



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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Federal Order No. 51

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March Pool Price Calculation

The March 2023 Statistical Uniform Price (SUP) for the California Marketing Area decreased 31 cents per hundredweight (cwt) from last month to \$18.79 per 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 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 (4.15 percent butterfat, 3.37 percent protein, and 5.76 percent other solids), the March SUP is \$21.50 per cwt, 33 cents below February. The March Producer Price Differential (PPD) at Los Angeles County is 69 cents per cwt, a decline of 63 cents from last month. For a second month straight, the CFMO pool reached a record volume of milk on a daily average basis.

Product Prices Effect

After four months of declines, most monthly average product prices in the National Dairy Product Sales Report improved from February. The butter price rose 1 cent per pound from last month. The cheese and dry whey prices increased roughly 2 cents per pound each. The nonfat dry milk price was the only product price to decrease from last month, declining just over 6 cents per pound.

In March, all component prices rose from February except for the nonfat solids price. The butterfat price rose roughly 1 cent per pound from the previous month. The protein price increased approximately 4 cents per pound, and the other solids price rose about 2 cents per pound. Alternatively, the nonfat solids price lost just over 6 cents per pound from last month.

All class prices, except for the Class III price, continued to move downward from February to March. The Class I price dropped \$1.79 per cwt to \$21.09. The Class II price declined \$1.31 per cwt to \$19.52, and the Class IV price lost 48 cents per cwt to \$18.38. Lastly, the Class III price gained 32 cents per cwt to \$18.10. ❖

Pool Summary

- A total of 1,012 producers were pooled with an average daily delivery per producer of 90,400 pounds, an increase of 8.9 percent from February.
- Pooled milk receipts totaled 2.836 billion pounds, an increase of 8.4 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 14.9 percent of total pooled milk receipts, down 1.3 percentage points from February.
- The average butterfat test of producer receipts was 4.15 percent.
- The average true protein test of producer receipts was 3.37 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	14.9	423,442,949
Class II	3.7	104,318,542
Class III	49.7	1,408,206,010
Class IV	31.7	900,061,683
Total Pooled Milk		2,836,029,184

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	2.4085	2.7182
Butterfat Price	2.7300	3.0935
Other Solids Price	0.2338	0.6131

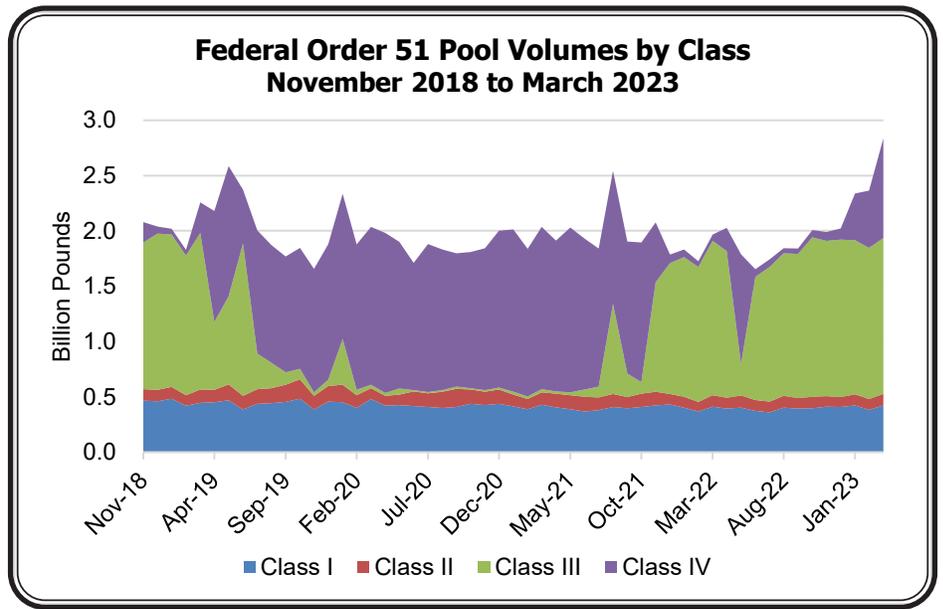
Class Price Factors

	2023	2022
	\$/cwt	
Class I	21.09	24.98
Class II	19.52	24.76
Class III	18.10	22.45
Class IV	18.38	24.82

