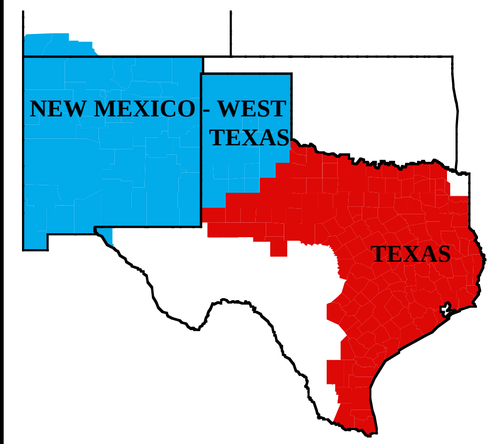
THE MARKET ADMINISTRATOR'S

REPORT

USDA AMS AGRICULTURAL MARKETING SERVICE



TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
(972) 245-6060 FAX (972) 245-3211
e-mail: MAGeneric_Dallas@USDA.GOV
WWW: http://members.aol.com/fmmo1126

VOLUME XXIII, NO. 10 OCTOBER 1997

MARKET SUMMARIES FOR SEPTEMBER

The September Class III price increased 72 cents from the previous month to $12.79. The Class II price for September of $11.16 per hundredweight increased 12 cents from $11.04 in August. September's Class III-A price decreased 1 cent from August's level to $11.87.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $13.18 per hundredweight for deliveries of milk containing 3.5% butterfat. The September price was up 15 cents from August.

Producers delivered a total of 397,434,009 pounds of milk during September. On a daily basis this represents a decrease of 7.12 percent from the producer receipts level in August and it represents a decrease of 7.05 percent when compared to the producer receipts level of September 1996.

Producer milk classified as Class I during September amounted to 69.31 percent of total producer receipts. This figure is up from August's 62.07 percent and it is up from 63.69 percent in September 1996. The average butterfat test of producer milk pooled during September 1997 was 3.489 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 $12.95 per hundredweight for deliveries of milk containing 3.5% butterfat. The September price was up 53 cents from its August level.

Producers delivered a total of 114,866,558 pounds of milk during September. On a daily basis this represents a decrease of 29.76 percent from the producer receipts level in August and it represents a decrease of 43.07 percent when compared to the producer receipts level of September 1996.

Producer milk classified as Class I during September amounted to 49.46 percent of total producer receipts. This figure is up from 32.15 percent in August and it is up from 27.94 percent in September 1996. The average butterfat test of producer milk pooled during September 1997 was 3.410 percent.

CME LAUNCHES CHEESE FUTURES

The Chicago Mercantile Exchange (CME) launched its trading in cheddar cheese futures and options on October 3. The CME already lists contracts in fluid milk and butter.

The futures contract, sized at 40,000 pounds in 40-pound blocks of cheddar cheese, will be cash-settled to the U.S. Department of Agriculture's NASS Cheddar Cheese weekly average price on the last Friday of each contract month.

The cheese contract follows the formation of a new national cash cheese market at the CME in May to replace the defunct National Cheese Exchange of Green Bay, Wisconsin. The exchange said the planned removal of all price supports for U.S. dairy products in the year 2000 made the need clear for risk management derivatives. "The cash-settlement feature will allow virtually all types of cheese to be hedged easily with our contracts," said Robert Prosi, chairman of CME's Cheese and Dairy Products committees.

Cheddar cheese represents about $3 billion in cash market sales in the U.S. annually, out of about $10 billion in total cheese sales, the exchange said. At the CME's cash market, cash cheddar cheese trades in 40-pound blocks and 55 gallon barrels every Thursday beginning at 1:15 CDT. Cheese futures will be listed for delivery in January, March, May, July, September and November. Prices will be quoted in cents a pound. Trading hours will be 8:00 to 1:00 Central Time daily

CHEESE PRICES UP SHARPLY

Cheese prices rose sharply during July and August as wholesale movement recovered and milk production gains stabilized. Early September prices on the Chicago Mercantile Exchange were 20-24 cents per pound above the early May lows. However, any further seasonal rises probably will be quite modest and current levels might not hold. Surpluses of nonfat dry milk are available to boost cheese production and any additional cheese price rises could trigger a flood of powder into cheese production. Exports under the Dairy Export Incentive Program (DEIP) and even significant sales to the government under the support program have yet to bring the heavy stocks of nonfat dry milk under control.

