

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

April 2022

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 \$23.73 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 \$22.40 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 \$1.28 for March. The March Class I price increased \$1.24 from \$24.64 in February to the March level of \$25.88. The Class II price increased \$0.97 from \$23.79 in February to \$24.76 in March. The Class III price increased \$1.54 from \$20.91 in February to \$22.45 in March. The Class IV price increased \$ 0.82 from \$24.00 in February to \$24.82 in March.

In March, 417 producers delivered a total of 1,190,259,198 pounds of milk. On a daily basis, this represents an increase of 2.10 percent from the producer receipts level in February and an increase of 15.90 percent when compared to the producer receipts level of March 2021.

Producer milk classified as Class I during March amounted to 29.21 percent of total producer receipts. This figure is down from 29.31 percent in February and down from 35.47 percent in March 2021. The average butterfat test of producer milk pooled during March was 4.204 percent, average protein test was 3.386 percent, average other solids test was 5.788 percent, and the average somatic cell count was 169,000.

The March butterfat price increased \$0.0717 from \$3.0218 in February to the March level of \$3.0935. The protein price decreased \$0.4014 from \$2.3168 in February to \$2.7182 in March. The other solids price increased \$0.0148 from \$0.5983 in February to \$0.6131 in March. The somatic cell adjustment rate in March was 0.00103 per cwt.

March 2022 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in March 2022 is \$23.73 with a PPD of \$1.28
- ◆ 1,190 million pounds were pooled in March. This is up 2.10 percent on a daily basis from February 2021
- ◆ 417 producers pooled their milk; this is up from 391 February
- ◆ Class I milk accounted for 29.21 percent of all receipts, down from 29.31 in February

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	25.88	340,976,550	28.65
Class II	24.76	62,158,057	5.22
Class III	22.45	773,940,917	65.02
Class IV	24.82	13,183,674	1.11

Producer Prices

Statistical Uniform Price	\$23.73	/ cwt
Producer Price Differential	\$1.28	/ cwt
Butterfat Price	\$3.0935	/ lb
Protein Price	\$2.7182	/ lb
Other Solids Price	\$0.6131	/ lb
Nonfat Solids Price	\$1.6113	/ lb
Somatic Cell Adjustment Rate	\$0.00103	/ cwt

DO YOU HAVE QUESTIONS ABOUT THE SOUTHWEST FEDERAL ORDER? In our June Bulletin publication, we will be answering general questions on the Southwest Federal Order from the industry and public. If you have a question you would like us to answer, please email your question to bulletin@dallasma.com. We will collect all the submitted questions and answer as many as possible in the June Bulletin. We unfortunately cannot answer any question(s) that would release any confidential information.

Farms, Cows and Milk Production: A Case Study of Texas and New Mexico

As reported in the April 2022 USDA [Milk Production Report](#), Texas moved from the fourth largest to the third largest milk producing state for the first quarter of 2022, surpassing Idaho by 72 million pounds. And it was only in 2021 that Texas moved from the fifth largest to the fourth largest, bypassing New York for the spot. Meanwhile New Mexico's milk production has declined in the first quarter of 2022 as compared to 2021. In this article we will be looking at Texas and New Mexico's milk production over a twenty year period (Figure 1) and how the factors such as the number of farms, the number of cows, and milk yield per cow play into the growth of the Southwest milk shed.

