

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

January 2021

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a December statistical uniform price of \$16.31 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 \$14.89 in November.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$0.59 for December. The December Class I price increased \$1.83 from \$21.04 in November to the December level of \$22.87. The Class II price increased \$0.15 from \$13.86 in November to \$14.01 in December. The Class III price decreased \$7.62 from \$23.34 in November to \$15.72 in December. The Class IV price increased \$0.06 from \$13.30 in November to \$13.36 in December.

In December, 444 producers delivered a total of 1,056,889,209 pounds of milk. On a daily basis, this represents an increase of 12.38 percent from the producer receipts level in November and it represents an increase of 21.29 percent when compared to the producer receipts level of December 2019.

Producer milk classified as Class I during December amounted to 33.56 percent of total producer receipts. This figure is down from 37.36 percent in November and from 40.48 percent in December 2019. The average butterfat test of producer milk pooled during December was 4.251 percent, average protein test was 3.397 percent, average other solids test was 5.775 percent, and the average somatic cell count was 182,000.

The December butterfat price decreased \$0.0154 from \$1.5553 in November to the December level of \$1.5399. The protein price decreased \$2.5944 from \$5.6226 in November to \$3.0282 in December. The other solids price increased \$0.0351 from \$0.1894 in November to \$0.2245 in December. The somatic cell adjustment rate in December was 0.00082 per cwt.

December 2020 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in December 2020 is \$16.31 with a PPD of \$0.59
- ◆ 1,057 million pounds were pooled in December. This is up 12.38 percent from November 2020
- ◆ 444 producers pooled their milk; this is down from 446 in November
- ◆ Class I milk accounted for 33.56 percent of all receipts, down from 37.36 in November

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	22.87	354,675,621	33.56
Class II	14.01	108,988,342	10.31
Class III	15.72	64,323,511	6.09
Class IV	13.36	528,901,735	50.04

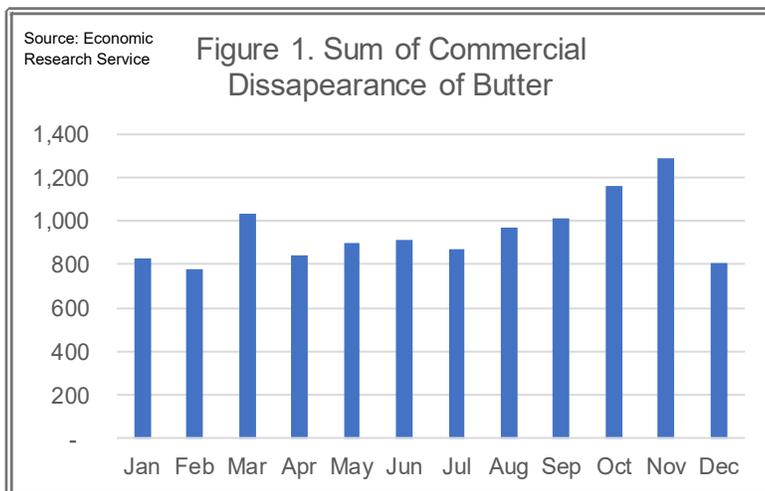
Producer Prices

Statistical Uniform Price	\$16.31	/ cwt
Producer Price Differential	\$0.59	/ cwt
Butterfat Price	\$1.5399	/ lb
Protein Price	\$3.0282	/ lb
Other Solids Price	\$0.2245	/ lb
Nonfat Solids Price	\$0.9180	/ lb
Somatic Cell Adjustment Rate	\$0.00082	/ cwt

