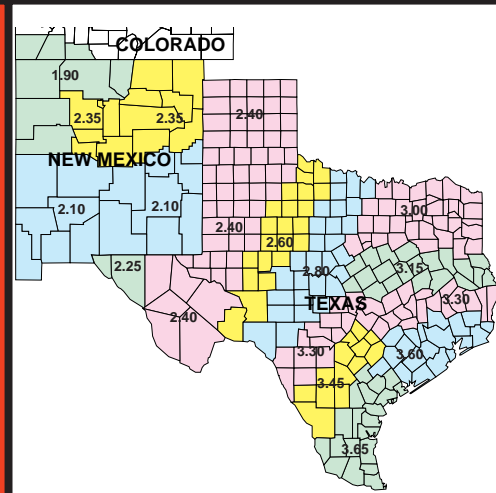


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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MARKET SUMMARY FOR OCTOBER

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 \$0.50 for October. Butterfat price increased \$0.0335 per pound from \$1.2218 in September to the level of \$1.2553 in October. Protein price decreased \$0.0365 per pound from \$3.3180 in September to \$3.2815 in October. October's Other Solids price increased \$0.0141 per pound from \$0.0170 in September to \$0.0311 in October. The Somatic Cell Count adjustment rate factor for October 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 October statistical uniform price of \$14.89 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 \$0.41 in comparison to the statistical blend price of \$14.48 in September.

The October Class I price increased \$0.56 cents

from \$16.71 in September to the October level of \$17.27. The Boston Class I price of \$17.52 produced no dairy deficiency payment for October. The Class II price for October of \$10.84 per hundredweight increased \$0.08 from \$10.76 in September. October's Class III price increased \$0.09 from \$14.30 in September to \$14.39 in October. The Class IV price increased \$0.11 from \$10.05 in September to \$10.16 in October.

In October 821 producers delivered a total of 557,705,009 pounds of milk. On a daily basis this represents an increase of 1.67 percent from the producer receipts level in September but it represents a decrease of 29.67 percent when compared to the producer receipts level of October 2002.

Producer milk classified as Class I during October amounted to 65.75 percent of total producer receipts. This figure is up slightly from 65.42 percent in September and it is up from 45.64 percent in October 2002. The average butterfat test of producer milk pooled during October was 3.680 percent, average protein test was 3.104 percent, average other solids test was 5.697 percent and the average somatic cell count was 319,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Oct 03	Sep 03	Oct 03	Sep 03	Oct 03	Sep 03
Appalachian	16.09	15.57	-----	-----	73.91	77.60
Arizona-Las Vegas	14.31	13.98	-----	-----	36.67	35.82
Central	14.23	13.92	(0.16)	(0.38)	53.62	57.16
Florida	17.67	16.99	-----	-----	90.33	90.23
Mideast	14.25	13.93	(0.14)	(0.37)	54.20	54.80
Northeast	15.21	15.01	0.82	0.71	49.70	49.10
Pacific Northwest	13.05	12.54	(1.34)	(1.76)	49.84	46.67
Southeast	16.07	15.65	-----	-----	67.35	72.08
Southwest	14.89	14.48	0.50	0.18	65.75	65.42
Upper Midwest	13.51	13.23	(0.88)	(1.07)	55.20	54.00
Western	13.76	13.40	(0.63)	(0.90)	57.54	56.33

MILK SUPPLY NOT ENOUGH TO ERODE CHEESE PRICES

Moderately strong cheese sales and tight supplies of milk for manufacturing have allowed cheese prices to hold, despite a major diversion of milk from butter-powder production into cheese. Wholesale Cheddar cheese prices have been largely unchanged since late July. Cheese prices may remain near current levels until milk production picks up seasonally in a few weeks. However, an early seasonal price peak still seems likely unless sales accelerate.

August milk per cow failed to sustain the apparent recovery of June and July. In the 20 major States, output per cow fell from a July increase of 0.8 percent from a year earlier to an August drop of 0.4 percent. However, year-to-year changes were very misleading because of last year's erratic growth in milk per cow. August 2002 was marked by the near-complete absence of normal summer heat stress. Compared with the 5-year average milk per cow, this year's output grew at an annual rate of about 1.2 percent in June, July, and August. Even so, milk per cow remained relatively weak, and a solid recovery is not yet apparent.

The weak milk per cow, slipping milk cow numbers, and larger apparent use of milk in other foods left supplies of milk for manufacturing substantially below a year earlier, particularly in August. Butter and nonfat drymilk production fell sharply in July-August

as a much larger share of the smaller milk supplies moved into cheese. Even so, July-August output of American cheese varieties was about 1 percent below a year earlier while production of other kinds rose only slightly. With cheese sales rising 3 percent from a year earlier and stocks moderate, this cheese production was insufficient to ease tight cheese markets. Market conditions in September may well have been similar.

