

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (07/16):**

BUTTER: Grade AA closed at \$1.7750. The weekly average for Grade AA is \$1.7730 (+.0199).

CHEESE: Barrels closed at \$1.5250 and 40# blocks at \$1.5750. The weekly average for barrels is \$1.5200 (+.0419) and blocks, \$1.5535 (+.0529).

BUTTER HIGHLIGHTS: The CME cash butter market remains firm and during the week attained a price level not seen since the fall of 2004. Cream supplies for churning remain tight. A few butter operations that were selling cream in recent weeks have pulled back their sales and are choosing to churn instead. Much of this decision is due to lighter than desired inventories and opinions of conditions during the balance of the summer and fall. Many butter producers feel that cream volumes will continue to be limited for full needs and that butter prices will remain firm and probably higher than current levels. In most instances, butter stocks are well below previous year levels and are considerably lower than desired. In CME approved warehouses, current butter stocks are over 50% lighter than they were in 2008 and 2009 and are the lightest in over 12 years for this time of the summer. Butter demand is fair as some buyers return to the marketplace following the recent holiday period. Some retail buyers are stating that if the cash price continues to firm, retail shelf prices will be increasing also which typically slows consumer buying patterns. According to FAS, butter exports for the first 5 months of 2010 totaled 43.7 million pounds, a 121% increase over the comparable January – May 2009 period.

CHEESE HIGHLIGHTS: Cheese prices on the CME Group cash market continued to move higher to set new 2010 highs. Cheese production is lower as milk intakes and components continue to decline at least seasonally. Current cheese interest is steady at best though volumes in the current cheese pipeline are shrinking. Other varieties have tightened from recent weeks. For some uses, additional cheese volumes are available from storage. According to FAS, U.S. exports of cheese and curd during Jan - May 2010 total 140.3 million pounds, up 55% from the same months in 2009. These exports account for 3.3% of total U.S. cheese production.

FLUID MILK: Weather conditions are having bigger impacts on the milk flow across the United States as the summer season progressed. Production declines are noted across many regions as well as drops in milk components. Hot, humid conditions in the Northeast and Middle Atlantic regions are causing significant production declines and causing milk plants to run on reduced schedules. Milk production in the Southeast has moderated and being attributed to increases in heifers in the region offsetting seasonal declines. Upper Midwest milk output is dropping with weather conditions the main reason. There is good demand for surplus milk and offerings are demanding premiums of up to \$3 above class usage, unusual at a time when discounts are normally needed to move milk. Production of milk is trending lower in California, Arizona, and New Mexico. Declines in the fat and protein levels of incoming milk are commonly noted. Conditions are making heat abatement measures necessary, but less effective as humidity levels increase. Milk supplies in the Northwest, Idaho, and Utah are seasonally steady and plants are able to handle the current flow. Bottled milk demand is trending along summertime patterns. There are areas where retail features are moving more milk along with some strategies of offering reduced/skimmed milk pricing to allow bottlers to capture more cream. Cream markets remain tight and characterized by good demand and higher multiples.

DRY PRODUCTS: The nonfat dry milk market continues to weaken. Prices were generally trending lower as producers adjusted prices to stimulate interest. Offerings of resale and older powder continue to impact the domestic market. Export interest is evident, yet resisting current pricing levels. Dry whey prices are steady to fractionally lower. Demand is fair to good and clearing most offerings. Some pricing declines are noted to gain export sales. Whey protein concentrate 34% prices are mixed with continued good demand occurring from food accounts. Market interest remains good for higher protein WPC products. Lactose pricing levels declined as more aggressive spot activity occurred. Increasing competition with other carbohydrate products is taking place.

CONTINUED ON PAGE 1A

****SPECIALS THIS ISSUE****

ORGANIC DAIRY MARKET NEWS (PAGE 8)
MAY FLUID MILK SALES (PAGE 9)

DAIRY GRAPHS (PAGES G1 – G4)

CME GROUP CASH TRADING

PRODUCT	MONDAY JULY 12	TUESDAY JULY 13	WEDNESDAY JULY 14	THURSDAY JULY 15	FRIDAY JULY 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5100 (+.0100)	\$1.5150 (+.0050)	\$1.5250 (+.0100)	\$1.5250 (N.C.)	\$1.5250 (N.C.)	(+.0250)	\$1.5200 (+.0419)
40# BLOCKS	\$1.5400 (+.0125)	\$1.5400 (N.C.)	\$1.5500 (+.0100)	\$1.5625 (+.0125)	\$1.5750 (+.0125)	(+.0475)	\$1.5535 (+.0529)
NONFAT DRY MILK EXTRA GRADE	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2250 (-.0050)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(-.0050)	\$1.2270 (-.0030)
GRADE A	\$1.2100 (N.C.)	\$1.2125 (+.0025)	\$1.2175 (+.0050)	\$1.2175 (N.C.)	\$1.2175 (N.C.)	(+.0075)	\$1.2150 (+.0050)
BUTTER GRADE AA	\$1.7700 (+.0075)	\$1.7700 (N.C.)	\$1.7750 (+.0050)	\$1.7750 (N.C.)	\$1.7750 (N.C.)	(+.0125)	\$1.7730 (+.0199)

CHEESE: carload = 40-44,000 lbs., BUTTER: carlot = 40-43,000 lbs., NDM 42-45,000lbs. *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

CONTINUED FROM PAGE 1

ORGANIC DAIRY MARKET NEWS OVERVIEW (DMN): AMS reports Organic Whole Milk sales for May 2010 up 16.5% compared with May 2009 and up 8.5% year-to-date compared with 1 year ago. May sales were 34 million pounds and year to date sales through May were 164 million pounds. Organic Fat-Reduced Milk sales for May 2010 are up 9.5% compared with May 2009 and up 5.0% year-to-date compared with 1 year ago. May sales were 106 million pounds and year-to-date sales through May were 527 million pounds. Total Organic Milk Products sales for May 2010 are up 11.1% from May last year and up 5.9% year to date compared with last year. This contrasts with a 0.7% decline for Total Fluid Milk Products (which includes non-organic and organic) compared with May 2009 and a 1.1% decline year to date compared with the same period in 2009. Total Fluid Milk Products data is adjusted for calendar year composition. Comparing retail half gallon organic reduced fat (2%) milk prices in the 30 City Series for June and July 2010 reveals increases in 5 cities, decreases in 8 cities, and the same prices in 17 cities. Milk dominates organic dairy advertising for this two week period. Yogurt, a strong factor for several months, fell well behind. The most significant change for this report is a significant presence of ads both, for half gallons of a national brand, as well as private label brands. The national weighted average advertised price for half gallons of organic milk increased to \$3.33, 58 cents higher than two weeks ago. Because the bottom of the range remained unchanged

at \$2.50 while the top declined 30 cents to \$3.69, the higher weighted average advertised price represents an increase in advertised prices higher in the range. The national weighted average advertised price for organic milk gallons declined 49 cents to \$4.58. The top of the price range declined 28 cents to \$4.99, which two weeks ago was the bottom of the range. This report's bottom is \$4.49, a decline of 50 cents. Three of six regions had a regional weighted average advertised price of \$4.49, illustrating the concentration of organic gallon ads near the bottom of the range. Weighted national average advertised organic yogurt prices in 6 ounce containers remained unchanged at 72 cents. The bottom of the range also remained unchanged, at 69 cents while the top increased 5 cents to \$0.80.

MAY FLUID MILK SALES (AMS, CDFA): During May, about 4.5 billion pounds of packaged fluid milk products was estimated to have been sold in the United States. This was 0.9% lower than May 2009. After adjusting for calendar composition, sales in May 2010 were 0.7% lower than May 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 May 2009, while sales of whole milk, flavored whole milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

CME GROUP

MONDAY, JULY 12, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5100; 1 CAR 40# BLOCKS @ \$1.5400; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2300; 1 CAR GRADE A @ \$1.2100
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.7700; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

TUESDAY, JULY 13, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5150; 1 CAR 40# BLOCKS @ \$1.5400; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.2100; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2125; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2300
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

WEDNESDAY, JULY 14, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5250; 1 CAR 40# BLOCKS @ \$1.5500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2175; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2250; 1 CAR GRADE A @ \$1.2300
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7750; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

THURSDAY, JULY 15, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5250; 1 CAR 40# BLOCKS @ \$1.5625; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2250; 1 CAR GRADE A @ \$1.2300
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

FRIDAY, JULY 16, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5700; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5750; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

NORTHEAST

Butter prices on the CME Group have retained price advances and have reached new yearly highs, closing Tuesday unchanged at \$1.7700. This price equals the price set in October, 2008 and is only eclipsed by prices set on December, 2004 when the butter market was over \$2.00. Cream has become very tight following the holiday week as Class II has resumed full production schedules. Milk components are also dropping, which also reduces the available cream supply. Just a few plants are maintaining active churning schedules and building inventories, while most other butter makers are only churning to meet current orders and selling excess cream supplies in the spot market. Future cream availability and inventory concerns continue as butter makers look to this fall and the holiday season. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used. The Foreign Agricultural Service report shows January-May 2010 exports of butter total 43.7 million pounds, a 121% increase compared to the same period last year. Leading destinations for U.S. butter are Saudi Arabia at 8.8 million pounds, up 18% from a year ago, Egypt at 3.9 million pounds up 385%, Canada at 3.4 million pounds up 208%, Morocco at 4.0 million pounds, compared to zero exports a year ago and South Korea at 4.3 million pounds up 473%. These five countries accounted for 55.8% of the total U.S. Butter exports.

