

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (07/30):**

BUTTER: Grade AA closed at \$1.8150. The weekly average for Grade AA is \$1.8040 (+.0130).

CHEESE: Barrels closed at \$1.5575 and 40# blocks at \$1.6025. The weekly average for barrels is \$1.5585 (+.0120) and blocks, \$1.6025 (+.0055).

BUTTER HIGHLIGHTS: The CME cash butter market remains firm. Cream supplies for churning are tight due to declining components, lower milk production, and a steady/good demand from Class II channels. In many instances, butter inventories trail previous year levels for this time of the season. In some instances, butter handlers are stating that their supplies are less than half of previous year's at this time. Butter demand has slowed, typical for this time of the summer and also due to firmer prices. Butter producers and traders are stating that firm prices for this time of the year are not helping retail sales. Shelf prices are starting to reflect the higher prices and retailers are stating that it appears that consumer demand is starting to slow down. Within the past month, the Cooperatives Working Together (CWT) program announced that export assistance would be made available for butter and anhydrous milkfat. This week, export assistance bids for 1,714 MT (3,778,724 pounds) were accepted. The shipment period is now through November with the destinations being Europe, the Caribbean, South America, and the Middle East.

CHEESE HIGHLIGHTS: Cheese prices on the CME Group cash market showed increased price resistance, especially on barrels. Blocks currently are at \$1.6025, about 37 cents above the comparable week in 2009 and barrels at \$1.5575, are about 36 cents higher than last year. Last year on July 31 (2009), the Dairy Product Price Support Program purchase prices for cheese were raised 18 cents per pound for 3 months to \$1.31 for blocks and \$1.28 for barrels. Demand generally remains lackluster as many consumers purchase heavier when featured, but with prices above a year ago, more selectively. The question debated in the trade is when will manufacturing milk supplies be sufficiently tight to fully warrant current and possibly higher prices? Milk intakes and components continue to decline, particularly in the most heat stressed areas. Some milk shipments have headed to the Southeast from the upper Midwest to supplement local supplies, ahead of the reopening of the earliest Southern schools.

FLUID MILK: July heat and humidity levels are taking their toll on milk production and subsequently on available milk solids. Milk production in the Southeast is reduced and demand on fluid milk is increasing as school pipelines prepare for the fall session. Florida is moving from an exporting state to importing loads from Texas and the upper Midwest. Cream is tight due to good demand from ice cream and cream cheese producers across the Atlantic seaboard. Lower production in the Midwest has some manufacturers looking hard to find spot loads of milk. The Southwest is trending lower or is near to summer low levels of production. Processing plants are handling available volumes. California milk output has moderated and volumes are along projected levels for manufacturing. Utah and Idaho temperatures were above normal with "monsoon" humidity being experienced in some cases. The Pacific Northwest coastal areas were among the few areas not experiencing heat stress. Cream supplies are reduced in most areas and multiples are increasing as buyers go from West to East.

DRY PRODUCTS: Central and Eastern nonfat dry milk prices are mostly steady. Condensed skim sales are active and taking pressure off of dryers. High heat NDM production is increasing to meet new demand. Western low/medium heat prices are steady to lower. Offerings of older NDM and resale product at lower prices have weakened current production prices. Producer level stocks are building. Dry buttermilk prices are mostly unchanged. Condensed buttermilk sales are active and reducing sales of dry product above contracted needs. Western buttermilk prices are noted as steady with a weak undertone. Dry whole milk prices are unchanged. Dry whey prices in the East and Central regions are steady. Western whey prices were steady to weak with export sales at reduced prices leading the way. Edible whey protein concentrate 34% prices are steady to somewhat higher. Feed quality WPC and lower priced NDM helped to weaken prices in the feed sector. Lactose prices firmed as confectioners look for product for upcoming seasonal production schedules. Casein prices are generally steady with prices unchanged.

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CME GROUP CASH TRADING

PRODUCT	MONDAY JULY 26	TUESDAY JULY 27	WEDNESDAY JULY 28	THURSDAY JULY 29	FRIDAY JULY 30	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5575 (-.0025)	\$1.5575 (N.C.)	\$1.5575 (N.C.)	(-.0025)	\$1.5585 (+.0120)
40# BLOCKS	\$1.6025 (N.C.)	\$1.6025 (N.C.)	\$1.6025 (N.C.)	\$1.6025 (N.C.)	\$1.6025 (N.C.)	(N.C.)	\$1.6025 (+.0055)
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 (N.C.)
GRADE A	\$1.2100 (N.C.)	\$1.2100 (N.C.)	\$1.2100 (N.C.)	\$1.2100 (N.C.)	\$1.2100 (N.C.)	(N.C.)	\$1.2100 (-.0060)
BUTTER GRADE AA	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8050 (+.0050)	\$1.8150 (+.0100)	(+.0150)	\$1.8040 (+.0130)

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

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ORGANIC DAIRY MARKET NEWS OVERVIEW (DMN):

Organic milk availability is tightening in many parts of the country. This is attributed to strong sales and some production decline, both normal seasonal, as well as to recent extreme heat in the East. Eastern organic fluid milk sales are described as "strong". Some plants report Eastern stores adding to organic milk orders. This has resulted in activity procuring surplus milk here and there, sometimes at up to a \$1.00 premium, to meet increased Eastern demand. The extra organic milk most often comes from sources with continuing relationships, which are able to provide requested *ad hoc* increases beyond contracted volumes, at varied price considerations. Other processors report organic milk sales "way up", setting records "week after week". This has resulted in less organic milk finding its way into non-organic uses. Organic cream markets have not been considered as tight as with non-organic cream in recent weeks. Organic cream currently moving into non-organic uses, is more likely to result from plants being left with less than full truck load quantities after organic runs are completed, making it more cost effective to sell the remainder organic cream for non-organic use than to run less than full tankers with organic cream to other locations. Some organic manufacturers are churning to build inventory of butter for the 4th quarter, but less aggressively than at churning levels last year. The national weighted average advertised price for half gallons of organic milk declined to \$2.80, 53 cents lower than two weeks ago. The range slightly expanded, by 1 cent to a bottom of \$2.29 and by 10 cents at the top, to \$3.79. The national weighted average advertised price for organic milk gallons increased 72 cents to \$5.30, with the entire range shifting up so that the top two weeks ago, \$4.99, is this week's bottom. The new top is \$5.59. Weighted national average advertised organic yogurt prices in 6 ounce containers declined 2 cents to \$0.70. The range significantly expanded, primarily at the top, \$0.99, which was 19 cents over two weeks ago. The bottom declined 9 cents to \$0.60.

MAY FEDERAL MILK MARKETING OVER ORDER CHARGES (AMS):

For May 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.17 per cwt., down \$0.01 from the April 2010 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.75 in the Pacific Northwest to \$3.51 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.15 per cwt., unchanged from the April 2010 average. Seventy-nine percent of the producer milk used in Class II carried an over-order charge.

CONSUMER PRICE INDEX (BLS): The June CPI for all food is 219.2, up 0.7% from June 2009. The dairy products index is 197.9, up 1.9% from a year ago. The following are the June to June changes for selected products: fresh whole milk is +8.1%; cheese, +0.8%; and butter, +5.8%.

