

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (01/29):**

BUTTER: Grade AA closed at \$1.3300. The weekly average for Grade AA is \$1.3790 (-.1054).

CHEESE: Barrels closed at \$1.5050 and 40# blocks at \$1.5150. The weekly average for barrels is \$1.5070 (+.0157) and blocks, \$1.5130 (+.0467).

BUTTER HIGHLIGHTS: The CME cash butter price continued to steadily decline for most of the week and closed the week at \$1.3300. The 13 3/4 cent decline this week, coupled with the 5 3/4 cent decline last week, contrasts with the 18 cent increase two weeks ago. Churning activity across the country remains seasonally active as available cream offerings are often keeping butter operations at desired levels. As the cash price declines, buyer interest has slowed. In many instances, buyers are procuring for very short term needs with longer term purchases being put on hold at this time. Buyers are waiting until the current trend stabilizes. Butter stocks are readily available and currently are entering inventory programs at a faster pace than in recent weeks. Many butter producers and handlers are OK with this, as many feel that butterfat and butter will be less available during the second half of the year.

CHEESE HIGHLIGHTS: CME Group cash market prices were steady to higher and the barrel/block spread returned to a normal, though narrow 1 cent. Current orders are steady to occasionally slower. Finished product buyers entered 2010 with inventories often above last January, so refilling the finished product pipeline does not need as much cheese. Natural interest generally remains stronger than process. Cheese promotions geared to the Super Bowl have been minimal thus far. Bulk orders are being filled under normal lead times as plants have adequate milk supplies or can purchase additional with minimal difficulty.

FLUID MILK: Milk production across the country is generally steady with recent weeks. Weather conditions, from cold temperatures in the Upper Midwest to wet and soggy conditions in the Southeast, are some factors that are currently impacting production patterns. In the Southern part of the country from Florida across Texas, into Arizona and Southern California, signs of seasonal increases are being reported. Some of these increases are being noted due to more milk clearing to other class usages versus Class I. Producers are seeing higher output due to increasing milk prices, better feed costs, and the addition of fresh heifers and cows into the milk herd. Further north, milk production remains at seasonally low levels, although signs of increases are developing. Cream markets are weaker and unsettled.

Pricing multiples are holding in the 110 – 120 range and vary depending on class usage and basing points. Currently, cream buyers are cautious with their purchases as the CME cash butter price weakens which is often used as the basis for cream pricing.

DRY PRODUCTS: Nonfat dry milk markets are weak with prices lower to sharply lower. The most significant correction to the market was brought on by some large sales volumes at reduced pricing in the Western part of the country. The impact moved beyond those sales to other transactions as market prices gravitated lower. As prices trend lower, buyer interest has slowed. Buyers indicate that their intentions are to allow the NDM market to settle down before making additional spot load purchases. Dry buttermilk markets are weak with prices lower. With the recent price adjustments in the NDM market, spot buttermilk market activity is lackluster as market participants are awaiting improved buying opportunities in the near term. Dry whey prices are mostly steady, but the market undertone is mixed. Inventories are variable with manufacturers and are opting for production of specialty type products versus commodity type whey to keep inventories of dry whey at comfortable levels. Lactose prices are both higher and lower on a transitional market. Some producers report interest for both contract and spot loads is above current plant capacities and shipping delays are occurring.

ORGANIC DAIRY MARKET OVERVIEW (AMS): The year opened with a continuing increase in the percentage of organic dairy content in supermarket newspaper ads. Organic dairy content this period surpassed the last reporting period, which had surpassed any of the reporting periods in 2009, dating to early October when this survey series began. During the second period, organic dairy ads were included in 48.7% of 9,124 surveyed supermarket ads appearing in newspapers throughout the United States. However, this lags non-organic dairy which appeared in nearly 100% of surveyed ads this period. Also for the first time in this series, three of the six regions of the United States topped 50% of ads having organic dairy content. The Southwest dominated all regions in the percentage of ads for the second consecutive period, with 72.3% organic dairy content. Second was the Northeast with 63.1% organic content, closely followed by the Northwest with 59.1%. Some organic dairy processors report sales results for the opening of 2010 as being better than for the opening of 2009.

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**CME GROUP
CASH TRADING**

PRODUCT	MONDAY JANUARY 25	TUESDAY JANUARY 26	WEDNESDAY JANUARY 27	THURSDAY JANUARY 28	FRIDAY JANUARY 29	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5150 (+.0100)	\$1.5050 (-.0100)	\$1.5050 (N.C.)	\$1.5050 (N.C.)	\$1.5050 (N.C.)	(N.C.)	\$1.5070 (+.0157)
40# BLOCKS	\$1.5050 (+.0250)	\$1.5150 (+.0100)	\$1.5150 (N.C.)	\$1.5150 (N.C.)	\$1.5150 (N.C.)	(+.0350)	\$1.5130 (+.0467)
BUTTER GRADE AA	\$1.4350 (-.0325)	\$1.4200 (-.0150)	\$1.3800 (-.0400)	\$1.3300 (-.0500)	\$1.3300 (N.C.)	(-.1375)	\$1.3790 (-.1054)

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

Organic milk sales from a national perspective are described as "strong" related to expectations by some processors. Sales of organic milk and dairy products are believed to be driven not only by absolute price, but also by the price of non-organic milk and dairy products. A smaller gap is more likely to encourage higher organic dairy sales. The overall national gap is perceived by some organic processors as having narrowed, which helped organic dairy sales. Although most organic milk above single serving size is sold in half gallons and gallons, more placements of organic milk quarts have appeared in recent weeks.

COLDSTORAGE (NASS): On December 31, U.S. cold storage holdings of butter totaled 133.7 million pounds, 6% lower than a month ago, but 12% higher than December 2008. Natural American cheese holdings totaled 586.8 million pounds, 1% more than November and 9% higher than a year ago. Total cheese stocks were 966.9 million pounds, 1% more than last month and 13% higher than last December.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first eleven months of 2009 totals 174.2 billion pounds, 1.3% below the same period in 2008. Comparing disappearance levels with year earlier levels: butter is -8.6%; American cheese, +3.1%; other cheese, +1.4%; NDM, -3.8; and fluid milk products, +1.2%.

CONSUMER PRICE INDEX (BLS): The December CPI for all food is 217.6, down 0.5% from December 2008. The dairy products index is 194.8, down 7.6% from a year ago. The following are the December to December changes for selected products: fresh whole milk is -12.8%; cheese, -9.3%; and butter, -11.5%.

FEBRUARY ANNOUNCED COOPERATIVE CLASS PRICES (AMS): For February 2010, the all-city average announced cooperative Class I price was \$20.01 per cwt., \$2.53 higher than the Federal milk order (FMO) Class I price average for these cities. The February cooperative Class I price was \$0.16 lower than the revised January price, while the Federal order Class I price was \$0.19 lower. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ. to \$3.89 in Miami, FL. For February 2009, the all-city average announced cooperative Class I price was \$15.88, \$2.53 higher than the Federal order Class I price average for these cities.

CME GROUP

MONDAY, JANUARY 25, 2010

CHEESE — SALES: 7 CARS BARRELS: 1 @ \$1.5050, 4 @ \$1.5200, 2 @ \$1.5150; 2 CARS 40# BLOCKS: 1 @ \$1.4950, 1 @ \$1.5050; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5050; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.2500; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2000; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4350

TUESDAY, JANUARY 26, 2010

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.5150, 1 @ \$1.5100, 1 @ \$1.5050; 1 CAR 40# BLOCKS @ \$1.5150; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5150; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2400; 1 CAR GRADE A @ \$1.2200
 BUTTER — SALES: 3 CARS GRADE AA: 2 @ \$1.4300, 1 @ \$1.4250; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4200

WEDNESDAY, JANUARY 27, 2010

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.5150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5050; 1 CAR 40# BLOCKS @ \$1.5150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2000
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.4000, 2 @ \$1.3975, 1 @ \$1.3875; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.3800

THURSDAY, JANUARY 28, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5050; 1 CAR 40# BLOCKS @ \$1.5150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1900
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.3500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3200; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.3300

FRIDAY, JANUARY 29, 2010

CHEESE — SALES: 4 CARS 40# BLOCKS @ \$1.5150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 5 CARS GRADE AA: 2 @ \$1.3300, 2 @ \$1.3250, 1 @ \$1.3300; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3250; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.3500

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$1.2400 and Grade A at \$1.1900. The last price change for Extra Grade was on 01/26/10 and Grade A was on 1/28/10. The weekly average for Extra Grade is \$1.2520 (-.0480) and Grade A is \$1.2100 (-.0900).

BUTTER MARKETS

DECEMBER BUTTER COLD STORAGE

As of December 31, 2009, U.S. holdings of butter totaled 133.7 million pounds, 12% higher than last December but 6% lower than last month.

