



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 2022 Statistical Uniform Price (SUP) for the California Marketing Area decreased \$1.84 per hundredweight (cwt) from last month to \$22.38 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 (3.91 percent butterfat, 3.23 percent protein, and 5.75 percent other solids), the August SUP is \$24.29 per cwt, \$1.91 lower than July. August's Producer Price Differential (PPD) at Los Angeles County is \$2.28 per cwt, an increase of 58 cents from last month.

Product Prices Effect

All monthly average product prices in the National Dairy Product Sales Report declined from July to August, except for the butter price. The cheese price dropped almost 23 cents per pound from last month. The dry whey price decreased about 4 cents per pound, and the nonfat dry milk price declined just over 13 cents per pound. In contrast, the butter price rose roughly 3 cents per pound.

All component prices, except for the butterfat price, moved downward from July. The protein price dropped just under 77 cents per pound from last month. The other solids and nonfat solids prices declined roughly 5 cents and nearly 13 cents per pound, respectively. Meanwhile, the butterfat price gained just over 4 cents per pound from the previous month.

All class prices decreased from July to August, except for the Class II price. The Class I price declined 74 cents per cwt to \$27.23. The Class III price dropped \$2.42 per cwt to \$20.10, and the Class IV price lost 98 cents per cwt to \$24.81. Marking its twelfth consecutive monthly increase, the Class II price rose 25 cents per cwt to \$26.91 — the highest Class II price recorded under the Federal Orders.❖

Pool Summary

- A total of 881 producers were pooled with an average daily delivery per producer of 67,492 pounds, an increase of 3.2 percent from July.
- Pooled milk receipts totaled 1.843 billion pounds, an increase of 5.8 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 21.8 percent of total pooled milk receipts, up 1.2 percentage points from July.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.23 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	21.8	402,438,431
Class II	5.9	108,152,795
Class III	69.7	1,285,579,822
Class IV	2.6	47,113,307
Total Pooled Milk		1,843,284,355

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.1417	2.4582
Butterfat Price	3.4001	1.8508
Other Solids Price	0.3146	0.3735

Class Price Factors

	2022	2021
	\$/cwt	
Class I	27.23	19.00
Class II	26.91	16.51
Class III	20.10	15.95
Class IV	24.81	15.92

Fluid Milk Sales Thus Far in 2022

After two years of the COVID-19 pandemic, children are back in schools, in-person events have returned, and masking mandates are becoming less frequent. As society moves away from lockdowns and remote learning, fluid milk sales appear to be decreasing overall; however, some product categories exhibit strength. Using data collected from the California Federal Marketing Order, this article analyzes fluid milk sales trends thus far in 2022 and compares them against previous years.

A Comparison of 2021 and 2022 To-Date

Packaged Class I products delivered to Federal Order (FO) 51 include those distributed to retail, institutional, or wholesale outlets in California. During the first seven months of 2022, handlers delivered 2.76 billion pounds of packaged milk to FO 51. This represents a 1.9 percent decline in packaged milk sales compared to the first seven months of the previous year. The table above depicts packaged milk sales by product for January through July of 2021 versus 2022. Over the period, conventional flavored milk increased substantially by 51.6 percent. Whole milk also observed an increase, though by just 0.7 percent. The remaining categories posted declines from 2021 to 2022 to-date with low fat 1% (down 9.5 percent) and

**Sales of Packaged Milk Distributed in Federal Order 51
January through July, 2021 and 2022**

Product	2021	2022	Percent Change
	million pounds		%
Whole Milk	975.9	982.3	0.7%
Reduced Fat Milk (2%)	919.7	840.4	-8.6%
Low Fat Milk (1%)	336.3	304.4	-9.5%
Fat Free Milk	124.2	123.8	-0.3%
Organic Milk Products*	311.4	305.0	-2.1%
Flavored Milk Products**	113.3	171.8	51.6%
Other***	33.6	33.1	-1.4%
Total	2,814.4	2,760.8	-1.9%

* Includes all organic milk products sold in Federal Order 51.

