

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (09/10):**

**BUTTER:** Grade AA closed at \$2.2225. The weekly average for Grade AA is \$2.2238 (+.0098).

**CHEESE:** Barrels closed at \$1.7050 and 40# blocks at \$1.7350. The weekly average for barrels is \$1.6925 (+.0205) and blocks, \$1.7263 (+.0153).

**BUTTER HIGHLIGHTS:** Since May 25 when the cash butter price was \$1.5375, the CME Group daily cash butter price has held steady or increased until late in the current week when the cash price declined 1/4 cent to \$2.2225 on an uncovered offer of one car. This was the first weakness in the cash butter market in 71 consecutive trading sessions. Cream supplies for churning were somewhat more available within the past holiday week, although not as heavy as some butter producers anticipated. Although cream supplies were more available, pricing multiples did not ease as much as some butter producers desired. In some areas of the country, multiples dipped under 130 while most remained above that level. Churning was heavier over the Labor Day holiday weekend, but declined early in the week as competition for cream resumed. Overall butter demand is lighter this week as buyers assess inventory levels prior to re-entering the marketplace. For those that are in the market, orders appear to be holding up quite well for near term needs.

**CHEESE HIGHLIGHTS:** Cash cheese prices at the CME Group continue their upward trend. The daily price for both Barrels and Blocks is at 2010 highs. Friday's trading at the CME Group continued the price advance as Barrels were \$.0100 higher at \$1.7050 and Blocks were \$.0050 higher to \$1.7350. Wholesale prices across the country are increasing as weekly average prices at the CME Group have been steady or higher every week since early June. Total U.S. cheese production is above year ago levels. Demand is matching the increased production as fall orders are being determined. Cream cheese production is also increasing as manufacturers prepare for fall holiday orders. Any excess milk supplies from the holiday weekend were easily absorbed by cheesemakers.

**FLUID MILK:** Milk production is trending lower in the Central and Eastern regions with slightly higher production levels in the Southeast and West. Class I demand lessened going onto the holiday weekend, increasing manufacturing milk supplies, but plants easily handled the increased volumes. School bottling needs increased after the holiday, especially in the Northeast and Midwest with all schools now in session. Cream supplies also increased over the holiday weekend, expanding multiples in a wide range due to some significant holiday discounts. Beyond the holiday, multiples firmed and supplies tightened as the week progressed. Seasonal shifting of the cream supply was noted from some ice cream accounts towards butter and cream cheese. Most condensed skim supplies are moving through contracts as Class II and III products resume regular production schedules, but some dryer schedule increases occurred over the holiday to handle the extra supply.

**DRY PRODUCTS:** Nonfat dry milk prices are steady to higher, as inventories are in better balance and viewed as adequate to tight. NDM production levels have declined due to strong Class I demand. Dry buttermilk prices have firmed with tight supplies. Churning schedules have moderately increased over the Labor Day holiday weekend. They prices are steady to firm as production is steady to lower, which has limited supplies available for the spot market. They protein concentrate prices have firmed as spot market supplies are limited with steady to lower production levels. Lactose prices are steady with some buyers looking to secure 2011 contract volumes.

**ORGANIC DAIRY MARKET NEWS OVERVIEW (DMN):** Organic manufacturers are increasingly factoring recent significant increases in non-organic cream and butter prices into organic production decisions. Some organic butter production has been deferred due to decisions to sell organic cream for non-organic use – intentionally – to take advantage of current high prices for non-organic cream. Satisfactory inventories of organic butter make this a realistic profit opportunity for some organic manufacturers. The strength of non-organic butter prices has narrowed the spread between organic and non-organic butter prices at retail. While not the norm, in some markets it is now possible to find occasional retail outlets with certain brands of organic butter priced lower than non-organic butter at other retail outlets. The national weighted average advertised price for half gallons of organic milk fell to \$2.92, more within the general trend of weighted average advertised prices than two weeks ago, which was the highest weighted average advertised price of 2010. This decline was driven by a 49 cent decline in both the top of range price to \$3.50, as well as the lower concentration of prices toward the top of the range. The range remaining unchanged at the bottom, \$2.50. The national weighted average advertised price for organic milk gallons fell 47 cents to \$4.74. The range fell 72 cents at the top, to \$5.27 and the bottom fell 50 cents to \$3.99. Weighted national average advertised organic yogurt prices in 6 ounce containers fell 4 cents to \$0.71. This is within 5 cents of six of the last seven report periods. The range is only 3 cents, 72 cents at the top and 69 cents at the bottom. Organic milk ad numbers dominate organic dairy ads, continuing the pattern of the previous six weeks. Ad numbers for gallon containers of organic milk significantly declined this period just as noticeably as they increased two weeks ago, now trailing well behind ads for 8 ounce aseptic containers of organic milk and half gallon ads. While organic yogurt ads remain well behind organic milk ad numbers, as a percentage, yogurt ads at about 34% of milk ads are up from about 20% two weeks ago.

Continued on Page 1A

\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

ORGANIC DAIRY MARKET NEWS (PAGE 8)  
SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (PAGES 9-10)

DAIRY GRAPHS (PAGES G1 – G2)

**CME GROUP CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 6	TUESDAY SEPTEMBER 7	WEDNESDAY SEPTEMBER 8	THURSDAY SEPTEMBER 9	FRIDAY SEPTEMBER 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	CME	\$1.6850 (N.C.)	\$1.6850 (N.C.)	\$1.6950 (+.0100)	\$1.7050 (+.0100)	(+.0200)	\$1.6925 (+.0205)
40# BLOCKS	CLOSED	\$1.7200 (N.C.)	\$1.7200 (N.C.)	\$1.7300 (+.0100)	\$1.7350 (+.0050)	(+.0150)	\$1.7263 (+.0153)
NONFAT DRY MILK EXTRA GRADE	NO	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(N.C.)	\$1.2250 (N.C.)
GRADE A	TRADING	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2300 (N.C.)	(N.C.)	\$1.2300 (+.0120)
BUTTER GRADE AA	HOLIDAY	\$2.2250 (N.C.)	\$2.2250 (N.C.)	\$2.2225 (-.0025)	\$2.2225 (N.C.)	(-.0025)	\$2.2238 (+.0098)

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

**SUPPLY AND DEMAND ESTIMATES (WAOB):** Forecast milk production for 2010 and 2011 is raised from last month. Producers continue to add cows to the herd and inventories are forecast to increase into mid-2011. The rate of growth in milk per cow is also increased from last month. Fat basis export forecasts for 2010 are raised on strong sales of butterfat and cheese, but 2011 exports are lowered. Skim-solids exports for 2010 and 2011 are forecast higher than last month. Imports are reduced from last month due to higher U.S. production and strong demand in other importing countries. Ending stocks for 2011 are increased as U.S. production is forecast higher. Strong demand for cheese and tight supplies of butter support higher forecast prices for 2010 and 2011. Stronger demand is forecast to absorb most of the increased production although prices are expected to be tempered during the latter part of 2011. Price forecasts for nonfat dry milk (NDM) are raised for 2010, but the 2011 forecast is unchanged from last month as increased supplies limit price gains. The whey price forecast is unchanged. Both Class III and Class IV price forecasts for 2010 and 2011 are raised due to the higher product prices. The all milk price is forecast to average \$16.25 to \$16.45 per cwt for 2010 and \$15.85 to \$16.85 per cwt for 2011.

CME GROUP

MONDAY, SEPTEMBER 6, 2010  
CME CLOSED

TUESDAY, SEPTEMBER 7, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.6850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6900  
NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2400  
BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 8, 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 @ \$1.2400  
BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, SEPTEMBER 9, 2010

CHEESE — SALES: 4 CARS BARRELS: 2 @ \$1.6850, 1 @ \$1.6925, 1 @ \$1.6950; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6950; 1 CAR 40# BLOCKS @ \$1.7300; LAST OFFER UNCOVERED: NONE  
NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.2300; LAST BID UNFILLED: 10 CARS GRADE A @ \$1.2300; LAST OFFER UNCOVERED: NONE  
BUTTER — SALES: 4 CARS GRADE AA @ \$2.2250; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.225

FRIDAY, SEPTEMBER 10, 2010

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.7300, 1 @ \$1.7350; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7050; LAST OFFER UNCOVERED: NONE  
NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2400  
BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group held steady on Tuesday, coming off the holiday weekend and closed at \$2.2250. Looking back on week 35, the week just completed, cream multiples ranged from 160-170, 25 points higher than the 135-145 range posted in 2009. The weekly average CME Group butter price for week 35 was \$2.1545, nearly \$1.00 higher than the \$1.1685 average posted for the same week in 2009. The combination of high overages and a high butter market have pushed cream prices to levels not reached in many years. Cream was a little more available over the holiday weekend and butter makers increased churning schedules to accommodate the increased supply. Butter makers continue to draw on inventories to assist in covering current orders. According to NASS, cumulative 2010 butter production through July was 5.9% below cumulative year production for the same period for 2009. July 2010 monthly U.S. butter production totaled 111.0 million pounds, down 5.3% from June and down 2.9% compared to July 2009. Atlantic region butter production in July 2010 totaled 8.1 million pounds, down 22.7% from June and 12.5% less than July 2009.