NORTHEAST

CME Group butter trading through this Tuesday kept prices moving down, continuing the trend of last week. The 4 3/4 cent decline through this Tuesday, coupled with the 5 3/4 cent decline for last week, contrasts with the 18 cent increase the week before. Opinions in some quarters concerning this sudden atypical price volatility, reference efforts to quickly acquire butter for an unexpected export opportunity, rather than domestic transactions, as driving the price spike and the resulting return toward previously prevailing price levels. Churning remains seasonally active. Some plants with cream contract sales obligations have also sold occasional loads of cream on spot markets, but spot activity has been limited. The latest NASS Cold Storage report released Friday afternoon, shows butter in storage in all warehouses on December 31 totals 133.7 million pounds, 9 million pounds (6%) less than the prior month stocks but 12% more than December 2008 stocks. 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

The CME cash butter prices continues to decline on a steady pace and closed at \$1.3800 at midweek. This cash price has declined 14 1/2 cents in daily trading over the past 7 trading sessions. Manufacturers and handlers were surprised at the sharp increase two weeks ago, but now are wondering when the slide will stop. Many handlers felt the \$1.5250 of two weeks ago was too high for this time of the season. Some feel that the cash price will remain higher than is typical for this time of the year, but now question what will that price be. There appears to be international buyer interest for butter. Internationally, butter prices are also on the decline, thus some international buyers are cautious to finalize U.S. deals. Domestically, butter orders have slowed as buyers also wait and see where prices will settle. For many, current orders are being placed for near term needs, while

others continue to procure for the future. Some of these buyers that are procuring for future needs are speculating that butter fat will be tight this fall, thus they are procuring at this time for use then. Some are even speculating that butter stocks will be limited to the point that imports will once again be more active than quota volumes. 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 \$1.3800, down \$.0875 for the week. Prices have gone lower for the last seven consecutive sessions. Sales of butter at the exchange have been at moderate levels with seven loads sold this week. The weekly average for last week's butter at the CME was \$1.4844, which compares to \$1.0625 for the same week a year ago. Cream multiples are steady and extra supplies, when available, are easily cleared. Churns continue to run on heavy schedules. Contract butter sales are moving product steadily. Surplus butter is being placed in inventory for future use. Export interest continues, but is limited in sales. Buyers are cautious as prices are showing weakness. Spot offerings of butter domestically have increased. End users are following the price break and waiting to purchase needs at favorable prices. According to NASS, *Cold Storage* stocks of butter at the end of December, total 133.7 million pounds, up 12% or 14.7 million pounds from 2008. Stocks declined 6% or 9 million pounds from November 2009, following typical seasonal trends. According to the CME Group, weekly butter stocks increased by 3.6 million pounds last week to stand at 51.3 million pounds. Butter inventories continue to build on a weekly basis. This total compares to 66.3 million pounds in 2009 and 94.3 million pounds in the comparable week in 2008. According to the ERS *Commercial Disappearance* report, butter disappearance for the first eleven months of the year totals 1,406.1 million pounds, down 8.6% from last year on a daily average basis. The actual decline in pounds of butter on a year to year basis totals 136.3 million pounds. Prices for bulk butter range from 1 to 5 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 23	1,4644	1,4769	1,0917	1,3854	0,3866
	12,769,741	9,297,098	36,378,056	6,124,797	11,898,023

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

CME Group trading opening this week moved blocks over barrels, with blocks up 3 1/2 cents by Tuesday to \$1.5150 and barrels at \$1.5050. This ended the inversion that began January 6. A positive weekly change for blocks and barrels last week moved wholesale prices higher for cheddar, process and muenster. Ricotta and provolone production and demand are lower. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of December 31, 2009 total 967 million pounds, 1% above one month ago and 13% higher than one year ago. A majority of the holdings are in the form of American cheese (60.7%) totaling 586.8 million pounds, 1% above one month ago and 9% higher than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.8%) totaling 355.6 million pounds, unchanged from one month ago, but 22% higher than one year ago. Swiss cheese accounts for 2.5% of holdings at 24.5 million pounds, 1% more than one month ago and 9% more than one year ago.

Prices on 40 lb. Blocks at the CME Group on Wednesday were unchanged at \$1.5150. Barrel prices were also unchanged at \$1.5050. Tuesday, Barrels decreased 1 cent and Blocks increased 1 cent, reversing the Blocks over Barrels spread. That unusual inverse relationship had lasted 13 trading sessions. Last week's weekly average price for Barrels at \$1.4913 compared to last year's average of \$1.0975 for the same week. Blocks had a weekly average last week of \$1.4663 compared to \$1.0700 for the same week last year. Cheese prices continue to advance. Most plants are operating at full schedules. Product has been moving well in anticipation of Super Bowl weekend. Buyers are showing some hesitancy to forward purchase at current price levels, as other dairy products are showing price weakness. Stocks of cheese are adequate to fulfill contract needs. Some surplus cheese is being offered on the spot market. Limited export sales above contract needs are also reported. According to NASS, *Cold Storage* stocks of cheese (total) at the end of December are 966.9 million pounds, up 13% or 115 million pounds from last year. American stocks were up 9%, while Other Natural stocks were up 22%. Swiss stocks at the end of December total 24.5 million pounds, up 9% from last year. ERS reports that *Commercial Disappearance* of American cheese for the first eleven months of the year totaled 3.81 billion pounds, 103.5 million pounds or 3.1% more than the same period last year on a daily average basis. Disappearance of cheese in the Other category totals 5.63 billion pounds, 61.9 million pounds more or 1.4% higher than last year.

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

Cheddar 40# Block	:	1.7925-2.0675
Process 5# Sliced	:	1.5850-1.8950
Muenster	:	1.8125-2.0100
Grade A Swiss Cuts 10 - 14#	:	3.2725-3.5950

MIDWEST

The cheese market is a bit unsettled. Many traders are surprised by recent price increases other than to change to a narrow but non-inverted (normal) barrel/block price spread. A quality issue caused some buyer(s) to look for some replacement loads of jack cheese but, otherwise with normal lead times, product is available. Current orders are generally steady to occasionally lighter. Some buyers are trying to cut back on their contracted volume for the short term. Many of the buyers trying to beat recent price increases have gotten their anticipated short term needs covered. Aged cheddar interest is fairly light though much of the 2009 produced cheese has been picked through. Interest in rebuilding stocks in aging programs is light to fair for uncommitted volumes. Process interest is steady to improved where extra promotions, including food service, are underway. Cheese production in the upper Midwest remains seasonally heavy as milk volumes remain above year ago levels in many states.

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

Process 5# Loaf	:	1.6175-1.8750
Cheddar 40# Block	:	1.5975-1.9500
Cheddar 10# Cuts	:	1.7775-1.9975
Monterey Jack 10#	:	1.7875-1.9475
Grade A Swiss Cuts 6 - 9#	:	2.8200-3.2500

FOREIGN

Last week's increase in the weekly average for blocks moved wholesale prices for domestic foreign type cheese higher, except for Swiss which remained unchanged. Cumulative exports during the first 10 months of 2009 of cheese manufactured in Italy compared with the same period in 2008, increased for mozzarella, ricotta, mascarpone and grana, but declined for gorgonzola, provolone, asiago, pecorino, fiore sardo and grated cheese. Price uniformly declined with the exception of pecorino and fiore sardo.

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

Process American 5# Loaf	:	1.8525-2.0325
Brick And/Or Muenster 5#	:	1.9750-2.1500
Cheddar 40# Block	:	1.9800-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.2650-2.8700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8100-2.6650
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	: 1.9325-3.4200*
Gorgonzola	: 3.6900-6.6900	: 2.4350-2.6950*
Parmesan (Italy)	: -0-	: 3.3400-3.7600*
Provolone (Italy)	: 3.4400-5.8900	: 1.9750-2.1325*
Romano (Cows Milk)	: -0-	: 3.1225-5.2650*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (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.

