



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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February Pool Price Calculation

The February 2020 Statistical Uniform Price (SUP) for the California Marketing Area was announced at \$16.88 per hundredweight (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 producer pooled milk (3.91 percent butterfat, 3.20 percent protein, and 5.76 percent other solids), the February SUP would be \$18.33 per cwt. The SUP at average component tests for February is lower than that of January by 86 cents per cwt. February's Producer Price Differential (PPD) at Los Angeles County was $-\$0.12$ per cwt, a decrease of 63 cents compared to the previous month's PPD of \$0.51.

Product Prices Effect

Commodity product prices, all reported on a per pound basis, showed variations of mixed degrees from January to February 2020. The monthly average butter price continued its fall that began in July 2019, decreasing just over 10 cents. After falling slightly in January, the monthly average cheese price fell just over 2 cents. On the other hand, the nonfat dry milk (NFD) price stayed relatively the same, while the dry whey price rose slightly, by just over 3 cents. With the exception of the protein price, February's component prices continued along the trajectories followed in January. The butterfat price continued its decline, falling 13 cents to \$1.9813; this marks the first time that the butterfat price has dropped below \$2 since the inception of the CFMO. At \$1.0667, the nonfat solids price remained relatively unchanged, compared to January. The other solids price rose just over 3 cents to \$0.175. After a significant drop of 69 cents in January, the protein price bounced back in February, increasing 7 cents to \$3.0309.

All Class prices fell from their January levels, with the Class III price experiencing the smallest decrease. The Class I price continued to decline, by nearly 7 percent from the previous month, to \$19.65 per cwt. After increasing from December to January, the Class II price decreased 21 cents in February to \$16.84 per cwt. This month, the Class III price saw a much smaller decline of only a nickel, compared to the previous month's drop of over \$2, bringing the price (Pool Price Calculation continued on page 3)

Pool Summary

- A total of 851 producers were pooled with an average daily delivery per producer of 76,044 pounds, a decrease of more than 10 percent from January.
- Pooled milk receipts totaled 1.877 billion pounds, a decrease of just over 14 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 21.3 percent of total pooled milk receipts, up 1.9 percentage points from January.
- The average butterfat test of producer receipts was 3.91 percent, down .04 percentage points from January.
- The average true protein test of producer receipts was 3.20 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	21.3	399,556,933
Class II	6.2	116,031,205
Class III	2.5	47,574,594
Class IV	70.0	1,313,517,977
Total Pooled Milk		1,876,680,709

Producer Component Prices

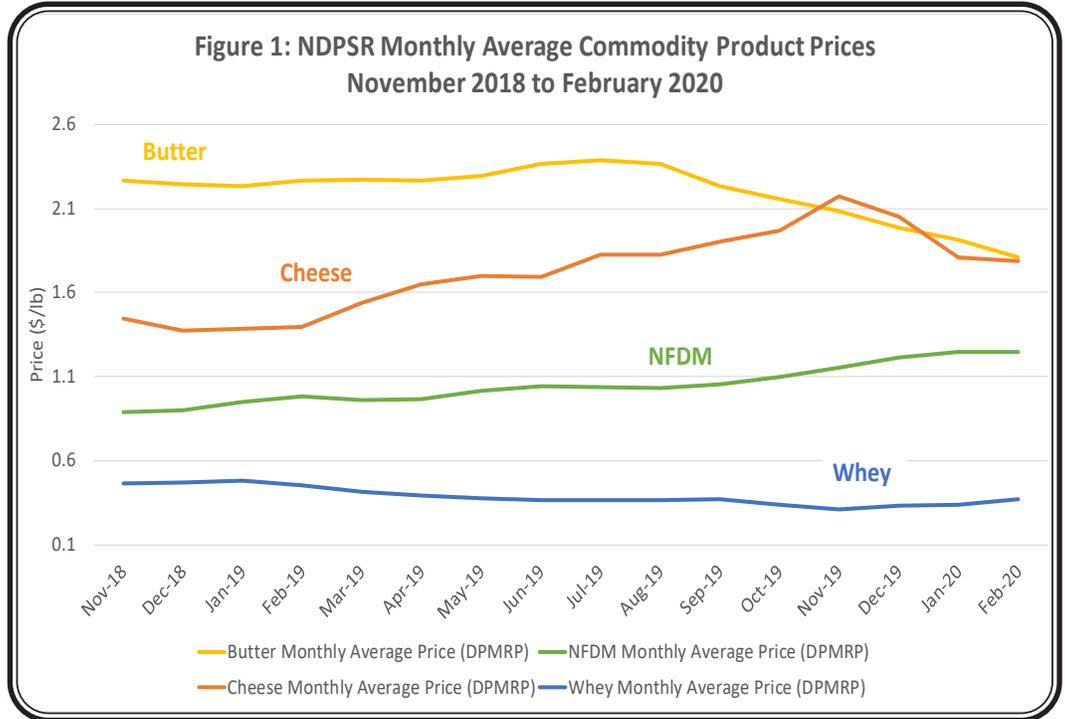
	2020	2019
	\$/lb	
Protein Price	3.0309	1.1776
Butterfat Price	1.9813	2.5345
Other Solids Price	0.1750	0.2631

