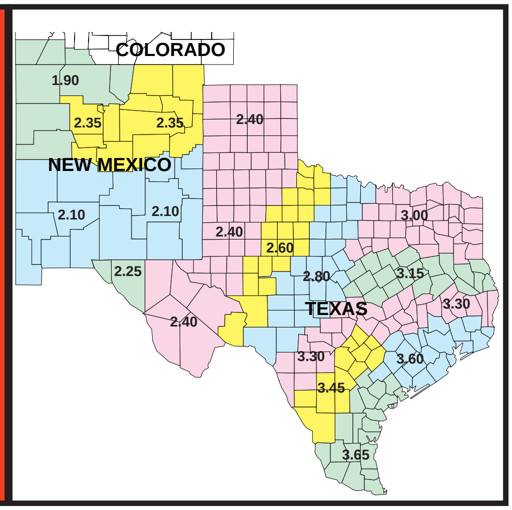
THE MARKET ADMINISTRATOR'S
REPORT



SOUTHWEST MARKETING AREA
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MARKET SUMMARY FOR DECEMBER

The Producer Price Differential (P.P.D.) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was $3.54 for December. Butterfat price increased $0.0789 per pound from $1.5745 in November to the level of $1.6534 for December. Protein price increased $0.1229 cents per pound to $1.0378 in December from $0.9149 in November. December's Other Solids price increased $0.0264 per pound from the previous month to $0.0829. The Somatic Cell Count adjustment rate factor for December was .00054 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a December statistical uniform price of $12.91 per hundredweight for milk testing 3.5% butterfat, 2.99% true protein, 5.69% other solids and 350,000 SCC. This is an increase of 32 cents in comparison to the statistical blend price of $12.59 in November.

The December Class I price increased 31 cents from $14.82 in November to the December level of $15.13. The Class II price for December of $13.97 per hundredweight increased 29 cents from $13.68 in November. December's Class III price increased 80 cents from $8.57 in November to $9.37 in December. The Class IV price increased 27 cents from $13.00 in November to $13.27 in December.

In December 777 producers delivered a total of 661,982,448 pounds of milk. On a daily basis this represents a decrease of 1.71 percent from the producer receipts level in November and it represents a decrease of 8.21 percent when compared to the producer receipts level of December 1999.

Producer milk classified as Class I during December amounted to 49.90 percent of total producer receipts. This figure is down from 52.65 percent in November but it is up from 46.66 percent in December 1999. The average butterfat test of producer milk pooled during December was 3.781 percent, average protein test was 3.170 percent, average other solids test was 5.660 percent and the average somatic cell count was 340,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Dec 00	Nov 00	Dec 00	Nov 00	Dec 00	Nov 00
Appalachian	14.83	14.76	-----	-----	66.34	74.50
Arizona-Las Vegas	12.40	11.84	-----	-----	32.28	36.87
Central	11.38	10.85	2.01	2.28	30.55	30.43
Florida	16.10	15.90	-----	-----	86.45	90.14
Mideast	12.16	11.91	2.79	3.34	46.40	45.70
Northeast	13.72	13.36	4.35	4.79	47.90	49.20
Pacific Northwest	12.27	11.80	2.90	3.23	33.29	35.06
Southeast	14.51	14.14	-----	-----	66.33	68.55
Southwest	**12.91**	**12.59**	**3.54**	**4.02**	**49.90**	**52.65**
Upper Midwest	10.60	10.00	1.23	1.43	20.40	21.70
Western	11.20	10.68	1.83	2.11	27.42	28.71

DAIRY SITUATION AND OUTLOOK

Milk production has finally shown signs of slowing growth. Milk cow numbers may be on the verge of turning downward, and gains in milk per cow have eased from the torrid pace of late 1999 and much of 2000. Even so, year-to-year increases in milk production are expected throughout 2001 and probably will still be large through at least the first half of the year.

Milk cow numbers hit a plateau during September-November that may foretell declines. However, typical year-to-year decreases may be slow in coming. Recent numbers were more than 1 percent higher than a year earlier, and the structural changes that led to 2 years of rising cow numbers are not likely to be reversed quickly. Higher slaughter cow prices will help trim cow numbers slightly, as cull cow prices probably will be the highest in 8 years. However, the increase is not expected to be dramatic, and the gap between replacement and slaughter value probably will stay wide, as replacement prices are not projected to decline much.