COMMERCIAL DISAPPEARANCE (ERS,AMS): Commercial disappearance of dairy products during the first five months of 2010 totals 79.1 billion pounds, 2.3% above the same period in 2009. Comparing disappearance levels with year earlier levels: butter is +1.3%; American cheese, -0.6%; other cheese, +4.7%; NDM, +15.4%; and fluid milk products, -0.9%.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):

The following are the July 2010 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$17.10(+\$1.09), Class III \$13.74(+\$0.12), and Class IV \$15.75(+\$0.30). Product price averages used in computing Class prices are: butter \$1.7375, NDM \$1.2277, cheese \$1.4567, and dry whey \$0.3641. The Class II butterfat price is \$1.9034 and the Class III/IV butterfat price is \$1.8964. Further information may be found at: www.ams.usda.gov/DairyMarketStatistics select Prices, select Price Formulas - 2010

CME GROUP

MONDAY, JULY 26, 2010

CHEESE — SALES: 4 CARS BARRELS: 2 @ \$1.5575, 2 @ \$1.5600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300
 BUTTER — SALES: 5 CARS GRADE AA @ \$1.8000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8100

TUESDAY, JULY 27, 2010

CHEESE — SALES: 2 CARS BARRELS @ \$1.5600; 3 CARS 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: 2 CARS GRADE AA @ \$1.8000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8000; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JULY 28, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.5575; 3 CARS 40# BLOCKS @ \$1.6025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.2100; LAST BID UNFILLED: 5 CARS GRADE A @ \$1.2000; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8100

THURSDAY, JULY 29, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.5575; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.8100, 1 @ \$1.8050; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.8000; LAST OFFER UNCOVERED: NONE

FRIDAY, JULY 30, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8150; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

JUNE BUTTER COLD STORAGE

As of June 30, 2010, U.S. holdings of butter totaled 197.9 million pounds, 25% lower than last June and 7% lower than last month.

NORTHEAST

CME Group butter prices have advanced 5 cents since the July 4th holiday and closed Tuesday unchanged at \$1.8000. Cream supplies remain very tight due to declining components and milk production. Butter production is light with churns operating only to fill current orders, allowing manufacturers to take advantage of the current high multiples. Multiples are ranging mostly from 158-168, with last minute orders at or above the 170 level. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price remains firm and has maintained a steady \$1.8000 price for the past five consecutive trading sessions. Churning activity has slowed as cream volumes for butter needs are less available. For those that have been selling a portion of their cream due to financial considerations, some are pulling back these offerings and churning for current and future needs. Although overall butter orders are slower, most butter producers are willing to churn at this time, anticipating that cream volumes and availability will continue to be tight as the summer winds down and fall begins. In most instances, butter inventories are at lower levels than desired for this time of the season. Some butter producers are stating that their inventory situation is less than half of what it was last year at this time. Many butter producers and handlers are concerned about lighter supplies, but remain optimistic about the fall production season. As has been

stated in recent weeks, firm prices typically slow consumer buying patterns, thus some butter handlers speculate that lighter than usual butter supplies might be sufficient for yearend needs. Current 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 unchanged at \$1.8000. Sales of butter at the exchange were moderate and amounted to 8 sales for the last five sessions. The last time butter prices were at this level was December of 2004. Butter prices have now held steady for the past week. Cream supplies remain tight and cream multiples are holding steady. Butter producers are keeping a keen eye on supplies into the fall. Supplies are adequate for most needs, with current churning and stored inventory being used as needed. Manufacturers are reluctant to build supplies at current cream multiples. Higher prices are slowing sales of branded product with customers turning to lower priced private labels in some instances. Buyers are showing reluctance to purchase for more than immediate needs. According to the NASS *Cold Storage* report, stocks of butter as of June 30, 2010, total 197.9 million pounds, -25% or 65 million pounds less than June last year. Stocks were 7% lower or 14.6 million pounds less than May 2010. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 3.4 million pounds last week to 45.9 million pounds. This total compares to 97.3 million pounds in 2009 and 96.9 million pounds in the comparable week in 2008. Butter stocks in storage at CME approved warehouses have dropped for the last seven weeks from a peak storage for the year at 68.4 million pounds over the Memorial Day weekend. Since the peak storage week, inventories are 22.5 million pounds (-32.9%) lower.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
JULY 24	1,4999	1,5110	1,1865	1,7713	0.3621
	11,254,521	10,543,231	18,424,867	4,613,050	9,445,130

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 have maintained their recent price gains and closed Tuesday unchanged with barrels at \$1.5600 and blocks at \$1.6025. The weekly average prices continued to move higher, resulting in price increases for wholesale prices with the exception of Swiss Cuts, which was unchanged. Milk production is decreasing seasonally with some areas noting steeper declines due to recent spells of heat and humidity. Italian type cheese and cheddar for aging programs are maintaining mostly steady production schedules. Mozzarella demand from pizza concerns and institutional users remains good.

Cheddar Barrels on Wednesday at the CME Group closed down \$.0025 at \$1.5575. 40 Pound Blocks were unchanged at \$1.6025. Sales at the CME Group have been moderate to heavy over the last five trading sessions. Barrels have had sales of 15 loads and Blocks sold 12 loads over the past week. Since the end of June, Barrel prices are \$.1600 higher and Blocks are \$.1825 higher. Hot, summer weather across the region has slowed milk production in the West. The Pacific Northwest has been less affected, as nights there remain cooler and more comfortable for cows. Cheese production has dropped slightly as milk intakes contain less solids and reduced cheese yields. Supplies are adequate in most cases to meet demand. Buyers are caught guessing as to whether historic large inventories will weigh on prices or if hot weather will reduce available supplies. CWT assistance continues to be made available for export sales from cooperatives. According to NASS, Cold Storage stocks of cheese (total) at the end of June 2010 are 1,026.6 million pounds, up 4% or 39.2 million pounds from last year. American stocks were up 4% and Other Natural stocks were 3% higher than last year. Swiss stocks at the end of June total 26.8 million pounds, up 16% or 3.7 million pounds more than June 2009.

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

Cheddar 40# Block	:	1.9125-2.1875
Process 5# Sliced	:	1.6500-1.9600
Muenster	:	1.9325-2.1300
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	:	1.6725-1.9300
Cheddar 40# Block	:	1.7275-2.0800
Cheddar 10# Cuts	:	1.9075-2.1275
Monterey Jack 10#	:	1.9175-2.0775
Grade A Swiss Cuts 6 - 9#	:	2.5825-3.0125

MIDWEST

The cheese market has been fairly stable in the past week at around \$1.56 per pound for barrels and \$1.6025 for blocks. Blocks are about 37 cents above the comparable week a year ago and barrels about 36 cents at current 2010 prices. Last year on July 31 (2009), the Dairy Product Price Support Program purchase prices for cheese were raised 18 cents per pound for 3 months to \$1.31 for blocks and \$1.28 for barrels. Demand remains steady at best. Consumers continue to respond to promotions, though at prices higher than last year, results are generally not as effective. Overtime is mostly minimal for packagers and processors. Tightening cheese supplies, particularly as schools reopen, could lead to higher prices, but will probably be more based on supply than demand. Depending on requirements, generally heavy volumes of medium and aged cheddar are available from storage. Depending on location and temperatures, milk volumes and component levels are steady to mostly lower, reducing cheese yields. Volumes of manufacturing milk for sale have tightened.

FOREIGN

Block prices on the CME Group maintained their recent price increases and closed Tuesday unchanged at \$1.6025. The weekly average moved higher raising the wholesale prices for domestic varieties of foreign type cheese with the exception of Swiss Cuts, which were unchanged. Domestic Swiss sales remain sluggish causing inventories to increase, but are not yet considered burdensome.

