

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

April 2021

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a March statistical uniform price of \$15.68 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 \$14.64 in February.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$0.47) for March. The March Class I price decreased \$0.34 from \$18.54 in February to the March level of \$18.20. The Class II price increased \$1.07 from \$14.00 in February to \$15.07 in March. The Class III price increased \$0.40 from \$15.75 in February to \$16.15 in March. The Class IV price increased \$0.99 from \$13.19 in February to \$14.18 in March.

In March, 442 producers delivered a total of 1,026,994,224 pounds of milk. On a daily basis, this represents a decrease of 1.43 percent from the producer receipts level in February as well as an increase of 1.98 percent when compared to the producer receipts level of March 2020.

Producer milk classified as Class I during March amounted to 35.47 percent of total producer receipts. This figure is up from 32.05 percent in February and down from 38.69 percent in March 2020. The average butterfat test of producer milk pooled during March was 4.185 percent, average protein test was 3.333 percent, average other solids test was 5.763 percent, and the average somatic cell count was 214,000.

The March butterfat price increased \$0.2800 from \$1.4376 in February to the March level of \$1.7176. The protein price decreased \$0.2862 from \$2.9816 in February to \$2.6954 in March. The other solids price increased \$0.0491 from \$0.3161 in February to \$0.3652 in March. The somatic cell adjustment rate in March was 0.00080 per cwt.

March 2021 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in March 2021 is \$15.68 with a PPD of (\$0.47)
- ◆ 1,027 million pounds were pooled in March. This is down 1.43 percent from February 2021
- ◆ 442 producers pooled their milk; this is down from 467 in February
- ◆ Class I milk accounted for 35.47 percent of all receipts, up from 32.05 in February

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	18.20	364,231,504	35.47
Class II	15.07	136,823,682	13.32
Class III	16.15	36,683,974	3.57
Class IV	14.18	489,255,064	47.64

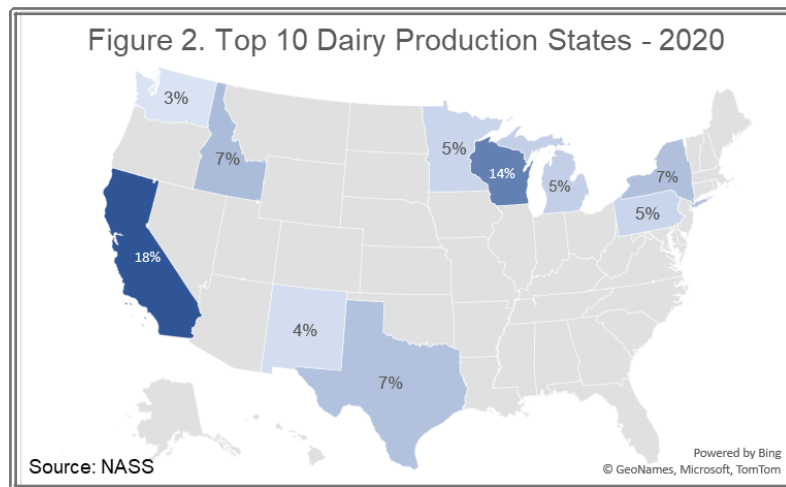
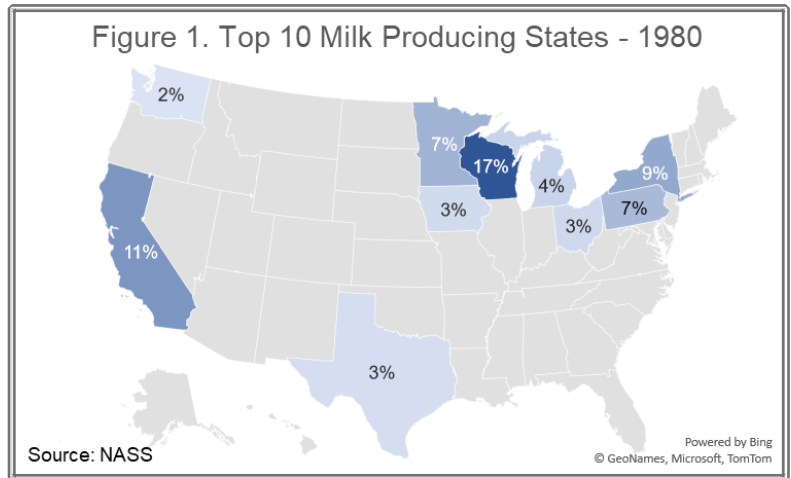
Producer Prices

