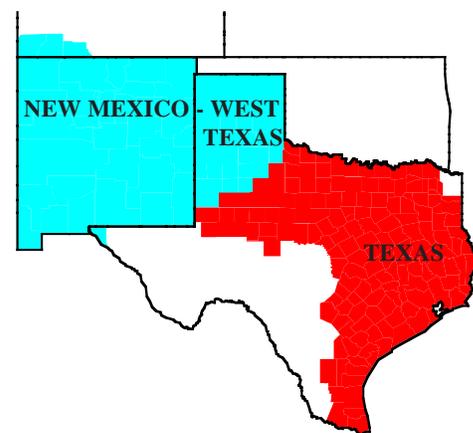


THE MARKET ADMINISTRATOR'S

REPORT



TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

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MARKET SUMMARIES FOR MAY

The May Class III price decreased 74 cents from the previous month to \$10.70. The Class II price for May of \$12.79 per hundredweight increased 3 cents from \$12.76 in April. May's Class III-A price decreased 54 cents from April's level to \$11.56.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received \$13.32 per hundredweight for deliveries of milk containing 3.5% butterfat. The May price was down 29 cents from April.

Producers delivered a total of 680,628,663 pounds of milk during May. On a daily basis this represents an increase of 1.20 percent from the producer receipts level in April and it represents an increase of 6.71 percent when compared to the producer receipts level of May 1996.

Producer milk classified as Class I during May amounted to 41.38 percent of total producer receipts. This figure is down from April's 42.95 percent and it is down from 42.03 percent in May 1996. The average butterfat test of producer milk pooled during May 1997 was 3.438 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 \$12.48 per hundredweight for deliveries of milk containing 3.5% butterfat. The May price was down 22 cents from its April level.

Producers delivered a total of 143,506,906 pounds of milk during May. On a daily basis this represents a decrease of 18.28 percent from the producer receipts level in April but it represents an increase of 28.94 percent when compared to the producer receipts level of May 1996.

Producer milk classified as Class I during May amounted to 36.79 percent of total producer receipts. This figure is up from 31.22 percent in April but it is down from 52.11 percent in May 1996. The average butterfat test of producer milk pooled during May 1997 was 3.442 percent.

DAIRY SITUATION AND OUTLOOK*

The April increase in milk production was slightly smaller than in March. The flush season was reported to be strong in the South, resulting in larger shipments of milk to northern manufacturing facilities. Along with seasonal increases in local milk output, this inflow made more milk available to cheesemakers. Additionally, Western cheese output continues to rise sharply, even though butter-powder production has had a nominal advantage. Western cheesemakers have aggressively competed with Midwestern producers for prime cheese customers -- hoping the long-run gain will outweigh some short-run losses. This combination of temporarily more milk for cheese making and less active pursuit of Midwestern cheese supplies, may have led traders to underestimate current market tightness. Also, traders may be paying more attention to conditions for American varieties than to the stronger conditions for other types.

Spring and summer milk supplies should post substantial increases from the very weak levels of a year earlier, although increases will be constrained by feed conditions. The late spring in many northern areas will add to the problems of the large number of dairy farmers trying to stretch forage stocks until new-crop supplies are available. Also, the spring milk-feed price ratio is expected to be below 1.5, unfavorable for much increase in concentrate feeding. However, the relatively high returns of the last two years may start to buttress milk cow numbers by summer.

Expected supplies should be absorbed without difficulty. Continued economic expansion is projected to provide a fairly broad demand base for dairy products during the rest of 1997. With year-to-year increases in retail dairy prices expected to disappear by late in the year, increases in commercial use are projected to keep pace with production growth.

*Source: "Livestock, Dairy and Poultry Situation and Outlook", LDP-M-41, May 16, 1997, Economic Research Service, USDA.

Supplement to "A Preliminary Report on Alternatives to the Basic Formula Price"*

In the report "A Preliminary Report on Alternatives to the Basic Formula Price," four options were presented as replacements to the Basic Formula Price (BFP). At that time, the price series identified as Option 4 --Competitive Pay Price & Product Price Formula -- was not available. This information is available now and can be requested from the Dairy Division at (202)720-7461. Following is a brief description of this option and some observations as to its relationship to the current BFP.

