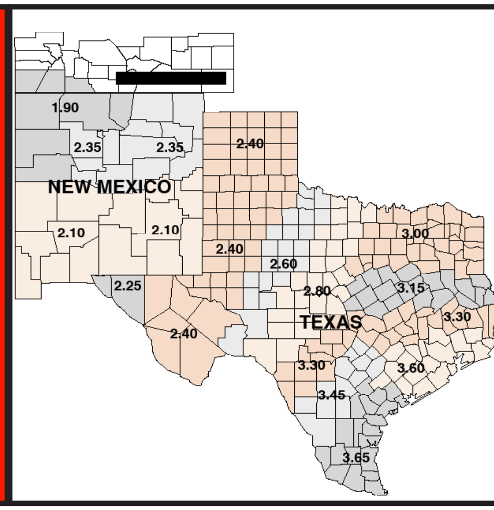
THE MARKET ADMINISTRATOR'S

REPORT



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MARKET SUMMARY FOR JULY

The Producer Price Differential (PPD) for milk delivered to handlers located in Dallas/Tarrant counties (TX) of the Southwest Milk Market Order was $1.95 for July. Butterfat price increased $0.1936 per pound from $2.4413 in June to the level of $2.6349 in July. Protein price decreased $0.1639 per pound from $3.3437 in June to $3.1798 in July. The Other Solids price increased $0.0104 per pound from $0.4942 in June to $0.5046 in July. The Somatic Cell Count adjustment rate factor for July was 0.00102 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 $23.55 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 $0.28 in comparison to the statistical uniform price of $23.27 in June.

The July Class I price increased $0.16 from $25.86 in June to the July level of $26.02. The Class II price increased $0.47 from $23.94 per hundredweight in June to $ 24.41 in July. The Class III price increased $0.24 from $21.36 in June to $21.60 in July. The Class IV price increased $0.65 from $23.13 in June to $23.78 in July.

In July 520 producers delivered a total of 1,083,234,980 pounds of milk. On a daily basis this represents a decrease of 4.59 percent from the producer receipts level in June and it represents an increase of 8.11 percent when compared to the producer receipts level of July 2013.

Producer milk classified as Class I during July amounted to 30.34 percent of total producer receipts. This figure is up from 28.58 percent in June and is down from 33.29 percent in July 2013. The average butterfat test of producer milk pooled during July was 3.529 percent, average protein test was 3.050 percent, average other solids test was 5.769 percent and the average somatic cell count was 215,000.

Federal Order	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Jul 14	Jun 14	Jul 14	Jun 14	Jul 14	Jun 14
Appalachian - FO 5	25.95	25.48	-------	-------	70.50	61.86
Arizona - FO 131	23.73	23.33	-------	-------	26.73	24.91
Central - FO 32	23.02	22.75	1.42	1.39	29.46	29.36
Florida - FO 6	27.95	27.53	-------	-------	84.69	80.59
Mideast - FO 33	23.48	23.21	1.88	1.85	34.90	33.60
Northeast - FO 1	24.75	24.38	3.15	3.02	32.60	31.90
Pacific Northwest - FO 124	23.15	22.76	1.55	1.40	21.45	20.96
Southeast - FO 7	26.43	25.88	-------	-------	78.72	68.64
Southwest - FO 126	**23.55**	**23.27**	**1.95**	**1.91**	**30.34**	**28.58**
Upper Midwest - FO 30	22.05	21.79	0.45	0.43	9.80	9.10

STRONG DEMAND, BOTH FOREIGN AND DOMESTIC, KEEPS MILK PRICES HIGH AND PRODUCTION ADVANCING AS FEED PRICES MODERATE

Corn production for 2014/15 is lowered 75 million bushels from June in this month's World Agricultural Supply and Demand Estimates report. The reduction is based on lower projected harvested acreage in the June Acreage report. However, lower expected feed and residual use, down by 50 million bushels from June, and higher expected beginning stocks, 100 million bushels higher than last month, more than offset the lower production forecast, resulting in a lowered expected season average price of $3.65-$4.35 per bushel. Soybean meal prices were lowered this month from last month's forecast to $350-$390 a ton. Soybean production is forecast at a record 3.8 billion bushels based on year-over-year increased expected harvested acreage. While corn and soybean meal prices in 2014/15 are likely to be lower than this year's prices, forage prices are likely to remain firm.