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

Process American 5# Loaf	:	1.8400-2.0900
Brick And/Or Muenster 5#	:	2.0000-2.1100
Cheddar 40# Block	:	1.8500-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.4475-2.7300
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)

	:	NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
	:	:	:
Blue	:	2.6400-5.3900	2.0525-3.5400*
Gorgonzola	:	3.6900-6.6900	2.5550-2.8150*
Parmesan (Italy)	:	-0-	3.4600-3.6625*
Provolone (Italy)	:	3.4400-5.9900	2.0950-2.2525*
Romano (Cows Milk)	:	-0-	3.2425-5.3850*
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
		:	
07/26/10	9,988	:	129,109
07/01/10	9,660	:	129,257
CHANGE	328	:	-148
% CHANGE	3	:	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	38	0	131	0	92
SOUTHEAST STATE	0	0	0	0	0	0

Milk production declines in the Northeast and Mid Atlantic regions are somewhat steeper than the seasonal trend due to recent prolonged spells of heat and humidity. Manufacturing supplies are also lower resulting from the production declines and increased draws from Class I plants. Southeast milk production continues to lag as a result of extreme heat and dryness. Regional processors are meeting fluid demand with available milk – assisted by reducing dairy manufacturing. More contracted milk is also moving from Texas to the Southeast to help meet demand. This situation is expected to continue and intensify, as school pipelines in portions of the region begin being filled by the end of next week. Florida production has continued to decline just as several retail milk promotions in Florida supermarkets began this week. This has led to what is characterized as a "scramble" to obtain milk to meet orders. Shipments out of Florida declined to 38 this week, from 131 last week and 250 two weeks ago. Cream is very tight due to declining milk production, lower components and strong pulls from ice cream and cream cheese producers. Multiples are ranging mostly from 158-168 with orders for last minute needs exceeding the 170 level. Contracted and spot sales of condensed skim are limiting volumes being sent to dryers. Most manufacturers are taking advantage of any dryer down time to catch up on maintenance schedules.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.8297-3.0080
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4716-2.9552

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.30 - 1.34
NORTHEAST - CLASS III - SPOT PRICES	-	1.00 - 1.08

M I D W E S T

Class I interest was steady to occasionally improved compared to recent weeks. Reports indicate that an indeterminate number of loads of upper Midwest milk started getting shipped into the Southeast to supplement local supplies. Ice cream/mix interest remains solid overall. Cream supplies remain very tight and multiples continue higher than usual as more milk is needed to produce a load of cream than usual. Fluid volumes have dwindled in the heat and humidity and many customers are looking for supplemental manufacturing milk loads, mostly unsuccessfully. On a very limited test, reported spot manufacturing milk prices range from around \$1.00 net over class to around \$3.00 over. Whether it is from improved current cheese demand or from cheese plant operators expecting a large increase in the Class III milk price from July to August is being debated by the trade. Milk volumes are generally lower as the continued heat and humidity makes keeping cows cool difficult for producers without much heat abatement equipment. Milk components are also trending lower. This reduces the yields of manufactured products. Crop

conditions vary by locations with flooding and deteriorating crops in low lying parts of Iowa, Illinois, and Wisconsin. Generally, drier conditions may also hurt yields elsewhere in the region. In wet areas, combining of small grains and/or hay/haylage harvest have been slowed.

W E S T

CALIFORNIA milk output has moderated; an often direct correlation to the weather conditions in the state. Cows comfort has improved with lower daytime highs, moderate to low humidity, and cooler nighttime temperatures. Increases in milk prices at the farm level are being welcomed and are improving the producers' outlook. Increased cheese prices will help improve milk prices as recent increases are factored into pricing formulas. Conversely, declining nonfat dry milk prices will lower the solids portion of pricing formulas. Processing plants are performing well across the state with only some minor issues cropping up. Milk handling remains along plans and projections. Milk placement is not being affected to any great extent by end product values. The exception might be processor selling some cream loads to take advantage of high overages/multiples in the current tight cream environment. ARIZONA milk production has leveled off at what may be summer low levels. Cows have generally gotten "used" to the weather conditions and the measures in place to keep them comfortable. Temperatures have cooled to just around 100 degrees, although humidity levels remain high. Spotty rains are not impacting production. Plants are running at expected levels. NEW MEXICO milk output is steady to trending lower on a weekly basis, directly impacted by summer weather conditions. Milk solids are also trending lower along seasonal patterns. The incremental declines are along projected levels. Plants are getting milk needs and working well. CREAM markets continue to be firm with limited spot offerings. Demand is fair to good for current supplies. Interest is less aggressive than in previous weeks with buyers balancing needs against current high costs of cream. CME Group Grade AA butter price closed at \$1.8000 on Wednesday, July 28, up 1 cent from a week ago. Multiples are mostly steady, but lower on the top end of the 135-155 range and vary based on class usage and basing point. Coastal areas of the PACIFIC NORTHWEST had moderate temperatures, but further inland temperatures were above normal. Cow comfort levels were stressed some, but overall production remains above year ago levels. The heat is expected to slow production slightly. Lower yields of solids have reduced manufactured product yields across the region. Plants are operating at normal to slightly reduced schedules. UTAH and IDAHO temperatures were above normal and higher than normal humidity levels were causing some concern for milk producers. Production levels dropped slightly, but are above year ago levels. Ration changes made over the past year are being blamed for lower solid yields. As some profitability returns to the production side, farmers are adjusting feed intakes to both increase production and maintain profits. Producers continue to think about expansion, but farm lenders are watchful and cautious. Dairy replacement heifers were slightly higher at auction in Idaho this week. Top heifer price at one location was \$1500, with the top 50 average price up \$30 from two weeks ago to \$1380.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices in the Central region for nonfat dry milk are steady. Condensed skim sales are active into Class II and Class III accounts. In addition, fluid sales climbed this week in response to end-of-the-month pricing advantages as well as fluid demand from the Southeast. Both of these issues are taking some of the scheduling pressure off the dryers for low heat NDM production. High heat NDM production is more active. Spot market interest in high heat NDM is steady to higher as end users begin bringing in stocks to meet production needs on seasonal products in the near future. Low heat NDM spot sales are intermittent from manufacturers. Buyers seem reluctant to take on inventories to meet anything beyond near term needs.

EAST: Eastern nonfat dry milk prices are unchanged. NDM production is steady to declining somewhat as recent sultry weather conditions take a toll on farm milk production. This is yielding lower farm milk intakes at manufacturing plants in the region. Low heat nonfat dry milk inventories are steady to building. Western nonfat dry milk offerings to the spot market are reportedly competitively priced and readily available, which is helping Western product clear into the East to satisfy regional demand

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

Western low/medium heat nonfat dry milk prices are steady to lower. The market undertone remains weak. Producers' offering prices are often being lowered to stimulate reluctant buyers. Export interest is light to fair for current offerings as deals are being worked out to see if terms can be reached. Domestically, demand is limited with buyers sifting through a multitude of choices. Offerings of older NDM and product in resale channels continue to be offered about at prices at or below current producers' offering prices. Drying schedules are trending lower and reflect declining milk supplies and lower milk solids content in the region. Producer level stocks are building. High heat NDM prices are slightly lower and the market tone is generally weak. The declining low heat prices and declining indices are impacting the high heat market more than direct high heat factors. Some plant level issues are placing high heat NDM on hold and further tightening the market this week. Buyers are looking for fill in needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.0600 - 1.2925 MOSTLY: 1.1200 - 1.2100
 HIGHHEAT: 1.2100 - 1.3975

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 23	\$1.1556	13,735,158	0
July 16	\$1.1909	8,465,211	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.

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Market conditions are mixed as buyer reluctance seems more forthright this week, although prices are unchanged. Some facilities with options for internal use or condensed buttermilk sales are not motivated to move dry buttermilk holdings at lower spot prices. Spot market activity is lower, with fewer trades demarcating the market boundaries. Inventories in the region are growing, though the inventories are comfortable at most locations. Condensed buttermilk sales are active, with some F.O.B. sellers seeing more advantages in clearing condensed buttermilk now versus drying and storing product in a market with unclear direction. Dry buttermilk production at many locations is geared toward meeting near term contract demands.

EAST: Farm milk intakes are sharply down in some areas of the Northeast as that area deals with the effects of a prolonged bout of heat and humidity that affected cow comfort. Cream supplies are tight, and Class II interests are still active and claiming a large portion of the available cream. This is reducing butter and buttermilk production in several Eastern locations. Inventories are growing slowly. With the school pipeline refill close at hand, many plants see the next few weeks of dry buttermilk production as integral to meeting near and mid-term contract demand and are therefore reluctant to offer product to the spot market.

