

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (10/15):**

**BUTTER:** Grade AA closed at \$2.1850. The weekly average for Grade AA is \$2.1850 (-.0090).

**CHEESE:** Barrels closed at \$1.7325 and 40# blocks at \$1.7400. The weekly average for barrels is \$1.7325 (-.0025) and blocks, \$1.7640 (-.0025).

**BUTTER HIGHLIGHTS:** The CME cash butter price has held steady since midweek last week at \$2.1850. The slight decline of the butter price often caused cream pricing to ease during the week. Along with the base price of cream pricing declining, multiples are often lower. Churning activity is mixed across the country. Some butter producers continue to procure as much cream as they can to generate butter stocks for future use, while others are more cautious with their cream purchases and churning activity. For those that are exercising caution, they do not want to get caught with high priced inventories. Although inventories are lower than many desired for this time of the season, many butter producers are getting a clearer picture of their butter needs for the balance of the year and adjusting their churning accordingly. Overall butter orders for the upcoming holiday period are developing quite well. Often, stronger than projected butter orders are being stimulated by scheduled feature activity around the upcoming year-end holidays.

**CHEESE HIGHLIGHTS:** The CME barrel cheese price adjusted slightly lower early in the week, but remained unchanged for the balance with 40# blocks declining 3 cents at week's end. Cheese production across the country is relatively steady as milk intakes are fairly flat though cheese yields are improving seasonally. Demand for cheese is seasonally good. Supplies are adequate for most needs. Reports indicate that current cheese movement just seems to lack the usual fall demand surge though time is still available for the holiday season business to improve. Cooperatives Working Together (CWT) continues to assist sales of cheese for export with nearly 3 million pounds reported this week. Since March 2010, CWT has assisted members with sales of 47.8 million pounds of cheese for export.

**FLUID MILK:** Milk production is mixed. The Central, Northeast and Mid Atlantic regions are trending mostly lower along the seasonal trend. The Southeast and Western regions are showing steady to slightly increased production levels as cow comfort levels have increased, mostly due to lower temperatures. Class I demand is generally steady with some increase noted in the East. Class II demand has lessened as ice cream concerns are operating at reduced production schedules. Cream offerings have increased, while demand has decreased. Cream multiples and overages are being reduced in an attempt to stimulate interest. Makers of finished cream-based products

are nearing a crossroads. They will need cream for the upcoming holiday production season, but have yet to purchase significant additional supplies over contracted volumes at current price levels, unwilling to carry more costly inventories. Production decisions will need to be made soon based on the elevated butter market, declining multiples, lower inventories and the perceived effects of the current economy on demand. Delaying additional cream purchases much longer may result in limited product inventories during the busiest time of year.

**DRY PRODUCTS:** Nonfat dry milk prices are steady to weak with domestic and export interest trending below expectations. Market activity is fairly light as buyers await a clearer market picture. NDM production is uneven, lighter in the East to slightly higher in the West. Dry buttermilk prices are steady to lower. Production is increasing in the Central and Western regions. Supplies are moving through contracts with modest increases to inventories. Dry whey prices are steady to higher as buyer interest is showing increased demand for steady inventories. Dry whey production is steady, but below capacity. The whey protein concentrate market has firmed and prices are higher. Production is below what is needed to cover demand. Lactose prices are unchanged to higher with best demand for fine mesh lactose.

**INTERNATIONAL UPDATE (DMN):** Milk production in Europe continues to trend lower, but on a cumulative basis, continues to run ahead of last year. Milk output in the EU during August was up 2.8% when compared to last year. On a cumulative basis, for the first 8 months (January – August), milk production is running 0.3% higher. Although milk volumes are often higher than last year, most countries are still within quota levels. At the most recent Dairy Management Committee meeting on October 7, no major dairy issues were discussed or adjusted. There were no offers for tender refunds received and all common refunds remain at zero. For the eighth round of intervention release, all offers for butter were rejected and 144 MT (nearly 311,000 pound) of skim milk powder were released at a minimum price of 2,116 Euros per ton. At current firm Euro levels, this is about \$2,956 per MT. Traders and handlers are stating that the firm Euro is making it very difficult to put together international sales. Traders do state that potential buyers are very cautious with their negotiations and in most instances, are not finalizing transactions. Some sales are occurring, but much lighter than usual for this time of the season as buyers procure for upcoming winter needs. Traders do indicate that stock is available for buyer interest. As has been the case for much of the current milk production

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY OCTOBER 11	TUESDAY OCTOBER 12	WEDNESDAY OCTOBER 13	THURSDAY OCTOBER 14	FRIDAY OCTOBER 15	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7325 (-.0025)	\$1.7325 (N.C.)	\$1.7325 (N.C.)	\$1.7325 (N.C.)	\$1.7325 (N.C.)	(-.0025)	\$1.7325 (-.0025)
40# BLOCKS	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7400 (-.0300)	(-.0300)	\$1.7640 (-.0025)
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	\$2.1850 (N.C.)	\$2.1850 (N.C.)	\$2.1850 (N.C.)	\$2.1850 (N.C.)	\$2.1850 (N.C.)	(N.C.)	\$2.1850 (-.0090)

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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season, milk deliveries to cheese operations have been strong and are projected to remain so as the milk production season winds down. Butterfat remains tight with firm butter and anhydrous milk fat prices reflective of a tight supply. For those buyers that usually procure butter supplies from Europe, many are looking elsewhere in the international market, but are also finding limited availability. The Oceania milk production season continues to build towards seasonal peak levels at varying rates. In **New Zealand**, milk producers are returning to regular operations following adjustments that some farmers made to their operations following the heavy snowfall on the South Island and wet conditions in most all other regions in recent weeks. These adverse weather conditions, at this time of the season, were stressful to the milking herd and breeding timelines. Some farmers adjusted their milk schedules to once a day to help maintain cow conditioning at this crucial time of the breeding season. Overall milk production is now back on track to steadily build toward season peak levels. Milk handlers are speculating that this glitch, during the seasonal buildup, may take the bloom out of a higher seasonal peak than projected. Prior to the adverse conditions, milk production was running 1 – 2% ahead of last year, slowed during the inclement weather patterns, but is now once again on the uptick. This weather glitch has negatively impacted some production projections by as much as 2%. In **Australia**, the milk production season is off to a slower start than many producers and handlers projected. Cool and wet conditions are contributing factors in the slower than desired start up. Preliminary August production figures for Australia indicate that output was off 0.6%, but cumulatively for the first 2 months (July – August) of the current production season, output is up 1.2% over the comparable period in 2009. The impending locust plague continues to be a concern for farmers and the dairy industry. Strong government support and control mechanisms are being readied to help farmers with the potential plague. A number of chemicals are allowed to be used on pastures. A two day absence of grazing, after application, of the paddocks is one of the ways farmers will exercise to control the situation. The dairy industry remains confident that the impending plague will not affect the safety and ongoing supply of Australia's dairy products. At the g/DT auction of October 5, butterfat remained firm, with milk powder prices easing slightly. Most within the industry speculated that the easing of milk powder prices was not an indication of further weakness, but rather an adjustment to recent high prices. Anhydrous milk fat prices averaged \$5,256 per MT, +1.4% higher than the previous trading event. Other product average prices and percentage changes from the previous event are: buttermilk powder \$3,072, +2.8%; skim milk powder \$3,221, -0.9%; and whole milk powder \$3,521, -2.1%. Traders and handlers continue to use the trading event as a benchmark of where prices are and will be in the future, versus adjusting their commercial pricing to be in line with auction activity. Traders are stating that the auction has provided for steadier commercial sales patterns. Regular and ongoing buyers are also using the trading event as a monitoring device for their purchases and now the basically bi-weekly cycle provides a more stable barometer. Traders and handlers are stating that spot buyer interest is starting to occur. In many instances, manufacturers and handlers are limited in their sales activity of spot buyer interest as most of their current and future supply availability is already committed.

**AUGUST FLUID MILK SALES (AMS):** During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.1 percent lower than August 2009. After adjusting for calendar composition, sales in August 2010 were 2.3 percent lower than August 2009. Estimated sales of total conventional fluid milk products decreased 2.6 percent from August 2009 and estimated sales of total organic fluid milk products increased 15.1 percent from a year earlier.

