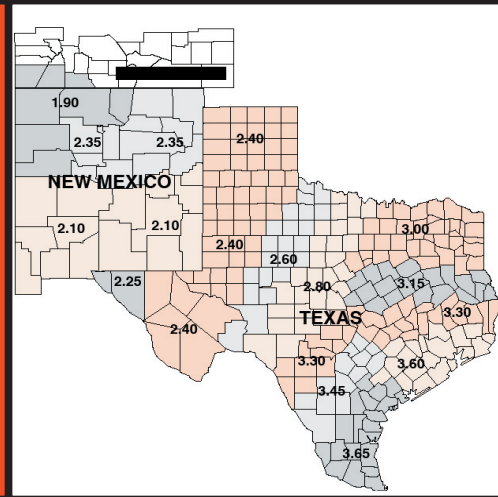


# THE MARKET ADMINISTRATOR'S

# REPORT



## SOUTHWEST MARKETING AREA

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## MARKET SUMMARY FOR JANUARY

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 \$1.21 for January. Butterfat price decreased \$0.0472 per pound from \$1.3481 in December to the level of \$1.3009 in January. Protein price decreased \$0.0335 per pound from \$2.4388 in December to \$2.4053 in January. December's Other Solids price increased \$0.0619 per pound from \$0.2564 in December to \$0.3183 in January. The Somatic Cell Count adjustment rate factor for January was 0.00067 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a January statistical uniform price of \$14.77 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 \$0.72 in comparison to the statistical blend price of \$14.05 in December.

The January Class I price increased \$1.16 from \$15.43 in December to the January level of \$16.59. The Class II price for January of \$12.85 per hundred-weight increased \$0.30 from \$12.55 in December. January's Class III price increased \$0.09 from \$13.47 in December to \$13.56 in January. The Class IV price increased \$0.23 from \$12.30 in December to \$12.53 in January.

In January 803 producers delivered a total of 956,680,892 pounds of milk. On a daily basis this represents a decrease of 11.18 percent from the producer receipts level in December but it represents an increase of 6.25 percent when compared to the producer receipts level of January 2006.

Producer milk classified as Class I during January amounted to 40.57 percent of total producer receipts. This figure is up from 32.53 percent in December but it is down from 40.73 percent in January 2006. The average butterfat test of producer milk pooled during January was 3.845 percent, average protein test was 3.179 percent, average other solids test was 5.676 percent and the average somatic cell count was 328,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jan 07	Dec 06	Jan 07	Dec 06	Jan 07	Dec 06
Appalachian	15.60	14.62	-----	-----	68.92	64.99
Arizona-Las Vegas	14.12	13.71	-----	-----	39.26	39.12
Central	13.92	13.32	0.36	(0.15)	38.16	41.38
Florida	16.77	15.88	-----	-----	82.92	85.10
Mideast	14.03	13.41	0.47	(0.06)	39.90	40.70
Northeast	15.09	14.42	1.53	0.95	48.60	49.00
Pacific Northwest	13.63	12.99	0.07	(0.48)	31.70	43.16
Southeast	15.49	14.81	-----	-----	59.00	65.53
<b>Southwest</b>	<b>14.77</b>	<b>14.05</b>	<b>1.21</b>	<b>0.58</b>	<b>40.57</b>	<b>32.53</b>
Upper Midwest	13.75	13.47	0.19	0.00	15.00	17.10

## CWT ANNOUNCES HERD RETIREMENT

Cooperatives Working Together announced Tuesday that it will conduct a herd retirement effort this spring, with bids being accepted from today until Saturday, March 3rd, and with cow removals to start in six weeks.

This is the fourth herd retirement effort by CWT. The first three, conducted in 2003, 2004, and 2005, reduced U.S. dairy cow numbers by more than 147,000, representing the milk equivalent of 2.8 billion pounds.

Detailed bid information can be found at [www.cwt.coop](http://www.cwt.coop), including a bid application, a calculator to help estimate a farmer's bid, and answers to frequently-asked questions. All bids must be postmarked by Saturday, March 3rd, in order to be considered. All dairy producers submitting bids to sell their herds must be members of CWT, either through their membership in a fully participating cooperative, or as an independent member of CWT.

Bids will be reviewed in early March, with field auditors then proceeding after March 19th to visit each accepted farm to begin the cow removal process.

