

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (12/17):**

BUTTER: Grade AA closed at \$1.6525. The weekly average for Grade AA is \$1.6470 (+.0350).

CHEESE: Barrels closed at \$1.3650 and 40# blocks at \$1.3225. The weekly average for barrels is \$1.3520 (-.0345) and blocks, \$1.3325 (-.1190).

BUTTER HIGHLIGHTS: The CME Group cash butter price increased during the week to end at \$1.6525, up 3.25 cents from last Friday. The weekly butter average of \$1.6470 is well above the comparable week average in 2009 of \$1.3945 and the highest average for week 50 through 1991. Butter demand remained good between last minute pre-holiday print sales and from overseas accounts. Competition was still good this week from other cream users for use in the production of holiday specialties such as dips, whipping, and sour cream. Some ice cream operations are closing until January, and as last minute holiday specialty orders are finished, more cream will need to clear to churns. Cream multiples for loads sold through yearend are declining as competition for cream slows.

CHEESE HIGHLIGHTS: The CME Group barrel cheese price on Friday closed \$.0125 higher at \$1.3650, while blocks closed unchanged at \$1.3225. The block sales volume for the week was bolstered by a large sale on Wednesday of over 40 loads. While declining prices impacted orders, current interest is also adjusted by yearend inventory positioning. Most buyers will wait until January for additional deliveries. Some promotions, aided by lower prices, are planned for January, not all necessarily geared toward Super Bowl activities. Packagers and processors will operate on abbreviated holiday schedules over the last 2 weeks of 2010, reducing bulk cheese needs. Severe weather impacted plants in the Midwest and Northeast last weekend, slowing transportation and extending cheese plant schedules while stimulating retail fluid sales. Manufacturing plant schedules will be heavier into January as additional milk volumes clear to manufacturing from other uses.

FLUID MILK: Fluid milk demand is steady to higher overall for the week. A few locations are pulling especially hard on bottled inventories as the recent spate of snowstorms across the Northern tier of states prompted active consumer purchasing. In addition, several grocery chains are running pre-holiday specials on bottled

milk, generating higher demand. In conjunction with the winter storms of last week, there were reports of barns collapsing and limited loss of livestock. Pickups on-farm were delayed in some areas due to hazardous driving conditions, but instances of milk disposal were minimal. Production of holiday-related items is active, although some ice cream plants are currently or soon to be on short-term hiatus. Planning for 2011 is underway at many handler locations. There is some expectation that milk production may lag in the coming months as dairy farmers are once again faced with high prices on feed inputs. Dairy farmers in Florida are reportedly already channeling more hay-type dry matter into their dairy rations as a cost-cutting measure.

DRY PRODUCTS: Dry product markets, barring buttermilk, are exhibiting some strength. Nonfat dry milk prices moved higher in the Central/East and West markets. Most manufacturers expect to run heavy production schedules starting this upcoming weekend. Dry buttermilk prices weakened somewhat. Spot loads are occasionally available from various producers and some price concessions hint at cutting holdings prior to year-end inventory taking. Dry whey markets in the Central and West are mostly steady to firm, with tight supplies curtailing price creep to a certain extent. The lactose market is steady. Spot loads are intermittently available, and demand reflects buyer requirements on mesh size and packaging. Whey protein concentrate 34% prices moved higher on the range, reflecting on a firm market, but most activity represents contract pricing that is already represented in the mostly price series. WPC 34% production is unchanged to lower as various manufacturers who also process condensed whey note spot loads on condensed whey are scarce. Dry whole milk prices are unchanged on a firm market.

INTERNATIONAL UPDATE (DMN): The December 15thgDT session results showed slight increases for AMF, SMP, and WMP, while BMP traded lower for the nearby contracting period. For the February 2011 period, prices and changes from the previous session are: anhydrous milk fat (AMF), \$5330/MT, +0.1%; buttermilk powder (BMP), \$2810/MT, -4.7%; skim milk powder (SMP), \$2992/MT, +3.1%; and whole milk powder (WMP), \$3597, +3.2%.

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****SPECIALS THIS ISSUE****

DAIRY GRAPHS (PAGES G1-G2)

CME GROUP CASH TRADING

PRODUCT	MONDAY DECEMBER 13	TUESDAY DECEMBER 14	WEDNESDAY DECEMBER 15	THURSDAY DECEMBER 16	FRIDAY DECEMBER 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.3500 (+.0025)	\$1.3425 (-.0075)	\$1.3500 (+.0075)	\$1.3525 (+.0025)	\$1.3650 (+.0125)	(+.0175)	\$1.3520 (-.0345)
40# BLOCKS	\$1.3600 (-.0300)	\$1.3350 (-.0250)	\$1.3225 (-.0125)	\$1.3225 (N.C.)	\$1.3225 (N.C.)	(-.0675)	\$1.3325 (-.1190)
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	\$1.2700 (+.0350)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	(+.0350)	\$1.2700 (+.0420)
BUTTER							
GRADE AA	\$1.6300 (+.0100)	\$1.6500 (+.0200)	\$1.6500 (N.C.)	\$1.6525 (+.0025)	\$1.6525 (N.C.)	(+.0325)	\$1.6470 (+.0350)

