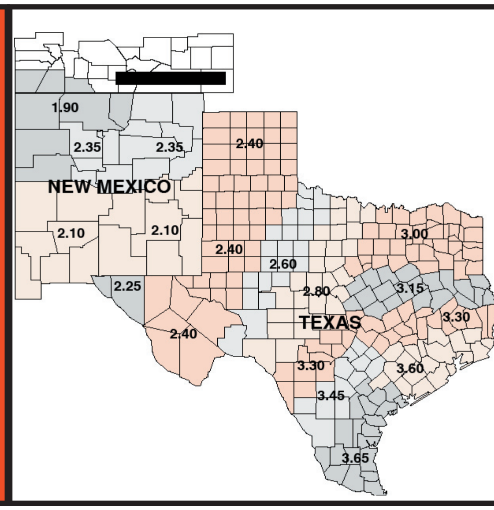
THE MARKET ADMINISTRATOR'S REPORT



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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 $2.79 forJuly. Butterfat price increased $0.1730 per pound from $1.7234 in June to the level of $1.8964 in July. Protein price decreased $0.1525 per pound from $2.2040 in June to $2.0515 in July. July's Other Solids price decreased $0.0048 per pound from $0.1748 in June to $0.1700 in July. The Somatic Cell Count adjustment rate factor for July was 0.00073 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 $16.53 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 $0.37 in comparison to the statistical uniform price of $16.16 in June.

The July Class I price increased $0.38 from $18.28 in June to the July level of $18.66. The Class II price for July of $17.10 per hundredweight increased $1.09 from $16.01 in June. July's Class III price increased $0.12 from $13.62 in June to $13.74 in July. The Class IV price increased $0.30 from $15.45 in June to $15.75 in July.

In July 637 producers delivered a total of 999,942,753 pounds of milk. On a daily basis this represents a decrease of 2.83 percent from the producer receipts level in June but it represents an increase of 5.46 percent when compared to the producer receipts level of July 2009.

Producer milk classified as Class I during July amounted to 34.23 percent of total producer receipts. This figure is up from 32.88 percent in June but is down from 35.30 percent in July 2009. The average butterfat test of producer milk pooled during July was 3.422 percent, average protein test was 2.958 percent, average other solids test was 5.762 percent and the average somatic cell count was 268,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 10	Jun 10	Jul 10	Jun 10	Jul 10	Jun 10
Appalachian - FO 5	18.54	17.68	-----	-----	68.62	63.42
Arizona - FO 131	16.14	15.68	-----	-----	33.14	29.28
Central - FO 32	15.63	15.18	1.89	1.56	31.64	30.75
Florida - FO 6	20.87	19.85	-----	-----	89.51	83.72
Mideast - FO 33	16.12	15.60	2.38	1.98	39.70	36.30
Northeast - FO 1	17.43	16.73	3.69	3.11	40.20	38.60
Pacific Northwest - FO 124	15.67	15.18	1.93	1.56	26.23	26.84
Southeast - FO 7	18.37	17.64	-----	-----	67.30	62.13
Southwest - FO 126	**16.53**	**16.16**	**2.79**	**2.54**	**34.23**	**32.88**
Upper Midwest - FO 30	14.39	14.14	0.65	0.52	12.10	11.50

THE DAIRY OUTLOOK

Feed prices have been favorable for producers this year compared with last. Although corn and soybean meal prices are expected to average higher for the 2010/11 crop year, the increases are expected to be moderate. Corn prices are forecast to be $3.45 to $4.05 a bushel in the 2010/11 crop year. Likewise, soybean meal prices are likely to rise slightly in 2010/11 to $240-$280 a ton. The milk-feed price ratio has risen since 2009 and will likely average about 2.3 for the current year. Given the outlook for feed and milk prices, the ratio will remain nearly the same in 2011. Although producer returns have improved over 2009, the improvement is not enough to result in higher average cow numbers this year or next. Cow numbers are expected to average 9.1 million head this year and be about the same next year. According to the June Milk Production report, monthly cow numbers have increased fractionally since the first of the year but still trail year-earlier levels. Meanwhile, milk per cow continues to trend upward on a year-over-year basis. The increased output per cow will more than offset reduced herd size this year, resulting in more milk. Production in 2010 is forecast at 191.2 billion pounds. Next year, the forecast decline in cow numbers is expected to slow even further and production per cow is expected to be closer to trend, rising 1.6 percent year-over-year. The result is an estimated 193.5 billion pounds of milk in 2011.

