

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

December 2023

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received an November statistical uniform price of \$19.34 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 \$19.52 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 \$2.19 for November. The November Class I price increased \$0.28 from \$22.47 in October to the November level of \$22.75. The Class II price decreased \$0.74 from \$21.95 in October to \$21.21 in November. The Class III price increased \$0.31 from \$16.84 in October to \$17.15 in November. The Class IV price decreased \$0.62 from \$21.49 in October to \$20.87 in November.

In November, 346 producers delivered a total of 1,025,185,318 pounds of milk. On a daily basis, this represents a decrease of 2.29 percent from the producer receipts level in October and a decrease of 7.81 percent when compared to the producer receipts level of November 2022.

Producer milk classified as Class I during November amounted to 31.83 percent of total producer receipts. This figure is up from 30.20 percent in October and up from 29.54 percent in November 2022. The average butterfat test of producer milk pooled during October was 4.312 percent, average protein test was 3.456 percent, average other solids test was 5.798 percent, and the average somatic cell count was 186,000.

The November butterfat price decreased \$0.2536 from \$3.7144 in October to the November level of \$3.4608. The protein price increased \$0.2770 from \$1.0468 in October to \$1.3238 in November. The other solids price increased \$0.0652 from \$0.1243 in October to \$0.1895 in November. The somatic cell adjustment rate in November was 0.00087.

November 2023 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in November 2023 is \$19.34 with a PPD of \$2.19
- ◆ 1,025 million pounds were pooled in October. This is down 2.29 percent on a daily basis from October 2023
- ◆ 346 producers pooled their milk; this is up from 332 in October
- ◆ Class I milk accounted for 31.83 percent of all receipts, down from 30.20 in October

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	22.75	326,295,564	31.83
Class II	21.21	58,729,977	5.73
Class III	17.15	632,826,399	61.72
Class IV	20.87	7,333,378	0.72

Producer Prices

Statistical Uniform Price	\$19.34	/ cwt
Producer Price Differential	\$2.19	/ cwt
Butterfat Price	\$3.4608	/ lb
Protein Price	\$1.3238	/ lb
Other Solids Price	\$0.1895	/ lb
Nonfat Solids Price	\$1.0080	/ lb
Somatic Cell Adjustment Rate	\$0.00087	/ cwt

Milkfat's Momentum into 2024

Once more, the holiday season is upon us! 'Tis the season of fabulous feasts, decadent desserts, and slack sweatpants. What makes this bounty possible? Butterfat, of course. Lots and lots of butterfat. Due to [evolving understanding of animal fats on health](#), consumers have gradually [transitioned towards higher and full fat dairy product options](#). While our stomachs are busy digesting our last holiday meal, these stats on these holiday cooking staples should keep our minds equally busy.

Cheese

While not necessarily a traditional component of many holiday meals, this article would be incomplete without mentioning the product category that uses a plurality of the milkfat in the country. According to [ERS Dairy Data](#), 3,937.8 pounds of milkfat, or 43% of the nation's total supply, is captured in cheese, making it by far the primary driver of milkfat demand.

Butter

What is holiday cooking and baking without butter? Butter, already a staple of the American diet, has only grown in importance as an ingredient and condiment. When recordkeeping began in 1975, per capita consumption stood at 4.7 pounds per year around which it remained until a marked shift in 2011. After 2011, partly driven by changing consumer perceptions on the saturated fats in butter, per capita consumption steadily rose in the US to a peak of 6.4 pounds per year in 2021, with a slight decline to 6.0 in 2022. Domestic Disappearance of butter, a proxy for domestic consumption, decomposes these increases into monthly data. Butter consumption follows a very seasonal pattern, typically increasing through the fall and peaking in November for Thanksgiving baking before tapering off into the spring and summer. 2023 butter consumption appears set to follow much the same pattern, with a clear increase in October, the last month with available data. Considering this seasonal consumption pattern, 2023 domestic disappearance appears set to top 2022 levels, with 2023's January to October consumption standing at 1,765.1 million pounds against 2022's 1,628.8 million pounds. After accounting for those digesting holiday treats and sweets, 2023 looks to be a year characterized with particularly robust butter demand.

