

The Market Administrator's BULLETIN

SOUTHWEST MARKETING AREA

Cary Hunter, Market Administrator

March 2022

Federal Order No. 126

Market Overview

Producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a February statistical uniform price of \$22.40 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 \$21.63 in January.

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$1.49 for February. The February Class I price increased \$1.93 from \$22.71 in January to the February level of \$24.64. The Class II price increased \$0.96 from \$22.83 in January to \$23.79 in February. The Class III price increased \$0.53 from \$20.38 in January to \$20.91 in February. The Class IV price increased \$0.91 from \$23.09 in January to \$24.00 in February.

In February, 391 producers delivered a total of 1,052,980,755 pounds of milk. On a daily basis, this represents an increase of 2.79 percent from the producer receipts level in January and an increase of 11.89 percent when compared to the producer receipts level of February 2021.

Producer milk classified as Class I during February amounted to 29.31 percent of total producer receipts. This figure is down from 30.44 percent in January and down from 32.05 percent in February 2021. The average butterfat test of producer milk pooled during February was 4.227 percent, average protein test was 3.442 percent, average other solids test was 5.789 percent, and the average somatic cell count was 180,000.

The February butterfat price increased \$0.0651 from \$2.9567 in January to the February level of \$3.0213. The protein price decreased \$0.0395 from \$2.3563 in January to \$2.3168 in February. The other solids price increased \$0.0734 from \$0.5249 in January to \$0.5983 in February. The somatic cell adjustment rate in February was 0.00095 per cwt.

February 2022 Pool Summary

- ◆ The Statistical Uniform Price for the Southwest Order in February 2022 is \$22.40 with a PPD of \$1.49
- ◆ 1,053 million pounds were pooled in February. This is up 2.79 percent on a daily basis from January 2021
- ◆ 391 producers pooled their milk; this is up from 378 January
- ◆ Class I milk accounted for 29.31 percent of all receipts, down from 30.44 in January

Classification of Producer Milk

	<i>Price</i>	<i>Pounds</i>	<i>Percent</i>
Class I	24.64	308,645,731	29.31
Class II	23.79	49,695,490	4.72
Class III	20.91	682,720,710	64.84
Class IV	24.00	11,918,824	1.13

Producer Prices

Statistical Uniform Price	\$22.40	/ cwt
Producer Price Differential	\$1.49	/ cwt
Butterfat Price	\$3.0218	/ lb
Protein Price	\$2.3168	/ lb
Other Solids Price	\$0.5983	/ lb
Nonfat Solids Price	\$1.5450	/ lb
Somatic Cell Adjustment Rate	\$0.00095	/ 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.

What Do the Next 10 Years Hold?

Every year the US Department of Agriculture (USDA) publishes a report predicting what key indicators such as dairy price, supply, and milk use will be over the next 10 years. This article will look at the USDA World Agricultural Supply and Demand Estimates ([WASDE](#)) report along with the University of Missouri's Agricultural Markets and Policy's ([AMAP](#)) 10-year prediction report. The WASDE and AMAP are both national in scope and focus on projecting agricultural trade, aggregated financial indicators, and individual commodity markets over a ten-year period; for the dairy industry, some of these factors include milk production, yield per cow, herd size, and the all-milk price. It is important to note that these projections were published in February or March of 2022 but were finalized in the last quarter of 2021. Therefore the 2021 numbers reported in the tables below would still be projections as the data for last few months of the year were still unknown.

Milk Production

From Table 1 we can see that while national dairy herd is projected by the WASDE to increase overall from 2021, 2022 through 2024 are projected to see a contraction in the herd size dropping from 9,475 thousand head to 9,430 thousand in 2024. In 2025, a modest 5 thousand head are added and through steady increases, eventually grows to 9,585 thousand head in 2031.

