



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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January 2019

Federal Order No. 51

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January Pool Price Calculation

The January 2019 statistical uniform price (SUP) for the California Marketing Area was announced at \$15.09 per hundredweight for milk delivered to plants located in Los Angeles County, California, the pricing point for the California 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 \$16.72 per hundredweight. The January SUP was 18 cents per hundredweight above the December price. The January producer price differential (PPD) at Los Angeles County was \$1.13 per hundredweight, unchanged from last month.

Product Prices Effect

All commodity product prices rose except butter that declined slightly. Nonfat dry milk rose about 5 cents per pound. Prices for cheese and dry whey each increased slightly over 1 cent per pound. Due to the changes in the commodity prices, the butterfat price dropped about 1 cent, while the other solids price increased 1.2 cents, and the protein and nonfat solids prices each rose about 5 cents per pound.

Class prices were up compared to December. Class I and II each rose 7 cents, Class III was up 18 cents, and Class IV increased 39 cents, all on a per hundredweight basis. With increases in the class prices and the utilization of the highest-priced classes, the SUP rose slightly. ❖

Transition Pooling Exemptions Expiring

During the startup of the California Federal Milk Marketing Order (CAFMMO), certain provisions related to the pooling of milk on the Order were waived to allow the California dairy industry extra flexibility to adjust to new marketing rules without causing unnecessary producer milk movements. Recall that under the Federal Order system, only milk that is delivered to a pool plant (generally Class I plant or pool supply plant) is fully regulated and thus cannot opt out of the pool. Manufacturing plants processing milk into other class products make the decision to be part of the pool or not,

(continued on page 3)

Pool Summary

- A total of 1,150 producers were pooled under the Order with an average daily delivery per producer of 56,638 pounds, a decrease of 10.0 percent from December.
- Pooled milk receipts totaled 2.019 billion pounds, a decrease of 0.9 percent from last month.
- Class I usage (milk for bottling) accounted for 24.0 percent of total milk receipts, up 1.4 percentage points from December.
- The average butterfat test of producer receipts was 4.00 percent.
- The average true protein test of producer receipts was 3.29 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	24.0	483,536,406
Class II	5.3	106,346,108
Class III	68.2	1,376,288,781
Class IV	2.6	52,970,698
Total Pooled Milk		2,019,141,993

Producer Component Prices

	\$/lb
Protein Price	1.1927
Butterfat Price	2.4981
Other Solids Price	0.2898

Class Price

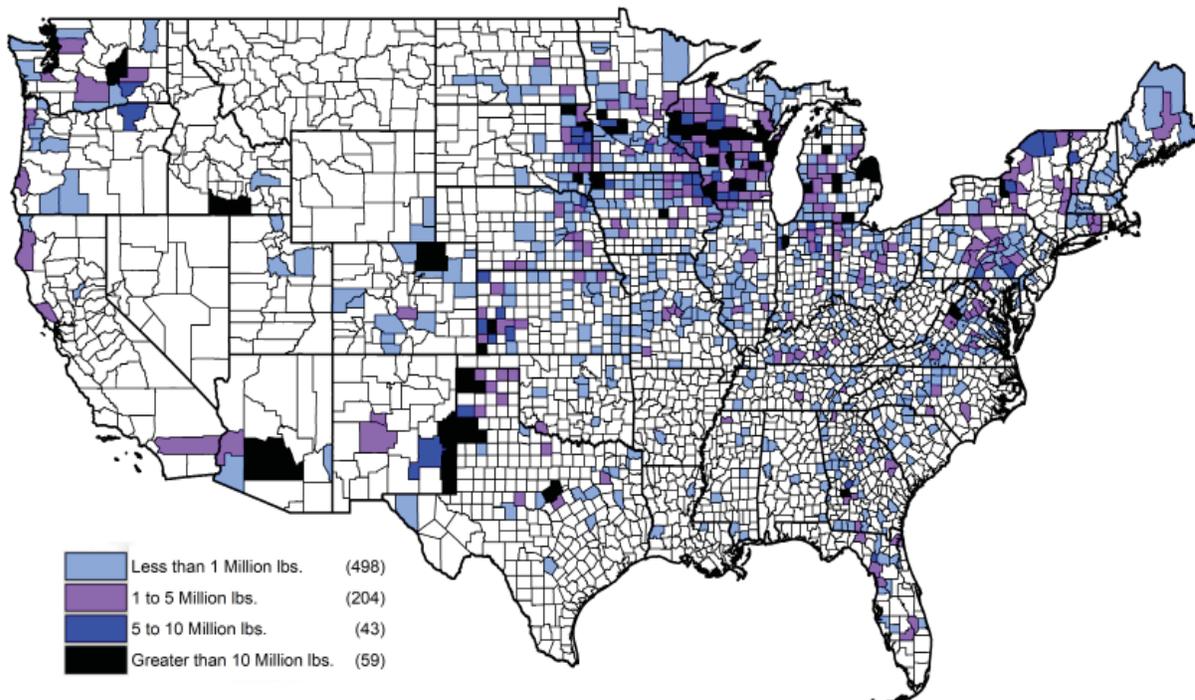
	\$/cwt
Class I	17.22
Class II	15.74
Class III	13.96
Class IV	15.48

