



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Peter Fredericks, Market Administrator

October 2023

Federal Order No. 51

To contact the California Marketing Area office:

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

Mailing Address: 181 Blue Ravine Rd Suite 120 Folsom, CA 95630

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

October Pool Price Calculation

The October 2023 Statistical Uniform Price (SUP) for the California Marketing Area decreased \$0.60 per hundredweight (cwt) from last month to \$18.60 per cwt for milk delivered to plants located in Los Angeles County, California, the pricing point for the California Federal Marketing Order. The SUP is announced at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. When reported at the average tests of pooled milk (4.19 percent butterfat, 3.39 percent protein, and 5.74 percent other solids), the October SUP was \$21.59 per cwt, \$0.29 below September. The October Producer Price Differential (PPD) at Los Angeles County was \$1.76 per cwt, an increase of 95 cents from last month.

Product Prices Effect

Monthly average product prices in the National Dairy Product Sales Report observed mixed trends from September to October. The Cheese price fell approximately 20 cents per pound from last month. In contrast, the remaining product prices increased month to month. The nonfat dry milk price and dry whey price increased roughly 4 cents and 2 cents per pound, respectively. The butter price increased by the largest magnitude roughly 49 cents per pound, from September to October.

The component prices exhibited similar movements as well. The protein price fell approximately \$1.26 per pound from last month. On the other hand, the nonfat solids price and the other solids price increased roughly 4 cents per pound and 3 cents per pound, respectively. The butterfat price increased by the largest magnitude around 59 cents per pound from September to October.

Three of the four class prices observed increases from last month. The Class I price rose by 57 cents per cwt to \$21.57. The Class II price gained \$1.97 per cwt to \$21.95. The Class III price declined by \$1.55 per cwt to \$16.84. Lastly, the Class IV price increased by the largest magnitude around \$2.40 per cwt to \$21.49 per cwt. ❖

Pool Summary

- A total of 932 producers were pooled with an average daily delivery per producer of 69,928 pounds, a decrease of 9.5 percent from September.
- Pooled milk receipts totaled 2.02 billion pounds, a decrease of 13.13 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 20 percent of total pooled milk receipts, up 2.8 percentage points from September.
- The average butterfat test of producer receipts was 4.19 percent.
- The average true protein test of producer receipts was 3.39 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	20.0	404,861,413
Class II	5.6	113,263,749
Class III	71.9	1,451,655,412
Class IV	2.5	50,585,357
Total Pooled Milk		2,020,365,931

Producer Component Prices

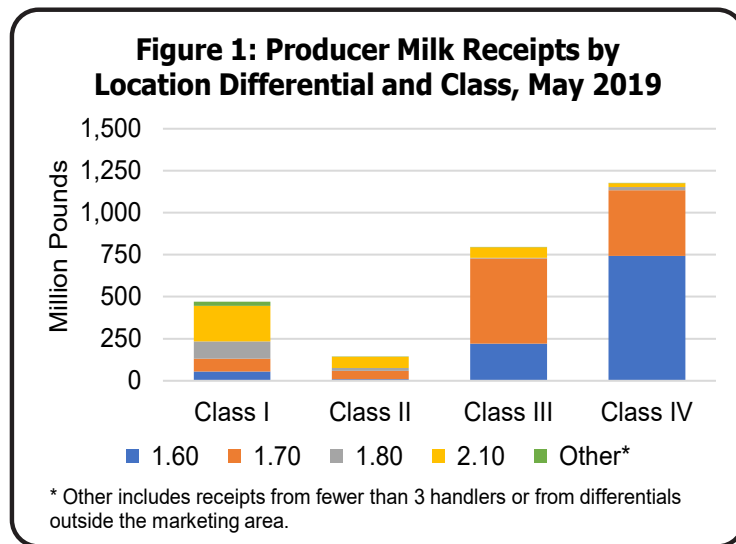
	2023	2022
	\$/lb	
Protein Price	1.0468	2.4512
Butterfat Price	3.7144	3.6567
Other Solids Price	0.1243	0.2952