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

DRY BUTTERMILK - WEST

All is quiet on the Western dry buttermilk front. Market trading activity remains slow and pricing levels are generally untested. Producers' offerings remain limited and most of the current activity is centered on filling current and past contract sales. The spot market is lightly tested, yet buyers are reluctant to own extra loads without a purpose. Some contract buyers who are not getting all their contract loads are looking to the spot and resale market to fill in needs. Other buyers sense the buttermilk market weakness from the NDM sector and are content to wait for product availability at later, hopefully lower prices. In general, dry buttermilk output has trended lower with less butter being made and with increased movement of condensed buttermilk. There have been no issues with dryer time being available this year. Stock levels are light.

F.O.B. WEST: 1.1800 - 1.2850 MOSTLY: 1.2000 - 1.2650

DRY WHOLE MILK - NATIONAL

The dry whole milk market is quiet and prices are unchanged. Scarce product availability is dampening spot market activity. More opportunities for production are emerging as farm milk intakes decline seasonally. One or two additional plants are exploring the most practical/profitable ways to enter into the dry whole milk market as new drying capacity comes online.

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Dry whey prices in the Central region are unchanged. Interest is uneven, though, from various market segments. Demand from end users producing edible product is mostly steady. A few push backs on contract loads of edible product destined for the animal feed industry occurred. Those loads reportedly moved readily into the spot market and provided opportunities for one or two producers to participate in the edible spot market to steady interest. Demand for edible product from various animal feed producers is mixed. End user-requested feed values of protein and fat in blended milk replacer formulas are reportedly fluctuating. There is additional interest in higher protein feed values emerging at some locations. This new interest comes at a time when supplies of off-spec or animal feed quality dairy products containing 34% protein are readily available. Conversely, supplies of dairy products containing higher protein values are tight. This translates into a reduced need for dry whey for blending feed protein values into the +/- 25% range if more animal feed producers have a 34% protein starting point versus an 80% protein starting point. Sales of edible dry whey into export markets are mostly steady, with product moving into Mexico and noncontiguous destinations. Production schedules are at seasonally expected levels, with a few maintenance shutdowns planned for this lower farm milk intake period. Most production is moving readily at producers' customary prices. A few pick up locations are switching to warehouses versus production facilities, which may imply building inventories on production floors. ANIMAL FEED DRY WHEY PRICES are steady, and interest is reported as unchanged.

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

DRY WHEY - NORTHEAST

Prices for Northeast dry whey are steady. Production is level to somewhat lower as farm milk production declines seasonally. Contract obligations continue to claim a majority of current production. Spot load offers are moving readily, with over market premiums being maintained from producer to producer. Some Eastern dry whey cleared into the Central at F.O.B. prices within the Eastern range.

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

DRY WHEY - WEST

Western whey prices showed weakness to end July. The top of both the range and mostly series were \$.0050 lower. The mostly series was also lower on the bottom of the range as export sales were made at lower prices. Lower prices for NDM over the past few weeks have producers accepting lower bids on whey. Whey production is adequate for domestic needs. Contract orders are being filled with a few spot offers available. Overall whey production is weaker as cheese production levels have been reduced.

NONHYGROSCOPIC: .3425 - .4050 MOSTLY: .3550 - .4025

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Demand for whey protein concentrate 34% from the edible market is steady to higher. Prices on the range and mostly price series are unchanged to somewhat higher. Production is unchanged to fractionally lower due to cyclically lower farm milk production, lower manufacturing intakes, and pulling of additional loads of farm milk into the fluid market. In addition, some WPC 34% producers continue to modify whey stream products intermittently to balance supply and demand. Various market participants indicate this may have had a moderating effect on the parallels traditionally drawn between the NDM and WPC 34% markets in which the WPC 34% market mirrors NDM market trends. F.O.B. spot market loads of WPC 34% are intermittently available, with the desirability of various physical and functional attributes still dictating most price premiums. Demand from the livestock feed sector is sluggish, as downgraded NDM and animal feed grade WPC 34% is reportedly available at competitive prices. As various manufacturers cease edible WPC 34% production, though, former buyers are scouting for sources to fill needs through the balance of the year. With lower overall WPC 34% production capacity in the near term, and many manufacturers contracted for a large percentage of their remaining projected production, various buyers/end users anticipate having to lobby actively to obtain scarce spot loads of desired quality.

F.O.B. EXTRA GRADE 34% PROTEIN: .9100 - 1.0225 MOSTLY: .9350 - .9650

LACTOSE - CENTRAL AND WEST

Prices in the lactose range series are unchanged to higher, with fine mesh size product clearing to strong demand in the spot market. Spot market activity for unground/coarse mesh size lactose is steady to marginally lower. Some Western resale loads that reportedly were unable to clear into export markets cleared into the East to steady interest. A few delays in shipping are occurring for the fine mesh size lactose due to tight supplies at several manufacturing locations. Interest is higher from confectioners in preparation for upcoming seasonal production cycles.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2000- .4275 MOSTLY: .3000- .3550

CASEIN - NATIONAL

Casein markets are generally steady with prices unchanged. A firm undertone continues. Getting sufficient volumes of casein is at the top of the list of concerns for most domestic buyers. Most suppliers continue to assure buyers that their contracted volumes will be delivered, but continue to state that spot availability is limited. The European milk production season is winding down, thus is casein output. For most of the current season, casein output has lagged projections, but late season milk volumes are more available to casein producers than previously projected. The Oceania milk production season is on the eve of starting for the 2010-2011 year. Early projections are that milk volumes will be up 4 - 14% in New Zealand with Australian output pegged at 1 - 2% higher than last season. Conditions are good in both countries for a positive start to the upcoming season. With these conditions developing, casein output is projected to be strong and in line with early season estimates.

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 26 - 30, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 07/23/10	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	276,801,618	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	276,801,618	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 26 - 30, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.2	10.1
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	162.0	3,222.5
CUMULATIVE JAN. 1 - JUL. 30, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.8	1,889.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JULY 26 - 30, 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	276,801,618	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	276,801,618	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 07/10/10 & 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.	0.5	5.5	2.1	15.4	3.4	0.2	N.A.	12.2	2.1	42.9	1,474.0	42.3	43.7
2009-Dairy	N.A.	0.6	5.7	2.8	14.6	4.3	0.3	N.A.	14.5	3.9	48.4	1,560.4	43.0	48.2
2010-All cows	N.A.	0.6	7.1	11.6	26.5	18.4	12.5	N.A.	16.7	4.9	101.4	3,370.7		
2009-All cows	N.A.	0.7	7.2	12.6	28.2	18.9	14.1	N.A.	17.1	7.5	110.0	3,229.1		

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 & 17	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	17.10					
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74					
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75					

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 19 - 30, 2010

ORGANIC DAIRY FLUID OVERVIEW

Organic milk availability is tightening in many parts of the country. This is attributed to strong sales and some production decline, both normal seasonal, as well as to recent extreme heat in the East. Eastern organic fluid milk sales are described as “strong”. Some plants report Eastern stores adding to organic milk orders. This has resulted in activity procuring surplus milk here and there, sometimes at up to a \$1.00 premium, to meet increased Eastern demand. The extra organic milk most often comes from sources with continuing relationships, which are able to provide requested *ad hoc* increases beyond contracted volumes, at varied price considerations.

