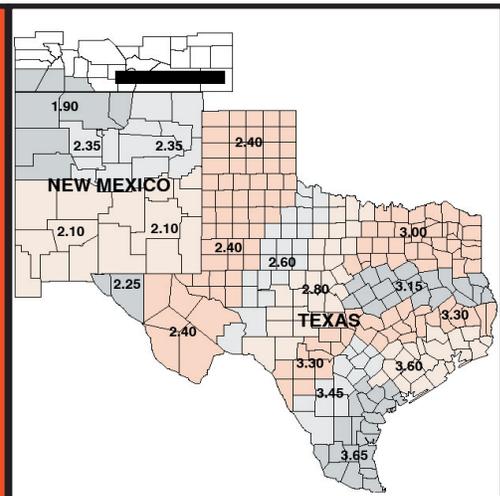


THE MARKET ADMINISTRATOR'S

REPORT



SOUTHWEST MARKETING AREA

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AUGUST 2008

MARKET SUMMARY FOR JULY

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 \$1.85 for July. Butterfat price increased \$0.0614 per pound from \$1.6160 in June to the level of \$1.6774 in July. Protein price decreased \$0.7168 per pound from \$4.7193 in June to \$4.0025 in July. June's Other Solids price decreased \$0.0119 per pound from \$0.0826 in June to \$0.0707 in July. The Somatic Cell Count adjustment rate factor for July was 0.00098 per thousand (difference from 350).

For comparison in hundredweights, producers who delivered milk to handlers located in Dallas/Tarrant counties (TX) received a July statistical uniform price of \$20.09 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 \$1.07 in comparison to the statistical blend price of \$19.02 in June.

The July Class I price increased \$2.60 from \$21.18 in June to the July level of \$23.78. The Class II price for July of \$16.81 per hundredweight increased \$0.62 from \$16.19 in June. July's Class III price decreased \$2.01 from \$20.25 in June to \$18.24 in July. The Class IV price increased \$0.68 from \$15.92 in June to \$16.60 in July.

In July 587 producers delivered a total of 1,034,333,268 pounds of milk. On a daily basis this represents an increase of 52.73 percent from the producer receipts level in June but it represents a decrease of 1.41 percent when compared to the producer receipts level of July 2007.

Producer milk classified as Class I during July amounted to 31.35 percent of total producer receipts. This figure is down from 47.61 percent in June but it is up from 29.90 percent in July 2007. The average butterfat test of producer milk pooled during July was 3.506 percent, average protein test was 2.940 percent, average other solids test was 5.726 percent and the average somatic cell count was 279,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 08	Jun 08	Jul 08	Jun 08	Jul 08	Jun 08
Appalachian	22.31	20.22	-----	-----	69.43	67.06
Arizona	19.31	18.65	-----	-----	32.04	29.94
Central	19.38	18.50	1.14	(1.75)	35.17	40.56
Florida	24.89	22.36	-----	-----	83.54	75.56
Mideast	19.71	18.96	1.47	(1.29)	36.40	39.30
Northeast	20.61	19.56	2.37	(0.69)	40.50	43.80
Pacific Northwest	18.94	18.03	0.70	(2.22)	27.06	34.48
Southeast	22.68	20.80	-----	-----	67.73	70.25
Southwest	20.09	19.02	1.85	(1.23)	31.35	47.61
Upper Midwest	18.90	19.79	0.66	(0.46)	14.60	16.80

SCHAFFER ANNOUNCES HELP FOR DROUGHT-STRICKEN COUNTIES

Agriculture Secretary Ed Schafer has announced that producers in counties approved for emergency haying and grazing on Conservation Reserve Program (CRP) land because of drought will have rental payments cut by 10 percent instead of the standard 25 percent. To date, that includes counties in Colorado, Kansas, Montana, North Dakota, Oklahoma and Texas.

CRP is a voluntary program that offers annual rental payments and cost-share assistance to establish long-term resource-conserving cover on eligible land. To be approved for emergency haying or grazing, a county must be listed as a level "D3 Drought-Extreme" or greater, or have suffered at least a 40 percent loss of normal moisture and forage for the preceding four-month qualifying period. State FSA committees are reminded they may authorize emergency haying or grazing of CRP in counties currently listed as level D3 drought according to the U.S. Drought Monitor.

