

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

February 2021

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a January statistical uniform price of \$14.90 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 \$16.31 in December.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was (\$1.14) for January. The January Class I price decreased \$4.73 from \$22.87 in December to the January level of \$18.14. The Class II price increased \$0.17 from \$14.01 in December to \$14.18 in January. The Class III price increased \$0.32 from \$15.72 in December to \$16.04 in January. The Class IV price increased \$0.39 from \$13.36 in December to \$13.75 in January.

In January, 441 producers delivered a total of 1,052,048,605 pounds of milk. On a daily basis, this represents a decrease of 0.46 percent from the producer receipts level in December as well as a decrease of 19.76 percent when compared to the producer receipts level of January 2020.

Producer milk classified as Class I during January amounted to 34.01 percent of total producer receipts. This figure is up from 33.56 percent in December and from 28.55 percent in January 2020. The average butterfat test of producer milk pooled during January was 4.237 percent, average protein test was 3.377 percent, average other solids test was 5.773 percent, and the average somatic cell count was 198,000.

The January butterfat price increased \$0.0142 from \$1.5399 in December to the January level of \$1.5541. The protein price increased \$0.0073 from \$3.0282 in December to \$3.0355 in January. The other solids price increased \$0.0437 from \$0.2245 in December to \$0.2682 in January. The somatic cell adjustment rate in January was 0.00083 per cwt.

January 2021 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in January 2021 is \$14.90 with a PPD of (\$1.14)
- ◆ 1,052 million pounds were pooled in January. This is down 0.46 percent from December 2020
- ◆ 441 producers pooled their milk; this is down from 444 in December
- ◆ Class I milk accounted for 34.01 percent of all receipts, up from 33.56 in December

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	18.14	357,825,979	34.01
Class II	14.18	112,426,846	10.69
Class III	16.04	26,186,549	2.49
Class IV	13.75	555,609,231	52.81

Producer Prices

Statistical Uniform Price	\$14.90	/ cwt
Producer Price Differential	(\$1.14)	/ cwt
Butterfat Price	\$1.5541	/ lb
Protein Price	\$3.0355	/ lb
Other Solids Price	\$0.2682	/ lb
Nonfat Solids Price	\$0.9570	/ lb
Somatic Cell Adjustment Rate	\$0.00083	/ cwt

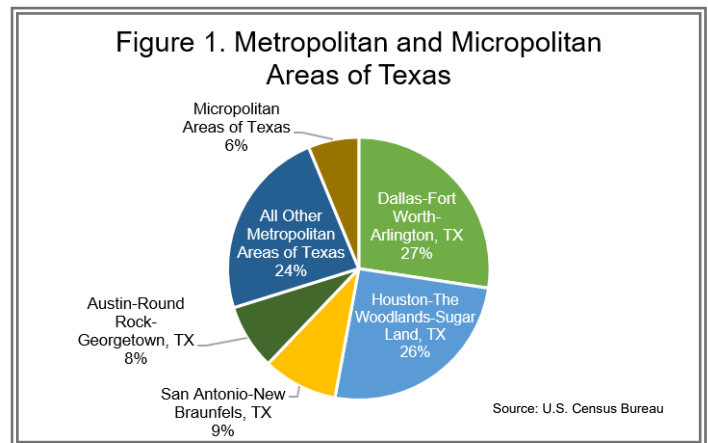
Texas Dairy Industry Impacted by Winter Storms

On February 12th, 2021, the Texas dairy industry was beset by a pair of powerful winter storms, Uri and Viola. Most of the processing plants in Texas were closed due to the storm, resulting in millions of dollars of loss due to the dumping of milk, both at the plant and the farm. While most of the Distributing plants resumed operations over the weekend of February 20-21, a shortage of bottled milk in the grocery stores currently exists, as there is a lag between production at the farm and the retail market. Some plants still face the aftermath of the storm through current manufacturing production restrictions and/or increased natural gas costs. These restrictions are set to end on February 23rd. The Southwest Federal Milk Marketing Order will continue to monitor the situation and assist the dairy industry amid this crisis.

The Distribution of Milk Plants across Federal Order 126

The processing of milk into dairy products is critically important to our nation's food supply. Because milk is a perishable product, the industry has succeeded in getting the milk from the farm to the grocery store in two to three days to ensure a nutritious, safe, and high quality product. With much of the population in the Southwest Marking Order residing in urban centers, many of the Class I Distributing¹ plants in Texas and New Mexico are located in and around major cities to be near their customers.