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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ORGANIC DAIRY MARKET OVERVIEW (DMN): As 2010 nears an end, the year is now able to be characterized as one where the organic dairy industry has experienced a solid rebound from the previous downturn. One participant involved both as a producer and processor, remarked that “the organic dairy business is a good one to be in”! A mostly optimistic outlook is expressed across the spectrum of the industry, from smaller more locally focused to national operations. The organic dairy sector is evolving in varied ways. Many smaller organic processors have experienced positive sales results by focusing on marketing organic dairy products with a local food concept. This has been successful in 2010, not only in less urban areas, but also the largest urban areas such as New York City and Chicago. National organic dairy brands are working toward expanding the number of organic producers. Organic milk sales for the year have generally exceeded expectations of national organic dairy processors and brands when 2010 began. New construction of added facilities is planned or even underway in parts of the country. New branded organic dairy products have been introduced during 2010 and more will be introduced in 2011. Comparing average retail half gallon organic reduced fat (2%) milk prices for December, 2010 with the 2010 average in each of 30 cities, eleven cities are above the 2010 average, sixteen are below, and three are even with the average. Minneapolis had the highest average price for organic 2% milk in December, at \$4.99, 25 cents higher than November. Minneapolis also had the December price highest over the 2010 average, 47 cents. There is no uniform perspective offered by retailers, processors or other observers, as to why Minneapolis stands so far above other cities, its’ 2010 average, or even last month’s average price. Opinions tend to focus on retailer factors related to the nature of the Minneapolis area retail food market. Denver had the lowest average price for December, \$2.94, which is unchanged for five consecutive months. Observers tend to suggest that Denver average retail organic milk prices are affected by far more organic milk production in the area than is needed for retail demand, in addition to an aggressively competitive retail grocery environment. Atlanta’s November price, \$3.44, is most under the 2010 average among all cities, 32 cents.

MARKETING AND UTILIZATION SUMMARY (FMMO): During November, about 10.1 billion pounds of milk were received from producers. This volume of milk is 9.8% higher than the November 2009 volume. In November 2009 and November 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 4.0% higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 38%, Class II = 10%, Class III = 45% and Class IV = 7%. The weighted average statistical uniform price was \$17.34 per cwt., \$0.66 lower than last month and \$2.70 higher than last year.

CME GROUP

MONDAY, DECEMBER 13, 2010

CHEESE — SALES: 3 CARS BARRELS: 2 @ \$1.3450, 1 @ \$1.3425; 7 CARS 40# BLOCKS: 2 @ \$1.3800, 3 @ \$1.3700, 2 @ \$1.3650; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3500; 5 CARS 40# BLOCKS @ \$1.3500; LAST OFFER UNCOVERED: 10 CARS 40# BLOCKS @ \$1.3600
 NONFAT DRY MILK — SALES: 2 CARS GRADE A @ \$1.2700; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6200; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6300; LAST OFFER UNCOVERED: NONE

TUESDAY, DECEMBER 14, 2010

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.3500, 1 @ \$1.3475, 1 @ \$1.3450, 1 @ \$1.3425; 5 CARS 40# BLOCKS: 1 @ \$1.3500, 1 @ \$1.3450, 1 @ \$1.3400, 2 @ \$1.3350; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3350; 2 CARS 40# BLOCKS @ \$1.3250; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3350
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.6350; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6500; LAST OFFER UNCOVERED: NONE

WEDNESDAY, DECEMBER 15, 2010

CHEESE — SALES: 45 CARS 40# BLOCKS: 2 @ \$1.3250, 12 @ \$1.3200, 3 @ \$1.3225, 18 @ \$1.3200, 10 @ \$1.3225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3500; 2 CARS 40# BLOCKS @ \$1.3225; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3300
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 16, 2010

CHEESE — SALES: 3 CARS BARRELS @ \$1.3500; 8 CARS 40# BLOCKS: 2 @ \$1.3225, 5 @ \$1.3250, 1 @ \$1.3225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3525; 1 CAR 40# BLOCKS @ \$1.3200; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3225
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6525; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 17, 2010

CHEESE — SALES: 8 CARS 40# BLOCKS: 1 @ \$1.3300, 1 @ \$1.3275, 1 @ \$1.3250, 5 @ \$1.3225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3650; 1 CAR 40# BLOCKS @ \$1.3150; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6525; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group moved higher Tuesday, advancing \$.0200 and closing at \$1.65. In the last 5 trading sessions butter prices have increased \$.0400. Churning activity is mixed, active at those plants with current butter orders, while other plants without orders are attempting to sell the cream rather than build inventory. Some plants have received fairly large orders going into the last week of production for product that is to be delivered prior to the holidays. Export demand remains good with some plants making 82% product for export orders. Inventories are being worked lower with some plants microfixing inventories to fill current orders. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used. According to FAS, the January-October 2010 exports of butter total 105.6 million pounds, a 159% increase compared to the same period last year.

