

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (09/17):**

BUTTER: Grade AA closed at \$2.2225. The weekly average for Grade AA is \$2.2225 (-.0013).

CHEESE: Barrels closed at \$1.7100 and 40# blocks at \$1.7350. The weekly average for barrels is \$1.7100 (+.0175) and blocks, \$1.7350 (+.0087).

BUTTER HIGHLIGHTS: Butter prices remained unchanged at \$2.2225 per pound all week on the CME Group cash butter market. Cream supplies for churning were somewhat more available, allowing additional churning. Cream multiples were steady to mostly lower as standardized cream volumes are larger with schools back in session. Butterfat tests are also steady to slightly higher seasonally. Other cream users, particularly ice cream, are limiting production to products in the tightest supply as they try to reduce inventory. Many manufacturers are micro-fixing bulk butter to fill print orders. Overall butter demand is cautious as current butter prices may reduce butter demand.

CHEESE HIGHLIGHTS: Cash cheese prices at the CME Group were steady. Many in the trade are unsure of market direction over the next several weeks. Natural interest has improved though commercial process movement is slower seasonally. Current cheese offerings remain tight as limited milk supplies keep production lower through most of the country. Supplemental cheese supplies are moving from storage for some applications as well as for aged cheese needs. Cheese production is seasonally light as bottlers are using significant milk volumes for school accounts. According to FAS, cheese and curd exports for January-July total 212.5 million pounds, up 61% from the same six months in 2009. These exports account for 3.5% of U.S. total cheese production during the period. The Kansas City Commodity Office (KCCO) announced on September 16 Solicitation #DPPC2-001 seeking between 4,870,800 - 26,967,600 pounds of process cheese products and between 79,200 - 237,600 pounds of Kosher process for January - June 2011 delivery. Offers are due September 30. KCCO also announced on September 16 Solicitation DPPC2-002 seeking between 4,633,200 - 39,481,200 pounds of reduced sodium process cheese and between 79,200 - 316,800 pounds of Kosher process for delivery July - December 2011. Offers are

also due September 30. The reduced sodium process is a new, separate Solicitation.

FLUID MILK: Milk handling has moved into more predictable patterns as fluid needs for schools are known and production is steady to occasionally higher with plant capacity to handle surpluses. Milk continues to be shipped to the Southeast to fill in shortages. Milk production is steady to lower in the Northeast and Mid Atlantic states with a strong Class I pull. Southeastern milk output is slightly higher following a reprieve with cooler weather conditions. Midwestern manufacturing milk supplies are tight with milk intakes showing slight recovery with seasonal temperatures commonplace. Milk production in California and Arizona is trending steady to slightly higher. Conditions are favorable for milk cows. Northwest and Mountain States milk output is often steady and remains above a year ago levels.

DRY PRODUCTS: Nonfat dry milk prices are often higher and experiencing a firmer undertone. Spot offerings are limited in the short term. Production levels are mostly steady. FAS reports that January-July 2010 exports of nonfat dry milk total 413.7 million pounds, a 37% increase from the 2009 period. Dry buttermilk prices are steady to slightly higher. Some seasonal demand is taking more stocks. Production remains light as butter churning is limited. Dry whey prices are steady. Offerings are generally light and meeting a limited demand. U.S. exports of whey for January-July total 332.5 million pounds, up 31% from the 2009 period. WPC 34% market is steady. Demand is fair to good for limited spot offerings with the contract market being steady and generally filled. U.S exports of WPC 34% for the first seven months of 2010 are 158 million pounds, up 48% from the same period a year ago. Lactose prices are steady with supplies and offerings on the tight side with higher mesh sizes in the tightest positions. U.S. exports of lactose are 182.8 million pounds, up 21% from the same period in 2009.

INTERNATIONAL OVERVIEW (DMN): Australian milk production is steady to higher. Areas of northern portions of the country are receiving a considerable amount of rainfall with some localized flooding seen at times. The immediate impact on the

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CME GROUP CASH TRADING

PRODUCT	MONDAY SEPTEMBER 13	TUESDAY SEPTEMBER 14	WEDNESDAY SEPTEMBER 15	THURSDAY SEPTEMBER 16	FRIDAY SEPTEMBER 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7100 (+.0050)	\$1.7100 (N.C.)	\$1.7100 (N.C.)	\$1.7100 (N.C.)	\$1.7100 (N.C.)	(+.0050)	\$1.7100 (+.0175)
40#BLOCKS	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	(N.C.)	\$1.7350 (+.0087)
NONFAT DRY MILK EXTRAGRADE	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(N.C.)	\$1.2250 (N.C.)
GRADE A	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2300 (N.C.)	\$1.2300 (N.C.)	(N.C.)	\$1.2300 (N.C.)
BUTTER GRADE AA	\$2.2225 (N.C.)	\$2.2225 (N.C.)	\$2.2225 (N.C.)	\$2.2225 (N.C.)	\$2.2225 (N.C.)	(N.C.)	\$2.2225 (-.0013)

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

NATIONAL DAIRY MARKET AT A GLANCE

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milk flow is that milk growth slowed as rains affected pastures and cows were in more wet conditions and not milking as well. Despite the current situation, the overall forecast is still expected to reach 2% over the previous season. With the moisture levels received this spring, the water systems are full and will be able to supply water for the upcoming growing season. With drought conditions in most past years, the option of full season water has not been realized. **New Zealand** milk production is steady to higher and building towards the seasonal peak generally seen in October. Current intakes are running 2-3% higher than year ago levels. Weather conditions in the North Island are typical of spring, cool and wet with minor flooding occurring. Processing plants are running along expected schedules. There were some minor plant issues at a larger plant south of the epicenter of a large earthquake that have mostly been resolved. Several smaller plants have had to have milk supplies diverted to other facilities because of damage. At dairy farms, most escaped with only minor damage and were able to cope with power outages by using generators. The impact to the dairy sector was slight in the scope of what happened. At the September 15 bimonthly **global/Dairy Trading (gDT)** event, prices for all delivery periods were mixed, from generally steady for dairy powders to sharply higher for dairy fat. The average price for anhydrous milk fat was \$5,189 per MT, 10.2% higher than the previous event average; buttermilk powder prices averaged \$2,992, -6.4%; skim milk powder prices averaged \$3,229, +1.0%; and whole milk powder prices averaged \$3,602, +1.4%. Milk production levels remain strong at levels above a year ago for most countries in **Western Europe** and are following the trends of recent months. Output is around 3% higher than year ago levels in Germany, 6% higher in France, 8% higher in Ireland, and 6% higher in the UK. Russian demand for dairy products is down slightly as those needs are assessed against their latest purchases. With current returns and product needs, milk is moving into cheese production, with good demand for consumption milk. Production levels of SMP, WMP, and butter are lower. Pricing levels for European butter and butteroil are mostly steady to slightly higher within the reported ranges. The market tone is stable and supplies are tight. Producers are selling cream to other usages. Market activity is often centered on local accounts with exporting slower. Butteroil prices are often too high to make exports work. Production of butter is lower as milk is taken for consumption milk and cheese needs. Butteroil production is limited to light contract needs. At the September 9th Dairy Management Committee meeting in Brussels, all offers for intervention butter stocks (1,500 MT) were rejected. Pricing levels are higher for European whey powder. Internal demand is higher. Export interest is evident, but the higher prices and stronger Euro are working against making exports work. Production levels are steady to higher and reflect some of the higher trends of cheese output as milk is moved towards cheese. The feed sector is gauging what impact the first sellback of SMP from intervention stocks could have on the whey and protein markets. European skim milk powder markets and prices are mostly steady to slightly higher. Minimal price increases in the latest gDT SMP auction occurred, but still put Oceania price ahead of current European

pricing levels. Export interest for European SMP is fair to good and along expected levels. There is interest into Russia and some other tenders are being shopped. Production of SMP continues to trend lower with milk moving towards increased needs for consumption milk and cheese production. At the September 9th Dairy Management Committee meeting in Brussels, offers for 1700 MT of intervention SMP stocks at 211 Euro were accepted, marking the first time this year that the Committee accepted offers for SMP. All offers below the 211 Euro mark/100kg (approximately \$2720 per MT) were rejected. The trade is assessing what impact this and any future sales would have on the various dairy protein markets, realizing the sales are for non food usages.

JULY FLUID MILK SALES (AMS): During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.9% lower than July 2009. After adjusting for calendar composition, sales in July 2010 were 2.6% lower than July 2009. On an individual product basis, sales of organic whole milk, low fat milk (1%), and organic fat-reduced milk increased from July 2009, while sales of whole milk, flavored whole milk, reduced fat milk (2%), fat-free (skim) milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

MAILBOX MILK PRICES (AMS&CDFA): In June 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.39 per cwt., up \$0.31 from the previous month average, and up \$4.12 from June 2009. The component tests of producer milk in June 2010 were: butterfat, 3.52%; protein, 2.96%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except Western Pennsylvania and Michigan where mailbox prices remained unchanged. Mailbox prices ranged from \$17.52 in Florida to \$13.82 in New Mexico.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for October 2010 is \$16.58, up \$1.08 from September. This price is derived from the advanced Class IV skim milk pricing factor of \$8.62 and the advanced butterfat pricing factor of \$2.3594 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for October is \$9.32 and the Class II nonfat solids price is \$1.0356 per pound. The following are the two-week product price averages: butter \$2.1198, nonfat dry milk \$1.1351, cheese \$1.6747, and dry whey \$0.3607.

AUGUST FMMO MARKETING AND UTILIZATION (DAIRY PROGRAMS): During August, about 10.4 billion pounds of milk were received from producers. This volume of milk is 3.5% higher than the August 2009 volume. In August 2010, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.7 billion pounds of producer milk were used in Class I products, 0.3% lower than the previous year. The all-market average Class utilization percentages were: Class I = 35%, Class II = 12%, Class III = 46% and Class IV = 7%. The weighted average statistical uniform price was \$16.92, \$0.73 higher than last month and \$5.03 higher than last year.

