

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (10/10):**

BUTTER: Grade AA closed at \$1.7025. The weekly average for Grade AA is \$1.6980 (-.0600).

CHEESE: Barrels closed at \$1.8350 and 40# blocks at \$1.8800. The weekly average for barrels is \$1.8155 (-.0025) and blocks, \$1.8500 (+.0050).

BUTTER HIGHLIGHTS: The CME Group cash butter price has declined steadily over the past week but firmed on Friday to settle at \$1.7025 at week's end. Churning across the country is seasonally active as cream supplies are adequate to maintain steady production schedules. Production of some Class II cream based holiday items is starting, which will reduce cream offerings to butter producers for the foreseeable future. Fresh butter production is readily clearing plants with inventoried stocks supplementing shortages. Micro fixing inventoried stock is active and will continue as yearend orders build. Thanksgiving orders are starting to develop, although some buyers are hesitant to commit fully as the cash price eases. International sales continue with the assistance of the CWT program. On October 6, CWT announced that 9 bonus bids were accepted for the export of butter and anhydrous milkfat. With these accepted bids, CWT's total 2008 export obligations are: butter, 19,476 metric tons (43 million lbs.) and anhydrous milkfat, 5,449 metric tons (12 million lbs.).

CHEESE HIGHLIGHTS: The cheese market is unsettled, although the cash price at the CME Group firmed during weekly trading. Some cheese buyers are hesitant to procure sizable volumes as the cheese price has been quite volatile over the past few weeks. Cheese production schedules across the country are basically steady at seasonal levels and fully dependent on milk availability. Stocks of cheese are basically in balance for most needs with some buyers looking for an occasional load or two of current varieties for near term use. Cumulative U.S. cheddar cheese production for the first 8 months of 2008, adjusted lower for Feb. 29, totals 2.092 billion pounds, up 29 million pounds (1.4%) from the same period in 2007. The adjusted 2008 total cheese output is 6.491 billion pounds, 56 million pounds (0.8%) above 2007. The Kansas City Commodity Office announced solicitation BCD5-020 seeking between 8,048,800 - 41,344,800 pounds of various cheeses for January 1 - December 31, 2009 delivery. Offers are due October 23, 2008.

FLUID MILK: Farm milk production is tracking along seasonal projections in all regions, aided by relatively mild weather. Balancing plant intakes are well within capacity limits. California fluid demand is steady while Central Class I demand is mixed. Early in the week demand was light, but is building throughout the week. Southeast and Florida demand for outside shipments has eased during the last few weeks. In the Northwest, dairy farmers are seeing some relief on feed prices as increasing hay inventories are prompting \$10-\$15 price cuts to finalize sales. Some areas at higher elevations and latitudes are expecting overnight frost conditions, so final cuttings of forage are being hurried along. Cream availability is improving in most regions as ice cream production tapers off. Some holiday-related production of butterfat-based products has begun, but a few balancing plants are churning more butter. Condensed skim shipments are moving based on contractual arrangements, but spot sale activity is weak.

DRY PRODUCTS: Nonfat dry milk and dry buttermilk markets are generally weak and prices are mostly lower. Both Western and Central/East nonfat dry milk prices moved lower, and sales to the Commodity Credit Corporation at the price support level, \$0.80, took place for the first time since July 17, 2006 and are from the Western region. The Western dry buttermilk market fell on the bottom of the range as that region has more inventory buildup. The Central dry whey mostly and Northeast range are unchanged,

while the Western mostly moved both higher and lower. Manufacturers are feeling more confident in holding prices and dry whey inventories for the near term. Fourth quarter pricing on lactose has moved the high sides of range and mostly prices lower, and contracting is slower than desired by manufacturers. The declining trend in the whey protein concentrate 34% market seems to have stabilized and prices are unchanged this week.

CCC: During this week, CCC purchased 8,287,414 pounds of nonfortified nonfat dry milk, the first purchase of the commodity since July 2006.

INTERNATIONAL OVERVIEW: Milk production in Eastern and Western Europe continues to decline towards seasonal low levels with many countries reporting no change to slight gains when compared to year ago levels. In Oceania, milk output is building as the season develops. Producers and handlers project a 6 - 7% increase over last season in New Zealand with Australian output projected to be 1% higher. For the first two months (July - August) of Australia's milk production season, milk volumes are running 3.6% heavier. International demand for dry dairy products has trended lower. There are concerns about Government Dairy Price Support (CCC) purchases of NDM in the United States beginning and international traders/buyers are assessing what effect lower prices in the U.S. will have on international prices. An export tender was announced and bids are being taken to buy SMP and WMP. The unsettled world markets will likely affect prices and quantities. Major economic declines in most major international stock markets, fluctuating currencies, and unsettled consumer confidence, are all creating uncertainty in world demand. Few developments are taking place for producers/traders hoping to place supplemental product into China. There are some speculative purchases, but overall volumes are light.

AUGUST DAIRY PRODUCTS (NASS): Butter production was 115.8 million pounds in August, 4.4% above August 2007 and 1.4% above July 2008. American type cheese production totaled 338.6 million pounds, 8.6% above August 2007 but 0.8% below July 2008. Total cheese output (excluding cottage cheese) was 821.3 million pounds, 3.0% above August 2007 and 1.0% above July 2008. Nonfat dry milk production, for human food, totaled 117.4 million pounds, 14.0% above August 2007 but 13.4% below July 2008. DRY WHEY production, for human food, was 83.1 million pounds, 6.9% below August 2007 and 3.2% below July 2008.

MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production forecasts for 2008 are unchanged as higher cow numbers are offset by lower milk per cow. Forecast milk production for 2009 is raised fractionally as cow numbers are forecast slightly higher. Dairy export forecasts are reduced, reflecting current slowing movement and weaker international demand. Import forecasts are also reduced from last month as cheese imports are expected to be weaker. Stocks are adjusted to reflect larger expected stocks of dairy products with notably larger stocks of nonfat dry milk (NDM). Small sales of NDM to the CCC are forecast for 2008, but no sales are forecast for 2009. Class price forecasts are lowered from last month. Weaker international demand for NDM is expected to result in sharply lower forecast NDM prices. Lower NDM prices more than offset higher forecast butter prices and push the Class IV price lower. Cheese prices are forecast lower as demand is softening and weaker Class IV prices are expected to encourage milk to flow into cheese vats in 2009. Thus, coupled with lower expected whey prices Class III price forecasts are reduced from last month. The all milk price is forecast lower this month, averaging \$18.40 to \$18.50 in 2008 and \$16.50 to \$17.40 in 2009.

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**CME GROUP
CASH TRADING**

PRODUCT	MONDAY OCTOBER 6	TUESDAY OCTOBER 7	WEDNESDAY OCTOBER 8	THURSDAY OCTOBER 9	FRIDAY OCTOBER 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7925 (N.C.)	\$1.8075 (+.0150)	\$1.8075 (N.C.)	\$1.8350 (+.0275)	\$1.8350 (N.C.)	(+.0425)	\$1.8155 (-.0025)
40# BLOCKS	\$1.8100 (N.C.)	\$1.8400 (+.0300)	\$1.8500 (+.0100)	\$1.8700 (+.0200)	\$1.8800 (+.0100)	(+.0700)	\$1.8500 (+.0050)
BUTTER							
GRADE AA	\$1.7450 (N.C.)	\$1.7100 (-.0350)	\$1.6800 (-.0300)	\$1.6525 (-.0275)	\$1.7025 (+.0500)	(-.0425)	\$1.6980 (-.0600)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS

CME GROUP

MONDAY, OCTOBER 6, 2008

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.0000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.0000
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7450

TUESDAY, OCTOBER 7, 2008

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.8200; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8075; 1 CAR 40# BLOCKS @ \$1.8400; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.0000; 1 CAR GRADE A @ \$1.0000
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.7200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7100

WEDNESDAY, OCTOBER 8, 2008

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.8400; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.8500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6800; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, OCTOBER 9, 2008

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8350; 1 CAR 40# BLOCKS @ \$1.8700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6525; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6600

FRIDAY, OCTOBER 10, 2008

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.8800; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.6525, 1 @ \$1.7025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7025

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$1.0000 and Grade A at \$1.0000. The last price change for Extra Grade was on 10/06/08 and Grade A was on 10/6/08. The weekly average for Extra Grade is \$1.0000 (-\$0.1000) and Grade A is \$1.0000 (-\$0.0900).

BUTTERMARKETS

NORTHEAST

Eight loads of butter traded on The CME Group from the beginning of last week to Tuesday of this week. From last Tuesday until Tuesday this week, butter prices moved down by 5 1/2 cents. Cream on spot markets seems to be somewhat more generally available in much of the region this week, even as spot availability remains tight in some mid-Atlantic areas. Cream from the Southeast/Florida areas as well as balancing plant intakes at northern locations are reportedly sufficient to cover most cream needs within the region. Multiples in those areas with eased availability have decreased by a few cents, ranging from the high 120's in Florida to the high 130's in some northern areas. Churning this week is mostly focused on current demand. With Thanksgiving occurring late this year and the current butter market price fluctuation, there is a tendency to hold back on higher production for inventory accumulation. There also continues to be competition for cream from heavy production of cream cheese in many areas and the beginning of egg nog in some areas. While ice cream production has generally declined, there have been substantial cream orders this week in the northeast to resume production at an ice cream plant that had been closed for maintenance. Reports of current churning in the region are consistent with declining regional churning trends in recent months, reported in Dairy Products. NASS reports that while New York production was 17.4% higher than August 2007, it had declined 45.5% from July 2008. Pennsylvania production was 68.8% higher than August 2007, but 17.3% lower than July 2008. National patterns varied from the region. U.S. butter production in August 2008 totaled 116 million pounds, 4.4% above August 2007 and 1.4% above July 2008. Cooperatives Working Together (CWT) announced that last week it accepted 3 export assistance bids for the sale of butter, totaling 85,439 pounds, and 5 bids for the sale of 556,565 pounds of anhydrous milkfat. With these accepted bids, CWT's total 2008 export obligation for butter totals 43 million pounds and for anhydrous milkfat, 12 million pounds. Sales of bulk butter f.o.b. East are reported in a range from flat market to 4.0 – 6.0 cents over the C.M.E. price average.

CENTRAL

The cash butter price at the CME started to weaken late last week and continues to edge lower this week, settling at \$1.6800 at midweek. This is the lowest cash price since mid September. The current cash price compares to \$1.3125 last year at this time and \$1.3325 in 2006. Most producers and handlers are not surprised

at the weakness as international prices are also weakening. For those U.S. traders and handlers that are participating in international sales, they are finding that sales are becoming more challenging to put together without continued CWT assistance. Churning schedules are seasonally active as cream supplies are available to churns from local and out of area sources. Some Class II cream based holiday items are starting to be produced which will limit cream volumes for Class IV needs. Current butter demand is seasonally active. Retail buyers are starting to place Thanksgiving orders as this holiday is seven weeks away with features and promotions breaking in five week or so. Food service orders are holding steady, although some buyers are indicating that traffic flow through some restaurants is easing. Dairy buyers for both food service and retail needs indicate that year end needs are hard to project, especially with current economic conditions and the distribution of discretionary spending by consumers unknown. Spot bulk butter prices range from 3 - 5 cents per pound over various pricing basis and averages.

