

UPPER MIDWEST MARKETING AREA

**ANALYSIS OF COMPONENT LEVELS AND SOMATIC CELL COUNT IN INDIVIDUAL
HERD MILK AT THE FARM LEVEL
2017**



Staff Paper 18-02

Prepared by:
Corey Freije

December 2018

Federal Milk Market Administrator's Office
1600 West 82nd Street, Suite 200
Minneapolis, Minnesota 55431-1420

ANALYSIS OF COMPONENT LEVELS AND SOMATIC CELL COUNT IN INDIVIDUAL HERD MILK AT THE FARM LEVEL

2017

Corey Freije

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA 's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3 027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) *mail*: U S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) *fax*: (202) 690-7442; or (3) *email*: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. DATA AND METHODOLOGY	1
III. SEASONAL VARIATION IN MILK COMPONENT LEVELS AND SOMATIC CELL COUNT	2
IV. VARIATIONS IN MILK COMPONENT LEVELS AND SOMATIC CELL COUNTS WITHIN THE MARKETING AREA.....	7
V. COMPONENT VALUES UNDER THE UPPER MIDWEST ORDER.....	9
VI. TRENDS IN SOMATIC CELL COUNTS UNDER THE UPPER MIDWEST ORDER	12
VII. SUMMARY.....	14

ANALYSIS OF COMPONENT LEVELS AND SOMATIC CELL COUNT IN INDIVIDUAL HERD MILK AT THE FARM LEVEL

2017

Corey Freije¹

I. INTRODUCTION

This study analyzes the component levels and values comprising milk production for Federal Order 30 for 2017. The payroll data for producers who were associated with the Upper Midwest Marketing Order were examined. On average, 12,084 dairy producers were associated with the market every month.

The payroll data presented for this study are for those dairy farmers residing in any county in the states comprising Federal Order 30. In Michigan only dairy farmers in the Upper Peninsula are included. The data are aggregated to the farm level which is consistent with other staff papers done by this office.

II. DATA AND METHODOLOGY

The data used in this analysis are from monthly payroll records submitted to the Upper Midwest Order. Since handlers generally submit their entire payrolls, the data include not only producer milk pooled on the Upper Midwest, but also may include, in some cases, producer milk pooled on other orders and milk historically associated with the order but not pooled in some months because of class price relationships and prices in other Federal marketing orders. The result is a difference between the number of producers and milk production reported in this study and the number of producers and milk production reported as pooled on the Upper Midwest Order. Also, there are a number of instances in which there are multiple cases representing producer milk from one farm. These are situations where more than one producer received a share of the milk check, or there is more than one bulk tank on the farm. For individual producers, total monthly milk marketed, component pounds and somatic cell count (SCC) from payrolls submitted to the Market

¹ The author, Dr. Corey Freije, is an Agricultural Economist with the Market Administrator's Office, Minneapolis, Minnesota. Assisting Dr. Freije was Rachel M. Benecke of the Upper Midwest Market Administrator's office.

Administrator's office are aggregated to the farm level for this analysis. All producer milk was included in the analysis that follows, unless otherwise noted in the text, figures or tables.

Other solids, for purposes of Federal milk order pricing, are defined as solids-not-fat (SNF) minus protein. Therefore, other solids consist primarily of lactose and ash. Ash traditionally has been considered a constant in SNF, while lactose does vary somewhat in the SNF.

Many factors such as weather, feed quality and feeding practices, breed of cattle, etc., may impact component levels and relationships among components in milk. No attempt was made to estimate the specific effects of such factors on milk composition. However, average component levels were examined for seasonal or within-year variation. In addition, component levels were examined for the seven primary states that are at least partially within the milk procurement area of the Upper Midwest Order. Since the procurement area stretches from south of Chicago to northwestern North Dakota, state level component and SCC statistics provide a means of reflecting variation in milk composition across a large geographic area. For 2017, average component levels by size of producer marketings were also examined.

This paper also looks at somatic cell count data for the period 2005 to 2017. The analysis seeks to identify and quantify a possible trend in decreasing somatic cell counts. The trend component must also be separated from the cyclical component endemic to somatic cell counts.

