



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Cary Hunter, Interim Market Administrator

March 2019

Federal Order No. 51

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March Pool Price Calculation

The March 2019 statistical uniform price (SUP) for the California Marketing Area was announced at \$16.03 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 \$17.73 per hundredweight. The March SUP was 91 cents per hundredweight above the February price. The March producer price differential (PPD) at Los Angeles County was \$0.99 per hundredweight, a decrease of 24 cents from last month.

Product Prices Effect

Commodity product prices were mixed in March. Butter and cheese increased, while nonfat dry milk and dry whey both decreased. The butter price increased a slight 1 cent, nonfat dry milk decreased 2 cents, and dry whey declined 4 cents, all on a per pound basis. These changes translated to similar increases and decreases in producer component prices. The cheese price jumped over 14 cents per pound, resulting in a 45-cent increase in the protein price and, ultimately, a jump of \$1.15 per hundredweight in the Class III price. Class I and II prices, based on data from February, also increased. The Class IV price dropped 15 cents per hundredweight.

A majority of the total milk receipts assigned to classes with increasing prices led to a higher SUP. With the spread between the higher and lower priced classes tightening, largely due to the increase in the Class III price, the PPD decreased. ❖

Changes in Volumes of Milk Pooled

The volume of milk pooled by handlers during the month of March was the largest through the first five months of the California Federal Order (CFO), increasing by over 178 million pounds from the highest previous total during November 2018, the first month of the Order. Under Federal Order rules milk delivered to pool plants is fully regulated, but milk delivered to non-pool manufacturing plants has the option of being included in the pool or not pooled. This decision is made by the pooling handler and generally depends upon factors including

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Pool Summary

- A total of 1,077 producers were pooled under the Order with an average daily delivery per producer of 67,632 pounds, an increase of 9.6 percent from February.
- Pooled milk receipts totaled 2.258 billion pounds, an increase of 11.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 19.8 percent of total milk receipts, down 3.2 percentage points from February.
- The average butterfat test of producer receipts was 3.98 percent.
- The average true protein test of producer receipts was 3.28 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	19.8	447,451,298
Class II	5.3	118,589,178
Class III	62.7	1,415,935,162
Class IV	12.2	276,066,498
Total Pooled Milk		2,258,042,136

Producer Component Prices

	\$/lb
Protein Price	1.6303
Butterfat Price	2.5461
Other Solids Price	0.2200

Class Price

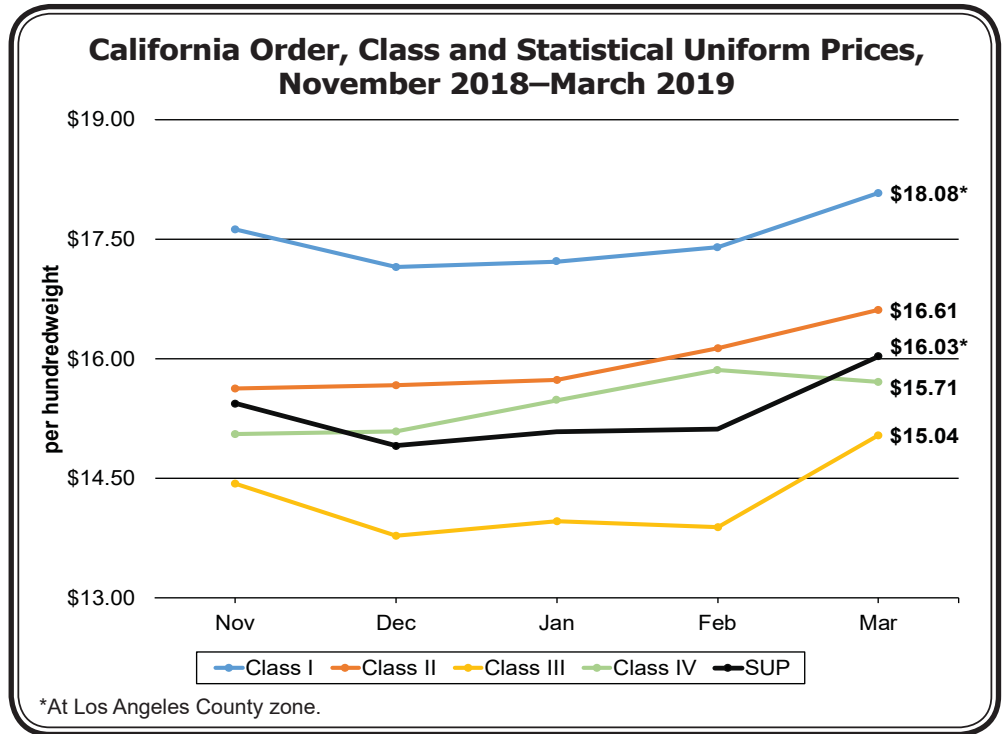
	\$/cwt
Class I	18.08
Class II	16.61
Class III	15.04
Class IV	15.71

Changes in Volumes *(continued from page 1)*

the alignment of class prices, the estimated uniform price/producer price differential (PPD), what makes economic sense for the pooling handler, and compliance with the order's producer milk qualification requirements.

