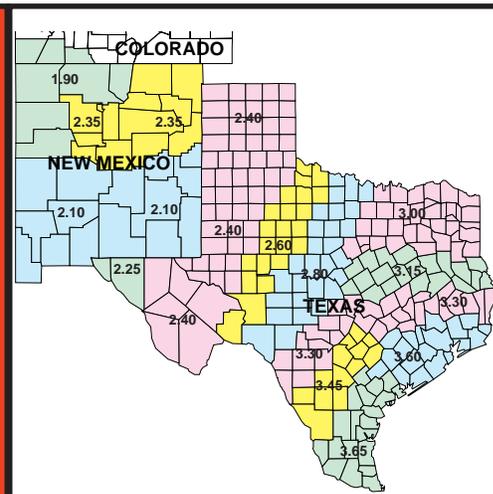


# THE MARKET ADMINISTRATOR'S

# REPORT



## SOUTHWEST MARKETING AREA

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## MARKET SUMMARY FOR JULY

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 \$1.66 for July. Butterfat price decreased \$0.0206 per pound from \$2.2089 in June to the level of \$2.1883 for July. Protein price increased \$0.1505 cents per pound from \$2.1670 in June to \$2.3175 in July. July's Other Solids price increased \$0.0101 per pound from the previous month to \$0.1510. The Somatic Cell Count adjustment rate factor for July was .00083 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a July statistical uniform price of \$17.12 per hundredweight for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is an increase of 27 cents in comparison to the statistical blend price of \$16.85 in June.

The July Class I price increased 35 cents from \$17.99 in June to the July level of \$18.34. The Class II price for July of \$15.96 per hundredweight decreased 9 cents from \$16.05 in June. July's Class III price increased 44 cents from \$15.02 in June to \$15.46 in July. The Class IV price decreased 52 cents from \$15.33 in June to \$14.81 in July.

In July 761 producers delivered a total of 722,575,119 pounds of milk. On a daily basis this represents a decrease of 7.17 percent from the producer receipts level in June and it represents a decrease of 0.67 percent when compared to the producer receipts level of July 2000.

Producer milk classified as Class I during July amounted to 43.42 percent of total producer receipts. This figure is up from 41.10 percent in June and it is up from 42.02 percent in July 2000. The average butterfat test of producer milk pooled during July was 3.510 percent, average protein test was 2.948 percent, average other solids test was 5.640 percent and the average somatic cell count was 354,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 01	Jun 01	Jul 01	Jun 01	Jul 01	Jun 01
Appalachian	17.61	17.33	-----	-----	66.06	58.22
Arizona-Las Vegas	16.08	15.88	-----	-----	31.48	29.04
Central	16.14	15.79	0.68	0.77	24.10	23.90
Florida	18.88	18.89	-----	-----	87.41	91.28
Mideast	16.24	15.97	0.78	0.95	30.90	32.10
Northeast	17.21	17.08	1.75	2.06	39.30	40.70
Pacific Northwest	15.80	15.78	0.34	0.76	26.17	26.62
Southeast	17.54	17.28	-----	-----	63.82	60.27
<b>Southwest</b>	<b>17.12</b>	<b>16.85</b>	<b>1.66</b>	<b>1.83</b>	<b>43.42</b>	<b>41.10</b>
Upper Midwest	15.91	15.52	0.45	0.50	20.20	19.80
Western	15.90	15.67	0.44	0.65	18.72	17.32

**COMPONENT PRICING IN THE SOUTHWEST**

Beginning in the year 2000, order reform brought about some changes in the Southwest that had been discussed for several years. The Texas and New Mexico - West Texas orders operating in the region were merged into the Southwest order, and a component pricing system was implemented to establish class prices for handlers and pay prices for producers. Component pricing was chosen over skim/butterfat pricing mainly due to the fact that a majority of the milk under the new order would be used as manufactured milk. The component pricing system adopted is a modified system that had been used in the Upper Midwest for a number of years. The primary components used in establishing milk value in the new system is protein and other solids along with the traditional component butterfat. The USDA implemented component pricing in seven of the eleven orders leaving skim/butterfat pricing in the remaining four.

