



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Cary Hunter, Interim Market Administrator

January 2021

Federal Order No. 51

To contact the California Marketing Area office:

Tel.: (916) 702-6455 — Fax: (833) 673-3751

Mailing Address: P.O. Box 6660, Folsom, CA 95763

e-mail address: market.admin@cafmmo.com — website address: www.cafmmo.com

January Pool Price Calculation

The January 2021 Statistical Uniform Price (SUP) for the California Marketing Area was announced at \$14.24 per hundredweight (cwt) for milk delivered to plants located in Los Angeles County, California, the pricing point for the California Federal Marketing Order (CFMO). 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 pooled milk (4.00 percent butterfat, 3.27 percent protein, and 5.75 percent other solids), the January SUP would be \$15.88 per cwt, which is lower than that of December by 85 cents per cwt. January's Producer Price Differential (PPD) at Los Angeles County was -\$1.80 per cwt, decreasing by more than a dollar from last month's PPD of -\$0.78 per cwt.

Product Prices Effect

All monthly average product prices in the National Dairy Product Sales Report (NDPSR) rose, though some by small margins, from December to January. The dry whey and nonfat dry milk prices continued their upward trends this month, with the dry whey price gaining over 4 cents per pound and the nonfat dry milk price gaining just under 4 cents per pound. The butter price gained more than one cent per pound, and the cheese price saw the smallest increase at less than a penny per pound.

The increases in commodity prices translated to modest increases in component prices as well. The butterfat and protein prices saw the smallest gains from December to January, with the butterfat price increasing by over one cent per pound and the protein price increasing by just under one cent per pound. The other solids and nonfat solids prices had relatively larger gains: the other solids price rose over 4 cents per pound and the nonfat solids price gained under 4 cents per pound.

All class prices rose this month except for Class I. Class I saw the largest difference from December to January, losing \$4.73 per cwt. Class II rose by 17 cents per cwt, and Class III increased by 32 cents per cwt. Class IV gained 39 cents per cwt, but still remained the lowest-priced class. ❖

Pool Summary

- A total of 829 producers were pooled with an average daily delivery per producer of 78,378 pounds, an increase of 1.7 percent from December.
- Pooled milk receipts totaled 2.014 billion pounds, an increase of 0.6 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 20.5 percent of total pooled milk receipts, down 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 3.27 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	20.5	413,621,598
Class II	5.3	107,367,135
Class III	1.2	24,954,705
Class IV	72.9	1,468,285,154
Total Pooled Milk		2,014,228,592

Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	3.0355	2.9606
Butterfat Price	1.5541	2.1117
Other Solids Price	0.2682	0.1417

Class Price Factors

	2021	2020
	\$/cwt	
Class I	17.24	21.11
Class II	14.18	17.05
Class III	16.04	17.05
Class IV	13.75	16.65

Fluid Milk Sales in California – 2019 and 2020

Disposition of fluid milk products – deliveries of packaged Class I products to retail, institutional, or wholesale outlets – in Federal Order 51 (FO 51), as reported by pool handlers, in 2020 was varied. Closures of key demand channels like schools and restaurants accompanied by surges in grocery demand had mixed effects on Class I sales, as some products fared better than others. Overall, disposition of Class I products in FO 51 in 2020 decreased by 3.5 percent from 2019, on a daily average basis.

How 2020 Measures Against 2019

The accompanying table compares the 2020 route disposition in FO 51 of Class I products to that of 2019 on a daily average basis. Most categories decreased from 2019 to 2020. Low fat fell by almost five percent and reduced fat fell by more than three percent. Skim milk posted significant declines from 2019 to 2020, as did flavored milk and drink¹; sales of skim milk declined 23.4 percent, while flavored milk and drink fell 36.1 percent. Whole milk and organic milk products were two categories that saw increases in volume from 2019. Whole milk increased slightly, by less than one percent, but organic milk products experienced a near 18 percent increase from 2019.