Price Movement

During the month of March, modest declines in nonfat dry milk prices (NFDM) led to a decline in the Class IV price. Class I, II, and III prices, however, all increased resulting in a \$0.91 cent per hundredweight increase in the statistical uniform price (SUP) above the February SUP. These pricing changes resulted in the Class IV price falling below the monthly SUP for the first time since the first month of the Order, November 2018. With this alignment of prices, some handlers pooling milk with a Class IV utilization will receive a payment from the pool producer settlement fund of the difference between the SUP and the Class IV price. Depending upon the differential zone of the plant and the applicable SUP, it made sense for some handlers to pool milk utilized in Class IV during March. The roughly 223 million pound increase in Class IV (see chart below) is likely partially attributable to some handlers receiving a pool credit on their Class IV utilization, while all pooling handlers evaluate the pooling relationship that makes the most economic sense for their operations. In previous months when the Class IV price was above the respective month's



SUP, a much lower volume was pooled by handlers in Class IV. The decision by a handler to pool additional milk volume on the Order is subject to the producer milk provisions of the Order.

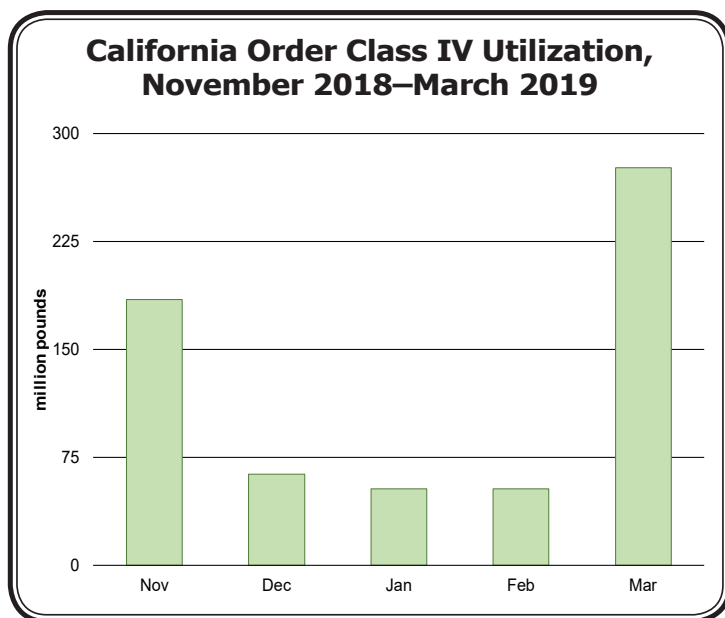
The chart above shows the relationship to class prices and the SUP through the first five months of the Order. Note the November 2018 and March 2019 price alignment where the Class IV price is below the monthly SUP. ❖

Class I Sales Comparison

For the first month of 2019, Class I volume pooled on the California Order averaged 24.0 percent of total producer milk receipts. Class I usage reflects milk used for fluid drinking purposes. Data reported by pool handlers shows the breakdown by fluid milk product category each month. This data is aggregated by the Agricultural Marketing Service-Market Information Branch for all other Federal orders to create an estimate of total sales by product in the United States.

The table on page 3 shows the percent of total sales by category for January for the California Order compared to the U.S. estimate for January 2019 and all of 2018. For the month of January 2019, California Order sales of Class I products represented about 11 percent of the total U.S. estimated sales in January 2019. The California Order accounted for 10.4 percent of U.S. conventional milk sales in January 2019 and about 14.5 percent of U.S. organic sales.

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Class I *(continued from page 2)*

As the table depicts, the California Order overall reports a similar proportion breakdown as the U.S. in all categories. The Order's whole and reduced fat milk represent slightly higher percentages than the national average, while low fat, fat free, flavored milk and drinks, and buttermilk are below the national average percentages. Organic sales represent a slightly higher percentage of all sales for the California Order compared to the U.S. estimate. Within the organic category, sales of lower fat (reduced fat, low fat, and fat free) organic milk account for a higher proportion of all organic sales, similar to the U.S. estimate.

