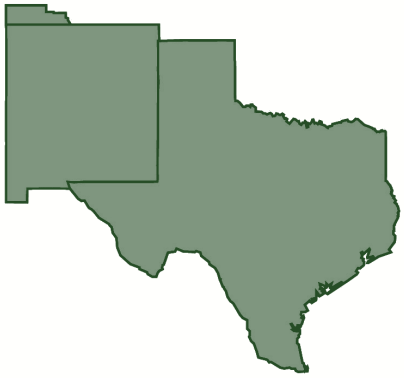


The Market Administrator's

BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

December 2021 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 $19.06 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 $17.74 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 $1.03 for November. The November Class I price increased $1.10 from $20.08 in October to the November level of $21.18. The Class II price increased $1.32 from $17.08 in October to $18.40 in November. The Class III price increased $0.20 from $17.83 in October to $18.03 in November. The Class IV price increased $1.75 from $17.04 in October to $18.79 in November.

In November, 407 producers delivered a total of 1,086,843,928 pounds of milk. On a daily basis, this represents an increase of 24.39 percent from the producer receipts level in October and an increase of 19.42 percent when compared to the producer receipts level of November 2020.

Producer milk classified as Class I during November amounted to 31.36 percent of total producer receipts. This figure is down from 37.43 percent in October and down from 37.36 percent in November 2020. The average butterfat test of producer milk pooled during November was 4.276 percent, average protein test was 3.479 percent, average other solids test was 5.765 percent, and the average somatic cell count was 189,000.

The November butterfat price increased $0.2127 from $1. 9414in October to the November level of $2.1541. The protein price decreased $0.2594 from $3.0130 in October to $2.7536 in November. The other solids price increased $0.0389 from $0.3560 in October to $0.3949 in November. The somatic cell adjustment rate in November was 0.00088 per cwt.

November 2021 Pool Summary

- ✦ The Statistical Uniform Price for the Southwest Order in November 2021 is $19.06 with a PPD of $1.03
- ✦ 1,087 million pounds were pooled in November. This is up 24.39 percent on a daily basis from October 2021
- ✦ 407 producers pooled their milk; this is up from 395 in October
- ✦ Class I milk accounted for 31.36 percent of all receipts, down from 37.43 in October

Classification of Producer Milk

	Price	*Pounds*	*Percent*
Class I	21.18	340,847,698	31.36
Class II	18.40	106,041,860	9.76
Class III	18.03	597,608,489	54.98
Class IV	18.79	42,345,881	3.9

Producer Prices

Statistical Uniform Price	$19.06	/ cwt
Producer Price Differential	$1.03	/ cwt
Butterfat Price	$2.1541	/ lb
Protein Price	$2.7536	/ lb
Other Solids Price	$0.3949	/ lb
Nonfat Solids Price	$1.2960	/ lb
Somatic Cell Adjustment Rate	$0.00088	/ cwt

COVID-19 and Packaged Milk Sales: Did Consumer Preferences Change?

In March 2020, when the US (and the world) first faced widespread Covid-19 measures, dairy products like packaged fluid milk were "flying off the shelves" (Hoards, 2020), with reports of a gallon of milk costing as much as $10 in a Massachusetts' convenience store (New York Times, 2020). This led to some optimism in the dairy industry that Covid-19 had changed consumers' dairy preferences back towards packaged fluid milk products (McKinsey, 2021). Now as we enter our third year of Covid-19, there is a new variant, Omicron, sweeping across the US (Dallas Morning News, 2021). In this article, we will look at how packaged fluid milk sales have changed over the course of the pandemic.

Figure 1 presents the number of new Covid-19 cases in Texas since March 2020. The same graph shows a comparison of the percentage change of packaged milk sales in Federal Order 126 as compared to 2019. We will look at the percentage change—since the demand for packaged fluid milk products is seasonal in nature—and compare 2020 and 2021 to 2019, which was the last pandemic-free year. The data for packaged fluid milk products comes from USDA's Agricultural Marketing Service website, while the Covid-19 case data comes from Texas Department of Health Services website.

