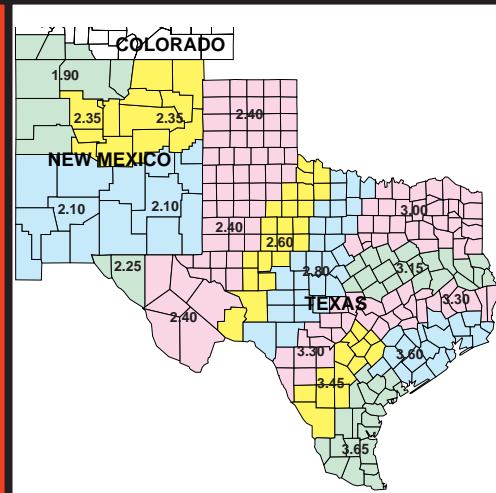


# THE MARKET ADMINISTRATOR'S

# 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 \$2.48 for July. Butterfat price decreased \$0.0282 per pound from \$1.1211 in June to the level of \$1.0929 in July. Protein price decreased \$0.2053 per pound from \$2.0148 in June to \$1.8095 in July. July's Other Solids price decreased \$0.0097 per pound from the previous month to \$0.0150. The Somatic Cell Count adjustment rate factor for July was .00055 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 \$11.81 per hundredweight for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is a decrease of \$0.30 in comparison to the statistical blend price of \$12.11 in June.

The July Class I price decreased 41 cents from

\$14.03 in June to the July level of \$13.62. The Boston Class I price of \$13.87 produced a dairy deficiency payment of \$1.38 for July. The Class II price for July of \$11.14 per hundredweight decreased \$0.05 from \$11.19 in June. July's Class III price decreased \$0.76 from \$10.09 in June to \$9.33 in July. The Class IV price decreased \$0.07 from \$10.52 in June to \$10.45 in July.

In July 812 producers delivered a total of 827,851,890 pounds of milk. On a daily basis this represents a decrease of 4.52 percent from the producer receipts level in June but it represents an increase of 14.57 percent when compared to the producer receipts level of July 2001.

Producer milk classified as Class I during July amounted to 39.26 percent of total producer receipts. This figure is up from 36.00 percent in June but it is down from 43.42 percent in July 2001. The average butterfat test of producer milk pooled during July was 3.507 percent, average protein test was 2.947 percent, average other solids test was 5.690 percent and the average somatic cell count was 335,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 02	Jun 02	Jul 02	Jun 02	Jul 02	Jun 02
Appalachian	12.88	12.83	-----	-----	69.57	57.26
Arizona-Las Vegas	10.87	11.22	-----	-----	32.44	28.02
Central	10.44	11.00	1.11	0.91	24.38	22.13
Florida	14.19	14.44	-----	-----	90.14	86.19
Midwest	10.85	11.24	1.52	1.15	36.60	29.20
Northeast	12.05	12.38	2.72	2.29	39.40	38.10
Pacific Northwest	10.66	11.00	1.33	0.91	25.55	22.38
Southeast	12.55	12.69	-----	-----	62.60	54.08
<b>Southwest</b>	<b>11.81</b>	<b>12.11</b>	<b>2.48</b>	<b>2.02</b>	<b>39.26</b>	<b>36.00</b>
Upper Midwest	10.13	10.72	0.80	0.63	21.20	19.10
Western	10.26	10.87	0.93	0.78	20.57	15.96

## SENTENCES ISSUED IN ADULTERATED MILK CASE

In July and August a number of individuals, both dairymen and milk truck drivers, were sentenced on federal charges of conspiracy for the unlawful adulteration of milk products. On July 15 three milk truck drivers and one dairy producer were ordered to pay restitution for this fraud. The four who were ordered to pay restitution and the amount of restitution were: dairy producer Glenn Wilcox, \$38,311.55; milk truck drivers Jimmy Sullivan, \$15,000.00; Mark Garrett, \$20,000.00; and Michael Woodard, \$5,000.00. In addition to three years probation dairy producer Larry Keith was also ordered to pay restitution of \$61,810.86 in a July 22 court appearance.

