

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (01/22):**

BUTTER: Grade AA closed at \$1.4675. The weekly average for Grade AA is \$1.4844 (+.0824).

CHEESE: Barrels closed at \$1.5050 and 40# blocks at \$1.4800. The weekly average for barrels is \$1.4913 (+.0463) and blocks, \$1.4663 (+.0533).

BUTTER HIGHLIGHTS: The CME cash butter price increased sharply to \$1.5250 last week and has edged lower to close the week at \$1.4675. Many manufacturers and handlers had speculated that the butter price would increase, but were surprised at the strength last week. Churning activity across the country is mixed, fully dependent on available cream offerings. In most instances, butter producers are getting their contracted cream volumes with additional cream offerings being reported, but sharply lower than volumes during the recent holiday period. Butter demand is fairly active with most buyers procuring for immediate needs and some are purchasing for future needs. Some international buyer interest is being reported for deliveries over the next six months. According to FAS, imports of butter for January-December 2009 total 14.9 million pounds, up 33.7% over 2008. The imports were 96.8% of the annual quota. The two largest import sources were Australia and New Zealand, and they accounted for 10.2 million pounds or 68.5% of the total imports. High-Tier imports total 788,300 pounds or about 75.6% more than last year.

CHEESE HIGHLIGHTS: CME Group cash market prices closed higher than last week on a light volume of sales. Finished cheese orders were improved as buyers feel that a short term low was made and buy before prices increase further. Overtime is needed to fill some orders, but remains limited on process products. Manufacturers have been able to reduce inventory built up during December. Current cheese production is generally steady to slightly heavier due to increased plant receipts because of lighter demand from bottlers. Under Solicitation DPD-AGAP1-001, CCC purchased 22.1 million pounds of cheddar and mozzarella chunks and shreds for March – December 2010 delivery at \$1.9650 – 2.3800 per pound. Approximately \$48.6 million of the \$60 million allocated to purchase consumer sized packages has been used. According to FAS, 2009 cheese imports total 203.7 million pounds, down less than 1% from 2008. The imports totaled 68.2% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for 2009 are estimated to total 23.7 million pounds, 79.2% of the 2008 volume. On January 20, CCC announced Solicitation DPD-AGAP1-002 seeking 5,325,480 pounds of cheddar and reduced fat cheddar shreds and chunks for April – December delivery. Offers are due February 2.

FLUID MILK: Milk production in the Southwest is increasing seasonally. While output is below year ago levels, the gap is shrinking as more heifers are being added and output per cow gains are noted. The impact of heavy rains and continued strong storm systems is in the news, but not yet a major factor to milk output. In the Northwest, the milk flow is up slightly over year ago levels with weather not causing any issues. Milk output is lower in Utah, but higher in Idaho. In the Central U.S., milk production is steady to slightly higher and most often remains higher than year ago levels.

Processors run on heavier schedules to handle the milk intakes. For the Northeast and Mid Atlantic regions, milk volumes are steady. Milk production has increased in the Southeast and Florida.

DRY PRODUCTS: Nonfat dry milk prices are mixed this week, reflecting more of changes in index pricing. The market tone is unsettled to weaker. Spot demand is limited and volumes are being offered in the resale market at biddable pricing. Producers' offerings are higher and not clearing. Dry buttermilk market prices are steady to lower. Market tone is weaker with demand lower. Dry whey prices continue to show slight gains. Demand is fair to good and clearing current offerings. Output is steady to higher where cheese output is stronger. WPC prices are mostly higher and demand remains good. Lactose prices are mostly steady to slightly lower. Inventories are uneven and additional product is being offered by some producers.

INTERNATIONAL OVERVIEW (DMN): Oceania milk production is on the down side of the season with some area declines quite noticeable. In New Zealand, an El Nino weather pattern is impacting areas of Central and further North on the North Island. Reports indicate that output in some of this area is down 15% from projections. Already in this area, a casein plant has been shuttered, six weeks earlier than usual. Elsewhere in New Zealand, milk output is being impacted by weather patterns, but not to the extent of Central and Northern areas. Milk producers and handlers indicate that rainfall is needed in the very near future to re-establish pasture growth. They state that this rainfall must occur for at least a week to impact depleted moisture levels. In Australia, weather patterns are also impacting dairy regions, but not to the extent of Northern New Zealand. Australian milk production figures for November were recently released which indicated that milk output for November was down 6.8% when compared to November 2008. On a cumulative year to date basis (July – November), milk output is trailing last year comparables by 5.4%. In Victoria, the major milk production region of Australia, November's production was down 10.0% with the Northern area of Victoria recording a 17.6% decline. Overall milk volumes are declining at a more gradual pace than their New Zealand counterparts. Manufacturing schedules are declining in both countries with stocks being generated for known needs. In most instances, stocks are adequate for ongoing and regular customers with basically no stock available for new or spot needs. Traders and handlers indicate that buyer interest is present, but no product is available to fill these inquiries from the Oceania region. Following the results of the most recent global/Dairy Trading event in New Zealand on February 2, many traders and handlers adjusted their near term prices to be in line with the auction averages. Supplies of whole milk powder appear to be tighter in Australia, as no Australian whole milk powder was available for the January auction. Anhydrous milkfat traded slightly higher in January following a sharp decline in December. Also in

CONTINUED ON PAGE 1A

****SPECIALS THIS ISSUE*****

INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
DAIRY FUTURES (PAGE 9)

DAIRY OUTLOOK (PAGE 12)
FEBRUARY ANNOUNCED COOPERATIVE CLASS I PRICE (PAGE 13)
DAIRY GRAPHS (PAGE G1-G3)

DECEMBER MILK PRODUCTION (PAGE 10)
DECEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (PAGE 11)

**CME GROUP
CASH TRADING**

PRODUCT	MONDAY JANUARY 18	TUESDAY JANUARY 19	WEDNESDAY JANUARY 20	THURSDAY JANUARY 21	FRIDAY JANUARY 22	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	CME	\$1.4800 (+.0150)	\$1.4900 (+.0100)	\$1.4900 (N.C.)	\$1.5050 (+.0150)	(+0400)	\$1.4913 (+.0463)
40# BLOCKS	CLOSED	\$1.4550 (+.0400)	\$1.4650 (+.0100)	\$1.4650 (N.C.)	\$1.4800 (+.0150)	(+.0650)	\$1.4663 (+.0533)
BUTTER GRADE AA	NO TRADING	\$1.5000 (-.0250)	\$1.4900 (-.0100)	\$1.4800 (-.0100)	\$1.4675 (-.0125)	(-.0575)	\$1.4844 (+.0824)

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

the past few weeks, it was announced that skim milk powder will be traded at the March auction for the first time. Milk production throughout Europe remains seasonally low. Some signs of seasonal increases reported a few weeks ago have subsided as colder temperatures and winter weather patterns returned. In recent days, temperatures and conditions have improved, but no signs of recovery are being reported at this time. At the January 21st Dairy Management committee meeting, no significant changes have occurred to dairy related programs. Export refunds remain at zero and the Commission continues to indicate that it is too early to start releasing butter and skim milk powder onto the market. Many within the industry are speculating that it will probably be after the upcoming spring milk flush before product is released. Traders and handler indicate that stocks are available for both domestic and international buyer interest. Prices for most manufactured dairy products, except whey, are trending lower. Many manufacturers and handlers would like to clear these stocks before the new milk production season resumes and additional offerings become available. At this point, sales, especially internationally, are slow, but buyer inquiry is starting to resume. Traders and handlers speculate that no significant sales will occur especially as prices decline. They feel that buyers have waited this long to re-enter the marketplace, waiting awhile longer will probably be the case.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for February 2010 is \$14.84, down 19 cents from January 2010. This price is derived from the advanced Class IV skim milk pricing factor of \$10.27 and the advanced butterfat pricing factor of \$1.4090 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for February is \$10.97 and the Class II nonfat solids price is \$1.2189 per pound. The following are the two-week product price averages: butter \$1.3350, nonfat dry milk \$1.3201, cheese \$1.5578, and dry whey \$0.3893.

DECEMBER MILK PRODUCTION (NASS): Milk production in the 23 major States during December totaled 14.6 billion pounds, down 0.8% from December 2008. Production per cow averaged 1,758 pounds for December, 29 pounds (1.7%) above December 2008. The number of cows on farms was 8.31 million head, 206,000 head (2.4%) less than December 2008, and unchanged from November 2009.

DECEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (FMMO): During December, about 10.2 billion pounds of milk were received from producers. This volume of milk is 10.1% higher than the December 2008 volume. In December 2008 and December 2009, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 4.0 billion pounds of producer milk were used in Class I products, 0.6% higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2009 as compared to 2008. The all-market average Class utilization percentages were: Class I = 39%, Class II = 11%, Class III = 40% and Class IV = 10%. The weighted average statistical uniform price was \$15.68 per cwt., \$1.04 higher than last month and \$0.73 higher than last year.

DAIRY OUTLOOK (ERS): USDA projects 2009/10 corn and soybean meal prices at \$3.40 to \$3.85 a bushel and \$265 to \$315 per ton, respectively. The moderation in forecast feed prices compared with the last 2 years helps boost the milk/feed price ratio and the profit outlook for U.S. dairy producers in the near future. The U.S. dairy herd continues a moderate contraction that is likely to continue throughout 2010. Herd size is forecast to average just below 9 million head this year, down from 9.2 million in 2009. Lower expected feed prices should help boost production per cow that is expected to increase by a relatively robust 1.9 percent this year. The milk-feed price ratio is not expected to reach 2.5, a range that typically signals a steady state in dairy cow numbers, until the end of 2010. While the worst of the economic contraction is over, many producers are not in a financial position to consider herd expansion at this time. After a year of culling, the lower average age of the dairy herd should also help boost output per cow, since it is younger, more productive cows that will remain. USDA projects 2010 milk production at 188.4 billion pounds, which would represent a further decline from the 2009 lower production. The strengthening in dairy product prices translates into higher prices for milk in all classes in 2010 compared with 2009. The Class IV price is forecast at \$14.75 to \$15.60, substantially above 2009's average of \$10.89. The Class III price is expected to rise to \$14.75 to \$15.55, up from 2009's \$11.36 average. The all milk price is forecast to average \$16.20 to \$17.00, up from \$12.79 in 2009.

