



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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June 2019

Federal Order No. 51

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June Pool Price Calculation

The June 2019 statistical uniform price (SUP) for the California Marketing Area was announced at \$17.23 per hundredweight for milk delivered to plants located in Los Angeles County, California, the pricing point for the California Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$18.41 per hundredweight. The June SUP was 30 cents per hundredweight above the May price. The June producer price differential (PPD) at Los Angeles County was \$0.96 per hundredweight, an increase of 41 cents from last month.

Product Prices Effect

Commodity product price changes were mixed in June. Butter rose 7 cents and nonfat dry milk increased 3 cents, both on a per pound basis. Cheese and dry whey both declined about one cent per pound. These changes resulted in a 9-cent jump in the butterfat price and a 3-cent increase in the nonfat solids price. The 1-cent drop in the cheese price translated to an 11-cent drop in the protein price, while the other solids price declined about 1.5 cents. All component price changes are on per pound basis. Class price changes also were mixed. Class I increased 65 cents, Class II rose 82 cents, and Class IV was up 54 cents, while Class III decreased 11 cents, all on a per hundredweight basis. The Class III price was the lowest of the class prices; Class III utilization increased significantly while Class IV declined. With overall higher prices, the SUP increased. The spread between the higher and lower priced classes increased, resulting in a higher PPD. ❖

Price Outlook

The following charts show the weighted monthly average Agricultural Marketing Service *National Dairy Product Sales Report* (NDPSR) product prices for the commodities that are used in the calculation of component prices under Federal orders. Since these prices are used to calculate component values, monitoring changes in the commodity values may also serve as pricing signals.

Under component pricing, USDA begins with the product prices (continued on page 2)

Pool Summary

- A total of 1,111 producers were pooled under the Order with an average daily delivery per producer of 71,196 pounds, a decrease of 9.0 percent from May.
- Pooled milk receipts totaled 2.373 billion pounds, a decrease of 5.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 16.3 percent of total milk receipts, down 1.9 percentage points from May.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	16.3	385,922,155
Class II	5.2	123,913,754
Class III	58.0	1,376,702,833
Class IV	20.5	486,413,530
Total Pooled Milk		2,372,952,272

Producer Component Prices

	\$/lb
Protein Price	2.0046
Butterfat Price	2.6579
Other Solids Price	0.1702

Class Prices

	\$/cwt
Class I	19.17
Class II	17.30
Class III	16.27
Class IV	16.83

Price (continued from page 1)

of cheese, butter, nonfat dry milk, and whey, calculated from weekly surveys conducted by USDA's Agricultural Marketing Service (AMS). From these prices USDA calculates the value for a pound of butterfat, protein, and other solids, forming the basis for what farmers are paid. These component values also are used by USDA to calculate per hundredweight class prices.

Stronger product prices (cheese, butter, and nonfat dry milk) are resulting in stronger Federal Order Class III and Class IV milk prices, and supporting higher overall Statistical Uniform prices.

Chart 1 presents actual Class III and Class IV prices and the projected prices for the remainder of 2019. Chart 2 presents actual and projected prices for three products; cheese, butter, and nonfat dry milk. In both charts, projected prices are based on Chicago Mercantile Exchange (CME) futures prices as settled on July 10, 2019.

Butter

A strong butter price continues to lend value to the Class IV milk price. NDPSR prices, which are used in Federal Order pricing, averaged \$2.3095 per pound from April through June. June's butter price