Option 4 varies from the current BFP in the following ways:

- (1) competitive pay price is for fluid grade (Grade A) milk;
- (2) competitive pay price is a survey of nine States. Current BFP surveys milk prices in Minnesota and Wisconsin only;
- (3) competitive pay price is adjusted for protein content, performance premiums, over-order premiums, and hauling subsidies;
- (4) competitive pay price includes a larger proportion of milk used to produce butter and nonfat dry milk. Current BFP is dominated by milk used to produce cheese; and,
- (5) change in butter/powder value in product price formula is a large proportion of change in total product price value.

Following are some noteworthy observations concerning Option 4:

- (1) the competitive pay price, labeled Adjusted Grade A Base Month Price, was lower than the competitive pay price in the current BFP in 27 of the 35 months. The inclusion of price information for California and the adjustments made to the Grade A pay price that were not made to the Grade B pay price were the primary causes of this result;
- (2) for some months, the product price update was significantly different. The use of national production figures to assign weights to butter/powder and cheese in this formula increased the proportion attributed to butter/powder by 24 percentage points, on the average; and,
- (3) the summation of the competitive pay price and the product price formula update, labeled Updated Grade A Base Month Price, was, on the average, **\$.11 below** the current BFP. In the BFP Committee's preliminary report, it was assumed that this summation would result in price levels that were higher than the current BFP and that the adjustment factor would be negative. Instead, \$.11 had to be added to the summation to approximate the current BFP. Average differences based on other time periods would yield different adjustment factors.

* Basic Formula price Committee, Dairy Division, Agricultural Marketing Service, U.S. Department of Agriculture, April 1997.

MILK PRODUCTION DATA RELATIVE TO PERCENTAGE OF FARM SIZE IN TEXAS MAY 1997			
FARM SIZE POUNDS	PRODUCER NUMBERS	MILK LBS.	% OF TOTAL MILK
0- 49,999	110	3,434,135	.65
50,000- 99,999	267	20,174,398	3.80
100,000-149,999	243	30,165,344	5.69
150,000-199,999	199	34,449,022	6.49
200,000-249,999	142	31,706,898	5.98
250,000-299,999	114	31,081,237	5.86
300,000-349,999	73	23,701,174	4.47
350,000-399,999	69	25,927,583	4.89
400,000-449,999	41	17,439,952	3.29
450,000-499,999	24	11,430,786	2.15
500,000-599,999	50	26,889,363	5.07
600,000-699,999	50	32,474,352	6.12
700,000-799,999	32	23,615,589	4.45
800,000-899,999	12	10,236,212	1.93
900,000-999,999	15	13,942,933	2.63
<u>OVER -1,000,000</u>	<u>109</u>	<u>193,788,569</u>	<u>36.53</u>
TOTAL	1,550	530,457,547	100.00

MILK PRODUCTION DATA RELATIVE TO PERCENTAGE OF FARM SIZE IN NEW MEXICO MAY 1997			
FARM SIZE POUNDS	PRODUCER NUMBERS	MILK LBS.	% OF TOTAL MILK
0- 49,999	3	85,453	.02
50,000- 99,999	2	147,159	.06
100,000-149,999	4	490,194	.14
150,000-199,999	--	-----	---
200,000-249,999	5	1,070,664	.31
250,000-299,999	5	1,364,991	.39
300,000-349,999	2	674,369	.19
350,000-399,999	1	392,478	.11
400,000-449,999	1	427,619	.12
450,000-499,999	--	-----	---
500,000-599,999	7	3,699,081	1.05
600,000-699,999	2	1,297,549	.37
700,000-799,999	4	2,920,739	.83
800,000-899,999	3	2,504,831	.71
900,000-999,999	5	4,645,378	1.32
<u>OVER -1,000,000</u>	<u>114</u>	<u>331,189,620</u>	<u>94.38</u>
TOTAL	158	350,910,125	100.00

TOP TEN TEXAS COUNTIES a/ – MAY 1997

County	Number of Producers	Pounds	% Change From 1996*	County	Number of Producers	Pounds	% Change From 1996*
1. Erath	171	127,240,084	-6.84	7. Wood	77	17,166,781	-1.98
2. Hopkins	325	66,435,215	-8.13	8. Hamilton	35	16,279,844	-9.10
3. Comanche	59	37,208,736	-5.42	9. Cherokee	42	14,031,362	-10.24
4. El Paso	9	21,136,580	+5.09	10. Van Zandt	32	11,442,500	-4.13
5. Archer	64	20,694,076	+7.74	Ten County Total	866	350,697,520	-6.08 b/
6. Johnson	52	19,062,342	-11.32	Other Counties Total	684	179,760,027	-7.21
				Texas Total	1,550	530,457,547	-6.46

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.

