

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (10/29):**

BUTTER: Grade AA closed at \$2.1850. The weekly average for Grade AA is \$2.1850 (N.C.).

CHEESE: Barrels closed at \$1.6650 and 40# blocks at \$1.6400. The weekly average for barrels is \$1.6740 (-.0280) and blocks, \$1.6580 (-.0450).

BUTTER HIGHLIGHTS: The CME Group cash butter price has remained at \$2.1850 for over three weeks. Butter producers and handlers are getting a clearer picture of their yearend butter needs. Churning schedules are being adjusted to accommodate fresh production along with inventoried stock. Cream volumes remain available to butter operations across the country at pricing multiples often in the 120's - 130's. Some butter manufacturers and handlers are stating that they are discounting some of their higher priced inventory in hopes of clearing it before the cash price declines. Most Thanksgiving orders have been placed and are being shipped with yearend holiday orders developing on a steady basis. Firm butter prices are often being pointed to and are reflective of overall lighter butter orders this holiday season versus other years. Although prices are firm, retail feature activity is scheduled to occur prior to Thanksgiving in many areas of the country

CHEESE HIGHLIGHTS: The cheese market is weak and prices on both blocks and barrels at the CME Group cash market continued to decline. Both block and barrel prices remain above their year ago levels. The 2009 comparable weekly average block price was \$1.5030 per pound and barrels were \$1.4915. Between slower bulk cheese sales and steady to higher cheese production, plant inventories are growing at many locations. At many packagers, seasonal cheese activity is below recent years. The turnaround time on additional Thanksgiving order deliveries is limited and shrinking fast. Process movement is steady around seasonal levels. Aged cheddar and hard Italian demand has picked up seasonally. Cheese yields continue to improve seasonally.

FLUID MILK: Farm milk production is mostly unchanged in the northern tier states while the seasonal rebound is in progress on dairy operations in the southern tier. Bottler demand is steady to higher across the nation as some buyers are purchasing more heavily

this week to restock shelves before higher November pricing starts next week. Cream demand is variable from region to region. Stronger demand from some operations kicked in as production for holiday specialty items begins. Eggnog and frozen dessert items are now in production. Butter churning is increasing in the West as cream supplies increase and multiples decrease. A very large low-pressure system and accompanying wind with gusts up to 60 mph in the northern tier states caused power losses at a few locations and dairy plant slowdowns. Record low barometric pressures were recorded in areas of Minnesota and Wisconsin as the weather system moved through the region. Shipments were disrupted by the wind as some truckers waited until the wind died down before proceeding on their routes.

DRY PRODUCTS: The dry product markets are unsettled with no clear price direction emerging to link all commodities. Nonfat dry milk prices are mostly unchanged, with buyer sentiment tinged by uncertainty on near term price movements. Dry whey prices moved higher in the Northeast and Central regions as dry whey availability is below demand. Central region shipping delays are adding weeks onto anticipated delivery dates for contract loads of dry whey and moving additional buyers into the spot market. Western dry whey prices are steady. The lactose mostly price range is steady. Demand is active for unground through higher mesh size lactose. The whey protein concentrate 34% market is firm, supported by tight supplies of whey solids. Dry whole milk prices are unchanged.

INTERNATIONAL OVERVIEW (DMN): Milk production in Europe continues to trend seasonally lower, although overall volumes are heavier than last year at this time. In many countries, milk output is running ahead of last season, but for the most part, remains under quota limits. September milk production is running 3% ahead of last year in Germany, 4% in Denmark, 5% in the Netherlands, 6.6% in the United Kingdom, and 7% in France. At the most recent Dairy Management Committee meeting on October 21, no major dairy issues were discussed or adjusted. There was one

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CME GROUP CASH TRADING

PRODUCT	MONDAY OCTOBER 25	TUESDAY OCTOBER 26	WEDNESDAY OCTOBER 27	THURSDAY OCTOBER 28	FRIDAY OCTOBER 29	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.6800 (N.C.)	\$1.6800 (N.C.)	\$1.6800 (N.C.)	\$1.6650 (-.0150)	\$1.6650 (N.C.)	(-.0150)	\$1.6740 (-.0280)
40# BLOCKS	\$1.6675 (N.C.)	\$1.6675 (N.C.)	\$1.6675 (N.C.)	\$1.6475 (-.0200)	\$1.6400 (-.0075)	(-.0275)	\$1.6580 (-.0450)
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.)	\$1.2250 (-.0050)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	(-.0050)	\$1.2260 (-.0040)
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 (N.C.)

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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offer for a tendered refund for 200 MT of skim milk powder at 200 Euros that was rejected with common refunds remaining at zero. There were no butter offers for intervention release, but there were offers for 108 MT of skim milk powder at a price range of 2010–2065 Euros per MT that were rejected. Traders and handlers are reporting that prices for many European produced dairy products are easing. The Euro against the U.S. dollar is easing which is helping with sales negotiations. Much of the current easing of prices is due to uncommitted inventories that many manufacturers and handlers have on hand. Many are willing to discount stocks to clear some heavier than desired inventories as the winter season approaches. Although prices are easing in Europe, traders are stating that buyers are hesitant to finalize transactions. Most are taking a “wait and see” attitude which is typical when prices are weak. Traders are curious as to how low prices will have to adjust before buyers return to the marketplace. As the milk production season winds down, milk logistics continue to be shifted towards products of most need or best return. Butterfat remains tight. In many instances, cheese production continues to absorb the largest share of available milk. Cheese demand and sales remain brisk. Although cheese production remains seasonally active, whey volumes, for near term deliveries, are limited. The Oceania milk production season is at or very near peak levels. In **New Zealand**, milk handlers are indicating that the seasonal peak is currently at hand and it appears that milk volumes are not as high as projected. The adverse weather pattern of a month ago appears to have negatively impacted milk volumes at peak production levels. Early projections ranged from a 3–14% increase over last season, but it appears that even the low end of the range may not be attained. At this point, milk handlers and manufacturers are hopeful that peak levels might flatten or plateau and maintain these levels for a longer period of time this season. This situation would greatly help stock availability and ease thoughts of shortages. Milk handlers do feel that milk logistics will probably be adjusted towards products of most need. Typically, casein is the last product to resume production and is the first to cease output at peak levels, but with overall milk volumes not as positive as projected, the casein production season may be altered to accommodate other manufactured dairy product needs. In **Australia**, milk volumes are at or nearing peak levels in most areas of Victoria, the major milk producing region of the country. Australian milk producers are also hoping for an extended shoulder of peak production. Traders and handlers are stating that stock availability is on track with projection and are hopeful that milk production will remain positive. Traders are stating that buyers appear to be cautious with their purchases. Overall prices of dairy products are generally steady, although fluctuations higher and lower were noted. At the October 19 g/DT event, the weighted average for all traded products was down 2.5%. Anhydrous milk fat averaged \$5,196 per MT, down 1.2% from the previous event; Buttermilk powder averaged \$3,033, down 1.1%; skim milk powder averaged \$3,072, down 4.7%; and whole milk powder averaged \$3,484, down 1.1%. Most all prices at the trading event were lower with traders and handlers feeling that prices at the event adjusted in this direction to be more reflective of current situations in local and other international markets. For the most part, international prices are slightly lower reflecting uncommitted stocks, especially in the Northern Hemisphere. The next two g/DT trading events will be on Tuesday, November 2 and 16.

COLD STORAGE (NASS): On September 30, 2010, U.S. cold storage holdings of butter totaled 129.8 million pounds, 16.4% lower than a month ago, and 43.1% less than last year. Natural American cheese holdings total 635.6 million pounds, 0.3% more than one month ago, and 6.6% higher than a year ago. Total cheese stocks were 1.046 billion pounds, 0.5% higher than last month, and 6.3% more than 2009.

DAIRY OUTLOOK (ERS): Corn prices are forecast sharply higher in the 2010/11 crop year. Prices are expected to average \$4.60 to \$5.40 per bushel in 2010/11. Soybean meal prices are not expected to differ much in 2010/11 from last year. The expected higher corn price will push the benchmark 16% protein mixed-dairy ration over \$8 per cwt in 2011, up from about \$7.30 in 2010. Although milk prices in 2011 are forecast to remain near this year's level, higher feed prices are expected to squeeze producer margins. The U.S. dairy herd is expected to advance to 9,155 million cows next year, up about 0.4% from the 2010 projected average. However, during the year, incentives to expand the herd will diminish. Milk per cow is also expected to advance, rising to 21,405 pounds. Growth in milk per cow is expected to slow as higher feed prices take hold. The result for the year will be nearly a 1.7% rise in milk production in 2011 to 196 billion pounds. All milk prices are expected to average \$16.45 to \$16.55 in 2010 and remain about the same next year, averaging \$16.00 to \$16.90 in 2011.

AUGUST FEDERAL MILK MARKETING OVER-ORDER CHARGES (AMS): For August 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.13, up \$0.01 from the July 2010 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.81 in the Pacific Northwest to \$3.24 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.14, also up \$0.01 from the July 2010 average. Eighty-one percent of the producer milk used in Class II carried an over-order charge.

CONSUMER PRICE INDEX (BLS): The CPI for all food is 220.2, up 1.4% from 2009. The dairy products index is 199.0, up 2.9% from a year ago. The following are the September to September changes for selected products: fresh whole milk is +8.3%; cheese, +3.4%; and butter, +19.1%.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first eight months of 2010 totals 129.6 billion pounds, 3.2% above the same period in 2009. Comparing disappearance levels with year earlier levels: butter is +4.8%; American cheese, +0.6%; other cheese, +5.0%; NDM, +7.0%; and fluid milk products, -1.5%.

