

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

December 2022

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a November statistical uniform price of \$22.98 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 \$23.38 in October.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$1.97 for November. The November Class I price increased by \$1.30 from \$25.71 in October to the November level of \$27.01. The Class II price decreased by \$1.06 from \$25.73 in October to \$24.67 in November. The Class III price decreased \$0.80 from \$21.81 in October to \$21.01 in November. The Class IV price decreased \$1.66 from \$24.96 in October to \$23.30 in November.

In November, 376 producers delivered a total of 1,112,076,091 pounds of milk. On a daily basis, this represents a decrease of 2.36 percent from the producer receipts level in October and an increase of 2.32 percent when compared to the producer receipts level of November 2021.

Producer milk classified as Class I during November amounted to 29.54 percent of total producer receipts. This figure is up from 27.77 percent in October and down from 31.36 percent in November 2021. The average butterfat test of producer milk pooled during November was 4.289 percent, average protein test was 3.476 percent, average other solids test was 5.793 percent, and the average somatic cell count was 207,000.

The November butterfat price decreased \$0.2847 from \$3.6567 in October to the November level of \$3.3720. The protein price increased \$0.0862 from \$2.4512 in October to \$2.5374 in November. The other solids price decreased \$0.0115 from \$0.2952 in October to \$0.2837 in November. The somatic cell adjustment rate in November was \$0.00104 per cwt.

November 2022 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in November 2022 is \$22.98 with a PPD of \$1.97
- ◆ 1,112 million pounds were pooled in November. This is down 2.36 percent on a daily basis from October 2022
- ◆ 376 producers pooled their milk; this is up from 363 in October
- ◆ Class I milk accounted for 29.54 percent of all receipts, up from 27.77 in October

Classification of Producer Milk

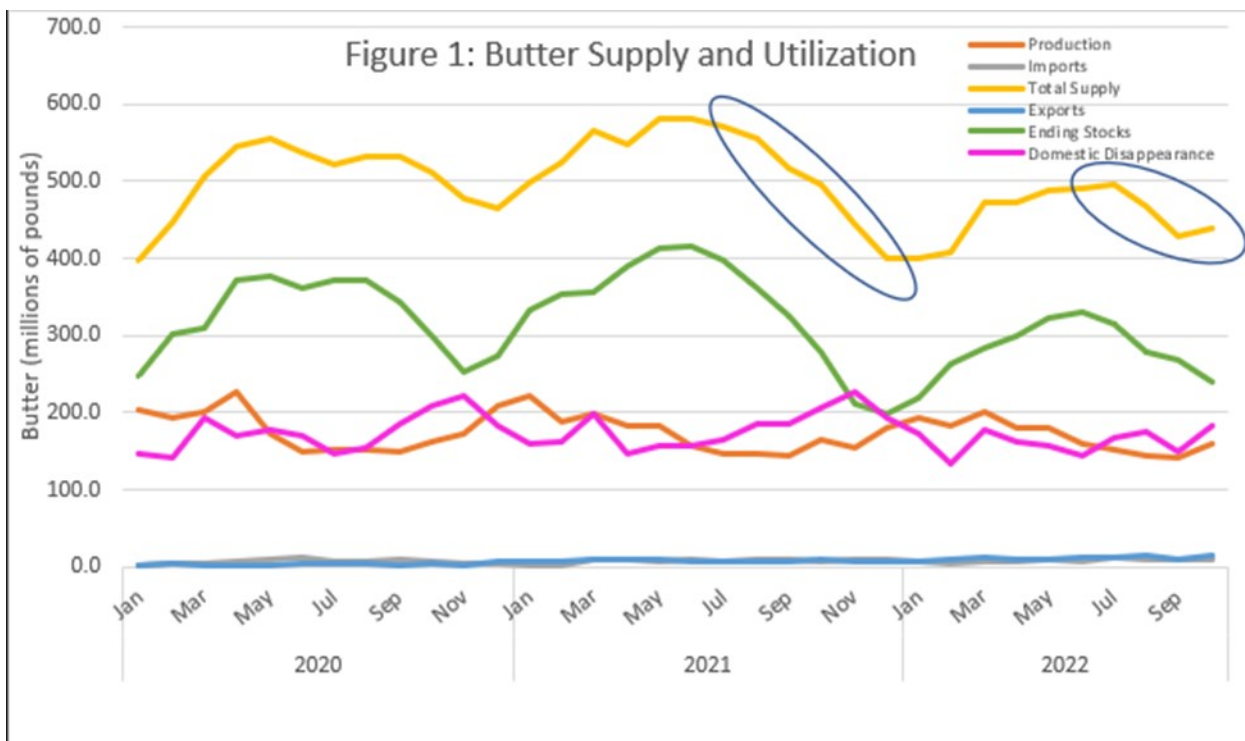
	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	27.09	328,469,771	29.54
Class II	24.67	56,144,769	5.05
Class III	21.01	707,009,909	63.57
Class IV	23.30	20,451,642	1.84

