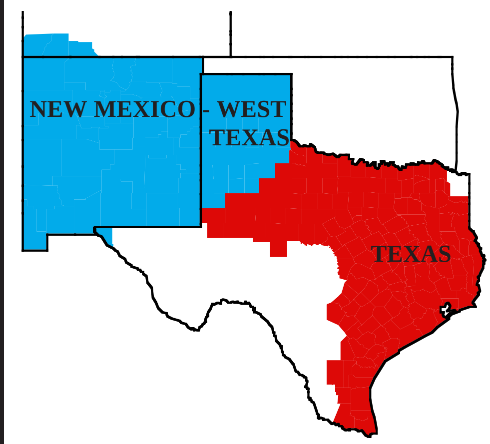
THE MARKET ADMINISTRATOR'S

REPORT

TEXAS MARKETING AREA
NEW MEXICO - WEST TEXAS MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
(214) 245-6060 FAX(214) 245-3211



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MARKET SUMMARIES FOR DECEMBER

The December Class III price decreased 48 cents from the previous month to $11.38. The Class II price for December of $12.24 per hundredweight decreased 29 cents from $12.53 in November. November's Class III-A price decreased 23 cents from November's level to $10.17.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $13.40 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was down 20 cents from November.

Producers delivered a total of 539,907,893 pounds of milk during December. On a daily basis this represents a decrease of 2.59 percent from the producer receipts level in November but it represents an increase of 1.05 percent when compared to the producer receipts level of December 1993.

Producer milk classified as Class I during December amounted to 50.17 percent of total producer receipts. This figure is down from 51.16 percent in November but it is up slightly from 49.55 percent in December 1993. The average butterfat test of producer milk pooled during December 1994 was 3.674 percent.

New Mexico - West Texas: Producers who delivered milk to handlers located in Zone 1 of the New Mexico - West Texas Milk Market Order received $12.36 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was down 38 cents from November.

Producers delivered a total of 153,429,524 pounds of milk during December. On a daily basis this represents an increase of 27.37 percent from the producer receipts level in November but it represents a decrease of 10.17 percent when compared to the producer receipts level of December 1993.

Producer milk classified as Class I during December amounted to 36.80 percent of total producer receipts. This figure is down from 49.80 percent in November but it is up from 33.99 percent in December 1993. The average butterfat test of producer milk pooled during December 1994 was 3.713 percent.

LARGER SURPLUS AND LOWER PRICES PROJECTED FOR 1995

More expanding dairy farms and strong gains in milk per cow are expected to boost milk production in 1995. Although demand is projected to continue strong, gains in production are expected to outpace commercial use, resulting in a slightly larger surplus and lower milk prices than in 1994. In 1994, strong demand absorbed expansion in milk output and boosted prices slightly. Surpluses of milkfat and skim solids were both small for the first time since 1979.

Use of bST is expected to expand substantially in 1995. Producers' initial experiences with the product generally were positive, and some milk buyers have dropped their opposition to bST. However, management of injected cows is challenging, and the best management practices still are partially unknown. About an eighth of the cow herd is projected to be injected for the first time in 1995, bringing the total injected to more than a fourth of the herd by year-end. Milk per cow is projected to rise 3 percent in 1995, the largest increase since 1987. Milk-feed price ratios are not expected to be very favorable, with milk prices decreasing slightly more than concentrate prices. Farmers will increase grain feeding to meet the demands of bST, but may be conservative about other boosts. On the other hand, generally good forage quality should increase milk per cow. Lower returns are projected to erode milk cow numbers slightly as 1995 progresses. Returns over concentrate cost are expected to fall 6-8 percent in 1995 to the lowest since 1991. Successful adopters of bST will have cost savings to help offset the lower returns, but other producers may be squeezed. Slaughter cow prices are expected to be held low by large meat supplies, encouraging producers to keep marginal cows in the milking herd. Also, supplies of replacement heifers are expected to be ample. Milk production in 1995 is expected to rise 2-3 percent. The largest gains probably will be in early 1995, before prices begin to decline. However, increased numbers of lower cost producers and further adoption of bST should more than offset the effects of lower milk prices.

The Minnesota-Wisconsin (M-W) price began to decline in November and will drop sharply for a few months, but prices are not expected to decline to the support price. Manufacturing values probably will stabilize by late winter and are expected to be flat through the spring flush. Farm milk prices will be much below a year earlier in the first half of 1995. Surpluses of both skim solids and milkfat will be substantial as milk production outstrips commercial use. The year-to-year gap is expected to narrow later in the year, as lower prices bring growth in production and use closer. For the year, prices are projected to average 6-8 percent lower. Retail prices in 1995 are projected to be about the same to slightly lower. Lower farm prices probably will be about offset by a moderate widening of the farm-to-retail spread.

