

# The Market Administrator's BULLETIN

## SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

August 2020

Federal Order No. 126

### Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a July statistical uniform price of \$15.70 for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is an increase in comparison to the statistical uniform price of \$13.42 in June.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$8.84) for July. The July Class I price increased \$5.14 from \$14.42 in June to the July level of \$19.56. The Class II price increased \$0.80 from \$12.99 in June to \$13.79 in July. The Class III price increased \$3.50 from \$21.04 in June to \$24.54 in July. The Class IV price increased \$0.86 from \$12.90 in June to \$13.76 in July.

In July, 449 producers delivered a total of 871,298,100 pounds of milk. On a daily basis, this represents an increase of 3.61 percent from the producer receipts level in June and it represents a decrease of 23.81 percent when compared to the producer receipts level of July 2019.

Producer milk classified as Class I during July amounted to 38.66 percent of total producer receipts. This figure is down from 40.96 percent in June and is up from 27.98 percent in July 2019. The average butterfat test of producer milk pooled during July was 3.939 percent, average protein test was 3.165 percent, average other solids test was 5.776 percent, and the average somatic cell count was 222,000.

The July butterfat price increased \$0.0992 from \$1.8591 in June to the July level of \$1.9583. The protein price increased \$1.0945 from \$4.5349 in June to \$5.6294 in July. The other solids price decreased \$0.0204 from \$0.1696 in June to \$0.1492 in July. The somatic cell adjustment rate in July is 0.00129 per cwt.

### July 2020 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in May 2020 is \$15.70 with a PPD of (\$8.84)
- ◆ 871 million pounds were pooled in July. This is up 3.61 percent from June 2020
- ◆ 449 producers pooled their milk, this is up from 420 in June
- ◆ Class I milk accounted for 38.66 percent of all receipts, down from 40.96 in June

### Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	19.56	336,811,666	38.66
Class II	13.79	134,233,468	15.41
Class III	24.54	3,648,966	0.41
Class IV	13.76	396,604,000	45.52

### Producer Prices

Statistical Uniform Price	\$15.70	/ cwt
Producer Price Differential	(\$8.84)	/ cwt
Butterfat Price	\$1.9583	/ lb
Protein Price	\$5.6294	/ lb
Other Solids Price	\$0.1492	/ lb
Nonfat Solids Price	\$0.7959	/ lb
Somatic Cell Adjustment Rate	0.00129	/ cwt

## Milk Donation Reimbursement Program

The U.S. Department of Agriculture (USDA) is accepting applications through March 31, 2021, for participation in the Milk Donation Reimbursement Program during fiscal year 2021 (FY21).

