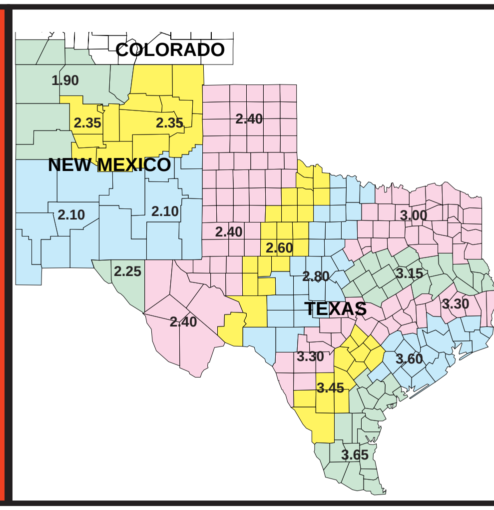
THE MARKET ADMINISTRATOR'S REPORT



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 $1.59 for May. Butterfat price increased $0.0009 per pound from $1.1503 in April to the level of $1.1512 in May. Protein price increased $0.1269 per pound from $1.8006 in April to $1.9275 in May. May's Other Solids price decreased $0.0152 per pound from negative $0.0008 in April to a negative $0.0144 in May. The Somatic Cell Count adjustment rate factor for April was .00057 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 $11.30 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 $0.11 in comparison to the statistical blend price of $11.19 in April.

The May Class I price increased $0.07 cents from $12.64 in April to the May level of $12.71. The Boston Class I price of $12.96 produced a dairy deficiency payment of $1.79 for May. The Class II price for May of $10.43 per hundredweight decreased $0.01 from $10.44 in April. May's Class III price increased $0.30 from $9.41 in April to $9.71 in May. The Class IV price increased $0.01 from $9.73 in April to $9.74 in May.

In May 959 producers delivered a total of 953,397,250 pounds of milk. On a daily basis this represents a decrease of 1.08 percent from the producer receipts level in April but it represents an increase of 6.42 percent when compared to the producer receipts level of May 2002.

Producer milk classified as Class I during May amounted to 35.59 percent of total producer receipts. This figure is down from 36.67 percent in April and it is down from 38.02 percent in May 2002. The average butterfat test of producer milk pooled during May was 3.518 percent, average protein test was 2.955 percent, average other solids test was 5.739 percent and the average somatic cell count was 282,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	May 03	Apr 03	May 03	Apr 03	May 03	Apr 03
Appalachian	12.11	12.04	-----	-----	66.40	65.89
Arizona-Las Vegas	10.45	10.34	-----	-----	28.89	29.15
Central	10.41	10.22	0.70	0.81	27.12	27.41
Florida	13.10	12.96	-----	-----	79.13	77.76
Mideast	10.63	10.47	0.92	1.06	36.70	36.20
Northeast	11.60	11.45	1.89	2.04	42.10	41.30
Pacific Northwest	10.38	10.21	0.67	0.80	28.07	28.05
Southeast	11.99	11.81	-----	-----	62.38	60.38
Southwest	**11.30**	**11.19**	**1.59**	**1.78**	**35.59**	**36.67**
Upper Midwest	10.11	9.87	0.40	0.46	17.90	18.20
Western	10.19	9.95	0.48	0.54	14.69	16.27

ADJUSTMENTS TO LOW DAIRY PRICES START TOO LATE TO HELP 2004

The very low prices of 2002 and 2003 probably will generate substantial adjustments in production and use of milk and dairy products. However, initial adjustments have been very slow to begin and quite modest, failing to develop much momentum. At this pace, considerable time will be needed for enough slowing in production and recovery in use to eat away the current surplus and commercial stocks. First projections of 2004 dairy markets show only a slight rebound from this year's very low prices.

Milk cow numbers are expected to start declining soon from their winter high. With ample replacement heifers now available, most of the earlier farm expansions probably have been brought up to capacity. Relatively few farms will be in a position to begin new expansions based on recent returns, and these farms may buy discounted existing units rather than build new ones. On the other hand, the exit of dairy farms due to low returns may be on the verge of picking up. Direct payments under the Milk Income Loss Contracts (MILC) have sufficiently augmented savings from 1998-2001 returns to enable many small producers to persist so far. However, the MILC payments can only offset a small share of the milk price drops and probably only delay, not forestall, exit of these farms.

