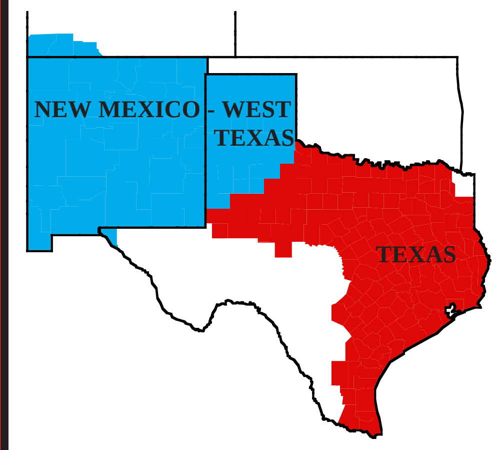
THE MARKET ADMINISTRATOR'S

REPORT



TEXAS MARKETING AREA
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MARKET SUMMARIES FOR JULY

The July Class III price increased $2.17 from the previous month to $13.59. The Class II price for July of $11.56 per hundredweight decreased 55 cents from $12.11 in June. July's Class III-A price decreased 92 cents from June's level to $12.37.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $13.57 per hundredweight for deliveries of milk containing 3.5% butterfat. The July price was up 20 cents from June.

Producers delivered a total of 434,926,867 pounds of milk during July. On a daily basis this represents a decrease of 32.95 percent from the producer receipts level in June but it represents an increase of 11.49 percent when compared to the producer receipts level of July 1998.

Producer milk classified as Class I during July amounted to 62.16 percent of total producer receipts. This figure is up from June's 41.65 percent but it is down from 68.78 percent in July 1998. The average butterfat test of producer milk pooled during July 1999 was 3.507 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 $13.39 per hundredweight for deliveries of milk containing 3.5% butterfat. The July price was up 55 cents from its June level.

Producers delivered a total of 64,906,062 pounds of milk during July. On a daily basis this represents a decrease of 38.95 percent from the producer receipts level in June but it represents an increase of 2.92 percent when compared to the producer receipts level of July 1998.

Producer milk classified as Class I during July amounted to 76.66 percent of total producer receipts. This figure is up from 47.07 percent in June but it is down from 81.48 percent in July 1998. The average butterfat test of producer milk pooled during July 1999 was 3.428 percent.

DAIRY SITUATION AND OUTLOOK*

Dairy prices remain caught between the upward pressure of brisk sales and the downward pressure of heavy supplies. Recently, price trends of major dairy products have shown big differences. Dairy prices probably will continue to lack clear direction in coming months. April trough June milk production rose 3 percent from a year earlier on the strength of large gains in milk per cow and only a tiny decline in milk cow numbers. Spring weather conditions were generally favorable and milk-feed price relationships were strong. Strong summer milk prices, low feed prices, and at least a modestly favorable forage situation should keep expansion in milk production strong through the rest of 1999. However, the very large growth feared by some doe not appear to be materializing, mostly because herd expansions in the North remain somewhat conservative. Summer milk production is projected to rise about 3 percent, followed with a slightly smaller autumn increase from the recovering production of 1998.

June 1 commercial stocks of dairy products were large, about 9 billion pounds, milk equivalent, on either a milkfat or skim solids basis. However, traders seemed generally comfortable with these large holdings, except possibly for nonfat dry milk. Strong sales and uncertainty about second-half markets probably have raised the desired level of commercial stocks. In addition, comparisons with earlier published data are misleading because some warehouses are now reporting that did not report earlier. Dairy product demand continues to benefit from brisk economic growth and consumer spending. Cheese sales remain brisk, even though the improvements in the stocks data will make the second-quarter commercial disappearance data seem weaker than it was. April to May butter sales matched the fairly strong levels of a year earlier, somewhat remarkable in light of generally high and volatile prices since early 1998. Meanwhile, fluid milk sales continued to run fractionally above a year earlier. On the other hand, use of nonfat dry milk was rather weak, in part because bulk condensed skim milk was readily available and attractively priced. In addition, high cream prices sharply limited use of nonfat dry milk in cheese production.

