

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (05/14):**

BUTTER: Grade AA closed at \$1.6150. The weekly average for Grade AA is \$1.6115 (+.0005).

CHEESE: Barrels closed at \$1.4175 and 40# blocks at \$1.4625. The weekly average for barrels is \$1.3975 (+.0215) and blocks, \$1.4150 (+.0320).

BUTTER HIGHLIGHTS: The CME cash butter price has regained over half of the decline recorded midweek last week. Churning schedules across the country are seasonally active, although cream offerings to the churn are mixed. Some areas of the country are starting to see an increase in Class II demand, some butter producers are choosing to sell cream at this time, while others are actively procuring as much cream as possible to maintain steady production schedules. Overall butter demand is seasonally fair. Retailers are stating that butter sales have slowed following recent promotional activity and overall shelf prices are higher. Food service orders are somewhat more active as restaurants and food service outlets prepare for the upcoming holiday weekend and the unofficial opening of the summer vacation season. According to the FAS, quota imports of butter for the first four months of the year total 2.1 million pounds, 10% more than the same period in 2009. Imports for 2010 account for 13.7% of the total annual quota for the year. Imports of High-Tier butter (above quota and with a penalty) are 164,300 pounds, 26.2% above last year.

CHEESE HIGHLIGHTS: Cheese markets turned stronger this week at the CME Group cash cheese market. Generally improved seasonal demand is noted for process products for Memorial Day weekend as well as for mozzarella to cover national pizza promotions and the reopening of summer vacation locations. Cheese production remains seasonally active as milk volumes approach peak annual levels. Export cheese volumes are still being committed under CWT, totaling 24.8 million pounds since March 18. Total U.S. exports of cheese and curds during the first quarter of 2010 totals 72.4 million pounds, an increase of 18.2 million pounds, (33.5%) from the same quarter in 2009. This equates to about 2.9% of U.S. cheese production during the period.

FLUID MILK: Milk across America is mostly seasonally higher but to varying regional degrees. Northeast and Mid Atlantic milk supplies remain heavy. The Southeast is past the milk peak but still high enough to require auxiliary cheese plant operation. Midwestern manufacturing plant schedules are heavier to handle seasonally increased milk receipts. California milk output is steady to slightly

higher and Pacific Northwest milk supplies are generally heavy. Utah and Idaho farm milk intakes are increasing. Arizona's milk production is steady but slightly below the seasonal peak. Eastern cream supplies have tightened following increases in production of ice cream, cream cheese and dip contemporaneously with many butter manufacturers churning at near maximum levels. Midwestern churning is steady to generally lighter as other products absorb a larger share of the cream supply. Market conditions are holding mostly steady for fluid cream in the West.

DRY PRODUCTS: Nonfat dry milk prices trended higher in all regions. The Central market is steady to somewhat firm and the West is firm with mixed buying interest. Central and East dry buttermilk prices are higher while in the West, prices are sharply higher with a firm market tone. The dry whole milk market is firm and prices are unchanged to higher on the bottom of the range. Central dry whey prices are unchanged with variable interest while Northeast dry whey prices declined marginally with steady to flat domestic demand. Western dry whey prices were mostly unchanged. Whey protein concentrate prices are higher on both the range and mostly series. Lactose prices are higher and lower: higher at the bottom of the range but lower at the bottom of the mostly. Casein markets and prices are basically unchanged although the market tone is firm.

INTERNATIONAL OVERVIEW (DMN): The Oceania milk production season continues to wind down. In **New Zealand**, milk output on the North Island has dropped off sharply in recent weeks, although remaining favorable on the South Island. Lack of moisture on the North Island quickly deteriorated pasture growth and conditions. As a result, farmers have reduced daily milkings to one and many farmers are drying off their herds earlier than usual. On the South Island, even though not as much milk is generated in this region, milk volumes are reported to be running 8% ahead of last year. Combining both islands, annual milk production projections are being pegged at flat with last season. Milk producers and handlers state that the adverse moisture conditions late in the season quickly eroded any possible growth over last season. In **Australia**, conditions are better than they have been in recent years for this time of the season. The second half of the milk production season is realizing a more gradual decline than has occurred in many years. Although overall milk volumes are trailing last season by 5.8% for nine months, milk processors and handlers remain optimistic

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**CME GROUP
CASH TRADING**

PRODUCT	MONDAY MAY 10	TUESDAY MAY 11	WEDNESDAY MAY 12	THURSDAY MAY 13	FRIDAY MAY 14	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.3800 (+.0075)	\$1.3850 (+.0050)	\$1.3975 (+.0125)	\$1.4075 (+.0100)	\$1.4175 (+.0100)	(+.0450)	\$1.3975 (+.0215)
40# BLOCKS	\$1.3875 (+.0075)	\$1.3900 (+.0025)	\$1.4075 (+.0175)	\$1.4275 (+.0200)	\$1.4625 (+.0350)	(+.0825)	\$1.4150 (+.0320)
BUTTER GRADE AA	\$1.6050 (N.C.)	\$1.6100 (+.0050)	\$1.6125 (+.0025)	\$1.6150 (+.0025)	\$1.6150 (N.C.)	(+.0100)	\$1.6115 (+.0005)

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

that the final quarter of the year will provide additional volumes so that the 2009 – 2010 milk production season will realize a 4% decline when compared to the 2008 - 2009 season. In New Zealand, manufactured dairy product stocks are in very close balance to short of projected needs. The quick demise of the milk production season has greatly altered late season manufacturing schedules and product availability. Traders and handlers are working closely with customers to fulfill commitments. At the May 4th global/Dairy Trade event, whole milk powder prices averaged \$3,932 per MT, down 1.2% from the previous event. Skim milk prices averaged \$3,612 (-1.4%). Anhydrous milk fat prices remained firm and averaged \$5,020 (+4.4%). Many traders and handlers feel that the direction that each of these markets trended was in a correct direction, although most anticipate that the overall tone to the global/Dairy Trading event will remain firm. Milk production in **Western Europe** is increasing surprisingly well. Milk producers and handlers are stating that the European milking herd is making up for lost time earlier in the season. In many countries, milk volumes are running stronger than last year at this time as the spring flush nears. Some feel that this spring flush may top out a little later than usual this year, especially if weather conditions remain favorable. Thus far this spring, weather patterns and temperatures have been unfavorable, but in recent weeks more spring like conditions have prevailed. Manufacturers and handlers are stating that you will have a few nice, ideal, days which will quickly be replaced with adverse, cold/wet conditions. All in all, typical spring conditions are running 2 – 3 weeks behind usual. At the May 6 Dairy Management Committee meeting, no significant dairy related changes were reported from the Commission. Some skim milk powder and butter volumes were seeking tender refunds, but these offers were rejected. No skim milk powder or butter have been offered to intervention since the start of the open season, March 1. Early in the month, the Commission released a portion of intervention skim milk powder and butter for the Deprived Persons Feeding Program. Over the period of May – September, about 65,000 MT (143,299,000 LBS) of skim milk powder and 51,000 MT (112,434,600 LBS) of butter will be released from intervention holdings. At this point, traders and handlers are not realizing any impact on current markets with this release. Traders and handlers are projecting that these two commodities will be traded or swapped for other food products which will then make these intervention skim milk powder and butter stocks available for other uses. Butter continues to slowly move to PSA with holding totaling 23,190 MT (51,124,674 LBS) as of May 2. Seasonally strong milk production is generating manufactured dairy products that are often clearing to inventory. Butterfat is tight, thus butter production is often lighter than desired. Cheese production is strong as demand remains active from Russian buyers. Milk powder production is seasonally active with supplies available for both internal and international buyer interest. Milk production is slowly increasing in **Eastern Europe**, about 4 weeks behind Western counterparts. A cold and wet winter which extended into spring is the main factor that milk producers and handlers are attributing to slower than usual milk growth pattern. Poland producers might be realizing better than usual milk production trends while other Eastern European countries are lagging behind last year at this time. With the milk flow slower to develop than usual, new manufactured dairy product stocks are lighter than desired by many Eastern European manufacturers. Typically at this time, they are realizing a steady inventory growth pattern at a faster pace than is occurring this year.

MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production for 2011 is forecast to increase as producers respond to improving returns. Cow numbers are projected lower than 2010, but the rate of decline is expected to slow, especially in the latter part of the year. Milk per cow is forecast to increase at a rate similar to 2010. Commercial exports are forecast to increase as the global economy improves. Imports will also increase slightly. An improving economy will support increased domestic use, reducing stocks below 2010 levels. Cheese, nonfat dry milk (NDM), and whey prices are forecast higher in the face of improved demand and tighter supplies. However, butter prices are expected to be below 2010 levels. Nonetheless, both Class III and Class IV prices are forecast to be higher than 2010 as higher cheese and whey prices support the Class III price and stronger NDM prices more than offset weaker butter prices and support the Class IV price. The all milk price is forecast at \$15.70 to \$16.70 for 2011. Forecast milk supply in 2010 is raised slightly from last month reflecting a slower decline in cow numbers and stronger expected growth in milk per cow. Cheese and whey price forecasts are lowered, resulting in a lower Class III price. Butter and NDM price forecasts are raised and the Class IV price increased.

MARCH FLUID MILK SALES (DAIRY PROGRAMS & CDF): During March, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.1% lower than March 2009. After adjusting for calendar composition, sales in March 2010 were 2.1% lower than March 2009. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, reduced fat milk (2%), low fat milk (1%), flavored fat-reduced milk and organic fat-reduced milk increased from March 2009, while sales of whole milk, flavored whole milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year likely had a negative impact on the change in sales from March 2010 compared to March 2009.

MAILBOX MILK PRICES (AMS & CDF): In February 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.97, down \$0.19 from the previous month average, but up \$4.36 from February 2009. The component tests of producer milk in February 2010 were: butterfat, 3.73%; protein 3.09%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in Southeast States and Western Pennsylvania; remained unchanged in Ohio and decreased in all other Federal milk order reporting areas. Mailbox prices ranged from \$19.01 in Florida to \$14.46 in New Mexico.

CME GROUP

MONDAY, MAY 10, 2010

CHEESE — SALES: 7 CARS BARRELS: 1 @ \$1.3725, 3 @ \$1.3750, 2 @ \$1.3775, 1 @ \$1.3800; 5 CARS 40# BLOCKS: 2 @ \$1.3850, 1 @ \$1.3875, 1 @ \$1.3850, 1 @ \$1.3875; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3800; 2 CARS 40# BLOCKS @ \$1.3875; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.3350; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6050; LAST OFFER UNCOVERED: NONE

TUESDAY, MAY 11, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3850; 1 CAR 40# BLOCKS @ \$1.3900; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6100; LAST OFFER UNCOVERED: NONE

WEDNESDAY, MAY 12, 2010

CHEESE — SALES: 8 CARS BARRELS: 7 @ \$1.3950, 1 @ \$1.3975; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.3975; 1 CAR 40# BLOCKS @ \$1.4075; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6125; LAST OFFER UNCOVERED: NONE

THURSDAY, MAY 13, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4075; 1 CAR 40# BLOCKS @ \$1.4275; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.3350; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3450
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6150; LAST OFFER UNCOVERED: NONE

FRIDAY, MAY 14, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4375; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4175; 1 CAR 40# BLOCKS @ \$1.4625; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

CME GROUP CASH NONFAT DRY MILK: Extra Grade closed the week at \$1.3000 and Grade A at \$1.3350. The last price change for Extra Grade was on 05/06/10 and Grade A was on 5/10/10. The weekly average for Extra Grade is \$1.3000 (+.0160) and Grade A is \$1.3350 (+.0195).

