



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

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Federal Order No. 51

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### August Pool Price Calculation

The August 2019 statistical uniform price (SUP) for the California Marketing Area was announced at \$17.84 per hundredweight for milk delivered to plants located in Los Angeles County, California, the pricing point for the California Order. The SUP 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 (3.69 percent Butterfat, 3.10 percent Protein, and 5.74 percent Other Solids), the August SUP would be \$18.62 per hundredweight. The SUP at average component tests for August is higher than that of July by 2 cents. August' producer price differential (PPD) at Los Angeles County was \$0.24 per hundredweight, a decrease of 3 cents compared to the previous month.

### Product Prices Effect

Commodity product prices from July to August have stabilized, with minimal variation between July and August. After rising 2 cents in July, the butter price fell 2 cents per pound in August. The cheese price rose slightly in August. Both nonfat dry milk (NFDM) and dry whey prices changed less than 1 cent per pound, with the dry whey price slightly increasing and the NFDM price moving in the opposite direction. These changes resulted in a nearly 3-cent decrease in the butterfat price after increasing 3 cents from June to July. After rising 40 cents from June to July, the protein price continued to rise, now sitting 4 cents higher than the July price. The nonfat and other solids prices both changed less than 1 cent per pound. The nonfat solids price decreased slightly while the other solids price moved in the opposite direction.

Unlike July, class prices varied in both directions for the month of August. The Class I price jumped 71 cents, Class II fell by 1 cent, Class III rose 5 cents, and Class IV decreased 16 cents, all on a per hundredweight basis. With a higher Class I price and utilization, there was a slight increase in the SUP. Despite an 87-cent increase in the spread between the highest and the lowest-priced class, the PPD decreased 3 cents compared to July. Though the PPD was positive at the base zone, milk delivered to plants located in the zones \$1.80 and below received a negative PPD.♦

### Pool Summary

- A total of 896 producers were pooled under the Order with an average daily delivery per producer of 67,409 pounds, an increase of 0.5 percent from July.
- Pooled milk receipts totaled 1.872 billion pounds, a decrease of 6.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 23.6 percent of total milk receipts, up 1.7 percentage points from July.
- The average butterfat test of producer receipts was 3.69 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.74 percent.♦

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	23.6	442,619,939
Class II	7.3	136,285,149
Class III	12.3	230,105,650
Class IV	56.8	1,063,345,538
Total Pooled Milk		1,872,356,276

