



# The Market Administrator's

# BULLETIN

## CALIFORNIA MARKETING AREA

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November 2021

Federal Order No. 51

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### November Pool Price Calculation

The November 2021 Statistical Uniform Price (SUP) for the California Marketing Area increased \$1.47 per hundredweight (cwt) from last month to \$18.76 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 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 (4.06 percent butterfat, 3.35 percent protein, and 5.74 percent other solids), the November SUP would be \$20.97 per cwt, which is higher than that of October by \$1.76 per cwt. November's Producer Price Differential (PPD) at Los Angeles County was \$0.73 per cwt, an increase of \$1.27 from last month's PPD of -\$0.54 per cwt.

#### Product Prices Effect

The monthly average product prices in the National Dairy Product Sales Report saw mixed movements from October to November. The butter and nonfat dry milk prices saw the largest gains, rising roughly 18 cents and almost 12 cents per pound, respectively. The dry whey price also showed improvement, gaining almost 4 cents per pound. The cheese price was the only product price to decline from the previous month, losing just over a penny per pound.

Component prices moved mostly upwards as well. The largest price movements occurred in the butterfat and protein prices; the butterfat price surpassed the \$2 mark for the first time since January 2020, gaining more than 21 cents per pound, while the protein price fell by just under 26 cents per pound. The other solids and nonfat solids prices both increased from October, rising nearly 4 cents and roughly 12 cents, respectively.

Although not all component prices increased, all class prices improved from October to November. The Class I price gained 90 cents per cwt to \$20.08, and the Class II price increased \$1.32 per cwt to \$18.40. The Class III price rose 20 cents per cwt to \$18.03. The Class IV price saw the largest increase from the previous month, gaining \$1.75 per cwt to reach \$18.79 — the highest Federal Order Class IV price since October 2014. ❖

### Pool Summary

- A total of 942 producers were pooled with an average daily delivery per producer of 73,450 pounds, a decrease of 0.9 percent from October.
- Pooled milk receipts totaled 2.076 billion pounds, an increase of 13.2 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 20.3 percent of total pooled milk receipts, down 1.3 percentage points from October.
- The average butterfat test of producer receipts was 4.06 percent.
- The average true protein test of producer receipts was 3.35 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

#### Class Utilization

| Pooled Milk       | Percent | Pounds        |
|-------------------|---------|---------------|
| Class I           | 20.3    | 422,370,988   |
| Class II          | 6.0     | 124,105,500   |
| Class III         | 47.7    | 990,445,820   |
| Class IV          | 26.0    | 538,766,376   |
| Total Pooled Milk |         | 2,075,688,684 |

#### Producer Component Prices

|                    | 2021   | 2020   |
|--------------------|--------|--------|
|                    | \$/lb  |        |
| Protein Price      | 2.7536 | 5.6226 |
| Butterfat Price    | 2.1541 | 1.5553 |
| Other Solids Price | 0.3949 | 0.1894 |

#### Class Price Factors

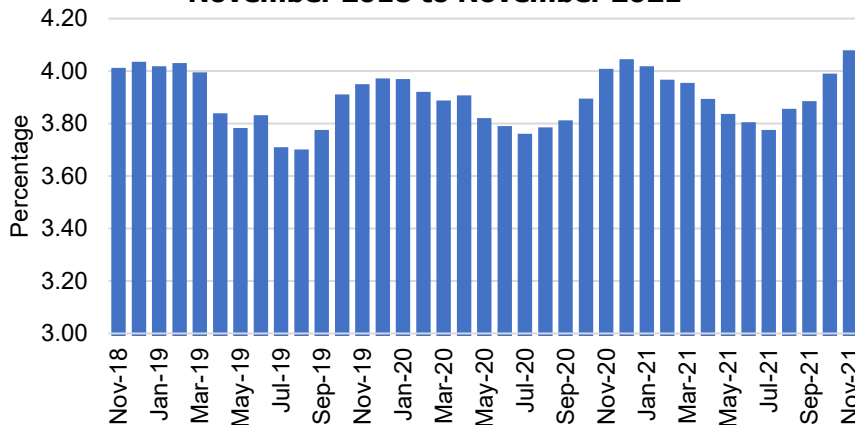
|           | 2021   | 2020  |
|-----------|--------|-------|
|           | \$/cwt |       |
| Class I   | 20.08  | 20.14 |
| Class II  | 18.40  | 13.86 |
| Class III | 18.03  | 23.34 |
| Class IV  | 18.79  | 13.30 |

