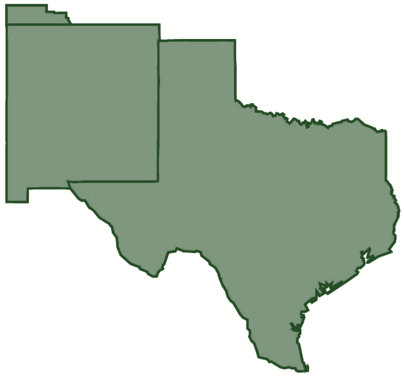


The Market Administrator's

BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

October 2023 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 $19.81 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 $18.52 in August.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was $1.42 for September. The September Class I price increased $2.28 from $19.62 in August to the September level of $21.90. The Class II price increased $0.07 from $19.91 in August to $19.98 in September. The Class III price increased $1.20 from $17.19 in August to $18.39 in September. The Class IV price increased $0.18 from $18.91 in August to $19.09 in September.

In September, 362 producers delivered a total of 1,187,808,219 pounds of milk. On a daily basis, this represents an increase of 9.23 percent from the producer receipts level in August and an increase of 4.86 percent when compared to the producer receipts level of September 2022.

Producer milk classified as Class I during September amounted to 26.84 percent of total producer receipts. This figure is down from 29.28 percent in August and down from 28.75 percent in September 2022. The average butterfat test of producer milk pooled during August was 4.036 percent, average protein test was 3.248 percent, average other solids test was 5.773 percent, and the average somatic cell count was 242,000.

The September butterfat price increased $0.1046 from $3.0218 in August to the September level of $3.1264. The protein price increased $0.2176 from $2.0851 in August to $2.3027 in September. The other solids price increased $0.0344 from $0.0648 in August to $0.0992 in September. The somatic cell adjustment rate in September was 0.00097.

September 2023 Pool Summary

- ✦ The Statistical Uniform Price for the Southwest Order in September 2023 is $19.81 with a PPD of $1.42
- ✦ 1,188 million pounds were pooled in September. This is up 9.23 percent on a daily basis from August 2023
- ✦ 362 producers pooled their milk; this is up from 342 in August
- ✦ Class I milk accounted for 26.84 percent of all receipts, down from 29.28 in August

Classification of Producer Milk

	Price	*Pounds*	*Percent*
Class I	21.90	318,771,572	26.84
Class II	19.98	97,314,089	8.19
Class III	18.39	714,597,190	60.16
Class IV	19.09	57,125,368	4.81

Producer Prices

Statistical Uniform Price	$19.81	/ cwt
Producer Price Differential	$1.42	/ cwt
Butterfat Price	$3.1264	/ lb
Protein Price	$2.3027	/ lb
Other Solids Price	$0.0992	/ lb
Nonfat Solids Price	$0.9382	/ lb
Somatic Cell Adjustment Rate	$0.00097	/ cwt

A Tale of Three Markets

On October 19th, the International Dairy Federation (IDF) World Dairy Summit, hosted by the US for the first time in 30 years, concluded. The event brought together over 1,200 industry participants from around the world to discuss the opportunities and challenges facing the global dairy industry, from environmental challenges to the role dairy trade will play in meeting the future nutritional needs of the world. The event also allowed the US dairy industry to showcase some of the innovation that positions the US in a leading role in this crucial area in the future. Indeed, the US dairy industry is already stepping up to meet global dairy demand. US dairy exports have increased in recent years, rising to approximately 18% of production. US dairy exports to the top 10 trading partners totaled more than 2.2 million metric tons, or 5 billion pounds, in 2022. Despite recent growth, US exports face challenges in servicing so many different markets each with unique needs. Perhaps no group of trade partners better exemplify these challenges and opportunities more than our top three dairy export markets: China, Canada, and Mexico.

