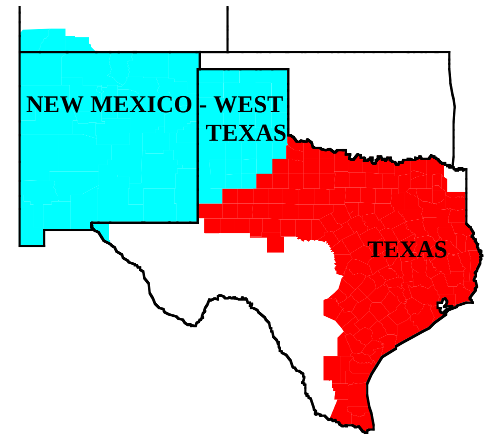
THE MARKET ADMINISTRATOR'S

REPORT



TEXAS MARKETING AREA
NEW MEXICO - WEST TEXAS MARKETING AREA

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MARKET SUMMARIES FOR DECEMBER

The December Class III price increased 4 cents from the previous month to $12.91. The Class II price for December of $12.91 per hundredweight increased 53 cents from $12.38 in November. December's Class III-A price decreased $1.16 cents from November's level to $11.24

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $14.18 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was up 11 cents from November.

Producers delivered a total of 558,908,803 pounds of milk during December. On a daily basis this represents an increase of 2.67 percent from the producer receipts level in November and it represents an increase of 3.52 percent when compared to the producer receipts level of December 1994.

Producer milk classified as Class I during December amounted to 44.62 percent of total producer receipts. This figure is down from November's 49.28 percent and it is down from 50.17 percent in December 1994. The average butterfat test of producer milk pooled during December 1995 was 3.735 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 $13.20 per hundredweight for deliveries of milk containing 3.5% butterfat. The December price was down 26 cents from its November level.

Producers delivered a total of 184,261,537 pounds of milk during December. On a daily basis this represents an increase of 24.09 percent from the producer receipts level in November and it represents an increase of 20.10 percent when compared to the producer receipts level of December 1994.

Producer milk classified as Class I during December amounted to 29.49 percent of total producer receipts. This figure is down from 40.52 percent in November and it is down from 36.80 percent in December 1994. The average butterfat test of producer milk pooled during December 1995 was 3.719 percent.

MILK OUTPUT EXPANSION TO RESUME

High prices for concentrate feed and for high quality alfalfa in 1996 will produce a shortrun squeeze on returns that will conflict with longer-run incentives to increase the number of lower-capital-per-cow, larger dairy farms in the West and North. Similarly, high feed costs will lessen the incentive to use bovine somatotropin (bST) on a larger share of the cow herd. However, responses to longer-run prospects are expected to dominate the shortrun reductions in returns. Dairy farm exits have slowed in 1995. Offsetting farm expansions have held cow numbers flat. Milk cow numbers are expected to decline less than 1 percent in 1996, as further erosion of returns delays expansion on some farms and increases the number of exiting producers. However, larger beef cattle supplies probably will forestall significant recovery in slaughter cow prices in 1996, encouraging retention of some cows in the milking herd. Damage from last winter's rains in the West and hot summer weather over the eastern two-thirds of the country depressed 1995 milk per cow. Recovery from weather problems and more bST use could lead to fairly large year-over-year increases in 1996, even if expected milk-feed price ratios make farmers conservative about increases in concentrate feeding. Milk per cow in 1996 is projected to rise about 3 percent on a daily average basis, with the largest increases during spring and summer. Milk production is projected to rise 2 to 3 percent. Reflecting 1995's reduced corn and soybean crops, average concentrate ration values in 1996 are expected to be $8.50 to $9.00 per cwt, about $1.00 above 1995. Feed ingredient prices will remain sensitive to weather and trade developments throughout the spring and summer, but should begin to ease during second-half 1996 if feed grain production increases as expected. Some of the price decline will be absorbed, as the currently small spread between ingredient prices and ration value rewidens.