March Pool Volume Tops Records

At 2.836 billion pounds, the total volume of producer receipts in the California Federal Marketing Order pool in March 2023 reached its highest level ever recorded under the Order. March's daily average pool volume exceeded last month's level – the second highest under the Order – by 8.4 percent. Notably, Class IV observed a significant increase in pooled volume, rising 57 percent from the previous month on a daily average basis.

The record pool was largely attributed to the narrowed spread between Class III and IV prices. In March, the Class IV price exceeded the Class III price by just 28 cents per hundredweight (cwt). With this narrowed spread, the Class III and IV prices fell below the blend price by 69 cents and 41 cents per cwt, respectively, incentivizing handlers to pool those volumes. *Chicago Mercantile Exchange* futures as of April 19, 2023, suggest that Class III prices may surpass Class IV prices in five



of the remaining nine months of 2023, averaging a 9 cent per cwt spread in favor of Class III for the rest of the year. If the Class III price consistently rises above Class IV and the spread grows wider, handlers may be incentivized to withdraw Class III volumes from the pool. ❖

Fluid Milk Sales from Plants Not Fully Regulated by Federal Order 51

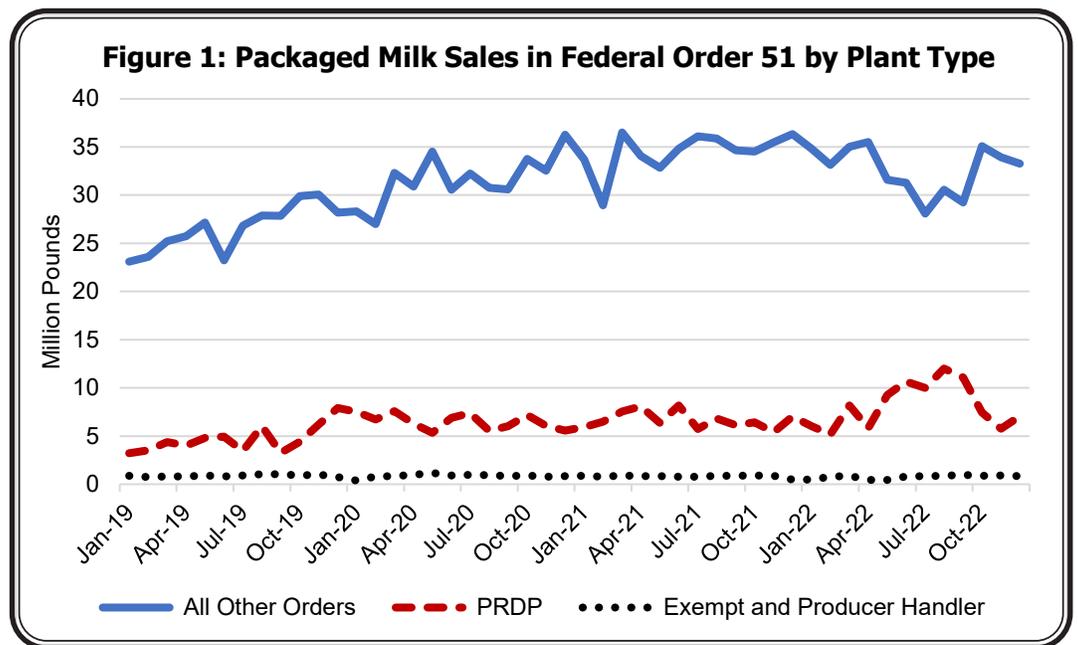
Packaged Class I products sold within the Federal Order (FO) 51 marketing area include those distributed to retail, institutional, or wholesale outlets in California. While most packaged Class I products distributed in California come from distributing plants fully regulated by FO 51, other plant types contribute to fluid milk sales within the state. These other plant types include distributing plants fully regulated by other Federal Orders, partially regulated distributing plants¹ (PRDPs), exempt plants², and producer handler

plants³. This article evaluates trends in fluid milk sales from non-fully regulated plants into California.

