



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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October Pool Price Calculation

The October 2020 Statistical Uniform Price (SUP) for the California Marketing Area was announced at \$13.88 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 producer pooled milk (3.88 percent butterfat, 3.22 percent protein, and 5.75 percent other solids), the October SUP would be \$15.64 per cwt. Notably, while the announced SUP fell 59 cents from September to October, the SUP at pool average tests increased 8 cents due to the seasonal jump in component tests in October.

The Producer Price Differential (PPD) for October 2020 was -\$7.73 per cwt at Los Angeles County, which is a \$5.77 drop from the previous month. As explained in past issues of the *Bulletin*, factors behind a negative PPD may include commodity prices rising rapidly during the time period between the Class I and Class III price announcements, relative class utilizations in a given month, and locations of pooled milk. The Covid-19 pandemic has resulted in a roller coaster ride for dairy markets, especially evident in the cheese and Class III prices. The jump in the Class III price from September to October reflects the cheese market upswing seen in October. On the other hand, the Class I price fell from September to October, as it is calculated with data from September when prices were lower. Much of the higher priced Class III milk was left off the pool—less than one percent of October's milk pool was Class III. A Class III price significantly above the Class I price and SUP thus yielded a large negative PPD at all differential zones in the California Marketing Area.

Product Prices Effect

All monthly average product prices in the National Dairy Product Sales Report (NDPSR) increased from the previous month's prices. The butter price rose nearly 4 cents per pound from September to (Pool Price Calculation continued on page 2)

Pool Summary

- A total of 812 producers were pooled with an average daily delivery per producer of 71,853 pounds, a decrease of 1.9 percent from September.
- Pooled milk receipts totaled 1.809 billion pounds, a decrease of 2.6 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 24.2 percent of total pooled milk receipts, up 1.4 percentage point from September.
- The average butterfat test of producer receipts was 3.88 percent.
- The average true protein test of producer receipts was 3.22 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	24.2	438,289,588
Class II	7.1	127,752,184
Class III	0.8	13,633,459
Class IV	68.0	1,229,018,770
Total Pooled Milk		1,808,694,001

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	5.0146	3.1700
Butterfat Price	1.6388	2.4031
Other Solids Price	0.1534	0.1447

Class Price Factors

	2020	2019
	\$/cwt	
Class I	17.30	19.94
Class II	13.63	16.68
Class III	21.61	18.72
Class IV	13.47	16.39

October. Continuing its wild ride, the cheese price jumped about 52 cents per pound from last month. The nonfat dry milk price rose just over 6 cents per pound, which was the largest month-to-month increase for the nonfat dry milk price since the inception of the CFMO. Lastly, the dry whey price rose slightly by nearly 3 cents per pound.

October's component prices all increased from the previous month's prices. The protein price saw the biggest jump, \$1.62 per pound, from September to October. The butterfat price rose nearly a nickel per pound. The price for other solids increased about 3 cents per pound. The nonfat solids price rose more than 6 cents per pound.

All class prices, except the Class I price, rose from September to October. The Class III price saw the greatest jump--\$5.18 per cwt -- from the previous month. The Class II and IV prices saw more modest increases from September to October of 47 cents per cwt and 72 cents per cwt, respectively. After rising from June to August, the Class I price continued its decline that began last month, declining \$3.24 per cwt from September to October. ❖

Dairy Margin Coverage Program Enrollment for 2021

Markets are experiencing extraordinary volatility and uncertainty due to the Covid-19 pandemic. In dairy markets specifically, this wild ride is reflected in everything from commodity and class prices to feed costs. One tool dairy farmers can use to manage this risk is the USDA's Dairy Margin Coverage Program (DMC).

USDA is now enrolling dairy farmers for the 2021 year. The enrollment period runs through December 11, 2020. To determine the appropriate level of coverage for a specific dairy operation, producers can utilize the recently updated online dairy decision tool. More information can be found at www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index or producers can contact their local USDA Service Center. To locate the nearest FSA office, visit www.farmers.gov/service-center-locator. All visitors should call ahead and schedule an appointment; certain guidelines apply.

The Dairy Margin Coverage (DMC) program is a voluntary risk management program for dairy producers. DMC continues to offer protection to dairy producers when the difference between the all milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer. DMC

payments triggered for 7 months in 2019 and 4 months so far in 2020 (March, April, May, and September).

