

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (07/23):**

**BUTTER:** Grade AA closed at \$1.8000. The weekly average for Grade AA is \$1.7910 (+.0180).

**CHEESE:** Barrels closed at \$1.5600 and 40# blocks at \$1.6025. The weekly average for barrels is \$1.5465 (+.0265) and blocks, \$1.5970 (+.0435).

**BUTTER HIGHLIGHTS:** The CME cash butter market remains firm. Cream supplies for churning remain limited from coast to coast. Butter producers are often churning for near term or immediate needs with inventory buildup slow to occur. In many instances, butter inventories are much lower than desired for this time of the season. Firm cream pricing are causing some butter producers to sell a portion of their cream volumes versus churn. Many butter producers speculate that butterfat will remain competitive and prices will be firm for the balance of the summer and much of the fall. Butter demand is fairly steady. Retailers are placing typical orders, but indicate that as shelf prices rise, retail sales slow. In Europe since June 1, over 20,000MT of intervention butter have been sold back to the trade which is helping a tight butter and butterfat situation there. At the most recent Dairy Management Committee meeting on July 22, 1 bid was received and rejected for a portion of the balance of under 2,000MT.

**CHEESE HIGHLIGHTS:** Cheese prices on the CME Group cash market continued to move higher to set new 2010 highs. Cheese production is appreciably lower at many locations as summer weather reduces milk receipts and components. This has lowered the volume of current cheese available for sale. Current interest is mixed, stronger where buyers take advantage of monthly pricing programs but steady to lower from buyers using the weekly prices. According to FAS, quota cheese imports for January-June 2010 total 65.8 million pounds, down 35.7% from the 2009 period. The imports equate to 22% of annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same 2010 period are estimated at 4.9 million pounds, 39.9% of the comparable 2009 volume. On July 21, the Kansas City Commodity Office announced a contract was awarded under Invitation DNAC1-020 for 1 – 8 million pounds of Natural American barrels for September 1 - December 31, 2010 delivery at a premium of \$0.1375 - 0.1825 over the previous month's CME Group cash market barrel average.

**FLUID MILK:** Summer weather is a factor in all regions. The East has experienced welcome temperature moderation in northern areas within the last week, but continues to experience unusually high summer temperatures and dry conditions in many southern areas. These factors have kept milk supplies tight. In the Midwest, hot, often muggy, summer weather has reduced milk intakes and tightened milk supplies. For both milk and cream, "Got Milk?" is a question asked milk suppliers by customers. Extra fluid

and cream interest based on stronger butter/cream and cheese markets is going unsatisfied despite current prices. California milk production is trending lower on a weekly basis due to hot and humid conditions. In pockets where temperatures have moderated, so has the milk flow. Plant capacity is more than adequate to handle the milk supply. Arizona continues to experience hot and humid weather. Conditions are adversely impacting milk receipts and the fat/protein content of milk. Comfortable temperatures in the Pacific Northwest have made for contented cows. Milk production levels are up, but yields of solids and fat are lower. Manufacturing plants are handling local fluid milk supplies readily. Utah and Idaho milk production is above year ago levels. Manufacturers are happy to see increased volumes, but are reporting lower milk solids. Plant capacity is adequate to handle milk supplies in the region.

**DRY PRODUCTS:** Central nonfat dry milk prices are steady to slightly lower on a mixed market, while Eastern NDM prices are unchanged except for a 1 cent decline at the top of the range. Pricing levels are lower for Western low/medium heat NDM, where the market tone remains weak with concerns about the slow pace of sales as well as accumulating stocks. Dry buttermilk prices are unchanged in the Central and East regions, but weakening in the West. The price range for dry whole milk is steady. The Central dry whey market is balanced and prices are steady. Northeast dry whey prices are unchanged on light spot activity. Western dry whey prices are steady for the range but fractionally lower at the bottom of the mostly series. Whey protein concentrate 34% prices are unchanged on the mostly series and unchanged to higher on the range. Lactose interest is steady with unchanged prices. Casein markets and prices remain firm.

**INTERNATIONAL OVERVIEW (DMN):** Milk production in Europe continues to trend seasonally lower. Recent hot temperatures and dry conditions are accelerating this trend in many regions. Milk volumes are now tightening and manufacturers are trying to procure as much as they can and generate stock for future needs. In most instances, supplies of manufactured dairy products are available for immediate and future needs. Often these stocks are not as heavy as desired, although traders and handlers do indicate that buyer interest is not that aggressive anyway. Traders state that buyers are cautious with their purchases. Some near term sales are being reported, although longer term or larger sales are not being reported. Prices for most all manufactured dairy products continue to increase. Butterfat remains tight and prices for butter and anhydrous milk fat reflect that situation. Although prices at the recent gDT event in the Oceania region earlier this month trended sharply lower, this trend did not flow through

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY JULY 19	TUESDAY JULY 20	WEDNESDAY JULY 21	THURSDAY JULY 22	FRIDAY JULY 23	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5250 (N.C.)	\$1.5275 (+.0025)	\$1.5600 (+.0325)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	(+.0350)	\$1.5465 (+.0265)
40# BLOCKS	\$1.5775 (+.0025)	\$1.6000 (+.0225)	\$1.6025 (+.0025)	\$1.6025 (N.C.)	\$1.6025 (N.C.)	(+.0275)	\$1.5970 (+.0435)
NONFAT DRY MILK EXTRA GRADE	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(N.C.)	\$1.2250 (-.0020)
GRADE A	\$1.2175 (N.C.)	\$1.2175 (N.C.)	\$1.2175 (N.C.)	\$1.2175 (N.C.)	\$1.2100 (-.0075)	(-.0075)	\$1.2160 (+.0010)
BUTTER GRADE AA	\$1.7800 (+.0050)	\$1.7850 (+.0050)	\$1.7900 (+.0050)	\$1.8000 (+.0100)	\$1.8000 (N.C.)	(+.0250)	\$1.7910 (+.0180)

CHEESE: carlot = 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**

price structures in Europe, at least at this time. Most traders and handlers feel that European prices will be able to maintain themselves for the foreseeable future. Intervention butter that has been sold back to the trade is now starting to become available on the commercial market and is helping ease the tight butterfat situation. At the Dairy Management Committee meeting on July 22, no major dairy issues were adjusted or discussed. There were no accepted bids for intervention butter or skim milk powder. Of the volume of intervention butter that was available for sale, all volumes have been sold with about 1,700MT left and no intervention skim milk powder has been sold at all. **Oceania** traders and handlers of manufactured dairy products continue to analyze the impact of the sharply lower prices recorded at the July 6 gDT event might have on current and future prices. In most instances, prices did ease, but often not to the extent of the 10–15% declines recorded for the various dairy products traded. Some traders are indicating that they have heard that some offers for various products out of the Oceania region are at levels below the average auction values. Traders and handlers are also stating that buyer interest has slowed greatly with many buyers stepping back from the market until more stability is realized. For those buyers that are still in the market, many are seeking product for short term or immediate needs with most stating what they will pay versus what suppliers are quoting. Traders are stating that it appears that China may be backing away from the marketplace as their milk production comes more in line with needs. Milk production in the Oceania region is at seasonally low levels, although the beginning of the new production season is not far off. Early projections for milk production in New Zealand are 3–14% heavier than last year with Australians projecting milk growth to be in the 1–2% range. Although the end of the 2009–2010 season in New Zealand came to an abrupt end, farmers are very optimistic about the upcoming season. In Australia, the end of the 2009–2010 season was strong with final quarter (April–June) milk volumes stronger than projected. Volumes through May were able to narrow a cumulative deficit from 6% to 4.5% in comparison to the 2008–2009 season. With one month left of the official production season (June), many milk processors and handlers feel that output will trail last season by about 4%. Milk volumes were heavier in the final quarter in Southern regions of the country and were up as much as 6% when compared to April–June 2009.

**DAIRY OUTLOOK (ERS):** Feed prices have been favorable for producers this year compared with last. The milk-feed price ratio has risen since 2009 and will likely average about 2.3 for the current year. Production in 2010 is forecast at 191.2 billion pounds. U.S. Milk equivalent exports are projected to reach 5.3 billion pounds in 2010 and 5.1 billion pounds next year on a fats basis. Exports on a skim-solids basis are expected to climb to 26.3 billion pounds this year and rise to 27.3 billion pounds in 2011. Prices for the major dairy products, except butter, are expected to rise slightly next year. Cheese prices are expected to average \$1.465–\$1.495 per pound in 2010 and \$1.520–\$1.620 per pound in 2011. Butter prices are forecast to average \$1.530–\$1.590 this year and \$1.400–\$1.530 per pound next year. NDM prices are expected to average \$1.195–\$1.225 per pound this year and \$1.235–\$1.305 in 2011. Whey prices are forecast to average 36.5–38.5 cents per pound in 2010 and 37.5–40.5 cents in 2011. Class IV milk prices are forecast to average \$14.65–\$15.05 per cwt this year and increase slightly to \$14.40–\$15.50 per cwt in 2011. The Class III price is projected to average \$13.80–\$14.10 per cwt in 2010 and climb to \$14.40–\$15.40 per cwt in 2011. The all-milk price is expected to average \$15.80–\$16.10 per cwt in 2010, with a rise to \$15.90–\$16.90 in 2011.

**JUNE MILK PRODUCTION (NASS):** Milk production in the 23 major states during June totaled 15.2 billion pounds, up 2.7% from June 2009. Production per cow averaged 1,816 pounds for June, 67 pounds (+3.8%) above June 2009. The number of milk cows on farms was 8.35 million head, 87,000 head (-1.0%) less than June 2009, but 10,000 head more than May 2010. Milk production in the U.S. during the April–June quarter totaled 49.7 billion pounds, up 1.7% from the April–June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.11 million head, 151,000 head less than the same period last year.

**FEDERAL MILK MARKETING AND UTILIZATION SUMMARY, JUNE (DAIRY PROGRAMS):** During June, about 10.7 billion pounds of milk were received from producers. This volume of milk is 0.1% higher than the June 2009 volume. In June 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.4 billion pounds of producer milk were used in Class I products, 2.8% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 32%, Class II = 11%, Class III = 48% and Class IV = 9%. The weighted average statistical uniform price was \$15.71 per cwt., \$0.68 higher than last month and \$4.45 higher than last year.

**MAILBOX MILK PRICES (AMS & CDF):** In April 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.51, down \$0.41 from the previous month average, but up \$2.55 from April 2009. The component tests of producer milk in April 2010 were: butterfat, 3.61%; protein, 3.03%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except Minnesota. Mailbox prices ranged from \$16.89 in Florida to \$13.09 in New Mexico.

**COLD STORAGE (NASS):** On June 30, U.S. cold storage holdings of butter totaled 197.9 million pounds, 7% less than May and 25% below June 2009. Natural American cheese holdings total 628.4 million pounds, 2% above May and 4% above June 2009. Total cheese stocks were 1.027 billion pounds, 1% above last month and 4% above June 2009.

**AUGUST FEDERAL MILK ORDER ADVANCE PRICES (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I base price for August 2010 is \$15.77 per cwt. This price is derived from the Class IV skim milk pricing factor of \$9.49 and the advanced butterfat pricing factor of \$1.8899. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. Compared to July 2010, the Class I base price increased \$0.11 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$0.06 per cwt., \$0.005 per gallon; reduced fat milk (2%), -\$0.21 per cwt., -\$0.018 per gallon; fat-free (skim milk), -\$0.52 per cwt., -\$0.045 per gallon. The advanced Class IV skim milk pricing factor is \$9.49. Thus, the Class II skim milk price for August is \$10.19 per cwt. And the Class II nonfat solids price is \$1.1322. The two-week product price averages for August are: butter \$1.7321; nonfat dry milk \$1.2333; cheese \$1.4497, and dry whey \$0.3618.