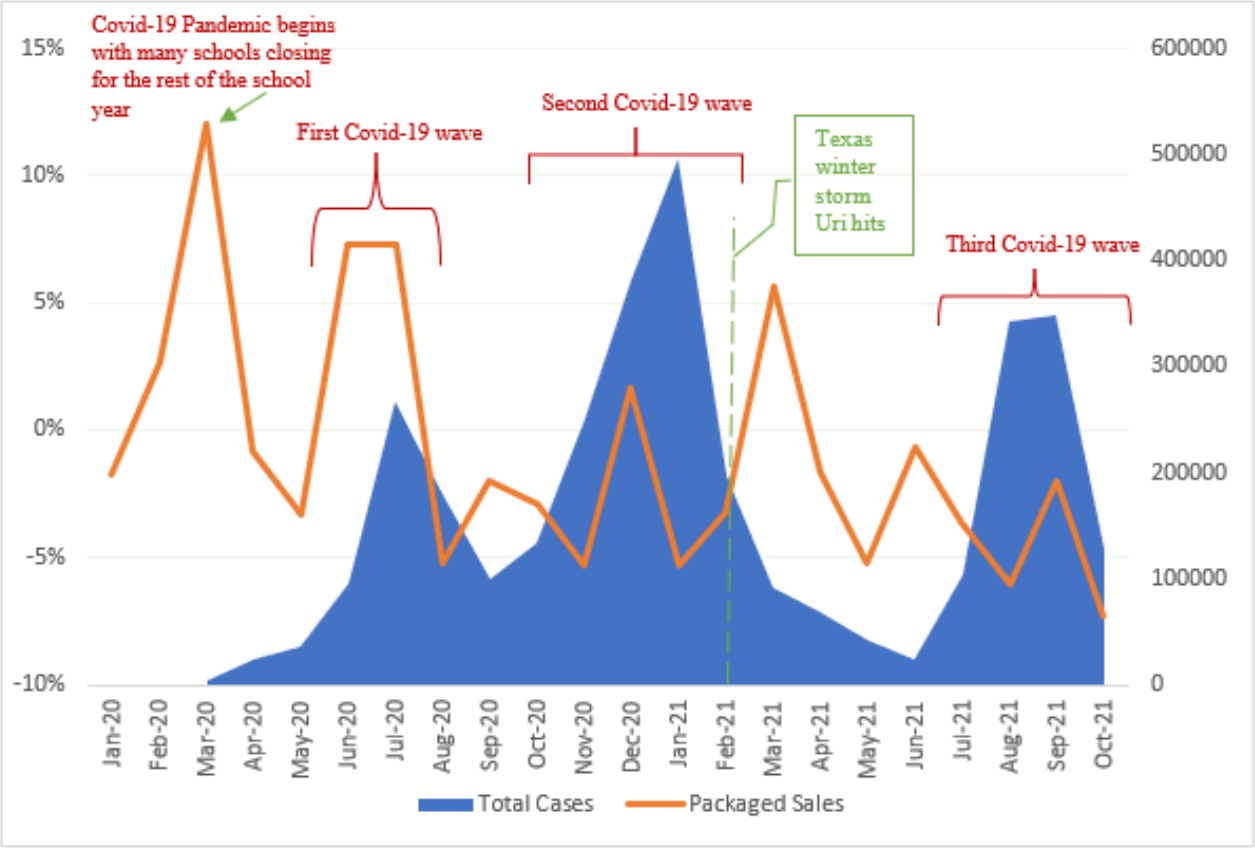


Figure 1: Monthly Covid-19 cases in Texas and the percentage change as compared to 2019 of fluid packaged milk sales
Sources: USDA-AMS *and Texas Department of Health Services*

In the chart above, key periods in time are identified to compare what is happening in the packaged fluid milk products timeline as compared to the Covid-19 cases in Texas[1].

[1]While Federal Order 126 consists of both Texas and New Mexico, we use Texas numbers here to simplify the graph for identification of any noticeable patterns.

In Figure 1 we see that March 2020 has the highest packaged milk sales increase peaking at 12 percent. This is when many school districts across Texas first closed in-person services and switched to a mandatory virtual learning environment. It is also when many compaines across Texas and the US changed from in-person to telework for many non-essential and telework applicable employees. The 2020 demand for packaged fluid milk products drops in April and May as compared to April and May in 2019. For the past 20 years, there has been a drop in demand, year-over-year, for packaged fluid milk products (USDA-AMS). The drop seen in 2020 for April and May suggests a return to historical patterns.