Generally favorable feed conditions are expected through at least the first half of 2001, and milk per cow should be fairly strong, barring substantial weather problems. However, very large increases are not projected because of nagging problems with forage quality and the lack of dramatic incentive to shift to higher concentrate rations. Similar to October-December 2000, 2001 increases may seem modest compared with the very strong levels of a year earlier, even if they are trend or above-trend rises compared with longer run averages. Milk per cow is projected to increase more than 1 percent in 2001, compared with a 2000 increase of well over 2 percent. Milk production in 2001 is projected to rise about 1 percent, following jumps of more than 3 percent in 1999 and in 2000.

Demand for dairy products continues from economic expansion, and use was bolstered by mostly favorable prices. Commercial disappearance of all dairy products rose almost 4 percent from a year earlier on a milkfat basis. Use of skim solids was not quite as strong but managed a more than 2 percent increase. Demand is expected to grow again in 2001. The general economy is projected to continue its expansion, consumer incomes are likely to be up, and there is no indication that consumers will start being more conservative about food spending. However, dairy demand may not be quite as strong as it was during the last 2 years. Even if demand growth is not quite as brisk, use should be stimulated by generally favorable prices.

Dairy product prices are ending 2000 quite weak. Butter prices dropped sharply once the last holiday shipments were made, cheese prices struggled to rise above support prices, and nonfat dry milk prices have not had any significant strength since late 1998. Large supplies, particularly of skim solids, will limit any price strength during the first half of 2001.

Heavy milk supplies kept farm milk prices soft throughout 2000. The lack of seasonal strength late in the year was particularly pronounced. Prices for 2000 will average about $12.30 per cwt, down $2.00 from a year earlier and the lowest since at least 1991. Farm milk prices are projected to stay relatively weak during the first half of 2001, averaging only slightly above a year earlier. Even if milk production expansion is slowing, supplies are expected to be large enough to limit price response until after the flush season. Modest seasonal price increases are projected for the second half, but these rises will depend on the amount of moderation in milk production growth. Average prices are expected to increase 3-5 percent for the year as whole.

Source: *"Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-78, December 27, 2000, Economic Research Service, USDA.*

AMENDMENTS TO FEDERAL MILK ORDERS APPROVED

Producers supplying milk for each of the 11 Federal milk markets have approved amending the current Class III and Class IV pricing formulas under Federal milk orders. USDA determined producer approval by polling the producer cooperative associations in eight of the markets, and by conducting referenda in the Northeast, Mideast, and Upper Midwest markets.

The interim amended orders will become effective for milk marketed on or after January 1, 2001. The interim final rule responds to a Congressional mandate to reconsider the Class III and Class IV pricing formulas included in the final rule for the consolidation and reform of Federal milk orders. USDA held a hearing May 8, 2000, in Alexandria, VA., to consider proposals submitted by the industry to change the formulas. A tentative final decision on these amendments was announced on Dec. 7.

The milk marketing order program ensures the fair marketing and pricing of milk. Milk marketing orders classify milk by use, set minimum prices that handlers must pay for each class of milk, and provide for paying average prices to all dairy farmers who supply a marketing order.

TOP TEN TEXAS COUNTIES a/ – DECEMBER 2000

County	Number of Producers	Pounds	% Change From 1999b/	County	Number of Producers	Pounds	% Change From 1999b/
1. Erath	139	115,591,754	- 8.80	7. Lamb	3	13,506,576	+ 32.80
2. Hopkins	196	43,896,527	- 9.86	8. Hamilton	17	13,048,535	- 6.90
3. Comanche	48	42,647,271	- 3.07	9. Johnson	29	12,175,643	- 15.45
4. Archer	58	21,654,727	- 4.70	10. Tom Green	9	9,970,125	+ 9.45
5. El Paso	8	21,377,270	- 5.48	Ten County Total	560	307,534,651	- 6.40 b/
6. Wood	53	13,666,223	- 11.03	Other Counties Total	473	141,136,617	- 10.18
				Texas Total	1,033	448,671,268	- 7.62

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.

