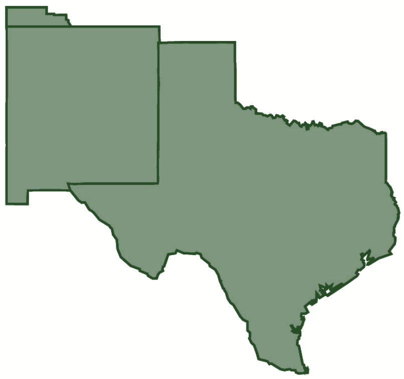


The Market Administrator's

BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

August 2021 Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/ Tarrant counties (TX) received a July statistical uniform price of $17.65 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 $18.05 in June.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was $1.16 for July. The July Class I price decreased $0.87 from $21.29 in June to the July level of $20.42. The Class II price increased $0.17 from $16.66 in June to $16.83 in July. The Class III price decreased $0.72 from $17.21 in June to $16.49 in July. The Class IV price decreased $0.35 from $16.35 in June to $16.00 in July.

In July, 416 producers delivered a total of 1,044,387,846 pounds of milk. On a daily basis, this represents an increase of 4.39 percent from the producer receipts level in June and an increase of 19.87 percent when compared to the producer receipts level of July 2020.

Producer milk classified as Class I during July amounted to 28.53 percent of total producer receipts. This figure is down from 29.84 percent in June and from 38.66 percent in July 2020. The average butterfat test of producer milk pooled during July was 3.921 percent, average protein test was 3.175 percent, average other solids test was 5.786 percent, and the average somatic cell count was 247,000.

The July butterfat price decreased $0.0645 from $1.9641 in June to the July level of $1.8996. The protein price decreased $0.0877 from $2.5834 in June to $2.4957 in July. The other solids price decreased $0.0398 from $0.4579 in June to $0.4181 in July. The somatic cell adjustment rate in July was 0.00080 per cwt.

July 2021 Pool Summary

- ✦ The Statistical Uniform Price for the Southwest Order in July 2021 is $17.65 with a PPD of $1.16
- ✦ 1,044 million pounds were pooled in July. This is up 4.39 percent on a daily basis from June 2021
- ✦ 416 producers pooled their milk; this is down from 432 in June
- ✦ Class I milk accounted for 28.53 percent of all receipts, down from 29.84 in June

Classification of Producer Milk

	Price	*Pounds*	*Percent*
Class I	20.42	297,999,333	28.53
Class II	16.83	129,228,772	12.37
Class III	16.49	213,707,972	20.47
Class IV	16.00	403,451,769	38.63

Producer Prices

Statistical Uniform Price	$17.65	/ cwt
Producer Price Differential	$1.16	/ cwt
Butterfat Price	$1.8996	/ lb
Protein Price	$2.4957	/ lb
Other Solids Price	$0.4181	/ lb
Nonfat Solids Price	$1.0765	/ lb
Somatic Cell Adjustment Rate	$0.00080	/ cwt

USDA Announces Additional Covid-19 Aid

On August 19th, 2021, the U.S. Department of Agriculture announced the details of the Pandemic Market Volatility Assistance Program. Through the program, USDA will provide around $350 million in pandemic assistance payments to farmers who have been impacted by the Covid-19 pandemic. "USDA will contact eligible handlers and cooperatives to notify them of the opportunity to participate in the Program", according to USDA. Additional details about this program can be found in the press release or on the AMS website.

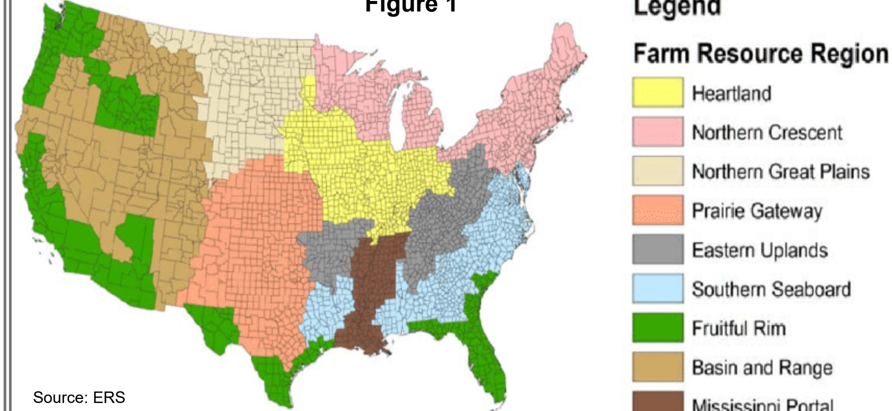
Visit the USDA Dairy Programs website for more information about additional pandemic-related aid.

