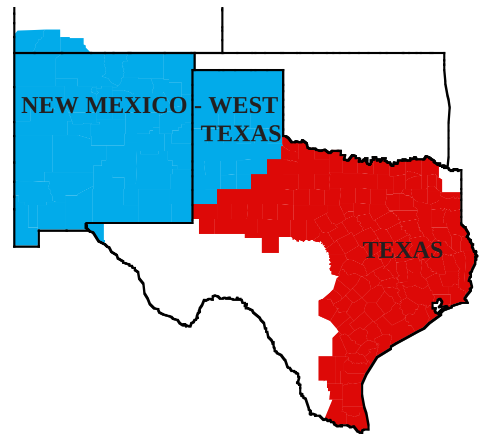
THE MARKET ADMINISTRATOR'S

REPORT



TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
(972) 245-6060 FAX (972) 245-3211
e-mail: richard.fleming@usda.gov
WWW: http://members.aol.com/fmmo1126

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SITUATION AND OUTLOOK

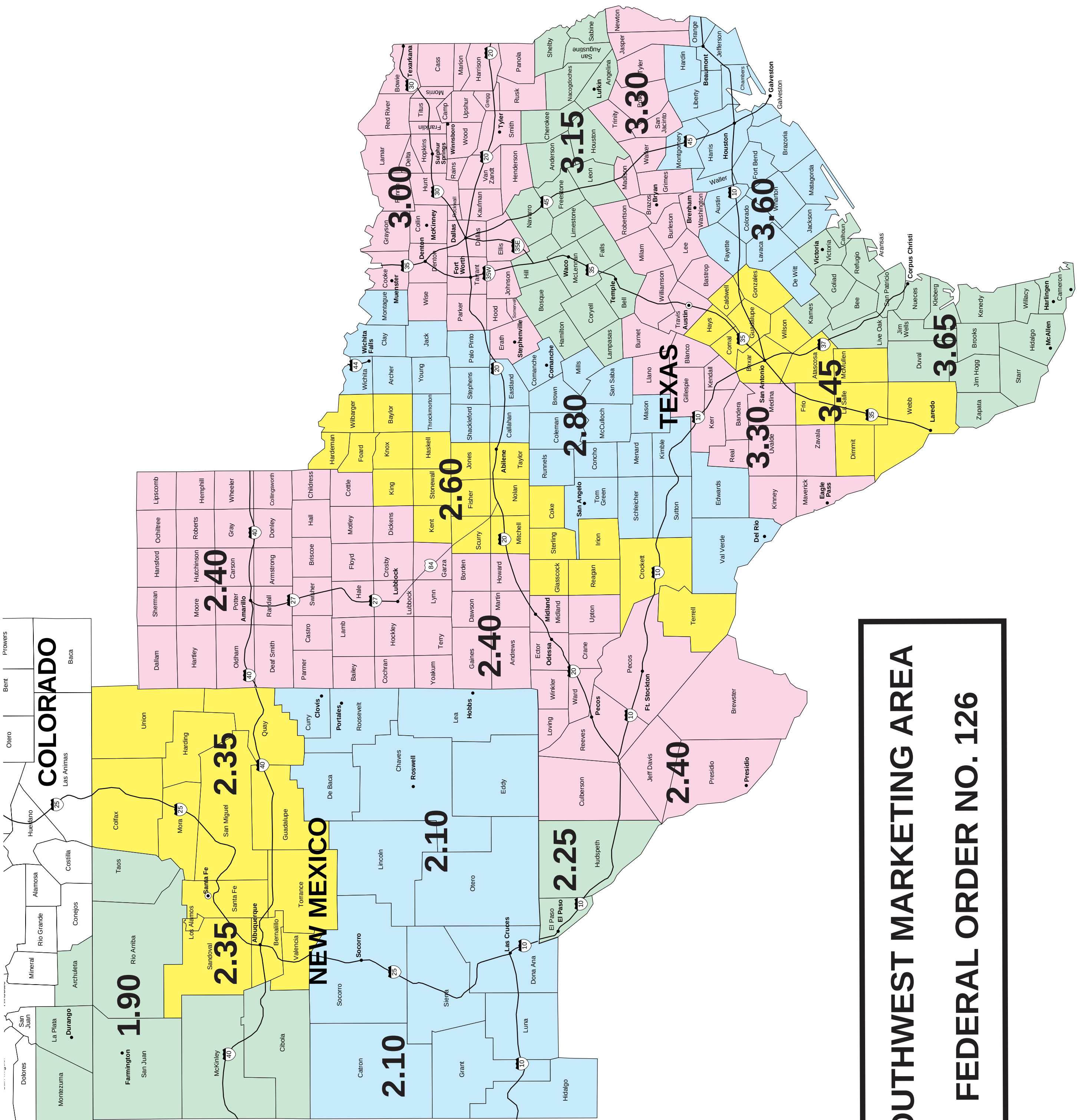
Surging milk production finally began to overtake strong demand and dropped most wholesale dairy product prices sharply. Mid-November cheese prices were near support purchase prices after plunging almost 45 percent from the August record. Similarly, butter prices had fallen about 25 percent from their August peak. Late 1999 and early 2000 milk prices will be down sharply from a year earlier and the lowest in 5 years.