# Three Years of Multiple Component Pricing in California

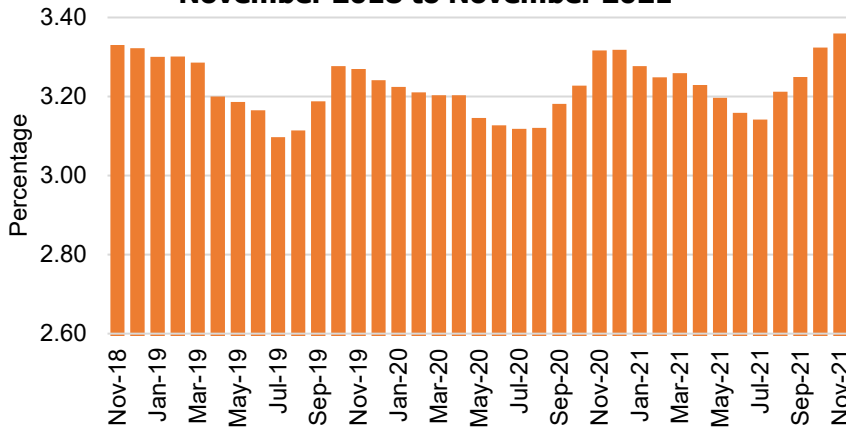
## Butterfat, Protein Tests Reach New High

The November 2021 Federal Order (FO) 51 pool average tests were announced at 4.06 percent butterfat, 3.35 percent protein, and 5.74 percent other solids, marking the highest butterfat and protein tests since the Order's inception in November 2018. The record high tests are consistent with a mostly increasing trend in component levels (compared to the year prior). From November 2018 to November 2019, the weighted average butterfat test was 3.87 percent and that of protein was 3.22 percent. From November 2020 to November 2021, the average tests were considerably higher; butterfat averaged 3.92 percent and protein averaged 3.24 percent. Figures 1 and 2 illustrate the mostly rising levels of components from year to year as well as their seasonal fluctuations, depicting the pool average component tests for butterfat and protein from November 2018 to November 2021. Though the trend is not without exception; the late fall of 2019 and early winter of 2020 posted butterfat and protein tests below that of the year prior. These lower tests coincided with a decrease of more than a billion pounds on average in the monthly Class III pool volume. Nonetheless, pool component tests have increased in many months with comparable volumes in each Class.

**Figure 1: Federal Order 51 Pool Average Butterfat Tests November 2018 to November 2021**

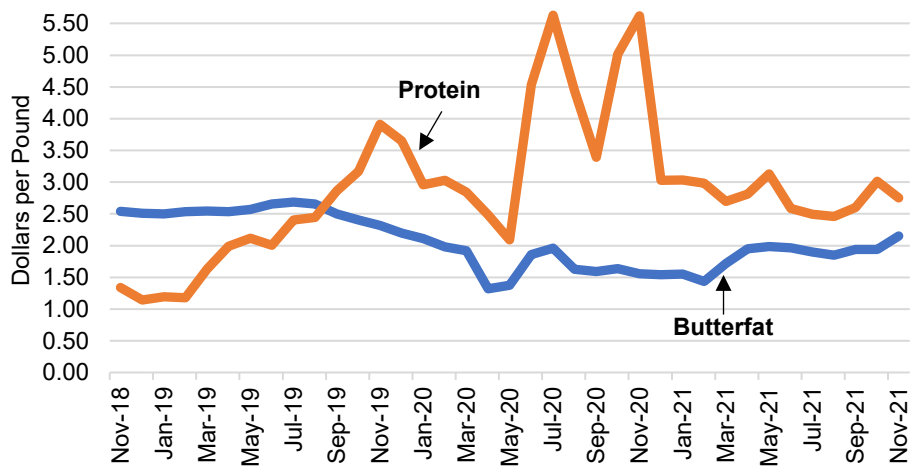


**Figure 2: Federal Order 51 Pool Average Protein Tests November 2018 to November 2021**



Figures 1 and 2 also depict that the increases in component levels are not unique to one month or season; year-over-year gains are not isolated to periods typically associated with high component levels like November and December but are also achieved in months with low component levels like June and July. Aside from seasonality, other factors such as improved genetics, the classified usage of pooled milk, feed costs, and changing consumer preferences may affect the tests depicted in the figures.