According to the U.S. Census Bureau, around 94 percent of Texans live in metropolitan areas (Figure 1); of that group, 70 percent of people reside in the four largest metropolitan areas in Texas: the Dallas-Fort Worth Metroplex, Houston, San Antonio, and Austin. The proximity of the Distributing plants to the metropolitan areas helps ensure that Texans are supplied with safe and fresh fluid milk products. Other processing plants, such as Exempt², Supply³, and Nonpool⁴ plants are typically located outside of these major metropolitan areas.



¹Distributing plants process, package and sell beverage milk products within a marketing area.

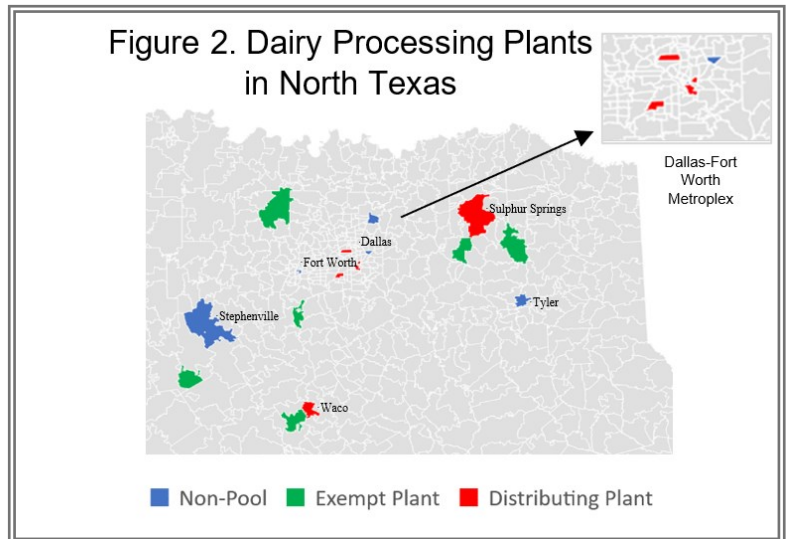
²Exempt plants are a type of Nonpool plant and are not subject to pooling and pricing provisions from any FMMO. Exempt handlers may only distribute up to 150,000 pounds per month of fluid milk products or be associated with a government agency or university.

³Supply plants ship raw fluid milk to Distributing Plants when needed; they may also manufacture milk that is not needed for beverage milk to manage surplus milk supplies.

⁴Nonpool plants are any plant that receives, processes, and distributes dairy products but is not classified as a Distributing or Supply plant.

Dallas-Fort Worth Metroplex

The Dallas-Fort Worth Metroplex, the largest among Texas cities, has four Distributing plants (Figure 2). Oak Farms East, New Dairy – Dallas (formerly Borden Dairy), Danone Foods (also reported as White Wave Foods), and Vandervoort’s all operate within the city limits of Dallas or Fort Worth. Other notable Distributing plants in the area are Saputo Dairy Foods – Sulphur Springs, Hiland Dairy Foods – Tyler, and Coca Cola – Waco. Many Nonpool plants are scattered outside of the Metroplex, with evidence that the longer the shelf-life of the product, the farther out the plant tends to be from a metropolitan area. There are also many Exempt Handlers in the North Texas region that distribute products within a local area. These plants generally operate in rural areas.



