THE MARKET ADMINISTRATOR'S

REPORT

USDA AMS AGRICULTURAL MARKETING SERVICE

TEXAS MARKETING AREA
NEW MEXICO - WEST TEXAS MARKETING AREA

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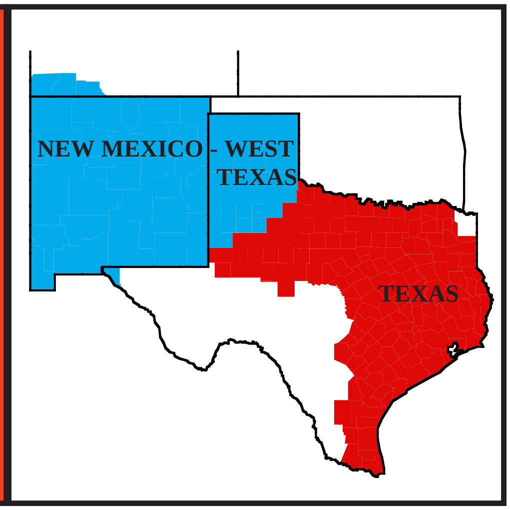

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MARKET SUMMARIES FOR NOVEMBER

The November Class III price increased 80 cents from the previous month to $16.84. The Class II price for November of $15.40 per hundredweight increased 11 cents from $15.29 in October. November's Class III-A price decreased $3.26 from October's level to $14.87.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $17.44 per hundredweight for deliveries of milk containing 3.5% butterfat. The November price was up 15 cents from October.

Producers delivered a total of 410,126,557 pounds of milk during November. On a daily basis this represents a decrease of 14.26 percent from the producer receipts level in October and it represents a decrease of 15.50 percent when compared to the producer receipts level of November 1997.

Producer milk classified as Class I during November amounted to 64.80 percent of total producer receipts. This figure is up from October's 57.08 percent and it is up from 53.59 percent in November 1997. The average butterfat test of producer milk pooled during November 1998 was 3.697 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 $16.89 per hundredweight for deliveries of milk containing 3.5% butterfat. The November price was up 26 cents from its October level.

Producers delivered a total of 138,219,604 pounds of milk during November. On a daily basis this represents an increase of 4.07 percent from the producer receipts level in October but it represents a decrease of 15.33 percent when compared to the producer receipts level of November 1997.

Producer milk classified as Class I during November amounted to 37.47 percent of total producer receipts. This figure is down from 40.90 percent in October but it is up from 31.58 percent in November 1997. The average butterfat test of producer milk pooled during November 1998 was 3.664 percent.

DAIRY SITUATION AND OUTLOOK

Robust demand and stagnant milk production produced record milk prices for milk and most dairy products during the summer and autumn. Much larger imports of butter and modest seasonal weakening in butter markets lowered autumn prices to well below the September peak, but cheese prices have continued to edge higher through November. The Basic Formula Price (BFP) of $16.84 for November was well above the previous record of September 1996.

Steep price declines are expected to begin within a few weeks, once demand for the year-end holidays is met. Milk production is expected to begin increasing in response to recent high prices, while commercial use also starts to feel their full brunt. Even so, 1999 prices are projected to stay much higher than those of most of the nineties.

Continued economic growth and consumer willingness to spend generated brisk demand for dairy products during spring and summer. Use, even at high and rapidly rising prices, was strong enough to prevent pipeline holdings from reaching heavy levels and forestalled price drops. Sales during April-September rose almost 3 percent from a year earlier on a milk equivalent, milkfat basis and almost 2 percent on a skim solids basis.

April-September sales of cheese were fairly strong, with American varieties almost 3 percent above a year earlier and other types more than 1 percent higher. Meanwhile, butter use rose almost 1 percent. Butter and cheese disappearance exhibited a much different seasonality in 1998 than in 1997 because of the effects of much different price patterns. Second-quarter sales rose sharply as pipelines were rebuilt , followed by no gain or declines during the third quarter.

April-September use of nonfat dry milk rose 7 percent. Powder use, particularly by food processors, had been languishing. However, strong product demand and tight alternative sources of skim solids boosted use of nonfat dry milk.

