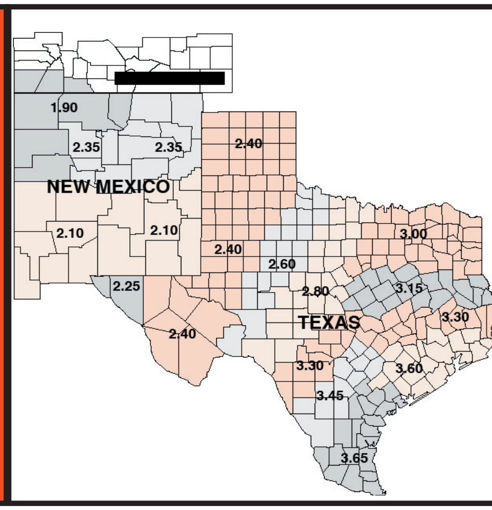
THE MARKET ADMINISTRATOR'S REPORT



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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 $1.17 for July. Butterfat price decreased $0.1191 per pound from $2.3702 in June to the level of $2.2511 in July. Protein price increased $0.8485 per pound from $2.9807 in June to $3.8292 in July. July's Other Solids price increased $0.0269 per pound from $0.3339 in June to $0.3608 in July. The Somatic Cell Count adjustment rate factor for July was 0.00106 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 $22.56 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 $1.06 in comparison to the statistical uniform price of $21.50 in June.

The July Class I price increased $0.71 from $23.32 in June to the July level of $24.03. The Class II price for July of $21.29 per hundredweight decreased $0.08 from $21.37 in June. July's Class III price increased $2.28 from $19.11 in June to $21.39 in July. The Class IV price decreased $0.72 from $21.05 in June to $20.33 in July.

In July 543 producers delivered a total of 922,762,287 pounds of milk. On a daily basis this represents a decrease of 11.38 percent from the producer receipts level in June and it represents a decrease of 7.72 percent when compared to the producer receipts level of July 2010.

Producer milk classified as Class I during July amounted to 35.20 percent of total producer receipts. This figure is down from 32.31 percent in June but it is up from 34.23 percent in July 2010. The average butterfat test of producer milk pooled during July was 3.503 percent, average protein test was 2.966 percent, average other solids test was 5.706 percent and the average somatic cell count was 208,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 11	Jun 11	Jul 11	Jun 11	Jul 11	Jun 11
Appalachian - FO 5	23.35	22.90	-----	-----	66.39	63.54
Arizona - FO 131	21.58	21.02	-----	-----	31.12	28.05
Central - FO 32	21.60	20.36	0.21	1.25	26.88	27.26
Florida - FO 6	25.44	25.04	-----	-----	84.80	82.41
Mideast - FO 33	21.91	20.80	0.52	1.69	33.90	36.30
Northeast - FO 1	22.76	22.09	1.37	2.98	38.70	39.00
Pacific Northwest - FO 124	21.34	20.60	(0.05)	1.49	23.44	25.14
Southeast - FO 7	23.69	22.93	-----	-----	64.06	61.71
Southwest - FO 126	**22.56**	**21.50**	**1.17**	**2.39**	**35.20**	**32.31**
Upper Midwest - FO 30	21.60	19.58	0.21	0.47	11.30	11.60

STRONG DEMAND KEEPS MILK PRICES HIGH AND PRODUCTION ADVANCING

Dairy cow numbers continue to advance and are projected to average 9,185 thousand head this year. Some retrenchment is expected in 2012 based on relatively high feed prices and lower expected milk prices in 2012. Milk per cow is estimated at 21,305 pounds this year and forecast at 21,665 pounds in 2012; both numbers are unchanged from June. The result will be continued expansion in milk production, with 195.7 billion pounds expected in 2011 and 198.8 billion pounds forecast for 2012. This year, both an increase in cow numbers and output per cow support the rise. In 2012, a strong year-over-year rise in output per cow, and the added leap-year milking day, will offset the expected decline in cow numbers.