**CME GROUP**

MONDAY, JULY 19, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5775; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

TUESDAY, JULY 20, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5275; 1 CAR 40# BLOCKS @ \$1.6000; 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: 1 CAR GRADE AA @ \$1.7850; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

WEDNESDAY, JULY 21, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5600; 1 CAR 40# BLOCKS @ \$1.6025; 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: 1 CAR GRADE AA @ \$1.7900; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

THURSDAY, JULY 22, 2010

CHEESE — SALES: 6 CARS BARRELS @ \$1.5600; 1 CAR 40# BLOCKS @ \$1.6025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6025  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.8000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8000; LAST OFFER UNCOVERED: NONE

FRIDAY, JULY 23, 2010

CHEESE — SALES: 2 CARS BARRELS @ \$1.5600; 5 CARS 40# BLOCKS @ \$1.6025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5625  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2100  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**NORTHEAST**

By Tuesday's close, CME Group butter had advanced 1 cent beyond the close last week, reaching \$1.7850, another new high for 2010. The strength of butter prices is illustrated by comparing prices at the close of last week with comparable weekly closes going back to 2005. Current prices are higher than every year in the previous 5 year range; with the magnitude spanning from 63 cents higher than in 2006, to 13 1/2 cents higher than in 2005. Cream supplies remain short. Factors include lower milk components as well as demand for cream for other classes of manufacturing. This has resulted in churning almost always being focused on filling existing commitments. High tier butter imports January through June 2010 totaled 191,780 pounds, 31.7% of 2009 imports for the same period. January through June 2010 imports of butter subject to licensing totaled 3.1 million pounds, 55.1% of imports for the same period in 2009. 2010 imports through June are 20.2% of the tariff-rate quota.

**CENTRAL**

The CME cash butter price remains firm and continues to increase on a gradual basis. The current cash price at midweek is \$1.7900, highest cash price since the fall of 2004. Churning activity in the Central part of the country is seasonally active, although lighter than most butter producers desire. Cream supplies are limited and very competitive. Many butter producers are selling a portion of their cream volumes due to financial considerations versus churning even though they could use the butter. Others are maintaining their cream volumes and churning for near term and future needs. Many butter producers speculate that butterfat will remain competitive and prices will be firm for the balance of the summer and much of the fall. Butter demand is fairly steady. Retailers are placing typical orders with some scattered feature activity scheduled for later in the summer. Retailers continue to state that as shelf prices increase, consumer demand often declines. At this point, firmer shelf prices are not significant enough to curtail Central

buying patterns, but once shelf prices surpass the \$2.00 level, consumers often step back from the market and alter their butter buying patterns. 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 \$1.7900. The price for butter one year ago at the Exchange was \$1.2650. The last time butter prices were at this level was December of 2004. Tight butter inventories are pushing the market to higher levels. Current supplies are adequate for contracted needs. Depending on inventories, butter producers are churning for needs and some are selling any excess cream, as multiples are strong. Stored butter supplies are helping to meet current orders. Most manufacturers are comfortable that they will be able to supply future needs into the fall and holiday season. As prices have strengthened, retail sales have slowed. Buyers are making purchases on an as needed basis at these higher price levels. Prices for bulk butter range from flat to 3.5 cents under the market, based on the CME with various time frames and averages used. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 0.5 million pounds last week to 49.3 million pounds. This total compares to 97.5 million pounds in 2009 and 101 million pounds in the comparable week in 2008. The peak for storage in approved warehouses for 2010 was 68.4 million pounds. The average peak for the previous 5 year period was 129.6 million pounds. According to the FAS, quota imports of butter for the first six months of the year total 3.1 million pounds, 44.9% less than the same period in 2009. January-June imports for 2010 account for 20.2% of the total quota for 2010. Imports of High-Tier butter (above quota and with a penalty) are 191,800 pounds, 31.7% of last year's amount in the same time period.

**NASS DAIRY PRODUCT PRICES**

**U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	<u>CHEESE 40# BLOCKS</u>	<u>CHEESE BARRELS</u> <u>38% MOISTURE</u>	<u>NDM</u>	<u>BUTTER</u>	<u>DRY WHEY</u>
JULY 17	1.4369 12,620,273	1.4766 10,534,267	1.2335 14,938,814	1.7438 3,604,975	0.3615 10,927,721

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 CME Group trading trended higher last week into Tuesday this week. Through Tuesday, blocks are up 1/4 cent so far this week to \$1.5275 and barrels up 2 1/2 cents to \$1.60. Comparing prices at the close of last week with the comparable weekly close going back to 2005, current prices are lower than 2007 and 2008 but higher than the remaining years – even if only cents higher than 2005. Nevertheless, current prices are the high for 2010. Milk yields have been lower, both seasonally as well as compared with last year at this time. Milk production has also lagged following unusually hot weather in the Northeast. The combination has been a factor affecting many cheese manufacturers. Yet, some manufacturers are uneasy as to the underlying strength of current cheese prices as well as the speed of price increases. High tier cheese imports from January through June 2010 totaled 4.9 million pounds, 40.2% of 2009 imports for the same period. January through June 2010 imports of cheese subject to licensing totaled 65.8 million pounds, 64.3% of imports for the same period in 2009. 2010 imports through June are 22.0% of the tariff-rate quota.

Cheddar Barrels on Wednesday at the CME Group closed up \$.0325 at \$1.5600. 40 Pound Blocks were up \$.0025 to close at \$1.6025. The Barrel increase served to close the gap between Barrels and Blocks. There have been no sales reported for the last eight sessions; CME prices continue to firm on bids. Cheese manufacturers are mostly comfortable with inventories and movement. Milk intakes are lower and yields of milk solids have reduced production levels as warmer weather reached more parts of the region. Weekly average prices are moving higher over the past few weeks. Wholesale prices are higher, yet sales are adequate to move available offerings. Export sales continue to be assisted by CWT bonuses. Buyers are balancing immediate needs and assessing the market dynamics for future purchases. According to FAS, quota imports of cheese for January-June 2010 total 65.8 million pounds, down 35.7% from a year ago. The imports stand at 22% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 4.9 million pounds, 39.9% of the volume imported in 2009. Imports of quota Swiss cheese for January-June 2010 total 20.8 million pounds, down 12.4% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 14.9 million pounds or 71.7% of the January-June total import of Swiss.

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

Cheddar 40# Block	:	1.8700-2.1450
Process 5# Sliced	:	1.6225-1.9325
Muenster	:	1.8900-2.0875
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	:	1.6450-1.9025
Cheddar 40# Block	:	1.6850-2.0375
Cheddar 10# Cuts	:	1.8650-2.0850
Monterey Jack 10#	:	1.8750-2.0350
Grade A Swiss Cuts 6 - 9#	:	2.5825-3.0125

**MIDWEST**

The cheese market continues to firm though uneasiness is noted by some traders due to the recent price increase total (17 cents on blocks from July 1 to 20). Hot, often muggy, summer weather has caused declines in July milk receipts. Combined with below average milk component levels in 2010, particularly butterfat, results in lower cheese yields and production. The weather has turned from very conducive for milk production in June to lower in July. Current cheese volumes are tighter with additional reductions expected when Class I use increases prior to the start of the new school year. Other varieties with age remain in adequate to ample supply. Current cheese interest is mixed, improved from customers expecting higher July CME monthly averages to raise August delivered prices, but steady to lower where buyers base prices on weekly CME Group averages. Overall, packaging plant activity is often below average for summer.

**FOREIGN**

Continuing strength in CME Group block prices has moved wholesale prices of domestic varieties of foreign type cheese higher, except for Swiss Cuts. Domestic Swiss manufacturers report increases in inventory resulting from slower sales. The increase has caused some concern, but is not yet considered burdensome. Unlike last year, when significant promotions helped motivate Swiss sales, there are no current promotions of any magnitude. Imports of Swiss/Emmenthaler varieties from January through June 2010 totaled 20.8 million pounds, 87.6% of total of the same period last year. Norway and Finland, the two top sources, account for 71.7% of Swiss/Emmenthaler imports January through June 2010.

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

Process American 5# Loaf	:	1.8400-2.0625
Brick And/Or Muenster 5#	:	2.0000-2.0675
Cheddar 40# Block	:	1.8500-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.4075-2.7300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8800-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4125-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 2.0100-3.4975*
Gorgonzola	: 3.6900-6.6900	: 2.5125-2.7725*
Parmesan (Italy)	: -0-	: 3.4175-3.6200*
Provolone (Italy)	: 3.4400-5.9900	: 2.0525-2.2100*
Romano (Cows Milk)	: -0-	: 3.2000-5.3425*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-3.5300	: -0-
Jarlsberg-(Brand)	: 2.9500-4.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.0975-3.4200
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
07/19/10	9,536	128,739
07/01/10	9,660	129,257
CHANGE	-124	-518
% CHANGE	-1	N.C.

**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	131	0	250	0	100
SOUTHEAST STATE	0	0	0	0	0	0

The heat wave which hit the Northeast a couple of weeks ago has now left the northern part of the region, resulting in more normal Summer weather. Unusual heat remains in Pennsylvania and much of the Southeast, where some areas have experienced temperatures above 90 degrees during about 19 of the last 25 days. In Vermont, the recent heat reduced milk production between 15% and 20% into last week and production has still not fully recovered to normal seasonal levels. The reduced production has kept milk supplies tight and prompted some processors to purchase spot market cream to meet contract commitments, at prices above contract. A positive factor is crops characterized as "excellent". Hay cutting is well ahead of normal and some corn is described as being nearly 10 feet high. Dairy farmers are hoping that bountiful feed supplies this growing season will help alleviate challenges to farm income. In the Southeast, milk sales are flat and production is declining. Not only are temperatures unusually high, but rain has been 6 inches below normal. The toll on fields is apparent. There is increasing concern among dairy farmers over unusually dry conditions. Milk shipments out of Florida have decreased to 131, from 250 last week. This is attributed to the heat, even though it is typical Florida Summer heat. A processor noted that there seem to be no fluid milk promotions in most supermarkets. Regional cream multiples range from 155 to as high as 170 although, 165 is a more common high. Only in select situations, generally with time constraints, has 170 been reached. Cream demand overall is strong and most churning is to fill orders. Condensed skim is flowing primarily for contract deliveries. According to "Milk Production" (NASS), milk production for June 2010 in the 23 reported states totaled 15.2 billion pounds, up 2.7% from June 2009. Production per cow in the reported states averaged 1,816 pounds for June, 67 pounds above June 2009. The number of milk cows on farms was 8.35 million head, 87,000 less than June 2009, but 10,000 head more than May 2010. Milk production increased in 4 of the 5 listed states of the eastern region and as a region, increased production 0.7% over the same period last year at 2,496 million pounds. The 5 regional states showed the following percentage changes in milk production from June 2009 to June 2010 and total milk production this June: Florida, +1.1%, 180 million pounds; New York, +0.2%, 1,061 million pounds; Pennsylvania, +1.1%, 898 million pounds; Vermont, +1.9%, 213 million pounds; and Virginia, unchanged, 144 million pounds. Milk cow numbers for June 2010 declined in 4 of the 5 listed states of the eastern region. Individual state cow number changes from June 2009 and cows as of this June are: Florida, 1,000 decline, 115,000; New York, 13,000 decline, 610,000; Pennsylvania, 4,000 decline, 541,000; Vermont, 2,000 increase, 137,000; and Virginia, 1,000 decline, 95,000.

**FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES**

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.7481-3.0141
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4113-2.8368

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**

Hot, often muggy, summer weather has reduced milk intakes and tightened milk supplies. For both milk and cream, "Got Milk?" is a question asked milk suppliers by customers. Extra fluid and cream interest based on stronger butter/cream and cheese markets is going unsatisfied despite current prices. For customers receiving committed supplies of milk, declines in volumes has customers trying to add loads to offset shrinking load sizes, particularly on "direct shipped" loads. On a very limited test, spot manufacturing milk prices are steady to higher. Combined with additional declines in milk components – butterfat and protein,

even lower manufacturing yields are causing some operators to call current fluid receipts "white water". Ice cream production is steady to occasionally lighter as some operations work down inventory and manufacture products in the tightest supply/demand positions though soft serve output seems to be holding. Moisture levels in the region range from dry to very wet. The wet areas are having difficulty with haying as well as winter wheat/oat harvest. Some operators are delaying harvest to wait for a few consecutive dry days. Class I interest is about steady at lighter summer levels. While June milk production numbers are higher in most Central area states, volumes will likely be lower for July. Estimated June 2010 milk production in selected Midwestern states compared with June 2009 is: Wisconsin, 2.246 billion pounds, +109 million pounds (5.1%); Minnesota, 780 million pounds, +16 million pounds (2.1%); Texas, 728 million pounds, -4 million pounds (-0.5%); Michigan, 707 million pounds, +32 million pounds (4.7%); and Iowa, 373 million pounds, +5 million pounds (1.4%).