BUTTER MARKETS

NORTHEAST

After declining six cents on May 5, the CME Group butter price has rebounded and recovered half of the loss in less than a week, closing Tuesday at \$1.6100. Butter production continues to be mixed with some plants opting to sell cream, while others are maximizing churn output. Demand for cream has increased, primarily from ice cream and cream cheese interests and as a result multiples have advanced, ranging from the 130's to near 140. Supplies are mixed as some plants are focused on filling contracts and building inventory, while others more comfortable with inventories, are opting to take advantage of the active export market. According to FAS, imports of high tier and quota butter for the period January through April 2010 totaled 2.3 million pounds, 11% more than the same period last year. Imports of quota butter through April totaled 2.1 million pounds 13.7% of the annual quota. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

Through midweek, the cash butter price at the CME regained over half of what was lost last week to settle at \$1.6125. Many butter producers and handlers are not surprised at the recovery and for the most part are comfortable with current trends. In many instances, Central butter producers are generating additional butter stocks for future use. Some butter producers that had chosen to cut back on churning in recent weeks have once again resumed production. One of the reasons for reactivation of their churns was the availability and price of cream offerings. Some Central butter producers are securing cream with multiples in the low 120's. Churning activity remains strong for this time of the season. Class II demand is slowly increased, but not enough yet to absorb all available supplies. Butter producers anticipate cream will become much more competitive following the upcoming Memorial Day holiday. Butter demand is seasonally fair. Retailers are stating that butter sales have slowed following recent promotional activity and overall shelf prices are higher. Food service orders are somewhat more active as restaurants and food service outlets

prepare for the upcoming holiday and the unofficial opening of the summer vacation season. The food service industry, especially in vacation and resort areas, remains optimistic about the upcoming vacation season. 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 was \$.0025 higher at \$1.6125. The market has regained over half of last week's 6 cent one day drop. Sales were light last week with 4 loads sold after the loss. No sales have been reported this week and prices have advanced on unfilled bids. Butter prices continue to push to higher levels. Cream supplies are tightening despite increased amounts of milk. As the spring flush increases volumes of milk, solids are showing some percentage decreases. Butter churns are actively running plants to utilize any available cream. Producers are optimistic about future prices and willing to inventory additional butter. Prices are higher than desired for storing inventory, but lighter world supplies of milkfat have bolstered confidence that storage costs will be recouped. Domestic demand is steady with some pushback as to prices, yet retail accounts continue to move product at adequate levels. Stocks of butter are lower than desired, but able to cover contract needs and look at some export opportunities. Prices for bulk butter range from flat to 3.5 cents under the market, based on the CME with various time frames and averages used. According to the CME Group, weekly butter stocks in CME approved warehouses increased .7 million pounds last week to stand at 62.6 million pounds. This total compares to 84.4 million pounds in 2009 and 125.2 million pounds in the comparable week in 2008. Stocks in storage for this week at the CME Group have been above this level since 2001. According to the FAS, quota imports of butter for the first four months of the year total 2.1 million pounds, 10% more than the same period in 2009. Imports for 2010 account for 13.7% of the total quota for 2010. Imports of High-Tier butter (above quota and with a penalty) are 164,300 pounds, 26.2% above last year.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
MAY 8	1,4040	1,3931	1,2389	1,5865	0,3607
	11,283,107	9,364,848	14,208,861	5,550,601	10,584,452

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

The CME Group cheese prices for barrels and blocks held fairly steady in the last ten trading sessions with barrels trading between \$1.3725-\$1.3850 and blocks trading \$1.3800-\$1.3900. Tuesday's trade saw barrels close at \$1.3850 and blocks at \$1.3900. The steady nature of the cheese markets resulted in wholesale prices being unchanged for all varieties. Cheese production remains steady compared to recent weeks with some increases noted in mozzarella and cream cheese production. According to FAS, imports of quota cheese through April totaled 41.2 million pounds, 37.2% less than the same period last year and 13.8% of the annual quota. Imports of high tier cheese through this April total 3.2 million pounds, down 53.5% from the same period in 2009.

Cheddar Barrels on Wednesday at the CME Group closed \$.0125 higher at \$1.3975. 40 Pound Blocks were \$.0175 higher to close at \$1.4075. Prices have increased each day this week with moderate sales of 15 loads of Barrels and light to moderate sales of 5 loads of Blocks. Block prices have not been above \$1.4000 since April 15. Barrels have been below \$1.3950 since April 12. Cheese makers are working heavy schedules as the spring flush increases milk intakes. The market is showing continued strength despite heavier inventories. Contract sales have been good and are expected to keep supplies in check. Cooperatives Working Together (CWT) announced more bids accepted for assistance in marketing 3.1 million pounds of Cheddar cheese to the Middle East and Asia. According to FAS, quota imports of cheese for the January-April 2010 total 37 million pounds, down 37.2% from a year ago. The imports stand at 13.8% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 3.2 million pounds, 47.1% of the volume imported in 2009. Imports of quota Swiss cheese for 2010 total 12.8 million pounds, down 14.4% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 8.9 million pounds or 69.8% of the year's total import of Swiss.

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

Cheddar 40# Block	:	1.7100-1.9850
Process 5# Sliced	:	1.4675-1.7775
Muenster	:	1.7300-1.9275
Grade A Swiss Cuts 10 - 14#	:	2.9675-3.2900

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

Process 5# Loaf	:	1.5000-1.7575
Cheddar 40# Block	:	1.5150-1.8675
Cheddar 10# Cuts	:	1.6950-1.9150
Monterey Jack 10#	:	1.7050-1.8650
Grade A Swiss Cuts 6 - 9#	:	2.5150-2.9450

MIDWEST

The cheese market is fractionally firmer at the CME Group cash cheese market, though still holding within its recent trading range. Milk intakes are up through traditional major dairy areas of the Midwest with peak annual levels still around a month away. The closing of schools, mostly in early/mid June in Northern states, is a major factor in manufacturing milk supplies and plant operating schedules. Current cheese offerings remain adequate to generally ample for needs. Specialty varieties are being produced to order. Mozzarella interest seems to be trending lower as school year end nears and institutions try to end the year empty. However, continued retail pizza promotions are helping move product for other producers as well as orders from summer resort areas. Some spot barrel interest continues and also for processing solids, for short term needs and for storage for use later in the year. Orders for Memorial Day weekend retail promotions, mostly sliced process, are being prepared and shipped. As milk volumes increase seasonally, lower cheese yields partially offset the increase.

FOREIGN

The CME Group cheese prices have remained fairly steady over the past 10 trading sessions with blocks trading in a one cent range and closing Tuesday at the top of the range at \$1.3900. As a result of the steady trading activity, the weekly average price for blocks was unchanged. Prices for all domestic varieties of foreign type cheese also remained unchanged. According to FAS, imports of Swiss/Emmentaler varieties from January through April 2010 totaled 12.8 million pounds, 14.4% less than the same period last year. Norway and Finland, the two top sources, account for 69.8% of Swiss/Emmentaler imports through April.

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

Process American 5# Loaf	:	1.7350-1.9150
Brick And/Or Muenster 5#	:	1.8925-1.9900
Cheddar 40# Block	:	1.8300-2.5650
Monterey Jack 10#	:	1.8575-2.5650
Blue 5#	:	2.2325-2.7100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7275-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.3400-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 1.8500-3.3375
Gorgonzola	: 3.6900-6.6900	: 2.3525-2.6125
Parmesan (Italy)	: -0-	: 3.2575-3.4600
Provolone (Italy)	: 3.4400-5.9900	: 1.8925-2.0500
Romano (Cows Milk)	: -0-	: 3.0400-5.1825
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-	: 3.0600-3.3825
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
		:	
05/10/10	11,054	:	124,249
05/01/10	10,944	:	131,509
CHANGE	110	:	-7,260
% CHANGE	1	:	-6

FLUID MILK AND CREAM

E A S T

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	192	0	203	0	213
SOUTHEAST STATE	0	0	0	0	0	0

Manufacturing milk supplies continue to run heavy in the Northeast and Mid Atlantic regions, due to sluggish Class I sales and increased milk production. Optimum weather conditions for cow comfort and green pastures have helped increase production, especially in the Northeast, which has yet to reach its spring flush peak. The heavy manufacturing supplies are forcing most plants to produce low heat nonfat dry milk, allowing them to more readily clear increased milk volumes. Balancing plants in the Northeast are described as working “full out” to handle the increased milk volumes. Milk production in the Southeast is at or past the peak, as some more southern states have experienced marginal declines, due to recent periods of heat and humidity. Manufacturing milk supplies are at much more manageable levels, due to increased Class I sales as consumers and retailers recover in areas affected by recent flooding. Auxiliary cheese plants remain in production, but at reduced schedules. Cream supplies have tightened, as ice cream, cream cheese and dip production have increased. Some butter makers have churns operating at near maximum levels, which is also contributing to the tight cream supplies. The tight supplies have pushed multiples higher and range from 130-138. The cream market has a firm undertone, as ice cream production is expected to increase with the approach of warmer weather and the Memorial Day holiday. Sales of condensed skim have increased with the increase in ice cream production with some sales also going to mozzarella production.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.0943-2.2231
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9976-2.1104

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.17 - 1.22
NORTHEAST - CLASS III - SPOT PRICES	-	1.00 - 1.05

M I D W E S T

The fluid market is generally steady with recent weeks. Class II interest outside of ice cream was steady to lower than last week. Ice cream, novelty and mix production were mixed, from higher to lower as scattered frost over northern areas did little to stimulate consumer sales. Churning is steady to generally lighter as other products absorb a larger share of the cream supply. Manufacturing plant schedules in traditional dairy areas are operating on increasingly heavier schedules in order to handle seasonal increase in milk receipts. Milk components are trending lower seasonally and partially offset larger milk volumes (see page G1 in this report). Some handlers are setting up manufacturing homes for extra milk loads, often through mid-June to avoid the severe discounts usually associated with surplus volumes from Memorial Day weekend and right after schools close for the summer recess. Manufacturing milk interest is spotty and reported prices ranged from around -\$1.00 to around \$1.25 over class on a limited test. Reports indicate heavier volumes of fluid will start moving northward soon for processing. Milk volumes are increasing seasonally in central and

northern sections of the region. Frost and upwards of a few inches of snow in mid to northern sections of the northern states over the weekend slowed crop progress and likely killed any emerged soybeans and definitely set back corn growth. Alfalfa growth may also have been slowed as early harvest has been very minimal thus far in northern states. Recent rains stopped fieldwork though cool temperatures since the weekend have limited corn growth and emergence.