**MAILBOX MILK PRICES (AMS&CDFA):** In July 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.81 per cwt., up \$0.42 from the previous month average, and up \$4.51 from July 2009. The component tests of producer milk in July 2010 were: butterfat, 3.50%; protein, 2.94%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in July 2010 ranged from \$19.45 in Florida to \$14.30 in New Mexico.

**CME GROUP**

MONDAY, OCTOBER 11, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: CAR 40# BLOCKS @ \$1.7325  
 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: CAR GRADE AA @ \$2.1850

TUESDAY, OCTOBER 12, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 5 CARS GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1850

WEDNESDAY, OCTOBER 13, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7325  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 5 CARS GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, OCTOBER 14, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2200; LAST OFFER UNCOVERED: 5 CARS GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, OCTOBER 15, 2010

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.7600, 1 @ \$1.7525, 1 @ \$1.7450; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7325; 1 CAR 40# BLOCKS @ \$1.7400  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2200; LAST OFFER UNCOVERED: 5 CARS GRADE A @ \$1.2300  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**NORTHEAST**

The CME Group butter prices have leveled off last week and closed unchanged Tuesday at \$2.1850. Butter production has declined as some butter makers are comfortable with their inventories prior to the holiday season. Butter orders have picked up and are beginning to work some inventories lower. Cream is moving through contracts with decreased activity on the spot market as users await the possibility of further declines in the cream market. Multiples are ranging from the high 120's to the mid 130's. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

**CENTRAL**

Following the 5 cent decline recorded at the CME Group cash butter market last week, the cash price has held steady at \$2.1850, \$.9425 higher than last year at this time. Butter producers and handlers were pleased to see the slight easing which helped with cream pricing. Most butter producers are indicating that cream volumes are more available to them following the Labor Day holiday. Class II operations continue to pull volumes of cream, but a reduction in ice cream output has greatly freed up cream volumes. Butter producers are more than willing to take advantage of the additional cream volumes as inventories of butter are well below desired levels going into the final quarter of the year. Cream pricing multiples have also eased. Butter demand is holding up quite well. Retail orders for the upcoming holiday period appear to be stronger than many butter handlers anticipated. Retail butter orders

are surprisingly good, stimulated by scheduled feature activity around the upcoming yearend holidays. Food service buyers are more cautious with orders, but remain optimistic about the upcoming holiday period. Current bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

**WEST**

Wednesday's butter price at the CME Group was unchanged at \$2.1850. After closing at the current price last Wednesday, the price has held steady in each session. There have been no sales at the CME Group for the week. Cream sales are lower and manufacturers are increasing butter production levels. Butter demand is somewhat unsettled as buyers hold out hoping for lower prices. Price continues to be a concern at the retail level. Producers are hoping for increased interest as holiday ordering season is approaching. Butter churns are operating to fill needs and are not eager to build inventory. Bulk butter sales are reported as slow. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 590,000 pounds last week to 18.1 million pounds. This total compares to 84.8 million pounds in 2009 and 58.3 million pounds in the comparable week in 2008. Stocks in approved warehouses have been reduced for 18 consecutive weeks. Prices for bulk butter range from flat to 3.5 cents under the market, based on the CME with various time frames and averages used.

**NASS DAIRY PRODUCT PRICES**

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

<u>WEEK ENDING</u>	<u>CHEESE 40# BLOCKS</u>	<u>CHEESE BARRELS 38% MOISTURE</u>	<u>NDM</u>	<u>BUTTER</u>	<u>DRY WHEY</u>
October 9	1.7502 13,453,131	1.7567 9,596,910	1.1586 14,487,123	2.2106 3,591,111	0.3640 10,590,050

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 closed unchanged Tuesday with barrels at \$1.7325 and blocks at \$1.7700. CME Group cheese prices have been holding fairly steady and were reflected in the weekly average prices as barrels were unchanged and blocks increased by 1 cent. Following the weekly average price trends, Process #5 Sliced and Swiss Cuts were unchanged while wholesale prices increased for Cheddar 40# blocks and Muenster. Cheese production in the East has been steady compared to recent weeks with good orders for mozzarella, aged cheddar and lowfat cheddar. Cream cheese production has been mostly level with contracted cream supplies with limited spot market purchases. Cream cheese inventories are below previous year's levels as most manufacturers have elected not to purchase cream at higher multiples and hold expensive inventories. This situation may result in various regions experiencing tight cream cheese supplies during the upcoming holiday season.

Cheddar Barrels on Wednesday at the CME Group were unchanged at \$1.7325. 40 Pound Blocks were unchanged at \$1.7700. Monday saw Barrels \$.0025 lower on an uncovered offer. Blocks have held steady for the last five trading sessions. No sales have been reported this week for either Barrels or Blocks. Cheese sales remain active at mostly steady prices for the week. Concerns over price weakness related to lower butter prices have not materialized. Demand for cheese is seasonally good. Supplies are adequate for needs in most cases. Contract sales are making up the bulk of activity. Sales for Swiss and Italian cheeses are along expected volumes. Cooperatives Working Together (CWT) have continued to assist sales of cheese for export with nearly 3 million pounds reported this week. Since March 2010, they have assisted members with sales of 47.8 million pounds of cheese for export.

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

Cheddar 40# Block	:	2.0825-2.3575
Process 5# Sliced	:	1.8375-2.1475
Muenster	:	2.1025-2.3075
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	:	1.8950-2.2475
Cheddar 10# Cuts	:	2.0750-2.2950
Monterey Jack 10#	:	2.0850-2.2450
Grade A Swiss Cuts 6 - 9#	:	2.7850-3.2150

**MIDWEST**

**FOREIGN**

The cheese market is about steady though with a bearish undertone. Reports indicate that current cheese movement just seems to lack the usual fall demand surge though time is still available for the holiday season business to improve. While overtime is needed for some packagers, the need for consistent overtime is spotty. While some branded promotions are underway or planned, generally private label interest is best at retail. Higher meat prices as well as cheese prices are hindering food service promotional activity. Process sales are steady at lighter fall levels. Some spot interest is noted for barrels, mozzarella, and a few specialty varieties to cover scattered shortfalls. Current cheddar blocks are at least adequate for needs. Some buyers are trying to replace current cheddar with 2-4 month old in some applications due to the lower market price at the time even with the added storage cost. Cheese production is relatively steady as milk intakes are fairly flat though cheese yields are improving seasonally.

Block prices on the CME Group have maintained their recent advances, closing Tuesday unchanged at \$1.7700. The weekly average block price increased, advancing wholesale prices for domestic varieties by 1 cent. Prices for Swiss Cuts Switzerland were unchanged.

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#	:	2.1600-2.2725
Cheddar 40# Block	:	2.0000-2.5650
Monterey Jack 10#	:	2.0900-2.5650
Blue 5#	:	2.6100-2.8800
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	: 2.2225-3.7100*
Gorgonzola	: 3.6900-5.9900	: 2.7250-2.9850*
Parmesan (Italy)	: -0-	: 3.6300-3.8875*
Provolone (Italy)	: 3.4400-5.8900	: 2.2650-2.4225*
Romano (Cows Milk)	: -0-	: 3.4125-5.5550*
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
	:	:
10/11/10	10,520	: 131,171
10/01/10	10,741	: 130,318
CHANGE	-221	: 853
% CHANGE	-2	: 1

**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	45	0
SOUTHEAST STATE	0	0	0	0	5	0

In the Northeast and Mid Atlantic regions, manufacturing milk supplies declined marginally as Class I demand has increased. Milk production is mixed with some declines and increases, but overall production for both regions is slightly lower. Plant managers are catching up on maintenance schedules while manufacturing supplies are lighter. Heavy rains last week in the Northeast have slowed harvest and field work activities. Milk production in the Southeast and Florida is beginning to increase as cows are beginning to freshen. Class I demand has increased in both areas with little surplus milk available for manufacturing. Increases in milk component levels, standardized cream volumes and decreased cream demand have combined to increase the overall cream supply. Cream users have been tracking the butter market closely and are limiting their spot market purchases hoping further declines in the butter market will lower cream prices. Increased cream supplies, combined with weaker demand, have lowered the multiples to mostly 128-135. Condensed skim orders have increased with increased volumes moving through contracts. Class II demand is increasing as product production schedules are beginning to expand for the upcoming holidays.