Gains in commercial use next year are expected to slow from 1994's strong growth to about 2 percent on a milkfat basis and about 1 percent on a skim solids basis. Cheese sales have been fairly strong since midyear and are expected to remain strong in 1995, bolstered by continued economic growth and stable retail prices. Butter sales have stayed strong, but slower uses are expected because long-run consumer response to the very low prices of recent years may be almost over. Disappearance data for nonfat dry milk continued to be swollen by the use of powder in other dairy products. Powder disappearance is expected to be about the same in 1995.

Production of dairy products will be large in 1995. Recovery in Midwestern milk output and growth in western cheese capacity imply more cheese, and differences in manufacturing values between cheese and butter/powder will not be as wide. Growth in milk production in 1995 should exceed that of commercial use—but not by much. Expected net removals will be equivalent to about 6 billion pounds of milk on a milkfat basis and 7 billion pounds on a skim solids basis, both up from about 4-5 billion pounds in 1994. Purchases will be larger, possibly including small purchases of cheese. Removals under DEIP probably will not grow in 1995, although much uncertainty remains about how the DEIP will operate because of the GATT.

International dairy markets will enter 1995 tighter than a year earlier. World stocks are fairly low and production has been down in some important areas. Much uncertainty surrounds the 1995 DEIP. USDA has indicated that DEIP will remain a major component of dairy policy. However, the restrictions on subsidized exports in the new GATT agreement will affect the DEIP. Announcement of how GATT limits will be imposed has not been made. In addition, it is not known how the program is likely to be operated until the limits are implemented.

* This summary was developed by the Market Information Branch, Agricultural Marketing Service, USDA, Washington, D.C.

Source: "Dairy Outlook", LDP-D-5, December 12, 1994, Economic Research Service, USDA. .

ASSESSMENT REDUCED

Effective January 1, 1995, the amount of the mandatory price-reduction rate under the Commodity Credit Corporation's Dairy Collection Program shall be 11.25 cents per hundredweight on milk marketed during the period of January 1 through April 30, 1995. Such price reduction is authorized by the Agricultural Act of 1949, as amended by the Omnibus Budget and Reconciliation Act of 1990.

As authorized by the 1949 Act, as amended, the above rate will be increased on milk marketed on and after May 1, 1995, to reflect the amount of refunds paid to dairy farmers under the 1994 Dairy Refund Payment Program (DRPP). You will be notified of the changed rate after it is announced by the Commodity Credit Corporation.

In the Omnibus Budget Reconciliation Act of 1990, Congress mandated that the prices paid to dairy farmers for their milk marketings during 1991 through 1995 be reduced to pay for the dairy industry's $750 million share of Agriculture's $16 billion contribution to the $495 billion reduction in the nation's budget deficit for the years 1991-1995. The price reductions are the deductions (assessments) that dairy farmers see from their milk payments. The sums of money collected are deposited in the U.S. Treasury and are considered as general revenues of the government.

TOP TEN TEXAS COUNTIES a/ – DECEMBER 1994

County	Number of Producers	Pounds	% Change From 1993
1. Erath	200	113,365,152	+7.50
2. Hopkins	426	75,200,886	+3.55
3. Comanche	54	31,263,482	+5.11
4. Johnson	68	20,061,855	-1.92
5. El Paso	9	19,036,926	+6.94
6. Wood	99	18,606,558	+6.23
7. Archer	66	18,487,707	+8.73
8. Cherokee	46	15,505,675	-.62
9. Hamilton	43	13,374,132	+25.01
10. Franklin	61	11,029,123	+.57
Ten County Total	1,072	335,931,496	+5.68 b/
Other Counties Total	852	185,468,030	-.01
Texas Total	1,924	521,399,526	+3.58

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.

