

THE MARKET ADMINISTRATOR'S

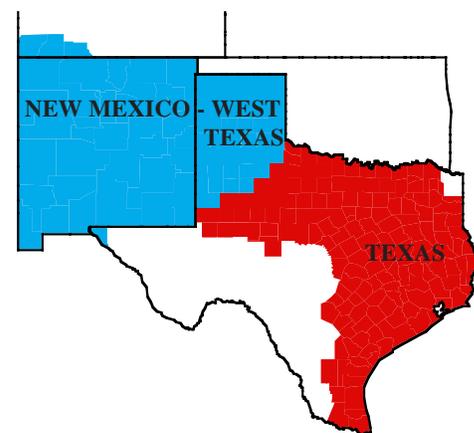
REPORT



TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

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SEPTEMBER 1997

MID-AMERICA DAIRYMEN INC. ORDERED TO SELL BORDEN/MEADOW GOLD DAIRIES

Mid-America Dairymen Inc. (Mid-Am) the largest dairy cooperative in the United States—will be allowed to acquire Borden/Meadow Gold Dairies Holdings Inc. as long as Mid-Am sells Borden dairies in Texas, Louisiana and New Mexico to another competitor, under a settlement filed September 3 by the Department of Justice. A newly-formed firm, Milk Products LLC, will be allowed to buy the divested dairies under certain conditions set out in the proposed settlement.

The Department's Antitrust Division said that if Mid-Am's acquisition of Borden had gone forward as originally proposed, it would have reduced competition for the sale of milk to public schools throughout eastern Texas and virtually all of Louisiana. A total of nine plants will be sold—five in Texas, three in Louisiana and one in New Mexico.

"Recently, we have rooted out and prosecuted many cases of criminal collusion in the sale of milk to schools, which resulted in higher prices for schools," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "It is important that we act to prevent mergers or acquisitions that might have the same effect."

Schools that participate in the U.S. Department of Agriculture's national school lunch and breakfast programs are required to offer fluid milk with every meal. The schools usually seek bids from the dairy firms that operate delivery routes in their area on an annual basis. Throughout much of Texas and Louisiana, Southern Foods Group LP, in which Mid-Am has a partial ownership interest, and Borden are the only two bidders for school milk contracts.

The transaction as originally proposed would have included the spin-off of Borden's Texas and Louisiana operations to Milk Products, which is expected to be based in Dallas, with Mid-Am financing most of the purchase price.

The complaint alleges that the original remedy was inadequate because the loan would have left Mid-Am with the ability to influence the operations of Milk Products. Combined with its partial ownership of Southern Foods, the loan would have given Mid-Am the incentive and ability to limit

competition between the two dairy firms.

The settlement will maintain competition by requiring Mid-Am to divest the Borden dairy operations located in Texas, Louisiana, and New Mexico and by placing limits on the terms and duration of any loans to Milk Products. The settlement also requires Mid-Am to reduce any loans to zero by September 1, 1999, and places strict limits on Mid-Am's access to information about Milk Products.

Borden/Meadow Gold, headquartered in Ogden, Utah, has 25 dairy processing plants in the western half of the U.S., including eight located in Texas and Louisiana. Southern Foods Group LP is headquartered in Dallas.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Roger W. Fones, Chief, Transportation, Energy and Agriculture Section, Antitrust Division, U.S. Department of Justice, 325 7th Street, N.W., Suite 500, Washington, D.C. 20530 (202/307-6351).

At the conclusion of the 60-day comment period, the U.S. District Court in Dallas may enter the consent decree upon a finding that it serves the public interest.

DAIRYMAN AND DRIVERS SENTENCED FOR ADULTERATION OF MILK

Former AMPI driver Daniel Jay Burtch is the latest to be sentenced for conspiring to participate in a scheme to sell milk which contained water that had been purposely added. Burtch was sentenced to five years probation in U.S. District Court in Fort Worth on September 9. In addition, Mr. Burtch was ordered to pay \$82,251.50 restitution for his part in the scheme to add water to milk.

Earlier in August two other individuals were also sentenced for fraud that involved watering down milk. Tommy Wayne Davis, a dairyman, of Yantis was sentenced to six months in prison without parole. Truman Leon Pope Sr., a milk-truck driver, of Sulphur Springs was sentenced to a year and a day without parole.

MARKET SUMMARIES FOR AUGUST

The August Class III price increased \$1.21 from the previous month to \$12.07. The Class II price for August of \$11.04 per hundredweight increased 4 cents from \$11.00 in July. August's Class III-A price decreased 18 cents from July's level to \$11.88.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received \$13.03 per hundredweight for deliveries of milk containing 3.5% butterfat. The August price was up 30 cents from July.