Is component pricing a good thing? The answer is - it depends. If we compare the Southwest Order total pool values for 2000 (Table 1), producers as a whole pooled on the order received \$4.8 million more during the year under component pricing than they would have under skim/butterfat pricing. Since producers as a whole benefited, the cost to handlers as a whole had to go up. If we look at the individual months, nine months returned positive values while three months were negative. The reason resides in the level of components in the producer milk. The skim/butterfat pricing system establishes values much the same as the component system except that the skim/butterfat system assumes that all producer milk has a protein level of 3.1% and other solids level of 5.9% in the skim milk portion. Comparing protein (Figure 1) and other solids levels (Figure 2) to the assumed percentages during 2000 indicates the months in which positive and/or negatives returns should take place. Other solids levels are lower than the assumed 5.9% in many more months than protein is lower than its assumed 3.1%, however other solids are valued much lower than protein allowing the higher protein levels to offset the lower other solids value.

Producers in total benefit under component pricing in the Southwest order due to their high protein levels. Individuals on the other hand may or may not benefit depending on their individual component levels. Producers with components that are greater than the 3.1% and 5.9% benefit while producers with lower test would be better off under a skim/butterfat.

Example Calculation of Skim Milk Portion Test - If a producer's milk has component test of 3.67% butterfat, 3.05% protein and 5.70% other solids. Protein test in the skim milk portion is 3.166%.  $[3.05\% / (1 - .0367)]$  Other solids test in the skim milk portion is 5.917%.  $[5.70\% / (1 - .0367)]$

Table 1. Comparison of Southwest Order Total Pool Values for 2000 Component versus Skim/Butterfat Pricing					
2000	Skim/Butterfat Pricing Value	Component Pricing Value	Additional/Less Dollars	Producer Milk	Additional/Less Dollars/cwt
Jan	\$ 97,504,929.50	\$ 98,429,715.34	\$ 924,785.84	804,839,840	\$ 0.11
Feb	\$ 93,361,914.96	\$ 94,098,965.42	\$ 737,050.46	790,020,277	\$ 0.09
Mar	\$ 97,570,278.48	\$ 98,196,325.16	\$ 626,046.68	820,957,744	\$ 0.08
Apr	\$ 88,251,514.29	\$ 88,735,753.55	\$ 484,239.26	742,209,343	\$ 0.07
May	\$ 90,005,083.58	\$ 90,213,854.35	\$ 208,770.77	737,857,036	\$ 0.03
Jun	\$ 79,916,675.37	\$ 79,909,416.06	\$ (7,259.31)	643,102,477	\$ (0.00)
Jul	\$ 94,416,345.75	\$ 94,033,318.12	\$ (383,027.63)	727,472,258	\$ (0.05)
Aug	\$ 93,085,335.89	\$ 92,913,318.22	\$ (172,017.67)	722,617,541	\$ (0.02)
Sep	\$ 89,349,183.22	\$ 89,582,480.27	\$ 233,297.05	681,901,783	\$ 0.03
Oct	\$ 94,036,373.85	\$ 94,850,611.90	\$ 814,238.05	728,266,072	\$ 0.11
Nov	\$ 83,451,833.23	\$ 83,958,975.17	\$ 507,141.94	651,752,101	\$ 0.08
Dec	\$ 86,872,943.15	\$ 87,737,751.20	\$ 864,808.05	661,982,448	\$ 0.13
Total for Year	\$1,087,822,411.27	\$1,092,660,484.76	\$4,838,073.49	8,712,978,920	\$ 0.06

Figure 1. Average Percent Protein in Producer Skim Milk in the Southwest Order - 2000