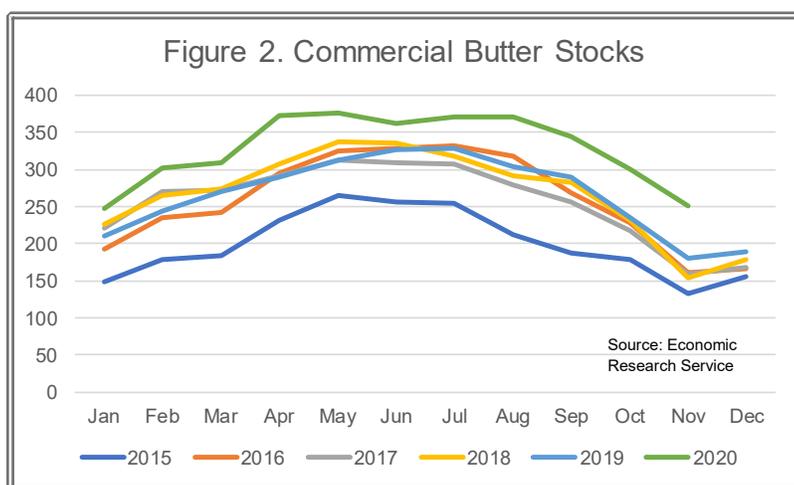
COVID-19 and the Holiday Season

There are few things more anticipated than the holiday season. For many, this time of the year signals the start of family gatherings, delicious feasts, and for the dairy industry, increased butter sales.

Historically, domestic commercial disappearance of butter demonstrates a seasonal pattern. Figure 1 shows the sum of the monthly commercial disappearance of butter from 2015-2019. Wholesale butter consumption is noticeably higher beginning in August and continues to increase before peaking in November. December is one of the lowest months for the wholesale butter consumption, as most of the holiday demand is captured in October and November.

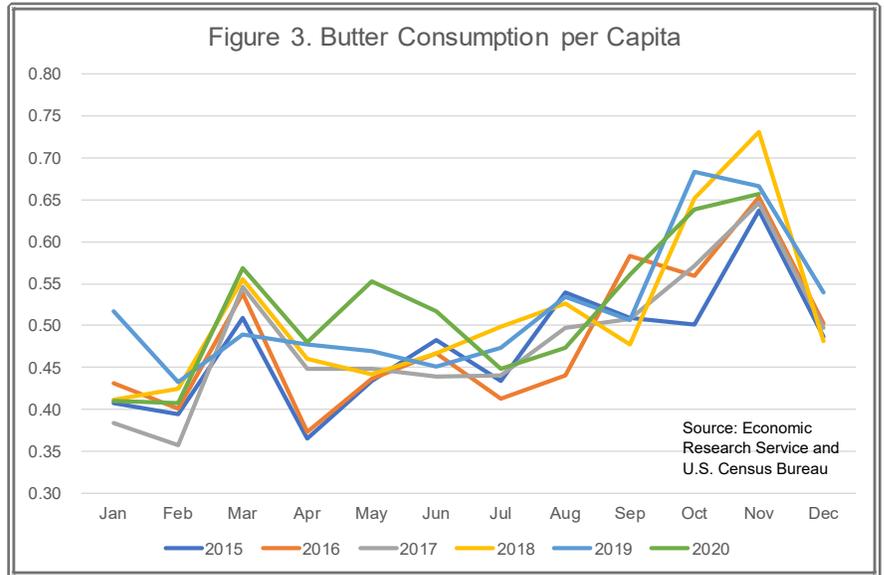


To accommodate the increase in butter demand in October and November, butter stocks are built up over the course of the year, particularly over the summer months from May to July. (Figure 2). 2020 was not a normal year, however. Distribution issues and an influx of excess milk caused by COVID-19 created a perfect storm for milk dumps in March and April. To minimize the loss, many processors increased butter production and allocated it to storage ([Hoard's Dairyman](#)). This led to record butter stocks, particularly in April, where inventory was 28 percent higher than 2019.