CENTRAL

The CME cash butter price remains firm and on Wednesday increased 1/2 cent to \$1.7750. The CME cash price has not been this high since the fall of 2004 when the price topped out at \$2.1050 in mid November. Cream supplies remain tight, although churning activity is somewhat more active this week than in recent weeks. A firm cash butter price is causing some butter producers, that were selling a portion of their cream volumes versus churning in recent weeks, to pull back from cream sales and churn instead. In most instances, butter stocks are lagging previous years and are much lighter than desired for this time of the season. Many producers feel that butterfat will remain competitive and tight for the balance of the summer and into the fall, thus the outlook for generating additional butter stocks to enhance inventories is not positive. Current butter demand is fair as some buyers are returning to the marketplace following the recent holiday period. Some retail buyers are stating that if the cash price continues to firm, retail shelf prices

BUTTER MARKETS

will be increasing also which will slow consumer buying patterns. Food service buyers are stating that the traffic flow through their operations thus far this summer has been fairly steady and often better than many anticipated. Although food service orders have not been as strong as some other summers, orders are basically being placed on a reduced/steady basis. 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 was up \$.0050 to \$1.7750. Prices have edged higher on bids, although there were two loads sold on Monday. Trading at the CME Group remains light. As prices continue to go higher, butter producers are keeping a close eye on inventories. Cream supplies are tight and it is attractive to price and sell cream to Class II operations rather than churning butter. Butter sales for the first half of the year were good. Retail buyers are waiting to see if higher prices will dampen demand. Depending on needs, there are reports of some increased sales to stay ahead of possible higher prices. Current stocks are described as adequate for anticipated contract needs. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 1.2 million pounds last week to stand at 49.7 million pounds. This total compares to 100.9 million pounds in 2009 and 110.8 million pounds in the comparable week in 2008. Over the last five weeks, stocks in storage have dropped 18.7 million pounds. This is the second largest five week drop in the last 10 years for this time period. Stocks in storage for this week at the CME Group have been above this level since 1998. According to the Foreign Agricultural Service, exports of butter and milkfat for January-May 2010 total 43.7 million pounds, up 121% from January-May 2009. The top six export destinations, their volume and change from last year are as follows: Saudi Arabia 8.8 million pounds, +18%; South Korea 4.3 million pounds, +473%; Morocco 4.0 million pounds, no sales reported last year; Egypt 3.9 million pounds, +385%; Canada 3.4 million pounds, +208%; and Russia 3.2 million pounds, 25 times more than last year. The top six countries accounted for 63.2% of the exports for the period. Two of the six largest export countries had little to no exports received last year. The exports account for 6.2% of production in the U.S. for January-May. Last month exports represented 5.1% of U.S. production.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
JULY 10	1,4112	1,4201	1,2336	1,7201	0.3621
	11,504,492	12,103,622	12,566,367	3,530,376	8,650,633

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

Cheese prices on the CME Group have trended higher in recent trading sessions. Barrels have advanced \$.1375, since last declining on June 29, closing Tuesday at \$1.5150. Blocks have risen \$.1175 since last declining on June 28 and closed Tuesday at \$1.5400. The weekly average prices also moved higher, raising the wholesale prices with the exception of Swiss Cuts, which were unchanged. Cheese production has remained mostly steady. Demand is good with strong orders for mozzarella and cream cheese. Cream cheese makers are looking to expand production schedules in order to build inventories for this fall. Cheddar production for aging programs remains active with good retail demand. In the latest Foreign Agricultural Statistics report. January-May 2010 exports of cheese and curd from the United States totaled 140.3 million pounds, a 55% increase from the same period in 2009. Leading destinations, amounts shipped, and percent changes in amounts shipped compared to the same time period last year include: Mexico, 41.5 million pounds (+16%); Japan, 11.6 million pounds (+120%); South Korea, 16.2 million pounds (+87%); and Canada, 9.0 million pounds (+20%). These four countries account for 55.8% of the total U.S. cheese exports.

Cheddar Barrels on Wednesday at the CME Group closed up \$.0100 at \$1.5250. 40 Pound Blocks were up \$.0100 to close at \$1.5500. Sales of one load of Barrels and one load of Blocks on July 9 have been the only sales over two weeks. During this period, prices are \$.1475 higher for Blocks and Barrels. Prices have remained above \$1.5000 for the last five trading sessions. Previously this year, the market reached that plateau three other times and retreated. Sales are good in most cases. Some buyers are looking to make some additional purchases as prices are moving up. Inventories are manageable, although manufacturers are expressing concern, as levels of milk solids are lower. Hot weather across the country has also reduced overall milk intakes. According to FAS, exports of cheese and curd for January-May 2010 total 140.3 million pounds, up 55% from January-May 2009. The exports account for 3.3% of total cheese production in the U.S. for the period. The top four export destinations, their volumes and the change from last year are as follows: Mexico 41.5 million pounds, +16%; South Korea 16.2 million pounds, +87%; Japan 11.6 million pounds, +120%; and Canada 9.0 million pounds, +20%. These four destinations accounted for 55.8% of the January-May exports.

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

Cheddar 40# Block	:	1.8175-2.0925
Process 5# Sliced	:	1.5800-1.8900
Muenster	:	1.8375-2.0350
Grade A Swiss Cuts 10 - 14#	:	3.0050-3.3275

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

Process 5# Loaf	:	1.6025-1.8600
Cheddar 40# Block	:	1.6325-1.9850
Cheddar 10# Cuts	:	1.8125-2.0325
Monterey Jack 10#	:	1.8225-1.9825
Grade A Swiss Cuts 6 - 9#	:	2.5825-3.0125

MIDWEST

The cheese market set new 2010 high prices at the CME Group cash cheese market last week and continued to climb early this week. Weekly average prices are several cents higher and customers are wondering just what happened. The sharp advances may curtail some planned promotions that had been helping packaging/processing firms operate on heavier schedules. Summer weather and its' affect on milk production (lower) and even lower cheese yields are reducing fresh cheese entering the market pipeline. Depending on use and variety, product in storage can be used as a replacement in some applications. A large volume of Western barrel offerings has been clearing to customers (often at a discount to the CME Group) to supplement local offerings. Mozzarella interest is uneven, stronger where buyers are trying to beat the next increase, lighter where buyer inventory is larger. Some customers report the availability of upper Midwest sourced blocks has tightened and most of the "cheap milk cheese" has cleared. The volume of extra spring flush surplus milk has disappeared, reducing the cheese volume produced.

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

Process American 5# Loaf	:	1.8375-2.0200
Brick And/Or Muenster 5#	:	2.0000-2.0150
Cheddar 40# Block	:	1.8500-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.3525-2.7300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8475-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4125-3.3300

FOREIGN

Block prices on the CME Group have risen \$.1175, since last declining on June 28 and closed Tuesday at \$1.5400. As a result, the weekly average price also rose, raising wholesale prices for domestic varieties with the exception of Swiss Cuts, which remained unchanged. Domestic Swiss production has declined marginally, following the seasonal declines in milk production.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 1.9575-3.4450*
Gorgonzola	: 3.6900-6.6900	: 2.4600-2.7200*
Parmesan (Italy)	: -0-	: 3.3650-3.5675*
Provolone (Italy)	: 3.4400-5.9900	: 2.0000-2.1575*
Romano (Cows Milk)	: -0-	: 3.1475-5.2900*
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-	: 3.0975-3.4200
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
		:	
07/12/10	9,085	:	128,581
07/01/10	9,660	:	129,257
CHANGE	-575	:	-676
% CHANGE	-6	:	-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	250	0	206	0	124
SOUTHEAST STATE	0	0	0	0	0	0

Noticeable to significant production declines have been noted in the Northeast and Mid Atlantic regions, due to the recent periods of hot, humid weather. Some plants in the New England area have inadequate milk supplies and are having to short orders. Manufacturing supplies in other areas are declining, but are more than adequate as continued flat Class I demand is offsetting some of the production declines. Milk production in the Southeast has declined, but not to the extent anticipated, following the hot, humid weather that recently covered the region. Class I demand in the region has picked up a bit after the holiday week. Off the farm loads in Florida are lightening to the point where pick up routes will soon be altered. Export loads out of state totaled 250 loads. A factor lessening some of the anticipated production declines in some areas has been the influx of dairy heifers into the herd. Producers, due to economics, have focused on milk production per cow over this past year and prompted by good cull cow prices and a large replacement heifer supply, have replaced much of the dairy herd with younger better producing heifers and cows. Cream supplies have become very tight. Available weekend supplies were quickly transacted and beyond Monday, nearly all supplies were committed. Some plants with excess loads are holding over cream to ensure next week's contracts are covered. Other plants anticipate next week's supplies will be inadequate to cover needs and orders will need to be shorted. Multiples ranged from 150-160 and could have gone higher, if supplies were available. Cream demand is very good with Class II returning to full production schedules after the holiday week. Condensed skim sales were active, prompted by the increased Class II demand. Promotions in Florida are prompting increased retail sales of ice cream and yogurt. Drying schedules have been reduced following decreases in milk production. The drying schedule reductions are allowing for increased production of high heat nonfat dry milk.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.6296-2.8049
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.3667-2.8751

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.36 - 1.40
NORTHEAST - CLASS III - SPOT PRICES	-	1.00 - 1.08

M I D W E S T

Class I movement remains in the usual summer slump though it seems at least a few retailers are only featuring reduced fat milk, not whole milk, as a way to reduce cream purchase. It may also be easier than possibly adding cream to milk to make the whole milk standard. Cream remains very tight and expensive. Butterfat levels in incoming milk supplies continue to decline and are likely further below the levels of recent years, possibly related to the wet, immature 2009 corn crop. Rather than churning at current butter/cream prices, some butter makers continue to sell cream to other users, often ice cream. At least one churn is working to churn a little heavier soon to have the inventory needed for fall. Some cheese operations are also examining whether separating cream makes more financial sense compared to adding condensed skim or NDM to bolster protein levels and increase cheese yields (mainly of low fat varieties. Manufacturing milk interest has improved as milk volumes

decline at least seasonally and cheese prices firm. Instead of discounts on surplus milk, more premiums are being paid, reportedly from fractionally above upwards of +\$3.00 above class. Elevated summer temperatures, some with humidity, have blanketed the region. Milk intakes are all lower though results vary, generally the hottest areas longest have declined the most, if heat abatement equipment is not available to cool cows. Crop conditions vary by location and depend on rainfall amounts and terrain with many low areas rather sickly in appearance due to flooding with others dry. In Wisconsin, winter wheat harvest is underway.

W E S T

The August 2010 Class 1 prices in CALIFORNIA range from \$17.33 in the north to \$17.60 in the south. The statewide average Class 1 price based on production is \$17.35. The average is \$0.18 higher than July 2010 and \$5.62 more than August 2009. CALIFORNIA milk output has been impacted by hot weather conditions over most of the southern region and Central Valley. The hot conditions over an extended period are having a cumulative effect on the cows. In addition to volumes being reduced, the fat and protein levels are dropping, which, in turn, are affecting yields on finished dairy products. Processing plants are running on reduced schedules. ARIZONA milk production is moving lower to sharply lower as heat and humidity have a bigger impact as the "monsoon season" is entered. Temperatures above 115 degrees and humidity over 35% are common and just plain uncomfortable for dairy animals. Heat abatement measures are in full force, yet are less effective at the higher humidity levels. Increasing nighttime lows are also impacting cows. There are only limited issues noted at the processor level. Some scheduled downtime is not affecting milk handling. Retail fluid milk sales are steady to higher with some featuring around \$1.69 per gallon stimulating demand during a normal lull. NEW MEXICO milk production is trending seasonally lower and slightly impacted by hotter weather conditions. Milk components are lower on incoming milk and that is affecting yields. Bottled milk demand is steady to higher with some accounts taking additional milk. Plants are generally running as expected. CREAM markets are firming with increases in butter prices, basing points, and multiples. Demand remains good for current offerings. Supplies have tightened and mainly attributed to the declines in milk production and milkfat levels in the milk. The combination is creating lower fat volumes to fill all needs. CME Group butter price closed at \$1.7750 on Wednesday, July 14, up 2.5 cents from a week ago. Multiples range from 135-165 and vary based on class usage and basing point. There is talk that some trades may occasionally be higher. Milk supplies in the PACIFIC NORTHWEST remain seasonally steady. Manufacturing facilities in the region are able to handle current milk supplies locally. Some reports of lower milk solids are hampering yield of products. Temperatures are warming up along the coastal areas, yet are still in a comfortable range for dairy production. Hay supplies are being replenished and prices are reported to be steady to firm. Good quality dairy hay is bringing around \$160/ton. Replacement heifer prices at auction in Washington were reported steady with supreme quality heifers at \$1350-\$1425. UTAH and IDAHO temperatures reached into the 90's this week. Cooler nights have helped to keep milk production levels up, although yields for milk solids are lower. Manufacturing plants are easily handling available supplies. Forage prices are steady with good quality dairy hay available, while high quality hay is still scarce. Dairy farmers continue to shop for best prices and in many cases are buying on an as needed basis. Auction prices for replacement dairy heifers were reported higher recently. One Idaho auction had a top of \$1510 and the top 50 average at \$1340.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: The Central nonfat dry milk market is unsettled. Buyers are checking prices with suppliers, but finding reasons to sit out of the market. Spot market activity is light. Production of nonfat dry milk is steady to lower at some locations. Demand for condensed skim milk from both Class II and Class III end users is reported as both lower and higher this week. Some buyers are actively cobbling together deals for increased weekly condensed skim loads to cover more dairy nonfat solids needs from now until the end of the year while others are planning to switch to use of nonfat dry milk from condensed skim. Manufacturers note that both farm milk intakes and milk component values are seasonally lower and some NDM manufacturers indicate NDM production year to date and current holdings are lower than anticipated. There remains a small window of opportunity to rebuild those inventories to meet 2010 NDM contract demands before fluid needs take precedence over NDM production. With those circumstances in mind, some manufacturers are less apt to compete on a price basis to secure spot sales and are content to build inventory.

