

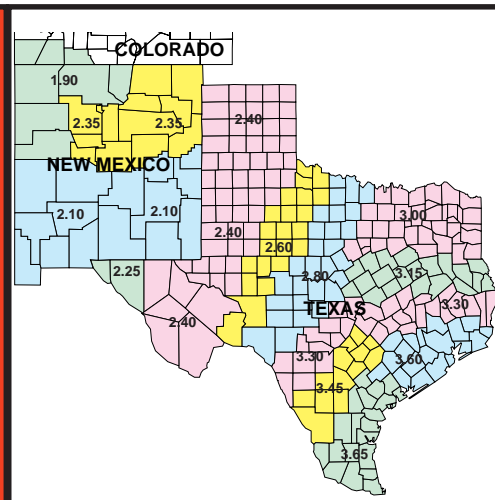
THE MARKET ADMINISTRATOR'S

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: richard.fleming@usda.gov
WWW: <http://members.aol.com/fmmo1126>



VOLUME XXVI, NO. 3

MARCH 2000

USDA PROPOSES RULE TO IMPLEMENT FEDERAL MILK ORDER FORWARD CONTRACT PILOT PROGRAM

Under a new pilot program mandated by Congress, dairy farmers who market their milk under Federal milk marketing orders (FMMO) will be able to enter into forward pricing contracts with proprietary handlers who purchase their milk. Forward contracting is voluntary for both dairy farmers and milk handlers. All other Federal milk order regulations are unchanged. The pilot program expires after Dec. 31, 2004.

As provided in the legislation, the pilot program will only apply to federally regulated milk used for manufactured dairy products. Fluid milk (Class I) is not eligible for forward contracting under the pilot program.

Under the proposed rule for the pilot program, a handler will be able to enter into forward contracts with dairy farmers and cooperative associations for any milk receipts that do not exceed the handler's manufacturing uses of milk for the month. Manufacturing uses include milk used for cream products, yogurt, dry milk, butter, and all types of cheeses. For the volume of milk covered by forward contracts, a handler is exempt from paying minimum Federal order price(s) to producers and cooperative associations. Instead, prices as agreed to in the forward contract will be paid.

Handlers participating in the pilot program are still subject to all other provisions of an order and must still keep records and submit reports now required under the FMMO program. Handlers must make available to the market administrator such records as are determined necessary to verify and establish the handler's obligations under the order. Handlers also will be required to submit to the market administrator

a copy of the forward contract with each producer or cooperative, as well as a disclosure statement signed by the producer or cooperative association.

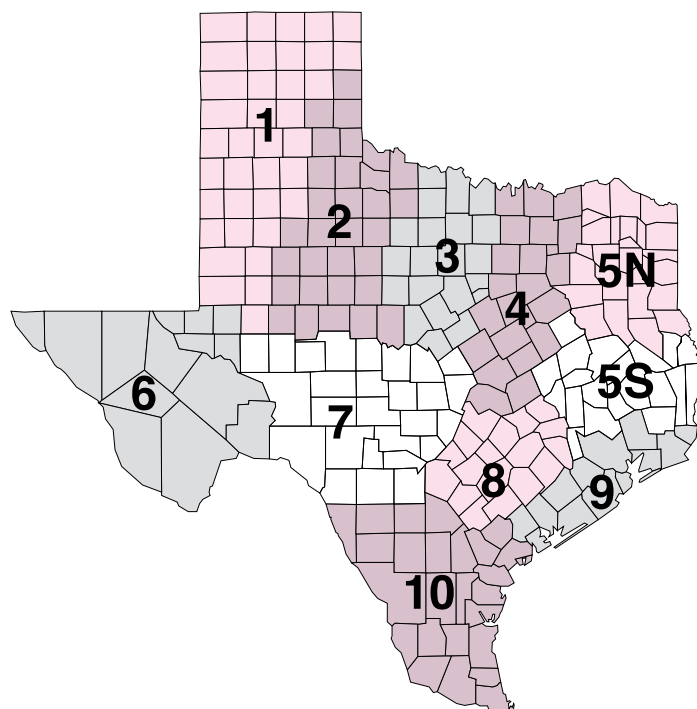
A signed disclosure statement verifies that a producer received a USDA Fact Sheet that describes the nature of the pilot program and risks involved. The Fact Sheet also provides useful guidelines and tips that producers should consider in deciding whether to enter into a forward contract. The Fact Sheet is available from any market administrator, or can be downloaded from AMS' web site, at: www.ams.usda.gov/dairy. Questions and answers related to the pilot program also are available on the web site, or from market administrator offices.