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

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.8083-2.9619
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.7644-2.8303

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	- 1.05 - 1.16

**M I D W E S T**

Class I demand was irregular, improved for some bottlers and slower for others. For bottlers needing extra fluid supplies, loads were fairly easy to acquire though r-BST-free volumes remain tougher. Orders for Class II products, including ice cream, were steady to lighter. Manufacturers will gear up production of holiday specialty products such as eggnog in a couple weeks. Cash butter prices at the CME Group dropped by 5 cents last week but remain well over \$2.00 per pound. Cream offerings were up though demand is generally lighter as buyers wait for lower prices, whether through even lower butter prices and/or multiples. Manufacturing milk demand was steady to occasionally lighter. At least a couple handlers were not fielding the calls as in recent weeks looking for extra milk supplies. Reported spot prices, while not enough to report a range, were steady to fractionally lower on the bottom of the range. Milk components are increasing seasonally though current plant milk intakes are inconsistent in direction, at least in more northern sections. Fall harvest is running well ahead of recent years as the crop matured early. Some fields of winter wheat have germinated while laggards are still sowing. Recent sharp increase in grain prices due to reduced yields will pressure dairy producers relying heavily on purchased feed.

Based on the 5-year daily averages (2005-09) by month for Class I fluid milk sales for the U.S., the October 5-year monthly average sales normally increase by 24 tankers per day (50,000 pounds per load) over September. The September daily increase is around 116 loads per day over August, which is up an average of 160 loads per day from the July annual monthly low point.

**W E S T**

The November 2010 Class I prices in CALIFORNIA range from \$18.71 in the north to \$18.98 in the south. The statewide average Class I price based on production is \$18.73. This is the highest average price since November 2008. The average is \$0.27 higher than October 2010 and \$3.67 more than November 2009. Milk production in CALIFORNIA is trending mostly steady to slightly higher. Output is rebuilding from the recent heat that knocked milk down in several milk producing areas of the state. In general, conditions have returned to more favorable for milk cows. Farm level milk prices have increased and allowing more flexibility in management decisions. The memory of the loss of equity over the past two years is fresh in the minds of all sectors. Processing plants are running on planned schedules. No major issues are evident. Class I demand is steady with most accounts taking normal volumes. ARIZONA and NEW MEXICO milk output is steady. Conditions are again very good for milk production and should allow for renewed seasonal boost in output. Milk movements to other regions have slowed and more milk is being processed locally. Capacity is available for all needs. The market tone remains weak for the fluid CREAM market. While prices have remained steady at the CME for the past week at \$2.1850, some basing points calculated on averages moved lower. Producers are offering more cream to an unaggressive group of buyers. Cream multiples and overages are being reduced in attempts to stimulate interest, but sales have slowed. Makers of finished, cream-based items are near a crossroads. They will need products for the upcoming holidays, but they fear having high basis products on inventory should the butter/cream markets trend lower. Cream multiples are lower and range from 115-125 and vary based on class usage and basing point. Temperatures in the PACIFIC NORTHWEST were ideal for cow comfort across the region this week. Milk production is reported to be at seasonal norms with processors handling supplies easily. Farmers are finishing corn silage harvest and weighing feed needs for the upcoming winter. Hay supplies are tighter as NASS reported alfalfa production in its October Crop Production report for Washington to be almost 20% less than the previous year. Prices for alfalfa are steady to firm. Increased feed costs may limit herd expansion in the region. UTAH and IDAHO weather was cool and comfortable with freezing temperatures at higher elevations. Milk production is steady with some processors looking for additional supplies to maximize plant efficiencies. Dairy herd expansion may be tempered by increased feed costs compared to last year. Alfalfa production in the region was lower than last year. Some hay producers are switching to wheat production with grain prices on the upswing. Replacement heifer sales in Idaho are reporting mostly steady prices with the top heifer at one auction at \$1440. The top 50 average price was steady to firm at \$1360.

**NDM, BUTTERMILK & WHOLE MILK**

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Central low heat nonfat dry milk prices are unchanged. As the fiscal year draws to a close for some operations, nonfat dry milk spot sales activity increased at a few locations as pricing reflected inventory clearance strategies. Producers indicate, though, that NDM low heat sales are centering on end users filling short term needs with one or two load purchases while interest in blocks is negligible. Buyers reportedly await clearer market signals over the next four to six weeks before placing multi-load orders. Interest in high heat NDM is increasing seasonally. Farm milk supplies are steadily moving into regional balancing plants and fluid milk demand is active. Nonfat dry milk production hinges on first filling Class I and II demand, so NDM production is uneven from location to location. Most handlers indicate component values have climbed a few notches from seasonal lows, which is augmenting NDM production slightly.

**EAST:** Eastern nonfat dry milk prices were steady to weak for low heat nonfat dry milk compared to last week. Prices for high heat firmed on the low end of the range. Class I demand strengthened, further limiting manufacturing milk supplies and reducing drying schedules in the East. Plant managers continue to take advantage of the lighter drying schedules to catch up on maintenance projects. Inventories are building nominally and supplies in the Northeast are fairly current. Demand is weaker and trading is light as some users are holding off on holiday orders, waiting for a clearer market picture. Some reselling at lower price levels was noted as some brokers preferred to move inventory rather than hold product in a weaker market. The undertone remains weak as questions remain regarding foreign countries limiting imports from the U. S.

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: 1.3400 - 1.4500

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices are unchanged and the market tone steady. Buying interest is fair for the current limited offerings. Both domestic and export interest are often trending below expectations. Western powder is harder to move to other regions of the U.S. because of local availability of NDM at similar pricing. Domestic freight rate are also adding additional costs to shipping to other areas. Cheese accounts are mainly taking contract commitments and not seeking extra product. Production is mainly steady to slightly higher where milk is rebounding after some hot weather. SMP output is steady to service export accounts. Stocks are light to moderate.

High heat NDM prices are mixed. The market tone is unsettled. Some pricing basing points are moving lower, while others are moving higher. The high heat pricing trends are moving more independent from the low/medium heat series, in part because of limited availability of high heat offerings. Production is often higher with more milk and dryer time available. Stocks are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.1500 - 1.2375 MOSTLY: 1.1850 - 1.2050  
 HIGH HEAT: 1.2200 - 1.3900

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices are unchanged to lower on a mixed market. Some pricing pressure is emerging as dry buttermilk from Western manufacturers clears into the Central region at prices within the Central range. Central manufacturers' inventories, though, are described as comfortable and not necessitating sales through marked price concessions this week. Cream supplies in the region are above contract needs at most balancing plants. This is sending some cream loads either to the spot market or to the churns to clear holdings. Condensed buttermilk interest is seasonally lower. Dry buttermilk production is steady to higher.

**EAST:** Eastern dry buttermilk prices held steady to weak with a one cent decline noted on the upper end of the range. Production has declined marginally as some butter makers have reduced churning schedules, satisfied with their current inventory levels. Supplies are moving through contracts with limited availability for the spot market. Demand has lessened as ice cream concerns have reduced their production schedules.

F.O.B. CENTRAL/EAST: 1.2800 - 1.4300

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are steady to lower. The market tone is more unsettled. Production of dry buttermilk has increased as more butter is being churned and additional solids are moving to the dryer. The initial impact of increased offerings had been limited because producers were filling past contracts. Currently, additional dry buttermilk is being offered onto the spot market with sales rated as light to moderate. Buyer interest is best into seasonal mix and bakery accounts. The other aspect of the market is that nonfat dry milk prices are generally steady to only slightly higher and dry buttermilk prices are above the low heat NDM prices. Dry buttermilk stocks are at light to moderate levels and are trending slightly higher.

