

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (08/13):**

BUTTER: Grade AA closed at \$1.9175. The weekly average for Grade AA is \$1.9045 (+.0595).

CHEESE: Barrels closed at \$1.5850 and 40# blocks at \$1.6200. The weekly average for barrels is \$1.5830 (+.0210) and blocks, \$1.6180 (+.0155).

BUTTER HIGHLIGHTS: The CME Group cash butter price remains firm. Churning schedules across the country are lower as cream supplies remain tight. Some standardized cream is becoming available as schools in various areas of the country start the fall term. Fat and solids levels in incoming milk are lower this year and less than expected. In most instances, butter producers are churning for current needs with minimal volumes clearing to inventory. Some manufacturers and handlers are stating that they are reaching into lighter than desired inventories to round out butter orders. In many instances, butter inventories are much lower than last year at this time. Many butter producers are speculating that cream supplies will remain tight for the balance of the year. Butter producers are also stating that limited cream supplies for domestic needs will be further challenged by the need for cream to generate the 24.8 million pound of butter/anhydrous milk fat that will be leaving the country during the next six months with the aid of the CWT program. Although butter prices are firm, some orders are holding up quite well while others are lighter. Many buyers feel that prices will continue to increase. In the Central part of the country, some retail feature activity is being reported at prices ranging \$1.89 to \$2.00 per pound. Butter and milk fat exports from the U.S. during the first six months of 2010 totaling 56.3 million pounds are up 140% when compared to the same January – June 2009 period. Saudi Arabia, Egypt, Canada, Morocco, and South Korea received 57% of all exports.

CHEESE HIGHLIGHTS: Cash cheese prices at the CME Group closed higher this week. Declining milk receipts through most of the country, lower milk components, and the reopening of additional schools for the new term are all factors reducing current cheese production. To illustrate the change in milk utilization, the August 5-year (2005 – 2009) estimated daily U.S. fluid product sale average is just over 8 million pounds per day (or 160 tankers

at 50,000 pounds) more than July (see page G3). Some cheese in storage can replace the current output, but not all the product currently in storage can be used for this. Strong cream demand and prices have some cheese operations re-evaluating butterfat use, especially plants making low fat varieties such as part skim mozzarella. Current demand is relatively steady with recent weeks though as more school reopenings near, particularly colleges, interest from food service accounts should improve. Cumulative U.S. exports of cheese and curd during the first 6 months of 2010 total 178.0 million pounds, up 61% from the same period in 2009.

FLUID MILK: High temperatures and humidity levels across much of the country are negatively impacting milk production trends. In California and the Northwest, adverse conditions are not as significant. Milk receipts and component levels are reported to be lower in most plants with some plant managers stating that butterfat test are at or nearing record low levels for this time of the season. Bottling pipelines are starting to be refilled as schools resume fall classes. Over the next 3 – 5 weeks, bottling demands will be increasing, absorbing heavier volumes of milk. Some milk handlers are concerned about where the milk will be coming from to fill bottling orders. Already, milk is moving from the upper Midwest to Southern areas to supplement shortages, two to three weeks earlier than last year. Milk handlers state that if heat and humidity levels persist, milk supplies will become tighter and in greater demand. Cream prices continue to move higher and reflect higher basing points and firm multiples/overages. As the butter price approaches \$2.00, there are more concerns about prices affecting demand once all the pricing increases move through the marketing channels. Supplies of cream remain tight and not able to fill all demand. Some butter producers are selling cream and not making the butter they thought they would at this time.

DRY PRODUCTS: Nonfat dry milk markets are unsettled to weak with prices steady to generally lower from coast to coast. Heat and humidity are negatively affecting cow comfort throughout

CONTINUED ON PAGE 1A

****SPECIALS THIS ISSUE****

ORGANIC DAIRY MARKET NEWS (PAGE 8)
COW SLAUGHTER UNDER FEDERAL INSPECTION (PAGE 9)

DAIRY GRAPHS (PAGES G1 – G3)

CME GROUP CASH TRADING

PRODUCT	MONDAY AUGUST 9	TUESDAY AUGUST 10	WEDNESDAY AUGUST 11	THURSDAY AUGUST 12	FRIDAY AUGUST 13	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.5800 (+.0125)	\$1.5800 (N.C.)	\$1.5850 (+.0050)	\$1.5850 (N.C.)	\$1.5850 (N.C.)	(+.0175)	\$1.5830 (+.0210)
40#BLOCKS	\$1.6150 (+.0125)	\$1.6150 (N.C.)	\$1.6200 (+.0050)	\$1.6200 (N.C.)	\$1.6200 (N.C.)	(+.0175)	\$1.6180 (+.0155)
NONFAT DRY MILK EXTRAGRADE	\$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.)
BUTTER GRADE AA	\$1.8725 (+.0225)	\$1.8975 (+.0250)	\$1.9175 (+.0200)	\$1.9175 (N.C.)	\$1.9175 (N.C.)	(+.0675)	\$1.9045 (+.0595)

CHEESE: carlot = 40-44,000 lbs., BUTTER: carlot = 40-43,000 lbs., NDM 42-45,000lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET AT A GLANCE**CONTINUED FROM PAGE 1**

the country and overall farm milk production and solids content are decreasing. Production of NDM is steady to lower as fluid demand continues to draw down regional manufacturing milk supplies. Nonfat market activity is light to fair for contracts, mostly light for spot interest. Buttermilk powder markets are generally steady at unchanged price. Dry buttermilk production is often below expected levels. Drying is trending lower as butter producers sell more cream and make less butter. Dry buttermilk stocks are light with limited offerings being made. Whey powder markets and prices are generally holding steady with no real upward/downward pressure noted. Buyer interest is steady for contractual needs with spot buyer interest mixed. Stocks are available.

ORGANIC DAIRY MARKET NEWS OVERVIEW (DMN):

Organic milk availability continues the recent trend of tightening in many parts of the country although, with some exceptions, parts of California continue to work off organic milk supplies heavier than organic fluid demand. Some Eastern organic plants report recent order increases from some retail outlets of up to 20%. Overall, the distinguishing characteristics of organic dairy ads this survey period is the almost exclusive presence of national brand organic milk in ads – a first for 2010, as well as organic yogurt ad numbers reaching a low point for 2010. The national weighted average advertised price for half gallons of organic milk increased to \$3.17, 37 cents higher than two weeks ago but still below the weighted average advertised price four weeks ago. The range of prices changed little, rising 1 cent at the bottom to \$2.50 and falling 10 cents at the top to \$3.69. Thus, a higher weighted average advertised price within a relatively stable price range represents an increase in the relative number of advertised prices higher in the range, resulting from a decline in ad numbers for prices lower in the range. The national weighted average advertised price for organic milk gallons fell 26 cents to \$5.04, with the range expanding higher and lower. The new top is \$5.99, 40 cents higher. The new bottom is \$4.49, 50 cents lower. Ads for half gallon organic milk are also almost entirely for a national brand, a first for 2010. The

Northeast, almost always the previous leading region for organic yogurt ads, had no ads this reporting period. Weighted national average advertised organic yogurt prices in 6 ounce containers declined 10 cents to \$0.60. There is no range because all prices are \$0.60. The range last report was 60 cents to 99 cents. The most significant change for this report is the magnitude of the increase in ads for milk in 8 ounce aseptic containers. In fact, the level of ads for 8 ounce organic milk in aseptic containers is at the highest level of 2010, even topping numbers of ads during a major ad campaign for the same product earlier this summer. All ad placements for 8 ounce organic milk are for a national brand which is focusing on the "single serve" concept for back to school markets.

CME GROUP

MONDAY, AUGUST 9, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.6100; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5800; 1 CAR 40# BLOCKS @ \$1.6150; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.8725; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 10, 2010

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.6150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1450; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8975; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 11, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.5800; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5850; 1 CAR 40# BLOCKS @ \$1.6200; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6250
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1525; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2150
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.9100; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.9175; LAST OFFER UNCOVERED: NONE

THURSDAY, AUGUST 12, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1800; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2100
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, AUGUST 13, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6300
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1850; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2100
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9175; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9200

BUTTER MARKETS

NORTHEAST

The CME Group butter prices have increased \$0.0975 in the last 9 trading sessions. Tuesday's increase of \$0.0250 advanced the butter closing price to \$1.8975. Seasonal milk production declines, accentuated by waves of heat and humidity, combined with reduced components are reducing cream supplies to a point where cream contracts are being shorted. Due to the tight cream supply, churns are operating on very light schedules and are often unable to fill current orders with current production. Class II cream demand remains good with some manufacturers reducing production to match contracted cream supplies, as they are unwilling to pay multiples in the high 160's and low 170's for spot loads of cream. 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 continues to increase. Since midweek last week, the cash price has increased 7 1/2 cents to \$1.9175. Earlier this summer, butter manufacturers and handlers were speculating if the cash price would reach \$2.00 and now they are questioning how much above \$2.00 will the price go. Churning activity this week has slowed as cream supplies become tighter. High temperatures and humidity levels are taking a toll on milk production and butterfat levels in the milk produced. Class II operations continue to absorb a large percentage of available cream offerings with lighter volumes available to the churn. For those butter producers still churning, current runs are often not sufficient to fulfill commitment, thus many are reaching into lighter than desired inventories to round out orders. Buying interest is slowing as prices increase. Some retail feature activity is occurring in the Central part of the country this week. Features on 1# prints at \$1.8900 per pound and 2 pounds for \$4.00 are being reported. Butter for these features was ordered weeks ago when the CME cash price was well below current levels.

