



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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Federal Order No. 51

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May Pool Price Calculation

The May 2021 Statistical Uniform Price (SUP) for the California Marketing Area was announced at \$16.73 per hundredweight (cwt), an increase of 82 cents per cwt from last month, 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 (3.82 percent butterfat, 3.19 percent protein, and 5.77 percent other solids), the May SUP would be \$18.01 per cwt, which is higher than that of April by 69 cents per cwt. May's Producer Price Differential (PPD) at Los Angeles County was -\$2.23 per cwt, a decrease of 47 cents from last month's PPD of -\$1.76 per cwt.

Product Prices Effect

Upward trends continued for all monthly average product prices in the National Dairy Product Sales Report (NDPSR) from April to May. The cheese price saw the biggest change, gaining 11 cents per pound from the previous month. The butter price increased by roughly 4 cents per pound. The dry whey and nonfat dry milk prices rose by just under 3 cents and just over 7 cents per pound, respectively.

The component prices saw gains across the board as well. The protein price observed substantial improvement from April to May, gaining almost 32 cents per pound. Both the butterfat price and the other solids price increased roughly 4 cents per pound each from the previous month. The nonfat solids price rose just over 7 cents per pound.

Lastly, all class prices increased from April to May. The Class I price saw the biggest increase of \$1.59, reaching \$19.20 per cwt. A large improvement was also seen in the Class III price, which increased \$1.29 to \$18.96 per cwt. Class II increased by a smaller amount of 66 cents to \$16.22 per cwt. Class IV rose 74 cents to \$16.16 per cwt, the highest Class IV price seen since February 2020. ❖

Pool Summary

- A total of 822 producers were pooled with an average daily delivery per producer of 79,666 pounds, an increase of 1.8 percent from April.
- Pooled milk receipts totaled 2.03 billion pounds, an increase of 2.7 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 19.1 percent of total pooled milk receipts, down 2.2 percentage points from April.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.19 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	19.1	388,151,186
Class II	6.3	128,065,633
Class III	1.2	24,004,550
Class IV	73.4	1,489,833,452
Total Pooled Milk		2,030,054,821

Producer Component Prices

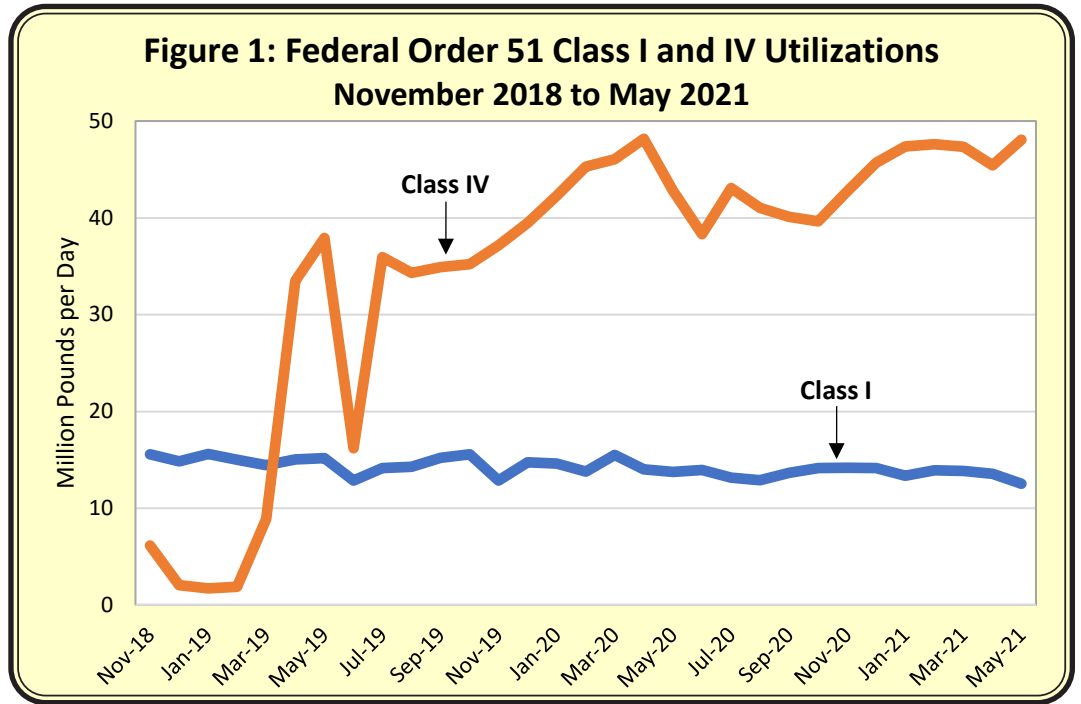
	2021	2020
	\$/lb	
Protein Price	3.1307	2.0918
Butterfat Price	1.9851	1.3756
Other Solids Price	0.4645	0.1882