F.O.B. WEST: 1.2000 - 1.2900 MOSTLY: 1.2200 - 1.2650

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged to higher for the week. Buyer interest is steady and spot market availability is tight. As manufacturing milk availability fluctuates in relation to fluid milk demand, dry whole milk production is being scheduled intermittently at several locations. In conjunction with manufacturing milk availability, producer holdings, contract commitments and internal needs are influencing current dry whole milk production patterns.

F.O.B. PRODUCING PLANT: 1.6400 - 1.7400

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 8	\$1.1059	18,991,950	0
October 1	\$1.1249	10,958,631	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 to higher on a transitional market. Dry whey production remains below capacity at most plants as Central farm milk supplies fill Class I and II needs within and outside the region. Availability of spot loads of dry whey is uneven. Dry whey loads with customary premiums to the market are moving readily to buyers as they crop up. Some buyers, though, are reportedly not committing to aggressively priced offerings. Interest from contract buyers is steady to higher and producers are filling some requests for additional loads on a rotational basis. Dry whey in bulk is available at some locations, which is mitigating storage concerns for some manufacturers. Interest in dry whey from some animal feed blenders is steady to higher as a means of blending higher protein dairy products to acceptable protein levels for feed. With continued strength in dairy protein prices, a few feed manufacturers indicate some of their buyers are choosing wheat-containing feed blends to help mitigate calf raising costs. ANIMAL FEED DRY WHEY prices are steady. Production is unchanged.

F.O.B. CENTRAL: .3300 - .3850 MOSTLY: .3350 - .3700  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .3475

**DRY WHEY - NORTHEAST**

Northeast dry whey prices remain steady to firm with the lower end of the range advancing a half cent. Production is steady to increasing following recent increases in cheese production, due to good demand for mozzarella. Demand is good as baking concerns are beginning to increase production schedules and export activity remains good. Supplies continue to be tight with most supplies moving through contracts, limiting spot market activity. Users of dry whey seeking additional loads continue to look to the Central region for additional product.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3575 - .3825

**DRY WHEY - WEST**

Prices for Western dry whey were higher on the full range this week. The mostly series was steady to higher. Prices have firmed as buyer interest is showing increased demand for steady inventories. Whey production in the West is mostly steady as cheese plants operate at less than full schedules. Dry whey production continues to be balanced with alternate whey products. Buyers looking for spot loads are expressing difficulty in finding additional supply. Most production is being delivered for contract fulfillment. Stocks are adequate to light for most needs.

NONHYGROSCOPIC: .3475 - .4125 MOSTLY: .3700 - .4000

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market is firming and prices are higher. The frequency of manufacturers' offers to the spot market has decreased and various manufacturers indicate delays in contract shipping are occurring for the near term. Some resales by end users are reportedly clearing at prices above the top of the range price series as buyers go beyond customary supply lines to obtain WPC 34% for current needs. Condensed WPC 34% interest is steady to higher. Some producers indicate cheese manufacturing levels are below what is needed to supply WPC 34% demand in either condensed or dry form, which is building overall demand for WPC 34% for the next few weeks.

F.O.B. EXTRA GRADE 34% PROTEIN: .9600 - 1.0350 MOSTLY: .9700 - 1.0000

**LACTOSE - CENTRAL AND WEST**

The range price series for lactose is unchanged to higher as spot market information merges with fourth quarter contract pricing for the week. The mostly price series is steady and market participants describe the market as transitioning towards a firmer tone. Spot loads of fine mesh lactose are intermittently available and clearing to active demand. Interest from off shore accounts is steady to higher, with product destined for Oceania, the Far East and South America. Some manufacturers indicate production remains below capacity as tightness in manufacturing milk continues.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2600 - .4350 MOSTLY: .3100 - .3600

**CASEIN - NATIONAL**

Casein markets and prices remain steady. Domestic buyers continue to question suppliers on stock availability. European suppliers acknowledge that their production season was lighter than projected, but also state with confidence that they will meet commitments. In the Oceania region, especially in New Zealand, the milk and casein production season might not be developing as projected. A good start to the milk production season was occurring, but a late spring snowfall and recent wet weather patterns have disrupted seasonal growth. Typically, casein is generated on both sides of peak milk production, but this year, some milk handlers may be pulling milk away from casein output to generate other manufactured milk products earlier than normal. Casein producers are stating that it is still early and this has not yet occurred, but are closely monitoring the situation. With this being a possible scenario, casein manufacturers and traders are proceeding cautiously with their supply commitments.

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

RENNET: 3.9000 - 4.3000  
ACID: 3.9000 - 4.2500

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF OCTOBER 11 - 15, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 10/08/10	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 11 - 15, 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. 15, 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 11 - 15, 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 09/25/10 & 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.	0.5	8.4	3.4	21.6	4.3	0.2	N.A.	14.5	2.8	57.3	2,068.0	44.7	44.0
2009-Dairy	N.A.	0.6	7.1	2.7	16.1	3.7	0.5	N.A.	14.8	3.0	49.9	2,155.2	43.2	47.8
2010-All cows	N.A.	0.7	10.6	14.8	36.7	24.1	11.7	N.A.	19.3	6.6	128.3	4,697.7		
2009-All cows	N.A.	0.7	8.9	11.3	30.9	21.1	13.9	N.A.	18.6	6.6	115.5	4,511.1		

**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

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 4 - 15, 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 in Europe continues to trend lower, but on a cumulative basis, continues to run ahead of last year. Milk output in the EU during August was up 2.8% when compared to last year. On a cumulative basis, for the first 8 months (January – August), milk production is running 0.3% higher. Although milk volumes are often higher than last year, most countries are still within quota levels. At the most recent Dairy Management Committee meeting on October 7, no major dairy issues were discussed or adjusted. There were no offers for tender refunds received and all common refunds remain at zero. For the eighth round of intervention release, all offers for butter were rejected and 144 MT (nearly 311,000 pound) of skim milk powder were released at a minimum price of 2,116 Euros per ton. At current firm Euro levels, this is about \$2,956 per MT. Traders and handlers are stating that the firm Euro is making it very difficult to put together international sales. Traders do state that potential buyers are very cautious with their negotiations and in most instances, are not finalizing transactions. Some sales are occurring, but much lighter than usual for this time of the season as buyers procure for upcoming winter needs. Traders do indicate that stock is available for buyer interest. As has been the case for much of the current milk production season, milk deliveries to cheese operations have been strong and are projected to remain so as the milk production season winds down. Butterfat remains tight with firm butter and anhydrous milk fat prices reflective of a tight supply. For those buyers that usually procure butter supplies from Europe, many are looking elsewhere in the international market, but are also finding limited availability.

**BUTTER/BUTTEROIL:** European butter markets and prices remain firm. Butterfat has been limited for most of the current milk production season and remains so as the season comes to an end. Churning schedules throughout the EU have been lighter this season, thus butter stocks are less available. Most sales activity has been centered around an internal market with international buyers often looking elsewhere for butterfat due to firm European prices. At the Dairy Management Committee meeting on October 7, all offers for intervention butter release were rejected.

82% BUTTERFAT:	5,150 - 5,500
99% BUTTERFAT:	5,600 - 6,025

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices remain firm in Europe. The milk production season is winding down, thus is powder production. Usually at this time of the season, the direction of milk flow has often been towards milk powders, but this year, cheese is getting the tilt and powder production continues to decline. Traders and handlers state that the current milk production season has been sufficient to generate surplus product for current and future needs. At this point, most sales activity has centered around a domestic market with international sales limited. Traders feel that international buyers might remain absent from the European marketplace as long as the Euro remains firm. At the October 7 Dairy Management Committee meeting, 144 MT (nearly 318,000 pounds) of intervention skim milk powder was released at a minimum price of 2,116 Euros per MT (about \$2,956).