CME GROUP

MONDAY, JANUARY 18, 2010

CME CLOSED, NO TRADING

TUESDAY, JANUARY 19, 2010

CHEESE — SALES: 4 CARS 40# BLOCKS: 2 @ \$1.4400, 2 @ \$1.4500; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4800; 2 CARS 40# BLOCKS @ \$1.4550; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5000

WEDNESDAY, JANUARY 20, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4900; 1 CAR 40# BLOCKS @ \$1.4650; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: 8 CARS GRADE AA: 4 @ \$1.4925, 4 @ \$1.4900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4900

THURSDAY, JANUARY 21, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2500; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: 6 CARS GRADE AA @ \$1.4800; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.4800

FRIDAY, JANUARY 22, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.5025; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5050; 1 CAR 40# BLOCKS @ \$1.4800; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4400; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4675

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$1.3000 and Grade A at \$1.3000. The last price change for Extra Grade was on 01/14/10 and Grade A was on 1/14/10. The weekly average for Extra Grade is \$1.3000 (-.0510) and Grade A is \$1.3000 (-.0420).

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group surged Friday, closing at \$1.5250, but declined \$.0250 Tuesday to close at \$1.5000. Class I and II demand remains strong. Supplies have leveled off and more cream is available due to standardization, resulting in increased churning activity. Butter inventories are building, but are held in confidence as butter makers prepare for the upcoming Easter holiday. Though the price of butter has increased significantly on the CME Group, butter prices remain below foreign prices, and continue to draw export interest. Cream multiples remain in a fairly wide range as multiples are firm early in the week, but are discounted mid to late week for weekend delivery. FAS reports imports of high tier and quota butter for 2009 totaled 15.7 million pounds, 33.7% more than 2008. Imports of quota butter through December totaled 14.9 million pounds, 96.8% of the annual quota. Prices for bulk butter range from 4-7 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

Late last week, the CME cash butter price firmed 10 1/2 cents to settle at \$1.5250, the highest cash price since December 1. Early in the current holiday week, this cash price eased both trading days to settle at \$1.4900 at midweek. Many butter producers and handlers were surprised at the strong strength in the cash price, but were not surprised that the price increased. Many feel that butter will be priced at higher levels than is typical for this time of the season. The last time butter was priced this high, for this time of the year, was January 2005 when cash butter was \$1.5500 and traded three days a week versus daily. In 2005, the cash price remained firmed for the first quarter, topping out at \$1.6500 in early February and remained above \$1.5000 into mid April. Current churning activity is seasonally active, fully dependent on available cream offerings. In many instances, butter producers are working with contracted

cream volumes and picking up spot offerings when available and priced within buyers parameters. Butter demand remains fairly strong. Buyers are procuring for regular needs with some buying for future needs. Spot bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Wednesday's butter trading at the CME Group closed at \$1.4900. The price was \$.0100 lower than Tuesday. Last week saw a dramatic rise in prices (\$.1800) to end the week at \$1.5250 on fairly heavy sales. Sales continue to move the market with eight sales on Wednesday. Cream multiples are on the rise after the holiday flush period. Supplies are readily accepted as butter producers are eager to build inventory. Butter prices have firmed recently at the CME Group and producers want to ensure adequate supplies for contract needs. Those with extra product are putting inventory into storage for later release. Demand is good with some plants moving supplies to customers willing to buy extra product. Butter supplies continue to build. According to the CME Group, weekly butter stocks increased by 1 million pounds last week to stand at 47.6 million pounds. Butter inventories continue to build on a weekly basis. This total compares to 63.1 million pounds in 2009 and 90.9 million pounds in the comparable week in 2008. Prices for bulk butter range from flat to 4 cents under the market, based on the CME with various time frames and averages used. According to FAS, imports of butter for January-December 2009 total 14.9 million pounds, up 33.7% over 2008. The imports total 96.8% of the annual quota. The two largest import sources were Australia and New Zealand, and they accounted for 10.2 million pounds or 68.5% of the total imports. High-Tier imports (above quota and with a penalty) total 788,300 pounds or about 75.6% more than last year.

NASS DAIRY PRODUCT PRICES

WEEK ENDING	U.S. AVERAGES AND TOTAL POUNDS				
	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
JANUARY 16	1,5483 12,824,047	1,4794 9,104,771	1,2879 11,152,575	1,3391 5,002,173	0.3902 14,045,412

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

Cheese prices on the CME Group rose Tuesday with barrels advancing \$.015 closing at \$1.4800 and blocks advancing \$.0350 closing at \$1.4550. Weekly averages were mixed with barrels increasing and blocks declining, resulting in lower wholesale prices for cheddar and Muenster, higher prices for process cheeses with Swiss cuts unchanged. Cheese production remains steady along seasonal trends. Cheese inventories are building under sluggish domestic demand, but some cheese producers have indicated increased export activity. The Kansas City Commodity Office (KCCO) announced January 15, the award of contracts for 22.1 million lbs. of mozzarella and natural American cheeses for \$48.6 million for the USDA's domestic food distribution program. KCCO anticipates issuing solicitations for the remainder of the \$60 million agriculture appropriation later in 2010.

Prices on 40 lb. Blocks at the CME Group on Wednesday were \$.0100 higher to close at \$1.4650. The market was closed on Monday for the Federal Holiday. Tuesday saw Block prices go up 4 cents on sales of four loads. Barrels were also \$.0100 higher on Wednesday and closed at \$1.4900 for the day. Barrels have advanced for the last five trading sessions and have gained \$.0550 in that time. Prices have advanced on mostly bids with a few sales occurring a week ago. Cheese prices have firmed recently and producers report sales have been good. Cheese plants are trying to run at full capacity although milk supplies in some states have limited that option. Inventories are reported to be clearing on a timely basis. Interest is picking up as end users try to determine when and how much product should be purchased. Contract sales of cheese continue for much of the current production. According to FAS, imports of cheese for the January-December 2009 year total 203.7 million pounds, down less than 1% from a year ago. The imports stand at 68.2% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 23.7 million pounds, 79.2% of the volume imported in 2008. Imports of Swiss cheese for 2009 total 46.8 million pounds, down 2.8% from last year. Imports stand at 61.6% of the annual quota. The two main countries for the Swiss imports are Norway and Finland, and they account for 32.4 million pounds or 69.2% of the year's total imports of Swiss.

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

Cheddar 40# Block	:	1.7400-2.0150
Process 5# Sliced	:	1.5375-1.8475
Muenster	:	1.7600-1.9575
Grade A Swiss Cuts 10 - 14#	:	3.2725-3.5950

MIDWEST

The cheese market is unsettled as many traders look for rationale market fundamentals to explain current market direction. Bulk and finished orders are steady to improved as buyers try to reload before prices move higher. Many plant operators have worked down their late 2009 inventory when sales were softer. Barrel and processing solid interest has improved though many question the current need for much of recent price increases. Natural interest remains stronger than process with scattered need for overtime on natural lines. Interest in extra cheddar for aging programs often remains sluggish. Cheese production is steady to occasionally heavier, depending on the bottler's need for extra fluid. Generally, plant milk intakes are increasing seasonally in upper tier manufacturing plants. Under Solicitation DPD-AGAP1-001, CCC purchased 22.1 million pounds of cheddar and mozzarella chunks and shreds for March - December 2010 delivery at \$1.9650 - 2.3800 per pound. Approximately \$48.6 million of the \$60 million allocated to purchase consumer sized packages has been used. On January 20, CCC announced Solicitation DPD-AGAP1-002 seeking 5.3 million pounds of cheddar and reduced fat cheddar shreds and chunks for April - December delivery. Offers are due February 2.

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

Process 5# Loaf	:	1.5725-1.8300
Cheddar 40# Block	:	1.5450-1.8975
Cheddar 10# Cuts	:	1.7250-1.9450
Monterey Jack 10#	:	1.7350-1.8950
Grade A Swiss Cuts 6 - 9#	:	2.8200-3.2500

FOREIGN

The weekly average block price on the CME Group continued to decline and as a result, the wholesale prices for domestic foreign type cheese except for Swiss also declined. FAS reports imports of high tier and quota cheese for 2009 totaled 227.4 million pounds. Imports of quota cheese through December totaled 203.7 million pounds, 0.7% less than 2008 and 68.2% of the annual quota. Imports of high tier cheese for 2009 totaled 23.7 million pounds, down 20.8% from 2008. Imports of Swiss/Emmenthaler varieties for 2009 totaled 46.9 million pounds, 2.8% less than 2008. Norway and Finland, the two top sources, account for 68.7% of Swiss/Emmenthaler imports for 2009.

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

Process American 5# Loaf	:	1.8050-1.9850
Brick And/Or Muenster 5#	:	1.9325-2.1500
Cheddar 40# Block	:	1.9425-2.5650
Monterey Jack 10#	:	1.8875-2.5650
Blue 5#	:	2.2125-2.8700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7500-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.6400-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.2900	: 1.8800-3.3675*
Gorgonzola	: 3.6900-6.6900	: 2.3825-2.6425*
Parmesan (Italy)	: -0-	: 3.2875-3.7075*
Provolone (Italy)	: 3.4400-5.8900	: 1.9225-2.0800*
Romano (Cows Milk)	: -0-	: 3.0700-5.2125*
Sardo Romano (Argentina)	: 2.8500-3.6900	: -0-
Reggianito (Argentina)	: 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.

