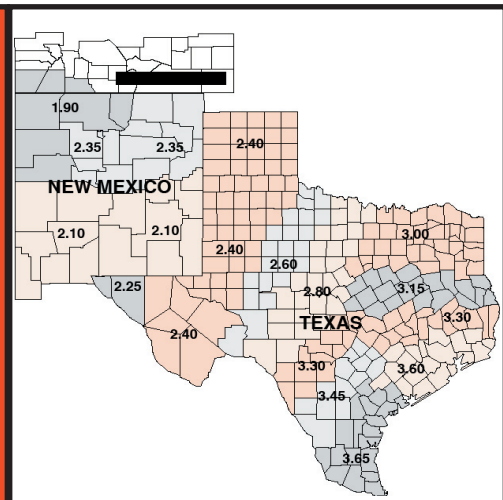


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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MARKET SUMMARY FOR MARCH

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 (\$0.68) for March. Butterfat price increased \$0.0594 per pound from \$1.3010 in February to the level of \$1.3604 in March. Protein price increased \$0.3151 per pound from \$4.0180 in February to \$4.3331 in March. March's Other Solids price decreased \$0.0310 per pound from \$0.0803 in February to \$0.0493 in March. The Somatic Cell Count adjustment rate factor for March was 0.00098 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a March statistical uniform price of \$17.32 per hundredweight for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is a decrease of \$1.96 in comparison to the statistical blend price of \$19.28 in February.

The March Class I price decreased \$2.98 from \$22.68 in February to the March level of \$19.70. The Class II price for March of \$15.63 per hundredweight decreased \$2.83 from \$18.46 in February. March's Class III price increased \$0.97 from \$17.03 in February to \$18.00 in March. The Class IV price decreased \$0.50 from \$14.67 in February to \$14.17 in March.

In March 545 producers delivered a total of 676,502,434 pounds of milk. On a daily basis this represents a decrease of 16.07 percent from the producer receipts level in February and it represents a decrease of 34.86 percent when compared to the producer receipts level of March 2007.

Producer milk classified as Class I during March amounted to 52.01 percent of total producer receipts. This figure is up from 45.08 percent in February and it is up from 35.01 percent in March 2007. The average butterfat test of producer milk pooled during March was 3.685 percent, average protein test was 3.066 percent, average other solids test was 5.722 percent and the average somatic cell count was 231,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Mar 08	Feb 08	Mar 08	Feb 08	Mar 08	Feb 08
Appalachian	18.63	21.32	-----	-----	67.90	72.26
Arizona	16.86	18.00	-----	-----	31.24	33.74
Central	16.85	18.11	(1.15)	1.08	41.30	33.14
Florida	19.92	22.60	-----	-----	82.32	83.06
Mideast	17.21	18.65	(0.79)	1.62	42.80	39.00
Northeast	17.89	19.54	(0.11)	2.51	40.90	42.50
Pacific Northwest	15.94	17.47	(2.06)	0.44	37.67	29.94
Southeast	18.79	20.90	-----	-----	64.80	64.22
Southwest	17.32	19.28	(0.68)	2.25	52.01	45.08
Upper Midwest	17.75	17.63	(0.25)	0.60	17.60	15.10

THE DAIRY OUTLOOK

Milk production is forecast to rise 2.7 percent in 2008 over 2007, reaching 190.7 billion pounds. The increase comes as cow numbers are forecast to rise about 1 percent in 2008. Feed prices continue to rise above year-earlier levels, and are expected to do so for the remainder of 2008. However, those producers who have expansion plans underway will continue to implement them. According to the Livestock Slaughter report, January dairy cow slaughter was very near last year's level. Many farmers in the upper Midwest produce much of their feed on farm and are somewhat insulated from rising feed prices. The impetus for expansion continues in the West because of the lengthy process of obtaining permits. Once current expansion is complete, the process may slow because permits are becoming difficult to obtain, especially in California. Milk production per cow is projected to rise by less than 1 percent on a daily basis, well below the trend of the previous 2 years. Reduced feeding intensity is the short-term response to higher feed prices. Milk-feed ratios are expected to be weaker during 2008. Lower returns in mid-2008 may point toward contraction in the herd by late 2008.