** Includes all conventional flavored milk products sold in Federal Order 51.

*** Includes buttermilk and eggnog.

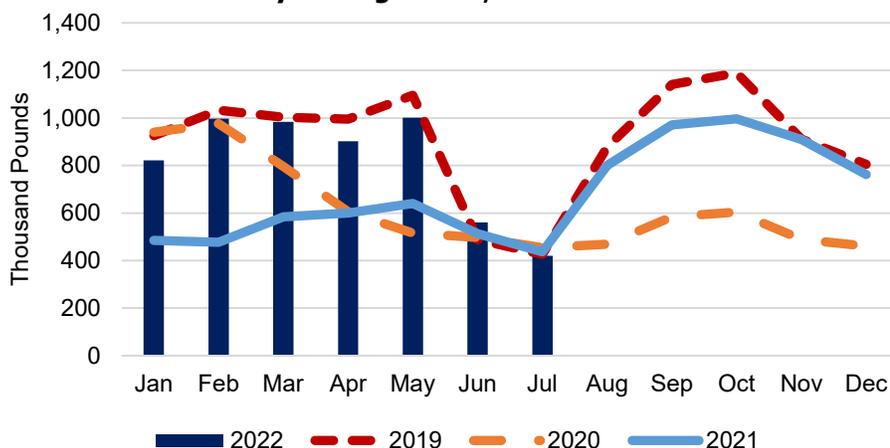
reduced fat 2% (down 8.6 percent) milks exhibiting the largest decreases.

A Closer Look at Product Trends

Flavored Milk

Packaged sales of conventional flavored milk products show significant fluctuations over the last four years. Figure 1 displays the daily average volume of packaged flavored milk sold into FO 51 for each year from 2019 to 2022 to-date. The figure shows that flavored milk sales in California correlate strongly with in-person learning in schools. In the year preceding the pandemic, flavored milk sales seemed to follow typical school consumption trends: sales were relatively stable at the beginning of 2019 through the spring; dipped in the summer months when schools were on summer break; strongly increased into the fall as children went back to school; and declined slightly going into the holiday season. Sales in 2020, however, did not follow this trend. 2020's sales correlate with the onset of remote learning in March 2020, decreasing substantially in the spring and foregoing the August increase seen in other years. 2021's sales stayed similarly suppressed until most schools returned to

**Figure 1: Flavored Milk Sales* into Federal Order 51
Daily Average Basis, 2019 to 2022**



* Includes all conventional flavored milk products sold in Federal Order 51.

in-person learning in the fall. Flavored milk sales in 2022 show a vast improvement over the prior year but are still below the January through July sales of 2019 by 4.7 percent.

Whole Milk

Since 2019, whole milk sales remained relatively flat year-over-year, especially when compared to other fluid milk products. Figure 2 portrays the daily average volume of packaged whole milk sold into FO 51 for each year from 2019 to July 2022. In addition to remaining somewhat constant year-over-year, whole milk sales were relatively stable across the months of each year, suggesting that seasonality may have a limited influence. The largest fluctuation in the figure occurs in March 2020 coinciding with pandemic shutdowns and consumer “panic-buying” at grocery stores. Compared to January through July of 2019, whole milk sales in 2022 declined 4.4 percent.

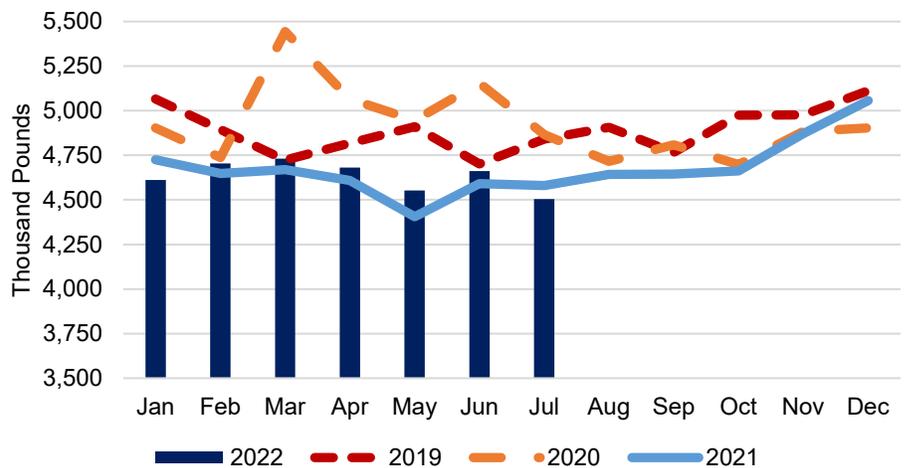
Organic Milk

Figure 3 shows the daily average volume of packaged organic milk products sold into FO 51 each year from 2019 to 2022 to-date. As mentioned earlier, January through July 2022 organic milk sales decreased 2.1 percent year-over-year. While 2022 sales of organic milk have dropped from 2020 and 2021 levels, sales remain above those of 2019; organic milk sales in 2022 to-date are 22.3 percent higher than the same period in 2019. Despite the small decline in organic milk sales from 2021 to 2022, current year sales remain well above pre-pandemic levels.

