

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (08/06):**

**BUTTER:** Grade AA closed at \$1.8500. The weekly average for Grade AA is \$1.8450 (+.0410).

**CHEESE:** Barrels closed at \$1.5675 and 40# blocks at \$1.6025. The weekly average for barrels is \$1.5620 (+.0035) and blocks, \$1.6025 (N.C.).

**BUTTER HIGHLIGHTS:** The CME Group cash butter price remains firm and continues to increase to levels not seen since December 2004. Tight supplies of cream and good demand for available cream have reduced butter production. Most butter producers continue to get their regular supply of cream from ongoing sources, but are having difficulty locating additional volumes. Some butter producers are choosing to sell a portion of their cream due to favorable financial considerations and churn the balance for current and near term needs. In many instances, butter producers are not able to enhance inventory levels at a desired pace. Butter inventories are often much lighter than they have been in recent years for this time of the summer. Butter orders are somewhat lighter. Retail shelf prices are now reflecting higher prices, thus retailers are waiting to see how consumers respond. Food service orders are about steady. In the Central part of the country, buyers for resort and vacation areas are stating that the summer vacation season is starting to wind down, thus future orders will be reflective of lower needs. Late last week, CWT awarded export bonuses for 19.6 million pounds of butter and/or anhydrous milk fat. Since late July, 23.4 million pounds of butter or anhydrous have received export assistance.

**CHEESE HIGHLIGHTS:** Cash cheese prices at the CME Group were unchanged on blocks and a cumulative (for the week) 1 cent increase on barrels this week. Commercial demand is generally steady with recent weeks. Interest is steady to occasionally improved for mozzarella as firms start to prepare for the return of students and stronger pizza sales. Those packagers and processors with government contracts are delivering heavier contracted volumes, much to resupply schools. In response to the effort by New York City and others to reduce the sodium (salt) content in food, the Kansas City Commodity Office is seeking information on the commercial availability of and sources for reduced sodium process products for 2011 purchases. Cheese production is lower as summer heat causes declines in milk volumes and components. Current cheese supplies are tightening seasonally. CWT assisted cheese export commitments total 41.0 million pounds. U.S. cheddar cheese production during the first 6 months of 2010 totals 1.637 billion pounds, down 1.3 million pounds (-0.1%) from the same period in 2009. Total U.S. cheese production during 2010 is estimated at 5.132 billion pounds, up 124.4 million pounds (2.5%) from a year ago.

**FLUID MILK:** Continued hot summer weather through most of the country is causing reduced plant intakes and lower components in incoming milk volumes. The simple average of monthly butterfat tests for milk in all federal orders during the first 6 months of 2010 is 3.643%, down from 3.672% in the same period during 2009, and 3.693% in 2008. Lower milk component levels generate reduced manufactured product yields. Generally milder weather

has had minimal impact on milk receipts in California and the Pacific Northwest. In Idaho and Utah, summer-like weather did reduce milk production below normal. Throughout the country, the uneven reopening of schools over the next month will increase Class I milk use at the expense of manufacturing milk supplies. This in turn causes reduction in current manufactured product supplies.

**DRY PRODUCTS:** The WPC 34% market is firm with prices unchanged to higher. Some declines in manufacturing are noted. Inventories are tight with some shipments being delayed. Whey prices and markets are generally steady. Production is declining seasonally with some manufacturers tight while others have larger supplies than desired on hand. Lactose is steady to weak. Supplies are building for some operations but are lower for others. The NDM market and prices remain weak as manufacturers try to clear accumulating inventory while interest is light. Export interest is light to fair. High heat NDM interest is stronger with some manufacturers allocating increased production time. Buttermilk powder prices are also steady to lower. Offerings remain limited as churning is lighter and condensed sales continue steady. If more buttermilk was available for sale, many traders expect prices to be lower.

**INTERNATIONAL OVERVIEW (DMN):** European milk production continues to trend seasonally lower. Most milk handlers are stating that for much of the season, milk volumes have been a little lighter than years past. The milk production season started slowly, but caught up quickly once better spring weather conditions prevailed. Although milk volumes often did not attain projected levels, milk production was strong enough to maintain good/steady manufacturing schedules at peak levels. Since the peak, milk volumes have trended lower at a normal pace. Recent hot temperatures did negatively impact milk production on the down side of the season, but volumes remain quite good for this time. Manufacturing schedules remain active. Cheese production was strong early in the season, then eased somewhat, but now is gearing back up. Production of other manufactured dairy products is fully dependent on milk volumes and how plant managers are directing the milk flow. In most instances, stocks of manufactured dairy products are available for both internal and international buyer interest. Most sales activity is centered around an internal market with international sales limited. Overall sales are light as this time of the summer is holiday/vacation time for much of Europe. Many international buyers are cautious with their purchases and stepping away from the marketplace at this time. European traders and handlers were closely monitoring the most recent global/Dairy Trading event held on August 3 in the Oceania region. Once again, prices for most products declined. As has not happened after recent auctions, European prices were not impacted by the direction of the auction results, although traders and handlers state that the auction does provide a market tone or direction. For the most part, European

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY AUGUST 2	TUESDAY AUGUST 3	WEDNESDAY AUGUST 4	THURSDAY AUGUST 5	FRIDAY AUGUST 6	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.5600 (+.0025)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5625 (+.0025)	\$1.5675 (+.0050)	(+.0100)	\$1.5620 (+.0035)
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 (N.C.)
<b>NONFAT DRY MILK</b>							
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 (N.C.)
<b>BUTTER</b>							
GRADE AA	\$1.8400 (+.0250)	\$1.8425 (+.0025)	\$1.8425 (N.C.)	\$1.8500 (+.0075)	\$1.8500 (N.C.)	(+.0350)	\$1.8450 (+.0410)

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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prices are steady to higher. There is no news out of the Dairy Management Committee at this time as the Commission is on break and will return on August 26. All but about 1,700 MT of intervention butter have been committed to food aid programs or sold back to the trade. No skim milk powder has been sold. Traders and handlers state that some intervention sellback butter is appearing in the marketplace which is helping ease a tight butterfat situation. In **EASTERN EUROPE**, heat and dry conditions are having a negative impact on milk production on the down side of the season. Milk production is past the peak and declines are occurring at varying rates, depending on the region and weather patterns. Although overall milk volumes are lower, manufacturing schedules remain seasonally active. Stocks are available for immediate and future needs. Sales activity is slow as most internal buyers are on summer holiday. Milk production in the **OCEANIA** region is on the eve of seasonal increases. New Zealand will be the first area to realize noticeable increases within the next 2 – 3 weeks while Australian output will be a few weeks later. Winter conditions in both New Zealand and Australia have been quite typical and should be a positive factor for the seasonal startup. Moisture during the winter months has been plentiful with some milk producers and handlers stating that the season was wetter than usual. In Australia, good moisture fell during the winter which greatly enhanced depleted water levels. Milk producers are very optimistic about the upcoming season and are looking for a 3 – 4% increase in New Zealand with producers in Australia projecting steady to a 1 – 2% increase. Announcements of favorable opening pay prices are also giving encouragement to dairy producers. Milk handlers are not quite sure on how farmers will respond to the favorable milk prices. They feel that some farmers will pay down debt, while others will probably increase their herd size. At the August 3 global/Dairy Trading (g/DT) event, all contracting periods averaged lower prices by 7.6% to nearly 9%. Anhydrous milk fat averaged \$4,302 per MT, down 7.6% from the previous event average; whole milk powder averaged \$2,974 per MT, down 7.7%; skim milk powder averaged \$2,770 per MT, down 8.9%; and butter milk powder, traded for the first time, averaging \$2,905 per MT. Prior to the trading event, buyer interest was very quiet as buyers stepped away from the marketplace until further market developments occurred. Most traders and handlers anticipated that auction prices would be lower and are still analyzing what impact realized prices will have on future offerings. As milk production remains at seasonally low levels, stocks are very limited for near term shipments but will be increasing over the next 6 – 8 weeks. Some traders and handlers are stating that they will be reaching into new production to finish 2009 – 2010 commitments.

**JULY AGRICULTURAL PRICES (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2010 was unchanged at 182. Compared with July 2009, the index was up 4 points (2.2%). The index of prices received by farmers for dairy products advanced 4 points during the month of July 2010 to 123. Compared with July 2009, the index was up 36 points (41.4%). Prices received by farmers in July with changes from June were: for All Milk, \$16.00, up \$.50; for Fluid Grade Milk, \$16.00, up \$.50; and for Manufacturing Grade Milk, \$14.20, up \$.70.

**JUNE DAIRY PRODUCTS (NASS):** Butter production was 118.3 million pounds in June, 5.6% below June 2009 and 9.3% below May 2010. American type cheese production totaled 370.4 million pounds, 3.8% above June 2009 and slightly above May 2010. Total cheese output (excluding cottage cheese) was 881.8 million pounds, 5.2% above June 2009 and 0.3% above May 2010. Nonfat dry milk production, for human food, totaled 136.1 million pounds, 6.8% below June 2009 and 11.8% below May 2010. Dry whey production, for human food, was 78.1 million pounds, 11.6% below June 2009 and 6.6% below May 2010. Ice cream (hard) production totaled 84.6 million gallons, 5.3% below June 2009 but 3.2% above May 2010.

**AUGUST FEDERAL MILK ORDER COOPERATIVE CLASS I PRICES (AMS):** For August 2010, the all-city average announced cooperative Class I price was \$20.92, \$2.51 higher than the Federal milk order (FMO) Class I price average for these cities. The August cooperative Class I price and the Federal order Class I price were \$0.11 higher than the July price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$3.89 in Miami, FL. For August 2009, the all-city average announced cooperative Class I price was \$15.21, \$2.53 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

## CME GROUP

MONDAY, AUGUST 2, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5600; 1 CAR40# BLOCKS @ \$1.6025; 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 @ \$1.8400; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8400; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 3, 2010

CHEESE — SALES: 5 CARS BARRELS @ \$1.5600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5600  
 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 @ \$1.8425; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 4, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1400; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8425; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8500

THURSDAY, AUGUST 5, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5625; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1500; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200  
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.8450, 1 @ \$1.8500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8550

FRIDAY, AUGUST 6, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.5625; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5675; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6100  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200  
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.8500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8500; LAST OFFER UNCOVERED: NONE

## BUTTER MARKETS

## JUNE BUTTER PRODUCTION

During June, U.S. butter production, totaled 118.3 million pounds, 5.6% lower than last June and 9.3% lower than May. June butter production by geographic regions of the country has output in the Atlantic region 11.0% lower than last June, 21.6% lower in the Central region, but 9.8% higher in the West.

## NORTHEAST

The CME Group butter price continues to increase, attaining levels not seen since December 2004. Cream supplies remain very tight due to a good call from Class II operations, declining components on incoming milk, and seasonally declining milk production. In many instances, cream demand continues to outpace supply. Cream suppliers state that there just is not any cream around. Churning activity is lighter than desired by most butter producers and many are just churning enough to meet current and near term needs. Some Eastern producers are reaching into lighter than desired inventories to round out lower production schedules. During June, butter production in the U.S. totaled 118.3 million pounds, 5.6% lighter than last June and 9.3% lighter than last month. The Atlantic region of the country produced 10.5 million pounds, 8.8% of the U.S. total which was 11% less than last June and 17.8% less than May 2010. Cumulatively for the first six months of 2010, butter production totaled 823.9 million pounds, 6.2% lower than the same period in 2009. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

## CENTRAL

The CME cash butter price remains firm and has continued to increase in daily trading over the past week. The midweek price of \$1.8425 is 4 1/4 cents higher than last Wednesday, 9 1/4 cents higher than a month ago, and 60 cents higher than last year at this time. Most butter producers and handlers are projecting the cash price to continue to firm. Churning activity is fully dependent on tight cream supplies. Some butter producers are getting their regular supply of cream from ongoing sources, but having difficulty locating additional volumes. For some butter producers, they are choosing to sell a portion of their cream due to favorable financial considerations and churn the balance for current and near term needs. In many instances, butter producers are not able to enhance inventory levels at a desired pace. In instances, butter handlers are reaching into storage stocks to

meet demand. Suppliers are stating that some buyers are not placing as large of orders as they typically would. One supplier stated that sales are not as robust as they typically are for this time of the summer. Retail shelf prices are now reflecting higher prices, thus retailers are waiting to see how consumers respond. Food service orders are about steady. Buyers for resort and vacation areas of the Midwest are stating that the summer vacation season is starting to wind down, thus future orders will be reflective of lower need. 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 \$1.8425. Although unchanged on Wednesday, the market has advanced four of the last five sessions. CME Group average price for July 2010 for butter is \$1.7787 compared to \$1.2349 for July 2009. Tight supplies of cream and good demand for available cream have reduced butter production. Manufacturers are balancing contracted needs against current costs of production to determine how much butter needs to be made. In many cases, butter producers are using inventory to augment new production. Retail sales are reported to be slower as higher prices are reflected in the grocers' case. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 2.2 million pounds last week to 43.7 million pounds. This total compares to 95.7 million pounds in 2009 and 91.0 million pounds in the comparable week in 2008. Since the peak storage week for the year in June, inventories are 24.7 million pounds (-36.1%) lower. 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 NASS Dairy Products report, June butter production for the U.S. totals 118.3 million pounds, down 5.6% or 7 million pounds from June of last year. Production was down 9.3% or 12.2 million pounds from May 2010. Output in the Western region totals 65.9 million pounds, up 9.8% or 5.9 million pounds more than June 2009. The West produced 55.7% of the butter in the U.S. in June. Cumulative output for the year for the U.S. is 823.9 million pounds, down 6.2% from the same period in 2009. This works out to a decline of 54.6 million pounds. Over the first half of this year, national butter production has averaged 2.1 million pounds (approximately 44 loads) less per week than last year.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
JULY 31	1.5466 11,961,300	1.5552 9,305,982	1.1751 27,769,342	1.7701 6,237,109	0.3648 9,765,275

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

**NORTHEAST**

The cheese market is about steady. Mozzarella demand is still uneven as the reopening of schools and correspondingly improved pizza demand are still too far away. Process and mozzarella interest from summer vacation areas is steady. Eastern cheese production is lower as summer heat reduces milk intakes and milk components. In response to the effort by New York City and others to reduce the sodium (salt) content in food, the Kansas City Commodity Office is seeking information on the commercial availability of and sources for reduced sodium process products. During June, total cheese production totaled 62.3 million pounds in New York, 9.5% higher than June 2009; Pennsylvania 35.6 million pounds, up 2.8% from last year; and Vermont 9.3 million pounds, down -9.5%. Overall, Atlantic region states produced 114.5 million pounds in June, 5.1% above June 2009.

