



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

Peter Fredericks, Market Administrator

July 2022

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

July Pool Price Calculation

The July 2022 Statistical Uniform Price (SUP) for the California Marketing Area decreased \$1.37 per hundredweight (cwt) from last month to \$24.22 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 (3.89 percent butterfat, 3.21 percent protein, and 5.77 percent other solids), the July SUP is \$26.20 per cwt, \$1.63 lower than June. July's Producer Price Differential (PPD) at Los Angeles County is \$1.70 per cwt, an increase of 44 cents from last month.

Product Prices Effect

Most monthly average product prices in the National Dairy Product Sales Report moved downward from June to July. The cheese price lost roughly 15 cents per pound from last month. The dry whey price declined nearly 7 cents per pound, and the nonfat dry milk price decreased almost 2 cents per pound. The butter price was the only product price to improve from June to July, rising just over 2 cents per pound.

Most component prices declined from June to July as well. The protein price dropped almost 51 cents per pound from the previous month. The other solids and nonfat solids prices decreased just under 7 cents per pound and roughly 2 cents per pound, respectively. Meanwhile, the butterfat price – the only price to increase from June to July – rose nearly 3 cents per pound.

All class prices moved marginally from June to July, except for the Class III price. The Class I price remained unchanged from last month at \$27.97 per cwt. The Class II price gained a penny to \$26.66 per cwt, while the Class IV price declined 4 cents to \$25.79 per cwt. Lastly, the Class III price saw a large fluctuation from June, dropping \$1.81 per cwt to \$22.52. ❖

Pool Summary

- A total of 860 producers were pooled with an average daily delivery per producer of 65,368 pounds, an increase of 0.3 percent from June.
- Pooled milk receipts totaled 1.743 billion pounds, an increase of 1.9 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 20.6 percent of total pooled milk receipts, down 2.0 percentage points from June.
- The average butterfat test of producer receipts was 3.89 percent.
- The average true protein test of producer receipts was 3.21 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	20.6	359,284,068
Class II	5.7	99,826,871
Class III	69.7	1,214,186,102
Class IV	4.0	69,425,247
Total Pooled Milk		1,742,722,288

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.9116	2.4957
Butterfat Price	3.3600	1.8996
Other Solids Price	0.3596	0.4181

Class Price Factors

	2022	2021
	\$/cwt	
Class I	27.97	19.52
Class II	26.66	16.83
Class III	22.52	16.49
Class IV	25.79	16.00

2022 Prices Setting Records Under the Federal Orders

Milk prices under the Federal Milk Marketing Orders reached unprecedented levels in 2022 thus far. The table at right details various Federal Order (FO) price records as of July 2022, noting the price and period of each record. As shown in the table, all class prices as well as the FO 51 Statistical Uniform Price (SUP) achieved new highs this year. 2022 prices are besting most records set roughly eight years ago in 2014. This article and the accompanying figures evaluate 2022's record FO prices compared to those over the last 22 years of classified pricing.

Product Prices

Prices surveyed by USDA in the *National Dairy Product Sales Report* (NDPSR) serve as inputs to FO price formulas; thus, they directly impact FO prices. Figure 1 displays the NDPSR product prices from January 2000 to July 2022. Notably, two prices – the butter and dry whey prices – achieved historical records this year. The butter price reached \$2.9461 per pound in July 2022, and the dry whey price peaked at \$0.7943 per pound in March 2022. Although the cheese price did not top its high from July 2020 when USDA purchased cheese during the pandemic, it recorded its third and fifth highest values in May and June 2022, respectively. The nonfat dry milk price was the only product price that did not reach a top five record in 2022, as its recent high in April ranked seventeenth since 2000.

Historical Records Under the Federal Orders*

Product Prices (\$/lb)	Price	Period
Butter	2.9461	July 2022
Cheese	2.5873	July 2020
Dry Whey	0.7943	March 2022
Nonfat Dry Milk	2.0897	March 2014
Component Prices (\$/lb)		
Butterfat	3.3600	July 2022
Protein	5.6294	July 2020
Other Solids	0.6131	March 2022
Nonfat Solids	1.9027	March 2014
Class Prices (\$/cwt)		
Base Class I	25.87	June 2022
Class II	26.66	July 2022
Class III	25.21	May 2022
Class IV	25.83	June 2022
SUP & PPD (\$/cwt)		
SUP at Standard Tests	25.59	June 2022
SUP at Pool Average Tests	27.88	April 2022
PPD	1.70	July 2022

* Green highlight represents records made in 2022

Class Prices

All class prices recorded their highest values this year, exceeding their previous highs set in 2014. Figure 2 depicts the FO class prices from January 2000 to July 2022. The base Class I price, or the Class I price without adjusting for location, achieved its highest value in June and July 2022, reaching \$25.87 per cwt in both months (\$27.97 per cwt at Los Angeles County, California). July 2022 also marked the highest Class II price ever recorded at \$26.66 per cwt. Also surpassing all prior levels, the Class III price reached \$25.21 per cwt in May 2022. Lastly, the Class IV price set its record in June 2022 of \$25.83 per cwt, \$1.94 higher than that of August 2014.