Commercial use of dairy products rose substantially in June-July, following a weak April-May. Most of the dramatic swings in 1997 commercial use, compared with a year earlier, were caused by pipeline stock adjustments that were opposite of those taken a year earlier. Likely large pipeline holdings were cut during April-May this year, instead of being built as they were last year. Similarly, pipeline holdings probably were recovering during June-July, compared with steady to declining stocks a year earlier. For the first seven months of 1997, commercial use of all products rose about 1 percent, fairly strong considering all factors but possibly disappointing in light of the strong economy. Food processor use of dairy ingredients may still be reacting to the high and unstable prices of 1996.

Milk production in the 20 States rose more than 4 percent from the very weak levels of June-August 1996. Better planning enabled producers to avoid the 1996 forage problems and resulting collapse in milk per cow, even though the 1997 forage crop had its own troubles. In addition, declines in milk cow numbers have slowed slightly because of more new or expanded herds in a few key States. However, continuing short supplies of quality dairy forage, unfavorable milk-feed price ratios, and lackluster returns have kept milk production from doing much more than reversing last year's decline.

August 1 commercial stocks of dairy products were more than 1 billion pounds, milk equivalent, higher than a year earlier. American cheese holdings were substantially higher than a year earlier but were not so heavy as to forestall price increases. On the other hand, manufacturers' stocks of nonfat dry milk were about twice the year earlier level and well above the heavy stocks of 1995. Although DEIP sales have been large since midyear, many of these contracts covered shipments through autumn 1997 or winter 1998. Price support purchases of 27 million pounds of nonfat dry milk since May were the largest since 1994, although hardly large by the standards of most earlier years.

Milk production during the last quarter of 1997 is expected be only fractionally higher than the recovering levels of a year earlier. Forage supplies will be of mediocre quality and high priced, even though the silage crop looks promising in most areas. Milk-feed price ratios will be at levels normally associated with conservative concentrate feeding and below-trend growth in milk per cow. Although there probably will be a few more expanding herds, the combined effects of forage quality and prices and of recently lower returns is projected to keep declines in milk cow numbers near 1 percent.

Dairy demand is expected to be modestly good during the rest of 1997, as the economy continues to grow. However, commercial use is not expected to be brisk enough to absorb the increase in milk output, pull stocks down, and generate much further price strength. Although DEIP sales certainly will buttress prices during autumn, the international market is not expected to generate a flurry of additional sales for autumn shipment. Prices of nonfat dry milk are not projected to post much seasonal rise, and cheese prices and manufacturing milk values may slip after an early autumn peak. Butter prices will be unsettled but may regain some of their August declines as the year-end holidays approach. Average prices of all milk are projected to be about $14 per cwt, significantly higher than during spring and summer but far below a year earlier.

For all of 1997, milk production is expected to rise over 1 percent from a year earlier and fractionally from 1995. Expansion in milk output would only slightly exceed the projected rise in commercial use of milkfat but would be considerably more than growth in the sales of skim solids. Price support removals will be higher in 1997 but are projected to be only about 1.5 percent of production. Farm milk prices are expected to average $13.10 to $13.30 per cwt, down sharply from 1996's record but significantly above prices of 1993-95.

Source: "Livestock, Dairy and Poultry Situation and Outlook", LDP-M-45, September 17, 1997, Economic Research Service, USDA.