1.25% BUTTERFAT:	3,075 - 3,275
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COMMENTS AND PRICES CONTINUED  
ON PAGE 8A

## OCEANIA

**OVERVIEW:** The Oceania milk production season continues to build towards seasonal peak levels at varying rates. In New Zealand, milk producers are returning to regular operations following adjustments that some farmers made to their operations following the heavy snowfall on the South Island and wet conditions in most all other regions in recent weeks. These adverse weather conditions, at this time of the season, were stressful to the milking herd and breeding timelines. Some farmers adjusted their milk schedules to once a day to help maintain cow conditioning at this crucial time of the breeding season. Overall milk production is now back on track to steadily build toward season peak levels. Milk handlers are speculating that this glitch, during the seasonal buildup, may take the bloom out of a higher seasonal peak than projected. Prior to the adverse conditions, milk production was running 1 – 2% ahead of last year, slowed during the inclement weather patterns, but is now once again on the uptick. This weather glitch has negatively impacted some production projections by as much as 2%. In Australia, the milk production season is off to a slower start than many producers and handlers projected. Cool and wet conditions are contributing factors in the slower than desired start up. Preliminary August production figures for Australia indicate that output was off 0.6%, but cumulatively for the first 2 months (July – August) of the current production season, output is up 1.2% over the comparable period in 2009. The impending locust plague continues to be a concern for farmers and the dairy industry. Strong government support and control mechanisms are being readied to help farmers with the potential plague. A number of chemicals are allowed to be used on pastures. A two day absence of grazing, after application, of the paddocks is one of the ways farmers will exercise to control the situation. The dairy industry remains confident that the impending plague will not affect the safety and ongoing supply of Australia's dairy products. At the g/DT auction of October 5, butterfat remained firm, with milk powder prices easing slightly. Most within the industry speculated that the easing of milk powder prices was not an indication of further weakness, but rather an adjustment to recent high prices. Anhydrous milk fat prices averaged \$5,256 per MT, +1.4% higher than the previous trading event. Other product average prices and percentage changes from the previous event are: buttermilk powder \$3,072, +2.8%; skim milk powder \$3,221, -0.9%; and whole milk powder \$3,521, -2.1%. Traders and handlers continue to use the trading event as a benchmark of where prices are and will be in the future, versus adjusting their commercial pricing to be in line with auction activity. Traders are stating that the auction has provided for steadier commercial sales patterns. Regular and ongoing buyers are also using the trading event as a monitoring device for their purchases and now the basically bi-weekly cycle provides a more stable barometer. Traders and handlers are stating that spot buyer interest is starting to occur. In many instances, manufacturers and handlers are limited in their sales activity of spot buyer interest as most of their current and future supply availability is already committed.

**BUTTER:** Oceania butter markets and prices remain firm. Although the milk production season continues to increase, butterfat volumes remain tight. Butter producers and handlers are indicating that churning activity is building seasonally, although butter stocks are often lighter than desired. Butterfat is tight throughout the international market, thus Oceania suppliers are receiving increased buyer interest on a spot market. In most instances, Oceania producers and handlers are not able to acknowledge this buyer interest as a significant portion of current and future production is already committed. With the milk production season not developing as positively as projected, butter producers and handlers are proceeding cautiously with their commitments. At the October 5 g/DT event, anhydrous milk fat averaged \$5,526 per MT over the 3 contract periods which was 1.4% higher than the previous average. The December, near term contract, averaged \$5,354, +1.2%; the January – March contract averaged \$5,195, +1.4%; and the April – June contract averaged \$5,275, +2.1% when compared to the previous contracting periods.

82% BUTTERFAT:	4,100 - 4,600
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COMMENTS AND PRICES CONTINUED  
ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 4 - 15, 2010

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**WESTERN AND EASTERN EUROPE**  
**COMMENTS AND PRICES CONTINUED**  
**FROM PAGE 8**

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are firm. The whole milk powder production season is winding down as milk volumes decrease seasonally. Traders and handlers state that stocks are available for potential buyer interest, but indicate that sales are slow. A firm Euro against the U.S. dollar is making it difficult to put together sales, especially on the international front. Buyers are hesitant to procure at current levels, but suppliers and handlers feel that they will need to be in the market soon for upcoming winter needs.

26% BUTTERFAT: 3,775 - 3,975

**SWEET WHEY POWDER:** European whey powder markets and prices are generally steady. Pricing multiples have eased, although a firm Euro against the U.S. dollar is keeping whey prices unchanged. Cheese production remains strong as milk volumes decrease seasonally. Whey traders anticipate whey stocks to remain available, although firm prices might limit sales activity, especially for international buyer interest.

NONHYGROSCOPIC: 950 - 1,100

**EASTERN OVERVIEW:** Milk production in Eastern Europe, continues to trend lower and overall milk volumes are lighter than last year at this time. Stocks are available as buyer interest has not been that active. Traders and handlers are questioning when will international buyers return to the market place, but feel as long as the Euro remains firm, buyers will exercise caution with their purchases.

Exchange rates for selected foreign currencies: October 11, 2010

.9864 Canadian Dollar	.0225 Indian Rupee
.2527 Argentina Peso	.7515 New Zealand Dollar
.0803 Mexican Peso	.9841 Australian Dollar
.3507 Polish Zloty	.0122 Japanese Yen
	1.3873 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0803) = 12.4533 Mexican Pesos. Source: "Wall Street Journal"

**OCEANIA**  
**COMMENTS AND PRICES CONTINUED**  
**FROM PAGE 8**

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices remain firm, although the average price at the most recent g/DT event did ease slightly. Traders and handlers attribute the easing of the g/DT price to the fact that the previous event prices may have been too firm. The current milk production season in New Zealand and Australia is building, thus skim milk powder production is on the increase, although for some, lagging projected levels. At the October 5th g/DT event, all contracts prices averaged \$3,221 per MT, down 0.9% from the previous event average. December contracts averaged \$3,153, -0.3%; January - March contracts averaged \$3,209, +0.6%; with April - June contracted averaging \$3,357 -5.6%. The next trading event will be held on October 19.

1.25% BUTTERFAT: 3,000 - 3,300

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are generally steady although a slight weakness at the top of the reported price range did occur. Whole milk powder production is in full swing in the Oceania region as milk volumes increase toward seasonal peak levels. At the October 5th g/DT event, the average price of \$3,521 per MT was down 2.1% when compared to the previous event average. The near term contract (December) was down 2.7% and averaged \$3,549 per MT; the January - March contracting period averaged \$3,484, -2.2%; and the April - June contracting period averaged \$3,565, +0.6%

26% BUTTERFAT: 3,300 - 3,600

**CHEDDAR CHEESE:** Oceania cheese markets and prices are steady to firm. Manufacturers and handlers are stating that seasonal cheese production is increasing as milk volumes approach peak levels. For the most part, cheese stocks are fully committed to regular and ongoing customers. In most instances, cheese manufacturers are comfortable with production schedules in relationship to commitments on the books. Cheese producers are hopeful that the unsettled milk production season thus far will continue to improve and will maintain high levels for a longer period of time than has occurred in past seasons.