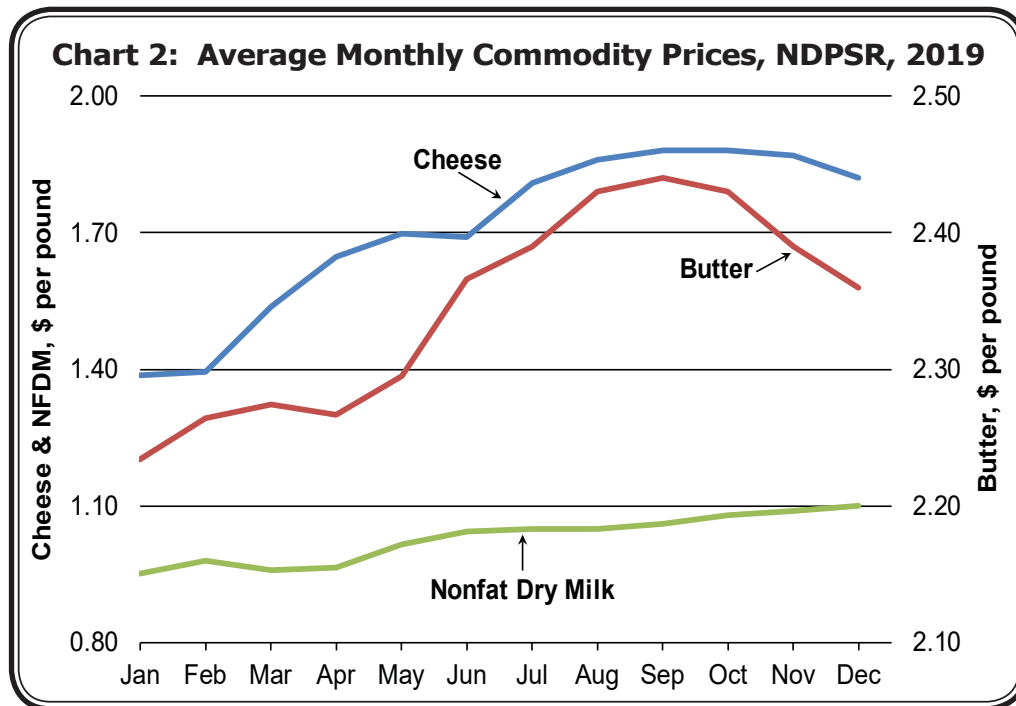
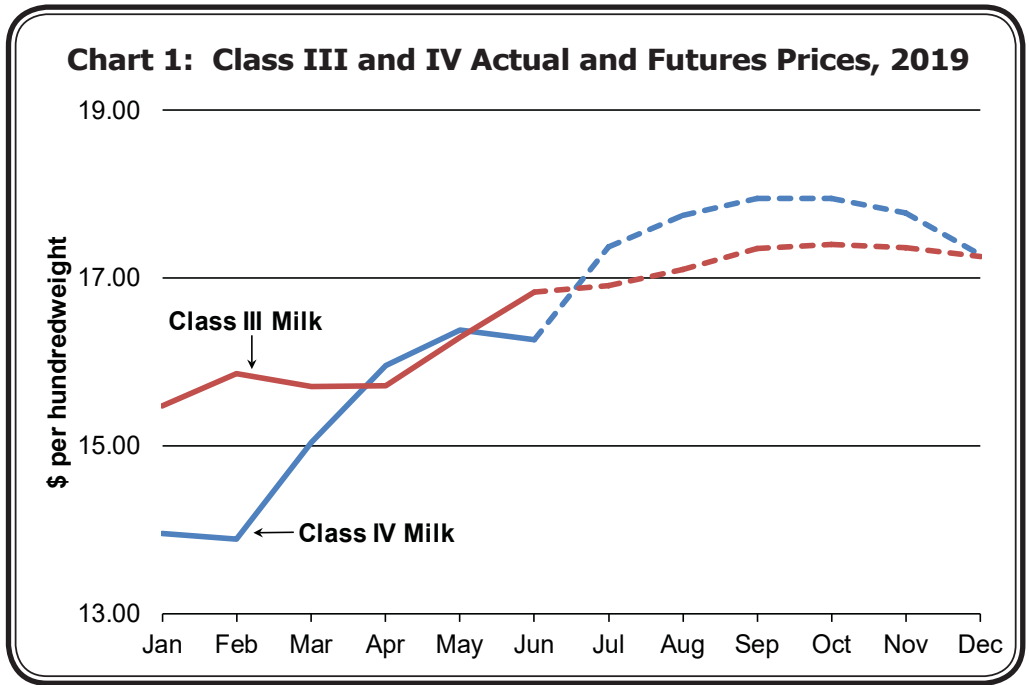
increased to \$2.3663 per pound and was above the previous 5-year average of \$2.21 per pound for July. The CME spot butter price on July 10 closed at \$2.4075 per pound. CME Butter futures range from \$2.35 to \$2.43 per pound, from July through December.

