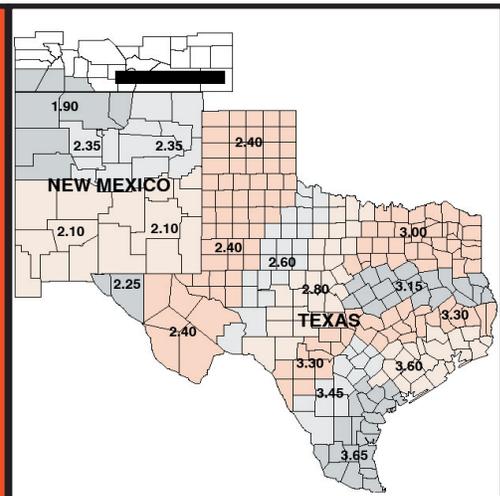


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR
 P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
 (972) 245-6060 FAX (972) 245-3211
 e-mail: sw.order@dallasma.com
 WWW: <http://www.dallasma.com>

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MARKET SUMMARY FOR FEBRUARY

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 \$0.80 for February. Butterfat price increased \$0.0103 per pound from \$1.3009 in January to the level of \$1.3112 in February. Protein price increased \$0.0072 per pound from \$2.4053 in January to \$2.4125 in February. February's Other Solids price increased \$0.0987 per pound from \$0.3183 in January to \$0.4170 in February. The Somatic Cell Count adjustment rate factor for February was 0.00067 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a February statistical uniform price of \$14.98 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 \$0.21 in comparison to the statistical blend price of \$14.77 in January.

The February Class I price decreased \$0.20 from

\$16.59 in January to the February level of \$16.39. The Class II price for February of \$13.08 per hundredweight increased \$0.23 from \$12.85 in January. February's Class III price increased \$0.62 from \$13.56 in January to \$14.18 in February. The Class IV price increased \$0.18 from \$12.53 in January to \$12.71 in February.

In February 835 producers delivered a total of 878,087,315 pounds of milk. On a daily basis this represents an increase of 1.62 percent from the producer receipts level in January but it represents a decrease of 1.29 percent when compared to the producer receipts level of February 2006.

Producer milk classified as Class I during February amounted to 37.07 percent of total producer receipts. This figure is down from 40.57 percent in January and it is down from 37.58 percent in February 2006. The average butterfat test of producer milk pooled during February was 3.814 percent, average protein test was 3.128 percent, average other solids test was 5.689 percent and the average somatic cell count was 338,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Feb 07	Jan 07	Feb 07	Jan 07	Feb 07	Jan 07
Appalachian	15.57	15.60	-----	-----	67.27	68.92
Arizona	14.22	14.12	-----	-----	36.82	39.26
Central	14.06	13.92	(0.12)	0.36	40.85	38.16
Florida	16.71	16.77	-----	-----	81.18	82.92
Mideast	14.23	14.03	0.05	0.47	41.60	39.90
Northeast	15.21	15.09	1.03	1.53	48.60	48.60
Pacific Northwest	13.81	13.63	(0.37)	0.07	30.03	31.70
Southeast	15.68	15.49	-----	-----	58.64	59.00
Southwest	14.98	14.77	0.80	1.21	37.07	40.57
Upper Midwest	14.23	13.75	0.05	0.19	18.40	15.00

JANUARY DAIRY PRODUCTS HIGHLIGHTS

Butter production was 151.0 million pounds in January, 2.5% above January 2006 and 10.0% above December 2006. American type cheese production totaled 342.7 million pounds, 5.6% above January 2006 and 1.0% above December 2006. Total cheese output (excluding cottage cheese) was 823.8 million pounds, 6.7% above January 2006 but 0.8% below December 2006. Nonfat dry milk production, for human food, totaled 110.8 million pounds, 3.3% above January 2006 but 3.4% below December 2006. Dry whey production, for human food, was 92.4 million pounds, 12.4% above January 2006 and 5.8% above December 2006. Ice cream (hard) production totaled 62.0 million gallons, 0.3% above January 2006 and 22.8% above December 2006.

