

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (08/27):**

**BUTTER:** Grade AA closed at \$2.1800. The weekly average for Grade AA is \$2.1545 (+.1815).

**CHEESE:** Barrels closed at \$1.6650 and 40# blocks at \$1.6950. The weekly average for barrels is \$1.6365 (+.0415) and blocks, \$1.6690 (+.0380).

**BUTTER HIGHLIGHTS:** The CME Group daily cash butter price continues to firm and has steadily increased over the past 9 consecutive trading sessions by 26 1/4 cents to settle at \$2.1800 at weeks' end. The current cash price is heading toward an April 2004 cash price of \$2.3650 when butter was trading three times a week, but still lags the all time high of \$2.8100 in September 1998 when butter was trading once a week. Churning activity is mixed across the country. Some butter producers continue to sell a portion of their cream supplies, while others are pulling back from cream sales and increasing their churning activity. Orders for butter continue to be placed by buyers, but more reports are starting to surface that orders are lighter. In any case, current churning is often not keeping pace with demand, thus suppliers are reaching into lighter than desired inventories to supplement shortages. Besides domestic production, some butter and anhydrous milk fat producers are switching gears and generating stocks for export between now and February 2011. The CWT program has awarded export assistance for nearly 33 million pounds of butter and/or anhydrous milk fat for export to eleven countries during the next six months. This export activity has some suppliers and handlers questioning what the domestic supply situation might be for the balance of the year. If the cash price remains firm for the balance of the year, buyers state that demand typically eases, thus lighter inventories should go further.

**CHEESE HIGHLIGHTS:** Cash cheese prices at the CME Group continue to set new daily and weekly 2010 highs. Current cheese supplies have tightened through much of the country as milk needed to cover school needs requires larger volumes as additional schools reopen. In parts of the country, plant operators are unable to secure additional fluid supplies to help fill orders and have reduced production schedules. Cheese demand is steady to occasionally improved on natural varieties, typically steady to lighter on process. Supplemental volumes are being removed from cold storage for some applications. Cheese yields remain seasonally low. On August 26, The Kansas City Commodity Office announced Solicitation #DMOZZ-010 seeking between 13,547,520 and 118,944,000 pounds of LITE and LMPS mozzarella in assorted packages for January 1 – December 31, 2011 delivery. Offers are due September 14.

**FLUID MILK:** Milk receipts are mostly lower through most of the country east of the Rocky Mountains. Intakes were about steady in the West Coast states; Idaho, Utah, Arizona, and New Mexico. Additional schools have reopened, increasing the volume of milk needed by bottlers in Class I and further reducing manufacturing milk supplies. In some areas, finding a truck/trucker to haul a load is a problem. Very high cream prices continue to impact churning levels and cream buyer profitability.

**DRY PRODUCTS:** The NDM market is mostly steady. Trade sentiment is uncertain whether prices may have hit a plateau. Drying schedules are mostly lighter with some operations increasing their schedule for high heat production. Inventories are generally in better balance, between reduced production and increased domestic and international sales. Buttermilk production continues to be affected by high cream prices, causing many churns to sell cream to other users. Drying is lighter as a result. Whey prices are mostly unchanged. Whey production is generally lighter as increased milk volumes move to fluid from cheese production. Demand is steady to improved with export interest improving. The WPC 34 market is firm with prices often higher. Spot offerings are clearing readily with some suppliers still tight on supplies. Lactose is generally steady. Production is mostly steady. Demand and inventory levels depend on the mesh size.

**ORGANIC DAIRY MARKET NEWS OVERVIEW (DMN):** Increasing organic milk sales this year continue to keep organic milk supplies tighter than during a comparable time last year. Nevertheless, milk is generally available to meet demand even as demand for organic milk increases. Partly this results from increasingly utilizing organic milk that in the past may have moved in non-organic uses. Organic milk in the Northeast remains tighter than some other areas, particularly parts of California. There still remain differences, even within regions, as to producer organic milk utilization into organic retail sales. Organic milk ads continue to dominate organic dairy ads, continuing the pattern of the last month. During this two week period, emphasis on advertising organic gallons emerged, a characteristic that had not occurred for several months. The national weighted average advertised price for half gallons of organic milk increased to \$3.75, 58 cents higher than two weeks ago and the highest weighted average advertised price of 2010. However, this is tempered by the range remaining unchanged at the bottom, \$2.50, while the top increased 30 cents, about one-half of the increase in the weighted average advertised price. The national weighted average advertised price for organic milk gallons increased 17 cents to \$5.21, with the range unchanged. The top is \$5.99, and the bottom is \$4.49. Weighted national average advertised organic yogurt prices in 6 ounce containers increased 15 cents to \$0.75. However, this is within 5 cents of five of the last six weeks. The magnitude of the increase is more explained by the unusually low weighted average advertised price two weeks ago compared with the last two months. Retail half gallon organic reduced fat (2%) milk prices surveyed monthly in the 30 City Series depict more price strength during 2010 to date, than when viewing the last twelve months back to August 2009. Comparing the August 2010 price in each city with the average price for 2010, January through August reveals 16 cities are above the average, 12 are below, and 2 are even with the average. The overall August average price for the 30 cities combined is 1 cent higher than the combined average year-to-date. The mean

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY AUGUST 23	TUESDAY AUGUST 24	WEDNESDAY AUGUST 25	THURSDAY AUGUST 26	FRIDAY AUGUST 27	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.6150 (N.C.)	\$1.6225 (+.0075)	\$1.6400 (+.0175)	\$1.6400 (N.C.)	\$1.6650 (+.0250)	(+.0500)	\$1.6365 (+.0415)
40# BLOCKS	\$1.6475 (N.C.)	\$1.6525 (+.0050)	\$1.6700 (+.0175)	\$1.6800 (+.0100)	\$1.6950 (+.0150)	(+.00475)	\$1.6690 (+.0380)
NONFAT DRY MILK EX 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	\$1.2000 (N.C.)	\$1.2000 (N.C.)	\$1.2000 (N.C.)	\$1.2000 (N.C.)	\$1.2000 (N.C.)	(N.C.)	\$1.2000 (-.0040)
BUTTER							
GRADE AA	\$2.1100 (+.0700)	\$2.1500 (+.0400)	\$2.1600 (+.0100)	\$2.1725 (+.0125)	\$2.1800 (+.0075)	(+.1400)	\$2.1545 (+.1815)

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

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

price, the price which half of cities are above and half below, moved up 8 cents, to \$3.71. In contrast, comparing August 2010 organic 2% half gallon prices with August 2009, reveals the reverse: weaker prices on a full year basis. Thus, the trend is that retail organic 2% half gallon milk prices have strengthened during 2010.

**COLD STORAGE (NASS):** On July 31, U.S. cold storage holdings of butter totaled 199.6 million pounds, 1% more than June, but 24% less than last year. Natural American cheese holdings total 638.6 million pounds, 2% more than a month ago, and 6% more than a year ago. Total cheese stocks were 1.048 billion pounds, 2% more than last month, and 5% more than July 2009.

**SEPTEMBER FEDERAL MILK ORDER COOPERATIVE CLASS I PRICES (AMS):** For September 2010, the all-city average announced cooperative Class I price was \$20.66, \$2.52 higher than the Federal milk order (FMO) Class I price average for these cities. The September cooperative Class I price was \$0.26 lower than the August price while the Federal order Class I price was \$0.27 lower than the August 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 September 2009, the all-city average announced cooperative Class I price was \$16.12, \$2.55 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.

**CONSUMER PRICE INDEX (BLS):** The July CPI for all food is 219.1, up 0.9% from July 2009. The dairy products index is 199.0, up 3.0% from a year ago. The following are the September to September changes for selected products: fresh whole milk is +9.1%; cheese, +2.4%; and butter, +7.8%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first six months of 2010 totals 95.9 billion pounds, 2.7% above the same period in 2009. Comparing disappearance levels with year earlier levels: butter is +2.1%; American cheese, +0.3%; other cheese, +4.8%; NDM, +12.0%; and fluid milk products, -1.3%.

**CME GROUP**

MONDAY, AUGUST 23, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$2.0550, 1 @ \$2.1100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 24, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6225; 1 CAR 40# BLOCKS @ \$1.6525; 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 @ \$1.2300  
 BUTTER — SALES: 2 CARS GRADE AA @ \$2.1500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 25, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6400; 2 CARS 40# BLOCKS @ \$1.6700; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1600; LAST OFFER UNCOVERED: NONE

THURSDAY, AUGUST 26, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.6400; 1 CAR 40# BLOCKS @ \$1.6800; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6400; 1 CAR 40# BLOCKS @ \$1.6800;  
 LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: 1 CAR GRADE AA @ \$2.1725; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.1725; LAST OFFER UNCOVERED: NONE

FRIDAY, AUGUST 27, 2010

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.6400, 2 @ \$1.6600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6650; 1 CAR 40# BLOCKS @ \$1.6950;  
 LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.1800; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**JULY BUTTER COLD STORAGE**

As of July 31, 2010, U.S. holdings of butter totaled 199.6 million pounds, 24% lower than last July, but 1% higher than last month.

**NORTHEAST**

Butter prices on the CME Group continue to crescendo to price levels not seen in many years. Tuesday's trade saw butter make another significant increase, closing \$.0400 higher at \$2.1500. Many in the industry are wondering, given the tight cream supplies, if the 2010 price will exceed \$2.3650 set on April 14, 2004. In the last 7 trading sessions butter has increased \$.2325. Cream supplies continue to be very tight with multiples ranging mostly from 160-170. Butter makers who sold cream in previous weeks are now increasing production, due to increased orders. Due to the tight cream supplies, current production falls short of need and inventories being tapped to make up the difference. Butter makers are concerned about having adequate inventories for this fall and holiday season. The latest NASS Cold Storage report released Friday; shows butter in storage in all warehouses on July 31 totals 199.6 million pounds, 2.0 million pounds (1%) more than the prior month stocks, but 63.0 million pounds (24%) less than July 2009 stocks.

