

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (2/13):**

BUTTER: Grade AA closed at \$1.1025. The weekly average for Grade AA is \$ 1.1025 (+.0040).

CHEESE: Barrels closed at \$1.2300 and 40# blocks at \$1.2400. The weekly average for barrels is \$1.1990(+.0660) and blocks, \$1.2065 (+.0530).

BUTTER HIGHLIGHTS: The cash butter price at the CME Group has held steady this week and remains 5 1/4 cents above support. Western produced bulk butter continues to clear to CCC with 454,997 pounds moving during the week. Since the first of the year, nearly 4.1 million pounds of butter have been offered to the government. Churning schedules across the country are seasonally quite active. Butter producers remain cautious with their additional cream purchases. In most instances, butter producers are managing their production schedules to be in line with needs. Although butter producers are taking advantage of favorably priced cream offerings and clearing this production to inventory. With the cash price slightly higher than the support price, most producers and handlers indicate that there are minimal down side factors that would jeopardize this decision. In general, sales to retail outlets are in better shape than to food service accounts. The economy is being called the reason for this to be happening.

CHEESE HIGHLIGHTS: The CME group cash cheese market continues to firm. Current interest is at least fairly good for February though some segments, such as moderate to upscale food service accounts, remain sluggish. Bulk cheese supplies have tightened as buyers rebuild inventory and others prepare for planned feature activities. Other buyers are stockpiling supplies for later year use and may not need as much cheese as usual later. Financial limitations are still affecting supplies both held and entering aging programs. Cheese production is fairly steady. The Kansas City Commodity Office on February 9 issued Solicitation BCD-035 seeking 1.4 million pounds of additional barrels for May/June delivery. Offers are due February 24. 2008 U.S. cheese exports totaled 289.7 million pounds, up 70.3 million pounds (32%) from 2007. 2008 U.S. cheese imports total 375.5 million pounds, down 60.0 million pounds (-14%).

FLUID MILK: Heavy Class I demand last week and into the beginning of this week based on lower first-of-the-month prices meant intakes at many balancing plants were lower. Shipments out of Florida fell to 120 loads compared 166 loads the previous week, largely based on an uptick in consumer demand. Additionally, with many school districts scheduling a holiday at the start of next week, fluid milk demand has softened. Eastern milk production is climbing as expected and balancing plants are keeping busy clearing intakes. Milk production in California is steady to marginally lower as producers are making tough decisions by increasing culling and adjusting feed rations to less costly mixes. Arizona and New Mexico milk output is gaining seasonally, as are fat/protein tests. Throughout the Pacific Northwest, Utah and Idaho, most plants are concentrating on processing intakes from regular sources versus clearing additional intakes from neighboring regions. Western cream markets are generally weak, with some discounted loads still being offered. In the Central region, cream supplies have tightened and multiples are higher. Movement of cream into Class II uses is steady to higher there, benefiting from some of the recent good availability of cream linked to higher Class I use. Spot cream loads in the Northeast and West are readily available.

DRY PRODUCTS: Dry product manufacture has been heavy in recent weeks, tracking along with seasonally climbing milk production. Nonfat dry milk markets are unchanged to marginally lower and many buyers are content to source off the spot market for near term needs. Dry whey inventories are

in better shape in some regions, fostering a slight firming in Central and Western markets. Dry buttermilk markets are mixed with the Central/East market increasing fractionally and the West market steady. Production is steady at most balancing plants, although some buttermilk in the West is bypassing the dryers due to plant capacity issues. Lactose demand remains soft and buyer inquiries are focused on obtaining product at the low end of the market. The whey protein concentrate 34% market saw the range narrow somewhat as buyer resistance emerged in response to fairly regular week to week price increases.

CCC PURCHASES (FSA): During the week of February 9 - 13, CCC purchased 454,997 net pounds of Western butter and 7,717,533 net pounds of Western NDM under the dairy price support program. Cumulative CCC purchases since October 1 total 4,120,822 pounds of butter and 169,998,399 pounds of NDM.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production forecasts for 2009 are lowered from last month. The January 30 *Cattle* report estimated that dairy cow inventories on January 1, 2009, were almost 1% above a year earlier and only fractionally fewer heifers were being retained for addition to dairy herds. Assuming no significant herd reductions in the first part of the year, producer returns are expected to be heavily pressured resulting in a relatively sharp reduction in inventories during the latter part of the year. Output per cow is unchanged from last month. Both domestic and export demand is forecast to remain weak due to economic uncertainty. Commercial export forecasts for 2009 are reduced from last month as weak international demand and expected competition from recently announced subsidized EU-27 exports limit opportunities for commercial exports. Conversely, lower international prices are expected to result in slightly higher U.S. imports of dairy products, primarily cheese. Fat basis ending stocks are forecast lower as supplies tighten later in the year on lower milk production, but skim-solids stocks are raised as exports of nonfat dry milk (NDM) are limited and supplies burden the market. Sales of butter and NDM to the CCC are forecast higher. Milk and dairy product price estimates for 2009 are reduced as first-half product prices are expected to be pressured by the confluence of weak demand and burdensome supplies. As milk production is reduced, especially in the latter part of the year, tighter milk supplies are expected to help lift second half prices from their midyear lows. However, weaker forecast exports and continued weakness in domestic demand keep prices later in the year lower than forecast last month. As a result, the annual average product and Class prices are forecast below last month. The all milk price is also forecast lower, \$10.95 to \$11.65 per cwt in 2009. Estimates for 2008 have been revised to reflect actual data. Milk production estimates are raised slightly based on December milk production. Based on trade data to date, exports are estimated lower than last month and imports, primarily on a fat basis, are forecast higher. Ending stocks are adjusted to reflect December data and revisions to NDM stocks.

DECEMBER FLUID MILK SALES (AMS & CDF): During December, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.6% higher than December 2007. After adjusting for calendar composition, sales in December 2008 were 1.3% higher than December 2007. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, reduced fat milk (2%), low fat milk (1%), flavored fat-reduced milk, organic fat-reduced milk, and buttermilk increased from December 2007, while sales of whole milk, flavored whole milk, and fat-free (skim) milk decreased from a year earlier.

****SPECIALS THIS ISSUE****

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**CME GROUP
CASH TRADING**

PRODUCT	MONDAY FEBRUARY 9	TUESDAY FEBRUARY 10	WEDNESDAY FEBRUARY 11	THURSDAY FEBRUARY 12	FRIDAY FEBRUARY 13	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1700 (+.0225)	\$1.1825 (+.0125)	\$1.1975 (+.0150)	\$1.2150 (+.0175)	\$1.2300 (+.0150)	(+.0825)	\$1.1990 (+.0660)
40# BLOCKS	\$1.1650 (+.0075)	\$1.1925 (+.0275)	\$1.2075 (+.0150)	\$1.2275 (+.0200)	\$1.2400 (+.0125)	(+.0825)	\$1.2065 (+.0530)
BUTTER GRADE AA	\$1.1025 (N.C.)	\$1.1025 (N.C.)	\$1.1025 (N.C.)	\$1.1025 (N.C.)	\$1.1025 (N.C.)	(N.C.)	\$1.1025 (+.0040)

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, FEBRUARY 9, 2009

CHEESE — SALES: 4 CARS BARRELS @ \$1.1700; 14 CARS 40# BLOCKS: 1 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1675, 1 @ \$1.1650, 4 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1650; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.1700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, FEBRUARY 10, 2009

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.1750; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.1825; 1 CAR 40# BLOCKS @ \$1.1925; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.1025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.1025

WEDNESDAY, FEBRUARY 11, 2009

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.1925, 1 @ \$1.2000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.1975; 1 CAR 40# BLOCKS @ \$1.2075; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.2200
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8300; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, FEBRUARY 12, 2009

CHEESE — SALES: 4 CARS 40# BLOCKS: 2 @ \$1.2075, 1 @ \$1.2100, 1 @ \$1.2200; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.2150; 1 CAR 40# BLOCKS @ \$1.2275; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8300; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, FEBRUARY 13, 2009

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.2275, 1 @ \$1.2300, 1 @ \$1.2400; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.2300; 1 CAR 40# BLOCKS @ \$1.2350; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.1025; LAST OFFER UNCOVERED: NONE

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8500 and Grade A at \$0.8300. The last price change for Extra Grade was on 12/31/08 and Grade A was on 01/05/09. The weekly average for Extra Grade is \$0.8500 (N.C.) and Grade A is \$0.8300 (N.C.).