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

	BUTTER	CHEESE
01/18/10	7,240	: 123,565
01/01/10	6,171	: 123,119
CHANGE	1,069	: 446
% CHANGE	17	: 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	0	0	0	0	133
SOUTHEAST STATE	54	0	25	0	0	0

In the Northeast and Mid Atlantic regions, Class I demand remains strong with schools and most colleges and universities back in session. Class I pipelines have refilled with some supplies being pushed back. Some milk is being shipped out of region to meet Class I demand in the Southeast. Manufacturing milk supplies are generally adequate to somewhat tight. Bottlers requiring rBST free milk are faced with tight supplies. Milk production is steady with no noticeable increases in production noticed to date. In the Southeast and Florida, weather conditions have moderated and supplies are significantly better balanced than previous weeks. Milk production increases following seasonal trends have also been noted. With Class I demand leveling off; standardized cream is more readily available. Multiples continue in a wide range with higher multiples early in the week with discounted multiples for weekend delivery. Last Friday's sharp increase in the CME Group butter price resulted in higher cream prices. This prompted some Class II producers to slow production schedules to the level of contracted supplies. Condensed skim prices are steady and supplies are moving through contracts with limited spot market activity. According to (NASS), milk production for December 2009 in the 23 reported states totaled 14.6 billion pounds, down 0.8% from December, 2008. Milk production varied in the 5 listed states of the Eastern region, but as a region declined 0.25% or 6 million pounds. The 5 states showed the following percentage changes in milk production from December 2008 to December 2009 and total milk production this November: Florida, -2.2%, 175 million pounds; New York, -0.3%, 1,022 million pounds; Pennsylvania, +0.7%, 872 million pounds; Vermont, -2.4%, 207 million pounds; and Virginia, unchanged, 145 million pounds. Milk cow numbers for November 2009 declined in all 5 listed states of the Eastern region and the region declined by 38,000 head or 2.5% compared to the same period last year. Individual state decreases in cow numbers from November 2008 and cows remaining as of this November are: Florida, 6,000 decline, 112,000 remaining; New York, 15,000 decline, 610,000 remaining; Pennsylvania, 10,000 decline, 538,000 remaining; Vermont, 5,000 decline, 134,000 remaining; and Virginia, 2,000 decline, 95,000 remaining.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6123-1.8506
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6123-1.7385

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.30 - 1.37
NORTHEAST - CLASS III - SPOT PRICES	-	1.26 - 1.30

MIDWEST

Fluid demand was steady to occasionally lighter as the recent big fluid push has eased. Also, out of area shipments were down. Some adjustments to school account needs may occur as a freezing rain/sleet storm covered a few Midwestern states around midweek. Class II interest is flat at generally light levels. Churning remains seasonally active with light competition from other users. Manufacturing milk demand was steady to occasionally improved. Prices on a very light sample were steady to slightly higher but not enough to provide a range. Current plant milk intakes are steady to slightly higher. Many plants in the Central region are operating on heavier schedules than a year ago. Estimated December 2009 milk production in selected Midwestern states compared with December 2008 is: Wisconsin, 2.14 billion pounds, +88 million pounds (4.3%); Minnesota, 774 million pounds, +24 million pounds (3.2%); Texas, 738 million pounds, +1 million pounds (0.1%); Michigan, 671 million pounds, +16 million pounds (2.4%); and Iowa, 376 million pounds, +13 million

pounds (3.6%). Only Texas had fewer cows than in 2008; Iowa and Michigan are unchanged; and Wisconsin and Minnesota higher. After adjusting calendar year 2008 to remove the extra day, U.S. 2009 estimated milk production totaled 189.259 million pounds, down 210 million pounds (-0.1%) from 2008.

WEST

According to NASS, December *Milk Production* for the 23 surveyed states totals 14.6 billion pounds, down 0.8% from last year. Milk production has been below a year earlier for the last six months. Milk production for the U.S for 2009 is estimated to be 189.3 billion pounds, down 0.4% from last year on an unadjusted basis. December milk production for selected Western states is as follows: Arizona -10.9%, California -4.6%, Colorado -11.1%, Idaho +0.4%, New Mexico -3.2%, Oregon +1.1%, Utah -2.7%, and Washington +1.9%. Cow numbers in all of the Western surveyed states declined in December compared to last year. The Arizona herd is down 22,000 head, California -76,000, Colorado -14,000, Idaho -4,000, New Mexico -17,000, Oregon -1,000, Utah -2,000, and Washington -1,000. These 8 states are down 137,000 while the 23 surveyed states are down 206,000. CALIFORNIA is experiencing an onslaught of statewide storm systems that are generating moderate to heavy rainfall and high winds in localized areas. The impact on milk production is so far generally limited. Many dairies have covered facilities for dairy cows. Sporadic power outages and minor flooding are reported in press reports, but no information on direct impacts on dairies is noted. Closure of the Grapevine was affecting milk shipments into Southern California and lengthening delivery times. Milk production is steady to slightly higher and current levels are indicated to be closing the negative gap from year ago levels. Additional heifers are being brought into milk herds. Hay shipments to dairies have slowed with the rains. Processing plants are running well with only minor downtime for scheduled maintenance being noted. ARIZONA weather conditions are also wet and forecast to be worse towards the end of the week. Early reports are that the impact on the milking herds is light. Current milk intakes are increasing and narrowing the gap from a year ago as best that can be done with the loss of cow numbers. Fat and protein levels of the milk are increasing. Bottled milk interest is steady. NEW MEXICO milk production is trending higher. Weather conditions also could impact the milk flow in the state, but the time is too early to give an indication. Processing plant schedules are increasing slightly and capacity is available. Local fluid milk needs are steady, but a slightly lower trend is occurring for fluid milk for other regions. CREAM prices are moving higher and reflect higher multiples and butter prices used as basing points. Demand is seasonally fair for cream usage in higher class items. Some runs are higher for sour cream, cream cheese, dips, and the like, ahead of Super Bowl promotions. Ice cream demand is slowly redeveloping. Butter production is active and welcomed by processors who have demand and storage needs. The CME butter price moved sharply higher and closed Wednesday at \$1.49, up 12 cents from a week ago. Cream multiples are higher and range from 110-122 FOB and vary depending on class usage and basing points. PACIFIC NORTHWEST weather is typical of an El Nino pattern this month. Temperatures are slightly above normal for the New Year. Precipitation in the form of rain is causing some problems in dairy areas of Oregon. Muddy cow yards are impacting production at some dairies. Overall milk production in Oregon and Washington is slightly higher than last year. December production figures were 1-2% above year ago levels. Farmers are taking stock of feed supplies, as much of the top quality hay supplies are becoming scarce. Hay prices are lower than last year, but high quality forages are harder to find. Plants are handling available milk supplies with production levels adequate for contracted needs. UTAH AND IDAHO had mixed weather for the week. Rain was common in the area, although not heavy enough to cause interruptions for milk handlers. Milk production levels were off 2.7% in Utah for December compared to last year with Idaho slightly above last year. Feed supplies and costs continue to weigh on farmers as they try to gain profitability for the 2010 season. Break evens are much closer than last year. Heifer auctions in Idaho were mostly steady with an average price for the top 50 head at one auction at \$1330 per head. Milk processors are receiving sufficient supplies for immediate needs with some able to build inventories. Cream supplies are clearing to butter churns as they become available.

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: Prices on Central nonfat dry milk are mostly unchanged on a mixed market. Producers' offers to the spot market are generally carrying premiums to the market. Some bids at 15 to 20 cents below the market have been floated, but sales agreements reportedly have not been generated from those bids. Availability of resale loads of slightly older NDM at lower prices may be prompting some below market bids on current product as a "nothing to lose" situation for buyers, but Central producers' inventories are mostly comfortable and not dictating below market sales at this time. NDM production is steady to slightly higher for the week in some locations as Class I demand from outside the region subsided somewhat, allowing more farm milk to clear into manufacturing. Contract load shipping of low and medium heat NDM is active.

EAST: Prices for NDM are generally steady. Class I demand has leveled off and as a result manufacturing supplies have slightly increased. Most drying activity occurs on the weekend when manufacturing supplies are more readily available. Some manufacturers are increasing high heat NDM production schedules. Many traders remain out of the market awaiting a clearer picture of supply, demand and prices. Supplies are building with light spot market activity.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3250 - 1.4300 MOSTLY: 1.3600 - 1.3900
 HIGH HEAT: 1.3750 - 1.5250

NONFAT DRY MILK - WEST

Western price for low/medium heat nonfat dry milk continue to fluctuate and are more reflective of changes in market price indices than other market conditions. The market undertone is unsettled with some contacts indicating a softening market. Buying interest has slowed from both domestic and export accounts. Some additional demand is evident from ice cream and bakery accounts. Softness in the world powder markets is impacting U.S. demand. Some buyers remain uptight when they are holding extra product and they see prices fluctuate. Additional product in the resale market is also creating more competition and pricing there is being discounted to garner interest. Production is trending higher in most parts of the West, reflecting seasonal milk increases. Producers' stocks are building at many locations. High heat NDM prices are mixed, but trending lower off the top of the range in light trading. Some additional high heat is being produced to fill current and future orders. Dryer capacity is available to allow for high heat allocations. Stock levels are light to moderate and balanced to meet nearby needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2200 - 1.4000 MOSTLY: 1.3000 - 1.3700
 HIGH HEAT: 1.3400 - 1.4200

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are steady, although the market is developing a weaker undertone. Butter production is moving higher seasonally in the region as milk intakes and higher Class sales allow. Dry buttermilk production is also active as condensed buttermilk sales are steady to trending lower. Dry buttermilk inventories are building on a week to week basis, and various manufacturers look at this period as an opportunity to cover near and mid term contract needs.

EAST: Dry buttermilk prices are steady to weak in light spot market activity. Churning schedules and buttermilk production have increased as a result of increased cream supplies due to standardization. Supplies are moving through contracts with some increase in inventories. Spot trading remains light as many traders remain out of the market.

