



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

Cary Hunter, Interim Market Administrator

January 2022

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](mailto:market.admin@cafmmo.com) — website address: [www.cafmmo.com](http://www.cafmmo.com)

## January Pool Price Calculation

The January 2022 Statistical Uniform Price (SUP) for the California Marketing Area increased \$1.92 per hundredweight (cwt) from last month to \$21.25 per 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 (4.17 percent butterfat, 3.35 percent protein, and 5.75 percent other solids), the January SUP would be \$24.11 per cwt, which is higher than that of December by \$2.16 per cwt. December's Producer Price Differential (PPD) at Los Angeles County was \$0.87 per cwt, a decrease of 10 cents from last month's PPD of \$0.97 per cwt. The January 2022 SUP — calculated at both standard and pool average tests — posted new records for the third straight month under the CFMO.

### Product Prices Effect

All monthly average product prices in the National Dairy Product Sales Report increased from December to January. The butter price jumped almost 55 cents per pound from the previous month. The cheese and dry whey prices gained roughly 14 cents per pound and nearly 7 cents per pound, respectively. The nonfat dry milk price rose just over 10 cents per pound. The butter, dry whey, and nonfat dry milk prices reached their highest levels since the CFMO's inception.

All component prices increased from the prior month, except for the protein price. The butterfat price gained about 66 cents per pound. The other solids price increased more than 7 cents per pound, and the nonfat solids price rose just over 10 cents per pound. Meanwhile, the cheese price dropped almost 24 cents per pound from December. Driven by large gains in product prices, the butterfat, other solids, and nonfat solids prices all posted record highs under the CFMO.

All class prices rose from the previous month. The Class I (continued on page 3)

## Pool Summary

- A total of 931 producers were pooled with an average daily delivery per producer of 63,492 pounds, an increase of 0.8 percent from December.
- Pooled milk receipts totaled 1.832 billion pounds, an increase of 2.5 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 22.1 percent of total pooled milk receipts, down 2.0 percentage points from December.
- The average butterfat test of producer receipts was 4.17 percent.
- The average true protein test of producer receipts was 3.35 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	22.1	404,177,722
Class II	5.3	96,469,743
Class III	68.9	1,262,921,456
Class IV	3.8	68,861,432
Total Pooled Milk		1,832,430,353

### Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.3563	3.0355
Butterfat Price	2.9567	1.5541
Other Solids Price	0.5249	0.2682

### Class Price Factors

	2022	2021
	\$/cwt	
Class I	21.81	17.24
Class II	22.83	14.18
Class III	20.38	16.04
Class IV	23.09	13.75

## Butterfat Price Climbs

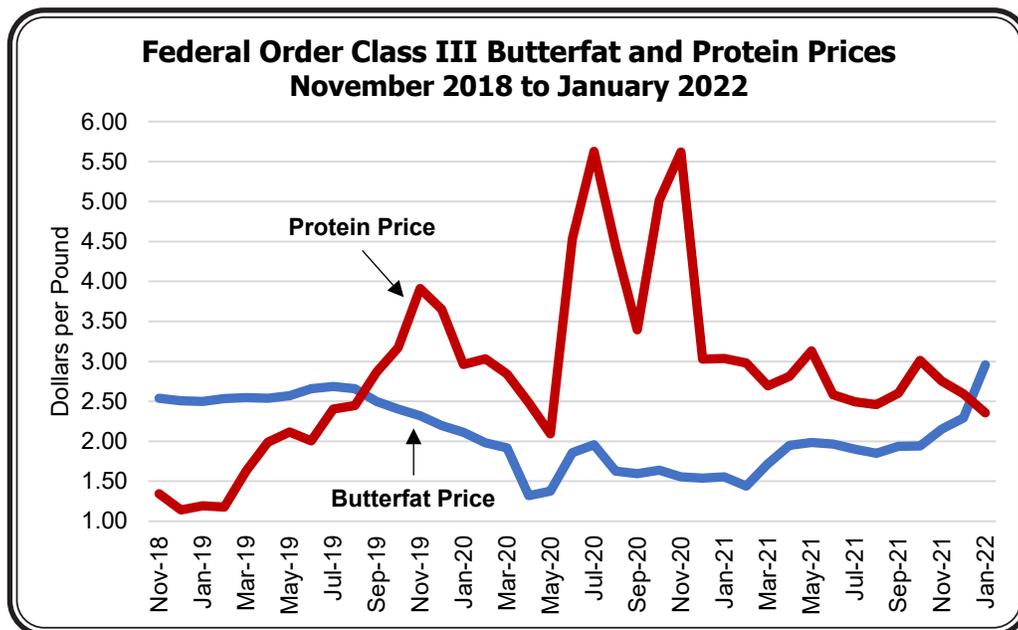
Producers under the California Federal Marketing Order (CFMO) are paid according to the quantity and price of three components in their milk – butterfat, protein, and other solids – as well as the Producer Price Differential (PPD). Of these components, butterfat and protein composed most of the pool component value in 2021. Influenced by high cheese prices, protein alone accounted for 48 percent of 2021’s total pool component value. In January 2022, however, butterfat accounted for 51 percent – well above protein’s share of 35 percent.

