

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (01/08):**

**BUTTER:** Grade AA closed at \$1.3450. The weekly average for Grade AA is \$1.3325 (+.0050).

**CHEESE:** Barrels closed at \$1.4325 and 40# blocks at \$1.4100. The weekly average for barrels is \$1.4350 (+.0044) and blocks, \$1.4245 (-.0555).

**BUTTER HIGHLIGHTS:** The CME cash butter price held steady at \$1.3275 during the year end holiday period, but firmed slightly early in the new year to close the week at \$1.3450. Churning activity across the country was heavy over the holiday period, but eased early in the week as surplus cream offerings decreased. Much of the butter generated during the holidays entered inventory programs for future use. Both 80% salted and 82% unsalted butter were being produced. The 82% butter is being readied for export. Butter demand this week remains slow and unaggressive as buyers assess their supply situation following the holiday period.

**CHEESE HIGHLIGHTS:** CME Group cash block cheese prices continued to decline while barrels firmed fractionally. An inverted barrel/block price spread started on January 6 and continued through Friday trading. Current interest is light between recent price weakness and the usual slow reorders to start a new year. Plants have extra inventory available after increased production and lighter bulk cheese needs by packagers and processors during the holidays. Plant schedules are generally back to pre-holiday levels. Cumulative January – November 2009 cheddar production totals 2.911 billion pounds, up 45.4 million pounds (1.6%) despite an extra day in 2008. Total cheese output in 2009 totals 9.243 billion pounds, up 171.9 million pounds (1.9%) from 2008. Cumulative 2009 CME Group cheese sales totaled a combined 1,724 loads, the most cheese loads ever in Chicago and well above the 1,196 sold during 2008. The annual average of the 2009 weekly block averages was \$1.2993 compared to \$1.8500 in 2008 and \$1.7586 in 2007. For barrels, the average 2009 weekly average was 1.2549 compared to \$1.8305 for 2008 and 1.7404 for 2007.

**FLUID MILK:** Milk production continued trending toward greater profitability as the last year ended and 2010 opened. December's all milk price of \$16.30 reflected a \$1.00 increase in 1 month. The milk feed price ratio for December 2009, 2.38, represents the 6th consecutive monthly improvement and also contrasts with the lower 1.92 ratio in December 2008. As this post-holiday week opened, most plants in most regions were heavily engaged to clear intakes that had accumulated. Most plants had caught up with processing holiday supplies of milk by mid week. Northeast and Mid Atlantic plants continue to pull heavy milk volumes, partly storm related, leading to a shift from surplus supplies to fairly tight supplies. Midwest milk was available to ship to Kentucky to bolster local supplies in advance of a Winter storm. Northeast and Mid Atlantic cream demand increased this week and multiples increased. Midwest cream prices were just slightly higher and interest remained light. Western cream markets were on the weak side with moderate to heavy offerings available. Milk production is building in California, Arizona, New Mexico, Utah and Idaho. In the Midwest, components are holding steady at good seasonal levels.

**DRY PRODUCTS:** Nonfat dry milk prices in the Central region are unchanged. Some in the industry note the demand seems weaker than anticipated for this post holiday season. Prices for NDM in the East are holding steady in thin spot market trading. NDM dryers were working at capacity over the holiday weekend. Western low/medium heat NDM prices moved higher on both ends of the range, while the mostly series prices were mixed. The market tone is unsettled coming into the New Year. Central dry buttermilk prices are unchanged to lower on a softening market. Dry buttermilk prices are steady in the Eastern region. Dry buttermilk prices in the West are slightly higher in light market trading. Prices on the dry whole milk market are unchanged and spot market activity is light. Central dry whey prices are fractionally higher on the top of the mostly price series, and both higher and lower on the range. The market tone is mixed. In the Northeast, dry whey production increased as cheese plants expanded production schedules due to increased holiday milk supplies. Good export demand has offset the sluggish domestic demand and has advanced the upper end of the range. The first week of the new year saw limited sales of whey in the West. The market was steady to firm on light sales and very light spot activity. Whey protein concentrate 34% prices are higher on a firm market. Both the range and mostly lactose price series changed this week as spot and 1 - 3 month contract sale prices on all edible, non pharmaceutical lactose figured into each series. Casein markets and prices are firm.

**INTERNATIONAL OVERVIEW (DMN):** The European milk production season remains at seasonally low levels, although more indications of increases are being reported. Milk handlers indicate that the increases are not significant, but noticeable. Milk volumes during the past holiday period were at projected levels with much of the milk clearing to cheese manufacturing. Traders and handlers stated that market activity during the past few weeks was very light, but is projected to increase as the new year unfolds. Manufacturers and handlers of dairy products indicate that stocks are available for immediate or near term buyer interest. Details of the recent milk powder tender remain vague. Many traders and handlers state that it is quite difficult to put together a cumulative total of skim and whole milk powder volumes that will be needed to fill this tender. Many still feel that the majority of skim milk powder will be sourced from Europe with Europe and other regions of the world filling the whole milk need. The Oceania milk production season continues to wind down. Milk handlers state that projected peak levels were not attained, thus they hope that the decline will be gradual. Milk production projections were adjusted from previous levels in New Zealand recently and are now pegged at 1.5% ahead of last season. In Australia, milk production trends are not as positive. For the first 4 months of the season (July - October) cumulative milk output is running 5% behind last season and many milk handlers do not anticipate that this figure will improve much, if at all, for November. The yearend holiday

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CASH TRADING**

PRODUCT	MONDAY JANUARY 4	TUESDAY JANUARY 5	WEDNESDAY JANUARY 6	THURSDAY JANUARY 7	FRIDAY JANUARY 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4325 (+.0025)	\$1.4350 (+.0025)	\$1.4375 (+.0025)	\$1.4375 (N.C.)	\$1.4325 (-.0050)	(+.0025)	\$1.4350 (+.0044)
40# BLOCKS	\$1.4500 (N.C.)	\$1.4400 (-.0100)	\$1.4125 (-.0275)	\$1.4100 (-.0025)	\$1.4100 (N.C.)	(-.0400)	\$1.4245 (-.0555)
BUTTER GRADE AA	\$1.3275 (N.C.)	\$1.3300 (+.0025)	\$1.3300 (N.C.)	\$1.3300 (N.C.)	\$1.3450 (+.0150)	(+.0175)	\$1.3325 (+.0050)

CHEESE: carload = 40,000 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.

**NATIONAL DAIRY MARKET AT A GLANCE**

period has been quiet for most traders and handlers. Manufacturing schedules were maintained during this time period and stocks continue to clear Oceania ports. In most instances, traders report that prices are unchanged to lower. Weakening trends in some international markets could stimulate further adjustments within Oceania sources. Traders and handlers state that stocks are in close balance to short with some Oceania suppliers looking to outside sources for supplemental stocks. At the January 5th global/Dairy Trading event, the average whole milk powder price declined for the first time since July. The average price was \$3,309 per MT, 7.05% lower than last month. The average anhydrous milk fat (AMF) price of \$4,539 per MT was 4.37% higher than last month.

**NOVEMBER 2009 DAIRY PRODUCTS (NASS):** Butter production was 120.7 million pounds in November, 9.7% below November 2008 but 6.9% above October 2009. American type cheese production totaled 332.0 million pounds, 1.8% below November 2008 and 4.3% below October 2009. Total cheese output (excluding cottage cheese) was 844.2 million pounds, 1.9% above November 2008 but 2.1% below October 2009. Nonfat dry milk production, for human food, totaled 100.7 million pounds, 24.7% below November 2008 but 10.1% above October 2009. Dry whey production, for human food, was 81.9 million pounds, 0.9% below November 2008 and 3.0% below October 2009. Ice cream (hard) production totaled 53.8 million gallons, 12.5% below November 2008 and 23.8% below October 2009.

**CONSUMER PRICE INDEX (BLS):** The November CPI for all food is 217.3, down 0.7% from November 2008. The dairy price index is 193.9, down 9% from a year ago. The following are the November to November changes for selected products: fresh whole milk is -15.8%; cheese, -10.3%; and butter, -14.9%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products through October 2009 totals 158.3 billion pounds, 1.2% below the same period in 2008. Comparing disappearance levels with year earlier levels, butter is -8.9%; American cheese, +4.3%; other cheese, +0.8%; NDM, down 3.5%; and fluid milk products, +1.1%.

**WORLD DAIRY SITUATION AND OUTLOOK (FAS):** The recovery in international dairy prices that was initially viewed as a short term phenomenon appears to have solidified with prices for nonfat dry milk (NDM) holding above \$3,000 per ton FOB EU port, while butter has been trading at well above \$4,000 per ton FOB EU port. This is in contrast to six months ago when NDM and butter export prices were both trading at below \$2,500 per ton. This sharp recovery appears to suggest that import demand is staging a comeback and was probably not as negatively affected by the global recession as initially anticipated. In addition, available exportable supplies are likely to remain limited as domestic milk output in the U.S. and the EU is forecast to decline in 2010, while the 2009/2010 milk production outlook in Oceania is mixed. For the first half of 2010, there is some unease regarding the international price outlook. While producers welcome these higher prices, there is concern that the sharp run-up in prices will choke demand leading to a significant correction. In any event, a price correction could be modest since the economic outlook for 2010 suggests that import demand for dairy products should improve.

**DAIRY INDUSTRY ADVISORY COMMITTEE (USDA):** Agriculture Secretary Tom Vilsack announced the appointment of 17 members to a federal Dairy Industry Advisory Committee on January 6, 2010. Over the next two years, the committee will review the issues of farm milk price volatility, dairy farmer profitability and consolidation, and offer suggestions on ways USDA can best address the needs of a struggling dairy industry. Representatives include: producers and producer organizations, processors and processors organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national, and international levels.

**CME GROUP**

MONDAY, JANUARY 4, 2010

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.4500; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4325; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3800  
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.3275; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3175; LAST OFFER UNCOVERED: NONE

TUESDAY, JANUARY 5, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.4350; 3 CARS 40# BLOCKS: 2 @ \$1.4500, 1 @ \$1.4400; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4350; 1 CAR 40# BLOCKS @ \$1.4300; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4400  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.3000; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.3275, 2 @ \$1.3300; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.3300; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3375

WEDNESDAY, JANUARY 6, 2010

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.4350, 1 @ \$1.4375; 10 CARS 40# BLOCKS: 3 @ \$1.4350, 1 @ \$1.4300, 2 @ \$1.4350, 1 @ \$1.4300, 1 @ \$1.4200, 1 @ \$1.4225, 1 @ \$1.4200; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.4000; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4125  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.3850  
 BUTTER — SALES: 10 CARS GRADE AA @ \$1.3300; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3250; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 7, 2010

CHEESE — SALES: 2 CARS BARRELS @ \$1.4375; 5 CARS 40# BLOCKS: 1 @ \$1.4125, 4 @ \$1.4100; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.4025; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.3850  
 BUTTER — SALES: 4 CARS GRADE AA @ \$1.3300; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3300; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.3350

FRIDAY, JANUARY 8, 2010

CHEESE — SALES: 7 CARS BARRELS: 2 @ \$1.4375, 1 @ \$1.4350, 1 @ \$1.4375, 2 @ \$1.4350, 1 @ \$1.4325; 3 CARS 40# BLOCKS @ \$1.4100; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.4275; 1 CAR 40# BLOCKS @ \$1.4050; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4400  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.3850; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: 9 CARS GRADE AA: 2 @ \$1.3300, 1 @ \$1.3325, 4 @ \$1.3350, 1 @ \$1.3375, 1 @ \$1.3450; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.3400; LAST OFFER UNCOVERED: NONE

**CME GROUP CASH NONFAT DRY MILK:** Extra Grade closed the week at \$1.3850 and Grade A at \$1.3700. The last price change for Extra Grade was on 01/06/10 and Grade A was on 12/17/09. The weekly average for Extra Grade is \$1.3910 (-.0090) and Grade A is \$1.3700 (N.C.).

**BUTTER MARKETS**

**NOVEMBER BUTTER PRODUCTION**

During November, U.S. butter production, totaled 120.7 million pounds, 9.7% lower than last November, but 6.9% higher than October. The following are the November to November changes: CA -1.7% and PA +16.8%. November butter production by geographic regions of the country has output in the Atlantic region 9.9% higher than last November, 22.0% lower in the Central region, and 2.2% lower in the West.

**NORTHEAST**

Butter prices on the CME Group advanced a quarter cent on Tuesday, closing at 1.33. Churns operated at capacity through the holiday weekend as plants dealt with increased cream supplies. Churning schedules will decline significantly as Class I demand picks up due to schools reopening and Class II plants begin to start up after holiday shutdowns. Cream multiples are in a wide range from 105 to 130, mostly 110 to 120. Butter orders are up as retail outlets restock after the holiday and export orders remain strong.

Cumulative 2009 butter production through November was 4.7% below cumulative year earlier production. November 2009 monthly U.S. butter production totaled 120.7 million pounds, up 6.9% from October 2009, but down 9.7% from November 2008. Atlantic region butter production in November 2009 totaled 10.5 million pounds, up 18.9% from October 2009 and 9.9% more than November 2008. Production in Pennsylvania increased 19.6% from October and 16.8% higher than November 2008. Prices for bulk butter range from 2-7 cents over the market, based on the CME Group with various time frames and averages used.

**CENTRAL**

During the past holiday period, the cash butter price held steady at \$1.3275, but firmed 1/4 cent early in the new year to settle at \$1.3300 at midweek. Churning activity was heavy during the yearend holiday period, but eased early in the week when Class II cream demand resumed. Some butter producers reported heavy churning yet early in the week as they processed cream volumes acquired over the holidays. In many instances, butter generated during the year end period cleared to inventory for future use. Both 80% salted and 82% unsalted butter were

generated with the 82% being readied for export during the first quarter of 2010. Butter demand this week remains light as buyers assess their supply situation before re-entering the marketplace. Manufacturers and handlers state that they are pleased with their butter sales during the final quarter of 2009. Strong retail sales, stimulated by feature activity and overall good shelf prices cleared heavy volumes of print butter. Food service orders were sluggish early in the quarter, but increased as the year end holidays neared.