Commercial use of dairy products is expected to increase by better than 3 percent in 2008 compared with 2007, well above the trend of recent years. However, higher production coupled with concerns about the overall economy will likely pressure product prices during the year. Cheese prices have likely crested for 2008 and are expected to decline slightly through the second half of 2008 to average \$1.745 to \$1.805 per pound. Although butter use may be helped by exports, larger supplies and potential weakness in the restaurant sector may exert pressure on prices. Butter prices are expected to average \$1.225 to \$1.315 per pound in 2008.

Although pressured by early-year supplies, nonfat dry milk (NDM) prices should climb in the second half of 2008 as tighter supplies encounter robust export demand and stable domestic demand. NDM prices are forecast to average \$1.350 to \$1.400 a pound in 2008. In 2008, whey prices are not expected to recover much. Lower prices may prompt some demand but supplies are sufficient. Prices will likely average 26.5 to 29.5 cents a pound this year.

Lower product prices will result in lower milk prices in 2008. The Class IV price is forecast at \$14.95

to \$15.65 per cwt, substantially below 2007's average of \$18.36 per cwt. The Class III price is expected to decline to \$16.15 to \$16.75 per cwt, down from 2007's \$18.04 per cwt average. The all milk price is forecast to average \$17.30 to \$17.90 per cwt, a drop from \$19.13 in 2007.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-165, March 19, 2008, Economic Research Service, USDA.

COMMERCIAL DISAPPEARANCE: 2006-2007

Commercial disappearance of milk increased 2.2 percent between 2006 and 2007, 0.1 percent more than the 2.1 percent increase in the total supply of milk (See table below). The production of certain dairy products contributed to the increase. Other cheese showed the largest increase in pounds, increasing 206.3 million from 2006 to 2007, while butter showed the greatest percentage increase at 5.6 percent. Nonfat dry milk increased 27.3 million pounds, or 2.3 percent. Both American cheese and fluid milk product showed decreases in commercial disappearance, at 17.5 million pounds and 56.0 million pounds, respectively.

Commercial Disappearance: Total Milk And Selected Dairy Products: 2006-2007 1/				
Item	2006	% Chg. 2/	2007	% Chg. 2/
MILK - Million Pounds -				
Milk Production	181,798	2.7	185,602	2.1
Marketings	180,717	2.7	184,459	2.1
Beginning Commercial Stocks 3/	8,007	11.9	9,509	18.8
Imports 3/	4,982	(1.8)	4,640	(6.9)
Total Supply 4/	193,706	3.0	198,608	2.5
Ending Commercial Stocks 3/	9,509	19.0	10,355	8.9
Net Removals 3/	14	135.9	-	(100.0)
Commercial Disappearance 4/	184,183	2.2	188,253	2.2
SELECTED PRODUCTS				
Butter	1,435.4	4.8	1,515.5	5.6
American Cheese	3,966.3	4.5	3,948.8	(0.4)
Other Cheese	5,956.8	4.1	6,163.1	3.5
Nonfat Dry Milk	1,198.7	(5.0)	1,226.0	2.3
Fluid Milk Products 6/	55,142.3	1.1	55,086.3	(0.1)

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports.

2/ From year earlier on a daily average basis.

3/ Milk-equivalent, milkfat basis.

4/ Totals may not add because of rounding.

5/ Commercial disappearance in product pounds.

