

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

May 2021

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received an April statistical uniform price of \$16.48 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 \$15.68 in March.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$1.19) for April. The April Class I price increased \$0.31 from \$18.20 in March to the April level of \$18.51. The Class II price increased \$0.49 from \$15.07 in March to \$15.56 in April. The Class III price increased \$1.52 from \$16.15 in March to \$17.67 in April. The Class IV price increased \$1.24 from \$14.18 in March to \$15.42 in April.

In April, 422 producers delivered a total of 1,005,131,021 pounds of milk. On a daily basis, this represents an increase of 1.13 percent from the producer receipts level in March but a decrease of 13.60 percent when compared to the producer receipts level of April 2020.

Producer milk classified as Class I during April amounted to 33.75 percent of total producer receipts. This figure is down from 35.47 percent in March and up from 28.64 percent in April 2020. The average butterfat test of producer milk pooled during April was 4.126 percent, average protein test was 3.309 percent, average other solids test was 5.781 percent, and the average somatic cell count was 188,000.

The April butterfat price increased \$0.2320 from \$1.7176 in March to the April level of \$1.9496. The protein price increased \$0.1182 from \$2.6954 in March to \$2.8136 in April. The other solids price increased \$0.0616 from \$0.3652 in March to \$0.4268 in April. The somatic cell adjustment rate in April was 0.00086 per cwt.

April 2021 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in April 2021 is \$16.48 with a PPD of (\$1.19)
- ◆ 1,005 million pounds were pooled in April. This is up 1.13 percent on a daily basis from March 2021
- ◆ 422 producers pooled their milk; this is down from 442 in March
- ◆ Class I milk accounted for 33.75 percent of all receipts, down from 35.47 in March

Classification of Producer Milk

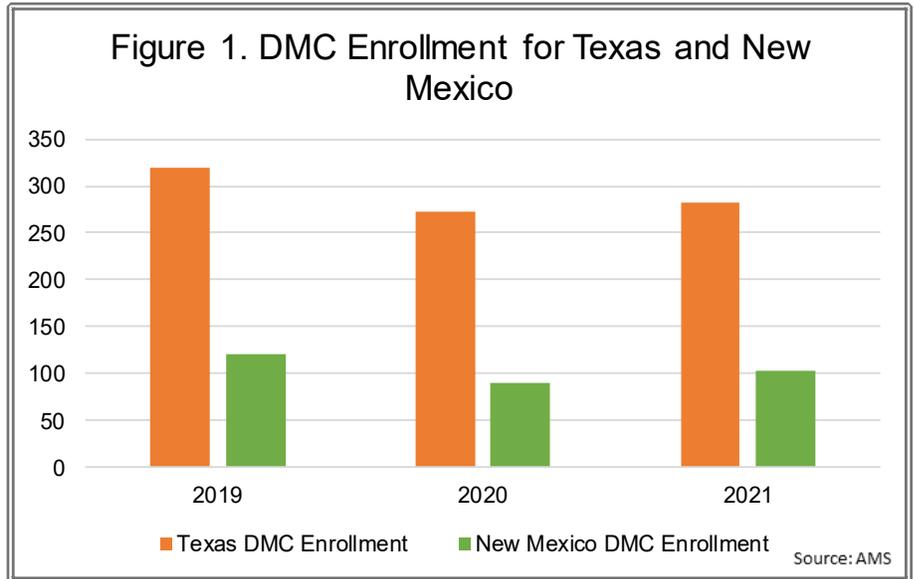
	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	18.51	339,198,113	33.75
Class II	15.56	130,190,260	12.95
Class III	17.67	35,369,165	3.52
Class IV	15.42	500,373,483	49.78