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

	BUTTER	:	CHEESE
01/25/10	7,586	:	123,367
01/01/10	6,171	:	123,119
CHANGE	1,415	:	248
% CHANGE	23	:	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	27	0	0	0	174
SOUTHEAST STATE	0	0	54	0	0	89

Class I demand has slightly declined in the Northeast this week. Milk production remains "flat", which has resulted in steady to slightly increased drying. Significant rain in the Mid Atlantic Region stretching into the South as far as Florida last week, has left soggy conditions. Some processors in the Mid-Atlantic region have begun to report very slight and isolated, but distinct, early indications of seasonally increased milk production. Reduced Class I demand this week has resulted in reduced shipments of milk from the Mid Atlantic region to Florida. This has increased Mid Atlantic drying and churning. In contrast, market dynamics in the Southeast are quite different. Anticipation of a new Winter storm forming in Oklahoma and Arkansas, expected to move toward the Carolinas then toward Tennessee, is reversing softer Class I sales last week. Storms of this nature in the region tend to precipitate heavier retail milk sales as consumers prepare. Some plants have already increased orders for fluid milk. Commenting that "this is not our first rodeo", orders have also been placed to move milk from Texas toward Tennessee, due to the 2 day lead time required, anticipating the tendency of some other retail customers to significantly increase milk orders at the last minute when a storm nears. Florida increased shipments out this week, in part due to softer Class I demand. Condensed skim prices are steady and supplies are moving through contracts with limited spot market activity. The increase in the CME Group butter weekly average price again last week, followed by price declines early this week, have caused some plants to slow churning not necessary for orders and monitor how this week closes.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7071-1.9594
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7516-1.8555

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

Many bottlers in the region are having a good sales week, adding a number of extra loads from handlers to fill orders. Some upper Midwest milk is being shipped to bottler(s) in Kentucky to supplement local supplies and ahead of an expected winter storm in their delivery area. Cream interest is steady though ice cream demand remains seasonally light. Orders for dips and sour cream have been stronger the past couple of weeks, likely tied to playoffs and likely still solid next week in preparation for Super Bowl parties. Butter prices on the CME Group cash market have been trending lower since peaking at \$1.5250 on January 15. Churning remains active as producers and buyers try to build bulk butter inventory for later year use. Ice cream interest may improve using a lower butter price average to build some off-season inventory of regular products. Cheese milk interest is spotty but improved with recent price increases. Again, not enough prices to provide a range though little change was noted. Current milk intakes are steady to slightly higher seasonally with one operation calling their recent trend a "January flush". A couple of large operations recently received DNR/legal approvals and are in the expansion mode, which

should generate additional milk volumes. The recent January thaw is over and temperatures overnight are single digits positive or less in upper tier states. Some exposed winter wheat greened up during the thaw, providing at least a few deer with "fresh pasture."

WEST

Milk December 2009 POOL RECEIPTS of milk in CALIFORNIA total 3.03 billion pounds, 7.8% lower than a year earlier - the smallest decline since June. The December blend price, at a fat test of 3.79%, is \$15.52, \$1.43 higher than November and \$2.21 more than December 2008. The percentage of receipts used in Class 1 products was 16.91%. The December quota price is \$16.17 and the over quota price is \$14.47. These prices are \$1.34 higher than November and \$2.06 more than a year earlier. Calendar year 2009 cumulative pool receipts, at 36.4 billion pounds, were 7.9% below (unadjusted) calendar year 2008. Preliminary NASS milk production estimates for California for 2009 were 4.1% lower (unadjusted) compared to 2008. (NOTE: Decisions whether to/not to pool milk affect receipts and comparisons reported.) CALIFORNIA milk production was not impacted to any great extent by recent wet weather conditions. There were some areas that milk growth stagnated for a couple days, but that was about the degree. Processing plants in the state are seeing increased milk intakes, attributed to seasonal increases, better feeding, and fresh heifers entering the herds. Fat and protein levels are also moving seasonally higher. ARIZONA milk output is building and narrowing the output gap when compared to a year ago. Recent monthly production reports had been over 10% lower than year ago figures. Producers are seeing higher output with moderate weather conditions (despite recent rains), increasing milk prices, better feed costs, and the addition of fresh heifers and cows into the milk herds. Seasonal milk production trends are being seen with milk and components increasing. Bottled milk interest is steady. NEW MEXICO milk production is steady to trending seasonally higher. Processing plants are running well and taking expected milk intakes. CREAM markets are weaker and unsettled. Declining base prices are lowering cream values to levels of two weeks ago. Cream buyer interest is slow to fair for higher class items with clearances of cream remaining heavy to butter production. The CME butter price retreated this week after sharp increases the week before. On Wednesday, January 27, the CME butter price closed at \$1.3800, down 11 cents from a week ago. Cream multiples are level to lower and range from 110-120 FOB and vary depending on class usage and basing points. Milk supplies in the PACIFIC NORTHWEST remain at normal season levels. Handlers with multiple facilities are busy balancing production schedules at individual plants. Normal weather patterns have been conducive to milk production. Farmers are noting the Class III price futures have been dropping for the near months and are expressing concern as to breakevens for their herds. High quality forage supplies are becoming harder to find. Many hay brokers are operating on a cash and carry policy. Grain prices have lowered recently and that is helping to alleviate some pressure on total ration pricing. UTAH AND IDAHO saw typical winter weather patterns for the week. No problems with milk handling or deliveries were reported. Dairy men are expressing concern over falling Class III futures prices for early 2010. Many had hoped to be "back in the black" for the start of the year. Feed costs are lower than last year, but many farmers have lost large amounts of equity. Bankers continue to finance most operations, but spring financial meetings could be tense. Replacement heifer prices at auction last week were steady to weak. At one Utah auction the top heifer was sold for \$1430. The top 25 average for the sale was \$1208. Milk supplies are near year ago levels and manufacturers are busy at cheese and butter facilities. Dryers are active at those plants that handle excess milk supplies and by-products. Inventories of Nonfat Dry Milk are building.

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: The Central nonfat dry milk market is mostly lower on a weakening market. With some market indices declining about 25 cents during the last week, interest in spot loads NDM is lower. Resale offers into the market are active and competitively priced. Buyers indicate their intentions are to allow the NDM market to simmer down before making sizeable spot load purchases. Manufacturers are shipping contract loads at regular intervals and pushbacks are reportedly minimal.

EAST: Eastern nonfat dry milk markets are perceived as softer this week, even with limited spot market activity. The weakening CME Group NDM price this week is cited as a factor causing potential spot market buyers with time flexibility to hold back and assess the situation. Compounding the perceived developing price weakness is a slight increase in drying in some plants within the region, generating additional stocks. Finally, this week's sharp decline in Western NDM prices has resulted in many Eastern NDM market participants stepping back to assess the changed market dynamics.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.2200 - 1.4250 MOSTLY: 1.3000 - 1.3400
 HIGHHEAT: 1.3750 - 1.4800

NONFAT DRY MILK - WEST

The low/medium heat NDM market prices are sharply lower in active trading. The market tone is weak. The market correction was brought on by some large sales volumes at reduced pricing. The impact moved beyond those sales to other transactions as market prices gravitated lower. While significant volumes did move at the lower prices, others sales have slowed as buyers utilize their holdings, wait for lower prices to affect indices, or they are just waiting the market out. Export demand is light with any new interest limited. There are concerns about what powder will become available from the EU into the world market and how competitive that U.S. sources' powder will have to be. Resale and NDM procured under contract are showing up on the market as those sellers attempt to clear their holdings. Drying schedules are active and building at levels that reflect the seasonal milk supplies increasing in the region. Levels are generally above projections. Producers' stocks are moderate to heavy and expected to build. Recent sales have mainly resulted in powder ownership transferring to end users. High heat NDM prices are moving lower in light trading. The market tone is weaker and not fully tested. The impacts of the declining low/medium heat prices will likely be felt gradually as producers lower high heat prices to stimulate interest. Demand has slowed this week. Production is steady and being scheduled to fill needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.0500 - 1.3550 MOSTLY: 1.1000 - 1.2900
 HIGHHEAT: 1.2700 - 1.4100

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are lower and the market is weaker. Spot load cream supplies are less available in the region, butter churning is steady to lower and dry buttermilk production is following the same trend. With the recent price adjustments in the nonfat dry milk market, spot market activity in the dry buttermilk market is lackluster as market participants are awaiting improved buying opportunities in the near term.

EAST: Eastern dry buttermilk prices moved lower this week on light trading. The recent sudden butter price spike on CME Group trading, which has moved cream prices higher, has resulted in less churning for inventory accumulation as manufacturers monitor price declines this week. An additional factor was nonfat dry milk prices trending lower, which dampened buyer interest in dry buttermilk.

F.O.B. CENTRAL/EAST: 1.1000 - 1.3450

DRY BUTTERMILK - WEST

Dry buttermilk prices in the West are sharply lower this week, reflecting lower sales prices. The market tone is weak. Increased offerings and lower prices on the NDM market are also factoring into the weakness of the dry buttermilk market. Buyer interest is light as market prices soften. Drying schedules remain active at moderate to heavy levels to process available buttermilk solids coming off the butter churns. Holdings from end users and resellers are also being offered onto the market. Producers' stocks are moderate and are available in the region.

F.O.B. WEST: 1.0350 - 1.2550 MOSTLY: 1.1000 - 1.1700

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are steady. Availability of domestic product in spot loads is tight and buyer interest is variable due to recent price fluctuations in the nonfat dry milk market. Various market participants indicate some current needs are being fulfilled with Oceania product as domestic product is in short supply.

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

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 22	\$1.0542	33,654,052	0
January 15	\$1.3035	7,869,822	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.

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

Dry whey prices are mostly steady, but the market undertone is mixed. Buyers and end users in the industry report the incidents of offers from various resellers and producers are more frequent. Premiums above the market reportedly lie in the fraction-of-to-1 cent range. With prices in the nonfat milk market trending lower, this is keeping many buyers on the fence regarding near term purchases. Inventories are variable at manufacturers, and some manufacturers are opting for production of specialty-type products versus commodity-type whey to keep inventories of dry whey at comfortable levels. Sales into some livestock feed manufacturing facilities are lower this week as reports indicate availability of some dairy protein concentrates with higher protein levels are offering more cost advantageous dry feed production opportunities than dry whey. Dry whey production levels remain dependent on cheese orders, and some plants report their operations are at less than full capacity because of lagging cheese orders. ANIMAL FEED WHEY prices are unchanged.