WEST

Since Wednesday of last week, butter prices at the cash CME Group have declined 8 1/2 cents to stand at \$1.68 at midweek. Butter prices have not been lower than this since September 2. Demand for butter for normal fall needs is at expected levels. New commercial export sales are slowing as U.S. prices are higher and world prices continue to falter. Also, currency relationships at this time are making it harder to export for the U.S. As has been the case for an extended period of time, butter production is very heavy and stocks continue to trail last year. According to the NASS Dairy Products report, U.S. butter production in August totaled 115.8 million pounds, up 4.4% from last year. This is the most butter produced in August since 1951. Cumulative output for the first eight months of the year totals 1.11 billion pounds, up 9.1% (92.7 million pounds) from 2007. This works out to an average weekly increase of 2.6 million pounds. August butter production in the Western region totals 67.0 million pounds, up 12.3% from last year. The West produced 58% of the butter in the U.S. in August. CME weekly approved warehouses' stock numbers show a decline of 4.6 million pounds and totaled 60.8 million pounds. The total compares to 119.4 million pounds a year ago and 89.3 million pounds in 2006. In the last five weeks, stocks have declined by 20.1 million pounds this year. Last year for the same period, stocks were down 19.9 million pounds, and they declined 28.4 million pounds in 2006. Prices for bulk butter range from flat market to 4 cents under the market, based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

WEEK ENDING	U.S. AVERAGES AND TOTAL POUNDS				
	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
OCTOBER 4	1.9194 10,938,573	1.9253 9,180,226	1.0646 22,092,514	1.6833 4,288,319	0.2021 9,630,436

Further data and revisions may be found on the internet at: <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1450>

CHEESE MARKETS

NORTHEAST

"Dynamic" and "volatile" are words used to describe an unsettled cheese market with block/barrel price inversions that have been providing buyer challenges. Since Monday of last week on the CME Group cheese trading, 42 block contracts and 38 barrel contracts changed hands. Barrels began last week at \$1.9100, dropped to \$1.7700 and closed this Tuesday at \$1.8075. Blocks last week Monday closed at \$1.9325, dropped to \$1.8050 and closed this Tuesday at \$1.8400. The weekly average decrease on the Cheddar block price caused wholesale prices on several varieties of cheese to move lower. Swiss cheese prices also moved lower in response to the Class III price change. Milk available for cheese production is readily available in the region. The Northeast includes 3 of the top 13 cheese producing states identified in "Dairy Products" (NASS). Concerning those 3 states, August 2008 total cheese production in New York was 58.6 million pounds, 7.5% less than August 2007 but 7.5% greater than July 2008. Pennsylvania produced 32.6 million pounds in August 2008, up 0.7% from one year ago but down 5.0% from July 2008. Vermont produced 11.9 million pounds, down 4.5% from August 2007 but up 12.8% from July 2008. Cumulatively, the three states produced slightly over 12.5% of total U.S. cheese in August 2008. Focusing on Italian Cheese, in August 2008, New York ranked 3rd nationally, producing 31.6 million pounds, 9.1% of total U.S. production, an increase of 0.5% over August 2007 and 5.1% more than one month earlier. Pennsylvania ranked 4th in Italian cheese production, producing nearly 19.6 million pounds in August 2008, 5.9% of U.S. production, down 3.8% from August one year earlier and down 6.6% from one month earlier. Cooperatives Working Together (CWT) announced that last week it accepted 3 export assistance bids for the sale of cheese, totaling 165,347 pounds. With these accepted bids, CWT's total 2008 export obligation for cheese totals 3.1 million pounds.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	2.0425-2.5625
Cheddar Single Daisies	:	2.0000-2.4850
Cheddar 40# Block	:	2.0975-2.3725
Process 5# Loaf	:	1.9125-2.1525
Process 5# Sliced	:	1.9275-2.2375
Muenster	:	2.1175-2.3150
Grade A Swiss Cuts 10 - 14#	:	3.1475-3.4700

MIDWEST

The cheese market is unsettled as prices move irregularly higher and lower, often based on the volumes of cheese available for sale on the CME Group cash cheese market. The declines in the CME Group weekly average generated additional orders for some packagers. A number of customers are looking for an extra load or two of various current varieties including cheddar, Colby/jack, pepper jack, mozzarella, and provolone for near term use. Extra supplies are minimal from most producers though some buyers have been successful in sourcing product from other producers, though not necessarily on the first call. Most plants have minimal uncommitted supplies available. Aged cheddar interest is fairly steady though buyers are still avoiding product put into storage at the "high" market prices. Good interest is noted for white processing solids as current barrel supplies are limited. Cheese production is about steady as milk intakes are steady to lower seasonally in the upper Midwest and cheese yields improve seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	2.1575-2.4400
Brick And/Or Muenster 5#	:	2.4150-2.5600
Cheddar 40# Block	:	2.3900-2.5650
Monterey Jack 10#	:	2.3625-2.5650
Blue 5#	:	2.7150-3.2700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2425-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.6625-3.4500

WEST

Since September 22 on the CME Group cash market, the peak of the recent cycle at \$1.9825 for blocks, prices have increased 4 times, declined 5 times, and remained unchanged 4 times. At midweek, the price stands at \$1.85. In general it continues to be the case that the market is bid up on light trading, but offered and sold lower on much heavier trading. Contacts believe that buyers put in some very good coverage during September when prices were relatively lower and have pulled back more recently as prices have increased again. Most people indicate that supply and demand for cheese in the West is in decent balance with under grade cheese also clearing well. Interest in mozzarella is seasonally strong as well as for Swiss cheese. According to the NASS Dairy Products report, total cheese production in August was 821.3 million pounds, up 3.0% or 24.2 million pounds from last year. Cumulative cheese production for the first eight months of the year is 6.52 billion pounds, up 1.3% or 82.8 million pounds. This works out to a weekly average increase of 2.4 million pounds during 2008. During August, the West produced 360.5 million pounds, up 2.7% from a year earlier. The West produced 44% of the U.S. cheese production during the month of August. Swiss production for the U.S. in August totals 26.3 million pounds, up 1.6% from 2007.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.9525-2.2100
Cheddar 40# Block	:	1.9550-2.3075
Cheddar 10# Cuts	:	2.1350-2.3550
Monterey Jack 10#	:	2.1450-2.3050
Grade A Swiss Cuts 6 - 9#	:	2.9000-3.4100

FOREIGN

Domestic foreign-type cheese prices declined this week in response to the CME Group market averages declining. This contrasted with several imported cheese varieties increasing in price, as some importers who had been absorbing upward price trends as a way of maintaining their customer base decided that adjustments were necessary. Importers believe that price pressure they have been facing may be eased by a final rule effective October 16, 2008, which suspends the historical license surrender penalty provision of the dairy tariff-rate quota licensing program for 2009 and 2010. Some importers faced a surrender penalty if they imported significantly less cheese than their approved quantity. Recent market factors such as a weaker U.S. Dollar and changes in European Union dairy policy had presented challenges to sustain quota import levels.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.8500*	: 2.2575-3.7450*
Gorgonzola	: 3.6900-7.2900*	: 2.7600-3.0200*
Parmesan (Italy)	: -0-	: 3.6650-4.0850*
Romano (Italy)	: 2.1000-3.6900	: -0-
Provolone (Italy)	: 3.4400-6.8900	: 2.3000-2.4575*
Romano (Cows Milk)	: -0-	: 3.4475-5.5900*
Sardo Romano (Argentina)	: 2.8500-3.6900	: -0-
Reggiano (Argentina)	: 2.6900-7.3900*	: -0-
Jarlsberg-(Brand)	: 2.9500-4.9500*	: -0-
Swiss Cuts Switzerland	: -0-	: 2.9775-3.3000
Swiss Cuts Finnish	: 2.5900-3.5900	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
10/06/08	18,635	: 108,495
10/01/08	21,058	: 108,352
CHANGE	-2,423	: 143
% CHANGE	-12	: N.C.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	48	0	76	0	140	0
SOUTHEAST STATE	119	0	135	0	391	0

Milk intakes are up slightly in many eastern areas from Florida to the Mid-Atlantic states, but still near seasonal lows in much of the rest of the region. Less milk is being called to Florida and the Southeast, which is easing pressure on plants further north in meeting demand. NORTHEAST production is not expected to begin to increase for several weeks. Adjustments in handling milk supplies continue to be made in the aftermath of last week's major fire which closed a cheese plant in the Northeast, disrupting typical milk use patterns. Milk production in the MIDDLE ATLANTIC states is up slightly. Intakes at balancing plants are well within plant capacity and Class I sales are steady and at seasonal levels. Less milk is being imported into SOUTHEAST STATES. This week 119 loads were imported, down from 135 the prior week. The weekly decline continues the trend of the last 3 weeks. This trend is similar in FLORIDA, where 48 loads were imported this week compared with 76 a week ago. Almost every week for the last few weeks, both Florida and the Southeast states imported less milk each week than they had imported the same week in the previous year. Industry participants expressed the view that decreased fluid milk demand is the primary reason, rather than any significant production factors. An industry participant commented that plans had been made to have additional milk available to import this year, expecting higher demand closer to last year, but the full amount of contingent supplies was not used. Spot market cream prices have eased, especially in Florida and the Southeast. Some cream from Florida continues to be shipped north to meet demand. Heavy cream cheese production continues to call cream. Resumption of production this week at an ice cream plant that had been closed for maintenance resulted in orders for higher than normal cream in the area, even though general ice cream production has eased. A number of plants report churning primarily for current demand, using the slightly later date for Thanksgiving to permit holding back due to some uncertainty about market trends related to recent price fluctuations. Condensed skim activity is limited to contractual arrangements.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT		
F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2678-2.4612
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.1799-2.3206

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,		
F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.32 - 1.36
NORTHEAST - CLASS III - SPOT PRICES	-	1.36 - 1.46

MIDWEST

Milk production in the Central part of the country is basically on track with projections. Weather conditions have been nearly ideal with warm days, cool nights, and moderate rainfall, thus milk output is maintaining strong seasonal levels. Class I demand is mixed. Demand was strong last week and eased early in the week, but is gaining momentum at week's end. As Class prices eased in October, some retailers are running milk promos which are clearing good volumes of fluid milk. Milk shipments into the Southeast are easing, thus more milk is available for fluid and manufacturing needs. Although milk volumes are maintaining good levels, demand for the available supplies is aggressive. In some instances, surplus manufacturing milk volumes are limited and difficult to locate while others report available volumes and no sales. Prices for available milk are running in the \$2.00 - 2.50 delivered range. Cream markets are weak as pricing multiples decline. Price firmness continues as most cream prices are based on the CME Group weekly cash butter price average which firmed last

week, but is weakening for next week deliveries. Some Class II cream based holiday product production is starting and will continue to increase as the holidays near.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 02 - 08	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 53.00	\$ 46.00- 53.00
REPLACEMENT HEIFER CALVES	\$350.00-500.00	\$300.00-665.00