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

Cheddar 40# Block	:	1.9175-2.1925
Process 5# Sliced	:	1.6625-1.9725
Muenster	:	1.9375-2.1425
Grade A Swiss Cuts 10 - 14#	:	3.0325-3.3550

**MIDWEST**

The cheese market is about steady. Midwest sourced cheese has tightened between summer weather declines in milk receipts and reduced cheese yields. As schools reopen in both the Southeast and later in Central states, manufacturing milk supplies will tighten further. Current barrels are tighter though some are available with extra age from storage and some Western sourced product remains available. Commercial demand is lackluster though reports indicate an improvement in mozzarella interest. Processors and packagers are working to fill government contracts to deliver heavier finished product volumes prior to the reopening of schools in July and August. In response to the effort by New York City and others to reduce the sodium (salt) content in food, the Kansas City Commodity Office is seeking information on the commercial availability of and sources for reduced sodium process products. Consideration when reducing the salt content must include taste (no off-flavors), preservation, as well as the higher cost for replacement products. The information will be used for procuring process products for January – December 2011 delivery.

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

Process American 5# Loaf	:	1.8400-2.1025
Brick And/Or Muenster 5#	:	2.0000-2.1150
Cheddar 40# Block	:	1.8500-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.4525-2.7300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8800-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4400-3.3300

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
08/02/10	9,811	:	130,590
07/01/10	9,660	:	129,257
CHANGE	151	:	1,333
% CHANGE	+2	:	+1

**CHEESE MARKETS**

**WEST**

Cheddar Barrels on Wednesday at the CME Group were unchanged at \$1.5600. 40 Pound Blocks were unchanged at \$1.6025. Barrel prices have held to a narrow range around \$1.5600 for two weeks and Blocks have been unchanged for two weeks. There were 5 loads of Barrels sold this week at the CME Group. Blocks have had no sales for the week. CME Group monthly average price for July 2010 for Barrels is \$1.5161 compared to July 2009 at \$1.1349. Blocks averaged \$1.5549 for July 2010 compared to \$1.1516 for last year. Cheese production levels are reduced as less manufacturing milk is available in many heat stressed areas. Contracted sales of cheese seem to be carrying the bulk of the demand for current cheese inventories. Higher prices have slowed spot demand as buyers wait to see if prices can be maintained. According to the NASS Dairy Products report, total cheese production in the U.S. in June reached 881.8 million pounds, up 5.2% or 43.7 million pounds from last year. June total cheese production in the Western region was 367.4 million pounds, up 8% or 27.1 million pounds from June 2009. The West produced 41.7% of all the cheese in the U.S. in June. Cumulative total cheese output for the U.S. for the year is 5.1 billion pounds, up 2.5% or 124.4 million pounds from the same period in 2009. For the first half of this year, cheese production has averaged 4.78 million pounds per week more than last year. That amounts to nearly an extra 100 loads per week nationally compared to a year ago. Swiss output for the U.S. in June is 27.5 million pounds, up 0.6% or .2 million pounds from last year.

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

Process 5# Loaf	:	1.6850-1.9425
Cheddar 40# Block	:	1.7325-2.0850
Cheddar 10# Cuts	:	1.9125-2.1325
Monterey Jack 10#	:	1.9225-2.0825
Grade A Swiss Cuts 6 - 9#	:	2.6100-3.0400

**FOREIGN**

Prices are higher on domestic and remain unchanged on imported. However, as importers refresh supplies; many imported prices may be lower due to currency exchange rates. Current supplies are generally at least adequate for the current uneven demand. June domestic parmesan production totaled 19.0 million pounds, 2% below June 2009. June provolone output was pegged at 29.2 million pounds up 0.4%; and Romano was set at 2.4 million pounds, down 35.5% from a year ago.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 2.0575-3.5450*
Gorgonzola	: 3.6900-6.6900	: 2.5600-2.8200*
Parmesan (Italy)	: -0-	: 3.4650-3.6675*
Provolone (Italy)	: 3.4400-5.9900	: 2.1000-2.2575*
Romano (Cows Milk)	: -0-	: 3.2475-5.3900*
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-	: 3.1250-3.4475*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

## 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	0	0	38	0	68
SOUTHEAST STATE	35	0	0	0	0	0

Milk production in the Northeast and Southeastern parts of the U.S. is declining and in many areas dropping quite sharply. Hot temperatures, and in instances near record setting temperatures, are the most significant factor in the milk decline. Reports continue to indicate that solids content and butterfat levels on incoming milk are lower than usual for this time of the season. Milk handlers state that milk volumes are generally sufficient to currently maintain bottling and processing schedules, but will not be sufficient in a few weeks once school bottling programs resume. Milk is starting to enter the Southeast from Northern areas this week. For the first time this season, 35 loads of milk entered the Southeast, but did not flow as far south as Florida yet. Florida milk handlers did not ship any volumes out this week which was the first also for the season. Milk handlers state that for the next 4-6 weeks, it will be very interesting to see what volumes of milk will be needed to supplement shortages. At the current pace of milk production declines, some are speculating that imports will be significantly heavier this year. Cream markets are firm as prices continue to increase. Cream suppliers and handlers are stating that there is basically no cream available for sale. Some cream buyers are questioning what impact the recent CWT bonus award for 1,700 MT of domestic butter for export will have on an already tight butterfat supply. The shipment of this butter will be from now through the end of November, when butterfat demand is typically at high levels anyway. Often export butter is 82% butterfat versus domestic 80% which will further absorb limited cream supplies. Condensed skim markets are generally steady with a significant portion of condensed clearing the market versus headed to the dryer.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.8503-3.0668
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.7060-2.9760

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 is steady to somewhat improved where feature or first of the month demand is stronger. It seems that current promotional activity on fluid milk seems to be directed at reduced fat products, in order to reduce cream purchases. Upper Midwest milk shipments to the Southeast/Florida continue, reducing manufacturing volumes. Few operations are able to acquire replacement volumes. Cream supplies remain tight and buyers struggle to cover needs. Cream prices remain high with some operations already looking at alternatives, including reformulating products to use cheaper options. Churning is minimal as many operations sell cream to other users for better returns compared to butter. Manufacturing milk supplies are tighter, between pooling and reductions in intakes. Manufacturing milk demand exceeds the supply and there were not enough prices available to provide a report. The continued muggy to hot summer weather is causing reduced intakes and lower components on incoming milk volumes. The simple average of monthly butterfat tests for milk in federal orders during the first 6 months of 2010 is 3.643%, down from 3.672% in the same period during 2009, and 3.693% in 2008 (see page G1). The lower tests reduce the yields of manufactured products such as butter and cheese. Some operations report current milk volumes are down at least 10%, to nearly 20% below the annual peak. Volumes continue to drift lower from week to week.

Further south, hot weather with temperatures/heat indices over 100 also show declines in receipts despite heat abatement efforts. In parts of more northern sections, wet conditions continue to hamper field activities with more dead and/or discolored areas appearing where water stood in fields.

## W E S T

According to the NASS *Agricultural Prices* report for July, mid-month U.S. prices for baled alfalfa hay were \$117/ton, \$3/ton less than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$130, +10; California \$121, +\$15; Colorado \$125, -15; Idaho \$102, -\$17; Nevada \$110, unchgd; New Mexico \$157, +\$7; Oregon \$150, +\$28; Utah \$110, unchgd; and Washington \$130, +\$5. According to the NASS *Agricultural Prices* report for July, quarterly milk cow prices for dairy herd replacement only, for the U.S. sold at \$1320 per head, \$40 more than a year ago. Slaughter prices for cull beef and dairy cows for the U.S. were significantly higher and more than offset higher replacement costs. The cull cattle price was \$58.40/cwt compared to \$47.30/cwt a year ago. The July 4a price (butter/powder) in CALIFORNIA is \$15.62, up \$0.36 from June and \$5.60 higher than last year. This compares to the Federal Order Class IV price for July 2010 at \$15.75. The July 4b price (cheese) is \$13.37, \$1.14 higher than June and \$3.98 higher than last year. This compares to the Federal Order Class III price for July 2010 at \$13.74. June 2010 POOL RECEIPTS of milk in CALIFORNIA total 3.11 billion pounds, 2.9% higher than last year. Cumulative January-June 2010 receipts are 0.7% lower than the same months in 2009. The June blend price, at a fat test of 3.51%, is \$13.96, 42 cents higher than May and \$3.90 more than June 2009. The percentage of receipts used in Class I products 14.6%. The June quota price is \$15.17 and the over quota price is \$13.47. These prices are 52 cents higher than May and \$3.85 higher than a year earlier. CALIFORNIA milk production is generally steady with recent weeks. Weather conditions have been generally neutral. Hot temperatures are occurring but not in long stretches and nighttime temperatures are often mild. The stress level on cows has been on the low side of typical for summertime. Processing plants are running at expected levels. The call for milk from cheese producers remains good as cheese prices remain high and demand is good. Higher milk prices at the farm level are welcomed and making the cash flow situation better. The California 4a July price is the highest in nearly two years. The 4b price is the highest since December and at the highest level in 2010. ARIZONA milk output has leveled off as daytime high temperature and humidity levels moderated. Milk intakes are lower and at expected levels with some milk moving to other areas. Demand for fluid milk is picking up as bottlers prepare for the upcoming staggered starts of schools and colleges. The tight cream market is limiting some production runs at processing plants. CREAM prices and multiples are steady to occasionally higher. Some buyers are not finding the cream they would like to have; while others are filling needs. There is often a variation in offerings and demand depending on the day of the week. This reflects a cream market that is described as short to adequate of trade needs. At the CME Group, Grade AA butter price closed at \$1.8425 on Wednesday, August 4, up 4.25 cents from a week ago. Cream multiples are higher on the top end for some trades and range 135-165 and vary based on class usage and basing point. Comfortable weather patterns continued in the coastal PACIFIC NORTHWEST. Although much of the country has experienced hot weather with declines in milk production, cooler nights have helped to maintain production in the region. Inland temperatures are higher, yet not enough to slow production significantly. Manufacturing plants are handling local production, though some are reporting lower yields of solids and butterfat. Higher farm milk prices received by farmers are helping to ease bottom line considerations. UTAH and IDAHO saw hot temperatures in the 90's with some localized thunderstorm activity. Cows are able to cool off in the evening and production levels are below normal, but not severe. Forage harvest continues on second crop and prices are mostly steady. Manufacturing plants are seeking more milk to reach maximum efficiencies in many cases. School startup will commence soon, and plants are preparing strategies for less available milk for manufacturing.

**NDM, BUTTERMILK & WHOLE MILK**

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

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: The Central nonfat dry milk mostly price series is lower, reflecting both spot market activity and contract pricing that adjusts with various indices. Interest is slow, and some indications are that inventories are building sufficiently in the Central region to allow F.O.B. spot market offers. Lower priced product from the West is available and some powder is clearing into the Central region. NDM production is steady to lower this week, reflecting both lower farm milk intakes and higher demand from fluid accounts to fill intra/extra-regional bottler needs. Condensed skim sales volumes into Class II and III accounts are also actively depleting current dairy solids for NDM production. Demand for high heat nonfat dry milk is active and various manufacturers are scheduling production for that NDM variety to build inventory for contract and spot demand. According to NASS, NDM production in the Central region totaled 14.9 million pounds during June 2010, 9.7% less than one month ago and 17.4% less than one year ago. The recent Oceania *globalDairyTrade* auction delivered weaker winning prices for all three low heat skim milk powder contract periods. Prices in U.S. dollars per pound and percent change in price relative to the previous auction are: Contract 1, \$1.2338 (-9.5%), Contract 2, \$1.2497 (-9.2%), Contract 3, \$1.3109 (-5.7%). Although Oceania milk production projections for the upcoming season have included increases of 3%-14%, the maximum quantities of skim milk powder for low, medium, and high varieties are unchanged from the previous auction month.

EAST: Nonfat dry milk prices in the East are unchanged to lower on a mixed market. NDM production is lower in most area of the East as farm milk production declines seasonally. Contract fulfillment is generally steady. Spot market offers are available for moderate interest. NDM production in the Atlantic region in June totaled 21.3 million pounds, down 12.6% from last month and down 9.5% from last year. The Atlantic region produced 15.6% of the U.S. total in June 2010. The July 2010 Dairy Market News average of the mostly price series for Central/East nonfat dry milk, low/medium heat was \$1.2584/lb. compared to \$1.3095/lb. one month ago and \$.9063/lb. in July 2009. The July 2010 Dairy Market News average of the price series for Central/East nonfat dry milk, high heat was \$1.3730/lb. compared to \$1.4090/lb. one month ago and \$.9763/lb. in July 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during June 2010 totaled 136.1 million pounds, down 11.8% from May 2010 production and 6.8% lower than June 2009. Month ending stocks, at 174.8 million pounds, are 18.0% higher than a month ago but 13.2% lower than one year ago. Cumulative 2010 nonfat dry milk powder production totals 826.3 million pounds, compared to 859.4 million pounds in 2009, a 3.8% decrease in production. Production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 32.7 million pounds, 90.8% higher than one month ago and 94.7% higher than production one year ago.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.1600 - 1.2800 MOSTLY: 1.2000 - 1.2650  
HIGH HEAT: 1.3200 - 1.3650

**DRY BUTTERMILK - CENTRAL AND EAST**

CENTRAL: The Central dry buttermilk market tone is slightly weaker as buyer price resistance strengthens. Prices are unchanged to lower. Inventories are steady to building incrementally and spot market offers are more frequently clearing into that market. Cream supplies remain tight as Class II accounts make a push for end of the season production. This is decreasing cream moving to the churns as well as the resulting condensed and dry buttermilk output. Condensed buttermilk sales are steady.

EAST: Prices for Eastern dry buttermilk are lower on the top of the range price series. Demand for dry buttermilk is steady into contracts. Interest for spot market offerings is tapering, with some buyers holding out for more comparable pricing with the nonfat dry milk market. Dry buttermilk production in the East is mostly lower as cream supplies tighten. A few producers are struggling to meet current contract obligations on cream loads into various Class II and Class III accounts. The July 2010 Dairy Market News monthly average for the Central/East region dry buttermilk range price series is \$1.3650/lb. compared to \$1.3464/lb. in June 2010 and \$.9711/lb. in July 2009.

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during June 2010 totaled 5.8 million pounds, 12.2% less than May 2010 production and 6.7% less than production one year ago. Cumulative 2010 dry buttermilk production totals 43.3 million pounds, 17.1% more than during the same time span of 2009. Month ending stocks of dry buttermilk, at 9.4 million pounds, are 14.8% higher than one month ago and 71.6% more than stock levels of one year ago.

