

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

May 2022

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 \$25.43 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 \$23.73 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 \$1.01 for April. The April Class I price increased \$1.50 from \$25.88 in March to the April level of \$27.38. The Class II price increased \$0.95 from \$24.76 in March to \$25.71 in April. The Class III price increased \$1.97 from \$22.45 in March to \$24.42 in April. The Class IV price increased \$ 0.49 from \$24.82 in March to \$25.31 in April.

In April, 381 producers delivered a total of 1,189,925,157 pounds of milk. On a daily basis, this represents an increase of 3.30 percent from the producer receipts level in March and an increase of 18.39 percent when compared to the producer receipts level of April 2021.

Producer milk classified as Class I during April amounted to 27.51 percent of total producer receipts. This figure is down from 29.21 percent in March and down from 33.75 percent in April 2021. The average butterfat test of producer milk pooled during April was 4.103 percent, average protein test was 3.326 percent, average other solids test was 5.787 percent, and the average somatic cell count was 169,000.

The April butterfat price increased \$0.0526 from \$3.0935 in March to the April level of \$3.1461. The protein price decreased \$0.7057 from \$2.7182 in March to \$3.4239 in April. The other solids price decreased \$0.0566 from \$0.6131 in March to \$0.5565 in April. The somatic cell adjustment rate in April was 0.00115 per cwt.

April 2022 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in April 2022 is \$25.43 with a PPD of \$1.01
- ◆ 1,190 million pounds were pooled in April. This is up 3.30 percent on a daily basis from March 2022
- ◆ 381 producers pooled their milk; this is up from 417 in March
- ◆ Class I milk accounted for 27.51 percent of all receipts, down from 29.21 in March

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	27.38	327,393,427	27.51
Class II	25.71	61,364,442	5.16
Class III	24.42	748,161,264	62.88
Class IV	25.31	53,006,024	4.45

Producer Prices

Statistical Uniform Price	\$25.43	/ cwt
Producer Price Differential	\$1.01	/ cwt
Butterfat Price	\$3.1461	/ lb
Protein Price	\$3.4239	/ lb
Other Solids Price	\$0.5565	/ lb
Nonfat Solids Price	\$1.6470	/ lb
Somatic Cell Adjustment Rate	\$0.00115	/ cwt

The Southwest Federal Order Pool: Changes Over Time

One of the most viewed reports published by the Southwest Federal Order (FO 126) is the Statistical Uniform Price Announcement. This report publishes information on the statistical uniform price of milk (also known as the blend price), pooled producer milk utilization, pooled producer milk components, and classification information for the Southwest Federal Order. In this article we will focus on the pounds of producer milk pooled in the Southwest Federal Order since 2000 and its changes in relation to Texas and New Mexico. We are limiting our scope to the Southwest Federal Order pool; Texas and New Mexico milk may also be pooled in other Federal Orders, which will not be captured in this article. From January through April 2022, the Southwest Federal Order has pooled 4.57 billion pounds; this is a 13 percent increase over the same period in 2021. Data on the pooled pounds by state can be found on the Southwest Federal Order website.

Of those 4.57 billion pounds, April 2022 accounted for 1.19 billion pounds; for April 2022, 66 percent came from Texas and 30.1 percent came from New Mexico, with the remaining 4 percent from other states (Kansas, Utah, Colorado, Arizona, and Oklahoma). This is comparable for Texas to the 2021 yearly data, where around 66 percent of the pooled milk was from Texas. Meanwhile, in 2021, New Mexico captured just under 20 percent of the pooled producer milk. Figure 1 shows the historical trajectory since 2000 of the pounds of milk pooled along with the percentage breakdown of pooled pounds associated with Texas, New Mexico, and other states. Up until 2011, Texas and New Mexico were just under 50 percent of the pooled pounds. After 2011, Texas has a higher share of the pooled milk pounds topping 65 percent in 2021. Inversely, New Mexico's share of the pooled pounds decreases, stabilizing around 19 percent in 2020 and 2021. Around 2016 the share of the other state milk pooled increases, peaking in 2020 at just under 19 percent.