**Figure 3: Class III Butterfat and Protein Prices November 2018 to November 2021**



in months with low component levels like June and July. Aside from seasonality, other factors such as improved genetics, the classified usage of pooled milk, feed costs, and changing consumer preferences may affect the tests depicted in the figures.

## Butterfat, Protein Prices Draw Closer

The butterfat price reached \$2.1541 in November 2021 – its highest level since December 2019. Figure 3 plots the FO 51 Class III butterfat and protein prices from

November 2018 to November 2021 emphasizing their relationship as well as the wide disparities between the two experienced in 2020 due to record cheese prices and the consequences of the COVID-19 pandemic. As depicted, the protein price typically holds a higher price position, averaging almost 83 cents per pound above the butterfat price over the period. Recently, however, the butterfat price has drawn closer to the protein price. The butterfat price was less than 60 cents below the protein price in November for only the second time after September 2019. The protein price, on the other hand, trended down in November but remained more than 25 cents per pound above 2021's low in August. Despite the decrease, increased parity between the two prices can indicate more balanced demand for dairy products and milk Classes. Examining the price and quantity of butterfat and protein alludes to producer prices, as each account for a large share of producer milk checks.

### Gross Payment Composition

Producers are paid in accordance with multiple component pricing under FO 51, meaning that the price a producer receives depends on both the price and quantity of the relevant components in their milk. Figure 4 examines the composition of gross payment for a hypothetical dairy farm producing two million pounds of milk at the pool average com-

ponent tests in November 2021 and November 2020. Compared to the year prior, gross prices at the pool average component tests are more than \$4.60 per cwt higher in November 2021 despite a decrease exceeding \$2.00 per pound in the protein price. While the price for protein decreased, prices for butterfat and other solids both increased. Figure 4 also conveys the share of gross value for each component at pool average tests. Notably, the share of gross value was relatively similar between butterfat (42 percent) and protein (44 percent) in November 2021, providing a sharp contrast to November 2020 when the share of protein tripled that of butterfat. The improved balance in these component prices – and their respective product and class prices – helped to improve the Producer Price Differential well above its large negative value in November 2020. Additionally, their relatively high levels worked to push the FO 51 Statistical Uniform Price at pool average tests to its highest level to date. ❖

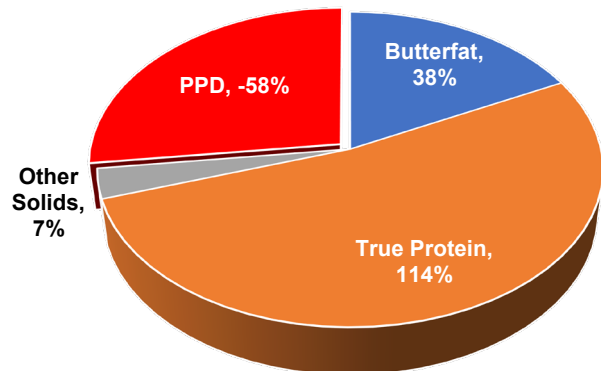
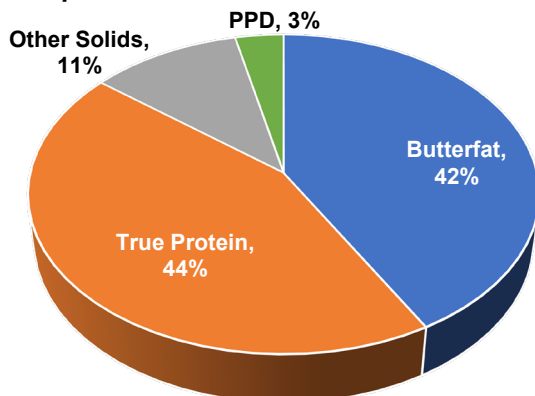


