

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

June 2020

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a May statistical uniform price of \$13.01 for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is a decrease in comparison to the statistical uniform price of \$14.22 in April.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$0.87 for May. The May Class I price decreased \$3.69 from \$19.64 in April to the May level of \$15.95. The Class II price decreased \$1.57 from \$13.87 in April to \$12.30 in May. The Class III price decreased \$0.93 from \$13.07 in April to \$12.14 in May. The Class IV price decreased \$0.73 from \$11.40 in April to \$10.67 in May.

In May, 456 producers delivered a total of 925,068,105 pounds of milk. On a daily basis, this represents a decrease of 23.05 percent from the producer receipts level in April and it represents a decrease of 27.06 percent when compared to the producer receipts level of May 2019.

Producer milk classified as Class I during May amounted to 36.12 percent of total producer receipts. This figure is up from 28.64 percent in April and is up from 28.06 percent in May 2019. The average butterfat test of producer milk pooled during May was 3.968 percent, average protein test was 3.215 percent, average other solids test was 5.780 percent, and the average somatic cell count was 203,000.

The May butterfat price increased \$0.0538 from \$1.3218 in April to the May level of \$1.3756. The protein price decreased \$0.3904 from \$2.4822 in April to \$2.0918 in May. The other solids price increased \$0.0089 from \$0.1793 in April to \$0.1882 in May. The somatic cell adjustment rate in May is 0.00065 per cwt.

May 2020 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in May 2020 is \$13.01 with a PPD of \$0.87
- ◆ 925 million pounds were pooled in May. This is down 23.05 percent from April 2020
- ◆ 456 producers pooled their milk, this is down from 467 in April
- ◆ Class I milk accounted for 36.12 percent of all receipts, up from 28.64 in April

Classification of Producer Milk

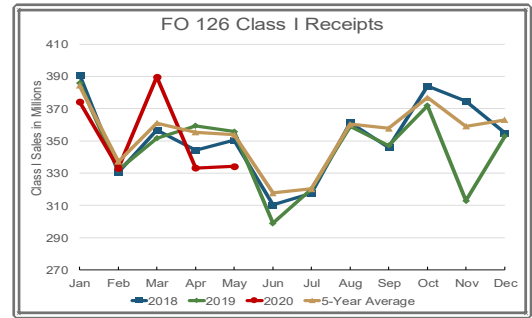
	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	\$ 15.95	334,170,172	36.12
Class II	\$ 12.30	127,604,771	13.79
Class III	\$ 12.14	45,761,291	4.95
Class IV	\$ 10.67	417,531,871	45.14

Producer Prices

Statistical Uniform Price	\$13.01	/ cwt
Producer Price Differential	\$0.87	/ cwt
Butterfat Price	\$1.3756	/ lb
Protein Price	\$2.0918	/ lb
Other Solids Price	\$0.1882	/ lb
Nonfat Solids Price	\$0.6746	/ lb
Somatic Cell Adjustment Rate	0.00065	/ cwt