The proposed rule also will require that every forward contract under the pilot program contain a clause that gives the producer the opportunity to change his or her mind within three days of signing the contract. Forward contracts that do not contain this 3-day right to rescind clause will not be considered valid contracts for purposes of this pilot program. The proposed rule also will require that first-time contracts not be written for more than six months, and that no contract may extend beyond Dec. 31, 2004. These provisions are intended to help producers become familiar with a new method for pricing their milk and managing risk.

The proposed rule for the pilot program will be published in the March 1, 2000 Federal Register. Comments should be submitted no later than March 16. Comments should be submitted to Nicholas Memoli, Order Formulation Branch, Dairy Programs, USDA/AMS, Rm 2971 South Building, P.O. Box 96456, Washington DC 20090-6456. Comments may also be sent by fax to (202) 690-0552 or by e-mail to nicholas.memoli@usda.gov. Information is available from market administrator offices:

TEXAS GEOGRAPHIC REGIONS

AREA	REGION NAME
1	HIGH PLAINS
2	LOW PLAINS
3	CROSSTIMBERS
4	BLACKLANDS
5N	NORTH EAST
5S	SOUTH EAST
6	TRANS-PECOS
7	EDWARDS PLATEAU
8	SOUTH CENTRAL
9	UPPER COAST
10	SOUTH



TEXAS DAIRY MILK COMPONENTS FOR GEOGRAPHIC REGIONS - DECEMBER 1999

REGION	NUMBER OF PRODUCER'S	% OF MILK MARKETED	PERCENT BUTTERFAT	% CRUDE PROTEIN	PERCENT LACTOSE	PERCENT S-N-F	SCC (1,000)
1	24	4.99	3.80	3.34	4.76	8.82	309
2	15	1.89	3.78	3.33	4.76	8.81	320
3	364	49.15	3.75	3.31	4.75	8.79	292
4	144	7.71	3.84	3.32	4.74	8.78	341
5N	480	24.25	3.71	3.32	4.77	8.82	397
5S	24	0.68	3.67	3.24	4.70	8.66	402
6	12	5.34	3.58	3.21	4.74	8.67	263
7	19	2.11	3.82	3.34	4.72	8.79	263
8	60	2.41	3.95	3.35	4.70	8.78	349
9	4	0.15	3.61	3.20	4.66	8.58	469
10	14	1.30	4.30	3.54	4.69	8.87	379
TOTAL	1,160	100.00	3.75	3.32	4.75	8.79	324

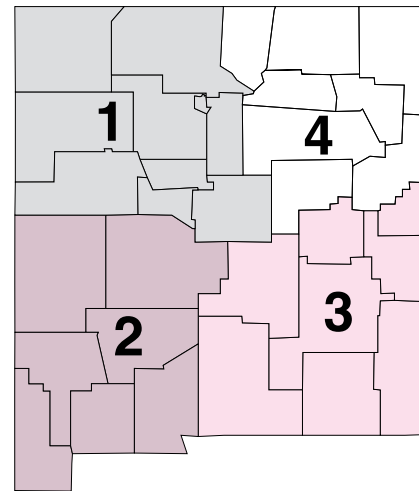
TEXAS DAIRY MILKING HERD SIZE ARRAY FOR GEOGRAPHIC REGIONS* - DECEMBER 1999

REGION	NUMBER OF FARMS PER HERD SIZE GROUP (MILKING COW NUMBERS)						Total # Milking Cows
	0-100	101-250	251-500	501-750	751-1000	1001->	
1	2	6	8	2	3	3	14,227
2	5	5	3	0	0	2	5,385
3	93	110	74	34	14	39	140,019
4	75	46	16	5	1	1	21,960
5N	251	158	58	9	1	3	69,066
5S	20	2	2	0	0	0	1,942
6	2	1	2	1	0	6	15,225
7	11	1	2	2	0	3	6,022
8	44	8	7	1	0	0	6,871
9	2	2	0	0	0	0	438
10	3	6	2	3	0	0	3,702
TOTAL	508	345	174	57	19	57	284,858