"All of the economic indicators and benchmarks that we monitor in order to guide CWT's decisions show that now is the appropriate time for us to initiate this herd retirement program," said Jerry Kozak, President and CEO of NMPF, which manages CWT.

CWT is not targeting how many pounds of milk, cows, or herds will be removed by this fourth retirement round. The final tally will be determined by the quality and quantity of the bids, Kozak said.

"As always, we will operate CWT in a cost-effective and frugal manner," Kozak said. "So we will see what kind of response we receive during the upcoming bid period. If the bid prices are, in some cases, too high, we will not put ourselves in the position of taking them in order to meet an arbitrary goal."

In its first herd retirement program, CWT accepted 299 of the 2,038 bids submitted. In 2004, it accepted 363 of the 736 bids submitted. In 2005, it accepted 442 of the 651 bids submitted.

Through the herd retirement program, if a farmer's bid is accepted, CWT pays that farmer for the volume of milk produced by that herd in a 12-month period. The farmer is responsible for selling the cows for slaughter, and they retain the proceeds from that transaction.

In this round, any producer who had his bid accepted in any of the previous three rounds is not eligible to participate again. Also, those producers who have a financial interest in more than one dairy farm-

ing operation must include all their cows in their bid. A dairyman cannot place a bid for just one of his herds, if he has an interest in multiple operations.

As in the past, the herd retirement program will again operate under regional safeguard limits to guarantee that milk capacity reductions in any one region of the country do not negatively impact local supplies. The safeguard limits are strictest in the Northeast, Southeast and Upper Midwest.

For more information on how to participate in CWT's herd retirement, visit [www.cwt.coop](http://www.cwt.coop), or call 888-Info-CWT (888-463-6298).

## MEMBERS TO NATIONAL FLUID MILK BOARD NAMED

Secretary of Agriculture Mike Johanns has announced the appointment of six incumbents and two new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve second terms are: Michael Francis Touhey, Jr., Franklin, Mass. (Region 1); Robert Bruce McCullough, San Antonio, Texas (Region 10); Jerry N. Tidwell, Pleasanton, Calif. (Region 13); and Randy Dean Mooney, Rogersville, Mo. (At-Large Processor).

Re-appointed to serve first terms after filling vacancies lasting less than 18 months are Charles L. Gaither, Jr., Asheville, N.C. (Region 4) and Teresa E. Webb, Wallington, N.J. (At-Large Processor).

Newly Appointed are: James B. Green, St. Paul, Minn. (Region 7) and Jay B. Simon, Stockton, Calif. (Region 14).

Terms for these appointees begin July 1, 2007, and expire June 30, 2010, except for Jay B. Simon who is filling a vacant position with less than 18 months remaining and whose term expires June 30, 2008. All appointees will be seated at the summer board meeting July 13-14, 2007.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the demand for fluid milk products.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia.

## TOP TEN TEXAS COUNTIES a/ – JANUARY 2007

County	Number of Producers	Pounds	% Change From 2006b/	County	Number of Producers	Pounds	% Change From 2006b/
1. Erath	98	108,835,505	- 3.24	7. Lamb	9	32,897,909	+ 6.01
2. Hopkins	132	50,576,308	- 0.15	8. Bailey	8	26,117,178	+ 3.21
3. Comanche	29	44,443,250	+ 0.81	9. Hale	6	24,865,336	- 10.36
4. Deaf Smith	11	41,447,646	+ 13.66	10. Hartley	5	24,185,225	+ 16.42
5. Castro	10	34,675,643	+ 18.65	Ten County Total	318	422,127,418	+ 5.75 b/
6. Parmer	10	34,083,418	+ 59.18	<u>Other Counties Total</u>	<u>379</u>	<u>193,714,657</u>	<u>- 2.95</u>
				<b>Texas Total</b>	<b>697</b>	<b>615,842,075</b>	<b>+ 2.85</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.					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-----						
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
December	15.43	12.55	13.47	12.30	0.58	134.81	25.64	243.88	.00068	123.84	136.24	102.25	40.79
Averages 2006 b/	14.88	11.76	11.89	11.06	1.27	132.52	17.46	209.12	.00062	121.93	124.70	88.74	32.85
January 2007	16.59	12.85	13.56	12.53	1.21	130.09	31.83	240.53	.00067	119.91	133.66	106.77	46.80