Producer Prices

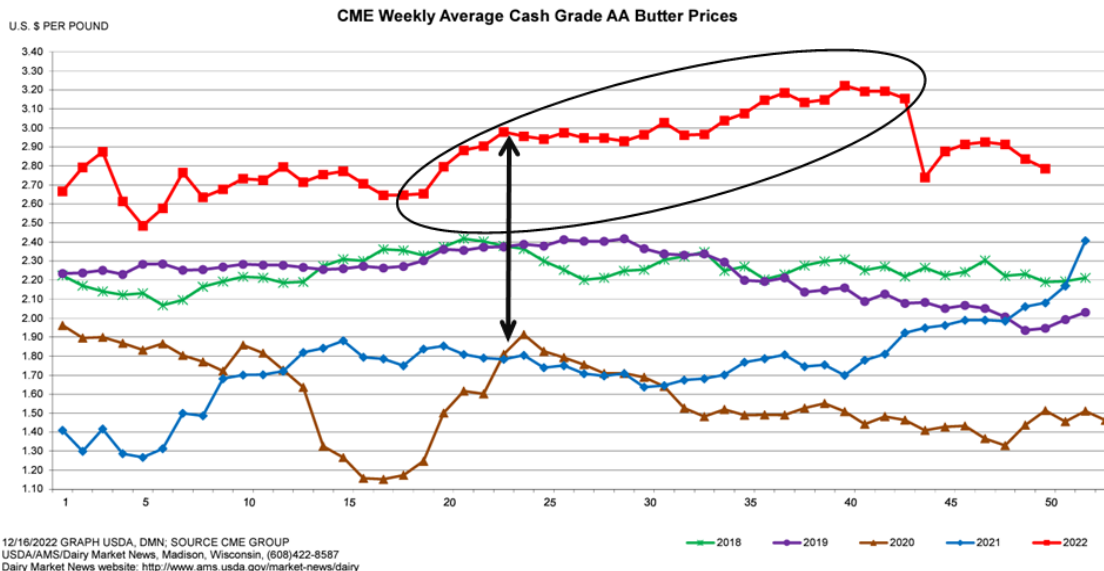
Statistical Uniform Price	\$22.98	/ cwt
Producer Price Differential	\$1.97	/ cwt
Butterfat Price	\$3.3720	/ lb
Protein Price	\$2.5374	/ lb
Other Solids Price	\$0.2837	/ lb
Nonfat Solids Price	\$1.3233	/ lb
Somatic Cell Adjustment Rate	\$0.00104	/ cwt