**W E S T**

According to NASS, June *Milk Production* for the 23 surveyed states totals 15.2 billion pounds, up 2.7% or 400 million pounds from last year. June milk production compared to last year for selected Western states is as follows: Arizona +4.4%, California +3.5%, Colorado -2.9%, Idaho +3.5%, New Mexico +0.9%, Oregon +4.2%, Utah +4.1%, and Washington +4.7%. Compared to June 2009, the Arizona herd is down 2,000 head, California -53,000, Colorado -9,000, Idaho +10,000, New Mexico -2,000, Oregon +2,000, Utah +2,000, and Washington +11,000. These 8 states are down 41,000 head, while the 23 surveyed states are down 87,000. June cow numbers in these 8 states were 8,000 higher than last month. Monthly milk production per cow for the 23 surveyed states was 67 pounds more than June 2009. CALIFORNIA milk production is trending lower on a weekly basis due to hot and humid conditions. In pockets where temperatures have moderated, so has the milk flow. Plant capacity is more than adequate to handle the milk supply. Cheese producers are taking all the milk they can get under arrangements and in the spot market, in part because of returns and sales. Other manufacturing is often lower due to milk declines and lower fat and protein tests. Trade contacts assessing the milk production numbers are quick to note that the strong percentage gain comparing June 2010 to June 2009 was mainly due to lower output a year ago versus any great gains this year. Comparing June 2010 to June 2008, output was off 0.6%. Milk prices have moved higher and are bringing welcomed and needed returns to producers, yet there is general caution noted as to the extent and length of price recovery needed to offset the negatives of the last two years. ARIZONA continues to experience hot and humid weather. Conditions are impacting milk receipts and the fat/protein content of milk. Milk cows are especially being affected by the humid conditions, when "cooling" systems are not able to adequately work well. Production of dairy products is trending lower with limited, scheduled outages noted. Fluid milk demand is lower as retail ads dissipate. CREAM markets remain firm with supplies in a tight position. There are occasion where some additional loads are available and can vary depending on market factors and by day of the week. Butter price at the CME Group closed at \$1.7900 on Wednesday, July 21, up 1.5 cents from a week ago. Multiples are slightly lower on the top end of the 135-160 range and vary based on class usage and basing point. Comfortable temperatures in the PACIFIC NORTHWEST have made for content cows. Daytime temperatures are warm and have helped to accelerate forage and grain crop growth. Night time temperatures are moderate. Milk production levels are up, but yields of solids and fat are lower. Manufacturing plants are handling local fluid milk supplies readily. Some scheduled maintenance has a few balancing plants working extended hours. UTAH and IDAHO milk production is also above year ago levels. Increased cow numbers have helped to raise milk production, especially in Idaho. Comfortable temperatures at night are helping to reduce any heat stress to milk cows. Manufacturers are happy to see increased volumes, but are reporting lower milk solids. Plant capacity is adequate to handle milk supplies in the region. Replacement heifer auctions in Utah and Idaho are reported as mostly steady. Top heifer price recently for an Idaho auction was \$1460, with the top 50 average nearly steady at \$1350.

**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:** Central nonfat dry milk prices are steady to slightly lower on a mixed market. Contract sales at some locations have increased and lessened spot market participation by those manufacturers. Spot market activity is generally sluggish. Some buyers seem reluctant to make purchasing commitments because of uncertain market conditions: farm milk supplies dwindling seasonally, fluid use increasing seasonally in the near term, cheese plants switching to NDM for vat fortification, availability of competitively priced, slightly aged edible product, and uncertain demand from offshore and domestic buyers. In addition, many buyers and sellers are grappling with how to factor in the recent 2010-2011 milk production projections by government and commercial interests of New Zealand's dairy industry. Those projections on increases in milk production range from 3 - 14%. Because New Zealand is a net exporter of dairy products, improved milk production could support increased production of skim milk powder and possibly lower skim milk powder prices over the course of the upcoming production year. In the EU, all of the latest bids for intervention skim milk powder were declined. All of these issues are hindering the decision making process for NDM purchasing. This week, domestic low heat nonfat dry milk production is lower at some plants as farm milk intakes step down with the onset of summer heat and humidity. However, as drying schedules present some open slots, high heat NDM production is ramping up at some facilities. Inventories of low heat NDM in the Central region are varied, ranging from sold out to intermittently offering loads to the spot market.

**EAST:** Eastern nonfat dry milk prices are unchanged except for a 1 cent decline at the top of the range. Lower balancing plant milk intakes led to little drying. Milk production in portions of the Northeast in recent weeks has been down 15% to 20% due to unusually hot weather. Even as temperatures moderated in some areas, production has not recovered. This, coupled with hesitant prospective buyers who are holding back due to price uncertainty, has resulted in little trading on spot markets. According to the latest Foreign Agricultural Service report, January – June 2010 imports of skim milk powder in the high tier category total about 44,000 pounds. There have been no quota imports of skim milk powder reported during 2010.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: 1.1600 - 1.3100 MOSTLY: 1.2100 - 1.3000  
 HIGHHEAT: 1.3200 - 1.4300

**NONFAT DRY MILK - WEST**

Pricing levels are lower for Western low/medium heat nonfat dry milk powder. The market tone remains weak with concerns evident about the slow pace of sales and accumulating stocks. Buyers have become less willing to make purchases and are often waiting for better prices before filling in needs. There are limited export sales, which are price sensitive. Offerings from resellers and offerings of older NDM are competitively priced around the lower end of the range. Cheese producers are not taking additional NDM or condensed at the present time. Many have coverage with some choosing to adjust cheese production by utilizing available milk supplies. Drying schedules are trending lower as milk intakes decline and milk yields are lower because of hotter, summertime temperatures across most of the region. Stocks are moderate and building. High heat nonfat dry milk prices are trading at lower levels in a weaker market. Offerings are in tighter positions than low heat and are helping to buoy the current market price. Buyers are not always finding all the high heat they would like and others are waiting for contract loads to be filled.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: 1.0800 - 1.2950 MOSTLY: 1.1500 - 1.2300  
 HIGHHEAT: 1.2325 - 1.3975

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices are unchanged for the week, although some additional F.O.B. offers to the spot market were available. That market has seen a dearth of spot offerings from manufacturers in the last few weeks. Domestic demand is steady from some market segments, although other segments have employed work-arounds to the recent dry buttermilk scarcity. Various plants are actively producing butter this week, answering the call from both domestic and international buyers for salted and unsalted butter. Dry buttermilk is correspondingly higher at those locations.

**EAST:** Eastern dry buttermilk prices are unchanged. Churning schedules are light, primarily to meet present commitments. Recent lower milk production resulting from extreme heat has prompted some processors to buy cream on spot markets to meet contractual obligations – primarily for cream use in Class II manufacturing. The outcome is very little churning and thus, little buttermilk availability or spot market activity. A number of end users have changed formulas to utilize substitute powder, which has also moderated demand.

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

**DRY BUTTERMILK - WEST**

The Western dry buttermilk market is weakening. Pricing levels are steady to lower with a balance between limited offerings from some producers, while others are discounting to keep product cleared with concerns of spillover from weakening nonfat dry milk markets. Butter production in the region is trending lower and there is a fair demand for condensed buttermilk. Fewer solids are available for drying. Stocks are generally light to moderate.

F.O.B. WEST: 1.1800 - 1.3100 MOSTLY: 1.2000 - 1.2900

**DRY WHOLE MILK - NATIONAL**

The price range for dry whole milk is steady. Offers from manufacturers are infrequent for spray dried product. Inventories are tight. According to the latest Foreign Agricultural Service report, January – June 2010 imports of dry whole milk in the high tier category total about 91,000 pounds. Quota imports of dry whole milk during January – June 2010 total about 2.0 million pounds, about 42% lower than during the same time span of 2009. Total quota imports represent about 28% of the allowable imports under licensing requirements. June 2010 dry whole milk imports total 0.1 million pounds, an 86% decrease from June 2009. All 2010 quota import product originated in the Netherlands, Australia, or New Zealand.

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

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 16	\$1.1909	8,465,211	0
July 9	\$1.2330	6,648,757	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**

The Central dry whey market is balanced and prices steady. A few plants indicate farm milk intakes continue to trend lower as the season progresses and plants are gradually backing away from peak production volumes. Product in both totes and bags entered the spot market this week and cleared at customary prices for their respective brands. Some export resales cleared at prices reportedly below the bottom of the range price series. Various brokers with customers in the Far East indicate their buyers are viewing the recent weakness in the nonfat dry milk market as a precursor to weaker prices in the dry whey market and many of these buyers are withholding orders at this time. Within the Central region, though, market conditions seem unchanged. Whey from the region continues to fill needs in all areas of the country as well as some export channels.

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

**DRY WHEY - NORTHEAST**

Northeast dry whey prices are unchanged. Markets are characterized as "tight" but few spot sales occurred this week. Contract deliveries are moving smoothly. There has also been export activity from regional plants to Latin and South America, as well as China. Milk intakes overall are steady.

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

**DRY WHEY - WEST**

Western whey prices are steady for the range this week. The mostly series is lower fractionally at the bottom. Overall, prices have adjusted minimally over the past month. Whey supplies are described as in balance for user needs. Most production is being readily cleared through contract sales with limited spot sales occurring. Export sales are above year ago levels and are largely serviced through quarterly contracts.

NONHYGROSCOPIC: .3425 - .4100 MOSTLY: .3625 - .4075

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Although some market participants have been waiting for a bearish market tone to emerge based on the recent trends of the nonfat dry milk market, WPC 34% prices are unchanged on the mostly price series and unchanged to higher on the range. A few intermittent F.O.B. sellers to the spot market are obtaining over market premiums that are customary to incrementally higher for their production, although other sellers moved product at the market. Canadian WPC 34% is meeting some of the domestic market demand on a contract basis. Preliminary acceptance of proposed changes to the rules governing the marketability of whey protein concentrate 34% to food aid organizations have been announced by a food industry organization. The proposed changes were made in response to the 2008 World Health Organization's proposed new guidelines for foods designed to prevent or treat moderate malnutrition. Those new guidelines suggested that about one third of the protein in food aid products be derived from animal sources.

F.O.B. EXTRA GRADE 34% PROTEIN: .8800 - 1.0225 MOSTLY: .9200 - .9650

**LACTOSE - CENTRAL AND WEST**

Interest in lactose is steady. Some off specification material has moved into the feed market with fair to good interest despite ready supplies of other dairy-based carbohydrate sources at lower prices. A few buyers equate that interest to a generally improving outlook for the hog market complex. Inventories of edible unground and coarser mesh size lactose are adequate to building somewhat ahead of near term demand, but finer mesh size product is reportedly in shorter supply. Edible lactose production is steady at most plants, lower at some facilities that are reportedly dealing with production quality issues. Some delays in shipping are occurring on contract orders due to tight inventories as well as shipping container shortages.