The cumulative value of butterfat, protein and other solids, adjusted for SCC, on an annual per cwt. basis was examined to observe how milk values varied under differing constraints. Monthly Federal order component prices that apply to the Upper Midwest Order were used to calculate milk values for this study.

III. SEASONAL VARIATION IN MILK COMPONENT LEVELS AND SOMATIC CELL COUNT

While widespread use of artificial insemination, freestall barns, and total mix rations have reduced production swings, seasonality is still present. Seasonal production 'spring flush' and the winter drop in production also lead to seasonal movements in component tests. Butterfat, protein and SNF tests generally have their lowest levels in June or July and peak

in November. Somatic cell counts peak in the warm summer months and reach a low point in December. Other solids tests show little variation but usually peak in the spring or summer months.

Monthly weighted average component levels and SCC for 2017 are summarized in Table 1. Seasonal changes in component levels for 2017 appeared to be relatively normal. Beginning in January, butterfat and protein tests tapered off during the summer to low points in July, and then rose to peak levels at the end of the year. Other solids tests generally increased slightly through September and then declined slightly for the remainder of the year. The seasonality of changes and magnitude of variation in component levels during the year were generally similar to the observed results from previous studies. Seasonal variation in the monthly average SCC in 2017 also appeared to be typical, with higher levels in the summer and lower levels in the fall and winter.

Table 1

**Weighted Average Levels of Selected Components
and Somatic Cell Count in Milk, by Month**

2017

<u>Month</u>	<u>Butterfat</u> Test - % -	<u>Protein</u> Test - % -	<u>Other Solids</u> Test - % -	<u>Solids-Not-Fat</u> Test - % -	<u>Somatic Cell</u> Count - 1,000 -
January	3.93	3.19	5.75	8.93	205
February	3.88	3.15	5.75	8.90	200
March	3.89	3.14	5.75	8.90	199
April	3.84	3.10	5.76	8.87	199
May	3.81	3.10	5.76	8.86	198
June	3.74	3.05	5.77	8.82	209
July	3.70	3.03	5.76	8.79	217
August	3.74	3.07	5.78	8.85	213
September	3.81	3.11	5.78	8.89	201
October	3.88	3.16	5.75	8.91	189
November	4.01	3.22	5.74	8.96	176
December	4.01	3.22	5.74	8.96	173
Minimum	3.70	3.03	5.74	8.79	173
Maximum	4.01	3.22	5.78	8.96	217
Annual Average	3.85	3.13	5.76	8.89	198

Miscellaneous annual statistics, in addition to weighted averages, are summarized in Table 2. For the year, the simple average butterfat level was higher than the weighted average, indicating that smaller producers (in terms of monthly milk deliveries) tend to have higher levels of butterfat than their larger counterparts. Conversely, the simple averages for protein, other solids, and SNF were lower than the weighted averages for the respective components, indicating that larger producers tended to have higher levels of these components than smaller producers. The simple average SCC (248,000) was higher than the weighted average (198,000) indicating that larger producers tended to have, on average, lower SCC than their smaller counterparts. Moreover, the median SCC level (224,000) was also lower than the simple average SCC, indicating that the distribution of SCC levels for the market was skewed toward higher SCC levels. During 2017, butterfat levels dropped from 3.93% in January to 3.70% in July, and then rose to 4.01% for November and December. Protein and SNF showed similar seasonal patterns during the year, bottoming out in July and peaking by year-end.

The standard deviation for butterfat, protein and SNF was 0.33, 0.17 and 0.18 percentage points, respectively. Other solids demonstrated the narrowest range of variation with no apparent seasonal pattern. Other solids levels ranged from a high of 5.78% in the summer months and a low of 5.74% in November and December. The seasonal high SCC of 217,000 was reached in July followed by a low of 173,000 in December, a change of 44,000 during the year.

