NATIONAL DAIRY MARKET AT A GLANCE

CME GROUP CASH MARKETS (02/26):

BUTTER: Grade AA closed at $1.4050. The weekly average for Grade AA is $1.3990 (+.0477).

CHEESE: Barrels closed at $1.2900 and 40# blocks at $1.3400. The weekly average for barrels is $1.3290 (-.0723) and blocks, $1.3690 (-.0723).

BUTTER HIGHLIGHTS: At the CME Group, the Grade AA butter price closed at $1.4050, up 4.5 cents from last Friday. Friday, February 26, is the last day "old crop" (pre-December 1, 2009) butter can be sold on the CME Group cash butter market. As traders cleared "old crop" stocks, this may have caused recent erratic day to day price changes. Current churning remains seasonally active. A new butter plant coming on line will provide additional churning capacity. Cream supplies remain seasonally heavy as ice cream and, in instances; cream cheese production continues to lag in some areas while stronger in others. Product for Lenten and Passover promotions continues to be prepared and shipped. Many operations are trying to build butter inventory for use later in the year while others look at export opportunities.

CHEESE HIGHLIGHTS: CME Group cash cheese market prices have declined with barrels dropping into the $1.20s with blocks not far above. The current prices are the lowest since mid-September 2009. Spot interest remains lackluster and inventories are accumulating at more plants. Though some efforts are being made to limit inventory building, current cheese production is generally steady to higher seasonally. The Kansas City Commodity Office announced the purchase of between 79,200 and 396,000 pounds of Kosher process loaves at $.52 per pound over the previous month CME Group average barrel price for April through December delivery under DPPC1-005. According to FAS, January quota cheese imports total 7.8 million pounds, down 40.9% from January 2009, equivalent to 2.6% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for January are estimated to total 792,400 pounds, 62.1% of the volume imported last January.

FLUID MILK: An outbreak of calm weather across the Northeast, Mid Atlantic and Southeast regions has leveled off Class I demand. Manufacturing milk supplies have increased due to reduced Class I demand, with most of the increased volumes headed towards Class IV production. Class I demand in the Midwest was about steady overall, with increased milk volumes in the upper region. Ice cream production remains mixed, with producers on lighter off-season schedules. Churns are active and absorbing available volumes of cream. California milk output remains steady, while Arizona continues to gain, nearing year ago levels. Processing plants are able to handle current milk volumes. Favorable cow comfort levels in the Pacific Northwest, Utah and Idaho helped increase seasonal production levels. Most areas in the West and Northwest were milking less cows, with increased per cow production surpassing year ago production levels. Western milk supplies were well handled by fluid and manufacturing demand. Falling Class III prices are pressuring farmers to scrutinize their operational costs in order to satisfy suppliers and creditors.

DRY PRODUCTS: NDM prices have declined pressured by increased inventories and light demand. Many buyers and traders remain on the sidelines waiting for the market to settle. Price declines in the West have stimulated increased demand, with some large purchases. Drying schedules continue moderate to heavy to handle available supplies. The buttermilk market continues to weaken, with declining prices, pressured by declines in NDM and limited demand. Buttermilk production is steady to higher, keeping pace with churn activity. Dry whey prices have remained mostly steady in the face of lower dry dairy product prices. Producers continue to dry product to fill contract needs and building supplies for export opportunities. Buyers are cautious concerning purchases beyond current needs. Whey protein concentrate prices range from steady to lower, pressured by the lower NDM markets. Production is trending higher with increased seasonal milk volumes. Lactose prices are mostly unchanged, with an unsettled to weak undertone. Demand is steady through contracts, slower through spot sales.

ORGANIC DAIRY MARKET NEWS: Comparing February 2010 with January 2010 for 30 cities, retail prices for half gallons of 2% milk were lower in 10 cities, higher in 8 cities, and unchanged in 12 cities. Compared with month earlier, the same number of cities had higher prices but 6 more cities had lower prices. Both the largest increase and decrease were in the East. During December, about 33 million pounds of packaged organic whole milk and 104 million pounds of organic fat-reduced milk is estimated to have been sold in the United States. This was 10.2% less organic whole milk and 6.8% less organic fat-reduced milk than was sold in December 2008. Calendar year 2009 sales of organic whole milk totaled 371 million pounds and of organic fat-reduced milk, 1,231 million pounds. Calendar year sales of organic whole milk for 2009 were 2.3% lower than 2008. Calendar year sales of organic fat-reduced milk in 2009 were 2.7% below 2008. For the period February 13 through February 26, 2010, surveyed newspaper ads containing organic dairy content increased in number. The current period contained organic dairy ads in 33.4% of 9,124 surveyed supermarket ads. This is up from two weeks ago, 27.5%, but still below four weeks ago, 48.7%. Non-organic milk and/or dairy products appeared in nearly 100% of surveyed ads. Unlike two weeks ago when no region had organic dairy ad content topping 50% of total ads, this week the Northeast contained 51.6% organic dairy presence and the Northwest, 52.1%. These regions were followed by the Midwest, 41.9%; Southwest, 39.5%; South Central Region, 23.1%; and Southeast, 8.7%. Organic yogurt ads, a strong number two for several months, this week ascended to being the most advertised organic dairy product, with 1,763 total ads.

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

CME GROUP CASH TRADING

PRODUCT	MONDAY FEBRUARY 22	TUESDAY FEBRUARY 23	WEDNESDAY FEBRUARY 24	THURSDAY FEBRUARY 25	FRIDAY FEBRUARY 26	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	$1.3700	$1.3600	$1.3275	$1.2975	$1.2900		$1.3290
	(-.0075)	(-.0100)	(-.0325)	(-.0300)	(-.0075)	(-.0875)	(-.0723)
40# BLOCKS	$1.3950	$1.3950	$1.3700	$1.3450	$1.3400		$1.3690
	(-.0175)	(N.C.)	(-.0250)	(-.0250)	(-.0050)	(-.0725)	(-.0723)
BUTTER							
GRADE AA	$1.3750	$1.4050	$1.4050	$1.4050	$1.4050		$1.3990
	(+.0150)	(+.0300)	(N.C.)	(N.C.)	(N.C.)	(+.0450)	(+.0477)

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

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Although ads for 5.3 ounce Greek yogurt fell sharply to 21 ads from 560 two weeks ago, ads for 6 ounce yogurt increased from 583 to 987. There were also 404 ads for 32 ounce containers of organic yogurt and 351 ads for 4 ounce containers of baby yogurt. The weighted average advertised price of 6 ounce yogurt, 78 cents, represents an average 23 cents higher than two weeks ago and a top price 40 cents higher. All organic Greek yogurt was advertised at $1.66, 61 cents higher than two weeks ago. This period, the weighted average advertised price for half gallons of organic milk fell slightly to $3.33 from $3.35. The top of the range fell from $3.98 to $3.89 while the bottom increased from $2.50 to $2.99. This represents the narrowest range since this reporting series began last Fall. The number of ads for organic half gallons, formerly the top single most advertised organic dairy product, is now number two behind organic yogurt ads. Half gallon ad numbers fell to 1,192. This continues a downward trend for half gallons, from 1,134 ads two weeks ago and 2,660 four weeks ago.

JANUARY MILK PRODUCTION (NASS): Milk production in the 23 major States during January totaled 14.8 billion pounds, down 0.6 percent from January 2009. December revised production at 14.6 billion pounds, was down 0.7 percent from December 2008. The December revision represented an increase of 18 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,782 pounds for January, 30 pounds above January 2009. The number of cows on farms in the 23 major States was 8.32 million head, 191,000 head less than January 2009, but 4,000 head more than December 2009.

MILK PRODUCTION – ANNUAL (NASS): Annual 2009 milk production in the 23 major states totaled nearly 189.3 billion pounds, down 0.3% from a year earlier. Production per cow averaged 20,576 pounds, up 181 pounds (0.9%) from 2008. Average cow numbers on farms during 2009 were 9.2 million head, 1.2% below 2008. The top 5 calendar year 2009 milk producing states and their change from 2008 are: California 39.5 billion pounds, down 1.691 billion pounds (-4.1%); Wisconsin 25.2 billion pounds, up 767 million pounds (+3.1%); New York 12.4 billion pounds, off 8 million pounds (-0.1%); Idaho 12.2 million pounds, down 165 million pounds (-1.3%); and Pennsylvania 10.6 billion pounds, off 24 million pounds (-0.2%).

MONTHLY COLD STORAGE (NASS): On January 31, U.S. cold storage holdings of butter totaled 169.8 million pounds, 28% more than a month ago, but 4% less than last year. Natural American cheese holdings total 595.3 million pounds, 2% more than a month ago, and 12% more than a year ago. Total cheese stocks were 980.8 million pounds, 1% more than a month ago and 11% than the same period last year. Nonfat dry milk holdings at the end of December total 288 million pounds, 3 million pounds more than last month and 34 million pounds more than a year ago. The government holds 45.5% of the total nonfat holdings.

DECEMBER FMMO OVER-ORDER CHARGES (AMS): For December 2009, the all reporting areas combined average over-order charge on producer milk used in Class I was $2.24 per cwt., down $0.01 from the November 2009 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from $0.75 in the Pacific Northwest to $3.66 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was $1.20 per cwt., up $0.03 from the November 2009 average. Eighty-two percent of the producer milk used in Class II carried an over-order charge.

MARCH ANNOUNCED COOPERATIVE CLASS I PRICES (AMS): For March 2010, the all-city average announced cooperative Class I price was $19.47 per cwt., $2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The March cooperative Class I price was $0.54 lower than the February price, while the Federal order Class I price was $0.50 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 March 2009, the all-city average announced cooperative Class I price was $14.46, $2.39 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.

DAIRY OUTLOOK (ERS): The U.S. milk supply is forecast to decline slightly in 2010 as a continued response to low prices last year. The size of the U.S. dairy herd is expected to decline from an average of 9,200 thousand head in 2009 to an average of 9,015 thousand head this year. A higher-than-expected January 1 dairy replacement heifer estimate suggests that the decline in herd size will be more gradual than earlier forecast. Milk per cow is forecast to increase 1.8 percent this year, to 20,950 pounds from 20,576 pounds last year. Feed prices will decline this year as the price of corn is expected to average $3.45 to $3.95 per bushel in the 2009/10 marketing year and soybean meal is forecast to average $270 to $320 per ton. These forecast prices represent substantial declines from $4.20 per bushel for corn and $336 per ton for soybean meal posted for 2008/09. The decline in feed prices will result in higher milk-feed price ratios in 2010. While the improved producer profit outlook is unlikely to launch an expansion, it could limit the rate of decline this year. Year-ending stocks in 2009 were about 12 percent higher on a milk equivalent fat basis than at the end of 2008, mostly due to especially high cheese stocks. On a milk equivalent skim-solid basis, stocks were about 3 percent higher at the end of 2009 compared with 2008. The higher stock levels will limit price increases, at least through the first half of 2010, until they are drawn down. Based on product price forecasts, milk prices will rise in 2010 from those of 2009. The Class IV price is expected to be $13.95 to $14.75 per cwt, and the Class III price is projected to average $14.90 to $15.60 per cwt. The all milk price is expected to be $16.20 to 16.90 per cwt in 2010.

CME GROUP

MONDAY, FEBRUARY 22, 2010

CHEESE — SALES: 3 CARS BARRELS: 1 @ $1.3775, 2 @ $1.3700; 8 CARS 40# BLOCKS: 2 @ $1.4125, 3 @ $1.4000, 2 @ $1.3975, 1 @ $1.3950; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ $1.3700; 1 CAR 40# BLOCKS @ $1.3950

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

BUTTER — SALES: 3 CARS GRADE AA: 1 @ $1.3750, 1 @ $1.3650, 1 @ $1.3750; LAST BID UNFILLED: 1 CAR GRADE AA @ $1.3400; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ $1.3850

TUESDAY, FEBRUARY 23, 2010

CHEESE — SALES: 1 CAR BARRELS @ $1.3600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ $1.3625

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

BUTTER — SALES: 4 CARS GRADE AA: 1 @ $1.3950, 1 @ $1.4050, 1 @ $1.4000, 1 @ $1.4050; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ $1.4100

WEDNESDAY, FEBRUARY 24, 2010

CHEESE — SALES: 9 CARS BARRELS: 1 @ $1.3600, 3 @ $1.3500, 1 @ $1.3475, 1 @ $1.3425, 2 @ $1.3400, 1 @ $1.3275; 16 CARS 40# BLOCKS: 5 @ $1.3950, 2 @ $1.3900, 2 @ $1.3850, 1 @ $1.3800, 6 @ $1.3750; LAST BID UNFILLED: 2 CARS BARRELS @ $1.3200; LAST OFFER UNCOVERED: 1 CAR BARRELS @ $1.3300; 5 CARS 40# BLOCKS @ $1.3700

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 @ $1.4100

THURSDAY, FEBRUARY 25, 2010

CHEESE — SALES: 1 CAR BARRELS @ $1.2975; 5 CARS 40# BLOCKS: 1 @ $1.3600, 4 @ $1.3500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ $1.3450

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

BUTTER — SALES: 6 CARS GRADE AA: 1 @ $1.3600, 1 @ $1.3700, 1 @ $1.3600, 1 @ $1.4000, 1 @ $1.3900, 1 @ $1.4050; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, FEBRUARY 26, 2010

CHEESE — SALES: 2 CARS BARRELS: 1 @ $1.2950, 1 @ $1.2900; 2 CARS 40# BLOCKS: 1 @ $1.3450, 1 @ $1.3400; LAST BID UNFILLED: 2 CARS BARRELS @ $1.2825; 1 CAR 40# BLOCKS @ $1.3350; LAST OFFER UNCOVERED: 1 CAR BARRELS @ $1.2900; 1 CAR 40# BLOCKS @ $1.3400

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

BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ $1.4200

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at $1.2400 and Grade A at $1.1200. The last price change for Extra Grade was on 01/26/10 and Grade A was on 2/17/10. The weekly average for Extra Grade is $1.2400 (N.C.) and Grade A is $1.1200 (+.0037).

