THE MARKET ADMINISTRATOR'S
REPORT

TEXAS MARKETING AREA
NEW MEXICO - WEST TEXAS MARKETING AREA
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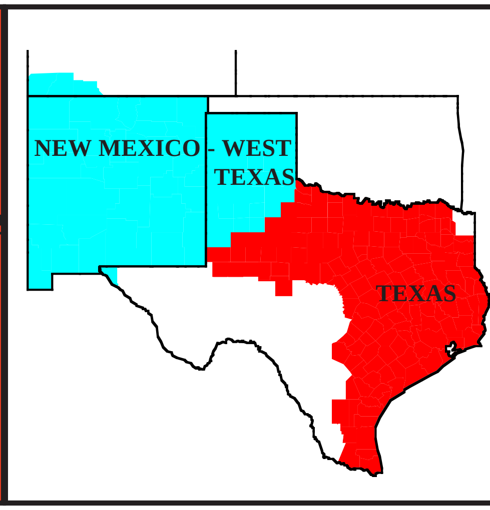


VOLUME XXIII, NO. 1 JANUARY 1997

MARKET SUMMARIES FOR DECEMBER

The December Class III price decreased 27 cents from the previous month to $11.34. The Class II price for December of $14.43 per hundredweight decreased $1.24 from $15.67 in November. December's Class III-A price decreased 43 cents from November's level to $11.75.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $14.89 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was down $1.48 from November.

Producers delivered a total of 523,753,771 pounds of milk during December. On a daily basis this represents an increase of 9.17 percent from the producer receipts level in November but it represents a decrease of 6.29 percent when compared to the producer receipts level of December 1995.

Producer milk classified as Class I during December amounted to 50.70 percent of total producer receipts. This figure is down from November's 59.67 percent but it is up from 44.62 percent in December 1995. The average butterfat test of producer milk pooled during December 1996 was 3.652 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 $12.80 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was down 63 cents from its November level.

Producers delivered a total of 222,135,666 pounds of milk during December. On a daily basis this represents a decrease of .75 percent from the producer receipts level in November but it represents an increase of 20.55 percent when compared to the producer receipts level of December 1995.

Producer milk classified as Class I during December amounted to 23.91 percent of total producer receipts. This figure is down from 26.32 percent in November and it is down from 29.49 percent in December 1995. The average butterfat test of producer milk pooled during December 1996 was 3.581 percent.

DAIRY OUTLOOK SUMMARY*

Milk production is edging back. High spring and summer milk prices and some easing of forage quality problems brought a gradual recovery in milk production. Milk output in September and October was only fractionally below a year earlier, compared with a drop of more than 3 percent in June. Milk cow numbers have been about 1 percent below a year earlier since late winter. Through October, the declines showed no sign of slowing. October milk per cow was .7 percent above a year earlier, a substantial improvement from June's drop of more than 2 percent but otherwise quite unimpressive. Even so, the October increase was the largest since July 1995. Milk-feed price ratios have been moderately unfavorable since mid-1995, a contributor to weak concentrate feeding rates. Milk per cow has suffered from a series of weather and forage difficulties. Milk production is expected to begin expanding by early 1997, although no surge is seen for next year. Most of the factors that slowed summer and autumn recovery probably will continue to do so through at least the first half of 1997. Milk production in 1997 is expected to rise about 1 percent, just offsetting the 1996 decline. The feed situation will limit the potential rebound in milk production. Declines in milk cow numbers probably will ease as 1997 progresses. However, the difference between early and late 1997 is expected to be pretty modest. For the year, cow numbers are projected to decline about 1 percent, similar to 1996. Milk per cow is projected to grow in 1997, but not by the large, back-to-trend increases that might otherwise be expected.

Farmers will receive an average of about $14.70 per cwt of milk in 1996, up almost $2 from a year earlier and a record. Large increases from a year earlier were posted in each quarter except the last. Even if prices recover as expected, farm milk prices in January through March will be below a year earlier. Farm milk prices probably will stay below a year earlier throughout the year. However, continued strong demand and only a small increase in milk production is expected to limit the drop to about $1, leaving 1997 prices well above the 1992-95 level. Retail prices are projected to decline slowly during most of 1997 but will stay above a year earlier through at least mid-year. Strong demand and a desire to recoup from squeezed spreads probably will slow price declines. Large increases in farm-retail price spreads are likely during much of the year. Retail dairy prices are projected to rise 1-3 percent in 1997, as spreads widen the fastest since 1991. In contrast, 1996 retail prices probably will average 7 percent above a year earlier, with farm-retail price spreads up only 2 percent.