The Mysterious Case of the Disappearing Butter Shortage

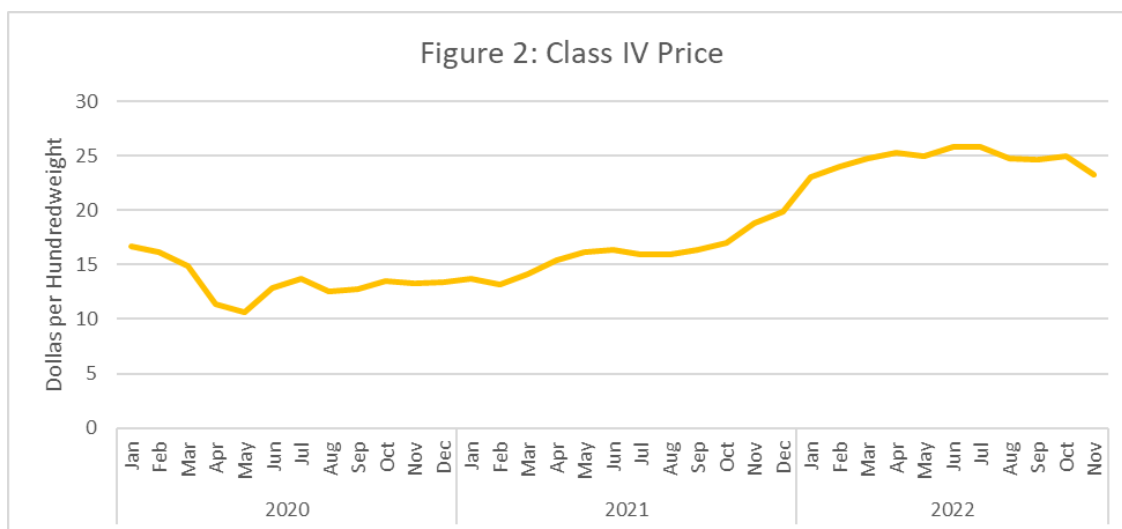
With the holiday season well under way and the end of year celebrations just around the corner, what ever happened to the potential nationwide holiday [butter shortage](#) reported on a few months ago? While our holiday pies are baking, we wanted to take some time to explore the reasons for this initial wave of reporting, as well as what did end up happening to the butter market. Back in [October](#), and [according to multiple outlets](#), holiday bakers were facing a butter shortage with cold storage stocks of butter at the end of July reaching their lowest point in four years and were more than 18% lower than the same point in 2021. However, as shown by Figure 1, national monthly ending butter stocks follow much the same pattern in 2022 as in previous years, peaking in the early summer and declining as demand increases and production falls. In percentage terms, stocks in July were about 20% lower than the previous year's 397 million pounds; however, this still left July stocks at a sizable 315 million pounds. While butter production typically peaks in the winter as powder plants absorb excess milk and cream then decreasing later in the year, 2022 saw a slower decline in production through July as the milk supply tightened. This higher relative production slowed the usual decline in ending inventories, shown by the difference in declines over the two circled periods in Figure 1. Without [drastic changes in consumer behavior](#), declining butter stocks caused by increased demand over the last highlighted period set the stage—not for the emptying of butter shelves, but rather for price increases.



Reduced supply of butter and the increased demand in advance of the holidays prompted an increase in prices. The following graph shows exactly that, with the spot price for Grade AA butter showing steady increases over the circled period of around May to October 2022. Also highlighted is the swift increase in prices throughout late 2021 and early 2022 that precipitated early reporting on potential impending shortages.



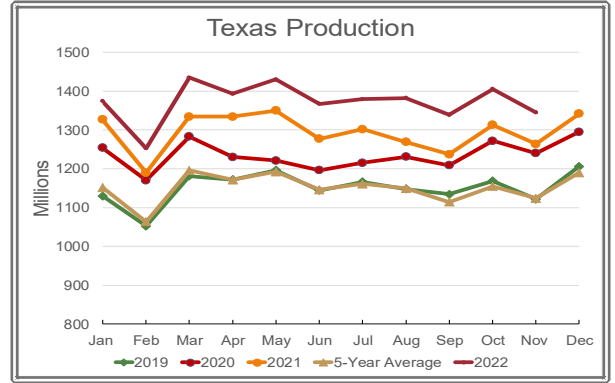
These high wholesale prices are then reflected in the Class IV price rapidly increasing through the end of 2021 and remaining at elevated levels throughout 2022. Unlike the shortage warnings, the reporting on prices in October was accurate with outlets predicting high prices followed by an eventual decline as the year reaches its end. Hence, Class IV prices for November class and component prices saw a significant decline.