International dairy demand remains weak, with most purchases for quick use. Demand for dry milks has not yet recovered in Asia, while Russian butter demand has been substantially affected by economic woes. More recent problems in Brazil have reduced demand for dry milk and cheese imports. None of these demand weaknesses is expected to dissipate quickly. Demand weakness has led to soft international market prices, even though export supplies are only moderate. Despite the generally unaggressive behavior of international buyers, Dairy Export Incentive Program (DEIP) sales of nonfat dry milk have been fairly brisk. The May to June reallocations of unused allocations from previous years were completely used, and contract activity under the recently available allocations for the new July to June year has been sizable. These allocations enable countries preferring the United States as at least a partial supplier to re-enter the U.S. market.

The path of cheeses prices during the next few months is particularly uncertain. Since mid-June, prices have risen substantially in the face of heavy current and expected production and large stocks. Cheese plants now have a large advantage over butter-powder plants in competing for milk, an edge likely to persist. Under these conditions, the recent strength in cheese prices may be eroded by rising cheese supplies, However, underestimating cheese demand has been a common mistake in 1998 and thus far in 1999. Summer milk prices will be below those of 1998 but will be strong by the standards of most years. If cheese prices slip in late summer as expected , October to December average prices may not be much above the July through September average, and second-half prices could easily average more than $1 higher than currently projected if cheese sales continue to absorb growth in production.

*****This summary was developed by the Market Information Branch, Dairy Programs, AMS, USDA, Washington, D.C.
Source: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-61, July, 27, 1999, Economic Research Service, USDA.

Texas Agricultural Cash Receipts by Commodity, 1998

Rank	Commodity	Receipts 1/	Percent of total
		$1,000	
1	Cattle and Calves	5,844,844	44.2
2	Cotton (lint and seed)	1,600,329	12.1
3	Greenhouse and Nursery	1,119,660	8.5
4	Milk (wholesale and retail)	876,531	6.6
5	Broilers	842,400	6.4
6	Corn	487,394	3.7
7	Wheat	334,507	2.5
8	Eggs	253,646	1.9
9	Sorghum Grain	237,943	1.8
10	Peanuts	213,871	1.6
11	Hay	177,588	1.3
12	Rice	153,775	1.2
13	Onions	90,226	.7
14	Horses and Mules	90,000	.7
15	Hogs	84,904	.6
	All others	807,655	6.1
	TOTAL	13,215,273	100.0

1/ Excludes government payments.

New Mexico Agricultural Cash Receipts by Commodity, 1998

Rank	Commodity	Receipts 1/	Percent of total
		$1,000	
1	Cattle and Calves	732,420	37.8
2	Milk (wholesale and retail)	653,338	33.6
3	Hay	136,132	7.0
4	Greenhouse and Nursery	60,794	3.1
5	Chile	58,110	3.0
6	Onions	43,056	2.2
7	Pecans	40,500	2.1
8	Cotton (lint and seed)	37,067	1.9
9	Poultry and Eggs	27,712	1.4
10	Corn	27,369	1.4
11	Wheat	23,092	1.2
12	Potatoes	18,329	.9
13	Misc. Vegetables	18,000	.9
14	Misc. Livestock	13,817	.7
15	Oil Crops	13,312	.7
	All others	40,884	2.1
	TOTAL	1,943,932	100.0

1/ Excludes cash receipts for livestock grazing.

TOP TEN TEXAS COUNTIES a/ – JULY 1999

County	Number of Producers	Pounds	% Change From 1998b/	County	Number of Producers	Pounds	% Change From 1998b/
1. Erath	149	110,771,570	+.35	7. Johnson	41	13,573,726	-5.30
2. Hopkins	232	40,201,254	-12.83	8. Wood	64	13,113,720	-4.32
3. Comanche	46	37,587,659	+13.96	9. Lamb	3	9,741,068	+126.47
4. El Paso	9	21,713,187	+1.87	10. Cherokee	25	7,976,710	-17.57
5. Archer	58	17,655,918	+3.94	Ten County Total	652	288,232,995	-.44 b/
6. Hamilton	25	15,898,183	+.97	Other Counties Total	554	133,107,145	-.27
				Texas Total	1,206	421,340,140	-.39