Producer Prices

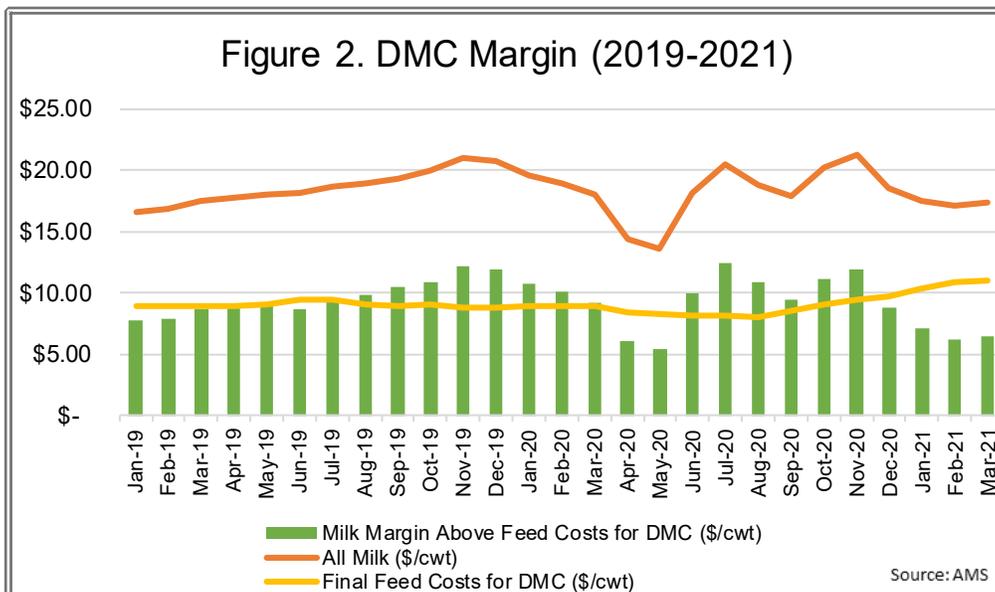
Statistical Uniform Price	\$16.48	/ cwt
Producer Price Differential	(\$1.19)	/ cwt
Butterfat Price	\$1.9496	/ lb
Protein Price	\$2.8136	/ lb
Other Solids Price	\$0.4268	/ lb
Nonfat Solids Price	\$0.9902	/ lb
Somatic Cell Adjustment Rate	\$0.00086	/ cwt

Dairy Margin Coverage Participation in Texas

Since 1933, the Farm Bill has provided policy aimed to protect dairy producers – the most recent being the Dairy Margin Coverage (DMC). Established by the 2018 Farm Bill, this risk management program triggers a payment when the calculated margin – which is the all-milk price minus selected feed prices – falls below a coverage amount selected by the farmer. Every year, enrolled producers will select a margin level ranging from \$4.00 to \$9.50 and the percentage of production that they want covered. Premiums are paid based on these selections, but farmers who enroll in the program are automatically assigned the \$4.00 coverage level which does not have an associated premium. Participants also have the option to enroll in the program for a three-year period for a discounted premium.



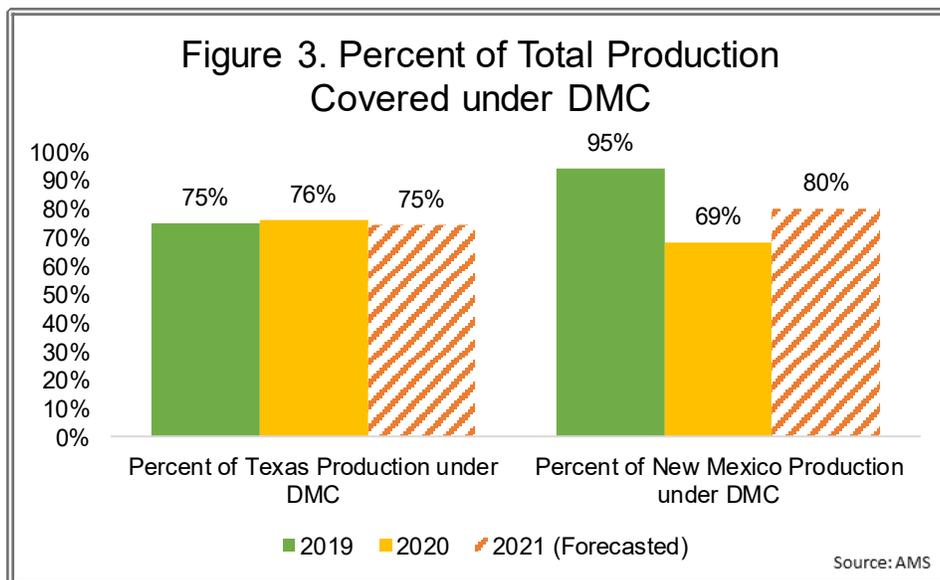
Since the program’s inception in 2019, DMC enrollment for Texas and New Mexico producers has varied (Figure 1). The first year of the program saw around 320 Texas and 121 New Mexico producers enrolled in the program. For those participating farmers, DMC payments were triggered in January and February for coverage levels \$8.00 and above, March, April, and June for \$9.00 and above, and May and July for the \$9.50 coverage level.