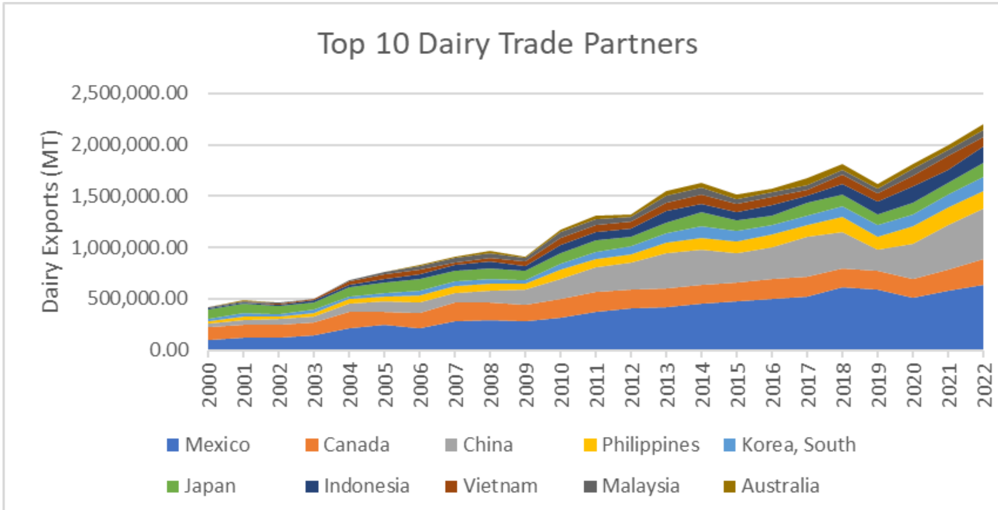
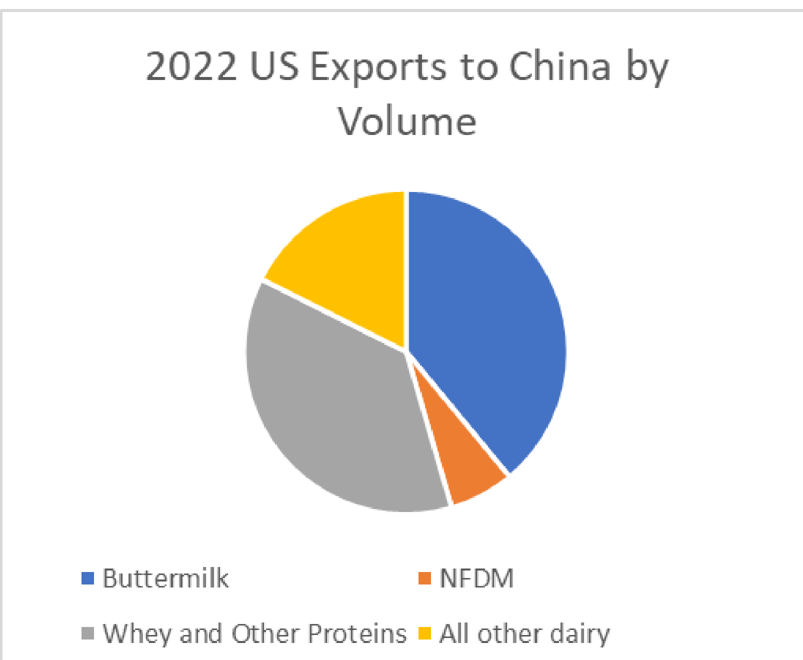


