

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

November 2020

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received an October statistical uniform price of \$14.23 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 \$15.83 in September.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$7.38) for October. The October Class I price decreased \$3.24 from \$21.44 in September to the October level of \$18.20. The Class II price increased \$0.47 from \$13.16 in September to \$13.63 in October. The Class III price increased \$5.18 from \$16.43 in September to \$21.61 in October. The Class IV price increased \$0.72 from \$12.75 in September to \$13.47 in October.

In October, 441 producers delivered a total of 937,638,046 pounds of milk. On a daily basis, this represents an increase of 5.76 percent from the producer receipts level in September and it represents an increase of 13.79 percent when compared to the producer receipts level of October 2019.

Producer milk classified as Class I during October amounted to 38.35 percent of total producer receipts. This figure is down from 39.00 percent in September and from 45.12 percent in October 2019. The average butterfat test of producer milk pooled during October was 4.134 percent, average protein test was 3.354 percent, average other solids test was 5.797 percent, and the average somatic cell count was 190,000.

The October butterfat price increased \$0.0456 from \$1.5932 in September to the October level of \$1.6388. The protein price increased \$1.6211 from \$3.3935 in September to \$5.0146 in October. The other solids price increased \$0.0293 from \$0.1241 in September to \$0.1534 in October. The somatic cell adjustment rate in October is 0.00115 per cwt.

October 2020 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in October 2020 is \$14.23 with a PPD of (\$7.38)
- ◆ 938 million pounds were pooled in October. This is up 5.76 percent from September 2020
- ◆ 441 producers pooled their milk; this is up from 427 in September
- ◆ Class I milk accounted for 38.35 percent of all receipts, down from 39.00 in September

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	18.20	359,548,124	38.35
Class II	13.63	128,727,129	13.73
Class III	21.61	8,960,195	0.95
Class IV	13.47	440,402,598	46.97

Producer Prices

Statistical Uniform Price	\$14.23	/ cwt
Producer Price Differential	(\$7.38)	/ cwt
Butterfat Price	\$1.6388	/ lb
Protein Price	\$5.0146	/ lb
Other Solids Price	\$0.1534	/ lb
Nonfat Solids Price	\$0.8902	/ lb
Somatic Cell Adjustment Rate	\$0.00115	/ cwt

Cheese Exports on the Rise

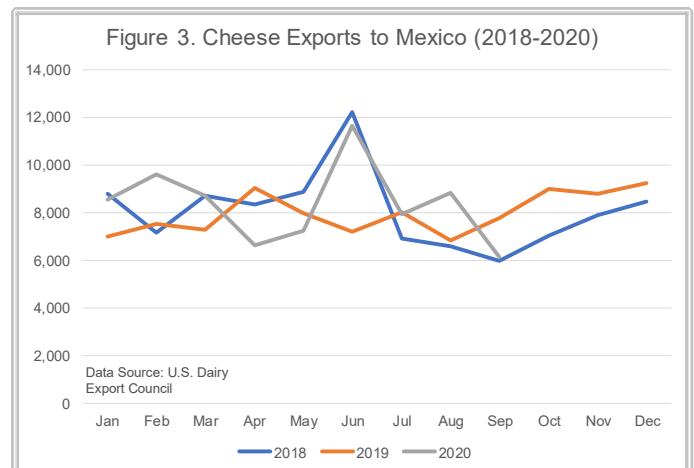
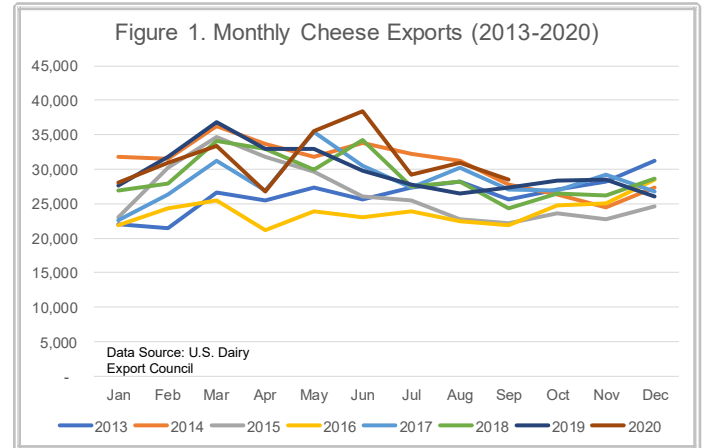
In 2019, approximately 94 percent of the cheese produced in the United States was consumed domestically. However, a growing middle class in developing countries has led to an increase in the demand for cheese, creating an opportunity for the U.S. to increase their exports.

