



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

Peter Fredericks, Market Administrator

May 2022

Federal Order No. 51

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### May Pool Price Calculation

The May 2022 Statistical Uniform Price (SUP) for the California Marketing Area increased 35 cents per hundredweight (cwt) from last month to \$25.43 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. This month's SUP at standard tests represents the ninth straight monthly increase and another record made under Federal Order 51. When reported at the average tests of pooled milk (3.92 percent butterfat, 3.26 percent protein, and 5.76 percent other solids), the May SUP is \$27.83 per cwt, 5 cents lower than April. May's Producer Price Differential (PPD) at Los Angeles County is \$0.22 per cwt, a decrease of 44 cents from last month. ❖

### Welcome to Our New Market Administrator!

We are pleased to announce the appointment of Peter Fredericks as Market Administrator of the California Federal Milk Marketing Order. Mr. Fredericks will be continuing the success of Cary Hunter, Interim Market Administrator since November 2018.

Mr. Fredericks has been serving as the Assistant Market Administrator for Federal Order (FO) 51 since August 2019. With almost 30 years of experience working with the USDA Agricultural Marketing Service Federal Milk Marketing Order program, Mr. Fredericks has held a variety of positions in the Northeast Milk Marketing Order and predecessor Federal Milk Marketing Orders, developing a diverse background and vast experience base. His familiarity with California and stakeholders in the state will ensure consistency in the administration of FO 51. Throughout his time in the program, Mr. Fredericks has held responsibilities for all aspects of Federal Order operations. Mr. Fredericks has a bachelor's degree and a master's degree in Agricultural Economics from Cornell University.

Mr. Fredericks and the rest of the staff look forward to continuing to serve the California dairy industry. ❖

### Pool Summary

- A total of 783 producers were pooled with an average daily delivery per producer of 73,698 pounds, an increase of 4.4 percent from April.
- Pooled milk receipts totaled 1.789 billion pounds, a decrease of 14.6 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 22.5 percent of total pooled milk receipts, up 3.1 percentage points from April.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.26 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	22.5	402,248,374
Class II	6.2	110,192,020
Class III	15.8	283,204,708
Class IV	55.5	993,234,839
Total Pooled Milk		1,788,879,941

#### Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	3.8696	3.1307
Butterfat Price	3.1056	1.9851
Other Solids Price	0.4857	0.4645

#### Class Price Factors

	2022	2021
	\$/cwt	
Class I	27.55	19.20
Class II	25.87	16.22
Class III	25.21	18.96
Class IV	24.99	16.16

