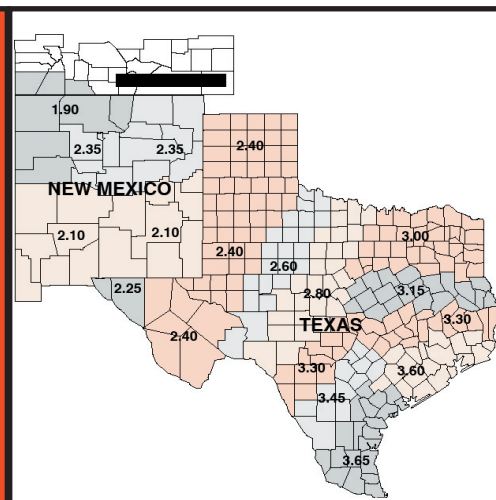


THE MARKET ADMINISTRATOR'S *REPORT*



SOUTHWEST MARKETING AREA

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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 \$0.51 for July. Butterfat price increased \$0.1690 per pound from \$1.4866 in June to the level of \$1.6556 in July. Protein price increased \$0.1478 per pound from \$2.8952 in June to \$3.0430 in July. July's Other Solids price decreased \$0.0010 per pound from \$0.3113 in June to \$0.3123 in July. The Somatic Cell Count adjustment rate factor for July was 0.00084 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 \$17.19 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 \$0.52 in comparison to the statistical uniform price of \$16.67 in June.

The July Class I price increased \$0.27 from \$18.24 in June to the July level of \$18.51. The Class II price for July of \$14.51 per hundredweight increased \$0.19 from \$14.32 in June. July's Class III price increased \$1.05 from \$15.63 in June to \$16.68 in July. The Class IV price increased \$1.21 from \$13.24 in June to \$14.45 in July.

In July 418 producers delivered a total of 569,503,869 pounds of milk. On a daily basis this represents an increase of 1.29 percent from the producer receipts level in June but it represents a decrease of 38.28 percent when compared to the producer receipts level of July 2011.

Producer milk classified as Class I during July amounted to 57.32 percent of total producer receipts. This figure is down from 59.02 percent in June but it is up from 35.20 percent in July 2011. The average butterfat test of producer milk pooled during July was 3.522 percent, average protein test was 3.011 percent, average other solids test was 5.746 percent and the average somatic cell count was 226,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 12	Jun 12	Jul 12	Jun 12	Jul 12	Jun 12
Appalachian - FO 5	18.04	17.45	-----	-----	68.54	64.57
Arizona - FO 131	16.29	15.18	-----	-----	31.59	26.92
Central - FO 32	16.29	15.38	(0.39)	(0.25)	41.65	36.16
Florida - FO 6	20.20	19.73	-----	-----	83.12	81.67
Mideast - FO 33	16.39	15.53	(0.29)	(0.10)	37.50	32.80
Northeast - FO 1	17.26	16.58	0.58	0.95	37.30	38.10
Pacific Northwest - FO 124	15.94	15.06	(0.74)	(0.57)	39.63	39.23
Southeast - FO 7	18.64	17.86	-----	-----	69.80	62.83
Southwest - FO 126	17.19	16.67	0.51	1.04	57.32	59.02
Upper Midwest - FO 30	16.66	15.70	(0.02)	0.07	13.20	11.40

FEED PRICE INCREASES WILL PUSH HERD LIQUIDATION AND OUTPUT PER COW, LOWERING MILK PRODUCTION

U.S. corn supplies were forecast sharply lower for 2012/13 as yields were lowered 20 bushels per acre. Soybean production was also reduced in the July WASDE report. Projected corn prices were raised from the June report to \$5.40 to \$6.40 per bushel, and soybean meal prices were boosted to \$365 to \$395 per ton since supplies are expected to be tighter for the balance of 2012/13. Preliminary June alfalfa hay prices were posted at \$201 per ton according to the June Agricultural Prices report. This price is below May's reported price but still well above the June 2011 reported price. Consequently, the field crop outlook is expected to lead to higher feed prices for the balance of 2012 and into 2013.

