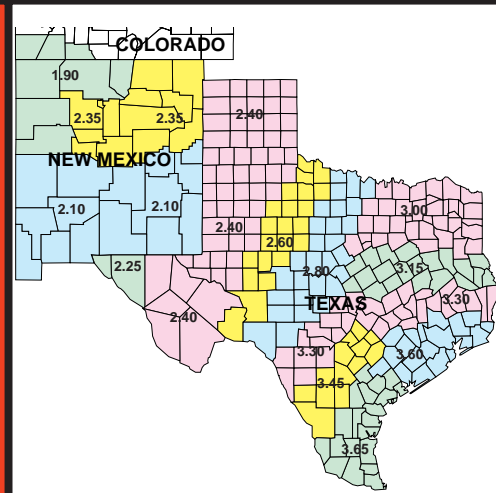


THE MARKET ADMINISTRATOR'S

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 MAY

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 (\$1.91) for May. Butterfat price decreased \$0.0731 per pound from \$2.5013 in April to the level of \$2.4282 in May. Protein price increased \$0.3174 per pound from \$3.4465 in April to \$3.7639 in May. May's Other Solids price increased \$0.0402 per pound from \$0.1042 in April to \$0.1444 in May. The Somatic Cell Count adjustment rate factor for May was .00106 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a May statistical uniform price of \$18.67 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 \$2.49 in comparison to the statistical blend price of \$16.18 in April.

The May Class I price increased \$6.01 from \$16.64 in April to the May level of \$22.65. The Class II price for May of \$15.03 per hundredweight decreased \$0.18 from \$15.21 in April. May's Class III price increased \$0.92 from \$19.66 in April to \$20.58 in May. The Class IV price decreased \$0.07 from \$14.57 in April to \$14.50 in May.

In May 893 producers delivered a total of 671,978,646 pounds of milk. On a daily basis this represents an increase of 2.56 percent from the producer receipts level in April but it represents a decrease of 29.52 percent when compared to the producer receipts level of May 2003.

Producer milk classified as Class I during May amounted to 47.27 percent of total producer receipts. This figure is down from 55.24 percent in April but it is up from 35.59 percent in May 2003. The average butterfat test of producer milk pooled during May was 3.545 percent, average protein test was 2.999 percent, average other solids test was 5.711 percent and the average somatic cell count was 288,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	May 04	Apr 04	May 04	Apr 04	May 04	Apr 04
Appalachian	20.18	16.76	-----	-----	64.17	76.38
Arizona-Las Vegas	19.36	17.29	-----	-----	29.32	32.67
Central	18.40	15.64	(2.18)	(4.02)	50.62	60.62
Florida	22.23	17.74	-----	-----	75.70	90.57
Mideast	18.99	15.88	(1.59)	(3.78)	54.60	62.30
Northeast	19.84	17.28	(0.74)	(2.38)	44.80	48.50
Pacific Northwest	17.40	15.34	(3.18)	(4.32)	38.40	43.24
Southeast	20.27	16.72	-----	-----	57.62	69.46
Southwest	18.67	16.18	(1.91)	(3.48)	47.27	55.24
Upper Midwest	18.61	15.55	(1.97)	(4.11)	53.20	62.80

CATTLE TUBERCULOSIS (TB) TESTING LAGS, COULD IMPACT REINSTATEMENT OF TEXAS' TB-FREE STATUS

Dairy and purebred beef cattle owners must complete the task that we agreed to accomplish by stepping forward to have herds tested for cattle tuberculosis (TB), if Texas is to regain Class "Free" status for TB eradication, warns Dr. Bob Hillman, Texas' state veterinarian. As of mid May, 381 Texas dairies and 115 purebred beef herds have been tested for the bacterial disease since November 2003. While the dairy industry is making significant progress, it still falls far short of testing necessary to assure the U.S. Department of Agriculture (USDA) and other states that Texas has conducted adequate disease surveillance to find any remaining infected herds. Texas' TB plan, developed in 2002 by a joint industry and regulatory working group, calls for testing the state's 850+ dairies and at least 2,500 of its beef seed stock herds by the end of August 2004. The plan was submitted to the USDA, along with a commitment to comply with the program.