6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

SOURCE: Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

TOP TEN TEXAS COUNTIES a/ – MARCH 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Erath	91	107,598,966	- 6.42	7. Lamb	9	40,325,686	+ 17.63
2. Parmer	13	67,528,572	+ 75.73	8. Hartley	9	39,831,662	+ 60.23
3. Deaf Smith	13	56,618,173	+ 22.22	9. Bailey	9	34,033,649	+ 18.73
4. Castro	10	50,540,775	+ 37.06	10. Hale	5	30,189,758	+ 8.55
5. Hopkins	124	49,754,368	- 11.12	Ten County Total	311	521,495,853	+ 14.38 b/
6. Comanche	28	45,074,244	- 5.59	Other Counties Total	348	209,363,320	+ 0.57
				Texas Total	659	730,859,173	+ 10.05

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.					BF	Component Prices			NASS Product Prices			
	I a/	II	III	IV	P.P.D.a/		Other Solids	True Protein	SCC c/ Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
	----- Dollars Per Hundred Wt. -----						-----Cents Per Pound-----						
January 2007	16.59	12.85	13.56	12.53	1.21	130.09	31.83	240.53	.00067	119.91	133.66	106.77	46.80
February	16.39	13.08	14.18	12.71	0.80	131.12	41.70	241.25	.00067	121.29	134.54	110.21	60.05
March	17.25	13.60	15.09	13.71	0.78	137.69	52.57	243.29	.00069	126.76	137.32	119.02	70.60
April	18.00	14.51	16.09	16.12	0.88	146.57	60.08	252.12	.00071	134.16	142.96	143.54	77.89
May	18.92	16.62	17.60	18.48	0.91	157.06	57.91	294.24	.00080	142.90	159.46	166.70	75.78
June	20.84	18.89	20.17	20.76	0.31	164.57	58.31	370.59	.00093	149.16	185.61	190.12	76.17
July	23.91	21.40	21.38	21.64	1.31	161.10	55.34	420.68	.00100	146.27	200.02	201.80	73.29
August	24.76	22.41	19.83	21.87	2.93	158.72	43.68	394.12	.00096	144.29	191.00	205.45	61.97
September	24.91	22.16	20.07	21.61	2.36	151.01	28.90	439.29	.00101	137.86	202.50	205.57	47.62
October	24.59	21.90	18.70	21.31	2.92	140.92	22.86	416.95	.00096	129.45	192.27	206.15	41.75
November	24.45	22.07	19.22	20.40	2.36	140.77	24.61	430.81	.00098	129.33	196.52	195.62	43.45
December	23.04	20.82	20.60	19.18	0.41	143.48	26.37	470.61	.00105	131.59	209.76	180.31	45.16
Averages 2007 b/	21.14	18.36	18.04	18.36	1.43	146.93	42.01	351.21	.00087	134.41	173.80	169.27	60.04
January 2008	23.97	19.75	19.32	16.29	1.38	133.19	20.97	449.94	.00100	123.01	199.98	150.90	39.92
February	22.68	18.46	17.03	14.67	2.25	130.10	8.03	401.80	.00092	120.44	184.03	133.31	27.36
March	19.70	15.63	18.00	14.17	(0.68)	136.04	4.93	433.31	.00098	125.39	195.75	125.12	24.35

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

TOP NEW MEXICO COUNTIES a/ – MARCH 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Chaves	38	177,436,201	+ 8.43	7. Socorro	8	19,360,458	+ 7.45
2. Curry	27	138,531,551	+ 13.22	8. Valencia	5	13,555,973	- 0.11
3. Roosevelt	42	129,504,159	+ 15.63	9. Sierra	3	8,196,743	+ 5.03
4. Dona Ana	22	98,345,045	+ 3.99	10. Bernalillo	4	5,233,719	+ 5.91
5. Lea	13	42,576,737	- 7.29	Ten County Total	168	659,098,804	+ 8.57 b/
6. Eddy	6	26,358,218	+ 8.69	Other Counties Total	2	8,126,741	- 30.91
				New Mexico Total	170	667,225,545	+ 7.82

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 2006 THROUGH MARCH 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