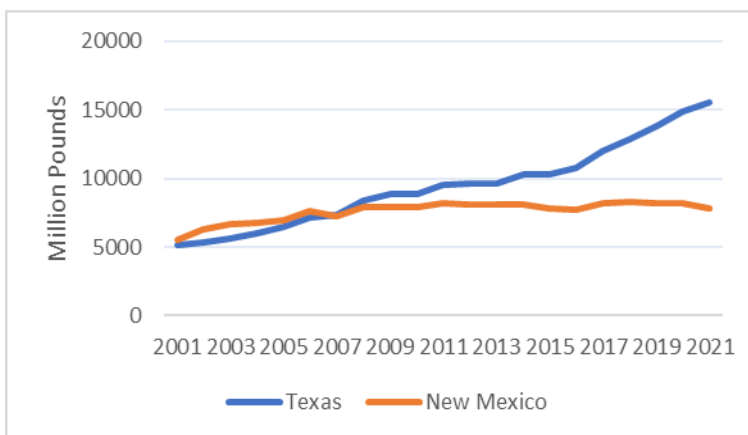


Figure 1: Milk Production
Source: NASS

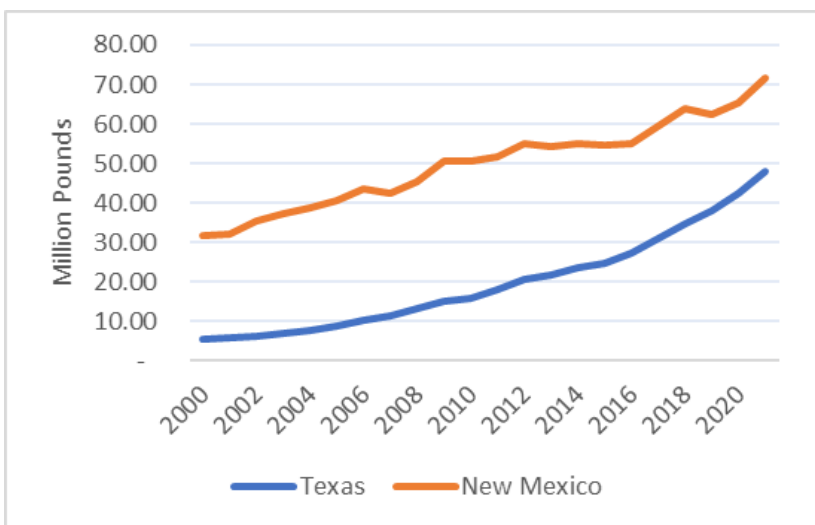


Figure 2: Milk Production per Farm
Source: NASS

Texas milk production exceeded 15.5 billion pounds from 325 dairy farms in 2021. When referring to the number of farms, this article uses the December farm count by the [Southwest Federal Order Bulletin](#). In 2001, Texas had 902 dairies which produced 5.1 billion pounds of milk. In 2001, New Mexico had 173 dairies producing 5.5 billion pounds of milk. New Mexico continued to hold the edge in milk production over Texas for the next 5 years (as shown in Figure 1). While both New Mexico and Texas have seen a decline in total dairy farms over the past 20 years, New Mexico's production peaked in 2018 with over 8.28 billion pounds of production. In 2021, New Mexico had 109 farms with 7.7 billion pounds of milk production. Figure 2 displays both the Texas and New Mexico average milk production per farm over time. Although Texas's milk production has surpassed New Mexico's, the milk production per farm in New Mexico has maintained its edge over Texas. In 2001, New Mexico produced 26 million more milk pounds per farm as compared to Texas; this dropped to 24 million more pounds per farm in New Mexico than Texas in 2021.

During the same period, Texas has seen the loss of almost 600 dairy farms, as shown in Figure 3, through mergers, buyouts, retirement closures, and bankruptcies. The decline in Texas farms was relatively steep in the early 2000s but has flattened out in recent years. Meanwhile, New Mexico lost 64 farms over the twenty years, maintaining a relatively stable number of farms until 2010 when it started to gradually decline. Although significantly fewer dairy farms are operating in Texas now than in 2001, total milk production has increased 204 percent. Whereas, New Mexico has increased milk production by 40 percent since 2001.