F.O.B. CENTRAL: .3650 - .4050 MOSTLY: .3700 - .3900
 F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2200 - .3700

DRY WHEY - NORTHEAST

Eastern plants have generally contracted more production this year than last. In some cases, they received more expressed interest in contracting than capacity permitted. More plants than not in the region presently tend to be lagging in making contract deliveries. Some recent export transactions have occurred with whey diverted from contract schedules, causing contract deliveries to be slightly delayed. This has led to some manufacturers continuing to operate from a perspective of strong demand and pricing firmness when dealing with spot market interest. One manufacturer's perspective is that unlike last year, manufacturers have the "upper hand". In contrast, spot market buyers this week are increasingly expressing nervousness about the likely persistence of whey prices at current levels. While prices remain firm, uncertainty is increasing. Potential spot market buyers are more often successful in obtaining desired quantities on acceptable terms by dealing with traders, rather than manufacturers. Traders are now more inclined to reduce inventory levels and take profits. Spot purchases tend to be in quantities necessary for immediate need because more buyers expect future price weakness, even though manufacturers so far, are holding firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3500 - .4050

DRY WHEY - WEST

Whey prices began to show weakness on the top end of the market. Production over the last month has been good. Cheese plants are working near full time and this has increased whey supplies for dryers. Manufacturers are filling 1st quarter contract needs. Supplies for domestic and export markets are adequate for contracted obligations. The spot market remains tight. Weakness in the Nonfat Dry Milk market has buyers feeling that whey markets may be overpriced. Since there is limited spot trading currently, buyers feel they can wait to see if prices move to lower levels.

NONHYGROSCOPIC: .3700 - .4300 MOSTLY: .3900 - .4200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% range prices are unchanged to higher as weekly adjusting contract prices are factored into the price series. The mostly price series is steady and the market tone is mixed. Industry participants report the number of resale loads hitting the spot market is higher for the week. Demand for resale loads is steady to lower, as various buyers indicate they are interpreting the current market as being top-heavy and lower prices may soon be available. In support of that argument, some buyers correlate the recent changes in the nonfat dry milk market with their doubts that the current WPC 34% market is sustainable during the next few weeks.

F.O.B. EXTRA GRADE 34% PROTEIN: .9000 - 1.0000 MOSTLY: .9200 - .9500

LACTOSE - CENTRAL AND WEST

Prices for lactose are both higher and lower on a transitional market. Manufacturer inventories and spot load availabilities are uneven. Some producers report interest for both contract and spot loads is above current plant capacities and shipping delays are occurring. Other plants have product available without delay. Interest in lactose spot loads is wide ranging and has some dependency on whether a manufacturer is an approved supplier. A few producers report less willingness on the part of some contract buyers to accept monthly loads. Producers speculate buyers with contracts to purchase at a set premium to some market basis may see opportunities to end up with contract loads at lower prices in the near term. By delaying acceptance of loads for a week or two, a lower market basis could be used in calculating load prices, and buyers could save some input costs.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3000 - .4600 MOSTLY: .3300 - .3700

CASEIN - NATIONAL

Casein markets and prices remain firm. Current firmness to the market is due to the unknown production situation in both Oceania and Europe. Currently in Oceania, the production season is on the down side with one plant already shuttered for the season. Milk production patterns did not develop as projected and with milk production declining from lower than projected levels, casein traders and handlers are questioning supply availability. In Europe, the milk production season is slowly increasing. Current production trends are reported to not be as positive as in recent years, thus manufacturers and handlers of milk volumes have mixed opinions on the upcoming season. Casein production basically has not resumed yet, thus casein manufacturers remain optimistic about the upcoming season. Many do indicate that their plans are to produce casein along the lines of last season which was lower than in 2008. Domestic buyers continue to report that they are getting their contracted volumes as scheduled. Looking into quarters 2, 3, and 4 of this year, buyers are more cautious with their procurement contracts and prices tied to deliveries at that time.

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 25 - 29, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 01/22/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	2,099,821	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	2,099,821	-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	150,148,026	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	150,148,026	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 25 - 29, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	14.6	94.6
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	78.8	1,748.0
CUMULATIVE JANUARY 1 - 29, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	53.6	414.4

* 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 25 - 29, 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-	2,099,821	-0-	-0-	132,276	150,148,026	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	2,099,821	-0-	-0-	132,276	150,148,026	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 01/09/10 & 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.	0.6	7.6	3.5	17.5	4.9	0.4	N.A.	17.3	3.4	56.6	100.2	43.5	42.6
2009-Dairy	N.A.	0.6	8.2	4.6	21.7	9.9	0.3	N.A.	19.4	5.1	71.7	121.8	52.7	51.9
2010-All cows	N.A.	0.7	9.5	14.4	34.8	23.1	16.1	N.A.	20.1	8.0	130.2	235.1		
2009-All cows	N.A.	0.7	10.4	15.1	38.4	22.6	15.4	N.A.	20.9	8.5	136.0	234.7		

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 16, 2010	355	748	

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

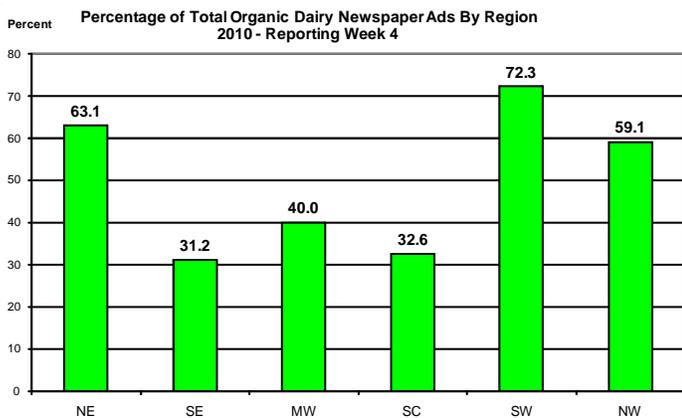
ORGANIC DAIRY MARKET NEWS

Information gathered January 18 - 29, 2010

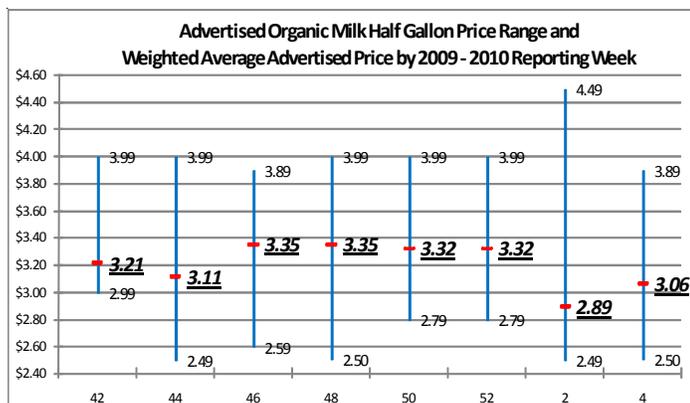
ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON: Surveyed newspaper supermarket ads with organic dairy content continue to increase in number. For the period January 16 through January 29, 2010, there were more organic dairy ads than during period one, which had surpassed any of the reporting periods in 2009, dating to early October when this survey series began. During the second period, organic dairy ads were included in 48.7% of 9,124 surveyed supermarket ads appearing in newspapers throughout the United States. However, this lags non-organic dairy which appeared in nearly 100% of surveyed ads this period. While non-organic ads tend to cover a range of dairy products, cheese and milk, virtually all organic dairy ads are for milk and yogurt – none for cheese.

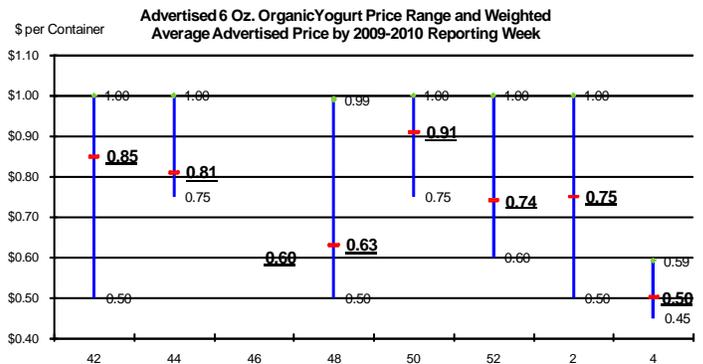
Also, for the first time in this series, three of the six regions of the United States topped 50% of ads having organic dairy content. The Southwest dominated all regions in the percentage of ads for the second consecutive period, with 72.3% organic dairy content. Second was the Northeast with 63.1% organic content, closely followed by the Northwest with 59.1%. The relative position of the Midwest slipped to 4th, with 40% organic content, followed by the South Central Region with 32.6% and the Southeast with 31.2%.