F.O.B. CENTRAL/EAST: 1.2300 - 1.4000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are lower and the market tone is unsettled to weaker. Producers' offerings have increased as more cream is being converted to butter. The demand side has slowed with buyers more cautious about making purchases in the short run, especially on a spot basis. The softening NDM markets and more available supplies of NDM are depleting the strength of crossover demand from protein buyers that have reached into the dry buttermilk market. Producers' stocks of dry buttermilk are light to moderate and are available from sources in the region.

F.O.B. WEST: 1.1000 - 1.3000 MOSTLY: 1.2000 - 1.2550

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to higher, and the market tone is mixed. Recent cash market prices on nonfat dry milk are trending lower, sending one signal to the dry whole milk market that prices could weaken. Conversely, the butterfat market has strengthened over the last week, indicating that the butterfat portion of dry whole milk could hold higher value. Dry whole milk production is intermittent at most locations. Spot load availability is generally tight, but spot market sales are reportedly more active this week, with some heightened interest from various buyers in negotiating contracts for near and mid term needs.

F.O.B. PRODUCING PLANT: 1.4000 - 1.6000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 15	\$1.3035	7,869,822	0
January 8	\$1.3333	6,722,823	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.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 18 - 22, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 01/15/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	1,510,672	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	1,510,672	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	132,276	142,030,187	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	142,030,187	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 18 - 22, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	26.4	90.0
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	64.2	1,653.4
CUMULATIVE JANUARY 1 - 22, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	39.0	319.9

* 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 18 - 22, 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-	1,510,672	-0-	-0-	132,276	142,030,187	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	1,510,672	-0-	-0-	132,276	142,030,187	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 01/02/10 & 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		
2010-Dairy	N.A.	0.5	5.0	2.5	14.0	2.2	0.2	N.A.	15.9	2.1	43.6	43.6	41.6	41.6
2009-Dairy	N.A.	0.5	6.0	2.9	13.7	4.8	0.4	N.A.	15.8	4.5	50.1	50.1	50.8	50.8
2010-All cows	N.A.	0.6	6.3	10.9	29.8	15.3	13.4	N.A.	18.1	6.6	104.9	104.9		
2009-All cows	N.A.	0.5	7.6	9.5	26.2	14.8	12.3	N.A.	16.5	7.7	98.7	98.7		

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

CANADIAN DAIRY BREEDING FEMALE IMPORTS

WEEK ENDING	WEEKLY TOTAL	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
JANUARY 9, 2010	295	393	

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98

FEDERAL MILK ORDER CLASS PRICES FOR 2010 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.03	14.84										
II												
III												
IV												

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered JANUARY 11 - 22, 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: Milk production throughout Europe remains seasonally low. Some signs of seasonal increases reported a few weeks ago have subsided as colder temperatures and winter weather patterns returned. In recent days, temperatures and conditions have improved, but no signs of recovery are being reported at this time. At the January 21st Dairy Management committee meeting, no significant changes have occurred to dairy related programs. Export refund remain at zero and the Commission continues to indicate that it is too early to start releasing butter and skim milk powder onto the market. Many within the industry are speculating that it will probably be after the upcoming spring milk flush before product is released. Traders and handler indicate that stocks are available for both domestic and international buyer interest. Prices for most manufactured dairy products, except whey, are trending lower. Many manufacturers and handlers would like to clear these stocks before the new milk production season resumes and additional offerings become available. At this point, sales, especially internationally, are slow, but buyer inquiry is starting to resume. Traders and handlers speculate that no significant sales will occur especially as prices decline. They feel that buyers have waited this long to re-enter the marketplace, waiting awhile long will probably be the case.

BUTTER/BUTTEROIL: European butter markets and prices are weak. Churning remains seasonally low as milk production is slow to increase. A recent cold snap throughout much of Europe will not help early milk production growth. At this point, European prices are higher than other international pricing, thus potential buyers may look to those lower priced sources for their needs. Traders and handlers state that stocks are available for buyer interest with most sales occurring around domestic markets.

82% BUTTERFAT: 3,975 - 4,325
99% BUTTERFAT: 4,300 - 4,600

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are weak. Prices continue to edge lower and are nearing the average price \$3,309, recorded at the most recent global/Dairy Trading event earlier in the month in New Zealand. European traders and handlers state that stocks are available for immediate shipment with additional stocks soon to be available as the 2010 milk production season resumes. Most feel that prices will need to decline further for European sourced whole milk powder to be internationally competitive.

26% BUTTERFAT: 3,400 - 3,550

SWEET WHEY POWDER: European whey powder markets and prices are firm. Whey stocks are available for domestic needs with prices often higher than international buyers are willing to pay. Cheese production over the holiday period of a few weeks ago was heavier, thus some additional whey was generated. As the New Year begins, cheese output has eased, but will soon increase as seasonal milk volumes build.

NONHYGROSCOPIC: 1,025 - 1,100

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are weak. Traders and handlers are questioning how low will prices have to go before buyers return to the market. Stocks are available for immediate shipment with stocks anticipated to become more available in the near future as a new milk production season gets under way. At the Management Committee meeting earlier in the month, it was stated that the Commission considers that it is too early to start releasing skim milk powder onto the market. The industry is speculating that it will probably be after the peak milk production period of the spring before stocks are released.

1.25% BUTTERFAT: 2,700 - 2,950

EASTERN OVERVIEW: Winter weather conditions in Eastern Europe continue, thus limiting any type of early start to the upcoming milk production season. Typically, Eastern European milk production does not show signs of increases until late February, thus dairy product manufacturers and handlers are stating that the upcoming season appears to not be any different at this time. Traders and handlers state that stocks are available for immediate clearance and many are hoping to clear these volumes before the new season resumes. At this point, sales activity remains slow.

Exchange rates for selected foreign currencies: January 18, 2010

.9740 Canadian Dollar	.0219 Indian Rupee
.2638 Argentina Peso	.7392 New Zealand Dollar
.0790 Mexican Peso	.9265 Australian Dollar
.3578 Polish Zloty	.0110 Japanese Yen
	1.4380 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0790) = 12.6582 Mexican Pesos. Source: "Wall Street Journal"

OCEANIA

OVERVIEW: Oceania milk production is on the down side of the season with some area declines quite noticeable. In New Zealand, an El Nino weather pattern is impacting areas of Central and further North on the North Island. Reports indicate that output in some of this area is down 15% from projections. Already in this area, a casein plant has been shuttered, six weeks earlier than usual. Elsewhere in New Zealand, milk output is being impacted by weather patterns, but not to the extent of Central and Northern areas. Milk producers and handlers indicate that rainfall is needed in the very near future to re-establish pasture growth. They state that this rainfall must occur for at least a week to impact depleted moisture levels. In Australia, weather patterns are also impacting dairy regions, but not to the extent of Northern New Zealand. Australian milk production figures for November were recently released which indicated that milk output for November was down 6.8% when compared to November 2008. On a cumulative year to date basis (July - November), milk output is trailing last year comparables by 5.4%. In Victoria, the major milk production region of Australia, November's production was down 10.0% with the Northern area of Victoria recording a 17.6% decline. Overall milk volumes are declining at a more gradual pace than their New Zealand counterparts. Manufacturing schedules are declining in both countries with stocks being generated for known needs. In most instances, stocks are adequate for ongoing and regular customers with basically no stock available for new or spot needs. Traders and handlers indicate that buyer interest is present, but no product is available to fill these inquiries from the Oceania region. Following the results of the most recent global/Dairy Trading event in New Zealand on February 2, many traders and handlers adjusted their near term prices to be in line with the auction averages. Supplies of whole milk powder appear to be tighter in Australia, as no Australian whole milk powder was available for the January auction. Anhydrous milkfat traded slightly higher in January following a skim decline in December. Also in the past few weeks, it was announced that skim milk powder will be traded at the March auction for the first time.

BUTTER: Oceania butter markets are unsettled with prices unchanged to generally lower. Milk production continues to decline in both New Zealand and Australia, thus churning schedules are also reflecting lower milk and cream volumes. Cream demand remains strong for most all cream based products with ice cream absorbing a good portion of available cream. Butter producers are realizing the competition for available cream and are making the best of a typical summer situation.

82% BUTTERFAT: 3,500 - 4,000

CHEDDAR CHEESE: The Oceania cheese market is generally steady with prices unchanged to slightly lower. Cheese traders and handlers state that sales negotiations for the balance of the season are now basically completed and that no significant surprises were uncovered. For the most part, regular and ongoing customer needs will be filled, although some traders state that if they had more supply, they would be able to sell it.

39% MAXIMUM MOISTURE: 3,800 - 4,500

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices are weak. Last week, it was announced that skim milk powder will be offered for the first time at the global/Dairy Trading event in March. Traders and handlers are very curious as to where the average price will settle at that time. At this point, weakness in the skim milk market is developing and further weakness is anticipated, especially as Europe and the U.S. come into their milk production seasons. Traders and handlers state that price adjustments are also being driven by currency fluctuations which often reflect a 5% (\$150) per MT adjustment.

1.25% BUTTERFAT: 2,800 - 3,100

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are weak with prices unchanged to lower. In many instances, prices have declined to be in line with the average price realized at the most recent global/Dairy Trading event earlier in the month. Some traders indicate that sales activity is also below the average of \$3,309 per MT, thus further weakness is anticipated at the next trading event. At the most recent trading event, only New Zealand sourced whole milk powder was available. No Australian sourced powder was offered.

