

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### November Pool Price Calculation

The November 2023 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.4 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 \$23.82 per hundredweight. The November statistical uniform price was 46 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was \$3.59 per hundredweight, a decrease of 77 cents from the previous month.

#### Product Prices Effect

Commodity price changes reported on the National Dairy Product Sales Report were mixed in November. On a per pounds basis, butter fell 21 cents, nonfat dry milk rose 3 cents, and dry whey increased 6 cents. The cheese price reflected no change from the previous month with blocks decreasing 5 cents offset by barrels increasing 5 cents. The commodity price changes translated to a 25-cent decrease in the butterfat price, a 3-cent increase in the nonfat solids price, and a 7-cent rise in the other solids price, all on a per pound basis. The protein price increased 28 cents per pound mainly due to the drop in the butterfat price, which is a component of the protein price formula. Even though the butterfat price dropped, it was still the highest ever for the month of November.

Class price changes from the previous month also were mixed: Class I increased 28 cents; Class II fell 74 cents; Class III rose 31 cents; and Class IV decreased 62 cents, all on a per hundredweight basis. Class III remained the lowest class price. With a decrease in proportion of pooled milk utilized in the higher prices, the SUP decreased. The value of producers' components also decreased from last month, but with a lower overall pool resulted in a smaller payout in the PPD.

#### Selected Statistics

Average daily deliveries per producer (DDP) in November set a record high for the month. Class II and III volumes set record-highs for November. The November average producer butterfat and protein tests set new record high for the Order; the other solids test tied as record-high for the Order. ❖

### Pool Summary

- A total of 7,635 producers were pooled under the Order with an average daily delivery per producer of 9,443 pounds.
- Pooled milk receipts totaled 2.163 billion pounds, a decrease of 0.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.8 percent of total milk receipts, up 0.7 percentage points from October.
- The average butterfat test of producer receipts was 4.28 percent.
- The average true protein test of producer receipts was 3.27 percent.
- The average other solids test of producer receipts was 5.79 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.8	666,204,847
Class II	25.0	541,611,362
Class III	29.6	639,473,726
Class IV	14.6	315,600,465
Total Pooled Milk		2,162,890,400

#### Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.3238	2.5374
Butterfat Price	3.4608	3.3720
Other Solids Price	0.1895	0.2837

#### Class Prices

	2023	2022
	\$/cwt	
Class I	23.00	27.34
Class II	21.21	24.67
Class III	17.15	21.01
Class IV	20.87	23.30

## Looking Ahead 2024

Projections using the Chicago Mercantile Exchange (CME) Class III and IV milk futures prices as settled on December 18, 2023, suggest the statistical uniform price (SUP) will average \$20.02 per hundredweight (cwt) for 2023; this is a decrease of \$4.93 per cwt from the 2022 average. This article reviews some supply and demand factors and economic indicators with a look to 2024. It is typically a challenge to forecast dairy prices beyond a few months; a projection of where prices are expected to go in 2024 is offered based on futures prices.

### Select Cost Factors

The feed cost increases that occurred through 2021 and 2022 have seemingly slowed in 2023, and CME future prices suggest this to remain true into 2024. The price of corn and soybeans have decreased 24.2 percent and 5.9 percent, respectively, between October 2022 and October 2023 as reported by the National Agricultural Statistics Service (NASS). Using a combination of December 18, 2023, CME future prices and NASS reported prices, the price for corn in 2023 is expected to average \$5.94 per bushel. The CME futures price of corn for March and May 2024 are below \$5.00 per bushel, which suggests the downward trend may continue. Soybean prices for 2023 are estimated to average \$14.13 per bushel, with January and March 2024 CME futures indicating a price under \$14.00 per bushel going into the new year. The CME does not offer futures for alfalfa hay, which limits the ability of price projection. However, looking at

trends using NASS prices throughout 2023, alfalfa hay has continuously decreased month-to-month between April and October, with a 6.4 percent decrease in price from January to October.