CENTRAL

The CME cash butter price remains firm, unchanged from midweek last week. Churning activity over the past holiday weekend was heavier at many locations, although lighter than some anticipated and desired. Many were hoping to generate some additional butter volumes to enhance lighter than desired inventory levels. Cream supplies were more available late last week at pricing multiples much lower than early week quotes. As the holiday weekend progressed, cream availability for churning started to tighten as Class II operations resumed cream procurements and resumed processing schedules by Tuesday. Suppliers and handlers are stating that overall butter orders are holding up quite well for as firm as the cash price is. Although butter orders

are holding at good levels, it appears that buyers are procuring for near term needs only and not buying for future needs. Many suppliers and handlers are still questioning supply availability for end of year needs. Most feel that prices will remain firm for the balance of the year and supplies will probably be in close balance with needs. If prices remain firm, consumer buying patterns often decrease, thus lighter than desired inventories should go a little further. Current bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Wednesday's butter trading at the CME Group was unchanged at \$2.2250. Cash butter prices have reached at least a plateau for the last five trading sessions, with no sales reported. The butter price at the CME has been higher or held steady every session since May 25. The Labor Day weekend allowed for some extra loads of cream to find their way to butter churns. Manufacturers are watching inventories as fourth quarter needs are closer. Demand is good as end users continue to fulfill contracted obligations. Prices for bulk butter range from flat to 3.5 cents under the market, based on the CME with various time frames and averages used. According to the NASS Dairy Products report, July butter production for the U.S. totals 111 million pounds, down 2.9% or 3.4 million pounds from July of last year. Production was down 5.3% or 6.3 million pounds from June 2010. Output in the Western region totals 65 million pounds, up 11.6% or 6.7 million pounds more than July 2009. The West produced 58.5% of the butter in the U.S. in July. Cumulative output for the year for the U.S. is 933.9 million pounds, down 5.9% from the same period in 2009. This works out to a decline of 59 million pounds. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 2.5 million pounds last week to 26.2 million pounds. This total compares to 95.3 million pounds in 2009 and 78.4 million pounds in the comparable week in 2008. The current level in storage at CME approved warehouses is the lowest level since the second week of 2005.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
SEPTEMBER 4	1.6417	1.6511	1.1465	2.1013	0.3623
	11,227,923	8,521,622	25,427,189	3,194,666	10,033,337

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

## CHEESE MARKETS

## NORTHEAST

Cheese prices on the CME Group held steady coming off the holiday weekend with barrels closing at \$1.6850 and blocks at \$1.7200. The CME Group weekly average prices rose for both barrels and blocks, resulting in increased wholesale prices. Prices for Swiss Cuts also rose following an increase in the Class III milk price. Cheese production in the Northeast is holding steady with good demand for mozzarella from pizza and institutional concerns. Cream cheese production is also quite strong with good orders and cream cheese makers wanting to expand inventories prior to the fall holiday season. NASS reports July 2010 total cheese production in New York was 58.6 million pounds, 5.9% less than June and 1.4% less than July 2009. Pennsylvania produced 35.8 million pounds in July, 0.3% more than one month earlier and 4.9% more than one year ago. Vermont produced 9.3 million pounds, 8.2% more than last month, but 11.7% less than July 2009. Focusing on Italian cheese, in July, New York produced 27.9 million pounds, 4.3% less than June and 13.9% less than July 2009. Pennsylvania produced 23.3 million pounds in July 2010, 3.1% less than June, but 8.8% more than July 2009. Total July cheese production in the Atlantic region was 111.7 million pounds, down 1.7% from June, but 0.2% more compared to the same period last year. Atlantic region cheese production accounted for 12.7% of total U.S. production. Total U.S. cheese production in July 2010 totaled 882.3 million pounds, 0.2% more than June and 4.7% more than July 2009. Cumulative 2010 (seven month) U.S. Cheese production through July was 2.8% greater than comparable 2009 production.

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

Cheddar 40# Block	:	2.0250-2.3000
Process 5# Sliced	:	1.7750-2.0850
Muenster	:	2.0450-2.2500
Grade A Swiss Cuts 10 - 14#	:	3.0475-3.3700

## MIDWEST

Last week both barrels and blocks finished up on CME Group cash markets for the fourth consecutive week. Blocks were up 2 1/2 cents, closing at \$1.72 and barrels were up 2 cents, closing at \$1.6850. This short holiday trading week has opened quietly, with no price movement in either blocks or barrels through Wednesday. There have been no bids, offers or sales of blocks and no bids with 1 offer and 1 sale of barrels. Last week's price increases set new 2010 highs for both barrels and blocks. Total U.S. cheese production in July 2010 totaled 882.3 million pounds, 0.2% more than June and 4.7% more than July 2009. Cumulative 2010 (seven month) U.S. Cheese production through July was 2.8% greater than comparable 2009 production.

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

Process American 5# Loaf	:	1.9700-2.2225
Brick And/Or Muenster 5#	:	2.1600-2.2175
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0900-2.5650
Blue 5#	:	2.5550-2.8800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0500-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4550-3.3300

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

	BUTTER	:	CHEESE
09/06/10	17,005	:	131,551
09/01/10	14,120	:	132,287
CHANGE	2,885	:	-736
% CHANGE	20	:	-1

## WEST

Cheddar Barrels on Wednesday at the CME Group were unchanged at \$1.6850. 40 Pound Blocks were unchanged at \$1.7200. Trading activity is at a standstill so far this holiday shortened week. Cheese sales remain strong in the face of higher prices. The market tone is somewhat unsettled as buyers decide how much inventory they want to carry at current prices. Cheese production is being limited by lower milk intakes and lower yields of solids from that milk. Processer demand is good for both blocks and barrels. Stocks are reported to be adequate for contracted needs with spot activity harder to come by. According to the NASS *Dairy Products* report, total cheese production in the U.S. in July reached 882.3 million pounds, up 4.7% or 39.5 million pounds from last year. July total cheese production in the Western region was 378.4 million pounds, up 10.6% or 36.3 million pounds from July 2009. The West produced 42.9% of all the cheese in the U.S. in July. Cumulative total cheese output for the U.S. for the year is 6 billion pounds, up 2.8% or 163 million pounds from the same period in 2009. Swiss output for the U.S. in July is 28.4 million pounds, up 4.3% or 1.2 million pounds from last year.

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

Process 5# Loaf	:	1.7975-2.0550
Cheddar 40# Block	:	1.8400-2.1925
Cheddar 10# Cuts	:	2.0200-2.2400
Monterey Jack 10#	:	2.0300-2.1900
Grade A Swiss Cuts 6 - 9#	:	2.6250-3.0550

## FOREIGN

The block cheese price on the CME held steady on Tuesday, closing at \$1.7200. The CME Group weekly average price for block followed recent increases and moved prices higher for domestic varieties. Swiss Cuts also moved higher following Friday's increase in the Class III milk price. NASS reports domestic Parmesan production during July 2010 totaled 17.9 million pounds, 6.3% less than June and 7.7% less than July 2009. Provolone production during July totaled 30.0 million pounds, 2.2% more than June and 6.3% more than July 2009. Romano production during July 2010 totaled 2.8 million pounds, 15.4% more than June, but 14.4% less than July 2009. Swiss production during July 2010 totaled 28.4 million pounds, 3.3% more than June and 4.3% more than July 2009.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	2.6400-5.3900	2.1650-3.6525*
Gorgonzola	3.6900-6.6900	2.6675-2.9275*
Parmesan (Italy)	-0-	3.5725-3.7750*
Provolone (Italy)	3.4400-5.9900	2.2075-2.3650*
Romano (Cows Milk)	-0-	3.3550-5.4975*
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-	3.1400-3.4625*
Swiss Cuts Finnish	2.5900-2.8500	-0-

\* = Price change.