W E S T

The June 2010 Class 1 prices in CALIFORNIA range from \$15.68 in the north to \$15.95 in the south. The statewide average Class 1 price based on production is \$15.70. The average is \$0.31 higher than May 2010 and \$3.98 more than June 2009. CALIFORNIA milk output is steady to slightly higher and trending higher seasonally. Overall, milk volumes are below a year ago, but narrowing the deficit with increases and because year ago levels were beginning to decline around this time. The impacts of rainy conditions are felt in hay harvesting, but not a major influence on milk cows. Milk is being orderly processed in the state. Capacity is adequate to handle the current milk supplies and no issues are expected at projected peak levels. ARIZONA milk production is mostly steady with the past few weeks at a level slightly below the likely seasonal peak seen in mid April. Current weather conditions are favorable. Processing plants are running on expected schedules and able to handle the available milk supplies. Class I sales are mainly steady with little variations seen in retail accounts but some declines in school accounts are beginning to be seen in ordering as school years end. The market conditions are holding mostly steady for fluid CREAM in the West. Supplies are increasing in more northern states as milk and fat test improve seasonally. There is generally good demand for cream, yet tankers available and freight rate increases are impacting moving cream. Butter churning is active. Ice cream interest is building slightly higher. The CME Group butter prices resumed their higher march to close at \$1.6125 on Wednesday, May 12, up 3.25 cents from a week ago. Cream multiples are mostly steady and range 115-127 FOB and vary depending on class usage and basing points. Weather conditions in the PACIFIC NORTHWEST were ideal for cow comfort and milk production. Milk supplies are heavy in most areas. Production facilities in the region are adequate to handle the increased supplies. A cool spring has delayed early forage development in the region and first cut of hay will commence soon. Hay quality from southern areas was compromised by untimely rains in many cases and new crop forages will be welcomed. Cull cow prices are at high levels and producers are able to swap out older cows for replacement heifers to increase production per cow levels. Recent auction prices for replacement heifers in Washington were higher than previous months, but extra costs are absorbed in the higher cull price. Heifers at auction were selling from \$1350-\$1475 for animals in the Supreme grades. UTAH and IDAHO experienced rain and colder weather for the week. Although uncomfortable at times, the cooler weather did not hurt milk production levels. Farm milk intakes are beginning to increase and manufacturers are eager to process the added supplies. Recent rains have helped to raise water levels in mountain reservoirs and will be welcomed as the seasons progress. First cutting of hay will commence soon in Idaho to replenish forage supplies and boost production further. Auction prices in Utah and Idaho were steady to firm for replacement heifers. Feed costs are anticipated to be lower than last year and farm milk price increases have helped to strengthen farmer’s bottom line.

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 mostly prices in the Central region are marginally higher on a steady to somewhat firm market. Although manufacturers are clearing rising farm milk intakes readily and drying solids, contract buyers are taking NDM loads steadily and NDM inventories at plant levels are increasing at a modest pace. Active sales of condensed skim are reportedly occurring as a response to the price advantage connected with condensed skim use as opposed to NDM use in various Class II and Class III products. This is diverting some solids away from the dryers. A few plants are scheduling heavier production for high heat NDM as dryer use allows. Spot market interest is quiet this week as some buyers view the market as poised before breaking either higher or lower, with no clear signal showing which way the market will turn. Some Western NDM continues to fill in Central spot market supply gaps. Freight rates have risen steadily over the last several weeks for bringing in product from the West, but various resellers report delivered prices on Western product are still competitive with Central delivered prices. According to the latest Foreign Agricultural Service report, January – April 2010 imports of dried skim milk in the high tier category totals about 40,000 pounds. This is a decrease of about 93% compared to the same months of 2009. There were no quota dried skim milk imports during the first four months of 2009 or 2010. Foreign Agricultural Service reports that January - March 2010 exports of nonfat dry milk under Schedule B code 0402100000 total 119.1 million pounds, about a 7% increase compared to the same time span of 2009. Total exports for 2010, and percent change in amounts exported compared to 2009 are: Mexico, 42.9 million pounds (+14%), Philippines, 20.4 million pounds (+19%) and Indonesia, 13.6 million pounds (-17%). These countries are the top three destinations for nonfat dry milk thus far in 2010, accounting for 64% of the total nonfat dry milk exports.

EAST: Prices for nonfat dry milk moved higher this week in light spot market trading. Nonfat dry milk production increased in the East, due to seasonal milk production increases. Manufacturing milk supplies are pushing balancing plants to near their operational capacities. Most plants are producing strictly low heat nonfat dry milk to better clear supplies. Some plants committed to high heat production are selling condensed skim to help alleviate supply backups. Current supplies are filling contracts and adding to inventories. Some prospective purchasers are on the sidelines waiting to see if the market weakens. High heat nonfat dry milk supplies are tight and held with confidence.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2400 - 1.3800 MOSTLY: 1.2700 - 1.3500
 HIGH HEAT: 1.3500 - 1.4500

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk prices in the Western region are continuing to climb higher. The market tone remains firm. Buying interest is becoming more mixed. Some domestic buyers have coverage and have slowed down on buying extra NDM. Export interest is fair to good and clearing product at higher prices up to the top end of the range. Volumes are variable and the pricing levels are below other world pricing indices. The stronger US dollar is making US sourced NDM more expensive. NDM production in the West is seasonally active. Stocks are often light to moderate with most being committed for nearby sales. High heat prices are higher and the market tone is firm. The market is not fully tested. Offerings are light and stocks are often needed to fill contract needs.

For January-March 2010, FAS reports exports of NDM/SMP at 119.1 million pounds, compared to 110.9 million pounds for January-March 2009, +7.4%. The top 5 countries for exports for January-March 2010 (in million pounds with changes from January-March 2009) are: Mexico, 42.9, +14%; Philippines, 20.4, +19%; Indonesia, 13.6, -17%; Vietnam 9.0, +46%; and China, 4.6, none last year. The top five countries account for 77% of the total exports during the period. March 2010 exports total 56.4 million pounds, +63% from March 2009.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1800 - 1.4200 MOSTLY: 1.2600 - 1.3200
 HIGH HEAT: 1.2400 - 1.3700

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Prices on Central dry buttermilk are higher on a firm market. Dry buttermilk inventories are both lower and building incrementally as churning at various plants is lower this week, while contract load shipping is active. Those with dry buttermilk stock on hand report the firm market is encouraging inventory build-up at this time versus sales to the spot market. Some spot sales have cleared, with premiums to the market needed to move loads into the hands of buyers. Various plants report that demand for both condensed skim and condensed buttermilk are higher, and some end users with the ability to switch between the two condensed products are placing orders based on availability and price.

EAST: Dry buttermilk production is mixed to mostly lower. Some churns are actively filling contracts and building inventories, while others are selling cream thus limiting butter and dry buttermilk production. Condensed buttermilk sales to ice cream concerns also limit dry buttermilk production. Demand is good and brokers report supplies are very tight as available supplies are difficult to locate. The market undertone is firm as buttermilk pricing follows the firm nonfat dry milk market.

F.O.B. CENTRAL/EAST: 1.1500 - 1.2850

DRY BUTTERMILK - WEST

Western dry buttermilk prices are sharply higher and the market tone is firm. Offerings are limited from producers and there is little offered product in resale channels. The market is being helped by higher NDM prices and the general shortage of buttermilk in the current market. Production remains active to process solids coming off the butter churns. Stocks are light and being held with confidence.

F.O.B. WEST: 1.1400 - 1.3800 MOSTLY: 1.1700 - 1.2100

NDM, BUTTERMILK & WHOLE MILK

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

DRY WHOLE MILK - NATIONAL

The dry whole milk market is firm and prices are unchanged to higher on the bottom of the range. Stocks of domestic production are short of meeting current demand. Imported product availability is also tight. According to the latest Foreign Agricultural Service report, January – April 2010 imports of dry whole milk in the high tier category total about 80,000 pounds, about sixteen times more than the same time span one year ago. Quota imports of dry whole milk during January – April 2010 total about 1.8 million pounds, about 5% lower than during the same time span of 2009.

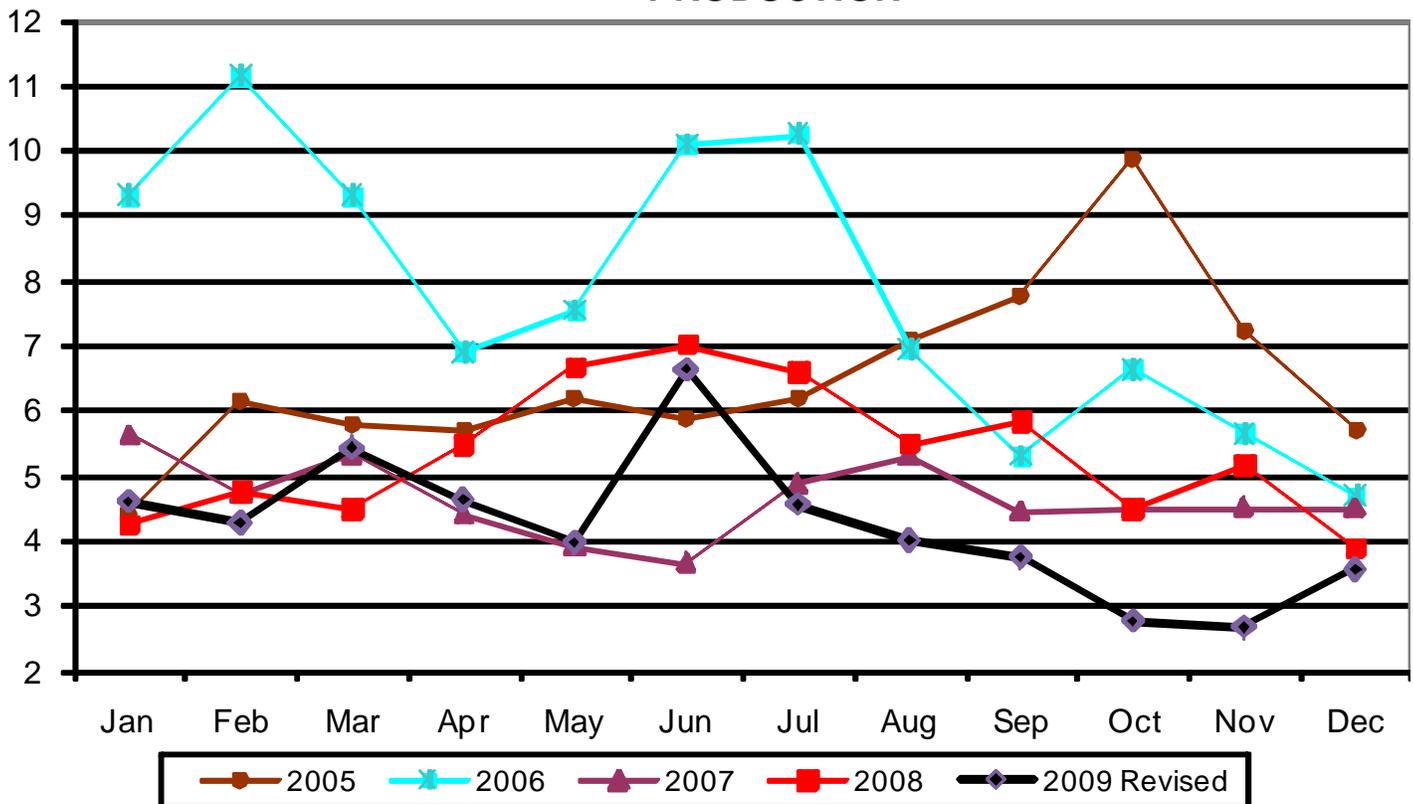
F.O.B. PRODUCING PLANT: 1.5400 - 1.6300

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 7	\$1.0617	32,158,415	0
April 30	\$1.1134	11,969,691	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.

