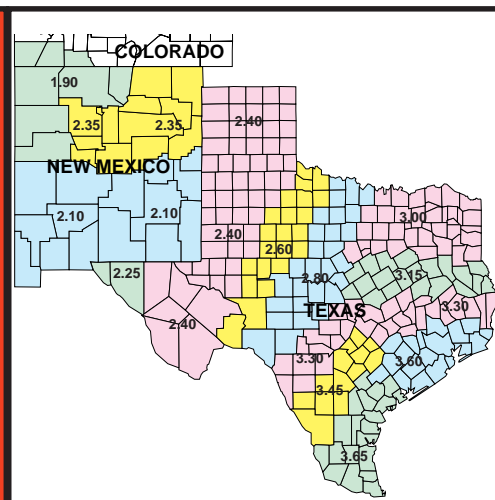


THE MARKET ADMINISTRATOR'S *REPORT*



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 \$1.03 for September. Butterfat price increased \$0.1413 per pound from \$1.7941 in August to the level of \$1.9354 in September. Protein price increased \$0.0768 per pound from \$2.4663 in August to \$2.5431 in September. September's Other Solids price decreased \$0.0087 per pound from \$0.0676 in August to \$0.0589 in September. The Somatic Cell Count adjustment rate factor for September was .00079 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 \$15.75 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 \$0.26 in comparison to the statistical blend price of \$15.49 in August.

The September Class I price decreased \$0.68 from \$17.62 in August to the September level of \$16.94. The Class II price for September of \$13.66 per hundredweight increased \$0.53 from \$13.13 in August. September's Class III price increased \$0.68 from \$14.04 in August to \$14.72 in September. The Class IV price increased \$0.54 from \$12.46 in August to \$13.00 in September.

In September 777 producers delivered a total of 743,907,078 pounds of milk. On a daily basis this represents a decrease of 1.19 percent from the producer receipts level in August but it represents an increase of 40.14 percent when compared to the producer receipts level of September 2003.

Producer milk classified as Class I during September amounted to 47.88 percent of total producer receipts. This figure is up from 45.62 percent in August but it is down from 65.42 percent in September 2003. The average butterfat test of producer milk pooled during September was 3.545 percent, average protein test was 3.067 percent, average other solids test was 5.692 percent and the average somatic cell count was 307,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Sep 04	Aug 04	Sep 04	Aug 04	Sep 04	Aug 04
Appalachian	16.52	16.16	-----	-----	73.81	68.20
Arizona-Las Vegas	15.18	14.56	-----	-----	37.82	37.06
Central	14.93	14.46	0.21	0.42	48.63	29.85
Florida	17.69	17.49	-----	-----	88.86	86.32
Mideast	15.06	14.61	0.34	0.57	41.60	34.50
Northeast	16.06	15.57	1.34	1.53	51.10	45.60
Pacific Northwest	14.44	14.15	(0.28)	0.11	37.89	28.44
Southeast	16.43	16.17	-----	-----	70.36	67.56
Southwest	15.75	15.49	1.03	1.45	47.88	45.62
Upper Midwest	14.85	14.26	0.13	0.22	29.10	18.00

COOPERATIVES WORKING TOGETHER OPENS BIDDING PERIOD FOR SECOND DAIRY HERD RETIREMENT PROGRAM

In response to increasing cow numbers and declining milk price futures, on October 1st, the farmer-led and farmer-funded CWT program opened a one-month bidding period for a second program to retire entire dairy herds. Until October 30th, CWT will be accepting bids from interested dairy farmers willing to sell their milking herds to slaughter. Producers who wish to bid must be paying the five-cent per hundredweight CWT membership assessment, either through their cooperative, or directly.

