THE MARKET ADMINISTRATOR'S

REPORT

USDA AMS

TEXAS MARKETING AREA

NEW MEXICO - WEST TEXAS MARKETING AREA

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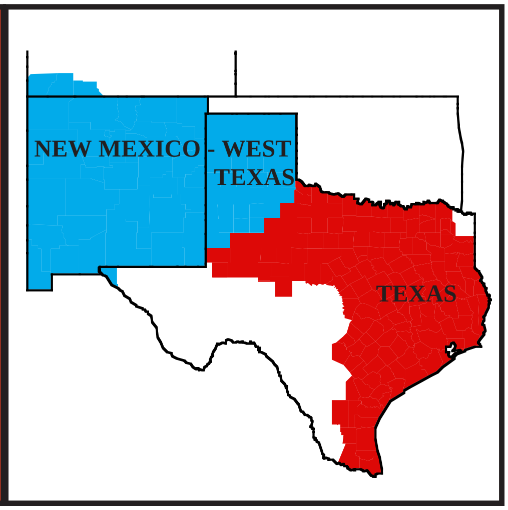

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MARKET SUMMARIES FOR FEBRUARY

The February Class III price decreased $6.00 from the previous month to $10.27. The Class II price for February of $17.64 per hundredweight increased 50 cents from $17.14 in January. February's Class III-A price decreased 34 cents from January's level to $12.78.

Texas: Producers who delivered milk to handlers located in Zones 1 and 2 of the Texas Milk Market Order received $16.27 per hundredweight for deliveries of milk containing 3.5% butterfat. The February price was down $1.76 from January.

Producers delivered a total of 515,724,601 pounds of milk during February. On a daily basis this represents a decrease of 2.66 percent from the producer receipts level in January but it represents an increase of 3.78 percent when compared to the producer receipts level of February 1998.

Producer milk classified as Class I during February amounted to 48.81 percent of total producer receipts. This figure is up slightly from January's 48.12 percent but it is down from 50.42 percent in February 1998. The average butterfat test of producer milk pooled during February 1999 was 3.598 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 $19.03 per hundredweight for deliveries of milk containing 3.5% butterfat. The February price was up $2.35 from its January level.

Producers delivered a total of 55,835,454 pounds of milk during February. On a daily basis this represents a decrease of 62.93 percent from the producer receipts level in January and it represents a decrease of 73.10 percent when compared to the producer receipts level of February 1998.

Producer milk classified as Class I during February amounted to 86.00 percent of total producer receipts. This figure is up from 32.76 percent in January and it is up from 24.05 percent in February 1998. The average butterfat test of producer milk pooled during February 1999 was 3.630 percent.

DAIRY SITUATION AND OUTLOOK*

Dairy market conditions in 1999 and 2000 are expected to differ dramatically from the sluggish milk production and record milk prices of 1998. Recent relatively high producer returns are expected to unleash a surge of milk production sufficient to overtake projected milk demand and drop milk prices sharply. However, the timing of these developments is highly uncertain. The full brunt of the production expansion is projected to arrive in 2000, although an earlier appearance is a distinct possibility.

A number of cross-currents affected 1998 milk production. Concentrate feed prices began the year somewhat high but fell considerably as the year progressed. Weather effects were quite adverse in some regions at some times, but were quite favorable at other places and times. Supplies of top quality forage stayed tight but supplies of lesser quality alfalfa were large. But the key feature of last year's milk production was the failure of output, for most of the year, to respond to high prices. Except for weather-related aberrations, milk production was essentially flat from late 1995 until the autumn of 1998. Milk cow numbers at the end of 1999 are not expected to be much below current levels. Although the exit of dairy farmers may not change much, the pressure of recent returns should spur expanding producers to pick up the pace. Even without optimal forage conditions, milk per cow should post a large gain, although it may not fully return to trend after the sluggishness of recent years. Expansion in milk production is projected to accelerate gradually during 1999. Output is expected to rise about 2 percent this year, with gains in milk per cow exceeding 2 percent and easily outweighing the fractional decline in cow numbers. The greatest growth in milk production is not projected to occur until late 1999 or 2000. However, the incentives to expand output have been so large that a surge in production is a possibility at any time.