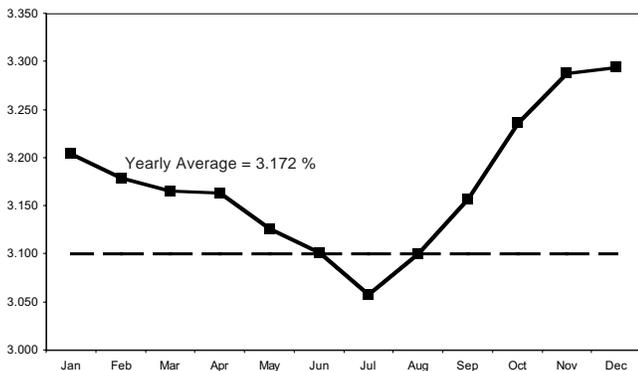
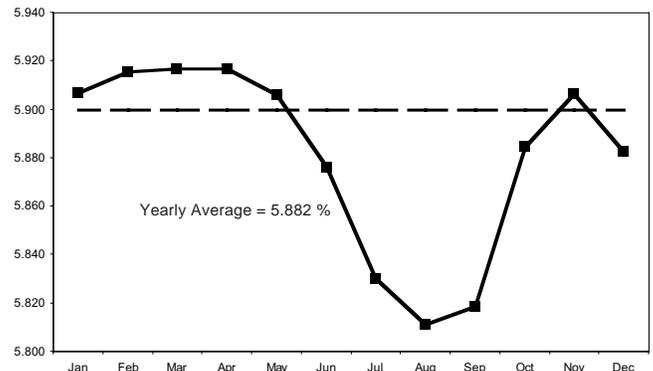


Figure 2. Average Percent Other Solids in Producer Skim Milk in the Southwest Order - 2000



## TOP TEN TEXAS COUNTIES a/ – JULY 2001

County	Number of Producers	Pounds	% Change From 2000b/	County	Number of Producers	Pounds	% Change From 2000b/
1. Erath	134	104,441,899	- 7.76	7. Hamilton	17	11,016,542	- 10.02
2. Hopkins	176	39,219,079	- 4.66	8. Wood	46	10,283,836	- 18.50
3. Comanche	43	37,101,401	- 6.78	9. Johnson	23	9,294,423	- 28.50
4. El Paso	7	19,392,916	+ 4.25	10. Tom Green	9	8,663,214	- 5.51
5. Archer	53	17,577,713	- 14.89	Ten County Total	512	272,621,047	- 6.75 b/
6. Lamb	4	15,630,024	+ 31.11	Other Counties Total	420	115,317,805	- 15.40
				<b>Texas Total</b>	<b>932</b>	<b>387,938,852</b>	<b>- 9.50</b>

