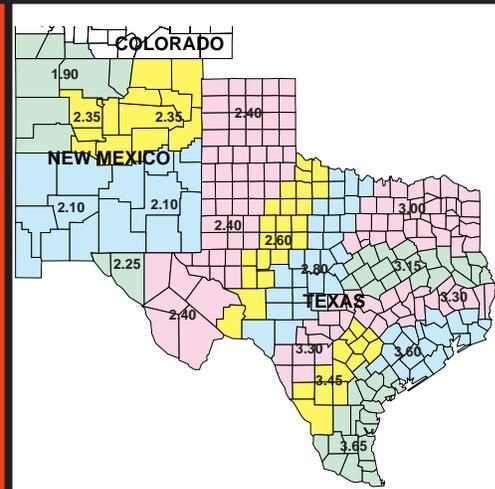


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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VOLUME XXVII, NO. 6

JUNE 2001

MARKET SUMMARY FOR MAY

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 \$2.22 for May. Butterfat price increased \$0.1708 per pound from \$1.9483 in April to the level of \$2.1191 for May. Protein price increased \$0.3665 cents per pound from \$1.5443 in April to \$1.9108 in May. May's Other Solids price increased \$0.0148 per pound from the previous month to \$0.1229. The Somatic Cell Count adjustment rate factor for May was .00076 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a May statistical uniform price of \$16.05 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 \$1.14 in comparison to the statistical blend price of \$14.91 in April.

The May Class I price increased 77 cents from \$16.44 in April to the May level of \$17.21. The Class II price for May of \$15.72 per hundredweight increased 62 cents from \$15.10 in April. May's Class III price increased \$1.77 from \$12.06 in April to \$13.83 in May. The Class IV price increased 63 cents from \$14.41 in April to \$15.04 in May.

In May 827 producers delivered a total of 805,859,190 pounds of milk. On a daily basis this represents an increase of 14.52 percent from the producer receipts level in April and it represents an increase of 9.22 percent when compared to the producer receipts level of May 2000.

Producer milk classified as Class I during May amounted to 41.56 percent of total producer receipts. This figure is down from 47.38 percent in April and it is down from 44.41 percent in May 2000. The average butterfat test of producer milk pooled during May was 3.498 percent, average protein test was 2.998 percent, average other solids test was 5.678 percent and the average somatic cell count was 341,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	May 01	Apr 01	May 01	Apr 01	May 01	Apr 01
Appalachian	16.77	15.84	-----	-----	58.01	55.18
Arizona-Las Vegas	15.11	14.07	-----	-----	28.58	29.05
Central	14.80	13.42	0.97	1.36	25.56	25.34
Florida	18.22	17.34	-----	-----	90.40	87.63
Mideast	15.12	13.94	1.29	1.88	37.30	40.10
Northeast	16.32	15.24	2.49	3.18	41.10	41.20
Pacific Northwest	15.12	14.05	1.29	1.99	27.74	32.37
Southeast	16.54	15.57	-----	-----	57.55	55.73
Southwest	16.05	14.91	2.22	2.85	41.56	47.38
Upper Midwest	14.50	12.89	0.67	0.83	20.70	18.60
Western	14.74	13.41	0.91	1.35	22.32	23.98

DAIRY PRICES FIRM

Wholesale prices of butter and cheese have held fairly steady after rising briskly in February through April. The economic and natural factors that caused the sizable winter declines in milk production are likely to have continuing effects on milk output during much of the rest of 2001. Meanwhile, demand for cheese, butter, and some other dairy products remains strong. Farm milk prices are now projected to match or exceed all but those of 1998.

Milk cow numbers fell below a year earlier during the winter. The low 2000 returns served to slow expansion by some dairy farms, while encouraging the exit of others. The collapse in milk per cow was much more startling. Milk per cow in the 20 States went from more than 2 percent above a year earlier last summer to 2 percent below by March. Recent milk price increases should strengthen milk per cow, lifting milk-feed price ratios from modestly favorable to quite favorable and reversing any slippage in the use of bovine somatotropin. On the other hand, the damage to cows done by winter weather will persist, and nothing can be done about poor forage quality until new-crop hay is available.

Milk output is projected to recover by the end of the year. But, declines probably will continue through summer, and any autumn increase is expected to be small. The 2001 decrease from a year earlier is expected to be about 1 percent, the first decrease since 1996 and possibly the largest since 1984.

Demand for key dairy products has stayed good, although not quite matching that of the three previous years. Brisk movement and drops in output forestalled normal seasonal increases in commercial stocks. Commercial stocks of butter, cheese, and (probably) nonfat dry milk were well below a year earlier on May 1.

Wholesale cheese prices are expected to be fairly steady through summer and may not change much until the end of the year. Supplies generally will be lower, but production is projected to recover and demand probably will not grow as much as in recent years. Butter prices have more latent volatility. Domestic milkfat supplies will be tight, and it is very much uncertain how much milkfat will be imported

beyond the tariff-rate quotas (TRQ). If the international butter market is as soft as it appears, enough should be imported to moderate current prices. However, over-TRQ imports are always risky, and domestic butter prices could be quite variable during the remainder of 2001.

