THE MARKET ADMINISTRATOR'S

REPORT

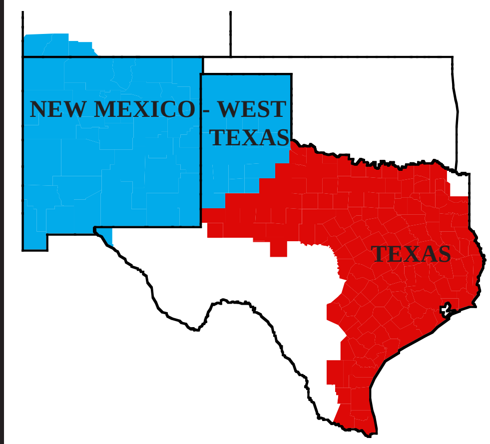
TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

P.O. BOX 110939, CARROLLTON, TEXAS 75011-0939

(214) 245-6060 FAX(214) 245-3211



VOLUME XXI, NO. 3 MARCH 1995

MARKET SUMMARIES FOR FEBRUARY

The February Class III price increased 44 cents from the previous month to $11.79. The Class II price for February of $11.35 per hundredweight increased 33 cents from $11.02 in January. February's Class III-A price increased 6 cents from January's level to $10.12.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $12.92 per hundredweight for deliveries of milk containing 3.5% butterfat. The February price was down 11 cents from January.

Producers delivered a total of 540,209,128 pounds of milk during February. On a daily basis this represents an increase of 5.47 percent from the producer receipts level in January and it represents an increase of 9.14 percent when compared to the producer receipts level of February 1994.

Producer milk classified as Class I during February amounted to 46.63 percent of total producer receipts. This figure is down from 49.86 percent in January and it is down from 50.80 percent in February 1994. The average butterfat test of producer milk pooled during February 1995 was 3.588 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 $12.05 per hundredweight for deliveries of milk containing 3.5% butterfat. The February price fell 4 cents from January.

Producers delivered a total of 142,998,894 pounds of milk during February. On a daily basis this represents an increase of 9.31 percent from the producer receipts level in January but it represents a decrease of 14.50 percent when compared to the producer receipts level of February 1994.

Producer milk classified as Class I during February amounted to 37.71 percent of total producer receipts. This figure is down from 41.42 percent in January but it is up from 33.15 percent in February 1994. The average butterfat test of producer milk pooled during February 1995 was 3.671 percent.

THE DAIRY OUTLOOK HEADING TOWARD 2000

The U.S. dairy industry will face dramatically different conditions during the next 5 years. New trade agreements, adoption of bST, and dramatic structural adjustments probably will make the industry look much different in 2000. Even so, the impacts of these changes may be no more than the forces that have shaken the industry since 1979.

Commercial Use Will Expand

Much of what happens to the dairy industry during the rest of the century will be caused by changes in consumer demand. During the past 25 years, growth in commercial use has fairly consistently outpaced population increases, particularly since the early eighties. However, some long-standing demand trends appear to be changing.

Growth in cheese sales during the next 5 years is projected to be slower than in the past, at least in proportional terms. Fewer opportunities remain for consumers to discover new cheeses or new uses for cheese. Even so, cheese is expected to remain a main contributor to growth in dairy use.

The future of fluid milk sales is quite uncertain because long-established trends are changing substantially. Fluid milk sales are projected to edge higher but to show considerably less shift from whole milk to lowfat milk. Retail sales of butter are projected to continue to erode margarine sales—but at a much slower pace than in 1993-94.

In recent years, use of nonfat dry milk, butter, and cream in processed foods has been larger. Dairy products (even skim solids) are inexpensive ways of improving the quality and flavor of many food products. If such use continues to grow, commercial use of dairy products will expand more than expected.