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.					BF	Component Prices			NASS Product Prices			
	I a/	II	III	IV	P.P.D.a/		Other Solids	True Protein	SCC c/ Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
	----- Dollars Per Hundred Wt. -----						-----Cents Per Pound-----						
May	14.48	12.63	9.37	11.91	3.06	128.54	4.03	155.14	.00055	116.80	110.22	100.71	17.60
June	14.70	13.08	9.46	12.38	3.29	141.28	4.38	142.78	.00056	127.25	111.37	100.97	17.94
July	15.46	12.58	10.66	11.87	2.70	126.91	5.57	197.26	.00061	115.47	121.89	101.02	19.09
August	14.95	12.56	10.13	11.87	3.03	126.59	5.77	179.52	.00058	115.20	116.60	101.08	19.29
September	14.84	12.58	10.76	11.94	2.52	127.07	5.02	201.37	.00062	115.60	123.15	101.66	18.56
October	14.89	12.54	10.02	11.81	2.87	124.44	4.71	180.28	.00058	113.44	116.02	101.27	18.26
November	14.82	13.68	8.57	13.00	4.02	157.45	5.65	91.49	.00051	140.51	102.45	101.59	19.17
December	15.13	13.97	9.37	13.27	3.54	165.34	8.29	103.78	.00054	146.98	108.98	101.58	21.72
Averages 2000b/	14.55	12.53	9.74	11.83	2.86	125.22	5.09	169.38	.00057	114.08	113.13	101.15	18.63
January 2001	16.99	12.82	9.99	12.13	3.63	128.96	11.20	161.81	.00056	117.25	111.80	101.65	24.84
February	14.94	13.43	10.27	12.70	2.97	146.26	11.99	149.51	.00057	131.43	114.67	101.37	25.61
March	15.65	14.17	11.42	13.46	2.76	168.20	10.39	164.98	.00064	149.42	127.37	101.27	24.06
April	16.44	15.10	12.06	14.41	2.85	194.83	10.81	154.43	.00067	171.26	134.23	101.45	24.46
May	17.21	15.72	13.83	15.04	2.22	211.91	12.29	191.08	.00076	185.27	151.29	101.80	25.90
June	17.99	16.05	15.02	15.33	1.83	220.89	14.09	216.70	.00081	192.63	162.11	101.48	27.64
July	18.34	15.96	15.46	14.81	1.66	218.83	15.10	231.75	.00083	190.94	165.73	96.34	28.62

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

## TOP NEW MEXICO COUNTIES a/ – JULY 2001

County	Number of Producers	Pounds	% Change From 2000b/	County	Number of Producers	Pounds	% Change From 2000b/
1. Chaves	40	139,898,140	+ 1.48	7. Socorro	8	13,199,940	+ 24.41
2. Roosevelt	39	77,411,214	+ 26.41	8. Valencia	9	10,022,891	+ 2.46
3. Curry	18	76,014,581	+ 21.81	9. Bernalillo	5	6,097,332	- 0.72
4. Dona Ana	25	74,006,566	+ 6.02				
5. Lea	15	37,714,229	+ 6.63	Nine County Total	166	458,444,991	+ 9.91 b/
6. Eddy	7	24,080,098	+0.69	Other Counties Total	5	10,917,554	+ 5.69
				<b>New Mexico Total</b>	<b>171</b>	<b>469,362,545</b>	<b>+ 9.80</b>