Product	2019	2020	Percentage Change
Whole Milk	4,891,556	4,927,526	0.7%
Reduced Fat Milk	4,806,943	4,658,815	-3.1%
Low Fat Milk	1,691,169	1,607,951	-4.9%
Skim Milk	840,320	644,036	-23.4%
Organic Milk Products*	1,244,058	1,467,030	17.9%
Flavored Milk and Drink**	962,036	614,613	-36.1%
Other***	174,115	180,119	3.4%
Total	14,610,196	14,100,091	-3.5%

*Includes all organic milk products sold in Federal Order 51.
**Flavored milk defines flavored milk products with a butterfat percentage higher than 2.5 percent. Flavored drink consists of those with a butterfat percentage less than 2.5 percent.
***Includes buttermilk and eggnog.

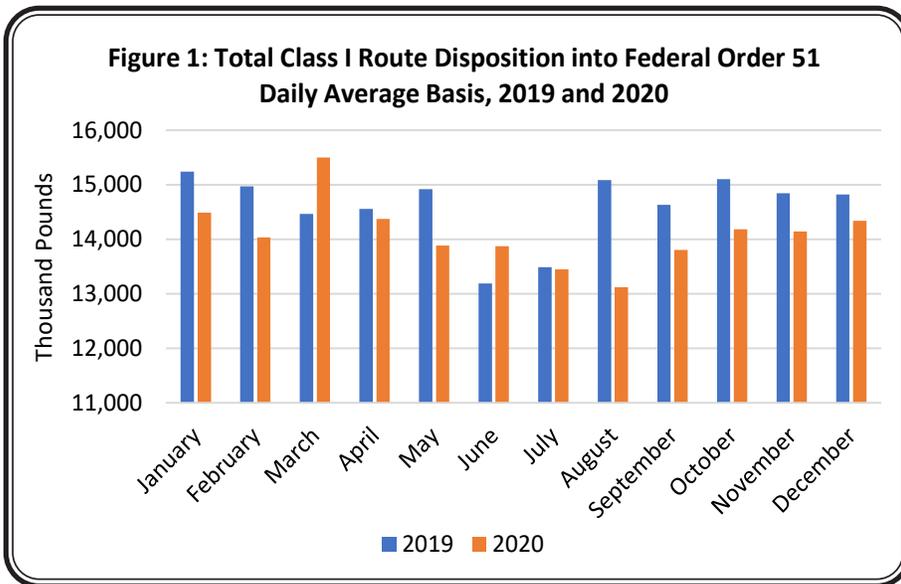


Figure 1 depicts the daily average monthly Class I route disposition in FO 51 in 2019 and 2020. The figure also highlights the variability in 2020's monthly volumes. The month posting the largest route disposition in 2020 was March; moreover, March 2020's sales exceeded those of March 2019 by 7.2 percent. This sizeable surge in March 2020 can be partly attributed to the "panic-buying" that occurred in grocery stores as consumers grappled with uncertainty associated with Covid-19. The only other month in 2020 to post year-over-year gains was June; disposition of Class I products in June 2020 was 5.2 percent higher than

that of June 2019. Notably, August – when many California schools typically begin instruction – saw the lowest quantity of 2020, decreasing by more than thirteen percent from August 2019. Further depicting the severity of August 2020's low volume is the fact that August 2019 posted the third highest sales amount of that year. The fourth quarter of 2020 followed a more typical monthly trend but remained well below 2019 levels.

Product Trends

Figures 2, 3, and 4 show daily average monthly sales volumes in FO 51 for 2019 and 2020 for whole milk, flavored milk and drink, and organic milk products. These figures highlight the mixed performance of certain products in 2020 in addition to the sharp departure from 2019's monthly trends.

Whole milk sales in 2020, as shown in Figure 2, were highest in the months of March, April, May, and June. In 2019, however, the months with the highest quantity were in the fall and early winter, and the