26% BUTTERFAT: 3,100 - 3,400

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/07	01/08	01/11	01/12	01/13	01/14	01/15	01/18	01/19	01/20
CME - CLASS III MILK FUTURES (Pit-Traded)										
JAN 10	14.18 (3950) 9	14.33 (3785) 6	14.32 (3767) 0	14.32 (3770) 0	14.40 (3864) 0	14.35 (4302) 0	14.43 (4265) 0	NO TRADING	14.45 (4304) 0	14.45 (4316) 0
FEB 10	13.63 (4585) 10	13.83 (4560) 0	13.75 (4523) 0	13.65 (4486) 0	13.90 (4499) 14	13.92 (4333) 0	14.25 (4215) 2		14.39 (4110) 0	14.20 (4093) 5
MAR 10	14.09 (3342) 0	14.18 (3420) 0	14.14 (3449) 8	13.99 (3471) 0	14.30 (3456) 1	14.32 (3512) 0	14.62 (3584) 10		14.76 (3600) 5	14.50 (3578) 3
APR 10	14.34 (2460) 0	14.38 (2509) 10	14.33 (2521) 4	14.24 (2564) 0	14.50 (2576) 1	14.48 (2583) 0	14.75 (2544) 15		14.82 (2619) 7	14.58 (2697) 5
MAY 10	14.75 (2007) 0	14.83 (2047) 5	14.80 (2066) 0	14.67 (2083) 0	14.90 (2103) 4	14.88 (2088) 0	15.18 (2146) 14		15.18 (2133) 7	14.98 (2164) 3
JUN 10	15.31 (1640) 0	15.36 (1693) 5	15.33 (1684) 0	15.23 (1714) 0	15.42 (1737) 1	15.37 (1732) 0	15.65 (1801) 7		15.64 (1815) 2	15.41 (1848) 3
JUL 10	15.72 (1346) 0	15.71 (1387) 5	15.70 (1391) 0	15.65 (1459) 0	15.71 (1463) 2	15.70 (1469) 0	15.97 (1496) 2		15.97 (1530) 2	15.75 (1538) 3
AUG 10	15.83 (1330) 0	15.82 (1362) 5	15.82 (1364) 0	15.78 (1402) 0	15.88 (1453) 2	15.88 (1469) 0	16.15 (1507) 2		16.07 (1558) 2	15.85 (1573) 3
SEP 10	16.07 (1381) 0	16.05 (1389) 0	16.04 (1390) 0	16.01 (1423) 0	16.04 (1441) 2	16.04 (1442) 0	16.26 (1497) 2		16.12 (1518) 2	16.00 (1552) 3
CME - CLASS IV MILK FUTURES (Pit-Traded)										
MAY10						14.87 (30) 0	14.88 (30) 0	NO TRADING	14.88 (55) 0	14.88 (60) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JAN 10	133.00 (376) 3	133.00 (376) 0	133.50 (376) 0	133.50 (376) 3	133.50 (376) 0	134.00 (380) 4	137.53 (381) 12	NO TRADING	136.00 (381) 0	136.00 (379) 2
FEB 10	138.00 (391) 1	139.00 (386) 7	138.00 (387) 10	138.25 (388) 7	139.75 (389) 33	144.75 (386) 22	149.75 (385) 25		149.50 (385) 0	148.50 (388) 3
MAR 10	143.00 (463) 0	144.50 (454) 15	144.50 (440) 23	145.00 (442) 22	145.00 (442) 25	148.00 (437) 9	153.00 (432) 24		151.00 (433) 74	151.00 (435) 5
APR 10	144.28 (358) 0	146.00 (360) 5	145.00 (357) 15	145.50 (354) 3	147.00 (358) 5	150.00 (360) 5	155.00 (355) 21		154.00 (355) 1	153.95 (356) 3
MAY 10	147.75 (215) 0	147.75 (215) 0	147.75 (215) 3	147.75 (209) 6	148.50 (216) 7	153.50 (224) 14	157.10 (231) 9		154.50 (236) 5	154.78 (237) 2
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JAN 10	129.50 (46) 0	128.00 (46) 0	128.00 (46) 0	128.00 (46) 0	128.00 (46) 0	126.00 (46) 10	126.00 (64) 0	NO TRADING	126.00 (79) 15	126.00 (83) 0
FEB 10	128.50 (63) 0	127.00 (63) 0	126.00 (63) 0	126.00 (63) 0	125.50 (63) 0	125.50 (63) 10	123.50 (68) 0		122.75 (68) 0	120.50 (81) 0
MAR 10	127.75 (64) 0	126.00 (64) 0	125.00 (64) 0	124.00 (64) 0	123.00 (64) 0	122.00 (64) 10	122.00 (69) 0		122.00 (69) 0	120.00 (78) 0
APR 10	125.50 (55) 0	125.00 (55) 0	125.00 (55) 0	124.00 (55) 0	123.00 (55) 0	122.00 (55) 10	122.00 (65) 0		122.00 (65) 0	120.00 (73) 0
CME - WHEY (Electronic-Traded)										
JAN 10	37.75 (322) 2	38.50 (322) 13	38.50 (322) 0	38.50 (322) 0	38.25 (322) 6	38.25 (322) 7	38.50 (323) 3	NO TRADING	38.50 (323) 0	38.50 (323) 0
FEB 10	37.75 (296) 3	38.75 (301) 5	38.75 (301) 0	38.00 (301) 2	37.95 (301) 0	37.00 (304) 3	37.00 (309) 6		36.00 (309) 0	36.03 (310) 6
MAR 10	38.00 (223) 0	38.00 (220) 9	38.00 (220) 0	38.00 (218) 2	38.00 (218) 0	37.00 (230) 13	37.00 (230) 0		36.00 (230) 6	36.00 (235) 0
APR 10	38.25 (179) 2	37.73 (180) 1	37.73 (180) 0	37.00 (181) 2	36.75 (184) 3	36.35 (190) 6	35.75 (192) 2		35.75 (192) 0	35.75 (204) 17
MAY 10	37.25 (156) 7	36.25 (156) 1	36.25 (156) 0	36.00 (156) 0	36.00 (156) 0	35.00 (160) 4	34.50 (163) 3		33.73 (164) 2	34.00 (174) 6

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.

DECEMBER MILK PRODUCTION

Milk production in the 23 major States during December totaled 14.6 billion pounds, down 0.8 percent from December 2008. November revised production at 14.0 billion pounds, was down 0.8 percent from November 2008. The November revision represented an increase of 24 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,758 pounds for December, 29 pounds above December 2008.

The number of cows on farms in the 23 major States was 8.31 million head, 206,000 head less than December 2008, and unchanged from November 2009.

DECEMBER 2009 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2008	2009	2008	2009	2008	2009	% CHANGE FROM 2008
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	190	168	1,980	1,995	376	335	-10.9
CA	1,840	1,764	1,870	1,860	3,441	3,281	-4.6
CO	130	116	1,940	1,930	252	224	-11.1
FL	118	112	1,520	1,565	179	175	-2.2
ID	554	550	1,820	1,840	1,008	1,012	0.4
IL	102	101	1,580	1,600	161	162	0.6
IN	167	169	1,650	1,660	276	281	1.8
IA	215	215	1,690	1,750	363	376	3.6
KS	124	115	1,740	1,785	216	205	-5.1
MI	354	354	1,850	1,895	655	671	2.4
MN	467	469	1,605	1,650	750	774	3.2
MO	109	103	1,270	1,230	138	127	-8.0
NM	335	318	1,975	2,015	662	641	-3.2
NY	625	610	1,640	1,675	1,025	1,022	-0.3
OH	276	272	1,510	1,550	417	422	1.2
OR	115	114	1,590	1,625	183	185	1.1
PA	548	538	1,580	1,620	866	872	0.7
TX	430	411	1,715	1,795	737	738	0.1
UT	85	83	1,765	1,765	150	146	-2.7
VT	139	134	1,525	1,545	212	207	-2.4
VA	97	95	1,495	1,525	145	145	---
WA	244	243	1,900	1,945	464	473	1.9
WI	1,255	1,259	1,635	1,700	2,052	2,140	4.3
23 STATE TOTAL	8,519	8,313	1,729	1,758	14,728	14,614	-0.8

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (1-10), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, DECEMBER

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During December, about 10.2 billion pounds of milk were received from producers. This volume of milk is 10.1 percent higher than the December 2008 volume. In December 2008 and December 2009, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 4.0 billion pounds of producer milk were used in Class I products, 0.6 percent higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2009 as compared to 2008. The all-market average Class utilization percentages were: Class I = 39%, Class II = 11%, Class III = 40% and Class IV = 10%. The weighted average statistical uniform price was \$15.68 per cwt., \$1.04 higher than last month and \$0.73 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2009										
FEDERAL MILK ORDER MARKETING AREA ^{1/}	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE ^{2/}
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,912.1	-3.3	904.2	-1.1	47	18	23	12	16.11
Appalachian (Charlotte)	005	504.5	-3.5	363.1	0.4	72	13	6	9	16.99
Southeast (Atlanta)	007	615.8	1.5	413.0	2.1	67	10	17	6	17.23
Florida (Tampa)	006	254.4	-3.9	223.0	-0.3	88	8	^{3/}	4	18.99
Mideast (Cleveland)	033 ^{4/}	1,390.6	13.5	606.1	3.3	44	17	32	7	15.12
Upper Midwest (Chicago)	030 ^{4/}	2,698.6	16.4	391.4	-0.6	15	5	77	3	15.06
Central (Kansas City)	032 ^{4/}	971.3	4.6	381.5	1.4	39	13	32	16	14.96
Southwest (Dallas)	126	900.9	49.2	370.5	0.9	41	8	43	8	16.00
Arizona (Phoenix)	131	345.8	-3.6	123.4	2.3	36	8	28	28	15.50
Pacific Northwest (Seattle)	124 ^{4/}	618.6	30.9	200.7	-1.5	32	7	34	27	15.05
ALL MARKET AVERAGE OR TOTAL	^{4/}	10,212.7	10.1	3,976.8	0.6	39	11	40	10	15.68

^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{2/} Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

^{3/} Less than 0.5 percent.

^{4/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 450 million pounds of milk that normally would have been associated with these markets. In December 2008, the estimated not pooled volume of milk was 1.4 billion pounds, occurring in Order Nos. 033, 030, 032, 126, and 124. After adjusting for not-pooled milk, the year-to-year percent change is +0.2%.