At yet another penalty phase hearing on July 31 an additional four individuals were sentenced to various levels of probation and restitution. The four sentenced were: milk truck driver Shane Russom, 2 years probation and \$7,919.80; dairy producers Robert Speight, 2 years probation and \$4,500.00; and Patricia Thompson and Jackie Watkins who were both sentenced to 3 years probation and \$20,000.00 restitution.

On August 12, an additional three producers were sentenced for their part in fraudulently inflating the true value of milk by the unlawful adulteration of milk. The three sentenced were: Dale Keith, 3 years probation and \$20,000; and Austeen Keith and Kenneth Rydeen who were both sentenced to 3 years probation and \$10,000.00 restitution.

Out of over 50 individuals indicted on federal milk tampering charges in the late 90's, all but three have been sentenced in the milk adulteration cases that were first investigated in the early 1990s, and was reported to have cost Associated Milk Producers Inc. about \$2.7 million.

Investigations by the Milk Market Administrator's Office and the USDA Office of Inspector General were instigated in 1994 after evidence that production shrinkage had occurred at Associated Milk Producers, Inc. plant in Sulphur Springs, Texas. After some investigative work it was determined that collusion had transpired between some dairy producers and the drivers who picked up the milk at their farms.

The criminal activity included the collusion with and payment of monies to milk tanker truck drivers to add water and sometimes salt to the milk these drivers collected from these dairy farms. The illicit addition of water and salt to the raw milk increased the weight and bulk of the milk, fraudulently inflating the true value of the milk.

## USDA DAIRY PROGRAM SIGNUP BEGINS AUGUST 13

Agriculture Secretary Ann M Veneman has announced that signup for the Milk Income Loss Contract (MILC) will begin August 13, 2002. This program, authorized by the 2002 Farm Bill, financially compensates dairy producers when domestic milk prices fall below a specified level.

Eligible dairy producers are those who produced milk in any state and marketed the milk commercially beginning December 2001. To be approved for the program, producers must be in compliance with highly erodible and wetland conservation provisions and must enter into a contract with USDA's Commodity Credit Corporation (CCC) to provide monthly marketing data.

MILC payments will occur in months when the price of Class I milk in Boston under the Northeast Milk Marketing Order falls below \$16.94 per cwt. Payment rates will be 45 percent of the difference between \$16.94 and the Boston Class I price for that month. Dairy operations will not receive a payment for months during which the Class I price in Boston is \$16.94 or higher. A similar payment calculation will be applied from the Dec. 1, 2001, through the month preceding the month the producer enters into a contract with CCC.

Program payments, scheduled to begin in October 2002, will be retroactive from Dec. 1, 2001 for eligible production. Payment will be made on a operation-by-operation basis, up to a maximum of 2.4 million pound of milk produced and marketed by the dairy operation per fiscal year. Producers can select the month they want to start receiving payments for eligible production.

As required by the 2002 Farm Bill, USDA will apply the same definition for a dairy operation as used in previous dairy market loss assistance programs. For more information and requirements, or to sign up for the program, dairy producers should contact their local USDA Farm Service Agency offices.

### ESTIMATED DAIRY DEFICIENCY PAYMENTS PER CWT

Month	Boston Class I	Boston Less Target	Deficiency Payment *
Dec 01	15.23	1.71	0.77
Jan 02	15.21	1.73	0.78
Feb 02	15.20	1.74	0.78
Mar 02	14.87	2.07	0.93
Apr 02	14.72	2.22	1.00
May 02	14.51	2.43	1.09
Jun 02	14.28	2.66	1.20
Jul 02	13.87	3.07	1.38
Aug 02	13.73	3.21	1.44

