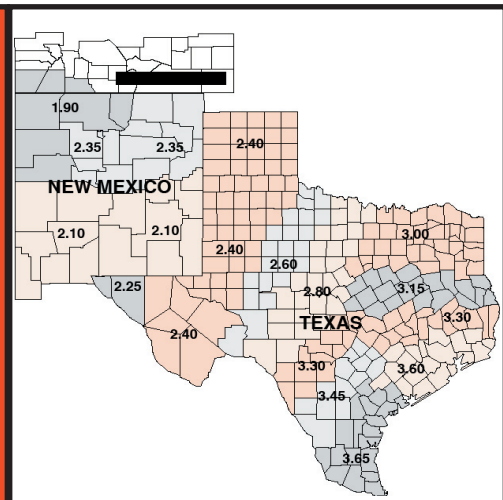


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

CARY HUNTER, MARKET ADMINISTRATOR
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MARKET SUMMARY FOR DECEMBER

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 (\$0.53) for December. Butterfat price decreased \$0.4732 per pound from \$1.7730 in November to the level of \$1.2998 in December. Protein price increased \$0.5089 per pound from \$3.1301 in November to \$3.6390 in December. December's Other Solids price decreased (\$0.0170) per pound from (\$0.0099) in November to (\$0.0269) in December. The Somatic Cell Count adjustment rate factor for December was 0.00088 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a December statistical uniform price of \$14.75 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 \$2.14 in comparison to the statistical blend price of \$16.89 in November.

The December Class I price decreased \$1.90 from \$20.33 in November to the December level of \$18.43. The Class II price for December of \$11.21 per hundredweight decreased \$3.24 from \$14.45 in November. December's Class III price decreased \$0.23 from \$15.51 in November to \$15.28 in December. The Class IV price decreased \$1.90 from \$12.25 in November to \$10.35 in December.

In December 518 producers delivered a total of 603,946,110 pounds of milk. On a daily basis this represents a decrease of 38.72 percent from the producer receipts level in November and it represents a decrease of 5.54 percent when compared to the producer receipts level of December 2007.

Producer milk classified as Class I during December amounted to 60.77 percent of total producer receipts. This figure is up from 36.22 percent in November and it is up from 54.15 percent in December 2007. The average butterfat test of producer milk pooled during December was 3.756 percent, average protein test was 3.162 percent, average other solids test was 5.733 percent and the average somatic cell count was 242,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Dec 08	Nov 08	Dec 08	Nov 08	Dec 08	Nov 08
Appalachian	16.23	18.75	-----	-----	69.19	68.25
Arizona	13.97	15.83	-----	-----	33.65	34.37
Central	13.63	15.61	(1.65)	0.10	40.51	32.31
Florida	18.88	21.25	-----	-----	84.48	83.80
Mideast	14.42	16.32	(0.86)	0.81	47.90	42.40
Northeast	15.06	17.09	(0.22)	1.58	46.30	45.30
Pacific Northwest	13.00	15.29	(2.28)	(0.22)	43.09	29.41
Southeast	16.85	19.21	-----	-----	66.68	67.96
Southwest	14.75	16.89	(0.53)	1.38	60.77	36.22
Upper Midwest	15.04	15.85	(0.24)	0.34	17.00	13.90

MARKET ADMINISTRATOR RETIRES

Richard Fleming has retired after more than 52 years of dedicated service to the Market Administrator's office and Federal order program. Richard was born and raised on a farm north of Tyler near Lindale, Texas. He graduated from Lindale High School in June 1953. He attended East Texas State Teachers College, Commerce, Texas, where he earned a Bachelor of Science Degree in Vocational Agriculture and a Minor in General Science in May 1956. Richard Fleming was employed by the Dallas Market Administrator's Office on June 1, 1956, as a milk sampler-tester. He was promoted to the positions of chemist and investigator prior to being appointed Assistant Market Administrator, by Gene Dunham, on January 16, 1968. After Gene's retirement in 1988, Richard was appointed Market Administrator.

