

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (10/8):**

**BUTTER:** Grade AA closed at \$2.1850. The weekly average for Grade AA is \$2.1940 (-.0410).

**CHEESE:** Barrels closed at \$1.7350 and 40# blocks at \$1.7700. The weekly average for barrels is \$1.7350 (N.C.) and blocks, \$1.7665 (+.0105).

**BUTTER HIGHLIGHTS:** Closing levels at the CME Group declined for the first three days of this week by a combined 5 cents per pound. This is the largest market price movement lower since May of this year. Cream markets moved even softer this week with offerings outpacing demand. Multiples and overages are lower and declining basing points will lead to yet lower overall cream values. Cream movements into the butter churns are active. Producers want to concentrate on building additional butter stocks for holiday needs, but many are concerned with inventory devaluation should prices continue to adjust lower. The other side of that concern is that overall inventories are currently lower than most would have projected, so any value loss would be on a narrower volume. Demand is mixed. There are retailers that are placing and taking orders on a regular basis. There are many buyers that seem to be waiting on buying for upcoming holiday needs, sensing the unsettledness of the current market price and trying to be strategic about when they will place orders. The downside of the wait-and-see strategy is that there is only so much time before butter has to be made, packaged, and shipped to distribution centers. Most retailers don't have a backup plan to have another butter producer put up butter for them because of their miscalculations on timing and pricing.

**CHEESE HIGHLIGHTS:** The cheese market is steady to firm, though under a cautious undertone. The current CME Group block price is around 30 cents over the \$1.4670 comparable weekly average in 2009. Barrels were at \$1.4280 in 2009. 2010 prices equate to around a 20% increase over last year. Current cheese supplies range from tight to adequate, depending on variety. Some overtime is needed for natural orders but seem to lag normal fall levels. Process interest is slower seasonally. Current cheese production is steady to occasionally higher. The Kansas City Commodity Office announced contracts were awarded on October 7 for process products for 2011 delivery. Under Solicitation DPPC2-001 for January 1 – June 30 delivery, the volume totals 4,950,000 to 27,205,200 pounds. Under Solicitation DPPC2-002 for July 1 – December 31 delivery, awards were for between 4,712,400 to 39,798,000 pounds. Both awards matched the volume requested in each Solicitation. The second half contract was mainly for reduced sodium process products (first time) that were, depending on delivery location, from 2+ cents to 5 cents higher than the regular process

prices in the first half from the same companies. During the first 8 months of 2010, U.S. cheddar production is estimated at 2.179 billion pounds, up 5.9 million pounds (0.3%) from the same period in 2009. Cumulative U.S. mozzarella output in 2010 is placed at 2.303 billion pounds, up 151.9 million pounds (7.1%) from a year ago. Total cheese output was placed at 6.893 billion pounds, up 2.9% from 2009. The mozzarella increase equates to 79% of the 2010 increase in total cheese production.

**FLUID MILK:** Seasonal, fall weather conditions are common over most of the United States with some pockets of above normal temperatures noted. The milk flow is beginning to slowly build up from what is normally the low point of the production year. California milk production was lower due to recent hot weather with intakes down by around 5% at some plants before conditions changed and the situation began to reverse. Milk output is steady to higher in Arizona and New Mexico. In the Northwest, milk is seasonally slow along projections. The milk flow is seasonally steady across most of Utah and Idaho. In the Midwest, milk receipts are uneven, reflecting seasonal and variable weather conditions. Demand for milk has slowed with some unsettledness towards finished product prices evident. Milk production is fairly steady in the Northeast and Mid Atlantic regions. Milk output in the Southeast and Florida is tracking steady at seasonal levels.

**DRY PRODUCTS:** Trade issues are being measured as a result of Russian requirements for dairy product imports that have in effect closed their borders for U.S. exports of dairy products. The initial effects are that sellers are looking at other sales avenues for products that have been sold there. Nonfat dry milk prices are steady to trending slightly higher. Pricing indices are also beginning to move higher and basing points are following. The NDM market is currently in good balance. Dry buttermilk prices are slightly higher in a lightly tested market. Production is often higher as more buttermilk solids are coming off the butter churns. Dry whey prices and market tones are trending higher. Buyer interest is fair to good for current lighter offerings. Both domestic and export accounts are active. Contract pricings for next year are being negotiated and are starting at higher levels. Less dry whey is being produced as the whey solids streams are moving to whey proteins and isolates. The WPC 34% market prices are mostly steady with trading light. Producer offerings are tight and limiting spot availability. Lactose prices are higher and reflect contract prices and the trades of higher quality product that were commenced.

**ORGANIC DAIRY MARKET NEWS (DMN):** January and September retail half gallon organic reduced fat (2%) milk prices in the 30

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY OCTOBER 4	TUESDAY OCTOBER 5	WEDNESDAY OCTOBER 6	THURSDAY OCTOBER 7	FRIDAY OCTOBER 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	\$1.7350 (N.C.)	(N.C.)	\$1.7350 (N.C.)
40# BLOCKS	\$1.7600 (N.C.)	\$1.7625 (+.0025)	\$1.7700 (+.0075)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	(+.0100)	\$1.7665 (+.0105)
NONFAT DRY MILK EXTRA GRADE	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(N.C.)	\$1.2250 (N.C.)
GRADE A	\$1.2300 (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	\$2.2150 (-.0200)	\$2.2000 (-.0150)	\$2.1850 (-.0150)	\$2.1850 (N.C.)	\$2.1850 (N.C.)	(-.0500)	\$2.1940 (-.0410)

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

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

City Series showing the price trend for three quarters of 2010, reveal average prices in 10 cities trended up, average prices in 13 cities trended down, and average prices in 7 cities were the same. However, in only 1 of those cities with the same price in January and September, Houston, did average prices remain unchanged for 9 consecutive months. Indianapolis, at \$4.26, is the city with the greatest 9 month increase in the average price, 82 cents. Philadelphia, at \$3.89, is the city with the largest 9 month decrease in the average price, 55 cents. Organic milk ad placements set a record for 2010 this period, with 5,085 ad placements. This is 22% more than the previous highest level of organic ad placements this year, 4,164 twelve weeks ago and well above the lowest number of organic milk ad placements this year, 1,086 in May. Organic milk ad placements are dominated by ads for half gallons numbering 4,056. This also represents the highest number of ad placements for organic half gallons during 2010. The national weighted average advertised price for half gallons of organic milk fell 53 cents to \$2.93. Yet, the price range increased to \$1.39 from last period's 50 cent range, which was the narrowest of 2010. The bottom of the price range fell 50 cents to \$2.50 while the top increased 39 cents to \$3.89. Analysis of advertised pricing reveals that the lower weighted average advertised price is driven by a concentration of prices lower in the range. The national weighted average advertised price for organic milk gallons fell 28 cents to \$4.99. All gallons were advertised at \$4.99, so there was no price range, the third time this has occurred during 2010. All gallon organic milk ads two weeks ago were in the Southeast while all this period are in the Northeast. Weighted national average advertised organic yogurt prices in 6 ounce containers fell 10 cents to \$0.76, down from the highest weighted average advertised price of 2010 two weeks ago. The range remained unchanged, with a top of \$1.00 and a bottom of 60 cents. Organic cream supplies have tightened. There is adequate organic cream to meet manufacturing demand but unlike some situations a number of weeks previously, little organic cream is being sold for non-organic use to maximize profits in lieu of retaining the organic cream for organic manufacturing. If organic cream is going into non-organic use now, generally that is "stranded" cream left from organic runs, organic cream which is not economical to transport elsewhere in less than tanker volume. Thus, it is typically sold to the manufacturing plant which then uses it in non-organic manufacturing.

**INTERNATIONAL UPDATE (DMN):** The October 5th session of the gDT showed results with only minor price changes reported. For the nearby December 2010 period, prices and changes from the previous session are: anhydrous milk fat, \$5354/MT, +1.2%; buttermilk powder, \$3000/MT, +1.4%; skim milk powder, \$3153/MT, -0.3%; and whole milk powder, \$3,549, -2.7%.

**AUGUST 2010 DAIRY PRODUCTS (NASS):** Butter production was 101.6 million pounds in August, 0.6% above August 2009 but 8.4 below July 2010. American type cheese production totaled 354.5 million pounds, 2.1% above August 2009 but 3.8% below July 2010. Total cheese output (excluding cottage cheese) was 880.6 million pounds, 3.5% above August 2009 but 0.1% below July 2010. Nonfat dry milk production, for human food, totaled 120.0 million pounds, 12.1% above August 2009 but 9.0% below July 2010. Dry whey production, for human food, was 76.6 million pounds, 1.0% below August 2009 and 8.1% below July 2010. Ice cream (hard) production totaled 76.5 million gallons, 3.5% below August 2009 and 2.8% below July 2010.

**OCTOBER MILK SUPPLY AND DEMAND ESTIMATES (WAOB):** Forecast milk production for 2010 is raised slightly from last month as higher milk per cow more than offsets lower cow numbers. The forecast for 2011 is reduced as higher feed prices are expected to slow the rate of growth in cow numbers and milk per cow compared with last month. Import and export forecasts are unchanged. Fat basis stocks are reduced for 2010 as stocks of butter are forecast to be tight. Skim solids stocks are unchanged. Continued strength in demand for cheese and relatively tight supplies of butter support higher forecast prices for 2010 and 2011. Price forecasts for nonfat dry milk are raised for 2010 and 2011 as supplies are tighter. The 2010 whey price forecast is increased slightly but is unchanged for 2011. 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 \$16.45 to \$16.55 for 2010 and \$16.00 to \$16.90 for 2011.

**CME GROUP**

MONDAY, OCTOBER 4, 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: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1500; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.2150

TUESDAY, OCTOBER 5, 2010

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.7600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7350; 1 CAR 40# BLOCKS @ \$1.7625; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.2000

WEDNESDAY, OCTOBER 6, 2010

CHEESE — SALES: 2 CARS BARRELS @ \$1.7350; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$1.7700; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.2300; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1200; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1850

THURSDAY, OCTOBER 7, 2010

CHEESE — SALES: NONE; 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

FRIDAY, OCTOBER 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: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1850; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**NORTHEAST**

The CME Group butter prices have declined \$0.0350 in the last 2 trading sessions. These have been the largest declines since May 25th when butter declined \$0.0275. Tuesday's trade saw butter close at \$2.2000. Cream supplies have increased recently, due to the demand declines from soft serve ice cream concerns and increased components off the farm. Butter production is steady to weak as some plants continue to limit production while performing maintenance projects prior to the holiday production push. Multiples have moved lower, ranging mostly in the low 130's. According to NASS, cumulative 2010 butter production through August was 5.3% below cumulative year production for the same period for 2009. August 2010 monthly U.S. butter production totaled 101.6 million pounds, down 8.4% from July, but 0.6% more when compared to August 2009. Atlantic region butter production in August 2010 totaled 7.5 million pounds, down 7.9% from July and 2.5% less than August 2009. According to ERS, commercial disappearance of butter for the first seven months of this year totals 882.0 million pounds, up 1.5% or 13.0 million pounds compared to the same period last year.

**CENTRAL**

The CME Group cash butter price turned weaker and closed 5 cents lower than last Wednesday. Butter prices still remain above \$2.00 as they have since August 19. Retail butter orders are picking up seasonally though current price levels may hurt fourth quarter sales. Churning continues to increase as many other cream users are backing off on purchases either due to lighter finished product interest or to try to get prices/multiples to decline further. Many are micro-fixing bulk supplies. Most traders with butter in storage are trying to reduce their inventory positions. Fat tests on incoming milk supplies continue to trend higher seasonally. Estimated August U.S. butter production totaled

101.6 million pounds, up nearly 600,000 pounds (0.6%) from August 2009. Current bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

**WEST**

Butter prices at the CME Group have declined every day this week on offers. Prices are down 5 cents at midweek ending at \$2.1850. The market has not seen this much weakness since prices started to rise seasonally back in May. Demand for butter ranges from about steady to more of a wait and see attitude as prices are declining. Cream offerings to the churns are increasing rapidly as other users pull back seasonally. Multiples had been in the mid to high 130's a few weeks ago are now either side of 120. Contacts are still wondering what the impact of high butter prices this late into the fall will have on butter sales for the holiday season. According to NASS, butter production in August for the U.S. is 101.6 million pounds, up 0.6% from last year. This is the first time this year that output has been above a year earlier. Cumulative output for the first eight months of the year totals 1.04 billion pounds, down 5.3% or 58.4 million pounds from the same period in 2009. On a weekly average basis, this amounts to 1.7 million pounds less butter produced every week through the end of August in 2010. In August, the Western region produced 57.6 million pounds of butter, up 3.5% from August 2009. This volume amounts to 57% of the total U.S. production for August. According to the CME Group, weekly butter stocks in CME approved warehouses declined 229,000 pounds last week to stand at 18.7 million pounds. Last year for this week, stocks were 87.9 million pounds and they were 65.4 million in 2008. Prices for bulk butter range from flat to 3.5 cents under the market, based on the CME with various time frames and averages used.