Other processors report organic milk sales “way up”, setting records “week after week”. This has resulted in less organic milk finding its way into non-organic uses. Organic cream markets have not been considered as tight as with non-organic cream in recent weeks. Organic cream currently moving into non-organic uses, is more likely to result from plants being left with less than full truck load quantities after organic runs are completed, making it more cost effective to sell the remainder organic cream for non-organic use than to run less than full tankers with organic cream to other locations. Some organic manufacturers are churning to build inventory of butter for the 4th quarter, but less aggressively than at churning levels last year.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

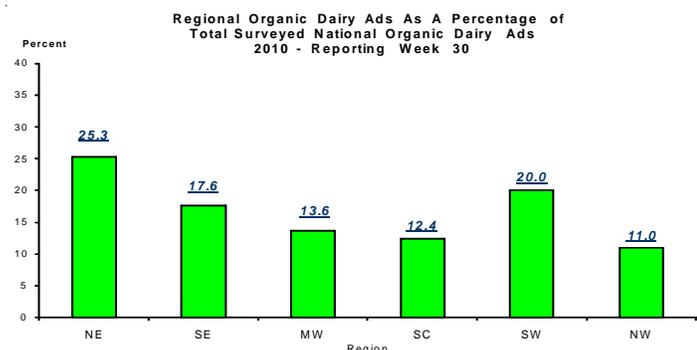
Milk continues the pattern of two weeks ago, dominating organic dairy advertising for this period. Yogurt advertising remains well behind, but to a lower magnitude than two weeks ago. Organic milk and organic yogurt comprise almost all organic dairy ads.

Newspaper supermarket ads for the period July 17, 2010 to July 30, 2010 identifying weekly “specials” and containing organic dairy content, numbered 3,843 of 9,150 surveyed ads from stores in each of the lower 48 states. This is down from 4,236 ads with organic dairy content two weeks ago, but still among the higher levels for 2010 overall. Surveyed ads reflect advertised “specials” and not the range of supermarket cooler prices.

The most significant change for this report is a dominance of ads for half gallon organic milk ads for private label brands, in contrast with a more equal distribution of ads for private label and national brands two weeks ago. The other characteristic this period is a significant presence of ads for 8 ounce organic aseptic milk, which may be stored for many months unrefrigerated, in contrast with relatively few such ad placements two weeks ago. All ad placements this report are for a national brand which is focusing on the “single serve” concept for back to school markets.

Regional Organic Dairy Ad Trends – Current Period. Organic dairy content in Northeast and Southwest weekly supermarket ads lead all regions – but less decisively than two weeks ago. Nevertheless, this continues a shift in regional advertising emphasis from four, six, eight, ten and twelve weeks ago, when Midwest ads joined Northeast ads in leading the regions. In the Southwest, organic fluid milk ads predominate – more than twice as many as in any other region. In the Northeast, organic yogurt ads predominate – over three times as many as in any other region. Overall, the Northeast had 25.3% of surveyed organic dairy ads and the Southwest 20.0%.

Organic dairy ad percentages for other regions are: Southeast, 17.6%; Midwest, 13.6; South Central, 12.4%; and Northwest, 11.0%.

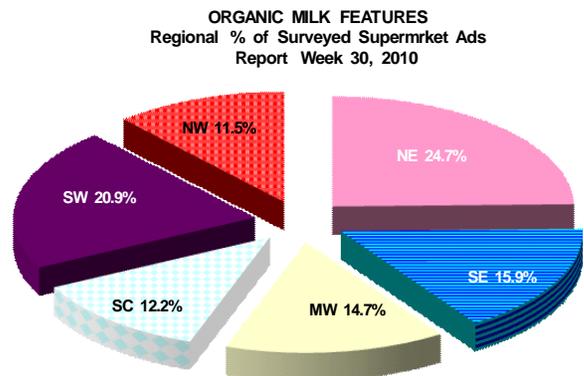


Product Emphasis. Individual store ads may contain more than one type of organic dairy featured item, or multiple brands of the same item and size. Thus, numbers shown below for product emphasis exceed total organic ad numbers. Perhaps ironically, ad placements clearly reflect a substantial emphasis for fluid organic milk, just as organic milk supplies have tightened. During the last several months organic yogurt ads were more even with organic milk ads – sometimes in greater numbers than milk. The trend shifted two weeks ago and continues, with organic milk ad placements now above organic yogurt placement numbers. Organic milk leads with 3,205 ad placements, compared with 909 for organic yogurt.

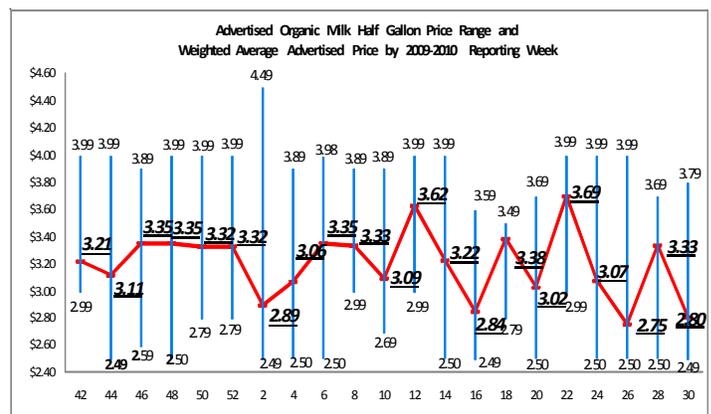
Organic milk ad placements remain dominated by ads for half gallons coupled with increased presence of 8 ounce aseptic containers. There were 2,051 ad placements for half gallons, 742 for 8 ounce organic milk, 412 for gallons, and none for 3 quart containers.

Organic yogurt placements for 6 ounce containers led organic yogurt, with 420 ad placements. This was followed by 254 “baby” yogurt 4 ounce container ad placements; 196 for 24 ounce smoothies; and 39 ad placements for 32 ounce containers.

Organic milk ads appeared in all regions. The highest concentration of milk ads, 24.7%, appeared in the Northeast, followed by the Southwest with 20.9% of organic milk ad placements. Relatively close with each other were the Southeast, 15.9%; Midwest, 14.7%; South Central Region, 12.2%; and Northwest, 11.5%.



Half Gallons. The national weighted average advertised price for half gallons of organic milk declined to \$2.80, 53 cents lower than two weeks ago. The range slightly expanded, by 1 cent to a bottom of \$2.49 and by 10 cents at the top, to \$3.79. The lower weighted average advertised price represents a significant increase in advertised prices lower in the range, specifically at \$2.49 for a private label brand.



CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered July 19 - 30, 2010

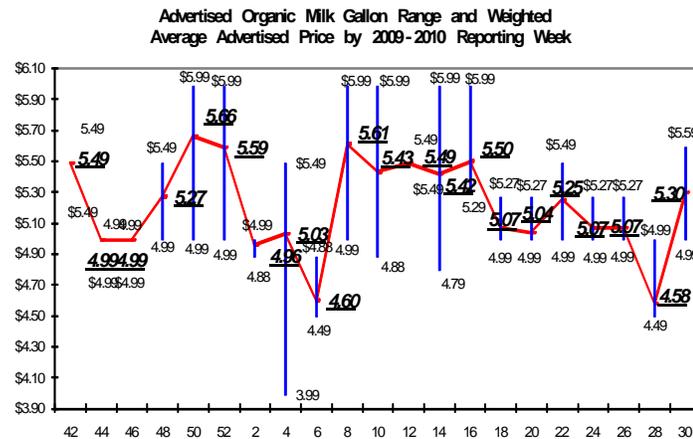
CONTINUED FROM PAGE 8

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	24.0	3.30
SE	2.2	2.49
MW	11.5	3.04
SC	11.6	2.49
SW	32.7	2.49
NW	18.0	2.77

Gallons. The national weighted average advertised price for organic milk gallons increased 72 cents to \$5.30, with the entire range shifting up so that the top two weeks ago, \$4.99, is this week's bottom. The new top is \$5.59. Almost all ad placements are in the Northeast and Midwest. A factor in the price adjustment for gallons is that significantly fewer ad placements for organic milk gallons appeared this week – fourfold less than two weeks ago.