EAST: Nonfat dry milk prices are steady to fractionally lower, following the holiday week. The combination of Class II production increases and milk production declines have resulted in reduced manufacturing milk supplies. Reduced manufacturing milk supplies have the effect of lowering overall nonfat milk production, but allows for increased production of high heat nonfat dry milk. Manufacturers with limited warehouse capacities have prompted to sell product, with some sales at reduced price levels, as inventories have been building over recent weeks. Those manufacturers with greater storage capacities have been more resistant to recent price declines, feeling milk production declines and steady pulls through contracts will balance inventories and put them in a better pricing position. Demand is steady to slightly increasing as Class II production has resumed full schedules following the holiday. The market remains unsettled with some brokers and prospective buyers waiting for a clearer pricing picture prior to making marketing decisions.

The Foreign Agricultural Service reports that cumulative 2010 through May exports of nonfat dry milk under Schedule B code 0402100000 total 267.3 million pounds, about a 37% increase compared to the same time span of 2009. Total exports for January – May 2010, and percent change in amounts exported compared to 2009 are: Mexico, 65.6 million pounds (-23%), Philippines, 42.7 million pounds (+96%), Indonesia, 39.5 million pounds (+84%) and Vietnam, 15.2 million pounds (+54%). These countries account for 61.0% of the total nonfat dry milk exports.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1600 - 1.3200 MOSTLY: 1.2100 - 1.3000
 HIGH HEAT: 1.3200 - 1.4300

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are mixed in light trading. The market tone remains weak. Some of the mixed signals in the marketplace is that a couple pricing indices moved higher as they reported the pricing and volumes sold during their reporting periods for prior negotiated prices. The current trend remains weak with heavier producer holdings and soft domestic and international interest. NDM continues to be offered from resale sources at lower prices. Older powder is also being offered. Buyers are reluctant to make purchases at current levels, especially to hold. Many end users have stocks for their needs and are not looking for coverage.

Interest into cheese accounts remains slow. Export interest is light and has become more price sensitive. Milk supplies are available and limit the need to standardize/fortify. Regional NDM production is trending lower as a result of decreased milk intake and lower solids content of incoming milk. Some producers would like to sell more condensed skim, but they are not finding many buyers that are able or willing to expand usage. High heat nonfat dry milk prices are trending lower. Supplies are generally tight at the producer level and the countering demand is on the light side for anything spot offered. Loads are moving on a timelier basis as the market situation has allowed supplies to come into better balance. Drying activity for high heat remains sporadic and is dependent on a variety of factors relating to milk intakes and dryer times available. FAS export data for NDM/SMP show May 2010 exports at 88.4 million pounds, up 98% from May 2009. January-May 2010 exports total 267.3 million pounds, up 37% from the same period in 2009.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1000 - 1.3200 MOSTLY: 1.1800 - 1.2450
 HIGH HEAT: 1.2650 - 1.3975

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged for the week. Although interest in cream is rebounding within some product categories, a few plants are foregoing cream sales. These plants are churning butter and drying the buttermilk for near and midterm contract fulfillment on both products. Dry buttermilk inventories are mostly adequate for meeting contracts, but spot market offers are reportedly difficult to locate. Some price resistance is emerging.

EAST: Dry buttermilk prices in the East are steady with very tight supplies and limited spot market activity. Class II plants have resumed full production schedules following the holiday week and as a result cream supplies have become very tight. Churns are running on reduced schedules and in nearly all cases, only making butter for current orders. This situation has significantly reduced buttermilk and dry buttermilk production, further tightening supplies on an already tight market. Demand has somewhat weakened as those users seeking dry buttermilk powder have all but given up securing supplies on the spot market and have opted to use substitute products.

F.O.B. CENTRAL/EAST: 1.2800 - 1.4500

DRY BUTTERMILK - WEST

Western dry buttermilk prices are trending slightly lower. The market tone is steady to weaker. Market activity remains light with the majority of loads moving under contract and/or filling past orders. There are few loads being offered on the spot market. Current production levels are often lighter with butter output slower and more condensed buttermilk moving away from the dryer.

F.O.B. WEST: 1.2400 - 1.3200 MOSTLY: 1.2700 - 1.3000

CONTINUED ON PAGE 5A

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.

CONTINUED FROM PAGE 5

DRY WHOLE MILK - NATIONAL

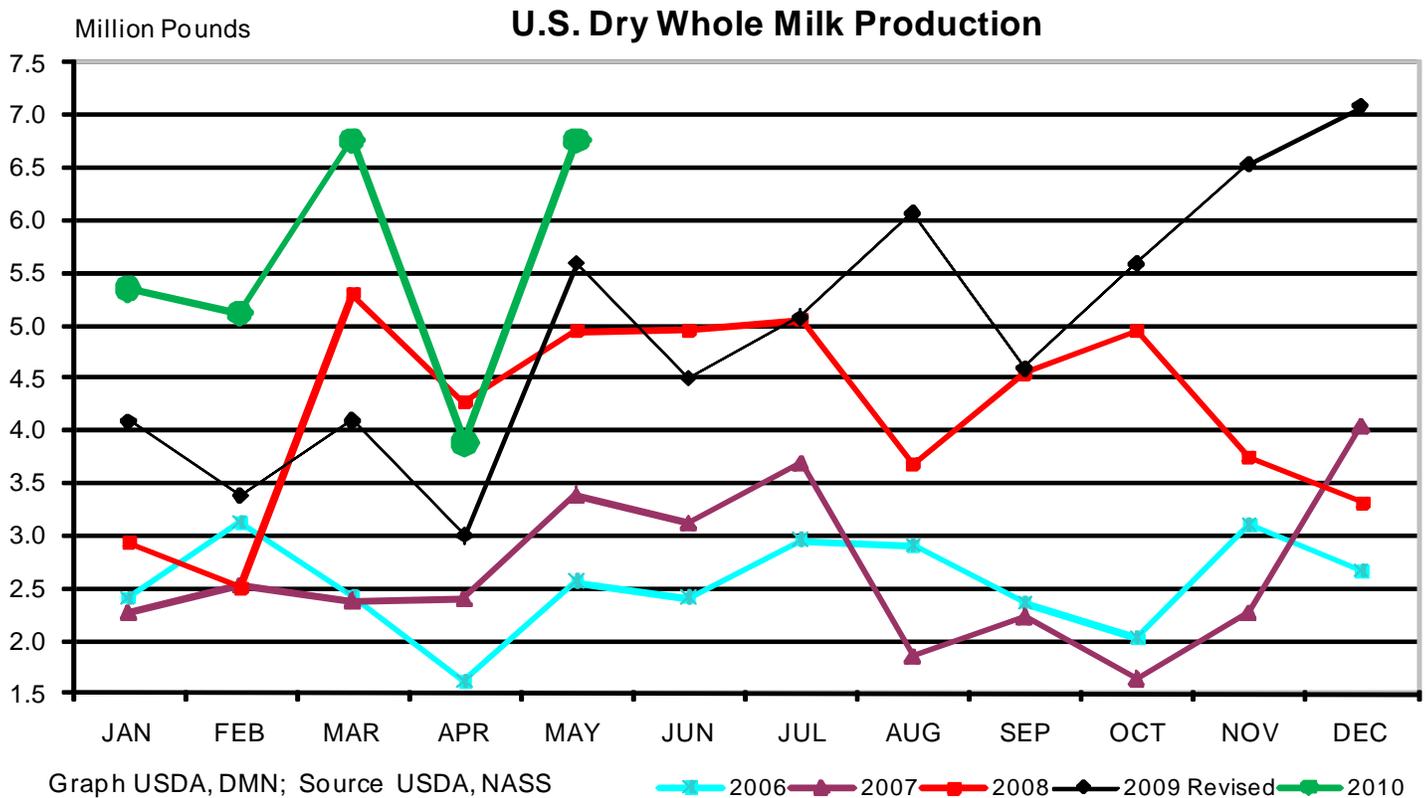
Dry whole milk pricing is unchanged and the spot is largely untested as product availability remains tight. Dryer schedules are providing more opportunities for dry whole milk production as farm milk intakes decline seasonally, but cream is in demand in many locations, and plant managers are generally finding meeting current cream demand outweighs speculative dry whole milk production. Most production is still geared toward contract fulfillment. Foreign Agricultural Service reports that cumulative 2010 through May exports of dry whole milk and cream under Schedule B code 0402210000 more than doubled compared to the same time period in 2009 and total about 37.3 million pounds. May 2010 exports total 9.6 million pounds, almost 3 times the amount exported in May 2009. Vietnam (15.3 million pounds) is the top destination for dry whole milk and cream exports in 2010, accounting for 41% of the total dry whole milk and cream exports thus far.

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

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 9	\$1.2330	6,648,757	0
July 2	\$1.2765	8,083,373	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

Prices are steady for Central dry whey. Producers indicate product is moving readily with minimal push back from contract buyers. Cheese production at several facilities is steady to higher in response to improved volumes on cheese sales as buyers try to stave off higher prices on new cheese orders. Dry whey production is correspondingly higher. Dry whey inventories range from tight to comfortable with some leeway for offering spot loads to the market. Foreign Agricultural Service reports that cumulative 2010 through May exports of dried whey under Schedule B code 0404104000 totaled 228.7 million pounds, about a 23% increase compared to the same time span of 2009. The three largest 2010 U.S. export markets for dried whey, total exports for the year, and percent change in amounts exported compared to the same 2009 timeframe: China, 48.9 million pounds (+11%); Mexico, 25.2 million pounds (+56%); and Japan, 23.6 million pounds (+11%). Exports to those three countries account for about 43% of all U.S. dried whey exported during the first five months of 2010.