BUTTER MARKETS

NORTHEAST

The CME Group butter price advanced 3 cents Tuesday, closing at $1.4050. This is the highest butter price since January 26. Butter trading since the President's Day holiday, February 15, has been very active, trading 35 loads in the period. Cream supplies have increased, due to increased manufacturing milk supplies. Churns are seasonally active, building inventories for the upcoming Easter and Passover holidays. There continues to be export interest for butter, even as the dollar has recently strengthened. The latest NASS Cold Storage report released Monday; shows butter in storage in all warehouses on January 31 totals 169.8 million pounds, 36.8 million pounds (28%) more than the prior month stocks but 4% less than January 2009 stocks. FAS reports, imports of high tier and quota butter for January 2010 totaled 268 thousand pounds, 59% more than the same period last year. Imports of quota butter totaled 197 thousand pounds, 1.3% of the annual quota. Prices for bulk butter range from 4-6 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

Butter markets remain unsettled though prices have increased since February 19 at the CME Group cash butter market. Sellers are trying to clear any remaining "old crop" butter while it is still eligible for sale on the CME Group cash butter market in February. Starting March 1, all butter must be "new crop" butter (made on or after December 1, 2009) to be eligible for sale. Clearing old butter stocks often can cause the erratic daily price swings, and may trigger larger volume sales. Churning remains seasonally active though interest from most other users remains seasonally light. Interest in fresh butter remains good as many customers want to have butter in inventory for later year use. According to NASS, January 31 U.S. butter supplies in cold storage total 169.8 million pounds, up 28% from December, but down 4% from January 2009. 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 $1.4050. Butter sales were reported moderate for the week. Thursday, the 18th saw heavy one day sales of 18 loads. Old crop butter supplies on the exchange must be cleared by the end of February. Butter trading has advanced prices $.0450 so far this week. Butter prices on Tuesday at the CME Group were in the unusual position of being higher than cheese prices. Manufacturers of butter report good sales and clearances of contracted inventory. Available cream supplies for churns are sufficient to fulfill contract needs. Inventories are increasing at a slower rate than past weeks. Spot loads of butter continue to find willing buyers. Demand for sales into retail and club stores is good. Demand into food service accounts continues to be at or below expectations. According to NASS, *Cold Storage* stocks of butter as of January 31, 2010, total 169.8 million pounds, down 4% or 6.7 million pounds from January 2009. Stocks were 28% higher or 36.8 million pounds more than December 2009. According to FAS, imports of butter for January 2010 total 198,000 pounds, up 51.5% over January 2009. The imports total 1.3% of the annual quota. The three largest import sources were New Zealand, France and Ireland. They accounted for 151,700 pounds or 76.7% of the total imports. High-Tier imports (above quota and with a penalty) total 70,800 pounds or about 83.1% more than last year. According to the CME Group, weekly butter stocks decreased by 460,000 pounds last week to stand at 56.7 million pounds. The decrease, although slight, is the first lowering of stocks in storage since the week of December 12, 2009. This total compares to 69 million pounds in 2009 and 120.9 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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
FEBRUARY 20	1.5059	1.5005	1.0697	1.3407	0.3946
	10,365,770	8,321,347	16,906,986	2,752,089	11,363,906

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

CHEESE MARKETS

NORTHEAST

Barrel and block prices on the CME Group have declined significantly since the President's Day holiday on February 15, declining .0850 on barrels and .1100 on blocks. The decline on block cheese brought the block price to a five month low. Cheese makers are attempting to limit production schedules in the face of declining CME Group prices and expanding cold storage inventories. Sales for current and flavored cheese are sluggish and inventories are building. Cream cheese and Kosher cream cheese production continues to be active in preparation for the Easter and Passover holidays. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of January 31, 2010 total 981 million pounds, 1% above one month ago and 11% higher than one year ago. A majority of the holdings are in the form of American cheese (60.6%) totaling 595.3 million pounds, 2% above one month ago and 12% higher than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.6%) totaling 359.9 million pounds, 1% above one month ago, and 10% higher than one year ago. Swiss cheese accounts for 2.6% of holdings at 25.9 million pounds, 5% more than one month ago and 12% more than one year ago.

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

Cheddar 40# Block	:	1.7675-2.0425
Process 5# Sliced	:	1.4950-1.8050
Muenster	:	1.7875-1.9850
Grade A Swiss Cuts 10 - 14#	:	3.2175-3.5400

MIDWEST

The cheese market is weak and many traders expect additional price declines may yet occur in the short term. Buyers are content with making minimal fill-in orders where needed until prices reach a bottom. Most packagers and/or processors have line time available to run additional orders. Some in the industry do not expect prices to turn around until summer heat or some other event sharply reduces milk volumes and resulting cheese and other dairy product output. Current promotional activity for Lent and/or other cheese specials are not as effective as last year as prices are higher and consumers are just not as interested at current prices. Cheese production remains seasonally active though many plant operators are trying to slow or minimize inventory growth. Extra milk is readily available within the region. The Kansas City Commodity Office announced the purchase of between 79,200 and 396,000 pounds of Kosher process loaves at $.52 per pound over the previous month CME Group barrel price for April through December delivery under DPPC1-005. According to NASS, January milk production estimates in selected Central states are higher than last January in Wisconsin, Minnesota, Michigan and Iowa but lower in Texas and Missouri.

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

Process American 5# Loaf	:	1.7625-1.9425
Brick And/Or Muenster 5#	:	1.9500-2.1000
Cheddar 40# Block	:	1.9300-2.5650
Monterey Jack 10#	:	1.9150-2.5650
Blue 5#	:	2.2400-2.8200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7850-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.5900-3.3300

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

	BUTTER	:	CHEESE
02/22/10	10,601	:	140,727
02/01/10	8,498	:	121,257
CHANGE	2,103	:	19,470
%CHANGE	25	:	16

WEST

Prices on 40 lb. Blocks at the CME Group on Wednesday were $.0250 lower to settle at $1.3700. Trading was heavy on sales of 16 loads. Prices were unchanged to lower for the last eight trading sessions. During that period, the Blocks are $.1350 lower. Barrels were $.0325 lower on Wednesday and ended at $1.3275. Barrels traded moderate to heavy on sales of nine loads. The barrel price has lost $.1500 from February 10. Weaker prices have not dampened cheese production schedules. Milk continues to be directed to cheese plants. The market is described as good for contract orders. Some buyers are sitting on the sidelines to place orders as prices continue to decline. Lower prices are expected to spur spot sales. Purchasers continue to be cautious. Stocks of cheese are above year ago levels. According to NASS, *Cold Storage* stocks of cheese (total) at the end of January 2010 are 980.8 million pounds, up 11% or 98.4 million pounds from last year. American stocks were up 12%, while Other Natural stocks were up 10%. Swiss stocks at the end of January total 25.9 million pounds, up 12% from last year. According to the Foreign Agricultural Service, quota imports of cheese for January 2010 total 7.8 million pounds, down 40.9% from a year ago. The imports stand at 2.6% of the annual quota. Imports of Swiss cheese for January total 2.6 million pounds, down 1.9% from last year. Imports of Swiss stand at 3.5% of the annual quota. The two largest import sources of Swiss cheese are Norway and Finland, and they accounted for 1.8 million pounds or 69.2% of the total imports of Swiss. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 792,400 pounds, 62.1% of the volume imported in 2009.

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

Process 5# Loaf	:	1.5275-1.7850
Cheddar 40# Block	:	1.5725-1.9250
Cheddar 10# Cuts	:	1.7525-1.9725
Monterey Jack 10#	:	1.7625-1.9225
Grade A Swiss Cuts 6 - 9#	:	2.7650-3.1950

FOREIGN

Domestic wholesale cheese prices declined significantly, following like declines in the weekly average CME Group block price. According to FAS, imports of high tier and quota cheese for January this year totaled 8.6 million pounds. Imports of quota cheese for January totaled 7.8 million pounds, 41% below the same period last year and 2.6% of the annual quota. Imports of high tier cheese for January total 792.4 thousand pounds, down 38% from the same period in 2009. Imports of Swiss/Emmenthaler varieties for January 2010 totaled 2.6 million pounds, 1.8% less than the same period last year. Norway and Finland, the two top sources, account for 70% of Swiss/Emmenthaler imports.

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

VARIETY	NEW YORK IMPORTED	NEW YORK DOMESTIC
Blue	2.6400-5.3900	1.9075-3.3950*
Gorgonzola	3.6900-6.6900	2.4100-2.6700*
Parmesan (Italy)	-0-	3.3150-3.5175*
Provolone (Italy)	3.4400-5.9900	1.9500-2.1075*
Romano (Cows Milk)	-0-	3.0975-5.2400*
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.

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	116	0	100	0	98
SOUTHEAST STATE	0	0	0	0	0	0

Manufacturing milk supplies have increased in the Northeast region as Class I demand has leveled off, some cheese plants have reduced production schedules and milk production has increased in most areas. Drying schedules have expanded in order to handle the additional manufacturing milk supplies. Milk production increases in the Mid Atlantic region are nearing the level where additional trucks will be added to various routes. Class I demand has leveled off and declined in some areas due to remaining consumer supplies, purchased prior to recent winter storms. Dryers and churns are operating at increased schedules in order to handle the increased manufacturing milk supplies. Recent winter storm fronts have abated in the Southeast, bringing about calmer weather and a leveling off of Class I demand. No spot shipments were made into or out of the region. Florida is experiencing dryer weather, but remains unseasonably cool, keeping a majority of pastures in fair to poor condition. Cream supplies have tightened, even as milk production has increased, as butter and cream cheese production are very active ahead of the Easter and Passover holidays. Multiples range from 125 to 134, with some plants shipping in cream from the Midwest due to favorable pricing. Increased supplies of condensed skim are going to the dryers as numerous cheese plants reduce production schedules in the face of lower prices and building inventories. According to NASS, milk production for January 2010 in the 23 reported states totaled 14.8 billion pounds, down 0.6% from January, 2009. Milk production declined in the 5 listed states of the Eastern region 2.1% or 53 million pounds. The 5 states showed the following percentage changes in milk production from January 2009 to January 2010 and total milk production this January: Florida, -8.7%, 179 million pounds; New York, -1.3%, 1,028 million pounds; Pennsylvania, -1.7%, 882 million pounds; Vermont, -1.4%, 209 million pounds; and Virginia, -2.7%, 146 million pounds. Milk cow numbers for January 2010 declined in all 5 listed states of the eastern region and the region declined by 34,000 head or 2.4% compared to the same period last year. Individual state decreases in cow numbers from January 2009 and cows remaining as of this January are: Florida, 6,000 decline, 112,000 remaining; New York, 14,000 decline, 610,000 remaining; Pennsylvania, 9,000 decline, 541,000 remaining; Vermont, 3,000 decline, 134,000 remaining; and Virginia, 2,000 decline, 95,000 remaining.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, $ PER LB BUTTERFAT

F.O.B. producing plants: Northeast	-	1.6891-1.8107
F.O.B. producing plants: Upper Midwest	-	1.6486-1.7162

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,
F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices	-	1.20 - 1.24
Northeast - Class III - spot prices	-	1.24 - 1.30

MIDWEST

Class I interest is generally about average overall. With the large volumes of milk available in the upper Midwest, bottlers are able to acquire extra loads with little difficulty. Orders for Class II products such as dips and sour cream were lighter this week after very strong movement last week. Ice cream production remains mixed but producers are still operating on lighter off-season schedules. Churning remains active to absorb the volume of cream available. While butter prices are erratic this month on the CME Group cash market, much of the "blame" is placed on traders clearing their inventory of "old crop" butter (produced before December 1, 2009) while it is still eligible for trading this month. Manufacturing milk interest is generally light. The fluid volume available is at least equal to the demand for extra loads with reported prices little changed. There is concern about plant level cheese inventory growth and how to manage it in a falling market. Few plant operators are interested in adding producers in upper sections until the spring flush is over and intakes are well on the decline. Current milk volumes are steady to higher through most of the Central and Northern sections of the region. March is traditionally a large farm auction month in many northern areas and auctioneer schedules are filling. Milk producer profitability and price forecasts remain a topic of conversation. Estimated January 2010 milk production in selected Midwestern states compared with January 2009 is: Wisconsin, 2.161 billion pounds, up 97 million pounds (4.7%); Minnesota, 785 million pounds, up 27 million pounds (3.6%); Texas, 740 million pounds, down 25 million pounds (-3.3%); Michigan, 676 million pounds, up 16 million pounds (2.4%); and Iowa, 373 million pounds, up 7 million pounds (1.9%). Production per cow was above year ago in all these states with only Texas and Michigan hosting fewer cows. According to NASS, the top 5 calendar year 2009 milk producing states and their change from 2008 are: California 39.5 billion pounds, down 1.691 billion pounds (-4.1%); Wisconsin 25.2 billion pounds, up 767 million pounds (3.1%); New York 12.4 billion pounds, off 8 million pounds (-0.1%); Idaho 12.2 million pounds, down 165 million pounds (-1.3%); and Pennsylvania 10.6 billion pounds, off 24 million pounds (-0.2%).

