

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### May Pool Price Calculation

The May 2023 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.46 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 \$21.28 per hundredweight. The May statistical uniform price was 31 cents per hundredweight below the April price. The May producer price differential (PPD) at Suffolk County was \$3.35 per hundredweight, an increase of \$2.10 from the previous month.

### Product Prices Effect

All commodity prices reported on the National Dairy Product Sales Report decreased in May except butter, which increase 5 cents per pound. Dry whey fell 6 cents and nonfat dry milk decreased about half a cent. Cheese dropped nearly 22 cents per pound with the block price falling 21 cents and the barrel declining 22 cents. The commodity price changes translated to a 6-cent increase in the butterfat price, a 6-cent decline in the other solids, a half-cent decrease in the nonfat solids price, and a 76-cent drop in the protein price – the largest month-to-month decrease since August 2022. The May butterfat price was the second highest ever for the month.

Class price changes were mixed: Class I increased 72 cents based on higher prices from April; Class II decreased 9 cents; Class III fell \$2.41 due to the large decline in the cheese price; and Class IV rose 15 cents, all on a per hundredweight basis. The lowest class price reverted to Class III. With lower prices in over half of the pool, the SUP declined. The increase in the spread between the higher class prices, primarily Class I, and the Class III price resulted in a higher PPD.

### Selected Statistics

Average daily deliveries per producer (DDP) in May set a new Order record high and topped 10,000 for the first time ever. Total producer milk pooled topped 2.4 billion pounds for the first time since May 2018. The average producer butterfat and protein tests set new record highs for the month. ❖

### Pool Summary

- A total of 7,597 producers were pooled under the Order with an average daily delivery per producer of 10,205 pounds.
- Pooled milk receipts totaled 2.403 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 27.6 percent of total milk receipts, up 0.4 percentage points from April.
- The average butterfat test of producer receipts was 4.05 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	27.6	663,793,989
Class II	24.3	584,554,689
Class III	28.7	689,540,297
Class IV	19.4	<u>465,557,262</u>
Total Pooled Milk		2,403,446,237

#### Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.8002	3.8696
Butterfat Price	2.7572	3.1056
Other Solids Price	0.1877	0.4857

#### Class Prices

	2023	2022
	\$/cwt	
Class I	22.82	28.70
Class II	19.11	25.87
Class III	16.11	25.21
Class IV	18.10	24.99

## Market Update

The first half of 2023 is shortly ending and month after month the statistical uniform price has gradually declined. The SUP for the month of May 2023 has fallen 11.0 percent to \$19.46 per hundredweight (cwt), from the beginning of the year, and decreased 26.8 percent when compared to May 2022. Using June 20, 2023, Chicago Mercantile Exchange (CME) futures prices of Class III and IV milk and estimates of Northeast Order class utilizations, the SUP at the Boston, MA, location projects 2023 to average \$19.72 per cwt with an average producer price differential (PPD) of \$2.34 per cwt; this would be the second highest average SUP since 2013. Compared to the 2022 averages, this is a drop of over \$5.00 per cwt in the SUP and \$0.66 per cwt in the PPD. CME futures prices of Class III and IV milk average \$17.38 per cwt and \$18.43 per cwt, respectively, for the remainder of 2023; the CME futures project a decline in prices from June to September and at the end of the year to reflect prices closer to the beginning of 2023.

### Feed Prices

Corn, soybean, and alfalfa hay prices as published by the USDA National Agricultural Statistics Service (NASS) for the month of April 2023 have all increased from the start of 2023. Corn prices rose 0.9 percent to

\$6.70 per bushel, soybean prices increased 2.8 percent to \$14.90 per bushel, and alfalfa hay prices grew \$9.10 per ton to \$287 per ton. Estimates using June 20, 2023, CME futures for corn and soybeans suggest a yearly average of \$6.34 per bushel price for corn and \$14.26 per bushel price for soybeans. These estimated yearly averages for 2023 are below the averages for 2022, with soybeans 4.0 percent below and corn 6.1 percent below.