Figure 1: 2022 Milkfat Allocation

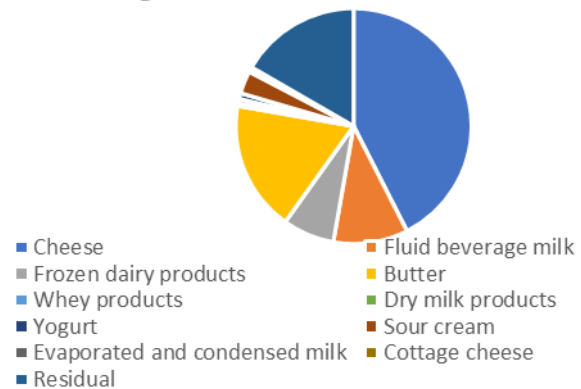
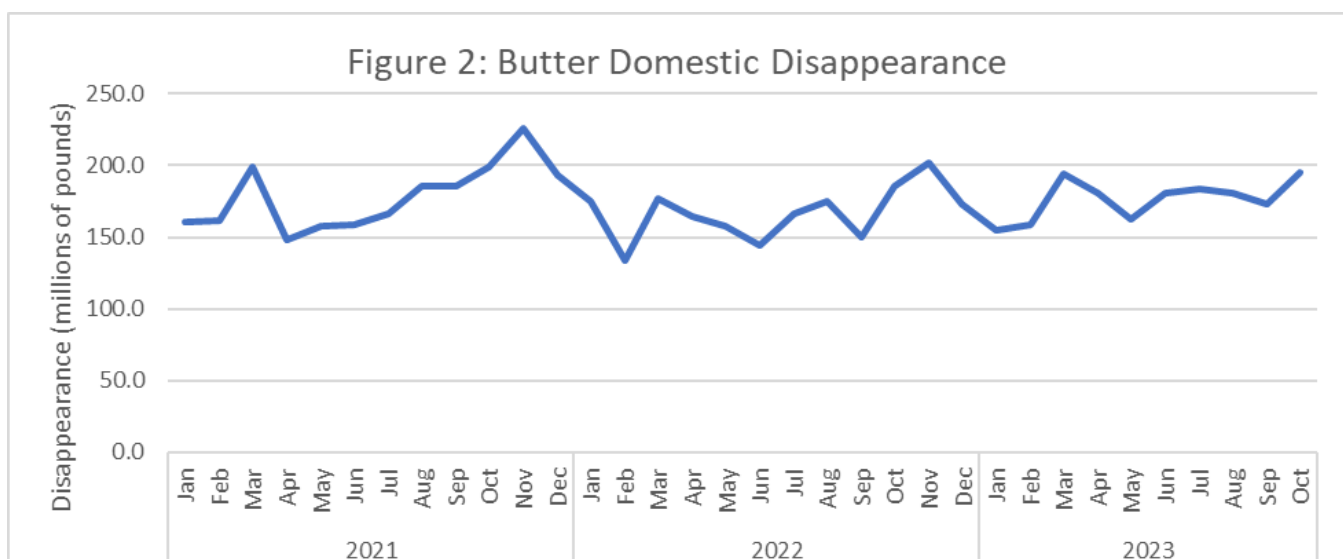
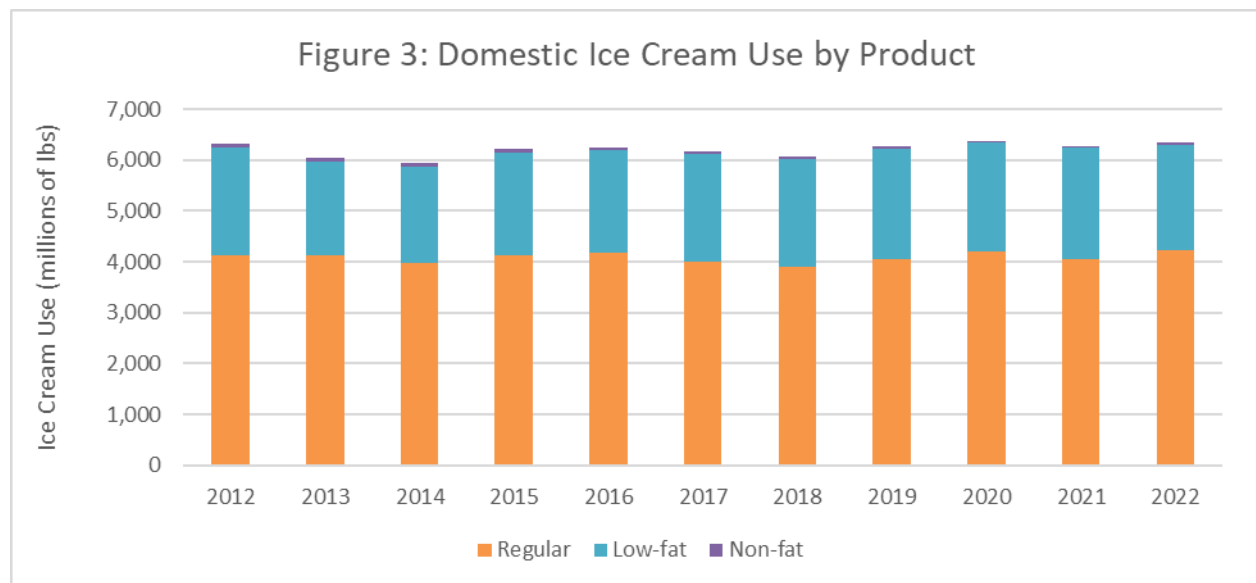