F.O.B. CENTRAL/EAST: 1.2800 - 1.4400

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are trending lower. The market tone is weaker, the main pressure is from lower protein values of and crossover demand from the nonfat dry milk markets. Pricing levels would likely be lower if the market could be tested. Producers' offerings are often limited for dry buttermilk as they catch up with past orders. Production is often lower than projections, especially as cream is sold. Buyers are able to work through the current situation and seem to be especially ok with not holding extra product when the market price is declining. Buttermilk powder production in June 2010 for the U.S. totals 5.8 million pounds, down 6.7% from last year. Buttermilk stocks at the end of June are 9.4 million pounds, 71.6% above a year ago and 14.8% higher than last month.

F.O.B. WEST: 1.1800 - 1.2650 MOSTLY: 1.1800 - 1.2200

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are steady, with single loads intermittently clearing through the spot market. As fluid demand steps up seasonally, opportunities for dry whole milk production beyond contract needs are sporadic. The July 2010 Dairy Market News average of the range price series for dry whole milk was \$1.6100, unchanged from one month ago. The year ago average for July was \$1.1538. The latest Oceania auction results show prices trending

**DRY WHOLE MILK - NATIONAL , CONTINUED ON PAGE 5A**

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - WEST

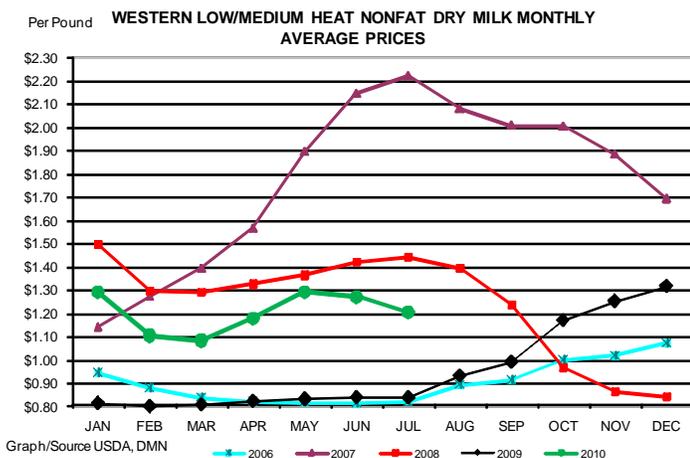
Western low/medium heat NDM prices continue to trend lower. The market tone is weak and reflects more concerns over building stocks and lackluster sales. Domestic demand is light to moderate with buyers searching for best pricing before buying. Export interest is light to fair with low to moderate volumes moving at pricing levels at or near the bottoms of both price series needed to stimulate interest. Additional weakness in the skim milk powder markets internationally are noted in the gDT auction prices. Western production levels are steady to lower and are mirroring available milk supplies. Stocks are moderate to heavy and mostly building. High heat NDM prices are moving lower; more often following the low heat market pricing adjustments and lower pricing indices. Offerings are light to fair for current demand with supplies remaining tight. High heat stocks are mainly light. U.S. NDM production in June 2010 totaled 136.1 million pounds, 6.8% less than last year. Cumulative YTD output through June totals 826.3 million pounds, down 3.8% from the same period in 2009. NDM production in the Western region in June totaled 100.0 million pounds, down 4.4% from last year. The West produced 73% of the U.S. total in June. U.S. manufacturers' stocks of NDM at the end of June were reported at 174.8 million pounds, 13.2% lower than a year earlier but 18.0% higher than May. U.S. skim milk powder (SMP) production in June totaled 32.7 million pounds, 94.7% more than last year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: 1.0000 - 1.2500 MOSTLY: 1.0800 - 1.1850  
 HIGHHEAT: 1.2050 - 1.3850

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 30	\$1.1432	17,901,918	0
July 23	\$1.1556	13,735,158	0

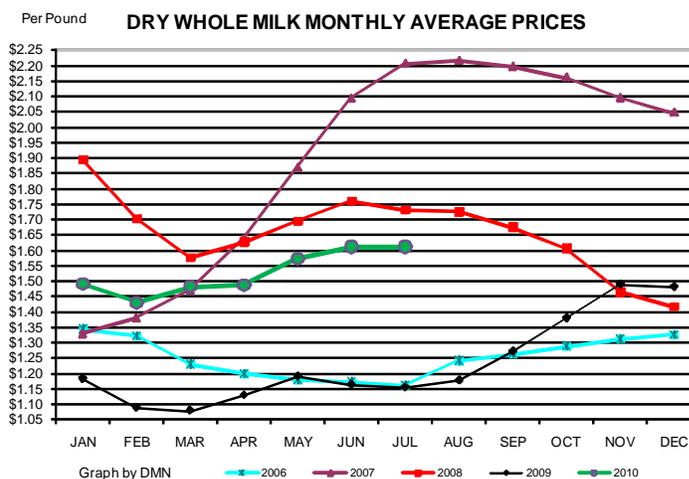
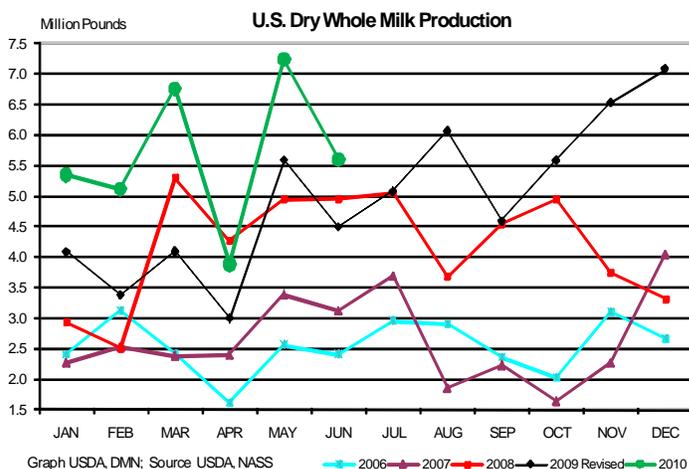
Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food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



DRY WHOLE MILK - NATIONAL , CONTINUED

lower for the next two contract periods, then increasing during the third contract period. New Zealand regular dry whole milk winning prices per pound for the various contract periods and percent change in winning price from the previous auction are: Contract 1, \$1.3154, -15%; Contract 2, \$1.3200, -9%; Contract 3, \$1.4266, +2%. New Zealand maximum offered quantities and percent change in offered quantities for the three contract periods were 12,000 MT, +60%, 19,000 MT, no change, and 6,000 MT, -25%, respectively. DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during June 2010 totaled 5.6 million pounds, down 22.6% from May 2010 but 24.5% more than June 2009. Cumulative 2010 production totals 33.9 million pounds, a 37.6% increase from production during the same time span in 2009. Month ending stocks of dry whole milk, at 6.1 million pounds, are 12.5% lower than one month ago but 24.6% more than stock levels of one year ago.

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 to fractionally higher on some spot sales. The market tone is mixed. Availability of spot loads is variable, with some manufacturers and resellers scouting for bids where inventories are building. In contrast, price premiums from some manufacturers notched higher this week. Dry whey production is seasonally lower as milk component values decrease and more fluid milk volumes are dedicated to meeting Class I needs. Demand for ANIMAL FEED DRY WHEY is mixed. F.O.B. supplies are tighter in some locales, but other locations have steady volumes moving to market. Prices are also variable, moving both higher and lower, with selling decisions shaded by circumstances from plant to plant. Human food dry whey production during June 2010 in the Central region totaled 38.9 million pounds. This dry whey production is 5.9% less than May 2010 production and 4.3% lower than June 2009. The July 2010 Dairy Market News average of the mostly price series for Central dry whey was \$0.3427 compared to \$0.3450 one month ago and \$0.2922 in July 2009. The July 2010 Dairy Market News average of the range price series for animal feed Central milk replacer dry whey was \$0.2713 compared to \$0.2743 one month ago and \$0.1948 in July 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN AND ANIMAL dry whey during June 2010 totaled 85.8 million pounds, 4.2% lower than May 2010, and 7.4% lower than production one year ago. Cumulative 2010 dry whey production is 4.6% higher than 2009 production, totaling 522.8 million pounds. June ending stocks of HUMAN FOOD dry whey totaled 42.1 million pounds, 12.6% lower than 1 month ago and 13.6% lower than June 2009. ANIMAL FEED dry whey month ending stocks totaled 6.6 million pounds, 15.0% higher than one month ago and about 3 times more than stocks of one year ago.

F.O.B. CENTRAL: .3100 - .3700 MOSTLY: .3250 - .3650  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2300 - .3050

**DRY WHEY - NORTHEAST**

Northeast dry whey prices are unchanged for the week. As milk supplies tighten seasonally and fluid demand for the school pipeline rebounds, both cheese and the resulting dry whey production are lower. F.O.B. spot loads of dry whey are intermittently being offered, with some price incentives available on block sales. Some resellers indicate buyer interest is generally less than needed to cover the block offers. Atlantic region dry whey (human) production for June 2010 totaled 19.0 million pounds, down 5.2% from the May and down 7.8% from June 2009. The region manufactured 24.4% of the nation's dry whey (human) in June. The May 2010 Dairy Market News average of the price series for Northeast dry whey was \$0.3679 compared to \$0.3695 one month ago and \$0.2942 in July 2009.

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

**DRY WHEY - WEST**

Western whey prices were steady this week. The market is currently stable with supplies meeting demand in most cases. Occasional spot loads are clearing at contract prices. Production schedules are steady to slightly reduced, as cheese production levels have lowered. Dry whey production is reduced in some cases as they manufacturers product decisions allow for WPC production to be increased. Plants are using extra time for maintenance. According to the NASS *Dairy Products* report, edible whey production in June totals 78.1 million pounds, down 11.6% or 10.2 million pounds compared to June 2009. The Western region produced 20.1 million pounds of whey in June, down 25.4% or 6.8 million pounds from last year. The West produced 25.7% of the whey in the U.S. in June. Cumulative total dry whey production for the year in the U.S. is 522.8 million pounds, up 4.6% or 23 million pounds from the same period in 2009. Manufacturers' stocks at the end of June for edible whey are 42.1 million pounds, down 13.6% or 6.6 million pounds from last year.

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

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are unchanged to higher, responding to strong demand. Recent changes in the national production capacity have both decreased production and increased demand on the remaining manufacturers' capacities. The WPC 34% market is firm. Some manufacturers indicate production is temporarily reduced. Plant shutdowns for maintenance and slowed processing times due to equipment limitations are curtailing production at one or two locations. Buyer interest for WPC 34% is steady to higher, with producers fielding calls from both domestic and international buyers for the edible market sector. Inventories are generally tight, with some shipment delays due to those inventory levels. The July 2010 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$0.9444 compared to \$0.9432 one month ago and \$0.6096 in July 2009. DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during June 2010 totaled 20.3 million pounds, 0.8% less than May 2010 production and 10.7% less than production of one year ago. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 20.2 million pounds, 4.4% less than May 2010 and 10.1% less than June 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .9100 - 1.0700 MOSTLY: .9350 - .9700

**LACTOSE - CENTRAL AND WEST**

Lactose prices in the Central and West mostly price series are unchanged, while prices on the range are unchanged to lower. Manufacturer inventories are building in some locations but steady to lower in other locations. Spot load offers of unground product are available and clearing to nominal interest but 200 mesh lactose supplies are tight. Production is steady to lower at a few plants as the solids content of milk declines seasonally, decreasing cheese output somewhat as well as the resultant whey stream. The July 2010 Dairy Market News average of the mostly price series for Central and West lactose was \$0.3277 compared to \$0.3295 one month ago and \$0.2008 in July 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during June 2010 increased 1.5% compared to May 2010 to 76.1 million pounds and was 25.9% higher than June 2009 production. Cumulative 2010 lactose production totals 426.9 million pounds, 22.5% more than during the same time span in 2009. Month ending stocks, at 76.1 million pounds, are unchanged from one month ago, but are 19.1% higher than one year ago.

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 are generally unchanged. The supply situation is little changed from recent weeks. Suppliers continue to be optimistic about stock availability to domestic buyers. European production during the current season is lighter and generally geared to know/contractual needs. The Oceania milk production season is just about to resume for the 2010 - 2011 year, thus it is too early to guarantee casein stock availability, but suppliers remain positive. More domestic buyers are returning to contracting supplies versus depending on spot markets and availability. Suppliers are indicating that most manufacturers are scheduling casein runs to be in line with known needs versus all out, thus limiting spot availability.

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

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during June 2010 totaled 46.2 million pounds, an increase of 12.5% from May 2010 and 3.5% above June 2009. Manufacturers' end-of-month stocks totaled 100.4 million pounds, 8.7% lower than one month ago but 5.7% higher than one year ago.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF AUGUST 2 - 6, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 07/30/10	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	275,913,680	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	275,913,680	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 2 - 6, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	-0.2	-10.3
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	161.8	3,212.2
CUMULATIVE JAN. 1 - AUG. 6, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.6	1,878.7

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

**CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 2 - 6, 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	275,913,680	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	275,913,680	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 07/17/10 & 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	7.5	2.5	18.2	4.1	0.3	N.A.	13.0	2.8	50.6	1,524.6	42.2	43.7
2009-Dairy	N.A.	0.6	7.0	2.5	15.7	4.9	0.3	N.A.	13.7	3.6	50.0	1,610.4	43.0	48.1
2010-All cows	N.A.	0.8	9.4	14.1	33.5	21.1	13.5	N.A.	17.8	5.9	120.0	3,490.7		
2009-All cows	N.A.	0.7	8.8	13.9	29.3	22.9	12.9	N.A.	17.3	7.0	116.2	3,345.3		

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
JULY 10, 17, 24	N.A.	N.A.

SOURCE: USDA, APHIS

**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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered July 26 - August 6, 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:** European milk production continues to trend seasonally lower. Most milk handlers are stating that for much of the season, milk volumes have been a little lighter than years past. The milk production season started slowly, but caught up quickly once better spring weather conditions prevailed. Although milk volumes often did not attain projected levels, milk production was strong enough to maintain good/steady manufacturing schedules at peak levels. Since the peak, milk volumes have trended lower at a normal pace. Recent hot temperatures did negatively impact milk production on the down side of the season, but volumes remain quite good for this time. Manufacturing schedules remain active. Cheese production was strong early in the season, then eased somewhat, but now is gearing back up. Production of other manufactured dairy products is fully dependent on milk volumes and how plant managers are directing the milk flow. In most instances, stocks of manufactured dairy products are available for both internal and international buyer interest. Most sales activity is centered around an internal market with international sales limited. Overall sales are light as this time of the summer is holiday/vacation time for much of Europe. Many international buyers are cautious with their purchases and stepping away from the marketplace at this time. European traders and handlers were closely monitoring the most recent global/Dairy Trading event held on August 3 in the Oceania region. Once again, prices for most products declined. As has not happened after recent auctions, European prices were not impacted by the direction of the auction results, although traders and handlers state that the auction does provide a market tone or direction. For the most part, European prices are steady to higher. There is no news out of the Dairy Management Committee at this time as the Commission is on break and will return on August 26. All but about 1,700 MT of intervention butter have been committed to food aid programs or sold back to the trade. No skim milk powder has been sold. Traders and handlers state that some intervention sellback butter is appearing in the marketplace which is helping ease a tight butterfat situation.