Class Price Factors

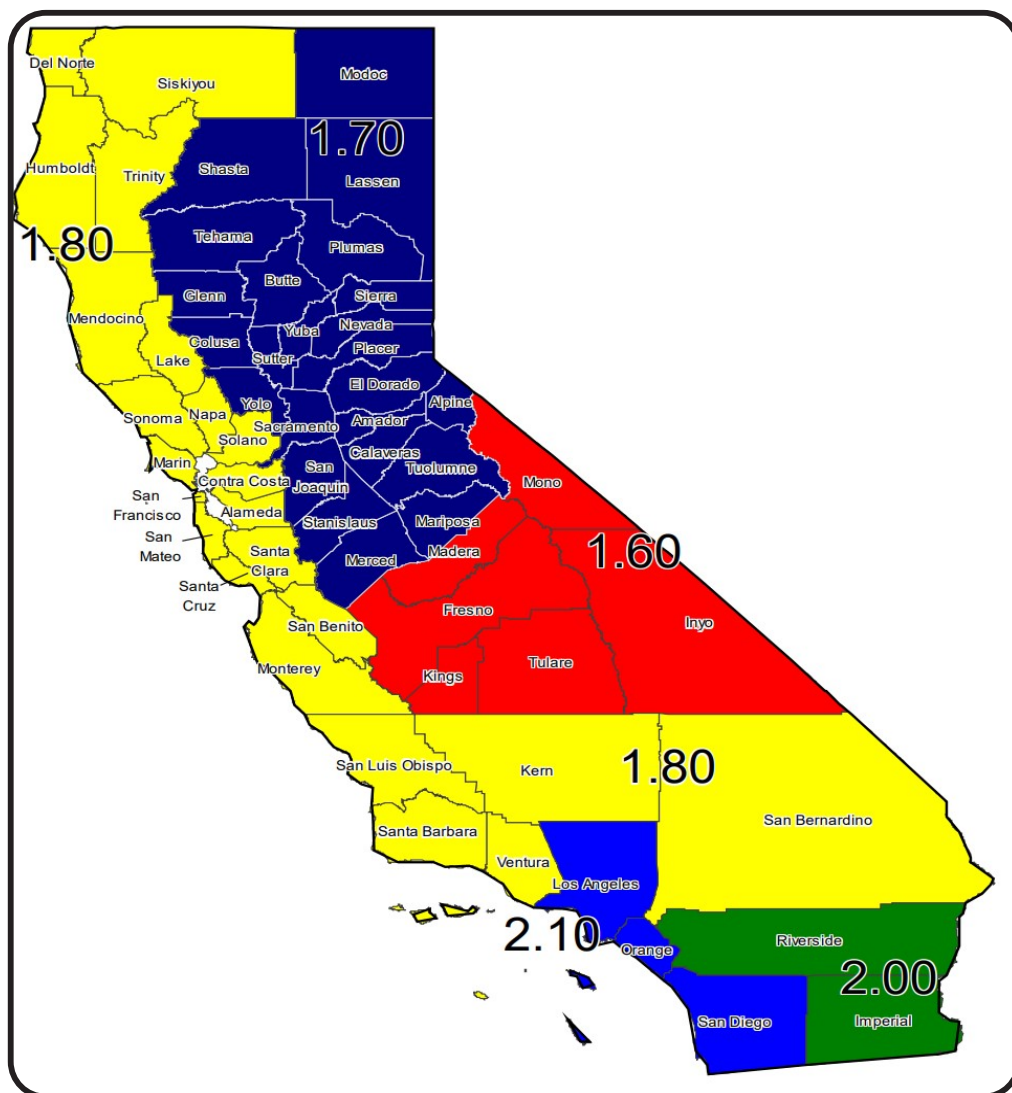
	2023	2022
	\$/cwt	
Class I	21.57	24.81
Class II	21.95	25.73
Class III	16.84	21.81
Class IV	21.49	24.96

Milk Received by Differential Zone

Under Federal Milk Marketing Order pricing, a producer's minimum price varies based on the location of the plant at which the raw milk is received. This value is termed a location differential. The goal of location differentials is to incentivize milk movements towards areas lacking production necessary to meet the local milk demand. As such, areas with low milk production but high milk demand have high differentials, while those with high milk production and low milk demand have lower differentials. The accompanying map shows the location differentials in California. Maps of the location differentials across the United States can be found at: www.cafmmo.com/publications/marketing-area-maps.



