



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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Federal Order No. 51

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August Pool Price Calculation

The August 2023 Statistical Uniform Price (SUP) for the California Marketing Area increased \$2.43 per hundredweight (cwt) from last month to \$17.96 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, 3.26 percent protein, and 5.75 percent other solids), the August SUP was \$20.06 per cwt, \$2.81 above July. The August Producer Price Differential (PPD) at Los Angeles County was 77 cents per cwt, a decrease of 99 cents from last month.

Product Prices Effect

Monthly average product prices in the National Dairy Product Sales Report observed mixed trends from July to August. The butter price and cheese price increased roughly 18 cents and 35 cents per pound, respectively, from July to August. In contrast, the dry whey price declined less than half of a cent per pound, and the nonfat dry milk price fell approximately 1 cent per pound.

The component prices exhibited mixed movements as well. The butterfat price rose around 22 cents per pound, while the protein price increased by the largest magnitude of nearly 89 cents per pound from July to August. The other solids price decreased less than half of a cent per pound, and the nonfat solids price lost roughly 1 cent per pound from July.

Most class prices increased from July to August. The Class I price was the only class price to decline from July to August, dropping 70 cents per cwt to \$18.72. Alternatively, the Class II price rose 79 cents per cwt to \$19.91. The Class III price increased by the largest magnitude of \$3.42 per cwt to \$17.19. Lastly, the Class IV price gained 65 cents per cwt to \$18.91 per cwt.

Selected Statistics

The volume of Class III receipts on the Federal Order 51 pool was the highest ever under the Order, totaling over 1.53 billion pounds. Class III average daily delivery volume also set a record high in August reaching over 49.4 million pounds. ❖

Pool Summary

- A total of 943 producers were pooled with an average daily delivery per producer of 71,859 pounds, an increase of 4.3 percent from July.
- Pooled milk receipts totaled 2.101 billion pounds, an increase of 4.2 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 19.2 percent of total pooled milk receipts, down 1.9 percentage points from July.
- The average butterfat test of producer receipts was 4.01 percent.
- The average true protein test of producer receipts was 3.26 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	19.2	402,285,127
Class II	5.7	120,574,703
Class III	73.0	1,532,572,700
Class IV	2.2	45,210,963
Total Pooled Milk		2,100,643,493

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	2.0851	2.1417
Butterfat Price	3.0218	3.4001
Other Solids Price	0.0648	0.3146

Class Price Factors

	2023	2022
	\$/cwt	
Class I	18.72	27.23
Class II	19.91	26.91
Class III	17.19	20.10
Class IV	18.91	24.81

Fluid Milk Sales Continue Downward in First Half 2023

According to data collected by the California Federal Marketing Order, sales of packaged fluid milk products delivered to retail, institutional, or wholesale outlets in California declined 1.1 percent year-over-year during the first half of 2023. As shown in the table at right, most product categories decreased in sales during the first six months of 2023 compared to the first six months of 2022. Flavored milk products exhibited a double-digit decline of 10.2 percent over the period. While the decrease seems large, first half 2023 sales of flavored milk products were still up a substantial 42.8 percent over the same period two years ago. Fat free milk also observed a significant decline, down 7.0 percent from the first half of last year, followed by low fat milk at 3.7 percent. While most product categories declined, sales of organic milk products and whole milk grew over the period, rising 2.1 and 1.5 percent, respectively. Despite overall fluid milk sales decreasing again year-over-year, sales trends of individual products varied. ❖

Packaged Milk Distributed in the California Marketing Area January through June, 2022 and 2023			
Product	Jan-Jun 2022	Jan-Jun 2023	Percent Change
	million pounds		%
Whole Milk	842.7	855.7	1.5%
Reduced Fat Milk (2%)	721.8	710.8	-1.5%
Low Fat Milk (1%)	267.9	258.1	-3.7%
Fat Free Milk	107.9	100.4	-7.0%
Organic Milk Products*	264.0	269.5	2.1%
Flavored Milk Products**	158.8	142.5	-10.2%
Other***	28.8	28.3	-1.7%
Total	2,391.9	2,365.2	-1.1%

