

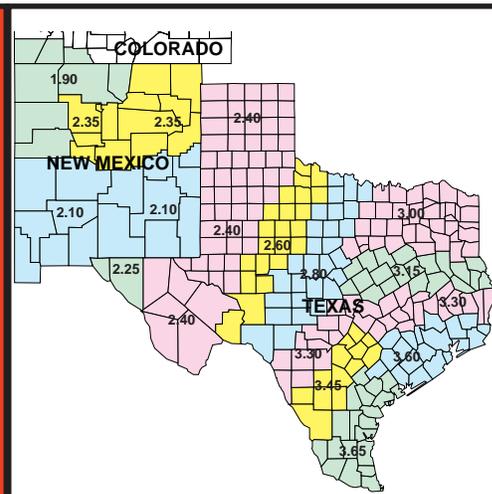
THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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MARKET SUMMARY FOR JANUARY

The Producer Price Differential (P.P.D.) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was \$1.96 for January. Butterfat price decreased \$0.0438 per pound from \$.9804 in December to the level of \$.9366 for January. Protein price increased .1062 cents per pound to \$2.1677 in January from \$2.0615 in December. January's Other Solids price decreased \$0.0036 per pound from the previous month to \$0.0503. The Somatic Cell Count adjustment rate factor increased .00001 per thousand (difference from 350) from .00057 in December to .00058 for January.

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a statistical blend price \$12.01 per hundredweight for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is a decrease of 68 cents in comparison to the computed blend price of \$12.69 (before reform) in December.

The January Class I price decreased 94 cents from \$14.65 in December to the January level of \$13.71. The Class II price for January of \$11.43 per hundredweight decreased 36 cents from \$11.79 in December. January's Class III price increased 42 cents to \$10.05 in January from \$9.63 in December. The Class IV price increased 4 cents from the previous month to \$10.73.

Producers delivered a total of 804,839,840 pounds of milk during January. On a daily basis this represents an increase of 37.97 percent from the producer receipts level in December and it represents an increase of 37.21 percent when compared to the producer receipts level of January 1999.

Producer milk classified as Class I during January

amounted to 42.14 percent of total producer receipts. This figure is down from 48.38 percent in December and it is down from 48.12 percent in January 1999. The average butterfat test of producer milk pooled during January was 3.707 percent, average protein test was 3.085 percent, average other solids test was 5.688 percent and the average somatic cell count was 282,000.

PROPOSALS ON AMENDING CLASS III & IV PRICING PROVISIONS INVITED

The Consolidated Appropriations Act, 2000, requires the Secretary of Agriculture to conduct a formal rulemaking proceeding to reconsider the Class III and Class IV milk pricing formulas included in the final rule for the consolidation and reform of Federal milk orders. The formulas resulting from the required proceeding are to be implemented on January 1, 2001. Consequently, USDA is requesting that interested parties submit proposals to modify the computation of Class III and Class IV prices adopted in the final rule published in the Federal Register on September 1, 1999 (64 Fed. Reg. 47897-48021) by February 29, 2000. It is anticipated that such a hearing would be held in late April or early May 2000.

The legislation requiring the hearing describes the proceeding as an emergency. It should be noted that an emergency rulemaking proceeding omits a recommended decision with the opportunity to file comments thereon. The potential omission of a recommended decision will be an issue that will be considered at the hearing.

In addition to the Class III and Class IV prices adopted in the final rule, the hearing will consider proposals that address changes to any of the factors

such as the specification of the products whose prices are identified, the yield factors, and the make allowances included in the computation of the component prices.

Two copies of the proposals should be mailed to: Deputy Administrator, Dairy Programs, Agricultural Marketing Service, United States Department of Agriculture, Room 2968, South Building, P.O. Box 96456, Washington, D.C. 20090-6456, by February 29, 2000.

Each proposal should be accompanied by a brief but comprehensive statement on the justification for the proposed changes. The statement will be used in deciding whether the proposals should be considered at the hearing. Those proposing changes to the Class III and Class IV price calculations contained in the final rule should plan to support their proposals with data, as well as arguments, at the hearing.