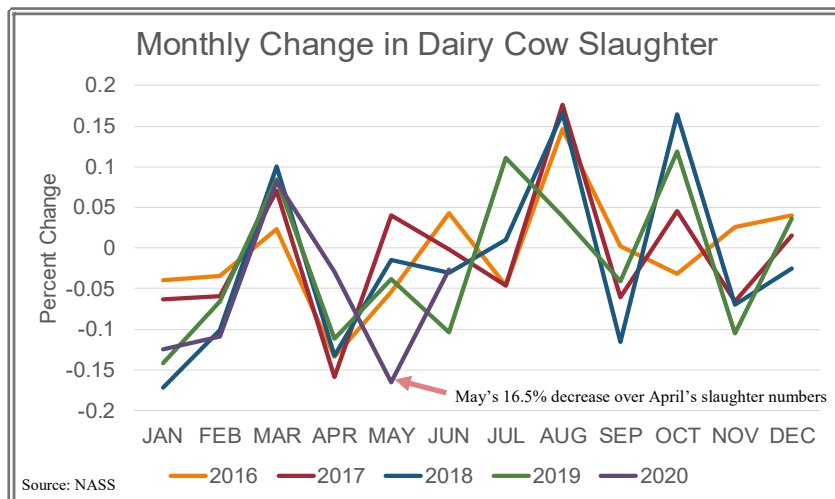
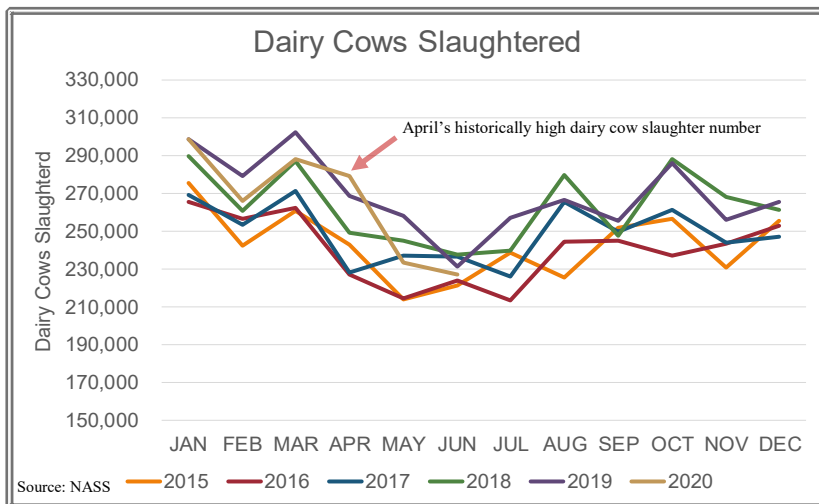
Under the program, eligible dairy organizations partner with non-profit organizations to distribute food to low-income individuals and donate fluid milk products to the non-profit partner. After donations are made, the eligible dairy organization may apply for and receive limited reimbursements to cover expenses related to their fluid milk product donations. To participate, the eligible dairy organization must be the entity that has an obligation to a Federal milk marketing order pool. More information can be found at [www.ams.usda.gov/mdrp](http://www.ams.usda.gov/mdrp).

## Dairy Cow Slaughter Numbers During COVID-19

When [NASS](#) released their April dairy cow slaughter data (Livestock Slaughter Report), numerous outlets including [Time Magazine](#), [Progressive Dairy](#), and [Fortune Magazine](#) wrote about the spike of dairy cow slaughter in April due to the coronavirus situation. The culling numbers were the highest April total since the herd buyout program in 1986. The increase in dairy cow slaughter peaked in March, which generally is a peak month for dairy cow culls. However, in April the dairy cow

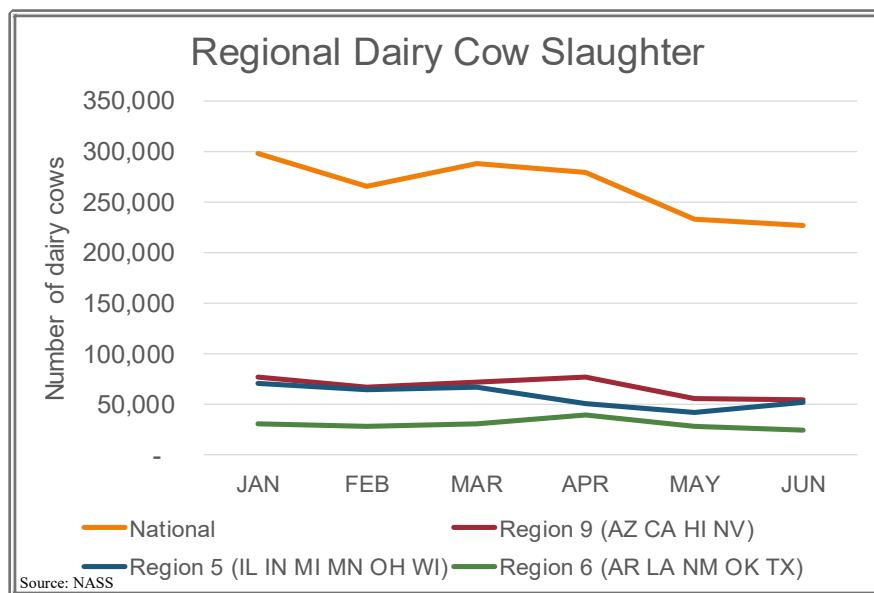
slaughter decreased by only 3.0 percent as compared to an average decrease of 12.1 percent for previous five years (2015-2019). This led to a high slaughter historically for April.