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

	Class I a/				Class	Uniform a/			Grade A	Block	Spray
	126	138	Class II	Class III	III-A	126	138	B F Diff.	Butter	Cheese	Powder
Month	-------- Dollars Per Hundred Wt. --------							¢/Point	-------------Cents Per Pound--------------		
May	15.97	15.16	13.11	10.88	13.96	13.93	12.80	17.5	149.45	120.34	103.48
June	15.17	14.36	12.31	13.10	15.38	14.11	13.69	21.7	184.68	140.38	102.89
July	14.04	13.23	11.18	14.77	15.59	13.22	13.04	22.3	191.85	156.56	102.97
August	16.26	15.45	13.40	14.99	16.52	15.50	15.05	24.5	208.30	163.20	104.63
September	17.93	17.12	15.07	15.10	19.81	16.81	16.09	32.5	266.66	165.56	110.07
October	18.15	17.34	15.29	16.04	18.13	17.29	16.63	27.3	231.89	175.34	111.80
November	18.26	17.45	15.40	16.84	14.87	17.44	16.89	17.8	165.47	183.17	112.50
December	19.20	18.39	16.34	17.34	13.48	17.85	17.08	13.2	132.31	187.07	114.90
Averages 1998b/	16.70	15.89	13.84	14.20	14.85	15.43	14.65	19.2	168.71	153.63	106.94
January 1999	20.00	19.19	17.14	16.27	13.12	18.03	16.68	13.7	133.22	175.95	108.93
February	20.50	19.69	17.64	10.27	12.78	16.27	19.03	13.9	122.53	130.10	104.37
March	19.43	18.62	16.57	11.62	12.36	15.76	14.49	13.2	120.27	130.92	102.39
April	13.43	12.62	10.57	11.81	11.06	12.33	12.03	9.5	93.98	131.31	102.28
May	14.78	13.97	11.92	11.26	11.62	12.97	12.43	11.1	103.89	126.61	102.28
June	14.97	14.16	12.11	11.42	13.29	13.37	12.84	16.1	140.31	127.47	101.39
July	14.42	13.61	11.56	13.59	12.37	13.57	13.39	13.4	125.44	147.02	101.72
August	14.58	13.77	11.72								
September	16.75	15.94	13.89								

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

TOP NEW MEXICO COUNTIES a/ – JULY 1999

County	Number of Producers	Pounds	% Change From 1998b/	County	Number of Producers	Pounds	% Change From 1998b/
1. Chaves	41	132,901,663	+2.68	7. Bernalillo	8	11,065,028	+2.03
2. Dona Ana	23	64,623,296	+1.72	8. Valencia	10	9,880,203	-.88
3. Curry	13	56,200,354	+20.67	9. Socorro	8	9,593,386	+14.24
4. Roosevelt	32	50,214,945	+6.66				
5. Lea	13	32,099,522	+3.77	Nine County Total	154	388,795,696	+5.52
6. Eddy	6	22,217,299	+2.41	Other Counties Total	4	5,000,670	+15.01
				New Mexico Total	158	393,796,366	+5.63

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 1997 THROUGH JULY 1999, WITH PERCENTAGE COMPARISONS

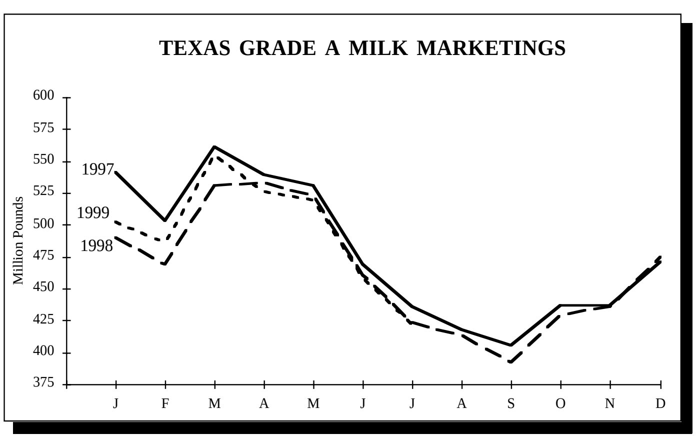
MONTH	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	PERCENT CHANGE 1998/97	PERCENT CHANGE 1999/98
January	540,918,023	1,610	491,168,340	1,359	501,754,729	1,251	-9.20	+2.16
February	503,177,566	1,591	469,305,849	1,347	486,044,271	1,245	-6.73	+3.57
March	560,823,025	1,566	532,588,272	1,339	553,983,640	1,241	-5.03	+4.02
April	539,258,903	1,553	532,823,237	1,336	525,773,380	1,233	-1.19	-1.32
May	530,457,547	1,550	524,523,430	1,319	519,613,189	1,219	-1.12	-.94
June	468,546,651	1,523	464,057,905	1,321	458,247,406	1,216	-.96	-1.25
July	435,777,197	1,489	422,973,696	1,305	421,340,140	1,206	-2.94	-.39
August	417,271,524	1,463	413,296,879	1,298			-.95	
September	405,563,476	1,435	392,427,802	1,300			-3.24	
October	436,528,559	1,408	429,372,951	1,289			-1.64	
November	436,607,225	1,391	435,572,798	1,271			-.27	
December	470,803,040	1,368	474,573,747	1,260			+.80	
Years Total	5,745,732,736		5,582,684,906				-2.84	