# Inflation in Consumer Prices

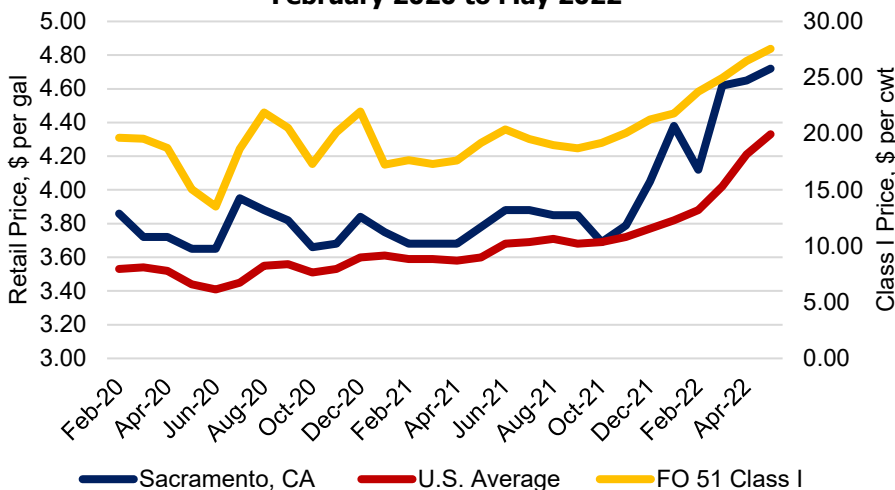
## Increasing Consumer Prices

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index (CPI)—used to measure changes in prices paid by urban consumers for a basket of consumer goods and services—rose by 8.6 percent from year prior levels in May, more than any 12-month period since December 1981. The increase marks the third consecutive annual gain above 8 percent. BLS also notes increasing food prices in May: relative to last year, the food index moved up 10.1 percent; the food at home index climbed 11.9 percent; and the food away from home index appreciated 7.4 percent. For all three indexes, the year-over-year gains exceed all those in the past 40 years. Similarly, the CPI for dairy and related products moved significantly higher in May, gaining 11.8 percent from last year. These changes in consumer prices provide context in examining retail prices for dairy products.

## Retail Dairy Prices

The USDA Agricultural Marketing Service Dairy Program publishes a *Retail Milk Prices Report* compiling data collected by Federal Milk Marketing Orders and depicting fluid milk prices at retail. Figure 1 plots the Federal Order (FO) 51 Class I price, the conventional whole milk price in Sacramento, California, (CA retail) and the U.S. simple average conventional

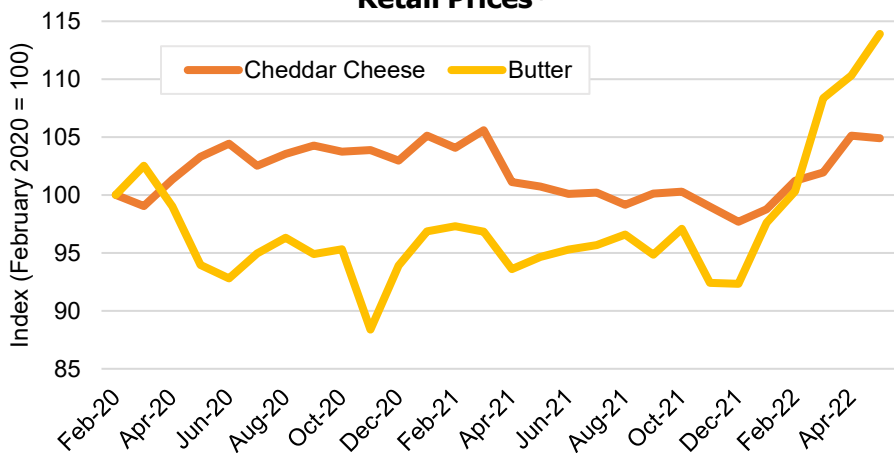
**Figure 1: Federal Order 51 Class I Price and Retail Whole Conventional Milk Prices February 2020 to May 2022**



whole milk price (U.S. average retail) from February 2020 to May 2022. Notably, the retail price in Sacramento, California, follows a similar trend through the period as the FO 51 Class I price. Moreover, the CA retail price displays general increases in recent months, though not without exception. The figure also notes that the CA retail price mostly exceeds the U.S. average retail price and displays more pronounced movements.

Retail prices for other dairy products also appreciated in recent months. Figure 2 examines the changes in BLS-reported U.S. average retail prices for cheddar cheese<sup>1</sup> and butter<sup>2</sup> indexed to February 2020. The prices fluctuated through most of the period until early 2022; thereafter, butter and cheese prices climbed substantially. The retail butter price posted its fifth consecutive monthly increase in May, well surpassing levels in 2021 and 2020. Though the cheddar cheese price decreased marginally from April 2022 to May, it remains elevated. May's retail cheddar cheese price of \$5.645 per pound is less than four cents below the period's maximum in March 2021. While the higher prices for dairy products translate to higher milk prices for dairy farmers, they may lead consumers to trim demand, especially if prices for energy and other food products continue to appreciate. ❖