Economic recovery is continuing apace in Asia and South America and coupled with weaker production in Oceania has tightened global dairy product supplies. However, prices were lower at the most recent global Dairy Trade auction. According to Dairy Market News, seasonally strong production in Northern Hemisphere countries and optimism for the upcoming season in Australia and New Zealand pushed down prices. The lower auction prices may have anticipated greater global supplies in the coming year. U.S. Milk equivalent exports are projected to reach 5.3 billion pounds in 2010 and 5.1 billion pounds next year on a fats basis. Exports on a skim-solids basis are expected to climb to 26.3 billion pounds this year and rise to 27.3 billion pounds in 2011. The skim-solids export forecasts are in the range of 2008 export totals after last year's falloff. Correspondingly, U.S. imports will be lower this year. Milk equivalent imports are projected at 4.5 billion pounds on a fats basis and 4.6 billion pounds on a skim-solids basis this year. Imports are forecast to rise slightly to 4.7 billion pounds on a fats basis and 4.8 billion pounds on a skim-solids basis in 2011.

The most recent Cold Storage report shows butter stocks at the end of May at 16 percent below year-earlier levels and total cheese stocks are 5 percent ahead of a year ago. The relatively higher cheese stocks and relatively low butter stocks compared with last year are contributing to butter prices being higher than cheese prices. The July Dairy Products report shows May end-of-month nonfat dry milk (NDM) stocks at 26 percent below year-earlier levels. Fats-basis domestic commercial use is projected to rise by 1.3 percent in 2010 and by another 1.5 percent in 2011. A rise in domestic commercial use is likely on a skim-solids basis as well, but the increase is expected to be a moderate 0.1 percent in 2010 and 0.9 percent in 2011.

The rise in domestic use and exports will draw down stocks. On a milk-equivalent basis, ending commercial stocks are expected to tighten both this year and next, and on both a fats- and skim-solids basis. The drawdown in stocks on a skim-solids basis is expected to be more pronounced next year than in 2010.

The current situation has Class IV prices above Class III prices, a reflection of the tightness in fat availability. Lower fat tests have boosted butter prices and may have helped firm up cheese prices as well. This situation should correct itself early in 2011. Prices for the major dairy products, except butter, are expected to rise slightly next year. Cheese prices are expected to average $1.465-$1.495 per pound in 2010 and $1.520-$1.620 per pound in 2011. Butter prices are forecast to average $1.530-$1.590 this year and $1.400-$1.530 per pound next year. NDM prices are expected to average $1.195- $1.225 per pound this year and $1.235-$1.305 in 2011. Whey prices are forecast to average 36.5-38.5 cents per pound in 2010 and 37.5-40.5 cents in 2011.

Class IV milk prices are forecast to average $14.65-$15.05 per cwt this year and increase slightly to $14.40-$15.50 per cwt in 2011. The Class III price is projected to average $13.80-$14.10 per cwt in 2010 and climb to $14.40-$15.40 per cwt in 2011. The all-milk price is expected to average $15.80-$16.10 per cwt in 2010, with a rise to $15.90-$16.90 in 2011.
SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-193, July 21, 2010, Economic Research Service, USDA.

TOP TEN TEXAS COUNTIES a/ – JULY 2010

County	Number of Producers	Pounds	% Change From 2009b/	County	Number of Producers	Pounds	% Change From 2009b/
1. Erath	82	88,653,775	- 7.95	7. Lamb	9	44,655,357	- 5.02
2. Castro	12	74,333,834	+ 25.27	8. Hopkins	101	37,456,446	- 9.60
3. Parmer	13	68,629,920	- 0.99	9. Hale	6	35,093,701	+ 10.04
4. Deaf Smith	13	62,790,039	- 1.27	10. Comanche	20	34,459,106	+ 4.55
5. Hartley	11	51,263,440	+ 17.86	Ten County Total	277	542,866,491	+ 3.31 b/
6. Bailey	10	45,530,873	+ 13.51	Other Counties Total	291	190,852,584	- 0.01
				Texas Total	568	733,719,075	+ 2.43

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.