Exports have shown resiliency to date, but will likely decline next year. Milk equivalent exports are forecast at 8.8 billion pounds this year on a fats basis, based on continued strong shipments of butterfat. The forecast represents an increase from last month's forecast. Exports in 2012 are forecast at 8.7 billion pounds, unchanged from last month. The competitive price advantage for U.S. butter in world markets has narrowed considerably, which could ultimately slow exports. Milk equivalent skims-solids exports were increased slightly from last month to 32.1 billion pounds for 2011 and are unchanged from last month at 32.3 billion pounds forecast for next year.

Growth in domestic commercial use of dairy products continues despite slow economic growth. Domestic commercial use is forecast at 188.8 billion pounds this year on a fats basis, but a stronger rise is forecast for 2012 as use is forecast to rise to 192.2 billion pounds. Year-to-date use through April shows butter 15 percent above 2010, American cheese 4 percent above last year, and other cheese 7.1 percent above last year. Domestic commercial use, on a skims-solids basis, is on track for a robust 2.1 percent year-over-year rise to 167.5 billion pounds for 2011. For 2012, domestic use is forecast at 170.4 billion pounds, a strong 1.7 percent rise.

The price outlook for the major dairy products points to slowly declining milk prices toward the end of 2011 and into 2012. The Class III price is forecast at $18.00 to $18.30 per cwt this year and $16.00 to $17.00 per cwt next year. The Class IV prices continue to lead Class III prices both this year and next, averaging $19.15 to $19.55 per cwt and $16.50 to $17.60 per cwt in 2011 and 2012, respectively. The all milk price is forecast to average $20.00 to $20.30 per cwt in 2011 and $17.75 to $18.75 per cwt in 2012.

SOURCE: Livestock, Dairy, & Poultry Outlook/LDP-M-205/July 18, 2011, Economic Research Service, USDA.

AGRICULTURE SECRETARY ANNOUNCES CHANGES TO CRP

Agriculture Secretary Tom Vilsack announced August 8, 2011, that the Farm Service Agency (FSA) is modifying its Conservation Reserve Program (CRP) policies to help those affected by sustained drought conditions. Throughout this year of extreme weather, USDA has supported and delivered assistance to farmers, ranchers, and rural communities across the country.

"We continue to do all we can to help thousands of farmers and ranchers in the southwestern United States who are struggling from drought," said Vilsack. "Many ranchers have been or will be forced to sell livestock due to drought and USDA will do what we can to help our farmers and ranchers during these challenging times."

The policy changes influence FSA rules governing emergency grazing. The period normally allowed for emergency grazing lasts through Sept. 30, 2011. FSA is permitting farmers and ranchers in drought stricken states who have been approved for emergency grazing, including those in Colorado, Kansas, New Mexico, Oklahoma and Texas, to extend the emergency grazing period to Oct. 31, 2011, without an additional payment reduction.

Producers wishing to participate in emergency grazing must first request permission from the FSA county office by indicating the acreage to be grazed.

As a second condition designed to help livestock producers, FSA will allow producers nationwide to utilize harvested hay from expiring CRP acres when those acres are being prepared for fall seeded crops. Prior to this modification, all mechanically harvested hay was required to be destroyed. This change enables livestock producers to feed the hay that is mechanically harvested to their own livestock or to sell or donate hay. Consistent with existing policy for managed or emergency haying and grazing of eligible CRP acres, rental payments will be reduced by 25 percent for those utilizing this option.

"We are eager to do all we can in the face of this drought crisis across the southern plains," said FSA Administrator Bruce Nelson. "This has been one of the worst dry and hot spells since the Dust Bowl era of the '30s."

For further information about the Conservation Reserve Program and Emergency Haying and Grazing, producers are encouraged to visit their USDA Service Centers or go online to www.fsa.usda.gov. Search under Conservation Programs and Disaster Assistance.