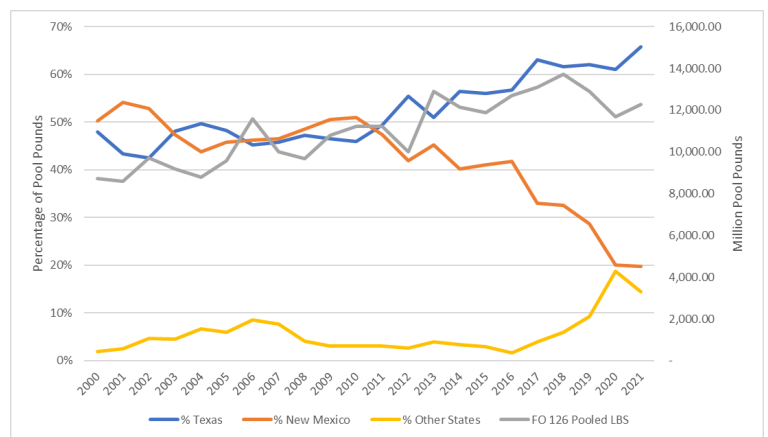


Figure 1: State pooled milk as a percentage of total pooled milk

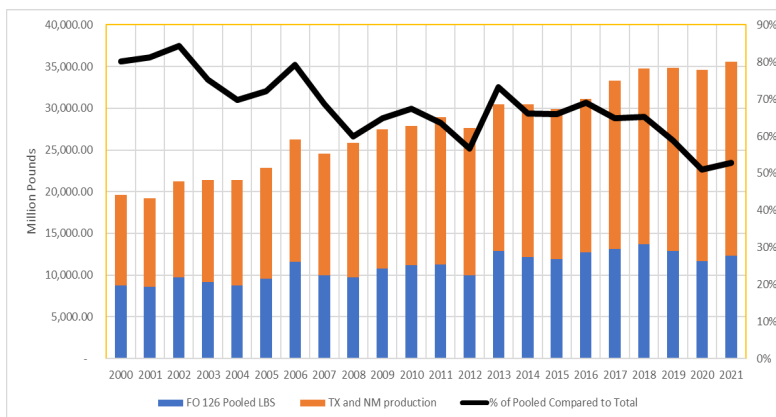


Figure 2: FO 126 pooled and total production

If we compare the annual pooled pounds for the Southwest Federal Order against the combined Texas and New Mexico state production (Figure 2), we can see that while the Southwest Federal Order pooled milk fluctuates, its growth is minimal (4 billion pounds from 2000 to 2021) as compared to the growth in combined state production of Texas and New Mexico. In the early 2000s, the pooled pounds were about 80 percent of the total combined state production. In Figure 2, the blue

columns show the volume of pooled milk, while the orange columns show the volume of combined state production. In 2021 the pooled milk is about 50 percent of the pounds of the combined state production (shown by the orange column which is double the blue column). The black line represents the percentage of pooled milk over combined state production.

We can further break the production into the individual states versus how much of the state milk production was pooled in the Southwest Federal Order. This does not account for any state milk production that was pooled in another Federal Order. Figure 3 shows the Texas production in millions of pounds growing from just under 6 billion pounds annually in 2000 to just under 16 billion pounds annually in 2021. Inversely, the percentage of Texas milk pooled in the Southwest Federal Order as compared to total production, has declined since 2017. This is expected as the growth in Texas milk production is exponential while the total Southwest Federal Order pool (which is comprised of multiple states' milks) has remained relatively flat.