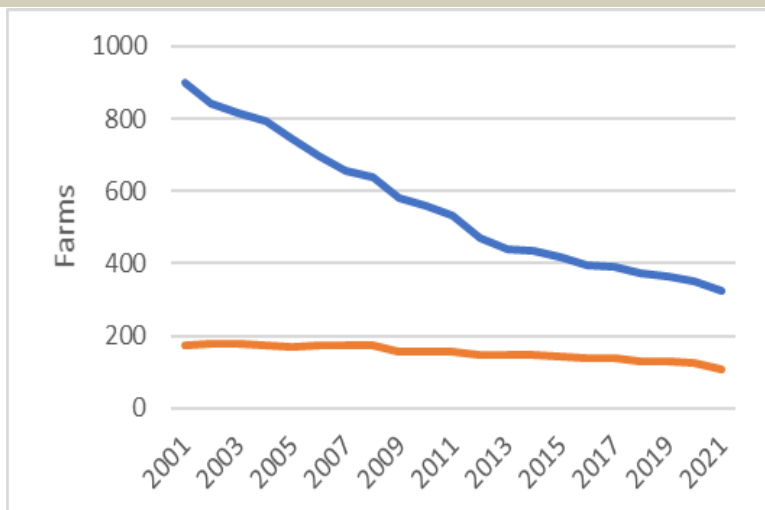


Figure 3: Number of Farms
Source: Southwest Federal Order

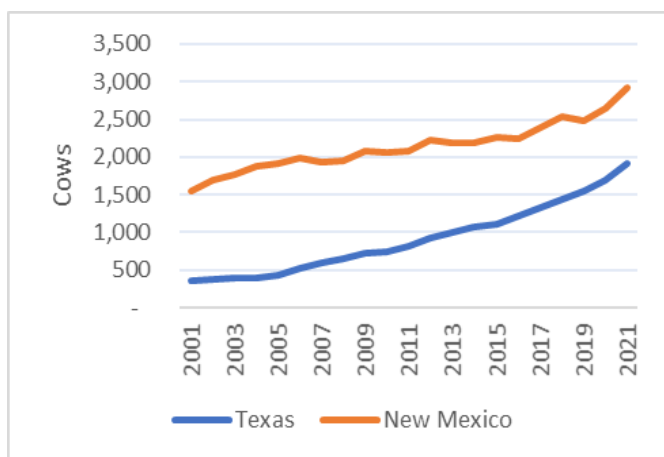


Figure 4: Milk Cows per Farm
Source: NASS and Southwest Federal Order

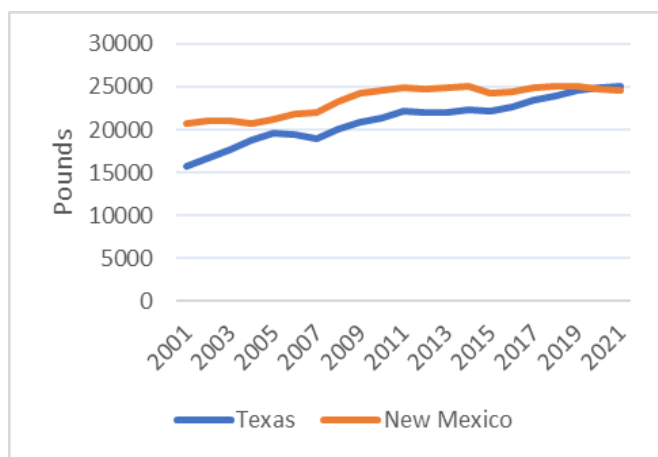


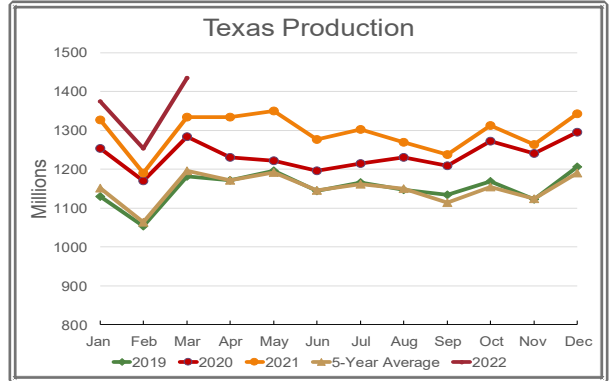
Figure 5: Milk Yield per Cow
Source: NASS