Demand is expected to remain fairly strong in 1999 but will be weakened by delayed response to the price levels of 1998. Domestic economic growth is projected to continue, although troubles in other economies will be worrisome. Commercial use of milkfat is projected to rise about 1 percent in 1999, with skim solids sales rising about 2 percent. However, the true measure of next year's demand will be the price levels needed to bring about these increases in use.

Failure to respond quickly to very strong expansion stimuli was the main story told by summer milk production data. July-September milk per cow was just barely above a year earlier, despite a milk-feed price ratio above 2.0 for the first time ever. Similarly, sharp higher returns slowed declines in milk cow numbers, but only slightly. Recent output patterns probably do not mean significant expansion in milk output will not occur, but they may imply only slowly accelerating growth during 1999.

Weak summer milk per cow had a number of causes that temporarily overcame the effects of three quarters of favorable milk-feed price ratios. Alfalfa quality was quite spotty over much of the country, particularly for the first cuttings that probably comprised most of what was fed during the summer. In addition, some effects of spring forage problems may have carried over into summer. The very high prices of cottonseed, while other concentrate prices were decreasing, led to less cottonseed being fed, and rations may not have been reformulated to fully compensate. The net impact of summer weather was problematic. Very hot weather in California, following spring mud and mastitis stress, clearly affected California's milk per cow. Similarly, milk per cow was reduced by heat across most of the South. However, summer weather in most of the Midwest and Northeast was very comfortable and should have boosted milk per cow.

Summer returns over concentrate costs rose above $12 per cwt of milk for the first time, up a third from a year earlier. The strong summer level followed increases of 13-15 percent during the first half of 1998. The modest nature of the impact of these returns on structural changes and milk per cow was largely expected, particularly in light of the volatility of milk prices in recent years. These returns do not significantly improve the long-run position of farms exiting dairying because of income stress. On the other hand, producers making major expansions tend to be very cautious about accelerating their plans. In addition, reports of sharp increases in prices of replacement heifers and cows this summer indicated that the supply of replacements may be limiting response in cow numbers.

Such strong incentive to boost milk production is not likely to be resisted for too long. Milk cow numbers are expected to run just slightly below a year earlier during the rest of 1998 and 1999. If expanding producers start devoting recent returns to accelerated growth, cow numbers would run stronger than projected and could be close to a year earlier by the second half of 1999.

The concentrate ration value is expected to fall an average of about a tenth in 1999 and will be down about a fourth from the 1996 peak. The milk-feed price ratio is projected to average about 2.0, unprecedented incentive to boost concentrate feeding and milk per cow. Even with this year's generally good silage crop, forage quality will remain a moderating factor through at least midyear. Also, the damage evidently done to cows this year will persist until they start a new lactation. Milk per cow is expected to be growing strongly by late 1999 but recovery may develop gradually.

Milk production in 1998 is projected to rise less than 1 billion pounds, the result of a fractional decline in milk cow numbers and an increase in milk per cow of just more than 1 percent. Output in 1999 is expected to rise 1.5 to 2.0 percent, with second-half increases well over 2 percent. Growth in milk per cow probably will be considerably more than 2 percent for the year, starting the year below 2 percent before rising to about 3 percent in the second half. The decline in milk cow numbers is projected to be about the same as in 1998.

Source: "Livestock, Dairy, and Poultry Monthly, LDP-54, November 18, 1998, ERS, USDA.

TOP TEN TEXAS COUNTIES a/ – NOVEMBER 1998

County	Number of Producers	Pounds	% Change From 1997
1. Erath	151	114,181,890	+3.69
2. Hopkins	251	46,134,741	-7.40
3. Comanche	46	35,527,210	+8.19
4. El Paso	9	21,184,647	+8.49
5. Archer	58	18,335,691	-2.32
6. Hamilton	28	15,939,015	+5.43
7. Wood	72	14,868,889	+6.27
8. Johnson	44	13,829,423	-11.20
9. Cherokee	28	9,829,611	-9.42
10. Van Zandt	25	8,764,202	+8.54
Ten County Total	712	298,595,319	+1.33 b/
Other Counties Total	559	136,849,157	-3.58
Texas Total	1,271	435,444,476	-.27

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--------------		
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	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								
January 1999	20.00	19.19	17.14								