Milk cow numbers have drifted higher since the autumn of 1998, moving above a year earlier during the summer. Relatively strong returns during most of 1996-99 have spurred construction of new or greatly expanded operations, as well as reduced pressures on weaker producers to exit. Expansion was most pronounced in the West, where easing of the very tight forage situation of 1997-98 removed a constraint on dairy herd expansion. Lower milk prices are expected to lead to resumption of the long down trend in milk cow numbers, but cow numbers might stay above a year earlier through much of 2000. The number of exiting farmers probably will pick up, as recent returns have done little to alter the long-run position of weaker producers. On the other hand, significant numbers of individual herds are likely to expand. Normally, a well-established expansion process is not halted quickly by lower returns, particularly by returns within the range experienced relatively recently. Some newly expanded facilities reportedly were not filled completely because of not enough available replacements. These herds will undoubtedly expand in 2000.

Milk per cow grew briskly in summer and early autumn as most key factors were positive. Milk-feed price ratios have strongly supported increased feeding of grain and other concentrates and above-trend rises in milk per cow. Although the milk-feed price ratio will soon slip to less lofty readings, it will remain generally favorable. The forage situation is mixed but somewhat positive. Supplies of top quality alfalfa stay tight, but mediocre alfalfa hay is ample and much lower priced. Substantial growth in milk per cow should continue in 2000 unless major weather problems develop. Gains in milk per cow and about unchanged cow numbers are expected to lift milk production about 2 percent in 2000, following this year's 3 percent rise. Increases from a year earlier probably will be significant throughout 2000 but may diminish slowly as the year progresses.

Commercial use of dairy products posted large gains during August-September, not the conditions normally associated with the beginning of a major price decline. Spurred by brisk economic growth and consumer spending, sales of most major products rose sharply. The surge in use pulled down warehouse stocks rapidly, although holdings remained relatively large. Sales increases were very large for cheese and butter and modest for fluid milk, while soft product sales were the only weak spot. The strength of late summer sales probably was misleading. Early autumn pipeline holdings probably were very swollen, as final sales did not absorb the surge in product production and pull down warehouse stocks as sharply as feared earlier in the summer. Working down these pipeline stocks probably will provide some fourth-quarter weakness in commercial disappearance.

Increases in milk production and dairy product demand have actually been relatively steady in 1999, with rises in output tending to surpass demand growth. The sharp swings in dairy prices resulted from uncertainty about the relative sizes of the production and use increases and some abrupt reactions by traders to even minor variations in market conditions. First-half 2000 prices are expected to be relatively low, even if they recover somewhat after the current product backlog clears. Large production increases probably will outweigh demand growth, and buyers may be more relaxed about ensuring second-half supplies early. Seasonal price increases during the second half of 2000 may be substantial, particularly if output rises ease. The annual average milk price is projected to be around \$13.00 per cwt., down from about \$14.40 in 1999.



SOUTHWEST MARKETING AREA
FEDERAL ORDER NO. 126

TOP TEN TEXAS COUNTIES a/ – NOVEMBER 1999

County	Number of Producers	Pounds	% Change From 1998b/	County	Number of Producers	Pounds	% Change From 1998b/
1. Erath	148	118,916,364	+4.15	7. Johnson	38	13,057,242	-5.58
2. Hopkins	223	43,169,132	-6.43	8. Hamilton	22	12,739,525	-20.07
3. Comanche	47	41,748,747	+17.51	9. Lamb	3	9,872,083	+78.71
4. El Paso	8	21,599,952	+1.96	10. Cherokee	24	8,782,358	-10.65
5. Archer	58	20,656,682	+12.66	Ten County Total	633	305,269,443	+2.19 b/
6. Wood	62	14,727,358	-1.80	Other Counties Total	533	141,793,102	+3.61
				Texas Total	1,166	447,062,545	+2.64