³ Producer handlers own and operate both a distributing plant and a dairy farm with less than three million pounds of packaged fluid milk sales into the marketing area.

¹ PRDPs are plants that have packaged fluid milk sales in the marketing area but do not meet the 25 percent requirement to be fully regulated.

² Exempt plants have packaged fluid milk sales in the marketing area totaling less than 150,000 pounds.



Fluid Milk by Plant Types Over Time

Figure 1 depicts packaged fluid milk sales distributed in the marketing area over the history of FO 51 by plant type. Fluid milk sales sold in the California marketing area have seen some growth over the last four years. Monthly fluid milk sales from PRDPs have remained

relatively steady between 5.5 and 8 million pounds after climbing from 3-million-pound lows in early 2019; however, in mid-2022, there was another rise in sales before descending in October 2022 down to 5 million pounds. In addition to this rise, sales from distributing plants of other orders increased during this time, but at a faster rate. Interestingly, when sales for PRDPs increase in May 2022 and decrease in October 2022, the opposite occurs for distributing plants from other orders; this is the result of plants switching pool status. Monthly fluid milk sales from exempt and producer handler plants remained mostly stable during this period and make up a small percentage of the total distribution of fluid milk sales.

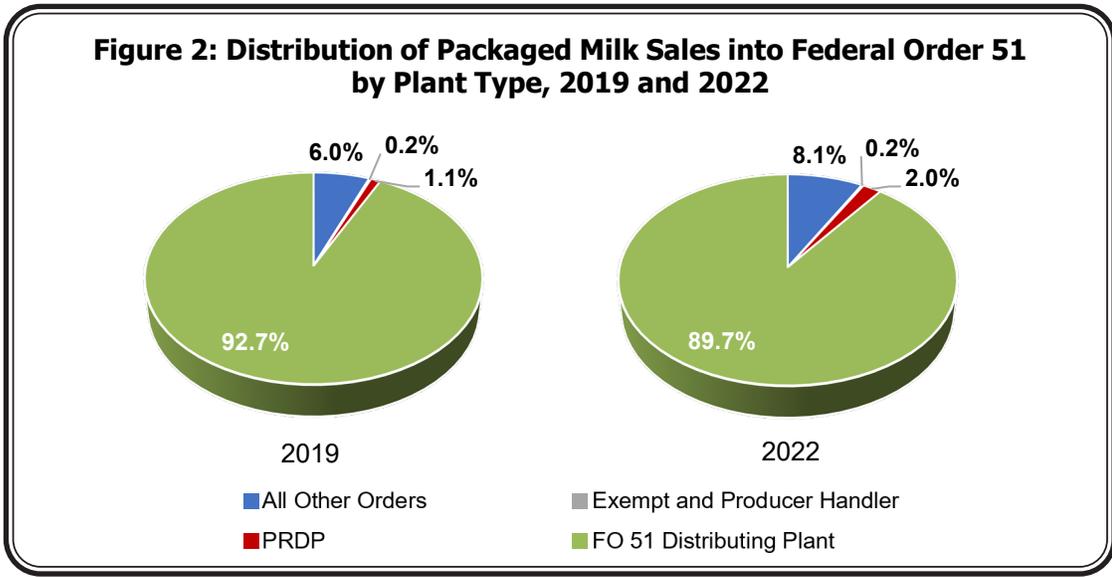
The table above exhibits the annual trends in fluid milk sales within the FO 51 marketing area for the last four years. The average year-over-year change for exempt and producer handler plants exhibited the largest decline among the plant types at 4.7 percent;