- To participate, livestock producers in counties approved for emergency haying or grazing assistance must certify they are an eligible livestock producer in an eligible county approved for emergency haying and grazing and that they are requesting emergency haying and grazing of eligible CRP acreage from another eligible CRP participant who is willing to provide hay or grazing.

- The primary nesting and brood rearing season of the State where the land to be hayed or grazed is located will be respected.

CRP participants who do not own or lease livestock may rent or lease the grazing privilege to an eligible livestock farmer located in an approved county.

For all land enrolled in CRP that has been approved for emergency haying and grazing due to drought only, the Farm Service Agency will reduce the payment reduction from 25 percent, which was announced earlier, to 10 percent. This 10-percent payment reduction will be assessed based on the number of acres actually hayed or grazed times the CRP annual rental rate times 10 percent.

The following counties have been approved for emergency haying and grazing due to drought:

Colorado: Sedgwick, Logan, Lincoln, Washington, Kiowa, Prowers, Bent, Baca, Las Animas, Otero, Crowley, Pueblo, El Paso

Kansas: Sherman, Wallace, Hamilton, Stanton,

Grant, Greeley, Haskell, Stevens

Montana: Sheridan, Richland, Dawson, Blaine, Phillips, Glacier

North Dakota: Divide, Burke, Renville, Bottineau, Rolette, Towner, Williams, Mountrail, Ward, McHenry, Pierce, McKenzie, Dunn, McLean, Sheridan, Golden Valley, Billings, Stark, Mercer, Oliver, Morton, Slope, Hettinger, Grant, Bowman, Adams.

Oklahoma: Cimarron

Texas: Briscoe, Castro, Dallam, Deaf Smith, Hansford, Hardeman, Hartley, Lipscomb, Oldham, Parmer, Potter, Randall, Sherman, Swisher

More information on emergency haying and grazing is available at local FSA offices and online at: www.fsa.usda.gov, click on Conservation.

USDA ISSUES INTERIM FINAL RULE AMENDING ALL FEDERAL MILK ORDERS

The U.S. Department of Agriculture issued on July 30, 2008, an interim final rule amending the Class III and Class IV product price formulas in all Federal milk marketing orders.

The decision was based on testimony at USDA public hearings held in Strongsville, Ohio, (Feb. 26-March 2, 2007); Indianapolis, Ind., (April 9-13, 2007); and Pittsburgh, Pa., (July 9-11, 2007). These amendments were announced on June 20, 2008. The interim order was approved by dairy farmers in all 10 Federal milk marketing orders.

The decision amends the manufacturing allowances for cheese, butter, nonfat dry milk (NFD) and dry whey. Specifically, this decision adopts the following manufacturing allowances: cheese - \$0.2003 per pound; butter - \$0.1715 per pound; NFD - \$0.1678 per pound; and dry whey - \$0.1991 per pound. This decision also increases the butterfat yield factor of the butterfat price from 1.20 to 1.211.

These amendments are effective September 1, 2008, for milk marketed on and after September 1. The amendments will be used in the computation of the September advanced Class I and II prices announced on August 22. The prices announced on September 5 for August milk will not use the amended provisions.

The interim order appeared in the July 31, 2008, Federal Register. As announced on June 20, 2008, public comments and exceptions to the tentative final decision were due on or before August 19, 2008. USDA will consider the comments and exceptions and issue a final decision.

TOP TEN TEXAS COUNTIES a/ – JULY 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Erath	92	101,353,187	+ 8.65	7. Lamb	9	39,858,096	+ 12.78
2. Parmer	13	72,943,574	+ 48.99	8. Comanche	28	38,615,717	+ 8.80
3. Deaf Smith	15	64,079,319	+ 22.93	9. Bailey	9	36,642,977	+ 17.95
4. Castro	10	50,534,260	+ 18.30	10. Hale	4	30,599,016	+ 15.39
5. Hopkins	124	42,535,861	- 0.67	Ten County Total	314	518,186,827	+ 19.31 b/
6. Hartley	10	41,024,820	+ 57.89	Other Counties Total	343	188,724,931	+ 16.05
				Texas Total	657	706,911,758	+ 18.43