Producers delivered a total of 442,182,567 pounds of milk during August. On a daily basis this represents a decrease of 2.39 percent from the producer receipts level in July and it represents a decrease of 5.57 percent when compared to the producer receipts level of August 1996.

Producer milk classified as Class I during August amounted to 62.07 percent of total producer receipts. This figure is up from July's 57.44 percent but it is down slightly

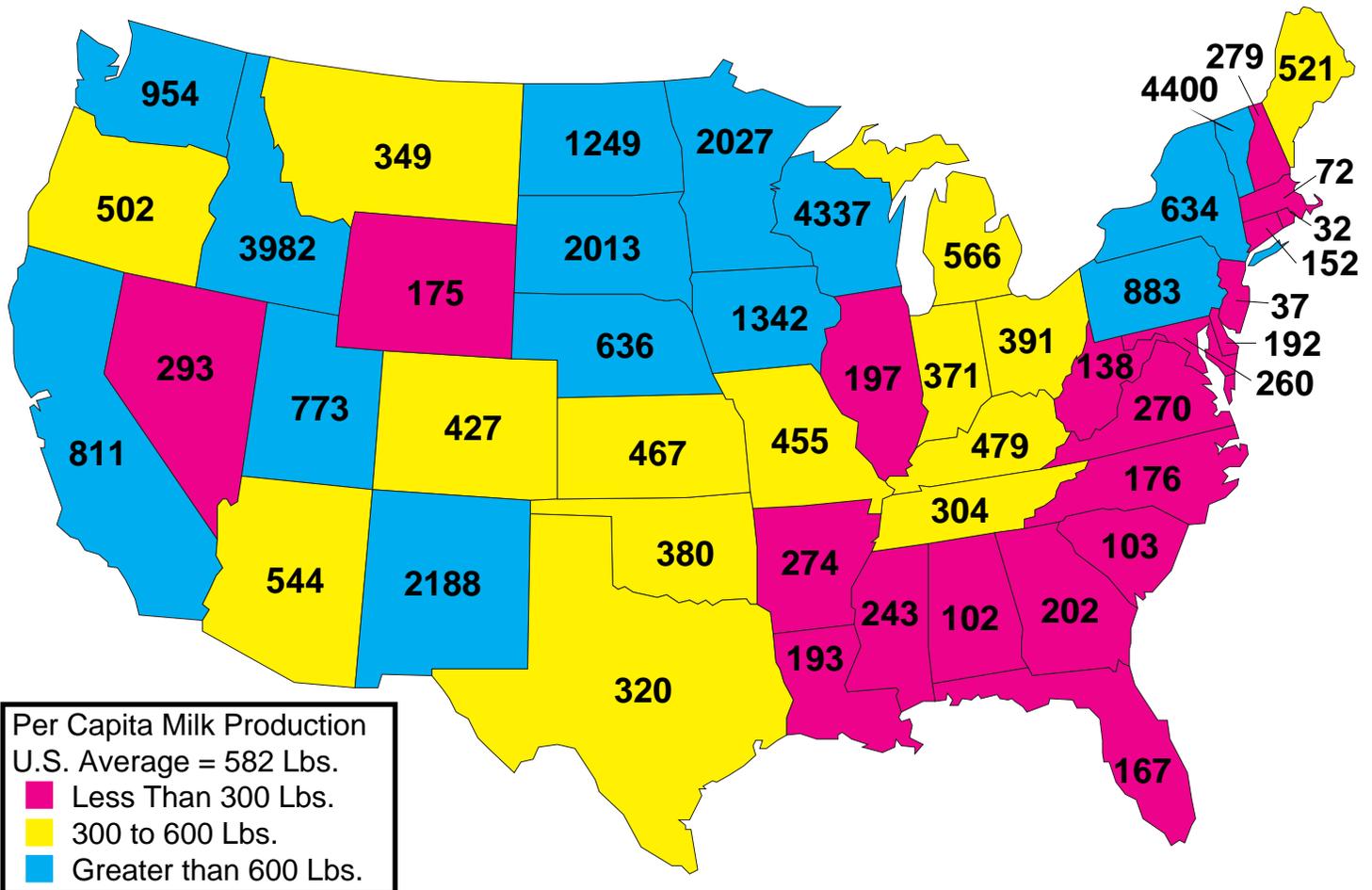
from 62.92 percent in August 1996. The average butterfat test of producer milk pooled during August 1997 was 3.400 percent.