BUTTER MARKETS

NORTHEAST

Butter trading on CME Group cash markets has trended up, but barely. From last week Monday through this Tuesday the closing price increased 1 1/4 cent to \$1.1025, with 7 total sales occurring but no sales on 4 of the 7 days. There is little expectation of significant price movement on CME cash trading through March 1, when CME rules controlling the permissible date of manufacture for delivered butter shift the date forward. Cream remains heavily available on spot markets. Plants are churning heavily and putting some butter into storage. While not a universal market characteristic, a few balancing plants are supplementing internally generated cream by acquiring additional cream on spot markets to further increase butter production, acting on a belief that cream at current multiples should be taken advantage of. Sellers of spot cream report minor strengthening in prices this week; almost imperceptible, but nevertheless a “glimmer of hope”. Throughout the region spot cream is moving for multiples ranging from flat market to occasionally and rarely up to 112, depending on the source area and timing of ordering and requested delivery. Sellers in the Southeast in particular, are not sending as much cream toward Wisconsin or Texas to find markets as was the case last week. This is attributable not only to heavy churning, but also to increasing Class II demand. NASS reports that two Northeast states, New York and Pennsylvania, continue to be among the top 4 butter producing states nationally. December 2008 New York butter production was 36.1% above November 2008 but 8.4% below December 2007. In contrast, Pennsylvania production was 15.6% above November 2008, but 14.4% below December 2007. Atlantic region butter production in December 2008 totaled just over 12.7 million pounds, up 32.8% from November 2008 but down 7.8% from December 2007. December 2008 U.S. butter production totaled 155.8 million pounds, up 16.5% from November 2008 and 10.1% from December 2007.

CENTRAL

Late last week, the CME Group cash butter market firmed slightly to settle at \$1.1025 and remains unchanged at midweek. Churning schedules are seasonally strong in the Central part of the country as cream supplies, although lighter than in recent weeks, are available from both local and out of area sources. Many butter

producers indicate that cream suppliers are pricing their offerings at competitive levels to keep volumes moving. Although cream prices are competitive, butter producers remain cautious with their purchases. Most feel that there is minimal down side to current markets, thus they are often willing to take on additional cream and generate stocks for inventory. Butter demand is fairly strong for this time of the season. Most suppliers feel that current price levels are encouraging buyers, especially retail buyers, to procure additional volumes and either feature butter or reduce the shelf price to attract consumers. In the past week, one Central U.S. grocery chain was featuring butter at \$1.4900 per pound. Food service orders are lower. Many food service outlets are experiencing lighter traffic flow through their doors, although some family type restaurants are reporting a steady flow. Spot bulk butter prices range from 1/2 cent under to 2 cents over various pricing basis and averages per pound.

WEST

Cash butter prices at the CME Group continue to trade in a very narrow range. Prices started the year at \$1.13 and got as low as \$1.09 last week before rebounding to \$1.1025. Butter sales activity is good, but production is very heavy. This means that stocks are building at various market stages and butter continues to clear to the price support program. Last week, an additional 1.6 million pounds ended up in the CCC program to bring the total up to 3.7 million pounds. In general, sales to retail outlets are in better shape than to food service accounts. The economy is being called the reason for this to be happening. According to the NASS Dairy Products report released last week, December butter output, at 155.8 million pounds, was the most ever produced for that month. Also, the total output for 2008, 1.65 billion pounds, was the largest annual output since 1943, 65 years ago. Market contacts are beginning to wonder, as cheese prices firm up, if that will pull some milk out of butter/powder production and into the cheese side. Butter stocks in CME approved warehouses were 65.8 million pounds for last week, up 5.4 million pounds from the previous week. The weekly level compares to 116.0 million pounds in 2008 and 102.6 million pounds in 2007. Prices for bulk butter range from 2 cents to 6 cents under the market, based on the CME with various time frames and averages used.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
FEBRUARY 7	1,1041	1,1198	0,8207	1,0707	0,1533
	12,041,861	12,171,298	25,449,046	10,614,310	13,136,629

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

CHEESE MARKETS

NORTHEAST

CME Group cash trading has shown market strength this week. Blocks and barrels each trended up, with blocks up 4 1/4 cents from last week Monday through this Tuesday to \$1.1925 and barrels up 6 3/4 cents to \$1.1825. During that period, 23 carloads of blocks and 10 carloads of barrels traded hands. While manufacturers are pleased with the upward trend, a cautionary note was offered that current prices remain well below prices as recently as Thanksgiving, when blocks reached \$1.8025. The market for blocks is only back to where it was in the last week of December. Nevertheless, the current price of milk seems to be leading to continuing heavy cheese manufacturing in the region. The Northeast includes 3 of the top 13 cheese producing states. NASS reports that December 2008 total cheese production in New York was 65.6 million pounds, 4.5% below December 2007 but 4.1% above November 2008. Pennsylvania produced 34.1 million pounds in December 2008, down 0.5% from one year ago but up 13.5% from one month ago - the greatest percentage increase over the prior month among all of the top 13 states. Vermont produced slightly more than 8 million pounds, down 27.8% from December 2007 and 5.9% from November 2008. The significant Vermont decline is believed to be related to the permanent closing of a large plant due to fire damage. Focusing on Italian cheese, in December 2008, New York ranked 3rd nationally, producing 35.2 million pounds, 1.6% above December 2007 and 6.0% above November 2008. Pennsylvania ranked 4th in Italian cheese production with slightly more than 21.9 million pounds produced in December 2008, down 5.3% from December 2007 but up 35.0% from November 2008.

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

Cheddar 10# Prints	:	1.3475-1.8675
Cheddar Single Daisies	:	1.3050-1.7900
Cheddar 40# Block	:	1.4025-1.6775
Process 5# Loaf	:	1.2300-1.4700
Process 5# Sliced	:	1.2450-1.5550
Muenster	:	1.4225-1.6200
Grade A Swiss Cuts 10 - 14#	:	2.8475-3.1700

MIDWEST

The cheese market is still showing signs of strength as prices continue to edge higher on the CME Group cash cheese market. Packagers and most processors are generally active on private label with some lines requiring overtime to help fill orders. Reports indicate that many branded lines sharply reduced prices in recent weeks as lower priced bulk supplies replace higher 2008 product. Retail demand for the cheese case is generally good for this time of year as promotions continue. The deli business is more lackluster as consumers are price conscious, even within the store. Food service is also segmented with many quick serve operations solid but weaker further upscale. Current offerings have tightened with the usual occasional supply issues found on a few specialties such as provolone, pepper and Colby/jack. Good seasonal interest is noted in barrels and good processing solids. Mozzarella demand is also segmented with the take home and frozen pizza side typically better than for pizzerias that are not running promos. Some inventory is being used for short term orders while other volumes are being stored for later use. Cheese production is steady to slightly heavier after the good Class I use last week had consumers stocking up on fluid. The Kansas City Commodity Office issued on February 9 Solicitation BCD-035 seeking 1.4 million pounds of additional barrels for May/June delivery. Offers are due February 24.