According to some grocery store managers and buyers, regular priced butter on grocery store shelves is increasing to the point that they are noticing a slowdown in butter sales. Consumers often adjust their purchasing patterns once butter prices hit certain levels and it appears that prices are near or at that level at this time. Current bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Butter prices at the cash CME Group continue to show strength. Prices have gained 6 3/4 cents this week to stand at \$1.9175 at midweek. Western contacts indicate that demand for butter remains generally good even with the continuing higher prices. Some lower print orders are noted. Most buyers believe that prices still have some upside so they continue to make regular purchases. Stocks of butter at the end user level are much lower than normally is the case. Cream supplies remain very tight and expensive. Some standardized cream is becoming available as schools start the fall term, but that is being offset by declining seasonal milk supplies. Some butter operations are down to churning only about 1/3 of what they were doing 6-8 weeks ago. Fat and solids content in the West are closer to normal than in most of the rest of the country, but still less than expected. Heat stress on cows is about normal to even less than that in the Pacific Northwest. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 4.1 million pounds last week to stand at 39.6 million pounds. This compares to 94.9 million pounds in 2009 and 91.0 million pounds in 2008. In the last ten weeks, stocks have declined by 21.7 million pounds. This compares to a decline of 1.6 million pounds for the same period last year and 39.0 million pounds in 2008. 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.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEKENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
AUGUST 7	1.5834	1.5779	1.1766	1.8025	0.3590
	12,091,355	9,967,360	18,803,839	3,500,540	9,016,239

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

NORTHEAST

CHEESE MARKETS

WEST

Cheese prices on the CME Group continue to move higher with barrels and blocks advancing \$0.0125 during Monday's trading session. Tuesday's market was unchanged with barrels closing at \$1.5800 and blocks at \$1.6150. Wholesale prices held mostly steady with only Process 5# Sliced moving marginally higher. Northeast cheese production remains fairly steady with good demand for mozzarella, provolone, aged cheddar and low fat cheddar.

Block cheese prices at the CME Group had held steady for 12 trading sessions, until Monday, when they again started to increase. Monday's increase of 1 1/4 cents was followed by another 1/2 cent on Wednesday to close at \$1.62. In fact, the last decline for blocks was at the end of June. Most Western plants indicate that the milk flow for this time of year is at expected levels. Heat stress has been at or below normal in the Southwest and less than expected in the Northwest. Idaho and Utah have been warm, but the stress has been manageable. Cheese yields in the West are better than most of the rest of the country. Demand for cheese remains good, but some contacts are worried that the higher prices may soon begin to curtail buying interest. Time will tell. Swiss cheese is in close to a balanced position at this time. Demand for mozzarella is accelerating as it is in most of the rest of the country.

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

Cheddar 40# Block	:	1.9175-2.1925
Process 5# Sliced	:	1.6650-1.9750
Muenster	:	1.9375-2.1425
Grade A Swiss Cuts 10 - 14#	:	3.0325-3.3550

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

MIDWEST

The cheese market edged higher on the CME Group cash cheese market. Overall, the increases are mainly supply side driven more so than stronger demand. Current milk receipts continue to wilt in the summer heat/humidity with milk components also lower. Current cheese demand is uneven but mostly of a sideways nature, except for those firms filling accounts supplying schools, including government contracts that are at anticipated heavier levels. Most observers believe that with the current economy and higher cheese prices than a year ago, commercial demand will be slow to improve. Current cheese supplies have tightened. Current barrels are tighter and processors are looking for extra cheese solids (including undergrades). This is likely to cause increased volumes of cheese to return from storage. Better mozzarella demand is generally from those with government contracts and those firms reloading ahead of college/school reopening. Milk supplies will tighten further when a larger volume of milk moves to bottlers to fill school milk needs. Spot manufacturing milk volumes are increasingly harder to acquire.

FOREIGN

The CME Group block cheese price advanced \$0.0125 on Monday and closed unchanged Tuesday at \$1.6150. Prior to Monday's increase, block cheese prices were unchanged in the previous 12 trading sessions. The CME Group weekly average price for block was unchanged and as a result prices for domestic varieties held steady. Swiss cheese production in the Northeast is holding steady with some increases noted in wholesale sales.

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

Process American 5# Loaf	:	1.9225-2.1050
Brick And/Or Muenster 5#	:	2.1150-2.1600
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0775-2.5650
Blue 5#	:	2.4525-2.8800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9475-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4400-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3900	: 2.0575-3.5450
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.

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

	BUTTER	:	CHEESE
		:	
08/09/10	9,070	:	130,241
08/01/10	9,846	:	130,294
CHANGE	-776	:	-53
% CHANGE	-8	:	N.C.

FLUID MILK AND CREAM

EAST

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	0	0	0
SOUTHEAST STATE	33	0	35	0	0	0

Milk production in the Northeast is declining along seasonal trends, while declines in Mid Atlantic and Southeastern regions are more pronounced due to extended periods of heat and humidity. Milk shipments to the Southeast are continuing and are expected to increase over the next couple of weeks as the bulk of schools begin their fall terms. Securing adequate trucking may become an issue as additional supplies, located from greater distances, are needed to meet the increased Class I demand. Temperature issues and load rejections continue to be a problem in those areas beset with extended periods of heat. Florida milk production is declining with many producers drying off cows as they prepare to freshen. Current milk supplies are adequate to meet current needs, but Class I demand will increase as schools open in another week or two. Milk production declines and lower components are combining to make cream supplies very tight. Some plants are having trouble meeting their cream contract minimums. Spot market activity is limited, due to tight supplies with multiples on a few loads ranging from 165-173. Some Class II manufacturers are limiting production to match their cream contracts to avoid paying the higher multiples. Condensed skim demand is good as Class II production schedules remain fairly steady. Supplies of condensed skim are adequate to meet current Class II production schedules with Class IV dryers operating on lighter schedules.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	3.0442-3.1918
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.6199-3.0443

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.30 - 1.35
NORTHEAST - CLASS III - SPOT PRICES	-	.98 - 1.05

MIDWEST

Class I demand was steady to often improved as a small number of additional schools (often "year round") reopened for the new year. Bottlers in the region seem to be able to acquire needed volumes though many need extra loads from manufacturing plant suppliers. Upper Midwest and Southwest milk shipments to the Southeast were continuing though reports indicate a mid to late week decline in shipments. Manufacturing milk supplies are tighter each week and some cheese operations are unable to acquire extra volumes due to availability, not price. Reduced manufacturing milk volumes leads to a reduction in current cheese supplies, typically leading to higher cheese prices. There were not enough spot milk transactions to report a price range. Cream demand remains good and prices are steady to higher. Rather than churning, most butter operations are selling cream to ice cream and other users. Ice cream and mix production are generally solid as the weather is conducive to consumption. Milk receipts continue to slip as even the many of the large producers, with more extensive heat abatement equipment, are

now seeing volume declines, particularly as misting cows does little good in high humidity conditions. Frankly, cows are tired of the weather, even without the extra burden of a bountiful crop of hungry mosquitoes and other insect pests in the wet areas. Milk components also continue to slip with reports of perhaps record low butterfat tests on incoming supplies at some locations. Early planted corn and soybeans are ahead in development due to the higher than normal heat units collected thus far in the growing season in a number of key producing states. In northern states, local area moisture testing of silage corn samples will start soon.