Underlying all these movements of butter market demand is the persistent growth in per capita butter consumption. As shown by Figure 2, butter has had impressive per capita consumption growth of between 1 and 10 percent annually since around 2010, reaching their highest point last year. Rising domestic demand also coincided with increasingly competitive US butter exports as a comparatively weak dollar and lower domestic butter price throughout 2021 made US butter attractive abroad. This led to butter exports consistently outpacing imports in quantity throughout the year. While the Federal Reserve's interest rate increases over 2022 have strengthened the dollar, which theoretically make imported butters more attractive domestically, , traded quantities do not respond immediately due to import licensing procedures and the expected reversal of import and export quantities has yet to occur. All that to say, holiday cooks and bakers can rejoice, there is no butter shortage; so, slather on some extra butter and have a very happy holiday from the Southwest Federal Order.

Texas Dairy Production

In November, Texas dairy production totaled 1,345 million pounds. This is a 6.42 percent increase relative to November 2021 and a 19.7 percent increase from the November five year average (2017-2021). The November average butterfat for Texas production is 4.42 percent, the average protein is 3.52 percent, and the average other solids at 5.80 percent. The average somatic cell count is at 198,000.



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	1,434,529	1,343,659	6.76	4.37	3.44	5.78	173
Apr	323	1,392,807	1,333,803	4.42	4.27	3.39	5.79	171
May	321	1,429,818	1,350,465	5.88	4.19	3.32	5.81	173
Jun	319	1,366,949	1,277,426	7.01	4.12	3.28	5.81	186
Jul	319	1,379,074	1,301,047	6.00	4.09	3.24	5.80	216
Aug	314	1,381,607	1,268,705	8.90	4.10	3.25	5.80	237
Sep	315	1,338,655	1,236,659	8.25	4.19	3.31	5.79	241
Oct	315	1,404,680	1,312,910	6.99	4.31	3.41	5.81	217
Nov	316	1,345,384	1,264,214	6.42	4.42	3.52	5.80	198
Dec			1,341,794					
Total		15,101,224	15,561,192					

1/ Revised

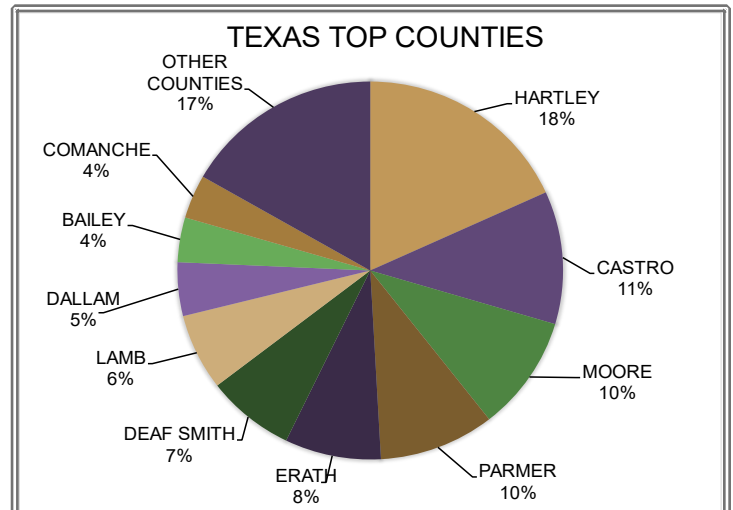
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 18 percent, followed by Castro and Moore Counties at 11 and 10 percent, respectively. Overall, 316 producers delivered milk in Texas for the month of November.