All known interested persons will be mailed a copy of the hearing notice when one is issued. Anyone who desires to present evidence on proposals set forth in the hearing notice will have an opportunity to do so at the hearing.

EXAMPLE PAYMENT TO PRODUCERS UNDER MCP - JAN 2000

An example of minimum Federal order payment for the Southwest Marketing Area using Multiple Component Pricing (MCP) is shown below. The example presented is a hypothetical farm with 100,000 pounds (1,000 cwt) of producer milk at the January 2000 market average component test.

To determine minimum order value, the hundredweights of milk are multiplied by the producer price differential (PPD). No location adjustment was made since the milk was delivered to the base county in the order. The pounds of butterfat, protein and other solids are multiplied by their respective prices. A somatic cell count adjustment is also computed based on the difference between the producers' somatic cell count (1,000's) and a count of 350. In the example, the difference of 68 (350-282) is multiplied by

the somatic cell adjustment factor per thousand (\$0.00058) and rounded to the nearest cent. The \$0.04 adjustment rate is multiplied by the hundredweights of milk. The calculation is a gross figure based on January prices and does not take into account adjustments such as hauling, coop costs, premiums, etc.

In summary, the minimum order payment is based on 1) the hundredweight of milk at the producer price differential (adjusted for plant location), which is the added value of the Class I, II and IV milk in the pool; 2) the pounds of butterfat at the butterfat price; 3) the pounds of protein at the protein price; 4) the pounds of other solids at the other solids price; and 5) the hundredweight of milk at the somatic cell adjustment.

\$125 MILLION TO AID DAIRY FARMERS

Agriculture Secretary Dan Glickman announced that USDA is providing \$125 million in direct cash payments to assist dairy farmers who have been hurt by low prices. An additional \$200 million in aid was distributed last summer.

"Dairy farmers are being squeezed by market conditions that don't allow them a fair price for their product," said Glickman. "This assistance is sorely needed to help keep many small-and medium-size dairy producers in business until prices stabilize."

To distribute limited resources equitably among all dairy producers, the Dairy Market Loss Assistance program provides payments based on an operation's milk production in 1997 or 1998, up to the first 26,000 hundredweight of production. All dairy farmers who produced milk during the last quarter of calendar year 1998 are eligible for the program.

Eligible dairy farmers who did not participate in the program last summer must sign up at their local Farm Service Agency offices or USDA Service Centers from January 24 to February 28, 2000. Farmers who participating in last summer's program will automatically receive payments and do not need to reapply for assistance. The dollar amount of payments will be calculated after sign-up is complete.

PAYMENT TO PRODUCERS - EXAMPLE

	Test	Pounds	Price	Value
Producer Price Differential		100,000	\$1.96 per cwt	\$1,960.00
Butterfat	3.707	3,707	\$0.9366 per lb	\$3,471.98
Protein	3.085	3,085	\$2.1677 per lb	\$6,687.35
Other Solids	5.688	5,688	\$0.0503 per lb	\$286.11
Somatic Cells	282	100,000	\$0.0400 per cwt	\$40.00
Total				\$12,455.44

TOP TEN TEXAS COUNTIES a/ – JANUARY 2000

County	Number of Producers	Pounds	% Change From 1999b/	County	Number of Producers	Pounds	% Change From 1999b/
1. Erath	147	137,480,066	+5.02	7. Johnson	37	15,962,242	+2.42
2. Hopkins	216	52,298,110	-.98	8. Hamilton	21	14,947,236	-16.76
3. Comanche	47	48,145,985	+21.66	9. Van Zandt	23	10,870,193	-.29
4. Archer	59	24,636,129	+18.21	10. Lamb	3	10,608,426	+54.92
5. El Paso	8	23,066,651	-4.58	Ten County Total	623	354,607,951	+3.99 b/
6. Wood	62	16,592,913	-8.46	Other Counties Total	532	168,996,200	+5.12
				Texas Total	1,155	523,604,151	+4.35

a/ Includes all known Grade "A" milk produced on farms located in Texas.

b/ Compared to top ten counties for the month in the previous year.

