

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (12/10):**

BUTTER: Grade AA closed at \$1.6200. The weekly average for Grade AA is \$1.6120 (+.0545).

CHEESE: Barrels closed at \$1.3475 and 40# blocks at \$1.3900. The weekly average for barrels is \$1.3865 (-.0785) and blocks, \$1.4515 (-.0485).

BUTTER HIGHLIGHTS: The CME Group cash butter price held steady for most of the week, but increased 1 cent at week's end to settle at \$1.6200. Butter producers and handlers stated that some additional orders were placed this week as buyers take advantage of lower prices than a few weeks ago. Basically, this is the final week before the Christmas holiday that orders could be placed, shipped, and in place for consumer needs. Churning activity is seasonally active. Cream is available at lower multiples and butter producers are beginning to build inventories cautiously. Both 80 and 82% (unsalted) butter is being generated. Some butter producers across the country are stating that international sales opportunities are being booked and 82% butter is being generated to fill those needs. Butter producers anticipate that cream volumes available to them will continue to increase over the next 2 – 3 weeks as Class II operations reduce their need for cream.

CHEESE HIGHLIGHTS: CME Group block and barrel cash prices declined this week to mid-November levels with barrels ending the week at \$1.3475 and blocks at 1.3900. The Friday, December 11, 2009 barrel close was \$1.4600 and blocks were \$1.7000. Packagers have been active preparing last minute natural orders for the yearend holidays. However, finished products need to be delivered soon to be available for sale or use before the holidays. Bulk buyers purchased plant and trader inventories of specialties, including pepper jack and Colby/jack. However, cheese made this week and held for quality tests will be too late to use in filling holiday orders. Process interest is steady to occasionally improved. Some manufacturers have been unable to acquire needed milk volumes to fill current orders. Plant operators are being contacted for handling yearend surplus milk volumes.

FLUID MILK: Milk production is building seasonally across most of the country. Exports of milk from Florida are increasing. Class I utilization is at expected levels after the Thanksgiving holiday break. Manufacturing of Class II products for yearend holidays is active.

Overall manufacturing milk demand is good as operators try to fill late, pre-holiday orders. Cream prices have rebounded slightly as butter prices have gained some strength. Available supplies of cream are finding homes with the manufacturers of various cream based products. Milk handlers are beginning to look for processors to handle the increased milk available over the yearend holidays. Increased input costs are expected to influence future milk production as breakevens are tougher to attain for farmers.

DRY PRODUCTS: Nonfat dry milk prices are steady to firm and trending higher in many areas. Spot market activity is light. Domestic demand is light for additional 2010 supplies as buyers wait for 2011. High heat production is increasing as holiday demand is filled and dryer time is available. Skim milk powder production has increased and is utilizing more milk solids. Dry buttermilk prices are weak. Sales of condensed buttermilk continue to compete with dry sales. Demand is weak as ice cream producers are on limited production schedules near the holidays. Dry whole milk prices are firm to higher reflecting tight available inventories. Dry whey prices are mostly steady with higher prices reported in the Eastern region. Spot market availability is tight with most production just filling contracted accounts. Whey protein concentrate 34% prices are steady with supplies into the spot market described as tight. Lactose prices are mostly unchanged with steady production.

INTERNATIONAL DAIRY MARKET NEWS: Milk production in the **Oceania** region is trending lower from seasonal high levels. Manufacturers and handlers were hoping that peak milk volumes would have been able to be maintained for a longer period of time than is occurring. Early season milk production projections did not attain projected levels, thus hoping for milk production to maintain itself at lower levels for a longer period of time was the next best alternative. Weather factors in both New Zealand and Australia are the major influences with current lower milk production trend. In **New Zealand**, conversations, opinions, and observations of a La Nina weather pattern and drought conditions on the North Island are much more numerous. Lack of moisture at this time of the season

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PRODUCT	MONDAY DECEMBER 6	TUESDAY DECEMBER 7	WEDNESDAY DECEMBER 8	THURSDAY DECEMBER 9	FRIDAY DECEMBER 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4025 (-.0575)	\$1.4025 (N.C.)	\$1.4025 (N.C.)	\$1.3775 (-.0250)	\$1.3475 (-.0300)	(-.1125)	\$1.3865 (-.0785)
40# BLOCKS	\$1.5075 (N.C.)	\$1.5000 (-.0075)	\$1.4450 (-.0550)	\$1.4150 (-.0300)	\$1.3900 (-.0250)	(-.1175)	\$1.4515 (-.0485)
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	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2300 (+.0050)	\$1.2350 (+.0050)	(+.0100)	\$1.2280 (+.0030)
BUTTER GRADE AA	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6200 (+.0100)	(+.0100)	\$1.6120 (+.0545)

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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and a forecast of much the same for the month of December will probably seal conditions for a second year of drought. Milk processors and handlers state that even if rain comes in January, significant damage will have already occurred to the dairy industry with recovery potential minimal. Pasture conditions are often not well established this season. Wet conditions in September limited fertilizer application to pastures, thus applications in October did not get needed moisture to be most effective and beneficial. On the flip side of drought conditions in New Zealand, the Australian dairy industry is dealing with excessive moisture and flooding conditions. This is often the case, with both countries within close proximity to one another in the South Pacific, weather patterns are significantly different. In recent years, Australia has been dealing with reduced moisture/drought conditions while New Zealand was in better shape. Current milk production in **Australia** is declining from seasonal high levels. Typically, milk output trends lower at this time, but adverse weather conditions could accelerate the decline. October milk production figures for Australia were recently released which indicated that output in the country was 0.6% ahead of October 2009. Adverse weather patterns in both countries and the impact on milk production are causing concern for buyers to question supply availability for the future. Suppliers indicate that they remain optimistic about the balance of the season, but also state that the unknown is a concern for them. In Australia, the locusts are now starting to move. Continued government monitoring and aggressive spraying regimes are occurring which will hopefully alleviate significant problems. Along with the locust's situation and their potential damage to grain crops, wet conditions are also negatively impacting grain crops for both international sales potential and domestic supplemental feed stocks. Traders and handlers are stating that international buyer interest is basically steady with most orders on the books for upcoming months. At the December 1 g/DT, contract price averages were mixed when compared to the previous event. For anhydrous milk fat, the average price for all contracting periods was \$5,333 per MT, 0.3% higher than the previous event; buttermilk powder averaged \$3,034, -2.7%; skim milk powder averaged \$3,060, +0.5%; and whole milk powder averaged \$3,556, +2.6%. Traders and handlers are stating that many suppliers continue to use this trading event as a point of information for current prices, with buyers often pointing to the trading event and seeking price levels recorded at the event, especially if offering prices are higher from regular and ongoing suppliers. Milk production in **Europe** is basically at low seasonal levels with some countries realizing slight increases. In France, milk output typically is increasing by this time of the season, but this year is holding steady at low levels. Winter weather conditions and cold temperatures are being reported in many European countries, earlier than usual for this time of the season. Milk producers and handlers state, that although milk production is typically low, seasonal increases will probably be hindered by the affects of current weather conditions and low temperatures. Usually winter weather trends occur in January/February at a time when milk output has had a better start in December for the new season and the negative impact on production development or increases is not as significant. Some milk producers in those countries that are above quota levels and need to adjust

their marketings prior to the end of March (end of the quota year) are stating that current conditions might be what they need to better control their milk output for the next four months. International sales of manufactured dairy products have improved over the past few weeks, especially with a recent milk powder tender being filled, or at least partially filled, from various European sources. Traders and handlers are speculating that buyer interest, especially shipments, will ease during the next few weeks as the yearend holiday period approaches. Successful bidders of the recent milk powder tender will be fulfilling this tender during December and the first quarter of 2011. Traders do feel that additional buyers will be returning to the marketplace early in the New Year. For those buyers that are in the market and looking for immediate or shipments before the end of the year are finding prices to be slightly higher than recent quotes.

DECEMBER SUPPLY AND DEMAND ESTIMATES (WAOB):

Forecast milk production for 2010 and 2011 is little changed from last month. Fat-basis imports for 2010 are lowered primarily due to lower imports of cheese but skim-solids imports are unchanged due to higher imports of other products. Fat basis exports for 2010 are raised as sales of cheese and fluid milk and cream are strong and skim-solids exports are boosted by strong sales of cheese and nonfat dry milk (NDM). Exports for 2011 are forecast higher due to expected growth in butter and nonfat dry milk sales. Ending stocks for 2010 are raised to reflect higher-than expected stocks of cheese. For 2010, cheese and whey prices are unchanged from last month. NDM prices are forecast higher but the butter price forecast is reduced reflecting recent sharp declines in butter prices. With no change in either the cheese or whey price, the Class III price forecast is unchanged. However, the Class IV price forecast is reduced, due to a lower butter price forecast which more than offsets a higher expected NDM price. For 2011, the range of the cheese price forecast narrowed but whey is forecast higher. The butter price is reduced as current price weakness spills into early 2011. NDM prices are forecast higher. The ranges of the Class III and Class IV price forecasts are narrowed from last month. The all milk price is forecast to average \$16.25 to \$16.35 for 2010 and \$15.90 to \$16.70 for 2011.

MAILBOX MILK PRICES (AMS & CDFA): In September 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.81, up \$1.30 from the previous month average, and up \$4.83 from September 2009. The component tests of producer milk in September 2010 were: butterfat, 3.61%; protein, 3.05%; 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 September 2010 ranged from \$21.63 in Florida to \$15.90 in New Mexico.