**WEST**

Butter trading at the CME Group on Wednesday was active, although the market remained steady at \$1.3300. There were sales of 10 loads on Wednesday and a total of 15 loads traded as of the midweek close. After last week's lack of sales, the market is up \$.0025 in fairly active trading for the week. Cream supplies were lighter this week. Churning facilities are operating at maximum schedules to take advantage of lower multiples. Butter producers are using any extra cream to build inventory for later in the year. According to the CME, weekly butter stocks increased by 3.8 million pounds last week to stand at 41.6 million pounds. Butter inventories have been building for the last three weeks. This total compares to 44.5 million pounds in 2009 and 79.4 million pounds in the comparable week in 2008. Prices for bulk butter range from flat to 5 cents under the market, based on the CME with various time frames and averages used. According to the NASS Dairy Products report, November butter production for the U.S. totals 120.7 million pounds, down 9.7% or 12.9 million pounds from last year. Output in the Western region totals 66.1 million pounds, down 2.2% from November 2008. The West produced 54.8% of the butter in the U.S. in November. Cumulative output for the first eleven months of the year for the U.S. is 1.42 billion pounds, down 4.7% from the same period in 2008. This works out to a decline of 69.5 million pounds. According to the ERS Commercial Disappearance report, butter disappearance for the first ten months of the year totals 1,243.4 million pounds, down 8.9% from last year on a daily average basis. The actual decline in pounds of butter on a year to year basis totals 125.4 million pounds less. Prices for bulk butter range from flat to 4 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
JANUARY 2	1,7004	1,4878	1,2807	1,3370	0,3857
	9,906,140	13,030,056	24,534,947	5,193,450	6,275,462

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

**NORTHEAST**

**CHEESE MARKETS**

**WEST**

Block cheese prices on the CME Group declined 1 cent on Tuesday, closing at 1.44. The price spread between blocks and barrels, which was 27 cents on December 22, is now merely 1/2 cent. Following the CME Group price trend, wholesale cheese prices for cheddar blocks and Muenster declined. Processed cheese advanced marginally and Swiss cuts increased in price following recent Class III increases. Cheese production schedules are contracting as increased holiday milk supplies are decreasing due to increased Class I and II demand. According to ERS, Commercial Disappearance of American cheese for the first ten months of the year totals 3,482.7 million pounds, up 4.3% compared to the same period last year. Disappearance of cheese in the Other category totals 5,075 million pounds, up 0.8% from last year. NASS reports that November 2009 total cheese production in New York was 64 million pounds, 3.9% less than October 2009, but 1.7% above November 2008. Pennsylvania produced 32.7 million pounds in November 2009, 0.4% less than one month earlier, but 8.5% more than one year ago. Vermont produced 10.3 million pounds, 8.9% less than last month and 6.1% less than November 2008. New Jersey production in November 2009, 2.6 million pounds, was 7.6% below one month earlier, but 8% more than one year earlier. Focusing on Italian cheese, in November, New York ranked 3rd among individually reported states, producing 34.0 million pounds, 7.3% more than last month and 2.5% more than November 2008. Pennsylvania ranked 4th in Italian cheese production, with 19.5 million pounds produced in November 2009, 5.9% less than October 2009, but 20.1% more than November 2008. Total November cheese production in the Atlantic region was 117.3 million pounds, down 2.8% from October. Total U.S. cheese production in November 2009 totaled 844.2 million pounds, 2.1% below October, but 1.9% over November 2008. Cumulative 2009 (eleven month) U.S. Cheese production through November was 1.9% greater than comparable 2008 production.

Prices on 40 lb. Blocks at the CME Group on Wednesday were \$.0275 lower to settle at \$1.4125. Barrels were \$.0025 higher and ended at \$1.4375 for the day. On December 18, blocks closed at \$1.7025 and have fallen 29 cents since that day. During the same period, barrels traded within 1 cent and are now at a discount of \$.0250 to blocks. Cheese plants have been running heavy over the holiday period. Extra milk supplies have been available and plants have built inventory. Cheese sales have slowed after the holiday rush, although increased orders are expected for the coming football championships. The current price volatility has some buyers holding back on orders to see where the market will settle. Producers have commented that the price retreat was expected. Cheese plants continue to clear inventory at expected levels. According to the NASS Dairy Products report, total cheese production in the U.S. in November reached 844.2 million pounds, up 1.9% or 15.6 million pounds from last year. November total cheese production in the Western region was 347.1 million pounds, up 0.1% from November 2008. The West produced 41.1% of all the cheese in the U.S. in November. Cumulative output for the U.S. for the first eleven months of the year is 9.24 billion pounds, up 1.9% from the same period in 2008. This is an increase of 171.9 million pounds. Swiss output for the U.S. in November is 26.4 million pounds, up 5.1% from last year.

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

Process 5# Loaf	:	1.5575-1.8150
Cheddar 40# Block	:	1.6125-1.9650
Cheddar 10# Cuts	:	1.7925-2.0125
Monterey Jack 10#	:	1.8025-1.9625
Grade A Swiss Cuts 6 - 9#	:	2.8200-3.2500

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

Cheddar 40# Block	:	1.7600-2.0350
Process 5# Sliced	:	1.5225-1.8325
Muenster	:	1.7800-1.9775
Grade A Swiss Cuts 10 - 14#	:	3.2725-3.5950

**FOREIGN**

The weekly average block price on the CME Group declined 16 cents last week. As a result, the wholesale prices for domestic foreign type cheese except for Swiss also declined. Swiss cuts advanced in price following recent Class III increases. Swiss production was expanded over the holiday period as a result of the seasonal increase in milk supplies. NASS reports that domestic Swiss production during November 2009 totaled 26.4 million pounds, 0.4% more than October 2009 and 5.1% more than November 2008.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.2900	: 1.9000-3.3875*
Gorgonzola	: 3.6900-6.6900	: 2.4025-2.6625*
Parmesan (Italy)	: -0-	: 3.3075-3.7275*
Provolone (Italy)	: 3.4400-5.8900	: 1.9425-2.1000*
Romano (Cows Milk)	: -0-	: 3.0900-5.2325*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggiano (Argentine)	: 3.2900-3.5300	: -0-
Jarlsberg-(Brand)	: 2.9500-4.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.3650-3.6875*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

**MIDWEST**

The Midwest cheese market is generally sluggish after the late 2009 sharp price decrease in the block price at the CME Group cash cheese market. Buyers are reluctant to make sizeable new purchases until prices settle. Many traders feel that prices could settle around the current "price neighborhood". The announcement of the sale of a very large branded frozen pizza manufacturer to another company has manufacturer(s) supplying cheese, particularly mozzarella, nervous about their supply agreements. More companies are on heavier schedules after the holidays, but the need for overtime does not seem too widespread. Best interest continues on natural varieties over process. Extra cheese is available to fill bulk orders though not all manufacturers produced specialty varieties without an order over the holidays. Cumulative 2009 CME Group cheese sales totaled a combined 1,724 loads, the most loads ever in Chicago and well above the 1,196 sold during 2008.

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

Process American 5# Loaf	:	1.7900-1.9700
Brick And/Or Muenster 5#	:	1.9900-2.2500
Cheddar 40# Block	:	2.0125-2.5650
Monterey Jack 10#	:	1.9550-2.5650
Blue 5#	:	2.2800-2.9700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8275-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.5900-3.3300

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

BUTTER : CHEESE

	:	:
01/04/10	6,239	: 123,109
12/01/09	9,481	: 123,306
CHANGE	-3,242	: -197
% CHANGE	-34	: 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	0	100	0	125	0	214
SOUTHEAST STATE	0	0	0	0	0	0

In the Northeast and Mid Atlantic regions, churns and dryers worked to capacity through the holiday weekend and into the early part of the week catching up on the heavy supplies of milk. Most plants were able to work through the increased supplies without major bottleneck problems, though some unloading delays did occur. Bottling plants are now pulling very heavy volumes and the turn around from surplus supplies to fairly tight supplies is rapidly occurring. Due to recent winter storms in New England, Class I demand increased rapidly and area bottling plants are considering purchases of condensed skim to ensure adequate supply. In the Southeast, a cold spell and schools reopening have significantly increased Class I demand. The forecast for a winter storm producing "wintry mix" type precipitation has many households stocking up on their milk supplies. Some manufacturing plants were in operation over the holiday period, assisting with the increased holiday supplies, but production schedules were shorter than anticipated. Winter residents returning to Florida along with school resumptions have increased Class I demand. Florida is experiencing a prolonged cold snap, which has leveled off and in some cases reduced milk production. Cream supplies were heavy over the holiday weekend, pressuring multiples as low as 105. As the week began, cream demand increased as ice cream and other Class II production started up after holiday shutdowns and multiples moved to as high as 135. Cream demand is expected to continue as more Class II plants return to regular production schedules. Demand for condensed skim is also increasing following the return of Class II production. According to NASS, ice cream production in the Atlantic region in November 2009 totaled 13.3 million gallons. The 3 Atlantic Region states listed among the 12 separately reported states all showed declines in ice cream production. November 2009 production decreased 38.2% from October in New York, 7.8% in Pennsylvania, and 26.1% in Tennessee. From November 2008 to November 2009, New York production decreased 10.5%, Pennsylvania was up 13.6% and Tennessee was down 42.6%. Yogurt production (plain and flavored) continued to decline. During November 2009, 263.1 million pounds were manufactured. This represents a 16.3% decrease from October, but an 8.1% increase over November last year. Cumulative 2009 production through November totaled 3.5 billion pounds, 7.2% higher than through November 2008.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3938-1.7921
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.4337-1.6196

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.30 - 1.35
NORTHEAST - CLASS III - SPOT PRICES	-	1.26 - 1.30

## MIDWEST

Class I interest was much improved from the recent holiday levels. Bottlers started rebuilding school milk inventory during the weekend to have stock available for the reopening of schools early this week. Retail promotions and the storm affect, a winter storm has caused retailers in the projected path stocking up for the usual stronger demand. Several loads of milk were shipped to Kentucky to bolster local supplies ahead of the storm. Class II interest was generally light and the restart of many ice cream firms was still in "low gear" early in 2010. Cream prices were just slightly higher as interest remained light. Manufacturing milk demand was in better balance with supply in the New Year as bottling demand improved. Most plants were able to clear the holiday backlog in milk volumes early in the workweek. Reported spot prices after the holiday weekend were moving toward flat class or with fractional premiums, delivered on the high side as offerings tightened. The announcement of the sale of a very large branded frozen pizza manufacturer to another company has manufacturer(s) supplying cheese, particularly mozzarella, nervous about their supply agreements. Plant patron

milk receipts were steady to occasionally higher. Components in northern sections are holding fairly steady at good seasonal levels. Many areas of northern and some central locations have been hit with snow, often heavy and very cold temperatures. The weather has been slowing travel and extending milk pickup and delivery schedules.

## WEST

The December 2009 4a price (butter/powder) in CALIFORNIA is \$14.76, \$1.60 higher than November and \$4.61 higher than last year. This compares to the Federal Order Class IV price for December 2009 at \$15.01. The December 2009 4b price (cheese) is \$15.04, \$1.28 higher than November and \$1.09 higher than last year. This compares to the Federal Order Class III price for December 2009 at \$14.98. November 2009 POOL RECEIPTS of milk in CALIFORNIA total 2.89 billion pounds, 8.7% lower than last year. The November blend price, at a fat test of 3.74%, is \$14.09, \$1.42 higher than October, but \$1.08 less than November 2008. The percentage of receipts used in Class 1 products 17.28%. The November quota price is \$14.83 and the over quota price is \$13.13. These prices are \$1.22 higher than October, but \$1.14 lower than a year earlier. Cumulative (YTD through November) pool numbers are running 7.6% lower (adjusted) than during the same period in 2008. (NOTE: Decisions whether to/not to pool milk affect receipts and comparisons reported.) CALIFORNIA milk production is trending seasonally higher, yet continues to trail year ago levels by multiple percentage points. Warmer weather conditions in Southern California are creating better environments for milk output to increase. In the Central Valley, milk volumes are often building. Processing plants in the state have returned to more normal schedules following the holiday period. Class 1 outlets have been reestablished to many schools. ARIZONA milk is building across the state with milk per cow levels higher. There is adequate plant capacity to handle the milk supply. Retail fluid milk orders are mainly steady with featured pricing noted in major markets. Processing plants are having higher intake levels. NEW MEXICO milk production is moving higher on a week to week basis. Processing plants returned to pre holiday schedules following many plants being full over the year end along expectations. Fluid milk orders to regional and out of area accounts are resuming following the holiday lull. CREAM markets remain on the weak side with moderate to heavy offerings available. Production of higher class items is slow to reestablish and surplus cream offerings continue to be discounted to generate interest. Butter churning is active and heavy. The CME Group butter price closed at \$1.3300 on Wednesday, January 6, up 0.25 cents from a week ago. Cream multiples showed slight gains on the bottom of the range, but continue to show overall weakness at 100-122 FOB and vary depending on class usage and basing points. The new year started out with rain and some snow in the PACIFIC NORTHWEST. Temperatures are near seasonal norms. Eastern areas of the northwest are experiencing unusually heavy rain and causing some mud problems in feedyards. Milk producers are beginning to return to near break evens after a difficult year. Hay prices are down from last year. Hay dealers have limited supplies of high quality dairy hay available. Many producers are still buying forage supplies on an as needed basis. There is some question about hay supplies into the spring. Milk production is steady to increasing slightly. Class I usage has begun to increase with schools returning after the holiday break. Extra milk supplies were used to build processing inventories in butter and cheese. This in turn increased supplies for drying facilities. Processors were able to build inventories of whey, nonfat dry milk and some buttermilk. UTAH AND IDAHO also saw increased milk production and availability over the first week of the new year. Milk producers continue to deal with lenders and seem to have a better handle on finances for the coming year. Break evens are much closer. Dairy heifer sales in Utah for the new year have begun. Top prices reported are around \$1575.00. Average sales of the top 50 heifers at Jerome for the first week were \$1330.00. This is consistent with recent sales. Hay supplies are questionable for the spring needs. High quality hay could be at a premium. Processors report good supplies of milk for the new year. Increased production schedules for dryers were the norm. Cheese and butter plants were on increased schedules for the week also. According to the NASS mid-month alfalfa hay report, prices for December are down \$45/ton from last year and stand at \$110/ton. Prices for selected Western states and the change from last year are as follows: Arizona \$105, -\$83; California \$103, -\$72; Colorado \$130, -\$40; Idaho \$110, -\$83; Nevada \$102, -\$87; New Mexico \$146, -\$47; Oregon \$128, -\$80; Utah \$100, -\$70; and Washington \$120, -\$105.