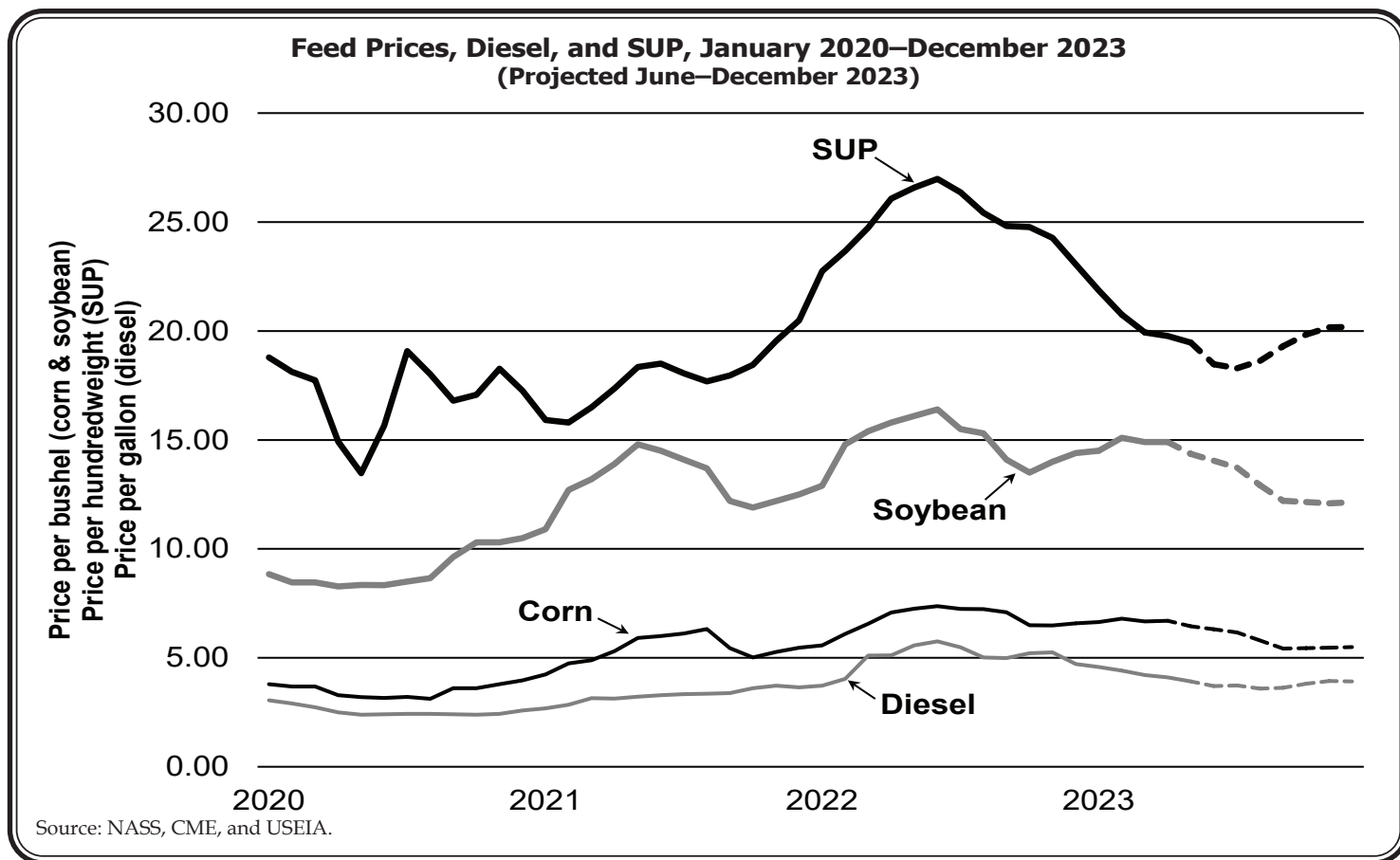
### Diesel Price

The U.S. Energy Information Administration (USEIA) estimates the price for diesel in 2023 will average \$3.96 per gallon, a decrease of \$1.04 per gallon from 2022. The cost of diesel has dropped month over month since November 2022; most recently the price has fallen \$0.18 per gallon between April 2023 and May 2023 to \$3.92 per gallon. The USEIA forecasts the price of diesel for the remainder of 2023 will remain between \$3.58 and \$3.94 per gallon.

### Inflation

For the month of May 2023, the U.S. Bureau of Labor Statistics Consumer Price Index reported a 4.6 percent increase in consumer prices for dairy products when compared to May 2023. Specifically, fresh whole

*(continued on page 3)*



## Market (continued from page 2)

milk prices decreased 3.4 percent, fresh milk other than whole increased 0.6 percent, cheese rose 3.6 percent, ice cream was up 8.0 percent, and other dairy products grew 9.3 percent.

### Exports

The U.S. Dairy Export Council (USDEC) reported for the first four months of 2023, overall dairy exports (by volume, on a milk solids basis), have decreased 0.2 percent when compared to the first four months of 2022. This slight decline was brought on by drops in the top three dairy exports; nonfat dry milk (NFDm), cheese, and whey. Of the three, whey exports were down the most with a 5.5 percent drop from the previous year; decreased exports to Canada, Japan, South Korea, Southeast Asia, Australia, and New Zealand contributed to the decline. Cheese and NFDm experienced much less of a drop with exports, by volume, decreasing 0.4 percent and 0.2

percent, respectively. Despite the overall decline, both dairy commodities have experienced a large growth of exports to Mexico; cheese exports increased 13.5 percent and NFDm exports have increased 47.2 percent year-over-year. The fourth largest category of dairy exports, Lactose, has grown 13.2 percent with significant increases to China, Japan, and South America. ❖

