

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (06/11):**

**BUTTER:** Grade AA closed at \$1.6100. The weekly average for Grade AA is \$1.5940 (+.0284).

**CHEESE:** Barrels closed at \$1.3300 and 40# blocks at \$1.3700. The weekly average for barrels is \$1.3370 (-.0374) and blocks, \$1.3730 (-.0426).

**BUTTER HIGHLIGHTS:** Butter prices advanced all week at the CME Group cash butter market, finishing the week at \$1.6100. Buyers and producers are trying to build/save inventory for anticipated needs later in the year. Butter export interest has not completely disappeared. Cream supplies have tightened appreciably as milk components decline seasonally and larger warm weather ice cream and/or mix orders cause manufacturers to increase cream use. As schools close for the summer, less standardized cream is produced. The Federal Order butterfat level in milk has been trending below recent years thus far in 2010, generating less cream (see page G1). Cream is getting shipped greater distances from the separation plant to the buyer to help fill demand. Some buyers are unable to acquire needed cream supplies.

**CHEESE HIGHLIGHTS:** Cheese prices continued to decline further this week on the CME Cash cheese market before rebounding Friday to reach \$1.3700 for blocks and \$1.3300 for barrels. Prices remain well above the \$1.1495/block and \$1.0970/barrel comparable weekly averages last year but well below the \$2.00+ prices in 2008. Current cheese supplies and production remain heavy. Generally, spot interest is light as many buyers wait for prices to bottom before reordering. Some orders are being prepared and shipped for July 4<sup>th</sup> activities. Milk volumes entering cheese plants are seasonally heavy and frequently at or near peak annual levels. The closing of remaining schools adds extra loads of milk to the volume available for manufacturing. The CWT program announced additional cheese export assistance awards. The cumulative total since the program restarted in March totals 36.1 million pounds.

**FLUID MILK:** Milk production levels around the country are in various seasonal trends. Southern areas are seeing higher temperatures and are past peak production. The northern tier of producers, on the other hand, are still experiencing peak production. The heavy production is being balanced by reduced component levels. Possible causes, besides seasonal trends, may lie with lower quality feeds produced in 2009. Cream has suddenly gotten very tight across the country. Buyers caught unaware are seeing sharply higher multiples and cream is being moved to different regions of the country. Some butter producers are selling extra cream rather than

try to build inventory at higher prices. Manufacturing plants are running heavy schedules, but appear to be able to process available milk supplies.

**DRY PRODUCTS:** Nonfat dry milk prices were unsettled. East and Central areas saw steady to weaker prices, while the West was steady to slightly firmer in some instances. Producers are resisting lower prices and building inventories. Buyers are showing little pressure to purchase beyond immediate needs. Export sales have slowed due to U.S. dollar strength and possible EU Intervention supplies of SMP becoming available in the near future. Active sales of condensed skim are slowing some NDM production schedules. Dry Buttermilk prices continue steady to firm. Offers of spot loads were hard to come by as most production is contracted out. Increased use of condensed buttermilk has lessened available dry supplies. Dry whey prices were mostly steady overall. Production schedules are allowing for contract deliveries to be made in a timely fashion. Supplies are building in many cases as production is above year ago levels. Manufacturers in some instances are switching production amongst the different whey stream products as demand dictates.

**INTERNATIONAL OVERVIEW (DMN):** For the most part, **Western European** milk producers and handlers feel that milk production has peaked in most regions. The current season got off to a slower than usual start as cold temperatures and winter conditions carried further into early spring. Milk volumes quickly increased as warmer temperatures and spring weather patterns developed. The only problem with this situation is that manufacturers and handlers are more accustomed to a gradual build up versus a sharp increase. A slower increase allows manufacturers to accumulate and build inventories on a gradual pace, versus quickly and potentially not to desired levels. The European dairy industry was very interested in the outcome of the recent removal tenders of intervention stocks of butter and skim milk powder. All tenders (1610–2100 Euros per MT) for skim milk powder were rejected as the Commission felt that the tenders were too low. Tenders of 3450–3850 Euros per metric ton were accepted for 11,515 MT of butter. This was about half of the available butter. The next round of tenders is due on June 15 with 13,669 MT of butter and 79,531 MT of skim milk powder available for bids. Traders and handlers are stating that the release of the butter is having no negative impact on current markets or prices. Basically, the tendered prices were very close or within current commercial price levels and volumes were welcomed

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

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**CME GROUP  
CASH TRADING**

PRODUCT	MONDAY JUNE 7	TUESDAY JUNE 8	WEDNESDAY JUNE 9	THURSDAY JUNE 10	FRIDAY JUNE 11	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.3575 (N.C.)	\$1.3500 (-.0075)	\$1.3275 (-.0225)	\$1.3200 (-.0075)	\$1.3300 (+.0100)	(-.0275)	\$1.3370 (-.0374)
40# BLOCKS	\$1.3900 (-.0075)	\$1.3825 (-.0075)	\$1.3625 (-.0200)	\$1.3600 (-.0025)	\$1.3700 (+.0100)	(-.0275)	\$1.3730 (-.0426)
BUTTER GRADE AA	\$1.5775 (+.0025)	\$1.5850 (+.0075)	\$1.5925 (+.0075)	\$1.6050 (+.0125)	\$1.6100 (+.0050)	(+.0350)	\$1.5940 (+.0284)

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

into the marketplace as butterfat is still tight throughout Europe. Traders and handlers felt that many skim milk powder bidders were "testing the water" to see how low skim milk powder might be able to be secured even though the need for skim is not as urgent as butter. Europeans and other International traders and handlers were closely monitoring the outcome of the June 1st global/Dairy Trading (gDT) event in the Oceania region. Although gDT prices are still higher than European prices, traders and handlers are comfortable with their quotes. Many felt that prices at the gDT were higher than they needed to be in recent months. The overall trend for dairy product prices is lower with much of this weakness occurring due to the decline of the Euro against the U.S. dollar. The Euro has now dipped below the 120 level which is the first time since March 2006 and nearing levels at which the Euro started in 1999. Traders and handlers state that stocks of milk powders are available with butter and butterfat still limited. The milk production year concluded in **New Zealand** at the end of May and early reports are indicating that annual production was even with last year on a volume basis and slightly higher (0.3%) on a milk solids basis. Milk producers and handlers are pleased with these figures, especially following a sharp decline in milk output late in the season due to limited rainfall. In recent weeks, rainfall has been occurring on a regular basis and, for the most part, moisture levels have once again been re-established and conditions are good going into the winter months. In **Australia**, late season milk volumes continue to run heavier than previous year comparables. April production figures indicate that output was running 2.7% heavier than last April which is bringing year to date figures to -5.2% when compared to the same 10 months (July - April) last season. Australian producers and handlers continue to project that during the final two months of the season, milk volumes will surpass last year and cumulative, year to date, totals will be near -4% versus earlier projections of -6%. In Australia, lack of moisture has plagued much of Northern Victoria for the past few years and water levels have been greatly reduced causing water allocations. In recent weeks, good volumes of rainfall have been occurring throughout the dairy region of Australia and water levels have once again been re-established. At this point, reports are indicating that water allocations for the coming year will once again be at 100%. Farmers are looking forward to the new milk production season with optimism, a situation that has not been in their favor for a number of years. Herd conditioning is also favorable going into the winter season. At the June 1st global/Dairy Trading event, anhydrous milk fat prices were higher for all three contracting periods, while generally lower in all three contracting periods for skim and whole milk powder. The average price for anhydrous milk fat was \$5,324 per MT, 6.1% higher than the previous months' average. The average skim milk powder price eased 4.2% to \$3,462 per MT while the whole milk powder price averaged \$3,790, down 3.6%. Traders and handlers are stating that the weak trend in milk powders is the direction these prices should be heading. These prices are getting more in line with other international prices. Milk fat is tight, thus the firm trend for anhydrous is deemed correct, although near term shipment prices seem out of line in comparison to current commercial prices and the prices for the second and third contracting periods. Fonterra recently announced that in September, a second online milk powder auction each month will be added. At the August 3 event, buttermilk powder will be added along with two new specifications of existing products, high heat/heat stable skim milk powder and anhydrous

milk fat in 1,000 KG bulk packs. Oceania traders and handlers are closely monitoring European intervention removals and what impact these may have on current and future prices. Most feel that the butter removals will have minimal, if any impact on markets, especially with butterfat tight in basically all international markets. Traders and handlers are stating that sales activity is minimal which is typical for this time of the year. Suppliers continue to communicate with contractual buyers about supply availability and with some tweaking of delivery schedules, needs will be filled as contracted. Some suppliers do indicate that they will need to reach into new production to fulfill 2009-2010 commitments.

**MAILBOX MILK PRICES (AMS & CDF):** In March 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.92, down \$1.05 from the previous month average, but up \$3.32 from March 2009. The component tests of producer milk in March 2010 were: butterfat, 3.67%; protein 3.06%; and other solids, 5.74%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas. Mailbox prices ranged from \$18.10 in Florida to \$13.50 in New Mexico.

**MILK SUPPLY AND DEMAND ESTIMATES (WAOB):** Forecast milk production for 2010 is raised slightly from last month reflecting a slower decline in cow numbers and stronger expected growth in milk per cow. Milk production for 2011 is unchanged. Exports for 2010 and 2011 are raised on both a fat and skim solids basis. Product exports were higher than expected in the first quarter of 2010, and with generally tight world supplies, U.S. exports are expected to remain strong into 2011. Import forecasts are lowered for 2010 and 2011. Imports are reduced largely because of smaller-than-expected cheese imports in the first-quarter 2010 and expectations that imports will remain weak into 2011 due to relatively low U.S. prices and tight world supplies. The Class III price forecast for 2010 is reduced slightly on lower cheese and whey price forecasts. Cheese stocks remain high and international whey prices are weaker. The Class IV price forecast for 2010 is raised on higher butter and nonfat dry milk (NDM) price forecasts. The all milk price for 2010 is forecast to average \$15.75 to \$16.15. The 2011 forecasts for Class III and IV prices and the all milk price are raised. Improving domestic and export demand is expected to support NDM prices. The cheese price forecast is raised as higher butter/powder values are expected to divert milk from cheese production. Coupled with higher forecast exports and lower imports, tighter supplies are expected to support prices.