**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 mixed market. Some in the industry note the demand seems weaker than anticipated for this post holiday season. With world prices for skim milk powders trending lower, buyers may be taking a wait and see attitude before purchasing sizeable quantities of NDM, with hopes that domestic powder prices will follow world market trends in the near future. NDM production is steady to lower as fluid market interest rebounds. Some Central fluid milk moved to other regions to fill bottling needs. Nonfat dry milk stocks are building incrementally. Some contracting for 2010 is continuing as a few buyers come late to that activity. The December 2009 Dairy Market News monthly average for Central/East nonfat dry milk mostly price series is \$1.3657/lb. compared to \$1.2976/lb. in November and \$.8800/lb. in December 2008.

**EAST:** Prices for NDM in the East are holding steady in thin spot market trading. NDM dryers were working at capacity over the holiday weekend. Some medium and high heat NDM production occurred early in the holiday period, but shifted to low heat NDM over the weekend to handle the excess milk supplies. Drying schedules are being reduced as Class I and II demand increases after the holiday, effectively reducing manufacturing milk supplies. Holiday production supplies are being utilized to catch up on contracts and build inventories for both high heat and low heat NDM. Some traders are sitting on the sidelines awaiting a clearer picture of supply, demand and pricing before entering the market. The latest NASS Dairy Products report production in the Atlantic region totaled 8.5 million pounds, a 41.2% decrease from one year ago, but 63.4% higher than one month ago. Month ending U.S. stocks, at 113.6 million pounds, are 39.2% below last year, but 27.3% more than a month ago.

**DAIRY PRODUCTS:** NASS's Dairy Products report shows production of human food Nonfat Dry Milk during November 2009 totaled 100.7 million pounds, up 10.1% from October 2009 production but 24.7% lower than November 2008. Month ending stocks, at 113.6 million pounds, are 27.3% higher than a month ago but 39.2% lower than one year ago. Production of **SKIM MILK POWDERS**, which includes protein standardized and blended product, totaled 19.0 million pounds, 86.9% higher than one month ago and 15.4% higher than production one year ago. November 2009 nonfat dry milk production in the Central region totaled 8.4 million pounds, a 47.4% increase from one month ago, but 32.7% lower than one year ago.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.3500 - 1.4600 MOSTLY: 1.3750 - 1.4200  
HIGH HEAT: 1.3750 - 1.5600

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices moved higher on both ends of the range, while the mostly series prices were mixed. The market tone is unsettled coming into the New Year. Buyers are adjusting to new purchasing plans. Drying remains active to process available milk supplies. Inventories were building over the year end with many producers longer on stocks. Sales are slow to develop or redevelop.

Export demand is limited and sometimes being filled with older resale powder procured at lower than current pricing. Additional offerings of resale NDM are also available from holdings. High heat prices are unchanged and the market tone is flat and untested. Product is moving to normal accounts at expected volumes.

U.S. NDM production in November 2009 totaled 100.7 million pounds, 24.7% lower than last year. NDM production in the Western region in November totaled 83.9 million pounds, down 21.5% from last year. **DAIRY PRODUCTS:** The West produced 83% of the U.S. total in November 2009. U.S. manufacturers' stocks of NDM at the end of November were reported at 113.6 million pounds, 39.2% lower than a year earlier but 27.3% higher than October. U.S. skim milk powders (SMP) production in November 2009 totaled 19.0 million pounds, 15.4% more than last year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.2900 - 1.4500 MOSTLY: 1.3300 - 1.3800  
HIGH HEAT: 1.3100 - 1.4800

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Central dry buttermilk prices are unchanged to lower on a softening market. Production continues to be strong at many locations, based on lower than desired cream multiples in the region encouraging more churning from farm milk intakes. This is also boosting dry buttermilk production. Inventories are rebuilding. The December 2009 Dairy Market News monthly average for the Central/East region dry buttermilk range price series is \$1.3500/lb. compared to \$1.3447/lb. in November 2009 and \$.7833/lb. in December 2008

**EAST:** Dry buttermilk prices are steady in the Eastern region. Dry buttermilk production has increased as churns ran on expanded schedules over the holiday period. Supplies are filling current contracts or utilized internally. Some dry buttermilk is moving from the West to the East to catch up on previously shorted orders. Expanded inventories are held in confidence with the expectation of 2010 orders by major users.

**DAIRY PRODUCTS:** NASS Dairy Products reports production of dry buttermilk during November 2009 totaled 6.7 million pounds, 11.3% more than October 2009 production, and 2.1% more than production one year ago. January - November cumulative 2009 dry buttermilk production totals 65.8 million pounds, about equal to production during the same time span in 2008. Month ending stocks of dry buttermilk, at 5.2 million pounds, are 34.4% higher than one month ago but 51.3% lower than one year ago.

F.O.B. CENTRAL/EAST: 1.2500 - 1.4000

**CONTINUED ON PAGE 5A**

**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.

**DRY BUTTERMILK - WEST**

Dry buttermilk prices in the West are slightly higher in light market trading. Buyer interest is off to a slow start. Production levels remain moderate to heavy to process solids coming off the active butter lines. Stocks are light to moderate and have built in recent weeks. Buttermilk powder production in November 2009 for the U.S. totals 6.7 million pounds, up 2.1% from last year. Buttermilk stocks at the end of November are 5.2 million pounds, down 51.3% from last year but 34.4% higher than last month.

F.O.B. WEST: 1.2500 - 1.3100 MOSTLY: 1.2800 - 1.3000

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 1	\$1.2685	23,284,662	0
December 25	\$1.3152	5,551,796	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.

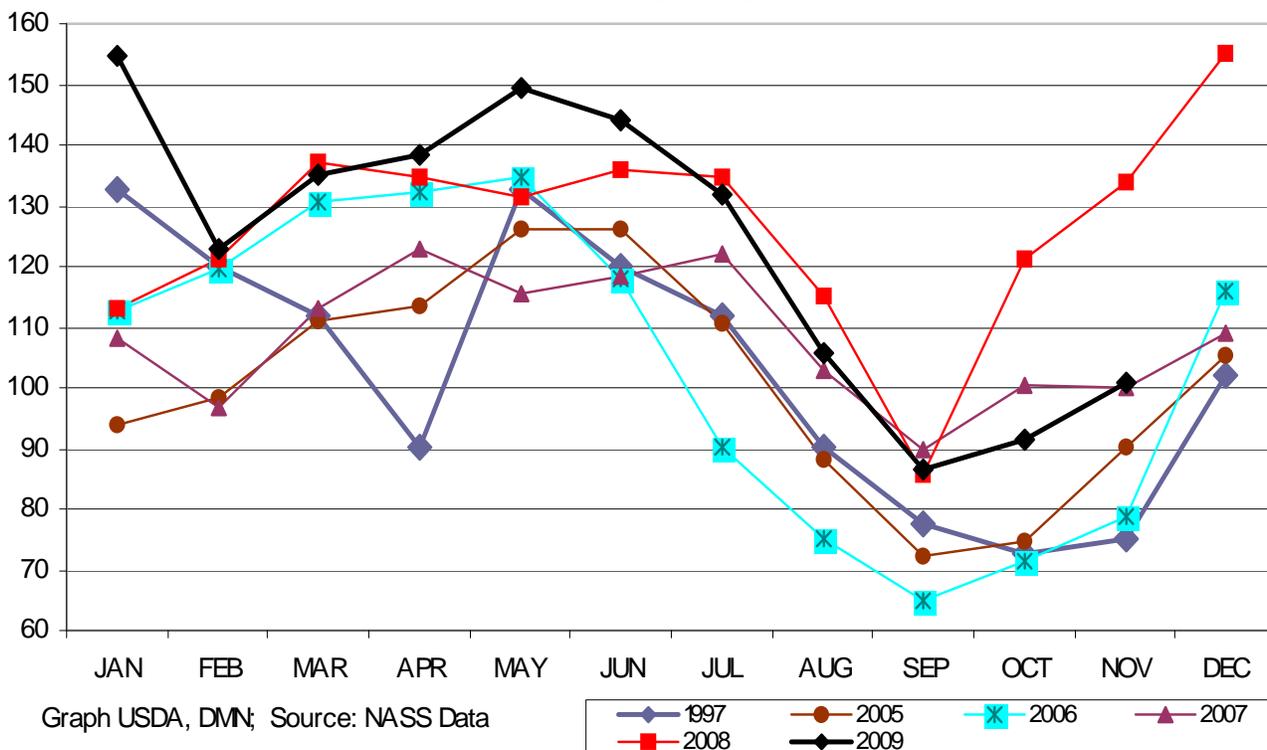
**DRY WHOLE MILK - NATIONAL**

Prices on the dry whole milk market are unchanged and spot market activity is light. Production is still focusing on contract fulfillment in the near term. Various plants indicate production is intermittent for the week. Fluid demand is higher as institutions and retailers restock for the week, so more dryer time is available for dry whole milk production compared to last week. The latest Oceania auction results show prices trending lower in the near term. New Zealand regular dry whole milk prices per pound for the various contract periods and percent in price changes from the previous auction are: Contract 1, \$1.4787, -7.3%; Contract 2, \$1.4651, -8.1%; Contract 3, \$1.5785, -5.6%. New Zealand offered quantities for the three contract periods were 10,000 MT, 11,000 MT and 4,000 MT, respectively. The December 2009 Dairy Market News monthly average for dry whole milk is \$1.4800/lb. compared to \$1.4876/lb. in November and \$1.4159/lb. in December 2008.

DAIRY PRODUCTS: NASS Dairy Products report shows dry whole milk production during November 2009 totaled 4.4 million pounds, down 5.3% from October 2009 but 18.6% higher than November 2008. Cumulative 2009 production through November 2009 totals 42.3 million pounds, a 9.6% decrease from 2008 production during the same time frame.

F.O.B. PRODUCING PLANT: 1.3600 - 1.6000

Million Pounds **U.S. NONFAT DRY MILK (NDM) PRODUCTION, HUMAN**



**WHEY, WPC 34%, LACTOSE & CASEIN**

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 fractionally higher on the top of the mostly price series, and both higher and lower on the range. The market tone is mixed. Inventories vary from plant to plant, and most plants are readily able to move any spot loads that become available. A few plants report cheese production is down due to recent softness in cheese orders. This, in turn, has decreased dry whey production and created some backlogs in dry whey order fulfillment from those locations. ANIMAL FEED dry whey prices are unchanged. Interest is steady. The December 2009 Dairy Market News average of the mostly price series for Central dry whey was \$0.3613 compared to \$0.3443 one month ago and \$0.1786 in December 2008. Human food dry whey production during November 2009 in the Central region totaled 38.8 million pounds. This dry whey production is 1.6% higher than October 2009 production and 2.1% higher than November 2008.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of HUMAN AND ANIMAL dry whey during November 2009 totaled 86.0 million pounds, 3.0% lower than October 2009, and 0.5% lower than December 2008. Cumulative 2009 dry whey production through November totaled 991.1 million pounds, 2.5% lower than 2008 production through the same time span. November 2009 HUMAN FOOD dry whey production totaled 81.9 million pounds and ANIMAL FEED dry whey totaled 4.1 million pounds. November ending stocks of HUMAN FOOD dry whey totaled 42.6 million pounds, 3.4% less than 1 month ago and 29.9% lower than November 2008. ANIMAL FEED dry whey month ending stocks totaled 1.9 million pounds, 20.9% higher than one month ago but 60.2% lower than one year ago.

F.O.B. CENTRAL: .3500 - .4100 MOSTLY: .3650 - .3800  
 F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2200 - .3700

**DRY WHEY - NORTHEAST**

Dry whey production increased as cheese plants expanded production schedules due to increased holiday milk supplies. Good export demand has offset the sluggish domestic demand and has advanced the upper end of the range. Increased inventories due to expanded holiday production are held with confidence. Spot sales are light as many traders and users are willing to wait for a clearer picture of supply, demand and pricing.

The latest NASS Dairy Products report shows production of dry whey for human consumption in the Atlantic area totaled 18.0 million pounds, or 22% of the nation's total for November of 81.9 million pounds. The Atlantic area's production is 5.1% below last month, but 10% higher than production one year ago.

The December 2009 Dairy Market News average of the price series for Northeast dry whey was \$0.3639 compared to \$0.3356 one month ago and \$0.1918 in December 2008.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3400 - .4100

**DRY WHEY - WEST**

The first week of the new year saw limited sales of whey. The market was steady to firm on light sales and very light spot activity. Cheese production for the week was robust and increased amounts of whey were available for drying. Producers took the opportunity to increase inventory for the new year. Buyers expressed interest in acquiring new supplies but were anxious about pricing quantities. Most of the activity for the week centered on contract needs. The spot market was lightly tested. According to the NASS Dairy Products report, edible whey production in November totals 81.9 million pounds, down about 1% from last year. The Western region produced 25.1 million pounds of whey in November, down 11.2% from last year. The West produced 30.6% of the whey in the U.S. in November. Cumulative total dry whey production for the first eleven months of the year in the U.S. is 991.1 million pounds, down 2.5% or 25.3 million pounds from the same period in 2008. Manufacturers' stocks at the end of November for edible whey are 42.6 million pounds, down 29.9% from last year.

NONHYGROSCOPIC: .3700 - .4400 MOSTLY: .3900 - .4250

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are higher on a firm market. Market participants voiced some concerns with the ongoing firmness of the WPC 34% market, however active demand continues to fuel price enhancement in the near term. Some end users, particularly in the milk replacer industry, are finding some relief from the recent WPC 34% prices in plant-based proteins that can be appropriately supplemented and blended into dairy-based milk replacers. These blends can be price competitively with pure dairy milk replacers. WPC 34% production is variable as some producers indicate recent cheese order activity is slower, leading to lighter production schedules for both cheese and WPC 34%. In addition, a few plants producing both uncolored and colored cheese are producing more heavily on the colored cheese side of the equation. This is resulting in additional WPC 34% that either requires bleaching or sales into markets where whey protein concentrate color is not a use deterrent. Resale product is available in most regions, generally carrying 6 - 9 cent premiums to the market. The December 2009 Dairy Market News monthly average for the whey protein concentrate 34% mostly price series is \$0.8605/lb. compared to \$0.8237/lb. in November 2009 and \$0.4359/lb. in December 2008.

DAIRY PRODUCTS: The NASS Dairy Products report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during November 2009 totaled 20.1 million pounds, 4.2% less than October 2009 production and 10.1% less than production of one year ago. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 23.3 million pounds, 6.8% more than October 2009 and 12.3% more than November 2008.