He has been instrumental to the dairy industry in developing several of the basic concepts we currently use today to verify milk volumes such as the weight conversion factors and fortification factors. He served as Chairman for the Procedures Committee which developed the Weight Conversion Factors for Milk. The report was issued in June 1965. He served as Coordinator for the Fortification Study Subcommittee of Federal Market Administrators' Service Unit Number One. The report was issued in July 1971. His primary emphasis has always been to assure the accurate accountability of milk for the producer and he has been dauntless in the pursuit of accurate milk testing procedures. In 1988 W. H. Blanchard, Director, Dairy Programs, appointed Richard chairman of the Milk Test Procedures Committee. The committee is a collaboration between Market Administrators' Offices and Cornell University. Richard has worked closely with Dr. David Barbano, professor, Department of Food Science, Cornell University, to improve the testing methods for measuring the components of milk that the dairy industry uses for payment purposes. Richard has led the Milk Test Procedures Committee in improving the testing methods for measuring fat, protein, lactose, and total solids in raw milk and other dairy products. On September 23, 1993, Mike Espy, Secretary of Agriculture, awarded Richard the U. S. Department of Agriculture's Distinguished Service Award for exceptional leadership in developing and revising both chemical and infrared testing procedures for determining the components of milk and dairy products.

During his tenure, he has served the Federal order program in a multitude of capacities. He participated in the study Factors Affecting Yields of Cottage

Cheese, Report issued September 1974. He served on the Class I Classification Committee and Identical Provision Committee during Federal order reform and he was appointed Chairman of the Classification Committee in June 2003.

Richard is married and has four children and nine grandchildren and resides in Carrollton, Texas.

MARKET ADMINISTRATOR APPOINTED FOR SOUTHWEST MILK ORDER

Cary J. Hunter has been appointed as Mr. Fleming's successor. Mr. Hunter was appointed as Market Administrator of the Southwest Milk Marketing Order effective January 4, 2009. Mr. Hunter graduated from Texas A & M with a Bachelor of Science degree in Dairy Science in 1987 and with a Master's degree in Agricultural Economics in 1991. While attending Texas A & M, he managed his family farm. He began working for the Federal Milk Marketing Order in July 1990 as a Marketing Specialist with the Southwest Milk Marketing Order and was promoted to the position of Assistant to the Market Administrator in August 1996. He was subsequently promoted to Assistant Market Administrator in January 2002.

USDA TERMINATES PROCEEDING ON PROPOSED AMENDMENTS TO ALL MILK ORDERS

The U. S. Department of Agriculture has announced that it will terminate a proceeding on proposed amendments to modify the formulas used to determine Class I and Class II prices in all Federal milk marketing orders.

In response to a proposal by the National Milk Producers Federation to reconsider formulas for Class I and Class II milk, USDA held a hearing Dec. 11-15, 2006, in Pittsburgh, Pa. USDA is terminating the proceeding because the evidence presented at the hearing was neither compelling nor provided a basis to make a reasoned decision for recommending adoption or denial of the proposal.

The termination notice will be published in today's Federal Register. The termination notice and hearing record is available on the Agricultural Marketing Service Dairy Programs website at <http://www.ams.usda.gov/dairy>. Producers and processors with questions about the termination should contact their local milk market administrator's office

TOP TEN TEXAS COUNTIES a/ – DECEMBER 2008

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2007b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2007b/</u>
1. Erath	88	105,447,716	+ 7.39	7. Bailey	11	41,357,998	+ 29.89
2. Parmer	13	69,534,477	+ 9.19	8. Hartley	10	40,800,460	+ 18.54
3. Deaf Smith	14	60,717,760	+ 22.60	9. Lamb	9	38,778,589	+ 5.66
4. Castro	11	57,429,524	+ 22.94	10. Hale	4	29,296,003	+ 15.70
5. Hopkins	120	46,565,911	+ 7.90	Ten County Total	307	532,496,401	+ 13.64 b/
6. Comanche	27	42,567,963	+ 9.07	<u>Other Counties Total</u>	<u>333</u>	<u>202,765,854</u>	<u>+ 13.57</u>
				Texas Total	640	735,262,255	+ 13.62