CME GROUP

MONDAY, OCTOBER 25, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6675
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE A @ \$1.2300
 BUTTER — SALES: 1 CAR GRADE AA @ \$2.1850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, OCTOBER 26, 2010

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.6675; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.6675
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE A @ \$1.2250
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1950

WEDNESDAY, OCTOBER 27, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6675
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE A @ \$1.2250
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1950

THURSDAY, OCTOBER 28, 2010

CHEESE — SALES: 6 CARS 40# BLOCKS: 3 @ \$1.6600, 2 @ \$1.6525, 1 @ \$1.6500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6650;
 2 CARS 40# BLOCKS @ \$1.6475
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE A @ \$1.2250
 BUTTER — SALES: 1 CAR GRADE AA @ \$2.1850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1950

FRIDAY, OCTOBER 29, 2010

CHEESE — SALES: 2 CARS BARRELS @ \$1.6650; 1 CAR 40# BLOCKS @ \$1.6400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.6400
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE A @ \$1.2250
 BUTTER — SALES: 2 CARS GRADE AA @ \$2.1850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1950

BUTTER MARKETS

SEPTEMBER BUTTER COLD STORAGE

As of September 30, 2010, U.S. holdings of butter totaled 129.8 million pounds, 43% lower than last September and 16% below than last month.

U.S. Butter Imports (USDA-FAS)

	2010 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jan. - Sep			
High Tier	0.25	-63.8	N.A.
Quota	4.86	-56.6	31.6
Sep Quota	0.8	-42.7	-

accordingly. Cream volumes remain available to butter producers, although these volumes are starting to tighten as Class II holiday based product production increases, especially cream cheese. As the Thanksgiving holiday nears, perishable cream based product production will increase significantly. Butter orders are good as most Thanksgiving orders have been placed and are in the process of being shipped. Retail feature activity is scheduled to occur as the Thanksgiving holiday nears. Butter producers and handlers are speculating that potential features will clear good volumes of print butter. Food service orders are not that strong yet, but are expected to increase as the yearend holidays near. Current bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

NORTHEAST

CME Group butter prices continued to hold steady and closed Tuesday at \$2.1850, unchanged since October 6. Most butter production has slowed to the level of current orders with some butter makers offering discounts to clear some inventory. Cream supplies are increasing as butterfat levels continue their seasonal increase. Cream multiples are ranging from the upper 120s to the mid 130s with the upper end of the range supported by increased cream cheese production. The latest NASS Cold Storage report released last week, shows butter in storage in all warehouses on September 30 totals 129.8 million pounds, 25.5 million pounds (16%) less than the prior month stocks and 98.1 million pounds (43%) less than September 2009 stocks. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price has held steady for 15 consecutive trading sessions at \$2.1850. Manufacturers and handlers are stating that with the cash price maintaining a steady trading level, this provides butter producers and handlers an opportunity to work down inventories that were generated over recent weeks, often at higher price levels. In some instances, suppliers are offering potential buyers discounts to current markets if they take possession of butter stocks at this time. Many butter producers and handlers are monitoring their production schedules and inventory situations very closely and churning fresh butter stocks

WEST

Wednesday's butter price at the CME Group was unchanged at \$2.1850. The price has held steady at this price for the last three weeks. Sales of butter at the CME Group over that period have been very light. Again this week only one load has been sold. For the three week period only two loads have been sold. Butter orders for the upcoming holiday period have begun to increase with a cautious undertone as buyers hope to have sufficient stocks for needs without excess inventory. Club sales are leading retail sales currently with some increases in food service ordering. Western butter manufacturers are seeing increased cream supplies and lower multiple pricing. According to the NASS *Cold Storage* report, stocks of butter as of September 30, 2010, total 129.8 million pounds, -43% or 98.1 million pounds less than September last year. Stocks were 16% lower or 25.5 million pounds less than August 2010. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 1.2 million pounds last week to 16.7 million pounds. This total compares to 76 million pounds in 2009 and 54.7 million pounds in the comparable week in 2008. Stocks have lowered in CME approved warehouses for twenty consecutive weeks. According to the FAS, quota imports of butter for the first nine months of the year total 4.9 million pounds, 56.6% less than the same period in 2009. Imports for 2010 account for 31.6% of the total quota for 2010. Imports of High-Tier butter (above quota and with a penalty) are 251,200 pounds, 36.2% of last year's amount in the same time period.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
October 23	1,7694	1,7649	1,1414	2,1710	0.3703
	11,309,986	8,429,962	19,776,869	4,482,177	11,492,597

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

Barrel and block cheese prices on the CME Group have held steady, since last week's declines of \$.0525 and \$.0725 respectively. Tuesday's trade saw Barrels close at \$1.6800 and Blocks at \$1.6675. Cheese production is steady and active at increased seasonal levels. Inventories are mostly current with good demand for mozzarella, aged cheddar, lowfat cheddar and cream cheese. Cream cheese production is fully into its heavy fall production schedule. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of September 30, 2010 totaling over 1.04 billion pounds, 1% above one month ago and 6% higher than one year ago. A majority of the holdings are in the form of American cheese (60.8%) totaling 635.6 million pounds, equal to the amount one month ago, but 7% higher than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.6%) totaling 382.7 million pounds, 1% more than one month ago and 5% higher than one year ago. Swiss cheese accounts for 2.6% of holdings at 27.6 million pounds, 3% less than one month ago, but 19% more than one year ago.

Cheddar Barrels on Wednesday at the CME Group were unchanged at \$1.6800. 40 Pound Blocks were also unchanged at \$1.6675. Prices have held steady this week with only three sales reported for Blocks on Tuesday. At midweek prices are stabilized after last week's price reduction. Production continues at a pace above last year. Some excess inventories are being cleared to the export market with assistance of CWT incentives. Lower prices have brought additional buyer interest to the front as holiday buying was deterred in some cases. Stocks for most varieties are adequate for demand. According to FAS, quota imports of cheese for January-September 2010 total 114.3 million pounds, down 22.3% from a year ago. The imports stand at 38.2% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 17.3 million pounds, 100,000 pounds less than the volume imported in 2009. Imports of quota Swiss cheese for 2010 total 31.8 million pounds, down 10.1% from last year. The two main countries for the Swiss imports are Norway and Finland. They account for 22.3 million pounds or 70% of the year's total import of Swiss. According to NASS, Cold Storage stocks of cheese (total) at the end of September 2010 are 1,045.9 million pounds, up 6% or 62 million pounds from last year. American stocks were up 7% and Other Natural stocks were 5% higher than last year. Swiss stocks at the end of September total 27.6 million pounds, up 19% or 4.5 million pounds more than September 2009.

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

Cheddar 40# Block	:	2.0200-2.2950
Process 5# Sliced	:	1.8050-2.1150
Muenster	:	2.0400-2.2450
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	:	1.8275-2.0850
Cheddar 40# Block	:	1.8325-2.1850
Cheddar 10# Cuts	:	2.0125-2.2325
Monterey Jack 10#	:	2.0225-2.1825
Grade A Swiss Cuts 6 - 9#	:	2.7850-3.2150

MIDWEST

The cheese market is unsettled to weak. Assuming cash prices on the CME Group do not change; the current CME Group block price of \$1.6675 is about 11% higher than the comparable weekly average (\$1.5030) in 2009. The CME Group cash barrel price of \$1.6800 is over 12% above the comparable 2009 weekly average of \$1.4915. While the barrel/block spread is inverted (barrels higher than blocks), block offerings are more available than barrels. Bulk cheese orders are generally lighter as finished product customers wait for stable or possibly lower cheese prices. Time is running out for orders to be available for Thanksgiving use. Natural cheddar interest is light though some spot interest noted in specialty natural American. Aged cheddar interest and hard Italian movement have improved seasonally. Mozzarella is moving but generally with less aggressiveness than several weeks ago. Process orders are generally steady at best. Some extra cream volumes are also heading to cream cheese production. Cheese production is about steady though some extra demand for fluid and cream from Class II accounts for production of holiday items is reducing supplies at a few plants. Milk intakes vary by locations but are generally little changed on a week-to-week basis. Cheese yields continue to increase seasonally.

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

Process American 5# Loaf	:	2.0625-2.2525
Brick And/Or Muenster 5#	:	2.2100-2.3400
Cheddar 40# Block	:	2.1800-2.5650
Monterey Jack 10#	:	2.1700-2.5650
Blue 5#	:	2.5475-3.0600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0425-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.6150-3.3300

FOREIGN

Block cheese prices on the CME Group have remained steady since last week's \$.0725 decline and closed Tuesday unchanged at \$1.6675. The weekly average price declined for the second consecutive week and lowered prices for domestic varieties, except Swiss Cuts which remained unchanged. Imports of Swiss/Emmentaler varieties from January through September 2010 totaled 31.9 million pounds, 10.1% less than the same period last year. Norway and Finland, the two top sources, account for 70.0% of Swiss/Emmentaler imports January through September 2010.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 2.1600-3.6475*
Gorgonzola	: 3.6900-5.9900	: 2.6625-2.9225*
Parmesan (Italy)	: -0-	: 3.5675-3.8250*
Provolone (Italy)	: 3.4400-5.8900	: 2.2025-2.3600*
Romano (Cows Milk)	: -0-	: 3.3500-5.4925*
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
		:	
10/25/10	10,107	:	131,995
10/01/10	10,741	:	130,318
CHANGE	-634	:	1,677
% CHANGE	-6	:	1

U.S. Cheese Imports (USDA-FAS)

	2010 Imports (Million Lb.)	% Change 1 Year Ago	From Yearly Quota	% of Yearly Quota
Jan. - Sep				
High Tier	17.3	-0.2	N.A.	
Quota	114.3	-22.3	38.2	
Sep Quota	3.3	-14.6		

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	0	55	0
SOUTHEAST STATE	10	0	11	21	23	0