*ESTIMATED BASED ON A 55 LB/DAY/COW AVERAGE

NEW MEXICO GEOGRAPHIC REGIONS

AREA	REGION NAME
1	NORTHWEST
2	SOUTHWEST
3	SOUTHEAST
4	NORTHEAST



NEW MEXICO DAIRY MILK COMPONENTS FOR GEOGRAPHIC REGIONS - DECEMBER 1999

REGION	NUMBER OF PRODUCER'S	% OF MILK MARKETED	PERCENT BUTTERFAT	% CRUDE PROTEIN	PERCENT LACTOSE	PERCENT S-N-F	SCC (1,000)
1	19	5.08	3.82	3.33	4.77	8.84	200
2	35	20.42	3.68	3.31	4.76	8.80	218
3	104	74.50	3.72	3.32	4.74	8.79	260
4	0	0	0	0	0	0	0
TOTAL	158	100.00	3.48	3.32	4.75	8.79	247

NEW MEXICO DAIRY MILKING HERD SIZE FOR GEOGRAPHIC REGIONS* - DECEMBER 1999

REGION	NUMBER OF FARMS PER HERD SIZE GROUP (MILKING COW NUMBERS)							Total # Milking Cows
	0-250	251-500	501-1000	1001-2000	2001-3000	3001->		
1	9	3	5	0	2	0	10,155	
2	2	8	6	15	3	1	40,850	
3	11	8	17	39	21	8	149,046	
4	0	0	0	0	0	0	0	
TOTAL	22	19	28	54	26	9	200,051	

*ESTIMATED BASED ON A 65 LB/DAY/COW AVERAGE

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
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 1999 ^{b/}	16.82	13.96	12.43	12.14		136.02	5.15	247.16	.00070	122.94	139.84	101.78	18.69
January	13.90	11.43	10.05	10.73	1.96	93.66	5.03	216.77	.00058	88.20	115.17	101.15	18.57
February	13.71	11.51	9.54	10.80	2.28	95.88	4.32	198.49	.00055	90.02	110.67	101.06	17.88

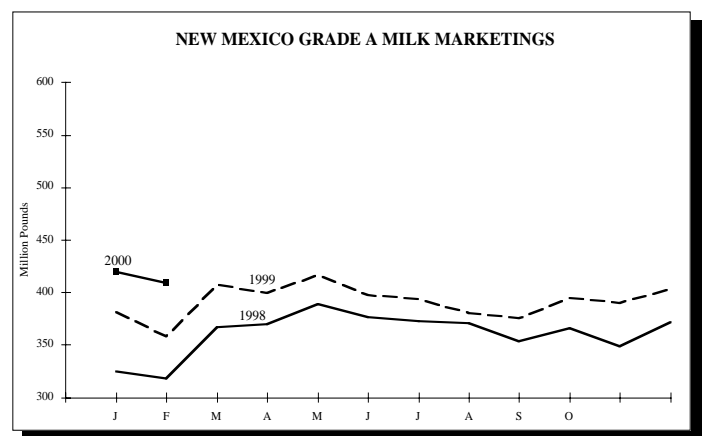
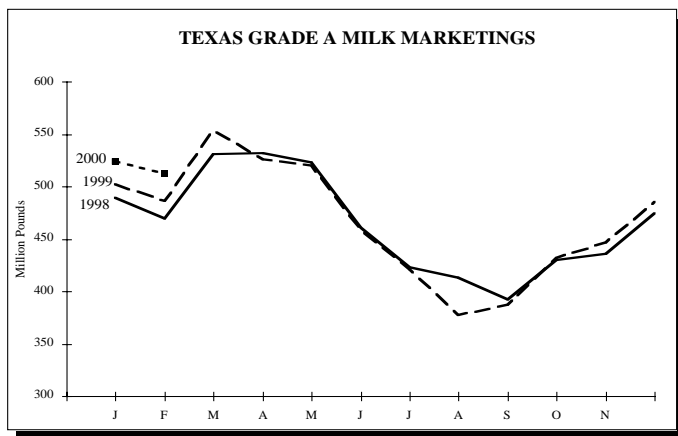
a/ Subject to zone and location adjustments. b/ Simple averages c/ SCC adjustment rate is per 1,000 difference.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 1998 THROUGH FEBRUARY 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	512,511,151	1,140	+3.57	+5.44
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 FEBRUARY 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	408,598,295	159	+12.77	+14.12
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	