Average farm milk prices in 1996 are expected to rise slightly from this year. Skim solids prices are projected to decline as production outstrips commercial use, largely offsetting higher milkfat values. First quarter 1996 prices will average above a year earlier as prices adjust downward from a higher seasonal peak this fall, but are projected to be near a year earlier during the second and third quarters. Prices next fall are not expected to reach this year's peak. The December crash in butter prices probably was much sharper than needed to move all the butter surplus into export markets. Aided by domestic stock building, winter butter prices may rebound to 20 to 35 cents per pound below November's peak. Even though milkfat currently accounts for less than one-third of the manufacturing value of milk, potential swings in butter price could affect cheese prices. Cheese prices are expected to decline gradually through early spring but probably will have to remain high enough to attract milk away from butter-powder operations. This will make cheese prices particularly sensitive to butter prices and milk output in cheese areas. Nonfat dry milk prices rose considerably in November, triggered by seasonally low production and possibly lower user stocks. However, expected expansion in milk production in 1996 and smaller allowable Dairy Export Incentive Program (DEIP) exports will keep powder prices weak during most of the year. Since 1990, retail dairy prices have risen about 1 percent annually, less than half the increase in all food or all consumer items. This year, prices of manufactured dairy products rose more than fluid milk prices, largely because of continued relatively sizable increases in prices of frozen desserts and miscellaneous products. Retail dairy prices are expected to rise 1-3 percent in 1996, following an increase of less than 1 percent in 1995. Prices of products containing more milkfat will tend to rise faster than skim based products.

During July-September, supplies of milk used in manufacturing were down almost 2 percent on a milkfat basis and about unchanged on a skim solids basis. Reported larger milk production and stable fluid milk sales should have made more milk available for manufacturing. Some, but not all, of the apparent discrepancy can be explained by low cheese yields and more direct use of cream. Large 1996 milk output should make substantially more milk available for manufacturing. Cheese production is expected to expand to meet demand growth. However, strong butter prices may mean that cheese plants will not have as dominant an advantage competing for milk as they have in recent years. Commercial use of skim solids is projected to increase less than 2 percent in 1996, similar to this year's gains. Cheese sales are expected to grow somewhat, but fluid milk sales and use of nonfat dry milk in foods other than dairy products may be flat. Commercial use of milkfat is projected to rise about 3 percent, following a 4 percent increase in 1995.

International dairy markets are expected to stay relatively tight in 1996, but butter prices may decline from autumn's $2,500 per ton or more. Supplies from Oceania should be larger and the U.S. probably will have larger exportable supplies of butter. The EU markets currently are tight, and if no policy actions are taken to expand supplies or reduce subsidized consumption, EU export supplies probably will be about the same. Dairy product imports in 1995 have run close to a year earlier, despite expanded import quotas. U.S. domestic prices for milkfat have not been attractive for exporters, resulting in unfilled quotas. The U.S. market for cheese was somewhat more attractive, but both quota and nonquota cheese imports have run near a year earlier. Projected 1996 imports probably will remain steady with this year. Exports under DEIP during the second half of 1995 will be well below a year earlier. Shipments of nonfat dry milk will be about a third less while DEIP exports of butter will be small. Most of the reduction is due to the imposition of GATT disciplines on export subsidies beginning July 1, 1995. However, DEIP contract activity has been rather sluggish, particularly this autumn. Importers have been uncertain about the direction of international dry milk prices. Nonfat dry milk exports in 1996 will fall sharply from the abnormally high 1995 level. On the other hand, commercial butter exports probably will rise because of larger production and higher domestic prices of milkfat.

*This summary was developed by the Market Information Branch, Agricultural Marketing Service, USDA, Washington, D.C. ***Source:*** *"Dairy Outlook", LDP-D-9, Dec. 13, 1995, Economic Research Service, USDA.*

ASSESSMENT DECLINES

Effective January 1, 1996, the amount of the mandatory price-reduction (assessment) rate under the Commodity Credit Corporation's Dairy Collection Program will be 10 cents per hundredweight on milk marketed for commercial purposes. Such price reduction is authorized by the Agricultural Act of 1949, as amended by the Omnibus Budget Reconciliation Act of 1993. The assessment deduction applies to all milk that leaves a farm of production and for which some monetary compensation is made. The deduction does not apply to milk that is dumped voluntarily by a dairy farmer.

SUPPORT PRICES CHANGE

Effective January 1, 1996, the support price for milk increased 25 cents to $10.35 per hundredweight. This announced price is for milk with U.S. annual average milkfat content of 3.67 percent. The equivalent support price for milk with milkfat content of 3.5 is $10.25. In order to carry out the higher support level, CCC will increase the price it pays for nonfat dry milk by 3.1 cents per pound to $1.065 and increase the price for block Cheddar and barrel cheese by 2.5 cents per pound to $1.145 and $1.115, respectively. The purchase price for butter will remain at $0.65 per pound.