However, the slaughter rates decreased steeply—16.5 percent—in May as compared to an average of

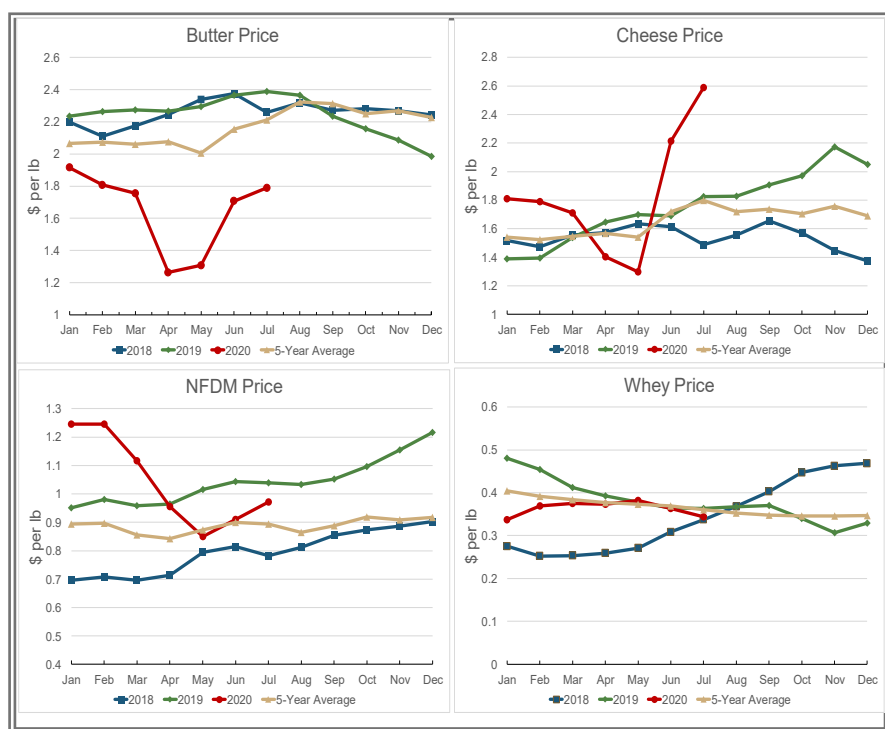


3.7 percent decrease for the previous five years. This is perhaps a market correction due to the higher slaughter rate in April. The cumulative total for dairy cow slaughter for the months of March through June is 729 thousand which is 29 thousand higher than the previous five-year average. Moreover, in 2020 the current dairy cow slaughter rate is lower than 2019 where the March-June dairy cow slaughter was 762 thousand.

NASS Region 6, which includes Arkansas, Louisiana, New Mexico, Oklahoma, and Texas, had the third highest culling rates in April with 40,300 dairy cows culled. NASS Region 9 (which includes Arizona, California, Hawaii, and Nevada) had the highest dairy cow slaughter with 77,400 head followed by NASS Region 5 (Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin) with 51,400 head. In 2020 so far 185,400 dairy cows have been slaughtered in Region 6. This is 3,220 head more than the 2015-2019 average dairy cow slaughter for Region 6. Additionally, 2020 dairy cumulative cow slaughter is 7,500 head less than 2019 for the months of January through June.



Although the early months of the Covid-19 pandemic (March and April) saw an increase in slaughtered dairy cows, it seems both in Region 6 and nationally the market corrected the high culls in March and April and are cumulatively only slightly higher than the average culls for the previous five years.

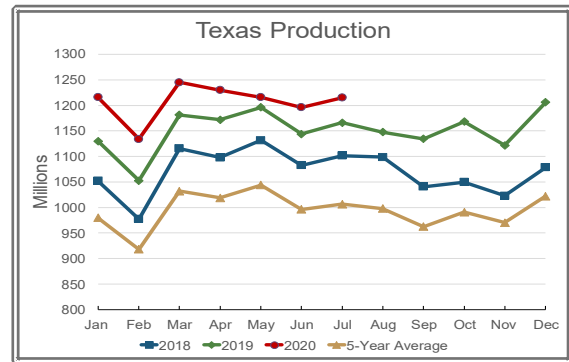


## Product Price Impacts from COVID-19

The product prices (pictured left) for butter, cheese, and nonfat dry milk continue to increase despite the coronavirus pandemic. Whey price experienced a slight decrease of 5.4 percent. The butter and nonfat dry milk markets increased moderately to 4.8 and 6.7 percent respectively. Cheese markets continue to rise, increasing 16.8 percent from \$2.2152 in June to \$2.5873 in July.