**CENTRAL**

The CME cash butter price remains firm and continues to increase and settled at \$2.1600 at midweek, 20 3/4 cents higher than last week at this time. This is the highest weekly increase since mid April 2004 when the cash price topped out at \$2.3650 and was trading three days a week. Churning schedules continue to ratchet lower as butter producers sell a portion of their already limited cream supply versus churning. Butter inventories continue to be a concern for many producers and handlers, but immediate financial return on cream sales is spurring their decision making at this time. Churning that continues is in most instances clearing to current demand with inventory enhancement limited. Butter orders are now starting to reflect firm cash prices. Buyers are stating that sales, especially retail, are slowing as shelf values reflect higher prices and consumers are adjusting their purchasing patterns. Although sales are lighter,

butter orders continue to be placed with some handlers reaching into lighter than desired inventories to fulfill these commitments. Some Central butter producers are indicating that they are generating anhydrous milk fat for export. Recently, CWT export assistance has been awarded for nearly 33 million pounds of butter and anhydrous milk fat which will clear the U.S. now through February 2011. Butter producers and handlers are concerned what impact this export activity will have on domestic butter stocks and availability during the final months of 2010. 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 \$.0100 higher at \$2.1600. The cash butter price has advanced for the last seven trading sessions. The price has gone up \$.2425 in that period. The rapidly rising price covered sales of twelve loads for those sessions. Cash butter prices were last at this level in April 2004. As cream multiples have increased, cream demand has slowed and manufacturers are able to send more cream to their churns for butter production. Butter inventories are reduced for this time of year in many cases and producers want to be sure of covering year end needs. Currently, contracted needs are being filled from fresh manufacturing with additional product from inventories. Spot buyers are expressing sticker shock in some cases. Export sales have slowed except in cases of CWT assisted sales. 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 *Cold Storage* report, stocks of butter as of July 31, 2010, total 200 million pounds, -24% or 63.1 million pounds less than July last year. Stocks were 1% higher or 2 million pounds more than June 2010. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 3.3 million pounds last week to 33.7 million pounds. This total compares to 97.1 million pounds in 2009 and 84.8 million pounds in the comparable week in 2008. Since the peak storage week for the year in early June, inventories in CME approved warehouses have reduced 34.7 million pounds for an average reduction over the eleven weeks of 3.2 million pounds per week.

**NASS DAIRY PRODUCT PRICES**

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

	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
<b>WEEKENDING</b>					
AUGUST 21	1.6029	1.6076	1.1493	1.8940	0.3553
	12,658,252	8,947,268	19,987,746	4,001,276	10,965,330

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 continued to advance on Tuesday as barrels increased \$.0075 closing at \$1.6225 and blocks advanced \$.0050 and closed at \$1.6525. Since the July Fourth holiday, barrels have advanced \$.2225 and blocks \$.1975. Weekly averages followed this trend and also moved higher, resulting in higher wholesale prices with the exception of Swiss Cuts, which were steady. Cheese production in the Northeast remains fairly steady despite strong Class I pulls for school openings. The latest NASS Cold Storage report shows stocks of total cheese in cold storage as of July 31, 2010 total over 1.04 billion pounds, 2% above one month ago and 5% higher than one year ago. A majority of the holdings are in the form of American cheese (60.9%) totaling 638.6 million pounds, 2% more than one month ago and 6% higher than one year ago. The next highest natural cheese holding in cold storage is in the form of Other Natural Cheese, (36.4%) totaling 382.1 million pounds, 3% more than one month ago, and 3% higher than one year ago. Swiss cheese accounts for 2.7% of holdings at 28.0 million pounds, 4% more than one month ago and 20% more than one year ago.

Cheddar Barrels on Wednesday at the CME Group were \$.0175 higher at \$1.6400. 40 Pound Blocks were also \$.0175 higher, at \$1.6700. Prices for Blocks are \$.0250 higher for the week and Barrels are \$.0225 higher. No sales have been reported for the last ten trading sessions. The Barrel price has not been this high since December 2008, while Blocks were last at this level in December 2009. Cheese sales remain in balance with production across the West. Milk intakes to cheese plants are adequate for needs. Some manufacturers expressed concerns about a tariff for exports to Mexico. Overall, sales are good, with schools beginning and increased demand to institutional accounts. Italian cheese sales are showing strength as pizza demand is increasing. Stocks are adequate for needs, although spot offerings are harder to find. According to NASS, Cold Storage stocks of cheese (total) at the end of July 2010 are 1,048.8 million pounds, up 5% or 48.6 million pounds from last year. American stocks were up 6%, and Other Natural stocks were up 3% from last year. Swiss stocks at the end of July total 28 million pounds, up 20% or 4.8 million pounds more than July 2009.

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

Cheddar 40# Block	:	1.9450-2.2200
Process 5# Sliced	:	1.6975-2.0075
Muenster	:	1.9650-2.1700
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	:	1.7200-1.9775
Cheddar 40# Block	:	1.7600-2.1125
Cheddar 10# Cuts	:	1.9400-2.1600
Monterey Jack 10#	:	1.9500-2.1100
Grade A Swiss Cuts 6 - 9#	:	2.6100-3.0400

**MIDWEST**

**FOREIGN**

The cheese market remains firm, if a bit unsettled. While some in the trade question the accuracy of the recent milk production report, a bigger concern for others may be the tariffs added to Mexican cheese exports and where the product from those likely cancelled sales may end up. Some production could be shifted over to cheddar for possible CME Group offering or to other varieties. Current cheese supplies are tight, between the increased fluid milk demand and irregularly improved cheese interest. Some packaging operations are using overtime to build cushion stocks to be down for the upcoming holiday. Cheese plants are operating on abbreviated schedules in the upper Midwest, including some plants shut down for a day due to milk availability. Cheese plant operators are mostly unsuccessful in finding extra manufacturing milk supplies to purchase. Lead times on new orders are increasing as a result. For plants that can, selling extra cream may produce better returns than in the cheese. Interest in cheddar and American varieties has picked up and a few orders are starting to get shorted or shipped from inventory. Mozzarella is tight as buyers reload for the usually stronger fall pizza sales, particularly as schools and colleges reopen. For pizzerias, most orders are still at lighter summer volumes and steady to lighter from summer vacation areas. Processing cheese volumes, both barrels and undergrades, are being cleared out of storage to keep cookers full.

The block cheese price on the CME continued to move higher on Tuesday, advancing \$.0050 and closing at \$1.6525. Blocks have not had a price decline since the July Fourth holiday and have advanced \$.1975 during that same period. The CME Group weekly average price for block also rose, resulting in higher prices for domestic varieties with the exception of Swiss Cuts, which held steady. Swiss cheese production has declined due to increased Class I pulls tightening manufacturing milk supplies. Wholesale activity for Swiss cheese has been steady to slightly improved with some recent increased interest.

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

Process American 5# Loaf	:	1.9550-2.1375
Brick And/Or Muenster 5#	:	2.1425-2.1600
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0900-2.5650
Blue 5#	:	2.4800-2.8800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9750-2.6650
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	: 2.0850-3.5725*
Gorgonzola	: 3.6900-6.6900	: 2.5875-2.8475*
Parmesan (Italy)	: -0-	: 3.4925-3.6950*
Provolone (Italy)	: 3.4400-5.9900	: 2.1275-2.2850*
Romano (Cows Milk)	: -0-	: 3.2750-5.4175*
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
08/23/10	12,728	: 132,816
08/01/10	9,846	: 130,294
CHANGE	2,882	: 2,522
% CHANGE	29	: 2

**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	42	0
SOUTHEAST STATE	110	0	25	0	50	0

Manufacturing milk supplies continue to tighten in the East due to increased Class I demand as more schools are opening or preparing to open soon. Seasonal declines in milk production are continuing in the Northeast with steeper declines noted in the Mid Atlantic and Southeast regions which have been affected by significant spells of heat and humidity. Schools have been back in session in the Southeast for over a week and trucking issues have lessened. Temperature issues however, remain and are causing some loads to be rejected. Class I pulls have increased in Florida as most schools are opening this week. Cream supplies remain very tight as milk production declines and components remain low. Demand for cream is very strong with cream cheese, ice cream and butter makers vying for available supplies. Some manufacturers are attempting to match production with contracted cream supplies, but are more often having to look to the spot market to secure adequate supplies. Multiples range mostly from 160 to 170 with a few sales beyond the upper limit of the range. A majority of condensed skim is moving through contracts. Some plants are limiting spot sales of condensed skim and increasing drying schedules, due to concerns of having adequate inventories later this year. Other plants are on limited drying schedules, allowing them to conduct planned maintenance projects. According to NASS, national milk production for July 2010 in the 23 reported states totaled 15.3 billion pounds, up 3.0% from July, 2009. Milk production increased in 3 of the 5 listed states of the Eastern region and as a region, increased production 1.7% over the same period last year at 2,537 million pounds. The 5 states showed the following percentage changes in milk production from July 2009 to July 2010 and total milk production this July: Florida, +3.6%, 173 million pounds; New York, +2.1%, 1,100 million pounds; Pennsylvania, +1.7%, 909 million pounds; Vermont, -0.5%, 211 million pounds; and Virginia, -0.7%, 144 million pounds. Milk cow numbers for July 2010 declined in 3 of the 5 listed states of the Eastern region and the region declined by 13,000 head or 0.9% compared to the same period last year. Individual state cow numbers from July 2009 and cows remaining as of this July are: Florida, unchanged, 115,000 remaining; New York, 10,000 decline, 611,000 remaining; Pennsylvania, 4,000 decline, 541,000 remaining; Vermont, 2,000 increase, 137,000 remaining; and Virginia, 1,000 decline, 95,000 remaining.

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

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	3.1568-3.3541
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.7622-3.1173

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.20 - 1.25
NORTHEAST - CLASS III - SPOT PRICES	-	.97 - 1.07

**MIDWEST**

Milk supplies are very tight and even bottlers are occasionally getting deliveries when they are available and not on their preferred schedules. For bottlers, it is not just calling up to get extra volumes just when desired with just a phone call or two, as manufacturers are reluctant to let go of their supply. Finding a truck/trucker available is also a problem with spot loads. Class I demand was stronger again this week between retail feature activity in selected markets and increased volumes needed to fill the school milk pipeline. Shipments from the upper Midwest into the Southeast have increased with some reports that at least part of the Southwest may not ship as much fluid this year, between lower intakes and increased local manufacturing capacity. The possibility of getting extra manufacturing milk supplies in the upper Midwest is extremely unlikely, so there are not enough prices received to generate a spot price report. The current demand far exceeds the few if any loads offered. Operators are finding that offering higher premiums does not improve the chance of getting a load of milk.