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 1999 THROUGH JULY 2001, WITH PRODUCTION PERCENTAGE COMPARISONS**

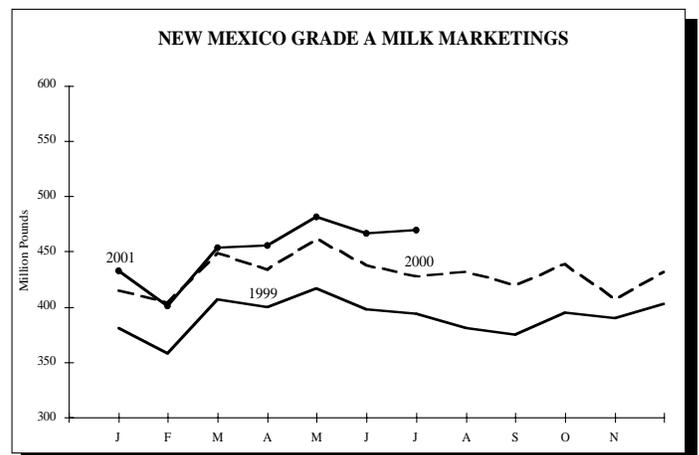
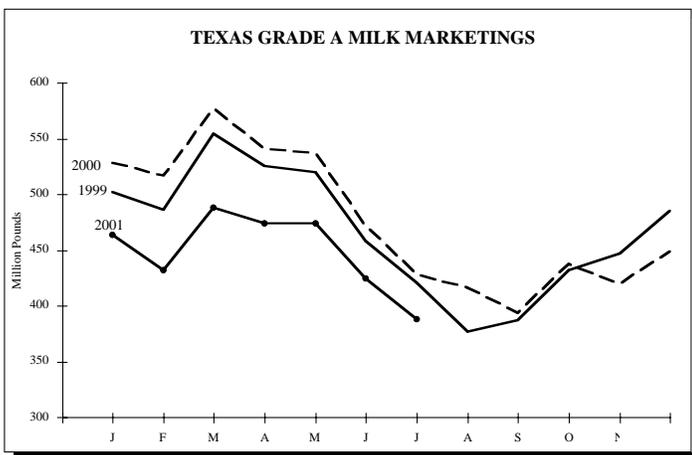
MONTH	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	2001 POUNDS	Number of Producers	PERCENT CHANGE 2000/99	PERCENT CHANGE 2001/00
January	501,754,729	1,251	528,032,131	1,156	463,431,654	1,026	+5.24	-12.23
February	486,044,271	1,245	517,023,791	1,141	432,156,106	1,006	+6.37	-13.43*
March	553,983,640	1,241	577,134,609	1,134	487,875,678	991	+4.18	-15.47
April	525,773,380	1,233	540,903,763	1,121	474,386,881	978	+2.88	-12.30
May	519,613,189	1,219	536,505,477	1,112	474,113,159	961	+3.25	-11.63
June	458,247,406	1,216	472,478,168	1,103	424,655,275	953	+3.11	-10.12
July	421,397,795	1,206	428,683,700	1,089	387,938,852	932	+1.73	-9.50
August	377,392,147	1,197	415,788,563	1,082			+10.17	
September	386,931,407	1,189	393,642,034	1,066			+1.73	
October	432,175,585	1,181	437,963,207	1,058			+1.34	
November	447,062,545	1,166	420,274,058	1,041			-5.99	
December	<u>485,682,323</u>	1,160	<u>448,671,268</u>	1,033			<u>-7.62</u>	
Years Total	5,596,058,417		5,717,100,769				+2.16	

\*Based on average daily delivery.

**POUNDS OF GRADE A MILK MARKETED BY  
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:  
JANUARY 1999 THROUGH JULY 2001, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	2001 POUNDS	Number of Producers	PERCENT CHANGE 2000/99	PERCENT CHANGE 2001/00
January	381,115,401	156	414,930,653	158	432,749,978	166	+8.87	+4.29
February	358,049,940	157	404,085,655	158	400,543,634	166	+12.86	+2.66*
March	406,789,374	156	447,971,781	158	453,232,150	165	+10.12	+1.17
April	399,229,362	157	433,303,618	159	454,980,340	167	+8.54	+5.00
May	416,852,251	157	461,526,991	159	480,995,372	169	+10.72	+4.22
June	397,483,877	159	437,718,050	159	466,640,323	170	+10.12	+6.61
July	393,796,366	158	427,456,503	159	469,362,545	171	+8.55	+9.80
August	380,628,318	158	431,815,797	160			+13.45	
September	374,886,452	160	419,669,872	161			+11.95	
October	394,366,657	162	438,410,599	163			+11.17	
November	389,857,074	159	407,114,759	167			+4.43	
December	<u>403,101,846</u>	158	<u>431,351,678</u>	166			<u>+7.01</u>	
Years Total	4,696,156,918		5,155,355,956				+9.78	

\*Based on average daily delivery.