## Texas Dairy Production

In July, Texas dairy production totaled 1,215 million pounds. This is a 4.23 percent increase relative to July 2019 and a 20.7 percent increase from the July five year average (2015-2019). The July average butterfat for Texas production is 4.04 percent, the average protein is 3.21 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 218,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other	2020 SCC (In Thousands)
Jan	363	1,253,631	1,129,900	10.95	4.32	3.4	5.78	205
Feb	358	1,169,873	1,052,582	11.14	4.32	3.39	5.78	210
Mar	345	1,244,672	1,181,323	5.36	4.26	3.34	5.79	212
Apr	358	1,230,362	1,171,835	4.99	4.19	3.31	5.78	204
May	358	1,216,269	1,196,282	1.67	4.09	3.27	5.78	199
Jun	352	1,195,750	1,144,025	4.52	4.06	3.24	5.81	201
Jul	353	1,215,265	1,165,987	4.23	4.04	3.21	5.79	218
Aug			1,147,539					
Sep			1,134,550					
Oct			1,168,308					
Nov			1,121,845					
Dec			1,205,889					
Total		8,525,822	13,820,064					

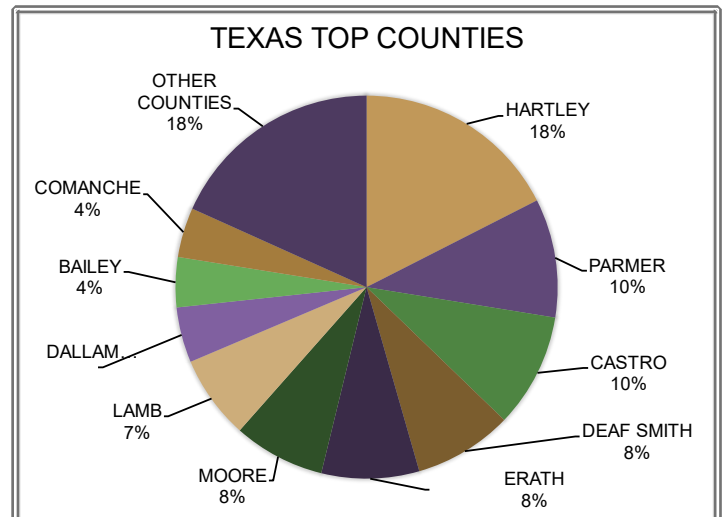
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## Top Texas Counties

Hartley County has the largest share of Texas production at 18 percent, followed by Parmer and Castro Counties at 10 percent. Overall, 353 producers delivered milk in Texas for the month of July.

County	Number of Producers	July 2020 Pounds	% Change County
HARTLEY	18	212,917,190	27.26
PARMER	15	121,848,471	(3.87)
CASTRO	14	117,330,853	(7.25)
DEAF SMITH	14	101,433,836	1.50
ERATH	49	100,445,215	2.84
MOORE	9	94,059,640	3.12
LAMB	13	86,011,932	6.14
DALLAM	5	56,788,220	4.89
BAILEY	10	51,281,075	(4.95)
COMANCHE	14	51,006,828	11.95
SUM	161	993,123,260	5.19
OTHER COUNTIES	192	222,141,852	0.11
TEXAS TOTAL	353	1,215,265,112	4.23

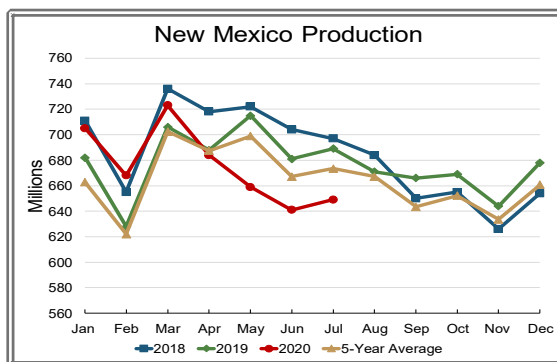
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Click [HERE](#) for more information on Texas Milk Production

