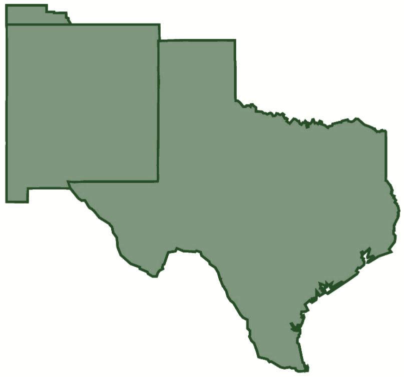


The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

October 2022 — Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a September statistical uniform price of $22.55 for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is a decrease in comparison to the statistical uniform price of $23.16 in July.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was $2.73 for September. The September Class I price decreased by $1.51 from $28.13 in August to the September level of $26.62. The Class II price decreased by $0.40 from $26.91 in August to $26.51 in September. The Class III price decreased $0.28 from $20.10 in August to $19.82 in September. The Class IV price decreased $0.18 from $24.81 in August to $24.63 in September.

In September, 380 producers delivered a total of 1,132,773,431 pounds of milk. On a daily basis, this represents a decrease of 1.19 percent from the producer receipts level in August and an increase of 7.28 percent when compared to the producer receipts level of September 2021.

Producer milk classified as Class I during September amounted to 28.75 percent of total producer receipts. This figure is up from 28.61 percent in August and down from 31.59 percent in September 2021. The average butterfat test of producer milk pooled during September was 4.029 percent, average protein test was 3.259 percent, average other solids test was 5.778 percent, and the average somatic cell count was 253,000.

The September butterfat price increased $0.1652 from $3.4001 in August to the September level of $3.5653. The protein price decreased $0.2570 from $2.1417 in August to $1.8847 in September. The other solids price decreased $0.0148 from $0.3146 in August to $0.2998 in September. The somatic cell adjustment rate in September was $0.00098 per cwt.

September 2022 Pool Summary

- ✦ The Statistical Uniform Price for the Southwest Order in September 2022 is $22.55 with a PPD of $2.73
- ✦ 1,133 million pounds were pooled in September. This is down 1.19 percent on a daily basis from August 2022
- ✦ 380 producers pooled their milk; this is down from 386 in August
- ✦ Class I milk accounted for 28.75 percent of all receipts, up from 28.61 in August

Classification of Producer Milk

	Price	*Pounds*	*Percent*
Class I	26.62	325,681,807	28.75
Class II	26.51	54,310,242	4.79
Class III	19.82	728,365,615	64.3
Class IV	24.63	24,415,767	2.16

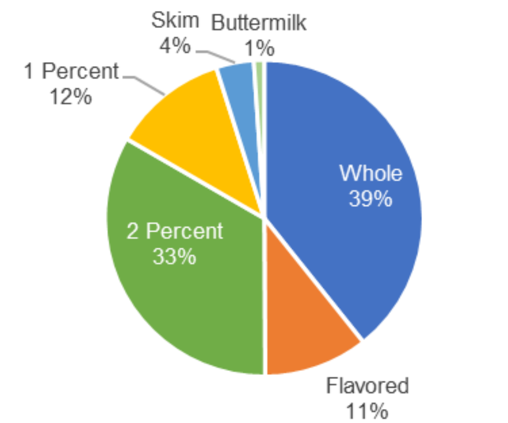
Producer Prices

Statistical Uniform Price	$22.55	/ cwt
Producer Price Differential	$2.73	/ cwt
Butterfat Price	$3.5653	/ lb
Protein Price	$1.8847	/ lb
Other Solids Price	$0.2998	/ lb
Nonfat Solids Price	$1.3984	/ lb
Somatic Cell Adjustment Rate	$0.00098	/ cwt

Class I Route Disposition Across Federal Order 126

In light of the recent release of the 2021 Annual Statistics Report by Federal Order 126, we are providing here some analysis of finished Class I shipments throughout Federal Order 126. Class I fluid milk shipments are considered Route Disposition by the Federal Order system, a term loosely defined as a delivery of packaged fluid milk by a plant to a retail or wholesale entity (CFR §1000.3). Of these route dispositions, whole milk accounted for 39 percent followed by low fat (2%) milk at 33 percent in 2021 (Figure 1).

