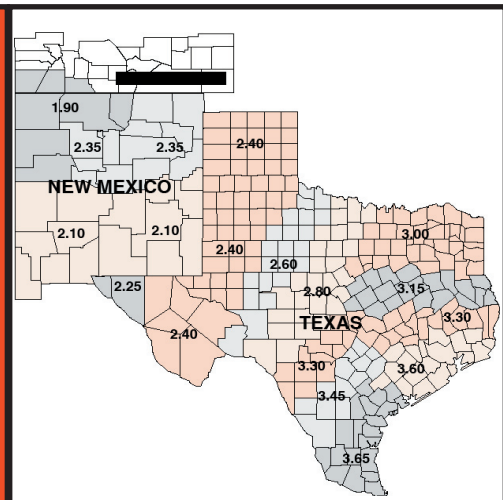


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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MARKET SUMMARY FOR NOVEMBER

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 \$0.99 for November. Butterfat price decreased \$0.0297 per pound from \$1.4149 in October to the level of \$1.3852 in November. Protein price increased \$0.1608 per pound from \$2.0775 in October to \$2.2383 in November. November's Other Solids price increased \$0.0250 per pound from \$0.2026 in October to \$0.2276 in November. The Somatic Cell Count adjustment rate factor for November was .00066 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a November statistical uniform price of \$13.83 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 \$0.18 in comparison to the statistical blend price of \$13.65 in October.

The November Class I price decreased \$0.02 from \$15.42 in October to the November level of \$15.40. The Class II price for November of \$11.98 per hundredweight increased \$0.19 from \$11.79 in October. November's Class III price increased \$0.52 from \$12.32 in October to \$12.84 in November. The Class IV price increased \$0.60 from \$11.51 in October to \$12.11 in November.

In November 661 producers delivered a total of 927,354,868 pounds of milk. On a daily basis this represents an increase of 4.57 percent from the producer receipts level in October and it represents an increase of 11.76 percent when compared to the producer receipts level of November 2005.

Producer milk classified as Class I during November amounted to 38.24 percent of total producer receipts. This figure is down from 40.01 percent in October and it is down from 43.11 percent in November 2005. The average butterfat test of producer milk pooled during November was 3.768 percent, average protein test was 3.201 percent, average other solids test was 5.660 percent and the average somatic cell count was 246,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Nov 06	Oct 06	Nov 06	Oct 06	Nov 06	Oct 06
Appalachian	14.68	14.58	-----	-----	71.38	70.37
Arizona-Las Vegas	13.49	13.24	-----	-----	42.39	42.41
Central	12.96	12.73	0.12	0.41	38.66	33.36
Florida	15.88	15.73	-----	-----	87.86	84.60
Mideast	13.13	12.91	0.29	0.59	43.80	42.40
Northeast	14.21	14.04	1.37	1.72	52.30	51.60
Pacific Northwest	12.85	12.52	0.01	0.20	33.20	31.86
Southeast	14.68	14.60	-----	-----	65.21	65.88
Southwest	13.83	13.65	0.99	1.33	38.24	40.01
Upper Midwest	12.96	12.56	0.12	0.24	16.80	16.60

THE DAIRY OUTLOOK

Current USDA estimates place 2006 milk production at 181.9 billion pounds, a 2.8 percent increase above 2005. This is below the 3.5 percent increase a year earlier, but still above the five year average of 1 to 2 percent growth. Forecast milk production in 2007 is 183 billion pounds, less than a 1-percent increase over 2006. Cow numbers will likely decline slightly in 2007 compared with 2006; however, production per cow will continue to increase, albeit at a lower rate than in 2006. Rising feed prices, especially for corn due to increasing ethanol production, are squeezing milk-feed price ratios and are likely to continue to do so well into 2007.

The cheese market is roughly in balance but inventories of "other cheeses" are above those of last year. Demand for cheese remains strong, especially for mozzarella. Some reallocation of production to dry products could occur in the balance of 2006. Although cheese demand is strong, supplies are such that any further large rise in prices in the balance of 2006 and the first half of 2007 is unlikely. The season average price for cheese is projected at \$1.230 to \$1.240 a pound for 2006. In 2007, the price is forecast at \$1.305 to \$1.395 a pound. Smaller increases in milk production in 2007, coupled with strong demand for all dairy products, are the basis for a higher 2007 cheese price. Whey supplies could tighten further as milk is directed toward Nonfat Dry Milk (NDM) and Skim Milk Powder (SMP) production. Whey prices are projected to average 32.0 to 33.0 cents a pound in the current year and 30.0 to 33.0 cents a pound in 2007.

