

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

February 2022

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 \$21.63 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 \$19.77 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 \$1.25 for January. The January Class I price increased \$0.54 from \$22.37 in December to the January level of \$22.91. The Class II price increased \$2.99 from \$19.84 in December to \$22.83 in January. The Class III price increased \$2.02 from \$18.36 in December to \$20.38 in January. The Class IV price increased \$3.21 from \$19.88 in December to \$23.09 in January.

In January, 378 producers delivered a total of 1,134,209,925 pounds of milk. On a daily basis, this represents a decrease of 0.54 percent from the producer receipts level in December and an increase of 7.81 percent when compared to the producer receipts level of January 2021.

Producer milk classified as Class I during January amounted to 30.44 percent of total producer receipts. This figure is down from 30.48 percent in December and down from 34.01 percent in January 2021. The average butterfat test of producer milk pooled during January was 4.287 percent, average protein test was 3.447 percent, average other solids test was 5.786 percent, and the average somatic cell count was 175,000.

The January butterfat price increased \$0.6648 from \$2.2919 in December to the January level of \$2.9567. The protein price decreased \$0.2374 from \$2.5937 in December to \$2.3563 in January. The other solids price increased \$0.0717 from \$0.4532 in December to \$0.5249 in January. The somatic cell adjustment rate in January was 0.00095 per cwt.

January 2022 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in January 2022 is \$21.63 with a PPD of \$1.25
- ◆ 1,134 million pounds were pooled in January. This is down 0.54 percent on a daily basis from December 2021
- ◆ 378 producers pooled their milk; this is down from 407 December
- ◆ Class I milk accounted for 30.44 percent of all receipts, down from 30.48 in December

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	22.91	345,279,961	30.44
Class II	22.83	56,426,769	4.97
Class III	20.38	717,472,635	63.26
Class IV	23.09	15,030,560	1.33

Producer Prices

Statistical Uniform Price	\$21.63	/ cwt
Producer Price Differential	\$1.25	/ cwt
Butterfat Price	\$2.9567	/ lb
Protein Price	\$2.3563	/ lb
Other Solids Price	\$0.5249	/ lb
Nonfat Solids Price	\$1.4662	/ lb
Somatic Cell Adjustment Rate	\$0.00095	/ cwt

U.S. Tops Skim Milk Powder Exporter List

In 2021, the U.S. overtook the European Union (EU) as the world leader in skim milk powder (SMP) exports by supplying almost 40 percent of the world’s exports (FAS, 2021). This trend is expected to continue with exports increasing to 41 percent in 2022 (FAS, 2021). “SMP shipments through October have already reached 689,000 tons, accounting for nearly one third of the \$6.4 billion of dairy exports already shipped. For the year, SMP exports are forecast to reach a record 887,000 tons – up almost 10 percent – over 2020.” (FAS, 2021).

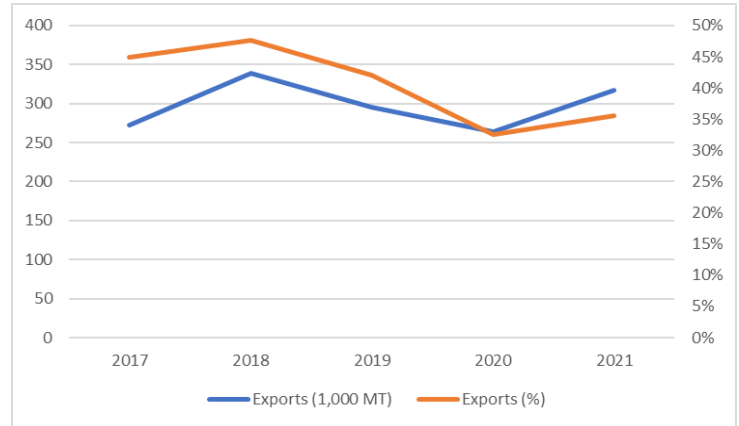


Figure 1: NDM/SMP Exports from Texas
Source: [USDA](#), [FAS](#), [GATS](#)

Historically, Texas has been a major exporter for nonfat dry milk (NDM) and SMP exports with an average of 40 percent of all NDM/SMP exports over the past five years (2017-2021). Although exports from Texas of NDM/SMP have increased, as seen in Figure 1, from 272,000 MT in 2017 to 317,000 MT in 2021, the



Figure 2: NDM/SMP Exports by Exporting Region
Source: [USDA](#), [FAS](#), [GATS](#)

overall percentage of U.S. exports from Texas customs districts has decreased from 45 percent in 2017 to 36 percent in 2021. Furthermore we can see a noticeable decrease in 2019 and 2020 as the Covid-19 pandemic caused logistical challenges across the globe ([Hoards Dairyman, 2021](#)).