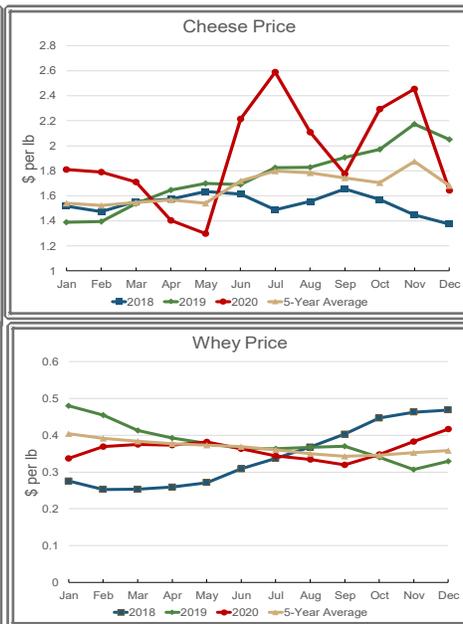
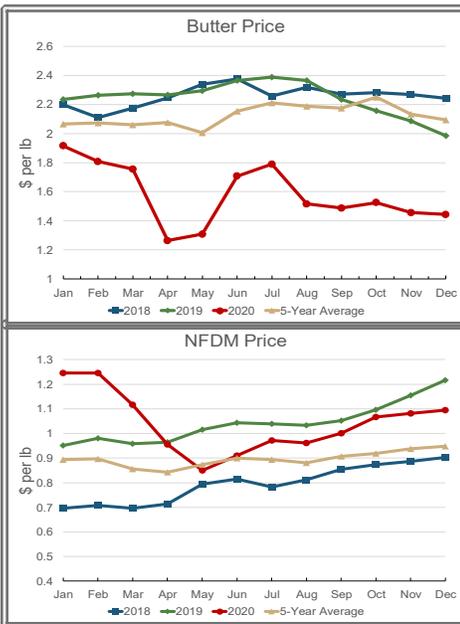


In June, butter stocks decreased slightly, and per capita consumption rose 18 percent in May relative to 2019 (Figure 3). According to [Hoard's Dairyman](#), this can be attributed to consumers “baking their way” through the pandemic. “It gave people something to do, it helped with their anxiety, and kids loved it. Yeast was sold out; flour was sold out and of course, all the dairy items that go hand in hand with them – the butter, milk, and eggs – all were up between 70%, 80%, or 90% above the same week last year” (Ann-Marie Roerink, [Hoard's Dairy Livestream](#)). Mike Brown, the dairy supply chain director at Kroger Company agrees, “In butter, we have seen three times the growth in unsalted as in salted, which again goes back to that whole baking thing” ([Hoard's Dairy Livestream](#)). As the summer progressed, butter consumption eventually returned to normal levels and started its annual climb towards the holiday months. Despite this sharp rise in consumption and holiday demand, butter inventory remains elevated, as managers balance ongoing production with higher than normal stocks (Figure 2).

Historically, butter has benefitted from seasonal holiday demand, but in 2018, consumption reached an all-time high thanks to changing consumer preferences. Health studies released in 2018 showed that natural sources of fat (such as butter) are more desirable than artificially produced margarine ([Dairy Foods Magazine](#)). Consumers quickly responded to these findings by setting consecutive per capita consumption records in 2018 and 2019, with much of the volume coming around the holiday months. Prior to the pandemic, it was expected that 2020 would meet or exceed the previous two years, however the per capita consumption of butter around the holidays did not reach the levels seen in the previous two years. Anecdotal evidence suggests that many families preferred smaller, socially distanced gatherings to their traditional holidays as recommended by the Centers for Disease Control (CDC). Despite failing to reach the per capita level of 2018 and 2019, there was still more butter consumed, per capita, around the holidays in 2020 than in the years prior to 2018.



While some of the challenges of 2020 remain, there is hope that demand for butter will grow in 2021 and beyond; especially when it comes to holiday casseroles and desserts.

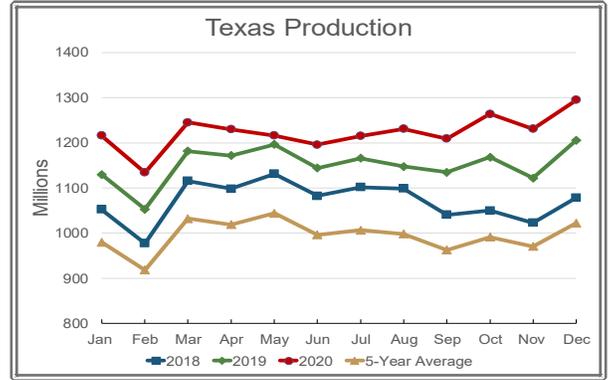


Product Price Impacts from COVID-19

The product prices (pictured left) continue to change as markets respond to the disruptions caused by the coronavirus pandemic. Cheese prices decreased in December, falling 33 percent from 1.8740 to 1.6812. Butter and NFDM prices were unchanged, while Whey price increased 8.9 percent.