CME GROUP

MONDAY, SEPTEMBER 13, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.7100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, SEPTEMBER 14, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.7100; 1 CAR 40# BLOCKS @ \$1.7350; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.2300

WEDNESDAY, SEPTEMBER 15, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.7100; 7 CARS 40# BLOCKS @ \$1.7350; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, SEPTEMBER 16, 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 @ \$2.2200, 1 @ \$2.2225; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.2225

FRIDAY, SEPTEMBER 17, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2000; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.2300

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group have held steady after last Thursday's \$0.0025 decline, closing Tuesday at \$2.2225. Last Thursday's decline was the first decline in 71 trading sessions. Cream supplies continue to tighten after the Labor Day holiday as cream demand remains very strong. Prices and multiples are rebounding with strength, ranging from 155-162. Orders for butter have declined marginally after the holiday, but butter makers continue to draw down inventories in order to cover current orders.

CENTRAL

The CME cash butter price remains firm. Following a slight decline in cash trading last Thursday, the cash price has held steady at \$2.2225, 30 1/2 cents higher than a month ago and 98 1/4 cents higher than last year at this time. Churning activity in the Central part of the country has eased as cream supplies tighten once again. Class II demand has resumed following the recent Labor Day holiday period, thus limiting cream supplies for Class IV needs. Some butter producers continue to sell a portion of their cream supplies, while some that were selling cream have cut back on their sales. Some butter producers are now looking ahead to fourth quarter needs and trying to generate additional inventory for that period. Butter and anhydrous milk fat continues to be generated for export commitments now through February 2011, thus reducing volumes for domestic needs during the end of the year holiday period. Current butter demand is holding steady at current price levels. Many butter handlers are surprised at the stability of butter demand. Traders and handler are stating that typically, butter demand drops off when the cash price surpasses \$2.00, but this has not yet happened. Retail orders are the most stable with food service orders lighter. Lighter food service and restaurant orders are typical for this time of the year as the summer vacation season comes to an end. 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 \$2.2225. Last Thursday, the butter price went down \$0.0025 from \$2.2250 and has remained at that price since. Trading activity has been nonexistent since the four loads sold last Thursday. Butter demand is described as good with buyers looking to secure supplies for fall needs. Manufacturers' inventories are down, but are sufficient to fill contracted needs in combination with current production. Cream supplies are increasing seasonally and some churns are still selling excess cream when available. Retail demand is being aided by specials to entice customers into the stores. According to the CME Group, weekly butter stocks in CME approved warehouses decreased negligibly last week to remain at 26.2 million pounds. This total compares to 95.4 million pounds in 2009 and 73.5 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. According to the FAS, quota imports of butter for the first eight months of the year total 4.1 million pounds, 58.5% less than the same period in 2009. Imports for 2010 account for 26.6% of the total quota for 2010. Imports of High-Tier butter (above quota and with a penalty) are 239,200 pounds, 36.5% of last year's amount in the same time period. According to the Foreign Agricultural Service, exports of butter and milkfat for January-July 2010 total 72.6 million pounds, up 192% from January-July 2009.

	2010 Imports (Million Lb.)	U.S. Butter Imports (USDA-FAS)	
		% Change From 1 Year Ago	% of Yearly Quota
Jan. - Aug			
High Tier	0.24	-63.5	N.A.
Quota	4.09	-58.5	26.6
Aug Quota	0.6	-73.9	-
U.S. Butter and Milkfat Exports, (USDA-FAS)			
	2010 Exports (Million Lb.)	% Change From 1 Year Ago	
World	72.6	+192	
Monthly Exports			
July	16.3	+1053	

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
SEPTEMBER 11	1,6683 12,033,716	1,6906 8,381,427	1,1195 18,720,737	2,1317 4,991,709	0,3602 9,473,822

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 held steady on Tuesday after recent gains with barrels closing at \$1.7100 and blocks at \$1.7350. Since the July 4th holiday barrels have increased \$0.3100 with only 2 sessions of price declines, while blocks have increased \$0.2800 during that same period with no price declines. The CME Group weekly average prices rose for both barrels and blocks, resulting in increased wholesale prices. Prices for Swiss Cuts were unchanged after last week's increases. In the Northeast mozzarella, cheddar for aging programs and low fat cheddar production schedules remain steady, while cream cheese makers are looking to increase production. Cream cheese orders are strong and some producers are having to tap inventories to cover current orders.

Cheddar Barrels on Wednesday at the CME Group were unchanged at \$1.7100. 40 Pound Blocks were unchanged at \$1.7350. For the first three days this week, Barrels have held steady with sales of one load each day. Blocks for the week were steady with sales of eight loads. Trading was especially active on Wednesday with seven loads changing hands. Cheese production schedules are active with manufacturers working full schedules where milk supplies allow. Contract orders are handling most sales with little excess cheese being offered to spot markets. Demand into retail is good as more customers are buying product for home preparation. According to FAS, quota imports of cheese for January-August 2010 total 99.6 million pounds, down 24.7% from a year ago. The imports stand at 33.3% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 15.4 million pounds, nearly the same as the volume imported in 2009. Imports of quota Swiss cheese for 2010 total 28.5 million pounds, down 9.6% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 20.1 million pounds or 83.4% of the year's total import of Swiss. According to FAS, exports of cheese and curd for January-July 2010 total 212.5 million pounds, up 61% from January-July 2009. The exports account for 3.5% of total cheese production in the U.S. for the period.

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

Cheddar 40# Block	:	2.0400-2.3150
Process 5# Sliced	:	1.7950-2.1050
Muenster	:	2.0600-2.2650
Grade A Swiss Cuts 10 - 14#	:	3.0475-3.3700

MIDWEST

The cheese market is about steady though with different industry perspectives on market direction in upcoming weeks. Current cheese varieties remain tight as manufacturing milk supplies remain limited. Natural packaging is steady to improved though retailers remain cautious about doing promotions at current price levels. Food service is fairly steady though promotions on products such as cheeseburgers are impacted by high meat costs. Mozzarella has tightened but occasional loads can be found. Regular process interest is generally lighter seasonally. Some operations are still aided by filling government process contracts. Spot natural cheese interest is generally light to moderate though some manufacturers are making a larger share as specialties such as pepper jack rather than just cheddar. Some operations are having difficulty filling current orders. Reports indicate that milk volumes and components have started to improve, but remain at lower seasonal levels. Spot manufacturing milk availability is very limited.

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

Process 5# Loaf	:	1.8175-2.0750
Cheddar 40# Block	:	1.8550-2.2075
Cheddar 10# Cuts	:	2.0350-2.2550
Monterey Jack 10#	:	2.0450-2.2050
Grade A Swiss Cuts 6 - 9#	:	2.6250-3.0550

FOREIGN

The CME Group block cheese price held steady on Tuesday, closing at \$1.7350. Since the July 4th holiday, blocks have increased \$0.2800 without a price decline. The CME Group weekly average price for blocks reflected the price increases and also advanced, which increased prices for domestic varieties. Swiss Cuts were unchanged following recent price increases. Swiss cheese production in the Northeast has declined as Class I demand has increased, limiting manufacturing milk supplies. Wholesale interest in Swiss remains fairly good. FAS reports, imports of Swiss/Emmenthaler varieties from January through August 2010 totaled 28.8 million pounds, 8.7% less than the same period last year. Norway and Finland, the two top sources, account for 70.5% of Swiss/Emmenthaler imports.

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

Process American 5# Loaf	:	1.9700-2.2425
Brick And/Or Muenster 5#	:	2.1600-2.2325
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0900-2.5650
Blue 5#	:	2.5700-2.8800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0650-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.4550-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900*	: 2.1800-3.6675*
Gorgonzola	: 3.6900-5.9900*	: 2.6825-2.9425*
Parmesan (Italy)	: -0-	: 3.5875-3.8450*
Provolone (Italy)	: 3.4400-5.8900*	: 2.2225-2.3800*
Romano (Cows Milk)	: -0-	: 3.3700-5.5125*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-3.8300*	: -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.

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

	BUTTER	CHEESE
09/13/10	12,127	: 131,385
09/01/10	14,120	: 132,287
CHANGE	-1,993	: -902
% CHANGE	-14	: -1

U.S. Cheese and Curd Exports, (USDA-FAS)
2010 Exports % Change From
Jan.- July 1 Year Ago
(Million Lb.)

World	212.5	+61
Mexico	63.5	+21
South Korea	22.5	+77
Japan	17.7	+117
Canada	13.1	+20
Egypt	10.3	+1579
July	34.5	+66

U.S. Cheese Imports (USDA-FAS)

	2010 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jan. - Aug			
High Tier	15.4	-0.4	N.A.
Quota	99.6	-24.7	33.3
Aug Quota	4.4	+16.0	-

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	0	55	0
SOUTHEAST STATE	15	0	0	0	35	0

Strong Class I demand and continued declining milk production, along the seasonal trend, in the Northeast and Mid Atlantic regions has significantly reduced manufacturing milk supplies. Class I demand in the Southeast has generally leveled off with some increased sales noted due to promotions by a major retail outlet. Cooler weather has increased cow comfort levels, resulting in some marginal increases in milk production. Some long haul milk shipments continue to experience temperature issues, resulting in rejections. Florida milk production has noted some marginal declines, due to heat, but is generally viewed as being at its seasonal low point. Class I sales have picked up as consumers have restocked after the Labor Day holiday. Cream supplies have tightened as demand for cream has strengthened since the Labor Day holiday. Manufacturers of cream cheese, butter, dips and ice cream are attempting to secure adequate volumes from a limited supply of cream. Cream production has declined following the seasonal decline of milk production and low butterfat levels. Multiples have rebounded since the holiday and range from 155-162. Condensed skim supplies have also tightened due to strong Class I pulls with most condensed skim supplies moving through contracts, limiting spot market availability. Demand for condensed skim has increased as Class II product production has increased since the holiday. Yogurt production has increased and continued warm weather has extended ice cream production in some areas.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	3.4469-3.6026
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	3.0688-3.4469

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

M I D W E S T

Class I sales remain fairly solid through midweek. Some bottlers continue to have to push to get needed fluid volumes as manufacturing operations are very reluctant to give up supplies. Upper Midwestern milk shipments continue though most supplies remain in nearby states as part of the "stair step" system. The increased volumes of Class I milk have been generating larger standardized cream volumes, even at low fat tests. Interest in cream is lighter as the ice cream season winds down and churners are nervous about making butter to sell at over \$2.00 per pound. Many of those with butter in inventory are worried that higher retail prices may reduce consumer demand sharply during the traditional strong fall butter sales season. Cream multiples are declining but many still result in prices above \$3.00 per pound for cream. Early offers on cream for delivery next week appear even lower. A little "cheaper" cream is starting to become available on weekends and is entering the churn. Manufacturing milk supplies remain tight. On a very light test, reported prices range from around \$2.50 to \$3.00 over class net seller, indicative of tight milk

supplies. Sellers are still receiving far more calls looking than they have to move. Current milk intakes seem to be recovering somewhat from the long summer heat and humidity with more volumes just slightly higher. Milk components remain low but also seem to be starting to increase. Corn silage making has been active in northern locations with a few small acreages also shelled but most is still too wet except as high-moisture corn. Most soybeans are/have dropped their leaves but are still drying in the pod. Current wheat prices may make winter wheat a more popular crop to plant as fields are harvested.