TOP TEN TEXAS COUNTIES a/ – JULY 2011

County	Number of Producers	Pounds	% Change From 2010b/
1. Erath	79	90,420,345	+ 1.99
2. Castro	13	88,841,991	+ 19.52
3. Parmer	14	84,484,522	+ 23.10
4. Deaf Smith	11	66,164,950	+ 5.37
5. Hartley	11	53,524,260	+ 4.41
6. Lamb	10	51,971,788	+ 16.38
7. Bailey	10	48,245,288	+ 5.96
8. Moore	5	39,824,900	+ 27.03
9. Hale	6	39,177,166	+ 11.64
10. Comanche	20	34,954,685	+ 1.44
Ten County Total	179	597,609,895	+ 11.34 b/
Other Counties Total	362	197,158,174	+ 0.10
Texas Total	541	794,768,069	+ 8.32

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 2010	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
August	3.59	3.40	3.03	2.92	5.74	5.75	8.77	8.67	326	260
September	3.67	3.48	3.10	2.99	5.74	5.76	8.85	8.75	297	229
October	3.80	3.60	3.21	3.10	5.77	5.77	8.98	8.88	262	205
November	3.92	3.74	3.26	3.16	5.78	5.79	9.03	8.96	237	184
December	3.96	3.78	3.25	3.14	5.75	5.75	9.00	8.90	226	172
Averages 2010	3.73	3.55	3.14	3.04	5.75	5.76	8.89	8.81	285	220
January 2011	3.96	3.78	3.22	3.12	5.75	5.76	8.99	8.89	223	165
February	3.95	3.76	3.19	3.08	5.75	5.77	8.94	8.85	269	206
March	3.82	3.63	3.15	3.03	5.77	5.78	8.91	8.81	239	179
April	3.77	3.56	3.13	3.02	5.78	5.79	8.91	8.81	209	156
May	3.75	3.54	3.12	3.01	5.76	5.76	8.88	8.77	206	148
June	3.68	3.45	3.08	2.98	5.75	5.74	8.83	8.72	214	153
July	3.66	3.43	3.05	2.93	5.72	5.72	8.77	8.65	235	177

a/ In thousands.

TOP NEW MEXICO COUNTIES a/ – JULY 2011

County	Number of Producers	Pounds	% Change From 2010b/
1. Chaves	35	165,804,892	+ 0.50
2. Curry	25	152,647,347	+ 1.46
3. Roosevelt	37	141,550,313	+ 3.34
4. Dona Ana	22	87,612,258	- 2.89
5. Lea	13	51,855,288	+ 6.60
6. Socorro	8	21,364,595	+ 0.27
7. Luna	3	18,163,460	+ 16.30
8. Eddy	3	16,485,980	+ 3.46
9. Valencia	5	16,288,089	+ 4.66
10. Bernalillo	4	5,907,461	+ 2.60
Ten County Total	155	677,679,683	+ 1.84 b/
Other Counties Total	2	12,671,200	+ 10.67
New Mexico Total	157	690,350,883	+ 1.99

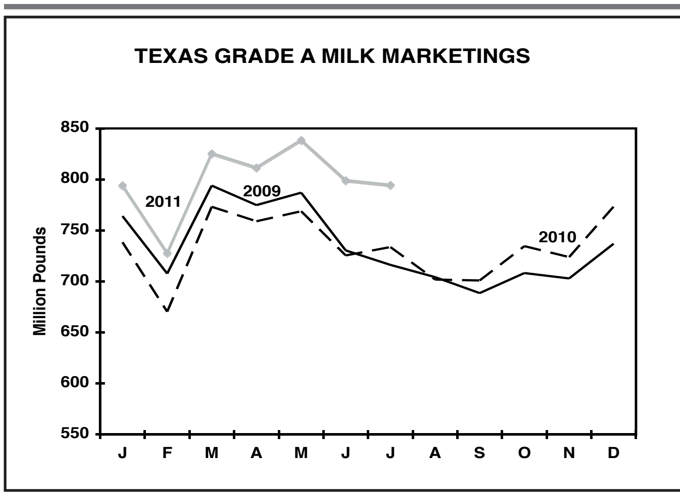
a/ All known Grade "A" milk produced on farms located in New Mexico.
b/ Compared to top counties for the month in the previous year.

