

THE MARKET ADMINISTRATOR'S *REPORT*



TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

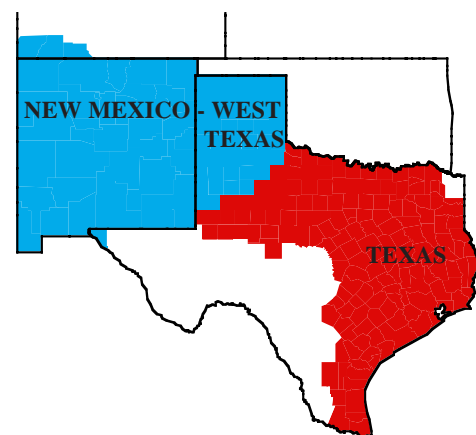
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MILK TAMPERING CONSPIRACY

United States Attorney Paul E. Coggins announced on July 20 that a Fort Worth federal grand jury returned a sealed indictment on July 15, 1998 charging twenty-nine individuals with conspiracy, mail fraud and adulteration of milk products. The arrests of these twenty-nine defendants began the morning of July 20 and continued throughout the week. Named in the 112 count indictment, were residents of Brashear, Texas, Canton, Texas, Commerce, Texas, Como, Texas, Cooper, Texas, Cumby, Texas, Dike, Texas, Lake Springs, Texas, Paris, Texas, Pittsburg, Texas, Sulphur Bluff, Texas, Sulphur Springs, Texas, Winnsboro, Texas, and Yantis, Texas. The twenty-nine persons indicted included eight dairy farmers, twenty milk tanker truck drivers, and one employee of a Sulphur Springs milk transportation center.

The indictment charges that during the 1991-94 period, the eight farmers named in the indictment sold raw milk to the Associated Milk Producers, Inc. (AMPI). AMPI was an agricultural marketing corporation organized to buy raw milk and later resell milk and milk products. In an effort to defraud AMPI and fraudulently increase their profits, each of the charged dairy farmers conspired with and paid several milk tanker truck drivers to add water and sometimes salt to the milk these drivers collected from these dairy farms. The dairy farmers made cash payments to the drivers for their role in the scheme. As part of the scheme, the conspirator drivers also made entries on the manifests recording the inflated weight of the diluted milk collected. The wrongful addition of water and sometimes salt to the raw milk increased the weight and bulk of the milk collected, fraudulently inflating the true value of the raw milk. By adding water to the raw milk and increasing the weight of the

load, the dairy farmer defrauded purchaser AMPI because the scheme caused AMPI to increase the amount of payments to the dairy farmer without any actual increase in the farmer's milk production.

During the 1991-94 period, the indictment alleges that this fraudulent scheme resulted in the fraudulent addition of 9,038,247 pounds of water to the raw milk collected at the eight dairies named in the indictment. The dollar loss resulting from this fraudulent scheme was substantial as the raw milk fraudulently displaced by the water was valued at \$1,225,313.

Prior to the return of this indictment, several other dairy farmers and truck drivers have already pled guilty to their participation in the exact same type of fraudulent activity. The dairy farmers who have already pled guilty include: Tommy Davis of Yantis, Texas, Charles Godfrey of Mount Vernon, Texas, Nathan Green of Edgewood, Texas, Danny Ragsdale of Dike, Texas, and Jackie Watkins of Sulphur Springs, Texas. Truck drivers who have already pled guilty include: Danny Burtch of Brashear, Texas, Randy Chester of Hot Springs, Arkansas, Richard Dannheim of Paris, Texas, Steven Eppars, Steve Gates, Rickey Grubbs, Ronnie Rogers and Truman Pope, Sr., all of Sulphur Springs, Texas, Clinton Hart of Cooper, Texas, and C. T. Hunt of Point, Texas.

The lengthy and extensive criminal investigation is ongoing and future charges are likely against several more dairy farmers and truck drivers involved in the same fraudulent activity.

Should these defendants be convicted of the offenses alleged in the indictment, they could receive substantial prison terms and fines. The twenty truck drivers and one milk plant dispatcher named in the indictment face maximum prison terms ranging from: the lowest of five years and a fine of \$250,000 to the highest of ninety-one years and a fine of \$5,250,000.

The eight dairy farmers named in the indictment face maximum prison terms ranging from the lowest of five years and a fine of \$250,000, to the highest of sixty-seven years and a fine of \$4,250,000.