Class Price Factors

	2021	2020
	\$/cwt	
Class I	19.20	15.05
Class II	16.22	12.30
Class III	18.96	12.14
Class IV	16.16	10.67

Class I and IV Utilizations Make Records

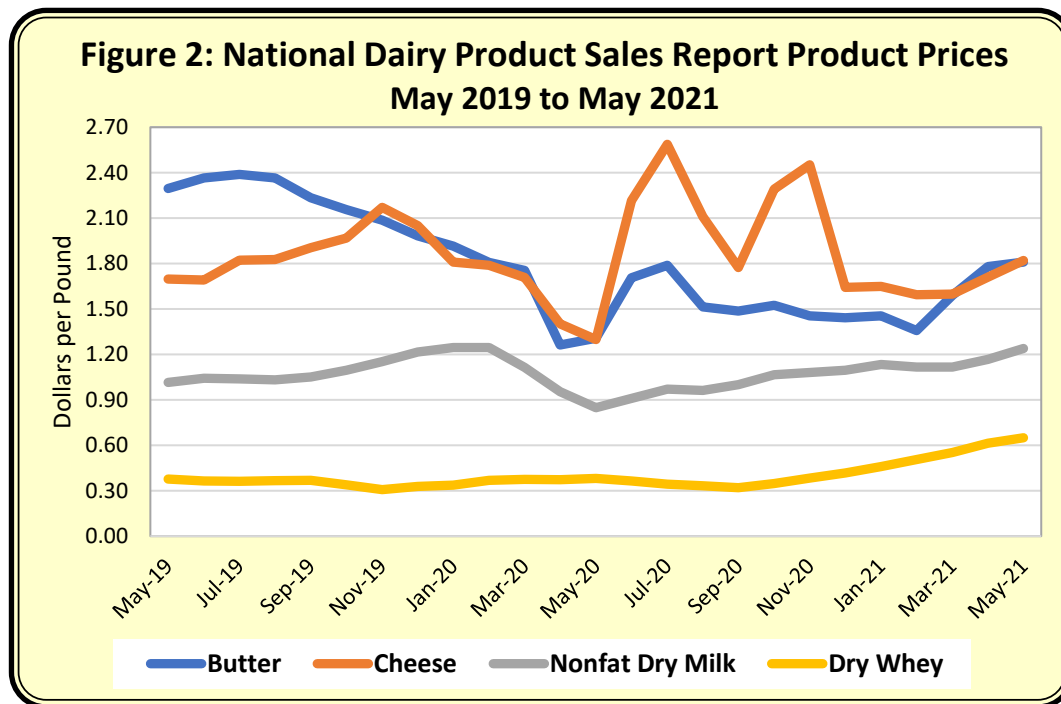
In May, Class I and IV utilizations were unprecedented under the California Federal Marketing Order (CFMO). May 2021 recorded the highest Class IV share, accounting for 73.4 percent of the pool. With Classes II and III recording pool shares of 6.3 and 1.2 percent, respectively, Class I accounted for 19.1 percent of the pool, the third lowest Class I share for the CFMO. Figure 1 at right represents the Class I and IV utilizations in pounds on a daily average basis since the inception of the CFMO. Adjusted to a daily basis, Class I utilization was the lowest



in CFMO history with 12.5 million pounds per day for May 2021, noting that most other Federal Orders also experienced low Class I volume. Meanwhile, Class IV reached almost 48.1 million pounds on a daily average basis, the second highest Class IV utilization to date behind April 2020, which reached over 48.1 million pounds per day. Despite record-low Class I utilization and record-high Class IV utilization, the May 2021 Statistical Uniform Price (SUP) fared significantly better than May 2020, as all class prices were substantially higher than those of a year ago. ❖