F.O.B. CENTRAL: .3100 - .3650 MOSTLY: .3250 - .3600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2425 - .3000

DRY WHEY - NORTHEAST

Prices for dry whey in the Northeast were steady to fractionally lower coming off the holiday week. Dry whey production is steady following active production schedules for mozzarella cheese. Domestic demand is good as Class II production has increased, resulting in additional volumes of whey being pulled through contracts. The spot market is also fairly active. Export interest remains, but at a lower level due to the continued strength of the U.S. dollar. Whey supplies in the Northeast are rather tight and those seeking additional loads have to look to the Central region where supplies are somewhat more readily available. The latest Foreign Agricultural Statistics report shows 228.7 million pounds dry whey were exported from the United States during January-May 2010, up 23% from January-May 2009. Leading world regional destinations, amounts shipped, and year to year percentage changes in amounts shipped are as follows: East Asia, 89.0 million pounds (+7%); Southeast Asia, 70.3 million pounds (+45%); and North America, 43.0 million pounds (+20%). These three regions comprised 88.5% of the total exports for January-May 2010.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3525 - .3825

DRY WHEY - WEST

Western whey prices are steady to occasionally lower. Prices on the range were marginally lower, while the mostly series was steady. Whey production levels are steady to lower as milk supplies begin to show seasonal reductions. Milk solid yields are trending lower. Supplies are adequate for needs and most producers report comfortable inventories. Export sales are absorbing any excess supplies, although buyers are looking for discounted pricing. According to the Foreign Agricultural Service, exports of whey for January-May total 228.7 million pounds, up 23% from January-May 2009. The exports account for 52.3% of the total whey production in the U.S. for January-May. The top five export destinations, their volumes and change from last year are as follows: China 48.9 million pounds, +12%; Mexico 25.2 million pounds, +56%; Japan 23.6 million pounds, +8%; Canada 17.8 million pounds, -9%; and Vietnam 16.4 million pounds, +47%. These five countries accounted for 132 million pounds or 57.7% of the exports for January-May.

NONHYGROSCOPIC: .3425 - .4100 MOSTLY: .3650 - .4075

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% markets are mixed. Interest for edible product is mostly steady to higher from human food manufacturers. Some producers of higher protein product have switched to dry whey production due to complications with drying products during bouts of high humidity and temperatures. This is curtailing supplies of higher protein product in some regions and pushing a small portion of that demand to the WPC 34% market. Some push back on WPC 34% contract loads destined for the edible market are noted, but most market participants indicate those loads are finding adequate interest. Animal feed manufacturers continue to access downgraded NDM and WPC 34% stocks, which is tamping down interest for edible WPC 34% from that segment of the market. Foreign Agricultural Service reports that cumulative 2010 exports through May of WPC 34% under Schedule B code 0404100500 totaled 125.4 million pounds, a 72% increase compared to the same time span in 2009. Exports to China (48.6 million pounds), Mexico (34.8 million pounds) and Canada (15.4 million pounds) accounted for 79% of all the WPC 34% exported thus far.

F.O.B. EXTRA GRADE 34% PROTEIN: .8800 - 1.0075 MOSTLY: .9200 - .9650

LACTOSE - CENTRAL AND WEST

Aggressive spot prices emerged this week from some lactose manufacturers, which cleared product readily. Market participants indicate increasing stocks of other dairy products with carbohydrate content are placing some pressure on the coarse mesh size lactose market. The low end of the range price series decreased this week, reflecting spot sale prices. Lactose inventories are variable. Foreign Agricultural Service reports that 2010 lactose exports through May under Schedule B code 1702110000, anhydrous, >99% solids, total 124.5 million pounds, about a 22% increase compared to exports of the same time span in 2009. Exports for May 2010 total 30.1 million pounds, the highest monthly export total for 2010. The three largest 2010 U.S. export markets for lactose, total exports for 2010, and percent change in amounts exported compared to 2009 are: Japan, 16.2 million pounds (+10%); Mexico, 15.4 million pounds (+52%); and China, 12.8 million pounds (-58%). Exports to those three countries account for about 36% of all U.S. anhydrous lactose exported during 2010.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2000-.3900 MOSTLY: .3000-.3550

CASEIN - NATIONAL

Casein markets and prices remain firm. Casein production in Europe is somewhat heavier as milk is more available to some operations. Until and through peak milk production, cheese production was pulling significant volumes of milk, but now this output has eased and milk is more available for other manufactured dairy products, including casein, thus most casein producers will take full advantage of milk volumes available to them. Casein stocks in Europe are lighter than desired, but for the most part, suppliers remain optimistic about having sufficient casein stocks for customer needs. The Oceania supply situation is declining as stocks from the 2009 - 2010 season are cleared. Some Oceania suppliers are stating that end of season commitments may be challenging to fulfill of which they may need to reach into new season production to complete those commitments.

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: 3.9000 - 4.3000
ACID: 3.9000 - 4.2500

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JULY 12 - 16, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 07/09/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	132,276	275,189,756	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	275,189,756	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 12 - 16, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.5	25.5
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	161.7	3,203.8
CUMULATIVE JAN. 1 - JUL. 16, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.5	1,870.2

* 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 JULY 12 - 16, 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	275,189,756	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	275,189,756	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 06/26/10 & Comparable Week 2008

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2010-Dairy	N.A.	0.6	6.6	2.3	17.6	3.0	0.3	N.A.	13.0	2.7	47.4	1,384.5	40.3	43.9
2009-Dairy	N.A.	0.6	6.5	3.1	14.1	5.2	0.4	N.A.	19.0	5.0	55.7	1,459.4	50.0	48.3
2010-All cows	N.A.	0.6	8.3	13.4	30.4	22.0	12.8	N.A.	19.6	6.8	117.6	3,154.7		
2009-All cows	N.A.	0.7	8.2	13.2	25.4	18.6	12.2	N.A.	22.1	7.6	111.3	3,024.0		

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
JULY 3	147	6,999	

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	15.66					
II	15.22	15.65	14.46	13.78	14.90	16.01						
III	14.50	14.28	12.78	12.92	13.38	13.62						
IV	13.85	12.90	12.92	13.73	15.29	15.45						

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

ORGANIC DAIRY MARKET NEWS

Information gathered July 5 - 16, 2010

ORGANIC DAIRY FLUID OVERVIEW

AMS reports Organic Whole Milk sales for May 2010 up 16.5% compared with May 2009 and up 8.5% year-to-date compared with 1 year ago. May sales were 34 million pounds and year to date sales through May were 164 million pounds.

Organic Fat-Reduced Milk sales for May 2010 are up 9.5% compared with May 2009 and up 5.0% year-to-date compared with 1 year ago. May sales were 106 million pounds and year-to-date sales through May were 527 million pounds.

Total Organic Milk Products sales for May 2010 are up 11.1% from May last year and up 5.9% year to date compared with last year. This contrasts with a 0.7% decline for Total Fluid Milk Products (which includes non-organic and organic) compared with May 2009 and a 1.1% decline year to date compared with the same period in 2009. Total Fluid Milk Products data is adjusted for calendar year composition.

The overall sales strength of organic milk in 2010 while obviously welcome, exists within the context of regional imbalances between production and consumption, according to several organic processors. Historically, some organic milk has generally moved from Western states, East. An unresolved but continuing topic of discussion is why this occurs.

Of the top four organic milk producing states by sales quantity, identified in the NASS 2010 Organic Survey, three are Western states (California, Texas and Oregon); with Wisconsin the only non-Western state. The three Western states combined produced 1,047.1 million pounds of milk compared with Wisconsin's 329 million pounds. The fifth through seventh highest ranked states, New York, Vermont and Pennsylvania combined, sold 518.2 million pounds.

Thus, Wisconsin and the top three East Coast states still lag the three top Western states in sales quantity. More potential consumers are in the Eastern and Midwestern states than the three Western states but more milk is produced in the West. This is the factual underpinning of the analysis by some processors of regional imbalances in organic milk.

A result is that even as sales increase at rates exceeding non-organic milk, certain areas of the country continue to struggle with organic milk which is challenged to find local organic markets while in other areas, organic milk supplies are tight. A California processor this week noted that there is more organic milk than outlets, which results in some production generating pay to organic farmers at non-organic prices. Yet, within the last month, a national processor announced that it is increasing its supply quota to get producers from 93% to 100% of their active base. In other areas, processors are recruiting new organic farmers.

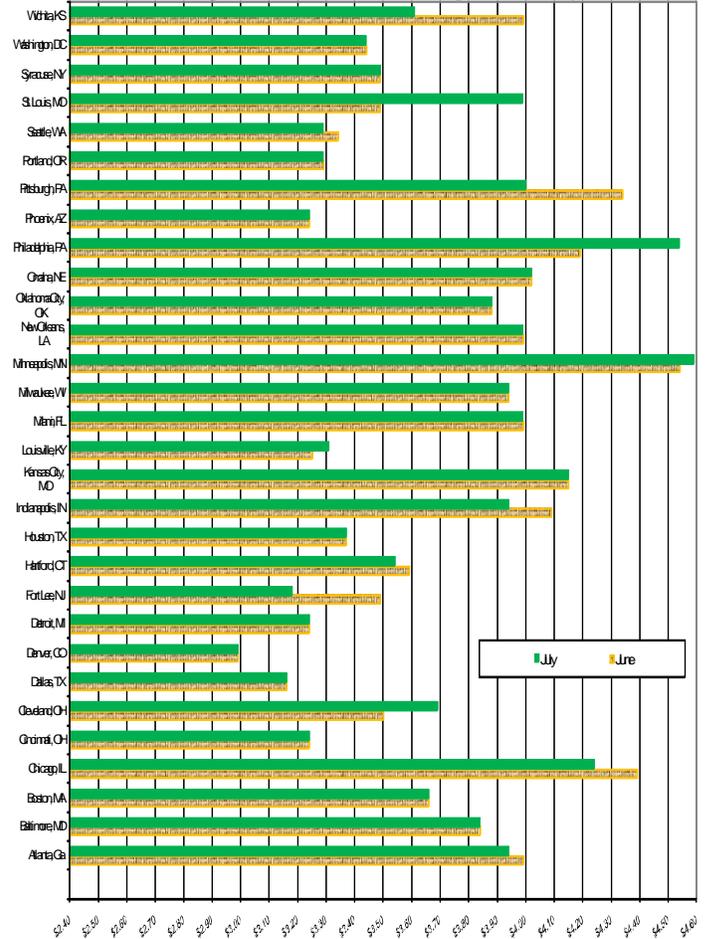
ORGANIC DAIRY RETAIL OVERVIEW

ONE MONTH RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

Comparing retail half gallon organic reduced fat (2%) milk prices in the 30 City Series for June and July 2010 reveals increases in 5 cities, decreases in 8 cities, and the same prices in 17 cities. St. Louis had the largest increase, 50 cents, rising to \$3.99. In contrast, for the first six months of 2010, St. Louis fell most, 50 cents to \$3.49. Wichita fell the most from June to July, to \$3.61, a 38 cent decrease. The highest price in July was Minneapolis, \$4.59, up 5 cents from June. Denver had the lowest price in July, \$2.99, unchanged from June. The July average across all 30 cities is \$3.69, one cent lower than in June. The median price for July is \$3.68, with half of the cities having an average price above and half below the median.

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

Half Gallon Organic 2% Milk Price Change June - July 2010



NATIONALLY ADVERTISED PRICE COMPARISON:

Milk dominates organic dairy advertising for this two week period. Yogurt, a strong factor for several months, fell well behind.