### 2022 Reporting and Payment Dates

A list of reporting and payment dates for 2022 are now available on the California Federal Marketing Order website at: [www.cafmmo.com/order/reporting-and-payment-dates](http://www.cafmmo.com/order/reporting-and-payment-dates). ❖

**Figure 4: Composition of Gross Payment\* at Pool Average Tests  
November 2021 and November 2020**

|                            | November 2021 |                  |                |               | November 2020 |                  |                |               |
|----------------------------|---------------|------------------|----------------|---------------|---------------|------------------|----------------|---------------|
|                            | Test percent  | Price per lb/cwt | Gross dollars  | Share percent | Test percent  | Price per lb/cwt | Gross dollars  | Share percent |
| Butterfat                  | 4.06          | 2.1541           | 175,050.78     | 42            | 3.99          | 1.5553           | 124,217.78     | 38            |
| True Protein               | 3.35          | 2.7536           | 184,419.61     | 44            | 3.31          | 5.6226           | 371,802.56     | 114           |
| Other Solids               | 5.74          | 0.3949           | 45,308.62      | 11            | 5.73          | 0.1894           | 21,714.26      | 7             |
| PPD (price per cwt)        |               | 0.73             | 14,600.00      | 3             |               | -9.55            | -191,000.00    | -58           |
| Total gross payment        |               |                  | 419,379.01     | 100           |               |                  | 326,734.60     | 100           |
| <b>Gross price per cwt</b> |               |                  | <b>\$20.97</b> |               |               |                  | <b>\$16.34</b> |               |



\*For a hypothetical farm producing 2,000,000 pounds of milk at pool average component tests.



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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   | 412,058,259           | \$13.83                   | \$56,987,657.22        |                         |
| Butterfat   | 10,312,729            | 1.9248                    | 19,849,940.78          |                         |
| Less: Location Adjustment to Handlers                 |                       |                           | (841,513.42)           | \$75,996,084.58         |
| Class II— Butterfat                                   | 12,418,766            | 2.1611                    | 26,838,195.19          |                         |
| Nonfat Solids   | 10,530,476            | 1.2478                    | 13,139,927.93          | 39,978,123.12           |
| Class III— Butterfat                                  | 35,004,169            | 2.1541                    | 75,402,480.43          |                         |
| Protein   | 33,883,517            | 2.7536                    | 93,301,652.42          |                         |
| Other Solids  | 57,145,620            | 0.3949                    | 22,566,805.35          | 191,270,938.20          |
| Class IV— Butterfat                                   | 26,604,428            | 2.1541                    | 57,308,598.34          |                         |
| Nonfat Solids   | 48,231,154            | 1.2960                    | 62,507,575.59          | 119,816,173.93          |
| <b>Total Classified Value</b>                         |                       |                           |                        | <b>\$427,061,319.83</b> |
| Add: Overage—All Classes                              |                       |                           |                        | 81,430.25               |
| Inventory Reclassification—All Classes                |                       |                           |                        | 230,888.04              |
| Other Source Receipts                                 | 36,095                |                           |                        | 1,068.42                |
| <b>Total Pool Value</b>                               |                       |                           |                        | <b>\$427,374,706.54</b> |
| Less: Value of Producer Butterfat                     | 84,340,092            | 2.1541                    | (181,676,992.14)       |                         |
| Value of Producer Protein                             | 69,509,390            | 2.7536                    | (191,401,056.29)       |                         |
| Value of Producer Other Solids                        | 119,076,473           | 0.3949                    | (47,023,299.19)        | (420,101,347.62)        |
| <b>Total PPD Value Before Adjustments</b>             |                       |                           |                        | <b>\$7,273,358.92</b>   |
| Add: Location Adjustment to Producers                 |                       |                           |                        | 7,963,848.13            |
| One-half Unobligated Balance—Producer Settlement Fund |                       |                           |                        | 853,538.76              |
| Less: Producer Settlement Fund—Reserve                |                       |                           |                        | (937,954.85)            |
| <b>Total Pool Milk &amp; PPD Value</b>                | 2,075,724,779         |                           |                        | <b>\$15,152,790.96</b>  |
| Producer Price Differential                           |                       | <b>\$0.73</b>             |                        |                         |
| Statistical Uniform Price                             |                       | <b>\$18.76</b>            |                        |                         |

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