WEST

CALIFORNIA milk production is holding mostly steady with recent weeks. Generally, the weather is favorable for milk cows and little stress is noted. There are indications that more cows and heifers will be entering the milking strings in October. Feed costs are trending lower for those producers buying on the spot market for grains as prices have declined sharply in recent weeks. There are concerns about farm credit issues related to the general economic unrest in the U.S. Limited maintenance issues are occurring that are affecting processing plants and, in general, milk and components are being handled efficiently. Class 1 milk demand is flat and moving along expected levels. ARIZONA milk production is steady and has not changed much in the last month. Weather conditions are generally neutral and farm level milk output is expected to move off the seasonal lows in the near future. Plants have capacity but continue to receive little outside milk. Bottled milk demand is steady along projected levels. CREAM markets are unsettled to lower. Demand for higher class products is fair at best and sometimes below expectations. Multiples and butter prices are lower, moving cream prices downward. Movements of cream into butter operations are about steady. The CME Group Grade AA butter price closed at \$1.6800 on Wednesday, October 5, down 8.5 cents from last Wednesday. Multiples are lower and range from 105-120 and vary depending on class usage and basing points. Weather conditions are seasonal in the PACIFIC NORTHWEST. Temperatures are cooling off and some rain is noted. Some producers are hoping for a little more pasture because of the additional moisture and others are now on stored feed. Dairies and hay growers are trying to finish up their last cutting of hay, but it is always a struggle to get it dry at this time of year. Some hay growers are noting that hay stocks are growing somewhat. There has been more negotiating taking place over the last few weeks and some more dairies are getting more coverage. Sometimes it takes moving prices \$10-15 lower to get the deal done. Milk output continues to head to the seasonal low point. Some plants in the region are looking at their current product mix and noting how returns have changed recently and making some adjustments. The number of heifers sold at a monthly sale in the region is the highest since May and are also above one year ago. Prices moved sharply lower with supreme springing heifers selling at a range of \$1500-1850. These prices are down from \$350-500 from last month. Prices have not been this low since early in 2007. Frost is anticipated in some of the dairy areas of UTAH and IDAHO this weekend. Much of the silage corn has been cut, but this event will spur the finish of that chore. Hay growers are also trying to finish up the last cutting. Contacts are mentioning that there is some additional financial stress on dairy producers related to the current financial market situation. High input costs also are a factor. The U.S. Milk-Feed ratio continues to hover around 1.8 when 3.0 is needed for profitability. The ratio has been below 3.0 since December 2007. Plants in the region are able to acquire some outside milk if they desire it to match up their production with projected sales. Some additional drying capacity is coming online in the region with more expected this winter. Heifer prices at a weekly sale in the region are moving lower in October. The top of the market is \$2110 and the average is \$1950. The top is about \$250 lower than in September and the average is about \$200 lower.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Nonfat dry milk prices in the Central region are unchanged to lower on a weak market. Speculation on amounts of NDM being sold to the government at the 80 cent support price has curtailed buying activity because when support prices and volumes are figured into upcoming price averages, this could translate into lower spot market prices in the near future. Nonfat dry milk production is lower at many plants as fluid milk is moving into other regions for Class I needs and some Central Class III plants are increasing intakes seasonally. Much of the current production is centered on low and medium heat NDM for contract fulfillment. Nonfat dry milk production during August 2008 in the Central region totaled 11.5 million pounds, down 43.1% from July 2008 but mostly unchanged from one year ago. August 2008 NDM production in the Central region equates to 10.0% of the total national NDM production of 117.4 million pounds.

EAST: Eastern nonfat dry milk prices moved lower this week reflecting market weakness. Some industry participants felt as if they faced two poor alternatives: higher than desired NDM inventories but little buyer interest in condensed at current prices. This resulted in some drying in plants that had not dried for awhile, due to difficulty in moving condensed at an acceptable price. While this added to NDM inventories many thought were already too high, it was a choice very reluctantly made to clear plant intakes. Some sellers still holding aging supplies of NDM were selling at prices below range to clear the older product from warehouses. In Dairy Products, NASS reports that for the Atlantic Region, production of NONFAT DRY MILK for human consumption during August 2008 totaled nearly 13.3 million pounds, down 37.5% from July production of slightly over 21.2 million pounds but up 45.6% from August 2007 production of 9.1 million pounds. August 2008 production was 11.3% of total U.S. production for the month, 117.4 million pounds.

DAIRY PRODUCTS: NASS's *Dairy Product* report shows production of human food, NONFAT DRY MILK during August 2008 totaled 117.4 million pounds, down 13.4% from July 2008 production but 14.0% above August 2007. Month ending stocks, at 157.0 million pounds, are 11.5% higher than a month ago and 10.3% higher than one year ago. Production of SKIM MILK POWDER, a blended product with standardized protein content, totaled 26.7 million pounds, 1.7% lower than one month ago but 48.7% higher than production one year ago. Cumulative 2008 production totals 283.1 million pounds, 159% more than cumulative 2007 production through August.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.1000 - 1.2500 MOSTLY: 1.1500 - 1.2000
 HIGHHEAT: 1.2000 - 1.3500

NONFAT DRY MILK - WEST

Prices for Western low/medium heat NDM are sharply lower for both the range and mostly series. The market tone is weak. There were support price sales of NDM to the CCC at the support price of 80 cents per pound. Trade sources indicate that offerings will continue in the near future to help clear product. While the support price was used to clear product, producers continued to move NDM to regular and spot accounts. Some of these prices are based off indexes and some producers are holding to tiered pricing levels. Domestic demand is trending lower. Resellers and others holding NDM positions were often attempting to clear holdings ahead of market declines. New export interest is light, although an export tender was bid this week by global sources and there are expectations that some of the powder will be from the U.S. In August, U.S. NDM production totaled 117.4 million pounds, 14.0% higher than last year. Cumulative 2008 NDM production through August totals 1.02 billion pounds, 13.6% higher unadjusted from the same timeframe in 2007. NDM production in the Western region in August totaled 92.7 million pounds, up 12.5% from last year. The West produced 79% of the U.S. total in August 2008. U.S. manufacturers' stocks of NDM at the end of August were reported at 157.0 million pounds, 10.3% more than a year earlier and up 11.5% from the prior month. Skim milk powders (SMP) production in August 2008 totaled 26.6 million pounds,

48.7% more than last year. Cumulative 2008 SMP production through July totals 283.1 million pounds, 2.6 times higher from 2007.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - 1.1700 MOSTLY: .9000 - 1.1250
 HIGHHEAT: 1.1700 - 1.4000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 3	\$1.0925	11,366,607	0
September 26	\$1.1537	10,169,087	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are unchanged to lower on a weaker market. Some condensed buttermilk is moving contractually to end users. Churning activity is somewhat higher in several balancing plants this week, so dry buttermilk production is also higher. Inventories are spotty, with some manufacturers having to purchase and resell to meet contract commitments.

EAST: Eastern dry buttermilk prices fell on a weaker market. Cream availability and spot market prices eased slightly in the region this week. However, continuing unsettled butter prices and a slightly later Thanksgiving, giving a cushion for production timing, were factors cited by many industry sources for little increased churning to generate inventory. Some plants were striving to maximize use of condensed buttermilk internally, with a participant commenting that he was doing all that he could to avoid drying. Of the limited drying, it was primarily to fill contracts and not for spot market sales.

DAIRY PRODUCTS: According to the NASS *Dairy Products* report, production of dry buttermilk during August 2008 totaled 5.9 million pounds, 3.0% above July 2008 production, and 2.0% more than production one year ago. Cumulative 2008 production totals 50.3 million pounds, 9.3% less than cumulative 2007 production through August. Month ending stocks of dry buttermilk, at 10.8 million pounds, are 18.0% above a month ago and 6.0% higher than one year ago.

F.O.B. CENTRAL/EAST: .9000 - 1.0900

DRY BUTTERMILK - WEST

Western dry buttermilk prices are sharply lower on the both the range and mostly series. The market undertone is weak. There is pressure on the market from NDM and WPC when comparing protein values. Demand has been light and producers were looking at options to clear stocks. Current production is active and reflects seasonal butter output. Stocks are moderate to heavy. Buttermilk powder production for August for the U.S. totals 5.9 million pounds, up 2.0% from last year and 3.0% more than last month. Buttermilk stocks at the end of August are 10.8 million pounds, up 6.0% from last year and up 18.0% from July 2008.

F.O.B. WEST: .8000 - 1.0600 MOSTLY: .9500 - 1.0200

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are lower. The market tone seems to be weakening as prices for nonfat dry milk decline, although butter values are supporting a portion of the dry whole milk value. Production levels are closely aligned with contract fulfillment versus inventory buildup and balancing plant intakes are at levels that do not require clearing solids and butterfat through dry whole milk production. Dry whole milk production during August 2008 totaled 4.1 million pounds, down 18.3% from one month ago but 123.1% higher than one year ago and the highest level of August production since 2000 when 8.0 million pounds were produced. January - August 2008 production totals 34.1 million pounds, which is 13% higher than the total annual production in 2007 of 30.4 million pounds.

F.O.B. PRODUCING PLANT: 1.5500 - 1.6500

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices on Central dry whey are unchanged to marginally lower. Production is unchanged at most locations. Inquiries from Asian buyers are reportedly increasing. Most domestic buyers are purchasing on a short time line, with little interest in building inventories for mid to long term uses. Feed grade whey prices are unchanged. Human food dry whey production during August 2008 in the Central region totaled 38.7 million pounds, which is 46.5% of the nation's total August 2008 production of 83.1 million pounds. August 2008 Central dry whey production is 5.3% lower than July 2008 production and 6.7% lower than August 2007.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN AND ANIMAL dry whey during August 2008 totaled 87.6 million pounds, a 2.4% decrease from July 2008 and a 7.2% decrease from August 2007. Production of HUMAN FOOD dry whey during August 2008 totaled 83.1 million pounds, 3.2% lower than July 2008 production and 6.9% less than August 2007 production. Production of ANIMAL FEED dry whey during August 2008 totaled 4.5 million pounds, 14.8% more than July 2008 production, but 12.6% lower than production one year ago. Month ending stocks of HUMAN FOOD dry whey totaled 57.8 million pounds, 5.2% more than July 2008, but 12.3% lower than August 2007. ANIMAL FEED dry whey month ending stocks totaled 5.8 million pounds, 12.5% higher than one month ago, but 20.9% lower than one year ago.