**Figure 2: U.S. Average Butter and Cheddar Cheese Retail Prices\***



\* Cheddar cheese, natural, per lb. (453.6 gm), U.S. city average, not seasonally adjusted; Butter, stick, per lb. (453.6 gm) U.S. city average, not seasonally adjusted  
Source: U.S. Bureau of Labor Statistics

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1 Cheddar cheese, natural, per lb. (453.6 gm), U.S. city average, not seasonally adjusted  
2 Butter, stick, per lb. (453.6 gm) U.S. city average, not seasonally adjusted

# Inflation in Producer Prices

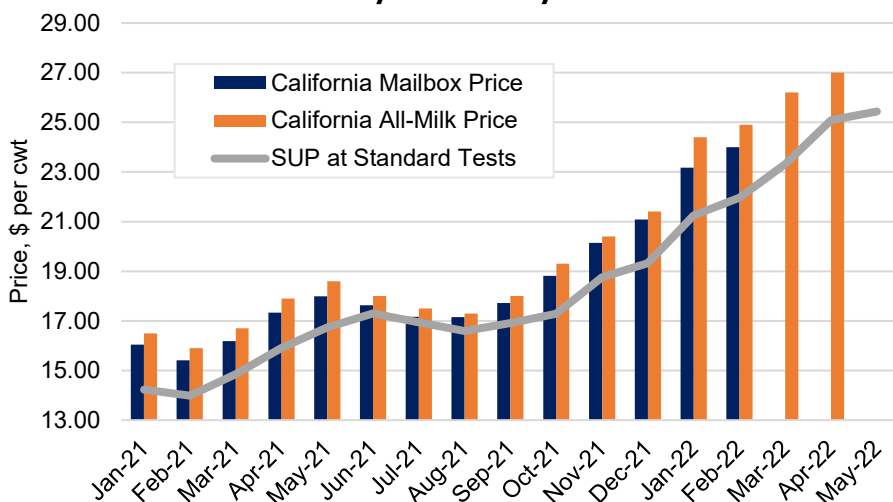
## Rising Producer Prices

February 2022, the most recent month of mailbox price data, marks the sixth consecutive increase in the average mailbox price received by California dairy farmers. At \$24.00 per hundredweight (cwt), the price represents an increase of nearly 56 percent from the same month a year ago. The mailbox price, published by the USDA Agricultural Marketing Service, is the average price received for milk, including premiums and deductions such as marketing fees, hauling costs, and cooperative dues. It includes both organic and conventional milk whether it is pooled or not.

The all-milk price is another dairy price series released monthly. Reported by the USDA National Agricultural Statistical Service, the all-milk price represents the average price paid for milk, including premiums and discounts for quality, quantity, or other reasons. Unlike the mailbox price, it does not include any deductions for promotion, hauling, or cooperative membership. April 2022's California all-milk price of \$27.00 per cwt marks an almost 51 percent increase from the prior year and the highest nominal California all-milk price to-date.

Figure 1 depicts the California mailbox and all-milk prices along with the Federal Order 51 Statistical Uniform Price (SUP) at standard tests from January 2021 to May 2022. As shown in the figure, recent prices

**Figure 1: California Milk Prices  
January 2021 to May 2022**



significantly exceed those of January 2021, and all price series post monthly increases after August 2021. Although the mailbox prices for March through May have not yet been released, the gains in the all-milk price and SUP support appreciation in the mailbox prices in these months as well.