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

Process American 5# Loaf	:	1.4925-2.1400
Brick And/Or Muenster 5#	:	1.7400-2.1500
Cheddar 40# Block	:	1.7500-2.5650
Monterey Jack 10#	:	1.6875-2.5650
Blue 5#	:	2.0325-2.8600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5675-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.3025-3.3300

WEST

Cash block cheese prices at the CME Group have gained 5 1/4 cents in the last four trading sessions to stand at \$1.2075 at midweek. Prices have not been this high since December 29. As prices have been increasing at a more rapid pace, buyers have become much more aggressive in looking for additional cheese supplies. Now they want to make purchases before prices move any higher. Some current orders are being delayed as offerings are not sufficient to meet all of the current interest. Under grade cheese is again cleaning up more easily at higher prices. The entire market psychology has changed as prices have been increasing from the low of \$1.04 reached on January 15. Contacts are certainly questioning how long this firming market will last, but in the short run, buyers want more cheese. More milk is again going into cheese vats after the short slow down caused by the price move on fluid milk from January to February. Overall, cheese production remains heavy. According to the NASS Dairy Products report released last week, December total cheese output was 856.9 million pounds, a record for December and for any month all time. The annual total production for all cheese for 2008 was 9.84 billion pounds, also a record for annual output.

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

Process 5# Loaf	:	1.2625-1.5200
Cheddar 40# Block	:	1.2650-1.6175
Cheddar 10# Cuts	:	1.4450-1.6650
Monterey Jack 10#	:	1.4550-1.6150
Grade A Swiss Cuts 6 - 9#	:	2.5500-3.1000

FOREIGN

Domestic foreign-type cheese prices increased this week following the 3 cent increase in the weekly average for CME Group block cheese. Some imported varieties adjusted down in price. These varieties included Blue, Gorgonzola, Reggiano and Jarlsberg, all of which last adjusted the week of Thanksgiving when all except Reggiano adjusted down. Domestic production remained strong last week. NASS reports that domestic Swiss production increased 2.7 percent in December 2008 over November and Italian Cheese other than Mozzarella increased 6.8% during the time period. Domestic Swiss manufacturers report that sales interest continues to be strong in market competition with imported varieties, even as importers of Swiss varieties also report strong sales interest.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.7700*	: 1.5625-3.0500*
Gorgonzola	: 3.6900-6.3900*	: 2.0650-2.3250*
Parmesan (Italy)	: -0-	: 2.9700-3.3900*
Romano (Italy)	: 2.1000-3.6900	: -0-
Provolone (Italy)	: 3.4400-6.8900	: 1.6050-1.7625*
Romano (Cows Milk)	: -0-	: 2.7525-4.8950*
Sardo Romano (Argentina)	: 2.8500-3.6900	: -0-
Reggiano (Argentina)	: 3.9500-6.3900*	: -0-
Jarlsberg-(Brand)	: 2.9500-4.7900*	: -0-
Swiss Cuts Switzerland	: -0-	: 2.9775-3.3000
Swiss Cuts Finnish	: 2.5900-3.5900	: -0-

* = Price change.

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

	BUTTER	CHEESE
02/09/09	14,581	106,438
02/01/09	14,238	107,485
CHANGE	343	-1,047
% CHANGE	2	-1

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	0	120	0	166	0	60
SOUTHEAST STATES	0	0	0	0	0	0

The region overall is working with increasing volumes of milk. Even with strengthening in retail sales of fluid milk, many plants are drying and churning heavily, with assistance in clearing intakes being provided by recent increased interest in condensed skim as an alternative to nonfat dry milk following a narrowing of the price differential. NORTHEAST milk production is continuing to climb in seasonally expected dimensions. Class II plants are in strong production modes which is helping handle intakes even though drying and churning remain active. MIDDLE ATLANTIC milk inputs to balancing plants remain heavy. This situation is expected to continue into the immediate future. Plants continue to churn typically 7 days a week. Some plants are buying additional spot market cream to increase butter production over levels possible with internally generated cream. Drying remains strong but under somewhat less pressure due to the interest in condensed skim at current price levels. SOUTHEAST activity following the recent ice storms has generally returned to seasonally normal. All plants were back in operation by mid last week. Milk production continues to be heavy and that is keeping manufacturing heavy to clear intakes. FLORIDA fluid sales are strong with increasing numbers of retail promotions. A brief touch of cold weather hit late last week, when Tallahassee dropped to 14 degrees F, the lowest temperature in nearly 10 years. Friday Jacksonville dropped to 23 and Lakeland to 30. The combination of abruptly colder weather and stronger retail milk sales each contributed to a reduction in outward shipments this week. CONDENSED SKIM sales continue to show strength at recently lowered prices. The increased sales were described as "huge", up to 250% above recent plant production planning forecasts in some areas. CREAM remains readily available with very slight but barely perceptible firming in multiples. There is heavy churning and some increased Class II interest this week.

has improved and supplies have tightened. A few handlers are having problems sourcing extra volumes for the short term. The improvement in cheese prices and resurgence in orders while prices are "cheap" have more buyers interested in purchasing extra milk supplies than in selling. Though not enough prices were received for a range, manufacturing milk premiums are well above class. Current milk intakes are uneven from steady to slightly higher. Drought through most of Texas and a few nearby states may start to impact cattle numbers, particularly at current low milk prices. Unseasonably warm temperatures through at least central and northern sections, including some record high daily temperatures, melted much of the snow cover and formed many ponds in low or flat areas.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 5 - FEB 11	PREVIOUS YEAR
SLAUGHTER COWS	\$ 41.00- 48.00	\$ 47.00- 56.00
REPLACEMENT HEIFER CALVES	\$130.00-300.00	\$400.00-770.00

WEST

The March 2009 Class 1 prices in California range from \$11.13 in the north to \$11.40 in the south. The statewide average Class 1 price based on production is \$11.15 - passing February's mark as the lowest price in nearly 30 years. The average is \$0.15 lower than February 2009 and \$7.78 less than March 2008. CALIFORNIA milk production is holding mostly steady but is occasionally lower. Historically, seasonal increases would be occurring. Low milk price factors are playing into decision making at the producer level. Cow culling is increasing and feed rations are being adjusted. These, along with other factors, are impacting total milk and milk per cow output. Processing plants are generally full and working hard to handle the available milk supply. NEW MEXICO milk output is steady to higher and trends are several percentage points above year ago levels. Conditions have been favorable for cows. Plants in the state are running full to process the milk supply. Bottled milk sales are mainly flat. ARIZONA milk production is steady to slightly higher. Fat and protein tests are marginally higher. Processors have little if any extra time and space to handle outside milk and component supplies. Class I demand is flat, along expected levels. CREAM markets remain on the weak side. Supplies continue to be heavy and buying interest outside of contracted volumes is light with buyers seeking low multiples and overages. At the CME Group, butter prices are holding steady over the past several weeks. The Grade AA price closed at \$1.1025 on Wednesday, February 11. Western cream multiples range from 95-115 FOB and vary depending on class usage and basing points. Milk production is increasing slowly seasonally in the PACIFIC NORTHWEST. Weather has been a non issue in recent weeks. Financial stress is now more of a factor than weather. Producers continue to negotiate with suppliers to try and control costs. Plants are running efficiently in the region. Little outside milk is entering the region for processing. A monthly heifer sale was held recently with receipts low enough that a price trend was not established. Winter weather conditions are again common over much of IDAHO and UTAH. Snow fall is occurring every few days and temperatures are cool. The snow is adding to a good water base and should mean decent conditions for the next crop year. The conditions are not an issue for current milk production in the region. Milk is trending slightly higher. More hay offers are noted since the first of the year and prices are moving lower. Dairy hay buyers are generally taking only what they need on a short term basis. More producers are talking about the financial stress that they are under. Decisions they are making may mean less milk in the short run. Heifer prices at a bi-weekly sale in the region remain weak with a top price of \$1510 and the average \$1398. Prices at a weekly sale bounced back significantly last week. The top end gained about \$300 to move to \$1850 and the average increased to \$1520, up about \$150.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.1006-1.2303
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2303-1.2962