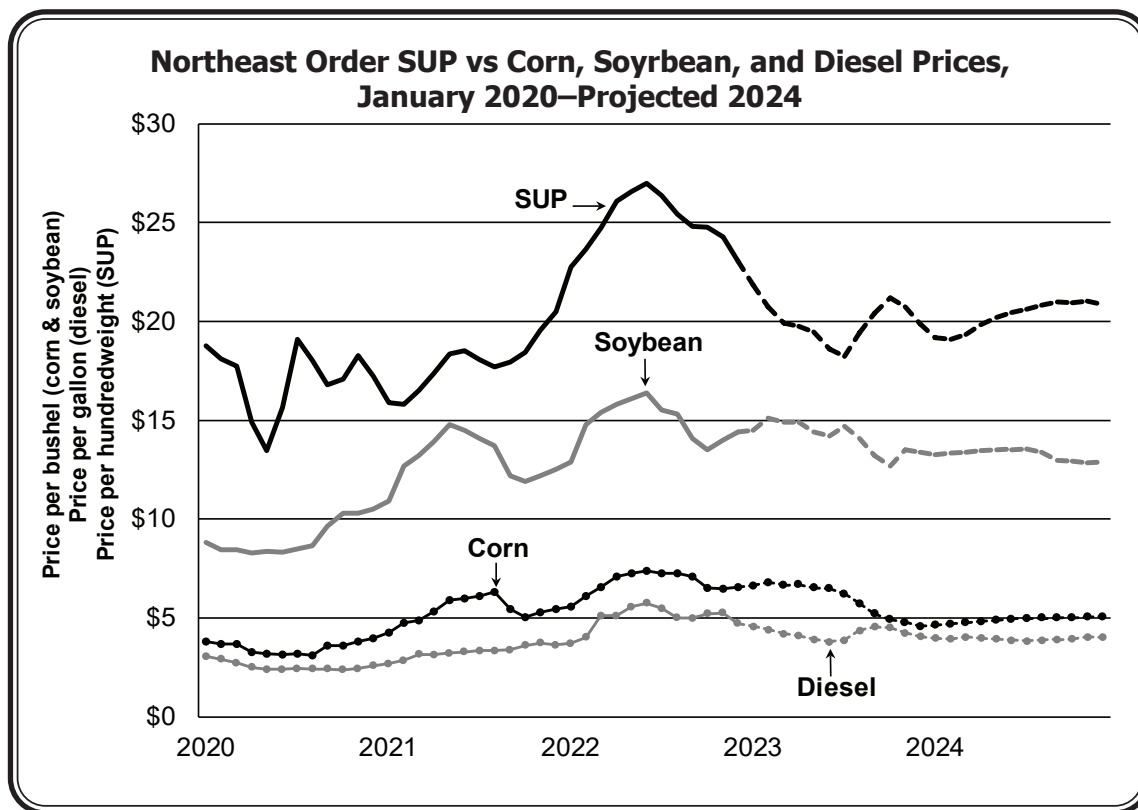
According to the U.S. Energy Information Administration (USEIA), the cost of retail diesel fell 7.1 percent between January and November 2023, a decrease of \$0.32 per gallon. The USEIA reported the national average price for retail diesel in November was \$4.25 per gallon. The USEIA forecast diesel fuel prices to continually decline through December 2023 and 2024, predicting an average price of \$4.22 per gallon in 2023 and \$3.95 per gallon in 2024. The accompanying graph shows the SUP, corn, soybean, and USEIA retail diesel prices since January 2020 and projected through 2024.

### Supply Factors

The United States Department of Agriculture's (USDA) *World Agricultural Supply and Demand Estimates (WASDE)* December report anticipates a 0.9 percent increase in U.S. dairy production, to an estimated 229.0 billion pounds for 2024 compared to the projected 226.9 billion pounds for 2023. The December 18 USDA NASS *Milk Production* report showed an annual decrease of 0.5 percent for the 24 major milk producing states in November. Since June, U.S. milk production in 2023 has fallen each month below the previous year in the 24 major milk producing states. U.S. monthly milk per cow (MPC) in the select 24 select states for the first half of 2023

outperformed the first half of 2022 but, since July, each month in 2023 has fallen below 2022 (except September), with November 2023 at 1,948 pounds MPC compared to 1,951 pounds MPC in November 2022. The reduction in MPC is in part due to the decreased number of milking cows in the Select 24 states compared to 2022, with the average monthly difference from July to November being 17,000 cows.

The Federal Reserve Bank has continued to increase interest rates through 2023, with the current targeted rate (continued on page 3)



## Looking Ahead (continued from page 2)

between 5.25 to 5.50 percent. The increased cost of borrowing experienced over the last few years could further impact milk production growth. However, some analysts propose the Federal Reserve Bank will have no further increases and even suggest rates could decrease in 2024.