Manufacturing milk supplies in the Northeast and Mid Atlantic regions have declined, due to increased Class I demand. Milk production is above year ago levels. Current production is mixed with some declines and increases, but overall production for both regions are at their seasonal low points. Harvest activities in Pennsylvania and New York are well ahead of last year's pace. New England field work is focused on cleaning fields, planting cover crops and preparing for winter. Milk production in Florida continues to increase along the seasonal trend with fairly mild temperatures recording highs in the lower to upper 80s. The Southeast region imported a marginal number of loads this week. Tennessee is extremely dry with cattle being fed hay, due to poor pasture conditions. Class I demand in the Southeast and Florida remains sluggish. Cream supplies are increasing as butterfat levels continue to improve and milk production levels are beginning to increase in some areas. Cream demand is good with cream cheese production at full capacity and manufacturers are preparing for their seasonal egg nog production runs. Cream multiples range from 128-136 with the upper end of the range supported by cream cheese concerns. Most condensed skim supplies are moving through contracts with a few spot sales. Drying activity remains light. Class II and III demand is good, supported by active cheese sales and expanding Class II product production schedules.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.7968-2.9716
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.7313-2.8187

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.23 - 1.26
NORTHEAST - CLASS III - SPOT PRICES	-	1.06 - 1.13

MIDWEST

Class I interest is steady to occasionally improved where buyers are aware of the higher November Class I prices and are promoting October product and/or chocolate milk for Halloween related promotions. Class II interest was steady to stronger for various products, often associated with starting to cover Thanksgiving orders, at least those with longer shelf lives. Some operations have also made a batch or few of eggnog. Production and deliveries of holiday specialty products are expected to increase in the next few weeks. Cream demand is spotty with churns still reluctant to make butter due to concerns that butter prices may fall sharply. Manufacturing milk demand was steady at best. Class II users were reportedly pulling some fluid loads away from Class III users. Milk volumes seem to be little changed from recent weeks with plant receipts both lower and higher. Milk components were steady to mostly higher. Very high winds (gusts over 60 mph) associated with a very large low-

pressure system (new record low pressure recorded in Wisconsin) in upper tier states caused power losses at a few locations, causing some plant production slowdowns. Some truckers also parked their rides until the wind died down as a couple trucks overturned in Wisconsin. Snow also was associated with the storm in some sections of the Dakotas and Minnesota. Recent rains slowed fall harvest and tillage operations after most of October was dry. Most of the corn and beans are harvested with large piles found at many elevators. One elevator was storing soybeans in silo bags rather than exposing them to the elements.

WEST

Milk production in CALIFORNIA is steady to increasing slowly as weather conditions improve as to cow comfort. Earlier high heat conditions have exited the state and cooler temperatures have helped to recover farm milk production. Milk production is below some estimates, but is above year ago levels. The increased farm milk price has not translated into large increases in cow numbers as producers are wary of future price swings and continue to pay off equity losses from the last year. Class I demand is steady along expected lines. Manufacturing capacity is more than adequate to handle current milk volumes. Cheese manufacturers continue to look for additional fluid volumes to fill plant capacity. Butter production is increasing as cream is available at lower prices and orders for holiday needs are being placed. ARIZONA and NEW MEXICO milk output is above year ago levels. Weather patterns are conducive to increased milk production. Arizona production is significantly higher than last year with more cows and better production per cow. The higher production is being handled in the region with less volumes moving to Eastern markets. Plant schedules are increasing to adjust for the additional supplies. Cream markets have weakened with additional volumes offered. Multiples are showing a wider range as cream strives to find appropriate manufacturing needs. The CME Group butter price maintained its price of \$2.1850 for the third consecutive week and butter end users are placing more orders for holiday needs. Class III cream usage is expected to increase with the lower available multiples. Cream multiples vary based on class usage and basing points. The PACIFIC NORTHWEST temperatures were seasonal with rains in the western regions and cooler temps into the High Desert. Milk production is above year ago levels and being handled amongst regional manufacturers. After a summer with few production problems, farmers are looking to balance feed costs with milk price to lock in profitable margins for the upcoming year. UTAH and IDAHO saw some snow flurries at the higher elevations with rain showers lower. The moisture was welcomed for fall planted crops and adding to spring moisture levels. Milk production is following expected increases with more cows being added to some herds. Feed costs are being watched as hay prices were reported higher with increased demand for delivery from local as well as out of state buyers. Replacement heifer prices at auction were mostly steady with one auction reporting a top sale price of \$1340 and top ten average price of \$1209. Manufacturing capacity for milk still exceeds available supplies.

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: Prices for Central nonfat dry milk are unchanged. Buyers seem hesitant to make block purchases and are content to acquire individual loads at prices within the previous range. The outlook for Central manufacturers is varied. A few processors note that milk receipts are slightly higher than in the previous few weeks and NDM production is expected to rebound in the near term. For other processors, NDM production is lagging monthly projections at some locations and pressure from heavy end-of-the-month Class I and II orders emptied balancing plant silos this week at some locations. This leaves a small opportunity to play catch-up on NDM production over the upcoming weekend. A few manufacturers voiced concerns about meeting NDM contract obligations through the end of the calendar year, thus expectations for spot market participation during November and December are minimal at those locations. Regional NDM inventories are adequate to somewhat short of near term needs. According to the latest Foreign Agricultural Service report, January – September 2010 imports of dried skim milk in the high tier category totals about 48,000 pounds, unchanged from the January - August total. There were no quota dried skim milk imports during September 2010.

EAST: Eastern nonfat dry milk prices for low heat showed some marginal weakness compared to last week, while high heat prices held steady. Production of nonfat dry milk has declined following declines in manufacturing milk supplies, due to increased Class I demand. Supplies are not as tight as production would indicate due to available volumes stemming from the recent unsuccessful trade with Russia. Demand for high heat is good, while low heat demand is weakening. Trading activity is light as some users are hesitant to purchase at the current price levels feeling prices will move lower and supplies will increase as milk production increases.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.1950 - 1.2800 MOSTLY: 1.2300 - 1.2600
 HIGHHEAT: 1.3400 - 1.4500

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are steady on the range series and lower on the bottom of the mostly series. The market undertone remains cautious as to future price movement. Export levels are well above year ago, but inventories are building in the West as fall production schedules increase. SMP production is steady to higher. Increased SMP production has helped to limit domestic inventories. Export interruptions to Russia have added to manufacturers wariness concerning supplies. Western high heat NDM prices are steady with a similar undertone about future market weakness. Buyers are currently taking deliveries of contracted loads while spot loads above those needs are limited at current price levels. High heat stocks are light to moderate.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.1500 - 1.2300 MOSTLY: 1.1700 - 1.2050
 HIGHHEAT: 1.2200 - 1.3900

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged to lower on a mixed market. Inventories are mostly described as adequate for near term contract fulfillment. Class I and II orders for cream are markedly stronger this week prior to monthly price increases that begin next week. This active selling cleared cream loads and idled some churns this week. Dry buttermilk production is steady to lower.

EAST: Eastern dry buttermilk prices held steady this week. There was very little spot market activity with adequate availability. Some buyers are opting to use lower priced nonfat dry milk when they're afforded the opportunity. Buttermilk production has slowed as butter production has declined to the level of current orders. The market undertone is weak following declines in ice cream production, while baking concerns have not impacted current supplies.

F.O.B. CENTRAL/EAST: 1.2200 - 1.4200

DRY BUTTERMILK - WEST

Western dry buttermilk prices held mostly steady. The market undertone is weaker in many cases. Butter churn activity has increased with lower cream multiples, but manufacturers are cautious at current price levels. Dry buttermilk supplies are adequate for contracted needs with some inventory building occurring. Demand for condensed buttermilk is good and there appears to be increased usage of the product. Dry buttermilk demand is seasonally good.

F.O.B. WEST: 1.2000 - 1.2750 MOSTLY: 1.2150 - 1.2450

DRY WHOLE MILK - NATIONAL

The dry whole milk market is steady and prices are unchanged. Domestic and international supplies are tight. Some market participants indicate a limited number of loads of slightly older product are being offered through the trades. With the dry whole milk prices at the latest globalDairyTrade auction being below domestic dry whole milk prices, some market participants expect to draw more heavily from offshore production to meet customer needs in 2011. According to the latest Foreign Agricultural Service report, January – September 2010 imports of dry whole milk in the high tier category total about 153,000 pounds. Quota imports of dry whole milk during January – September 2010 total about 2.3 million pounds, about 66% lower than during the same time span of 2009. Total quota imports represent about 31% of the allowable imports under licensing requirements. September 2010 quota dry whole milk imports total about 121,000 pounds, a 79% decrease from September 2009. All 2010 quota import product originated in the Netherlands, Australia, or New Zealand.

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

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 22	\$1.0973	26,224,241	0
October 15	\$1.1207	16,066,927	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

The Central dry whey market is steady to firm and prices moved higher. Production is unchanged at most locations and generally below plant capacities. Manufacturing milk availability continues to run below regional needs as the seasonal uptick in farm milk production has yet to exert itself. Also, bottler interest is higher this week as that market sector orders ahead of price increases for the new month. One or two plants ran into some mechanical issues recently, but operators are optimistic about swiftly making repairs and keeping the impact to weekly dry whey production to a minimum. Some contract shipping delays are occurring, sending more buyers into the spot market to find dry whey for immediate needs. Interest from offshore buyers is also putting pressure on regional dry whey inventories. Spot load offers are intermittently available from a few manufacturers and are moving readily. Some dry whey manufacturers indicate rotational offers of spot loads to contract buyers are clearing readily. ANIMAL FEED DRY WHEY prices are steady and supplies are generally tight.

