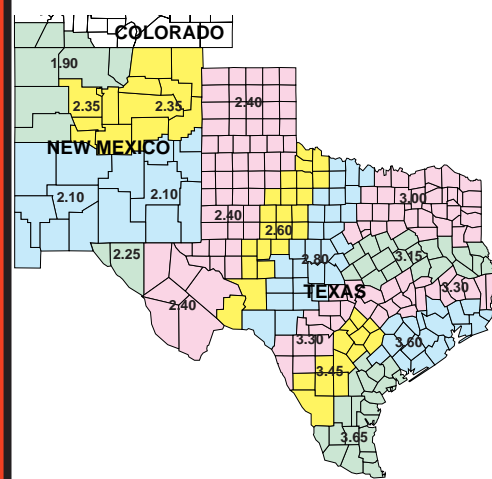


THE MARKET ADMINISTRATOR'S REPORT



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 \$0.18 for September. Butterfat price decreased \$0.0296 per pound from \$1.2514 in August to the level of \$1.2218 in September. Protein price increased \$0.1742 per pound from \$3.1438 in August to \$3.3180 in September. September's Other Solids price increased \$0.0144 per pound from \$0.0026 in August to \$0.0170 in September. The Somatic Cell Count adjustment rate factor for September was .00080 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 \$14.48 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 \$1.55 in comparison to the statistical blend price of \$12.93 in August.

The September Class I price increased \$2.74

cents from \$13.97 in August to the September level of \$16.71. The Boston Class I price of \$16.96 produced no dairy deficiency payment for September. The Class II price for September of \$10.76 per hundredweight decreased \$0.05 from \$10.81 in August. September's Class III price increased \$0.50 from \$13.80 in August to \$14.30 in September. The Class IV price decreased \$0.09 from \$10.14 in August to \$10.05 in September.

In September 777 producers delivered a total of 530,840,443 pounds of milk. On a daily basis this represents a decrease of 1.90 percent from the producer receipts level in August and it represents a decrease of 29.00 percent when compared to the producer receipts level of September 2002.

Producer milk classified as Class I during September amounted to 65.42 percent of total producer receipts. This figure is up from 61.04 percent in August and it is up from 45.25 percent in September 2002. The average butterfat test of producer milk pooled during September was 3.593 percent, average protein test was 3.049 percent, average other solids test was 5.710 percent and the average somatic cell count was 325,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Sep 03	Aug 03	Sep 03	Aug 03	Sep 03	Aug 03
Appalachian	15.57	13.52	-----	-----	77.60	78.22
Arizona-Las Vegas	13.98	12.94	-----	-----	35.82	34.73
Central	13.92	12.52	(0.38)	(1.28)	57.16	59.75
Florida	16.99	14.53	-----	-----	90.23	87.78
Mideast	13.93	12.60	(0.37)	(1.20)	54.80	53.80
Northeast	15.01	13.72	0.71	(0.08)	49.10	44.90
Pacific Northwest	12.54	11.66	(1.76)	(2.14)	46.67	40.64
Southeast	15.65	13.54	-----	-----	72.08	79.17
Southwest	14.48	12.93	0.18	(0.87)	65.42	61.04
Upper Midwest	13.23	12.22	(1.07)	(1.58)	54.00	50.60
Western	13.40	12.10	(0.90)	(1.70)	56.33	50.39

NEARLY 400 BIDS ACCEPTED BY CWT IN TWO SEPARATE PROGRAMS

Cooperatives Working Together (CWT), the new farmer-led economic self-help effort for America's dairy producers, is swinging into high gear in October, with its two dairy producer-oriented milk reduction activities now well underway, CWT officials announced at the World Dairy Expo in Wisconsin.

Jerry Kozak, President and CEO of the National Milk Producers Federation, which is operating CWT, released additional information about the farmer bids accepted by CWT's management. Both the Reduced Production Marketing program, and the Herd Retirement program, allowed eligible farmers to be compensated for specific milk reduction activities; a combined total of 2,552 bids were submitted to CWT, representing approximately 3% of all U.S. dairy operations. A third program that CWT will also employ to reduce supplies, the Export Assistance program, has not yet been activated.

"We've moved very quickly to reduce milk supplies – which is what CWT is all about – and also to demonstrate that this type of industry-directed program could succeed. We're now on track to exceed our goals for milk reduction activities from the two producer programs, which will help not only those whose bids were accepted, but ultimately, every producer in America," Kozak said.

After reviewing the 514 bids submitted for the Reduced Production Marketing program, Kozak said that 77 bids were accepted, which will reduce the nation's milk supply during the next 12 months by 88 million pounds. The average bid accepted under the RPM program was \$4.00 per cwt., while the maximum accepted bid was \$5.00/cwt.