U.S. Milk Marketing Dynamics, 2013–2018

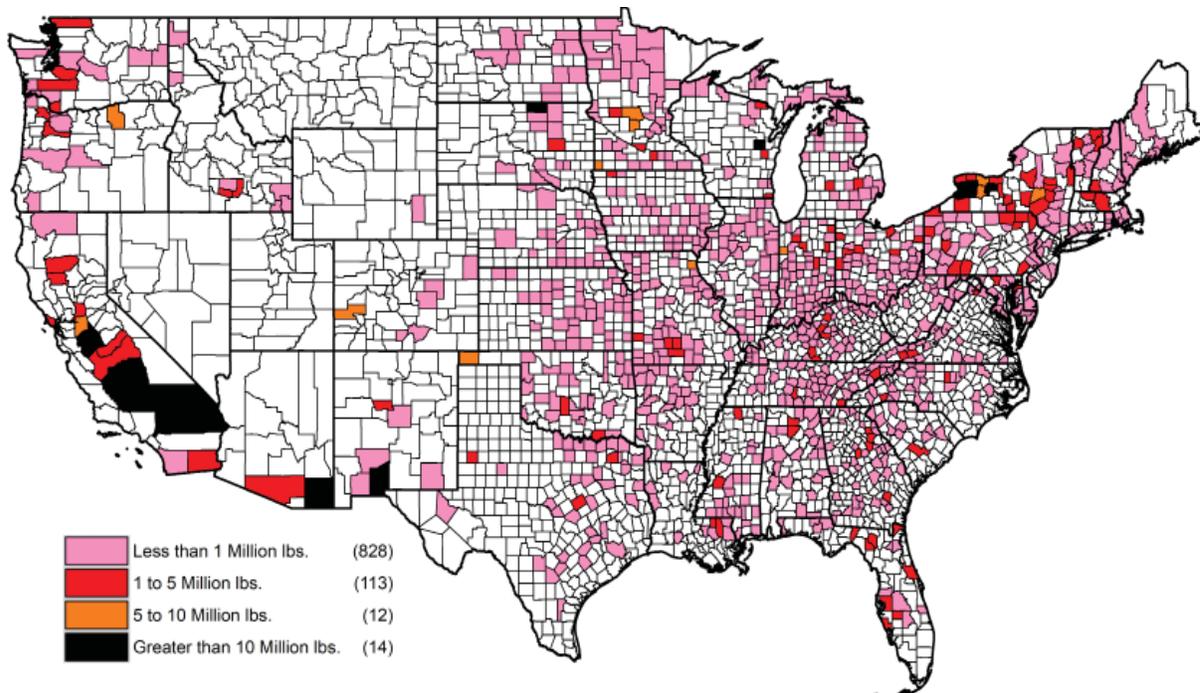
Federal order monthly class and component prices are derived from price formulas that use a nationwide survey of market-based prices of dairy product as inputs. Thus, national prices form the basis of a dairy producer's gross value on their milk check. Regional supply and

demand situations may differ across the country from each other and impact a producer's milk price through changes to a marketing area's class utilization. Regional supply and demand also may impact a producer's milk (continued on page 3)

