

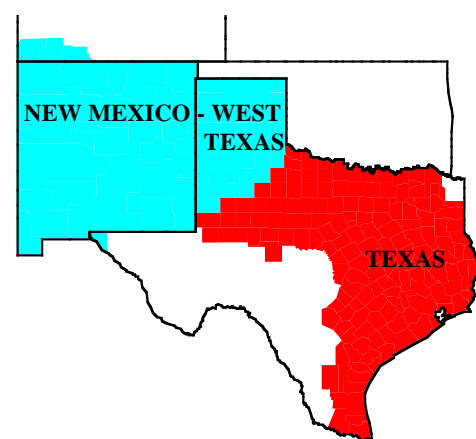
## THE MARKET ADMINISTRATOR'S

# REPORT



### TEXAS MARKETING AREA NEW MEXICO - WEST TEXAS MARKETING AREA

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### PROCEDURES TO IMPLEMENT MANDATES TO THE FEDERAL MILK ORDER PROGRAM

The 1996 Federal Agricultural Improvement and Reform Act (FAIR) signed by President Clinton on April 4, 1996, requires that the current 33 Federal milk marketing areas be consolidated, or merged, into 10 to 14 orders within 3 years. This is an enormous undertaking that will require the cooperation and support of the industry. Also, the Secretary is directed to designate the State of California as a Federal milk order if California dairy producers petition for and approve such an order. Finally, the FAIR Act specifies that the Department (USDA) use informal rulemaking to implement these reforms.

The authorization of informal rulemaking to achieve these reforms will result in a rulemaking process that is substantially different from the formal rulemaking process that has always been used to promulgate or amend Federal orders. The formal rulemaking process requires that decisions be based solely on the evidentiary record of a public hearing held before an Administrative Law Judge. Formal rulemaking involves the presentation sworn testimony, cross-examination of witnesses, opportunity to file briefs, issuance of a recommended decision, the filing of exceptions, and the issuance of a final decision voted on by affected producers. The informal rulemaking process does not involve these procedures. Instead, informal rulemaking provides for the issuance of a proposed rule by the Agricultural Marketing Service, a period of time for the filing of comments by interested parties, and the issuance of a final rule by the Secretary. Typically, informal rules do not require a referendum to determine approval; however, this proceeding will require a referendum to determine producer approval of the new orders.

Although not required, USDA will not issue a proposed rule of this magnitude without full participation of interested parties. The issues are too important and complex for a proposed rule to be developed without significant

input from all facets of the dairy industry. We believe that the experience, knowledge and expertise of the industry are essential to the development of a proposed rule. Thus, USDA has developed a plan of action and time line that will allow for maximum industry input into the process while still meeting the legislative deadline of April 4, 1999. The process will consist of two phases. The first phase is a developmental process and the second phase is the rulemaking process. The use of a developmental phase will allow USDA to interact freely with the industry to develop a viable proposal to accomplish the mandates and is crucial to gaining maximum industry input into the process. During the developmental phase, USDA is not subject to ex parte rules specified in the Sunshine Act (Pub. L. 94-409). The developmental phase began on April 4, 1996, and will continue through late 1997 when the proposed rule is published in the Federal Register.

As the first stage in the developmental phase, USDA is requesting that all interested parties submit ideas on the reforms set forth by the FAIR Act. Of primary importance at this time is the consolidation of the 33 Federal orders and how the pricing structure may be revamped. All ideas submitted should include an explanation and a justification statement. Market Administrators are available to provide assistance and/or data in the development of ideas. These ideas should be sent to the following address: Richard M. McKee, Director, Dairy Division, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, D.C. 20090-6456. Ideas will be received throughout the entire process; however, submissions by July 1, 1996, would be appreciated.

Continuing the developmental phase, in late fall, USDA will issue an announcement outlining preliminary marketing areas and a possible pricing structure. Following this issuance, informal discussion sessions will be held with interested parties to obtain input on the preliminary report. We anticipate these meetings to be organized by the Market Administrators as requested. Written suggestions

will also be requested on the preliminary report.

The next step in the developmental phase will occur in late spring 1997 when USDA expects to issue a revised report on the marketing areas and pricing structure. This report will also include concepts and ideas for other order provisions. Again, informal discussion sessions will be held with interested parties to obtain input on the report and written suggestions will be requested. It is the goal of USDA that through this developmental process a proposed rule can be developed that will address the mandates specified in the Farm Bill and other reforms consistent with the Administration's goals.