F.O.B. CENTRAL: .1675 - .2200 MOSTLY: .1800 - .1950
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .1325 - .2000

DRY WHEY - NORTHEAST

EAST: Eastern dry whey prices remained unchanged. Cheese production is steady to strong in the region, particularly Italian varieties such as Mozzarella. This is maintaining steady whey production. Most manufacturers in the Northeast contract for sales, which results in limited spot market activity. However, this week, some sellers were reducing offering prices to try and reduce holdings, with little spot activity occurring. Inventories are generally being maintained. In Dairy Products, NASS reports that human food dry whey production during August 2008 in the Atlantic region totaled nearly 18.7 million pounds, almost 22.5% of the nation's total August 2008 production, 83.1 million pounds. August 2008 Atlantic dry whey production is 3.9% lower than both July 2008 and August 2007 production. New York was among the individually listed states in dry whey production, with 10.8 million pounds, just over 13% of the nation's total August production. This leaves New York's August 2008 production 2.1% below July 2008 and 0.4% below August 2007.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2000 - .2400

DRY WHEY - WEST

Both the price range and mostly series are narrowing. Some contacts feel that we are approaching a market bottom. Some producers are holding stocks with more confidence. Offerings are somewhat lighter. According to NASS in the *Dairy Products* report, edible whey production in August totals 83.1 million pounds, down 6.9% from last year. Stocks at the end of August total 57.8 million pounds, down 12.3% from last year. Production of whey in the West in August stands at 25.8 million pounds, down 9.3% from August 2007. In August, the West produced 31% of the output for the U.S. Cumulative U.S. output of total dry whey production for the first eight months of the year has reached 741.3 million pounds, down 3.2% from the period in 2007.

NONHYGROSCOPIC: .1600 - .2300 MOSTLY: .1700 - .2000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices on whey protein concentrate 34% are unchanged and the market undertone is steadier. More loads of condensed WPC 34% are being offered to drying facilities in some areas as various Class III plants attempt to stem inventory buildup. Inventories are reportedly more balanced with current needs. Spot market activity is slow.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during August 2008 totaled 24.1 million pounds, 4.3% less than July 2008 production but 18.2% higher than production of one year ago. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 27.6 million pounds, 1.3% higher than July 2008 and 50.7% higher than August 2007. Production of PROTEIN ISOLATES (>90% PROTEIN) during August 2008 totaled 3.7 million pounds, 13.7% higher than last year and 17.7% higher than last month. Manufacturers' end-of-month stocks are not available for this product. Production of HUMAN AND ANIMAL WPC (50.0-89.9% PROTEIN) during August 2008 totaled 10.3 million pounds, 3.3% less than July 2008 production and 3.0% less than production of one year ago. Manufacturers' end-of-month stocks totaled 12.6 million pounds, 44.6% higher than last year but 10.9% lower than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .3200 - .4600 MOSTLY: .3600 - .4150

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged to lower as fourth quarter pricing information and current spot sales are reflected in the range and mostly price series. The market tone remains weak. Lactose production is steady to slightly lower as one plant has closed. Quarterly contracting is progressing, but at a slower pace than usual and contracted volumes are below historical levels at several plants as some buyers are looking to the spot market to fulfill a greater portion of near term needs. Inventories are generally longer than desired.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during August 2008 decreased 2.1% compared to July 2008 production to 63.0 million pounds and is 1.4% lower than August 2007 production. Cumulative 2008 production totals 505.5 million pounds, 1.7% less than cumulative 2007 production through August. Month ending stocks, at 89.5 million pounds, are 4.6% higher than one month ago and 63.7% higher than one year ago.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .0900 - .2500 MOSTLY: .1400 - .2200

CASEIN - NATIONAL

Casein markets are weak, although prices are holding. A weak market tone for most all dairy products both domestically and internationally is flowing through to casein markets. Traders and handlers report that stocks of powder continue to enter the U.S. basically as scheduled. The European milk production season continues to wind down, thus does casein output. For many, the production season has ended with those that are still in operation nearing season's end. In Oceania, the milk production continues to expand and casein output is on the increase. Basically no new casein is arriving in the U.S. at this time, but will be soon. European arrivals, are coming from inventories of a good production season.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 4.7000 - 5.2500
ACID: 4.9500 - 5.3500

EVAPORATED MILK - NATIONAL

Canned evaporated milk production during August 2008 totaled 51.2 million pounds, up 0.7% from July 2008 and 14.1% higher than August 2007. Manufacturers' end-of-month stocks totaled 92.9 million pounds, 6.8% higher than last month and 21.0% higher than one year ago.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE PERIOD OF OCTOBER 1 - 10, 2008			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/08	SAME PERIOD LAST YEAR	WEEK ENDING 09/30/08	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	8,287,414	-0-	8,287,414	8,287,414	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	8,287,414	-0-	8,287,414	8,287,414	-0-	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS	COMPARABLE PERIOD IN 2007 =	MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF OCTOBER 1 - 10, 2008 =	1.8	96.5		0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2008 =	1.8	96.5	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JAN. 1 - OCT. 10, 2008 =	1.8	96.5	COMPARABLE CALENDAR YEAR 2007 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/08 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	8,287,414	-0-	100.00	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	8,287,414	-0-	100.00	-0-

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/20/08 & Comparable Week 2007

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2008-Dairy	N.A.	0.6	9.2	2.4	16.4	3.5	0.3	N.A.	14.4	3.8	51.9	1,856.2	41.4	42.2
2007-Dairy	N.A.	0.5	7.3	2.3	17.5	3.4	0.3	N.A.	14.4	3.0	49.8	1,778.3	44.6	44.3
2008-All cows	N.A.	0.7	11.5	14.9	32.6	20.4	14.1	N.A.	18.8	8.3	125.3	4,393.7		
2007-All cows	N.A.	0.6	9.4	14.3	34.0	16.0	13.3	N.A.	15.9	5.3	111.7	4,011.7		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CANADIAN DAIRY BREEDING FEMALE IMPORTS

WEEK ENDING	WEEKLY TOTAL	2008 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
OCTOBER 4, 2008	319	40,787	

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37
2006	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06	12.29	12.32	12.84	13.47
2007	13.56	14.18	15.09	16.09	17.60	20.17\$	21.38	19.83	20.07	18.70	19.22	20.60

FEDERAL MILK ORDER CLASS PRICES FOR 2008 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	20.97	19.68	16.70	18.61	16.62	18.18	20.78	18.47	17.65	15.53		
II	19.75	18.46	15.63	15.29	15.51	16.19	16.81	17.45	17.58			
III	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28			
IV	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45			

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."

\$ Revised

INTERNATIONAL DAIRY MARKET NEWS

Information gathered SEPTEMBER 29 - OCTOBER 10, 2008

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk output across most of Europe continues to decline towards seasonal low levels with many countries reporting no to slight gains when compared to year ago levels. The growth rate has slowed in recent months. The biggest gains versus a year ago are in the Netherlands; while the UK is reported to be having the largest declines. Milk supplies continue to be available for processing with plants making products that they have orders on the books. Production of most dairy products is declining and is tracking milk availability. Demand for dry dairy products has trended lower. There are concerns about Government Dairy Price Support purchases of NDM in the United States beginning and international traders/buyers are assessing what effect lower prices in the U.S. will have on international prices. Major economic declines in most major international stock markets, fluctuating currencies, and unsettled consumer confidence, are all creating uncertainty in world demand. Few developments are taking place for producers/traders hoping to place supplemental product into China. There are some speculative purchases, but overall volumes are light. An export tender was announced and bids were taken to buy SMP and WMP. The unsettled world markets will likely affect prices and quantities. Butter and butteroil demand are trending lower as fresh stocks are available for packaged sales and PSA butter is moving to fill in manufacturing needs. Offerings of cream are widely available.

BUTTER/BUTTEROIL: European butter and butteroil prices are trending lower and the market tone is weaker. There is a general lack of demand for butter. There is little incentive to make butteroil with butter and fat available. Seasonal accounts are taking expected butter volumes for packaged and manufacturing needs. Some fat needs are being filled with cream instead. Current butter production is declining seasonally. Supplemental needs are utilizing the PSA stocks to help balance offerings. Overall, both fresh butter and stocks are ample for trade needs.

82% BUTTERFAT: 3,050 - 3,450

99% BUTTERFAT: 4,300 - 4,450

SKIM MILK POWDER (SMP): Prices moved lower for European skim milk powder with the market undertone noted as weaker. The biggest news was that Government dairy price support purchases of NMD were occurring in the United States which, coupled with fluctuating exchange rates and global economic unrest, has dampened the spirits of the market. Handlers and traders indicated that SMP can be readily sourced across Eastern and Western Europe to meet current and future needs. Traders were bidding this week on an export tender and are hopeful for some clearances of SMP. Demand for SMP is fair for contracts, lighter for other sales. There is limited information on export potential for placing dairy powders into China. Production of SMP is variable; lower seasonally to steady to account for product mix.

1.25% BUTTERFAT: 2,450 - 2,850

WHOLE MILK POWDER (WMP): Whole milk powder prices are lower and reflect a weak market tone. Lower demand for both butter and SMP also spill into full fat powder markets. Traders indicate that WMP is not an easy sell. Exchange rates and weaker global economies are also a problem in exporting WMP. An export tender, part of it calls for WMP, was bid on this week. There are hopes that part of this could be filled with European product. No news is being noted on any interest from China to utilize additional dairy proteins. WMP production is seasonally lower. Stocks are moderate to heavy and ahead of trade needs.

26% BUTTERFAT: 2,950 - 3,250

SWEET WHEY POWDER: The whey market remains unsettled with current period pricing levels mixed. The top end of the range is steady, while lower prices were recorded on the bottom end of the range from the previous report. Reports indicate that prices on the low end have rebounded slightly following trades. The weaker world market prices also are impacting sales and movements as export interest has slowed. Traders indicate that vealer interest in whey buying has improved and general usage is increasing. While production is lighter seasonally, whey powder is available for current needs.

NONHYGROSCOPIC: 550 - 650

EASTERN OVERVIEW: Eastern Europe milk production ranges from steady to mainly lower. Conditions have tended to make milk output slow. Processing schedules are often lower to accommodate the declining milk supplies. Product movements into international markets have slowed and pricing is often under pressure. Domestic orders are moving along projected levels.