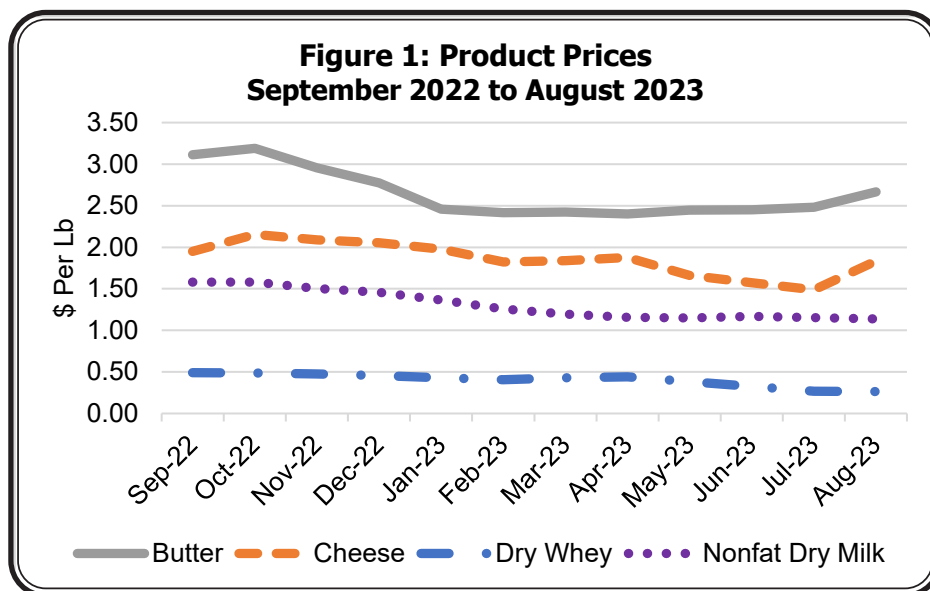
* Includes all organic milk products sold in the California Marketing Area.
 ** Includes all conventional flavored milk products sold in the California Marketing Area.
 *** Includes buttermilk and eggnog.

Milk Prices Improve

Since reaching record levels in 2022, Federal Order (FO) milk prices have declined in 2023. Recently, however, some dairy prices are showing improvement, especially after some strong gains in August. This article examines milk prices over the last year and evaluates some recent upward movements.

Product Prices

Prices surveyed by USDA in the *National Dairy Product Sales Report* (NDPSR) serve as inputs to FO price formulas, thus directly impacting FO prices. Figure 1 displays monthly average product prices from the NDPSR from September 2022 to August 2023. Prices generally trended downward over the last year, as the highest product prices were observed in September and October 2022. While dry whey and nonfat dry milk recorded their lowest values over the last twelve months in August 2023, butter and cheese observed significant growth from the prior month. From July to August, the butter and cheese prices rose roughly 18 cents and 35 cents per pound, respectively.



Class Prices

Figure 2 portrays class prices over the last year. While all class prices have come down from their 2022 highs, Class II, III, and IV prices have increased since their twelve-month lows, largely due to gains in butter and cheese prices. Most notably, the Class III price rose from \$13.77 per cwt in July to \$17.19 per cwt in August, an increase of \$3.42 over one month. Since the Class I price is announced in advance of the

(continued on page 3)

Milk Prices Improve *(continued from page 2)*

other class prices, Class I continued to decrease in August. But as butter and cheese prices improved since the announcement of the August Class I price, the September Class I price – which was already announced by the USDA – observed improvement from its low, as well.

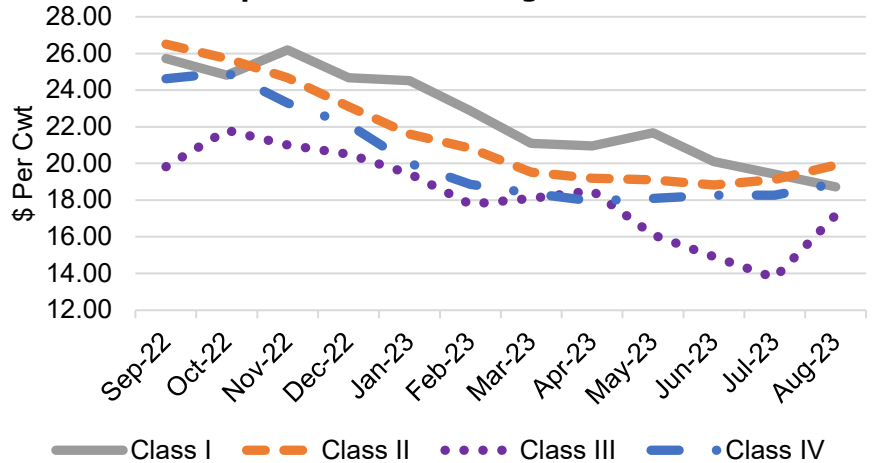
Statistical Uniform Price

Figure 3 depicts the FO 51 SUP at standard and pool average component tests from September 2022 to August 2023. As most dairy prices rose from July to August, the SUP at both standard and pool average component tests improved. After nine months of month-to-month declines in the FO 51 SUP at standard tests, the August SUP climbed \$2.43 per cwt from July.