Under the RPM program, dairy producers could bid to be compensated for milk reductions ranging from 10% to 50%; the average reduction across the 77 bids is 17%. The milk reduction program started on October 1st, and will run through Sept. 30th, 2004. A complete list of the farms participating in the RPM program will be posted this week at the www.cwt.coop website.

In the Herd Retirement program, 2,038 bids were submitted from producers seeking payment for selling their entire herds of milk cows. Kozak said that approximately 300 herds will be removed through the program, representing about 33,000 cows and 613 million pounds of milk production. The average accepted bid was \$4.03, and no bids above \$4.99/cwt. were accepted in the herd retirement program from any region of the country. He said additional informa-

tion on the herds accepted, including a regional breakdown, will be made available when all the herds have been retired.

In order to ensure the integrity of the herd retirement process, those farms whose bids have been tentatively accepted bidders are now being contacted by CWT field auditors shortly before the auditors visit the farms. That process will continue until all the farms have been audited, and the herds have been tagged for removal. To date, nearly half the 300 farms have been audited, and are now being liquidated.

CWT is intended to reduce milk supplies by 1.2 billion pounds over a 12-month period. The initial targeted reduction for the two producer programs was 660 million pounds; the actual impact is expected to be 701 million pounds. CWT is being funded by dairy cooperatives and individual dairy farmers, who are contributing 5 cents per hundred-weight assessment on their milk production from July 2003 through June 2004. The money raised by CWT's assessment – estimated at \$60 million over 12 months – will be apportioned among the three supply reduction programs to improve the national all milk price by a target of 36 cents per hundred-weight.

USDA AMENDS DAIRY PROMOTION AND RESEARCH ORDER

Under the amendments, member representation in 4 of the 13 geographic regions of the National Dairy Promotion and Research Board will be modified to better reflect current milk production in the specified regions. The changes will provide more accurate representation on the board. The National Dairy Promotion and Research Board, which administers the Dairy Research and Promotion Order, proposed the amendments. The order requires that regional representation be reviewed periodically and changed when necessary to best reflect milk production volume within regions. Based on the Board's review of 2002 milk production data,

Regions 1 (Oregon and Washington) and 2 (California) each will gain one board member, while Regions 5 (Minnesota, North Dakota, and South Dakota) and 10 (Florida, Georgia, North Carolina, South Carolina, and Virginia) each will lose one board member. The program is financed by a mandatory 15-cent per hundredweight assessment on all milk produced by dairy farmers in the contiguous 48 States and marketed commercially.

TOP TEN TEXAS COUNTIES a/ – SEPTEMBER 2003

County	Number of Producers	Pounds	% Change From 2002b/	County	Number of Producers	Pounds	% Change From 2002b/
1. Erath	115	90,827,455	- 3.11	7. Deaf Smith	6	14,345,036	+ 18.87
2. Hopkins	162	37,702,717	+5.80	8. Parmer	5	14,110,946	+ 497.24
3. Comanche	36	34,510,635	- 2.95	9. Wood	43	10,740,411	+ 20.53
4. Lamb	8	27,569,675	+ 30.14	10. Hamilton	43	10,283,292	- 10.21
5. Archer	52	15,776,767	- 6.16	Ten County Total	447	270,466,217	+ 3.11 b/
6. El Paso	5	14,599,283	- 17.32	Other Counties Total	389	146,183,206	+ 17.49
				Texas Total	836	416,649,423	+ 7.74

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

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
Month	----- Dollars Per Hundred Wt. -----					-----Cents Per Pound-----							
July 2002	13.62	11.14	9.33	10.45	2.48	109.29	1.50	180.95	.00055	101.12	110.04	90.33	15.45
August	13.48	11.07	9.54	10.41	2.41	107.01	1.77	190.21	.00056	99.25	111.89	90.74	15.71
September	13.46	10.91	9.92	10.22	2.00	100.99	3.67	206.46	.00057	94.31	114.38	90.96	17.55
October	13.15	11.12	10.72	10.50	1.35	107.26	7.55	218.39	.00060	99.45	120.20	91.65	21.31
November	13.60	11.26	9.84	10.58	2.13	109.23	8.50	184.69	.00056	101.07	111.11	91.77	22.23
December	13.52	11.62	9.74	10.49	2.18	119.22	5.84	175.06	.00056	109.26	112.03	86.82	19.65
Averages 2002 b/	14.01	11.55	10.42	10.81	1.97	119.28	5.93	197.35	.00059	109.31	118.55	90.43	19.74
January 2003	13.56	11.29	9.78	10.07	2.10	118.56	3.39	181.64	.00057	108.72	113.70	82.07	17.28
February	13.23	10.66	9.66	9.81	1.76	113.73	2.40	185.38	.00056	104.76	112.99	81.11	16.32
March	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