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## TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat		Protein		Other Solids		S-N-F		SCC <sup>a/</sup>	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
July 2000	3.54	3.42	3.01	2.91	5.62	5.63	8.63	8.54	419	287
August	3.55	3.44	3.05	2.95	5.60	5.62	8.65	8.57	420	287
September	3.59	3.48	3.10	3.01	5.61	5.63	8.71	8.64	419	278
October	3.72	3.59	3.16	3.10	5.67	5.67	8.82	8.77	369	258
November	3.81	3.73	3.19	3.15	5.69	5.68	8.87	8.83	406	313
December	3.84	3.73	3.21	3.14	5.68	5.65	8.88	8.79	378	312
Averages 2000	3.65	3.56	3.09	3.04	5.67	5.67	8.75	8.71	374	273
January 2001	3.81	3.72	3.13	3.10	5.69	5.67	8.81	8.76	422	366
February	3.72	3.69	3.08	3.06	5.69	5.68	8.76	8.74	421	388
March	3.64	3.61	3.07	3.04	5.71	5.70	8.78	8.74	414	348
April	3.54	3.54	3.04	3.01	5.68	5.68	8.72	8.69	383	302
May	3.51	3.48	3.02	2.98	5.67	5.69	8.68	8.66	397	296
June	3.54	3.47	3.01	2.94	5.68	5.70	8.68	8.63	400	295
July	3.57	3.47	3.00	2.91	5.64	5.65	8.63	8.56	430	315

a/ In thousands.

**JULY 2001**  
**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$375,468.09
Class I Butterfat	60(a)	7,562,624	\$2.2404	\$16,943,302.80
Class I Skim Per Cwt		306,170,320	\$10.8800	\$33,311,330.82
Class II Butterfat	60(b)	6,521,852	\$2.1953	\$14,317,421.69
Class II Nonfat Solids		6,308,094	\$0.9533	\$6,013,506.03
Class III Butterfat	60(c)	8,764,031	\$2.1883	\$19,178,329.05
Class III Protein		7,641,805	\$2.3175	\$17,709,883.10
Class III Other Solids		14,714,267	\$0.1510	\$2,221,854.32
Class IV Butterfat	60(d)	2,515,682	\$2.1883	\$5,505,066.93
Class IV Nonfat Solids		6,043,849	\$0.8234	\$4,976,505.28
Class II, III & IV Somatic Cell Adj.	60(e)			\$41,545.54
Total Producer Milk-Product Lbs & Value		722,575,119		\$120,594,213.65
Add: Value as for 60(f) Thru 60(j)				\$49,697.34
Less: Total Protein Pounds	61(b)	21,304,399	<b>\$2.3175</b>	\$49,372,944.72
Total Other Solids Pounds		40,754,160	<b>\$0.1510</b>	\$6,153,878.20
Total Butterfat Pounds		25,364,189	<b>\$2.1883</b>	\$55,504,454.79
Total Value of Somatic Cell Adjustment				(\$24,694.71)
<b>Total Milk and Value</b>		722,575,119		\$9,637,327.99
Add: Location Differential Adjustments	61(c)			\$2,352,216.66
Producer-Settlement Fund	61(d)			\$311,393.87
<b>Total Producer Milk/URSP and Value</b>		723,010,002	\$1.70135	\$12,300,938.52
Less: Producer-Settlement Fund	61(f)		\$0.04135	\$298,972.49
<b>Producer Price Differential (Dallas County)</b>			<b>\$1.66</b>	\$12,001,966.03

**THE MARKET ADMINISTRATOR'S**  
***REPORT***

**SOUTHWEST MARKETING AREA**  
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**JULY 2001**  
**PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES**

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	313,732,944	43.42	7,562,624	29.82	306,170,320	43.91
Class II	77,384,657	10.71	6,521,852	25.71	70,862,805	10.16
Class III	261,001,633	36.12	8,764,031	34.55	252,237,602	36.19
Class IV	70,455,885	9.75	2,515,682	9.92	67,940,203	9.74
Total	722,575,119	100.00	25,364,189	100.00	697,210,930	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,433,376	44.28	17,917,172	43.96	27,350,541	44.08
Class II	2,165,291	10.16	4,142,797	10.17	6,308,094	10.16
Class III	7,641,805	35.87	14,714,267	36.10	22,356,075	36.02
Class IV	2,063,927	9.69	3,979,924	9.77	6,043,849	9.74
Total	21,304,399	100.00	40,754,160	100.00	62,058,559	100.00