* February figures are based upon average daily production.

Minimum Prices at 3.5%, for Federal Orders 126 and 138 (Zone 1) Formula Prices (3.5%) and Price Quotations

Month	Class I a/		Class II	Class III	Class III-A	Uniform a/		B F Diff.	Grade A Butter	Block Cheese	Spray Powder	
	126	138				126	138					
	----- Dollars Per Hundred Wt. -----								¢/Point	-----Cents Per Pound-----		
April 1996	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	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									
July	13.86	13.05	11.00									

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

TOP NEW MEXICO COUNTIES a/ – MAY 1997

County	Number of Producers	Pounds	% Change From 1996*	County	Number of Producers	Pounds	% Change From 1996*
1. Chaves	42	128,197,299	+3.67	7. Valencia	13	12,210,343	+5.60
2. Dona Ana	24	69,461,538	+7.03	8. Bernalillo	8	9,749,221	+6.09
3. Roosevelt	31	44,915,589	+6.54	9. Socorro	7	6,893,213	-1.17
4. Curry	9	30,660,127	-2.61				
5. Lea	13	22,278,032	+20.82	Nine County Total	152	342,042,329	+4.82
6. Eddy	5	17,676,967	-1.48	Other Counties Total	6	8,867,796	-3.96
				New Mexico Total	158	350,910,125	+4.58

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.

* February figures are based upon average daily production.

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

MONTH	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	PERCENT CHANGE 1996/95*	1997/96
January	544,665,125	1,918	549,914,311	1,786	540,921,813	1,610	+0.96	-1.64
February	519,646,630	1,911	536,326,949	1,773	503,177,566	1,591	-0.35	-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			-2.90	
July	479,245,070	1,866	454,376,230	1,670			-5.19	
August	448,110,385	1,858	448,420,253	1,652			+0.07	
September	437,779,650	1,844	427,623,846	1,639			-2.32	
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	<u>524,145,612</u>	1,800	<u>516,304,359</u>	1,620			<u>-1.50</u>	
Years Total	6,114,071,556		6,098,233,434				-0.26	

*Revised figures

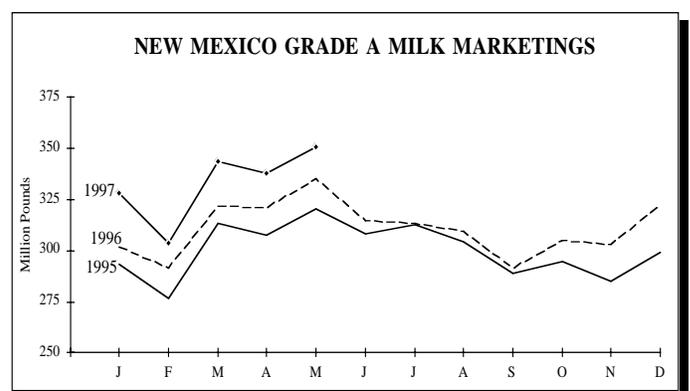
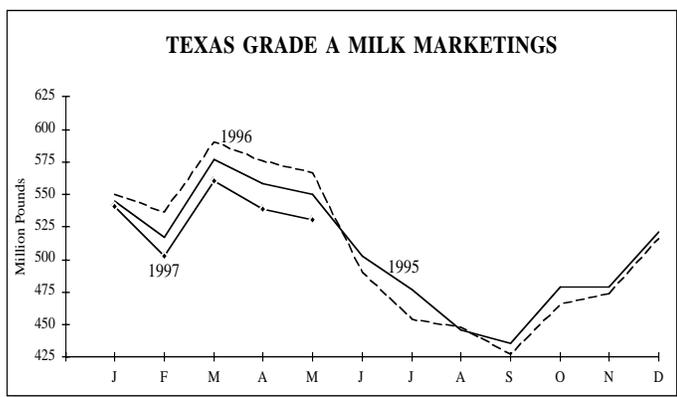
**February figures are based upon average daily production.