CENTRAL

The CME cash butter price continued to increase, reaching \$1.65 by midweek, up 4 cents from last Wednesday. The last pre-holiday print orders were shipped this week to be available for holiday use and/or sale. Churning was uneven, lower where production was active for Class II holiday cream items such as dips, sour and whipping cream yet this week but steady elsewhere. However, after these holiday product orders are filled and with many ice cream operations closing until January, more cream will be available for churning. Interest from overseas continues as alternative sources for butterfat are limited so extra butter may be put up for export over the yearend holidays. 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 \$1.6500. Since the close on Friday, the price has gained \$.0300 this week on light sales of three loads at the CME Group. Prices have held steady or gained since the recent low of \$1.5300 on November 29th. Butter prices have turned around and churns are active in hopes of building inventories now that most holiday orders are filled. Increased cream supplies are available and multiples for that cream are moderating. As the yearend holidays near, manufacturers are anticipating heavier volumes and are adjusting plant schedules accordingly. Bulk butter buyers are showing increased interest in procuring inventory for first and second quarter needs. Export interest is good as world butterfat supplies are in question in some parts of the globe. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 1.1 million pounds last week to 10.5 million pounds. This total compares to 31.9 million pounds in 2009 and 34 million pounds in the comparable week in 2008. Current storage is the lowest in CME approved warehouses since December of 2004. According to the Foreign Agricultural Service, exports of butter and milkfat for January-October 2010 total 105.6 million pounds, up 159% from January-October 2009. The exports account for 8.3% of butter production in the U.S. for January-October.

U.S. Butter and Milkfat Exports, (USDA-FAS)

	2010 Exports Jan.- Oct	% Change From 1 Year Ago
(Million Lb.)		
World	105.6	+ 159
Saudi Arabia	18.7	+ 32
Mexico	17.8	+ 167
Egypt	9.5	+ 39
Russia	9.3	+7,317
Canada	6.9	+ 222
Monthly Exports		
October	9.9	+ 9

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

<u>WEEK ENDING</u>	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
December 11	1,4749	1,4592	1,2133	1,6135	0.3786
	11,303,580	9,460,908	14,725,683	2,948,732	10,579,169

Further data and revisions may be found on the internet at: <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1450>

NORTHEAST

CHEESE MARKETS

WEST

Cheese prices on the CME Group continued to decline this week. Tuesday's closings saw barrels decline \$.0075 to \$1.3425 and blocks declining \$.0250 to \$1.3350. In the last 5 trading sessions barrels have declined \$.0600, while blocks have declined \$.1650. The CME Group weekly averages were also lower, resulting in lower wholesale prices with the exception of Swiss Cuts, which held steady. Cheese production remains steady. Cream cheese production is especially active as this is the last week that orders can be filled prior to the holidays. Cheese sales remain strong with good demand and inventories are being worked lower. In the latest Foreign Agricultural Statistics report, January-October 2010 exports of cheese and curd from the United States totaled 309.4 million pounds, a 62% increase from the same period in 2009.

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

Cheddar 40# Block	:	1.7700-2.0450
Process 5# Sliced	:	1.4925-1.8025
Muenster	:	1.7900-1.9950
Grade A Swiss Cuts 10 - 14#	:	3.4025-3.7250

MIDWEST

The cheese market is weak and spot offerings, particularly from the West, overwhelm the slower buyer needs. Recent declines in prices at the CME Group cash market have some buyers waiting until January to take sizeable deliveries as yearend inventory positioning comes into play. The "party is over" for 2010 cheese as packagers finish the majority of pre-holiday orders this week to be available for holiday use. Some packagers are using extra line time to build finished product inventory for early 2011 shipments because of reduced plant schedules the last two weeks of 2010. Bulk cheese needs will be lighter as a result. Some planned retail cheese promotions are likely to stimulate bulk usage and finished product deliveries in January, some for Super Bowl activities. Current offerings are at least adequate for needs with large supplies available from some Western sources. A few producers have been unable to fill specialty orders due to lack of spot milk supplies. Process interest is generally steady at best. Current cheese production is steady but expected to increase over the last two weeks as extra supplies will be available from other milk users, including the bottle, as schools close until January. Plants are being contacted by milk handlers trying to secure manufacturing milk homes during the yearend period.