F.O.B. CENTRAL: .3325 - .3875 MOSTLY: .3375 - .3725
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2600 - .3525

DRY WHEY - NORTHEAST

Dry whey prices in the Northeast advanced on both ends of the range compared to last week. Supplies remain tight with production steady as cheese production remains steady at increased seasonal levels. Product is moving well through contracts with requests for additional volumes. Availability from Northeast manufacturers on spot markets varies, with some buyers securing additional volumes from the Central region. Demand is very good with some supplies being secured through broker resales at prices above the range, giving the market a firm undertone.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3625 - .3850

DRY WHEY - WEST

Western whey prices are mostly steady. The market for whey is firm in most cases. Manufacturers are filling contract orders with some delays reported in deliveries. Production schedules for whey are limited to contract needs with inventories moving from storage as soon as possible. Demand is good for available supplies with very light spot sales offered to the market. Availability of whey for drying is limited as other whey protein concentrates compete for supplies.

NONHYGROSCOPIC: .3525 - .4150 MOSTLY: .3700 - .4025

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are higher on a firm market. Production is mostly steady and still constrained by manufacturing milk supplies and cheese manufacturers closely balancing cheese production with booked cheese sales. With the cheese market unsettled, Class III operators are not producing cheese on a speculative basis. WPC 34% is reportedly moving quickly from testing to shipping. Manufacturers' inventories are generally short of contract needs. Shipping delays from some producers are adding one to two weeks onto delivery dates for contract loads. Buyer interest for 2011 contracting is active. Some producers, though, are hesitant to finalize 2011 contracts for two main reasons: fully meeting 2010 volume contracts may claim part of 2011 production and the current strong WPC 34% market trend may enhance 2011 contract price premiums.

F.O.B. EXTRA GRADE 34% PROTEIN: .9700 - 1.0650 MOSTLY: .9800 - 1.0100

LACTOSE - CENTRAL AND WEST

The Central and West lactose mostly price series is unchanged while the range price series widened. Availability of spot market lactose has been tight from most manufacturers but spot market sales that lowered the bottom of the range indicate inventories exist at some locations. Tight manufacturing milk supplies in some regions are keeping lactose production below plant capacities. Discussions between producers and buyers are progressing regarding 2011 contracting and some market participants indicate 2011 contracting for lactose has concluded.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2500 - .4350 MOSTLY: .3100 - .3600

CASEIN - NATIONAL

Casein markets are generally steady with unchanged prices. Supply availability continues to be the topic of discussion between buyers and sellers. Most supplier continue to assure domestic buyers that their contractual needs will be filled, but are hesitant to acknowledge that spot availability will be there. Domestic buyers are looking at the first quarter of 2011 and finding that prices might be easing slightly. For some buyers, they are cautious to not extend their contract negotiations beyond the first quarter at this time.

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 25 - 29, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 10/22/10	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	132,276	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 25 - 29, 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	1.5
CUMULATIVE JAN. 1 - OCT. 29, 2010 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2009 =	136.7	1,883.0

* 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 25 - 29, 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-	132,276	-0-	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	132,276	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound

CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10

NONFAT DRY MILK \$.80 per pound

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 10/09/10 & 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	8.6	3.3	19.3	4.0	0.2	N.A.	14.5	2.8	54.9	2,177.8	43.2	44.0
2009-Dairy	N.A.	0.6	7.2	2.9	17.1	3.5	0.5	N.A.	14.3	2.8	50.6	2,254.8	42.1	47.5
2010-All cows	N.A.	0.7	10.8	14.3	33.6	24.2	13.8	N.A.	19.3	6.4	127.0	4,947.8		
2009-All cows	N.A.	0.7	9.1	13.6	32.2	21.4	12.9	N.A.	19.5	7.3	120.3	4,746.5		

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

WEEKS ENDING	WEEKLY TOTAL	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
AUGUST 28 - OCTOBER 2	1	7,490	

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	17.24	
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 18 - 29, 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 seasonally lower, although overall volumes are heavier than last year at this time. In many countries, milk output is running ahead of last season, but for the most part, remains under quota limits. September milk production is running 3% ahead of last year in Germany, 4% in Denmark, 5% in the Netherlands, 6.6% in the United Kingdom, and 7% in France. At the most recent Dairy Management Committee meeting on October 21, no major dairy issues were discussed or adjusted. There was one offer for a tendered refund for 200 MT of skim milk powder at 200 Euros that was rejected with common refunds remaining at zero. There were no butter offers for intervention release, but there were offers for 108 MT of skim milk powder at a price range of 2010 – 2065 Euros per MT that were rejected. Traders and handlers are reporting that prices for many European produced dairy products are easing. The Euro against the U.S. dollar is easing which is helping with sale negotiations. Much of the current easing of prices is due to uncommitted inventories that many manufacturers and handlers have on hand. Many are willing to discount stocks to clear some heavier than desired inventories as the winter season approaches. Although prices are easing in Europe, traders are stating that buyers are hesitant to finalize transactions. Most are taking a “wait and see” attitude which is typical when prices are weak. Traders are curious as to how low prices will have to adjust before buyers return to the marketplace. As the milk production season winds down, milk logistics continue to be shifted towards products of most need or best return. Butterfat remains tight. In many instances, cheese production continues to absorb the largest share of available milk. Cheese demand and sales remain brisk. Although cheese production remains seasonally active, whey volumes, for near term deliveries, are limited.

BUTTER/BUTTEROIL: European butter markets and prices are weak, although butterfat remains tight. Much of current weakness is being attributed to heavier/uncommitted stock levels as the winter months near. Butter producers and traders are stating that internal buyer interest continues with international buyers continuing to exercise resistance to higher than desired asking prices. In recent rounds of tendering for intervention release, no butter offers have been received. There are limited intervention volumes remaining.

82% BUTTERFAT:	5,025 - 5,450
99% BUTTERFAT:	5,500 - 5,900

SKIM MILK POWDER (SMP): European skim milk powder market and prices are weak. Buyer interest is weak as internal and international buyers step away from the market at this time due to the weak price trend. Trader and handlers anticipate that buyer resistance will prevail until prices stabilize. At the most recent Dairy Management Committee meeting on October 21, the offer received for a tender refund on 200 MT at 2,000 Euros per MT was rejected. Also offers totaling 108 MT of intervention skim milk powder at prices ranging 2,010 – 2,065 Euros per MT were rejected.

1.25% BUTTERFAT:	2,850 - 3,125
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OCEANIA

OVERVIEW: The Oceania milk production season is at or very near peak levels. In New Zealand, milk handlers are indicating that the seasonal peak is currently at hand and it appears that milk volumes are not as high as projected. The adverse weather pattern of a month ago appears to have negatively impacted milk volumes at peak production levels. Early projections ranged from a 3 – 14% increase over last season, but it appears that even the low end of the range may not be attained. At this point, milk handlers and manufacturers are hopeful that peak levels might flatten or plateau and maintain these levels for a longer period of time this season. This situation would greatly help stock availability and ease thoughts of shortages. Milk handlers do feel that milk logistics will probably be adjusted towards products of most need. Typically, casein is the last product to resume production and is the first to cease output at peak levels, but with overall milk volumes not as positive as projected, the casein production season may be altered to accommodate other manufactured dairy product needs. In Australia, milk volumes are at or nearing peak levels in most areas of Victoria, the major milk producing region of the country. Australian milk producers are also hoping for an extended shoulder of peak production. Traders and handlers are stating that stock availability is on track with projection and are hopeful that milk production will remain positive. Traders are stating that buyers appear to be cautious with their purchases. Overall prices of dairy products are generally steady, although fluctuations higher and lower were noted. At the October 19 g/DT event, the weighted average for all traded products was down 2.5%. Anhydrous milk fat averaged \$5,196 per MT, down 1.2% from the previous event; Buttermilk powder averaged \$3,033, down 1.1%; skim milk powder averaged \$3,072, down 4.7%; and whole milk powder averaged \$3,484, down 1.1%. Most all prices at the trading event were lower with traders and handlers feeling that prices at the event adjusted in this direction to be more reflective of current situations in local and other international markets. For the most part, international prices are slightly lower reflecting uncommitted stocks, especially in the Northern Hemisphere. The next two g/DT trading events will be on Tuesday, November 2 and 16.

BUTTER: Oceania butter prices are generally unchanged, although the market tone is mixed. Some butter producers and handlers are indicating that the market tone is weaker while others continue to report a firm tone. Butterfat volumes continue to be competitive. Although milk production is near or at peak levels, overall cream volumes are not readily available. In many instances, butter stocks are fully committed for the future with minimal uncommitted butter stocks available for spot buyer interest. At the October 19 g/DT event, anhydrous milk fat contracts for all contract periods averaged \$5,196 per MT, 1.2% less than the previous event average. Near term contracts (December) averaged \$5,175, -3.1%; January – March contracts averaged \$5,126, -1.5%; and April – June contracts averaged \$5,470, +3.2% from the previous event. Traders and handlers were not surprised to see weakness in the first two contracting period, while firmness in the third period, when suppliers are filling orders from inventoried stocks and milk production is seasonally light.

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

COMMENTS AND PRICES CONTINUED
ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 18 - 29, 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 weak. Traders and handlers are stating that buying interest is quiet, which many anticipated, especially with a weak tone prevailing. Traders state that stocks in both Eastern and Western Europe are available for immediate and future needs.

26% BUTTERFAT: 3,650 - 3,875

SWEET WHEY POWDER: Whey powder markets are mixed with prices generally lower. The market undertone is weak. Cheese production remains seasonally strong as cheese output garners a significant share of late season milk volumes. Although cheese production is active, whey volumes for near term deliveries are limited. Current whey sales are centered around an internal market with international sales limited. As has been the situation for much of the current milk production season, European whey prices are often higher than international buyers are willing to pay.