OCEANIA

OVERVIEW: The new milk production season is well underway in New Zealand with milk volumes estimated to be at 2/3 of peak level. Milk handlers indicate that output trends are basically on track with projections. Usually, milk will peak out in New Zealand around the end of the October. At this point, milk volumes are slightly heavier than last year at this time. In Australia, lack of moisture continues to be a major concern for dairy producers, although milk output in August ran 1.2% ahead of last year with cumulative volumes 3.6% heavier than the first two months (July and August) of last year. In Victoria, the major milk producing region of Australia, water allocations in Northern parts of the region will be lower this season as insufficient volumes of winter moisture occurred to replenish greatly depleted reserves. This region is dependent on irrigation water to maintain pastures during the growing season. In more Southern regions, moisture is typically more naturally available and pastures are able to be maintained without supplemental water. Grain prices are easing, thus dairy producers that will be securing supplemental feed stocks, due to limited moisture for pastures, will be able to do so without excessive cost. Current economic unsettledness in the U.S. is starting to impact other international markets including Oceania. In recent days, the Australian and New Zealand dollars, against the U.S. dollar, have weakened greatly. The unsettled economy, along with weakening international dairy product prices, has slowed buyer interest greatly. Oceania traders indicate that some buyers that locked into long term fixed contracts are not pleased at the current trend of prices. For those that are nearing the end of the initial contract, shorter terms are being negotiated. For those contracts that are nearing completion, prices for future products will be considerably lower. Traders and handlers question how much lower prices will trend before markets stabilize and buyers return to the marketplace. The recent melamine situation in China continues to impact their dairy industry. Additional detections of melamine in dairy products continue to be reported, thus buyer confidence in Chinese generated dairy products is low. Some Oceania traders and handlers indicated that a few weeks ago, buyer interest from China for whole milk powder was enhanced by 20 - 30%, but now has eased. Some uncommitted volumes of whole milk powder were available for this inquiry, but now are no longer available.

BUTTER: Oceania butter markets and prices are generally weak. Milk production is increasing in both Australia and New Zealand, thus is butter output. Oceania traders and handlers report that buyer interest is slow and unaggressive, although contract volumes continue to clear Oceania shores. In many instances, contracted volumes are lower due to weakening prices and buyer hesitancy.

82% BUTTERFAT: 2,900 - 3,500

CHEDDAR CHEESE: Oceania cheese markets are unsettled, although prices are generally holding steady. Contract negotiations with buyers are occurring as second half needs are being discussed. Traders indicate that current contract prices are higher than second round results. Stocks of cheese are sufficient and are within projected levels as the milk production season continues to expand.

39% MAXIMUM MOISTURE: 4,000 - 4,500

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are weak. Oceania traders and handler indicate that new buyer interest is slow. Some buyers have committed to longer term contracts and now are unsettled with their terms. New contracts are typically for shorter time frames. Manufacturers and handlers indicate that stocks are increasing as milk volumes increase seasonally. Although stocks are clearing Oceania shores, some manufacturers and traders indicate that stocks are often not clearing as quickly as desired. Weakening price trends internationally are causing buyers to exercise caution.

1.25% BUTTERFAT: 2,500 - 3,100

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets and prices are weak. Trading during a recent global trading session realized lower prices for future delivery periods. These lower price trends caused some buyers to seek additional volumes after the close of the session, but found limited offerings. In many instances, Oceania supplies are heavily committed, thus spot availability is limited. The recent melamine situation in China sparked buyer interest for Australia and New Zealand product. Some traders and handlers report buyer interest was up 20 - 30%, but quickly disappeared.

26% BUTTERFAT: 2,800 - 3,200

Exchange rates for selected foreign currencies: October 7, 2008

.9031 Canadian Dollar	.0209 Indian Rupee
.3112 Argentina Peso	.6240 New Zealand Dollar
.0813 Mexican Peso	.7061 Australian Dollar
.3967 Polish Zloty	.0099 Japanese Yen
	1.3615 Euro

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	09/24	09/25	09/26	09/29	09/30	10/01	10/02	10/03	10/06	10/07
CME - CLASS III MILK FUTURES (Pit-Traded)										
SEP 08	16.32 (5235) 1	16.34 (5274) 0	16.26 (5287) 1	16.22 (5276) 0	16.24 (5274) 1	16.23 (5258) 0	16.24 (5223) 26	16.28 (4761) 1		
OCT 08	17.38 (4399) 20	17.40 (4489) 10	17.45 (4502) 1	16.80 (4508) 0	16.56 (4435) 0	16.56 (4366) 1	16.70 (4379) 1	16.70 (4347) 5	16.65 (4359) 0	16.81 (4318) 0
NOV 08	16.51 (4390) 11	16.52 (4449) 24	16.60 (4446) 9	15.97 (4548) 19	15.58 (4691) 57	15.55 (4686) 14	15.67 (4666) 2	15.62 (4748) 23	15.35 (4854) 1	15.67 (4808) 0
DEC 08	16.45 (4626) 22	16.43 (4653) 5	16.45 (4659) 0	15.84 (4746) 1	15.57 (4780) 47	15.55 (4792) 4	15.48 (4772) 0	15.50 (4839) 42	15.32 (4855) 4	15.59 (4805) 56
JAN 09	16.27 (2514) 5	16.17 (2523) 0	16.22 (2640) 31	15.77 (2702) 4	15.48 (2786) 43	15.42 (2848) 28	15.38 (2877) 16	15.40 (2853) 58	15.21 (2947) 35	15.25 (2957) 11
FEB 09	16.39 (2052) 5	16.30 (2066) 0	16.35 (2094) 0	15.85 (2133) 4	15.58 (2242) 40	15.55 (2283) 28	15.52 (2319) 16	15.52 (2369) 54	15.41 (2450) 50	15.45 (2450) 11
MAR 09	16.42 (1796) 5	16.32 (1801) 0	16.36 (1799) 0	15.86 (1846) 4	15.61 (1924) 40	15.56 (1991) 31	15.53 (2027) 25	15.59 (2070) 18	15.51 (2151) 48	15.53 (2168) 11
APR 09	16.51 (1493) 12	16.53 (1498) 3	16.59 (1498) 0	16.02 (1502) 4	15.72 (1507) 11	15.67 (1538) 15	15.70 (1577) 22	15.78 (1581) 8	15.71 (1627) 43	15.75 (1638) 11
MAY 09	16.55 (1561) 12	16.55 (1567) 0	16.58 (1566) 0	16.16 (1604) 4	15.97 (1641) 11	15.92 (1653) 15	15.95 (1680) 22	15.99 (1681) 8	15.93 (1725) 43	15.95 (1739) 10
JUN 09	16.70 (1435) 12	16.67 (1437) 0	16.73 (1438) 0	16.32 (1451) 4	16.07 (1520) 11	16.09 (1568) 15	16.12 (1605) 13	16.16 (1609) 8	16.10 (1640) 52	16.15 (1646) 10
CME - CLASS IV MILK FUTURES (Pit-Traded)										
SEP 08	16.25 (31) 0	16.25 (31) 0	16.25 (31) 0	16.25 (31) 0	16.25 (31) 0	16.25 (31) 0	16.25 (31) 0	15.45 (31) 0		
OCT 08	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0	16.15 (30) 0
NOV 08	15.50 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0	15.00 (20) 0
CME - PRODUCT SETTLED BUTTER FUTURES (Pit-Traded)										
OCT 08	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0	168.00 (1) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
SEP 08	165.00 (707) 25	165.00 (707) 0	164.00 (707) 6	164.00 (707) 0	164.00 (707) 0	164.00 (707) 0	164.00 (707) 0	163.65 (697) 0		
OCT 08	166.00 (904) 22	166.50 (904) 1	167.25 (901) 5	168.00 (886) 15	168.00 (886) 0	168.00 (886) 0	168.00 (884) 2	168.00 (882) 3	167.50 (882) 5	168.00 (889) 7
NOV 08	165.00 (782) 30	166.00 (759) 28	166.00 (755) 6	165.00 (758) 17	164.80 (768) 10	164.80 (768) 0	163.50 (769) 10	163.50 (769) 2	162.00 (769) 2	161.50 (768) 7
DEC 08	155.00 (490) 1	154.75 (490) 3	154.50 (490) 8	150.00 (490) 2	150.00 (490) 3	146.00 (493) 4	146.03 (493) 1	147.00 (494) 1	146.25 (495) 1	146.25 (495) 5
JAN 09	153.00 (113) 0	151.50 (119) 6	149.00 (123) 5	149.00 (123) 1	148.50 (125) 3	145.00 (124) 3	144.50 (126) 2	146.00 (128) 2	144.75 (128) 0	144.75 (133) 23
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
SEP 08	126.50 (76) 0	126.50 (76) 0	124.00 (76) 0	124.00 (76) 0	124.00 (76) 0	124.00 (76) 0	124.00 (76) 0	121.31 (76) 0		
OCT 08	121.00 (95) 0	120.00 (95) 0	119.00 (95) 0	118.00 (95) 0	118.00 (95) 0	118.00 (95) 0	117.00 (95) 0	117.00 (95) 0	114.25 (95) 0	112.00 (95) 0
NOV 08	115.00 (105) 0	114.75 (105) 0	114.00 (105) 0	113.00 (105) 0	113.00 (105) 0	113.00 (105) 0	112.00 (105) 0	112.00 (105) 0	109.78 (105) 0	107.28 (105) 0
CME - WHEY (Electronic-Traded)										
SEP 08	21.50 (250) 0	21.50 (250) 0	21.50 (250) 0	21.50 (250) 0	21.50 (250) 0	21.50 (250) 0	21.50 (250) 0	21.83 (250) 0		
OCT 08	19.25 (227) 0	19.25 (227) 0	19.25 (227) 0	19.25 (227) 0	19.25 (227) 0	19.25 (227) 1	19.25 (227) 1	19.25 (227) 0	19.25 (227) 0	19.25 (227) 0
NOV 08	19.00 (178) 0	19.25 (183) 5	19.25 (183) 0	18.50 (183) 5	18.50 (183) 3	18.25 (184) 6	18.25 (184) 0	18.25 (184) 0	18.25 (184) 0	18.25 (184) 0
DEC 08	19.50 (169) 0	19.75 (169) 3	19.75 (169) 0	19.00 (169) 1	19.00 (169) 2	18.50 (172) 4	18.50 (171) 3	18.50 (170) 5	18.50 (170) 0	19.00 (171) 1

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-250-3208.