Newspaper supermarket ads for the period July 3, 2010 to July 16, 2010 identifying weekly "specials" and containing organic dairy content, increased to 4,236 of 9,150 surveyed ads from stores in each of the lower 48 states, the highest level since January. This is a 62% increase from 2,614 organic dairy ads two weeks ago. Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

The most significant change for this report is a significant presence for both ads for half gallons of a national brand as well as private label brands sharing ad space, in contrast with the last two reports, when one or the other alternated clearly dominating.

Regional Organic Dairy Ad Trends – Current Period. Organic dairy content in Northeast and Southwest weekly supermarket ads lead all regions. This represents a change from two, four, six, eight and ten weeks ago, when Midwest ads joined Northeast ads in leading the regions. The ascent of ads in the Southwest was driven by milk ads, both half gallons and gallons in contrast with a steep decline in milk ads in the Midwest. Overall, the Northeast had 28.3% of surveyed organic dairy ads and the Southwest 27.2%.

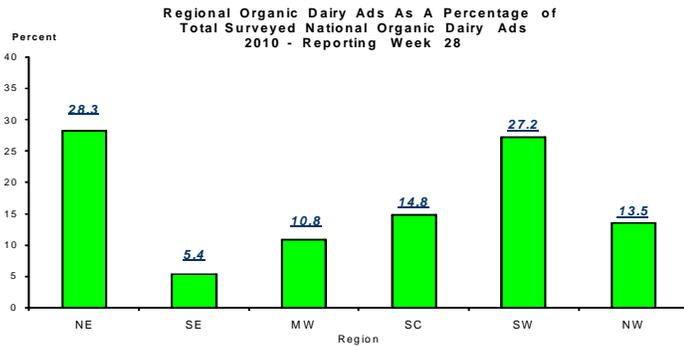
Organic dairy ad percentages for other regions are: South Central, 14.8%; Northwest, 13.5%; Midwest, 10.8; and Southeast, 5.4%.

CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered July 5 - 16, 2010

CONTINUED FROM PAGE 8



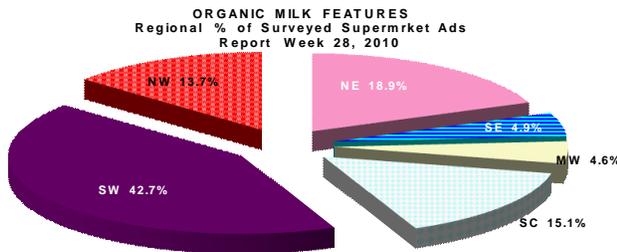
Product Emphasis. Individual store ads may contain more than one type of organic dairy featured item, or multiple brands of the same item and size. Thus, numbers shown below for product emphasis exceed total organic ad numbers.

Ads now clearly reflect a substantial emphasis for fluid organic milk. During the last several months organic yogurt ads were more with organic milk ads – sometimes in greater numbers than milk. That is decisively not the case now. Organic milk leads with 4,164 ad placements compared with 875 for organic yogurt.

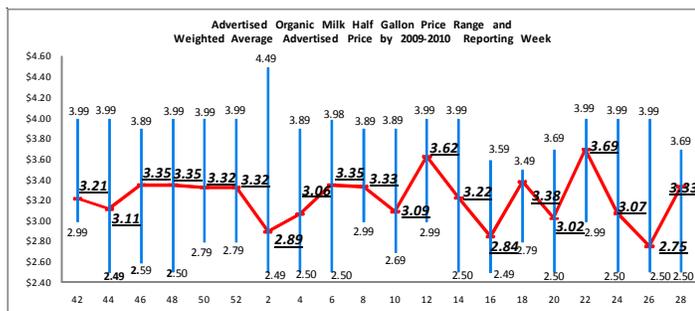
Organic milk ad placements benefitted from a significant increase in ad placements for gallons compared with two weeks ago, as well as an increase in half gallons. There were 1,868 ad placements for half gallons, 1,670 for gallons, 394 for 3 quart containers and 212 for 8 ounce organic milk.

Organic yogurt placements for 4 ounce containers (mostly “baby” yogurt) numbered 445, pulling ahead of 6 ounce containers, 234 and 32 ounce, 196.

Organic milk ads appeared in all regions. The highest concentration of milk ads, 42.7%, appeared in the Southwest, the same region which led two weeks ago. Relatively close with each other were the Northeast, 18.9%; South Central Region, 15.1%; and Northwest, 13.7%. The other regions’ current percentages of total national placements are: Southeast, 4.9%; and Midwest, 4.6%.



Half Gallons. The national weighted average advertised price for half gallons of organic milk increased to \$3.33, 58 cents higher than two weeks ago. Because the bottom of the range remained unchanged at \$2.50 while the top declined 30 cents to \$3.69, the higher weighted average advertised price represents an increase in advertised prices higher in the range.

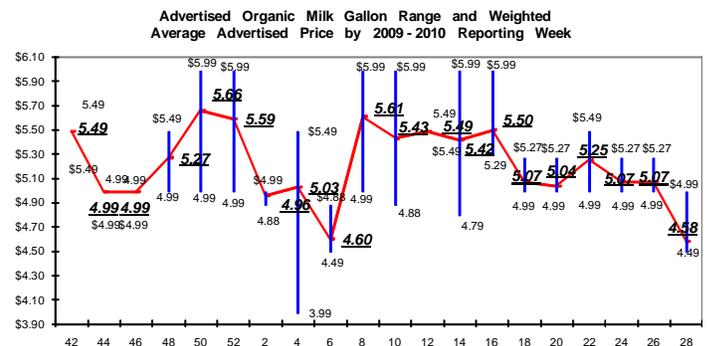


The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

HALF GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE
NE	21.3	3.69
SE	8.5	3.38
MW	10.3	3.12
SC	2.3	3.49
SW	42.6	3.22
NW	15.1	3.21

Gallons. The national weighted average advertised price for organic milk gallons declined 49 cents to \$4.58. The top of the price range declined 28 cents to \$4.99, which two weeks ago was the bottom of the range. This report’s bottom is \$4.49, a decline of 50 cents. Three of six regions had a regional weighted average advertised price of \$4.49, illustrating the concentration of organic gallon ads near the bottom of the range.

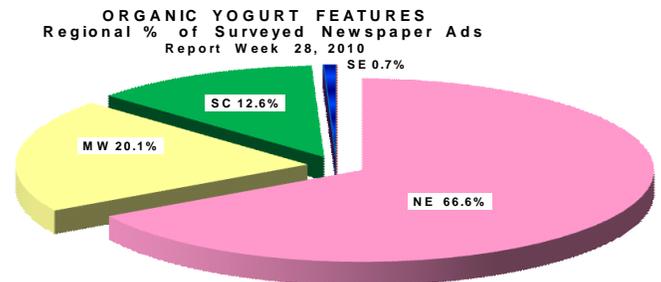


The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE
NE	17.5	4.83
MW	0.0	—
SE	2.7	4.49
SC	22.3	4.63
SW	40.2	4.49
NW	17.4	4.49

Yogurt. The Northeast significantly lead all regions in yogurt ad placements; 66.6%. Yogurt placements in other regions as a percentage of total placements nationally include the Midwest, the leader two weeks ago, 20.1% this report; South Central Region, 12.6%; and Southeast, 0.7%. No ads for organic yogurt appeared in the Southwest or Northwest.



Weighted national average advertised organic yogurt prices in 6 ounce containers remained unchanged at 72 cents. The bottom of the range also remained unchanged, at 69 cents while the top increased 5 cents to \$0.80.

CONTINUED ON PAGE 8-B

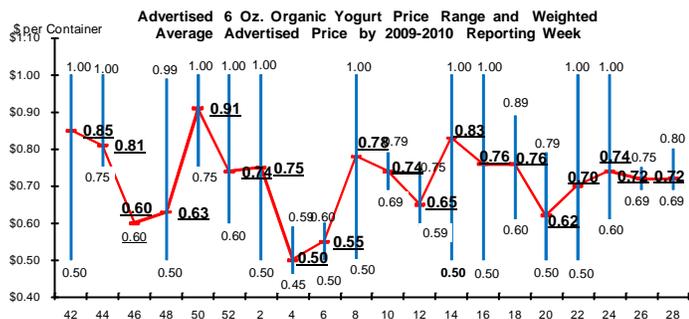
ORGANIC DAIRY MARKET NEWS

Information gathered July 5 - 16, 2010

CONTINUED FROM PAGE 8-A

A table summarizing the survey results appears below.

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE REPORTING WEEK 28



Other organic yogurt ads included 445 ads for 4 ounce yogurt in both the Northeast and Southeast, ranging from \$0.62 to \$0.50 and 196 ads for 32 ounce containers of organic yogurt, all in the Northeast for \$3.79.

The following table shows the percentage of national 6 ounce yogurt ads by region and the regional weighted average advertised price.

6 OUNCE ORGANIC YOGURT ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADV. PRICE
MW 75.2	0.69
SW 0.0	—
NE 24.8	0.80
SE 0.0	—
SC 0.0	—
NW 0.0	—

Cottage Cheese. All 394 cottage cheese ads were in the Northeast and priced at \$3.69.

No ads appeared for cheese, half and half, sour cream, cream cheese, butter or ice cream.

SUPERMARKET PRICE COMPARISON:

Madison Wisconsin Prices. Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are presented for this two week period.

Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big-box chain store also selling food; and a large local cooperative grocery store.

Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheesemakers.

MADISON, WI LOW HIGH RANGE (In Dollars)

GALLONS:	LOW	HIGH	RANGE
Whole	5.39	6.49	1.10
Reduced Fat (2%)	5.39	6.49	1.10
Low Fat (1%)	5.39	6.49	1.10
Nonfat (Skim)	5.39	6.49	1.10

HALF GALLONS:	LOW	HIGH	RANGE
Whole	2.99	4.39	1.40
Reduced Fat (2%)	2.99	4.39	1.40
Low Fat (1%)	2.99	4.39	1.40
Nonfat (Skim)	2.99	4.39	1.40

CHOCOLATE HALF GALLON:	3.39	4.69	1.30
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YOGURT	.50	1.29	0.79
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CHEESE – 8 OUNCE BLOCKS:	LOW	HIGH	RANGE
Mozzarella	3.70	5.69	1.99
Mild Cheddar	3.50	6.19	2.69
Monterey Jack	3.50	6.19	2.69
Pepper Jack	3.89	6.49	2.60

CHEESE – 6 OUNCE STRING	LOW	HIGH	RANGE
Mozzarella	3.89	5.09	1.20
Colby Jack	3.50	5.09	1.59

BUTTER – 1 POUND	4.79	6.49	1.70
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Gallon prices this report reflect a 20 cent decline in the top-of-range price, narrowing the range. Different national brands generated the high and low price. The high and low price for half gallons remained unchanged, with the low being for a private label and the high for a national brand. There is no consistent pattern for cheese. Some top and bottom prices changed and some ranges are greater while others are smaller. There is more movement in cheese prices than milk, yogurt or butter this week.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mostly steady on light to moderate demand and offerings. Trade was slow. In the extreme Northeast U.S., organic feed grade corn prices ranged from \$8.00 to \$8.50. Food grade hard red winter wheat prices were from \$7.25 to \$7.80 in the far western U.S. In the same region, food grade durum was \$6.75 to \$7.40. Flax meal prices were \$510 to \$565 per ton. In the Texas Panhandle, organic premium quality alfalfa, large bales, traded at \$210 per ton, delivered. Eastern organic grain and feedstuff prices were steady to weak. Cash sales for organic grains were light to moderate. Hot and drier weather across the cornbelt helped to dry previously soggy corn and soybean fields. With the winter wheat harvest nearing completion, reports were received of high levels of vomitoxin and low test weights in some areas. Upper Midwest organic grain and feedstuff prices were steady with light to moderate demand and offerings. Producers are experiencing a long dry period in many areas of the Upper Midwest, which has prompted urgent cultivation to curb further weed growth in flooded and excessively wet areas. Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews.