WEST

According to NASS, January *Milk Production* for the 23 surveyed states totals 14.8 billion pounds, down 0.6% or 85 million pounds from last year. Milk production has been below a year earlier for the last seven months. January milk production for selected Western states is as follows: Arizona -7.5%, California -2.4%, Colorado -10.4%, Idaho +1.5%, New Mexico -4.8%, Oregon +1.1%, Utah +0.7%, and Washington +5.0%. Western herds continued to shrink in numbers of cows except for Washington. The Arizona herd is down 20,000 head, California -72,000, Colorado -13,000, Idaho -4,000, New Mexico -16,000, Oregon -1,000, Utah -3,000, and Washington +5,000. These 8 states are down 124,000 while the 23 surveyed states are down 191,000. CALIFORNIA milk output is steady with some localized changes to output noted. The impact of wet weather conditions has been more sporadic and not widespread. The implications of lower milk prices at the farm level are again being assessed in the face of lower cheese and nonfat dry milk prices that are included in the milk pricing formulas. Feed costs have moderated, but fixed costs remain high. Processing plants are able to handle current milk intakes. Fluid markets are in a good supply and demand balance. Milk production in ARIZONA continues higher on a weekly upwards trend and the seasonal gains are also pulling closer to year ago levels. Conditions are very god for cow comfort. Processing plants are running on normal schedules. Fluid demand is steady. Milk production in NEW MEXICO is steady to slightly lower. Milk is being moved to regular accounts and in good balance in the state. Plants are running on schedules and taking expected milk volumes. Bottled milk demand is flat. CREAM markets are steady to firm. The market tone recently has been fluctuating and often mirroring the butter price. When butter is weak, cream weakens and when butter strengthens, the cream market improves. There is an improving demand from ice cream producers and the beginnings of holiday, cream based items production runs. Overall, a lot of cream is moving in the churns. The CME butter price closed at $1.4050 on Wednesday, February 24, up 7 cents from a week ago. This continues the pattern of fluctuating CME price and basing points. Cream multiples are slightly higher and range 110-122 FOB and vary depending on class usage and basing points. Weather in the PACIFIC NORTHWEST was typical for late winter. Warmer daytime temperatures with above freezing nights were the norm for the week. Rains along the coast did not cause any interruptions in milk handling or movement. Favorable cow comfort levels for milking operations helped to increase production levels seasonally. Production levels are above last year in Oregon despite slightly less cows. Selective culling and favorable weather have kept milk production levels up. Washington increased cow numbers and production per cow for net gains. Handlers are directing milk supplies to available plants for manufacturing. Fluid markets are showing steady demand and processors are clearing extra supplies easily. UTAH and IDAHO saw some colder weather return, although conditions remain good for milk production. The colder weather and some snow were not sufficient to cause handling problems. Utah and Idaho both had reductions in their cow herds compared to last year yet production was slightly higher for both states. Idaho had an increase of 40 pounds per cow, with Utah increasing per cow production by 75 pounds. Milk supplies were readily handled by fluid needs and manufacturing demand. Financial concerns continue to plague milk producers. Falling Class III prices have agricultural lenders and farmers looking closely at costs. Farmers feel continuing pressure to meet payments to suppliers and creditors.

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 NDM market remains weak and prices continue to be pressured by sizeable offerings and light demand. Buyers are still reluctant to purchase for more than short term needs, expecting weakness to continue perhaps into spring flush. Current production remains heavy. Also, weakness in the cheese market has producers trying to limit cheese production and NDM use.

EAST: Manufacturing milk supplies have increased as Class I demand has leveled off. Class II production schedules are at mostly reduced levels and cheese makers are also attempting to reduce schedules in the face of lower prices and growing inventories. Most production of NDM is of the low heat variety, but high heat is also produced when manufacturing milk volumes allow. Some purchases of aged NDM product are being secured from the West at a discount. Prices are steady to weak in light spot market activity as traders and purchasers wait for the market to settle.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.0500 - 1.2550 MOSTLY: 1.1000 - 1.1700
HIGH HEAT: 1.1800 - 1.3550

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: The Central buttermilk market remains weak as declines in NDM prices continue to spill over into the buttermilk market. Interest remains light as most buyers wait for prices to settle. Buttermilk production is seasonally active as are churning schedules. A reported dryer problem caused an increase in the offerings of condensed buttermilk within the region. Uneven to light early year ice cream production is also limiting demand. Inventories are accumulating for many producers.

EAST: Cream supplies have increased following the increases in milk production in various areas of the Mid Atlantic and Northeast regions. Churns remain very active making butter ahead of the Easter and Passover holidays. Dry buttermilk powder production has also increased, due to the active churning schedules. Prices remain steady with a weak undertone in light spot market activity, as prospective purchasers remain on the sidelines waiting for the market to settle.

F.O.B. CENTRAL/EAST: .9900 - 1.1600

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are lower and continue to experience a weak market undertone. Conditions are not fully tested. Buyer interest is slow unless discounted. Recent price declines have some buyers sitting out of the market; while others are in when they can get their price. Price declines have stimulated some increases in demand and there have been some large blocks moving. Export interest is indicated but not reflecting in sales. Limited information is available on recent export tenders. Offerings of older NDM are available at discounted prices. Drying schedules remain moderate to heavy to process available milk supplies. Condensed skim interest is steady to lower with some buyers more cautious as they watch market and product dynamics. Western high heat prices continue to trend lower and the market tone remains weak. Declining low heat prices and indices continue to impact the high heat market. Buying interest is fair for contracts to light for spot sales. Producers are attempting to keep stocks in balance and yet keep enough stocks to service accounts.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.0000 - 1.1700 MOSTLY: 1.0000 - 1.0900
HIGH HEAT: 1.0900 - 1.3300

DRY BUTTERMILK - WEST

Western dry buttermilk markets continue to weaken as pricing levels decline. Offerings are available from most producers in the region and additional offerings from resellers and end users are being shown as they try to keep their stocks current. Production of dry buttermilk is steady to slightly higher and keeping pace with butter output. Drying schedules are available and able to be used for buttermilk solids. Producers' stocks are moderate to heavy.

F.O.B. WEST: .8500 - 1.0200 MOSTLY: .8750 - .9650

DRY WHOLE MILK - NATIONAL

Prices are unchanged for dry whole milk this week. There has been very light spot market trading, with most activity involving re-sales, rather than spot sales from manufacturers. Buyer interest is light.

F.O.B. PRODUCING PLANT: 1.3600 - 1.5200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 19	$1.0247	11,015,655	0
February 12	$1.1045	7,075,566	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 for the Central region were unsettled, with the mostly range continuing steady. Lower prices for the full range reflected sales to clear inventory. Producers continue to dry product to fill contracted needs. Instances of production shortages for contracted needs have occurred. Most manufacturers are handling contract needs comfortably. Production intended for export continues as the Chinese New Year has concluded and other markets have been slow to purchase for their needs. Buyers are cautious concerning purchasing additional supplies above and beyond immediate needs.

F.O.B. CENTRAL:	.3100 - .4150	MOSTLY:	.3675 - .3875
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER:			.2200 - .3700

DRY WHEY - NORTHEAST

Whey prices in the Northeast moved higher in light trading with fairly tight supplies as some whey producers continued to catch up on contracts. Whey production experienced decreases as some cheese makers reduced production schedules. Prospective purchasers of whey received few offers and looked to the Midwest to secure available loads. Limited available supplies supported the market in the face of declining prices for other dry dairy products.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3675 - .4075

DRY WHEY - WEST

Western whey prices continued their steady pattern. Contract sales are active at current prices. Heavy cheese production is supplying whey manufacturers with ample quantities for drying. Drying schedules are active to fill contract needs and to build supplies for export. The Chinese New Year celebrations have ended and exporters are looking to return to that market. While the market has remained steady over recent weeks, buyers feel that the market is priced high compared to other dry products. They have restricted forward purchases in favor of a wait and see attitude. Many are purchasing for immediate needs in hopes of securing lower prices in the future. Spot loads of whey continue to be hard to come by with most production going to fulfilling contract needs. One concern offered some spot loads at current contract prices and found willing buyers after some negotiations. Contracts for second quarter sales are being worked on with one producer stating the market appears steady.

NONHYGROSCOPIC:	.3750 - .4300	MOSTLY:	.3900 - .4200

EVAPORATED MILK - NATIONAL

The Kansas City Commodity Office announced on February 25, 2010 the award of contracts for evaporated milk under Solicitation EVD3-020, for April through June deliveries. The evaporated milk, packed in 24/12 oz. cans, is to be delivered at various locations throughout the country. Accepted prices ranged from $0.5260 - $0.5889/lbs. No further bids will be considered under this solicitation number.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate range from steady to lower and generally are reflecting some market weakness, augmented by weaker NDM markets. Discounting by producers is occurring on a limited basis. While some of the current market weakness is being based on expectations or concerns, there are producers in good shape. Producer offerings are mixed and range from light to moderate levels. Production is often trending higher as more milk is being received seasonally.

F.O.B. EXTRA GRADE 34% PROTEIN: .8500 - .9950 MOSTLY: .9100 - .9400

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged on the mostly series; while lower on the bottom end of the range. The market tone is unsettled to weak, especially for current, spot sales. Offerings are light to moderate and vary depending on marketing plans by producers. Demand is moving well through contracted sales, although spot demand has slowed. Location and quality also are factors in current market conditions. Production schedules are tracking along at expectations. Stock levels are variable at the producer level.

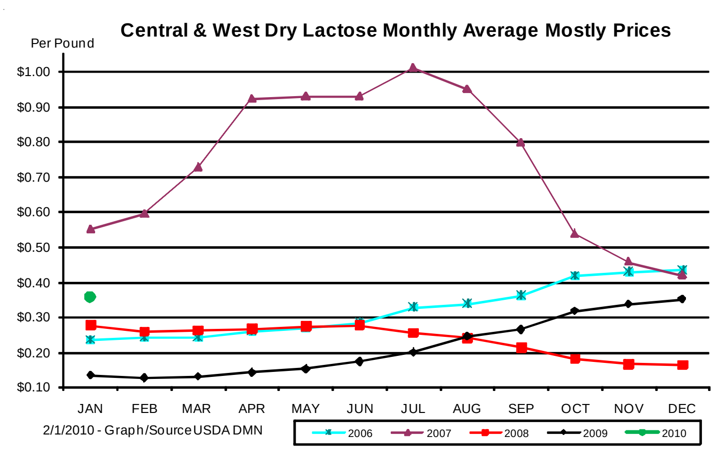
Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .2700 - .4500 MOSTLY: .3300 - .3700

CASEIN - NATIONAL

The Casein market is steady. Buyers are receiving contracted volumes but spot availability from preferred sources is limited. Oceania casein production is lower seasonally and most shipments are moving from inventory. European milk volumes are increasing seasonally but current casein production remains minimal.

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 FEBRUARY 22 – 26, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 02/19/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	4,639,010	-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	184,221,392	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	184,221,392	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 22 - 26, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	3.9	111.2
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	141.7	2,144.9
CUMULATIVE JAN. 1 – FEB. 26, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	116.5	811.4

* 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 FEBRUARY 22 – 26, 2010 (POUNDS)

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

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	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-	4,639,010	-0-	-0-	132,276	184,221,392	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	184,221,392	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 02/06/10 & Comparable Week 2008

											U.S. TOTAL		% DAIRY OF ALL	
Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2010-Dairy	N.A.	0.5	6.9	3.2	17.5	4.7	0.6	N.A.	17.6	3.7	56.2	328.3	47.5	43.7
2009-Dairy	N.A.	0.6	8.1	3.8	18.5	5.5	0.5	N.A.	17.1	5.7	61.5	377.0	50.0	49.7
2010-All cows	N.A.	0.6	8.7	12.0	33.4	17.0	14.7	N.A.	20.4	7.4	118.2	751.3		
2009-All cows	N.A.	0.6	10.2	13.4	33.4	21.1	13.7	N.A.	18.5	8.0	123.0	758.3		

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	
FEBRUARY 13, 2010	412	2,394	SOURCE: USDA, APHIS

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	14.34									
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 15 - 26, 2010

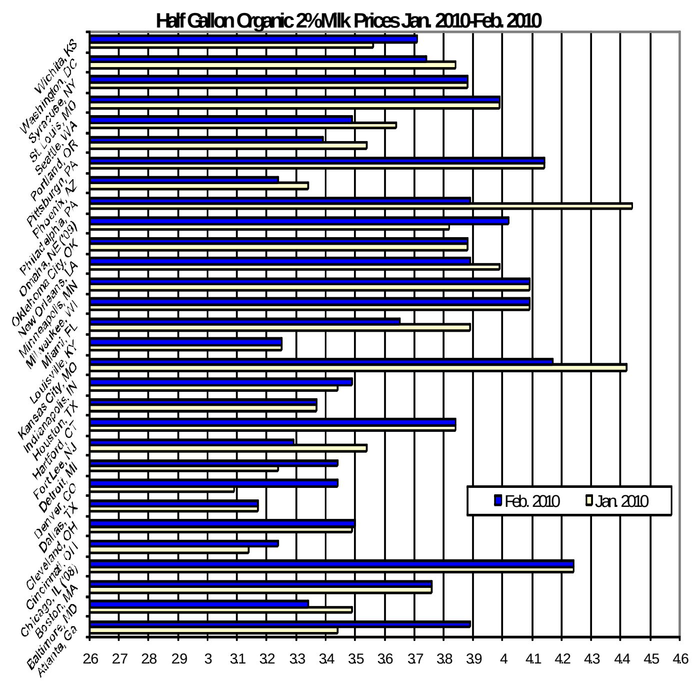
ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY CHANGE IN RETAIL PRICES FOR 2% ORGANIC MILK, 30 CITIES, JANUARY 2010 TO FEBRUARY 2010:

This comparison is derived from prices collected by Federal Milk Market Administrators during the first non-Friday or weekend 10 days of each month, in 1 outlet of each of the 2 largest food store chains in 30 cities or metropolitan areas. The price listed represents the simple average of the 2 prices.