Table 2

**Component Levels and Somatic Cell Count (SCC) of Milk:
Weighted Average, Simple Average, Weighted Standard Deviation,
Weighted Median, Minimum, and Maximum**

2017

<u>Component</u>	<u>Weighted Average</u>	<u>Simple Average</u>	<u>Weighted Standard Deviation</u>	<u>Weighted Median</u>	<u>Minimum</u>	<u>Maximum</u>
	- % -	- % -	- % -	- % -	- % -	- % -
Butterfat	3.85	3.89	0.33	3.86	0.47	7.50
Protein	3.13	3.12	0.17	3.10	0.38	5.88
Other Solids	5.76	5.70	0.08	5.72	0.00	9.72
SNF	8.89	8.82	0.18	8.82	0.95	12.69
SCC (1,000's)	198	248	93	224	14	1,704

As just discussed, and seen in Table 2, the weighted averages for butterfat and SCC lie below the simple average. Historically, this relationship was also true for protein. In the past, this relationship has indicated that milk production, as well as other solids and solids-not-fat tests, were directly related, while butterfat, protein, and somatic cell counts were inversely related to production levels. The period of time 2012 to 2017 has seen higher protein levels and overall higher component levels in the largest production group, as seen in Tables 5a and 5b for 2017. The more numerous smaller dairies have tests more likely equal to the simple average and the fewer larger dairies more likely equal the weighted average. A more detailed breakdown of that skewness is presented in Tables 3a and 3b. The data for Tables 3a and 3b are from producers for which we have data for all 12 months.

The overall distributions for butterfat, protein and SNF tests are all approximately normal with other solids and SCC being skewed. Somatic cell counts are skewed right with a large number of observations at lower levels and fewer large values, meaning that 80% of the farms have a higher SCC than the weighted average SCC. The lower SCC of the larger producers drags down the weighted average.

The range of component levels observed in the data was fairly wide. Monthly average individual producer butterfat levels in the data were as low as 0.47% and as high as 7.50%; protein levels ranged from 0.38% to 5.88%; other solids levels ranged from 0% to 9.72%; SNF levels ranged from 0.95% to 12.69%; and SCC ranged from 14,000 to 1,704,000.

However, during the year, the component tests and SCC levels in most producer milk were within one standard deviation of the weighted average.² The ranges of component levels within one standard deviation of the weighted average were: 3.52% to 4.18% for butterfat; 3.96% to 3.30% for protein; 5.68% to 5.84% for other solids; 8.71% to 9.07% for SNF; and 105,000 to 291,000 for SCC. Approximately three-quarters of the observed component levels and SCC in the 2017 data were within these ranges.

The differences in the weighted and simple averages and the medians of the component tests warrant a closer look at the relationship between farm size, based on monthly average milk marketed, and milk component levels. Producers with marketings for each month of 2017 were divided into ten percentiles, ten groups with the same number of producers,

² By definition, for a *normal distribution*, approximately 68 percent of observations are within one standard deviation of the weighted average.

based on average monthly production. The monthly average production and component tests are shown in Table 3a. The range of average monthly production and total production by group are shown in Table 3b.

Table 3a

**Weighted Average Component Tests by Monthly Average Producer Milk Production
Producers with Production in Each Month of 2017**

<u>Percentile</u>	<u>Number of Producers</u>	<u>Butterfat Test - % -</u>	<u>Protein Test - % -</u>	<u>Other Solids Test - % -</u>	<u>Solids- Not-Fat Test - % -</u>	<u>Somatic Cell Count - 1,000 -</u>
1	1,118	3.97	3.13	5.60	8.74	300
2	1,119	3.94	3.12	5.65	8.77	290
3	1,119	3.91	3.11	5.67	8.78	277
4	1,119	3.89	3.11	5.69	8.80	269
5	1,119	3.88	3.11	5.71	8.82	248
6	1,119	3.87	3.10	5.72	8.83	235
7	1,119	3.86	3.11	5.73	8.84	227
8	1,119	3.86	3.12	5.74	8.86	210
9	1,119	3.83	3.10	5.75	8.85	198
10	1,119	3.84	3.14	5.78	8.92	181
Total or Average	11,189	3.85	3.12	5.76	8.88	198