## New Mexico Dairy Production

In July, New Mexico dairy production totaled 649 million pounds. This is a 5.78 percent decrease relative to July 2019 and a 3.60 percent decrease from the July five year average (2015-2019). The July average butterfat is 3.65 percent, the average protein is 3.02 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 199,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other	2020 SCC (In Thousands)
Jan	134	705,328	682,256	3.38	3.94	3.21	5.78	204
Feb	132	667,885	628,175	6.32	3.91	3.19	5.79	206
Mar	129	723,120	705,613	2.48	3.84	3.15	5.8	203
Apr	130	684,417	688,397	(0.58)	3.75	3.13	5.78	182
May	127	659,032	715,287	(7.86)	3.65	3.07	5.78	172
Jun	128	641,179	681,022	(5.85)	3.66	3.06	5.80	174
Jul	128	648,864	688,639	(5.78)	3.65	3.02	5.78	199
Aug			671,911					
Sep			665,701					
Oct			668,762					
Nov			644,760					
Dec			678,193					
Total		4,729,824	8,118,715					

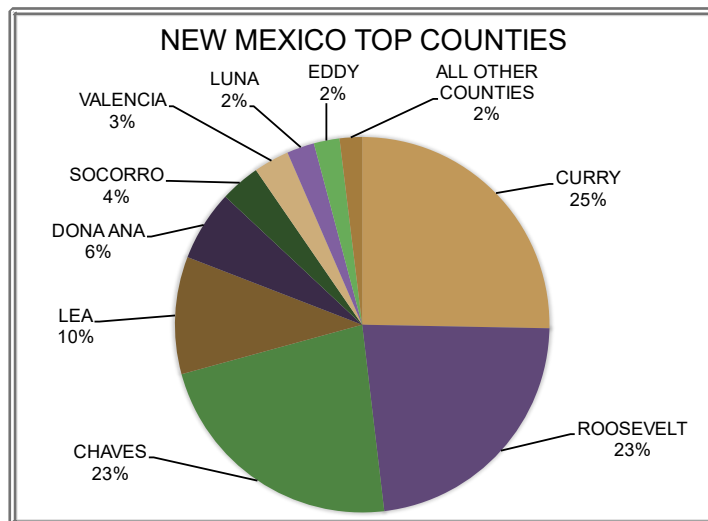
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## Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves and Roosevelt Counties at 23 percent. Overall, 128 producers delivered milk in New Mexico for the month of July.

County	Number of Producers	July 2020 Pounds	% Change 2020/2019
CURRY	25	164,180,434	(7.24)
ROOSEVELT	35	148,044,010	0.98
CHAVES	26	146,874,442	(10.25)
LEA	10	65,611,159	(0.01)
DONA ANA	11	39,483,350	(7.71)
SOCORRO	7	22,375,046	(5.07)
VALENCIA	4	19,924,592	(5.42)
LUNA	3	15,396,050	(11.93)
EDDY	3	14,409,020	(6.28)
SUM	124	636,298,103	(5.47)
OTHER COUNTIES	4	12,565,432	(18.92)
NM TOTAL	128	648,863,535	(5.78)