Texas Dairy Production

In December, Texas dairy production totaled 1,295 million pounds. This is an 7.41 percent decrease relative to December 2019 and a 26.7 percent increase from the December five year average (2015-2019). The December average butterfat for Texas production is 4.38 percent, the average protein is 3.46 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 182,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other Solids	2020 SCC (In Thousands)
Jan	360	1,253,665	1,129,900	10.95	4.31	3.40	5.78	206
Feb	359	1,169,904	1,052,582	11.15	4.31	3.39	5.78	212
Mar	358	1,283,200	1,181,275	8.63	4.25	3.33	5.79	214
Apr	359	1,230,411	1,171,835	5.00	4.19	3.31	5.78	204
May	359	1,221,048	1,196,234	2.07	4.09	3.27	5.78	199
Jun	353	1,195,801	1,144,025	4.53	4.06	3.24	5.81	201
Jul	354	1,215,313	1,165,987	4.23	4.04	3.21	5.79	218
Aug	352	1,230,660	1,147,539	7.24	4.04	3.25	5.78	221
Sep	354	1,208,695	1,134,586	6.53	4.17	3.32	5.80	214
Oct	353	1,263,531	1,168,308	8.15	4.25	3.41	5.81	190
Nov	351	1,231,430	1,121,845	9.77	4.33	3.45	5.78	184
Dec	<u>351</u>	<u>1,295,286</u>	<u>1,205,920</u>	<u>7.41</u>	<u>4.38</u>	<u>3.46</u>	<u>5.78</u>	<u>182</u>
Total	4,263	14,798,944	13,820,035	7.08	4.20	3.34	5.79	204

1/ Revised

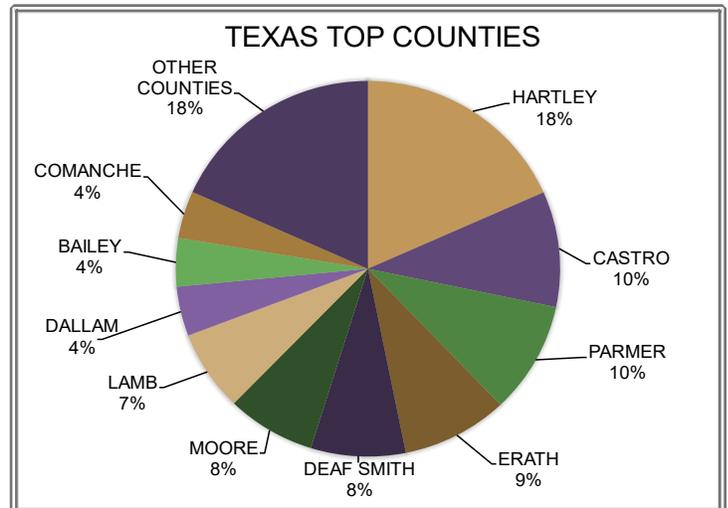
2/ Simple Average of Total Components

Top Texas Counties

Hartley County has the largest share of Texas production at 18 percent, followed by Castro and Parmer County at 10 percent. Overall, 351 producers delivered milk in Texas for the month of December.

