

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

December 2020

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a November statistical uniform price of \$14.89 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 \$14.23 in October.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$8.45) for November. The November Class I price increased \$2.84 from \$18.20 in October to the November level of \$21.04. The Class II price increased \$0.23 from \$13.63 in October to \$13.86 in November. The Class III price increased \$1.73 from \$21.61 in October to \$23.34 in November. The Class IV price decreased \$0.17 from \$13.47 in October to \$13.30 in November.

In November, 446 producers delivered a total of 910,086,487 pounds of milk. On a daily basis, this represents an increase of 0.30 percent from the producer receipts level in October and it represents an increase of 20.15 percent when compared to the producer receipts level of November 2019.

Producer milk classified as Class I during November amounted to 37.36 percent of total producer receipts. This figure is down from 38.35 percent in October and from 41.29 percent in November 2019. The average butterfat test of producer milk pooled during November was 4.215 percent, average protein test was 3.393 percent, average other solids test was 5.772 percent, and the average somatic cell count was 185,000.

The November butterfat price decreased \$0.0835 from \$1.6388 in October to the November level of \$1.5553. The protein price increased \$0.6080 from \$5.0146 in October to \$5.6226 in November. The other solids price increased \$0.0360 from \$0.1534 in October to \$0.1894 in November. The somatic cell adjustment rate in November was 0.00123 per cwt.

November 2020 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in October 2020 is \$14.89 with a PPD of (\$8.45)
- ◆ 910 million pounds were pooled in November. This is up 0.30 percent from October 2020
- ◆ 446 producers pooled their milk; this is up from 441 in October
- ◆ Class I milk accounted for 37.36 percent of all receipts, down from 38.35 in October

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	21.04	340,007,188	37.36
Class II	13.86	115,382,620	12.68
Class III	23.34	21,425,706	2.35
Class IV	13.30	433,270,973	47.61

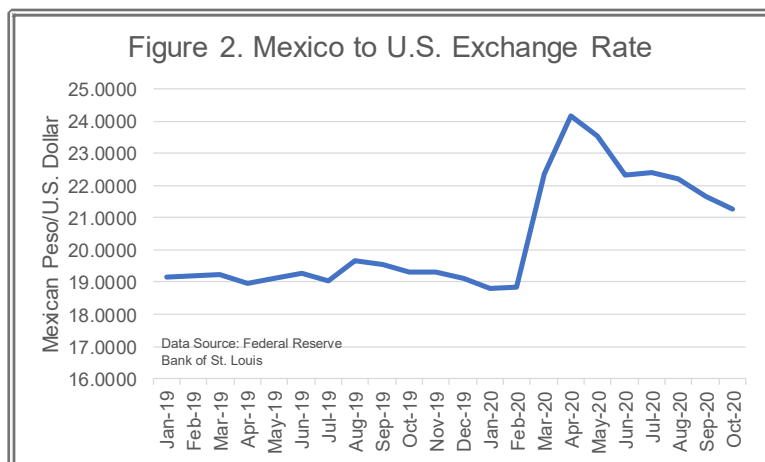
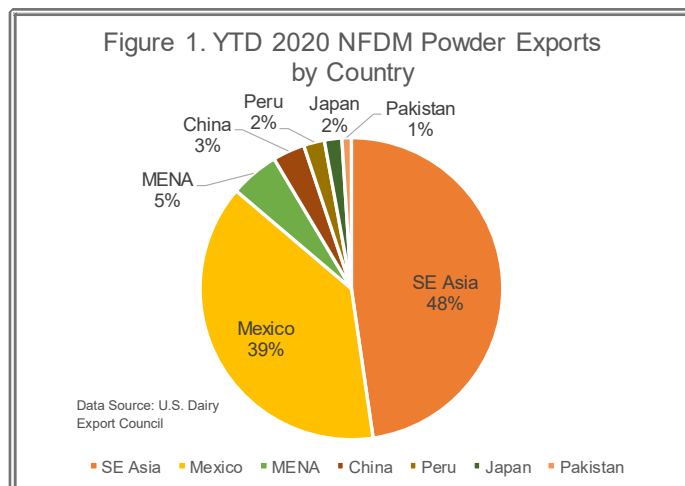
Producer Prices

