



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

Peter Fredericks, Market Administrator

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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)

## September Pool Price Calculation

The September 2023 Statistical Uniform Price (SUP) for the California Marketing Area increased \$1.24 per hundredweight (cwt) from last month to \$19.20 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 (4.10 percent butterfat, 3.34 percent protein, and 5.74 percent other solids), the September SUP was \$21.88 per cwt, \$1.82 above August. The September Producer Price Differential (PPD) at Los Angeles County was 81 cents per cwt, an increase of 4 cents from last month.

### Product Prices Effect

Monthly average product prices in the National Dairy Product Sales Report observed mixed trends from August to September. The nonfat dry milk price fell approximately 2 cents per pound from last month. In contrast, the remaining product prices increased month to month. The butter price and cheese price increased roughly 9 cents and 10 cents per pound, respectively. Dry whey price increased by 3 cents per pound, from August to September.

The component prices exhibited mixed movements as well. The nonfat solids price fell approximately 2 cents per pound from last month. On the other hand, the butterfat price and the other solids price increased roughly 10 cents per pound and 3 cents per pound, respectively. The protein price increased by the largest magnitude around 22 cents per pound from August to September.

All four class prices observed increases from last month. The Class I price rose by the largest magnitude by \$2.28 per cwt to \$21.00. The Class II price rose 7 cents per cwt to \$19.98. The Class III price increased by \$1.20 per cwt to \$18.39. Lastly, the Class IV price gained 18 cents per cwt to \$19.09 per cwt. ❖

## Pool Summary

- A total of 971 producers were pooled with an average daily delivery per producer of 77,264 pounds, an increase of 7.5 percent from July.
- Pooled milk receipts totaled 2.251 billion pounds, an increase of 10.71 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 17.2 percent of total pooled milk receipts, down 2 percentage points from August.
- The average butterfat test of producer receipts was 4.10 percent.
- The average true protein test of producer receipts was 3.34 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	17.2	386,914,064
Class II	4.9	110,395,510
Class III	65.6	1,477,432,256
Class IV	12.3	275,950,097
Total Pooled Milk		2,250,691,927

### Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	2.3027	1.8847
Butterfat Price	3.1264	3.5653
Other Solids Price	0.0992	0.2998

### Class Price Factors

	2023	2022
	\$/cwt	
Class I	21.00	25.72
Class II	19.98	26.51
Class III	18.39	19.82
Class IV	19.09	24.63

## National Fluid Milk Sales

The USDA-Agricultural Marketing Service-Dairy Program collects data on packaged fluid milk sales from the eleven Federal Milk Marketing Orders and publishes the results in its monthly *Estimated Fluid Milk Products Sales Report*. Sales within Federal Milk Marketing Areas account for approximately 92 percent (based on population density) of total fluid milk sales in the United States and thus are representative of the consumption of fluid milk products in these areas. An estimate of total U.S. fluid milk sales is derived by extrapolating the remaining 8 percent of sales from the Federal Order data.

According to data from the report, packaged milk distributed to institutional, retail, and wholesale outlets in the United States decreased 2.0 percent for the first half of 2023 compared to the first half of 2022. Table 1 depicts the estimated total U.S. sales of packaged fluid milk products for January through June of 2022 and 2023. Whole milk continued to account for the largest share of packaged milk sales, representing nearly 35 percent of product sales during both periods. During the first half of 2023, whole milk rose 1.2 percent year-over-year. Despite growth in the largest sales category, most sales of individual products declined. Sales of flavored milk and fat free milk dropped 7.3 percent each. In addition, low fat milk decreased 5.2 percent, and reduced fat milk lost 2.9 percent.

August's *Bulletin* displayed similar statistics but only for packaged milk distributed in California. To measure California against the rest of the United States, Table 2 portrays California's share of the estimated U.S. packaged milk sales for conventional and organic milk products. The table utilizes data from January to June of 2019 and January to June of 2023 to evaluate changes over a five-year period. As shown in Table 2, 11.2 percent of packaged milk in the U.S. during the first half of 2023 was delivered to the California marketing area, a decline of just 0.3 percentage points from five years earlier. California's share of conventional product sales decreased 0.6 percentage points over the period. Interestingly, sales of organic milk products distributed in California compared to the rest of the U.S. increased 1.9 percentage points from the first half of 2019 to that of 2023, potentially signaling stronger demand for these products in California than elsewhere. ❖

**Table 1: Estimated Total U.S. Packaged Fluid Milk Sales  
January through June, 2022 and 2023**

Product	Jan-Jun 2022	Jan-Jun 2023	Percent Change
	million pounds		%
Whole Milk	7,298	7,382	1.2%
Reduced Fat Milk (2%)	6,324	6,142	-2.9%
Low Fat Milk (1%)	2,379	2,256	-5.2%
Fat Free Milk	1,165	1,080	-7.3%
Organic Milk Products <sup>1</sup>	1,442	1,413	-2.0%
Flavored Milk Products <sup>2</sup>	2,170	2,011	-7.3%
Other <sup>3</sup>	845	902	6.7%
<b>Total<sup>4</sup></b>	<b>21,623</b>	<b>21,187</b>	<b>-2.0%</b>

<sup>1</sup> Includes all organic milk products sold in Federal Milk Marketing Areas.  
<sup>2</sup> Includes all conventional flavored milk products sold in Federal Milk Marketing Areas.  
<sup>3</sup> Includes buttermilk, eggnog, and some lactose-free products.  
<sup>4</sup> Totals may not add due to rounding.