Cow numbers began to show a decline with the May Milk Production report. The prospect of rising feed prices will likely accelerate this trend for the balance of 2012 and into 2013. Cow numbers were lowered to 9,230 thousand head in 2012 and to 9,145 thousand head for 2013 in July's forecast. Recent high temperatures will likely restrain milk production over the course of the summer and, coupled with higher feed costs, milk output per cow is lowered to 21,830 pounds from June projections. Milk per cow is forecast at 22,060 in 2013, a decline from June as higher feed prices take a toll. The result is a projected 201.6 billion pounds of milk production in 2012, a decline from last month's projection, and to 201.7 billion pounds of milk forecast in 2013, also a drop from June.

Fat-basis milk equivalent imports were raised this month to 3.5 billion pounds for 2012 and to 3.4 billion pounds in 2013, mostly on the basis of stronger cheese imports, which will likely continue into 2013. On a skim-solids basis, milk equivalent imports were lowered this month to 4.9 billion pounds for this year and to 4.7 billion pounds in 2013. Imports of casein and milk protein concentrates (MPC) are lowered for the year and into 2013 and will partially counter the higher expected cheese imports.

Exports on both a fat- and skim-solids basis

were increased for both 2012 and 2013. Fat-basis exports were raised to 9.3 billion pounds for this year and to 9.2 billion pounds for 2013. Both cheese and nonfat dry milk (NDM) exports were strong in April and are expected to remain resilient for the remainder of 2012. A continued optimistic outlook for cheese exports is the basis for increasing 2013 fat-basis exports. The fundamentals for skim-solids exports are similar. First-quarter skim-solids exports exceeded expectations, largely as a result of strong nonfat dry milk (NDM) exports. The higher export pace is expected to continue for the balance of 2012 and into 2013. Skim-solids exports were raised in July to 32.4 billion pounds for this year and to 32.9 billion pounds in 2013.

Current-year price forecasts for cheese and butter were raised this month. The prospect of lowered production and continued strong exports are expected to support the higher prices. Current-year cheese prices were forecast higher at \$1.590 to \$1.620 per pound and butter prices were raised slightly to \$1.470 to \$1.530 per pound. For 2013, cheese prices were raised slightly to \$1.605 to \$1.705 per pound and butter prices were unchanged from June's forecast at \$1.465 to \$1.595 per pound. Prices for NDM were lowered slightly for this year to \$1.210 to \$1.240 per pound by lowering the upper end of the price range. Relatively weak forecast income growth is expected to soften demand, tempering the price effect of reduced milk production. Next year's NDM prices were unchanged from June at \$1.320 to \$1.390. Whey prices were unchanged at 54.0 to 56.0 cents per pound for 2012 and 55.5 to 58.5 cents per pound next year. The higher cheese price leads to a higher forecast Class III price of \$16.00 to \$16.30 per cwt in 2012 and to \$16.25 to \$17.25 per cwt in 2013. The Class IV price was boosted to \$14.55 to \$14.95 per cwt for 2012 and is unchanged for next year at \$15.40 to \$16.50 per cwt. The increased Class IV price this year is based mostly on the spillover effect of higher butter prices tempered by slightly weaker NDM prices. The all milk price was raised to \$17.05 to \$17.35 per cwt this year and to \$17.35 to \$18.35 per cwt for next year.

Source: Livestock, Dairy, & Poultry Outlook/LDP-M-217/July 17,

TOP TEN TEXAS COUNTIES a/ – JULY 2012

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2011</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2011</u>
1. Parmer	15	92,236,437	+ 9.18	7. Moore	7	47,792,338	+ 20.01
2. Castro	14	88,762,688	- 0.09	8. Bailey	9	42,045,428	- 12.85
3. Erath	66	78,471,374	- 13.21	9. Hale	6	40,300,127	+ 2.87
4. Deaf Smith	12	64,089,818	- 3.14	10. Comanche	17	33,571,820	- 3.96
5. Lamb	10	54,293,854	+4.47	Ten County Total	167	594,133,718	- 0.58
6. Hartley	11	52,569,834	- 1.78	<u>Other Counties Total</u>	<u>316</u>	<u>181,745,750</u>	<u>- 7.82</u>
Texas Total					483	775,879,468	- 2.38

a/ Includes all known Grade "A" milk produced on farms located in Texas.

