



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Cary Hunter, Interim Market Administrator

December 2020

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

December Pool Price Calculation

The December 2020 Statistical Uniform Price (SUP) for the California Marketing Area was announced at \$14.94 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 (4.03 percent butterfat, 3.31 percent protein, and 5.74 percent other solids), the December SUP would be \$16.73 per cwt, which is higher than that of November by 39 cents. December's Producer Price Differential (PPD) at Los Angeles County was -\$0.78 per cwt, an \$8.77 increase from November's PPD of -\$9.55 per cwt.

Product Prices Effect

Monthly average product prices in the National Dairy Product Sales Report (NDPSR) experienced movements in both directions from November to December. The cheese price experienced the largest decline, falling by about 81 cents per pound. The dry whey price continued upward, gaining more than 3 cents per pound, while the nonfat dry milk price increased by more than one cent per pound from November to December. After falling close to 7 cents per pound in November, the butter price continued to decline, losing about one cent from the previous month.

Component price movements from November to December were mixed as well. After a near-record high in November, the protein price declined nearly \$2.60 per pound to settle at just above \$3.00 in December. The butterfat price fell by less than two cents per pound in December. The nonfat solids price increased by roughly one cent per pound, and the other solids price gained about 3.5 cents per pound from November's values.

All class prices, except for Class III, increased from November to December. Notably, the Class I price jumped \$1.83 per cwt, while the Class III price fell by \$7.62 per cwt. The Class II price increased 15 cents per cwt, and the Class IV price increased 6 cents per cwt but remained the lowest-priced class. ❖

Pool Summary

- A total of 838 producers were pooled with an average daily delivery per producer of 77,037 pounds, an increase of 4.7 percent from November.
- Pooled milk receipts totaled 2.001 billion pounds, an increase of 5.1 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 21.9 percent of total pooled milk receipts, down 1.2 percentage points from November.
- The average butterfat test of producer receipts was 4.03 percent.
- The average true protein test of producer receipts was 3.31 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	21.9	438,202,821
Class II	6.5	130,206,152
Class III	0.8	16,132,384
Class IV	70.8	1,416,728,732
Total Pooled Milk		2,001,270,089

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	3.0282	3.6515
Butterfat Price	1.5399	2.1952
Other Solids Price	0.2245	0.1341

Class Price Factors

	2020	2019
	\$/cwt	
Class I	21.97	21.43
Class II	14.01	16.81
Class III	15.72	19.37
Class IV	13.36	16.70