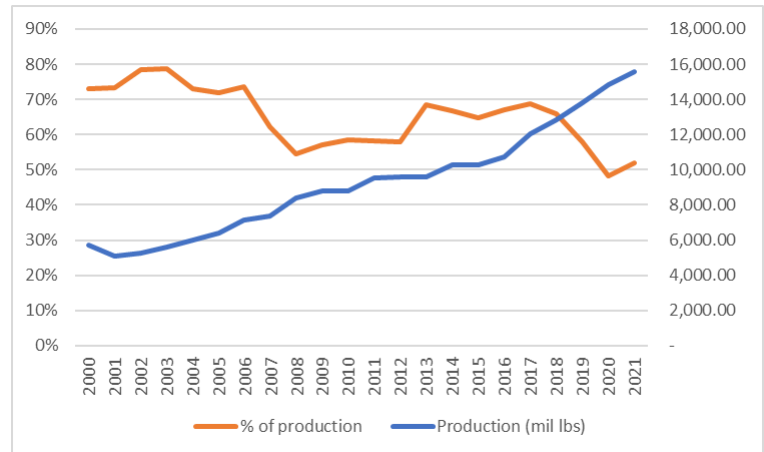


Figure 3: Texas's pooled milk as percentage of production

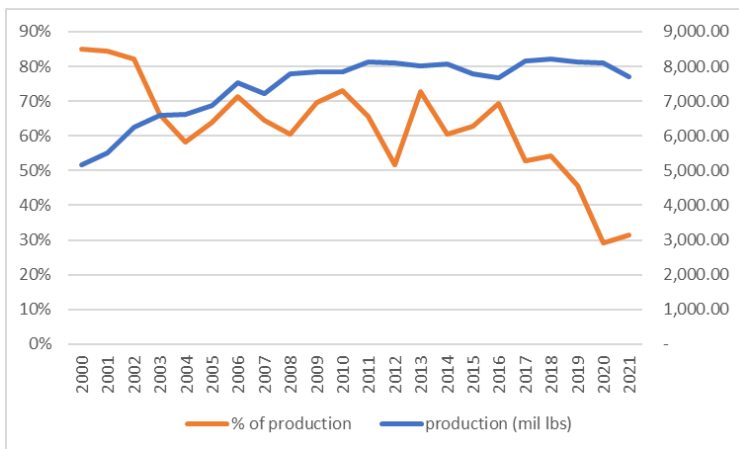


Figure 4: New Mexico's pooled milk as percentage of production

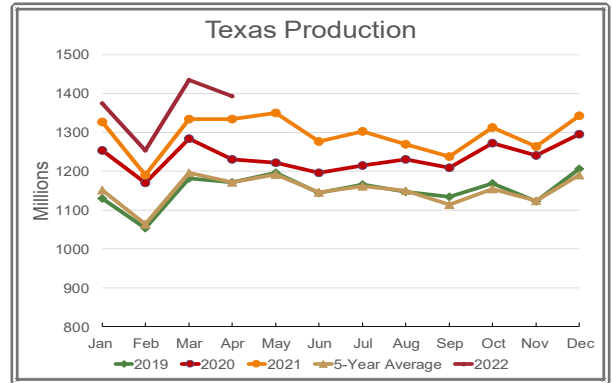
percent. It held steady (with fluctuations) until 2017 when it decreased from 60 percent to around 30 percent in 2021. Figure 4 only shows the New Mexico milk pooled in the Southwest Federal Order and does not account for milk pooled in other Federal Orders.

We can also do the same analysis for the changes in New Mexico's milk production as compared to the percentage of New Mexico's milk pooled on the Southwest Federal Order's pool. In Figure 4, we see New Mexico's milk production grew until around 2011, after which it has remained relatively steady. The percentage of the New Mexico milk that is pooled in the Southwest Federal Order peaked in the early 2000s. In 2003, the percentage of milk pooled (as compared to total production in New Mexico) decreased from around 80 percent to just under 60 percent.

While this is only one part of the story on the intersection of Southwest Federal Order pool and the Texas and New Mexico milk that feeds into it, it is an interesting one.

Texas Dairy Production

In April, Texas dairy production totaled 1,393 million pounds. This is a 4.42 percent increase relative to April 2021 and a 18.9 percent increase from the April five year average (2017-2021). The April average butterfat for Texas production is 4.27 percent, the average protein is 3.39 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 171,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	326	1,374,644	1,327,361	3.56	4.42	3.49	5.78	181
Feb	326	1,253,077	1,203,149	4.15	4.42	3.47	5.79	182
Mar	324	1,434,529	1,343,659	6.76	4.37	3.44	5.78	173
Apr	323	1,392,807	1,333,803	4.42	4.27	3.39	5.79	171
May			1,350,465					
Jun			1,277,426					
Jul			1,301,047					
Aug			1,268,705					
Sep			1,236,659					
Oct			1,312,910					
Nov			1,264,214					
Dec			1,341,794					
Total		5,455,057	15,561,192					