**BUTTER/BUTTEROIL:** European butter markets and prices remain firm. Butterfat is limited. European milk handlers and processors are stating that butterfat levels on incoming milk are lower, thus less cream is entering manufacturing plants with each delivery of milk. The Dairy Management Committee has not met since July 22 and is now on summer holiday, returning on August 26. There is no news on intervention sellback of butter stocks. At this point, all intervention stocks have been committed to food aid programs or sold back except for a balance of about 1,700 MT.

82% BUTTERFAT: 4,750 - 5,150  
 99% BUTTERFAT: 5,200 - 5,800

**SKIM MILK POWDER (SMP):** European skim milk powder markets and prices remain firm. Milk production is on the down side of the season, thus the milk flow is often directed towards products of most need or best return. Manufacturers and handlers are stating that drying schedules are seasonally active, but often lighter than in years past. Stocks are available for immediate and future needs. Powder demand and sales activity are light as many buyers and consumers are on summer holiday.

1.25% BUTTERFAT: 2,875 - 3,150

EUROPEAN COMMENTS AND PRICES CONTINUED  
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OCEANIA

**OVERVIEW:** Milk production in the Oceania region is on the eve of seasonal increases. New Zealand will be the first area to realize noticeable increases within the next 2 – 3 weeks while Australian output will be a few weeks later. Winter conditions in both New Zealand and Australia have been quite typical and should be a positive factor for the seasonal startup. Moisture during the winter months has been plentiful with some milk producers and handlers stating that the season was wetter than usual. In Australia, good moisture fell during the winter which greatly enhanced depleted water levels. Milk producers are very optimistic about the upcoming season and are looking for a 3 – 4% increase in New Zealand with producers in Australia projecting steady to a 1 – 2% increase. Announcements of favorable opening pay prices are also giving encouragement to dairy producers. Milk handlers are not quite sure on how farmers will respond to the favorable milk prices. They feel that some farmers will pay down debt, while others will probably increase their herd size. At the August 3 global/Dairy Trading (g/DT) event, all contracting periods averaged lower prices by 7.6% to nearly 9%. Anhydrous milk fat averaged \$4,302 per MT, down 7.6% from the previous event average; whole milk powder averaged \$2,974 per MT, down 7.7%; skim milk powder averaged \$2,770 per MT, down 8.9%; and butter milk powder, traded for the first time, averaging \$2,905 per MT. Prior to the trading event, buyer interest was very quiet as buyers stepped away from the marketplace until further market developments occurred. Most traders and handlers anticipated that auction prices would be lower and are still analyzing what impact realized prices will have on future offerings. As milk production remains at seasonally low levels, stocks are very limited for near term shipments but will be increasing over the next 6 – 8 weeks. Some traders and handlers are stating that they will be reaching into new production to finish 2009 – 2010 commitments.

**BUTTER:** Oceania butter markets are generally steady at unchanged prices, although an unsettled undertone prevails. Butterfat is limited in New Zealand and Australia as the milk production season is basically at seasonally low levels. Some reports of slight milk output increases are occurring in New Zealand which is the first of the season. Although milk output is about to increase, early season milk volumes might be directed away from butter/powder and directed towards other products at this time, thus many cream handlers are anticipating that cream will remain limited for the foreseeable future. At the August 3 global/Dairy Trading event, anhydrous milk fat prices averaged \$4,302 per MT, down 7.8% from the previous event. Near term contracts (October) averaged \$4,477 per MT, down 14.8%; November – January contracts averaged \$4,252, down 5.5%; and February – April 2011 contracts averaged \$4,252, down 4.6%.

82% BUTTERFAT: 3,600 - 4,300

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are mixed following the recent global/Dairy Trading event. Oceania traders and handlers state that the weakness at the event is not being totally reflected within commercial pricing. Granted, buyers are hoping to get the lower price, but suppliers and traders are adjusting their prices, but not to the full extent of the near term contract. The average price, \$2,770 per MT declined 8.9% when compared to the previous month's average. The average price is higher than the near term contract (October) average of \$2,719 which was 10.4% lower than the previous near term period. November – January contracts averaged \$2,769 per MT, down 9.2% with February – April contracts averaging \$2,865, down 6.3%. Traders and handlers state that stock availability remains limited as inventories from the 2009 – 2010 season are gone and the new 2010 – 2011 milk production is just about to resume.

1.25% BUTTERFAT: 2,725 - 3,200

OCEANIA COMMENTS AND PRICES CONTINUED  
 ON PAGE 8A

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## WESTERN AND EASTERN EUROPE

## EUROPEAN COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices in Europe are steady to firm. Stocks are available, although some traders and handlers are stating that it appears that stock levels are not as strong as projected or desired. Prices remain generally firm. Price weakness realized at the August 3 global/Dairy Trading event in the Oceania region is not impacting European prices at this time. Traders and handlers are comfortable with their price quotes, knowing that product is available for immediate need.

26% BUTTERFAT: 3,500 - 3,825

**SWEET WHEY POWDER:** Whey powder markets and prices are mixed. Cheese production was strong early in the season, then eased, and now is gearing back up, thus whey volumes have been higher and lower. For the most part, whey volumes are sufficient for a steady internal market with international sales limited. Higher than desired prices for international buyers is the main cause for slow sales. Whey stocks are available.

NONHYGROSCOPIC: 800 - 900

**EASTERN OVERVIEW:** Heat and dry conditions in Eastern Europe are having a negative impact on milk production on the down side of the season. Milk production is past the peak and declines are occurring at varying rates, depending on the region and weather patterns. Although overall milk volumes are lower, manufacturing schedules remain seasonally active. Stocks are available for immediate and future needs. Sales activity is slow as most internal buyers are on summer holiday.

## OCEANIA

## OCEANIA COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are generally weaker. Many manufacturers and handlers of whole milk powder are speculating that early milk volumes during the start of the upcoming milk production season will clear to the dryer versus other products. At the August 3 global/Dairy Trading event, whole milk powder averaged \$2,974 per MT, down 7.7% from the previous month's average. Near term contracts for October averaged \$2,917, down 14.8%; November - January contracts averaged \$2,936, down 8.7%; and February - April contracts averaged \$3,186, up 2.3%. The third contracting period was the first average price increase in many months.

26% BUTTERFAT: 2,900 - 3,400

**CHEDDAR CHEESE:** Cheese markets are generally holding steady with prices unchanged to slightly lower at the bottom of the reported price range. Cheese production remains at seasonally low levels with most cheese plants ready for the start of the new milk production season which will be noticeably increasing during the next 4 - 6 weeks. Cheese stocks are seasonally low and will clear quickly as supply commitments are well placed in order books.

39% MAXIMUM MOISTURE: 3,700 - 4,100

Exchange rates for selected foreign currencies: August 2, 2010

.9768 Canadian Dollar	.0217 Indian Rupee
.2540 Argentina Peso	.7328 New Zealand Dollar
.0795 Mexican Peso	.9124 Australian Dollar
.3308 Polish Zloty	.0116 Japanese Yen
	1.3171 Euro

To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0795) = 12.5786$  Mexican Pesos. Source: "Wall Street Journal"

August 3, 2010 global/Dairy Trading (g/DT) Event Recap				
Average prices and Changes in price Indices from previous event	Contract #1 October 2010	Contract #2 November 2010 - January 2011	Contract #3 February - April 2011	All Contracts
Anhydrous Milk Fat	\$4,477	\$4,252	\$4,252	\$4,302
	-14.8%	-5.5%	-4.6%	-7.6%
Buttermilk Powder	\$2,810	\$3,080	-----	\$2,905
	N.A.	N.A.	N.A.	N.A.
Skim Milk Powder	\$2,719	\$2,769	\$2,865	\$2,770
	-10.4%	-9.2%	-6.3%	-8.9%
Whole Milk Powder	\$2,917	\$2,936	\$3,186	\$2,974
	-14.8%	-8.7%	2.3%	-7.7%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	07/22	07/23	07/26	07/27	07/28	07/29	07/30	08/02	08/03	08/04
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
JUL 10	13.77 (4231) 0	13.73 (4245) 0	13.74 (4246) 0	13.74 (4243) 0	13.75 (4243) 0	13.74 (4258) 0	13.74 (3315) 0			
AUG 10	14.90 (5025) 5	14.91 (5070) 0	15.01 (5022) 0	15.00 (4926) 1	14.89 (4823) 8	14.92 (4821) 3	14.94 (4749) 0	14.97 (4693) 7	14.92 (4693) 0	14.94 (4754) 0
SEP 10	15.05 (4812) 1	15.15 (4881) 0	15.40 (4900) 0	15.42 (4916) 11	15.30 (4882) 9	15.37 (4943) 3	15.40 (4919) 0	15.34 (4867) 0	15.13 (5014) 5	15.14 (5067) 0
OCT 10	14.88 (3914) 1	14.93 (3918) 0	15.06 (4042) 0	15.20 (4079) 1	15.01 (4047) 6	14.99 (4073) 3	15.08 (4088) 0	15.09 (4087) 2	14.85 (4118) 0	14.82 (4114) 0
NOV 10	14.62 (3718) 1	14.70 (3725) 0	14.82 (3728) 0	14.93 (3790) 1	14.73 (3808) 6	14.75 (3829) 0	14.86 (3856) 0	14.87 (3839) 0	14.66 (3873) 0	14.65 (3873) 0
DEC 10	14.60 (3754) 1	14.65 (3771) 0	14.74 (3798) 0	14.80 (3863) 1	14.70 (3921) 6	14.71 (3918) 0	14.74 (3928) 0	14.74 (3910) 0	14.66 (3913) 0	14.55 (3915) 0
JAN 11	14.34 (790) 0	14.34 (790) 0	14.49 (803) 0	14.55 (829) 0	14.47 (840) 0	14.48 (849) 0	14.43 (865) 0	14.44 (872) 0	14.39 (893) 2	14.34 (903) 1
FEB 11	14.25 (574) 0	14.27 (582) 0	14.30 (591) 0	14.40 (603) 0	14.37 (614) 0	14.37 (622) 0	14.30 (627) 0	14.35 (637) 0	14.30 (651) 3	14.26 (672) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
JUL 10	15.26 (49) 0	15.28 (49) 0	15.37 (49) 0	15.37 (49) 0	15.37 (49) 0	15.37 (49) 0	15.75 (49) 0			
AUG 10	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.45 (74) 0	15.35 (77) 0	15.35 (77) 0
SEP 10	15.35 (27) 0	15.35 (27) 0	15.50 (27) 0	15.50 (27) 0	15.50 (27) 0	15.50 (37) 0	15.50 (37) 0	15.50 (38) 0	15.55 (41) 0	15.55 (51) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
JUL 10	173.50 (691) 2	173.50 (691) 0	173.50 (691) 0	173.50 (691) 0	173.50 (691) 0	173.50 (691) 0	173.75 (681) 0			
AUG 10	179.25 (751) 3	179.50 (751) 4	179.50 (751) 0	179.50 (751) 0	179.50 (751) 0	179.50 (751) 0	180.50 (753) 25	181.00 (731) 24	181.00 (716) 15	182.00 (707) 14
SEP 10	177.50 (770) 16	178.50 (770) 4	180.00 (774) 22	180.00 (774) 0	179.75 (778) 4	179.95 (792) 15	180.00 (792) 2	182.00 (798) 6	184.50 (788) 23	184.00 (761) 44
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
JUL 10	117.50 (195) 0	118.50 (195) 0	118.50 (195) 0	118.50 (195) 0	118.50 (195) 0	118.50 (195) 0	122.77 (195) 0			
AUG 10	117.00 (240) 0	117.00 (250) 0	117.00 (253) 0	117.50 (255) 0	117.00 (286) 0	116.00 (293) 0	116.00 (293) 0	116.00 (293) 0	116.00 (293) 0	116.00 (293) 0
SEP 10	117.00 (221) 0	117.00 (228) 0	117.05 (233) 0	117.50 (237) 0	117.75 (237) 0	117.50 (268) 0	117.05 (303) 0	117.25 (323) 0	117.25 (323) 0	116.50 (327) 0
<b>CME - WHEY (Electronic-Traded)</b>										
JUL 10	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (258) 0	36.50 (263) 0	36.50 (263) 0	36.41 (262) 0			
AUG 10	35.75 (269) 0	35.75 (269) 0	35.75 (269) 0	35.75 (269) 0	35.75 (284) 10	35.75 (283) 1	35.75 (283) 0	36.00 (284) 1	36.00 (284) 0	36.00 (284) 0
SEP 10	35.25 (238) 0	34.83 (239) 1	34.83 (239) 0	34.83 (239) 0	34.83 (244) 0	34.83 (244) 0	35.25 (243) 0	35.25 (243) 0	35.25 (243) 0	35.25 (243) 0
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
JUL 10	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0	1.46 (2) 0			
AUG 10	1.58 (9) 5	1.58 (9) 0	1.58 (9) 0	1.58 (9) 0	1.58 (9) 0	1.58 (9) 0	1.58 (9) 0	1.58 (8) 5	1.58 (8) 0	1.58 (8) 0
SEP 10	1.60 (17) 1	1.61 (18) 1	1.62 (18) 0	1.63 (18) 0	1.63 (18) 0	1.63 (18) 0	1.63 (18) 2	1.63 (18) 0	1.62 (18) 0	1.61 (18) 0
OCT 10	1.59 (14) 0	1.59 (14) 0	1.60 (14) 0	1.61 (14) 0	1.61 (14) 1	1.61 (14) 0	1.61 (15) 1	1.61 (15) 0	1.60 (15) 0	1.59 (15) 0
NOV 10	1.57 (36) 0	1.57 (36) 0	1.57 (36) 0	1.60 (36) 0	1.58 (36) 2	1.58 (36) 0	1.58 (36) 0	1.58 (36) 0	1.58 (36) 0	1.57 (36) 0
DEC 10	1.57 (32) 0	1.57 (32) 0	1.57 (32) 0	1.59 (32) 0	1.58 (32) 1	1.58 (32) 0	1.58 (32) 0	1.58 (32) 0	1.57 (32) 0	1.57 (32) 0

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

MONTHLY SUMMARY AND AVERAGES FOR JULY 2010 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 26	REPORT NUMBER 27	REPORT NUMBER 28	REPORT NUMBER 29	REPORT NUMBER 30	2010	2009
	JUL 01 - 02	JUL 05 - 09	JUL 12 - 16	JUL 19 - 23	JUL 26 - 30	or Total	or Total