### Producer Component Prices

	\$/lb
Protein Price	2.4453
Butterfat Price	2.6574
Other Solids Price	0.1730

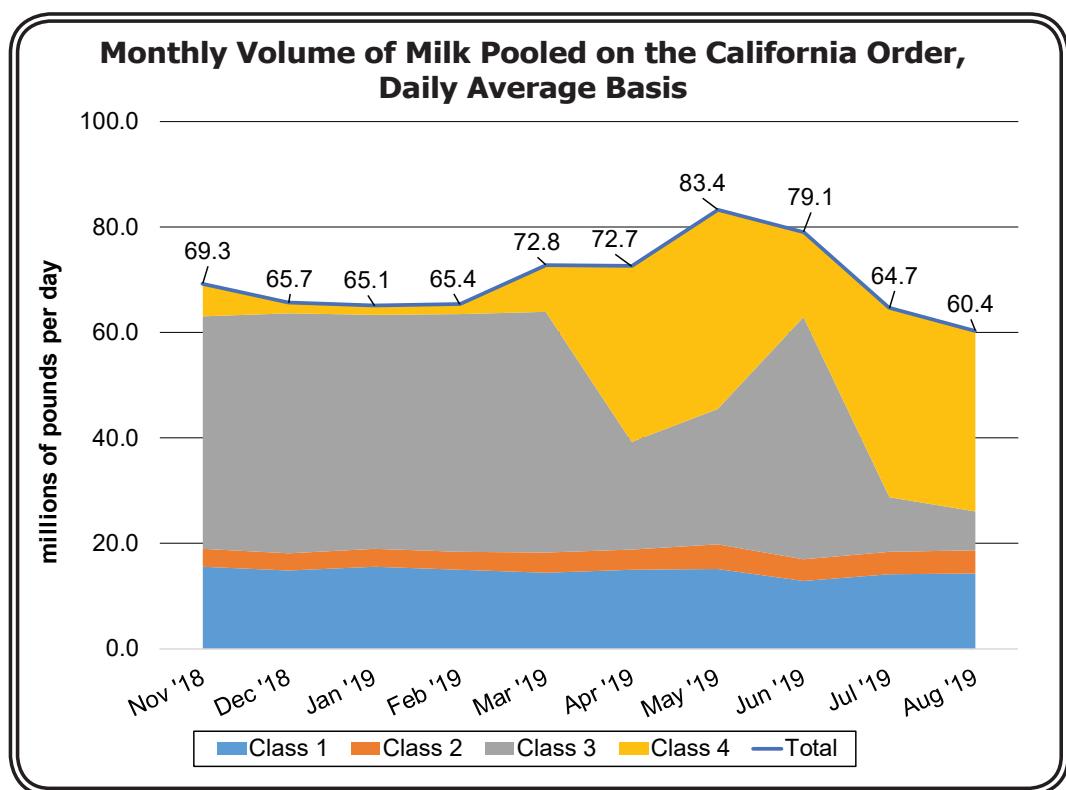
### Class Prices

	\$/cwt
Class I	19.99
Class II	17.60
Class III	17.60
Class IV	16.74

## California Order Pool Volumes and Utilizations

The accompanying chart presents total and class utilization milk volumes since the November 2018 inception of the California Federal Milk Marketing Order. The August volume of milk pooled on the California Order, on a daily average basis, was the lowest since the Order's inception. Total pool volume and utilizations were very consistent through the first 4 to 5 months of the Order. Since then, there have been larger changes in total pool volume and the Class III and Class IV volumes.

Volumes of milk pooled on the Order change as handlers make adjustments to pooling decisions based on factors including pricing relationships, the calculated PPD value, the level of the collective milk components in the milk they are pooling, and seasonal production and demand factors. Other than Class I milk, which is mandatorily pooled, handler decisions about volume of milk to pool in a given month are made before the month pool price calculation occurs and the PPD value is announced.❖



## Milk Donation Reimbursement Program

A provision of the 2018 Farm Bill requires establishment of the Milk Donation Reimbursement Program (MDRP). Under the program, eligible dairy organizations that account to a Federal milk marketing order marketwide pool and incur qualified expenses related to certain fluid milk product donations may apply and receive limited reimbursements to cover those expenses. The program is intended to reduce food waste and provide nutrition assistance to individuals in low-income groups. The program became effective September 16, 2019.

Under an Federal Milk Marketing Order (FMMO), regulated milk handlers receiving dairy farmers' milk account to a marketwide pool on their end-use classification of the milk. FMMOs require regulated handlers to account to the FMMO pool at the Class I value for milk in all unreturned deliveries of packaged fluid milk products. Regulated handlers who elect to donate packaged fluid milk are required to account to a pool for milk contained in donated fluid milk products at Class I values. Thus, handlers may have found dumping surplus milk a more financially sound alternative than donation because they would

avoid an FMMO pool obligation. Under the MDRP outlined in this rule, eligible handlers who account to FMMO pools and donate packaged fluid milk products to eligible non-profit organizations may claim reimbursements for all or part of the FMMO cost difference between the Class I value at the plant and the lowest classified value for the month. Under the provisions of the MDRP, handlers may not claim reimbursements for other costs related to donating fluid milk products, such as processing, bottling, and transporting donated milk. The intent of the MDRP is to encourage handlers to make donations to food assistance programs and reduce food waste.

