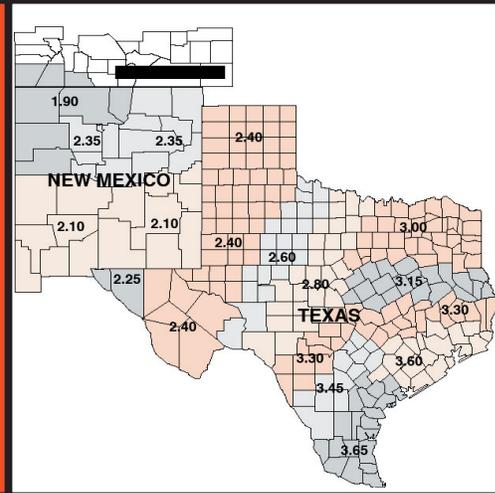


# THE MARKET ADMINISTRATOR'S

# 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](mailto:sw.order@dallasma.com)  
 WWW: <http://www.dallasma.com>

VOLUME XXXIV, NO. 7

JULY 2008

### MARKET SUMMARY FOR JUNE

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 (\$1.23) for June. Butterfat price increased \$0.0598 per pound from \$1.5562 in May to the level of \$1.6160 in June. Protein price increased \$0.6085 per pound from \$4.1108 in May to \$4.7193 in June. June's Other Solids price increased \$0.0060 per pound from \$0.0766 in May to \$0.0826 in June. The Somatic Cell Count adjustment rate factor for June was 0.00108 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a June statistical uniform price of \$19.02 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 \$17.88 in May.

The June Class I price increased \$1.56 from \$19.62 in May to the June level of \$21.18. The Class II price for June of \$16.19 per hundredweight increased \$0.68 from \$15.51 in May. June's Class III price increased \$2.07 from \$18.18 in May to \$20.25 in June. The Class IV price increased \$0.66 from \$15.26 in May to \$15.92 in June.

In June 539 producers delivered a total of 655,392,915 pounds of milk. On a daily basis this represents a decrease of 3.48 percent from the producer receipts level in May but it represents an increase of 50.67 percent when compared to the producer receipts level of June 2007.

Producer milk classified as Class I during June amounted to 47.61 percent of total producer receipts. This figure is down from 51.11 percent in May and it is down from 73.84 percent in June 2007. The average butterfat test of producer milk pooled during June was 3.517 percent, average protein test was 2.953 percent, average other solids test was 5.738 percent and the average somatic cell count was 236,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jun 08	May 08	Jun 08	May 08	Jun 08	May 08
Appalachian	20.22	19.11	----	----	67.06	70.18
Arizona	18.65	17.20	----	----	29.94	30.65
Central	18.50	17.08	(1.75)	(1.10)	40.56	42.77
Florida	22.36	21.38	----	----	75.56	84.25
Mideast	18.96	17.53	(1.29)	(0.65)	39.30	46.00
Northeast	19.56	18.18	(0.69)	0.00	43.80	42.90
Pacific Northwest	18.03	16.83	(2.22)	(1.35)	34.48	35.71
Southeast	20.80	19.60	----	----	70.25	64.74
<b>Southwest</b>	<b>19.02</b>	<b>17.88</b>	<b>(1.23)</b>	<b>(0.30)</b>	<b>47.61</b>	<b>51.11</b>
Upper Midwest	19.79	17.99	(0.46)	(0.19)	16.80	20.30

## **USDA ISSUES A FINAL RULE ESTABLISHING DAIRY PRODUCT MANDATORY REPORTING PROGRAM**

On June 17, 2008, the U. S. Department of Agriculture issued a final rule that adopts amendments to the Dairy Products Mandatory Reporting Program that was established on Aug. 2, 2007. The Dairy Market Enhancement Act of 2000, and certain provisions of the Farm Security and Rural Investment Act of 2002, amend the Agricultural Marketing Act of 1946 to provide for timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry.