Figure 1 Source: USDA Foreign Agricultural Service GATS

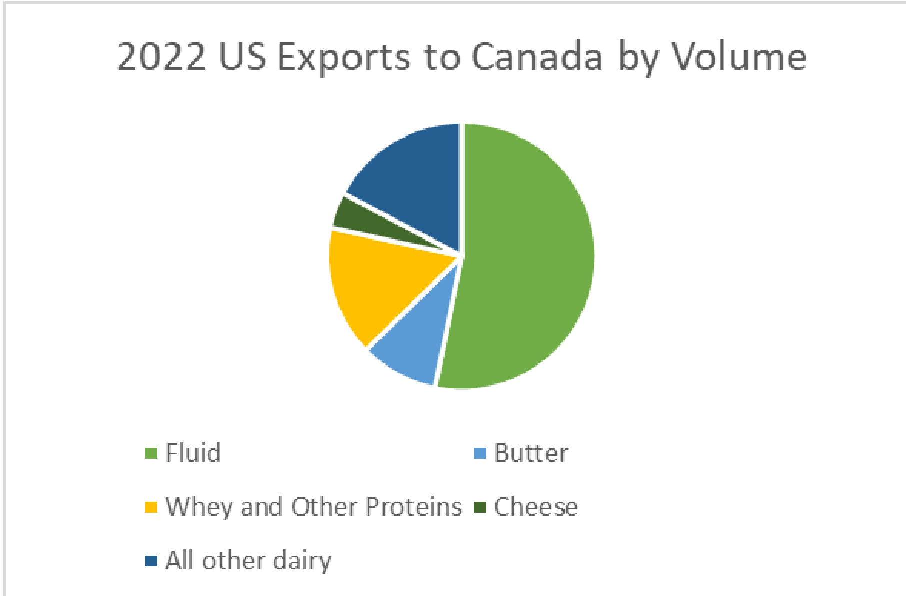
China



China is the third largest in terms of value at more than $800 million, and the second largest US dairy export market in terms of product quantity at almost 500 thousand metric tons. Because of the vast distance between the US and Chinese ports, shelf-stable dairy products represent the largest share of exports. This means that China mostly imports buttermilk powders and milk proteins from the US, with other powders like whole milk powder and NFDM trailing behind. Many other commonly exported US products, like cheese, face a difficult market landscape in China due to consumer preferences and a different cultural relationship with cheese. US exports also face increasing competition from Chinese domestic milk production and manufacturing, spurred by efficiency and herd size increases, that have particularly challenged US whole milk powder exports. Even with these challenges, growth in Chinese demand outpaces China's dairy output growth, making increased dairy imports essential to meeting future demand, a role the US is poised to fill.

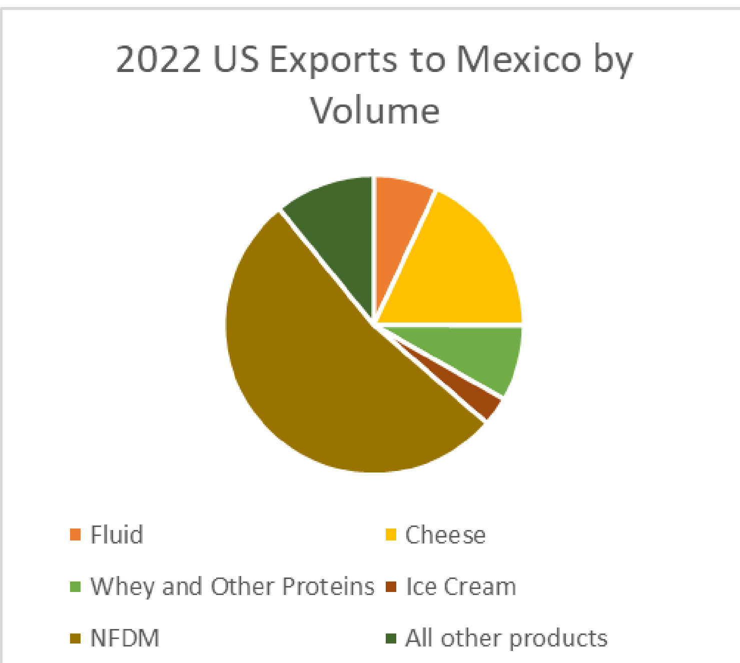
Canada

Canada is second in trade value at about $1 billion and third largest trade partner in volume at about 250 thousand metric tons, however, Canada represents a different type of export market versus China. The close proximity of Canadian population centers to US borders allows for easier and faster transport of fresh dairy products. The product mix reflects that, as fluid products represent the largest product grouping by volume traded into Canada. Due to similar consumer preferences in both markets, other US staples, like butter and cheese, also make their way across the northern border. The main challenges slowing further US dairy industry expansion into Canada concern market access, with the US and Canada facing off in multiple disputes over Canada's import and export quota system. These challenges stem in part from the maturity of the Canadian dairy industry in terms of production, processing, and demand, as well as the regulations that it functions under.