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-----						
November 2007	24.45	22.07	19.22	20.40	2.36	140.77	24.61	430.81	.00098	129.33	196.52	195.62	43.45
December	23.04	20.82	20.60	19.18	0.41	143.48	26.37	470.61	.00105	131.59	209.76	180.31	45.16
Averages 2007 b/	21.14	18.36	18.04	18.36	1.43	146.93	42.01	351.21	.00087	134.41	173.80	169.27	60.04
January 2008	23.97	19.75	19.32	16.29	1.38	133.19	20.97	449.94	.00100	123.01	199.98	150.90	39.92
February	22.68	18.46	17.03	14.67	2.25	130.10	8.03	401.80	.00092	120.44	184.03	133.31	27.36
March	19.70	15.63	18.00	14.17	(0.68)	136.04	4.93	433.31	.00098	125.39	195.75	125.12	24.35
April	21.61	15.29	16.76	14.56	1.42	147.48	6.22	375.79	.00091	134.92	181.64	125.06	25.60
May	19.62	15.51	18.18	15.26	(0.30)	155.62	7.66	411.08	.00098	141.70	195.25	129.85	27.00
June	21.18	16.19	20.25	15.92	(1.23)	161.60	8.26	471.93	.00108	146.69	216.09	135.08	27.58
July	23.78	16.81	18.24	16.60	1.85	167.74	7.07	400.25	.00098	151.80	195.85	140.53	26.42
August	21.47	17.45	17.32	16.64	2.00	174.13	5.29	364.97	.00093	157.13	186.99	138.40	24.70
September	20.65	17.58	16.28	15.45	2.18	181.96	2.34	326.89	.00089	163.65	177.73	121.31	21.83
October	18.53	16.60	17.06	13.62	0.20	185.07	(0.47)	354.90	.00095	169.97	190.65	99.87	19.45
November	20.33	14.45	15.51	12.25	1.38	177.30	(0.99)	313.01	.00088	163.56	175.11	87.01	18.95
December	18.43	11.21	15.28	10.35	(0.53)	129.98	(2.69)	363.90	.00088	124.48	175.44	84.25	17.30
Averages 2008 b/	21.00	16.24	17.44	14.65	0.83	156.68	5.55	388.98	.00095	143.56	189.54	122.56	25.04

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

TOP NEW MEXICO COUNTIES a/ – DECEMBER 2008

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2007b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2007b/</u>
1. Chaves	39	171,834,224	+ 5.82	7. Socorro	8	19,527,728	+ 14.18
2. Curry	27	138,008,153	+ 7.40	8. Valencia	5	13,941,656	+ 7.44
3. Roosevelt	43	131,456,005	+ 14.34	9. Sierra	3	7,365,193	+ 2.90
4. Dona Ana	22	91,845,537	- 1.43	10. Bernalillo	4	5,315,090	+ 5.38
5. Lea	13	44,918,105	+ 21.27	Ten County Total	170	649,145,346	+ 7.85 b/
6. Eddy	6	24,933,655	+ 5.86	<u>Other Counties Total</u>	<u>3</u>	<u>9,659,522</u>	<u>- 10.92</u>
				New Mexico Total	173	658,804,868	+ 7.52

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 2006 THROUGH DECEMBER 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