CME GROUP

MONDAY, DECEMBER 6, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4025
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, DECEMBER 7, 2010

CHEESE — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4200; 1 CAR 40# BLOCKS @ \$1.5000
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2700
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, DECEMBER 8, 2010

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.4025, 2 @ \$1.4000, 1 @ \$1.4025; 5 CARS 40# BLOCKS: 1 @ \$1.4900, 1 @ \$1.4850, 1 @ \$1.4700, 1 @ \$1.4550, 1 @ \$1.4500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4025; 1 CAR 40# BLOCKS @ \$1.4450
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.2700
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 9, 2010

CHEESE — SALES: 6 CARS BARRELS: 3 @ \$1.4000, 2 @ \$1.3900, 1 @ \$1.3800; 3 CARS 40# BLOCKS: 1 @ \$1.4300, 2 @ \$1.4200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3775; 1 CAR 40# BLOCKS @ \$1.4150
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2300; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.2700
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6100; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 10, 2010

CHEESE — SALES: 10 CARS BARRELS: 1 @ \$1.3725, 1 @ \$1.3700, 1 @ \$1.3600, 1 @ \$1.3575, 1 @ \$1.3550, 1 @ \$1.3500, 4 @ \$1.3475; 5 CARS 40# BLOCKS: 1 @ \$1.4000, 4 @ \$1.3975; LAST BID UNFILLED: 5 CARS BARRELS @ \$1.3375; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3475; 10 CARS 40# BLOCKS @ \$1.3900
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2350; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.2700
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6200; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group, after declining significantly over the past 3-4 weeks, rebounded marginally last week and continued to hold those gains this week, closing Tuesday, unchanged at \$1.6100. Butter production remains mixed with plants receiving good orders, churning at steady to increased levels, while other plants with limited or no orders, preferring to sell cream and lower inventories rather than make butter. Some plants are rotating supplies by microfixing inventory for current orders and adding to inventory with freshly made product. Domestic butter demand, for the most part, has been realized as most holiday orders have been submitted. Export demand is developing and increasing in interest, providing a firm undertone to the current market. According to NASS, cumulative 2010 butter production through October was 2.4% below cumulative year production for the same period for 2009. October 2010 monthly U.S. butter production totaled 121.6 million pounds, up 6.8% from September and 7.5% more when compared to October 2009. Atlantic region butter production in October 2010 totaled 10.5 million pounds, up 4.3% from September and 18.6% more than October 2009. 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 dropping to \$1.53 per pound early last week, but regained some of the decline during that week to settle at \$1.6100 by weeks' end and remains at that level midweek this week. Churning activity is seasonally active with more butter producers indicating that they are planning to or are already churning 82% unsalted butter for export. Butter producers are filling current domestic orders from inventoried stock and fresh production. Traders and handlers are stating that domestic buyer interest is somewhat improved following recent price weakness. Most buyers were hesitant to procure heavier than needed higher priced stocks for yearend needs and in many instances reduced their orders in anticipation of lighter consumer demand. Some yearend holiday promotional activity was scheduled prior to Thanksgiving, but in many instances, this activity will be less frequent during the next few weeks. As the cash price eases, some

hesitant buyers are re-entering the marketplace and placing last minute orders. This is basically the last week that these orders can be placed to guarantee that butter is in place for consumer needs prior to the holiday period. Food service orders have been fairly strong, in comparison to projections. Food service managers are stating that traffic flow through food service outlets has been good and often heavier than projected. Bulk butter prices range from 0 - 4 cents over various pricing bases and averages per pound.

WEST

Wednesday's butter price at the CME Group was unchanged at \$1.6100. The price has held steady at this level since last Friday. Sales were moderately active to finish last week and are limited to one sale on Monday for this week. Butter prices have firmed and buyers are restocking inventories at much lower prices than a month ago. Some increased sales were reported with bulk interest being negotiated for after the holiday season. Sellers and buyers are looking to see if prices will go lower after the holiday demand is serviced. Cream is available at lower multiples and churns are beginning to build inventories cautiously. Stocks remain light. According to the NASS Dairy Products report, October butter production for the U.S. totals 121.6 million pounds, up 7.5% or 8.5 million pounds from October of last year. Production was up 6.8% or 7.8 million pounds from September 2010. Output in the Western region totals 67 million pounds, up 9.3% or 5.7 million pounds more than October 2009. The West produced 55.1% of the butter in the U.S. in October. Cumulative output for the year for the U.S. is 1.27 billion pounds, down 2.4% from the same period in 2009. This works out to a decline of 30.8 million pounds. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 200,000 pounds last week to 11.6 million pounds. This total compares to 32.2 million pounds in 2009 and 37.2 million pounds in the comparable week in 2008. The five year average (2005-2009) storage level for this time period is 43.7 million pounds. Prices for bulk butter range from flat to 3 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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
December 4	1,4538	1,4580	1,2065	1,6899	0,3767
	12,892,881	10,592,009	16,492,023	4,815,249	8,368,527

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 were mixed on Tuesday with barrels closing unchanged at \$1.4025 and blocks declining \$.0075 and closing at \$1.5000. In the last 5 trading sessions barrels have declined \$.0725, canceling most of the price increases registered over the past 2-3 weeks. Blocks, fared much better in the last 5 sessions, adding \$.0025 to gains previously registered. Weekly averages for barrels and blocks on the CME Group advanced, increasing wholesale prices. Swiss cuts also increased following the release of Class III prices Friday. Cheese production remains steady. Cream cheese production remains at or near capacity with good demand and strong sales. Other varieties such as mozzarella, low fat cheddar, and aged cheddar are also experiencing good demand and sales. According to NASS, October 2010 total cheese production in New York was 65.5 million pounds, 0.8% more than September, but 2.3% less than October 2009. Pennsylvania produced 35.9 million pounds in October, 6.7% more than one month earlier and 9.2% more than one year ago. Vermont produced 10.0 million pounds, 9.4% more than last month, but 7.4% less than October 2009. Focusing on Italian cheese, in October, New York produced 31.8 million pounds, 1.5% more than September and 1.4% more than October 2009. Pennsylvania produced 23.1 million pounds in October 2010, 10.1% more than September and 11.5% more than October 2009. Total October cheese production in the Atlantic region was 119.7 million pounds, up 2.8% from September and 1.1% more compared to the same period last year. Atlantic region cheese production accounted for 13.4% of total U.S. production. Total U.S. cheese production in October 2010 totaled 892.6 million pounds, 1.6% more than September and 3.5% more than October 2009. Cumulative 2010 (ten month) U.S. Cheese production through October was 3.0% greater than comparable 2009 production.

Cheddar Barrels on Wednesday at the CME Group are unchanged at \$1.4025. 40 Pound Blocks are \$.0550 lower at \$1.4450. Sales of Barrels for the week have been light to moderate with four loads trading on Wednesday. Blocks had sales of five loads on Wednesday as the price lowered. Cheese production schedules remain strong as milk production levels are steady to increased across the West. The market tone is unsettled as prices find an equilibrium between retail and processor demand. Retail sales to consumers are active as yearend needs for cheese platters and family gatherings add to normal demand. Lower prices have increased processor demand and helped to clear Barrel inventories. Most production continues to fill contracted needs with export sales helping to clear excess product. According to the NASS Dairy Products report, total cheese production in the U.S. in October reached 892.6 million pounds, up 3.5% or 29.8 million pounds from last year. October total cheese production in the Western region was 378.6 million pounds, up 6.2% or 22.2 million pounds from October 2009. The West produced 42.4% of all the cheese in the U.S. in October. Cumulative total cheese output for the U.S. for the year is 8.7 billion pounds, up 3.0% or 252.9 million pounds from the same period in 2009. Swiss output for the U.S. in October is 29.9 million pounds, up 11.5% or 3.1 million pounds from last year.

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

Cheddar 40# Block	:	1.8175-2.0925
Process 5# Sliced	:	1.5700-1.8800
Muenster	:	1.8375-2.0425
Grade A Swiss Cuts 10 - 14#	:	3.4025-3.7250

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

Process 5# Loaf	:	1.5900-1.8475
Cheddar 40# Block	:	1.6275-1.9800
Cheddar 10# Cuts	:	1.8075-2.0275
Monterey Jack 10#	:	1.8175-1.9775
Grade A Swiss Cuts 6 - 9#	:	2.9800-3.4100

MIDWEST

The cheese market is mixed. The CME Group block price recovered about 10 cents from the November 11 low of \$1.40 per pound though additional declines occurred at midweek. Most natural operations are having good short term interest. Barrel prices on the CME Group are still struggling, mainly with extra Western offerings. Most, if not all, packaging operations are operating on extended schedules to fill orders that need to be delivered prior to the yearend holidays. Most in the industry expect sluggish demand during the holidays as customers try to minimize yearend inventory levels and resume receiving product in January for Super Bowl coverage. Continued strong natural interest, particularly for specialties such as pepper jack and colby/jack, has cleared out remaining plant inventory. Some plants are unable to keep up with short term orders as spot milk supplies are limited until the yearend holiday season. Solid mozzarella/pizza movement is absorbing the supply. Aged cheddar and hard Italian movement also remains good. Interest in fresh barrels is steady to occasionally improved. Process sales are steady to occasionally stronger. Demand is solid for Midwest produced barrels.

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

Process American 5# Loaf	:	1.8250-2.0175
Brick And/Or Muenster 5#	:	2.0075-2.2100
Cheddar 40# Block	:	2.0250-2.5650
Monterey Jack 10#	:	1.9675-2.5650
Blue 5#	:	2.3250-2.9300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8400-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.8100-3.3300

FOREIGN

The CME Group block cheese price closed \$.0075 lower Tuesday at \$1.5000. In the last 5 trading sessions, block prices have increased by \$.0025. Recent price increases raised the CME Group weekly average price, resulting in higher wholesale prices for domestic varieties. Swiss prices also increased after the release of Class III prices Friday. Seasonal demand and sales remain good for hard grating and cooking cheeses. NASS reports that domestic Parmesan production during October 2010 totaled 15.3 million pounds, 4.1% more than September, but 15.9% less than October 2009. Provolone production during October totaled 28.8 million pounds, 2.0% less than September and 8.9% less than October 2009. Romano production during October 2010 totaled 3.1 million pounds, 63.5% more than September, but 15.9% less than October 2009. Swiss production during October 2010 totaled 29.9 million pounds, 6.4% more than September and 11.5% more than October 2009.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 1.9575-3.4450*
Gorgonzola	: 3.6900-5.9900	: 2.4600-2.7200*
Parmesan (Italy)	: -0-	: 3.2975-3.4900*
Provolone (Italy)	: 3.4400-5.8900	: 2.0000-2.1575*
Romano (Cows Milk)	: -0-	: 3.1475-5.2900*
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-	: 3.4950-3.8175*
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
12/06/10	6,523	:	132,390
12/01/10	6,652	:	132,399
CHANGE	-129	:	-9
% CHANGE	-2	:	N.C.