THE DAIRY OUTLOOK

Milk Production Declines Again in 2010, While Demand—both Domestic and International—Improves, Leading to Higher Milk and Product Prices in 2010

USDA projects 2009/10 corn and soybean meal prices at \$3.40 to \$3.85 a bushel and \$265 to \$315 per ton, respectively. The moderation in forecast feed prices compared with the last 2 years helps boost the milk/feed price ratio and the profit outlook for U.S. dairy producers in the near future. The U.S. dairy herd continues a moderate contraction that is likely to continue throughout 2010. Herd size is forecast to average just below 9 million head this year, down from 9.2 million in 2009. Lower expected feed prices should help boost production per cow that is expected to increase by a relatively robust 1.9 percent this year. The milk-feed price ratio is not expected to reach 2.5, a range that typically signals a steady state in dairy cow numbers, until the end of 2010. While the worst of the economic contraction is over, many producers are not in a financial position to consider herd expansion at this time. After a year of culling, the lower average age of the dairy herd should also help boost output per cow, since it is younger, more productive cows that will remain. USDA projects 2010 milk production at 188.4 billion pounds, which would represent a further decline from the 2009 lower production.

Cheese prices are expected to strengthen throughout 2010 as economic recovery proceeds and milk supplies tighten. Cheese prices are expected to average \$1.570 to \$1.650 per pound in 2010, a rise from the \$1.2966 per pound average posted for 2009. USDA's December *Cold Storage* report for November 30, 2009 placed total cheese stocks at the end of November at 961,376 million pounds, 117 percent of year-earlier levels. Butter prices, like cheese prices, are expected to rise through 2010 and are forecast to average \$1.390 to \$1.500 per pound, well above the \$1.2096 average price for 2009. Butter stocks were 142,175 million pounds, 119 percent of November 2008's level. Lower expected milk production in 2010 should reduce both cheese and butter production this year compared with last year, helping to support prices and drawing down stocks.

Exports on a skims basis are forecast to rise to 25.5 million pounds and reach 4.8 billion pounds on a fats basis. Exports of nonfat dry milk (NDM) and skim milk powder (SMP) are expected to rise in 2010 to 660 million pounds, a recovery from 2009, but still below 2008. Cheese and cheese product exports are expected to rise in 2010 to about 245 million pounds, and butter and butter fat exports are expected to climb to 71 million pounds. Continued improvement in exports will be a significant factor in the price outlook, especially for skim milk powders. In addition, domestic use on both a fat and skim-solids basis is expected to rise just over 1 percent in 2010. Higher demand, both foreign and domestic, along with reduced production should tighten milk equivalent stock on both a fat and skim basis by year's end. Year-end stocks are expected to fall to 8.85 billion pounds from 11.1 billion pounds milk equivalent on a fat basis. On a skim basis, ending stocks are projected to tighten to 9.5 billion pounds from 11.0 billion at the end of 2009.

The strengthening in dairy product prices translates into higher prices for milk in all classes in 2010 compared with 2009. The Class IV price is forecast at \$14.75 to \$15.60, substantially above 2009's average of \$10.89. The Class III price is expected to rise to \$14.75 to \$15.55, up from 2009's \$11.36 average. The all milk price is forecast to average \$16.20 to \$17.00, up from \$12.79 in 2009.

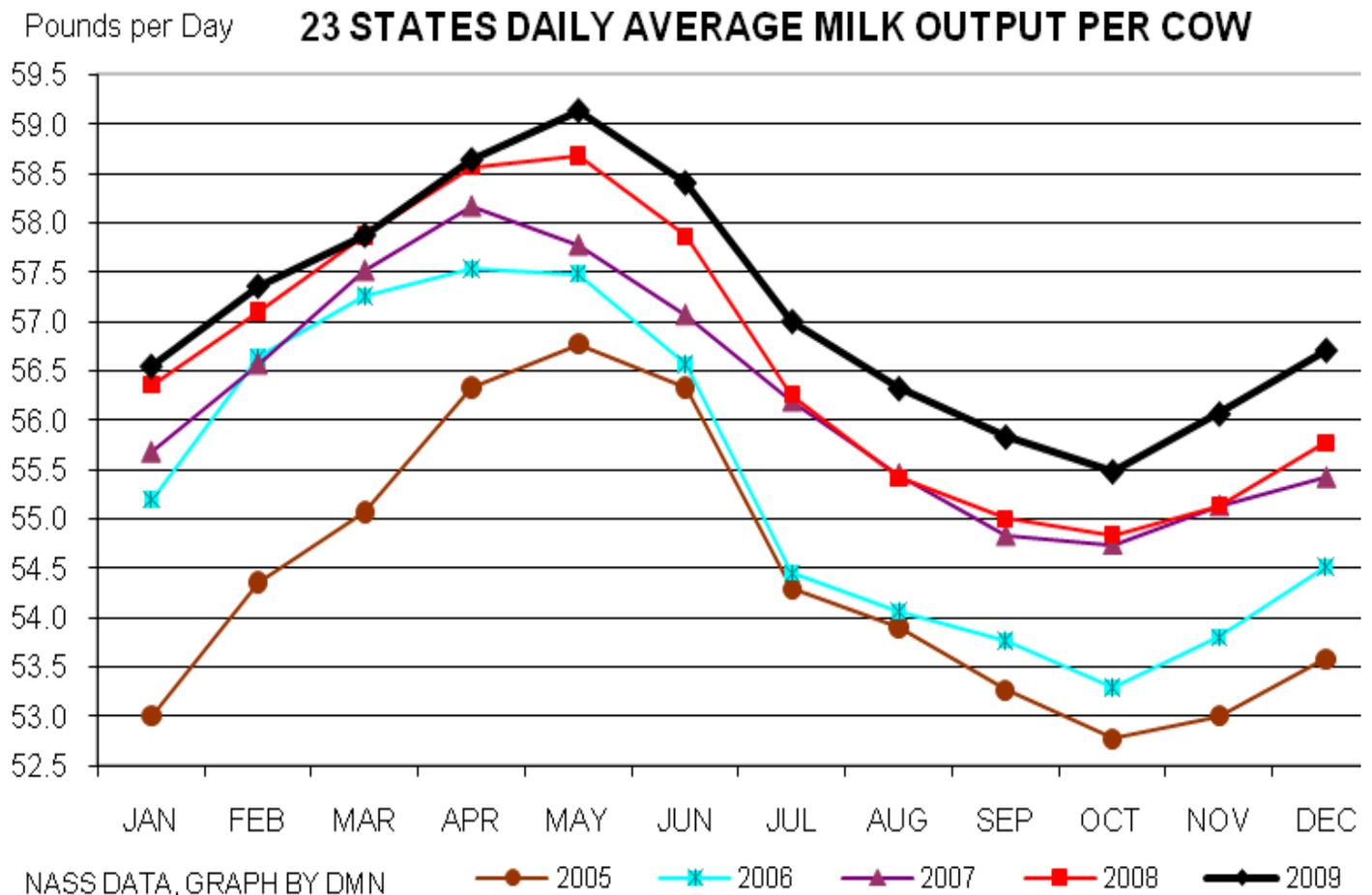
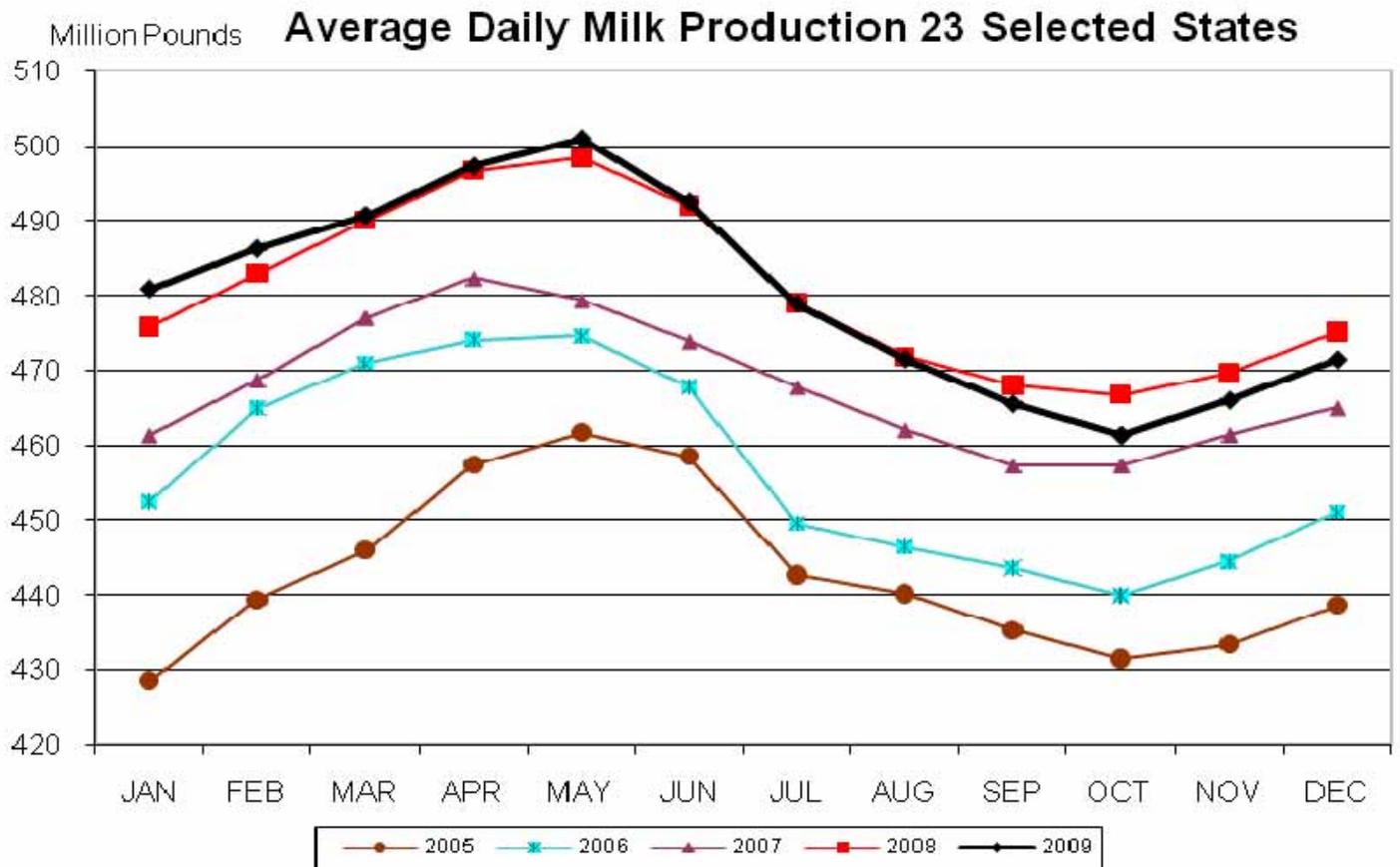
SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-187, January 20, 2010, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