This program: (1) requires persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and (2) requires persons storing dairy products to report information on the quantity of dairy products stored. The National Agricultural Statistics Service (NASS) collects such information for the program. The Agricultural Marketing Service (AMS) has implemented a plan to verify the price information submitted by dairy product manufacturing plants to NASS. Any manufacturer that processes and markets less than 1 million pounds of dairy products per year is exempt from the price reporting requirements.

AMS reviewed all comments received in response to the interim final rule and considered those comments in developing the final rule. All changes in the final rule from the interim rule concern price reporting. There are no changes concerning stock reporting. Certain products are now excluded in the reporting specifications:

- Products that are produced under faith based close supervision and are marketed at a higher price than the manufacturer's wholesale market price for the basic commodity.
- Dairy Export Incentive Program sales or other premium-assisted sales.
- Products certified as organic by USDA accredited certifying agents.

Another substantive change is that in calculating the total dollars received or dollars per pound, the reporting entity shall not deduct brokerage fees or clearing charges paid by the manufacturer. Other changes have been made in organization or content for greater clarity. The final rule appeared in the June 17, 2008 Federal Register and became effective June 22, 2008.

## **TENTATIVE FINAL DECISION ISSUED ON CLASS III/IV PRICE FORMULAS**

On June 19, 2008, the U. S. Department of Agriculture issued a tentative final decision to amend the Class III and Class IV product price formulas in all Federal milk marketing orders. The decision was based on the record of the first session of a public hearing held in Strongsville, Ohio on February 26-March 2, 2007, a second session of a public hearing held in Indianapolis, Ind., on April 9-13, 2007, and a third session of a public hearing held in Pittsburgh, Pa., on July 9-11, 2007.

The decision would amend the manufacturing (make) allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, this decision would adopt the following make allowances: cheese - \$0.2003 per pound; butter - \$0.1715 per pound; NFDM - \$0.1678 per pound; and dry whey - \$0.1991 per pound. This decision also proposes to increase the butterfat yield factor of the butterfat price formula from 1.20 to 1.211. These amendments are subject to producer approval before they can be implemented.

The tentative final decision was published in the June 20 Federal Register. Public comments are due August 19, 2008.

## **LIVESTOCK GROSS MARGIN (LGM) DAIRY INSURANCE NOW AVAILABLE**

USDA's Risk Management Agency has announced availability of Livestock Gross Margin insurance for Dairy Cattle (LGM Dairy), beginning with the 2009 livestock reinsurance year.

LGM Dairy protects against loss of gross margin (market value of milk minus feed costs) on milk produced from dairy cows. The indemnity at the end of the 11-month insurance period is the difference between the gross margin guarantee and the actual gross margin (if positive).

The policy uses futures prices and state basis for corn and milk to determine expected and actual gross margin, and may be tailored to any size farming operation.

LGM Dairy is different from traditional options in that it is a bundled option covering the price of both milk and feed costs. Producers can sign up 12 times per year and insure up to 240,000 cwt per year.

Dairy cattle producers in Arizona, Colorado, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming will be eligible for LGM Dairy insurance.

## TOP TEN TEXAS COUNTIES a/ – JUNE 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Erath	92	100,861,449	+ 5.00	7. Hartley	9	38,796,035	+ 57.93
2. Parmer	13	69,860,289	+ 63.20	8. Lamb	9	38,697,509	+ 14.00
3. Deaf Smith	14	60,737,058	+ 20.62	9. Bailey	9	35,750,871	+ 19.90
4. Castro	10	49,624,721	+ 17.71	10. Hale	4	29,696,400	+ 6.49
5. Hopkins	124	44,966,651	- 1.80	Ten County Total	312	508,541,269	+ 17.67 b/
6. Comanche	28	39,550,286	+ 2.01	Other Counties Total	344	194,405,592	+ 13.44
				Texas Total	656	702,946,861	+ 16.47