MAY FLUID MILK SALES

During May, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.9 percent lower than May 2009. After adjusting for calendar composition, sales in May 2010 were 0.7 percent lower than May 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 May 2009, while sales of whole milk, flavored whole milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYeartoDate>. Some data for 2009 and January-April 2010 have been revised due to changes in the information from some reporting areas.

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

Product Name	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,156	5,871	-5.5	-5.4
Flavored Whole Milk	43	229	-6.7	-4.7
Organic Whole Milk	34	164	16.5	8.5
Reduced Fat Milk (2%)	1,508	7,743	-0.1	1.1
Low Fat Milk (1%)	597	2,992	4.0	3.8
Fat-Free Milk (Skim)	669	3,387	-0.8	-0.5
Flavored Fat-Reduced Milk	361	1,837	2.3	1.7
Organic Fat-Reduced Milk	106	527	9.5	5.0
Buttermilk	38	191	-21.4	-36.0
Total Organic Milk Products	141	691	11.1	5.9
Total Fluid Milk Products 3/	4,519	22,979	-0.9	-0.9
Total Fluid Milk Products Adjusted 3/ 4/	4,579	22,991	-0.7	-1.1

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, MAY 2010, WITH COMPARISONS 1/

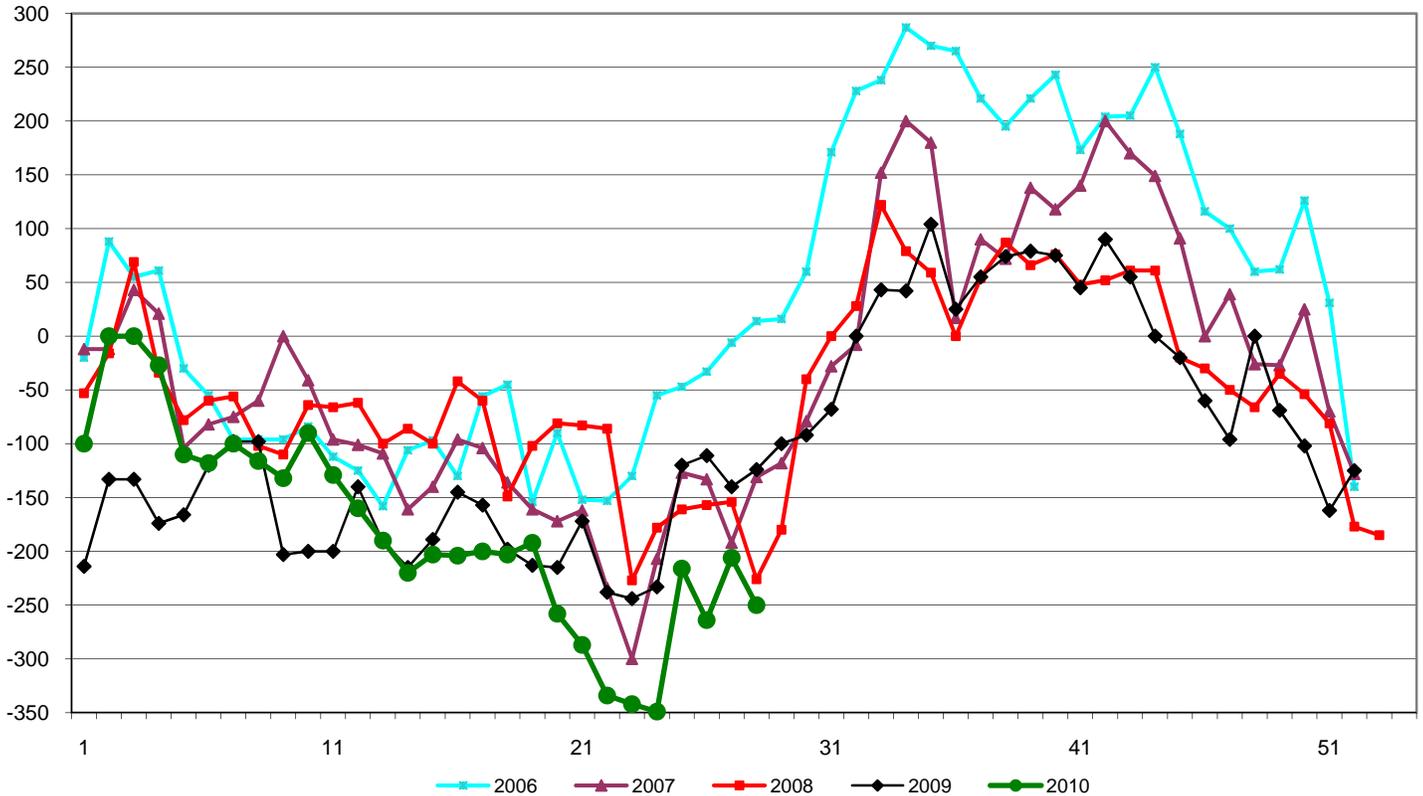
Area (Order Number)	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	779	3,892	-0.9	-1.3
Appalachian (005)	299	1,519	1.2	1.5
Southeast (007)	409	2,126	-2.9	-0.6
Florida (006)	239	1,246	0.5	-0.9
Mideast (033)	511	2,596	0.0	0.2
Upper Midwest (030)	357	1,817	0.1	-0.4
Central (032)	365	1,912	-4.5	-3.1
Southwest (126)	369	1,892	-1.6	0.4
Arizona (131)	97	501	-0.9	-0.2
Pacific Northwest (124)	187	927	2.4	1.3
California (---)	546	2,713	-1.0	-3.7

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.