F.O.B. EXTRA GRADE 34% PROTEIN: .8900 - .9550 MOSTLY: .9000 - .9300

**LACTOSE - CENTRAL AND WEST**

Both the range and mostly lactose price series changed this week as spot and 1 - 3 month contract sale prices on all edible, non pharmaceutical lactose figured into each series. Demand for lactose is variable. Contracting for the first quarter of 2010 is continuing and adequate to somewhat long holdings at some locations are giving rise to some first quarter contract pricing concessions. Production is unchanged at most locations. The December 2009 Dairy Market News monthly average for the mostly price series is \$0.3518/lb. compared to \$0.3370/lb. in November 2009 and \$0.1650/lb. in December 2008.

DAIRY PRODUCTS: NASS's Dairy Products report shows HUMAN and ANIMAL lactose production during November 2009 decreased 3.7% compared to October 2009, to 61.8 million pounds but was 7.6% higher than production one year ago. Month ending stocks, at 57.9 million pounds, are 7.4% higher than one month ago, but 39.2% lower than one year ago. Cumulative 2009 production through November totals 657.7 million pounds, 4.0% less than cumulative 2008 production during the same time span.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3000 - .4300 MOSTLY: .3400 - .3800

**CASEIN - NATIONAL**

Casein markets and prices are firm. Significant increases in prices are being reported which reflect new quarterly contracts (often arranged mid 2009) and reflective of current conditions. Domestic buyers state that prices will probably remain firm for much of the first half of 2010, but then are not quite sure what will happen. Some are speculating that prices will ease at mid year. European stocks are getting low as suppliers' warehouses prepare for the start of the new production season soon. Early projections of European production are in line with last season, which provided minimal volumes for spot buyers. The Oceania casein production season is in full swing, although lower milk volumes, at peak levels and past the peak, are being reported.

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: 3.5000 - 4.2500  
 ACID: 3.5000 - 4.2000

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during November 2009 totaled 47.4 million pounds, a decrease of 8.4% from October 2009 and down 3.7% from November 2008. Manufacturers' end-of-month stocks totaled 59.1 million pounds, 24.4% lower than one month ago but 37.7% higher than one year ago.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF JANUARY 4 - 8, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 01/01/10	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	121,694	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	121,694	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	132,276	125,982,912	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	132,276	125,982,912	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 4 - 8, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	5.2	132.9
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	30.4	1,466.5
CUMULATIVE JANUARY 1 - 8, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	5.2	132.9

\* 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 JANUARY 4 - 8, 2010 (POUNDS)**

REGION	BUTTER		CHEESE		NONFAT DRY MILK	
	BULK	BLOCK	BARREL	NONFORTIFIED		
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/09 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	121,694	-0-	-0-	132,276	125,982,912	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	121,694	-0-	-0-	132,276	125,982,912	100.0	100.0

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009**

**BUTTER** Bulk \$1.05 per pound  
**CHEESE** 40# Blocks \$1.13 per pound; 500# Barrels \$1.10  
**NONFAT DRY MILK** \$.80 per pound

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/19/09 & 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.	0.6	7.1	3.0	18.5	4.0	0.4	N.A.	15.0	2.4	52.3	2,767.6	42.2	46.0
2008-Dairy	N.A.	0.5	7.5	2.7	17.0	4.2	0.2	N.A.	16.1	3.0	52.6	2,528.0	44.6	41.9
2009-All cows	N.A.	0.7	8.9	13.4	34.5	21.3	14.4	N.A.	19.9	6.8	123.9	6,019.8		
2008-All cows	N.A.	0.6	9.4	12.0	31.5	20.5	13.0	N.A.	19.4	7.6	118.0	6,032.6		

**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
DECEMBER 26, 2009	290	10,544	

**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 - 2010 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2010
I 1/	15.74	10.72	9.43	10.36	10.97	10.08	10.26	10.04	10.93	12.35	12.86	13.99	15.03
II	10.41	10.25	10.36	10.49	10.71	10.79	10.87	10.86	11.01	11.93	13.24	14.25	
III	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98	
IV	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01	

1/ Specific order differentials to be added to this base price can be found by going to: [www.ams.usda.gov/DairyMarketingStatistics](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points." \$ Revised

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 28, 2009 - JANUARY 8, 2010

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:** The European milk production season remains at seasonally low levels, although more indications of increases are being reported. Milk handlers indicate that the increases are not significant, but noticeable. Milk volumes during the past holiday period were at projected levels with much of the milk clearing to cheese manufacturing. Traders and handlers stated that market activity during the past few weeks was very light, but is projected to increase as the new year unfolds. Manufacturers and handlers of dairy products indicate that stocks are available for immediate or near term buyer interest. Details of the recent milk powder tender remain vague. Many traders and handlers state that it is quite difficult to put together a cumulative total of skim and whole milk powder volumes that will be needed to fill this tender. Many still feel that the majority of skim milk powder will be sourced from Europe with Europe and other regions of the world filling the whole milk need.

**BUTTER/BUTTEROIL:** European butter markets are weak with prices trending lower. Traders and handlers indicate that European prices have a ways to go before they become internationally competitive. At this point, sales activity is centered around an internal or domestic need. As with all manufactured dairy products, sales at this time of the year are slow as buyers observe the year end holiday. Manufacturers and handlers state that stocks are available for buyer needs once orders resume.

82% BUTTERFAT: 4,525 - 4,750  
99% BUTTERFAT: 4,600 - 4,900

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are unsettled with prices generally lower. Weakness had been developing prior to the yearend holidays and this trend appears to be continuing. Traders and handlers indicate that during the yearend holiday period, trading activity was light. Traders and handlers were monitoring the global Dairy Trading event in New Zealand earlier this week and stated that the weakness was not surprising. Most feel that during the next four to six weeks, markets will be in a transitional stage and hopefully find a level of pricing that will be lower than current levels.

26% BUTTERFAT: 3,525 - 3,675

**SWEET WHEY POWDER:** European whey powder markets and prices are firm, in comparison to other manufactured dairy product at this time. A firm tone to market conditions and prices was developing prior to the holiday period and continue so into the new year. During the holiday period, reports indicate that cheese production was strong, absorbing heavier volumes of holiday milk versus other dairy products. Heavier cheese output generated additional whey volumes for current and future needs. Sales activity during the holiday period was slow and European whey handlers state that firm prices will do little to encourage international sales.

NONHYGROSCOPIC: 1,000 - 1,050

**SKIM MILK POWDER (SMP):** Skim milk powder markets are unsettled with prices unchanged to generally lower. Weakness developing prior to the year end holidays slowed over the holiday period, but still prevails as 2010 arrives. Traders and handlers continue to speculate that a significant portion of the recent skim milk powder tender will be filled from European sources. They state that stocks are available and with the new milk production season about to resume, supplies should not be difficult to locate for this need.

1.25% BUTTERFAT: 2,850 - 3,100

**EASTERN OVERVIEW:** Milk output in Eastern Europe remains at seasonally low level. Winter weather conditions prevail in most Eastern European countries which will limit production growth for a number of weeks. Usually, Eastern European milk production lags Western European production development by six weeks or so, thus no noticeable increases are anticipated until mid February. Traders and handlers state that sales during the past two weeks have been slow as most buyers were absent from the market, observing the year end holidays.

## OCEANIA

**OVERVIEW:** The Oceania milk production season continues to wind down. Milk handlers state that projected peak levels were not attained, thus they hope that the decline will be gradual. Milk production projections were adjusted from previous levels in New Zealand recently and are now pegged at 1.5% ahead of last season. In Australia, milk production trends are not as positive. For the first 4 months of the season (July - October) cumulative milk output is running 5% behind last season and many milk handlers do not anticipate that this figure will improve much, if at all, for November. The yearend holiday period has been quiet for most traders and handlers. Manufacturing schedules were maintained during this time period and stocks continue to clear Oceania ports. In most instances, traders report that prices are unchanged to lower. Weakening trends in some international markets could stimulate further adjustments within Oceania sources. Traders and handlers state that stocks are in close balance to short with some Oceania suppliers looking to outside sources for supplemental stocks. At the January 5th global/Dairy Trading event, the average whole milk powder price declined for the first time since July. The average price was \$3,309 per MT, 7.05% lower than last month. The near term delivery (March) averaged \$3,282 (-6.83%), April - June averaged \$3,255 (-8.05%), and July - September deliveries averaged \$3,523 (-5.2%). The average anhydrous milk fat (AMF) price of \$4,539 per MT was 4.37% higher than last month. Near term anhydrous deliveries (March) averaged \$4,517 (+2.53%), April-June deliveries averaged \$4,493 (+3.81%), and July - September deliveries averaged \$4,735 (+9.23%).

**BUTTER:** Oceania butter markets are unsettled with prices unchanged to generally lower. Churning schedules during the recent year end holiday period were maintained at steady levels. Butterfat continues to be in strong demand, although in recent days, no significant new sales have been reported. Most Oceania butterfat has been fully committed with some butter handlers looking to outside sources for supplemental stocks. At the January 5th global/Dairy Trading event, the average anhydrous milk fat (AMF) price of \$4,539 per MT was 4.37% higher than last month. Near term anhydrous deliveries (March) averaged \$4,517 (+2.53%), April-June deliveries averaged \$4,493 (+3.81%), and July - September deliveries averaged \$4,735 (+9.23%).

82% BUTTERFAT: 3,500 - 4,200

**CHEDDAR CHEESE:** Oceania cheese markets are unsettled as prices ease. Traders and handlers indicate that most all first half of 2010 cheese sales have been completed. Indications are that no significant surprises were uncovered with these negotiations. Oceania manufacturers are hopeful that milk output does not decline too rapidly on the down side so that milk volumes will be sufficient to maintain steady production schedules for known cheese needs.

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

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are unsettled with prices generally lower. Traders and handlers are aware of other international prices that are trending lower, thus adjusting theirs to remain competitive, although Oceania stocks are limited. For the most part, the supply situation is little changed from recent weeks when stocks were generally fully committed. Manufacturers indicate that production schedules remain seasonally active, but if milk production drops sharply, a whole new situation will develop.

1.25% BUTTERFAT: 2,950 - 3,400

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are unsettled with prices trending lower. At the January 5th global/Dairy Trading event, the average whole milk powder price declined for the first time since July. The average price was \$3,309 per MT, 7.05% lower than last month. The near term delivery (March) averaged \$3,282 (-6.83%), April - June averaged \$3,255 (-8.05%), and July - September deliveries averaged \$3,523 (-5.2%). Traders and handlers were not surprised at the results of the most recent event and feel that weakness still prevails. Trading activity during the past two weeks has been slow as most buyers observed the year end holidays.

26% BUTTERFAT: 3,100 - 3,600

Exchange rates for selected foreign currencies: January 4, 2010

.9600 Canadian Dollar	.0216 Indian Rupee
.2636 Argentina Peso	.7341 New Zealand Dollar
.0777 Mexican Peso	.9126 Australian Dollar
.3534 Polish Zloty	.0108 Japanese Yen
	1.4411 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0777) = 12.8700 Mexican Pesos. Source: "Wall Street Journal"

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	12/23	12/24	12/25	12/28	12/29	12/30	12/31	01/04	01/05	01/06
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 09	14.84 (4654) 0	14.84 (4706) 0	NO TRADING	14.91 (4773) 0	14.91 (4762) 0	14.92 (4755) 34	14.98 (4325) 0			
JAN 10	14.27 (3933) 0	14.31 (3985) 1		14.30 (3988) 1	14.33 (3990) 2	14.25 (4001) 0	14.22 (3982) 3	14.30 (4026) 0	14.24 (3968) 0	14.15 (3944) 0
FEB 10	14.18 (3710) 28	14.23 (3851) 15		14.10 (3938) 0	14.15 (3976) 2	13.98 (4036) 16	13.89 (4271) 12	13.70 (4452) 0	13.66 (4552) 13	13.52 (4514) 0
MAR 10	14.60 (2722) 28	14.69 (2834) 15		14.56 (2922) 0	14.59 (2945) 2	14.52 (3042) 8	14.49 (3187) 17	14.32 (3292) 9	14.22 (3324) 17	13.98 (3233) 1
APR 10	14.78 (1895) 28	14.80 (1980) 15		14.70 (2020) 0	14.85 (2035) 2	14.79 (2095) 8	14.77 (2135) 10	14.66 (2161) 1	14.62 (2184) 11	14.32 (2244) 0
MAY 10	15.02 (1582) 28	15.12 (1618) 15		15.05 (1638) 0	15.22 (1640) 7	15.19 (1669) 11	15.15 (1685) 10	15.02 (1732) 1	14.97 (1746) 1	14.84 (1901) 0
JUN 10	15.50 (1474) 28	15.60 (1489) 15		15.50 (1478) 5	15.64 (1472) 2	15.59 (1478) 11	15.58 (1508) 10	15.53 (1516) 1	15.49 (1512) 1	15.37 (1568) 0
JUL 10	15.89 (1186) 9	15.96 (1194) 13		15.96 (1200) 1	16.05 (1197) 0	15.97 (1200) 11	15.96 (1243) 10	15.95 (1265) 0	15.88 (1263) 1	15.72 (1283) 0
AUG 10	15.97 (1120) 9	16.02 (1131) 13		15.99 (1135) 1	16.10 (1127) 0	16.00 (1134) 11	15.99 (1177) 10	15.94 (1197) 0	15.91 (1212) 1	15.83 (1256) 0
SEP 10	16.11 (1118) 9	16.14 (1128) 13		16.14 (1126) 1	16.21 (1131) 0	16.11 (1141) 8	16.11 (1217) 13	16.10 (1247) 0	16.09 (1253) 1	16.08 (1303) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 09	15.06 (4) 0	15.06 (4) 0	NO TRADING	15.04 (4) 0	15.04 (4) 0	15.04 (4) 0	15.01 (4) 0			
FEB 10										134.00 (1) 0
MAR10										131.00 (1) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 09	146.00 (689) 0	146.00 (689) 0	NO TRADING	145.55 (689) 0	145.55 (689) 0	145.55 (689) 0	144.59 (689) 0			
JAN 10	135.00 (379) 10	134.75 (380) 1		134.00 (380) 1	134.25 (382) 4	134.25 (378) 9	134.25 (378) 0	134.25 (378) 4	134.00 (381) 8	133.25 (376) 10
FEB 10	140.28 (387) 4	141.00 (387) 6		140.30 (387) 1	141.00 (381) 14	140.75 (387) 20	141.00 (387) 0	141.00 (387) 6	140.00 (390) 21	138.00 (390) 3
MAR 10	145.55 (443) 5	145.55 (444) 1		145.55 (449) 6	144.50 (454) 12	144.75 (454) 5	145.25 (454) 0	145.00 (458) 4	144.50 (462) 20	143.00 (463) 15
APR 10	149.00 (320) 3	148.00 (326) 7		148.00 (326) 0	147.50 (332) 10	147.50 (332) 2	148.00 (335) 3	147.50 (345) 13	147.00 (356) 28	144.03 (358) 2
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 09	128.50 (104) 0	128.50 (104) 0	NO TRADING	128.50 (104) 0	128.50 (104) 0	128.50 (104) 0	128.58 (104) 0			
JAN 10	130.00 (36) 10	130.00 (46) 5		130.00 (46) 0	129.50 (46) 0	129.50 (46) 0	129.50 (46) 0	129.50 (46) 0	129.50 (46) 0	129.50 (46) 0
FEB 10	128.75 (49) 10	128.75 (59) 5		128.75 (59) 0	128.50 (59) 0	128.50 (59) 0	128.50 (63) 4	128.50 (63) 0	128.50 (63) 0	128.50 (63) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 09	36.28 (351) 0	36.28 (351) 0	NO TRADING	36.28 (351) 0	36.28 (351) 0	36.28 (351) 0	36.68 (351) 0			
JAN 10	36.50 (295) 2	36.75 (298) 17		34.70 (311) 15	34.75 (320) 9	37.00 (320) 9	37.75 (322) 2	37.75 (322) 0	37.75 (322) 0	37.75 (322) 5
FEB 10	35.00 (283) 14	35.00 (285) 3		33.75 (294) 10	34.25 (294) 0	37.00 (296) 10	38.25 (296) 5	38.25 (296) 0	38.25 (296) 0	38.00 (296) 0
MAR 10	36.00 (215) 6	35.25 (216) 2		34.85 (216) 12	34.88 (216) 2	37.00 (219) 8	38.50 (221) 8	39.50 (221) 3	38.00 (223) 3	38.00 (223) 0

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.