Sales of dairy products slowed in September through October, evidence that high spring and summer prices had led to a consumer response. However, the mildness of the decline indicates that dairy demand probably remains fairly strong. Since late 1995, economic growth has boosted demand. Demand should remain generally favorable in 1997, as income growth continues to boost use of some major dairy products. However, sales at retail may be weakened, particularly during the first half of the year, by high prices. Prices will generally be more favorable for wholesale buyers such as food processors or restaurants. However, these buyers did not appear to respond much at all to the high 1996 prices, implying that little boost will occur because of the subsequent fall. Commercial use in 1997 is projected to rise only fractionally on either a milkfat or skim solids basis.

International dairy markets have firmed seasonally, but remain burdened with soft demand and large supplies in Oceania. Prices probably will be steady to slightly higher during the next couple of months because of seasonal tightness in the Northern Hemisphere. Export activity may pick up modestly. International markets during the rest of 1997 are expected to be mostly stable, with price changes driven mostly by exchange rates and seasonal factors. International markets may have periods of weakness similar to much of 1996. Indications of possible price declines might encourage buyers to defer purchases. The odds of price declines are possibly greatest if importers come to believe the United States or the European Union will push exports because of domestic market pressures. New contracts under DEIP picked up considerably in October and November, after almost minimal activity during much of January through September. During spring and summer, very tight domestic markets made it difficult to obtain supply commitments and provided incentive to cancel existing DEIP contracts and to sell the supplies on the domestic market. More dry milk became available for DEIP once domestic prices began to decline. Even so, DEIP activity has been limited by generally soft international market demand. Contract activity under DEIP probably will remain greater through the first half of 1997, the result of better domestic availability and more stability in international demand. Even so, DEIP exports are not expected to have a major effect on domestic prices. Total DEIP exports likely will be modest, much below 1993-95 levels. Shipment periods may be long and individual contracts small. Unless a major buyer comes in for enough to change the tone of the international market, DEIP exports will not take amounts large enough to tighten domestic markets significantly.

***** This summary was developed by the Market Information Branch, Agricultural Marketing Service, USDA, Washington, D.C. Note, this issue of “Dairy Outlook” was cleared for release prior to the trading sessions of major dairy product markets on December 13.

Source: “Dairy Outlook”, LDP-D-13, December 13, 1996, Economic Research Service, USDA.

CHANGE IN 1997 SUPPORT PRICE

The U.S. Department of Agriculture’s Commodity Credit Corporation (CCC) has announced that the support price for milk will be $10.20 per hundredweight (cwt) during calendar year 1997, effective January 1, 1997. This support price, which is required by the Federal Agriculture Improvement and Reform Act of 1996, is a $0.15 reduction from the 1996 level. The announced price of $10.20 per cwt is for milk with an annual average milkfat content of 3.67 percent. The support price adjusted to a milkfat content of 3.5 percent by use of the Federal Milk Marketing Order butterfat differential formula is $10.10 per cwt.

TOP TEN TEXAS COUNTIES a/ – DECEMBER 1996

County	Number of Producers	Pounds	% Change From 1995
1. Erath	179	122,772,462	+1.48
2. Hopkins	343	64,036,893	-5.21
3. Comanche	60	38,001,188	+12.08
4. El Paso	9	20,024,351	+2.21
5. Archer	64	19,813,332	+4.91
6. Johnson	58	18,640,702	-7.50
7. Hamilton	35	16,256,599	-4.10
8. Wood	76	15,792,365	-9.29
9. Cherokee	42	14,480,197	-.49
10. Van Zandt	33	11,075,272	+.29
Ten County Total	899	340,893,361	-.04 b/
Other Counties Total	721	175,410,998	-4.21
Texas Total	1,620	516,304,359	-1.50