**APRIL FLUID MILK SALES (DAIRY PROGRAMS & CDF):** During April, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.2% lower than April 2009. After adjusting for calendar composition, sales in April 2010 were 1.6% lower than April 2009. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, low fat milk (1%), flavored fat-reduced milk and organic fat-reduced milk increased from April 2009, while sales of whole milk, flavored whole milk, reduced fat milk (2%), fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year likely had a positive impact on the change in sales from April 2010 compared to April 2009.

CME GROUP

MONDAY, JUNE 7, 2010

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.3925, 1 @ \$1.3900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3925  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2600  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5775; LAST OFFER UNCOVERED: NONE

TUESDAY, JUNE 8, 2010

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.3875, 1 @ \$1.3850; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.3400; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3500; 1 CAR 40# BLOCKS @ \$1.3825  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2500  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5850; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6500

WEDNESDAY, JUNE 9, 2010

CHEESE — SALES: 7 CARS 40# BLOCKS: 1 @ \$1.3875, 1 @ \$1.3825, 1 @ \$1.3800, 1 @ \$1.3750, 1 @ \$1.3700, 1 @ \$1.3675, 1 @ \$1.3650; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.2975; LAST OFFER UNCOVERED: 5 CARS BARRELS @ \$1.3275; 5 CARS 40# BLOCKS @ \$1.3625  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2500  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5925; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6800

THURSDAY, JUNE 10, 2010

CHEESE — SALES: 16 CARS BARRELS: 4 @ \$1.3275, 2 @ \$1.3250, 10 @ \$1.3200; 8 CARS 40# BLOCKS: 1 @ \$1.3650, 1 @ \$1.3625, 6 @ \$1.3600; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.3575; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3200  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6050; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6800

FRIDAY, JUNE 11, 2010

CHEESE — SALES: 16 CARS BARRELS: 9 @ \$1.3200, 2 @ \$1.3225, 3 @ \$1.3250, 2 @ \$1.3300; 12 CARS 40# BLOCKS: 11 @ \$1.3600, 1 @ \$1.3625; LAST BID UNFILLED: 10 CAR BARRELS @ \$1.3300; 1 CAR 40# BLOCKS @ \$1.3700; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.2100; 1 CAR GRADE A @ \$1.2100; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 5 CARS GRADE AA @ \$1.6100; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6800

**CME GROUP CASH NONFAT DRY MILK:** Extra Grade closed the week at \$1.2500 and Grade A at \$1.2500. The last price change for Extra Grade was on 06/08/10 and Grade A was on 6/04/10. The weekly average for Extra Grade is \$1.2520 (-.0268) and Grade A is \$1.2500 (-.0300).

BUTTER MARKETS

NORTHEAST

The CME Group butter price continued to make marginal gains on a daily basis and has increased \$.0475 in the last 9 trading sessions, closing Tuesday at \$1.5850. Cream supplies have tightened significantly since the Memorial Day holiday due to increased Class II demand and milk production declines. Though multiples have moved well into the 140's, butter makers are still bidding for cream, wanting to build inventories. Overall butter production has slowed. According to NASS, cumulative 2010 butter production through April was 5.4% below cumulative year production for the same period for 2009. April 2010 monthly U.S. butter production totaled 138.6 million pounds, down 0.1% from March and down 2.5% compared to April 2009. Atlantic region butter production in April 2010 totaled 14.2 million pounds, up 0.4% from March and 5.7% more than April 2009. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price continues to gain strength daily during the past 5 trading sessions to settle at \$1.5925 at midweek. This is 3 cents higher than last Wednesday and 36 1/4 cents higher than last year. Churning schedules are seasonally active, although lighter than last week. Cream volumes for churning have tightened causing butter producers to be competitive with their cream acquisitions. Reports of cream moving greater distances to satisfy needs are occurring. Pricing multiples are in the upper 140's this week with higher multiples expected in the future. Cream supplies are very tight and it is not unusual to see cream moving great distances at this time of the year. Butter stocks are sufficient to meet current fair demand at this time. Retail orders are slowly building once again following the recent holiday. Many retail buyers are placing orders for near term needs as prices increase and shoppers react to higher shelf prices. A national brand was featured at some Midwestern grocery stores for 2# for \$5.00. Food service orders remain fair as the summer vacation season and summer away

from home eating trends are just being established. Current 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 continued the two week price advance as the market was \$.0075 higher to \$1.5925. Over the two week period, there have been no sales at the CME Group since a single sale on May 26 to start the rise. Unfilled bids are raising the price on a daily basis. Butter prices firmed over the week and industry insiders are expressing confidence that the current market will continue to show strength into the near future. Milkfat is experiencing very good demand from ice cream makers. After churns have taken care of contracted needs, some are selling cream rather than try to build inventory at current price structures. Butter supplies are adequate for immediate needs. The Memorial Day weekend saw increased butter production as some other manufacturing facilities were dark for the holiday. Stocks remain tight compared to previous year's inventories. According to the CME Group, weekly butter stocks in CME approved warehouses increased 7.9 million pounds last week to stand at 68.4 million pounds. This total compares to 96.9 million pounds in 2009 and 130 million pounds in the comparable week in 2008. This is the largest inventory in storage since the first week of November 2009. The Memorial Day weekend allowed for the largest one week increase in stocks since the second week of January in 2009. According to the NASS Dairy Products report, April butter production for the U.S. totals 138.6 million pounds, down 2.5% or 3.6 million pounds from April of last year. Production was nearly equal with last month's production. Output in the Western region totals 72.3 million pounds, up 9% or 6 million pounds more than April 2009. The West produced 52.2% of the butter in the U.S. in April. Cumulative output for the year for the U.S. is 580.6 million pounds, down 5.4% from the same period in 2009. This works out to a decline of 33.4 million pounds.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
JUNE 5	1,4680	1,4795	1,3034	1,5425	0.3716
	11,816,687	10,384,809	8,872,727	4,657,674	7,764,044

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

**NORTHEAST**

**CHEESE MARKETS**

**WEST**

CME Group cheese prices continued their downward trend, having not seen a price increase in 11 trading sessions. Both blocks and barrels closed \$.0075 lower Tuesday with blocks closing at \$1.3825 and barrels at \$1.3500. The weekly average prices also declined, resulting in lower wholesale cheese prices. Prices for Swiss cuts were marginally higher following the Class III milk price increase released Friday. Milk production is beginning to decline in the East, but most cheddar cheese makers still have more milk than they need. Mozzarella cheese makers continue to purchase condensed skim for fortification as sales are steady to good. Cream cheese production also remains steady with good sales. NASS reports that April 2010 total cheese production in New York was 59.1 million pounds, 8.5% less than March and 4.3% less than April 2009. Pennsylvania produced 34.2 million pounds in April, 8.8% less than one month earlier, but 0.9% more than one year ago. Vermont produced 9.8 million pounds, 8.9% less than last month and 9.9% less than April 2009. Focusing on Italian cheese, in April, New York ranked 3rd among individually reported states, producing 29.4 million pounds, 10.5% less than last month and 3.9% less than April 2009. Pennsylvania followed in Italian cheese production, with 23.2 million pounds produced in April 2010, 4.9% less than March, but 1.9% more than April 2009. Total April cheese production in the Atlantic region was 110.2 million pounds, down 9.0% from March and 4.0% less compared to the same period last year. Atlantic region cheese production accounted for 12.8% of total U.S. production. Total U.S. cheese production in April 2010 totaled 862.8 million pounds, 3.2% less than March, but 1.8% more than April 2009. Cumulative 2010 (four month) U.S. Cheese production through April was 1.8% greater than comparable 2009 production.

Cheddar Barrels on Wednesday at the CME Group closed down \$.0225 at \$1.3275. 40 Pound Blocks were \$.0200 lower to close at \$1.3625. Barrels are 3 cents lower this week and are 15 cents lower since reaching \$1.4775 on May 24. Blocks are 3 1/2 cents lower this week and are 13 3/4 cents lower than its most recent peak of \$1.5000 on May 25. Barrels have had no sales so far this week at the CME Group while Blocks have had active sales of 11 loads this week. Prices continue to slide lower at the CME Group. Contracted supplies are moving in an orderly fashion nevertheless and are the bulk of the trade. Spot sales above contracted needs are light as cautious buyers wait to fill needs at lower price levels. Cheese plants are watching inventories while trying to maintain production efficiencies. Stocks are heavier than year ago levels, but are described as manageable. Export sales of surplus production are reduced as the U.S. dollar firms against foreign currencies. According to the NASS Dairy Products report, total cheese production in the U.S. in April reached 862.8 million pounds, up 1.8% or 15.2 million pounds from last year. April total cheese production in the Western region was 369.1 million pounds, up 6.2% from April 2009. The West produced 42.7% of all the cheese in the U.S. in April. Cumulative output for the U.S. for the year is 3.4 billion pounds, up 1.8% from the same period in 2009. This is an increase of 58.4 million pounds. Swiss output for the U.S. in April is 28.4 million pounds, down 1.6% or 0.5 million pounds from last year.

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

Cheddar 40# Block	:	1.7425-2.0175
Process 5# Sliced	:	1.4675-1.7775
Muenster	:	1.7625-1.9600
Grade A Swiss Cuts 10 - 14#	:	2.9525-3.2750

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

Process 5# Loaf	:	1.5000-1.7575
Cheddar 40# Block	:	1.5475-1.9000
Cheddar 10# Cuts	:	1.7275-1.9475
Monterey Jack 10#	:	1.7375-1.8975
Grade A Swiss Cuts 6 - 9#	:	2.5300-2.9600

**MIDWEST**

The cheese market is weak and remains under the pressure of heavy seasonal milk and cheese production. Interest is often light though occasionally improved where buyers replace depleted stocks or prepare orders for anticipated July 4<sup>th</sup> weekend promotions. Buyers have little difficulty in acquiring needed supplies of regular varieties though normal order lead times are still needed for specialties. Generally, the best commercial natural interest is on shreds. Government chunk commitments are keeping a few lines busy. Process interest is generally moderate at best. Many cheese plants are having problems keeping supplies from accumulating. Cheese yields are trending lower though milk volumes remain heavy around peak levels. The closing of schools for summer is pushing some extra volumes back into manufacturing channels.