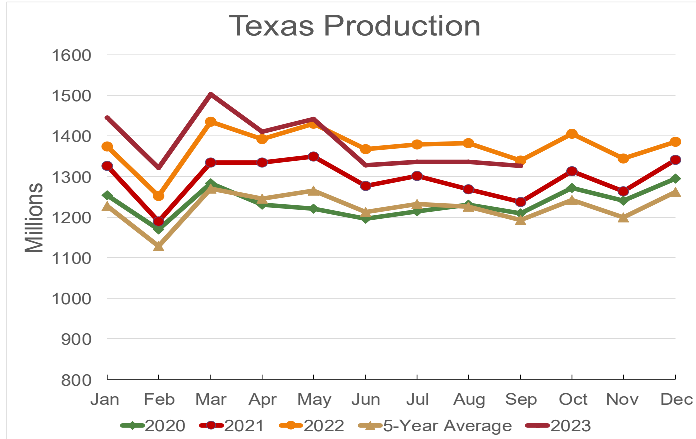
Mexico

Mexico is by far the largest single US dairy trade partner, with about 640 thousand metric tons of traded product valued at about $2.5 billion. Mexico also exhibits similar dairy market characteristics to both Canada and China. The close proximity of Mexico greatly shapes the kind of products traded to our southern neighbor. Not unlike China, the most traded commodity is a shelf stable product in NFDM, though; like Canada, proximity allows for fluid milk and ice cream to travel south. Cheese represents another major product category, though Mexican consumers primarily demand more cheeses traditional to Mexico over American styles. Mexican demand remains slated to grow considerably in the future, though US exports, traditionally dominant, are increasingly challenged by Mexico's growing milk production. Mexico represents both an opportunity for the US dairy industry to benefit from and a challenge for it to solve: a microcosm of global dairy trade. The lessons learned in servicing these vastly different markets can serve as a guide in making the future the best of times and the epoch of trade for the US dairy industry.



Texas Dairy Production

In September, Texas dairy production totaled 1,326 million pounds. This is a 0.95 percent decrease relative to September 2022 and a 11.2 percent increase from the September five year average (2018-2022). The September average butterfat for Texas production is 4.13 percent, the average protein is 3.27 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 238,000.



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			1,404,680					
Nov			1,345,384					
Dec			1,385,860					
Total		**12,448,683**	**16,487,084**					

1/ Revised

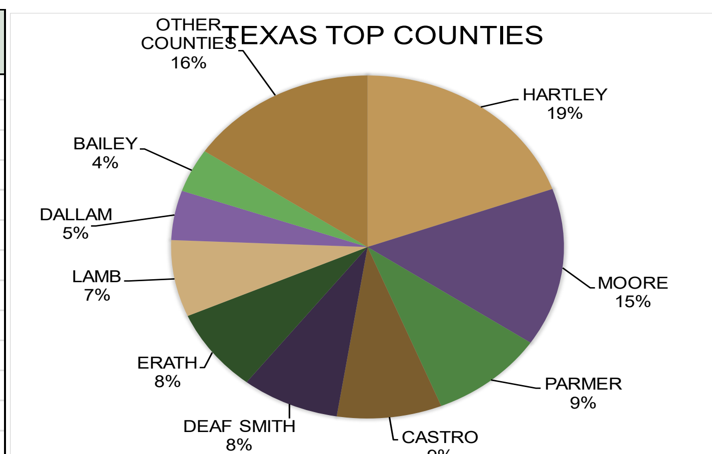
2/ Simple Average of Total

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 September.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
HARTLEY	18	249,485,529	0.85
MOORE	13	190,691,228	45.76
PARMER	14	120,918,396	(8.02)
CASTRO	14	110,402,188	(28.83)
DEAF SMITH	14	102,806,100	(0.92)
ERATH	40	100,525,229	(6.68)
LAMB	13	92,509,786	4.06
DALLAM	5	59,688,020	(1.55)
BAILEY	10	52,676,832	3.65
HALE	6	47,141,551	(0.67)
SUM	147	1,126,844,859	0.24
OTHER COUNTIES	152	199,052,425	(7.23)
TEXAS TOTAL	299	1,325,897,284	(0.95)