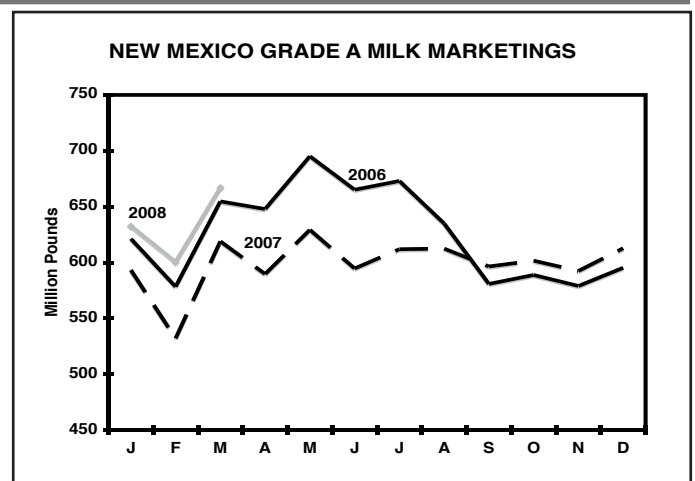
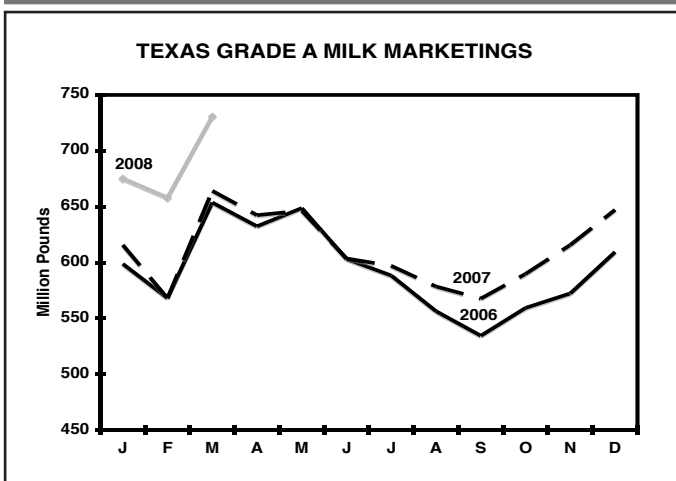
MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	598,770,671	746	615,854,742	697	675,265,283	654	+ 2.85	+ 9.65
February	568,127,819	740	567,905,237	692	658,108,461	658	- 0.04	+ 11.89*
March	653,677,865	740	664,126,490	694	730,859,173	659	+ 1.60	+ 10.05
April	632,332,356	741	642,444,396	689			+ 1.60	
May	648,575,970	739	646,347,511	676			- 0.34	
June	603,059,138	733	603,528,908	670			+ 0.08	
July	588,198,398	726	596,923,443	656			+ 1.48	
August	556,266,201	723	578,369,166	656			+ 3.97	
September	534,330,715	712	569,217,018	661			+ 6.53	
October	559,390,201	710	607,239,216	664			+ 8.55	
November	572,262,884	701	615,810,876	660			+ 7.61	
December	<u>609,404,039</u>	695	<u>647,114,088</u>	655			<u>+ 6.19</u>	
Years Total	7,124,396,257		7,354,881,091				+ 3.23	

* Based on average daily deliveries.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2006 THROUGH MARCH 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	621,161,722	173	593,437,434	171	632,699,151	173	- 4.46	+ 6.62
February	578,266,056	172	531,955,021	170	600,488,935	169	- 8.01	+ 8.99*
March	654,702,022	172	618,854,728	171	667,225,545	170	- 5.48	+ 7.82
April	647,819,688	173	593,858,997	168			- 8.33	
May	695,061,878	175	629,220,180	166			- 9.47	
June	665,063,549	175	598,890,379	166			- 9.95	
July	672,988,089	174	611,908,294	167			- 9.08	
August	634,876,790	172	612,444,830	169			- 3.53	
September	580,816,517	173	596,639,214	173			+ 2.72	
October	588,810,710	171	614,972,057	172			+ 4.44	
November	578,970,652	173	592,544,809	171			+ 2.34	
December	<u>595,163,099</u>	175	<u>612,751,685</u>	172			<u>+ 2.96</u>	
Years Total	7,513,700,772		7,207,477,628				- 4.08	

* Based on average daily deliveries.