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

Month	Class Prices & P.P.D.					BF	Component Prices			NASS Product Prices			
	I a/	II	III	IV	P.P.D.a/		Other Solids	True Protein	SCC c/ Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
	----- Dollars Per Hundred Wt. -----						-----Cents Per Pound-----						
May 2007	18.92	16.62	17.60	18.48	0.91	157.06	57.91	294.24	.00080	142.90	159.46	166.70	75.78
June	20.84	18.89	20.17	20.76	0.31	164.57	58.31	370.59	.00093	149.16	185.61	190.12	76.17
July	23.91	21.40	21.38	21.64	1.31	161.10	55.34	420.68	.00100	146.27	200.02	201.80	73.29
August	24.76	22.41	19.83	21.87	2.93	158.72	43.68	394.12	.00096	144.29	191.00	205.45	61.97
September	24.91	22.16	20.07	21.61	2.36	151.01	28.90	439.29	.00101	137.86	202.50	205.57	47.62
October	24.59	21.90	18.70	21.31	2.92	140.92	22.86	416.95	.00096	129.45	192.27	206.15	41.75
November	24.45	22.07	19.22	20.40	2.36	140.77	24.61	430.81	.00098	129.33	196.52	195.62	43.45
December	23.04	20.82	20.60	19.18	0.41	143.48	26.37	470.61	.00105	131.59	209.76	180.31	45.16
Averages 2007 b/	21.14	18.36	18.04	18.36	1.43	146.93	42.01	351.21	.00087	134.41	173.80	169.27	60.04
January 2008	23.97	19.75	19.32	16.29	1.38	133.19	20.97	449.94	.00100	123.01	199.98	150.90	39.92
February	22.68	18.46	17.03	14.67	2.25	130.10	8.03	401.80	.00092	120.44	184.03	133.31	27.36
March	19.70	15.63	18.00	14.17	(0.68)	136.04	4.93	433.31	.00098	125.39	195.75	125.12	24.35
April	21.61	15.29	16.76	14.56	1.42	147.48	6.22	375.79	.00091	134.92	181.64	125.06	25.60
May	19.62	15.51	18.18	15.26	(0.30)	155.62	7.66	411.08	.00098	141.70	195.25	129.85	27.00
June	21.18	16.19	20.25	15.92	(1.23)	161.60	8.26	471.93	.00108	146.69	216.09	135.08	27.58
July	23.78	16.81	18.24	16.60	1.85	167.74	7.07	400.25	.00098	151.80	195.85	140.53	26.42

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

TOP NEW MEXICO COUNTIES a/ – JULY 2008

County	Number of Producers	Pounds	% Change From 2007b/	County	Number of Producers	Pounds	% Change From 2007b/
1. Chaves	38	172,414,683	+ 7.40	7. Socorro	8	20,345,846	+ 15.45
2. Curry	27	145,405,054	+ 13.37	8. Valencia	5	13,893,428	+ 2.64
3. Roosevelt	43	140,424,104	+ 18.89	9. Sierra	3	7,490,125	- 6.59
4. Dona Ana	23	89,750,728	+ 1.56	10. Bernalillo	4	5,873,776	+ 4.90
5. Lea	13	43,168,618	+ 17.39	Ten County Total	170	661,362,320	+ 10.28 b/
6. Eddy	6	22,595,958	- 1.21	Other Counties Total	2	8,087,710	- 33.83
				New Mexico Total	172	669,450,030	+ 9.40

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 2006 THROUGH JULY 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