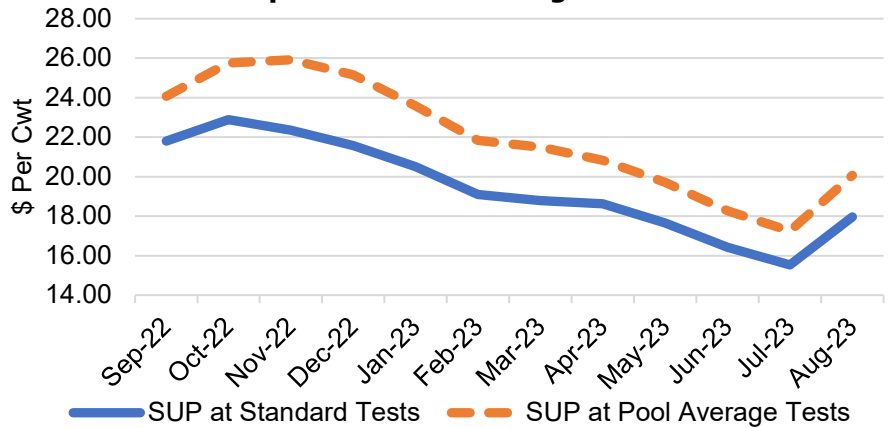
Chicago Mercantile Exchange futures, as of September 13, 2023, suggest that Class III and IV prices may further increase from August levels in the fourth quarter of 2023. Q4 2023 futures prices average \$18.31 per cwt for Class III and \$19.12 per cwt for Class IV. If these prices come to fruition, July would mark the lowest SUP of 2023. ❖



**Figure 2: Class Prices
September 2022 to August 2023**



**Figure 3: Federal Order 51 Statistical Uniform Prices*
September 2022 to August 2023**



* For milk delivered to plants located in Los Angeles County, California

Pool Statistics for All Federal Orders, August 2023

Federal Order Number	Federal Order Name	Statistical Uniform Price*	Producer Price Differential*	Total Producer Milk	Utilization			
					Class I	Class II	Class III	Class IV
		\$/cwt		million lbs	%			
1	Northeast	19.43	2.24	2,310.5	28.2	28.0	29.7	14.1
5	Appalachian	20.13	N/A	444.8	73.6	14.4	6.4	5.7
6	Florida	21.84	N/A	213.3	81.6	15.6	2.0	0.8
7	Southeast	20.67	N/A	271.5	86.2	10.0	3.2	0.6
30	Upper Midwest	17.35	0.16	2,796.8	5.7	1.1	92.9	0.3
32	Central	17.87	0.68	1,213.6	29.6	7.2	51.4	11.8
33	Midwest	18.07	0.88	1,394.5	38.3	8.8	49.9	3.0
51	California	17.96	0.77	2,100.6	19.2	5.7	73.0	2.2
124	Pacific Northwest	17.97	0.78	623.3	21.0	6.7	53.0	19.3
126	Southwest	18.52	1.33	1,123.7	29.3	5.5	64.9	0.3
131	Arizona	18.62	N/A	363.7	31.9	11.7	33.4	23.1
All Federal Orders**		18.36	0.97	12,856.3	26.6	9.9	57.2	6.2

*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.

N/A = Not applicable



RETURN SERVICE REQUESTED

FIRST CLASS MAIL

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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	392,581,875	\$9.32	\$36,588,630.75	
Butterfat	9,703,252	2.7776	26,951,752.76	
Less: Location Adjustment to Handlers			(836,721.37)	\$62,703,662.14
Class II— Butterfat	15,242,076	3.0288	46,165,199.77	
Nonfat Solids	9,825,888	1.0722	10,535,317.12	56,700,516.89
Class III— Butterfat	54,355,554	3.0218	164,251,613.08	
Protein	50,546,536	2.0851	105,394,582.22	
Other Solids	88,664,811	0.0648	5,745,479.75	275,391,675.05
Class IV— Butterfat	4,984,641	3.0218	15,062,588.15	
Nonfat Solids	3,761,697	0.9599	3,610,852.97	18,673,441.12
Total Classified Value			<i>Total value of milk in the pool</i> →	\$413,469,295.20
Add: Overage—All Classes				54,414.12
Inventory Reclassification—All Classes				185,575.85
Other Source Receipts	68,056			1,505.89
Total Pool Value				\$413,710,791.06
Less: Value of Producer Butterfat	84,285,523	3.0218	(254,693,993.40)	
Value of Producer Protein	68,478,274	2.0851	(142,784,049.15)	
Value of Producer Other Solids	120,860,329	0.0648	(7,831,749.32)	(405,309,791.87)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i> ↗	\$8,400,999.19
Add: Location Adjustment to Producers				7,959,374.84
One-half Unobligated Balance—Producer Settlement Fund				854,188.82
Less: Producer Settlement Fund—Reserve				(1,039,083.99)
Total Pool Milk & PPD Value	2,100,711,549			\$16,175,478.86
Producer Price Differential		\$0.77 ←		
Statistical Uniform Price		\$17.96		

Value from which PPD per hundredweight is calculated

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