Milk production this autumn is expected to grow slightly from a year earlier as well as impending seasonal rises. With cheese claiming the lion's share of available milk supplies, Cheddar cheese production is projected to move above year-earlier levels—putting considerable pressure on cheese prices.

In early October, manufacturers' stocks of nonfat dry milk were revised for all of 2002 and the first 7 months of 2003. The revisions showed a fairly consistent 20 to 35 million pounds less in stocks than originally published. As well as significantly altering the levels of the powder and milk equivalent, skim solids basis stocks data, the revisions may help explain some unusual patterns that had first appeared in the second half of 1999. However, the impact on the outlook for the rest of 2003 and 2004 is minor. The major implication of the data correction is that prices might be expected to respond more quickly to tighter-than-expected conditions than would have seemed likely before the revisions.

Source: "Livestock, Dairy, and Poultry Outlook," LDP-M-112, October 17, 2003, Economic Research Service, USDA, Washington, DC.

2004 RELEASE DATES FOR PRICE DATA

Month to Which Prices Apply	Advanced Prices and Pricing Factors		Class and Component Prices	
	Release Date	Time Period of NASS Prices ^{1/}	Release Date	Time Period of NASS Prices ^{1/}
January	December 19, 2003	12/6, 13	January 30, 2004	1/3, 10, 17, 24
February	January 23, 2004	1/10, 17	March 5	1/31, 2/7, 14, 21, 28
March	February 20	2/7, 14	April 2	3/6, 13, 20, 27
April	March 19	3/6, 13	April 30	4/3, 10, 17, 24
May	April 23	4/10, 17	June 4	5/1, 8, 15, 22, 29
June	May 21	5/8, 15	July 2	6/5, 12, 19, 26
July	June 18	6/5, 12	July 30	7/3, 10, 17, 24
August	July 23	7/10, 17	September 3	7/31, 8/7, 14, 21, 28
September	August 20	8/7, 14	October 1	9/4, 11, 18, 25
October	September 17	9/4, 11	November 5	10/2, 9, 16, 23, 30
November	October 22	10/9, 16	December 3	11/6, 13, 20, 27
December	November 19	11/6, 13	December 30	12/4, 11, 18, 25

^{1/} Weekly sales periods, ending on the indicated date, which are included in the applicable average. Information for the week is released by NASS on Friday of the following week.

TOP TEN TEXAS COUNTIES a/ – OCTOBER 2003

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2002b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2002b/</u>
1. Erath	118	96,162,270	- 1.31	7. El Paso	5	16,540,394	- 14.53
2. Hopkins	160	40,480,251	+ 6.11	8. Parmer	5	15,562,882	+ 213.36
3. Comanche	35	35,817,625	- 1.87	9. Hamilton	15	11,770,885	+ 0.18
4. Lamb	8	29,193,756	+ 29.95	10. Wood	45	11,734,222	+ 13.86
5. Deaf Smith	6	17,608,213	+ 45.88	Ten County Total	449	292,039,623	+ 5.76 b/
6. Archer	52	17,169,125	- 8.56	<u>Other Counties Total</u>	<u>386</u>	<u>157,228,066</u>	<u>+ 12.43</u>
				Texas Total	835	449,267,689	+ 8.00

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-----							
August 2002	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
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

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

TOP NEW MEXICO COUNTIES a/ – OCTOBER 2003

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2002b/</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2002b/</u>
1. Chaves	40	148,285,858	+ 1.06	7. Socorro	9	17,063,313	+ 10.43
2. Roosevelt	44	103,007,318	+ 9.72	8. Valencia	7	10,175,761	+ 4.91
3. Curry	20	95,807,332	+ 2.62	9. Bernalillo	4	5,380,664	- 7.61
4. Dona Ana	24	80,292,990	- 0.03				
5. Lea	16	44,837,491	+ 6.89	Nine County Total	171	531,991,238	+ 3.23 b/
6. Eddy	7	27,140,511	- 3.53	<u>Other Counties Total</u>	<u>7</u>	<u>14,912,964</u>	<u>+ 5.12</u>
				New Mexico Total	178	546,904,202	+ 3.28

