

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

November 2023

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received an October statistical uniform price of \$19.52 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 \$19.81 in September.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$2.68 for October. The October Class I price increased \$0.57 from \$21.90 in September to the October level of \$22.47. The Class II price increased \$1.97 from \$19.98 in September to \$21.95 in October. The Class III price decreased \$1.55 from \$18.39 in September to \$16.84 in October. The Class IV price increased \$2.40 from \$19.09 in September to \$21.49 in October.

In October, 332 producers delivered a total of 1,084,158,548 pounds of milk. On a daily basis, this represents a decrease of 11.67 percent from the producer receipts level in September and a decrease of 7.88 percent when compared to the producer receipts level of October 2022.

Producer milk classified as Class I during October amounted to 30.20 percent of total producer receipts. This figure is up from 26.84 percent in September and up from 27.77 percent in October 2022. The average butterfat test of producer milk pooled during September was 4.186 percent, average protein test was 3.372 percent, average other solids test was 5.782 percent, and the average somatic cell count was 220,000.

The October butterfat price increased \$0.5880 from \$3.1264 in September to the October level of \$3.7144. The protein price decreased \$1.2559 from \$2.3027 in September to \$1.0468 in October. The other solids price increased \$0.0251 from \$0.0992 in September to \$0.1243 in October. The somatic cell adjustment rate in June was 0.00087.

October 2023 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in October 2023 is \$19.52 with a PPD of \$2.68
- ◆ 1,084 million pounds were pooled in October. This is down 11.67 percent on a daily basis from September 2023
- ◆ 332 producers pooled their milk; this is up from 362 in September
- ◆ Class I milk accounted for 30.20 percent of all receipts, up from 26.84 in September

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	22.47	327,384,241	30.20
Class II	21.95	78,384,124	7.23
Class III	16.84	672,567,076	62.03
Class IV	21.49	5,823,107	0.54

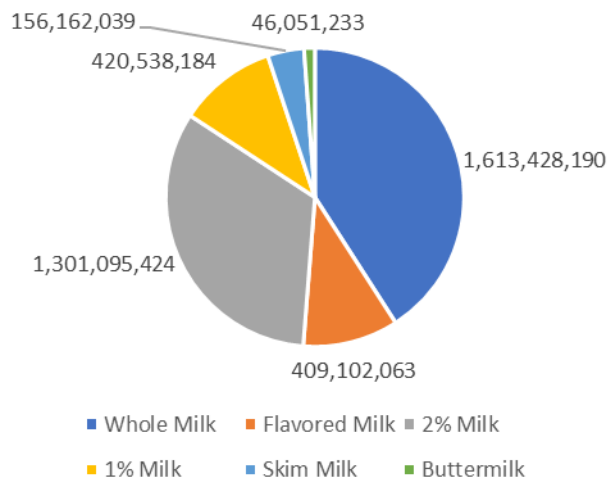
Producer Prices

Statistical Uniform Price	\$19.52	/ cwt
Producer Price Differential	\$2.68	/ cwt
Butterfat Price	\$3.7144	/ lb
Protein Price	\$1.0468	/ lb
Other Solids Price	\$0.1243	/ lb
Nonfat Solids Price	\$0.9781	/ lb
Somatic Cell Adjustment Rate	\$0.00087	/ cwt

Order 126 Class I Utilization and Disposition

With the [2022 Annual Statistics Report](#) by Federal Order 126 now published, we can finally share some of the changes in Class I utilization and out of area disposition.

2021 Class I Utilization by Regulated Handlers



Utilization

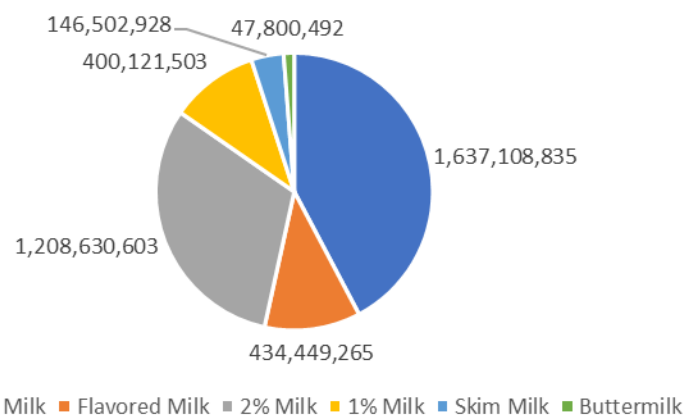
When excluding excess shrinkage and ending inventories, total Class I Utilization by regulated handlers declined 1.82% overall in 2022, from 3,946,377,133 pounds in 2021 to 3,874,613,626 pounds in 2022. Much of this decline was driven by decreasing low fat milk utilization. Class I utilization in 2% milk, the second largest utilization at 32.97% in 2021, declined 7.11% to reach a 2022 31.19% share of total fluid