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

Process American 5# Loaf	:	1.7475-2.0000
Brick And/Or Muenster 5#	:	1.9600-2.2100
Cheddar 40# Block	:	1.9775-2.5650
Monterey Jack 10#	:	1.9200-2.5650
Blue 5#	:	2.2775-2.9300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7925-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.8100-3.3300

U. S. CHEESE AND CURD EXPORTS, (USDA-FAS)

	Monthly Exports		
Oct.	30.5	+	67
	Jan.-Oct.		1 Year Ago
	(Million Lb.)		
World	309.4	+	62
Mexico	89.4	+	20
South Korea	33.6	+	81
Japan	25.5	+	122
Canada	20.0	+	15
Egypt	15.4	+	1,333

Cheddar Barrels on Wednesday at the CME Group are up \$.0075 at \$1.3500. 40 Pound Blocks are \$.0125 lower at \$1.3225. Sales of Barrels for the week have been moderate with seven loads trading this week. Blocks had heavy sales so far this week. Fifty seven loads were sold this week with forty five loads on Wednesday alone. Wednesday's sales were the heaviest trading day of 2010 for Blocks. Western cheese plants continue to run full schedules as product is filling contracted needs in most cases. Holiday orders have been shipped and the next push will come with orders for Super Bowl events. Cheese sales to cut and wrap accounts are seeing increased activity as buyers look to take advantage of lower wholesale prices. Cheese plants will have extra milk available over the holidays as Class I needs will be lighter over the next two weeks. Export interest is good as lower prices and continued CWT sales assistance combine to move product. According to FAS, exports of cheese and curd for January-October 2010 total 309.4 million pounds, up 62% from January-October 2009. The exports account for 3.6% of total cheese production in the U.S. for the period. Mexico was easily the largest importer of cheese with 89.4 million pounds or 28.9% of U.S. cheese exports.

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

Process 5# Loaf	:	1.5125-1.7700
Cheddar 40# Block	:	1.5800-1.9325
Cheddar 10# Cuts	:	1.7600-1.9800
Monterey Jack 10#	:	1.7700-1.9300
Grade A Swiss Cuts 6 - 9#	:	2.9800-3.4100

FOREIGN

Block cheese prices on the CME Group continued to decline on Tuesday, losing \$.0250 and closing at \$1.3350. In the last 5 trading sessions, blocks have declined \$.1650. Following this trend, the CME Group weekly average price for blocks declined, lowering wholesale prices for domestic varieties with the exception of Swiss Cuts, which held steady. Swiss production in the East is active. Inventories are being worked lower with strong orders for the holidays and the upcoming football playoffs. The U.S. Department of Agriculture last week published a final rule that will extend for five more years the current suspension of the rule regulating the allocation of dairy import licenses. If not suspended, the rule would have reduced the allowable quotas of imports for some dairy importers that have been unable to fulfill their quotas, given the weak economy and the falling dollar.

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

		NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
	:		:
Blue	:	2.6400-4.6900	: 1.9100-3.3975*
Gorgonzola	:	3.6900-5.9900	: 2.4125-2.6725*
Parmesan (Italy)	:	-0-	: 3.2500-3.4425*
Provolone (Italy)	:	3.4400-5.8900	: 1.9525-2.1100*
Romano (Cows Milk)	:	-0-	: 3.1000-5.2425*
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
		:	
12/13/10	6,100	:	129,098
12/01/10	6,652	:	132,399
CHANGE	-552	:	-3,301
% CHANGE	-8	:	-2

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	120	0	160	0	102
SOUTHEAST STATE	0	0	0	0	0	0

Winter storms and strong pre holiday Class I pulls are the dominate factors affecting manufacturing milk supplies. Freezing rain and significant snow falls in the upper Northeast have delayed some farm pickups and deliveries. The forecasts for cold and storms in the Mid Atlantic region have increased retail sales and added to the already strong Class I demand. Some plants in the Mid Atlantic have significantly shortened manufacturing milk supplies and are asking contractors to be flexible, regarding delivery schedules in order to fill contracts. Some manufacturing plants are completing maintenance projects this week in anticipation of heavier milk volumes over the holidays. Freezing temperatures, snow, rain and winds also plagued the Southeast this week. Adverse weather conditions have caused delays in milk transports, closed schools and have caused consumer runs on milk with some stores in Tennessee running out of milk and bread. Class I demand is very strong. Florida milk production is leveling off. Higher feed costs have affected some farmer feeding programs as they attempt to lower cost by supplementing additional hay, in lieu of some of the feed ration. Strong Class I demand has reduced the number of export loads to 120 this week. Condensed skim demand is strong as Class II specialty product production is very active as plants fill orders for delivery prior to the holidays. Class III demand also remains good. Cream supplies are increasing as some ice cream plants have concluded cream purchases prior to their holiday shut downs. Cream demand remains fairly good as production of cream cheese, eggnog, dips and other holiday related items remain active. Butter export orders have improved overall butter demand and given the butter market a firmer undertone. Cream multiples vary widely depending on time of week and location. Multiples range from 122-133 with last minute scheduling causing prices to exceed or go below the price range.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9666-2.1439
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8860-2.0150

