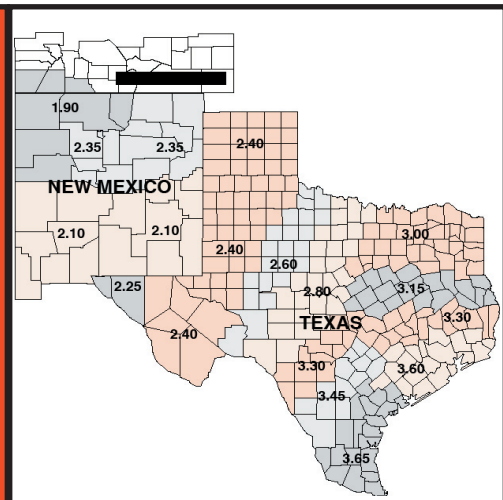


THE MARKET ADMINISTRATOR'S

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 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 \$1.07 for June. Butterfat price decreased \$0.0146 per pound from \$1.2582 in May to the level of \$1.2436 in June. Protein price increased \$0.1675 per pound from \$1.9115 in May to \$2.0790 in June. June's Other Solids price increased \$0.0004 per pound from \$0.1251 in May to \$0.1255 in June. The Somatic Cell Count adjustment rate factor for June was .00061 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 \$12.36 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 \$0.10 in comparison to the statistical blend price of \$12.26 in May.

The June Class I price decreased \$0.22 from \$13.97 in May to the June level of \$13.75. The Class II price for June of \$11.00 per hundredweight decreased \$0.13 from \$11.13 in May. June's Class III price increased \$0.46 from \$10.83 in May to \$11.29 in June. The Class IV price decreased \$0.11 from \$10.33 in May to \$10.22 in June.

In June 830 producers delivered a total of 990,920,966 pounds of milk. On a daily basis this represents a decrease of 5.49 percent from the producer receipts level in May but it represents an increase of 17.89 percent when compared to the producer receipts level of June 2005.

Producer milk classified as Class I during June amounted to 33.13 percent of total producer receipts. This figure is down from 33.71 percent in May and it is down from 37.35 percent in June 2005. The average butterfat test of producer milk pooled during June was 3.551 percent, average protein test was 2.971 percent, average other solids test was 5.728 percent and the average somatic cell count was 235,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jun 06	May 06	Jun 06	May 06	Jun 06	May 06
Appalachian	12.84	13.05	-----	-----	61.02	60.54
Arizona-Las Vegas	11.67	11.62	-----	-----	34.93	34.27
Central	11.62	11.42	0.33	0.59	33.45	25.81
Florida	14.14	14.28	-----	-----	82.84	80.43
Mideast	11.74	11.65	0.45	0.82	33.70	35.40
Northeast	12.66	12.61	1.37	1.78	44.30	43.20
Pacific Northwest	11.30	11.30	0.01	0.47	27.89	27.04
Southeast	12.90	12.90	-----	-----	56.35	54.48
Southwest	12.36	12.26	1.07	1.43	33.13	33.71
Upper Midwest	11.52	11.21	0.23	0.38	16.30	16.90

DAIRY OUTLOOK

Milk production for 2006 is projected at 181.9 billion pounds, an increase of 2.8 percent from 2005. June's forecast is reduced slightly from May's. Expected higher grain prices, hot dry weather in the West and sharply lower milk prices in 2006 compared with last year have likely pressured producer returns. The milk feed price ratio is at its lowest level in 3 years. The low profitability ratio may be taking the wind out of the expansion. However, replacement heifer prices, reported by NASS in April, are unchanged from a year earlier which suggests that significant demand for replacements persists. Moreover, dairy slaughter numbers do not indicate liquidation is yet underway. Milk production in 2007 is forecast higher at 183.1 billion pounds. While cow population will be lower in 2007 than in 2006, higher output per animal will lead production higher.

The 2006 production increase is a result of higher cow populations and higher milk per cow. Production per cow was above 5,000 pounds in the first quarter of 2006 and is expected to climb slightly to 5,130 for the April-June quarter before declining to 4,900 by yearend. The result is the higher overall production estimate for 2006 compared with 2005.