NONHYGROSCOPIC: 800 - 1,050

EASTERN OVERVIEW: Milk production in Eastern Europe, continues to seasonally decline, but is showing signs of late season strength. Milk output in Eastern Europe did not develop as positively early in the spring, but is recovering some of the early season losses as the season comes to an end. Stocks of manufactured dairy products are available. Up to this point, buyer interest has centered around an internal market with international buyers absent from the market. Traders and handlers feel that buyers will remain absent from the market at least until the current weak trend stabilizes.

Exchange rates for selected foreign currencies: October 25, 2010

.9800 Canadian Dollar	.0225 Indian Rupee
.2528 Argentina Peso	.7528 New Zealand Dollar
.0809 Mexican Peso	.9903 Australian Dollar
.3552 Polish Zloty	.0124 Japanese Yen
	1.3970 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0809) = 12.3609$ Mexican Pesos. Source: "Wall Street Journal"

OCEANIA
COMMENTS AND PRICES CONTINUED
FROM PAGE 8

SKIMMILK POWDER (SMP): Skim milk powder markets in the Oceania region are generally steady with prices unchanged to slightly lower, with a weaker undertone developing. Manufacturers and handlers are stating that powder production is at seasonally high levels as milk production is at or very near peak levels in both New Zealand and Australia. A significant portion of current and recent powder production is committed, but some spot buyer interest is developing, although potential buyers are hesitant to finalize sales due to a developing weaker market tone. At the October 19th g/DT event, the average price for all contracts of skim milk powder was down 4.7% from the previous average to \$3,072 per MT. December contracts were down 6.9%, averaging \$2,917; January – March contracts were down 3.7% to \$3,094; and April – June contracts averaged \$3,250, -2.9%.

1.25% BUTTERFAT: 3,000 - 3,200

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets and prices remain steady to slightly firmer at the bottom of the reported price range. Milk production is near or at seasonal peak levels in the region, thus whole milk powder production is seasonally strong. Some manufacturers and handlers are concerned about stock availability as the buildup to peak levels, especially in New Zealand, did not develop as positively as projected. Some New Zealand manufacturers are adjusting milk logistics to best meet product requirements. In Australia, whole milk output is basically as forecast. At the October 19 g/DT event, whole milk powder averaged, for all contracting periods, \$3,484 per MT, down 1.1%. The near term contract (December) averaged \$3,485, -2.0%; January – March contracts averaged \$3,470, -0.3%; and April – June contracts averaged \$3,542, -0.9%.

26% BUTTERFAT: 3,400 - 3,600

CHEDDAR CHEESE: Oceania cheese markets and prices are steady to firm. Cheese production is seasonally strong as milk production is at or very peak levels in both New Zealand and Australia. The next round of cheese negotiations is about to resume. Manufacturers and suppliers feel that stocks should be in line with projected needs during that period.

39% MAXIMUM MOISTURE: 4,000 - 4,200

October 19, 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	\$5,175	\$5,126	\$5,470	\$5,196
	-3.1%	-1.5%	3.2%	-1.2%
Buttermilk Powder	\$3,000	\$3,125	N.A.	\$3,033
	N.C.	-4.3%	N.A.	-1.1%
Skim Milk Powder	\$2,927	\$3,094	\$3,250	\$3,072
	-6.9%	-3.7%	-2.9%	-4.7%
Whole Milk Powder	\$3,485	\$3,470	\$3,542	\$3,484
	-2.0%	-0.3%	-0.9%	-1.1%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	10/14	10/15	10/18	10/19	10/20	10/21	10/22	10/25	10/26	10/27
CME - CLASS III MILK FUTURES (Pit-Traded)										
OCT 10	16.82 (4705) 0	16.82 (4694) 0	16.84 (4686) 0	16.83 (4694) 0	16.88 (4698) 0	16.88 (4709) 0	16.88 (4710) 0	16.89 (4709) 0	16.88 (4705) 0	16.88 (4690) 0
NOV 10	16.10 (5316) 0	15.55 (5196) 18	15.48 (5122) 5	15.48 (5161) 0	15.89 (5032) 0	15.74 (5042) 0	15.83 (5008) 0	15.83 (4963) 0	15.89 (4940) 0	15.87 (4933) 0
DEC 10	15.19 (5174) 5	14.84 (5290) 20	14.81 (5326) 5	14.65 (5478) 0	14.90 (5471) 0	14.77 (5542) 1	14.89 (5536) 0	14.89 (5570) 0	14.89 (5632) 0	14.89 (5670) 0
JAN 11	14.52 (2238) 6	14.36 (2293) 31	14.28 (2305) 11	14.10 (2401) 5	14.25 (2465) 12	14.13 (2483) 5	14.19 (2515) 0	14.17 (2564) 30	14.20 (2585) 28	14.19 (2633) 1
FEB 11	14.17 (1610) 6	14.16 (1744) 31	14.11 (1802) 11	13.98 (1836) 5	14.11 (1872) 12	14.05 (1886) 5	14.07 (1931) 0	14.05 (1981) 30	14.11 (2035) 28	14.10 (2059) 1
MAR 11	14.21 (1630) 6	14.15 (1706) 31	14.02 (1719) 6	13.90 (1749) 5	14.05 (1796) 12	13.99 (1833) 5	14.02 (1859) 0	14.02 (1897) 30	14.10 (1917) 28	14.20 (1957) 1
APR 11	14.23 (981) 5	14.15 (1025) 32	14.00 (1042) 6	13.92 (1076) 5	14.00 (1119) 12	14.00 (1145) 5	14.03 (1165) 0	14.05 (1179) 30	14.14 (1219) 28	14.18 (1254) 1
MAY 11	14.21 (905) 6	14.20 (970) 31	14.10 (992) 6	13.92 (1045) 5	14.05 (1060) 12	14.00 (1093) 5	14.00 (1092) 0	14.05 (1132) 30	14.15 (1099) 28	14.18 (1133) 1
JUN 11	14.25 (748) 6	14.24 (781) 31	14.20 (833) 6	14.12 (851) 0	14.17 (867) 4	14.18 (869) 3	14.20 (873) 0	14.23 (900) 30	14.26 (897) 33	14.40 (915) 1
CME - CLASS IV MILK FUTURES (Pit-Traded)										
OCT 10	16.76 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0	16.85 (89) 0
NOV 10	15.77 (83) 0	15.77 (83) 0	15.77 (83) 0	15.80 (83) 0	15.90 (83) 0	15.90 (83) 0	15.90 (83) 0	15.90 (83) 0	16.25 (83) 0	16.25 (83) 0
DEC 10	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.34 (36) 0	15.65 (46) 0	15.65 (46) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
OCT 10	217.50 (674) 12	217.75 (683) 11	217.75 (685) 2	218.00 (687) 3	219.00 (691) 26	218.78 (691) 0	219.00 (691) 12	219.00 (688) 5	220.00 (688) 1	219.58 (688) 15
NOV 10	193.00 (508) 17	193.00 (508) 0	192.00 (510) 2	195.00 (510) 16	198.00 (507) 13	197.00 (510) 9	199.00 (510) 6	204.00 (503) 32	209.00 (489) 19	212.50 (494) 23
DEC 10	176.75 (460) 6	176.75 (460) 0	176.75 (461) 1	180.00 (465) 5	183.00 (469) 5	183.00 (469) 0	183.00 (469) 0	187.00 (469) 2	188.75 (471) 8	188.00 (472) 2
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
OCT 10	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.50 (344) 0	116.75 (344) 0	116.75 (344) 0	116.75 (344) 0	116.75 (344) 0
NOV 10	116.25 (296) 0	116.50 (296) 0	116.50 (296) 0	116.50 (296) 0	116.50 (296) 0	116.50 (296) 0	116.50 (296) 0	116.50 (300) 0	116.75 (300) 0	117.10 (300) 0
DEC 10	116.25 (301) 0	116.00 (311) 0	116.00 (311) 0	115.00 (328) 0	115.00 (328) 0	115.00 (328) 0	115.00 (328) 0	115.00 (334) 0	115.00 (338) 0	115.00 (338) 0
CME - WHEY (Electronic-Traded)										
OCT 10	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0	37.00 (285) 0	36.75 (285) 0	36.75 (285) 0	36.75 (285) 0
NOV 10	37.00 (311) 0	37.00 (309) 0	37.00 (309) 0	37.00 (309) 0	37.00 (309) 0	37.00 (309) 0	37.00 (309) 0	37.00 (309) 0	36.98 (309) 0	36.50 (309) 3
DEC 10	37.50 (282) 0	36.75 (290) 8	36.75 (290) 0	36.00 (294) 4	36.00 (294) 0	37.00 (294) 2	36.50 (304) 10	36.50 (304) 3	36.10 (304) 3	36.10 (304) 3
CME - CHEESE CSC (Electronic-Traded)										
OCT 10	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.75 (96) 0	1.76 (96) 1	1.76 (96) 0
NOV 10	1.70 (56) 0	1.65 (56) 0	1.64 (56) 0	1.64 (56) 0	1.67 (56) 0	1.67 (56) 0	1.67 (56) 0	1.67 (56) 0	1.67 (56) 1	1.67 (56) 0
DEC 10	1.61 (67) 0	1.58 (67) 1	1.58 (67) 0	1.56 (71) 4	1.57 (71) 0	1.57 (71) 0	1.57 (71) 0	1.57 (71) 0	1.57 (71) 4	1.57 (71) 0
JAN 11	1.54 (38) 0	1.52 (38) 1	1.52 (38) 0	1.51 (38) 1	1.51 (38) 0	1.51 (38) 0	1.51 (38) 0	1.51 (38) 0	1.51 (38) 0	1.51 (38) 0
FEB 11	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0	1.50 (10) 0
MAR 11	1.51 (29) 0	1.51 (29) 0	1.51 (29) 0	1.51 (32) 3	1.51 (32) 0	1.51 (32) 0	1.51 (32) 0	1.51 (32) 0	1.51 (32) 0	1.51 (32) 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.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