January 2022’s butterfat price of \$2.9567 per pound is the highest since the CFMO’s inception. Moreover, it surpassed the protein price for the first time in 29 consecutive months. The accompanying figure illustrates the protein and butterfat prices from November 2018 to January 2022, highlighting the protein price’s superior position in 2020 and 2021 as well as the butterfat price’s recent appreciation.

### Cheese and Butter

Developments in the butterfat and protein prices are driven by movements in the cheese and butter

Period	Butter	Cheese
	\$/lb	
2019	2.2431	1.7586
2020	1.5808	1.9236
2021	1.7325	1.6755
January 2022	2.6130	1.8978



prices surveyed in the National Dairy Product Sales Report (NDPSR). While the formula for the protein price includes both the butter and the cheese price, the butterfat price formula includes only the butter price, a make allowance, and a yield factor. Accordingly, butterfat prices are closely linked to the NDPSR butter price. The accompanying table depicts the average cheese and butter prices from 2019 to 2021 and in January 2022. Notably, the butter price in January 2022 is higher than the listed averages, signaling its current strength. In fact, January 2022’s NDPSR butter price is the highest since August 2017 and the fourth highest since 2000. While January’s cheese price is lower than the 2020 average, it is higher than that of 2019 and 2021. Gains in these two prices played a major role in the high Statistical Uniform Price in January 2022. *Chicago Mercantile Exchange* futures, as of February 18, 2022, support continued price appreciation in early 2022 as Class III futures average \$22.04 per hundredweight (cwt) and Class IV futures average \$24.21 per cwt from February to April 2022. ❖

## 2021 Fluid Milk Sales in California

Fluid milk sales in California posted another year-over-year decline in 2021. Disposition of fluid milk products – deliveries of packaged Class I products to retail, institutional, or wholesale outlets – in Federal Order (FO) 51 declined by 4.6 percent on a daily average basis from 2020. Although total fluid milk sales continued to decline in 2021, some products posted

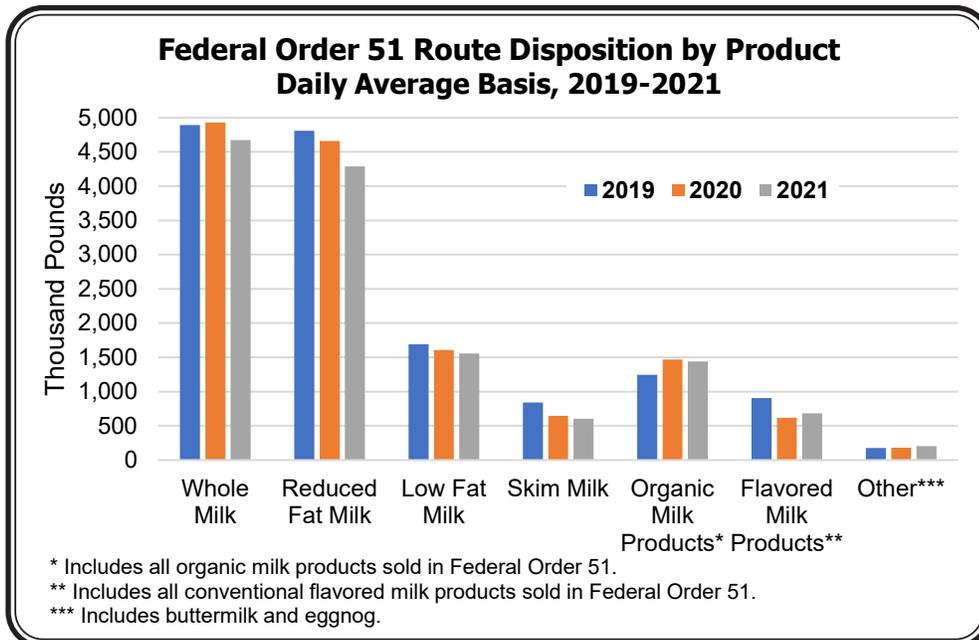
gains over the prior year.

### Product Trends

The figure on page 3 depicts route disposition in FO 51 by product for 2019, 2020, and 2021 on a daily average basis. In 2021, most categories of fluid (continued on page 3)

## 2021 Fluid Milk Sales in California *(continued from page 2)*

milk sales decreased from the previous year. Reduced fat milk observed the largest decline from 2020, decreasing 8 percent on a daily average basis. Other major conventional milk categories declined as well, including whole milk (5.1 percent), low fat milk (3.2 percent), and skim milk (6.5 percent). Additionally, organic milk products disposed into FO 51—including regular and flavored organic milks—dipped 1.9 percent from 2020 on a daily average basis. Although organic milk sales declined from 2020 to 2021, they sit well above 2019 levels by 15.7 percent.