New Mexico - West Texas: Producers who delivered milk to handlers located in Zone 1 of the New Mexico - West Texas Milk Market Order received \$12.42 per hundredweight for deliveries of milk containing 3.5% butterfat. The August price was up 70 cents from its July level.

Producers delivered a total of 168,990,992 pounds of milk during August. On a daily basis this represents a decrease of 10.59 percent from the producer receipts level in July and it represents a decrease of 18.00 percent when compared to the producer receipts level of August 1996.

Producer milk classified as Class I during August amounted to 32.15 percent of total producer receipts. This figure is up from 27.75 percent in July and it is up from 29.12 percent in August 1996. The average butterfat test of producer milk pooled during August 1997 was 3.378 percent.

1996 Per Capita Milk Production



TOP TEN TEXAS COUNTIES a/ – AUGUST 1997

County	Number of Producers	Pounds	% Change From 1996*	County	Number of Producers	Pounds	% Change From 1996*
1. Erath	162	105,937,960	-6.08	7. Hamilton	31	13,794,751	-5.19
2. Hopkins	310	49,238,830	-8.96	8. Wood	75	12,608,878	-.23
3. Comanche	53	32,223,260	-1.91	9. Cherokee	38	10,707,467	-7.10
4. El Paso	9	19,201,969	+5.84	10. Franklin	44	7,329,962	-8.67
5. Archer	64	16,484,338	+1.32	Ten County Total	834	282,277,240	-5.36 b/
6. Johnson	48	14,749,825	-15.45	Other Counties Total	629	134,994,284	-10.09
				Texas Total	1,463	417,271,524	-6.95

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/		Class II	Class III	Class III-A	Uniform a/		B F Diff.	Grade A	Block	Spray	
	126	138				Butter	Cheese		Powder			
	Dollars Per Hundred Wt. -----										c/Point	Cents Per Pound-----
July 1996	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	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									
October	15.23	14.42	12.37									

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

TOP NEW MEXICO COUNTIES a/ – AUGUST 1997

County	Number of Producers	Pounds	% Change From 1996*	County	Number of Producers	Pounds	% Change From 1996*
1. Chaves	41	118,025,298	+5.95	7. Valencia	12	11,380,249	+2.32
2. Dona Ana	24	62,557,205	+2.55	8. Bernalillo	8	9,356,664	+4.85
3. Roosevelt	29	41,010,927	+6.93	9. Socorro	7	6,754,286	+1.02
4. Curry	11	37,558,310	+24.85				
5. Lea	13	20,830,734	+19.25	Nine County Total	150	324,751,897	+7.88
6. Eddy	5	17,278,224	+7.80	Other Counties Total	6	8,654,660	+3.52
				New Mexico Total	156	333,406,557	+7.76

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 AUGUST 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	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	+0.07	-6.95
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

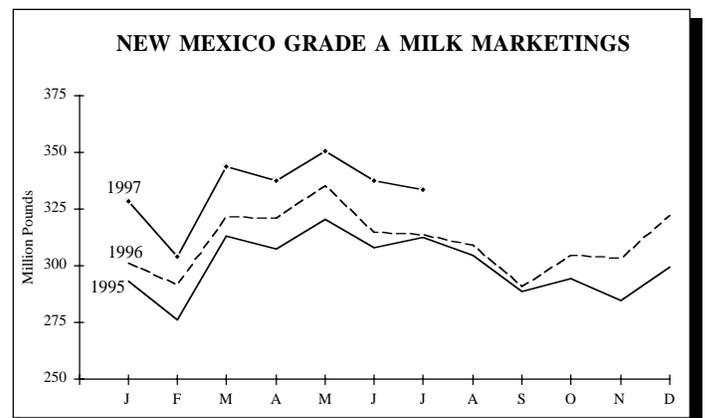
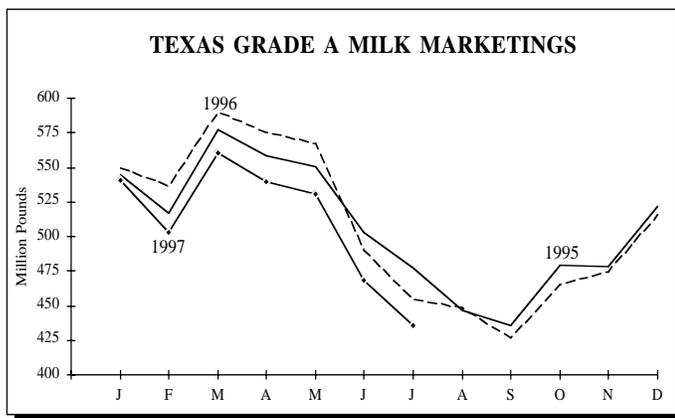
**February figures are based upon average daily production.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 1995 THROUGH AUGUST 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	337,592,757	158	+1.82	+7.22
July	312,630,262	153	313,553,863	154	342,391,766	159	+0.30	+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			+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
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
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