W E S T

The October 2010 Class 1 prices in CALIFORNIA range from \$18.44 in the north to \$18.71 in the south. The statewide average Class 1 price based on production is \$18.46. The average is \$1.28 higher than September 2010 but \$4.69 more than October 2009. CALIFORNIA milk production is steady to trending slightly higher. Conditions are favorable for milk cows and overall factors are allowing milk to be in better shape than a year ago. Milk prices are more favorable to dairy producers than a year ago, although feed costs are moving higher with prices of corn and hay up. Plants across the state are running on normal, expected schedules and trending into the fall with milk needs into the fluid channels leveling off and at more predictable patterns. ARIZONA milk output is steady to higher on a week to week basis. The impact of milder seasonal temperatures is being seen and cows are milking better. Class I needs are good and pulling more than expected volumes for school and retail accounts. Milk gallon features remain prominent at stores in major metropolitan areas. Milk continues to be sold and moved to other regions. Plants are running on reduced, light schedules. The CREAM market is relatively good, although not as strong as in recent months. Some of the fervor of the rabid cream multiples has slowed. However, butter prices remain steady as well as most basing points. Cream demand has slowed to ice cream accounts, but improved to seasonal cream cheese, sour cream and dip outlets. Some butter makers are still selling cream to both make better current returns on cream sales and possibly then not be holding high priced butter if a correction would occur. The CME Group Grade AA butter price closed at \$2.2225 on Wednesday, September 15, a 1/4 cent lower than a week earlier. Cream multiples moved lower and range from 125-142 and vary based on class usage and basing point. Multiples in the mid 130's are most commonly reported. Milk supplies in the PACIFIC NORTHWEST remain above year ago levels. The post Labor Day week saw some increased demand for Class I needs as schools are open everywhere. Manufacturing plants are busy balancing needs with the available milk supplies. Farmers are looking to the final forage harvest of the year and to determine feed requirements for the fall and winter. Higher cheese and butter prices have raised farm milk prices. New September USDA Crop Production reports have been released and corn prices have taken a significant jump over the last month. Farmers continue to struggle to find best cost scenarios for feed needs. UTAH and IDAHO milk production levels continue above year ago. Regional manufacturers have sufficient capacity to handle the current supply. Weather conditions are good for fall harvesting of crops and preparing for end of the growing season. Dairy farmers are busy plotting strategies for feed usage and costs for the upcoming end of year. Milk prices have improved, but it is a moving target to determine grain costs compared to milk price.

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 NDM market is steady though with a firmer undertone than recent weeks. Current drying schedules remain light as large milk volumes continue to be diverted to fluid and other uses. Some operations are concentrating their limited condensed skim supplies on making high heat, to cover contracts and expected fall baking season needs. Condensed sales to cheese and other users are generally reported as good. Most producers are not aggressively pushing sales due to supply concerns. One Midwestern plant was reported as down for maintenance.

EAST: Nonfat dry milk prices in the Northeast were unchanged this week. Manufacturing milk supplies have tightened considerably due to increased Class I demand and milk production declines, along the seasonal trend. Drying schedules have been cut back with most of the drying activity occurring on or near the weekend when manufacturing milk supplies are more plentiful. Inventories in the East are in balance and held in firm hands with manufacturers willing to expand inventories in hopes of securing higher prices. There continues to be good export interest, but domestic demand has remained quiet after the Labor Day holiday. Foreign Agricultural Service reports that January-July 2010 exports of nonfat dry milk total 413.7 million pounds, 37% increase compared to January-July 2009.

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

U.S. NDM Exports, H.S. Code 0402100000(FAS)

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-JULY	413.7	+37
1 Mexico	93.3	-32
2 Indonesia	64.2	+126
3 Philippines	62.0	+89
4 Vietnam	38.3	+100
5 Malaysia	29.7	+97
July Total	66.5	+9

NONFAT DRY MILK - WEST

Pricing levels are trending slightly higher for low/medium heat nonfat dry milk prices. The market tone is steady to firm. There is some unsettledness around the impact of pricing indexes that are registering transactions made at past lower prices, but that are now being shipped. For current spot sales, pricing on offerings is moving higher based mainly on limited current availability of NDM. The market tone remains somewhat disconnected from extent of world pricing changes, but more export interest is being seen and some orders are being made. The trade is also watch to see what impact that sales of EU intervention skim milk powder stocks will have on world protein markets. Current U.S. NDM production levels are steady to higher where more milk is coming into plants. Low heat stocks are steady at low, committed levels. High heat NDM prices are moving slightly higher. The market undertone is firming with little extra product available for the spot market. There are some seasonal switches in high heat demand and along expected levels. Current inventory positions for high heat are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1300 - 1.2500 MOSTLY: 1.1700 - 1.1900
 HIGH HEAT: 1.2000 - 1.3600

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: The buttermilk market remains quiet with limited spot activity. Offers and current production remain light seasonally as churners are reluctant to make butter at prices over \$2.00 per pound and most operations are micro-fixing print butter from bulk butter inventory. Ice cream interest for buttermilk is also waning seasonally. Most of the current supplies continue to clear as condensed, limiting price movement.

EAST: Prices for Eastern dry buttermilk held steady for the week. Cream supplies tightened with good demand and lower cream production due to declining milk production trends and low component levels. Dry buttermilk production declined as condensed sales increased due to a dryer maintenance project occurring at one of the plants. Current supplies are moving through contracts with very little activity on the spot market. Supplies continue to be tight, but demand has lessened as ice cream production is winding down in the Northeast.

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

DRY BUTTERMILK - WEST

Western dry buttermilk prices are steady to slightly higher. The market undertone is firm in a light test. Offerings remain on the light side into the spot market and most sales are moving under contract. Drying of buttermilk remains light as butter output remains on the light side of expectations. That should be changing as the spot cream market prices are softer and churners begin to buildup butter runs for holiday needs. Dry buttermilk stocks are light.

F.O.B. WEST: 1.2200 - 1.2575 MOSTLY: 1.2300 - 1.2400

DRY WHOLE MILK - NATIONAL

The whole milk market is steady. Production remains light as producers are only making to order and not speculating at current milk prices. The high butter/cream prices have kept reported prices firm. At this week's gDT auction, prices were just slightly higher on whole milk, an average of \$1.63 per pound or +1.4%.

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

U.S. Dry Whole Milk Exports, H.S. Code 0402210000(FAS)

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-JULY	49.6	+161
July Total	8.0	+619

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 10	\$1.0851	16,106,663	0
September 3	\$1.1101	18,620,266	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 for the week. Supplies are adequate for contracted needs. Tight milk supplies have restricted cheese production and subsequently whey production is lower than desired. Additional whey stream products have also reduced available dry whey supplies. Those manufacturers that reserve product for the spot market report good demand with steady prices. Fourth quarter contracts are being worked on currently. Demand for the export market is also showing a seasonal increase. The Foreign Agricultural Service (FAS) reports exports of dry whey for the first seven months of 2010 at 332.5 million pounds, up 31% from the same period a year ago. ANIMAL FEED DRY WHEY availability is adequate for the week, and prices are steady. Milk replacer manufacturers report increased demand as more dairy beef calves are entering the feeder cattle markets.

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 remained unchanged this week. Dry whey production remains steady following the steady cheese production in the Northeast. Domestic demand is steady with some contracted users requesting increased volumes. Export interest remains active, providing the market with a firm undertone. Northeast dry whey production and supplies are mostly committed, causing those seeking additional loads to look to the Midwest to fill their need. The latest Foreign Agricultural Statistics report shows 332.5 million pounds dry whey were exported from the United States during January-July 2010, up 31% from January-July 2009.

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

DRY WHEY - WEST

Whey markets in the West are steady this week. Contract orders are making up the bulk of delivered product. Spot offerings are light with deliveries of extra product above contract needs being delayed in some cases. Domestic and export demand are increasing as fall approaches. Milk supplies are increasing slowly with cooler weather and manufacturers hope to increase production levels in the near future to meet demand. Contract negotiations for fourth quarter and some annual contracts for 2011 are in the works.

According to the Foreign Agricultural Service, exports of whey for January-July total 332.5 million pounds, up 31% from January-July 2009. The exports account for 54.4% of the total whey production in the U.S. for January-July.

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

U.S. Dry Whey Exports, H.S. Code 0404104000(FAS)

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-JULY	332.5	+31
1 China	66.0	+11
2 Japan	32.4	+11
3 Mexico	31.9	+32
4 Canada	27.0	- 1
5 Vietnam	23.1	+51
July Total	44.1	+47

EVAPORATED MILK - NATIONAL

The Kansas City Commodity Office issued Solicitation EVD3-090 on September 9, for evaporated milk packaged in 24/12 fluid ounce cans totaling 3,598,560 pounds. Deliveries are from October - December 2010. Bids are due by Sep. 21, 2010. Award notifications are scheduled to be announced on Sep. 22, 2010, with public release currently scheduled for Sep. 23, 2010. More information on bid specifications may be obtained at: <http://www.fsa.usda.gov/FSA/>

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The whey protein concentrate 34% market is steady. Sales of WPC continue to be mostly contract driven. Overall production is steady to lower as some plants experience manufacturing slowdowns due to mechanical issues. Demand is good for extra loads, though they are hard to come by. In many cases, delivery of any extra loads is being delayed. Fourth quarter negotiations are ongoing, with deals to be made soon. The Foreign Agricultural Service (FAS) reported exports of WPC 34% for the first seven months of 2010 at 158 million pounds, up 48% from the same period a year ago. Exports accounted for 65% of U.S. production during the period.