Class Prices at 3.5%, for Federal Orders 126 Formula Prices and Price Quotations

	Class Prices & P.P.D.					Component Prices				NASS Product Prices			
	I a/	II	III	IV	P.P.D.a/	BF	Other Solids	True Protein	SCC c/ Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
Month	Dollars Per Hundred Wt.					Cents Per Pound							
November	19.42	16.56	9.79	11.57		115.82	5.65	206.96	.00060	106.37	120.58	101.68	19.17
December	14.65	11.79	9.63	10.69		98.04	5.39	206.15	.00057	91.79	113.71	101.11	18.92
Averages 1999b/	16.82	13.96	12.43	12.14		136.02	5.15	247.16	.00070	122.94	139.84	101.78	18.69
January 2000	13.90	11.43	10.05	10.73	1.96	93.66	5.03	216.77	.00058	88.20	115.17	101.15	18.57
February	13.71	11.51	9.54	10.80	2.28	95.88	4.32	198.49	.00055	90.02	110.67	101.06	17.88
March	13.84	11.71	9.54	11.00	2.36	101.91	4.24	191.66	.00055	94.97	110.93	100.94	17.80
April	13.93	12.10	9.41	11.38	2.64	113.52	4.08	173.99	.00055	104.49	110.11	100.78	17.65
May	14.48	12.63	9.37	11.91	3.06	128.54	4.03	155.14	.00055	116.80	110.22	100.71	17.60
June	14.70	13.08	9.46	12.38	3.29	141.28	4.38	142.78	.00056	127.25	111.37	100.97	17.94
July	15.46	12.58	10.66	11.87	2.70	126.91	5.57	197.26	.00061	115.47	121.89	101.02	19.09
August	14.95	12.56	10.13	11.87	3.03	126.59	5.77	179.52	.00058	115.20	116.60	101.08	19.29
September	14.84	12.58	10.76	11.94	2.52	127.07	5.02	201.37	.00062	115.60	123.15	101.66	18.56
October	14.89	12.54	10.02	11.81	2.87	124.44	4.71	180.28	.00058	113.44	116.02	101.27	18.26
November	14.82	13.68	8.57	13.00	4.02	157.45	5.65	91.49	.00051	140.51	102.45	101.59	19.17
December	15.13	13.97	9.37	13.27	3.54	165.34	8.29	103.78	.00054	146.98	108.98	101.58	21.72
Averages 2000b/	14.55	12.53	9.74	11.83	2.86	125.22	5.09	169.38	.00057	114.08	113.13	101.15	18.63

a/ Subject to location adjustments. b/ Simple averages c/ SCC adjustment rate is per 1,000 difference.

TOP NEW MEXICO COUNTIES a/ – DECEMBER 2000

County	Number of Producers	Pounds	% Change From 1999b/	County	Number of Producers	Pounds	% Change From 1999b/
1. Chaves	42	141,621,744	+ 3.42	7. Socorro	7	10,108,829	+ 1.53
2. Dona Ana	25	71,516,274	+ 6.34	8. Valencia	10	9,663,937	+ 2.51
3. Roosevelt	37	64,380,498	+ 30.46	9. Bernalillo	5	5,502,924	- 11.44
4. Curry	15	61,059,029	+ 7.20				
5. Lea	14	33,552,888	- 1.50	Nine County Total	161	421,539,518	+ 7.22 b/
6. Eddy	6	24,133,395	+ 4.92	Other Counties Total	5	9,812,160	- 1.23
				New Mexico Total	166	431,351,678	+ 7.01