Brisk economic growth and consumer willingness to spend boosted dairy product demand in 1998. Consumers bought 2 percent more dairy products on a milkfat basis and 1 percent more on a skim solids basis, even though retail dairy prices averaged 4 percent above 1997. Demand for milkfat was particularly strong with sales of butter, cream, cream cheese, and ice cream showing relatively little effect of extremely high prices. Meanwhile, cheese sales rose almost 2 percent, commercial disappearance of nonfat dry milk was about unchanged, and fluid sales slipped fractionally. Dairy demand is expected to be fairly strong in 1999, but probably will not match that of 1998. Economic growth is projected to be strong, but consumers may not spend with such exuberance. Sales will also be affected by carry-over effects from the high wholesale prices of 1998. Some wholesale buyers probably will make purchasing adjustments based on their experiences of last year, not just current prices. At retail, current year-to-year price increases probably are larger than at any time in 1998. The projected increase in 1999 milk production will mean that significantly larger quantities will have to clear commercial markets this year. However, the somewhat softer demand means that they probably will do so only at lower prices.

Wholesale prices of cheese and butter have been on a roller coaster ride that may not have ended. Exchange prices of cheese have recovered modestly after January's 65 cent plunge, evidently a correction to an overreaction and very similar to the earlier pattern of butter prices. Cheese prices may edge somewhat higher before seasonally rising milk production erodes them this spring. Butter prices may stay unsettled. Farm milk prices are expected to regain some stability by late spring-early summer, but at levels much below the second half of 1998 or the start of 1999. The expansion in milk production has begun to overcome dairy demand increases, bringing about a price adjustment. A moderate seasonal increase in milk prices is expected during the second half of the year. For all of 1999, farm milk prices are projected to be about $14.00 to $14.75 per cwt., down about $1.00 from the 1998 record but still much higher than in most of the nineties. A faster than expected expansion in milk output would, of course, reduce 1999 milk prices. Retail dairy product prices are expected to peak during the first half of 1999 and then decline slightly or hold about steady during the second half. Compared with a year earlier, retail prices probably will be 6 to 7 percent higher during the first half, with the increases diminishing substantially in the second. The farm-retail price spread is expected to grow considerably after the 4 percent decrease in 1998.

* This summary was developed by the Market Information Branch, Agricultural Marketing Service, USDA, Washington, D.C.

RELIEF FOR DAIRY FARMERS ANNOUNCED

Agriculture Secretary Dan Glickman has announced a $200 million program to assist dairy farmers facing greatly reduced milk prices. Dairy farmers could get payments of up to $5,000 each under the new Dairy Income Loss Assistance program.

The fall in the basic formula price (BFP) for milk, the U.S. Department of Agriculture's benchmark dairy indicator, announced March 5, was the sharpest monthly decline of milk prices ever, and more than twice the previous record monthly decline. As a result, USDA expects farmers' milk receipts to be substantially lower over the next several months.

Under Glickman's plan, USDA will make payments based on a dairy operation's first 26,000 hundredweight of milk produced in 1998 or 1997, whichever is the highest. Targeted to family-sized operations, the plan is based on a level roughly equivalent to the annual production of a herd of 150 cows.

All dairy farmers who produced milk during the last quarter of calendar year 1998 are eligible. The final payment rate per hundredweight, will be calculated after sign-up ends. But currently, USDA estimates it will be between 18 and 20 cents per hundredweight, and that maximum benefits under the program will be about $5,000 per dairy operation.

Farmers may apply at their local USDA Farm Service Agency office from April 12 until May 21, 1999. USDA will publish further program details in the federal register soon.

TOP TEN TEXAS COUNTIES a/ – FEBRUARY 1999

County	Number of Producers	Pounds	% Change From 1998b/
1. Erath	152	125,520,945	+8.93
2. Hopkins	241	52,082,480	-4.80
3. Comanche	45	37,709,888	+7.16
4. El Paso	9	22,834,050	+11.68
5. Archer	58	20,129,110	+4.78
6. Wood	71	17,715,917	+9.09
7. Hamilton	28	17,645,335	+14.26
8. Johnson	42	15,391,434	-5.14
9. Cherokee	24	10,748,826	-12.39
10. Van Zandt	26	10,306,220	-2.60
Ten County Total	696	330,084,205	+4.61 b/
Other Counties Total	549	155,960,066	+1.43
Texas Total	1,245	486,044,271	+3.57

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		
Averages 1997b/	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	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								
April	13.43	12.62	10.57								

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

TOP NEW MEXICO COUNTIES a/ – FEBRUARY 1999

County	Number of Producers	Pounds	% Change From 1998b/
1. Chaves	40	125,102,202	+11.99
2. Dona Ana	22	59,467,960	-.55
3. Curry	12	44,698,821	+26.86
4. Roosevelt	34	44,646,541	+18.56
5. Lea	13	29,427,747	+40.22
6. Eddy	6	22,201,849	+14.63
7. Bernalillo	8	9,778,440	+11.91
8. Socorro	8	8,890,495	+36.91
9. Valencia	10	8,672,433	-13.15
Nine County Total	153	352,886,488	+13.85
Other Counties Total	4	5,163,452	-31.48
New Mexico Total	157	358,049,940	+12.77