39% MAXIMUM MOISTURE: 3,900 - 4,200

October 5, 2010 Global/Dairy Trading (g/DT) event recap \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 December 2010	Contract #2 January - March 2011	Contract #3 April - June 2011	All Contracts
Anhydrous Milk Fat	\$5,354	\$5,195	\$5,275	\$5,256
	1.2%	1.4%	2.1%	1.4%
Buttermilk Powder	\$3,000	\$3,265	N.A.	\$3,072
	1.4%	6.5%	N.A.	2.8%
Skim Milk Powder	\$3,153	\$3,209	\$3,357	\$3,221
	-0.3%	0.6%	-5.6%	-0.9%
Whole Milk Powder	\$3,549	\$3,484	\$3,565	\$3,521
	-2.7%	-2.2%	0.6%	-2.1%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	09/30	10/01	10/04	10/05	10/06	10/07	10/08	10/11	10/12	10/13
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
SEP 10	16.28 (5183) 0	16.26 (5084) 0								
OCT 10	16.62 (5049) 1	16.58 (5014) 0	16.56 (4986) 6	16.63 (4871) 0	16.72 (4846) 0	16.70 (4847) 0	16.79 (4890) 0	16.80 (4865) 0	16.80 (4723) 0	16.82 (4722) 0
NOV 10	15.92 (5037) 0	16.03 (5115) 0	15.86 (5174) 0	16.11 (5332) 0	16.24 (5390) 0	16.23 (5434) 0	16.32 (5328) 0	16.28 (5218) 0	16.15 (5238) 0	16.13 (5328) 0
DEC 10	15.05 (4582) 0	15.20 (4618) 0	15.04 (4635) 6	15.20 (4658) 0	15.33 (4702) 0	15.27 (4753) 0	15.39 (4887) 0	15.36 (4911) 0	15.17 (4989) 0	15.13 (5159) 2
JAN 11	14.38 (1875) 0	14.48 (1900) 2	14.34 (1906) 0	14.45 (1922) 0	14.49 (1947) 1	14.47 (1990) 0	14.60 (2038) 12	14.63 (2063) 3	14.50 (2113) 0	14.52 (2206) 5
FEB 11	13.86 (1355) 0	13.90 (1382) 2	13.88 (1370) 0	13.84 (1404) 0	13.95 (1425) 1	13.95 (1435) 0	14.10 (1466) 12	14.15 (1480) 3	14.12 (1515) 0	14.15 (1577) 5
MAR 11	13.79 (1339) 0	13.80 (1363) 2	13.84 (1360) 0	13.81 (1391) 0	13.95 (1403) 1	14.00 (1421) 0	14.21 (1444) 12	14.23 (1492) 3	14.20 (1540) 0	14.23 (1591) 5
APR 11	13.84 (827) 0	13.84 (830) 2	13.84 (816) 0	13.89 (805) 0	13.97 (820) 1	14.00 (864) 0	14.17 (867) 12	14.19 (889) 3	14.18 (926) 0	14.23 (951) 5
MAY 11	13.94 (705) 0	13.93 (709) 2	13.95 (711) 0	13.90 (722) 0	13.95 (737) 1	14.00 (748) 0	14.17 (767) 12	14.20 (787) 3	14.17 (832) 0	14.20 (865) 5
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
SEP 10	16.78 (71) 0	16.76 (71) 0								
OCT 10	17.02 (84) 0	17.02 (84) 0	17.02 (84) 0	17.02 (84) 0	17.02 (84) 0	17.02 (84) 0	17.02 (84) 0	16.76 (89) 0	16.76 (89) 0	16.76 (89) 0
NOV 10	16.10 (78) 0	16.10 (78) 0	16.10 (78) 0	16.10 (78) 0	16.10 (78) 0	16.10 (78) 0	16.10 (78) 0	15.77 (83) 0	15.77 (83) 0	15.77 (83) 0
<b>CME – CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
SEP 10	215.38 (673) 0	215.70 (658) 0								
OCT 10	216.00 (626) 9	218.00 (626) 5	217.00 (627) 1	216.00 (627) 4	215.00 (630) 3	216.00 (637) 9	217.00 (650) 18	216.75 (651) 3	216.00 (654) 3	218.00 (662) 9
NOV 10	195.00 (492) 4	197.00 (492) 10	197.00 (492) 0	196.00 (492) 0	195.00 (492) 0	193.75 (491) 7	196.00 (491) 2	192.00 (493) 2	192.00 (493) 0	193.00 (493) 0
<b>CME – NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
SEP 10	114.00 (354) 0	113.83 (351) 0								
OCT 10	118.00 (344) 0	117.00 (346) 0	117.00 (346) 0	117.00 (346) 0	117.00 (346) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0
NOV 10	118.00 (294) 0	118.00 (294) 0	118.00 (294) 0	118.00 (294) 0	118.00 (294) 0	118.00 (294) 0	118.00 (294) 0	116.00 (296) 0	116.00 (296) 0	116.25 (296) 0
<b>CME – WHEY (Electronic-Traded)</b>										
SEP 10	36.25 (255) 0	36.15 (255) 0								
OCT 10	36.00 (290) 0	36.00 (290) 0	36.00 (290) 0	36.00 (290) 0	36.25 (290) 0	36.25 (290) 0	37.00 (285) 5	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0
NOV 10	35.25 (306) 0	35.25 (306) 0	35.25 (306) 0	35.25 (306) 0	35.50 (306) 0	36.25 (311) 0	36.28 (311) 0	36.45 (311) 0	37.00 (311) 3	37.00 (311) 0
<b>CME – CHEESE CSC (Electronic-Traded)</b>										
SEP 10	1.71 (94) 0	1.70 (94) 0								
OCT 10	1.72 (96) 0	1.72 (96) 0	1.72 (96) 0	1.73 (96) 0	1.73 (96) 0	1.73 (96) 0	1.74 (96) 0	1.74 (96) 0	1.74 (96) 0	1.74 (96) 0
NOV 10	1.67 (56) 0	1.68 (56) 0	1.68 (56) 0	1.69 (56) 2	1.70 (56) 0	1.70 (56) 0	1.70 (56) 0	1.70 (56) 0	1.70 (56) 0	1.70 (56) 0
DEC 10	1.60 (67) 0	1.61 (67) 0	1.61 (67) 0	1.61 (67) 0	1.63 (67) 1	1.63 (67) 0	1.63 (67) 0	1.63 (67) 0	1.62 (67) 0	1.61 (67) 0
JAN 11	1.52 (29) 0	1.52 (29) 0	1.54 (29) 3	1.54 (29) 0	1.54 (29) 4	1.54 (33) 4	1.54 (.38) 5	1.54 (38) 0	1.54 (38) 0	1.54 (38) 2
FEB 11	1.50 (10) 0	1.50 (10) 0	1.51 (13) 4	1.49 (13) 0	1.49 (10) 4	1.49 (10) 0	1.49 (10) 0	1.49 (10) 0	1.49 (10) 0	1.49 (10) 0

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.

**AUGUST FLUID MILK SALES**

During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.1 percent lower than August 2009. After adjusting for calendar composition, sales in August 2010 were 2.3 percent lower than August 2009. Estimated sales of total conventional fluid milk products decreased 2.6 percent from August 2009 and estimated sales of total organic fluid milk products increased 15.1 percent 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,  
AUGUST 2010, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/		
	August	Year to Date	Previous Year	Year to Date	
	Mil. Lbs.		Percent		
Whole Milk	1,181	9,380	-6.7	-6.1	
Flavored Whole Milk	46	362	-3.6	-5.1	
Reduced Fat Milk (2%)	1,542	12,299	-1.6	0.1	
Low Fat Milk (1%)	572	4,638	2.2	3.2	
Fat-Free Milk (Skim)	660	5,332	-2.4	-1.3	
Flavored Fat-Reduced Milk	258	2,431	1.3	1.2	
Buttermilk	39	307	-3.4	-26.6	
Total Conventional Milk Products	4,301	34,800	-2.6	-1.8	
Organic Whole Milk	38	272	29.9	12.0	
Organic Reduced Fat Milk	41	3/	3/	3/	
Organic Low Fat Milk	31	3/	3/	3/	
Organic Fat-Free Milk (Skim)	33	3/	3/	3/	
Organic Flavored Milk	9	3/	3/	3/	
Organic Fat-Reduced Milk 4/	115	864	10.9	6.7	
Total Organic Milk Products	153	1,136	15.1	8.0	
Total Fluid Milk Products 5/	4,454	35,936	-2.1	-1.5	
Total Fluid Milk Products Adjusted 5/ 6/	4,503	35,930	-2.3	-1.5	

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 all earlier months. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products 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, AUGUST 2010, WITH COMPARISONS 1/**

Area (Order Number)	Sales		Change from: 2/		
	August	Year to Date	Previous Year	Year to Date	
	Mil. Lbs.		Percent		
Northeast (001)	738	6,110	-2.0	-1.7	
Appalachian (005)	307	2,399	1.3	1.2	
Southeast (007)	423	3,319	-3.1	-1.7	
Florida (006)	239	1,940	-1.9	-1.2	
Mideast (033)	493	4,024	-4.2	-1.5	
Upper Midwest (030)	347	2,838	-1.6	-0.8	
Central (032)	374	2,979	-3.0	-3.3	
Southwest (126)	369	2,952	-0.8	-0.1	
Arizona (131)	100	784	-2.3	-1.2	
Pacific Northwest (124)	180	1,461	-0.1	0.5	
California (---)	527	4,256	-2.8	-3.5	

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.