**NASS DAIRY PRODUCT PRICES**

<u>WEEK ENDING</u>	U.S. AVERAGES AND TOTAL POUNDS				
	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
October 2	1,7392 11,280,215	1,7499 8,805,637	1,1645 13,033,926	2,2148 5,058,372	0.3647 10,109,765

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**

CME Group cheese prices have advanced in the last 12 trading sessions with barrels up \$0.0250 and blocks \$0.0275. Tuesday's trade saw barrels close at \$1.7350 and blocks at \$1.7625. Cheese production in the Northeast continues to be very active with good orders for mozzarella, aged cheddar and lowfat cheddar. Cream cheese production is also very active and will increase in the next few weeks as holiday orders begin to arrive. Cheese inventories in the Northeast are balanced to working lower. NASS reports, total August cheese production in the Atlantic region was 117.8 million pounds, up 5.4% from July, but 0.3% less compared to the same period last year. Atlantic region cheese production accounted for 13.4% of total U.S. production. Total U.S. cheese production in August 2010 totaled 880.6 million pounds, 0.1% less than July, but 3.5% more than August 2009. Cumulative 2010 (eight month) U.S. Cheese production through August was 2.9% greater than comparable 2009 production. According to ERS, Commercial Disappearance of American cheese for the first seven months of the year totals 2,455.4 million pounds, up 0.4% compared to the same period last year. Disappearance of cheese in the Other category totals 3,604.9 million pounds, up 4.5% from last year.

Barrel and block prices at the CME Group are either holding steady or increasing slightly this week. Contacts are wondering if the weakness in butter, down 5 cents so far this week, will mean anything to the cheese markets. Some aged cheddar is beginning to come out of storage for fall needs at what some are calling some pretty high prices. Swiss activity is being called good for early October. Demand for mozzarella is at least as good as anticipated. According to NASS, total cheese production for the U.S. in August is 880.6 million pounds, up 3.5% or 29.9 million pounds from last year. Cumulative output for the first eight months of 2010 totals 6.89 billion pounds, up 2.9% or 192.3 million pounds from the same period in 2009. This works out to a weekly average increase in production through the end of August of 5.7 million pounds. Taking an average load of cheese to be 48,000 pounds, this is an average additional 119 loads of cheese every week through the end of August. In August, the Western region produced 381.0 million pounds of cheese, up 9.7% from August 2009. This output was 43% of the total U.S. production. Swiss output for the U.S. in August was 27.6 million pounds, up 5.6% from last year.

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

Cheddar 40# Block	:	2.0725-2.3475
Process 5# Sliced	:	1.8375-2.1475
Muenster	:	2.0925-2.2975
Grade A Swiss Cuts 10 - 14#	:	3.2075-3.5300

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

Process 5# Loaf	:	1.8600-2.1175
Cheddar 40# Block	:	1.8850-2.2375
Cheddar 10# Cuts	:	2.0650-2.2850
Monterey Jack 10#	:	2.0750-2.2350
Grade A Swiss Cuts 6 - 9#	:	2.7850-3.2150

**MIDWEST**

**FOREIGN**

The cheese market is about steady, though many buyers are cautious at current prices and are closely watching inventory positions. Current cheese prices on the CME cash market are about 20% higher than the comparable week in 2009. Current natural movement is steady to occasionally improved. Overtime needed to fill packaged cheese orders is generally minimal and/or infrequent, at least compared to recent years. Overall cheese supplies are in balance with some limited tightness noted on a variety or two while others may be on the long side. Mozzarella demand is steady at generally good seasonal levels. Interest in processing solids has slowed as commercial process movement is lighter seasonally. Most firms are trying to work down the inventory placed in storage earlier in the year. Cheese production in the region is increasing seasonally as milk intakes and milk components edge higher. Spot manufacturing milk volumes remain very limited.

Block prices on the CME Group have been edging higher, advancing \$.0275 in the last 12 trading session, closing Tuesday at \$1.7625. The weekly average price increased, advancing wholesale prices for domestic varieties and Swiss Cuts Switzerland also increased in price, following last Friday's increase in the Class III milk price. NASS reports domestic Parmesan production during August 2010 totaled 15.9 million pounds, 10.9 less than July and 7.9% less than August 2009. Provolone production during August totaled 28.5 million pounds, 5.0% less than July and 4.8% less than August 2009. Romano production during August 2010 totaled 2.1 million pounds, 22.8% less than July and 33.4% less than August 2009. Swiss production during August 2010 totaled 27.6 million pounds, 3.0% less than July, but 5.6% more than August 2009.

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

Process American 5# Loaf	:	1.9700-2.2850
Brick And/Or Muenster 5#	:	2.1600-2.2625
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0900-2.5650
Blue 5#	:	2.6000-2.8800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0800-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.6150-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 2.2125-3.7000*
Gorgonzola	: 3.6900-5.9900	: 2.7150-2.9750*
Parmesan (Italy)	: -0-	: 3.6200-3.8775*
Provolone (Italy)	: 3.4400-5.8900	: 2.2550-2.4125*
Romano (Cows Milk)	: -0-	: 3.4025-5.5450*
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-	: 3.3000-3.6225*
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
10/04/10	10,696	: 130,227
10/01/10	10,741	: 130,318
CHANGE	-45	: -91
% CHANGE	N.C.	: N.C.

## 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	75	0
SOUTHEAST STATE	0	0	0	0	30	0

In the Northeast and Mid Atlantic regions, manufacturing milk supplies are adequate to cover contracts with not a lot extra for manufacturing as Class I demand remains steady. A number of plant managers are taking advantage of the relatively light manufacturing milk supplies to catch up on maintenance projects. Milk production is fairly steady with some increases and decreases depending on location. Harvest activities were interrupted by heavy rains last week, but compared to last year, haying operations and grain harvests are ahead of last year's pace. Milk production in the Southeast and Florida remain steady at seasonal levels. Class I demand has turned flat as some schools in the Southeast are taking fall break vacations. Increases in milk component levels, standardized cream volumes and a significant decrease in cream demand from soft serve ice cream concerns have combined to increase the overall cream supply. Increased cream supplies, combined with weaker demand, have lowered the multiples to mostly the low 130's. Condensed skim supplies are primarily moving through contracts. Class II demand is increasing as product production schedules are beginning to expand. NASS reports, ice cream production in the Atlantic region in August totaled 16.5 million gallons, 6.2% less than July and 2.3% less than August 2009. Pennsylvania's ice cream production for August totaled 3.6 million gallons, up 2.5% from July and 14.5% more than one year ago. Yogurt production (plain and flavored) for the U.S. in August totaled 361.5 million pounds, up 6.3% from July and 11.8% higher compared to the same period last year. Cumulative 2010 production through August totaled 2.78 billion pounds, 8.2% higher than through August 2009.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.8384-3.0619
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.8161-2.9502

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.19 - 1.22
NORTHEAST - CLASS III - SPOT PRICES	-	1.06 - 1.10

## M I D W E S T

Fluid interest was steady to occasionally improved due to retail feature activity and the usually stronger first of the month demand. Bottlers are finding less difficulty in acquiring extra loads of milk as needed, indicative of manufacturing plant operator concerns over cheese demand and prices compared to the cost of milk. Class II interest, including ice cream, was typically steady to lighter. Cream buyers are more selective on prices/multiples on cream purchases. Cream offerings have increased with increased volumes occasionally heading to churns despite recent butter price weakness. Some extra interest from cream cheese producers was noted to help ahead of holiday orders. More cream buyers are showing interest in contracting supplies for 2011 as a way to possibly reduce costs. Sellers, on the other hand, may be more reluctant, particularly those firms selling spot loads at sharply higher prices in 2010. Regardless, more operations will likely spend time looking at various options to manage expenses. In some cases, the availability of trucks/truckers when needed may become the deciding factor. Manufacturing milk interest

continues to exceed the supply with prices steady though not enough for a price report. Early indications for next week indicate increased buyer resistance to current premiums. Milk receipts are uneven, ranging from slightly lower to slightly higher. Milk components are increasing seasonally but still seem to lag recent years' levels. Good harvest weather is allowing for a rapid fall harvest though some areas may need rain before tillage can resume as wet conditions turned topsoil hard when it finally dried.

## W E S T

The September 4a price (butter/powder) in CALIFORNIA is \$16.61, up \$0.92 from August and \$5.53 higher than last year. This compares to the Federal Order Class IV price for September 2010 at \$16.76. The September 4b price (cheese) is \$15.48, \$1.09 higher than August and \$4.08 more than last year. This compares to the Federal Order Class III price for September 2010 at \$16.26. CALIFORNIA milk production was down incrementally over parts of the past week as a result of the recent hot weather spell across most of the state. Milk intakes were down at most plants with some levels down by around 5%. Cooler temperatures returned across most of the milk regions and recovery has taken place and milk intakes have been returning to pre heat levels. ARIZONA milk output is holding mostly steady. Severe storms and rainy condition were common over the state. The impact on the milk herd is expected to be limited. Class I milk demand is steady and uneventful. Processing plants are running on planned schedules. NEW MEXICO milk production is steady to higher. Farm conditions are mostly neutral to the milking herds. Feed costs are trending higher with hay quality limited because of untimely rains this production season. The impact is less availability and higher prices of dairy hay. Milk is mainly moving to planned outlets. The Class I market is slightly lower than last week. The CREAM market continues to weaken. Offerings are taking longer timeframes to clear. Butter production is more active in the region with excess cream settling there. Weakness in the butter prices and lower multiples are doubly impacting the overall cream values. The weakening trends are also giving buyers pause and slowing demand even further. The CME Group Grade AA butter price closed at \$2.1850 on Wednesday, October 6, 5 cents lower than a week ago. Cream multiples continue to trend lower and range from 117-130 and vary based on class usage and basing point. Weather conditions are cooler this week in the PACIFIC NORTHWEST. Some scattered showers are also noted. The shower activity continues to impact those trying to finish up the last of the hay harvest. Concern is being expressed about the quantity of dairy quality hay that will be available this winter. Lots of corn silage has been made with some commenting that the corn was really too wet when they started so that end quality is not optimal. The milk flow continues to ebb seasonally. Prices increased at a monthly heifer sale by \$100-150 from last month. Supreme heifers were going at \$1250-1500 and the number sold (695) was more than double the volume of last year. Temperatures are down about 30 degrees in UTAH and IDAHO from last week. Some scattered showers are also noted. The showers are welcome for fall seeded grain, but they are negatively impacting the last of the hay harvest. Corn silage continues to be cut. Contacts are concerned that dairy hay is a little tight and getting more expensive. If cow numbers increase in the region as expected, this could further negatively impact the equation. The milk supply is holding about steady seasonally. Prices at a weekly heifer sale in the region range from about steady to slightly weaker. The top of the market was \$1440 with the average at \$1310.