Commercial use of dairy products is projected to grow about 2 billion pounds per year, just slightly more than population growth. Smaller declines in real retail prices and the maturing of the cheese market are expected to be the main reasons for slower expansion

International Markets and Trade

International dairy markets during the next 5 years are expected to be less distorted than in the past. Subsidized exports will be limited by the GATT agreement and export supplies from Oceania, Eastern Europe, and South America are not expected to grow quickly. However, international market prices are projected to be generally below domestic prices.

The GATT agreement will require gradual increases in access to the U.S. market, particularly for milkfat. Imports are projected to increase as access is expanded. The new tariff rate quotas are expected to be filled at near historical rates.

Commercial export quantities are not projected to be substantial, although GATT and NAFTA will provide some boost. The U.S. will be competitive in some nearby and specialty markets, particularly with high value-added products. However, the amount of dairy products exported without subsidy is not expected to substantially affect the domestic supply-demand balance. The effects of the Dairy Export Incentive Program(DEIP) will wane because of GATT restrictions.

Milk Production to Grow Slowly

Bovine somatotropin (bST) obviously is a key factor in growth in milk per cow. The expected number of cows injected for the first time will be fairly modest for a few years following rapid adoption in 1994-95. The early experiences will be carefully scrutinized to discover optimal management practices. Use of bST will then again increase more rapidly.

Milk-feed price ratios are not expected to be very favorable. Producers probably will be conservative about boosting concentrate feeding. Milk-feed price ratios are projected to run about 1.5 or 1.6, historically associated with below-trend growth in milk per cow. Even with bST, gains in milk per cow are projected to be about 2 percent per year.

Structural adjustments will continue to be pronounced. However, expansion in western cow numbers is expected to slow from the torrid pace of recent years. Recent growth has relied on a combination of continued growth in established areas and development of local dairy industries where none existed before. There are now fewer prime pockets of underused potential for commercial alfalfa production. In addition, dairying has become large enough that further growth can boost input costs—as evidenced by this season's alfalfa prices. The western industry will continue to develop and grow, just slower.

On the other hand, the traditional centers of milk production may be starting the most dramatic period of structural change since the adoption of bulk tanks. A new type of dairy farm is expected to emerge that is much larger, lowering capital costs per cow. The emerging dairy farm will use more purchased inputs (including labor) and have the clear divisions of jobs typical of western operations. However, likely continued reliance on wet forages may keep herd size smaller than in the West. These operations probably will be a significant force by 2000. Those farms unable to make the transition are expected to exit at a relatively rapid pace.

Milk cow numbers are projected to decline about 1 percent annually. The expected 1-percent average annual growth in milk production would about match the rate of the early 1990's, but would trail the expansion of the 1980's.

Milk Prices Remain Under Pressure

Farm milk prices are expected to be under pressure during the next few years because of sizable surpluses. Toward the end of the decade, milk prices are projected to begin increasing—but at a slower rate than inflation. For the period, milk prices are projected to increase about 1 percent per year.

Sporadic periods of large commercial exports are assumed away in the baseline projections. The expected gap in domestic and international prices is small enough that relatively strong international markets probably will occasionally push international prices of butter or nonfat dry milk to domestic levels. Commercial exports will briefly be large and import access may not be filled. Maybe twice a decade, export markets are likely to generate temporarily higher commercial use and prices.

TOP TEN TEXAS COUNTIES a/ – FEBRUARY 1995

County	Number of Producers	Pounds	% Change From 1994	County	Number of Producers	Pounds	% Change From 1994
1. Erath	203	113,077,134	+7.32	7. Archer	66	18,050,611	+9.73
2. Hopkins	416	74,815,778	+.82	8. Cherokee	47	16,443,191	+.90
3. Comanche	55	32,723,857	+8.64	9. Hamilton	43	13,193,305	+31.17
4. Johnson	68	19,905,359	+1.18	10. Franklin	61	11,159,029	+.87
5. Wood	99	18,645,541	+3.83	Ten County Total	1,067	336,180,770	+5.48 b/
6. El Paso	9	18,166,965	+10.66	Other Counties Total	839	181,237,951	-1.14
				Texas Total	1,906	517,418,721	+3.06