REVISED MANUFACTURING ALLOWANCES TAKE EFFECT

On February 22, the Motion for a Preliminary Injunction sought by Bridgewater Dairy et al. to enjoin USDA from putting into effect the Interim Final Rule, which would revise manufacturing allowances contained in the Class III and Class IV product price formulas in all Federal milk marketing orders, was denied by the United States District Court for the Northern District of Ohio. As a result, the manufacturing allowances used to compute the Federal Order minimum Class I and Class II prices and pricing factors and the Federal order minimum prices for Class III and Class IV milk will be the revised manufacturing allowances contained in the Interim Final Rule published in the Federal Register on December 29, 2006 (71 FR 78333-78335).

This was reflected in the computations of the March 2007 announcement of advanced Class I and Class II prices and pricing factors released February 23, 2007, the February 2007 announcement of Class and Component Prices released March 2, and will be reflected in all subsequent announcements. The Court's decision may be found on the AMS web site at: http://www.ams.usda.gov/dairy/proposals/classIII_IV_make_all.htm

2006 ANNUAL MILK PRODUCTION

The annual production of milk for the U.S. during 2006 was 182 billion pounds, 2.8 percent above 2005.

Production per cow in the U.S. averaged 19,951 pounds for 2006, 386 pounds above 2005. The aver-

age annual rate of milk production per cow has increased 18.3 percent from 1997.

The average number of milk cows on farms in the U.S. during 2006 was 9.11 million head, up 0.8 percent from 2005.

The top ten states for total milk production and milk per cow are shown below. New Mexico and Texas appear in both tables. In 2006 New Mexico ranked as the seventh largest milk producing state with 7.6 billion pounds while Texas ranked eighth with 7.1 billion pounds. New Mexico and Texas also ranked seven and eight in terms of milk produced per cow with 21,515 and 21,328 pounds respectively.

TOP 10 MILK PRODUCING STATES 2006

Rank		State	Million Pounds
2005	2006		
1	1	California	38,830
2	2	Wisconsin	23,398
3	3	New York	12,045
5	4	Idaho	10,895
4	5	Pennsylvania	10,742
6	6	Minnesota	8,364
7	7	New Mexico	7,638
9	8	Texas	7,145
8	9	Michigan	7,100
10	10	Washington	5,464
U.S. Total			181,798

TOP 10 MILK PER COW STATES 2006

Rank		State	Pounds
2005	2006		
3	1	Colorado	23,155
1	2	Washington	23,055
2	3	Arizona	22,855
4	4	Idaho	22,326
6	5	Michigan	22,188
7	6	California	21,815
8	7	New Mexico	21,515
12	8	Texas	21,328
10	9	Kansas	20,920
5	10	Nevada	20,667
U.S. Average			19,951

TOP TEN TEXAS COUNTIES a/ – FEBRUARY 2007

County	Number of Producers	Pounds	% Change From 2006b/	County	Number of Producers	Pounds	% Change From 2006b/
1. Erath	96	101,501,419	- 5.59	7. Castro	10	30,132,539	+ 10.84
2. Hopkins	132	47,265,925	- 1.04	8. Hale	6	24,295,227	- 3.50
3. Comanche	28	41,302,692	- 1.48	9. Bailey	9	23,507,211	- 6.19
4. Deaf Smith	11	37,816,122	+ 9.99	10. Hartley	5	21,274,676	+ 6.48
5. Parmer	10	31,285,127	+ 61.30	Ten County Total	316	388,707,266	+ 3.39 b/
6. Lamb	9	30,326,328	+ 9.98	Other Counties Total	376	179,197,971	- 6.76
				Texas Total	692	567,905,237	- 0.04