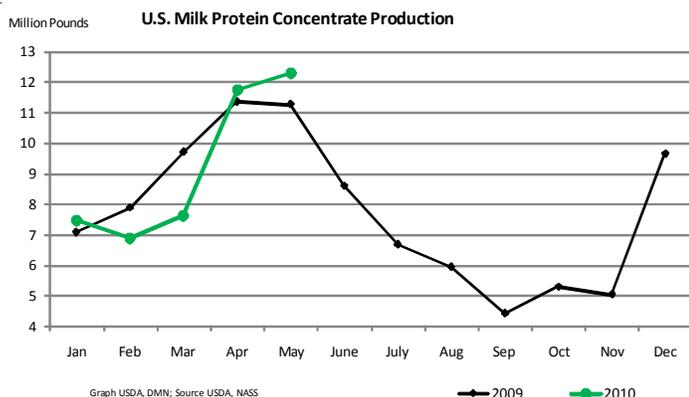
Including spot sales and up to 3 month contracts.  
 F.O.B. EDIBLE, NON PHARMACEUTICAL .2000- .3900 MOSTLY: .3000- .3550

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Conversations between buyers and suppliers continue on product availability. As has been the situation for much of this questionable supply period, suppliers continue to assure buyers with optimism that they will meet their commitments. The casein production season in Europe is trending lower, although milk volumes are more available to many producers than projected at this time of the season. For many, casein output was not at projected levels earlier in the season. In Oceania, the new milk production season is very soon to resume. Early reports project the 2010 - 2011 milk production season to be positive in both New Zealand and Australia. Casein producers are hopeful that they will also have a positive season that may start a little earlier and extend further beyond peak milk output levels.

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 19 - 23, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 07/16/10	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	275,932,714	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	275,932,714	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 19 - 23, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.2	8.6
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	161.8	3,212.4
CUMULATIVE JAN. 1 - JUL. 23, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.6	1,878.9

\* 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 19 - 23, 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	275,932,714	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	275,932,714	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 07/03/10 & Comparable Week 2009**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2010-Dairy	N.A.	0.6	7.4	2.2	17.2	3.0	0.2	N.A.	12.0	2.6	46.6	1,431.1	40.7	43.8
2009-Dairy	N.A.	0.5	6.8	3.3	14.5	5.8	0.2	N.A.	15.4	4.7	52.6	1,512.0	50.0	48.3
2010-All cows	N.A.	0.7	9.3	13.0	30.1	21.3	13.2	N.A.	17.5	5.8	114.6	3,269.3		
2009-All cows	N.A.	0.6	8.5	10.5	25.9	18.7	12.4	N.A.	18.1	7.0	105.1	3,129.1		

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 10	N.A.	N.A.	

**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	15.77				
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

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered July 12 - 23, 2010

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

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** Milk production in Europe continues to trend seasonally lower. Recent hot temperatures and dry conditions are accelerating this trend in many regions. Milk volumes are now tightening and manufacturers are trying to procure as much as they can and generate stock for future needs. In most instances, supplies of manufactured dairy products are available for immediate and future needs. Often these stocks are not as heavy as desired, although traders and handlers do indicate that buyer interest is not that aggressive anyway. Traders state that buyers are cautious with their purchases. Some near term sales are being reported, although longer term or larger sales are not being reported. Prices for most all manufactured dairy products continue to increase. Butterfat remains tight and prices for butter and anhydrous milk fat reflect that situation. Although prices at the recent gDT event in the Oceania region earlier this month trended sharply lower, this trend did not flow through price structures in Europe, at least at this time. Most traders and handlers feel that European prices will be able to maintain themselves for the foreseeable future. Intervention butter that has been sold back to the trade is now starting to become available on the commercial market and is helping ease the tight butterfat situation. At the Dairy Management Committee meeting on July 22, no major dairy issues were adjusted or discussed. There were no accepted bids for intervention butter or skim milk powder. Of the volume of intervention butter that was available for sale, all volumes have been sold with about 1,700MT left and no intervention skim milk powder has been sold at all.

**BUTTER/BUTTEROIL:** European butter and anhydrous milkfat markets are firm. Cream supplies remain tight, but some cream buyers are stating that a slight easing of tightness is appearing. Intervention stock that has been sold back to the trade over the past two months or so is now starting to appear in the marketplace. Traders and handlers are stating that these volumes are helping with tight butter supplies. Basically, buying interest is centered around an internal or domestic demand with international sales very quiet.

82% BUTTERFAT: 4,700 - 5,000  
99% BUTTERFAT: 5,150 - 5,700

**SKIM MILK POWDER (SMP):** European skim milk powder markets and prices are mixed, although a firm undertone prevails. For much of the current milk production season, milk volumes have not been as plentiful to butter/powder operations as desired, but now on the down side of the season, volumes appear to be more available and butter/powder operations are trying to catch up. Powder stocks are available. Buying interest has been slow and currently, potential buyers are cautious with their purchases.

1.25% BUTTERFAT: 2,800 - 3,100

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and price are generally firm. Buying interest has been slow for much of the season with current interest for near term needs. Buyers are proceeding cautiously with their purchases as many are seeing weakening prices in other international markets. Stocks are available for internal and international buyer interest, although price is often the limiting factor, especially for international sales.

26% BUTTERFAT: 3,500 - 3,775

## OCEANIA

**OVERVIEW:** Oceania traders and handlers of manufactured dairy products continue to analyze the impact of the sharply lower prices recorded at the July 6 gDT event might have on current and future prices. In most instances, prices did ease, but often not to the extent of the 10 – 15% declines recorded for the various dairy products traded. Some traders are indicating that they have heard that some offers for various products out of the Oceania region are at levels below the average auction values. Traders and handlers are also stating that buyer interest has slowed greatly with many buyers stepping back from the market until more stability is realized. For those buyers that are still in the market, many are seeking product for short term or immediate needs with most stating what they will pay versus what suppliers are quoting. Traders are stating that it appears that China may be backing away from the marketplace as their milk production comes more in line with needs. Milk production in the Oceania region is at seasonally low levels, although the beginning of the new production season is not far off. Early projections for milk production in New Zealand are 3 – 14% heavier than last year with Australians projecting milk growth to be in the 1 – 2% range. Although the end of the 2009-2010 season in New Zealand came to an abrupt end, farmers are very optimistic about the upcoming season. In Australia, the end of the 2009 – 2010 season was strong with final quarter (April – June) milk volumes stronger than projected. Volumes through May were able to narrow a cumulative deficit from 6% to 4.5% in comparison to the 2008-2009 season. With one month left of the official production season (June), many milk processors and handlers feel that output will trail last season by about 4%. Milk volumes were heavier in the final quarter in Southern regions of the country and were up as much as 6% when compared to April – June 2009.

**BUTTER:** The Oceania butter market tone and prices are weaker as are most all manufactured dairy product markets and prices. The most recent global/Dairy Trading (gDT) event held July 6 is impacting current butter markets at varying paces, although the undertone is weaker. Anhydrous milkfat prices were 13 – 15% lower than the previous month over the range of contracting periods. This weak trend is having an influence on butter prices, but the sharp decline in anhydrous prices is not totally realized in butter quotes at this time. Butter producers and handlers are easing into adjusting their prices as this is the low point of butter production cycle. Butterfat has been and is projected to remain tight as the start of the new milk production season nears. Many are hopeful that the tightness will ease as the new season develops.

82% BUTTERFAT: 3,600 - 4,300

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices are weak. Many handlers and traders feel that the current weakness is occurring due to a few factors: 9 – 15% lower prices at the recent gDT event, a new milk production season soon to resume in the Southern Hemisphere, and supplies of skim milk powder becoming more available internationally. This unsettled situation has most buyers sitting back and waiting to see what develops in the near future. Traders are indicating unconfirmed reports of offerings under the reported price range are in the marketplace. For those buyers that are in the market or need near term shipments, orders are lighter than usual as many feel that current market weakness will continue.

1.25% BUTTERFAT: 2,950 - 3,300

OCEANIA COMMENTS AND PRICES CONTINUED ON  
PAGE 8A

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

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered July 12 - 23, 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 AND EASTERN EUROPEAN COMMENTS AND PRICES CONTINUED FROM PAGE 8

**SWEET WHEY POWDER:** Whey powder markets have been mixed over the past two weeks. For the majority of that time, prices remained steady at low level, but late last week, a price turnaround was developing and quickly increased into this week. Buying interest is generally centered around a domestic market, but international inquiries are occurring. In most instances, firmer prices are being reported for export. Cheese production has eased from heavier levels this spring and early summer, but is still active enough to maintain a good flow of whey. Whey stocks are available for both internal and export interest with price being the key factor in closed sales.

NONHYGROSCOPIC: 750 - 1,000

**EASTERN OVERVIEW:** Milk production in Eastern Europe is also trending lower, accelerated by heat and dry conditions. Milk volumes for the season are basically in line with previous years with fluctuations higher and lower being reported. Eastern manufacturers and handlers are stating that stock is available for buyer interest. At this time, sales are slow and unaggressive which is typical for this time of the summer. Traders feel that buyers are stepping back from the market at this time as prices in other regions of the international market are trending lower.

## OCEANIA

## OCEANIA COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are generally lower. Much of the weakness is coming from the nearly 15% weakness realized at the recent gDT on July 6. Traders and handlers state that most prices have not adjusted this sharply, but the tone and market direction are set in motion. Traders report that buyers are holding back with their purchases as they feel prices will decline further in the weeks to come. For those buyers that are in the market, they are basically stating the price that they will pay versus what suppliers are quoting. With this activity occurring, some suppliers are adjusting their prices to these levels to clear stock before further weakness develops.

26% BUTTERFAT: 3,000 - 3,500

**CHEDDAR CHEESE:** Oceania cheese markets and prices are generally holding steady. Traders are stating that sales negotiations are winding down and that a significant portion of upcoming new season cheese production has been committed, especially during the first half of the season. Cheese manufacturers and handlers have mixed opinions as to what impact current weakening trends in other manufactured dairy products might have on cheese pricing. Cheese producers are finalizing maintenance work on their operations as the new milk production season and cheese output will soon resume. Early projections are that milk output for the 2010 – 2011 season will be up 3 – 14% in New Zealand with Australian output pegged at 1 – 2% higher.

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

Exchange rates for selected foreign currencies: July 19, 2010

.9479 Canadian Dollar	.0212 Indian Rupee
.2544 Argentina Peso	.7068 New Zealand Dollar
.0776 Mexican Peso	.8707 Australian Dollar
.3137 Polish Zloty	.0115 Japanese Yen
	1.2942 Euro

To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0776) = 12.8866$  Mexican Pesos. Source: "Wall Street Journal"