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED AUG. 1997	REPORTED JUL. 1997	REPORTED AUG. 1996
TOTAL UTILIZATION			
CLASS I	55,542,033	53,725,904	60,672,401
CLASS II	10,247,635	12,419,398	7,407,826
CLASS III/III-A	102,971,686	139,903,814	140,397,138
CLOSING INVENTORY (CLASS I, II AND III)	10,704,978	7,049,144	8,077,103
TOTAL UTILIZATION	179,466,332	213,098,260	216,554,468
DAILY CLASS I UTILIZATION	1,791,678	1,733,094	1,957,174
AUG. -DAILY CLASS I COMPARED TO:		+ 3.38%	- 8.46%
CLASS I YEAR TO DATE (IN THOUSANDS)	438,243	382,701	465,152
% CHANGE FROM PREVIOUS YEAR	- 5.79%	- 5.39%	- .76%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	54,329,787	52,447,484	60,000,685
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	8,942,459	10,904,907	6,318,676
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	105,718,746	125,643,092	139,759,184
TOTAL PRODUCER RECEIPTS	168,990,992	188,995,483	206,078,545
OTHER SOURCE A/	3,302,610	12,436,888	2,750,134
OPENING INVENTORY	6,999,375	11,662,484	7,725,789
OVERAGE	173,355	3,405	
TOTAL RECEIPTS	179,466,332	213,098,260	216,554,468
DAILY PRODUCER RECEIPTS	5,451,322	6,096,628	6,647,695
AUG. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 10.59%	- 18.00%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,513,407	1,344,416	1,273,043
% CHANGE FROM PREVIOUS YEAR	+ 18.88%	+ 26.00%	+ .17%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.378%	3.372%	3.454%
% PRODUCER MILK CLASSIFIED AS CLASS I	32.15%	27.75%	29.12%
NUMBER OF PRODUCERS	145	147	188
AVERAGE DAILY DELIVERY PER PRODUCER	37,595	41,474	35,360
NUMBER OF POOL HANDLERS	17	17	16

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

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TEXAS MILK MARKET AT A GLANCE

	<u>REPORTED</u> <u>AUG. 1997</u>	<u>REPORTED</u> <u>JUL. 1997</u>	<u>REPORTED</u> <u>AUG. 1996</u>
TOTAL UTILIZATION			
CLASS I	276,117,286	260,874,691	298,522,517
CLASS II	115,657,384	114,768,253	110,084,510
CLASS III/III-A	64,425,406	105,457,483	87,671,678
CLOSING INVENTORY (CLASS I, II AND III)	36,677,829	23,243,727	28,722,426
TOTAL UTILIZATION	492,877,905	504,344,154	525,001,131
DAILY CLASS I UTILIZATION	8,907,009	8,415,313	9,629,759
AUG.-DAILY CLASS I COMPARED TO:		+ 5.84%	- 7.51%
CLASS I YEAR TO DATE (IN THOUSANDS)	2,199,605	1,923,488	2,164,996
% CHANGE FROM PREVIOUS YEAR	+ 1.60%	+ 3.05%	+ 4.06%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	274,454,541	260,178,005	294,635,490
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	102,929,903	96,360,585	100,803,761
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	64,798,123	96,446,362	72,840,588
TOTAL PRODUCER RECEIPTS	442,182,567	452,984,952	468,279,839
OTHER SOURCE A/	27,298,400	20,707,279	26,753,010
OPENING INVENTORY	23,358,315	30,645,809	29,968,282
OVERAGE	38,623	6,114	
TOTAL RECEIPTS	492,877,905	504,344,154	525,001,131
DAILY PRODUCER RECEIPTS	14,263,954	14,612,418	15,105,801
AUG.-DAILY PRODUCER RECEIPTS COMPARED TO:		- 2.39%	- 5.57%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	4,464,127	4,021,944	4,682,011
% CHANGE FROM PREVIOUS YEAR	- 4.65%	- 4.55%	+ 5.41%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.400%	3.408%	3.483%
% PRODUCER MILK CLASSIFIED AS CLASS I	62.07%	57.44%	62.92%
NUMBER OF PRODUCERS	1,492	1,529	1,709
AVERAGE DAILY DELIVERY PER PRODUCER	9,560	9,557	8,839
NUMBER OF POOL HANDLERS	30	31	31

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