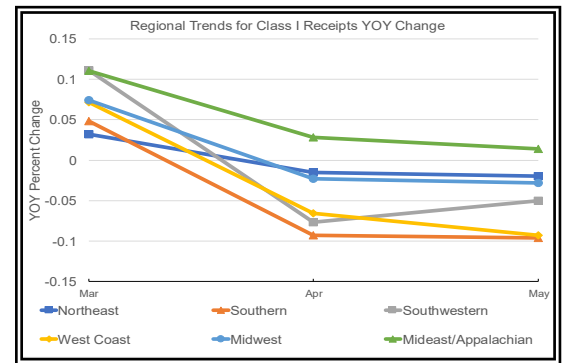
Class I Receipts and COVID-19

The Covid-19 pandemic is a challenging time for the dairy industry. The industry continues to face disruptions due to reduced demand from restaurants, schools, and the international market. The stay-at-home orders and the restrictions on schools and restaurants is particularly impactful to the Class I market. When Covid-19's initial impact began in March, there was a significant increase in the Southwest Order's Class I receipts to 386,644,671 pounds, a 10 percent increase from March 2019. This is also approximately 7.9 percent higher than the average Class I receipts in March from 2015-2019 in the Southwest Order. During the early stages of the pandemic, anecdotal evidence suggests that consumers stocked up on fluid milk alongside other products. By the month of April, Class I receipts fell to 333,195,016, a decrease of 7.3 percent from April 2019. This is also approximately 6.2 percent lower than the average Class I receipts in March from 2015-2019 in the Southwest Order. In May, Class I receipts increased slightly to 334,170,172 pounds, a 6.1 percent decrease from May 2019. This is also approximately 5.5 percent lower than the average Class I receipts in May from 2015-2019 in the Southwest Order. At the end of April and throughout May the restrictions and stay-at-home orders were eased potentially leading to a small increase in the Class I receipts.

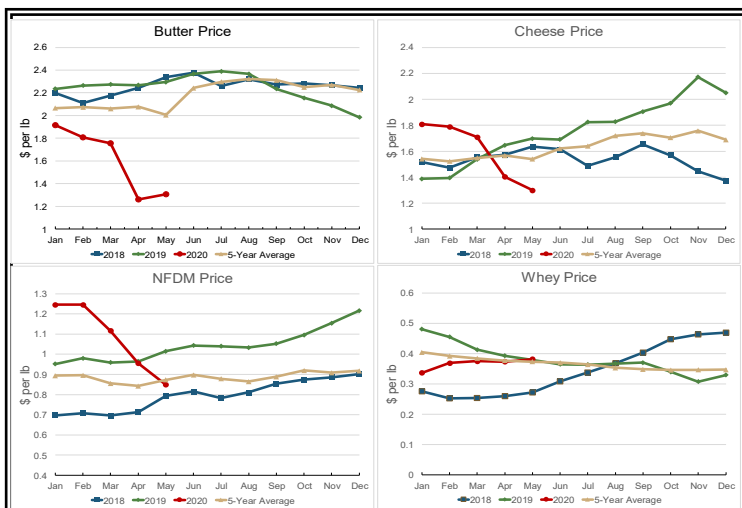


Regional Class I Receipts YOY Change					
F.O.	Feb	Mar	Apr	May	
1	-0.4%	3.2%	-1.5%	-2.3%	
5	2.8%	12.5%	2.2%	3.6%	
6	0.7%	3.3%	-8.1%	-7.8%	
7	-5.5%	5.7%	-10.0%	-10.7%	
30	-2.6%	7.6%	-3.6%	-6.7%	
32	-0.8%	7.3%	-1.6%	-0.4%	
33	-0.5%	10.3%	3.2%	0.2%	
51	-5.0%	7.5%	-6.8%	-9.4%	
124	-5.8%	6.2%	-5.9%	-9.0%	
126	0.3%	10.8%	-7.3%	-6.1%	
131	-0.3%	12.0%	-9.2%	-1.2%	

An analysis of Class I receipts across all the Federal Orders suggests a similar trend due to Covid-19 for the months March through May. However, the magnitude of the Covid-19 impacts varies across the orders. The year-over-year (YOY) Class I receipts table shows the varying impacts across the Federal Orders. By grouping the orders into regional levels, we can see a few trends emerge (see the "Regional Trends for Class I Receipts YOY Change" chart). All the regions, except for the Mideast/Appalachian region, increase in March and decrease in April and May. The Mideast and Appalachian Orders are the only marketing areas who increase Class I receipts for all three months. The Southern (Southeastern and Florida Orders), Southwestern (Southwest and Arizona Orders), and West Coast (Pacific Northwest and the California Orders) regions have the sharpest decrease YOY in April. The Southwestern region improves in May due to the Arizona Order's YOY decrease of only 1 percent, although the Southwest Order remains relatively high with a decrease of 6 percent YOY. In May, the Southern region remains flat while the West Coast region continues to decline.