Comparing February 2010 with January 2010, prices were lower in 10 cities, higher in 8 cities, and unchanged in 12 cities. Compared with month earlier, the same number of cities had higher prices but 6 more cities had lower prices. Both the largest increase and decrease were in the East.

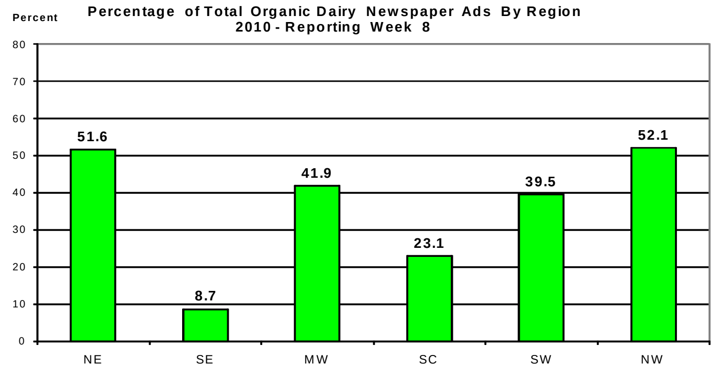
The largest decrease, 55 cents, was in Philadelphia while Atlanta had the largest increase, 45 cents. These two cities completely reversed position from the comparison 1 month ago, when Philadelphia tied for the largest increase, 25 cents, while Atlanta had the largest decrease, 55 cents. The highest price this month, $4.24, was in Chicago while the lowest, $3.17, was in Dallas.



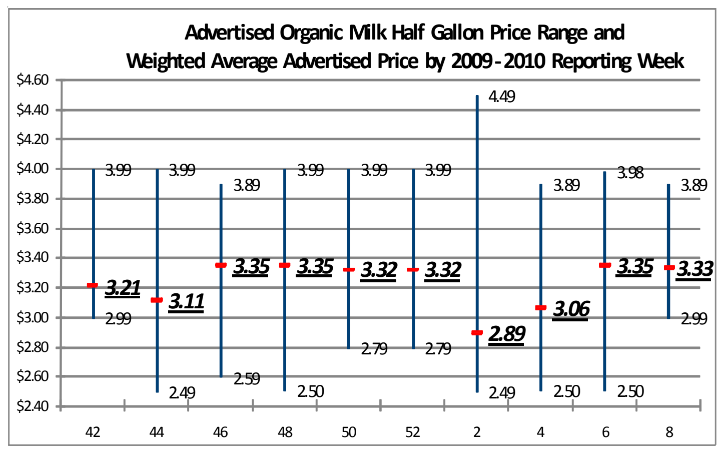
NATIONALLY ADVERTISED PRICE COMPARISON:

For the period February 13 through February 26, 2010, surveyed newspaper ads containing organic dairy content increased in number. The current period contained organic dairy ads in 33.4% of 9,124 surveyed supermarket ads. This is up from two weeks ago, 27.5%, but still below four weeks ago, 48.7%. Non-organic milk and/or dairy products appeared in nearly 100% of surveyed ads.

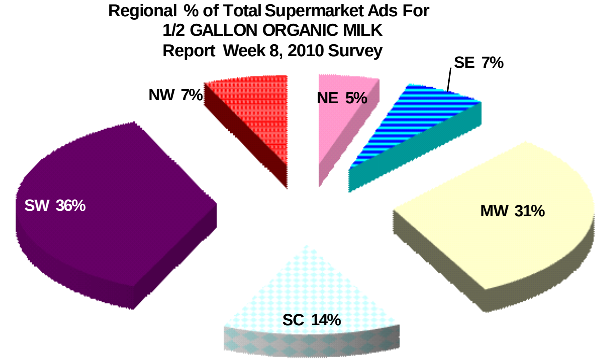
Unlike two weeks ago when no region had organic dairy ad content topping 50% of total ads, this week the Northeast contained 51.6% organic dairy presence and the Northwest, 52.1%. These regions were followed by the Midwest, 41.9%; Southwest, 39.5%; South Central Region, 23.1%; and Southeast, 8.7%.



Half Gallons. This period, the weighted average advertised price for half gallons of organic milk fell slightly to $3.33 from $3.35. The top of the range fell from $3.98 to $3.89 while the bottom increased from $2.50 to $2.99. This represents the narrowest range since this reporting series began last Fall. The number of ads for organic half gallons, formerly the top single most advertised organic dairy product, is now number two behind organic yogurt ads. Half gallon ad numbers fell to 1,192. This continues a downward trend for half gallons, from 1,134 ads two weeks ago and 2,660 four weeks ago.



Among ads run for 1/2 gallons, there is wide contrast between regions. The region with the greatest share of organic half gallon milk ads continued to be the Southwest, with 36% of ads run. At the low end was the Northeast, with 5% of ads run. In between were: the Southeast, 7% down from 19% two weeks ago; Northwest, 7%, up from 2%; South Central Region, 14%, down from 16%; and Midwest, 31%, up from 12%.



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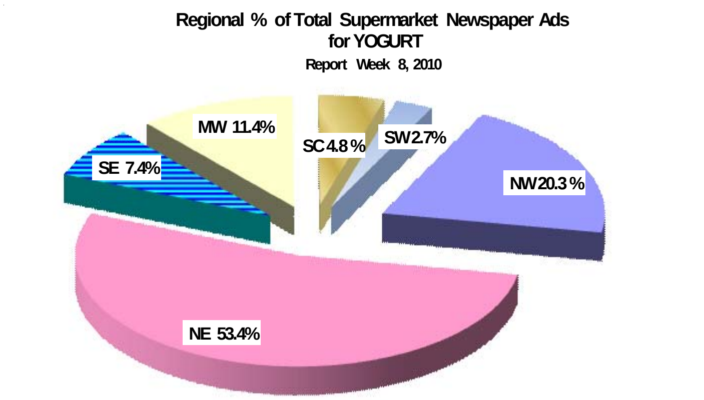
ORGANIC DAIRY MARKET NEWS

Information gathered February 15 - 26, 2010

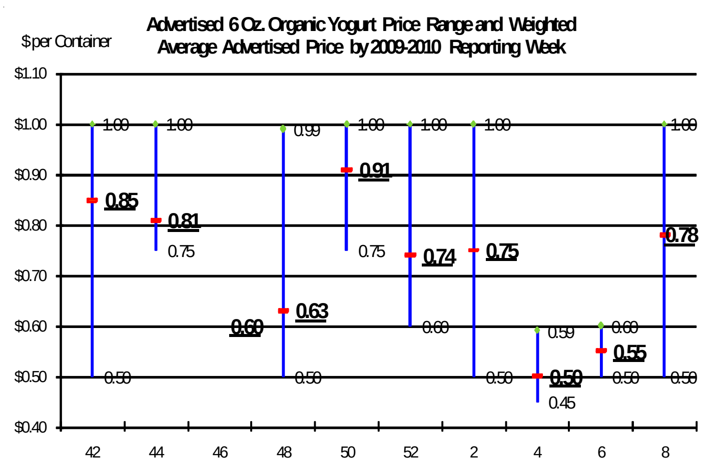
CONTINUED FROM PAGE 8

Yogurt. Organic yogurt ads, a strong number two for several months, this week ascended to being the most advertised organic dairy product, with 1,763 total ads. Although ads for 5.3 ounce Greek yogurt fell sharply to 21 ads from 560 two weeks ago, ads for 6 ounce yogurt increased from 583 to 987. There were also 404 ads for 32 ounce containers of organic yogurt and 351 ads for 4 ounce containers of baby yogurt.

The geographic scope of yogurt advertising also expanded from two weeks ago when yogurt ads appeared in only 3 regions but primarily the Northeast. This week, yogurt ads appeared in all regions, with the Northeast still leading with 53.4% of yogurt ads. The remaining regions' percentages were: Northwest, 20.3%; Midwest, 11.4%; Southeast, 7.4%; South Central, 4.8%; and Southwest, 2.7%.

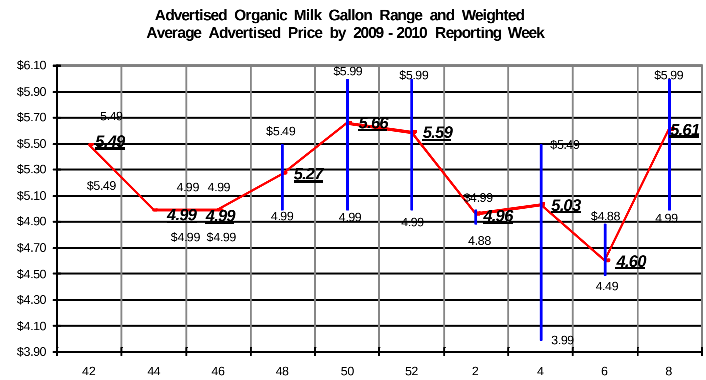


The weighted average advertised price of 6 ounce yogurt, 78 cents, represents an average 23 cents higher than two weeks ago and a top price 40 cents higher. All organic Greek yogurt was advertised at $1.66, 61 cents higher than two weeks ago.



There were 196 ads for 10 ounce smoothies, all in the Northeast, identical to two weeks ago. All ads listed a price of $2.99.

Gallons. The weighted average advertised price for organic milk gallons increased $1.01 to $5.61, the greatest two week increase since October when this report began. The increase took the price from the lowest weighted average advertised price of the series to 5 cents short of the highest. Ad numbers for organic gallons increased to 512, 236 more than two weeks ago. The bottom of the price range increased 50 cents to $4.99 and the top increased $1.11 to $5.99.



Single Serving Milk. Single serving milk in 8 ounce containers appeared in 115 244 ads in the Northwest and South Central Regions, down from 244 ads two weeks ago. All ads reflected a price of $1.00.

Butter. All organic butter in 1 pound boxes was advertised at $4.99, unchanged from two weeks ago. All 79 ads were in the Southeast.

Half and Half. Half and half was advertised in 24 Midwestern ads and priced at $2.19 for a pint, the same as two weeks ago as to price, ad numbers and region.

Cottage Cheese. Also a Midwest placement, there were 176 ads for organic cottage cheese pints priced at $3.49, identical with two weeks ago in all details. New this week, each ad for cottage cheese also advertised sour cream pints for $2.69.

Cheese. This week, for the first time in several months, there were ads for organic cheese. All ads were in the Northeast. In 157 ads, 6 ounce sliced mild cheddar or pepper jack was advertised for $3.99. 6 ounce shredded cheese priced at $4.29 appeared in 196 ads.

NATIONALLY ADVERTISED ORGANIC MILK PRICES
REPORTING WEEK 8

	Low	High	Wtd. Average
		(In Dollars)	
GALLONS:	4.99	5.99	5.61
HALF GALLONS:	2.99	3.89	3.33
YOGURT – 6 oz.:	0.50	1.00	0.78
YOGURT – Greek:	1.66	1.66	1.66

SUPERMARKET PRICE COMPARISON: Non-advertised organic milk and yogurt sold in a range of food stores in Madison, Wisconsin are compared for the period February 13 through February 26, 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.

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.

Madison Prices. The milk price range remained unchanged from two weeks ago although, prices at various stores for certain varieties changed within the high and low range limits. 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.

CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered February 15 - 26, 2010

CONTINUED FROM PAGE 8-A

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.

The top of the price range for half gallons of whole milk and 1% milk is offered at a regional chain supermarket for a national brand, $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, was offered at a local big box supermarket for a national 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.

One national brand uniformly constituted the bottom of the range for all categories of gallons and half gallons in one supermarket. In contrast, the same national brand was offered at the top of range price for half gallons of whole and 1% milk. The price spread for half gallons of this brand between the two respective stores was $1.90. For gallons, the spread was $1.90 for whole milk and $1.30 for 2%, 1% and skim.

ORGANIC MILK PRICE RANGE – REPORTING WEEK 8
MADISON, WISCONSIN

		LOW	HIGH
		(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 $0.79 for a store brand sold in a natural food store and a national brand sold in a big box supermarket.

Bottling Plant Locations. 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. Milk travels from plant locations varying between 24 miles and 1,604 miles away. However, 3 of the 9 plants bottle 82.7% of the milk shelf placements.

Slightly over 52% of organic milk placements in Madison's surveyed stores are bottled in a 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 13% of milk placements are bottled 24 miles from Madison in a creamery located on the premises of a small organic dairy. That milk is 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 17% of the milk in Madison stores. That brand bottled milk for two national brands and a private label brand and was sold in 4 of the 6 stores. In one store, a big box supermarket, 2% milk half gallons for a national brand, came from two different plants and were co-mingled together on the cooler shelf. The plants were mentioned above: one 270 miles from Madison and the one 57 miles from Madison.

Miami Beach Price and Bottling Plant Factors. Dairy Market News this 2 week period also surveyed organic milk sold in Miami Beach, Florida, in both an outlet of the dominant food store chain in the area and an outlet of a natural food store chain.

The absolute lowest price in Madison was always lower than Miami Beach: 40 cents for gallons; 30 cents for half gallons; and 80 cents for chocolate. However, the range of prices in Miami Beach was narrower than Madison supermarket prices. Gallons in Miami Beach are less expensive than upper range Madison gallon prices and the top of the range for half gallons in Miami Beach is as much as $1.10 lower than Madison's top of range price.