Statistical Uniform Price	\$14.89	/ cwt
Producer Price Differential	(\$8.45)	/ cwt
Butterfat Price	\$1.5553	/ lb
Protein Price	\$5.6226	/ lb
Other Solids Price	\$0.1894	/ lb
Nonfat Solids Price	\$0.9047	/ lb
Somatic Cell Adjustment Rate	\$0.00123	/ cwt

Nonfat Dry Milk Powder Exports in 2020

Since 2018, U.S. Nonfat Dry Milk (NFDM) exports have continued to increase. As dairy markets change amid the COVID-19 pandemic in 2020, NFDM powder exports (which includes Skim Milk Powder) remain a bright spot for the U.S. dairy industry. According to the U.S. Dairy Export Council, export volumes of NFDM powder topped 700,000 metric tons in 2019 for the second straight year. Through September 2020, NFDM powder exports are on track to average more than 30 percent above the five-year average despite the global pandemic.

Much of this rise in exports can be attributed to purchases from Southeast Asian countries such as Indonesia, Malaysia, and the Philippines; Mexico continues to remain a significant importer of U.S. milk powder despite a decline in 2020. Combined, these countries make up 87 percent of the U.S. NFDM powder export market in 2020 (Figure 1).



Mexico Powder Exports Down

Although Mexico is on track to be the largest single country importer this year, imports of NFDM powder are still down in the early part of 2020 compared to 2019. According to the [Foreign Agricultural Service Attaché report](#): “Mexico continues to heavily depend on SMP [NFDM] imports in order to supply national demand, but as adverse domestic economic conditions continue and Mexico’s milk powder exports are also stifled, there is enough SMP [NFDM] availability in Mexico and less need for SMP [NFDM] im-

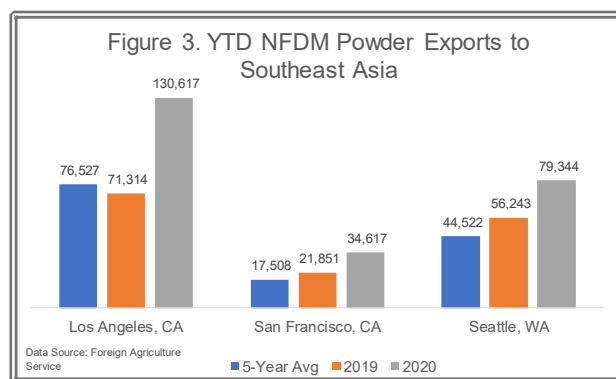
ports” (page 11). Additionally, as the Attaché reports, a weakened Mexican Peso relative to the U.S. Dollar has decreased the purchasing power of the Mexican Peso, making it more expensive to import U.S. NFDM (Figure 2).

The decreased NFDM powder demand in Mexico has affected Texas export cities such as El Paso and Laredo. Historically, these cities have provided most of the NFDM powder exports to Mexico, accounting for 96 percent from 2015-2019. In El Paso, NFDM exports started strong in January 2020, but fell in February and March. To date, exports are down 19 percent from 2019. NFDM Powder exports from Laredo have remained relatively flat throughout the year and are down 10 percent from 2019 and 42 percent from the 5-year average. The port of Galveston/Houston has historically shipped NFDM powder to Mexico, but there have been no sales to Mexico in the last five years.