Table 1: WASDE's 10 Year Projection for Milk Production

Item	Units	2020 1/	2021	2022	2023	2024 1/	2025	2026	2027	2028 1/	2029	2030	2031
Milk production and marketings:													
Number of cows	Thousand	9,388	9,475	9,450	9,435	9,430	9,435	9,450	9,470	9,495	9,520	9,550	9,585
Milk per cow	Pounds	23,777	23,960	24,305	24,530	24,835	24,990	25,220	25,440	25,735	25,885	26,110	26,330
Milk production	Billion lbs.	223.2	227.0	229.7	231.4	234.2	235.8	238.3	240.9	244.4	246.4	249.4	252.4
Farm use	Billion lbs.	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Marketings	Billion lbs.	222.1	226.0	228.6	230.3	233.1	234.7	237.2	239.8	243.3	245.3	248.3	251.3

1/ Leap Year

Source: USDA

Meanwhile, as seen in Table 2, AMAP reduces herd size in 2022, but then grows at a slow pace until 2031 with 9,488 thousand head, almost a full 100 thousand head less than the WASDE projections. However, once the differences in milk per cow are accounted for (with AMAP growing at a faster rate than WASDE), the overall milk production is only 2.2 billion pounds apart in 2031.

Table 2: AMAP's 10 Year Projection for Milk Production

Calendar year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Milk supply												
Dairy cows (thou. head)	9,388	9,448	9,378	9,405	9,425	9,430	9,433	9,440	9,451	9,464	9,477	9,488
Milk yield (lbs. per cow)	23,778	23,949	24,282	24,566	24,880	25,072	25,352	25,630	25,977	26,173	26,447	26,720
Milk production (bil. lbs.)	223.2	226.3	227.7	231.0	234.5	236.4	239.2	242.0	245.5	247.7	250.6	253.5

Source: AMAP

AMAP also provides herd size projections for select states, which can be seen in Table 3. In Table 3, we see Texas has a steady increase over the 10 years, growing from 622 thousand head in 2021 to 742 thousand head in 2031. New Mexico on the other hand sees a substantial dip of 10 thousand head from 2021 to 2022, but then holds steady until

Table 3: AMAP's Regional Herd Size 10 Year Projections

Calendar year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Milk supply												
Dairy cows (thou. head)	9,388	9,448	9,378	9,405	9,425	9,430	9,433	9,440	9,451	9,464	9,477	9,488
California	1,721	1,720	1,700	1,701	1,700	1,697	1,694	1,692	1,692	1,692	1,693	1,693
Wisconsin	1,259	1,273	1,267	1,268	1,268	1,268	1,267	1,267	1,266	1,266	1,265	1,264
New York	626	627	621	620	621	621	620	619	618	618	617	617
Idaho	645	652	648	653	659	662	665	668	672	676	679	682
Pennsylvania	482	474	463	459	455	452	449	446	444	442	440	438
Minnesota	447	461	463	466	469	470	471	473	474	475	475	476
Texas	595	622	635	653	669	683	696	707	717	727	735	742
Michigan	430	441	444	445	447	449	452	455	458	462	466	470
New Mexico	330	318	308	308	307	307	306	304	304	303	303	303
Ohio	254	257	255	256	256	256	256	255	255	255	254	254
Rest of U.S.	2,599	2,604	2,576	2,577	2,572	2,565	2,558	2,554	2,551	2,549	2,549	2,548

Source: AMAP

Milk Price

Both the WASDE and AMAP provide national all-milk price projections through 2031, which can be seen in Table 4. Figure 1 shows the differences between AMAP and WASDE graphically. From the table and the figure, we see that AMAP's price spikes in 2022 to \$22.04 a hundredweight (cwt) and falls from 2023 to 2025 ending up at to \$18.89, after which the all-milk price projection begins to rise to about \$19.30 a cwt., which is where it ends in 2031. As compared to the AMAP, the WASDE projections, show a gradual increase over the 10-year period, with only a small bump in 2022. The WASDE projections end in 2031 at \$20.85 a cwt, a full \$1.55 a cwt higher than the AMAP projection for 2031. Further we see that between 2024 and 2028 the AMAP and WASDE all-milk price projections are relatively close, less than a \$0.50 difference. While there are differences between the two projections, both series show stronger dairy prices in the upcoming ten years than has been seen by dairy farmers (nationally) in the recent history.