The program provides:

- Catastrophic coverage, at no cost to the producer, other than an annual \$100 administrative fee that is waived in some cases.
- Various levels of buy-up coverage.

To participate in DMC, dairy producers:

- Select a coverage level ranging from \$4.00 to \$9.50 per cwt, in \$0.50 increments.
- Select a coverage percentage of the dairy operation's production history ranging from 5 percent to 95 percent, in 5 percent increments.
- Producers have the choice to lock in coverage levels until 2023 and receive a 25 percent discount on their DMC premiums.

In addition to DMC, USDA offers a variety of programs that have helped dairy producers including insurance, disaster assistance, and conservation programs. Most recently, the Coronavirus Food Assistance Program 1 provided \$1.75 billion in direct relief

to dairy producers who faced price declines and additional marketing costs due to COVID-19 in early 2020. Signup is now underway for the Coronavirus Food Assistance Program 2, which provides another round of assistance for eligible producers. ❖

Dairy Margin Coverage (DMC) Program Information*		
California		
	2020	2021**
Enrolled Operations	653	255
Dairy Operations with Established Production History	1,419	1,300
Average Payment per Operation***	\$27,012.75	TBD

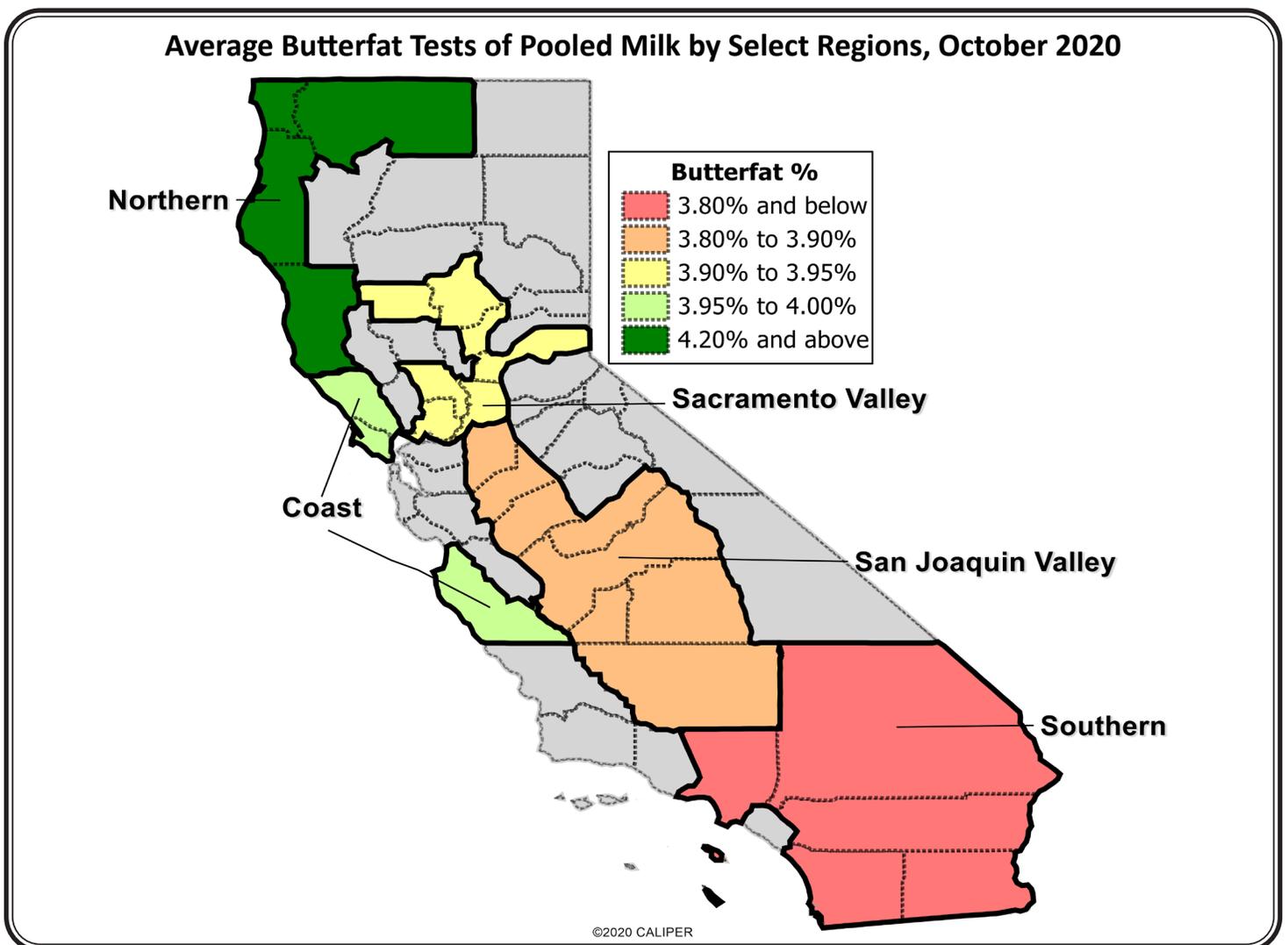
*According to USDA Farm Service Agency.
 **Current enrollment levels as of November 16th, 2020.
 ***Payments are dependent on production history and selected coverage percentage and level.