FLUID MILK AND CREAM

E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	160	0	103	0	69
SOUTHEAST STATE	0	0	6	0	5	0

Milk production in the Northeast and Mid Atlantic regions is increasing along the seasonal trend. Significant snow fell in New York and New England, but no major delays in milk transportation were reported. Manufacturing milk supplies are increasing marginally and above year ago levels. Some plants are performing dryer maintenance in preparation for the increase in manufacturing milk supplies over the yearend holidays. Class I demand is leveling off after last week's strong rebound from the Thanksgiving holiday. Class II pulls remain strong as holiday production is in full swing. Southeast milk production remains mostly steady. Weather has turned unseasonably cold with lows in the teens in Tennessee, prompting an increase in Class I demand. As a result of the increased Class I demand, manufacturing milk supplies declined. Milk production in Florida continues to increase as cows are freshening. The lack of moisture on grazing lands has prompted supplemental hay feeding by producers. Class I demand declined and bottling plants pushed back numerous loads, increasing exports to 160 loads this week. Cream supplies are increasing as milk production and butterfat levels are increasing along the seasonal trend. Cream demand is steady as production of cream cheese, eggnog, dips and other holiday related items is active. Export butter demand has improved with some butter makers making 82% butter to fill export orders. Cream multiples have held steady with last week, ranging from 128-132. Last minute scheduling to sell or purchase cream is subject to price swings above and/or below the price range. Condensed skim is moving well through contracts as Class II and III demand is good and holiday production schedules are active. According to NASS, ice Cream production in the Atlantic region in October totaled 14.0 million gallons, 7.2% less than September and 10.4% less than October 2009. Pennsylvania's ice cream production for October totaled 2.9 million gallons, up 1.7% from September and 1.2% more than one year ago. Yogurt production (plain and flavored) for October totaled 351.2 million pounds, down 9.8% from September, but 13.5% higher compared to the same period last year. Cumulative 2010 production through October totaled 3.52 billion pounds, 8.4% higher than through October 2009.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9936-2.0559
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8223-1.9628

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:		
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.24 - 1.29
NORTHEAST - CLASS III - SPOT PRICES	-	1.04 - 1.08

M I D W E S T

Class I interest was steady to occasionally stronger where retail features were underway. Improvement was noted in production of Class II holiday products such as dips, sour cream, and eggnog. One bottler noted they have strong eggnog sales. Handlers and some bottlers were looking ahead to when schools close until January and milk needs will drop. Churning was steady to often lighter as churners wait for the yearend holiday period to start building inventory. Print butter orders continue to be filled but are expected to wind down, probably next week, as the last holiday orders are shipped. Some extra

spot cream loads were again heading to cream cheese makers as well as to Class II. Many ice cream operations will also close for a week or so during the yearend holidays, reducing the number of cream users until January. Manufacturing milk demand was stronger as plant operators try to fill late pre-holiday orders though available spot supplies were limited. Spot milk interest was good from both bottlers and cheese operations with demand exceeding the supply available for manufacturing. Handlers are trying to set up manufacturing plant "homes" for surplus manufacturing milk volumes during the yearend holidays to avoid the big discounts on last minute loads. Milk volumes are uneven in the region; mostly steady to higher, though recent colder temperatures have caused a few small declines to be noticed. Discussions continue over milk producer profitability, particularly at current high grain prices.

W E S T

CALIFORNIA milk production levels are mostly steady to slightly higher in a few areas. Overall, weather conditions are favorable for milk cows. Increasing costs of inputs continue to influence the milk flow. Contacts were talking about less alfalfa being grown in the 2011 cropping year and the expectations of lower availability in the New Year. The concerns about future milk prices being low and below cost of production in 2011 are being expressed. Along with milk volumes, there are concerns about the fat levels of the milk and how that will impact milkfat needs. Currently, plants are running well and no problems are occurring. Looking ahead, nobody is projecting issues around the yearend holidays. ARIZONA milk output is mainly unchanged with recent weeks and conditions are neutral to the milking herds. Plants are running well and at below capacity levels. Fluid milk needs are seeing little change. NEW MEXICO milk production is steady with only slight fluctuations noted. Class I needs are normal to higher. School accounts are still active; retail generally steady. Processing plants are on projected schedules and balancing plants are running light. CREAM markets remain weak, although trying to recover following the recent sharp declines in the butter market pricing and lower demand from some cream buying segments as values adjust lower. Production of cream based holiday items is active, pulling a good and steady stream to make egg nog, cream cheese, dips, sour cream, and other items. Cream is moving to churns and an active butter make. The CME Group butter price closed at \$1.6100 on Wednesday, December 8, up 7.75 cents from a week ago. The bounce higher helped to buoy cream values. Cream multiples range from 100-123 and vary based on class usage and basing point. Weather patterns in the PACIFIC NORTHWEST followed seasonal norms this week. There were no problems reported with milk handling and transportation within the region. Milk production is above year ago and manufacturers are able to use the added milk for finishing holiday orders for butter and cheese. As milk futures have lowered recently for the first half of 2011, farmers have taken a close look at costs of expansion. Higher feed costs combined with lower milk prices may slow growth of milk supplies for the near future. Prices for replacement heifers at a recent auction in Washington were steady to weak. Top quality heifers were selling from \$1100-1300 per head. Weather in UTAH and IDAHO was seasonal and milk receipts were along expected volumes. Milk processors are busy finishing holiday orders. Dairy farmers are watching costs as breakevens for milk production are expected to be tougher to attain. Grain and forage price increases will be hard to balance against lower milk futures for the new year. Lower demand and tight money are reducing prices for replacement heifers in the region.

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 in both the range and mostly price series are higher, reflecting increasing prices on NDM contracts that adjust to various price indices as well as light spot market activity. The market tone is firm. Central region NDM production is steady to lower as condensed skim sales are active at many locations. Buyer interest is limited to LTL's or single loads in most instances as end of the year inventory reconciliation approaches. A few loads cobbled together from assorted lots have cleared, with pricing consistent with the current market tone. According to NASS, NDM production in the Central region totaled 6.6 million pounds during November 2010, 11.0% more than one month ago and 10.0% more than one year ago. Cumulative Central region 2010 NDM production through October totals 115.4 million pounds, a 17% decrease from 2009 NDM production during the same time span. The November 2010 Dairy Market News average of the mostly price series for Central/East nonfat dry milk, low/medium heat was \$1.2338/lb. compared to \$1.2445/lb. one month ago and \$1.2976/lb. in November 2009. The October 2010 Dairy Market News average of the price series for Central/East nonfat dry milk, high heat was \$1.3703/lb. compared to \$1.3903/lb. one month ago and \$1.3632/lb. in November 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during October 2010 totaled 115.3 million pounds, up 5.5% from September 2010 production and 24.2% higher than October 2009. Month ending stocks, at 123.9 million pounds, are 11.1% lower than a month ago but 36.3% higher than one year ago. Cumulative 2010 nonfat dry milk powder production totals 1,302.4 million pounds, compared to 1,280.2 million pounds in 2009, a 1.7% increase in production. October 2010 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 17.5 million pounds, 0.3% higher than one month ago and 72.2% higher than production one year ago. Cumulative 2010 skim milk powder production totals 207.4 million pounds, compared to 180.4 million pounds during the same time span in 2009, a 15.0% increase in production.

EAST: Eastern nonfat dry milk prices firmed for low heat as prices moved higher within the range. High heat NDM held steady. Manufacturing milk supplies decreased to pre Thanksgiving levels, but are above year ago volumes. Supplies are fairly tight in light trading. Buyers continue to limit their purchases to immediate needs, holding off on making major NDM purchases until 2011 when supplies may be more available. Some plants are conducting maintenance on dryers ahead of the increase in milk supplies over the yearend holidays. Other plant managers are working in high heat production schedules prior to the seasonal influx, which will begin late next week. Export interest remains fairly good. The latest NASS Dairy Products report indicates nonfat dry milk production during October 2010 totaled 115.3 million pounds, up 24.2% from October 2009 and 5.5% above last month. Production in the Atlantic region totaled 8.4 million pounds, 7.3% of the nation's total. The Atlantic region production was 49.0% more than one year ago, but 12.8% less than September. Month ending stocks, at 123.9 million pounds, are 36.3% above last year, but 11.1% less than September.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2000 - 1.2900 MOSTLY: 1.2300 - 1.2700
 HIGH HEAT: 1.3100 - 1.3900

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are trending higher. The market undertone is firming. Current producer offerings are light. Demand is light to fair. The trade is assessing what effect the closure of exports to Algeria will have in the near and long terms. In addition, the weather conditions and product output in Oceania are being watched. Domestic demand is generally light, further tempered by end of year inventory considerations. Cheese producers are mostly taking contracted volumes and showing limited extra interest in NDM or condensed skim. Production is steady to higher across the region, but often below projections. Drying capacity is available and no issues are projected

for the upcoming holiday period. High heat prices are mixed, but the tone is firming. Seasonal accounts are pulling expected orders. There is limited spot interest. Product is being made in a timely fashion to service trade needs. Stocks are generally light. U.S. NDM production in October 2010 totaled 115.3 million pounds, 24.2% more than last year. Cumulative YTD output through October totals 1.30 billion pounds, up 1.7% from the same period in 2009. NDM production in the Western region in October totaled 100.2 million pounds, up 23.6% from last year. The West produced 87% of the U.S. total in October. U.S. manufacturers' stocks of NDM at the end of October were reported at 123.9 million pounds, 36.3% higher than a year earlier but 11.1% lower than September. U.S. skim milk powder (SMP) production in October totaled 17.5 million pounds, 72.2% more than last year and about steady with September.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1900 - 1.2625 MOSTLY: 1.2000 - 1.2300
 HIGH HEAT: 1.2300 - 1.3700

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are lower on a weakening market. Interest is mostly steady, with demand emerging from buyers who are able to use either NDM or dry buttermilk in end product formulations. Dry buttermilk production is uneven from plant to plant. Sales of condensed buttermilk via contracts and spots are reducing dry buttermilk production at several locations. While butter demand is increasing as the butterfat price has decreased, much of that current demand is being met with butter on hand versus fresh production. The November 2010 Dairy Market News monthly average for the Central/East region dry buttermilk range price series is \$1.2953/lb. compared to \$1.3483/lb. in October 2010 and \$1.3447/lb. in November 2009.

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during October 2010 totaled 6.0 million pounds, 8.1% more than September 2010 production, but 0.3% less than production one year ago. Cumulative 2010 dry buttermilk production totals 65.7 million pounds, 11.0% more than during the same time span of 2009. Month ending stocks of dry buttermilk, at 9.9 million pounds, are 14.3% higher than one month ago and more than double the stock levels of one year ago.

EAST: Dry buttermilk prices weakened as prices declined from the top end of the range this week. Buttermilk production is mostly steady as butter makers try to limit production to the level of current orders in order to avoid building inventories on a down market. Export butter demand has increased and some plants are making additional butter to fill export orders. Condensed buttermilk is being channeled to dryers as most ice cream concerns are on limited production schedules going into the end of the year. Dry buttermilk inventories are expanding marginally and demand has declined, giving the market a weak undertone. Brokers wanting to clear product are lowering offers to stimulate buyer interest. Spot market activity is very light.

F.O.B. CENTRAL/EAST: 1.0750 - 1.3000

DRY BUTTERMILK - WEST

Pricing levels for dry buttermilk in the West continue to move lower. The market tone is unsettled to weak. Buying interest is light with most trading under contract and the limited spot demand pushing for lower prices. Interest is also lower due to end of year inventory considerations. Some end users are planning for normal downtime at the end of year, which further limits demand. Dry buttermilk production remains active as more buttermilk solids come off the churns. Dryer times are available across the region to handle buttermilk drying needs. Stocks are light to moderate and building slightly. Buttermilk powder production in October 2010 for the U.S. totals 6.0 million pounds, down 0.3% from last year. Buttermilk stocks at the end of October are 9.9 million pounds, 152.7% higher than a year ago and 14.3% above last month.