While the number of cows per farm (Figure 4) follows a similar pattern as compared to milk production per farm in Texas and New Mexico (Figure 2), the milk yield per cow shows a merging trend (as seen in Figure 5). In 2001 New Mexico had 1,188 more cows per farm than Texas and in 2021 that dropped to 1,004 more head. Interestingly, it is the milk yield per cow where we see the two states merge. For example, in 2001, New Mexico produced 5,084 more pounds of milk per cow annually than Texas; but by 2021, Texas surpassed New Mexico producing 538 more pounds of milk per cow annually. The merging of the yield per cow for the two states combined with the Texas’s additional 216 farms in 2021, is why Texas produced more than 7.8 billion pounds of milk than New Mexico.

Twenty years ago, Texas and New Mexico started off only 454 million pounds apart in annual milk production, with New Mexico in the lead. By 2021, Texas’s milk production was almost double the size of New Mexico’s milk production, hence Texas’ ranking in the number three spot for milk producing states. Several factors such as milk yield per cow and number of farms caused this drastic change in the two states that were relatively close twenty years ago—just imagine what the next twenty years could hold for the Southwest milk shed.

Texas Dairy Production

In March, Texas dairy production totaled 1,433 million pounds. This is a 6.69 percent increase relative to March 2021 and a 20.0 percent increase from the March five year average (2017-2021). The March average butterfat for Texas production is 4.37 percent, the average protein is 3.45 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 172,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	326	1,374,644	1,327,361	3.56	4.42	3.49	5.78	181
Feb	326	1,253,077	1,203,149	4.15	4.42	3.47	5.79	182
Mar	324	1,433,535	1,343,659	1/ 6.69	4.37	3.45	5.78	172
Apr			1,333,803					
May			1,350,465					
Jun			1,277,426					
Jul			1,301,047					
Aug			1,268,705					
Sep			1,236,659					
Oct			1,312,910					
Nov			1,264,214					
Dec			1,341,794					
Total		4,061,256	15,561,192					

1/ Revised

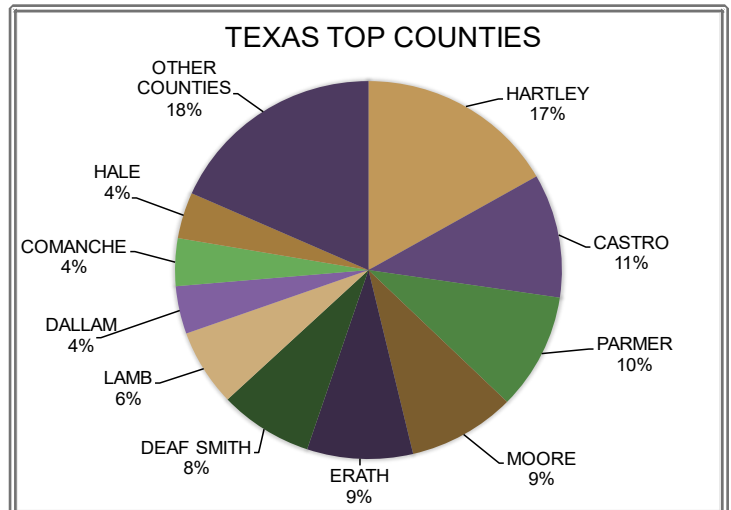
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 17 percent, followed by Castro and Parmer Counties at 11 and 10 percent, respectively. Overall, 324 producers delivered milk in Texas for the month of March.