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

Process American 5# Loaf	:	1.7350-1.9175
Brick And/Or Muenster 5#	:	1.9275-1.9900
Cheddar 40# Block	:	1.8300-2.5650
Monterey Jack 10#	:	1.8925-2.5650
Blue 5#	:	2.2675-2.7100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7625-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.3600-3.3300

**FOREIGN**

CME Group block cheese prices continued their downward trend, having declined \$.1175 in the last 11 trading sessions and closing Tuesday at \$1.3825. The weekly average price for blocks also declined lowering prices for domestic varieties for foreign type cheese with the exception of Swiss cuts. Prices for Swiss cuts increased marginally after Friday's NASS release of the Class III price. The strong US dollar continues to support imports with price advantages. NASS reports that domestic Swiss production during April 2010 totaled 28.4 million pounds, 4.0% more than March, but 1.6% less than April 2009.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 1.8825-3.3700*
Gorgonzola	: 3.6900-6.6900	: 2.3850-2.6450*
Parmesan (Italy)	: -0-	: 3.2900-3.4925*
Provolone (Italy)	: 3.4400-5.9900	: 1.9250-2.0825*
Romano (Cows Milk)	: -0-	: 3.0725-5.2150*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggiano (Argentine)	: 3.2900-3.5300	: -0-
Jarlsberg-(Brand)	: 2.9500-4.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.0450-3.3675*
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
06/07/10	9,299	:	126,459
06/01/10	9,260	:	125,497
CHANGE	39	:	962
% CHANGE	N.C.	:	1

## 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	342	0	334	0	244
SOUTHEAST STATE	0	0	0	0	0	0

Milk production has reached its seasonal peak in the Northeast with some declines noted, while the Mid Atlantic region has experienced declines in production after the recent spell of heat and humidity. Manufacturing supplies have lessened, but are still fairly heavy, as Class II production has increased following the Memorial Day holiday. The lower milk volumes are allowing plant managers to increase dryer schedules for the production of high heat nonfat dry milk. Production declines have been noted in the southeast, mostly in Tennessee and Kentucky with marginal declines in other areas. Manufacturing supplies continue to be channeled to auxiliary cheese plants. Florida milk production is declining, but supplies remain heavy with 342 export loads out of state. Cream has become very tight as demand has increased and supplies have marginally declined following the recent holiday with multiples moving higher, ranging from 137-145. Cream availability was near zero Tuesday and Wednesday prompting competitive bidding with unconfirmed reports of multiples significantly above the range. Ice cream, cream cheese and some butter production are the factors behind the increased cream demand. Condensed skim sales have increased due to increased Class II production and continued purchases by Italian type cheese makers for fortification purposes. Class I sales continue to be flat and are expected to decline as many schools in the East will soon close for summer break. According to NASS, ice cream production in the Atlantic region in April totaled 16.1 million gallons, 1.8% less than March and 2.3% less than April 2009. Pennsylvania's ice cream production for April totaled 2.9 million gallons, up 20.1% from March and 4.5% higher than year ago levels. Yogurt production (plain and flavored) for April totaled 332.6 million pounds, down 16.8% from March, but 6.8% higher compared to the same period last year. Cumulative 2010 production through April totaled 1.39 billion pounds, 8.6% higher than through April 2009.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.1448-2.2701
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0822-2.5050

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.30 - 1.35
NORTHEAST - CLASS III - SPOT PRICES	-	1.00 - 1.05

## M I D W E S T

Class I sales are lighter again this week as additional schools close for the summer. While a few retailers are running promotions, they are not large enough to offset the decline in volume from school accounts. Class II product demand, besides ice cream, is generally solid. Cream is the hot product with most plants generating lower yields (see page G1 in this report). Buyers, often ice cream/mix accounts, are unable to secure needed cream volumes in some instances. Cream multiples are also sharply higher and well above year ago levels. A couple reports indicate that cream is being shipped from California to the Midwest to help supplement local supplies. For ice cream manufacturers that did not build a good pre-season inventory, it is likely to be a long, hot, expensive summer to acquire needed cream supplies. Cheese milk interest is steady at best. Plants continue to operate on extended schedules to keep even

with receipts. In upper tier and states just south of them, milk receipts are around annual peak levels with week to week numbers ranging from slightly higher to slightly lower. Milk component levels, particularly butterfat tests in the upper Midwest, are lower than in recent years. A likely cause of some of the lower levels may be feed, particularly the lower quality/immature corn crop in 2009. Temperatures have been variable from hot and humid to highs only in the 60's. Frequent showers are keeping field activities to a minimum. Pastures are generally in good shape. Producers reportedly feeding 2010 first cutting put up in May are seeing good response from the top quality hay/haylage.

## W E S T

CALIFORNIA weather conditions continue to be moderate and are not impacting milk production in the state. Feed costs are more favorable than last year, but hay quality is variable so far this summer. Prices are lower, but quality is a concern. Plants are having no problems handling milk this early summer leading up to peak levels. Hotter temperatures reaching over 100 degrees and past 110 are surprisingly having only a slight initial impact on milk production in ARIZONA. Misters and fans are running full force to alleviate the conditions. Incremental declines in fat and protein levels are being registered. Class I demand is at low levels with most schools now off for the term. The retail mix has been altered due to recent changes in bottlers. NEW MEXICO milk production is most often steady with recent weeks; while levels often remain below a year ago. Conditions are generally neutral. New crop hay is being fed. Higher milk prices are helping the bottom line but often remain below costs of production. Plant capacity is adequate to handle the current milk intakes, yet many plants are running on heavy schedules. Class I ordering is lower and along expected volumes. Cream markets in the West continue to trend higher with solid demand noted. Offerings are often tighter seasonally and higher class items producers are seeking added cream volumes and willing to pay higher prices. Butter producers are seeking cream to keep their production at levels to fill current needs and prepare for later in the year. The CME butter moved 3.0 cents higher over the past week to close at \$1.5925 at midweek. Cream multiples are often higher and range from 118-135 and vary due to class usage and basing points. Spring has been cool and wet in most parts of the PACIFIC NORTHWEST this year. Rains and lack of hot weather have delayed harvesting of first crop hay. The weather has been good for cow comfort and pastures are in excellent condition. Farm milk production is above year ago levels in the region. Milk continues to be handled locally in most cases as production facilities have adequate capacity to process the milk flow. Class I usage is lower due to schools letting out for the summer vacation. Feed prices are trending lower in many cases as crops in the Midwest are described as very good. Supreme and Premium grade hay is becoming harder to find as the weather is making harvesting difficult. Auction prices at a recent heifer sale were mostly steady with recent sales in Washington. Supreme quality heifers were sold in the \$1325-\$1475 range. UTAH and IDAHO are also experiencing the cool, wet spring. Milk production is on pace with seasonal projections and area processors are able to handle the farm milk supplies. First crop hay harvest has been difficult with much of the crop chopped for haylage use. Baled hay supplies are tougher to find in the higher dairy qualities. Warm, dry weather would be welcomed to advance forage harvest.

**NDM, BUTTERMILK & WHOLE MILK**

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

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices in both the range and mostly price series shifted slightly lower on a weaker market. Some price resistance is emerging. Spot market demand for product in totes is lower, with a few offerings unable to clear. Some brokers report buyers are content to fill in current needs with LTL's and wait for clearer market signals before purchasing for longer term needs. Nonfat dry milk production is steady in the Central region. A few manufacturers report milk intake volumes are vetoing any attempts to switch production time away from low heat NDM to high heat NDM or value added products. Active sales of condensed skim loads continue. Inventories of low heat NDM are building. The May 2010 Dairy Market News average of the mostly price series for Central nonfat dry milk, low/medium heat, was \$1.3175 compared to \$1.2403 one month ago and \$0.8711 in May 2009. The May 2010 Dairy Market News average of the price series for Central/East nonfat dry milk, high heat was \$1.4063/lb. compared to \$1.3184/lb. one month ago and \$.9530/lb. in May 2009. EAST: Prices for nonfat dry milk were steady to weak in the East. Manufacturing milk supplies have lessened as the region moves beyond its seasonal milk production peak. Increased ice cream production is pulling additional condensed skim volumes away from the dryers, allowing manufacturing plant managers to schedule increased high heat production runs. Market activity is light and current production supplies are moving through contracts and adding to inventories. Export demand has weakened as the U.S. dollar continues to strengthen against other currencies. The market has a weak undertone as many market participants are taking a wait and see attitude. Prospective purchasers are hesitant to buy now, expecting rising inventories to pull prices lower, while producers are resistant to lowering prices, because they foresee prices strengthening in late summer and/or early fall.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: 1.2650 - 1.3650 MOSTLY: 1.2900 - 1.3600  
 HIGHHEAT: 1.3900 - 1.4500

**NONFAT DRY MILK - WEST**

Prices for Western low/medium heat powders showed some strength again this week. Offerings were finding more domestic buying interest. Export sales are slower. The strength of the U.S. dollar is certainly part of the problem. Some contacts feel that the situation could actually get quite a bit worse. Producers are not concerned enough about stocks to get aggressive with pricing at this time. Production is heavy seasonally in the region. Plants do have enough dryer time to handle the solids efficiently. Stocks are certainly building. High heat production is adequate for any current demand. Prices are slightly firmer.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: 1.2100 - 1.3500 MOSTLY: 1.2700 - 1.3250  
 HIGHHEAT: 1.2900 - 1.3875

**DRY BUTTERMILK - CENTRAL AND EAST**

CENTRAL: Dry buttermilk prices in the Central region are unchanged to higher on a mostly firm market. Some sellers compromised on price premiums on loads offered to the spot market this week as buyers appeared reluctant to support a steady diet of double digit premiums. Spot market activity from manufacturers is generally light, based on product availability. Condensed buttermilk sales are holding steady at most locations, although a few producers indicate that sales into Class II end users haven't really kicked in for the season. Dry buttermilk inventories are steady to building incrementally. EAST: Dry buttermilk prices in the East are steady to firm with very tight supplies. Demand is good and the dry buttermilk market has a very firm undertone. Production has decreased as cream is being pulled from churns for Class II production and condensed buttermilk sales continue to ice cream plants. Current supplies are moving through contracts or being used internally. The May 2010 Dairy Market News monthly average for the Central/East region dry buttermilk range price series is \$1.2363/lb. compared to \$1.0623/lb. in April 2010 and \$.9779/lb. in May 2009.