## NDM, BUTTERMILK &amp; WHOLE MILK

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

## NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are mostly higher as buyers/sellers factor in price increases on various underlying bases. Production trends are mixed, with a few plants able to clear more condensed skim into NDM as Class II orders trend lower. High heat NDM production is gearing up at some facilities to meet the demands of the upcoming baking season. A few plants are choosing to clear intakes into other types of dry products to meet contract commitments. Low heat and high heat NDM inventories are steady to increasing incrementally. Various market participants indicate dairy cooperatives are inclined to offer one or two loads on the spot market versus blocks of NDM loads, which buyers interpret as meaning cooperatives' inventories are at comfortable levels and fall production projections are aligning with contract needs. Pricing outlooks for the near term are variable, though, and relate to reports of nonfat dry milk returning from an uncompleted sale to Russia. Some sellers note concerns that sizeable quantities of NDM reentering the domestic market could swell current supplies in the short run and press prices downward. An alternative scenario is that the returning NDM could displace current NDM production that would usually move to the international market. Either possibility could point to short term weakness in the NDM market, according to those market contacts. Others remain optimistic on near term strength in the NDM market, basing that on recent light offerings from manufacturers and moderate price increases reflected in some price bases. NASS's *Dairy Products* report shows NDM production in the Central region totaled 6.6 million pounds during August 2010, 35.6% less than one month ago and 20.9% less than one year ago.

EAST: Eastern nonfat dry milk prices remain unchanged from last week. Class I demand remains fairly strong limiting drying schedules in most Eastern areas. Some plant managers are taking advantage of the lighter manufacturing supplies and catching up on maintenance projects and/or focusing on high heat nonfat dry milk production. Inventories are building nominally and supplies in the Northeast are current. Demand is weaker and trading is light as some users are holding off on holiday orders, waiting for a clearer market picture. There remains a weak undertone to the market as traders await the market impact of a nonfat dry milk export deal that has been rejected or partially rejected by Russia. According to ERS, Commercial Disappearance of Nonfat Dry Milk for the first seven months of the year totals 896.9 million pounds, up 4.9% or 41.9 million pounds compared to the same period last year. The September 2010 Dairy Market News average of the mostly price series for Central nonfat dry milk, low/medium heat, was \$1.2336 compared to \$1.2182 one month ago and \$1.0179 in September 2009. The September 2010 Dairy Market News average of the range for high heat NDM was 1.3471 compared to 1.3249 the previous month and \$1.1014 one year ago.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during August 2010 totaled 120.0 million pounds, down 9.0% from July 2010 production but 12.1% higher than August 2009. Month ending stocks, at 160.3 million pounds, are 17.2% lower than a month ago but 15.9% higher than one year ago. Cumulative 2010 nonfat dry milk powder production totals 1,078.3 million pounds, compared to 1,099.6 million pounds in 2009, a 1.9% decrease in production. August 2010 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 15.1 million pounds, 33.4% lower than one month ago but 41.2% higher than production one year ago. Cumulative 2010 skim milk powder production totals 172.4 million pounds, compared to 157.6 million pounds during the same time span in 2009, a 9.4% increase in production.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.2000 - 1.2800 MOSTLY: 1.2300 - 1.2600  
HIGH HEAT: 1.3200 - 1.4500

## NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are steady to higher. The market tone is steady to firm. Production levels are often below projections in many areas as hot conditions impacted milk production. Current demand is rated as slow. Buyer interest is limited with contract sales making up the bulk of transactions. Spot buyer demand is very light. Export loads are moving to most locations on a timely basis with some indications of export powder being put back on the market because of recent trade issues. The October 5th gDT auction for SMP for December contracts was \$1.43 per pound, down 0.3% from the prior period. The most current U.S. index prices are higher for the California weighted average NDM price, at \$1.1249 per pound, and the latest NASS NDM price (for a week earlier period) at \$1.1494. Both indices are influenced by contract pricing. There remains a disconnect between U.S. prices and the gDT due to a variety of reasons - product standards, trading period, quantities traded, customer base, location, quality, and others. All influence pricing for the trades they define. Western high heat prices are slightly higher in a light test. Demand has increased with some seasonal interest building and also more offerings are available to fill current orders. Production is steady to higher. Contracted volumes are moving on schedule. Stocks are mainly light.

U.S. NDM production in August 2010 totaled 120.0 million pounds, 12.1% more than last year. Cumulative YTD output through August totals 1.08 billion pounds, down 1.9% from the same period in 2009. NDM production in the Western region in August totaled 101.2 million pounds, up 15.2% from last year. The West produced 84% of the U.S. total in August. U.S. manufacturers' stocks of NDM at the end of August were reported at 160.3 million pounds, 15.9% higher than a year earlier but 17.2% lower than July. U.S. skim milk powder (SMP) production in August totaled 15.1 million pounds, 41.2% more than last year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.1500 - 1.2375 MOSTLY: 1.1850 - 1.2050  
HIGH HEAT: 1.2250 - 1.3700

## DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are unchanged to slightly lower, and the dry buttermilk market has a mixed undertone. Buyer interest is quieter this week for dry buttermilk. Some manufacturers speculate buyers are aware of recent market value shifts for butterfat and await possible dry buttermilk price changes to optimize their purchasing power. Ample cream supplies in the Central region are moving through the churns and dry buttermilk production is keeping in step with butter making. Dry buttermilk inventories range from tight to comfortable, with opportunities to build holdings for near term commitments emerging as manufacturing cream supplies build.

EAST: Eastern dry buttermilk prices are unchanged from last week. Production remains generally steady following fairly steady butter production. Supplies are moving through contracts with limited availability for the spot market. Though supplies are viewed as fairly tight, demand is flat to weak with potential buyers taking a wait and see attitude as the markets adjust to the declining CME Group butter market. The September 2010 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.3686 compared to \$1.3600 one month ago and \$1.0025 in September 2009.

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during August 2010 totaled 5.2 million pounds, 9.3% less than July 2010 production, but 2.0% more than production one year ago. Cumulative 2010 dry buttermilk production totals 54.2 million pounds, 13.2% more than during the same time span of 2009. Month ending stocks of dry buttermilk, at 7.9 million pounds, are 14.2% lower than one month ago but 57.0% higher than the stock levels of one year ago.

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

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.

CONTINUED FROM PAGE 5

DRY BUTTERMILK - WEST

The market tone is steady to slightly firm. The market is lightly tested with limited spot trades occurring. Most current offerings are going to fill past orders. Some seasonal interest for baking and mixes has increased. Production levels are trending higher with additional churning taking place in the region as more cream is moving towards butter production. Seasonal sales of condensed skim are light. Dryer times are available for any production needs. Buttermilk powder production in August 2010 for the U.S. totals 5.2 million pounds, up 2.0% from last year. Buttermilk stocks at the end of August are 7.9 million pounds, 57.0% higher than a year ago but 14.2% below last month.

F.O.B. WEST: 1.2200 - 1.2850 MOSTLY: 1.2450 - 1.2650

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 1	\$1.1249	10,958,631	0
September 24	\$1.1000	15,443,336	0

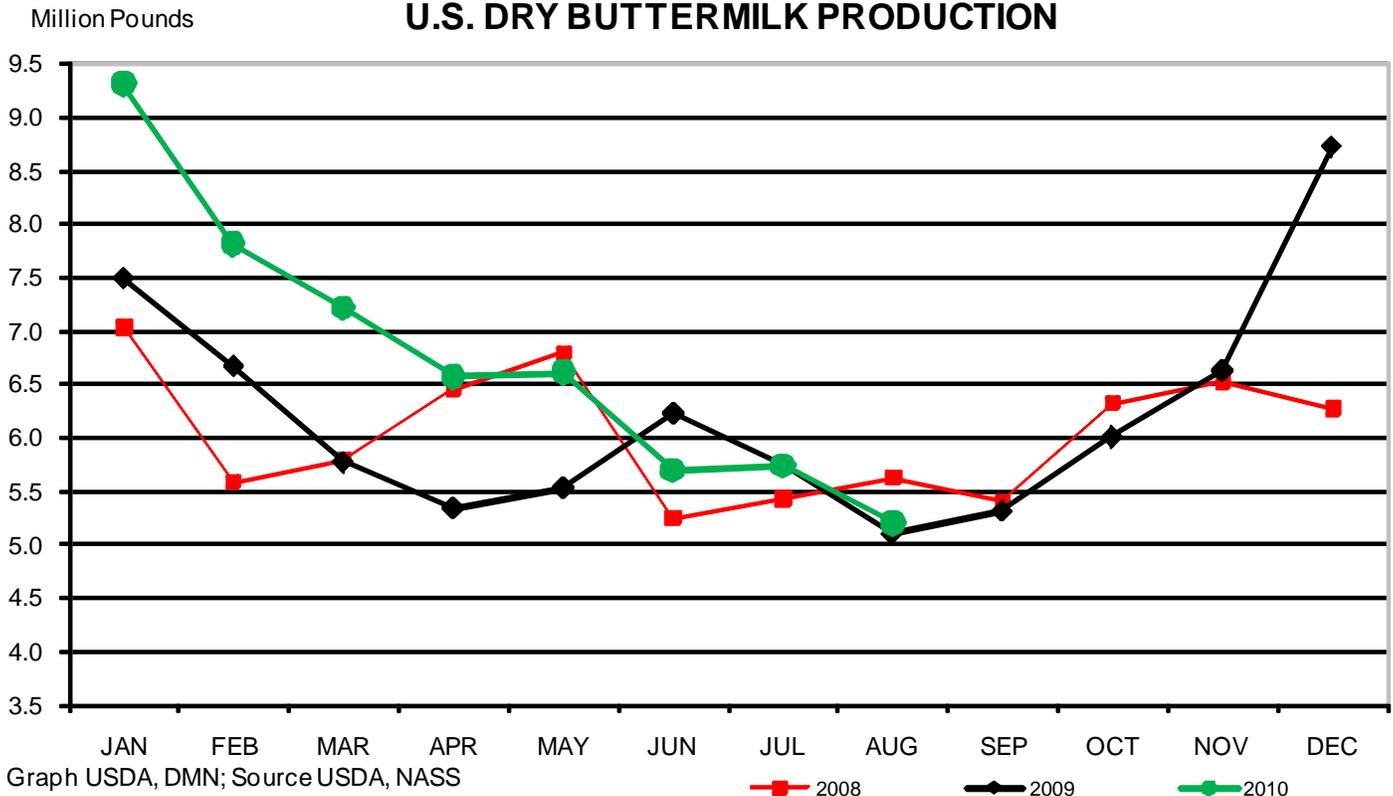
Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady on a mostly firm market. Although butterfat prices have weakened during the last few days, effects on dry whole milk values are reportedly negligible thus far as inventories remain snug. Spot sale activity on current product is slow due to limited availability, although older product is reported to have cleared at prices just below the range. Dry whole milk production is steady to incrementally higher and based on weekly cream and condensed skim availability as well as contract needs. The latest Oceania auction for whole milk powder showed prices trending lower in the near term. Winning New Zealand regular dry whole milk prices per pound for the various contract periods are: Contract 1, \$1.5989, Contract 2, \$1.5717, and Contract 3, \$1.6148. The average price for all whole milk powder traded was \$1.5971, a 2.1% decrease from the previous auction. The September 2010 Dairy Market News average of the range price series for dry whole milk was \$1.6600 compared to \$1.6161 one month ago and \$1.2698 in September 2009. DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during August 2010 totaled 4.2 million pounds, down 33.6% from July 2010 and 30.2% less than August 2009. Cumulative 2010 production totals 44.4 million pounds, a 24.0% increase from 2009 production during the same time span.

F.O.B. PRODUCING PLANT: 1.6100 - 1.7400

U.S. DRY BUTTERMILK PRODUCTION



**WHEY, WPC 34%, LACTOSE & CASEIN**

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

**DRY WHEY - CENTRAL**

Prices on the Central dry whey range price series are unchanged to higher as new monthly contract prices appear. Interest is reportedly steady to higher, including international buyers looking to secure supplies either on the spot market or as new contract customers. Dry whey production at most locations remains a function of lower-than-plant capacity farm milk intakes. Several cheese plants have shaved off days of operation in keeping with the lower milk intakes. Some shipping delays are occurring for contract loads as manufacturers jockey production through testing and transportation arrangements. Condensed whey availability is both higher and lower, and dependent on location. Human food dry whey production during August 2010 in the Central region totaled 37.4 million pounds. This dry whey production is 11.3% less than July 2010 production and 0.4% lower than August 2009.