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		
January 1994	15.91	15.10	13.25	12.41	10.22	14.01	13.01	5.2	63.00	130.00	109.76
February	15.67	14.86	12.26	12.41	10.23	13.80	12.59	5.2	63.29	130.49	109.89
March	15.57	14.76	12.61	12.77	10.32	13.64	12.59	5.3	65.00	136.23	110.47
April	15.57	14.76	13.19	12.99	10.34	13.68	12.64	5.3	64.93	139.28	110.76
May	15.93	15.12	13.88	11.51	10.24	13.59	12.47	5.6	63.90	124.31	108.47
June	16.15	15.34	12.18	11.25	10.09	13.67	12.53	5.8	64.63	119.14	106.06
July	14.67	13.86	10.35	11.41	10.13	12.60	11.92	6.0	66.94	125.53	105.62
August	14.41	13.60	11.84	11.73	10.38	13.15	12.18	6.5	71.00	127.85	106.53
September	14.57	13.76	12.95	12.04	10.35	13.47	12.71	6.4	71.00	131.39	106.59
October	14.89	14.08	12.15	12.29	10.36	13.47	12.71	6.3	71.00	132.69	107.04
November	15.20	14.39	12.53	11.86	10.40	13.60	12.74	6.4	71.00	126.56	107.10
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								
April	14.95	14.14	12.09								

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

TOP NEW MEXICO COUNTIES a/ – FEBRUARY 1995

County	Number of Producers	Pounds	% Change From 1994	County	Number of Producers	Pounds	% Change From 1994
1. Chaves	40	101,933,616	+13.45	7. Bernalillo	9	9,733,273	+3.27
2. Dona Ana	25	53,875,413	+4.48	8. Valencia	13	9,667,277	+6.94
3. Roosevelt	28	33,716,168	+22.16	9. Socorro	9	5,232,812	+12.46
4. Curry	9	21,765,732	+37.04				
5. Eddy	5	16,087,674	+62.36	Nine County Total	149	267,394,372	+17.11
6. Lea	11	15,382,407	+47.87	Other Counties Total	6	6,136,396	-30.94
				New Mexico Total	155	273,530,768	+15.31

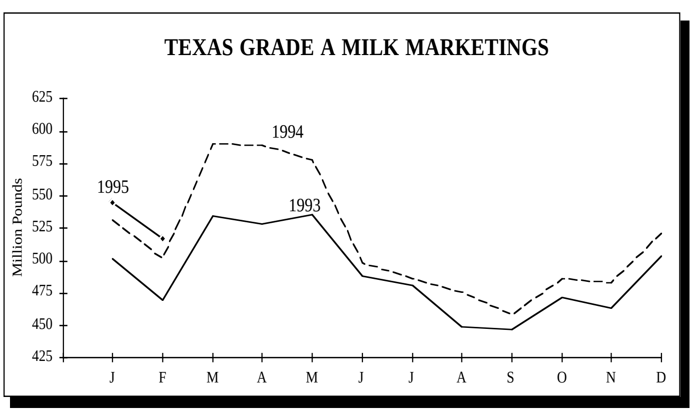
a/ All known Grade "A" milk produced on farms located in New Mexico.
b/ Compared to top counties for the month in the previous year.