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-----						
April 2007	18.00	14.51	16.09	16.12	0.88	146.57	60.08	252.12	.00071	134.16	142.96	143.54	77.89
May	18.92	16.62	17.60	18.48	0.91	157.06	57.91	294.24	.00080	142.90	159.46	166.70	75.78
June	20.84	18.89	20.17	20.76	0.31	164.57	58.31	370.59	.00093	149.16	185.61	190.12	76.17
July	23.91	21.40	21.38	21.64	1.31	161.10	55.34	420.68	.00100	146.27	200.02	201.80	73.29
August	24.76	22.41	19.83	21.87	2.93	158.72	43.68	394.12	.00096	144.29	191.00	205.45	61.97
September	24.91	22.16	20.07	21.61	2.36	151.01	28.90	439.29	.00101	137.86	202.50	205.57	47.62
October	24.59	21.90	18.70	21.31	2.92	140.92	22.86	416.95	.00096	129.45	192.27	206.15	41.75
November	24.45	22.07	19.22	20.40	2.36	140.77	24.61	430.81	.00098	129.33	196.52	195.62	43.45
December	23.04	20.82	20.60	19.18	0.41	143.48	26.37	470.61	.00105	131.59	209.76	180.31	45.16
Averages 2007 b/	21.14	18.36	18.04	18.36	1.43	146.93	42.01	351.21	.00087	134.41	173.80	169.27	60.04
January 2008	23.97	19.75	19.32	16.29	1.38	133.19	20.97	449.94	.00100	123.01	199.98	150.90	39.92
February	22.68	18.46	17.03	14.67	2.25	130.10	8.03	401.80	.00092	120.44	184.03	133.31	27.36
March	19.70	15.63	18.00	14.17	(0.68)	136.04	4.93	433.31	.00098	125.39	195.75	125.12	24.35
April	21.61	15.29	16.76	14.56	1.42	147.48	6.22	375.79	.00091	134.92	181.64	125.06	25.60
May	19.62	15.51	18.18	15.26	(0.30)	155.62	7.66	411.08	.00098	141.70	195.25	129.85	27.00
June	21.18	16.19	20.25	15.92	(1.23)	161.60	8.26	471.93	.00108	146.69	216.09	135.08	27.58

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

## TOP NEW MEXICO COUNTIES a/ – JUNE 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Chaves	38	170,602,351	+ 8.34	7. Socorro	8	19,664,936	+ 12.60
2. Curry	27	141,312,127	+ 16.96	8. Valencia	5	13,139,387	- 0.75
3. Roosevelt	43	139,049,676	+ 20.52	9. Sierra	3	7,801,436	- 4.48
4. Dona Ana	23	92,541,803	+ 2.54	10. Bernalillo	4	5,598,293	+ 5.25
5. Lea	13	42,093,712	+ 15.52	Ten County Total	170	655,297,655	+ 11.52 b/
6. Eddy	6	23,015,232	+ 1.74	Other Counties Total	2	8,233,925	- 29.77
				New Mexico Total	172	663,531,580	+ 10.71

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 2006 THROUGH JUNE 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