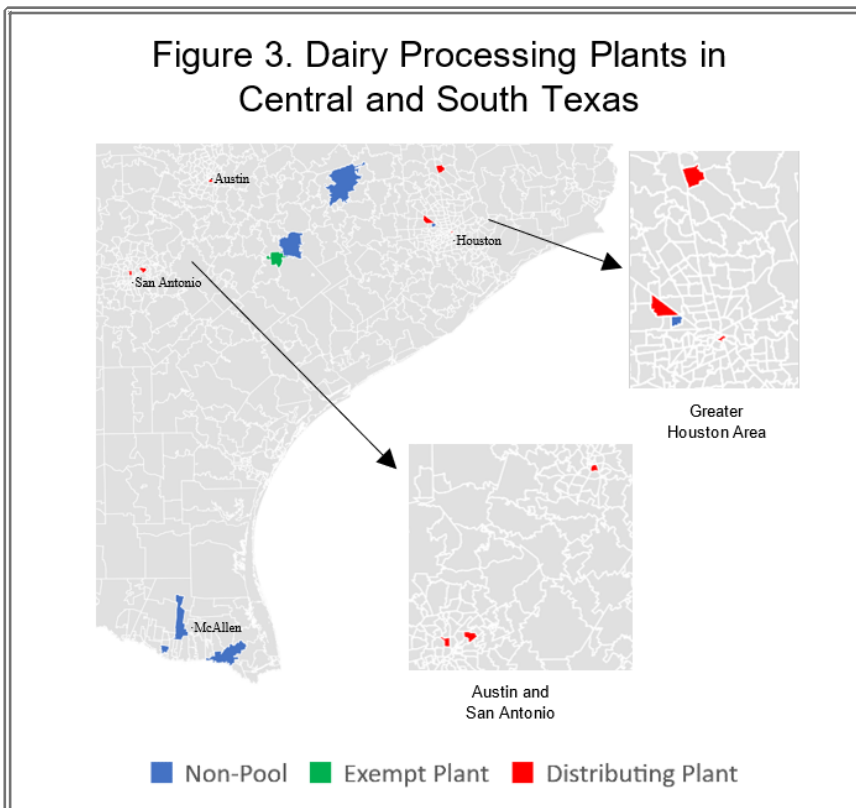
Houston

Like Dallas-Fort Worth, Houston contains multiple Distributing plants, including H-E-B – Houston, Oak Farms – Houston, and New Dairy – Conroe (Formerly Borden Dairy). Some notable Nonpool plants in Greater Houston are Castro Cheese (Dairy Farmers of America) and Blue Bell Creameries.

Central and South Texas

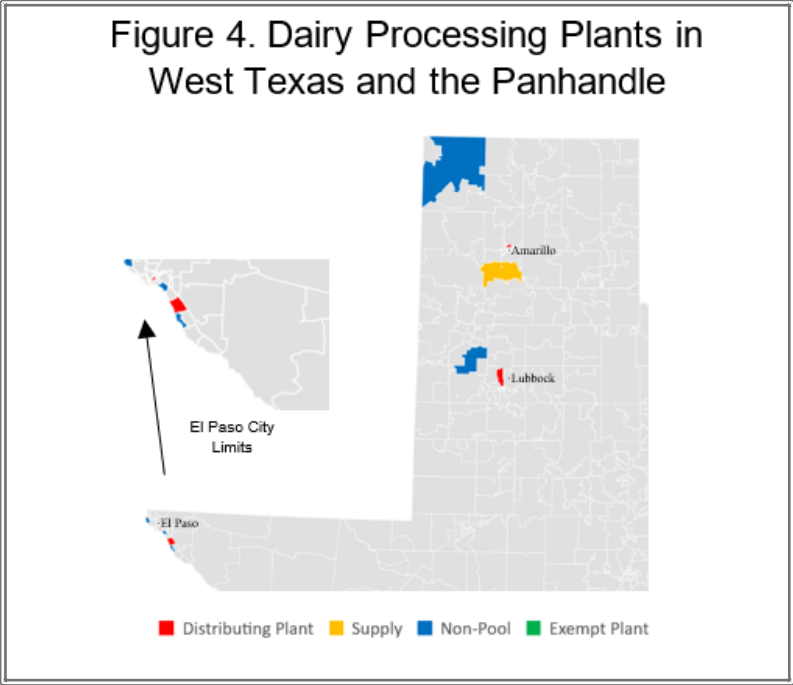
The Central Texas region includes Austin and San Antonio which contain New Dairy – Austin (Formerly Borden Dairy), Oak Farms – San Antonio, and H-E-B – San Antonio. Since San Antonio and Austin only make up 9 and 8 percent of the population respectively, the Central Texas region does not contain as many Distributing plants as Houston or Dallas.

The South Texas region does not contain any Distributing plants; there are three Nonpool plants that produce cheese. To service the needs of the South Texas region, fluid milk products would need to be shipped in from other Distributing Plants in Texas.