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 1995	15.77	14.96	12.91	12.91	11.24	14.18	13.20	6.1	71.83	141.91	117.61
Averages 1995 b/	14.78	13.97	11.84	11.83	10.74	13.18	12.41	7.0	75.13	130.44	108.58
January 1996	16.03	15.22	13.17	12.73	11.16	14.32	13.33	6.6	74.40	137.88	114.85
February	16.07	15.26	13.21	12.59	10.39	14.15	13.21	5.4	65.21	137.75	110.84
March	15.89	15.08	13.03	12.70	10.32	13.75	12.80	5.4	65.00	138.74	110.08
April	15.75	14.94	12.89	13.09	10.52	14.06	12.99	5.9	69.57	143.25	110.32
May	15.86	15.05	13.00	13.77	11.90	14.43	13.82	8.4	89.16	149.25	116.00
June	16.25	15.44	13.39	13.92	15.12	15.03	14.56	14.1	130.63	149.33	129.75
July	16.93	16.12	14.07	14.49	16.01	15.78	15.07	15.9	144.87	156.23	132.57
August	17.08	16.27	14.22	14.94	15.82	16.12	15.37	15.8	145.00	163.58	130.91
September	17.65	16.84	14.79	15.37	15.85	16.65	15.84	15.6	145.00	169.42	131.90
October	18.10	17.29	15.24	14.13	14.94	16.79	15.14	13.1	124.45	157.93	131.55
November	18.53	17.72	15.67	11.61	12.18	16.37	13.43	6.5	71.47	132.45	126.59
December	17.29	16.48	14.43	11.34	11.75	14.89	12.80	6.8	73.02	123.73	120.55
Averages 1996 b/	16.79	15.98	13.93	13.39	13.00	15.20	14.03	10.0	99.82	146.63	122.16
January 1997	14.77	13.96	11.91								
February	14.50	13.69	11.64								

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

TOP NEW MEXICO COUNTIES a/ – DECEMBER 1996

County	Number of Producers	Pounds	% Change From 1995
1. Chaves	42	118,309,472	+7.73
2. Dona Ana	24	65,234,948	+10.74
3. Roosevelt	31	41,169,615	+5.51
4. Curry	8	26,926,254	+3.37
5. Lea	12	18,108,971	+9.71
6. Eddy	6	16,546,004	+3.51
7. Valencia	12	11,166,418	+8.02
8. Bernalillo	8	9,056,578	+9.46
9. Socorro	8	7,168,622	+10.13
Nine County Total	151	313,686,882	+7.65
Other Counties Total	6	8,783,153	+10.29
New Mexico Total	157	322,470,035	+7.72

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 1994 THROUGH DECEMBER 1996, WITH PERCENTAGE COMPARISONS **

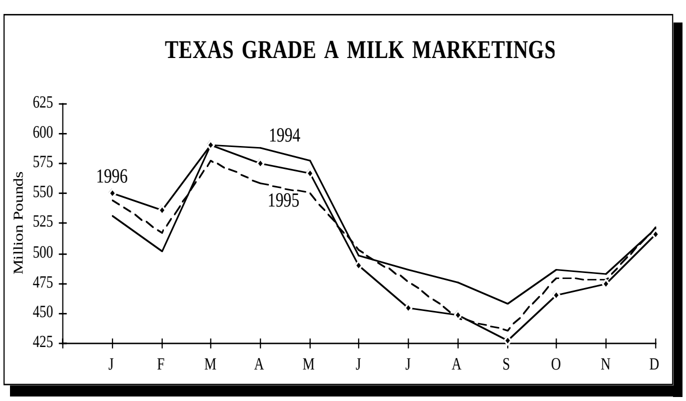
MONTH	1994 POUNDS	Number of Producers	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	PERCENT CHANGE 1995/94*	PERCENT CHANGE 1996/95*
January	531,658,454	1,960	544,665,125	1,918	549,914,311	1,786	+2.45	+.96
February	502,048,659	1,961	519,646,630	1,911	536,326,949	1,773	+3.51	-.35
March	590,563,277	1,957	579,936,046	1,902	590,936,348	1,745	-1.80	+1.90
April	588,890,115	1,963	560,828,983	1,886	575,799,475	1,738	-4.77	+2.67
May	578,186,307	1,956	552,635,192	1,884	567,120,914	1,714	-4.42	+2.62
June	498,233,850	1,969	505,013,242	1,864	490,380,980	1,683	+1.36	-2.90
July	486,029,589	1,955	479,245,070	1,866	454,376,230	1,670	-1.40	-5.19
August	475,739,415	1,953	448,110,385	1,858	448,420,253	1,652	-5.81	+.07
September	458,143,784	1,948	437,779,650	1,844	427,623,846	1,639	-4.44	-2.32
October	486,705,004	1,944	481,136,358	1,837	466,085,603	1,637	-1.14	-3.13
November	483,247,718	1,936	480,929,263	1,826	474,250,855	1,636	-.48	-1.39
December	521,399,526	1,924	524,145,612	1,800	516,304,359	1,620	+.53	-1.50
Years Total	6,200,845,698		6,114,071,556		6,098,233,434		-1.40	-.26

