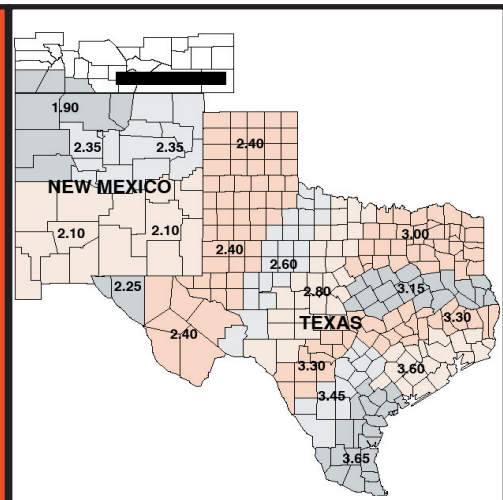


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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MARKET SUMMARY FOR SEPTEMBER

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 \$0.91 for September. Butterfat price increased \$0.1183 per pound from \$1.3008 in August to the level of \$1.4191 in September. Protein price increased \$0.2296 per pound from \$1.9050 in August to \$2.1346 in September. September's Other Solids price increased \$0.0233 per pound from \$0.1416 in August to \$0.1649 in September. The Somatic Cell Count adjustment rate factor for September was .00065 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a September statistical uniform price of \$13.20 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 \$0.54 in comparison to the statistical blend price of \$12.66 in August.

The September Class I price decreased \$0.12 from \$13.97 in August to the September level of \$13.85. The Class II price for September of \$11.74 per hundredweight increased \$0.58 from \$11.16 in August. September's Class III price increased \$1.23 from \$11.06 in August to \$12.29 in September. The Class IV price increased \$0.46 from \$10.64 in August to \$11.10 in September.

In September 660 producers delivered a total of 879,030,195 pounds of milk. On a daily basis this represents a decrease of 3.25 percent from the producer receipts level in August but it represents an increase of 14.64 percent when compared to the producer receipts level of September 2005.

Producer milk classified as Class I during September amounted to 40.76 percent of total producer receipts. This figure is up from 39.24 percent in August but it is down from 46.97 percent in September 2005. The average butterfat test of producer milk pooled during September was 3.670 percent, average protein test was 3.074 percent, average other solids test was 5.717 percent and the average somatic cell count was 318,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Sep 06	Aug 06	Sep 06	Aug 06	Sep 06	Aug 06
Appalachian	13.63	13.51	-----	-----	73.53	74.25
Arizona-Las Vegas	12.76	12.15	-----	-----	46.18	45.95
Central	12.23	11.74	(0.06)	0.68	45.97	31.57
Florida	14.70	14.65	-----	-----	88.52	88.32
Mideast	12.40	11.98	0.11	0.92	45.90	41.00
Northeast	13.43	13.06	1.14	2.00	52.10	48.80
Pacific Northwest	11.89	11.48	(0.40)	0.42	39.05	26.12
Southeast	13.68	13.39	-----	-----	66.34	66.62
Southwest	13.20	12.66	0.91	1.60	40.76	39.24
Upper Midwest	12.37	11.43	0.08	0.37	20.20	16.10

JULY FLUID MILK SALES

During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5 percent higher than July 2005. After adjusting for calendar composition, sales in July 2006 were 0.7 percent higher than July 2005. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk, reduced fat (2%) milk, low fat milk (1%), and fat-free (skim) milk increased from July 2005, while sales of whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier. Sales data for organic milk are now being provided.

Editors Note: Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/fluidsales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS JULY 2006, WITH COMPARISONS ^{1/}

Product Name	Sales		Change from: ^{2/}	
	July	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,360	9,568	- 2.5	- 2.1
Flavored Whole Milk	58	409	0.2	- 4.6
Organic Whole Milk ^{3/}	19	137	---	---
Reduced Fat Milk (2%)	1,463	10,258	2.8	3.2
Low Fat Milk (1%)	492	3,662	2.1	2.6
Fat-Free Milk (Skim)	646	4,644	1.8	2.5
Flavored Fat-Reduced Milk	142	2,049	- 4.9	0.3
Organic Fat-Reduced Milk ^{3/}	65	453	---	---
Buttermilk	41	297	- 2.5	- 0.5
Total Fluid Milk Products ^{3/}	4,299	31,589	0.5	1.2
Total Fluid Milk Products Adjusted ^{3/ 4/}	4,356	31,662	0.7	1.2