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

U.S. WPC 34% Exports, H.S. Code 0404100500(FAS)

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-JULY	158.0	+ 48
1 China	54.3	+ 98
2 Mexico	43.2	- 11
3 Canada	22.5	+133
4 Japan	12.6	+ 55
July Total	14.6	- 10

LACTOSE - CENTRAL AND WEST

Lactose prices are steady this week. Current production is sufficient to fill most contract needs. Demand has increased for both domestic and export needs. Higher mesh size lactose is garnering some added attention as supplies are reported tighter. Fourth quarter contracts offers are out in most cases, with negotiations continuing. The Foreign Agricultural Service (FAS) reports exports of lactose at 182.8 million pounds, up 21% from the same period in 2009. Lactose exports accounted for 36.2% of U.S. production during that period.

Including spot sales and up to 3 month contracts.

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

U.S. Lactose Exports, H.S. Code 1702110000(FAS)

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-JULY	182.8	+21
1 Japan	24.2	+19
2 Mexico	23.8	+51
3 China	19.2	-59
4 Brazil	14.6	+78
5 Australia	10.1	+52
July Total	30.3	+31

CASEIN - NATIONAL

Casein prices remain unchanged as the end of third quarter pricing nears. Buyers are stating that 4th quarter prices will remain firm as supply availability is questionable. For many European manufacturers, the casein production season is coming to a quicker close than projected. When possible, milk is being re-directed away from casein output and toward other manufactured dairy products of more need or better return. The Oceania casein production season has yet to resume. Milk production is building in New Zealand with peak output still a number of weeks away. Casein output in the Oceania region occurs on both sides of peak milk output, thus casein manufacturers are hopeful that peak levels will be able to be maintained for a good period of time. Most suppliers in both Europe and the Oceania region indicate that they will fill contractual commitments, but are indicating that spot availability will probably be limited.

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 13 - 17, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/09	SAME PERIOD LAST YEAR	WEEK ENDING 09/10/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	4,639,010	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	132,276	276,156,841	-0-	-0-
TOTAL	-0-	-0-	-0-	132,276	276,156,841	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS	COMPARABLE PERIOD IN 2009 =	MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 13 - 17, 2010 =	0.0	0.0	-0.3	-0.3	-15.4
CUMULATIVE SINCE OCTOBER 1, 2009 =	0.0	1.5	161.9	161.9	3,215.0
CUMULATIVE JAN. 1 - SEP. 17, 2010 =	0.0	0.0	136.7	136.7	1,881.5

* 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 13 - 17, 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	276,156,841	100.0	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	4,639,010	-0-	-0-	132,276	276,156,841	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 08/28/10 & Comparable Week 2009

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2010-Dairy	N.A.	0.7	7.1	2.8	19.3	4.0	0.3	N.A.	13.4	2.9	52.2	1,846.5	42.8	44.0
2009-Dairy	N.A.	0.6	8.4	3.0	18.3	6.4	1.3	N.A.	20.3	5.3	65.4	1,935.1	52.2	47.8
2010-All cows	N.A.	0.8	9.0	14.2	34.3	22.3	13.2	N.A.	17.7	6.9	122.0	4,198.4		
2009-All cows	N.A.	0.7	10.6	13.6	31.5	21.8	13.8	N.A.	22.4	7.5	125.4	4,046.6		

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	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	16.58		
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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 6-17, 2010

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production levels remain strong at levels above a year ago for most countries in Western Europe and are following the trends of recent months. Output is around 3% higher than year ago levels in Germany, 6% higher in France, 8% higher in Ireland, and 6% higher in the UK. Russian demand for dairy products is down slightly as those needs are assessed against their latest purchases. With current returns and product needs, milk is moving into cheese production, with good demand for consumption milk. Production levels of SMP, WMP, and butter are lower. Pricing levels for European butter and buttermilk are mostly steady to slightly higher within the reported ranges. The market tone is stable and supplies are tight. Producers are selling cream to other usages. Market activity is often centered on local accounts with exporting slower. Buttermilk prices are often too high to make exports work. Production of butter is lower as milk is taken for consumption milk and cheese needs. Buttermilk production is limited to light contract needs. At the September 9th Dairy Management Committee meeting in Brussels, all offers for intervention butter stocks (1,500 MT) were rejected. Pricing levels are higher for European whey powder. Internal demand is higher. Export interest is evident, but the higher prices and stronger Euro are working against making exports work. Production levels are steady to higher and reflect some of the higher trends of cheese output as milk is moved towards cheese. The feed sector is gauging what impact the first sellback of SMP from intervention stocks could have on the whey and protein markets. European skim milk powder markets and prices are mostly steady to slightly higher. Minimal price increases in the latest gDT SMP auction occurred, but still put Oceania price ahead of current European pricing levels. Export interest for European SMP is fair to good and along expected levels. There is interest into Russia and some other tenders are being shopped. Production of SMP continues to trend lower with milk moving towards increased needs for consumption milk and cheese production. At the September 9th Dairy Management Committee meeting in Brussels, offers for 1700 MT of intervention SMP stocks at 211 Euro were accepted, marking the first time this year that the Committee accepted offers for SMP. All offers below the 211 Euro mark/ 100kg (approximately \$2720 per MT) were rejected. The trade is assessing what impact this and any future sales would have on the various dairy protein markets, realizing the sales are for non food usages. European whole milk powder prices are trending higher and reflect recent global price increases. Following the holiday in much of the EU, internal demand was higher and stocks refilled. Export demand is steady to occasionally higher and generally along expectations. European production of WMP continues to be lower as milk is moved towards cheese output.

BUTTER/BUTTEROIL: Pricing levels for European butter and buttermilk are mostly steady to slightly higher within the reported ranges. The market tone is stable and supplies are tight. Producers are selling cream to other usages. Market activity is often centered on local accounts with exporting slower. Buttermilk prices are often too high to make exports work. Production of butter is lower as milk is taken for consumption milk and cheese needs. Buttermilk production is limited to light contract needs. At the September 9th Dairy Management Committee meeting in Brussels, all offers for intervention butter stocks (1,500 MT) were rejected.

82% BUTTERFAT:	4,825 - 5,050
99% BUTTERFAT:	5,175 - 5,700

OCEANIA

Australian milk production is steady to higher. Areas of northern portions of the country are receiving a considerable amount of rainfall with some localized flooding seen at times. The immediate impact on the milk flow is that milk growth slowed as rains affected pastures and cows were in more wet conditions and not milking as well. Despite the current situation, the overall forecast is still expected to reach 2% over the previous season. With the moisture levels received this spring, the water systems are full and will be able to supply water for the upcoming growing season. With drought conditions in most past years, the option of full season water has not been realized. New Zealand milk production is steady to higher and building towards the seasonal peak generally seen in October. Current intakes are running 2-3% higher than year ago levels. Weather conditions in the North Island are typical of spring, cool and wet with minor flooding occurring. Processing plants are running along expected schedules. There were some minor plant issues at a larger plant south of the epicenter of a large earthquake that have mostly been resolved. Several smaller plants have had to have milk supplies diverted to other facilities because of damage. At dairy farms, most escaped with only minor damage and were able to cope with power outages by using generators. The impact to the dairy sector was slight in the scope of what happened. At the September 15 bimonthly global/Dairy Trading (gDT) event, prices for all delivery periods were mixed, from generally steady for dairy powders to sharply higher for dairy fat. The average price for anhydrous milk fat was \$5,189 per MT, 10.2% higher than the previous event average; buttermilk powder prices averaged \$2,992, -6.4%; skim milk powder prices averaged \$3,229, +1.0%; and whole milk powder prices averaged \$3,602, +1.4%. The market trend for Oceania butter is mostly steady to firm with pricing levels for 82% butter holding steady with recent weeks. Higher prices for anhydrous milk fat are helping the butter market. Demand is fair to good for offerings and best for prompt deliveries. Orders are strong and manufacturers want to keep stock moving. Butter churning is moving higher, reflecting the increasing milk flow in the region. The skim milk market complex is steady to higher with increased prices on the bottom end of the range reflecting recent regional price movements higher. The market is also following recent gDT pricing upwards. Demand is light to fair for the trending lower volumes of offerings. Drying is seasonally active as the milk season builds. Traders and handlers are reporting sales are good into export accounts with China being active. There are some other tenders open, but pricing levels could favor other areas. The extent and level of the past gDT event for WMP pricing was higher than most expectations and created fair to good demand in the aftermath. Current trading activity is light and was slower early in the week as the trade awaited the latest gDT results. Offerings are often lighter as peak milk has been committed. There are other offerings in a tight range around the older gDT current price. World interest is fair to good and supported by higher fat and solids pricing. There is speculative interest around the thought that the EU will likely be fully into cheese output during their production season to fill world demand. Oceania cheese prices are steady to higher with very little being offered for a competitive pricing test. Export interest is fair to good into Asia with additional volumes expected to clear. Domestic demand is fair to good to accounts servicing those outlets. Production is trending higher seasonally, reflecting more milk being received at cheese plants as the milk season builds. Cheese supplies are becoming tighter and more committed.

BUTTER: The market trend for Oceania butter is mostly steady to firm with pricing levels for 82% butter holding steady with recent weeks. Higher prices for anhydrous milk fat are helping the butter market. Demand is fair to good for offerings and best for prompt deliveries. Orders are strong and manufacturers want to keep stock moving. Butter churning is moving higher, reflecting the increasing milk flow in the region. At the September 15 bimonthly global/Dairy Trading event, the average anhydrous milk fat price was \$5,189 per MT, 10.2% higher than the previous average. Near term contracts (November) averaged \$5,283 per MT, +11.8%; Dec – Feb contracts averaged \$5,140, +10.1%; and Mar – May contracts averaged \$5,176, +4.5%.

82% BUTTERFAT:	3,800 - 4,400
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INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 6-17, 2010

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

Western and Eastern Europe Continued from Page 8

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are mostly steady to slightly higher. Minimal price increases in the latest gDT SMP auction occurred, but still put Oceania price ahead of current European pricing levels. Export interest for European SMP is fair to good and along expected levels. There is interest into Russia and some other tenders are being shopped. Production of SMP continues to trend lower with milk moving towards increased needs for consumption milk and cheese production. At the September 9th Dairy Management Committee meeting in Brussels, offers for 1700 MT of intervention SMP stocks at 211 Euro were accepted, marking the first time this year that the Committee accepted offers for SMP. All offers below the 211 Euro mark/ 100kg (approximately \$2720 per MT) were rejected. The trade is assessing what impact this and any future sales would have on the various dairy protein markets, realizing the sales are for non food usages.