This year's program has been targeted to remove 870 million pounds of milk, 260 million pounds more than was removed during last year's herd retirement. To achieve this goal, CWT management expects to retire individual herds totaling 49,000 cows, nearly 50 percent more than in the autumn of 2003. Asked about this marked increase in the herd retirement target, Walt Wosje, CWT's Chief Operating Officer, explained:

"We were able to remove more total milk volume than we had anticipated last year, for less money than we budgeted. Interest in the program was also greater than we anticipated, as we received over 2,000 bids – of which we were only able to accept about 300. So even though milk prices have been much better this year, we believe there's still interest among producers in a second retirement program."

It has been estimated that CWT's last round of activities resulted in a 59-cent per hundredweight increase in the monthly average All-Milk-Price between October 2003 and September 2004.

"This past winter and spring, we saw what was akin to a perfect storm of factors pulling together to raise milk prices from their record lows. Between CWT's activities, the Canadian border being closed, and increased milk demand, milk prices really rebounded quickly. Unfortunately, that illustrates our concern about the market's volatility. CWT activities, like this herd retirement and our export assistance program, are meant to not only strengthen milk prices but also stabilize them. We can't simply depend on market factors. Our increased targets this year reflect our understanding that we won't necessarily have all the other factors working with us this time."

The herd retirement will again operate under regional safeguard limits to guarantee that milk production capacity reductions in any one area do not nega-

tively impact local supplies. While the safeguard levels are strictest in areas where supply hasn't grown rapidly, such as the Northeast and Upper Midwest, larger safeguard ceilings have been set for regions that have experienced greater supply growth, such as the West and Southwest.

For more information on how to participate in CWT's herd retirement, please visit the website at www.cwt.coop, or call 888-INFO-CWT (888-463-6298).

The CWT Export Assistance program continues to accept bids for both cheese and butter at the target price levels of \$1.40 per pound and \$1.30 per pound, respectively.

Cooperatives Working Together is being funded by dairy cooperatives and individual dairy farmers, who are contributing 5 cents per hundredweight assessment on their milk production from July 2004 through June 2005. The money raised by CWT's assessment will be apportioned among two supply reduction programs to improve farm-level milk prices. In its first year, CWT removed approximately 700 million pounds milk equivalent through three reduction activities, resulting in an increase in the all-milk price of 59 cents per hundredweight from Oct. 2003 through Sept. 2004.

USDA ANNOUNCES FINAL DECISION TO AMEND ALL FEDERAL MILK MARKETING ORDERS

The U. S. Department of Agriculture announced a final decision that permanently adopts amendments to the classification of milk provisions in all 10 Federal milk marketing orders. These provisions were previously implemented on an interim basis. This decision is based on testimony and evidence from a public hearing held Oct. 21, 2003, in Alexandria, Va.

This decision adopts changes that reclassify milk used to produce evaporated milk or sweetened condensed milk in consumer-type packages from Class III to Class IV. A proposal to classify monthly bulk milk ending inventories to the lowest-priced class of Class III or Class IV is not adopted in this final decision.

The final decision will be published in the Sept. 24 Federal Register. USDA will conduct a vote within 30 days to determine whether dairy farmers approve the proposed amended orders. If approved, a final rule will follow to implement these changes.

TOP TEN TEXAS COUNTIES a/ – SEPTEMBER 2004

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2003b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2003b/</u>
1. Erath	113	92,456,913	+ 1.79	7. Deaf Smith	6	18,247,577	+ 27.20
2. Hopkins	147	35,716,207	- 5.27	8. Parmer	5	17,051,970	+ 20.84
3. Comanche	32	34,439,638	- 0.21	9. Archer	53	15,913,016	+ 0.86
4. Lamb	8	29,757,049	+ 7.93	10. Bailey	6	12,952,697	+ 29.48
5. Hale	4	19,677,304	+ 157.68	Ten County Total	381	295,549,114	+ 9.27 b/
6. Castro	7	19,336,743	+ 112.58	Other Counties Total	414	151,616,980	+ 3.72
				Texas Total	796	447,166,094	+ 7.32