TRUCKLOADS

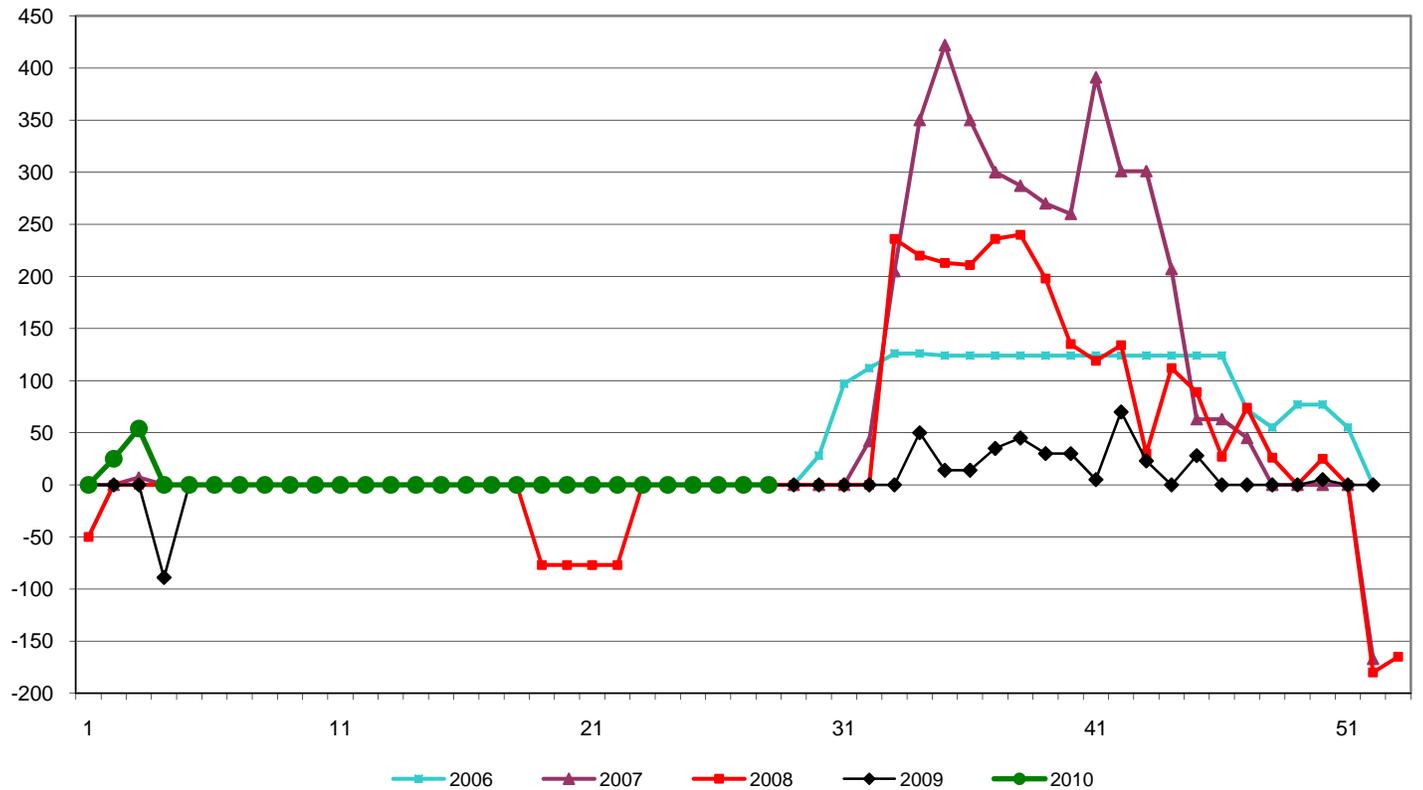
WEEKLY FLORIDA MILK SHIPMENTS



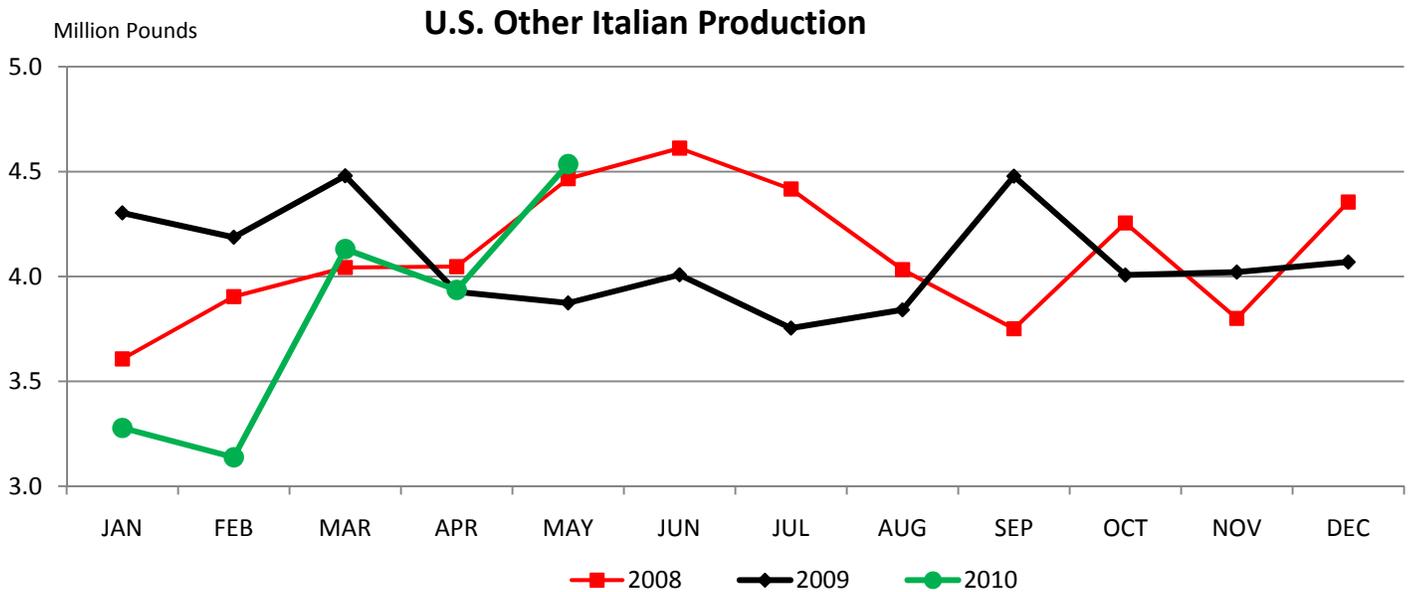
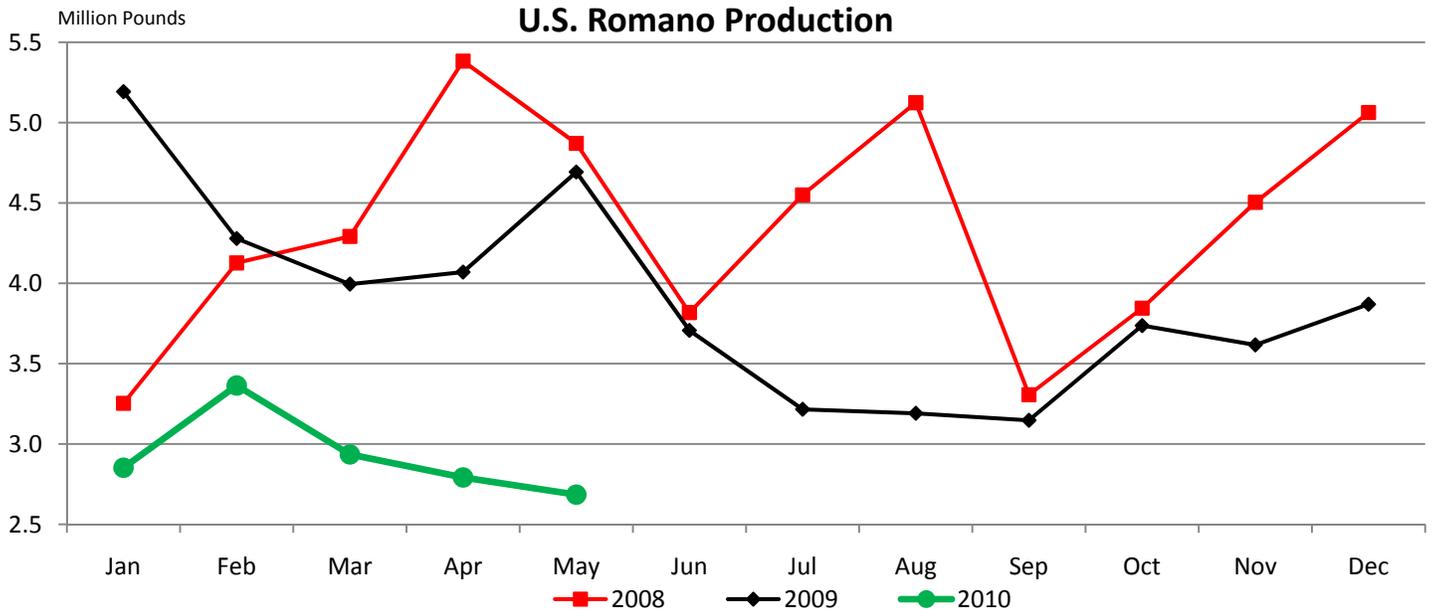
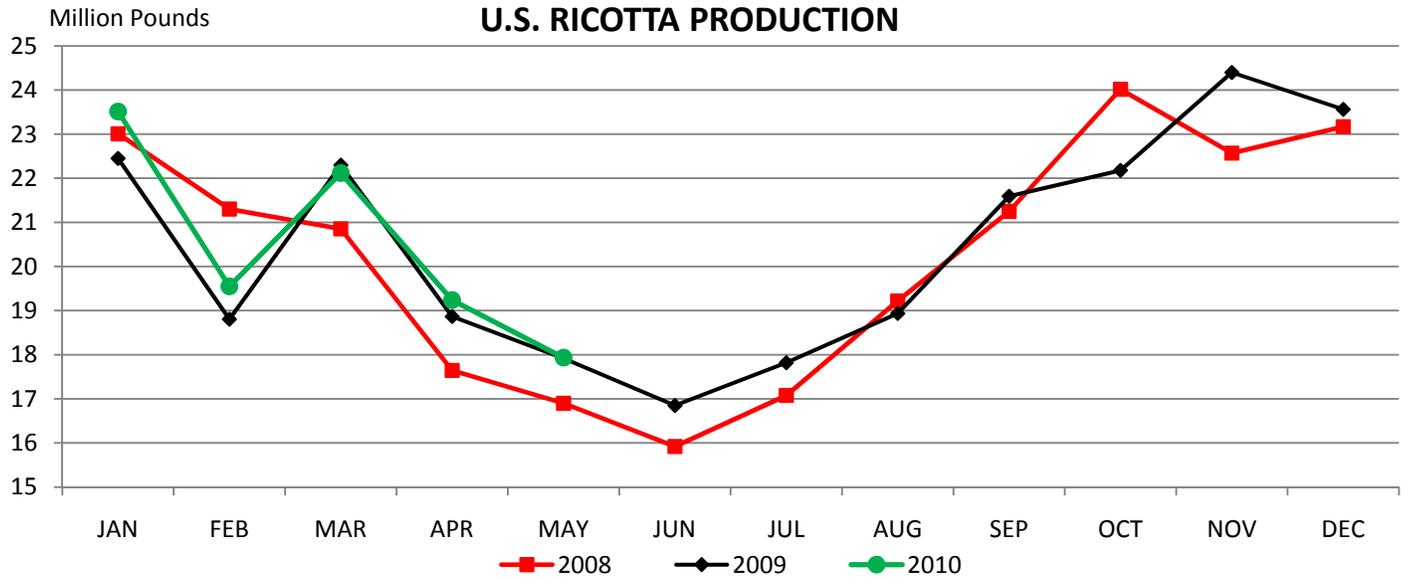
(NEGATIVE NUMBERS ARE SURPLUS EXPORTED) - GRAPH AND DATA BY DMN