F.O.B. WEST: 1.1100 - 1.2100 MOSTLY: 1.1500 - 1.2050

CONTINUED ON PAGE 5A

NDM, BUTTERMILK & WHOLE MILK

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

CONTINUED FROM PAGE 5

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are higher due to spot market sales out of tight inventory conditions. Contract loads are shipping regularly. Contracting activity for 2011 is strong, with various producers indicating buyer interest outstrips projected production. Scheduling of dry whole milk production is dependent on farm milk intakes, contract commitments and internal needs as most plants readjust to demand from the bottled milk market. The November 2010 Dairy Market News average of the range price series for dry whole milk was \$1.6900 compared to \$1.6855 one month ago and \$1.4876 in November 2009.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during October 2010 totaled 6.8 million pounds, up 22.9% from September 2010 and 22.3% more than October 2009. Cumulative 2010 production totals 56.8 million pounds, a 23.5% increase from 2009 production.

F.O.B. PRODUCING PLANT: 1.6500 - 1.7500

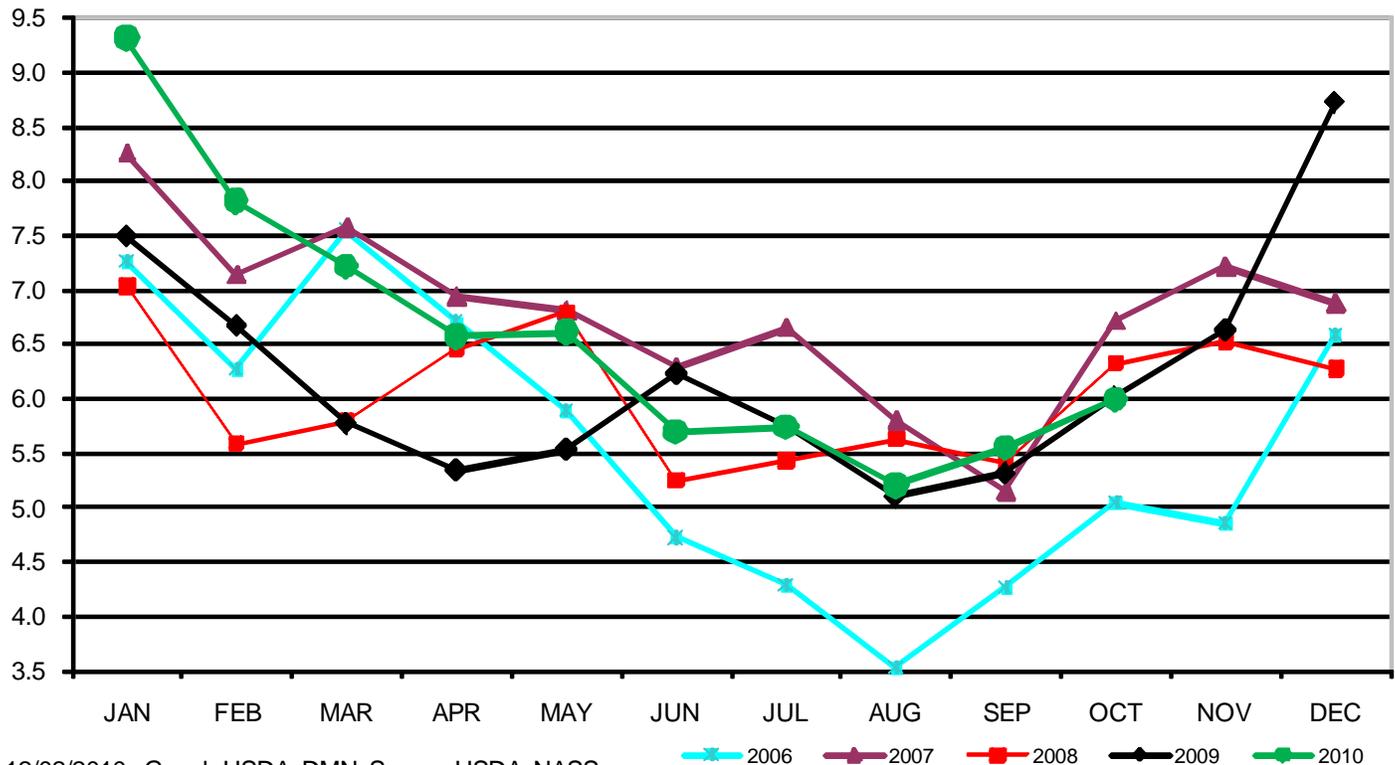
CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 3	\$1.1937	12,880,928	0
November 26	\$1.1907	9,794,944	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.

Million Pounds

U.S. DRY BUTTERMILK PRODUCTION



12/02/2010 - Graph USDA, DMN; Source USDA, NASS

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 region dry whey prices are mostly steady, although the market tone is firm. With limited availability of spot loads from manufacturers, prices are mostly reflecting contract pricing. Dry whey production is higher for the week as farm milk receipts creep higher. Most plants indicate they have capacity to spare. Short supplies of condensed whey in the region are impinging on dry whey production at a few locations that regularly purchase it from regional plants. ANIMAL FEED DRY WHEY prices are both higher and lower, reflecting contract price adjustments in addition to spot loads selling to active interest. Human food dry whey production during October 2010 in the Central region totaled 38.6 million pounds. This dry whey production is 1.4% more than September 2010 production and 0.9% higher than production one year ago. Central region cumulative human food dry whey production for 2010 totals 397.4 million pounds, 1.7% higher than 2009 production during the same time span. The November 2010 Dairy Market News average of the mostly price series for Central dry whey was \$0.3558 compared to \$0.3514 one month ago and \$0.3443 in November 2009. The November 2010 Dairy Market News average of the range for ANIMAL FEED Central milk replacer dry whey was \$0.3063 compared to \$0.2994 one month ago and \$0.2788 in November 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN AND ANIMAL dry whey during October 2010 totaled 79.0 million pounds, 1.2% more than September 2010, but 3.3% lower than production 1 year ago. Cumulative 2010 dry whey production is 1.5% higher than 2009 production, totaling 849.6 million pounds. October ending stocks of HUMAN FOOD dry whey totaled 40.2 million pounds, 5.6% higher than 1 month ago and 5.3% higher than October 2009. ANIMAL FEED DRY WHEY production for October totaled 2.2 million pounds, the lowest monthly production reported for any month, according to NASS records spanning 1969 - 2010. ANIMAL FEED dry whey month ending stocks totaled 1.3 million pounds, 72.3% lower than one month ago and 14.4% less the stocks of one year ago.

F.O.B. CENTRAL: .3350 - .4000 MOSTLY: .3400 - .3750
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2500 - .3575

DRY WHEY - NORTHEAST

The Northeast dry whey prices advanced on both ends of the range this week. Production is mostly steady to marginally increasing as some mozzarella production schedules have expanded. Spot market supplies are nearly nonexistent as manufacturers are rationing supplies to cover year end contracts. Condensed whey is being channeled to dryers due to price advantages. Spot market activity is extremely light, due to tight supplies, and if found prices are at the top of the range. Domestic and export demand remains good, supporting the market's firm undertone. The latest NASS Dairy Products report shows production of dry whey for human consumption in the Atlantic area totaled 18.5 million pounds, or 24.1% of the nation's total for October of 76.8 million pounds. The Atlantic area's production is 1.9% above September, but 2.7% below production one year ago. The November 2010 Dairy Market News average of the price series for Northeast dry whey was \$0.3812 compared to \$0.3702 one month ago and \$0.3356 in November 2009.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3725 - .4150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are steady as manufacturers' uncommitted stocks tighten and limit their opportunities to capture higher spot prices within the current firm market. Production is steady to lower at some plants as managers channel whey streams into various end products. LTL interest is active for the limited quantities available via manufacturers or resellers. Interest from international accounts is active. Some buyers indicate they have not been able to finalize WPC 34% contracts for 2011 as some manufacturers are noncommittal on volumes and/or prices at this time. The November 2010 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$0.9950 compared to \$0.9845 one month ago and \$0.8237 in November 2009.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during October 2010 totaled 19.9 million pounds, unchanged from one month ago, but 5.1% lower than production of one year ago. Cumulative 2010 HUMAN WPC (25.0%-49.9% PROTEIN) production through October 2010 totals 202.5 million pounds, 7.9% lower than 2009 production through the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 14.4 million pounds, 11.2% less than September 2010 and 34.1% less than October 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .9700 - 1.0700 MOSTLY: .9800 - 1.0100

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged on the mostly price series, and unchanged to higher on the bottom of the range price series. Several manufacturers indicate their current uncommitted lactose holdings are tight. Conversely, some spot loads of lactose are available from other producers, but prices returned to levels of the previous week. Buyers are reportedly shopping for bargains from suppliers of record as well as new suppliers. Many producers, though, are holding firm on prices. As manufacturers finalize 2011 projections, those making plans to apportion whey streams differently compared to 2010 are adjusting their customer bases accordingly. Lactose production is mostly steady, with limited opportunities for some plants to kick production higher through purchases of condensed whey, which is in short supply. Lactose contracting for Quarter 1 of 2011 continues, with offered prices steady to higher than Quarter 4 pricing for 2010. The November 2010 Dairy Market News average of the mostly price series for Central and West lactose was \$0.3350 compared to \$0.3343 one month ago and \$0.3370 in November 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during October 2010 decreased 2.8% compared to September 2010 to 74.0 million pounds, but was 15.8% higher than October 2009 production. Cumulative 2010 lactose production totals 734.7 million pounds, 23.3% more than during the same time span in 2009. Month ending stocks, at 81.7 million pounds, are 4.1% less than one month ago, but 51.6% higher than one year ago.

Including spot sales and up to 3 month contracts.

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

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

CONTINUED FROM PAGE 6

DRY WHEY - WEST

Western whey prices were steady with a firm undertone. Reported spot sales were very light. Production of dry whey is currently geared to contracted sales. Buyers are describing supplies as tight. Supplies are adequate to fill needs, but additional orders are slow to be filled. Demand is seasonally good. According to the NASS Dairy Products report, total dry whey production in October totals 79 million pounds, down 3.3% or 2.7 million pounds compared to October 2009. The Western region produced 19.7 million pounds of whey in October, down 3.2% or 650,000 pounds from last year. The West produced 25.6% of the whey in the U.S. in October. Cumulative total dry whey production for the year in the U.S. is 849.6 million pounds, up 1.5% or 12.9 million pounds from the same period in 2009. Manufacturers' stocks at the end of October for total dry whey are 41.5 million pounds, up 4.5% or 1.8 million pounds from last year. The November 2010 Dairy Market News monthly average price for Western dry whey range was \$0.3868 compared to \$0.3736 for November 2009; the Western dry whey mostly series averaged \$.3902 compared to \$.3645 a year ago.