While Texas’s percentage of exports of NDM/SMP has decreased, as seen in Figure 2, California’s percentage has increased. The five-year average for NDM/SMP exports from California is also about 40 percent, where this has ranged from 39 percent in 2017 to 42 percent in 2021. Much of the growth in California can be attributed to the growth in NDM/SMP exports to Asia, as seen in Figure 3.

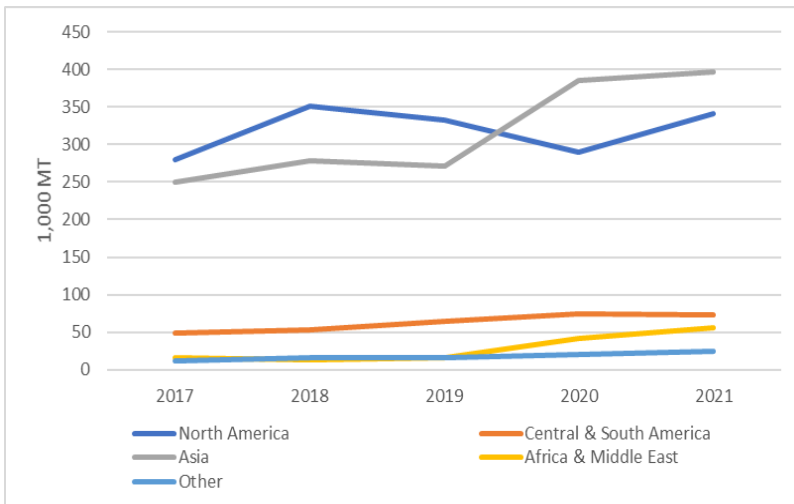


Figure 3: U.S. NDM/SMP Exports by Importing Region
Source: [USDA](#), [FAS](#), [GATS](#)

While North America is still a major importer of U.S. NDM/SMP (with Mexico being the largest importing country), Asia, as a region, surpassed North America in 2020. Most of the Asian exports were sent to Southeast Asian countries such as Indonesia, Malaysia, and the Philippines.

Since May 2021, key producing countries (other than the U.S.) have seen faltering milk production mostly due to weather conditions and rising feed costs. For example, New Zealand’s milk production has re-

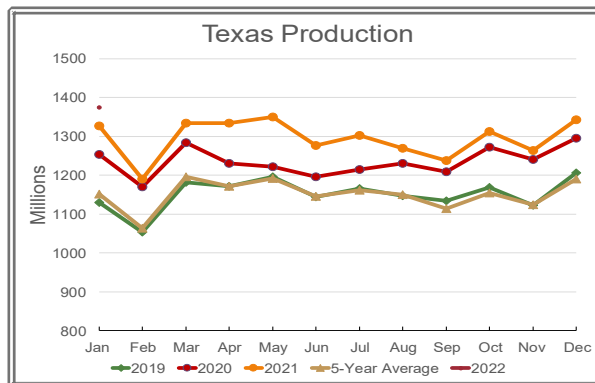
mained relatively flat in 2021 from the 2020 season, while Australia has been “hindered by excessively wet conditions” leading to a poor milk producing year for Oceania. Meanwhile, the European Union is facing a contraction in their dairy herd alongside weather instability and high feed costs, also leading to lower milk production numbers ([FAS, 2021](#)). The U.S. has been able to capitalize on these production shortages overseas and build new inroads into the emerging markets in Asia. Whether this trend will continue once markets return to a “new normal” after Covid-19, is an unknown, but there is hope for the U.S. to continue as the dominant player in the NDM/SMP global market.

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 any questions you would like us to answer, please email your questions 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 questions that would release any confidential information.

Texas Dairy Production

In January, Texas dairy production totaled 1,374 million pounds. This is a 3.53 percent increase relative to January 2021 and a 19.3 percent increase from the January five year average (2017-2021). The January average butterfat for Texas production is 4.42 percent, the average protein is 3.49 percent, and the average other solids at 5.78 percent. The average somatic cell count is at 181,000.



