

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (02/12):**

BUTTER: Grade AA closed at \$1.3400. The weekly average for Grade AA is \$1.3420 (+.0110).

CHEESE: Barrels closed at \$1.4450 and 40# blocks at \$1.5050. The weekly average for barrels is \$1.4650 (-.0090) and blocks, \$1.4990 (n.c.).

BUTTER HIGHLIGHTS: The CME cash butter price eased slightly early in the week, firmed 3 cents on Tuesday, and trended lower on Friday to close the week at \$1.3400. Churning schedules were seasonally active, although in the Northeast and mid Atlantic areas, adverse weather conditions added challenges to butter operations from cream intakes to distribution of finished product. Elsewhere in the country, churning schedules were seasonally steady. Butter demand improved this week as buyers returned to the market following a few weeks of lighter orders. Manufacturers and handlers indicate that strength in the cash price was probably the main reason for more sales activity. Retail buyers are looking ahead to the Easter/Passover holiday period which is 6 weeks away and placing heavier orders for that time. Food service orders have eased and buyers indicate that, for many, business has dropped off quite a bit from the yearend holiday period.

CHEESE HIGHLIGHTS: CME Group cash market prices are unsettled with prices moving higher and lower during the week. Price weakness on dairy powders is adding pressure to the cheese market as some manufacturing milk gets shifted for the better returns with cheese production. Current orders are generally fair at best. Offerings of regular cheese varieties are increasing. Interest in rebuilding cheddar aging stocks is limited at current prices. Severe winter weather may be impacting sales, particularly food service, in areas where movement is especially difficult. Current cheese production is steady to higher though the weather has some bottlers adding extra milk to fill increased fluid orders.

FLUID MILK: Weather was the big factor in the dairy industry over the past week in the Northeast. Farm pickups and deliveries to processing plants were being interrupted. Class I demand was extremely heavy ahead of the storms with some retailers being emptied of milk stocks and finding it hard to get restocked. Milk production in the region is mixed. Some areas of the Southeast were affected by the winter storms. Milk output in Florida is about steady and restricted because pasture access is limited due to poor growth conditions. Midwestern plant intakes are generally trending higher. A winter storm affected the upper tier of states, although not to the extent as in the East. Milk output in California has trended lower by a few points as the cumulative effects of rain, feeding, and time in milk

are factors. Arizona milk production continues to trend higher and narrows the gap in output from a year ago. Fat and protein levels are higher. Milk output in the Pacific Northwest is about steady with year ago levels. Cold weather in Utah and Idaho is generally not impacting milk production and plants are busy processing available milk supplies.

DRY PRODUCTS: Nonfat dry milk market prices are lower and reflect the general weak market tone. More producers are lowering prices to stimulate the sluggish demand. Many buyers are waiting for their target price before making purchases. Resellers and end users are also offering product onto the market in attempts to clear some of their holdings. Export interest is slow. Dry buttermilk prices are also trending lower. The lower NDM prices and active production schedules are factors. Dry whey prices are steady to lower in an often weaker market undertone. Spot loads are more available and buying interest is lighter. A pending change for allowed additives in finished animal feed is currently creating additional demand for animal feeds. WPC 34% pricing is steady to slightly lower with a mixed market tone. Contract interest is moving well, although there are more spot offerings. Lactose prices are steady to lower in an unsettled market. Certain higher mesh products are moving well. Other producers are seeing stocks build and demand slow. Container availability continues to impact movements.

ORGANIC DAIRY MARKET NEWS: Winter storms in the East and Southeast have presented additional challenges for organic milk producers and processors over the last week. Fluid milk orders in the region were reported up in many quarters prior to last week's storm as retail outlets stocked in anticipation of storm demand. One brand reported that in the same region during the first unusually large storm prior to the December holiday season, milk sales increased about 5%. An increase in sales is also expected during the intense storms that began last week and continued into this week if retail supplies can be maintained. However, with the continuing nature of the current Eastern blizzard, supply chains are moving closer to being "drained", some retail outlets are low on organic milk inventory, and others are sold out. For the period January 30 through February 12, 2010, surveyed newspaper ads containing organic dairy content declined from two weeks ago. Two weeks ago, organic dairy ads were included in 48.7% of 9,124 surveyed supermarket ads appearing in newspapers throughout the United States. During this period, organic dairy ads appeared in only 27.5%

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**CME GROUP
CASH TRADING**

PRODUCT	MONDAY FEBRUARY 8	TUESDAY FEBRUARY 9	WEDNESDAY FEBRUARY 10	THURSDAY FEBRUARY 11	FRIDAY FEBRUARY 12	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4725 (N.C.)	\$1.4725 (N.C.)	\$1.4775 (+.0050)	\$1.4575 (-.0200)	\$1.4450 (-.0125)	(-.0275)	\$1.4650 (-.0090)
40# BLOCKS	\$1.4925 (N.C.)	\$1.4925 (N.C.)	\$1.5000 (+.0075)	\$1.5050 (+.0050)	\$1.5050 (N.C.)	(+.0125)	\$1.4990 (N.C.)
BUTTER GRADE AA	\$1.3200 (-.0075)	\$1.3500 (+.0300)	\$1.3500 (N.C.)	\$1.3500 (N.C.)	\$1.3400 (-.0100)	(+.0125)	\$1.3420 (+.0110)

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

of surveyed newspaper supermarket ads. The number of ads for organic half gallons, still the most-advertised organic dairy product, fell sharply to 1,434, in contrast with 2,660 two weeks ago. Among ads run for 1/2 gallons, there was wide contrast between regions. The region with the greatest share of organic half gallon milk ads was the Southwest, with 37% of ads run. At the low end was the Northwest, with 2% of ads run. Organic yogurt ads represented the second highest number this reporting period. Yogurt ads appeared in only 3 regions, with 85.8% appearing in the Northeast. Well behind was the Midwest, 11.7%, and Southeast, 2.4%. Thus, whereas the Northeast dominated in organic yogurt ads, it lagged behind the top 3 regions for half gallon organic milk ads.

MAILBOX MILK PRICES (AMS & CDFA): In November 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.37, up \$1.08 from the previous month average, and down \$2.05 from November 2008. The component tests of producer milk in November 2009 were: butterfat, 3.76%; protein, 3.13%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.86 in Florida to \$13.86 in New Mexico.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecasts are raised for 2009 and 2010. The forecast for 2009 reflects recent USDA estimates of fourth-quarter production. Milk production is forecast higher for 2010 based on the higher-than-expected January 1 dairy replacement heifer estimate. Herds are not expected to decline as rapidly as forecast last month, boosting milk production. Dairy exports on a skim-solids basis for 2010 are raised, reflecting higher sales of cheese and nonfat dry milk. Import forecasts are lowered for 2010. Fat and skim-solids ending stocks are estimated higher for 2009 and stocks for 2010 are raised in the face of higher production. Cheese and butter price forecasts for 2010 are little changed from last month. The Class III price is raised from last month due to higher forecast whey prices, but the Class IV price forecast is lowered reflecting weaker nonfat dry milk prices. The all milk price is forecast at \$16.20 to \$16.90 for 2010.

2009 FEDERAL MILK ORDER PRICE AND POOL (AMS): During 2009, about 123.4 billion pounds of milk were received from producers. This volume of milk is 6.8% higher than the 2008 volume. There were significant volumes of milk not pooled due to intraorder disadvantageous price relationships in both years. About 45.3 billion pounds of producer milk were used in Class I products, 0.9% higher than the previous year. Calendar composition 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 = 37%, Class II = 12%, Class III = 41%, and Class IV = 10%. The weighted average statistical uniform price was \$12.43, \$5.81 lower than last year.

CME GROUP

MONDAY, FEBRUARY 8, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4925
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1000
 BUTTER — SALES: 4 CARS GRADE AA: 2 @ \$1.3275, 1 @ \$1.3250, 1 @ \$1.3200; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.3200; LAST OFFER UNCOVERED: NONE

TUESDAY, FEBRUARY 9, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4925; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4975
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1000; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.3400, 1 @ \$1.3425, 1 @ \$1.3450, 1 @ \$1.3500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3500; LAST OFFER UNCOVERED: NONE

WEDNESDAY, FEBRUARY 10, 2010

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.4725, 1 @ \$1.4700, 1 @ \$1.4750; 3 CARS 40# BLOCKS: 2 @ \$1.4925, 1 @ \$1.4975; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4775; 1 CAR 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3600

THURSDAY, FEBRUARY 11, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5050; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4575
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1050; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3500

FRIDAY, FEBRUARY 12, 2010

CHEESE — SALES: 3 CARS BARRELS: 2 @ \$1.4475, 1 @ \$1.4450; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5050; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 3 CARS GRADE AA: 2 @ \$1.3500, 1 @ \$1.3400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$1.2400 and Grade A at \$1.1050. The last price change for Extra Grade was on 01/26/10 and Grade A was on 2/11/10. The weekly average for Extra Grade is \$1.2400 (N.C.) and Grade A is \$1.1020 (-.0800).