Contrast this with 2020, where only 272 and 90 eligible producers in Texas and New Mexico were enrolled. An [article](#) by the American Farm Bureau in April 2020 states, “As global milk supplies tightened toward the end of 2019, milk prices reached their highest level since 2014... USDA’s December [World Agricultural Supply and Demand Estimates](#) projected that all-milk prices in 2020 would average \$19.40 per

hundredweight, making 2020 the year that milk prices finally turned the corner” (American Farm Bureau, April 2020).

The article goes on to state that the newly established Phase 1 trade agreement between China and the United States maintained this optimism, despite the rumblings of Covid-19. Once the markets responded to the school and restaurant closures during the pandemic, payments were triggered at the \$9.50 coverage level in March and September, the \$6.50 coverage level and above in April, \$5.50 and above for May, and \$9.00 and above for December.



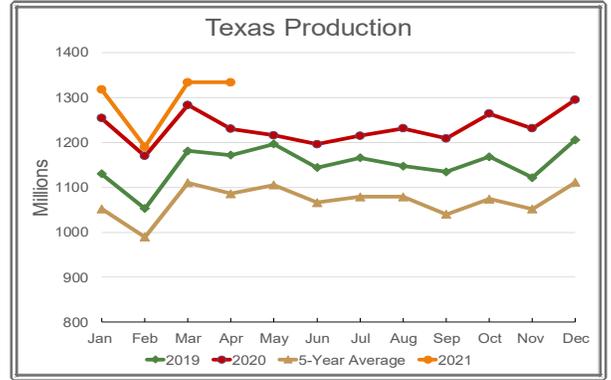
DMC enrollment increased in 2021 but did not reach the levels seen in 2019, averaging around 283 and 103 producers in Texas and New Mexico. So far, there have been payments for all levels above the \$7.50 coverage level in January and \$6.50 and above for February and March. Evidence suggests that higher feed prices and declining all-milk prices have tightened milk margins (Figure 2).

Despite varying participant levels, the overall production enrolled under DMC, hereby known as DMC production enrollment, has increased for Texas, year-over-year, rising almost 9 percent from 2019-2020 and 2.5 percent from 2020-2021. This is different from total milk production, where most of the milk produced in Texas is covered under DMC. In total, almost 75 percent of all milk produced in Texas is covered under DMC, and unless there are massive swings in Texas production, it is expected that this will remain relatively constant in 2021 (Figure 3). New Mexico's DMC production enrollment decreased from 2019 to 2020, falling almost 28 percent from 2019-2020; between 2020 and 2021, enrolled production increased 17 percent. In the first year of the program, 95 percent of milk produced in New Mexico was covered under DMC; however, this number fell to 69 percent in 2020. In 2021, total production covered under DMC is forecasted to increase to 80 percent due to increases in DMC production enrollment.

As the signup period for Dairy Margin Coverage 2022 quickly approaches, dairy producers will have decisions to make regarding enrollment, margin coverage, and production levels for their farms. Farmers interested in learning about DMC can visit the [AMS website](#) for more information and a decision tool that will help determine appropriate coverage levels.

Texas Dairy Production

In April, Texas dairy production totaled 1,334 million pounds. This is a 8.40 percent increase relative to April 2020 and a 22.8 percent increase from the April five year average (2016-2020). The April average butterfat for Texas production is 4.22 percent, the average protein is 3.36 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 193,000.