Cream remains tight and while some multiples may be a little lower, the price is often higher due to increases in butter prices. Churning remains light due to high prices for cream and low fat tests on incoming milk supplies. Ice cream production is steady to occasionally lower as the summer vacation season nears the end. Demand for dips and a few other Class II products are stronger ahead of the upcoming holiday weekend. Manufacturing plant schedules are shorter and, at least at a few plants, are down for a day or more per week due to the milk supply and fluid shipments. Components and therefore yields are at very low seasonal levels. Temperatures have moderated and a slight (perhaps dead cat) bounce in receipts has already been noticed at a few locations. Corn and soybean maturity on early planting is often a week or more ahead of normal maturity. For corn, a few reports indicate that the ear may be mature but the stalk remains high in moisture, causing silage making problems.

**WEST**

July 2010 POOL RECEIPTS of milk in CALIFORNIA total 3.12 billion pounds, 4.4% higher than last year. Cumulative January-July 2010 receipts are basically unchanged from the same months in 2009. The July blend price, at a fat test of 3.49%, is \$14.66, 70 cents higher than June and \$4.69 more than July 2009. The percentage of receipts used in Class 1 products 14.6%. The July quota price is \$15.94 and the over quota price is \$14.24. These prices are 77 cents higher than June and \$4.64 higher than a year earlier. CALIFORNIA milk output is generally trending steady with recent weeks. Hotter weather conditions are common over much of the state this week and could impact milk intakes. A sampling of processors note that milk intakes are 3-6% above a year ago, however, the intakes are comparing to depressed levels a year ago. Currently, plants are running along expected levels with some plants being offline from one to three days performing scheduled, seasonal maintenance. The fluid milk market has moved around to servicing school and retail accounts to accommodate the start of school and college terms. ARIZONA milk production is holding mostly steady. Daytime temperatures have been around 100 degrees, but there has not been much impact on milk cows. Some plants are taking down time for maintenance issues. Overall, milk is being handled as expected. Milk continues to be shipped out on contracts to help with shortages/needs in other areas. Class I demand is improved as milk is pulled into school lunch needs. The CREAM market remains hot, in spite of rising cream and butter prices. Cream demand remains good and clears offerings. Manufacturers are often faced with the dilemma of making products or selling the cream for attractive prices. While they want to have inventories to service contracts and future sales, producers don't want to have high inventoried product values if the market prices for those products should decline later. At the CME Group, Grade AA butter price closed at \$2.1600 on Wednesday, August 25, up 20.75 cents from a week ago. Cream multiples are mostly steady, but lower on the top of the 135-160 range and vary based on class usage and basing point. Temperatures in the PACIFIC NORTHWEST are seasonally comfortable. Higher daytime temperatures are balanced with cool evenings and are not affecting milk production levels. Schools are preparing to begin and Class I usage is increasing as bottlers fill the supply chain. Manufacturing plants are balancing remaining supplies to fill contracted needs. Increased cow numbers have kept milk production above year ago levels and processors are utilizing the extra supplies. Plant capacities are easily handling intakes. Fluid supplies are up compared to last year, though processors report lower fat and protein levels. Farmers are harvesting third crop hay with some areas looking for a possible fourth crop for the season. Prices have remained steady and dairies are putting together supplies for winter feeding. UTAH and IDAHO are also experiencing weather conducive to good milk production. Increased cow numbers have kept production above year ago, although milk contents are reduced in many cases. Yields of manufactured products are lower than hoped for. Forage production continued with third crop hay being harvested. Prices for dairy hay in Eastern Idaho and Utah have remained lower than Western production areas and farmers are able to put stores away at lower costs. Cull cow prices are high and farmers are able to actively cull lower producers for heifers to increase production. Auction prices for heifers are steady to weak due to heavier offerings at sales.

**NDM, BUTTERMILK & WHOLE MILK**

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Central low heat NDM prices are steady for the week. Some buyers are cautiously reentering the market to place orders for near term needs as firmer price trends emerge. Market sentiment is unsettled. Opinions are divided on whether a price floor was established for NDM during the last few weeks. Some market participants are having difficulty reconciling recent milk production information, which showed July farm milk production 3% higher than one year ago, with reportedly near term tight NDM availability. Those views are often countered with data showing 2010 NDM cumulative production through June is running almost 4% behind 2009, exports for 2010 through June (347 million pounds) are running about 45% higher than 2009 and those exports compare to about 42% of 2010 year to date NDM production. Low heat NDM drying schedules are less active this week as demand from the fluid market is still actively claiming farm milk intakes. Production of high heat NDM is steady to higher as plants take this opportunity to build up inventories prior to the upcoming baking season.

**EAST:** Nonfat dry milk prices in the East were mixed with low heat steady and high heat marginally lower on the low end of the range. School openings have increased Class I demand, resulting in lower manufacturing supplies and overall declines in nonfat dry milk production. Good export and domestic high heat demand has allowed most Eastern plants to significantly reduce their inventories. Reduced manufacturing supplies are allowing plant managers to catch up on maintenance and/or focus on high heat NDM production. A few plants have increased production wanting to build inventories due to concerns of having adequate supplies for later in the year. Domestic demand for high heat is moderate to good, while low heat demand remains steady with improved interest from cheese plants. Russia was a prominent purchaser improving export demand.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.1500 - 1.2500 MOSTLY: 1.1800 - 1.2450  
 HIGH HEAT: 1.2700 - 1.3600

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are unchanged this week. The market tone is steady. Indications are that supplies are tightening as more NDM has been committed to domestic and export accounts. Offering volumes are lower as the sales of recent weeks have cleared product. As more buyers sensed that the market prices were stabilizing, they became more comfortable in securing NDM and they were more active buyers and helped to clear up offerings. World prices are stable and at higher levels than U.S. levels. More offerings are available in September. Drying schedules are steady to lower and reflect milk intakes. Increased bottled milk orders have pulled milk from manufacturing. Low/medium heat stock levels have improved at the producers' level as sales of older and current stocks have occurred. High heat NDM prices and the market tone are steady. Demand is fair to good for the current light producer offerings.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.0500 - 1.2000 MOSTLY: 1.0800 - 1.1550  
 HIGH HEAT: 1.1500 - 1.3400

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices in the Central region are unchanged. Cream interest is steady, so some churns are still opting to sell cream instead of churning. Butter production is intermittent at many plants. At some locations, returns from condensed buttermilk sales continue to outweigh the immediate need to build dry buttermilk inventory. Dry buttermilk production is generally lower for the week.

**EAST:** Prices for Eastern dry buttermilk remain unchanged for the week. Cream supplies are very tight, but some butter makers who were selling cream on the spot market are back into production with concerns of having adequate supplies for the fall and holiday season. Increased butter production has increased dry buttermilk production with most of the supply moving through contracts. Spot market activity is very limited, reflecting a weaker demand and weaker market undertone as users continue to look for lower priced alternative products to fill their needs.

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

**DRY BUTTERMILK - WEST**

Dry buttermilk prices are mostly steady with only a minor adjustment lower on the top end of the range. The market tone is steady and characterized by a balanced market of light offerings to a limited demand on the spot market. Producers are working to catch up on past orders; however production is mostly lower than projections. The main reason is that cream is being sold instead of churned as producers take advantage of better returns on the fluid cream sales. Less butter churned leads to less buttermilk solids available to be dried. Stocks of dry buttermilk are limited.

F.O.B. WEST: 1.1700 - 1.2525 MOSTLY: 1.1800 - 1.2200

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged to higher on a firm market. Current values are drawing support from the recent increases for both butterfat and nonfat solids. The spot market is largely untested due to light offerings.

F.O.B. PRODUCING PLANT: 1.5800 - 1.6700

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 20	\$1.1411	18,795,417	0
August 13	\$1.1211	16,037,142	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**

Central dry whey prices are steady for edible product. Manufacturers in the region indicate inventories are comfortable. A few manufacturers report spot sales are less active this week as fewer loads cleared testing due to the seasonally lower dry whey production. Interest is steady, and few phone calls are needed to place loads with buyers. Demand from the Far East is reemerging as another avenue for keeping inventories in check. A few dry whey manufacturers have allowed domestic buyers to skip pickups on contract loads, giving those facilities a chance to catch up on other orders during this time of lower production. Condensed whey buyers note offers have decreased in tandem with lower manufacturing milk intake volumes. Contract discussions for 2011 needs are taking place between some buyers and producers. ANIMAL FEED DRY WHEY prices are unchanged to fractionally higher. Availability is uneven, with good interest emerging for some off specification edible loads.

F.O.B. CENTRAL: .3100 - .3800 MOSTLY: .3250 - .3650  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .3250

**DRY WHEY - NORTHEAST**

Northeast dry whey prices remained unchanged this week. Cheese and resulting dry whey production in the Northeast continue to be fairly steady with some marginal declines at some plants due to increased Class I demand limiting manufacturing milk supplies. Domestic demand is good with requests for increased contracted volumes and some increase in spot market activity. Export demand has also increased as of late. Eastern dry whey supplies continue to be viewed as tight with most supplies moving through contracts, leaving those looking for additional loads having to look out of region.

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

**DRY WHEY - WEST**

The Western whey market was steady overall with some weakness at the top of the mostly range. Prices have remained flat or trading in a narrow range for most of the third quarter. Contract orders have handled the bulk of production through the summer. Interest is beginning to build for export and some domestic accounts are looking for any extra supplies. Spot loads that become available are being cleared quickly with no discounting. Production is in line with current orders. Cheese production is steady and whey manufacturing is being balanced for needs. Whey protein concentrates are utilizing more of the whey stream.

NONHYGROSCOPIC: .3400 - .4075 MOSTLY: .3500 - .3950

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are fractionally higher on the mostly price series and the range price series narrowed. The market tone is firm. Resale spot loads of edible WPC 34% are more available this week from a few brokers while F.O.B. spot load availability is tight. A handful of producers have offered intermittent WPC 34% spot loads, which have cleared quickly at prices within the range price series. Some producers indicate, though, that buyers are showing some reluctance to seal deals incorporating price premiums beyond the usual and customary, but interest from other buyers is active. Various manufacturers report stocks are still tight, excluding them from selling into the spot market.