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

A large winter storm brought blizzard conditions to several states in the region, closing roads though stimulating retail demand for bottled milk. Trucks were delayed and bulk and finished product deliveries were late, forcing many plants to extend their schedules or move loads to non-regular receiving plants in order to unload trucks. A few plants lost electricity temporarily, slowing manufacturing. Several barns collapsed under the weight of the snow, injuring a couple of dairymen and killing a small number of cows and young stock as a result. Some milk was reportedly dumped in Michigan because of the storm. Class I and II interest is very strong this week as schools are still in session and producers are active in producing holiday specialties including dips, sour and whipping cream, as well as eggnog. Retail features on milk are also underway in many locations. However, a smaller number of regular milk shipments from upper tier Midwestern states to states further south were cancelled due to broken

water mains caused by the cold temperatures. Bottlers and handlers are anticipating fluid demand to shut down before December 23 as schools close until January and after last minute holiday product orders are shipped. Over in Michigan, schools close for the calendar year on December 17, starting lighter Class I use already this weekend. Cream demand was good and limited the volume cleared to the churns somewhat. Lower multiples are expected during the holiday period as many cream users, especially ice cream, close until January. Manufacturing milk demand was spotty on a very limited test. Some specialty cheese makers have been unable to secure spot supplies in recent weeks. Handlers continue to work at placing volumes over the year end holidays. Current milk intakes are little changed from recent weeks while other locations have seen slight cold weather declines. Milk components remain at good seasonal levels.

W E S T

The January 2011 Class I prices in CALIFORNIA range from \$16.45 in the north to \$16.72 in the south. The statewide average Class I price based on production is \$16.47. The average is \$1.83 lower than December 2010 and \$1.77 less than January 2010. CALIFORNIA milk production is mostly flat with recent weeks. Processors are lowering milk receipt estimates for future months as they are projecting that the adverse financial conditions at the farm level will impede normal milk growth. In addition, milkfat levels are lower, creating concerns and affecting planning for milkfat handling. Milk prices are trending lower and feed prices are high and trending higher. Lower cheese prices foretell further milk price declines once prices work into milk pricing formulas in future months. Currently, plants are running on schedule and handling the milk supply well. The upcoming year end holidays should not stress processors as they historically have. ARIZONA milk output is steady with only slight fluctuations. Milk handling is along plans. Class I retail demand is higher ahead of increased holiday orders. School and college demand is waning as institutions begin to recess for winter/holiday breaks. CREAM markets are performing along expectations. Increased demand is noted from accounts making higher class, holiday related items. Less ice cream demand is taking place as some begin to prepare for holiday downtime. Butter churning is active to fill holiday related print needs. Churns will be able to handle surplus cream offerings over the holidays and most welcome the chance to rebuild inventories. The CME Group butter price closed at \$1.6500 on Wednesday, December 15, up 4 cents from a week ago. Cream multiples range from 100-123 and vary based on class usage and basing point. Milk supplies are at expected levels in the PACIFIC NORTHWEST. The weather has been wet along coastal areas with some local flooding. Weather conditions have been a non factor overall for milk production and handling of milk supplies. Class I usage has been good in advance of the holidays and is expected to slow as schools let out for the year end. Increased supplies of manufacturing milk are expected and plants are ready for the additional milk. Processing capacity in the region is adequate for the increased supplies. UTAH and IDAHO weather conditions are seasonal with some warmer weather clearing earlier snows. Milk intakes are above year ago and being welcomed as manufacturing capacity is above current supplies. Processors are looking at lower cheese prices and how these will impact herd expansion in the area. Increased feed costs combined with lower milk prices are expected to limit growth in the near future.

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 nonfat dry milk prices are steady to higher as contract prices adjust relative to various pricing indices. NDM spot market offerings are somewhat improved as producers recalculate planned NDM output through the end of the calendar year, as well as contract volumes needed to cover shipments through the first two weeks in January 2011. NDM production is increasing as milk intakes allow at various plants. Most manufacturers are setting up for prolonged runs of NDM during the last two weeks of the year because demand from higher class products usually tapers off due to short term plant closings and other scheduling alterations that decrease demand. According to the latest Foreign Agricultural Service report, January – November 2010 imports of dried skim milk in the high tier category totals about 89,000 pounds. Quota dried skim milk imports during all of 2010 total about 86,000 pounds. EAST: Eastern nonfat dry milk prices increased in the East this week and moved the upper end of the mostly price range 1 cent higher. Winter storms increased already strong Class I demand and limited manufacturing milk supplies. Lighter manufacturing supplies are allowing plant managers to schedule increased high heat and Kosher product runs. Nonfat dry milk supplies remain fairly tight in light trading. Buyers are limiting their purchases to immediate needs, unwilling to expand inventories at the end of the year. Some plant managers are finishing up maintenance projects ahead of the anticipated increased milk volumes over the holidays. Export interest remains fairly good. According to FAS, January-October 2010 exports of nonfat dry milk total 697.4 million pounds, 48% increase compared to January-October 2009.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2000 - 1.2950 MOSTLY: 1.2400 - 1.2800
 HIGH HEAT: 1.3100 - 1.3900