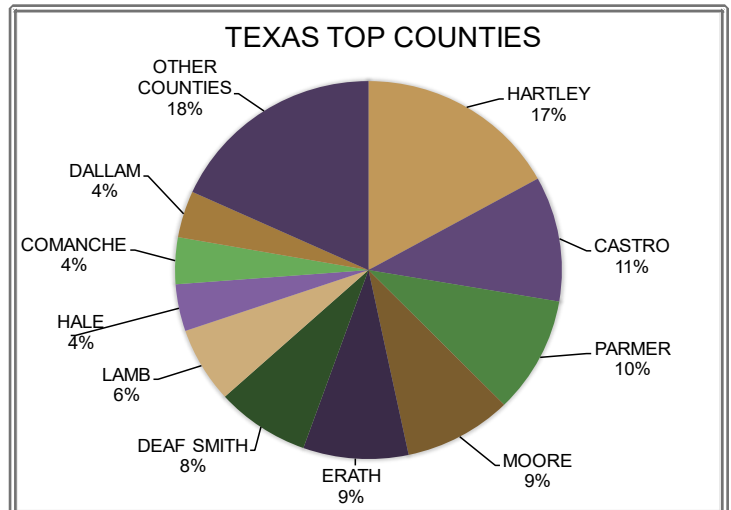
1/ Revised
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 17 percent, followed by Castro and Parmer Counties at 11 and 10 percent, respectively. Overall, 323 producers delivered milk in Texas for the month of April.

County	Number of Producers	April 2022 Pounds	% Change 2021/2022
HARTLEY	19	236,298,366	0.14
CASTRO	15	149,094,646	10.74
PARMER	16	138,664,527	4.23
MOORE	10	125,941,299	20.48
ERATH	46	122,513,307	2.60
DEAF SMITH	14	109,337,387	3.75
LAMB	13	90,112,861	1.54
HALE	6	55,893,021	4.39
COMANCHE	14	55,642,388	4.96
DALLAM	5	55,637,900	8.44
SUM	158	1,139,135,702	5.52
OTHER COUNTIES	165	253,671,568	(0.21)
TEXAS TOTAL	323	1,392,807,270	4.42

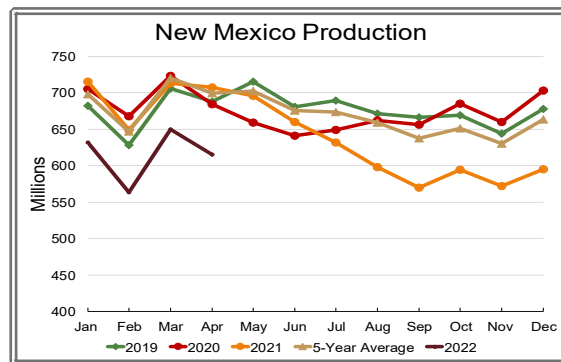
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In April, New Mexico dairy production totaled 615 million pounds. This is a 12.99 percent decrease relative to April 2021 and a 12.10 percent decrease from the April five year average (2017-2021). The April average butterfat is 3.85 percent, the average protein is 3.23 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 156,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	109	632,112	714,908	(11.58)	4.03	3.33	5.79	171
Feb	109	563,156	649,004	(13.23)	4.02	3.31	5.79	175
Mar	109	650,082	712,738	(8.79)	3.94	3.28	5.78	161
Apr	110	614,872	706,687	(12.99)	3.85	3.23	5.78	156
May			696,133					
Jun			660,067					
Jul			632,273					
Aug			597,982					
Sep			570,133					
Oct			594,320					
Nov			571,659					
Dec			595,152					
Total		2,460,222	7,701,056					

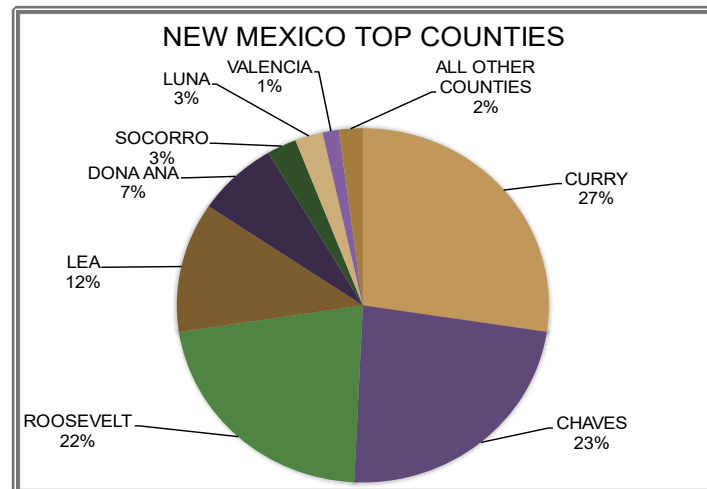
1/ Revised
2/ Simple Average of Total

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 April.