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-----							
Averages 2005 b/	17.40	13.48	14.05	12.88	1.33	171.05	12.28	246.02	.00075	154.05	148.75	94.09	27.82
January 2006	16.38	13.25	13.39	12.20	1.11	146.84	18.81	239.94	.00069	133.87	138.95	96.14	34.16
February	16.38	12.62	12.20	11.10	1.53	134.69	19.99	212.20	.00063	123.74	126.37	88.33	35.31
March	15.49	11.69	11.11	10.68	1.84	125.96	18.74	188.36	.00058	116.47	116.12	86.97	34.09
April	14.22	11.37	10.93	10.36	1.48	123.43	15.08	192.38	.00058	114.36	116.54	84.29	30.54
May	13.97	11.13	10.83	10.33	1.43	125.82	12.51	191.15	.00058	116.35	116.94	82.88	28.05
June	13.75	11.00	11.29	10.22	1.07	124.36	12.55	207.90	.00061	115.13	121.66	82.21	28.08
July	14.34	10.83	10.92	10.21	1.40	122.28	12.57	198.07	.00059	113.40	117.93	83.00	28.10
August	13.97	11.16	11.06	10.64	1.60	130.08	14.16	190.50	.00059	119.90	118.13	84.84	29.65
September	13.85	11.74	12.29	11.10	0.91	141.91	16.49	213.46	.00065	129.76	129.12	85.37	31.91
October	15.42	11.79	12.32	11.51	1.33	141.49	20.26	207.75	.00064	129.41	127.21	90.27	35.57
November	15.40	11.98	12.84	12.11	0.99	138.52	22.76	223.83	.00066	126.93	131.23	98.37	38.00
December	15.43	12.55	13.47	12.30	0.58	134.81	25.64	243.88	.00068	123.84	136.24	102.25	40.79
Averages 2006 b/	14.88	11.76	11.89	11.06	1.27	132.52	17.46	209.12	.00062	121.93	124.70	88.74	32.85
January 2007	16.59	12.85	13.56	12.53	1.21	130.09	31.83	240.53	.00067	119.91	133.66	106.77	46.80
February	16.39	13.08	14.18	12.71	0.80	131.12	41.70	241.25	.00067	121.29	134.54	110.21	60.05

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

TOP NEW MEXICO COUNTIES a/ – FEBRUARY 2007

County	Number of Producers	Pounds	% Change From 2006b/	County	Number of Producers	Pounds	% Change From 2006b/
1. Chaves	37	142,669,589	- 9.71	7. Socorro	8	14,863,680	+ 0.51
2. Curry	24	105,467,829	- 1.42	8. Valencia	7	11,488,675	- 13.37
3. Roosevelt	40	97,776,255	- 9.57	9. Sierra	3	6,447,420	- 11.30
4. Dona Ana	24	80,177,004	- 10.51	10. Bernalillo	4	4,156,036	- 8.01
5. Lea	15	39,079,131	- 5.48	Ten County Total	167	522,510,816	- 7.91 b/
6. Eddy	5	20,385,197	- 13.11	Other Counties Total	3	9,444,205	- 13.38
				New Mexico Total	170	531,955,021	- 8.01

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 2005 THROUGH FEBRUARY 2007, WITH PRODUCTION PERCENTAGE COMPARISONS**