WEST

The September 2010 Class 1 prices in CALIFORNIA range from \$17.15 in the north to \$17.43 in the south. The statewide average Class 1 price based on production is \$17.18. The average is \$0.17 lower than August 2010 but \$3.95 more than September 2009. CALIFORNIA milk production is trending mostly steady with recent weeks and more a reflection of good weather conditions for cows across most of the state. Totals are generally running a couple percentage points ahead of last year at this time, but flat to lower than two years ago. The trend of Class 1 needs beginning to be filled for schools/colleges is developing slowly. Retail interest is mostly steady along expected summertime levels. Plants across the state are running at scheduled levels and milk is being handled well. ARIZONA milk output is steady to lower. Hotter weather returned after a slight reprieve from hot/humid conditions. Milk continues to move to other states to fill contracts. Bottled milk needs are trending higher. As a result, less milk is available for dairy product production. CREAM prices continue to move higher and reflect higher basing point and mostly steady multiples/overages. As the butter price approaches \$2.00, there are more concerns about prices affecting demand once all the pricing increases move through the marketing channels. Supplies of cream remain tight and not able to fill all demand. Some butter producers are selling cream and not making the butter they thought they would at this time. At the CME Group, Grade AA butter price closed at \$1.9175 on Wednesday, August 11, up 7.5 cents from a week ago. Cream multiples are unchanged at 135-165 and vary based on class usage and basing point. Weather conditions remain close to ideal for milk production in the PACIFIC NORTHWEST. It has generally been cooler than normal with less humidity. Milk is following the general seasonal downturn and plants are adjusting schedules as needed. Hay quality has been a negative with much of the first cutting being low end dairy hay at best. Later cuttings are better quality, but dairy quality hay is not plentiful. Milk is also on the decline in UTAH and IDAHO, but along normal seasonal patterns. Days have been warm, but generally nights have been cool enough to reduce stress on the milking herds. Some milk is moving around the region so as to run plants as efficiently as possible. Cream is getting much harder to find in the region and butter production is declining quite rapidly. Water supplies in the region should allow full season haying to continue. Many areas are still using river water and have not had to use stored water yet which will mean a good carryover for next crop year. Heifer prices in the region continue to hold about steady with the average at the last weekly sale around \$1370.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: The Central nonfat dry milk market is weaker and prices declined. Heat and humidity are negatively affecting cow comfort throughout the Central region and overall farm milk production is decreasing. Production of NDM is steady to lower as fluid demand in both the Central and Southeast continue to draw down on regional manufacturing milk supplies. With ice cream sales bolstered by the recent spate of hot weather, condensed skim sales remain active into ice cream accounts in both the Central and Eastern regions. This activity is decreasing movement of nonfat solids into powder production. A few plants are pushing high heat NDM production to replenish supplies before demand increases seasonally. Inventories of low heat NDM are unchanged to incrementally building. Resale activity has notched up during the last week, according to a few brokers, as buyers reevaluate holdings and near/mid term needs. Some Western NDM is clearing into Central and Eastern accounts.

EAST: Nonfat dry milk prices in the East are unchanged to slightly lower in light spot market activity. Nonfat dry milk production is trending lower following the seasonal decline in milk production. Lighter drying schedules are allowing plants to increase production of high heat nonfat dry milk. Demand for high heat is moderate to good, while low heat demand remains flat. Export interest is viewed as improving. Increased Class I demand, due to schools and universities beginning their fall term, will limit manufacturing milk supplies and tighten nonfat dry milk inventories. As a result, some market participants feel that prices have bottomed out.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.1200 - 1.2700 MOSTLY: 1.1800 - 1.2450
 HIGHHEAT: 1.2900 - 1.3400

NONFAT DRY MILK - WEST

Pricing levels for Western low/medium heat nonfat dry milk are steady to lower. The market tone is unsettled to weak. Some increases in market activity were noted at the lower end of the range and mostly series. Buyer interest seems to be improved around the \$1.00 to \$1.08 levels into both domestic and export accounts. There is trade sentiment that prices shouldn't go much lower with current EU and Oceania prices above U.S. pricing. Sales are tightening supplies, yet offerings remain available. Sales of NDM more than 6 month old are more active; whereas resale market activity is slow to fair. Production trends are lower, reflecting declining milk supplies and milk solids content. High heat NDM prices are moving lower. Market activity is light to fair for contracts; mostly light for spot interest. Limited offerings continue to be the biggest obstacle in having a market test. Some seasonal candy interest is noted. FAS export data for NDM/SMP show January-June 2010 exports at 347.2 million pounds, up 45% (107.0 million pounds) from the same period in 2009.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.0000 - 1.2350 MOSTLY: 1.0800 - 1.1550
 HIGHHEAT: 1.1525 - 1.3750

U.S. NDM Exports, H.S. Code 040210000

	2010 Exports Jan. - June (Million Lb.)	% Change From 1 Year Ago
World Total	347.2	+45
Mexico	78.6	-30
Indonesia	59.8	+154
Philippines	50.7	+101
Vietnam	27.1	+139
Malaysia	26.7	+112
Source:	Foreign Agricultural Service	

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: The Central dry buttermilk market is steady. Dry buttermilk production is below expected levels at some facilities. This is largely due to cream for churning being tight because of late season demand from various Class II end users. Inventories of dry buttermilk for near term contract needs are adequate, but some producers remain hesitant to actively offer loads to the spot market because of those contract needs and uncertain cream supplies for week to week churning and drying. Some Western dry buttermilk is moving into the Central region to augment regional supplies. EAST: Prices for Eastern dry buttermilk are unchanged this week. Cream supplies are very tight and butter production is limited to filling current orders. Cream supplies are so tight in some areas, that some butter makers have to dip into inventories to fill current orders. As a result, dry buttermilk supplies are tight with most of the available product moving through contracts. Spot market activity is very limited with users looking to lower priced alternative products to fill their needs.

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

DRY BUTTERMILK - WEST

Pricing levels are only slightly lower on the range series for Western dry buttermilk prices. The market tone is unsettled. Pressure continues to be applied from lower priced nonfat dry milk markets, yet buoyed by higher fat prices and the overall tightness of dry buttermilk supplies. Drying is trending lower as butter producers sell more cream and make less butter. Dry buttermilk stocks are light with limited offerings being made.

F.O.B. WEST: 1.1800 - 1.2600 MOSTLY: 1.1800 - 1.2200

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady. The value of the nonfat solids component of dry whole milk has trended downward over the last few weeks, however, butterfat values have risen steadily. The end result of those two circumstances is steady dry whole milk prices. Various plants are increasing production as farm milk intakes allow, focusing on contract fulfillment and internal needs for the balance of the year. Spot load availability from manufacturers is sporadic. Availability of Oceania product is tight.

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

U.S. Dry Whole Milk Exports, H.S. Code 0402210000

	2010 Exports Jan. - June (Million Lb.)	% Change From 1 Year Ago
World Total	41.7	+135
Vietnam	15.4	+3379
Mexico	13.7	+25
Egypt	1.4	+281
Source:	Foreign Agricultural Service	

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 6	\$1.1656	11,618,982	0
July 30	\$1.1432	17,901,918	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Prices are unchanged for Central edible dry whey. Offerings to the spot market include product in bags and totes from a few producers, however various resellers indicate they are not receiving offers of product in volumes beyond the ordinary for this time of year. Buyer interest is steady for contract commitments, with little or no push back, but the appetite for spot loads varies from account to account. Milk supplies are declining seasonally, which is curtailing cheese and whey production at some locations. As the solids components in farm milk decline, a few plants are incorporating NDM or condensed skim to boost yields and maintain dry whey production. ANIMAL FEED DRY WHEY prices are higher. Interest is steady for lower quality animal feed dry whey and unchanged to higher for better quality animal feed dry whey.

F.O.B. CENTRAL: .3100 - .3700 MOSTLY: .3250 - .3650
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2350 - .3250

DRY WHEY - NORTHEAST

Northeast dry whey prices held steady for the week. Cheese and resulting dry whey production in the Northeast held fairly steady after recent declines due to declining production and increased Class I demand. Supplies are viewed as tight and moving through contracts at increased volumes. Spot market activity is light to moderate with increased export interest. The latest Foreign Agricultural Statistics report shows 288.5 million pounds dry whey were exported from the United States during January-June 2010, up 29% from January-June 2009. Leading world regional destinations, amounts shipped, and year to year percentage changes in amounts shipped are as follows: East Asia, 108.0 million pounds (+9%); Southeast Asia, 90.3 million pounds (+55%); and North America, 50.9 million pounds (+14%). These three regions comprised 86.4% of the total exports for January-June 2010.

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

DRY WHEY - WEST

Western whey prices again held steady this week. The market is steady with no real upward/downward pressure noted. Producer stocks are at workable levels. Buyers continue to take contracted amounts on a normal schedule. Export shipments from the West are a big factor in balancing the market. They continue at expected levels. Production is down seasonally along with the milk flow and because some whey solids are going to other products.

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

U.S. Dry Whey Exports, H.S. Code 0404104000

	2010 Exports Jan. - June (Million Lb.)	% Change From 1 Year Ago
World Total	288.5	+29
China	59.2	+9
Mexico	29.4	+40
Japan	28.0	+10
Canada	21.6	-8
Vietnam	19.9	+51
Source:	Foreign Agricultural Service	

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The whey protein concentrate 34% market mostly price series is unchanged. Demand is active from the food sector. Substitutes for edible WPC 34% continue to meet a large portion of the usual animal feed and/or blending industry demand, cooling interest from that arena on the intermittent edible WPC 34% spot market offers from manufacturers. WPC 34% inventories are variable, and manufacturers having surplus WPC 34% loads appear content to wait for buyers willing to match their price quotes. Production trends of WPC 34% moved incrementally lower as milk moves to fill increased Class I demand.