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 FEBRUARY 1999, WITH PERCENTAGE COMPARISONS

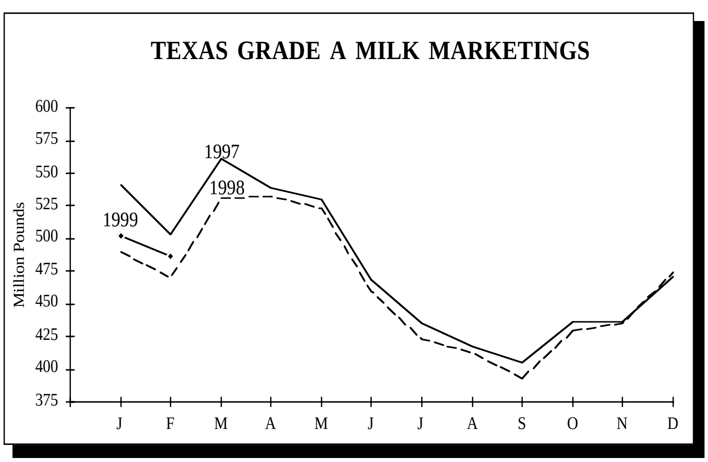
MONTH	1997 POUNDS	Number of Producers	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	PERCENT CHANGE 1998/97	PERCENT CHANGE 1999/98
January	540,918,023	1,610	491,168,340	1,359	501,754,729	1,251	-9.20	+2.16
February	503,177,566	1,591	469,305,849	1,347	486,044,271	1,245	-6.73	+3.57
March	560,823,025	1,566	532,588,272	1,339			-5.03	
April	539,258,903	1,553	532,823,237	1,336			-1.19	
May	530,457,547	1,550	524,523,430	1,319			-1.12	
June	468,546,651	1,523	464,057,905	1,321			-.96	
July	435,777,197	1,489	422,973,696	1,305			-2.94	
August	417,271,524	1,463	413,296,879	1,298			-.95	
September	405,563,476	1,435	392,427,802	1,300			-3.24	
October	436,528,559	1,408	429,372,951	1,289			-1.64	
November	436,607,225	1,391	435,572,798	1,271			-.27	
December	470,803,040	1,368	474,573,747	1,260			+.80	
Years Total	5,745,732,736		5,582,684,906				-2.84	

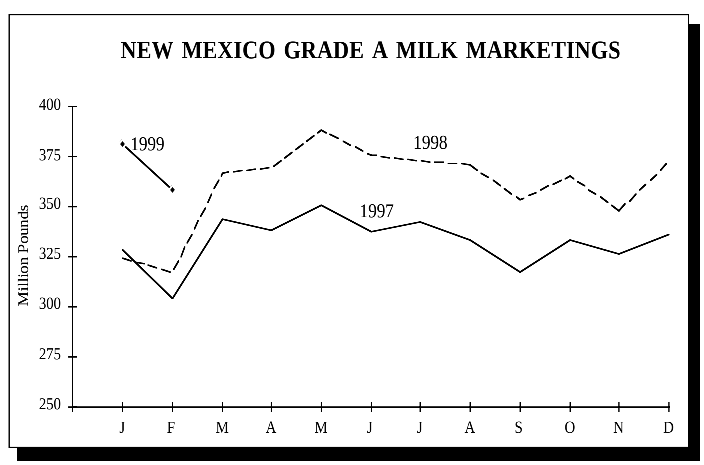
*Revised figures

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1997 THROUGH FEBRUARY 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			+6.63	
April	337,943,697	157	369,782,775	156			+9.42	
May	350,910,125	158	388,308,155	155			+10.66	
June	337,592,757	158	378,569,203	159			+12.14	
July	342,391,766	159	372,803,402	157			+8.88	
August	333,406,557	156	370,668,016	156			+11.18	
September	317,181,279	159	353,457,040	155			+11.44	
October	333,587,208	158	365,469,264	159			+9.56	
November	326,212,021	158	348,126,652	158			+6.75	
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

	Butterfat		Protein		Lactose		S-N-F		SCC*	
Month	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
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
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

* In thousands.