Table 3b

**Monthly Average Producer Milk by Producer Size
Producers with Production in Each Month of 2017**

<u>Percentile</u>	<u>Monthly Average Pounds</u>	<u>Minimum Monthly Average Pounds</u>	<u>Maximum Monthly Average Pounds</u>	<u>Total Pounds</u>	<u>Percent of Total Pounds</u>	<u>Cumulative Percent of Total</u>
1	23,380	1,223	34,691	313,666,334	0.71%	0.71%
2	43,745	34,694	52,352	587,411,647	1.33%	2.03%
3	61,718	52,357	71,496	828,750,658	1.87%	3.90%
4	81,263	71,507	91,247	1,091,202,844	2.46%	6.36%
5	102,290	91,277	114,298	1,373,556,567	3.10%	9.46%
6	129,253	114,339	145,742	1,735,603,464	3.91%	13.38%
7	168,767	145,784	197,458	2,266,207,220	5.11%	18.49%
8	247,545	197,499	310,064	3,324,036,357	7.50%	25.99%
9	444,595	310,185	660,269	5,970,023,817	13.47%	39.45%
10	1,998,950	660,379	21,086,542	26,841,898,605	60.55%	100.00%
Total or Average	330,178			44,332,357,513		

A more detailed look at the relationship between producer size and component levels shows that larger producers tend to have lower butterfat tests and SCC than do smaller producers. Producers averaging 23,380 pounds (group 1) per month had an average butterfat test of 3.97% while producers averaging 1,998,950 (group 10) pounds a 3.84% average butterfat test. The butterfat test declined steadily from a weighted average of 3.97% for the smallest group to a weighted average of 3.83% for group 9. The SCC declined steadily from an average of 300,000 for producers averaging 23,380 pounds per month to an average of 181,000 for producers averaging 1,998,950 pounds per month, a difference in the SCC of 119,000.

Protein tests also declined from the smaller producers to the larger producers, but to a smaller extent than for butterfat, falling from 3.13% for producer's averaging 23,380 pounds per month to 3.10% for producers averaging 129,253 pounds of milk marketed per month and rising to 3.14% for producers averaging 1,998,950 pounds.

Other solids and SNF tests steadily increased as average monthly production increased. Other solids tests increased from 5.60% to 5.78%, while SNF tests increased steadily from 8.74% to 8.92%, as monthly average production increased from 23,380 pounds to 1,998,950 pounds.

The data from this group of producers also offer some interesting insight into the structure of the market. For instance, the smallest ten percent of producers supply less than one percent of the milk while the largest ten percent of producers supply more than 60 percent of the milk in the market. More than 80 percent of the producers have a monthly production below the monthly average market production of 330,178 pounds.

IV. VARIATIONS IN MILK COMPONENT LEVELS AND SOMATIC CELL COUNTS WITHIN THE MARKETING AREA

Milk component levels and SCC were examined for the seven states that have counties within the Upper Midwest Marketing Area (see Table 4). Differences in average component levels and SCC between the states were observed. One-way analysis of variance was used to determine that the weighted averages of the states were not equal. In addition, several post hoc paired tests were conducted to determine if any of the individual states' weighted averages were equal. These tests indicated that even though the observed differences between some of the states were relatively small, the differences between the weighted averages were significant.

Of the states that are wholly or partially located in the Upper Midwest Marketing Area, South Dakota had the highest weighted average butterfat test and the highest weighted average protein test. North Dakota had the highest weighted average other solids test, while South Dakota had the highest weighted average SNF test. Of the states that are included in the Upper Midwest Marketing Area, Wisconsin had the lowest weighted average SCC and North Dakota had the highest.