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-OCT	697.4	+ 48
1 Mexico	209.5	+ 5
2 Philippines	95.7	+ 80
3 Indonesia	78.3	+113
4 Vietnam	62.5	+113
5 Malaysia	38.9	+103
October Total	109.5	+ 69

NONFAT DRY MILK - WEST

Pricing levels for low/medium heat nonfat dry milk are steady to slightly higher with the market tone firm. Pricing indices are moving incrementally higher. Increasing pricing index prices are also noted in world markets with the gDT nearby contract pricing for February 2011 trading at an average of \$2992 per MT or \$1.36 per pound. The volumes traded were up to 1500MT for the nearby period. The “forecast total supply for all SMP products for the next 12 months” was reduced 11.2% from the previous event. Some of the reasons for the adjustment are adverse weather conditions and changes in product schedules. Current domestic U.S. demand is limited with buyers unaggressive. Year end considerations and the lack of needs are the biggest reasons. Export interest is fair to good and there are more contracts being put in place for the upcoming quarter and year. More contracts than normal are being made with prices being made off an index, versus a straight price. Production is mainly steady and reflecting the region milk supplies. There are expectations of higher drying schedules over the upcoming yearend holidays, yet there are no issues expected in handling the milk supplies. According to FAS, US exports of NDM/SMP totaled 697.4 million pounds for the period of January to October 2010, up 48% from a year earlier.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2000 - 1.2650 MOSTLY: 1.2050 - 1.2350
 HIGH HEAT: 1.2350 - 1.3800

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are unchanged to lower. As the calendar year winds down, prices on loads of Central dry buttermilk clearing through the spot market reflect the recent moderation in butterfat values as well as some manufacturers’ interests in decreasing year-end holdings. Current buttermilk production is active at several locations, with interest in 82% butter prompting some of the current churning activity. Buttermilk is moving readily in condensed form, with some plants clearing all buttermilk in that form. Other plants are drying buttermilk. EAST: Dry buttermilk prices decreased on the low end of the range this week. Buttermilk production is mixed as overall butter production is hand to mouth for current orders and plants are hesitant to expand inventories at year’s end. Demand for dry buttermilk is light as numerous ice cream plants are winding down production prior to their holiday shutdowns. Spot market activity is very light with the limited current production adding to inventories.

F.O.B. CENTRAL/EAST: 1.0600 - 1.3000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are slightly lower in limited trading. The market undertone remains on the weaker side. Demand is light with buyers reluctant to take additional loads at this time of year. Other buyers are using their stocks before repurchasing. Limited offerings are available in resale channels. Drying schedules are active and continues to reflect the higher butter churning levels. Most producers have some buttermilk on hand and overall stocks are light to moderate.

F.O.B. WEST: 1.0800 - 1.2100 MOSTLY: 1.1400 - 1.2000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 10	\$1.1973	10,923,261	0
December 3	\$1.1937	12,880,928	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.