The September 2010 Dairy Market News average of the mostly price series for Central dry whey was \$0.3439 compared to \$0.3450 one month ago and \$0.3061 in September 2009. ANIMAL FEED DRY WHEY prices are unchanged to higher. Availability is reportedly tight and interest is active, prompting some buyers to settle on prices within the edible dry whey price series. Milk replacer blenders indicate sales of finished product are fairly active for the first week of the new month. New monthly price lists for milk replacer blends from some manufacturers carry higher prices, thus prompting a buying spurt to beat those price increases. These increases in milk replacer orders are clearing current holdings and encouraging interest by manufacturers in securing commodity dry whey for new production. The September 2010 Dairy Market News average of the range price series for Animal Feed Central milk replacer dry whey was \$0.2825 compared to \$0.2780 one month ago and \$0.2021 in September 2009. DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN AND ANIMAL dry whey during August 2010 totaled 81.9 million pounds, 6.5% lower than July 2010, and 0.8% lower than production 1 year ago. Cumulative 2010 dry whey production is 2.4% higher than 2009 production, totaling 692.5 million pounds. August ending stocks of HUMAN FOOD dry whey totaled 38.9 million pounds, 17.1% lower than 1 month ago and 25.8% lower than August 2009. ANIMAL FEED dry whey month ending stocks totaled 4.9 million pounds, 28.3% lower than one month ago but 88.8% higher than the stocks of one year ago.

F.O.B. CENTRAL: .3250 - .3850 MOSTLY: .3300 - .3650  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .3475

**DRY WHEY - WEST**

Some strength was noted on both range and mostly prices this week. Buyers are often not able to cover needs in a timely fashion. Sellers are holding any extra loads with confidence. Inventories are in balance to tight. Production is beginning to increase seasonally. According to NASS, total dry whey production for the U.S. in August was 81.9 million pounds, down 0.8% from last year. Cumulative total whey production for the first 8 months of the year is 692.5 million pounds, up 2.4% from the same period in 2009. August output in the Western region is 19.6 million pounds, down 4.0% from 2009.

NONHYGROSCOPIC: .3425 - .4100 MOSTLY: .3700 - .3950

**DRY WHEY - NORTHEAST**

Northeast dry whey prices remain unchanged from last week. Production remains steady at increased levels following recent increases in cheese production due to good demand for mozzarella. Demand has leveled off after some marginal declines due to the wind down of ice cream production were somewhat offset by increased interest from baking concerns. Export demand continues to be fairly good. Supplies are viewed as tight with most supplies moving through contracts, limiting spot market activity. Users of dry whey seeking additional loads are looking to the Central region for additional supplies. The September 2010 Dairy Market News average of the price series for Northeast dry whey was \$0.3675 compared to \$0.3675 one month ago and \$0.2975 in September 2009.

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

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are mostly unchanged. Spot market activity is slower for the week as availability of uncommitted WPC 34% loads is tight. Some manufacturers indicate delays in October contract shipping are occurring. Cheese and the related WPC 34% production are under the constraints of the seasonal lows of farm milk production, which is allowing manufacturers few opportunities to nudge WPC 34% production higher. Reselling activity of WPC 34% has also slowed, with few buyers receiving offers of product. Interest from various animal feed blenders is active in the edible market as availability of feed grade product is uneven. Some blenders report offers of off specification product are greater than current demand while end users are unable to locate adequate supplies to meet their current needs. Some 2008/2009 product is reportedly available in LTL quantities to the livestock feed sector. The September 2010 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$0.9662 compared to \$0.9555 one month ago and \$0.6624 in September 2009.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during August 2010 totaled 20.2 million pounds, 5.6% less than July 2010 production and 10.8% less than production of one year ago. Cumulative 2010 HUMAN WPC (25.0%-49.9% PROTEIN) production through August 2010 totals 162.7 million pounds, 8.5% lower than 2009 production through same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 18.8 million pounds, 10.1% less than July 2010 and 22.3% less than August 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .9500 - 1.0150 MOSTLY: .9600 - .9900

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

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LACTOSE - CENTRAL AND WEST

Lactose prices are higher as both price series react to some unusual circumstances, as cited by market participants. Fourth quarter contract prices, which are reported as unchanged to fractionally lower from many manufacturers, are reflected in both series, as are actively trading spot sales of higher quality product destined for infant/child products. Some producers report that during the past week, more buyers committed to fourth quarter contracts after delaying decisions for the last few weeks. Lactose production remains steady at most facilities and tied to manufacturing milk supplies. The September 2010 Dairy Market News average of the mostly price series for Central and West lactose was \$0.3213 compared to \$0.3249 one month ago and \$0.2652 in September 2009.

DAIRY PRODUCTS: NASS's Dairy Products report shows HUMAN and ANIMAL lactose production during August 2010 increased 0.1% compared to July 2010 to 78.7 million pounds and was 26.7% higher than August 2009 production. Cumulative 2010 lactose production totals 584.2 million pounds, 23.9% more than during the same time span in 2009. Month ending stocks, at 82.6 million pounds, are 0.3% more than one month ago, and 58.9% higher than one year ago.

Including spot sales and up to 3 month contracts.

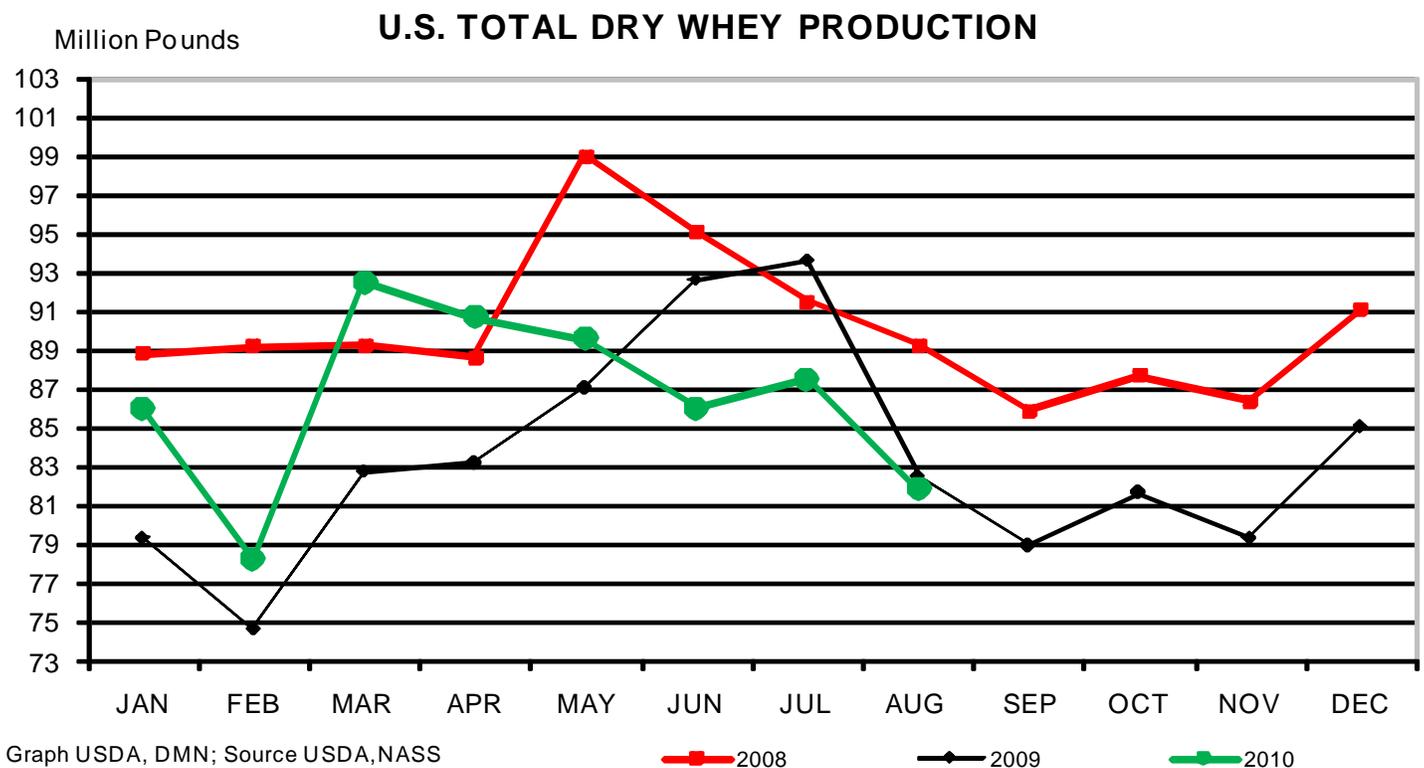
F.O.B. EDIBLE, NON PHARMACEUTICAL .2600 -.4050 MOSTLY: .3100 -.3600

CASEIN - NATIONAL

The casein market remains firm. Limited spot supplies are a continuing concern for buyers. In Europe, casein production is light as other products receive preference over casein as milk receipts decline seasonally. Manufacturers have enough produced casein to cover commitments but spot sale availability is limited. In Oceania, casein production is light as producing other products take precedence early in the season while milk production increases. Casein production will increase as milk volumes near peak levels in a few weeks. Buyers are wary about making purchases from non-regular sources due past quality issues.

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 OCTOBER 4 - 8, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 10/01/10	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 4 - 8, 2010 =	0.0	0.0	COMPARABLE PERIOD IN 2009 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2010 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JAN. 1 - OCT. 8, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	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 OCTOBER 4 - 8, 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 10/1/10 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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 09/18/10 & 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	8.2	4.2	20.9	4.2	0.2	N.A.	14.0	2.8	56.7	2,010.7	44.0	44.0
2009-Dairy	N.A.	0.7	7.9	2.7	17.1	3.8	0.6	N.A.	16.8	3.6	54.6	2,105.3	46.9	47.9
2010-All cows	N.A.	0.7	10.2	13.9	37.2	23.4	14.2	N.A.	17.9	7.1	129.0	4,569.4		
2009-All cows	N.A.	0.8	9.8	13.3	30.9	18.6	12.9	N.A.	19.5	7.2	116.4	4,395.5		

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

**CANADIAN DAIRY BREEDING FEMALE IMPORTS**

WEEK ENDING	WEEKLY TOTAL	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
AUGUST 28	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	17.60			
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26			
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76			

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 September 27 - October 8, 2010

ORGANIC DAIRY FLUID OVERVIEW

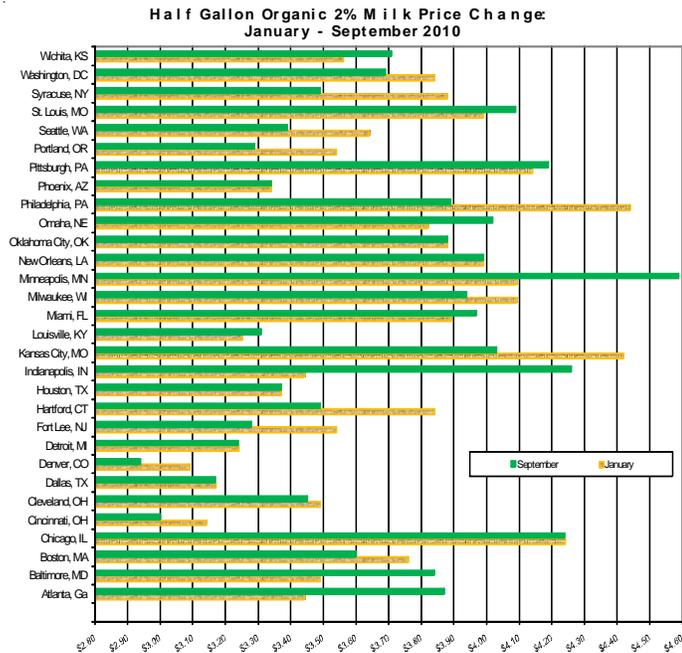
The previously released AMS report for July 2010 Fluid Milk Sales has been corrected. Category totals remain unchanged. However, the itemization of the Organic Fat-Reduced Milk category was corrected to reflect July organic milk sales in millions of pounds as follows: Reduced fat, 38; Low Fat, 30; Fat-Free (Skim), 32; and Flavored, 9.