The June Agricultural Prices report placed the preliminary June 2014 alfalfa hay price at $222 a ton, virtually unchanged from May or from June 2013. The June Acreage report indicated the planting of all hay is down slightly from 2013. California remains drought stricken; however, the mid-West is expected to show improvement from last year.

On balance, the lower corn and soybean meal prices will continue to moderate feed prices through the balance of 2014 and into 2015. The feed price outlook, combined with continued strong milk prices, is expected to signal producers to increase cow numbers in 2015.

Dairy cow numbers are forecast to total 9,260 thousand head this year and to increase to 9,345 thousand head next year; both years' projections are increased fractionally from June. Milk per cow is lowered slightly from June to 22,230 pounds per cow in 2014 and increased from June to 22,730 pounds per cow next year. Next year, strong year-over-year rises in output per cow and modest herd expansion boosts milk production from June's forecast to 212.4 billion pounds. This year, milk production is lowered fractionally from the June forecast to 205.9 billion pounds, as lower output per cow offsets higher cow numbers.

According to the June Milk Production report in the 23 surveyed States, the strongest percentage increases in year-over-year milk production were posted in western States, with Texas, Colorado, and Arizona leading the rise. Small declines in milk production were observed in the Midwest, with Ohio showing the largest declines in 2014 from 2013. Wisconsin was unchanged from 2013. Fats-basis milk equivalent imports are forecast to be 3.5 billion pounds in 2014 based on year-to-date movement and then to hold at 3.5 billion pounds in 2015. Imports are forecast at 5.2 billion pounds this year and 5.1 billion pounds next year on a skims-solids basis. Skims-solids forecasts are lowered from June. Current year fats-basis exports are lowered from June to 13.2 billion pounds as high domestic butter prices curtail exports.

Fats- basis exports for 2015 are unchanged from June at 13.0 billion pounds. Skims-solids exports are raised in July to 40.4 billion pounds based mostly on higher than expected year-to-date shipments of nonfat dry milk and skim milk powder (NDM/SMP). Next year, skims-solids basis exports are projected at 39.1 billion pounds, an increase from June's forecast, but a year-over-year decline, based on increased foreign competition; however, global demand for NDM/SMP will remain strong. Internationally, exports are responding to high global demand. In the European Union, milk deliveries are at an all-time high, but robust foreign demand appears to support prices. Despite strong foreign competition, U.S. exports have remained firm, especially NDM and SMP exports to Mexico.

Firm domestic commercial use of dairy products is expected in light of continued economic recovery. Domestic commercial use, on a fats basis, is forecast at 195.6 billion pounds, unchanged from June. However, next year domestic commercial use on a fats basis is expected to climb to 200.6 billion pounds, an increase from June's forecast as well as a 2.6 percent year-over-year rise. On a skims-solids basis, domestic commercial use is forecast to reach 169.3 billion pounds, a dropoff from June's forecast, and then to rise to 177.2 billion pounds in 2015.