Table 4

**Weighted Average Components Levels and Somatic Cell Count in Milk by State
2017**

<u>State</u>	<u>Butterfat Test</u> - % -	<u>Protein Test</u> - % -	<u>Other Solids Test</u> - % -	<u>Solids- Not-Fat Test</u> - % -	<u>Somatic Cell Count</u> - 1,000 -
Illinois	3.86	3.13	5.73	8.86	213
Iowa	3.88	3.17	5.77	8.94	213
Michigan U.P.	3.84	3.11	5.75	8.85	194
Minnesota	3.88	3.15	5.77	8.92	220
North Dakota	3.76	3.14	5.78	8.92	222
South Dakota	4.15	3.29	5.77	9.06	212
Wisconsin	3.82	3.10	5.75	8.85	187
Market	3.85	3.13	5.76	8.89	198
Minimum	3.76	3.10	5.73	8.85	187
Maximum	4.15	3.29	5.78	9.06	222

Tables 5a and 5b use a scale of production employed by the Upper Midwest Milk Order to illustrate differences present over production ranges from less than 50,000 pounds to over 5,000,000 pounds. Table 5a shows that butterfat and protein tests, and somatic cell counts, tend to decline as scale increases, though none of the trends are monotonic. The largest scale of production, 5,000,000 pounds, has a substantial increase in butterfat and protein tests and a drop in somatic cell counts over the next smaller size range. Table 5b indicates the average monthly production for the largest range is twice the second largest size range's average monthly delivery. Table 5b also shows the largest size category produces 17.21% of the total production.

Table 5a**Weighted Average Component Tests by Monthly Average Producer Milk Production
All Producers 2017**

<u>Size Categories</u> <u>(Pounds)</u>	<u>Monthly</u> <u>Average</u> <u>Pounds</u>	<u>Butterfat</u> <u>Test</u> - % -	<u>Protein</u> <u>Test</u> - % -	<u>Other</u> <u>Solids</u> <u>Test</u> - % -	<u>Solids-</u> <u>Not-Fat</u> <u>Test</u> - % -	<u>Somatic</u> <u>Cell</u> <u>Count</u> - 1,000 -
Up to 49,999	30,314	3.97	3.14	5.62	8.76	298
50,000 to 99,999	73,991	3.90	3.11	5.69	8.80	269
100,000 to 249,999	153,783	3.87	3.11	5.73	8.84	229
250,000 to 399,999	311,971	3.85	3.11	5.75	8.86	205
400,000 to 599,999	487,220	3.83	3.10	5.75	8.85	198
600,000 to 999,999	773,917	3.80	3.10	5.77	8.87	190
1,000,000 to 1,499,999	1,210,252	3.80	3.10	5.77	8.87	178
1,500,000 to 2,499,999	1,926,605	3.80	3.11	5.79	8.90	177
2,500,000 to 4,999,999	3,338,146	3.85	3.14	5.79	8.93	184
5,000,000 or more	7,746,427	3.92	3.19	5.78	8.97	176
Average	319,206	3.85	3.13	5.76	8.89	198

Table 5b**Monthly Average Producer Milk by Producer Size
All Producers 2017**

<u>Size Categories</u> <u>(Pounds)</u>	<u>Number of</u> <u>Observations</u>	<u>Minimum</u> <u>Monthly</u> <u>Average</u> <u>Pounds</u>	<u>Maximum</u> <u>Monthly</u> <u>Average</u> <u>Pounds</u>	<u>Percent of</u> <u>Total</u> <u>Pounds</u>	<u>Cumulative</u> <u>Percent of</u> <u>Total</u>
Up to 49,999	30,333	40	49,999	1.99%	1.99%
50,000 to 99,999	36,613	50,002	99,998	5.85%	7.84%
100,000 to 249,999	44,091	100,002	249,999	14.65%	22.49%
250,000 to 399,999	11,819	250,014	399,996	7.97%	30.46%
400,000 to 599,999	6,992	400,036	599,974	7.36%	37.82%
600,000 to 999,999	5,760	600,058	999,893	9.63%	47.45%
1,000,000 to 1,499,999	3,469	1,000,401	1,499,999	9.07%	56.52%
1,500,000 to 2,499,999	2,919	1,500,320	2,499,880	12.15%	68.68%
2,500,000 to 4,999,999	1,957	2,500,255	4,998,006	14.12%	82.79%
5,000,000 or more	1,028	5,000,400	22,348,910	17.21%	100.00%
Total	144,981				

V. COMPONENT VALUES UNDER THE UPPER MIDWEST ORDER

Multiple component pricing on the Upper Midwest Order allows for component levels to be viewed in terms of the value of producer milk given its composition. Milk values, for the

purpose of this study, were calculated on an annual basis using monthly Federal order component prices applied to producer milk associated with the Upper Midwest Order during 2017. These values reflect the aggregated value of butterfat, protein and other solids only. These values do not include monthly producer price differentials for the Upper Midwest Order or premiums and/or deductions that handlers pooling milk under the order may apply to producer pay prices.