The market for NDM, SMP, and whey remains very tight. There are reports of orders being delayed or shorted. Cumulative exports of SMP were trailing year-earlier levels through May; however, the gap had nearly disappeared by September. Tight domestic supplies have also contributed to high prices. Exports of NDM and SMP could range higher in 2007 because of strong international demand induced by a relatively weaker U.S. dollar and lower availabilities from Australia and the European Union. Higher prices are also aided by lower global total stocks of dairy products. A reallocation of milk to Class IV uses would boost Class III prices, keeping cheese and whey prices firm.

An increase in Class IV use to augment NDM/SMP supplies could soften butter prices in the balance of 2006 and into 2007. However, demand for butter remains seasonally strong and lower prices are encouraging additional retail activity. Butter stocks are ample to meet additional demand. The butter price

is expected to average \$1.205 to \$1.235 a pound in 2006 and \$1.250 to \$1.370 a pound in 2007.

The expected modest increase in milk production in 2007 in the face of strong product demand should boost milk prices in 2007. The Class IV price is expected to average \$10.95 to \$11.15 in 2006 and rise to \$11.20 to \$12.20 in 2007. The Class III price is projected at \$11.70 to \$11.80 in 2006, climbing to \$12.40 to \$13.30 in 2007. The expected average all milk price is estimated to be \$12.80 to \$12.90 in 2006 and \$13.40 to \$14.30 in 2007.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-149, November 17, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

USDA ISSUES TENTATIVE FINAL DECISION

The U. S. Department of Agriculture has issued a tentative final decision to amend the manufacturing (make) allowances contained in 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 an emergency public hearing held in Alexandria, Va., on Jan. 24-27, 2006, and a second session held in Strongsville, Ohio, on Sept. 14-15, 2006.

The decision amends the manufacturing (make) allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, this decision adopts the following increased manufacturing allowances: cheese -- \$0.1682 per pound; butter -- \$0.1202 per pound; NFDM -- \$.1570 per pound; and dry whey -- \$0.1956 per pound. These amendments are subject to producer approval before they can be implemented.

The tentative final decision will be published in the Nov. 22 Federal Register. Public comments are due 60 days after publication in the Federal Register, on Jan. 22, 2007.

USDA HOLDS NATIONAL HEARING

The U. S. Department of Agriculture held a national public hearing to consider proposals seeking to amend the Class I and Class II milk price formulas applicable to all Federal milk marketing orders. Evidence was also taken at the hearing to determine whether emergency marketing conditions exist that would warrant omission of a recommended decision. The hearing will begin at 1:00 p.m. on Dec. 11, 2006, at the Sheraton Station Square Hotel, 300 West Station Square Drive, Pittsburgh, Pa. 15219.

The hearing was requested by National Milk Producers Federation to reconsider formulas for Class I and Class II milk.

TOP TEN TEXAS COUNTIES a/ – NOVEMBER 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Erath	97	97,375,509	+ 1.77	7. Castro	9	30,544,115	+ 14.02
2. Hopkins	134	46,621,051	+ 9.24	8. Bailey	8	25,371,080	+ 26.10
3. Deaf Smith	12	42,145,691	+ 38.07	9. Hale	5	24,063,940	- 9.19
4. Comanche	29	41,062,930	+ 5.74	10. Hartley	5	20,191,359	+ 5.89
5. Parmer	10	33,674,158	+ 67.37	Ten County Total	318	394,448,783	+ 11.70 b/
6. Lamb	9	33,398,950	+ 1.78	Other Counties Total	383	177,814,101	+ 5.78
				Texas Total	701	572,262,884	+ 9.79

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-----						
September 2005	16.70	14.35	14.30	13.75	1.40	188.72	14.11	230.09	.00075	168.77	149.58	97.05	29.60
October	17.27	14.25	14.35	13.61	1.23	182.56	14.91	237.80	.00075	163.63	149.96	97.94	30.38
November	17.56	13.49	13.35	12.90	1.80	161.14	16.06	227.24	.00070	145.78	139.68	98.35	31.49
December	16.57	13.22	13.37	12.57	1.23	150.36	17.02	238.46	.00070	136.80	139.64	98.99	32.42
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