## FLUID MILK AND CREAM

## EAST

## SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA &amp; SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	0	25	0
SOUTHEAST STATES	0	0	90	0	14	0

Manufacturing milk supplies were more available in the East following the holiday weekend. All schools are now in session, causing increased Class I demand, especially in the Northeast, which will tighten manufacturing milk supplies later this week and into next. Milk production in the Northeast and Mid Atlantic regions is continuing along their seasonal declines with some steeper declines noted in some areas due to recent periods of heat and humidity. In the Southeast milk production has seen some increases as temperatures have moderated, but production in Florida remains steady. The cooler weather has brought about reductions in rejected milk shipments due to temperature issues. Schools in the South have been in session for a couple of weeks and as a result Class I pulls have leveled off. Cream supplies over the holiday weekend were a bit "sloppy" resulting in some significant discounting. Multiples are ranging from 135-160. The general consensus among Dairy Market News contacts is the cream market will tighten and multiples will move higher, but they are uncertain if the multiples will reach levels reached prior to the holiday. Demand for cream remains very good with strong pulls from cream cheese and butter makers. Ice cream production is less in the Northeast, but remains quite strong in the South. Condensed skim supplies were more plentiful over the holiday with most supplies moving through contracts, but some drying schedules were expanded to accommodate the increased manufacturing milk supply. According to NASS, ice Cream production in the Atlantic region in July totaled 17.6 million gallons, 0.8% more than June, but 9.5% less than July 2009. Pennsylvania's ice cream production for July totaled 3.5 million gallons, up 6.0% from June, but 2.9% lower than year ago levels. Yogurt production (plain and flavored) for July totaled 344.9 million pounds, down 2.6% from June, but 11.3% higher compared to the same period last year. Cumulative 2010 production through July totaled 2.42 billion pounds, 7.9% higher than through July 2009.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast	-	\$2.9889-3.5424
F.O.B. producing plants: Upper Midwest	-	\$2.8339-3.3210

## PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices	-	1.20-1.27
Northeast - Class III - spot prices	-	1.08-1.13

## MIDWEST

Milk production in the Central part of the country continues to decline seasonally, although some milk handlers are stating that a slight uptick in output might be occurring. Warm days and cool nights covered much of the Central part of the country this past week which provided for nearly ideal milk production comfort levels for the milking herd. Class I milk demand over the past week has been mixed as bottlers slowed bottling schedules late last week due to the Labor Day holiday, but resumed regular schedules on Sunday and Monday. School milk bottling pipelines continue to be filled as most all students are now back in the classroom following summer recess. Milk handlers are stating that it will be a week or so before all pipelines are filled and balanced. After that time, milk handlers are projecting that some additional manufacturing milk volumes will once again become available. Milk logistic problems over the holiday period were minimal with no major complication being reported. For those manufacturers that were looking for additional milk, volumes were not overly abundant. Pricing multiples

remained firm in the \$2.75 - 3.00 per cwt over Class delivered. Manufacturers were hoping for lower priced holiday milk than what was available. Often surplus holiday milk volumes are priced closer to flat Class versus additional premiums. Cream markets and pricing were also mixed due to the holiday weekend. Many Class II operations shuttered or greatly reduced production schedules late last week, thus freeing up additional cream offerings for other uses. Although additional cream was available to butter producers, volumes were not heavy. Some pricing multiples dipped below 130. For the most part, prices eased lower from high levels of recent weeks and remained at higher levels than are typical for a holiday period. Early in the week, cream pricing multiples started to firm and volumes tightened for all uses. Butter producers eased their production schedules with some operations once again selling a portion of their cream versus churning. Class II operations resumed production schedules, although ice cream output is down, typical for the period following the Labor Day holiday.

## WEST

The holiday weekend proved to be a "non event" for milk processors across CALIFORNIA. There was ample plant capacity to handle all milk and components on a timely and mostly stress free basis. Current week, milk output is steady to trending slightly higher with levels several percentage points ahead of a year ago, while realizing factors a year ago were depressing milk output. Milk intakes are increasing across more areas of the state as the weather conditions are more seasonal and are not much of a factor to milk cows. Bottled milk needs are steady to slightly higher. ARIZONA milk production is following trends of recent weeks with levels being steady to occasionally slightly higher. Weather factors are generally minimal. Plants were running slightly higher over the weekend and were able to easily handle the milk. NEW MEXICO milk production levels are steady to slightly higher. Seasonal milk patterns are moving higher and weather has not been a major factor. Plants were running on slightly higher schedules over the holiday weekend and were beginning to return to pre holiday levels as milk shipments out of state resumed. Hay quality remains a concern as untimely rains affected the quality of alfalfa hay in the state this year. Local, dairy quality alfalfa hay is in tighter supply and some dairies are looking to outside supplies to fulfill needs. The CREAM market is steady to firm. While some lower multiples and overages were noted over the weekend and early in the week, cream prices remain very good. Demand is fair to good for current offerings. Seasonal shifting of the cream supply is noted away from some ice cream accounts and more towards butter and cream cheese. There is some caution in the market, especially as processors make high priced inventories of finished dairy products. CME Group Grade AA butter price closed at \$2.2250 on Wednesday, September 8, unchanged from a week ago. Cream multiples were lower closer to the holiday and spread across the 131-155 range and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST continues above year ago levels. Increased cow numbers have helped to raise milk production along with higher production per cow. Temperatures have been conducive to good cow comfort levels. Holiday weekend milk volumes were handled within the region and increased supplies were balanced to cheese and butter production facilities. UTAH and IDAHO saw some increased milk volumes available for manufacturing needs over the holiday weekend. Current production facilities were able to handle the extra volumes with no difficulty. Increased cheese and butter prices have helped dairy farmers to realize some profitability. Many milk producers are still recovering from last year's losses. Hay production is winding down and farms are pricing forage supplies for the winter needs. Prices for replacement heifers at auction in Idaho last week were steady with a weaker undertone. The top heifer price at one auction was \$1440 with the top 50 average price down slightly from last month to \$1320.

**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 low ends of both the range and most price series moved higher for Central nonfat dry milk. Farm milk intakes are steady to seasonally lower at various plants. Condensed skim sales remain active and low heat NDM production is steady to lower. NDM inventories are adequate to tight and fewer loads of NDM from other regions are reportedly clearing into the Central region to fill supply gaps. These two issues are lending support to the current firming Central NDM price trend.

**EAST:** Nonfat dry milk prices in the Northeast have firmed this week. Manufacturing milk supplies were more readily available over the holiday weekend, resulting in increased drying schedules at some plants. Post holiday Class I demand is very strong in the Northeast, as all schools are back in session, tightening the manufacturing milk supplies. Recent export activity has reduced most inventories in the East, prompting manufacturers to offer product at higher prices. Some manufacturers are reporting increased volumes being pulled through contracts and combined with increased Class I demand, lessening manufacturing milk supplies, resulting in most inventories being drawn down. The market undertone remains firm as domestic demand is steady to increasing and export interest remains active. The latest NASS Dairy Products report indicates production in the Atlantic region totaled 18.1 million pounds, 13.8% of the nation's total. The Atlantic region production was 16.3% lower than one year ago and 14.8% lower than June.

**DAIRY PRODUCTS:** NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during July 2010 totaled 131.8 million pounds, down 3.2% from June 2010 production and 1.0% lower than July 2010. Cumulative 2010 nonfat dry milk powder production totals 958.3 million pounds, compared to 992.6 million pounds in 2009, a 3.5% decrease in production. Month ending stocks, at 193.6 million pounds, are 11.0% higher than a month ago and 11.7% higher than one year ago. Production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 22.6 million pounds, 30.8% lower than one month ago but 61.3% higher than production one year ago. Cumulative 2010 skim milk powder production totals 157.3 million pounds, compared to 146.9 million pounds during the same time span in 2009, a 7.1% increase in production.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2200 - 1.2800 MOSTLY: 1.2200 - 1.2500  
 HIGH HEAT: 1.3200 - 1.3800

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are steady to higher. Spot market activity has slowed in recent weeks and remained slow over the holiday weekend and into the early part of this week. Lower priced sales committed product in August and helped manufacturers return to better positions. Those lower transaction prices have been raised as product has cleared. Index pricing levels are somewhat unsettled and reflective of pricing for product shipped during the week, which includes previously lower prices. Drying schedules were heavier over the weekend. Milk intakes are often increasing and are above year ago levels. In the case of California, year ago milk levels were depressed. Low heat stocks are light to moderate and in better balance for several weeks of September. High heat NDM prices are slightly higher in light trading. Producer offerings are most often light. Production levels remain lighter than desired and most current offerings are filling contract orders. Some seasonal end product usage shifting is occurring. In general, stocks of high heat are light. U.S. NDM production in July 2010 totaled 131.8 million pounds, 1.0% less than last year. Cumulative YTD output through July totals 958.3 million pounds, down 3.5% from the same period in 2009. NDM production in the Western region in July totaled 103.5 million pounds, up 6.0% from last year. The West produced 79% of the U.S. total in July. U.S. manufacturers' stocks of NDM at the end of July were reported at 193.6 million pounds, 11.7% higher than a year earlier and 11.0% higher than June. U.S. skim milk powder (SMP) production in June totaled 22.6 million pounds, 61.3% more than last year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.1200 - 1.2400 MOSTLY: 1.1400 - 1.1750  
 HIGH HEAT: 1.2000 - 1.3600

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices in the Central region are unchanged to slightly higher, reflective of firming milk component values. Dry buttermilk production is steady to lower and dependent on future butter needs, current dry buttermilk holdings, and condensed buttermilk sales interest. Also, with butterfat prices increasing, various plants are trending toward cream sales versus butter inventory enhancement, which is curtailing dry buttermilk production. Dry buttermilk inventories are comfortable to light.