F.O.B. CENTRAL/EAST: 1.2800 - 1.3800

**DRY BUTTERMILK - WEST**

The dry buttermilk market in the West is firm. Buying interest remains fair to good for the limited spot offerings. Due to the limited spot availability to test the market, pricing levels are not moving as fast as some contacts think they should. There are more offerings of nonfat dry milk and condensed skim to satisfy some buyers' dairy protein needs. There continues to be good demand from ice cream producers and some bakery accounts. Dry buttermilk stocks are light to nonexistent.

F.O.B. WEST: 1.2600 - 1.3100 MOSTLY: 1.2800 - 1.3000

**DRY WHOLE MILK - NATIONAL**

The dry whole milk market is steady, with recent advances in the Grade AA butterfat price countering a weakening trend for nonfat solids within dry whole milk values. Production is intermittent, with a few plants able to schedule drying time as farm milk intakes allow. The May 2010 Dairy Market News average of the range price series for dry whole milk was \$1.5725 compared to \$1.4859 one month ago and \$1.1900 in May 2009.

F.O.B. PRODUCING PLANT: 1.5500 - 1.6700

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 4	\$1.2815	5,320,100	0
May 28	\$1.2770	5,742,753	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**WHEY, WPC 34%, LACTOSE & CASEIN**

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

**DRY WHEY - CENTRAL**

Dry whey prices in the Central region are unchanged to fractionally higher on the top of the range price series. Manufacturers indicate contract loads are shipping without delays. Spot load offerings are variable in availability from manufacturers, with contracted buyers often getting first chance to purchase spot loads. Some manufacturers are managing dry whey inventories by switching among whey stream products. Recent information on a tender for dry whey indicates that some product will be supplied from the Central region during the next three months. ANIMAL FEED DRY WHEY prices moderated slightly. Demand is steady. The May 2010 Dairy Market News average of the mostly price series for Central dry whey was \$0.3450 compared to \$0.3482 one month ago and \$0.2375 in May 2009. The May 2010 Dairy Market News average of the range price series for Central milk replacer animal feed whey was \$0.2838 compared to \$0.2926 one month ago and \$0.1705 in May 2009.

F.O.B. CENTRAL: .3100 - .3750 MOSTLY: .3250 - .3650  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2425 - .3025

**DRY WHEY - NORTHEAST**

Dry whey prices are mostly steady to weak. Production continues at increased levels as milk production is at or just beyond its seasonal peak. Export demand has weakened as the U.S. dollar has gained strength against other currencies. Domestic demand is fairly good, supported by orders from ice cream and bakery concerns, but supplies are more than adequate to meet demand. The May 2010 Dairy Market News average of the price series for Northeast dry whey was \$0.3734 compared to \$0.3910 one month ago and \$0.2623 in May 2009.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3550 - .3850

**DRY WHEY - WEST**

The whey market in the West is slightly weaker on the top of the range. The mostly series was lower on the bottom as export sales were priced lower. Whey production is seasonally active and some facilities are building inventory. Contract deliveries constitute the bulk of domestic sales. Buyers continue to feel that the market could soften due to added supplies, and have been cautious about ordering stocks ahead. Spot sales often hinge on quality of product as much as price. Export sales to China are awaiting resolution of trade agreements, although a tender for whey for the third quarter will help to keep product moving. The May 2010 Dairy Market News monthly average price for Western dry whey was \$0.3866 compared to \$0.3898 last month and \$0.2518 a year ago.

NONHYGROSCOPIC: .3450 - .4250 MOSTLY: .3675 - .4150

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market is steady to firm, and availability of spot market offerings from producers is intermittent. Price resistance from some end users in the animal feed industry remains, and is based on market values for downgraded NDM loads that continue to circulate through the market. Interest from the edible side of the market, though, remains active and seems to be keeping manufacturers' inventories balanced. Some buyers are switching to LTL orders as a way of mitigating near term price risk in case market conditions change. Contracted loads of WPC 34% are shipping with minimal delays from most manufacturers and no pushbacks from customers. The May 2010 Dairy Market News average of the mostly price series for whey protein concentrate 34% was \$0.9325 compared to \$0.9101 one month ago and \$0.5543 in May 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .8800 - 1.0000 MOSTLY: .9200 - .9700

**LACTOSE - CENTRAL AND WEST**

Lactose prices are steady to higher as spot sales on fine mesh product captured premiums to the previous week's market. Production at some sites is below customary levels, with a few plants expecting lower output for the next few weeks as equipment issues get resolved. A few producers report third quarter contracts are finalized, with some able to lock in higher prices compared to the second quarter. The May 2010 Dairy Market News average of the mostly price series for Central and West lactose was \$0.3313 compared to \$0.3358 one month ago and \$0.1536 in May 2009.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2400- .4375 MOSTLY: .3000- .3600

**CASEIN - NATIONAL**

Casein markets and prices remain firm. As has been the case for the past few weeks, questioning suppliers about stock availability continues. Domestic buyers are very concerned about securing needed volumes for future needs. Most suppliers indicate that they are aligning production schedules to meet contractual commitments. The Oceania season is now over and suppliers are filling needs from inventoried stock which is often lighter than desired. Suppliers are hopeful that with some possible delivery adjustments, customers will get their contracted volumes. The European production season is well underway and at this time, suppliers are comfortable with their supply/demand balance. Currently, milk production is at seasonal high levels, thus most all manufactured dairy products are getting sufficient milk volumes, including casein production.

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 JUNE 7 - 11, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 06/04/10	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	132,276	250,429,842	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	132,276	250,429,842	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JUNE 7 - 11, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	1.5	79.6
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	156.2	2,915.6
CUMULATIVE JAN. 1 - JUNE 11, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	131.0	1,582.0

\* 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 JUNE 7 - 11, 2010 (POUNDS)**

REGION	BUTTER		CHEESE		NONFAT DRY MILK
	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**

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	250,429,842	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	4,639,010	-0-	-0-	132,276	250,429,842	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 05/22/10 & 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	2.3	18.6	3.3	0.3	N.A.	15.0	2.8	51.5	1,145.1	41.1	44.6
2009-Dairy	N.A.	0.5	7.0	2.6	15.3	3.9	0.2	N.A.	18.2	3.6	52.6	1,174.0	44.7	47.9
2010-All cows	N.A.	0.8	8.9	14.3	32.8	23.3	14.2	N.A.	20.4	7.0	125.5	2,570.1		
2009-All cows	N.A.	0.6	8.8	13.5	30.8	20.0	12.1	N.A.	20.7	7.3	117.7	2,449.7		

**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 29	321	6,074	

**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	15.28						
II	15.22	15.65	14.46	13.78	14.90							
III	14.50	14.28	12.78	12.92	13.38							
IV	13.85	12.90	12.92	13.73	15.29							

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 31 - JUNE 11, 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:** For the most part, Western European milk producers and handlers feel that milk production has peaked in most regions. The current season got off to a slower than usual start as cold temperatures and winter conditions carried further into early spring. Although the season got off to a slower than usual start, milk volumes quickly increased as warmer temperatures and spring weather patterns developed. The only problem with this situation is that manufacturers and handlers are more accustomed to a gradual build up versus a sharp increase. A slower increase allows manufacturers to accumulate and build inventories on a gradual pace, versus quickly and potentially not to desired levels. The European dairy industry was very interested in the outcome of the recent removal tenders of intervention stocks of butter and skim milk powder. All tenders (1610 – 2100 Euros per MT) for skim milk powder were rejected as the Commission felt that the tenders were too low. Tenders of 3450 – 3850 Euros per metric ton were accepted for 11,515 MT of butter. This was about half of the available butter. The next round of tenders is due on June 15 with 13,669 MT of butter and 79,531 MT of skim milk powder available for bids. Traders and handlers are stating that the release of the butter is having no negative impact on current markets or prices. Basically, the tendered prices were very close or within current commercial price levels and volumes were welcomed into the marketplace as butterfat is still tight throughout Europe. Traders and handlers felt that many skim milk powder bidders were “testing the water” to see how low skim milk powder might be able to be secured even though the need for skim is not as urgent as butter. Europeans and other International traders and handlers were closely monitoring the outcome of the June 1st global/Dairy Trading (gDT) event in the Oceania region. Except for anhydrous milk fat, all prices were generally lower than the previous trading event. Although gDT prices are still higher than European prices, traders and handlers are comfortable with their quotes. Many felt that prices at the gDT were higher than they needed to be in recent months. The overall trend for dairy product prices is lower with much of this weakness occurring due to the decline of the Euro against the U.S. dollar. The Euro has now dipped below the 120 level which is the first time since March 2006 and nearing levels at which the Euro started in 1999. Traders and handlers state that stocks of milk powders are available with butter and butterfat still limited.

**BUTTER/BUTTEROIL:** The European butter market remains firm, although prices are easing. The significant decline at the lower end of the reported range is recently tendered butter stocks out of intervention. Last week, the Commission accepted tender bids ranging from 3450 – 3850 Euros per MT (around \$4,150 - \$4,600) for 11,515 MT. The Commission also stated that there are 13,669 MT of butter left in intervention for potential tenders which are due June 15. Another major influence on weaker prices is the strong dollar against the Euro. The Euro has dipped below 120 for the first time since March 2006 and is nearing levels in 1999 when the Euro was first introduced. Traders and handlers continue to state that butter/butterfat remains tight. Most traders and handlers are welcoming intervention stocks into the marketplace and feel that these volumes will not negatively impact current commercial trends.