Cheese

Monthly NDPSR cheese prices averaged \$1.5591 per pound over the first six months of 2019. The June 2019 price of \$1.6910 per pound is roughly 8 cents above the previous June price. As of July 10, the block and barrel cheese CME spot prices were \$1.7461 and \$1.6075 per pound, respectively. CME cheese futures through 2019 peak just above \$1.88 per pound during October, which would be about 23 cents higher than last year's peak monthly cheese price that occurred in September 2018.

NFDM

Monthly NDPSR nonfat dry milk (NFDM) prices averaged \$0.9854 for the first six months of 2019. During this period, the NFDM price averaged about 14 cents above its previous four-year average. The CME spot price for NFDM on July 10 was \$1.0375, and CME futures for NFDM climb to a peak of just over \$1.10 per pound in December. ❖



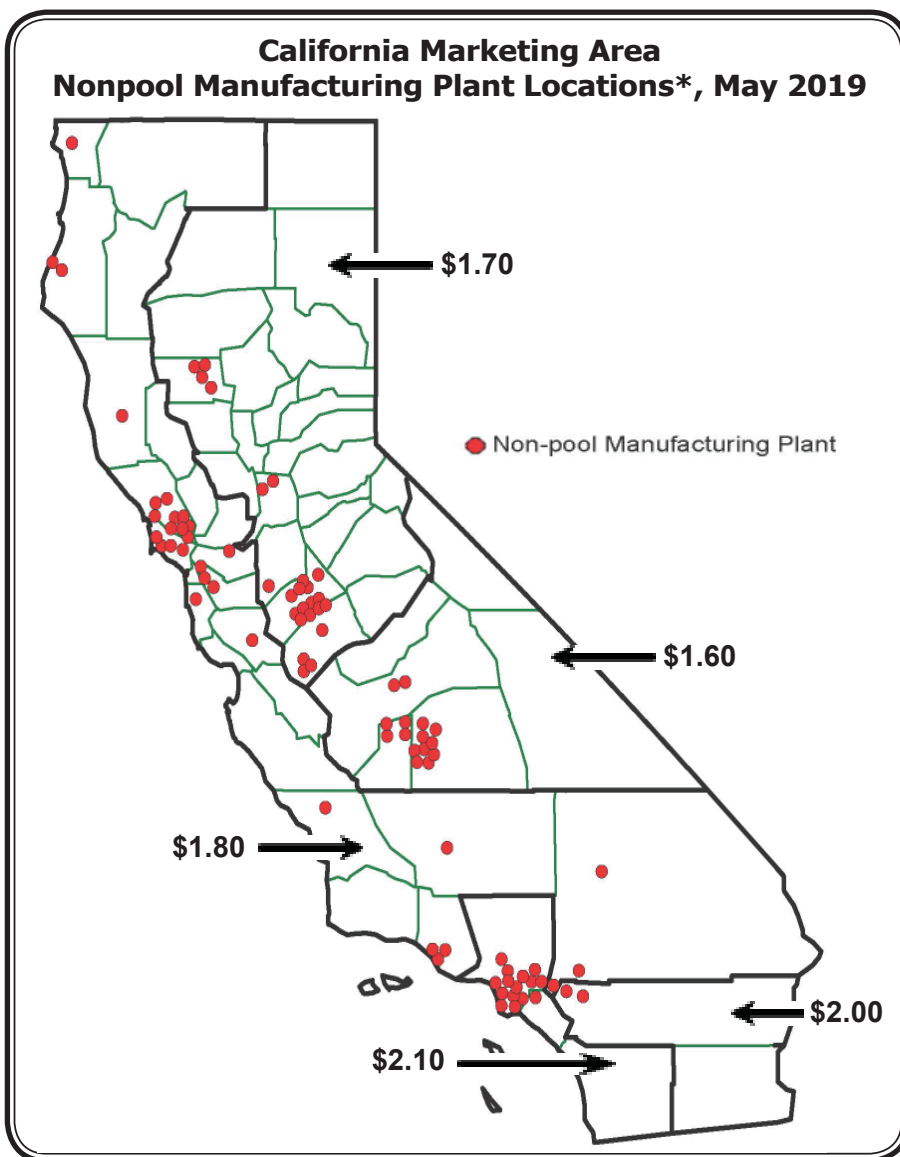
Nonpool Plants Associated with California Milk Marketing Area

Last month's *Bulletin* included a map of pool handlers associated with the California Federal Milk Marketing Area (CFMMA). This month, the accompanying map shows 87 nonpool plants located in the state of California that were associated with the CFMMA for the month of May 2019. These include nonpool manufacturing plants that receive milk from pool handlers. Nonpool plants shown on the map are not fully regulated by any other Federal order. They do not have route disposition in a Federal order and may manufacture a variety of products.