1.25% BUTTERFAT: 2,775 - 3,100

WHOLE MILK POWDER (WMP): European whole milk powder prices are trending higher and reflect recent global price increases. Following the holiday in much of the EU, internal demand was higher and stocks refilled. Export demand is steady to occasionally higher and generally along expectations. European production of WMP continues to be lower as milk is moved towards cheese output.

26% BUTTERFAT: 3,425 - 3,775

SWEET WHEY POWDER: Pricing levels are higher for European whey powder. Internal demand is higher. Export interest is evident, but the higher prices and stronger Euro are working against making exports work. Production levels are steady to higher and reflect some of the higher trends of cheese output as milk is moved towards cheese. The feed sector is gauging what impact the first sellback of SMP from intervention stocks could have on the whey and protein markets.

NONHYGROSCOPIC: 925 - 1,100

EASTERN OVERVIEW: Milk production is trending lower seasonally across much of the region of Eastern European at levels that are generally below a year ago. Demand factors favor cheese production. Demand for dry dairy products improved following the August holiday season. Inventories and production projections are adequate for trader needs.

Oceania Continued from Page 8

SKIM MILK POWDER (SMP): The market complex is steady to higher with increased prices on the bottom end of the range reflecting recent regional price movements higher. The market is also following recent gDT pricing upwards. Demand is light to fair for the trending lower volumes of offerings. Drying is seasonally active as the milk season builds. Traders and handlers are reporting sales are good into export accounts with China being active. There are some other tenders open, but pricing levels could favor other areas. At the September 15th bimonthly global/Dairy Trading event, the average skim milk powder price increased 1.0% from the previous average to \$3,229 per MT. November contracts increased 0.7% to \$3,163 per MT; Dec - Feb contracts averaged \$3,204, -0.1%; and Mar - May contracts averaged \$3,556, +5.6%.

1.25% BUTTERFAT: 3,000 - 3,350

WHOLE MILK POWDER (WMP): The extent and level of the past gDT event for WMP pricing was higher than most expectations and created fair to good demand in the aftermath. Current trading activity is light and was slower early in the week as the trade awaited the latest gDT results. Offerings are often lighter as peak milk has been committed. There are other offerings in a tight range around the older gDT current price. World interest is fair to good and supported by higher fat and solids pricing. There is speculative interest around the thought that the EU will likely be fully into cheese output during their production season to fill world demand. At the September 15 bimonthly global/Dairy Trading event, the average price for whole milk powder for all periods averaged \$3,602 per MT, 1.4% higher than the previous average. Near term contracts (November) averaged \$3,649, 0.1% higher. Dec - Feb contracts averaged \$3,568, +3.3% with Mar - May contracts averaging \$3,566, 1.5% lower.

26% BUTTERFAT: 3,150 - 3,650

CHEDDAR CHEESE: Oceania cheese prices are steady to higher with very little being offered for a competitive pricing test. Export interest is fair to good into Asia with additional volumes expected to clear. Domestic demand is fair to good to accounts servicing those outlets. Production is trending higher seasonally, reflecting more milk being received at cheese plants as the milk season builds. Cheese supplies are becoming tighter and more committed.

39% MAXIMUM MOISTURE: 3,750 - 4,200

Exchange rates for selected foreign currencies: September 13, 2010

.9733 Canadian Dollar	.0216 Indian Rupee
.2533 Argentina Peso	.7345 New Zealand Dollar
.0777 Mexican Peso	.9358 Australian Dollar
.3274 Polish Zloty	.0120 Japanese Yen
	1.2876 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0777) = 12.8700 Mexican Pesos. Source: "Wall Street Journal"

September 15, 2010 Global/Dairy Trading (g/DT) event recap \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 November 2010	Contract #2 December 2010 - February 2011	Contract #3 March - May 2011	All Contracts
Anhydrous Milk Fat	\$5,283	\$5,140	\$5,176	\$5,189
	11.8%	10.1%	4.5%	10.2%
Buttermilk Powder	\$2,960	\$3,065	N.A.	\$2,992
	-5.3%	-9.1%	N.A.	-6.4%
Skim Milk Powder	\$3,163	\$3,204	\$3,556	\$3,229
	0.7%	-0.1%	5.6%	1.0%
Whole Milk Powder	\$3,649	\$3,568	\$3,566	\$3,602
	0.1%	3.3%	-1.5%	1.4%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	09/02	09/03	09/06	09/07	09/08	09/09	09/10	09/13	09/14	09/15
CME - CLASS III MILK FUTURES (Pit-Traded)										
AUG 10	15.15 (4583) 0	15.18 (4234) 0	NO TRADING							
SEP 10	16.13 (4888) 0	16.16 (4900) 1		16.19 (4896) 0	16.19 (4877) 1	16.29 (4969) 0	16.28 (5003) 0	16.30 (5006) 0	16.33 (5049) 0	16.32 (5030) 0
OCT 10	15.65 (4910) 0	15.63 (4984) 0		15.64 (5069) 0	15.68 (5159) 0	15.75 (5217) 0	15.80 (5219) 0	15.91 (5203) 0	15.92 (5033) 0	15.91 (5128) 0
NOV 10	14.98 (4057) 0	14.94 (4102) 1		14.97 (4143) 0	14.95 (4197) 0	15.04 (4244) 0	15.14 (4286) 0	15.50 (4460) 1	15.54 (4615) 0	15.51 (4671) 0
DEC 10	14.60 (4128) 0	14.50 (4164) 4		14.55 (4168) 0	14.50 (4183) 0	14.54 (4229) 0	14.70 (4253) 0	14.94 (4269) 0	15.03 (4276) 1	15.03 (4333) 0
JAN 11	14.15 (1455) 0	14.04 (1504) 0		14.00 (1534) 0	13.98 (1554) 0	14.00 (1601) 0	14.10 (1630) 0	14.19 (1650) 0	14.33 (1685) 0	14.38 (1690) 5
FEB 11	13.90 (1141) 0	13.80 (1168) 0		13.80 (1179) 0	13.75 (1192) 0	13.73 (1204) 0	13.81 (1207) 0	13.80 (1223) 1	13.90 (1242) 0	13.91 (1244) 5
MAR 11	13.92 (1172) 0	13.90 (1179) 0		13.88 (1176) 0	13.83 (1195) 0	13.82 (1201) 0	13.83 (1201) 0	13.83 (1202) 1	13.94 (1200) 0	13.94 (1196) 5
APR 11	13.91 (618) 0	13.84 (629) 0		13.77 (635) 0	13.74 (671) 0	13.71 (702) 0	13.71 (720) 0	13.74 (726) 1	13.84 (726) 0	13.81 (731) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
AUG 10	15.60 (77) 0	15.61 (77) 0	NO TRADING							
SEP 10	16.70 (71) 0	16.70 (71) 0		16.70 (71) 0	16.70 (71) 0	16.70 (71) 0	16.70 (71) 0	16.70 (71) 0	16.70 (71) 0	16.70 (71) 0
OCT 10	16.92 (84) 0	16.92 (84) 0		16.92 (84) 0	16.92 (84) 0	16.92 (84) 0	16.92 (84) 0	16.92 (84) 0	16.92 (84) 0	16.92 (84) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
AUG 10	184.00 (649) 0	185.08 (624) 0	NO TRADING							
SEP 10	212.50 (664) 9	212.50 (664) 0		212.50 (664) 4	212.00 (669) 16	212.00 (672) 17	213.00 (676) 10	215.00 (676) 1	215.75 (676) 1	215.75 (676) 0
OCT 10	208.50 (604) 19	207.00 (599) 30		207.00 (599) 0	206.75 (606) 11	205.50 (611) 8	203.00 (608) 6	203.00 (604) 6	203.00 (605) 1	203.50 (605) 14
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
AUG 10	115.75 (295) 0	115.57 (295) 0	NO TRADING							
SEP 10	116.25 (355) 0	116.25 (355) 0		116.25 (355) 0	116.25 (355) 0	116.25 (355) 0	116.00 (355) 0	115.50 (355) 0	115.50 (355) 0	115.50 (355) 0
OCT 10	120.00 (345) 0	120.00 (345) 0		120.00 (345) 0	120.00 (345) 0	120.00 (345) 0	120.00 (345) 0	120.00 (345) 0	120.00 (345) 0	119.50 (344) 0
CME - WHEY (Electronic-Traded)										
AUG 10	36.00 (286) 0	35.90 (286) 0	NO TRADING							
SEP 10	36.25 (253) 0	36.25 (253) 1		36.25 (253) 0	36.25 (253) 1	36.25 (253) 0	36.25 (253) 0	36.25 (253) 0	36.25 (253) 0	36.25 (253) 0
OCT 10	37.00 (286) 0	37.00 (286) 0		37.00 (286) 0	37.00 (286) 0	37.50 (286) 1	37.50 (286) 0	37.50 (286) 2	37.50 (288) 2	35.50 (290) 4
CME - CHEESE CSC (Electronic-Traded)										
AUG 10	1.59 (13) 0	1.60 (13) 0	NO TRADING							
SEP 10	1.68 (94) 1	1.68 (94) 0		1.69 (94) 0	1.70 (94) 5	1.70 (94) 0	1.70 (94) 0	1.70 (94) 0	1.70 (94) 0	1.71 (94) 0
OCT 10	1.63 (77) 0	1.63 (78) 1		1.63 (78) 0	1.64 (78) 1	1.64 (84) 6	1.64 (84) 0	1.65 (96) 12	1.65 (96) 0	1.67 (96) 0
NOV 10	1.60 (41) 0	1.60 (41) 0		1.60 (41) 0	1.60 (41) 1	1.60 (41) 0	1.61 (56) 15	1.65 (56) 1	1.65 (56) 0	1.65 (56) 0
DEC 10	1.57 (42) 6	1.57 (42) 0		1.57 (42) 0	1.57 (57) 15	1.57 (57) 0	1.57 (67) 10	1.60 (67) 0	1.61 (67) 1	1.62 (67) 1
JAN 11	1.51 (23) 1	1.51 (23) 0		1.51 (23) 0	1.50 (24) 1	1.50 (24) 0	1.50 (24) 0	1.51 (24) 0	1.51 (29) 5	1.52 (29) 1