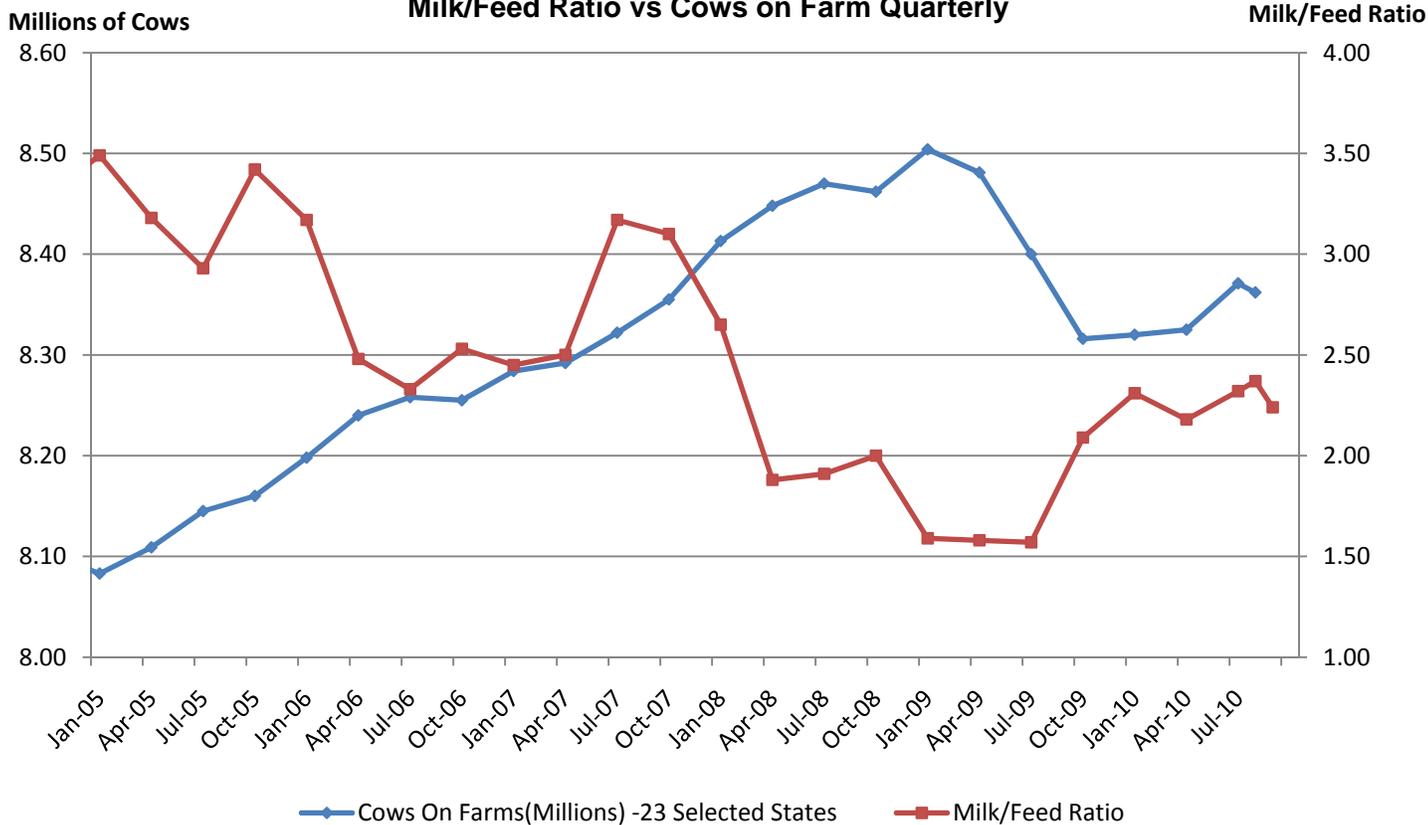
**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JULY 2010, WITH COMPARISONS**

In July 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.81 per cwt., up \$0.42 from the previous month average, and up \$4.51 from July 2009. The component tests of producer milk in July 2010 were: butterfat, 3.50%; protein, 2.94%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in July 2010 ranged from \$19.45 in Florida to \$14.30 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	July 2009	June 2010	July 2010
	Dollars per hundredweight		
New England States <u>3/</u>	12.22	16.86	17.33
New York	11.47	15.70	16.18
Eastern Pennsylvania <u>4/</u>	11.80	16.32	16.85
Appalachian States <u>5/</u>	12.74	17.41	18.31
Southeast States <u>6/</u>	13.38	17.52	18.39
Southern Missouri <u>7/</u>	11.08	15.65	16.46
Florida	14.81	18.31	19.45
Western Pennsylvania <u>8/</u>	11.53	16.20	16.68
Ohio	11.90	16.27	16.72
Indiana	11.51	16.14	16.86
Michigan	11.16	15.50	15.93
Wisconsin	11.15	14.78	14.97
Minnesota	11.27	14.52	15.00
Iowa	11.33	15.51	15.93
Illinois	10.91	15.34	15.58
Corn Belt States <u>9/</u>	10.82	15.06	15.44
Western Texas <u>10/</u>	10.43	14.69	15.20
New Mexico	9.66	13.82	14.30
Northwest States <u>11/</u>	10.57	15.05	15.37
All Federal Order Areas <u>12/</u>	11.30	15.39	15.81
California <u>13/</u>	9.60	13.64	14.33

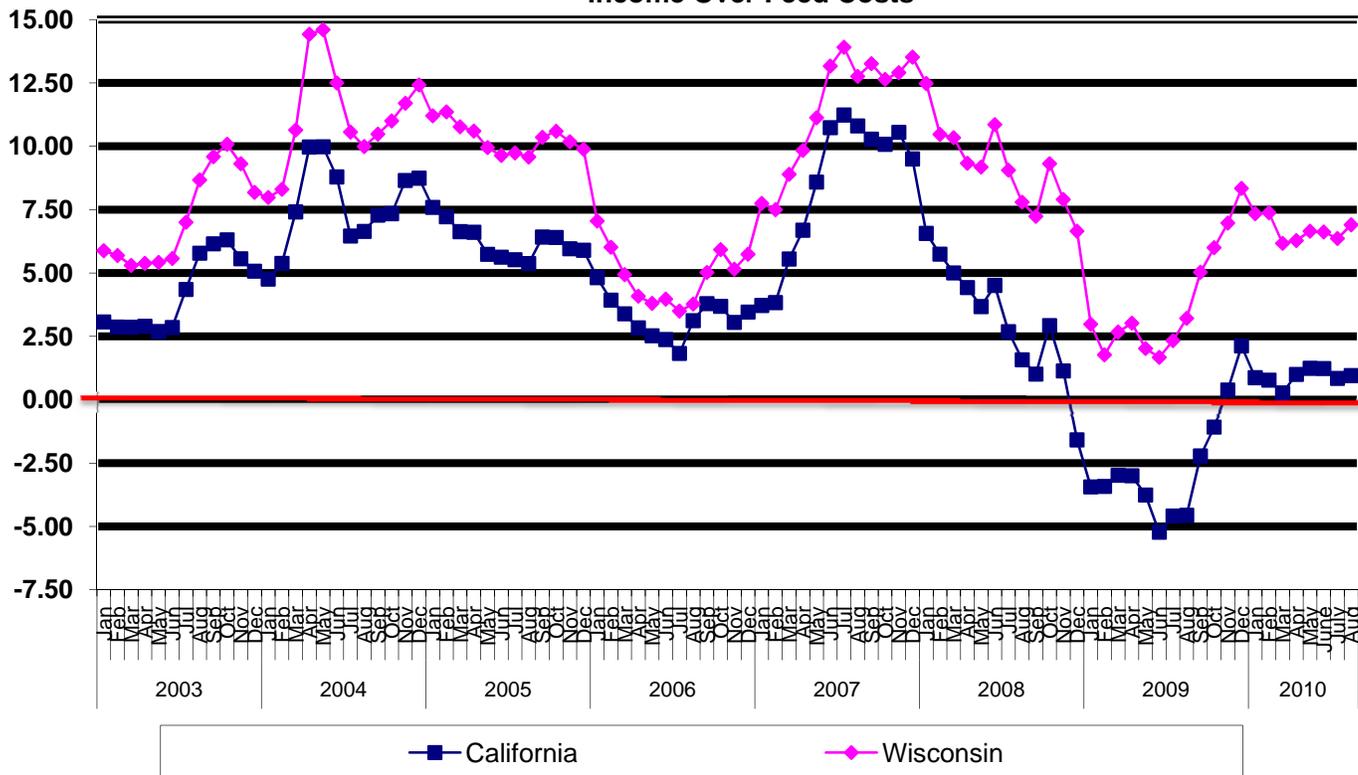
1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices do not include any Milk Income Loss Contract (MILC) payments, but do 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/ Includes 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/ Includes 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/ Includes 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 prices for all selected reporting areas. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