When large swings occur in the volumes of Class III and IV utilized in the pool, as happened in March and June, milk moving to nonpool plants is the reason. Based on class prices, there is an economic incentive for handlers to pool or not pool milk with a certain class utilization.

Nonpool plants in California are spread out around the state, but tend to be clustered in certain areas. A large group exist in the Los Angeles County area, others in Tulare and Stanislaus counties, and another in the Sonoma region. Concentration is likely based on proximity to available milk, labor supplies, and markets.

In addition to the plants shown, there were 23 nonpool plants associated with the CFMMA in May 2019 located in states as nearby as Nevada and distant as Hawaii. ❖



Pool Summary for All Federal Orders, January–June, 2018–2019

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2018	2019	Change [^]	2018	2019	2018	2019
		pounds			percent	dollars per hundredweight		
1	Northeast	13,828,136,453	13,562,910,378	(1.9)	1.24	2.03	15.66	17.28
5	Appalachian	2,932,291,911	2,719,416,766	(7.3)	N/A	N/A	16.91	18.46
6	Florida	1,284,227,250	1,273,768,147	(0.8)	N/A	N/A	19.04	20.56
7	Southeast	2,764,331,329	2,601,656,551	(5.9)	N/A	N/A	17.22	18.81
30	Upper Midwest	16,654,140,274	18,581,244,661	11.6	0.14	0.24	14.55	15.49
32	Central	8,468,924,118	8,710,080,682	2.8	0.11	0.65	14.52	15.90
33	Mideast	10,000,195,680	9,849,820,136	(1.5)	0.40	1.09	14.82	16.34
51	California[^]	N/A	13,244,595,138	N/A	N/A	0.89	N/A	16.14
124	Pacific Northwest	4,201,137,302	4,431,362,835	5.5	0.06	0.73	14.47	15.98
126	Southwest	6,769,239,468	7,232,764,807	6.8	0.99	1.49	15.41	16.74
131	Arizona	2,671,113,511	2,610,780,867	(2.3)	N/A	N/A	14.66	16.37
All Market Total/Average		69,573,737,296	84,818,400,968	21.9	0.49	1.02	15.73	17.10

Price at designated order location.

N/A = Not applicable.

[^] California Milk Marketing Area (F.O. 51) became effective November 1, 2018.



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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	376,761,229	\$10.49	\$39,522,252.92	
Butterfat	9,160,926	2.5844	23,675,497.15	
Less: Location Adjustment to Handlers			(764,598.29)	\$62,433,151.79
Class II— Butterfat	14,833,808	2.6649	39,530,614.93	
Nonfat Solids	10,045,552	0.9178	9,219,807.63	48,750,422.56
Class III— Butterfat	45,250,715	2.6579	120,271,875.40	
Protein	44,280,510	2.0046	88,764,710.34	
Other Solids	79,949,046	0.1702	13,607,327.61	222,643,913.35
Class IV— Butterfat	21,302,924	2.6579	56,621,041.70	
Nonfat Solids	42,890,283	0.8665	37,164,430.24	93,785,471.94
Total Classified Value			<i>Total value of milk in the pool</i>	\$427,612,959.64
Add: Overage—All Classes				0.00
Inventory Reclassification—All Classes				48,754.52
Other Source Receipts	18,641			606.12
Total Pool Value				\$427,662,320.28
Less: Value of Producer Butterfat	90,548,373	2.6579		
Value of Producer Protein	74,870,175	2.0046		
Value of Producer Other Solids	136,904,480	0.1702		(414,054,415.93)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	\$13,607,904.35
Add: Location Adjustment to Producers				9,175,138.50
One-half Unobligated Balance—Producer Settlement Fund				1,080,153.43
Less: Producer Settlement Fund—Reserve				(1,082,675.57)
Total Pool Milk & PPD Value	2,372,970,913			\$22,780,520.71
Producer Price Differential		\$0.96		
Statistical Uniform Price		\$17.23		

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