TOP TEN TEXAS COUNTIES a/ – DECEMBER 1995

County	Number of Producers	Pounds	% Change From 1994	County	Number of Producers	Pounds	% Change From 1994
1. Erath	191	120,982,850	+6.72	7. Wood	91	17,409,888	-6.43
2. Hopkins	379	67,554,754	-10.17	8. Hamilton	40	16,951,900	+26.75
3. Comanche	54	33,906,685	+8.45	9. Cherokee	44	14,552,221	-6.15
4. Johnson	67	20,152,924	+.45	10. Van Zandt	37	11,043,124	+14.98
5. El Paso	9	19,591,453	+2.91	Ten County Total	977	341,032,299	+1.52 b/
6. Archer	65	18,886,500	+2.16	Other Counties Total	818	180,696,429	-2.57
				Texas Total	1,795	521,728,728	+.06

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	15.45	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	11.35	10.06	13.03	12.09	5.5	63.00	122.20	106.71
February	14.54	13.73	11.35	11.79	10.12	12.92	12.05	5.6	65.04	127.80	107.11
March	14.51	13.70	12.20	11.89	10.22	12.93	12.07	5.7	66.00	129.00	107.77
April	14.95	14.14	12.09	11.16	10.27	12.70	11.90	5.9	66.00	121.10	107.56
May	15.05	14.24	12.19	11.12	10.21	12.97	11.93	5.9	66.00	121.13	106.84
June	14.32	13.51	11.46	11.42	10.37	12.71	11.80	6.4	70.00	125.26	106.75
July	14.28	13.47	11.42	11.23	10.61	12.59	12.00	7.1	74.65	125.03	106.69
August	14.58	13.77	11.72	11.55	10.82	13.22	12.72	7.7	79.00	130.37	106.69
September	14.39	13.58	11.53	12.08	10.90	13.26	12.72	7.8	81.33	137.74	107.18
October	14.71	13.90	11.85	12.61	11.66	13.62	13.03	9.6	95.74	141.48	108.64
November	15.24	14.43	12.38	12.87	12.40	14.07	13.46	10.5	103.00	142.25	113.40
December	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								
February	16.07	15.26	13.21								

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

TOP NEW MEXICO COUNTIES a/ – DECEMBER 1995

County	Number of Producers	Pounds	% Change From 1994	County	Number of Producers	Pounds	% Change From 1994
1. Chaves	40	109,816,668	+2.08	7. Valencia	12	10,337,169	+.72
2. Dona Ana	24	58,907,438	-.01	8. Bernalillo	9	8,274,202	-17.37
3. Roosevelt	28	39,020,678	+10.80	9. Socorro	9	6,509,450	+19.74
4. Curry	9	26,047,451	+18.85				
5. Lea	12	16,505,767	+2.82	Nine County Total	147	291,403,673	+3.52
6. Eddy	5	15,984,850	-.46	Other Counties Total	6	7,963,361	+24.63
				New Mexico Total	153	299,367,034	+3.99

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 1993 THROUGH DECEMBER 1995, WITH PERCENTAGE COMPARISONS

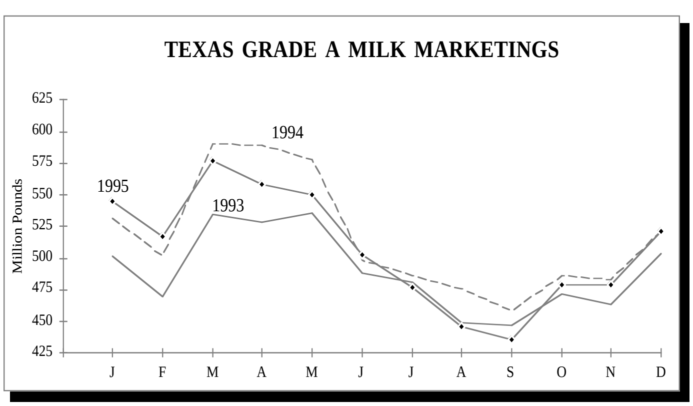
MONTH	1993 POUNDS	Number of Producers	1994 POUNDS	Number of Producers	1995 POUNDS	Number of Producers	PERCENT CHANGE 1994/93	PERCENT CHANGE 1995/94
January	501,212,264	2,039	531,658,454	1,960	544,665,125	1,918	+6.07	+2.45
February	469,421,940	2,036	502,048,659	1,961	517,418,721	1,906	+6.95	+3.06
March	534,985,958	2,023	590,563,277	1,957	577,449,222	1,897	+10.39	-2.22
April	528,234,691	2,011	588,890,115	1,963	558,387,965	1,881	+11.48	-5.18*
May	535,272,595	2,001	578,120,136	1,956	550,303,073	1,879	+8.00	-4.81*
June	488,469,601	1,995	498,149,578	1,969	502,909,961	1,859	+1.98	+.96
July	481,029,804	1,985	486,029,589	1,955	477,220,938	1,861	+1.04	-1.81
August	448,948,355	1,974	475,739,415	1,953	446,351,445	1,853	+5.97	-6.18
September	447,343,829	1,976	458,143,784	1,948	436,091,164	1,839	+2.41	-4.81
October	471,379,110	1,973	486,705,004	1,944	479,027,137	1,832	+3.25	-1.58
November	463,334,474	1,960	483,247,718	1,936	478,710,017	1,821	+4.30	-.94*
December	503,356,197	1,965	521,399,526	1,924	521,728,728	1,795	+3.58	+.06
Years Total	5,872,988,818		6,200,845,698		6,090,263,496		+5.58	-1.78