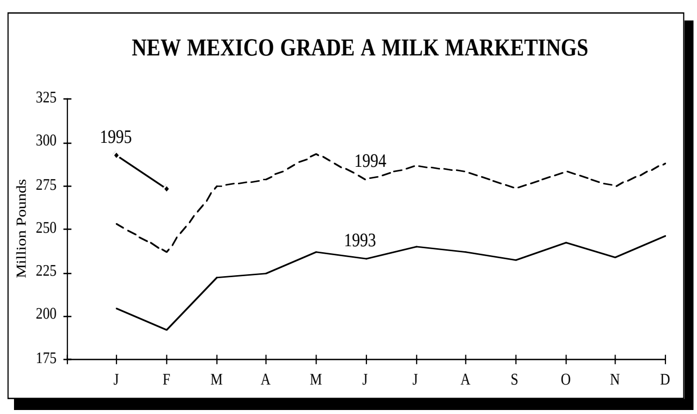
POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN TEXAS BY MONTHS: JANUARY 1993 THROUGH FEBRUARY 1995, WITH PERCENTAGE COMPARISONS

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			+10.39	
April	528,234,691	2,011	588,890,115	1,963			+11.48	
May	535,272,595	2,001	578,120,136	1,956			+8.00	
June	488,469,601	1,995	498,149,578	1,969			+1.98	
July	481,029,804	1,985	486,029,589	1,955			+1.04	
August	448,948,355	1,974	475,739,415	1,953			+5.97	
September	447,343,829	1,976	458,143,784	1,948			+2.41	
October	471,379,110	1,973	486,705,004	1,944			+3.25	
November	463,334,474	1,960	483,247,718	1,936			+4.30	
December	503,356,197	1,965	521,399,526	1,924			+3.58	
Years Total	5,872,988,818		6,200,845,698				+5.58	

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1993 THROUGH FEBRUARY 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	293,138,194	156	+23.69	+15.76
February	192,335,243	140	237,211,785	148	273,530,768	155	+23.33	+15.31
March	222,849,739	140	275,165,335	145			+23.48	
April	224,429,460	141	278,682,898	149			+24.17	
May	237,473,164	143	293,746,832	149			+23.70	
June	232,947,016	142	278,940,461	150			+17.44	
July	240,574,076	145	286,825,906	149			+19.23	
August	237,512,245	146	283,870,810	150			+19.52	
September	232,833,573	146	273,359,295	151			+17.41	
October	242,443,358	148	283,588,806	152			+16.97	
November	234,445,273	149	275,359,100	152			+17.45	
December	246,724,079	148	287,886,379	154			+16.68	
Years Total	2,749,275,022		3,307,855,608				+20.32	





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
January 1994	3.68	3.71	3.27	3.22	4.76	4.76	8.74	8.70	346	239
February	3.64	3.69	3.22	3.18	4.79	4.78	8.71	8.68	348	241
March	3.52	3.63	3.18	3.13	4.79	4.79	8.69	8.64	338	238
April	3.45	3.58	3.17	3.11	4.80	4.80	8.68	8.63	335	229
May	3.43	3.49	3.14	3.08	4.79	4.81	8.65	8.61	383	221
June	3.39	3.44	3.09	3.03	4.78	4.80	8.57	8.54	427	240
July	3.37	3.37	3.12	3.03	4.77	4.79	8.59	8.53	454	260
August	3.44	3.39	3.15	3.06	4.76	4.79	8.61	8.56	444	264
September	3.52	3.46	3.23	3.15	4.74	4.80	8.69	8.68	448	278
October	3.63	3.61	3.27	3.21	4.80	4.82	8.78	8.76	405	252
November	3.70	3.69	3.30	3.25	4.78	4.82	8.80	8.80	397	250
December	3.68	3.69	3.27	3.23	4.81	4.82	8.80	8.77	389	255
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