BUTTER MARKETS

NORTHEAST

CME Group butter trading continued to fluctuate this week. After closing lower on Monday, butter closed 3 cents higher on Tuesday at \$1.3500. Strong Class I demand has resulted in increased cream supplies due to standardization. Cream multiples have moved marginally lower due to increased supplies and the need for some plants to unload cream at a discount due to weather related transportation issues. Churns remain seasonally active with supplies moving through contracts and adding to inventories. There is continuing export interest in butter. Prices for bulk butter range from 2-6 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

Butter markets are mixed. The CME cash butter price has fluctuated higher and lower over the past week to settle at \$1.3500 at midweek. This midweek cash price is the highest it has been in two weeks. Butter producers indicate that production remains seasonally active, although for some, actual butter production is being displaced by heavier anhydrous milk fat output. Anhydrous milk fat demand is gaining momentum from potential international buyers. Domestically, butter demand has increased as buyers are returning to the market after pausing while prices were declining. Now buyers are once again back and placing good orders. Although some butter producers are increasing production of anhydrous milk fat, butter production remains sufficient enough to basically keep pace with current demand. As prices were trending lower, surplus butter production entered inventory programs with some of this volume now being

accessed to round out buyer demand. Retail orders are fairly steady with some promotional activity being reported, while food service orders have eased. 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 unchanged at \$1.3500. The trade for the last week was unsettled on price. Sales volumes were moderate for most days trading with prices both raising and lowering. Wednesday's unchanged closing was the first day since January 25 not to have any sales recorded. The weekly average price for February 5 at the CME Group was \$1.3310 compared to \$1.0985 for the same week in 2009. Butter plants continue to operate on busy schedules to take advantage of ample supplies of cream. Milk intakes are near year ago levels and yields of solids are at high levels. Churns continue to produce more butter than needed for immediate sales. Excess inventory is being put into storage where available. Some extra butter is being offered on the spot market and to the CME Group. Buyers are increasing retail orders for grocery accounts as the Easter Holiday approaches. Sales of inventory are reported good at current price levels. According to the CME Group, weekly butter stocks increased by 3.2 million pounds last week to stand at 56.1 million pounds. Butter inventories have been building for the last eight weeks. This total compares to 65.8 million pounds in 2009 and 116 million pounds in the comparable week in 2008. 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

<u>WEEK ENDING</u>	<u>CHEESE 40# BLOCKS</u>	<u>CHEESE BARRELS</u> <u>38% MOISTURE</u>	<u>NDM</u>	<u>BUTTER</u>	<u>DRY WHEY</u>
FEBRUARY 6	1,4750	1,5258	1,1448	1,3912	0,3900
	10,635,801	10,508,836	10,759,162	3,380,091	11,730,159

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 cheese trading this week held steady with last week's declines, with barrels closing Tuesday at \$1.4725 and blocks at \$1.4925. The weekly averages reflected last week's declines with barrels down \$0.0325 and blocks declining \$0.0150. Last week's winter storm and the forecast for another storm this week have increased Class I demand and as a result decreased cheese production schedules. Kosher cream cheese production continues in preparation for the Passover holiday. Swiss cheese production remains steady, with inventories building due to sluggish sales.

Prices on 40 lb. Blocks at the CME Group on Wednesday were \$.0075 higher at \$1.5000. Barrel prices were \$.0050 higher at \$1.4775. Sales activity on Barrels has been light. The only sales reported for the last five trading sessions were all on Wednesday's market. This included three sales and one offer. Blocks had only five sales reported in the last five sessions. Weekly average price for 40 lb. Blocks for the week ending February 5 at the CME Group was \$1.4990. This compares to \$1.1535 for the same week last year. The weekly average price for barrels for February 5, was at \$1.4740. This compares to \$1.1330 in 2009. Prices have traded in a narrow range recently with light sales volumes on the CME Group. The milk supply continues to be directed towards cheese production. Plants are working on full schedules. Cheese production remains near year ago levels. Supplies of cheese are adequate to long in some instances. Cheese continues to move well for contracted needs. Some producers report surplus inventory sales are described as sluggish at current price levels. Some buyers are showing reluctance to purchase ahead for more than immediate needs.

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

Cheddar 40# Block	:	1.8250-2.1000
Process 5# Sliced	:	1.5675-1.8775
Muenster	:	1.8450-2.0425
Grade A Swiss Cuts 10 - 14#	:	3.2175-3.5400

MIDWEST

The cheese market is "coasting along" as demand has generally slowed and cheese production is increasing at least seasonally. New orders have slowed for many packaging firms and offerings are increasing for standard varieties. Some overtime is needed but generally just on a few lines, mainly shreds. Process interest is uneven, generally moderate. A few food service promotions are generating extra process sales. Interest in spot purchases of cheddar for adding to aging programs remains light. Mozzarella sales are moderate to occasionally good. Current cheese production is generally increasing seasonally and remains above year ago levels in the upper Midwest. Milk components are steady to lower.

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

Process 5# Loaf	:	1.6000-1.8575
Cheddar 40# Block	:	1.6300-1.9825
Cheddar 10# Cuts	:	1.8100-2.0300
Monterey Jack 10#	:	1.8200-1.9800
Grade A Swiss Cuts 6 - 9#	:	2.7650-3.1950

FOREIGN

Domestic wholesale cheese prices declined, following the lower weekly average CME Group block price. Domestic Swiss cuts were also lower due to a decline in the Class III price. Swiss cheese production remains fairly steady in the Northeast with increased inventories due to sluggish sales.

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

Process American 5# Loaf	:	1.8350-2.0150
Brick And/Or Muenster 5#	:	2.0075-2.1500
Cheddar 40# Block	:	1.9800-2.5650
Monterey Jack 10#	:	1.9725-2.5650
Blue 5#	:	2.2975-2.8700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8425-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.5900-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.2900	: 1.9650-3.4525*
Gorgonzola	: 3.6900-6.6900	: 2.4675-2.7275*
Parmesan (Italy)	: -0-	: 3.3725-3.7925*
Provolone (Italy)	: 3.4400-5.8900	: 2.0075-2.1650*
Romano (Cows Milk)	: -0-	: 3.1550-5.2975*
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-	: 3.3100-3.6325*
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
	:	:
02/08/10	9,536	: 133,023
02/01/10	8,498	: 121,257
CHANGE	1,038	: 11,766
% CHANGE	12	: 10

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	118	0	110	0	120
SOUTHEAST STATE	0	0	0	0	0	0

Milk production in the Northeast region is mixed. Noted increases in the southern areas are offset by flat production levels in northern areas. There is concern in New England and up state areas that feed energy levels are inadequate and may cause lower conception rates. Class I demand remains strong, especially in those areas affected by recent winter storms. Ice cream production continues to be very active. In the Mid Atlantic region, last weekend's record breaking snowfall, was followed with another approaching storm front forecast to add another 10-20 inches of snow. Class I demand is very strong as retailers attempt to restock, in some cases nearly empty shelves, as consumers make additional milk purchases in advance of the approaching storm. Farm pickups and deliveries to bottling and manufacturing plants have been interrupted or delayed due to adverse road conditions. There have been no reports of milk being dumped and all parties are doing their best to prevent such an occurrence. Some balancing plants have remained open and staffed 24 hours to allow truckers to unload as quickly as possible and then return to their routes. The Southeast region has also experienced farm pickup and delivery interruptions due to recent winter storms. Some bottling plants closed last weekend, due to snow, adding to the logistical problem of how to satisfy the strong Class I demand. NASS reports pastures in Florida are mostly fair to poor, due to the cool wet weather. The unusual winter weather has caused winter forages to go dormant in some areas and in other areas pastures are too wet to allow cattle to graze. Hay feeding is active, with supplies running short in some areas. Milk production, overall in Florida, is steady with sluggish Class I sales. As a result of strong Class I demand and standardization, cream supplies have increased, moving multiples lower. Churns are seasonally active filling orders and building inventories in advance of the Easter holiday. Condensed skim prices, for the most part, remain steady with some declines noted due to the recent Class III price decline released last Friday.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7237-1.7927
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5706-1.6371

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:	
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.30 - 1.39
NORTHEAST - CLASS III - SPOT PRICES	- 1.24 - 1.30

MIDWEST

Another week, another large winter storm, though the storm track reached farther into upper tier states rather than further south. The storm did not seem to stimulate retail sales as recent storms have. Some areas with previously limited snow volumes were able to catch up on their seasonal totals. Slower pickup and delivery schedules were the main issue as high winds caused drifting. Further east, the accumulating snow also delayed truck unloading as weather reduced staffing at some plants and reduced throughput. Some milk may get dumped but very little in areas better equipped to handle the winter weather. Class I demand was about steady except for the usual promotions though a few schools were closed by the conditions. Class II interest was average at best. The sharp price difference between condensed skim and NDM has users using as much powder as possible. Ice cream production is unexciting as some producers scale back to wait for lower powder ingredient prices. The hope for some cream sellers is that cream cheese production and demand will soon pick up for various Lenten/holiday promotions. Churning remains active with a large share printed for upcoming Lenten season promotions. Many

producers are trying to build their bulk butter inventory to cover commitments later in the year. Cheese milk interest is light and offerings are in fairly good balance. Reported spot prices are unchanged though some customers are seeking price reductions. Most plants are little interested in adding additional patrons until perhaps summer. Milk intakes are generally trending higher. Producer finances continues to be a topic of conversation as many wonder when and if bankers will "pull the plug" on some producers if additional financing is needed.