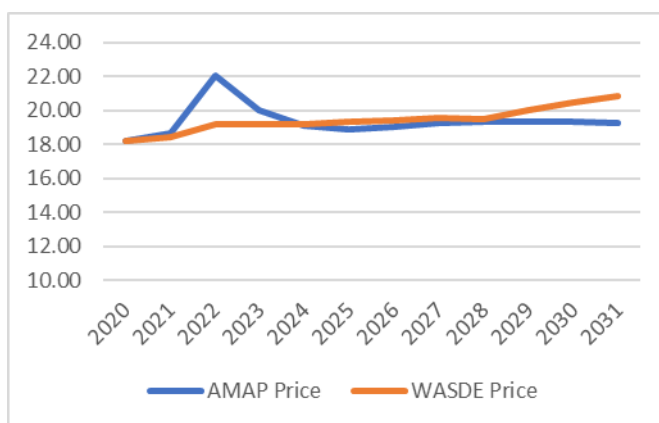


Figure 1: AMAP and WASDE All-Milk Price Projections

Source: AMAP and WASDE

Table 4: AMAP and WASDE All-Milk Price Projections

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
AMAP Price	18.25	18.66	22.04	20.00	19.13	18.89	19.03	19.24	19.32	19.38	19.36	19.30
WASDE Price	18.24	18.45	19.20	19.20	19.20	19.35	19.40	19.55	19.50	20.05	20.45	20.85

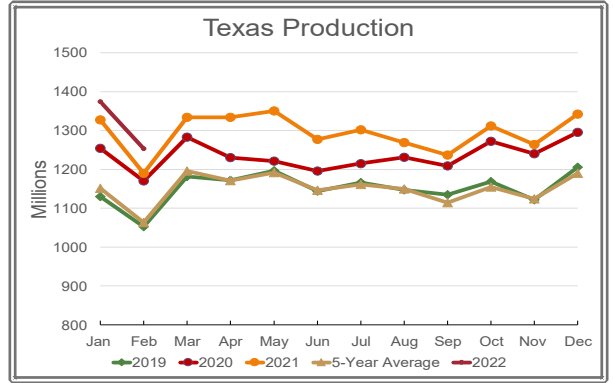
Source: AMAP and WASDE

Exports and Imports

For both the WASDE and AMAP, the reports suggest that exports will continue to grow throughout the 10-year projection period. As exports have become more important to the dairy industry, a strong export forecast is good for the dairy industry. Meanwhile, while AMAP does not predict imports, the WASDE projects imports to remain steady over the projection period.

Texas Dairy Production

In February, Texas dairy production totaled 1,253 million pounds. This is a 4.15 percent increase relative to February 2021 and a 17.9 percent increase from the February five year average (2017-2021). The February average butterfat for Texas production is 4.42 percent, the average protein is 3.47 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 182,000.



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		4.42	3.49	5.78	181
Feb	326	1,253,077	1,203,149	1/	4.42	3.47	5.79	182
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		2,627,721	15,551,851					

1/ Revised

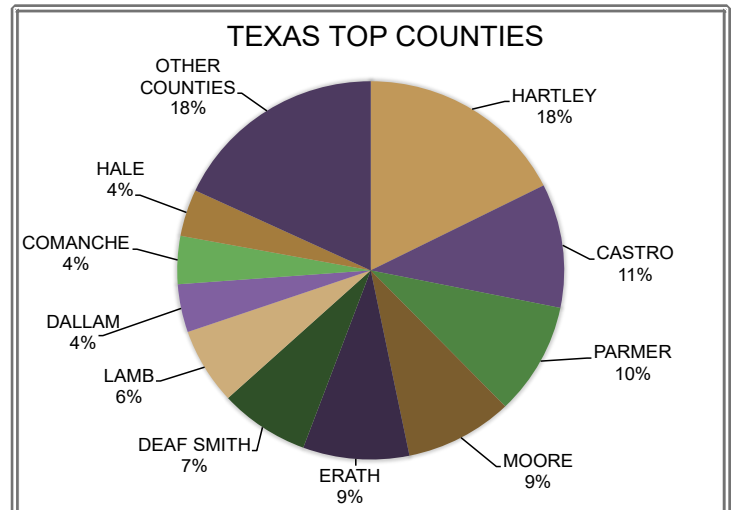
2/ Simple Average of Total

Top Texas Counties

Hartley County has the largest share of Texas production at 18 percent, followed by Castro and Parmer Counties at 11 and 10 percent, respectively. Overall, 326 producers delivered milk in Texas for the month of February.