MILLION POUNDS U.S. CONDENSED or EVAPORATED BUTTERMILK PRODUCTION



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

Prices on Central dry whey are unchanged and interest in dry whey is variable. Near term market sentiment is mixed, with some forecasting lower dry whey prices because of higher milk availability as schools let out and possible lower export volumes in the months to come linked to the Euro/U.S. dollar value relationship. Others foresee steady to stronger prices as various Western plants phase out dry whey production through the balance of the year and pricing strength in other dairy proteins lending support to the dry whey market. Contract loads are shipping regularly and some product is also clearing through the spot market. Current product prices are carrying a premium to the market while slightly older product is reportedly selling at discounts to the market. Some plants are moving up the shipping dates of dry whey loads destined for China, to meet the May 30th health certificate deadline. Production is steady at most locations, with several plants indicating both cheese and whey production are at capacity. ANIMAL FEED WHEY prices are unchanged to higher, while interest is mixed. Some milk replacer manufacturers indicate interest in wheat protein based milk replacer formulas is growing as the price of wheat protein has decreased compared to dairy protein. Foreign Agricultural Service reports that January - March 2010 dried whey exports under Schedule B code 0404104000 totaled 124.9 million pounds, about a 13% increase compared to 2009 exports during the same months. The three largest 2010 U.S. export markets for dried whey, total exports for January - March 2010, and percent change in amounts exported compared to the same 2009 timeframe: China, 28.3 million pounds (+4%); Mexico, 15.3 million pounds (more than double the volume); and Japan, 13.3 million pounds (-12%). Exports to those three countries account for about 45% of all U.S. dried whey exported during the first three months of 2010.

F.O.B. CENTRAL: .3100 - .3700 MOSTLY: .3250 - .3650
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2475 - .3250

DRY WHEY - NORTHEAST

Prices for dry whey in the Northeast declined marginally in fairly light spot market trading with continued steady to flat domestic demand. Production is steady at seasonally increased levels as cheese plants have increased production due to the spring flush. Brokers are keeping their inventories in balance and are cautious regarding future purchases until the market direction becomes more defined. The latest Foreign Agricultural Statistics report shows 124.9 million pounds dry whey were exported from the United States during January-March 2010, up 13% from January-March 2009. Leading world regional destinations, amounts shipped, and year to year percentage changes in amounts shipped are as follows: East Asia, 49.4 million pounds (-7%); Southeast Asia, 38.9 million pounds (+50%); and North America, 25.9 million pounds (+27%). These three regions comprised 55.4% of the total exports for January-March 2010.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3550 - .3900

DRY WHEY - WEST

Whey prices in the West were mostly unchanged for the week. Slight price adjustments were made to the range and the mostly price series narrowed. Cheese production remains at levels above year ago and is increasing availability of whey for drying. Buyers are looking for a quick resolution to China's policy for dairy imports from the U.S. China is the largest importer of dry whey from the U.S. and settlement of accepting health certificates for American products would ease negotiations for future sales. Domestic supplies are adequate for contract needs and export shipments are continuing to the end of the month. According to the Foreign Agricultural Service, exports of whey for January-March total 124.9 million pounds, up 12.5% from January-March 2009. The exports account for 48.5% of the total whey production in the U.S. for January-March. The top five export destinations, their volumes and change from last year are as follows: China 28.2 million pounds, +4%; Japan 13.3 million pounds, -12%; Mexico 15.3 million pounds, +112%; Malaysia 11.7 million pounds, +73%; and Canada 10.6 million pounds, -20%. These five countries accounted for 79.1 million pounds or 63.3% of the exports for January-March.

NONHYGROSCOPIC: .3450 - .4275 MOSTLY: .3750 - .4175

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate prices are higher on both the range and mostly price series. The upward price trend on nonfat dry milk is lending support to the WPC 34% market. In addition, various industry participants indicate a large beverage manufacturer is now producing a beverage containing a WPC with higher protein content. Traditional buyers of higher protein content WPC are finding supplies are tighter, which has shifted some dairy protein demand to the WPC 34% market and shored up current WPC 34% prices. WPC 34% availability from manufacturers is varied, with some indicating spot loads are being offered from time to time as supplies allow. Some buyers in the livestock feed industry report supplies of WPC 34% on hand are ample, or current WPC 34% needs have been supplemented by nonfat dry milk. Both situations result in less demand for spot market WPC 34% offers from either manufacturers or resellers. Prices on wheat protein have been declining recently. This is prompting some additional interest in milk replacers containing wheat protein as an ingredient due to its comparatively lower price than milk replacer based solely on dairy ingredients. Foreign Agricultural Service reports that during January - March 2010, exports of WPC 34% under Schedule B code 0404100500 totaled 74.0 million pounds, an 81% increase from the same time span of 2009. Exports to China (26.8 million pounds), Mexico (23.4 million pounds) and Canada (9.3 million pounds) accounted for 80% of all the WPC 34% exported thus far.

F.O.B. EXTRA GRADE 34% PROTEIN: .8800 - .9900 MOSTLY: .9000 - .9400

LACTOSE - CENTRAL AND WEST

Prices on lactose are both higher and lower. Spot market participation by producers is varied as some are content to build inventory over the next few weeks in anticipation of third quarter demand. Inquiries for finer mesh size product are reportedly more active than in recent weeks, with negotiations continuing. Lactose production is steady to higher for the week as a few plants with intermittent production capabilities respond to new orders. The looming cutoff date for clearing loads into China with acceptable health certificates is providing the impetus for moving up load shipping dates at some locations. Foreign Agricultural Service reports that January - March 2010 lactose exports under Schedule B code 1702110000, anhydrous, >99% solids, totaled 66.0 million pounds. This is an increase in exports of 21% compared to the same time span of 2009. China (5.7 million pounds, -59%), Japan (8.5 million pounds, +2%) and Mexico (9.1 million pounds, +59%) are the top three destinations for lactose exports thus far in 2010, accounting for 35% of lactose exports.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2500-.4000 MOSTLY: .3000-.3600

CASEIN - NATIONAL

Casein markets and prices are basically unchanged, although the market tone is firm. Supply availability continues to be the number one concern for domestic buyers. Suppliers are fully aware of the possibility of shortages, but remain optimistic that they will fulfill commitments. Suppliers continue to state that they do not foresee any significant volume for spot buyers, thus they are encouraging buyers to contract for their projected needs.

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: 3.6000 - 4.2000
ACID: 3.6000 - 4.1500

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 10 - 14, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 05/07/10	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							
Nonfort	-0-	-0-	-0-	132,276	236,052,361	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	236,052,361	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 10 - 14, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.4	20.8
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	153.1	2,748.2
CUMULATIVE JAN. 1 - MAY 14, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	127.9	1,414.7

* 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 MAY 10 - 14, 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-	4,639,010	-0-	-0-	132,276	236,052,361	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	236,052,361	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 04/24/10 & 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.	0.7	7.1	2.4	17.4	3.8	0.2	N.A.	17.3	3.7	54.0	936.5	44.0	45.3
2009-Dairy	N.A.	0.5	7.1	2.8	16.2	4.0	0.3	N.A.	13.7	4.3	50.1	976.0	45.7	48.9
2010-All cows	N.A.	0.7	8.9	14.1	32.3	22.2	12.9	N.A.	20.5	6.9	122.8	2,067.5		
2009-All cows	N.A.	0.6	8.9	13.3	27.9	18.0	13.6	N.A.	16.1	7.4	109.7	1,997.7		

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

CANADIAN DAIRY BREEDING FEMALE IMPORTS

WEEK ENDING	WEEKLY TOTAL	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
MAY 1	277	4,928	

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	13.22	13.80							
II	15.22	15.65	14.46	13.78								
III	14.50	14.28	12.78	12.92								
IV	13.85	12.90	12.92	13.73								

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered MAY 3 - 14, 2010

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production in Western Europe is increasing surprisingly well. Milk producers and handlers are stating that the European milking herd is making up for lost time earlier in the season. In many countries, milk volumes are running stronger than last year at this time as the spring flush nears. Some feel that this spring flush may top out a little later than usual this year, especially if weather conditions remain favorable. Thus far this spring, weather patterns and temperatures have been unfavorable, but in recent weeks more spring like conditions have prevailed. Manufacturers and handlers are stating that you will have a few nice, ideal, days which will quickly be replaced with adverse, cold/wet conditions. All in all, typical spring conditions are running 2 – 3 weeks behind usual. At the May 6 Dairy Management Committee meeting, no significant dairy related changes were reported from the Commission. Some skim milk powder and butter volumes were seeking tender refunds, but these offers were rejected. No skim milk powder or butter have been offered to intervention since the start of the open season, March 1. Early in the month, the Commission released a portion of intervention skim milk powder and butter for the Deprived Persons Feeding Program. Over the period of May – September, about 65,000 MT of skim milk powder and 51,000 MT of butter will be released from intervention holdings. At this point, traders and handlers are not realizing any impact on current markets with this release. Traders and handlers are projecting that these two commodities will be traded or swapped for other food products which will then make these intervention skim milk powder and butter stocks available for other uses. Butter continues to slowly move to PSA with holding totaling 23,190 MT as of May 2. Seasonally strong milk production is generating manufactured dairy products that are often clearing to inventory. Butterfat is tight, thus butter production is often lighter than desired. Cheese production is strong as demand remains active from Russian buyers. Milk powder production is seasonally active with supplies available for both internal and international buyer interest.

BUTTER/BUTTEROIL: European butter markets and prices are firm. Butterfat is tight and butter producers are scrambling to procure cream volumes to maintain steady butter production schedules. Offerings to PSA are much lighter this year versus last year. Since March 1, the opening of PSA, 23,190 MT of butter have cleared to the program, this compares to around 78,000 MT last year at this time. No offerings to intervention have occurred since March 1. Last year at this time, maximum levels of 30,000 MT had already cleared to intervention and offerings at this time were occurring under a tendering system. Last year at this time intervention butter totals were near 70,000 MT.