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

All stocks in thousand pounds except where otherwise indicated

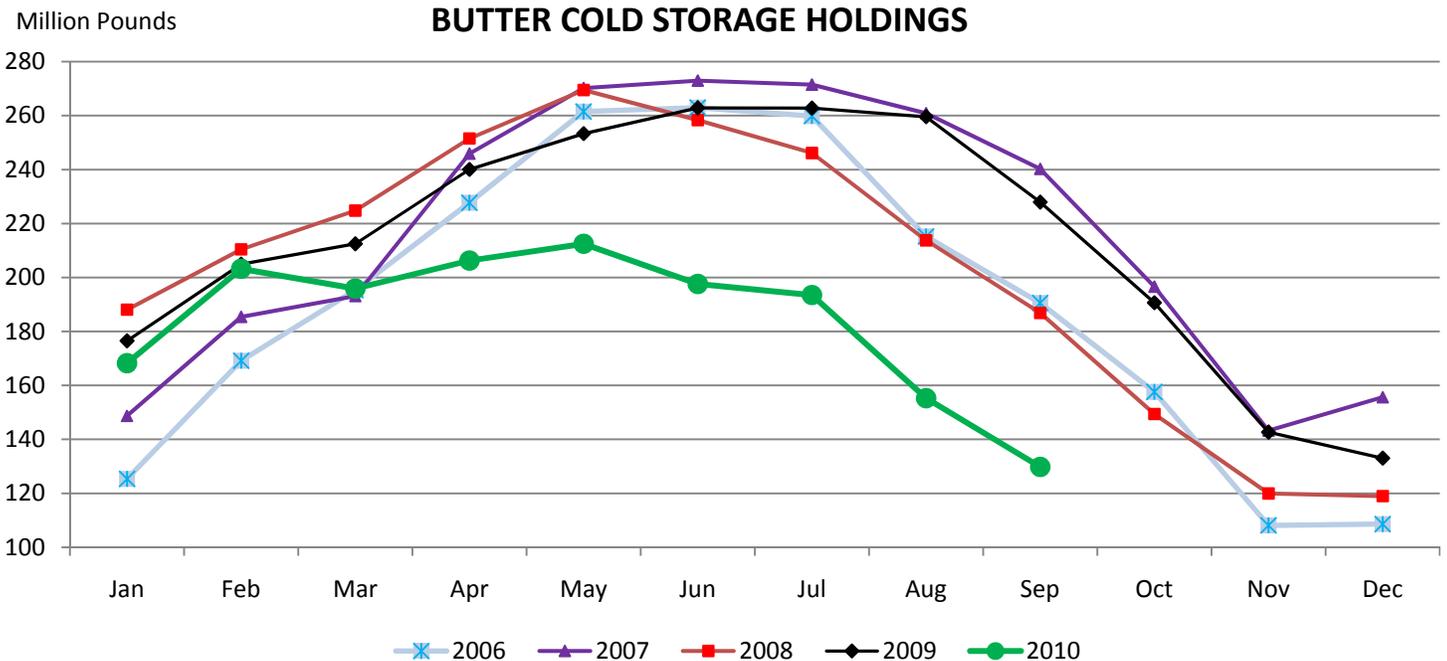
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	AUG 31, 2008	AUG 31, 2009	REVISED AUG 31, 2010	SEP 30, 2008	SEP 30, 2009	SEP 30, 2010
Butter	213,744	259,578	155,253	186,878	227,924	129,779
Cheese, Natural American	567,661	598,710	633,513	549,635	596,191	635,582
Cheese, Swiss	25,142	23,414	28,379	24,129	23,110	27,599
Cheese, Other Natural	287,473	375,496	378,806	260,413	364,640	382,748
Total Cheese	880,276	997,620	1,040,698	834,177	983,941	1,045,929

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	AUG 31, 2008	AUG 31, 2009	REVISED AUG 31, 2010	SEP 30, 2008	SEP 30, 2009	SEP 30, 2010
Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

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

SEPTEMBER STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
New England	35,921	38,774	38,822	---	---	---	244	519	507
Middle Atlantic	41,262	43,161	49,666	---	---	---	14,859	21,237	21,589
East North Central	234,028	257,663	271,028	---	---	---	182,994	236,497	256,159
West North Central	95,089	90,346	95,135	---	---	---	25,971	69,234	64,338
South Atlantic	4,013	8,751	3,982	---	---	---	328	59	6,330
East South Central	1,738	1,978	3,394	---	---	---	2,743	2,782	127
West South Central	7,669	2,977	1,893	---	---	---	540	1,721	1,220
Mountain	37,525	52,892	65,252	---	---	---	6,666	6,065	8,964
Pacific	92,390	99,649	106,410	---	---	---	26,068	26,526	23,514
TOTAL	549,635	596,191	635,582	186,878	227,924	129,779	260,413	364,640	382,748

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2009 TO DATE

Month	Butter <u>1/</u>		Natural American Cheese <u>1/</u>		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>2/</u>		Commercial		Government	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Million Pounds		Million Pounds		Million Pounds					
January	168	177	588	533	272	300	138	203	134	97
February	203	205	598	542	195	316	152	192	47	124
March	196	212	602	549	174	361	148	190	26	171
April	206	240	610	577	160	375	152	180	8	195
May	212	253	615	586	154	403	148	198	6	205
June	198	263	627	602	176	201	174	201	2	NA
July	194	263	639	605	198	398	194	173	4	225
August	155	260	634	599	162	360	160	138	2	222
September	130	228	636	596		325		122		203
October		191		580		272		91		181
November		143		583		287		116		171
December		133		585		289		132		157

NA - Not available.

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

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

THE DAIRY OUTLOOK

Strengthening Demand and Rising Milk Production Should Keep Milk Prices Near 2010 Levels In 2011

Corn prices, which averaged \$3.55 per bushel last year, are forecast sharply higher in the 2010/11 crop year; the U.S. Department of Agriculture has recently lowered corn production and ending-stock forecasts. Prices are expected to average \$4.60 to \$5.40 per bushel in 2010/11. In contrast, soybean meal prices are not expected to differ much in 2010/11 from last year. The soybean meal price is forecast at \$290 to \$330 per ton this year compared with \$311 the last crop year. The expected higher corn price will push the benchmark 16-percent protein mixed-dairy ration over \$8 per hundredweight (cwt) in 2011, up from about \$7.30 per cwt in 2010. Although milk prices in 2011 are forecast to remain near this year's level, higher feed prices are expected to squeeze producer margins, impacting the size of the dairy herd in 2011. The U.S. dairy herd is expected to advance to 9,155 million cows next year, up about 0.4 percent from the 2010 projected average. However, during the year, incentives to expand the herd will diminish. Milk per cow is also expected to advance, rising to 21,405 pounds, up 1.3 percent from this year's expected output per cow. Growth in milk per cow is expected to slow as higher feed prices take hold. The result for the year will be nearly a 1.7-percent rise in milk production in 2011 to 196 billion pounds.

Domestic demand for dairy products, cheese especially, has been firm through 2010, and demand is expected to remain strong into 2011, at least in the first half of the year. Domestic commercial use on a milk-equivalent fats basis is projected to finish 2010 at 1.4 percent above last year and forecast to rise another 1.6 percent in 2011. On a skim-solids basis, domestic commercial use is expected to finish 2010 nearly 1 percent below 2009. However, commercial use is forecast to snap back in 2011, rising nearly 2.5 percent above 2010. The relative strength of commercial use on a fats basis is a result of strong cheese demand moving much of the added milk production to cheese production this year. Meanwhile, butter production has lagged last year's levels every month until August when butter production edged ahead of year-earlier production. Butter production is likely to recover into next year due to additional milk production and favorable prices.

Milk-equivalent dairy imports are projected down in 2010 to 4.1 billion pounds, fats basis, and to 4.5 billion pounds, skim-solids basis. Next year, the trend continues, as imports are likely to fall to 4.0 billion pounds, fats basis, and 4.3 billion pounds, skim-solids basis. Higher export totals are expected in 2010: 6.6 billion pounds, fats basis, up from 4.1 billion last year, and 29.3 billion pounds, skim-solids basis, up from 22.4 billion pounds in 2009. However, exports are forecast down in 2011. Exports are projected to decline to 5.4 billion pounds on a fats basis and 28.3 billion pounds on a skim-solids basis. A gap between U.S. and international prices still favors U.S. exports and discourages imports in 2010. Next year, exports may be pressured by increased production in other exporting countries and several trade issues.

Relatively strong demand for dairy products in both 2010 and 2011 should be countered by continued rising milk production to keep milk prices near current levels into 2011. Cheese prices are expected to average \$1.550 to \$1.560 per pound this year. Continued firm cheese demand could strengthen prices somewhat further in 2011. Next year, cheese prices are expected to average \$1.540 to \$1.630 per pound. Butter prices are expected to moderate in 2011, as increased milk production should make more milk available for butter and powder production. The butter price is expected to average \$1.720 to \$1.750 per pound this year and \$1.505 to \$1.625 per pound in 2011. Nonfat dry milk (NDM) prices are forecast higher in 2011, as domestic demand improves and exports remain firm. NDM prices are expected to average \$1.155 to \$1.175 per pound in 2010, with a slightly higher average prices of \$1.175 to \$1.245 per pound next year. Whey prices are projected to average 36.5 to 37.5 cents per pound this year and to remain virtually unchanged next year at 35.5 to 38.5 cents per pound.