NONHYGROSCOPIC: .3575 - .4200 MOSTLY: .3750 - .4100

EVAPORATED MILK - NATIONAL

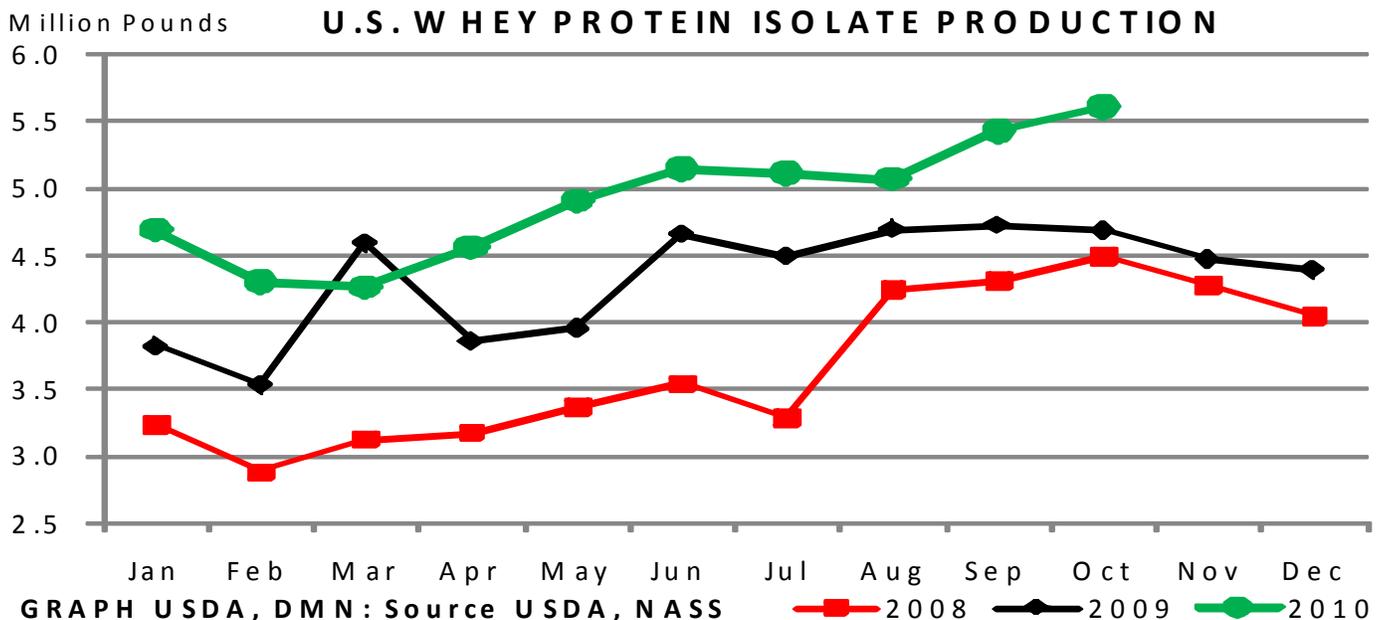
Canned evaporated milk production during October 2010 totaled 44.3 million pounds, an increase of 8.9% from September 2010 but 12.2% lower than October 2009. Manufacturers' end-of-month stocks totaled 79.5 million pounds, 29.2% lower than one month ago but 1.6% higher than one year ago.

CASEIN - NATIONAL

Casein markets are unsettled with prices unchanged. Domestic buyers continue to question supply availability for the New Year. European suppliers continue to fulfill commitments from inventoried stock which is getting low. The 2010 manufacturing season was closely managed and basically no uncommitted volumes will be carried over into the 2011 season. At this point, the new production season will be managed along the lines of the 2010 season. Contractual volumes will be generated with very minimal, if any uncommitted volumes available. Suppliers are indicating to potential buyers that they need to very closely evaluate their annual needs and voice their 2011 requirements early or they possibly might be without supply during the second half of the year. In the Oceania region, adverse weather patterns are impacting milk production trends and casein output. Already, one casein operation has been shuttered for the season due to lack of milk. Oceania suppliers indicate that they will hopefully be able to maintain production schedules at other locations, fully dependent on milk availability. Oceania casein suppliers are very cautious with their 2011 casein commitments as negative factors impacting milk production trends are developing in both New Zealand and Australia.

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 DECEMBER 6 - 10, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/10	LAST YEAR	12/03/10	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*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF DECEMBER 6 - 10, 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 - DEC. 10, 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 DECEMBER 6 - 10, 2010 (POUNDS)

REGION	BUTTER		CHEESE		NONFAT DRY MILK
	BULK		BLOCK	BARREL	NONFORTIFIED
CENTRAL	-0-		-0-	-0-	-0-
WEST	-0-		-0-	-0-	-0-
EAST	-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 11/20/10 & 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	9.2	3.3	22.0	3.4	0.2	N.A.	15.1	2.7	57.9	2,516.4	40.2	43.6
2009-Dairy	N.A.	0.6	7.7	2.9	18.8	3.7	0.4	N.A.	15.5	3.4	54.3	2,571.4	40.0	46.4
2010-All cows	N.A.	0.7	11.7	15.8	39.4	26.1	15.9	N.A.	22.0	7.5	143.9	5,775.3		
2009-All cows	N.A.	0.7	9.6	13.2	37.3	25.8	14.1	N.A.	22.6	8.5	135.7	5,537.1		

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

WEEKS ENDING	WEEKLY TOTALS	2010 CUMULATIVE TOTAL	SOURCE: USDA, APHIS
NOV. 27	0	7,491	

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	16.96
II	15.22	15.65	14.46	13.78	14.90	16.01	17.10	16.98	17.60	17.57	17.21	
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	

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 November 29 - December 10, 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 is basically at low seasonal levels with some countries realizing slight increases. In France, milk output typically is increasing by this time of the season, but this year is holding steady at low levels. Winter weather conditions and cold temperatures are being reported in many European countries, earlier than usual for this time of the season. Milk producers and handlers state, that although milk production is typically low, seasonal increases will probably be hindered by the affects of current weather conditions and low temperatures. Usually winter weather trends occur in January/February at a time when milk output has had a better start in December for the new season and the negative impact on production development or increases is not as significant. Some milk producers in those countries that are above quota levels and need to adjust their marketings prior to the end of March are stating that current conditions might be what they need to better control their milk output for the next four months. International sales of manufactured dairy products have improved over the past few weeks, especially with a recent milk powder tender being filled, or at least partially filled, from various European sources. Traders and handlers are speculating that buyer interest, especially shipments will ease during the next few weeks as the yearend holiday period approaches. Successful bidders of the recent milk powder tender will be fulfilling this tender during December and the first quarter of 2011. Traders do feel that additional buyers will be returning to the marketplace early in the New Year. For those buyers that are in the market and looking for immediate or shipments before the end of the year are finding prices to be slightly higher than recent quotes.

BUTTER/BUTTEROIL: European butter markets remain firm, although prices are generally lower due to a weakening Euro against the U.S. dollar. Butter producers and handlers continue to indicate that butterfat remains tight. Churning activity is at seasonally low level. Available, cream is often clearing to other butterfat based products versus butter at this time. This trend will continue for the next few weeks as holiday cream based products are generated and shipped.

82% BUTTERFAT: 4,750 - 5,200
 99% BUTTERFAT: 5,400 - 5,750

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are mixed. A recent milk powder tender will be clearing volumes of inventoried and fresh European skim milk powder during the shipment period of December - March. Various traders and handlers are taking part with filling this tender, but total volumes are still unknown. Some of the tender is reportedly being filled from South American sources also. The 2011 European milk production season is starting to show signs of increases, although cold temperatures and winter conditions are occurring about a month earlier than usual, slowing production development. This situation has some manufacturers and handlers concerned about milk availability for all products during the upcoming season.

1.25% BUTTERFAT: 2,650 - 3,000

COMMENTS AND PRICES CONTINUED ON PAGE 8A

OCEANIA

OVERVIEW: Milk production in the OCEANIA region is trending lower from seasonal high levels. Manufacturers and handlers were hoping that peak milk volumes would have been able to be maintained for a longer period of time than is occurring. Early season milk production projections did not attain projected levels, thus hoping for milk production to maintain itself at lower levels for a longer period of time was the next best alternative. Weather factors in both New Zealand and Australia are the major influences with current lower milk production trend. In New Zealand, conversations, opinions, and observations of a La Nina weather pattern and drought conditions on the North Island are much more numerous. Lack of moisture at this time of the season and a forecast of much the same for the month of December will probably seal conditions for a second year of drought. Milk processors and handlers state that even if rain comes in January, significant damage will have already occurred to the dairy industry with recovery potential minimal. Pasture conditions are often not well established this season. Wet conditions in September limited fertilizer application to pastures, thus applications in October did not get needed moisture to be most effective and beneficial. On the flip side of drought conditions in New Zealand, the Australian dairy industry is dealing with excessive moisture and flooding conditions. This is often the case, with both countries within close proximity to one another in the South Pacific, weather patterns are significantly different. In recent years, Australia has been dealing with reduced moisture/drought conditions while New Zealand was in better shape. Current milk production in Australia is declining from seasonal high levels. Typically, milk output trends lower at this time, but adverse weather conditions could accelerate the decline. October milk production figures for Australia were recently released which indicated that output in the country was 0.6% ahead of October 2009. Adverse weather patterns in both countries and the impact on milk production are causing concern for buyers to question supply availability for the future. Suppliers indicate that they remain optimistic about the balance of the season, but also state that the unknown is a concern for them. In Australia, the locusts are now starting to move. Continued government monitoring and aggressive spraying regimes are occurring which will hopefully alleviate significant problems. Along with the locust's situation and their potential damage to grain crops, wet conditions are also negatively impacting grain crops for both international sales potential and domestic supplemental feed stocks. Traders and handlers are stating that international buyer interest is basically steady with most orders on the books for upcoming months. At the December 1 g/DT, contract price averages were mixed when compared to the previous event. For anhydrous milk fat, the average price for all contracting periods was \$5,333 per MT, 0.3% higher than the previous event; buttermilk powder averaged \$3,034, -2.7%; skim milk powder averaged \$3,060, +0.5%; and whole milk powder averaged \$3,556, +2.6%. Traders and handlers are stating that many suppliers continue to use this trading event as a point of information for current prices, with buyers often pointing to the trading event and seeking price levels recorded at the event, especially if offering prices are higher from regular and ongoing suppliers.

BUTTER: Oceania butter markets and prices remain firm. Butterfat volumes are often lighter than desired. Many butter producers and cream handlers are concerned about lower butterfat levels in incoming milk. Some are already stating that butterfat levels are declining which is much earlier than usual. Most are attributing this situation to the adverse pasture conditions in both Australia and New Zealand. Churning activity remains seasonally active, although within the near future, some available cream will be clearing to fresh and other cream based products for upcoming holiday needs. At the December 1 g/DT trading event, anhydrous milk averaged \$5,333 per MT, 0.3% higher than the previous average. February shipments averaged \$5,308, unchanged from the previous event; March - May shipments were also unchanged at \$5,314; with June - August shipments averaging \$5,440, +1.9%.