NFDM Powder Exports to Southeast Asia

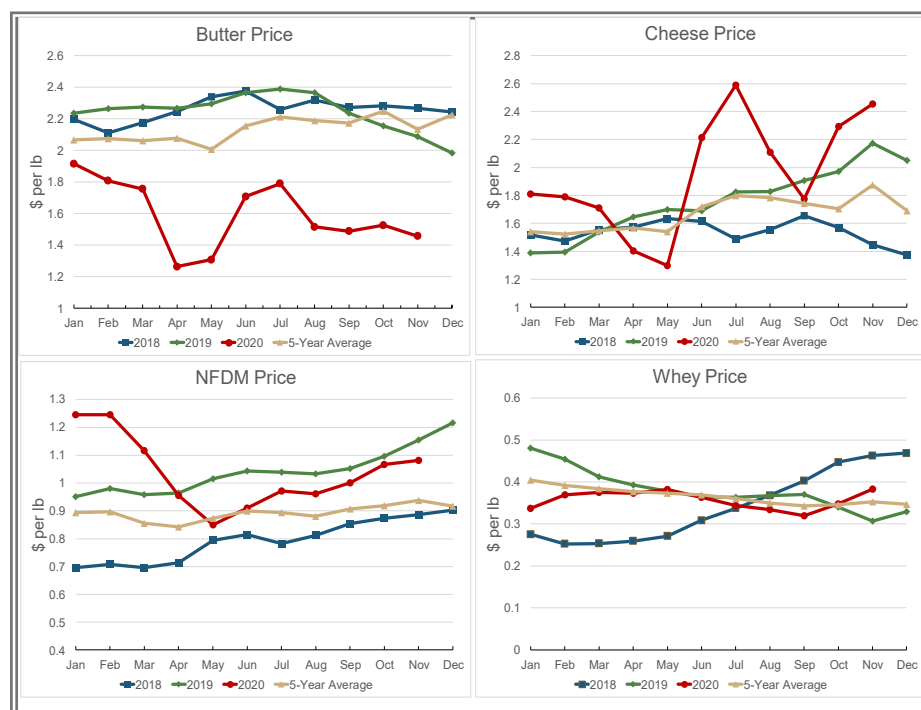
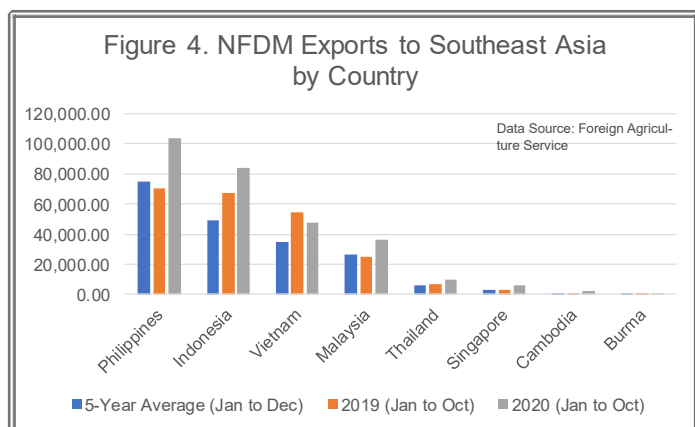
Despite decreases in NFDM powder exports to Mexico, overall NFDM exports in the US have increased. Data from the Foreign Agricultural Service (FAS) explains that exports to Southeast Asia have increased significantly, particularly from cities on the West Coast (Figure 3). Los Angeles and San Francisco exports have risen 83 and 58 percent, respectively, through September 2020; Seattle has increased 41 percent.

Evidence suggests that this is partly due to the USDA sponsored U.S. – Indonesia Dairy Roundtable meeting in September 2019. Once trade tensions between the EU and Indonesia emerged, “FAS Jakarta and the U.S. dairy industry moved quickly to mobilize a high-level event that could capitalize on the changing trade environment.” Since the meeting, U.S. dairy exports to Indonesia have surged more than 160,000 metric tons, with most of that being NFDM powder. “Moreover, U.S. market share of Indonesia’s nearly \$1.4 billion dairy import market dramatically increased from 14 percent to



25 percent.” (pages 1 and 5) ([FAS Attaché Report](#)). Additionally, the Philippines and Malaysia saw increased NFDM powder purchases; through October 2020, exports were up on average 45 percent from all of 2019. Vietnam also showed export growth and is on track to surpass 2019’s total.

