

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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July Pool Price Calculation

The July 2023 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.23 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 \$19.56 per hundredweight. The July statistical uniform price was 38 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was \$4.46 per hundredweight, an increase of 76 cents from the previous month.

Product Prices Effect

Similar to June, National Dairy Product Sales Report commodity prices reported mixed results in July. Butter increased 3 cents, nonfat dry milk fell about 2 cents, dry whey decreased nearly 6 cents, and cheese fell almost 9 cents with blocks dropping 10 cents and barrels declining 8 cents. The commodity price changes translated to an almost 4-cent increase in the butterfat price, a 2-cent decrease in the nonfat solids price, a 6-cent decline in the other solids price, and a 32-cent drop in the protein. Prices are all on a per pound basis.

Class price changes were mixed: Class I dropped 69 cents; Class II increased 29 cents; Class III fell \$1.14, again due to the large decline in the cheese price; and Class IV was unchanged from the previous month. These prices are reported on a per hundredweight basis. Class III remained the lowest class price. Lower prices resulted in a decline in the SUP. As occurred in June, the total value of the pool declined, but the value paid to producers for components declined even more due to lower butterfat and protein tests, and lower protein and other solids prices. This resulted in a higher pay out in the PPD; it was the highest ever for the month of July.

Selected Statistics

Average daily deliveries per producer (DDP) in July set a record high for the month. Class II volume in July was the third highest ever for the Order and set a record for the month. Class III volume was the second highest ever for the month. The average producer butterfat and protein tests set new record highs for the month. ❖

Pool Summary

- A total of 7,603 producers were pooled under the Order with an average daily delivery per producer of 9,856 pounds.
- Pooled milk receipts totaled 2.323 billion pounds, a decrease of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 26.5 percent of total milk receipts, down 0.6 percentage points from June.
- The average butterfat test of producer receipts was 3.94 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	26.5	615,557,981
Class II	26.7	621,247,076
Class III	30.5	707,968,243
Class IV	16.3	378,308,243
Total Pooled Milk		2,323,081,543

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.1991	2.9116
Butterfat Price	2.7986	3.3600
Other Solids Price	0.0689	0.3596

Class Prices

	2023	2022
	\$/cwt	
Class I	20.57	29.12
Class II	19.12	26.66
Class III	13.77	22.52
Class IV	18.26	25.79

Trends in Packaged Fluid Milk Sales

Sales of packaged fluid milk products in the Northeast Marketing Area (NMA) continue to decline. Table 1 shows changes in sales from 2017 through 2022 in the NMA by product as reported by pool handlers regulated by the Northeast Order and by nonregulated handlers (handlers regulated by another federal order, partially regulated, exempt, and producer handlers); a complete breakdown of sales by product from nonregulated handlers is not available. Table 2 shows per capita sales for the NMA compared to the United States. Percent changes have been adjusted for leap year in 2020.

The Northeast Marketing Area is defined under section 1001.2 of the Northeast Order and includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; most of Maryland and New York; and specific counties in Pennsylvania and Virginia. Its area includes many major metropolitan areas such as Boston, MA; New York, NY; Philadelphia, PA, and Washington, DC.

Sales by Product

In 2020, there was an uptick in both whole and reduced fat (2%). It seems that during the Covid-19 pandemic, purchasers of milk chose the higher fat products instead of the lower fat (1% and fat free). Post-covid, sales of all products declined, but whole milk sales have risen again slightly (0.6 percent) in 2022. With schools reopening, sales of flavored milk and reduced fat flavored products have grown during both 2021 and 2022, although not returning to pre-covid levels.

Whole milk has always held the largest proportion and, with an exception in 2021, that has grown over the past 5 years. Reduced fat remains in second place although its proportion has dropped after peaking in 2020. Flavored milk products