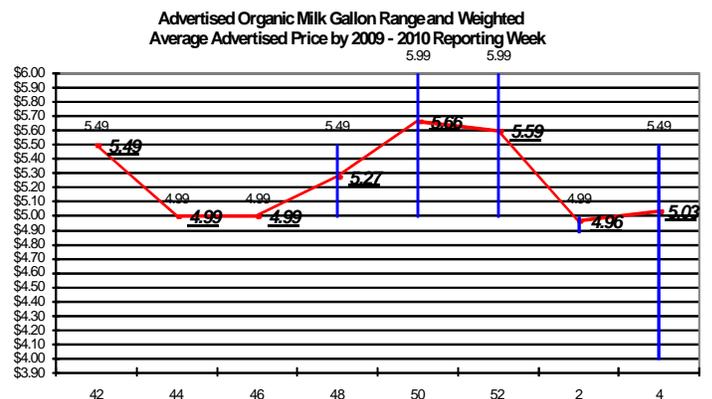
In ads this period, the weighted average advertised price for half gallons of organic milk increased to \$3.06 from \$2.89, still the second lowest average since tracking began in early October. The top of the range fell back into the trend from last period's price spike compared with the trend. Ads for organic half gallons continue to break previous records for the number of ads. The total number of ads for organic half gallons this period not only greatly exceeds any other organic dairy product, but is higher than last period, which represented the highest number of such ads since the reporting series began in October.



Organic yogurt ads represented the second highest number this reporting period. There were 637 ads for 6 ounce organic yogurt and 708 for 5.3 ounce organic Greek yogurt, a total of 1,345. Adding 40 ads for 4 ounce baby yogurt priced at 50 cents and 40 ads for 32 ounce yogurt priced at \$2.99, total yogurt ads number 1,425. This period's price range for 6 ounce yogurt, 45 cents to 59 cents with a weighted average advertised price of 50 cents, the lowest ever since this survey began, is lower in all measures than last period with a 50 cents to \$1.00 range and a weighted average advertised price of 75 cents. The weighted average advertised price for organic Greek yogurt, \$1.13, is 2 cents higher than last period.



The 445 ads for organic gallons this period reflect an increase over 276 last period. This period the bottom of the price range set a record low of \$3.99 and the top increased to \$5.49. A result was the widest price range since this reporting series began. The weighted average advertised price increased slightly to \$5.03, from \$4.96 last period.



Organic butter in 1 pound boxes maintained the same weighted average advertised price as last period, \$4.99. All butter was priced the same this period, with no range spread.

There were no ads for cheese.

NATIONALLY ADVERTISED ORGANIC MILK PRICES REPORTING WEEK 4

	Low	High	Wtd. Average
	(In Dollars)		
GALLONS:	3.99	5.49	5.03
HALF GALLONS:	2.50	3.89	3.06
YOGURT – 6 oz.:	0.45	0.59	0.50
YOGURT – Greek:	1.00	1.25	1.13

CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered January 18 - 29, 2010

SUPERMARKET PRICE COMPARISON: Another dimension of prices is non-advertised organic milk prices at various stores within the same city. Organic milk and yogurt sold in a range of food stores in Madison, Wisconsin are compared for the period January 16 through 29, 2010.

Prices are compared for organic milk in both 1 gallon and 1/2 gallon sizes of whole milk; reduced fat (2%); lowfat (1%); nonfat (skim); and 1/2 gallons of chocolate milk. There is no trend for high or low prices as to type of store, whether the organic milk is a national, store or local brand, or between stores in Madison.

In Madison, stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market targeting university students; 2 natural food stores; and the retail outlet for a local organic creamery. Milk available at the range of stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands.

The price range for organic milk in Madison varies noticeably between retail outlets. This period, the range for gallons was as high as \$1.90 and \$2.30 for a half gallon, depending on retail location.

Whole milk gallons ranged from a high price of \$7.29 for a national brand at the smaller full line market, up 60 cents from last period, to a low of \$5.39 for a national brand at a local big-box supermarket, unchanged from the last 3 periods. This is a \$1.90 price range for whole milk gallons. Reduced fat, lowfat and nonfat gallons all ranged from a high price of \$6.69 at a smaller full line market to a low price of \$5.39 at the big-box local market, all unchanged from the last 4 periods and reflecting two different national brands. This price range is \$1.30.

Half gallons of whole milk and 1% milk were offered at a regional chain supermarket, \$5.29, up 90 cents from last period. The high price for 2% and skim was \$4.39 and offered at 2 separate regional supermarkets for the same national brand. The lowest price for all 4 varieties, \$2.99, the same as last period, was offered at a local regional chain supermarket for a store brand. This reflects a price range of \$2.30 for half gallons of whole and 1%, 40 cents more than the range for whole milk gallons. The price range for 2% and skim is \$1.40.

A regional chain supermarket offered the highest priced organic chocolate half gallons, \$5.59, for a national brand. The lowest priced organic chocolate half gallons, \$3.29, was offered at the small full-line market for another national brand than the one representing the high price. The price range is \$2.30.

**ORGANIC MILK PRICE RANGE – REPORTING WEEK 4
MADISON, WISCONSIN**

	<u>LOW</u>	<u>HIGH</u>
	(In Dollars)	
GALLONS:		
Whole	5.39	7.29
2%	5.39	6.69
1%	5.39	6.69
Nonfat	5.39	6.69
HALF GALLONS:		
Whole	2.99	5.29
2%	2.99	4.39
1%	2.99	5.29
Nonfat	2.99	4.39
CHOCOLATE HALF GALLON:	3.29	5.59

Organic yogurt in Madison supermarkets for 6 ounce sizes ranges from a high of \$1.59 for a brand sold in the small local food market, to a low of \$0.79 for a national brand sold in both a natural food store and a big box supermarket. Each end of the range is unchanged.

ORGANIC DAIRY FLUID OVERVIEW

Some organic dairy processors are “pleased” with results for the first month of 2010. Sales results for the opening of 2010 are considered better than for the opening of 2009. Organic milk sales from a national perspective are described as “strong” related to expectations by some processors. Sales of organic milk and dairy products are believed to be driven not only by absolute price, but also by the price of non-organic milk and dairy products. A smaller gap is more likely to encourage higher organic dairy sales. The overall national gap is perceived by some organic processors as having narrowed, which helped organic dairy sales. Two factors resulted: (1) consumers who have purchased organic milk and dairy products are more comfortable in continuing to do so; and (2) consumers considering their first purchase of organic milk or dairy products are more likely to decide to buy.

Pressure for space in retail coolers has eased following the end of the holiday season. Holiday placements of products such as eggnog and mixes edged-out some space otherwise available the balance of the year. Although most organic milk above single serving size is sold in half gallons and gallons, more placements of organic milk quarts have appeared in recent weeks.

According to USDA Livestock and Grain Market News, national organic grain and feedstuff prices were mixed on light demand and moderate offerings. In the Eastern corn belt, organic grain and feedstuffs traded mixed. In the upper Midwest, compared to two weeks ago, organic grain and feedstuff prices were unevenly steady with light demand and moderate offerings with the exception of wheat, which is still experiencing heavy offerings and very light demand. Additional information is available at: www.ams.usda.gov/LSMarketNews.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	NOV 30, 2007	NOV 30, 2008	REVISED NOV 30, 2009	DEC 31, 2007	DEC 31, 2008	DEC 31, 2009
Butter	143,244	119,946	142,661	155,162	118,962	133,663
Cheese, Natural American	517,955	526,941	583,056	508,659	538,105	586,767
Cheese, Swiss	27,421	22,723	24,254	24,151	22,589	24,538
Cheese, Other Natural	260,545	268,969	354,435	265,497	291,266	355,606
Total Cheese	805,921	818,633	961,745	798,307	851,960	966,911