TOP TEN TEXAS COUNTIES a/ – SEPTEMBER 1997

County	Number of Producers	Pounds	% Change From 1996*
1. Erath	160	104,920,121	-1.01
2. Hopkins	302	46,342,080	-10.13
3. Comanche	51	31,157,528	-2.78
4. El Paso	9	18,702,496	+5.16
5. Archer	63	16,303,800	+3.99
6. Johnson	47	14,500,234	-11.28
7. Hamilton	31	13,785,706	-1.10
8. Wood	75	12,628,111	-.79
9. Cherokee	36	10,438,943	-6.58
10. Franklin	44	6,822,028	-11.51
Ten County Total	818	275,601,047	-3.28 b/
Other Counties Total	617	129,962,429	-8.67
Texas Total	1,435	405,563,476	-5.08

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		
August 1996	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	11.94	11.50	13.50	12.55	7.8	81.74	127.05	113.94
February	14.50	13.69	11.64	12.46	12.36	13.42	12.79	10.0	98.46	131.24	114.91
March	15.10	14.29	12.24	12.49	12.78	13.66	13.07	11.0	105.81	132.34	115.78
April	15.62	14.81	12.76	11.44	12.10	13.61	12.70	9.4	91.90	123.78	114.40
May	15.65	14.84	12.79	10.70	11.56	13.32	12.48	9.0	87.40	116.64	109.83
June	14.60	13.79	11.74	10.74	12.22	12.89	11.90	11.4	105.00	115.83	107.88
July	13.86	13.05	11.00	10.86	12.06	12.73	11.72	11.0	101.84	117.67	107.65
August	13.90	13.09	11.04	12.07	11.88	13.03	12.42	10.6	101.32	130.24	107.18
September	14.02	13.21	11.16	12.79	11.87	13.18	12.95	10.6	103.37	137.82	107.11
October	15.23	14.42	12.37								
November	15.95	15.14	13.09								

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

TOP NEW MEXICO COUNTIES a/ – SEPTEMBER 1997

County	Number of Producers	Pounds	% Change From 1996*
1. Chaves	42	109,727,042	+4.26
2. Dona Ana	24	58,528,180	-.11
3. Roosevelt	29	38,828,475	+8.70
4. Curry	11	36,287,937	+28.77
5. Lea	13	20,157,622	+20.82
6. Eddy	6	18,005,912	+20.04
7. Valencia	12	10,820,112	+.51
8. Bernalillo	8	8,891,940	+1.60
9. Socorro	7	6,490,612	+2.51
Nine County Total	152	307,737,832	+7.88
Other Counties Total	7	7,639,189	-5.97
New Mexico Total	159	315,377,021	+7.49

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 1995 THROUGH SEPTEMBER 1997, WITH PERCENTAGE COMPARISONS **

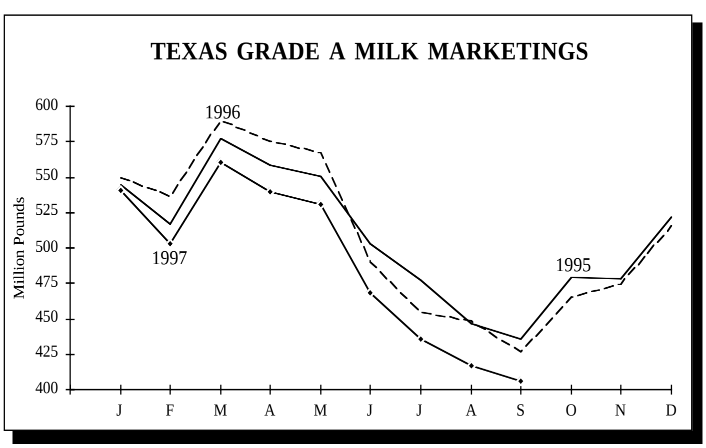
MONTH	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	PERCENT CHANGE 1996/95*	PERCENT CHANGE 1997/96
January	544,665,125	1,918	549,914,311	1,786	540,921,813	1,610	+.96	-1.64
February	519,646,630	1,911	536,326,949	1,773	503,177,566	1,591	-.35	-2.83
March	579,936,046	1,902	590,936,348	1,745	560,823,025	1,566	+1.90	-5.10
April	560,828,983	1,886	575,799,475	1,738	539,258,903	1,553	+2.67	-6.35
May	552,635,192	1,884	567,120,914	1,714	530,457,547	1,550	+2.62	-6.46
June	505,013,242	1,864	490,380,980	1,683	468,546,651	1,523	-2.90	-4.45
July	479,245,070	1,866	454,376,230	1,670	435,777,197	1,489	-5.19	-4.09
August	448,110,385	1,858	448,420,253	1,652	417,271,524	1,463	+.07	-6.95
September	437,779,650	1,844	427,623,846	1,639	405,563,476	1,435	-2.32	-5.08
October	481,136,358	1,837	466,085,603	1,637			-3.13	
November	480,929,263	1,826	474,250,855	1,636			-1.39	
December	524,145,612	1,800	516,304,359	1,620			-1.50	
Years Total	6,114,071,556		6,098,233,434				-.26	