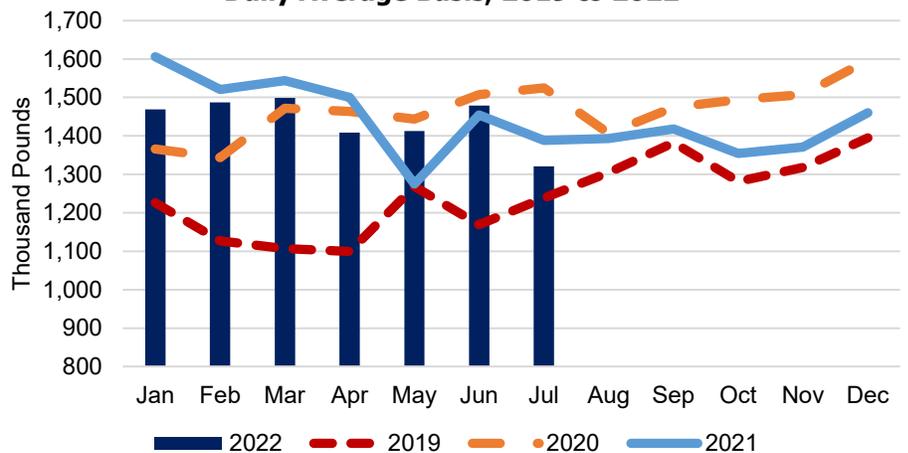
Class I Utilization

Class I utilization represents the pounds of producer milk used to make fluid milk products by FO 51 pool distributing plants. Unlike the packaged milk statistics shown above, products made from FO 51’s Class I utilization do not have to be sold in California.

**Figure 2: Whole Milk Sales into Federal Order 51
Daily Average Basis, 2019 to 2022**



**Figure 3: Organic Milk Sales* into Federal Order 51
Daily Average Basis, 2019 to 2022**



* Includes all organic milk products sold in Federal Order 51.

nia. July 2022 marked the lowest Class I volume on FO 51 since its inception. In July, Class I utilization totaled 359.3 million pounds – a decline of roughly 5.8 percent from the year prior. As evidenced in the charts, fluid milk sales tend to have seasonal lows in July and the summer months, which could play a role in this low July volume. In August 2022, Class I volume rose to 402.4 million pounds. While rising 12 percent from last month, August Class I utilization declined 1.8 percent from the same month of 2021. As we move further into the fall months, the possibility of a full in-person school year offers optimism for Class I sales, particularly for products with volumes that appear heavily influenced by the academic calendar. ❖



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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	392,987,243	\$15.85	\$62,288,478.02	
Less: Location Adjustment to Handlers	9,451,188	3.4096	32,224,770.60	
			(814,003.75)	\$93,699,244.87
Class II— Butterfat	14,583,543	3.4071	49,687,589.35	
Nonfat Solids	8,683,232	1.7256	14,983,785.13	64,671,374.48
Class III— Butterfat	43,747,213	3.4001	148,744,898.90	
Protein	42,134,566	2.1417	90,239,599.97	
Other Solids	74,455,035	0.3146	23,423,554.02	262,408,052.89
Class IV— Butterfat	4,207,171	3.4001	14,304,802.12	
Nonfat Solids	3,995,180	1.4862	5,937,636.51	20,242,438.63
Total Classified Value				\$441,021,110.87
Add: Overage—All Classes				6,244.99
Inventory Reclassification—All Classes				(221,786.68)
Other Source Receipts	95,514			7,020.27
Total Pool Value				\$440,812,589.45
Less: Value of Producer Butterfat	71,989,115	3.4001	(244,770,189.91)	
Value of Producer Protein	59,580,791	2.1417	(127,604,180.10)	
Value of Producer Other Solids	106,056,419	0.3146	(33,365,349.41)	(405,739,719.42)
Total PPD Value Before Adjustments				\$35,072,870.03
Add: Location Adjustment to Producers				6,931,464.17
One-half Unobligated Balance—Producer Settlement Fund				825,409.41
Less: Producer Settlement Fund—Reserve				(800,682.55)
Total Pool Milk & PPD Value	1,843,379,869			\$42,029,061.06
Producer Price Differential		\$2.28		
Statistical Uniform Price		\$22.38		

Total value of milk in the pool → \$441,021,110.87

Total Class III value of producer components → \$35,072,870.03

Value from which PPD per hundredweight is calculated

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