TEXAS AND NEW MEXICO MARKET COMPONENT TEST

	Butterfat		Protein		Other Solids		S-N-F		SCC a/	
Month	TX	NM	TX	NM	TX	NM	TX	NM	TX	NM
May 2009	3.60	3.42	3.06	2.99	5.74	5.77	8.81	8.76	246	183
June	3.59	3.41	3.03	2.95	5.73	5.76	8.76	8.72	260	191
July	3.58	3.40	3.00	2.91	5.73	5.76	8.73	8.67	297	225
August	3.61	3.43	3.03	2.93	5.71	5.74	8.74	8.67	313	240
September	3.66	3.48	3.13	3.04	5.74	5.77	8.87	8.81	298	226
October	3.79	3.60	3.21	3.13	5.76	5.79	8.97	8.92	280	208
November	3.81	3.66	3.21	3.15	5.74	5.76	8.95	8.91	260	194
December	3.86	3.71	3.22	3.15	5.74	5.76	8.96	8.91	256	213
Averages 2009	3.70	3.53	3.11	3.04	5.73	5.76	8.85	8.80	265	207
January 2010	3.86	3.69	3.17	3.10	5.74	5.76	8.92	8.87	276	227
February	3.88	3.69	3.19	3.11	5.73	5.75	8.92	8.86	336	278
March	3.75	3.56	3.16	3.08	5.75	5.76	8.91	8.85	299	230
April	3.64	3.47	3.11	3.03	5.76	5.77	8.87	8.80	276	208
May	3.61	3.42	3.09	3.00	5.75	5.77	8.84	8.77	274	193
June	3.56	3.37	3.01	2.92	5.75	5.77	8.76	8.69	287	206
July	3.56	3.37	3.04	2.93	5.75	5.77	8.79	8.70	323	243

a/ In thousands.

TOP NEW MEXICO COUNTIES a/ – JULY 2010

County	Number of Producers	Pounds	% Change From 2009b/	County	Number of Producers	Pounds	% Change From 2009b/
1. Chaves	34	164,977,974	+ 1.05	7. Eddy	3	15,934,460	+ 0.49
2. Curry	27	150,447,360	+ 0.12	8. Luna	3	15,617,960	+ 75.07
3. Roosevelt	38	133,430,960	+ 0.15	9. Valencia	5	15,563,323	+ 10.72
4. Dona Ana	21	90,220,252	+ 9.21	10. Bernalillo	4	5,757,479	- 0.02
5. Lea	14	48,643,298	+ 11.67	Ten County Total	157	661,900,539	+ 3.84 b/
6. Socorro	8	21,307,473	+ 6.94	Other Counties Total	2	11,450,020	- 2.46
				New Mexico Total	159	673,350,559	+ 3.72

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 2008 THROUGH JULY 2010, WITH PRODUCTION PERCENTAGE COMPARISONS

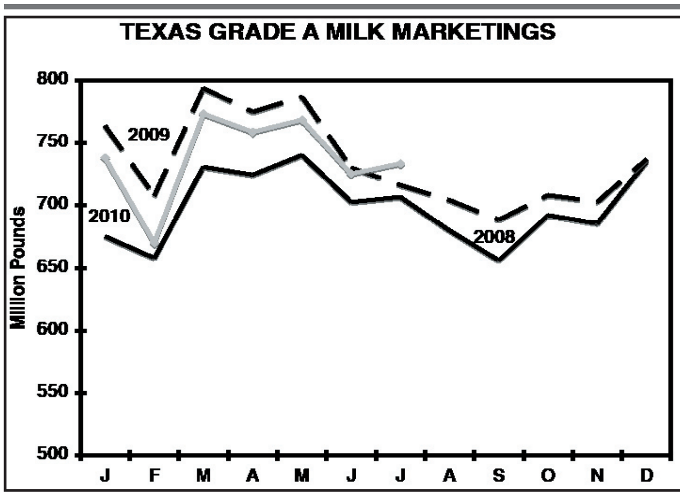
MONTH	2008 POUNDS	Number of Producers	2009 POUNDS	Number of Producers	2010 POUNDS	Number of Producers	PERCENT 2009/08	CHANGE 2010/09
January	675,265,283	654	764,064,476	636	738,423,690	582	+ 13.15	- 3.36
February	658,108,461	658	707,786,943	631	670,435,107	578	+ 11.39*	- 5.28
March	730,859,173	659	793,989,726	635	773,286,159	577	+ 8.64	- 2.61
April	724,651,306	659	774,795,518	631	759,108,028	575	+ 6.92	- 2.02
May	740,427,008	659	787,077,681	629	768,833,368	571	+ 6.30	- 2.32
June	702,946,861	656	730,380,337	622	725,500,766	565	+ 3.90	- .067
July	706,911,758	657	716,344,326	598	733,719,075	568	+ 1.33	+ 2.43
August	679,996,118	654	704,267,950	597			+ 3.57	
September	656,032,884	646	688,737,418	593			+ 4.99	
October	692,397,097	648	708,312,372	590			+ 2.30	
November	685,894,611	646	703,046,885	591			+ 2.50	
December	735,262,255	640	737,072,970	581			+ 0.25	
Years Total	8,388,752,815		8,815,876,602				+ 5.09	