Dairy product prices are increased this month for 2014. Cheese prices are projected higher this month based on current price strength. The prices are forecast to average $2.030 to $2.060 per pound this year and fall to $1.670- $1.770 in 2015 based on continued increases in milk production. Butter prices are revised upward from June to $1.965-$2.025 per pound based on strength in demand and tight supply. That condition is expected to continue into 2015 as butter prices are revised upward this month to $1.650-$1.780 per pound; however, prices will decline on a year-over-year basis. July NDM price forecasts reflect the robust export outlook for those products and will likely average $1.835-$1.865 per pound in 2014 and decline to $1.605-$1.675 per pound in 2015. July whey prices are forecast up from June to 63.5-65.5 cents per pound for the current year and to fall to 55.0-58.0 cents per pound in 2015, unchanged from June. 18

The price outlook for the major dairy products points to declines in 2015 in class and all milk prices. The Class III price is forecast at $21.00- $21.30 per cwt this year, falling to $16.95-$17.95 per cwt in 2015. The Class IV prices continue to lead Class III prices both this year and next, averaging $21.95-$22.35 per cwt and sliding to $18.70-$19.80 per cwt in 2014 and 2015, respectively. The all milk price is forecast to average $23.25-$23.55 per cwt in 2014 and to fall to $19.75-$20.75 per cwt in 2015.

Source: *Livestock, Dairy, and Poultry Outlook/LDP-M-241/ July 17, 2014 Economic Research Service, USDA*

TOP TEN TEXAS COUNTIES a/ – JULY 2014

Rank	County	Number of Producers	Pounds 2014	Pounds 2013	Percent Change 2013/2014
1.	Castro	13	100,745,361	95,934,393	+ 5.01
2.	Parmer	15	93,046,821	83,938,185	+ 10.85
3.	Erath	59	77,053,169	81,522,072	- 5.48
4.	Deaf Smith	12	73,553,222	66,279,000	+ 10.98
5.	Moore	9	72,365,660	57,694,844	+ 25.43
6.	Lamb	10	60,427,926	59,912,355	+ 0.86
7.	Hartley	11	59,698,040	56,474,443	+ 5.71
8.	Hale	6	46,749,693	40,927,792	+ 14.22
9.	Bailey	10	45,637,423	42,221,957	+ 8.09
10.	Comanche	17	38,010,398	36,512,353	+ 4.10
Ten County Total		162	667,287,713	621,417,394	+ 7.38
Other Counties		280	193,969,225	196,431,381	- 1.25
Texas Total		**442**	**861,256,938**	**817,848,775**	**+ 5.31**

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

TOP NEW MEXICO COUNTIES a/ – JULY 2014

Rank	County	Number of Producers	Pounds 2014	Pounds 2013	Percent Change 2013/2014
1.	Chaves	32	163,132,286	169,849,981	- 3.96
2.	Curry	26	152,746,929	148,022,913	+ 3.19
3.	Roosevelt	35	144,103,708	135,252,598	+ 6.54
4.	Dona Ana	18	77,182,869	83,968,547	- 8.08
5.	Lea	13	60,000,328	56,957,971	+ 5.34
6.	Socorro	8	24,004,744	23,181,413	+ 3.55
7.	Luna	3	18,003,438	18,446,750	-2.40
8.	Valencia	5	17,886,687	17,095,082	+ 4.63
Top County Total		140	657,060,989	652,775,255	+ 0.66
Other Counties		7	27,107,551	32,896,965	- 17.60
New Mexico Total		**147**	**684,168,540**	**685,672,220**	**- 0.22**

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

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	3.75	3.47	3.18	3.05	5.78	5.78	8.95	8.83	182	138
June	3.67	3.39	3.11	2.99	5.78	5.78	8.89	8.77	197	152
July	3.66	3.38	3.11	2.99	5.78	5.78	8.89	8.76	227	190
August	3.72	3.45	3.13	3.01	5.74	5.75	8.88	8.75	242	204
September	3.76	3.49	3.18	3.06	5.73	5.74	8.91	8.80	233	206
October	3.89	3.59	3.30	3.20	5.74	5.75	9.04	8.95	215	182
November	3.95	3.66	3.36	3.24	5.76	5.77	9.12	9.01	223	192
December	4.00	3.71	3.36	3.24	5.76	5.77	9.12	9.01	235	205
Averages 2013	3.83	3.56	3.23	3.11	5.76	5.78	8.99	8.88	216	176
January 2014	3.94	3.63	3.31	3.19	5.75	5.77	9.06	8.96	202	167
February	3.91	3.58	3.29	3.15	5.74	5.76	9.03	8.91	192	156
March	3.86	3.55	3.25	3.11	5.76	5.78	9.01	8.89	196	162
April	3.79	3.50	3.21	3.08	5.80	5.82	9.01	8.90	192	160
May	3.73	3.45	3.19	3.07	5.77	5.78	8.96	8.85	186	151
June	3.69	3.40	3.14	3.01	5.78	5.79	8.92	8.80	214	173
July	3.69	3.40	3.13	2.99	5.77	5.77	8.89	8.76	236	192