CHEESE

WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	:: 1.7400 - 1.9225	:: 1.7500 - 1.9325	:: 1.8375 - 2.0200	:: 1.8400 - 2.0625	:: 1.8400 - 2.0900	:: 1.9134	: 1.5441
-- Brick And/Or Muenster 5#	:: 1.9150 - 2.0000	:: 1.9350 - 2.0000	:: 2.0000 - 2.0150	:: 2.0000 - 2.0675	:: 2.0000 - 2.1100	:: 2.0106	: 1.7192
-- Cheddar 40# Block	:: 1.8500 - 2.5650	:: 1.8500 - 2.5650	:: 1.8500 - 2.5650	:: 1.8500 - 2.5650	:: 1.8500 - 2.5650	:: 2.2075	: 2.0651
-- Monterey Jack 10#	:: 1.8775 - 2.5650	:: 1.8975 - 2.5650	:: 1.9400 - 2.5650	:: 1.9400 - 2.5650	:: 1.9400 - 2.5650	:: 2.2448	: 2.1033
-- Blue 5#	:: 2.2525 - 2.7300	:: 2.2725 - 2.7300	:: 2.3525 - 2.7300	:: 2.4075 - 2.7300	:: 2.4475 - 2.7300	:: 2.5447	: 2.2161
-- Mozzarella 5 - 6#	:: 1.7475 - 2.6650	:: 1.7675 - 2.6650	:: 1.8475 - 2.6650	:: 1.8800 - 2.6650	:: 1.8800 - 2.6650	:: 2.2500	: 2.1012
-- Grade A Swiss Cuts 6 - 9#	:: 2.3600 - 3.3300	:: 2.4125 - 3.3300	:: 2.4125 - 3.3300	:: 2.4125 - 3.3300	:: 2.4125 - 3.3300	:: 2.8689	: 2.7568

NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 40# Block	:: 1.7275 - 2.0025	:: 1.7375 - 2.0125	:: 1.8175 - 2.0925	:: 1.8700 - 2.1450	:: 1.9125 - 2.1875	:: 1.9622	: 1.5267
-- Process 5# Sliced	:: 1.4725 - 1.7825	:: 1.4925 - 1.8025	:: 1.5800 - 1.8900	:: 1.6225 - 1.9325	:: 1.6500 - 1.9600	:: 1.7309	: 1.3484
-- Muenster	:: 1.7475 - 1.9450	:: 1.7575 - 1.9550	:: 1.8375 - 2.0350	:: 1.8900 - 2.0875	:: 1.9325 - 2.1300	:: 1.9434	: 1.5080
-- Grade A Swiss Cuts 10 - 14#	:: 2.9525 - 3.2750	:: 3.0050 - 3.3275	:: 3.0050 - 3.3275	:: 3.0050 - 3.3275	:: 3.0050 - 3.3275	:: 3.1615	: 2.9724

WEST COAST (WSP, Delivered, LTL)

-- Process 5# Loaf	:: 1.5050 - 1.7625	:: 1.5150 - 1.7725	:: 1.6025 - 1.8600	:: 1.6450 - 1.9025	:: 1.6725 - 1.9300	:: 1.7281	: 1.3639
-- Cheddar 40# Block	:: 1.5325 - 1.8850	:: 1.5525 - 1.9050	:: 1.6325 - 1.9850	:: 1.6850 - 2.0375	:: 1.7275 - 2.0800	:: 1.8150	: 1.4347
-- Cheddar 10# Cuts	:: 1.7125 - 1.9325	:: 1.7325 - 1.9525	:: 1.8125 - 2.0325	:: 1.8650 - 2.0850	:: 1.9075 - 2.1275	:: 1.9288	: 1.5485
-- Monterey Jack 10#	:: 1.7225 - 1.8825	:: 1.7425 - 1.9025	:: 1.8225 - 1.9825	:: 1.8750 - 2.0350	:: 1.9175 - 2.0775	:: 1.9088	: 1.5285
-- Grade A Swiss Cuts 6 - 9#	:: 2.5300 - 2.9600	:: 2.5825 - 3.0125	:: 2.5825 - 3.0125	:: 2.5825 - 3.0125	:: 2.5825 - 3.0125	:: 2.7927	: 2.8300

FLUID PRODUCTS

SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

-- Northeast - f.o.b	:: 2.6357 - 2.7548	:: 2.5201 - 2.6939	:: 2.6296 - 2.8049	:: 2.7481 - 3.0141	:: 2.8297 - 3.0080	:: 2.7733	: 1.6065
-- Upper Midwest - f.o.b	:: 2.4147 - 2.6528	:: 2.3463 - 2.6591	:: 2.3667 - 2.8751	:: 2.4113 - 2.8368	:: 2.4716 - 2.9552	:: 2.6079	: 1.5645

PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.

-- Class II	:: 1.36 - 1.42	:: 1.36 - 1.42	:: 1.36 - 1.40	:: 1.36 - 1.40	:: 1.30 - 1.34	:: 1.3695	: 0.8800
-- Class III	:: 1.00 - 1.05	:: 1.00 - 1.07	:: 1.00 - 1.08	:: 1.00 - 1.08	:: 1.00 - 1.08	:: 1.0375	: 0.9100

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COMMODITY	:::REPORT NUMBER 26	:::REPORT NUMBER 27	:::REPORT NUMBER 28	:::REPORT NUMBER 29	:::REPORT NUMBER 30::	2010	:	2009
	:::-----	:::-----	:::-----	:::-----	:::-----	Average	:	Average
	::: JUL 01 - 02	::: JUL 05 - 09	::: JUL 12 - 16	::: JUL 19 - 23	::: JUL 26 - 30	or Total	:	or Total
DRY PRODUCTS								
NONFAT DRY MILK								
-- Central And East (f.o.b.)								
-- Low/Medium Heat	:: 1.2000 - 1.3300	:: 1.1700 - 1.3300	:: 1.1600 - 1.3200	:: 1.1600 - 1.3100	:: 1.1600 - 1.3100	:: 1.2423	:	0.9138
-- Mostly	:: 1.2500 - 1.3100	:: 1.2200 - 1.3000	:: 1.2100 - 1.3000	:: 1.2100 - 1.3000	:: 1.2100 - 1.3000	:: 1.2584	:	0.9063
-- High Heat	:: 1.3500 - 1.4300	:: 1.3400 - 1.3800	:: 1.3200 - 1.4300	:: 1.3200 - 1.4300	:: 1.3200 - 1.4300	:: 1.3730	:	0.9763
-- West (f.o.b.)								
-- Low/Medium Heat	:: 1.1500 - 1.3625	:: 1.1500 - 1.3000	:: 1.1000 - 1.3200	:: 1.0800 - 1.2950	:: 1.0600 - 1.2925	:: 1.2048	:	0.8391
-- Mostly	:: 1.2000 - 1.3200	:: 1.1900 - 1.2600	:: 1.1800 - 1.2450	:: 1.1500 - 1.2300	:: 1.1200 - 1.2100	:: 1.2038	:	0.8267
-- High Heat	:: 1.3100 - 1.4050	:: 1.2750 - 1.4050	:: 1.2650 - 1.3975	:: 1.2325 - 1.3975	:: 1.2100 - 1.3975	:: 1.3257	:	0.9391
WHEY POWDER (Nonhygroscopic)								
-- Central (f.o.b.)								
-- Mostly	:: 0.3100 - 0.3700	:: 0.3100 - 0.3650	:: 0.3100 - 0.3650	:: 0.3100 - 0.3650	:: 0.3100 - 0.3650	:: 0.3377	:	0.2960
-- West (f.o.b.)	:: 0.3250 - 0.3650	:: 0.3250 - 0.3600	:: 0.3250 - 0.3600	:: 0.3250 - 0.3600	:: 0.3250 - 0.3600	:: 0.3427	:	0.2922
-- Mostly	:: 0.3450 - 0.4150	:: 0.3450 - 0.4150	:: 0.3425 - 0.4100	:: 0.3425 - 0.4100	:: 0.3425 - 0.4050	:: 0.3769	:	0.3221
-- Northeast (f.o.b.)								
-- Mostly	:: 0.3650 - 0.4075	:: 0.3650 - 0.4075	:: 0.3650 - 0.4075	:: 0.3625 - 0.4075	:: 0.3550 - 0.4025	:: 0.3843	:	0.3193
-- Northeast (f.o.b.)	:: 0.3550 - 0.3825	:: 0.3550 - 0.3825	:: 0.3525 - 0.3825	:: 0.3525 - 0.3825	:: 0.3525 - 0.3825	:: 0.3679	:	0.2942
WHEY PROTEIN CONCENTRATE								
-- Central And West (f.o.b.)								
-- Extra Grade 34% Protein	:: 0.8800 - 1.0100	:: 0.8800 - 0.9850	:: 0.8800 - 1.0075	:: 0.8800 - 1.0225	:: 0.9100 - 1.0225	:: 0.9481	:	0.6140
-- Mostly	:: 0.9200 - 0.9700	:: 0.9200 - 0.9650	:: 0.9200 - 0.9650	:: 0.9200 - 0.9650	:: 0.9350 - 0.9650	:: 0.9444	:	0.6096
ANIMAL FEED - WHEY								
-- Central (f.o.b.)								
-- Milk Replacer	:: 0.2425 - 0.3000	:: 0.2425 - 0.3000	:: 0.2425 - 0.3000	:: 0.2425 - 0.3000	:: 0.2425 - 0.3000	:: 0.2713	:	0.1948
BUTTERMILK (Min. 30% protein)								
-- Central And East (f.o.b.)								
-- West (f.o.b.)	:: 1.2800 - 1.4500	:: 1.2800 - 1.4500	:: 1.2800 - 1.4500	:: 1.2800 - 1.4500	:: 1.2800 - 1.4500	:: 1.3650	:	0.9711
-- Mostly	:: 1.2800 - 1.3375	:: 1.2500 - 1.3300	:: 1.2400 - 1.3200	:: 1.1800 - 1.3100	:: 1.1800 - 1.2850	:: 1.2661	:	0.8828
-- Mostly	:: 1.2900 - 1.3275	:: 1.2800 - 1.3275	:: 1.2700 - 1.3000	:: 1.2000 - 1.2900	:: 1.2000 - 1.2650	:: 1.2704	:	0.8889
WHOLE MILK POWDER								
-- National (f.o.b.)	:: 1.5500 - 1.6700	:: 1.5500 - 1.6700	:: 1.5500 - 1.6700	:: 1.5500 - 1.6700	:: 1.5500 - 1.6700	:: 1.6100	:	1.1538
LACTOSE								
-- Central And West (f.o.b.)								
-- Mostly	:: 0.2300 - 0.3900	:: 0.2400 - 0.3900	:: 0.2000 - 0.3900	:: 0.2000 - 0.3900	:: 0.2000 - 0.4275	:: 0.3052	:	0.2205
-- Mostly	:: 0.3000 - 0.3600	:: 0.3000 - 0.3550	:: 0.3000 - 0.3550	:: 0.3000 - 0.3550	:: 0.3000 - 0.3550	:: 0.3277	:	0.2008
CASEIN - Edible - National (f.o.b.)								
-- Nonrestricted - Rennet	:: 3.6000 - 4.3000	:: 3.9000 - 4.3000	:: 3.9000 - 4.3000	:: 3.9000 - 4.3000	:: 3.9000 - 4.3000	:: 4.0864	:	2.8750
-- Nonrestricted - Acid	:: 3.6000 - 4.2500	:: 3.9000 - 4.2500	:: 3.9000 - 4.2500	:: 3.9000 - 4.2500	:: 3.9000 - 4.2500	:: 4.0614	:	2.8163

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CME GROUP AVERAGES FOR JULY 2010

COMMODITY	REPORT NUMBER 26 JUL 1 - 2	REPORT NUMBER 27 JUL 5 - 9	REPORT NUMBER 28 JUL 12 - 16	REPORT NUMBER 29 JUL 19 - 23	REPORT NUMBER 30 JUL 26 - 30	2010 * Average	2009 * Average
BUTTER*							
-- GRADE AA							
--Monday		1/	1.7700	1.7800	1.8000		
--Tuesday		1.7500	1.7700	1.7850	1.8000		
--Wednesday		1.7500	1.7750	1.7900	1.8000		
--Thursday	1.7500	1.7500	1.7750	1.8000	1.8050		
--Friday	1.7500	1.7625	1.7750	1.8000	1.8150	1.7787	1.2349
--Weekly Average**	1.7380	1.7531	1.7730	1.7910	1.8040		
CHEESE*							
-- BARRELS							
--Monday		1/	1.5100	1.5250	1.5600		
--Tuesday		1.4500	1.5150	1.5275	1.5600		
--Wednesday		1.4625	1.5250	1.5600	1.5575		
--Thursday	1.4000	1.5000	1.5250	1.5600	1.5575		
--Friday	1.4000	1.5000	1.5250	1.5600	1.5575	1.5161	1.1349
--Weekly Average**	1.3910	1.4781	1.5200	1.5465	1.5585		
-- 40# BLOCKS							
--Monday		1/	1.5400	1.5775	1.6025		
--Tuesday		1.4750	1.5400	1.6000	1.6025		
--Wednesday		1.4800	1.5500	1.6025	1.6025		
--Thursday	1.4300	1.5200	1.5625	1.6025	1.6025		
--Friday	1.4550	1.5275	1.5750	1.6025	1.6025	1.5549	1.1516
--Weekly Average**	1.4210	1.5006	1.5535	1.5970	1.6025		
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday		1/	1.2300	1.2250	1.2250		
--Tuesday		1.2300	1.2300	1.2250	1.2250		
--Wednesday		1.2300	1.2250	1.2250	1.2250		
--Thursday	1.2450	1.2300	1.2250	1.2250	1.2250		
--Friday	1.2450	1.2300	1.2250	1.2250	1.2250	1.2283	0.8761
--Weekly Average**	1.2450	1.2300	1.2270	1.2250	1.2250		
-- GRADE A							
--Monday		1/	1.2100	1.2175	1.2100		
--Tuesday		1.2100	1.2125	1.2175	1.2100		
--Wednesday		1.2100	1.2175	1.2175	1.2100		
--Thursday	1.2300	1.2100	1.2175	1.2175	1.2100		
--Friday	1.2300	1.2100	1.2175	1.2100	1.2100	1.2145	0.8909
--Weekly Average**	1.2360	1.2100	1.2150	1.2160	1.2100		

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.  
1/ CME GROUP CLOSED.

## JULY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2010 was unchanged at 182. Compared with July 2009, the index was up 4 points (2.2 percent). The index of prices received by farmers for dairy products advanced 4 points during the month of July 2010 to 123. Compared with July 2009, the index was up 36 points (41.4 percent).