\* (Boston Class I - \$16.94) X 0.45

## TOP TEN TEXAS COUNTIES a/ – JULY 2002

County	Number of Producers	Pounds	% Change From 2001b/	County	Number of Producers	Pounds	% Change From 2001b/
1. Erath	123	101,117,782	- 3.18	7. Hamilton	16	12,420,531	+ 12.74
2. Hopkins	164	40,294,165	+ 2.74	8. Deaf Smith	3	11,882,818	+ 819.19
3. Comanche	37	34,665,916	- 6.56	9. Tom Green	9	10,260,657	+ 18.44
4. Lamb	4	19,427,531	+ 24.30	10. Wood	44	10,254,930	- 0.28
5. El Paso	7	18,691,812	- 3.62	Ten County Total	462	277,698,881	+ 1.86 b/
6. Archer	55	18,682,739	+ 6.29	<u>Other Counties Total</u>	<u>400</u>	<u>137,002,062</u>	<u>+ 16.72</u>
				<b>Texas Total</b>	<b>862</b>	<b>414,700,943</b>	<b>+ 6.33</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.					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-----							
May 2001	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
August	18.40	15.98	15.55	15.06	1.88	229.76	15.35	221.88	.00083	199.90	166.93	94.73	28.86
September	18.56	16.24	15.90	15.59	1.70	244.49	15.20	216.47	.00085	211.98	170.85	94.97	28.71
October	18.93	13.53	14.60	12.77	1.45	165.26	14.82	266.64	.00078	147.01	155.91	94.41	28.35
November	18.76	12.78	11.31	11.97	3.77	145.00	14.70	180.45	.00062	130.40	123.22	93.49	28.23
December	14.98	12.61	11.80	11.79	1.65	143.22	15.17	197.82	.00064	128.94	127.62	91.99	28.68
Averages 2001b/	17.27	14.53	13.10	13.76	2.36	184.80	13.43	196.13	.00071	163.04	142.64	97.91	27.00
January 2002	14.96	12.69	11.87	11.93	1.79	148.46	13.92	196.60	.00065	133.24	129.22	91.61	27.47
February	14.95	12.28	11.63	11.54	1.65	138.17	9.65	208.84	.00064	124.80	128.95	91.21	23.34
March	14.62	12.19	10.65	11.42	2.12	136.38	6.88	183.42	.00060	123.33	120.87	90.60	20.66
April	14.47	11.88	10.85	11.09	1.86	128.90	5.66	201.09	.00062	117.20	123.23	89.75	19.48
May	14.26	11.29	10.82	10.57	1.60	114.33	3.71	220.97	.00062	105.25	123.59	89.72	17.59
June	14.03	11.19	10.09	10.52	2.02	112.11	2.47	201.48	.00059	103.43	117.08	90.05	16.39
July	13.62	11.14	9.33	10.45	2.48	109.29	1.50	180.95	.00055	101.12	110.04	90.33	15.45

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

## TOP NEW MEXICO COUNTIES a/ – JULY 2002

County	Number of Producers	Pounds	% Change From 2001b/	County	Number of Producers	Pounds	% Change From 2001b/
1. Chaves	39	150,823,898	+ 7.81	7. Socorro	8	15,778,548	+ 19.53
2. Curry	20	97,406,497	+ 28.14	8. Valencia	9	10,462,887	+ 4.39
3. Roosevelt	41	96,976,992	+ 25.28	9. Bernalillo	5	6,170,367	+ 1.20
4. Dona Ana	25	80,988,978	+ 9.43				
5. Lea	16	42,791,649	+ 13.46	Nine County Total	170	528,837,789	+ 15.35 b/
6. Eddy	7	27,437,973	+ 13.94	<u>Other Counties Total</u>	<u>6</u>	<u>13,709,032</u>	<u>+ 25.57</u>
				<b>New Mexico Total</b>	<b>176</b>	<b>542,546,821</b>	<b>+ 15.59</b>

a/ All known Grade "A" milk produced on farms located in New Mexico.