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 2003	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
June	24.13	14.31	17.68	13.72	1.72	217.68	13.39	310.86	.00092	192.90	184.11	84.97	28.90
July	20.95	14.00	14.85	13.31	2.23	205.43	10.48	236.25	.00078	182.69	156.95	85.13	26.07
August	17.62	13.13	14.04	12.46	1.45	179.41	6.76	246.63	.00076	161.01	151.67	85.84	22.46
September	16.94	13.66	14.72	13.00	1.03	193.54	5.89	254.31	.00079	172.78	158.67	86.39	21.62

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

TOP NEW MEXICO COUNTIES a/ – SEPTEMBER 2004

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2003b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2003b/</u>
1. Chaves	43	149,268,934	+ 4.16	7. Valencia	9	15,509,881	+ 50.69
2. Roosevelt	41	102,455,592	+ 0.32	8. Socorro	7	10,684,054	- 35.01
3. Curry	23	102,140,147	+ 7.73	9. Sierra	3	7,283,951	+ 35.05
4. Dona Ana	23	81,111,655	+ 7.10	10. Bernalillo	4	5,129,207	- 9.95
5. Lea	14	30,654,816	- 30.91	Ten County Total	174	531,204,014	+ 1.30 b/
6. Eddy	7	26,965,777	+ 2.81	Other Counties Total	5	9,432,843	+ 1.99

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.

New Mexico Total 179 540,636,857 + 1.31

**POUNDS OF GRADE A MILK MARKETING BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 2002 THROUGH SEPTEMBER 2004, WITH PRODUCTION PERCENTAGE COMPARISONS**

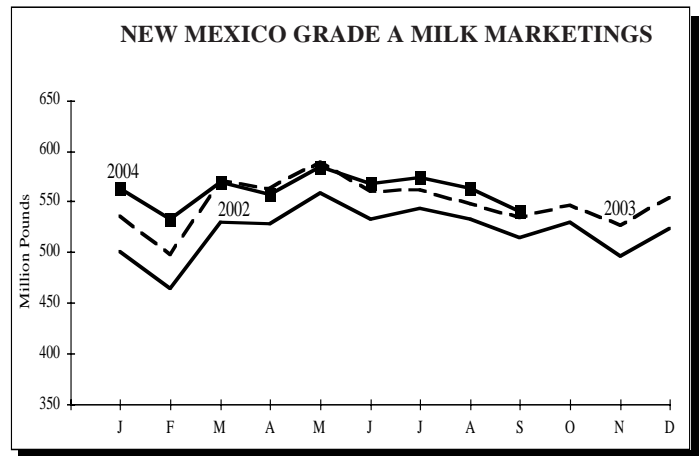
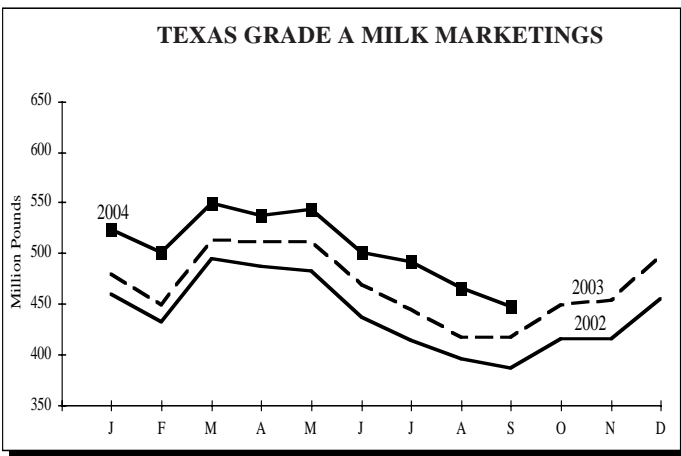
MONTH	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	2004 POUNDS	Number of Producers	PERCENT CHANGE 2003/02	2004/03
January	459,850,238	897	480,011,354	845	523,723,796	816	+ 4.38	+ 9.11
February	431,807,361	894	449,362,000	840	501,204,456	819	+ 4.07	+ 7.69*
March	494,608,931	893	512,243,241	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	500,319,580	803	+ 7.50	+ 6.82
July	414,700,943	862	444,115,237	834	491,018,134	799	+ 7.09	+ 10.56
August	395,468,644	851	417,817,794	833	467,427,900	796	+ 5.65	+ 11.87
September	386,732,687	859	416,649,423	836	447,166,094	796	+ 7.74	+ 7.32
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 MARKETING BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2002 THROUGH SEPTEMBER 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	567,036,025	177	+ 5.12	+ 1.36
July	542,546,821	176	560,883,275	178	573,899,551	181	+ 3.38	+ 2.32
August	532,685,705	176	547,114,145	178	563,099,040	177	+ 2.71	+ 2.92
September	513,773,496	178	533,648,709	180	540,636,857	179	+ 3.87	+ 1.31
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
September 2003	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
June	3.57	3.40	3.00	2.92	5.70	5.72	8.70	8.64	326	247
July	3.59	3.43	3.01	2.91	5.69	5.73	8.71	8.63	377	286
August	3.62	3.46	3.05	2.95	5.69	5.71	8.74	8.66	389	300
September	3.67	3.53	3.11	3.03	5.68	5.70	8.79	8.73	356	274