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

TOP NEW MEXICO COUNTIES a/ – SEPTEMBER 2003

County	Number of Producers	Pounds	% Change From 2002b/	County	Number of Producers	Pounds	% Change From 2002b/
1. Chaves	40	143,307,817	- 0.43	7. Socorro	9	16,440,549	+ 9.56
2. Roosevelt	44	102,126,019	+ 11.79	8. Valencia	8	10,292,762	+ 4.74
3. Curry	20	94,807,124	+ 3.90	9. Bernalillo	5	5,696,148	- 3.65
4. Dona Ana	24	75,737,108	+ 0.51				
5. Lea	16	44,371,400	+ 8.99	Nine County Total	173	519,006,454	+ 3.74 b/
6. Eddy	7	26,227,527	- 2.66	Other Counties Total	7	14,642,255	+ 8.50
				New Mexico Total	180	533,648,709	+ 3.87

a/ All known Grade "A" milk produced on farms located in New Mexico.

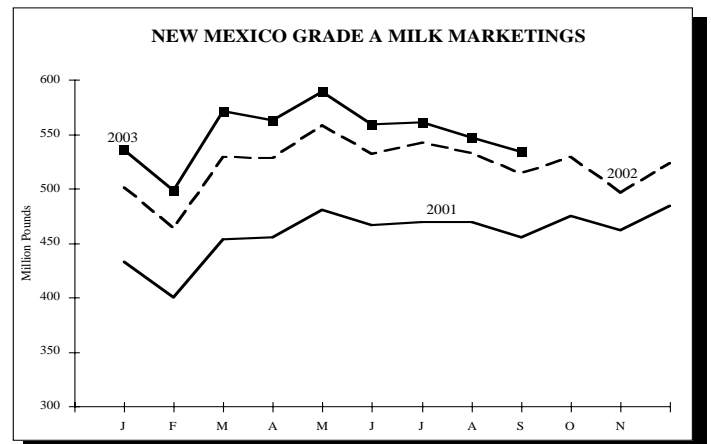
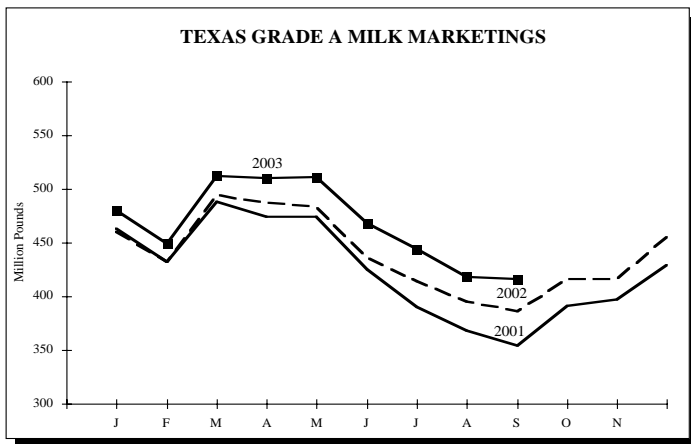
b/ Compared to top counties for the month in the previous year.

**POUNDS OF GRADE A MILK MARKETING BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 2001 THROUGH SEPTEMBER 2003, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2001 POUNDS	Number of Producers	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	PERCENT CHANGE 2002/01	2003/02
January	463,431,654	1,026	459,850,238	897	480,011,354	845	-0.77	+ 4.38
February	432,156,106	1,006	431,807,361	894	449,362,000	840	-0.08	+ 4.07
March	487,875,678	991	494,608,931	893	512,243,241	841	+1.38	+ 3.57
April	474,386,881	978	487,475,741	889	510,466,950	838	+2.76	+ 4.72
May	474,236,039	962	482,994,330	875	511,474,552	840	+1.85	+ 5.90
June	425,591,909	954	435,698,971	872	468,387,455	838	+2.37	+ 7.50
July	389,996,462	933	414,700,943	862	444,115,237	834	+6.33	+ 7.09
August	367,810,615	919	395,468,644	851	417,817,794	833	+7.52	+ 5.65
September	354,482,882	916	386,732,687	859	416,649,423	836	+9.10	+ 7.74
October	391,332,224	908	415,984,319	846			+6.30	
November	397,352,762	907	415,537,665	847			+4.58	
December	<u>429,232,267</u>	903	<u>454,863,992</u>	843			<u>+5.97</u>	
Years Total	5,087,885,479		5,275,723,822				+3.69	