Since 1983, cattle TB has been detected in 15 Texas dairies and six purebred beef herds. In 2000, Texas attained the TB-free status under the National Tuberculosis Eradication Program, but lost it in 2002, after two infected herds were detected. Dairy and purebred beef cattle are no more susceptible to TB than commercial cattle, but they usually are maintained in a herd much longer, due to their value for milking or breeding. Once exposed to cattle TB bacteria, it may be several years before dairy or purebred cattle are tested, or are culled and sent to slaughter, where carcasses are examined. (Milk is safe to drink, because required, routine pasteurization kills TB bacteria.)

"The U.S. Department of Agriculture (USDA) could deny a bid for Texas to regain TB-free status, citing lack of disease surveillance, if we don't meet our testing objectives," explained Dr. Hillman, who heads the Texas Animal Health Commission (TAHC), the state's livestock and poultry health regulatory agency. "The TAHC, through a cooperative agreement with the USDA, is funding 'fee-basis' payments to private, certified veterinarians who conduct herd tests, eliminating out-of-pocket expense for the cattle owner. Unless we are granted an extension, this federal money will not be available after the end of August, so it's crucial that producers take action to schedule a test now."

"The herd test must include all cattle 24 months of age or older (including dry cows in dairies). Testing of purchased replacement animals is optional, but the cost is covered by the program and should be considered," said Dr. Hillman. "To conduct a test, the certi-

fied or regulatory veterinarian will inject cattle with a small amount of tuberculin in the skin of the caudal fold, an area on the underside of the tail. Seventy-two hours later, the veterinarian will visually and manually examine the injection site for a reaction, such as a thickening of the skin. A response is an indication the animal may have been exposed to TB bacteria."

Around three to four percent of dairy cattle and about two percent of beef animals will respond to the caudal fold skin test. Until recently, a second 72-hour skin test, called the 'comparative cervical test,' was needed to differentiate between an animal's exposure to cattle TB bacteria, or to avian TB, which is not a danger to herd health. The recent approval of the Gamma Interferon test has greatly simplified this follow-up testing process. Now state or federal regulatory personnel collect blood samples from 'caudal fold' responder cattle so Gamma Interferon tests can be run at the State-Federal Laboratory in Austin. Of more than 3,800 Gamma tests run during this testing program, about .34 percent—or 132—have been in the suspect or reactor range.

"Animals also positive on Gamma test will be purchased by the USDA for slaughter and necropsy. Internal organs will be examined for lesions compatible with TB, and tissue samples will be submitted for confirmation to the National Veterinary Services Laboratory in Ames, Iowa," said Dr. Hillman. He noted that the USDA's indemnity is based on the fair market value of the animal. For adult dairy animal, agricultural economists have determined the standard appraisal to be \$1,425. Beef animals are appraised individually by a certified appraiser.

If infection in the herd is confirmed, the owner has two options. The herd can be quarantined and undergo a series of retests, until all infected animals have been removed, and subsequent repeated testing assures that infection has been eliminated. Or, the USDA will negotiate a purchase price for the herd and depopulate the animals, allowing the owner to return to normal business practices more quickly.

"Clearly, cattle TB must be addressed in Texas—and in other states where infected herds also have been detected. This currently includes California, New Mexico, Arizona, Kansas and Michigan. In Texas, we need the support of dairy and purebred beef producers to find infection, if additional infected herds are present; prevent further spread of disease; and regain our ability to move breeding cattle across state lines without a TB test," Dr. Hillman noted. "Allowing cattle TB to gain a 'hoof-hold' would be extremely costly, in terms of credibility with consumers, and in our ability to trade freely with our interstate and international trading partners."