County	Number of Producers	November 2022 Pounds	% Change 2021/2022
HARTLEY	19	245,053,835	10.29
CASTRO	15	152,898,533	13.04
MOORE	10	132,429,650	17.50
PARMER	16	130,381,121	4.88
ERATH	43	108,581,432	(0.76)
DEAF SMITH	14	99,615,235	1.53
LAMB	13	87,858,514	0.99
DALLAM	5	61,696,010	16.90
BAILEY	10	51,452,403	10.17
COMANCHE	14	50,336,924	1.82
SUM	<u>159</u>	<u>1,120,303,657</u>	<u>7.94</u>
OTHER COUNTIES	157	225,079,926	(0.54)
TEXAS TOTAL	316	1,345,383,583	6.42

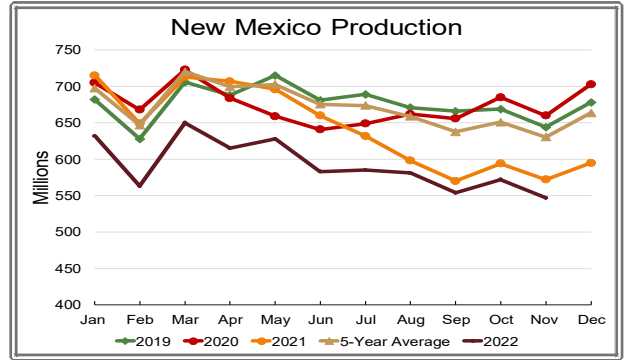
1/ Revised



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

New Mexico Dairy Production

In November, New Mexico dairy production totaled 547 million pounds. This is a 4.33 percent decrease relative to November 2021 and a 13.3 percent decrease from the November five year average (2017-2021). The November average butterfat is 4.10 percent, the average protein is 3.41 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 207,000.



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	650,082	712,738	(8.79)	3.94	3.28	5.78	161
Apr	110	614,872	706,687	(12.99)	3.85	3.23	5.78	156
May	107	628,012	696,133	(9.79)	3.78	3.17	5.80	153
Jun	105	583,485	660,067	(11.60)	3.74	3.12	5.81	165
Jul	106	584,911	632,273	(7.49)	3.73	3.07	5.78	203
Aug	106	581,278	597,982	(2.79)	3.73	3.11	5.77	242
Sep	110	553,579	570,133	(2.90)	3.82	3.18	5.76	250
Oct	105	571,628	594,320	(3.82)	3.96	3.29	5.79	243
Nov	103	546,924	571,659	(4.33)	4.10	3.41	5.78	207
Dec			595,152					
Total		6,510,039	7,701,056					

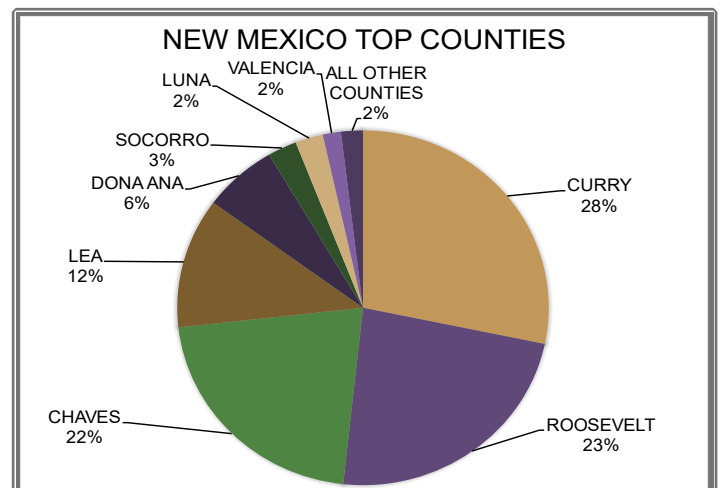
1/ Revised
2/ Simple Average of Total

Top New Mexico Counties

Curry County has the largest share of New Mexico production at 28 percent, followed by Roosevelt and Chaves Counties at 23 and 22 percent, respectively. Overall, 103 producers delivered milk in New Mexico for the month of November.