The eight dairy farmers named in the recently unsealed indictment include: Charles Crone of Winnsboro, Texas, Horace Hobbs, Jr. of Mineola, Texas, Larry Keith of Como, Texas, Ronald Monus of Canton, Texas, Kenneth Rydeen of Pittsburg, Texas, Robert Speight of Commerce, Texas, and Patricia Thompson and Ralph Thompson of Sulphur Springs. The twenty milk tanker truck drivers named include: Jimmy Birmingham and Melvin Hoover of Como, Texas, Orval Clark of Lake Creek, Texas, Boyce Garrett and Michael Woodard of Cumby, Texas, Jerry Green of Sulphur Bluff, Texas, Johnny Johnson of Brashear, Texas, Thomas Pace of Dike, Texas, Jerry Reynolds of Yantis, Texas, John Shaw of Cooper, Texas, Sedney Davis of Winnsboro, Texas, Jerry Simpson of Paris, and Michael Colley, Leslie Dalton, Darrell Edwards, Larry Farrell, Paul Farrell, Jesse Johnson, Bobby Lapin, Jr., and Jimmy Sullivan, all of Sulphur Springs, Texas. The one employee of a milk transportation center named in the indictment was Cletus Brown of Sulphur Springs, Texas.

Assistant U.S. Attorney David Jarvis of the United States Attorney's Office in Fort Worth, Texas is the prosecuting attorney. These indictments resulted from the joint investigative efforts of the Office of the Inspector General and the Milk Market Administrator of the United States Department of Agriculture, and the Federal Food and Drug Administration, Office of Criminal Investigations.

MARKET SUMMARIES FOR JULY

The July Class III price increased \$1.67 from the previous month to \$14.77. The Class II price for June of \$11.18 per hundredweight decreased \$1.13 from \$12.31 in June. July's Class III-A price increased 21 cents from June's level to \$15.59.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received \$13.22 per hundredweight for deliveries of milk containing 3.5% butterfat. The July price was down 89 cents from June.

Producers delivered a total of 390,103,668 pounds of milk during July. On a daily basis this represents a decrease of 11.23 percent from the producer receipts level in June and it represents a decrease of 13.88 percent when compared to the producer receipts level of July 1997.

Producer milk classified as Class I during July amounted to 68.78 percent of total producer receipts.

This figure is up from June's 59.68 percent and it is up from 57.44 percent in July 1997. The average butterfat test of producer milk pooled during July 1998 was 3.413 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 \$13.04 per hundredweight for deliveries of milk containing 3.5% butterfat. The July price was down 65 cents from its June level.

Producers delivered a total of 63,064,689 pounds of milk during July. On a daily basis this represents a decrease of 60.73 percent from the producer receipts level in June and it represents a decrease of 66.63 percent when compared to the producer receipts level of July 1997.

Producer milk classified as Class I during July amounted to 81.48 percent of total producer receipts. This figure is up from 31.98 percent in June and it is up from 27.75 percent in July 1997. The average butterfat test of producer milk pooled during July 1998 was 3.289 percent.

APPEALS COURT UPHOLDS MILK PRICING SYSTEM

On August 13 a three-judge panel of the 8th U.S. Circuit Court of Appeals in St. Louis upheld the U.S. Agriculture Department's milk-pricing system involving Class I differentials, reversing a November 3 decision by U.S. District Judge David S. Doty that ruled the geographical differentials used in Class I computations were unlawful.

This decision allows the Agriculture Department to continue setting the minimum price dairy farmers are paid for milk based partly on a transportation compensation cost adjustment that is used to encourage milk production outside the traditional Upper Midwest region.

CME TRADES CHEESE DAILY SEPT. 1

The Chicago Mercantile Exchange (CME) has approved changing the cash cheese from a weekly market to a daily market. Starting September 1 trading in the daily cash cheese market is scheduled to begin. A major reason for the change-over to a daily market is the desire to increase activity in the futures market. Some daily trading advocates claim trading every day could help eliminate dramatic price swings that are sometimes seen during the current Thursday only trading. The CME will hold its trading sessions for cheese beginning at 10:45 a.m. Monday through Friday.