2020 Under the California Federal Marketing Order

Class Utilization

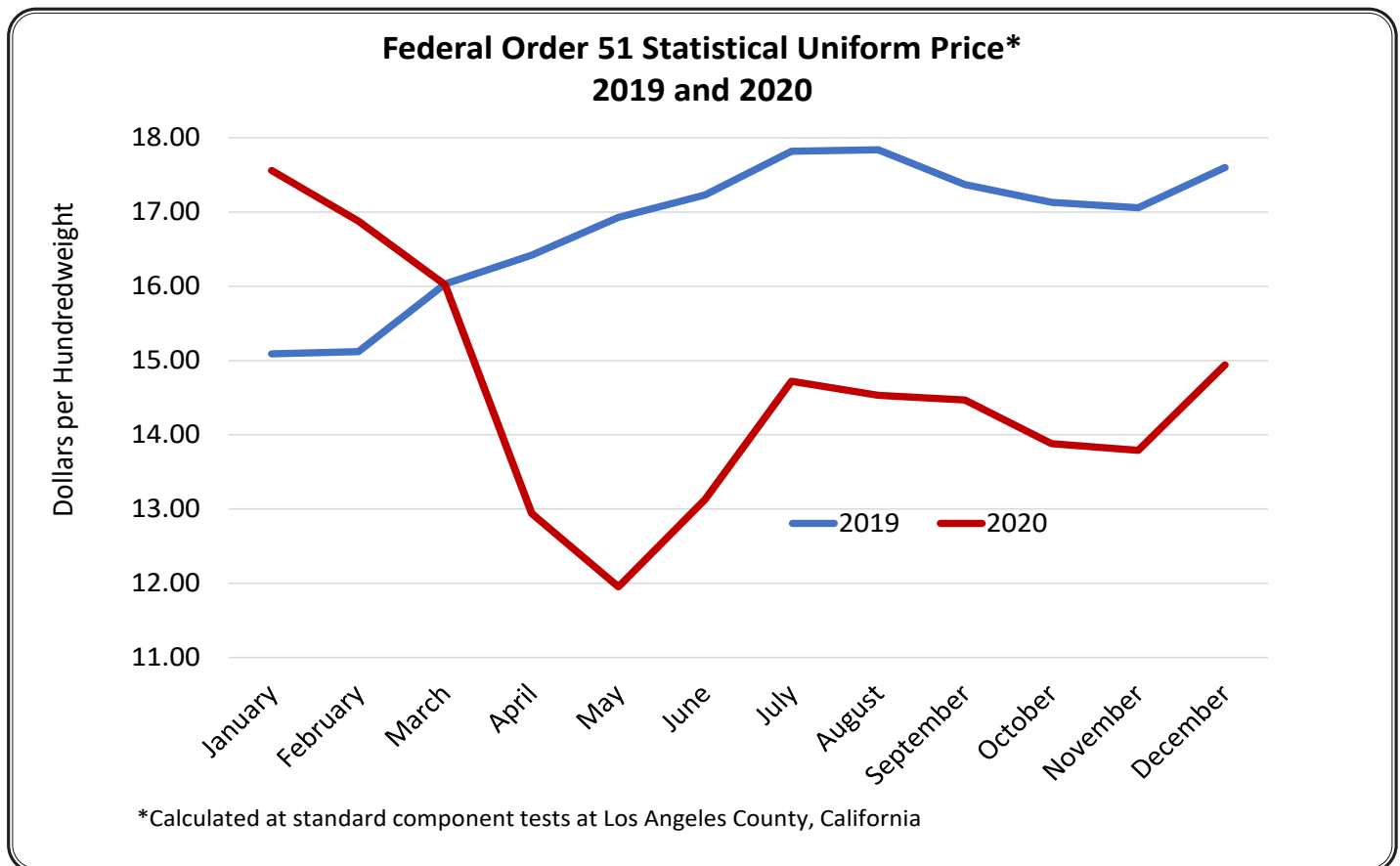
Class utilizations on the California Federal Marketing Order (CFMO) pool were mixed in 2020. Class I utilization was mostly stable near twenty percent of the pool, ranging from 12.9 million pounds in August 2020 to 15.5 million pounds in March 2020, on a daily average basis. Class I utilization in 2020 totaled just under 5.12 billion pounds – a decrease of 3.8 percent from 2019. Class II utilization was more variable than that of Class I and briefly dipped below 90 million pounds in April 2020 – a first under the CFMO. Class III utilization was less than three percent of the pool for every month of 2020 except January, which was still well below 2019 levels. Class IV utilization, on the other hand, never dipped below 1.1 billion pounds over the course of the year; in fact, every month of 2020 posted year-over-year increases in Class IV utilization as compared to 2019.