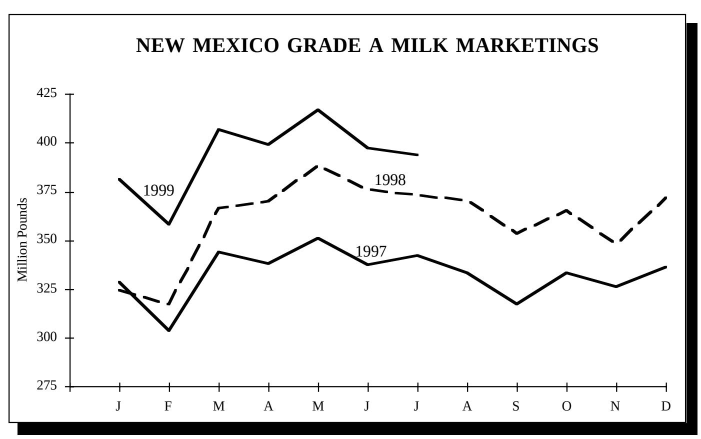
*Revised figures

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1997 THROUGH JULY 1999, WITH PERCENTAGE COMPARISONS

MONTH	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	PERCENT CHANGE 1998/97	PERCENT CHANGE 1999/98
January	328,059,604	156	324,314,276	158	381,115,401	156	-1.14	+17.51
February	303,972,265	156	317,500,751	156	358,049,940	157	+4.45	+12.77
March	343,866,862	157	366,656,779	157	406,789,374	156	+6.63	+10.95
April	337,943,697	157	369,782,775	156	399,229,362	157	+9.42	+7.96
May	350,910,125	158	388,308,155	155	416,852,251	157	+10.66	+7.35
June	337,592,757	158	378,569,203	159	397,483,877	159	+12.14	+5.00
July	342,391,766	159	372,803,402	157	393,796,366	158	+8.88	+5.63
August	333,406,557	156	370,668,016	156			+11.18	
September	317,181,279	159	353,457,040	155			+11.44	
October	333,587,208	158	365,469,264	159			+9.56	
November	326,212,021	158	348,126,652	158			+6.75	
December	336,117,343	157	371,894,332	157			+10.64	
Years Total	3,991,241,484		4,327,550,645				+8.43	

*Revised figures





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
July	3.41	3.33	3.14	3.08	4.75	4.81	8.59	8.57	417	273
August	3.44	3.37	3.17	3.11	4.73	4.79	8.60	8.60	424	272
September	3.51	3.40	3.22	3.17	4.72	4.77	8.64	8.65	431	262
October	3.58	3.50	3.30	3.28	4.74	4.78	8.74	8.76	403	255
November	3.71	3.65	3.33	3.32	4.78	4.78	8.81	8.79	387	271
December	3.71	3.67	3.34	3.32	4.78	4.77	8.81	8.80	378	263
Average 1998	3.57	3.52	3.23	3.20	4.77	4.80	8.71	8.70	388	285
January 1999	3.67	3.64	3.30	3.26	4.78	4.78	8.78	8.75	375	261
February	3.59	3.60	3.25	3.24	4.78	4.77	8.74	8.72	351	267
March	3.59	3.57	3.26	3.22	4.81	4.78	8.76	8.71	346	255
April	3.50	3.52	3.23	3.20	4.81	4.79	8.74	8.69	342	242
May	3.52	3.48	3.19	3.16	4.80	4.79	8.70	8.66	348	240
June	3.53	3.45	3.19	3.14	4.76	4.79	8.66	8.63	395	265
July	3.52	3.40	3.20	3.11	4.72	4.74	8.64	8.57	408	290