Prices received by farmers in July with changes from June were: for All Milk, \$16.00 per hundredweight (cwt.), up \$.50; for Fluid Grade Milk, \$16.00 per cwt., up \$.50; and for Manufacturing Grade Milk, \$14.20 per cwt., up \$.70.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., JULY 2010 WITH COMPARISONS

STATE	All-milk price <sup>1/</sup> <sup>3/</sup>				Milk cows <sup>5/</sup>		Cows <sup>6/</sup>		Alfalfa hay, baled <sup>7/</sup>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JUNE		JULY		JULY		JULY		JULY	
	2010 <sup>2/</sup>	2009 <sup>2/</sup>	2010 <sup>4/</sup>	2009 <sup>2/</sup>	2010 <sup>4/</sup>	2009 <sup>2/</sup>	2010 <sup>7/</sup>	2009 <sup>8/</sup>	2010	2009
CA	14.26	10.11	15.20	10.01	1,300	1,100	58.70	45.90	121.00	106.00
ID	14.20	10.10	14.30	10.20	1,350	1,250	58.90	48.00	102.00	119.00
MI	16.30	12.00	16.60	12.00	1,400	1,450	56.00	48.00	105.00	150.00
MN	14.90	11.50	15.50	11.60	1,270	1,350	62.00	51.20	115.00	115.00
NM	14.90	10.30	15.50	10.50	1,320	1,300	65.00	48.50	157.00	150.00
NY	16.80	12.40	17.30	12.20	1,300	1,300	---	---	130.00	160.00
PA	17.50	12.90	17.80	13.00	1,400	1,450	54.50	47.50	149.00	155.00
TX	16.10	11.50	16.30	11.70	1,230	1,200	55.50	42.00	183.00	185.00
WA	15.60	11.10	15.80	11.00	1,300	1,200	---	---	130.00	125.00
WI	15.00	11.40	15.20	11.40	1,400	1,330	57.00	46.60	110.00	90.00
U.S.	15.50	11.30	16.00	11.30	1,320	1,280	58.40	47.30	117.00	120.00

<sup>1/</sup> Prices are shown at reported butterfat test. <sup>2/</sup> Partially revised. <sup>3/</sup> Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. <sup>4/</sup> Preliminary. <sup>5/</sup> Animals sold for dairy herd replacement only. <sup>6/</sup> Beef cows and cull dairy cows sold for slaughter. <sup>7/</sup> Mid-month price. <sup>8/</sup> Entire month.

## MILK AND OTHER GENERAL PRICE MEASURES, U.S., JULY 2010 WITH COMPARISONS

ITEM	JULY 2009	JUNE 2010 <sup>1/</sup>	JULY 2010 <sup>2/</sup>
<b>PRICES RECEIVED BY FARMERS</b> , dol. per cwt., at reported butterfat test: <sup>3/</sup>			
All milk	11.30	15.50	16.00
Fluid grade milk	11.30	15.50	16.00
Manufacturing grade milk	10.20	13.50	14.20
<b>INDEX NUMBERS</b> (1990-92=100):			
Prices received by farmers for all farm products	130	138	143
Prices received by farmers for dairy products	87	119	123
Prices paid by farmers for commodities and services, interest taxes, and wage rates	178	182	182
Prices paid by farmers for production items	182	185	185
Prices paid by farmers for feed	190	173	175
<b>MILK FEED PRICE RATIO:</b> Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <sup>4/</sup>	1.57	2.28	2.31

<sup>1/</sup> Partially revised. <sup>2/</sup> Preliminary. <sup>3/</sup> Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. <sup>4/</sup> For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

**SOURCE:** "Agricultural Prices," Pr 1 (7-10), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## WORLD DAIRY SITUATION AND OUTLOOK

**Summary-**During the first half of 2010, international dairy markets were surprisingly strong with the price of Oceania butter and cheese averaging around \$4,000 ton FOB while skimmed milk powder (SMP) averaged above \$3,000 ton. This appears to have been due to a combination of tight dairy product supplies following lower than anticipated milk production in Oceania (primarily New Zealand) coupled with a modest recovery in global economic activity which stimulated demand. Although there are significant government held surplus volumes of SMP and to a lesser extent butter available in the EU-27, these quantities are being carefully metered out in order to minimize any negative impact on markets. To date, SMP intervention stocks for commercial use remain unsold while some 60,000 tons has been allocated for use in domestic aid programs. The EU has clearly signaled that it will not accept SMP bids that could undermine market prices and potentially impact dairy farmers. In the United States, the previously held U.S. CCC held stockpile of SMP was largely channeled into domestic assistance programs during 2009 and early 2010.

There are signs, however, that global dairy prices are set to ease in the coming months. The recent Fonterra (Global Dairy Trade) auction held in early July, while arguably not reflecting a fully transparent market, indicated a month-to-month drop of 10-15 percent for butter, SMP, and whole milk powder (WMP). In the EU, prices of SMP and whey have slipped while WMP, cheese, and butter remain relatively stable at surprisingly high levels. Irrespective, any decline is unlikely to signal a dramatic pull-back in prices since the fundamental conditions governing supply and demand in international markets are unlikely to change radically for the balance of 2010. In the United States and the EU, domestic dairy markets have shown marked improvement from 2009 and forecasts do not point to a sharp drop in prices that would trigger government purchases of surplus products.

It is likely that the correction in prices is more a reflection of an anticipated increase in supplies as the new Oceania season approaches rather than a downshift in demand. The current key economic indicators, particularly for the emerging markets in Asia, remain positive with annual world Gross Domestic Product (GDP) growth slated to reach 3.5 (3-4) percent in 2010 – up from - 2.0 percent in 2009. In Asia, GDP is expected to grow by nearly 8 percent while the key market of China is forecast to expand by 9-10 percent. Mexico – a major market for U.S. dairy commodities – is also projected to recover with economic output pegged to expand by almost 4.5 percent.

In the United States, demand for dairy products should remain fairly firm since GDP growth is forecast to grow by 3-4 percent; a sharp turnaround from 2009 when the economy shrank by 2.4 percent. Nevertheless, persistent unemployment at around 9-10 percent remains a concern. In the EU (Eurozone), GDP is likely to grow by a modest 1 percent; however, the sovereign debt issues particularly in Greece are wildcard factors that could roil markets.

From the supply perspective, while New Zealand's new season milk production may regain its 3-4 percent annual increase, the prospect of Australia reversing years of declining milk output is becoming a dimmer prospect as drought is becoming more the norm and rain the exception. Further, Oceania stocks for all the major dairy commodities, particularly WMP, are on the low side and any pick-up in demand or minor interruption in supply could rapidly translate into higher prices. In the United States and the EU, while milk supplies are expected to increase, it appears that a further significant demand draw on internal supplies could pressure prices. In the United States, the recent jump in butter prices may well have been driven by the prospect of export sales. Cheese prices could follow a similar path.

The Australian milk production forecast was revised down as a result of low cow numbers and unexpectedly dry conditions that struck during the critical spring flush period. During the past five years Australian milk output has posted an annual growth rate (CAGR) of -2.4 percent largely as a result of drought. For the future, milk production will likely remain constrained by low cow numbers which have dropped from 2 million in 2005 to an estimated 1.6 million in 2010. For the next season, should normal rainfall patterns materialize, even if the cow herd grew by 3 percent and one assumed an optimistic milk per cow yield of 5.8 ton/hd, milk production would nevertheless still be below the levels attained in 2008/09.

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New Zealand milk production was similarly affected, but by a late-season drought on North Island which led to a downward adjustment in the forecast. For the year, milk output is now expected to expand by 1 percent – well below the 3 percent originally forecast. Nevertheless, farmers are expected to reap the reward of high global product prices this year and next as the milk payout at NZ\$6.10/kg milk solids is the second highest recorded. Next season there is speculation that the payout will be higher. Consequently, assuming normal weather, milk output next season has the potential to expand by 2-3 percent which could translate up to an additional 500,000 tons of milk. Over the longer term, South Island, which now accounts for slightly over a third of total New Zealand production, is likely to experience the most growth since it has the potential to convert substantial tracks of land for sheep and beef to dairy.

In the EU-27, milk production is anticipated to remain fairly steady although an improved milk yield per cow will lead to a marginal increase in total production. There has been some debate regarding the extension of quotas; however, at present, the proposal to end milk production quotas by 2015 stands.

In a reversal, annual U.S. milk production in 2010 is expected to grow by 1 percent largely as a result of higher milk yield per cow. Milk feed margins are anticipated to improve over 2009 due to a combination of lower feed costs and higher milk prices. For 2010, the annual all milk price is projected to average \$15.80/cwt to \$16.10/cwt which is a sharp improvement in comparison to the average of \$12.84/cwt dairy farmers received in 2009. Lower feed costs and improved supplies of forage are expected to support improved milk per cow while increased profitability will mitigate the decline in cow numbers.

**Cheese-**For 2009/10 (June-May), the New Zealand cheese production estimate is revised down from the previous forecast, resulting in an annual 12 percent drop in comparison to the previous year. Exports, however, are estimated to have grown marginally over the previous year which was likely sustained by a drawdown in stocks. It appears that strong returns from exports of WMP are channeling a significant portion of New Zealand's manufacturing milk into the production of WMP.

The Australian cheese production estimate remains largely unchanged from the previous forecast and year-over-year output is expected to be slightly down. The export forecast has also been lowered but cheese shipments are still expected to have increased over the previous year by 18 percent, which are expected to be supplied by stocks.

The EU-27 cheese production forecast was raised by 1 percent from the prior forecast and is expected to account for most of the additional manufacturing milk forecast for 2010. Returns driven by strong domestic and export demand are anticipated to favor the production of cheese for the balance of the year. The pace of exports has been exceptional in the first half of 2010 and the export forecast is raised by 85,000 tons (18 percent) from the December 2009 forecast to 560,000 tons.

In the United States, prices for 2010 are forecast to favor the production of butter/powder at the expense of cheese and annual cheese production is expected to drop 1 percent from the previous year. The cheese export forecast is raised by 18,000 tons from the December forecast to 140,000 tons which represents a nearly 30 percent improvement over the previous year. In the period Jan-May 2010, Mexico has been the major destination, accounting for nearly 30 percent of the 64,000 tons exported.

**Butter-**The New Zealand butter production estimate was raised slightly from the previous forecast but the year-on-year increase is a modest 2 percent. Butter exports, however, have been fairly robust due to attractive global prices. Consequently, the export forecast was revised up 12 percent which, as expected, have led to a drawdown in stocks. In Australia, butter production is estimated to have been scaled back relative to last year, but as in New Zealand, the strength of the export market is expected to have led to a drop in stock levels.

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In the EU-27, 2010 butter output is expected to drop by 1.5 percent over the previous year as milk is shifted into the production of cheese. Exports, however, are anticipated to increase by 15 percent over 2009 largely supplied by releases from intervention stocks. At present, intervention stocks stand at 52,000 tons and a substantial amount – in the order of 51,000 tons – has been slated for release during the May- September period for use in domestic assistance programs. Despite this influx of butter, domestic prices are surprisingly strong and holding at \$2.20/lb – some 27 percent higher than at the same period last year.

The U.S. butter export forecast is raised by one third from the previous forecast but at 32,000 remains well below levels obtained in 2007 and 2008. There is some expectation that should the outflow of butter to the export market increase significantly; domestic prices will rise to effectively ration supplies. There appears to be some evidence of this effect already as the monthly CME price average has increased in consecutive months since February 2010 (\$1.36/lb) through June 2010 (\$1.64/lb). Price increases appear to also reflect lower available supplies of milk fat as the national milk fat test percentages for the first half of the year have been below last year's comparable period. This may also explain to a certain extent why end-May cold storage stocks were down 16 percent in comparison to the same period last year.

**SMP-Oceania** exports for SMP are estimated to have grown by 11 percent over last year largely due to a sharp upward revision (23 percent) in the forecast for New Zealand. Since production is only expected to have expanded slightly, these shipments likely led to a reduction in stocks.

Due to the strong pace of shipments in early 2010, particularly to such destinations as Algeria, Russia, and Indonesia, the EU-27 export forecast is raised by 42 percent from the previous forecast. Intervention stocks which stood at around 257,000 tons at the beginning of the year are currently at around 236,000 tons and are forecast to drop to 200,000 tons by the end of the year.

The U.S. export forecast for SMP is raised by 3 percent from the December forecast with total shipments in 2010 expected to grow by 20 percent over 2009. Shipments during the first quarter at 54,000 tons were disappointing in light of the favorable price differential between the U.S. and world market prices. Shipments in the first two months of the second quarter jumped to 67,000 tons and U.S. SMP is expected to remain relatively competitive for the balance of the year.

**Whole Milk Powder (WMP)**-The New Zealand WMP production estimate is raised slightly to 760,000 tons which is a less than 1 percent increase over the previous year. Exports, however, totaled 894,000 tons which represents a 35 percent increase in comparison to the 2008/09 year. This means that a substantial drawdown in WMP stocks likely occurred. China has been by far the biggest purchaser of New Zealand WMP, accounting for some 26 percent of total exports. More impressively, China more than doubled its purchases from the previous year and a continuation of such purchases is likely to be a bullish factor for the balance of this year.

The EU-27 export forecast is revised down 10 percent from December and WMP exports are expected to drop by 8 percent to 425,000 tons in comparison to the previous year. It appears that relatively firm prices within the EU-27 may have reduced the competitiveness of WMP leading to a 10 percent drop in early year (January-April) shipments of WMP.