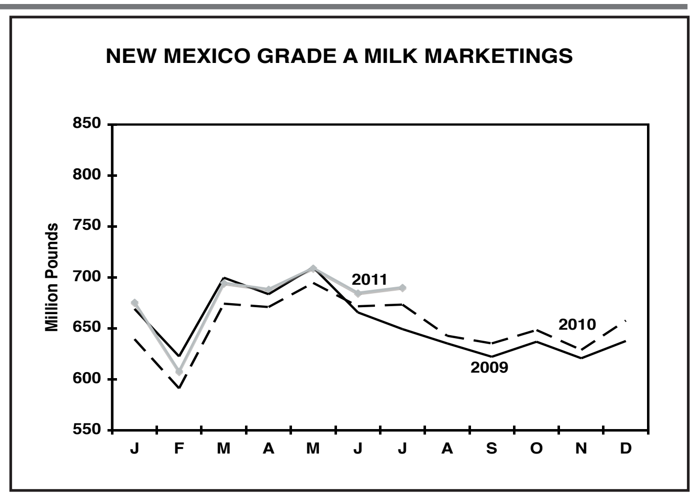
POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN TEXAS BY MONTHS: JANUARY 2009 THROUGH JULY 2011, WITH PRODUCTION PERCENTAGE COMPARISONS

MONTH	2009 POUNDS	Number of Producers	2010 POUNDS	Number of Producers	2011 POUNDS	Number of Producers	PERCENT 2010/09	CHANGE 2011/10
January	764,064,476	636	738,538,899	582	794,574,299	555	- 3.34	+ 7.59
February	707,786,943	631	672,168,487	578	728,226,604	554	- 5.03	+ 8.34
March	793,989,726	635	773,286,159	577	825,750,805	552	- 2.61	+ 6.78
April	774,795,518	631	759,203,798	576	812,060,148	549	- 2.01	+ 6.96
May	787,077,681	629	768,833,368	571	837,599,963	544	- 2.32	+ 8.94
June	730,380,337	622	725,500,766	565	799,434,977	543	- .067	+ 10.19
July	716,344,326	598	733,719,075	568	794,768,069	541	+ 2.43	+ 8.32
August	704,267,950	597	702,002,272	559			- 0.32	
September	688,737,418	593	701,066,340	558			+ 1.79	
October	708,312,372	590	738,609,251	554			+ 4.28	
November	703,046,885	591	723,908,057	555			+ 2.97	
December	737,072,970	581	773,415,328	557			+ 4.93	
Years Total	8,815,876,602		8,810,251,800				- 0.06	

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 2009 THROUGH JULY 2011, WITH PRODUCTION PERCENTAGE COMPARISONS

MONTH	2009 POUNDS	Number of Producers	2010 POUNDS	Number of Producers	2011 POUNDS	Number of Producers	PERCENT 2010/09	CHANGE 2011/10
January	669,161,661	170	639,771,307	157	675,834,553	157	- 4.39	+ 5.64
February	622,538,938	167	591,156,278	158	608,071,702	159	- 5.04	+ 2.86
March	699,808,110	168	674,287,000	159	694,817,453	159	- 3.65	+ 3.04
April	683,575,106	164	670,976,253	159	688,673,031	158	- 1.84	+ 2.64
May	709,872,347	165	694,638,948	160	709,391,501	157	- 2.15	+ 2.12
June	665,627,017	166	671,649,637	159	684,767,801	157	+ 0.90	+ 1.95
July	649,187,109	158	676,898,057	159	690,350,883	157	+ 4.27	+ 1.99
August	635,258,249	157	642,846,047	159			+ 1.19	
September	622,278,128	158	635,203,468	156			+ 2.08	
October	636,944,152	157	648,369,979	156			+ 1.79	
November	620,605,564	157	628,936,968	156			+ 1.34	
December	641,902,168	156	657,677,525	156			+ 2.46	
Years Total	7,856,758,549		7,832,411,467				- 0.31	