82% BUTTERFAT:	4,150 - 4,675
99% BUTTERFAT:	4,800 - 5,100

## OCEANIA

**OVERVIEW:** The milk production year concluded in New Zealand at the end of May and early reports are indicating that annual production was even with last year on a volume basis and slightly higher (0.3%) on a milk solids basis. Milk producers and handlers are pleased with these figures, especially following a sharp decline in milk output late in the season due to limited rainfall. In recent weeks, rainfall has been occurring on a regular basis and, for the most part, moisture levels have once again been re-established and conditions are good going into the winter months. In Australia, late season milk volumes continue to run heavier than previous year comparables. April production figures indicate that output was running 2.7% heavier than last April which is bringing year to date figures to -5.2% when compared to the same 10 months (July – April) last season. Australian producers and handlers continue to project that during the final two months of the season, milk volumes will surpass last year and cumulative, year to date, totals will be near -4% versus earlier projections of -6%. In Australia, lack of moisture has plagued much of Northern Victoria for the past few years and water levels have been greatly reduced causing water allocations. In recent weeks, good volumes of rainfall have been occurring throughout the dairy region of Australia and water levels have once again been re-established. At this point, reports are indicating that water allocations for the coming year will once again be at 100%. Farmers are looking forward to the new milk production season with optimism, a situation that has not been in their favor for a number of years. Herd conditioning is also favorable going into the winter season. At the June 1st global/Dairy Trading event, anhydrous milk fat prices were higher for all three contracting period, while generally lower in all three contracting periods for skim and whole milk powder. The average price for anhydrous milk fat was \$5,324 per MT, 6.1% higher than the previous months' average. The average skim milk powder price eased 4.2% to \$3,462 per MT while the whole milk powder price averaged \$3,790, down 3.6%. Traders and handlers are stating that the weak trend in milk powders is the direction these prices should be heading. These prices are getting more in line with other international prices. Milk fat is tight, thus the firm trend for anhydrous is deemed correct, although near term shipment prices seem out of line in comparison to current commercial prices and the prices for the second and third contracting period. Fonterra recently announced that in September, a second online milk powder auction each month will be added. At the August 3 event, buttermilk powder will be added along with two new specifications of existing products, high heat/heat stable skim milk powder and anhydrous milk fat in 1,000 KG bulk packs. Oceania traders and handlers are closely monitoring European intervention removals and what impact these may have on current and future prices. Most feel that the butter removals will have minimal, if any impact on markets, especially with butterfat tight in basically all international markets. Traders and handlers are stating that sales activity is minimal which is typical for this time of the year. Suppliers continue to communicate with contractual buyers about supply availability and with some tweaking of delivery schedules, needs will be filled as contracted. Some suppliers do indicate that they will need to reach into new production to fulfill 2009-2010 commitments.

OCEANIA COMMENTS AND PRICES CONTINUED  
ON PAGE 8A

EASTERN AND WESTERN EUROPEAN COMMENTS AND  
PRICES CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered MAY 31 - JUNE 11, 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 EUROPEAN COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are firm, although prices are easing. The weakness in prices is occurring due to the strong U.S. dollar against the Euro. The Euro has not been this weak since March 2006. Although milk production is at or very near peak levels throughout Europe, whole milk powder stocks are often not at desired levels for this time of the season. Stocks are available for immediate and future needs, but many manufacturers and handlers would desire a more comfortable inventory situation. International sales are slow at this time as suppliers feel that buyers are holding off placing orders until markets become more stable.

26% BUTTERFAT: 3,400 - 3,600

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices in Europe are weak. All tenders submitted by June 1 for European intervention skim milk powder were rejected. The Commission considered that the bids of 1,600 – 2,100 Euros per MT (\$1,900 – 2,500) were too low. The Commission is sticking to their self imposed guidelines to not accept low bids that would disrupt current commercial markets. Tenders are due June 15 for the second round of tender bidding with 79,531 MT of skim powder available. Trader and handlers were not surprised at the bid rejections since they were significantly lower than current prices. Since skim milk powder production is seasonally high, many traders and handlers are curious what volume of intervention stocks might be sold back during the next round of bidding. Many felt that bidders were “testing the water” to see how low the Commission might dip in accepting tender bids. Traders are stating that international buyer interest is quiet and probably will remain so until further developments of intervention sales are known.

1.25% BUTTERFAT: 2,700 - 3,125

**SWEET WHEY POWDER:** European whey powder markets are unsettled with prices generally lower. Much of the weakness in price is due to the strong U.S. dollar against the Euro with Euro pricing slightly higher. The mixed market situation has prevailed for much of the spring with prices firming for a week or two and easing the next. Cheese production has been and continues to absorb significant volumes of available milk, thus whey volumes are available.

NONHYGROSCOPIC: 750 - 840

**EASTERN OVERVIEW:** Milk production in Eastern Europe continues to increase and will be near peak levels by the end of the month. Eastern milk production got off to a slow start as cold winter temperatures and conditions reached into early spring. As in Western Europe, once temperatures and weather patterns improved, steady increases developed. At this time, most current production is clearing to manufacturing with new stocks clearing to inventory. No significant sales are being reported out of this region. Eastern traders and handlers are also monitoring the intervention tenders for skim milk powder and butter. Butter is returning to the market place, while all skim milk tenders were rejected. The next round of tenders are due on June 15.

OCEANIA

OCEANIA COMMENTS AND PRICES CONTINUED FROM PAGE 8

**BUTTER:** Oceania butter markets remain firm as butterfat continues to be limited. Limited butterfat has plagued Oceania cream users for much of the season and at this down time of the milk production season, these effects continue. Butter prices are mixed with some declines and increases being reported. Traders and handlers state that they are making the best of the situation by working closely with customers and meeting their late season contractual needs.

82% BUTTERFAT: 3,800 - 4,300

**CHEDDAR CHEESE:** Cheddar cheese markets in the Oceania regions are generally steady with prices unchanged to slightly lower. Traders indicate that contract negotiations for the upcoming milk production season have been going quite well. Some negotiations are complete and indications are that buyers are seeking volumes of previous years. At this point, Oceania suppliers are indicating that cheese stocks will be in close balance during the upcoming winter months, but feel that they will be able to fulfill their contractual commitments without reaching into the new milk production season.

39% MAXIMUM MOISTURE: 3,800 - 4,100

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices are weak. At the June 1 global/Dairy Trading event, the average price for skim milk powder (\$3,462) was down 4.2% when compared to the previous auction. Traders and handlers anticipated a weaker trend to this average price and project further weakness. Oceania is now entering into the winter season with milk output at or very near seasonal low levels, thus manufacturing of new powder is non-existent. Most traders and handlers are working closely with customers to meet late season contractual commitments with some suppliers stating that they may need to reach into new production to fulfill 2009 – 2010 commitments. Oceania traders are also closely monitoring what impact the release of European intervention skim milk powder stocks might have on markets. At this point, no skim milk powder has been sold back under the tendering system as all bids during the first round of bidding were rejected. The next tenders are due June 15th.

1.25% BUTTERFAT: 2,900 - 3,500

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets are weak with prices unchanged to lower. At the June 1 global/Dairy Trading event, whole milk powder averaged \$3,790 per MT, down 3.6% from the previous monthly average. For deliveries during the second (Sep – Nov) and third (Dec – Feb) contracting periods, the average price dipped below the \$3,790 figure. Traders and handlers anticipated weaker average prices and continue to predict lower prices for the future. Oceania’s milk production season is now at or very near the seasonal low level, thus no new powder is being generated. Late season stock levels are often not at projected level, thus some traders indicate that they may need to reach into new production to round out 2009 – 2010 commitments.

26% BUTTERFAT: 3,700 - 4,000

Exchange rates for selected foreign currencies: June 7, 2010

.9431 Canadian Dollar	.0212 Indian Rupee
.2548 Argentina Peso	.6584 New Zealand Dollar
.0771 Mexican Peso	.8106 Australian Dollar
.2863 Polish Zloty	.0109 Japanese Yen
	1.1917 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0771) = 12.9702 Mexican Pesos. Source: “Wall Street Journal”