Minimum Prices at 3.5%, for Federal Orders 126 and 138 (Zone 1) — Formula Prices (3.5%) and Price Quotations

Month	Class I a/ 126	Class I a/ 138	Class II	Class III	Class III-A	Uniform a/ 126	Uniform a/ 138	B F Diff.	Grade A Butter	Block Cheese	Spray Powder
	-------- Dollars Per Hundred Wt. --------							¢/Point	-------------Cents Per Pound--------------		
December	15.62	14.81	12.95	12.51	10.73	13.87	13.04	5.9	68.58	133.73	112.73
Averages 1993 b/	14.78	13.97	12.00	11.80	10.73	13.36	12.61	6.8	73.42	131.52	111.95
January 1994	15.91	15.10	13.25	12.41	10.22	14.01	13.01	5.2	63.00	130.00	109.76
February	15.67	14.86	12.26	12.41	10.23	13.80	12.59	5.2	63.29	130.49	109.89
March	15.57	14.76	12.61	12.77	10.32	13.64	12.59	5.3	65.00	136.23	110.47
April	15.57	14.76	13.19	12.99	10.34	13.68	12.64	5.3	64.93	139.28	110.76
May	15.93	15.12	13.88	11.51	10.24	13.59	12.47	5.6	63.90	124.31	108.47
June	16.15	15.34	12.18	11.25	10.09	13.67	12.53	5.8	64.63	119.14	106.06
July	14.67	13.86	10.35	11.41	10.13	12.60	11.92	6.0	66.94	125.53	105.62
August	14.41	13.60	11.84	11.73	10.38	13.15	12.18	6.5	71.00	127.85	106.53
September	14.57	13.76	12.95	12.04	10.35	13.47	12.71	6.4	71.00	131.39	106.59
October	14.89	14.08	12.15	12.29	10.36	13.47	12.71	6.3	71.00	132.69	107.04
November	15.20	14.39	12.53	11.86	10.40	13.60	12.74	6.4	71.00	126.56	107.10
December	15.45	14.64	12.24	11.38	10.17	13.40	12.36	5.8	65.52	120.91	106.86
Averages 1994 b/	15.33	14.52	12.45	12.00	10.27	13.51	12.54	5.8	66.77	128.70	107.93
January 1995	15.02	14.21	11.02								
February	14.54	13.73	11.35								

a/ Subject to zone and location adjustments. b/ Simple averages

TOP NEW MEXICO COUNTIES a/ – DECEMBER 1994

County	Number of Producers	Pounds	% Change From 1993
1. Chaves	39	107,574,228	+15.47
2. Dona Ana	25	58,963,664	+8.14
3. Roosevelt	29	35,216,857	+14.61
4. Curry	8	21,916,139	+47.51
5. Eddy	5	16,059,193	+58.06
6. Lea	11	16,053,263	+46.26
7. Valencia	13	10,263,020	+3.50
8. Bernalillo	9	10,014,095	+2.13
9. Socorro	9	5,436,504	+22.94
Nine County Total	148	281,496,963	+18.00
Other Counties Total	6	6,389,416	-21.84
New Mexico Total	154	287,886,379	+16.68

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 1992 THROUGH DECEMBER 1994, WITH PERCENTAGE COMPARISONS

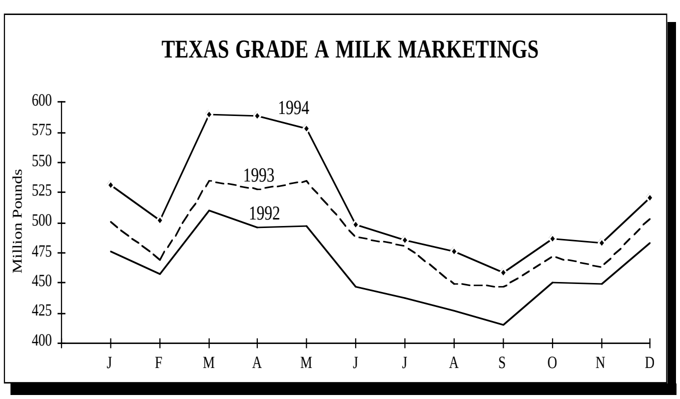
MONTH	1992 POUNDS	Number of Producers	1993 POUNDS	Number of Producers	1994 POUNDS	Number of Producers	PERCENT CHANGE 1993/92	PERCENT CHANGE 1994/93
January	476,205,571	2,085	501,212,264	2,039	531,658,454	1,960	+5.25	+6.07
February	457,849,695	2,071	469,421,940	2,036	502,048,659	1,961	+6.19*	+6.95
March	510,170,922	2,068	534,985,958	2,023	590,563,277	1,957	+4.86	+10.39
April	496,567,771	2,061	528,234,691	2,011	588,890,115	1,963	+6.38	+11.48
May	497,334,980	2,062	535,272,595	2,001	578,120,136	1,956	+7.63	+8.00
June	446,423,245	2,063	488,469,601	1,995	498,149,578	1,969	+9.42	+1.98
July	437,813,796	2,053	481,029,804	1,985	486,029,589	1,955	+9.87	+1.04
August	427,045,725	2,052	448,948,355	1,974	475,739,415	1,953	+5.13	+5.97
September	415,589,154	2,057	447,343,829	1,976	458,143,784	1,948	+7.64	+2.41
October	450,740,851	2,055	471,379,110	1,973	486,705,004	1,944	+4.58	+3.25
November	448,706,735	2,050	463,334,474	1,960	483,247,718	1,936	+3.26	+4.30
December	483,450,097	2,043	503,356,197	1,965	521,399,526	1,924	+4.12	+3.58
Years Total	5,547,898,542		5,872,988,818		6,200,845,698		+5.86	+5.58