F.O.B. EXTRA GRADE 34% PROTEIN: .9200 - 1.0200 MOSTLY: .9450 - .9750

**LACTOSE - CENTRAL AND WEST**

Prices on the lactose mostly price series are unchanged to slightly lower. Manufacturers' stocks are inching higher at a few locations on <100 mesh product, but spot load offers are intermittent as fourth quarter contracting activities will begin soon. Lactose inventories of >100 mesh size are generally tight. Lactose production is steady at most locations to slightly lower as some manufacturers switch end-products to accommodate needs across the entire spectrum of their whey stream markets. Milk volumes available for manufacturing uses are also seasonally lower, leading to some decreases in lactose production. Interest from both domestic and international customers is steady.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .1800-.4275 MOSTLY: .2900-.3525

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Midweek, reports out of Europe were indicating that prices are on the rise. Casein output in Europe had a slow start but caught up about mid season, but now is declining quickly. Casein producers are indicating that Russian buyer interest for many manufactured dairy products, except casein, is strong thus plant managers are re-directing the milk flow away from casein output to products of more need or better return where possible. This move has casein suppliers questioning their supply situation for the upcoming winter/non production period of the year. Oceania production has not yet resumed as milk volumes are just starting to increase. It will be a while before new casein stocks are generated. All indications are for a strong start to the Oceania milk production season, thus casein producers are very optimistic about the 2010 - 2011 casein production season.

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 23 - 27, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 08/20/10	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	132,276	279,229,262	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	132,276	279,229,262	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 23 - 27, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.4	23.2
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	162.6	3,250.8
CUMULATIVE JAN. 1 - AUG. 27, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	137.4	1,917.3

\* 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 23 - 27, 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	279,229,262	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	4,639,010	-0-	-0-	132,276	279,229,262	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 08/07/10 & Comparable Week 2009**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2010-Dairy	N.A.	0.6	7.4	2.5	19.0	6.0	0.5	N.A.	15.1	3.7	56.6	1,691.3	49.3	44.0
2009-Dairy	N.A.	0.6	6.9	2.7	15.6	4.1	0.3	N.A.	14.8	3.5	49.9	1,758.5	44.9	47.8
2010-All cows	N.A.	0.7	9.3	12.5	31.8	20.5	12.3	N.A.	18.2	5.6	114.8	3,845.3		
2009-All cows	N.A.	0.7	8.7	12.3	29.3	19.4	12.4	N.A.	18.1	7.0	111.2	3,682.6		

**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, 31	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	15.50			
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 16 - 27, 2010

ORGANIC DAIRY FLUID OVERVIEW

Increasing organic milk sales this year continue to keep organic milk supplies tighter than during a comparable time last year. Nevertheless, milk is generally available to meet demand even as demand for organic milk increases. Partly this results from increasingly utilizing organic milk that in the past may have moved in non-organic uses. Organic milk in the Northeast remains tighter than some other areas, particularly parts of California.

There still remain differences, even within regions, as to producer organic milk utilization into organic retail sales. Some smaller organic cooperatives in the Northeast are not moving as much producer milk into organic retail outlets as national brands, or even smaller cooperatives with manufacturing options beyond bottling. The ability to secure retail placements varies and is viewed in many quarters as somewhat easier for national brands.

However, some smaller cooperatives that have moved toward creating "localized" identities, believe this helps compensate for having less "clout" with retailers in terms of securing cooler space. This is believed to have increased organic milk utilization. Overall, demand and sales are up and organic milk is available to meet demand.

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

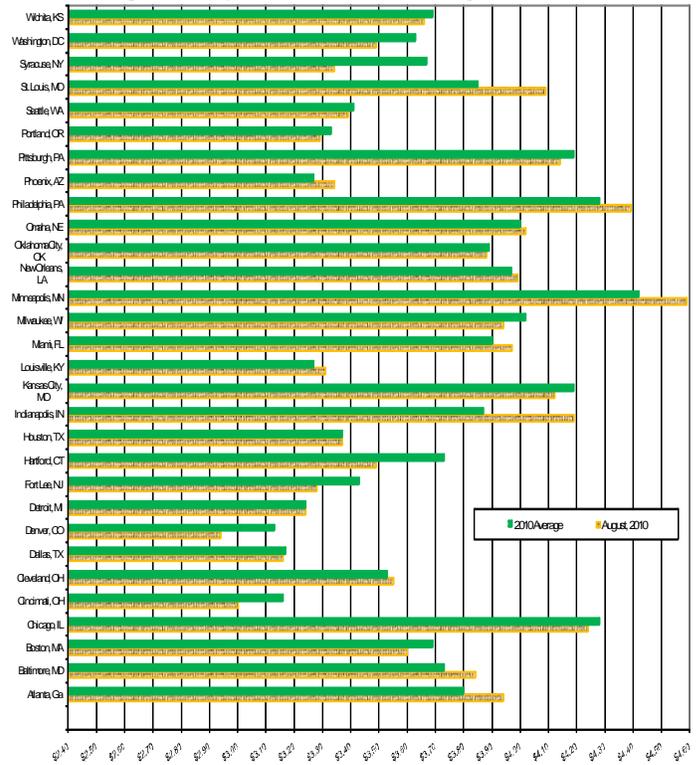
Retail half gallon organic reduced fat (2%) milk prices surveyed monthly in the 30 City Series depict more price strength during 2010 to date than when viewing the last twelve months back to August 2009.

A perspective on price trends emerges in comparing the August 2010 price in each city with the average price for 2010, January through August. This illustrates whether current retail prices are above or below the 2010 average to date and thus, is a price trend indicator. By that measure, 16 cities are above the average, 12 are below, and 2 are even with the average. Syracuse, at \$3.67, is the city most above its annual average to date, being 33 cents higher. Indianapolis, at \$3.87, is the city most below its annual average to date, being 32 cents lower. The overall August average price for the 30 cities combined is 1 cent higher than the combined average year-to-date. The mean price, the price which half of cities are above and half below, moved up 8 cents, to \$3.71. This comparison overall reflects a trend of strengthening current organic 2% retail milk prices compared with the first eight months of 2010.

Considering only a one month change in prices, August 2010 prices compared with July 2010, reveal unchanged prices as the most common situation. Retail prices were unchanged in 13 cities, up in 8 cities, and down in 9 cities. While the average for the 30 cities combined was unchanged at \$3.69, there was price movement in certain markets compared with one month ago. Indianapolis was up the most, 25 cents, to \$4.19 while Cincinnati was down the most, 24 cents, to \$3.00. Minneapolis remained the city with the most expensive organic 2% milk, \$4.59, and has been since April. Denver at \$2.94 remained the city with the lowest priced organic 2% half gallons and also has been since April.

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

Half Gallon Organic 2% Milk Price Change 2010: August Compared to Annual Average



NATIONALLY ADVERTISED PRICE COMPARISON:

Organic milk ads continue to dominate organic dairy ads, continuing the pattern of the last month. During this two week period, emphasis on advertising organic gallons emerged, a characteristic that had not occurred for several months. The 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 20% of ads that ran for organic milk.

Newspaper supermarket ads for the period August 14, 2010 to August 27, 2010 identifying weekly "specials" and containing organic dairy content, numbered 3,851 of 9,150 surveyed ads from stores in each of the lower 48 states. This is up from 2,840 ads with organic dairy content two weeks ago, but nearly even with 3,843 ads with organic dairy content four weeks. Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

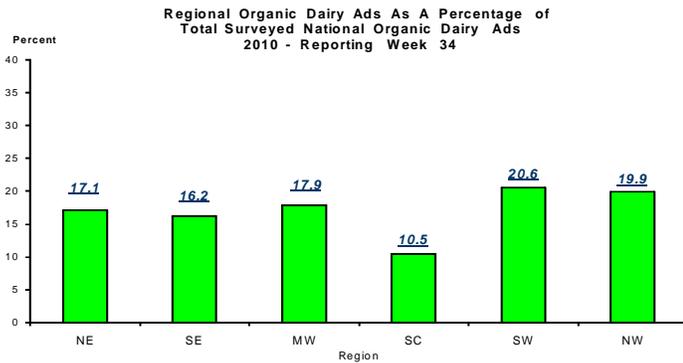
Unlike two weeks ago when the distinguishing characteristics of organic dairy ads was the almost exclusive presence of national brand organic milk in ads – a first for 2010, ads this period reverted to the normal pattern of a mixture of national brands and private label organic milk.

Noteworthy for the current two week period is the emergence of ads for organic gallons as the dominant factor in organic milk ad placements. This is in contrast with ads for 8 ounce aseptic container ad placements leading organic milk ad placements two weeks ago.

ORGANIC DAIRY MARKET NEWS

Information gathered August 16 - 27, 2010

CONTINUED FROM PAGE 8

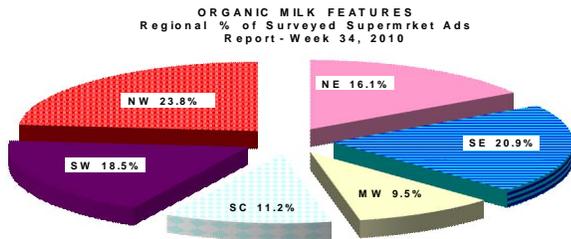


**Product Emphasis.** Individual store ads may contain more than one type of organic dairy featured item, or multiple brands of the same item and size. Thus, numbers shown below for product emphasis exceed total organic ad numbers.

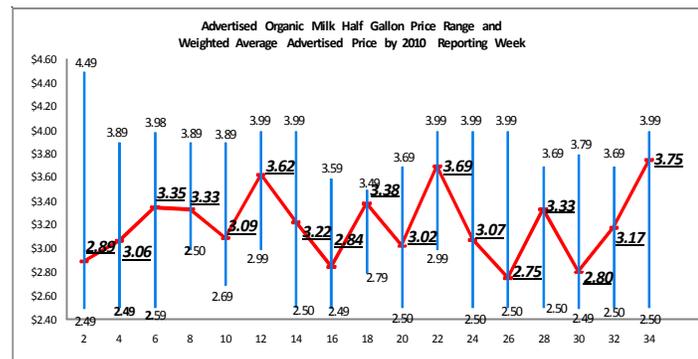
Ad placements have reflected a substantial emphasis on fluid organic milk for the last six weeks. Organic milk ad placements now significantly exceed organic yogurt placement numbers. Organic milk leads with 3,024 ad placements, compared with 635 for organic yogurt.

Organic milk ad placements are dominated by ads for gallons. There are 1,376 for gallons; 852 ad placements for half gallons; 796 ad placements for 8 ounce organic milk; and none for 3 quart containers. Organic yogurt placements for 6 ounce containers registered 611 ad placements this report. For 32 ounce organic yogurt containers, there were 24 ad placements.