The rulemaking phase will begin once the proposed rule is published in the Federal Register in late 1997. Interested parties will be provided 60 days to file written comments with USDA. After reviewing these comments, USDA will publish a final rule in the late summer of 1998. Informational meetings will be held with interested parties to explain how the new orders will be implemented and the projected effect on producers and handlers in each new marketing area. Producers will vote in a referendum on the new orders. Upon approval, USDA anticipates issuing a final order making the new orders effective on January 1, 1999.

The legislation requires substantial reform of the Federal order program. USDA is committed to utilizing the expertise in the industry to the fullest extent in developing a proposed rule. We welcome your ideas and contributions in meeting the mandates of the 1996 FAIR Act. If you have any questions concerning this process, please contact Richard McKee or his staff at (202) 720-4392.

## DAIRY COLLECTION PROGRAM ENDS

Effective with milk marketings on May 1, 1996, the mandatory price-reduction (assessment) under the Commodity Credit Corporation's Dairy Collection Program will end. Repeal of the assessment is authorized by the Federal Agriculture Improvement and Reform Act of 1996. The President signed the legislation into law on April 4, 1996.

It is important that the proper assessment amounts be deducted from the price paid for each hundredweight of milk marketed for commercial use by dairy producers through April 30, 1996. Equally important is that all assessments for milk marketed through April 30, 1996, are paid to the Commodity Credit Corporation. The assessment rate in effect from January 1 through April 30, 1996, remains at 10 cents per hundredweight on all milk marketed for commercial purposes.

Assessments collected during 1996 will be refundable according to the same rules that were applicable for the 1995 Dairy Refund Payment Program (DRPP). That is, the producer will be eligible for a refund of the total assessment collected on milk marketed through April 1996 if the producer's total milk marketings in calendar year 1996 do not exceed the producer's total milk marketings in calendar year 1995. Exception, if a producer quits marketing milk during 1996, the comparison will be the milk marketed for the months and days of 1996 when the producer was in business with milk marketed during the corresponding months and days of 1995. A refund of 1996 assessments will be made from January 2, 1997, through March 17, 1997. Any questions concerning the DRPP should be directed to a county Farm Service Agency office.

Program Announcement to interested parties advising of FAIR Act requirements and procedure to be followed.	Late Spring 1996
Announce preliminary mergers and pricing structure in an announcement to interested parties.	Late Fall 1996
Hold informal discussion sessions with the public to further develop preliminary mergers and pricing structure as requested.	Winter 1996-97
Announce revised marketing areas, pricing structure and concepts for specific order provisions.	Late Spring 1997
Hold informal discussion sessions with the public to further develop order provisions as requested.	Late Spring 1997
Issue proposed rule in <u>Federal Register</u> . Interested parties will be provided 60 days to submit written comments.	Winter 1997
Issue final rule in <u>Federal Register</u> .	Summer 1998
Conduct informational meetings with interested parties about the new orders.	Summer 1998
Conduct referendum to determine producer approval.	Fall 1998
Publish final order in <u>Federal Register</u> .	Fall 1998
New orders effective.	January 1, 1999

## TOP TEN TEXAS COUNTIES a/ – APRIL 1996

County	Number of Producers	Pounds	% Change From 1995	County	Number of Producers	Pounds	% Change From 1995
1. Erath	188	133,199,633	+9.79	7. Wood	87	18,706,070	-9.18
2. Hopkins	361	75,725,948	-9.18	8. Hamilton	39	18,060,921	+23.58
3. Comanche	56	38,458,443	+12.75	9. Cherokee	43	16,649,107	-5.83
4. Johnson	61	22,970,306	+9.50	10. Van Zandt	35	12,417,199	+11.28
5. Archer	65	20,701,266	+12.97	Ten County Total	944	377,212,242	+4.11 b/
6. El Paso	9	20,323,349	+7.90	Other Counties Total	794	198,587,233	+1.28
				<b>Texas Total</b>	<b>1,738</b>	<b>575,799,475</b>	<b>+3.12</b>