Producer Component Tests: A Reflection of California's Diversity

Average tests of pooled producer components in October were 3.88 percent butterfat, 3.22 percent protein, and 5.75 percent other solids. These percentages represent the weighted average level of components present in the California Federal Marketing Order (CFMO) monthly pool. Due to California's size and differing climate types, average component tests from a state-wide perspective don't always capture the variation of component tests across the state in a given month.

The accompanying figure highlights the regional differentiation in October's pooled producer tests throughout California by grouping counties into five separate regions: Northern¹, Coast², Sacramento Valley³, San Joaquin Valley⁴, and Southern⁵. Average butterfat tests presented represent weighted averages in each of the five regions and do not necessarily reflect the butterfat test in any specific county.

The respective figure demonstrates that average component tests on a regional level can differ from what is announced in the CFMO *Statistical Uniform Price Announcement* in any given month. In October, the spread between the regions with the highest (Northern: 4.27 percent) and lowest (Southern: 3.78 percent) average butterfat tests was nearly half a percent. Since the San Joaquin Valley is home to the majority of California's dairy farmers, the average butterfat test of all pooled milk in the CFMO most closely aligns with the average butterfat test of the San Joaquin Valley; this strong correlation was especially evident in October as both the San Joaquin Valley and all pooled milk butterfat averages came in at 3.88 percent. ❖



1 Northern includes Del Norte, Humboldt, Mendocino, and Siskiyou.

2 Coast includes Marin, Monterey, and Sonoma.

3 Sacramento Valley includes Butte, Glenn, Placer, Sacramento, Solano, Yolo, and Yuba.

4 San Joaquin Valley includes Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare.

5 Southern includes Imperial, Los Angeles, Riverside, San Bernardino, and San Diego.



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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	427,706,520	\$12.07	\$51,624,176.96	
Butterfat	10,583,068	1.6143	17,084,246.67	
Less: Location Adjustment to Handlers			(871,034.74)	\$67,837,388.90
Class II— Butterfat	14,281,475	1.6458	23,504,451.56	
Nonfat Solids	10,557,091	0.9056	9,560,501.61	33,064,953.17
Class III— Butterfat	1,948,481	1.6388	3,193,170.66	
Protein	396,085	5.0146	1,986,207.86	
Other Solids	698,598	0.1534	107,164.94	5,286,543.46
Class IV— Butterfat	43,361,315	1.6388	71,060,523.03	
Nonfat Solids	110,679,549	0.8902	98,526,934.51	169,587,457.54
Total Classified Value			<i>Total value of milk in the pool</i> →	\$275,776,343.07
Add: Overage—All Classes				144,107.52
Inventory Reclassification—All Classes				92,088.04
Other Source Receipts	0			0.00
Total Pool Value				\$276,012,538.63
Less: Value of Producer Butterfat	70,174,339	1.6388	(115,001,706.74)	
Value of Producer Protein	58,194,851	5.0146	(291,823,899.81)	
Value of Producer Other Solids	103,923,493	0.1534	(15,941,863.84)	(422,767,470.39)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i> ↗	(\$146,754,931.76)
Add: Location Adjustment to Producers				6,904,490.56
One-half Unobligated Balance—Producer Settlement Fund				766,407.57
Less: Producer Settlement Fund—Reserve				(728,012.72)
Total Pool Milk & PPD Value	1,808,694,001			(\$139,812,046.35)
Producer Price Differential		\$(7.73)	<i>Value from which PPD per hundredweight is calculated</i> ↖	
Statistical Uniform Price		\$13.88		

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