a/ In thousands.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN TEXAS BY MONTHS: JANUARY 2012 THROUGH JULY 2014, WITH PRODUCTION PERCENTAGE COMPARISONS

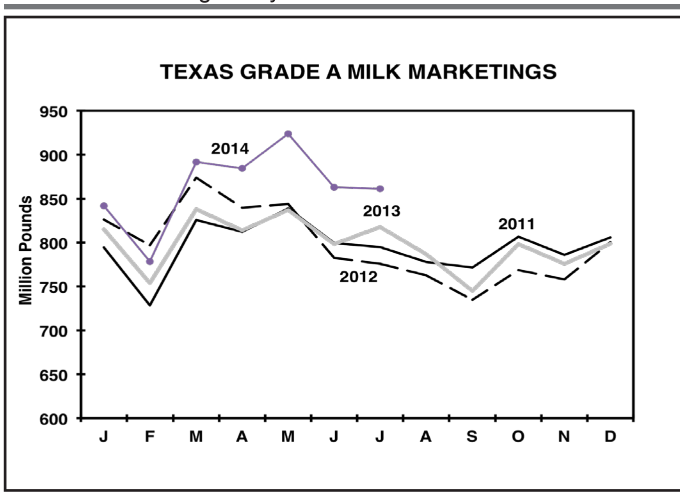
MONTH	2012 POUNDS	Number of Producers	2013 POUNDS	Number of Producers	2014 POUNDS	Number of Producers	PERCENT 2013/12	CHANGE 2014/13
January	826,060,689	525	815,186,323	468	841,887,929	440	- 1.32	+ 3.28
February	796,799,428	514	751,853,093	465	778,398,943	443	- 2.27 *	+ 3.53 *
March	873,809,464	515	837,918,903	461	891,680,232	444	- 4.11	+ 6.42
April	839,675,231	504	813,654,074	456	884,645,957	442	- 3.10	+ 8.73
May	843,983,197	495	837,276,897	457	923,706,643	443	- 0.79	+ 10.32
June	782,384,320	491	798,423,916	456	862,889,592	442	+ 2.05	+ 8.07
July	775,879,468	483	817,848,775	452	861,256,938	439	+ 5.41	+ 5.31
August	762,801,472	481	786,930,152	448			+ 3.16	
September	734,843,900	481	744,663,679	446			+ 1.34	
October	768,680,316	473	797,966,297	445			+ 3.81	
November	757,867,560	471	775,927,149	444			+ 2.38	
December	800,171,636	470	798,498,206	441			- 0.21	
Years Total	9,562,956,681		9,576,147,464				+ 0.14	

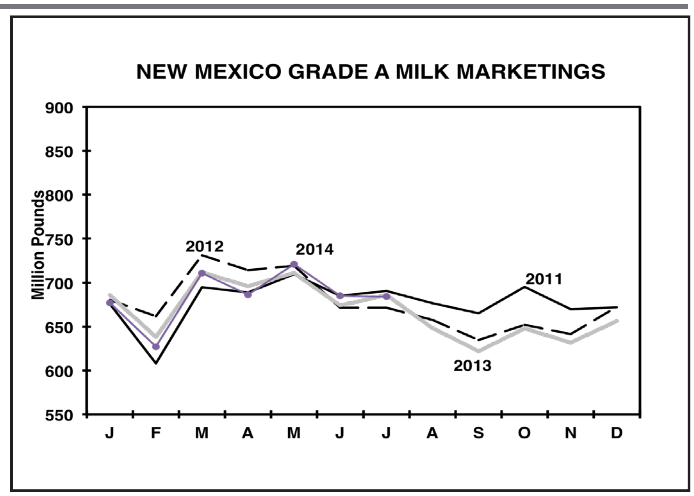
* Based on average daily deliveries.