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**

	Class I a/				Class	Uniform a/			Grade A	Block	Spray
	126	138	Class II	Class III	III-A	126	138	B F Diff.	Butter	Cheese	Powder
Month	-------- Dollars Per Hundred Wt. --------							¢/Point	-------------Cents Per Pound--------------		
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	17.34	13.48	17.85	17.08	13.2	132.31	187.07	114.90
Averages 1998b/	16.70	15.89	13.84	14.20	14.85	15.43	14.65	19.2	168.71	153.63	106.94
January 1999	20.00	19.19	17.14	16.27	13.12	18.03	16.68	13.7	133.22	175.95	108.93
February	20.50	19.69	17.64	10.27	12.78	16.27	19.03	13.9	122.53	130.10	104.37
March	19.43	18.62	16.57	11.62	12.36	15.76	14.49	13.2	120.27	130.92	102.39
April	13.43	12.62	10.57	11.81	11.06	12.33	12.03	9.5	93.98	131.31	102.28
May	14.78	13.97	11.92	11.26	11.62	12.97	12.43	11.1	103.89	126.61	102.28
June	14.97	14.16	12.11	11.42	13.29	13.37	12.84	16.1	140.31	127.47	101.39
July	14.42	13.61	11.56	13.59	12.37	13.57	13.39	13.4	125.44	147.02	101.72
August	14.58	13.77	11.72	15.79	12.62	13.97	13.61	13.6	130.63	172.13	103.84
September	16.75	15.94	13.89	16.26	12.37	15.91	15.58	12.6	124.93	180.23	104.86
October	18.95	18.14	16.09	11.49	11.78	16.01	14.53	11.0	103.48	143.88	104.51
November	19.42	18.61	16.56	9.79	11.57	15.62	14.05	10.7	98.25	121.43	103.43
December	14.65	13.84	11.79								

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

TOP NEW MEXICO COUNTIES a/ – NOVEMBER 1999

County	Number of Producers	Pounds	% Change From 1998b/	County	Number of Producers	Pounds	% Change From 1998b/
1. Chaves	40	133,888,907	+11.51	7. Bernalillo	8	10,736,304	+5.69
2. Dona Ana	25	63,742,592	+10.82	8. Socorro	8	9,775,039	+18.74
3. Curry	13	54,985,456	+24.89	9. Valencia	10	9,337,376	+2.34
4. Roosevelt	32	47,930,957	+10.46				
5. Lea	13	32,161,656	+7.81	Nine County Total	155	384,833,034	+12.06
6. Eddy	6	22,274,747	+5.79	Other Counties Total	4	5,024,040	+6.42
				New Mexico Total	159	389,857,074	+11.99

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 1997 THROUGH NOVEMBER 1999, WITH PERCENTAGE COMPARISONS

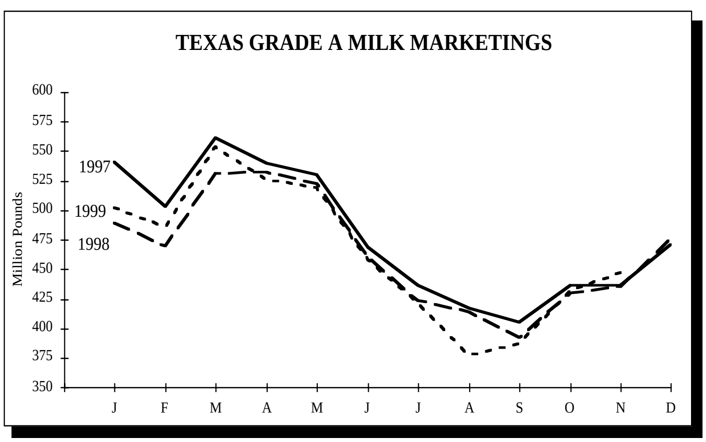
MONTH	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	PERCENT CHANGE 1998/97	PERCENT CHANGE 1999/98
January	540,918,023	1,610	491,168,340	1,359	501,754,729	1,251	-9.20	+2.16
February	503,177,566	1,591	469,305,849	1,347	486,044,271	1,245	-6.73	+3.57
March	560,823,025	1,566	532,588,272	1,339	553,983,640	1,241	-5.03	+4.02
April	539,258,903	1,553	532,823,237	1,336	525,773,380	1,233	-1.19	-1.32
May	530,457,547	1,550	524,523,430	1,319	519,613,189	1,219	-1.12	-.94
June	468,546,651	1,523	464,057,905	1,321	458,247,406	1,216	-.96	-1.25
July	435,777,197	1,489	422,973,696	1,305	421,340,140	1,206	-2.94	-.39
August	417,271,524	1,463	413,296,879	1,298	377,392,147	1,197	-.95	-8.69
September	405,563,476	1,435	392,427,802	1,300	386,931,407	1,189	-3.24	-1.40
October	436,528,559	1,408	429,372,951	1,289	432,175,585	1,181	-1.64	+.65
November	436,607,225	1,391	435,572,798	1,271	447,062,545	1,166	-.27	+2.64
December	470,803,040	1,368	474,573,747	1,260			+.80	
Years Total	5,745,732,736		5,582,684,906				-2.84	