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 2010	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
August	18.77	16.98	15.18	15.61	2.19	203.36	16.47	237.88	.00080	185.08	160.31	115.57	35.90
September	18.50	17.60	16.26	16.76	1.69	240.44	16.73	230.57	.00085	215.70	170.16	113.83	36.15
October	19.58	17.57	16.94	17.15	1.38	244.36	17.36	247.39	.00088	218.93	176.66	116.74	36.76
November	20.24	17.21	15.44	16.68	2.25	224.22	17.97	219.81	.00081	202.30	161.52	119.53	37.36
December	19.96	15.77	13.83	15.03	2.56	179.52	18.52	217.06	.00073	165.39	146.06	118.48	37.89
Averages 2010 b/	18.35	16.02	14.41	15.09	2.08	185.35	17.77	230.91	.00076	170.20	152.26	116.87	37.16
January 2011	18.20	16.79	13.48	16.42	2.76	202.39	20.02	175.90	.00070	184.28	140.76	125.30	39.35
February	18.89	17.97	17.00	18.40	1.42	229.67	23.10	255.86	.00087	206.80	174.49	137.28	42.34
March	21.23	18.83	19.40	19.41	0.93	228.59	26.65	330.24	.00099	205.91	197.22	149.45	45.78
April	22.43	19.66	16.87	19.78	3.02	221.13	29.02	249.84	.00085	199.75	169.83	156.80	48.08
May	22.75	20.63	16.52	20.29	3.42	224.97	30.26	231.33	.00083	202.92	165.34	161.20	49.29
June	23.32	21.37	19.11	21.05	2.39	237.02	33.39	298.07	.00095	212.87	189.99	165.20	52.33
July	24.03	21.29	21.39	20.33	1.17	225.11	36.08	382.92	.00106	203.04	212.43	161.59	54.94

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

JULY 2011
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				$328,281.64
Class I Butterfat	60(a)	7,490,838	$2.4070	$18,030,447.08
Class I Skim Per Cwt		317,337,449	$16.1700	$51,313,465.51
Class II Butterfat	60(b)	7,359,403	$2.2581	$16,618,267.95
Class II Nonfat Solids		7,816,553	$1.5411	$12,046,089.85
Class III Butterfat	60(c)	13,664,498	$2.2511	$30,760,151.44
Class III Protein		11,553,069	$3.8292	$44,239,011.81
Class III Other Solids		22,539,429	$0.3608	$8,132,225.99
Class IV Butterfat	60(d)	3,816,519	$2.2511	$8,591,365.95
Class IV Nonfat Solids		9,459,510	$1.4336	$13,561,153.55
Class II, III & IV Somatic Cell Adj.	60(e)			$989,520.45
Total Producer Milk-Product Lbs & Value		922,762,287		$204,609,981.22
Add: Value as for 60(f) Thru 60(j)				$116,346.42
Less: Total Protein Pounds	61(b)	27,376,339	**$3.8292**	$104,829,477.31
Total Other Solids Pounds		52,661,499	**$0.3608**	$19,000,268.87
Total Butterfat Pounds		32,331,258	**$2.2511**	$72,780,894.91
Total Value of Somatic Cell Adjustment				$1,387,358.63
Total Milk and Value		922,762,287		$6,728,327.92
Add: Location Differential Adjustments	61(c)			$4,116,979.59
Producer-Settlement Fund	61(d)			$400,484.76
Total Producer Milk/URSP and Value		922,762,287	$1.21871	$11,245,792.27
Less: Producer-Settlement Fund	61(f)		$0.04871	$449,473.51
Producer Price Differential (Dallas County)			**$1.17**	**$10,796,318.76**

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JULY 2011
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	324,828,287	35.20	7,490,838	23.17	317,337,449	35.64
Class II	94,247,818	10.21	7,359,403	22.76	86,888,415	9.76
Class III	394,842,920	42.79	13,664,498	42.27	381,178,422	42.80
Class IV	108,843,262	11.80	3,816,519	11.80	105,026,743	11.80
Total	922,762,287	100.00	32,331,258	100.00	890,431,029	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	32,331,258	27,376,339	52,661,499	80,037,838
Percentage	3.503	2.966	5.706	8.673

Average Somatic Cell Count	208,000
Total Number of Pooled Producers	543