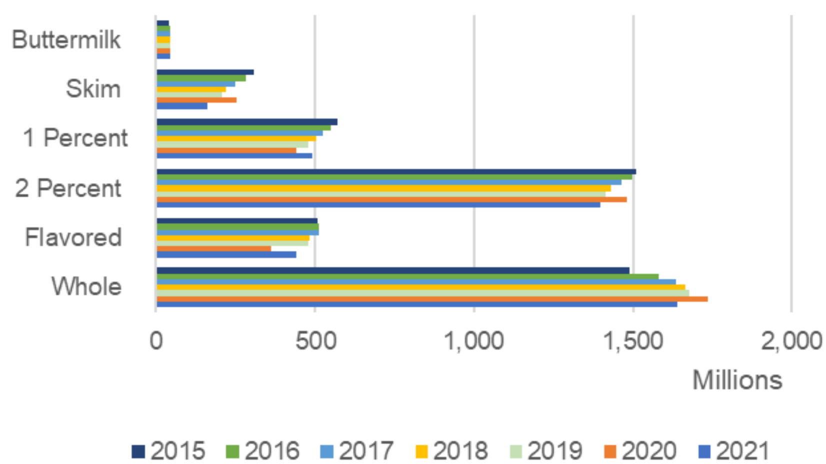
Figure 1. Disposition Breakdown by Product 2021



Packaged fluid milk deliveries into Federal Order 126 by all handlers, which includes disposition from Federal Order 126 handlers and unregulated sources , decreased by 3.35% in 2021 compared to 2020. Unregulated sources include partially regulated handlers, producer-handlers, nonpool plants in Federal Order 126, and handlers regulated by other Federal Orders. This overall decrease in route dispositions results from decreases in the whole, skim, and reduced fat (2%) categories (Figure 2). In particular, whole milk suffered its first decline in dispositions in over 5 years, falling 5.54% from 2020 levels. Much of this decline can be explained by consumers largely resuming pre-pandemic habits, though the pandemic's legacy continues to affect consumer behavior in ways that may benefit the industry, such as more in-home breakfasts. (DairyFoods.com)

Flavored milk, on the other hand, reversed its fortunes from previous years, posting its first significant gain in dispositions over the same five-year period with an increase of 22.28% in 2021. Low fat milk (1%) saw a similar gain after consecutive declines in 2021, though not of the same magnitude, as dispositions rose 10.92%. Both increases follow a pattern seen nationally, with the resumption of school lunch programs buoying deliveries of the dairy products that accompany them. (Hoard'sDairyman)

Figure 2. Route Disposition from All Handlers (2016-2021)



While dispositions by all handlers in Federal Order 126 describe the Class I market in its totality, the decomposition of all dispositions into those of handlers fully regulated by the Order and those by all other handlers provides additional information. Because most dispositions in Federal Order 126 are those of fully regulated handlers, the pattern for each product disposition by regulated handlers largely follows that of all handlers. (Figures 2 & 3) One exception to this rule is 1% milk, which remained stable between 2020 and 2021, suggesting that much of the milk used to satisfy increased demand for low fat milk was satisfied by milk from handlers outside of Federal Order 126. The opposite is true of flavored milk, as regulated handlers saw a 23.6% percent increase in flavored dispositions compared to an all-handlers increase of 22.8%, suggesting that handlers outside of Federal Order 126 supplied less of the increase in overall dispositions.