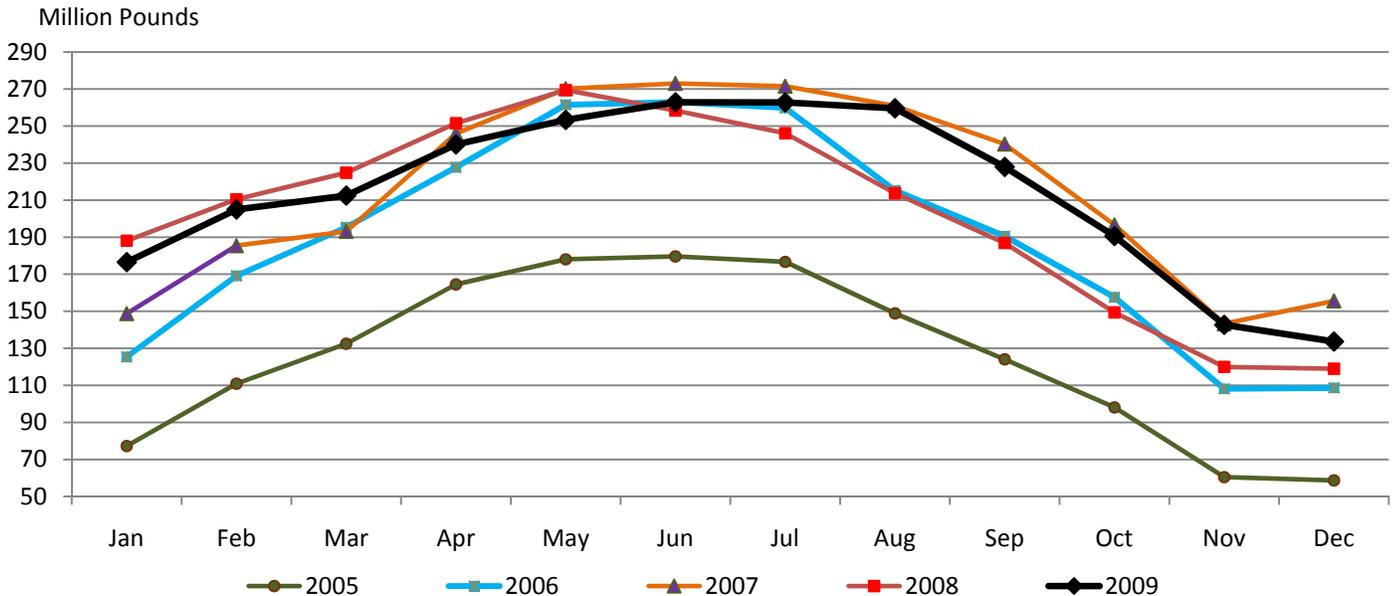
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	NOV 30, 2007	NOV 30, 2008	REVISED NOV 30, 2009	DEC 31, 2007	DEC 31, 2008	DEC 31, 2009
Butter	90	#	#	31	#	#
Natural American Cheese	716	#	#	769	#	#

#Beginning with the February 22, 2008, Cold Storage release, NASS discontinued published estimates for government owned butter and cheese due to data quality.

DECEMBER STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
New England	35,814	34,719	38,282	---	---	---	194	606	685
Middle Atlantic	45,864	42,163	33,954	---	---	---	12,845	11,243	20,494
East North Central	229,909	204,326	242,502	---	---	---	155,984	200,658	231,773
West North Central	73,861	102,381	91,487	---	---	---	57,177	35,108	69,869
South Atlantic	5,835	4,414	7,615	---	---	---	90	227	73
East South Central	397	1,834	2,406	---	---	---	3,013	3,038	2,603
West South Central	3,152	2,504	1,597	---	---	---	965	1,035	1,244
Mountain	28,816	48,640	59,766	---	---	---	4,132	6,640	6,223
Pacific	85,011	97,124	109,158	---	---	---	31,097	32,711	22,642
TOTAL	508,659	538,105	586,767	155,162	118,962	133,663	265,497	291,266	355,606

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

BUTTER COLD STORAGE HOLDINGS



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2008 TO DATE

Month	Butter <u>1/</u>		Natural American Cheese <u>1/</u>		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>2/</u>		Commercial		Government	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Million Pounds		Million Pounds		Million Pounds					
January	177	188	533	494	301	154	204	168	97	0
February	205	210	542	513	313	150	189	155	124	0
March	212	225	549	526	358	152	187	162	171	0
April	240	252	577	543	370	136	175	143	195	0
May	253	269	586	568	395	124	190	132	205	0
June	263	258	602	582	196	127	196	138	NA	0
July	263	246	605	578	398	141	173	155	225	0
August	260	214	599	568	364	154	142	172	222	0
September	228	187	596	550	324	142	121	161	203	0
October	191	149	580	540	270	170	89	169	181	1
November	143	120	583	527	285	193	114	187	171	6
December	134	119	587	538		254		198		56

NA - Not available.

1/ NASS discontinued publishing estimates for government owned butter and cheese. 2/ Includes instant nonfat dry milk.

SOURCE: "Cold Storage," Co St 1 (1-10) and "Dairy Products," Da 2-6 (1-10), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
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
DEC 2009	217.6	-0.5	194.8	-7.6	184.1	-12.8	198.7	-9.3	160.8	-11.5	201.0	-3.8
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
	Dollars											
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		
DEC	3.105	3.681	2.668	3.129	3.858	4.141	4.552	4.952	4.234	4.281		

^{1/} "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. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—SEPTEMBER-NOVEMBER AND YEAR-TO-DATE 2008-2009 ^{1/}

Item	Sep.-Nov. 2008	Percent change ^{2/}	Sep.-Nov. 2009	Percent change ^{2/}	Jan.-Nov. 2008	Percent change ^{2/}	Jan.-Nov. 2009	Percent change ^{2/}
	Million Pounds							
MILK								
Production	45,955	1.5	45,525	-0.9	174,098	2.1	173,510	0.0
Marketings	45,688	1.5	45,258	-0.9	173,115	2.1	172,521	0.0
Beginning Commercial Stocks ^{3/}	12,475	-5.3	14,421	15.6	10,355	8.9	10,045	-3.0
Imports ^{3/}	1,134	-9.1	975	-14.0	3,304	-22.1	3,678	11.6
Total Supply ^{4/}	59,297	-0.2	60,654	2.3	186,774	1.7	186,244	0.2
Ending Commercial Stocks ^{3/}	9,797	-3.6	11,480	17.2	9,797	-3.6	11,480	17.2
Net Removals ^{3/}	16	100.0	500	3,025.0	16	100.0	549	3,331.3
Commercial Disappearance ^{4/}	49,484	1.0	48,674	-1.6	176,961	2.2	174,215	-1.3
SELECTED PRODUCTS ^{5/}								
Butter	493.2	-1.4	432.7	-12.3	1,542.4	10.9	1,406.1	-8.6
American Cheese	1,046.9	6.2	1,034.4	-1.2	3,707.3	2.6	3,810.8	3.1
Other Cheese	1,573.9	-1.0	1,633.4	3.8	5,565.5	-1.7	5,627.4	1.4
Nonfat Dry Milk	252.3	-14.8	256.4	1.6	1,270.3	11.9	1,217.2	-3.8
Fluid Milk Products ^{6/}	14,028.1	0.5	14,131.7	0.7	50,179.7	-0.5	50,611.6	1.2

^{1/} 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. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} 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.

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,
FEBRUARY 2010, WITH COMPARISONS 1/**

For February 2010, the all-city average announced cooperative Class I price was \$20.01 per cwt., \$2.53 higher than the Federal milk order (FMO) Class I price average for these cities. The February cooperative Class I price was \$0.16 lower than the revised January price, while the Federal order Class I price was \$0.19 lower. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$3.89 in Miami, FL. For February 2009, the all-city average announced cooperative Class I price was \$15.88, \$2.53 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

City	February 2010		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA 2/	21.97	18.64	3.33
Baltimore, MD	19.51	17.84	1.67
Boston, MA	19.59	18.09	1.50
Charlotte, NC	21.48	18.24	3.24
Chicago, IL	20.34	16.64	3.70
Cincinnati, OH	20.11	17.04	3.07
Cleveland, OH	19.91	16.84	3.07
Dallas, TX	19.69	17.84	1.85
Denver, CO	18.80	17.39	1.41
Des Moines, IA	19.32	16.64	2.68
Detroit, MI	19.68	16.64	3.04
Hartford, CT	19.49	17.99	1.50
Houston, TX	20.49	18.44	2.05
Indianapolis, IN	19.91	16.84	3.07
Kansas City, MO	19.01	16.84	2.17
Louisville, KY 3/	20.18	17.14	3.04
Memphis, TN 2/	21.28	17.74	3.54
Miami, FL 2/	24.73	20.84	3.89
Milwaukee, WI	20.29	16.59	3.70
Minneapolis, MN	19.00	16.54	2.46
New Orleans, LA 2/	22.18	18.64	3.54
Oklahoma City, OK	19.34	17.44	1.90
Omaha, NE	19.07	16.69	2.38
Philadelphia, PA	21.18	17.89	3.29
Phoenix, AZ	17.69	17.19	0.50
Pittsburgh, PA	20.07	16.94	3.13
St. Louis, MO	19.41	16.84	2.57
Seattle, WA	17.51	16.74	0.77
Springfield, MO	19.64	17.24	2.40
Washington, DC	19.51	17.84	1.67
Simple Average 4/	20.01	17.48	2.53

1/ This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative.

2/ The Announced Cooperative Class I prices for December 2009 and January 2010 for these cities have been revised. The revised prices for December and January, respectively, are: Atlanta GA; \$21.29 and \$22.08, Memphis TN; \$20.43 and \$21.47, Miami FL; \$23.88 and \$24.92, New Orleans LA; \$21.33 and \$22.37.

3/ The Announced Cooperative Class I price for January 2010 for this city has been revised to \$20.37.

4/ The simple average of the Announced Cooperative Class I price for December 2009 and January 2010 have been revised to \$19.15 and \$20.17, respectively.