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**

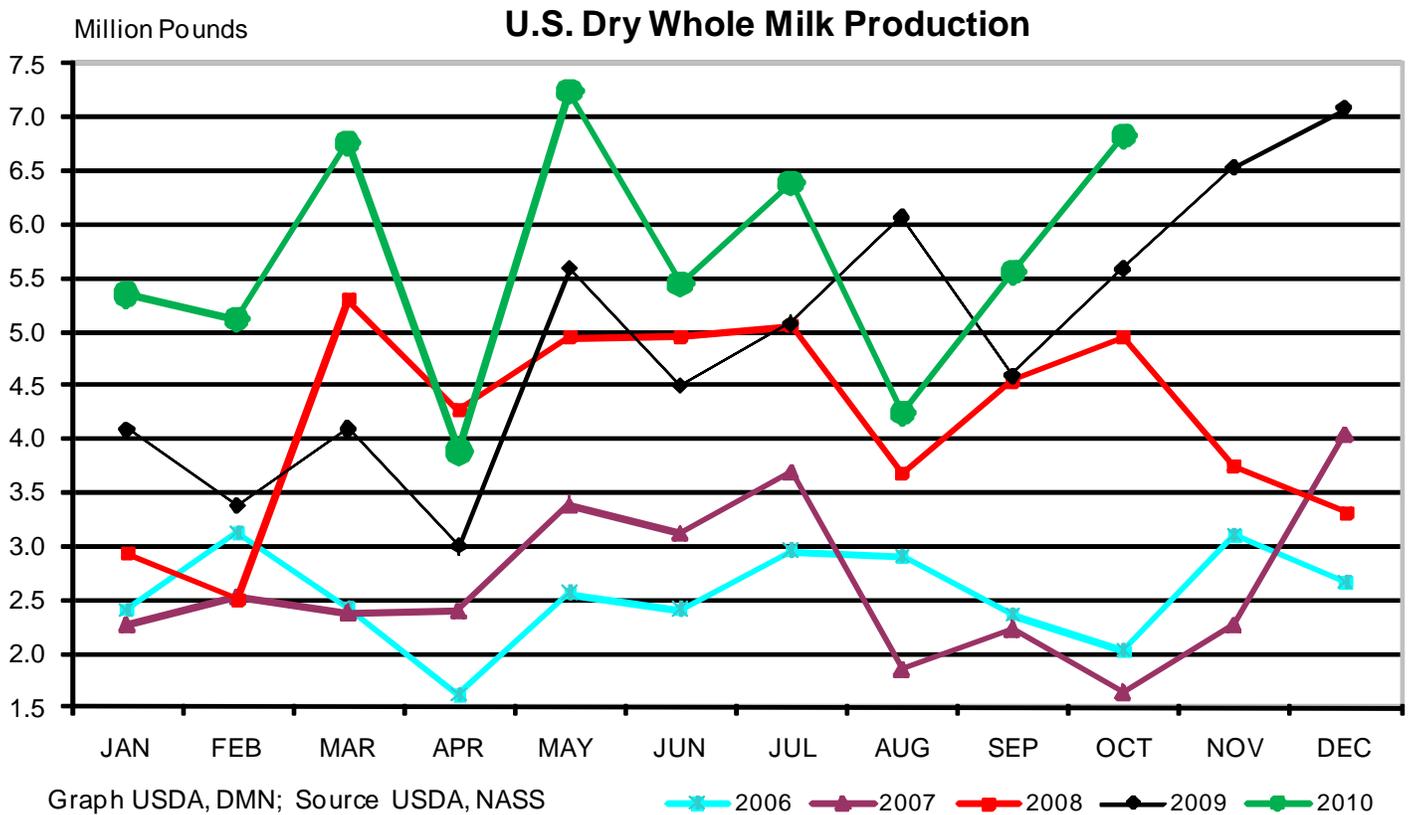
Dry whole milk prices are steady on a firm market. Contracting for 2011 continues, with a few plants indicating production for the new calendar year will increase compared to previous years. The latest global Dairy Trade auction results show prices trending higher. New Zealand regular dry whole milk winning prices per pound for the various contract periods and percent change in price from the previous auction are: Contract 1, \$1.6239, +3.0%; Contract 2, \$1.6420, +2.0%; Contract 3, \$1.6171, +2.2%. New Zealand offered quantities for the three contract periods were 11,000 MT, 9,500 MT and 2,000 MT, respectively. According to the latest Foreign Agricultural Service report, January – November 2010 imports of dry whole milk in the high tier category total about 185,000 pounds. Quota imports of dry whole milk during January – November 2010 total about 2.5 million pounds, about 65% lower than during the same time span of 2009. Total quota imports represent about 35% of the allowable imports under licensing requirements. November 2010 quota dry whole milk imports total about 192,000 pounds, a 14% decrease from November 2009. All 2010 quota import product originated in Australia, Denmark, Netherlands, or New Zealand.

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-OCT	69.4	+182
1 Vietnam	19.1	+4,191
2 Mexico	18.9	+15
3 Russia	13.7	-
4 Egypt	2.6	+604
5 Canada	2.1	+8
October Total	2.4	-10

F.O.B. PRODUCING PLANT:

1.6500 - 1.7500



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 tone is mixed as spot loads from various manufacturers cleared at both higher and lower prices compared to the previous week. Pricing was reportedly guided by demand as well as supplies on hand at various locations. Dry whey production is steady to lower as a few smaller plants chose to sell milk rather than produce cheese while the cheese market tone is unsteady. Some plants noted that milk deliveries were slowed by the recent snowstorms, but all milk was processed within required timeframes. Condensed whey availability is steady to lower for the week, cutting into dry whey production at some facilities. ANIMAL FEED DRY WHEY prices are steady on a firm market. Availability remains tight, thrusting more animal feed blenders into the edible dry whey market for feed blend components. Some feed manufacturers indicate interest in feed for replacement heifers is lower. Use of repasteurized, reclaimed milk from bottler accounts is reportedly offering a price-competitive option to those calf raisers with operations of sufficient scale.