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	07/08	07/09	07/12	07/13	07/14	07/15	07/16	07/19	07/20	07/21
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
JUL 10	13.56 (4246) 0	13.64 (4211) 0	13.77 (4218) 0	13.73 (4266) 0	13.73 (4271) 0	13.76 (4261) 0	13.76 (4255) 0	13.75 (4255) 0	13.77 (4214) 0	13.75 (4219) 0
AUG 10	14.66 (4892) 4	14.53 (4938) 4	14.78 (4922) 0	14.74 (4935) 0	14.96 (5070) 0	15.06 (5054) 0	14.90 (4978) 8	14.92 (4961) 0	14.93 (4956) 0	14.98 (4958) 0
SEP 10	15.00 (4280) 3	14.82 (4308) 2	15.00 (4334) 0	15.00 (4329) 0	15.13 (4347) 0	15.18 (4350) 45	14.98 (4410) 7	15.00 (4491) 1	15.00 (4572) 0	15.07 (4643) 0
OCT 10	15.00 (3644) 3	14.84 (3659) 2	14.90 (3664) 0	14.89 (3681) 0	14.96 (3686) 0	15.04 (3724) 45	14.92 (3745) 3	14.92 (3753) 1	14.85 (3773) 0	14.84 (3792) 0
NOV 10	14.73 (3566) 3	14.70 (3596) 4	14.75 (3598) 0	14.75 (3599) 0	14.80 (3606) 0	14.83 (3634) 45	14.68 (3656) 1	14.70 (3658) 1	14.63 (3664) 0	14.62 (3681) 0
DEC 10	14.70 (3535) 3	14.57 (3589) 2	14.63 (3597) 0	14.64 (3605) 0	14.77 (3612) 0	14.83 (3655) 42	14.72 (3677) 4	14.72 (3706) 1	14.58 (3711) 0	14.56 (3723) 0
JAN 11	14.52 (669) 0	14.48 (694) 24	14.50 (692) 0	14.50 (693) 0	14.55 (724) 0	14.55 (769) 40	14.44 (782) 0	14.52 (784) 0	14.42 (784) 10	14.36 (783) 0
FEB 11	14.50 (448) 0	14.40 (470) 26	14.40 (470) 0	14.40 (474) 3	14.43 (494) 20	14.50 (565) 40	14.42 (566) 0	14.42 (572) 0	14.37 (571) 0	14.32 (570) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
JUL 10	15.22 (49) 0	15.22 (49) 0	15.22 (49) 0	15.22 (49) 0	15.22 (49) 0	15.22 (49) 0	15.22 (49) 0	15.26 (49) 0	15.26 (49) 0	15.26 (49) 0
AUG 10	15.11 (74) 0	15.11 (74) 0	15.11 (74) 0	15.11 (74) 0	15.35 (76) 0	15.35 (74) 0	15.35 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0
SEP 10	15.05 (27) 0	15.05 (27) 0	15.05 (27) 0	15.09 (27) 0	15.17 (28) 0	15.17 (29) 0	15.17 (28) 0	15.35 (27) 0	15.35 (27) 0	15.35 (27) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
JUL 10	172.00 (706) 2	172.50 (702) 4	172.50 (696) 32	172.50 (701) 3	172.75 (694) 7	173.00 (691) 4	173.00 (691) 0	173.00 (691) 0	173.00 (691) 0	173.00 (691) 0
AUG 10	173.00 (731) 11	173.23 (731) 51	175.00 (735) 8	176.00 (738) 2	177.00 (741) 8	177.00 (741) 0	177.00 (740) 0	177.50 (740) 0	177.50 (740) 0	117.50 (751) 12
SEP 10	172.00 (768) 14	172.90 (766) 8	173.00 (765) 15	173.50 (760) 20	174.75 (769) 25	176.00 (769) 7	176.00 (769) 10	176.50 (770) 1	177.00 (770) 1	177.00 (770) 0
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
JUL 10	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0	117.50 (195) 0
AUG 10	117.00 (181) 0	118.00 (182) 0	117.75 (184) 0	118.00 (184) 0	117.25 (188) 0	117.25 (188) 0	117.00 (188) 0	117.00 (188) 0	117.00 (208) 0	117.00 (212) 0
SEP 10	117.00 (171) 0	117.50 (172) 0	117.78 (173) 0	117.78 (173) 0	117.78 (175) 0	117.75 (175) 0	117.10 (176) 0	117.00 (175) 0	117.00 (180) 0	117.00 (187) 0
<b>CME - WHEY (Electronic-Traded)</b>										
JUL 10	35.00 (258) 03	36.50 (258) 1	36.50 (258) 3	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0
AUG 10	34.63 (268) 0	35.25 (269) 1	35.25 (269) 0	35.25 (269) 0	35.50 (269) 0	35.70 (269) 0	35.75 (269) 1	35.75 (269) 0	35.75 (269) 0	35.75 (269) 0
SEP 10	34.70 (231) 2	34.50 (231) 5	34.50 (231) 0	34.50 (231) 0	34.50 (231) 0	35.25 (237) 6	35.25 (238) 1	35.25 (238) 1	35.25 (238) 0	35.25 (238) 0
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
JUL 10	1.43 (2) 0	1.43 (2) 0	1.46 (3) 1	1.46 (3) 0	1.46 (3) 0	1.46 (3) 0	1.46 (2) 1	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0
AUG 10	1.57 (8) 4	1.56 (8) 0	1.58 (8) 2	1.58 (8) 0	1.59 (9) 2	1.60 (9) 0	1.59 (9) 0	1.59 (9) 0	1.59 (9) 0	1.59 (9) 0
SEP 10	1.60 (12) 8	1.59 (12) 0	1.60 (12) 1	1.60 (12) 0	1.60 (12) 0	1.61 (16) 4	1.60 (16) 3	1.60 (16) 0	1.60 (16) 0	1.60 (16) 0
OCT 10	1.61 (11) 0	1.60 (11) 0	1.60 (11) 1	1.60 (11) 0	1.60 (11) 0	1.61 (14) 3	1.60 (14) 0	1.60 (14) 0	1.59 (14) 0	1.59 (14) 0
NOV 10	1.57 (27) 0	1.57 (27) 0	1.57 (27) 0	1.57 (27) 0	1.57 (27) 0	1.58 (27) 0	1.58 (27) 0	1.58 (27) 0	1.58 (27) 0	1.57 (36) 13
DEC 10	1.57 (21) 0	1.57 (21) 0	1.57 (21) 0	1.57 (21) 0	1.57 (21) 0	1.58 (21) 0	1.58 (21) 0	1.58 (21) 0	1.58 (25) 4	1.57 (32) 7

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.

## JUNE MILK PRODUCTION

Milk production in the 23 major states during June totaled 15.2 billion pounds, up 2.7 percent from June 2009. May revised production at 15.8 billion pounds, was up 1.5 percent from May 2009. The May revision represented an increase of 40 million pounds or 0.3 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,816 pounds for June, 67 pounds above June 2009. The number of milk cows on farms in the 23 States was 8.35 million head, 87,000 head less than June 2009, but 10,000 head more than May 2010. Milk production in the U.S. during the April-June quarter totaled 49.7 billion pounds, up 1.7 percent from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.11 million head, 151,000 head less than the same period last year.

STATE	MILK COWS <sup>1/2/</sup>				MILK PRODUCTION <sup>1/3/</sup>			
	JUNE		APRIL-JUNE		JUNE		APRIL-JUNE	
	2009	2010	2009	2010	2010	% CHANGE FROM 2009	2010	% CHANGE FROM 2009
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	11	11	--	--	43	-4.4
AK	--	--	0.6	0.6	--	--	1.9	26.7
AZ	176	174	183	172	356	4.4	1,096	-0.8
AR	--	--	13	13	--	--	43	-6.5
CA	1,804	1,751	1,813	1,751	3,397	3.5	10,373	1.4
CO	126	117	127	117	237	-2.9	708	-5.1
CT	--	--	18.5	19	--	--	96	4.3
DE	--	--	6	5.5	--	--	24	-11.1
FL	116	115	117	115	180	1.1	577	---
GA	--	--	75	80	--	--	382	1.1
HI	--	--	1.5	1.9	--	--	6.3	14.5
ID	549	559	551	558	1,068	3.5	3,182	3.3
IL	102	101	102	101	163	1.9	506	2.0
IN	168	170	168	169	295	4.2	897	3.2
IA	215	212	215	212	373	1.4	1,130	0.9
KS	118	118	120	117	207	1.0	632	-1.3
KY	--	--	84	79	--	--	315	-1.6
LA	--	--	23	20	--	--	66	-13.2
ME	--	--	33	32	--	--	150	-1.3
MD	--	--	56	54	--	--	259	-1.1
MA	--	--	14.5	14.5	--	--	65	1.6
MI	357	359	357	358	707	4.7	2,134	4.8
MN	469	470	469	470	780	2.1	2,367	2.8
MS	--	--	18.5	17	--	--	63	-10.0
MO	109	100	110	101	123	-5.4	392	-6.9
MT	--	--	15	14	--	--	75	-1.3
NE	--	--	62	58	--	--	300	-2.0
NV	--	--	28	28	--	--	154	---
NH	--	--	15	15.5	--	--	78	2.6
NJ	--	--	9	8	--	--	36	-14.3
NM	327	325	330	324	676	0.9	2,051	-0.9
NY	623	610	623	610	1,061	0.2	3,261	0.9
NC	--	--	46	44	--	--	224	-4.7
ND	--	--	23	21	--	--	97	-1.0
OH	278	270	278	269	456	3.2	1,369	1.7
OK	--	--	60	57	--	--	252	-3.1
OR	114	116	114	115	199	4.2	601	3.6
PA	545	541	547	541	898	1.1	2,770	1.7
RI	--	--	1.1	1.1	--	--	5.2	---
SC	--	--	17.5	16.5	--	--	79	-8.1
SD	--	--	95	93	--	--	480	-0.6
TN	--	--	56	53	--	--	232	-5.7
TX	428	410	429	410	728	-0.5	2,260	-1.7
UT	83	85	84	85	154	4.1	461	3.4
VT	135	137	136	137	213	1.9	650	2.7
VA	96	95	96	95	144	--	451	---
WA	239	250	239	250	493	4.7	1,493	5.6
WV	--	--	11	10	--	--	41	-2.4
WI	1,257	1,262	1,256	1,261	2,246	5.1	6,766	5.7
WY	--	--	5	6	--	--	29.5	28.8
23 STATE TOTAL	8,434	8,347	--	--	15,154	2.7	--	--
U.S. <sup>4/5/</sup>	--	--	9,262	9,111	--	--	49,724	1.7

<sup>1/</sup> Preliminary. <sup>2/</sup> Includes dry cows, excludes heifers not yet fresh. <sup>3/</sup> Excludes milk sucked by calves. <sup>4/</sup> Includes states for which individual monthly estimates are not available. <sup>5/</sup> Milk cows will not add due to rounding. SOURCE: "Milk Production," July 2010. Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, JUNE 2010

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for June have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During June, about 10.7 billion pounds of milk were received from producers. This volume of milk is 0.1 percent higher than the June 2009 volume. In June 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.4 billion pounds of producer milk were used in Class I products, 2.8 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 32%, Class II = 11%, Class III = 48% and Class IV = 9%. The weighted average statistical uniform price was \$15.71 per cwt., \$0.68 higher than last month and \$4.45 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 2010										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	2,110.0	5.4	814.7	-1.3	38	22	27	13	16.73
Appalachian (Charlotte)	005	503.8	-0.1	319.5	-1.3	63	18	9	10	17.68
Southeast (Atlanta)	007	566.0	-6.5	351.7	-5.0	62	11	24	3	17.64
Florida (Tampa)	006	225.0	1.6	188.4	-4.1	84	8	5	3	19.85
Mideast (Cleveland)	033 3/	1,321.2	-7.7	480.1	-9.1	36	16	39	9	15.60
Upper Midwest (Chicago)	030 3/	2,887.4	4.7	331.5	-2.5	12	2	86	4/	14.14
Central (Kansas City)	032 3/	1,092.2	-8.1	335.9	2.9	31	14	48	7	15.18
Southwest (Dallas)	126 3/	995.9	0.3	327.5	0.2	33	6	45	16	16.16
Arizona (Phoenix)	131	358.6	6.9	105.0	-5.6	29	9	26	36	15.68
Pacific Northwest (Seattle)	124	658.8	-1.8	176.8	-1.8	27	7	42	24	15.18
<b>ALL MARKET AVERAGE OR TOTAL</b>	3/	10,719.1	0.1	3,431.1	-2.8	32	11	48	9	15.71

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

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 345 million pounds of milk that normally would have been associated with these markets. In June 2009, the estimated not pooled volume of milk was 88 million pounds, occurring in order numbers 030 and 032. After adjusting for non pooled milk, the year-to-year percent change is +2.5%.

4/ Less than 0.5 percent

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

In April 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.51 per cwt., down \$0.41 from the previous month average, but up \$2.55 from April 2009. The component tests of producer milk in April 2010 were: butterfat, 3.61%; protein, 3.03%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except Minnesota. Mailbox prices ranged from \$16.89 in Florida to \$13.09 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	April 2009	March 2010	April 2010
	Dollars per hundredweight		
New England States <u>3/</u>	12.66	16.16	15.61
New York	11.93	15.08	14.52
Eastern Pennsylvania <u>4/</u>	12.16	15.74	15.16
Appalachian States <u>5/</u>	12.70	16.78	15.71
Southeast States <u>6/</u>	13.08	17.27	16.01
Southern Missouri <u>7/</u>	11.09	15.05	14.00
Florida	14.34	18.10	16.89
Western Pennsylvania <u>8/</u>	12.07	15.78	15.04
Ohio	12.43	15.92	15.20
Indiana	11.76	15.38	14.50
Michigan	11.74	15.00	14.35
Wisconsin	12.17	14.39	14.31
Minnesota	12.26	14.18	14.19
Iowa	12.23	15.00	14.78
Illinois	12.06	15.02	14.67
Corn Belt States <u>9/</u>	11.62	14.66	14.13
Western Texas <u>10/</u>	11.07	14.43	13.97
New Mexico	10.26	13.50	13.09
Northwest States <u>11/</u>	11.29	14.05	14.02
All Federal Order Areas <u>12/</u>	11.96	14.92	14.51
California <u>13/</u>	9.88	12.81	12.93

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."