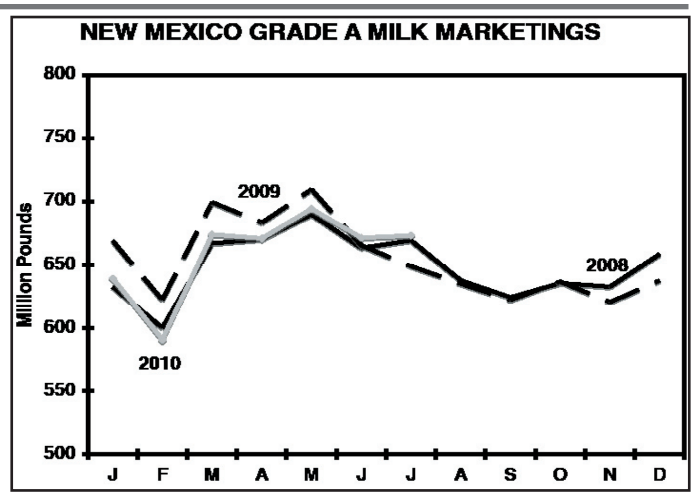
* Based on average daily deliveries.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 2008 THROUGH JULY 2010, WITH PRODUCTION PERCENTAGE COMPARISONS

MONTH	2008 POUNDS	Number of Producers	2009 POUNDS	Number of Producers	2010 POUNDS	Number of Producers	PERCENT 2009/08	CHANGE 2010/09
January	632,699,151	173	669,161,661	170	639,455,640	157	+ 5.76	- 4.44
February	600,488,935	169	622,538,938	167	591,156,278	158	+ 7.37*	- 5.04
March	667,225,545	170	699,808,110	168	674,164,265	159	+ 4.88	- 3.66
April	670,437,294	170	683,575,106	164	670,976,253	159	+ 1.96	- 1.84
May	690,007,674	173	709,872,347	165	694,638,948	160	+ 2.88	- 2.15
June	663,052,878	172	665,627,017	166	671,649,637	159	+ 0.39	+ 0.90
July	669,450,030	172	649,187,109	158	673,350,559	159	- 3.03	+ 3.72
August	637,877,538	172	635,258,249	157			- 0.41	
September	624,527,568	172	622,278,128	158			- 0.36	
October	635,779,456	174	636,944,152	157			+ 0.18	
November	632,916,136	175	620,605,564	157			- 1.95	
December	658,804,868	173	641,902,168	156			- 2.57	
Years Total	7,783,267,073		7,856,758,549				+ 0.94	

* Based on average daily deliveries.