Organic cream supplies have tightened. There is adequate organic cream to meet manufacturing demand but unlike some situations a number of weeks previously, little organic cream is being sold for non-organic use to maximize profits in lieu of retaining the organic cream for organic manufacturing. If organic cream is going into non-organic use now, generally that is "stranded" cream left from organic runs, organic cream which is not economical to transport elsewhere in less than tanker volume. Thus, it is typically sold to the manufacturing plant which then uses it in non-organic manufacturing.

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

Retail half gallon organic reduced fat (2%) milk prices are surveyed monthly in the 30 City Series. With three quarters of 2010 now over, annual trends are clarifying. Comparing the January 2010 average price in each city with the September 2010 average price shows the trend for 2010 so far. Average prices in 10 cities trended up, average prices in 13 cities trended down, and average prices in 7 cities were the same in January and September although, in only 1 of those cities, Houston, did average prices remain unchanged for 9 consecutive months.



Indianapolis, at \$4.26, is the city with the greatest 9 month increase in the average price, 82 cents. No distinct reason related to farm milk prices, organic milk supplies, processing or transportation is offered by people familiar with the pricing data in explanation. The increase is generally ascribed to retailer factors. Philadelphia, at \$3.89, is the city with the largest 9 month decrease in the average price, 55 cents.

The city with the highest average price in September, Minneapolis, had a 9 month increase in the average price of 50 cents. Denver, with the lowest average price in September, \$2.94, was 15 cents below the average price in January. Denver's January average price was also the lowest average among the 30 cities. In January, Philadelphia had the highest average price among the 30 cities, \$4.44.

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

NATIONALLY ADVERTISED PRICE COMPARISON:

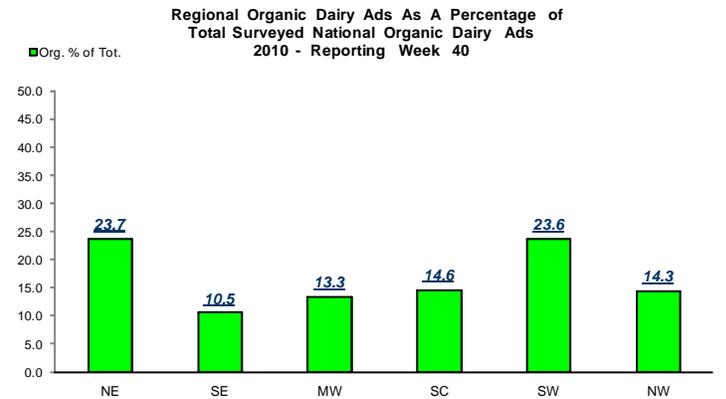
Retail advertising dollars are again focusing on organic milk far more than organic yogurt. Organic milk ad numbers resumed dominating organic dairy ads this period, following a close balance between organic milk ads and organic yogurt ads two weeks ago. For twelve weeks, representing six reporting periods, milk has dominated advertising in all periods except two weeks ago. Within the organic milk category, ads for half gallon containers of organic milk significantly lead ads for either gallons, or milk in 8 ounce containers.

Newspaper supermarket ads for the period September 25, 2010 to October 8, 2010 identifying weekly "specials" and containing organic dairy content, numbered 4,427 of 9,150 surveyed ads, the second highest number of ads with organic dairy content during 2010. The only higher two week cycle occurred last January.

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

Ads this period represented a mixture of national brands and private label organic milk - even in ads for the same store.

**Regional Organic Dairy Ad Trends - Current Period.** There was a more even spread of organic dairy advertising among the six regions this period than during the prior two periods. This period, the Northeast with 23.7% of organic dairy ads and the Southwest with 23.6% led. Those regions were followed by the South Central Region, 14.6%; Northwest, 14.3%; Midwest, 13.3%; and Southeast, 10.5%. While placing lowest in regional ads as a percentage of national organic dairy ads this period, the Southeast had substantially led all regions for the prior two reporting periods with 46.7% of ads two weeks ago and 38.2% four weeks ago



**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.

Organic milk ad placements set a record for 2010 this period, with 5,085 ad placements. This is 22% more than the previous highest level of organic ad placements this year, 4,164 twelve weeks ago and well above the lowest number of organic milk ad placements this year, 1,086 in May.

Organic milk ad placements are dominated by ads for half gallons numbering 4,056. This also represents the highest number of ad placements for organic half gallons during 2010. The half gallon range includes a low of 140 during late May to early June and a high of 2,660 during January. This is followed by 524 ads for 8 ounce aseptic containers of organic milk and 505 for organic gallons.

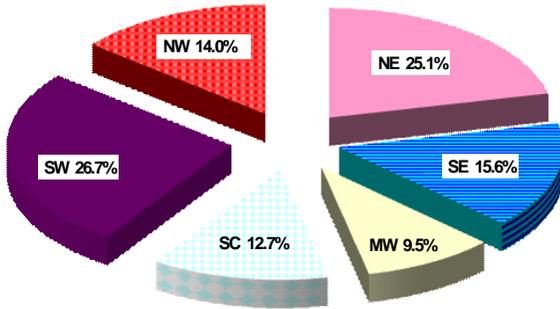
Organic yogurt placements for 6 ounce containers, a traditionally standard ad item, registered 810 ad placements this report. This was followed by ads for 4 ounce organic yogurt, 390 ads; 5.3 ounce organic Greek yogurt, 314 ads; 32 ounce organic yogurt, 80 ads; and kefir, 58 ads. The total number of organic yogurt ad placements this period is 1,654.

ORGANIC DAIRY MARKET NEWS

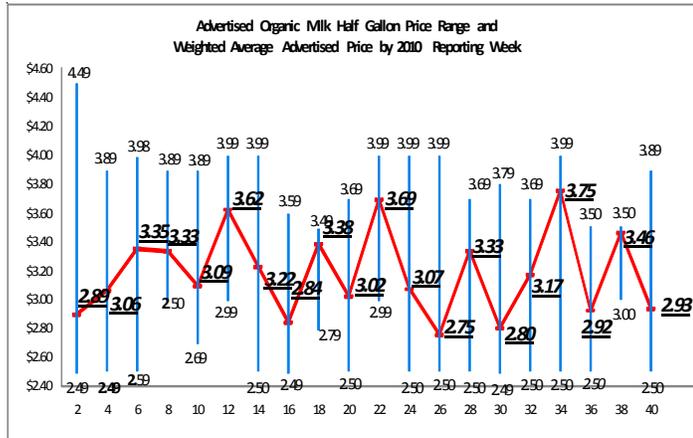
Information gathered September 27 - October 8, 2010

Organic milk ads appeared in all regions. The highest concentration of milk ads, 26.7%, appeared in the Southwest, closely trailed by the Northeast with 25.1%. The remaining regions and percentages are the Southeast, 15.6%; Northwest, 14.0%; South Central Region, 12.7%; and Midwest, 9.5%.

ORGANIC MILK FEATURES  
Regional % of Surveyed Supermarket Ads  
Report - Week 40, 2010



**Half Gallons.** The national weighted average advertised price for half gallons of organic milk fell 53 cents to \$2.93. Yet, the price range increased to \$1.39 from last period's 50 cent range, which was the narrowest of 2010. The bottom of the price range fell 50 cents to \$2.50 while the top increased 39 cents to \$3.89. Analysis of advertised pricing reveals that the lower weighted average advertised price is driven by a concentration of prices lower in the range.



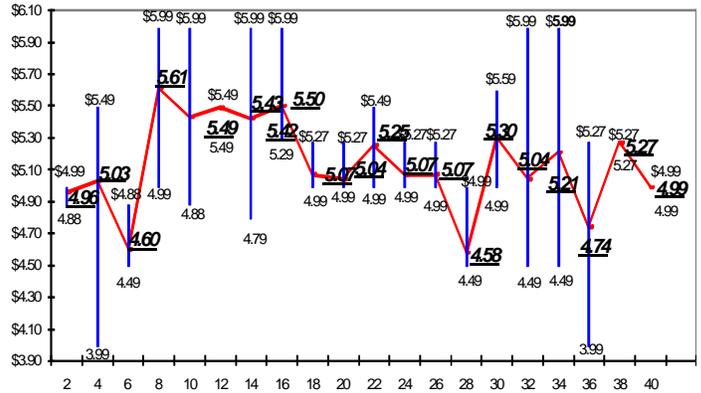
The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION %	WTD. AV. ADV. PRICE \$
NE	06.4 3.15
SE	18.6 3.17
MW	11.9 2.97
SC	15.9 2.58
SW	33.5 2.89
NW	13.7 2.98

**Gallons.** The national weighted average advertised price for organic milk gallons fell 28 cents to \$4.99. All gallons were advertised at \$4.99, so there was no price range, the third time this has occurred during 2010. All gallon organic milk ads two weeks ago were in the Southeast while all this period are in the Northeast.

Advertised Organic Milk Gallon Range and Weighted Average Advertised Price by 2010 Reporting Week



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

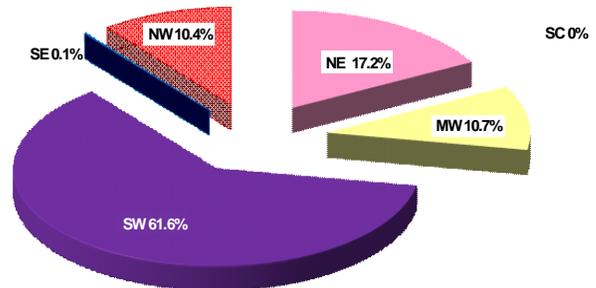
GALLON ORGANIC MILK ADS  
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADV. PRICE \$
NE	100.0 4.99
SE	— —
MW	— —
SC	— —
SW	— —
NW	— —

All 524 organic 8 ounce milk container ad placements were priced between 83 cents and \$1.00, with all ad placements in either the Northeast, 325; Southeast, 39; or Northwest, 160. The national weighted average advertised price is 94.6 cents.

**Yogurt.** The Southwest, with 61.6% of total organic yogurt ad placements, leads all regions, just as it did two weeks ago. Next is the Northeast with 17.2%; followed by the Midwest, 10.7%; Northwest, 10.4%; and Southeast, 0.1%. There were no organic ad placements in the South Central Region.

ORGANIC YOGURT FEATURES  
Regional % of Surveyed Newspaper Ads  
Report Week 40, 2010

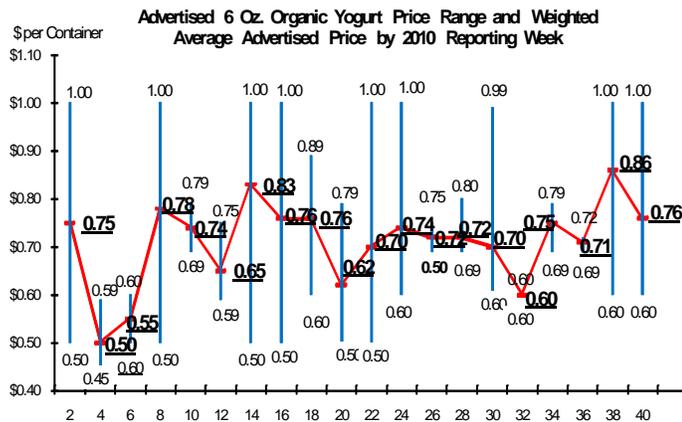


Weighted national average advertised organic yogurt prices in 6 ounce containers fell 10 cents to \$0.76, down from the highest weighted average advertised price of 2010 two weeks ago. The range remained unchanged, with a top of \$1.00 and a bottom of 60 cents. Even though the price range remains unchanged, a greater cluster of prices lower in the range accounts for the lower weighted average advertised price.

ORGANIC DAIRY MARKET NEWS

Information gathered September 27 - October 8, 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	27.9
SE	0.2
MW	21.7
SC	
SW	38.8
NW	11.4

Other organic yogurt ads were 390 for 4 ounce yogurt priced between 50 cents and 75 cents, with these ads all in the Southwest; 314 ads for Greek yogurt in 5.3 ounce containers, with all ads in the Southwest and priced \$1.00; 80 ads for 32 ounce containers of organic yogurt, all in the Northwest and priced \$3.00; and 58 ads for 32 ounce kefir, all in the Northeast and priced \$3.99.