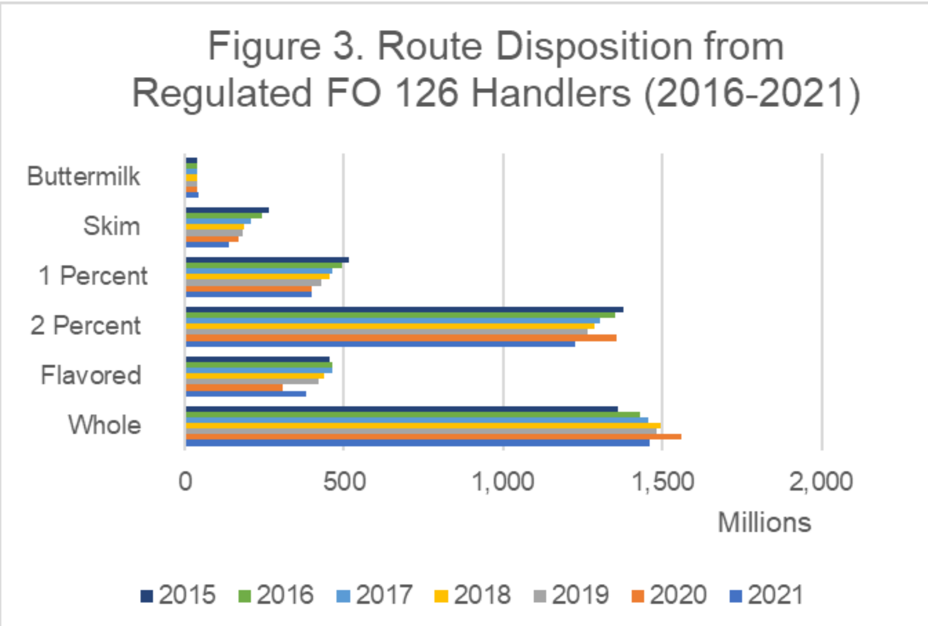
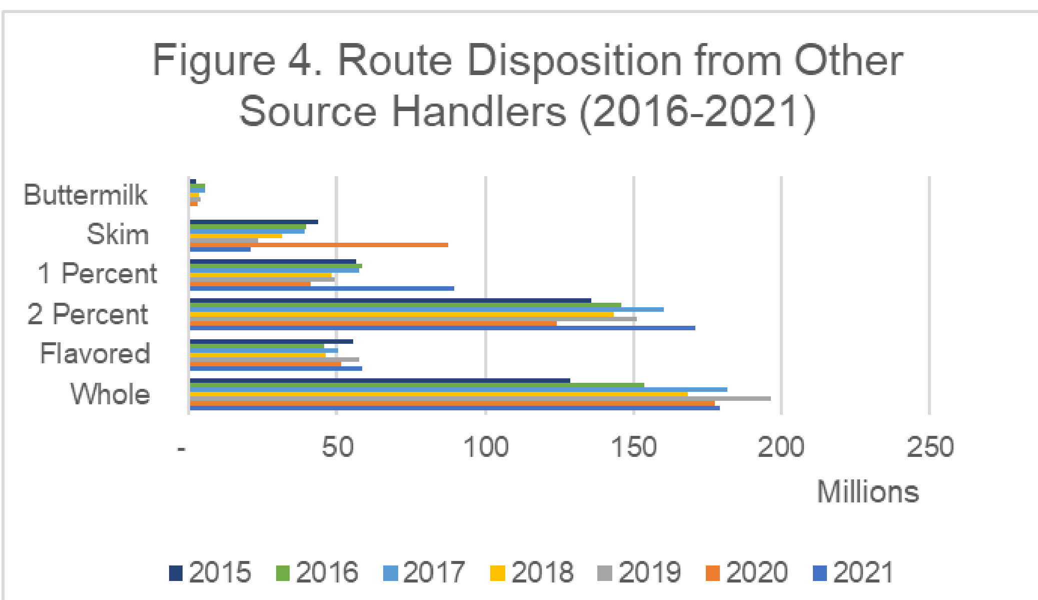