County	Number of Producers	November 2022 Pounds	% Change 2021/2022
CURRY	22	154,640,951	0.99
ROOSEVELT	30	128,125,500	(0.18)
CHAVES	21	117,772,854	(10.43)
LEA	10	64,865,476	1.16
DONA ANA	8	35,423,030	(3.63)
SOCORRO	4	13,826,933	(2.38)
LUNA	3	13,239,470	0.15
VALENCIA	3	8,652,183	(42.34)
SUM	101	536,546,397	(3.54)
OTHER COUNTIES	<u>2</u>	<u>10,377,320</u>	<u>(32.73)</u>
NM TOTAL	103	546,923,717	(4.33)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

November 2022

	Pounds	Price	Value
Add: Class I Differential			\$459,019.89
Class I Butterfat	7,812,444	\$ 3.7074	\$28,963,854.91
Class I Skim Per Cwt	320,657,327	\$14.6300	\$46,912,166.95
Class II Butterfat	8,208,584	\$ 3.3790	\$27,736,805.36
Class II Nonfat Solids	4,611,843	\$ 1.4789	\$6,820,454.64
Class III Butterfat	29,350,508	\$ 3.3720	\$98,969,912.94
Class III Protein	24,818,646	\$ 2.5374	\$62,974,832.36
Class III Other Solids	41,051,919	\$ 0.2837	\$11,646,429.46
Class IV Butterfat	2,334,795	\$ 3.3720	\$7,872,928.75
Class IV Nonfat Solids	1,756,260	\$ 1.3233	\$2,324,058.86
Class II, III, & IV Somatic Cell Adjustment			\$1,233,183.13
Total Producer Milk- Product Pounds and Value	1,112,076,091		\$295,913,647.25
Add: Value as for 60(f) thru 60(j)			\$211,246.89
Less: Total Protein Pounds	38,665,669	\$ 2.5374	\$98,110,268.53
Total Other Solids Pounds	64,433,257	\$ 0.2837	\$18,279,715.03
Total Butterfat Pounds	47,706,331	\$ 3.3720	\$160,865,748.09
Total Value of Somatic Cell Adjustment			\$1,660,758.20
Total Milk and Value	1,112,076,091		\$16,785,910.51
Add: Location Differential Adjustments			\$5,186,409.39
Producer - Settlement Fund Reserve			\$432,462.23
Total Product Milk/URSP and Value	1,112,076,091	\$ 2.01468	\$22,404,782.13
Less: Producer - Settlement Fund Reserve		\$ 0.04468	\$496,883.14
Producer Price Differential (Dallas County)		\$1.97	\$21,907,898.99

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	328,469,771	29.54	7,812,444	16.38	320,657,327	30.13	
Class II	56,144,769	5.05	8,208,584	17.21	47,936,185	4.50	
Class III	707,009,909	63.57	29,350,508	61.52	677,659,401	63.67	
Class IV	20,451,642	1.84	2,334,795	4.89	18,116,847	1.70	
Total	1,112,076,091	100.00	47,706,331	100.00	1,064,369,760	100.00	

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	47,706,331	38,665,669	64,433,257	103,098,926
Average Test	4.289%	3.476%	5.793%	9.270%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Nov-22	Oct-22	Nov-22	Oct-22	Nov-22	Oct-22
Appalachian - F.O. 5	26.24	25.80	N/A	N/A	75.78	71.59
Arizona - F.O. 131	23.60	24.11	N/A	N/A	28.66	28.14
Central - F.O. 32	22.28	22.79	1.27	0.98	29.34	27.54
Florida - F.O. 6	28.27	27.70	N/A	N/A	84.31	85.03
Mideast - F.O. 33	22.75	22.99	1.74	1.18	40	39.4
Northeast - F.O. 1	24.27	24.77	3.26	2.96	31.1	30.2
Pacific NW - F.O. 124	22.36	23.14	1.35	1.33	23.21	22.26
California - F.O. 51	22.35	22.88	1.34	1.07	20.7	19.8
Southeast - F.O. 7	26.65	26.28	N/A	N/A	74.36	78.39
Southwest - F.O. 126	22.98	23.38	1.97	1.57	29.54	27.77
Upper Midwest - F.O. 30	21.30	22.03	0.29	0.22	5.7	5.9

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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