**SOURCE:** "Dairy: World Markets and Trade", Circular Series, July 2010, Foreign Agricultural Service, USDA.

**JUNE 2010 DAIRY PRODUCTS HIGHLIGHTS**

**BUTTER** production was 118.3 million pounds in June, 5.6 percent below June 2009 and 9.3 percent below May 2010. **AMERICAN TYPE CHEESE** production totaled 370.4 million pounds, 3.8 percent above June 2009 and slightly above May 2010. **TOTAL CHEESE** output (excluding cottage cheese) was 881.8 million pounds, 5.2 percent above June 2009 and 0.3 percent above May 2010. **NONFAT DRY MILK** production, for human food, totaled 136.1 million pounds, 6.8 percent below June 2009 and 11.8 percent below May 2010. **DRY WHEY** production, for human food, was 78.1 million pounds, 11.6 percent below June 2009 and 6.6 percent below May 2010. **ICE CREAM** (hard) production totaled 84.6 million gallons, 5.3 percent below June 2009 but 3.2 percent above May 2010.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUN 2010	PERCENT CHANGE FROM:			PRODUCT	JUN 2010	PERCENT CHANGE FROM:		
	1,000 LBS.	JUN 2009	MAY 2010	YEAR TO DATE 1/		1,000 LBS.	JUN 2009	MAY 2010	YEAR TO DATE 1/
BUTTER	118,335	-5.6	-9.3	-6.2	SOUR CREAM	98,815	5.5	5.8	2.3
CHEESE					YOGURT (PLAIN AND FLAVORED)	352,215	6.0	3.6	7.2
AMERICAN TYPES 2/	370,377	3.8	---	0.2	DRY WHEY, HUMAN FOOD	78,068	-11.6	-6.6	---
CHEDDAR	286,343	3.5	-0.3	-0.1	DRY WHEY, ANIMAL FEED	7,722	76.8	28.0	---
OTHER AMERICAN	84,034	4.8	1.2	---	DRY WHEY, TOTAL 8/	85,790	-7.4	-4.2	4.6
BRICK & MUENSTER	10,010	-4.4	-5.2	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	65,594	12.6	15.5	---	HUMAN FOOD	2,310	-26.5	-1.3	---
HISPANIC	17,453	5.6	7.9	---	ANIMAL FEED	4,711	18.3	-2.3	---
TOTAL ITALIAN TYPES	362,943	6.1	-1.8	5.7	LACTOSE, HUMAN FOOD & ANIMAL FEED	76,067	25.9	1.5	22.5
MOZZARELLA	290,820	8.2	-1.0	7.0	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	72,123	-1.2	-4.7	---	HUMAN FOOD 9/	31,970	2.5	-5.1	---
SWISS	27,501	0.6	-4.7	---	ANIMAL FEED 9/	2,336	-30.8	6.4	---
ALL OTHER TYPES	27,924	4.6	3.0	---	TOTAL 9/	34,306	-0.8	-4.4	1.6
TOTAL	881,802	5.2	0.3	2.5	25.0-49.9 PERCENT 10/	20,305	-10.7	-0.8	---
COTTAGE CHEESE, CURD 3/	35,207	-5.6	5.0	---	50.0-89.9 PERCENT 10/	14,001	18.2	-9.2	---
COTTAGE CHEESE, CREAM 4/	27,183	-8.5	3.6	-7.9	PROTEIN ISOLATES 11/	5,147	10.5	5.1	---
COTTAGE CHEESE, LOWFAT 5/	31,796	-3.6	6.5	-4.4	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSO WHOLE MILK	46,154	3.5	12.5	---	ICE CREAM (HARD)	84,552	-5.3	3.2	-1.0
DRY BUTTERMILK	5,805	-6.7	-12.2	---	ICE CREAM, LOWFAT (HARD)	16,264	1.0	28.7	---
DRY WHOLE MILK	5,597	24.5	-22.6	---	ICE CREAM, LOWFAT (SOFT)	29,243	12.7	17.8	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	10,337	20.2	-15.9	---	ICE CREAM, LOWFAT (TOTAL)	45,507	8.2	21.5	4.7
NONFAT DRY MILK (NDM), HUMAN	136,081	-6.8	-11.8	-3.8	SHERBET, HARD	4,784	-13.0	3.5	-6.0
SKIM MILK POWDERS (SMP) 7/	32,708	94.7	90.8	1.4	YOGURT (TOTAL)	7,628	1.1	12.0	-4.1

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	JUN 2010	PERCENT OF:		PRODUCT	JUN 2010	PERCENT OF:	
	1,000 LBS.	JUN 2009	MAY 2010		1,000 LBS.	JUN 2009	MAY 2010
DRY WHEY, HUMAN FOOD	42,084	-13.6	-12.6	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	6,589	323.5	15.0	HUMAN FOOD 9/	34,454	-1.1	-4.9
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	10,465	-27.7	-1.3	ANIMAL FEED 9/	1,791	-24.0	8.9
LACTOSE, HUMAN FOOD & ANIMAL FEED	76,137	19.1	---	TOTAL 9/	36,245	-2.6	-4.3
CANNED EVAP & CONDSO WHOLE MILK	100,434	5.7	-8.7	25.0-49.9 PERCENT 10/	20,175	-10.1	-4.4
DRY BUTTERMILK	9,398	71.6	14.8	50.0-89.9 PERCENT 10/	16,070	8.8	-4.1
NONFAT DRY MILK (NDM), HUMAN FOOD	174,814	-13.2	18.0	PROTEIN ISOLATES 11/	9,533	-16.1	-0.5

1/ 2010 cumulative as percent change of 2009 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes protein standardized and blends. 8/ Excludes all modified dry whey products. 9/ Whey Protein Concentrate, 25.0 to 89.9 percent. 10/ Whey Protein Concentrate Human and Animal. 11/ Whey Protein Isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. SOURCE: "Dairy Products," August 2010, National Agricultural Statistics Service, Agricultural Statistics Board, USDA.

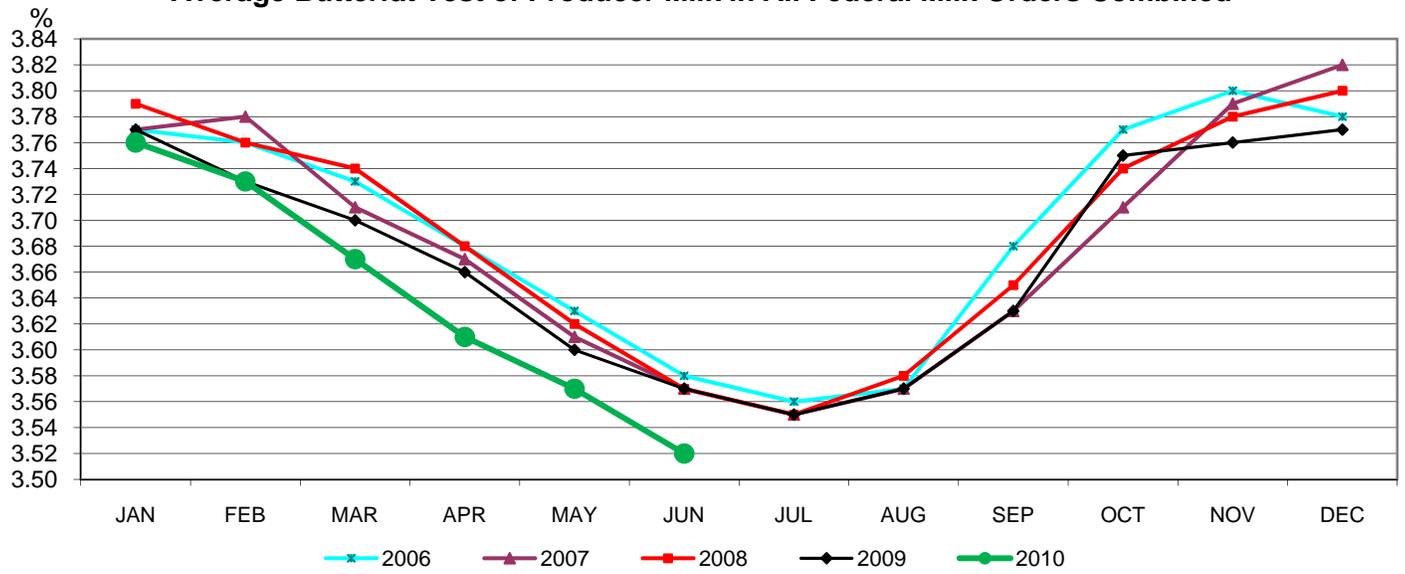
**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,  
AUGUST 2010, WITH COMPARISONS <sup>1/</sup>**

For August 2010, the all-city average announced cooperative Class I price was \$20.92 per cwt., \$2.51 higher than the Federal milk order (FMO) Class I price average for these cities. The August cooperative Class I price and the Federal order Class I price were \$0.11 higher than the July price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$3.89 in Miami, FL. For August 2009, the all-city average announced cooperative Class I price was \$15.21, \$2.53 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

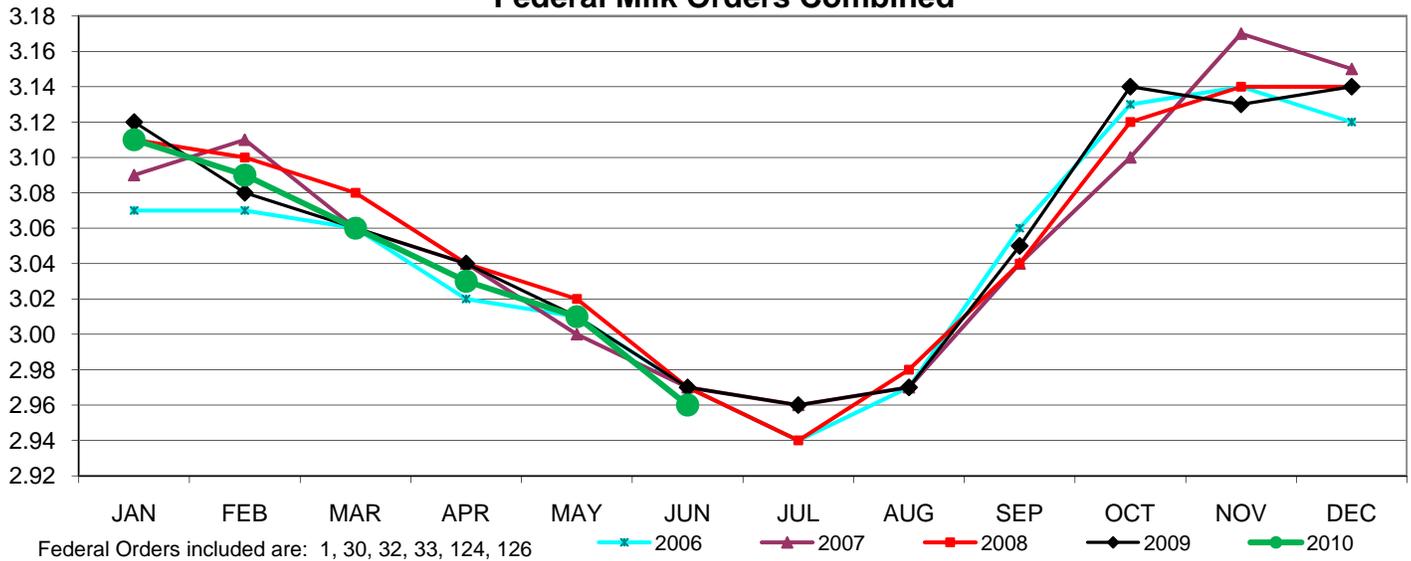
City	August 2010		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
Dollars per hundredweight, 3.5% butterfat			
Atlanta, GA	22.90	19.57	3.33
Baltimore, MD	20.44	18.77	1.67
Boston, MA	20.52	19.02	1.50
Charlotte, NC	22.41	19.17	3.24
Chicago, IL	21.12	17.57	3.55
Cincinnati, OH	21.04	17.97	3.07
Cleveland, OH	20.84	17.77	3.07
Dallas, TX	20.62	18.77	1.85
Denver, CO	19.68	18.32	1.36
Des Moines, IA	20.25	17.57	2.68
Detroit, MI	20.61	17.57	3.04
Hartford, CT	20.42	18.92	1.50
Houston, TX	21.42	19.37	2.05
Indianapolis, IN	20.84	17.77	3.07
Kansas City, MO	19.94	17.77	2.17
Louisville, KY	21.11	18.07	3.04
Memphis, TN	22.21	18.67	3.54
Miami, FL	25.66	21.77	3.89
Milwaukee, WI	21.07	17.52	3.55
Minneapolis, MN	19.78	17.47	2.31
New Orleans, LA	23.11	19.57	3.54
Oklahoma City, OK	20.27	18.37	1.90
Omaha, NE	20.00	17.62	2.38
Philadelphia, PA	21.67	18.82	2.85
Phoenix, AZ	18.62	18.12	0.50
Pittsburgh, PA	21.12	17.87	3.25
St. Louis, MO	20.34	17.77	2.57
Seattle, WA	18.45	17.67	0.78
Springfield, MO	20.57	18.17	2.40
Washington, DC	20.44	18.77	1.67
Simple Average	20.92	18.41	2.51

1/ This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative.

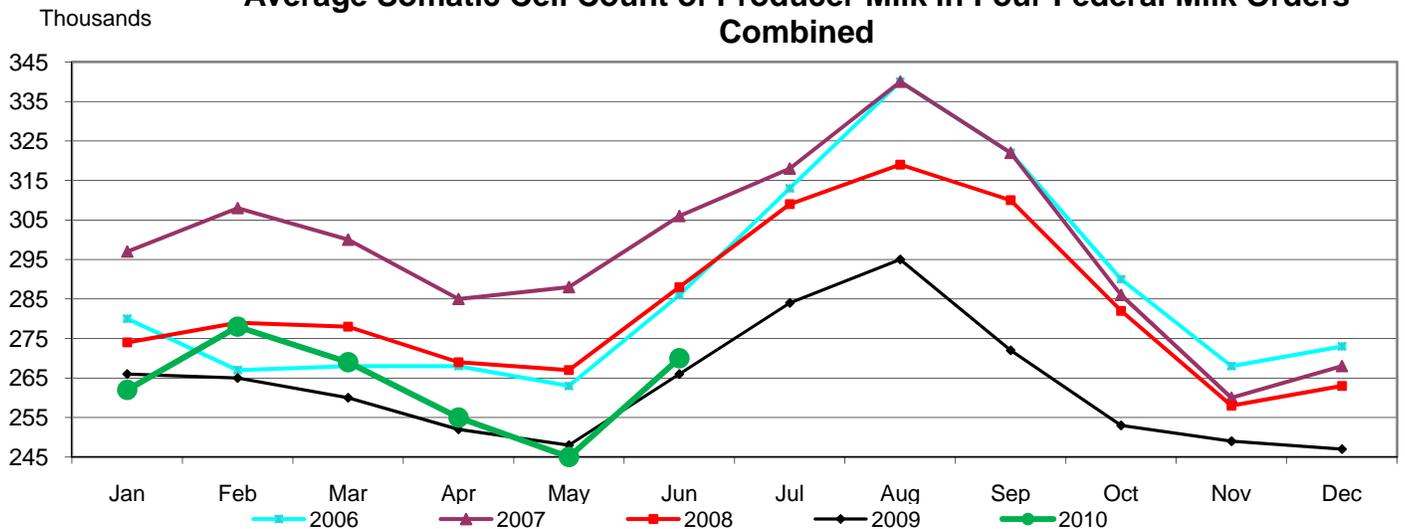
**Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined**