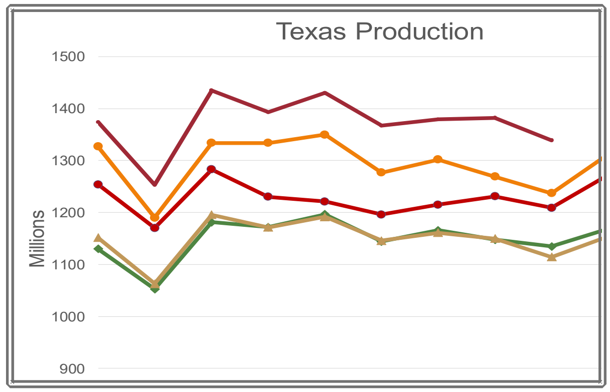
Figure 4 corroborates these expected outcomes, with low fat dispositions by other handlers seeing a 117% increase from 2020 to 2021, significantly more than that of regulated handlers. Flavored dispositions by other handlers also only saw an increase of 13.9%, less than that of regulated handlers. Dispositions from other handlers can also move in defiance of those by regulated handlers, as illustrated by whole milk dispositions by other handlers slightly increasing by .7%.

The dairy industry continued its growth in 2021, with dairy consumption per capita reaching its highest level since record keeping began. (USDA's ERS). The Class I market remains an important component of the dairy industry in both Federal Order 126 and the nation.



Texas Dairy Production

In September, Texas dairy production totaled 1,339 million pounds. This is an 8.25 percent increase relative to September 2021 and a 20.1 percent increase from the September five year average (2017-2021). The September average butterfat for Texas production is 4.19 percent, the average protein is 3.31 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 241,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	326	1,374,644	1,327,361	3.56	4.42	3.49	5.78	181
Feb	326	1,253,077	1,203,149	4.15	4.42	3.47	5.79	182
Mar	324	1,434,529	1,343,659	6.76	4.37	3.44	5.78	173
Apr	323	1,392,807	1,333,803	4.42	4.27	3.39	5.79	171
May	321	1,429,818	1,350,465	5.88	4.19	3.32	5.81	173
Jun	319	1,366,949	1,277,426	7.01	4.12	3.28	5.81	186
Jul	319	1,379,074	1,301,047	6.00	4.09	3.24	5.80	216
Aug	314	1,381,607	1,268,705	8.90	4.10	3.25	5.80	237
Sep	315	1,338,655	1,236,659	8.25	4.19	3.31	5.79	241
Oct			1,312,910					
Nov			1,264,214					
Dec			1,341,794					
Total		**12,351,160**	**15,561,192**					

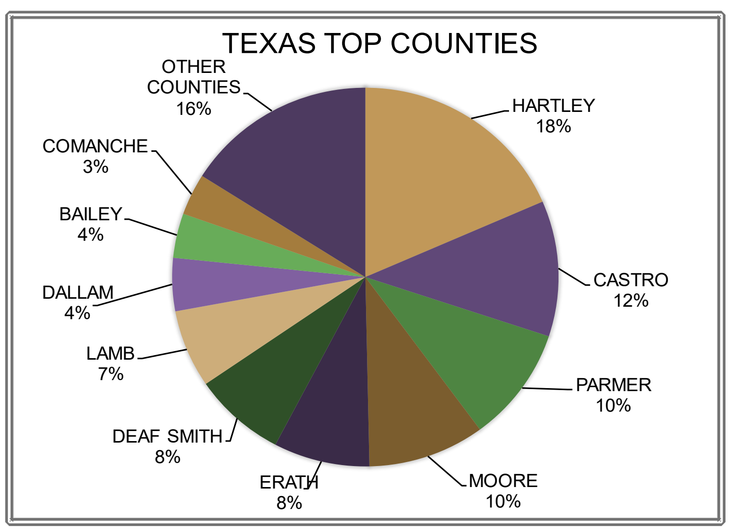
1/ Revised
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 18 percent, followed by Castro and Parmer Counties at 12 and 10 percent, respectively. Overall, 315 producers delivered milk in Texas for the month of September.