Milk Prices Gain Strength

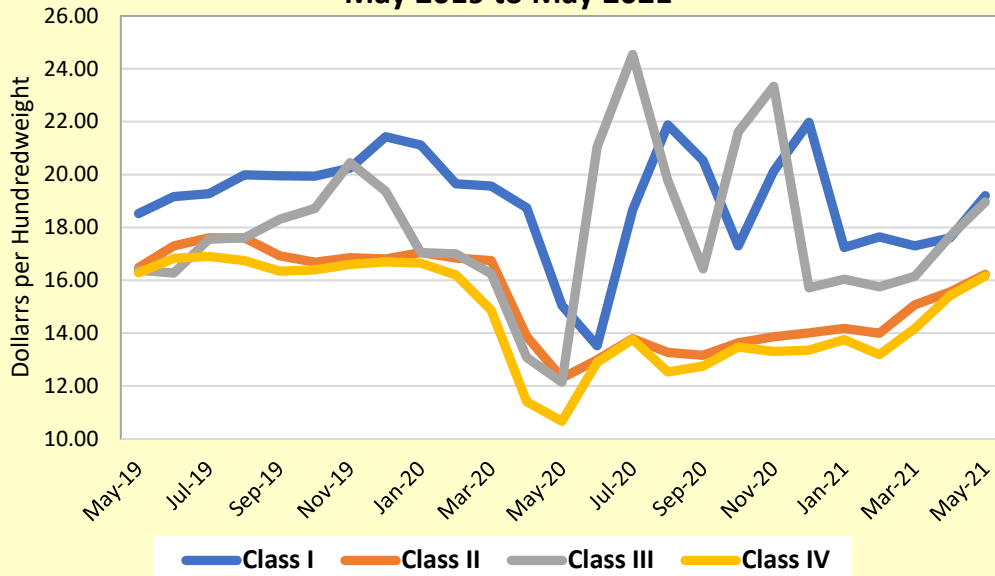
Milk prices in May under Federal Order (FO) 51 reached levels not seen since before the pandemic. All class prices and the Statistical Uniform Price (SUP) climbed above \$16.00 per cwt, signifying a major achievement for dairy markets in their continuing recovery. This article and the accompanying figures examine the nature of these price improvements to date.



Product Prices

Prices surveyed by USDA in the *National Dairy Products Sales Report* (NDPSR) serve as inputs to FO price formulas. As such, they represent how market activity is accounted for in FO classified pricing. Figure 2 at left illustrates the weighted monthly average prices for butter, cheese, nonfat dry milk, and dry whey as surveyed in the NDPSR from May 2019 to May 2021. Further, the chart depicts the state of product

**Figure 3: Federal Order 51 Class Prices
May 2019 to May 2021**



prices during various stages of the COVID-19 pandemic. The figure draws attention to the spread between the butter and cheese prices in 2020, but also their recent closer alignment. Also of note is the recent betterment in prices; all surveyed products posted their third consecutive monthly price increase in May.

Class Prices

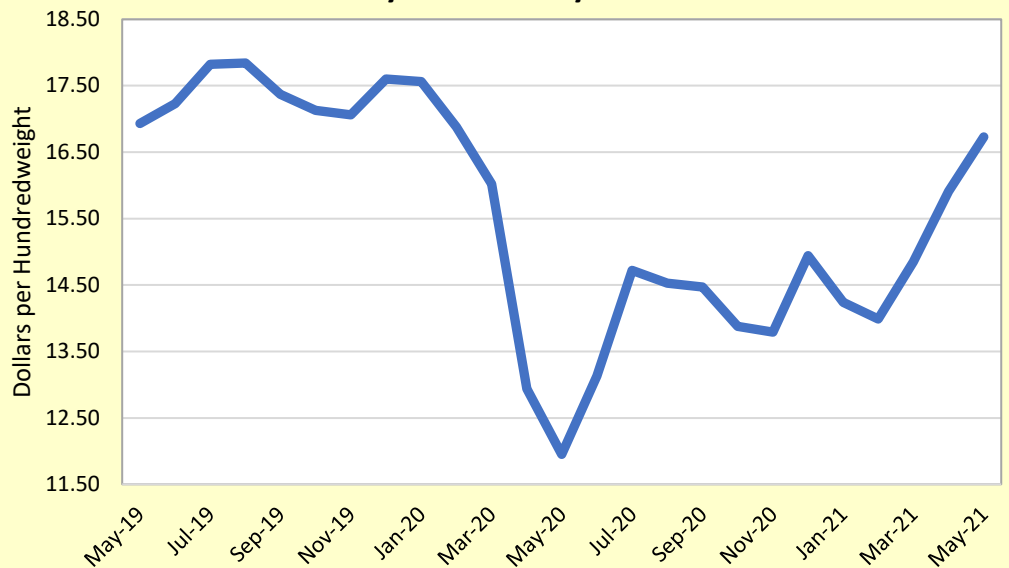
Figure 3 depicts FO 51 class prices from May 2019 to May 2021. Notably, all class prices were above \$16.00 per hundredweight (cwt) from May 2019 to February 2020. By March, however, the influence of the coronavirus on dairy markets began to take hold, and by May 2020 the Class I price was the only class price above \$15.00 per cwt.