No ads appeared for organic butter, cheese, 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 40

	MADISON, WI		
	LOW	HIGH	RANGE
	(In Dollars)		
<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)	5.29*	6.49	1.20*

LOW HIGH RANGE  
(In Dollars)

HALF GALLONS:

Whole	1.69*	4.39	2.70*
Reduced Fat (2%)	1.69*	4.39	2.70*
Low Fat (1%)	1.69*	4.39	2.70*
Nonfat (Skim)	1.69*	4.39	2.70*

CHOCOLATE HALF GALLON:

	3.39	5.69*	2.30*
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YOGURT

	.79*	1.59	0.80*
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CHEESE - 8 OUNCE BLOCKS:

Mozzarella	3.00*	5.75	2.75*
Mild Cheddar	3.50*	6.19	2.69*
Monterey Jack	3.50*	6.19	2.69*
Pepper Jack	3.00*	6.49	3.49*

CHEESE - 6 OUNCE STRING

Mozzarella	3.00	5.09	2.09
Colby Jack	3.00	5.09	2.09

BUTTER - 1 POUND	4.79*	6.49	1.70*
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\*=Price change from prior reporting period

Of 36 prices forming the top and bottom of the price range for the organic dairy categories shown above, 12 changed from two weeks ago. 7 price ranges moved lower and 5 moved higher. 11 of 12 price changes modified the low price in the range, either up or down, rather than the high price. 5 of the 7 downward price movements were for milk, particularly half gallons where the lowest price declined to \$1.69 from \$3.09 for nonfat (skim) and \$3.19 for the other categories of half gallons two weeks ago. \$1.69 is the lowest price for half gallons of organic milk at anytime during 2010. The same brand priced at \$1.69 in one retail store - the lowest price among surveyed stores, was priced at \$4.39 in another store - the highest price. This resulted in a price spread of \$2.30 for half gallons of the same brand, depending on the retail outlet shopped.

The lowest price for gallon containers of organic lowfat (skim) milk also declined 10 cents to \$5.29.

Half gallons of organic chocolate milk moved 19 cents higher at the top of the range, to \$5.69.

As for cheese, the lowest price for mozzarella fell 70 cents to \$3.00 and the lowest price for organic pepper jack fell 89 cents to \$3.00. There was a 1 cent increase in the lowest price for both organic mild cheddar and Monterey Jack, to \$3.50.

The lowest price for organic butter increased 29 cents to \$4.79.

Organic yogurt prices at the bottom of the range increased 19 cents to 79 cents.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mostly steady with light to moderate demand and offerings. The organic corn market gained some strength this reporting period with moderate demand. Overall, buying interest in organic grains has improved but producers are busy harvesting during this dry period. Organic field peas were priced on a light test from \$9.00 to \$10.00 per bushel. Large bales of premium organic alfalfa in the Texas Panhandle traded at \$210.00 per ton, delivered, which is unchanged from the previous reporting period.

Eastern organic grain and feedstuff prices were steady to firm. Feed grade corn and wheat prices gained strength this reporting period, due to light supplies and stronger conventional markets. Cash sales and demand for organic grains were moderate as buyers and producers anticipate the upcoming harvest season.

Upper Midwest organic grain and feedstuffs prices were mostly steady. However, corn prices were higher this reporting period with light to moderate offerings and moderate demand. Although general market activity remained slow, buying interest has picked up. However, producers are set on finishing harvest now that dry weather has prevailed.

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

**AUGUST 2010 DAIRY PRODUCTS HIGHLIGHTS**

**BUTTER** production was 101.6 million pounds in August, 0.6 percent above August 2009 but 8.4 below July 2010. **AMERICAN TYPE CHEESE** production totaled 354.5 million pounds, 2.1 percent above August 2009 but 3.8 percent below July 2010. **TOTAL CHEESE** output (excluding cottage cheese) was 880.6 million pounds, 3.5 percent above August 2009 but 0.1 percent below July 2010. **NONFAT DRY MILK** production, for human food, totaled 120.0 million pounds, 12.1 percent above August 2009 but 9.0 percent below July 2010. **DRY WHEY** production, for human food, was 76.6 million pounds, 1.0 percent below August 2009 and 8.1 percent below July 2010. **ICE CREAM** (hard) production totaled 76.5 million gallons, 3.5 percent below August 2009 and 2.8 percent below July 2010.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	AUG 2010	PERCENT CHANGE FROM:			PRODUCT	AUG 2010	PERCENT CHANGE FROM:		
	1,000 LBS.	AUG 2009	JUL 2010	YEAR TO DATE 1/		1,000 LBS.	AUG 2009	JUL 2010	YEAR TO DATE 1/
BUTTER	101,624	0.6	-8.4	-5.3	SOUR CREAM	99,378	6.0	10.3	2.1
CHEESE					YOGURT (PLAIN AND FLAVORED)	361,508	11.8	6.3	8.2
AMERICAN TYPES 2/	354,465	2.1	-3.8	0.9	DRY WHEY, HUMAN FOOD	76,583	-1.0	-8.1	---
CHEDDAR	265,512	0.3	-3.8	0.3	DRY WHEY, ANIMAL FEED	5,275	2.1	24.6	---
OTHER AMERICAN	88,953	8.0	-3.6	---	DRY WHEY, TOTAL 8/	81,858	-0.8	-6.5	2.4
BRICK & MUENSTER	10,450	-6.2	1.3	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	74,163	-3.4	15.4	---	HUMAN FOOD	2,237	-14.7	-27.9	---
HISPANIC	17,984	-0.1	3.8	---	ANIMAL FEED	4,137	3.0	-6.1	---
TOTAL ITALIAN TYPES	366,176	5.9	0.5	5.7	LACTOSE, HUMAN FOOD & ANIMAL FEED	78,666	26.7	0.1	23.9
MOZZARELLA	294,266	7.9	0.9	7.1	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	71,910	-1.7	-1.0	---	HUMAN FOOD 9/	32,051	-0.7	-2.3	---
SWISS	27,561	5.6	-3.0	---	ANIMAL FEED 9/	3,285	9.0	1.7	---
ALL OTHER TYPES	29,775	15.4	4.0	---	TOTAL 9/	35,336	0.1	-1.9	1.5
TOTAL	880,574	3.5	-0.1	2.9	25.0-49.9 PERCENT 10/	20,236	-10.8	-5.6	---
COTTAGE CHEESE, CURD 3/	36,117	-2.6	1.8	---	50.0-89.9 PERCENT 10/	15,100	20.0	3.5	---
COTTAGE CHEESE, CREAM 4/	28,616	-5.8	3.4	-8.0	PROTEIN ISOLATES 11/	5,066	7.9	-0.9	---
COTTAGE CHEESE, LOWFAT 5/	31,856	-0.8	-2.2	-4.0	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONSDS WHOLE MILK	43,528	8.3	-2.1	---	ICE CREAM (HARD)	76,537	-3.5	-2.8	-2.2
DRY BUTTERMILK	5,201	2.0	-9.3	---	ICE CREAM, LOWFAT (HARD)	14,823	18.4	2.6	---
DRY WHOLE MILK	4,234	-30.2	-33.6	---	ICE CREAM, LOWFAT (SOFT)	25,420	7.4	-4.1	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	4,802	-19.1	-34.1	---	ICE CREAM, LOWFAT (TOTAL)	40,243	11.2	-1.7	5.7
NONFAT DRY MILK (NDM), HUMAN	119,986	12.1	-9.0	-1.9	SHERBET, HARD	3,745	-12.0	-17.9	-7.2
SKIM MILK POWDERS (SMP) 7/	15,075	41.2	-33.4	9.4	YOGURT (TOTAL)	6,455	-11.7	-14.8	-5.2

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	AUG 2010	PERCENT OF:		PRODUCT	AUG 2010	PERCENT OF:	
	1,000 LBS.	AUG 2009	JUL 2010		1,000 LBS.	AUG 2009	JUL 2010
DRY WHEY, HUMAN FOOD	38,869	-25.8	-17.1	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	4,923	88.8	-28.3	HUMAN FOOD 9/	32,586	-6.5	-6.8
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	10,560	-25.0	-0.6	ANIMAL FEED 9/	1,585	-30.1	-7.4
LACTOSE, HUMAN FOOD & ANIMAL FEED	82,586	58.9	0.3	TOTAL 9/	34,171	-7.9	-6.8
CANNED EVAP & CONSDS WHOLE MILK	130,386	29.2	3.7	25.0-49.9 PERCENT 10/	18,813	-22.3	-10.1
DRY BUTTERMILK	7,903	57.0	-14.2	50.0-89.9 PERCENT 10/	15,358	19.3	-2.4
NONFAT DRY MILK (NDM), HUMAN FOOD	160,301	15.9	-17.2	PROTEIN ISOLATES 11/	7,951	-27.1	-12.0

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

SOURCE: "Dairy Products," October 2010, National Agricultural Statistics Service, Agricultural Statistics Board, USDA.

## OCTOBER MILK SUPPLY AND DEMAND ESTIMATES\*

Forecast milk production for 2010 is raised slightly from last month as higher milk per cow more than offsets lower cow numbers. The forecast for 2011 is reduced as higher feed prices are expected to slow the rate of growth in cow numbers and milk per cow compared with last month. Import and export forecasts are unchanged. Fat basis stocks are reduced for 2010 as stocks of butter are forecast to be tight. Skim solids stocks are unchanged. Continued strength in demand for cheese and relatively tight supplies of butter support higher forecast prices for 2010 and 2011. Price forecasts for nonfat dry milk (NDM) are raised for 2010 and 2011 as supplies are tighter. The 2010 whey price forecast is increased slightly but is unchanged for 2011. 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 \$16.45 to \$16.55 per cwt for 2010 and \$16.00 to \$16.90 per cwt for 2011.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Projected		2011 Projected	
		September	October	September	October
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	189.3	192.7	192.8	196.2	196.0
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	10.4	10.0
MARKETINGS	188.3	191.7	191.8	195.3	195.0
IMPORTS	5.6	4.1	4.1	4.0	4.0
TOTAL COMMERCIAL SUPPLY	204.0	207.1	207.2	209.6	209.0
FAT BASIS USE					
COMMERCIAL EXPORTS	4.1	6.6	6.6	5.4	5.4
ENDING COMMERCIAL STOCKS	11.3	10.4	10.0	10.2	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	189.9	190.3	194.0	193.4
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	11.5	11.5
MARKETINGS	188.3	191.7	191.8	195.3	195.0
IMPORTS	5.5	4.5	4.5	4.3	4.3
TOTAL COMMERCIAL SUPPLY	204.7	207.5	207.6	211.0	210.8
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.4	29.3	29.3	28.3	28.3
ENDING COMMERCIAL STOCKS	11.3	11.5	11.5	11.2	11.2
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.7	166.9	167.1	171.5	171.3
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	30	8	8	0	0
CHEESE	3	2	0	0	0
NONFAT DRY MILK	248	2	0	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 11

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		September	October	September	October
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <u>1/</u> CHEESE	1.2963	1.530-1.550	1.550-1.560	1.530-1.630	1.540-1.630
BUTTER	1.2094	1.690-1.730	1.720-1.750	1.485-1.615	1.505-1.625
NONFAT DRY MILK	0.9222	1.150-1.170	1.155-1.175	1.175-1.245	1.175-1.245
DRY WHEY	0.2584	0.360-0.380	0.365-0.375	0.355-0.385	0.355-0.385
<b>DOLLARS PER CWT</b>					
MILK PRICES <u>2/</u> CLASS III	11.36	14.50-14.70	14.65-14.75	14.40-15.40	14.50-15.40
CLASS IV	10.89	14.90-15.20	15.10-15.30	14.25-15.35	14.35-15.35
ALL MILK <u>3/</u>	12.84	16.25-16.45	16.45-16.55	15.85-16.85	16.00-16.90
<b>QUARTERLY</b>					
	2010 III	2010 IV <u>4/</u>	2011 I <u>4/</u>	2011 II <u>4/</u>	2011 III <u>4/</u>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	48.0	47.7	48.6	50.5	48.6
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <u>2/</u> <u>3/</u>	16.67	18.45-18.85	16.60-17.30	15.55-16.55	15.50-16.50
CLASS III PRICE <u>2/</u>	15.06	16.45-16.85	14.70-15.40	14.40-15.40	14.45-15.45
CLASS IV PRICE <u>2/</u>	16.04	16.55-17.05	14.95-15.75	14.10-15.20	14.15-15.25