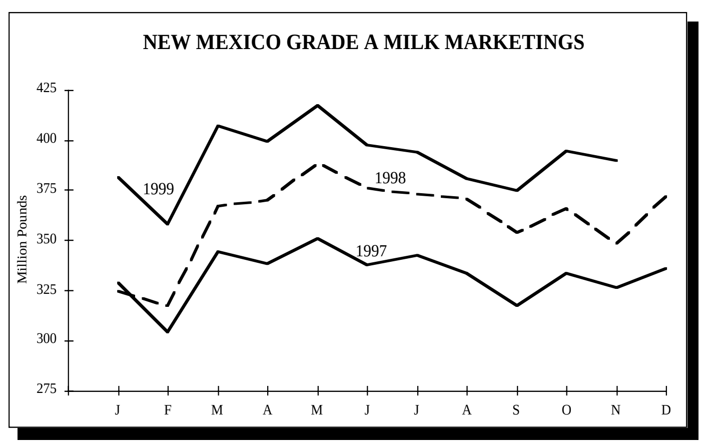
*Revised figures

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1997 THROUGH NOVEMBER 1999, WITH PERCENTAGE COMPARISONS

MONTH	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	PERCENT CHANGE 1998/97	PERCENT CHANGE 1999/98
January	328,059,604	156	324,314,276	158	381,115,401	156	-1.14	+17.51
February	303,972,265	156	317,500,751	156	358,049,940	157	+4.45	+12.77
March	343,866,862	157	366,656,779	157	406,789,374	156	+6.63	+10.95
April	337,943,697	157	369,782,775	156	399,229,362	157	+9.42	+7.96
May	350,910,125	158	388,308,155	155	416,852,251	157	+10.66	+7.35
June	337,592,757	158	378,569,203	159	397,483,877	159	+12.14	+5.00
July	342,391,766	159	372,803,402	157	393,796,366	158	+8.88	+5.63
August	333,406,557	156	370,668,016	156	380,628,318	158	+11.18	+2.69
September	317,181,279	159	353,457,040	155	374,886,452	160	+11.44	+6.06
October	333,587,208	158	365,469,264	159	394,366,657	162	+9.56	+7.91
November	326,212,021	158	348,126,652	158	389,857,074	159	+6.75	+11.99
December	336,117,343	157	371,894,332	157			+10.64	
Years Total	3,991,241,484		4,327,550,645				+8.43	

*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	3.71	3.65	3.33	3.32	4.78	4.78	8.81	8.79	387	271
December	3.71	3.67	3.34	3.32	4.78	4.77	8.81	8.80	378	263
Average 1998	3.57	3.52	3.23	3.20	4.77	4.80	8.71	8.70	388	285
January 1999	3.67	3.64	3.30	3.26	4.78	4.78	8.78	8.75	375	261
February	3.59	3.60	3.25	3.24	4.78	4.77	8.74	8.72	351	267
March	3.59	3.57	3.26	3.22	4.81	4.78	8.76	8.71	346	255
April	3.50	3.52	3.23	3.20	4.81	4.79	8.74	8.69	342	242
May	3.52	3.48	3.19	3.16	4.80	4.79	8.70	8.66	348	240
June	3.53	3.45	3.19	3.14	4.76	4.79	8.66	8.63	395	265
July	3.52	3.40	3.20	3.11	4.72	4.74	8.64	8.57	408	290
August	3.54	3.43	3.21	3.14	4.70	4.74	8.63	8.60	429	310
September	3.60	3.50	3.29	3.20	4.70	4.75	8.71	8.67	420	305
October	3.70	3.61	3.34	3.28	4.72	4.75	8.78	8.74	357	273
November	3.71	3.67	3.32	3.29	4.74	4.74	8.78	8.75	333	244