Organic milk ads appeared in all regions. The highest concentration of milk ads, 23.8%, appeared in the Northwest, followed by the Southeast with 20.9% of organic milk ad placements. The remaining regions and percentages are the Southwest, 18.5%; Northeast, 16.1%; South Central, 11.2%; and Midwest, 9.5%.



**Half Gallons.** The national weighted average advertised price for half gallons of organic milk increased to \$3.75, 58 cents higher than two weeks ago and the highest weighted average advertised price of 2010. However, this is tempered by the range remaining unchanged at the bottom, \$2.50, while the top increased 30 cents, about one-half of the increase in the weighted average advertised price. Thus, while the higher weighted average advertised price reflects some higher prices overall than two weeks ago, it is also driven by an increased concentration of prices within the range.

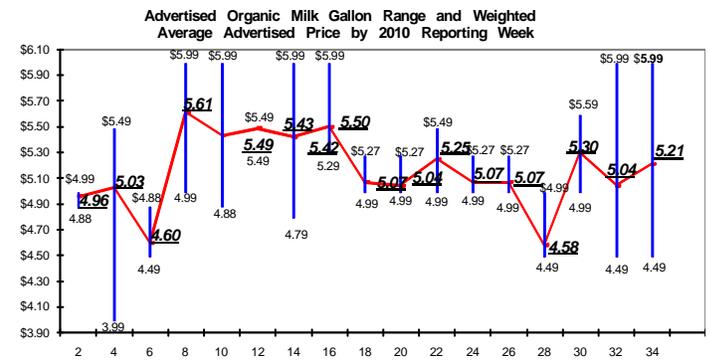


The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION %	WTD. AV. ADV. PRICE \$	
NE	23.0	3.69
SE	15.7	3.99
MW	22.7	3.42
SC	9.3	3.76
SW	5.6	3.73
NW	23.7	3.99

**Gallons.** The national weighted average advertised price for organic milk gallons increased 17 cents to \$5.21, with the range unchanged. The top is \$5.99, and the bottom is \$4.49. Ad placements are in all regions except the Midwest.



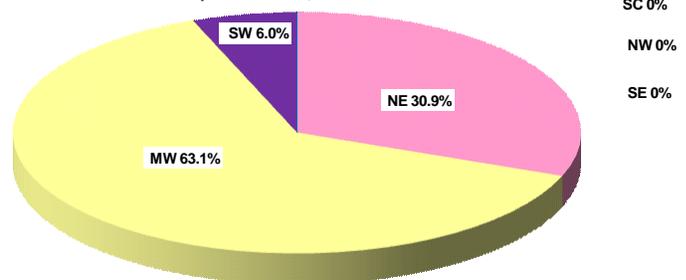
The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADV. PRICE \$	
NE	21.2	5.32
SE	9.8	5.53
MW	—	—
SC	17.2	4.73
SW	30.7	5.49
NW	21.9	4.97

**Yogurt.** The Midwest, with 63.1% of total organic yogurt ad placements, leads all regions. Next is the Northeast, with 30.9%, followed by the Southwest, with 6%. There were no organic ad placements in the South Central Region, Southeast or Northwest.

ORGANIC YOGURT FEATURES Regional % of Surveyed National Newspaper Ads Report Week 34, 2010



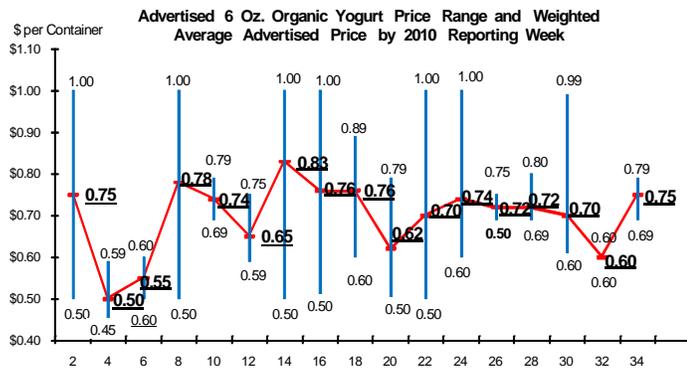
CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered August 16 - 27, 2010

CONTINUED FROM PAGE 8-A

Weighted national average advertised organic yogurt prices in 6 ounce containers increased 15 cents to \$0.75. However, this is within 5 cents of five of the last six weeks. The magnitude of the increase is more explained by the unusually low weighted average advertised price two weeks ago compared with the last two months.



Other organic yogurt ad placements included 24 for 32 ounce yogurt, all in the Midwest.

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	32.1	0.77
SE	—	—
MW	61.7	0.75
SC	—	—
SW	6.2	0.79
NW	—	—

**Butter.** All 281 organic butter ads were split between the Southeast and Midwest, at prices between \$3.49 and \$4.99 in the Southeast and \$6.99 in the Midwest.

**Cottage Cheese.** 24 ads for 16 ounce cottage cheese priced at \$3.89 appeared in the Midwest and 15 in the Northwest priced at \$3.19.

**Cream Cheese.** Of 50 ads for 8 ounce cream cheese, 24 ads appeared in the Midwest with a price of \$2.69 and 26 ads appeared in the Northeast, priced at \$2.99.

**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 392 ad placements for 16 ounce half and half. Midwest ad placements were priced at \$1.89 while in the Northeast, at \$1/69. No ads appeared for organic cheese or ice cream.

SUPERMARKET PRICE COMPARISON:

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

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

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

A table summarizing the survey results follows:

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE  
REPORTING WEEK 34

MADISON, WI  
LOW HIGH RANGE  
(In Dollars)

GALLONS:

Whole	5.39	6.49	1.10
Reduced Fat (2%)	5.39	6.49	1.10
Low Fat (1%)	5.39	6.49	1.10
Nonfat (Skim)	5.39	6.49	1.10

HALF GALLONS:

Whole	2.98	4.39	1.41
Reduced Fat (2%)	2.98	4.39	1.41
Low Fat (1%)	2.98	4.39	1.41
Nonfat (Skim)	2.98	4.39	1.41

CHOCOLATE HALF GALLON:

	3.29	4.50	1.21
--	------	------	------

YOGURT

	.75	1.59	0.84
--	-----	------	------

CHEESE – 8 OUNCE BLOCKS:

Mozzarella	3.70	5.69	1.99
Mild Cheddar	3.50	6.19	2.69
Monterey Jack	3.50	6.19	2.69
Pepper Jack	3.89	6.49	2.60

CHEESE – 6 OUNCE STRING

Mozzarella	3.00	5.09	2.09
Colby Jack	3.00	5.09	2.09

BUTTER – 1 POUND

	4.79	6.19	1.40
--	------	------	------

Overall, milk prices except chocolate remained unchanged except for a slight decline in the bottom range price for half gallons. As for cheese, no changes appeared at the top of the range but prices declined at the bottom for five of six surveyed varieties.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were steady to firm on moderate offerings and light to moderate demand. Organic crude soybean oil prices were mostly 36 to 45 cents per pound. Refined soybean oil prices were mostly 58 to 65 cents per pound. Organic flaxmeal traded from \$675 to \$735 per ton. Good and fair quality organic alfalfa throughout Idaho averaged \$105 per ton. Large bales of premium organic alfalfa in Texas ranged from \$205 to \$210 per ton, delivered.

Eastern organic grain and feedstuff prices were mostly steady. Demand was light for moderate offerings. Trade activity was slow in preparation for the fall harvest.

Upper Midwest organic grain and feedstuffs prices were very firm on moderate offerings and light to moderate demand. Food grade wheat trade remains very limited in the Upper Midwest while feed grade barley was more active throughout the region. While reports of “sudden death” in conventional soybeans are quite prevalent, reports of critical issues in organic beans are not currently noted.

Additional livestock and grain market news information is available at: [www.ams.usda.gov/LSMarketNews](http://www.ams.usda.gov/LSMarketNews).

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

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

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JUNE 30, 2008	JUNE 30, 2009	REVISED JUNE 30, 2010	JULY 31, 2008	JULY 31, 2009	JULY 31, 2010
Butter	258,360	262,854	197,601	246,132	262,782	199,634
Cheese, Natural American	581,842	602,049	627,003	577,636	605,022	638,584
Cheese, Swiss	25,264	23,067	26,978	24,712	23,270	28,037
Cheese, Other Natural	295,365	362,283	371,293	300,449	371,879	382,146
Total Cheese	902,471	987,399	1,025,274	902,797	1,000,171	1,048,767

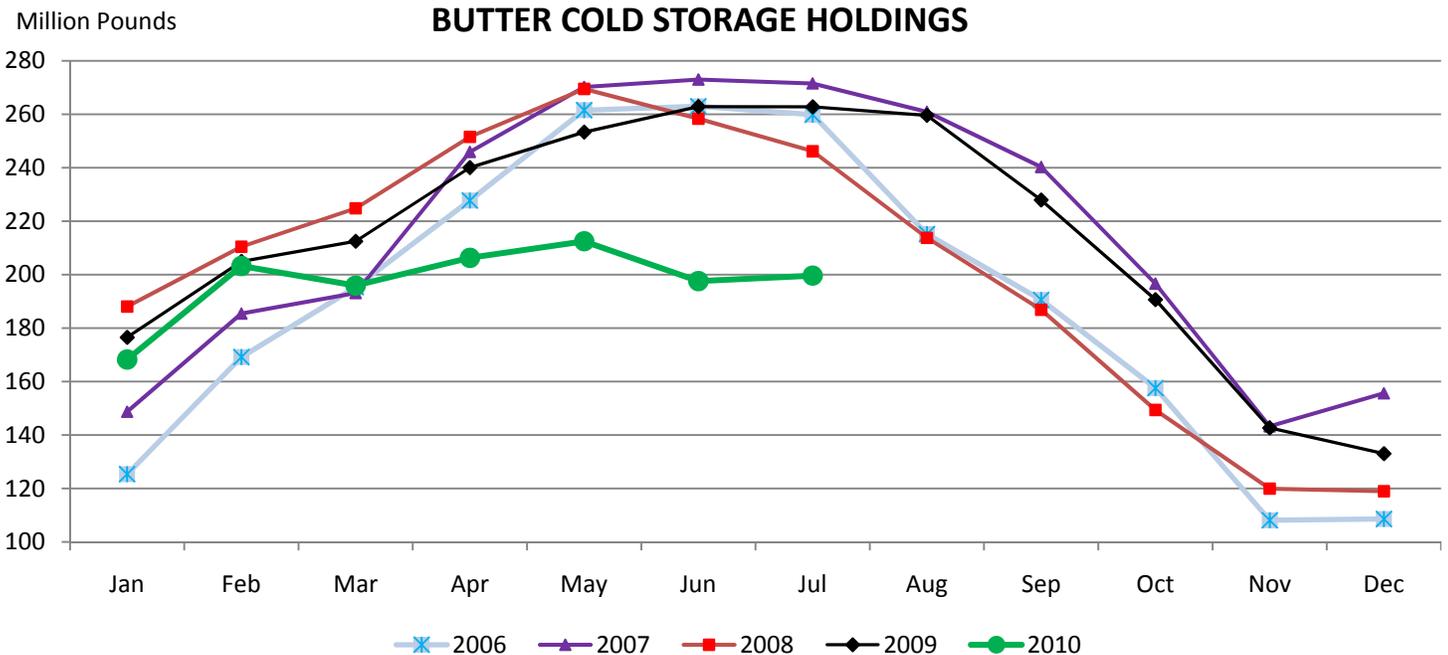
  

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	#	#	#	#	#	#
Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