Increases in U.S. Milk Marketings, by County, May 2013 vs. May 2018



Decreases in U.S. Milk Marketings, by County, May 2013 vs. May 2018



Note: Data compiled by Market Administrator Office—Kansas City. Based on data provided by the California Department of Food & Agriculture and all Milk Market Administrator Offices.

U.S. Milk Marketings *(continued from page 2)*

price beyond Federal order pricing through premium levels and costs faced in that region. Understanding trends in national supply and demand, as well as what may be occurring within regions, and the relationship to market prices that result, can be helpful comprehending milk prices.

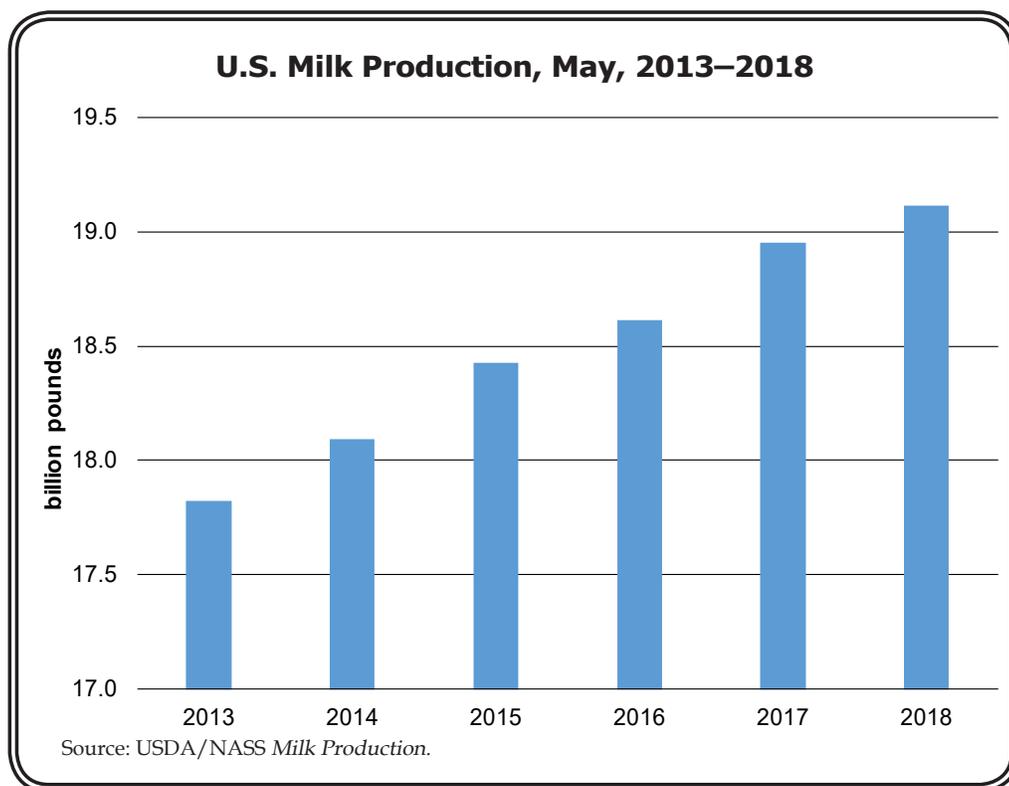
Five-Year Changes in Milk Marketings

According to USDA, National Agricultural Statistics Service (NASS), milk production grew from roughly 17.8 billion pounds for the month of May 2013 to roughly 19.1 billion pounds in May 2018. This was an increase of 7.2 percent. Total U.S. milk production for the month of May, 2013-2018, is presented on the accompanying chart.