Butter production is declining seasonally, but is still above last year's level. Butter stocks are approaching seasonal highs and are above those for corresponding periods in 2004 and 2005. Prices have declined sharply in the second quarter from last quarter, as well as year over year. The average butter price is expected to be \$1.155-\$1.225 per pound in 2006 compared with \$1.541 in 2005.

A similar scenario is developing for cheese. Prices for Cheddar have declined in the second quarter, compared with both the first quarter and the same quarter last year. Lower prices are helping to maintain demand, while rising stocks are holding down prices. The average 2006 Cheddar price is expected to be \$1.215-\$1.255 per pound compared with \$1.49 per pound in 2005.

The overall weakness in dairy product prices will translate into lower prices in 2006 for all milk, Class III, and Class IV milk. The 2006 price forecast for all milk is \$12.40-\$12.80 per cwt, a decline from \$15.14 last year. Forecast higher demand for dairy products in 2007 with only slight increases in supplies suggest a higher all milk price forecast in 2007 to \$12.85-\$13.85 per cwt. Average Class III price will be \$11.40-\$11.60 per cwt for the 2006 season, off from \$14.05 last year. In 2007, Class III price should recover to \$11.90-\$12.90 per cwt. Similarly, average Class IV milk prices will fall to \$10.45-\$10.95 per cwt in 2006 from \$12.87 in 2005.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-144, June 15, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

CWT INCREASES ASSESSMENT

Members of Cooperatives Working Together have committed to doubling the investment they are making as the fourth year of the historic self-help economic program begins on July 1.

Starting with July's milk production, CWT member cooperatives and individual farmers will begin contributing ten cents per hundredweight, an increase of five cents per hundredweight from the current level of commitment. The additional revenue will be used to continue CWT's two-pronged approach to reducing milk supplies in an effort to improve the economic climate for America's dairy farmers. The higher assessment will run through 2007, and ensures that CWT will be able to fund additional herd retirement efforts, as well as its ongoing export assistance program.

With milk production up 4.1% through the first five months of 2006, compared to year-earlier levels, "Farmers are looking to CWT to provide leadership in helping bring some balance to supply and demand, but that requires a greater investment of resources than the program has required in its first three years of operation," said Jerry Kozak, President and CEO of the National Milk Producers Federation, which manages CWT.

Kozak said that CWT's membership volume as of July 1 will be approximately 70% of the nation's milk supply. That figure includes cooperatives fully participating at the higher, 10 cent assessment level, as well as others that continue to be contributors at the five cent level for the remainder of 2006.

USDA ISSUES NOTICE OF INTENT

The U.S.D.A. announced its intent to reconvene a national public hearing to amend the Class III and Class IV price formulas. USDA will reconvene the national hearing, originally held Jan. 24-27, 2006, in Alexandria, Va., to assure that any changes to manufacturing allowance factors used in Federal order Class III and Class IV product price formulas are appropriate and reflective of manufacturing costs. USDA also welcomes additional proposals addressing the Federal order Class III and Class IV price formulas for further consideration in the reconvened hearing. The additional proposals are due on or before Sept. 30, 2006.

The notice of intent to reconvene the hearing will be published as a proposed rule in the June 28 Federal Register. Copies of the notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The notice is available on AMS' web site: www.ams.usda.gov/dairy.

TOP TEN TEXAS COUNTIES a/ – JUNE 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Erath	107	105,366,634	+ 3.91	7. Bailey	8	30,666,058	+ 37.71
2. Hopkins	137	48,882,544	+ 5.80	8. Hale	5	29,496,800	+ 5.99
3. Deaf Smith	10	44,142,462	+ 143.78	9. Hartley	5	23,381,058	+ 15.27
4. Comanche	29	41,001,198	- 0.25	10. Parmer	7	22,729,164	+ 9.90
5. Castro	9	33,140,933	+ 8.70	Ten County Total	325	411,013,006	+ 13.18 b/
6. Lamb	8	32,206,155	- 3.74	Other Counties Total	408	192,046,132	+ 3.44
				Texas Total	733	603,059,138	+ 9.89