Statistical Uniform Price	\$15.68	/ cwt
Producer Price Differential	(\$0.47)	/ cwt
Butterfat Price	\$1.7176	/ lb
Protein Price	\$2.6954	/ lb
Other Solids Price	\$0.3652	/ lb
Nonfat Solids Price	\$0.9396	/ lb
Somatic Cell Adjustment Rate	\$0.00080	/ cwt

Milk Production Across the United States

Over the past 40 years, milk production in the United States has steadily increased. The adoption of new technology, improvements in genetic selection, and a greater investment in nutrition have increased efficiency, allowing for a higher milk yield per cow. These structural changes have fueled the evolution of today's dairy industry.

In 1980, milk was produced on relatively small farms in all 50 states ([Don Blayney, Economic Research Service](#)). Wisconsin led the way as the top dairy state, averaging 17 percent of the total U.S. milk production. The Upper Midwest and Northeast regions held the largest share of milk production in the nation with around 50 percent of the production. By 2000, California overtook Wisconsin as the top dairy state, and new markets such as Idaho, New Mexico, and Texas began to emerge.



Put simply, milk production shifted from the East to the West from 2000 to 2020. Rapid growth in states such as Texas, Idaho, and New Mexico outpaced the Upper Midwest and the Northeastern states. This led to decreases in the share of milk production despite rising production levels in these traditional dairy regions (Figure 2). Texas alone increased production from 5.7 billion pounds in 2000 to 14 billion pounds in 2020, a 158 percent increase over the twenty-year period. Currently, Texas and New Mexico account for 11 percent of the nation's milk supply.

The Rise in Texas Milk Production

From 2018 to 2020, Texas milk production grew by 1 billion pounds annually. This growth led the nation in new production, closing the gap between New York as the 4th largest dairy state ([Hoard's Dairyman](#)). Data suggests that increases to the Texas dairy herd contributed to the rise in production – particularly between 2017-2020 where the herd saw yearly growth of around 6 percent (Figure 3). This sudden rise can be attributed to structural changes occurring within the Texas dairy industry since the turn of the millennium.

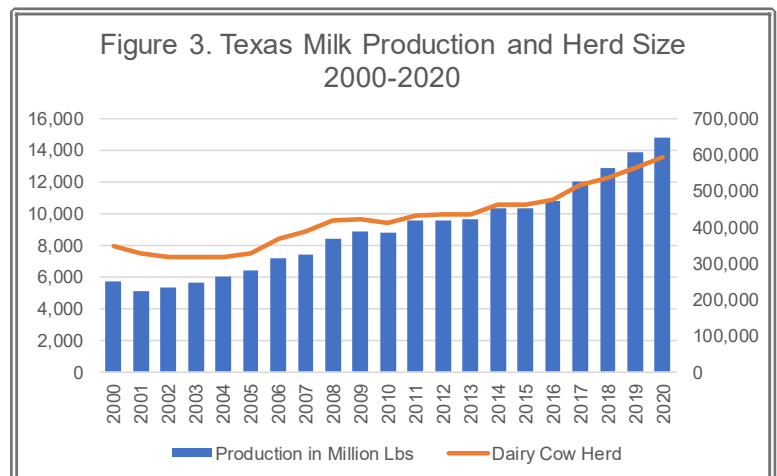
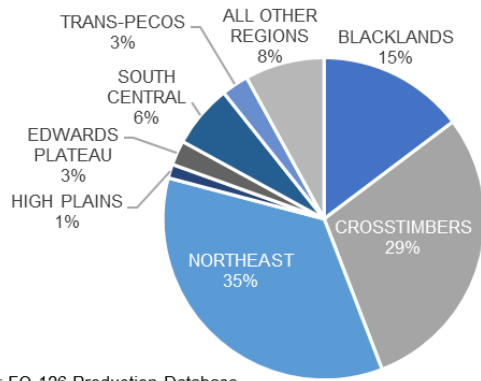