F.O.B. EXTRA GRADE 34% PROTEIN: .9100 - 1.0250 MOSTLY: .9350 - .9700

U.S. WPC 34% Exports, H.S. Code 0404100500

	2010 Exports Jan. - June (Million Lb.)	% Change From 1 Year Ago
World Total	143.4	+59
China	52.3	+125
Mexico	39.3	-11
Canada	19.2	+200
Japan	10.3	+52
Source:	Foreign Agricultural Service	

LACTOSE - CENTRAL AND WEST

The lactose market is fractionally lower. Spot market interest is slow. Lactose supplies of unground/coarse mesh size varieties are adequate to somewhat above current contract fulfillment needs and clearing through spot sales. Finer mesh size inventories are mostly tight, which is allowing fewer opportunities for spot market participation. Demand is steady to higher for 100+ mesh size lactose.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .1800 - .3850 MOSTLY: .3000 - .3525

U.S. Lactose Exports, H.S. Code 1702110000

	2010 Exports Jan. - June (Million Lb.)	% Change From 1 Year Ago
World Total	152.5	+19
Japan	19.7	+17
Mexico	19.2	+47
China	15.3	-63
Brazil	11.7	+47
Vietnam	8.4	+22
Source:	Foreign Agricultural Service	

CASEIN - NATIONAL

Casein markets are generally steady with prices unchanged. Supply availability continues to be the main concern for domestic buyers. Casein production in Europe continues and in most instances is lighter than previous years. Competition from other manufactured dairy products for much of the season is limiting milk volumes through casein operations, although European casein manufacturers are stating that they are getting adequate volumes of milk to maintain production schedules for known needs and contracted volumes. Most manufacturers are stating that they will have minimal volumes, if any, available for spot buyer interest. The Oceania milk production season will soon be resuming, thus it is still too early to project supply availability out of this region. Positive signs of a favorable startup of the milk production season are developing. Although New Zealand concluded the 2009 - 2010 season quite abruptly, winter and early spring conditions have been good for a positive beginning. In Australia, a strong finish to the 2009 - 2010 milk production season and

CASEIN - NATIONAL CONTINUED ON PAGE 6A

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.

CASEIN – NATIONAL, CONTINUED

good winter weather patterns are two factors contributing to a potential good start to the upcoming season. Casein manufacturers in the Oceania region remain very optimistic about the upcoming milk production and casein manufacturing year.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	3.9000 - 4.3000
ACID:	3.9000 - 4.2500

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 9 - 13, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 08/06/10	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	277,236,421	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	277,236,421	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 9 - 13, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.3	15.4
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	162.1	3,227.6
CUMULATIVE JAN. 1 - AUG. 13, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.9	1,894.1

* 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 9 - 13, 2010 (POUNDS)

REGION	BUTTER		CHEESE		NONFAT DRY MILK	
	BULK	BLOCK	BARREL	NONFORTIFIED		
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-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	277,236,421	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	277,236,421	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 07/24/10 & 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.	0.7	7.7	2.3	19.0	4.1	0.3	N.A.	14.5	3.3	53.4	1,578.0	43.9	43.7
2009-Dairy	N.A.	0.6	6.6	2.4	16.3	4.2	0.4	N.A.	14.3	3.5	49.7	1,660.1	43.1	48.0
2010-All cows	N.A.	0.8	9.6	13.4	32.4	23.4	14.2	N.A.	17.8	6.3	121.7	3,612.4		
2009-All cows	N.A.	0.7	8.3	13.3	29.3	22.5	12.7	N.A.	18.3	6.7	115.2	3,460.5		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CANADIAN DAIRY BREEDING FEMALE IMPORTS

WEEK ENDING	WEEKLY TOTAL	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
JULY 10, 17, 24	N.A.	N.A.	

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2006	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06	12.29	12.32	12.84	13.47
2007	13.56	14.18	15.09	16.09	17.60	20.17\$	21.38	19.83	20.07	18.70	19.22	20.60
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98

FEDERAL MILK ORDER CLASS PRICES FOR 2010 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.03	14.84	14.34	13.22	13.80	15.28	15.66	15.77				
II	15.22	15.65	14.46	13.78	14.90	16.01	17.10					
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74					
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75					

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

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

ORGANIC DAIRY MARKET NEWS

Information gathered August 2 - 13, 2010

ORGANIC DAIRY FLUID OVERVIEW

Organic milk availability continues the recent trend of tightening in many parts of the country although, with some exceptions, parts of California continue to work off organic milk supplies heavier than organic fluid demand. Some Eastern organic plants report recent order increases from some retail outlets of up to 20%. Particularly in the East, opinions have been expressed that the narrowing of the price differential between organic and non-organic milk has helped organic milk sales.

Northeast retail outlets report good interest for organic milk from vacationers in the region. There is increased focus by some organic dairies on moving toward transitioning of new herds into organic production, as well as encouraging herd expansion among existing organic herds. However, these actions are increasingly focused on production areas that will contribute to greater balance between supply and demand areas.

California organic cheese plants vary between using contracted milk supplies and plants electing to rely on organic spot market milk acquisition, due to the generally prevailing heavy supply situation in California. Plants relying on spot milk supplies are comfortable with current supply potential.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic milk ads continue to dominate organic dairy ads, continuing the pattern of the last month. This late summer run of organic milk ad dominance reverses the previous multi-month run of organic milk and yogurt being more equally prominent. Yogurt advertising remains well behind, with about 1/3 fewer ads than two weeks ago.

Newspaper supermarket ads for the period July 31, 2010 to August 13, 2010 identifying weekly "specials" and containing organic dairy content, numbered 2,840 of 9,150 surveyed ads from stores in each of the lower 48 states. This is down from 3,843 ads with organic dairy content two weeks ago and 4,235 ads four weeks ago.

Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

Overall, the distinguishing characteristics of organic dairy ads this survey period is the almost exclusive presence of national brand organic milk in ads – a first for 2010, as well as organic yogurt ad numbers reaching a low point for 2010.

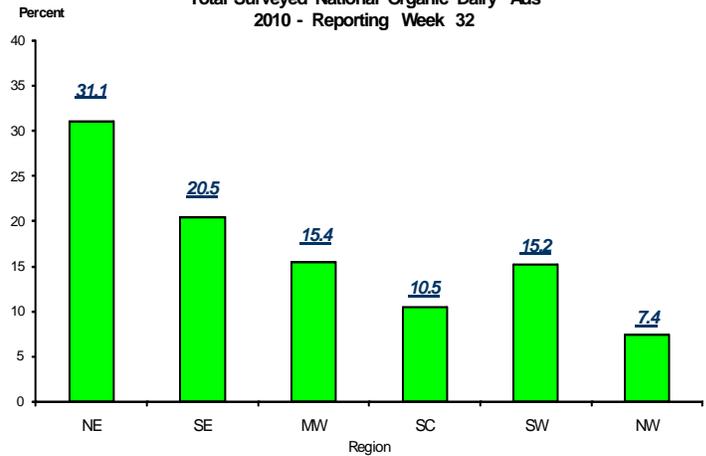
The most significant change for this report is the magnitude of the increase in ads for milk in 8 ounce aseptic containers. In fact, the level of ads for 8 ounce organic milk in aseptic containers is at the highest level of 2010, even topping numbers of ads during a major ad campaign for the same product earlier this summer. All ad placements for 8 ounce organic milk are for a national brand which is focusing on the "single serve" concept for back to school markets. Ads for half gallon organic milk are also almost entirely for a national brand, a first for 2010.

For most of the year so far, either private label organic half gallons or a mixture of private label and national brands prevailed. This is the first period of 2010 when virtually all organic milk ads are for national brands with little presence of store/private label brands. Another "first" for 2010, is the low level of organic yogurt ads, which reached the lowest number of 2010.

Regional Organic Dairy Ad Trends – Current Period. Organic dairy content in Northeast and Southeast weekly supermarket ads lead all regions – the same pattern as two and four weeks ago. In the Southwest, organic yogurt ads predominate while the region is tied for the lowest number of organic milk ads. The strength of organic milk ads in the Northeast and Southeast is what propelled each region into a leading position among regions in overall organic dairy advertising. The Northeast had 31.1% of surveyed organic dairy ads and the Southeast 20.5%.

Organic dairy ad percentages for other regions are: Midwest, 15.4%; Southwest, 15.2%; South Central, 10.5%; and Northwest, 7.4%.

Regional Organic Dairy Ads As A Percentage of Total Surveyed National Organic Dairy Ads 2010 - Reporting Week 32



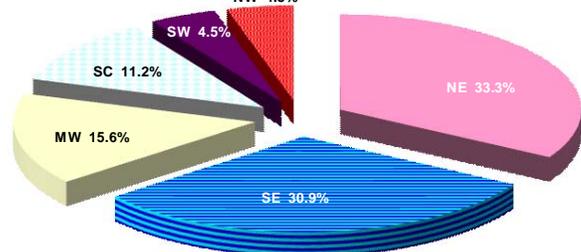
Product Emphasis. Individual store ads may contain more than one type of organic dairy featured item, or multiple brands of the same item and size. Thus, numbers shown below for product emphasis exceed total organic ad numbers.

Ad placements continue to reflect a substantial emphasis on fluid organic milk. The previous fluctuating trend of milk and yogurt generally alternating with relatively close proportions of ads shifted four weeks ago. Organic milk ad placements now significantly exceed organic yogurt placement numbers. Organic milk leads with 2,647 ad placements, compared with 610 for organic yogurt.