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 Butter	Block Cheese	Spray Powder
	126	138				126	138				
	----- Dollars Per Hundred Wt. -----							¢/Point	-----Cents Per Pound-----		
-March 1995	14.51	13.70	12.20	11.89	10.22	12.93	12.07	5.7	66.00	129.00	107.77
April	14.95	14.14	12.09	11.16	10.27	12.70	11.90	5.9	66.00	121.10	107.56
May	15.05	14.24	12.19	11.12	10.21	12.97	11.93	5.9	66.00	121.13	106.84
June	14.32	13.51	11.46	11.42	10.37	12.71	11.80	6.4	70.00	125.26	106.75
July	14.28	13.47	11.42	11.23	10.61	12.59	12.00	7.1	74.65	125.03	106.69
August	14.58	13.77	11.72	11.55	10.82	13.22	12.72	7.7	79.00	130.37	106.69
September	14.39	13.58	11.53	12.08	10.90	13.26	12.72	7.8	81.33	137.74	107.18
October	14.71	13.90	11.85	12.61	11.66	13.62	13.03	9.6	95.74	141.48	108.64
November	15.24	14.43	12.38	12.87	12.40	14.07	13.46	10.5	103.00	142.25	113.40
December	15.77	14.96	12.91	12.91	11.24	14.18	13.20	6.1	71.83	141.91	117.61
Averages 1995 b/	14.78	13.97	11.84	11.83	10.74	13.18	12.41	7.0	75.13	130.44	108.58
January 1996	16.03	15.22	13.17	12.73	11.16	14.32	13.33	6.6	74.40	137.88	114.85
February	16.07	15.26	13.21	12.59	10.39	14.15	13.21	5.4	65.21	137.75	110.84
March	15.89	15.08	13.03	12.70	10.32	13.75	12.80	5.4	65.00	138.74	110.08
April	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								
June	16.25	15.44	13.39								

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

## TOP NEW MEXICO COUNTIES a/ – APRIL 1996

County	Number of Producers	Pounds	% Change From 1995	County	Number of Producers	Pounds	% Change From 1995
1. Chaves	40	119,093,890	+4.48	7. Valencia	12	10,929,252	-1.16
2. Dona Ana	24	62,596,720	+5.66	8. Bernalillo	8	8,854,959	-11.02
3. Roosevelt	29	40,031,811	+3.07	9. Socorro	8	6,576,146	+13.72
4. Curry	9	29,394,935	+21.52				
5. Lea	12	17,530,799	+8.54	Nine County Total	147	312,190,268	+3.86
6. Eddy	5	17,181,756	+1.89	Other Counties Total	6	8,841,821	+31.26
				<b>New Mexico Total</b>	<b>153</b>	<b>321,032,089</b>	<b>+4.46</b>

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.



## TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat		Protein		Lactose		S-N-F		SCC*	
	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>
April 1995	3.50	3.56	3.21	3.14	4.78	4.81	8.73	8.69	368	235
May	3.47	3.47	3.17	3.11	4.77	4.81	8.67	8.65	377	225
June	3.46	3.40	3.16	3.10	4.74	4.79	8.63	8.62	410	232
July	3.44	3.40	3.12	3.06	4.75	4.81	8.59	8.58	432	255
August	3.45	3.43	3.14	3.07	4.72	4.71	8.57	8.43	477	295
September	3.52	3.51	3.21	3.13	4.74	4.80	8.66	8.65	465	269
October	3.64	3.62	3.26	3.20	4.77	4.82	8.75	8.74	381	239
November	3.73	3.68	3.28	3.20	4.78	4.81	8.78	8.72	330	210
December	3.74	3.71	3.25	3.19	4.79	4.81	8.76	8.71	317	237
Average 1995	3.57	3.56	3.21	3.15	4.77	4.81	8.70	8.67	390	248
January 1996	3.73	3.74	3.21	3.17	4.81	4.83	8.74	8.71	312	238
February	3.67	3.65	3.18	3.14	4.80	4.81	8.71	8.66	312	238
March	3.61	3.62	3.18	3.14	4.80	4.81	8.70	8.66	296	216
April	3.57	3.57	3.17	3.11	4.82	4.83	8.68	8.65	287	205

\* In thousands.

## NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	<u>REPORTED</u> <u>APR. 1996</u>	<u>REPORTED</u> <u>MAR. 1996</u>	<u>REPORTED</u> <u>APR. 1995</u>
<b>TOTAL UTILIZATION</b>			
CLASS I	60,480,828	58,595,730	56,279,619
CLASS II	10,433,696	8,535,612	18,732,328
CLASS III/III-A	93,123,947	133,667,328	122,243,067
CLOSING INVENTORY (CLASS I, II AND III)	9,837,179	14,242,141	10,613,726
TOTAL UTILIZATION	173,875,650	215,040,811	207,868,740
DAILY CLASS I UTILIZATION	2,016,028	1,890,185	1,875,987
APR. -DAILY CLASS I COMPARED TO:		+6.66%	+7.46%
CLASS I YEAR TO DATE (IN THOUSANDS)	238,273	177,792	233,903
% CHANGE FROM PREVIOUS YEAR	+1.87%	+1.10%	+0.94%
<b>TOTAL RECEIPTS</b>			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	59,777,913	56,759,311	54,293,893
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	8,449,026	7,262,989	17,628,229
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	56,224,929	121,544,550	107,903,461
TOTAL PRODUCER RECEIPTS	124,451,868	185,566,850	179,825,583
OTHER SOURCE A/	35,180,721	20,151,789	18,242,344
OPENING INVENTORY	14,242,141	9,115,274	9,773,345
OVERAGE	920	206,898	27,468
TOTAL RECEIPTS	173,875,650	215,040,811	207,868,740
<b>DAILY PRODUCER RECEIPTS</b>	4,148,396	5,986,027	5,994,186
APR. -DAILY PRODUCER RECEIPTS COMPARED TO:		-30.70%	-30.79%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	640,352	515,900	654,534
% CHANGE FROM PREVIOUS YEAR	-2.17%	+8.68%	-1.94%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.589%	3.628%	3.596%
% PRODUCER MILK CLASSIFIED AS CLASS I	48.03%	30.59%	30.19%
NUMBER OF PRODUCERS	269	312	128
AVERAGE DAILY DELIVERY PER PRODUCER	15,422	19,186	46,830
NUMBER OF POOL HANDLERS	14	15	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**  
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## TEXAS MILK MARKET AT A GLANCE

	REPORTED APR. 1996	REPORTED MAR. 1996	REPORTED APR. 1995
<b>TOTAL UTILIZATION</b>			
CLASS I	267,966,034	267,015,115	251,942,617
CLASS II	107,129,949	100,686,883	96,041,048
CLASS III/III-A	308,647,562	299,066,846	234,047,776
CLOSING INVENTORY (CLASS I, II AND III)	31,175,805	33,116,547	34,308,972
TOTAL UTILIZATION	714,919,350	699,885,391	616,340,413
<b>DAILY CLASS I UTILIZATION</b>	8,932,201	8,613,391	8,398,087
APR. -DAILY CLASS I COMPARED TO:		+3.70%	+6.36%
CLASS I YEAR TO DATE (IN THOUSANDS)	1,076,548	808,582	1,065,460
% CHANGE FROM PREVIOUS YEAR	+1.04%	-0.61%	-1.45%
<b>TOTAL RECEIPTS</b>			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	267,376,505	265,892,822	249,462,680
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	96,558,381	92,309,131	89,102,225
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	297,493,111	295,079,425	234,272,031
TOTAL PRODUCER RECEIPTS	661,427,997	653,281,378	572,836,936
OTHER SOURCE A/	20,370,173	16,039,995	15,919,778
OPENING INVENTORY	33,116,547	30,517,579	27,570,812
OVERAGE	4,633	46,439	12,887
TOTAL RECEIPTS	714,919,350	699,885,391	616,340,413
<b>DAILY PRODUCER RECEIPTS</b>	22,047,600	21,073,593	19,094,565
APR. -DAILY PRODUCER RECEIPTS COMPARED TO:		+4.62%	+15.47%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	2,499,985	1,838,557	2,265,647
% CHANGE FROM PREVIOUS YEAR	+10.34%	+8.61%	+2.95%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.566%	3.613%	3.485%
% PRODUCER MILK CLASSIFIED AS CLASS I	40.42%	40.70%	43.55%
NUMBER OF PRODUCERS	1,775	1,823	2,102
AVERAGE DAILY DELIVERY PER PRODUCER	12,421	11,560	9,084
NUMBER OF POOL HANDLERS	32	32	35

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