West Texas and the Panhandle

Approximately 76 percent of the milk produced in Texas comes from the Panhandle (FO 126 Production Database). Further, many of the large cheese and dried milk powder plants are in this region, as these products can be stored longer and distributed farther than fluid products, creamers, and ice cream. Hilmar Cheese and Continental Dairy produce cheese and dried milk powder respectively in this region and are classified as Nonpool plants on Federal Order 126. There are also Distributing plants that service the Panhandle and West Texas with fluid milk – Gandy’s operates out of Lubbock and Plains Dairy is located in Amarillo. Lone Star Milk Products is a



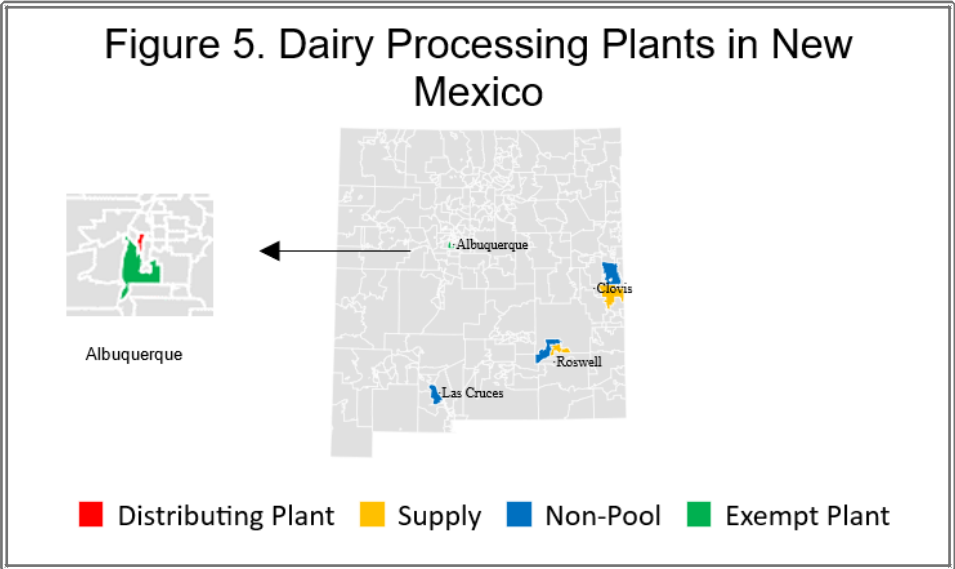
milk powder Supply plant located in Canyon, Texas.

While El Paso does not contain as much of the milk production in Texas, there are multiple processing plants in the area. GH Dairy and Price’s Creameries are the two Distributing plants in the region, and Farmer’s Select mostly ships fluid milk to Mexico. Some notable Nonpool plants in the El Paso region are Eagle Family Foods, which produces condensed and evaporated milk products, and Licon Cheese.

New Mexico

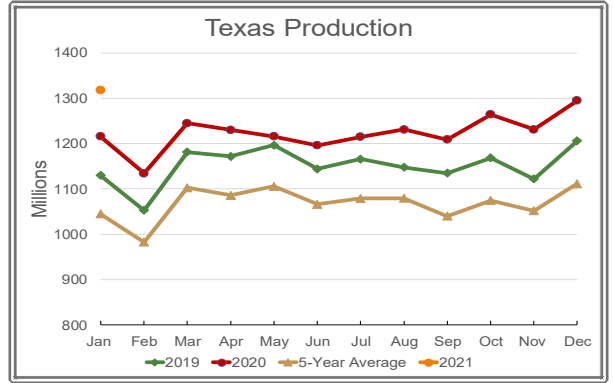
Like Texas, most of New Mexico’s residents live in larger metropolitan areas. The lone Distributing plant in the state, Creamland Dairy, operates in the largest city, Albuquerque, NM. Fairlife operates a plant in Dexter, NM and is a Supply plant on the Southwest Marketing Order. There are also several Nonpool plants throughout New Mexico that produce cheese including, Saputo Cheese – Las Cruces, NM, Leprino – Roswell, NM, and Southwest Cheese – Clovis, NM.

Whether in urban or rural areas, the dairy plants in Federal Order 126, and the entire nation continue to supply our nation with nutritious, safe, and high quality milk products day after day.



Texas Dairy Production

In January, Texas dairy production totaled 1,318 million pounds. This is a 5.14 percent increase relative to January 2020 and a 26.2 percent increase from the January five year average (2016-2020). The January average butterfat for Texas production is 4.36 percent, the average protein is 3.44 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 195,000.