Global trade remains a long-term priority for the U.S. dairy industry and especially in the NFDM market. There is hope that NFDM powder exports will continue to grow as the international marketplace continues to develop.

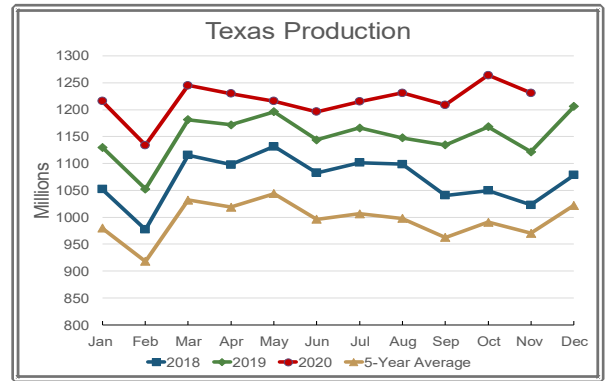


Product Price Impacts from COVID-19

The product prices (pictured left) continue to change as markets respond to the disruptions caused by the coronavirus pandemic. Cheese and whey prices continue to climb, increasing 7 percent and 10 percent respectively from October to November. NFDM price remained constant, while butter price decreased 4.5 percent.

Texas Dairy Production

In November, Texas dairy production totaled 1,231 million pounds. This is an 9.77 percent decrease relative to November 2019 and a 26.9 percent increase from the November five year average (2015-2019). The November average butterfat for Texas production is 4.33 percent, the average protein is 3.45 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 184,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other Solids	2020 SCC (In Thousands)
Jan	360	1/ 1,253,665	1/ 1,129,900	10.95	4.31	1/ 3.40	5.78	206
Feb	359	1/ 1,169,904	1/ 1,052,582	11.14	4.31	1/ 3.39	5.78	212
Mar	358	1/ 1,283,200	1/ 1,181,275	5.36	4.25	1/ 3.33	5.79	214
Apr	359	1/ 1,230,411	1/ 1,171,835	4.99	4.19	3.31	5.78	204
May	359	1/ 1,221,048	1/ 1,196,234	2.07	4.09	3.27	5.78	199
Jun	353	1/ 1,195,801	1/ 1,144,025	4.53	4.06	3.24	5.81	201
Jul	354	1/ 1,215,313	1/ 1,165,987	4.23	4.04	3.21	5.79	218
Aug	352	1/ 1,230,660	1/ 1,147,539	7.24	4.04	3.25	5.78	221
Sep	354	1,208,695	1,134,586	6.53	4.17	3.32	5.80	214
Oct	353	1,263,531	1,168,308	8.15	4.25	3.41	5.81	190
Nov	351	1,231,430	1,121,845	9.77	4.33	3.45	5.78	184
Dec			1,205,920					
Total		13,503,658	13,820,035					

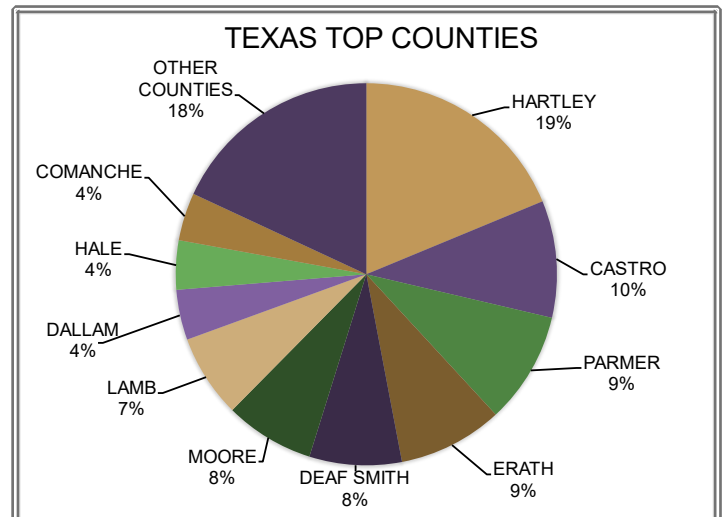
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Top Texas Counties

Hartley County has the largest share of Texas production at 19 percent, followed by Castro County at 10 percent. Overall, 351 producers delivered milk in Texas for the month of November.