TOP TEN TEXAS COUNTIES a/ – JULY 1998

County	Number of Producers	Pounds	% Change From 1997	County	Number of Producers	Pounds	% Change From 1997
1. Erath	152	110,389,757	+1.58	7. Johnson	44	14,333,026	-7.27
2. Hopkins	263	46,120,507	-8.52	8. Wood	74	13,705,305	+5.84
3. Comanche	46	32,982,703	-1.52	9. Cherokee	31	9,676,529	-11.42
4. El Paso	9	21,313,827	+6.65	10. Van Zandt	26	8,254,152	-1.71
5. Archer	60	16,986,220	-2.57	Ten County Total	732	289,507,664	-7.74 b/
6. Hamilton	27	15,745,638	+13.13	Other Counties Total	573	133,466,032	-7.40
a/ Includes all known Grade "A" milk produced on farms located in Texas.				Texas Total	1,305	422,973,696	-2.94
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 II	Class III	Class III-A	Uniform a/		B F Diff.	Grade A	Block	Spray
	126	138				126	138		Butter	Cheese	Powder
Month	----- Dollars Per Hundred Wt. -----								¢/Point	-----Cents Per Pound-----	
June 1997	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	12.83	13.50	14.21	13.56	15.3	137.35	138.35	106.91
November	15.95	15.14	13.09	12.96	14.01	14.70	13.73	16.7	148.42	138.52	107.13
December	15.99	15.18	13.13	13.29	12.46	14.80	13.81	12.2	116.97	141.63	107.40
Averages 1997	14.93	14.12	12.07	12.05	12.36	13.59	12.81	11.3	106.63	129.26	110.01
January 1998	16.12	15.31	13.26	13.25	12.04	14.97	13.68	11.4	110.61	141.65	105.93
February	16.45	15.64	13.59	13.32	12.89	15.00	13.88	14.0	129.63	141.63	105.21
March	16.41	15.60	13.55	12.81	12.67	14.62	13.67	13.5	125.05	137.93	104.67
April	16.48	15.67	13.62	12.01	12.88	14.46	13.24	14.2	128.56	130.72	104.26
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								
September	17.93	17.12	15.07								

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

TOP NEW MEXICO COUNTIES a/ – JULY 1998

County	Number of Producers	Pounds	% Change From 1997	County	Number of Producers	Pounds	% Change From 1997
1. Chaves	42	129,431,554	+5.39	7. Bernalillo	8	10,844,798	+11.70
2. Dona Ana	23	63,531,495	-2.96	8. Valencia	12	9,967,625	-18.70
3. Roosevelt	29	47,081,149	+12.11	9. Socorro	8	8,397,557	+22.77
4. Curry	12	46,574,685	+31.12				
5. Lea	13	30,931,911	+43.32	Nine County Total	153	368,455,369	+10.49
6. Eddy	6	21,694,595	+25.56	Other Counties Total	4	4,348,033	-51.28
a/ All known Grade "A" milk produced on farms located in New Mexico.				New Mexico Total	157	372,803,402	+8.88
b/ Compared to top counties for the month in the previous year.							

**POUNDS OF GRADE A MILK MARKETING BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 1996 THROUGH JULY 1998, WITH PERCENTAGE COMPARISONS**