82% BUTTERFAT: 4,200 - 4,800

COMMENTS AND PRICES CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

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WESTERN AND EASTERN EUROPE
COMMENTS AND PRICES CONTINUED
FROM PAGE 8

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are mixed. Recent sales and the uncertainty of supply availability in the Oceania regions are contributing, for the most part, to price stability in Europe at this time, even though the Euro is weakening. Some European traders and handlers will be filling commitments to a recent whole milk powder tender during the next four months (December – March). The total volume of the tender is unknown. A question floating around Europe is who will be the next significant buyer in the marketplace. Traders feel that sales activity for the balance of the month will be limited and are hopeful that new sales will develop early in 2011.

26% BUTTERFAT: 3,550 - 3,750

SWEET WHEY POWDER: European whey powder markets and prices are firm. Cheese production remains strong at the low point of the milk production season, thus whey volumes are being generated. Whey stocks are available, although not excessive. International buyer interest for whey is building and sales are being reported. Edible demand is active with animal feed demand building as milk replacer needs increase.

NONHYGROSCOPIC: 950 - 1,050

EASTERN OVERVIEW: Milk production in Eastern Europe is basically at seasonal low levels. Winter weather patterns and cold temperatures are also being reported from this region. Manufacturers and handlers of dairy products indicate that some international sales have occurred in recent weeks which were welcomed. For much of the fall, international sales activity has been minimal. Traders and handlers state that stocks are available for near term needs. Eastern European traders are hopeful that sales activity will continue into the New Year so that uncommitted inventories of product can be cleared before the new milk production season resumes.

Exchange rates for selected foreign currencies: December 6, 2010
 .9947 Canadian Dollar .0223 Indian Rupee
 .2512 Argentina Peso .7616 New Zealand Dollar
 .0808 Mexican Peso .9899 Australian Dollar
 .3321 Polish Zloty .0121 Japanese Yen
 1.3314 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0808)
 = 12.3762 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 are steady to firm. Stocks of powder are available for regular and ongoing customer needs with spot availability limited. Manufacturers indicate that drying schedules are seasonally strong, typical for this time of the season, although with milk volumes not attaining projected levels and declining earlier than desired, manufacturers and handlers are closely monitoring how the milk flow will be for the balance of the milk production season. At the December 1 g/DT trading event, skim milk powder averaged \$3,060 per MT, which was 0.5% higher than the previous event average. For near term shipments (February), the price averaged \$2,899, -1.7%; March – May shipments, \$3,151, +1.1%; and for June – August shipments, \$3,487, +5.6%.

1.25% BUTTERFAT: 2,900 - 3,200

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices in the Oceania region are steady to firm. Whole milk powder production is seasonally strong as milk volumes edge lower from seasonal high levels. Powder producers are closely monitoring powder production on the down side of the season as overall milk volumes did not attain projected peak levels. Adverse weather conditions may impact the decline, thus producers and handlers are generating as much powder as possible at this time. Milk handlers anticipate that as milk volumes decline, whole milk powder production will be the product of best return and most need. At the most recent g/DT trading event, December 1, whole milk powder averaged \$3,556 per MT, 2.6% higher than the previous trading event average for all contracting periods. For contract 1 (February), prices averaged \$3,518 per MT, +1.3%; contract 2 (March – May) averaged \$3,608, +4.1%; and contract 3 (June – August) averaged \$3,518, +2.6%.

26% BUTTERFAT: 3,400 - 3,700

CHEDDAR CHEESE: Oceania cheese markets and prices are generally steady. Cheese production is seasonally strong as milk volumes are now trending lower from seasonal high levels. Cheese manufacturers are indicating that cheese production is on line with projections. As milk volumes decrease, cheese manufacturers indicate that they will be producing cheese to meet commitments with minimal spot volumes available. Many project that milk volumes will be quite competitive during the down side of the season this year. Some second half sales negotiations are in the final stages of completion, but for the most part, cheese sales books are filled.

39% MAXIMUM MOISTURE: 4,000 - 4,400

December 1, 2010 Global/Dairy Trading (g/DT) event recap US \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 February 2011	Contract #2 March - May 2011	Contract #3 June – August 2011	All Contracts
Anhydrous Milk Fat	\$5,308	\$5,314	\$5,440	\$5,333
	0.0%	0.0%	1.9%	0.3%
Buttermilk Powder	\$2,950	\$3,145	N.A.	\$3,034
	-5.3%	1.1%	N.A.	-2.7%
Skim Milk Powder	\$2,899	\$3,151	\$3,487	\$3,060
	-1.7%	1.1%	5.6%	0.5%
Whole Milk Powder	\$3,518	\$3,608	\$3,518	\$3,556
	1.3%	4.1%	2.6%	2.6%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	11/24	11/25	11/26	11/29	11/30	12/01	12/02	12/03	12/06	12/07	12/08
CME - CLASS III MILK FUTURES (Pit-Traded)											
NOV 10	15.42 (4986) 0	NO TRADING	NO TRADING	15.43 (5069) 0	15.46 (5073) 0	15.46 (5073) 0	15.46 (5073) 0	15.44 (4456) 0			
DEC 10	13.70 (5807) 0			13.81 (5791) 0	13.91 (5741) 0	13.93 (5754) 0	13.77 (5774) 0	13.90 (5764) 0	13.88 (5886) 0	13.84 (5772) 0	13.84 (5767) 0
JAN 11	13.40 (3795) 0			13.64 (3790) 0	13.75 (3754) 3	13.76 (3747) 0	13.66 (3751) 0	13.68 (3740) 0	13.45 (3769) 0	13.35 (3889) 2	13.20 (4123) 0
FEB 11	13.64 (2902) 2			13.65 (2931) 0	13.77 (2919) 3	13.73 (2959) 0	13.65 (3062) 0	13.67 (3091) 0	13.38 (3142) 0	13.26 (3436) 45	13.19 (3677) 0
MAR 11	13.99 (2656) 0			14.00 (2702) 0	14.02 (2729) 3	13.97 (2764) 0	13.88 (2792) 0	13.88 (2824) 0	13.70 (2884) 0	13.61 (3004) 2	13.57 (3077) 0
APR 11	14.10 (1874) 0			14.15 (1903) 0	14.16 (1975) 13	14.15 (1997) 0	14.08 (2008) 0	14.09 (2041) 0	13.90 (2060) 0	13.91 (2093) 2	13.93 (2122) 0
MAY 11	14.18 (1752) 0			14.20 (1777) 0	14.20 (1902) 11	14.24 (1916) 0	14.22 (1964) 0	14.25 (1981) 0	14.15 (2064) 0	14.15 (2075) 2	14.14 (2085) 0
JUN 11	14.42 (1416) 0			14.48 (1420) 0	14.48 (1475) 3	14.49 (1496) 0	14.51 (1516) 0	14.54 (1527) 0	14.52 (1558) 0	14.51 (1574) 2	14.50 (1569) 0
JUL 11	15.12 (1024) 0			15.10 (1081) 0	15.10 (1149) 65	15.10 (1167) 8	15.05 (1206) 0	15.06 (1231) 0	15.04 (1246) 0	15.03 (1253) 0	14.99 (1265) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)											
NOV 10	16.69 (83) 0	NO TRADING	NO TRADING	16.69 (83) 0	16.69 (83) 0	16.69 (83) 0	16.69 (83) 0	16.68 (83) 0			
DEC 10	15.46 (46) 0			15.46 (46) 0	15.46 (46) 0	15.46 (46) 0	15.46 (46) 0	15.46 (46) 0	14.99 (46) 0	14.99 (46) 0	14.99 (46) 0
JAN 11	14.80 (14) 0			14.80 (14) 0	14.80 (14) 0	14.80 (14) 0	14.80 (14) 0	14.80 (14) 0	14.77 (14) 0	14.77 (14) 0	14.75 (18) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)											
NOV 10	203.00 (530) 2	NO TRADING	NO TRADING	203.00 (530) 0	203.00 (535) 7	203.50 (536) 1	203.50 (536) 0	202.30 (531) 0			
DEC 10	165.00 (519) 1			160.00 (519) 14	161.00 (511) 20	162.25 (510) 13	164.75 (510) 3	166.50 (511) 3	165.00 (510) 2	166.00 (508) 2	165.00 (509) 1
JAN 11	158.50 (375) 39			155.50 (393) 20	159.00 (397) 10	160.00 (398) 6	163.50 (410) 34	162.50 (418) 11	162.50 (426) 9	163.00 (429) 4	163.00 (436) 10
CME - NONFAT DRY MILK FUTURES (Pit-Traded)											
NOV 10	120.50 (293) 0	NO TRADING	NO TRADING	120.45 (293) 0	120.45 (293) 0	120.45 (293) 0	120.45 (293) 0	119.53 (293) 0			
DEC 10	118.00 (357) 0			118.00 (357) 0	118.00 (357) 0	118.00 (357) 0	118.00 (357) 0	118.25 (357) 0	118.25 (357) 0	118.50 (357) 0	118.50 (357) 0
JAN 11	116.28 (255) 0			116.28 (257) 0	116.28 (257) 0	116.28 (257) 0	117.00 (257) 0	117.00 (257) 0	117.00 (257) 0	117.50 (263) 0	118.50 (264) 0
CME - WHEY (Electronic-Traded)											
NOV 10	37.50 (306) 0	NO TRADING	NO TRADING	37.45 (306) 0	37.45 (306) 0	37.45 (306) 0	37.45 (306) 0	37.36 (306) 0			
DEC 10	37.15 (330) 3			37.90 (329) 1	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (359) 0	37.90 (329) 0
JAN 11	39.00 (278) 6			38.50 (282) 4	38.50 (307) 25	38.50 (308) 1	38.75 (327) 20	38.75 (327) 0	38.75 (332) 20	38.50 (342) 13	39.00 (363) 23
CME - CHEESE CSC (Electronic-Traded)											
NOV 10	1.62 (63) 0	NO TRADING	NO TRADING	1.62 (63) 0	1.62 (63) 0	1.62 (63) 0	1.62 (63) 0	1.62 (63) 0			
DEC 10	1.46 (227) 62			1.46 (228) 5	1.47 (227) 1	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0
JAN 11	1.42 (132) 15			1.44 (143) 11	1.44 (143) 0	1.45 (145) 2	1.44 (188) 51	1.44 (188) 4	1.43 (214) 34	1.42 (240) 44	1.40 (241) 1
FEB 11	1.43 (145) 13			1.43 (148) 3	1.44 (148) 0	1.44 (150) 2	1.44 (162) 26	1.45 (169) 8	1.42 (213) 71	1.41 (241) 34	1.40 (243) 2
MAR 11	1.46 (162) 13			1.47 (168) 6	1.47 (168) 0	1.47 (170) 2	1.46 (177) 27	1.47 (181) 4	1.46 (205) 38	1.44 (233) 44	1.44 (233) 0
APR 11	1.48 (125) 5			1.48 (128) 3	1.48 (128) 0	1.48 (130) 2	1.47 (132) 6	1.48 (140) 8	1.45 (150) 11	1.46 (162) 12	1.47 (162) 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.