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 1998 THROUGH DECEMBER 2000, WITH PERCENTAGE COMPARISONS

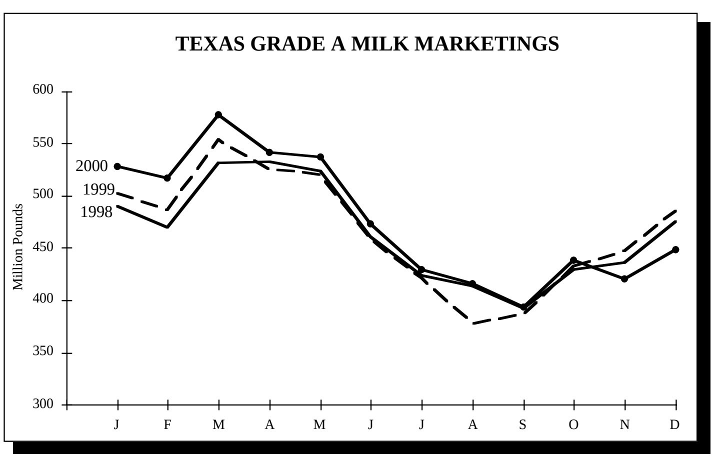
MONTH	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	PERCENT CHANGE 1999/98	2000/99
January	491,168,340	1,359	501,754,729	1,251	528,032,131	1,156	+2.16	+5.24
February	469,305,849	1,347	486,044,271	1,245	517,023,791	1,141	+3.57	+6.37
March	532,588,272	1,339	553,983,640	1,241	577,134,609	1,134	+4.02	+4.18
April	532,823,237	1,336	525,773,380	1,233	540,903,763	1,121	-1.32	+2.88
May	524,523,430	1,319	519,613,189	1,219	536,505,477	1,112	-0.94	+3.25
June	464,057,905	1,321	458,247,406	1,216	472,478,168	1,103	-1.25	+3.11
July	422,973,696	1,305	421,397,795	1,206	428,683,700	1,089	-0.39	+1.73
August	413,296,879	1,298	377,392,147	1,197	415,788,563	1,082	-8.69	+10.17
September	392,427,802	1,300	386,931,407	1,189	393,642,034	1,066	-1.40	+1.73
October	429,372,951	1,289	432,175,585	1,181	437,963,207	1,058	+0.65	+1.34
November	435,572,798	1,271	447,062,545	1,166	420,274,058	1,041	+2.64	-5.99
December	474,573,747	1,260	485,682,323	1,160	448,671,268	1,033	+2.34	-7.62
Years Total	5,582,684,906		5,596,058,417		5,717,100,769		+0.24	+2.16

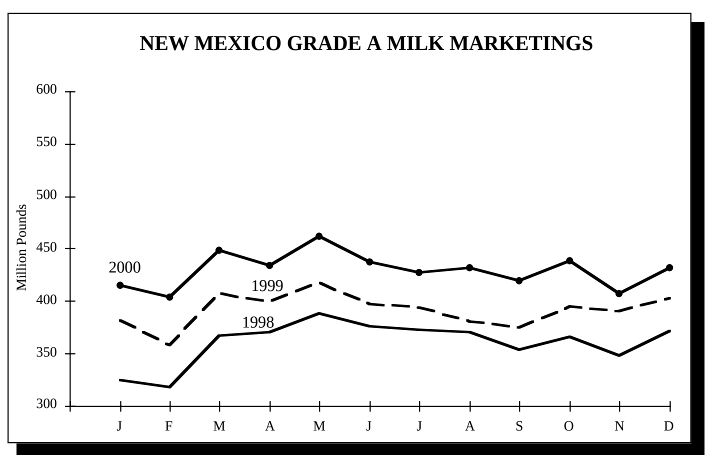
*Revised

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 1998 THROUGH DECEMBER 2000, WITH PERCENTAGE COMPARISONS

MONTH	1998 POUNDS	Number of Producers	1999 POUNDS	Number of Producers	2000 POUNDS	Number of Producers	PERCENT CHANGE 1999/98	2000/99
January	324,314,276	158	381,115,401	156	414,930,653	158	+17.51	+8.87
February	317,500,751	156	358,049,940	157	404,085,655	158	+12.77	+12.86
March	366,656,779	157	406,789,374	156	447,971,781	158	+10.95	+10.12
April	369,782,775	156	399,229,362	157	433,303,618	159	+7.96	+8.54
May	388,308,155	155	416,852,251	157	461,526,991	159	+7.35	+10.72
June	378,569,203	159	397,483,877	159	437,718,050	159	+5.00	+10.12
July	372,803,402	157	393,796,366	158	427,456,503	159	+5.63	+8.55
August	370,668,016	156	380,628,318	158	431,815,797	160	+2.69	+13.45
September	353,457,040	155	374,886,452	160	419,669,872	161	+6.06	+11.95
October	365,469,264	159	394,366,657	162	438,410,599	163	+7.91	+11.17
November	348,126,652	158	389,857,074	159	407,114,759	167	+11.99	+4.43
December	371,894,332	157	403,101,846	158	431,351,678	166	+8.39	+7.01
Years Total	4,327,550,645		4,696,156,918		5,155,355,956		+8.52	+9.78