Figure 1: Product Prices, January 2000 to July 2022

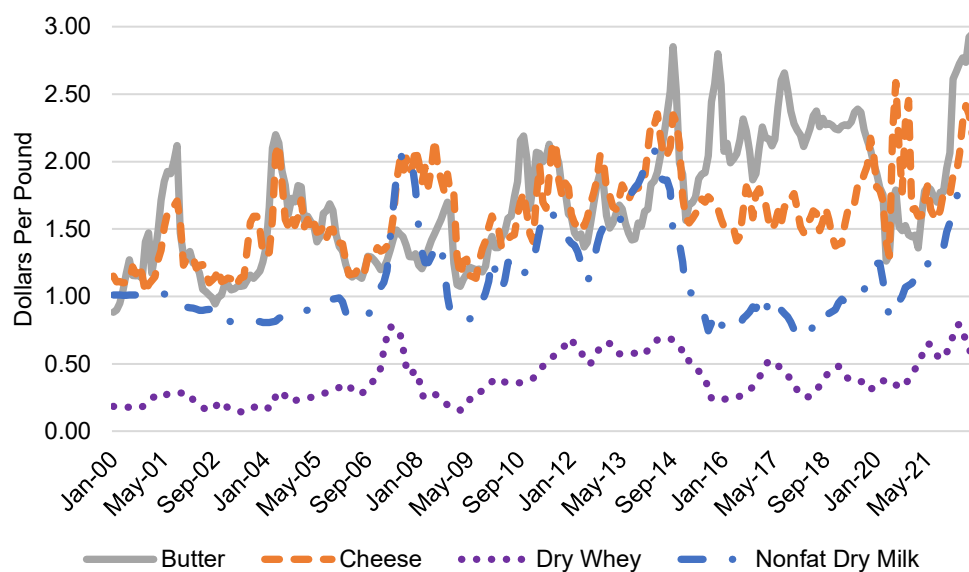
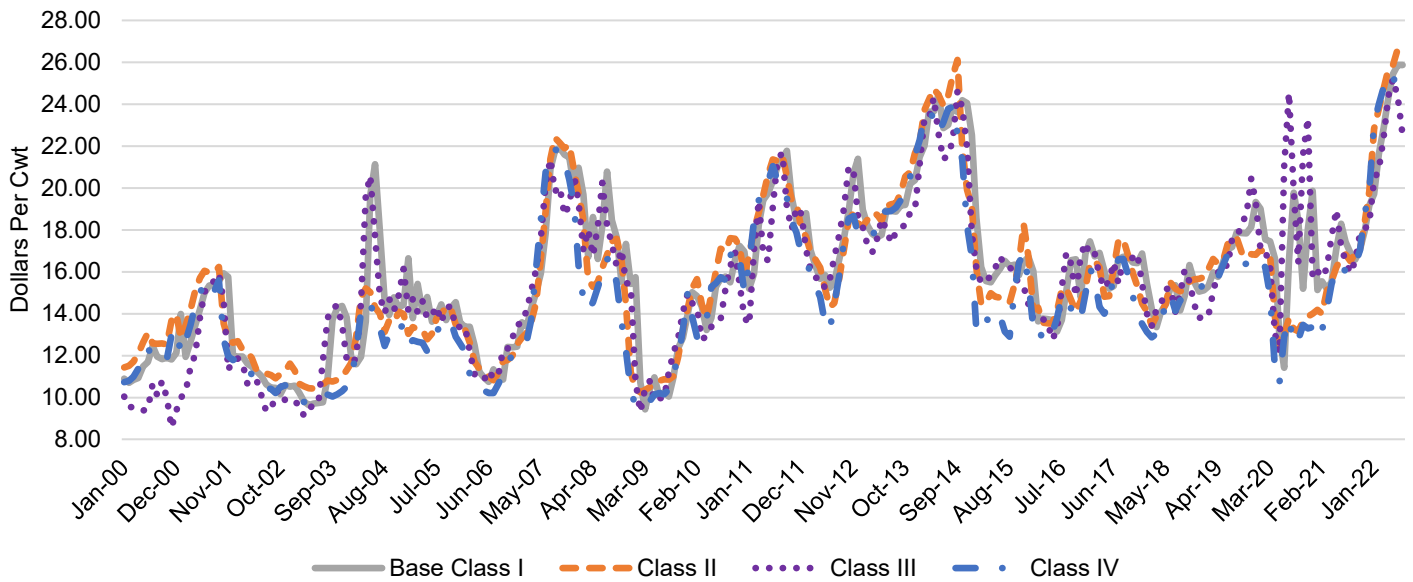