County	Number of Producers	November 2020 Pounds	% Change 2020/2019
HARTLEY	18	231,089,273	29.65
CASTRO	14	121,855,904	9.24
PARMER	16	116,518,302	2.75
ERATH	49	109,334,765	8.91
DEAF SMITH	14	96,387,035	5.37
MOORE	9	93,404,185	9.21
LAMB	13	86,661,244	11.28
DALLAM	5	52,327,770	5.08
HALE	6	51,251,417	4.87
COMANCHE	13	49,899,340	2.01
SUM	157	1,008,729,235	11.33
OTHER COUNTIES	194	222,700,881	3.20
TEXAS TOTAL	351	1,231,430,116	9.77

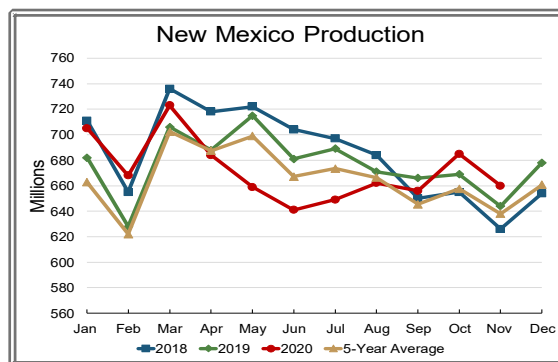
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In November, New Mexico dairy production totaled 660 million pounds. This is a 2.43 percent increase relative to November 2019 and a 3.4 percent increase from the November five year average (2015-2019). The November average butterfat is 3.94 percent, the average protein is 3.30 percent, and the average other solids at 5.77 percent. The average somatic cell count is at 161,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other Solids	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	5.80	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	128	662,140	671,911	(1.45)	3.64	3.06	5.77	209
Sep	127	656,039	665,701	(1.45)	3.74	3.15	5.79	194
Oct	127	684,537	668,762	2.36	3.87	3.25	5.80	169
Nov	127	660,408	644,760	2.43	3.94	3.30	5.77	161
Dec			678,193					
Total		7,392,948	8,118,715					

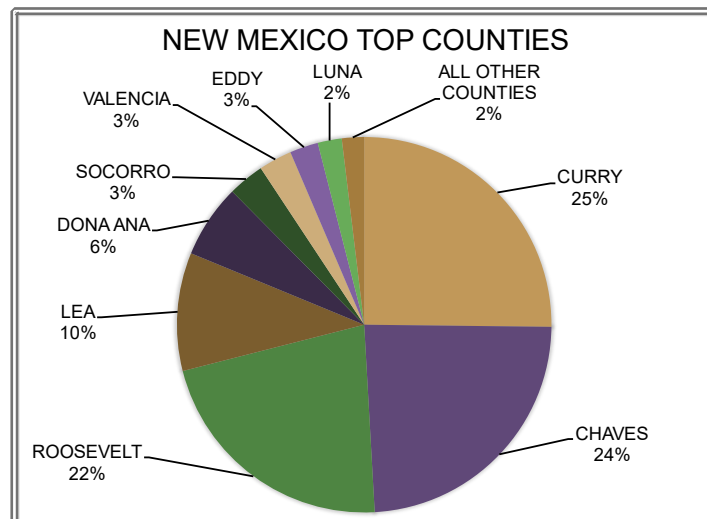
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Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves County at 24 percent. Overall, 127 producers delivered milk in New Mexico for the month of November.