*Revised





TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat TX	Butterfat NM	Protein b/ TX	Protein b/ NM	Other Solids b/ TX	Other Solids b/ NM	S-N-F TX	S-N-F NM	SCC a/ TX	SCC a/ NM
Averages 1999	3.60	3.55	3.07	3.02	5.66	5.67	8.73	8.69	369	267
January 2000	3.71	3.68	3.08	3.08	5.69	5.68	8.77	8.77	313	257
February	3.68	3.62	3.06	3.06	5.70	5.69	8.76	8.75	318	252
March	3.62	3.59	3.05	3.04	5.71	5.70	8.76	8.74	318	253
April	3.59	3.55	3.06	3.03	5.71	5.70	8.76	8.73	343	257
May	3.56	3.49	3.03	2.99	5.69	5.70	8.72	8.70	369	253
June	3.55	3.44	3.03	2.96	5.67	5.67	8.70	8.63	415	272
July	3.54	3.42	3.01	2.91	5.62	5.63	8.63	8.54	419	287
August	3.55	3.44	3.05	2.95	5.60	5.62	8.65	8.57	420	287
September	3.59	3.48	3.10	3.01	5.61	5.63	8.71	8.64	419	278
October	3.72	3.59	3.16	3.10	5.67	5.67	8.82	8.77	369	258
November	3.81	3.73	3.19	3.15	5.69	5.68	8.87	8.83	406	313
December	3.84	3.73	3.21	3.14	5.68	5.65	8.88	8.79	378	312
Averages 2000	3.65	3.56	3.09	3.04	5.67	5.67	8.75	8.71	374	273

a/ In thousands. b/ Estimated for 1999: True Protein = Crude Protein - .19 and Other Solids = SNF - True Protein

DECEMBER 2000
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

			Pounds	Price	Value
Add:	Class I Differential				$385,324.07
	Class I Butterfat	60(a)	8,071,527	$1.3583	$10,963,555.15
	Class I Skim Per Cwt		322,234,808	$10.7500	$34,640,241.91
	Class II Butterfat	60(b)	3,205,729	$1.6604	$5,322,792.44
	Class II Nonfat Solids		2,237,412	$0.9389	$2,100,706.12
	Class III Butterfat	60(c)	10,913,145	$1.6534	$18,043,793.95
	Class III Protein		9,231,092	$1.0378	$9,580,027.31
	Class III Other Solids		16,577,487	$0.0829	$1,374,273.66
	Class IV Butterfat	60(d)	2,842,093	$1.6534	$4,699,116.58
	Class IV Nonfat Solids		699,547	$0.8616	$602,729.70
	Class II, III & IV Somatic Cell Adj.	60(e)			$25,190.31
	Total Producer Milk-Product Lbs & Value		661,982,448		$87,737,751.20
Add:	Value as for 60(f) Thru 60(j)				($50,116.58)
Less:	Total Protein Pounds	61(b)	20,984,198	**$1.0378**	$21,777,400.68
	Total Other Solids Pounds		37,466,405	**$0.0829**	$3,105,964.98
	Total Butterfat Pounds		25,032,494	**$1.6534**	$41,388,725.60
	Total Value of Somatic Cell Adjustment				35,738.62
	Total Milk and Value		661,982,448		$21,379,804.74
Add:	Location Differential Adjustments	61(c)			$2,042,054.65
	Producer-Settlement Fund	61(d)			$342,939.11
	Total Producer Milk/URSP and Value		662,516,121	$3.58705	$23,764,798.50
Less:	Producer-Settlement Fund	61(f)		$0.04705	$311,727.82
	Producer Price Differential (Dallas County)			**$3.54**	$23,453,070.68

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DECEMBER 2000
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages

	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	330,306,335	49.90	8,071,527	32.24	322,234,808	50.59
Class II	27,476,143	4.15	3,205,729	12.81	24,270,414	3.81
Class III	293,745,263	44.37	10,913,145	43.60	282,832,118	44.40
Class IV	10,454,707	1.58	2,842,093	11.35	7,612,614	1.20
Total	661,982,448	100.00	25,032,494	100.00	636,949,954	100.00

Producer Milk Component Utilization Percentages

	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,696,253	50.97	19,008,815	50.73	29,705,059	50.82
Class II	805,321	3.84	1,432,088	3.82	2,237,412	3.83
Class III	9,231,092	43.99	16,577,487	44.25	25,808,585	44.15
Class IV	251,532	1.20	448,015	1.20	699,547	1.20
Total	20,984,198	100.00	37,466,405	100.00	58,450,603	100.00