Figure 2: Butter Domestic Disappearance



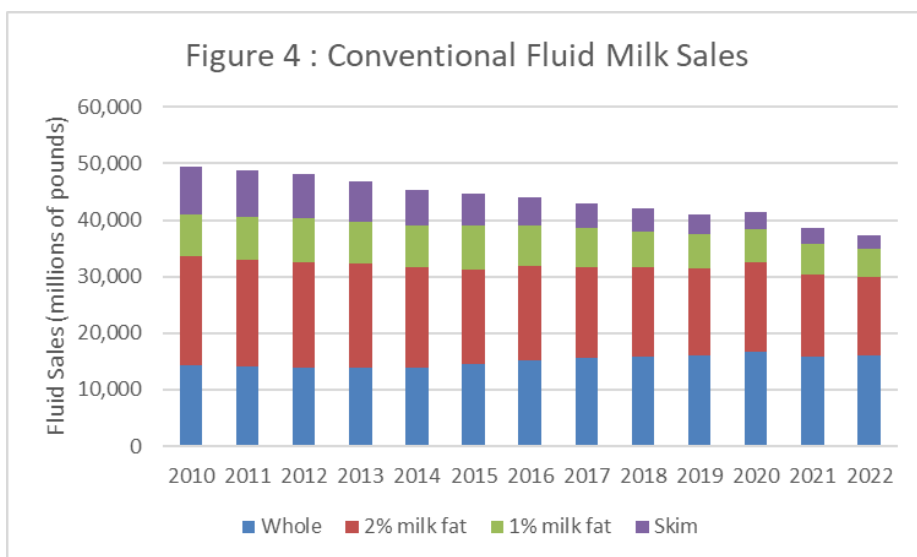
Ice Cream

Is there a better accompaniment to a cake or pie than ice cream? Despite some variation, ice cream consumption shows a similar preference for full fat options. Full fat ice cream use represented 75% of ice cream use in 1982, but that share steadily decreased in the following years, especially once fat free options became a considerable force in the market. This trend continued until the period of 2017 to 2019, in which regular ice cream's share of use hit a minimum around 64%. The period of 2020 to 2023 has seen slight increases from this minimum, with the share rising to a range of 65% to 67 percent.