82% BUTTERFAT:	4,400 - 4,800
99% BUTTERFAT:	4,800 - 5,200

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are firm. The milk production season in Europe is increasing, although whole milk powder production is often lighter than desired. Strong cheese production is absorbing significant volumes of available milk with other manufactured dairy products dividing up the balance. Traders and handlers indicate that new/fresh powder is available for current and future needs. No significant sales are being reported at this time. Traders state that no results are known yet as to the outcome of the recent milk powder tender.

26% BUTTERFAT:	3,550 - 4,000
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EASTERN AND WESTERN EUROPE COMMENTS CONTINUED
ON PAGE 8A

OCEANIA

OVERVIEW: The Oceania milk production season continues to wind down. In New Zealand, milk output on the North Island has dropped off sharply in recent weeks, although remaining favorable on the South Island. Lack of moisture on the North Island quickly deteriorated pasture growth and conditions. As a result, farmers have reduced daily milkings to one and many farmers are drying off their herds earlier than usual. On the South Island, even though not as much milk is generated in this region, milk volumes are reported to be running 8% ahead of last year. Combining both islands, annual milk production projections are being pegged at flat with last season. Milk producers and handlers state that the adverse moisture conditions late in the season quickly eroded any possible growth over last season. In Australia, conditions are better than they have been in recent years for this time of the season. The second half of the milk production season is realizing a more gradual decline than has occurred in many years. Although overall milk volumes are trailing last season by 5.8% for nine months, milk processors and handlers remain optimistic that the final quarter of the year will provide additional volumes so that the annual 2009 – 2010 milk production season will realize a 4% decline when compared to the 2008 - 2009 season. In New Zealand, manufactured dairy product stocks are in very close balance to short of projected needs. The quick demise of the milk production season has greatly altered late season manufacturing schedules and product availability. Traders and handlers are working closely with customers to fulfill commitments. At the May 4th global/Dairy Trade event, whole milk powder prices averaged \$3,932 per MT, down 1.2% from the previous event. Near term (July, contract #1) prices declined 1.1% (\$4,027), Aug – Oct (contract #2) prices declined 4.9% (\$3,870), with Nov – Jan prices (contract #3) up 3.5% to \$3,908 when compared to previous contract periods. Skim milk prices averaged \$3,612 (-1.4%) with near term prices declining 4.1% (\$3,682), contract #2 prices increased 1.8% (\$3,996), and contract #3 prices declined 1.0% (\$3,374). Anhydrous milk fat prices remained firm and averaged \$5,020 (+4.4%). The near term, July, contract period #1 averaged \$5,572 (+9.0%), contract period #2 averaged \$5,040 (+4.3%), and contract period #3 averaged \$4,784 (+2.2%). Many traders and handlers feel that the direction that each of these markets trended was in a correct direction, although most anticipate that the overall tone to the global/Dairy Trading event will remain firm.

BUTTER: Oceania butter markets are firm with prices trending higher. Cream supplies are tight as the end of the milk production season arrives. Traders and handlers report that stocks are in very close balance to often short of projected last season needs. Especially in New Zealand, manufacturers and handlers were hoping that the end of the milk production season would have stretched out further than it did. Due to the quicker than anticipated end to the season, traders are in communication with customers trying to fulfill contract commitments.

82% BUTTERFAT:	4,000 – 4,100
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CHEDDAR CHEESE: Oceania cheese markets remain firm. Cheese production is winding down in the region with some areas, especially in New Zealand, realizing sharply lower milk volumes. Cheese stocks are reported to be in close balance to short of needs, with some traders and handlers in conversations with customers about fulfilling commitments. Cheese negotiations are already starting to occur for the upcoming milk production year with various customers.

39% MAXIMUM MOISTURE:	3,900 - 4,200
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OCEANIA COMMENTS CONTINUES
ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered MAY 3 - 14, 2010

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

EASTERN AND WESTERN EUROPE COMMENTS CONTINUED
FROM PAGE 8

SKIM MILK POWDER (SMP): European skim milk powder markets are firm with prices mixed. Much of the price unsettledness is occurring due to the fluctuating/declining Euro. Milk production is seasonally increasing although skim production is not realizing the typical volumes of milk associated with the spring of the year. In many instances, cheese production is getting the lions share of available milk when possible with milk powders and other products sharing the balance. Stocks are building, although lighter than desired by many handlers.

1.25% BUTTERFAT: 2,975 - 3,400

SWEET WHEY POWDER: Whey powder markets and prices are mixed, but the undertone is weak. Heavy cheese production is generating strong volumes of whey. Much of the weakness in prices is being attributed to the weakening Euro. Whey volumes are available for both internal and international buyer interest. Some traders and handlers report that international buyer interest is improving.

NONHYGROSCOPIC: 950 - 1,200

EASTERN OVERVIEW: Milk production is slowly increasing in Eastern Europe, about 4 weeks behind Western counterparts. A cold and wet winter which extended into spring is the main factor that milk producers and handlers are attributing to slower than usual milk growth pattern. Poland producers might be realizing better than usual milk production trends while other Eastern European countries are lagging behind last year at this time. With the milk flow slower to develop than usual, new manufactured dairy product stocks are lighter than desired by many Eastern European manufacturers. Typically at this time, they are realizing a steady inventory growth pattern at a faster pace than is occurring this year.

OCEANIA

OCEANIA COMMENTS CONTINUED
FROM PAGE 8

SKIM MILK POWDER (SMP): Skim powder markets remain firm although prices are mixed. At the May 4th global/Dairy Trading event, the average skim milk powder price declined 1.4% to \$3,612. The near term (July) contracting period #1 averaged \$3,682 (-4.1%), contracting period #2 (Aug - Oct) averaged \$3,996 +1.8%, and contracting period #3 (Nov - Jan) averaged \$3,374 -1.0%. Supply availability is the major concern for many Oceania traders and handlers at this time. Most were hoping for a strong conclusion to the milk production season, but that did not occur, especially in New Zealand, thus late season stock generation is not occurring. Traders and handlers are working closely with customers to meet their commitments.

1.25% BUTTERFAT: 3,400 - 3,800

WHOLE MILK POWDER (WMP): The whole milk powder market remains firm, although prices at the recent global/Dairy Trading event eased. At the trading event, the average price of \$3,922 declined by 1.2% when compared to the previous monthly average which was not a surprise to many traders and handlers. For contract period #1 (July), the price averaged \$4,027 -1.1%, contract period #2 (Aug - Oct) averaged \$3,870 -4.8%, and contract period #3 (Nov - Jan) averaged \$3,908 +3.5%. Since the previous trading event, traders and handlers were quite concerned about the sharp increase recorded at that time, but subsequently have adjusted their prices to reflect that trading level and further strength. Supply availability is a major concern for Oceania traders and handlers. Late season manufacturing schedules were adjusted or came to an end earlier than anticipated as the milk flow quickly retreated, especially in New Zealand.

26% BUTTERFAT: 3,900 - 4,150

Exchange rates for selected foreign currencies: May 10, 2010

.9762 Canadian Dollar	.0223 Indian Rupee
.2568 Argentina Peso	.7227 New Zealand Dollar
.0800 Mexican Peso	.9027 Australian Dollar
.3181 Polish Zloty	.0107 Japanese Yen
	1.2788 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0800) = 12.5000$ Mexican Pesos. Source: "Wall Street Journal"

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	04/29	04/30	05/03	05/04	05/05	05/06	05/07	05/10	05/11	05/12
CME - CLASS III MILK FUTURES (Pit-Traded)										
APR 10	12.96 (4318) 0	12.92 (3307) 0								
MAY 10	13.42 (4726) 0	13.38 (4702) 0	13.36 (4711) 1	13.22 (4734) 0	13.18 (4740) 0	13.12 (4749) 0	13.24 (4764) 0	13.24 (4768) 0	13.24 (4778) 3	13.24 (4745) 0
JUN 10	13.95 (4526) 5	13.99 (4468) 0	13.83 (4483) 1	13.71 (4510) 0	13.63 (4598) 0	13.38 (4727) 0	13.64 (4757) 0	13.67 (4744) 0	13.72 (4754) 3	13.73 (4723) 1
JUL 10	14.52 (3240) 3	14.55 (3254) 0	14.54 (3287) 4	14.45 (3364) 0	14.46 (3392) 15	14.12 (3589) 8	14.37 (3656) 1	14.37 (3673) 0	14.46 (3746) 10	14.50 (3826) 1
AUG 10	15.00 (3043) 3	15.05 (3050) 0	15.14 (3061) 1	15.10 (3094) 3	15.08 (3128) 3	14.84 (3238) 4	15.15 (3341) 3	15.10 (3373) 8	15.18 (3375) 0	15.20 (3386) 2
SEP 10	15.10 (2917) 3	15.15 (2927) 0	15.26 (2930) 1	15.22 (2955) 3	15.20 (2973) 3	15.06 (3035) 1	15.35 (3093) 3	15.40 (3119) 8	15.40 (3131) 0	15.40 (3143) 2
OCT 10	15.04 (2738) 3	15.04 (2731) 0	15.15 (2743) 1	15.09 (2770) 3	15.09 (2792) 3	15.00 (2864) 1	15.15 (2894) 3	15.19 (2917) 8	15.18 (2912) 0	15.18 (2938) 2
NOV 10	14.92 (2577) 4	15.00 (2572) 0	15.09 (2599) 0	15.08 (2636) 4	15.05 (2645) 3	15.01 (2691) 1	15.17 (2721) 3	15.14 (2760) 8	15.09 (2770) 0	15.12 (2798) 2
CME - CLASS IV MILK FUTURES (Pit-Traded)										
MAY 10	14.56 (60) 0	14.65 (60) 0	14.90 (60) 0	14.75 (60) 0	14.80 (60) 0	14.82 (60) 0	14.82 (60) 0	15.08 (60) 0	15.08 (60) 0	15.08 (60) 0
JUN 10	15.21 (53) 0	15.55 (54) 0	15.61 (54) 0	15.61 (54) 0	15.61 (54) 0	15.61 (54) 0	15.69 (54) 0	15.76 (54) 0	15.69 (54) 0	15.69 (54) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
APR 10	148.00 (429) 0	147.73 (429) 0								
MAY 10	163.00 (596) 28	163.00 (594) 17	162.90 (592) 2	160.00 (572) 22	160.00 (562) 12	159.75 (562) 0	159.50 (565) 4	159.00 (565) 0	157.03 (567) 2	157.03 (567) 0
JUN 10	165.00 (577) 2	167.00 (601) 35	169.00 (644) 49	168.25 (654) 15	164.00 (670) 34	164.00 (671) 4	165.00 (678) 10	165.50 (676) 16	164.00 (677) 5	164.50 (680) 27
JUL 10	168.50 (502) 19	169.00 (515) 16	169.00 (567) 61	169.50 (579) 17	167.00 (611) 37	167.00 (629) 23	167.75 (631) 2	167.00 (638) 8	166.00 (656) 19	166.50 (661) 27
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
APR 10	111.20 (175) 0	112.08 (175) 0								
MAY 10	116.75 (183) 0	118.00 (183) 0	118.25 (183) 0	120.00 (183) 0	122.00 (183) 0	122.00 (183) 0	122.25 (182) 0	122.25 (182) 0	122.25 (182) 0	122.25 (182) 0
JUN 10	122.25 (198) 0	123.50 (198) 0	123.50 (198) 0	123.50 (198) 0	125.00 (198) 0	125.00 (198) 0	127.00 (195) 0	127.00 (195) 0	127.00 (195) 0	127.00 (195) 0
CME - WHEY (Electronic-Traded)										
APR 10	36.65 (298) 0	36.43 (292) 0								
MAY 10	35.75 (289) 0	35.00 (289) 0	35.00 (289) 0	35.00 (289) 0	35.00 (289) 0	35.00 (288) 1	35.50 (288) 1	35.50 (288) 0	35.50 (288) 0	35.50 (288) 0
JUN 10	35.25 (296) 6	35.25 (296) 0	35.25 (296) 0	35.25 (296) 0	35.25 (296) 6	35.25 (295) 1	35.25 (295) 0	35.25 (295) 0	35.25 (295) 0	35.25 (295) 0
JUL 10	34.50 (204) 6	33.50 (204) 7	33.75 (204) 0	33.75 (204) 1	33.00 (210) 7	35.00 (211) 3	34.75 (211) 0	34.75 (211) 0	34.25 (210) 1	34.25 (210) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.