In Table 6 for 2017, the cumulative value of butterfat, protein, other solids, with an adjustment for SCC, averaged \$17.48 per cwt. for the market. The value of each component comprised by the \$17.48 per cwt. price was \$10.07 for butterfat, \$5.84 for protein, and \$1.45 for other solids. The SCC adjustment for the year amounted to about \$0.12 per cwt.

Categorized by size range of delivery in Table 7, average values of producer milk ranged from a low of \$17.27 per cwt. for monthly producer milk deliveries of at least 1,000,000 and less than 1,500,000 pounds to a high of \$17.79 per cwt. for monthly producer milk deliveries of 5,000,000 or more. In general, the average value of producer milk, per cwt., declines as monthly deliveries increase. Specifically, the average value per cwt. dropped from \$17.73 for the smallest producers to \$17.27 for those producing between 1,000,000 and 1,499,999 pounds a month, then rose for the larger producers. Historically, this relationship between value per cwt. and production has been inversely related with the producers in the 5 million pound or more range having increased value over the next largest category since 2010. These results correspond well to comparisons between simple and weighted average component levels in Part III of this paper.

Component Value

Table 8 contains the component prices announced by the Federal orders for 2017. Table 7 indicates the overall component value for each size category using Table 8 prices and Upper Midwest producer data. Given the distribution of larger component test values at smaller sized farms, it's not surprising that the value per cwt. is larger for all but the largest categories. Table 6 shows the breakdown by component on a cwt. basis for overall milk value. Butterfat and protein contribute the vast majority of the milk's value with other solids and somatic cell counts contributing just 9.02%.

Table 6**Breakdown of Component Values of
Producer Milk Deliveries****2017**

	Component				
	Butterfat	Protein	Other Solids	Somatic Cell Count	Total Value
Value (\$/cwt.)*	\$10.07	\$5.84	\$1.45	\$0.12	\$17.48
Percentage	57.57%	33.41%	8.31%	0.71%	100.00%

*Sum may not add due to rounding.

Table 7**Aggregated Component Values by Size Range
of Monthly Producer Milk Deliveries****2017**

<u>Size Categories</u> (Pounds)	<u>Aggregated Component Values*</u>	<u>Producer Milk</u> (Pounds)	<u>Weighted Average Value</u> (Cwt.)
Up to 49,999	\$163,110,516.74	919,803,410	\$17.73
50,000 to 99,999	\$474,510,282.69	2,709,043,924	\$17.52
100,000 to 249,999	\$1,183,079,682.76	6,780,466,226	\$17.45
250,000 to 399,999	\$642,884,316.98	3,687,188,436	\$17.44
400,000 to 599,999	\$591,407,789.61	3,406,644,585	\$17.36
600,000 to 999,999	\$772,362,526.90	4,457,764,684	\$17.33
1,000,000 to 1,499,999	\$726,365,048.23	4,205,891,046	\$17.27
1,500,000 to 2,499,999	\$975,691,500.44	5,623,758,902	\$17.35
2,500,000 to 4,999,999	\$1,145,751,905.16	6,532,751,121	\$17.54
5,000,000 or more	\$1,416,463,524.88	7,963,327,178	\$17.79
Total	\$8,091,627,094.40	46,286,639,512	\$17.48

* Total value of pounds of butterfat, protein, and other solids, adjusted for SCC.