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 2005	17.13	13.24	14.61	12.61	0.67	169.64	10.20	270.55	.00078	152.87	155.90	91.56	25.80
May	17.80	12.78	13.77	12.20	1.33	154.75	10.43	259.65	.00074	140.46	147.65	92.89	26.03
June	16.62	13.06	13.92	12.33	0.95	159.32	11.39	257.41	.00074	144.27	148.45	92.59	26.96
July	16.89	13.79	14.35	13.17	1.09	180.07	12.40	245.58	.00076	161.56	151.56	93.89	27.94
August	17.44	13.95	13.60	13.44	2.10	182.46	13.17	216.19	.00072	163.55	143.22	96.01	28.69
September	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

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

TOP NEW MEXICO COUNTIES a/ – JUNE 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Chaves	40	173,938,149	+ 8.41	7. Socorro	8	17,648,054	+ 38.11
2. Roosevelt	43	133,380,205	+ 20.36	8. Valencia	7	14,866,168	- 7.41
3. Curry	24	128,252,855	+ 18.76	9. Sierra	3	8,021,404	- 2.49
4. Dona Ana	24	97,504,897	+ 4.53	10. Bernalillo	4	5,597,515	+ 3.60
5. Lea	14	47,984,458	+ 16.07	Ten County Total	172	652,307,332	+ 12.29 b/
6. Eddy	5	25,113,627	+ 2.21	Other Counties Total	3	12,756,217	+ 14.13
				New Mexico Total	175	665,063,549	+ 12.33

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 JUNE 2006, WITH PRODUCTION PERCENTAGE COMPARISONS**

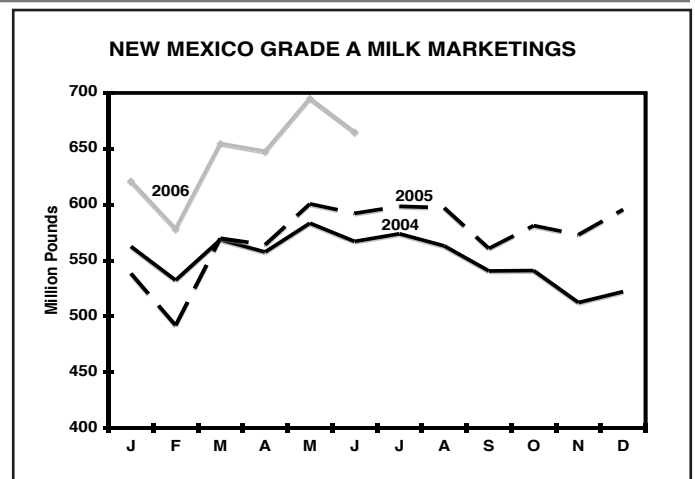
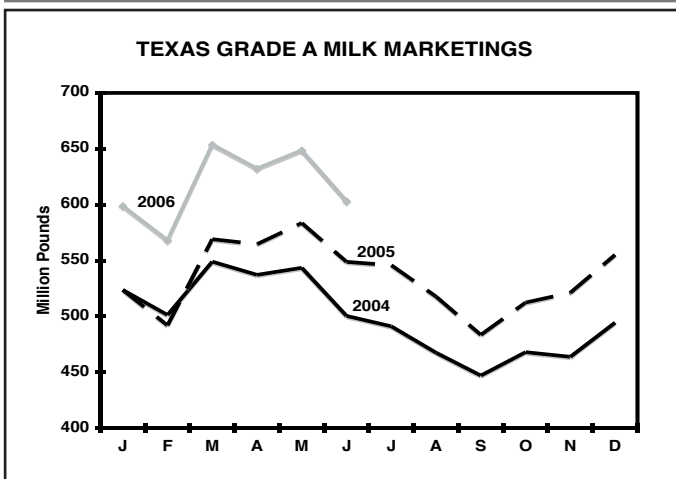
MONTH	2004 POUNDS	Number of Producers	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	PERCENT 2005/04	CHANGE 2006/05
January	523,723,796	816	523,680,970	778	598,770,671	746	- 0.01	+ 14.34
February	501,204,456	819	491,841,542	767	568,127,819	740	+ 1.64*	+ 15.51
March	548,941,459	814	569,021,475	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			+ 11.13	
August	467,427,900	796	517,675,814	767			+ 10.75	
September	447,166,094	796	483,172,492	772			+ 8.05	
October	467,915,409	797	512,618,370	770			+ 9.49	
November	463,696,745	793	521,233,872	758			+ 12.41	
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 JUNE 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			+ 4.68	
August	563,099,040	177	597,055,615	172			+ 6.03	
September	540,636,857	179	560,680,297	176			+ 3.71	
October	541,026,928	177	581,203,811	174			+ 7.43	
November	512,342,849	176	573,043,775	173			+ 11.85	
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
June 2005	3.57	3.41	2.97	2.90	5.72	5.75	8.69	8.65	332	248
July	3.59	3.43	2.98	2.88	5.70	5.74	8.68	8.62	347	252
August	3.63	3.47	3.01	2.91	5.71	5.75	8.73	8.66	365	275
September	3.69	3.52	3.07	2.97	5.68	5.72	8.75	8.69	366	270
October	3.76	3.60	3.14	3.06	5.70	5.73	8.84	8.79	337	254
November	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