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	MAY 31, 2008	MAY 31, 2009	REVISED MAY 31, 2010	JUNE 30, 2008	JUNE 30, 2009	JUNE 30, 2010
Butter	269,474	253,310	212,488	258,360	262,854	197,892
Cheese, Natural American	568,439	586,053	614,852	581,842	602,049	628,369
Cheese, Swiss	26,917	22,102	27,339	25,264	23,067	26,803
Cheese, Other Natural	285,933	362,165	374,029	295,365	362,283	371,430
Total Cheese	881,289	970,320	1,016,220	902,471	987,399	1,026,602

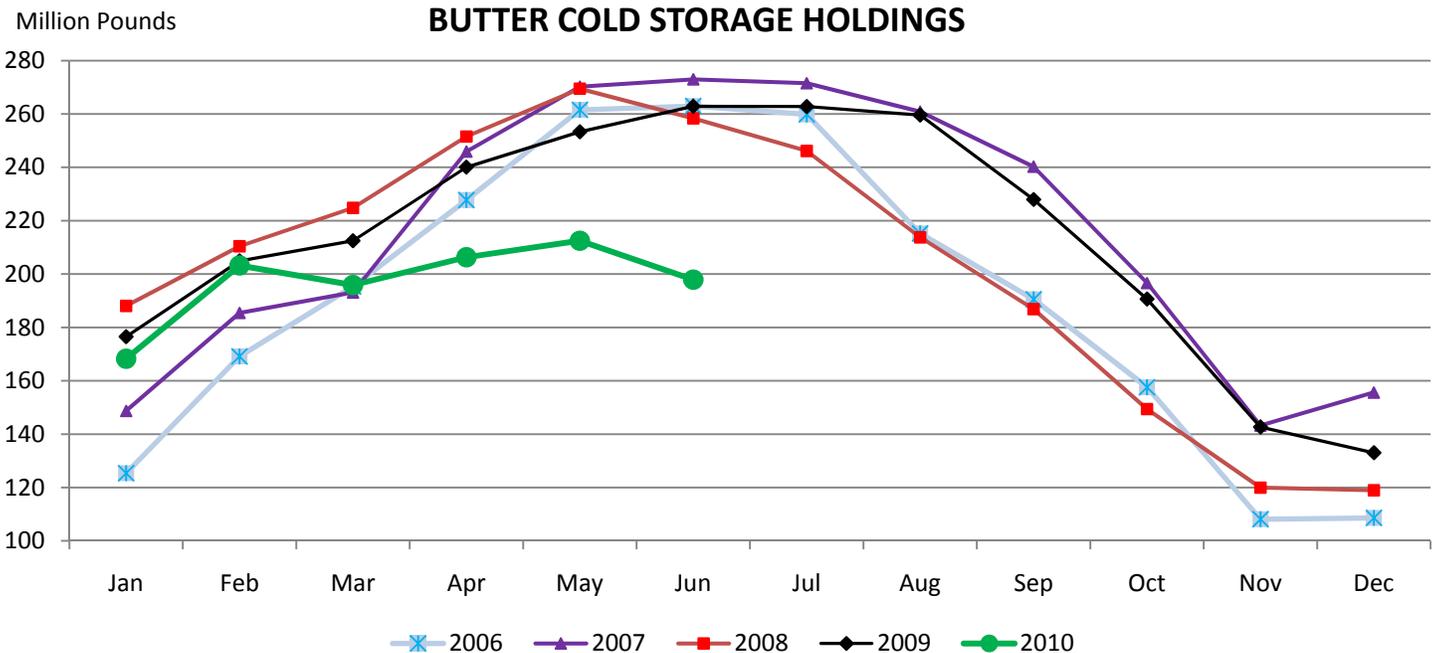
  

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	MAY 31, 2008	MAY 31, 2009	REVISED MAY 31, 2010	JUNE 30, 2008	JUNE 30, 2009	JUNE 30, 2010
Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

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

JUNE STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
New England	37,723	36,560	37,233	---	---	---	358	446	507
Middle Atlantic	51,016	43,785	46,053	---	---	---	15,286	18,914	21,200
East North Central	256,911	256,582	267,583	---	---	---	185,789	219,867	246,894
West North Central	88,342	102,710	103,507	---	---	---	52,870	76,913	71,211
South Atlantic	4,613	6,832	4,409	---	---	---	503	207	311
East South Central	1,952	2,516	1,793	---	---	---	3,231	3,206	138
West South Central	9,615	3,888	3,103	---	---	---	2,120	2,094	1,475
Mountain	33,282	51,756	55,722	---	---	---	6,045	6,559	7,535
Pacific	98,388	97,420	108,966	---	---	---	29,163	34,077	22,159
TOTAL	581,842	602,049	628,369	258,360	262,854	197,892	295,365	362,283	371,430

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2009 TO DATE

Month	Butter <u>1/</u>		Natural American Cheese <u>1/</u>		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>2/</u>		Commercial		Government	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Million Pounds		Million Pounds		Million Pounds					
January	168	177	588	533	272	300	138	203	134	97
February	203	205	598	542	195	316	152	192	47	124
March	196	212	602	549	174	361	148	190	26	171
April	206	240	610	577	160	375	152	180	8	195
May	212	253	615	586	160	403	154	198	6	205
June	198	263	628	602		201		201		NA
July		263		605		398		173		225
August		260		599		360		138		222
September		228		596		325		122		203
October		191		580		272		91		181
November		143		583		287		116		171
December		133		585		289		132		157

NA - Not available.

1/ NASS discontinued publishing estimates for government owned butter and cheese. 2/ Includes instant nonfat dry milk.

**SOURCE:** "Cold Storage," Co St 1 (7-10) and "Dairy Products," (July 2010), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## THE DAIRY OUTLOOK

### Dairy Product Demand Strengthens, but More Milk and Stocks Keep a Lid on Prices

Feed prices have been favorable for producers this year compared with last. Although corn and soybean meal prices are expected to average higher for the 2010/11 crop year, the increases are expected to be moderate. Corn prices are forecast to be \$3.45 to \$4.05 a bushel in the 2010/11 crop year. Likewise, soybean meal prices are likely to rise slightly in 2010/11 to \$240-\$280 a ton. The milk-feed price ratio has risen since 2009 and will likely average about 2.3 for the current year. Given the outlook for feed and milk prices, the ratio will remain nearly the same in 2011. Although producer returns have improved over 2009, the improvement is not enough to result in higher average cow numbers this year or next. Cow numbers are expected to average 9.1 million head this year and be about the same next year. According to the June Milk Production report, monthly cow numbers have increased fractionally since the first of the year but still trail year-earlier levels. Meanwhile, milk per cow continues to trend upward on a year-over-year basis. The increased output per cow will more than offset reduced herd size this year, resulting in more milk. Production in 2010 is forecast at 191.2 billion pounds. Next year, the forecast decline in cow numbers is expected to slow even further and production per cow is expected to be closer to trend, rising 1.6 percent year-over-year. The result is an estimated 193.5 billion pounds of milk in 2011.

Economic recovery is continuing apace in Asia and South America and coupled with weaker production in Oceania has tightened global dairy product supplies. However, prices were lower at the most recent *global Dairy Trade* auction. According to *Dairy Market News*, seasonally strong production in Northern Hemisphere countries and optimism for the upcoming season in Australia and New Zealand pushed down prices. The lower auction prices may have anticipated greater global supplies in the coming year. U.S. Milk equivalent exports are projected to reach 5.3 billion pounds in 2010 and 5.1 billion pounds next year on a fats basis. Exports on a skim-solids basis are expected to climb to 26.3 billion pounds this year and rise to 27.3 billion pounds in 2011. The skim-solids export forecasts are in the range of 2008 export totals after last year's falloff. Correspondingly, U.S. imports will be lower this year. Milk equivalent imports are projected at 4.5 billion pounds on a fats basis and 4.6 billion pounds on a skim-solids basis this year. Imports are forecast to rise slightly to 4.7 billion pounds on a fats basis and 4.8 billion pounds on a skim-solids basis in 2011.

The most recent *Cold Storage* report shows butter stocks at the end of May at 16 percent below year-earlier levels and total cheese stocks are 5 percent ahead of a year ago. The relatively higher cheese stocks and relatively low butter stocks compared with last year are contributing to butter prices being higher than cheese prices. The July Dairy Products report shows May end-of-month nonfat dry milk (NDM) stocks at 26 percent below year-earlier levels. Fats-basis domestic commercial use is projected to rise by 1.3 percent in 2010 and by another 1.5 percent in 2011. A rise in domestic commercial use is likely on a skim-solids basis as well, but the increase is expected to be a moderate 0.1 percent in 2010 and 0.9 percent in 2011.

The rise in domestic use and exports will draw down stocks. On a milk-equivalent basis, ending commercial stocks are expected to tighten both this year and next, and on both a fats- and skim-solids basis. The drawdown in stocks on a skim-solids basis is expected to be more pronounced next year than in 2010.

The current situation has Class IV prices above Class III prices, a reflection of the tightness in fat availability. Lower fat tests have boosted butter prices and may have helped firm up cheese prices as well. This situation should correct itself early in 2011. Prices for the major dairy products, except butter, are expected to rise slightly next year. Cheese prices are expected to average \$1.465-\$1.495 per pound in 2010 and \$1.520-\$1.620 per pound in 2011. Butter prices are forecast to average \$1.530-\$1.590 this year and \$1.400-\$1.530 per pound next year. NDM prices are expected to average \$1.195-\$1.225 per pound this year and \$1.235-\$1.305 in 2011. Whey prices are forecast to average 36.5-38.5 cents per pound in 2010 and 37.5-40.5 cents in 2011.

Class IV milk prices are forecast to average \$14.65-\$15.05 per cwt this year and increase slightly to \$14.40-\$15.50 per cwt in 2011. The Class III price is projected to average \$13.80-\$14.10 per cwt in 2010 and climb to \$14.40-\$15.40 per cwt in 2011. The all-milk price is expected to average \$15.80-\$16.10 per cwt in 2010, with a rise to \$15.90-\$16.90 in 2011.