Organic milk ad placements are dominated by ads for 8 ounce aseptic containers. There are 1,355 ad placements for 8 ounce organic milk; 899 ad placements for half gallons; 393 for gallons; and none for 3 quart containers. Organic yogurt placements for 6 ounce containers, generally the organic yogurt leader, registered only 176 ad placements this report. This was less than 350 ad placements for 32 ounce organic yogurt containers, was followed by 80 ad placements for 64 ounce yogurt containers.

Organic milk ads appeared in all regions. The highest concentration of milk ads, 33.3%, appeared in the Northeast, followed by the Southeast with 30.9% of organic milk ad placements. The remaining regions and percentages are the Midwest, 15.6%; South Central Region, 11.2%; Southwest, 4.5%; and Northwest, 4.5%.

ORGANIC MILK FEATURES Regional % of Surveyed Supermarket Ads Report Week 32, 2010

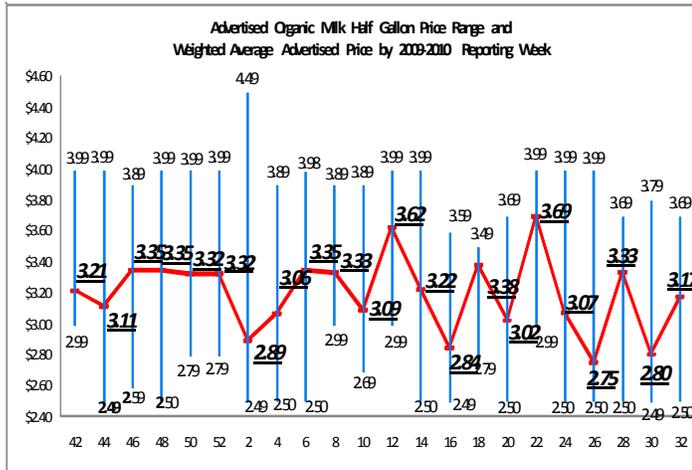


Half Gallons. The national weighted average advertised price for half gallons of organic milk increased to \$3.17, 37 cents higher than two weeks ago but still below the weighted average advertised price four weeks ago. The range of prices changed little, rising 1 cent at the bottom to \$2.50 and falling 10 cents at the top to \$3.69. Thus, a higher weighted average advertised price within a relatively stable price range represents an increase in the relative number of advertised prices higher in the range, resulting from a decline in ad numbers for prices lower in the range.

ORGANIC DAIRY MARKET NEWS

Information gathered August 2 - 13, 2010

CONTINUED FROM PAGE 8

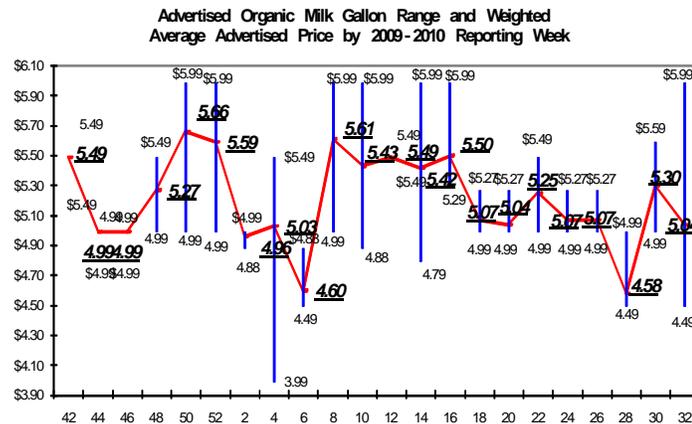


The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION %	WTD. AV. ADV. PRICE \$
NE 50.6	3.60
SE 26.4	2.50
MW 23.0	3.00
SC —	—
SW —	—
NW —	—

Gallons. The national weighted average advertised price for organic milk gallons fell 26 cents to \$5.04, with the range expanding higher and lower. The new top is \$5.99, 40 cents higher. The new bottom is \$4.49, 50 cents lower. All ad placements are in the Northeast, Southeast and Northwest.



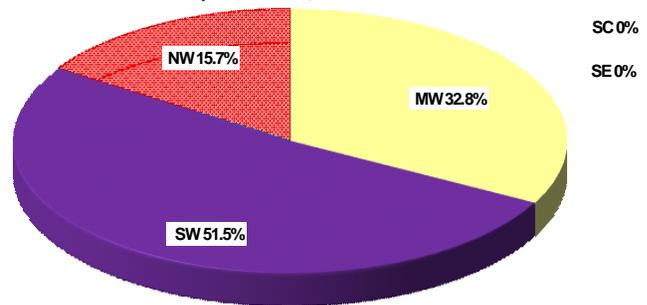
The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

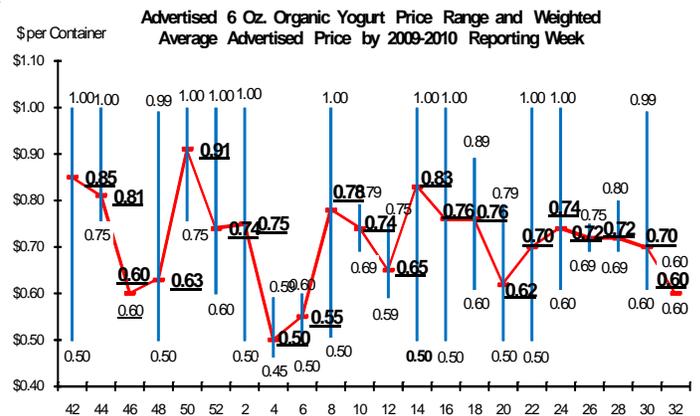
REGION %	WTD. AV. ADV. PRICE \$
NE 49.9	4.99
SE 20.1	5.99
MW —	—
SC —	—
SW —	—
NW 30.0	4.49

Yogurt. The Northeast, almost always the previous leading region for organic yogurt ads, had no ads this reporting period. The current dominant region is the Southwest, with 51.5%. Yogurt placements in other regions as a percentage of total placements nationally include the Midwest 32.8%; and Northwest, 15.7%. There were also no organic ad placements in the South Central Region or Southeast.

ORGANIC YOGURT FEATURES Regional % of Surveyed National Newspaper Ads Report Week 32, 2010



Weighted national average advertised organic yogurt prices in 6 ounce containers declined 10 cents to \$0.60. There is no range because all prices are \$0.60. The range last report was 99 cents to 60 cents.



Other organic yogurt ad placements included 350 for 32 ounce yogurt, varied between the Northwest, Midwest and Southwest, ranging from \$3.49 to \$3.99; and 80 ad placements for 64 ounce organic yogurt, all in the Northwest and all priced \$4.99.

ORGANIC DAIRY MARKET NEWS

Information gathered August 2 - 13, 2010

CONTINUED FROM PAGE 8-A

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

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

REGION %	WTD. AV. ADV. PRICE \$
NE	—
SE	—
MW	100.0
SC	0.60
SW	—
NW	—

Butter. All 79 organic butter ads were in the Southeast and priced at \$4.99, the same as two weeks ago.

Cottage Cheese. All 24 ads for 16 ounce cottage cheese appeared in the Midwest with a price of \$3.89.

Cream Cheese. All 24 ads for 8 ounce cream cheese appeared in the Midwest with a price of \$2.69.

Sour Cream. All 24 ads for 16 ounce sour cream appeared in the Midwest at a price of \$2.89.

Half and Half. There were 24 Midwest ad placements for 16 ounce half and half priced at \$1.89, as well as 12 Northwest ad placements for 32 ounce priced at \$3.49.

Cheese. Various varieties of 8 ounce organic cheese were priced at \$4.69, all in 196 Northeast ad placements.

No ads appeared for ice cream.

SUPERMARKET PRICE COMPARISON:

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

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

San Francisco stores included two outlets of regional chain supermarkets and two outlets of national natural food store chains. No national big-box discount stores were surveyed because none operate within San Francisco city limits. Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheesemakers.

Organic milk available in San Francisco stores included one national brands, two regional brand, and one private label brand and two store brands. Cheese includes primarily a national brands and two regional brands. Very limited offerings of a second national brand are also present.

Some differences, as itemized in the following table, are evident. Madison has higher "high" milk prices for gallons and half gallons than San Francisco. San Francisco has lower prices for gallons than Madison, but higher low prices for half gallons. The same brand was offered at both the lowest and highest price in San Francisco for gallons, depending on store surveyed.

San Francisco's lowest price for every variety of organic cheese sold except Monterey Jack and Pepper Jack was higher than Madison. Conversely, San Francisco had lower organic butter prices than Madison, at the bottom while higher at the top.