To examine milk delivered to plants located in different geographic areas over time, Figures 1 and 2 depict producer milk receipts by location differential and class for May 2019 and May 2023. As shown in the figures, the pool compositions during these two months were relatively different; price relationships incentivized handlers of both Classes III and IV to pool in May 2019, while Class III handlers had a much stronger economic incentive to pool than Class IV handlers in May 2023. Despite varying class utilizations for the two periods, some common trends emerged. First off, most of the milk delivered to Class III and IV plants came from lower differential zones, like \$1.60 and \$1.70. As shown in the map above, most of the Central Valley of California is covered by the \$1.60 and \$1.70 zones. Secondly, the \$2.10 zone – the Los Angeles area – holds the largest share of producer milk receipts delivered to Class I plants.



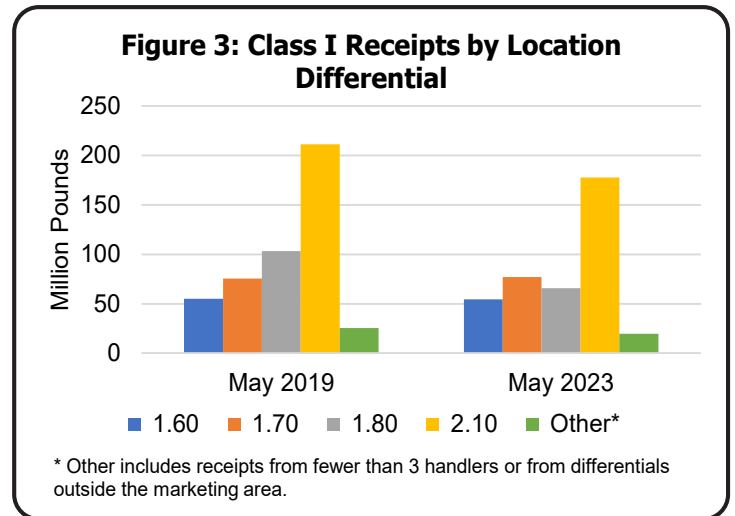
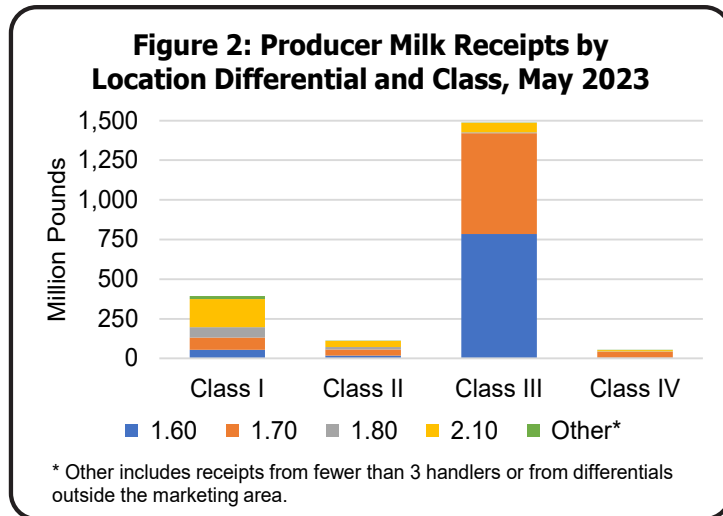
most of the Central Valley of California is covered by the \$1.60 and \$1.70 zones. Secondly, the \$2.10 zone – the Los Angeles area – holds the largest share of producer milk receipts delivered to Class I plants.

Figure 3 portrays Class I receipts for May 2019 and May 2023 by location differential. Since almost all Class I milk is required to be pooled, trends over this period reflect changes to the supply and demand of Class I milk rather than pooling incentives. While it's evident that the total volume of Class I milk declined from May 2019 to May 2023, the share coming from

(continued on page 3)

Milk Received by Differential Zone *(continued from page 2)*

the different location differentials changed slightly. The share of Class I milk at the \$2.10 zone remained at 45 percent between May 2019 and May 2023. The \$1.80 zone was the only zone to lose its share over this period, declining from 22 percent to 17 percent. This drop in the \$1.80 zone represents a 36.3 percent drop in total volume delivered to the area from May 2019 to May 2023. Lastly, the \$1.60 and \$1.70 zones rose from 12 to 14 percent and 16 to 19 percent, respectively. The \$1.70 zone was the only zone to rise in Class I milk deliveries over the period, gaining 2.0 percent from May 2019 to May 2023. ❖