WEST

The March 2010 Class 1 prices in CALIFORNIA range from \$16.44 in the north to \$16.71 in the south. The statewide average Class 1 price based on production is \$16.47. The average is 2 cents lower than February 2010 but \$5.32 more than March 2009. CALIFORNIA milk output is steady to lower this week and some areas were showing declines on a week to week basis starting last week, indicated once final numbers were seen. The impact of wet weather conditions over the last few weeks has been a factor, as well as feeding decisions and time in lactation. Rain continued over much of the state this week. The milk intake declines have been reported in the 1-3% range. Processing plants are handling the milk supplies in orderly ways. Finished product prices and other market conditions are not impacting the manufacturing mix to any real extent. Fluid milk orders are steady with recent weeks. Rainfall and wet field conditions are also impacting the start of alfalfa hay in Southern California. ARIZONA milk production is increasing at a steady rate and narrowing the output gap from year ago levels. Fat and protein levels are also building. The increases are welcomed into available processing plant space. Bottled milk interest is steady to occasionally higher. Demand is consistent from school accounts; while retail movements are often improved when featured. CREAM markets are mostly weak and characterized by heavy offerings and moderate demand. Excess continues to clear into butter plants. There is limited output of higher class items, which are in a lull ahead of the upcoming spring holidays. Ice cream demand is seasonally slow and output is often steady at light levels. After bouncing around over the past week, the CME butter price closed at \$1.3500 on Wednesday, February 10, up a half cent from the previous Wednesday. Cream multiples are steady at the 110-120 range FOB and vary depending on class usage and basing points. Mild winter temperatures in the PACIFIC NORTHWEST were the norm for the week. The area has avoided many of the severe storms that have plagued the East Coast and above normal moisture of the Pacific Southwest. This has allowed milk production in the area to remain near year ago levels. Supplies are sufficient for bottling needs and extra supplies are being distributed amongst cheese and butter/powder manufacturers. Milk solids are increasing seasonally and yields for products are reported good. Farmers are keeping a watchful eye on futures markets for Class III milk to get an idea of pricing for spring and summer. The recent drop in announced Class and Component Prices for January has reversed an upward trend in milk prices. Farmers and ag lenders are keeping a close eye on trends in dairy products. Breakevens are hard to maintain even with lower feed costs this year. The lower prices have reduced the auction price for heifers in the Northwest. Auction sales in Washington report prices \$50-\$100 lower than last month. Supreme grade heifers traded at \$1200-\$1450. Supplies of heifers are increased also. Colder weather has moved into UTAH and IDAHO this week. Conditions remain good for milk production in the area. Milk supplies are near year ago levels. Manufacturing plants are busy with available supplies of milk. Cheese, butter and powder plants are building inventories at this time of year. Yields of milk solids are increasing. Dairy farmers are taking inventory of feed supplies for spring needs. Many will be scheduling financial meetings also. There are still concerns as to profitability as milk prices have stalled recently and shown some weakness. Input costs are being monitored closely. This was expressed at heifer auctions, as prices have backed off slightly. Average prices for heifers are lower than January sales. Heifer numbers available for dairies are up also. This could be due to increased use of sexed semen.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Nonfat dry milk prices in the Central region are mostly lower on a weaker market. NDM production is steady to higher as condensed skim sales into some Class II and Class III facilities are reportedly lower for the week. High heat NDM production is intermittent and that market is firmer than the low/medium heat NDM market, but still registering some price moderation. Nonfat dry milk low and medium heat inventories are building at most plants. Because of requests from buyers, some contract loads of NDM destined for Central and Eastern locations are being held back for a few days due to operational complications at buyers' facilities related to the recent winter storms. Western NDM is moving into the Central region at prices competitive with those of the Central mostly price series.

EAST: NDM prices moved lower, under pressure from increased inventories and lower demand and market activity. Winter storms and record snowfalls in the Mid Atlantic region have resulted in increased NDM production, as manufacturers tried to clear fluid supplies as quickly as possible. Other plants, in less weather affected areas, were producing high heat NDM and some low heat Kosher NDM in advance of Passover. Inventories are building, as many traders wait for prices to level off and business and transportation to return to normal after the recent storms. Adding to the lull in market activity were the recent large purchases by major users in recent weeks, limiting their need to be in the market. Market activity is primarily confined to resale activity, as some traders attempt to clear some inventory and in some cases at discounted prices.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.0500 - 1.3100 MOSTLY: 1.1600 - 1.2800
 HIGH HEAT: 1.2000 - 1.4000

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are again lower and the market tone continues to be weak. Demand is light to fair for current offerings. Buyers are reluctant to make purchases with many anticipating and negotiating for lower prices. The declining volume of lower priced sales is impacting several of the time-based, weighted average indices in that the average price will increase because of older, higher priced transactions being weighted more in the calculation. However, current spot pricing remains weak. Offerings are available from most producer sources. Resale offers and offerings from end users are also being shown. While export sales are sluggish, some new inquiries are being noted. Pricing will be the biggest factor. Drying activity is moderate to heavy to process available milk supplies. Stocks are moderate to heavy. High heat NDM prices are trending lower, following recent declines in the low heat market. Demand has slowed as buyers anticipate further price adjustments to close the historic gap with the low heat price. Production of high heat is light to moderate with most being made to order. Stocks are mostly light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.0000 - 1.2000 MOSTLY: 1.0400 - 1.1000
 HIGH HEAT: 1.1200 - 1.3300

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are unchanged to lower as the market adjusts to pressure from the nonfat dry milk market. Production of dry buttermilk is steady in most locations as cream movement into Class IV is strong. Buyer interest is light to moderate. Manufacturers' inventories are building incrementally. EAST: Eastern dry buttermilk prices moved lower as supplies have increased and demand weakened. Increased Class I demand and standardization has resulted in increased cream supplies and slightly lower multiples. Churns are seasonally active, building inventories ahead of the Easter holiday, resulting in increased production of dry buttermilk. Inventories are building, as declining dry dairy product prices and recent storms have many traders waiting to see how low prices will drop and waiting for roadways to clear before moving and trading product. Cooler weather in the Southeast and Florida has slowed the restaurant and hotel business, lessening the demand for those products using dry buttermilk.

F.O.B. CENTRAL/EAST: 1.0600 - 1.3250

DRY BUTTERMILK - WEST

Prices continue to trade lower for Western dry buttermilk. The market tone remains weak. The market is unsettled with market pricing lower and production levels heavy. Buying interest is light with slight increases in demand when discounted prices are offered. Buyers are assessing current and future needs against where they feel future pricing will settle. Producers have dryer times to process all available condensed buttermilk and currently, butter production is active. Stock levels are moderate to heavy.

F.O.B. WEST: 9200 - 1.0800 MOSTLY: .9500 - 1.0300

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are unchanged for the week. Production levels are variable, depending on milk supplies, transportation difficulties and contract fulfillment needs. Inventories are reportedly snug.

F.O.B. PRODUCING PLANT: 1.3200 - 1.5200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 5	\$1.1088	5,006,607	0
January 29	\$1.0662	17,472,564	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 in the Central region are mostly lower on a transitional market. Some delays in shipping are occurring as a few buyers/end users reschedule deliveries due to the recent winter storms that passed through the Central and Eastern regions. Spot loads of dry whey in the Central region are available from a few manufacturers as well as several resellers. Aged product being offered to the market at close to the current market has reportedly stimulated limited interest. ANIMAL FEED WHEY prices are unchanged. Some edible dry whey is moving into the animal feed market with some adjustment in premiums. Availability of other feedstuffs, such as reclaimed milk and other human food-based products, are reportedly available to some livestock raising facilities at an economic advantage compared to dry blend milk replacers. Some blenders indicate offers of off-specification higher protein dairy product is readily available from resellers as an alternative to dry whey, but pricing is said to be limiting buyer interest. On the demand side for milk replacers, some milk replacer producers report sales of their current stocks of feed are moving well, and they indicate those steady sales may be related to the pending change in allowed ratios of oxytetracycline and neomycin in feed for cattle. More information regarding the change can be found at the following website: <http://frwebgate3.access.gpo.gov/cgi-bin/TEXTgate.cgi?WAISdocID=83735628276+1+1+0&WAIAction=retrieve>

F.O.B. CENTRAL: .3400 - .4050 MOSTLY: .3675 - .3875
 F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2200 - .3700

DRY WHEY - NORTHEAST

A weak undertone remains for the Eastern dry whey market. Many potential buyers continue to sit on the sidelines, waiting to see how low prices will go, or waiting until their inventory levels dictate additional purchases. Adding to the lull in trading activity were the recent winter storms blanketing much of the Mid Atlantic region with record snow falls shutting down businesses, industries, governments and transportation. Recent export demand has slowed as the dollar has strengthened. Dry whey production has decreased marginally as some cheese plants have reduced their production schedules.