Class Price Factors

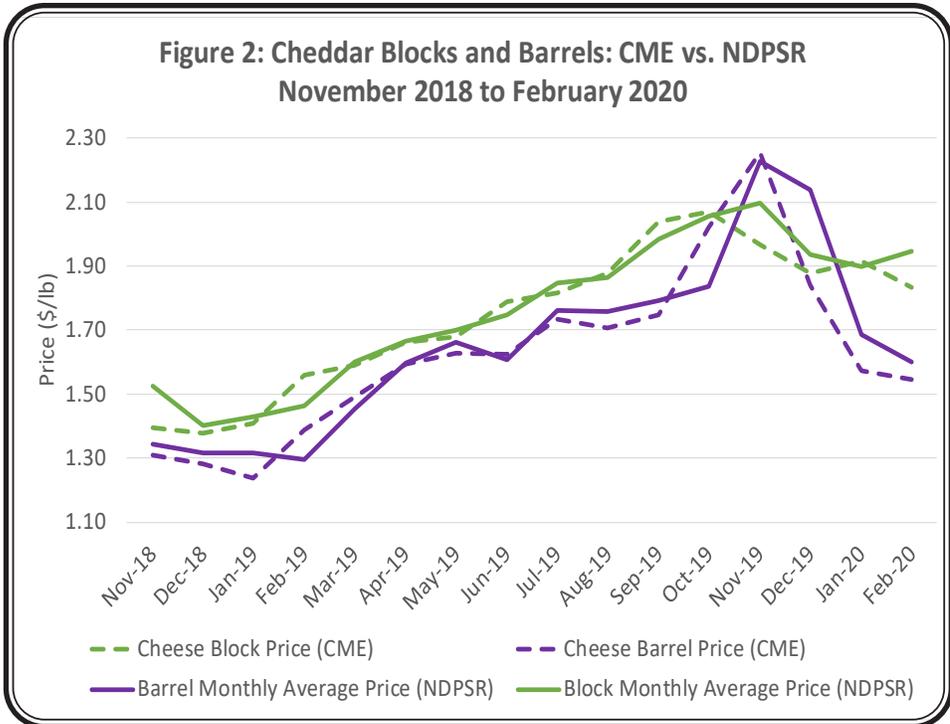
	2020	2019
	\$/cwt	
Class I	19.65	17.40
Class II	16.84	16.13
Class III	17.00	13.89
Class IV	16.20	15.86

Commodity Product Prices: The Backbone of Federal Order Prices

The prices of dairy commodities underlying Federal Order prices have experienced mixed trends since the inception of the California Federal Milk Marketing Order (CFMO) in November 2018. Figure 1 shows the monthly average prices of butter, nonfat dry milk (NFDM), cheese, and whey, published in the Agricultural Marketing Service (AMS) National Dairy Product Sales Report (NDPSR). The NFDM and whey monthly average prices are fairly stable, with NFDM strengthening slightly and whey weakening slightly over the course of sixteen months. While relatively constant from November 2018 to June 2019, the butter monthly average price began to fall in summer 2019. The cheese price, on the other hand, steadily rose until November 2019, then fell.