Figure 4. Milk Production by Region - 1980



Source: FO 126 Production Database

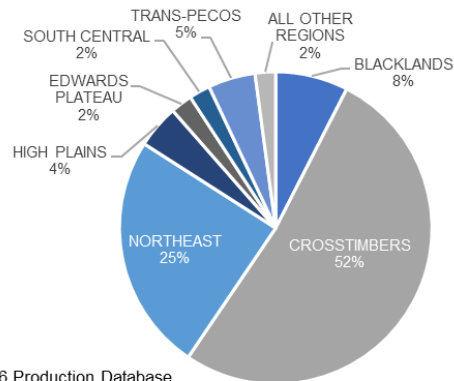
Structural Changes to Texas Dairy

In 1980, 2,500 producers delivered milk in Texas, with the largest share of production coming from Northeast Texas (Figure 4). The Crosstimbers region, which includes Erath and Comanche counties, followed closely with 29 percent. During the 1980's, Texas dairy farms were relatively small and were dispersed across all the regions of Texas, including in counties that contained major Texas cities such as Dallas and Austin. By 2000, the Crosstimbers region accounted for 52 percent of the total milk production in Texas with Northeast Texas ranking second with 25 percent (Figure 5). Fast forward to 2020, where the High Plains region, also known as the Pan-

handle, holds the largest share of milk production with 77 percent (Figure 6) – whereas this region only accounted for 1 and 4 percent in 1980 and 2000, respectively.

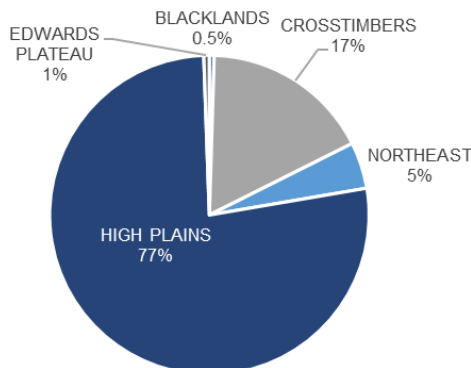
An article by [Texas A&M AgriLife Extension](#) suggests that the climate in Central and East Texas was a primary reason for the Westward relocation. East Texas receives around 50 inches of annual rainfall, as compared to 20 inches in the Panhandle. “Producers would have to battle mud and need additional lagoon space for waste catchment to prevent runoff and possible environmental impacts.” These animal welfare challenges were magnified as heat and East Texas humidity were added to the equation, impacting production as well as fertility rates. As the AgriLife Extension article states, “It’s easier to cool cows in the summer and warm them in the winter in areas where humidity levels are low.” Thus, the Panhandle emerged as an ideal location for dairy farming, both for Texans as well as transplants from other states including the West Coast ([Spencer and Pinero, AgriLife Extension](#)). Additionally, the availability of affordable farmland and a steady supply of high-quality feed allowed farms to expand their herds and distribute costs over more production units.

Figure 5. Milk Production by Region - 2000



Source: FO 126 Production Database

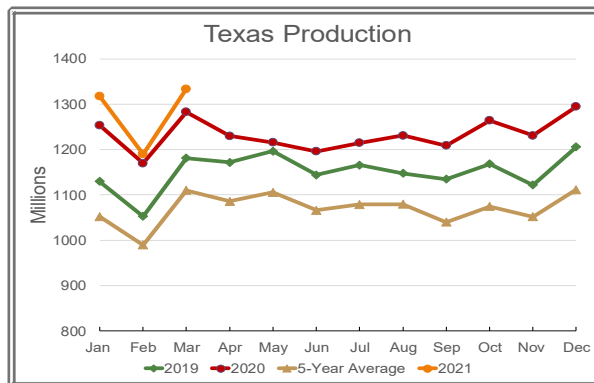
Figure 6. Milk Production by Region - 2020



Today, there are around 345 producers that deliver milk in Texas compared to 2,500 in 1980. The growth in the Panhandle, coupled with the adoption of new technology and management practices throughout the state, has led to steady increases in production – contributing to Texas’ emergence as a national dairy powerhouse. While anything can happen in an ever-changing industry, it is expected Texas will continue to increase milk production and solidify its claim as a top dairy state.

Texas Dairy Production

In March, Texas dairy production totaled 1,334 million pounds. This is a 3.98 percent increase relative to March 2020 and a 20 percent increase from the March five year average (2016-2020). The March average butterfat for Texas production is 4.28 percent, the average protein is 3.39 percent, and the average other solids at 5.77 percent. The average somatic cell count is at 222,000.