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			1,169,904					
Mar			1,283,200					
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	347	1,318,082	14,798,944	5.14	4.36	3.44	5.78	195

1/ Revised

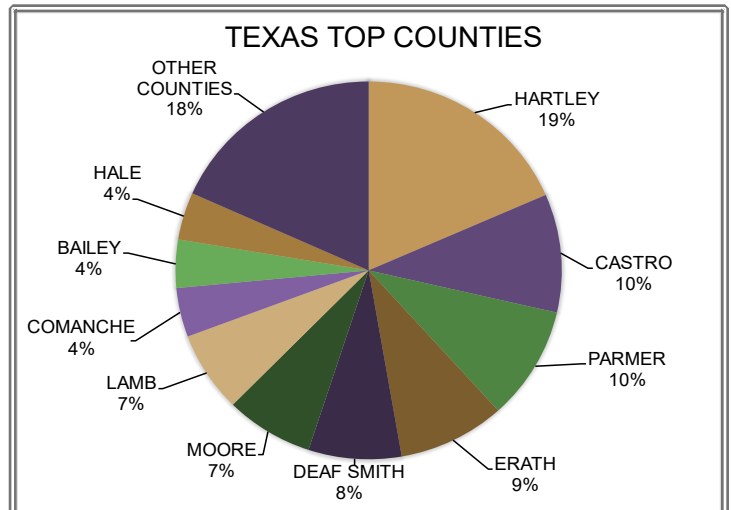
2/ Simple Average of Total Components

Top Texas Counties

Hartley County has the largest share of Texas production at 19 percent, followed by Castro and Parmer County at 10 percent. Overall, 347 producers delivered milk in Texas for the month of January.

County	Number of Producers	January 2021 Pounds	% Change 2020/2021
HARTLEY	18	243,314,805	14.32
CASTRO	14	133,539,014	12.26
PARMER	16	127,999,117	2.44
ERATH	48	118,011,213	2.76
DEAF SMITH	14	102,669,931	1.82
MOORE	9	97,133,760	30.73
LAMB	13	90,897,145	4.27
COMANCHE	13	55,298,447	(8.65)
BAILEY	10	54,313,351	(0.14)
HALE	6	53,532,815	3.20
SUM	161	1,076,709,598	7.60
OTHER COUNTIES	186	241,372,282	(4.59)
TEXAS TOTAL	347	1,318,081,880	5.14

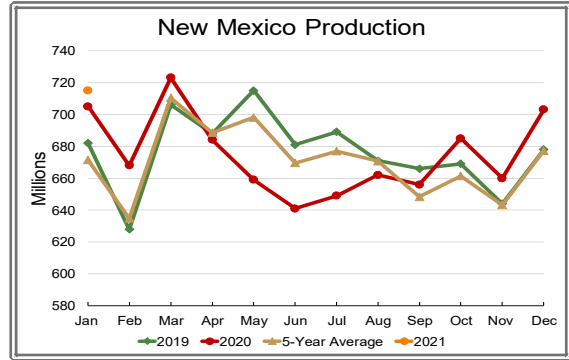
1/ Revised



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

New Mexico Dairy Production

In January, New Mexico dairy production totaled 715 million pounds. This is a 1.36 percent increase relative to January 2020 and a 6.5 percent increase from the January five year average (2016-2020). The January average butterfat is 3.97 percent, the average protein is 3.29 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 173,000.



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			667,885					
Mar			723,120					
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	128	714,908	8,096,125	1.36	3.97	3.29	5.78	173

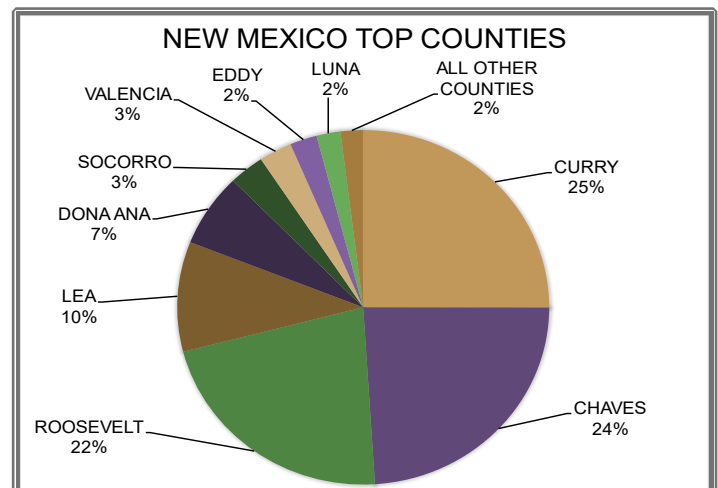
1/ Revised
2/ Simple Average of Total Components

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, 128 producers delivered milk in New Mexico for the month of January.