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.88 - .93
NORTHEAST - CLASS III - SPOT PRICES	-	.80 - .85

MIDWEST

Generally, Class I demand was lighter after the fairly wide spread retail promotions run last week and even early this week. Many schools, particularly in Illinois, will close for a holiday, reducing school milk needs. Generally, production of non-ice cream Class II products is nothing out of the ordinary. Cream supplies were also lighter, as standardized cream production was down along with Class I use. Ice cream production is steady to slightly heavier though many producers are still holding back on making peanut including flavors until they have another supply source or improved interest from consumers. Some producers are taking advantage of current low dairy ingredient prices to build inventory for warmer weather. Promotional activity has picked up somewhat due to the lower ice cream cost. Soft serve production is generally light. Churning is steady to lighter as a result, slowing for some additional maintenance. Manufacturing milk interest

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: A weak market is keeping Central nonfat dry milk prices steady to slightly lower. NDM production is higher this week at several locations as Class I demand has tapered down after last week's heavier sales levels that were tied to first-of-the-month lower bottled milk prices. Class II contract sales on condensed skim are steady to higher into hard ice cream plants, but soft serve production for the Northern tier of states is holding off until warmer weather arrives. Offers of condensed skim into the Central region from California are available, but transportation costs are making it difficult for those transactions to pencil out. Spot market interest is slow. Foreign Agricultural Service reports that January - December 2008 exports of nonfat dry milk under Schedule B code 0402100000 total 391.4 kilotons (kt) (862.8 million pounds). This is about a 52% increase over 2007. December 2008 nonfat dry milk exports increased about 26% compared to November 2008, and total 20.2 kt. Mexico was the top export destination for U.S. nonfat dry milk, accounting for about 30% of all nonfat dry milk exported during 2008.

EAST: Eastern nonfat dry milk prices weakened at the top of the mostly price category. Spot market finalized activity was minimal but ongoing negotiations and price discussions reflect weak buyer interest and continuing seller motivation. Increasing seasonal milk production has increased intake volume at balancing plants. Drying is heavy, 6 or 7 days a week at many plants although, increased interest in condensed skim has helped relieve the pressure. The preponderance of drying is low heat to help process intake volumes.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .9100 MOSTLY: .8200 - .8400
 HIGHHEAT: .8800 - .9500

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices continue to slowly decline towards and past the support price of 80 cents. Producers not offering to the support program or who have powder in commercial bags are trying to find a pricing level that will secure interest. The market tone is a steady, yet weak market. There is a general lack of buying interest from domestic and export accounts. Buyers seem confident that prices will remain around current levels and they sense no need to hold stocks. Deploying the Dairy Export Incentive Program (DEIP) is being discussed according to industry sources and published articles. The sense is that DEIP will help, but not cure, the current market situation. High heat NDM prices are steady to slightly lower. Demand is light and mainly being filled by contracted volumes. Powder is mainly being made to fill current and future orders and finding drying time is still an issue. During calendar year 2008, the FAS reports U.S. exports of NDM/SMP total 391,364 MT (862.8 million pounds) compared to 257,893 MT (568.6 million pounds) during 2007, an increase of 52%. For 2008, exports total 45.6% of the U.S. production of NDM and SMP, compared to 38.9% in 2007. Top countries for exports during 2008 (with changes from 2007) were: Mexico, 117,706 MT (+58%); Philippines, 49,872 MT (+48%); Indonesia, 45,176 MT (+42%); Malaysia, 22,258 MT (+13%); and Algeria 19,950 MT (+62%).

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7700 - .8300 MOSTLY: .7800 - .8100
 HIGHHEAT: .8500 - .9900

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 6	\$.8098	19,016,524	9,006,865
January 30	\$.8112	22,626,747	8,973,088

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 both higher and lower. Market conditions are mixed, showing some signs of strength as decreased availability of dry buttermilk from Western suppliers has moved some buyer interest to Central providers. Spot cream availability has tightened in the region so butter production at most plants is focused on clearing regular intakes and meeting active print sales commitments. Contracted condensed buttermilk sales into Class II plants are increasing seasonally, which is easing some of the need for drying time. Contracted dry buttermilk is shipping regularly. Offers to the spot market are less frequent as some manufacturers seem content to rebuild dry buttermilk inventories in the near term.

EAST: The Price range for dry buttermilk contracted this week, resulting in a marginally higher average. Butter production is heavy as many producers churn to help utilize intakes at current low cream multiples, as well as to fill orders. Seasonally increasing Class II ice cream demand for condensed buttermilk is helping to absorb volumes and reduce the need for drying. Dry buttermilk was not actively selling on regional spot markets this week.

F.O.B. CENTRAL/EAST: .6300 - .6850

DRY BUTTERMILK - WEST

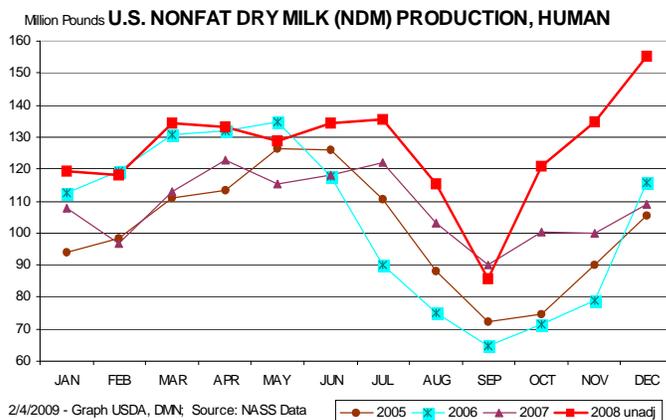
Western dry buttermilk prices are mostly steady. The market situation has tightened over the past several weeks with surplus offerings harder to find and secure. Several buyers commented that they could not find buttermilk being discounted nor could they find the volumes they were looking to secure. Some producers are exporting buttermilk. Production schedules are steady at active levels, although there remains a lot of liquid buttermilk that is not being dried because of the lack of dryer time. Stocks are more on the light side of the light to moderate range.

F.O.B. WEST: .5800 - .6500 MOSTLY: .6200 - .6400

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk moved lower, with pricing pressure from Oceania product continuing. Production is firmly linked to contract fulfillment in contrast to inventory buildup. According to the Foreign Agricultural Service, January - December 2008 dry whole milk and cream exports under Schedule B code 0402210000 more that doubled to 32.2 kilotons (kt)(70.9 million pounds) compared to the same time period in 2007. Mexico was the top destination for U.S. dry whole milk and cream exports during the above time span (14.9 kt), accounting for 46% of those exports during 2008. December 2008 exports of dry whole milk and cream fell about 33% compared to November 2008, totaling 2.4 kt.

F.O.B. PRODUCING PLANT: 1.0500 - 1.1200



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

Central dry whey prices are both higher and lower on a mixed market. Cheese production is steady to higher this week as the pipelines refill into Class III plants after last week's heavy pull into Class I, which was linked to first-of-the-month lower milk prices. Contract sales of dry whey continue to ship regularly. Spot market activity is steady. Inventories are steady to edging seasonally higher at some locations. Prices on animal feed whey are unchanged to marginally higher and some supply tightness is reported. Foreign Agricultural Service reports that January – December 2008 dried whey exports under Schedule B code 0404104000 totaled 201.3 kilotons (kt) (443.7 million pounds). This export total is a decrease of 23.8% compared to exports during the same time span in 2007. The three largest 2008 export markets for U.S. dried whey, total 2008 exports, and percent change in amounts exported compared to 2007 are: People's Republic of China, 39.7 kt (-7.6%); Canada, 24.8 kt (-51.1%) and Japan, 22.0 kt (-23.9%). Exports to those three countries account for about 43% of all U.S. dried whey exported during 2008. Dried whey exports for the month of December 2008 total 15.6 kt, about 4% more than in November 2008.