All milk prices are expected to average \$16.45 to \$16.55 per cwt in 2010 and remain about the same next year, averaging \$16.00 to \$16.90 per cwt in 2011. Class III milk prices are expected to average \$14.65 to \$14.75 per cwt in 2010 and climb slightly to \$14.50 to \$15.40 per cwt next year. Class IV prices could drop a bit, averaging \$15.10 to \$15.30 this year and \$14.35 to \$15.35 per cwt next year.

SOURCE: "Livestock, Dairy, and Poultry Outlook," LDP-M-195, September 17, 2010, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, AUGUST 2010 1/**

For August 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.13 per cwt., up \$0.01 from the July 2010 average. Ninety-two percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.81 in the Pacific Northwest to \$3.24 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.14 per cwt., also up \$0.01 per cwt. from the July 2010 average. Eighty-one percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.57	1.87
Southeast	007	2.72	2.13
Florida	006	3.24	0.85
Mideast	033	2.31	1.65
Upper Midwest	030	2.46	1.26
Central	032	2.13	1.05
Pacific Northwest	124	0.81	0.65
All Reporting Areas Combined 3/		2.13	1.14

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

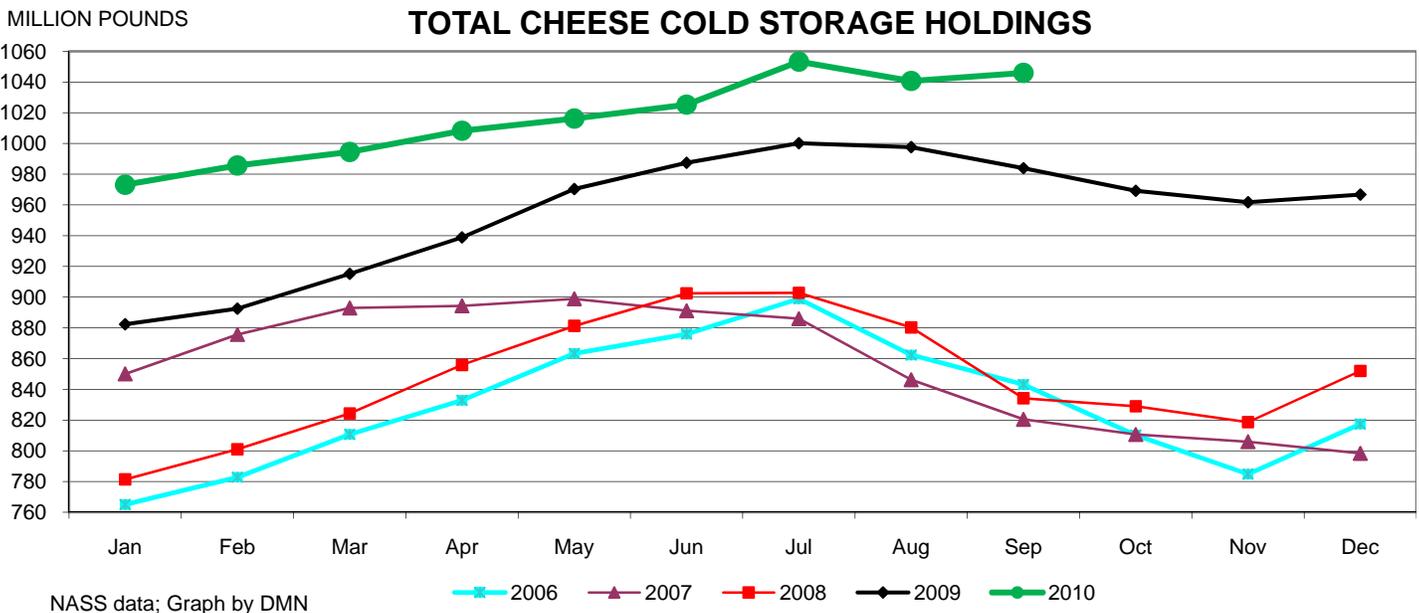
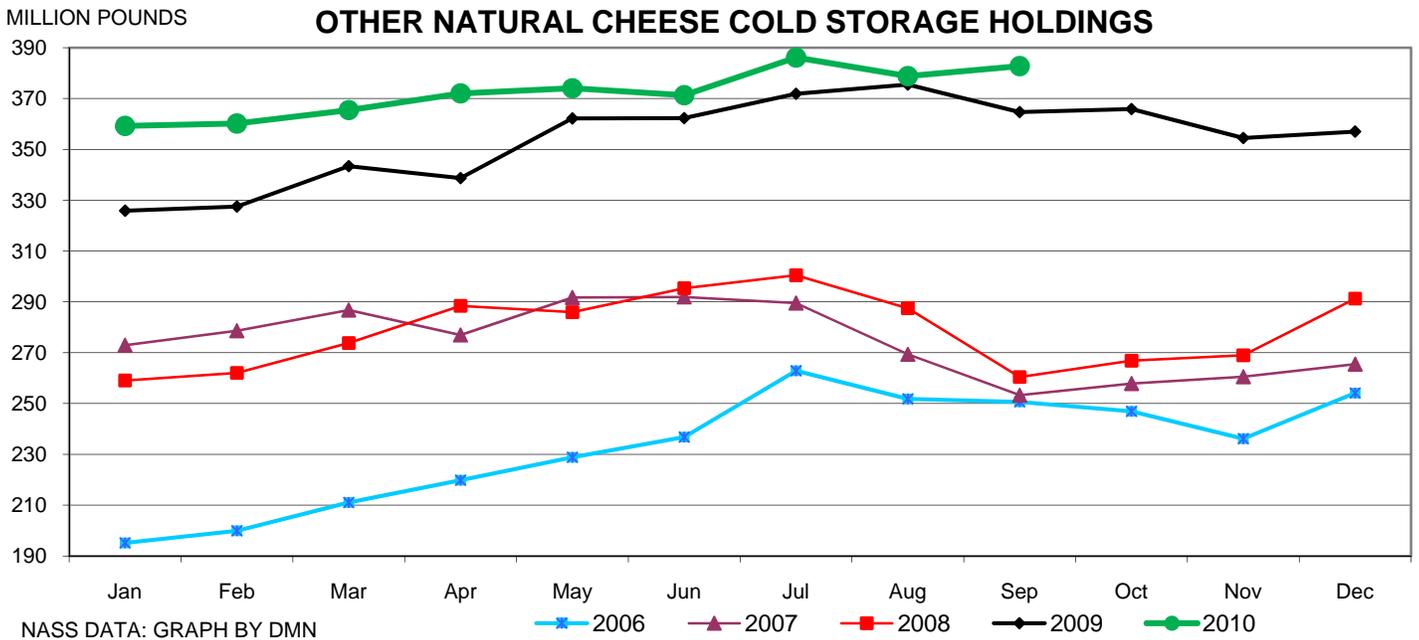
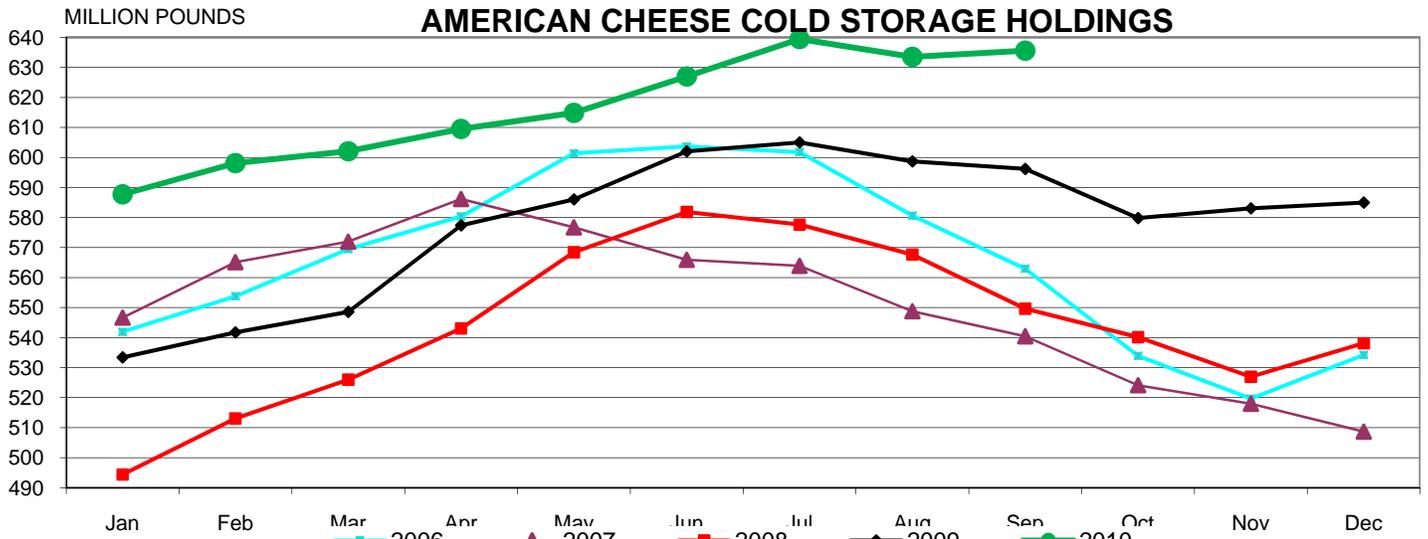
Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
JUL 2010	219.1	0.9	199.0	3.0	193.5	9.1	204.5	2.4	180.4	7.8	209.0	3.6
AUG 2010	219.5	1.0	198.7	3.3	192.2	9.3	205.0	3.6	186.8	12.0	208.9	2.9
SEP 2010	220.2	1.4	199.0	2.9	191.6	8.3	206.1	3.4	197.5	19.1	211.3	4.7
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Dollars												
JUL	3.313	2.992	3.155	2.922	3.956	3.881	4.631	4.560	4.432	4.193		
AUG	3.303	2.979	3.242	2.774	3.811	3.902	4.650	4.552	4.421	4.279		
SEP	3.278	2.981	3.573	2.808	3.864	3.820	4.726	4.610	4.325	4.244		