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

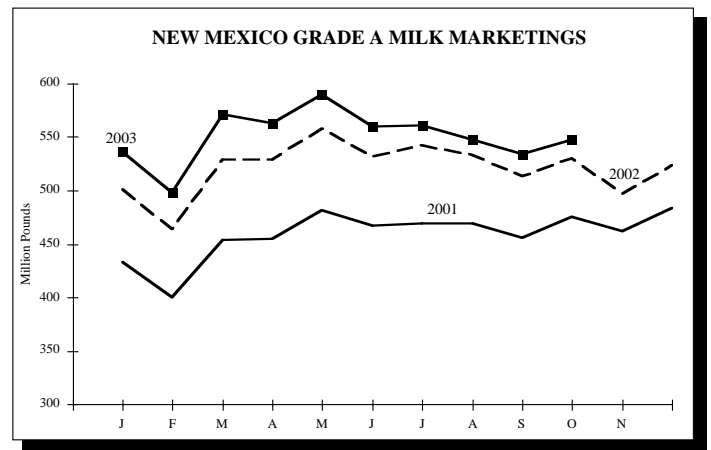
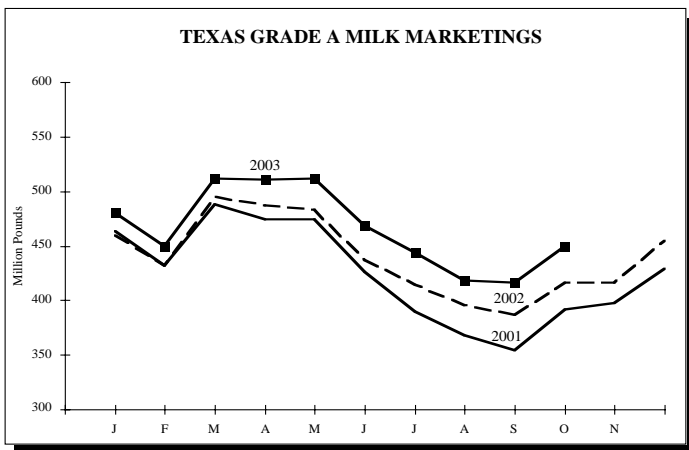
b/ Compared to top counties for the month in the previous year.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 2001 THROUGH OCTOBER 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	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	449,267,689	835	+6.30	+ 8.00
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 MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2001 THROUGH OCTOBER 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	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	546,904,202	178	+11.50	+ 3.28
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
October 2002	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
October	3.73	3.58	3.13	3.07	5.67	5.70	8.81	8.78	366	272

a/ In thousands.

**OCTOBER 2003
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL**

		Pounds	Price	Value
Add: Class I Differential				\$355,401.11
Class I Butterfat	60(a)	8,571,431	\$1.2307	\$10,548,860.15
Class I Skim Per Cwt		358,147,240	\$13.4300	\$48,099,174.35
Class II Butterfat	60(b)	8,084,326	\$1.2623	\$10,204,844.74
Class II Nonfat Solids		7,689,763	\$0.7400	\$5,690,424.62
Class III Butterfat	60(c)	1,242,095	\$1.2553	\$1,559,201.86
Class III Protein		225,630	\$3.2815	\$740,404.84
Class III Other Solids		411,753	\$0.0311	\$12,805.53
Class IV Butterfat	60(d)	2,629,179	\$1.2553	\$3,300,408.41
Class IV Nonfat Solids		8,022,415	\$0.6642	\$5,328,488.04
Class II, III & IV Somatic Cell Adj.	60(e)			\$67,663.42
Total Producer Milk-Product Lbs & Value		557,705,009		\$85,907,677.07
Add: Value as for 60(f) Thru 60(j)				\$144,846.43
Less: Total Protein Pounds	61(b)	17,313,234	\$3.2815	\$56,813,377.44
Total Other Solids Pounds		31,776,621	\$0.0311	\$988,252.94
Total Butterfat Pounds		20,527,031	\$1.2553	\$25,767,582.04
Total Value of Somatic Cell Adjustment				\$140,367.62
Total Milk and Value		557,705,009		\$2,342,943.46
Add: Location Differential Adjustments	61(c)			\$435,307.90
Producer-Settlement Fund	61(d)			\$244,992.93
Total Producer Milk/URSP and Value		557,705,009	\$0.54208	\$3,023,244.29
Less: Producer-Settlement Fund	61(f)		\$0.04208	\$234,719.24
Producer Price Differential (Dallas County)			\$0.50	\$2,788,525.05

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OCTOBER 2003
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	366,718,671	65.75	8,571,431	41.76	358,147,240	66.67
Class II	92,202,698	16.53	8,084,326	39.38	84,118,372	15.66
Class III	8,220,300	1.48	1,242,095	6.05	6,978,205	1.30
Class IV	90,563,340	16.24	2,629,179	12.81	87,934,161	16.37
Total	557,705,009	100.00	20,527,031	100.00	537,177,978	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	11,559,097	66.77	21,181,196	66.65	32,740,297	66.70
Class II	2,718,128	15.70	4,971,638	15.65	7,689,763	15.66
Class III	225,630	1.30	411,753	1.30	637,381	1.30
Class IV	2,810,379	16.23	5,212,034	16.40	8,022,414	16.34
Total	17,313,234	100.00	31,776,621	100.00	49,089,855	100.00