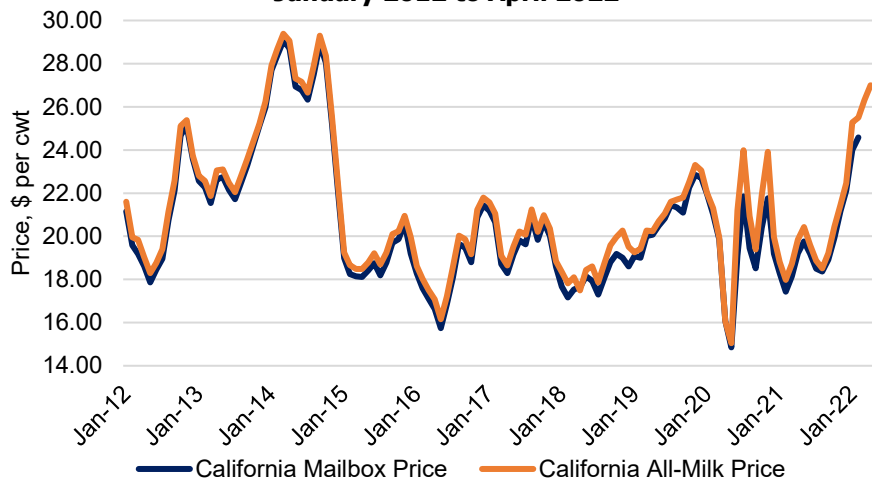
## Adjusting for Inflation

Rising prices are good news to farmers as input costs – including feed, energy, and labor – continue to climb. But due to these rising costs, how are producers faring compared to other periods of strong milk prices? Figure 2 portrays the California all-milk and mailbox prices in real dollars relative to April 2022 adjusted with the Producer Price Index (PPI). The PPI, published monthly by the U.S. Bureau of

Labor Statistics, measures the average change over time in selling prices received by domestic producers. The PPI essentially estimates inflation for producers.

Figure 2 shows how recent prices compare to those over the last ten years in real terms. When accounting for inflation, 2014's prices clearly stand out. Although 2022 is reaching record prices in nominal terms, 2014 still holds record values in real dollars. However, recent prices, especially in April, begin to compete with those of 2014. Should inflation persist and milk prices stagnate, producers may receive lower real values for their milk. ❖

**Figure 2: California All-Milk and Mailbox Prices in Real Dollars\*  
January 2012 to April 2022**



\* Adjusted to real dollars relative to April 2022 using the Producer Price Index.



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	393,007,342	\$17.09	\$67,164,954.75	
Butterfat	9,241,032	3.1583	29,185,951.37	
Less: Location Adjustment to Handlers			(827,009.09)	\$95,523,897.02
Class II— Butterfat	11,569,201	3.1126	36,010,295.05	
Nonfat Solids	9,226,787	1.7244	15,910,671.48	51,920,966.53
Class III— Butterfat	11,148,702	3.1056	34,623,408.92	
Protein	9,433,950	3.8696	36,505,612.92	
Other Solids	16,327,685	0.4857	7,930,356.60	79,059,378.44
Class IV— Butterfat	38,254,353	3.1056	118,802,718.70	
Nonfat Solids	89,773,492	1.6253	145,908,856.52	264,711,575.22
<b>Total Classified Value</b>				<b>\$491,215,817.21</b>
Add: Overage—All Classes				131,857.11
Inventory Reclassification—All Classes				4,556.75
Other Source Receipts	12,061			268.96
<b>Total Pool Value</b>				<b>\$491,352,500.03</b>
Less: Value of Producer Butterfat	70,213,288	3.1056	(218,054,387.20)	
Value of Producer Protein	58,344,114	3.8696	(225,768,383.55)	
Value of Producer Other Solids	103,107,554	0.4857	(50,079,338.97)	(493,902,109.72)
<b>Total PPD Value Before Adjustments</b>				<b>(\$2,549,609.69)</b>
Add: Location Adjustment to Producers				6,535,796.89
One-half Unobligated Balance—Producer Settlement Fund				804,434.29
Less: Producer Settlement Fund—Reserve				(855,059.07)
<b>Total Pool Milk &amp; PPD Value</b>	1,788,892,002			<b>\$3,935,562.42</b>
Producer Price Differential		<b>\$0.22</b>		
Statistical Uniform Price		<b>\$25.43</b>		

*Total value of milk in the pool* → **\$491,215,817.21**

*Total Class III value of producer components* → **(\$2,549,609.69)**

Value from which PPD per hundredweight is calculated

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