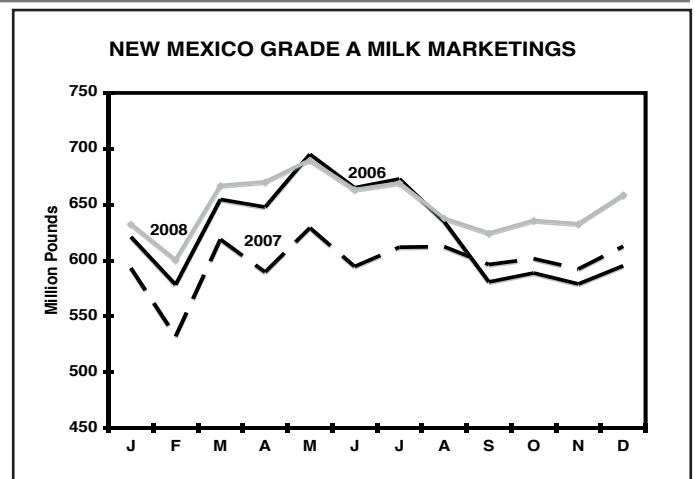
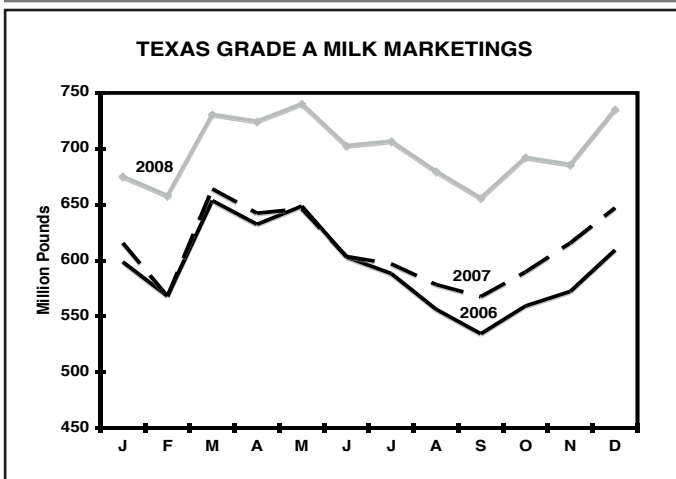
MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	598,770,671	746	615,854,742	697	675,265,283	654	+ 2.85	+ 9.65
February	568,127,819	740	567,905,237	692	658,108,461	658	- 0.04	+ 11.89*
March	653,677,865	740	664,126,490	694	730,859,173	659	+ 1.60	+ 10.05
April	632,332,356	741	642,444,396	689	724,651,306	659	+ 1.60	+ 12.80
May	648,575,970	739	646,347,511	676	740,427,008	659	- 0.34	+ 14.56
June	603,059,138	733	603,528,908	670	702,946,861	656	+ 0.08	+ 16.47
July	588,198,398	726	596,923,443	656	706,911,758	657	+ 1.48	+ 18.43
August	556,266,201	723	578,369,166	656	679,996,118	654	+ 3.97	+ 17.57
September	534,330,715	712	569,217,018	661	656,032,884	646	+ 6.53	+ 15.25
October	559,390,201	710	607,239,216	664	692,397,097	648	+ 8.55	+ 14.02
November	572,262,884	701	615,810,876	660	685,894,611	646	+ 7.61	+ 11.38
December	<u>609,404,039</u>	695	<u>647,114,088</u>	655	<u>735,262,255</u>	640	<u>+ 6.19</u>	<u>+ 13.62</u>
Years Total	7,124,396,257		7,354,881,091		8,388,752,815		+ 3.23	+ 14.06

* Based on average daily deliveries.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2006 THROUGH DECEMBER 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	621,161,722	173	593,437,434	171	632,699,151	173	- 4.46	+ 6.62
February	578,266,056	172	531,955,021	170	600,488,935	169	- 8.01	+ 8.99*
March	654,702,022	172	618,854,728	171	667,225,545	170	- 5.48	+ 7.82
April	647,819,688	173	593,858,997	168	670,437,294	170	- 8.33	+ 12.90
May	695,061,878	175	629,220,180	166	690,007,674	173	- 9.47	+ 9.66
June	665,063,549	175	598,890,379	166	663,052,878	172	- 9.95	+ 10.79
July	672,988,089	174	611,908,294	167	669,450,030	172	- 9.08	+ 9.40
August	634,876,790	172	612,444,830	169	637,877,538	172	- 3.53	+ 4.15
September	580,816,517	173	596,639,214	173	624,527,568	172	+ 2.72	+ 4.67
October	588,810,710	171	614,972,057	172	635,779,456	174	+ 4.44	+ 3.38
November	578,970,652	173	592,544,809	171	632,916,136	175	+ 2.34	+ 6.81
December	<u>595,163,099</u>	175	<u>612,751,685</u>	172	<u>658,804,868</u>	173	<u>+ 2.96</u>	<u>+ 7.52</u>
Years Total	7,513,700,772		7,207,477,628		7,783,267,073		- 4.08	+ 7.99

* Based on average daily deliveries.