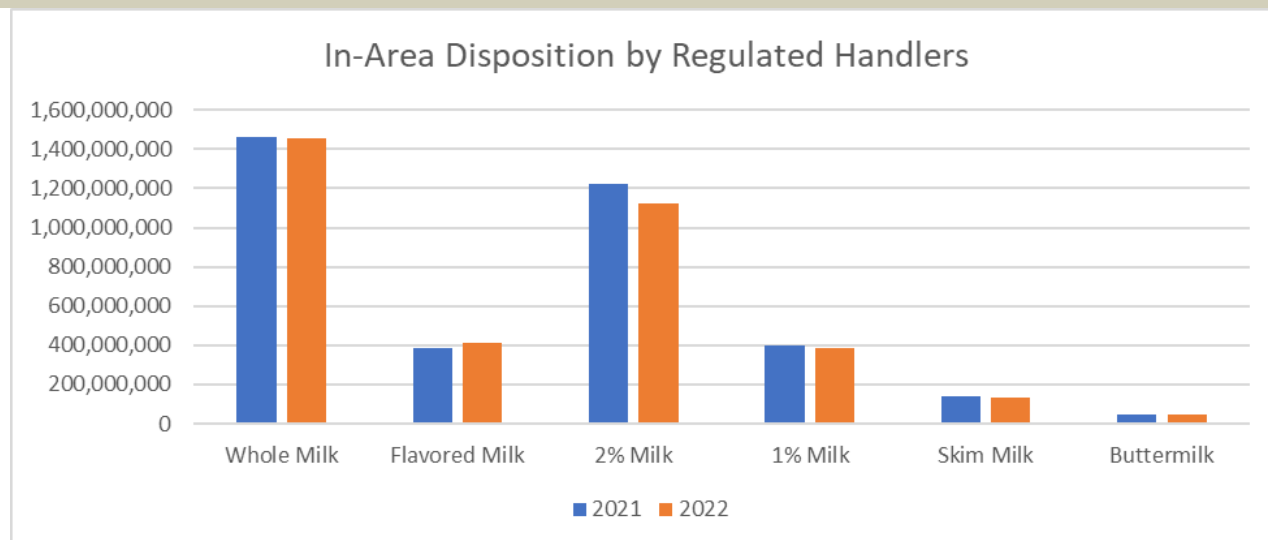
utilization. 1% milk followed a similar trend, falling 4.85% from 2021 totals. This similarly caused 1% milk's share of fluid utilization to fall from 10.66% to 10.33% of total Class I utilization. Finally, skim milk suffered similar declines of 6.19%, falling from a 3.96% share of fluid usage in 2021 to a 3.78% share.

These declines were mitigated by the increases in whole and flavored milk utilization. Already the largest fluid use category in recent years, whole milk utilization grew 1.47% between 2021 and 2022, increasing in share from 40.88% to 42.25% in 2022. Flavored milk saw the largest percentage increase between the two categories, rising 6.2% in 2022. This caused fla-

vored milk utilization to increase in share from 10.37% to 11.21%. These shifts between Class I categories are likely driven by a variety of factors such as changes in [school schedules](#) and shifting [consensus on health guidelines](#).