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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
March 2007	3.72	3.63	3.08	3.04	5.68	5.68	8.77	8.72	306	262
April	3.70	3.58	3.07	3.02	5.70	5.71	8.78	8.73	293	230
May	3.66	3.53	3.03	2.99	5.69	5.71	8.73	8.70	292	228
June	3.64	3.51	3.02	2.96	5.69	5.70	8.71	8.67	321	240
July	3.62	3.47	3.02	2.94	5.69	5.70	8.71	8.64	350	264
August	3.63	3.52	3.01	2.93	5.69	5.70	8.70	8.64	353	278
September	3.66	3.55	3.08	3.01	5.68	5.70	8.76	8.71	346	273
October	3.71	3.59	3.15	3.08	5.70	5.70	8.84	8.79	285	228
November	3.82	3.70	3.21	3.15	5.72	5.72	8.92	8.87	263	214
December	3.89	3.76	3.23	3.17	5.71	5.70	8.93	8.87	270	231
Averages 2007	3.73	3.62	3.10	3.05	5.69	5.70	8.80	8.75	315	256
January 2008	3.87	3.74	3.19	3.13	5.72	5.71	8.90	8.84	274	240
February	3.79	3.67	3.13	3.06	5.71	5.71	8.84	8.77	260	220
March	3.76	3.63	3.10	3.02	5.72	5.72	8.82	8.75	244	202

a/ In thousands.

MARCH 2008
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$356,507.99
Class I Butterfat	60(a)	7,796,716	\$1.3438	\$10,477,226.99
Class I Skim Per Cwt		344,043,534	\$15.5400	\$53,464,365.22
Class II Butterfat	60(b)	9,122,596	\$1.3674	\$12,474,237.78
Class II Nonfat Solids		8,616,994	\$1.2489	\$10,761,763.79
Class III Butterfat	60(c)	1,331,877	\$1.3604	\$1,811,885.48
Class III Protein		294,860	\$4.3331	\$1,277,657.87
Class III Other Solids		556,457	\$0.0493	\$27,433.33
Class IV Butterfat	60(d)	6,684,360	\$1.3604	\$9,093,403.34
Class IV Nonfat Solids		18,577,506	\$1.0833	\$20,125,012.26
Class II, III & IV Somatic Cell Adj.	60(e)			\$359,398.28
Total Producer Milk-Product Lbs & Value		676,502,434		\$120,228,892.33
Add: Value as for 60(f) Thru 60(j)				\$173,214.20
Less: Total Protein Pounds	61(b)	20,742,361	\$4.3331	\$89,878,724.46
Total Other Solids Pounds		38,712,749	\$0.0493	\$1,908,538.55
Total Butterfat Pounds		24,935,549	\$1.3604	\$33,922,320.88
Total Value of Somatic Cell Adjustment				\$802,674.31
Total Milk and Value		676,502,434		(\$6,110,151.67)
Add: Location Differential Adjustments	61(c)			\$1,488,726.90
Producer-Settlement Fund	61(d)			\$344,753.89
Total Producer Milk/URSP and Value		676,502,434	(\$0.63217)	(\$4,276,670.88)
Less: Producer-Settlement Fund	61(f)		\$0.04782	\$323,545.67
Producer Price Differential (Dallas County)			(\$0.68)	(\$4,600,216.55)

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REPORT

SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

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MARCH 2008
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	351,840,250	52.01	7,796,716	31.27	344,043,534	52.80
Class II	103,633,785	15.32	9,122,596	36.58	94,511,189	14.51
Class III	10,711,826	1.58	1,331,877	5.34	9,379,949	1.44
Class IV	210,316,573	31.09	6,684,360	26.81	203,632,213	31.25
Total	676,502,434	100.00	24,935,549	100.00	651,566,885	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,960,035	52.84	20,449,257	52.82	31,409,291	52.83
Class II	3,010,076	14.51	5,606,920	14.48	8,616,994	14.49
Class III	294,860	1.42	556,457	1.44	851,319	1.43
Class IV	6,477,390	31.23	12,100,115	31.26	18,577,506	31.25
Total	20,742,361	100.00	38,712,749	100.00	59,455,110	100.00