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

TOP NEW MEXICO COUNTIES a/ – NOVEMBER 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Chaves	38	151,660,466	- 2.85	7. Socorro	8	16,511,431	+ 20.11
2. Curry	24	118,312,871	+ 10.74	8. Valencia	7	13,557,706	- 2.25
3. Roosevelt	42	113,294,132	+ 6.67	9. Sierra	3	6,985,218	- 2.72
4. Dona Ana	24	80,853,972	- 10.60	10. Bernalillo	4	4,719,982	- 2.42
5. Lea	15	41,287,094	+ 1.61	Ten County Total	170	568,842,042	+ 1.11 b/
6. Eddy	5	21,659,170	- 4.73	Other Counties Total	3	10,128,610	- 3.05
				New Mexico Total	173	578,970,652	+ 1.03

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 2004 THROUGH NOVEMBER 2006, WITH PRODUCTION PERCENTAGE COMPARISONS**

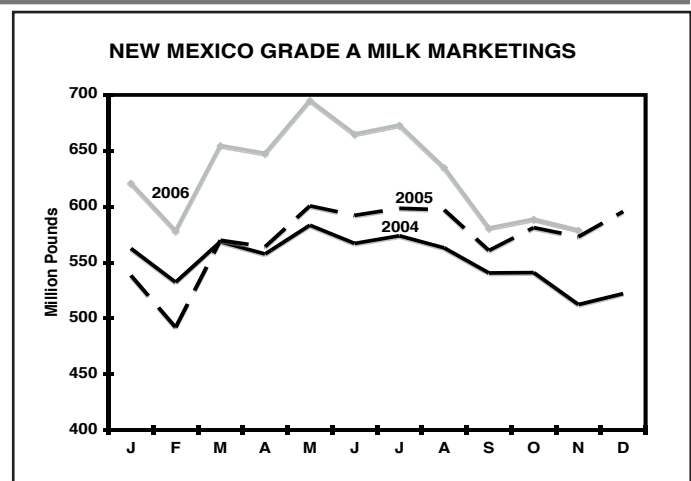
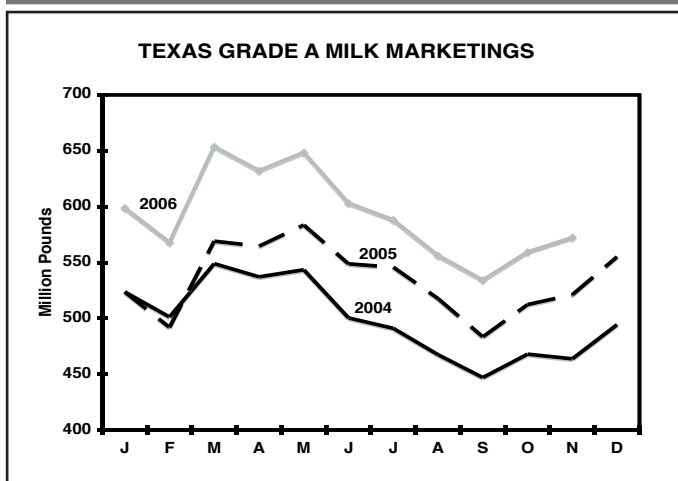
MONTH	2004 POUNDS	Number of Producers	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	PERCENT 2005/04	CHANGE 2006/05
January	523,723,796	816	523,680,970	778	598,770,671	746	- 0.01	+ 14.34
February	501,204,456	819	491,841,542	767	568,127,819	740	+ 1.64*	+ 15.51
March	548,941,459	814	569,021,475	771	653,677,865	740	+ 3.66	+ 14.88
April	537,141,283	803	564,647,522	776	632,332,356	741	+ 5.12	+ 11.99
May	543,408,997	801	583,519,880	774	648,575,970	739	+ 7.38	+ 11.15
June	500,319,580	803	548,798,029	772	603,059,138	733	+ 9.69	+ 9.89
July	491,018,134	799	545,665,957	774	588,198,398	726	+ 11.13	+ 7.79
August	467,427,900	796	517,675,814	767	556,266,201	723	+ 10.75	+ 7.45
September	447,166,094	796	483,172,492	772	534,330,715	712	+ 8.05	+ 10.59
October	467,915,409	797	512,618,370	770	559,390,201	710	+ 9.49	+ 9.12
November	463,696,745	793	521,233,872	758	572,262,884	701	+ 12.41	+ 9.79
December	<u>494,282,753</u>	793	<u>555,024,482</u>	743			<u>+ 12.29</u>	
Years Total	5,986,246,606		6,416,900,405				+ 7.19	