For info, contact Carla Everett, information officer at 1-800-550-8242, ext 710, or ceverett@tahc.state.tx.us

TOP TEN TEXAS COUNTIES a/ – MAY 2004

County	Number of Producers	Pounds	% Change From 2003b/	County	Number of Producers	Pounds	% Change From 2003b/
1. Erath	114	112,401,347	- 0.45	7. Hale	4	19,953,303	+ 139.58
2. Hopkins	151	48,343,974	- 3.98	8. Deaf Smith	5	18,691,031	+ 20.24
3. Comanche	32	40,260,835	- 1.19	9. Parmer	5	18,652,684	+ 37.21
4. Lamb	8	31,700,710	+ 11.50	10. El Paso	5	16,062,418	- 23.77
5. Castro	7	20,555,060	+ 191.89	Ten County Total	384	346,852,416	+ 4.86 b/
6. Archer	53	20,231,054	- 3.26	Other Counties Total	417	196,556,581	+ 8.77
				Texas Total	801	543,408,997	+ 6.24

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-----							
March 2003	12.81	10.54	9.11	9.79	1.99	114.59	2.06	166.48	.00054	105.46	107.80	80.51	15.99
April	12.64	10.44	9.41	9.73	1.78	115.03	- 0.08	180.06	.00055	107.36	109.97	80.30	15.82
May	12.71	10.43	9.71	9.74	1.59	115.12	- 1.44	192.75	.00057	107.43	113.94	80.40	14.50
June	12.74	10.46	9.75	9.76	1.58	115.76	- 2.00	194.34	.00057	107.97	114.64	80.40	13.96
July	12.77	10.63	11.78	9.95	0.23	120.55	- 1.24	254.80	.00067	111.96	134.97	80.72	14.70
August	13.97	10.81	13.80	10.14	- 0.87	125.14	0.26	314.38	.00077	115.78	154.96	81.05	16.15
September	16.71	10.76	14.30	10.05	0.18	122.18	1.70	331.80	.00080	113.32	159.40	81.11	17.55
October	17.27	10.84	14.39	10.16	0.50	125.53	3.11	328.15	.00080	116.11	159.36	81.09	18.92
November	17.37	10.99	13.47	10.30	1.06	128.77	3.68	292.67	.00075	118.81	149.41	81.30	19.47
December	16.84	11.30	11.87	10.52	1.99	136.88	3.62	229.97	.00066	125.57	132.60	80.70	19.41
Averages 2003 b/	14.39	10.76	11.42	10.00	1.16	120.99	1.29	237.70	.00065	111.94	130.31	80.90	16.67
January 2004	14.85	11.67	11.61	10.97	1.68	149.78	2.17	208.75	.00065	136.32	130.23	80.62	18.01
February	14.59	12.90	11.89	12.21	1.78	185.18	0.90	179.11	.00066	165.82	132.60	80.64	16.77
March	14.94	14.79	14.49	14.10	0.73	238.13	2.34	201.33	.00078	209.94	156.80	81.01	18.17
April	16.64	15.21	19.66	14.57	- 3.48	250.13	10.42	344.65	.00103	219.94	205.20	81.71	26.02
May	22.65	15.03	20.58	14.50	- 1.91	242.82	14.44	376.39	.00106	213.85	212.66	83.83	29.92

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

TOP NEW MEXICO COUNTIES a/ – MAY 2004

County	Number of Producers	Pounds	% Change From 2003b/	County	Number of Producers	Pounds	% Change From 2003b/
1. Chaves	39	160,440,871	- 0.50	7. Valencia	9	15,943,633	+ 48.97
2. Roosevelt	42	107,562,072	- 0.68	8. Socorro	7	11,571,366	- 34.17
3. Curry	23	106,254,883	+ 5.94	9. Sierra	3	7,942,515	+ 23.10
4. Dona Ana	23	91,378,696	+ 1.94				
5. Lea	15	36,376,355	- 23.85	Nine County Total	169	567,673,627	- 0.80 b/
6. Eddy	8	30,203,236	- 0.98	Other Counties Total	8	15,705,376	- 7.33
				New Mexico Total	177	583,379,003	- 0.98

