



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

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## June Pool Price Calculation

The June 2023 Statistical Uniform Price (SUP) for the California Marketing Area decreased \$1.24 per hundredweight (cwt) from last month to \$16.42 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 (4.01 percent butterfat, 3.28 percent protein, and 5.76 percent other solids), the June SUP was \$18.27 per cwt, \$1.44 below May. The June Producer Price Differential (PPD) at Los Angeles County was \$1.51 per cwt, a decline of 4 cents from last month.

### Product Prices Effect

Monthly average product prices in the National Dairy Product Sales Report observed mixed movements from May to June. The cheese price declined by the largest magnitude, dropping almost 9 cents per pound from last month. The dry whey price decreased nearly 6 cents per pound. In contrast, the nonfat dry milk and butter prices increased from May to June. The nonfat dry milk price gained roughly 2 cents per pound, and the butter price rose less than half a cent per pound from May.

Mixed movements in the product prices translated to similar trends in the component prices. The protein price dropped by the greatest amount of nearly 29 cents per pound from May. The other solids price declined roughly 6 cents per pound. Meanwhile, the butterfat price rose slightly by less than half a cent per pound from last month, and the nonfat solids price increased about 2 cents per pound.

Most class prices declined from May to June. The Class I price decreased \$1.56 per cwt to \$20.11. The Class II price fell 28 cents per cwt to \$18.83, and the Class III price dropped \$1.20 per cwt to \$14.91. Lastly, the Class IV price was the only class price to increase from May to June, rising 16 cents per cwt to \$18.26. ❖

## Pool Summary

- A total of 961 producers were pooled with an average daily delivery per producer of 68,703 pounds, a decrease of 2.9 percent from May.
- Pooled milk receipts totaled 1.981 billion pounds, an increase of 0.04 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 18.3 percent of total pooled milk receipts, down 1 percentage point from May.
- The average butterfat test of producer receipts was 4.01 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	18.3	362,961,290
Class II	5.2	103,292,689
Class III	74.1	1,468,202,543
Class IV	2.3	46,245,943
Total Pooled Milk		1,980,702,465

### Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.5144	3.4173
Butterfat Price	2.7605	3.3323
Other Solids Price	0.1266	0.4295

### Class Price Factors

	2023	2022
	\$/cwt	
Class I	20.11	27.97
Class II	18.83	26.65
Class III	14.91	24.33
Class IV	18.26	25.83

# Federal Milk Marketing Order Amendment Process

Over the last three months, USDA received 38 proposals from 12 organizations to amend provisions of all eleven Federal Milk Marketing Orders. Based on the information submitted, USDA is considering initiation of a rulemaking proceeding that would include a public hearing to collect evidence regarding the proposed changes. It can take roughly four months for a hearing to be completed from the submission of a proposal and up to nine months after a hearing is held for a final decision to be reached. The amendment process generally follows these twelve steps:

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## 1. USDA Receives a Proposal

USDA may deny the proposal, request more information from proponents, or issue an “Action Plan” no later than 30 days after receiving the proposal. On June 1, 2023, USDA issued and published the Action Plan to the Agricultural Marketing Service (AMS) website. In addition, USDA has the ability and may decide to hold a pre-hearing session to allow proponents to present their proposals to a USDA panel. A pre-hearing session was held on June 16, 2023, and modified proposals were due on June 20, 2023.

## 2. USDA Issues a Notice of Hearing

If the Secretary wishes to proceed with the rulemaking process, a Notice of Hearing, detailing the date, time, and location, is published to the Federal Register ([www.federalregister.gov](http://www.federalregister.gov)). The Action Plan noted that a hearing, if initiated, could tentatively begin on August 23, 2023. When a notice is published, USDA employees enter *Ex Parte* where they cannot discuss the merits of the proposals with interested parties.

## 3. Proponents Request USDA Data

Proposal proponents may submit data requests from USDA by no later than 10 days before the beginning of the hearing.

## 4. Witnesses Submit Testimony in Advance

Hearing participants must make copies of their testimony or exhibits and submit them to USDA officials before the beginning of their expected day of testimony. Individual dairy farmers are not subject to this requirement.

## 5. USDA Holds a Public Hearing

The Secretary appoints a presiding official to oversee a public hearing and conduct it according to the rules of practice for formal rulemaking.

## 6. USDA Makes the Hearing Record Available

The hearing record is made available within two weeks of the completion of the hearing.

## 7. Parties File Corrections to Transcript

Interested parties may file suggested corrections to the record by a predetermined date, not to exceed 30 days after the hearing record is published.