Class I Base Price. Under the Federal milk order pricing system, the Class I base price for February 2010 is \$14.84 per cwt. This price is derived from the Class IV skim milk pricing factor of \$10.27 and the advanced butterfat pricing factor of \$1.4090. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to January 2010, the Class I base price decreased \$0.19 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$0.14 per cwt., -\$0.012 per gallon; reduced fat milk (2%), \$0.08 per cwt., \$0.007 per gallon; fat-free (skim milk), \$0.36 per cwt., \$0.031 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$10.27. Thus, the Class II skim milk price for February is \$10.97 per cwt., and the Class II nonfat solids price is \$1.2189. **Product Price Averages.** The two-week product price averages for February are: butter \$1.3350, nonfat dry milk \$1.3201, cheese \$1.5578, and dry whey \$0.3893.

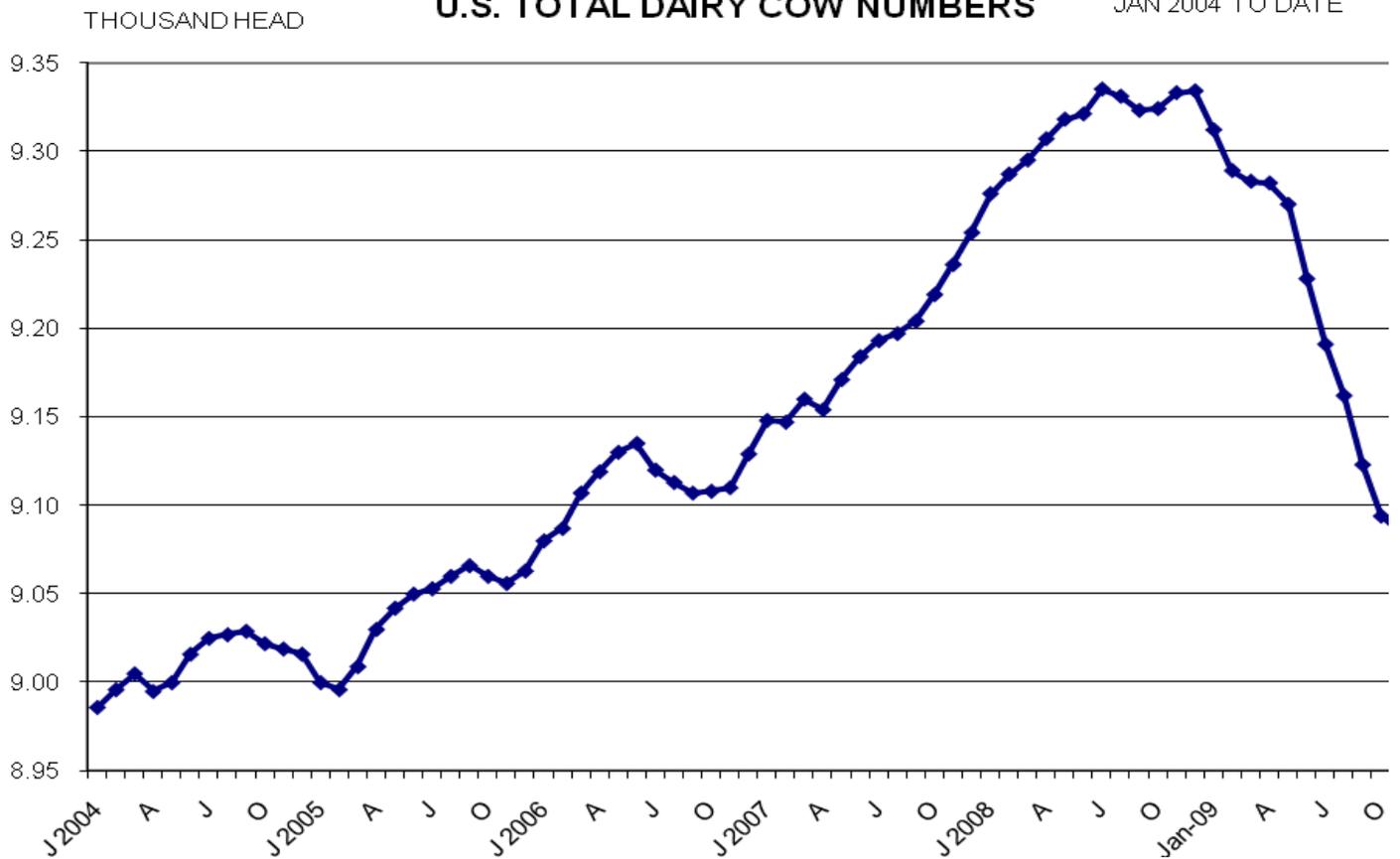
FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/}				
February 2010				
Federal Milk Order Marketing Area ^{3/}	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	18.09	13.52	1.4415
Appalachian (Charlotte) ^{5/ 6/}	005	18.24	13.67	1.4430
Southeast (Atlanta) ^{6/ 7/}	007	18.64	14.07	1.4470
Florida (Tampa) ^{6/ 8/}	006	20.24	15.67	1.4630
Mideast (Cleveland) ^{9/}	033	16.84	12.27	1.4290
Upper Midwest (Chicago) ^{10/}	030	16.64	12.07	1.4270
Central (Kansas City) ^{11/}	032	16.84	12.27	1.4290
Southwest (Dallas) ^{12/}	126	17.84	13.27	1.4390
Arizona (Phoenix)	131	17.19	12.62	1.4325
Pacific Northwest (Seattle) ^{13/}	124	16.74	12.17	1.4280
All-Market Average		17.73	13.16	1.4379

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. ^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. ^{7/} Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. ^{8/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. ^{9/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. ^{10/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. ^{11/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. ^{12/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. ^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