### Demand Factors

According to the U.S. Dairy Export Council (USDEC) Data Hub, between January and October 2023, dairy exports on a total milk solids basis decreased 7.3 percent vs 2022 and totaled 1,957,381 metric tons. Skim milk powder/nonfat dry milk (SMP/NFDM) account for the largest category of dairy exports; through October, 676,173 metric tons of SMP/NFDM have been exported, a decrease of 3.1 percent from 2022. Southeast Asia and Mexico remain the two largest importers of U.S. SMP/NFDM; Mexico has experienced a 21.1 percent year-over-year increase, while Southeast Asia imports decreased 25 percent. South Asia, South America, Central America, and the Caribbean also have had a significant increase in imports of U.S. SMP/NFDM. Dry whey, lactose, and cheese are the three next largest categories of exports by volume, with only lactose having an increase in exports (24,697 metric ton increase), largely from China.

### Domestic Situation

The U.S. Bureau of Labor Statistics (BLS) reported the November 2023 unemployment rate at 3.7 percent; except for January, the unemployment rate in 2023 has remained relatively stable, falling in the 3.4-3.9 percent range. The Conference Board's Consumer Confidence Index (CCI), a measurement of the consumers' view of the health of the economy, is at 102.0 for November, up from 99.1 in October; a CCI score above 100 means consumers feel optimistic about the economy. The Restaurant Performance Index (RPI) stood at 99.7 in October, a 0.7 percentage point decrease from the previous month. Values over 100 suggest expansion of the market; index values have been below 100 twice in the last three months. The Expectations Index, which measures the six-month outlook for restaurant operations, stood at 100.4 in October, a growth of 0.4 percentage points from September. The BLS reported the Consumer Price Index (CPI) increased 3.1 percent for all items in November 2023 vs November 2022. The CPI for dairy and related products decreased 1.4 percent for November 2023 relative to November 2022. All dairy product groupings included in the CPI experienced deflation except ice cream and related products. Fresh whole milk prices decreased 2.9 percent; fresh milk other than whole prices fell 1.8 percent; cheese and related products dropped 2.6 percent; other dairy and related products declined 0.4

percent; and ice cream and related products increased 1.0 percent.

### Outlook 2024

USDA forecasts the all-milk price for 2024 to be \$20.25 per cwt, and Class III and Class IV prices at \$16.85 per cwt and \$18.90 per cwt, respectively. Using December 18 CME Class III and Class IV futures, the average SUP price for 2024 is estimated to be \$20.28 per cwt. ❖

## 2024 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

### Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Friday	1/26/24
February	Monday	2/26/24
March	Tuesday	3/26/24
April	Friday	4/26/24
May	Tuesday	5/28/24
June	Wednesday	6/26/24
July	Friday	7/26/24
August	Monday	8/26/24
September	Thursday	9/26/24
October	Monday	10/28/24
November	Tuesday	11/26/24
December	Thursday	12/26/24

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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	649,436,477	\$10.49	\$68,125,886.44	
Butterfat	16,768,370	3.6791	61,692,510.07	
Less: Location Adjustment to Handlers			(2,927,460.97)	\$126,890,935.53
Class II— Butterfat	34,590,622	3.4678	119,953,359.01	
Nonfat Solids	47,941,715	1.0444	50,070,327.15	170,023,686.16
Class III— Butterfat	28,928,000	3.4608	100,114,022.40	
Protein	20,913,215	1.3238	27,684,914.03	
Other Solids	36,936,490	0.1895	6,999,464.86	134,798,401.29
Class IV— Butterfat	12,282,655	3.4608	42,507,812.41	
Nonfat Solids	28,709,938	1.0080	28,939,617.49	71,447,429.90
<b>Total Classified Value</b>				<b>\$503,160,452.88</b>
Add: Overage—All Classes				289,543.22
Inventory Reclassification—All Classes				(792,722.56)
Other Source Receipts	332,784			16,744.38
<b>Total Pool Value</b>				<b>\$502,674,017.92</b>
Less: Value of Producer Butterfat	92,569,647	3.4608	(320,365,034.31)	
Value of Producer Protein	70,691,886	1.3238	(93,581,918.69)	
Value of Producer Other Solids	125,137,138	0.1895	(23,713,487.67)	(437,660,440.67)
<b>Total PPD Value Before Adjustments</b>				<b>\$65,013,577.25</b>
Add: Location Adjustment to Producers				13,122,872.83
One-half Unobligated Balance—Producer Settlement Fund				562,136.20
Less: Producer Settlement Fund—Reserve				(1,038,873.87)
<b>Total Pool Milk &amp; PPD Value</b>	<b>2,163,223,184</b>			<b>\$77,659,712.41</b>
Producer Price Differential		<b>\$3.59</b>		
Statistical Uniform Price		<b>\$20.74</b>		

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