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

JULY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
New England	36,624	38,483	37,829	---	---	---	312	493	461
Middle Atlantic	52,073	44,156	49,301	---	---	---	16,224	20,523	21,931
East North Central	250,539	263,940	275,789	---	---	---	190,286	231,142	254,868
West North Central	93,456	95,078	100,378	---	---	---	55,153	75,643	71,222
South Atlantic	7,004	6,840	2,564	---	---	---	590	218	174
East South Central	1,593	2,355	2,095	---	---	---	3,109	2,997	106
West South Central	10,461	3,046	1,599	---	---	---	508	1,896	1,453
Mountain	36,423	53,706	57,940	---	---	---	6,406	6,263	7,841
Pacific	89,463	97,418	111,089	---	---	---	27,861	32,704	24,090
TOTAL	577,636	605,022	638,584	246,132	262,782	199,634	300,449	371,879	382,146

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2009 TO DATE

Month	Butter <u>1/</u>		Natural American Cheese <u>1/</u>		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>2/</u>		Commercial		Government	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Million Pounds		Million Pounds		Million Pounds					
January	168	177	588	533	272	300	138	203	134	97
February	203	205	598	542	195	316	152	192	47	124
March	196	212	602	549	174	361	148	190	26	171
April	206	240	610	577	160	375	152	180	8	195
May	212	253	615	586	154	403	148	198	6	205
June	198	263	627	602	177	201	175	201	2	NA
July	200	263	639	605		398		173		225
August		260		599		360		138		222
September		228		596		325		122		203
October		191		580		272		91		181
November		143		583		287		116		171
December		133		585		289		132		157

NA - Not available.

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

**SOURCE:** "Cold Storage," Co St 1 (8-10) and "Dairy Products," (August 2010), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,  
SEPTEMBER 2010, WITH COMPARISONS 1/**

For September 2010, the all-city average announced cooperative Class I price was \$20.66 per cwt., \$2.52 higher than the Federal milk order (FMO) Class I price average for these cities. The September cooperative Class I price was \$0.26 lower than the August price while the Federal order Class I price was \$0.27 lower than the August 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 September 2009, the all-city average announced cooperative Class I price was \$16.12, \$2.55 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	September 2010		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	22.63	19.30	3.33
Baltimore, MD	20.17	18.50	1.67
Boston, MA	20.25	18.75	1.50
Charlotte, NC	22.14	18.90	3.24
Chicago, IL	20.95	17.30	3.65
Cincinnati, OH	20.78	17.70	3.08
Cleveland, OH	20.58	17.50	3.08
Dallas, TX	20.35	18.50	1.85
Denver, CO	19.41	18.05	1.36
Des Moines, IA	19.98	17.30	2.68
Detroit, MI	20.35	17.30	3.05
Hartford, CT	20.15	18.65	1.50
Houston, TX	21.15	19.10	2.05
Indianapolis, IN	20.58	17.50	3.08
Kansas City, MO	19.67	17.50	2.17
Louisville, KY	20.84	17.80	3.04
Memphis, TN	21.94	18.40	3.54
Miami, FL	25.39	21.50	3.89
Milwaukee, WI	20.90	17.25	3.65
Minneapolis, MN	19.61	17.20	2.41
New Orleans, LA	22.84	19.30	3.54
Oklahoma City, OK	20.00	18.10	1.90
Omaha, NE	19.73	17.35	2.38
Philadelphia, PA	21.40	18.55	2.85
Phoenix, AZ	18.35	17.85	0.50
Pittsburgh, PA	20.85	17.60	3.25
St. Louis, MO	20.07	17.50	2.57
Seattle, WA	18.18	17.40	0.78
Springfield, MO	20.30	17.90	2.40
Washington, DC	20.17	18.50	1.67
Simple Average	20.66	18.14	2.52

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.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

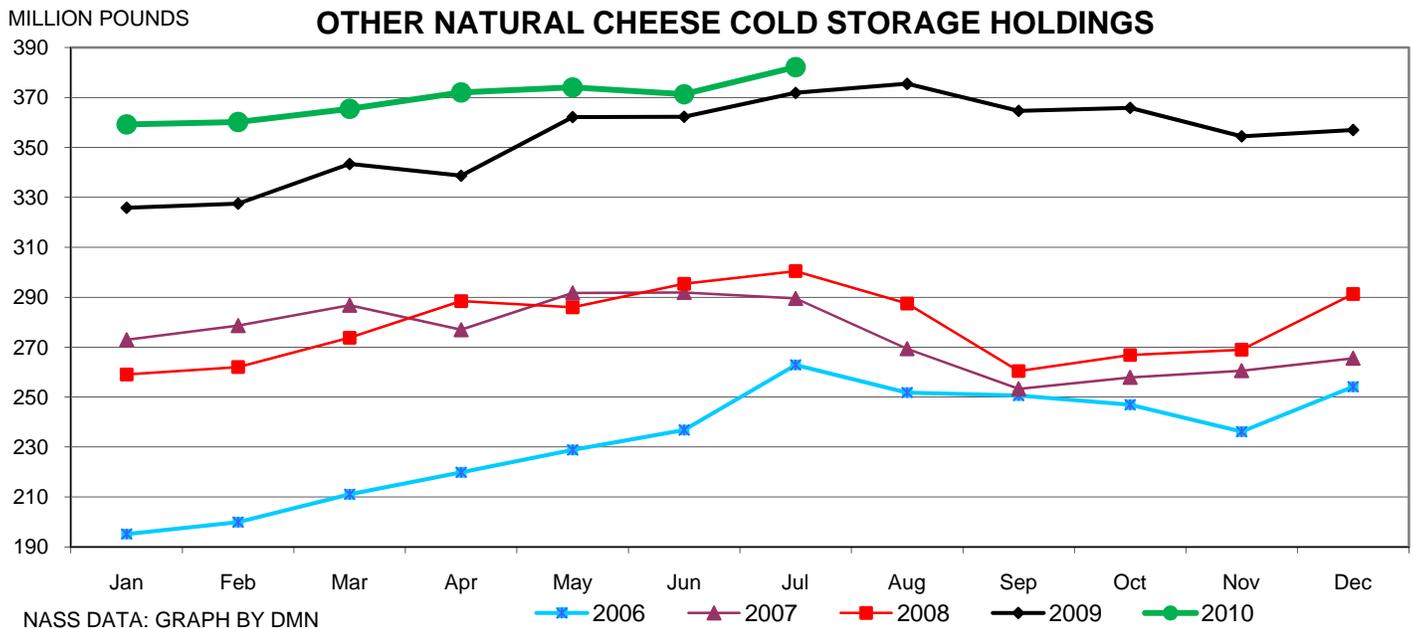
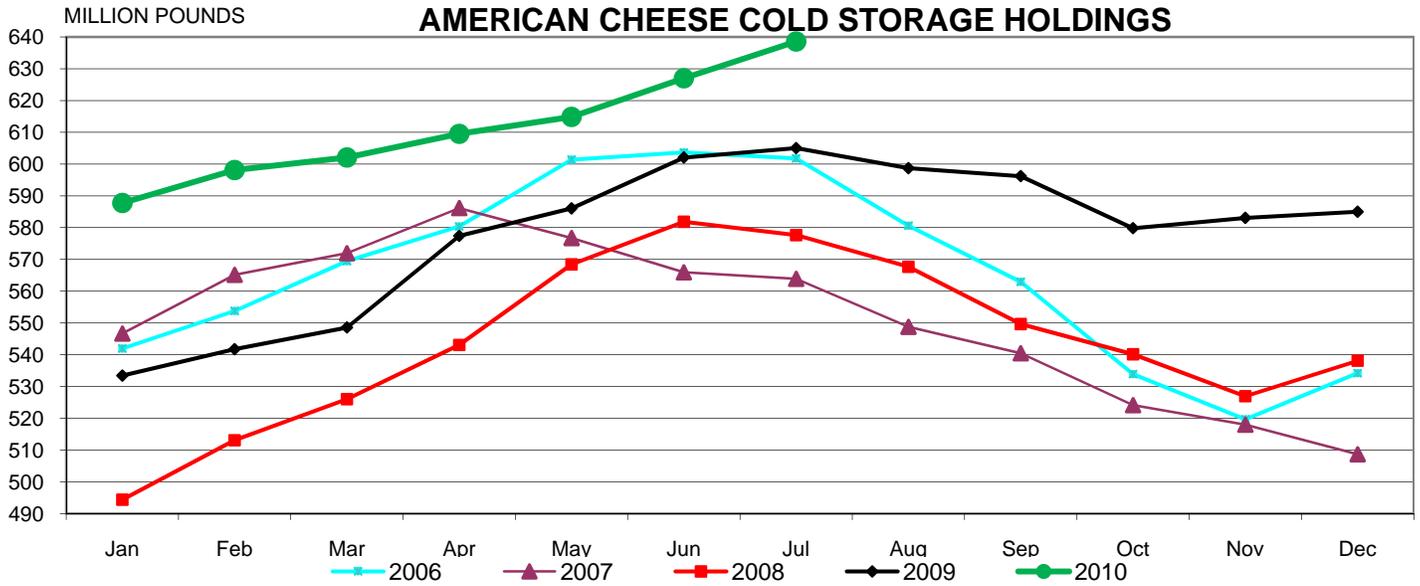
Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
MAY 2010	219.4	0.7	197.7	0.9	186.6	4.1	203.5	0.8	174.6	7.4	205.7	0.9
JUN 2010	219.2	0.7	197.9	1.9	192.2	8.1	202.0	0.8	175.5	5.8	208.2	2.0
JUL 2010	219.1	0.9	199.0	3.0	193.5	9.1	204.5	2.4	180.4	7.8	209.0	3.6
U.S. City Average Retail Prices												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Dollars												
MAY	3.178	3.068	2.922	2.778	3.912	3.920	4.713	4.605	4.563	4.282		
JUN	3.297	3.009	2.953	2.906	4.074	3.900	4.525	4.723	4.528	4.250		
JUL	3.313	2.992	3.155	2.922	3.956	3.881	4.631	4.560	4.432	4.193		