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES*

Forecast milk production for 2010 and 2011 is little changed last month. Fat-basis imports for 2010 are lowered primarily due to lower imports of cheese but skim-solids imports are unchanged due to higher imports of expected imports of other products. Fat basis exports for 2010 are raised as sales of cheese and fluid milk and cream are strong and skim-solids exports are boosted by strong sales of cheese and nonfat dry milk (NDM). Exports for 2011 are forecast higher due to expected growth in butter and nonfat dry milk sales. Ending stocks for 2010 are raised to reflect higher-than expected stocks of cheese. For 2010, cheese and whey prices are unchanged from last month. NDM prices are forecast higher but the butter price forecast is reduced reflecting recent sharp declines in butter prices. With no change in either the cheese or whey price, the Class III price forecast is unchanged. However, the Class IV price forecast is reduced, due to a lower butter price forecast which more than offsets a higher expected NDM price. For 2011, the range of the cheese price forecast narrowed but whey is forecast higher. The butter price is reduced as current price weakness spills into early 2011. NDM prices are forecast higher. The ranges of the Class III and Class IV price forecasts are narrowed from last month. The all milk price is forecast to average \$16.25 to \$16.35 per cwt for 2010 and \$15.90 to \$16.70 per cwt for 2011.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Projected		2011 Projected	
		November	December	November	December
BILLION POUNDS					
MILK					
PRODUCTION	189.3	192.8	192.8	195.6	195.5
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	10.1	10.5
MARKETINGS	188.3	191.9	191.8	194.6	194.6
IMPORTS	5.6	4.6	4.3	4.1	4.1
TOTAL COMMERCIAL SUPPLY	204.0	207.8	207.4	208.9	209.2
FAT BASIS USE					
COMMERCIAL EXPORTS	4.5	7.7	8.2	6.2	6.3
ENDING COMMERCIAL STOCKS	11.3	10.1	10.5	10.6	10.6
CCC NET REMOVALS <u>1/</u>	0.7	0.2	0.2	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.3	189.7	188.5	192.1	192.3
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	11.8	12.2
MARKETINGS	188.3	191.9	191.8	194.6	194.6
IMPORTS	5.5	5.1	5.1	4.9	4.9
TOTAL COMMERCIAL SUPPLY	204.7	208.2	208.3	211.3	211.7
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.4	29.8	31.3	29.5	30.0
ENDING COMMERCIAL STOCKS	11.3	11.8	12.2	11.5	11.5
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.6	167.0	165.2	170.3	170.1
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	30	8	8	0	0
CHEESE	3	0	0	0	0
NONFAT DRY MILK	248	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

2/ Includes commercial exports.

Continued on page 11

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		November	December	November	December
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u> CHEESE	1.2963	1.515-1.525	1.515-1.525	1.530-1.620	1.535-1.615
BUTTER	1.2094	1.710-1.740	1.685-1.715	1.500-1.620	1.485-1.595
NONFAT DRY MILK	0.9222	1.155-1.175	1.160-1.180	1.185-1.255	1.200-1.260
DRY WHEY	0.2584	0.365-0.375	0.365-0.375	0.355-0.385	0.365-0.395
DOLLARS PER CWT					
MILK PRICES <u>2/</u> CLASS III	11.36	14.35-14.45	14.35-14.45	14.40-15.30	14.45-15.25
CLASS IV	10.89	15.05-15.25	15.00-15.20	14.45-15.45	14.50-15.40
ALL MILK <u>3/</u>	12.83	16.30-16.40	16.25-16.35	15.95-16.85	15.90-16.70
QUARTERLY					
	2010 III	2010 IV <u>4/</u>	2011 I <u>4/</u>	2011 II <u>4/</u>	2011 III <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	48.1	47.6	48.6	50.4	48.5
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	16.80	17.65-17.85	16.00-16.50	15.70-16.50	15.75-16.75
CLASS III PRICE <u>2/</u>	15.06	15.35-15.55	14.10-14.60	14.60-15.40	14.65-15.65
CLASS IV PRICE <u>2/</u>	16.04	16.15-16.45	14.80-15.40	14.25-15.15	14.45-15.55

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-489, World Agricultural Outlook Board, USDA, December 10, 2010.

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

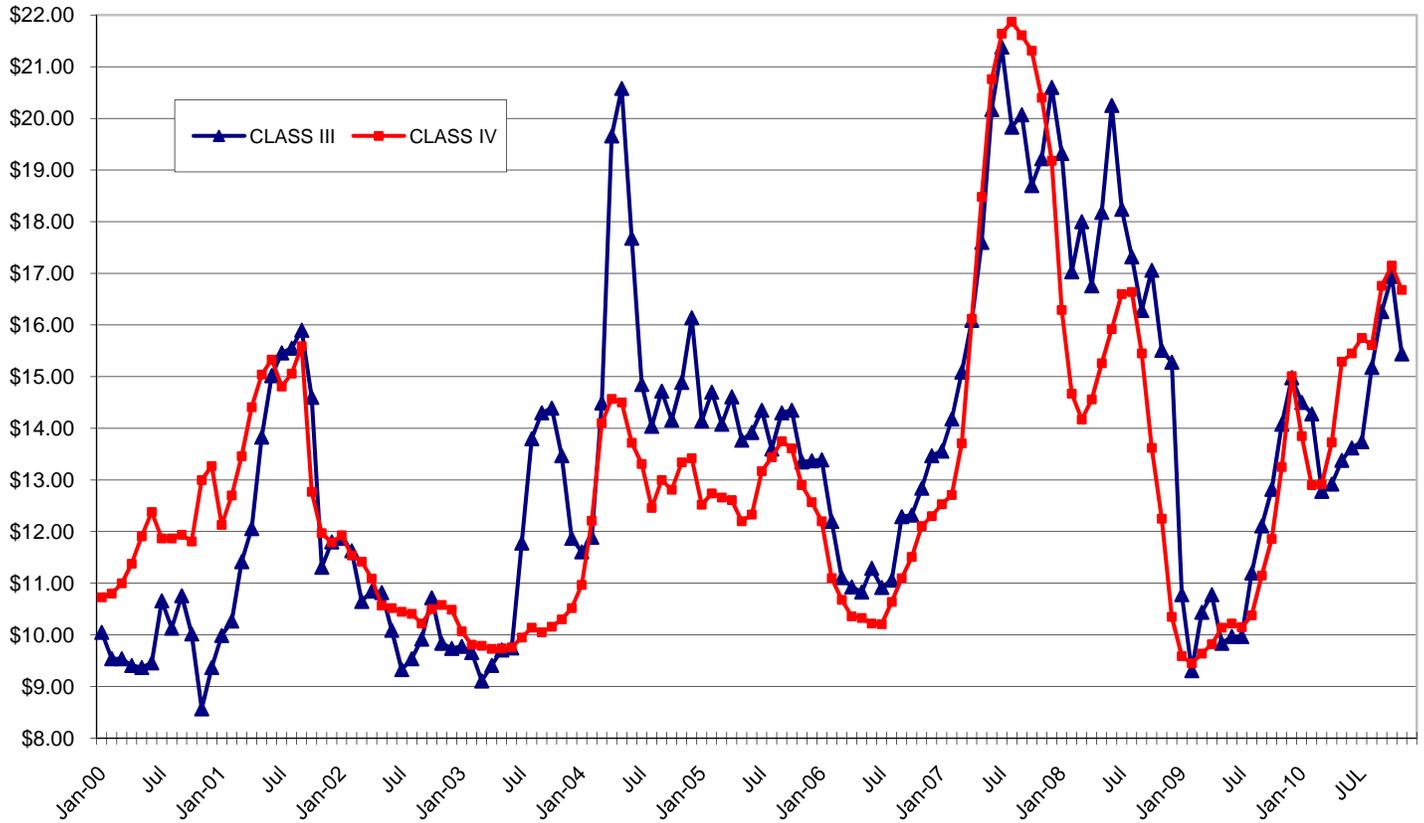
In September 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.81 per cwt., up \$1.30 from the previous month average, and up \$4.83 from September 2009. The component tests of producer milk in September 2010 were: butterfat, 3.61%; protein, 3.05%; and other 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 September 2010 ranged from \$21.63 in Florida to \$15.90 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	September 2009	August 2010	September 2010
	Dollars per hundredweight		
New England States <u>3/</u>	13.45	17.82	18.84
New York	12.64	16.59	17.59
Eastern Pennsylvania <u>4/</u>	12.99	17.24	18.36
Appalachian States <u>5/</u>	13.94	18.62	19.36
Southeast States <u>6/</u>	14.77	19.55	20.11
Southern Missouri <u>7/</u>	12.55	17.09	17.96
Florida	16.20	21.11	21.63
Western Pennsylvania <u>8/</u>	12.97	16.28	18.51
Ohio	13.28	16.61	18.55
Indiana	12.81	16.72	18.22
Michigan	12.61	16.04	17.81
Wisconsin	13.30	16.18	17.70
Minnesota	13.48	16.07	17.71
Iowa	13.23	16.65	17.89
Illinois	13.29	16.65	18.15
Corn Belt States <u>9/</u>	12.82	16.21	17.42
Western Texas <u>10/</u>	12.22	15.84	16.86
New Mexico	11.39	14.94	15.90
Northwest States <u>11/</u>	12.17	16.08	17.33
All Federal Order Areas <u>12/</u>	12.98	16.51	17.81
California <u>13/</u>	11.20	15.04	15.99

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."