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2009 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 48	:::REPORT NUMBER 49	:::REPORT NUMBER 50	:::REPORT NUMBER 51	:::REPORT NUMBER 52:::	2009	2008
	:::-----	:::-----	:::-----	:::-----	:::-----	Average	Average
	::: DEC 01 - 04	::: DEC 07 - 11	::: DEC 14 - 18	::: DEC 21 - 25	::: DEC 28 - 31	or Total	or Total
<b>CHEESE</b>							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	::: 1.8600 - 2.0175	::: 1.8325 - 1.9900	::: 1.8200 - 2.0000	::: 1.8150 - 1.9950	::: 1.7950 - 1.9750	::: 1.9101	: 2.1598
-- Brick And/Or Muenster 5#	::: 2.0300 - 2.2075	::: 2.0300 - 2.2775	::: 2.2100 - 2.2500	::: 2.2100 - 2.2500	::: 2.1500 - 2.2500	::: 2.1870	: 2.3264
-- Cheddar 40# Block	::: 1.8600 - 2.5650	::: 1.8600 - 2.5650	::: 2.0800 - 2.5650	::: 2.0800 - 2.5650	::: 2.0800 - 2.5650	::: 2.2775	: 2.3688
-- Monterey Jack 10#	::: 1.9600 - 2.5650	::: 1.9600 - 2.5650	::: 2.1750 - 2.5650	::: 2.1750 - 2.5650	::: 2.1150 - 2.5650	::: 2.3206	: 2.3531
-- Blue 5#	::: 2.4975 - 2.7500	::: 2.5675 - 2.7500	::: 2.5000 - 2.9700	::: 2.5000 - 2.9700	::: 2.4400 - 2.9700	::: 2.6920	: 2.8277
-- Mozzarella 5 - 6#	::: 1.9100 - 2.6650	::: 1.9100 - 2.6650	::: 2.0475 - 2.6650	::: 2.0475 - 2.6650	::: 1.9875 - 2.6650	::: 2.3227	: 2.3431
-- Grade A Swiss Cuts 6 - 9#	::: 2.4250 - 3.3300	::: 2.4250 - 3.3300	::: 2.5050 - 3.3300	::: 2.5050 - 3.3300	::: 2.5050 - 3.3300	::: 2.9011	: 2.8843
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	::: 1.8525 - 2.3725	::: 1.9225 - 2.4425	::: 1.9250 - 2.4450	::: 1.9250 - 2.4450	::: 1.8650 - 2.3850	::: 2.1603	: 2.0813
-- Cheddar Single Daisies	::: 1.8100 - 2.2950	::: 1.8800 - 2.3650	::: 1.8825 - 2.3675	::: 1.8825 - 2.3675	::: 1.8225 - 2.3075	::: 2.1003	: 2.0213
-- Cheddar 40# Block	::: 1.9075 - 2.1825	::: 1.9775 - 2.2525	::: 1.9800 - 2.2550	::: 1.9800 - 2.2550	::: 1.9200 - 2.1950	::: 2.0928	: 2.0138
-- Process 5# Loaf	::: 1.5850 - 1.8250	::: 1.5550 - 1.7950	::: 1.5375 - 1.7775	::: 1.5325 - 1.7725	::: 1.5125 - 1.7525	::: 1.6647	: 1.8457
-- Process 5# Sliced	::: 1.6000 - 1.9100	::: 1.5700 - 1.8800	::: 1.5525 - 1.8625	::: 1.5475 - 1.8575	::: 1.5275 - 1.8375	::: 1.7147	: 1.8957
-- Muenster	::: 1.9275 - 2.1250	::: 1.9975 - 2.1950	::: 2.0000 - 2.1975	::: 2.0000 - 2.1975	::: 1.9400 - 2.1375	::: 2.0741	: 1.9950
-- Grade A Swiss Cuts 10 - 14#	::: 3.0525 - 3.3750	::: 3.1325 - 3.4550	::: 3.1325 - 3.4550	::: 3.1325 - 3.4550	::: 3.1325 - 3.4550	::: 3.2792	: 3.1199
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	::: 1.6325 - 1.8900	::: 1.6050 - 1.8625	::: 1.5850 - 1.8425	::: 1.5850 - 1.8425	::: 1.5625 - 1.8200	::: 1.7228	: 1.8881
-- Cheddar 40# Block	::: 1.7625 - 2.1150	::: 1.8325 - 2.1850	::: 1.8325 - 2.1850	::: 1.8325 - 2.1850	::: 1.7725 - 2.1250	::: 1.9851	: 1.9125
-- Cheddar 10# Cuts	::: 1.9425 - 2.1625	::: 2.0125 - 2.2325	::: 2.0125 - 2.2325	::: 2.0125 - 2.2325	::: 1.9525 - 2.1725	::: 2.0989	: 2.0263
-- Monterey Jack 10#	::: 1.9525 - 2.1125	::: 2.0225 - 2.1825	::: 2.0225 - 2.1825	::: 2.0225 - 2.1825	::: 1.9625 - 2.1225	::: 2.0789	: 2.0063
-- Grade A Swiss Cuts 6 - 9#	::: 2.6500 - 3.0900	::: 2.6500 - 3.0900	::: 2.6800 - 3.1100	::: 2.6800 - 3.1100	::: 2.6800 - 3.1100	::: 2.8848	: 3.1182
<b>FLUID PRODUCTS</b>							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b	::: 1.9062 - 2.0587	::: 1.8089 - 1.9883	::: 1.6537 - 1.8694	::: 1.3945 - 1.6734	::: 1.3269 - 1.6984	::: 1.7462	: 1.5705
-- Upper Midwest - f.o.b	::: 1.8605 - 1.9978	::: 1.8239 - 1.9584	::: 1.6968 - 1.8406	::: 1.3945 - 1.6734	::: 1.3136 - 1.6188	::: 1.7280	: 1.5413
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	::: 1.08 - 1.18	::: 1.16 - 1.25	::: 1.15 - 1.25	::: 1.16 - 1.28	::: 1.29 - 1.37	::: 1.2155	: 0.8732
-- Class III	::: 1.18 - 1.25	::: 1.19 - 1.25	::: 1.19 - 1.25	::: 1.03 - 1.15	::: 0.93 - 1.15	::: 1.1627	: 1.2673

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2009 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 48	:::REPORT NUMBER 49	:::REPORT NUMBER 50	:::REPORT NUMBER 51	:::REPORT NUMBER 52:::	2009	: 2008
	:::-----	:::-----	:::-----	:::-----	:::-----	Average	: Average
	::: DEC 01 - 04	::: DEC 07 - 11	::: DEC 14 - 18	::: DEC 21 - 25	::: DEC 28 - 31	or Total	: or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	::: 1.2400 - 1.4600	::: 1.2900 - 1.4600	::: 1.3500 - 1.5200	::: 1.3600 - 1.4600	::: 1.3500 - 1.4600	::: 1.3959	: 0.8907
-- Mostly	::: 1.2500 - 1.3700	::: 1.2900 - 1.3700	::: 1.3700 - 1.4200	::: 1.3750 - 1.4200	::: 1.3750 - 1.4200	::: 1.3657	: 0.8800
-- High Heat	::: 1.2700 - 1.5500	::: 1.3000 - 1.5600	::: 1.3600 - 1.5600	::: 1.3700 - 1.5600	::: 1.3750 - 1.5600	::: 1.4464	: 0.9508
-- West (f.o.b.)							
-- Low/Medium Heat	::: 1.1700 - 1.4100	::: 1.2000 - 1.4100	::: 1.2500 - 1.4100	::: 1.2500 - 1.4100	::: 1.2700 - 1.4000	::: 1.3180	: 0.8424
-- Mostly	::: 1.2200 - 1.4000	::: 1.2500 - 1.4000	::: 1.2900 - 1.4000	::: 1.2900 - 1.4000	::: 1.3200 - 1.4000	::: 1.3368	: 0.8270
-- High Heat	::: 1.1800 - 1.4400	::: 1.2400 - 1.4400	::: 1.2900 - 1.4500	::: 1.2900 - 1.4300	::: 1.3100 - 1.4800	::: 1.3550	: 0.9434
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	::: 0.3400 - 0.3900	::: 0.3500 - 0.4050	::: 0.3525 - 0.4050	::: 0.3600 - 0.4200	::: 0.3400 - 0.4200	::: 0.3782	: 0.1754
-- Mostly	::: 0.3425 - 0.3575	::: 0.3525 - 0.3625	::: 0.3550 - 0.3650	::: 0.3650 - 0.3750	::: 0.3650 - 0.3750	::: 0.3613	: 0.1786
-- West (f.o.b.)	::: 0.3500 - 0.4200	::: 0.3600 - 0.4300	::: 0.3600 - 0.4300	::: 0.3600 - 0.4400	::: 0.3600 - 0.4400	::: 0.3950	: 0.1456
-- Mostly	::: 0.3650 - 0.3900	::: 0.3700 - 0.4000	::: 0.3800 - 0.4100	::: 0.3850 - 0.4125	::: 0.3850 - 0.4175	::: 0.3914	: 0.1565
-- Northeast (f.o.b.)	::: 0.3300 - 0.3850	::: 0.3300 - 0.3900	::: 0.3400 - 0.3900	::: 0.3400 - 0.3900	::: 0.3400 - 0.4050	::: 0.3639	: 0.1918
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	::: 0.8100 - 0.9050	::: 0.8200 - 0.9100	::: 0.8475 - 0.9125	::: 0.8500 - 0.9250	::: 0.8700 - 0.9275	::: 0.8773	: 0.4426
-- Mostly	::: 0.8275 - 0.8575	::: 0.8325 - 0.8625	::: 0.8500 - 0.8675	::: 0.8600 - 0.8750	::: 0.8800 - 0.9000	::: 0.8605	: 0.4359
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	::: 0.2500 - 0.3650	::: 0.2500 - 0.3650	::: 0.2200 - 0.3650	::: 0.2200 - 0.3650	::: 0.2200 - 0.3700	::: 0.2991	: 0.1449
BUTTERMILK (Min. 30% protein)							
-- Central And East (f.o.b.)	::: 1.3300 - 1.4300	::: 1.2900 - 1.4200	::: 1.2700 - 1.4200	::: 1.2700 - 1.4000	::: 1.2700 - 1.4000	::: 1.3500	: 0.7833
-- West (f.o.b.)	::: 1.2100 - 1.2800	::: 1.2200 - 1.2825	::: 1.2500 - 1.2825	::: 1.2600 - 1.3000	::: 1.2450 - 1.3000	::: 1.2626	: 0.6918
-- Mostly	::: 1.2300 - 1.2700	::: 1.2400 - 1.2700	::: 1.2600 - 1.2800	::: 1.2700 - 1.2900	::: 1.2700 - 1.2900	::: 1.2666	: 0.6734
WHOLE MILK POWDER							
-- National (f.o.b.)	::: 1.3600 - 1.6000	::: 1.3600 - 1.6000	::: 1.3600 - 1.6000	::: 1.3600 - 1.6000	::: 1.3600 - 1.6000	::: 1.4800	: 1.4159
LACTOSE							
-- Central And West (f.o.b.)	::: 0.2250 - 0.4700	::: 0.2250 - 0.4700	::: 0.2250 - 0.4700	::: 0.2250 - 0.4700	::: 0.2250 - 0.4700	::: 0.3475	: 0.1975
-- Mostly	::: 0.3200 - 0.3800	::: 0.3200 - 0.3800	::: 0.3200 - 0.3800	::: 0.3300 - 0.3800	::: 0.3300 - 0.3800	::: 0.3518	: 0.1650
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	::: 2.9000 - 3.6500	::: 2.9000 - 3.8500	::: 2.9000 - 3.8500	::: 2.9000 - 3.8500	::: 2.9000 - 3.8500	::: 3.3568	: 4.8932
-- Nonrestricted - Acid	::: 2.9000 - 3.6000	::: 2.9000 - 3.8000	::: 2.9000 - 3.8000	::: 2.9000 - 3.8000	::: 2.9000 - 3.8000	::: 3.3318	: 5.0443

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CME GROUP AVERAGES FOR DECEMBER 2009