F.O.B. CENTRAL: .1400 - .1800 MOSTLY: .1450 - .1700
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .1100 - .1400

DRY WHEY - NORTHEAST

Eastern dry whey production this week continues at a high level. This has resulted in inventory levels that have led to occasional spot sales in a region that tends to move product primarily under contract. Other plants with inventory slightly over what is needed to meet contract deliveries have opted to retain the inventory as a cushion, rather than sell on spot markets. Plants that had previously strained to maintain contract delivery schedules are now comfortably situated. Customers generally are taking deliveries under contractual schedules.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1650 - .2100

DRY WHEY - WEST

Western whey prices range from steady to higher. Less whey discounting is noted at this time as inventories are in much better shape than a few weeks ago. Also, some plants have diverted their whey stream to other products. Overall cheese production remains heavy. There seems to be some strength in the market, but contacts continue to be concerned about the heavy volumes and low prices of lactose and whey permeate that are competition for whey. According to FAS, exports of whey for 2008 total 443.6 million pounds, down 23.8% from last year. In 2008, exports accounted for 41% of total whey production while in 2007 it was 51%. The top five export destinations for 2008 with their total shipments and change from last year are as follows: China 87.5 million pounds, -7.6%; Canada 54.6 million pounds, -51.1%; Japan 48.5 million pounds, -23.9%; Malaysia 29.7 million pounds, -18.3%; and Korea 26.6 million pounds, -51.4%. Of note also is Mexico at 17.9 million pounds, down 64.4% from 2007. Exports during December totaled 34.3 million pounds.

NONHYGROSCOPIC: .1350 - .1900 MOSTLY: .1400 - .1650

EVAPORATED MILK - NATIONAL

The Kansas City Commodity Office issued solicitation EVD3-029 on February 13, 2009 for evaporated milk in 24/12 fluid ounce cans totaling 5,324,400 pounds. Acquisitions may be distributed amongst unrestricted

EVAPORATED MILK - NATIONAL- continued in next column

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are unchanged to slightly lower on the high side of the range. Buyer resistance to the recent steady ratcheting of price premiums over the market are tempering some sales activity. Reports of ample availability of WPC 34% offers from secondary sales venues indicate supplies are adequate to meet current demand. Some animal feed manufacturers report sales activity into veal accounts has slowed somewhat. Foreign Agricultural Service reports that during January – December 2008, exports of WPC 34% under Schedule B code 0404100500 totaled 71.7 kilotons (kt) or 158.0 million pounds, a decrease of 23.4% compared to January - December 2007. Exports to China (20.7 kt), Mexico (20.6 kt), and Japan (7.6 kt) accounted for 68.3% of all the WPC 34% exported in 2008. January – December 2008 exports of WPC 80% under Schedule B code 3502200000 totaled 12.0 kt (26.4 million pounds), a decrease of 14.2% compared to 2007. Exports to Canada (2.6 kt), China (2.4 kt) and Mexico (1.2 kt) accounted for 52.1% of all the WPC 80% exported in 2008. Exports during December 2008 totaled 1.1 kt, mostly unchanged compared to November 2008.

F.O.B. EXTRA GRADE 34% PROTEIN: .5000 - .6000 MOSTLY: .5250 - .5550

LACTOSE - CENTRAL AND WEST

Prices for lactose are slightly higher on the bottom of the range while the mostly price series is steady. Domestic interest is steady. Inquiries from Southeast Asia are reported as modestly higher, although bids are frequently at the low end of the range. Spot market activity is slow. Foreign Agricultural Service reports that January – December 2008 lactose exports under Schedule B code 1702110000 totaled 95.4 kilotons (kt) (210.3 million pounds). This is an increase in exports of 5% compared to January – December 2007. The top two export destinations during 2008 for U.S. lactose were Japan (18.3 kt) and China (18.1 kt), which accounts for about 38% of all the U.S. lactose exported in 2008. Lactose exports during December 2008 total 8.2 kt, a 7.9% increase from the previous month.

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

F.O.B. EDIBLE: .0700 - .2400 MOSTLY: .0900 - .1650

CASEIN - NATIONAL

Casein markets and prices remain weak. The Oceania production season is now finished and orders are being filled from previously generated stock. In Europe, the new season is just about to get underway, although many suppliers have stock from last season to clear before the new season gets too far along. Rennet demand has slowed as natural cheese prices have weakened. Domestic casein buyers continue to exercise caution with their purchases and are basically proceeding on a spot basis versus longer term contracting.

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: 3.2500 - 3.5000
ACID: 2.9000 - 3.4000

EVAPORATED MILK - NATIONAL-continued

and small business set aside, with up to 1,358,640 pounds available for small business set aside. Deliveries are to take place at various locations throughout the country. Bids are due by February 24, 2009. Award notifications are scheduled to be announced on February 25, 2009, with public release of the award currently scheduled for February 26, 2009. More information on bid specifications may be obtained at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=pas>

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 9 - 13, 2009			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/08	LAST YEAR	02/06/09	LAST YEAR
BUTTER							
Bulk	454,997	-0-	454,997	4,120,822	-0-	-0-	-0-
TOTAL	454,997	-0-	454,997	4,120,822	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	9,066,145	1,348,612	7,717,533	169,998,399	-0-	-0-	-0-
TOTAL	9,066,145	1,348,612	7,717,533	169,998,399	-0-	-0-	-0-

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

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF FEBRUARY 9 - 13, 2009 =	11.6	89.9	COMPARABLE PERIOD IN 2008 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2008 =	127.2	1,979.3	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JAN. 1 - FEB. 13, 2009 =	102.0	645.7	COMPARABLE CALENDAR YEAR 2008 =	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 FOR THE WEEK OF FEBRUARY 9 - 13, 2009 (POUNDS)

REGION	BUTTER		CHEESE		NONFAT DRY MILK
	BULK	BLOCK	BARREL	NONFORTIFIED	
CENTRAL	-0-	-0-	-0-	-0-	
WEST	454,997	-0-	-0-	7,717,533	
EAST	-0-	-0-	-0-	-0-	

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	4,120,822	-0-	-0-	-0-	169,998,399	-0-	100.0	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	4,120,822	-0-	-0-	-0-	169,998,399	-0-	100.0	-0-

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE JANUARY 2009

BUTTER Bulk \$1.05 per pound
CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10
NONFAT DRY MILK \$.8000 per pound

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/24/09 & Comparable Week 2008

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2009-Dairy	N.A.	0.5	7.0	3.4	19.6	6.9	0.8	N.A.	20.2	5.2	65.2	252.5	48.4	49.9
2008-Dairy	N.A.	0.4	6.4	2.7	15.3	3.6	0.4	N.A.	17.4	3.2	50.5	207.2	44.1	43.5
2009-All cows	N.A.	0.6	8.8	13.2	37.5	24.1	15.2	N.A.	22.1	8.8	134.7	506.2		
2008-All cows	N.A.	0.5	8.1	13.2	31.0	17.8	14.7	N.A.	18.8	6.9	114.6	477.6		

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	2009 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
FEBRUARY 6, 2009	49	763	

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
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28

FEDERAL MILK ORDER CLASS PRICES FOR 2009 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.74	10.72										
II	10.41											
III	10.78											
IV	9.59											

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

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES*

Milk production forecasts for 2009 are lowered from last month. The January 30 *Cattle* report estimated that dairy cow inventories on January 1, 2009, were almost 1 percent above a year earlier and only fractionally fewer heifers were being retained for addition to dairy herds. Assuming no significant herd reductions in the first part of the year, producer returns are expected to be heavily pressured resulting in a relatively sharp reduction in inventories during the latter part of the year. Output per cow is unchanged from last month. Both domestic and export demand is forecast to remain weak due to economic uncertainty. Commercial export forecasts for 2009 are reduced from last month as weak international demand and expected competition from recently announced subsidized EU-27 exports limit opportunities for commercial exports. Conversely, lower international prices are expected to result in slightly higher U.S. imports of dairy products, primarily cheese. Fat basis ending stocks are forecast lower as supplies tighten later in the year on lower milk production, but skim-solids stocks are raised as exports of nonfat dry milk (NDM) are limited and supplies burden the market. Sales of butter and NDM to the CCC are forecast higher. Milk and dairy product price estimates for 2009 are reduced as first-half product prices are expected to be pressured by the confluence of weak demand and burdensome supplies. As milk production is reduced, especially in the latter part of the year, tighter milk supplies are expected to help lift second half prices from their midyear lows. However, weaker forecast exports and continued weakness in domestic demand keep prices later in the year lower than forecast last month. As a result, the annual average product and Class prices are forecast below last month. The all milk price is also forecast lower, \$10.95 to \$11.65 per cwt in 2009. Estimates for 2008 have been revised to reflect actual data. Milk production estimates are raised slightly based on December milk production. Based on trade data to date, exports are estimated lower than last month and imports, primarily on a fat basis, are forecast higher. Ending stocks are adjusted to reflect December data and revisions to NDM stocks.