Feed Costs Drive Dairy Profits

Dairy producers have become extremely efficient in producing milk, increasing both the average yield per cow and herd size over the last two decades (April Bulletin). Coupled with progress in herd genetics, improvements in nutrition have played a role in boosting milk output. However, these advancements come with potentially higher feed costs; feed accounts for the largest cost for milk production costs on the farm (ERS).

According to USDA's 2020 Agricultural Resource Management Survey (ARMS), for every hundredweight of milk sold in the U.S, feed costs are estimated at $10.13; this metric includes purchased, homegrown, and grazed feeds. The ARMS data is further broken down into the Economic Research Service's Farm Resource regions; Texas and New Mexico are in the Prairie Gateway region (Figure 1).

Figure 1

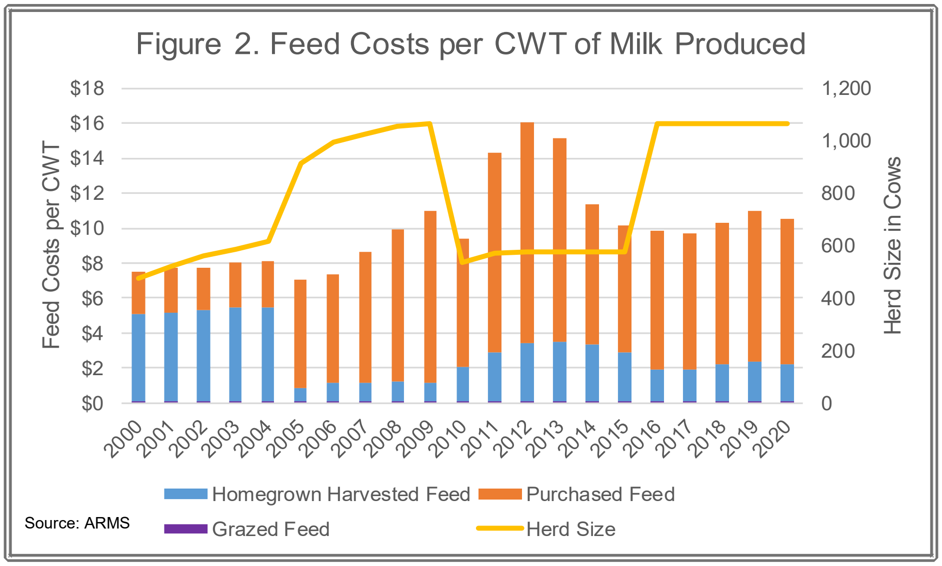


Source: ERS

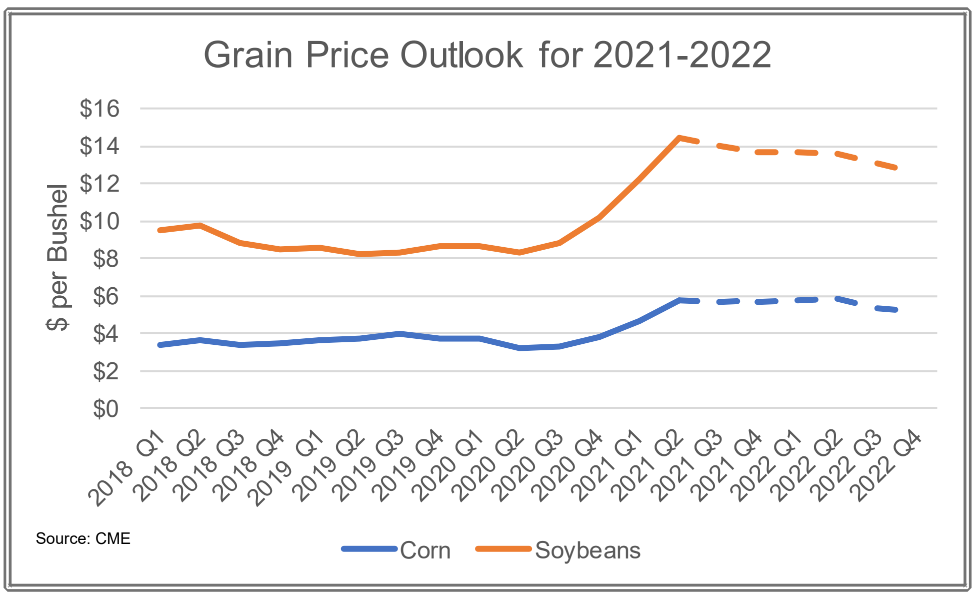
According to the ARMS data, the Prairie Gateway region purchases most of its feed. Purchased feed in this dataset includes complete feed mixes, liquid whey, and straw. Since 2000, the cost of feed relative to milk production has increased. 2010-2015 saw record feed prices - mostly due to the record drought in Texas starting in 2010 (U.S. Drought Index).