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	05/27	05/28	05/31	06/01	06/02	06/03	06/04	06/07	06/08	06/09
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
MAY 10	13.36 (4554) 0	13.35 (4552) 0	NO TRADING	13.35 (4549) 0	13.37 (4553) 0	13.37 (4552) 2	13.38 (3461) 0			
JUN 10	13.89 (4380) 21	13.60 (4375) 26		13.54 (4295) 0	13.56 (4335) 0	13.52 (4352) 0	13.50 (4377) 0	13.49 (4375) 0	13.49 (4349) 0	13.45 (4392) 1
JUL 10	13.93 (4505) 24	13.50 (4638) 13		13.30 (4728) 0	13.46 (4738) 0	13.28 (4631) 14	13.25 (4614) 0	13.24 (4612) 0	13.26 (4589) 0	13.20 (4484) 1
AUG 10	14.45 (3731) 24	14.00 (3772) 2		13.84 (3871) 0	14.05 (3978) 5	13.87 (4039) 12	13.86 (4074) 0	13.75 (4100) 0	13.74 (4155) 2	13.75 (4177) 6
SEP 10	14.83 (3553) 24	14.49 (3596) 0		14.45 (3638) 0	14.65 (3656) 5	14.52 (3702) 12	14.53 (3768) 0	14.42 (3804) 0	14.40 (3828) 2	14.40 (3845) 8
OCT 10	14.94 (3284) 24	14.57 (3343) 0		14.57 (3381) 0	14.79 (3381) 5	14.64 (3383) 12	14.65 (3386) 0	14.57 (3389) 0	14.59 (3400) 0	14.54 (3416) 7
NOV 10	14.92 (3141) 24	14.55 (3168) 0		14.64 (3201) 0	14.84 (3198) 5	14.70 (3204) 12	14.75 (3207) 0	14.67 (3214) 0	14.60 (3218) 0	14.55 (3234) 7
DEC 10	14.95 (3077) 24	14.61 (3114) 0		14.67 (3165) 0	14.76 (3165) 5	14.68 (3173) 12	14.71 (3175) 0	14.58 (3173) 0	14.52 (3186) 0	14.47 (3204) 6
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
MAY 10	15.33 (60) 0	15.33 (60) 0	NO TRADING	15.33 (60) 0	15.33 (60) 0	15.33 (60) 0	15.29 (60) 0			
JUN 10	15.45 (69) 0	15.45 (69) 0		15.33 (69) 0	15.33 (69) 0	15.33 (69) 0	15.33 (69) 0	15.33 (69) 0	15.33 (69) 0	15.33 (69) 0
JUL 10	15.45 (47) 0	15.45 (47) 0		15.49 (47) 0	15.49 (47) 0	15.40 (47) 0	15.40 (47) 0	15.23 (47) 0	15.23 (47) 0	15.15 (47) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
MAY 10	158.30 (536) 0	158.30 (536) 0	NO TRADING	158.30 (536) 0	158.30 (536) 0	158.30 (536) 0	158.01 (516) 0			
JUN 10	157.00 (693) 0	157.50 (693) 4		157.50 (690) 3	157.50 (688) 7	158.00 (688) 11	158.00 (688) 0	158.00 (688) 0	160.00 (688) 0	158.50 (688) 0
JUL 10	160.50 (722) 1	161.00 (722) 10		161.25 (722) 0	161.25 (722) 0	161.25 (722) 8	163.00 (722) 1	163.20 (722) 0	166.00 (722) 5	166.00 (722) 1
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
MAY 10	125.50 (182) 0	125.50 (182) 0	NO TRADING	125.50 (182) 0	124.50 (182) 0	124.50 (182) 0	125.20 (182) 0			
JUN 10	126.00 (196) 0	126.00 (196) 0		126.00 (196) 0	125.00 (189) 0	125.00 (189) 0	125.75 (189) 0	125.75 (189) 0	125.75 (188) 0	125.75 (188) 0
JUL 10	124.50 (157) 0	124.50 (157) 0		122.50 (160) 0	122.50 (160) 0	122.00 (150) 0	122.00 (150) 0	122.00 (150) 0	122.00 (150) 0	121.00 (150) 0
<b>CME - WHEY (Electronic-Traded)</b>										
MAY 10	36.00 (288) 0	36.00 (288) 0	NO TRADING	36.00 (288) 0	36.00 (288) 4	36.00 (288) 0	36.45 (275) 0			
JUN 10	33.50 (295) 0	33.50 (295) 0		33.50 (295) 0	33.50 (295) 0	34.25 (295) 0	35.25 (311) 20	35.25 (312) 1	35.25 (312) 0	35.25 (312) 0
JUL 10	33.00 (216) 0	32.00 (230) 14		32.25 (230) 0	32.25 (230) 0	33.00 (230) 0	33.00 (230) 0	32.50 (233) 3	32.50 (233) 0	32.50 (233) 0
AUG 10	33.00 (238) 0	32.50 (243) 6		32.25 (250) 9	32.25 (250) 0	33.00 (252) 3	33.00 (252) 0	32.50 (255) 3	32.50 (255) 0	32.50 (255) 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.

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

In March 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.92 per cwt., down \$1.05 from the previous month average, but up \$3.32 from March 2009. The component tests of producer milk in March 2010 were: butterfat, 3.67%; protein 3.06%; and other solids, 5.74%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas. Mailbox prices ranged from \$18.10 in Florida to \$13.50 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	March 2009	February 2010	March 2010
	Dollars per hundredweight		
New England States <u>3/</u>	12.25	17.02	16.16
New York	11.52	15.79	15.08
Eastern Pennsylvania <u>4/</u>	11.76	16.63	15.74
Appalachian States <u>5/</u>	12.25	17.65	16.78
Southeast States <u>6/</u>	12.47	18.20	17.27
Southern Missouri <u>7/</u>	10.78	15.99	15.05
Florida	13.61	19.01	18.10
Western Pennsylvania <u>8/</u>	11.61	16.78	15.78
Ohio	11.97	16.92	15.92
Indiana	11.34	16.41	15.38
Michigan	11.29	16.02	15.00
Wisconsin	11.87	15.78	14.39
Minnesota	12.27	15.53	14.18
Iowa	11.84	15.92	15.00
Illinois	11.84	16.18	15.02
Corn Belt States <u>9/</u>	11.43	15.63	14.66
Western Texas <u>10/</u>	10.73	15.33	14.43
New Mexico	9.92	14.46	13.50
Northwest States <u>11/</u>	10.95	14.93	14.05
All Federal Order Areas <u>12/</u>	11.60	15.97	14.92
California <u>13/</u>	9.92	13.59	12.81

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."

JUNE MILK SUPPLY AND DEMAND ESTIMATES\*

Forecast milk production for 2010 is raised slightly from last month reflecting a slower decline in cow numbers and stronger expected growth in milk per cow. Milk production for 2011 is unchanged. Exports for 2010 and 2011 are raised on both a fat and skim solids basis. Product exports were higher than expected in the first quarter of 2010, and with generally tight world supplies, U.S. exports are expected to remain strong into 2011. Import forecasts are lowered for 2010 and 2011. Imports are reduced largely because of smaller-than-expected cheese imports in the first-quarter 2010 and expectations that imports will remain weak into 2011 due to relatively low U.S. prices and tight world supplies. The Class III price forecast for 2010 is reduced slightly on lower cheese and whey price forecasts. Cheese stocks remain high and international whey prices are weaker. The Class IV price forecast for 2010 is raised on higher butter and nonfat dry milk (NDM) price forecasts. The all milk price for 2010 is forecast to average \$15.75 to \$16.15 per cwt. The 2011 forecasts for Class III and IV prices and the all milk price are raised. Improving domestic and export demand is expected to support NDM prices. The cheese price forecast is raised as higher butter/powder values are expected to divert milk from cheese production. Coupled with higher forecast exports and lower imports, tighter supplies are expected to support prices. The all milk price forecast for 2011 is raised to \$15.80 to \$16.80 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Projected		2011 Projected	
		May	June	May	June
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	189.3	190.2	190.4	193.0	193.0
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	10.5	10.5
MARKETINGS	188.3	189.2	189.4	192.1	192.1
IMPORTS	5.6	5.0	4.8	5.1	4.9
TOTAL COMMERCIAL SUPPLY	204.0	205.6	205.5	207.6	207.5
FAT BASIS USE					
COMMERCIAL EXPORTS	4.1	4.8	5.0	4.9	5.1
ENDING COMMERCIAL STOCKS	11.3	10.5	10.5	9.9	9.8
CCC NET REMOVALS <u>1/</u>	0.7	0.3	0.2	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.6	189.9	189.7	192.8	192.6
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	11.0	11.0
MARKETINGS	188.3	189.2	189.4	192.1	192.1
IMPORTS	5.5	4.7	4.4	4.8	4.8
TOTAL COMMERCIAL SUPPLY	204.7	205.3	205.2	207.8	207.8
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.5	25.3	26.0	27.0	27.1
ENDING COMMERCIAL STOCKS	11.3	11.0	11.0	10.6	10.6
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.6	169.2	168.4	170.3	170.2
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	30	15	8	0	0
CHEESE	2	2	2	0	0
NONFAT DRY MILK	247	2	2	0	0
DRY WHOLE MILK	0	0	0	0	0

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

Continued on page 12

## JUNE MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		May	June	May	June
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <u>1/</u> CHEESE	1.2963	1.480-1.530	1.485-1.525	1.505-1.605	1.520-1.620
BUTTER	1.2094	1.445-1.525	1.475-1.545	1.390-1.520	1.390-1.520
NONFAT DRY MILK	0.9222	1.180-1.220	1.200-1.240	1.210-1.280	1.235-1.305
DRY WHEY	0.2584	0.365-0.395	0.365-0.385	0.375-0.405	0.375-0.405
<b>DOLLARS PER CWT</b>					
MILK PRICES <u>2/</u> CLASS III	11.36	13.95-14.45	13.95-14.35	14.25-15.25	14.35-15.35
CLASS IV	10.89	14.15-14.75	14.45-14.95	14.15-15.25	14.35-15.45
ALL MILK <u>3/</u>	12.84	15.65-16.15	15.75-16.15	15.70-16.70	15.80-16.80
<b>QUARTERLY</b>					
	2010 I	2010 II <u>4/</u>	2010 III <u>4/</u>	2010 IV <u>4/</u>	2011 I <u>4/</u>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	47.3	49.1	47.1	46.8	47.9
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <u>2/</u> <u>3/</u>	15.60	15.00-15.20	15.95-16.45	16.55-17.35	15.70-16.70
CLASS III PRICE <u>2/</u>	13.85	13.20-13.40	14.15-14.65	14.75-15.55	13.85-14.85
CLASS IV PRICE <u>2/</u>	13.22	14.65-14.95	15.25-15.85	14.80-15.70	14.35-15.45

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-483, World Agricultural Outlook Board, USDA, June 10, 2010

## APRIL FLUID MILK SALES

During April, about 4.6 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.2 percent lower than April 2009. After adjusting for calendar composition, sales in April 2010 were 1.6 percent lower than April 2009. On an individual product basis, after adjusting for calendar composition, sales of organic whole milk, low fat milk (1%), flavored fat-reduced milk and organic fat-reduced milk increased from April 2009, while sales of whole milk, flavored whole milk, reduced fat milk (2%), fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year likely had a positive impact on the change in sales from April 2010 compared to April 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,  
APRIL 2010, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	April	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,163	4,734	-5.5	-5.0
Flavored Whole Milk	46	187	-3.2	-4.1
Organic Whole Milk	34	130	16.8	5.0
Reduced Fat Milk (2%)	1,537	6,256	1.4	1.7
Low Fat Milk (1%)	594	2,400	4.7	4.0
Fat-Free Milk (Skim)	674	2,724	0.0	-0.2
Flavored Fat-Reduced Milk	383	1,477	5.0	1.6
Organic Fat-Reduced Milk	106	421	8.9	3.9
Buttermilk	38	155	-34.8	-38.5
Total Organic Milk Products	139	550	10.7	4.6
Total Fluid Milk Products 3/	4,580	18,513	-0.2	-0.7
Total Fluid Milk Products Adjusted 3/ 4/	4,525	18,465	-1.6	-0.9