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

## TOP NEW MEXICO COUNTIES a/ – JANUARY 2007

County	Number of Producers	Pounds	% Change From 2006b/	County	Number of Producers	Pounds	% Change From 2006b/
1. Chaves	37	157,563,404	- 7.40	7. Socorro	8	17,468,541	+ 10.55
2. Curry	25	116,175,828	+ 1.38	8. Valencia	7	13,378,636	- 7.82
3. Roosevelt	40	110,141,475	- 3.31	9. Sierra	3	7,433,114	- 4.25
4. Dona Ana	24	90,463,474	- 7.09	10. Bernalillo	4	4,490,406	- 11.10
5. Lea	15	43,455,568	- 4.68	Ten County Total	168	583,114,616	- 4.32 b/
6. Eddy	5	22,544,170	- 8.65	<u>Other Counties Total</u>	<u>3</u>	<u>10,168,281</u>	<u>- 13.35</u>
				<b>New Mexico Total</b>	<b>171</b>	<b>593,282,897</b>	<b>- 4.49</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 2005 THROUGH JANUARY 2007, WITH PRODUCTION PERCENTAGE COMPARISONS**

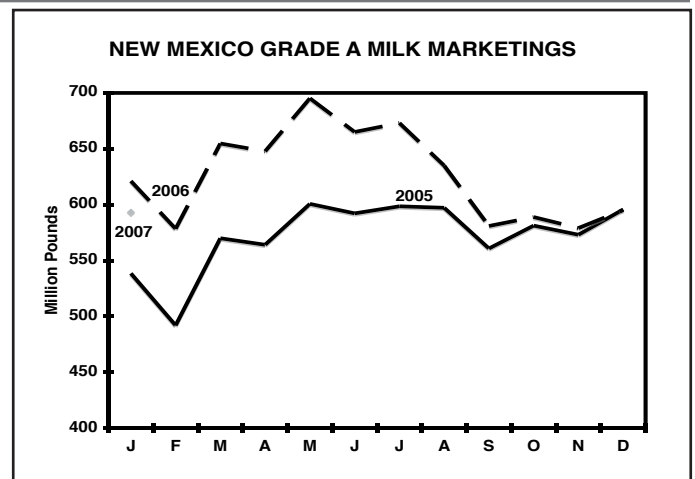
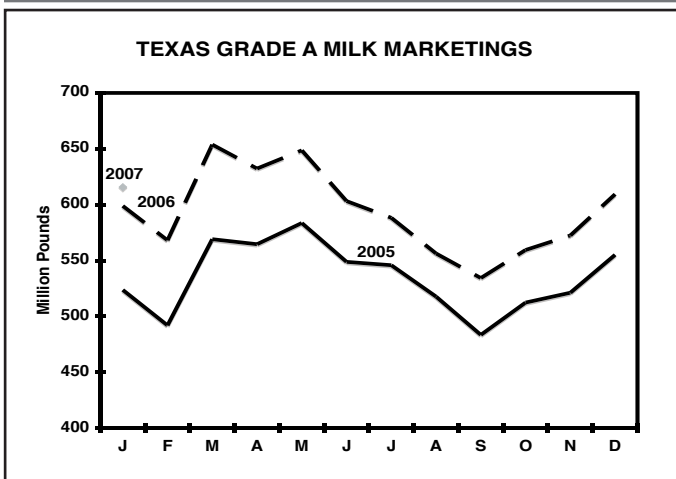
MONTH	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	PERCENT 2006/05	CHANGE 2007/06
January	523,680,970	778	598,770,671	746	615,842,075	697	+ 14.34	+ 2.85
February	491,841,542	767	568,127,819	740			+ 15.51	
March	569,021,475	771	653,677,865	740			+ 14.88	
April	564,647,522	776	632,332,356	741			+ 11.99	
May	583,519,880	774	648,575,970	739			+ 11.15	
June	548,798,029	772	603,059,138	733			+ 9.89	
July	545,665,957	774	588,198,398	726			+ 7.79	
August	517,675,814	767	556,266,201	723			+ 7.45	
September	483,172,492	772	534,330,715	712			+ 10.59	
October	512,618,370	770	559,390,201	710			+ 9.12	
November	521,233,872	758	572,262,884	701			+ 9.79	
December	<u>555,024,482</u>	743	<u>609,404,039</u>	695			<u>+ 9.80</u>	
Years Total	6,416,900,405		7,124,396,257				+ 11.03	

\* Based on average daily delivery.