The program is funded up to \$9 million for fiscal year 2019 and \$5 million each fiscal year thereafter. Unused funds roll over to the following fiscal year. Using 2018 average FMMO classified prices and the weighted average FMMO Class I differential, AMS estimates that, had the program been in place in fiscal year 2018, \$9 million could have reimbursed eligible distributors for milk donations of approximately 28 million gallons of fresh fluid milk (assuming a reimbursement rate of 100 percent of the difference

(continued on page 3)

## Federal Milk Marketings by County

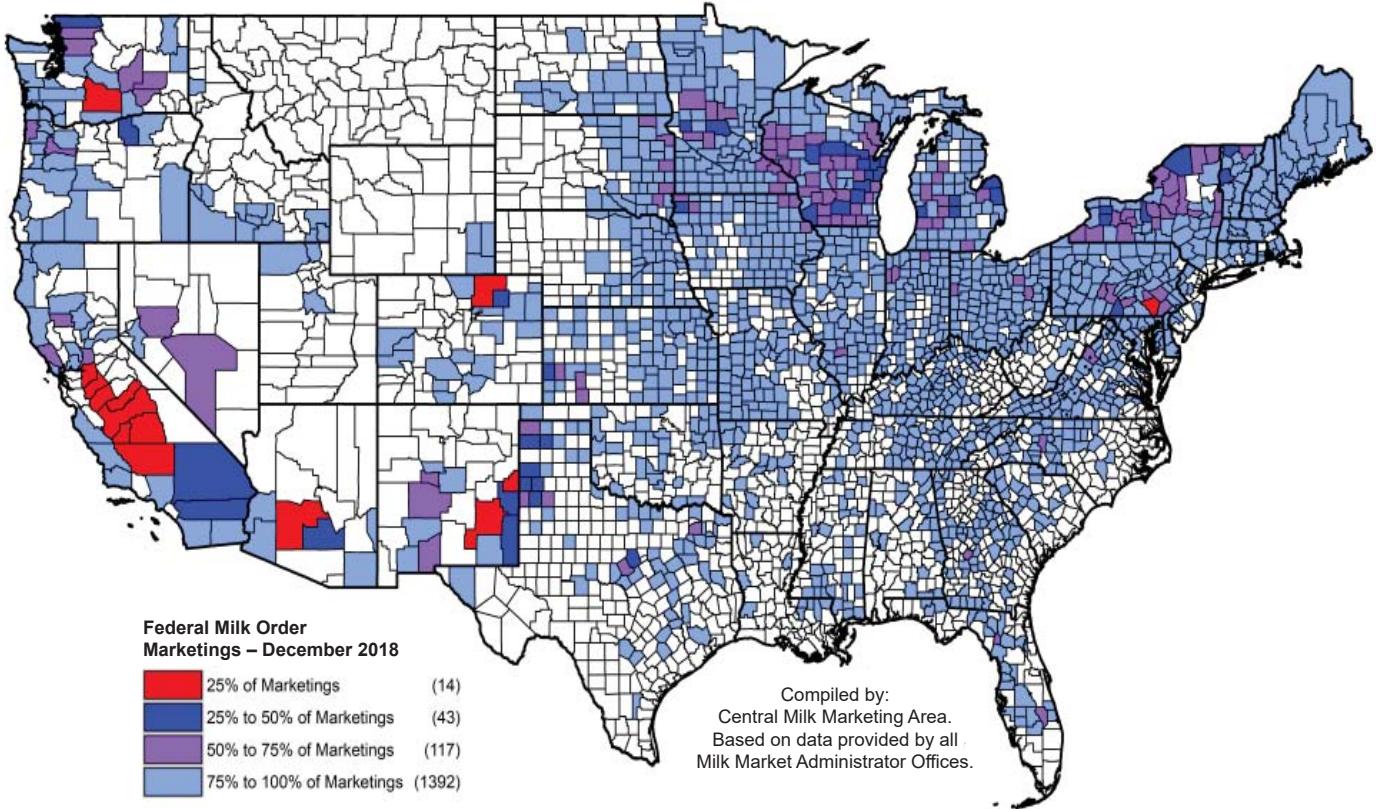
The accompanying map shows all counties in the United States (shaded areas) that contain producers that have milk pooled by handlers regulated by Federal Milk Marketing Orders for the month of December 2018. As the map depicts, Federal order pooled milk is concentrated in the Upper Midwest, Northeast, and western United States. Not all milk produced in a county is necessarily pooled on Federal orders. Some milk may be pooled on state orders or in unregulated areas. In addition, some areas do not have any milk production as they may not be conducive to dairying.

