The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Cary Hunter, Interim Market Administrator

September 2021 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

September Pool Price Calculation

The September 2021 Statistical Uniform Price (SUP) for the California Marketing Area was announced at $16.91 per hundredweight (cwt), an increase of 32 cents per cwt from last month, 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 (3.87 percent butterfat, 3.24 percent protein, and 5.74 percent other solids), the September SUP would be $18.29 per cwt, which is higher than that of August by 53 cents per cwt. September's Producer Price Differential (PPD) at Los Angeles County was $0.38 per cwt, a decrease of 26 cents from last month's PPD of $0.64 per cwt.

Product Prices Effect

All monthly average product prices in the National Dairy Product Sales Report increased from August to September, except for the dry whey price. The butter and cheese prices increased more than 7 cents per pound each from last month. The nonfat dry milk price rose roughly 1.6 cents per pound. Lastly, the dry whey price dropped almost 3 cents per pound.

Similar movements were observed in the component prices. The protein price saw the largest increase, rising more than 14 cents per pound from August. The butterfat and nonfat solids prices also saw upward movements; the butterfat price gained almost 9 cents per pound, and the nonfat solids price rose roughly 1.6 cents per pound. The other solids price was the only component price to decrease, declining just under 3 cents per pound.

All class prices improved from August to September, except for the Class I price. The Class I price decreased 31 cents per cwt from August to $18.69. The Class II price increased 38 cents per cwt to $16.89, and the Class III price gained 58 cents per cwt to $16.53. The Class IV price rose 44 cents per cwt to reach $16.36, its highest value since January 2020.❖

Pool Summary

- A total of 821 producers were pooled with an average daily delivery per producer of 77,286 pounds, a decrease of 8.1 percent from August.
- Pooled milk receipts totaled 1.904 billion pounds, a decrease of 22.6 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 20.8 percent of total pooled milk receipts, up 4.7 percentage points from August.
- The average butterfat test of producer receipts was 3.87 percent.
- The average true protein test of producer receipts was 3.24 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	20.8	396,532,108
Class II	5.3	102,502,628
Class III	11.2	212,232,614
Class IV	62.6	1,192,292,311
Total Pooled Milk		1,903,559,661

Producer Component Prices

	2021	2020
	$/lb	
Protein Price	2.6010	3.3935
Butterfat Price	1.9388	1.5932
Other Solids Price	0.3445	0.1241

Class Price Factors

	2021	2020
	$/cwt	
Class I	18.69	20.54
Class II	16.89	13.16
Class III	16.53	16.43
Class IV	16.36	12.75

Examining Increases in Consumer Prices

The Consumer Price Index

The U.S. Bureau of Labor Statistics publishes a monthly index, called the Consumer Price Index (CPI), which measures price changes for all goods and services purchased by urban U.S. consumers dating back to 1913. The CPI is measured for individual items as well as collectively for a market basket based on average consumer expenditures. Categories of items in the CPI include food and beverages, energy, housing, and transportation, among others.

The CPI is often used as a measure of inflation, as it compares price changes of goods and services over time. Since 1982, the average price of all goods and services has increased more than 170 percent. Standardizing the CPI to pre-pandemic levels provides insights into how supply chains and U.S. markets have fared during the pandemic.

Consumer Price Movements

Figure 1 depicts the changes in the CPI for goods relative to September 2019. As described earlier, the CPI is measured for a market basket of all items as well as for individual items and categories. Food at home represents retail or grocery store purchases, while food away from home represents the food service sector, such as restaurants. While dairy products are incorporated into the CPIs for food at home and food away from home, the CPI for dairy depicted in Figure 1 only represents retail dairy product purchases.