**EAST:** Prices for Eastern dry buttermilk were steady to firm for the week. Cream supplies were more readily available over the holiday weekend and resulted in increased churn activity. Movement of condensed buttermilk has slowed and combined with increased churn activity, dry buttermilk production has increased. Current supplies are moving through contracts with very little activity on the spot market. Supplies remain tight in the Northeast, but brokers report that demand and interest remains flat.

**DAIRY PRODUCTS:** NASS *Dairy Products* reports production of dry buttermilk during July 2010 totaled 5.7 million pounds, 0.8% more than June 2010 production, but 0.1% less than production one year ago. Cumulative 2010 dry buttermilk production totals 49.0 million pounds, 14.5% more than during the same time span of 2009. Month ending stocks of dry buttermilk, at 9.2 million pounds, are 3.9% higher than one month ago and 65.2% higher than the stock levels of one year ago.

F.O.B. CENTRAL/EAST: 1.3000 - 1.4400

**DRY BUTTERMILK - WEST**

The Western dry buttermilk market tone is firmer with pricing levels higher. The spot market is only lightly tested as offerings and demand are light. Product continues to move under contract but beyond that, there are limited transactions. Some buttermilk is moving as condensed to regular accounts. Some buyers have been utilizing other dairy proteins when priced to their advantage. Drying activity for buttermilk is steady to higher as more cream is being churned after the extended holiday weekend. Stocks are mostly light and continue to be held with confidence. Buttermilk powder production in July 2010 for the U.S. totals 5.7 million pounds, down 0.1% from last year. Buttermilk stocks at the end of July are 9.2 million pounds, 65.2% above a year ago and 3.9% higher than last month.

F.O.B. WEST: 1.2000 - 1.2550 MOSTLY: 1.2200 - 1.2300

**DRY WHOLE MILK - NATIONAL**

The dry whole milk price series is firming, gaining support from both current butterfat and nonfat solids price trends. Dry whole milk production is variable and focusing on internal needs and contract commitments.

**DAIRY PRODUCTS:** NASS's *Dairy Products* report shows dry whole milk production during July 2010 totaled 6.4 million pounds, up 17.2% from June 2010 and 25.7% more than July 2009. Cumulative 2010 production totals 40.1 million pounds, a 35.1% increase from 2009 production.

F.O.B. PRODUCING PLANT: 1.6100 - 1.7100

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 3	\$1.1101	18,620,266	0
August 27	\$1.1257	20,531,412	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 unchanged on the mostly price series, while the lower end of the range price series notched up one cent. Availability of dry whey spot loads was lower for the week. In response to recent declines in cheese orders, a few plants decreased cheese and related dry whey production during the last few weeks. Also, some plants are realigning production to incorporate additional whey stream products, which is lowering overall dry whey output for the foreseeable future for those locations. End user interest in securing dry whey production needs for 2011 is active, and discussions are ongoing. Human food dry whey production during July 2010 in the Central region totaled 41.6 million pounds. This dry whey production is 6.0% more than June 2010 production and 0.9% higher than July 2009. ANIMAL FEED DRY WHEY availability is adequate for the week, and prices are steady.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN AND ANIMAL dry whey during July 2010 totaled 87.5 million pounds, 1.7% higher than June 2010, but 6.5% lower than production 1 year ago. Cumulative 2010 dry whey production is 2.9% higher than 2009 production, totaling 610.6 million pounds. July ending stocks of HUMAN FOOD dry whey totaled 46.3 million pounds, 5.4% higher than 1 month ago but 19.6% lower than July 2009. ANIMAL FEED dry whey month ending stocks totaled 7.5 million pounds, 3.5% higher than one month ago and more than four times the stocks of one year ago.

F.O.B. CENTRAL: .3200 - .3800 MOSTLY: .3250 - .3650  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .3250

**DRY WHEY - NORTHEAST**

Dry whey prices in the Northeast continued their steady trend and were again unchanged this week. Dry whey production remains steady following the steady cheese production in the Northeast. Domestic demand continues to be steady to firm with increased volumes being pulled through contracts. Export interest continues to be active providing the market with a firm undertone. Northeast dry whey production and supplies are for the most part committed via contracts, causing those seeking additional loads to look to the Midwest to fill their need. The latest NASS Dairy Products report shows production of dry whey for human consumption in the Atlantic area totaled 20.6 million pounds, or 24.9% of the nation's total for July of 82.7 million pounds. The Atlantic area's production is 8.1% above June and 5.8% above production one year ago.

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

**DRY WHEY - WEST**

Whey prices in the West are steady. Market activity centers around contract deliveries with limited sales and offerings into the spot market. Demand for whey is showing some increase, with some buyers trying to acquire extra loads above contracted needs. Production is adequate for contracted demand. Early negotiations for fourth quarter needs are in progress. According to the NASS *Dairy Products* report, edible whey production in July totals 82.7 million pounds, down 8.1% or 7.2 million pounds compared to July 2009. The Western region produced 20.6 million pounds of whey in July, down 29.7% or 8.7 million pounds from last year. The West produced 24.8% of the whey in the U.S. in July. Cumulative total dry whey production for the year in the U.S. is 610.6 million pounds, up 2.9% or 17.1 million pounds from the same period in 2009. Manufacturers' stocks at the end of July for edible whey are 46.3 million pounds, down 19.6% or 11.3 million pounds from last year. The August 2010 Dairy Market News monthly average price for Western dry whey range was \$0.3739 compared to \$0.3214 for August 2009; the Western dry whey mostly series averaged \$.3756 compared to \$.3200 a year ago.

NONHYGROSCOPIC: .3425 - .4075 MOSTLY: .3500 - .3950

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during July 2010 totaled 44.5 million pounds, a 3.6% decrease in production from June 2010 and 3.4% lower than July 2009. Manufacturers' end-of-month stocks totaled 123.4 million pounds, 22.8% higher than last month and 17.6% higher than one year ago.

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market is firm and prices moved higher in response to limited spot market availability and consistent buyer demand. WPC 34% production is steady to lower, varying from manufacturer to manufacturer. For some locations, WPC production decreased as recent cheese orders declined. Other plants are working through mechanical/maintenance issues that tended to move more loads of condensed WPC into the spot market. Lower farm milk component values are also decreasing cheese and WPC yields. WPC 34% inventories are described as tight, with some delays in shipping occurring. Some purchaser requests for additional product above contract volumes are unable to be satisfied within the next few weeks.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during July 2010 totaled 20.3 million pounds, 0.2% more than June 2010 production but 11.9% less than production of one year ago. Cumulative 2010 HUMAN AND ANIMAL WPC (25.0%-49.9% PROTEIN) production through July, 141.4 million pounds, is 8.8% lower than 2009 production through the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 20.9 million pounds, 3.7% more than June 2010 but 5.5% less than July 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .9400 - 1.0400 MOSTLY: .9500 - .9800

**LACTOSE - CENTRAL AND WEST**

Lactose prices are mostly unchanged for the week, and reflect September monthly, third quarter, and weekly spot market prices. Some manufacturers' offers to the spot market are markedly lower as negotiations for the fourth quarter proceed. Various sellers indicate buyer interest is reaching beyond the 2010 fourth quarter in many instances, with inquiries for securing 2011 contract volumes mounting. Availability of 100+ mesh size lactose is tight, with production efforts complicated by recent bouts of high humidity in some areas.

NASS's *Dairy Products* report shows HUMAN AND ANIMAL lactose production during July 2010 increased 2.8% compared to June 2010 to 78.2 million pounds and was 27.8% higher than July 2009 production. Cumulative 2010 lactose production totals 505.1 million pounds, 23.3% more than during the same time span in 2009. Month ending stocks, at 81.9 million pounds, are 7.1% more than one month ago, and 40.2% higher than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL: 1800- .4225 MOSTLY: .2900- .3525

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Concern by domestic buyers pertaining to supply availability continues. The European casein production season is declining and for some producers, coming to a quicker end than projected. For those that are experiencing lighter production schedules at the end of the season, for most it is a lack of milk. Not that production is dropping that quickly, but plant managers are pulling milk away from casein production and redirecting it towards other manufactured dairy products when possible. Oceania casein output is still a few weeks away from resuming. Casein output in this region occurs on both sides of peak milk output and that situation has not yet arrived. Suppliers in both Oceania and Europe remain optimistic about supply availability. European production has been geared to known needs and although output at this time of the season is lighter than projections, most feel that they will accommodate customer needs. At this point, Oceania suppliers do not foresee any challenges in their supplies and customer commitments.