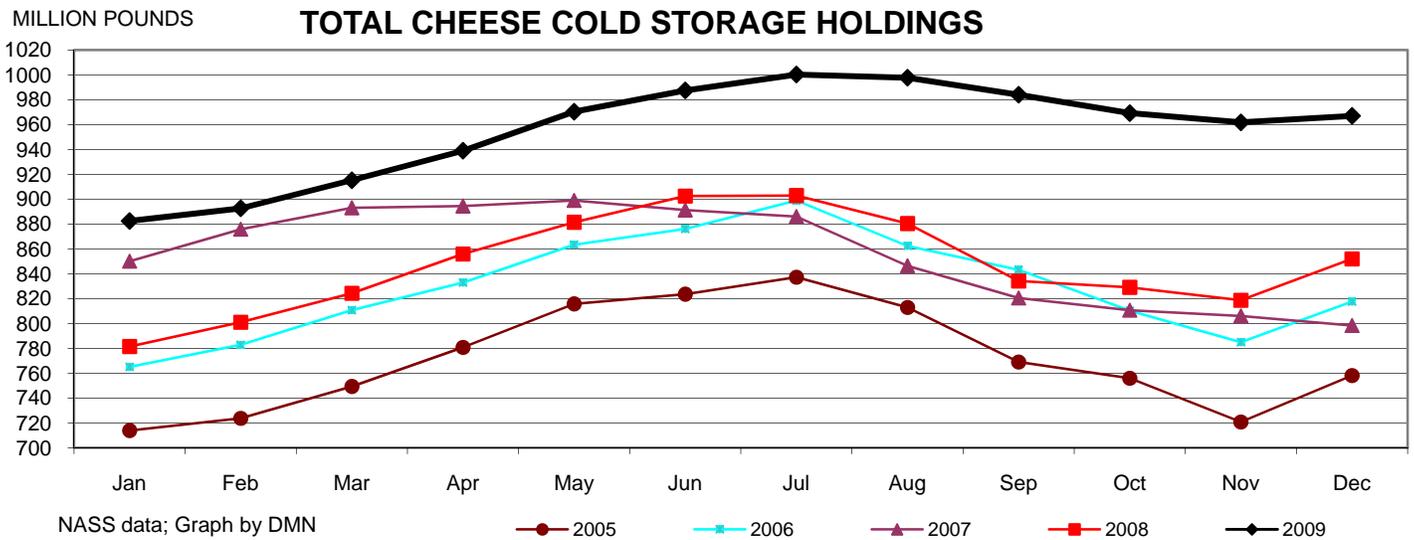
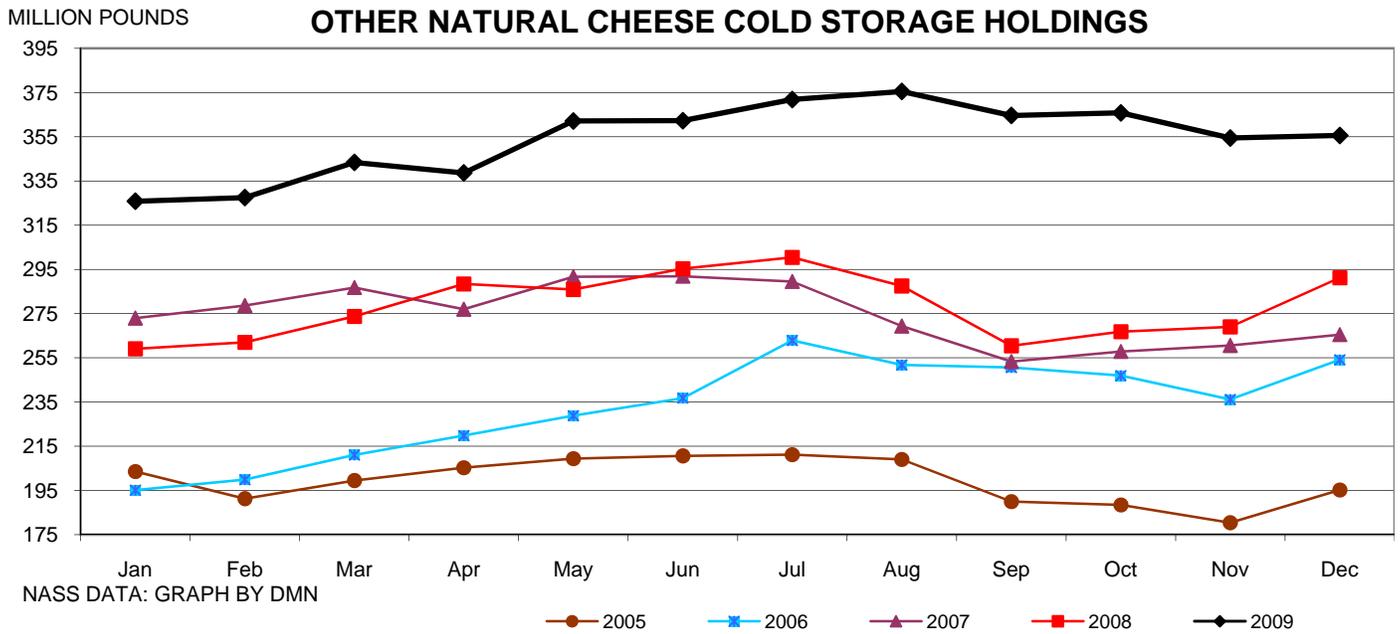
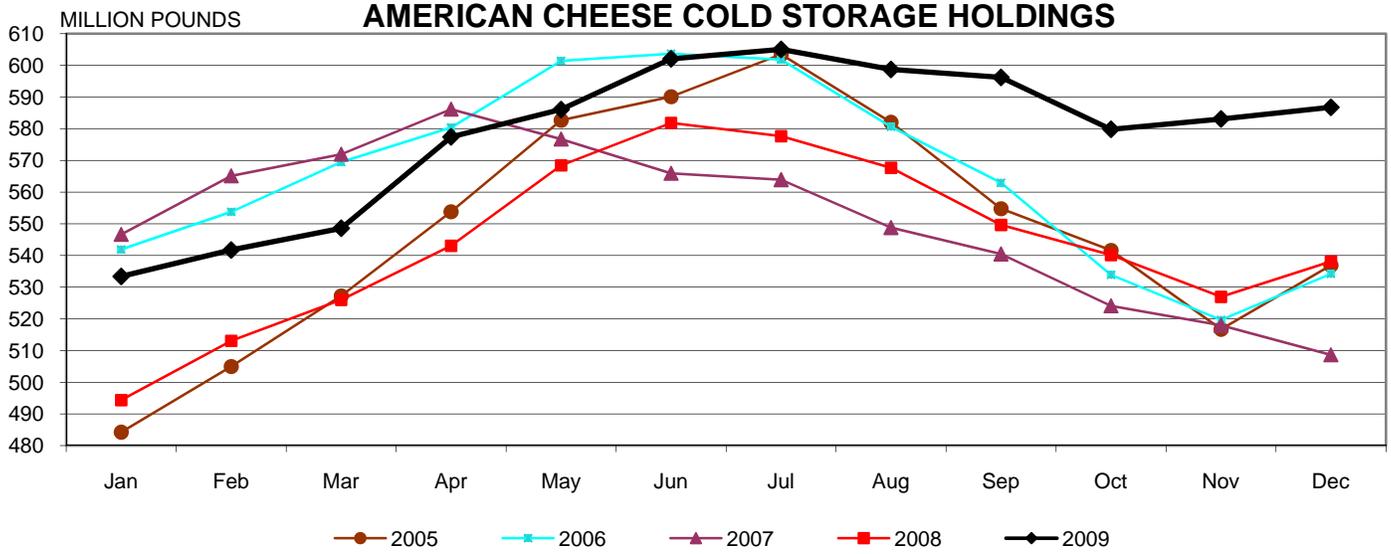
REVISED ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS 2009 ANNUAL AVERAGES, WITH COMPARISONS^{1/}