The United States Department of Agriculture (USDA) prohibits discrimination in all its programs on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (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 USDA, Director, Office of Civil Rights, Room 326-W, Jamie L. Whitten Building, 14th and Independence Avenue, SW, Washington, D.C., 20250-9410, or call 202-720-5964 (voice or TDD). USDA is an Equal Opportunity provider and employer.

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
February 1999	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
February	3.68	3.62	3.06	3.06	5.70	5.69	8.76	8.75	318	252

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

**FEBRUARY 2000
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$416,133.43
Class I Butterfat	60(a)	7,388,019	\$0.9602	\$7,093,975.85
Class I Skim Per Cwt		313,710,848	\$10.7200	\$33,629,802.91
Class II Butterfat	60(b)	6,732,915	\$0.9658	\$6,502,649.34
Class II Nonfat Solids		6,922,359	\$0.9356	\$6,476,559.11
Class III Butterfat	60(c)	9,609,490	\$0.9588	\$9,213,579.04
Class III Protein		8,555,674	\$1.9849	\$16,982,157.36
Class III Other Solids		15,905,960	\$0.0432	\$687,137.49
Class IV Butterfat	60(d)	5,190,802	\$0.9588	\$4,976,940.96
Class IV Nonfat Solids		9,243,706	\$0.8565	\$7,917,234.21
Class II, III & IV Somatic Cell Adj.	60(e)			\$202,795.72
Total Producer Milk-Product Lbs & Value		790,020,277		\$94,098,965.42
Add: Value as for 60(f) Thru 60(j)				\$118,611.91
Less: Total Protein Pounds	61(b)	24,198,479	\$1.9849	\$48,031,560.98
Total Other Solids Pounds		45,023,677	\$0.0432	\$1,945,022.86
Total Butterfat Pounds		28,921,226	\$0.9588	\$27,729,671.48
Total Value of Somatic Cell Adjustment				\$295,321.12
Total Milk and Value		790,020,277		\$16,216,000.89
Add: Location Differential Adjustments	61(c)			\$1,655,067.29
Producer-Settlement Fund	61(d)			\$474,191.23
Total Producer Milk/URSP and Value		790,255,585	\$2.32143	\$18,345,259.41
Less: Producer-Settlement Fund	61(f)		\$0.04143	\$327,432.07
Producer Price Differential (Dallas County)			\$2.28	\$18,017,827.34

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

BULK RATE
 U.S. POSTAGE
 P A I D
 Carrollton, TX
 Permit No. 343

RETURN SERVICE REQUESTED

FEBRUARY 2000
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	321,098,867	40.64	7,388,019	25.54	313,710,848	41.22
Class II	82,884,953	10.49	6,732,915	23.28	76,152,038	10.00
Class III	279,261,522	35.35	9,609,490	33.23	269,652,032	35.43
Class IV	106,774,935	13.52	5,190,802	17.95	101,584,133	13.35
Total	790,020,277	100.00	28,921,226	100.00	761,099,051	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,006,894	41.35	18,587,563	41.28	28,594,463	41.31
Class II	2,417,167	9.99	4,505,191	10.01	6,922,359	10.00
Class III	8,555,674	35.36	15,905,960	35.33	24,461,629	35.34
Class IV	3,218,744	13.30	6,024,963	13.38	9,243,705	13.35
Total	24,198,479	100.00	45,023,677	100.00	69,222,156	100.00