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>

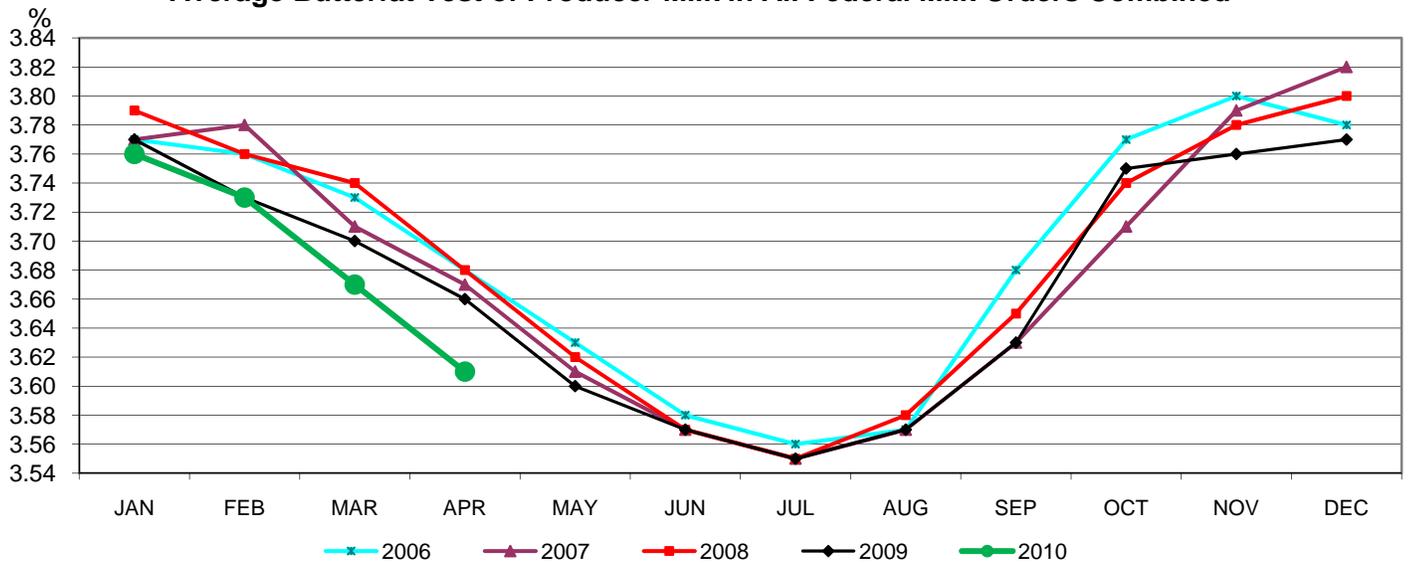
PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, APRIL 2010, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	April	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	767	3,113	-0.8	-1.4
Appalachian (005)	309	1,269	6.0	5.7
Southeast (007)	422	1,717	-0.9	0.0
Florida (006)	244	1,007	-2.5	-1.2
Mideast (033)	509	2,085	-0.9	0.2
Upper Midwest (030)	361	1,460	-0.1	-0.6
Central (032)	381	1,547	-3.3	-2.8
Southwest (126)	381	1,523	0.7	1.0
Arizona (131)	102	404	1.5	0.0
Pacific Northwest (124)	189	740	3.5	1.0
California (---)	548	2,166	-0.7	-4.4

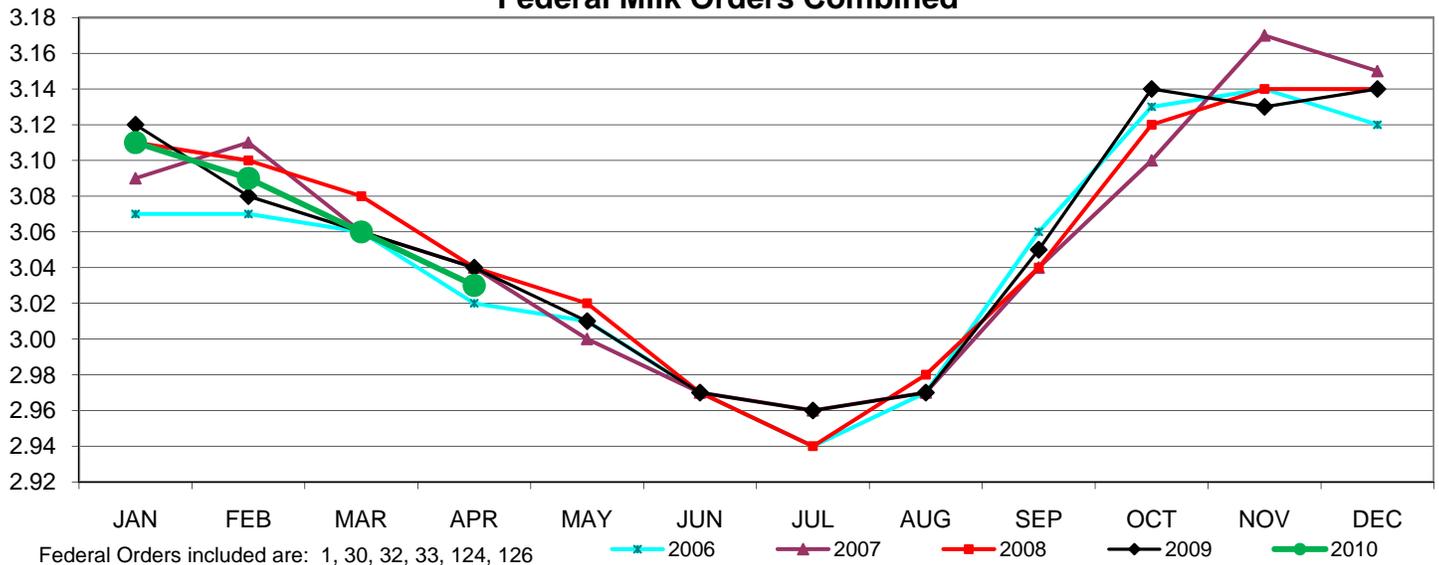
1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above.

**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.

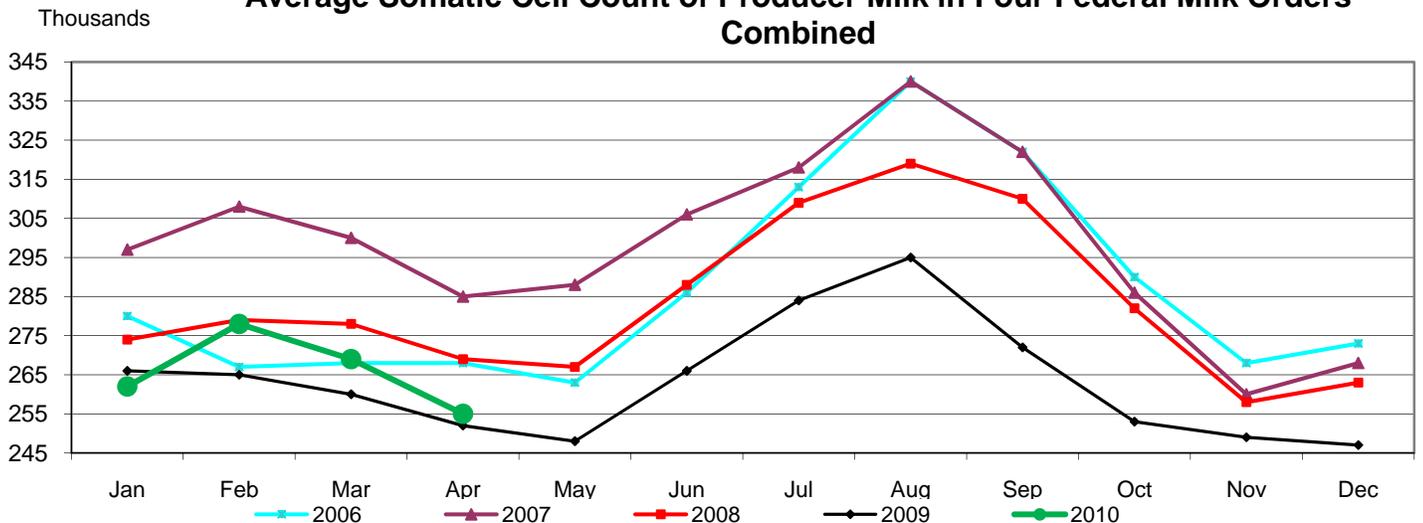
**Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined**