TEXAS AND NEW MEXICO MARKET COMPONENT TEST

<u>Month</u>	<u>Butterfat</u>		<u>Protein</u>		<u>Other Solids</u>		<u>S-N-F</u>		<u>SCC a/</u>	
	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>	<u>TX</u>	<u>NM</u>
May 2011	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
August	3.67	3.42	3.05	2.93	5.73	5.74	8.79	8.67	253	196
September	3.73	3.48	3.17	3.07	5.71	5.72	8.88	8.79	246	194
October	3.82	3.58	3.26	3.18	5.73	5.74	8.99	8.92	227	176
November	3.88	3.63	3.31	3.23	5.74	5.75	9.05	8.97	206	159
December	3.93	3.71	3.33	3.25	5.75	5.76	9.08	9.02	249	223
Averages 2011	3.80	3.58	3.17	3.07	5.75	5.75	8.92	8.82	231	178
January 2012	3.87	3.67	3.26	3.18	5.74	5.74	9.00	8.92	247	252
February	3.81	3.58	3.24	3.15	5.77	5.78	9.01	8.93	235	211
March	3.75	3.53	3.18	3.09	5.79	5.81	8.97	8.90	222	184
April	3.69	3.46	3.14	3.04	5.77	5.78	8.91	8.82	213	164
May	3.70	3.45	3.14	3.03	5.77	5.79	8.91	8.82	218	166
June	3.69	3.46	3.12	2.99	5.77	5.79	8.89	8.79	227	171
July	3.68	3.47	3.10	2.97	5.74	5.77	8.85	8.74	237	192

a/ In thousands.

TOP NEW MEXICO COUNTIES a/ – JULY 2012

<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2011</u>	<u>County</u>	<u>Number of Producers</u>	<u>Pounds</u>	<u>% Change From 2011</u>
1. Chaves	34	161,038,473	- 2.87	7. Luna	3	17,091,420	- 5.90
2. Curry	26	152,243,675	- 0.26	8. Valencia	5	16,700,418	+ 2.53
3. Roosevelt	33	134,707,699	- 4.83	9. Eddy	3	16,082,940	- 2.44
4. Dona Ana	19	81,145,449	- 7.38	10. Bernalillo	3	5,441,974	- 7.88
5. Lea	13	53,298,498	+ 2.78	Ten County Total	147	660,168,452	- 2.58
6. Socorro	8	22,417,906	+ 4.93	<u>Other Counties Total</u>	<u>2</u>	<u>11384,200</u>	<u>- 10.16</u>
New Mexico Total					149	671,552,652	- 2.72

a/ All known Grade "A" milk produced on farms located in New Mexico.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN TEXAS BY MONTHS:
JANUARY 2010 THROUGH JULY 2012, WITH PRODUCTION PERCENTAGE COMPARISONS**

MONTH	2010 POUNDS	Number of Producers	2011 POUNDS	Number of Producers	2012 POUNDS	Number of Producers	PERCENT 2011/10	CHANGE 2012/11
January	738,538,899	582	794,574,299	555	826,060,239	525	+ 7.59	+ 3.96
February	672,168,487	578	728,226,604	554	796,585,464	514	+ 8.34	+ 5.62
March	773,286,159	577	831,714,685	552	873,809,464	515	+ 7.49	+ 5.06
April	759,203,798	576	812,060,148	549	839,675,231	504	+ 6.96	+ 3.40
May	768,833,368	571	837,599,963	544	843,983,197	495	+ 8.94	+ 0.76
June	725,500,766	565	799,434,977	543	782,384,320	491	+ 10.19	- 2.13*
July	733,719,075	568	794,768,069	541	775,879,468	483	+ 8.32	- 2.38
August	702,002,272	559	779,356,886	540			+ 11.02	
September	701,066,340	558	771,537,770	538			+ 10.05	
October	738,609,251	554	811,052,943	536			+ 9.81	
November	723,908,057	555	785,855,360	533			+ 8.56	
December	773,415,328	557	805,829,180	531			+ 4.19	
Years Total	8,810,251,800		9,552,010,884				+ 8.42	