The United States is the second largest cheese exporter in the world (behind New Zealand), and continues to grow as evidenced by the 15 percent increase in exports since 2015 ([U.S. Dairy Export Council](#)). In 2020, total cheese exports are up by 12.6 percent from the five-year average. While this is an increase, the double-digit gains are because of a 8-

year high in May and June (see Figure 1). Data suggests that this is due to increased purchases from Mexico, South Korea, and Southeast Asia. Cheese exports to South Korea increased from 55,809 metric tons (MT) in 2018 to 60,625 MT in 2019. Through September 2020, cheese exports are already at 58,598 MT, and are on track to surpass the total exports in 2019. Countries such

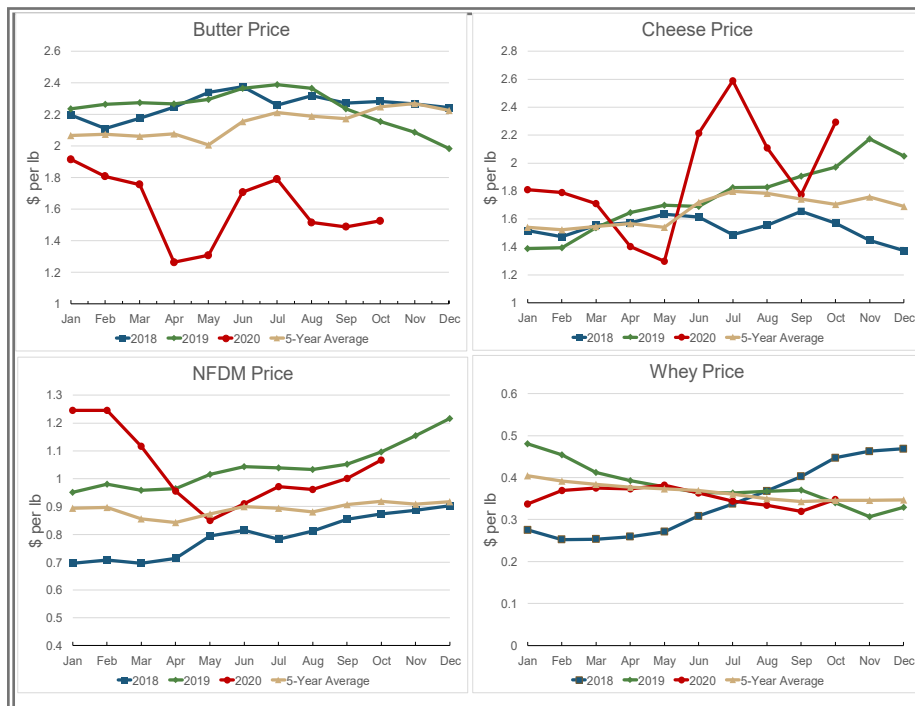
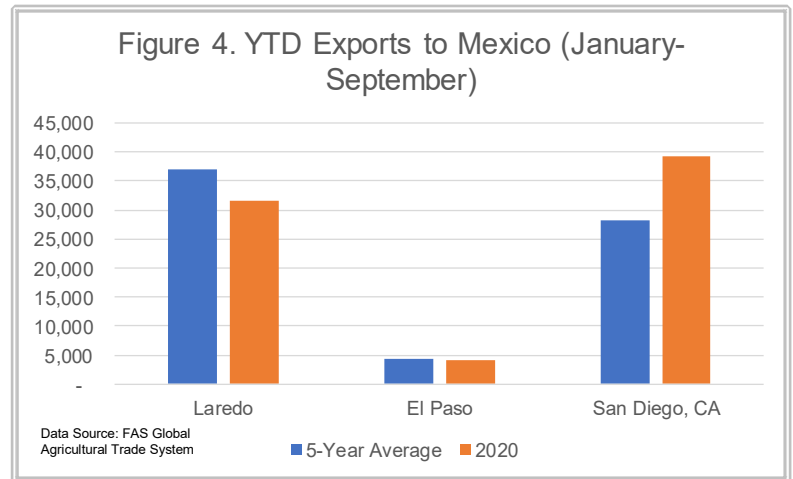
as Japan, Malaysia, Philippines, China, and Australia also import U.S. cheese (Figure 2).