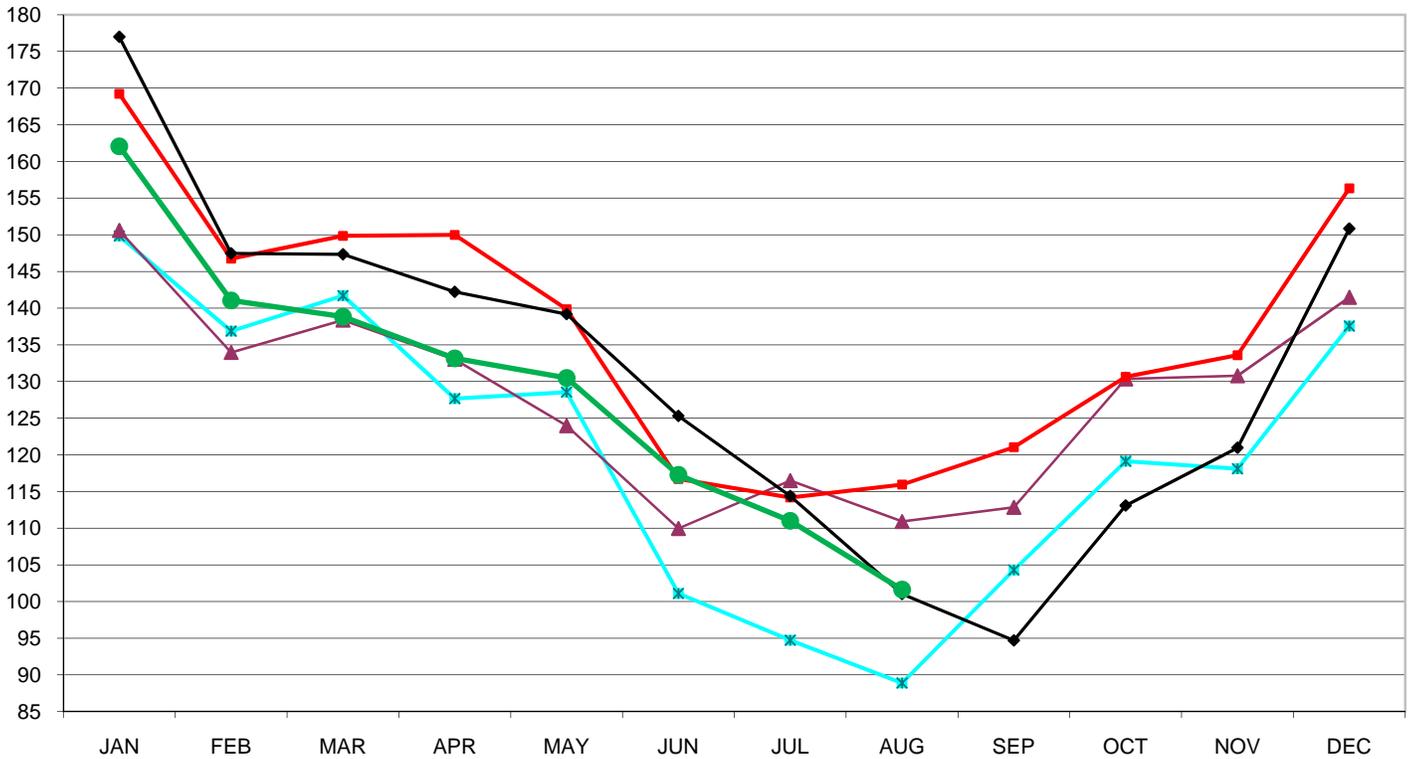
1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Prices;" then select "Description." 2/ Annual and quarterly Class III and Class 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-487, World Agricultural Outlook Board, USDA, October 8, 2010.

Million Pounds

### U.S. BUTTER PRODUCTION

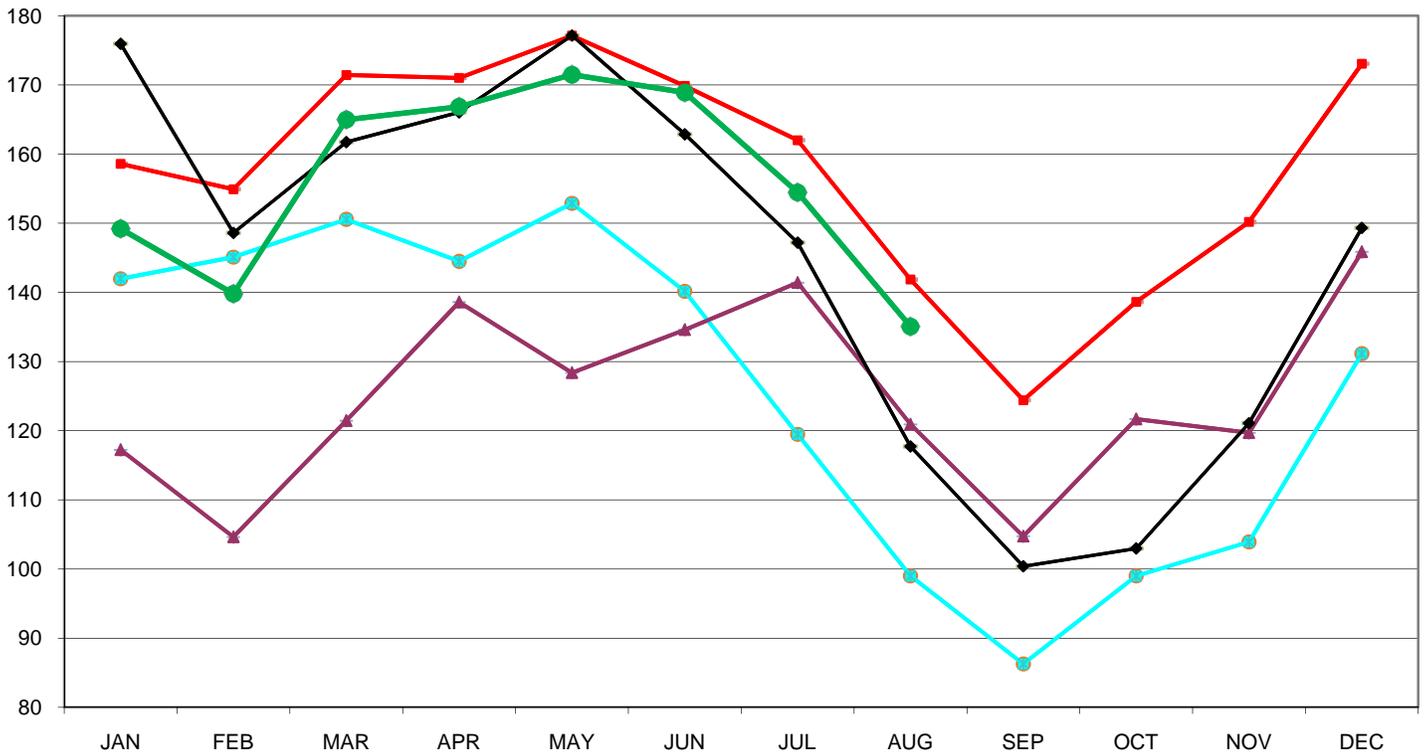


2006 2007 2008 2009 2010

10/04/2010 - Graph USDA, DMN; Source USDA, NASS

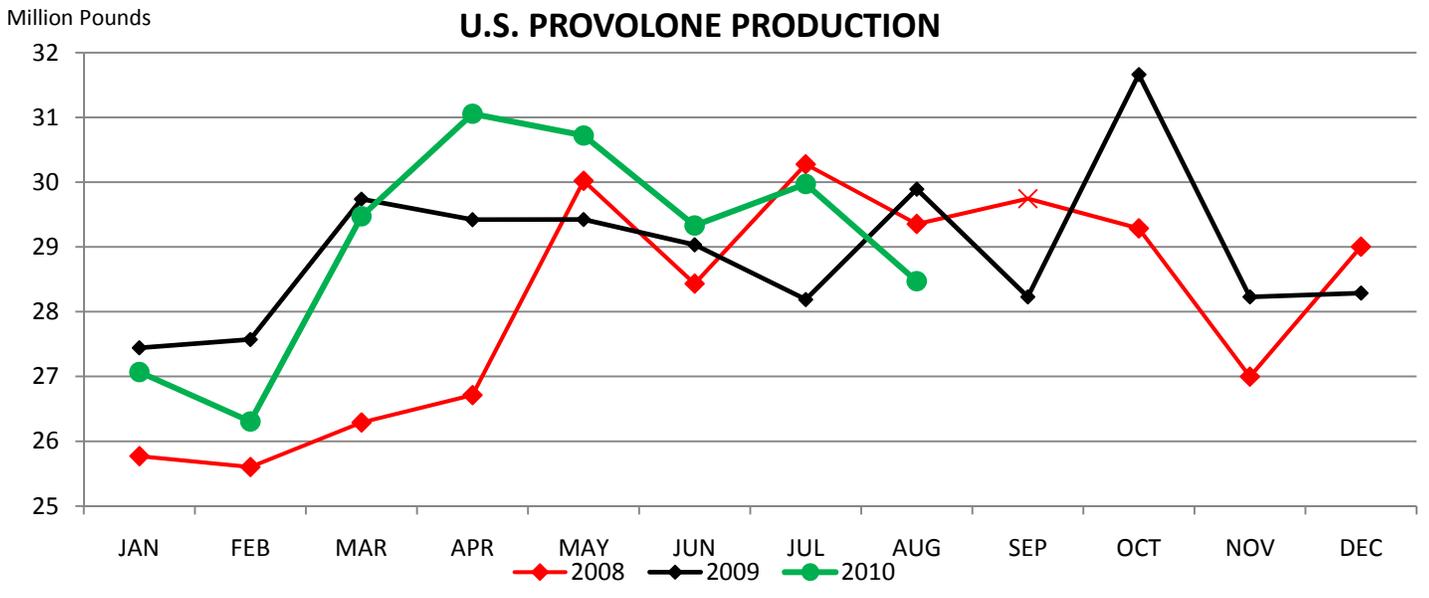
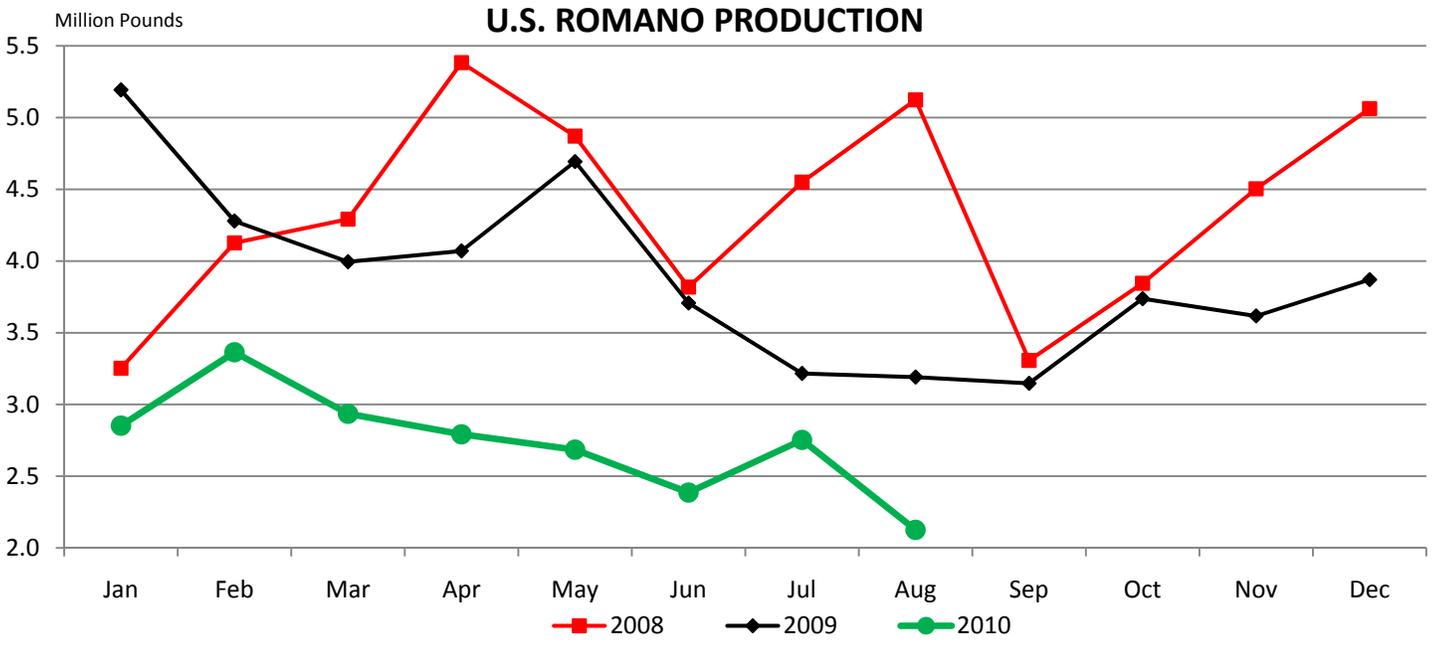
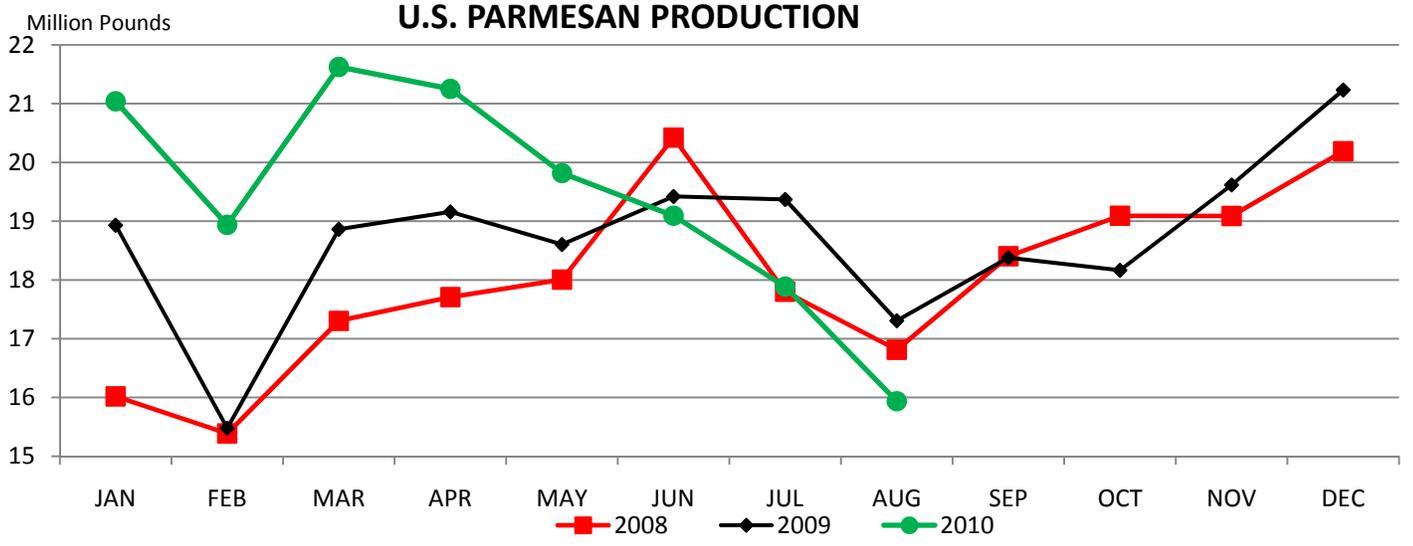
### U.S. COMBINED NDM (HUMAN) AND SKIM POWDER PRODUCTION