Source: USDA-AMS-Dairy Program

**Table 2: California Share of U.S. Packaged Fluid Milk Sales  
January through June, 2019 and 2023**

Product	Jan-Jun 2019	Jan-Jun 2023	Difference
	%		%
Conventional Products	11.2%	10.6%	-0.6%
Organic Products	17.1%	19.1%	1.9%
<b>Total<sup>4</sup></b>	<b>11.5%</b>	<b>11.2%</b>	<b>-0.3%</b>

Source: USDA-AMS-Dairy Program

## Feed Prices and Dairy Margin Coverage Payments

According to data from the USDA National Agricultural Statistics Service (NASS), the average prices for commodities used as dairy feeds continue to remain above levels observed three years ago. In its Agricultural Prices report, NASS reported that the

August 2023 corn price averaged \$5.73 per bushel, and the soybean price averaged \$14.10 per bushel. Compared to August 2020, the corn and soybean prices are up nearly 49 percent and 72 percent, re-

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# Feed Prices and Dairy Margin Coverage Payments *(continued from page 2)*

spectively. Alfalfa hay was also significantly higher in August 2023 compared to three years earlier; premium quality alfalfa hay averaged \$282 per ton in August 2023, up nearly 47 percent from the same month of 2020.

Figure 1 portrays the rise in feed prices – including corn, soybeans, and premium alfalfa hay – over the last five years. Feed prices began increasing dramatically in late 2020, reaching their peaks over this period in 2022. Although 2023 prices for corn, soybeans, and alfalfa hay are below the high levels reached in 2022, they remain elevated compared to historical standards.

Feed, as the largest expense on dairy farms, has a strong impact on dairy producers' margins. As such, the Dairy Margin Coverage (DMC) program provides government payments to producers when margins are tight. DMC is a voluntary program administered by the USDA Farm Service Agency (FSA) that provides risk management coverage to dairy producers when the margin between the all-milk price<sup>1</sup> and the average feed cost<sup>2</sup> falls below a certain level selected by participants.

1 The all-milk price used in the DMC margin calculation is estimated by the USDA NASS for the top 24 milk-producing states

2 The average feed cost is calculated by the USDA FSA using NASS feed prices from the Agricultural Prices report

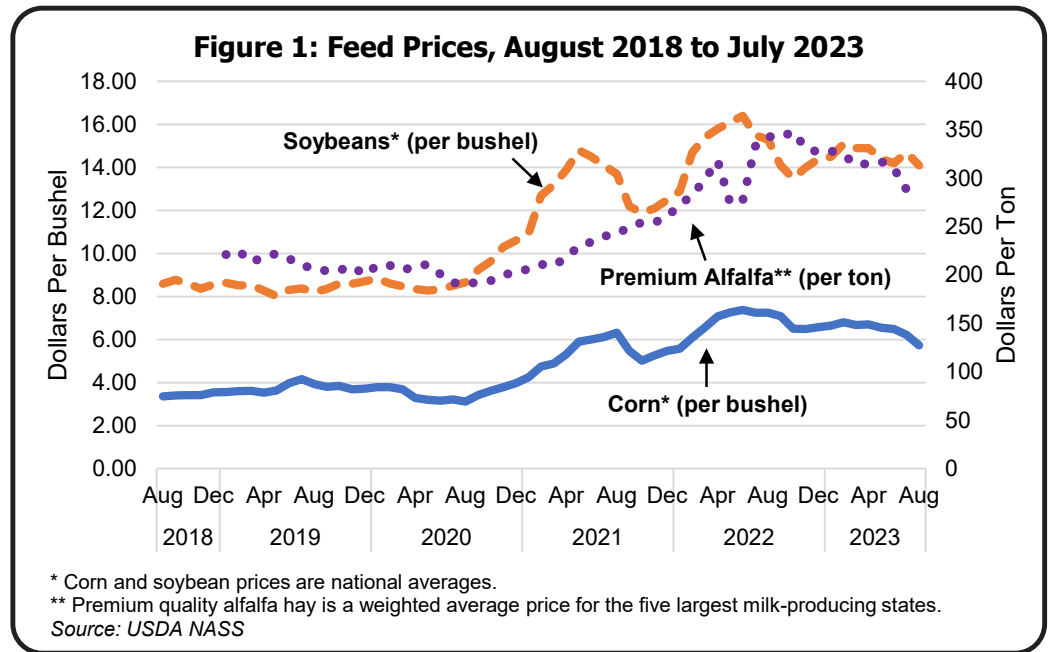
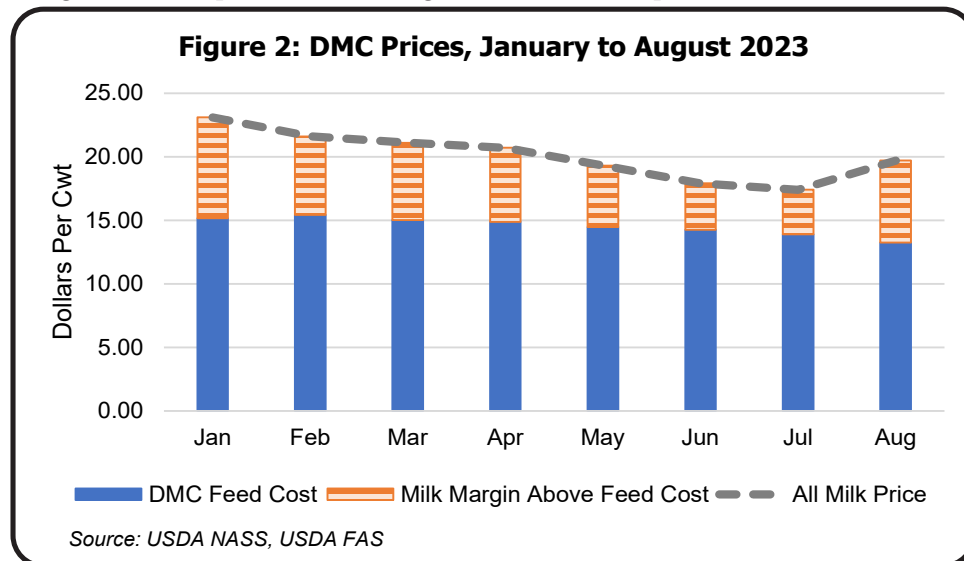