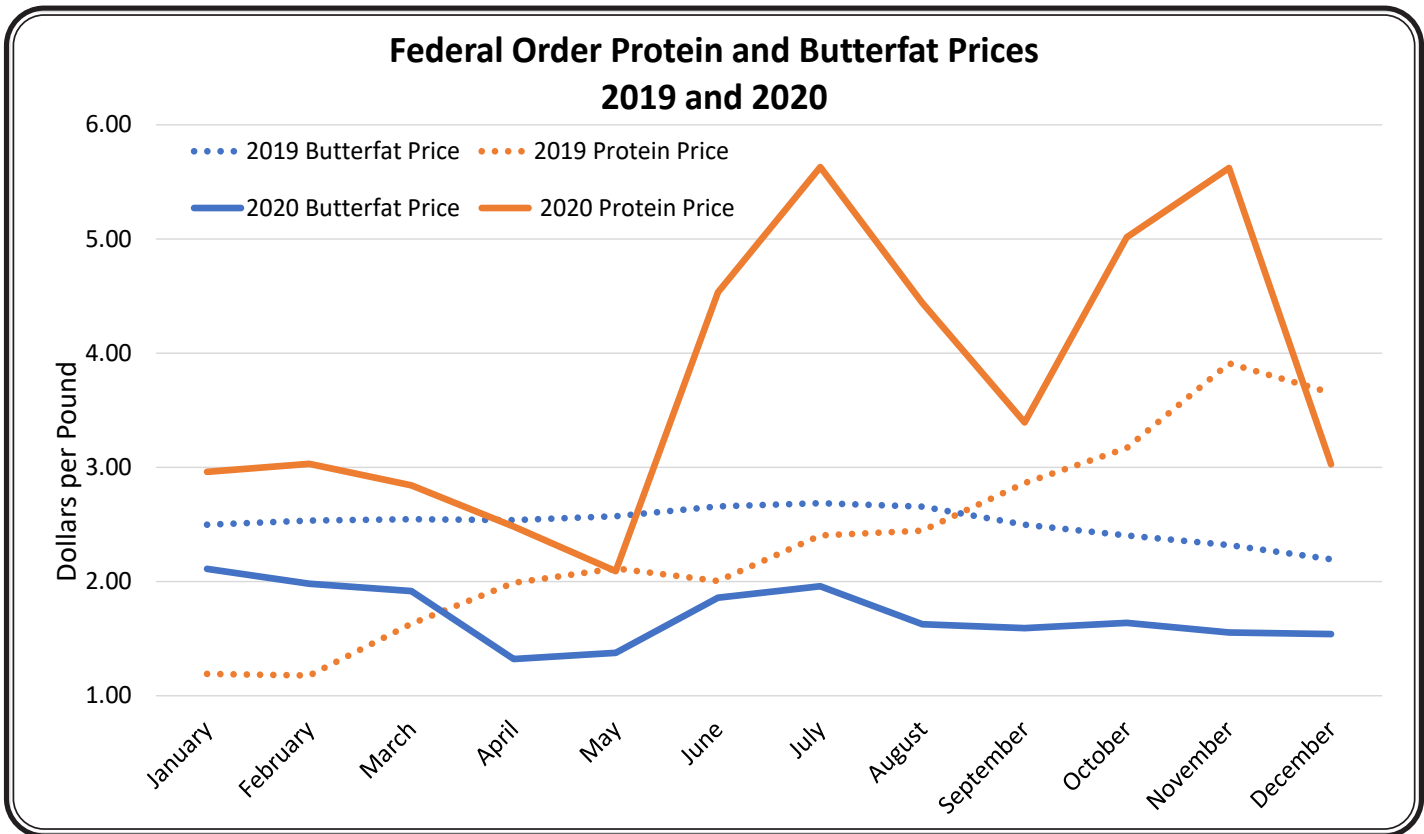
Volatility in the Statistical Uniform Price

2020 was an unprecedented year for dairy markets. After starting out strong, markets were blindsided by Covid-19 and shutdowns of key dairy demand channels. These factors weighed heavily on prices. The CFMO Statistical Uniform Price (SUP) was no

exception. The accompanying figure shows the CFMO SUP for 2019 and 2020. The SUP was well above year-over-year levels in January 2020, but by April the economic impacts of the coronavirus were realized, and the SUP posted a more than \$3.00 per hundredweight (cwt) decrease from March. The SUP bottomed out at \$11.95 per cwt in May 2020 and gradually recovered, though not without setbacks, to close the year at \$14.94 per cwt.

In the first quarter of 2020, the CFMO weighted average SUP was \$16.85 per cwt – roughly \$1.40 per cwt above that of 2019. The second quarter of 2020 saw the weighted average SUP plummet to \$12.66 per cwt, more than \$4.00 below that of 2019. The third quarter of 2020 saw an increase of almost \$2.00 in the weighted average SUP from Q2 2020 to \$14.58 but remained more than \$3.00 per cwt less than Q3 of 2019. The weighted average SUP declined again in Q4 of 2020, but December's SUP of \$14.94 per cwt marks the highest SUP since March. These sharp changes in the SUP are reflective of the large degree of uncertainty and fluctuation in dairy markets in 2020. As discussed in the November Bulletin, the SUP is expected to gradually recover moving into Q1 and Q2 of 2021.