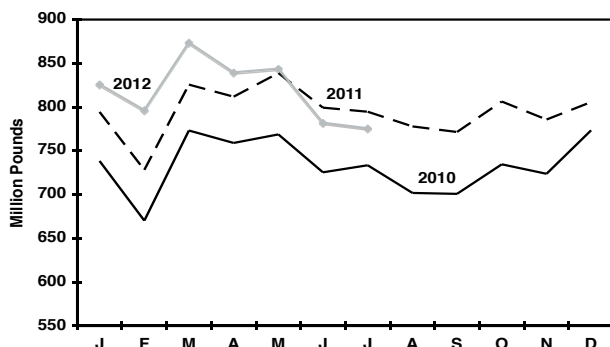
* Revised.

**POUNDS OF GRADE A MILK MARKETED BY
PRODUCERS LOCATED IN NEW MEXICO BY MONTHS:
JANUARY 2010 THROUGH JULY 2012, WITH PRODUCTION PERCENTAGE COMPARISONS**

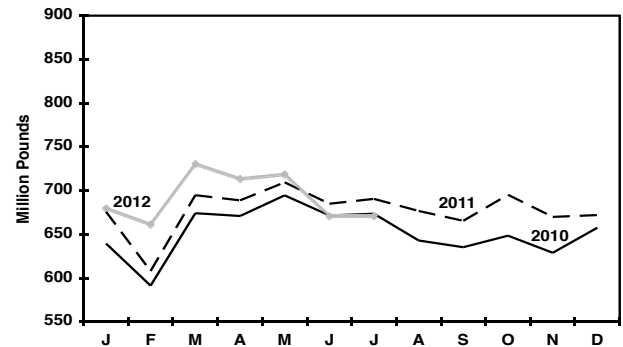
MONTH	2010 POUNDS	Number of Producers	2011 POUNDS	Number of Producers	2012 POUNDS	Number of Producers	PERCENT 2011/10	CHANGE 2012/11
January	639,771,307	157	675,834,553	157	680,195,569	157	+ 5.64	+ 0.65
February	591,156,278	158	608,071,702	159	661,854,191	156	+ 2.86	+ 5.09
March	674,287,000	159	694,817,453	159	730,980,867	156	+ 3.04	+ 5.20
April	670,976,253	159	688,673,031	158	713,977,651	158	+ 2.64	+ 3.67
May	694,638,948	160	709,391,501	157	719,067,055	153	+ 2.12	+ 1.36
June	671,649,637	159	684,767,801	157	666,236,294	152	+ 1.95	- 2.71*
July	676,898,057	159	690,350,883	157	671,552,652	149	+ 1.99	- 2.72
August	642,846,047	159	676,720,593	158			+ 5.27	
September	635,203,468	156	666,022,373	159			+ 4.85	
October	648,369,979	156	695,365,627	157			+ 7.25	
November	628,936,968	156	669,926,275	157			+ 6.52	
December	657,677,525	156	671,984,702	158			+ 2.18	
Years Total	7,832,411,467		8,131,926,494				+ 3.82	

* Revised.