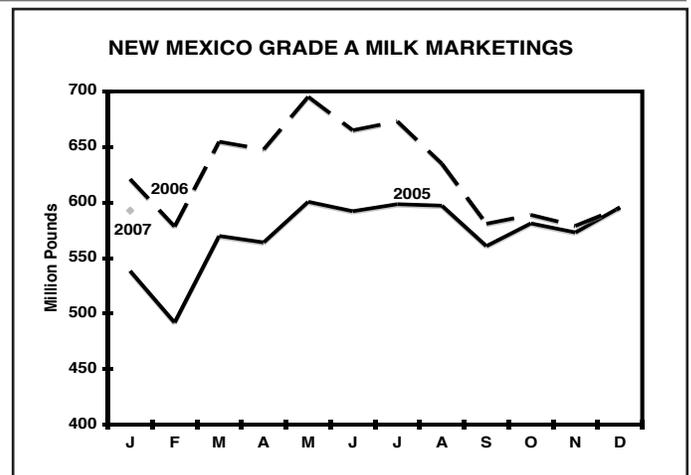
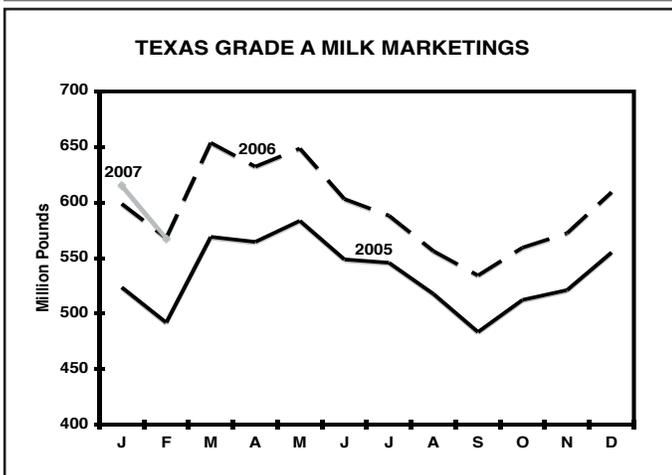
MONTH	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	PERCENT 2006/05	CHANGE 2007/06
January	523,680,970	778	598,770,671	746	615,842,075	697	+ 14.34	+ 2.85
February	491,841,542	767	568,127,819	740	567,905,237	692	+ 15.51	- 0.04
March	569,021,475	771	653,677,865	740			+ 14.88	
April	564,647,522	776	632,332,356	741			+ 11.99	
May	583,519,880	774	648,575,970	739			+ 11.15	
June	548,798,029	772	603,059,138	733			+ 9.89	
July	545,665,957	774	588,198,398	726			+ 7.79	
August	517,675,814	767	556,266,201	723			+ 7.45	
September	483,172,492	772	534,330,715	712			+ 10.59	
October	512,618,370	770	559,390,201	710			+ 9.12	
November	521,233,872	758	572,262,884	701			+ 9.79	
December	<u>555,024,482</u>	743	<u>609,404,039</u>	695			<u>+ 9.80</u>	
Years Total	6,416,900,405		7,124,396,257				+ 11.03	

* Based on average daily delivery.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2005 THROUGH FEBRUARY 2007, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	PERCENT 2006/05	CHANGE 2007/06
January	538,413,955	168	621,161,722	173	593,282,897	171	+ 15.37	- 4.49
February	491,753,468	170	578,266,056	172	531,955,021	170	+ 17.59	- 8.01
March	567,325,607	169	654,702,022	172			+ 15.40	
April	563,980,078	168	647,819,688	173			+ 14.87	
May	600,707,138	170	695,061,878	175			+ 15.71	
June	592,086,292	172	665,063,549	175			+ 12.33	
July	598,502,673	171	672,988,089	174			+ 12.45	
August	597,055,615	172	634,876,790	172			+ 6.33	
September	560,680,297	176	580,816,517	173			+ 3.59	
October	581,203,811	174	588,810,710	171			+ 1.31	
November	573,043,775	173	578,970,652	173			+ 1.03	
December	<u>595,644,281</u>	171	<u>595,163,099</u>	175			<u>- 0.08</u>	
Years Total	6,860,396,990		7,513,700,772				+ 9.52	