ORGANIC MILK PRICE RANGE – REPORTING WEEK 8
MIAMI BEACH, FLORIDA

		LOW	HIGH
		(In Dollars)	
GALLONS:			
	Whole	5.79	5.79
	2%	5.79	5.79
	1%	NOT OFFERED	
	Nonfat	5.79	5.79
HALF GALLONS:			
	Whole	3.69	4.19
	2%	3.69	4.19
	1%	3.69	3.99
	Nonfat	3.69	3.99
CHOCOLATE HALF GALLON:		4.19	4.35

Seven plants provide milk for the surveyed Miami stores. The results show that organic milk travels to these Miami stores from plant locations between 694 miles away, and 1,792 miles away. However, two of the seven plants bottle 58.1% of the milk.

32.3% of organic milk placements in Miami Beach was bottled in a plant located about 1,792 miles from Miami. Milk bottled in that plant was sold in each of the 2 surveyed stores, including 1 national brand and a natural food store brand. (That plant also bottled over 52% of the milk placements in Madison this period.) 25.8% of Miami Beach milk placements are bottled 1,395 miles away. That milk is sold exclusively by one national brand. (Just under 1% of Madison's milk placements came from that plant.)

The only other plant bottling over 10% of milk placements in the surveyed stores, with 12.9%, is located 1,356 miles from Miami. That plant bottles gallon containers of a natural food store brand. The closest plant to Miami, 694 miles away, bottles gallon containers sold under the private label of the dominant food store chain and constitutes 9.7% of store placements.

Bottling Plant to Store Distance/Pricing Results. A paradox is that some, but not all milk in Miami Beach traveled significantly further from bottling plant to store than milk in Madison stores, but is offered in Miami Beach for a lower price than in some Madison stores.

For the same national brand bottled in the same plant, some half gallons of milk were offered for up to $1.10 more per half gallon in Madison, even though the bottled milk was shipped 269 miles to Madison compared with 1,792 to Miami Beach.

Thus, comparing Madison and Miami Beach organic milk prices this 2 week period week does not reflect a correlation between the lower distance a brand of bottled milk travels from the same plant, and lower retail price.

ORGANIC DAIRY FLUID OVERVIEW

During December, about 33 million pounds of packaged organic whole milk and 104 million pounds of organic fat-reduced milk is estimated to have been sold in the United States. This was 10.2% less organic whole milk and 6.8% less organic fat-reduced milk than was sold in December 2008. Calendar year 2009 sales of organic whole milk totaled 371 million pounds and of organic fat-reduced milk, 1,231 million pounds. Calendar year sales of organic whole milk for 2009 were 2.3% lower than 2008. Calendar year sales of organic fat-reduced milk in 2009 were 2.7% below 2008.

JANUARY MILK PRODUCTION

Milk production in the 23 major States during January totaled 14.8 billion pounds, down 0.6 percent from January 2009. December revised production at 14.6 billion pounds, was down 0.7 percent from December 2008. The December revision represented an increase of 18 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,782 pounds for January, 30 pounds above January 2009.

The number of cows on farms in the 23 major States was 8.32 million head, 191,000 head less than January 2009, but 4,000 head more than December 2009.

JANUARY 2009 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2009	2010	2009	2010	2009	2010	% CHANGE FROM 2009
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	189	169	1,985	2,055	375	347	-7.5
CA	1,832	1,760	1,885	1,915	3,453	3,370	-2.4
CO	129	116	1,940	1,930	250	224	-10.4
FL	118	112	1,660	1,600	196	179	-8.7
ID	554	550	1,810	1,850	1,003	1,018	1.5
IL	102	101	1,610	1,615	164	163	-0.6
IN	167	169	1,695	1,675	283	283	---
IA	215	215	1,700	1,735	366	373	1.9
KS	125	116	1,800	1,785	225	207	-8.0
MI	354	353	1,865	1,915	660	676	2.4
MN	468	470	1,620	1,670	758	785	3.6
MO	108	102	1,270	1,220	137	124	-9.5
NM	334	318	2,015	2,015	673	641	-4.8
NY	624	610	1,670	1,685	1,042	1,028	-1.3
OH	277	272	1,550	1,600	429	435	1.4
OR	115	114	1,650	1,685	190	192	1.1
PA	550	541	1,630	1,630	897	882	-1.7
TX	430	410	1,780	1,805	765	740	-3.3
UT	85	82	1,720	1,795	146	147	0.7
VT	137	134	1,545	1,560	212	209	-1.4
VA	97	95	1,545	1,535	150	146	-2.7
WA	241	246	1,925	1,980	464	487	5.0
WI	1,255	1,260	1,645	1,715	2,064	2,161	4.7
23 STATE TOTAL	8,506	8,315	1,752	1,782	14,902	14,817	-0.6

1/ Includes dry cows. Excludes heifers not yet fresh.
2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (2-10), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

ANNUAL MILK COWS AND MILK PRODUCTION, 2008 AND 2009

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2008	2009	2008	2009	2008	2009	CHANGE FROM 2008
	1,000 HEAD		POUNDS		MILLION POUNDS		PERCENT
AL	12	11	15,333	14,909	184	164	-10.9
AK	0.6	0.6	12,000	10,000	7.2	6.0	-16.7
AZ	186	177	23,382	23,028	4,349	4,076	-6.3
AR	15	13	12,400	12,615	186	164	-11.8
CA	1,844	1,796	22,344	22,000	41,203	39,512	-4.1
CO	128	123	22,930	23,089	2,935	2,840	-3.2
CT	19	19	19,158	18,684	364	355	-2.5
DE	6.5	6.0	16,923	17,000	110	102	-7.3
FL	120	115	17,167	18,061	2,060	2,077	0.8
GA	76	75	17,829	18,600	1,355	1,395	3.0
HI	1.7	1.5	10,882	14,200	18.5	21.3	15.1
ID	549	550	22,432	22,091	12,315	12,150	-1.3
IL	102	102	18,569	18,873	1,894	1,925	1.6
IN	167	168	19,683	20,137	3,287	3,383	2.9
IA	216	215	19,995	20,367	4,319	4,379	1.4
KS	117	118	20,641	21,085	2,415	2,488	3.0
KY	90	84	13,444	14,190	1,210	1,192	-1.5
LA	26	23	12,269	11,870	319	273	-14.4
ME	33	33	18,273	18,061	603	596	-1.2
MD	56	55	18,375	18,255	1,029	1,004	-2.4
MA	15	14	16,933	17,571	254	246	-3.1
MI	350	355	22,180	22,445	7,763	7,968	2.6
MN	464	469	18,927	19,230	8,782	9,019	2.7
MS	20	18	14,550	13,889	291	250	-14.1
MO	110	107	14,682	14,654	1,615	1,568	-2.9
MT	17	15	18,412	19,933	313	299	-4.5
NE	58	61	18,672	19,721	1,083	1,203	11.1
NV	27	28	20,704	21,821	559	611	9.3
NH	15	15	19,933	19,533	299	293	-2.0
NJ	10	9	16,900	17,889	169	161	-4.7
NM	338	325	23,269	24,320	7,865	7,904	0.5
NY	626	619	19,859	20,071	12,432	12,424	-0.1
NC	47	45	18,979	19,644	892	884	-0.9
ND	26	23	16,077	16,739	418	385	-7.9
OH	280	277	18,321	18,744	5,130	5,192	1.2
OK	64	59	16,578	16,983	1,061	1,002	-5.6
OR	114	114	19,772	19,719	2,254	2,248	-0.3
PA	549	545	19,262	19,360	10,575	10,551	-0.2
RI	1.1	1.1	18,091	17,818	19.9	19.6	-1.5
SC	18	17	17,889	18,765	322	319	-0.9
SD	90	94	19,956	20,128	1,796	1,892	5.3
TN	59	56	16,068	16,232	948	909	-4.1
TX	418	423	20,134	20,898	8,416	8,840	5.0
UT	85	84	20,894	20,988	1,776	1,763	-0.7
VT	140	135	18,400	18,289	2,576	2,469	-4.2
VA	98	96	17,612	18,083	1,726	1,736	0.6
WA	244	240	23,344	23,171	5,696	5,561	-2.4
WV	12	11	15,083	14,727	181	162	-10.5
WI	1,252	1,257	19,546	20,079	24,472	25,239	3.1
WY	7.0	5.3	19,386	18,811	135.7	99.7	-26.5
U.S. 3/	9,315	9,201	20,395	20,576	189,982	189,320	-0.3

1/ Average number during year, excluding heifers not yet fresh. 2/ Excludes milk sucked by calves. 3/ Will not add due to rounding.
SOURCE: "Milk Production," Da 1-1 (2-10), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

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

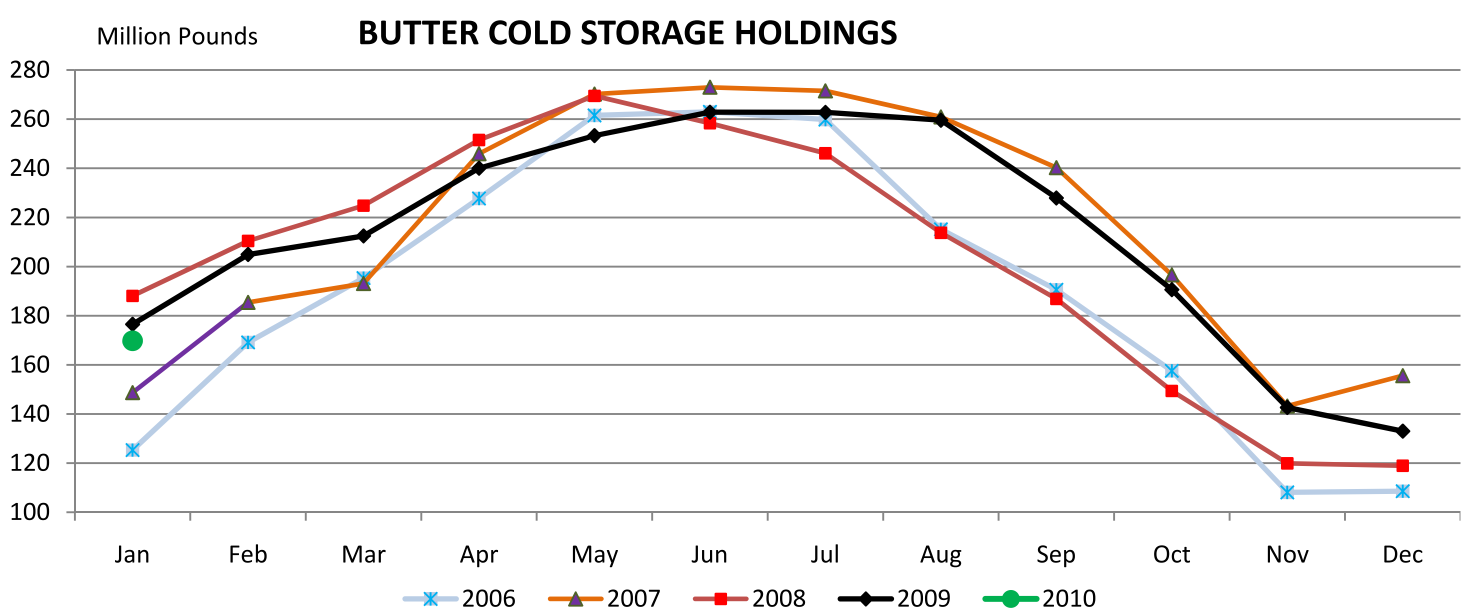
COMMODITY	DEC 31, 2007	DEC 31, 2008	REVISED DEC 31, 2009	JAN 31, 2008	JAN 31, 2009	JAN 31, 2010
Butter	155,162	118,962	133,022	188,072	176,526	169,818
Cheese, Natural American	508,659	538,105	584,981	494,376	533,402	595,329
Cheese, Swiss	24,151	22,589	24,791	27,939	23,148	25,946
Cheese, Other Natural	265,497	291,266	356,986	259,048	325,826	359,520
Total Cheese	798,307	851,960	966,758	781,363	882,376	980,795
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	31	#	#	#	#	#
Natural American Cheese	769	#	#	#	#	#

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

JANUARY STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
New England	35,467	34,664	38,627	---	---	---	231	500	661
Middle Atlantic	44,352	41,285	34,718	---	---	---	14,029	12,167	19,765
East North Central	224,052	212,587	249,586	---	---	---	152,840	200,744	237,391
West North Central	76,159	90,782	96,075	---	---	---	55,594	69,297	69,886
South Atlantic	6,565	4,849	6,112	---	---	---	80	292	153
East South Central	290	2,145	2,211	---	---	---	2,918	2,896	2,513
West South Central	3,794	3,521	2,667	---	---	---	1,243	1,169	1,376
Mountain	28,457	49,797	58,538	---	---	---	4,431	7,416	7,279
Pacific	75,240	93,772	106,795	---	---	---	27,682	31,345	20,496
TOTAL	494,376	533,402	595,329	188,072	176,526	169,818	259,048	325,826	359,520

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2009 TO DATE

Month	Butter 1/		Natural American Cheese 1/		Nonfat Dry Milk					
	Commercial		Commercial		Total 2/		Commercial		Government	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Million Pounds		Million Pounds		Million Pounds					
January	170	177	595	533	NA	301	NA	204	NA	97
February		205		542		313		189		124
March		212		549		358		187		171
April		240		577		370		175		195
May		253		586		395		190		205
June		263		602		196		196		NA
July		263		605		398		173		225
August		260		599		364		142		222
September		228		596		324		121		203
October		191		580		270		89		181
November		143		583		285		114		171
December		133		585		288		131		157

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 (2-10) and "Dairy Products," Da 2-6 (2-10), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

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OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION, BY FEDERAL MILK ORDER MARKETING AREA, DECEMBER 2009 1/

For December 2009, the all reporting areas combined average over-order charge on producer milk used in Class I was $2.24 per cwt., down $0.01 from the November 2009 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from $0.75 in the Pacific Northwest to $3.66 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was $1.20 per cwt., up $0.03 from the November 2009 average. Eighty-two percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		$/cwt	
Appalachian	005	2.71	1.30
Southeast	007	2.84	2.16
Florida	006	3.66	1.10
Mideast	033	2.10	1.37
Upper Midwest	030	1.96	0.99
Central	032	2.22	0.98
Pacific Northwest	124	0.75	0.58
All Reporting Areas Combined 3/		2.24	1.20

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.
2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.
3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

THE DAIRY OUTLOOK
Dairy Herd Continues To Contract in 2010; Production Declines Slightly, But Lower Feed Prices Improve Producer Profitability

The U.S. milk supply is forecast to decline slightly in 2010 as a continued response to low prices last year. The size of the U.S. dairy herd is expected to decline from an average of 9,200 thousand head in 2009 to an average of 9,015 thousand head this year. A higher-than-expected January 1 dairy replacement heifer estimate suggests that the decline in herd size will be more gradual than earlier forecast. Milk per cow is forecast to increase 1.8 percent this year, to 20,950 pounds from 20,576 pounds last year.