National Federal Milk Marketing Order Hearing Update

The hearing on Proposed Rulemaking to Amend all Federal Milk Marketing Orders that commenced August 23, 2023, in Carmel, IN, recessed on October 11, 2023. It will reconvene on November 27, 2023, at 1:00 p.m. at the same location, the 502 Event Center in Carmel, IN. If the hearing is not completed by December 1, it will reconvene at the Palomino Ballroom in Zionsville, IN. With the exception of Monday, November 27, the hearing will be held from 8:00 a.m. until 5:00 p.m. each weekday. A notice reiterating this information and outlining hearing procedures for the reconvened weeks will be published in the Federal Register. Additional information can be found at USDA's Agricultural Marketing Service hearing link: www.ams.usda.gov/rules-regulations/moa/dairy/hearings/national-fmmo-pricing-hearing. ❖

Pool Statistics for All Federal Orders, October 2023

Federal Order Number	Federal Order Name	Statistical Uniform Price* \$/cwt	Producer Price Differential* \$/cwt	Total Producer Milk million lbs	Utilization			
					Class I	Class II	Class III	Class IV
					%			
1	Northeast	21.20	4.36	2,255.1	30.1	26.6	30.5	12.8
5	Appalachian***	23.05	N/A	452.8	71.7	14.8	8.0	5.5
6	Florida***	24.99	N/A	216.0	81.5	14.9	2.0	1.5
7	Southeast***	23.64	N/A	295.5	77.0	14.8	6.3	1.9
30	Upper Midwest	17.28	0.44	2,661.7	6.3	0.9	92.4	0.4
32	Central	19.03	2.19	1,272.2	29.7	6.7	53.2	10.4
33	Midwest	19.66	2.82	1,499.8	39.6	11.6	45.4	3.4
51	California	18.60	1.76	2,020.4	20.0	5.6	71.9	2.5
124	Pacific Northwest	19.25	2.41	609.8	22.5	5.0	51.6	20.9
126	Southwest	19.52	2.68	1,084.2	30.2	7.2	62.0	0.5
131	Arizona***	20.56	N/A	429.8	27.1	16.6	30.4	25.9
All Federal Orders**		19.51	2.28	12,797.1	27.6	10.3	55.7	6.3

*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.

***These orders are not price on components but on Skim and Butterfat

N/A = Not applicable



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*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	395,213,095	\$11.22	\$44,342,909.26	
Butterfat	9,648,318	3.0687	29,607,793.45	
Less: Location Adjustment to Handlers			(822,845.57)	\$73,127,857.14
Class II— Butterfat	15,707,030	3.7214	58,452,141.43	
Nonfat Solids	9,233,292	1.0278	9,489,977.54	67,942,118.97
Class III— Butterfat	52,597,694	3.7144	195,368,874.59	
Protein	49,823,473	1.0468	52,155,211.52	
Other Solids	83,843,358	0.1243	10,421,729.43	257,945,815.54
Class IV— Butterfat	6,723,273	3.7144	24,972,925.24	
Nonfat Solids	4,172,236	0.9781	4,080,864.03	29,053,789.27
Total Classified Value				\$428,069,580.92
Add: Overage—All Classes				11,207.90
Inventory Reclassification—All Classes				373,862.78
Other Source Receipts	70,414			5,097.97
Total Pool Value				\$428,459,749.57
Less: Value of Producer Butterfat	84,676,315	3.7144	(314,521,704.43)	
Value of Producer Protein	68,411,593	1.0468	(71,613,255.53)	
Value of Producer Other Solids	115,973,128	0.1243	(14,415,459.82)	(400,550,419.78)
Total PPD Value Before Adjustments				\$27,909,329.79
Add: Location Adjustment to Producers				7,707,070.92
One-half Unobligated Balance—Producer Settlement Fund				927,505.30
Less: Producer Settlement Fund—Reserve				(984,226.27)
Total Pool Milk & PPD Value	2,020,436,345			\$35,559,679.74
Producer Price Differential		\$1.76		
Statistical Uniform Price		\$18.60		

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