



The Market Administrator's

BULLETIN

CALIFORNIA MARKETING AREA

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May Pool Price Calculation

The May 2023 Statistical Uniform Price (SUP) for the California Marketing Area decreased 96 cents per hundredweight (cwt) from last month to \$17.66 per cwt for milk delivered to plants located in Los Angeles County, California, the pricing point for the California Federal Marketing Order. 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 (4.04 percent butterfat, 3.31 percent protein, and 5.74 percent other solids), the May SUP was \$19.71 per cwt, \$1.12 below April. The May Producer Price Differential (PPD) at Los Angeles County was \$1.55 per cwt, an increase of \$1.45 from last month.

Product Prices Effect

Most monthly average product prices in the National Dairy Product Sales Report decreased from April to May. The cheese price declined by the largest magnitude, dropping almost 22 cents per pound from last month. The dry whey price decreased nearly 6 cents per pound, and the nonfat dry milk price lost just under half of a penny per pound. The butter price was the only product price to increase from April to May, gaining almost 5 cents per pound.

All component prices, except for the butterfat price, declined from the previous month. The protein price dropped just over 76 cents per pound from April. The other solids and nonfat solids prices decreased roughly 6 cents and just under half of a cent per pound, respectively. Meanwhile, the butterfat price rose almost 6 cents per pound.

Class prices observed mixed movements from April to May. The Class I price rose 72 cents per cwt to \$21.67, while the Class II price fell 9 cents per cwt to \$19.11. The Class III price dropped \$2.41 per cwt from April to \$16.11. Lastly, the Class IV price gained 15 cents per cwt to \$18.10. ❖

Pool Summary

- A total of 945 producers were pooled with an average daily delivery per producer of 69,838 pounds, a decrease of 25.3 percent from April.
- Pooled milk receipts totaled 2.046 billion pounds, a decrease of 21.5 percent on an average daily basis.
- Class I usage (milk for bottling) accounted for 19.3 percent of total pooled milk receipts, up 4.7 percentage points from April.
- The average butterfat test of producer receipts was 4.04 percent.
- The average true protein test of producer receipts was 3.31 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	19.3	394,425,509
Class II	5.5	111,882,998
Class III	72.7	1,486,882,401
Class IV	2.6	52,705,715
Total Pooled Milk		2,045,896,623

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.8002	3.8696
Butterfat Price	2.7572	3.1056
Other Solids Price	0.1877	0.4857

Class Price Factors

	2023	2022
	\$/cwt	
Class I	21.67	27.55
Class II	19.11	25.87
Class III	16.11	25.21
Class IV	18.10	24.99