MAY MILK SUPPLY AND DEMAND ESTIMATES*

Milk production for 2011 is forecast to increase as producers respond to improving returns. Cow numbers are projected lower than 2010, but the rate of decline is expected to slow, especially in the latter part of the year. Milk per cow is forecast to increase at a rate similar to 2010. Commercial exports are forecast to increase as the global economy improves. Imports will also increase slightly. An improving economy will support increased domestic use, reducing stocks below 2010 levels. Cheese, nonfat dry milk (NDM), and whey prices are forecast higher in the face of improved demand and tighter supplies. However, butter prices are expected to be below 2010 levels. Nonetheless, both Class III and Class IV prices are forecast to be higher than 2010 as higher cheese and whey prices support the Class III price and stronger NDM prices more than offset weaker butter prices and support the Class IV price. The all milk price is forecast at \$15.70 to \$16.70 per cwt for 2011. Forecast milk supply in 2010 is raised slightly from last month reflecting a slower decline in cow numbers and stronger expected growth in milk per cow. Cheese and whey price forecasts are lowered, resulting in a lower Class III price. Butter and NDM price forecasts are raised and the Class IV price increased. The all milk price is forecast to average \$15.65 to \$16.15 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Projected		2011 Projected	
		April	May	April	May
BILLION POUNDS					
MILK					
PRODUCTION	189.3	189.9	190.2	NA	193.0
FARM USE	1.0	1.1	1.0	NA	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	NA	10.5
MARKETINGS	188.3	188.8	189.2	NA	192.1
IMPORTS	5.6	3.8	5.0	NA	5.1
TOTAL COMMERCIAL SUPPLY	204.0	203.9	205.6	NA	207.6
FAT BASIS USE					
COMMERCIAL EXPORTS	4.2	4.8	4.8	NA	4.9
ENDING COMMERCIAL STOCKS	11.3	10.4	10.5	NA	9.9
CCC NET REMOVALS <u>1/</u>	0.6	0.3	0.3	NA	0.0
COMMERCIAL USE <u>2/</u>	187.6	188.4	189.9	NA	192.8
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	NA	11.0
MARKETINGS	188.3	188.8	189.2	NA	192.1
IMPORTS	5.5	3.4	4.7	NA	4.8
TOTAL COMMERCIAL SUPPLY	204.7	203.5	205.3	NA	207.8
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.5	25.4	25.3	NA	27.0
ENDING COMMERCIAL STOCKS	11.3	10.8	11.0	NA	10.6
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	168.6	167.6	169.2	NA	170.3
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	25	15	15	NA	0
CHEESE	1	2	2	NA	0
NONFAT DRY MILK	246	2	2	NA	0
DRY WHOLE MILK	0	0	0	NA	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

MAY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		April	May	April	May
DOLLARS PER POUND					
PRODUCT PRICES ^{1/}					
CHEESE	1.2963	1.490-1.540	1.480-1.530	NA	1.505-1.605
BUTTER	1.2094	1.420-1.500	1.445-1.525	NA	1.390-1.520
NONFAT DRY MILK	0.9222	1.110-1.150	1.180-1.220	NA	1.210-1.280
DRY WHEY	0.2584	0.375-0.405	0.365-0.395	NA	0.375-0.405
DOLLARS PER CWT					
MILK PRICES ^{2/}					
CLASS III	11.36	14.10-14.60	13.95-14.45	NA	14.25-15.25
CLASS IV	10.89	13.40-14.00	14.15-14.75	NA	14.15-15.25
ALL MILK ^{3/}	12.84	15.45-15.95	15.65-16.15	NA	15.70-16.70
QUARTERLY					
	2010 I	2010 II ^{4/}	2010 III ^{4/}	2010 IV ^{4/}	2011 I ^{4/}
BILLION POUNDS					
MILK PRODUCTION	47.3	48.9	47.1	46.8	47.9
DOLLARS PER CWT.					
ALL MILK PRICE ^{2/} ^{3/}	15.60	14.90-15.20	15.75-16.35	16.35-17.25	15.30-16.30
CLASS III PRICE ^{2/}	13.86	13.10-13.40	14.25-14.85	14.65-15.55	13.55-14.55
CLASS IV PRICE ^{2/}	13.23	14.25-14.65	14.75-15.45	14.45-15.45	13.75-14.85

^{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-482, World Agricultural Outlook Board, USDA, May 11, 2010.

MARCH FLUID MILK SALES

During March, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.1 percent lower than March 2009. After adjusting for calendar composition, sales in March 2010 were 2.1 percent lower than March 2009. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, reduced fat milk (2%), low fat milk (1%), flavored fat-reduced milk and organic fat-reduced milk increased from March 2009, while sales of whole milk, flavored whole milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year likely had a negative impact on the change in sales from March 2010 compared to March 2009.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MARCH 2010, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	March	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,211	3,571	-5.1	-4.9
Flavored Whole Milk	55	141	-0.6	-4.4
Organic Whole Milk	34	96	3.5	3.7
Reduced Fat Milk (2%)	1,608	4,720	2.4	1.8
Low Fat Milk (1%)	622	1,806	4.2	3.8
Fat-Free Milk (Skim)	703	2,051	0.9	-0.3
Flavored Fat-Reduced Milk	389	1,094	2.2	0.5
Organic Fat-Reduced Milk	114	315	3.6	2.4
Buttermilk	41	117	-36.2	-39.6
Total Organic Milk Products	148	411	3.6	2.7
Total Fluid Milk Products 3/	4,786	13,934	-0.1	-0.8
Total Fluid Milk Products Adjusted 3/ 4/	4,741	13,941	-2.1	-0.6

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent 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 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MARCH 2010, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	March	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	808	2,346	-1.4	-1.7
Appalachian (005)	330	960	6.0	5.5
Southeast (007)	443	1,295	1.3	0.3
Florida (006)	263	764	-0.6	-0.8
Mideast (033)	534	1,576	0.1	0.6
Upper Midwest (030)	379	1,099	1.9	-0.7
Central (032)	401	1,166	-1.0	-2.6
Southwest (126)	388	1,142	0.7	1.0
Arizona (131)	104	302	-0.4	-0.5
Pacific Northwest (124)	191	551	2.1	0.1
California (---)	563	1,618	-4.4	-5.6

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

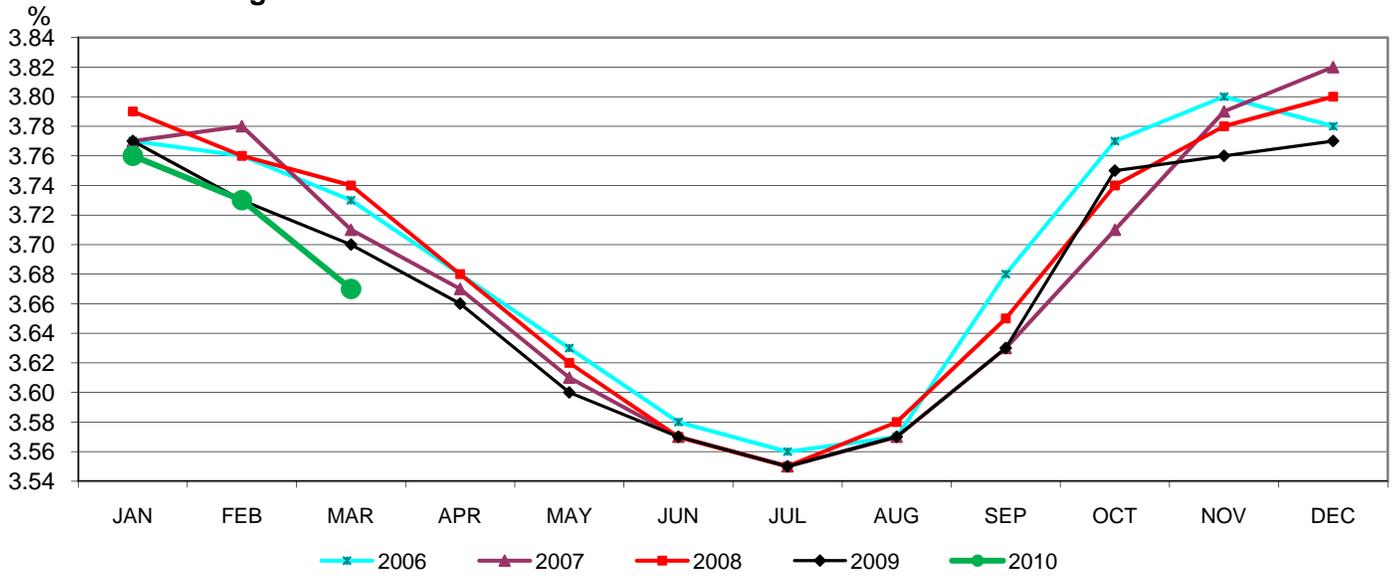
MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, FEBRUARY 2010, WITH COMPARISONS

In February 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.97 per cwt., down \$0.19 from the previous month average, but up \$4.36 from February 2009. The component tests of producer milk in February 2010 were: butterfat, 3.73%; protein 3.09%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in Southeast States and Western Pennsylvania; remained unchanged in Ohio and decreased in all other Federal milk order reporting areas. Mailbox prices ranged from \$19.01 in Florida to \$14.46 in New Mexico.