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 2002 THROUGH MAY 2004, WITH PRODUCTION PERCENTAGE COMPARISONS**

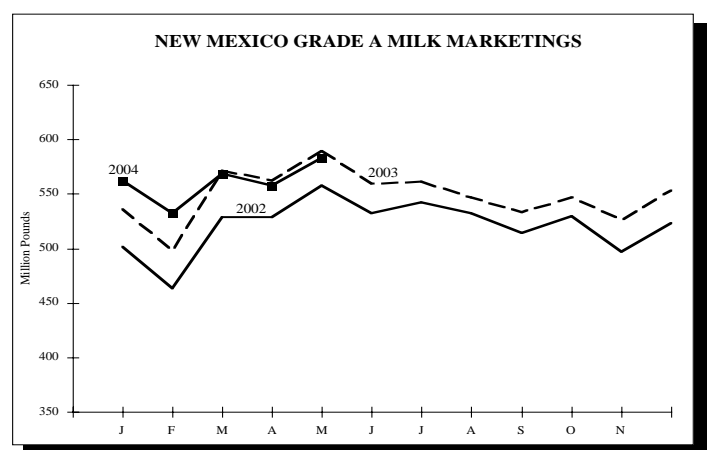
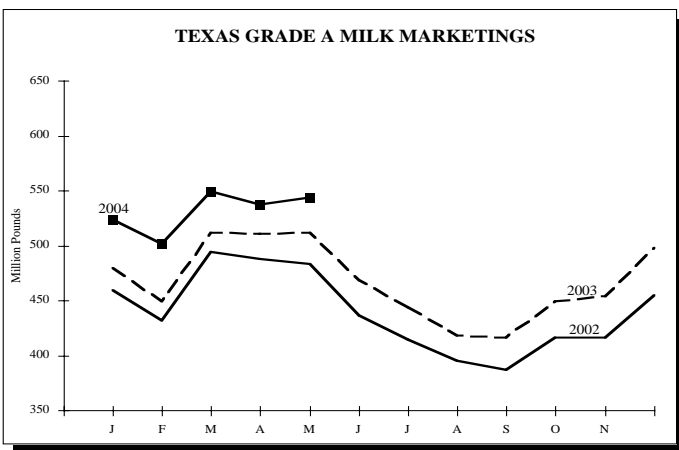
MONTH	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	2004 POUNDS	Number of Producers	PERCENT CHANGE 2003/02	2004/03
January	459,850,238	897	480,011,354	845	523,723,796	816	+ 4.38	+ 9.11
February	431,807,361	894	449,362,000	840	501,204,456	819	+ 4.07	+ 7.69*
March	494,608,931	893	512,243,241	841	548,941,459	814	+ 3.57	+ 7.16
April	487,475,741	889	510,466,950	838	537,141,283	803	+ 4.72	+ 5.23
May	482,994,330	875	511,474,552	840	543,408,997	801	+ 5.90	+ 6.24
June	435,698,971	872	468,387,455	838			+ 7.50	
July	414,700,943	862	444,115,237	834			+ 7.09	
August	395,468,644	851	417,817,794	833			+ 5.65	
September	386,732,687	859	416,649,423	836			+ 7.74	
October	415,984,319	846	449,267,689	835			+ 8.00	
November	415,537,665	847	453,593,349	826			+ 9.16	
December	<u>454,863,992</u>	843	<u>497,718,548</u>	815			<u>+ 9.42</u>	
Years Total	5,275,723,822		5,611,107,592				+ 6.36	

* Based on average daily delivery.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2002 THROUGH MAY 2004, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	2004 POUNDS	Number of Producers	PERCENT CHANGE 2003/02	2004/03
January	501,275,998	174	535,741,056	177	562,516,031	178	+ 6.66	+ 5.00
February	463,667,936	173	498,218,526	176	532,156,355	176	+ 7.45	+ 3.13*
March	528,830,087	175	570,901,632	177	568,504,219	178	+ 7.96	- 0.42
April	528,467,048	175	562,338,380	177	557,482,116	176	+ 6.41	- 0.86
May	557,746,887	176	589,176,775	177	583,379,003	177	+ 5.64	- 0.98
June	532,178,000	178	559,442,259	177			+ 5.12	
July	542,546,821	176	560,883,275	178			+ 3.38	
August	532,685,705	176	547,114,145	178			+ 2.71	
September	513,773,496	178	533,648,709	180			+ 3.87	
October	529,524,800	178	546,904,202	178			+ 3.28	
November	496,802,059	178	526,000,891	176			+ 5.88	
December	<u>523,409,272</u>	178	<u>553,271,605</u>	179			<u>+ 5.71</u>	
Years Total	6,250,908,109		6,583,641,455				+ 5.32	