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			1,230,411					
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		3,842,174	14,798,944					

1/ Revised

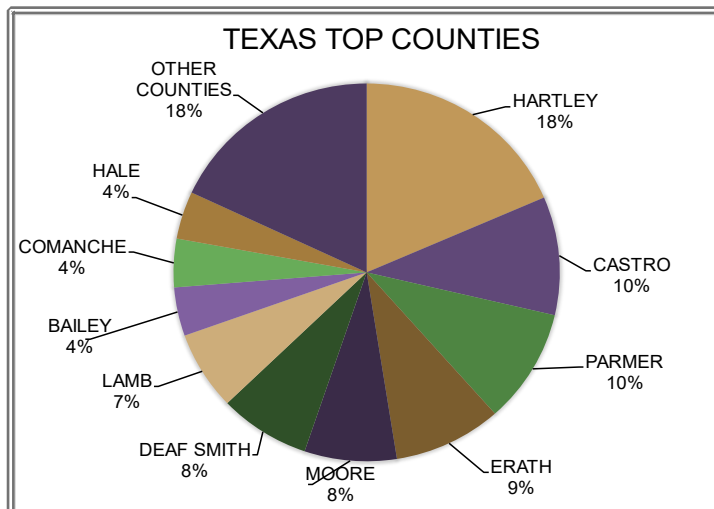
2/ Simple Average of Total

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, 344 producers delivered milk in Texas for the month of March.

County	Number of Producers	March 2021 Pounds	% Change 2020/2021
HARTLEY	18	247,074,067	14.41
CASTRO	14	135,147,123	11.66
PARMER	17	130,645,563	5.27
ERATH	47	120,808,159	3.03
MOORE	9	102,961,475	32.00
DEAF SMITH	14	101,744,505	(1.86)
LAMB	13	89,921,370	2.69
BAILEY	10	55,464,787	3.49
COMANCHE	13	55,297,226	(10.19)
HALE	6	54,367,658	2.07
SUM	161	1,093,431,933	7.62
OTHER COUNTIES	183	240,885,977	(9.84)
TEXAS TOTAL	344	1,334,317,910	3.98

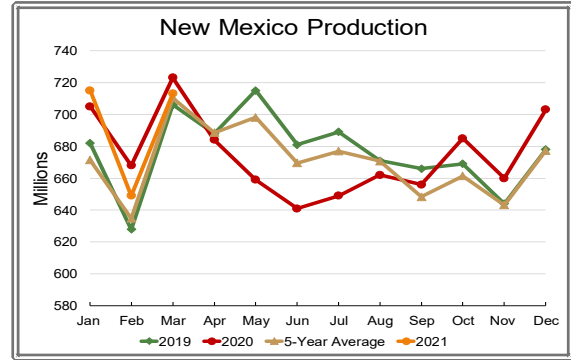
1/ Revised



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

New Mexico Dairy Production

In March, New Mexico dairy production totaled 713 million pounds. This is a 1.47 percent decrease relative to March 2020 and a 0.4 percent increase from the March five year average (2016-2020). The March average butterfat is 3.89 percent, the average protein is 3.22 percent, and the average other solids at 5.77 percent. The average somatic cell count is at 180,000.



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			684,417					
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		2,076,650	8,096,355					

1/ Revised

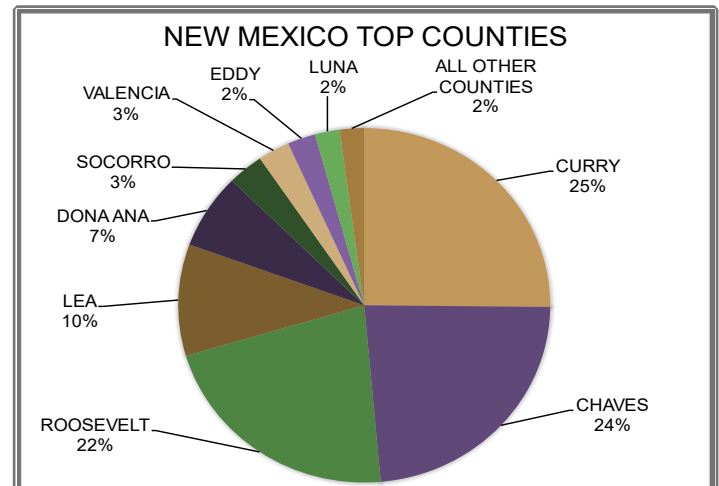
2/ Simple Average of Total Components

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 25 percent, followed by Chaves County at 24 percent. Overall, 124 producers delivered milk in New Mexico for the month of March.