Feed prices will decline this year as the price of corn is expected to average $3.45 to $3.95 per bushel in the 2009/10 marketing year and soybean meal is forecast to average $270 to $320 per ton. These forecast prices represent substantial declines from $4.20 per bushel for corn and $336 per ton for soybean meal posted for 2008/09. The decline in feed prices will result in higher milk-feed price ratios in 2010. While the improved producer profit outlook is unlikely to launch an expansion, it could limit the rate of decline this year.

Year-ending stocks in 2009 were about 12 percent higher on a milk equivalent fat basis than at the end of 2008, mostly due to especially high cheese stocks. On a milk equivalent skim-solid basis, stocks were about 3 percent higher at the end of 2009 compared with 2008. The higher stock levels will limit price increases, at least through the first half of 2010, until they are drawn down.

USDA forecasts dairy product exports to rise substantially in 2010 compared with 2009’s depressed levels. Exports are projected to increase from 4.0 to 4.8 billion pounds on a milk equivalent fat basis and from 22.7 to 25.7 billion pounds on a milk equivalent skim-solid basis. Several factors combine to limit exports below 2008 levels. While Australian production is expected to fall 1 percent because of drought and high feed prices, production in New Zealand and the European Union (EU) is expected to increase slightly. Also of concern is the ultimate disposition of EU intervention stocks, which stood at 168.4 million pounds of butter and 571.7 million pounds of nonfat dry milk (NDM) as of mid-December 2009. The economic recovery, although underway, is likely to be sluggish in the more advanced countries. The recovery is expected to be more vigorous in the developing countries. A stronger trade-weighted dollar, especially with respect to the Euro, could also limit exports. Domestic commercial use, on a skim-solid basis, is forecast to increase to 168.3 billion pounds in 2010 from 166.4 billion in 2009 and to rise to 188.8 billion pounds from 186.2 billion on a fat basis. Commercial use rose in 2009, mostly due to low prices, but the commercial use forecast this year will hinge more on the strength of economic recovery in light of higher expected prices.

Cheese prices are forecast higher in 2010, at $1.575 to $1.645 per pound. Likewise, butter prices will strengthen in 2010 averaging $1.395 to $1.495 per pound. Prices for dry products will also rise this year. NDM prices are forecast to average $1.175 to $1.235 per pound and whey to average 37.5 to 40.5 cents per pound in 2010.

Based on product price forecasts, milk prices will rise in 2010 from those of 2009. The Class IV price is expected to be $13.95 to $14.75 per cwt, and the Class III price is projected to average $14.90 to $15.60 per cwt. The all milk price is expected to be $16.20 to 16.90 per cwt in 2010.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-188, February 24, 2010, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

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

For March 2010, the all-city average announced cooperative Class I price was $19.47 per cwt., $2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The March cooperative Class I price was $0.54 lower than the February price, while the Federal order Class I price was $0.50 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 March 2009, the all-city average announced cooperative Class I price was $14.46, $2.39 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.

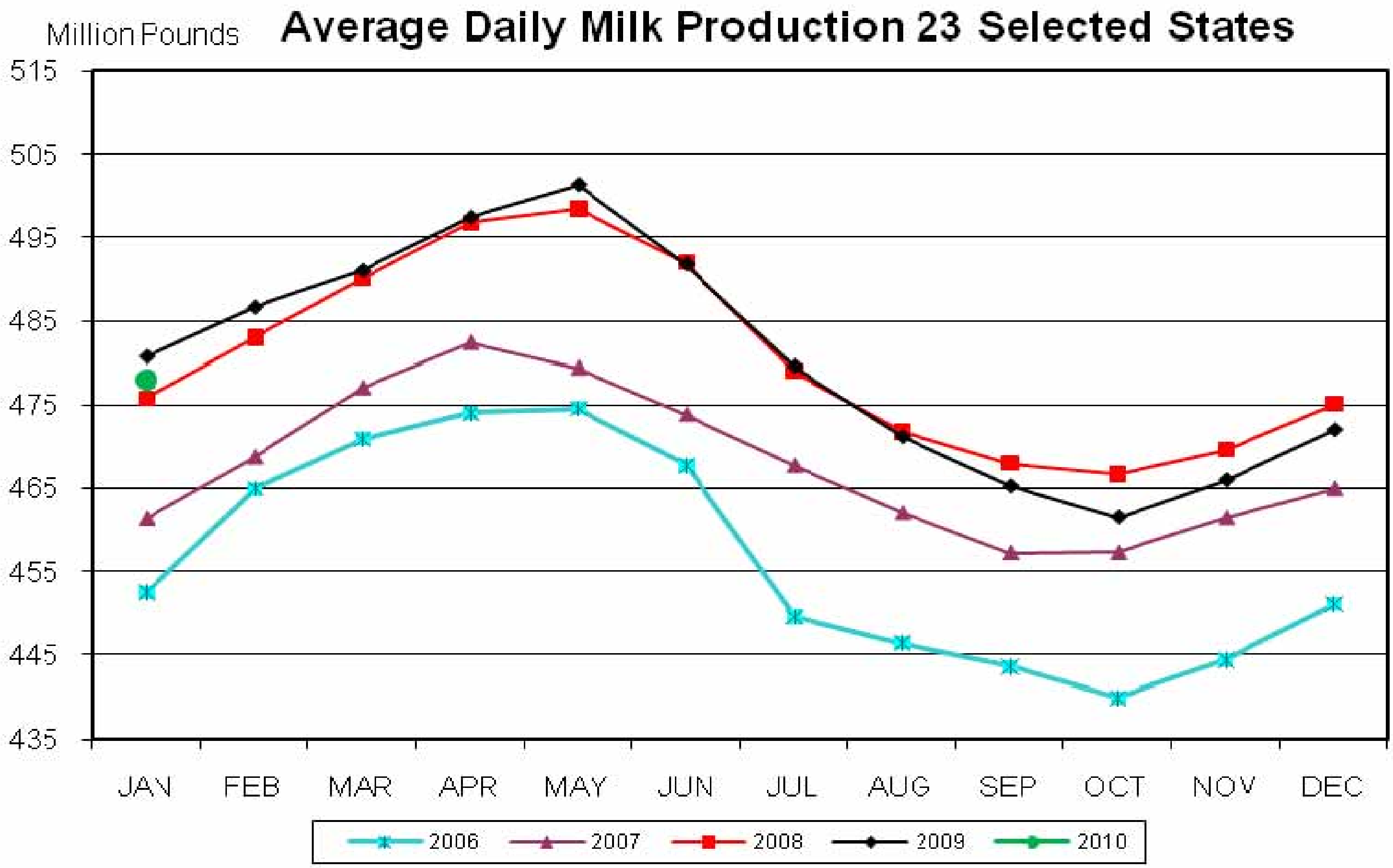
City	March 2010		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	21.39	18.14	3.25
Baltimore, MD	19.01	17.34	1.67
Boston, MA	19.09	17.59	1.50
Charlotte, NC	20.98	17.74	3.24
Chicago, IL	19.47	16.14	3.33
Cincinnati, OH	19.60	16.54	3.06
Cleveland, OH	19.40	16.34	3.06
Dallas, TX	19.12	17.34	1.78
Denver, CO	18.30	16.89	1.41
Des Moines, IA	18.81	16.14	2.67
Detroit, MI	19.17	16.14	3.03
Hartford, CT	18.99	17.49	1.50
Houston, TX	19.92	17.94	1.98
Indianapolis, IN	19.40	16.34	3.06
Kansas City, MO	18.50	16.34	2.16
Louisville, KY	19.68	16.64	3.04
Memphis, TN	20.78	17.24	3.54
Miami, FL	24.23	20.34	3.89
Milwaukee, WI	19.42	16.09	3.33
Minneapolis, MN	18.13	16.04	2.09
New Orleans, LA	21.68	18.14	3.54
Oklahoma City, OK	18.94	16.94	2.00
Omaha, NE	18.56	16.19	2.37
Philadelphia, PA	20.71	17.39	3.32
Phoenix, AZ	17.19	16.69	0.50
Pittsburgh, PA	19.57	16.44	3.13
St. Louis, MO	18.90	16.34	2.56
Seattle, WA	17.01	16.24	0.77
Springfield, MO	19.08	16.74	2.34
Washington, DC	19.01	17.34	1.67
Simple Average	19.47	16.98	2.49

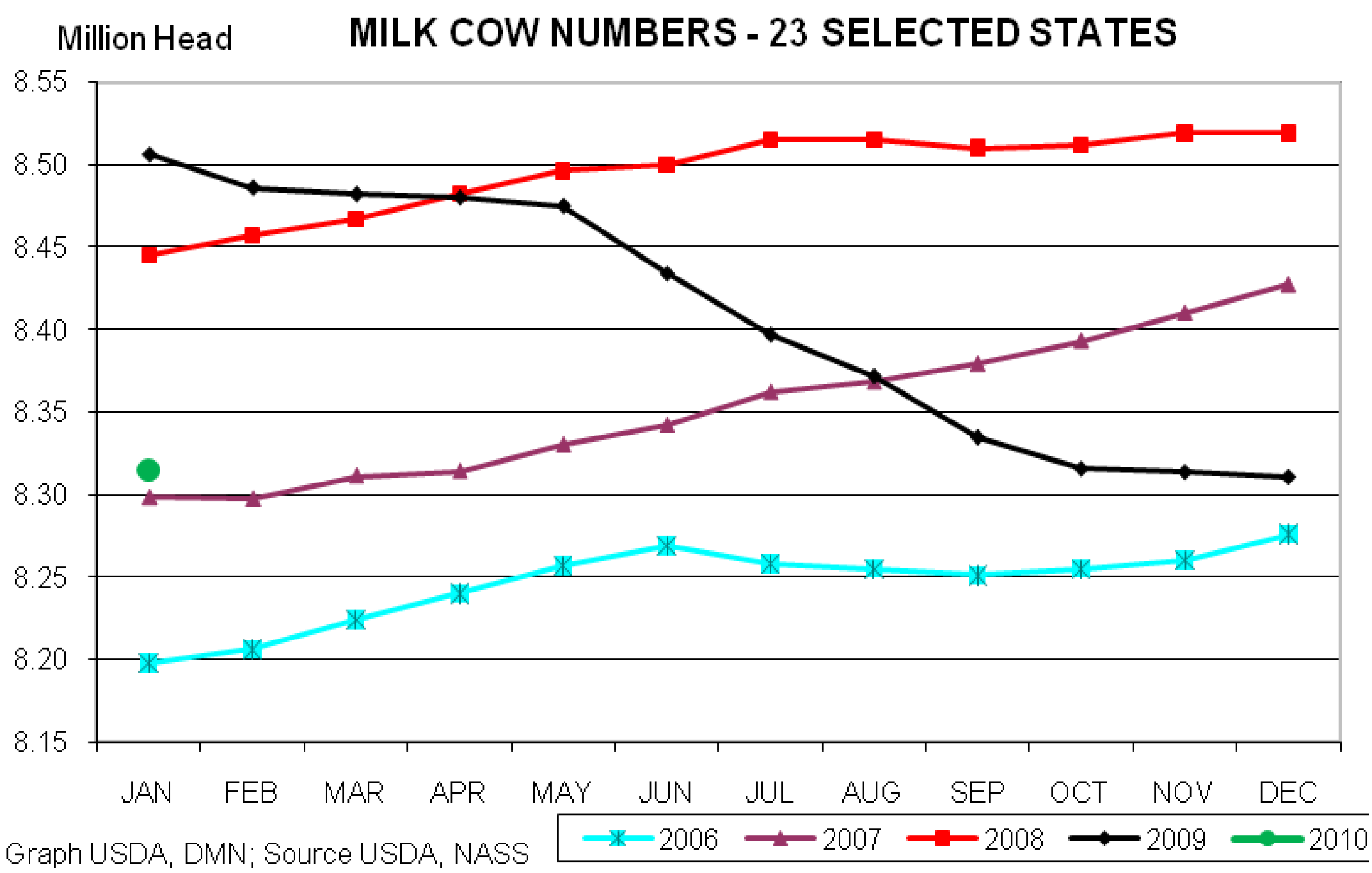
1/ This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative.