Mexico remains the top customer for U.S. cheese products. Through August 2020, Mexico is outpacing their 2019 cheese purchases by 15 percent, despite disruptions due to COVID-19 in the early part of the year. In May, cheese exports to Mexico recovered, increasing 61 percent before falling again in July (Figure 3).



Cheese Exports through Texas Ports

Major customs districts in California, Arizona, Texas, and Florida are critical to transporting cheese and other dairy products to Mexico. However, the geographic location of Mexico is a major advantage for dairy producers in Federal Order 126. Laredo is the largest district for cheese exports in Texas, averaging around 47,000 MT per year. Currently, exports from Laredo to Mexico are down 15 percent from the 5-year average, showing steady declines from February to May. Cheese exports through El Paso, TX have also decreased relative to the 5-year average but have remained steady since April. Despite these decreases in Texas, national exports to Mexico have increased due to shipments from San Diego, CA which have grown substantially (Figure 4). While most Texas cheese exports are sent to Mexico, the Lone Star state also sells to countries in South America, Central America, and the Middle East. Many of these exports are shipped through the port of Houston/Galveston. Overall, cheese exports continue to grow, despite the higher than usual market volatility in 2020, which is good news for Federal Order 126 dairy producers.

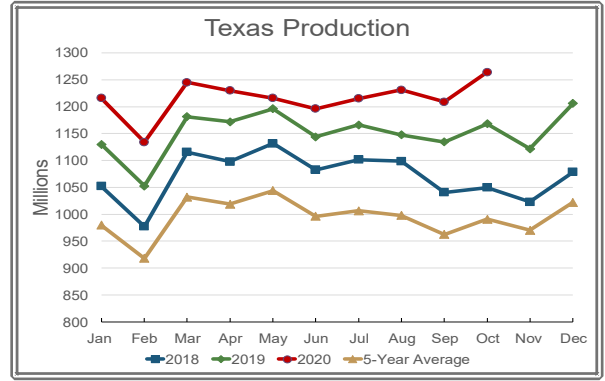


Product Price Impacts from COVID-19

The product prices (pictured left) for cheese continue to change as markets respond to the coronavirus disruptions. From September to October, cheese prices have increased 29 percent after falling in July and August. NFDM Powder prices have also increased, growing by approximately 6 percent from September to October. Butter and Whey prices have remained relatively flat the last three months.

Texas Dairy Production

In October, Texas dairy production totaled 1,264 million pounds. This is an 8.15 percent increase relative to October 2019 and a 27.5 percent increase from the October five year average (2015-2019). The October average butterfat for Texas production is 4.25 percent, the average protein is 3.41 percent, and the average other solids at 5.81 percent. The average somatic cell count is at 190,000.



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/	1,253,665	1/	1,129,900		10.95	4.31	1/	3.40		5.78		206	1/
Feb	359	1/	1,169,904	1/	1,052,582		11.14	4.31	1/	3.39		5.78		212	1/
Mar	358	1/	1,283,200	1/	1,181,275	1/	5.36	4.25	1/	3.33	1/	5.79		214	1/
Apr	359	1/	1,230,411	1/	1,171,835		4.99	4.19		3.31		5.78		204	
May	359	1/	1,221,048	1/	1,196,234	1/	2.07	4.09	1/	3.27		5.78		199	
Jun	353	1/	1,195,801	1/	1,144,025		4.53	4.06	1/	3.24		5.81		201	
Jul	354	1/	1,215,313	1/	1,165,987		4.23	4.04		3.21		5.79		218	
Aug	352	1/	1,230,660	1/	1,147,539		7.24	4.04		3.25		5.78		221	
Sep	354		1,208,695		1,134,586	1/	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					1,121,845										
Dec					1,205,920										
Total			12,272,228		13,820,035										