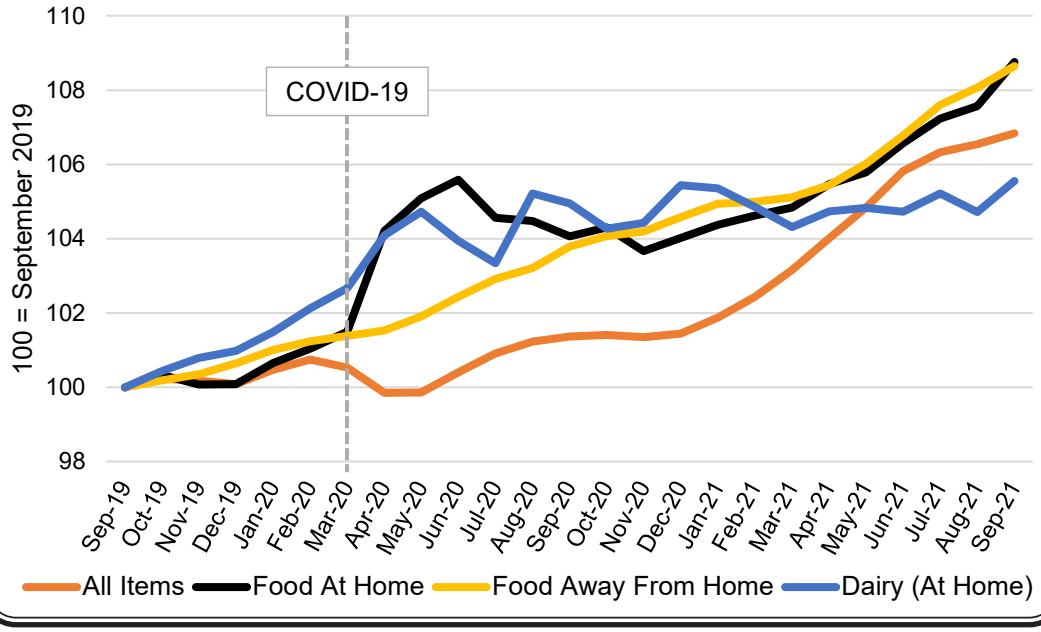
The gray dotted line in Figure 1 illustrates the onset of the COVID-19 pandemic. Prior to the pandemic, consumer prices remained relatively close together with dairy seeing the largest increase from September 2019 to March 2020. The arrival of the pandemic, however, shows a divergence in consumer price categories. The CPIs for dairy and food at home observe relatively large increases from March to April of 2020. Meanwhile, the CPI for all items dips in April 2020, and the CPI for food away from home exhibits a slight increase. During this period, panic buying and supply chain challenges, such as labor and logistical issues, contributed to increased prices of foods at the retail level, including dairy. However, other consumer products experienced downward price movements as consumers stayed at home and traveled less frequently due to lockdowns.

After the initial market shock, consumer prices struggled to adjust. The CPI for dairy fluctuated throughout this period, as illustrated by the dips and peaks seen in the blue line of Figure 1. The peaks in the CPI for dairy in August and December of 2020 follow the peaks of the Federal Milk Marketing Order Class I price but lag those of producer milk checks[1] by one month. Also during this period, the CPI for food at home loses some ground from its pandemic-initiated peak.

At the end of 2020 and beginning of 2021, most CPI categories in Figure 1 increase. The CPI for all items shows a substantial increase of roughly 5.3 percent between December 2020 and September 2021. Food at home and food away from home also increased during this period, rising nearly 4.6 percent and 3.9 percent, respectively. As of September 2021, dairy observes the smallest increase of the selected catego-

1 As estimated by the USDA Agricultural Marketing Service in their *Mailbox Milk Price Report*.

Figure 1: Change Over Time in the Consumer Price Index (CPI) Relative to September 2019



ries since the beginning of the COVID-19 pandemic, yet still managed to increase over pre-pandemic levels. The smaller price appreciation relative to other categories may indicate the dairy industry's ability to adequately supply markets despite disruptions.

Rising Prices

Over the two-year period depicted in Figure 1, the CPIs for the selected categories rose within the range of 5.6 to 8.8 percent, with dairy observing the smallest increase and food at home exhibiting the largest increase. Comparing price changes depicted in Figure 1 to an earlier period offers some scale and context to the recent price increases. From September 2017 to 2019, the CPI for food, including food at home and food away from home, increased 3.2 percent. In contrast, the increase in the CPI for food from September 2019 to September 2021 was significantly higher at 8.7 percent, representing a difference of roughly 5.6 percentage points. Due to pandemic restrictions, food away from home saw the smallest gain between the two periods of 2.8 percentage points, while food at home saw the largest gain of 7.8 percentage points.