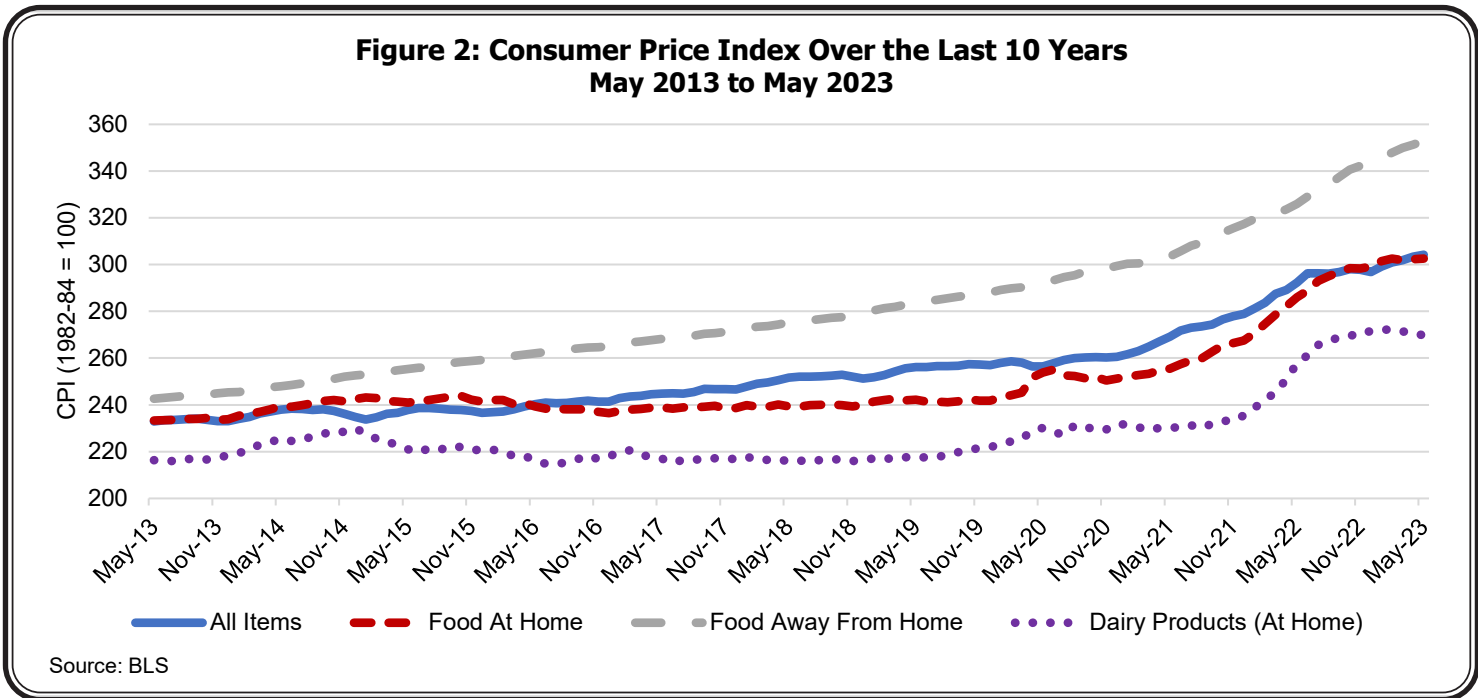
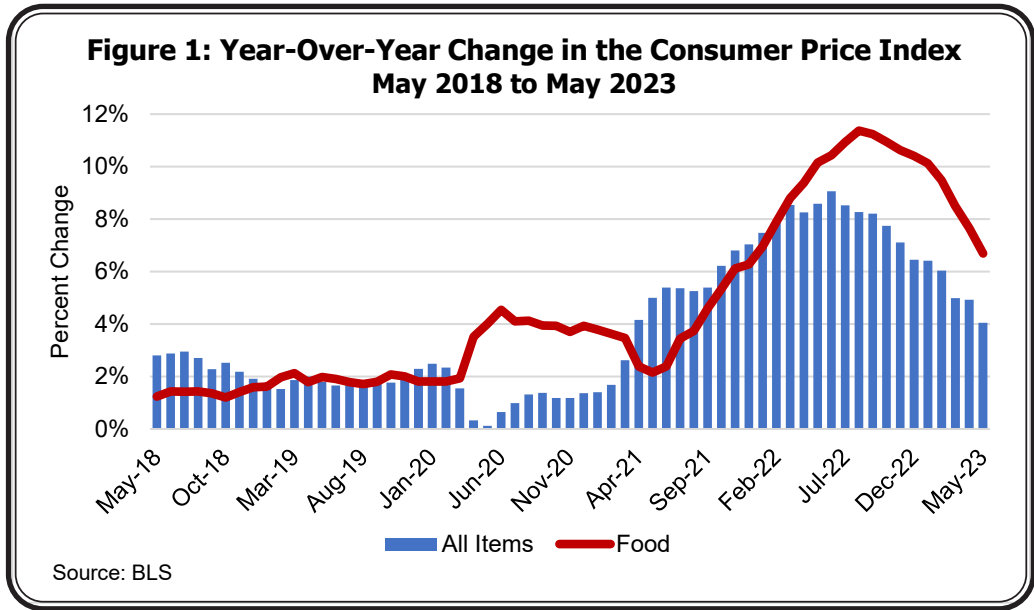
Consumer Prices Continue to Rise, But Is Dairy Included?