Using data from milk marketed on all Federal orders and the state of California, the maps on page 2 present a picture of milk marketing changes from May 2013 as compared to May 2018. One map shows all U.S. counties in which milk marketings increased, shaded by degree of increase. The second map shows all U.S. counties in which milk marketings decreased, shaded by degree of decrease.

The time period depicted highlights a period in which national milk production increased, though notable

differences in regions can be seen. California shows counties with substantial decreases in production, as does Arizona and far western and eastern New York. Substantial increases in milk marketing occurred in Wisconsin and Michigan, as well as eastern South Dakota. West Texas and eastern New Mexico showed very strong growth. Counties in Arizona and Idaho also show strong growth areas on the map. Moderate to strong growth occurred in an area from central New York, through eastern Pennsylvania, and into Virginia. ❖



Transition Pooling *(continued from page 1)*

generally dependent upon the alignment of class prices, the expected uniform price, and what makes the most economic sense for the respective handler.

Repooling Percentage Waived

During the first three months of the new Order, limitations on how much additional milk a handler could pool from one month to the next were waived. The volume of milk pooled by a handler on the next CAFMMO pool (February milk, uniform price calculated and announced by March 15), will set a handler's base volume from which the amount of milk they can pool in subsequent months will be determined, as follows:

- Up to 125 percent of the volume of producer milk receipts pooled by a handler in the previous month for the period April through February

- Up to 135 percent of the volume of producer milk receipts pooled by a handler the previous month for March

Impact of Provision

While the decision whether or not to pool individual producers and their associated milk production on a Federal order is made at the pool handler level and is not a determination made by individual producers, the provision regulating the volume of milk a handler can pool from one month to the next could impact how much producer milk a handler decides to pool in a given month. By including these pooling restrictions, the CAFMMO seeks to maintain and enhance orderly marketing conditions by encouraging participation in the marketwide pooling of all classified uses of milk. ❖



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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	472,740,240	\$8.62	\$40,750,208.69	
Butterfat	10,796,166	2.5427	27,451,411.29	
Less: Location Adjustment to Handlers			(950,353.86)	\$67,251,266.12
Class II— Butterfat	14,730,163	2.5051	36,900,531.33	
Nonfat Solids	8,548,376	0.8022	6,857,507.21	43,758,038.54
Class III— Butterfat	48,133,097	2.4981	120,241,289.63	
Protein	46,060,280	1.1927	54,936,095.97	
Other Solids	79,456,505	0.2898	23,026,495.16	198,203,880.76
Class IV— Butterfat	7,150,812	2.4981	17,863,443.44	
Nonfat Solids	4,280,466	0.7757	3,320,357.48	21,183,800.92
Total Classified Value			<i>Total value of milk in the pool</i>	\$330,396,986.34
Add: Overage—All Classes				531.54
Inventory Reclassification—All Classes				(15,214.98)
Other Source Receipts	352,373			10,405.60
Total Pool Value				\$330,392,708.50
Less: Value of Producer Butterfat	80,810,238	2.4981	(201,872,055.55)	
Value of Producer Protein	66,423,729	1.1927	(79,223,581.59)	
Value of Producer Other Solids	115,938,886	0.2898	(33,599,089.16)	(314,694,726.30)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	\$15,697,982.20
Add: Location Adjustment to Producers				7,413,009.01
One-half Unobligated Balance—Producer Settlement Fund				654,924.20
Less: Producer Settlement Fund—Reserve				(945,629.04)
Total Pool Milk & PPD Value	2,019,494,366			\$22,820,286.37
Producer Price Differential		\$1.13		
Statistical Uniform Price		\$15.09		

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