County	Number of Producers	February 2022 Pounds	% Change 2021/2022
HARTLEY	19	220,360,589	1.66
CASTRO	14	132,758,713	7.88
PARMER	16	120,120,823	0.10
MOORE	10	113,079,868	24.14
ERATH	46	111,229,939	2.26
DEAF SMITH	14	94,425,537	0.05
LAMB	13	81,706,277	2.27
DALLAM	5	51,447,560	28.51
COMANCHE	14	51,406,841	3.97
HALE	6	50,248,054	4.34
SUM	157	1,026,784,201	5.68
OTHER COUNTIES	169	226,292,640	(2.28)
TEXAS TOTAL	326	1,253,076,841	4.15

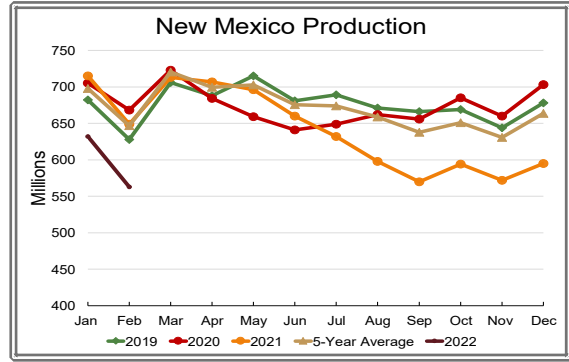
1/ Revised



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

New Mexico Dairy Production

In February, New Mexico dairy production totaled 563 million pounds. This is a 13.23 percent decrease relative to February 2021 and a 13.0 percent decrease from the February five year average (2017-2021). The February average butterfat is 4.02 percent, the average protein is 3.31 percent, and the average other solids at 5.79 percent. The average somatic cell count is at 175,000.



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			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		1,195,268	7,701,056					

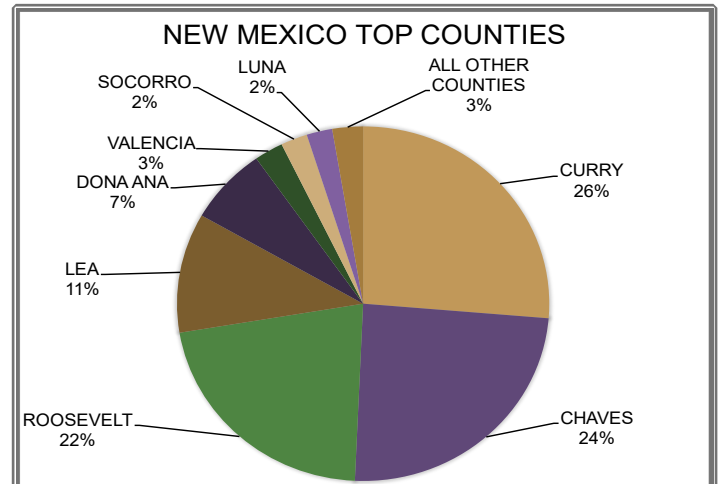
1/ Revised
2/ Simple Average of Total

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 22 percent, respectively. Overall, 109 producers delivered milk in New Mexico for the month of February.