NEW MEXICO - WEST TEXAS MILK MARKET AT A GLANCE

	REPORTED FEB. 1999	REPORTED JAN. 1999	REPORTED FEB. 1998
TOTAL UTILIZATION			
CLASS I	50,120,975	55,840,561	51,298,906
CLASS II	5,932,116	7,128,238	5,762,928
CLASS III/III-A	4,622,046	163,193,282	157,824,567
CLOSING INVENTORY (CLASS I, II AND III)	5,665,123	11,783,660	11,631,529
TOTAL UTILIZATION	66,340,260	237,945,741	226,517,930
DAILY CLASS I UTILIZATION	1,790,035	1,801,308	1,832,104
FEB. -DAILY CLASS I COMPARED TO:		- .63%	- 2.30%
CLASS I YEAR TO DATE (IN THOUSANDS)	105,962	55,841	108,383
% CHANGE FROM PREVIOUS YEAR	- 2.23%	- 2.18%	- 3.82%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	48,016,335	54,626,553	49,906,308
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	4,766,189	6,161,629	4,817,754
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	3,052,930	105,956,595	152,823,376
TOTAL PRODUCER RECEIPTS	55,835,454	166,744,777	207,547,438
OTHER SOURCE A/	3,937,067	57,236,573	8,261,842
OPENING INVENTORY	6,565,849	13,964,372	10,516,497
OVERAGE	1,890	19	192,153
TOTAL RECEIPTS	66,340,260	237,945,741	226,517,930
DAILY PRODUCER RECEIPTS	1,994,123	5,378,864	7,412,409
FEB. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 62.93%	- 73.10%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	222,580	166,745	418,182
% CHANGE FROM PREVIOUS YEAR	- 46.78%	- 20.84%	- 4.46%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.630%	3.674%	3.640%
% PRODUCER MILK CLASSIFIED AS CLASS I	86.00%	32.76%	24.05%
NUMBER OF PRODUCERS	74	138	135
AVERAGE DAILY DELIVERY PER PRODUCER	26,948	38,977	54,907
NUMBER OF POOL HANDLERS	9	12	17

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 FEB. 1999	REPORTED JAN. 1999	REPORTED FEB. 1998
TOTAL UTILIZATION			
CLASS I	253,724,664	284,245,532	251,513,691
CLASS II	37,720,844	92,889,712	100,066,762
CLASS III/III-A	248,589,125	219,247,079	164,764,965
CLOSING INVENTORY (CLASS I, II AND III)	33,292,592	39,682,215	28,166,454
TOTAL UTILIZATION	573,327,225	636,064,538	544,511,872
DAILY CLASS I UTILIZATION	9,061,595	9,169,211	8,982,632
FEB. -DAILY CLASS I COMPARED TO:		- 1.17%	+ .88%
CLASS I YEAR TO DATE (IN THOUSANDS)	537,970	284,246	536,216
% CHANGE FROM PREVIOUS YEAR	+ .33%	- .16%	- 5.70%
TOTAL RECEIPTS			
PRODUCER RECEIPTS CLASSIFIED AS CLASS I	251,706,715	282,275,756	250,561,831
PRODUCER RECEIPTS CLASSIFIED AS CLASS II	27,250,826	84,142,788	91,440,871
PRODUCER RECEIPTS CLASSIFIED AS CLASS III/III-A	236,767,060	220,149,486	154,937,837
TOTAL PRODUCER RECEIPTS	515,724,601	586,568,030	496,940,539
OTHER SOURCE A/	21,197,123	20,511,165	18,875,614
OPENING INVENTORY	36,397,185	28,977,765	28,695,719
OVERAGE	8,316	7,578	
TOTAL RECEIPTS	573,327,225	636,064,538	544,511,872
DAILY PRODUCER RECEIPTS	18,418,736	18,921,549	17,747,876
FEB. -DAILY PRODUCER RECEIPTS COMPARED TO:		- 2.66%	+ 3.78%
PRODUCER RECEIPTS YEAR TO DATE (IN THOUSANDS)	1,102,293	586,568	987,898
% CHANGE FROM PREVIOUS YEAR	+ 11.58%	+ 19.47%	- 7.33%
AVERAGE BUTTERFAT TEST OF PRODUCER RECEIPTS	3.598%	3.659%	3.650%
% PRODUCER MILK CLASSIFIED AS CLASS I	48.81%	48.12%	50.42%
NUMBER OF PRODUCERS	1,340	1,508	1,512
AVERAGE DAILY DELIVERY PER PRODUCER	13,745	12,547	11,738
NUMBER OF POOL HANDLERS	33	32	33

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