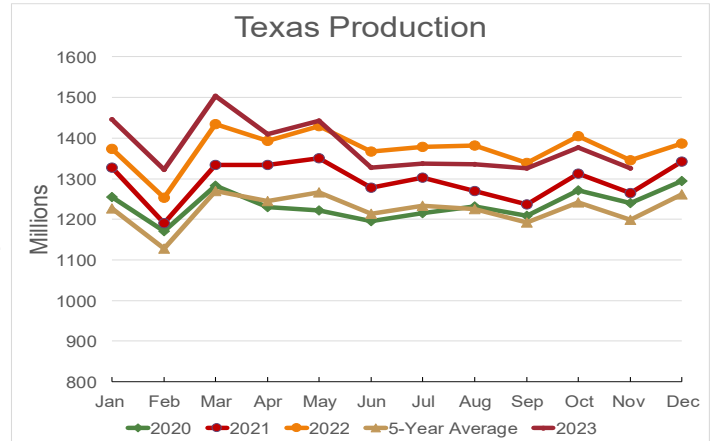
Fluid Milk

Finally, to wash down all those other products, how about a glass of whole milk? Like other whole fat products, whole milk once represented the vast majority of conventional milk sold in the US in 1975 at 72% of the conventional market. This share fell to a minimum of 28% in 2011 due to the rise of reduced fat milk, particularly 1% and 2%, before recovering in recent years to represent 43% of conventional sales in 2022. A similar trend was highlighted in last month's bulletin, in which whole milk utilization within FO 126 was the only conventional fluid category that grew from 2021 levels. This represents a clear example of consumers, [driven by taste preferences](#) and reduced concern over health impacts, substituting towards higher fat options for dairy products. The holidays are a time for celebration and family togetherness; with doctor permission, weight is a problem for next year's you! So everyone loosen your belts, grab an extra glass of milk for the Southwest Order, and enjoy!



Texas Dairy Production

In November, Texas dairy production totaled 1,325 million pounds. This is a 1.47 percent decrease relative to November 2022 and a 10.5 percent increase from the November five year average (2018-2022). The November average butterfat for Texas production is 4.38 percent, the average protein is 3.48 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 189,000.



Month	2023 Number of Producers	2023 Pounds (In Thousands)	2022 Pounds (In Thousands)	% Change from 2022/2023	2023 Butterfat	2023 Protein	2023 Other Solids	2023 SCC (In Thousands)
Jan	315	1,446,413	1,374,644	5.22	4.36	3.45	5.80	208
Feb	312	1,322,088	1,253,077	5.51	4.35	3.44	5.80	201
Mar	311	1,502,558	1,434,529	4.74	4.26	3.40	5.80	189
Apr	316	1,409,738	1,392,807	1.22	4.17	3.36	5.79	179
May	309	1,441,638	1,429,818	0.83	4.08	3.31	5.79	192
Jun	310	1,327,677	1,366,949	(2.87)	4.11	3.23	5.81	233
Jul	300	1,337,158	1,379,074	(3.04)	4.03	3.17	5.79	248
Aug	300	1,335,516	1,381,607	(3.34)	4.02	3.20	5.79	246
Sep	299	1,325,897	1,338,655	(0.95)	4.13	3.27	5.78	238
Oct	299	1,377,160	1/ 1,412,651	(2.51)	4.26	3.39	5.78	220
Nov	295	1,325,384	1/ 1,345,226	(1.47)	4.38	3.48	5.79	189
Dec			1,385,860					
Total		15,151,227	16,494,897					

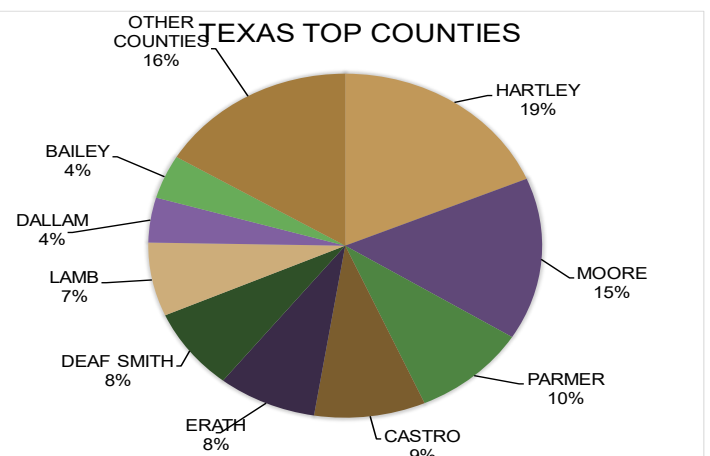
1/ Revised
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 19 percent, followed by Moore and Parmer Counties, at 15 percent and 10 percent, respectively. Overall, 295 producers delivered milk in Texas for the month of November.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
HARTLEY	18	238,301,939	(2.76)
MOORE	14	195,148,616	47.36
PARMER	15	121,312,922	(6.96)
CASTRO	14	116,796,226	(23.61)
ERATH	37	103,733,618	(4.46)
DEAF SMITH	14	98,597,918	(1.02)
LAMB	12	88,482,957	0.71
DALLAM	5	53,898,230	(12.64)
BAILEY	10	52,645,213	2.32
HALE	6	47,184,100	1.24
SUM	145	1,116,101,739	(0.04)
OTHER COUNTIES	150	209,281,829	(8.47)
TEXAS TOTAL	295	1,325,383,568	(1.48)