**POUNDS OF GRADE A MILK MARKETED BY  
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:  
JANUARY 2005 THROUGH JANUARY 2007, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2005 POUNDS	Number of Producers	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	PERCENT 2006/05	CHANGE 2007/06
January	538,413,955	168	621,161,722	173	593,282,897	171	+ 15.37	- 4.49
February	491,753,468	170	578,266,056	172			+ 17.59	
March	567,325,607	169	654,702,022	172			+ 15.40	
April	563,980,078	168	647,819,688	173			+ 14.87	
May	600,707,138	170	695,061,878	175			+ 15.71	
June	592,086,292	172	665,063,549	175			+ 12.33	
July	598,502,673	171	672,988,089	174			+ 12.45	
August	597,055,615	172	634,876,790	172			+ 6.33	
September	560,680,297	176	580,816,517	173			+ 3.59	
October	581,203,811	174	588,810,710	171			+ 1.31	
November	573,043,775	173	578,970,652	173			+ 1.03	
December	<u>595,644,281</u>	171	<u>595,163,099</u>	175			<u>- 0.08</u>	
Years Total	6,860,396,990		7,513,700,772				+ 9.52	

\* 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 <sup>a/</sup>	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
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
December	3.85	3.76	3.20	3.16	5.68	5.68	8.88	8.84	284	242
Averages 2006	3.74	3.61	3.09	3.03	5.70	5.71	8.78	8.74	279	231
January 2007	3.89	3.79	3.19	3.16	5.69	5.68	8.87	8.83	349	309

a/ In thousands.

**JANUARY 2007**  
**COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

	Pounds	Price	Value
Add: Class I Differential			\$317,453.39
Class I Butterfat	60(a)	\$1.3847	\$11,806,795.47
Class I Skim Per Cwt		\$12.1700	\$46,199,737.61
Class II Butterfat	60(b)	\$1.3079	\$12,441,337.28
Class II Nonfat Solids		\$0.9522	\$9,280,216.44
Class III Butterfat	60(c)	\$1.3009	\$18,438,081.09
Class III Protein		\$2.4053	\$29,161,590.21
Class III Other Solids		\$0.3183	\$6,884,548.90
Class IV Butterfat	60(d)	\$1.3009	\$5,949,491.84
Class IV Nonfat Solids		\$0.9184	\$5,774,622.76
Class II, III & IV Somatic Cell Adj.	60(e)		\$92,816.93
Total Producer Milk-Product Lbs & Value	956,680,892		\$146,346,691.92
Add: Value as for 60(f) Thru 60(j)			\$216,152.84
Less: Total Protein Pounds	61(b)	\$2.4053	\$73,165,767.23
Total Other Solids Pounds		\$0.3183	\$17,286,403.20
Total Butterfat Pounds		\$1.3009	\$47,854,588.69
Total Value of Somatic Cell Adjustment			\$142,018.57
<b>Total Milk and Value</b>	956,680,892		\$8,114,067.07
Add: Location Differential Adjustments	61(c)		\$3,485,205.75
Producer-Settlement Fund	61(d)		\$396,288.21
<b>Total Producer Milk/URSP and Value</b>	956,680,892	\$1.25387	\$11,995,561.03
Less: Producer-Settlement Fund	61(f)	\$0.04387	\$419,722.24
<b>Producer Price Differential (Dallas County)</b>		<b>\$1.21</b>	<b>\$11,575,838.79</b>

THE MARKET ADMINISTRATOR'S

# REPORT

SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

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## JANUARY 2007 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	388,146,474	40.57	8,526,609	23.18	379,619,865	41.27
Class II	115,057,921	12.03	9,512,453	25.86	105,545,468	11.47
Class III	380,892,259	39.81	14,173,327	38.53	366,718,932	39.87
Class IV	72,584,238	7.59	4,573,366	12.43	68,010,872	7.39
Total	956,680,892	100.00	36,785,755	100.00	919,895,137	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	12,525,036	41.17	22,415,268	41.27	34,940,296	41.24
Class II	3,503,063	11.52	6,243,011	11.50	9,746,079	11.50
Class III	12,123,889	39.86	21,629,120	39.83	33,753,012	39.84
Class IV	2,266,574	7.45	4,021,125	7.40	6,287,699	7.42
Total	30,418,562	100.00	54,308,524	100.00	84,727,086	100.00