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index (CPI) – used to measure price changes for all goods and services purchased by urban U.S. consumers – increased just over 4 percent in May compared to the prior year. During this period, the CPI for food increased at an even faster rate; the CPI for food at home (retail or grocery store purchases) rose 5.8 percent from May 2022, and the CPI for food away from home (food service sector, such as restaurants) improved 8.3 percent from May 2022. This article examines recent trends in consumer prices and how dairy measures against other expenditures.

Year-Over-Year Gains in the CPI

Growth in the CPI over the prior year is an indicator of the level of price inflation faced by consumers. Figure 1 portrays the year-over-year percent change in the CPI for all items and the CPI for food over the last five years. While May 2023 marked the lowest year-over-year change in the CPI for all items since March 2021, the figure shows that the rate of increase

in May’s consumer prices remained elevated above those observed prior to 2021. In early 2021, the CPI for all items rapidly increased, peaking at 9.1 percent growth over the prior year in June 2022. The CPI for food lagged that of all items, growing quickly beginning in mid-2021 and peaking even higher with a gain of 11.4 percent year-over-year in August 2022. Since these peaks, year-over-year growth in the prices for all items as well as food has fallen, but they are still elevated compared to earlier years, especially for food. For example, the CPI for food stayed above 6.5 percent growth year-over-year in May 2023 for



the seventeenth straight month. Despite the rate of increases trending downward recently, consumer prices are still rising above last year's historically high levels, placing pressure on consumers.

High Costs for All Goods

Figure 2 displays the CPI for four categories – all items, food at home, food away from home, and dairy products – from May 2013 to May 2023. The CPI is indexed to the average prices from 1982 to 1984. While consumer prices generally show a positive trend during this period, more dramatic increases took place over the last two and a half years. Consumer prices for most goods and services began rising substantially around early 2021. Notably, the CPI for all items increased drastically from early 2021 to roughly June 2022 but has since slowed its pace. Similarly, the CPI for food at home observed strong improvement between early 2021 and mid-2022 and plateaued in recent months. In contrast, the CPI for food away from home continued to rise, exhibiting a relatively steady positive trend since early 2021. Over the ten years depicted in the figure, the CPI for food away from home never posts a single decrease from the previous month.

Figure 2 also shows how dairy prices for consumers have fared in recent months. The CPI for dairy observed a swift increase from November 2021 to roughly August 2022, following similar patterns in producer prices. The CPI for dairy peaked in February 2023 but has decreased modestly in recent months, down 1 percent from February to May without adjusting for seasonality. Compared to the prior year, the CPI for dairy products was up 4.6 percent in May 2023, below that of food of 6.7 percent.

Retail Prices for Dairy Products

Taking a closer look at the dairy sector, Figure 3 examines the changes in BLS-reported U.S. average retail prices for whole milk¹, cheddar cheese², and butter³ indexed to May 2018.

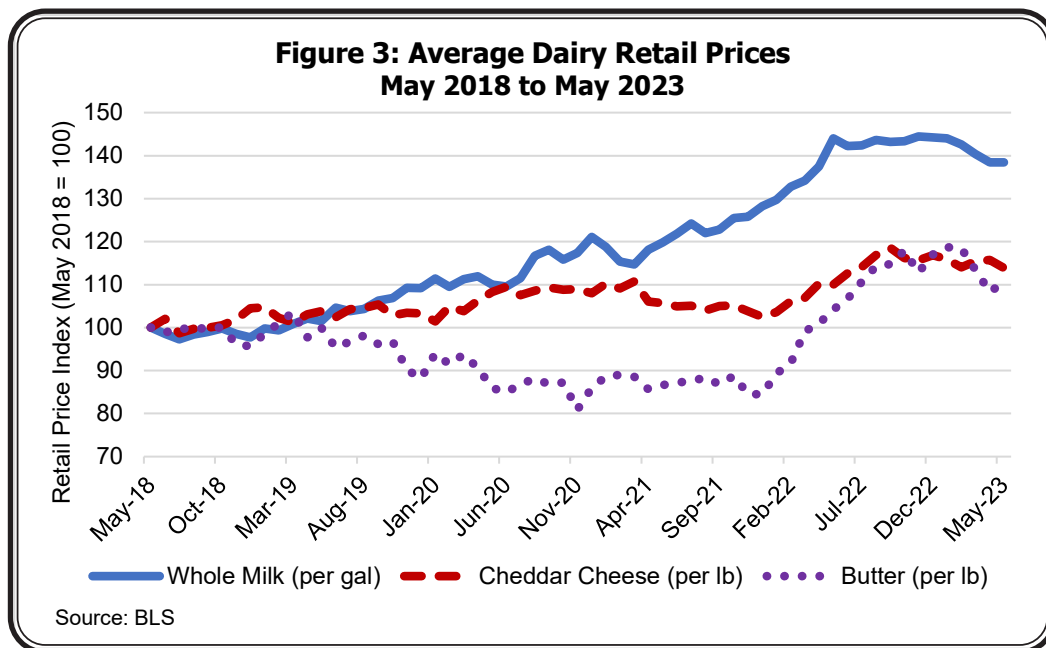
1 Whole milk, fresh, fortified, per gallon, U.S. city average, not seasonally adjusted