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			1,221,048					
Jun			1,195,801					
Jul			1,215,313					
Aug			1,230,660					
Sep			1,208,695					
Oct			1,263,531					
Nov			1,231,430					
Dec			1,295,286					
Total		5,175,977	14,798,944					

1/ Revised

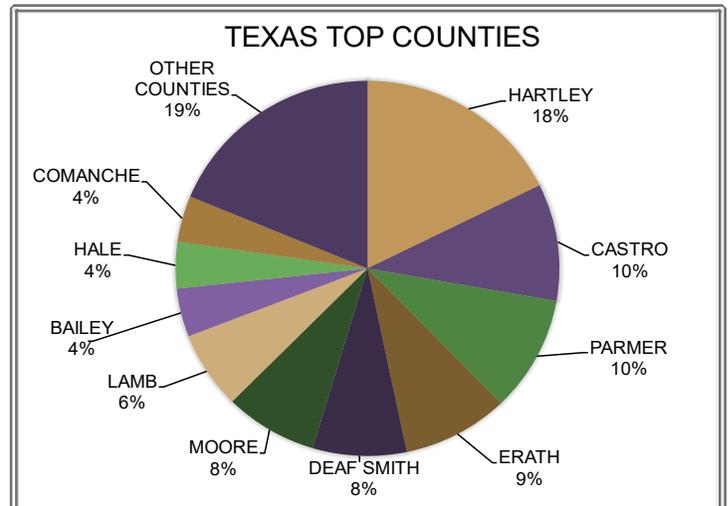
2/ Simple Average of Total

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, 336 producers delivered milk in Texas for the month of April.

County	Number of Producers	April 2021 Pounds	% Change 2020/2021
HARTLEY	18	235,975,230	14.53
CASTRO	14	134,637,945	17.58
PARMER	16	133,042,948	10.52
ERATH	47	119,406,226	8.70
DEAF SMITH	14	105,385,853	6.76
MOORE	9	104,532,091	27.23
LAMB	13	88,746,356	7.64
BAILEY	10	55,563,261	8.20
HALE	6	53,543,795	8.17
COMANCHE	13	53,012,506	(7.48)
SUM	160	1,083,846,211	11.48
OTHER COUNTIES	176	249,956,759	(3.18)
TEXAS TOTAL	336	1,333,802,970	8.40

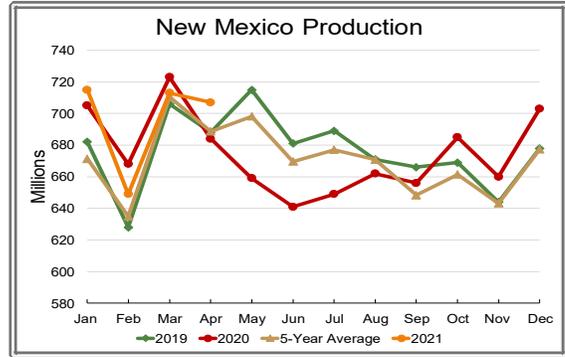
1/ Revised



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

New Mexico Dairy Production

In April, New Mexico dairy production totaled 707 million pounds. This is a 3.25 percent increase relative to April 2020 and a 2.7 percent increase from the April five year average (2016-2020). The April average butterfat is 3.81 percent, the average protein is 3.20 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 159,000.



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			659,032					
Jun			641,179					
Jul			648,864					
Aug			662,140					
Sep			656,039					
Oct			684,537					
Nov			660,408					
Dec			703,177					
Total		2,783,337	8,096,355					

1/ Revised

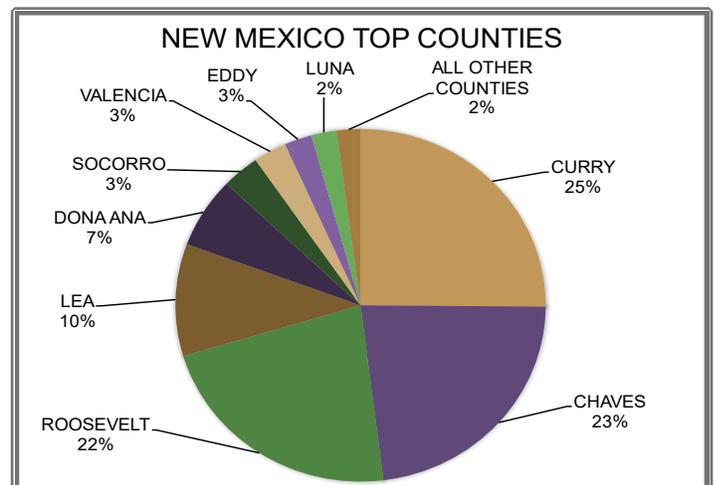
2/ Simple Average of Total Components

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves County at 23 percent. Overall, 124 producers delivered milk in New Mexico for the month of April.