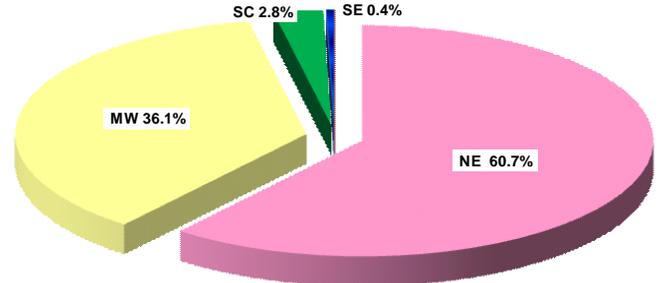
The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

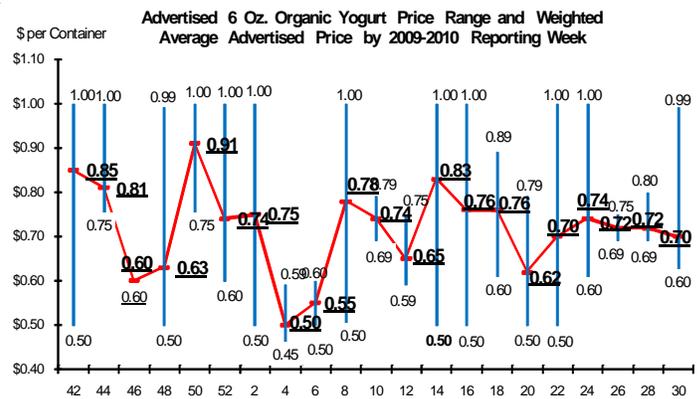
REGION	%	WTD. AV. ADV. PRICE \$
NE	72.3	5.20
SE	1.0	5.59
MW	26.7	5.59
SC	—	—
SW	—	—
NW	—	—

Yogurt. The Northeast continued the trend of significantly leading all regions in yogurt ad placements, 60.7%. Yogurt placements in other regions as a percentage of total placements nationally include the Midwest, 36.1%; South Central Region, 2.8%; and Southeast, 0.4%. No ads for organic yogurt appeared in the Southwest or Northwest.

ORGANIC YOGURT FEATURES
Regional % of Surveyed Newspaper Ads
Report Week 30, 2010



Weighted national average advertised organic yogurt prices in 6 ounce containers declined 2 cents to \$0.70. The range significantly expanded, primarily at the top, \$0.99, which was 19 cents over two weeks ago. The bottom declined 9 cents to \$0.60.



Other organic yogurt ad placements included 254 for 4 ounce yogurt, all in the Northeast, ranging from \$0.63 to \$0.99; 196 ads for 24 ounce organic yogurt smoothies, all in the Northeast for \$3.99; and 39 Midwest and South Central ad placements for 32 ounce organic containers, all for \$3.00.

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 \$
NE	24.3	0.75
SE	1.0	0.75
MW	26.7	0.69
SC	0.0	—
SW	0.0	—
NW	0.0	—

Butter. All 79 organic butter ads were in the Southeast and priced at \$4.99. No ads appeared for organic cheese, cottage cheese, half and half, sour cream, cream cheese, or ice cream.

SUPERMARKET PRICE COMPARISON:

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

ORGANIC DAIRY MARKET NEWS

Information gathered July 19 - 30, 2010

CONTINUED FROM PAGE 8-A

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.

Buffalo stores included three outlets of regional chain supermarkets, a local cooperative grocery, three single outlet local supermarkets, and outlets of two national big-box discount stores.

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.

Organic milk available in Buffalo stores included two national brands, a multi-region brand, and three private label brands.

A table summarizing the survey results appears below.

**ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE
REPORTING WEEK 30**

	MADISON, WI			BUFFALO, NY		
	LOW	HIGH	RANGE	LOW	HIGH	RANGE
	(In Dollars)					
GALLONS:						
Whole	5.39	6.49	1.10	5.99	5.99	0.00
Reduced Fat (2%)	5.39	6.49	1.10	5.99	5.99	0.00
Low Fat (1%)	5.39	6.49	1.10	5.99	5.99	0.00
Nonfat (Skim)	5.39	6.49	1.10	5.99	5.99	0.00
HALF GALLONS:						
Whole	2.99	4.39	1.40	2.99	4.59	1.60
Reduced Fat (2%)	2.99	4.39	1.40	2.99	3.99	1.00
Low Fat (1%)	2.99	4.39	1.40	3.29	3.99	0.70
Nonfat (Skim)	2.99	4.39	1.40	2.99	4.59	1.60
CHOCOLATE HALF GALLON:						
	3.29	4.50	1.21	3.50	4.39	0.89
YOGURT						
	.50	1.29	0.79	0.85	1.15	0.30
CHEESE – 8 OUNCE BLOCKS:						
Mozzarella	3.89	5.69	1.80	5.19	5.59	0.40
Mild Cheddar	3.79	6.19	2.40	4.99	5.39	0.40
Monterey Jack	3.79	6.19	2.40	4.99	5.39	0.40
Pepper Jack	3.89	6.49	2.60	0.00	0.00	0.00
CHEESE – 6 OUNCE STRING						
Mozzarella	3.89	5.89	2.00	4.69	5.29	0.60
Colby Jack	3.89	5.09	1.20	4.69	5.29	0.60
BUTTER – 1 POUND						
	4.79	6.49	1.70	4.49	5.99	1.50

Some differences are evident. Madison has lower and higher milk prices for gallons than Buffalo. However, six of the surveyed Buffalo stores did not carry gallons while all surveyed Madison stores carry gallons. For half gallons, each city has nearly the same low price but a mixture of high prices. Buffalo stores are more likely to vary pricing of half gallons by fat content than Madison, which leaves Buffalo with non-uniform half gallon high prices.

Also noteworthy is that while cream prices are at a multi-year high, which is consistent with Buffalo's higher price for half gallons of whole milk, Buffalo's half gallons of nonfat also top out above 2% and 1%. The same pattern prevails for organic yogurt and organic butter. Buffalo's lowest price for every variety of organic cheese sold was higher than Madison, ranging from \$1.30 higher for 8 ounce Mozzarella to 80 cents each for Mozzarella and Colby Jack string cheese. Conversely, Buffalo had lower organic butter prices than Madison, both at the bottom and top of the range.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mostly steady with light to moderate demand and offerings. Concerns in the organic marketplace are becoming more prevalent as producers question if their returns are still worth the effort of growing organic and are contemplating a switch back to conventional practices. Food grade hard red spring wheat and hard red winter wheat sales were noted but there was not enough volume for an accurate test of the market. Eastern organic grain and feedstuff prices were mostly steady. Demand was light to moderate for moderate offerings. Feed grade corn and wheat values were steady with feed grade soybeans slightly higher on tight supplies. With very little buying interest and stronger wheat prices, many producers have elected to sell their wheat in the conventional markets. Upper Midwest organic grain and feedstuff prices were steady with light demand and offerings. Farmers reported concerns with moisture issues in areas of the Upper Midwest prohibiting harvest. Likewise, concerns of current market prices, demand and the future of these entities is weighing heavy on the minds of many.

Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, MAY 2010 1/**

For May 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.17 per cwt., down \$0.01 from the April 2010 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.75 in the Pacific Northwest to \$3.51 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.15 per cwt., unchanged from the April 2010 average. Seventy-nine percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.46	0.96
Southeast	007	2.83	2.30
Florida	006	3.51	0.97
Mideast	033	2.11	1.39
Upper Midwest	030	1.89	1.19
Central	032	2.17	0.75
Pacific Northwest	124	0.75	0.59
All Reporting Areas Combined 3/		2.17	1.15

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
APR 2010	219.2	0.5	197.3	0.1	186.3	2.6	202.9	-0.8	170.0	8.6	205.2	-0.3
MAY 2010	219.4	0.7	197.7	0.9	186.6	4.1	203.5	0.8	174.6	7.4	205.7	0.9
JUN 2010	219.2	0.7	197.9	1.9	192.2	8.1	202.0	0.8	175.5	5.8	208.2	2.0
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
	Dollars											
APR	3.140	3.084	2.846	2.701	3.939	3.776	4.647	4.759	4.445	4.368		
MAY	3.178	3.068	2.922	2.778	3.912	3.920	4.713	4.605	4.563	4.282		
JUN	3.297	3.009	2.953	2.906	4.074	3.900	4.525	4.723	4.528	4.250		

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—MARCH-MAY 2009-2010 AND YEAR-TO-DATE 2009-2010 ^{1/}

Item	Mar.-May 2009	Percent change ^{2/}	Mar.-May 2010	Percent change ^{2/}	Jan.-May 2009	Percent change ^{2/}	Jan.-May 2010	Percent change ^{2/}
	Million Pounds							
MILK								
Production	49,420	1.4	49,978	1.1	80,315	0.5	80,746	0.5
Marketings	49,165	1.4	49,737	1.2	79,896	0.5	80,351	0.6
Beginning Commercial Stocks ^{3/}	12,265	5.8	13,067	6.5	10,045	-3.0	11,333	12.8
Imports ^{3/}	895	17.8	646	-27.8	1,573	8.1	1,176	-25.2
Total Supply ^{4/}	62,325	3.1	63,450	1.8	91,514	0.7	92,860	1.5
Ending Commercial Stocks ^{3/}	14,035	3.0	13,629	-2.9	14,035	3.0	13,629	-2.9
Net Removals ^{3/}	13	100.0	47	261.5	130	100.0	112	-13.8
Commercial Disappearance ^{4/}	48,277	2.2	49,774	3.1	77,349	-0.4	79,119	2.3
SELECTED PRODUCTS ^{5/}								
Butter	388.4	2.5	397.9	2.4	624.7	-2.5	632.9	1.3
American Cheese	1,055.5	8.7	1,078.7	2.2	1,747.3	7.1	1,736.4	-0.6
Other Cheese	1,519.3	2.7	1,580.3	4.0	2,438.3	-1.5	2,554.1	4.7
Nonfat Dry Milk	368.1	-12.9	448.1	21.7	585.4	-12.3	675.4	15.4
Fluid Milk Products ^{6/}	13,942.7	0.5	13,857.9	-0.6	23,199.3	0.8	22,979.1	-0.9

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JULY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for July 2010 is \$1.8964 per pound. Thus, the Class II butterfat price is \$1.9034. The protein and other solids prices for July are \$2.0515 and \$0.1700 per pound, respectively. These component prices set the Class III skim milk price at \$7.36 per cwt. The July Class IV skim milk price is \$9.44 which is derived from the nonfat solids price of \$1.0493 per pound. **Product Price Averages:** The product price averages for July are: butter \$1.7375, nonfat dry milk \$1.2277, cheese \$1.4567, and dry whey \$0.3641.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	JULY 2010				AUGUST 2010
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	18.91	17.10	13.74	15.75	19.02
Appalachian (Charlotte) 5/ 6/	005	19.06	17.10	13.74	15.75	19.17
Southeast (Atlanta) 6/ 7/	007	19.46	17.10	13.74	15.75	19.57
Florida (Tampa) 6/ 8/	006	21.06	17.10	13.74	15.75	21.17
Midwest (Cleveland) 9/	033	17.66	17.10	13.74	15.75	17.77
Upper Midwest (Chicago) 10/	030	17.46	17.10	13.74	15.75	17.57
Central (Kansas City) 11/	032	17.66	17.10	13.74	15.75	17.77
Southwest (Dallas) 12/	126	18.66	17.10	13.74	15.75	18.77
Arizona (Phoenix)	131	18.01	17.10	13.74	15.75	18.12
Pacific Northwest (Seattle) 13/	124	17.56	17.10	13.74	15.75	17.67
All-Market Average	---	18.55	17.10	13.74	15.75	18.66

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.
 2/ 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.
 3/ Names in parentheses are the major city in the principal pricing point of the market.
 4/ 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.
 5/ Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.
 6/ Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.
 7/ Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.
 8/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.
 9/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.
 10/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.
 11/ 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.
 12/ 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.
 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