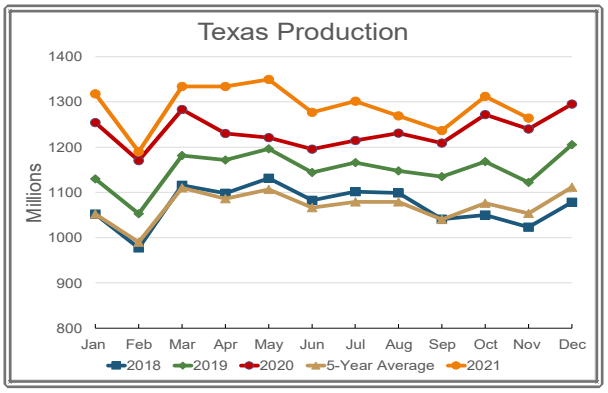
During Texas's first Covid-19 wave in June and July of 2020, there was a corresponding uptick of 7 percent in the packaged milk sales as compared to 2019. During the second Covid-19 wave in Texas, which started in November 2020 and lasted through February 2021, the increase in packaged milk sales peaked in December at only 2 percent over 2019 levels. This is a steep drop from the 12 percent growth in March 2020 and the 7 percent growth in June and July 2020.

In March 2021, we saw an increase of 6 percent in packaged fluid milk sales as compared to 2019, which came right after the late February winter storm Uri. Frozen precipitation combined with a prolonged period of subzero temperatures created impassible road conditions, paralyzed the Texas power grid, amplified supply chain issues, and shuttered production plants. This led to milk dumps at plants and on the farms, leaving bare shelves in the supermarkets (KERA, 2021), creating a perfect storm for dairy demand for packaged fluid milk sales in March 2021. After March 2021, packaged fluid milk sales did not cross into positive growth (as compared to 2019) for the remainder of the year.

As many in the dairy industry know, there is not one single story or predictor for why packaged fluid milk sales change. While we can explain some of what has happened in the last two years within the story of Covid-19, there are many aspects that impact the demand of packaged fluid milk. As we progress into 2022, we in the dairy industry hope that milk's great nutritional value (and taste!) will continue to provide comfort during these uncertain times.

Texas Dairy Production

In November, Texas dairy production totaled 1,264 million pounds. This is a 1.96 percent increase relative to November 2020 and a 20.0 percent increase from the November five year average (2016-2020). The November average butterfat for Texas production is 4.39 percent, the average protein is 3.52 percent, and the average other solids at 5.77 percent. The average somatic cell count is at 191,000.



Month	2021 Number of Producers	2021 Pounds (In Thousands)	2020 Pounds (In Thousands)	% Change from 2020/2021	2021 Butterfat	2021 Protein	2021 Other Solids	2021 SCC (In Thousands)
Jan	347	1,318,082	1,253,665	5.14	4.36	3.44	5.78	195
Feb	345	1,189,774	1,169,904	1.70	4.36	3.42	5.80	221
Mar	344	1,334,318	1,283,200	3.98	4.28	3.39	5.77	222
Apr	336	1,333,803	1,230,411	8.40	4.22	3.36	5.79	193
May	335	1,350,465	1,221,048	10.60	4.15	3.34	5.80	197
Jun	333	1,277,426	1,195,801	6.83	4.05	3.26	5.80	221
Jul	331	1,301,047	1,215,313	7.05	4.05	3.25	5.79	246
Aug	330	1,268,705	1,230,660	3.09	4.08	3.28	5.77	251
Sep	329	1,236,659	1,208,695	2.31	4.11	3.33	5.77	236
Oct	330	1,312,910	1,272,023	3.21	4.24	3.45	5.77	215
Nov	331	1,264,214	1,239,929	1.96	4.39	3.52	5.77	191
Dec			1,295,286					
Total		**14,187,403**	**14,815,935**					

1/ Revised

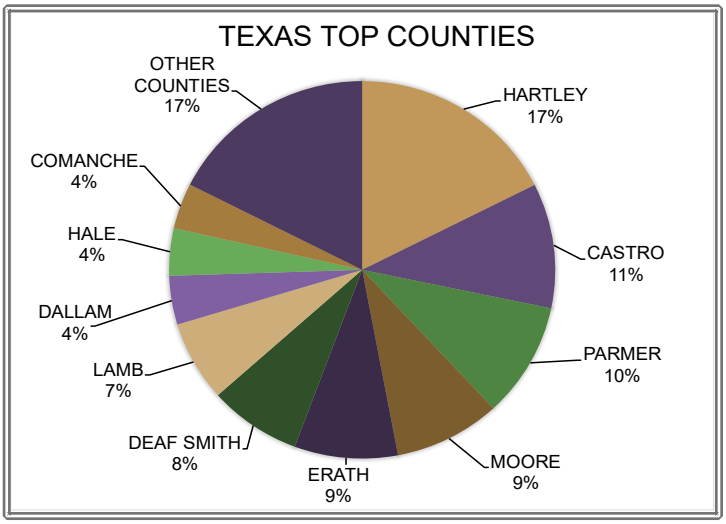
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 17 percent, followed by Castro County at 11 percent. Overall, 331 producers delivered milk in Texas for the month of November.