County	Number of Producers	November 2020 Pounds	% Change 2020/2019
CURRY	25	166,295,715	3.69
CHAVES	26	157,991,751	0.98
ROOSEVELT	35	144,808,233	6.98
LEA	10	67,233,270	4.11
DONA ANA	10	41,892,452	(1.25)
SOCORRO	7	20,678,525	(5.81)
VALENCIA	4	18,928,119	(5.33)
EDDY	3	16,217,450	3.69
LUNA	3	13,699,680	(1.10)
SUM	123	647,745,195	2.71
OTHER COUNTIES	4	12,662,661	(10.28)
NM TOTAL	127	660,407,856	2.43

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

NOVEMBER 2020

		Pounds	Price	Value
Add: Class I Differential				\$281,427.71
Class I Butterfat	60(a)	7,870,392	\$ 1.6616	\$13,077,443.34
Class I Skim Per Cwt		332,136,796	\$15.7800	\$52,411,186.40
Class II Butterfat	60(b)	14,161,635	\$ 1.5623	\$22,124,722.35
Class II Nonfat Solids		9,603,992	\$ 0.9667	\$9,284,179.10
Class III Butterfat	60(c)	2,044,252	\$ 1.5553	\$3,179,425.13
Class III Protein		671,130	\$ 5.6226	\$3,773,495.55
Class III Other Solids		1,166,329	\$ 0.1894	\$220,902.70
Class IV Butterfat	60(d)	14,284,587	\$ 1.5553	\$22,216,818.16
Class IV Nonfat Solids		40,358,332	\$ 0.9047	\$36,512,182.99
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$1,221,570.49
Total Producer Milk- Product Pounds and Value		910,086,487		\$164,303,353.92
Add: Value as for 60(f) thru 60(j)				\$83,710.60
Less: Total Protein Pounds	61(b)	30,882,836	\$ 5.6226	\$173,641,833.74
Total Other Solids Pounds		52,533,961	\$ 0.1894	\$9,949,932.24
Total Butterfat Pounds		38,360,866	\$ 1.5553	\$59,662,654.91
Total Value of Somatic Cell Adjustment				\$1,852,052.63
Total Milk and Value		910,086,487		\$80,719,406.00
Add: Location Differential Adjustments	61(c)			\$3,839,471.70
Producer - Settlement Fund Reserve	61(d)			\$398,351.59
Total Product Milk/URSP and Value		910,086,487	\$8.40377	\$76,481,585.71
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04622	\$420,722.4
Producer Price Differential (Dallas County)			\$8.45	\$76,902,308.15

PPD per cwt

Remaining value from which PPD per cwt is calculated

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	340,007,188	37.36	7,870,392	20.52	332,136,796	38.10
Class II	115,382,620	12.68	14,161,635	36.92	101,220,985	11.61
Class III	21,425,706	2.35	2,044,252	5.32	19,381,454	2.23
Class IV	433,270,973	47.61	14,284,587	37.24	418,986,386	48.06
Total	910,086,487	100.00	38,360,866	100.00	871,725,621	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	38,360,866	30,882,836	52,533,961	83,416,797
Average Test	4.215%	3.393%	5.772%	9.165%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Nov-20	Oct-20	Nov-20	Oct-20	Nov-20	Oct-20
Appalachian - F.O. 5	19.72	17.82	N/A	N/A	76.31	80.77
Arizona - F.O. 131	16.04	15.24	N/A	N/A	34.17	35.89
Central - F.O. 32	14.84	14.23	(8.50)	(7.38)	44.02	47.60
Florida - F.O. 6	21.70	19.65	N/A	N/A	82.05	84.39
Mideast - F.O. 33	15.94	14.74	(7.40)	(6.87)	46.10	46.20
Northeast - F.O. 1	18.27	17.07	(5.07)	(4.54)	31.20	31.90
Pacific NW - F.O. 124	16.46	15.84	(6.88)	(5.77)	24.04	23.44
California - F.O. 51	13.79	13.88	(9.55)	(7.73)	23.10	24.20
Southeast - F.O. 7	19.66	17.86	N/A	N/A	68.89	70.52
Southwest - F.O. 126	14.89	14.23	(8.45)	(7.38)	37.36	38.35
Upper Midwest - F.O. 30	17.91	17.18	(5.43)	(4.43)	23.80	24.40

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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