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

JULY FLUID MILK SALES

During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.9 percent lower than July 2009. After adjusting for calendar composition, sales in July 2010 were 2.6 percent lower than July 2009. On an individual product basis, sales of organic whole milk, low fat milk (1%), and organic fat-reduced milk increased from July 2009, while sales of whole milk, flavored whole milk, reduced fat milk (2%), fat-free (skim) milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, JULY 2010, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,194	8,199	-6.6	-6.0
Flavored Whole Milk	44	316	-7.5	-5.4
Reduced Fat Milk (2%)	1,546	10,757	-0.6	0.4
Low Fat Milk (1%)	544	4,066	3.2	3.4
Fat-Free Milk (Skim)	655	4,672	-1.5	-1.1
Flavored Fat-Reduced Milk	145	2,173	-2.7	1.2
Buttermilk	39	268	-3.3	-29.1
Total Conventional Milk Products	4,172	30,499	-2.3	-1.6
Organic Whole Milk	36	234	13.7	9.6
Organic Reduced Fat Milk	32	68	3/	3/
Organic Low Fat Milk	23	53	3/	3/
Organic Fat-Free Milk (Skim)	27	59	3/	3/
Organic Flavored Milk	7	19	3/	3/
Organic Fat-Reduced Milk 4/	111	749	7.9	6.1
Total Organic Milk Products	146	983	9.3	6.9
Total Fluid Milk Products 5/	4,318	31,482	-1.9	-1.4
Total Fluid Milk Products Adjusted 5/ 6/	4,256	31,426	-2.6	-1.4

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Volume figures are not available for the previous year or earlier months. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim, and flavored combined. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS AND CALIFORNIA, JULY 2010, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	747	5,372	-1.6	-1.7
Appalachian (005)	293	2,092	1.1	1.2
Southeast (007)	391	2,895	-3.3	-1.4
Florida (006)	235	1,701	0.2	-1.1
Mideast (033)	482	3,530	-2.9	-1.1
Upper Midwest (030)	343	2,491	-1.6	-0.6
Central (032)	354	2,604	-2.7	-3.3
Southwest (126)	352	2,584	-1.2	0.0
Arizona (131)	94	684	-2.8	-1.1
Pacific Northwest (124)	177	1,280	-1.3	0.6
California (---)	504	3,729	-3.3	-3.7

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA,
JUNE 2010, WITH COMPARISONS**

In June 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.39 per cwt., up \$0.31 from the previous month average, and up \$4.12 from June 2009. The component tests of producer milk in June 2010 were: butterfat, 3.52%; protein, 2.96%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except Western Pennsylvania and Michigan where mailbox prices remained unchanged. Mailbox prices ranged from \$17.52 in Florida to \$13.82 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	June 2009	May 2010	June 2010
	Dollars per hundredweight		
New England States <u>3/</u>	12.27	16.23	16.86
New York	11.61	15.22	15.70
Eastern Pennsylvania <u>4/</u>	11.73	15.84	16.32
Appalachian States <u>5/</u>	12.36	16.26	17.41
Southeast States <u>6/</u>	12.85	16.36	17.52
Southern Missouri <u>7/</u>	10.77	14.40	15.65
Florida	14.07	17.50	18.31
Western Pennsylvania <u>8/</u>	11.53	16.20	16.20
Ohio	11.87	16.26	16.27
Indiana	11.37	15.44	16.14
Michigan	11.16	15.50	15.50
Wisconsin	11.24	14.71	14.78
Minnesota	11.26	14.50	14.52
Iowa	11.48	15.22	15.51
Illinois	11.44	15.11	15.34
Corn Belt States <u>9/</u>	10.96	14.61	15.06
Western Texas <u>10/</u>	10.20	14.37	14.69
New Mexico	9.37	13.50	13.82
Northwest States <u>11/</u>	10.55	14.66	15.05
All Federal Order Areas <u>12/</u>	11.27	15.08	15.39
California <u>13/</u>	9.63	13.25	13.64

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from that area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ All counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ The counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these. 9/ Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 7/. 10/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of the information for all selected reporting areas in Federal milk orders. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

FEDERAL MILK ORDER ADVANCE PRICES, OCTOBER

Class I Base Price. Under the Federal milk order pricing system, the Class I base price for October 2010 is \$16.58 per cwt. This price is derived from the Class IV skim milk pricing factor of \$8.62 and the advanced butterfat pricing factor of \$2.3594. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to September 2010, the Class I base price increased \$1.08 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$0.99 per cwt., \$0.085 per gallon; reduced fat milk (2%), \$0.55 per cwt., \$0.047 per gallon; fat-free (skim milk), \$0.01 per cwt., \$0.001 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$8.62. Thus, the Class II skim milk price for October is \$9.32 per cwt., and the Class II nonfat solids price is \$1.0356. **Product Price Averages.** The two-week product price averages for October are: butter \$2.1198, nonfat dry milk \$1.1351, cheese \$1.6747, and dry whey \$0.3607.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/}				
October 2010				
Federal Milk Order Marketing Area ^{3/}	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	19.83	11.87	2.3919
Appalachian (Charlotte) ^{5/ 6/}	005	19.98	12.02	2.3934
Southeast (Atlanta) ^{6/ 7/}	007	20.38	12.42	2.3974
Florida (Tampa) ^{6/ 8/}	006	21.98	14.02	2.4134
Mideast (Cleveland) ^{9/}	033	18.58	10.62	2.3794
Upper Midwest (Chicago) ^{10/}	030	18.38	10.42	2.3774
Central (Kansas City) ^{11/}	032	18.58	10.62	2.3794
Southwest (Dallas) ^{12/}	126	19.58	11.62	2.3894
Arizona (Phoenix)	131	18.93	10.97	2.3829
Pacific Northwest (Seattle) ^{13/}	124	18.48	10.52	2.3784
All-Market Average		19.47	11.51	2.3883

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. ^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. ^{7/} Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. ^{8/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. ^{9/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. ^{10/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. ^{11/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. ^{12/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. ^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, AUGUST 2010

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for July have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During August, about 10.4 billion pounds of milk were received from producers. This volume of milk is 3.5 percent higher than the August 2009 volume. In August 2010, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.7 billion pounds of producer milk were used in Class I products, 0.3 percent lower than the previous year. The all-market average Class utilization percentages were: Class I = 35%, Class II = 12%, Class III = 46% and Class IV = 7%. The weighted average statistical uniform price was \$16.92 per cwt., \$0.73 higher than last month and \$5.03 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF AUGUST 2010										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	2,054.5	6.0	837.0	1.5	41	24	26	9	17.74
Appalachian (Charlotte)	005	498.6	2.8	354.0	1.4	71	17	7	5	18.67
Southeast (Atlanta)	007	547.1	-3.8	402.1	-0.2	72	8	16	4	19.02
Florida (Tampa)	006	233.0	-4.1	201.7	-4.7	86	8	3	3	20.74
Mideast (Cleveland)	033 3/	1,263.9	-8.3	526.4	-5.6	41	17	38	4	16.76
Upper Midwest (Chicago)	030 3/	2,810.5	6.1	356.3	0.3	12	3	84	1	15.65
Central (Kansas City)	032 3/	1,138.1	13.0	361.6	1.8	32	13	44	11	16.40
Southwest (Dallas)	126 3/	867.7	0.1	365.9	3.0	42	6	48	4	17.37
Arizona (Phoenix)	131	321.3	5.4	116.8	-3.1	36	9	42	13	16.60
Pacific Northwest (Seattle)	124	682.5	8.9	178.3	-1.9	26	7	41	26	16.16
ALL MARKET AVERAGE OR TOTAL	3/	10,417.2	3.5	3,700.2	-0.3	35	12	46	7	16.92

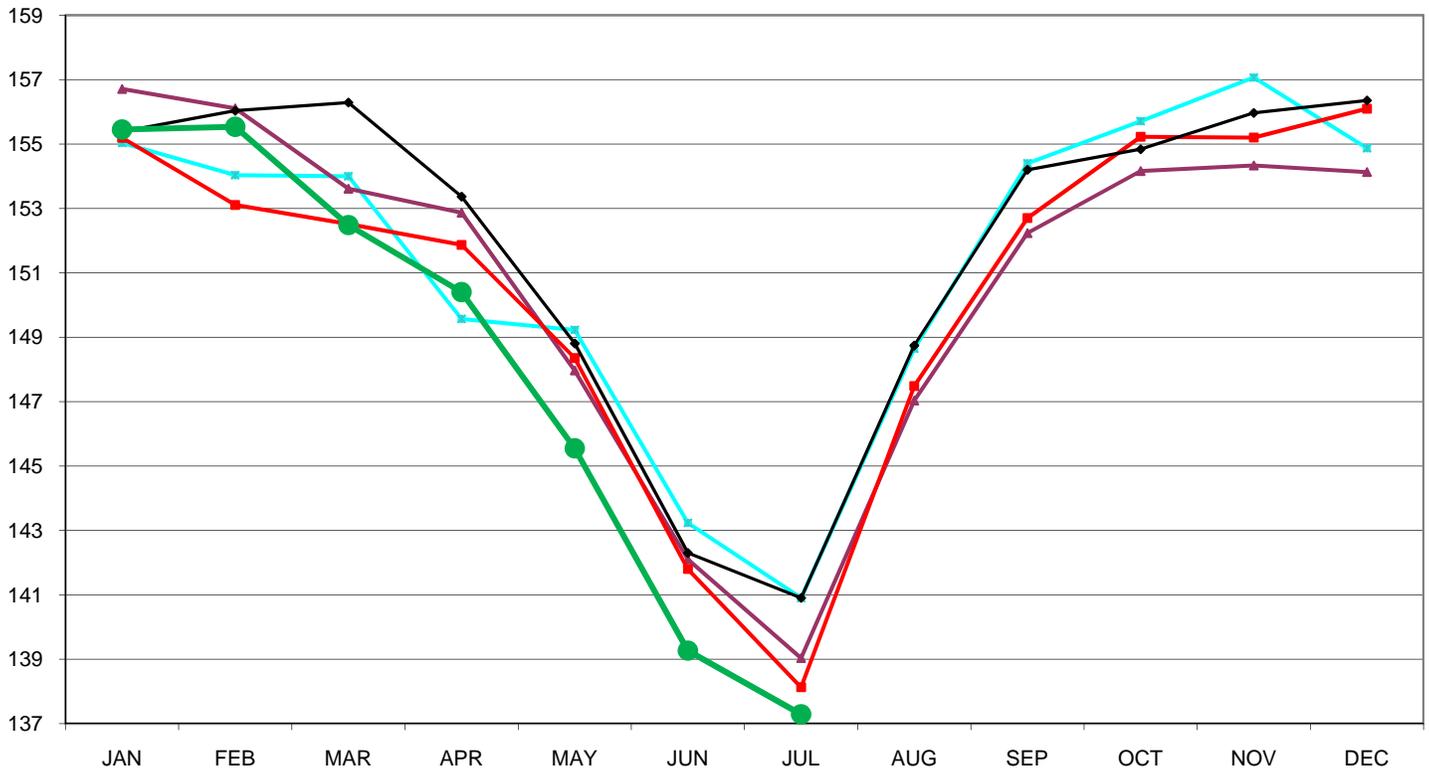
1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 231 million pounds of milk that normally would have been associated with these markets. In August 2009, the estimated not pooled volume of milk was 511 million pounds, occurring in order numbers 030, 032, 033, and 124. After adjusting for non pooled milk, the year-to-year percent change is +0.7%.