* Based on average daily delivery.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2004 THROUGH NOVEMBER 2006, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2004 POUNDS	Number of Producers	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	PERCENT 2005/04	CHANGE 2006/05
January	560,391,851	178	538,413,955	168	621,161,722	173	- 3.92	+ 15.37
February	530,422,715	176	491,753,468	170	578,266,056	172	- 3.98*	+ 17.59
March	566,717,019	178	567,325,607	169	654,702,022	172	+ 0.09	+ 15.40
April	555,546,336	176	563,980,078	168	647,819,688	173	+ 1.52	+ 14.87
May	581,190,763	177	600,707,138	170	695,061,878	175	+ 3.36	+ 15.71
June	565,063,945	177	592,086,292	172	665,063,549	175	+ 4.78	+ 12.33
July	571,734,951	181	598,502,673	171	672,988,089	174	+ 4.68	+ 12.45
August	563,099,040	177	597,055,615	172	634,876,790	172	+ 6.03	+ 6.33
September	540,636,857	179	560,680,297	176	580,816,517	173	+ 3.71	+ 3.59
October	541,026,928	177	581,203,811	174	588,810,710	171	+ 7.43	+ 1.31
November	512,342,849	176	573,043,775	173	578,970,652	173	+ 11.85	+ 1.03
December	<u>522,218,762</u>	174	<u>595,644,281</u>	171			<u>+ 14.06</u>	
Years Total	6,610,392,016		6,860,396,990				+ 3.78	

* 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
November 2005	3.87	3.70	3.18	3.11	5.70	5.72	8.88	8.84	293	228
December	3.93	3.76	3.18	3.12	5.71	5.73	8.89	8.84	269	212
Averages 2005	3.71	3.57	3.08	3.00	5.70	5.73	8.78	8.73	325	262
January 2006	3.85	3.72	3.12	3.07	5.70	5.72	8.82	8.78	257	209
February	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

a/ In thousands.

NOVEMBER 2006
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$300,375.69
Class I Butterfat	60(a)	8,077,144	\$1.4304	\$11,553,546.80
Class I Skim Per Cwt		346,546,335	\$10.7700	\$37,323,040.30
Class II Butterfat	60(b)	9,607,576	\$1.3922	\$13,375,667.30
Class II Nonfat Solids		10,191,147	\$0.8189	\$8,345,530.29
Class III Butterfat	60(c)	14,332,471	\$1.3852	\$19,853,338.81
Class III Protein		12,177,529	\$2.2383	\$27,256,963.16
Class III Other Solids		21,542,302	\$0.2276	\$4,903,027.94
Class IV Butterfat	60(d)	2,927,824	\$1.3852	\$4,055,621.83
Class IV Nonfat Solids		6,381,070	\$0.8353	\$5,330,107.77
Class II, III & IV Somatic Cell Adj.	60(e)			\$408,840.00
Total Producer Milk-Product Lbs & Value		927,354,868		\$132,706,059.89
Add: Value as for 60(f) Thru 60(j)				\$221,497.78
Less: Total Protein Pounds	61(b)	29,689,660	\$2.2383	\$66,454,365.99
Total Other Solids Pounds		52,495,183	\$0.2276	\$11,947,903.62
Total Butterfat Pounds		34,945,015	\$1.3852	\$48,405,834.78
Total Value of Somatic Cell Adjustment				\$644,271.31
Total Milk and Value		927,354,868		\$5,475,181.97
Add: Location Differential Adjustments	61(c)			\$3,665,045.83
Producer-Settlement Fund	61(d)			\$449,780.50
Total Producer Milk/URSP and Value		927,354,868	\$1.03412	\$9,590,008.30
Less: Producer-Settlement Fund	61(f)		\$0.04412	\$409,195.11
Producer Price Differential (Dallas County)			\$0.99	\$9,180,813.19

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RICHARD FLEMING, MARKET ADMINISTRATOR

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NOVEMBER 2006 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	354,623,479	38.24	8,077,144	23.11	346,546,335	38.83
Class II	120,132,965	12.95	9,607,576	27.49	110,525,389	12.39
Class III	380,559,803	41.04	14,332,471	41.02	366,227,332	41.04
Class IV	72,038,621	7.77	2,927,824	8.38	69,110,797	7.74
Total	927,354,868	100.00	34,945,015	100.00	892,409,853	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	11,522,562	38.81	20,370,236	38.80	31,892,794	38.81
Class II	3,682,602	12.40	6,508,544	12.40	10,191,147	12.40
Class III	12,177,529	41.02	21,542,302	41.04	33,719,832	41.03
Class IV	2,306,967	7.77	4,074,101	7.76	6,381,070	7.76
Total	29,689,660	100.00	52,495,183	100.00	82,184,843	100.00