County	Number of Producers	September 2022 Pounds	% Change 2021/2022
HARTLEY	19	247,392,579	4.55
CASTRO	15	155,124,301	16.73
PARMER	16	131,463,693	8.14
MOORE	10	130,829,535	26.92
ERATH	44	107,725,183	5.76
DEAF SMITH	14	103,756,591	8.07
LAMB	13	88,897,251	5.09
DALLAM	6	60,626,180	7.72
BAILEY	10	50,821,728	12.36
COMANCHE	14	47,461,316	5.01
SUM	161	1,124,098,357	9.84
OTHER COUNTIES	154	214,556,566	0.59
TEXAS TOTAL	315	1,338,654,923	8.25

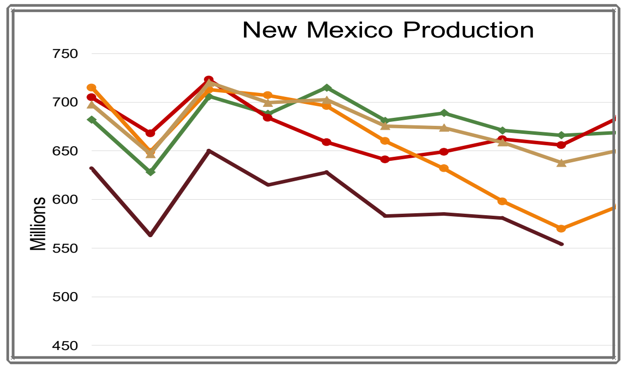
1/ Revised



Click HERE for more information on Texas Milk Production

New Mexico Dairy Production

In September, New Mexico dairy production totaled 554 million pounds. This is a 2.9 percent decrease relative to September 2021 and a 13.11 percent decrease from the September five year average (2017-2021). The September average butterfat is 3.82 percent, the average protein is 3.18 percent, and the average other solids at 5.76 percent. The average somatic cell count is at 250,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	109	632,112	714,908	(11.58)	4.03	3.33	5.79	171
Feb	109	563,156	649,004	(13.23)	4.02	3.31	5.79	175
Mar	109	650,082	712,738	(8.79)	3.94	3.28	5.78	161
Apr	110	614,872	706,687	(12.99)	3.85	3.23	5.78	156
May	107	628,012	696,133	(9.79)	3.78	3.17	5.80	153
Jun	105	583,485	660,067	(11.60)	3.74	3.12	5.81	165
Jul	106	584,911	632,273	(7.49)	3.73	3.07	5.78	203
Aug	106	581,278	597,982	(2.79)	3.73	3.11	5.77	242
Sep	110	553,579	570,133	(2.90)	3.82	3.18	5.76	250
Oct			594,320					
Nov			571,659					
Dec			595,152					
Total		**5,391,487**	**7,701,056**					

1/ Revised

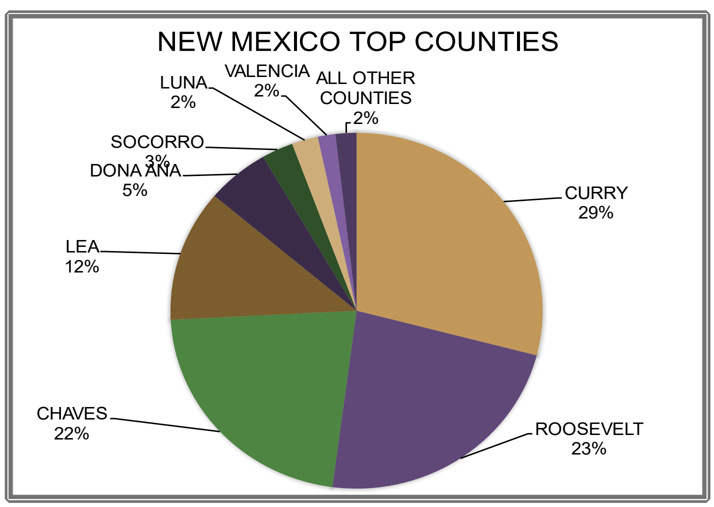
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 29 percent, followed by Roosevelt and Chaves Counties at 23 and 22 percent, respectively. Overall, 110 producers delivered milk in New Mexico for the month of September.