As a refresher, the CFMO uses component pricing, which begins with commodity product prices published in the NDPSR; AMS calculates these prices and subsequent component values based on its weekly surveys of plants across the country, which then feed into the class prices. In contrast, the previous program under the California Department of Food and Agriculture (CDFA) used commodity prices from various entities, including the Chicago Mercantile Exchange (CME) for butter and cheese prices.



Different Sources, Similar Trends

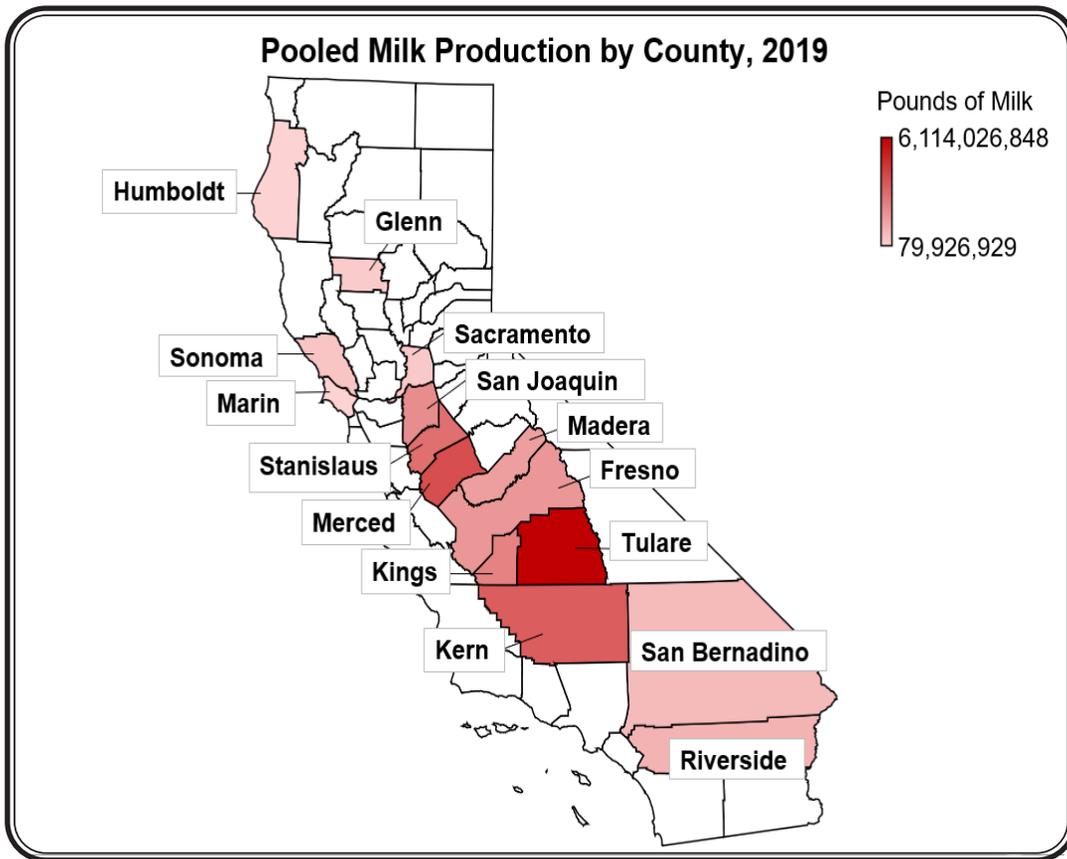
Despite the difference in sources, the monthly average product prices that form the basis for the current pricing structure and those for the previous program tend to move together for a given commodity. For example, the monthly average block and barrel cheddar cheese prices published in the NDPSR exhibit similar trends to those in the CME from November 2018 to February 2020, as evidenced in Figure 2. The NDPSR prices are slightly above and lag the CME prices for most months in the time period; however, averaging at about a quarter of a cent for barrels and less than a fifth of a cent for blocks over

the sixteen-month period, the difference is generally insignificant. A strong relationship between the two is expected because most cheese sold in the country is priced in relation to the CME cash market.

Dairy commodity price data is available through various reports; discerning between them can be complicated. More information on the NDPSR and Dairy Mandatory Price Reporting is available at <https://www.ams.usda.gov/rules-regulations/mmr/dmr>.