By the start of 2004, milk cow numbers are projected to be about 1 percent below a year earlier, with declines widening to almost 2 percent for most of the year. These would be the largest decreases since the early nineties.

Concentrate feed prices are projected to ease in 2004, and milk-feed price ratios are expected to be a bit more favorable than in 2003, although still very low. A return to more normal culling, the renewed exit of farms with low herd averages, and a slightly less conservative approach to concentrate feeding should aid recovery in milk per cow growth. Output per cow is projected to rise more than 2 percent (on a daily average basis) in 2004, following generally weak performance during 2001-03. Adequate supplies of good forage will again be key to milk per cow prospects, because current stocks of dairy-quality forage probably are marginal.

The expected one-half percent rise in 2004 milk production would be far less than the 1.7-percent average during 1997-2002 and below normal growth in dairy product demand. Fractional increases in milk production have been somewhat unusual in recent years, with changes tending to either sizable increases or declines.

Commercial use of dairy products is expected to grow fairly briskly in 2004. The much lower prices should progressively stimulate sales, particularly in the restaurant and food processor markets. However, growth in dairy demand is not likely to fully recover from the 2002-03 slippage. Although the economy is expected to grow, there are a number of lingering weak spots and a seeming lack of vigor. Also, consumers evidently have shifted spending away from food.

Similar to adjustments in milk production, gains in dairy product sales have not developed much momentum. Increases in winter use appeared solid but were not very dramatic. Growth is not accelerating much and may be vulnerable to any significant strengthening in dairy prices.Considerably more robust demand, probably centered around cheese, likely would be needed during coming months to make much difference in 2004 prices.

Commercial stocks at the start of 2004 are projected to still be heavy, although probably not as large as during most of 2002 and early 2003. These stocks will buffer the price effects of slowing milk production and recovering sales. Similarly, the surplus of skim solids probably will be large enough to prevent any substantial increases in skim solids prices and to limit potential rises in cheese prices. However, the skim solids surplus is projected to fall to the lowest level since 1998. Meanwhile the surplus of milkfat is expected to be near this year's modest level.In 2003, farm milk prices are expected to fall $0.50 to $1.00 from 2002's already low $12.19 per cwt. Unless the pace of market adjustments accelerates quickly in coming months, the recovery in 2004 farm milk prices does not seem likely to offset the 2003 decline, let alone the earlier drops.

Source: Livestock, Dairy, & Poultry Outlook/LDP-M-107 May 16, 2003

DAIRY DEFICIENCY PAYMENTS PER CWT

Month	Boston Class I	Boston Minus Target	Deficiency Payment *
Jan 03	13.81	3.13	1.41
Feb 03	13.48	3.46	1.56
Mar 03	13.06	3.88	1.75
Apr 03	12.89	4.05	1.82
May 03	12.96	3.98	1.79
Jun 03	12.99	3.95	1.78

* (Boston Class I − $16.94) X 0.45

TOP TEN TEXAS COUNTIES a/ – MAY 2003

County	Number of Producers	Pounds	% Change From 2002b/	County	Number of Producers	Pounds	% Change From 2002b/
1. Erath	113	112,910,181	- 9.23	7. Deaf Smith	5	15,545,277	+ 54.08
2. Hopkins	162	50,349,940	+ 3.31	8. Wood	44	14,252,361	+ 8.63
3. Comanche	37	40,746,912	- 0.24	9. Parmer	4	13,594,667	+ 2084.78
4. Lamb	6	28,430,518	+ 46.17	10. Hamilton	16	12,594,394	- 4.69
5. El Paso	7	21,070,177	- 1.95	Ten County Total	445	330,767,652	+ 1.65 b/
6. Archer	51	20,913,225	- 2.58	Other Counties Total	395	180,706,900	+ 14.67
				Texas Total	840	511,474,552	+ 5.90