Figure 2 displays DMC prices thus far in 2023. As shown in the figure, the all-milk price declined substantially since the beginning of the year, while feed prices decreased at a much slower rate. From January to August, the all-milk price dropped \$3.40 per hundredweight (cwt), while the feed cost used by DMC decreased only \$1.92 per cwt. Producers enrolled at a coverage level of \$8.00 per hundredweight (cwt) or higher have received payments under DMC for every month of 2023 thus far. In July 2023, the margin calculated under DMC shrunk to its lowest level since the inception of the program (\$3.52 per cwt).

In the October World Agricultural Supply and Demand Estimates report, USDA estimated the 2023/2024 season-average corn price at \$4.95 per bushel and the soybean price at \$12.90 per bushel. This would be a significant decline from the previous season's estimated prices of \$6.54 per bushel for corn and \$14.20 per bushel for soybeans and would be the lowest season-average prices in three years. With harvest for corn and soybeans just around the corner, USDA will have a greater idea of acreage and yield in the coming months. ❖





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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	377,783,193	\$10.74	\$40,573,914.93	
Butterfat	9,130,871	3.0380	27,739,586.10	
Less: Location Adjustment to Handlers			(806,438.36)	\$67,507,062.67
Class II— Butterfat	14,912,087	3.1334	46,725,533.41	
Nonfat Solids	8,974,064	1.0378	9,313,283.63	56,038,817.04
Class III— Butterfat	53,383,737	3.1264	166,898,915.35	
Protein	50,039,802	2.3027	115,226,652.09	
Other Solids	85,314,895	0.0992	8,463,237.57	290,588,805.01
Class IV— Butterfat	14,810,934	3.1264	46,304,904.03	
Nonfat Solids	24,644,755	0.9382	23,121,709.13	69,426,613.16
<b>Total Classified Value</b>			<i>Total value of milk in the pool</i> →	<b>\$483,561,297.88</b>
Add: Overage—All Classes				23,112.87
Inventory Reclassification—All Classes				104,963.34
Other Source Receipts	105,721			3,015.26
<b>Total Pool Value</b>				<b>\$483,692,389.35</b>
Less: Value of Producer Butterfat	92,237,629	3.1264	(288,371,723.26)	
Value of Producer Protein	75,152,026	2.3027	(173,052,570.29)	
Value of Producer Other Solids	129,262,019	0.0992	(12,822,792.27)	<b>(474,247,085.82)</b>
<b>Total PPD Value Before Adjustments</b>			<i>Total Class III value of producer components</i> ↗	<b>\$9,445,303.53</b>
Add: Location Adjustment to Producers				8,740,125.12
One-half Unobligated Balance—Producer Settlement Fund				950,020.86
Less: Producer Settlement Fund—Reserve				(903,988.53)
<b>Total Pool Milk &amp; PPD Value</b>	2,250,797,648			<b>\$18,231,460.98</b>
Producer Price Differential		<b>\$0.81</b>		
Statistical Uniform Price		<b>\$19.20</b>		

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