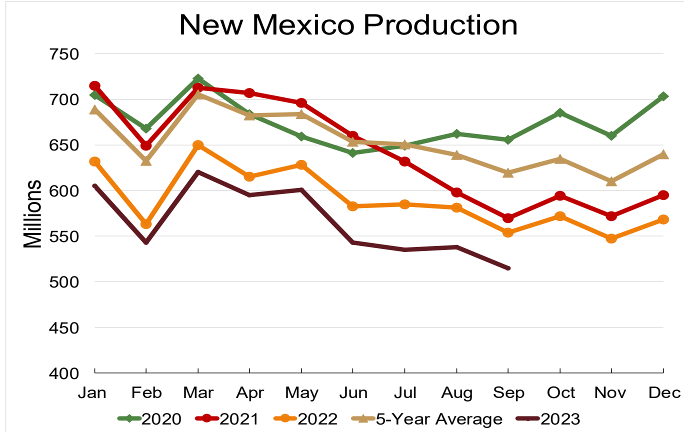
1/ Revised



Click HERE for more information on Texas Milk Production

New Mexico Dairy Production

In September, New Mexico dairy production totaled 515 million pounds. This is a 6.98 percent decrease relative to September 2022 and a 16.8 percent decrease from the September five year average (2018-2022). The September average butterfat is 3.88 percent, the average protein is 3.22 percent, and the average other solids at 5.76 percent. The average somatic cell count is at 229,000.



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			571,628					
Nov			546,924					
Dec			567,701					
Total		**5,094,087**	**7,077,734**					

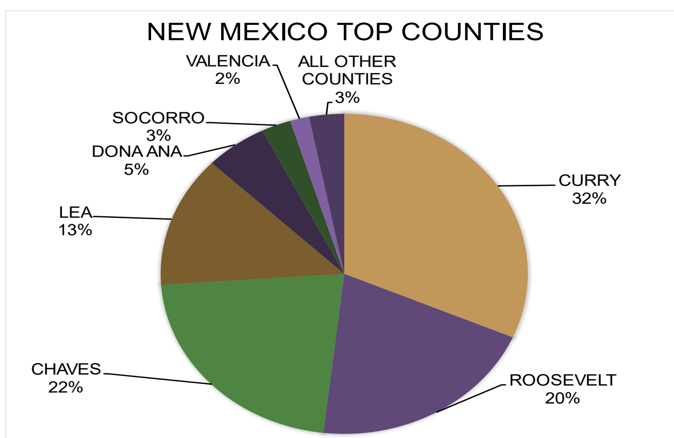
1/ Revised
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 32 percent, followed by Chaves and Roosevelt Counties at 22 and 20 percent, respectively. Overall, 94 producers delivered milk in New Mexico for the month of September.

County	Number of Producers	September 2023 Pounds	% Change 2022/2023
CURRY	22	162,181,990	0.88
CHAVES	21	113,725,720	(7.09)
ROOSEVELT	24	104,642,696	(17.94)
LEA	10	68,371,490	3.10
DONA ANA	7	28,147,240	(6.93)
SOCORRO	3	13,416,920	(11.57)
VALENCIA	3	8,619,066	2.14
SUM	90	499,105,122	(5.98)
OTHER COUNTIES	4	15,855,980	(30.18)
NM TOTAL	94	514,961,102	(6.97)