Though not as significant as purchased feeds in recent years, homegrown feeds, which includes feed grains, hay/straw, and silage, remain a viable option for many farmers. Between 2000-2004, homegrown feeds were the largest cost per cwt of milk in the Prairie Gateway region (Figure 2). An article from ERS explains that smaller farms typically grow more of their own feed while larger farms purchase most of their feed to satisfy their needs (ERS).

The ARMS dataset estimates that the current farm size in the Prairie Gateway region averages 1,066 head – compared to 552 head from 2000-2004. As farms expanded their herds, it became more reasonable to purchase premixed commodity feed than growing large quantities of home-grown feed. One interesting note is that herd size decreased to an average of 568 head from 2010-2015, the primary years of the Texas drought.



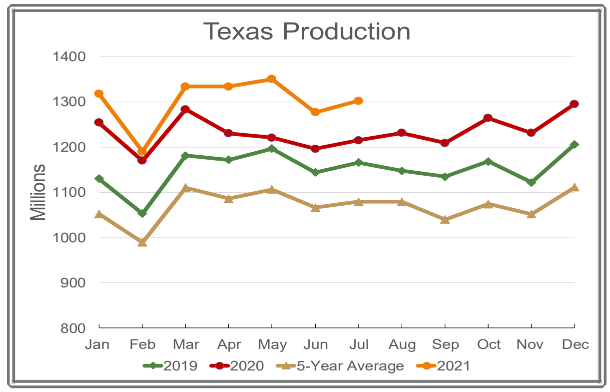
Feed prices have hovered around $8.00 per cwt of milk produced between 2014-2020 (Figure 2); so far in 2021, feed prices have risen due to the combination of strong demand for feed grains and tightened supplies in the early part of the year. According to Texas Agrilife Extension, "(Corn) Supplies are tight amid a potentially tightening market as South America, namely Brazil, and U.S. Corn Belt states like Iowa are experiencing drought, which could impact yields, all while high prices have not deterred Chinese demand for feed grains." Additionally, corn stocks are lower relative to previous years, but Agrilife Extension economist Mark Welch believes that the increased demand from China will incentivize producers to plant more acres into corn and other feed grains (Texas Agrilife Extension). As of Friday, August 13th, corn and soybean futures indicated that prices are expected to remain high through 2022 relative to recent history – staying above the $5.00 and $13.00 mark for corn and soybeans respectively. For context, the average price from 2018-2020 was $3.57 for corn and $8.85 for soybeans.



With feed costs expected to remain above historical averages, milk prices are expected to respond. According to the World Agriculture Supply and Demand Estimates (WASDE), the all-milk price estimate is projected to be $17.60 for 2021 and $18.40 for 2022 – an $0.80 increase from the previous year. With feed costs expected to remain high in the near future, this increase in the all-milk price would come as a welcome relief to dairy farmers across the nation.

Texas Dairy Production

In July, Texas dairy production totaled 1,302 million pounds. This is a 7.13 percent increase relative to July 2020 and a 20.7 percent increase from the July five year average (2016-2020). The July average butterfat for Texas production is 4.05 percent, the average protein is 3.25 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 246,000.



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	335	1,350,465	1,221,048	10.60	4.15	3.34	5.80	197
Jun	333	1,277,426	1,195,801	6.83	4.05	3.26	5.80	221
Jul	331	1,301,996	1,215,313	7.13	4.05	3.25	5.79	246
Aug			1,230,660					
Sep			1,208,695					
Oct			1,263,531					
Nov			1,231,430					
Dec			1,295,286					
Total		**9,105,864**	**14,798,944**					