Class Prices at 3.5%, for Federal Orders 126 Formula Prices and Price Quotations

Month	Class Prices & P.P.D.					Component Prices				NASS Product Prices			
	I	II	III	IV	P.P.D.	BF	Other Solids	True Protein	SCC ^{c/} Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
	----- Dollars Per Hundred Wt. -----					-----Cents Per Pound-----							
Averages 1998b/	16.70	13.84	14.20	14.85									
January 1999	20.00	17.14	16.27	13.12		158.71	7.92	329.28	.00086	141.54	172.25	106.37	21.37
February	20.50	17.64	10.27	12.78		144.44	5.44	200.06	.00065	129.84	129.25	103.59	18.97
March	19.43	16.57	11.62	12.36		144.87	5.65	204.28	.00065	130.19	130.64	101.69	19.17
April	13.43	10.57	11.81	11.06		110.00	4.91	251.04	.00066	101.60	131.26	100.71	18.45
May	14.78	11.92	11.26	11.62		117.57	3.81	219.84	.00062	107.81	124.99	100.69	17.39
June	14.97	12.11	11.42	13.29		164.26	3.52	169.92	.00064	146.09	127.86	100.46	17.11
July	14.42	11.56	13.59	12.37		154.30	3.66	244.31	.00073	137.93	145.83	100.54	17.24
August	14.58	11.72	15.79	12.62		152.96	4.55	334.21	.00086	136.83	171.54	100.89	18.10
September	16.75	13.89	16.26	12.37		147.71	5.39	338.53	.00085	132.52	170.84	101.74	18.92
October	18.95	16.09	11.49	11.78		123.57	5.93	261.38	.00070	112.73	139.34	101.83	19.44
November	19.42	16.56	9.79	11.57		115.82	5.65	206.96	.00060	106.37	120.58	101.68	19.17
December	14.65	11.79	9.63	10.69		98.04	5.39	206.15	.00057	91.79	113.71	101.11	18.92
Averages 1999b/	16.82	13.96	12.43	12.14		136.02	5.15	247.16	.00070	122.94	139.84	101.78	18.69
January	13.71	11.43	10.05	10.73	1.96	93.66	5.03	216.77	.00058	88.20	115.17	101.15	18.57

a/ Subject to zone and location adjustments. b/ Simple averages c/ SCC adjustment rate is per 1,000 difference.

TOP NEW MEXICO COUNTIES a/ – JANUARY 2000

County	Number of Producers	Pounds	% Change From 1999b/	County	Number of Producers	Pounds	% Change From 1999b/
1. Chaves	41	144,383,222	+10.27	7. Bernalillo	8	11,206,970	+8.12
2. Dona Ana	25	69,063,197	+9.58	8. Socorro	8	10,221,342	+9.70
3. Curry	13	58,559,125	+20.74	9. Valencia	10	9,739,621	+3.12
4. Roosevelt	31	52,581,849	+8.71				
5. Lea	13	34,212,561	+6.37	Nine County Total	155	413,877,459	+10.16
6. Eddy	6	23,909,572	+1.38	Other Counties Total	4	5,481,174	+1.16
				New Mexico Total	159	419,358,633	+10.03

a/ All known Grade "A" milk produced on farms located in New Mexico.