Table 8
Monthly Component Prices and Somatic Cell Adjustment
Rates for the Upper Midwest Order Producers

<u>Month</u>	<u>Butterfat</u> <u>Price</u>	<u>Protein</u> <u>Price</u>	<u>Other</u> <u>Solids</u> <u>Price</u>	<u>Somatic Cell</u> <u>Adjustment</u> <u>Rate</u>
	-----(\$/Pound)-----			(\$/cwt. Per 1,000 SCC)
January	\$2.5253	\$2.1768	\$0.2503	\$0.00085
February	\$2.4274	\$2.2348	\$0.2990	\$0.00084
March	\$2.4176	\$1.8198	\$0.3345	\$0.00078
April	\$2.3548	\$1.6955	\$0.3350	\$0.00075
May	\$2.4134	\$1.7723	\$0.3196	\$0.00077
June	\$2.7066	\$1.7545	\$0.3014	\$0.00081
July	\$2.9456	\$1.2248	\$0.2599	\$0.00077
August	\$3.0109	\$1.5536	\$0.2425	\$0.00083
September	\$2.8559	\$1.6988	\$0.2241	\$0.00083
October	\$2.6646	\$2.1084	\$0.1853	\$0.00086
November	\$2.5546	\$2.3412	\$0.1644	\$0.00088
December	\$2.4951	\$2.0378	\$0.1070	\$0.00082
Simple Average	\$2.6143	\$1.8682	\$0.2519	\$0.00082

VI. TRENDS IN SOMATIC CELL COUNTS UNDER THE UPPER MIDWEST ORDER

Recently, the European Union shifted to a lower somatic cell count maximum for milk used to produce dairy products in the rest of the world that are exported to their market. This shift has spurred an effort in the US to move the maximum somatic cell count from 750,000 cells per milliliter to 400,000 cells per milliliter for Grade A milk. The effects of such a move and the question over if there would be an impact at all have been part of the decision making process. The possibility of the tighter restrictions not having a substantial effect rests on the assumption that changes in the dairy industry have led to lower and lower SCC. The following data in Table 9 shows that the weighted average SCC on the Upper Midwest Federal Order have fallen over time. In addition, Table 9 indicates that the weighted standard deviation of SCC in herd data have also fallen over time. This trend means, in general, the average has fallen and the distribution has tightened up around that average in the period from 2005 to 2017.