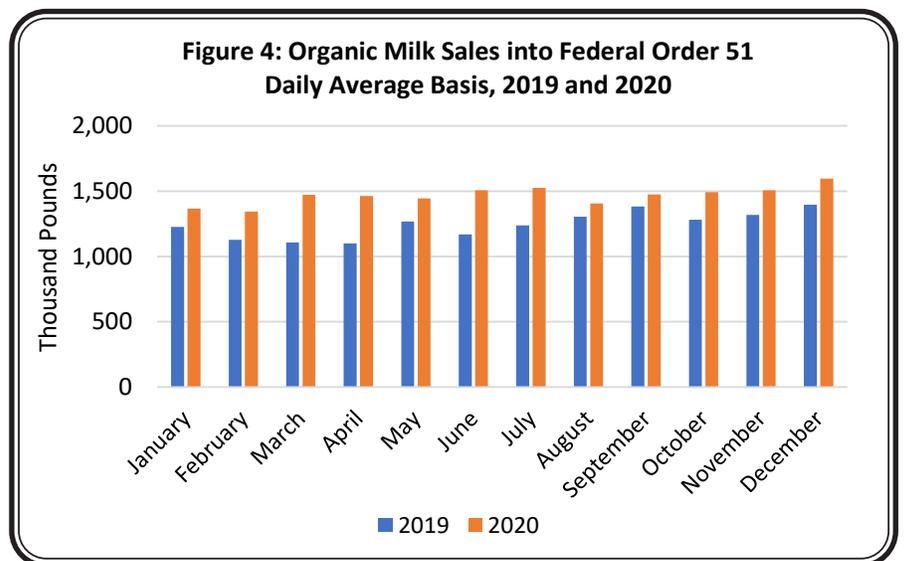
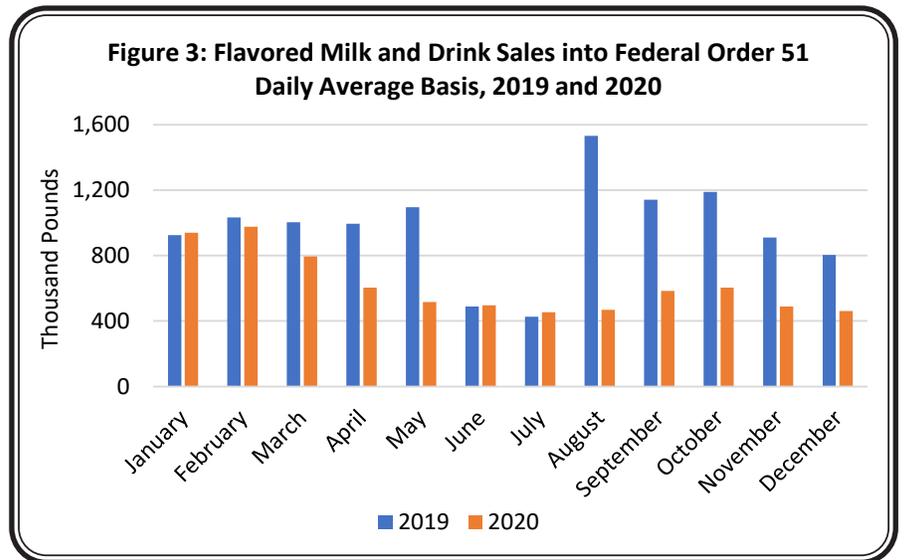
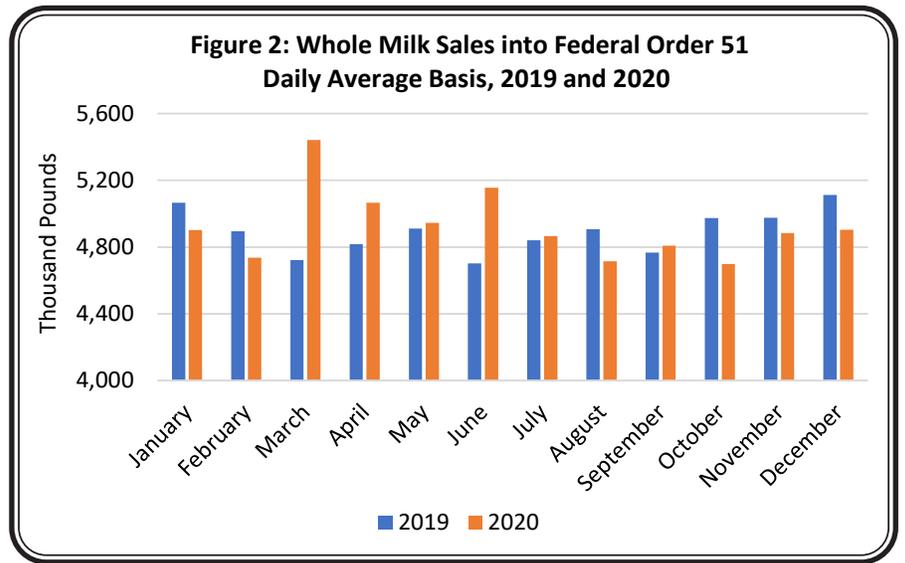
¹ Flavored milk defines flavored milk products with a butterfat percentage higher than 2.5%. Flavored drink consists of those with a butterfat percentage less than 2.5%.