### Estimated Prices Using CME Futures, June–December 2023

Month	SUP	PPD	Class I	Class II	Class III	Class IV
dollars per hundredweight						
June	18.47	3.53	<b>21.26</b>	18.81	14.94	18.11
July	18.29	2.92	20.52	18.55	15.37	17.85
August	18.63	2.34	20.60	18.50	16.29	17.80
September	19.30	1.90	21.04	18.86	17.40	18.16
October	19.84	1.79	21.77	19.22	18.05	18.52
November	20.17	1.77	22.28	19.36	18.40	18.66
December	20.19	2.01	22.52	19.42	18.18	18.72

Class III & IV prices are CME futures prices for 6/20/23.

Class I, II, SUP, & PPD prices are estimates using CME futures prices.

Prices in bold are announced prices.

## USDA is Considering Proposals to Amend All Marketing Orders

USDA received a formal proposal on May 2, 2023, to amend the pricing provisions of all eleven Federal Milk Marketing Orders (FMMOs). The proposal requests USDA consider amending five provisions related to increasing manufacturing (make) allowances, returning to the “higher of” as the mover for Class I milk prices, updating the milk composition factors, removing barrel cheese from the Class III price formula, and updating the Class I price surface. The proposal was submitted by the National Milk Producers Federation (NMPF) and its 25 cooperative members who represent approximately two-thirds of the 28,000 U.S. commercial dairy farmers. NMPF contends the dairy marketplace has changed substantially since the current FMMO pricing system was adopted in 2000, and pricing provisions should be updated to reflect current market conditions.

On May 30, 2023, the International Dairy Foods Association (IDFA) and the Wisconsin Cheese Makers Association (WCMA) provided additional information seeking to increase manufacturing allowances, as requested by USDA. Those proposals are now considered additional proposals in conjunction with this request.

Based on the information submitted, USDA is considering initiation of a rulemaking proceeding that

would include a public hearing to collect evidence regarding proposed changes to pricing provisions effective in all eleven FMMOs. An Action Plan was published on the Agricultural Marketing Service’s website on June 1 and sent to interested parties. It stated that additional proposals must be received by June 14, a virtual pre-hearing information session would be held June 16, and that modified proposals would be due June 20. As of the publishing of this *Bulletin*, these three action plan items have been completed. Several more proposals were received from various industry groups.

If the Secretary of Agriculture decides to hold a hearing, a Notice of Hearing will be published in the Federal Register in late July with the tentative hearing start date of August 23. These steps are part of the formal rulemaking process to ensure the hearing concludes within 120 days of the publication of the Action Plan.

The Notice of Hearing also would detail the deadline for all data requests of the Dairy Program to ensure the requested data is available at the start of the hearing.

Copies of the submitted proposals can be found on the Dairy Program’s website: <https://www.ams.usda.gov/rules-regulations/moa/dairy/petitions>. ❖

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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	648,394,250	\$13.72	\$88,959,691.10	
Butterfat	15,399,739	2.7384	42,170,645.28	
Less: Location Adjustment to Handlers			(2,891,965.40)	\$128,238,370.98
Class II— Butterfat	36,126,124	2.7642	99,859,831.98	
Nonfat Solids	50,922,893	1.0867	55,337,907.75	155,197,739.73
Class III— Butterfat	29,733,312	2.7572	81,980,687.88	
Protein	21,731,460	1.8002	39,120,974.30	
Other Solids	39,613,270	0.1877	7,435,410.81	128,537,072.99
Class IV— Butterfat	16,099,400	2.7572	44,389,265.64	
Nonfat Solids	41,807,516	0.9729	40,674,532.27	85,063,797.91
<b>Total Classified Value</b>				<b>\$497,036,981.61</b>
Add: Overage—All Classes				93,424.06
Inventory Reclassification—All Classes				(109,403.35)
Other Source Receipts	474,753			31,905.68
<b>Total Pool Value</b>				<b>\$497,052,908.00</b>
Less: Value of Producer Butterfat	97,358,575	2.7572	(268,437,063.00)	
Value of Producer Protein	75,804,188	1.8002	(136,462,699.26)	
Value of Producer Other Solids	138,440,616	0.1877	(25,985,303.64)	(430,885,065.90)
<b>Total PPD Value Before Adjustments</b>				<b>\$66,167,842.10</b>
Add: Location Adjustment to Producers				14,388,642.22
One-half Unobligated Balance—Producer Settlement Fund				1,089,361.72
Less: Producer Settlement Fund—Reserve				(1,114,492.87)
<b>Total Pool Milk &amp; PPD Value</b>	<b>2,403,920,990</b>			<b>\$80,531,353.17</b>
Producer Price Differential		<b>\$3.35</b>		
Statistical Uniform Price		<b>\$19.46</b>		

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