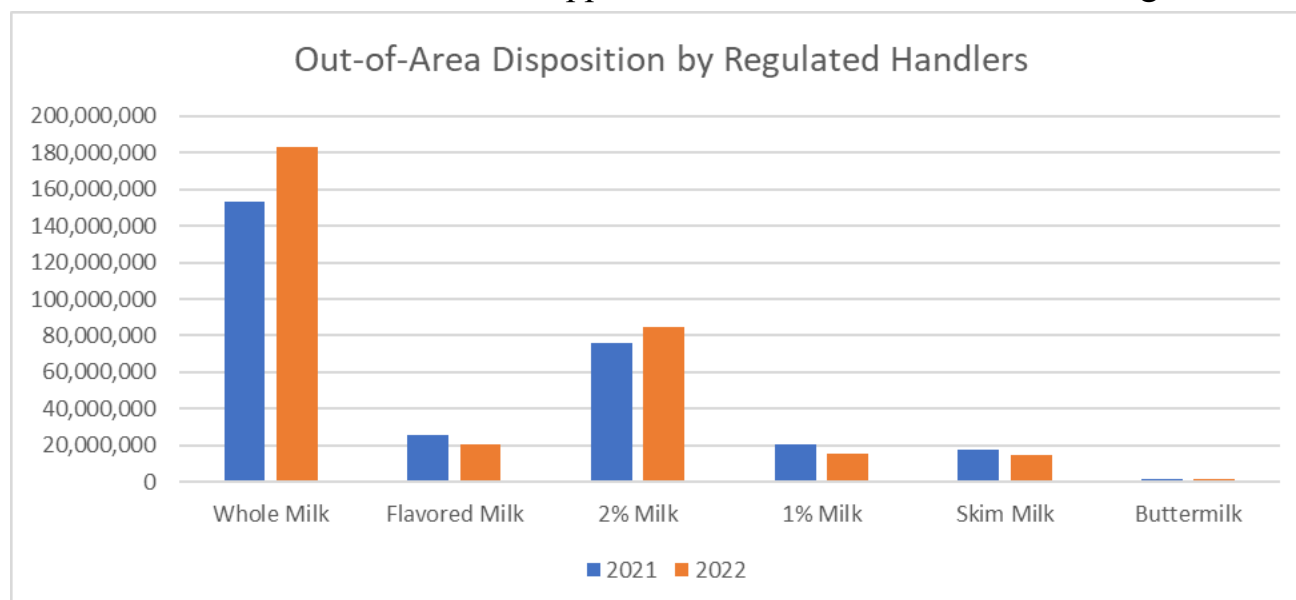
2022 Class I Utilization by Regulated Handlers





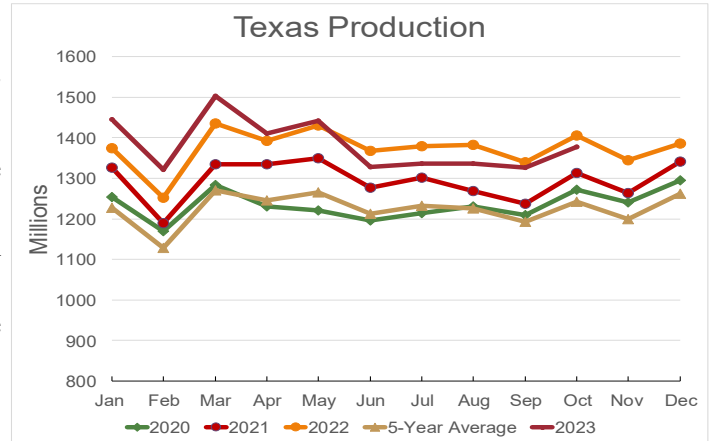
Route Disposition

This overall utilization for handlers regulated by FO 126 can then be decomposed into both in-area and out-of-area route disposition to see any changes in how these products are moved. Because consumer demand in FO 126 is mostly met by FO 126 plants, in-area disposition by fluid category largely follows a similar trend to utilization. This is the case for flavored milk, 2%, 1%, and skim milk, which all saw decreased utilization and in area disposition. The categories of flavored milk and 2% milk present an interesting contrast with diverging in-area and out-of-area sales. An increased portion of declining 2% utilization was shipped out of area, thus satisfying demand for low fat milk outside of the bounds of FO 126. Meanwhile, increased in-area disposition of flavored milks resulted in lower out-of-area sales of flavored milks, despite an increase in overall flavored milk utilization. Whole milk provides one more interesting point of comparison. While whole milk utilization rose in FO 126, in-area sales decreased slightly, by .04%, from 2021. This means that the entirety of the increase in whole milk utilization, and a little more besides, was shipped on routes outside of the marketing area.



Texas Dairy Production

In October, Texas dairy production totaled 1,377 million pounds. This is a 2.51 percent decrease relative to October 2022 and a 10.9 percent increase from the October five year average (2018-2022). The October average butterfat for Texas production is 4.26 percent, the average protein is 3.39 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 220,000.