* 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 ^{a/}	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
February 2006	3.84	3.68	3.10	3.06	5.72	5.71	8.82	8.76	246	201
March	3.77	3.63	3.06	3.03	5.71	5.69	8.76	8.72	249	198
April	3.70	3.57	3.00	2.97	5.70	5.70	8.70	8.66	254	202
May	3.65	3.52	3.02	2.97	5.73	5.74	8.76	8.71	262	196
June	3.60	3.47	3.00	2.93	5.72	5.73	8.72	8.66	272	205
July	3.62	3.48	3.00	2.92	5.69	5.71	8.69	8.63	290	226
August	3.65	3.53	3.02	2.95	5.68	5.71	8.70	8.66	323	288
September	3.74	3.61	3.11	3.04	5.70	5.73	8.81	8.77	341	302
October	3.79	3.65	3.17	3.11	5.66	5.68	8.84	8.80	302	271
November	3.83	3.70	3.22	3.17	5.66	5.67	8.88	8.83	268	231
December	3.85	3.76	3.20	3.16	5.68	5.68	8.88	8.84	284	242
Averages 2006	3.74	3.61	3.09	3.03	5.70	5.71	8.78	8.74	279	231
January 2007	3.89	3.79	3.19	3.16	5.69	5.68	8.87	8.83	349	309
February	3.87	3.75	3.15	3.10	5.69	5.69	8.84	8.79	348	316

a/ In thousands.

FEBRUARY 2007
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$290,566.18
Class I Butterfat	60(a)	7,076,384	\$1.3206	\$9,345,072.69
Class I Skim Per Cwt		318,468,226	\$12.1900	\$38,821,276.77
Class II Butterfat	60(b)	8,072,419	\$1.3182	\$10,641,062.73
Class II Nonfat Solids		8,587,723	\$0.9744	\$8,367,877.31
Class III Butterfat	60(c)	13,192,297	\$1.3112	\$17,297,739.84
Class III Protein		10,870,947	\$2.4125	\$26,226,159.64
Class III Other Solids		19,817,382	\$0.4170	\$8,263,848.29
Class IV Butterfat	60(d)	5,155,778	\$1.3112	\$6,760,256.12
Class IV Nonfat Solids		8,943,680	\$0.9356	\$8,367,707.01
Class II, III & IV Somatic Cell Adj.	60(e)			\$28,031.21
Total Producer Milk-Product Lbs & Value		878,087,315		\$134,409,597.79
Add: Value as for 60(f) Thru 60(j)				\$188,232.68
Less: Total Protein Pounds	61(b)	27,470,752	\$2.4125	\$66,273,189.23
Total Other Solids Pounds		49,956,594	\$0.4170	\$20,831,899.70
Total Butterfat Pounds		33,496,878	\$1.3112	\$43,921,106.46
Total Value of Somatic Cell Adjustment				\$72,412.57
Total Milk and Value		878,087,315		\$3,499,222.51
Add: Location Differential Adjustments	61(c)			\$3,559,903.73
Producer-Settlement Fund	61(d)			\$344,998.03
Total Producer Milk/URSP and Value		878,087,315	\$0.84321	\$7,404,124.27
Less: Producer-Settlement Fund	61(f)		\$0.04321	\$379,425.75
Producer Price Differential (Dallas County)			\$0.80	\$7,024,698.52

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SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

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FEBRUARY 2007 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	325,544,610	37.07	7,076,384	21.13	318,468,226	37.71
Class II	101,596,500	11.57	8,072,419	24.10	93,524,081	11.07
Class III	348,455,871	39.69	13,192,297	39.38	335,263,574	39.70
Class IV	102,490,334	11.67	5,155,778	15.39	97,334,556	11.52
Total	878,087,315	100.00	33,496,878	100.00	844,590,437	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,364,301	37.74	18,843,314	37.72	29,207,617	37.73
Class II	3,055,836	11.12	5,531,885	11.07	8,587,723	11.09
Class III	10,870,947	39.57	19,817,382	39.67	30,688,327	39.63
Class IV	3,179,668	11.57	5,764,013	11.54	8,943,679	11.55
Total	27,470,752	100.00	49,956,594	100.00	77,427,346	100.00