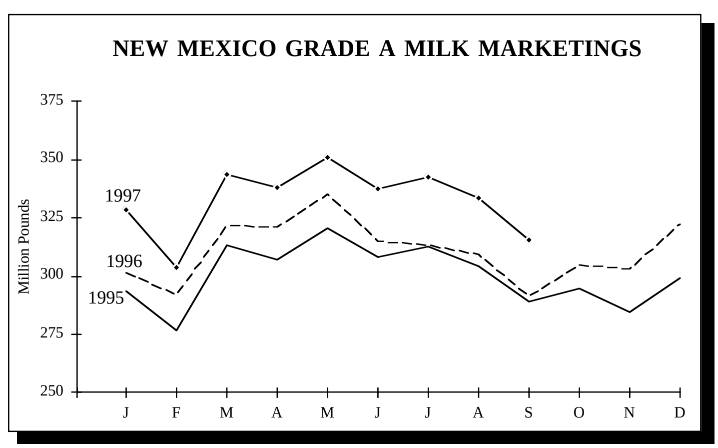
*Revised figures
**February figures are based upon average daily production.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1995 THROUGH SEPTEMBER 1997, WITH PERCENTAGE COMPARISONS **

MONTH	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	PERCENT CHANGE 1996/95	PERCENT CHANGE 1997/96
January	293,542,014	156	301,646,087	153	328,059,604	156	+2.76	+8.76
February	276,638,548	155	291,741,013	154	303,972,265	156	+1.82	+7.91
March	313,161,171	152	321,854,914	154	343,866,862	157	+2.78	+6.84
April	307,337,393	152	321,032,089	153	337,943,697	157	+4.46	+5.27
May	320,781,400	154	335,537,514	153	350,910,125	158	+4.60	+4.58
June	309,224,349	153	314,856,503	153	337,592,757	158	+1.82	+7.22
July	312,630,262	153	313,553,863	154	342,391,766	159	+.30	+9.20*
August	304,582,850	153	309,399,050	155	333,406,557	156	+1.58	+7.76
September	288,872,854	156	293,390,938	157	315,377,021	159	+1.56	+7.49
October	294,564,685	154	307,608,027	156			+4.43	
November	284,775,780	155	303,433,595	157			+6.55	
December	299,367,034	153	322,470,035	157			+7.72	
Years Total	3,605,478,340		3,736,523,628				+3.63	

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





TEXAS AND NEW MEXICO MARKET COMPONENT TEST

	Butterfat		Protein		Lactose		S-N-F		SCC*	
Month	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
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	3.66	3.58	3.27	3.25	4.77	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
January 1997	3.67	3.62	3.25	3.23	4.79	4.80	8.75	8.74	373	257
February	3.64	3.59	3.24	3.21	4.79	4.81	8.73	8.73	397	280
March	3.57	3.54	3.20	3.16	4.79	4.81	8.70	8.68	400	271
April	3.52	3.50	3.21	3.15	4.79	4.82	8.71	8.69	378	251
May	3.48	3.38	3.19	3.11	4.79	4.82	8.69	8.63	387	250
June	3.46	3.33	3.16	3.08	4.77	4.81	8.64	8.60	436	264
July	3.44	3.33	3.14	3.06	4.74	4.80	8.59	8.57	460	277
August	3.42	3.37	3.17	3.07	4.70	4.78	8.58	8.56	484	301
September	3.50	3.41	3.21	3.13	4.74	4.80	8.65	8.64	443	291