Farmers are expected to receive an average price for milk almost \$3 per cwt above 2000 and only slightly below the 1998 record. Prices are projected to stay firm through the end of the year, although earlier erosion is possible if milk production recovers more strongly than expected.

Source: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-83, May 30, 2001, Economic Research Service, USDA.

USDA ANNOUNCES ADJUSTMENTS IN 2001 PURCHASE PRICES FOR MILK AND MILK PRODUCTS

The U.S. Department of Agriculture announced today that its Commodity Credit Corporation will increase the price it pays for butter by 19.99 cents to \$0.8548 per pound, and decrease the price of nonfat dry milk by 10.32 cents to \$0.9000 per pound. The purchase prices for block Cheddar and barrel cheese remain unchanged at \$1.1314 and \$1.1014 per pound, respectively. The 2001 Appropriations Bill extended the price support program through calendar year 2001 at the 2000 support price of \$9.90 per hundredweight of milk with an annual average milk fat content of 3.67 percent. The changes are effective May 31.

The decision to change the butter and nonfat dry milk prices was based on an accumulation of nonfat dry milk stocks in quantities well above USDA's ability to use the product; the level of expenditures to USDA, and significant market distortions. The Agricultural Market Transition Act permits the USDA to adjust the balance between the purchase prices of butter and nonfat dry milk twice each calendar year under the Milk Price Support Program. Further terms and conditions for purchases of dairy products will be announced later.

PRODUCTS	Produced before 5/30/01 & offered by 6/13/01	Produced on or after 5/30/01, or offered on or after 6/13/01
BUTTER		
U.S. Grade A or Higher 25-kg blocks, salted	0.6549	0.8548
NONFAT DRY MILK		
U.S. Extra Grade Nonfortified, 25-kg bags	1.0032	0.9000
Fortified (Vitamins A & D)	1.0132	0.9100
CHEESE		
U.S. Grade A or Higher 40-lb. Block Cheddar	1.1314	1.1314
U.S. Extra Grade 500-lb. Barrel Cheddar	1.1014	1.1014

TOP TEN TEXAS COUNTIES a/ – MAY 2001

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2000b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2000b/</u>
1. Erath	136	125,469,498	- 11.53	7. Wood	46	13,767,413	- 13.03
2. Hopkins	181	49,950,479	- 8.20	8. Hamilton	18	13,504,684	- 12.75
3. Comanche	46	45,101,818	- 7.92	9. Johnson	24	11,695,306	- 30.46
4. El Paso	8	22,797,901	- 1.72	10. Van Zandt	17	10,674,495	- 3.28
5. Archer	59	21,485,082	- 13.24	Ten County Total	538	329,132,957	- 9.60 b/
6. Lamb	3	14,686,281	+ 25.10	<u>Other Counties Total</u>	<u>423</u>	<u>144,980,202</u>	<u>- 15.92</u>
				Texas Total	961	474,113,159	- 11.63

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 a/	II	III	IV	P.P.D.a/	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-----							
March	13.84	11.71	9.54	11.00	2.36	101.91	4.24	191.66	.00055	94.97	110.93	100.94	17.80
April	13.93	12.10	9.41	11.38	2.64	113.52	4.08	173.99	.00055	104.49	110.11	100.78	17.65
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

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

TOP NEW MEXICO COUNTIES a/ – MAY 2001

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2000b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2000b/</u>
1. Chaves	42	151,380,663	- 0.22	7. Socorro	8	11,828,115	+ 9.58
2. Dona Ana	25	79,414,892	+1.04	8. Valencia	10	10,043,475	+ 10.48
3. Roosevelt	37	74,990,858	+ 17.16	9. Bernalillo	5	6,098,933	- 5.08
4. Curry	17	72,632,305	+ 13.94				
5. Lea	14	38,011,493	- 2.98	Nine County Total	164	470,077,241	+ 4.37 b/
6. Eddy	7	25,676,507	- 4.37	<u>Other Counties Total</u>	<u>5</u>	<u>10,918,131</u>	<u>- 1.87</u>
				New Mexico Total	169	480,995,372	+ 4.22