Thereafter, the Class I and III prices saw dramatic fluctuations in the remainder of 2020; the Class I price had an average monthly change of \$2.73 per cwt, while the Class III price had an average monthly change of \$5.01 per cwt – both expressed in absolute terms. In January 2021 both prices were below \$18.00 per cwt but have showed improvement since then; from January to May, the Class I price improved by nearly \$2.00 per cwt, while the Class III price increased by almost \$3.00. Class II and IV prices have also seen improvements in 2021, each reaching their highest levels in more than a year in May. This shared upward trend is encouraging for further price strength and market stability into the summer of 2021.

Statistical Uniform Price

May’s SUP of \$16.73 per cwt is the highest since February 2020. Figure 4 illustrates the FO 51 SUP – at standard tests – from May 2019 to May 2021, drawing particular attention to the sharp declines coinciding with the onset and spread of COVID-19. The FO 51 SUP fell to \$11.95 per hundredweight in May 2020, marking the lowest SUP under FO 51. From there the SUP recovered gradually, though not without setbacks, to its current level. May 2021’s SUP is more than \$4.75 per cwt above that of May 2020, emphasizing both the severity of prices in spring 2020 and the magnitude of 2021’s gradual recovery. Using *Chicago Mercantile Exchange* Class III and IV futures as a basis for expectations, the FO 51 SUP is estimated to continue its upward trend with a strong likelihood of surpassing \$17.00 per cwt before the third quarter of 2021. ❖

**Figure 4: SUP at Standard Tests
May 2019 to May 2021**





RETURN SERVICE REQUESTED

FIRST CLASS MAIL

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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	379,087,115	\$12.66	\$47,992,428.76	
Butterfat	9,064,071	1.9965	18,096,417.75	
Less: Location Adjustment to Handlers			(807,596.67)	\$65,281,249.84
Class II— Butterfat	14,086,701	1.9921	28,062,117.04	
Nonfat Solids	10,614,367	1.0644	11,297,932.24	39,360,049.28
Class III— Butterfat	1,532,465	1.9851	3,042,096.26	
Protein	756,023	3.1307	2,366,881.24	
Other Solids	1,347,421	0.4645	625,877.03	6,034,854.53
Class IV— Butterfat	52,898,155	1.9851	105,008,127.50	
Nonfat Solids	133,741,083	1.0607	141,859,166.74	246,867,294.24
Total Classified Value			<i>Total value of milk in the pool</i>	\$357,543,447.89
Add: Overage—All Classes				73,707.61
Inventory Reclassification—All Classes				35,198.57
Other Source Receipts	260,099			(444.78)
Total Pool Value				\$357,651,909.29
Less: Value of Producer Butterfat	77,581,392	1.9851	(154,006,821.29)	
Value of Producer Protein	64,679,112	3.1307	(202,490,895.95)	
Value of Producer Other Solids	117,053,447	0.4645	(54,371,326.13)	(410,869,043.37)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	(\$53,217,134.08)
Add: Location Adjustment to Producers				8,063,204.31
One-half Unobligated Balance—Producer Settlement Fund				825,188.23
Less: Producer Settlement Fund—Reserve				(947,281.19)
Total Pool Milk & PPD Value	2,030,314,920			(\$45,276,022.73)
Producer Price Differential		\$(2.23)		
Statistical Uniform Price		\$16.73		

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