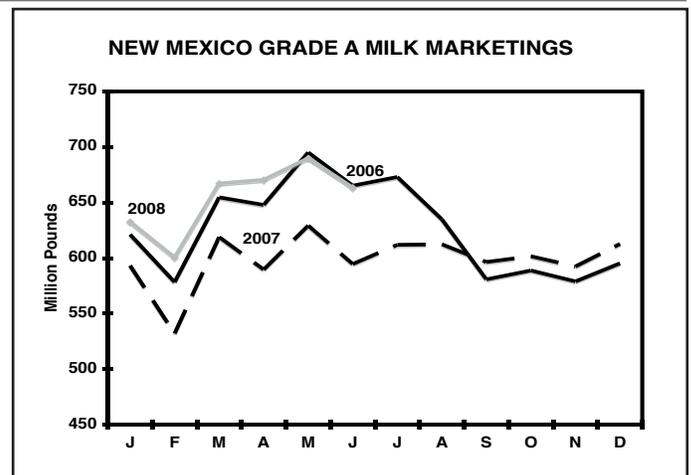
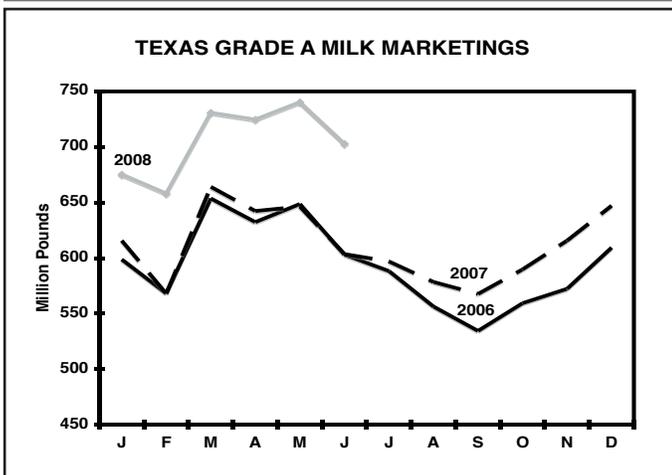
MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	598,770,671	746	615,854,742	697	675,265,283	654	+ 2.85	+ 9.65
February	568,127,819	740	567,905,237	692	658,108,461	658	- 0.04	+ 11.89*
March	653,677,865	740	664,126,490	694	730,859,173	659	+ 1.60	+ 10.05
April	632,332,356	741	642,444,396	689	724,651,306	659	+ 1.60	+ 12.80
May	648,575,970	739	646,347,511	676	740,427,008	659	- 0.34	+ 14.56
June	603,059,138	733	603,528,908	670	702,946,861	656	+ 0.08	+ 16.47
July	588,198,398	726	596,923,443	656			+ 1.48	
August	556,266,201	723	578,369,166	656			+ 3.97	
September	534,330,715	712	569,217,018	661			+ 6.53	
October	559,390,201	710	607,239,216	664			+ 8.55	
November	572,262,884	701	615,810,876	660			+ 7.61	
December	<u>609,404,039</u>	695	<u>647,114,088</u>	655			<u>+ 6.19</u>	
Years Total	7,124,396,257		7,354,881,091				+ 3.23	

\* Based on average daily deliveries.

**POUNDS OF GRADE A MILK MARKETED BY  
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:  
JANUARY 2006 THROUGH JUNE 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	621,161,722	173	593,437,434	171	632,699,151	173	- 4.46	+ 6.62
February	578,266,056	172	531,955,021	170	600,488,935	169	- 8.01	+ 8.99*
March	654,702,022	172	618,854,728	171	667,225,545	170	- 5.48	+ 7.82
April	647,819,688	173	593,858,997	168	670,437,294	170	- 8.33	+ 12.90
May	695,061,878	175	629,220,180	166	690,007,674	173	- 9.47	+ 9.66
June	665,063,549	175	598,890,379	166	663,531,580	172	- 9.95	+ 10.71
July	672,988,089	174	611,908,294	167			- 9.08	
August	634,876,790	172	612,444,830	169			- 3.53	
September	580,816,517	173	596,639,214	173			+ 2.72	
October	588,810,710	171	614,972,057	172			+ 4.44	
November	578,970,652	173	592,544,809	171			+ 2.34	
December	<u>595,163,099</u>	175	<u>612,751,685</u>	172			<u>+ 2.96</u>	
Years Total	7,513,700,772		7,207,477,628				- 4.08	

\* Based on average daily deliveries.