## 8. Participants File Post-Hearing Briefs

Interested parties may submit additional proposed findings, conclusions, and written arguments by a predetermined date, not to exceed 60 days after the completion of the hearing.

## 9. USDA Issues a Recommended Decision

USDA issues a recommended decision, published to the Federal Register, no later than 90 days after the submission deadline for post-hearing briefs.

## 10. Parties File Comments and Exceptions to Recommended Decision

Interested parties may file comments and exceptions to the recommended decision with the USDA Hearing Clerk or online no later than 60 days after the recommended decision is published in the Federal Register, unless otherwise specified.

## 11. USDA Issues a Final Decision

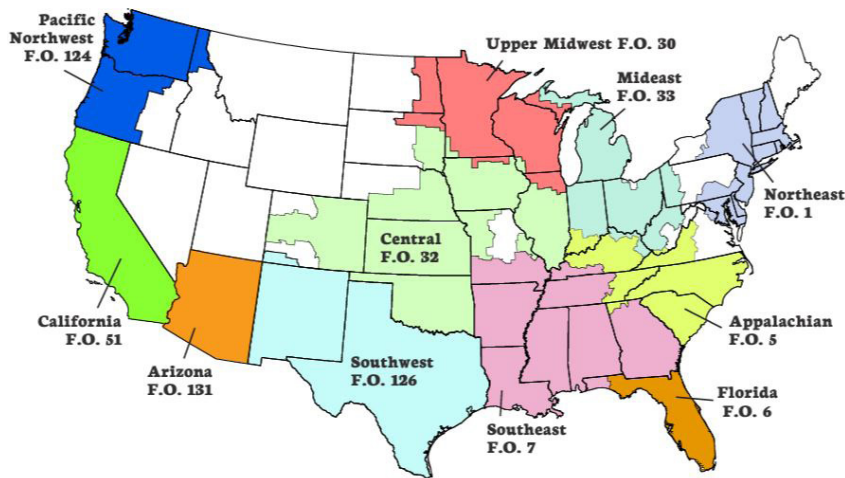
USDA issues a final decision, published to the Federal Register, no later than 60 days after the deadline for comments to the recommended decision.

## 12. USDA Holds a Referendum and Implements the Amendments

After the final decision is published, USDA holds a referendum process for producers to approve or reject their Federal Order as amended. If rejected, the Federal Order is terminated. If approved, the amendments to the Federal Order are published in the Federal Register as a final rule, which contains the official date when the amendments become effective.

*(continued on page 3)*

# Federal Milk Marketing Order Amendment Process *(continued from page 2)*



As more information becomes available on this topic, it will be published to the AMS-Dairy Program website. Submitted proposals and USDA's action plan can be found at: [www.ams.usda.gov/rules-regulations/moa/dairy/petitions](http://www.ams.usda.gov/rules-regulations/moa/dairy/petitions). In addition, more details on the Federal Order amendment process can be found at: [www.ams.usda.gov/rules-regulations/moa/dairy](http://www.ams.usda.gov/rules-regulations/moa/dairy). ❖



## Butter Sustains Class IV Milk Prices

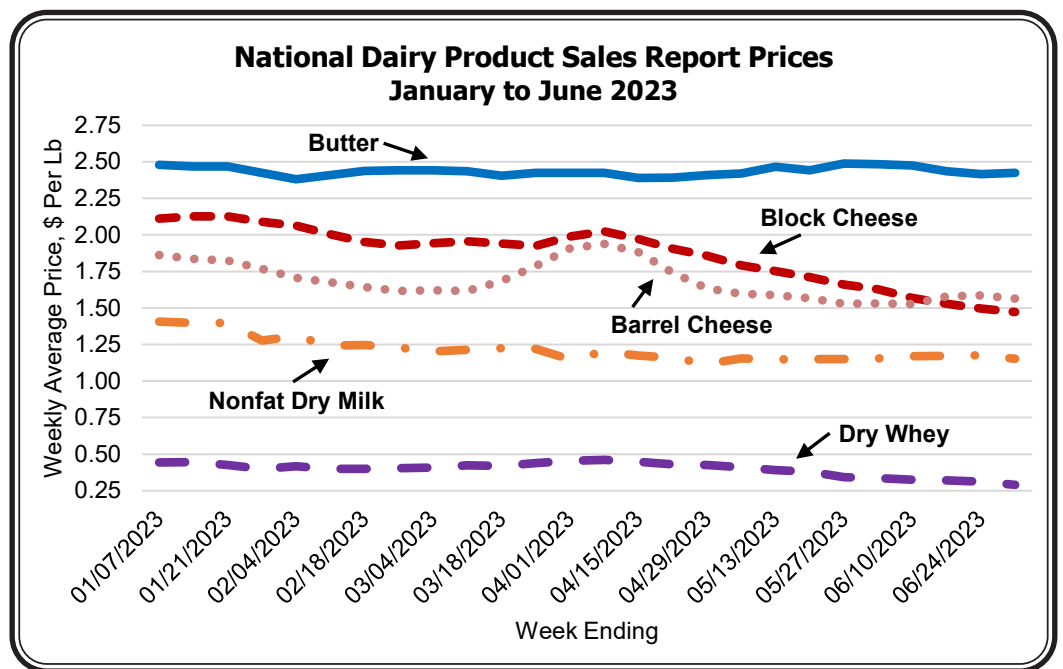
The June 2023 Class III price was \$14.91 per hundredweight (cwt), marking the lowest Class III price since May 2020. While the Class III price lost \$4.52 per cwt since January, the Class IV price declined by a smaller margin; from January to June, the Class IV price decreased \$1.75 per cwt to \$18.26.