County	Number of Producers	November 2021 Pounds	% Change 2020/2021
HARTLEY	18	222,180,653	(3.86)
CASTRO	14	135,258,102	11.00
PARMER	16	124,319,510	6.70
MOORE	10	112,708,270	20.67
ERATH	46	109,410,789	0.07
DEAF SMITH	14	98,116,436	1.79
LAMB	13	87,001,404	0.39
DALLAM	5	52,777,964	0.86
HALE	7	51,225,987	(0.05)
COMANCHE	13	49,435,546	(0.93)
SUM	156	1,042,434,661	3.34
OTHER COUNTIES	175	221,779,736	(15.77)
TEXAS TOTAL	331	1,264,214,397	(0.61)

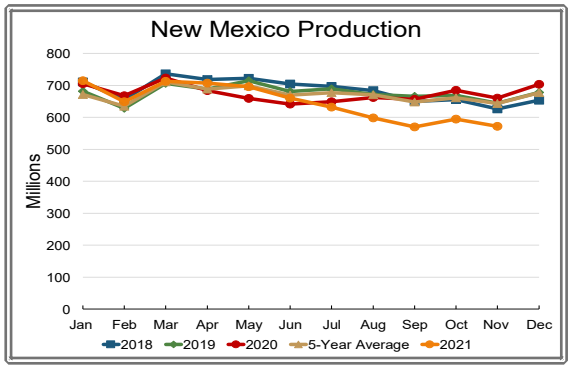
1/ Revised



Click HERE for more information on Texas Milk Production

New Mexico Dairy Production

In November, New Mexico dairy production totaled 572 million pounds. This is a 13.44 percent decrease relative to November 2020 and a 11.1 percent decrease from the November five year average (2016-2020). The November average butterfat is 3.98 percent, the average protein is 3.37 percent, and the average other solids at 5.75 percent. The average somatic cell count is at 179,000.



Month	2021 Number of Producers	2021 Pounds (In Thousands)	2020 Pounds (In Thousands)	% Change from 2020/2021	2021 Butterfat	2021 Protein	2021 Other Solids	2021 SCC (In Thousands)
Jan	128	714,908	705,328	1.36	3.97	3.29	5.78	173
Feb	124	649,004	667,885	(2.83)	3.95	3.26	5.79	190
Mar	124	712,738	723,349	(1.47)	3.89	3.22	5.77	180
Apr	124	706,687	684,417	3.25	3.81	3.20	5.79	159
May	123	696,133	659,032	5.63	3.73	3.16	5.79	160
Jun	121	660,067	641,179	2.95	3.67	3.08	5.80	182
Jul	120	632,273	648,864	(2.56)	3.67	3.05	5.78	247
Aug	116	597,982	662,140	(9.69)	3.70	3.09	5.75	259
Sep	116	570,133	656,039	(13.09)	3.72	3.14	5.75	242
Oct	113	594,320	684,537	(13.18)	3.87	3.30	5.76	205
Nov	110	571,659	660,408	(13.44)	3.98	3.37	5.75	179
Dec			703,177					
Total		**7,105,904**	**8,096,355**					

1/ Revised

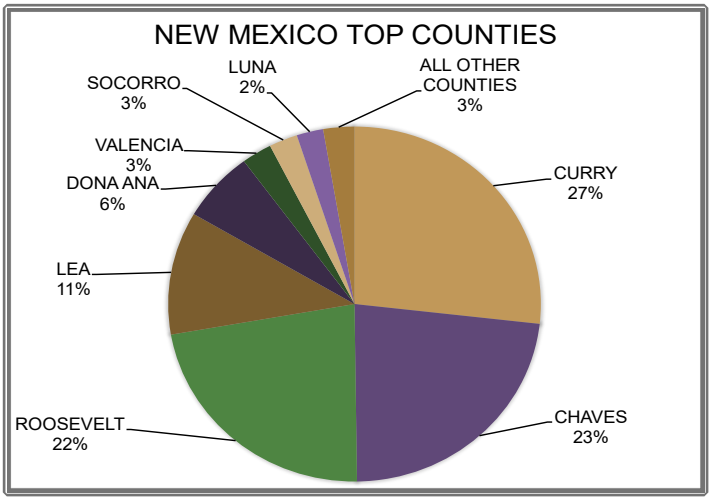
2/ Simple Average of Total Components

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 27 percent, followed by Chaves and Roosevelt Counties at 23 and 22 percent, respectively. Overall, 110 producers delivered milk in New Mexico for the month of November.