County	Number of Producers	March 2022 Pounds	% Change 2021/2022
HARTLEY	19	240,056,029	(2.84)
CASTRO	14	151,830,679	12.34
PARMER	16	142,594,458	9.15
MOORE	10	129,119,916	25.41
ERATH	46	126,807,285	4.97
DEAF SMITH	14	112,614,839	10.68
LAMB	13	94,034,121	4.57
DALLAM	5	58,522,360	31.76
COMANCHE	14	58,434,640	5.67
HALE	6	56,592,546	4.09
SUM	<u>157</u>	<u>1,170,606,873</u>	<u>8.15</u>
OTHER COUNTIES	167	262,928,601	0.63
TEXAS TOTAL	324	1,433,535,474	6.69

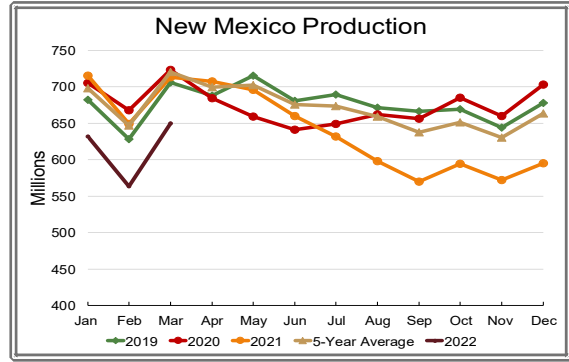
1/ Revised



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

New Mexico Dairy Production

In March, New Mexico dairy production totaled 650 million pounds. This is a percent decrease relative to March 2021 and a 9.70 percent decrease from the March five year average (2017-2021). The March average butterfat is 3.94 percent, the average protein is 3.28 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 161,000.



Month	2022 Number of Producers	2022 Pounds (In Thousands)	2021 Pounds (In Thousands)	% Change from 2021/2022	2022 Butterfat	2022 Protein	2022 Other Solids	2022 SCC (In Thousands)
Jan	109	632,112	714,908	(11.58)	4.03	3.33	5.79	171
Feb	109	563,156	649,004	(13.23)	4.02	3.31	5.79	175
Mar	109	650,064	712,738	(8.79)	3.94	3.28	5.78	161
Apr			706,687					
May			696,133					
Jun			660,067					
Jul			632,273					
Aug			597,982					
Sep			570,133					
Oct			594,320					
Nov			571,659					
Dec			595,152					
Total		1,845,332	7,701,056					

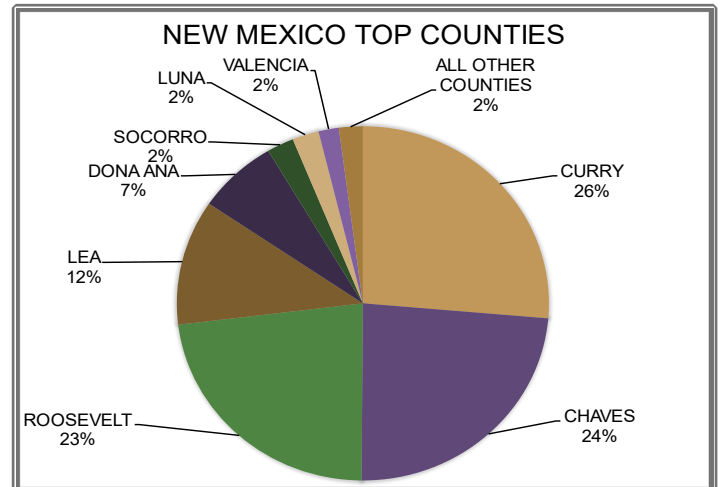
1/ Revised
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 26 percent, followed by Chaves and Roosevelt Counties at 24 and 23 percent, respectively. Overall, 109 producers delivered milk in New Mexico for the month of March.