Table 1

Sales in the Northeast Marketing Area, 2017–2022

	2017	2018	2019	2020	2021	2022
Product	million pounds					
Whole Milk	2,749.8	2,793.9	2,748.6	2,822.8	2,615.8	2,632.7
Reduced Fat Milk	1,679.7	1,657.3	1,565.4	1,682.8	1,569.5	1,465.5
Low Fat Milk	1,273.5	1,188.9	1,090.4	1,063.4	1,029.0	946.6
Fat-free Milk	755.0	683.9	601.2	512.5	459.9	406.8
Flavored Milk & Reduced Fat Products	443.3	437.4	424.8	310.0	365.2	408.1
Organic Whole Milk	179.1	183.9	174.7	154.2	219.7	191.5
Organic Reduced Fat Milk	245.2	236.3	188.4	168.3	226.8	197.5
Buttermilk/Eggnog/Other	53.1	50.9	50.0	46.2	46.7	40.9
Total From Pool Handlers	7,378.8	7,232.6	6,843.5	6,760.2	6,532.6	6,289.7
Sales from Non-pool Handlers	750.5	713.6	833.7	774.6	622.4	619.5
Total Sales from All Handlers	8,129.3	7,946.2	7,677.2	7,534.8	7,155.0	6,909.2

were on the decline even before Covid-19 hit, but have been increasing since, again with schools returning to in-person rather than remote learning. Organic sales' proportion also had been on the decline prior to the pandemic; it bounced back in 2021, but has dropped in 2022.

Per Capita Sales

Table 2 shows per capita sales for the NMA and estimated for the United States for 2017-2022. Per capita sales of fluid milk products have been declining for decades; increases have occurred in other dairy products such as cheese and yogurt. Over the years shown, per capita sales in the NMA were fairly close to the national average until 2020; since then, the spread has widened considerably with US sales about 5-6 percent greater than in the NMA. ❖

PPD Comparison

For the month of July 2023, the Producer Price Differential (PPD) was \$4.46 per hundredweight (cwt). This is, so far, the highest PPD for 2023, a new record high for the month of July, and the fourth largest PPD value since the formation of the Order. Approximately, the PPD is the leftover amount in the pool after components are paid at the Class III level; the value is normally displayed in per cwt increments. PPDs can go negative when the value of the total components exceeds the total value of the pool, this is caused by several reasons such as a result of utilization relationships or timing of advanced and Class prices used in FO price formulas. The value has varied widely, with the lowest PPD in the Northeast Order occurring in July 2020 at -\$5.46 per cwt and the highest occurring in August 2022 at \$5.32 per cwt.

The butterfat, protein, and other solids prices at (continued on page 3)

Table 2

Total Per Capita Sales, Northeast Marketing Area vs U.S., 2017–2022

	2017	2018	2019	2020*	2021	2022
	pounds of fluid milk products					
NMA	148.2	144.8	139.9	131.8	125.9	122.0
US	147.8	144.0	140.9	139.0	133.5	129.8

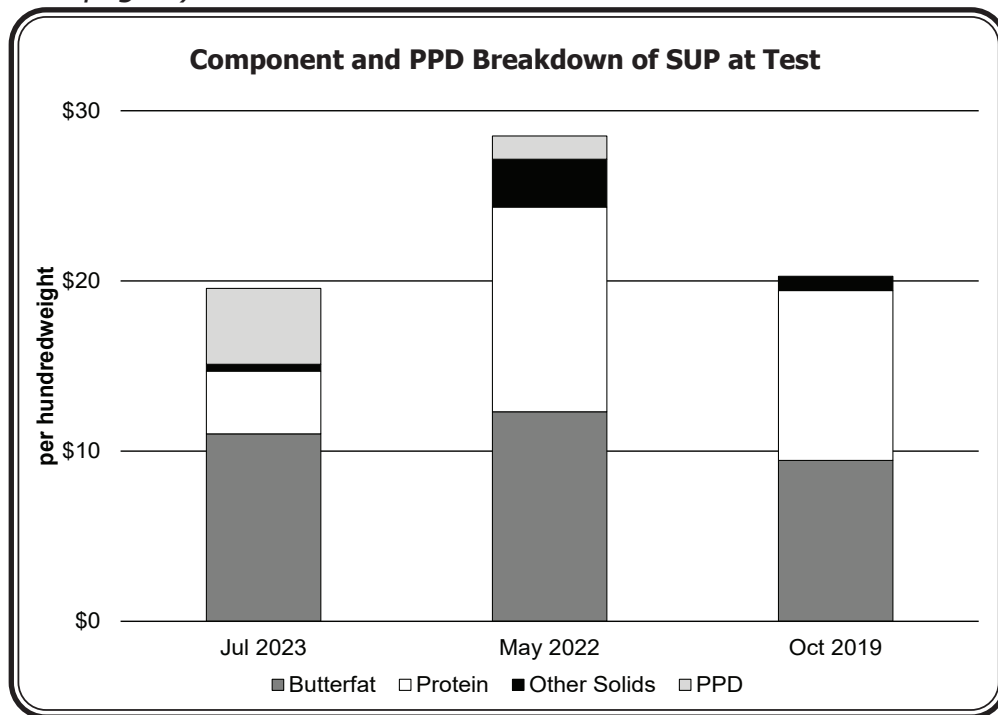
Sources: USDA's *Estimated Fluid Milk Products Sales Report*; U.S. Census Bureau.