County	Number of Producers	December 2020 Pounds	% Change 2020/2019
HARTLEY	18	237,486,285	22.69
CASTRO	14	128,815,286	9.80
PARMER	16	124,460,500	2.55
ERATH	50	115,839,865	4.73
DEAF SMITH	14	103,191,422	6.43
MOORE	9	96,961,340	22.26
LAMB	13	89,864,720	5.57
DALLAM	5	55,033,490	8.73
BAILEY	10	53,932,683	(0.45)
COMANCHE	13	52,694,185	(5.87)
SUM	<u>162</u>	<u>1,058,279,776</u>	<u>9.66</u>
OTHER COUNTIES	189	237,005,905	(1.61)
TEXAS TOTAL	351	1,295,285,681	7.41

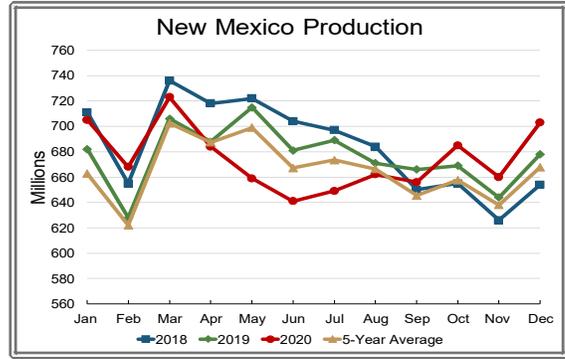
1/ Revised



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

New Mexico Dairy Production

In December, New Mexico dairy production totaled 703 million pounds. This is a 3.68 percent increase relative to December 2019 and a 5.3 percent increase from the December five year average (2015-2019). The December average butterfat is 3.99 percent, the average protein is 3.31 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 158,000.



Month	2020 Number of Producers	2020 Pounds (In Thousands)	2019 Pounds (In Thousands)	% Change from 2019/2020	2020 Butterfat	2020 Protein	2020 Other Solids	2020 SCC (In Thousands)
Jan	134	705,328	682,256	3.38	3.94	3.21	5.78	204
Feb	132	667,885	628,175	6.32	3.91	3.19	5.79	206
Mar	129	723,120	705,613	2.48	3.84	3.15	5.80	203
Apr	130	684,417	688,397	(0.58)	3.75	3.13	5.78	182
May	127	659,032	715,287	(7.86)	3.65	3.07	5.78	172
Jun	128	641,179	681,022	(5.85)	3.66	3.06	5.80	174
Jul	128	648,864	688,639	(5.78)	3.65	3.02	5.78	199
Aug	128	662,140	671,911	(1.45)	3.64	3.06	5.77	209
Sep	127	656,039	665,701	(1.45)	3.74	3.15	5.79	194
Oct	127	684,537	668,762	2.36	3.87	3.25	5.80	169
Nov	127	660,408	644,760	2.43	3.94	3.30	5.77	161
Dec	125	703,177	678,193	3.68	3.99	3.31	5.78	158
Total	1,542	8,096,125	8,118,715	(0.28)	3.80	3.16	5.79	186

1/ Revised

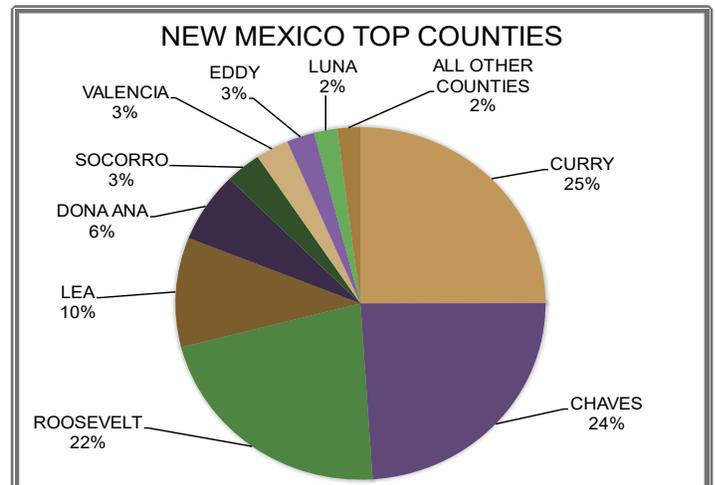
2/ Simple Average of Total Components

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves County at 24 percent. Overall, 125 producers delivered milk in New Mexico for the month of December.