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

DRY WHEY - WEST

Whey markets were steady this week. Whey manufacturers are running busy schedules to handle supplies from cheese factories. The Chinese New Year celebration begins on February 14 and export sales to that country have been reduced for their holiday. The increased production schedules have allowed inventories to build in some instances. Contract purchases are easily filled. Spot loads are being offered. Buyers are currently filling immediate needs, but are continuing to show caution concerning future purchases at these prices.

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

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are steady on the mostly price series, lower on the bottom of the range price series. The market is mixed. Most manufacturers report contract loads are shipping readily with little to no pushback from buyers despite the recent declining price trend in the related nonfat dry milk market. Spot market offerings are variable from some producers having a few loads available, while other producers' WPC 34% is clearing solely to contract buyers and inventories are scant. Offers of condensed whey into some WPC 34% plants is reportedly lighter this week. A few resellers indicate buyer interest is lower and spot loads offered below the current range price series are eliciting few inquiries.

F.O.B. EXTRA GRADE 34% PROTEIN: .8800 - 1.0000 MOSTLY: .9200 - .9475

LACTOSE - CENTRAL AND WEST

Prices for lactose moved lower on both ends of the range price series. The mostly price series is unchanged. Some producers indicate sales of higher mesh size product increased during the last week. The market tone is mixed. Contract prices for the first quarter remain part of the both price series. A few manufacturers indicate inventories are building somewhat and loads are moving to the spot market. Buyer interest is steady to lower according to various producers. Buyer loyalty and/or approved supplier status for certain manufacturers' products continue to play into the variable demand. Some shipping delays are occurring due to short inventories and container availability.

Including spot sales and up to 3 month contracts.
 F.O.B. EDIBLE, NON PHARMACEUTICAL .2700 - .4500 MOSTLY: .3300 - .3700

CASEIN - NATIONAL

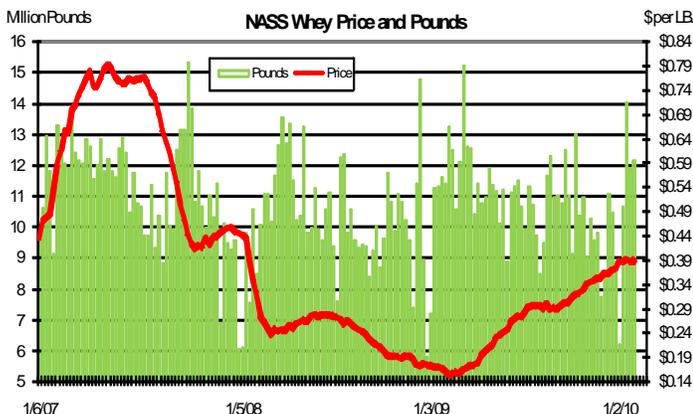
Casein markets and prices are generally steady. Most traders and handlers indicate that they are meeting contractual commitments at this time. The Oceania milk production season is winding down and suppliers remain optimistic about their casein supply/demand situation. In Europe, suppliers are nearing the bottom of their inventoried stock levels of last season and are looking forward to the upcoming new season. At this point, the new milk production season is just getting underway, thus casein output is very limited and basically has not resumed. Casein manufacturers indicate that their projections for the upcoming season are in line with last year. For most operations that produce casein, casein production is one of their main products, thus early season milk output will clear to this need as scheduled, although in recent years, some mid-season adjustments have occurred which pulled milk away from casein output and was re-directed towards other products.

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

RENNET: 3.5000 - 4.2500
 ACID: 3.5000 - 4.2000

EVAPORATED MILK - NATIONAL

The Kansas City Commodity Office issued Solicitation EVD3-020 on February 11, 2010 for evaporated milk packaged in 24/12 fluid ounce cans totaling 6,132,240 pounds. Acquisitions may be distributed amongst unrestricted and small business set aside, with up to 1,542,240 pounds available for small business set aside. Deliveries are to take place at various locations throughout the country from April - June 2010. Bids are due by February 23, 2010. Award notifications are scheduled to be announced on February 24, 2010, with public release currently scheduled for February 25, 2010. More information on bid specifications may be obtained at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=pas>



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 8 - 12, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 02/05/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	4,120,822	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	4,120,822	-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	169,998,399	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	169,998,399	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 8 - 12, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	11.6	89.9
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	127.2	1,979.3
CUMULATIVE JAN. 1 - FEB. 12, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	102.0	645.7

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF FEBRUARY 8 - 12, 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-	4,120,822	-0-	-0-	132,276	169,998,399	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,120,822	-0-	-0-	132,276	169,998,399	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 01/23/10 & 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	7.7	3.3	19.7	4.6	0.3	N.A.	18.6	3.1	59.5	217.8	42.7	43.0
2009-Dairy	N.A.	0.5	7.0	3.4	19.6	6.9	0.8	N.A.	20.2	5.2	65.2	252.5	48.4	49.9
2010-All cows	N.A.	0.6	9.7	15.6	38.1	24.6	16.1	N.A.	22.5	7.7	139.5	507.1		
2009-All cows	N.A.	0.6	8.8	13.2	37.5	24.1	15.2	N.A.	22.1	8.8	134.7	506.2		

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 30, 2010	248	1,404	

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	15.22											
III	14.50											
IV	13.85											

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

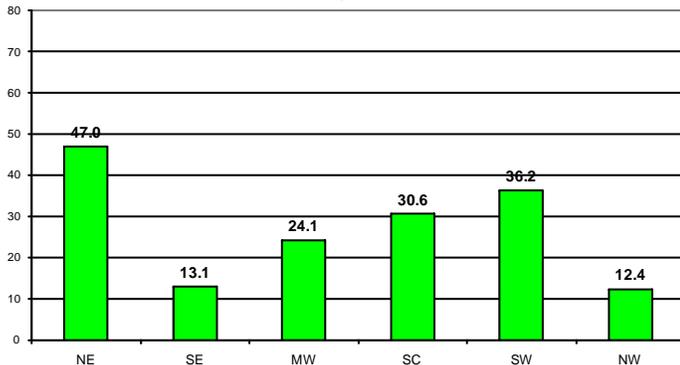
Information gathered February 1 - 12, 2010

ORGANIC DAIRY RETAIL OVERVIEW

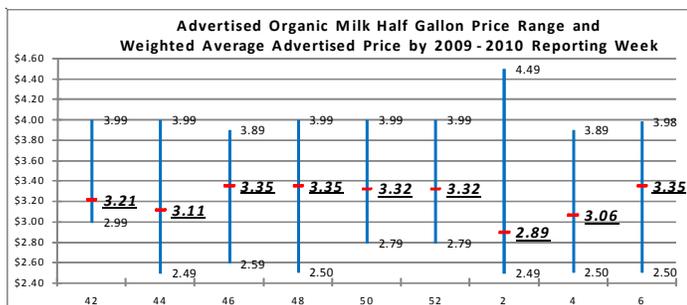
NATIONALLY ADVERTISED PRICE COMPARISON: For the period January 30 through February 12, 2010, surveyed newspaper ads containing organic dairy content declined from two weeks ago. Two weeks ago, organic dairy ads were included in 48.7% of 9,124 surveyed supermarket ads appearing in newspapers throughout the United States. During this period, organic dairy ads appeared in only 27.5% of surveyed newspaper supermarket ads. This percentage continues to lag non-organic milk and/or dairy products, which appeared in nearly 100% of surveyed ads. Virtually all organic dairy ads are for milk and yogurt – none for cheese.

The overall decline in organic content is also reflected in regional comparisons. The current reporting period revealed no region with organic dairy content topping 50% of surveyed regional ads. In contrast, two weeks ago, for the first time in this series, three of the six regions of the United States topped 50% of ads having organic dairy content. Ads in the Northeast contained the highest percentage of organic dairy content, 47.0%. The other regions and percentage organic content were: Southwest, 36.2%; Midwest, 24.1%; Southeast, 13.1%; and Northwest, 12.4%.