The Midwest trend for the Upper Midwest and Central Orders shows a modest increase in Class I receipts in March and a small decrease in April, YOY. However, in May the Central Order had a small decrease of less than 1 percent YOY, while the Upper Midwest had a larger decrease of around 6 percent. The Northeast Order has remained relatively flat with smallest YOY increase in March and the smallest decrease in April. In May the Northeast Order decreased 2 percent YOY. The differences between the regions can be partially attributed to the different stay-at-home measure implementation, the regional impact of Covid-19, and the different easing of restrictions. However, as the pandemic continues to change along with its impact, Class I receipts will continue to be impacted.

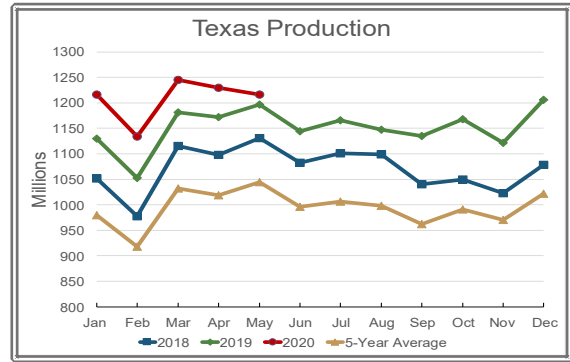


Product Price Impacts from COVID-19

The product prices (pictured left) for butter, cheese, and nonfat dry milk decreased sharply in April relative to their five-year average prices. They remained unchanged over the Covid-19 period. Butter experienced a 28 percent decrease from March to April while cheese dropped 17.9 percent in that same period. Butter increased 3.5 percent while Cheese decreased 7.4 percent in May. Nonfat dry milk fell from \$1.17 per pound in March to \$0.955 per pound in April, a fall of 14.4 percent. Nonfat dry milk decreased 11 percent in May.

Texas Dairy Production

In May, Texas dairy production totaled 1,216 million pounds. This is a 0.02 percent decrease relative to May 2019 and a 12.8 percent increase from the May five year average (2015-2019). The May average butterfat for Texas production is 4.09 percent, the average protein is 3.27 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 199,000.



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	363	1,253,631	1,129,900	10.95	4.32	3.4	5.78	205
Feb	358	1,169,873	1,052,582	11.14	4.32	3.39	5.78	210
Mar	345	1,244,672	1,181,323	5.36	4.26	3.34	5.79	212
Apr	358	1,230,362	1,171,835	4.99	4.19	3.31	5.78	204
May	358	1,216,269	1,196,282	0.02	4.09	3.27	5.78	199
Jun			1,144,025					
Jul			1,165,987					
Aug			1,147,539					
Sep			1,134,550					
Oct			1,168,308					
Nov			1,121,845					
Dec			1,205,889					
Total		6,114,807	13,820,064					

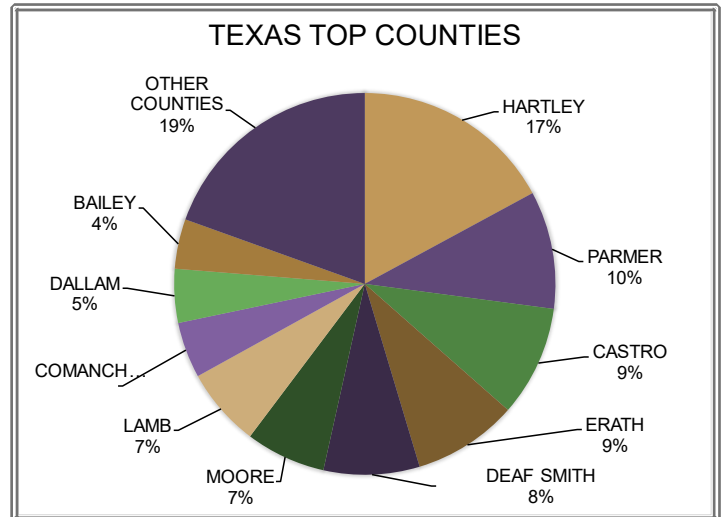
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Top Texas Counties

Hartley County has the largest share of Texas production at 17 percent, followed by Parmer County at 10 percent. Overall, 358 producers delivered milk in Texas for the month of May.