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

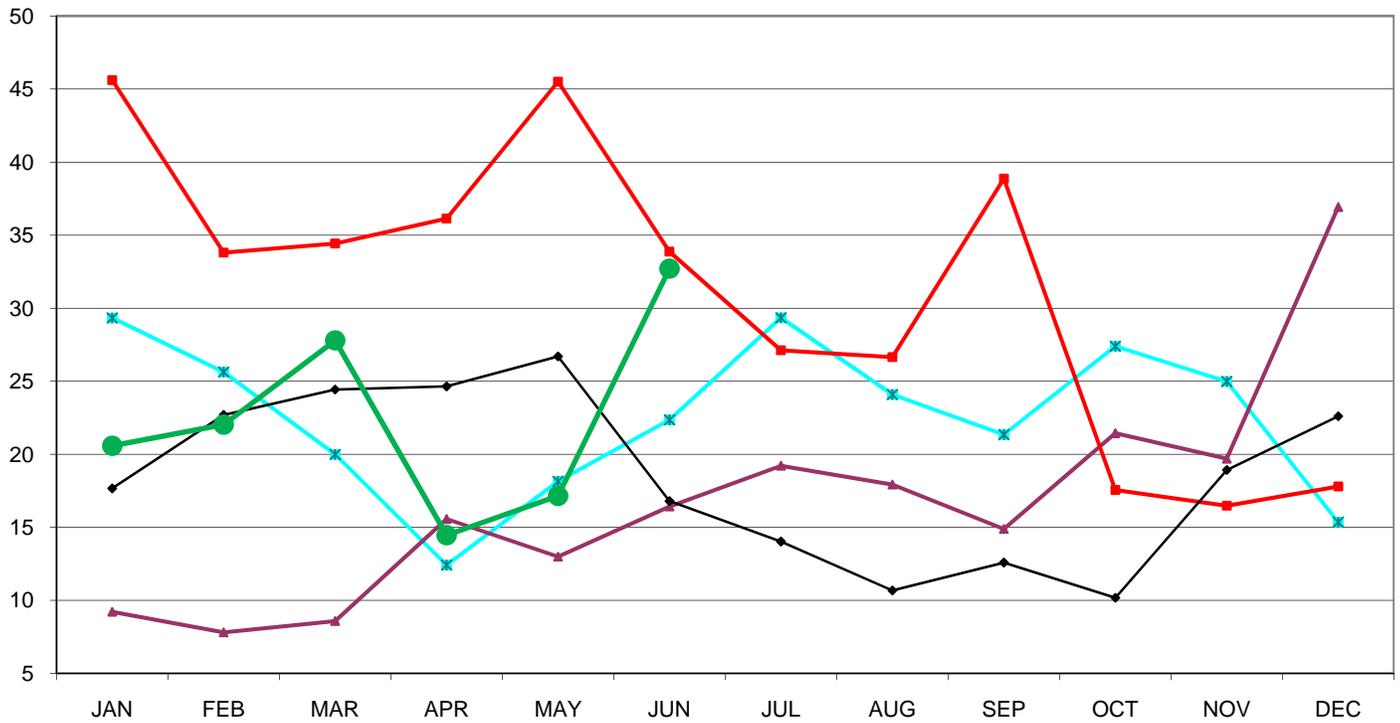


**Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined**



**U.S. SKIM MILK POWDER PRODUCTION**

MILLION POUNDS

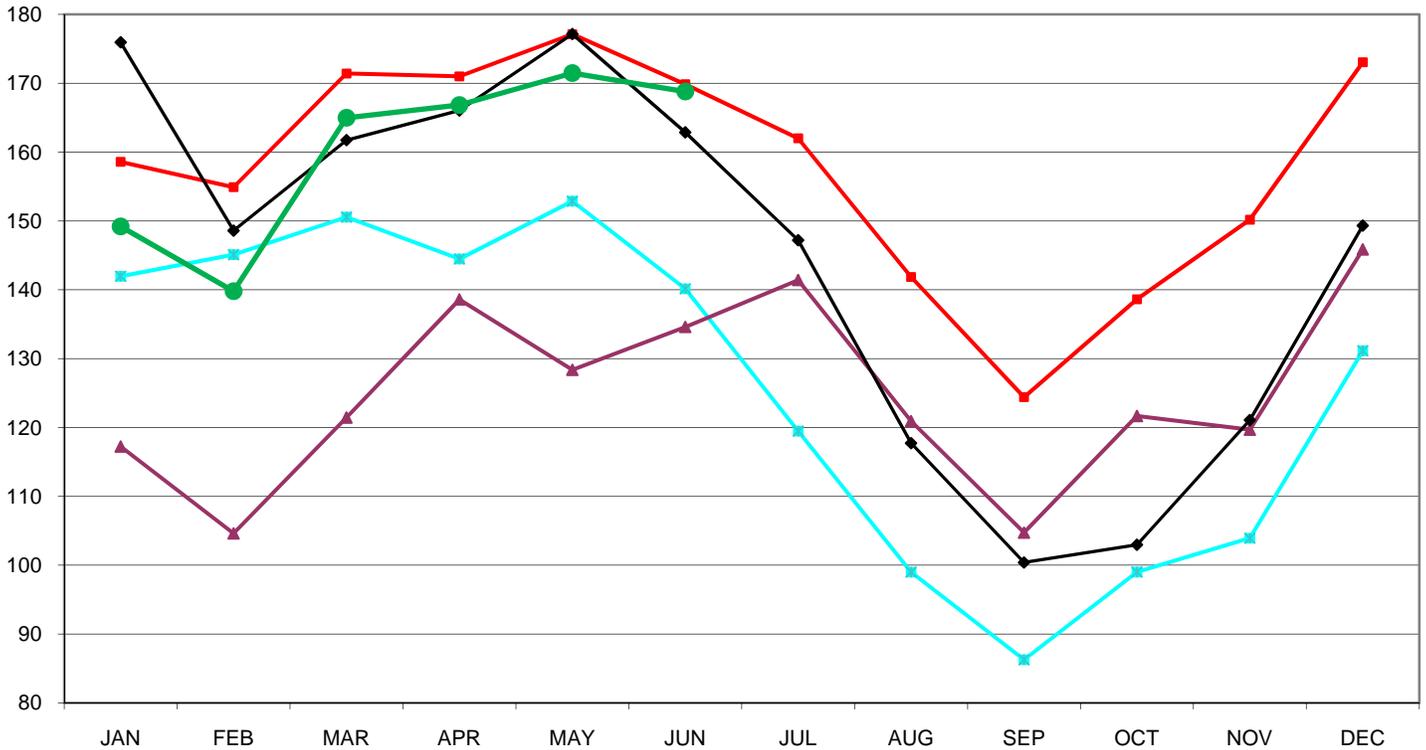


NASS DATA, GRAPH BY DMN

2006 2007 2008 2009 2010

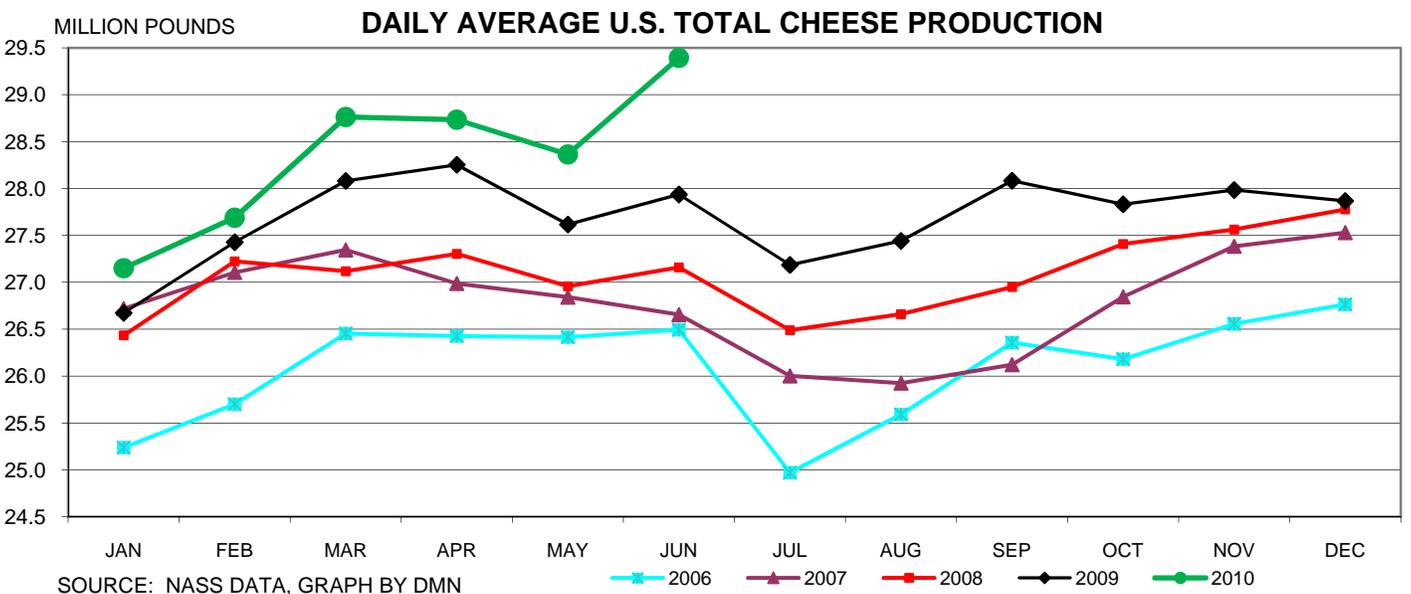
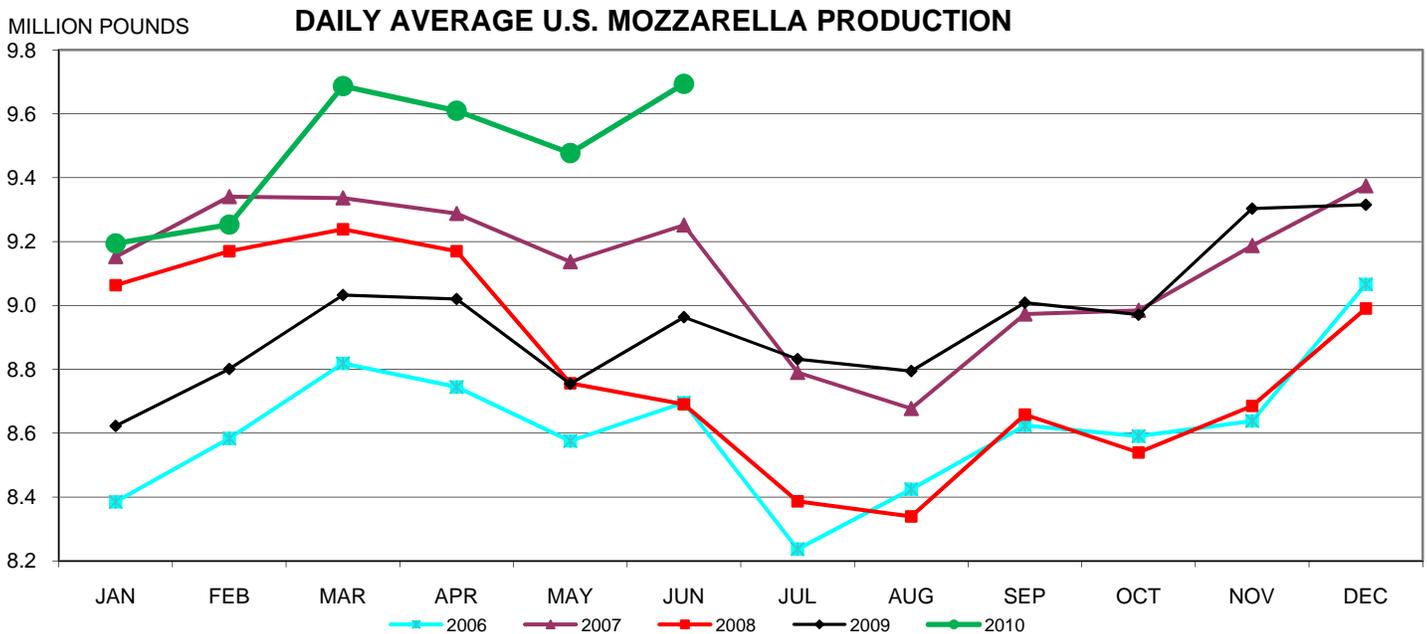
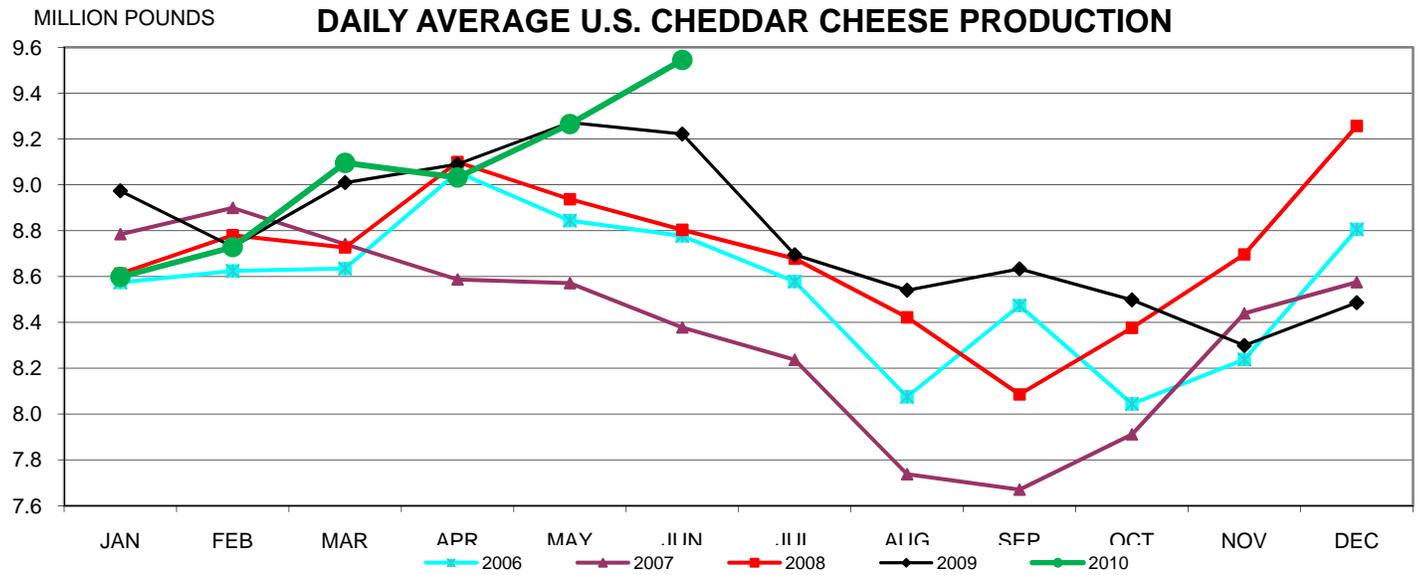
**U.S. COMBINED NDM (HUMAN) AND SKIM POWDER PRODUCTION**

Million Pounds



GRAPH BY DMN: NASS DATA

2006 2007 2008 2009 Revised 2010



SOURCE: NASS DATA, GRAPH BY DMN

# DAIRY MARKET NEWS

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