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED JULY 1999	REPORTED JUNE 1999	REPORTED JULY 1998
TOTAL UTILIZATION			
CLASS I	52,220,510	50,960,915	53,450,855
CLASS II	8,549,420	9,625,223	11,943,854
CLASS III/III-A	9,531,364	47,524,128	2,828,826
CLOSING INVENTORY (CLASS I, II AND III)	5,027,804	5,777,367	4,117,077
TOTAL UTILIZATION	75,329,098	113,887,633	72,340,612
DAILY CLASS I UTILIZATION	1,684,533	1,698,697	1,724,221
JULY -DAILY CLASS I COMPARED TO:		- .83%	- 2.30%
CLASS I YEAR TO DATE (IN THOUSANDS)	374,615	322,395	380,254
% CHANGE FROM PREVIOUS YEAR	- 1.48%	- 1.35%	- .64%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	49,758,976	48,428,289	51,384,705
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	7,119,497	8,063,277	10,068,095
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	8,027,589	46,398,391	1,611,889
TOTAL PRODUCER RECEIPTS	64,906,062	102,889,957	63,064,689
OTHER SOURCE A/	4,645,669	4,880,129	3,499,315
OPENING INVENTORY	5,777,367	6,117,547	5,776,608
OVERAGE			
TOTAL RECEIPTS	75,329,098	113,887,633	72,340,612
DAILY PRODUCER RECEIPTS	2,093,744	3,429,665	2,034,345
JULY -DAILY PRODUCER RECEIPTS COMPARED TO:		- 38.95%	+ 2.92%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	809,555	744,649	1,248,577
% CHANGE FROM PREVIOUS YEAR	- 35.16%	- 37.19%	- 7.13%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.428%	3.475%	3.289%
% PRODUCER MILK CLASSIFIED AS CLASS I	76.66%	47.07%	81.48%
NUMBER OF PRODUCERS	67	77	73
AVERAGE DAILY DELIVERY PER PRODUCER	31,250	44,541	27,868
NUMBER OF POOL HANDLERS	9	9	9

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

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REPORT

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RETURN SERVICE REQUESTED

TEXAS MILK MARKET AT A GLANCE

	REPORTED JULY 1999	REPORTED JUNE 1999	REPORTED JULY 1998
TOTAL UTILIZATION			
CLASS I	271,836,672	263,658,633	268,491,335
CLASS II	128,642,474	132,713,086	126,442,683
CLASS III/III-A	57,282,797	255,157,298	19,143,112
CLOSING INVENTORY (CLASS I, II AND III)	24,625,336	27,301,066	25,728,458
TOTAL UTILIZATION	482,387,279	678,830,083	439,805,588
DAILY CLASS I UTILIZATION	8,768,925	8,788,621	8,661,011
JULY -DAILY CLASS I COMPARED TO:		- .23%	+ 1.25%
CLASS I YEAR TO DATE (IN THOUSANDS)	1,912,399	1,640,562	1,854,944
% CHANGE FROM PREVIOUS YEAR	+ 3.10%	+ 3.41%	- 3.56%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	270,371,481	261,442,919	268,319,372
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	115,817,020	121,702,930	109,650,096
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	48,738,366	244,596,008	12,134,200
TOTAL PRODUCER RECEIPTS	434,926,867	627,741,857	390,103,668
OTHER SOURCE A/	19,948,855	20,051,743	21,817,487
OPENING INVENTORY	27,509,903	31,036,483	27,884,433
OVERAGE	1,654		
TOTAL RECEIPTS	482,387,279	678,830,083	439,805,588
DAILY PRODUCER RECEIPTS	14,029,899	20,924,729	12,583,989
JULY -DAILY PRODUCER RECEIPTS COMPARED TO:		- 32.95%	+ 11.49%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	4,121,765	3,686,838	3,624,710
% CHANGE FROM PREVIOUS YEAR	+ 13.71%	+ 13.98%	- 9.88%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.507%	3.510%	3.413%
% PRODUCER MILK CLASSIFIED AS CLASS I	62.16%	41.65%	68.78%
NUMBER OF PRODUCERS	1,261	1,327	1,514
AVERAGE DAILY DELIVERY PER PRODUCER	11,126	15,768	8,312
NUMBER OF POOL HANDLERS	31	33	29

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