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	1,374,197	1,327,361	1/ 3.53	4.42	3.49	5.78	181
Feb			1,189,774					
Mar			1,334,318					
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		1,374,197	15,538,476					

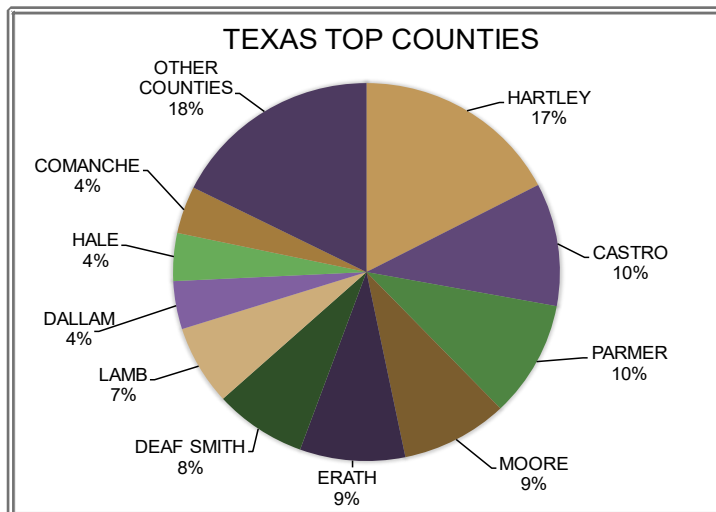
1/ Revised
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 17 percent, followed by Castro and Parmer Counties at 10 percent. Overall, 326 producers delivered milk in Texas for the month of January.

County	Number of Producers	January 2022 Pounds	% Change 2021/2022
HARTLEY	19	238,809,624	(1.85)
CASTRO	14	144,483,532	8.20
PARMER	16	136,532,404	6.67
MOORE	10	122,916,981	26.54
ERATH	46	120,964,052	2.50
DEAF SMITH	14	106,201,949	3.44
LAMB	13	93,728,816	3.12
DALLAM	5	56,472,991	8.51
HALE	6	56,229,668	5.04
COMANCHE	14	55,672,443	0.68
SUM	<u>157</u>	<u>1,132,012,460</u>	<u>5.36</u>
OTHER COUNTIES	169	242,184,846	(4.24)
TEXAS TOTAL	326	1,374,197,306	3.53

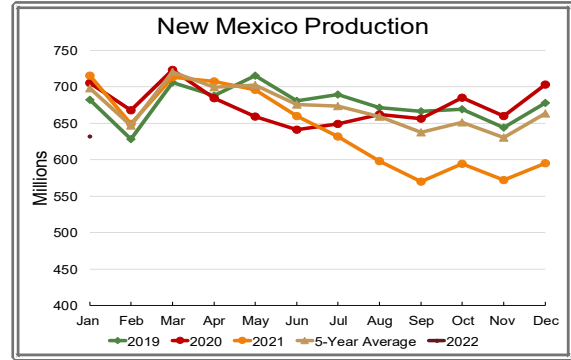
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Click [HERE](#) for more information on Texas Milk Production

New Mexico Dairy Production

In January, New Mexico dairy production totaled 632 million pounds. This is a 11.58 percent decrease relative to January 2021 and a 9.4 percent decrease from the January five year average (2017-2021). The January average butterfat is 4.03 percent, the average protein is 3.33 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 171,000.



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	1/ (11.58)	4.03	3.33	5.79	171
Feb			649,004					
Mar			712,738					
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		632,112	7,701,056					

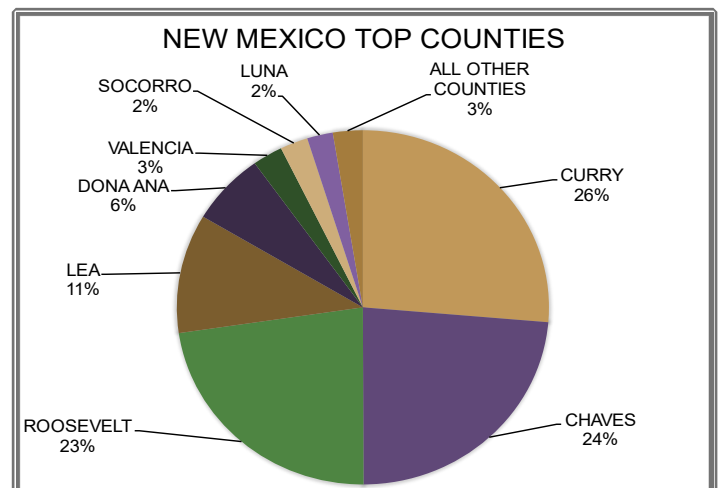
1/ Revised
2/ Simple Average of Total

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 January.