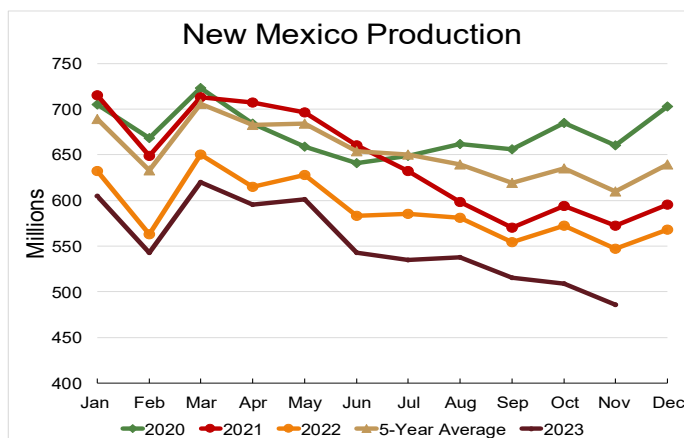
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In November, New Mexico dairy production totaled 486 million pounds. This is a 11.17 percent decrease relative to November 2022 and a 20.3 percent decrease from the November five year average (2018-2022). The November average butterfat is 4.19 percent, the average protein is 3.42 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 173,000.



Month	2023 Number of Producers	2023 Pounds (In Thousands)	2022 Pounds (In Thousands)	% Change from 2022/2023	2023 Butterfat	2023 Protein	2023 Other Solids	2023 SCC (In Thousands)
Jan	103	604,966	632,112	(4.29)	4.06	3.34	5.79	223
Feb	105	543,043	563,156	(3.57)	4.04	3.32	5.79	220
Mar	106	619,727	650,082	(4.67)	3.96	3.28	5.79	199
Apr	103	594,879	614,872	(3.25)	3.86	3.26	5.77	178
May	101	600,823	628,012	(4.33)	3.83	3.23	5.78	179
Jun	99	542,909	583,485	(6.95)	3.83	3.16	5.81	208
Jul	97	534,915	584,911	(8.55)	3.78	3.09	5.78	220
Aug	96	537,864	581,278	(7.47)	3.79	3.13	5.78	228
Sep	94	514,961	553,573	(6.98)	3.88	3.22	5.76	229
Oct	94	508,697	571,628	(11.01)	4.04	3.34	5.77	208
Nov	90	485,809	546,924	(11.17)	4.19	3.42	5.79	173
Dec			567,701					
Total		6,088,593	7,077,734					

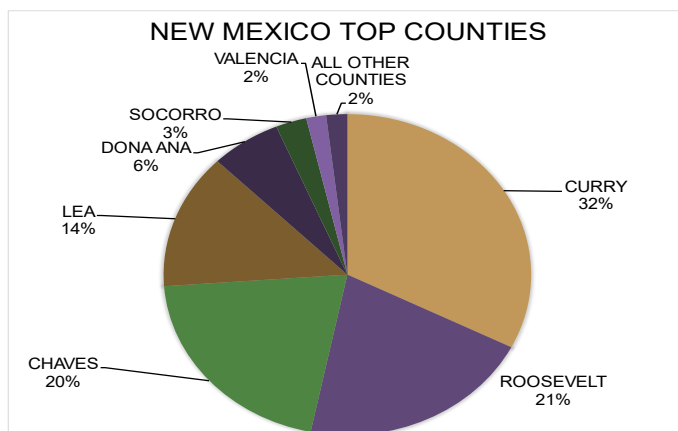
1/ Revised
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 32 percent, followed by Roosevelt and Chaves Counties, at 21 and 20 percent, respectively. Overall, 90 producers delivered milk in New Mexico for the month of November.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
CURRY	22	157,740,462	2.00
ROOSEVELT	25	100,746,668	(21.37)
CHAVES	18	100,279,756	(14.85)
LEA	10	66,302,084	2.21
DONA ANA	7	30,009,492	(15.28)
SOCORRO	3	13,245,320	(4.21)
VALENCIA	3	8,495,050	(5.03)
SUM	88	476,818,832	(8.93)
OTHER COUNTIES	2	8,990,080	(61.46)
NM TOTAL	90	485,808,912	(11.17)