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			1/ 1,345,226					
Dec			1,385,860					
Total		13,825,843	16,494,897					

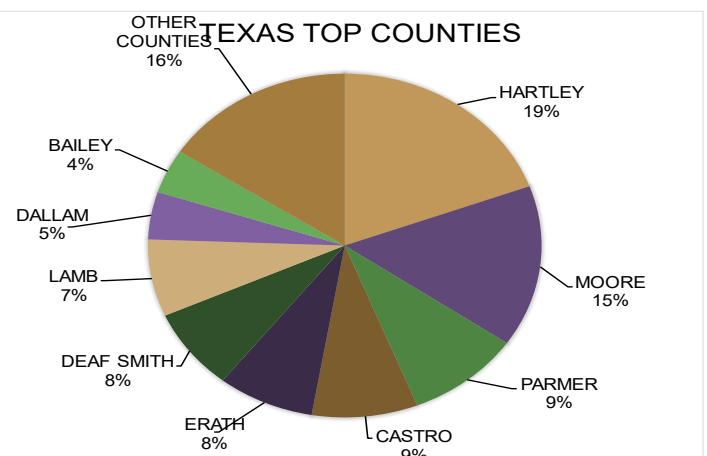
1/ Revised
2/ Simple Average of Total

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 9 percent, respectively. Overall, 299 producers delivered milk in Texas for the month of October.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
HARTLEY	18	257,569,905	0.04
MOORE	14	201,872,396	43.11
PARMER	14	124,852,435	(9.40)
CASTRO	14	115,582,326	(29.05)
ERATH	38	105,457,180	(6.95)
DEAF SMITH	14	102,000,964	(6.76)
LAMB	13	96,267,908	4.51
DALLAM	5	59,337,679	(5.11)
BAILEY	10	55,224,818	2.42
HALE	6	49,112,403	0.27
SUM	146	1,167,278,014	(1.04)
OTHER COUNTIES	150	209,881,803	(9.97)
TEXAS TOTAL	296	1,377,159,817	(2.51)

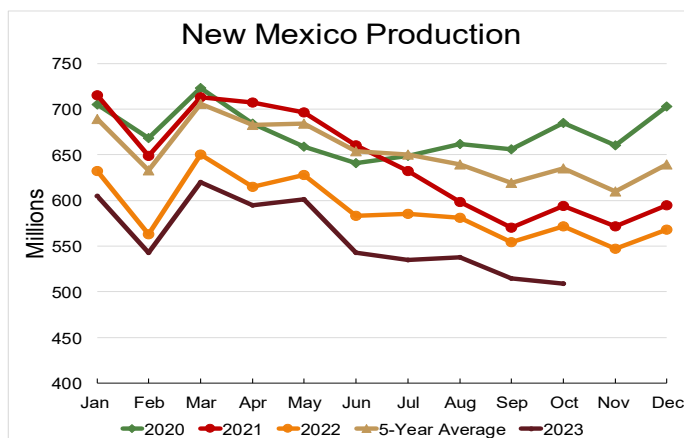
1/ Revised



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

New Mexico Dairy Production

In October, New Mexico dairy production totaled 509 million pounds. This is a 11.01 percent decrease relative to October 2022 and a 19.8 percent decrease from the October five year average (2018-2022). The October average butterfat is 4.04 percent, the average protein is 3.34 percent, and the average other solids at 5.77 percent. The average somatic cell count is at 208,000.



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			546,924					
Dec			567,701					
Total		5,602,784	7,077,734					

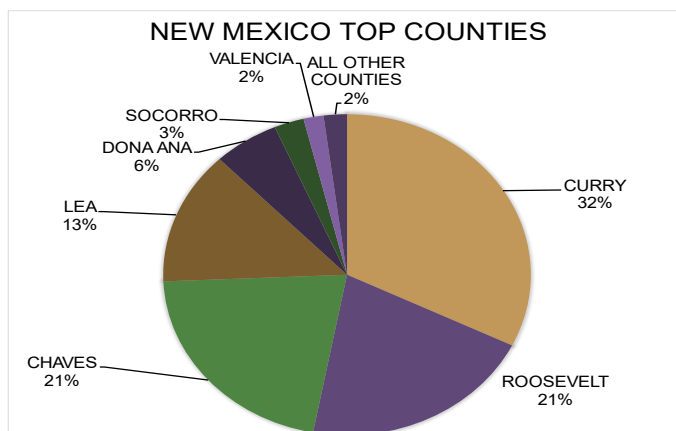
1/ Revised
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 32 percent, followed by Chaves and Roosevelt Counties, both at 21 percent. Overall, 94 producers delivered milk in New Mexico for the month of October.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
CURRY	22	164,097,302	(1.49)
CHAVES	20	108,736,160	(8.15)
ROOSEVELT	25	105,335,503	(22.63)
LEA	10	68,483,492	(0.78)
DONA ANA	7	29,339,180	(13.93)
SOCORRO	3	13,328,280	(7.73)
VALENCIA	3	8,960,101	0.17
SUM	90	498,280,018	(9.01)
OTHER COUNTIES	4	10,417,320	(56.60)
NM TOTAL	94	508,697,338	(11.01)