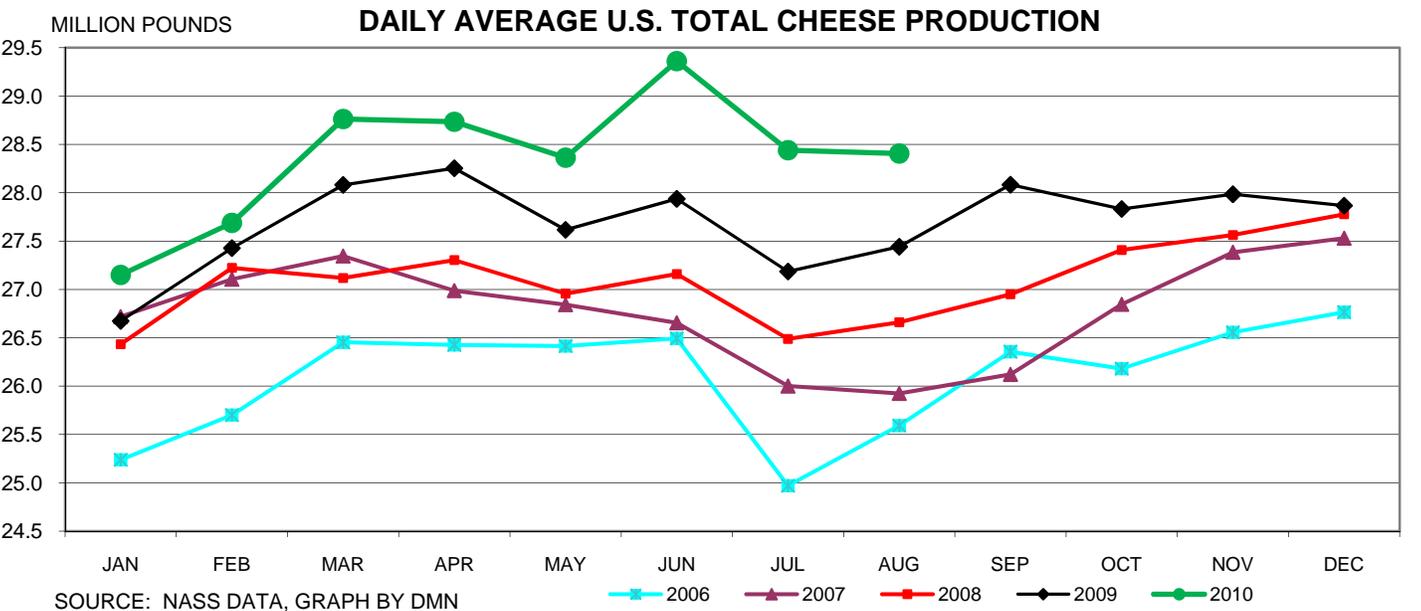
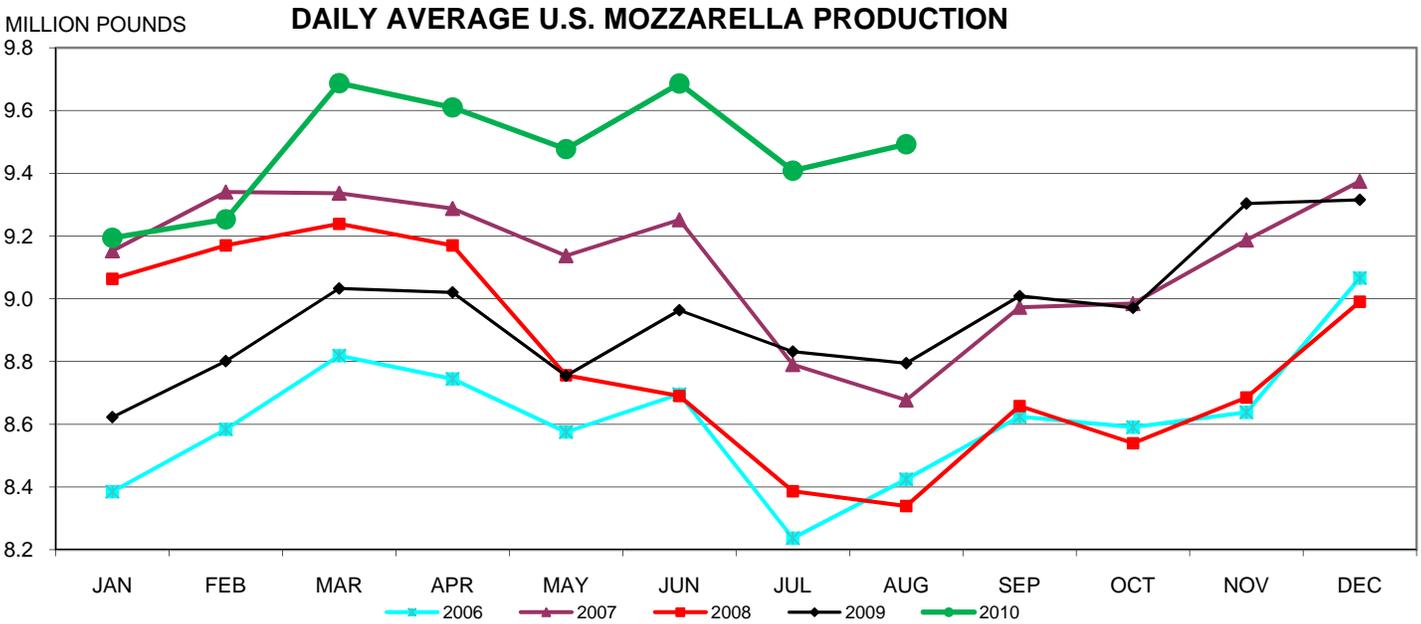
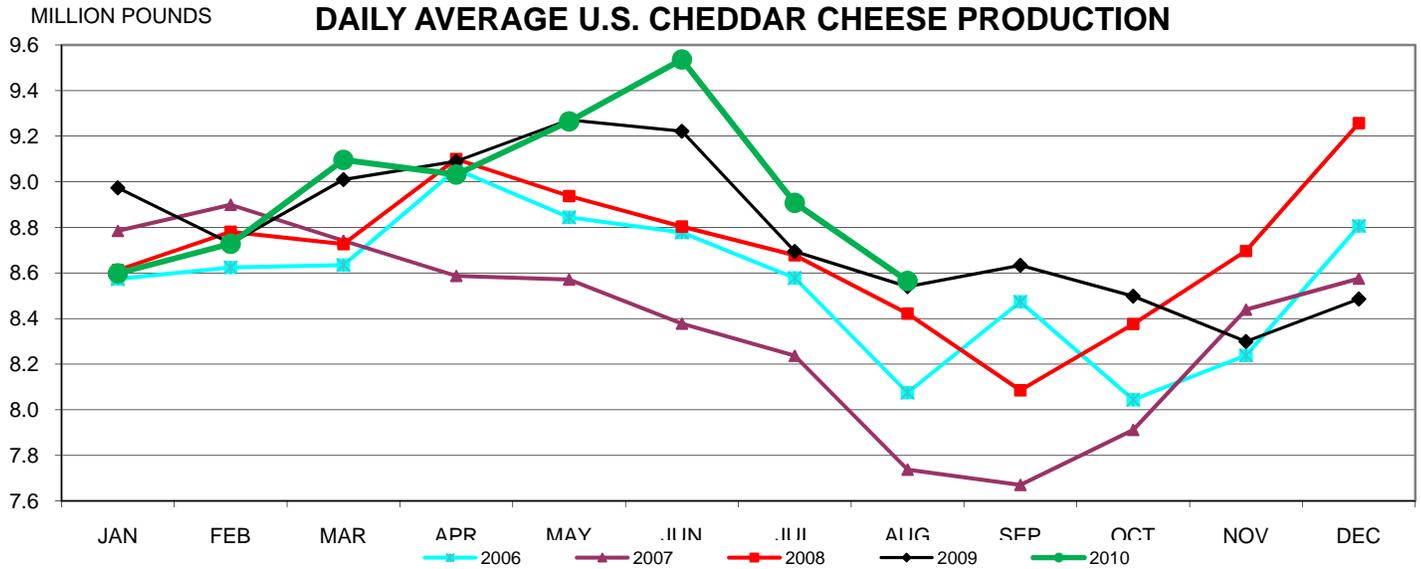
Million Pounds



GRAPH BY DMN: NASS DATA

2006 2007 2008 2009 Revised  
2006 2007 2008





SOURCE: NASS DATA, GRAPH BY DMN

# DAIRY MARKET NEWS

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