AUGUST 2008 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 115.8 million pounds in August, 4.4 percent above August 2007 and 1.4 percent above July 2008. **AMERICAN TYPE CHEESE** production totaled 338.6 million pounds, 8.6 percent above August 2007 but 0.8 percent below July 2008. **TOTAL CHEESE** output (excluding cottage cheese) was 821.3 million pounds, 3.0 percent above August 2007 and 1.0 percent above July 2008. **NONFAT DRY MILK** production, for human food, totaled 117.4 million pounds, 14.0 percent above August 2007 but 13.4 percent below July 2008. **DRY WHEY** production, for human food, was 83.1 million pounds, 6.9 percent below August 2007 and 3.2 percent below July 2008. **ICE CREAM** (hard) production totaled 78.6 million gallons, 1.4 percent below August 2007 and 5.8 percent below July 2008.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	AUG 2008	PERCENT CHANGE FROM:			PRODUCT	AUG 2008	PERCENT CHANGE FROM:		
	1,000 LBS.	AUG 2007	JUL 2008	YEAR TO DATE 1/		1,000 LBS.	AUG 2007	JUL 2008	YEAR TO DATE 1/
BUTTER	115,819	4.4	1.4	9.1	YOGURT (PLAIN AND FLAVORED)	293,357	-2.2	3.9	1.8
CHEESE					DRY WHEY PRODUCTS				
AMERICAN TYPES 2/	338,622	8.6	-0.8	3.9	DRY WHEY, HUMAN FOOD	83,107	-6.9	-3.2	---
CHEDDAR	256,236	6.5	-3.3	1.9	DRY WHEY, ANIMAL FEED	4,526	-12.6	14.8	---
SWISS	26,254	1.6	-1.9	---	DRY WHEY, TOTAL 7/	87,633	-7.2	-2.4	-3.2
BRICK & MUENSTER	12,089	14.2	2.0	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	68,783	-4.7	13.5	---	HUMAN FOOD	2,425	-22.7	-27.6	---
HISPANIC	16,708	3.3	3.4	---	ANIMAL FEED	5,060	14.6	0.9	---
MOZZARELLA	258,641	-2.8	-0.3	-2.0	LACTOSE, HUMAN FOOD & ANIMAL FEED	63,048	-1.4	-2.1	-1.7
OTHER ITALIAN TYPES	73,635	6.1	0.6	4.6	WHEY PROTEIN CONCENTRATE				
TOTAL ITALIAN TYPES	332,276	-1.0	-0.1	-0.7	HUMAN FOOD 8/	32,404	16.6	-4.8	---
ALL OTHER TYPES	26,539	7.1	11.7	---	ANIMAL FEED 8/	1,965	-38.3	10.8	---
TOTAL	821,271	3.0	1.0	1.3	TOTAL 8/	34,369	11.0	-4.0	6.0
COTTAGE CHEESE, CURD 3/	38,326	-9.3	2.2	---	25.0-49.9 PERCENT 9/	24,088	18.2	-4.3	---
COTTAGE CHEESE, CREAM 4/	28,996	-10.8	-0.8	-9.6	50.0-89.9 PERCENT 9/	10,281	-3.0	-3.3	---
COTTAGE CHEESE, LOWFAT 5/	33,698	-14.5	0.5	-5.3	PROTEIN ISOLATES 10/	3,747	13.7	17.7	---
CANNED EVAP & CONDSD WHOLE MILK	51,193	14.1	0.7	---	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
DRY WHOLE MILK	4,127	123.1	-18.3	---	ICE CREAM (HARD)	78,621	-1.4	-5.8	-2.9
NONFAT DRY MILK (NDM), HUMAN	117,420	14.0	-13.4	13.6	ICE CREAM, LOWFAT (HARD)	12,514	0.7	-5.1	---
SKIM MILK POWDERS (SMP) 6/	26,649	48.7	-1.7	158.5	ICE CREAM, LOWFAT (SOFT)	24,216	-1.0	-10.3	---
DRY BUTTERMILK	5,918	2.0	3.0	---	ICE CREAM, LOWFAT (TOTAL)	36,730	-0.4	-8.6	1.9
SOUR CREAM	91,129	-2.8	3.1	-1.4	YOGURT (TOTAL)	4,866	-15.8	-10.9	-0.4

MANUFACTURERS' STOCKS, END OF MONTH 11/							
PRODUCT	AUG 2008	PERCENT OF:		PRODUCT	AUG 2008	PERCENT OF:	
	1,000 LBS.	AUG 2007	JUL 2008		1,000 LBS.	AUG 2007	JUL 2008
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	57,753	-12.3	5.2	HUMAN FOOD 8/	39,416	58.9	-3.0
DRY WHEY, ANIMAL FEED	5,823	-20.9	12.5	ANIMAL FEED 8/	825	-63.3	4.6
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 12/	18,266	73.6	10.4	TOTAL 8/	40,241	48.8	-2.9
LACTOSE, HUMAN FOOD & ANIMAL FEED	89,545	63.7	4.6	25.0-49.9 PERCENT 9/	27,601	50.7	1.3
CANNED EVAP & CONDSD WHOLE MILK	92,934	21.0	6.8	50.0-89.9 PERCENT 9/	12,640	44.6	-10.9
DRY BUTTERMILK	10,780	6.0	18.0	NONFAT DRY MILK (NDM), HUMAN FOOD	156,990	10.3	11.5

1/ 2008 cumulative as percent change of 2007 cumulative. 2/ Includes Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Includes protein standardized and blends. 7/ Excludes all modified dry whey products. 8/ Whey Protein Concentrate, 25.0 to 89.9 percent. 9/ Whey Protein Concentrate Human and Animal. 10/ Whey Protein Isolates, 90.0 percent or greater. 11/ Stocks held by manufacturers at all points and in transit. 12/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (10-08), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES*

Milk production forecasts for 2008 are unchanged as higher cow numbers are offset by lower milk per cow. Forecast milk production for 2009 is raised fractionally as cow numbers are forecast slightly higher. Dairy export forecasts are reduced, reflecting current slowing movement and weaker international demand. Import forecasts are also reduced from last month as cheese imports are expected to be weaker. Stocks are adjusted to reflect larger expected stocks of dairy products with notably larger stocks of nonfat dry milk (NDM). Small sales of NDM to the CCC are forecast for 2008, but no sales are forecast for 2009. Class price forecasts are lowered from last month. Weaker international demand for NDM is expected to result in sharply lower forecast NDM prices. Lower NDM prices more than offset higher forecast butter prices and push the Class IV price lower. Cheese prices are forecast lower as demand is softening and weaker Class IV prices are expected to encourage milk to flow into cheese vats in 2009. Thus, coupled with lower expected whey prices Class III price forecasts are reduced from last month. The all milk price is forecast lower this month, averaging \$18.40 to \$18.50 in 2008 and \$16.50 to \$17.40 in 2009.

U.S. MILK SUPPLY AND USE					
Commodity	2007	2008 Projected		2009 Projected	
		September	October	September	October
BILLION POUNDS					
MILK					
PRODUCTION	185.6	189.6	189.6	190.8	191.1
FARM USE	1.2	1.2	1.2	1.2	1.2
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	9.5	10.4	10.4	9.5	9.5
MARKETINGS	184.4	188.4	188.4	189.6	189.9
IMPORTS	4.6	3.7	3.4	4.0	3.6
TOTAL COMMERCIAL SUPPLY	198.6	202.5	202.2	203.1	203.0
FAT BASIS USE					
COMMERCIAL EXPORTS	5.7	8.7	8.4	6.7	6.7
ENDING COMMERCIAL STOCKS	10.4	9.5	9.5	8.9	8.9
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	182.5	184.3	184.3	187.5	187.4
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	9.1	9.9	9.9	9.8	10.0
MARKETINGS	184.4	188.4	188.4	189.6	189.9
IMPORTS	4.4	3.6	3.3	3.9	3.4
TOTAL COMMERCIAL SUPPLY	198.0	201.9	201.7	203.3	203.3
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	24.5	27.2	26.3	24.0	23.5
ENDING COMMERCIAL STOCKS	9.9	9.8	10.0	9.6	10.3
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	163.6	164.9	164.8	169.7	169.6
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	50	0	0
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 12

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2007	2008 Projected		2009 Projected	
		September	October	September	October
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u> CHEESE	1.7380	1.905-1.925	1.900-1.910	1.840-1.940	1.780-1.870
BUTTER	1.3441	1.405-1.445	1.450-1.480	1.350-1.480	1.390-1.510
NONFAT DRY MILK	1.7083	1.375-1.395	1.265-1.285	1.455-1.525	1.070-1.140
DRY WHEY	0.6004	0.260-0.280	0.250-0.260	0.260-0.290	0.205-0.235
DOLLARS PER CWT					
MILK PRICES <u>2/</u> CLASS III	18.04	17.65-17.85	17.50-17.60	16.75-17.75	15.85-16.75
CLASS IV	18.36	15.80-16.10	15.10-15.30	16.10-17.20	12.95-13.95
ALL MILK <u>3/</u>	19.13	18.65-18.85	18.40-18.50	17.85-18.85	16.50-17.40
QUARTERLY					
	2008 III	2008 IV <u>4/</u>	2009 I <u>4/</u>	2009 II <u>4/</u>	2009 III <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	46.7	46.6	47.7	49.2	47.1
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	18.60	17.30-17.70	16.70-17.40	16.15-17.15	16.20-17.20
CLASS III PRICE <u>2/</u>	17.17	16.25-16.65	15.85-16.55	15.80-16.80	15.90-16.90
CLASS IV PRICE <u>2/</u>	16.15	14.05-14.55	12.95-13.75	12.55-13.65	12.75-13.85

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Prices;" then select "Description." 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-463, World Agricultural Outlook Board, USDA, October 10, 2008.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, JULY 2008 1/**