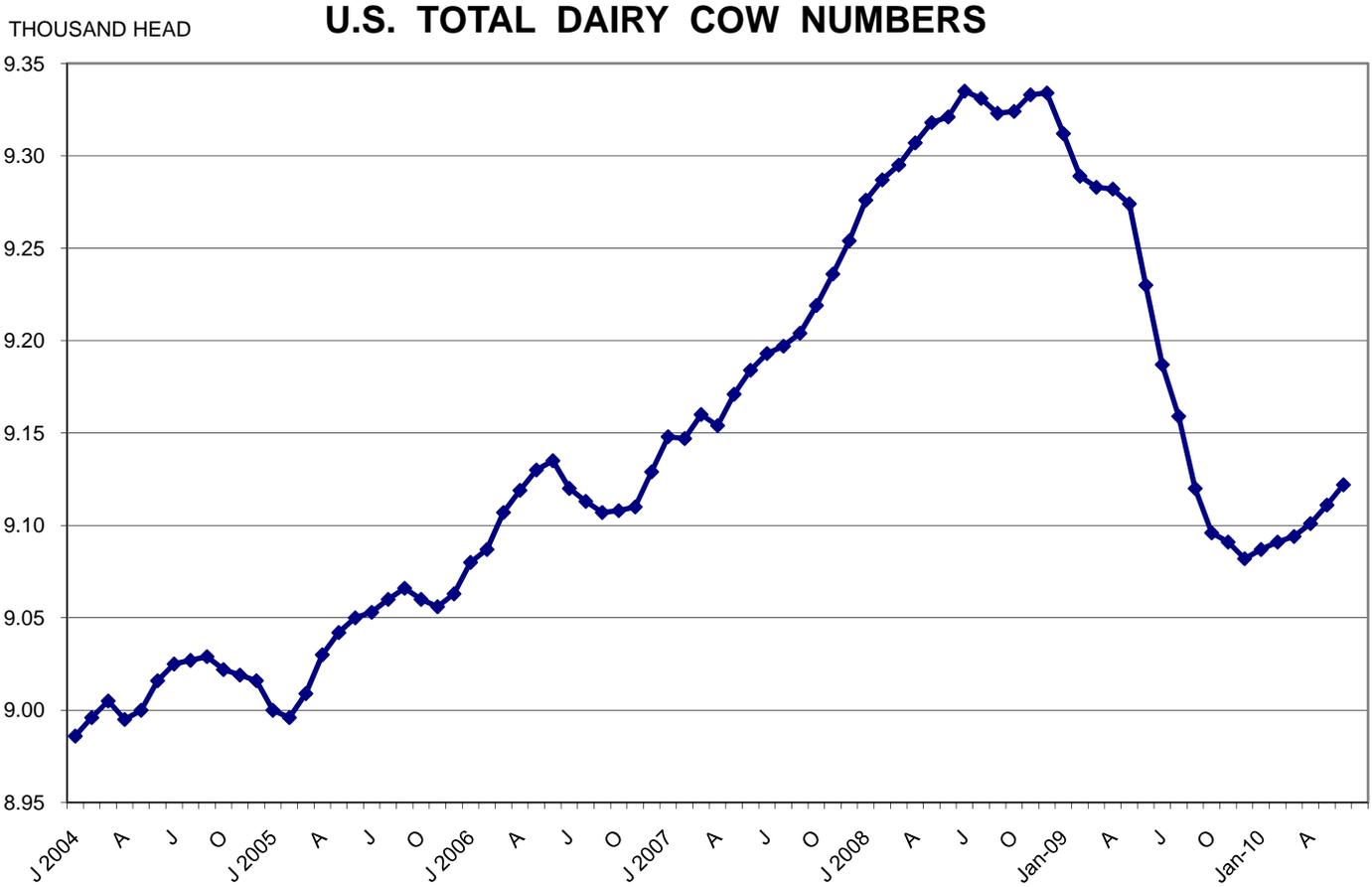
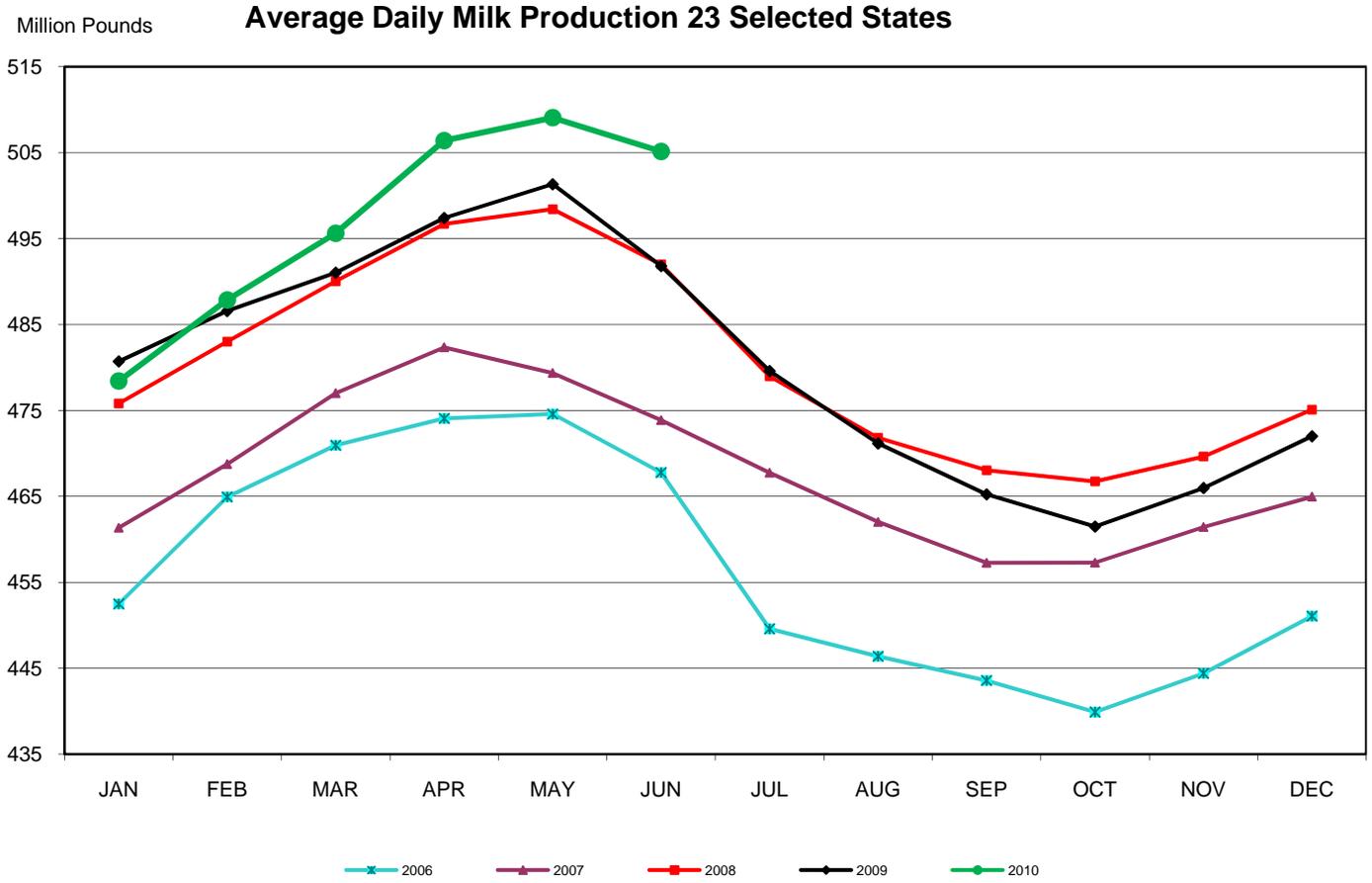
**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-193, July 21, 2010, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

## FEDERAL MILK ORDER ADVANCE PRICES, AUGUST

**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for August 2010 is \$15.77 per cwt. This price is derived from the Class IV skim milk pricing factor of \$9.49 and the advanced butterfat pricing factor of \$1.8899. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to July 2010, the Class I base price increased \$0.11 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$0.06 per cwt., \$0.005 per gallon; reduced fat milk (2%), -\$0.21 per cwt., -\$0.018 per gallon; fat-free (skim milk), -\$0.52 per cwt., -\$0.045 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$9.49. Thus, the Class II skim milk price for August is \$10.19 per cwt., and the Class II nonfat solids price is \$1.1322. **Product Price Averages.** The two-week product price averages for August are: butter \$1.7321, nonfat dry milk \$1.2333, cheese \$1.4497, and dry whey \$0.3618.

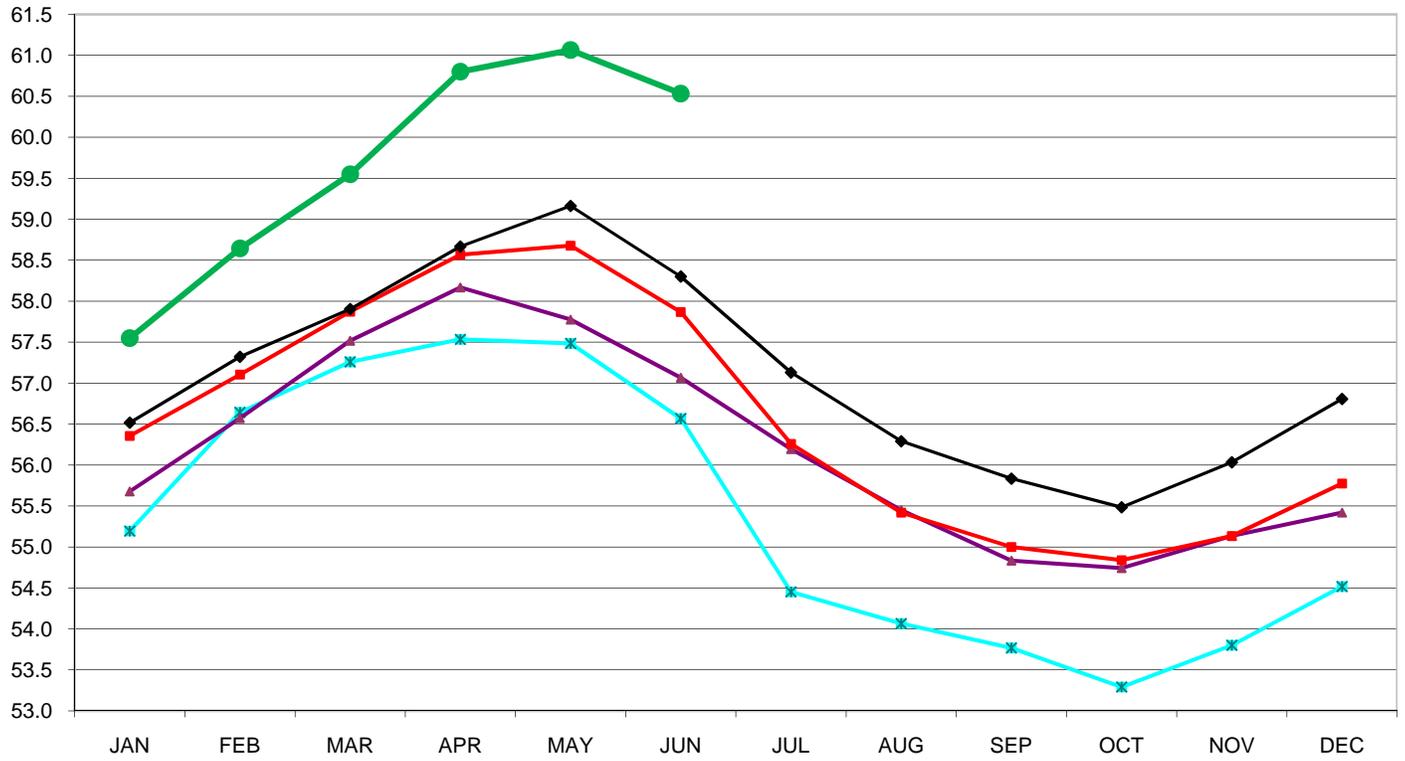
FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/ 2/</sup>				
August 2010				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	19.02	12.74	1.9224
Appalachian (Charlotte) <sup>5/ 6/</sup>	005	19.17	12.89	1.9239
Southeast (Atlanta) <sup>6/ 7/</sup>	007	19.57	13.29	1.9279
Florida (Tampa) <sup>6/ 8/</sup>	006	21.17	14.89	1.9439
Mideast (Cleveland) <sup>9/</sup>	033	17.77	11.49	1.9099
Upper Midwest (Chicago) <sup>10/</sup>	030	17.57	11.29	1.9079
Central (Kansas City) <sup>11/</sup>	032	17.77	11.49	1.9099
Southwest (Dallas) <sup>12/</sup>	126	18.77	12.49	1.9199
Arizona (Phoenix)	131	18.12	11.84	1.9134
Pacific Northwest (Seattle) <sup>13/</sup>	124	17.67	11.39	1.9089
All-Market Average		18.66	12.38	1.9188

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets. <sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. <sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. <sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. <sup>8/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. <sup>9/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. <sup>10/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>11/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. <sup>12/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.