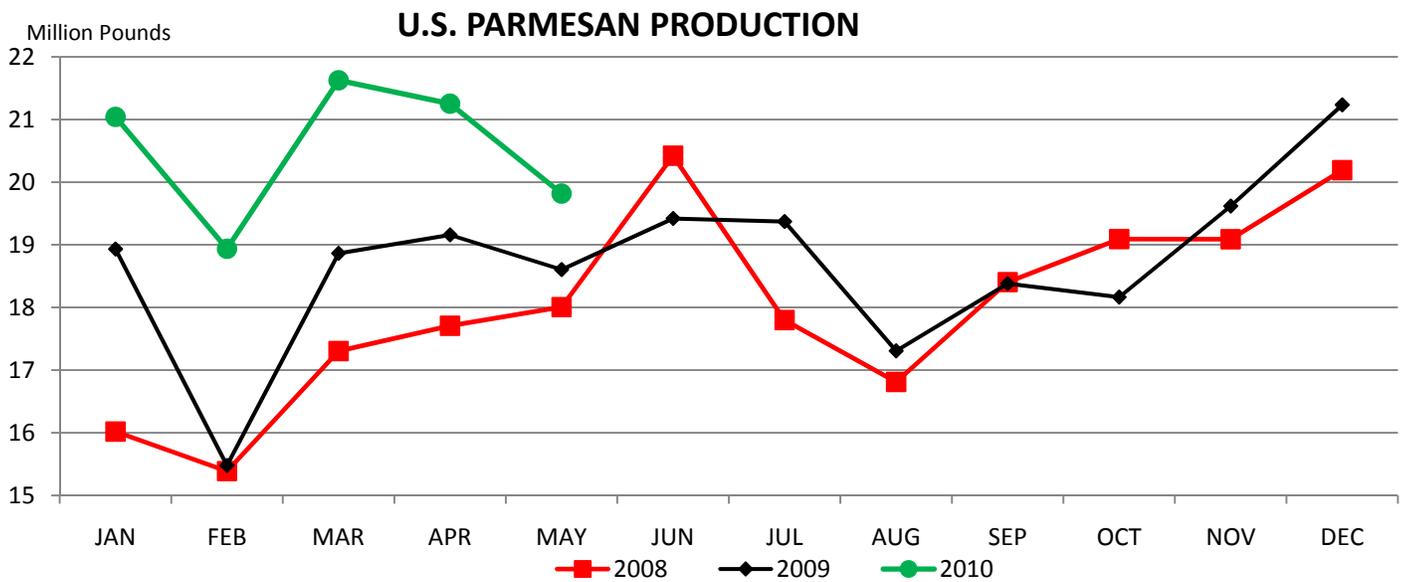
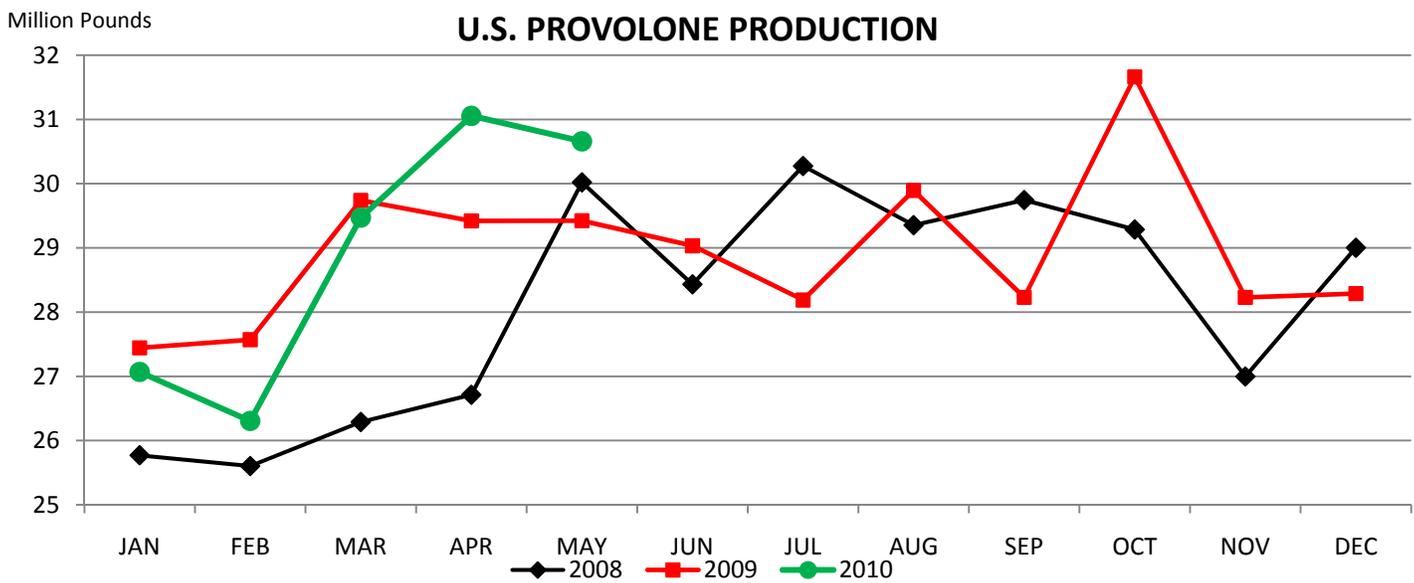
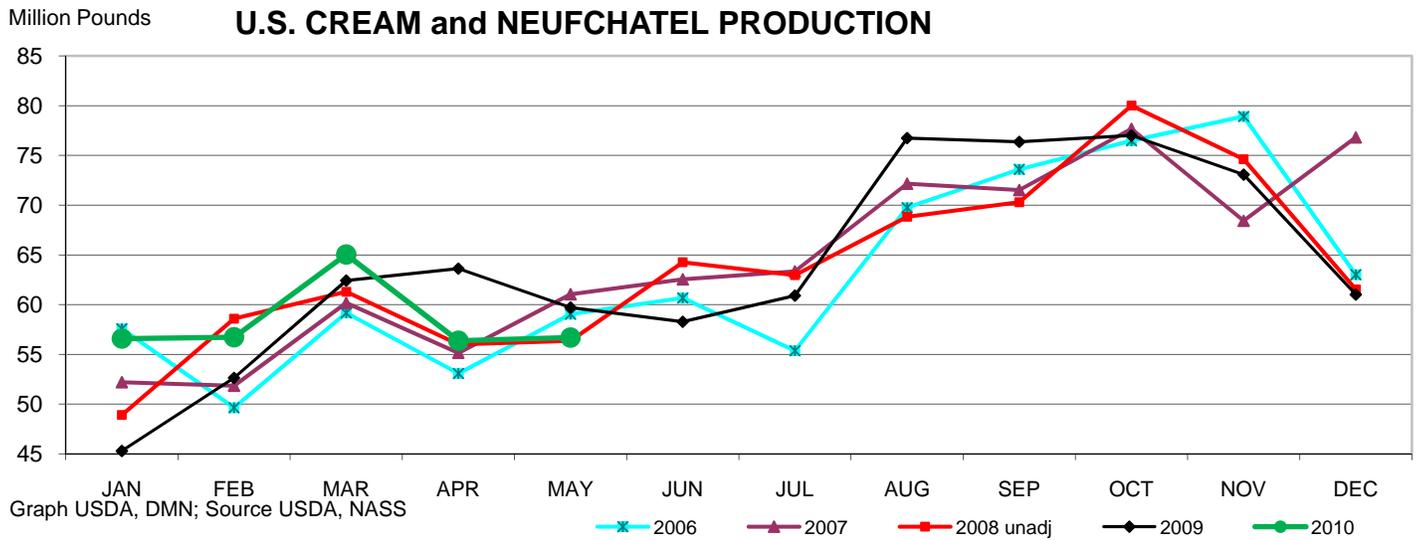
TRUCKLOADS

WEEKLY SOUTHEAST MILK SHIPMENTS DOES NOT INCLUDE FLORIDA



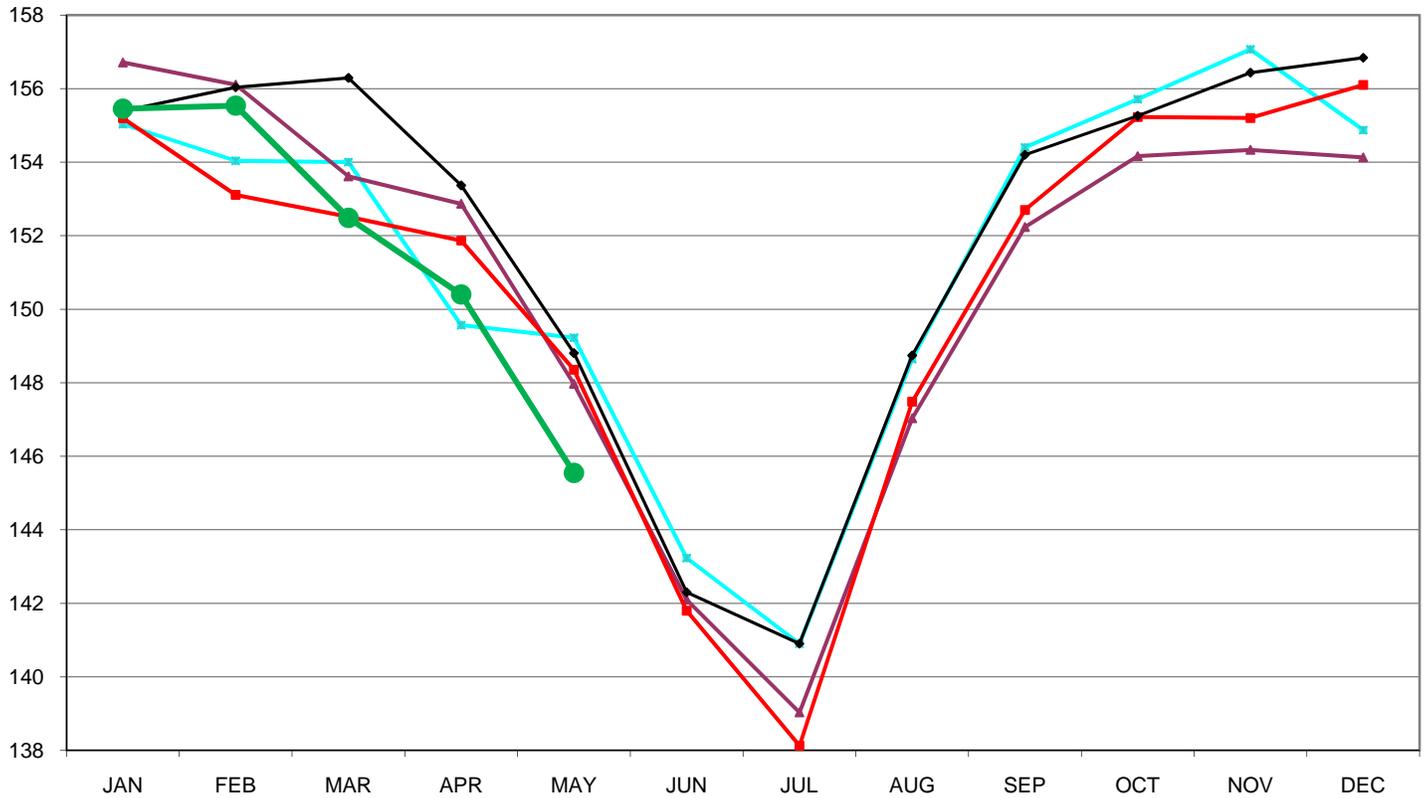
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MILLION POUNDS

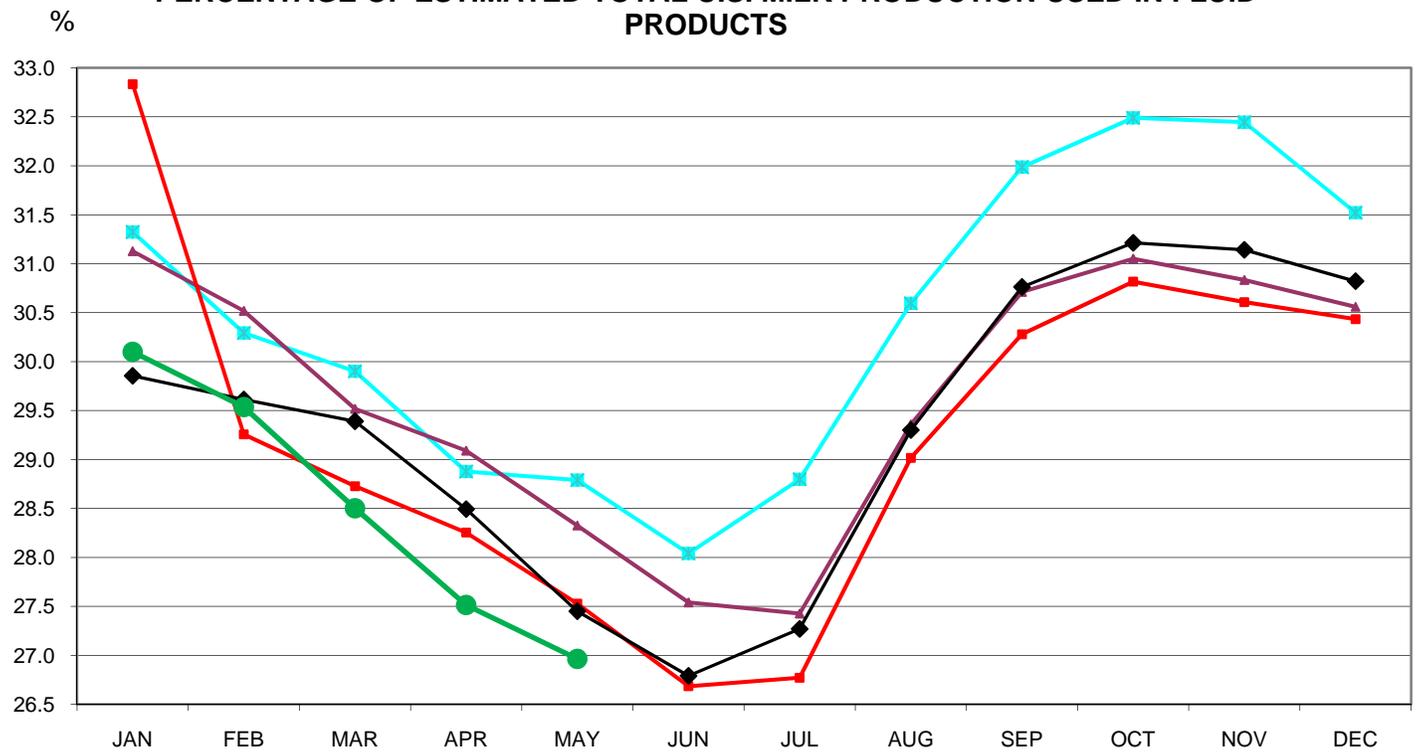
ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES



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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