Sales of Packaged Milk Distributed in Federal Order 51, 2019-2022				
Year	All Other Orders*	Exempt and Producer Handler	PRDP	FO 51 Distributing Plants
pounds				
2019	318,823,673	10,670,002	56,150,692	4,926,877,407
2020	379,761,740	10,453,997	78,125,330	4,692,074,171
2021	413,818,258	9,907,770	80,166,967	4,404,023,978
2022	391,505,363	9,236,925	98,485,020	4,351,261,711
Average Year-to-Year Change	7.6%	-4.7%	21.5%	-4.0%
*All Other Orders includes Order No. 1-Northeast, No. 5-Appalachian, No. 30-Upper Midwest, No. 32-Central, No. 33-Mideast, No. 124-Pacific Northwest, No. 126-Southwest, and No. 131-Arizona.				

this is relatively similar to FO 51's pool distributing plants' annual average decline of 4.0 percent. Distributing plants from other orders and PRDPs exhibit a positive change over time of 7.6 and 21.5 percent, respectively.

Fluid Milk Sales Distribution

Figure 2 portrays a distribution breakdown of all fluid milk sales for 2019 and 2022 delivered to FO51's marketing area from pool distributing plants, other order pool distributing plants, PRDPs, and exempt and producer handler plants. In 2019, fully regulated plants in FO 51 made up about 92 percent of total sales while in 2022 that number dropped slightly to around 90 percent. Fluid milk sales from all other orders were at 6 percent of the total distribution in 2019, but in 2022 rose to roughly 8 percent. The increase in fluid milk sales from PRDPs also increased from about 1 percent in 2019 to roughly 2 percent in 2022. Alternatively, the distribution of sales from exempt plants and producer handlers has remained relatively stable at 0.2 percent over the last four years. While these statistics exhibit some growth in fluid milk sales distributed in the marketing area from plants not fully regulated by FO 51, they still represent only 10 percent of total fluid milk sales distributed in California. ❖





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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	413,361,151	\$11.89	\$49,148,640.85	
Less: Location Adjustment to Handlers	10,081,798	2.7462	27,686,633.67	
			(872,097.70)	\$75,963,176.82
Class II— Butterfat	15,504,600	2.7370	42,436,090.19	
Nonfat Solids	8,385,943	1.1444	9,596,873.16	52,032,963.35
Class III— Butterfat	52,095,169	2.7300	142,219,811.37	
Protein	48,621,685	2.4085	117,105,328.36	
Other Solids	81,471,919	0.2338	19,048,134.68	278,373,274.41
Class IV— Butterfat	40,086,378	2.7300	109,435,811.94	
Nonfat Solids	81,479,081	1.0154	82,733,858.88	192,169,670.82
Total Classified Value				\$598,539,085.40
Add: Overage—All Classes				120,969.89
Inventory Reclassification—All Classes				23,727.67
Other Source Receipts	67,812			1,880.07
Total Pool Value				\$598,685,663.03
Less: Value of Producer Butterfat	117,767,945	2.7300	(321,506,489.85)	
Value of Producer Protein	95,684,622	2.4085	(230,456,412.10)	
Value of Producer Other Solids	163,256,516	0.2338	(38,169,373.46)	(590,132,275.41)
Total PPD Value Before Adjustments				\$8,553,387.62
Add: Location Adjustment to Producers				11,206,211.42
One-half Unobligated Balance—Producer Settlement Fund				1,081,434.19
Less: Producer Settlement Fund—Reserve				(1,271,963.98)
Total Pool Milk & PPD Value	2,836,096,996			\$19,569,069.25
Producer Price Differential		\$0.69		
Statistical Uniform Price		\$18.79		

Total value of milk in the pool →

Total Class III value of producer components →

Value from which PPD per hundredweight is calculated →

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