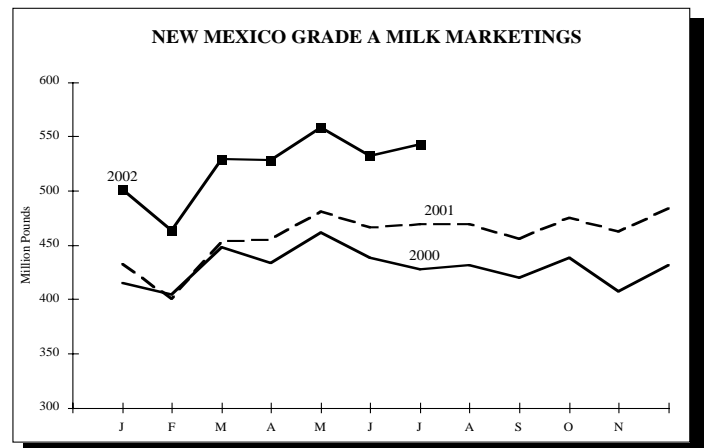
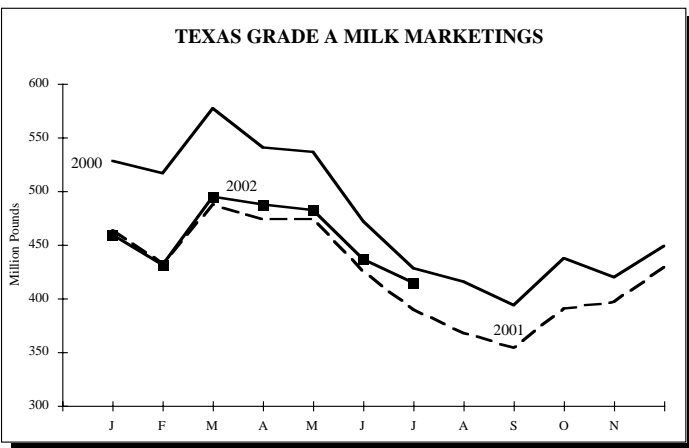
b/ Compared to top counties for the month in the previous year.

**POUNDS OF GRADE A MILK MARKETED BY  
PRODUCERS LOCATED IN TEXAS BY MONTHS:  
JANUARY 2000 THROUGH JULY 2002, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2000 POUNDS	Number of Producers	2001 POUNDS	Number of Producers	2002 POUNDS	Number of Producers	PERCENT CHANGE 2001/00	2002/01
January	528,032,131	1,156	463,431,654	1,026	459,850,238	897	-12.23	-0.77
February	517,023,791	1,141	432,156,106	1,006	431,807,361	894	-13.43	-0.08
March	577,134,609	1,134	487,875,678	991	494,608,931	893	-15.47	+1.38
April	540,903,763	1,121	474,386,881	978	487,475,741	889	-12.30	+2.76
May	536,505,477	1,112	474,236,039	962	482,994,330	875	-11.61	+1.85
June	472,478,168	1,103	425,591,909	954	435,698,971	872	-9.92	+2.37
July	428,683,700	1,089	389,996,462	933	414,700,943	862	-9.02	+6.33
August	415,788,563	1,082	367,810,615	919			-11.54	
September	393,642,034	1,066	354,482,882	916			-9.95	
October	437,963,207	1,058	391,332,224	908			-10.65	
November	420,274,058	1,041	397,352,762	907			-5.45	
December	<u>448,671,268</u>	1,033	<u>429,232,267</u>	903			<u>-4.33</u>	
Years Total	5,717,100,769		5,087,885,479				-10.76	

**POUNDS OF GRADE A MILK MARKETED BY  
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:  
JANUARY 2000 THROUGH JULY 2002, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2000 POUNDS	Number of Producers	2001 POUNDS	Number of Producers	2002 POUNDS	Number of Producers	PERCENT CHANGE 2001/00	2002/01
January	414,930,653	158	432,749,978	166	501,275,998	174	+4.29	+15.84
February	404,085,655	158	400,543,634	166	463,667,936	173	+2.66	+15.76
March	447,971,781	158	453,232,150	165	528,830,087	175	+1.17	+16.68
April	433,303,618	159	454,980,340	167	528,467,048	175	+5.00	+16.15
May	461,526,991	159	480,995,372	169	557,746,887	176	+4.22	+15.96
June	437,718,050	159	466,640,323	170	532,178,000	178	+6.61	+14.04
July	427,456,503	159	469,362,545	171	542,546,821	176	+9.80	+15.59
August	431,815,797	160	469,391,326	174			+8.70	
September	419,669,872	161	455,259,423	173			+8.48	
October	438,410,599	163	474,918,306	173			+8.33	
November	407,114,759	167	462,212,000	173			+13.53	
December	<u>431,351,678</u>	166	<u>484,020,641</u>	173			<u>+12.21</u>	
Years Total	5,155,355,956		5,504,306,038				+6.74	