As more data are collected for the California Order, comparisons for products in other classes will be discussed in future articles in this *Bulletin*. ❖

Comparison of Class I Products*, California Order vs U.S. Estimated Total

Product	CA Order Class I	U.S. Estimated Sales		CA Order
	(percent of total sales)			
	2019		2018	2019
	Jan	Jan	Jan-Dec	Jan
Whole	33.5	32.1	31.8	11.0
Flavored	5.6	10.1	9.4	5.9
Reduced Fat	34.5	30.9	31.2	11.8
Low Fat	12.1	12.5	12.7	10.2
Fat Free	6.3	7.4	7.9	9.0
Buttermilk	0.4	0.8	1.0	4.8
Other	0.0	0.6	0.5	0.4
Organic Whole	3.6	2.4	2.3	16.0
Organic Lower Fat	4.0	3.2	3.3	13.4
Total	100.0	100.0	100.0	

* Data as reported by handlers at pool time.

USDA Announces Available Grants

On April 17, 2019, the USDA announced \$1.5 million in competitive grant funding is available for the Dairy Business Innovation (DBI) Initiatives, authorized through the 2018 Farm Bill. This program supports USDA's efforts to reduce risk and develop higher-value uses for dairy products, diversify farmer income through processing and marketing innovation, and encourage the use of regional milk production.

DBI Initiatives must be positioned to draw on existing dairy industry resources, including dairy farm density and farmland suitability for dairying, as well as activities conducted by dairy industry promotion

and research programs, research organizations, dairy businesses, or academic and industry stakeholders. They may serve a certain product niche, such as specialty cheese, or serve dairy businesses with dairy products derived from the milk of specific type of dairy animal, including products made from cow, sheep, and goat milk.

Applications must be submitted electronically through www.grants.com by 11:59 p.m. EST on June 17, 2019. For more information about grant eligibility, visit www.ams.usda.gov/services/grants/dbi or contact AMSGrants@USDA.gov. ❖

Pool Summary for All Federal Orders, January–March, 2018–2019

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2018	2019	Change [^]	2018	2019	2018	2019
		pounds			percent	dollars per hundredweight		
1	Northeast	6,771,020,795	6,691,722,228	(1.2)	1.34	2.45	15.21	16.75
5	Appalachian	1,502,608,205	1,374,233,670	(8.5)	N/A	N/A	16.62	18.04
6	Florida	673,746,309	664,315,150	(1.4)	N/A	N/A	18.78	20.05
7	Southeast	1,405,745,058	1,278,392,358	(9.1)	N/A	N/A	16.96	18.44
30	Upper Midwest	8,417,311,577	9,075,041,893	7.8	0.16	0.29	14.03	14.59
32	Central	4,184,882,132	4,158,269,400	(0.6)	0.18	0.96	14.05	15.25
33	Mideast	4,922,767,871	4,682,755,792	(4.9)	0.49	1.45	14.36	15.75
51	California[^]	N/A	6,107,273,607	N/A	N/A	1.12	N/A	15.41
124	Pacific Northwest	2,053,898,071	2,128,510,483	3.6	0.08	1.11	13.95	15.41
126	Southwest	3,408,579,307	3,559,251,948	4.4	1.04	1.71	14.91	16.01
131	Arizona	1,351,741,566	1,322,367,775	(2.2)	N/A	N/A	14.16	15.85
All Market Total/Average		34,692,300,891	41,042,134,304	18.3	0.55	1.30	15.30	16.50

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

[^] California Milk Marketing Area (F.O. 51) became effective November 1, 2018.



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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	437,587,223	\$9.35	\$40,914,405.35	
Butterfat	9,864,075	2.5880	25,528,226.10	
Less: Location Adjustment to Handlers			(886,325.30)	\$65,556,306.15
Class II— Butterfat	14,740,922	2.5531	37,635,047.97	
Nonfat Solids	9,726,486	0.8833	8,591,405.07	46,226,453.04
Class III— Butterfat	47,303,543	2.5461	120,439,550.83	
Protein	47,234,785	1.6303	77,006,869.99	
Other Solids	82,058,030	0.2200	18,052,766.60	215,499,187.42
Class IV— Butterfat	17,949,910	2.5461	45,702,265.84	
Nonfat Solids	24,134,239	0.7832	18,901,936.01	64,604,201.85
Total Classified Value			<i>Total value of milk in the pool</i> →	\$391,886,148.46
Add: Overage—All Classes				233,918.37
Inventory Reclassification—All Classes				(4,348.32)
Other Source Receipts	1,251,700			33,469.94
Total Pool Value				\$392,149,188.45
Less: Value of Producer Butterfat	89,585,450	2.5461	(228,788,599.56)	
Value of Producer Protein	73,968,549	1.6303	(120,590,925.41)	
Value of Producer Other Solids	129,984,158	0.2200	(28,596,514.76)	(377,976,039.73)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i> ↗	\$14,173,148.72
Add: Location Adjustment to Producers				8,344,347.50
One-half Unobligated Balance—Producer Settlement Fund				809,693.41
Less: Producer Settlement Fund—Reserve				(960,180.68)
Total Pool Milk & PPD Value	2,259,293,836			\$22,367,008.95
Producer Price Differential		\$0.99		
Statistical Uniform Price		\$16.03		

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