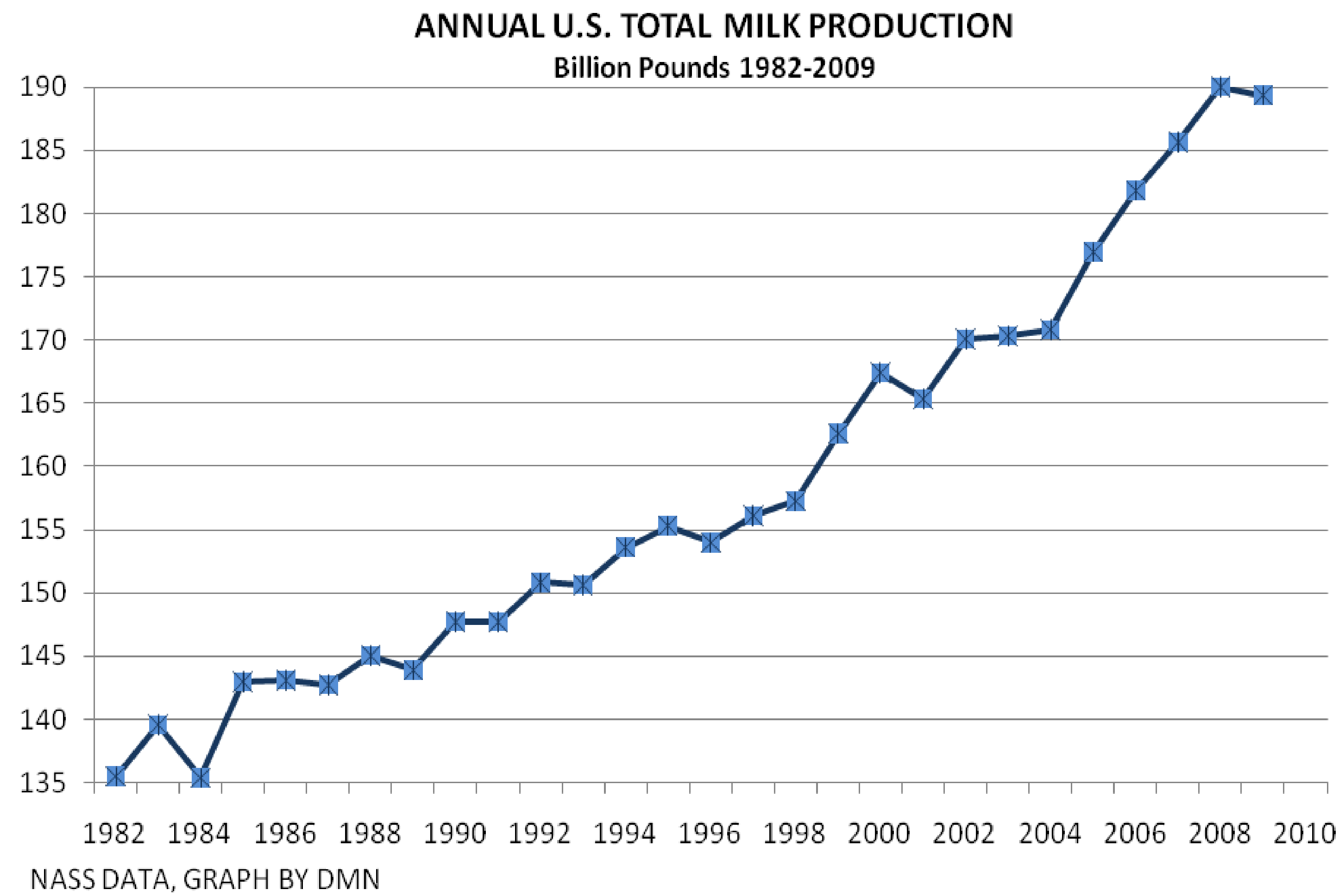
SUMMARY OF ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, BY MONTHS, 2009 1/

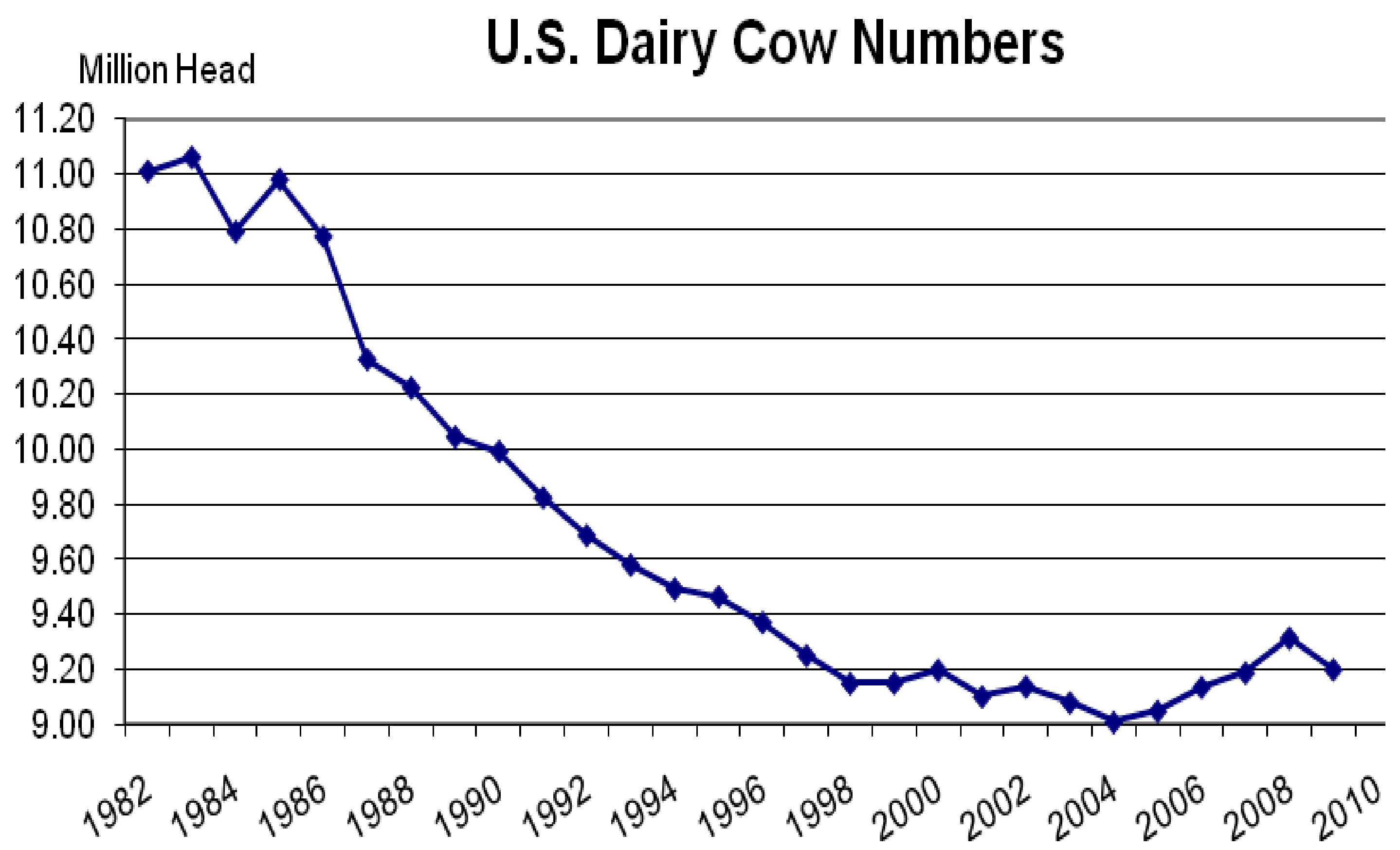
Month	Fluid milk sales by marketing area											
	Northeast	Appa-lachian	Southeast	Florida	Mideast	Upper Midwest	Central	Southwest	Arizona	Pacific Northwest	California	Estimated Total U.S. 2/
	Million pounds											
Jan	830	319	456	261	547	387	419	395	102	191	590	4,496
Feb	736	279	397	244	486	349	373	351	97	173	535	4,020
Mar	819	311	438	265	533	372	405	385	105	187	589	4,407
Apr	773	292	426	250	513	361	394	378	101	183	552	4,223
May	786	296	421	238	511	356	382	375	98	182	553	4,198
Jun	760	281	395	228	481	335	357	342	93	178	532	3,980
Jul	759	290	405	234	497	348	364	356	97	180	522	4,051
Aug	753	303	437	244	515	353	386	372	103	180	542	4,187
Sep	789	304	429	237	519	364	388	383	101	190	558	4,262
Oct	830	327	450	256	545	388	407	401	105	199	585	4,493
Nov	782	315	426	246	520	364	388	373	104	189	540	4,247
Dec	847	329	442	253	554	387	410	396	105	196	565	4,484
Total 3/	9,463	3,645	5,122	2,955	6,221	4,364	4,672	4,507	1,209	2,227	6,662	51,047

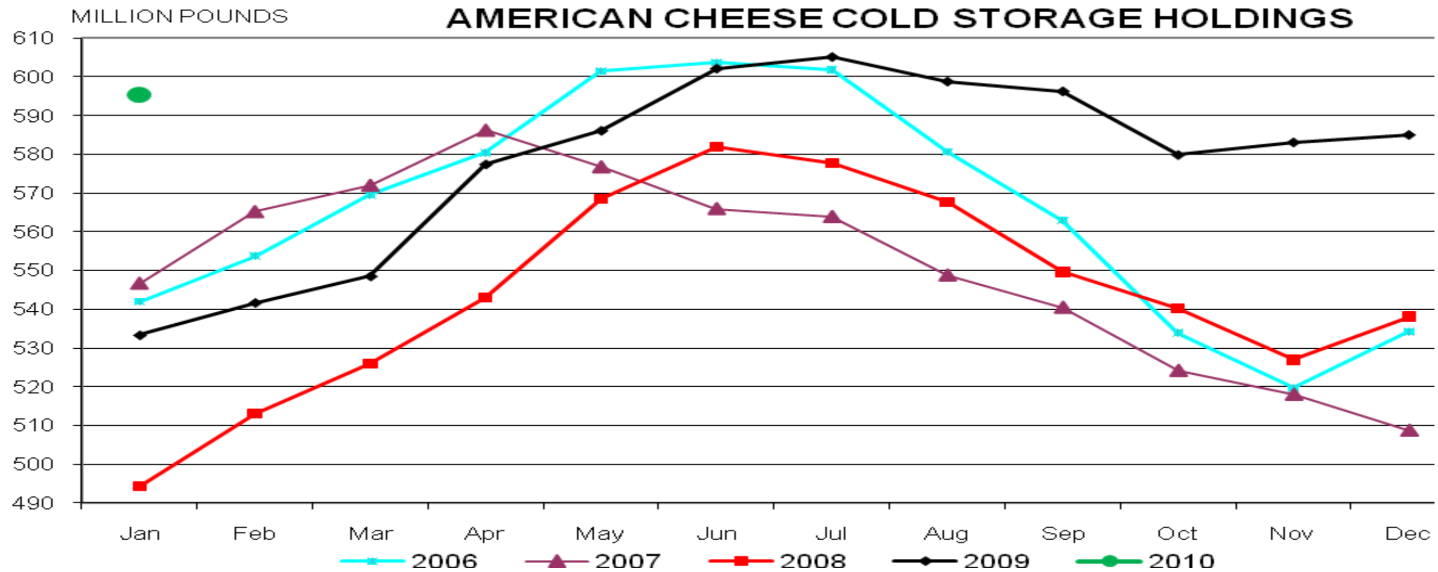
1/ These figures are based on the consumption of fluid milk products in Federal milk order marketing areas and California, which represents approximately 92% of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8% of sales from the Federal milk order and California data. The procedure used for estimating U.S. fluid milk sales by the Agricultural Marketing Service is different from that used by the Economic Research Service (ERS) of USDA. Consequently, the annual figures here may differ from the annual figures published by ERS. Fluid milk products include: plain, flavored, and organic whole milk; plain, flavored, and organic fat-reduced milk; buttermilk, eggnog, and miscellaneous fluid milk products. 2/ Estimated total includes the remaining 8% outside of Federal milk orders and California. 3/ May not add due to rounding.