County	Number of Producers	January 2022 Pounds	% Change 2021/2022
CURRY	23	166,504,788	(6.93)
CHAVES	23	149,199,494	(12.92)
ROOSEVELT	30	143,684,992	(8.54)
LEA	10	68,762,370	(4.02)
DONA ANA	8	41,518,940	(13.04)
VALENCIA	4	16,600,485	(19.13)
SOCORRO	4	15,284,001	(30.34)
LUNA	3	14,168,328	(4.62)
SUM	105	615,723,398	(9.99)
OTHER COUNTIES	4	<u>16,388,700</u>	<u>(46.90)</u>
NM TOTAL	109	632,112,098	(11.58)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

JANUARY 2022

	Pounds	Price	Value
Add: Class I Differential			\$430,961.60
Class I Butterfat	7,773,396	\$ 2.2960	\$17,847,717.21
Class I Skim Per Cwt	337,506,565	\$15.2100	\$51,334,748.55
Class II Butterfat	7,737,359	\$ 2.9637	\$22,931,210.89
Class II Nonfat Solids	4,685,497	\$ 1.4344	\$6,720,876.90
Class III Butterfat	29,896,009	\$ 2.9567	\$88,393,529.84
Class III Protein	25,016,388	\$ 2.3563	\$58,946,115.07
Class III Other Solids	41,525,734	\$ 0.5249	\$21,796,857.81
Class IV Butterfat	3,226,036	\$ 2.9567	\$9,538,420.66
Class IV Nonfat Solids	1,133,246	\$ 1.4662	\$1,661,565.29
Class II, III, & IV Somatic Cell Adjustment			\$1,374,038.24
Total Producer Milk- Product Pounds and Value	1,134,209,925		\$281,014,526.38
Add: Value as for 60(f) thru 60(j)			\$175,037.72
Less: Total Protein Pounds	39,100,873	\$ 2.3563	\$92,133,387.09
Total Other Solids Pounds	65,634,429	\$ 0.5249	\$34,451,511.80
Total Butterfat Pounds	48,632,800	\$ 2.9567	\$143,792,599.79
Total Value of Somatic Cell Adjustment			\$1,882,509.74
Total Milk and Value	1,134,209,925		\$8,929,555.68
Add: Location Differential Adjustments			\$5,119,260.36
Producer - Settlement Fund Reserve			\$595,925.69
Total Product Milk/URSP and Value	1,134,209,925	\$ 1.29118	\$14,644,741.73
Less: Producer - Settlement Fund Reserve		\$ 0.04118	\$467,117.67
Producer Price Differential (Dallas County)		\$1.25	\$14,177,624.06

PPD per cwt

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	345,279,961	30.44	7,773,396	15.98	337,506,565	31.09
Class II	56,426,769	4.97	7,737,359	15.91	48,689,410	4.49
Class III	717,472,635	63.26	29,896,009	61.48	687,576,626	63.33
Class IV	15,030,560	1.33	3,226,036	6.63	11,804,524	1.09
Total	1,134,209,925	100.00	48,632,800	100.00	1,085,577,125	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	48,632,800	39,100,873	65,634,429	104,735,302
Average Test	4.287%	3.447%	5.786%	9.234%

Federal Order Prices

Federal Order	Statistical Uniform		PPD		Class I Utilization	
	Jan-22	Dec-21	Jan-22	Dec-21	Jan-22	Dec-21
Appalachian - F.O. 5	23.72	22.08	N/A	N/A	71.62	73.37
Arizona - F.O. 131	22.44	20.07	N/A	N/A	27.34	30.46
Central - F.O. 32	21.09	19.03	0.71	0.67	30.22	31.26
Florida - F.O. 6	25.49	23.97	N/A	N/A	82.56	83.54
Mideast - F.O. 33	21.34	19.35	0.96	0.99	36.00	34.80
Northeast - F.O. 1	22.74	20.49	2.36	2.13	31.40	31.80
Pacific NW - F.O. 124	21.49	19.12	1.11	0.76	19.63	19.63
California - F.O. 51	21.25	19.33	0.87	0.97	22.10	24.10
Southeast - F.O. 7	24.17	22.28	N/A	N/A	77.27	66.97
Southwest - F.O. 126	21.63	19.77	1.25	1.41	30.44	30.48
Upper Midwest - F.O. 30	20.59	18.61	0.21	0.25	8.50	9.80

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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