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 SEPTEMBER 6 - 10, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 09/03/10	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	277,475,798	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	277,475,798	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 6 - 10, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	-0.3	-14.4
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	CUMULATIVE SAME PERIOD LAST YEAR =	162.2	3,230.4
CUMULATIVE JAN. 1 - SEP. 10, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	137.0	1,896.8

\* 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 SEPTEMBER 6 - 10, 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	277,475,798	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	277,475,798	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 08/21/10 & 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	7.0	2.6	17.9	4.5	0.4	N.A.	13.1	2.7	50.7	1,794.3	43.0	44.0
2009-Dairy	N.A.	0.5	8.0	2.7	18.0	4.7	0.4	N.A.	18.2	3.8	58.2	1,869.7	48.0	47.7
2010-All cows	N.A.	0.7	8.8	14.0	31.4	22.1	13.4	N.A.	17.3	6.4	117.9	4,076.4		
2009-All cows	N.A.	0.6	10.1	13.4	31.9	20.1	13.5	N.A.	20.9	7.2	121.2	3,921.2		

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, 31	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	15.50			
II	15.22	15.65	14.46	13.78	14.90	16.01	17.10	16.98				
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18				
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61				

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 30 - September 10, 2010

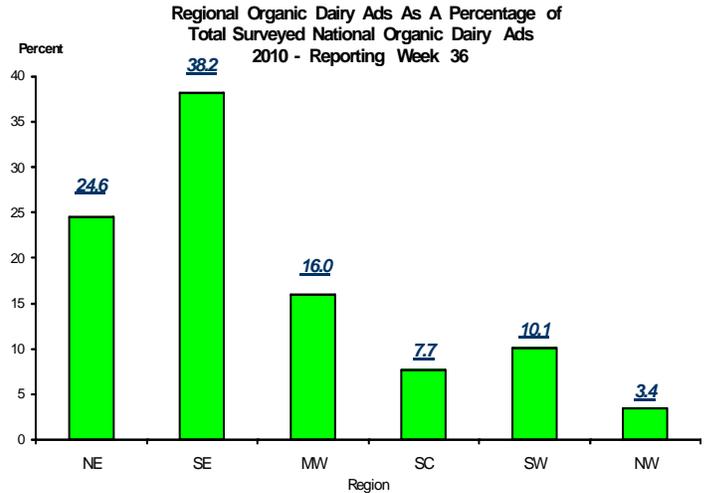
ORGANIC DAIRY FLUID OVERVIEW

Organic manufacturers are increasingly factoring recent significant increases in non-organic cream and butter prices into organic production decisions. Some organic butter production has been deferred due to decisions to sell organic cream for non-organic use – intentionally – to take advantage of current high prices for non-organic cream. Satisfactory inventories of organic butter make this a realistic profit opportunity for some organic manufacturers. The strength of non-organic butter prices has narrowed the spread between organic and non-organic butter prices at retail. While not the norm, in some markets it is now possible to find occasional retail outlets with certain brands of organic butter priced lower than non-organic butter at other retail outlets. This illustrates the shrinking difference between organic and non-organic butter in many markets. As a result, sales of organic butter have also strengthened for some organic manufacturers.

Another impact of some organic manufacturers electing to sell organic cream into non-organic markets has been decisions to delay new organic product introduction – or at least, slowing the advance of new products now manufactured into new geographic areas.

Organic production remains un-balanced as to demand for some manufacturers in certain regions; particularly the Northwest being a bit heavy and the Northeast being tighter. A general preference is to transport organic milk from regions with heavier supplies if that can be done economically, before selling organic milk into non-organic uses.

The pasturing factor, which is now a more defined aspect of organic production pursuant to the Access to Pasture standards, is expected to make an impact in coming weeks. It has been observed that the more moderate temperatures in some areas have caused some rebound in pastures, which some processors expect to translate into somewhat increased organic milk production in coming weeks as cows are able to graze more freely.



**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 eight weeks. Organic milk ad placements exceed organic yogurt placement numbers. Organic milk numbers lead with 3,484 ad placements, compared with 1,186 for organic yogurt. Nevertheless, yogurt ad numbers were nearly double the number two weeks ago.

Organic milk ad placements are dominated by ads for 8 ounce aseptic containers, 1,980. This is followed by 1,208 ads for organic half gallons and 296 for organic gallons.

Organic yogurt placements for 6 ounce containers, a traditionally standard ad item, registered 592 ad placements this report. A periodic product advertised, Greek yogurt, registered 794 ads for 4 ounce containers. For 32 and 64 ounce organic yogurt containers, there were no ad placements.

Organic milk ads appeared in all regions. The highest concentration of milk ads, 39.8%, appeared in the Southeast, closely followed by the Midwest with 37.4% of organic milk ad placements. The remaining regions and percentages are the Northeast, 10.8%; South Central, 6.9%; Northwest, 3.0%; and Southwest, 2.0%.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic milk ad numbers dominate organic dairy ads, continuing the pattern of the previous six weeks. Ad numbers for gallon containers of organic milk significantly declined this period just as noticeably as they increased two weeks ago, now trailing well behind ads for 8 ounce aseptic containers of organic milk and half gallon ads. While organic yogurt ads remain well behind organic milk ad numbers, as a percentage, yogurt ads at about 34% of milk ads are up from about 20% two weeks ago.

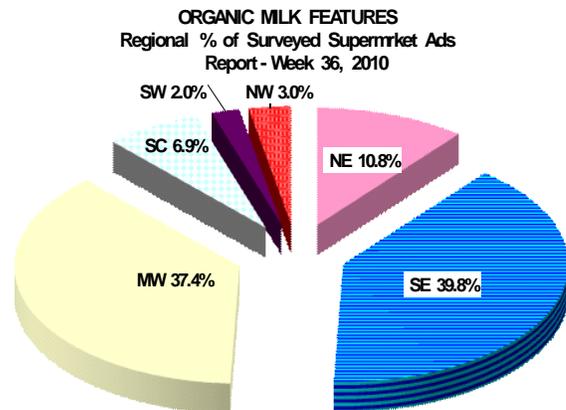
Newspaper supermarket ads for the period August 28, 2010 to September 10, 2010 identifying weekly “specials” and containing organic dairy content, numbered 4,013 of 9,150 surveyed ads, which is above levels for the prior six weeks.

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

Ads this period continued the pattern of representing a mixture of national brands and private label organic milk – even in ads for the same store.

Noteworthy for the current two week period is the emergence of multiple organic dairy items being advertised by individual stores. The more normal pattern is for one organic dairy item appearing in a given store’s advertisement.

**Regional Organic Dairy Ad Trends – Current Period.** The Southeast, with 38.2% of all organic dairy ads this period, placed highest among the six region. The remaining regions and percentage include: Northeast, 24.6%; Midwest, 16.0%; Southwest, 10.1%; South Central, 7.7%; and Northwest, 3.4%.

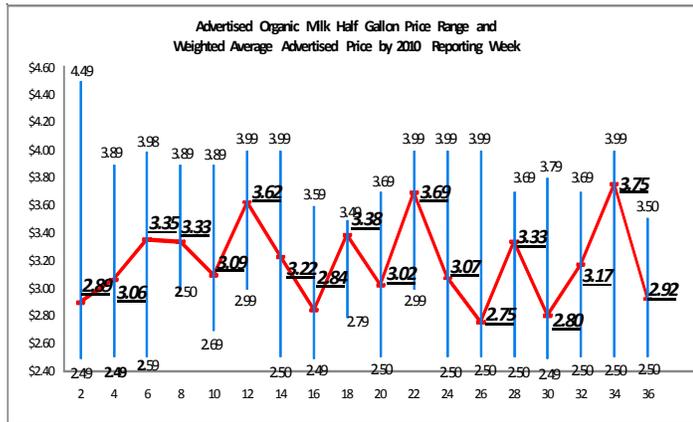


ORGANIC DAIRY MARKET NEWS

Information gathered August 30 - September 10, 2010

CONTINUED FROM PAGE 8

**Half Gallons.** The national weighted average advertised price for half gallons of organic milk fell to \$2.92, more within the general trend of weighted average advertised prices than two weeks ago, which was the highest weighted average advertised price of 2010. This decline was driven by a 49 cent decline in both the top of range price to \$3.50, as well as the lower concentration of prices toward the top of the range. The range remained unchanged at the bottom, \$2.50.

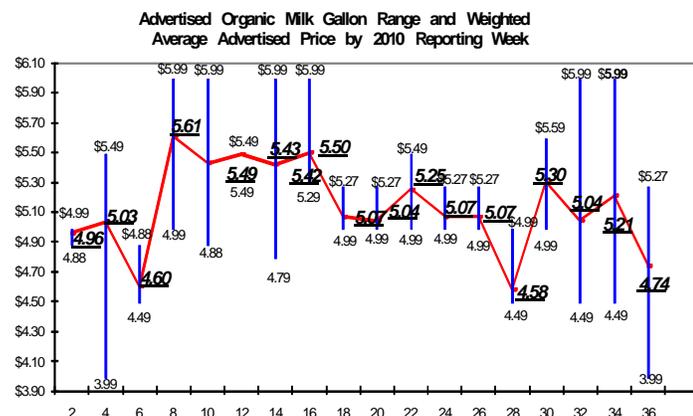


The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION %	WTD. AV. ADV. PRICE \$	
NE	8.4	3.50
SE	28.1	2.51
MW	37.7	3.26
SC	22.0	2.63
SW	—	—
NW	3.7	2.79

**Gallons.** The national weighted average advertised price for organic milk gallons fell 47 cents to \$4.74. The range fell 72 cents at the top, to \$5.27 and the bottom fell 50 cents to \$3.99. It should be noted that this period there are far fewer ads for gallons, 296, compared with 1,376 two weeks ago. There are also ads in two fewer regions. Ad placements are in the Northeast, Southeast and South Central regions. It should be recalled that this price decline reflects advertised prices and not necessarily prevailing supermarket prices in the larger number of stores selling organic gallons which did not advertise prices.