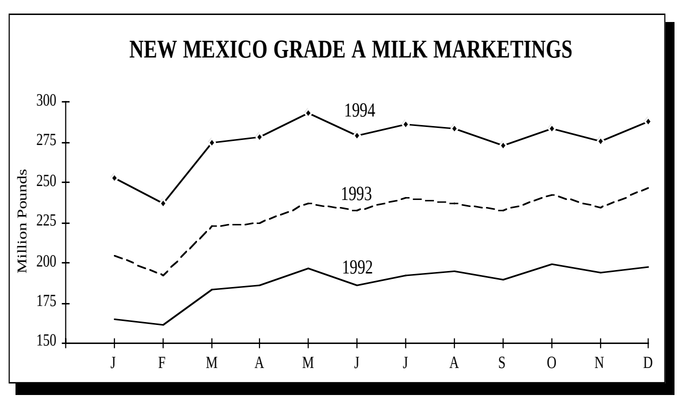
*Comparison based on 28 days.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1992 THROUGH DECEMBER 1994, WITH PERCENTAGE COMPARISONS

MONTH	1992 POUNDS	Number of Producers	1993 POUNDS	Number of Producers	1994 POUNDS	Number of Producers	PERCENT CHANGE 1993/92	PERCENT CHANGE 1994/93
January	164,985,348	131	204,707,796	139	253,218,001	147	+24.08	+23.69
February	161,070,218	131	192,335,243	140	237,211,785	148	+23.68*	+23.33
March	183,696,848	130	222,849,739	140	275,165,335	145	+21.31	+23.48
April	186,528,935	129	224,429,460	141	278,682,898	149	+20.32	+24.17
May	196,860,410	131	237,473,164	143	293,746,832	149	+20.63	+23.70
June	185,725,642	130	232,947,016	142	278,940,461	150	+24.88	+17.44
July	192,629,822	136	240,574,076	145	286,825,906	149	+24.89	+19.23
August	194,693,896	137	237,512,245	146	283,870,810	150	+21.99	+19.52
September	190,931,650	139	232,833,573	146	273,359,295	151	+21.95	+17.41
October	199,654,598	138	242,443,358	148	283,588,806	152	+21.43	+16.97
November	193,808,042	138	234,445,273	149	275,359,100	152	+20.97	+17.45
December	197,811,704	138	246,724,079	148	287,886,379	154	+24.73	+16.68
Years Total	2,248,397,113		2,749,275,022		3,307,855,608		+22.28	+20.32

*Comparison based on 28 days.





TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat TX	Butterfat NM	Protein TX	Protein NM	Lactose TX	Lactose NM	S-N-F TX	S-N-F NM	SCC* TX	SCC* NM
November	3.76	3.74	3.34	3.28	4.75	4.75	8.81	8.75	348	205
December	3.71	3.74	3.29	3.26	4.75	4.76	8.76	8.73	365	222
Average 1993	3.54	3.58	3.20	3.15	4.78	4.82	8.70	8.68	384	232
January 1994	3.68	3.71	3.27	3.22	4.76	4.76	8.74	8.70	346	239
February	3.64	3.69	3.22	3.18	4.79	4.78	8.71	8.68	348	241
March	3.52	3.63	3.18	3.13	4.79	4.79	8.69	8.64	338	238
April	3.45	3.58	3.17	3.11	4.80	4.80	8.68	8.63	335	229
May	3.43	3.49	3.14	3.08	4.79	4.81	8.65	8.61	383	221
June	3.39	3.44	3.09	3.03	4.78	4.80	8.57	8.54	427	240
July	3.37	3.37	3.12	3.03	4.77	4.79	8.59	8.53	454	260
August	3.44	3.39	3.15	3.06	4.76	4.79	8.61	8.56	444	264
September	3.52	3.46	3.23	3.15	4.74	4.80	8.69	8.68	448	278
October	3.63	3.61	3.27	3.21	4.80	4.82	8.78	8.76	405	252
November	3.70	3.69	3.30	3.25	4.78	4.82	8.80	8.80	397	250