1/ Revised



Click HERE for more information on New Mexico Milk Production

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

September 2023

		Pounds	Price	Value
Add: Class I Differential				$394,743.44
Class I Butterfat	60(a)	7,237,116	$ 3.0470	$22,051,492.46
Class I Skim Per Cwt		311,534,456	$11.6400	$36,262,610.70
Class II Butterfat	60(b)	8,546,618	$ 3.1334	$26,779,972.84
Class II Nonfat Solids		8,318,643	$ 1.0378	$8,633,087.71
Class III Butterfat	60(c)	28,635,339	$ 3.1264	$89,525,523.84
Class III Protein		23,170,088	$ 2.3027	$53,353,761.68
Class III Other Solids		41,354,959	$ 0.0992	$4,102,411.93
Class IV Butterfat	60(d)	3,521,236	$ 3.1264	$11,008,792.24
Class IV Nonfat Solids		5,085,158	$ 0.9382	$4,770,895.24
Class II, III, & IV Somatic Cell Adjustment	60(e)			$1,036,002.70
Total Producer Milk- Product Pounds and Value		1,187,808,219		$257,919,294.78
Add: Value as for 60(f) thru 60(j)				$69,357.74
Less: Total Protein Pounds	61(b)	38,583,188	**$ 2.3027**	$88,845,507.02
Total Other Solids Pounds		68,582,332	**$ 0.0992**	$6,803,367.32
Total Butterfat Pounds		47,940,309	**$ 3.1264**	$149,880,582.05
Total Value of Somatic Cell Adjustment				$1,245,396.74
Total Milk and Value		1,187,808,219		$11,213,799.39
Add: Location Differential Adjustments	61(c)			$5,687,350.56
Producer - Settlement Fund Reserve	61(d)			$479,958.96
Total Producer Milk/URSP and Value		1,187,808,219	$ 1.46329	$17,381,108.91
Less: Producer - Settlement Fund Reserve	61(f)		$ 0.04329	$514,232.20
Producer Price Differential (Dallas County)			$1.42	$16,866,876.71

Total Value of Milk in Pool

Value of Milk in Pool after Producer Milk Value of $246,705,495.39 is removed

PPD per cwt

Remaining value from which PPD per cwt is calculated

Producer Price Differential	$1.42
Class III Price	$18.39
Statistical Uniform Price of Milk (3.5% Butterfat-Dallas)	$19.81

Average Somatic Cell Count	242,000
Total Number of Producers	362

Producer Milk Utilization Percentages

	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	318,771,572	26.84	7,237,116	15.10	311,534,456	27.33
Class II	97,314,089	8.19	8,546,618	17.83	88,767,471	7.79
Class III	714,597,190	60.16	28,635,339	59.72	685,961,851	60.18
Class IV	57,125,368	4.81	3,521,236	7.35	53,604,132	4.70
Total	1,187,808,219	100.00	47,940,309	100.00	1,139,867,910	100.00

Producer Milk Components

	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	47,940,309	38,583,188	68,582,332	107,165,520
Average Test	4.036%	3.248%	5.773%	9.022%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Sep-23	Aug-23	Sep-23	Aug-23	Sep-23	Aug-23
Appalachian - F.O. 5	21.68	20.13	N/A	N/A	70.58	73.55
Arizona - F.O. 131	19.71	18.62	N/A	N/A	29.88	31.88
Central - F.O. 32	18.98	17.87	0.59	0.68	27.03	29.63
Florida - F.O. 6	23.59	21.84	N/A	N/A	81.52	81.6
Mideast - F.O. 33	19.38	18.07	0.99	0.88	35.9	38.28
Northeast - F.O. 1	20.42	19.43	2.03	2.24	30	28.2
Pacific NW - F.O. 124	19.03	17.97	0.64	0.78	22.54	20.99
California - F.O. 51	19.20	17.96	0.81	0.77	17.2	19.2
Southeast - F.O. 7	22.37	20.67	N/A	N/A	77.94	86.18
Southwest - F.O. 126	19.81	18.52	1.42	1.33	26.84	29.28
Upper Midwest - F.O. 30	18.60	17.35	0.21	0.16	5.9	5.7

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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