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

TOP NEW MEXICO COUNTIES a/ – NOVEMBER 1998

County	Number of Producers	Pounds	% Change From 1997
1. Chaves	41	120,167,315	+1.70
2. Dona Ana	23	57,518,851	-2.02
3. Curry	12	44,025,650	+20.61
4. Roosevelt	32	43,390,291	+10.38
5. Lea	13	29,831,670	+44.95
6. Eddy	6	21,055,061	+8.08
7. Bernalillo	8	10,158,096	+14.21
8. Valencia	11	9,123,643	-13.13
9. Socorro	8	8,232,157	+28.74
Nine County Total	154	343,502,734	+7.84
Other Counties Total	4	4,721,008	-38.59
New Mexico Total	158	348,223,742	+6.75

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 1996 THROUGH NOVEMBER 1998, WITH PERCENTAGE COMPARISONS

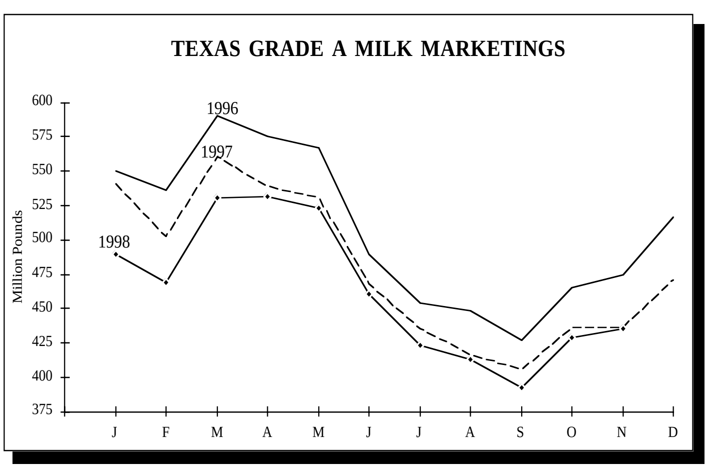
MONTH	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	PERCENT CHANGE 1997/96	PERCENT CHANGE 1998/97
January	549,914,311	1,786	540,918,023	1,610	491,168,340	1,359	-1.64	-9.20
February	536,326,949	1,773	503,177,566	1,591	469,305,849	1,347	-2.83	-6.73
March	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	413,296,879	1,298	-6.95	-.95
September	427,623,846	1,639	405,563,476	1,435	392,427,802	1,300	-5.08	-3.24
October	466,085,603	1,637	436,528,559	1,408	429,372,951	1,289	-6.34	-1.64
November	474,250,855	1,636	436,607,225	1,391	435,444,476	1,271	-7.94	-.27
December	516,304,359	1,620	470,803,040	1,368			-8.81	
Years Total	6,098,233,434		5,745,732,736				-5.78	

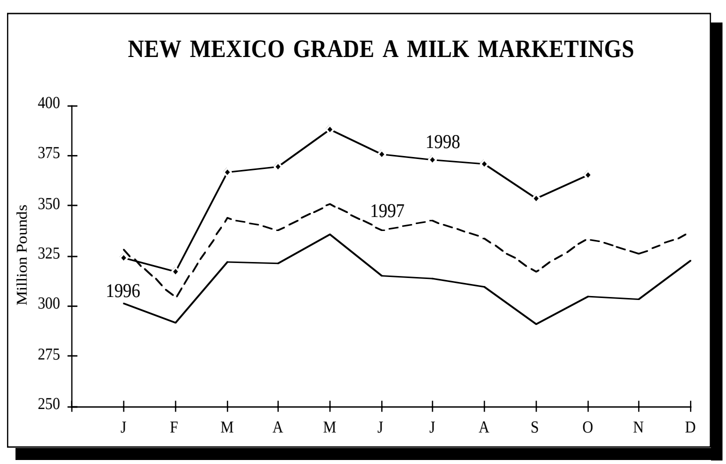
*Revised figures

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

MONTH	1996 POUNDS	Number of Producers	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	PERCENT CHANGE 1997/96	PERCENT CHANGE 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	370,668,016	156	+7.76	+11.18
September	293,390,938	157	317,181,279	159	353,457,040	155	+8.11	+11.44
October	307,608,027	156	333,587,208	158	365,469,264	159	+8.45	+9.56
November	303,433,595	157	326,212,021	158	348,223,742	158	+7.51	+6.75
December	322,470,035	157	336,117,343	157			+4.23	
Years Total	3,736,523,628		3,991,241,484				+6.82	