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 MAY 2001, WITH PRODUCTION PERCENTAGE COMPARISONS**

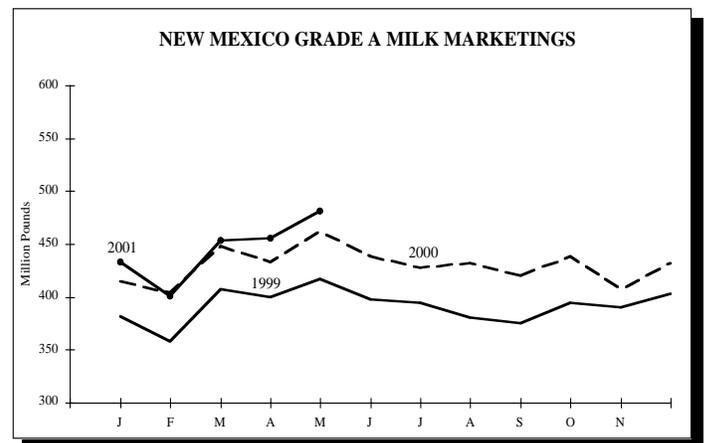
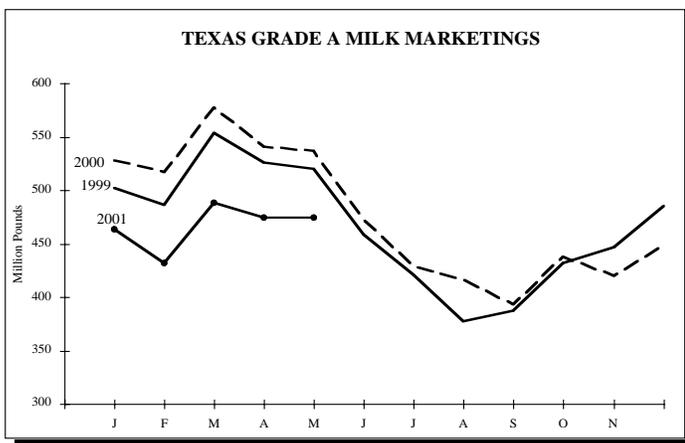
MONTH	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	2001 POUNDS	Number of Producers	PERCENT CHANGE 2000/99	2001/00
January	501,754,729	1,251	528,032,131	1,156	463,431,654	1,026	+5.24	-12.23
February	486,044,271	1,245	517,023,791	1,141	432,156,106	1,006	+6.37	-13.43*
March	553,983,640	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			+3.11	
July	421,397,795	1,206	428,683,700	1,089			+1.73	
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 MAY 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	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			+10.12	
July	393,796,366	158	427,456,503	159			+8.55	
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 ^{b/}		Other Solids ^{b/}		S-N-F		SCC ^{a/}	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
May	3.56	3.49	3.03	2.99	5.69	5.70	8.72	8.70	369	253
June	3.55	3.44	3.03	2.96	5.67	5.67	8.70	8.63	415	272
July	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

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

MAY 2001
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$403,956.76
Class I Butterfat	60(a)	7,827,910	\$1.9187	\$15,019,410.94
Class I Skim Per Cwt		327,104,599	\$10.8800	\$35,588,980.38
Class II Butterfat	60(b)	6,308,001	\$2.1261	\$13,411,440.95
Class II Nonfat Solids		7,290,153	\$0.9533	\$6,949,702.89
Class III Butterfat	60(c)	9,758,922	\$2.1191	\$20,680,131.59
Class III Protein		8,594,555	\$1.9108	\$16,422,475.71
Class III Other Solids		16,335,393	\$0.1229	\$2,007,619.79
Class IV Butterfat	60(d)	4,291,040	\$2.1191	\$9,093,142.89
Class IV Nonfat Solids		8,239,282	\$0.8780	\$7,234,089.60
Class II, III & IV Somatic Cell Adj.	60(e)			\$90,820.89
Total Producer Milk-Product Lbs & Value		805,859,190		\$126,901,772.39
Add: Value as for 60(f) Thru 60(j)				\$54,008.12
Less: Total Protein Pounds	61(b)	24,161,009	\$1.9108	\$46,166,855.99
Total Other Solids Pounds		45,758,669	\$0.229	\$5,623,740.40
Total Butterfat Pounds		28,185,873	\$2.1191	\$59,728,683.50
Total Value of Somatic Cell Adjustment				\$53,725.14
Total Milk and Value		805,859,190		\$15,382,775.48
Add: Location Differential Adjustments	61(c)			\$2,634,294.11
Producer-Settlement Fund	61(d)			\$257,972.76
Total Producer Milk/URSP and Value		806,448,252	\$2.26611	\$18,275,042.35
Less: Producer-Settlement Fund	61(f)		\$0.04611	\$371,891.16
Producer Price Differential (Dallas County)			\$2.22	\$17,903,151.19

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MAY 2001
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	334,932,509	41.56	7,827,910	27.77	327,104,599	42.06
Class II	87,400,909	10.85	6,308,001	22.38	81,092,908	10.43
Class III	287,479,466	35.67	9,758,922	34.63	277,720,544	35.71
Class IV	96,046,306	11.92	4,291,040	15.22	91,755,266	11.80
Total	805,859,190	100.00	28,185,873	100.00	777,673,317	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,218,020	42.29	19,242,276	42.05	29,460,294	42.13
Class II	2,516,809	10.42	4,773,344	10.43	7,290,153	10.43
Class III	8,594,555	35.57	16,335,393	35.70	24,929,949	35.66
Class IV	2,831,625	11.72	5,407,656	11.82	8,239,282	11.78
Total	24,161,009	100.00	45,758,669	100.00	69,919,678	100.00