a/ In thousands.

SEPTEMBER 2004 COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$240,737.22
Class I Butterfat	60(a)	8,091,672	\$1.8190	\$14,718,751.37
Class I Skim Per Cwt		348,068,224	\$10.9600	\$38,148,277.34
Class II Butterfat	60(b)	8,835,661	\$1.9424	\$17,162,387.91
Class II Nonfat Solids		8,604,016	\$0.7900	\$6,797,172.64
Class III Butterfat	60(c)	8,071,715	\$1.9354	\$15,621,997.23
Class III Protein		6,199,950	\$2.5431	\$15,767,092.84
Class III Other Solids		11,578,219	\$0.0589	\$681,957.11
Class IV Butterfat	60(d)	1,749,097	\$1.9354	\$3,385,202.34
Class IV Nonfat Solids		7,119,398	\$0.7167	\$5,102,472.59
Class II, III & IV Somatic Cell Adj.	60(e)			\$175,991.79
Total Producer Milk-Product Lbs & Value		743,907,078		\$117,802,040.38
Add: Value as for 60(f) Thru 60(j)				\$105,517.03
Less: Total Protein Pounds	61(b)	22,820,478	\$2.5431	\$58,034,757.61
Total Other Solids Pounds		42,348,961	\$0.0589	\$2,494,353.82
Total Butterfat Pounds		26,748,145	\$1.9354	\$51,768,359.87
Total Value of Somatic Cell Adjustment				\$254,769.44
Total Milk and Value		743,907,078		\$5,355,316.67
Add: Location Differential Adjustments	61(c)			\$2,308,532.89
Producer-Settlement Fund	61(d)			\$304,447.53
Total Producer Milk/URSP and Value		743,907,078	\$1.07114	\$7,968,297.09
Less: Producer-Settlement Fund	61(f)		\$0.04114	\$306,054.19
Producer Price Differential (Dallas County)			\$1.03	\$7,662,242.90

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SEPTEMBER 2004 PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	356,159,896	47.88	8,091,672	30.25	348,068,224	48.53
Class II	103,337,839	13.89	8,835,661	33.03	94,502,178	13.18
Class III	204,291,683	27.46	8,071,715	30.18	196,219,968	27.36
Class IV	80,117,660	10.77	1,749,097	6.54	78,368,563	10.93
Total	743,907,078	100.00	26,748,145	100.00	717,158,933	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	11,121,683	48.73	20,546,168	48.52	31,667,855	48.60
Class II	3,016,080	13.22	5,587,937	13.19	8,604,016	13.20
Class III	6,199,950	27.17	11,578,219	27.34	17,778,170	27.28
Class IV	2,482,765	10.88	4,636,637	10.95	7,119,398	10.92
Total	22,820,478	100.00	42,348,961	100.00	65,169,439	100.00