County	Number of Producers	February 2022 Pounds	% Change 2021/2022
CURRY	23	148,189,526	(8.97)
CHAVES	23	137,366,241	(9.10)
ROOSEVELT	30	122,052,744	(15.85)
LEA	10	61,442,701	(4.91)
DONA ANA	8	39,308,170	(9.54)
VALENCIA	4	14,164,967	(23.93)
SOCORRO	4	13,068,193	(35.92)
LUNA	3	12,561,760	(8.48)
SUM	105	548,154,302	(11.55)
OTHER COUNTIES	4	15,001,387	(48.70)
NM TOTAL	109	563,155,689	(13.23)

1/ Revised



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

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

FEBRUARY 2022

	Pounds	Price	Value
Add: Class I Differential			\$425,640.56
Class I Butterfat	7,069,720	\$ 2.7837	\$19,679,979.59
Class I Skim Per Cwt	301,576,011	\$15.4400	\$46,563,336.11
Class II Butterfat	6,731,251	\$ 3.0288	\$20,387,613.04
Class II Nonfat Solids	4,131,739	\$ 1.5189	\$6,275,698.38
Class III Butterfat	28,240,971	\$ 3.0218	\$85,338,566.19
Class III Protein	23,547,946	\$ 2.3168	\$54,555,881.31
Class III Other Solids	39,558,431	\$ 0.5983	\$23,667,809.28
Class IV Butterfat	2,996,989	\$ 3.0218	\$9,056,301.38
Class IV Nonfat Solids	850,245	\$ 1.5450	\$1,313,628.57
Class II, III, & IV Somatic Cell Adjustment			\$1,250,711.22
Total Producer Milk- Product Pounds and Value	1,052,980,755		\$268,515,165.63
Add: Value as for 60(f) thru 60(j)			\$728.00
Less: Total Protein Pounds	36,038,472	\$ 2.3168	\$83,493,931.93
Total Other Solids Pounds	60,964,628	\$ 0.5983	\$36,475,136.95
Total Butterfat Pounds	45,038,931	\$ 3.0218	\$136,098,641.69
Total Value of Somatic Cell Adjustment			\$1,704,084.58
Total Milk and Value	1,052,980,755		\$10,742,642.48
Add: Location Differential Adjustments			\$4,917,820.56
Producer - Settlement Fund Reserve			\$543,661.20
Total Product Milk/URSP and Value	1,052,980,755	\$ 1.53888	\$16,204,124.24
Less: Producer - Settlement Fund Reserve		\$ 0.04888	\$514,710.99
Producer Price Differential (Dallas County)		\$1.49	\$15,689,413.25

PPD per cwt

Producer Milk Utilization Percentages						
	Product		Butterfat		Skim Milk	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Class I	308,645,731	29.31	7,069,720	15.70	301,576,011	29.92
Class II	49,695,490	4.72	6,731,251	14.95	42,964,239	4.26
Class III	682,720,710	64.84	28,240,971	62.70	654,479,739	64.93
Class IV	11,918,824	1.13	2,996,989	6.65	8,921,835	.89
Total	1,052,980,755	100.00	45,038,931	100.00	1,007,941,824	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	45,038,931	36,038,472	60,964,628	97,003,100
Average Test	4.277%	3.422%	5.789%	9.212%

Federal Order Prices

Federal Order	Statistical Uniform	Statistical Uniform	PPD	PPD	Class I Utilization	Class I Utilization
	Feb-22	Jan-22	Feb-22	Jan-22	Feb-22	Jan-22
Appalachian - F.O. 5	24.87	23.72	N/A	N/A	71.43	71.62
Arizona - F.O. 131	23.30	22.44	N/A	N/A	27.05	27.34
Central - F.O. 32	21.98	21.09	1.07	0.71	29.55	30.22
Florida - F.O. 6	26.71	25.49	N/A	N/A	82.15	82.56
Mideast - F.O. 33	22.19	21.34	1.28	0.96	39.50	36.00
Northeast - F.O. 1	23.67	22.74	2.76	2.36	31.00	31.40
Pacific NW - F.O. 124	22.45	21.49	1.54	1.11	18.85	19.63
California - F.O. 51	21.97	21.25	1.06	0.87	21.30	22.10
Southeast - F.O. 7	25.47	24.17	N/A	N/A	77.34	77.27
Southwest - F.O. 126	22.40	21.63	1.49	1.25	29.92	30.44
Upper Midwest - F.O. 30	21.19	20.59	0.28	0.21	8.20	8.50

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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