County	Number of Producers	November 2021 Pounds	% Change 2020/2021
CURRY	23	153,122,582	(7.92)
CHAVES	24	131,492,728	(16.77)
ROOSEVELT	30	128,351,040	(11.36)
LEA	10	64,121,060	(4.63)
DONA ANA	8	36,757,000	(12.26)
VALENCIA	4	15,004,980	(20.73)
SOCORRO	4	14,164,056	(31.50)
LUNA	3	13,220,060	(3.50)
SUM	106	556,233,506	(11.92)
OTHER COUNTIES	4	15,425,292	(46.59)
NM TOTAL	110	571,658,798	(13.44)

1/ Revised



Click HERE for more information on New Mexico Milk Production

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

OCTOBER 2021

			Pounds	Price	Value
Add:	Class I Differential				$364,536.28
	Class I Butterfat	60(a)	7,921,095	$ 1.9338	$15,317,813.51
	Class I Skim Per Cwt		332,926,603	$14.7300	$49,040,088.61
	Class II Butterfat	60(b)	10,075,840	$ 2.1611	$21,774,897.86
	Class II Nonfat Solids		9,196,852	$ 1.2478	$11,475,831.94
	Class III Butterfat	60(c)	25,814,834	$ 2.1541	$55,607,733.93
	Class III Protein		21,086,788	$ 2.7536	$58,064,579.45
	Class III Other Solids		34,428,605	$ 0.3949	$13,595,856.12
	Class IV Butterfat	60(d)	2,668,841	$ 2.1541	$5,748,950.41
	Class IV Nonfat Solids		3,865,379	$ 1.2960	$5,009,531.18
	Class II, III, & IV Somatic Cell Adjustment	60(e)			$1,113,198.12
	Total Producer Milk- Product Pounds and Value		1,086,843,928		$237,170,556.90
Add:	Value as for 60(f) thru 60(j)				$116,427.38
Less:	Total Protein Pounds	61(b)	37,816,313	**$ 2.7536**	$104,130,999.50
	Total Other Solids Pounds		62,659,213	**$ 0.3949**	$24,744,123.25
	Total Butterfat Pounds		46,480,610	**$ 2.1541**	$100,123,882.03
	Total Value of Somatic Cell Adjustment				$1,539,574.33
	Total Milk and Value		1,086,843,928		$6,748,405.17
Add:	Location Differential Adjustments	61(c)			$4,497,425.62
	Producer - Settlement Fund Reserve	61(d)			$469,692.57
	Total Product Milk/URSP and Value		1,086,843,928	$ 1.07794	11,715,523.36
Less:	Producer - Settlement Fund Reserve	61(f)		$ 0.04794	$521,030.90
	Producer Price Differential (Dallas County)			**$1.03**	$11,194,492.46

Total Value of Milk in Pool

Value of Milk in Pool after Producer Milk Value of 230,538,579.11 is removed

Remaining value from which PPD per cwt is calculated

PPD per cwt

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	340,847,698	31.36	7,921,095	17.04	332,926,603	32.00
Class II	106,041,860	9.76	10,075,840	21.68	95,966,020	9.22
Class III	597,608,489	54.98	25,814,834	55.54	571,793,655	54.97
Class IV	42,345,881	3.90	2,668,841	5.74	39,677,040	3.81
Total	1,086,843,928	100.00	46,480,610	100.00	1,040,363,318	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	46,480,610	37,816,313	62,659,213	100,475,526
Average Test	4.276%	3.479%	5.765%	9.244%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Nov-21	Oct-21	Nov-21	Oct-21	Nov-21	Oct-21
Appalachian - F.O. 5	21.13	19.70	N/A	N/A	76.75	72.54
Arizona - F.O. 131	19.15	18.02	N/A	N/A	29.61	32.22
Central - F.O. 32	18.25	17.19	0.22	(0.64)	32.26	35.37
Florida - F.O. 6	22.93	21.55	N/A	N/A	85.05	82.50
Mideast - F.O. 33	18.53	17.70	0.50	(0.13)	33.80	33.80
Northeast - F.O. 1	19.54	18.44	1.51	0.61	32.70	30.80
Pacific NW - F.O. 124	18.38	17.13	0.35	(0.70)	25.25	23.24
California - F.O. 51	18.76	17.29	0.73	(0.54)	20.30	21.60
Southeast - F.O. 7	21.22	19.86	N/A	N/A	71.21	67.95
Southwest - F.O. 126	19.06	17.74	1.03	(0.09)	31.36	37.43
Upper Midwest - F.O. 30	18.21	17.67	0.18	(0.16)	11.40	14.50

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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