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. ^{2/} Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{5/}. Organic milk is included with conventional milk in calculating percentage changes; see ^{3/}. ^{3/} Data are not available for previous year. ^{4/} Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{5/} Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS AND CALIFORNIA, JULY 2006, WITH COMPARISONS ^{1/}

Area (Order Number)	Sales		Change from: ^{2/}	
	July	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Northeast (001)	749	5,453	0.1	0.0
Appalachian (005)	269	2,063	^{3/}	^{3/}
Southeast (007)	391	2,860	4.0	3.6
Florida (006)	229	1,698	- 2.7	- 1.9
Mideast (033)	493	3,586	1.4	0.5
Upper Midwest (030)	343	2,551	- 1.4	1.0
Central (032)	366	2,698	4.8	2.8
Southwest (126)	337	2,505	^{4/}	^{4/}
Arizona-Las Vegas (131)	97	732	^{5/}	^{5/}
Pacific Northwest (124)	169	1,246	- 0.1	1.6
California (---)	511	3,724	- 0.1	0.9

^{1/} These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. ^{2/} Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{2/} above. ^{3/} Percent changes for this market are not comparable due to an expansion in the marketing area. ^{4/} Percent changes for this market are not comparable due to reporting revisions. ^{5/} Percent changes for this market are not comparable. Effective May 1, 2006, Clark County, Nevada was removed from the marketing area.

SOURCE: Monthly reports filed by milk processors subject to provisions of the applicable Federal milk order, AMS, USDA, and California Dairy Information Bulletin, California Agricultural Statistics Service and Milk Stabilization Branch.

TOP TEN TEXAS COUNTIES a/ – SEPTEMBER 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Erath	100	91,888,075	+ 3.15	7. Parmer	8	27,464,266	+ 36.19
2. Deaf Smith	11	43,344,737	+ 108.44	8. Bailey	8	26,515,944	+ 28.71
3. Hopkins	137	41,853,743	+ 8.33	9. Hale	5	26,204,754	- 0.89
4. Comanche	29	36,417,095	- 1.06	10. Hartley	5	20,605,276	+ 2.82
5. Lamb	9	30,922,146	- 3.75	Ten County Total	320	374,857,204	+ 13.09 b/
6. Castro	8	29,641,168	+ 10.76	Other Counties Total	392	159,473,511	+ 5.11
				Texas Total	712	534,330,715	+ 10.59

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-----							
July 2005	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
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

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

TOP NEW MEXICO COUNTIES a/ – SEPTEMBER 2006

County	Number of Producers	Pounds	% Change From 2005b/	County	Number of Producers	Pounds	% Change From 2005b/
1. Chaves	38	150,231,081	- 2.02	7. Socorro	8	16,403,320	+ 18.26
2. Curry	24	120,201,540	+ 15.62	8. Valencia	7	13,461,500	- 10.36
3. Roosevelt	42	115,924,171	+ 8.92	9. Sierra	3	6,700,480	- 8.68
4. Dona Ana	24	79,440,676	- 5.37	10. Bernalillo	4	4,919,637	- 2.20
5. Lea	14	40,853,220	+ 5.96	Ten County Total	169	570,148,244	+ 3.62 b/
6. Eddy	5	22,012,619	- 3.21	Other Counties Total	4	10,668,273	+ 2.11
				New Mexico Total	173	580,816,517	+ 3.59