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							
March 2002	14.62	12.19	10.65	11.42	2.12	136.38	6.88	183.42	.00060	123.33	120.87	90.60	20.66
April	14.47	11.88	10.85	11.09	1.86	128.90	5.66	201.09	.00062	117.20	123.23	89.75	19.48
May	14.26	11.29	10.82	10.57	1.60	114.33	3.71	220.97	.00062	105.25	123.59	89.72	17.59
June	14.03	11.19	10.09	10.52	2.02	112.11	2.47	201.48	.00059	103.43	117.08	90.05	16.39
July	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

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

TOP NEW MEXICO COUNTIES a/ – MAY 2003

County	Number of Producers	Pounds	% Change From 2002b/	County	Number of Producers	Pounds	% Change From 2002b/
1. Chaves	39	161,250,655	+ 0.50	7. Socorro	8	17,577,668	+ 6.95
2. Roosevelt	43	108,300,662	+ 13.16	8. Valencia	9	10,702,744	- 1.23
3. Curry	20	100,299,024	+ 7.57	9. Bernalillo	5	6,188,036	- 2.41
4. Dona Ana	24	89,635,638	+ 4.22				
5. Lea	16	47,772,349	+ 6.54	Nine County Total	171	572,229,204	+ 5.24 b/
6. Eddy	7	30,502,428	+ 2.02	Other Counties Total	6	16,947,571	+ 21.13
				New Mexico Total	177	589,176,775	+ 5.64

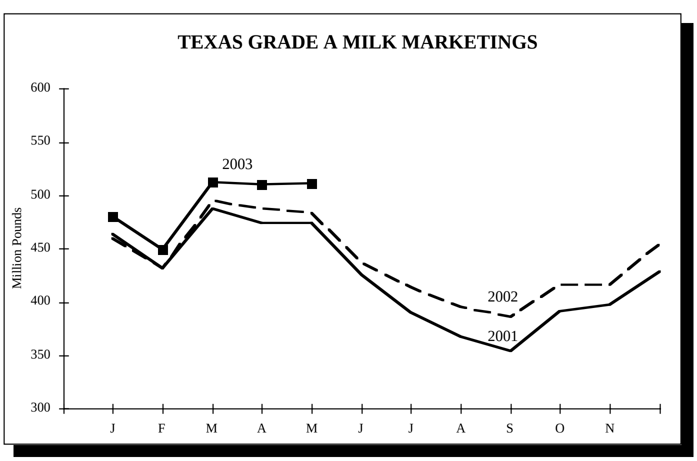
a/ All known Grade "A" milk produced on farms located in New Mexico.
b/ Compared to top counties for the month in the previous year.

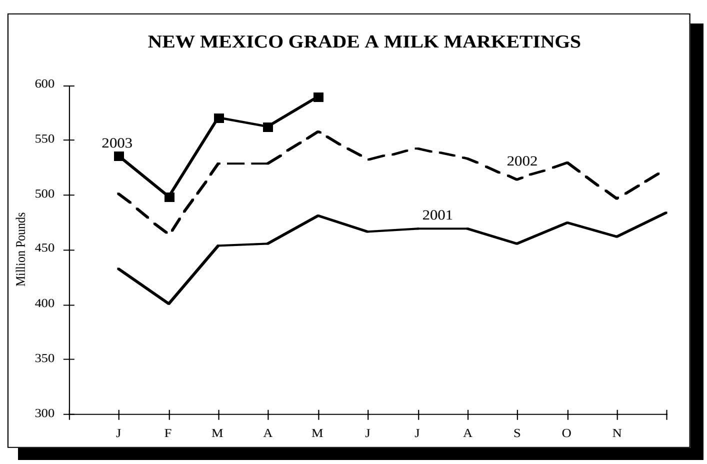
POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN TEXAS BY MONTHS: JANUARY 2001 THROUGH MAY 2003, WITH PRODUCTION PERCENTAGE COMPARISONS

MONTH	2001 POUNDS	Number of Producers	2002 POUNDS	Number of Producers	2003 POUNDS	Number of Producers	PERCENT CHANGE 2002/01	PERCENT CHANGE 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			+2.37	
July	389,996,462	933	414,700,943	862			+6.33	
August	367,810,615	919	395,468,644	851			+7.52	
September	354,482,882	916	386,732,687	859			+9.10	
October	391,332,224	908	415,984,319	846			+6.30	
November	397,352,762	907	415,537,665	847			+4.58	
December	429,232,267	903	454,863,992	843			+5.97	
Years Total	5,087,885,479		5,275,723,822				+3.69	