1/ Revised



COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

November 2023

		Pounds	Price	Value
Add: Class I Differential				\$398,267.67
Class I Butterfat	60(a)	7,910,123	\$ 3.6766	\$29,082,358.23
Class I Skim Per Cwt		318,385,441	\$10.2400	\$32,602,669.16
Class II Butterfat	60(b)	7,220,784	\$ 3.4678	\$25,040,234.77
Class II Nonfat Solids		4,966,540	\$ 1.0444	\$5,187,054.36
Class III Butterfat	60(c)	27,490,566	\$ 3.4608	\$95,139,350.82
Class III Protein		21,995,686	\$ 1.3238	\$29,117,889.14
Class III Other Solids		36,682,104	\$ 0.1895	\$6,951,258.71
Class IV Butterfat	60(d)	1,594,186	\$ 3.4608	\$5,517,158.89
Class IV Nonfat Solids		555,078	\$ 1.0080	\$559,518.63
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$1,079,818.48
Total Producer Milk- Product Pounds and Value		1,025,185,318		\$230,675,578.86
Add: Value as for 60(f) thru 60(j)				\$176,504.04
Less: Total Protein Pounds	61(b)	35,439,241	\$ 1.3238	\$46,914,467.27
Total Other Solids Pounds		59,447,271	\$ 0.1895	\$11,265,257.88
Total Butterfat Pounds		44,215,659	\$ 3.4608	\$153,021,552.67
Total Value of Somatic Cell Adjustment				\$1,459,970.20
Total Milk and Value		1,025,185,318		\$17,837,826.80
Add: Location Differential Adjustments	61(c)			\$4,619,418.06
Producer - Settlement Fund Reserve	61(d)			\$506,273.64
Total Producer Milk/URSP and Value		1,025,185,318	\$ 2.23993	\$22,963,518.50
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04993	\$511,960.04
Producer Price Differential (Dallas County)			\$2.19	\$22,451,558.46

PPD per cwt

Producer Price Differential	\$2.19
Class III Price	\$17.15
Statistical Uniform Price of Milk (3.5% Butterfat-Dallas)	\$19.34

Remaining value from which PPD per cwt is calculated

Average Somatic Cell Count	186,000
Total Number of Producers	346

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	326,295,564	31.83	7,910,123	17.89	318,385,441	32.46
Class II	58,729,977	5.73	7,220,784	16.33	51,509,193	5.25
Class III	632,826,399	61.72	27,490,566	62.17	605,335,833	61.70
Class IV	7,333,378	.72	1,594,186	3.61	5,739,192	.59
Total	1,025,185,318	100.00	44,215,659	100.00	980,969,659	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	44,215,659	35,439,241	59,447,271	94,886,512
Average Test	4.312%	3.456%	5.798%	9.255%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Nov-23	Oct-23	Nov-23	Oct-23	Nov-23	Oct-23
Appalachian - F.O. 5	22.19	23.05	N/A	N/A	72.15	71.69
Arizona - F.O. 131	20.22	20.56	N/A	N/A	24.93	27.13
Central - F.O. 32	18.74	19.03	1.59	2.19	30.58	29.74
Florida - F.O. 6	24.08	24.99	N/A	N/A	81.84	81.53
Mideast - F.O. 33	19.27	19.66	2.12	2.82	40.28	39.58
Northeast - F.O. 1	20.74	21.20	3.59	4.36	30.8	30.1
Pacific NW - F.O. 124	18.97	19.25	1.82	2.41	23.2	22.52
California - F.O. 51	18.57	18.60	1.42	1.76	20.5	20
Southeast - F.O. 7	22.94	23.64	N/A	N/A	85.87	77.02
Southwest - F.O. 126	19.34	19.52	2.19	2.68	31.83	30.20
Upper Midwest - F.O. 30	17.48	17.28	0.33	0.44	6.5	6.3

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/>



Milk Market Administrator

P.O. Box 110939

Carrollton, TX 75011-0939

(972) 245-6060 (Phone)

(972) 245-3211 (Fax)

sw.order@dallasma.com (Email)

For more information, visit our website: www.dallasma.com

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