A total of 1,566 counties accounted for all Federal order milk marketed during December 2018. The counties shaded in red represent the 14 largest Federal

pool contributing counties. They account for 25 percent of all Federal milk marketings. Eight of the 14 counties are located in California: Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare. Of the remainder, 2 are in New Mexico, and one each in Arizona, Colorado, Pennsylvania, and Washington. The dark blue shaded counties are the next largest group and when added to the red counties, account for 50 percent of all marketings. Adding the purple shaded counties accounts for 75 percent of the total; the remaining counties with marketings are shown in light blue. The map shows the number of counties in each category in the key.

Map data was compiled by the Central Milk Marketing Area.❖

**Counties With Federal Order Milk Marketings During December 2018**



## Milk Donation *(continued from page 2)*

between the Class I price and the lowest classified price). AMS further estimates that 28 million gallons of fresh fluid milk represented less than 0.6 percent of all FMMO Class I sales during 2018.

3. Plans will be approved by December 23, 2019
4. FY19 Claims due by February 6, 2020
5. FY20 Claims will be processed quarterly once plans have been approved. Deadline for claim submissions: December 31, 2020

### **Program Timeline:**

1. Program established on September 16, 2019
2. Fiscal Year 2019 (FY19) and Fiscal Year 2020 (FY20) Plans due by November 6, 2019

For additional details about the program, go to <https://www.ams.usda.gov/services/milk-donation-reimbursement-program>.❖



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### Computation of Producer Price Differential and Statistical Uniform Price\*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	432,480,016	\$10.91	\$47,183,569.75	
Butterfat	10,139,923	2.7040	27,418,351.79	
Less: Location Adjustment to Handlers			(877,724.11)	\$73,724,197.43
Class II— Butterfat	15,284,884	2.6644	40,725,044.93	
Nonfat Solids	11,115,815	0.9522	10,584,479.06	51,309,523.99
Class III— Butterfat	6,056,502	2.6574	16,094,548.40	
Protein	7,336,157	2.4453	17,939,104.72	
Other Solids	13,374,395	0.1730	2,313,770.34	36,347,423.46
Class IV— Butterfat	37,537,021	2.6574	99,750,879.62	
Nonfat Solids	94,165,271	0.8570	80,699,637.24	180,450,516.86
<b>Total Classified Value</b>			<b>Total value of milk in the pool</b>	<b>\$341,831,661.74</b>
Add: Overage—All Classes				0.00
Inventory Reclassification—All Classes				39,016.14
Other Source Receipts	61,866			1,350.73
<b>Total Pool Value</b>				<b>\$341,872,028.61</b>
Less: Value of Producer Butterfat	69,018,330	2.6574	(183,409,310.20)	
Value of Producer Protein	58,124,330	2.4453	(142,131,424.15)	
Value of Producer Other Solids	107,538,141	0.1730	(18,604,098.40)	(344,144,832.75)
<b>Total PPD Value Before Adjustments</b>			<b>Total Class III value of producer components</b>	<b>(\$2,272,804.14)</b>
Add: Location Adjustment to Producers				6,638,564.66
One-half Unobligated Balance—Producer Settlement Fund				989,608.36
Less: Producer Settlement Fund—Reserve				(861,565.31)
<b>Total Pool Milk &amp; PPD Value</b>	1,872,418,142	\$0.24		<b>\$4,493,803.57</b>
Producer Price Differential			<i>Value from which PPD per hundredweight is calculated</i>	
Statistical Uniform Price		\$17.84		

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