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE REPORTING WEEK 32

	MADISON, WI		SAN FRANCISCO			
	LOW	HIGH	RANGE	LOW	HIGH	RANGE
(In Dollars)						
GALLONS:						
Whole	5.39	6.49	1.10	4.99	6.29	1.30
Reduced Fat (2%)	5.39	6.49	1.10	4.99	6.29	1.30
Low Fat (1%)	5.39	6.49	1.10	4.99	6.29	1.30
Nonfat (Skim)	5.39	6.49	1.10	4.99	6.29	1.30
HALFGALLONS:						
Whole	2.99	4.39	1.40	3.29	4.19	0.90
Reduced Fat (2%)	2.99	4.39	1.40	3.29	4.19	0.90
Low Fat (1%)	2.99	4.39	1.40	3.29	3.79	0.50
Nonfat (Skim)	2.99	4.39	1.40	3.29	4.19	0.90
CHOCOLATE HALF GALLON:						
	3.29	5.69	2.40	3.79	3.99	0.20
YOGURT						
	.79	1.59	0.80	0.79	1.69	0.90
CHEESE – 8 OUNCE BLOCKS:						
Mozzarella	3.89	5.69	1.80	—	—	—
Mild Cheddar	3.79	6.19	2.40	4.99	5.99	1.00
Monterey Jack	3.79	6.19	2.40	3.29	5.99	2.70
Pepper Jack	3.89	6.49	2.60	3.49	5.99	2.50
CHEESE – 6 OUNCE STRING						
Mozzarella	3.89	5.09	1.20	4.69	5.99	1.30
Colby Jack	3.89	5.09	1.20	5.99	5.99	0.00
BUTTER – 1 POUND						
	4.89	6.49	1.60	3.94	7.29	3.35

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mostly steady with light demand and light to moderate offerings, with organic feed grade corn seeing slightly higher prices in the Upper Midwest when heavy test weights are present. Wheat trade remains extremely light, with many farmers reportedly selling wheat on the conventional market and taking advantage of higher conventional prices due to Russia's forecasted wheat shortage.

Eastern organic grain and feedstuff prices were mostly steady. Cash sales for organic grains were light with moderate offerings.

Upper Midwest organic grain and feedstuff prices were mostly steady with light demand and offerings. Slightly higher feed corn prices were noted this period. With extreme rainfall in Iowa, crop and field conditions are in limbo in areas with the heaviest moisture collection. Given the current drought in Russia and the conventional wheat market on the rise due to Russia's ban on wheat exports, some organic farmers have advantageously sold their wheat on the conventional market and reaped the benefits of higher-than-organic prices.

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

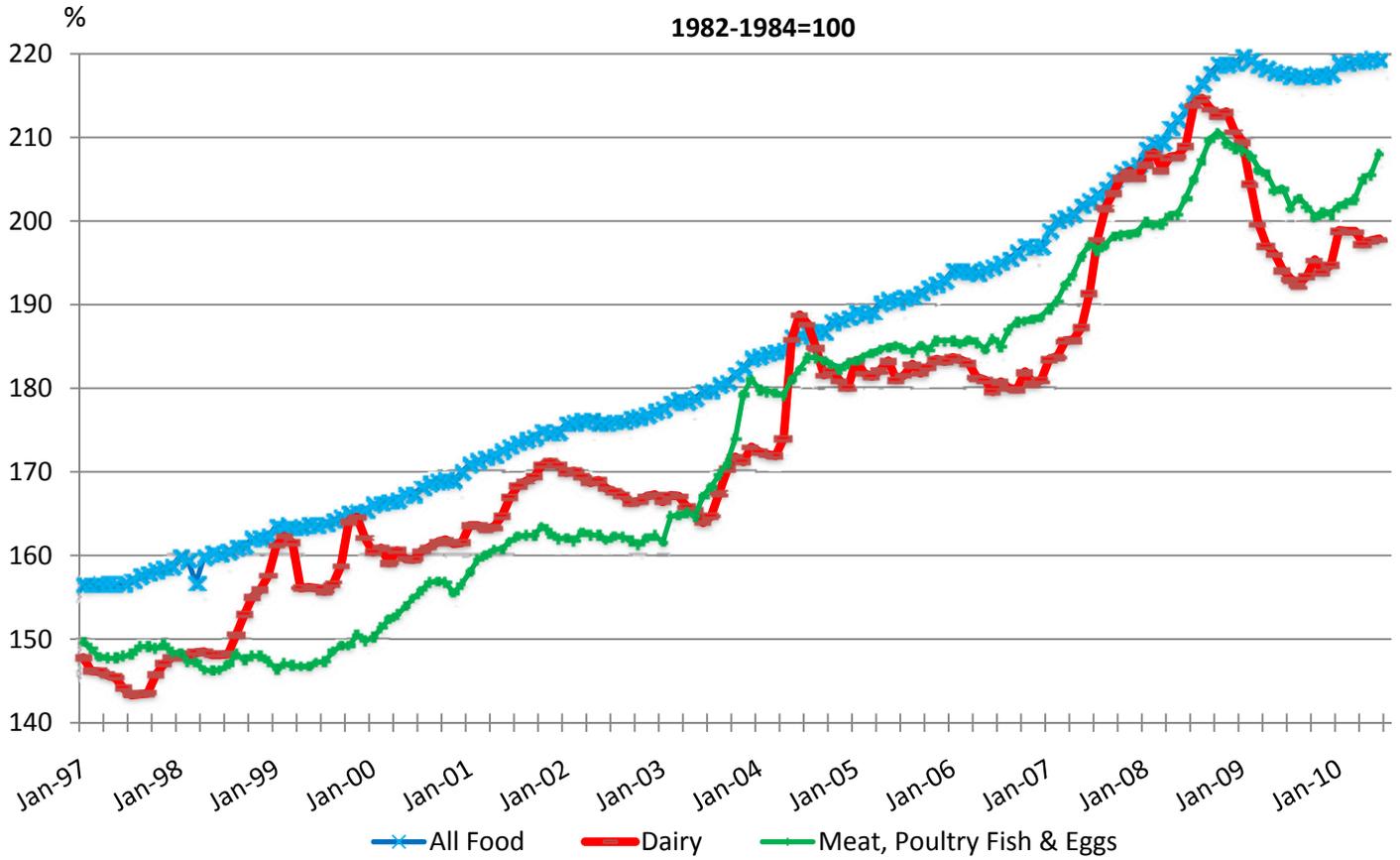
2010 Total Cow Slaughter under Federal Inspection - U. S. Total, with Comparisons
(thousand head)

Week Ending	2010			Week Ending	2009		
	Dairy Cows	All Cows	Dairy as Percent of All		Dairy Cows	All Cows	Dairy as Percent Of All
Jan 2	43.6	104.9	41.6	Jan 3	50.1	98.7	50.8
9	56.6	130.2	43.5	10	71.7	136.0	52.7
16	58.1	132.5	43.8	17	65.5	136.8	47.9
23	59.5	139.5	42.7	24	65.2	134.7	48.4
30	54.3	126.0	43.1	31	63.0	129.1	48.8
Feb 6	56.2	118.2	47.5	Feb 7	61.5	123.0	50.0
13	52.0	106.6	48.8	14	64.5	128.1	50.4
20	57.3	117.9	48.6	21	59.5	121.0	49.2
27	57.3	127.0	45.1	28	57.7	114.8	50.3
Mar 6	58.4	124.1	47.1	Mar 7	60.5	117.9	51.3
13	58.8	124.4	47.3	14	54.1	112.3	48.2
20	55.3	117.7	47.0	21	54.1	111.2	48.7
27	54.3	115.8	46.9	28	51.1	108.4	47.1
Apr 3	52.4	114.6	45.7	Apr 4	49.9	104.3	47.8
10	53.6	119.9	44.7	11	49.4	105.2	47.0
17	54.8	125.4	43.7	18	48.1	106.5	45.2
24	54.0	122.8	44.0	25	50.1	109.7	45.7
May 1	52.8	124.8	42.3	May 2	47.3	110.6	42.8
8	51.9	124.7	41.6	9	50.5	113.3	44.6
15	52.4	127.6	41.1	16	47.6	110.4	43.1
22	51.5	125.5	41.1	23	52.6	117.7	44.7
29	49.3	121.5	40.6	30	48.9	104.6	46.7
Jun 5	43.9	108.8	40.3	Jun 6	60.8	123.6	49.2
12	48.9	118.9	41.1	13	60.5	119.3	50.7
19	49.9	117.8	42.4	20	59.5	115.5	51.5
26	47.4	117.6	40.3	27	55.7	111.3	50.0

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service and the National Agricultural Statistics Service, all of USDA.