County	Number of Producers	March 2021 Pounds	% Change 2020/2021
CURRY	25	179,228,068	1.26
CHAVES	25	167,022,711	(4.62)
ROOSEVELT	34	155,578,183	(0.44)
LEA	10	72,444,185	0.08
DONA ANA	9	48,695,900	(2.16)
SOCORRO	7	22,295,328	(7.24)
VALENCIA	4	19,758,927	(5.55)
EDDY	3	17,337,332	0.86
LUNA	3	15,247,100	(1.18)
SUM	120	697,607,734	(1.48)
OTHER COUNTIES	4	15,130,551	(0.68)
NM TOTAL	124	712,738,285	(1.47)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

MARCH 2021

		Pounds	Price	Value
Add: Class I Differential				\$288,519.90
Class I Butterfat	60(a)	8,290,529	\$ 1.4435	\$11,967,378.64
Class I Skim Per Cwt		355,940,975	\$13.6200	\$48,479,160.81
Class II Butterfat	60(b)	15,333,547	\$ 1.7246	\$26,444,235.17
Class II Nonfat Solids		11,448,757	\$ 1.0400	\$11,906,707.28
Class III Butterfat	60(c)	2,112,242	\$ 1.7176	\$3,627,986.86
Class III Protein		1,161,202	\$ 2.6954	\$3,129,903.87
Class III Other Solids		2,078,149	\$ 0.3652	\$758,940.03
Class IV Butterfat	60(d)	17,244,805	\$ 1.7176	\$29,619,677.07
Class IV Nonfat Solids		45,114,243	\$ 0.9396	\$42,389,342.75
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$767,335.43
Total Producer Milk- Product Pounds and Value		1,026,994,224		\$179,379,187.81
Add: Value as for 60(f) thru 60(j)				\$176,153.07
Less: Total Protein Pounds		61(b)		\$92,288,539.17
Total Other Solids Pounds		34,239,274	\$ 2.6954	\$21,616,411.14
Total Butterfat Pounds		59,190,611	\$ 0.3652	\$73,824,376.87
Total Value of Somatic Cell Adjustment		42,981,123	\$ 1.7176	\$1,115,931.28
Total Milk and Value		1,026,994,224		\$9,289,917.58-
Add: Location Differential Adjustments		61(c)		\$4,541,225.97
Producer - Settlement Fund Reserve	61(d)			\$360,637.26
Total Product Milk/URSP and Value		1,026,994,224	\$0.42727-	\$4,388,054.35-
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04272	\$438,818.50
Producer Price Differential (Dallas County)			\$.47-	\$4,826,872.85-

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	364,231,504	35.47	8,290,529	19.29	355,940,975	36.17
Class II	136,823,682	13.32	15,333,547	35.68	121,490,135	12.35
Class III	36,683,974	3.57	2,112,242	4.91	34,571,732	3.51
Class IV	489,255,064	47.64	17,244,805	40.12	472,010,259	47.97
Total	1,026,994,224	100.00	42,981,123	100.00	984,013,101	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	42,981,123	34,239,274	59,190,611	93,429,885
Average Test	4.185%	3.333%	5.763%	9.097%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Mar-21	Feb-21	Mar-21	Feb-21	Mar-21	Feb-21
Appalachian - F.O. 5	17.94	17.56	N/A	N/A	68.10	72.04
Arizona - F.O. 131	15.55	14.69	N/A	N/A	31.67	29.75
Central - F.O. 32	15.15	14.37	(1.00)	(1.38)	40.60	43.16
Florida - F.O. 6	20.11	19.54	N/A	N/A	84.38	82.13
Mideast - F.O. 33	15.68	14.91	(0.47)	(0.84)	39.20	41.50
Northeast - F.O. 1	16.50	15.80	0.35	0.05	30.40	31.00
Pacific NW - F.O. 124	15.15	14.43	(1.00)	(1.32)	22.19	23.01
California - F.O. 51	14.85	13.99	(1.30)	(1.76)	21.10	21.20
Southeast - F.O. 7	17.92	17.72	N/A	N/A	61.79	71.37
Southwest - F.O. 126	15.68	14.64	(0.47)	(1.11)	35.47	32.05
Upper Midwest - F.O. 30	15.64	14.85	(0.51)	(0.90)	22.70	22.30

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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