County	Number of Producers	April 2022 Pounds	% Change 2021/2022
CURRY	24	168,449,036	(5.11)
CHAVES	23	143,553,895	(11.32)
ROOSEVELT	32	134,341,770	(14.87)
LEA	10	72,898,844	0.33
DONA ANA	8	43,458,870	(4.85)
SOCORRO	4	15,876,785	(32.01)
LUNA	3	14,856,775	(3.91)
VALENCIA	3	8,706,470	(57.65)
SUM	107	602,142,445	(10.78)
OTHER COUNTIES	3	12,729,213	(59.94)
NM TOTAL	110	614,871,658	(12.99)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

APRIL 2022

		Pounds	Price	Value
Add:	Class I Differential			\$462,743.27
	Class I Butterfat	60(a) 7,100,643	\$ 3.1398	\$22,294,598.89
	Class I Skim Per Cwt	320,292,784	\$16.9800	\$54,385,714.74
	Class II Butterfat	60(b) 9,235,798	\$ 3.1531	\$29,121,394.70
	Class II Nonfat Solids	4,922,583	\$ 1.6900	\$8,319,165.27
	Class III Butterfat	60(c) 29,451,174	\$ 3.1461	\$92,656,338.55
	Class III Protein	25,049,966	\$ 3.4239	\$85,768,578.61
	Class III Other Solids	43,373,339	\$ 0.5565	\$24,137,263.17
	Class IV Butterfat	60(d) 3,039,926	\$ 3.1461	\$9,563,911.20
	Class IV Nonfat Solids	4,767,495	\$ 1.6470	\$7,852,064.27
	Class II, III, & IV Somatic Cell Adjustment	60(e)		\$1,881,224.19
	Total Producer Milk- Product Pounds and Value	1,189,925,157		\$336,417,207.82
Add:	Value as for 60(f) thru 60(j)			\$96,629.69
Less:	Total Protein Pounds	61(b) 39,588,153	\$ 3.4239	\$135,545,877.09
	Total Other Solids Pounds	68,867,635	\$ 0.5565	\$38,324,838.89
	Total Butterfat Pounds	48,827,541	\$ 3.1461	\$153,616,326.77
	Total Value of Somatic Cell Adjustment			\$2,471,751.06
	Total Milk and Value	1,189,925,157		\$6,555,043.70
Add:	Location Differential Adjustments	61(c)		\$5,590,680.17
	Producer - Settlement Fund Reserve	61(d)		\$358,017.87
	Total Product Milk/URSP and Value	1,189,925,157	\$ 1.05080	\$12,503,741.74
Less:	Producer - Settlement Fund Reserve	61(f)	\$ 0.04080	\$485,497.65
	Producer Price Differential (Dallas County)		\$1.01	\$12,018,244.09

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	327,393,427	27.51	7,100,643	14.54	320,292,784	28.07
Class II	61,364,442	5.16	9,235,798	18.92	52,128,644	4.57
Class III	748,161,264	62.88	29,451,174	60.31	718,710,090	62.98
Class IV	53,006,024	4.45	3,039,926	6.23	49,966,098	4.38
Total	1,189,925,157	100.00	48,827,541	100.00	1,141,097,616	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	48,827,541	39,588,153	68,867,635	108,455,788
Average Test	4.103%	3.326%	5.787%	9.114%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	<u>Apr-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>Mar-22</u>
Appalachian - F.O. 5	27.17	25.86	N/A	N/A	68.38	68.49
Arizona - F.O. 131	25.52	24.66	N/A	N/A	25.35	27.56
Central - F.O. 32	24.65	23.15	0.23	0.70	27.73	28.53
Florida - F.O. 6	29.13	27.77	N/A	N/A	83.90	83.03
Mideast - F.O. 33	24.91	23.38	0.49	0.93	34.30	39.10
Northeast - F.O. 1	26.07	24.74	1.65	2.29	29.40	29.20
Pacific NW - F.O. 124	24.79	27.08	0.37	1.04	21.05	21.63
California - F.O. 51	25.08	23.32	0.66	0.87	19.40	20.90
Southeast - F.O. 7	27.35	26.42	N/A	N/A	63.09	75.77
Southwest - F.O. 126	25.43	23.73	1.01	1.28	27.51	28.65
Upper Midwest - F.O. 30	24.55	22.66	0.13	0.21	8.60	7.70

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/>



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