1/ Revised



COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

October 2023

		Pounds	Price	Value
Add: Class I Differential				\$378,313.94
Class I Butterfat	60(a)	7,914,894	\$ 3.0777	\$24,359,669.28
Class I Skim Per Cwt		319,469,347	\$12.1200	\$38,719,684.87
Class II Butterfat	60(b)	7,294,621	\$ 3.7214	\$27,146,202.61
Class II Nonfat Solids		6,760,292	\$ 1.0278	\$6,948,228.14
Class III Butterfat	60(c)	28,598,070	\$ 3.7144	\$106,224,671.22
Class III Protein		22,749,132	\$ 1.0468	\$23,813,791.40
Class III Other Solids		38,914,030	\$ 0.1243	\$4,837,013.94
Class IV Butterfat	60(d)	1,578,931	\$ 3.7144	\$5,864,781.30
Class IV Nonfat Solids		404,412	\$ 0.9781	\$395,555.37
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$954,153.15
Total Producer Milk- Product Pounds and Value		1,084,158,548		\$239,642,065.22
Add: Value as for 60(f) thru 60(j)				\$251,089.42
Less: Total Protein Pounds	61(b)	36,561,607	\$ 1.0468	\$38,272,690.23
Total Other Solids Pounds		62,693,900	\$ 0.1243	\$7,792,851.79
Total Butterfat Pounds		45,386,516	\$ 3.7144	\$168,583,675.03
Total Value of Somatic Cell Adjustment				\$1,223,017.41
Total Milk and Value		1,084,158,548		\$24,020,920.18
Add: Location Differential Adjustments	61(c)			\$5,040,590.15
Producer - Settlement Fund Reserve	61(d)			\$493,133.88
Total Producer Milk/URSP and Value		1,084,158,548	\$ 2.72604	\$29,554,644.21
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04604	\$499,195.12
Producer Price Differential (Dallas County)			\$2.68	\$29,055,449.09

Producer Price Differential	\$2.68
Class III Price	\$16.84
Statistical Uniform Price of Milk (3.5% Butterfat-Dallas)	\$19.52

Average Somatic Cell Count	220,000
Total Number of Producers	332

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	327,384,241	30.20	7,914,894	17.44	319,469,347	30.75
Class II	78,384,124	7.23	7,294,621	16.07	71,089,503	6.84
Class III	672,567,076	62.03	28,598,070	63.01	643,969,006	62.00
Class IV	5,823,107	.54	1,578,931	3.48	4,244,176	.41
Total	1,084,158,548	100.00	45,386,516	100.00	1,038,772,032	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	45,386,516	36,561,607	62,693,900	99,255,507
Average Test	4.186%	3.372%	5.782%	9.155%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Oct-23	Sep-23	Oct-23	Sep-23	Oct-23	Sep-23
Appalachian - F.O. 5	23.05	21.68	N/A	N/A	71.69	70.58
Arizona - F.O. 131	20.56	19.71	N/A	N/A	27.13	29.88
Central - F.O. 32	19.03	18.98	2.19	0.59	29.74	27.03
Florida - F.O. 6	24.99	23.59	N/A	N/A	81.53	81.52
Mideast - F.O. 33	19.66	19.38	2.82	0.99	39.58	35.9
Northeast - F.O. 1	21.20	20.42	4.36	2.03	30.1	30
Pacific NW - F.O. 124	19.25	19.03	2.41	0.64	22.52	22.54
California - F.O. 51	18.60	19.20	1.76	0.81	20	17.2
Southeast - F.O. 7	23.64	22.37	N/A	N/A	77.02	77.94
Southwest - F.O. 126	19.52	19.81	2.68	1.42	30.20	26.84
Upper Midwest - F.O. 30	17.28	18.60	0.44	0.21	6.3	5.9

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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