County	Number of Producers	May 2020 Pounds	% Change County
HARTLEY	17	208,125,048	29.79
PARMER	15	121,407,794	(3.73)
CASTRO	14	114,177,204	(7.95)
ERATH	49	107,947,702	2.19
DEAF SMITH	14	98,922,772	0.24
MOORE	9	82,583,722	(8.85)
LAMB	13	81,471,039	(1.94)
COMANCHE	14	57,572,527	12.51
DALLAM	5	55,457,195	2.23
BAILEY	10	51,281,113	(8.44)
SUM	160	978,946,116	3.05
OTHER COUNTIES	198	237,322,878	(3.66)
TEXAS TOTAL	358	1,216,268,994	1.67

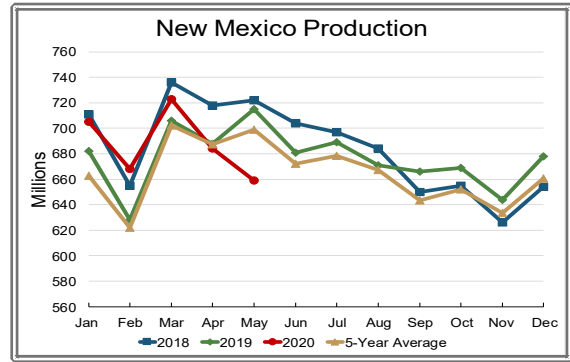
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In May, New Mexico dairy production totaled 659 million pounds. This is a 0.08 percent decrease relative to May 2019 and a 5.57 percent decrease from the May five year average (2015-2019). The May average butterfat is 3.65 percent, the average protein is 3.07 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 172,000.



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	0.03	3.94	3.21	5.78	204
Feb	132	667,885	628,175	0.06	3.91	3.19	5.79	206
Mar	129	723,120	705,613	0.02	3.84	3.15	5.8	203
Apr	130	684,417	688,397	(0.01)	3.75	3.13	5.78	182
May	127	659,032	715,287	(0.08)	3.65	3.07	5.78	172
Jun			681,022					
Jul			688,639					
Aug			671,911					
Sep			665,701					
Oct			668,762					
Nov			644,760					
Dec			678,193					
Total		3,439,781	8,118,715					

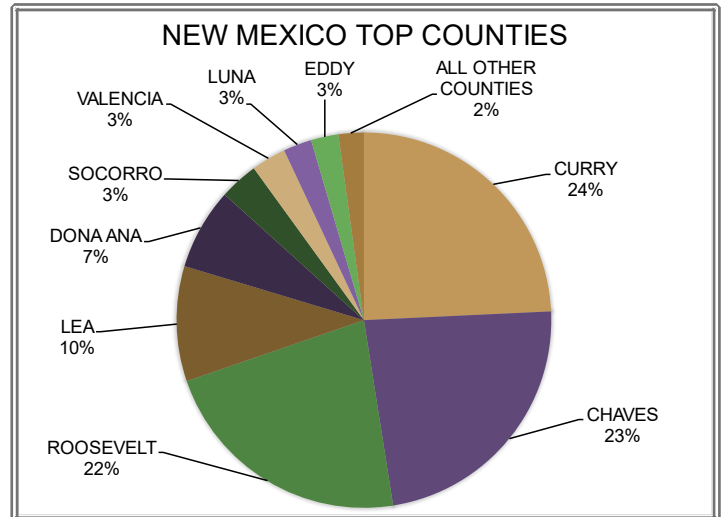
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Top New Mexico Counties

Curry County has the largest share of New Mexico production at 24 percent, followed by Chaves County at 23 percent. Overall, 127 producers delivered milk in New Mexico for the month of May.