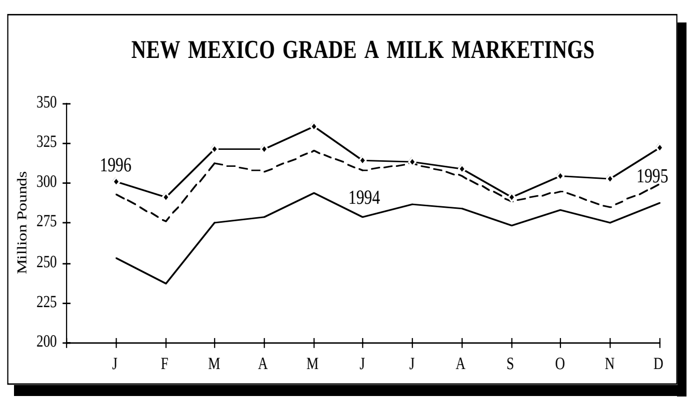
*Revised figures
**February figures are based upon average daily production.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1994 THROUGH DECEMBER 1996, WITH PERCENTAGE COMPARISONS **

MONTH	1994 POUNDS	Number of Producers	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	PERCENT CHANGE 1995/94	PERCENT CHANGE 1996/95
January	253,218,001	147	293,542,014	156	301,646,087	153	+15.92*	+2.76
February	237,211,785	148	276,638,548	155	291,741,013	154	+16.62*	+1.82
March	275,165,335	145	313,161,171	152	321,854,914	154	+13.81	+2.78
April	278,682,898	149	307,337,393	152	321,032,089	153	+10.28*	+4.46
May	293,746,832	149	320,781,400	154	335,537,514	153	+9.20*	+4.60
June	278,940,461	150	309,224,349	153	314,856,503	153	+10.86	+1.82
July	286,825,906	149	312,630,262	153	313,553,863	154	+9.00	+.30
August	283,870,810	150	304,582,850	153	309,399,050	155	+7.30	+1.58
September	273,359,295	151	288,872,854	156	293,390,938	157	+5.68	+1.56*
October	283,588,806	152	294,564,685	154	307,608,027	156	+3.87	+4.43*
November	275,359,100	152	284,775,780	155	303,433,595	157	+3.42	+6.55
December	287,886,379	154	299,367,034	153	322,470,035	157	+3.99	+7.72
Years Total	3,307,855,608		3,605,478,340		3,736,523,628		+9.00	+3.63

*Revised figures
**February figures are based upon average daily production.





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
Average 1995	3.57	3.56	3.21	3.15	4.77	4.81	8.70	8.67	390	248
January 1996	3.73	3.74	3.21	3.17	4.81	4.83	8.74	8.71	312	238
February	3.67	3.65	3.18	3.14	4.80	4.81	8.71	8.66	312	238
March	3.61	3.62	3.18	3.14	4.80	4.81	8.70	8.66	296	216
April	3.57	3.57	3.17	3.11	4.82	4.83	8.68	8.65	287	205
May	3.47	3.46	3.11	3.06	4.81	4.82	8.63	8.58	288	203
June	3.41	3.40	3.07	3.03	4.79	4.81	8.57	8.55	343	224
July	3.43	3.40	3.12	3.04	4.75	4.78	8.58	8.52	429	259
August	3.50	3.44	3.20	3.10	4.71	4.75	8.59	8.55	446	272
September	3.60	3.54	3.24	3.17	4.70	4.76	8.64	8.65	455	271
October	3.65	3.58	3.29	3.23	4.72	4.77	8.72	8.70	377	238
November	3.67	3.60	3.29	3.28	4.75	4.78	8.75	8.78	378	224
December	3.67	3.58	3.27	3.25	4.75	4.80	8.75	8.77	378	223
Average 1996	3.58	3.55	3.19	3.14	4.77	4.80	8.67	8.65	358	234