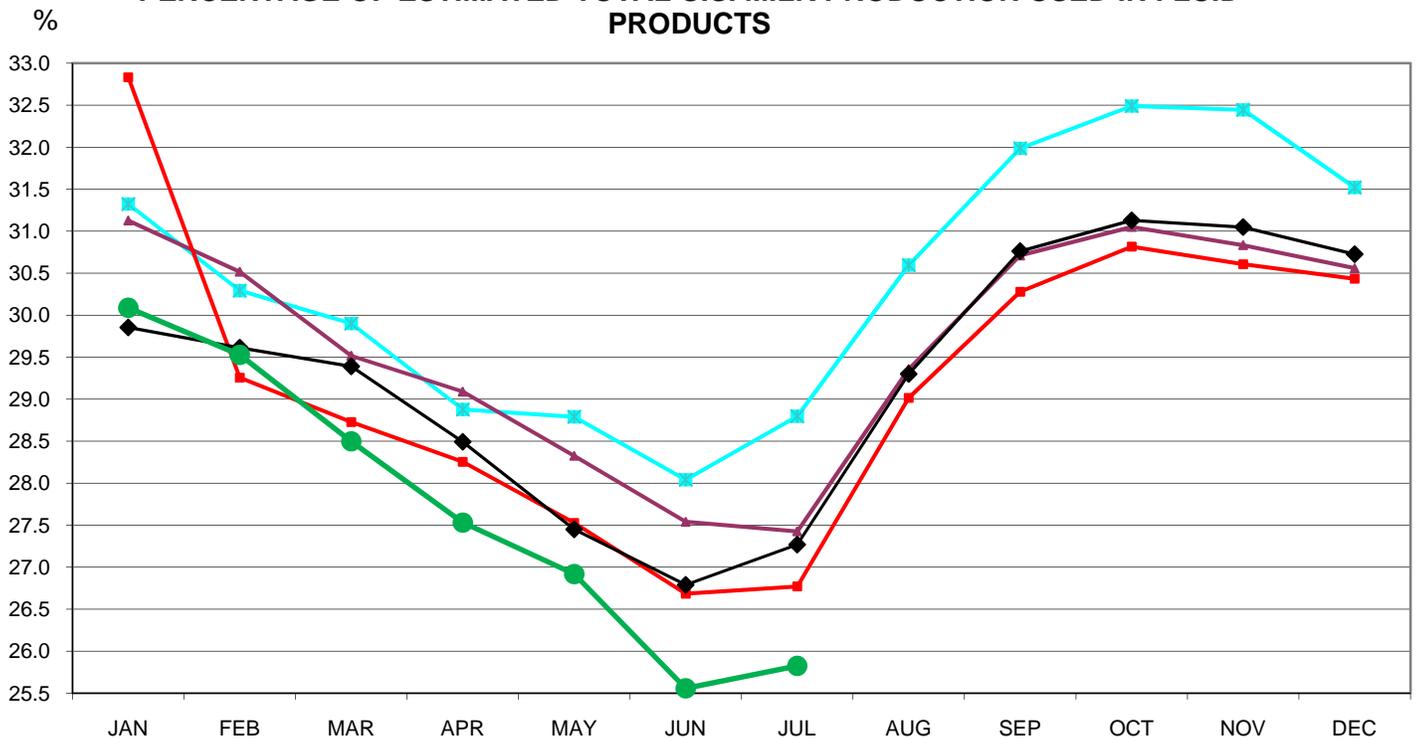
ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES

MILLION POUNDS



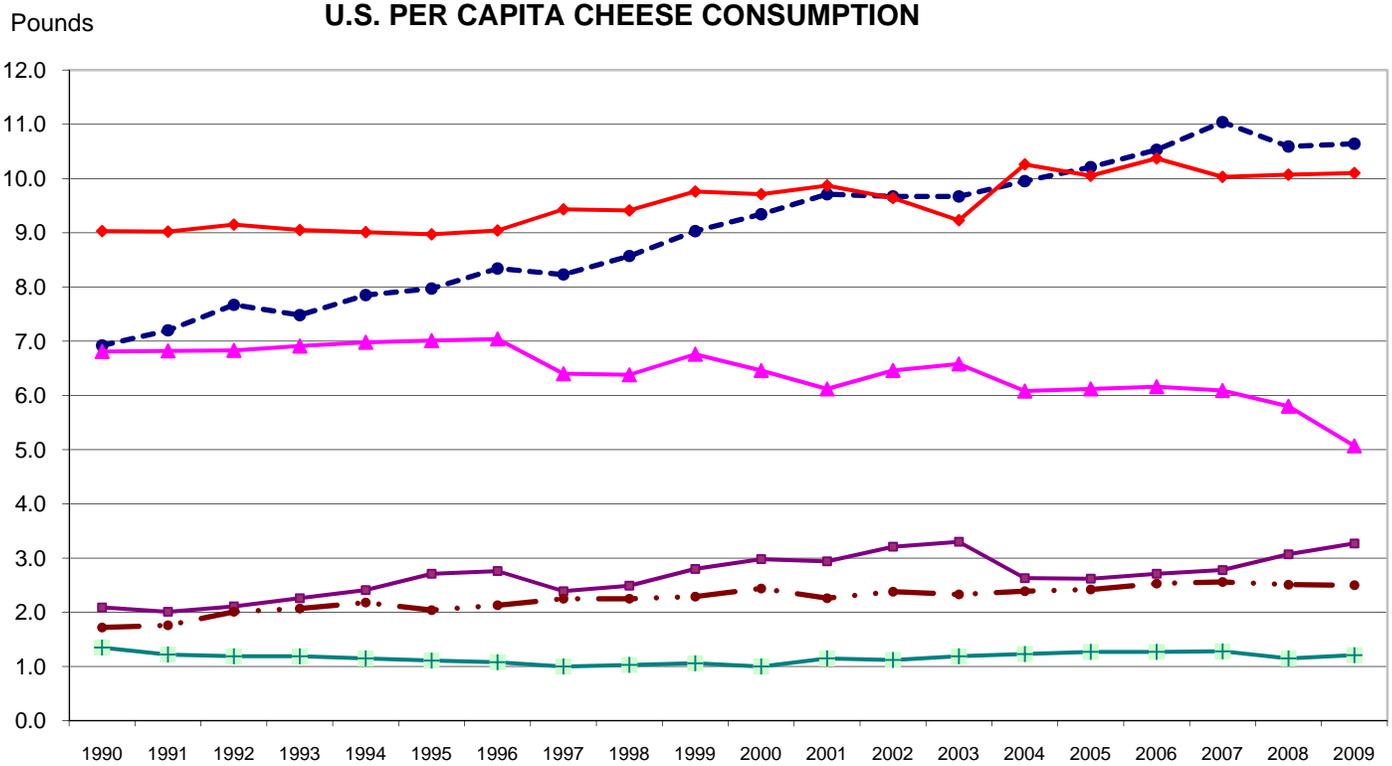
DATA: DAIRY PROGRAMS & CDFA, GRAPH BY DMN 2006 2007 2008 2009 2010