TEXAS GRADE A MILK MARKETINGS



NEW MEXICO GRADE A MILK MARKETINGS



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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 2011	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
August	24.43	21.55	21.67	20.14	1.39	229.85	38.11	383.05	.00107	206.95	214.02	157.39	56.91
September	24.78	20.55	19.07	19.53	2.59	220.05	40.53	302.82	.00093	198.86	185.92	154.39	59.26
October	22.56	19.41	18.03	18.41	1.82	195.92	42.86	292.11	.00087	178.93	174.71	151.09	61.52
November	21.45	19.26	19.07	17.87	0.82	195.08	45.21	323.41	.00092	178.24	184.15	145.22	63.80
December	21.47	18.08	18.77	16.87	0.48	174.43	46.83	334.04	.00090	161.19	180.70	142.01	65.38
Averages 2011 b/	22.13	19.62	18.37	19.04	1.85	215.35	34.34	296.63	.00091	194.98	182.46	150.58	53.25
January 2012	21.80	17.67	17.05	16.56	1.83	171.78	50.32	273.26	.00080	159.00	160.97	139.42	68.76
February	20.03	16.94	16.06	15.92	1.52	157.39	45.41	266.27	.00077	147.12	154.10	137.92	64.00
March	19.30	16.59	15.72	15.35	1.46	152.97	42.39	265.71	.00076	143.47	152.48	133.10	61.07
April	18.66	16.20	15.72	14.80	1.18	156.45	40.48	265.68	.00077	146.34	153.61	125.14	59.21
May	18.85	15.19	15.23	13.55	1.27	144.62	35.00	273.44	.00076	136.57	152.15	115.51	53.89
June	18.24	14.32	15.63	13.24	1.04	148.66	31.13	289.52	.00079	139.91	158.46	110.23	50.13
July	18.51	14.51	16.68	14.45	0.51	165.56	31.23	304.30	.00084	153.86	168.57	117.44	50.23

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

JULY 2012 COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

		Pounds	Price	Value
Add: Class I Differential				\$295,057.13
Class I Butterfat	60(a)	7,252,284	\$1.4894	\$10,801,551.81
Class I Skim Per Cwt		319,194,543	\$13.7800	\$43,985,008.03
Class II Butterfat	60(b)	7,788,455	\$1.6626	\$12,949,085.30
Class II Nonfat Solids		8,774,312	\$1.0011	\$8,783,963.77
Class III Butterfat	60(c)	2,348,912	\$1.6556	\$3,888,858.73
Class III Protein		973,748	\$3.0430	\$2,963,115.17
Class III Other Solids		1,844,566	\$0.3123	\$576,057.98
Class IV Butterfat	60(d)	2,672,162	\$1.6556	\$4,424,031.41
Class IV Nonfat Solids		9,306,826	\$0.9965	\$9,274,252.12
Class II, III & IV Somatic Cell Adj.	60(e)			\$263,505.39
Total Producer Milk-Product Lbs & Value		569,503,869		\$98,204,486.84
Add: Value as for 60(f) Thru 60(j)				\$120,277.97
Less: Total Protein Pounds	61(b)	17,149,382	\$3.0430	\$52,185,569.45
Total Other Solids Pounds		32,724,971	\$0.3123	\$10,220,008.46
Total Butterfat Pounds		20,061,813	\$1.6556	\$33,214,337.61
Total Value of Somatic Cell Adjustment				\$594,531.75
Total Milk and Value		569,503,869		\$2,110,317.54
Add: Location Differential Adjustments	61(c)			\$698,020.18
Producer-Settlement Fund	61(d)			\$333,609.81
Total Producer Milk/URSP and Value		569,503,869	\$0.55169	\$3,141,947.53
Less: Producer-Settlement Fund	61(f)		\$0.04169	\$2237,477.80
Producer Price Differential (Dallas County)			\$0.51	\$2,904,469.73

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JULY 2012**PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES**

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	326,446,827	57.32	7,252,284	36.15	319,194,543	58.09
Class II	104,421,161	18.34	7,788,455	38.82	96,632,706	17.59
Class III	33,263,693	5.84	2,348,912	11.71	30,914,781	5.63
Class IV	105,372,188	18.50	2,672,162	13.32	102,700,026	18.69
Total	569,503,869	100.00	20,061,813	100.00	549,442,056	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	20,061,813	17,149,382	32,724,971	49,874,353
Percentage	3.522	3.011	5.746	8.757

Average Somatic Cell Count	226,000
Total Number of Pooled Producers	418