**Milk/Feed Ratio vs Cows on Farm Quarterly**



**WI & CA MILK INCOME OVER FEED COSTS**

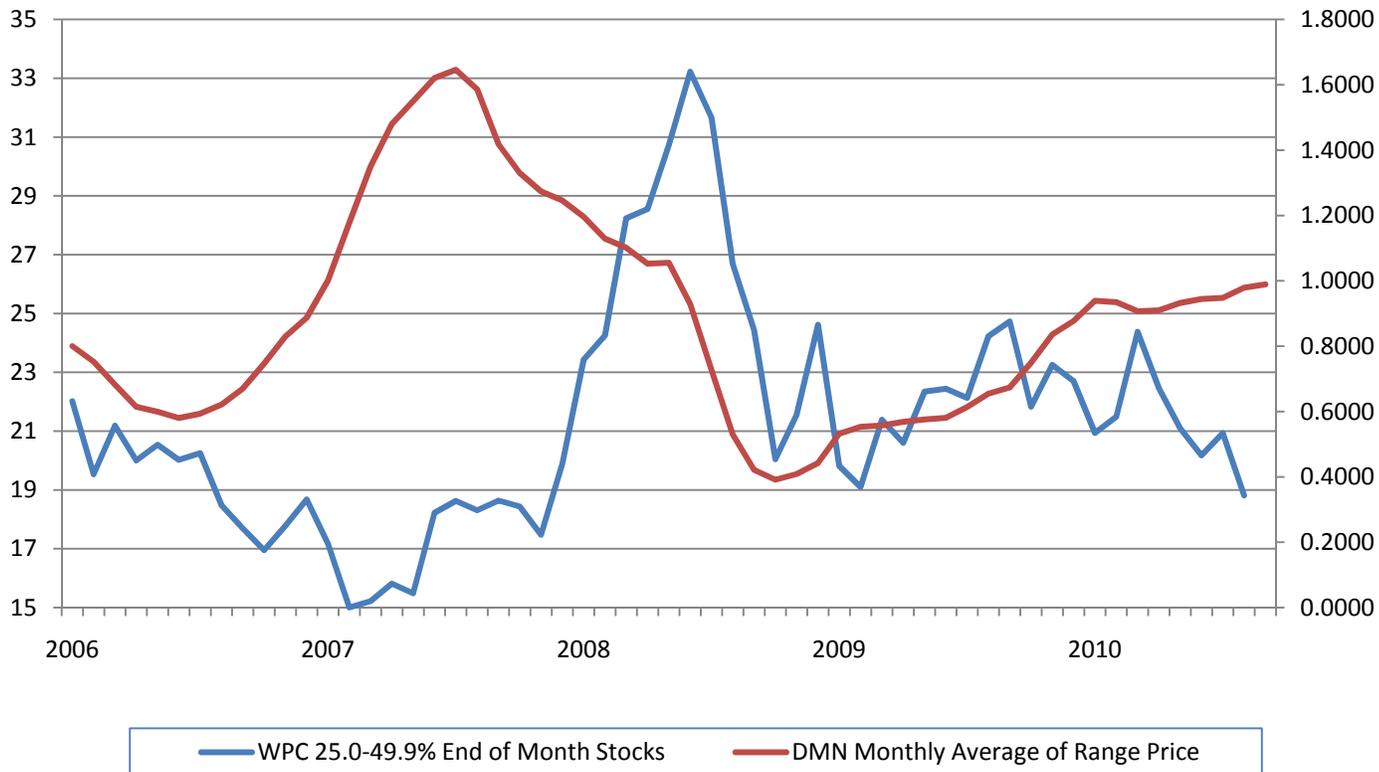
**\$/CWT Income Over Feed Costs (NASS WI or CA all-Milk Price) minus (ERS WI or CA Estimate of Total Feed Costs) = Income Over Feed Costs**



**MONTHLY WPC 25.0-49.9% MANUFACTURERS' END OF MONTH STOCKS  
AND DMN AVERAGE OF THE RANGE PRICES**

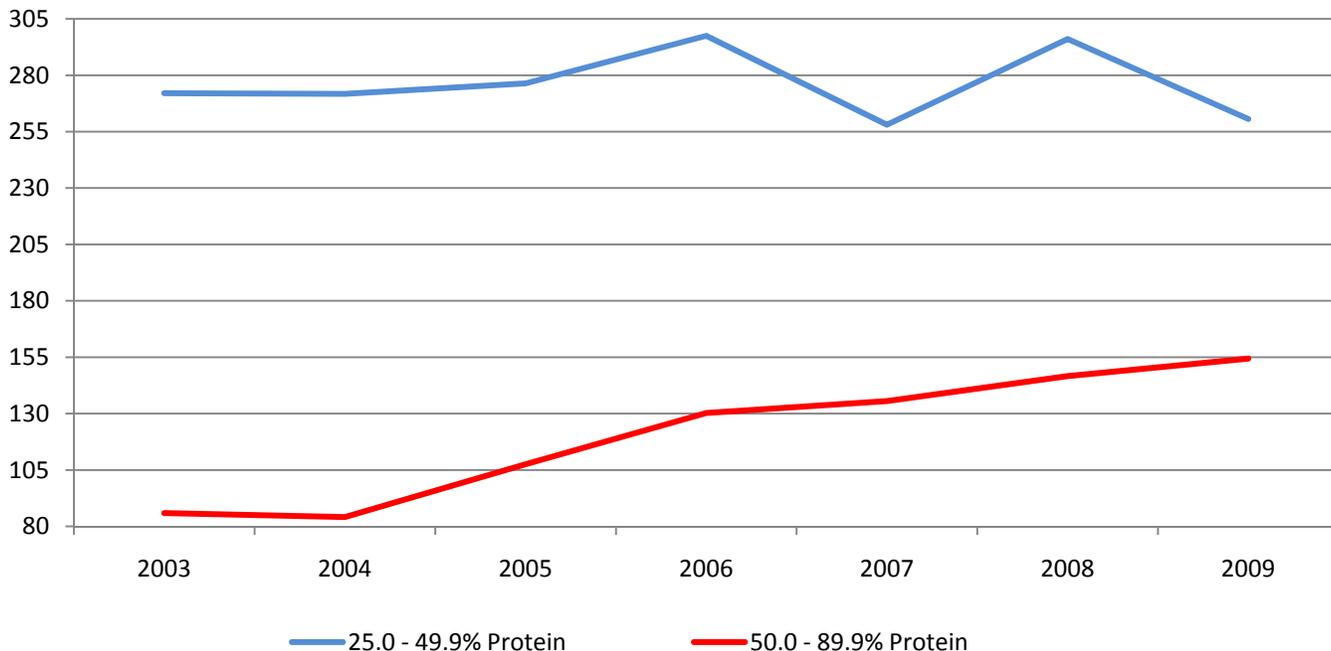
Man. EOM Stocks, 25-49.9%,  
Millions of Lb.

\$/Lb.



Millions of Lb.

**Annual Production for WPC 25.0 - 49.9%  
and 50.0 - 89.9% Protein**



# DAIRY MARKET NEWS

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