County	Number of Producers	December 2020 Pounds	% Change 2020/2019
CURRY	25	175,650,155	4.20
CHAVES	26	168,564,153	3.00
ROOSEVELT	34	155,010,116	7.09
LEA	10	70,692,250	4.75
DONA ANA	9	45,188,568	(2.45)
SOCORRO	7	22,130,265	0.77
VALENCIA	4	20,392,352	(1.11)
EDDY	3	17,170,620	5.96
LUNA	3	14,300,619	(0.05)
SUM	121	689,099,098	3.80
OTHER COUNTIES	4	14,077,698	(1.73)
NM TOTAL	125	703,176,796	3.68

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

December 2020

	Pounds	Price	Value
Add: Class I Differential			\$352,591.10
Class I Butterfat	8,500,493	\$ 1.6056	\$13,648,391.56
Class I Skim Per Cwt	346,175,128	\$17.8800	\$61,896,112.89
Class II Butterfat	12,514,154	\$ 1.5469	\$19,358,144.83
Class II Nonfat Solids	9,186,230	\$ 0.9900	\$9,094,367.70
Class III Butterfat	2,136,994	\$ 1.5399	\$3,290,757.08
Class III Protein	2,208,037	\$ 3.0282	\$6,686,377.65
Class III Other Solids	3,756,976	\$ 0.2245	\$843,441.12
Class IV Butterfat	21,779,976	\$ 1.5399	\$33,538,985.07
Class IV Nonfat Solids	48,762,967	\$ 0.9180	\$44,764,403.70
Class II, III, & IV Somatic Cell Adjustment			\$1,005,405.85
Total Producer Milk- Product Pounds and Value	1,056,889,209		\$194,478,978.55
Add: Value as for 60(f) thru 60(j)			\$58,477.13
Less: Total Protein Pounds	35,902,809	\$ 3.0282	\$108,720,886.23
Total Other Solids Pounds	61,045,441	\$ 0.2245	\$13,704,701.53
Total Butterfat Pounds	44,931,617	\$ 1.5399	\$69,190,197.05
Total Value of Somatic Cell Adjustment			\$1,453,521.50
Total Milk and Value	1,056,889,209		\$1,468,149.37
Add: Location Differential Adjustments			\$4,812,691.23
Producer - Settlement Fund Reserve			\$419,637.29
Total Product Milk/URSP and Value	1,056,889,209	\$0.63398	\$6,700,477.89
Less: Producer - Settlement Fund Reserve		\$0.04398	\$464,831.56
Producer Price Differential (Dallas County)		\$0.59	\$6,235,646.33

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	354,675,621	33.56	8,500,493	18.92	346,175,128	34.21
Class II	108,988,342	10.31	12,514,154	27.85	96,474,188	9.53
Class III	64,323,511	6.09	2,136,994	4.76	62,186,517	6.15
Class IV	528,901,735	50.04	21,779,976	48.47	507,121,759	50.11
Total	1,056,889,209	100.00	44,931,617	100.00	1,011,957,592	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	44,931,617	35,902,809	61,045,441	96,948,250
Average Test	4.251%	3.397%	5.775%	9.172%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Dec-20	Nov-20	Dec-20	Nov-20	Dec-20	Nov-20
Appalachian - F.O. 5	20.61	19.72	N/A	N/A	68.06	76.31
Arizona - F.O. 131	16.24	16.04	N/A	N/A	25.33	34.17
Central - F.O. 32	16.23	14.84	0.51	(8.50)	37.88	44.02
Florida - F.O. 6	23.18	21.70	N/A	N/A	80.84	82.05
Mideast - F.O. 33	16.90	15.94	1.18	(7.40)	41.40	46.10
Northeast - F.O. 1	17.26	18.27	1.54	(5.07)	31.80	31.20
Pacific NW - F.O. 124	15.52	16.46	(0.20)	(6.88)	24.00	24.04
California - F.O. 51	14.94	13.79	(0.78)	(9.55)	21.90	23.10
Southeast - F.O. 7	20.99	19.66	N/A	N/A	68.29	68.89
Southwest - F.O. 126	16.31	14.89	0.59	(8.45)	33.56	37.36
Upper Midwest - F.O. 30	15.89	17.91	0.17	(5.43)	13.30	23.80

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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