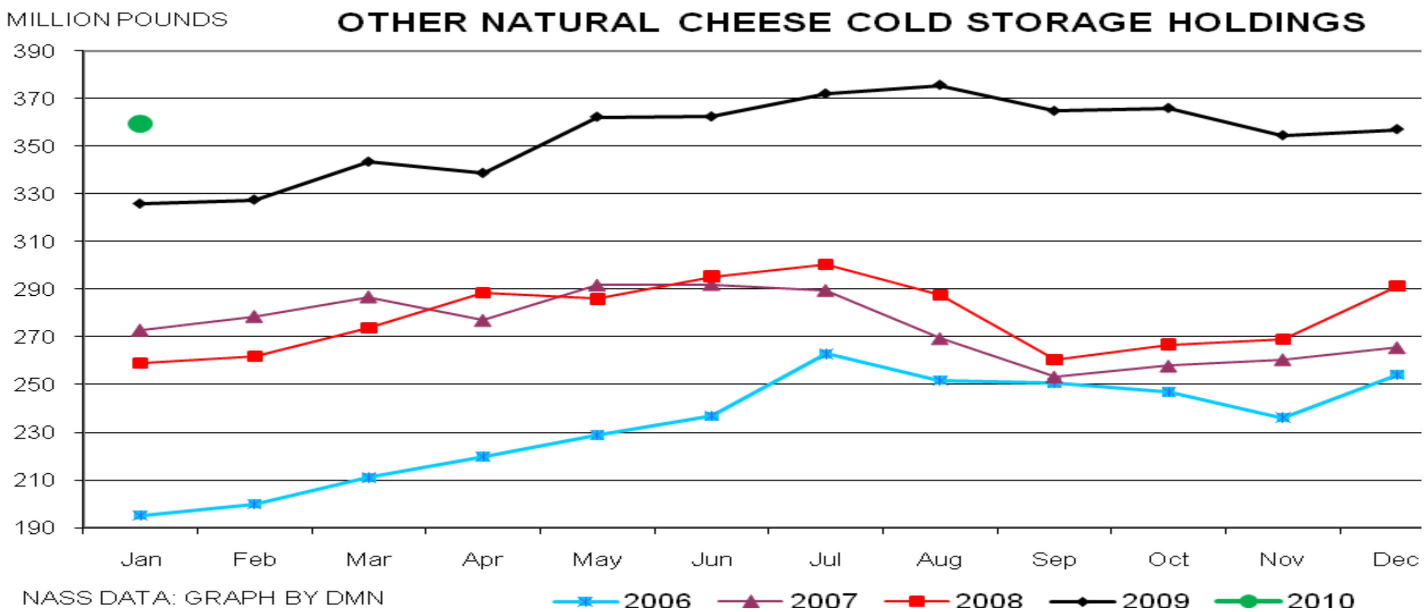

Million Pounds
Average Daily Milk Production 23 Selected States
515
505
495
485
475
465
455
445
435
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2006
2007
2008
2009
2010

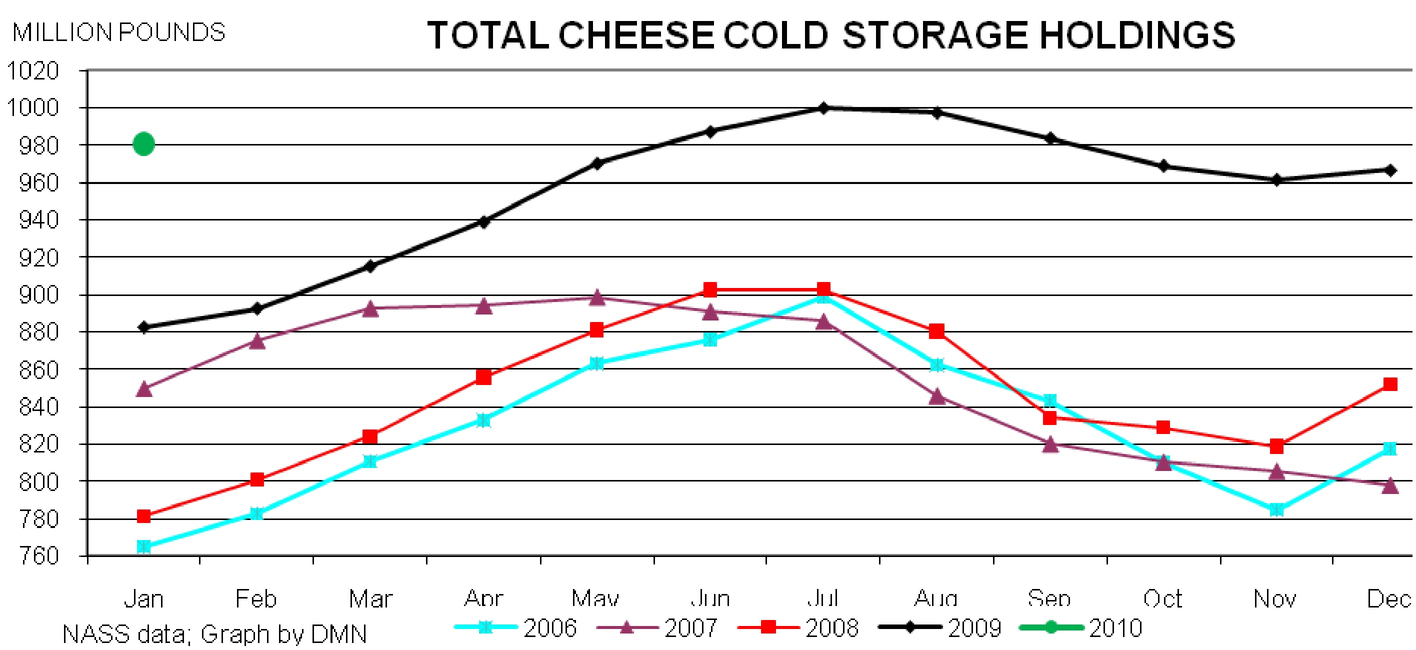

Million Head
MILK COW NUMBERS - 23 SELECTED STATES
8.55
8.50
8.45
8.40
8.35
8.30
8.25
8.20
8.15
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2006
2007
2008
2009
2010
Graph USDA, DMN; Source USDA, NASS


ANNUAL U.S. TOTAL MILK PRODUCTION
Billion Pounds 1982-2009
190
185
180
175
170
165
160
155
150
145
140
135
1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
NASS DATA, GRAPH BY DMN

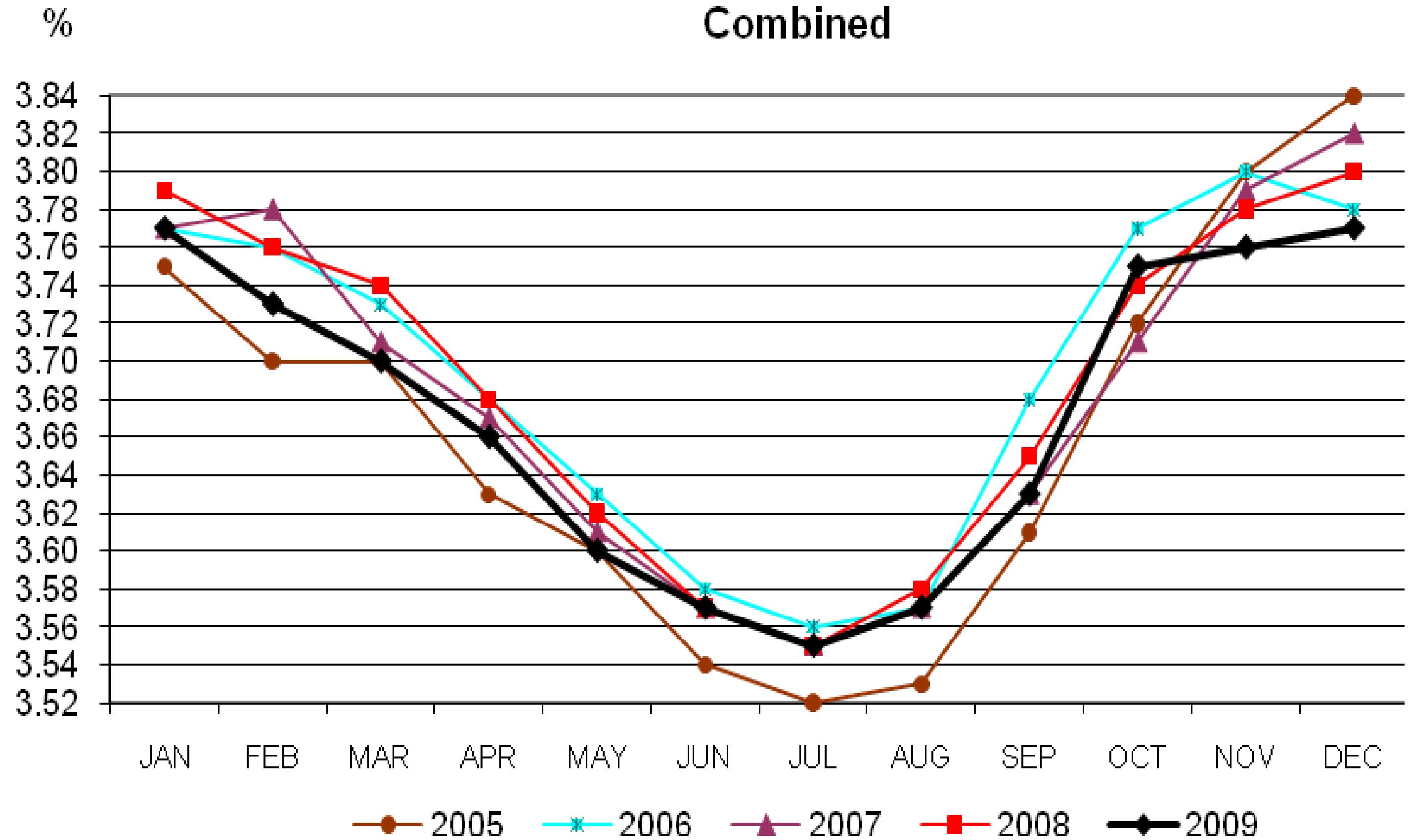

U.S. Dairy Cow Numbers
Million Head
11.20
11.00
10.80
10.60
10.40
10.20
10.00
9.80
9.60
9.40
9.20
9.00
1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010


MILLION POUNDS
AMERICAN CHEESE COLD STORAGE HOLDINGS
610
600
590
580
570
560
550
540
530
520
510
500
490
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2006 2007 2008 2009 2010

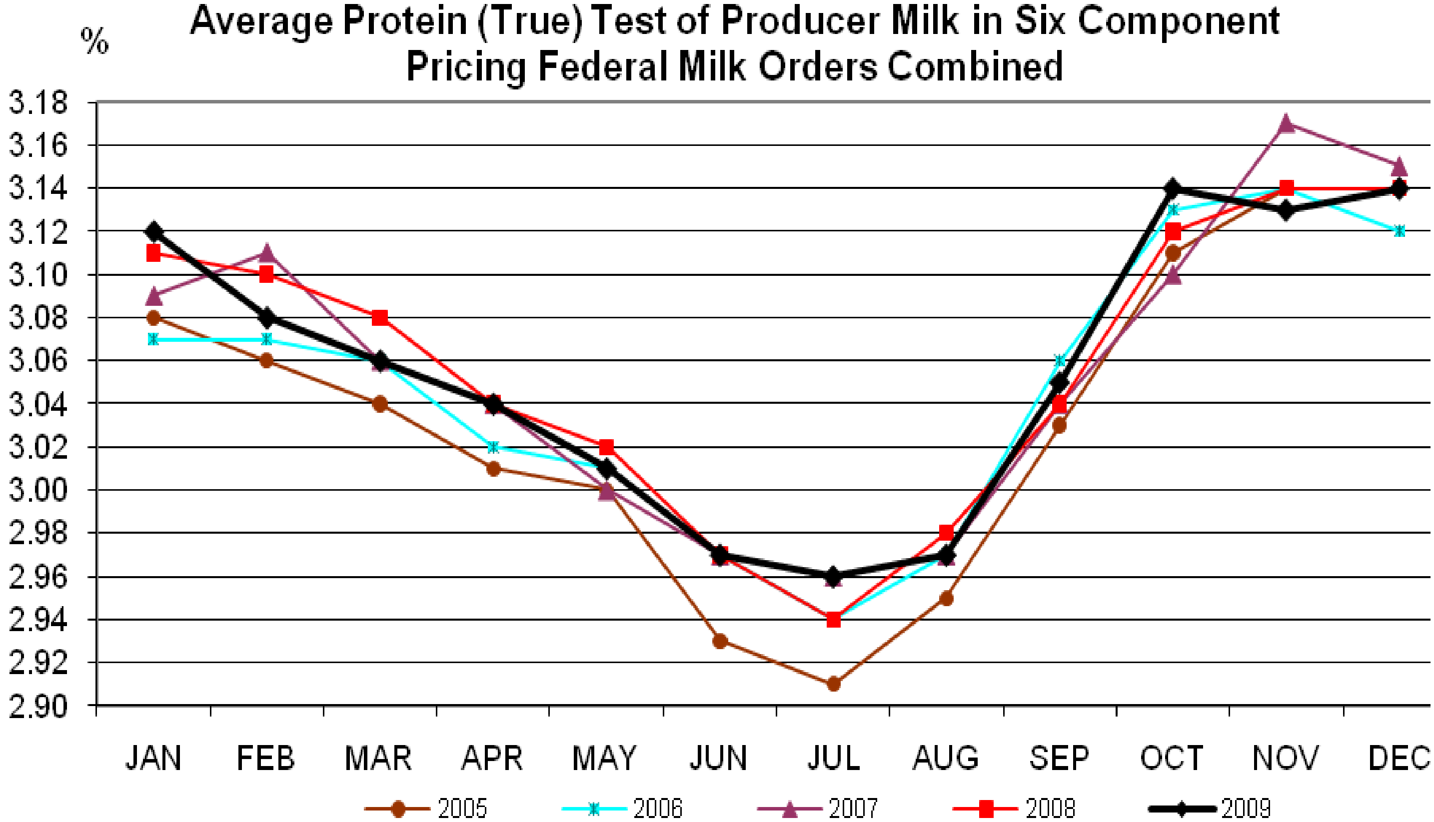

MILLION POUNDS
OTHER NATURAL CHEESE COLD STORAGE HOLDINGS
390
370
350
330
310
290
270
250
230
210
190
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
NASS DATA: GRAPH BY DMN
2006 2007 2008 2009 2010


MILLION POUNDS
TOTAL CHEESE COLD STORAGE HOLDINGS
1020
1000
980
960
940
920
900
880
860
840
820
800
780
760
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
NASS data; Graph by DMN
2006 2007 2008 2009 2010

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



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



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

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