County	Number of Producers	January 2021 Pounds	% Change 2020/2021
CURRY	27	178,893,818	2.42
CHAVES	26	171,338,972	0.37
ROOSEVELT	34	157,104,773	3.46
LEA	11	71,641,598	1.90
DONA ANA	9	47,744,340	(1.33)
SOCORRO	7	21,939,447	(2.62)
VALENCIA	4	20,526,922	(1.15)
EDDY	3	16,841,980	1.21
LUNA	3	14,854,420	1.41
SUM	124	700,886,270	1.50
OTHER COUNTIES	4	14,022,153	(5.46)
NM TOTAL	128	714,908,423	1.36

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

January 2021

		Pounds	Price	Value
Add: Class I Differential				\$325,502.15
Class I Butterfat	60(a)	8,140,947	\$ 1.5909	\$12,951,432.58
Class I Skim Per Cwt		349,685,032	\$13.0300	\$45,563,959.68
Class II Butterfat	60(b)	12,231,516	\$ 1.5611	\$19,094,619.62
Class II Nonfat Solids		9,515,864	\$ 1.0033	\$9,547,266.38
Class III Butterfat	60(c)	2,494,563	\$ 1.5541	\$3,876,800.38
Class III Protein		816,654	\$ 3.0355	\$2,478,953.23
Class III Other Solids		1,427,690	\$ 0.2682	\$382,906.47
Class IV Butterfat	60(d)	21,718,181	\$ 1.5541	\$33,752,225.11
Class IV Nonfat Solids		51,226,733	\$ 0.9570	\$49,023,983.48
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$910,977.23
Total Producer Milk- Product Pounds and Value		1,052,048,605		\$177,908,626.31
Add: Value as for 60(f) thru 60(j)				\$57,666.45
Less: Total Protein Pounds	61(b)	35,532,768	\$ 3.0355	\$107,859,717.30
Total Other Solids Pounds		60,734,990	\$ 0.2682	\$16,289,124.34
Total Butterfat Pounds		44,585,207	\$ 1.5541	\$69,289,870.19
Total Value of Somatic Cell Adjustment				\$1,322,396.83
Total Milk and Value		1,052,048,605		\$16,794,815.90-
Add: Location Differential Adjustments	61(c)			\$4,825,090.13
Producer - Settlement Fund Reserve	61(d)			\$465,212.02
Total Product Milk/URSP and Value		1,052,048,605	\$1.09353-	\$11,504,513.75-
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04646	\$488,840.35
Producer Price Differential (Dallas County)			\$1.14-	\$11,993,354.10-

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	357,825,979	34.01	8,140,947	18.26	349,685,032	34.71
Class II	112,426,846	10.69	12,231,516	27.43	100,195,330	9.95
Class III	26,186,549	2.49	2,494,563	5.60	23,691,986	2.35
Class IV	555,609,231	52.81	21,718,181	48.71	533,891,050	52.99
Total	1,052,048,605	100.00	44,585,207	100.00	1,007,463,398	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	44,585,207	35,532,768	60,734,990	96,267,758
Average Test	4.237%	3.377%	5.773%	9.150%

Federal Order Prices

Federal Order	Statistical Uniform		PPD		Class I Utilization	
	Jan-21	Dec-20	Jan-21	Dec-20	Jan-21	Dec-20
Appalachian - F.O. 5	17.42	20.61	N/A	N/A	70.57	68.06
Arizona - F.O. 131	14.98	16.24	N/A	N/A	29.70	25.33
Central - F.O. 32	14.44	16.23	(1.60)	0.51	41.34	37.88
Florida - F.O. 6	19.26	23.18	N/A	N/A	79.01	80.84
Mideast - F.O. 33	14.96	16.90	(1.08)	1.18	41.10	41.40
Northeast - F.O. 1	15.91	17.26	(0.13)	1.54	30.40	31.80
Pacific NW - F.O. 124	14.68	15.52	(1.36)	(0.20)	22.16	24.00
California - F.O. 51	14.24	14.94	(1.80)	(0.78)	20.50	21.90
Southeast - F.O. 7	17.59	20.99	N/A	N/A	67.91	68.29
Southwest - F.O. 126	14.90	16.31	(1.14)	0.59	34.01	33.56
Upper Midwest - F.O. 30	15.12	15.89	(0.92)	0.17	20.50	13.30

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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