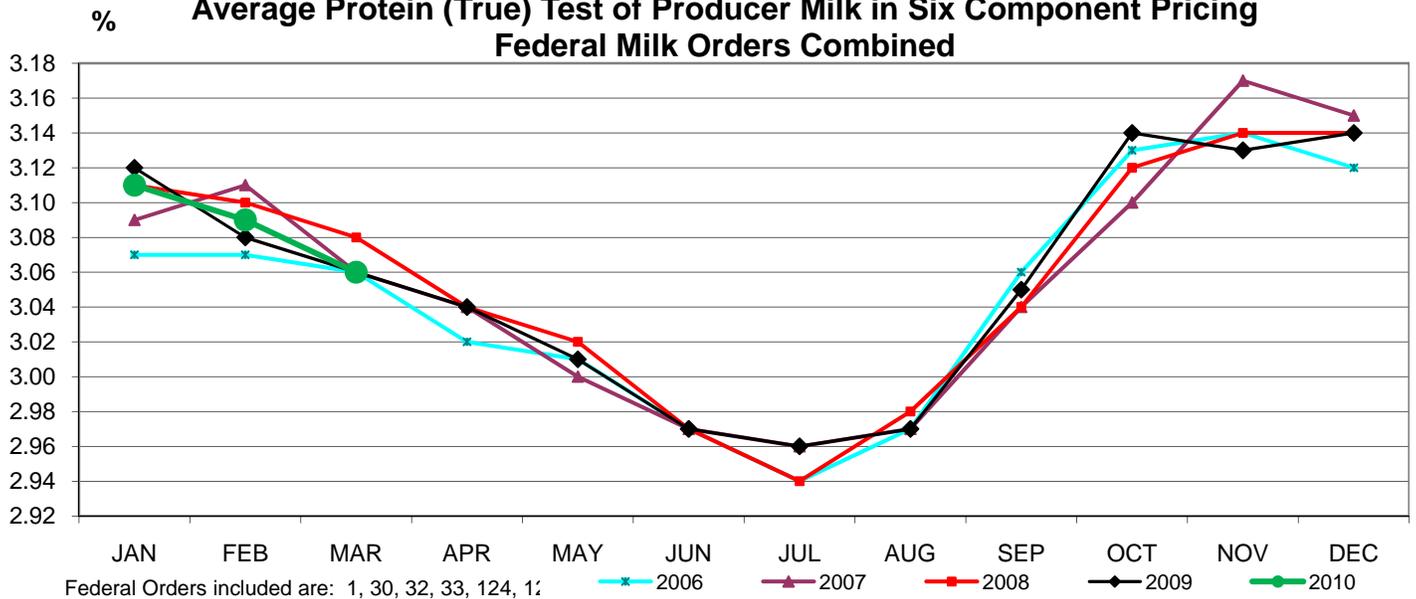
Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	February 2009	January 2010	February 2010
	Dollars per hundredweight		
New England States <u>3/</u>	12.46	17.03	17.02
New York	11.72	15.97	15.79
Eastern Pennsylvania <u>4/</u>	11.98	16.68	16.63
Appalachian States <u>5/</u>	13.20	17.76	17.65
Southeast States <u>6/</u>	13.76	18.15	18.20
Southern Missouri <u>7/</u>	11.69	16.17	15.99
Florida	14.97	19.02	19.01
Western Pennsylvania <u>8/</u>	11.89	16.76	16.78
Ohio	12.28	16.92	16.92
Indiana	12.00	16.42	16.41
Michigan	11.51	16.08	16.02
Wisconsin	11.24	16.05	15.78
Minnesota	11.82	15.76	15.53
Iowa	11.73	16.16	15.92
Illinois	11.62	16.52	16.18
Corn Belt States <u>9/</u>	11.33	15.76	15.63
Western Texas <u>10/</u>	10.73	15.63	15.33
New Mexico	10.03	14.72	14.46
Northwest States <u>11/</u>	10.66	15.42	14.93
All Federal Order Areas <u>12/</u>	11.61	16.16	15.97
California <u>13/</u>	9.80	14.12	13.59

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 that 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 assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ All 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 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 counties 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, 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."

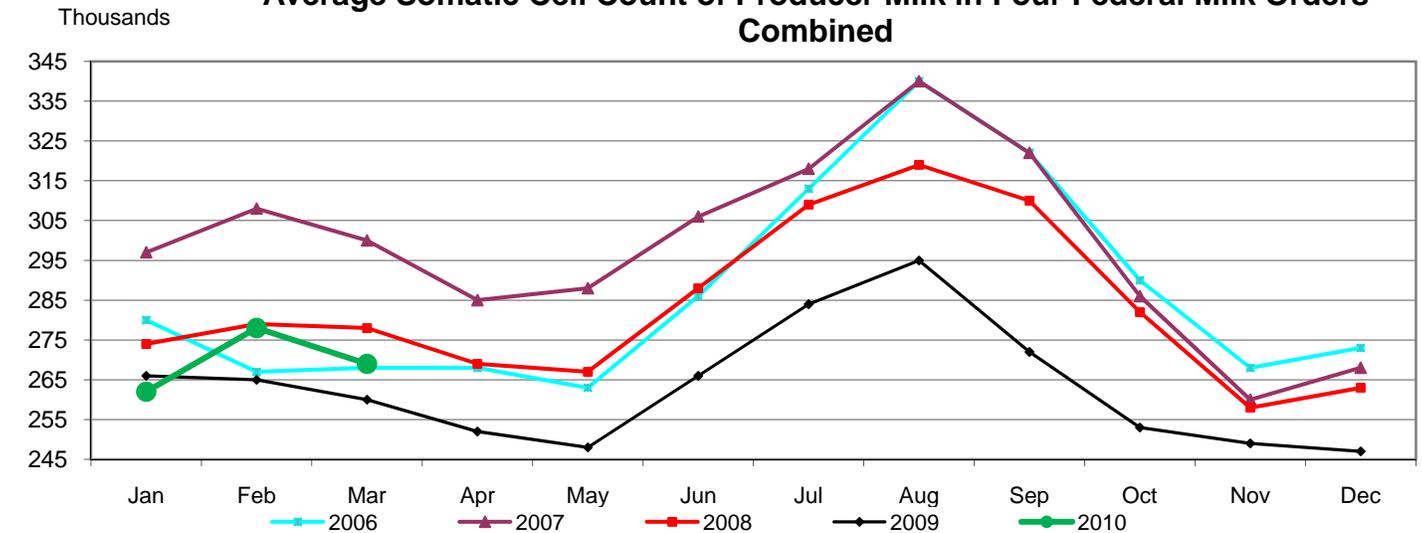
Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



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



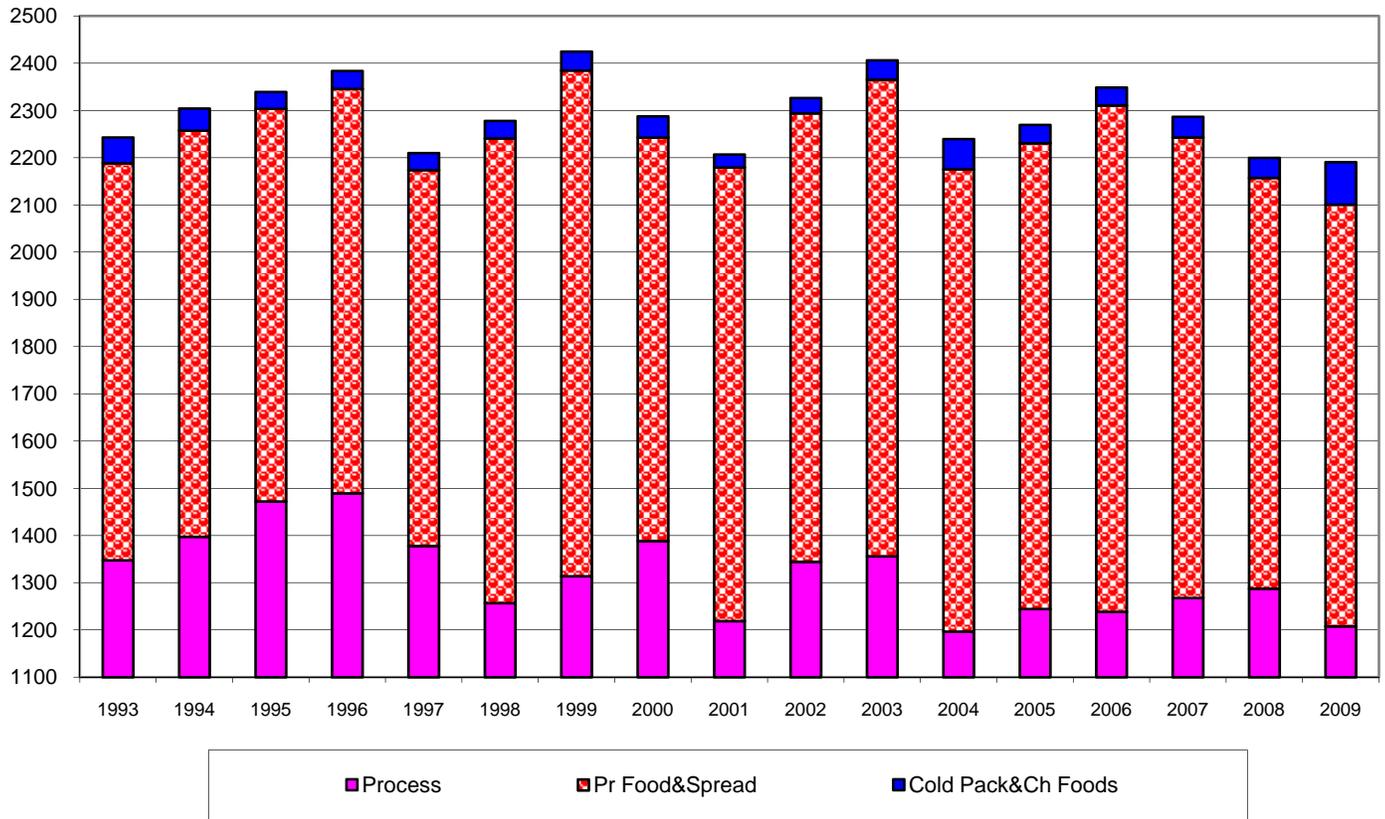
Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined



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

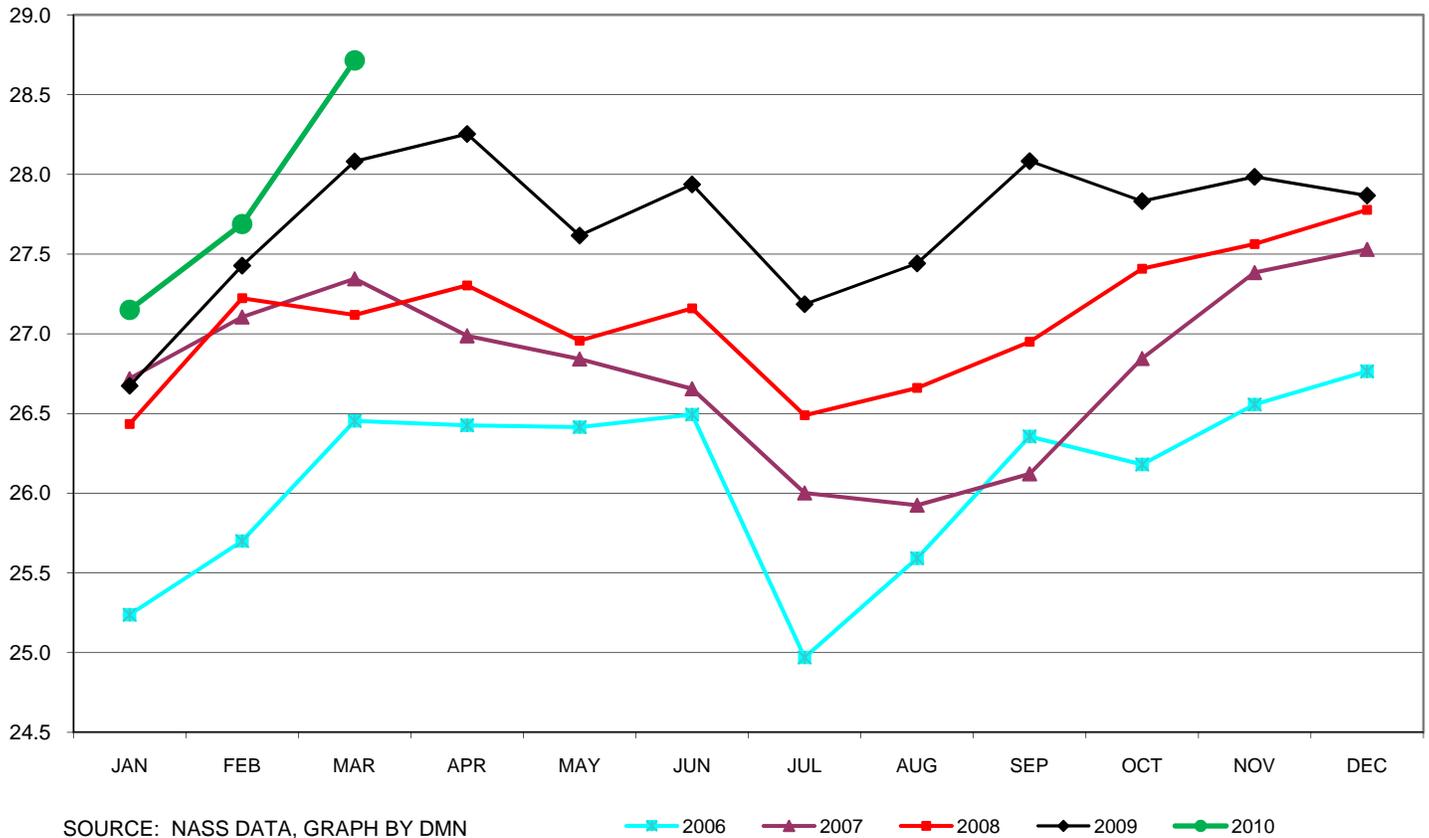
Million pounds

U.S. Processed Cheese Production



MILLION POUNDS

DAILY AVERAGE U.S. TOTAL CHEESE PRODUCTION

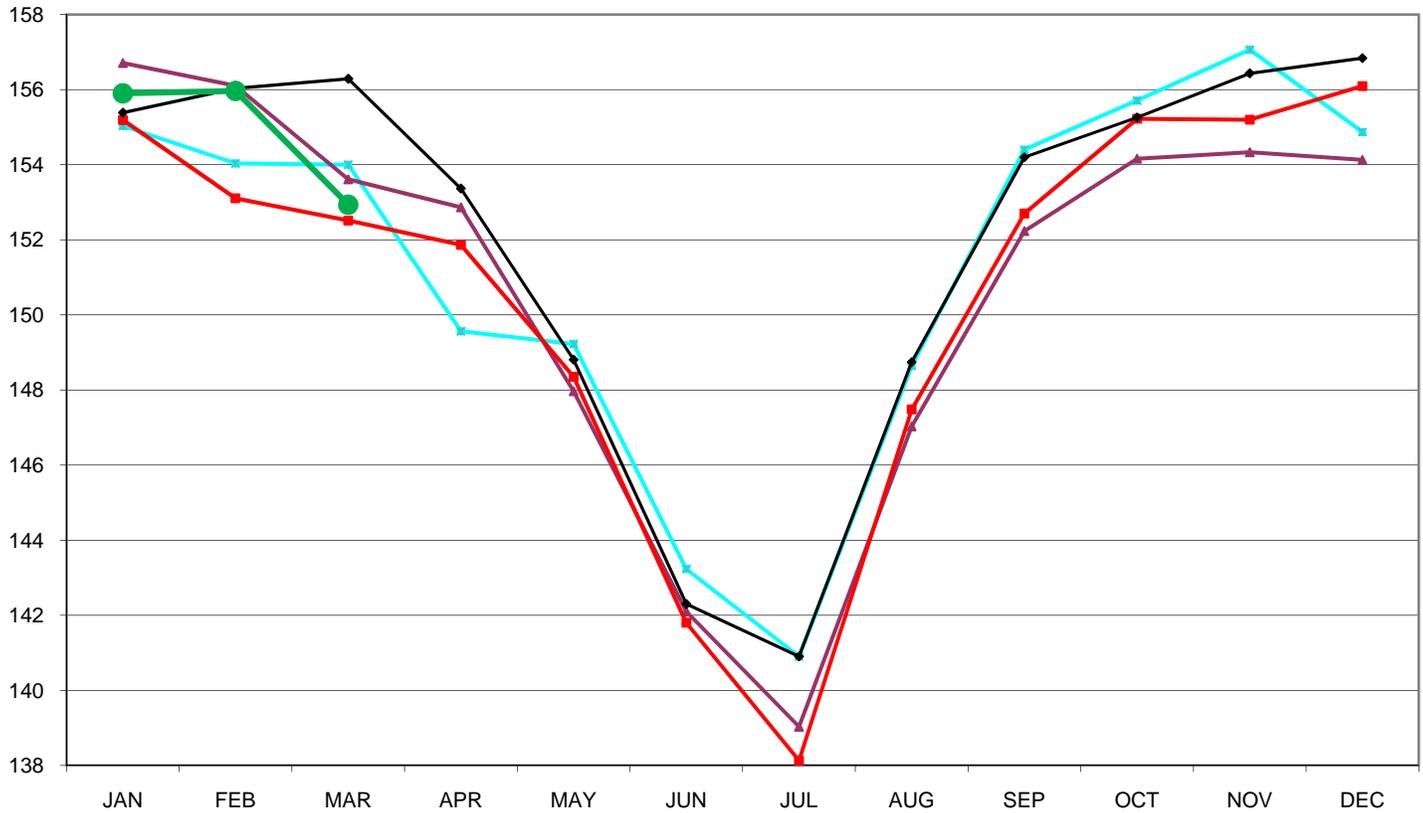


SOURCE: NASS DATA, GRAPH BY DMN

—■— 2006 —▲— 2007 —■— 2008 —◆— 2009 —●— 2010

MILLION POUNDS

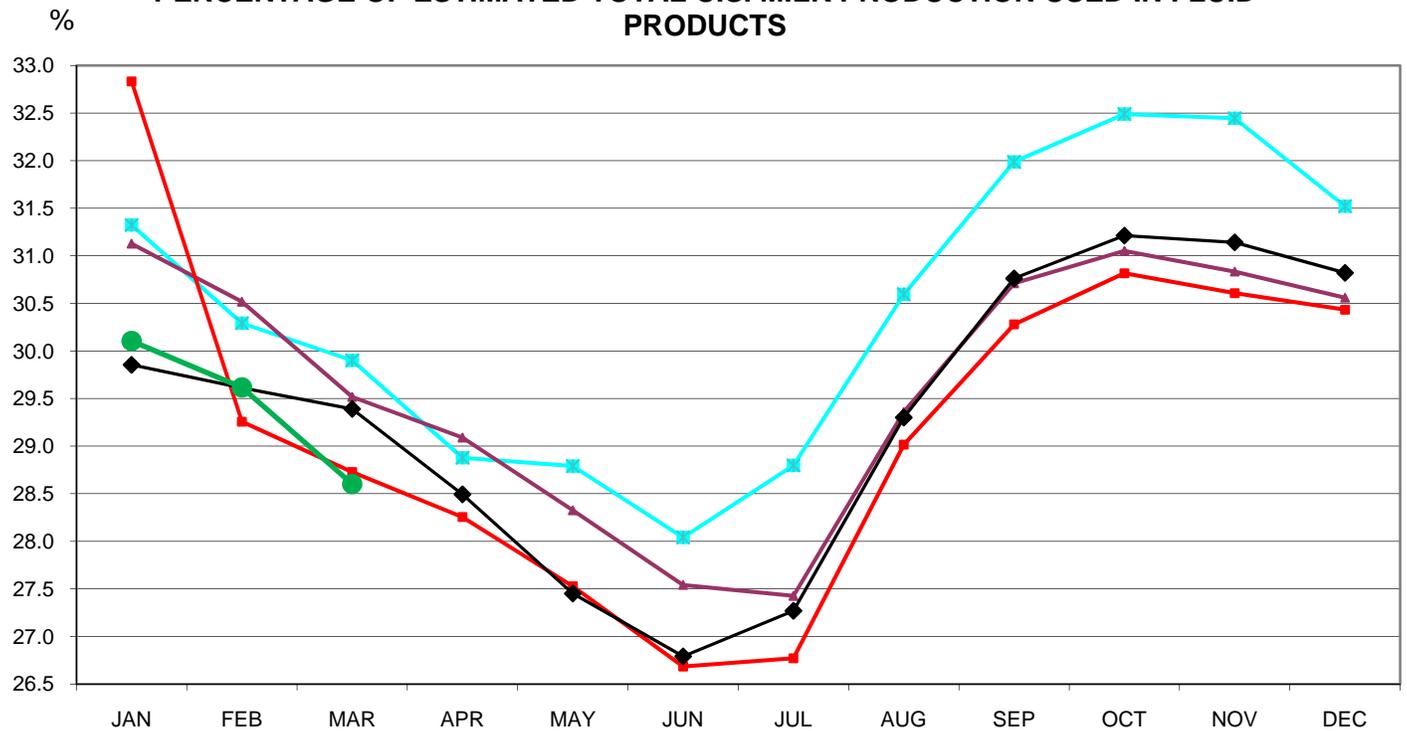
ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES



DATA: DAIRY PROGRAMS & CDFA, GRAPH BY DMN

2006 2007 2008 2009 2010

PERCENTAGE OF ESTIMATED TOTAL U.S. MILK PRODUCTION USED IN FLUID PRODUCTS



SOURCE: NASS US MILK PRODUCTION, AMS DAIRY PROGRAMS AND CDFA FLUID SALES DATA

2006 2007 2008 2009 2010

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