County	Number of Producers	September 2022 Pounds	% Change 2021/2022
CURRY	23	160,773,850	5.28
ROOSEVELT	30	127,514,393	2.89
CHAVES	23	122,405,934	(5.08)
LEA	12	66,316,833	4.66
DONA ANA	8	30,241,540	(13.31)
SOCORRO	5	15,172,241	(5.18)
LUNA	3	12,614,160	(2.84)
VALENCIA	3	8,445,680	(42.05)
SUM	107	543,484,631	(0.72)
OTHER COUNTIES	3	10,094,740	(55.57)
NM TOTAL	110	553,579,371	(2.90)

1/ Revised



Click HERE for more information on New Mexico Milk Production

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

September 2022

			Pounds	Price	Value
Add:	Class I Differential				$423,068.22
	Class I Butterfat	60(a)	7,307,215	$ 3.4501	$25,210,622.46
	Class I Skim Per Cwt		318,374,592	$15.0700	$47,979,051.03
	Class II Butterfat	60(b)	7,594,669	$ 3.5723	$27,130,436.07
	Class II Nonfat Solids		4,373,016	$ 1.6133	$7,054,986.71
	Class III Butterfat	60(c)	28,008,047	$ 3.5653	$99,857,090.01
	Class III Protein		23,831,607	$ 1.8847	$44,915,429.73
	Class III Other Solids		42,234,400	$ 0.2998	$12,661,873.12
	Class IV Butterfat	60(d)	2,739,699	$ 3.5653	$9,767,848.84
	Class IV Nonfat Solids		2,025,590	$ 1.3984	$2,832,585.04
	Class II, III, & IV Somatic Cell Adjustment	60(e)			$868,963.77
	Total Producer Milk- Product Pounds and Value		1,132,773,431		$278,701,955.00
Add:	Value as for 60(f) thru 60(j)				$144,616.84-
Less:	Total Protein Pounds	61(b)	36,922,531	**$ 1.8847**	$69,587,894.18
	Total Other Solids Pounds		65,455,528	**$ 0.2998**	$19,623,567.29
	Total Butterfat Pounds		45,649,630	**$ 3.5653**	$162,754,625.84
	Total Value of Somatic Cell Adjustment				$1,096,930.18
	Total Milk and Value		1,132,773,431		$25,494,320.67
Add:	Location Differential Adjustments	61(c)			$5,480,300.70
	Producer - Settlement Fund Reserve	61(d)			$443,489.01
	Total Product Milk/URSP and Value		1,132,773,431 $	2.77355	$31,418,110.38
Less:	Producer - Settlement Fund Reserve	61(f)		$ 0.04355	$493,395.71
	Producer Price Differential (Dallas County)			**$2.73**	$30,924,714.67

Total Value of Milk in Pool

Value of Milk in Pool after Producer Milk Value of $251,966,087.31 is removed

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	325,681,807	28.75	7,307,215	16.01	318,374,592	29.29
Class II	54,310,242	4.79	7,594,669	16.64	46,715,573	4.30
Class III	728,365,615	64.30	28,008,047	61.35	700,357,568	64.42
Class IV	24,415,767	2.16	2,739,699	6.00	21,676,068	1.99
Total	1,132,773,431	100.00	45,649,630	100.00	1,087,123,801	100.00

Producer Milk Components

	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	45,649,630	36,922,531	65,455,528	102,378,059
Average Test	4.029%	3.259%	5.778%	9.037%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22	Aug-22
Appalachian - F.O. 5	26.53	27.49	N/A	N/A	73.38	72.98
Arizona - F.O. 131	23.81	23.86	N/A	N/A	30.92	31.2
Central - F.O. 32	22.20	22.82	2.38	2.72	28.32	28.05
Florida - F.O. 6	28.58	29.74	N/A	N/A	84.71	83.56
Mideast - F.O. 33	22.64	23.33	2.82	3.23	39.1	38.9
Northeast - F.O. 1	24.82	25.42	5	5.32	30.9	28.7
Pacific NW - F.O. 124	22.54	23.08	2.72	2.98	22.91	21.71
California - F.O. 51	21.80	22.38	1.98	2.28	21.5	21.8
Southeast - F.O. 7	27.17	28.17	N/A	N/A	82.91	77.59
Southwest - F.O. 126	22.55	23.16	2.73	3.06	28.75	28.61
Upper Midwest - F.O. 30	20.28	20.60	0.46	0.5	6.1	5.8

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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