COMMODITY	REPORT NUMBER 48 DEC 1 - 4	REPORT NUMBER 49 DEC 7 - 11	REPORT NUMBER 50 DEC 14 - 18	REPORT NUMBER 51 DEC 21 - 24	REPORT NUMBER 52 DEC 28 - 31	2009 * Average	2008 * Monthly Average
<b>BUTTER*</b>							
-- GRADE AA							
--Monday		1.4500	1.4500	1.3250	1.3275		
--Tuesday	1.5250	1.4300	1.4500	1.3275	1.3275		
--Wednesday	1.5050	1.4300	1.4000	1.3275	1.3275		
--Thursday	1.4700	1.4300	1.3475	1.3275	1.3275		
--Friday	1.4500	1.4500	1.3250	1/	1/	1.3968	1.2007
--Weekly Average**	1.4950	1.4380	1.3945	1.3269	1.3275		
<b>CHEESE*</b>							
-- BARRELS							
--Monday		1.4600	1.4600	1.4300	1.4325		
--Tuesday	1.4900	1.4600	1.4600	1.4300	1.4300		
--Wednesday	1.4925	1.4600	1.4600	1.4400	1.4300		
--Thursday	1.4600	1.4600	1.4600	1.4400	1.4300		
--Friday	1.4600	1.4600	1.4400	1/	1/	1.4520	1.5295
--Weekly Average**	1.4785	1.4600	1.4560	1.4350	1.4306		
-- 40# BLOCKS							
--Monday		1.7000	1.7000	1.7000	1.5200		
--Tuesday	1.6700	1.7000	1.7000	1.7000	1.5000		
--Wednesday	1.7200	1.7000	1.7000	1.5900	1.4500		
--Thursday	1.7200	1.7000	1.7000	1.5675	1.4500		
--Friday	1.7175	1.7000	1.7025	1/	1/	1.6503	1.5132
--Weekly Average**	1.6975	1.7000	1.7005	1.6394	1.4800		
<b>NONFAT DRY MILK*</b>							
-- EXTRA GRADE							
--Monday		1.4000	1.4000	1.4000	1.4000		
--Tuesday	1.4000	1.4000	1.4000	1.4000	1.4000		
--Wednesday	1.4000	1.4000	1.4000	1.4000	1.4000		
--Thursday	1.4000	1.4000	1.4000	1.4000	1.4000		
--Friday	1.4000	1.4000	1.4000	1/	1/	1.4000	0.8877
--Weekly Average**	1.4000	1.4000	1.4000	1.4000	1.4000		
-- GRADE A							
--Monday		1.4075	1.3800	1.3700	1.3700		
--Tuesday	1.4075	1.4075	1.3800	1.3700	1.3700		
--Wednesday	1.4075	1.3850	1.3800	1.3700	1.3700		
--Thursday	1.4075	1.3800	1.3700	1.3700	1.3700		
--Friday	1.4075	1.3800	1.3700	1/	1/	1.3832	0.8877
--Weekly Average**	1.4060	1.3920	1.3760	1.3700	1.3700		

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

1/ Holiday - CME closed, no trading

## WORLD DAIRY SITUATION AND OUTLOOK

**Summary-**The recovery in international dairy prices that was initially viewed as a short term phenomenon appears to have solidified with prices for nonfat dry milk (NDM) holding above \$3,000 per ton FOB EU port, while butter has been trading at well above \$4,000 per ton FOB EU port. This is in contrast to six months ago when NDM and butter export prices were both trading at below \$2,500 per ton. This sharp recovery appears to suggest that import demand is staging a comeback and was probably not as negatively affected by the global recession as initially anticipated. In addition, available exportable supplies are likely to remain limited as domestic milk output in the U.S. and the EU is forecast to decline in 2010, while the 2009/2010 milk production outlook in Oceania is mixed.

For the first half of 2010, there is some unease regarding the international price outlook. While producers welcome these higher prices, there is concern that the sharp run-up in prices will choke demand leading to a significant correction. There is also the question of how the EU will dispose of the substantial intervention stocks which stood at 76,400 tons of butter and 259,300 tons of NDM on December 10, 2009. In the United States, uncommitted CCC Government stocks of NDM currently total around 27,000 tons, while some 90,000 tons has been committed to domestic programs. However, further surplus purchases under the CCC price support program are not anticipated for 2010 as lower milk production is expected to result in relatively tight markets for dairy products.

In any event, a price correction could be modest since the economic outlook for 2010 suggests that import demand for dairy products should improve. The GDP growth rate for developed economies is expected to grow by 1.7 percent annually while growth in developing economies is forecast to rise by 5.5 percent. In the key Asian market, China is forecast to grow by 9.3 percent while GDP growth for the region is slated at about 7 percent. While these rates are relatively subdued compared to the heady pace of growth in 2008, they nevertheless represent a welcome turnaround from 2009 when global GDP shrank by 2.2 percent.

The 2010 outlook for the U.S. dairy exports is relatively bright with NDM and cheese exports expected to expand by 16 percent and 7 percent, respectively. In 2009, although U.S. cheese exports dropped by 21 percent from the record setting levels of 2008, they were surprisingly robust and well above the 2005-2007 average. NDM exports are expected to be competitive on world markets; however, a decrease in U.S. production may lead to some rationing of NDM if domestic demand is sufficiently strong.

**Milk Production: 2010 Forecast Summary-**Australian milk production is forecast to decline primarily due to lower cow numbers – down 2 percent - following severe drought and a cost squeeze between high input costs and lower milk prices. The situation is improving as pastures are reported to be in good condition and increased rainfall has led to a modest improvement in irrigation water. Nevertheless, there is considerable uncertainty over Australia's longer term ability to resume consistent growth and even return to levels of production attained between 2000 and 2003. In contrast, New Zealand milk production is expected to reach a record high as the herd is forecast to expand by 2.5 percent. This is very much in line with the 5-year (2003-2008) annual average growth rate of around 2 percent annually.

In the EU-27, milk output is forecast to rise marginally in 2010 as producers recover from the low prices experienced in 2009. The EU has supported dairy prices by extending the period of intervention to bridge the gap between August 2009 and March 2010 and heavy use of export subsidies to move surplus dairy products onto world markets.

Continued on page 14

For 2010, U.S. milk production is forecast to decline by less than 1 percent following an expected half percent drop in 2009. Although higher prices are anticipated in 2010, the liquidation of dairy cows – although lower than initially expected – will still lower the herd drop by a significant 2.4 percent.

**Cheese**-After a forecast decline of nearly 3 percent in 2009, cheese production in Oceania is expected to grow by about 2 percent with all the increase forecast to occur in New Zealand. Cheese exports for Australia and New Zealand in 2010 are forecast to grow significantly, 28 percent and 6 percent, largely as stocks are drawn down.

In the EU-27, cheese production is forecast to grow by 1 percent with approximately 93 percent of this increase being absorbed by domestic consumption and 7 percent being channeled to the export markets. Exports are expected to grow modestly by 1 percent and based on current trends for 2009 the majority of this cheese is destined to Russia, the United States, Switzerland, and Japan.

In the United States, although cheese shipments in 2009 will likely decline significantly from the record setting pace of 2008; nevertheless, they are surprisingly strong given the poor state of the world economy. More impressively, cheese exports to Mexico – the principal market for U.S. cheese – from January 2009 through October were up 10 percent in comparison to the same period last year. For 2010, U.S. cheese production is expected to be fractionally lower due to an expected drop in milk production which will likely keep markets tight. However, exports are expected to grow by 7 percent which while lower than the annual average growth rate of 22 percent registered between 2004 and 2008, will likely account for about 2.4 percent of domestic production. In 2005, exports accounted for around 1.4 percent of domestic cheese production.

**Butter**-In the second half of 2009, global butterfat markets staged an impressive comeback which appears to have been due to two events. First, India after being largely absent from markets in 2008 purchased substantial quantities of butteroil from New Zealand effectively reducing stocks significantly. Trade data indicates that India from January 2009 through October purchased 18,000 tons of butteroil. Second, anticipating low prices, global purchasers allowed pipeline stocks to decline and then were caught in short positions as buyers collectively attempted to secure supplies. This rush to markets is believed to have also been a precipitating factor leading to sharp price rises.

For 2010, butter production in Oceania is expected to drop by 4 percent and while exports from Australia are expected to grow modestly, shipments for New Zealand are forecast to drop marginally. For the EU, production is also expected to be slightly lower as milk supplies will likely be channeled into the production of cheese. EU exports in 2009 were significantly aided by the subsidization of around 68,000 tons (butter equivalent) of butterfat under the tender system and while export subsidies have been suspended, the EU still has some 76,000 tons of butter in intervention. While no further accumulation of butter intervention stocks are forecast, if global prices decline the EU can easily ramp-up export subsidies.

**NDM**-NDM production for selected countries in 2010 is expected to decline by more than 3 percent with significant reductions forecast for New Zealand – down 15 percent – and the United States – down 9 percent. Nevertheless, expectations are that global NDM prices in 2010 will be relatively strong and exports are expected to rebound in the U.S. and the EU and to a lesser extent in Oceania. After an expected drop of 34 percent in 2009, U.S. exports of NDM are anticipated to increase by 16 percent to reach 300,000 tons, while in the EU shipments are forecast to grow by 36 percent to 225,000 tons. In 2009, despite the subsidization of 183,000 tons of NDM, the EU accumulated substantial intervention stocks currently standing at around 259,000 tons. For 2010, prices are forecast to remain above intervention support levels and thus intervention

purchases of surplus powder are not expected. Although the EU recently suspended export subsidies for NDM (and all other dairy products) the EU retains the ability to activate their export subsidy program at any time and under World Trade Organization disciplines, can subsidize the annual (July-June) export of 323,000 tons of NDM.

**Whole Milk Powder (WMP)**-Global trade in WMP is dominated by New Zealand which is expected to account for nearly 50 percent of exports in 2010 among selected countries. Exports of WMP from New Zealand have expanded at a rapid clip growing at annual average of around 7 percent since 2005. For 2010, exports of WMP are anticipated to grow by 8 percent to reach a record 810,000 tons. The other major suppliers to world markets are the EU and Argentina; EU WMP exports are forecast to remain flat while Argentina is expected to increase by 6 percent.

On the import side, China has emerged as a major market of WMP with imports growing explosively by over 3 and half times to reach an estimated 165,000 tons in 2009. The Chinese melamine scandal that undermined confidence in domestically produced dairy products was likely a major factor in explaining this sharp increase. Further, this strong demand likely explains why WMP prices in August started to exhibit such a bullish sentiment under Fonterra's global trade auctions. By October 2009, New Zealand had already shipped 146,000 tons of WMP to China. For 2010, although WMP imports are expected to decline by 9 percent more than likely, China will remain a key purchaser of WMP on global markets.

**SOURCE:** "Dairy: World Markets and Trade", Circular Series, December 2009, Foreign Agricultural Service, USDA.

NOVEMBER 2009 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 120.7 million pounds in November, 9.7 percent below November 2008 but 6.9 percent above October 2009. **AMERICAN TYPE CHEESE** production totaled 332.0 million pounds, 1.8 percent below November 2008 and 4.3 percent below October 2009. **TOTAL CHEESE** output (excluding cottage cheese) was 844.2 million pounds, 1.9 percent above November 2008 but 2.1 percent below October 2009. **NONFAT DRY MILK** production, for human food, totaled 100.7 million pounds, 24.7 percent below November 2008 but 10.1 percent above October 2009. **DRY WHEY** production, for human food, was 81.9 million pounds, 0.9 percent below November 2008 and 3.0 percent below October 2009. **ICE CREAM** (hard) production totaled 53.8 million gallons, 12.5 percent below November 2008 and 23.8 percent below October 2009.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 2009	PERCENT CHANGE FROM:			PRODUCT	NOV 2009	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 2008	OCT 2009	YEAR TO DATE 1/		1,000 LBS.	NOV 2008	OCT 2009	YEAR TO DATE 1/
BUTTER	120,657	-9.7	6.9	-4.7	YOGURT (PLAIN AND FLAVORED)	263,121	8.1	-16.3	7.2
CHEESE					DRY WHEY PRODUCTS				
AMERICAN TYPES 2/	332,027	-1.8	-4.3	2.9	DRY WHEY, HUMAN FOOD	81,944	-0.9	-3.0	---
CHEDDAR	248,487	-3.5	-4.8	1.6	DRY WHEY, ANIMAL FEED	4,065	8.2	-2.6	---
OTHER AMERICAN	83,540	3.4	-3.0	---	DRY WHEY, TOTAL 7/	86,009	-0.5	-3.0	-2.5
SWISS	26,426	5.1	0.4	---	REDUCED LACTOSE AND MINERALS				
BRICK & MUENSTER	10,469	-8.0	-8.8	---	HUMAN FOOD	2,523	19.5	-14.6	---
CREAM & NEUFCHATEL	75,684	1.4	-2.0	---	ANIMAL FEED	4,616	8.9	5.9	---
HISPANIC	15,630	4.8	-5.0	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	61,841	7.6	-3.7	-4.0
TOTAL ITALIAN TYPES	362,657	6.5	0.6	1.4	WHEY PROTEIN CONCENTRATE				
MOZZARELLA	281,163	7.5	0.4	1.2	HUMAN FOOD 8/	31,663	3.2	-3.7	---
OTHER ITALIAN	81,494	3.5	1.2	2.2	ANIMAL FEED 8/	2,780	-11.1	-6.1	---
ALL OTHER TYPES	21,313	-10.9	-6.6	---	TOTAL 8/	34,443	1.9	-3.9	-3.4
TOTAL	844,206	1.9	-2.1	1.9	25.0-49.9 PERCENT 9/	20,097	-10.1	-4.2	---
COTTAGE CHEESE, CURD 3/	31,832	0.5	-18.2	---	50.0-89.9 PERCENT 9/	14,346	25.4	-3.4	---
COTTAGE CHEESE, CREAM 4/	24,475	1.3	-12.1	8.1	PROTEIN ISOLATES 10/	4,575	6.9	-2.4	---
COTTAGE CHEESE, LOWFAT 5/	26,490	-2.2	-21.9	0.3	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSO WHOLE MILK	47,362	-3.7	-8.4	---	ICE CREAM (HARD)	53,768	-12.5	-23.8	-1.9
DRY WHOLE MILK	4,436	18.6	-5.3	---	ICE CREAM, LOWFAT (HARD)	9,449	13.8	-13.0	---
NONFAT DRY MILK (NDM), HUMAN	100,736	-24.7	10.1	-0.2	ICE CREAM, LOWFAT (SOFT)	14,582	8.1	-17.7	---
SKIM MILK POWDERS (SMP) 6/	19,014	15.4	86.9	-44.0	ICE CREAM, LOWFAT (TOTAL)	24,031	10.3	-15.9	1.3
DRY BUTTERMILK	6,667	2.1	11.3	---	SHERBET, HARD	2,636	-23.0	-22.3	-7.6
SOUR CREAM	98,887	-6.0	-9.0	1.5	YOGURT (TOTAL)	4,049	-8.6	-22.0	-11.2