Pounds per Day

**23 STATES DAILY AVERAGE MILK OUTPUT PER COW**

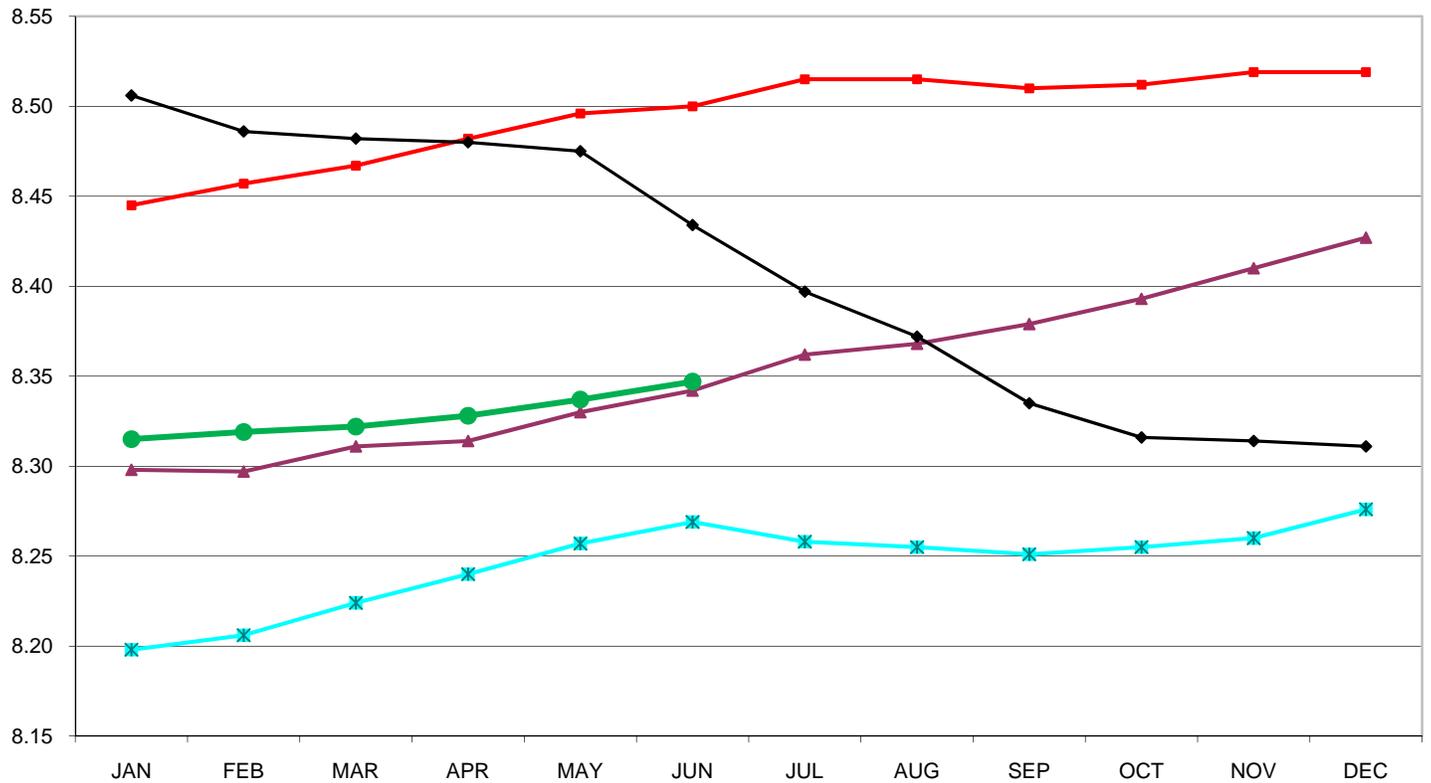


NASS DATA, GRAPH BY DMN

2006 2007 2008 2009 2010

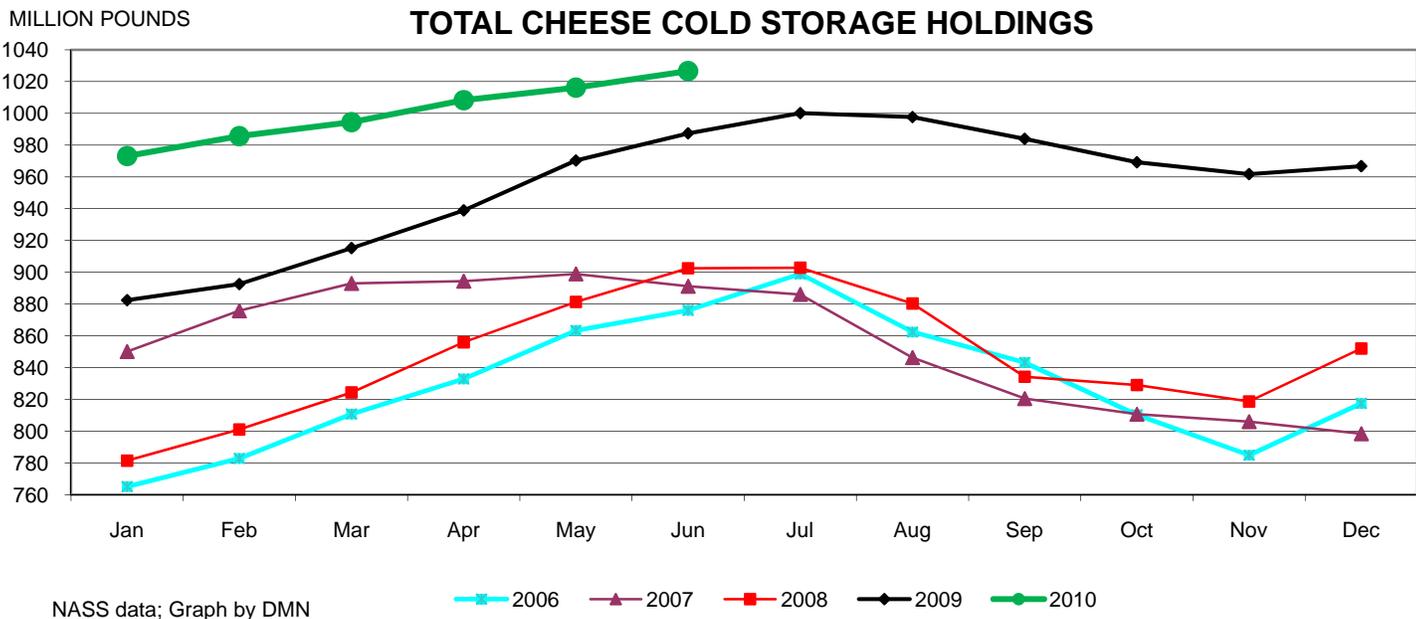
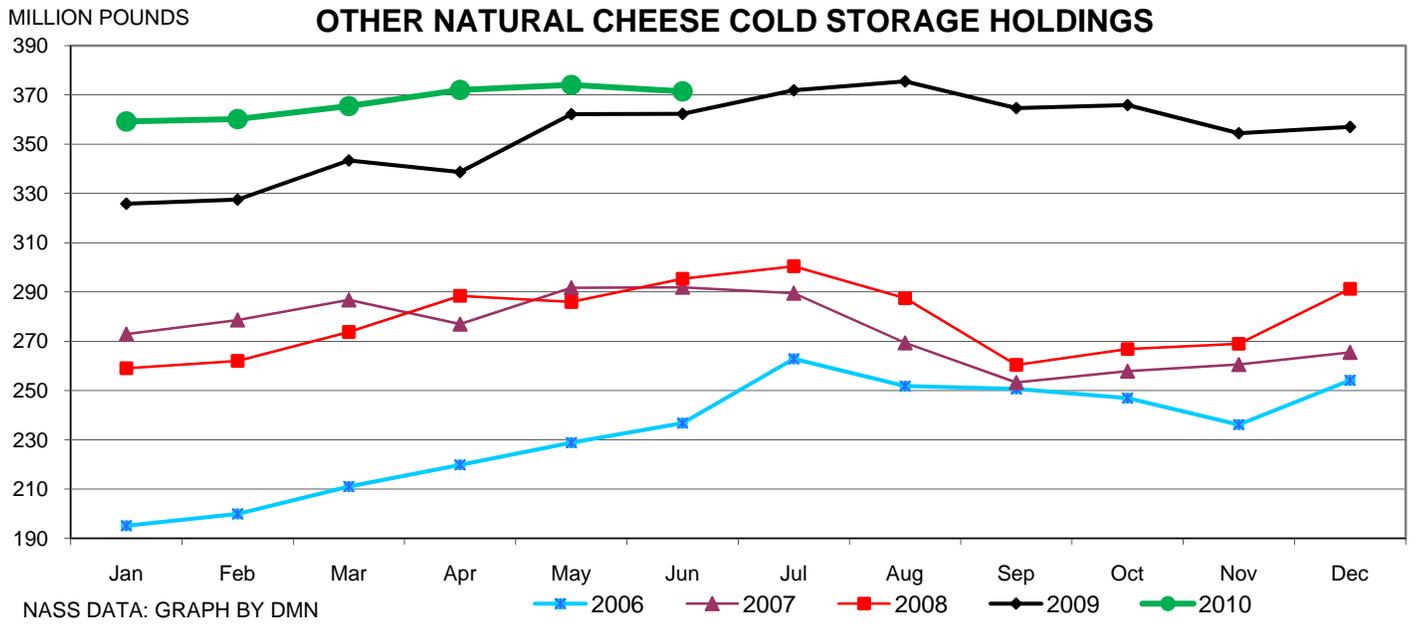
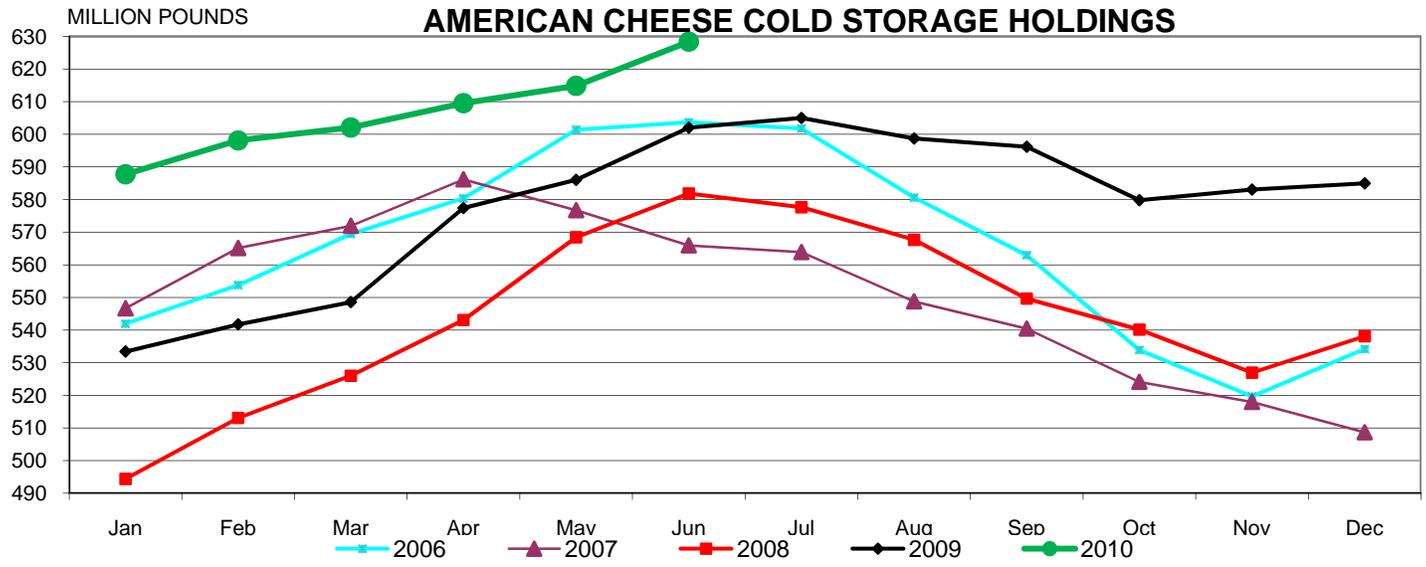
Million Head

**MILK COW NUMBERS - 23 SELECTED STATES**



Graph USDA, DMN; Source USDA, NASS

2006 2007 2008 2009 2010



# DAIRY MARKET NEWS

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