and butter³ indexed to May 2018. The average retail prices for whole milk, cheddar cheese, and butter peaked in late 2022 and early 2023. The average whole milk price improved by the largest magnitude since May 2018, rising 38.5 percent over the period. Overall, whole milk shows a strong upward trend, reaching a high of \$4.218 per gallon in November 2022. The average price of cheddar cheese trended upwards over the period but was generally stable compared to the other dairy products. Meanwhile, the average price of butter exhibited more volatility, remaining low until early 2022 when it experienced a rapid price increase through the year. Over the last six months, however, retail prices for whole milk, cheddar cheese, and butter declined 4.2, 1.6, and 1.9 percent, respectively.

As producer prices hit record levels in 2022, retail prices lagged but reached unprecedented levels within the last year. Since retail dairy prices may have increased to keep pace with producer prices, more consumer price declines may be on the way. As prices for most goods continue to rise against prior-year levels, decreasing retail dairy prices bode well for consumers and demand for dairy products going forward. ❖

2 Cheddar cheese, natural, per pound (453.6 gm), U.S. city average, not seasonally adjusted

3 Butter, stick, per pound (453.6 gm), U.S. city average, not seasonally adjusted





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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	385,262,047	\$12.57	\$48,427,439.31	
Less: Location Adjustment to Handlers	9,163,462	2.7269	24,987,844.53	
			(796,330.03)	\$72,618,953.81
Class II— Butterfat	14,516,806	2.7642	40,127,355.14	
Nonfat Solids	9,101,135	1.0867	9,890,203.39	50,017,558.53
Class III— Butterfat	53,485,385	2.7572	147,469,903.52	
Protein	49,849,838	1.8002	89,739,678.35	
Other Solids	85,818,570	0.1877	16,108,145.58	253,317,727.45
Class IV— Butterfat	5,403,198	2.7572	14,897,697.53	
Nonfat Solids	4,449,008	0.9729	4,328,439.89	19,226,137.42
Total Classified Value			<i>Total value of milk in the pool</i>	\$395,180,377.21
Add: Overage—All Classes				60,011.63
Inventory Reclassification—All Classes				8,709.28
Other Source Receipts	53,221			3,129.39
Total Pool Value				\$395,252,227.51
Less: Value of Producer Butterfat	82,568,851	2.7572	(227,658,835.99)	
Value of Producer Protein	67,714,754	1.8002	(121,900,100.14)	
Value of Producer Other Solids	117,440,287	0.1877	(22,043,541.88)	(371,602,478.01)
Total PPD Value Before Adjustments			<i>Total Class III value of producer components</i>	\$23,649,749.50
Add: Location Adjustment to Producers				7,755,479.58
One-half Unobligated Balance—Producer Settlement Fund				1,157,032.08
Less: Producer Settlement Fund—Reserve				(850,038.56)
Total Pool Milk & PPD Value	2,045,949,844			\$31,712,222.60
Producer Price Differential		\$1.55		
Statistical Uniform Price		\$17.66		

Value from which PPD per hundredweight is calculated

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