The period from September 2019 to September 2021 exhibited clear changes in consumer prices. COVID-19 disruptions had mixed impacts on price categories initially; the CPI for dairy and food at home recorded increases, while the CPI for all items declined. Progressing forward, the CPI for dairy was considerably volatile compared to the other price categories. The CPIs for food at home and all items showed relatively strong gains over the period, despite the slowdown seen for these categories in the second half of 2020. The CPI for food away from home was the only selected category that maintained a mostly steady increase throughout the period. A variety of factors could be influencing these price changes throughout the two-year period, including logistical challenges, labor shortages, and inflation. These factors will likely continue to play a role in the rise of consumer prices.❖

Pandemic Market Volatility Assistance Program (PMVAP) Update

Since the announcement of the Pandemic Market Volatility Assistance Program (PMVAP) in mid-August, USDA has been actively implementing the administration of this program that will distribute up to $350 million in payments directly to dairy farmers.

The Role of the Handler/Cooperative

USDA is wrapping up one-on-one meetings with approximately 200 handlers and cooperatives that purchased milk and participated in the Federal Milk Marketing Order program during the July-December 2020 period. Handlers and cooperatives are critical to the administration of the PMVAP. They have the proprietary producer production data that determines the eligible milk under PMVAP rules. Further, they are the entities that distribute program funds to dairy farmers. To ensure the integrity of the PMVAP and proper distribution of funds, USDA will enter into an agreement with each handler and cooperative. This process, along with a thorough explanation of the mechanics of the program, is currently underway.

Dairy Farmer Payments

As reported when the program was announced on August 19, 2021, PMVAP is designed to provide pandemic assistance payments directly to dairy farmers who received a lower value for their milk due to market abnormalities caused by the pandemic. Funds are projected to be paid to dairy farmers by the end of December 2021.

AGI CERTIFICATION REQUIRED BY DAIRY FARMERS

Similar to many USDA programs the PMVAP requires dairy farmers to attest that they meet ***either of the following*** adjusted gross income (AGI) requirements of the program:

- Less than $900,000 average AGI for tax years 2016, 2017, and 2018, **or**
- 75 percent of your average taxable income for tax years 2016, 2017, and 2018 came from farming, ranching, or forestry-related activities

Your handler or cooperative may have provided you with an attestation statement, which you **MUST** complete and return in order to receive a payment from the program.

Additional Information

Program information for handlers and dairy farmers can be found at https://www.ams.usda.gov/services/pandemic-market-volatility-assistance-program. For additional questions not covered in the resources online, please email PMVAP@usda.gov.❖

MARKET ADMINISTRATOR
P.O. Box 6660
Folsom, CA 95763

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	387,387,352	$12.56	$48,655,851.41	
Butterfat	9,144,756	1.8763	17,158,305.68	
Less: Location Adjustment to Handlers			(786,046.35)	$65,028,110.74
Class II— Butterfat	13,278,065	1.9458	25,836,458.85	
Nonfat Solids	8,334,332	1.1611	9,676,992.87	35,513,451.72
Class III— Butterfat	7,193,850	1.9388	13,947,436.37	
Protein	7,006,026	2.6010	18,222,673.63	
Other Solids	12,214,488	0.3445	4,207,891.11	36,378,001.11
Class IV— Butterfat	44,052,513	1.9388	85,409,012.20	
Nonfat Solids	107,243,932	1.1027	118,257,883.85	203,666,896.05
Total Classified Value			*Total value of milk in the pool* →	**$340,586,459.62**
Add: Overage—All Classes				190,892.94
Inventory Reclassification—All Classes				97,229.46
Other Source Receipts	26,605			654.49
Total Pool Value				**$340,875,236.51**
Less: Value of Producer Butterfat	73,669,184	1.9388	(142,829,813.94)	
Value of Producer Protein	61,655,763	2.6010	(160,366,639.60)	
Value of Producer Other Solids	109,280,559	0.3445	(37,647,152.59)	(340,843,606.13)
Total PPD Value Before Adjustments		*Total Class III value of producer components*		**$31,630.38**
Add: Location Adjustment to Producers				7,125,459.65
One-half Unobligated Balance—Producer Settlement Fund				970,187.56
Less: Producer Settlement Fund—Reserve				(893,649.80)
Total Pool Milk & PPD Value	1,903,586,266			**$7,233,627.79**
Producer Price Differential		**$0.38**		
Statistical Uniform Price		**$16.91**		

Value from which PPD per hundredweight is calculated

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