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED FEB. 1995	REPORTED JAN. 1994	REPORTED FEB. 1994
TOTAL UTILIZATION			
CLASS I	55,053,235	58,719,178	56,056,073
CLASS II	8,840,109	11,390,793	12,625,692
CLASS III/III-A	102,295,805	95,187,760	103,353,899
CLOSING INVENTORY (CLASS I, II AND III)	12,747,836	11,298,175	8,562,692
TOTAL UTILIZATION	178,936,985	176,595,906	180,598,356
DAILY CLASS I UTILIZATION	1,996,187	1,894,167	2,002,003
FEB. -DAILY CLASS I COMPARED TO:		+3.80%	-1.79%
CLASS I YEAR TO DATE (IN THOUSANDS)	113,772	58,719	116,073
% CHANGE FROM PREVIOUS YEAR	-1.98%	-2.16%	+.70%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	53,926,628	59,987,636	55,442,013
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	7,836,245	9,756,338	11,526,605
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	81,236,021	75,085,813	100,288,210
TOTAL PRODUCER RECEIPTS	142,998,894	144,829,787	167,256,828
OTHER SOURCE A/	24,639,916	19,442,675	4,283,392
OPENING INVENTORY	11,298,175	12,301,500	9,058,136
OVERAGE		21,944	
TOTAL RECEIPTS	178,936,985	176,595,906	180,598,356
DAILY PRODUCER RECEIPTS	5,107,103	4,671,929	5,973,458
FEB. -DAILY PRODUCER RECEIPTS COMPARED TO:		+9.31%	-14.50%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	287,829	144,830	335,337
% CHANGE FROM PREVIOUS YEAR	-14.17%	-13.83%	-2.19%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.671%	3.725%	3.685%
% PRODUCER MILK CLASSIFIED AS CLASS I	37.71%	41.42%	33.15%
NUMBER OF PRODUCERS	126	139	157
AVERAGE DAILY DELIVERY PER PRODUCER	40,533	33,611	38,048
NUMBER OF POOL HANDLERS	16	17	15

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

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
(214) 245-6060 FAX(214) 245-3211

BULK RATE
U.S. POSTAGE
P A I D
Carrollton, TX
Permit No. 343

Address Corrections Requested

TEXAS MILK MARKET AT A GLANCE

	REPORTED FEB. 1995	REPORTED JAN. 1994	AUDITED FEB. 1994
TOTAL UTILIZATION			
CLASS I	253,818,831	282,289,670	254,049,635
CLASS II	92,587,753	89,332,978	73,905,498
CLASS III/III-A	207,033,798	211,415,254	193,825,777
CLOSING INVENTORY (CLASS I, II AND III)	33,993,348	29,268,183	30,401,965
TOTAL UTILIZATION	587,433,730	612,306,085	552,182,875
DAILY CLASS I UTILIZATION	9,064,958	9,106,118	9,073,201
FEB. -DAILY CLASS I COMPARED TO:		-.45%	-.09%
CLASS I YEAR TO DATE (IN THOUSANDS)	536,109	282,290	533,866
% CHANGE FROM PREVIOUS YEAR	+.42%	+.88%	+3.16%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	251,895,840	282,760,581	251,464,264
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	87,094,251	83,244,891	66,223,563
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	201,219,037	201,068,569	177,288,715
TOTAL PRODUCER RECEIPTS	540,209,128	567,074,041	494,976,542
OTHER SOURCE A/	17,043,982	17,274,251	26,776,357
OPENING INVENTORY	29,296,991	27,904,392	30,429,401
OVERAGE	883,629	53,401	575
TOTAL RECEIPTS	587,433,730	612,306,085	552,182,875
DAILY PRODUCER RECEIPTS	19,293,183	18,292,711	17,677,734
FEB. -DAILY PRODUCER RECEIPTS COMPARED TO:		+5.47%	+9.14%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,107,283	567,074	1,053,832
% CHANGE FROM PREVIOUS YEAR	+5.07%	+1.47%	+6.77%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.588%	3.675%	3.643%
% PRODUCER MILK CLASSIFIED AS CLASS I	46.63%	49.86%	50.80%
NUMBER OF PRODUCERS	2,140	2,275	2,280
AVERAGE DAILY DELIVERY PER PRODUCER	9,016	8,041	7,753
NUMBER OF POOL HANDLERS	36	37	32

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