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

MONTH	1995 POUNDS	Number of Producers	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	PERCENT CHANGE 1996/95*	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			+1.82	
July	312,630,262	153	313,553,863	154			+0.30	
August	304,582,850	153	309,399,050	155			+1.58	
September	288,872,854	156	293,390,938	157			+1.56*	
October	294,564,685	154	307,608,027	156			+4.43*	
November	284,775,780	155	303,433,595	157			+6.55	
December	<u>299,367,034</u>	153	<u>322,470,035</u>	157			<u>+7.72</u>	
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

Month	Butterfat		Protein		Lactose		S-N-F		SCC*	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
May 1996	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	3.66	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

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED MAY 1997	REPORTED APR. 1997	REPORTED MAY 1996
TOTAL UTILIZATION			
CLASS I	54,390,476	54,541,227	59,404,568
CLASS II	7,117,531	6,631,857	9,394,093
CLASS III/III-A	151,749,235	149,249,730	96,245,638
CLOSING INVENTORY (CLASS I, II AND III)	11,029,372	11,886,050	8,818,049
TOTAL UTILIZATION	224,286,614	222,308,864	173,862,348
DAILY CLASS I UTILIZATION	1,754,531	1,818,041	1,916,276
MAY -DAILY CLASS I COMPARED TO:		-3.49%	-8.44%
CLASS I YEAR TO DATE (IN THOUSANDS)	277,273	222,883	297,678
% CHANGE FROM PREVIOUS YEAR	-6.86%	-6.46%	+1.47%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	52,801,518	53,056,327	58,000,577
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	5,488,689	5,467,523	9,211,051
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	85,216,699	111,419,522	44,087,724
TOTAL PRODUCER RECEIPTS	143,506,906	169,943,372	111,299,352
OTHER SOURCE A/	68,859,535	41,351,004	52,725,817
OPENING INVENTORY	11,916,978	11,014,147	9,837,179
OVERAGE	3,195	341	
TOTAL RECEIPTS	224,286,614	222,308,864	173,862,348
DAILY PRODUCER RECEIPTS	4,629,255	5,664,779	3,590,302
MAY -DAILY PRODUCER RECEIPTS COMPARED TO:		-18.28%	+28.94%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	952,671	809,165	751,651
% CHANGE FROM PREVIOUS YEAR	+26.74%	+26.36%	-10.34%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.442%	3.525%	3.527%
% PRODUCER MILK CLASSIFIED AS CLASS I	36.79%	31.22%	52.11%
NUMBER OF PRODUCERS	127	159	235
AVERAGE DAILY DELIVERY PER PRODUCER	36,451	35,628	15,278
NUMBER OF POOL HANDLERS	16	17	14

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

THE MARKET ADMINISTRATOR'S *REPORT*

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TEXAS MILK MARKET AT A GLANCE

	REPORTED MAY 1997	REPORTED APR. 1997	REPORTED MAY 1996
TOTAL UTILIZATION			
CLASS I	282,505,162	282,419,617	269,061,583
CLASS II	120,137,187	112,627,479	111,989,021
CLASS III/III-A	308,058,733	283,499,807	282,801,290
CLOSING INVENTORY (CLASS I, II AND III)	25,096,359	30,085,090	22,975,207
TOTAL UTILIZATION	735,797,441	708,631,993	686,827,101
DAILY CLASS I UTILIZATION	9,113,070	9,413,987	8,679,406
MAY -DAILY CLASS I COMPARED TO:		-3.20%	+5.00%
CLASS I YEAR TO DATE (IN THOUSANDS)	1,409,240	1,126,735	1,345,610
% CHANGE FROM PREVIOUS YEAR	+4.73%	+4.66%	+1.09%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	281,614,825	279,543,929	268,078,739
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	103,076,350	99,786,368	101,681,447
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	295,937,488	271,509,745	268,085,873
TOTAL PRODUCER RECEIPTS	680,628,663	650,840,042	637,846,059
OTHER SOURCE A/	25,099,331	19,424,837	17,924,511
OPENING INVENTORY	30,034,093	38,361,374	31,001,390
OVERAGE	35,354	5,740	55,141
TOTAL RECEIPTS	735,797,441	708,631,993	686,827,101
DAILY PRODUCER RECEIPTS	21,955,763	21,694,668	20,575,679
MAY-DAILY PRODUCER RECEIPTS COMPARED TO:		+1.20%	+6.71%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	3,035,053	2,354,425	3,137,831
% CHANGE FROM PREVIOUS YEAR	-3.28%	-5.82%	+10.83%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.438%	3.510%	3.458%
% PRODUCER MILK CLASSIFIED AS CLASS I	41.38%	42.95%	42.03%
NUMBER OF PRODUCERS	1,846	1,819	1,740
AVERAGE DAILY DELIVERY PER PRODUCER	11,894	11,927	11,825
NUMBER OF POOL HANDLERS	35	32	32

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