**POUNDS OF GRADE A MILK MARKETING BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2001 THROUGH SEPTEMBER 2003, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2001 POUNDS	Number of Producers	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	PERCENT CHANGE 2002/01	2003/02
January	432,749,978	166	501,275,998	174	535,741,056	177	+15.84	+ 6.66
February	400,543,634	166	463,667,936	173	498,218,526	176	+15.76	+ 7.45
March	453,232,150	165	528,830,087	175	570,901,632	177	+16.68	+ 7.96
April	454,980,340	167	528,467,048	175	562,338,380	177	+16.15	+ 6.41
May	480,995,372	169	557,746,887	176	589,176,775	177	+15.96	+ 5.64
June	466,640,323	170	532,178,000	178	559,442,259	177	+14.04	+ 5.12
July	469,362,545	171	542,546,821	176	560,883,275	178	+15.59	+ 3.38
August	469,391,326	174	532,685,705	176	547,114,145	178	+13.48	+ 2.71
September	455,259,423	173	513,773,496	178	533,648,709	180	+12.85	+ 3.87
October	474,918,306	173	529,524,800	178			+11.50	
November	462,212,000	173	496,802,059	178			+7.48	
December	<u>484,020,641</u>	173	<u>523,409,272</u>	178			<u>+8.14</u>	
Years Total	5,504,306,038		6,250,908,109				+13.56	



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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 2002	3.62	3.55	3.09	3.00	5.64	5.67	8.72	8.67	393	297
October	3.76	3.67	3.15	3.08	5.66	5.68	8.81	8.76	376	281
November	3.87	3.76	3.19	3.13	5.68	5.68	8.86	8.80	368	296
December	3.80	3.74	3.15	3.10	5.69	5.69	8.84	8.79	356	306
Averages 2002	3.69	3.60	3.08	3.02	5.68	5.69	8.75	8.70	370	293
January 2003	3.77	3.72	3.11	3.05	5.70	5.68	8.80	8.73	338	313
February	3.74	3.68	3.08	3.01	5.71	5.69	8.78	8.70	331	289
March	3.70	3.63	3.05	2.99	5.71	5.73	8.76	8.72	343	277
April	3.59	3.56	3.02	2.96	5.73	5.75	8.75	8.70	306	252
May	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

a/ In thousands.

SEPTEMBER 2003
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$338,503.19
Class I Butterfat	60(a)	7,987,022	\$1.3244	\$10,578,011.95
Class I Skim Per Cwt		339,293,024	\$12.5100	\$42,445,557.31
Class II Butterfat	60(b)	8,089,831	\$1.2288	\$9,940,784.34
Class II Nonfat Solids		8,458,559	\$0.7433	\$6,287,246.92
Class III Butterfat	60(c)	906,068	\$1.2218	\$1,107,033.89
Class III Protein		140,182	\$3.3180	\$465,123.87
Class III Other Solids		258,138	\$0.0170	\$4,388.36
Class IV Butterfat	60(d)	2,094,733	\$1.2218	\$2,559,344.77
Class IV Nonfat Solids		6,809,284	\$0.6644	\$4,524,088.30
Class II, III & IV Somatic Cell Adj.	60(e)			\$55,768.65
Total Producer Milk-Product Lbs & Value		530,840,443		\$78,305,851.55
Add: Value as for 60(f) Thru 60(j)				\$109,520.74
Less: Total Protein Pounds	61(b)	16,189,171	\$3.3180	\$53,715,669.40
Total Other Solids Pounds		30,314,867	\$0.0170	\$515,352.74
Total Butterfat Pounds		19,077,654	\$1.2218	\$23,309,077.70
Total Value of Somatic Cell Adjustment				\$107,344.09
Total Milk and Value		530,840,443		\$767,928.36
Add: Location Differential Adjustments	61(c)			\$141,501.68
Producer-Settlement Fund	61(d)			\$276,565.12
Total Producer Milk/URSP and Value		531,169,725	\$0.22328	\$1,185,995.16
Less: Producer-Settlement Fund	61(f)		\$0.04328	\$229,889.65
Producer Price Differential (Dallas County)			\$0.18	\$956,105.51

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SEPTEMBER 2003 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	347,280,046	65.42	7,987,022	41.87	339,293,024	66.30
Class II	101,024,523	19.03	8,089,831	42.40	92,934,692	18.16
Class III	5,282,571	1.00	906,068	4.75	4,376,503	0.85
Class IV	77,253,303	14.55	2,094,733	10.98	75,158,570	14.69
Total	530,840,443	100.00	19,077,654	100.00	511,762,789	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,748,643	66.39	20,089,231	66.27	30,837,877	66.31
Class II	2,948,322	18.21	5,510,238	18.18	8,458,559	18.19
Class III	140,182	0.87	258,138	0.85	398,318	0.86
Class IV	2,352,024	14.53	4,457,260	14.70	6,809,284	14.64
Total	16,189,171	100.00	30,314,867	100.00	46,504,038	100.00