Cheese and dry whey prices contribute directly to the Class III price formula, while butter and nonfat dry milk prices contribute to the Class IV price formula. While all product prices declined since the beginning of the year, the magnitudes of those declines were mixed. From January to June, the butter price lost just 0.4 percent of its value, a decrease of just under 1 cent per pound. Meanwhile, the other product prices lost nearly 15 percent or more of their respective values. The cheese price decreased by the largest magnitude, losing just over 40 cents per pound since January. The nonfat dry milk and dry whey prices declined just under 20 cents and just over 10 cents per pound, respectively.

The figure at right portrays the National Dairy Product Sales Report's January through June weekly average product prices. The figure shows that the prices of block and barrel cheese, dry whey, and nonfat dry milk

declined by much larger amounts than butter over the period. Notably, block and barrel cheese exhibited a rapid decline since early April. Butter, however, was able to maintain its price over the last six months, leading to greater stability in the Class IV price.

Chicago Mercantile Exchange futures, as of July 14, 2023, average \$14.94 per cwt for Class III over the next three months and \$18.17 per cwt for Class IV – a difference of \$3.23 between the Classes. CME futures suggest that most product prices may lower in the third quarter of 2023 before improving in the fourth quarter. But, if the butter price continues to maintain its stability, it may keep Class IV prices from dropping significantly over the next three months. ❖





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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	353,902,281	\$10.82	\$38,292,226.80	
Less: Location Adjustment to Handlers	9,059,009	2.7622	25,022,794.66	
			(746,520.03)	\$62,568,501.43
Class II— Butterfat	12,814,328	2.7675	35,463,652.79	
Nonfat Solids	8,451,553	1.0533	8,902,020.79	44,365,673.58
Class III— Butterfat	51,942,167	2.7605	143,386,352.02	
Protein	48,779,159	1.5144	73,871,158.39	
Other Solids	85,025,650	0.1266	10,764,247.31	228,021,757.72
Class IV— Butterfat	5,535,697	2.7605	15,281,291.57	
Nonfat Solids	3,829,222	0.9896	3,789,398.11	19,070,689.68
<b>Total Classified Value</b>				<b>\$354,026,622.41</b>
Add: Overage—All Classes				77,454.46
Inventory Reclassification—All Classes				(34,050.92)
Other Source Receipts	62,537			3,364.49
<b>Total Pool Value</b>				<b>\$354,073,390.44</b>
Less: Value of Producer Butterfat	79,351,201	2.7605	(219,048,990.39)	
Value of Producer Protein	65,014,581	1.5144	(98,458,081.46)	
Value of Producer Other Solids	114,079,384	0.1266	(14,442,450.00)	(331,949,521.85)
<b>Total PPD Value Before Adjustments</b>				<b>\$22,123,868.59</b>
Add: Location Adjustment to Producers				7,579,207.23
One-half Unobligated Balance—Producer Settlement Fund				1,005,554.72
Less: Producer Settlement Fund—Reserve				(799,079.03)
<b>Total Pool Milk &amp; PPD Value</b>	1,980,765,002			<b>\$29,909,551.51</b>
Producer Price Differential		<b>\$1.51</b>		
Statistical Uniform Price		<b>\$16.42</b>		

Total value of milk in the pool → \$354,026,622.41

Total Class III value of producer components → \$22,123,868.59

Value from which PPD per hundredweight is calculated

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