The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact the USDA's TARGET Center at 202-720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

## 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
June 2007	3.64	3.51	3.02	2.96	5.69	5.70	8.71	8.67	321	240
July	3.62	3.47	3.02	2.94	5.69	5.70	8.71	8.64	350	264
August	3.63	3.52	3.01	2.93	5.69	5.70	8.70	8.64	353	278
September	3.66	3.55	3.08	3.01	5.68	5.70	8.76	8.71	346	273
October	3.71	3.59	3.15	3.08	5.70	5.70	8.84	8.79	285	228
November	3.82	3.70	3.21	3.15	5.72	5.72	8.92	8.87	263	214
December	3.89	3.76	3.23	3.17	5.71	5.70	8.93	8.87	270	231
Averages 2007	3.73	3.62	3.10	3.05	5.69	5.70	8.80	8.75	315	256
January 2008	3.87	3.74	3.19	3.13	5.72	5.71	8.90	8.84	274	240
February	3.79	3.67	3.13	3.06	5.71	5.71	8.84	8.77	260	220
March	3.76	3.63	3.10	3.02	5.72	5.72	8.82	8.75	244	202
April	3.69	3.56	3.08	3.00	5.72	5.73	8.80	8.73	241	193
May	3.64	3.51	3.04	2.96	5.74	5.75	8.78	8.71	247	197
June	3.58	3.48	2.99	2.89	5.74	5.75	8.72	8.64	261	205

a/ In thousands.

**JUNE 2008**  
**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$301,426.44
Class I Butterfat	60(a)	7,259,308	\$1.5925	\$11,560,448.00
Class I Skim Per Cwt		304,743,636	\$16.1700	\$49,277,045.96
Class II Butterfat	60(b)	9,839,928	\$1.6230	\$15,970,203.13
Class II Nonfat Solids		9,872,664	\$1.2100	\$11,945,923.44
Class III Butterfat	60(c)	1,514,038	\$1.6160	\$2,446,685.39
Class III Protein		219,717	\$4.7193	\$1,036,910.44
Class III Other Solids		433,041	\$0.0826	\$35,769.18
Class IV Butterfat	60(d)	4,442,437	\$1.6160	\$7,178,978.21
Class IV Nonfat Solids		18,983,175	\$1.1819	\$22,436,214.55
Class II, III & IV Somatic Cell Adj.	60(e)			\$421,207.54
Total Producer Milk-Product Lbs & Value		655,392,915		\$122,610,812.28
Add: Value as for 60(f) Thru 60(j)				\$154,113.98
Less: Total Protein Pounds	61(b)	19,354,769	<b>\$4.7193</b>	\$91,340,961.33
Total Other Solids Pounds		37,611,170	<b>\$0.0826</b>	\$3,106,682.66
Total Butterfat Pounds		23,055,711	<b>\$1.6160</b>	\$37,258,028.98
Total Value of Somatic Cell Adjustment				\$806,262.12
<b>Total Milk and Value</b>		655,392,915		(\$9,747,008.83)
Add: Location Differential Adjustments	61(c)			\$1,615,464.56
Producer-Settlement Fund	61(d)			\$336,346.59
<b>Total Producer Milk/URSP and Value</b>		655,392,915	(\$1.18939)	(\$7,795,197.68)
Less: Producer-Settlement Fund	61(f)		\$0.04060	\$266,135.17
<b>Producer Price Differential (Dallas County)</b>			<b>(\$1.23)</b>	<b>(\$8,061,332.85)</b>

THE MARKET ADMINISTRATOR'S

# REPORT

SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939

PRSRT STD  
U.S. POSTAGE  
PAID  
Carrollton, TX  
Permit No. 343

RETURN SERVICE REQUESTED

JUNE 2008

## PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	312,002,944	47.61	7,259,308	31.49	304,743,636	48.19
Class II	119,305,622	18.20	9,839,928	42.68	109,465,694	17.31
Class III	8,792,872	1.34	1,514,038	6.56	7,278,834	1.16
Class IV	215,291,477	32.85	4,442,437	19.27	210,849,040	33.34
Total	655,392,915	100.00	23,055,711	100.00	632,337,204	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,337,099	48.24	18,120,243	48.18	27,457,342	48.20
Class II	3,366,740	17.39	6,505,928	17.30	9,872,664	17.33
Class III	219,717	1.14	433,041	1.15	652,758	1.15
Class IV	6,431,213	33.23	12,551,958	33.37	18,983,175	33.32
Total	19,354,769	100.00	37,611,170	100.00	56,965,939	100.00