MANUFACTURERS' STOCKS, END OF MONTH 11/							
PRODUCT	NOV 2009	PERCENT OF:		PRODUCT	NOV 2009	PERCENT OF:	
	1,000 LBS.	NOV 2008	OCT 2009		1,000 LBS.	NOV 2008	OCT 2009
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	42,551	-29.9	-3.4	HUMAN FOOD 8/	34,263	7.6	1.2
DRY WHEY, ANIMAL FEED	1,872	-60.2	20.9	ANIMAL FEED 8/	2,149	120.0	13.8
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 12/	11,053	-37.6	-7.7	TOTAL 8/	36,412	10.9	1.9
LACTOSE, HUMAN FOOD & ANIMAL FEED	57,888	-39.2	7.4	25.0-49.9 PERCENT 9/	23,322	12.3	6.8
CANNED EVAP & CONDSO WHOLE MILK	59,119	37.7	-24.4	50.0-89.9 PERCENT 9/	13,090	8.5	-5.9
DRY BUTTERMILK	5,182	-51.3	34.4	NONFAT DRY MILK (NDM), HUMAN FOOD	113,646	-39.2	27.3

1/ 2009 cumulative as percent change of 2008 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 (1-10), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
SEP 2009	217.2	-0.2	193.4	-9.5	176.9	-18.6	199.4	-10.1	165.8	-9.2	201.8	-3.9
OCT 2009	217.5	-0.6	195.4	-8.2	179.2	-16.1	200.6	-9.1	164.3	-12.8	200.6	-4.8
NOV 2009	217.3	-0.7	193.9	-9.0	180.9	-15.8	197.4	-10.3	153.5	-14.9	201.2	-4.0
U.S. City Average Retail Prices												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
	Dollars											
SEP	2.981	3.773	2.808	NA	3.820	4.089	4.610	4.815	4.244	4.418		
OCT	3.046	3.656	2.780	3.287	3.881	4.021	4.545	4.973	4.623	4.401		
NOV	3.034	3.734	2.612	3.120	3.838	4.080	4.425	5.097	4.431	4.397		

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—AUGUST-OCTOBER AND YEAR-TO-DATE 2008-2009 <sup>1/</sup>

Item	Aug.-Oct. 2008	Percent change <sup>2/</sup>	Aug.-Oct. 2009	Percent change <sup>2/</sup>	Jan.-Oct. 2008	Percent change <sup>2/</sup>	Jan.-Oct. 2009	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	46,503	1.6	46,335	-0.4	158,889	2.2	158,574	0.1
Marketings	46,233	1.6	46,065	-0.4	157,994	2.2	157,673	0.1
Beginning Commercial Stocks <sup>3/</sup>	13,351	-2.7	14,536	8.9	10,355	8.9	10,045	-3.0
Imports <sup>3/</sup>	821	-26.0	963	17.3	2,753	-26.9	3,339	21.7
Total Supply <sup>4/</sup>	60,405	0.1	61,564	1.9	171,102	1.7	171,057	0.5
Ending Commercial Stocks <sup>3/</sup>	10,271	-9.9	12,610	22.8	10,271	-9.9	12,610	22.8
Net Removals <sup>3/</sup>	8	100.0	85	962.5	8	100.0	121	1,412.5
Commercial Disappearance <sup>4/</sup>	50,126	1.0	48,869	2.6	160,823	2.8	158,326	-1.2
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	468.5	7.7	377.7	-19.4	1,368.8	13.9	1,243.4	-8.9
American Cheese	1,040.1	6.3	1,059.2	1.8	3,350.9	2.2	3,482.7	4.3
Other Cheese	1,578.1	-1.5	1,606.1	1.8	5,050.4	-1.6	5,075.0	0.8
Nonfat Dry Milk	272.3	-7.5	305.9	12.3	1,192.1	13.8	1,145.9	-3.5
Fluid Milk Products <sup>6/</sup>	13,995.4	1.0	14,065.9	0.5	45,631.7	-0.3	45,995.3	1.1

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

## SECRETARY VILSACK ANNOUNCES MEMBERS OF THE DAIRY INDUSTRY ADVISORY COMMITTEE

### *Diverse Group to Advise USDA on Long Term Solutions to Issues Facing Struggling Dairy Industry*

WASHINGTON, Jan. 6, 2010 – Agriculture Secretary Tom Vilsack today announced the appointment of 17 members to a federal Dairy Industry Advisory Committee. Over the next two years, the committee will review the issues of farm milk price volatility, dairy farmer profitability and consolidation, and offer suggestions on ways USDA can best address the needs of a struggling dairy industry. Representatives will include: producers and producer organizations, processors and processors organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national, and international levels.

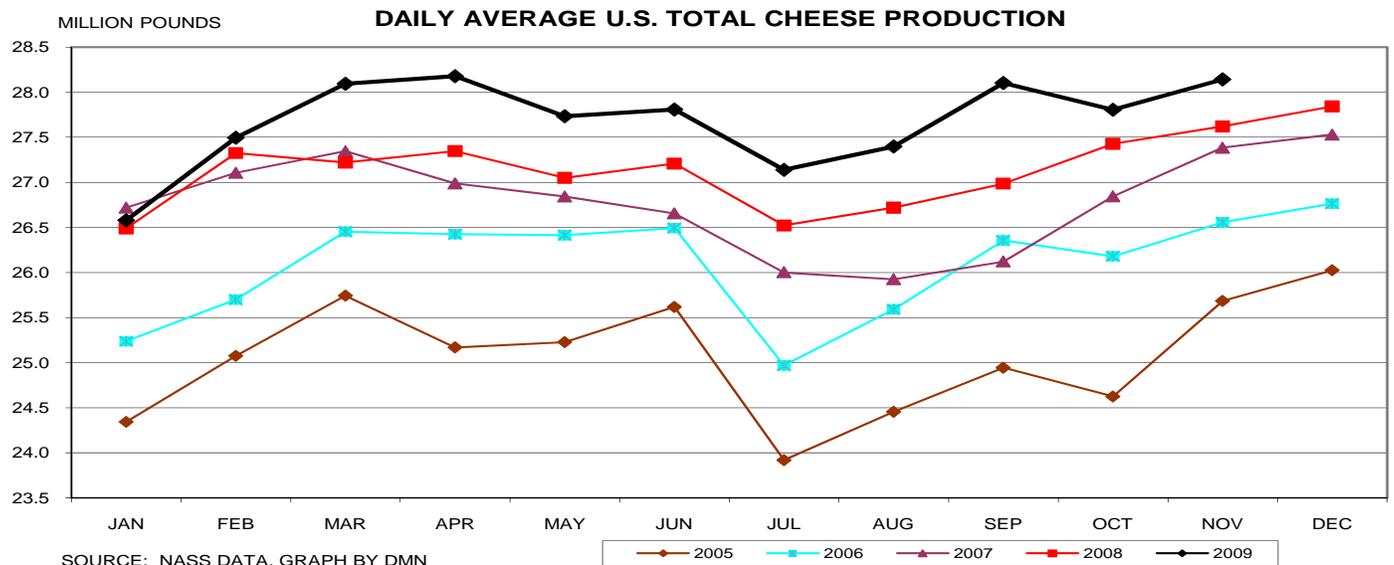
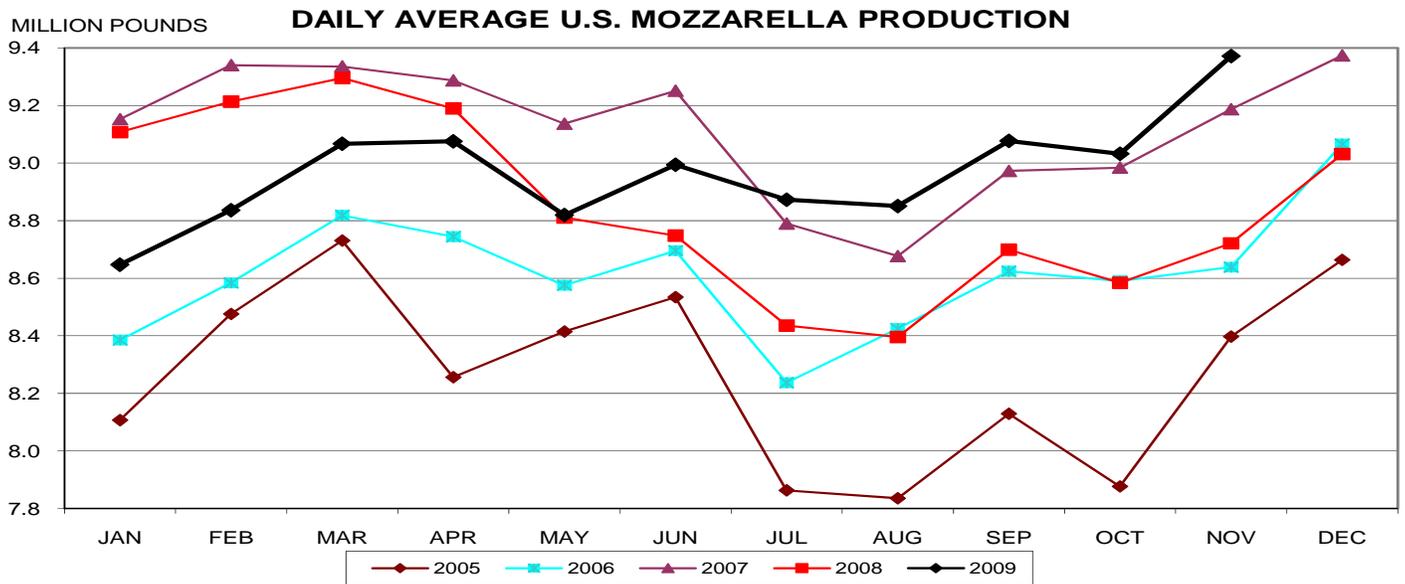
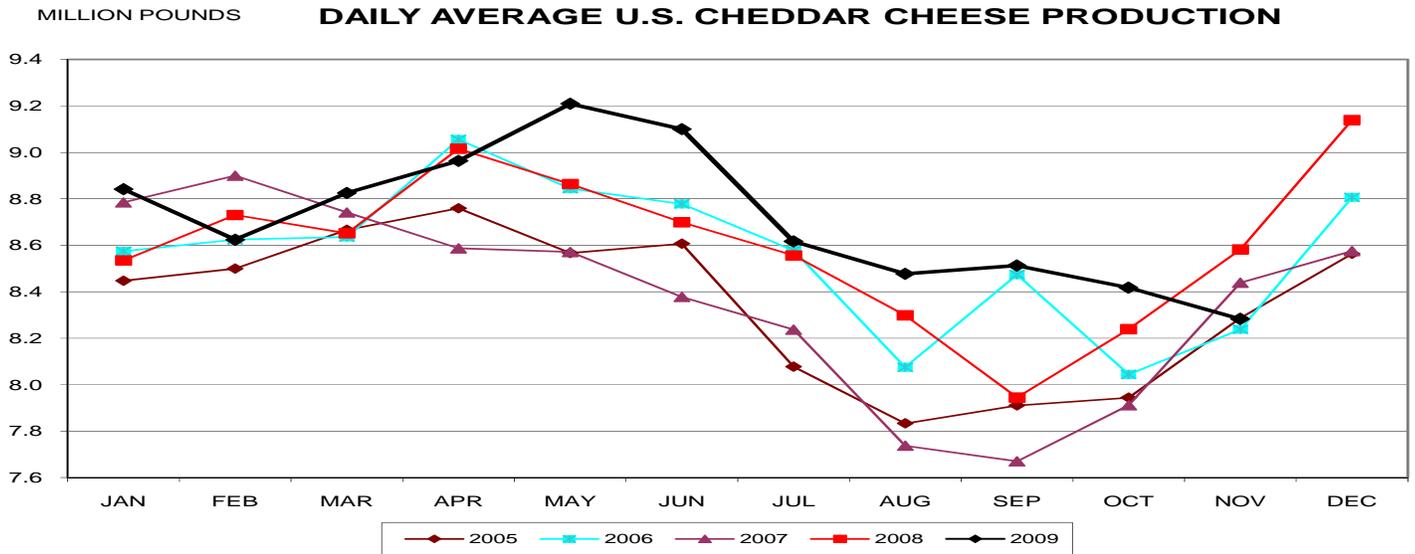
“USDA has worked tirelessly to assist dairy farmers during these tough times,” said Vilsack. “We’ve increased support prices under the Dairy Product Price Support Program, reactivated the Dairy Export Incentive Program, and bought 200 million pounds of nonfat dry milk for federal feeding programs. This committee, whose members come from all aspects of the dairy industry, will work to find long term solutions to assist this struggling industry.”

Producer members appointed to the committee are: Erick Coolidge (Pa.), Timothy den Dulk (Mich.), Debora Erb (N.H.), James Goodman (Wis.), James Krahn, (Ore.), Edward Maltby (Mass.), Manuel Souza (Calif.), Ed Welch (Minn.), and James Williams (Ga.).

Representatives from the processing industry include: Jay Bryant (Va.), Patricia Stroup (Calif.), Sue Taylor (Colo.), and Robert Wills. (Wis.).