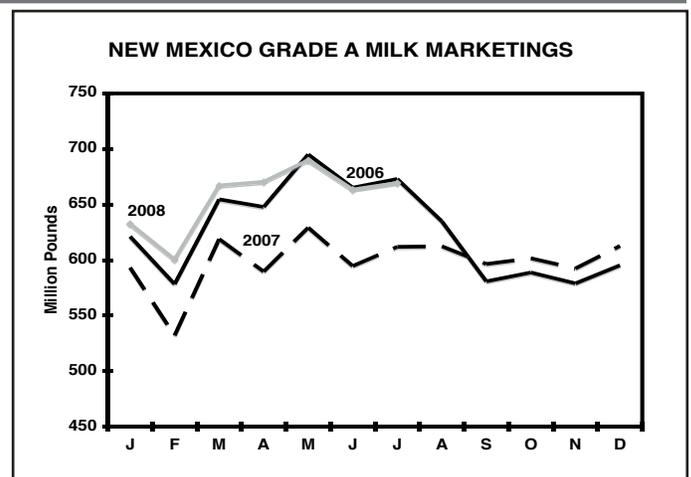
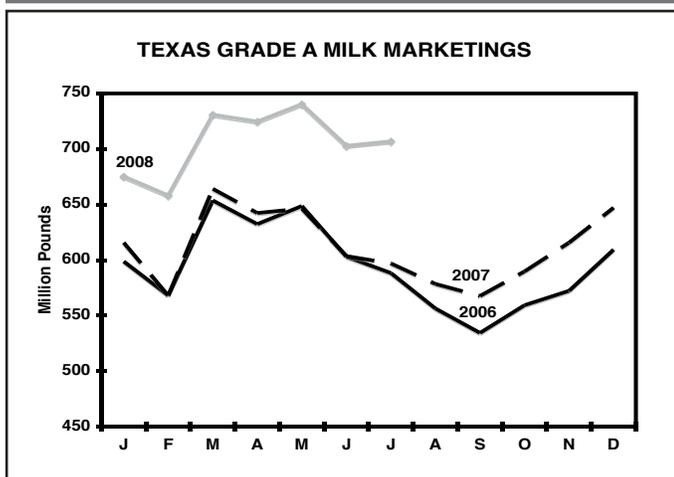
MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	598,770,671	746	615,854,742	697	675,265,283	654	+ 2.85	+ 9.65
February	568,127,819	740	567,905,237	692	658,108,461	658	- 0.04	+ 11.89*
March	653,677,865	740	664,126,490	694	730,859,173	659	+ 1.60	+ 10.05
April	632,332,356	741	642,444,396	689	724,651,306	659	+ 1.60	+ 12.80
May	648,575,970	739	646,347,511	676	740,427,008	659	- 0.34	+ 14.56
June	603,059,138	733	603,528,908	670	702,946,861	656	+ 0.08	+ 16.47
July	588,198,398	726	596,923,443	656	706,911,758	657	+ 1.48	+ 18.43
August	556,266,201	723	578,369,166	656			+ 3.97	
September	534,330,715	712	569,217,018	661			+ 6.53	
October	559,390,201	710	607,239,216	664			+ 8.55	
November	572,262,884	701	615,810,876	660			+ 7.61	
December	<u>609,404,039</u>	695	<u>647,114,088</u>	655			<u>+ 6.19</u>	
Years Total	7,124,396,257		7,354,881,091				+ 3.23	

* Based on average daily deliveries.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2006 THROUGH JULY 2008, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2006 POUNDS	Number of Producers	2007 POUNDS	Number of Producers	2008 POUNDS	Number of Producers	PERCENT 2007/06	CHANGE 2008/07
January	621,161,722	173	593,437,434	171	632,699,151	173	- 4.46	+ 6.62
February	578,266,056	172	531,955,021	170	600,488,935	169	- 8.01	+ 8.99*
March	654,702,022	172	618,854,728	171	667,225,545	170	- 5.48	+ 7.82
April	647,819,688	173	593,858,997	168	670,437,294	170	- 8.33	+ 12.90
May	695,061,878	175	629,220,180	166	690,007,674	173	- 9.47	+ 9.66
June	665,063,549	175	598,890,379	166	663,531,580	172	- 9.95	+ 10.79
July	672,988,089	174	611,908,294	167	669,450,030	172	- 9.08	+ 9.40
August	634,876,790	172	612,444,830	169			- 3.53	
September	580,816,517	173	596,639,214	173			+ 2.72	
October	588,810,710	171	614,972,057	172			+ 4.44	
November	578,970,652	173	592,544,809	171			+ 2.34	
December	<u>595,163,099</u>	175	<u>612,751,685</u>	172			<u>+ 2.96</u>	
Years Total	7,513,700,772		7,207,477,628				- 4.08	

* Based on average daily deliveries.