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-------------------------------							
May 2009	13.97	10.71	9.84	10.14	2.00	126.48	3.36	174.54	.00058	121.59	115.53	83.18	23.17
June	13.08	10.79	9.97	10.22	1.67	125.44	7.23	172.83	.00057	120.73	114.66	84.61	26.93
July	13.26	10.87	9.97	10.15	1.80	124.38	9.49	169.70	.00057	119.86	113.34	84.22	29.12
August	13.04	10.86	11.20	10.38	1.14	124.91	9.62	210.09	.00063	120.30	126.05	86.66	29.25
September	13.93	11.01	12.11	11.15	0.91	122.26	10.18	242.43	.00068	118.11	135.22	96.64	29.79
October	15.35	11.93	12.82	11.86	1.23	127.52	12.28	255.84	.00071	122.45	141.10	102.70	31.83
November	15.86	13.24	14.08	13.25	0.95	146.56	15.24	269.91	.00076	138.17	151.69	111.20	34.71
December	16.99	14.25	14.98	15.01	1.02	154.33	17.27	287.51	.00080	144.59	159.69	128.58	36.68
Averages 2009 b/	14.48	11.26	11.36	10.89	1.46	125.71	6.12	220.87	.00065	120.96	129.66	92.23	25.85
January 2010	18.03	15.22	14.50	13.85	1.60	144.05	19.46	279.16	.00077	136.10	153.74	119.29	38.80
February	17.84	15.65	14.28	12.90	1.71	144.04	19.92	270.66	.00076	136.09	151.10	108.12	39.25
March	17.34	14.46	12.78	12.92	2.28	153.47	18.23	213.11	.00068	143.88	136.32	104.54	37.61
April	16.22	13.78	12.92	13.73	1.84	158.13	17.02	214.49	.00069	147.73	138.27	112.08	36.43
May	16.80	14.90	13.38	15.29	2.07	170.58	17.04	215.23	.00071	158.01	142.57	125.20	36.45
June	18.28	16.01	13.62	15.45	2.54	172.34	17.48	220.40	.00072	159.46	144.75	126.31	36.88
July	18.66	17.10	13.74	15.75	2.79	189.64	17.00	205.15	.00073	173.75	145.67	122.77	36.41

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

JULY 2010
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				$357,960.71
Class I Butterfat	60(a)	7,787,079	$1.7139	$13,346,274.71
Class I Skim Per Cwt		334,521,297	$13.1200	$43,889,194.18
Class II Butterfat	60(b)	6,227,023	$1.9034	$11,852,515.58
Class II Nonfat Solids		3,577,487	$1.2022	$4,300,854.89
Class III Butterfat	60(c)	15,887,983	$1.8964	$30,129,970.97
Class III Protein		13,439,274	$2.0515	$27,570,670.62
Class III Other Solids		26,507,887	$0.1700	$4,506,340.79
Class IV Butterfat	60(d)	4,322,497	$1.8964	$8,197,183.31
Class IV Nonfat Solids		13,341,917	$1.0493	$13,999,673.52
Class II, III & IV Somatic Cell Adj.	60(e)			$469,726.61
Total Producer Milk-Product Lbs & Value		999,942,753		$158,620,365.89
Add: Value as for 60(f) Thru 60(j)				$110,479.54
Less: Total Protein Pounds	61(b)	29,585,557	**$2.0515**	$60,694,770.23
Total Other Solids Pounds		57,623,552	**$0.1700**	$9,796,003.84
Total Butterfat Pounds		34,224,582	**$1.8964**	$64,903,497.30
Total Value of Somatic Cell Adjustment				$593,973.35
Total Milk and Value		999,942,753		$22,742,600.71
Add: Location Differential Adjustments	61(c)			$5,081,146.06
Producer-Settlement Fund	61(d)			$476,240.89
Total Producer Milk/URSP and Value		999,942,753	$2.83016	$28,299,987.66
Less: Producer-Settlement Fund	61(f)		$0.04016	$401,584.85
Producer Price Differential (Dallas County)			**$2.79**	**$27,898,402.81**

THE MARKET ADMINISTRATOR'S

REPORT

SOUTHWEST MARKETING AREA
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JULY 2010
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages

	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	342,308,376	34.23	7,787,079	22.75	334,521,297	34.64
Class II	45,761,572	4.58	6,227,023	18.19	39,534,549	4.09
Class III	460,176,442	46.02	15,887,983	46.43	444,288,459	46.01
Class IV	151,696,363	15.17	4,322,497	12.63	147,373,866	15.26
Total	999,942,753	100.00	34,224,582	100.00	965,718,171	100.00

Producer Milk Component Utilization Percentages

	Protein Pounds	Percent	Other Solids Pounds	Percent	Nonfat Solids Pounds	Percent
Class I	10,409,454	35.17	19,933,097	34.59	30,342,544	34.79
Class II	1,226,442	4.15	2,351,040	4.08	3,577,487	4.10
Class III	13,439,274	45.43	26,507,887	46.00	39,947,161	45.81
Class IV	4,510,387	15.25	8,831,528	15.33	13,341,917	15.30
Total	29,585,557	100.00	57,623,552	100.00	87,209,109	100.00