County	Number of Producers	April 2021 Pounds	% Change 2020/2021
CURRY	25	177,516,268	7.14
CHAVES	25	161,885,317	1.50
ROOSEVELT	34	157,801,833	3.49
LEA	10	72,662,410	7.13
DONA ANA	9	45,672,640	(4.99)
SOCORRO	7	23,350,050	0.05
VALENCIA	4	20,558,471	0.93
EDDY	3	16,999,180	2.91
LUNA	3	15,461,920	(2.29)
SUM	120	691,908,089	3.33
OTHER COUNTIES	4	14,779,161	(0.15)
NM TOTAL	124	706,687,250	3.25

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

APRIL 2021

		Pounds	Price	Value
Add: Class I Differential				\$274,656.24
Class I Butterfat	60(a)	7,581,257	\$ 1.7035	\$12,914,671.30
Class I Skim Per Cwt		331,616,856	\$13.0000	\$43,110,191.28
Class II Butterfat	60(b)	14,704,146	\$ 1.9566	\$28,770,132.07
Class II Nonfat Solids		10,871,838	\$ 1.0033	\$10,907,715.06
Class III Butterfat	60(c)	2,586,086	\$ 1.9496	\$5,041,833.26
Class III Protein		1,095,702	\$ 2.8136	\$3,082,867.16
Class III Other Solids		1,973,074	\$ 0.4268	\$842,107.97
Class IV Butterfat	60(d)	16,601,022	\$ 1.9496	\$32,365,352.49
Class IV Nonfat Solids		46,174,791	\$ 0.9902	\$45,722,278.07
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$961,312.01
Total Producer Milk- Product Pounds and Value		1,005,131,021		\$183,993,116.91
Add: Value as for 60(f) thru 60(j)				\$162,675.38
Less: Total Protein Pounds		61(b)		\$93,604,729.93
Total Other Solids Pounds		33,268,670	\$ 2.8136	\$24,801,023.63
Total Butterfat Pounds		58,109,240	\$ 0.4268	\$80,854,807.45
Total Value of Somatic Cell Adjustment		41,472,511	\$ 1.9496	\$1,401,930.97
Total Milk and Value		1,005,131,021		\$16,506,699.69-
Add: Location Differential Adjustments	61(c)			\$4,629,644.02
Producer - Settlement Fund Reserve	61(d)			\$354,177.36
Total Product Milk/URSP and Value		1,005,131,021	\$1.14640-	\$11,522,878.31-
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04359	\$438,180.84
Producer Price Differential (Dallas County)			\$1.19-	\$11,961,059.15-

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	339,198,113	33.75	7,581,257	18.28	331,616,856	34.41
Class II	130,190,260	12.95	14,704,146	35.46	115,486,114	11.98
Class III	35,369,165	3.52	2,586,086	6.23	32,783,079	3.41
Class IV	500,373,483	49.78	16,601,022	40.03	483,772,461	50.20
Total	1,005,131,021	100.00	41,472,511	100.00	963,658,510	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	41,472,511	33,268,670	58,109,240	91,377,910
Average Test	4.126%	3.309%	5.781%	9.091%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Apr-21	Mar-21	Apr-21	Mar-21	Apr-21	Mar-21
Appalachian - F.O. 5	18.43	17.94	N/A	N/A	69.21	68.10
Arizona - F.O. 131	16.43	15.55	N/A	N/A	32.34	31.67
Central - F.O. 32	15.88	15.15	(1.79)	(1.00)	41.09	40.60
Florida - F.O. 6	20.21	20.11	N/A	N/A	80.97	84.38
Mideast - F.O. 33	16.33	15.68	(1.34)	(0.47)	40.00	39.20
Northeast - F.O. 1	17.36	16.50	(0.31)	0.35	30.10	30.40
Pacific NW - F.O. 124	16.28	15.15	(1.39)	(1.00)	22.57	22.19
California - F.O. 51	15.91	14.85	(1.76)	(1.30)	21.30	21.10
Southeast - F.O. 7	18.46	17.92	N/A	N/A	63.14	61.79
Southwest - F.O. 126	16.48	15.68	(1.19)	(0.47)	33.75	35.47
Upper Midwest - F.O. 30	16.65	15.64	(1.02)	(0.51)	22.30	22.70

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

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact the USDA's TARGET Center at 202-720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S. W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.