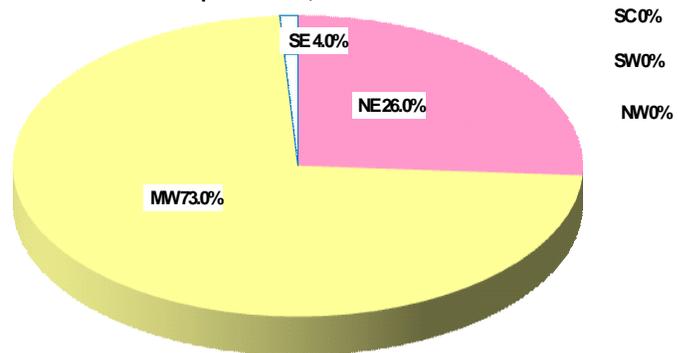
The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

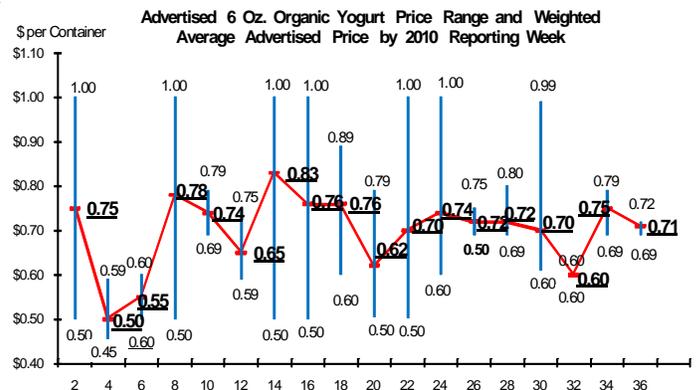
REGION %	WTD. AV. ADV. PRICE \$	
NE	66.2	4.99
SE	26.7	3.99
MW	—	—
SC	7.1	5.27
SW	—	—
NW	—	—

**Yogurt.** The Midwest, with 73.0% of total organic yogurt ad placements, leads all regions. Next is the Northeast, with 26.0%, followed by the Southeast, with 4.0%. 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 36, 2010



Weighted national average advertised organic yogurt prices in 6 ounce containers fell 4 cents to \$0.71. This is within 5 cents of six of the last seven report periods. The range is only 3 cents, 72 cents at the top and 69 cents at the bottom.



CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered August 30 - September 10, 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 26.0	0.72
SE 10.0	0.72
MW 73.0	0.70
SC	
SW	
NW	

Other organic yogurt ad placements included 451 for 4 ounce Greek yogurt. **Butter.** All 295 organic butter ads were split between the Southeast, Northeast and Midwest, at prices between \$3.99 and \$4.99.

**Cheese.** Of 201 ads for organic cheese of various varieties, 165 were in the Midwest and 36 in South Central states. The 8 ounce price is \$3.50.

No ads appeared for organic ice cream, cottage cheese. Cream cheese, sour cream or half and half.

**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 appears below.

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE  
REPORTING WEEK 36

	MADISON, WI		
	LOW	HIGH	RANGE
<b>GALLONS:</b>			
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
<b>HALF GALLONS:</b>			
Whole	1.99	4.39	2.40
Reduced Fat (2%)	1.99	4.39	2.40
Low Fat (1%)	1.99	4.39	2.40
Nonfat (Skim)	1.99	4.39	2.40
<b>CHOCOLATE HALF GALLON:</b>			
	3.39	4.50	1.11
<b>YOGURT</b>			
	.75	1.59	0.84
<b>CHEESE – 8 OUNCE BLOCKS:</b>			
Mozzarella	3.70	5.75	2.05
Mild Cheddar	3.49	6.19	2.70
Monterey Jack	3.49	6.19	2.70
Pepper Jack	3.89	6.49	2.60

**LOW HIGH RANGE**  
**(In Dollars)**

**CHEESE – 6 OUNCE STRING**

Mozzarella	3.00	5.09	2.09
Colby Jack	3.00	5.09	2.09

**BUTTER – 1 POUND**

	4.59	6.49	1.90
--	------	------	------

While gallon organic milk prices are unchanged, half gallons reached a new low for 2010: \$1.99 in one outlet. This is 98 cents lower than at any time during 2010. The top price among stores remained \$4.39, which has been the top of range price for each of the 18 bi-weekly reporting periods of 2010 except two, when the top price was 40 cents lower at \$3.99.

By virtue of the new low range price, the current range is the greatest of 2010, \$2.40. Previously the greatest price range for organic half gallons during 2010 had been \$1.65, which occurred only twice. The most common range has been \$1.40, which occurred in 8 of 18 reporting periods, with \$1.41 occurring in another. The smallest range has been \$1.00 and occurred only once.

As for cheese, no changes appeared at the top of the range nor except for mild cheddar or Monterey Jack, at the bottom. Mild cheddar and Monterey Jack reached new range low prices for the twelve bi-weekly periods of 2010 that cheese has been tracked, each reaching \$3.49; narrowly below the previous low but still a new low range price. The top of range prices seldom change, as with half gallons, so range variation tends to be driven by changes in low prices.

**ORGANIC GRAIN AND FEEDSTUFF MARKETS:**

National organic grain and feedstuff prices were mostly steady with light demand and light to moderate offerings. Trade activity was slow. Concerns over the U.S. economy have put a damper on buying interest. Additionally, organic producers and buyers are hesitant to do much business ahead of harvest. Large bales of premium organic alfalfa in Texas ranged from \$205 to \$210 per ton, delivered.

Eastern organic grain and feedstuff prices were steady. Demand was light for moderate offerings. Trade activity was slow, as concerns with the U.S. economy have driven buying interest to a near standstill. Early reports of new crop contracts for feed corn and soybeans have been light. Feed corn ranges from 5.00 to 5.50 per bushel.

Upper Midwest organic grain and feedstuff's prices were firm, with very light demand and offerings. Many farmers and grain buyers are in a "wait-and-see" mode at this time, awaiting news and results of this year's harvest. During this reporting period, there were limited reports of spot market trades, however, previously contracted grain movement was noted.

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

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES\*

Forecast milk production for 2010 and 2011 is raised from last month. Producers continue to add cows to the herd and inventories are forecast to increase into mid-2011. The rate of growth in milk per cow is also increased from last month. Fat basis export forecasts for 2010 are raised on strong sales of butterfat and cheese, but 2011 exports are lowered. Skim-solids exports for 2010 and 2011 are forecast higher than last month. Imports are reduced from last month due to higher U.S. production and strong demand in other importing countries. Ending stocks for 2011 are increased as U.S. production is forecast higher. Strong demand for cheese and tight supplies of butter support higher forecast prices for 2010 and 2011. Stronger demand is forecast to absorb most of the increased production although prices are expected to be tempered during the latter part of 2011. Price forecasts for nonfat dry milk (NDM) are raised for 2010, but the 2011 forecast is unchanged from last month as increased supplies limit price gains. The whey price forecast is unchanged. Both Class III and Class IV price forecasts for 2010 and 2011 are raised due to the higher product prices. The all milk price is forecast to average \$16.25 to \$16.45 per cwt for 2010 and \$15.85 to \$16.85 per cwt for 2011.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Projected		2011 Projected	
		August	September	August	September
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	189.3	192.0	192.7	194.6	196.2
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	10.5	10.4
MARKETINGS	188.3	191.0	191.7	193.6	195.3
IMPORTS	5.6	4.2	4.1	4.3	4.0
TOTAL COMMERCIAL SUPPLY	204.0	206.6	207.1	208.4	209.6
FAT BASIS USE					
COMMERCIAL EXPORTS	4.1	6.3	6.6	5.6	5.4
ENDING COMMERCIAL STOCKS	11.3	10.5	10.4	9.9	10.2
CCC NET REMOVALS <u>1/</u>	0.7	0.2	0.2	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.7	189.5	189.9	192.9	194.0
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	11.4	11.5
MARKETINGS	188.3	191.0	191.7	193.6	195.3
IMPORTS	5.5	4.6	4.5	4.7	4.3
TOTAL COMMERCIAL SUPPLY	204.7	207.0	207.5	209.6	211.0
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.5	28.8	29.3	28.0	28.3
ENDING COMMERCIAL STOCKS	11.3	11.4	11.5	11.0	11.2
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.6	167.1	166.9	170.6	171.5
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	30	8	8	0	0
CHEESE	2	2	2	0	0
NONFAT DRY MILK	247	2	2	0	0
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program.  
2/ Includes commercial exports.