1/ Revised

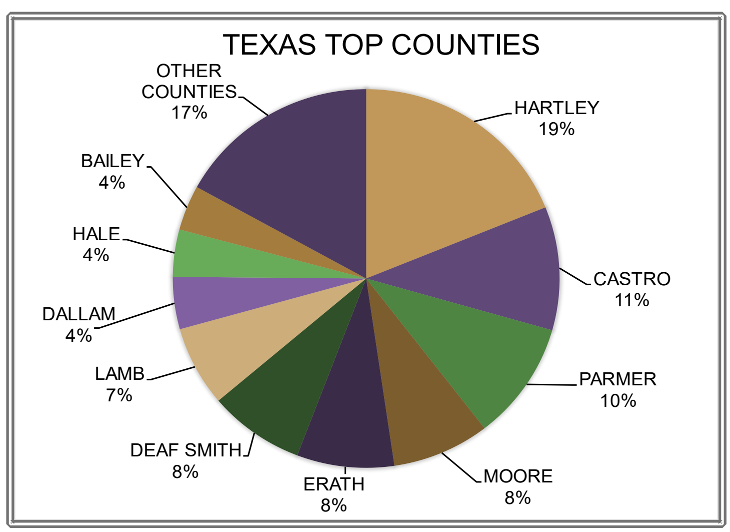
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 19 percent, followed by Castro County at 11 percent. Overall, 331 producers delivered milk in Texas for the month of July.

County	Number of Producers	July 2021 Pounds	% Change 2020/2021
HARTLEY	19	245,683,335	15.39
CASTRO	14	137,223,180	16.95
PARMER	16	131,623,402	8.02
MOORE	8	106,079,960	12.78
ERATH	46	105,988,792	5.52
DEAF SMITH	14	104,604,877	3.13
LAMB	13	89,083,111	3.57
DALLAM	5	57,960,780	2.06
HALE	6	52,549,546	7.49
BAILEY	10	50,144,702	(2.22)
SUM	151	1,080,941,685	9.08
OTHER COUNTIES	180	221,054,675	(1.45)
TEXAS TOTAL	331	1,301,996,360	7.13

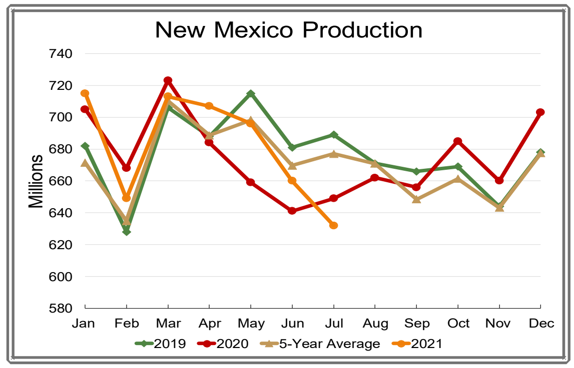
1/ Revised



Click HERE for more information on Texas Milk Production

New Mexico Dairy Production

In July, New Mexico dairy production totaled 632 million pounds. This is a 2.56 percent decrease relative to July 2020 and a 6.6 percent decrease from the July five year average (2016-2020). The July average butterfat is 3.67 percent, the average protein is 3.05 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 247,000.



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	123	696,133	659,032	5.63	3.73	3.16	5.79	160
Jun	121	660,067	641,179	2.95	3.67	3.08	5.80	182
Jul	120	632,273	648,864	(2.56)	3.67	3.05	5.78	247
Aug			662,140					
Sep			656,039					
Oct			684,537					
Nov			660,408					
Dec			703,177					
Total		**4,771,810**	**8,096,355**					

1/ Revised

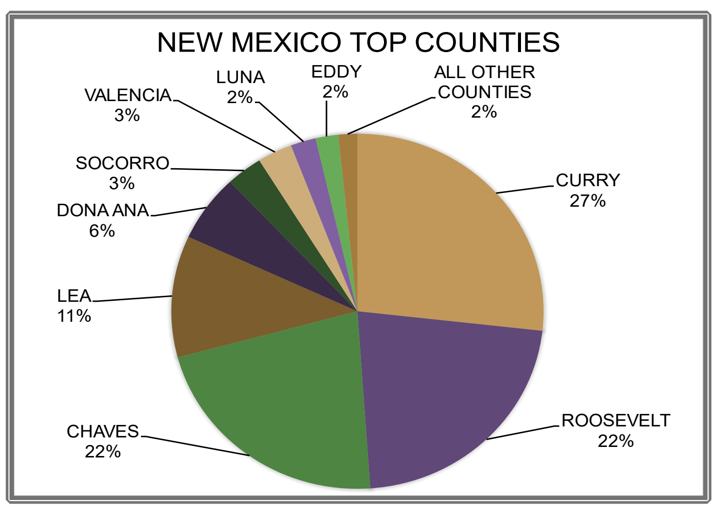
2/ Simple Average of Total Components

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 27 percent, followed by Chaves and Roosevelt Counties at 22 percent each. Overall, 120 producers delivered milk in New Mexico for the month of July.