PER POUND

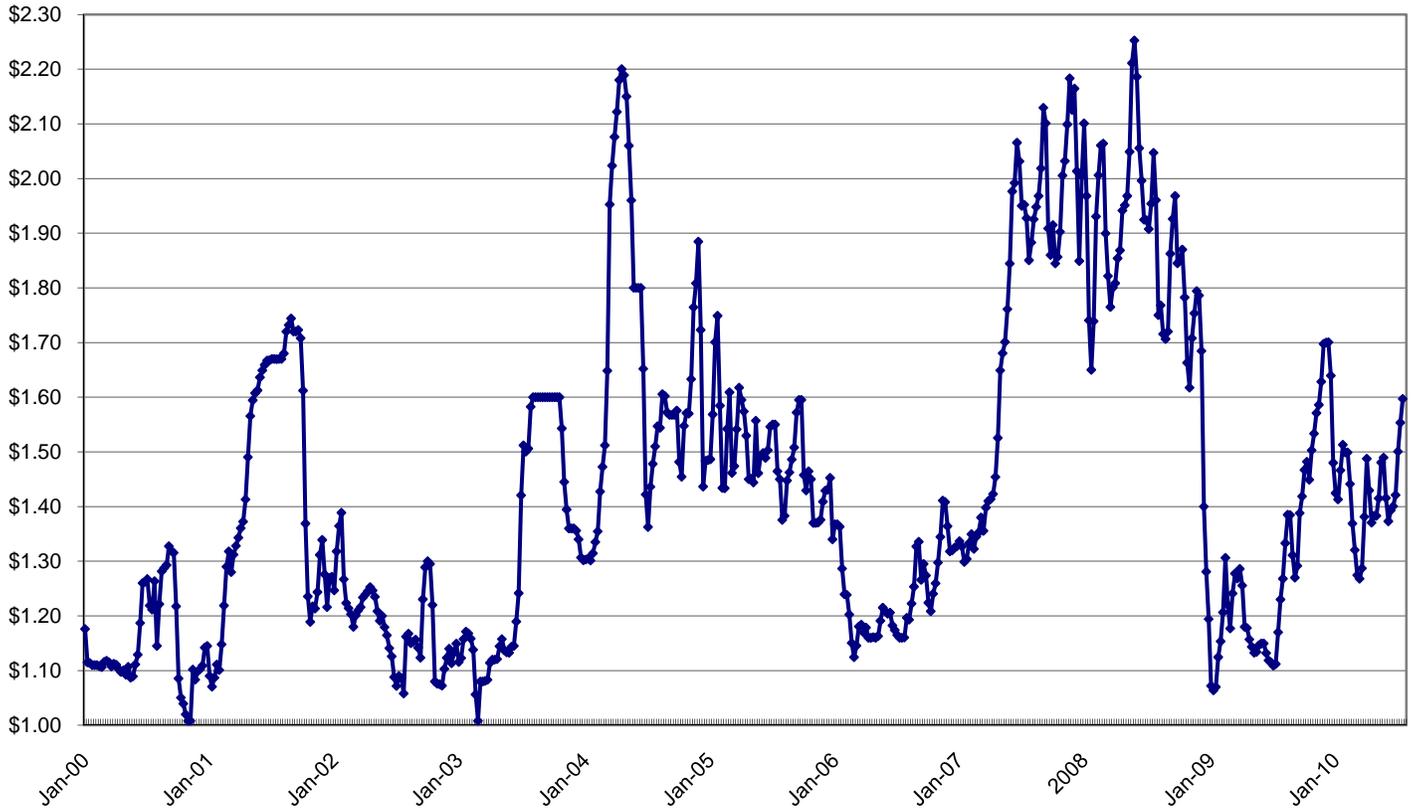
CME CASH GRADE AA BUTTER PRICES



Weekly average used since March 1999
Graph by USDA, DMN

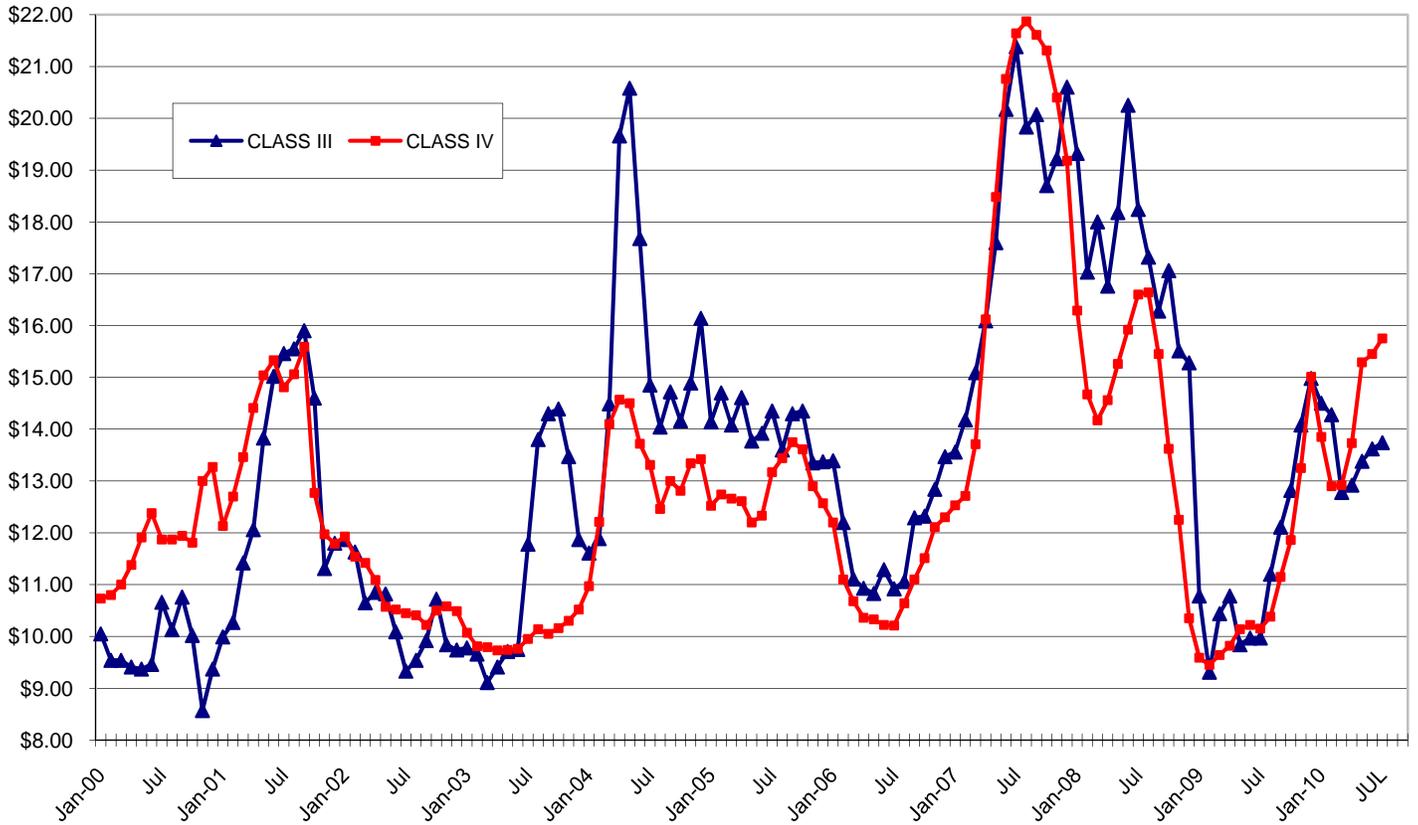
CME BLOCK WEEKLY AVERAGES

PER POUND



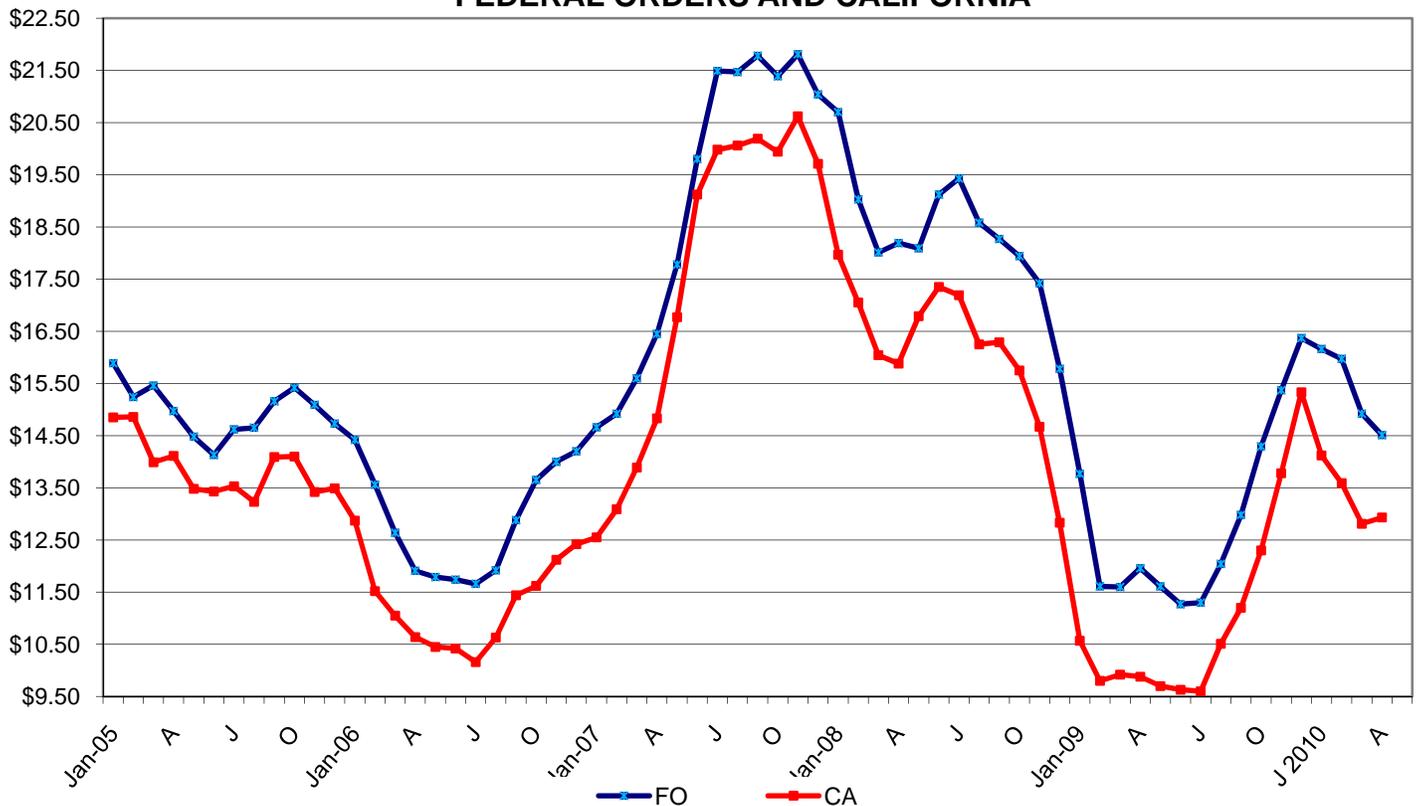
Per Cwt.

CLASS III & IV MILK PRICES, JAN 2000 TO DATE



MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA

PER CWT.



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