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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
Averages 2007	3.73	3.62	3.10	3.05	5.69	5.70	8.80	8.75	315	256
January 2008	3.87	3.74	3.19	3.13	5.72	5.71	8.90	8.84	274	240
February	3.79	3.67	3.13	3.06	5.71	5.71	8.84	8.77	260	220
March	3.76	3.63	3.10	3.02	5.72	5.72	8.82	8.75	244	202
April	3.69	3.56	3.08	3.00	5.72	5.73	8.80	8.73	241	193
May	3.64	3.51	3.04	2.96	5.74	5.75	8.78	8.71	247	197
June	3.58	3.48	2.99	2.89	5.74	5.75	8.72	8.64	261	205
July	3.59	3.48	3.00	2.90	5.71	5.73	8.71	8.63	305	262
August	3.63	3.51	3.01	2.92	5.73	5.75	8.74	8.67	327	268
September	3.70	3.55	3.08	3.00	5.72	5.74	8.80	8.74	341	281
October	3.77	3.62	3.15	3.08	5.72	5.74	8.87	8.82	313	257
November	3.81	3.62	3.18	3.13	5.73	5.74	8.91	8.87	277	226
December	3.83	3.64	3.19	3.12	5.74	5.74	8.93	8.86	268	222
Averages 2008	3.72	3.58	3.10	3.02	5.73	5.73	8.82	8.75	280	231

a/ In thousands.

DECEMBER 2008
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$359,951.00
Class I Butterfat	60(a)	8,499,764	\$1.8225	\$15,490,819.93
Class I Skim Per Cwt		358,497,524	\$12.4900	\$44,776,340.75
Class II Butterfat	60(b)	8,179,537	\$1.3068	\$10,689,018.98
Class II Nonfat Solids		7,160,340	\$0.7644	\$5,473,363.90
Class III Butterfat	60(c)	971,990	\$1.2998	\$1,263,392.59
Class III Protein		364,936	\$3.6390	\$1,328,002.11
Class III Other Solids		662,868	(\$0.0269)	(\$17,831.15)
Class IV Butterfat	60(d)	5,035,932	\$1.2998	\$6,545,704.40
Class IV Nonfat Solids		12,447,433	\$0.6680	\$8,314,885.24
Class II, III & IV Somatic Cell Adj.	60(e)			\$210,236.50
Total Producer Milk-Product Lbs & Value		603,946,110		\$94,433,884.25
Add: Value as for 60(f) Thru 60(j)				(\$64,877.66)
Less: Total Protein Pounds	61(b)	19,097,929	\$3.6390	\$69,497,363.65
Total Other Solids Pounds		34,626,082	(\$0.0269)	(\$931,441.65)
Total Butterfat Pounds		22,687,223	\$1.2998	\$29,488,852.47
Total Value of Somatic Cell Adjustment				\$574,175.89
Total Milk and Value		603,946,110		(\$4,259,943.77)
Add: Location Differential Adjustments	61(c)			\$1,016,641.04
Producer-Settlement Fund	61(d)			\$336,073.85
Total Producer Milk/URSP and Value		603,946,110	(\$0.48137)	(\$2,907,228.88)
Less: Producer-Settlement Fund	61(f)		\$0.04862	\$293,685.50
Producer Price Differential (Dallas County)			(\$0.53)	(\$3,200,914.38)

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CARY HUNTER, MARKET ADMINISTRATOR
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**DECEMBER 2008
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES**

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	366,997,288	60.77	8,499,764	37.46	358,497,524	61.68
Class II	85,322,101	14.13	8,179,537	36.05	77,142,564	13.27
Class III	12,083,626	1.99	971,990	4.29	11,111,636	1.91
Class IV	139,543,095	23.11	5,035,932	22.20	134,507,163	23.14
Total	603,946,110	100.00	22,687,223	100.00	581,258,887	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	11,717,660	61.36	21,370,773	61.73	33,088,434	61.59
Class II	2,563,735	13.42	4,596,606	13.27	7,160,340	13.33
Class III	364,936	1.91	662,868	1.91	1,027,804	1.91
Class IV	4,451,598	23.31	7,995,835	23.09	12,447,433	23.17
Total	19,097,929	100.00	34,626,082	100.00	53,724,011	100.00