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JUNE-AUGUST 2009-2010 AND YEAR-TO-DATE 2009-2010 ^{1/}

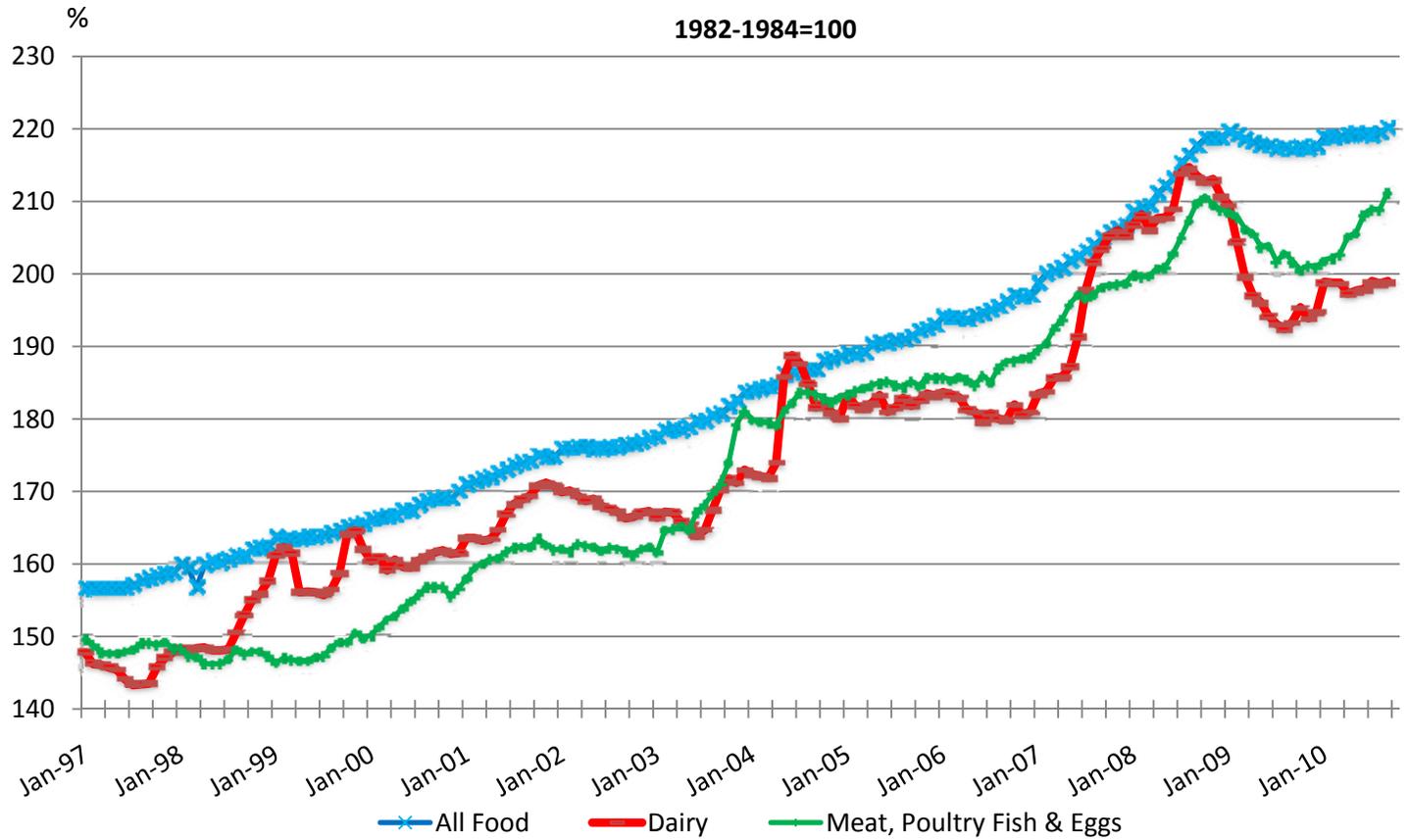
Item	Jun.-Aug. 2009	Percent change ^{2/}	Jun.-Aug. 2010	Percent change ^{2/}	Jan.-Aug. 2009	Percent change ^{2/}	Jan.-Aug. 2010	Percent change ^{2/}
	Million Pounds							
MILK								
Production	47,686	1.1	48,905	2.6	128,001	0.3	129,653	1.3
Marketings	47,431	1.1	48,664	2.6	127,327	0.3	129,017	1.3
Beginning Commercial Stocks ^{3/}	14,035	3.0	13,632	-2.9	10,045	-3.0	11,333	12.8
Imports ^{3/}	1,130	62.0	844	-25.3	2,703	25.0	2,022	-25.2
Total Supply ^{4/}	62,596	2.8	63,140	0.9	140,075	0.7	142,372	1.6
Ending Commercial Stocks ^{3/}	14,421	15.6	12,633	-12.4	14,421	15.6	12,633	-12.4
Net Removals ^{3/}	-81	-100.0	0	100.0	49	100.0	112	128.6
Commercial Disappearance ^{4/}	48,256	-1.1	50,507	4.7	125,605	-1.1	129,627	3.2
SELECTED PRODUCTS ^{5/}								
Butter	352.4	-11.9	392.1	11.3	977.1	-6.5	1,024.0	4.8
American Cheese	1,054.0	4.5	1,081.1	2.6	2,801.5	5.7	2,818.5	0.6
Other Cheese	1,537.3	3.7	1,620.6	5.4	3,975.6	0.0	4,175.1	5.0
Nonfat Dry Milk	396.1	16.0	375.8	-5.1	981.5	-3.1	1,050.6	7.0
Fluid Milk Products ^{6/}	13,280.3	2.3	12,957.1	-2.4	36,479.5	1.3	35,936.2	-1.5

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



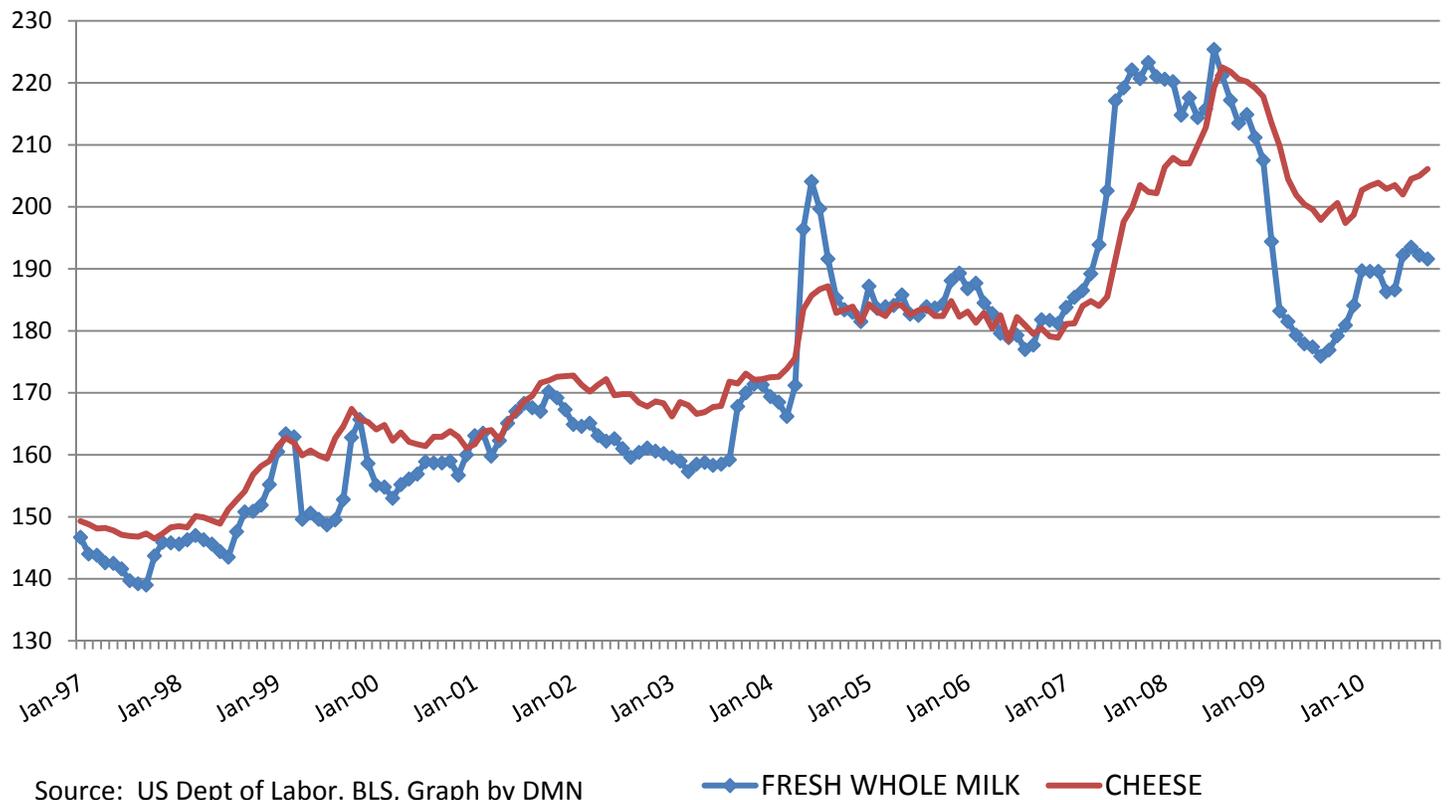
CONSUMER PRICE INDEX

1982-1984=100



CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100
%



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

◆ FRESH WHOLE MILK — CHEESE

DAIRY MARKET NEWS

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