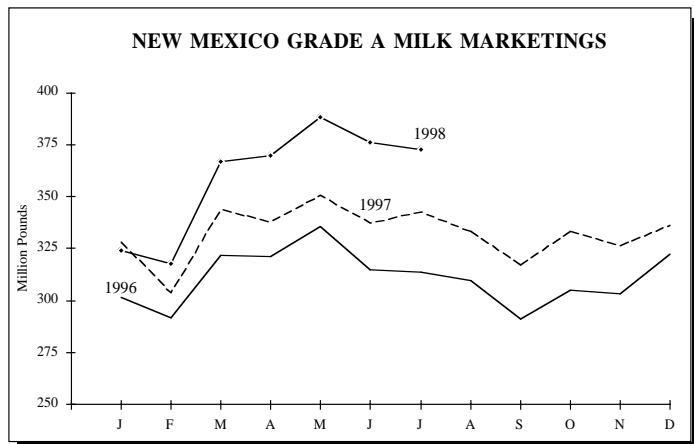
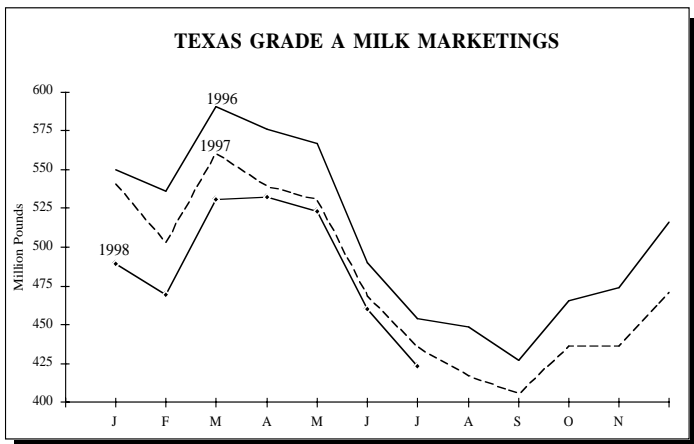
MONTH	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	PERCENT CHANGE 1997/96	1998/97
January	549,914,311	1,786	540,918,023	1,610	491,168,340	1,359	-1.64	-9.20
February	536,326,949	1,773	503,177,566	1,591	469,305,849	1,347	-2.83	-6.73
March	590,936,348	1,745	560,823,025	1,566	532,588,272	1,339	-5.10	-5.03*
April	575,799,475	1,738	539,258,903	1,553	532,823,237	1,336	-6.35	-1.19*
May	567,120,914	1,714	530,457,547	1,550	524,523,430	1,319	-6.46	-1.12*
June	490,380,980	1,683	468,546,651	1,523	464,057,905	1,321	-4.45	-.96*
July	454,376,230	1,670	435,777,197	1,489	422,973,696	1,305	-4.09	-2.94
August	448,420,253	1,652	417,271,524	1,463			-6.95	
September	427,623,846	1,639	405,563,476	1,435			-5.08	
October	466,085,603	1,637	436,528,559	1,408			-6.34	
November	474,250,855	1,636	436,607,225	1,391			-7.94	
December	<u>516,304,359</u>	1,620	<u>470,803,040</u>	1,368			<u>-8.81</u>	
Years Total	6,098,233,434		5,745,732,736				-5.78	

*Revised figures

**POUNDS OF GRADE A MILK MARKETING BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 1996 THROUGH JULY 1998, WITH PERCENTAGE COMPARISONS**

MONTH	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	PERCENT CHANGE 1997/96	1998/97
January	301,646,087	153	328,059,604	156	324,314,276	158	+8.76	-1.14
February	291,741,013	154	303,972,265	156	317,500,751	156	+7.91	+4.45
March	321,854,914	154	343,866,862	157	366,656,779	157	+6.84	+6.63
April	321,032,089	153	337,943,697	157	369,782,775	156	+5.27	+9.42
May	335,537,514	153	350,910,125	158	388,308,155	155	+4.58	+10.66
June	314,856,503	153	337,592,757	158	378,569,203	159	+7.22	+12.14*
July	313,553,863	154	342,391,766	159	372,803,402	157	+9.20	+8.88
August	309,399,050	155	333,406,557	156			+7.76	
September	293,390,938	157	317,181,279	159			+8.11	
October	307,608,027	156	333,587,208	158			+8.45	
November	303,433,595	157	326,212,021	158			+7.51	
December	<u>322,470,035</u>	157	<u>336,117,343</u>	157			<u>+4.23</u>	
Years Total	3,736,523,628		3,991,241,484				+6.82	

*Revised figures



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TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat		Protein		Lactose		S-N-F		SCC*	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
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
October	3.62	3.53	3.28	3.23	4.75	4.81	8.75	8.75	410	256
November	3.78	3.67	3.32	3.27	4.74	4.78	8.76	8.76	366	238
December	3.80	3.74	3.30	3.28	4.80	4.81	8.80	8.81	378	290
Average 1997	3.58	3.50	3.22	3.17	4.77	4.80	8.70	8.68	409	269
January 1998	3.74	3.75	3.25	3.24	4.80	4.80	8.76	8.76	409	408
February	3.66	3.63	3.22	3.21	4.81	4.82	8.74	8.75	379	325
March	3.64	3.60	3.24	3.20	4.80	4.82	8.75	8.74	372	305
April	3.52	3.52	3.21	3.17	4.81	4.84	8.73	8.71	336	274
May	3.46	3.41	3.17	3.13	4.79	4.83	8.68	8.67	339	256
June	3.43	3.37	3.15	3.11	4.77	4.83	8.63	8.63	385	254
July	3.41	3.33	3.14	3.08	4.75	4.81	8.59	8.57	417	273