Cheese, Protein Prices Soar

2020 saw record high cheese prices, including July’s price of \$2.5873 per pound – the highest price since Federal Order Reform in 2000. In Federal Order price formulas, these cheese values are captured by the protein price. As a result, 2020 also saw a record high protein price in July 2020 of \$5.6294 per pound. The accompanying figure shows the 2019 and 2020 prices for the two components in producer milk most impactful to their milk checks: protein and butterfat. In 2019, the butterfat price exceeded the protein price from January until September. Since September 2019, the protein price has exceeded the butterfat price for every month to date. The spread between the two reached its highest level in November 2020, when the protein price was more than \$4.00 above the butterfat price. The largest spread in 2019, by comparison, was just under \$1.60 per pound. This change in component value represents a notable shift in the makeup of payments to California dairy farmers: in 2020 seventy-five percent of CFMO dairy farmers’ gross payment¹ came from the protein in their milk, while protein’s share of the total gross payment in 2019 was forty-one percent.

¹ Gross payment includes value of protein, butterfat, and other solids in producer milk, as well as the Producer Price Differential at Los Angeles County, California.

Depooling

A phenomenon that is directly related to the high protein prices in 2020 was the low Class III utilization on the FO 51 pool. High protein prices led to strong Class III prices that climbed high above those of other classes. In fact, the Class III price rose above all other class prices in four months of 2020: June, July, October, and November. This atypical price relationship provided some handlers incentive to withhold their Class III milk, within certain limitations, from the CFMO pool; Class III milk represented just 2.93 percent of all milk pooled on the CFMO in 2020. ❖

USDA Announces Contracts for Round 5 of the Farmers to Families Food Box Program

On January 19, 2021, USDA announced its approval of contracts for the fifth round of the Farmers to Families Food Box Program. This round includes an additional \$1.5 billion worth of food for nationwide distribution. In total, USDA has distributed more than 132 million food boxes to those affected by the pandemic. More information on the program is available at <https://www.ams.usda.gov/selling-food-to-usda/farmers-to-families-food-box>. ❖



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, audiotope, 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	427,168,821	\$16.98	\$72,533,265.81	
Butterfat	11,034,000	1.5966	17,616,884.40	
Less: Location Adjustment to Handlers			(893,609.98)	\$89,256,540.23
Class II— Butterfat	13,130,140	1.5469	20,311,013.59	
Nonfat Solids	11,023,002	0.9900	10,912,771.98	31,223,785.57
Class III— Butterfat	1,879,213	1.5399	2,893,800.08	
Protein	491,139	3.0282	1,487,267.12	
Other Solids	852,258	0.2245	191,331.94	4,572,399.14
Class IV— Butterfat	54,611,637	1.5399	84,096,459.79	
Nonfat Solids	128,414,405	0.9180	117,884,423.77	201,980,883.56
Total Classified Value			<i>Total value of milk in the pool</i>	\$327,033,608.50
Add: Overage—All Classes				2,145.11
Inventory Reclassification—All Classes				106,091.01
Other Source Receipts	54,597			3,423.23
Total Pool Value				\$327,145,267.85
Less: Value of Producer Butterfat	80,654,990	1.5399	(124,200,619.12)	
Value of Producer Protein	66,198,332	3.0282	(200,461,788.96)	
Value of Producer Other Solids	114,839,585	0.2245	(25,781,486.83)	(350,443,894.91)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	(23,298,627.06)
Add: Location Adjustment to Producers				7,830,274.26
One-half Unobligated Balance—Producer Settlement Fund				765,808.90
Less: Producer Settlement Fund—Reserve				(907,788.67)
Total Pool Milk & PPD Value	2,001,324,686			(15,610,332.57)
Producer Price Differential		\$(0.78)	<i>Value from which PPD per hundredweight is calculated</i>	
Statistical Uniform Price		\$14.94		

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