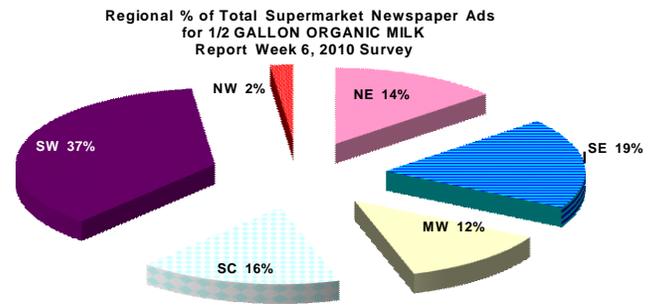
Percentage of Total Organic Dairy Newspaper Ads By Region 2010 - Reporting Week 6



In ads this period, the weighted average advertised price for half gallons of organic milk increased to \$3.35 from \$3.06. The top of the range increased from \$3.89 to \$3.98 while the bottom stayed the same, \$2.50. The number of ads for organic half gallons, still the most-advertised organic dairy product, fell sharply to 1,434, in contrast with 2,660 two weeks ago. This is a reversal of a trend whereby the ad numbers two weeks ago represented the highest number of such ads since the reporting series began in October.

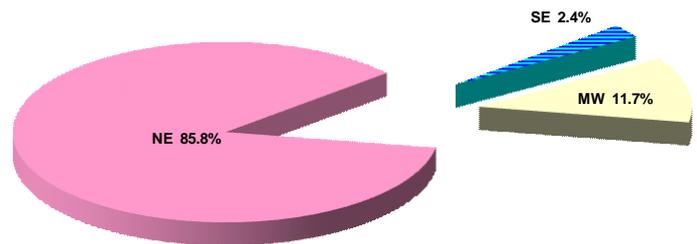


Among ads run for 1/2 gallons, there was wide contrast between regions. The region with the greatest share of organic half gallon milk ads was the Southwest, with 37% of ads run. At the low end was the Northwest, with 2% of ads run. In between and close in numbers, were: the Southeast, 19%; South Central Region, 16%; Northeast, 14%; and Midwest, 12%.



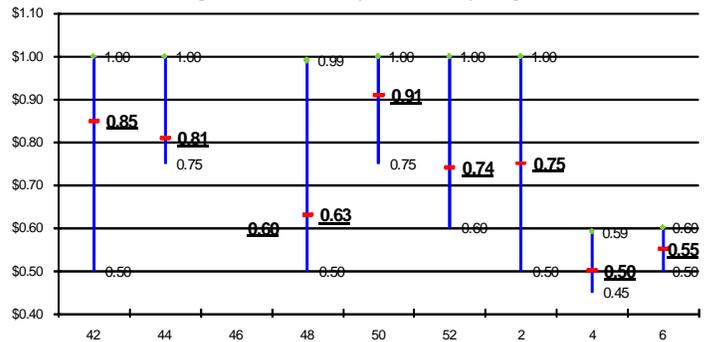
Organic yogurt ads represented the second highest number this reporting period. Yogurt ads appeared in only 3 regions, with 85.8% in the Northeast. Well behind was the Midwest, 11.7% and Southeast, 2.4%. Thus, where the Northeast dominated in organic yogurt ads, it lagged the top 3 regions for half gallon organic milk ads.

Regional % of Total Supermarket Newspaper Ads for YOGURT Report Week 6, 2010



There were 583 ads for 6 ounce organic yogurt, 560 for 5.3 ounce organic Greek yogurt, and 58 for 4 ounce baby yogurt, a total of 1,201 – only slightly below the total two weeks ago, 1,425. This period's price range for 6 ounce yogurt, 50 cents to 60 cents with a weighted average advertised price of 55 cents, is up slightly in all dimensions from two weeks ago. The weighted average advertised price for organic Greek yogurt, \$1.05, is 8 cents lower than last period.

Advertised 6 Oz. Organic Yogurt Price Range and Weighted Average Advertised Price by 2009-2010 Reporting Week

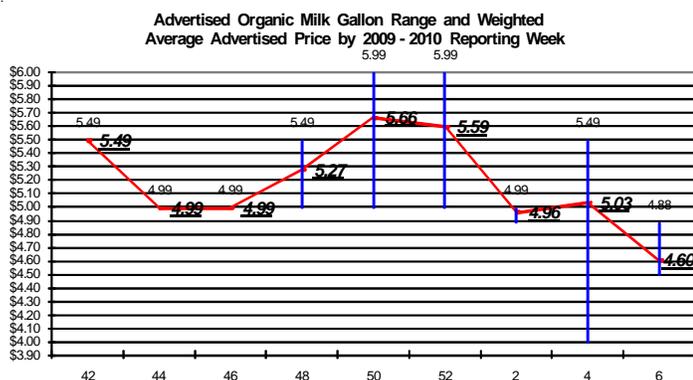


There were 196 ads for 10 ounce smoothies, all in the Northeast. All ads listed a price of \$1.00.

The weighted average advertised price for organic milk gallons fell to \$4.60, the lowest weighted average since this series began in October, 2009. Ad numbers for organic gallons fell to 276, a decrease from 445 two weeks ago. The bottom of the price range increased to \$4.49 from the record low of \$3.99 two weeks ago. The top declined from \$5.49 to \$4.88. However, the heavy weighting of ads at the bottom of the range drove the weighted average advertised price lower.

ORGANIC DAIRY MARKET NEWS

Information gathered February 1 - 12, 2010



Single serving milk in 8 ounce containers appeared in 244 ads in the Northwest, Southeast and South Central Regions. The top price was \$1.00 and the lowest 66 cents, for a weighted average advertised price of 77 cents. 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.

Half and half was advertised in 24 Midwestern ads and priced at \$2.19 for a pint. Also solely a Midwest placement, there were 176 ads for organic cottage cheese pints priced at \$3.49. There were no ads for cheese.

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Also solely a Midwest placement, there were 176 ads for organic cottage cheese pints priced at \$3.49.

There were no ads for cheese.

NATIONALLY ADVERTISED ORGANIC MILK PRICES
REPORTING WEEK 6

	<u>Low</u>	<u>High</u>	<u>Wtd. Average</u>
	(In Dollars)		
GALLONS:	4.49	4.88	4.60
HALF GALLONS:	2.50	3.98	3.35
YOGURT – 6 oz.:	0.50	0.60	0.57
YOGURT – Greek:	0.99	2.00	1.05

SUPERMARKET PRICE COMPARISON: Non-advertised organic milk and yogurt sold in a range of food stores in Madison, Wisconsin are compared for the period January 30 through February 12, 2010. The milk price range remained unchanged from two weeks ago except that the low price for 1/2 gallons of whole milk, 2%, 1% and skim increased from \$2.99 to \$3.39. Chocolate 1/2 gallons increased from \$3.29 to \$3.39.

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.

Stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market targeting university students; and 2 natural food stores. 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 and half gallons was as high as \$1.90, 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, to a low of \$5.39 for a national brand at a local big-box supermarket. 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, reflecting two different national brands.

Half gallons of whole milk and 1% milk were offered at a regional chain supermarket, \$5.29. 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, \$3.39, up 40 cents from last period, was offered at a local regional chain supermarket for a store brand.

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, \$3.39, was offered at a big box supermarket for a national brand.

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	3.39	5.29
2%	3.39	4.39
1%	3.39	5.29
Nonfat	3.39	4.39
CHOCOLATE HALF GALLON:	3.39	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 \$0.75 for a national brand sold in a natural food store.

All milk containers, including organic milk, contain coded numbers which identify the plant where the milk was bottled. This allows evaluating the plant to store distance for organic milk sold in Madison. Comparing these numbers with the Food and Drug Administration Interstate Milk Shippers List identifies bottling plant location.

Nine plants provide milk for the surveyed Madison stores. The results show that milk travels from plant locations between 24 miles, in Wisconsin, and 690 miles away, in Western New York. However, 3 of the 9 plants bottle 81.2% of the milk.

Sourcing each type of each brand's milk gallons and half gallons offerings in each store, slightly over 56% of organic milk is bottled in a Minnesota plant about 270 miles from Madison. Milk bottled in that plant was sold in each of the 6 surveyed stores, by 1 national brand, 2 natural food store brands and 1 private label brand. Nearly 14% of the milk was bottled 24 miles from Madison in a creamery located on the premises of a small organic dairy. That milk was sold under the creamery brand exclusively in 3 of the 6 surveyed Madison stores. The final plant in the top 3, located 57 miles from Madison, bottled slightly over 11% of the milk in Madison stores. That brand bottled milk for a national brand and a private label brand and was sold in 4 of the 6 stores.

ORGANIC DAIRY FLUID OVERVIEW

Winter storms in the East and Southeast have presented additional challenges for organic milk producers and processors over the last week. Fluid milk orders in the region were reported up in many quarters prior to last week's storm as retail outlets stocked in anticipation of storm demand. One brand reported that in the same region during the first unusually large storm prior to the December holiday season, milk sales increased about 5%. An increase in sales is also expected during the intense storms that began last week and continued into this week if retail supplies can be maintained. However, with the continuing nature of the current Eastern blizzard, supply chains are moving closer to being "drained", some retail outlets are low on organic milk inventory, and others are sold out. Most manufacturers are not yet intentionally shorting stores as a result of supply shortages, but logistical reality is slowing some deliveries. Once the storm subsides, replenishing the supply chain is expected to draw milk into plants.