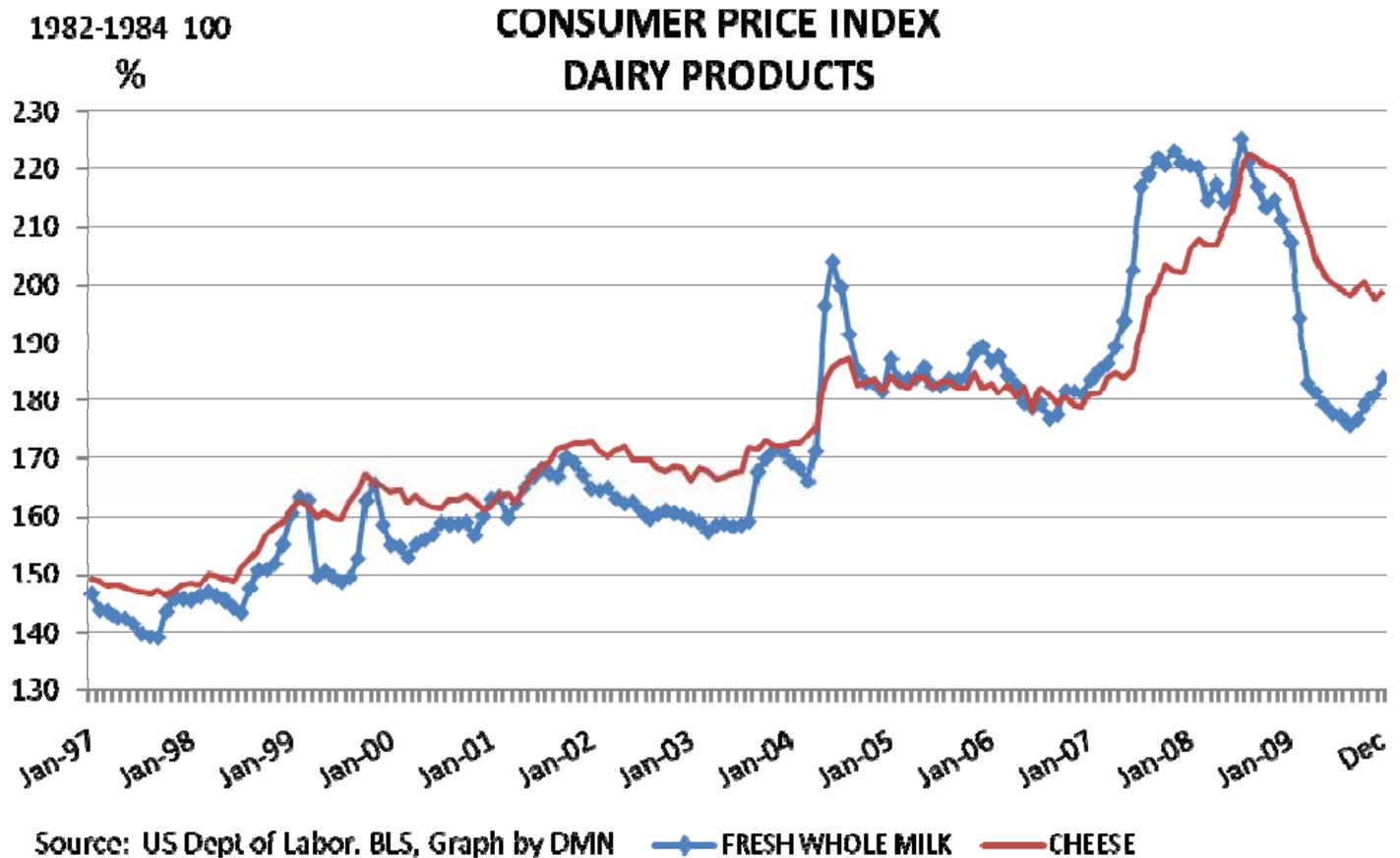
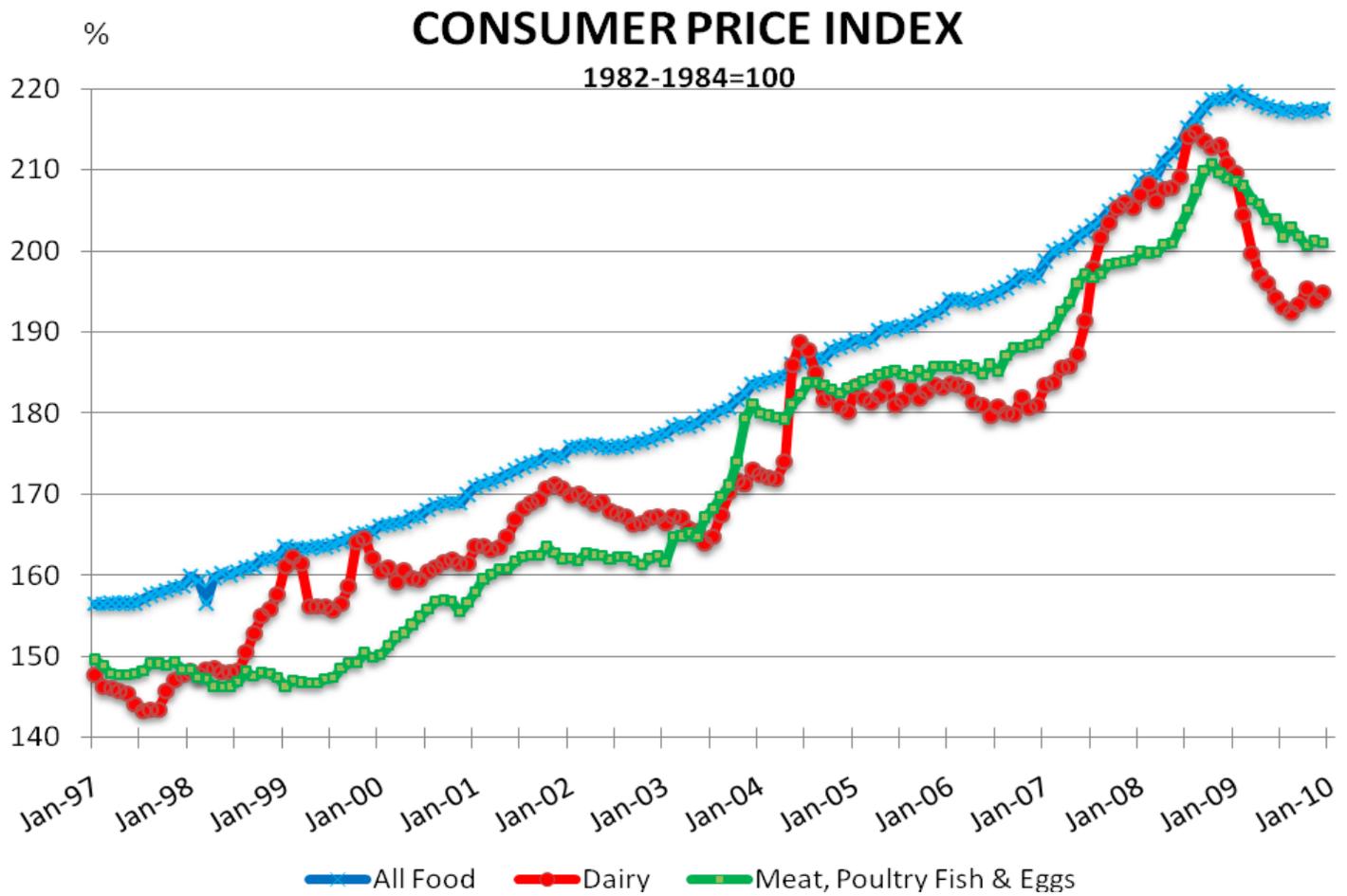
For 2009, the revised all-city average announced cooperative Class I price was \$16.57 per cwt., \$2.45 higher than the Federal milk order Class I price average for these cities. The 2009 announced cooperative Class I price was \$6.51 per cwt lower than the 2008 price while the Federal Milk Order Class I price was \$6.48 per cwt lower. The 2009 difference was \$0.03 per cwt lower than the 2008 difference. On an individual city basis, the annual average difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$3.57 in Miami, FL.

City	2009 Annual Averages		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	18.46 *	15.28	3.18 *
Baltimore, MD	16.15	14.48	1.67
Boston, MA	16.23	14.73	1.50
Charlotte, NC	17.80	14.88	2.92
Chicago, IL	16.47	13.28	3.19
Cincinnati, OH	16.71	13.68	3.03
Cleveland, OH	16.51	13.48	3.03
Dallas, TX	16.41	14.48	1.93
Denver, CO	15.77	14.03	1.74
Des Moines, IA	15.93	13.28	2.65
Detroit, MI	16.28	13.28	3.00
Hartford, CT	16.13	14.63	1.50
Houston, TX	17.10	15.08	2.02
Indianapolis, IN	16.51	13.48	3.03
Kansas City, MO	15.95	13.48	2.47
Louisville, KY	16.70	13.78	2.92
Memphis, TN	17.60 *	14.38	3.22 *
Miami, FL	21.05 *	17.48	3.57 *
Milwaukee, WI	16.42	13.23	3.19
Minneapolis, MN	15.05	13.18	1.87
New Orleans, LA	18.50 *	15.28	3.22 *
Oklahoma City, OK	16.65	14.08	2.57
Omaha, NE	15.68	13.33	2.35
Philadelphia, PA	17.33	14.53	2.80
Phoenix, AZ	14.33	13.83	0.50
Pittsburgh, PA	16.69	13.58	3.11
St. Louis, MO	16.02	13.48	2.54
Seattle, WA	14.14	13.38	0.76
Springfield, MO	16.12	13.88	2.24
Washington, DC	16.15	14.48	1.67
Simple Average	16.57 *	14.12	2.45 *

* Revised.

^{1/} These figures are simple averages of monthly prices. The cooperative prices are Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and does not apply to all of the Class I sales in these city markets. These data are common market knowledge in the sense that the information represents basic Class I price announcements by the cooperative sent to all handlers who buy milk from them. The announced over-order prices include charges for various service charges applicable to milk from supply plants. In some instances, the announced over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.





Source: US Dept of Labor, BLS, Graph by DMN

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