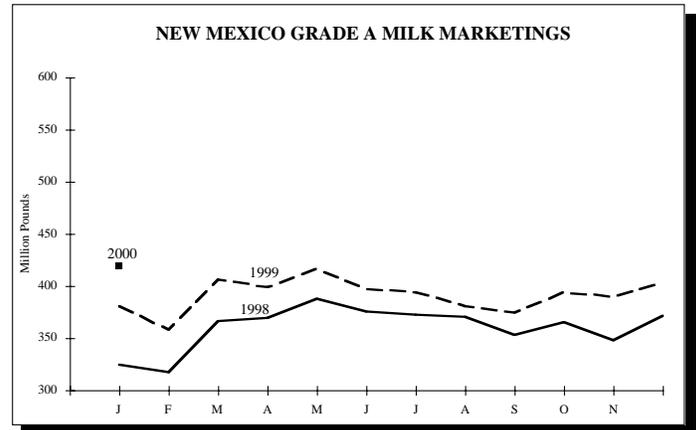
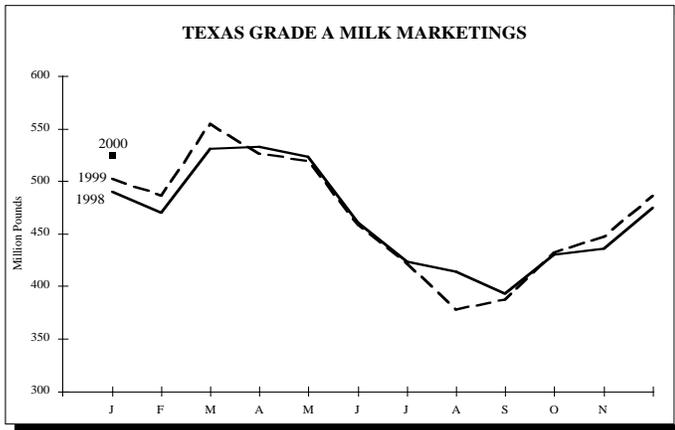
b/ Compared to top counties for the month in the previous year.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 1998 THROUGH JANUARY 2000, WITH PERCENTAGE COMPARISONS**

MONTH	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	PERCENT CHANGE 1999/98	PERCENT CHANGE 2000/99
January	491,168,340	1,359	501,754,729	1,251	523,604,151	1,155	+2.16	+4.35
February	469,305,849	1,347	486,044,271	1,245			+3.57	
March	532,588,272	1,339	553,983,640	1,241			+4.02	
April	532,823,237	1,336	525,773,380	1,233			-1.32	
May	524,523,430	1,319	519,613,189	1,219			-.94	
June	464,057,905	1,321	458,247,406	1,216			-1.25	
July	422,973,696	1,305	421,340,140	1,206			-.39	
August	413,296,879	1,298	377,392,147	1,197			-8.69	
September	392,427,802	1,300	386,931,407	1,189			-1.40	
October	429,372,951	1,289	432,175,585	1,181			+6.65	
November	435,572,798	1,271	447,062,545	1,166			+2.64	
December	<u>474,573,747</u>	1,260	<u>485,682,323</u>	1,160			<u>+2.34</u>	
Years Total	5,582,684,906		5,596,058,417				+2.24	

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 1998 THROUGH JANUARY 2000, WITH PERCENTAGE COMPARISONS**

MONTH	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	PERCENT CHANGE 1999/98	PERCENT CHANGE 2000/99
January	324,314,276	158	381,115,401	156	419,358,633	159	+17.51	+10.03
February	317,500,751	156	358,049,940	157			+12.77	
March	366,656,779	157	406,789,374	156			+10.95	
April	369,782,775	156	399,229,362	157			+7.96	
May	388,308,155	155	416,852,251	157			+7.35	
June	378,569,203	159	397,483,877	159			+5.00	
July	372,803,402	157	393,796,366	158			+5.63	
August	370,668,016	156	380,628,318	158			+2.69	
September	353,457,040	155	374,886,452	160			+6.06	
October	365,469,264	159	394,366,657	162			+7.91	
November	348,126,652	158	389,857,074	159			+11.99	
December	<u>371,894,332</u>	157	<u>403,101,846</u>	158			<u>+8.39</u>	
Years Total	4,327,550,645		4,696,156,918				+8.52	