Not all products demonstrated declining sales from 2020 to 2021, as two product categories moved upwards for the year. Flavored milk products improved 11 percent from 2020 on a daily average basis, yet its 2021 sales were substantially below pre-pandemic levels by 24.8 percent. The other fluid products category, which includes buttermilk and eggnog, also saw improvement from the previous year, rising 13.2 percent. These data show that despite declines in Class I sales overall, product-specific trends continue to exhibit mixed movements. ❖

## January Pool Price Calculation *(continued from page 1)*

price increased by 54 cents per cwt to \$21.81. All other class prices rose by more than \$2.00 per cwt from December. The Class II price gained \$2.99 per cwt to \$22.83, and the Class III price increased \$2.02 per cwt to \$20.38. Lastly, the Class IV price jumped \$3.21 per cwt to \$23.09. This month's Class II and IV prices were the highest recorded under the CFMO and the highest Federal Order prices since the third quarter of 2014. ❖

### Pool Statistics for All Federal Orders, January 2022

Federal Order Number	Federal Order Name	Statistical Uniform Price*	Producer Price Differential*	Total Producer Milk	Utilization			
					Class I	Class II	Class III	Class IV
		\$/cwt		million lbs	%			
1	Northeast	22.74	2.36	2,210.7	31.4	22.7	28.1	17.8
5	Appalachian	23.72	N/A	464.9	71.6	11.8	8.1	8.6
6	Florida	25.49	N/A	224.6	82.6	14.2	2.0	1.3
7	Southeast	24.17	N/A	342.8	77.3	9.8	9.1	3.9
30	Upper Midwest	20.59	0.21	2,494.6	8.5	1.4	89.0	1.1
32	Central	21.09	0.71	1,255.0	30.2	7.5	49.6	12.7
33	Midwest	21.34	0.96	1,542.0	36.0	10.4	45.2	8.4
<b>51</b>	<b>California</b>	<b>21.25</b>	<b>0.87</b>	<b>1,832.4</b>	<b>22.1</b>	<b>5.3</b>	<b>68.9</b>	<b>3.8</b>
124	Pacific Northwest	21.49	1.11	716.7	19.6	5.5	44.8	30.1
126	Southwest	21.63	1.25	1,134.2	30.4	5.0	63.3	1.3
131	Arizona	22.44	N/A	433.7	27.3	13.2	24.4	35.0
All Federal Orders**		21.71	1.07	12,651.7	28.7	9.2	52.5	9.6

\*Price at principal location differential in each Order at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

\*\*Weighted averages or total for all Federal Orders.

N/A = Not applicable



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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 Butterfat	394,765,844	\$14.31	\$56,490,992.28	
Less: Location Adjustment to Handlers	9,411,878	2.2870	21,524,964.99	
			(810,813.07)	\$77,205,144.19
Class II— Butterfat	9,926,683	2.9637	29,419,710.42	
Nonfat Solids	8,164,470	1.4344	11,711,115.75	41,130,826.17
Class III— Butterfat	46,442,224	2.9567	137,315,723.69	
Protein	42,941,264	2.3563	101,182,500.38	
Other Solids	73,024,352	0.5249	38,330,482.37	276,828,706.44
Class IV— Butterfat	10,592,280	2.9567	31,318,194.29	
Nonfat Solids	5,519,226	1.4662	8,092,289.15	39,410,483.44
<b>Total Classified Value</b>				<b>\$434,575,160.24</b>
Add: Overage—All Classes				41,754.24
Inventory Reclassification—All Classes				283,458.43
Other Source Receipts	61,811			2,416.81
<b>Total Pool Value</b>				<b>\$434,902,789.72</b>
Less: Value of Producer Butterfat	76,373,065	2.9567	(225,812,241.31)	
Value of Producer Protein	61,405,230	2.3563	(144,689,143.45)	
Value of Producer Other Solids	105,406,267	0.5249	(55,327,749.56)	(425,829,134.32)
<b>Total PPD Value Before Adjustments</b>				<b>\$9,073,655.40</b>
Add: Location Adjustment to Producers				6,897,564.27
One-half Unobligated Balance—Producer Settlement Fund				809,568.52
Less: Producer Settlement Fund—Reserve				(838,106.42)
<b>Total Pool Milk &amp; PPD Value</b>	1,832,492,164			<b>\$15,942,681.77</b>
Producer Price Differential		<b>\$0.87</b>		
Statistical Uniform Price		<b>\$21.25</b>		

Total value of milk in the pool → \$434,575,160.24

Total Class III value of producer components → \$9,073,655.40

Value from which PPD per hundredweight is calculated

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