months with the lowest disposition were March and June. March 2020 posted a year-over-year increase of 15.3 percent, while June 2020's quantity represented a year-over-year increase of 9.7 percent from 2019. Offsetting these large increases in volume were decreases of more than three percent in five months of 2020, including October and December (down 5.6 percent and 4.1 percent, respectively). Thus, while disposition of whole milk in 2020 only increased modestly from 2019, the monthly distribution of sales varied significantly from 2019.

The amount of flavored milk and drink disposed into FO 51 in 2020 also posted sharp deviations from 2019. Figure 3 illustrates that volume in August 2020 was significantly below that of August 2019; the quantity of flavored milk and drink products disposed in FO 51 in August 2020 declined by nearly 70 percent on a year over year basis. This sharp decrease coincides with the usual beginning of the academic year for many California schools, suggesting some correlation between the notable decrease and the closure of schools brought on by Covid-19. The fourth quarter of 2020 continued to list volume of flavored milk and drink well below that of 2019, as each month declined by more than 40 percent from the year prior. In total, only three months in 2020 increased from year prior levels.

Unlike most other Class I products, the quantity of organic milk products sold in FO 51 exhibited consistent increases from 2019 levels. Figure 4 depicts that every month in 2020 posted year-over-year gains in organic milk sales. Similar to other Class I products, March 2020 increased notably from March 2019 – almost 33 percent. Other months posting significant gains were April (33 percent), June (nearly 29 percent), and July (23 percent).

2020 was an atypical year. Shifts in demand channels, consumer behavior, and logistical challenges had a heavy impact on Class I volume in FO 51. As the situation with Covid-19 and school openings evolves, Class I route disposition will continue to vary. ❖





MARKET ADMINISTRATOR
P.O. Box 6660
Folsom, CA 95763

PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Albany, NY
Permit 1011

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	403,611,195	\$12.13	\$48,958,037.95	
Butterfat	10,010,403	1.5819	15,835,456.51	
Less: Location Adjustment to Handlers			(832,011.37)	\$63,961,483.09
Class II— Butterfat	12,347,200	1.5611	19,275,213.94	
Nonfat Solids	8,917,096	1.0033	8,946,522.44	28,221,736.38
Class III— Butterfat	1,596,918	1.5541	2,481,770.25	
Protein	795,913	3.0355	2,415,993.92	
Other Solids	1,398,350	0.2682	375,037.46	5,272,801.63
Class IV— Butterfat	56,682,776	1.5541	88,090,702.17	
Nonfat Solids	132,551,483	0.9570	126,851,769.24	214,942,471.41
Total Classified Value			<i>Total value of milk in the pool</i>	\$312,398,492.51
Add: Overage—All Classes				2,194.49
Inventory Reclassification—All Classes				12,698.87
Other Source Receipts	31,299			356.81
Total Pool Value				\$312,413,742.68
Less: Value of Producer Butterfat	80,637,297	1.5541	(125,318,423.27)	
Value of Producer Protein	65,795,403	3.0355	(199,721,945.84)	
Value of Producer Other Solids	115,753,560	0.2682	(31,045,104.81)	(356,085,473.92)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	(43,671,731.24)
Add: Location Adjustment to Producers				7,946,135.33
One-half Unobligated Balance—Producer Settlement Fund				371,434.00
Less: Producer Settlement Fund—Reserve				(902,516.14)
Total Pool Milk & PPD Value	2,014,259,891			(36,256,678.05)
Producer Price Differential		\$(1.80)		
Statistical Uniform Price		\$14.24		

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