County	Number of Producers	March 2022 Pounds	% Change 2021/2022
CURRY	23	171,317,801	(4.41)
CHAVES	23	154,467,830	(7.52)
ROOSEVELT	30	149,243,094	(4.07)
LEA	10	74,351,769	2.63
DONA ANA	8	45,473,640	(6.62)
SOCORRO	4	15,249,744	(31.60)
LUNA	3	15,019,100	(1.50)
VALENCIA	4	11,502,769	(41.78)
SUM	105	636,625,747	(6.42)
OTHER COUNTIES	4	<u>13,438,562</u>	<u>(58.61)</u>
NM TOTAL	109	650,064,309	(8.79)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

MARCH 2022

		Pounds	Price	Value
Add: Class I Differential				\$462,743.27
Class I Butterfat	60(a)	7,885,053	\$ 3.0138	\$23,763,972.76
Class I Skim Per Cwt		333,091,497	\$15.8900	\$52,928,238.86
Class II Butterfat	60(b)	8,721,731	\$ 3.1005	\$27,041,727.00
Class II Nonfat Solids		5,104,313	\$ 1.6011	\$8,172,515.56
Class III Butterfat	60(c)	31,316,024	\$ 3.0935	\$96,876,120.26
Class III Protein		26,423,359	\$ 2.7182	\$71,823,974.44
Class III Other Solids		44,869,852	\$ 0.6131	\$27,509,706.27
Class IV Butterfat	60(d)	2,119,962	\$ 3.0935	\$6,558,102.48
Class IV Nonfat Solids		1,045,319	\$ 1.6113	\$1,684,322.52
Class II, III, & IV Somatic Cell Adjustment	60(e)			\$1,250,711.22
Total Producer Milk- Product Pounds and Value		1,190,259,198		\$318,470,293.48
Add: Value as for 60(f) thru 60(j)				\$14,389.03
Less: Total Protein Pounds	61(b)	40,310,002	\$ 2.7182	\$109,570,647.46
Total Other Solids Pounds		68,898,957	\$ 0.6131	\$42,241,950.55
Total Butterfat Pounds		50,042,770	\$ 3.0935	\$154,807,309.03
Total Value of Somatic Cell Adjustment				\$2,226,089.66
Total Milk and Value		1,190,259,198		\$9,638,685.81
Add: Location Differential Adjustments	61(c)			\$5,638,180.08
Producer - Settlement Fund Reserve	61(d)			\$435,736.57
Total Product Milk/URSP and Value		1,190,259,198	\$ 1.32009	\$15,712,602.46
Less: Producer - Settlement Fund Reserve	61(f)		\$ 0.04009	\$477,284.73
Producer Price Differential (Dallas County)			\$1.28	\$15,235,317.73

PPD per cwt

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	340,976,550	28.65	7,885,053	15.76	333,091,497	29.21
Class II	62,158,057	5.22	8,721,731	17.43	53,436,326	4.69
Class III	773,940,917	65.02	31,316,024	62.57	742,624,893	65.13
Class IV	13,183,674	1.11	2,119,962	4.24	11,063,712	.97
Total	1,190,259,198	100.00	50,042,770	100.00	1,140,216,428	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	50,042,770	40,310,002	68,898,957	109,208,959
Average Test	4.204%	3.386%	5.788%	9.175%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Mar-22	Feb-22	Mar-22	Feb-22	Mar-22	Feb-22
Appalachian - F.O. 5	25.86	24.87	N/A	N/A	68.49	71.43
Arizona - F.O. 131	24.66	23.30	N/A	N/A	27.56	27.05
Central - F.O. 32	23.15	21.98	0.70	1.07	28.53	29.55
Florida - F.O. 6	27.77	26.71	N/A	N/A	83.03	82.15
Mideast - F.O. 33	23.38	22.19	0.93	1.28	39.10	39.50
Northeast - F.O. 1	24.74	23.67	2.29	2.76	29.20	31.00
Pacific NW - F.O. 124	27.08	22.45	1.04	1.54	21.63	18.85
California - F.O. 51	23.32	21.97	0.87	1.06	20.90	21.30
Southeast - F.O. 7	26.42	25.47	N/A	N/A	75.77	77.34
Southwest - F.O. 126	23.73	22.40	1.28	1.49	28.65	29.92
Upper Midwest - F.O. 30	22.66	21.19	0.21	0.28	7.70	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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