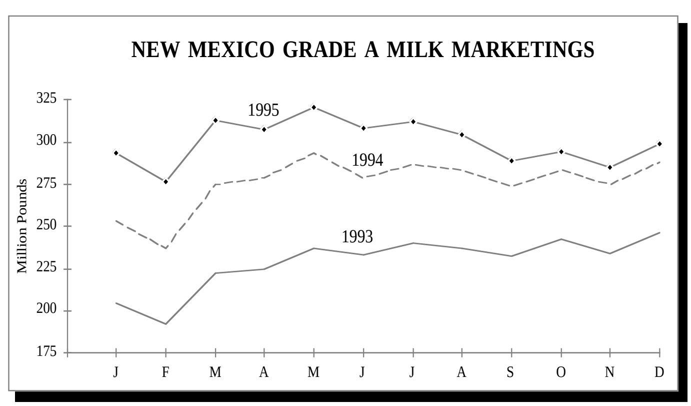
*Revised figures

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1993 THROUGH DECEMBER 1995, WITH PERCENTAGE COMPARISONS

MONTH	1993 POUNDS	Number of Producers	1994 POUNDS	Number of Producers	1995 POUNDS	Number of Producers	PERCENT CHANGE 1994/93	PERCENT CHANGE 1995/94
January	204,707,796	139	253,218,001	147	293,542,014	156	+23.69	+15.92*
February	192,335,243	140	237,211,785	148	276,638,548	155	+23.33	+16.62*
March	222,849,739	140	275,165,335	145	313,161,171	152	+23.48	+13.81
April	224,429,460	141	278,682,898	149	307,337,393	152	+24.17	+10.28*
May	237,473,164	143	293,746,832	149	320,781,400	154	+23.70	+9.20*
June	232,947,016	142	278,940,461	150	309,224,349	153	+17.44	+10.86
July	240,574,076	145	286,825,906	149	312,630,262	153	+19.23	+9.00
August	237,512,245	146	283,870,810	150	304,582,850	153	+19.52	+7.30
September	232,833,573	146	273,359,295	151	288,872,854	156	+17.41	+5.68
October	242,443,358	148	283,588,806	152	294,564,685	154	+16.97	+3.87
November	234,445,273	149	275,359,100	152	284,775,780	155	+17.45	+3.42
December	246,724,079	148	287,886,379	154	299,367,034	153	+16.68	+3.99
Years Total	2,749,275,022		3,307,855,608		3,605,478,340		+20.32	+9.00

*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
Average 1994	3.54	3.56	3.20	3.14	4.78	4.80	8.69	8.66	393	247
January 1995	3.69	3.70	3.25	3.21	4.79	4.81	8.75	8.75	385	272
February	3.60	3.64	3.21	3.17	4.83	4.86	8.76	8.74	364	253
March	3.60	3.61	3.22	3.17	4.83	4.84	8.77	8.74	377	254
April	3.50	3.56	3.21	3.14	4.78	4.81	8.73	8.69	368	235
May	3.47	3.47	3.17	3.11	4.77	4.81	8.67	8.65	377	225
June	3.46	3.40	3.16	3.10	4.74	4.79	8.63	8.62	410	232
July	3.44	3.40	3.12	3.06	4.75	4.81	8.59	8.58	432	255
August	3.45	3.43	3.14	3.07	4.72	4.71	8.57	8.43	477	295
September	3.52	3.51	3.21	3.13	4.74	4.80	8.66	8.65	465	269
October	3.64	3.62	3.26	3.20	4.77	4.82	8.75	8.74	381	239
November	3.73	3.68	3.28	3.20	4.78	4.81	8.78	8.72	330	210
December	3.74	3.71	3.25	3.19	4.79	4.81	8.76	8.71	317	237
Average 1995	3.57	3.56	3.21	3.15	4.77	4.81	8.70	8.67	390	248