The milk supply chain which will be replenished, extends beyond milk from farms on the way to bottling. It also includes milk already bottled but capable of being held for retail sale.

ORGANIC DAIRY MARKET NEWS

Information gathered February 1 - 12, 2010

ORGANIC DAIRY FLUID OVERVIEW - Continued

Some plant managers have observed that because organic milk production is more likely to be sold as fluid product than is non-organic milk, due to the lesser developed market for organic dairy products, there is less of a commercially viable product manufacturing safety-valve available to balance organic milk production with retail fluid demand, than functions with non-organic milk. This is a factor cited in increasing volume of ultra-pasteurization of organic milk, allowing bottled milk itself having a longer shelf life, to serve as a component of balancing the organic milk supply. In turn, this contributes to occasional movement of bottled milk between regions, rather than in bulk, as a balancing factor. The previous section which noted bottled milk moving from Western New York to Wisconsin, presents an example of this balancing system at work according to a manager.

A portion of the NASS Survey of Organic Agriculture released last week, provided data for the number of organic dairy farms per state in 2008 as well as total annual state organic milk sales in dollars. Below is an analysis by Dairy Market News, further refining the data into average sales per farm for the top 15 ranked organic dairy states based on total state sales. Where a "D" appears in the average column, that means that NASS did not include statewide data to avoid identifying individual farms although, the states appear here because state sales quantity was provided. States not broken-out by NASS, thereby preventing evaluation as to status related to the top 15 states, include Arizona, Colorado, Kansas, Louisiana, Mississippi, Montana, Oklahoma, South Dakota, Utah, West Virginia and Wyoming.

State	SALES VOL. (000,000) POUNDS	# ORG DAIRY FARMS	AVERAGESALE DOLLARS PER FARM
CA	501.8	92	1,451,143
WI	329.0	479	177,753
TX	284.2	9	8,992,335
OR	261.1	50	1,379,775
NY	211.5	316	190,648
VT	156.0	179	245,569
PA	150.7	225	180,915
WA	136.4	41	920,316
ID	122.1	20	1,621,389
MN	93.1	109	222,108
NM	81.1	7	D
OH	79.0	127	167,348
ME	47.1	61	224,721
IA	43.9	82	142,279
IN	32.5	55	D

The entire 2008 Organic Production Survey may be found at:

http://www.nass.usda.gov/Newsroom/2010/02_03_2010.asp

According to USDA Livestock and Grain Market News, compared with two weeks ago, national organic grain and feedstuff prices were mostly steady with light to moderate demand. Trading activity was slow in most areas due to heavy snow which hampered transportation efforts. In the Eastern corn belt, organic grain and feedstuffs traded mixed, with light to moderate demand for heavy offerings. In the upper Midwest, compared to two weeks ago, organic grain and feedstuff prices were mostly steady with moderate demand. Additional information is available at: www.ams.usda.gov/LSMarketNews.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS
AND CALIFORNIA, NOVEMBER 2009**

In November 2009, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.37 per cwt., up \$1.08 from the previous month average, and down \$2.05 from November 2008. The component tests of producer milk in November 2009 were: butterfat, 3.76%; protein, 3.13%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas, and ranged from \$17.86 in Florida to \$13.86 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	November 2008	October 2009	November 2009
	Dollars per hundredweight		
New England States <u>3/</u>	18.19	14.84	15.90
New York	17.03	13.82	14.84
Eastern Pennsylvania <u>4/</u>	17.68	14.43	15.52
Appalachian States <u>5/</u>	19.39	15.30	16.33
Southeast States <u>6/</u>	20.26	16.41	16.93
Southern Missouri <u>7/</u>	18.11	14.23	15.01
Florida	21.70	17.76	17.86
Western Pennsylvania <u>8/</u>	18.00	14.60	15.69
Ohio	18.30	14.88	15.85
Indiana	18.08	14.27	15.34
Michigan	17.32	14.02	15.05
Wisconsin	17.53	14.54	15.69
Minnesota	17.32	14.83	15.77
Iowa	17.13	14.60	15.66
Illinois	17.44	14.71	15.69
Corn Belt States <u>9/</u>	16.85	14.12	14.99
Western Texas <u>10/</u>	16.33	13.37	14.65
New Mexico	15.44	12.52	13.86
Northwest States <u>11/</u>	16.38	13.52	14.84
All Federal Order Areas <u>12/</u>	17.42	14.29	15.37
California <u>13/</u>	14.67	12.30	13.78

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the applicable per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. 4/ All the counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those to the west of these. 9/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 7/. 10/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of the information for all selected reporting areas in Federal milk orders. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecasts are raised for 2009 and 2010. The forecast for 2009 reflects recent USDA estimates of fourth-quarter production. Milk production is forecast higher for 2010 based on the higher-than-expected January 1 dairy replacement heifer estimate. Herds are not expected to decline as rapidly as forecast last month, boosting milk production. Dairy exports on a skim-solids basis for 2010 are raised, reflecting higher sales of cheese and nonfat dry milk. Import forecasts are lowered for 2010. Fat and skim-solids ending stocks are estimated higher for 2009 and stocks for 2010 are raised in the face of higher production. Cheese and butter price forecasts for 2010 are little changed from last month. The Class III price is raised from last month due to higher forecast whey prices, but the Class IV price forecast is lowered reflecting weaker nonfat dry milk prices. The all milk price is forecast at \$16.20 to \$16.90 for 2010.

U.S. MILK SUPPLY AND USE					
Commodity	2008	2009 Estimated		2010 Projected	
		January	February	January	February
BILLION POUNDS					
MILK					
PRODUCTION	190.0	189.2	189.3	188.4	188.9
FARM USE	1.1	1.1	1.1	1.1	1.1
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.4	10.0	10.0	11.1	11.3
MARKETINGS	188.9	188.2	188.2	187.4	187.8
IMPORTS	3.9	4.1	4.1	4.2	4.1
TOTAL COMMERCIAL SUPPLY	203.2	202.3	202.3	202.7	203.2
FAT BASIS USE					
COMMERCIAL EXPORTS	8.7	4.0	4.0	4.8	4.8
ENDING COMMERCIAL STOCKS	10.0	11.1	11.3	8.9	9.1
CCC NET REMOVALS <u>1/</u>	0.0	0.6	0.6	0.4	0.4
COMMERCIAL USE <u>2/</u>	184.4	186.4	186.2	188.6	188.8
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	9.9	10.9	10.9	11.0	11.2
MARKETINGS	188.9	188.2	188.2	187.4	187.8
IMPORTS	3.7	3.6	3.6	4.0	3.9
TOTAL COMMERCIAL SUPPLY	202.6	202.7	202.7	202.4	202.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	26.6	23.1	22.7	25.5	25.7
ENDING COMMERCIAL STOCKS	10.9	11.0	11.2	9.5	9.8
CCC NET REMOVALS <u>1/</u>	1.3	2.9	2.9	-0.6	-0.6
COMMERCIAL USE <u>2/</u>	163.8	166.2	166.4	168.3	168.3
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	23	23	16	16
CHEESE	0	2	2	2	2
NONFAT DRY MILK	111	248	248	-50	-50
DRY WHOLE MILK	0	0	0	0	0

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

Continued on page 11

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2008	2009 Estimated		2010 Projected	
		January	February	January	February
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.8954	1.2966	1.2966	1.570-1.650	1.575-1.645
BUTTER	1.4356	1.2096	1.2096	1.390-1.500	1.395-1.495
NONFAT DRY MILK	1.2256	0.9223	0.9223	1.270-1.330	1.175-1.235
DRY WHEY	0.2504	0.2585	0.2585	0.365-0.395	0.375-0.405
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	17.44	11.36	11.36	14.75-15.55	14.90-15.60
CLASS IV	14.65	10.89	10.89	14.70-15.60	13.95-14.75
ALL MILK <u>3/</u>	18.29	12.79	12.81	16.20-17.00	16.20-16.90
QUARTERLY					
	2009 IV	2010 I <u>4/</u>	2010 II <u>4/</u>	2010 III <u>4/</u>	2010 IV <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	46.2	47.1	48.6	46.7	46.4
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	15.33	15.65-15.95	15.60-16.20	16.25-17.15	17.20-18.20
CLASS III PRICE <u>2/</u>	13.99	14.10-14.40	14.65-15.25	15.30-16.20	15.65-16.65
CLASS IV PRICE <u>2/</u>	13.37	13.25-13.65	13.50-14.20	14.35-15.35	14.65-15.75

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-479, World Agricultural Outlook Board, USDA, February 9, 2010.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, ANNUAL