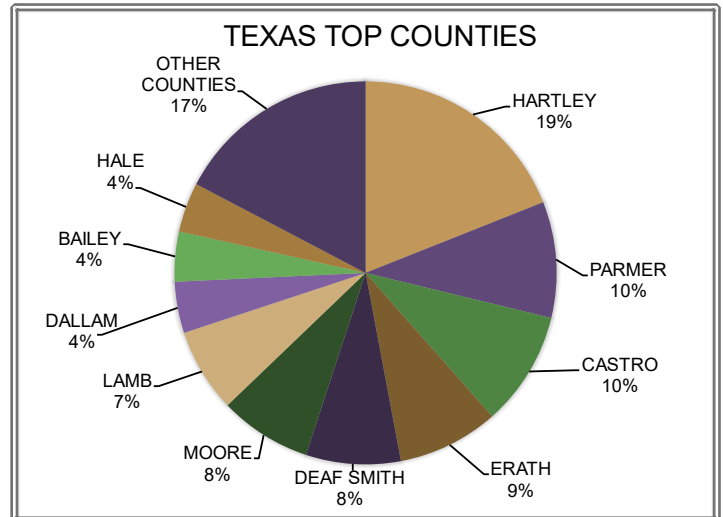
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Top Texas Counties

Hartley County has the largest share of Texas production at 19 percent, followed by Parmer and Castro Counties at 10 percent. Overall, 353 producers delivered milk in Texas for the month of October.

County	Number of Producers	October 2020 Pounds	% Change 2020/2019
HARTLEY	18	239,892,060	33.92
PARMER	16	123,784,321	2.96
CASTRO	14	122,487,135	2.25
ERATH	50	108,112,218	7.55
DEAF SMITH	14	101,319,959	5.92
MOORE	9	98,579,295	4.09
LAMB	13	89,480,480	11.61
DALLAM	5	54,692,744	3.68
BAILEY	10	53,287,655	1.29
HALE	6	52,940,545	2.63
SUM	<u>155</u>	<u>1,044,576,412</u>	<u>10.29</u>
OTHER COUNTIES	198	218,954,213	(1.00)
TEXAS TOTAL	353	1,263,530,625	8.15

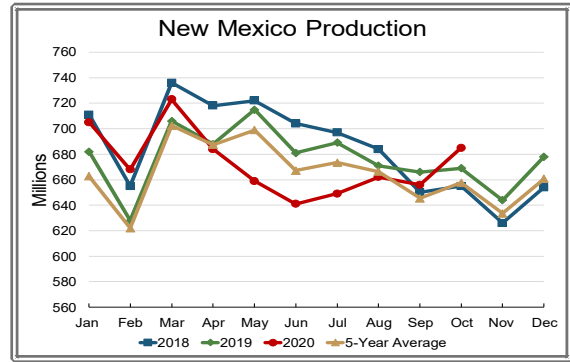
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In October, New Mexico dairy production totaled 685 million pounds. This is a 2.36 percent increase relative to October 2019 and a 4.20 percent increase from the October five year average (2015-2019). The October average butterfat is 3.87 percent, the average protein is 3.25 percent, and the average other solids at 5.80 percent. The average somatic cell count is at 169,000.



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			644,760					
Dec			678,193					
Total		6,732,540	8,118,715					

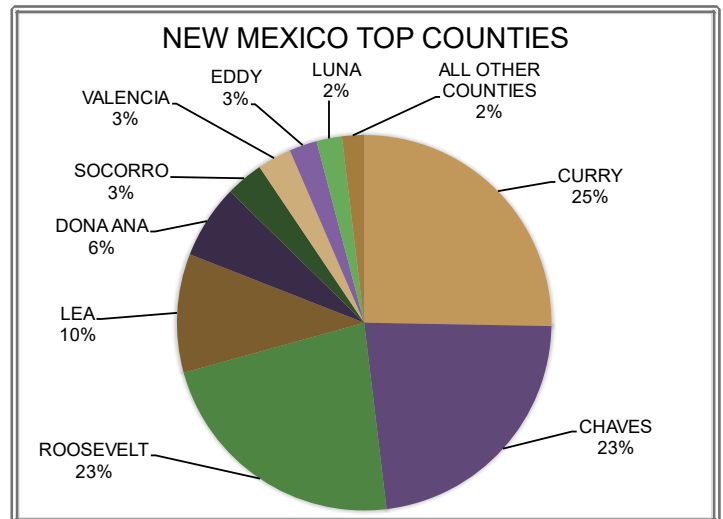
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Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves and Roosevelt Counties at 23 percent. Overall, 127 producers delivered milk in New Mexico for the month of October.