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

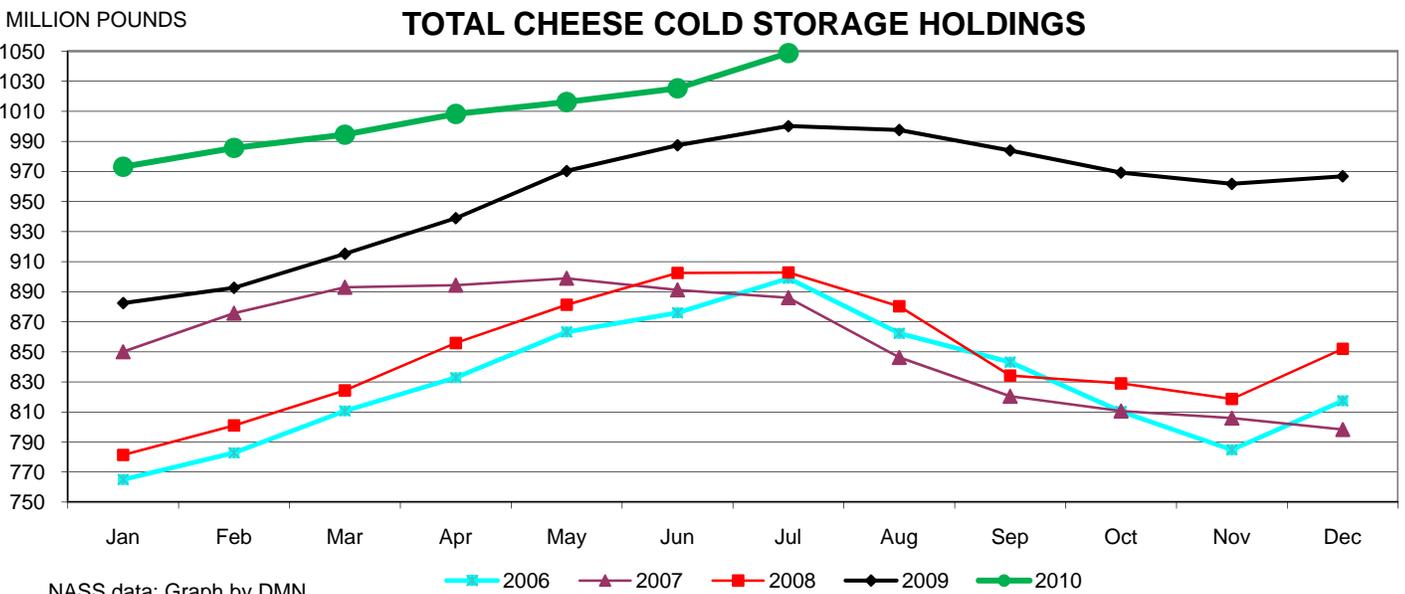
COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—APRIL-JUNE 2009-2010 AND YEAR-TO-DATE 2009-2010 <sup>1/</sup>

Item	Apr.-Jun. 2009	Percent change <sup>2/</sup>	Apr.-Jun. 2010	Percent change <sup>2/</sup>	Jan.-Jun. 2009	Percent change <sup>2/</sup>	Jan.-Jun. 2010	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	48,888	1.3	49,747	1.8	96,262	0.4	97,099	0.9
Marketings	48,636	1.3	49,508	1.8	95,760	0.4	96,625	0.9
Beginning Commercial Stocks <sup>3/</sup>	12,635	4.3	13,022	3.1	10,045	-3.0	11,333	12.8
Imports <sup>3/</sup>	1,042	40.7	593	-43.1	1,977	16.4	1,382	-30.1
Total Supply <sup>4/</sup>	62,313	3.0	63,123	1.3	107,782	0.7	109,340	1.4
Ending Commercial Stocks <sup>3/</sup>	14,421	6.0	13,376	-7.2	14,421	6.0	13,376	-7.2
Net Removals <sup>3/</sup>	-87	100.0	21	124.1	35	100.0	112	220.0
Commercial Disappearance <sup>4/</sup>	47,979	1.5	49,726	3.6	93,326	-0.5	95,852	2.7
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	373.3	0.6	383.7	2.8	750.4	-2.4	766.2	2.1
American Cheese	1,038.8	7.9	1,078.5	3.8	2,091.7	7.0	2,097.3	0.3
Other Cheese	1,512.3	3.5	1,569.6	3.8	2,945.7	-0.7	3,088.0	4.8
Nonfat Dry Milk	364.4	-13.7	415.7	14.1	700.0	-12.2	784.2	12.0
Fluid Milk Products <sup>6/</sup>	13,478.5	0.6	13,284.7	-1.4	27,525.8	1.2	27,177.6	-1.3