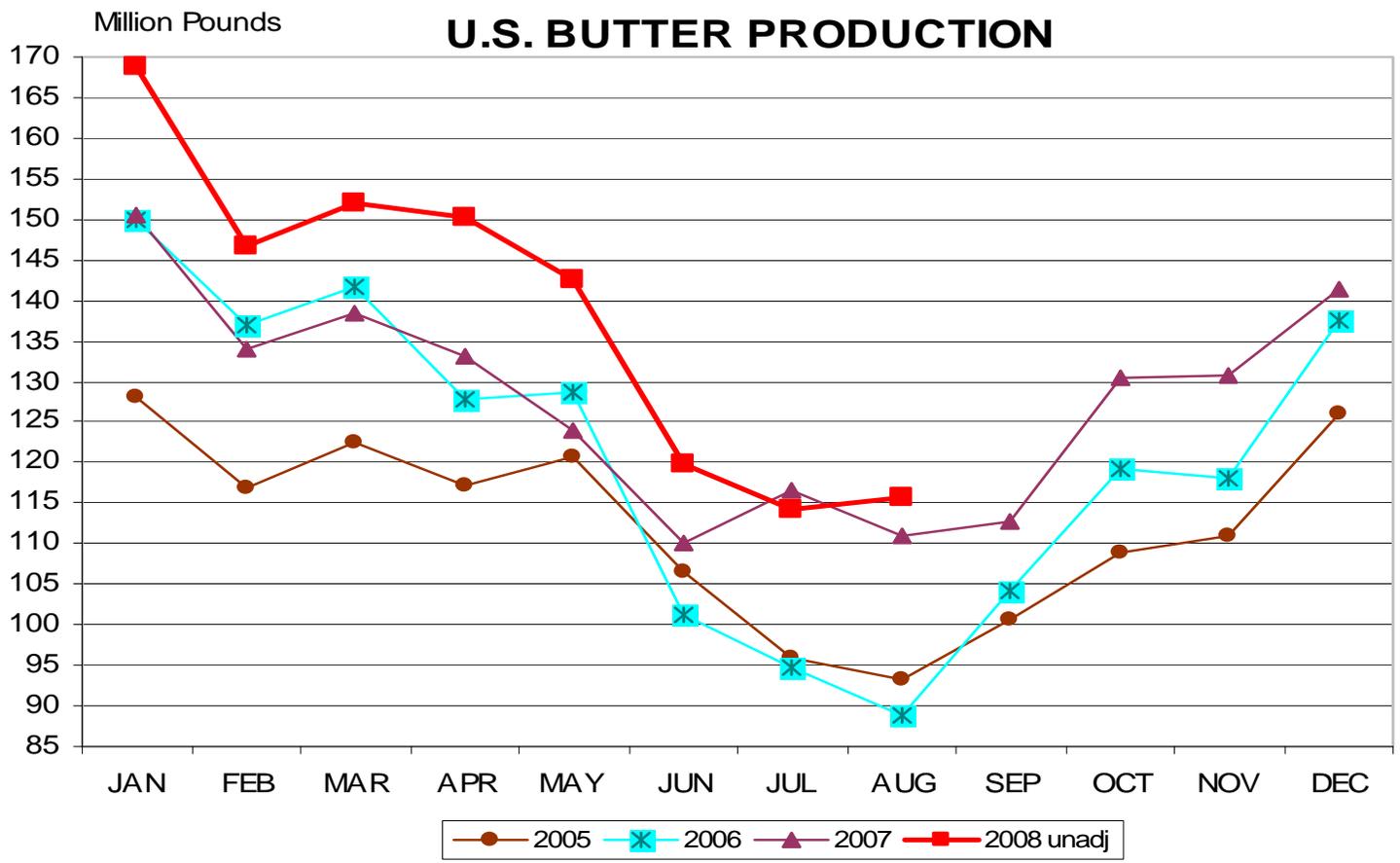
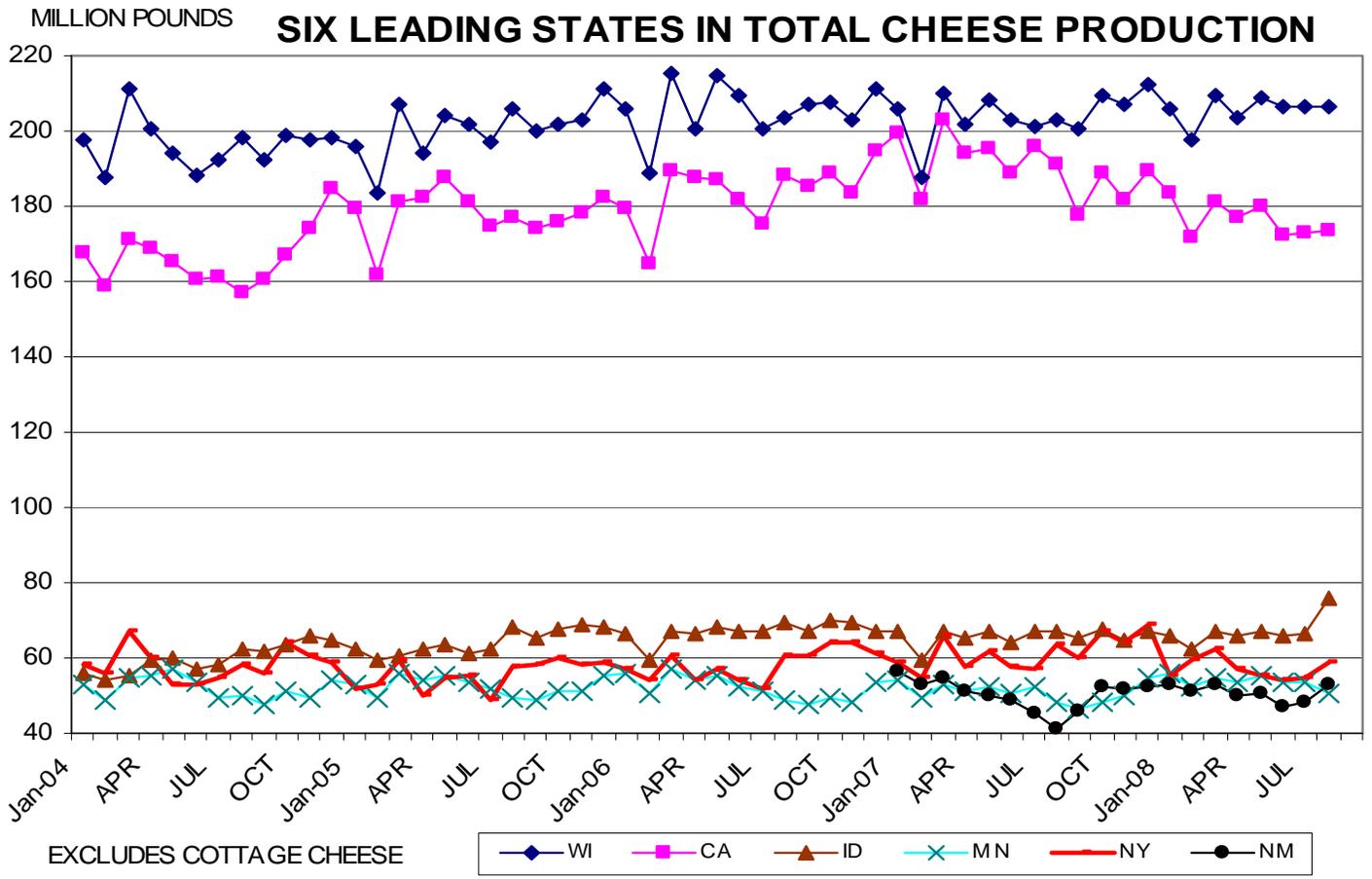
For July 2008, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.34 per cwt., down \$0.01 from the revised June 2008 average. Ninety-one percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.63 in the Pacific Northwest to \$4.29 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.21 per cwt., down \$0.04 from the June 2008 average. Eighty-two percent of the producer milk used in Class II carried an over-order charge.

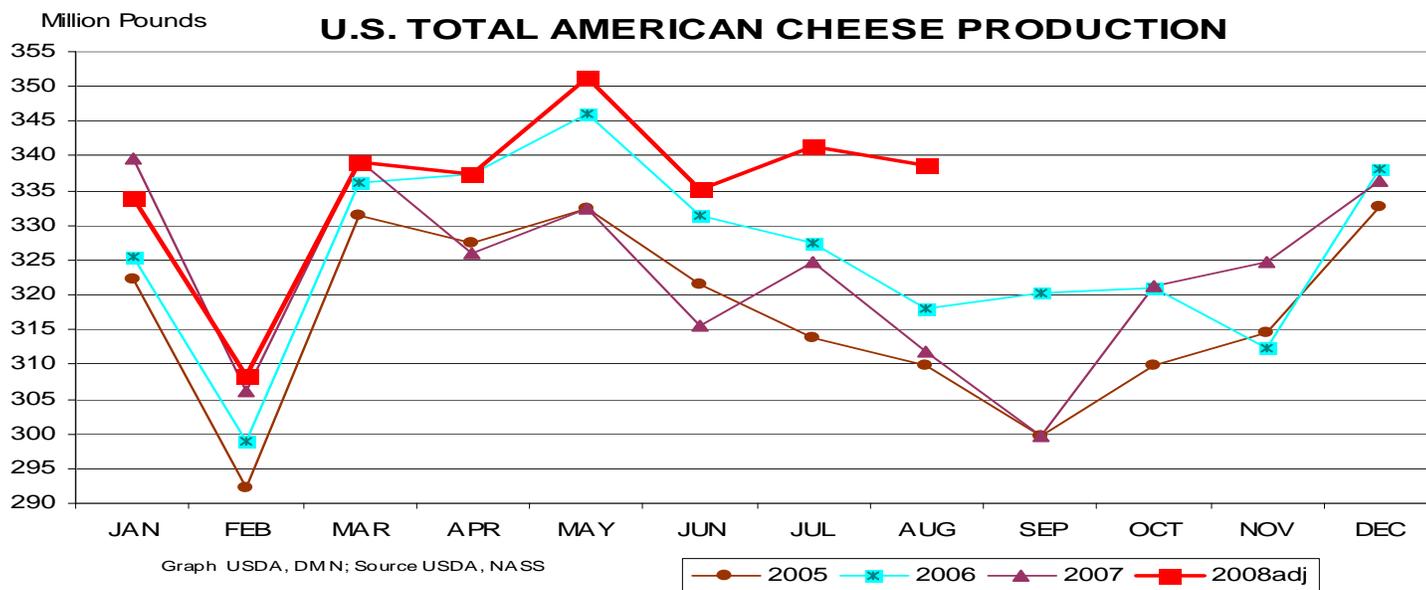
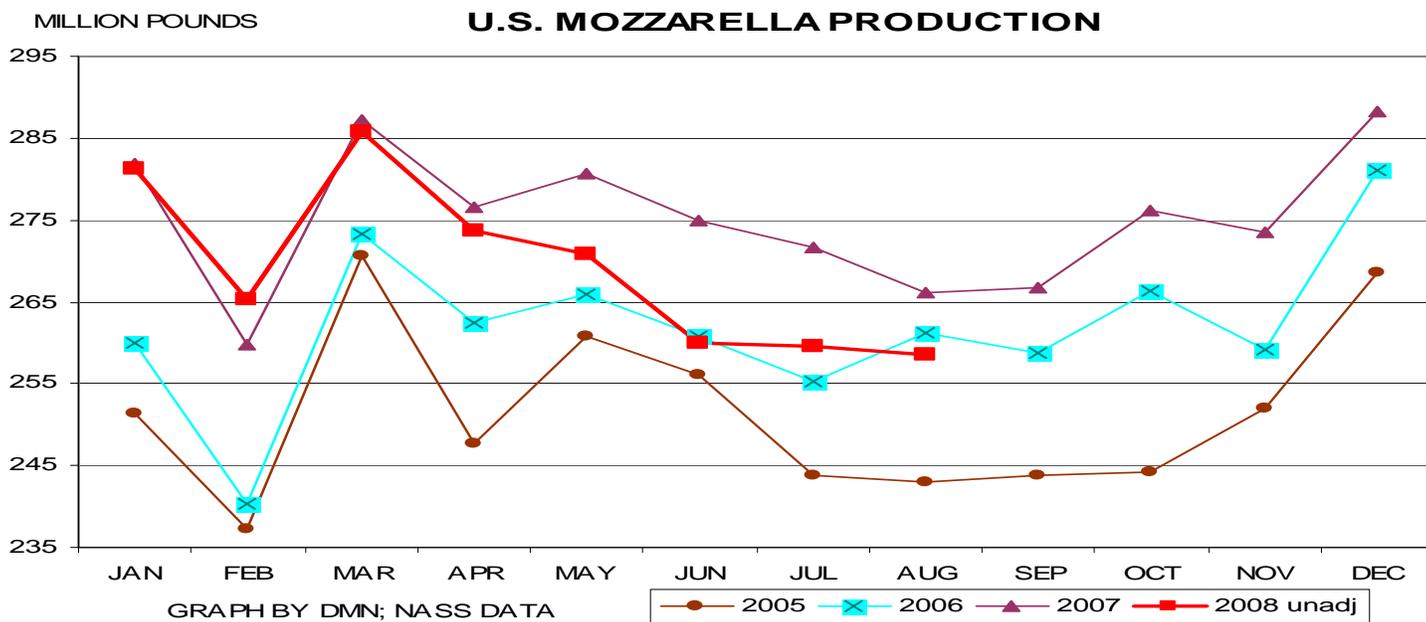
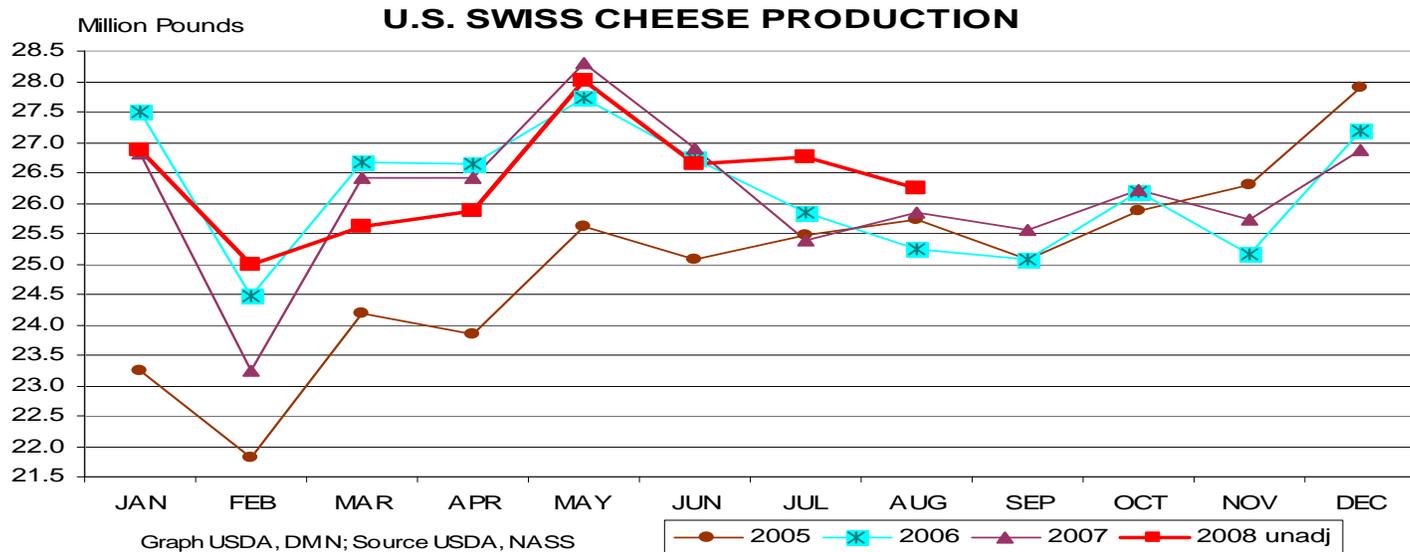
Federal Milk Order Marketing Area 2/	Order Number	Over-Order Charge on Total Class I Milk	Over-Order Charge on Total Class II Milk
		\$/cwt	
Appalachian	005	3.29	1.14
Southeast	007	3.06	1.52
Florida	006	4.29	1.67
Mideast	033	1.92	1.45
Upper Midwest	030	2.00	1.19
Central	032	1.99	0.98
Pacific Northwest	124	0.63	0.52
All Reporting Areas Combined 3/		2.34	1.21