U.S. MILK SUPPLY AND USE					
Commodity	2007	2008 Estimated		2009 Projected	
		January	February	January	February
BILLION POUNDS					
MILK					
PRODUCTION	185.6	189.6	189.7	190.5	189.1
FARM USE	1.2	1.2	1.2	1.2	1.2
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	9.5	10.4	10.4	10.1	10.0
MARKETINGS	184.4	188.4	188.5	189.4	188.0
IMPORTS	4.6	3.4	3.9	3.4	3.6
TOTAL COMMERCIAL SUPPLY	198.6	202.2	202.8	202.8	201.5
FAT BASIS USE					
COMMERCIAL EXPORTS	5.7	9.1	8.7	6.7	5.1
ENDING COMMERCIAL STOCKS	10.4	10.1	10.0	9.5	9.3
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.4	1.5
COMMERCIAL USE <u>2/</u>	182.5	183.0	184.0	186.2	185.6
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	9.1	9.9	9.9	10.5	10.9
MARKETINGS	184.4	188.4	188.5	189.4	188.0
IMPORTS	4.4	3.6	3.7	3.4	3.5
TOTAL COMMERCIAL SUPPLY	198.0	202.0	202.1	203.3	202.4
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	24.5	26.5	26.0	23.5	19.0
ENDING COMMERCIAL STOCKS	9.9	10.5	10.9	10.2	10.4
CCC NET REMOVALS <u>1/</u>	0.0	1.3	1.3	3.9	6.9
COMMERCIAL USE <u>2/</u>	163.6	163.7	163.9	165.7	166.1
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	5	55
CHEESE	0	0	0	20	20
NONFAT DRY MILK	0	115	111	320	575
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.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2007	2008 Estimated		2009 Projected	
		January	February	January	February
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.7380	1.8954	1.8954	1.260-1.340	1.180-1.250
BUTTER	1.3441	1.4356	1.4356	1.160-1.270	1.080-1.180
NONFAT DRY MILK	1.7083	1.2256	1.2256	0.840-0.900	0.800-0.860
DRY WHEY	0.6004	0.2504	0.2504	0.180-0.210	0.160-0.190
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	18.04	17.44	17.44	10.60-11.40	9.70-10.40
CLASS IV	18.36	14.65	14.65	10.00-10.90	9.35-10.15
ALL MILK <u>3/</u>	19.13	18.34	18.34	11.80-12.60	10.95-11.65
QUARTERLY					
	2008 IV	2009 I <u>4/</u>	2009 II <u>4/</u>	2009 III <u>4/</u>	2009 IV <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	46.6	47.6	48.9	46.7	46.0
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	16.80	11.65-11.95	10.00-10.60	10.25-11.15	11.95-12.95
CLASS III PRICE <u>2/</u>	15.95	9.50-9.80	8.90-9.50	9.55-10.45	10.95-11.95
CLASS IV PRICE <u>2/</u>	12.07	9.25-9.65	8.95-9.65	9.30-10.30	9.95-11.05

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-467, World Agricultural Outlook Board, USDA, February 10, 2009.

**2008 Total Cow Slaughter Under Federal Inspection - U. S. Total
(thousand head)**

Week Ending	Dairy Cows	All Cows	Dairy as Percent of All	Week Ending	Dairy Cows	All Cows	Dairy as Percent Of All
Jan 5	43.1	98.6	43.7	Jul 5	35.8	90.1	39.7
12	56.0	131.0	42.7	12	47.9	119.5	40.1
19	57.6	133.4	43.2	19	45.8	118.9	38.5
26	50.5	114.6	44.1	26	49.7	122.2	40.7
Feb 2	48.8	112.5	43.4	Aug 2	49.2	119.1	41.3
9	49.7	108.8	45.7	9	51.4	119.4	43.0
16	51.4	112.6	45.7	16	51.4	120.5	42.7
23	50.6	108.7	46.6	23	54.0	123.9	43.6
Mar 1	52.3	111.4	46.9	30	55.9	127.1	44.0
8	53.1	116.1	45.7	Sep 6	47.9	107.7	44.5
15	51.6	113.7	45.4	13	55.1	125.6	43.9
22	50.5	110.2	45.8	20	51.9	125.3	41.4
29	48.7	107.4	45.3	27	49.9	121.0	41.2
Apr 5	51.0	113.4	45.0	Oct 4	51.9	126.9	40.9
12	52.0	114.0	45.6	11	52.8	127.9	41.3
19	50.8	114.5	44.4	19	50.9	124.6	40.9
26	48.0	116.0	41.4	25	51.2	128.1	40.0
May 3	46.0	115.5	39.8	Nov 1	52.0	133.9	38.8
10	46.3	118.5	39.1	8	52.2	133.2	39.2
17	44.1	115.8	38.1	15	55.6	133.9	41.5
24	45.4	120.9	37.6	22	50.8	129.0	39.4
31	38.8	102.8	37.7	29	43.9	104.5	42.0
Jun 7	44.6	121.1	36.8	Dec 6	52.3	125.7	41.6
14	43.7	113.0	38.7	13	52.3	126.0	41.5
21	42.3	112.5	37.6	20	52.4	117.8	44.5
28	43.3	117.2	36.9	27	37.1	77.8	47.7

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.

DECEMBER FLUID MILK SALES

During December, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.6 percent higher than December 2007. After adjusting for calendar composition, sales in December 2008 were 1.3 percent higher than December 2007. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, reduced fat milk (2%), low fat milk (1%), flavored fat-reduced milk, organic fat-reduced milk, and buttermilk increased from December 2007, while sales of whole milk, flavored whole milk, and fat-free (skim) milk decreased from a year earlier

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Sales of Fluid Milk Products; and then select "Fluid Milk Sales Data...".

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
DECEMBER 2008, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,341	15,145	1.1	-4.3
Flavored Whole Milk	51	596	-3.8	-11.4
Organic Whole Milk	39	388	28.0	23.0
Reduced Fat Milk (2%)	1,624	18,325	3.6	1.6
Low Fat Milk (1%)	577	6,693	3.5	1.9
Fat-Free Milk (Skim)	692	8,169	1.1	0.5
Flavored Fat-Reduced Milk	302	3,731	6.3	1.0
Organic Fat-Reduced Milk	111	1,288	17.9	19.7
Buttermilk	79	564	56.7	7.1
Total Fluid Milk Products 3/	4,885	55,141	3.6	0.1
Total Fluid Milk Products Adjusted 3/ 4/	4,839	54,978	1.3	-0.1

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>.