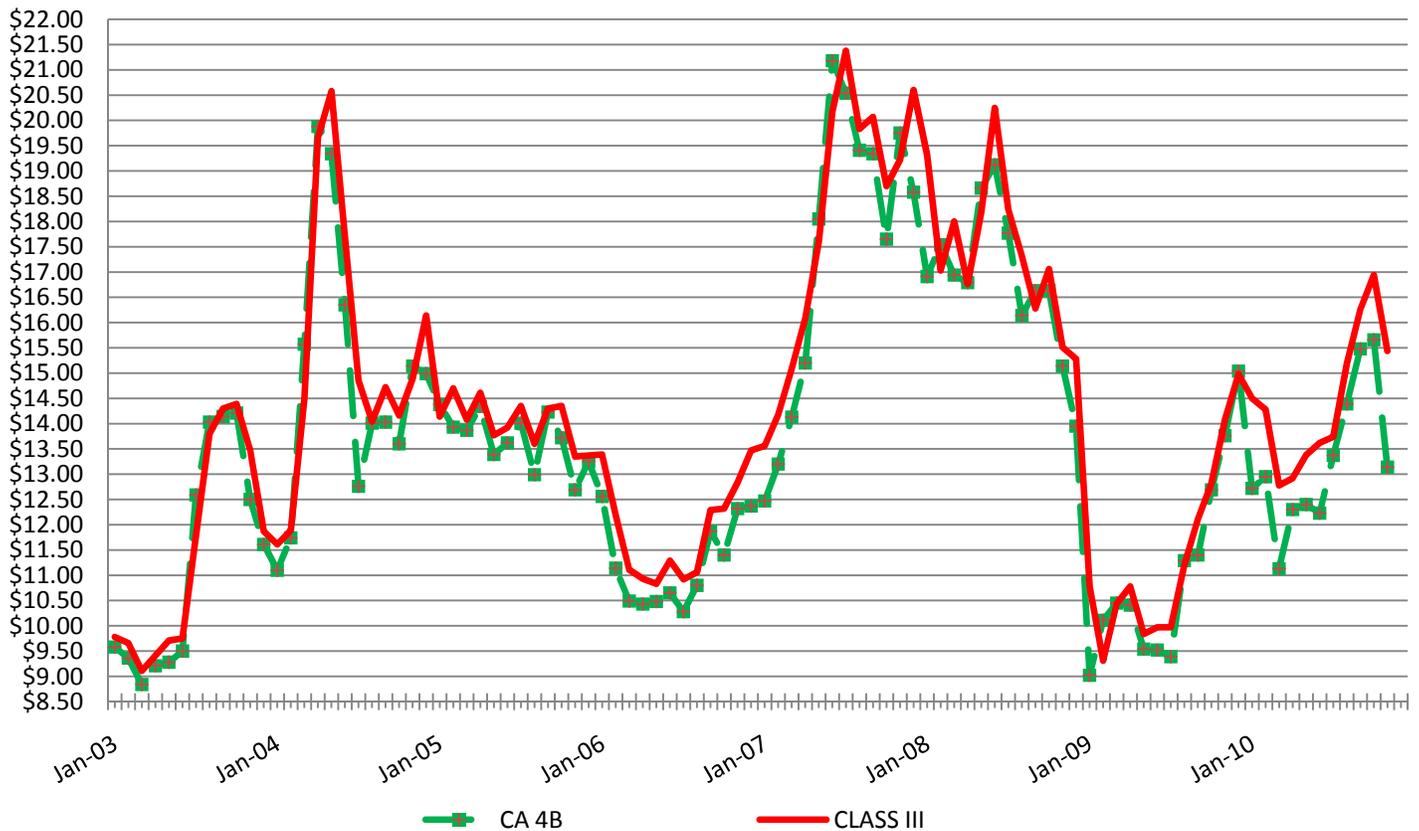
Per Cwt.

CLASS III & IV MILK PRICES, JAN 2000 TO DATE

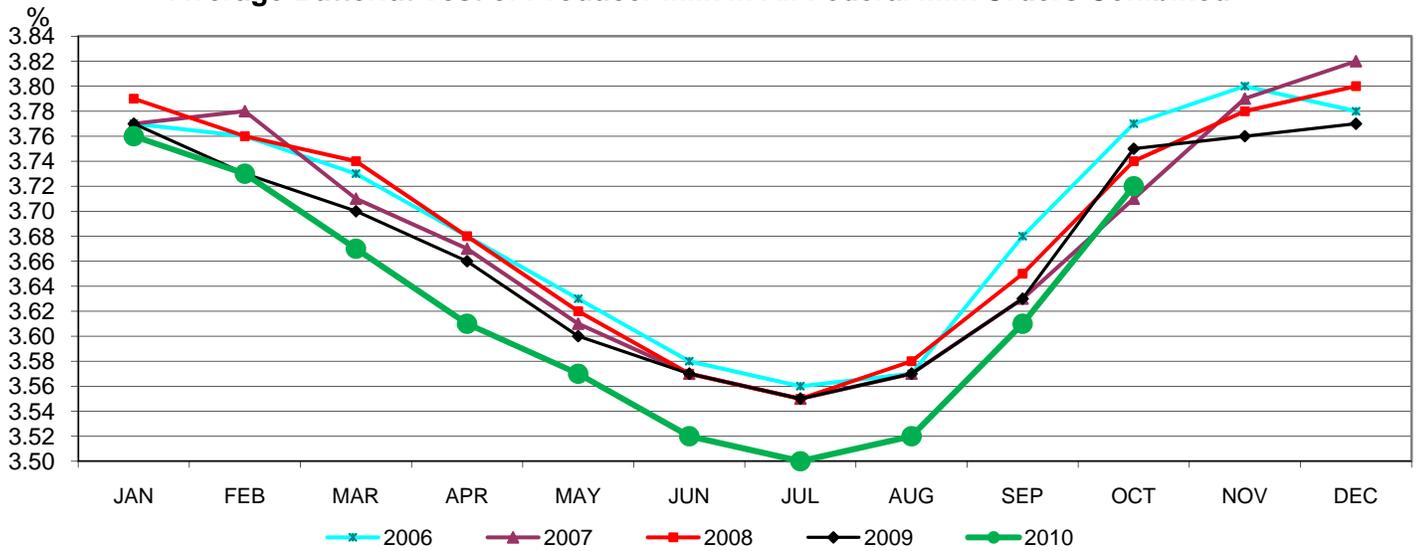


FEDERAL ORDER CLASS III PRICES COMPARED TO CALIFORNIA 4B

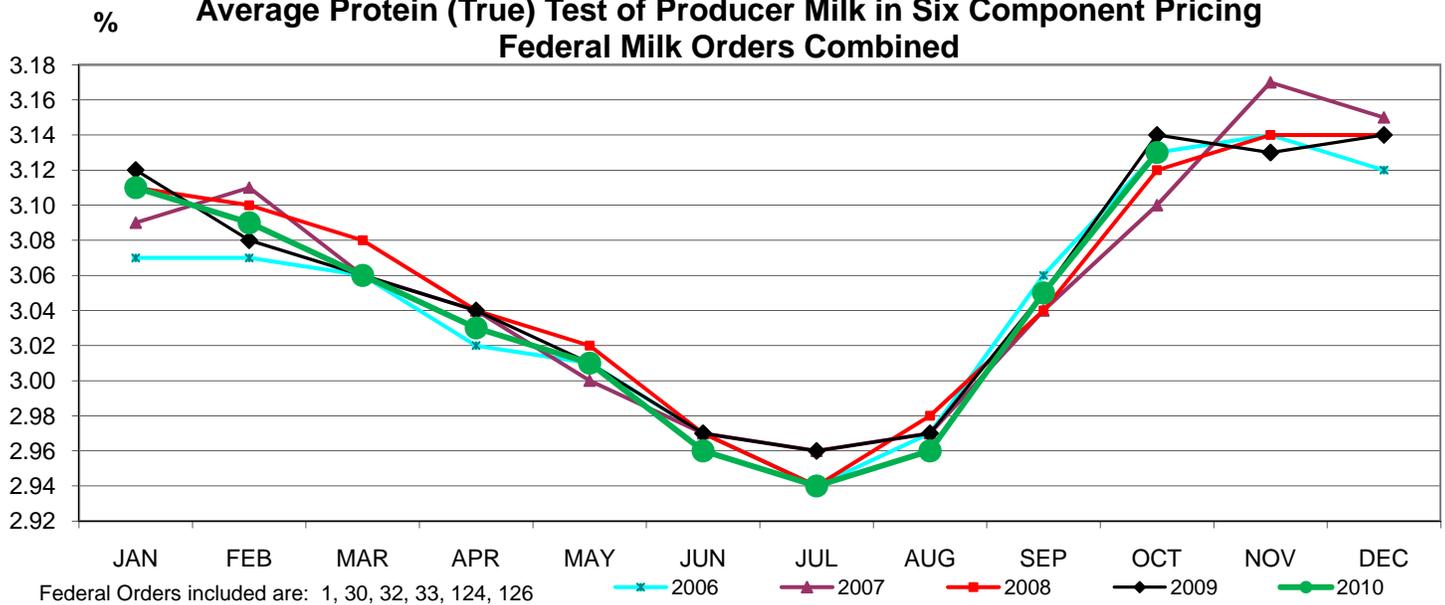
PER CWT



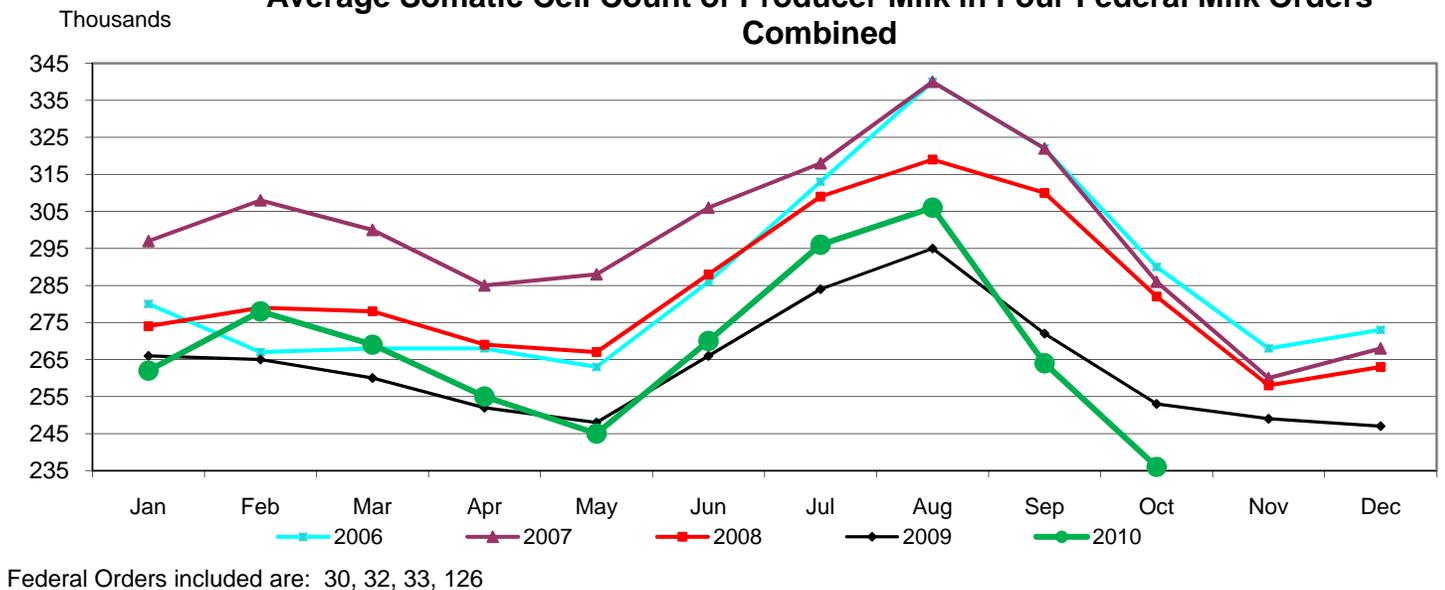
Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined



Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined



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