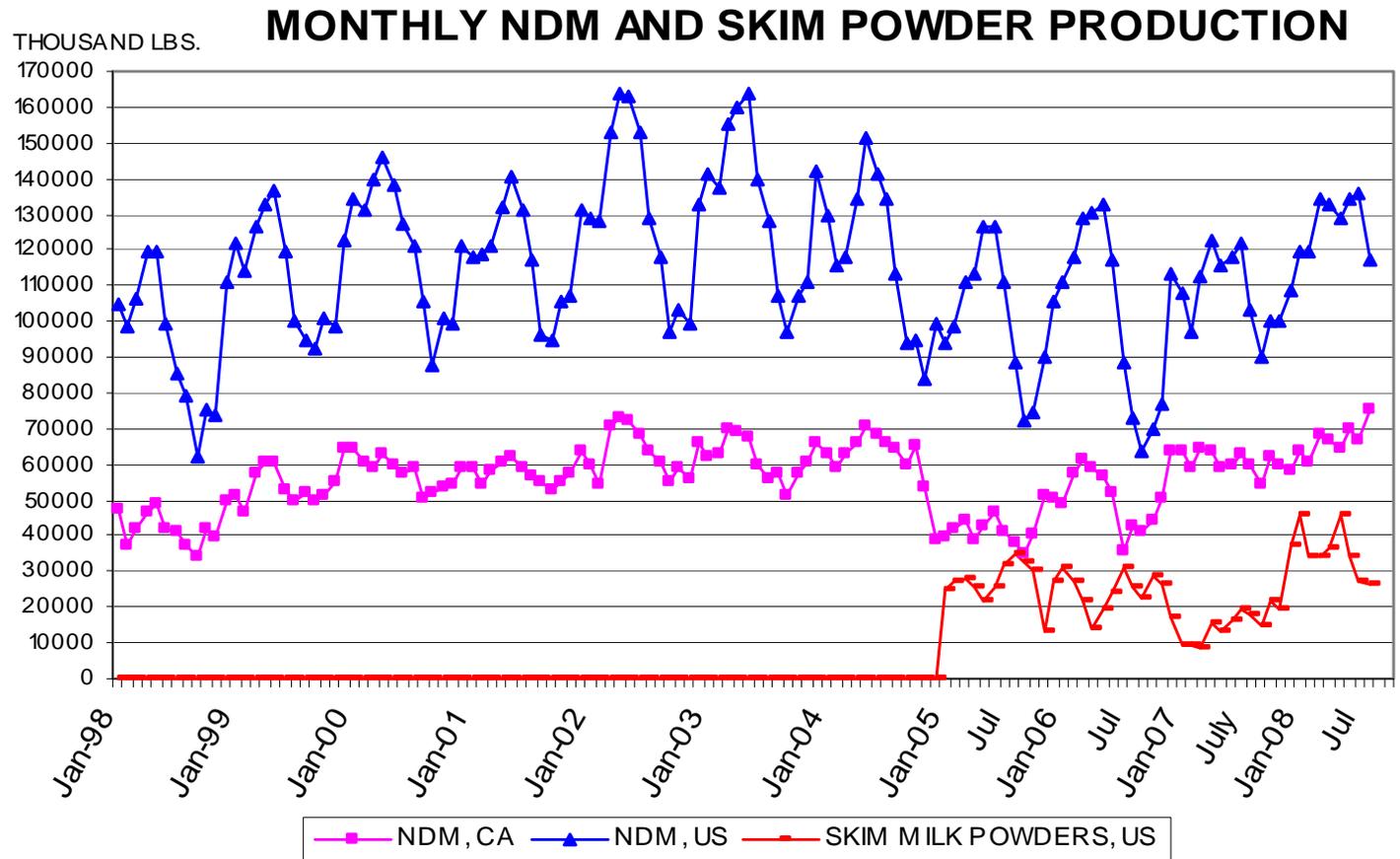
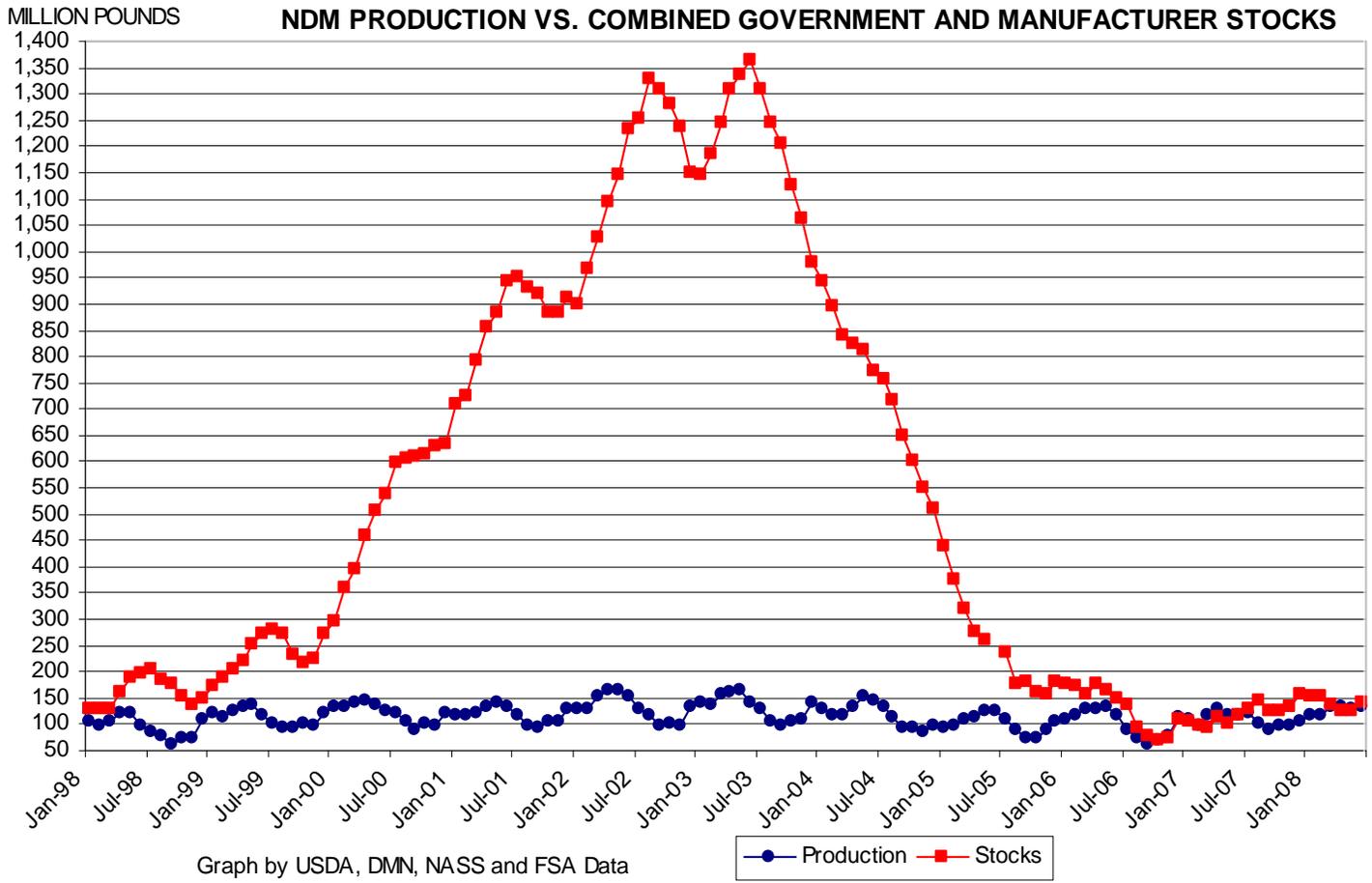
1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.







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