POUNDS OF GRADE A MILK MARKETED BY PRODUCERS LOCATED IN NEW MEXICO BY MONTHS: JANUARY 2012 THROUGH JULY 2014, WITH PRODUCTION PERCENTAGE COMPARISONS

MONTH	2012 POUNDS	Number of Producers	2013 POUNDS	Number of Producers	2014 POUNDS	Number of Producers	PERCENT 2013/12	CHANGE 2014/13
January	680,195,569	157	685,707,875 [1/]	148	677,107,907	147	+ 0.81 [1/]	- 1.25
February	661,854,191	156	637,945,230 [1/]	148	627,152,702 [1/]	147 [1/]	- 0.17 *[1/]	- 1.69 *[1/]
March	730,980,867	156	711,813,501 [1/]	149	711,010,066	146	- 2.62 [1/]	- 0.11
April	713,977,651	158	695,977,148	150	686,163,267	145	- 2.52	- 1.41
May	719,067,055	153	710,709,847	150	721,131,107	147	- 1.16	+ 1.47
June	666,236,294	152	674,240,675	149	685,138,590	147	+ 1.20	+ 1.62
July	671,552,652	149	685,672,220	149	684,168,540	144	+ 2.10	- 0.22
August	657,573,314	149	648,098,565	148			- 1.44	
September	634,558,129	148	621,748,466	147			- 2.02	
October	652,048,912	149	647,611,433	147			- 0.68	
November	641,151,756	148	631,922,577	147			- 1.44	
December	672,437,705	148	656,050,459	148			- 2.44	
Years Total	8,101,634,095		8,007,497,996				- 1.16	

* Based on average daily deliveries. [1/] Revised





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

	Class Prices & P.P.D.					Component Prices				AMS Product Prices c/			
	I a/	II	III	IV	P.P.D. a/	BF	Other Solids	True Protein	SCC b/ Adj Rate	Grade AA Butter	Cheddar Cheese	NFDM Powder	Dry Whey
Month	-------- Dollars Per Hundred Wt. --------					------------------------------Cents Per Pound------------------------------							
May	20.76	18.43	18.52	18.89	1.02	178.84	38.87	335.97	.00091	164.83	182.74	163.74	57.65
June	21.93	19.14	18.02	18.88	1.69	165.99	38.59	334.55	.00089	154.22	178.10	168.78	57.38
July	21.91	19.22	17.38	18.90	2.02	156.93	39.27	322.57	.00086	146.74	171.42	172.72	58.04
August	21.88	19.27	17.91	19.07	1.83	151.04	39.01	347.75	.00089	141.78	177.31	177.06	57.78
September	22.16	19.78	18.14	19.43	1.83	151.96	39.14	354.19	.00090	142.63	179.61	180.85	57.91
October	22.20	20.56	18.22	20.17	1.78	166.38	38.52	341.07	.00090	154.54	180.25	183.66	57.31
November	23.20	20.76	18.83	20.52	1.67	163.36	39.55	363.16	.00093	152.05	186.12	188.92	58.31
December	23.37	21.66	18.95	21.54	1.83	176.72	38.26	353.90	.00094	163.08	187.61	195.37	57.06
Averages 2013 d/	21.84	19.42	17.99	19.05	1.64	166.34	40.29	330.10	.00088	154.50	176.83	170.66	59.02
January 2014	24.48	22.21	21.15	22.29	1.25	178.74	41.55	418.70	.00104	164.75	208.38	203.35	60.25
February	25.02	23.73	23.35	23.46	0.67	201.09	44.53	460.44	.00114	183.20	228.64	207.83	63.14
March	26.64	24.22	23.33	23.66	1.19	204.02	47.00	451.72	.00113	185.62	226.89	208.97	65.54
April	26.65	24.74	24.31	23.34	0.81	212.07	49.26	470.89	.00118	192.27	235.47	201.91	67.74
May	27.47	24.44	22.57	22.65	1.86	227.21	48.97	395.53	.00109	204.77	217.03	187.68	67.45
June	25.86	23.94	21.36	23.13	1.91	244.13	49.42	334.37	.00102	218.74	203.58	186.33	67.89
July	26.02	24.41	21.60	23.78	1.95	263.49	50.46	317.98	.00102	234.73	204.82	186.17	68.90