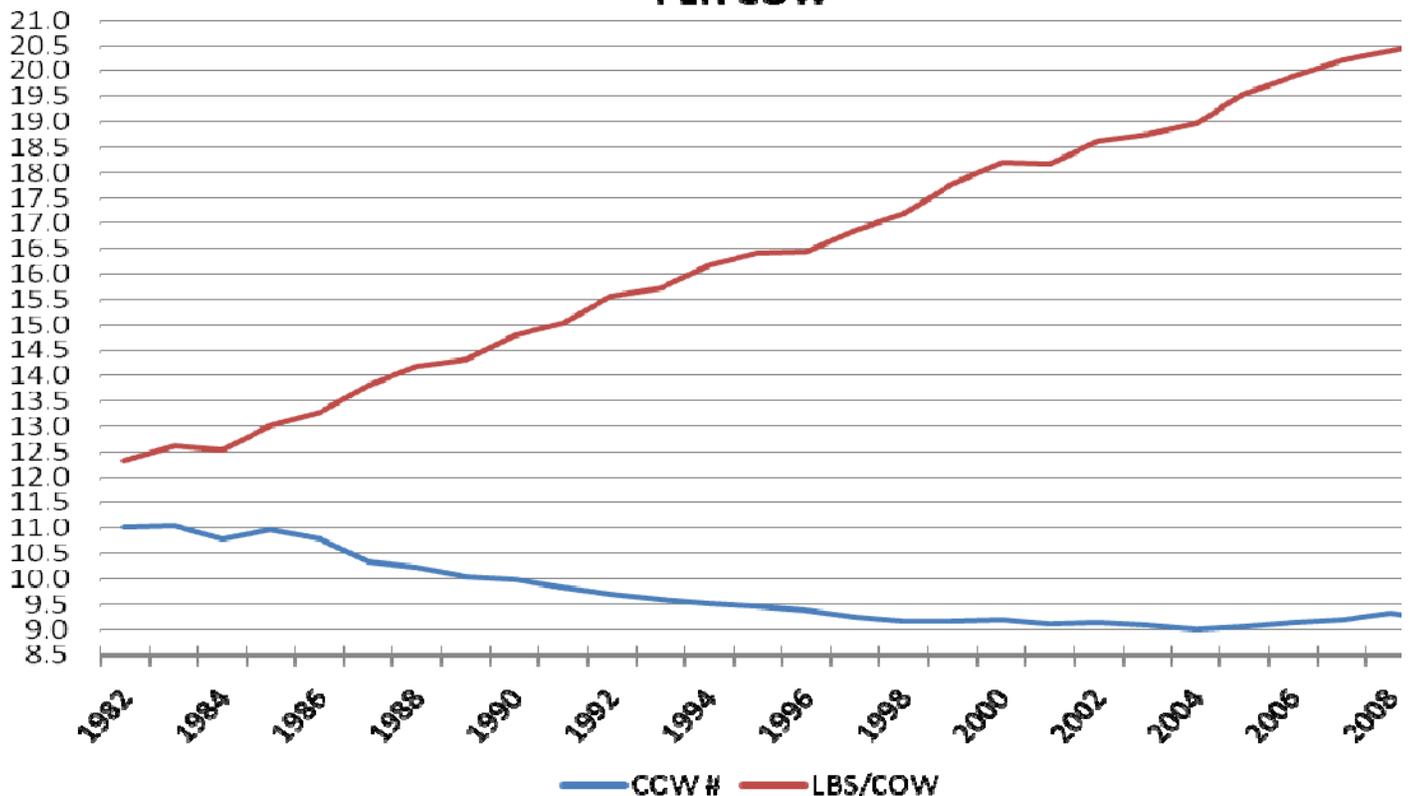


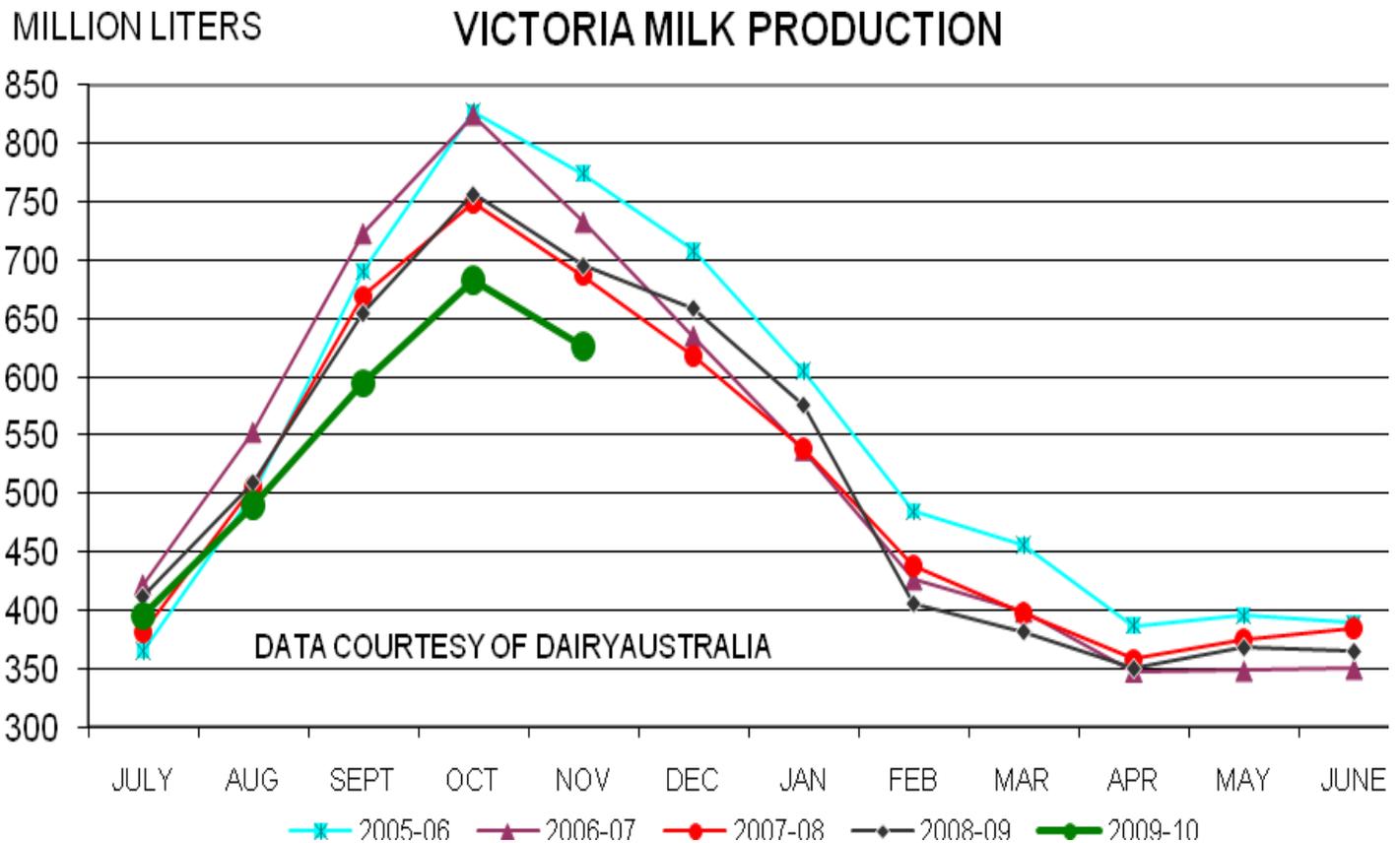
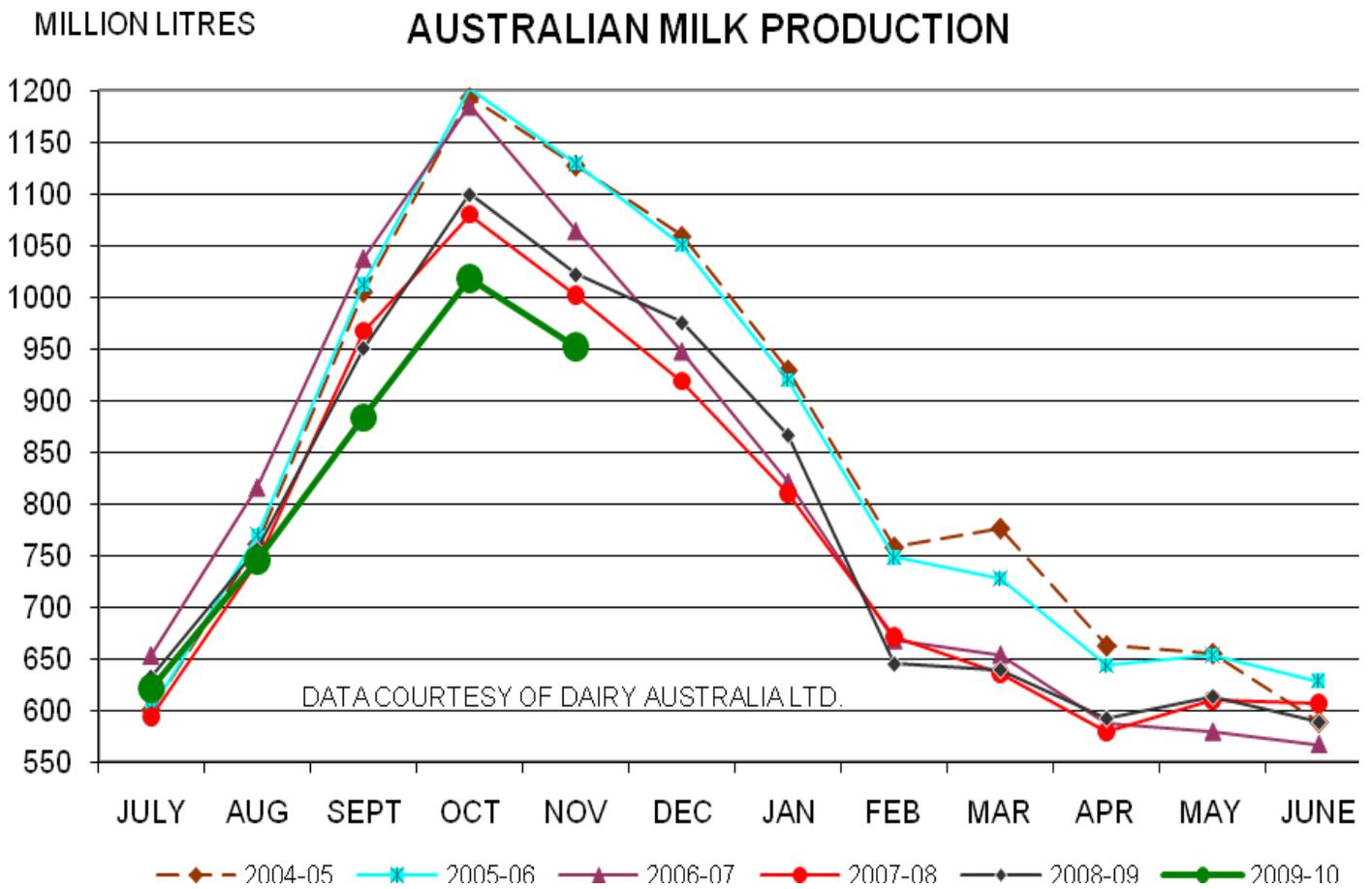
U.S. TOTAL DAIRY COW NUMBERS

JAN 2004 TO DATE



HISTORICAL ANNUAL MILK COW NUMBERS AND PRODUCTION PER COW





DAIRY MARKET NEWS

GENERAL NUMBER

Elizabeth Frederick
(608) 250-3200
Elizabeth.Frederick@AMS.USDA.GOV

VOLUME: 77

REPORT: 03

DATE: 01/22/2010

NORTHEAST/SOUTHEAST

Rick Whipp
(608) 250-3201
Rick.Whipp@AMS.USDA.GOV

INTERNATIONAL

Steven Schneeberger
(608) 250-3204
Steven.Schneeberger@AMS.USDA.GOV

CENTRAL

George Koerner
(608) 250-3205
George.Koerner@AMS.USDA.GOV

ORGANIC

Eric Graf
(608) 250-3203
Eric.Graf@AMS.USDA.GOV

Janet Linder
(608) 250-3207
Janet.Linder@AMS.USDA.GOV

INTERNET ADDRESS

www.ams.usda.gov/DairyMarketNews

SOUTHWEST

Lester "Butch" Speth
(608) 250-3202
Butch.Speth@AMS.USDA.GOV

MARKET NEWS PORTAL

www.marketnews.usda.gov

NORTHWEST/MOUNTAIN

Bob Hunter
(608) 250-3217
Robert.Hunter@AMS.USDA.GOV

RECORDED INFORMATION SYSTEM

(608) 250-3208

NATIONAL SUPERVISOR

Donald Nelson
National Supervisor
(608) 250-3206
DonaldO.Nelson@AMS.USDA.GOV

FAX

(608) 250-3216

USDA, Dairy Market News
122 E Olin Ave Ste 290
Madison, WI 53713-1475