*Adjusted for leap year.

PPD Comparison (continued from page 2)

the Class III level and the PPD are all reflected in the value of the Statistical Uniform Price (SUP). This price is an estimate of what producers are expected to receive for their milk. Despite the PPD used in calculating the SUP, a low or high PPD value does not necessarily correlate to a low or high SUP. For example, the previously mentioned record low PPD value for Order 1 in July 2020 had the highest SUP for 2020 at \$19.08 per cwt. The average PPD for 2014 was \$1.94 per cwt (\$0.27 per cwt above the overall Order 1 average) despite the year containing five of the top ten highest SUPs in the Northeast Order, with a yearly average SUP of \$24.28 per cwt. The value of the components typically has a larger impact on the price producers receive for their milk.

The accompanying chart displays the SUP at test for July 2023 (\$19.56 per cwt), May 2022 (\$28.52 per cwt), and October 2019 (\$20.27 per cwt) in Order 1. SUP at test was used in the chart because it is believed to more closely represent the prices producers receive for their milk. Each entry displays how much each component and PPD value contribute to the SUP at test for that month and how that distribution can differ. For July 2023, butterfat accounted for \$11.02 per cwt (56.3 percent), protein \$3.68 per cwt



(18.8 percent), other solids \$0.40 per cwt (2.0 percent), and PPD \$4.46 per cwt (22.8 percent). For May 2022, butterfat accounted for \$12.31 per cwt (43.2 percent), protein \$12.03 per cwt (42.2 percent), other solids \$2.81 per cwt (9.9 percent), and PPD \$1.37 per cwt (4.8 percent); with a below average PPD value, May 2022 has the record for the second highest SUP value. Lastly, October 2019, butterfat accounted for \$9.96 per cwt (46.7 percent), protein \$9.99 per cwt (49.2 percent), other solids \$0.83 per cwt (4.1 percent), and the PPD was \$0.00 per cwt. ❖

Shipping Percentage Remains at Current Level

This article is a reminder that the required shipping percentage will remain at 10 percent for the months of September, October, and November of 2023. As stated in the June 2022 *Bulletin*, 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 past 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. 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.

After reviewing 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 on the request, 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, was approved. Since the market conditions that warranted previous reductions continue to exist, the reduction in the shipping percentage to 10 percent applied to September-November for years 2022 and 2023. ❖

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	600,659,935	\$11.13	\$66,853,450.77	
Butterfat	14,898,046	2.8082	41,836,692.78	
Less: Location Adjustment to Handlers			(2,753,714.83)	\$105,936,428.71
Class II— Butterfat	35,261,098	2.8056	98,928,536.51	
Nonfat Solids	53,853,084	1.0711	57,682,038.32	156,610,574.83
Class III— Butterfat	29,390,797	2.7986	82,253,084.51	
Protein	21,777,131	1.1991	26,112,957.81	
Other Solids	40,731,401	0.0689	2,806,393.57	111,172,435.89
Class IV— Butterfat	11,948,101	2.7986	33,437,955.41	
Nonfat Solids	33,703,858	0.9746	32,847,780.01	66,285,735.42
Total Classified Value				\$440,005,174.85
Add: Overage—All Classes				402,587.11
Inventory Reclassification—All Classes				(191,791.93)
Other Source Receipts	219,734			14,895.56
Total Pool Value				\$440,230,865.59
Less: Value of Producer Butterfat	91,498,042	2.7986	(256,066,420.32)	
Value of Producer Protein	71,371,748	1.1991	(85,581,863.05)	
Value of Producer Other Solids	133,814,357	0.0689	(9,219,809.20)	(350,868,092.57)
Total PPD Value Before Adjustments				\$89,362,773.02
Add: Location Adjustment to Producers				14,205,376.01
One-half Unobligated Balance—Producer Settlement Fund				1,166,921.54
Less: Producer Settlement Fund—Reserve				(1,115,833.51)
Total Pool Milk & PPD Value	2,323,301,277			\$103,619,237.06
Producer Price Differential		\$4.46		
Statistical Uniform Price		\$18.23		

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