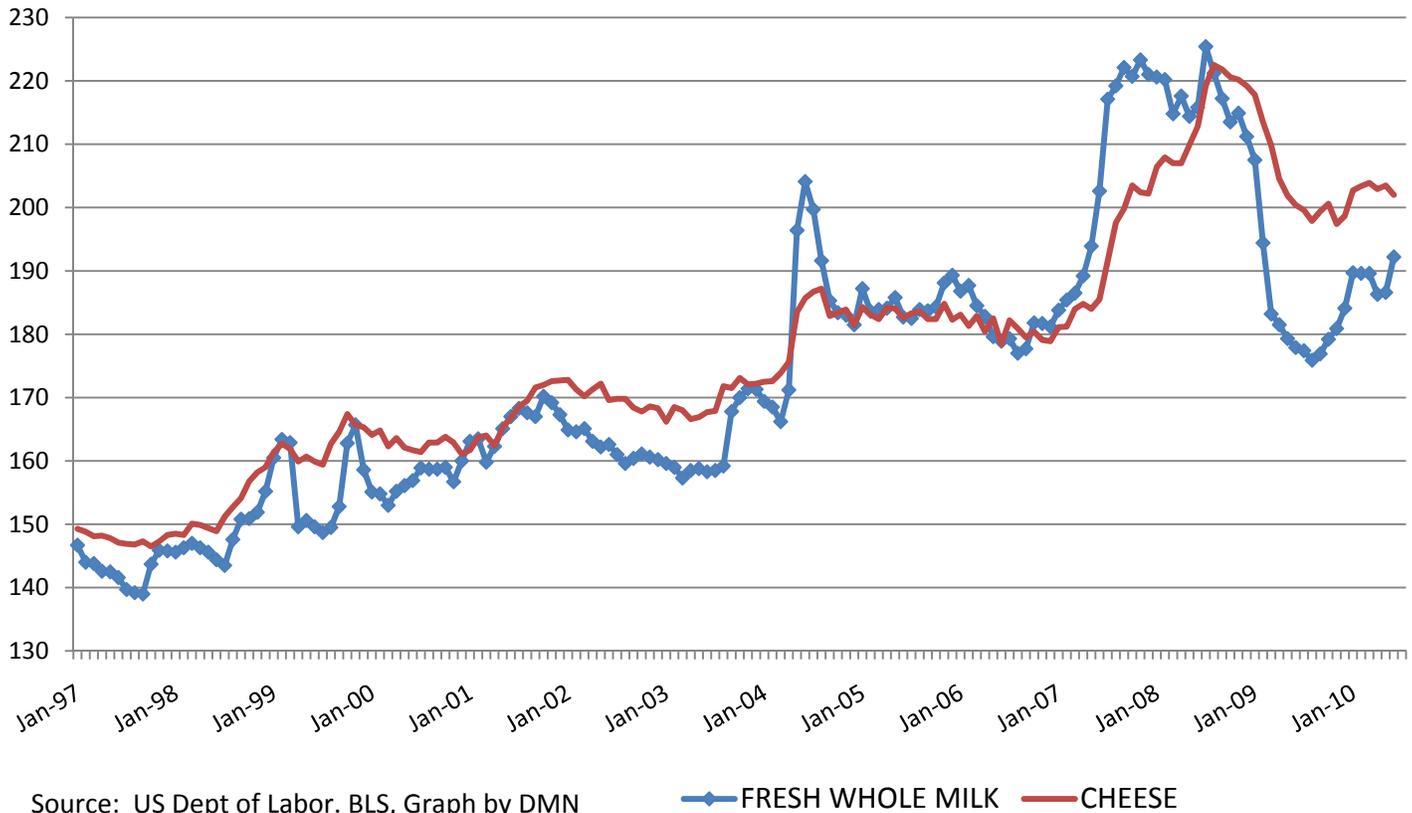
CONSUMER PRICE INDEX

1982-1984=100



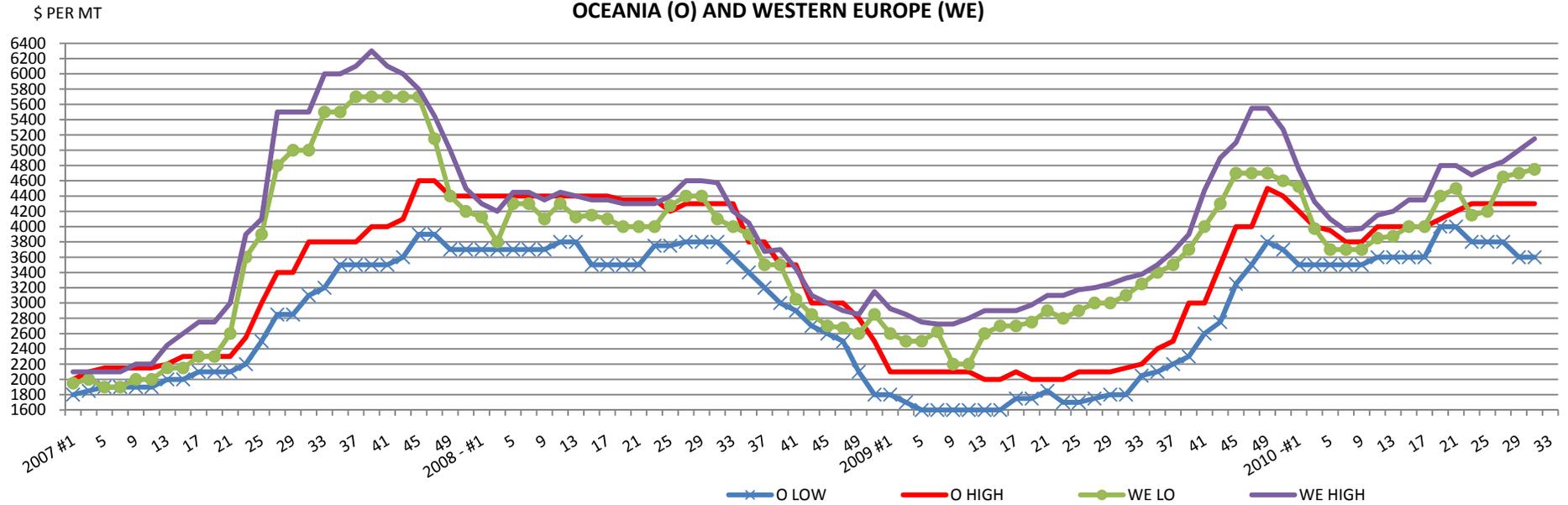
CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100
%



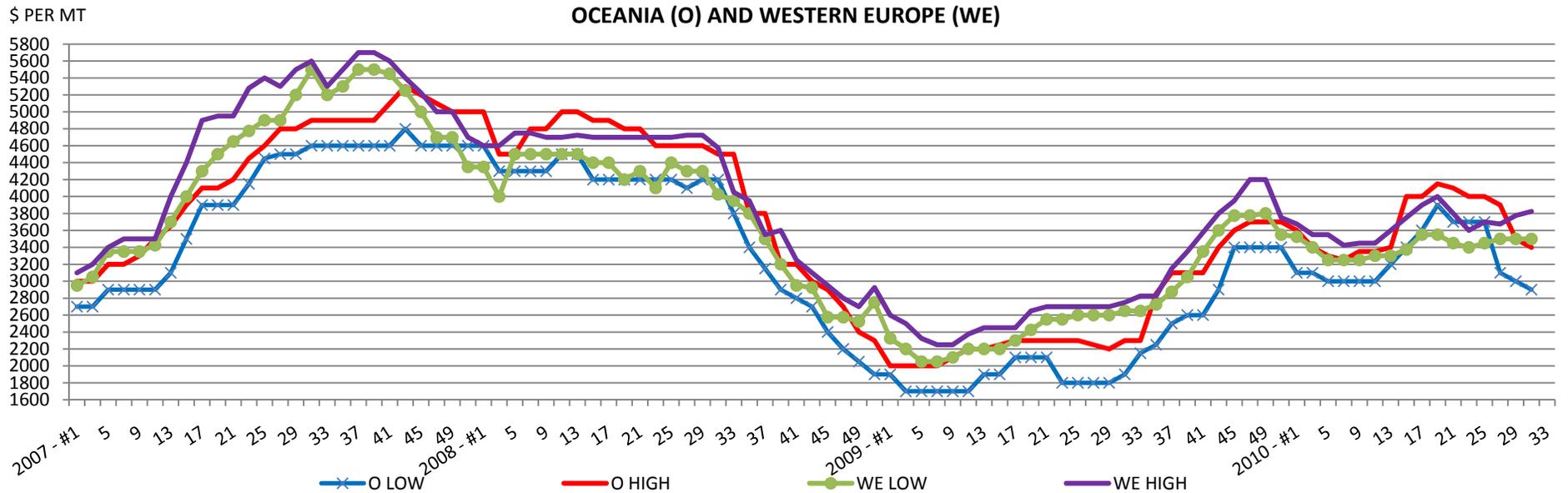
Source: US Dept of Labor. BLS, Graph by DMN