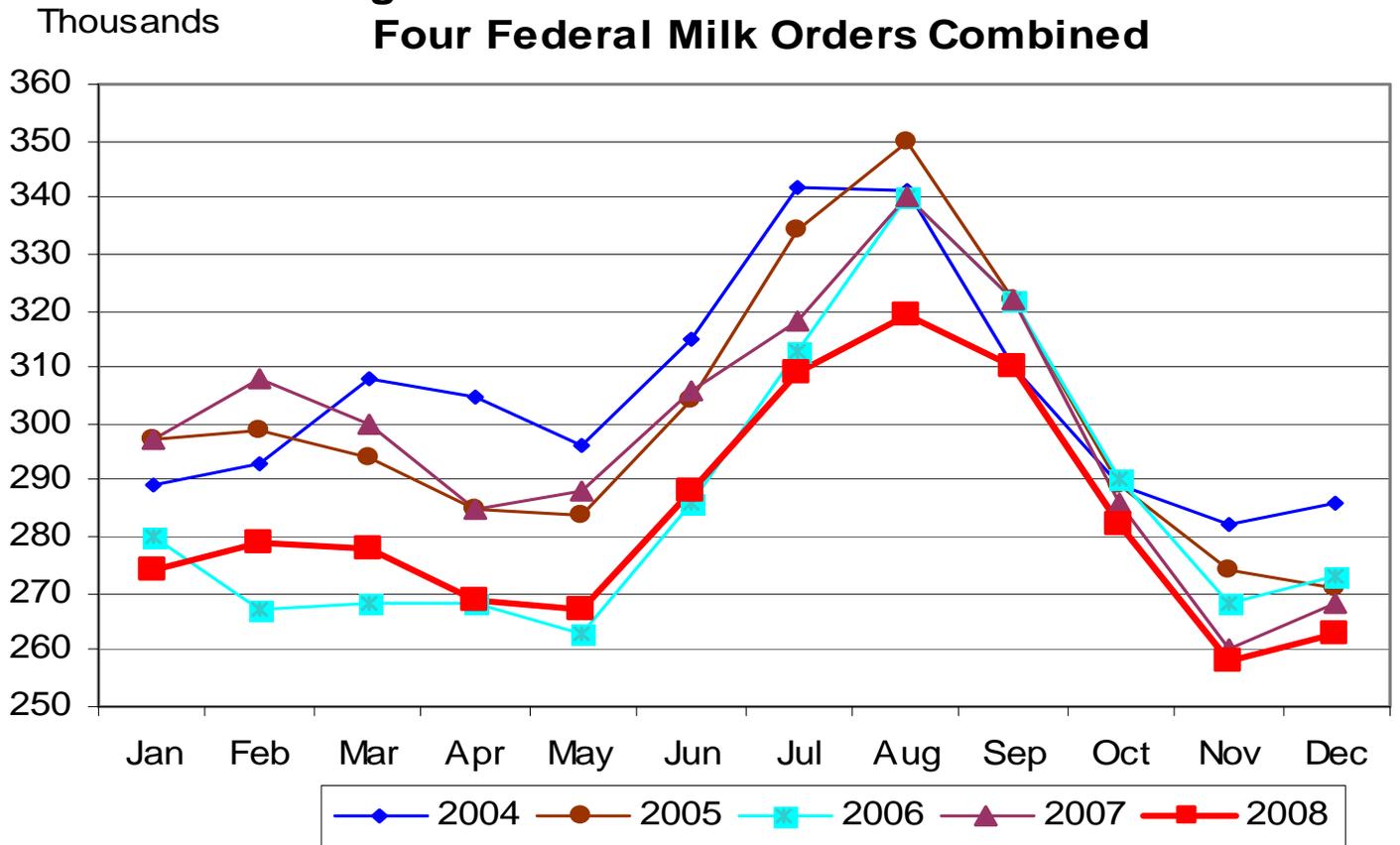
PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, DECEMBER 2008, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	851	9,488	2.3	0.0
Appalachian (005)	310	3,590	2.4	-1.1
Southeast (007)	445	5,160	3.9	0.7
Florida (006)	245	2,824	-2.3	-2.6
Mideast (033)	545	6,098	3.0	-1.0
Upper Midwest (030)	393	4,432	3.0	-0.6
Central (032)	421	4,696	3.5	0.1
Southwest (126)	380	4,433	3.4	0.7
Arizona (131)	103	1,191	3.4	-1.4
Pacific Northwest (124)	197	2,191	6.7	2.7
California (---)	603	6,627	8.5	2.1

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above.

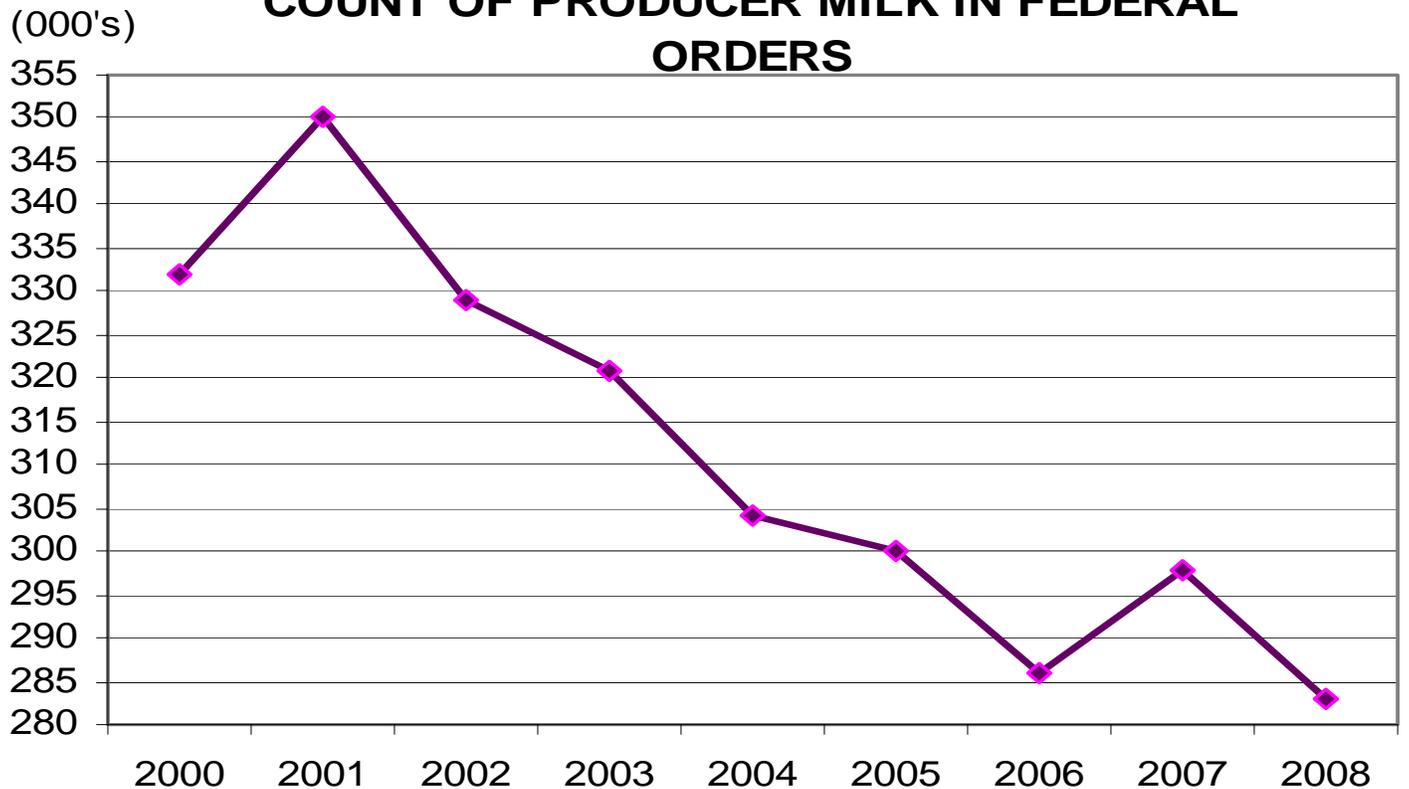
SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined

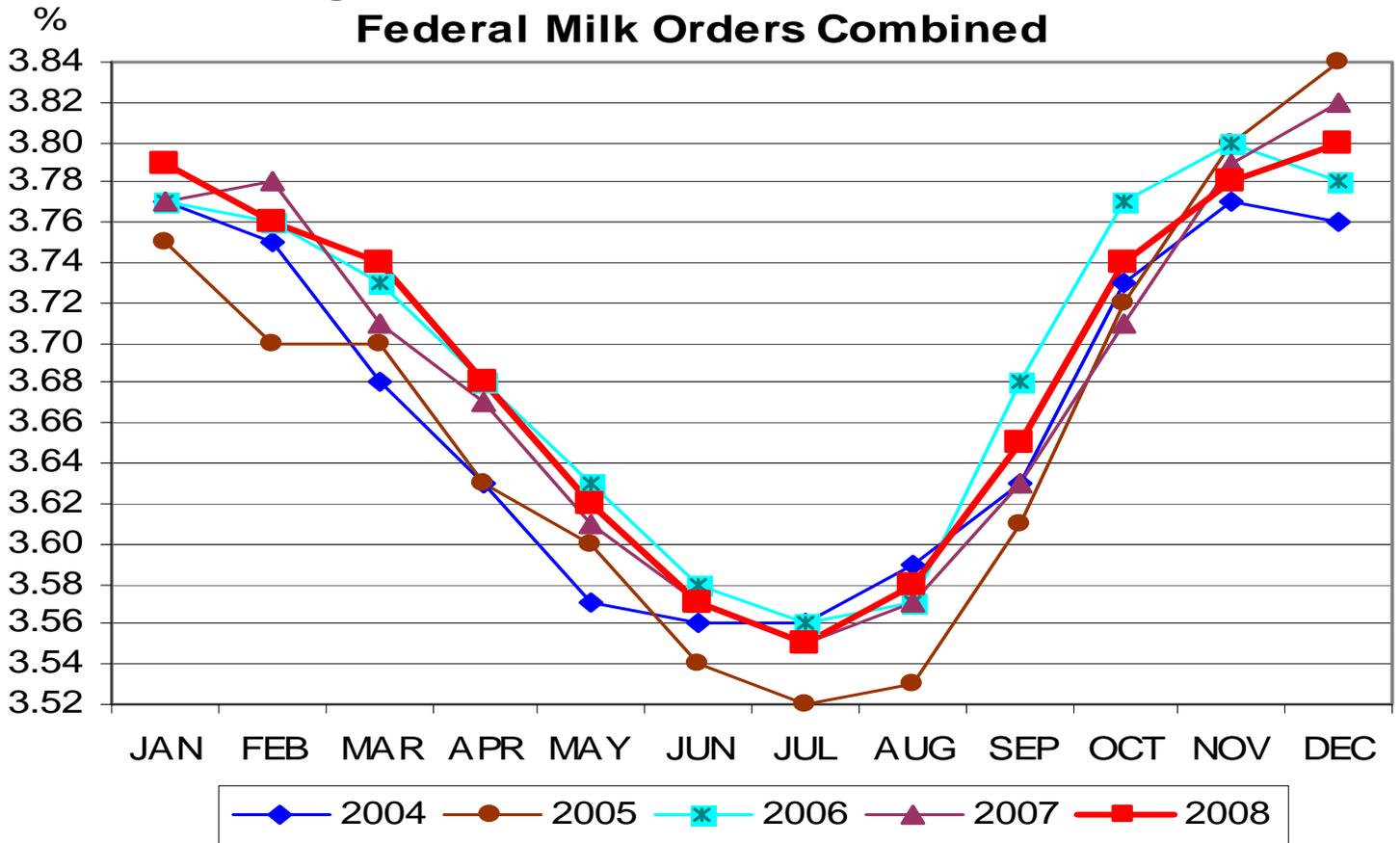


Federal Orders included are: 30, 32, 33, 126

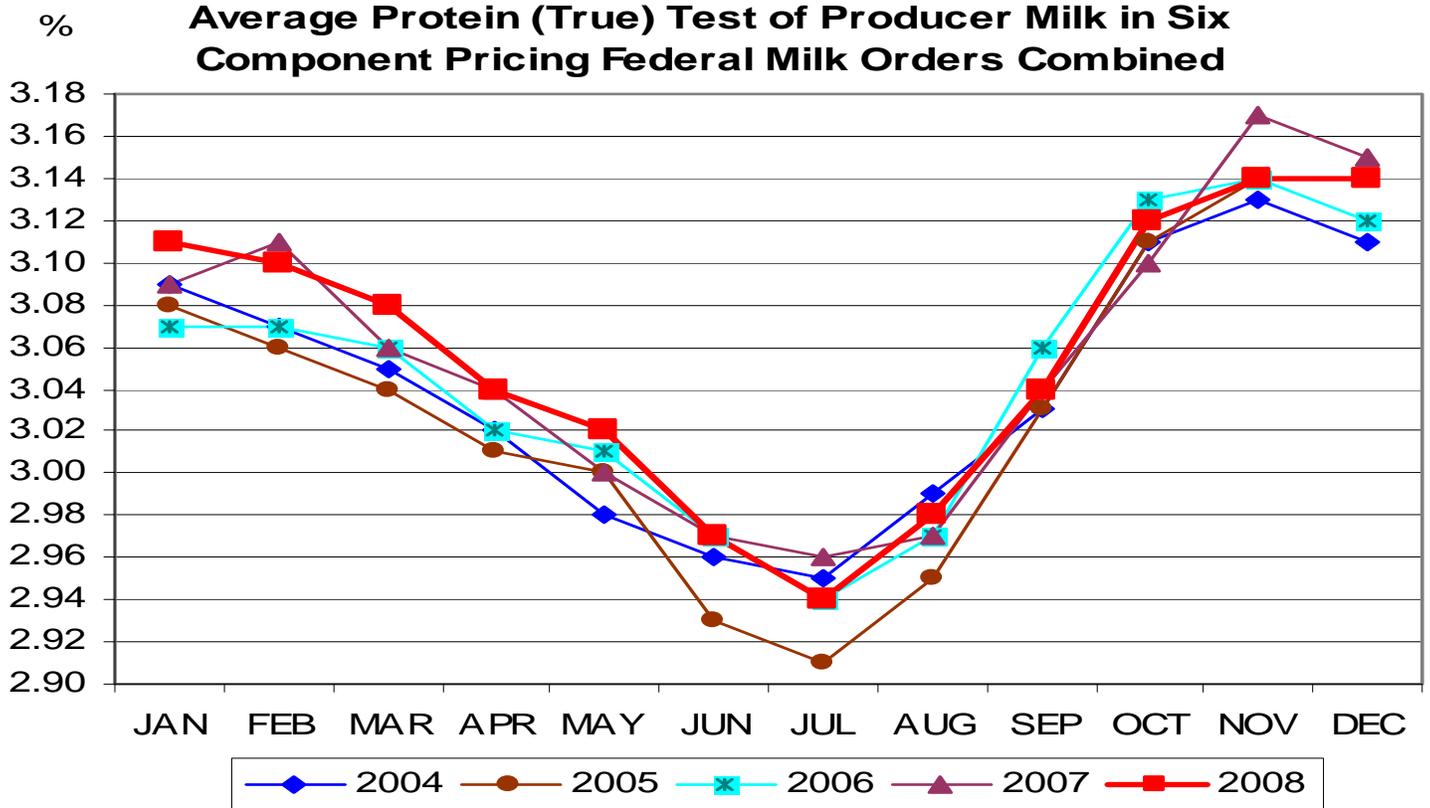
ANNUAL SIMPLE AVERAGE SOMATIC CELL COUNT OF PRODUCER MILK IN FEDERAL ORDERS



Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined



Federal Orders included are: 1, 30, 32, 33, 124, 126

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