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED NOV. 1999	REPORTED OCT. 1999	REPORTED NOV. 1998
TOTAL UTILIZATION			
CLASS I	54,917,091	55,881,661	53,657,949
CLASS II	12,038,458	9,352,213	8,698,529
CLASS III/III-A	69,767,256	67,528,776	93,089,186
CLOSING INVENTORY (CLASS I, II AND III)	6,554,594	6,903,767	10,108,906
TOTAL UTILIZATION	143,277,399	139,666,417	165,554,570
DAILY CLASS I UTILIZATION	1,830,570	1,802,634	1,788,598
NOV. -DAILY CLASS I COMPARED TO:		+ 1.55%	+ 2.35%
CLASS I YEAR TO DATE (IN THOUSANDS)	597,502	542,585	601,043
% CHANGE FROM PREVIOUS YEAR	- .59%	- .88%	- 1.17%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	53,082,853	53,042,918	51,786,903
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	10,298,273	8,289,384	7,090,151
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	68,347,531	68,044,993	79,342,550
TOTAL PRODUCER RECEIPTS	131,728,657	129,377,295	138,219,604
OTHER SOURCE A/	4,644,975	4,289,976	18,433,218
OPENING INVENTORY	6,903,767	5,995,888	8,891,775
OVERAGE		3,258	9,973
TOTAL RECEIPTS	143,277,399	139,666,417	165,554,570
DAILY PRODUCER RECEIPTS	4,390,955	4,173,461	4,607,320
NOV. -DAILY PRODUCER RECEIPTS COMPARED TO:		+ 5.21%	- 4.70%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,203,743	1,072,015	1,746,304
% CHANGE FROM PREVIOUS YEAR	- 31.07%	- 33.34%	- 9.23%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.698%	3.624%	3.664%
% PRODUCER MILK CLASSIFIED AS CLASS I	40.30%	41.00%	37.47%
NUMBER OF PRODUCERS	89	90	221
AVERAGE DAILY DELIVERY PER PRODUCER	49,337	46,372	20,848
NUMBER OF POOL HANDLERS	9	9	15

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

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REPORT

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RICHARD FLEMING, MARKET ADMINISTRATOR
P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939
(972) 245-6060 FAX(972) 245-3211

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TEXAS MILK MARKET AT A GLANCE

	REPORTED NOV. 1999	REPORTED OCT. 1999	REPORTED NOV. 1998
TOTAL UTILIZATION			
CLASS I	277,250,236	283,295,221	266,378,306
CLASS II	72,528,496	77,733,969	99,507,403
CLASS III/III-A	252,378,378	211,261,695	63,025,844
CLOSING INVENTORY (CLASS I, II AND III)	35,769,183	37,555,082	33,927,585
TOTAL UTILIZATION	637,926,293	609,845,967	462,839,138
DAILY CLASS I UTILIZATION	9,241,675	9,138,556	8,879,277
NOV. -DAILY CLASS I COMPARED TO:		+ 1.13%	+4.08%
CLASS I YEAR TO DATE (IN THOUSANDS)	3,040,936	2,763,685	2,959,804
% CHANGE FROM PREVIOUS YEAR	+ 2.74%	+ 2.61%	- 2.20%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	277,150,885	281,939,882	265,759,203
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	52,025,664	65,507,782	81,683,971
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	227,575,860	215,205,192	62,683,383
TOTAL PRODUCER RECEIPTS	556,752,409	562,652,856	410,126,557
OTHER SOURCE A/	42,787,414	17,234,204	25,173,077
OPENING INVENTORY	38,296,784	29,957,657	27,481,274
OVERAGE	89,686	1,250	58,230
TOTAL RECEIPTS	637,926,293	609,845,967	462,839,138
DAILY PRODUCER RECEIPTS	18,558,414	18,150,092	13,670,885
NOV. -DAILY PRODUCER RECEIPTS COMPARED TO:		+ 2.25%	+ 35.75%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	6,051,447	5,494,695	5,399,936
% CHANGE FROM PREVIOUS YEAR	+ 12.07%	+ 10.12%	- 7.92%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.703%	3.675%	3.697%
% PRODUCER MILK CLASSIFIED AS CLASS I	49.78%	50.11%	64.80%
NUMBER OF PRODUCERS	1,155	1,330	1,429
AVERAGE DAILY DELIVERY PER PRODUCER	16,068	13,647	9,567
NUMBER OF POOL HANDLERS	31	30	31

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