**BIWEEKLY INTERNATIONAL BUTTER PRICES
OCEANIA (O) AND WESTERN EUROPE (WE)**



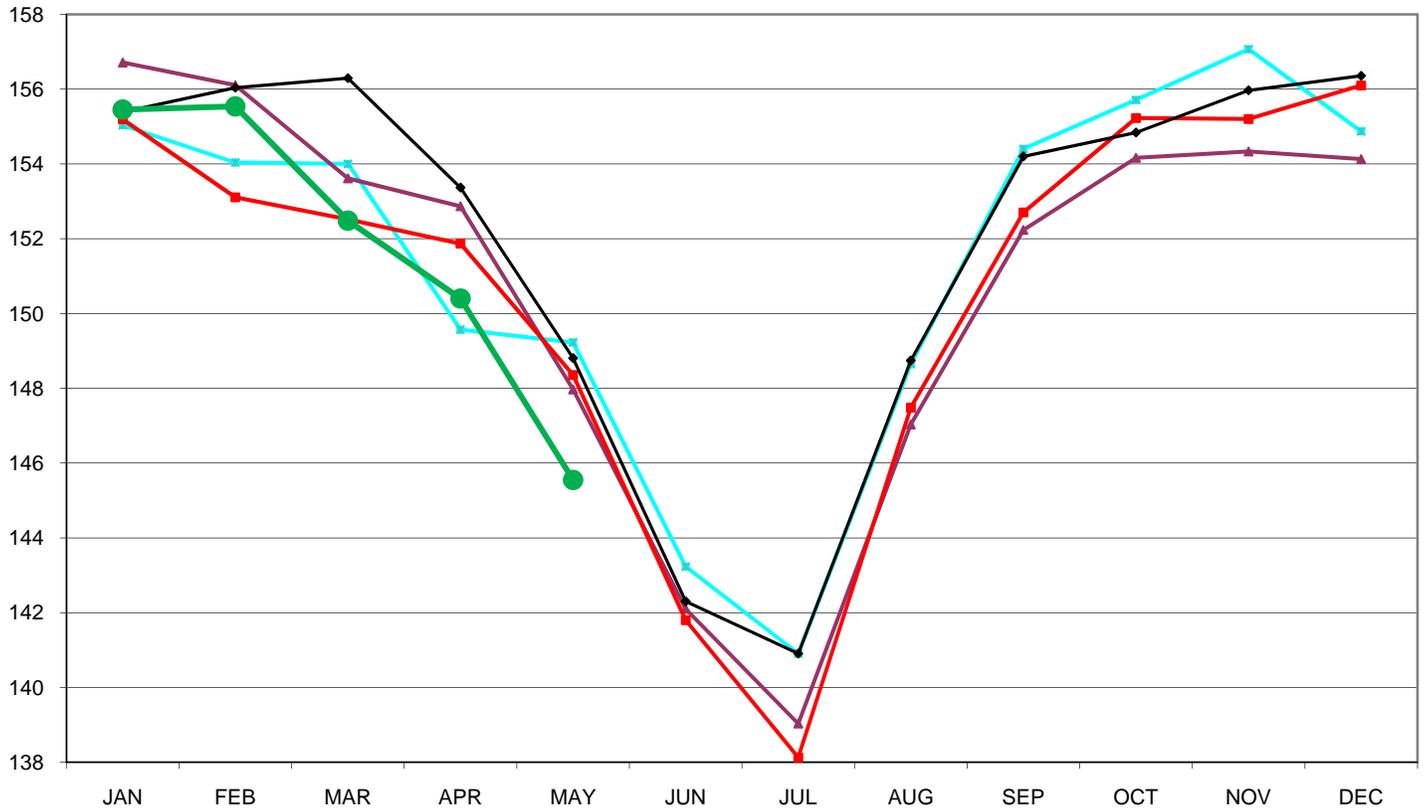
GRAPH AND DATA BY DMN - WEEK NUMBER

**BIWEEKLY INTERNATIONAL WHOLEMILK PRICES
OCEANIA (O) AND WESTERN EUROPE (WE)**



MILLION POUNDS

ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES

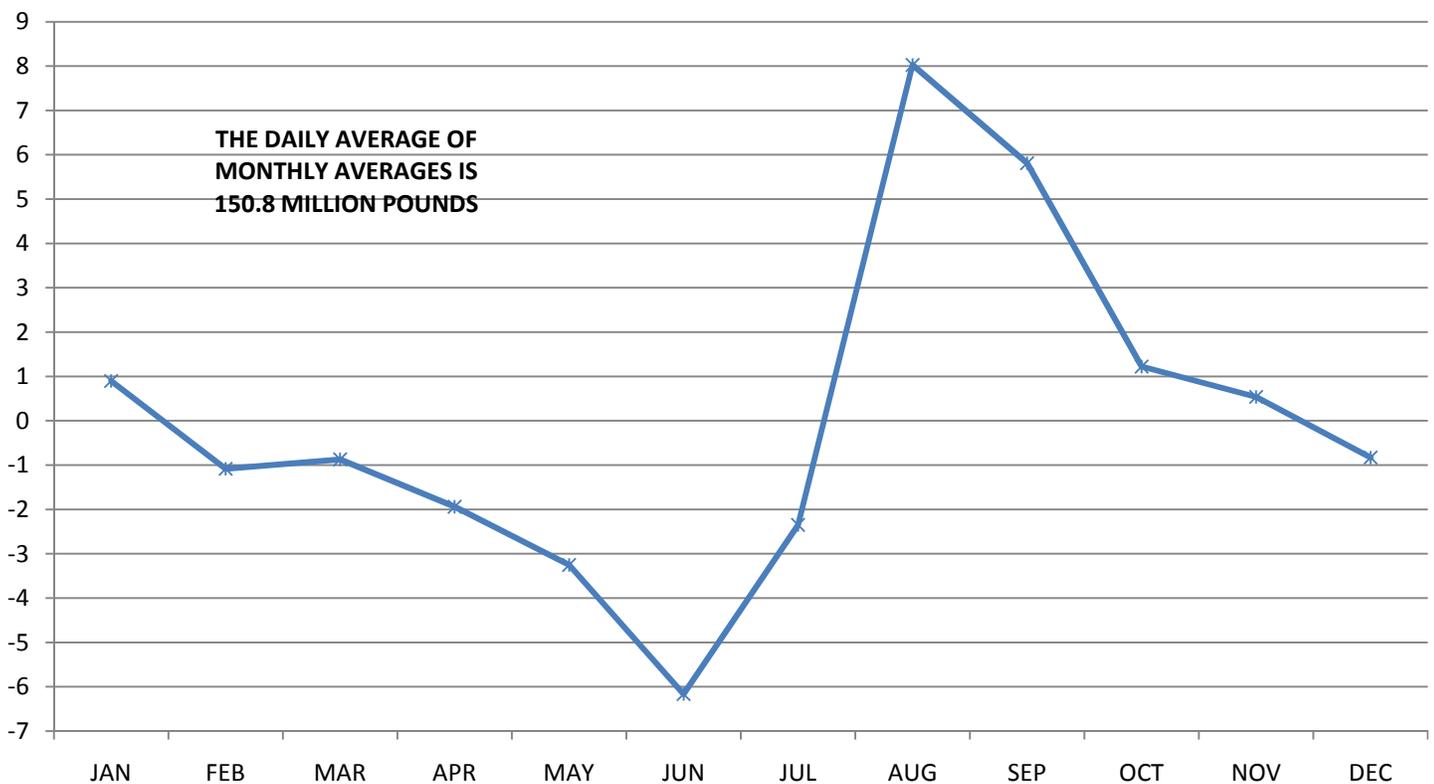


DATA: DAIRY PROGRAMS & CDFA, GRAPH BY DMN

2006 2007 2008 2009 2010

**CHANGE IN DAILY AVERAGE FLUID SALES FROM THE PREVIOUS MONTH
5 YEAR AVERAGE (2005 - 2009)**

MILLION POUNDS



DAIRY MARKET NEWS

GENERAL NUMBER
(608) 278-4200

VOLUME: 77

Elizabeth Frederick
(608) 278-4150
Elizabeth.Frederick@AMS.USDA.GOV

REPORT: 32

DATE: 08/13/2010

NORTHEAST/SOUTHEAST

Rick Whipp
(608) 278-4151
Rick.Whipp@AMS.USDA.GOV

INTERNATIONAL

Steven Schneeberger
(608) 278-4154
Steven.Schneeberger@AMS.USDA.GOV

CENTRAL

George Koerner
(608) 278-4155
George.Koerner@AMS.USDA.GOV

ORGANIC

Eric Graf
(608) 278-4153
Eric.Graf@AMS.USDA.GOV

Janet Linder
(608) 278-4157
Janet.Linder@AMS.USDA.GOV

INTERNET ADDRESS

www.ams.usda.gov/DairyMarketNews

SOUTHWEST

Lester "Butch" Speth
(608) 278-4152
Butch.Speth@AMS.USDA.GOV

MARKET NEWS PORTAL

www.marketnews.usda.gov

NORTHWEST/MOUNTAIN

Bob Hunter
(608) 278-4158
Robert.Hunter@AMS.USDA.GOV

RECORDED INFORMATION SYSTEM

(608) 278-4142

FAX

(608) 278-4141

NATIONAL SUPERVISOR

Donald Nelson
(608) 278-4156
DonaldO.Nelson@AMS.USDA.GOV

USDA, Dairy Market News
2920 Marketplace Drive, STE 202
Fitchburg, WI 53719-5337