.4	(2.79)	(0.81)	14.69	15.94
124	Pacific Northwest	5,870,176,666	5,553,197,717	(5.1)	(2.03)	(0.64)	15.45	16.11
126	Southwest	8,787,143,321	9,156,041,225	4.6	(1.80)	(0.13)	15.68	16.62
131	Arizona	3,440,831,971	3,265,337,817	(4.8)	N/A	N/A	15.66	16.49
All Market Total/Average		106,164,715,142	101,211,649,044	(4.3)	(1.72)	(0.35)	16.71	17.26

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.

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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	657,802,801	\$13.71	\$90,184,764.02	
Butterfat	15,828,682	1.8878	29,881,385.88	
Less: Location Adjustment to Handlers			(2,891,312.42)	\$117,174,837.48
Class II— Butterfat	32,562,774	1.9458	63,535,767.65	
Nonfat Solids	50,568,377	1.1611	58,714,942.53	122,250,710.18
Class III— Butterfat	26,168,329	1.9388	50,735,156.27	
Protein	18,513,002	2.6010	48,152,318.27	
Other Solids	34,116,643	0.3445	11,753,183.50	110,640,658.04
Class IV— Butterfat	10,708,613	1.9388	20,761,858.91	
Nonfat Solids	29,286,782	1.1027	32,294,534.52	53,056,393.43
Total Classified Value				\$403,122,599.13
Add: Overage—All Classes				34,688.86
Inventory Reclassification—All Classes				198,115.23
Other Source Receipts	146,642			4,889.38
Total Pool Value				\$403,360,292.60
Less: Value of Producer Butterfat	85,358,398	1.9388	(165,492,862.02)	
Value of Producer Protein	67,853,761	2.6010	(176,487,632.44)	
Value of Producer Other Solids	125,185,546	0.3445	(43,126,420.68)	(385,106,915.14)
Total PPD Value Before Adjustments				\$18,253,377.46
Add: Location Adjustment to Producers				12,861,679.67
One-half Unobligated Balance—Producer Settlement Fund				1,000,003.49
Less: Producer Settlement Fund—Reserve				(986,294.07)
Total Pool Milk & PPD Value	2,176,836,820			\$31,128,766.55
Producer Price Differential		\$1.43		
Statistical Uniform Price		\$17.96		

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