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

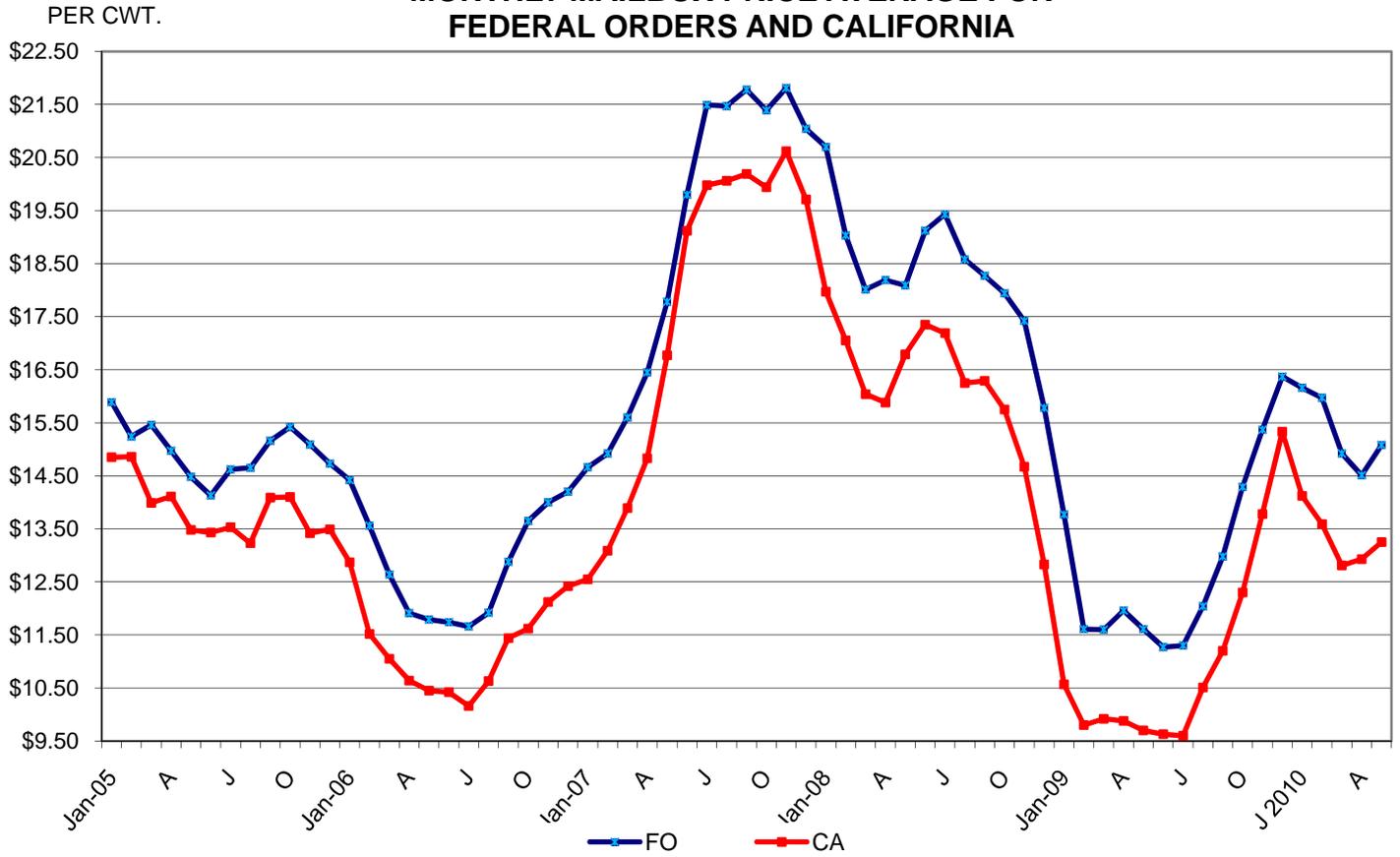


NASS DATA: GRAPH BY DMN



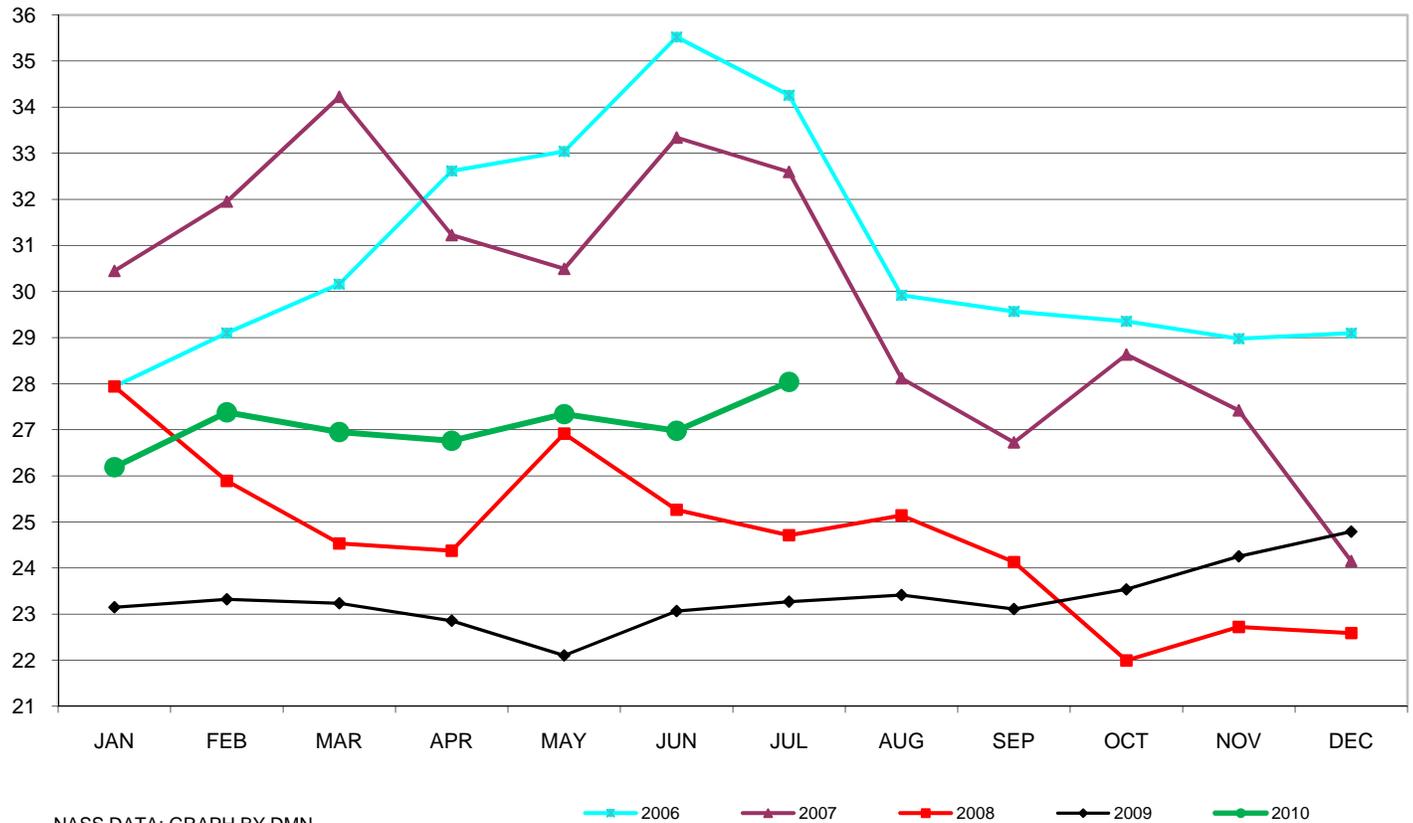
NASS data; Graph by DMN

### MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA



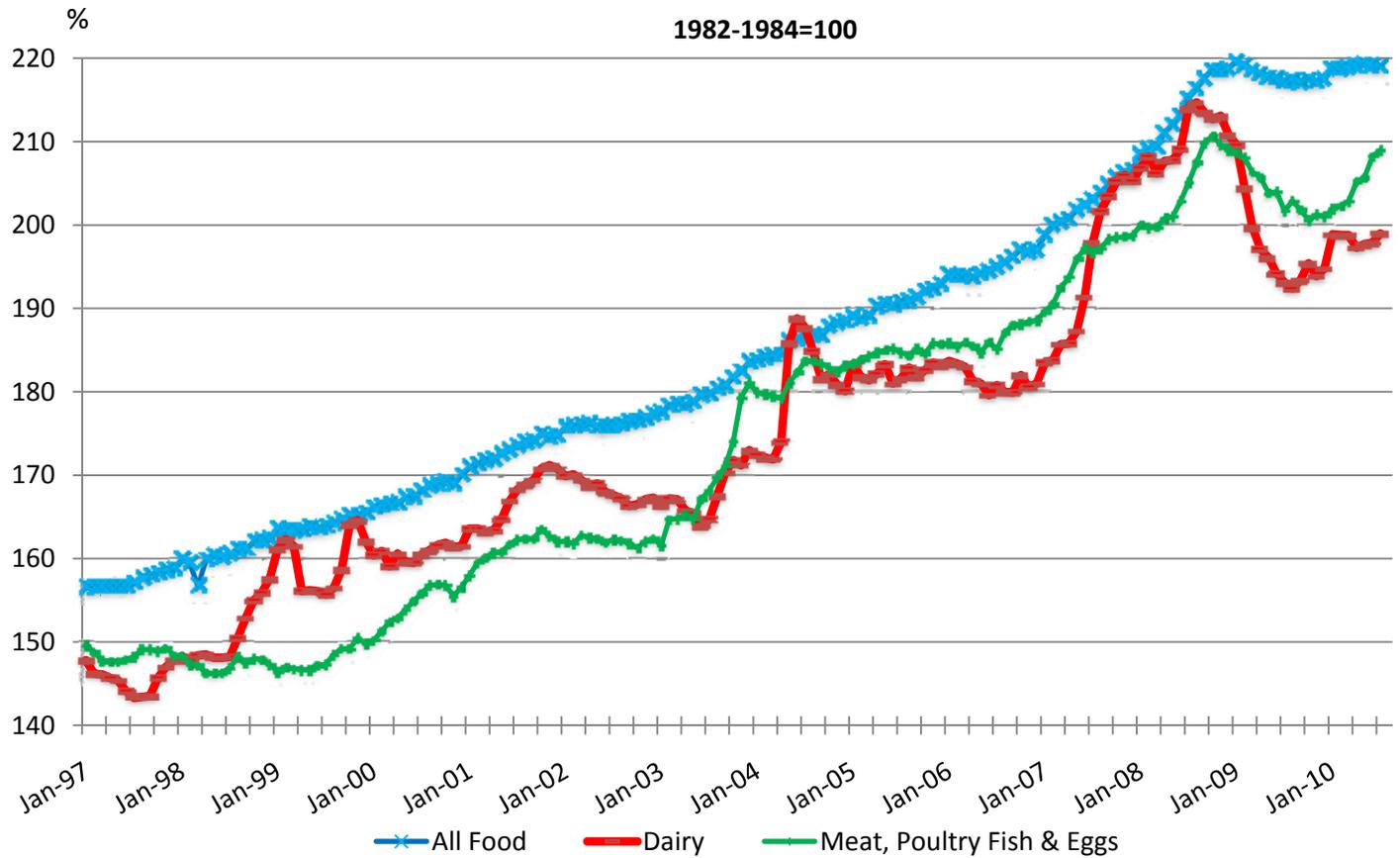
### U.S. SWISS CHEESE COLD STORAGE HOLDINGS

Million Pounds



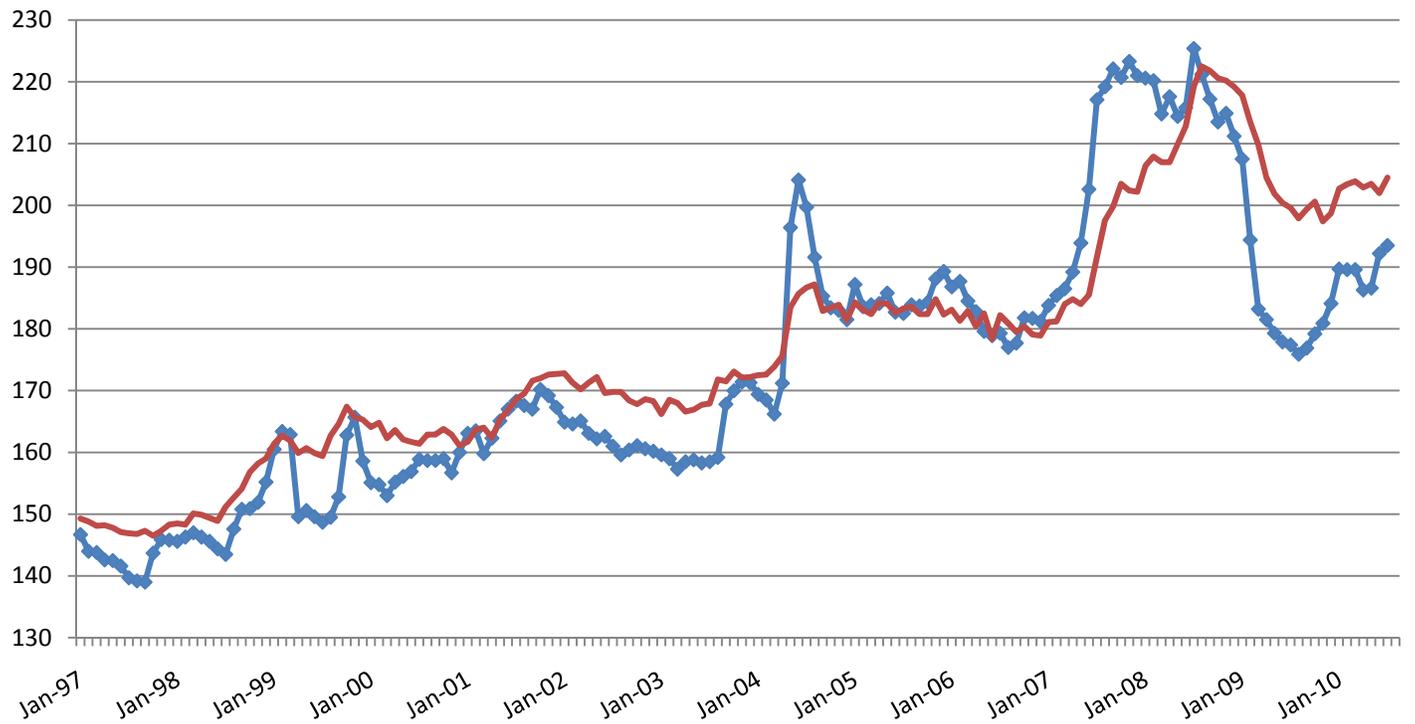
### CONSUMER PRICE INDEX

1982-1984=100



### CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100  
%



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

◆ FRESH WHOLE MILK    — CHEESE

# DAIRY MARKET NEWS

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