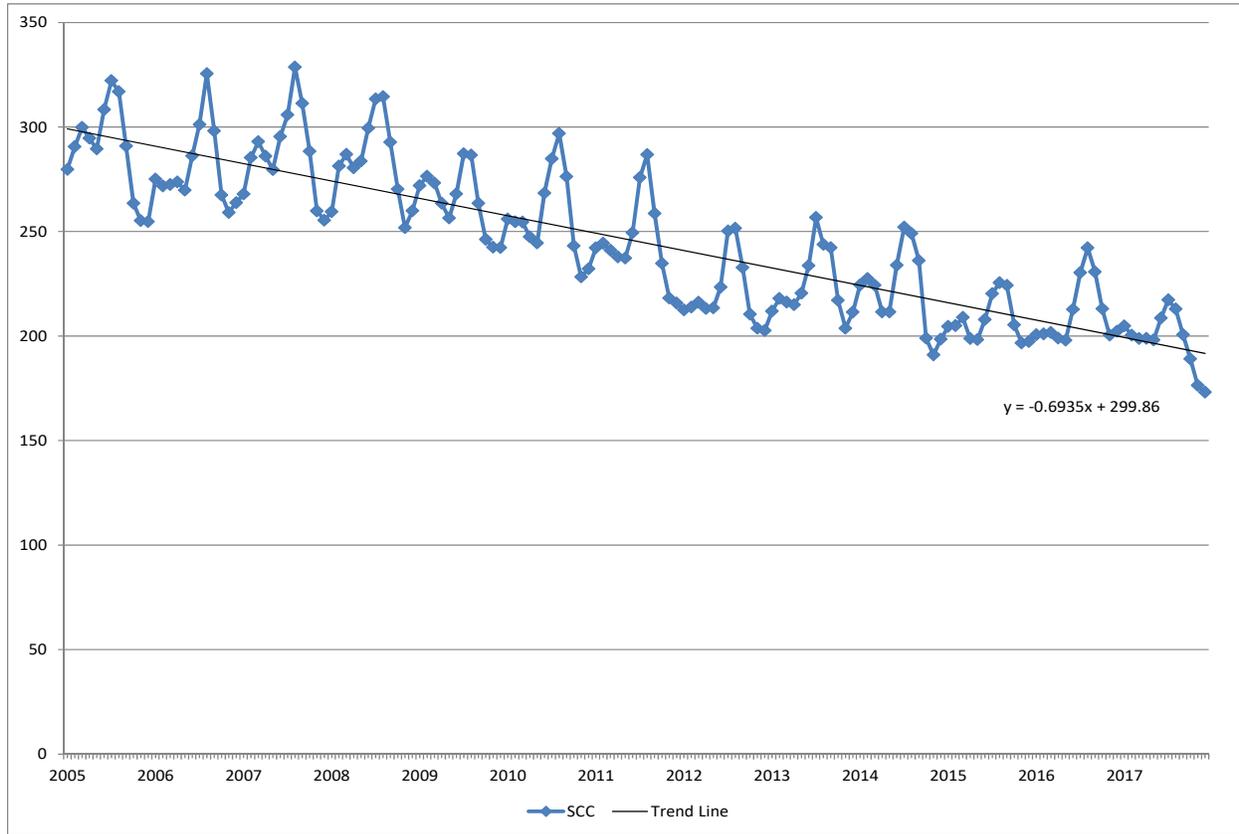
Chart 1 indicates that in addition to a downward sloped trend line, the effect of the trend is greater than the normal seasonal shifts in monthly somatic cell count. The herd milk from producers in recent years has a seasonal high somatic cell count, usually in mid or late summer; that high point no longer rises to the winter lows of earlier years. The seasonal highs since 2015 are below the seasonal low for 2008. A trend line fitted to the data shows a downward slope of -0.6935 times the average, so after a hundred observations or months, the average cell count falls by 69.35 1,000s of cells per milliliter from January 2005 to December 2017.

Table 9

**Weighted Average Somatic Cell Count in Milk
2005 - 2017**

<u>Year</u>	<u>Weighted Average Somatic Cell Count</u> -1,000-	<u>Weighted Standard Deviation</u> -1,000-
2005	285	147
2006	280	133
2007	288	137
2008	283	137
2009	265	130
2010	257	123
2011	245	115
2012	220	98
2013	224	100
2014	222	104
2015	208	94
2016	211	98
2017	198	93

Chart 1
Weighted Average Somatic Cell Count by Month, 2005 to 2017



VII. SUMMARY

The producer payroll data for Federal Order 30 is characterized by seasonality, roughly normal distributions, and a pronounced skewness in number of producers by size. Seasonally, SCC increase in the summer months as the other tests are decreasing. The SCC are also distributed with a skewness to higher values and a median value lower than the weighted average SCC. The producer data has a large number of farms producing a relatively small proportion of total milk. The component tests for these small farms have been historically higher including SCC. As a consequence of this skewness, the cwt. component value of the milk is also higher for smaller farms. A recent break from historical trends is that the largest categories of dairies have higher tests and milk value.

Smaller producers, based on average monthly milk marketed, had higher butterfat tests, protein tests and SCC than larger producers, while larger producers had higher other solids and SNF tests than smaller producers.

The smallest producers marketed less than 3 percent of the milk while the largest producers, those over 1,500,000 pounds, marketed more than a third of all the milk. The monthly average pounds of milk marketed were 319,206 pounds, however, over 80 percent of the producers had marketings below the market average.

Somatic cell counts under the Upper Midwest Marketing Order have shown a sustained and substantial downward trend from 2005 through 2017. This trend has coincided with a tightening of the distribution of somatic cell counts about the mean.

Under multiple component pricing, the annual weighted average value of butterfat, protein, and other solids, adjusted for SCC, was \$17.48 per cwt. for the market. Butterfat and protein contribute most of the milk's value with other solids and SCC contributing 9.02% of the total value.