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

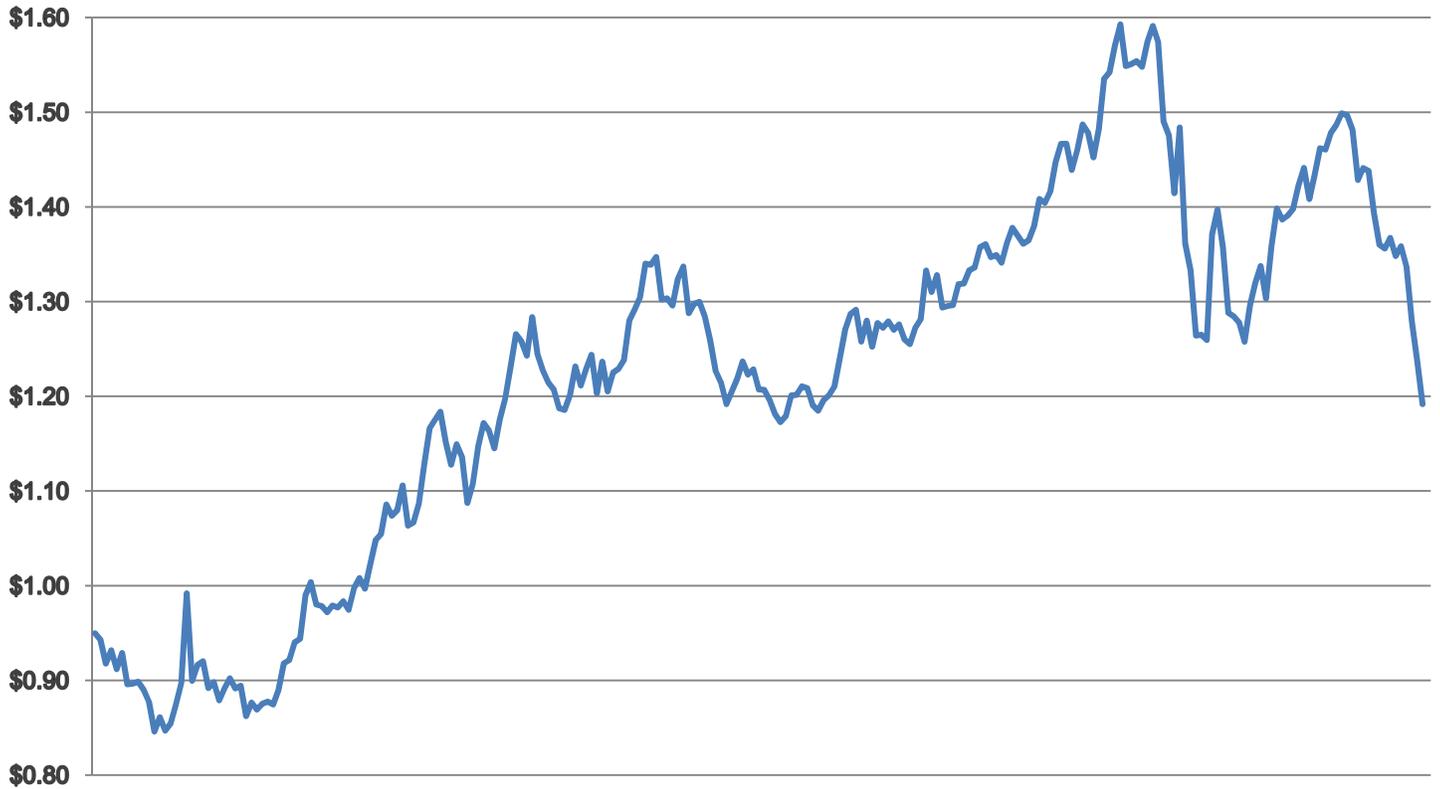


**Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined**



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

**EURO COMPARED TO U.S. DOLLAR**  
Biweekly-Jan 2001 to Date



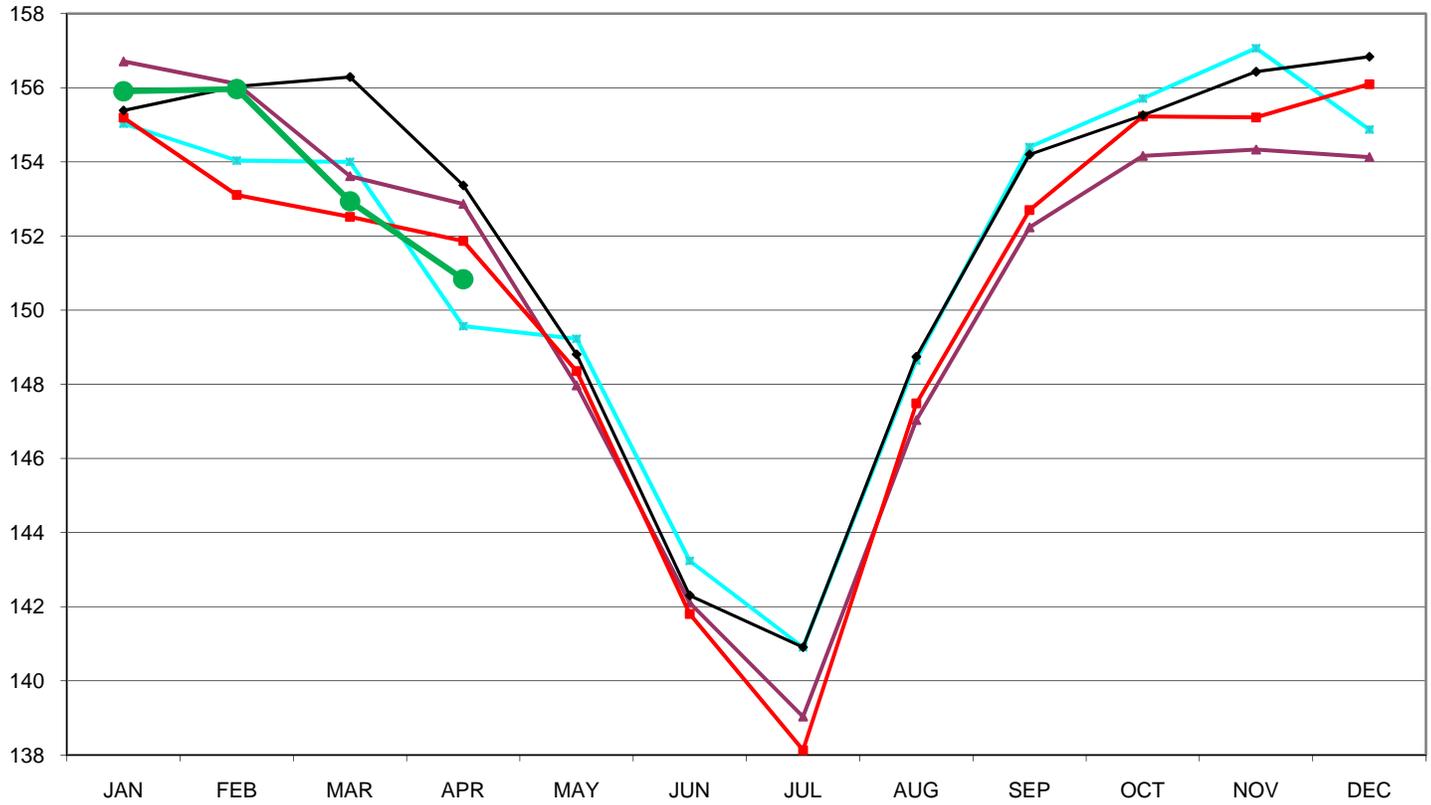
**NEW ZEALAND DOLLAR COMPARED TO U.S. DOLLAR**  
Biweekly January 2001 To Date



DATA SOURCE: WALL STREET JOURNAL

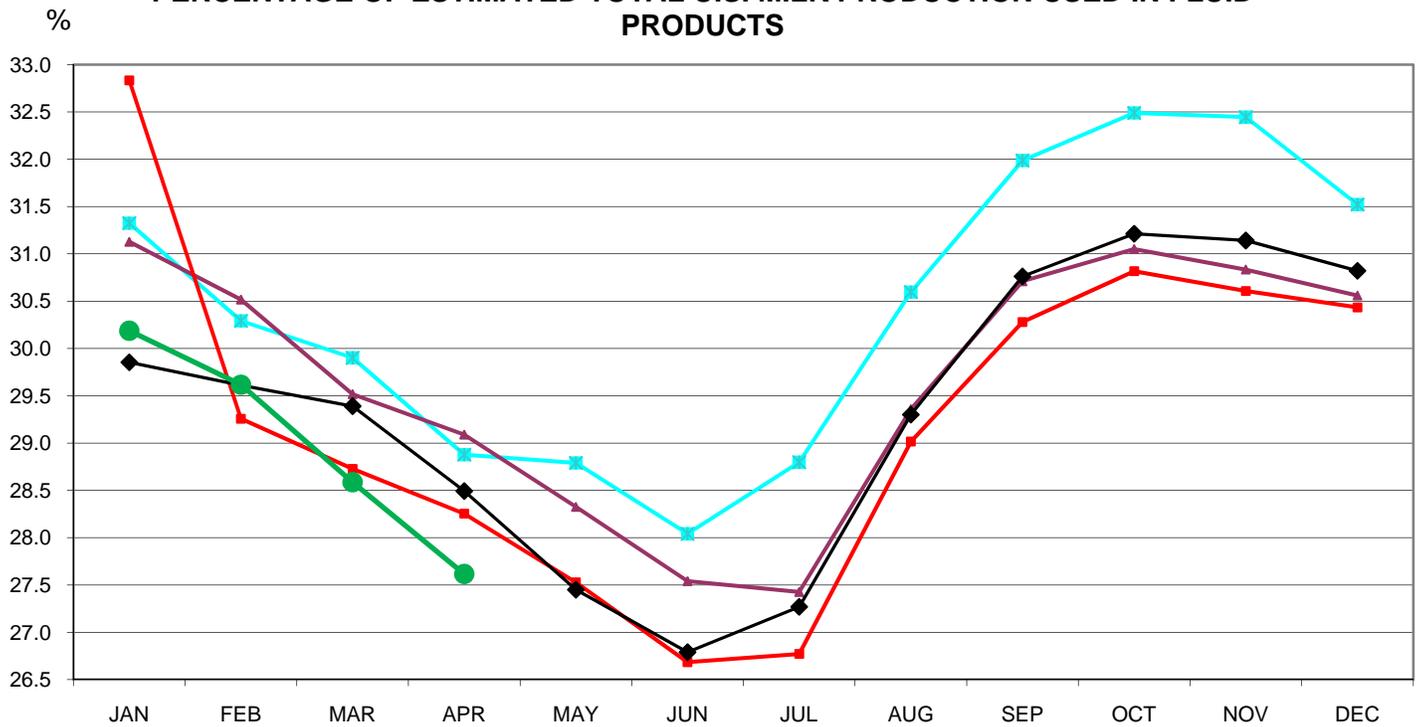
MILLION POUNDS

**ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES**



DATA: DAIRY PROGRAMS & CDFA, GRAPH BY DMN

**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

# DAIRY MARKET NEWS

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