a/ In thousands.

JUNE 2006
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$217,545.97
Class I Butterfat	60(a)	7,668,038	\$1.2910	\$9,899,437.06
Class I Skim Per Cwt		320,655,492	\$9.5700	\$30,686,730.62
Class II Butterfat	60(b)	10,606,907	\$1.2506	\$13,264,997.90
Class II Nonfat Solids		10,247,487	\$0.7622	\$7,810,634.62
Class III Butterfat	60(c)	12,593,829	\$1.2436	\$15,661,685.75
Class III Protein		10,799,527	\$2.0790	\$22,452,216.64
Class III Other Solids		20,986,183	\$0.1255	\$2,633,765.96
Class IV Butterfat	60(d)	4,326,724	\$1.2436	\$5,380,713.96
Class IV Nonfat Solids		15,219,240	\$0.6753	\$10,277,552.77
Class II, III & IV Somatic Cell Adj.	60(e)			\$526,768.98
Total Producer Milk-Product Lbs & Value		990,920,966		\$118,812,050.23
Add: Value as for 60(f) Thru 60(j)				\$171,651.86
Less: Total Protein Pounds	61(b)	29,448,413	\$2.0790	\$61,223,250.63
Total Other Solids Pounds		56,760,248	\$0.1255	\$7,123,411.14
Total Butterfat Pounds		35,195,498	\$1.2436	\$43,769,121.34
Total Value of Somatic Cell Adjustment				\$698,282.10
Total Milk and Value		990,920,966		\$6,169,636.88
Add: Location Differential Adjustments	61(c)			\$4,423,542.46
Producer-Settlement Fund	61(d)			\$493,292.14
Total Producer Milk/URSP and Value		990,920,966	\$1.11880	\$11,086,471.48
Less: Producer-Settlement Fund	61(f)		\$0.04880	\$483,617.14
Producer Price Differential (Dallas County)			\$1.07	\$10,602,854.34

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RICHARD FLEMING, MARKET ADMINISTRATOR

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JUNE 2006

PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	328,323,530	33.13	7,668,038	21.79	320,655,492	33.55
Class II	124,204,151	12.53	10,606,907	30.14	113,597,244	11.89
Class III	365,582,022	36.90	12,593,829	35.78	352,988,193	36.93
Class IV	172,811,263	17.44	4,326,724	12.29	168,484,539	17.63
Total	990,920,966	100.00	35,195,498	100.00	955,725,468	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,961,020	33.83	18,995,206	33.47	28,956,226	33.59
Class II	3,505,146	11.90	6,742,340	11.88	10,247,486	11.89
Class III	10,799,527	36.67	20,986,183	36.97	31,785,709	36.87
Class IV	5,182,720	17.60	10,036,519	17.68	15,219,240	17.65
Total	29,448,413	100.00	56,760,248	100.00	86,208,661	100.00