County	Number of Producers	July 2021 Pounds	% Change 2020/2021
CURRY	24	169,176,950	3.04
ROOSEVELT	32	139,982,840	(5.45)
CHAVES	25	138,554,063	(5.66)
LEA	10	70,005,381	6.70
DONA ANA	9	38,701,360	(1.98)
VALENCIA	4	19,968,582	0.22
SOCORRO	7	19,150,148	(14.41)
EDDY	3	13,898,880	(3.54)
LUNA	3	12,363,702	(19.70)
SUM	117	621,801,906	(2.28)
OTHER COUNTIES	3	10,471,150	(16.67)
NM TOTAL	120	632,273,056	(2.56)

1/ Revised



Click HERE for more information on New Mexico Milk Production

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

JULY 2021

			Pounds	Price	Value
Add:	Class I Differential				$364,536.28
	Class I Butterfat	60(a)	7,532,680	$ 1.9890	$14,982,500.51
	Class I Skim Per Cwt		290,466,653	$13.9500	$40,520,098.12
	Class II Butterfat	60(b)	14,766,252	$ 1.9066	$28,153,336.09
	Class II Nonfat Solids		10,605,030	$ 1.1700	$12,407,885.10
	Class III Butterfat	60(c)	7,664,588	$ 1.8996	$14,559,651.37
	Class III Protein		6,705,531	$ 2.4957	$16,734,993.72
	Class III Other Solids		12,410,136	$ 0.4181	$5,188,677.85
	Class IV Butterfat	60(d)	10,988,790	$ 1.8996	$20,874,305.49
	Class IV Nonfat Solids		36,865,952	$ 1.0765	$39,686,197.37
	Class II, III, & IV Somatic Cell Adjustment	60(e)			$643,269.10
	Total Producer Milk- Product Pounds and Value		1,044,387,846		$194,115,451.00
Add:	Value as for 60(f) thru 60(j)				$25,404.46
Less:	Total Protein Pounds	61(b)	33,161,555	**$ 2.4957**	$82,761,292.84
	Total Other Solids Pounds		60,432,114	**$ 0.4181**	$25,266,666.90
	Total Butterfat Pounds		40,952,310	**$ 1.8996**	$77,793,008.11
	Total Value of Somatic Cell Adjustment				$862,303.49
	Total Milk and Value		1,044,387,846		$7,457,584.12
Add:	Location Differential Adjustments	61(c)			$4,682,074.55
	Producer - Settlement Fund Reserve	61(d)			$419,986.46
	Total Product Milk/URSP and Value		1,044,387,846	$ 1.20258	$12,559,645.13
Less:	Producer - Settlement Fund Reserve	61(f)		$ 0.04258	$444,746.12
	Producer Price Differential (Dallas County)			**$1.16**	$12,114,899.01

Total Value of Milk in Pool

Value of Milk in Pool after Producer Milk Value of $186,683,271.34 is removed

Remaining value from which PPD per cwt is calculated

PPD per cwt

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	297,999,333	28.53	7,532,680	18.39	290,466,653	28.95
Class II	129,228,772	12.37	14,766,252	36.06	114,462,520	11.41
Class III	213,707,972	20.47	7,664,588	18.72	206,043,384	20.53
Class IV	403,451,769	38.63	10,988,790	26.83	392,462,979	39.11
Total	1,044,387,846	100.00	40,952,310	100.00	1,003,435,536	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	40,952,310	33,161,555	60,432,114	93,593,669
Average Test	3.921%	3.175%	5.786%	8.961%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Jul-21	Jun-21	Jul-21	Jun-21	Jul-21	Jun-21
Appalachian - F.O. 5	19.61	20.19	N/A	N/A	69.24	65.70
Arizona - F.O. 131	17.27	17.76	N/A	N/A	28.24	27.99
Central - F.O. 32	16.84	17.44	0.35	0.23	25.72	29.96
Florida - F.O. 6	21.98	22.40	N/A	N/A	86.33	80.56
Mideast - F.O. 33	17.25	17.81	0.76	0.60	28.30	31.20
Northeast - F.O. 1	18.06	18.50	1.57	1.29	27.70	28.10
Pacific NW - F.O. 124	16.77	17.32	0.28	0.11	17.28	20.81
California - F.O. 51	16.94	17.30	0.45	0.09	20.70	19.10
Southeast - F.O. 7	19.80	20.39	N/A	N/A	67.87	64.50
Southwest - F.O. 126	17.65	18.05	1.16	0.84	28.53	29.84
Upper Midwest - F.O. 30	16.74	17.38	0.25	0.17	10.30	14.60

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