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 SEPTEMBER 2006, WITH PRODUCTION PERCENTAGE COMPARISONS**

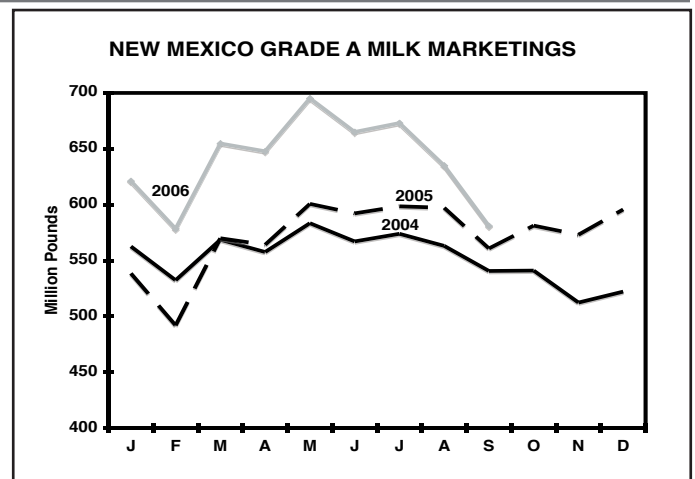
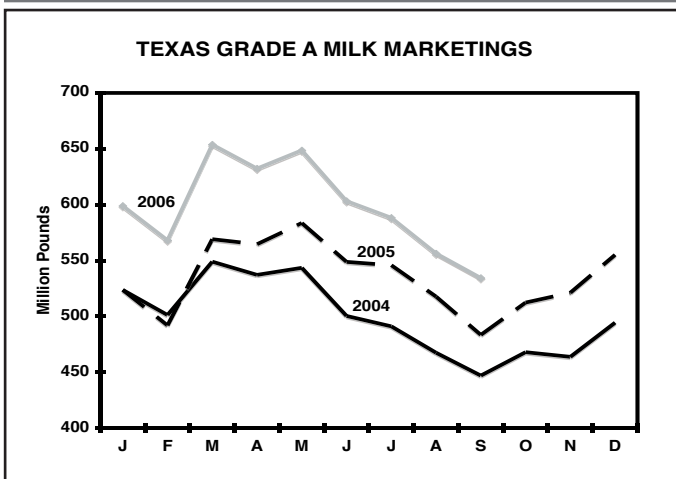
MONTH	2004 POUNDS	Number of Producers	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	PERCENT 2005/04	CHANGE 2006/05
January	523,723,796	816	523,680,970	778	598,770,671	746	- 0.01	+ 14.34
February	501,204,456	819	491,841,542	767	568,127,819	740	+ 1.64*	+ 15.51
March	548,941,459	814	569,021,475	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			+ 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 SEPTEMBER 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			+ 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
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
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

a/ In thousands.

SEPTEMBER 2006
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$315,215.95
Class I Butterfat	60(a)	7,815,108	\$1.3003	\$10,161,984.95
Class I Skim Per Cwt		350,508,142	\$9.6400	\$33,788,984.91
Class II Butterfat	60(b)	9,224,419	\$1.4261	\$13,154,943.97
Class II Nonfat Solids		9,842,894	\$0.7767	\$7,644,975.76
Class III Butterfat	60(c)	12,725,207	\$1.4191	\$18,058,341.24
Class III Protein		11,247,777	\$2.1346	\$24,009,504.80
Class III Other Solids		21,079,175	\$0.1649	\$3,475,955.96
Class IV Butterfat	60(d)	2,499,414	\$1.4191	\$3,546,918.44
Class IV Nonfat Solids		3,109,967	\$0.7066	\$2,197,502.68
Class II, III & IV Somatic Cell Adj.	60(e)			\$136,197.74
Total Producer Milk-Product Lbs & Value		879,030,195		\$116,490,526.40
Add: Value as for 60(f) Thru 60(j)				\$163,097.58
Less: Total Protein Pounds	61(b)	27,027,459	\$2.1346	\$57,692,813.99
Total Other Solids Pounds		50,256,505	\$0.1649	\$8,287,297.67
Total Butterfat Pounds		32,264,148	\$1.4191	\$45,786,052.45
Total Value of Somatic Cell Adjustment				\$182,437.46
Total Milk and Value		879,030,195		\$4,705,022.41
Add: Location Differential Adjustments	61(c)			\$3,188,339.64
Producer-Settlement Fund	61(d)			\$496,842.37
Total Producer Milk/URSP and Value		879,030,195	\$0.95448	\$8,390,204.42
Less: Producer-Settlement Fund	61(f)		\$0.04448	\$391,029.65
Producer Price Differential (Dallas County)			\$0.91	\$7,999,174.77

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RICHARD FLEMING, MARKET ADMINISTRATOR

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SEPTEMBER 2006 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	358,323,250	40.76	7,815,108	24.22	350,508,142	41.39
Class II	116,840,254	13.29	9,224,419	28.59	107,615,835	12.71
Class III	367,285,208	41.79	12,725,207	39.44	354,560,001	41.88
Class IV	36,581,483	4.16	2,499,414	7.75	34,082,069	4.02
Total	879,030,195	100.00	32,264,148	100.00	846,766,047	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	11,241,238	41.58	20,762,919	41.32	32,004,150	41.41
Class II	3,453,194	12.78	6,389,695	12.71	9,842,894	12.74
Class III	11,247,777	41.62	21,079,175	41.94	32,326,953	41.83
Class IV	1,085,250	4.02	2,024,716	4.03	3,109,967	4.02
Total	27,027,459	100.00	50,256,505	100.00	77,283,964	100.00