Continued on page 10

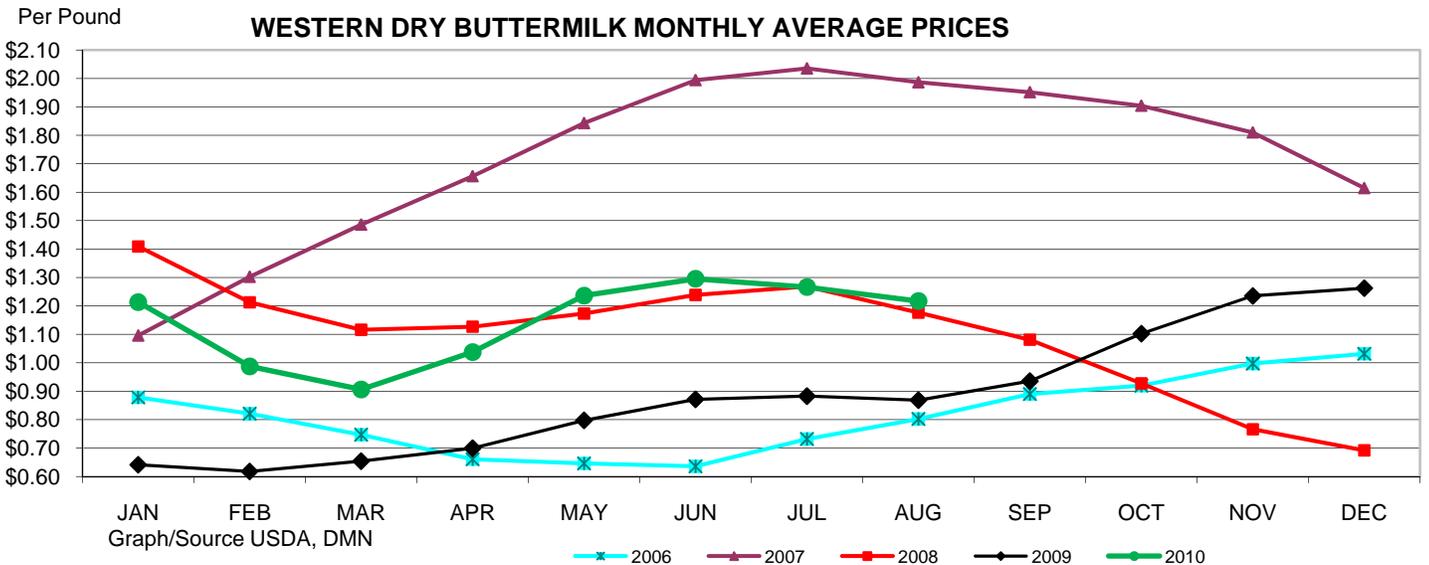
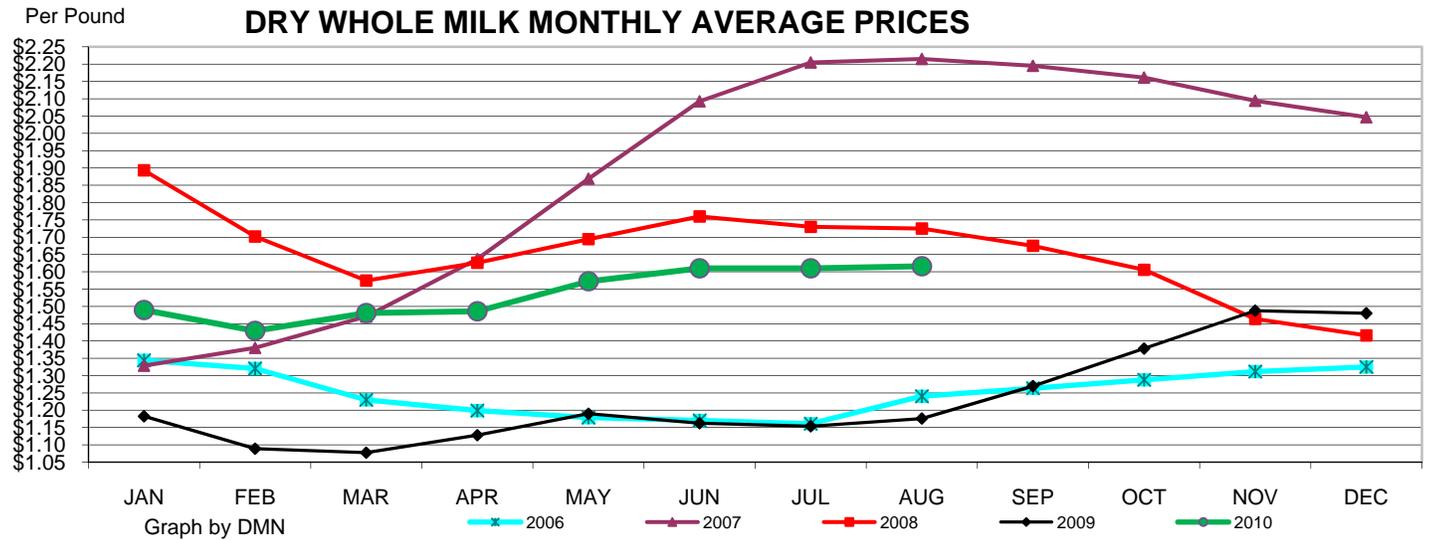
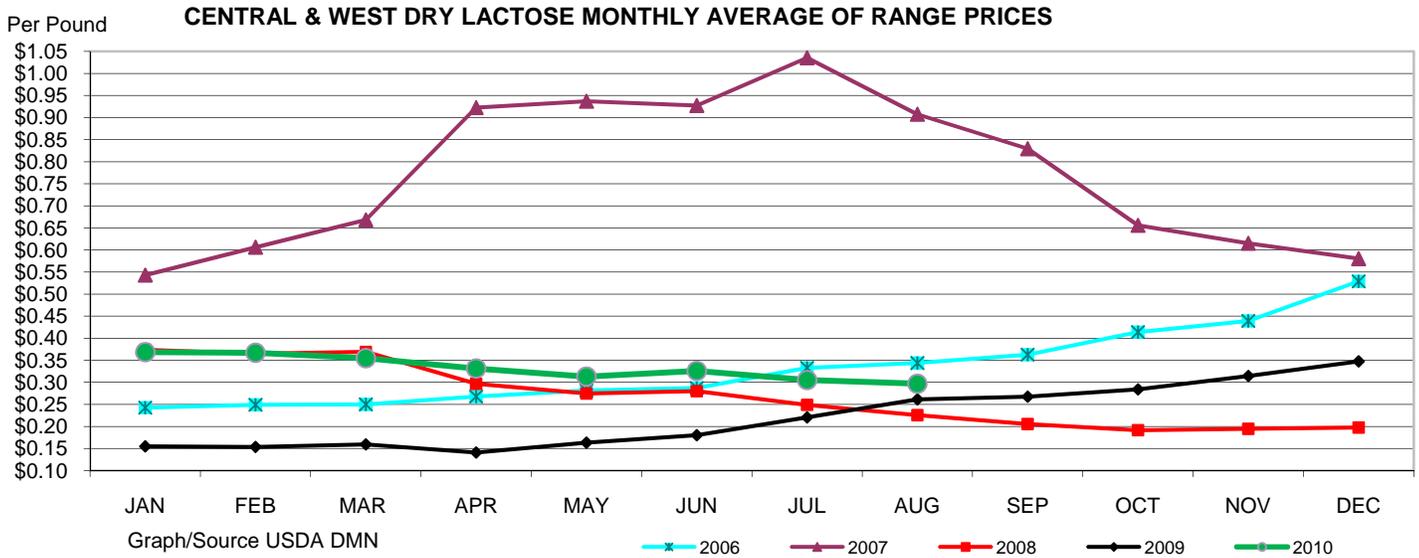
SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