PERCENTAGE OF ESTIMATED TOTAL U.S. MILK PRODUCTION USED IN FLUID PRODUCTS



SOURCE: NASS US MILK PRODUCTION, AMS DAIRY PROGRAMS AND CDFA FLUID SALES DATA

2006 2007 2008 2009 2010

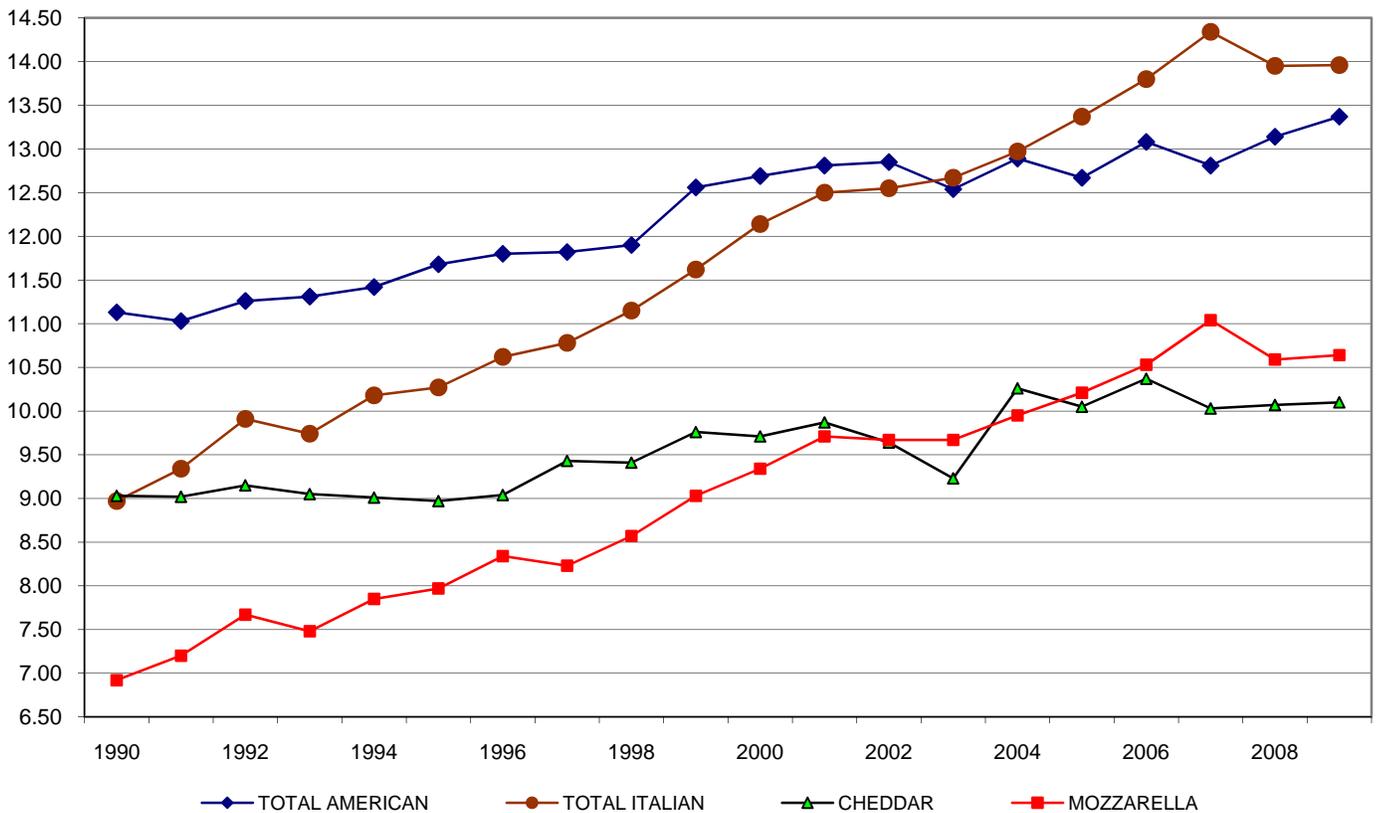


Graph USDA, DMN; Source USDA, ERS *process in cheese content

---●--- MOZZ —◆— CHED —■— OTHER AM -.-.-●-.-.- CREAM —+— SWISS —▲— PROCESS*

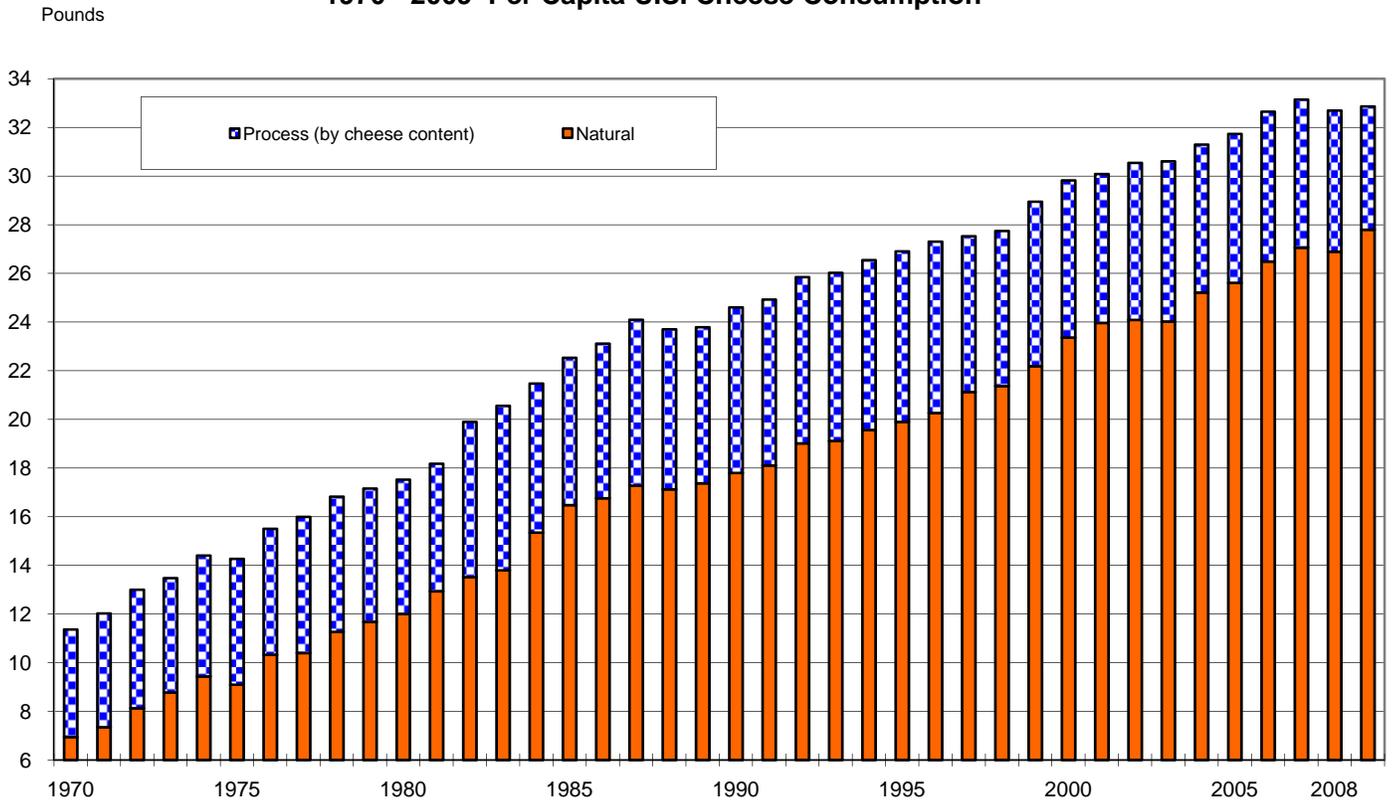
TOTAL AMERICAN, TOTAL ITALIAN, CHEDDAR, AND MOZZARELLA PER CAPITA CONSUMPTION

POUNDS

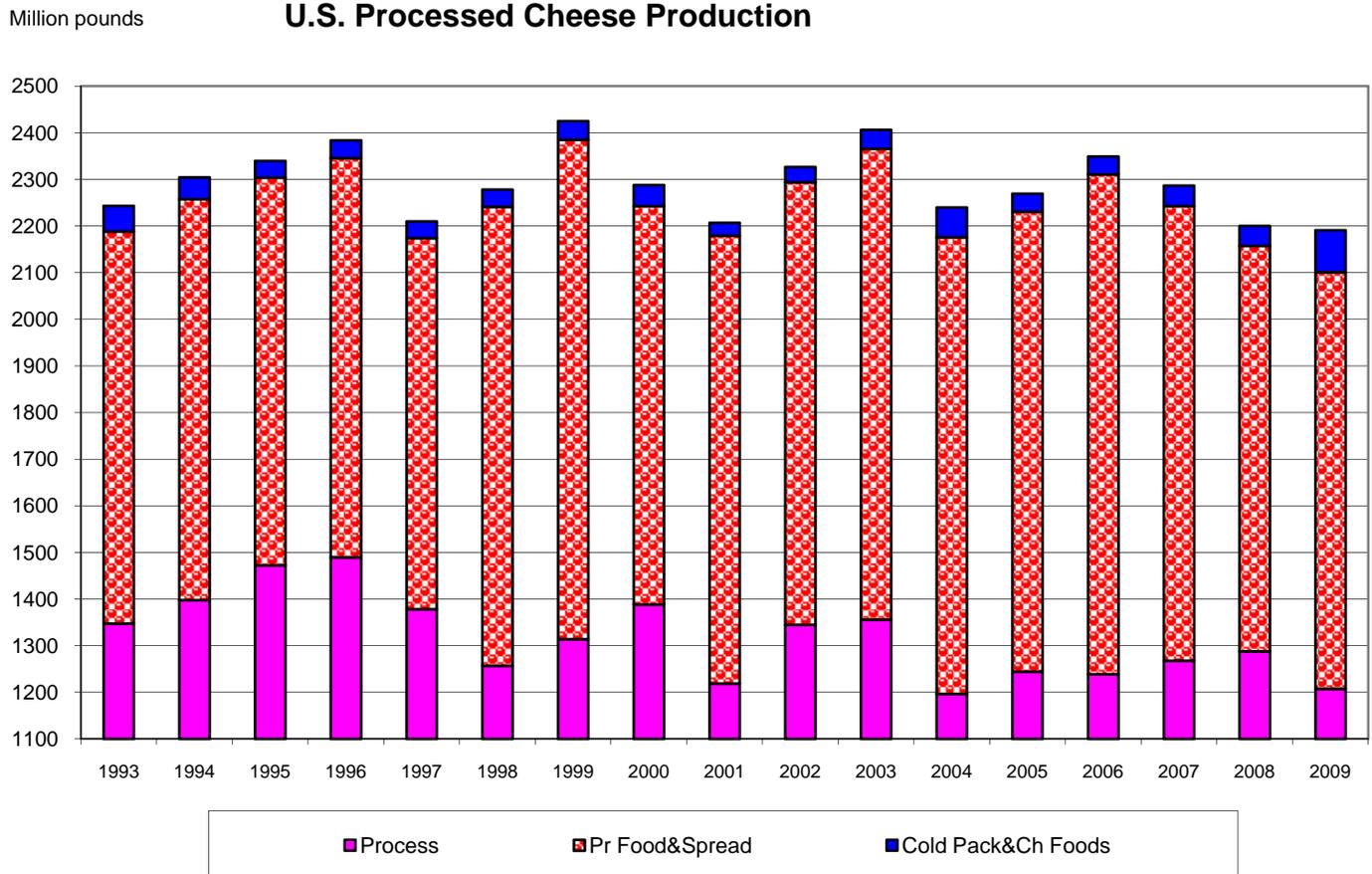


—◆— TOTAL AMERICAN —●— TOTAL ITALIAN —▲— CHEDDAR —■— MOZZARELLA

1970 - 2009 Per Capita U.S. Cheese Consumption



U.S. Processed Cheese Production



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