* 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
May 2003	3.55	3.49	2.98	2.93	5.72	5.75	8.70	8.68	328	251
June	3.57	3.45	2.98	2.92	5.71	5.74	8.69	8.65	368	273
July	3.56	3.44	2.98	2.90	5.69	5.73	8.67	8.63	395	290
August	3.58	3.44	3.01	2.92	5.67	5.70	8.67	8.62	406	306
September	3.65	3.50	3.09	3.01	5.68	5.72	8.77	8.72	389	278
October	3.73	3.58	3.13	3.07	5.67	5.70	8.81	8.78	366	272
November	3.75	3.64	3.15	3.11	5.69	5.71	8.83	8.82	333	248
December	3.78	3.68	3.15	3.10	5.72	5.72	8.87	8.83	305	246
Averages 2003	3.66	3.57	3.06	3.00	5.70	5.72	8.76	8.72	351	275
January 2004	3.77	3.66	3.11	3.06	5.72	5.72	8.83	8.78	300	253
February	3.76	3.64	3.11	3.05	5.73	5.74	8.84	8.79	302	262
March	3.68	3.58	3.06	3.02	5.72	5.72	8.78	8.74	318	280
April	3.64	3.53	3.05	2.99	5.73	5.74	8.77	8.73	311	292
May	3.59	3.43	3.02	2.94	5.70	5.71	8.72	8.66	316	262

a/ In thousands.

MAY 2004
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$322,288.48
Class I Butterfat	60(a)	7,268,082	\$2.4737	\$17,979,054.47
Class I Skim Per Cwt		310,407,903	\$14.5000	\$45,009,146.01
Class II Butterfat	60(b)	8,291,719	\$2.4352	\$20,191,994.10
Class II Nonfat Solids		9,885,226	\$0.7489	\$7,403,045.76
Class III Butterfat	60(c)	1,739,311	\$2.4282	\$4,223,394.98
Class III Protein		160,809	\$3.7639	\$605,269.00
Class III Other Solids		305,465	\$0.1444	\$44,109.15
Class IV Butterfat	60(d)	6,527,866	\$2.4282	\$15,850,964.24
Class IV Nonfat Solids		20,161,553	\$0.6913	\$13,937,681.61
Class II, III & IV Somatic Cell Adj.	60(e)			\$246,304.86
Total Producer Milk-Product Lbs & Value		671,978,646		\$125,813,252.66
Add: Value as for 60(f) Thru 60(j)				\$109,623.94
Less: Total Protein Pounds	61(b)	20,155,732	\$3.7639	\$75,864,159.69
Total Other Solids Pounds		38,379,664	\$0.1444	\$5,542,023.49
Total Butterfat Pounds		23,826,978	\$2.4282	\$57,856,667.99
Total Value of Somatic Cell Adjustment				\$444,236.23
Total Milk and Value		671,978,646		(\$13,784,210.80)
Add: Location Differential Adjustments	61(c)			\$1,045,901.43
Producer-Settlement Fund	61(d)			\$224,251.46
Total Producer Milk/URSP and Value		671,978,646	(\$1.86227)	(\$12,514,057.91)
Less: Producer-Settlement Fund	61(f)		\$0.04773	\$320,734.23
Producer Price Differential (Dallas County)			(\$1.91)	(\$12,834,792.14)

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 RICHARD FLEMING, MARKET ADMINISTRATOR
 P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
 (972) 245-6060 FAX(972) 245-3211

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MAY 2004
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	317,675,985	47.27	7,268,082	30.50	310,407,903	47.89
Class II	117,589,329	17.50	8,291,719	34.80	109,297,610	16.86
Class III	6,900,396	1.03	1,739,311	7.30	5,161,085	0.80
Class IV	229,812,936	34.20	6,527,866	27.40	223,285,070	34.45
Total	671,978,646	100.00	23,826,978	100.00	648,151,668	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,664,535	47.95	18,357,811	47.82	28,022,341	47.87
Class II	3,416,277	16.95	6,468,950	16.86	9,885,226	16.89
Class III	160,809	0.80	305,465	0.80	466,276	0.80
Class IV	6,914,111	34.30	13,247,438	34.52	20,161,553	34.44
Total	20,155,732	100.00	38,379,664	100.00	58,535,396	100.00