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 2001 THROUGH MAY 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	PERCENT CHANGE 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			+14.04	
July	469,362,545	171	542,546,821	176			+15.59	
August	469,391,326	174	532,685,705	176			+13.48	
September	455,259,423	173	513,773,496	178			+12.85	
October	474,918,306	173	529,524,800	178			+11.50	
November	462,212,000	173	496,802,059	178			+7.48	
December	484,020,641	173	523,409,272	178			+8.14	
Years Total	5,504,306,038		6,250,908,109				+13.56	





TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat TX	Butterfat NM	Protein TX	Protein NM	Other Solids TX	Other Solids NM	S-N-F TX	S-N-F NM	SCC a/ TX	SCC a/ NM
May 2002	3.58	3.49	3.01	2.96	5.68	5.69	8.68	8.65	342	256
June	3.58	3.47	2.99	2.92	5.69	5.69	8.67	8.61	366	263
July	3.59	3.45	3.00	2.91	5.67	5.69	8.66	8.60	407	290
August	3.58	3.47	3.02	2.93	5.65	5.68	8.67	8.61	414	303
September	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

a/ In thousands.

MAY 2003
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

			Pounds	Price	Value
Add:	Class I Differential				$352,409.89
	Class I Butterfat	60(a)	7,915,626	$1.1762	$9,310,359.32
	Class I Skim Per Cwt		331,405,500	$8.9100	$29,528,230.09
	Class II Butterfat	60(b)	8,739,367	$1.1582	$10,121,934.89
	Class II Nonfat Solids		10,683,400	$0.7344	$7,845,888.97
	Class III Butterfat	60(c)	9,517,498	$1.1512	$10,956,543.73
	Class III Protein		8,189,567	$1.9275	$15,785,390.40
	Class III Other Solids		15,975,532	- $0.0144	($230,047.68)
	Class IV Butterfat	60(d)	7,364,268	$1.1512	$8,477,745.33
	Class IV Nonfat Solids		18,115,486	$0.6574	$11,909,120.52
	Class II, III & IV Somatic Cell Adj.	60(e)			$274,216.61
	Total Producer Milk-Product Lbs & Value		953,397,250		$104,331,792.07
Add:	Value as for 60(f) Thru 60(j)				$46,312.11
Less:	Total Protein Pounds	61(b)	28,168,470	**$1.9275**	$54,294,726.00
	Total Other Solids Pounds		54,717,898	**- $0.0144**	($787,937.74)
	Total Butterfat Pounds		33,536,759	**$1.1512**	$38,607,516.97
	Total Value of Somatic Cell Adjustment				$370,157.25
	Total Milk and Value		953,397,250		$11,893,641.70
Add:	Location Differential Adjustments	61(c)			$3,320,212.70
	Producer-Settlement Fund	61(d)			$376,124.10
	Total Producer Milk/URSP and Value		953,397,250	$1.63520	$15,589,978.50
Less:	Producer-Settlement Fund	61(f)		$0.04520	$430,962.22
	Producer Price Differential (Dallas County)			**$1.59**	$15,159,016.28

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RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
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MAY 2003
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	339,321,126	35.59	7,915,626	23.60	331,405,500	36.03
Class II	127,241,374	13.35	8,739,367	26.06	118,502,007	12.88
Class III	278,525,712	29.21	9,517,498	28.38	269,008,214	29.24
Class IV	208,309,038	21.85	7,364,268	21.96	200,944,770	21.85
Total	953,397,250	100.00	33,536,759	100.00	919,860,491	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,208,710	36.25	19,713,668	36.03	29,922,385	36.10
Class II	3,645,763	12.94	7,037,641	12.86	10,683,400	12.89
Class III	8,189,567	29.07	15,975,532	29.20	24,165,097	29.15
Class IV	6,124,430	21.74	11,991,057	21.91	18,115,486	21.86
Total	28,168,470	100.00	54,717,898	100.00	82,886,368	100.00