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1995	REPORTED NOV. 1995	REPORTED DEC. 1994
TOTAL UTILIZATION			
CLASS I	55,331,205	59,416,651	57,786,736
CLASS II	9,671,490	9,433,399	12,579,730
CLASS III/III-A	120,453,619	81,768,760	84,371,453
CLOSING INVENTORY (CLASS I, II AND III)	10,396,648	6,638,535	17,702,331
TOTAL UTILIZATION	195,852,962	157,257,345	172,440,250
DAILY CLASS I UTILIZATION	1,784,878	1,980,555	1,864,088
DEC. -DAILY CLASS I COMPARED TO:		-9.88%	-4.25%
CLASS I YEAR TO DATE (IN THOUSANDS)	704,849	649,518	685,739
% CHANGE FROM PREVIOUS YEAR	+2.79%	+3.43%	-3.18%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	54,345,701	58,223,085	56,466,320
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	9,036,392	7,301,440	10,632,021
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	120,879,444	78,170,261	86,331,183
TOTAL PRODUCER RECEIPTS	184,261,537	143,694,786	153,429,524
OTHER SOURCE A/	4,952,478	4,980,831	9,452,807
OPENING INVENTORY	6,638,535	8,581,728	8,874,553
OVERAGE	412		683,366
TOTAL RECEIPTS	195,852,962	157,257,345	172,440,250
DAILY PRODUCER RECEIPTS	5,943,921	4,789,826	4,949,339
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		+24.09%	+20.10%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,861,630	1,677,368	1,717,372
% CHANGE FROM PREVIOUS YEAR	+8.40%	+7.25%	-14.14%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.719%	3.712%	3.713%
% PRODUCER MILK CLASSIFIED AS CLASS I	29.49%	40.52%	36.80%
NUMBER OF PRODUCERS	358	306	135
AVERAGE DAILY DELIVERY PER PRODUCER	16,603	15,653	36,662
NUMBER OF POOL HANDLERS	14	15	17

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

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Address Corrections Requested

TEXAS MILK MARKET AT A GLANCE

	REPORTED DEC. 1995	REPORTED NOV. 1995	REPORTED DEC. 1994
TOTAL UTILIZATION			
CLASS I	252,094,709	261,651,194	273,780,065
CLASS II	82,312,555	88,357,043	76,571,149
CLASS III/III-A	245,476,616	201,669,174	212,213,743
CLOSING INVENTORY (CLASS I, II AND III)	36,424,084	28,981,124	27,904,392
TOTAL UTILIZATION	616,307,964	580,658,535	590,469,349
DAILY CLASS I UTILIZATION	8,132,087	8,721,706	8,831,615
DEC. -DAILY CLASS I COMPARED TO:		-6.76%	-7.92%
CLASS I YEAR TO DATE (IN THOUSANDS)	3,127,048	2,874,953	3,278,346
% CHANGE FROM PREVIOUS YEAR	-4.62%	-4.31%	+4.04%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	249,389,152	259,589,537	270,873,336
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	75,400,505	79,445,986	68,132,817
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	234,119,146	187,775,116	200,901,740
TOTAL PRODUCER RECEIPTS	558,908,803	526,810,639	539,907,893
OTHER SOURCE A/	28,277,742	22,613,555	19,459,263
OPENING INVENTORY	28,981,124	31,233,417	31,063,756
OVERAGE	140,295	924	47,437
TOTAL RECEIPTS	616,307,964	580,658,535	590,469,349
DAILY PRODUCER RECEIPTS	18,029,316	17,560,355	17,416,384
DEC. -DAILY PRODUCER RECEIPTS COMPARED TO:		+2.67%	+3.52%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	6,565,474	6,006,565	6,619,474
% CHANGE FROM PREVIOUS YEAR	-.82%	-1.20%	+9.53%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.735%	3.712%	3.674%
% PRODUCER MILK CLASSIFIED AS CLASS I	44.62%	49.28%	50.17%
NUMBER OF PRODUCERS	1,903	1,965	2,262
AVERAGE DAILY DELIVERY PER PRODUCER	9,474	8,937	7,700
NUMBER OF POOL HANDLERS	30	30	36

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