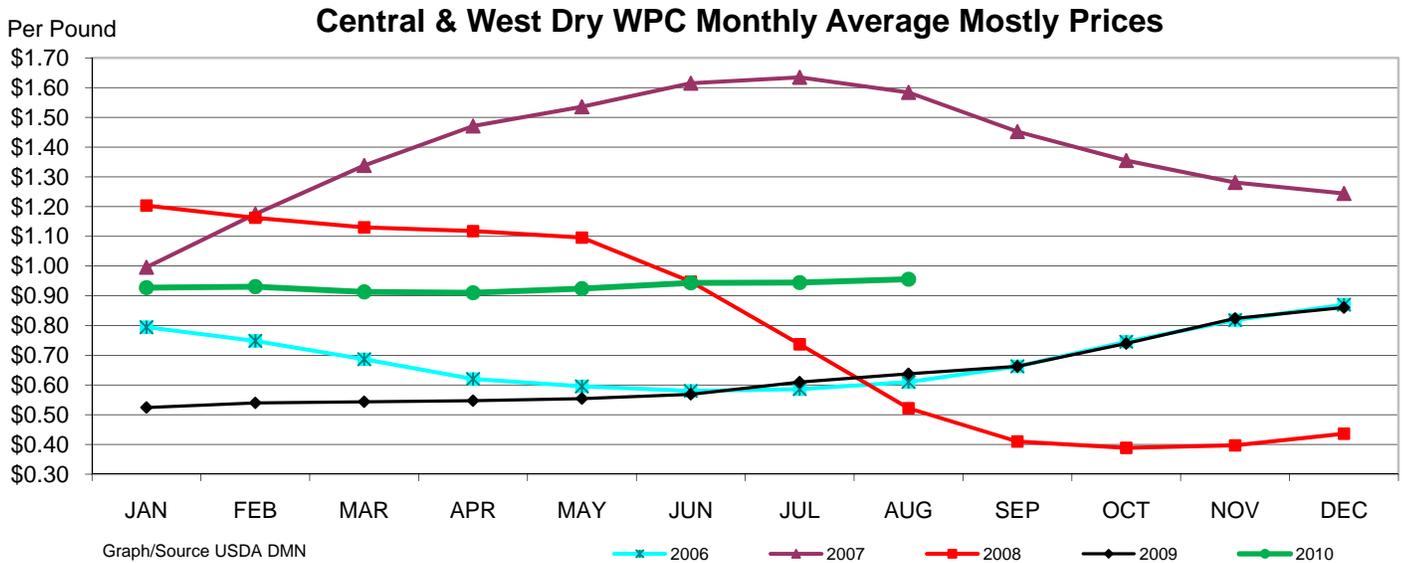
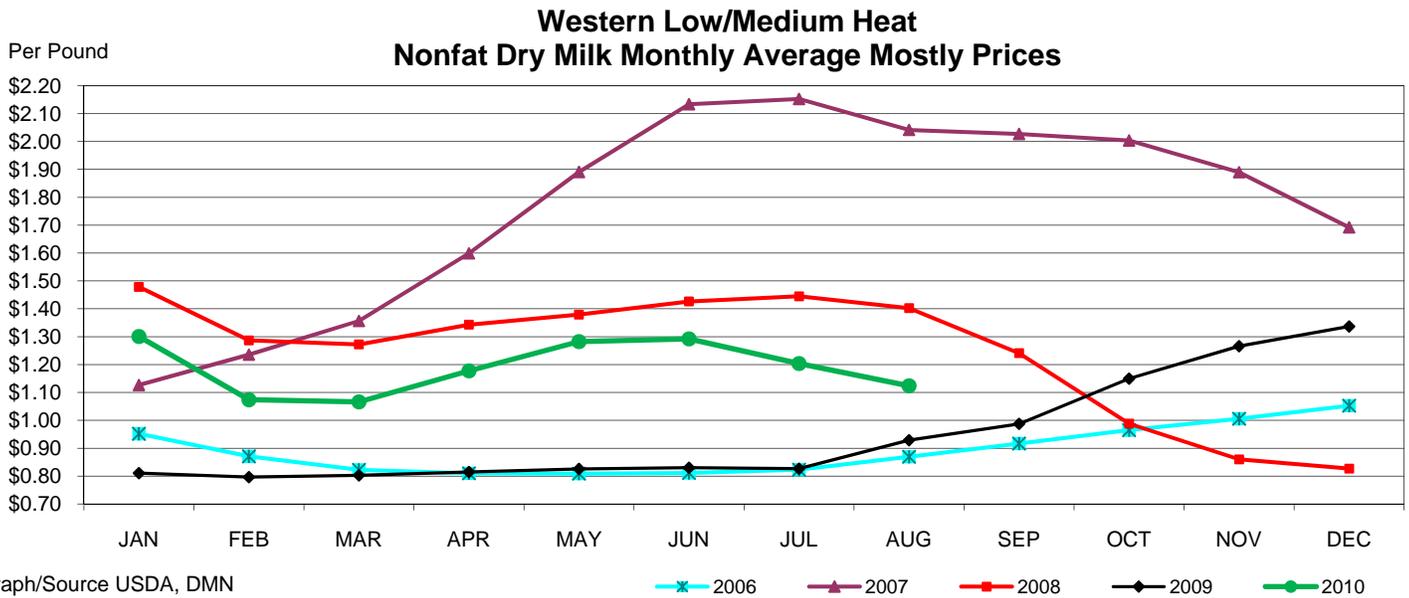
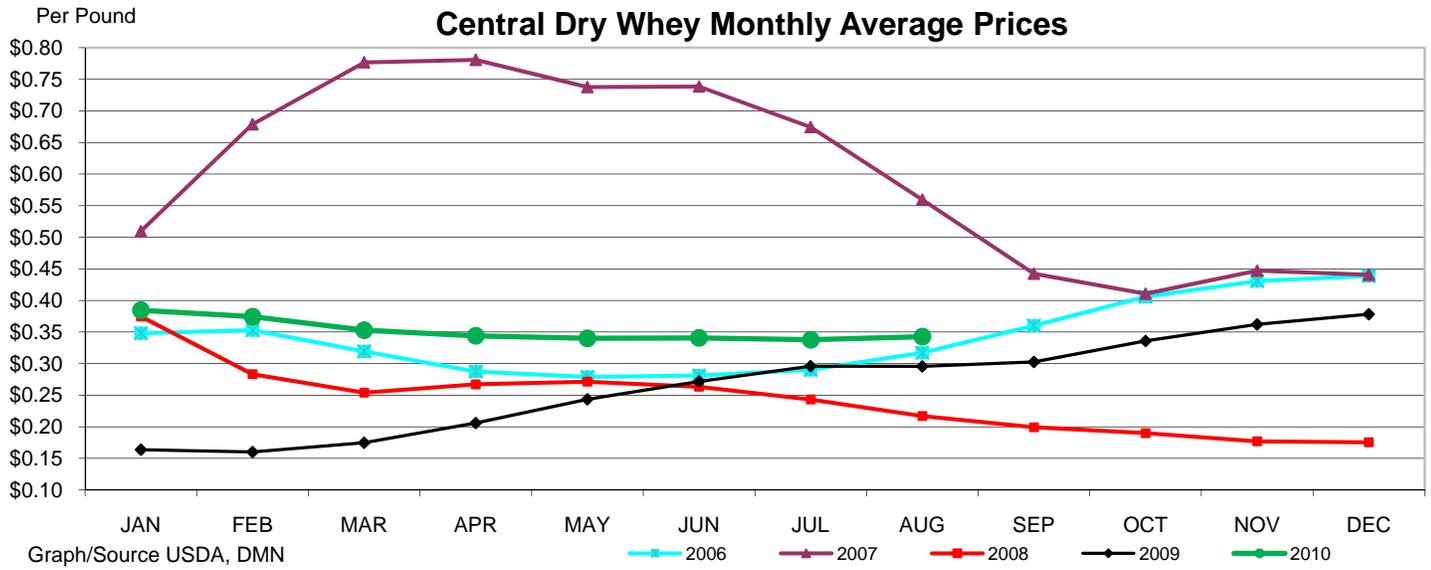
U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		August	September	August	September
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.2963	1.500-1.520	1.530-1.550	1.505-1.605	1.530-1.630
BUTTER	1.2094	1.610-1.650	1.690-1.730	1.435-1.565	1.485-1.615
NONFAT DRY MILK	0.9222	1.145-1.165	1.150-1.170	1.175-1.245	1.175-1.245
DRY WHEY	0.2584	0.360-0.380	0.360-0.380	0.355-0.385	0.355-0.385
<b>DOLLARS PER CWT</b>					
MILK PRICES <u>2/</u>					
CLASS III	11.36	14.15-14.35	14.50-14.70	14.15-15.15	14.40-15.40
CLASS IV	10.89	14.50-14.80	14.90-15.20	14.00-15.10	14.25-15.35
ALL MILK <u>3/</u>	12.84	15.90-16.10	16.25-16.45	15.55-16.55	15.85-16.85
<b>QUARTERLY</b>					
	2010 II	2010 III <u>4/</u>	2010 IV <u>4/</u>	2011 I <u>4/</u>	2011 II <u>4/</u>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	49.7	47.9	47.6	48.7	50.5
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <u>2/</u> <u>3/</u>	15.07	16.60-16.80	17.85-18.35	16.30-17.10	15.55-16.55
CLASS III PRICE <u>2/</u>	13.31	14.95-15.15	15.85-16.35	14.50-15.30	14.40-15.40
CLASS IV PRICE <u>2/</u>	14.82	15.90-16.20	15.80-16.40	14.70-15.60	14.10-15.20

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Prices;" then select "Description." 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA.

**SOURCE:** "World Agricultural Supply and Demand Estimates," WASDE-486, World Agricultural Outlook Board, USDA, September 10, 2010.





# DAIRY MARKET NEWS

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