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED SEP. 1997	REPORTED AUG. 1997	REPORTED SEP. 1996
TOTAL UTILIZATION			
CLASS I	57,410,017	55,542,033	57,403,654
CLASS II	9,120,470	10,247,635	8,680,606
CLASS III/III-A	54,557,927	102,971,686	136,716,573
CLOSING INVENTORY (CLASS I, II AND III)	7,885,009	10,704,978	9,946,049
TOTAL UTILIZATION	128,973,423	179,466,332	212,746,882
DAILY CLASS I UTILIZATION	1,913,667	1,791,678	1,913,455
SEP. -DAILY CLASS I COMPARED TO:		+ 6.81%	+ .01%
CLASS I YEAR TO DATE (IN THOUSANDS)	495,653	438,243	522,555
% CHANGE FROM PREVIOUS YEAR	- 5.15%	- 5.79%	- 1.30%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	56,811,385	54,329,787	56,366,404
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	7,662,501	8,942,459	7,819,450
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	50,392,672	105,718,746	137,569,458
TOTAL PRODUCER RECEIPTS	114,866,558	168,990,992	201,755,312
OTHER SOURCE A/	3,233,312	3,302,610	2,873,188
OPENING INVENTORY	10,704,978	6,999,375	8,077,103
OVERAGE	168,575	173,355	41,279
TOTAL RECEIPTS	128,973,423	179,466,332	212,746,882
DAILY PRODUCER RECEIPTS	3,828,885	5,451,322	6,725,177
SEP. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 29.76%	- 43.07%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,628,274	1,513,407	1,474,799
% CHANGE FROM PREVIOUS YEAR	+ 10.41%	+ 18.88%	+ 6.01%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.410%	3.378%	3.555%
% PRODUCER MILK CLASSIFIED AS CLASS I	49.46%	32.15%	27.94%
NUMBER OF PRODUCERS	128	145	229
AVERAGE DAILY DELIVERY PER PRODUCER	29,913	37,595	29,368
NUMBER OF POOL HANDLERS	17	17	17

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

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
(972) 245-6060 FAX(972) 245-3211

BULK RATE
U.S. POSTAGE
P A I D
Carrollton, TX
Permit No. 343

RETURN SERVICE REQUESTED

TEXAS MILK MARKET AT A GLANCE

	REPORTED SEP. 1997	REPORTED AUG. 1997	REPORTED SEP. 1996
TOTAL UTILIZATION			
CLASS I	274,733,070	276,117,286	278,917,058
CLASS II	117,746,266	115,657,384	100,460,381
CLASS III/III-A	26,033,120	64,425,406	68,703,354
CLOSING INVENTORY (CLASS I, II AND III)	32,387,164	36,677,829	32,024,486
TOTAL UTILIZATION	450,899,620	492,877,905	480,105,279
DAILY CLASS I UTILIZATION	9,157,769	8,907,009	9,297,235
SEP.-DAILY CLASS I COMPARED TO:		+ 2.82%	- 1.50%
CLASS I YEAR TO DATE (IN THOUSANDS)	2,474,338	2,199,605	2,443,913
% CHANGE FROM PREVIOUS YEAR	+ 1.24%	+ 1.60%	+ 4.23%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	275,446,795	274,454,541	272,333,697
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	105,187,338	102,929,903	92,843,753
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	16,799,876	64,798,123	62,383,607
TOTAL PRODUCER RECEIPTS	397,434,009	442,182,567	427,561,057
OTHER SOURCE A/	16,996,594	27,298,400	23,676,025
OPENING INVENTORY	36,468,749	23,358,315	28,722,426
OVERAGE	268	38,623	145,771
TOTAL RECEIPTS	450,899,620	492,877,905	480,105,279
DAILY PRODUCER RECEIPTS	13,247,800	14,263,954	14,252,035
SEP.-DAILY PRODUCER RECEIPTS COMPARED TO:		- 7.12%	- 7.05%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	4,861,561	4,464,127	5,109,572
% CHANGE FROM PREVIOUS YEAR	- 4.85%	- 4.65%	+ 3.39%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.489%	3.400%	3.584%
% PRODUCER MILK CLASSIFIED AS CLASS I	69.31%	62.07%	63.69%
NUMBER OF PRODUCERS	1,440	1,492	1,657
AVERAGE DAILY DELIVERY PER PRODUCER	9,200	9,560	8,601
NUMBER OF POOL HANDLERS	30	30	31

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