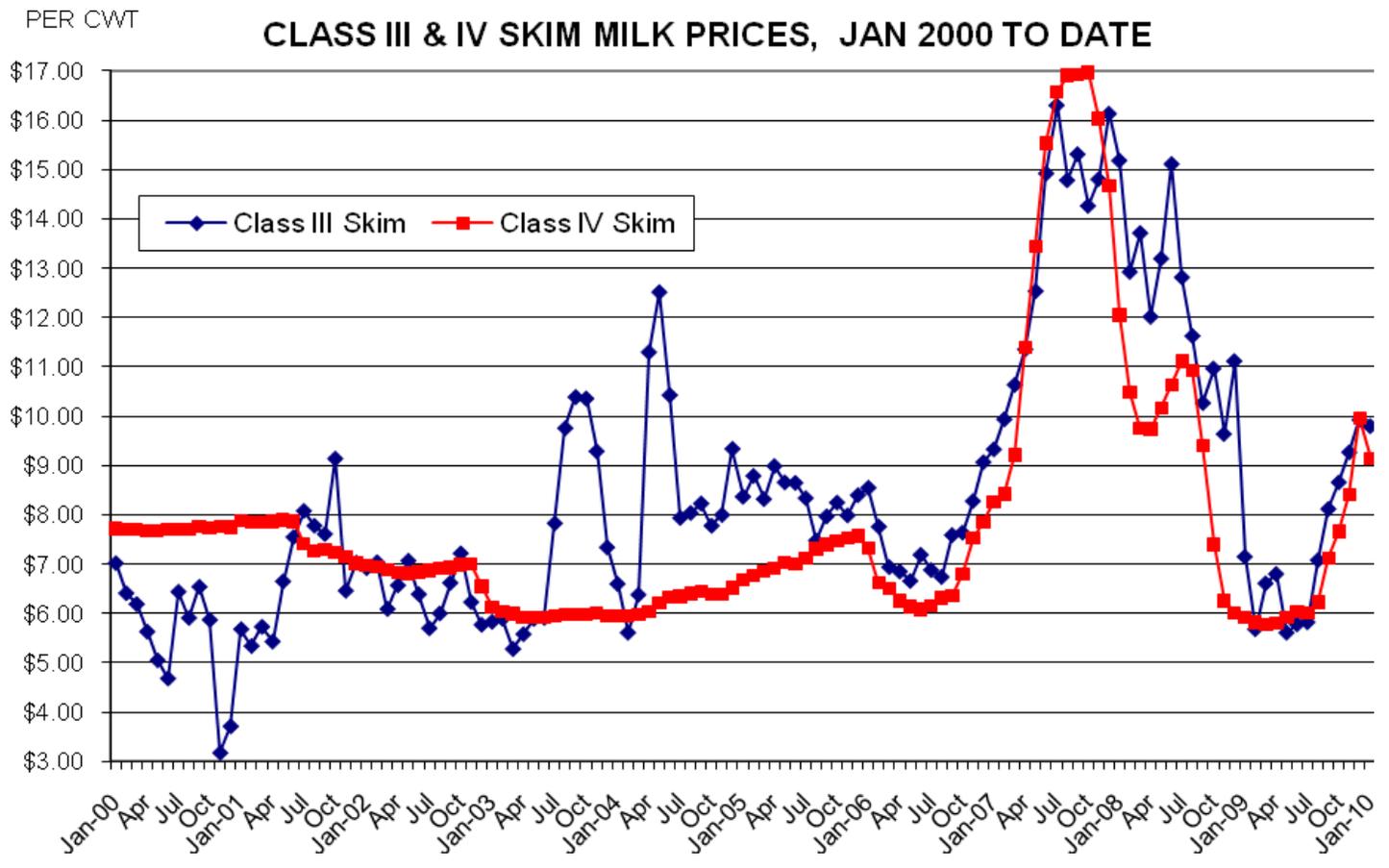
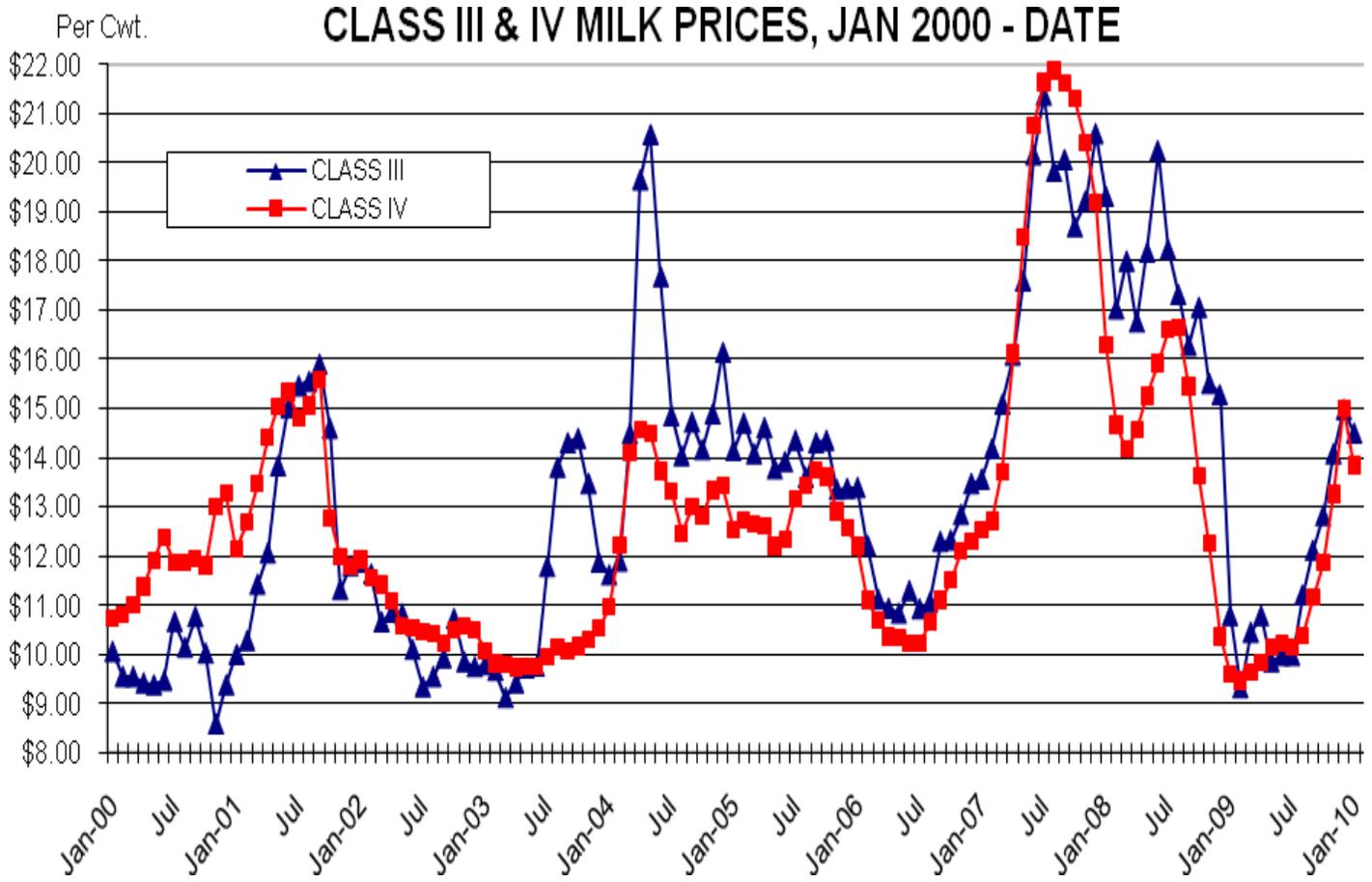
HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for 2009 have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During 2009, about 123.4 billion pounds of milk were received from producers. This volume of milk is 6.8 percent higher than the 2008 volume. There were significant volumes of milk not pooled due to intraorder disadvantageous price relationships in both years. About 45.3 billion pounds of producer milk were used in Class I products, 0.9 percent higher than the previous year. Calendar composition 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 = 37%, Class II = 12%, Class III = 41%, and Class IV = 10%. The weighted average statistical uniform price was \$12.43 per cwt., \$5.81 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE YEAR 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	23,497.4	-1.4	10,267.8	-0.9	44	20	23	13	12.98
Appalachian (Charlotte)	005	5,950.4	1.4	4,149.8	0.7	70	16	6	8	14.00
Southeast (Atlanta)	007	7,169.3	3.8	4,746.8	1.2	66	10	17	7	14.23
Florida (Tampa)	006	3,027.2	-3.0	2,593.4	-0.2	86	8	1	5	16.15
Mideast (Cleveland)	033 ^{3/}	16,595.7	5.9	6,840.7	4.1	41	19	33	7	12.09
Upper Midwest (Chicago)	030 ^{3/}	32,183.9	15.1	4,421.9	-0.2	14	4	80	2	11.57
Central (Kansas City)	032 ^{3/}	12,685.2	10.0	4,253.1	0.4	33	13	34	20	11.68
Southwest (Dallas)	126 ^{3/}	10,808.8	11.9	4,294.2	2.3	40	10	37	13	12.72
Arizona-Las Vegas (Phoenix)	131	4,042.2	-2.5	1,427.3	2.3	35	9	29	27	12.07
Pacific Northwest (Seattle)	124 ^{3/}	7,470.2	8.8	2,267.3	-0.1	30	7	38	25	11.75
ALL MARKET AVERAGE OR TOTAL	^{3/}	123,430.4	6.8	45,262.2	0.9	37	12	41	10	12.43