Pooled Production by State and County

Pooled production by state and county under the California Federal Marketing Order (CFMO) is now available on the CFMO website at <https://cafmmo.com/publications/statistical-reports/>. Published production data includes only pooled milk and may not reflect the total production in each state or county in any given month. Handlers have the option to pool or not pool milk utilized in classes other than Class I at their discretion. The rationale for pooling or not pooling manufacturing class milk (Classes II, III, and IV) depends upon the relationship between



class prices and the Statistical Uniform Price (SUP). During different periods last year, the price relationships favored the de-pooling of milk and, as a result, large volumes were de-pooled from the order during some months of 2019. Accordingly, published data may not exhibit the entirety of state and county milk production.

The accompanying map exhibits the top pooled milk producing counties in California for all of 2019. Tulare County leads all counties with more than six billion pounds of pooled milk in 2019. Next are Merced and Kern Counties, each with more than three billion pounds of pooled milk in 2019. Stanislaus County is the fourth highest producer of

pooled milk with just under three billion pounds, followed by Kings County with more than two billion pounds of pooled production. The accompanying map also illustrates that a large portion of CFMO pooled milk in 2019 came from the Central Valley, nearly 26 billion pounds from the depicted counties south of Sacramento County. A total of 1.25 billion pounds of milk came from the top producing counties north of San Joaquin County – Sonoma, Sacramento, Glenn, Humboldt, and Marin counties. The cumulative pooled production of those five counties, if taken as one, would rank ninth amongst counties in the state behind Madera County and ahead of Riverside County. ❖

Pool Price Calculation *(continued from page 1)*

to \$17 per cwt. Finally, the Class IV price fell 45 cents in February to \$16.20 per cwt. While all four Class prices, as well as the SUP, decreased from January to February 2020, it is important to note that they remain significantly above their February 2019 levels.

Producer Price Differential

The Producer Price Differential (PPD) turned negative for February 2020, though not as negative as last fall's values. This can be explained by the difference in magnitudes of the Class price decreases and the protein price increase. Of the four Class prices, the Class III price experienced the smallest decrease. Recall that the price for the components in producer milk – butterfat, protein, and other solids – are the same as the component prices that make up the Class III price. A smaller Class III price decline relative to the other Classes meant that the Class III component value of the pool was greater than the total value of milk in the pool, resulting in a slightly negative PPD of -\$0.12 per cwt. Refer to the price computation on Page 4 for more details on February's calculation. ❖



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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	390,407,790	\$12.56	\$49,035,218.42	
Butterfat	9,149,143	2.1519	19,688,040.82	
Less: Location Adjustment to Handlers			(781,564.96)	\$67,941,694.29
Class II— Butterfat	13,075,705	1.9883	25,998,424.22	
Nonfat Solids	9,615,948	1.1378	10,941,025.67	36,939,449.89
Class III— Butterfat	1,893,546	1.9813	3,751,682.68	
Protein	1,557,937	3.0309	4,721,951.26	
Other Solids	2,733,806	0.1750	478,416.13	8,952,050.07
Class IV— Butterfat	49,180,708	1.9813	97,441,736.76	
Nonfat Solids	117,759,676	1.0667	125,614,246.41	223,055,983.17
Total Classified Value			<i>Total value of milk in the pool</i>	\$336,889,177.42
Add: Overage—All Classes				1,576.40
Inventory Reclassification—All Classes				(17,235.53)
Other Source Receipts	32,368			689.43
Total Pool Value				\$336,874,207.72
Less: Value of Producer Butterfat	73,299,102	1.9813	(145,227,510.79)	
Value of Producer Protein	60,058,251	3.0309	(182,030,552.96)	
Value of Producer Other Solids	108,074,427	0.1750	(18,913,024.80)	(346,171,088.55)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	(\$9,296,880.83)
Add: Location Adjustment to Producers				7,056,074.72
One-half Unobligated Balance—Producer Settlement Fund				900,936.22
Less: Producer Settlement Fund—Reserve				(912,185.77)
Total Pool Milk & PPD Value	1,876,713,077			(\$2,252,055.66)
Producer Price Differential		\$(0.12)		
Statistical Uniform Price		\$16.88		

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