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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 2001	3.57	3.47	3.00	2.91	5.64	5.65	8.63	8.56	430	315
August	3.59	3.45	3.05	2.95	5.61	5.63	8.65	8.58	454	335
September	3.68	3.52	3.11	3.01	5.63	5.66	8.73	8.68	447	328
October	3.76	3.61	3.18	3.09	5.65	5.67	8.83	8.76	385	284
November	3.76	3.67	3.15	3.12	5.67	5.67	8.82	8.78	364	285
December	3.79	3.73	3.14	3.14	5.68	5.68	8.82	8.81	377	306
Averages 2001	3.66	3.58	3.08	3.03	5.67	5.67	8.74	8.70	408	321
January 2002	3.78	3.71	3.12	3.09	5.69	5.69	8.81	8.78	364	322
February	3.77	3.71	3.09	3.06	5.70	5.69	8.79	8.75	371	327
March	3.72	3.66	3.08	3.03	5.71	5.70	8.79	8.73	335	294
April	3.63	3.56	3.03	2.98	5.70	5.71	8.73	8.68	342	275
May	3.58	3.49	3.01	2.96	5.68	5.69	8.68	8.65	342	256
June	3.58	3.47	2.99	2.92	5.69	5.69	8.67	8.61	366	263
July	3.59	3.45	3.00	2.91	5.67	5.69	8.66	8.60	407	290

a/ In thousands.

**JULY 2002**  
**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$347,992.88
Class I Butterfat	60(a)	7,964,677	\$1.1743	\$9,352,920.21
Class I Skim Per Cwt		317,067,737	\$9.8500	\$31,231,172.12
Class II Butterfat	60(b)	7,564,864	\$1.0999	\$8,320,593.91
Class II Nonfat Solids		7,617,627	\$0.8389	\$6,390,427.29
Class III Butterfat	60(c)	9,657,472	\$1.0929	\$10,554,651.16
Class III Protein		7,993,805	\$1.8095	\$14,464,790.17
Class III Other Solids		15,490,862	\$0.0150	\$232,363.00
Class IV Butterfat	60(d)	3,849,552	\$1.0929	\$4,207,175.39
Class IV Nonfat Solids		11,917,770	\$0.7633	\$9,096,833.86
Class II, III & IV Somatic Cell Adj.	60(e)			\$85,684.92
Total Producer Milk-Product Lbs & Value		827,851,890		\$94,284,604.91
Add: Value as for 60(f) Thru 60(j)				\$18,044.44
Less: Total Protein Pounds	61(b)	24,394,451	<b>\$1.8095</b>	\$44,141,759.13
Total Other Solids Pounds		47,106,010	<b>\$0.0150</b>	\$706,590.23
Total Butterfat Pounds		29,036,565	<b>\$1.0929</b>	\$31,734,061.88
Total Value of Somatic Cell Adjustment				\$67,896.68
<b>Total Milk and Value</b>		827,851,890		\$17,652,341.43
Add: Location Differential Adjustments	61(c)			\$2,863,977.75
Producer-Settlement Fund	61(d)			\$356,465.36
<b>Total Producer Milk/URSP and Value</b>		827,851,890	\$2.52131	\$20,872,784.54
Less: Producer-Settlement Fund	61(f)		\$0.04131	\$342,057.67
<b>Producer Price Differential (Dallas County)</b>			<b>\$2.48</b>	\$20,530,726.87

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

**SOUTHWEST MARKETING AREA**  
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**JULY 2002**  
**PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES**

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	325,032,414	39.26	7,964,677	27.43	317,067,737	39.69
Class II	92,367,924	11.16	7,564,864	26.05	84,803,060	10.62
Class III	273,448,863	33.03	9,657,472	33.26	163,791,391	33.02
Class IV	137,002,689	16.55	3,849,552	13.26	133,153,137	16.67
<b>Total</b>	<b>827,851,890</b>	<b>100.00</b>	<b>29,036,565</b>	<b>100.00</b>	<b>798,815,325</b>	<b>100.00</b>

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,758,160	40.00	18,722,230	39.74	28,480,402	39.83
Class II	2,612,316	10.71	5,005,314	10.63	7,617,627	10.65
Class III	7,993,805	32.77	15,490,862	32.89	23,484,662	32.85
Class IV	4,030,170	16.52	7,887,604	16.74	11,917,770	16.67
<b>Total</b>	<b>24,394,451</b>	<b>100.00</b>	<b>47,106,010</b>	<b>100.00</b>	<b>71,500,461</b>	<b>100.00</b>