1/ Revised



Click [HERE](#) for more information on New Mexico Milk Production

# COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

## JULY 2020

		Pounds	Price	Value
Add:	Class I Differential			\$296,123.57
	Class I Butterfat	60(a) 8,060,113	\$ 1.8323	\$14,768,545.07
	Class I Skim Per Cwt	328,751,553	\$13.6200	\$44,775,961.51
	Class II Butterfat	60(b) 14,073,560	\$ 1.9653	\$27,658,767.49
	Class II Nonfat Solids	11,067,986	\$ 0.7956	\$8,805,689.69
	Class III Butterfat	60(c) 1,426,533	\$ 1.9583	\$2,793,579.58
	Class III Protein	74,544	\$ 5.6294	\$419,637.98
	Class III Other Solids	134,151	\$ 0.1492	\$20,015.33
	Class IV Butterfat	60(d) 10,761,056	\$ 1.9583	\$21,073,375.99
	Class IV Nonfat Solids	36,240,960	\$ 0.7959	\$28,844,180.07
	Class II, III, & IV Somatic Cell Adjustment	60(e)		\$989,863.78
	Total Producer Milk- Product Pounds and Value	871,298,100		\$150,445,740.06
Add:	Value as for 60(f) thru 60(j)			\$175,829.33
		Total Value of Milk in Pool		
Less:	Total Protein Pounds	61(b) 27,580,543	\$ 5.6294	\$155,261,908.80
	Total Other Solids Pounds	50,330,235	\$ 0.1492	\$7,509,271.08
	Total Butterfat Pounds	34,321,262	\$ 1.9583	\$67,211,327.38
	Total Value of Somatic Cell Adjustment			\$1,439,514.14
	<b>Total Milk and Value</b>	871,298,100		\$80,800,452.01
Add:	Location Differential Adjustments	61(c)		\$3,774,755.44
	Producer - Settlement Fund Reserve	61(d)		\$414,512.66
		Value of Milk in Pool after Producer Milk Value of \$231,422,021.40 is removed		
	<b>Total Product Milk/URSP and Value</b>	871,298,100	\$8.79276-	\$76,611,183.91-
Less:	Producer - Settlement Fund Reserve	61(f)	\$ 0.04723	\$411,568.1
				Remaining value from which PPD per cwt is calculated
	<b>Producer Price Differential (Dallas County)</b>		<b>\$8.84-</b>	<b>\$77,022,752.04-</b>
			PPD per cwt	

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
<b>Class I</b>	336,811,666	38.66	8,060,113	23.48	328,751,553	39.28
<b>Class II</b>	134,233,468	15.41	14,073,560	41.01	120,159,908	14.36
<b>Class III</b>	3,648,966	.41	1,426,533	4.16	2,222,433	.26
<b>Class IV</b>	396,604,000	45.52	10,761,056	31.35	385,842,944	46.10
<b>Total</b>	871,298,100	100.00	34,321,262	100.00	836,976,838	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
<b>Total Pounds</b>	34,321,262	27,580,543	50,330,235	77,910,778
<b>Average Test</b>	3.939%	3.165%	5.776%	8.941%



# Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Jul-20	Jun-20	Jul-20	Jun-20	Jul-20	Jun-20
Appalachian - F.O. 5	19.34	15.27	N/A	N/A	84.85	83.01
Arizona - F.O. 131	16.12	15.50	N/A	N/A	35.20	26.23
Central - F.O. 32	15.85	13.53	(8.69)	(7.51)	45.38	43.06
Florida - F.O. 6	20.80	16.83	N/A	N/A	83.22	84.26
Mideast - F.O. 33	16.52	13.99	(8.02)	(7.05)	43.70	40.40
Northeast - F.O. 1	19.08	15.66	(5.46)	(5.38)	28.10	34.90
Pacific NW - F.O. 124	17.11	15.17	(7.43)	(5.87)	22.48	22.04
California - F.O. 51	14.72	13.13	(9.82)	(7.91)	21.70	24.40
Southeast - F.O. 7	18.89	15.38	N/A	N/A	69.38	70.06
Southwest - F.O. 126	15.70	13.42	(8.84)	(7.62)	38.66	40.96
Upper Midwest - F.O. 30	19.68	17.23	(4.86)	(3.81)	21.20	19.50

## Useful links:

Agricultural Marketing Service (AMS) Dairy Website: <https://www.ams.usda.gov/rules-regulations/moa/dairy>

Federal Order Websites: <https://www.ams.usda.gov/rules-regulations/moa/dairy/mmadmin>

Dairy Market News: <https://www.ams.usda.gov/market-news/dairy-market-news-weekly-printed-reports>

National Agriculture Statistics Service (NASS): <https://www.nass.usda.gov/>

Economic Research Service: <https://www.ers.usda.gov/>



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