County	Number of Producers	May 2020 Pounds	% Change 2020/2019
CURRY	25	159,861,474	(9.97)
CHAVES	26	153,211,858	(14.92)
ROOSEVELT	34	146,513,398	1.73
LEA	10	65,339,000	(4.89)
DONA ANA	11	46,198,540	(6.26)
SOCORRO	7	22,035,965	(5.19)
VALENCIA	4	19,752,653	(10.44)
LUNA	3	16,130,700	(8.71)
EDDY	3	15,590,260	(8.89)
SUM	123	644,633,848	(7.87)
OTHER COUNTIES	4	14,398,245	(7.49)
NM TOTAL	127	659,032,093	(7.86)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

MAY 2020

	Pounds	Price	Value
Add: Class I Differential			\$287,008.89
Class I Butterfat	7,969,258	\$ 1.3248	\$10,557,673.01
Class I Skim Per Cwt	326,200,914	\$11.7200	\$38,230,747.13
Class II Butterfat	13,533,113	\$ 1.3826	\$18,710,882.07
Class II Nonfat Solids	10,600,213	\$ 0.8589	\$9,104,522.99
Class III Butterfat	2,918,730	\$ 1.3756	\$4,015,005.00
Class III Protein	1,435,275	\$ 2.0918	\$3,002,308.24
Class III Other Solids	2,581,772	\$ 0.1882	\$485,889.49
Class IV Butterfat	12,286,642	\$ 1.3756	\$16,901,504.75
Class IV Nonfat Solids	38,223,661	\$ 0.6746	\$25,785,681.73
Class II, III, & IV Somatic Cell Adjustment			\$597,186.75
Total Producer Milk- Product Pounds and Value	925,068,105		\$127,678,410.05
Add: Value as for 60(f) thru 60(j)			\$36,434.95
Less: Total Protein Pounds	29,742,963	\$ 2.0918	\$62,216,330.00
Total Other Solids Pounds	53,470,536	\$ 0.1882	\$10,063,154.90
Total Butterfat Pounds	36,707,743	\$ 1.3756	\$50,495,171.28
Total Value of Somatic Cell Adjustment			\$881,881.77
Total Milk and Value	925,068,105		\$4,058,307.05
Add: Location Differential Adjustments			\$3,926,202.97
Producer - Settlement Fund Reserve			\$475,751.62
Total Product Milk/URSP and Value	925,068,105	\$ 0.91455	\$8,460,261.64
Less: Producer - Settlement Fund Reserve		\$ 0.04455	\$412,169.13
Producer Price Differential (Dallas County)		\$.87	\$8,048,092.51

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	334,170,172	36.12	7,969,258	21.71	326,200,914	36.72
Class II	127,604,771	13.79	13,533,113	36.87	114,071,658	12.84
Class III	45,761,291	4.95	2,918,730	7.95	42,842,561	4.82
Class IV	417,531,871	45.14	12,286,642	33.47	405,245,229	45.62
Total	925,068,105	100.00	36,707,743	100.00	888,360,362	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	36,707,743	29,742,963	53,470,536	83,213,499
Average Test	3.968%	3.215%	5.780%	8.995%

**** Updated**

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	May-20	Apr-20	May-20	Apr-20	May-20	Apr-20
Appalachian - F.O. 5	15.14	17.49	N/A	N/A	68.71	71.21
Arizona - F.O. 131	12.38	13.33	N/A	N/A	23.54	21.80
Central - F.O. 32	12.24	13.51	0.10	0.44	27.31	24.30
Florida - F.O. 6	17.29	19.35	N/A	N/A	81.11	77.61
Mideast - F.O. 33	12.73	14.22	0.59	1.15	31.20	32.90
Northeast - F.O. 1	13.47	14.92	1.33	1.85	29.80	29.80
Pacific NW - F.O. 124	11.97	13.15	(0.17)	0.08	21.13	22.25
California - F.O. 51	11.95	12.94	(0.19)	(0.13)	22.40	21.20
Southeast - F.O. 7	11.02	17.75	N/A	N/A	66.55	69.42
Southwest - F.O. 126	13.01	14.22	0.87	1.15	36.12	28.64
Upper Midwest - F.O. 30	12.31	13.31	0.17	0.24	7.90	8.20

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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