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED JUL. 1998	REPORTED JUN. 1998	REPORTED JUL. 1997
TOTAL UTILIZATION			
CLASS I	53,450,855	51,861,173	53,725,904
CLASS II	11,943,854	9,873,157	12,419,398
CLASS III/III-A	2,828,826	98,764,133	139,903,814
CLOSING INVENTORY (CLASS I, II AND III)	4,117,077	5,725,408	7,049,144
TOTAL UTILIZATION	72,340,612	166,223,871	213,098,260
DAILY CLASS I UTILIZATION	1,724,221	1,728,706	1,733,094
JUL. -DAILY CLASS I COMPARED TO:		- .26%	- .51%
CLASS I YEAR TO DATE (IN THOUSANDS)	380,254	326,804	382,701
% CHANGE FROM PREVIOUS YEAR	- .64%	- .66%	- 5.39%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	51,384,705	49,698,705	52,447,484
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	10,068,095	8,473,430	10,904,907
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	1,611,889	97,244,117	125,643,092
TOTAL PRODUCER RECEIPTS	63,064,689	155,416,252	188,995,483
OTHER SOURCE A/	3,499,315	3,541,109	12,436,888
OPENING INVENTORY	5,776,608	6,732,898	11,662,484
OVERAGE		533,612	3,405
TOTAL RECEIPTS	72,340,612	166,223,871	213,098,260
DAILY PRODUCER RECEIPTS	2,034,345	5,180,542	6,096,628
JUL. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 60.73%	- 66.63%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,248,577	1,185,513	1,344,416
% CHANGE FROM PREVIOUS YEAR	- 7.13%	+ 2.60%	+ 26.00%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.289%	3.370%	3.372%
% PRODUCER MILK CLASSIFIED AS CLASS I	81.48%	31.98%	27.75%
NUMBER OF PRODUCERS	73	120	147
AVERAGE DAILY DELIVERY PER PRODUCER	27,868	43,171	41,474
NUMBER OF POOL HANDLERS	9	12	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

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TEXAS MILK MARKET AT A GLANCE

	REPORTED <u>JUL. 1998</u>	REPORTED <u>JUN. 1998</u>	REPORTED <u>JUL. 1997</u>
TOTAL UTILIZATION			
CLASS I	268,491,335	252,695,102	260,874,691
CLASS II	126,442,683	131,889,335	114,768,253
CLASS III/III-A	19,143,112	54,837,424	105,457,483
CLOSING INVENTORY (CLASS I, II AND III)	25,728,458	25,580,960	23,243,727
TOTAL UTILIZATION	439,805,588	465,002,821	504,344,154
DAILY CLASS I UTILIZATION	8,661,011	8,423,170	8,415,313
JUL. -DAILY CLASS I COMPARED TO:		+ 2.82%	+ 2.92%
CLASS I YEAR TO DATE (IN THOUSANDS)	1,854,944	1,586,452	1,923,488
% CHANGE FROM PREVIOUS YEAR	- 3.56%	- 4.58%	+ 3.05%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	268,319,372	253,781,188	260,178,005
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	109,650,096	122,186,913	96,360,585
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	12,134,200	49,298,549	96,446,362
TOTAL PRODUCER RECEIPTS	390,103,668	425,266,650	452,984,952
OTHER SOURCE A/	21,817,487	10,056,401	20,707,279
OPENING INVENTORY	27,884,433	29,679,770	30,645,809
OVERAGE			6,114
TOTAL RECEIPTS	439,805,588	465,002,821	504,344,154
DAILY PRODUCER RECEIPTS	12,583,989	14,175,555	14,612,418
JUL. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 11.23%	- 13.88%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	3,624,710	3,234,606	4,021,944
% CHANGE FROM PREVIOUS YEAR	- 9.88%	- 9.37%	- 4.55%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.413%	3.430%	3.408%
% PRODUCER MILK CLASSIFIED AS CLASS I	68.78%	59.68%	57.44%
NUMBER OF PRODUCERS	1,514	1,390	1,529
AVERAGE DAILY DELIVERY PER PRODUCER	8,312	10,198	9,557
NUMBER OF POOL HANDLERS	29	32	31

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