*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
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
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

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED NOV. 1998	REPORTED OCT. 1998	REPORTED NOV. 1997
TOTAL UTILIZATION			
CLASS I	53,657,949	57,601,819	53,186,097
CLASS II	8,698,529	7,862,623	6,968,714
CLASS III/III-A	93,089,186	75,589,811	102,099,417
CLOSING INVENTORY (CLASS I, II AND III)	10,108,906	5,578,668	10,631,997
TOTAL UTILIZATION	165,554,570	146,632,921	172,886,225
DAILY CLASS I UTILIZATION	1,788,598	1,858,123	1,772,870
NOV. -DAILY CLASS I COMPARED TO:		- 3.74%	+ .89%
CLASS I YEAR TO DATE (IN THOUSANDS)	601,043	547,385	608,142
% CHANGE FROM PREVIOUS YEAR	- 1.17%	- 1.37%	- 5.10%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	51,786,903	56,126,183	51,549,326
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	7,090,151	6,628,391	5,523,597
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	79,342,550	74,484,237	106,168,223
TOTAL PRODUCER RECEIPTS	138,219,604	137,238,811	163,241,146
OTHER SOURCE A/	18,433,218	3,606,567	3,412,505
OPENING INVENTORY	8,891,775	5,787,537	6,152,564
OVERAGE	9,973	6	80,010
TOTAL RECEIPTS	165,554,570	146,632,921	172,886,225
DAILY PRODUCER RECEIPTS	4,607,320	4,427,058	5,441,372
NOV. -DAILY PRODUCER RECEIPTS COMPARED TO:		+ 4.07%	- 15.33%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,746,304	1,608,084	1,923,819
% CHANGE FROM PREVIOUS YEAR	- 9.23%	- 8.66%	+ 1.31%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.664%	3.518%	3.690%
% PRODUCER MILK CLASSIFIED AS CLASS I	37.47%	40.90%	31.58%
NUMBER OF PRODUCERS	221	175	140
AVERAGE DAILY DELIVERY PER PRODUCER	20,848	25,297	38,867
NUMBER OF POOL HANDLERS	15	11	19

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

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TEXAS MILK MARKET AT A GLANCE

	REPORTED NOV. 1998	REPORTED OCT. 1998	REPORTED NOV. 1997
TOTAL UTILIZATION			
CLASS I	266,378,306	288,093,204	262,994,792
CLASS II	99,507,403	107,405,481	95,878,740
CLASS III/III-A	63,025,844	126,895,902	133,126,987
CLOSING INVENTORY (CLASS I, II AND III)	33,927,585	27,027,698	36,942,935
TOTAL UTILIZATION	462,839,138	549,422,285	528,943,454
DAILY CLASS I UTILIZATION	8,879,277	9,293,329	8,766,493
NOV. -DAILY CLASS I COMPARED TO:		- 4.46%	+ 1.29%
CLASS I YEAR TO DATE (IN THOUSANDS)	2,959,804	2,693,426	3,026,479
% CHANGE FROM PREVIOUS YEAR	- 2.20%	- 2.54%	+ .40%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	265,759,203	282,121,595	260,099,769
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	81,683,971	87,474,515	87,934,261
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	62,683,383	124,673,051	137,301,743
TOTAL PRODUCER RECEIPTS	410,126,557	494,269,161	485,335,773
OTHER SOURCE A/	25,173,077	28,517,502	15,125,538
OPENING INVENTORY	27,481,274	26,635,090	28,480,379
OVERAGE	58,230	532	1,764
TOTAL RECEIPTS	462,839,138	549,422,285	528,943,454
DAILY PRODUCER RECEIPTS	13,670,885	15,944,166	16,177,859
NOV. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 14.26%	- 15.50%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	5,399,936	4,989,809	5,864,464
% CHANGE FROM PREVIOUS YEAR	- 7.92%	- 7.24%	- 2.86%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.697%	3.549%	3.756%
% PRODUCER MILK CLASSIFIED AS CLASS I	64.80%	57.08%	53.59%
NUMBER OF PRODUCERS	1,429	1,476	1,399
AVERAGE DAILY DELIVERY PER PRODUCER	9,567	10,802	11,564
NUMBER OF POOL HANDLERS	31	28	33

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