Figure 2: Class Prices, January 2000 to July 2022



Statistical Uniform Price and Producer Price Differential

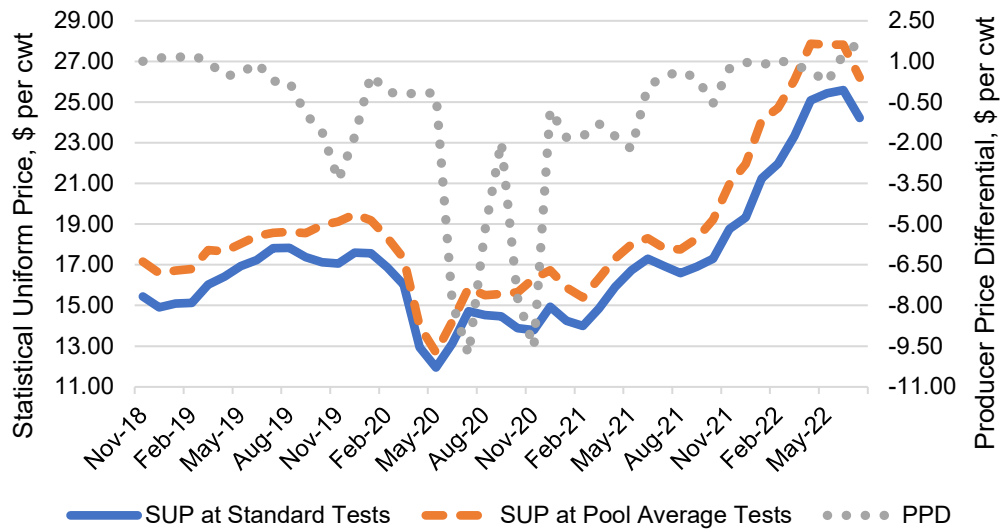
The FO 51 SUP achieved new all-time highs in multiple months of 2022, recognizing that the Order did not exist during the highs of the 2014 era. Figure 3 portrays the FO 51 SUP at standard tests and pool average tests along with the Producer Price Differential (PPD) since the Order’s inception. The SUP at standard tests (3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids) peaked at \$25.59 per cwt in June 2022, marking its tenth consecutive monthly increase. From August 2021 to June 2022, the SUP at standard tests rallied \$9.00 per cwt, or 54 percent over the 11-month period. The SUP at pool average tests also hit a record high in 2022, rising to \$27.88 per cwt in April. Even the spread between the Class III price and the SUP – also known as the PPD – reached a new record of \$1.70 per cwt in July 2022.

High Input Costs

Although milk prices on the revenue side of the equation are historically high, elevated input costs

continue to put pressure on producer margins. Inflation, as discussed in the May 2022 *Bulletin*, has kept producer prices lower in real terms than prior years. Adjusting for inflation using the Producer Price Index, 2022 class prices in real dollars do not exceed the highest months of 2014, as high costs more than offset the record nominal prices of 2022. *Chicago Mercantile Exchange* futures as of August 18, 2022, suggest that the FO 51 SUP and other dairy prices may have peaked for 2022 but also indicate that the SUP will likely remain above \$20.00 per cwt for the remainder of the year. ❖

Figure 3: Federal Order 51 SUP and PPD, November 2018 to July 2022





RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim Butterfat	350,404,094	\$16.74	\$58,657,645.34	
Less: Location Adjustment to Handlers	8,879,974	3.3753	29,972,576.24	
			(757,867.46)	\$87,872,354.12
Class II— Butterfat	11,926,978	3.3670	40,158,134.95	
Nonfat Solids	8,144,266	1.7133	13,953,570.97	54,111,705.92
Class III— Butterfat	42,111,256	3.3600	141,493,820.16	
Protein	39,525,215	2.9116	115,081,615.99	
Other Solids	70,404,374	0.3596	25,317,412.88	281,892,849.03
Class IV— Butterfat	4,906,199	3.3600	16,484,828.64	
Nonfat Solids	5,990,358	1.6160	9,680,418.51	26,165,247.15
Total Classified Value				\$450,042,156.22
Add: Overage—All Classes				2,313.24
Inventory Reclassification—All Classes				(29,961.40)
Other Source Receipts	31,032			1,734.69
Total Pool Value				\$450,016,242.75
Less: Value of Producer Butterfat	67,824,407	3.3600	(227,890,007.52)	
Value of Producer Protein	55,964,364	2.9116	(162,945,842.24)	
Value of Producer Other Solids	100,511,764	0.3596	(36,144,030.33)	(426,979,880.09)
Total PPD Value Before Adjustments				\$23,036,362.66
Add: Location Adjustment to Producers				6,629,152.32
One-half Unobligated Balance—Producer Settlement Fund				806,136.64
Less: Producer Settlement Fund—Reserve				(844,845.16)
Total Pool Milk & PPD Value	1,742,753,320			\$29,626,806.46
Producer Price Differential		\$1.70		
Statistical Uniform Price		\$24.22		

Total value of milk in the pool → \$450,042,156.22

Total Class III value of producer components → \$23,036,362.66

Value from which PPD per hundredweight is calculated

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