County	Number of Producers	October 2020 Pounds	% Change 2020/2019
CURRY	25	173,101,543	3.90
CHAVES	26	156,089,125	(2.32)
ROOSEVELT	35	154,821,772	8.46
LEA	10	70,039,605	6.12
DONA ANA	10	43,631,708	(1.53)
SOCORRO	7	22,215,834	(3.80)
VALENCIA	4	20,180,513	(3.35)
EDDY	3	16,394,280	5.62
LUNA	3	15,028,820	(1.02)
SUM	123	671,503,200	2.65
OTHER COUNTIES	4	13,033,983	(10.87)
NM TOTAL	127	684,537,183	2.36

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

OCTOBER 2020

		Pounds	Price	Value
Add: Class I Differential				\$349,776.59
	Class I Butterfat	8,185,130	\$ 1.6233	\$13,286,921.56
	Class I Skim Per Cwt	351,362,994	\$12.9700	\$45,571,780.33
	Class II Butterfat	15,074,468	\$ 1.6458	\$24,809,559.42
	Class II Nonfat Solids	10,761,118	\$ 0.9056	\$9,745,268.47
	Class III Butterfat	2,446,561	\$ 1.6388	\$4,009,424.17
	Class III Protein	222,599	\$ 5.0146	\$1,116,244.94
	Class III Other Solids	394,465	\$ 0.1534	\$60,510.93
	Class IV Butterfat	13,057,782	\$ 1.6388	\$21,399,093.17
	Class IV Nonfat Solids	41,088,011	\$ 0.8902	\$36,576,547.39
	Class II, III, & IV Somatic Cell Adjustment			\$1,166,227.10
	Total Producer Milk- Product Pounds and Value	937,638,046		\$158,091,354.07
Add: Value as for 60(f) thru 60(j)				\$118,298.53
		Total Value of Milk in Pool		
				\$118,298.53
Less:	Total Protein Pounds	31,455,386	\$ 5.0146	\$157,736,178.66
	Total Other Solids Pounds	54,363,816	\$ 0.1534	\$8,339,409.39
	Total Butterfat Pounds	38,763,941	\$ 1.6388	\$63,526,346.52
	Total Value of Somatic Cell Adjustment			\$1,729,590.21
Total Milk and Value		937,638,046		\$73,121,872.18
Add: Location Differential Adjustments				\$3,930,638.27
	Producer - Settlement Fund Reserve			\$392,924.90
Total Product Milk/URSP and Value		937,638,046	\$7.33740-	\$68,798,309.01-
Less:	Producer - Settlement Fund Reserve		\$ 0.04259	\$399,378.78
Producer Price Differential (Dallas County)			\$7.38-	\$69,197,687.79-

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	359,548,124	38.35	8,185,130	21.12	351,362,994	39.09
Class II	128,727,129	13.73	15,074,468	38.89	113,652,661	12.64
Class III	8,960,195	.95	2,446,561	6.30	6,513,634	.73
Class IV	440,402,598	46.97	13,057,782	33.69	427,344,816	47.54
Total	937,638,046	100.00	38,763,941	100.00	898,874,105	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	38,763,941	31,455,386	54,363,816	85,819,202
Average Test	4.134%	3.354%	5.797%	9.152%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Oct-20	Sep-20	Oct-20	Sep-20	Oct-20	Sep-20
Appalachian - F.O. 5	17.82	19.68	N/A	N/A	80.77	72.25
Arizona - F.O. 131	15.24	16.00	N/A	N/A	35.89	37.82
Central - F.O. 32	14.23	15.71	(7.38)	(0.72)	47.60	43.97
Florida - F.O. 6	19.65	21.85	N/A	N/A	84.39	81.44
Mideast - F.O. 33	14.74	16.16	(6.87)	(0.27)	46.20	38.30
Northeast - F.O. 1	17.07	16.80	(4.54)	0.37	31.90	30.20
Pacific NW - F.O. 124	15.84	15.19	(5.77)	(1.24)	23.44	22.54
California - F.O. 51	13.88	14.47	(7.73)	(1.96)	24.20	22.80
Southeast - F.O. 7	17.86	19.62	N/A	N/A	70.52	67.28
Southwest - F.O. 126	14.23	15.83	(7.38)	(0.60)	38.35	39.00
Upper Midwest - F.O. 30	17.18	15.97	(4.43)	(0.46)	24.40	20.00

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

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