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1996	REPORTED NOV. 1996	REPORTED DEC. 1995
TOTAL UTILIZATION			
CLASS I	54,148,435	57,596,559	55,331,205
CLASS II	9,173,725	7,066,519	9,671,490
CLASS III/III-A	204,460,656	155,813,032	120,453,619
CLOSING INVENTORY (CLASS I, II AND III)	10,356,593	9,620,626	10,396,648
TOTAL UTILIZATION	278,139,409	230,096,736	195,852,962
DAILY CLASS I UTILIZATION	1,746,724	1,919,885	1,784,878
DEC. -DAILY CLASS I COMPARED TO:		-9.02%	-2.14%
CLASS I YEAR TO DATE (IN THOUSANDS)	746,487	692,339	704,849
% CHANGE FROM PREVIOUS YEAR	+5.91%	+6.59	+2.79%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	53,119,534	57,005,086	54,345,701
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	7,661,519	5,669,475	9,036,392
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	161,354,613	153,921,827	120,879,444
TOTAL PRODUCER RECEIPTS	222,135,666	216,596,388	184,261,537
OTHER SOURCE A/	46,384,017	4,746,383	4,952,478
OPENING INVENTORY	9,619,726	8,636,527	6,638,535
OVERAGE		117,438	412
TOTAL RECEIPTS	278,139,409	230,096,736	195,852,962
DAILY PRODUCER RECEIPTS	7,165,667	7,219,880	5,943,921
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		-.75%	+20.55%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	2,265,780	2,043,644	1,861,630
% CHANGE FROM PREVIOUS YEAR	+21.71%	+21.84%	+8.40%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.581%	3.609%	3.719%
% PRODUCER MILK CLASSIFIED AS CLASS I	23.91%	26.32%	29.49%
NUMBER OF PRODUCERS	172	190	358
AVERAGE DAILY DELIVERY PER PRODUCER	41,661	37,999	16,603
NUMBER OF POOL HANDLERS	17	16	14

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

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TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1996	REPORTED NOV. 1996	REPORTED DEC. 1995
TOTAL UTILIZATION			
CLASS I	266,384,673	279,503,322	252,094,709
CLASS II	87,929,310	86,718,783	82,312,555
CLASS III/III-A	183,026,867	121,010,419	245,476,616
CLOSING INVENTORY (CLASS I, II AND III)	36,418,176	27,710,807	36,424,084
TOTAL UTILIZATION	573,759,026	514,943,331	616,307,964
DAILY CLASS I UTILIZATION	8,593,054	9,316,777	8,132,087
DEC. -DAILY CLASS I COMPARED TO:		-7.77%	+5.67%
CLASS I YEAR TO DATE (IN THOUSANDS)	3,280,938	3,014,553	3,127,048
% CHANGE FROM PREVIOUS YEAR	+4.92%	+4.86%	-4.62%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	265,543,803	277,059,365	249,389,152
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	75,624,881	75,854,623	75,400,505
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	182,585,087	111,369,038	234,119,146
TOTAL PRODUCER RECEIPTS	523,753,771	464,283,026	558,908,803
OTHER SOURCE A/	22,294,036	24,044,289	28,277,742
OPENING INVENTORY	27,710,807	26,457,305	28,981,124
OVERAGE	412	158,711	140,295
TOTAL RECEIPTS	573,759,026	514,943,331	616,307,964
DAILY PRODUCER RECEIPTS	16,895,283	15,476,101	18,029,316
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		+9.17%	-6.29%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	6,561,035	6,037,281	6,565,474
% CHANGE FROM PREVIOUS YEAR	-.07%	+.51%	-.82%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.652%	3.658%	3.735%
% PRODUCER MILK CLASSIFIED AS CLASS I	50.70%	59.67%	44.62%
NUMBER OF PRODUCERS	1,666	1,652	1,903
AVERAGE DAILY DELIVERY PER PRODUCER	10,141	9,368	9,474
NUMBER OF POOL HANDLERS	30	31	30

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