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TEXAS AND NEW MEXICO MARKET COMPONENT TEST

Month	Butterfat		Protein		Other Solids		S-N-F		SCC ^{a/}	
	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
July 2007	3.62	3.47	3.02	2.94	5.69	5.70	8.71	8.64	350	264
August	3.63	3.52	3.01	2.93	5.69	5.70	8.70	8.64	353	278
September	3.66	3.55	3.08	3.01	5.68	5.70	8.76	8.71	346	273
October	3.71	3.59	3.15	3.08	5.70	5.70	8.84	8.79	285	228
November	3.82	3.70	3.21	3.15	5.72	5.72	8.92	8.87	263	214
December	3.89	3.76	3.23	3.17	5.71	5.70	8.93	8.87	270	231
Averages 2007	3.73	3.62	3.10	3.05	5.69	5.70	8.80	8.75	315	256
January 2008	3.87	3.74	3.19	3.13	5.72	5.71	8.90	8.84	274	240
February	3.79	3.67	3.13	3.06	5.71	5.71	8.84	8.77	260	220
March	3.76	3.63	3.10	3.02	5.72	5.72	8.82	8.75	244	202
April	3.69	3.56	3.08	3.00	5.72	5.73	8.80	8.73	241	193
May	3.64	3.51	3.04	2.96	5.74	5.75	8.78	8.71	247	197
June	3.58	3.48	2.99	2.89	5.74	5.75	8.72	8.64	261	205
July	3.59	3.48	3.00	2.90	5.71	5.73	8.71	8.63	305	262

a/ In thousands.

JULY 2008
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$310,239.64
Class I Butterfat	60(a)	7,566,895	\$1.6386	\$12,399,114.17
Class I Skim Per Cwt		316,648,895	\$18.7000	\$59,213,343.38
Class II Butterfat	60(b)	10,039,592	\$1.6844	\$16,910,688.78
Class II Nonfat Solids		9,331,190	\$1.2567	\$11,726,506.48
Class III Butterfat	60(c)	15,017,886	\$1.6774	\$25,191,001.97
Class III Protein		11,522,493	\$4.0025	\$46,118,778.25
Class III Other Solids		22,621,422	\$0.0707	\$1,599,334.54
Class IV Butterfat	60(d)	3,641,589	\$1.6774	\$6,108,401.39
Class IV Nonfat Solids		17,682,728	\$1.2358	\$21,852,315.31
Class II, III & IV Somatic Cell Adj.	60(e)			\$509,997.72
Total Producer Milk-Product Lbs & Value		1,034,333,268		\$201,939,721.63
Add: Value as for 60(f) Thru 60(j)				\$129,409.46
Less: Total Protein Pounds	61(b)	30,418,155	\$4.0025	\$121,748,665.42
Total Other Solids Pounds		59,233,171	\$0.0707	\$4,187,785.20
Total Butterfat Pounds		36,265,962	\$1.6774	\$60,832,524.68
Total Value of Somatic Cell Adjustment				\$732,190.45
Total Milk and Value		1,034,333,268		\$14,567,965.34
Add: Location Differential Adjustments	61(c)			\$4,704,100.97
Producer-Settlement Fund	61(d)			\$301,624.38
Total Producer Milk/URSP and Value		1,034,333,268	\$1.89239	\$19,753,690.69
Less: Producer-Settlement Fund	61(f)		\$0.04239	\$438,525.23
Producer Price Differential (Dallas County)			\$1.85	\$19,135,165.46

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REPORT

SOUTHWEST MARKETING AREA

RICHARD FLEMING, MARKET ADMINISTRATOR

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JULY 2008

PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	324,215,790	31.35	7,566,895	20.87	316,648,895	31.73
Class II	113,837,365	11.01	10,039,592	27.68	103,797,773	10.40
Class III	396,013,403	38.28	15,017,886	41.41	380,995,517	38.17
Class IV	200,266,710	19.36	3,641,589	10.04	196,625,121	19.70
Total	1,034,333,268	100.00	36,265,962	100.00	998,067,306	100.00

Producer Milk Component Utilization Percentages						
	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	9,723,209	31.97	18,770,285	31.68	28,493,495	31.78
Class II	3,173,643	10.43	6,157,546	10.40	9,331,189	10.41
Class III	11,522,493	37.88	22,621,422	38.19	34,143,914	38.09
Class IV	5,998,810	19.72	11,683,918	19.73	17,682,728	19.72
Total	30,418,155	100.00	59,233,171	100.00	89,651,326	100.00