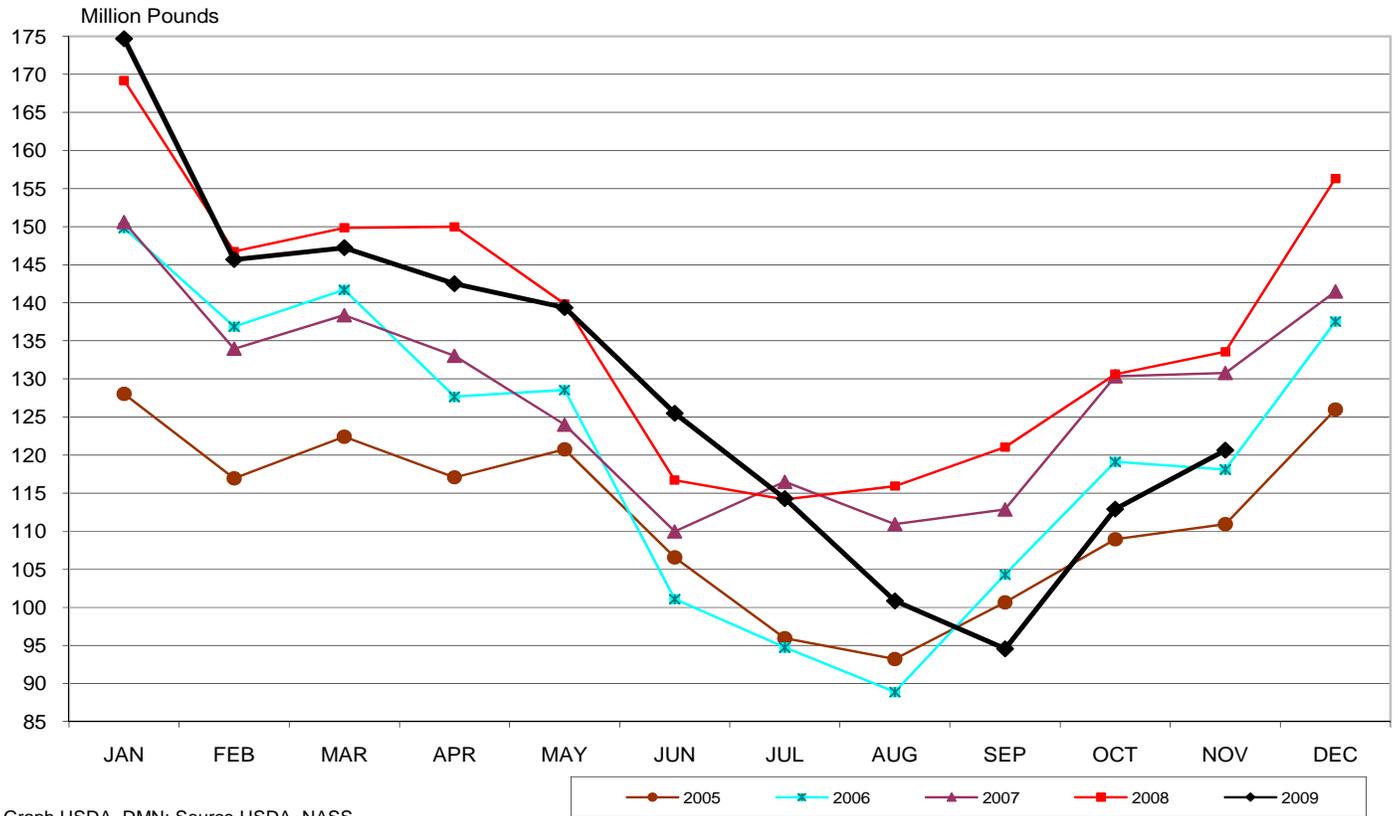
Members representing state government, retail, academia, and consumers are: Rodney Nilsestuen (Wis.), Robert Schupper (Pa.), Andrew Novakovic (N.Y.), and Paul Bourbeau (Vt.).

All members will serve two-year terms, beginning in January 2010, and expiring Jan. 1, 2012. The committee was expanded this year from 15 members to 17 and will hold its first meeting in early 2010. The meeting will be open to the public and USDA encourages public participation. For additional information check the Dairy Industry Advisory Committee website, <http://www.ams.usda.gov/AMSV1.0/DairyAdvisoryCommittee> .

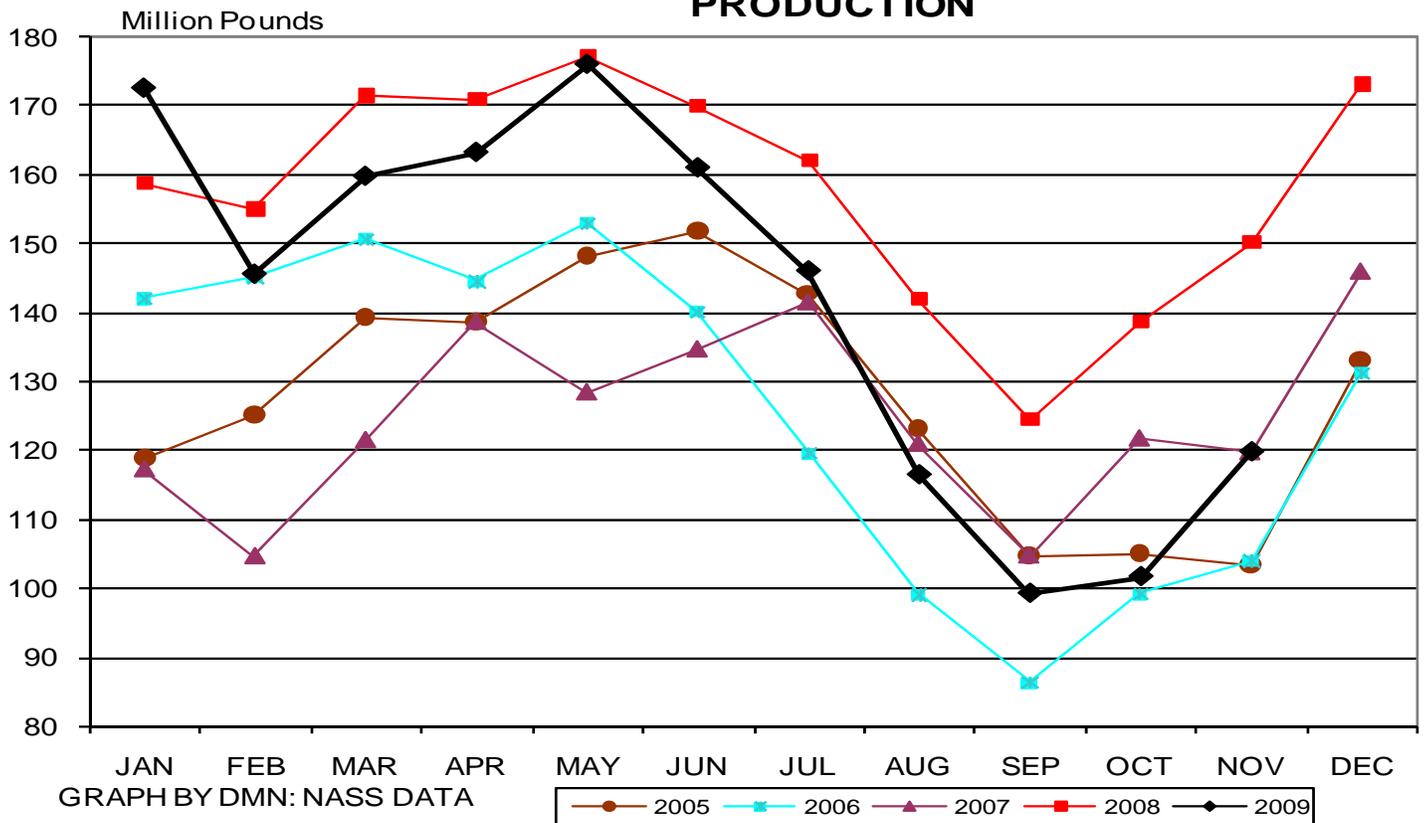


SOURCE: NASS DATA, GRAPH BY DMN

### U.S. BUTTER PRODUCTION

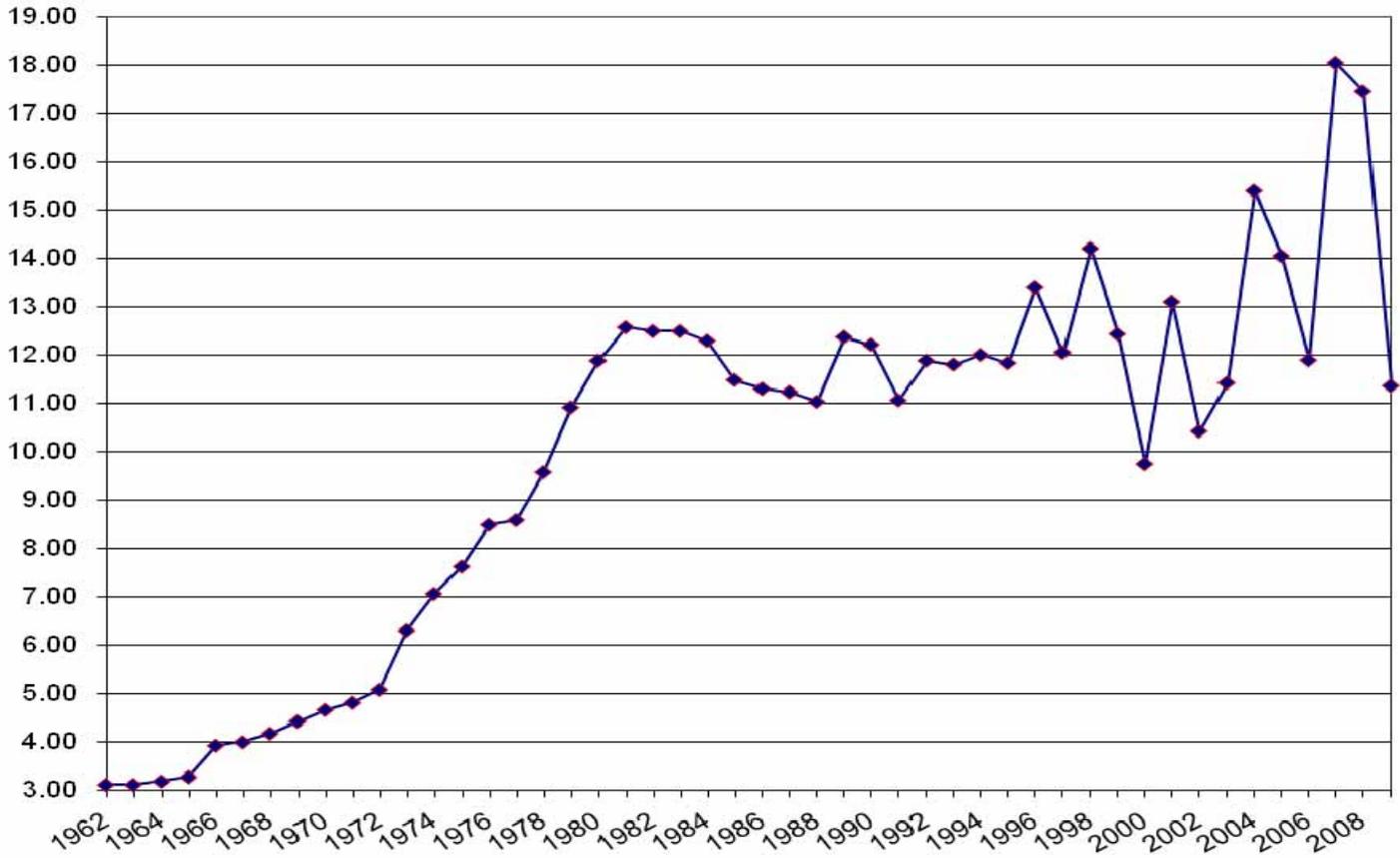


### U.S. COMBINED NDM (HUMAN) AND SKIM POWDER PRODUCTION



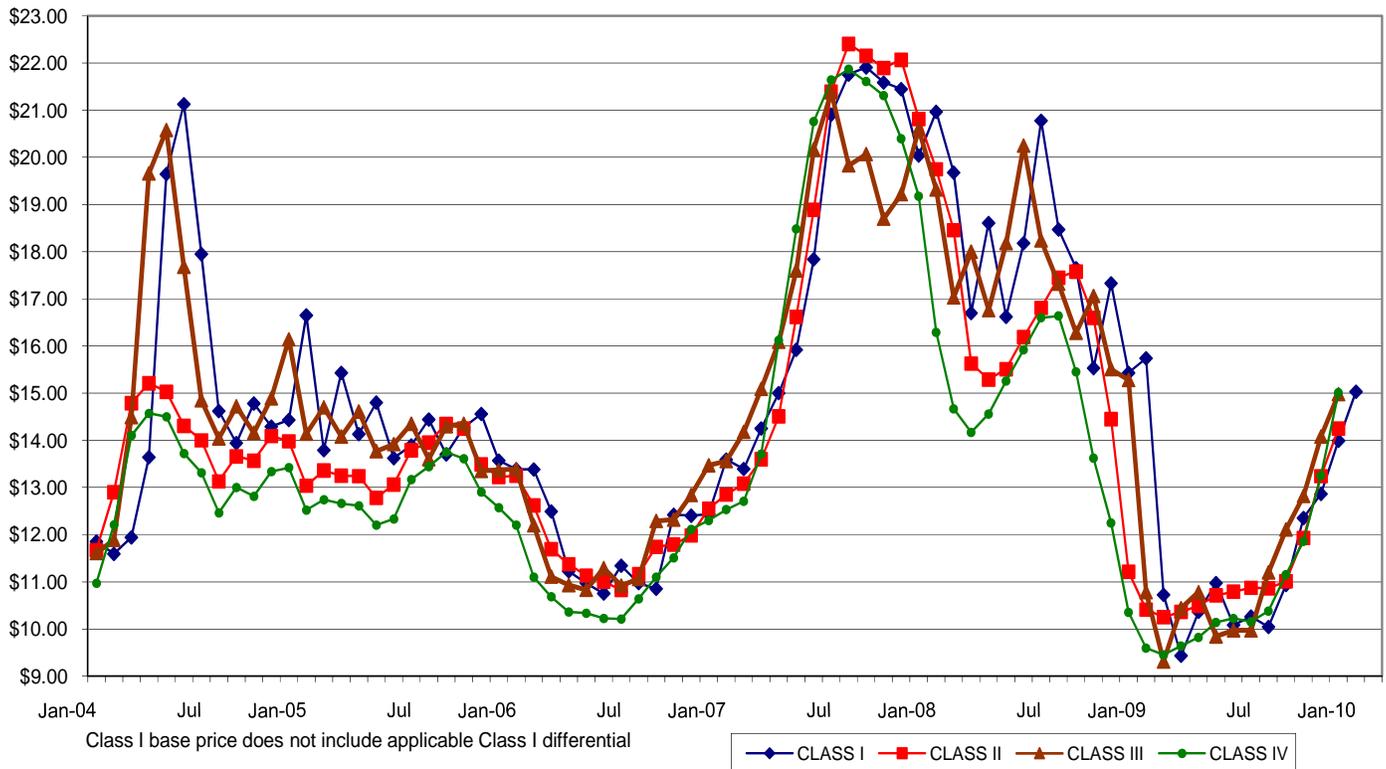
\$ PER CWT.

**ANNUAL AVERAGE CLASS III/BFP/MW 1962-2009**



Per CWT.

**Class Milk Prices by Month January 2004 to Date**



Class I base price does not include applicable Class I differential



# DAIRY MARKET NEWS

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