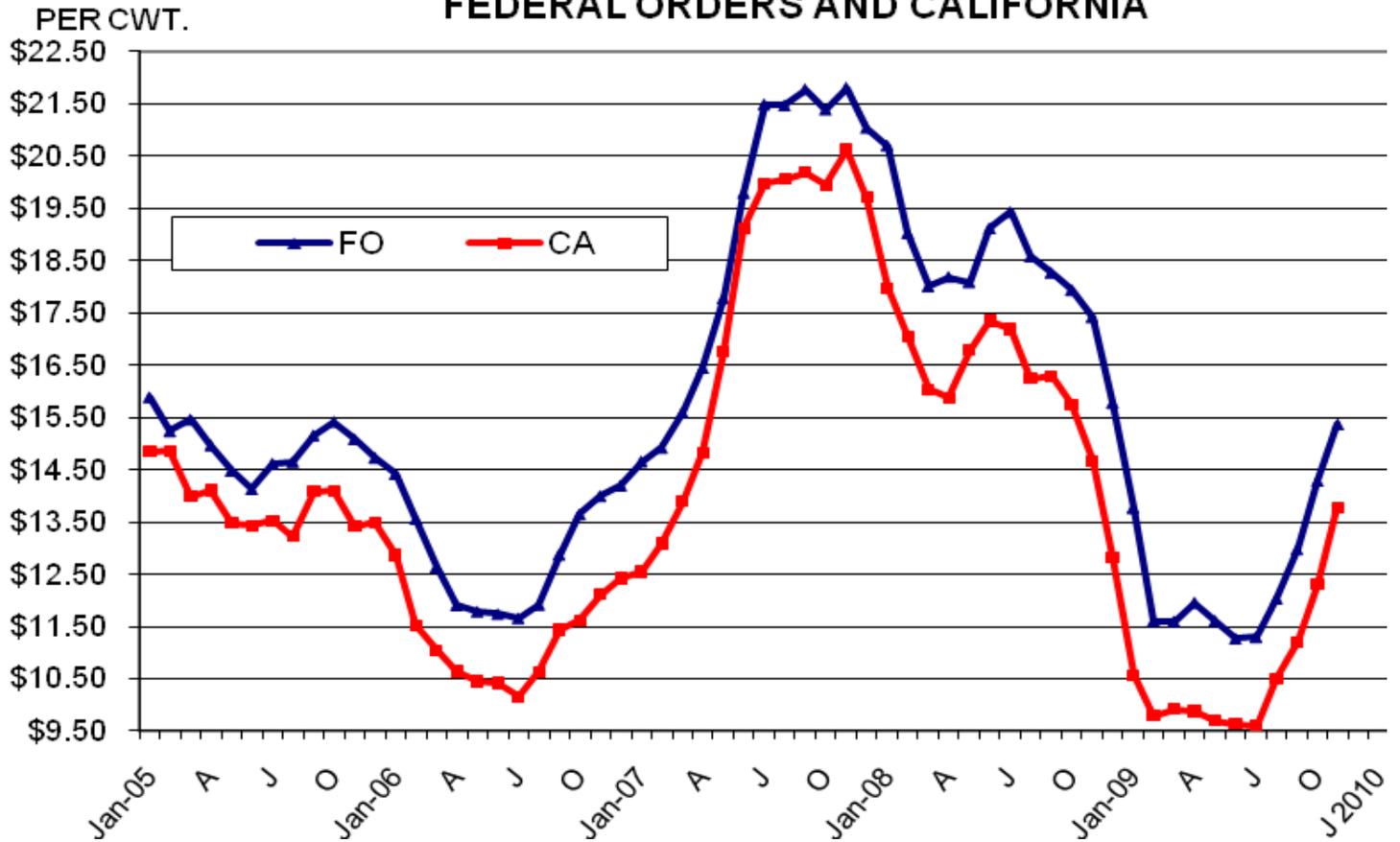
^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{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.

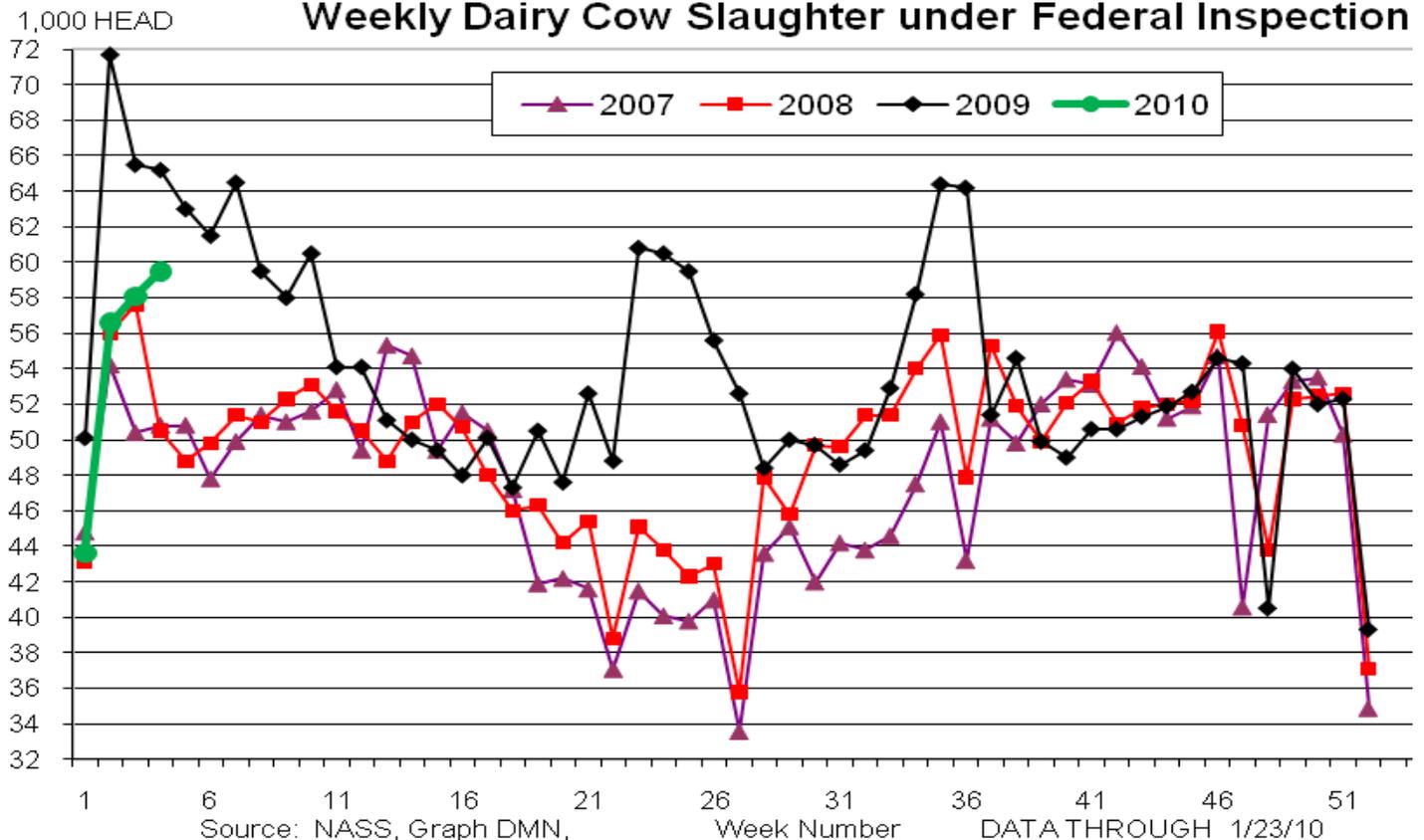
^{3/} Due to a disadvantageous relationship between intra order class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 4.3 billion pounds of milk that normally would have been associated with these markets. In 2008, the estimated not-pooled volume of milk was 8.9 billion pounds occurring in Order Nos. 001, 005, 007, 033, 030, 032, 126, and 124. After adjusting for these not-pooled volumes, the year-to-year percent change is +2.4%.



MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA



Weekly Dairy Cow Slaughter under Federal Inspection



DAIRY MARKET NEWS

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