a/ Subject to location adjustments. b/ SCC adjustment rate is per 1,000 difference. c/ Prior to April 2012 NASS product prices were used. d/ Simple averages

JULY 2014
COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

			Pounds	Price	Value
Add:	Class I Differential				$396,355.32
	Class I Butterfat	60(a)	7,594,801	$2.4677	$18,741,690.44
	Class I Skim Per Cwt		321,077,519	$18.0100	$57,826,061.18
	Class II Butterfat	60(b)	4,957,580	$2.6419	$13,097,430.61
	Class II Nonfat Solids		3,691,975	$1.7456	$6,444,711.58
	Class III Butterfat	60(c)	24,750,254	$2.6349	$65,214,444.28
	Class III Protein		21,338,149	$3.1798	$67,851,046.18
	Class III Other Solids		40,551,465	$0.5046	$20,462,269.27
	Class IV Butterfat	60(d)	926,506	$2.6349	$2,441,250.67
	Class IV Nonfat Solids		595,692	$1.6770	$998,975.49
	Class II, III, & IV Somatic Cell Adjustment	60(e)			$1,107,917.38
	Total Producer Milk- Product Pounds and Value		1,083,234,980		$254,582,152.40
Add:	Value as for 60(f) thru 60(j)				($2,339.72)
Less:	Total Protein Pounds	61(b)	33,046,645	**$3.1798**	$105,081,721.76
	Total Other Solids Pounds		62,496,976	**$0.5046**	$31,535,974.13
	Total Butterfat Pounds		38,229,141	**$2.6349**	$100,729,963.64
	Total Value of Somatic Cell Adjustment				$1,476,332.56
	Total Milk and Value		1,083,234,980		$15,755,820.59
Add:	Location Differential Adjustments	61(c)			$5,342,629.10
	Producer - Settlement Fund Reserve	61(d)			$500,343.13
	Total Producer Milk/URSP and Value		1,083,234,980	$1.99391	$21,598,792.82
Less:	Producer - Settlement Fund Reserve	61(f)		$0.04391	$475,710.71
	Producer Price Differential (Dallas County)			**$1.95**	**$21,123,082.11**

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JULY 2014
PRODUCER MILK AND COMPONENT UTILIZATION PERCENTAGES

Producer Milk Utilization Percentages						
	Product Pounds	Percent	Butterfat Pounds	Percent	Skim Milk Pounds	Percent
Class I	328,672,320	30.34	7,594,801	19.87	321,077,519	30.72
Class II	45,359,007	4.19	4,957,580	12.97	40,401,427	3.87
Class III	701,692,918	64.78	24,750,254	64.74	676,942,664	64.78
Class IV	7,510,735	0.69	926,506	2.42	6,584,229	0.63
Total	1,083,234,980	100.00	38,229,141	100.00	1,045,005,839	100.00

Producer Milk Components				
	Butterfat	Protein	Other Solids	Nonfat Solids
Total Pounds	38,229,141	33,046,645	62,496,976	95,543,621
Percentage	3.529%	3.050%	5.769%	8.820%

Average Somatic Cell Count	215,000
Total Number of Pooled Producers	520