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TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat		Protein ^{b/}		Other Solids ^{b/}		S-N-F		SCC ^{a/}	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
January 1999	3.67	3.64	3.11	3.07	5.67	5.68	8.78	8.75	375	261
February	3.59	3.60	3.06	3.05	5.68	5.67	8.74	8.72	351	267
March	3.59	3.57	3.07	3.03	5.69	5.68	8.76	8.71	346	255
April	3.50	3.52	3.04	3.01	5.70	5.68	8.74	8.69	342	242
May	3.52	3.48	3.00	2.97	5.70	5.69	8.70	8.66	348	240
June	3.53	3.45	3.00	2.95	5.66	5.68	8.66	8.63	395	265
July	3.52	3.40	3.01	2.92	5.63	5.65	8.64	8.57	408	290
August	3.54	3.43	3.02	2.95	5.61	5.65	8.63	8.60	429	310
September	3.60	3.50	3.10	3.01	5.61	5.66	8.71	8.67	420	305
October	3.70	3.61	3.15	3.09	5.63	5.65	8.78	8.74	357	273
November	3.71	3.67	3.13	3.10	5.65	5.65	8.78	8.75	333	244
December	3.75	3.72	3.13	3.13	5.66	5.68	8.79	8.81	324	248
Averages	3.60	3.55	3.07	3.02	5.66	5.67	8.73	8.69	369	267
January 2000	3.71	3.68	3.08	3.08	5.69	5.68	8.77	8.77	313	257

a/ In thousands. b/ Estimated for 1999: True Protein = Crude Protein - .19 and Other Solids = SNF - True Protein

**JANUARY 2000
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$435,569.36
Class I Butterfat	60(a)	7,760,075	\$1.0154	\$7,879,580.17
Class I Skim Per Cwt		331,364,743	\$10.7200	\$35,522,300.46
Class II Butterfat	60(b)	5,713,639	\$0.9436	\$5,391,389.77
Class II Nonfat Solids		6,018,453	\$0.9356	\$5,630,864.65
Class III Butterfat	60(c)	9,386,670	\$0.9366	\$8,791,555.15
Class III Protein		8,029,989	\$2.1677	\$17,406,607.15
Class III Other Solids		14,796,360	\$0.0503	\$744,256.90
Class IV Butterfat	60(d)	6,971,689	\$0.9366	\$6,529,683.92
Class IV Nonfat Solids		11,531,967	\$0.8574	\$9,887,508.49
Class II, III & IV Somatic Cell Adj.	60(e)			\$210,399.32
Total Producer Milk-Product Lbs & Value		804,839,840		\$98,429,715.34
Add: Value as for 60(f) Thru 60(j)				\$217,677.61
Less: Total Protein Pounds	61(b)	24,826,967	\$2.1677	\$53,817,416.41
Total Other Solids Pounds		45,776,290	\$0.0503	\$2,302,547.41
Total Butterfat Pounds		29,832,073	\$0.9366	\$27,940,719.60
Total Value of Somatic Cell Adjustment				\$319,656.35
Total Milk and Value		804,839,840		\$14,267,053.18
Add: Location Differential Adjustments	61(c)			\$1,620,065.95
Producer-Settlement Fund	61(d)			\$260,823.63
Total Producer Milk/URSP and Value		805,129,645	\$2.00563	\$16,147,942.76
Less: Producer-Settlement Fund	61(f)		\$0.04563	\$367,401.72
Producer Price Differential (Dallas County)			\$1.96	\$15,780,541.04

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Producer Milk Utilization Percentages

	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	339,124,818	42.14	7,760,075	26.01	331,364,743	42.76
Class II	71,861,114	8.93	5,713,639	19.15	66,147,475	8.54
Class III	260,447,105	32.35	9,386,670	31.47	251,060,435	32.39
Class IV	133,406,803	16.58	6,971,689	23.37	126,435,114	16.31
Total	804,839,840	100.00	29,832,073	100.00	775,007,767	100.00

Producer Milk Component Utilization Percentages

	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,638,878	42.85	19,587,612	42.79	30,226,486	42.82
Class II	2,114,516	8.52	3,903,932	8.53	6,018,453	8.52
Class III	8,029,989	32.34	14,796,360	32.32	22,826,351	32.33
Class IV	4,043,584	16.29	7,488,386	16.36	11,531,967	16.33
Total	24,826,967	100.00	45,776,290	100.00	70,603,257	100.00