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1994	REPORTED NOV. 1994	REPORTED DEC. 1993
TOTAL UTILIZATION			
CLASS I	57,786,736	58,481,401	59,560,516
CLASS II	12,579,730	11,116,160	12,054,552
CLASS III/III-A	84,371,453	59,493,554	108,740,892
CLOSING INVENTORY (CLASS I, II AND III)	17,702,331	8,874,553	7,028,608
TOTAL UTILIZATION	172,440,250	137,965,668	187,384,568
DAILY CLASS I UTILIZATION	1,864,088	1,949,380	1,921,307
DEC. -DAILY CLASS I COMPARED TO:		-4.38%	-2.98%
CLASS I YEAR TO DATE (IN THOUSANDS)	685,739	627,952	708,294
% CHANGE FROM PREVIOUS YEAR	-3.18%	-3.73%	+4.90%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	56,466,320	58,055,532	58,056,978
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	10,632,021	9,363,018	10,325,289
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	86,331,183	49,154,224	102,415,543
TOTAL PRODUCER RECEIPTS	153,429,524	116,572,774	170,797,810
OTHER SOURCE A/	9,452,807	10,242,185	8,543,512
OPENING INVENTORY	8,874,553	10,898,490	7,997,829
OVERAGE	683,366	252,219	45,417
TOTAL RECEIPTS	172,440,250	137,965,668	187,384,568
DAILY PRODUCER RECEIPTS	4,949,339	3,885,759	5,509,607
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		+27.37%	-10.17%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,717,372	1,563,943	2,000,099
% CHANGE FROM PREVIOUS YEAR	-14.14%	-14.51%	+16.67%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.713%	3.712%	3.729%
% PRODUCER MILK CLASSIFIED AS CLASS I	36.80%	49.80%	33.99%
NUMBER OF PRODUCERS	135	127	155
AVERAGE DAILY DELIVERY PER PRODUCER	36,662	30,597	35,546
NUMBER OF POOL HANDLERS	17	17	15

A/ INCLUDES MILK, SKIM MILK, CREAM AND SKIM EQUIVALENT OF CONCENTRATED SKIM MILK PRODUCTS

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RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
(214) 245-6060 FAX(214) 245-3211

Address Corrections Requested

TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1994	REPORTED NOV. 1994	AUDITED DEC. 1993
TOTAL UTILIZATION			
CLASS I	273,780,065	275,879,714	267,704,857
CLASS II	76,571,149	89,325,967	66,635,254
CLASS III/III-A	212,213,743	194,266,988	220,004,380
CLOSING INVENTORY (CLASS I, II AND III)	27,904,392	31,063,756	25,007,594
TOTAL UTILIZATION	590,469,349	590,536,425	579,352,085
DAILY CLASS I UTILIZATION	8,831,615	9,195,990	8,635,641
DEC. -DAILY CLASS I COMPARED TO:		-3.96%	+2.27%
CLASS I YEAR TO DATE (IN THOUSANDS)	3,278,478	3,004,698	3,151,034
% CHANGE FROM PREVIOUS YEAR	+4.04%	+4.21%	+2.18%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	270,873,336	274,407,286	264,755,277
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	68,132,817	80,029,202	57,711,473
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	200,901,740	181,917,182	211,806,770
TOTAL PRODUCER RECEIPTS	539,907,893	536,353,670	534,273,520
OTHER SOURCE A/	19,450,263	22,698,343	15,183,006
OPENING INVENTORY	31,063,756	31,374,603	29,895,559
OVERAGE	47,437	109,809	
TOTAL RECEIPTS	590,469,349	590,536,425	579,352,085
DAILY PRODUCER RECEIPTS	17,416,384	17,878,456	17,234,630
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		-2.59%	+1.05%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	6,619,773	6,079,865	6,043,751
% CHANGE FROM PREVIOUS YEAR	+9.53%	+10.35%	+7.97%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.674%	3.685%	3.706%
% PRODUCER MILK CLASSIFIED AS CLASS I	50.17%	51.16%	49.55%
NUMBER OF PRODUCERS	2,262	2,300	2,627
AVERAGE DAILY DELIVERY PER PRODUCER	7,700	7,773	6,561
NUMBER OF POOL HANDLERS	36	36	32

A/ INCLUDES MILK, SKIM MILK, CREAM AND SKIM EQUIVALENT OF CONCENTRATED SKIM MILK PRODUCTS