F.O.B. CENTRAL: .3350 - .4050 MOSTLY: .3400 - .3750
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2500 - .3575

DRY WHEY - NORTHEAST

The price range for Northeast dry whey narrowed as the low end moved higher and the high end moved lower. The net effect of these price changes moved the average price higher by a 1/4 cent. Dry whey production remains mostly steady as cheese production in the East continues to be fairly active prior to the holidays. Spot market offerings remain nearly nonexistent as manufacturers are rationing supplies to cover year end contracts. Spot market activity is extremely light, due to the extremely tight supplies. Those buyers seeking product are forced to look out of region or for resale opportunities with pricing above the upper end of the range. Domestic and export demand remains good, supporting the market's firm undertone. The latest Foreign Agricultural Statistics report shows 460.4 million pounds dry whey were exported from the United States during January-October 2010, up 25% from January-October 2009.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3825 - .4075

DRY WHEY - WEST

Western whey prices continue to be steady to firm. Production levels are steady for dry whey and tend to be geared to fulfilling contracted needs. Spot sales are very limited. Demand for additional whey supplies is good, although product availability is a limiting factor. Export demand is above year ago levels. Negotiations for first quarter of 2011 are ongoing. According to the Foreign Agricultural Service, exports of dried whey for January-October total 460.4 million pounds, up 25% from January-October 2009. The exports account for 54.2% of the total whey production in the U.S. for January-October. The top five importing countries accounted for 248.6 million pounds or 54% of the exports for January-October.

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

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-OCT	460.4	+25
1 China	87.0	+ 3
2 Mexico	48.0	+40
3 Japan	43.1	+ 5
4 Canada	40.3	+ 4
5 Vietnam	30.1	+55
October Total	47.5	+ 1

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The whey protein concentrate 34% market is steady to firm with prices increasing on the range. Most industry participants indicate FOB spot offers of edible WPC 34% are intermittent and loads are generally clearing to established accounts versus newcomers. Some pushback on aggressive pricing is noted. Contracting for 2011 is winding down at some locations, with buyers noting higher premiums from most manufacturers. Some industry participants speculate that the emerging industry trend of decreased WPC 34% production is giving rise to both the opportunity for some manufacturers to sell condensed WPC 34% to other plants capable of further refinement and higher market prices for dry WPC 34%.

F.O.B. EXTRA GRADE 34% PROTEIN: .9800 - 1.0750 MOSTLY: .9800 - 1.0100

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-OCT	233.3	+ 49
1 China	96.0	+108
2 Mexico	51.9	- 17
3 Canada	33.5	+ 91
4 Japan	16.9	+ 54
October Total	25.2	+ 26

LACTOSE - CENTRAL AND WEST

The lactose market is mostly steady. Spot loads are intermittently availability from a few producers, but some end users report that the packaging format limited interest in a few loads. Some industry speculation is circulating regarding the current demand for lactose from Oceania skim milk powder (SMP) producers. Farm milk production in New Zealand is reportedly declining rapidly due to drought conditions, which may lead to decreases in SMP production as well as the related need for lactose as a standardizing component. Lactose contracting for 2011 is in all stages. Some trading partners are still engaged in discussions while other buyer/seller pairs have finalized their 2011 contracts. Quarterly pricing seems to be the most common form of agreement, but a few fixed price quarterly and annual contracts have been penned.

Including spot sales and up to 3 month contracts.

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

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-OCT	286.7	+ 27
1 Mexico	38.0	+ 57
2 Japan	34.4	+ 6
3 China	30.4	- 48
4 Brazil	25.2	+151
5 New Zealand	20.5	+ 49
October Total	36.3	+ 55

CASEIN - NATIONAL

Casein prices are steady though the market is unsettled. European supplies continue to be shipped from inventory but supplies are limited since very little uncommitted product was made. Suppliers are expecting the extra product may disappear early in 2011. The dry weather in New Zealand has reduced milk receipts and one casein plant has been closed as a result. The milk is being shifted to other products/plants, often with better returns than casein. Oceania suppliers are cautious with casein commitments due to continued concerns about milk availability and continued casein production.

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 13 - 17, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/10	LAST YEAR	12/10/10	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 13 - 17, 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. 17, 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 13 - 17, 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 11/27/10 & 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	7.2	2.4	15.5	2.7	0.1	N.A.	14.1	2.2	45.6	2,562.0	39.9	43.5
2009-Dairy	N.A.	0.4	6.3	2.6	13.2	2.4	0.6	N.A.	11.4	2.6	40.5	2,611.9	39.8	46.3
2010-All cows	N.A.	0.6	9.0	11.5	29.3	19.9	14.0	N.A.	19.0	7.0	114.4	5,889.7		
2009-All cows	N.A.	0.6	8.0	10.8	27.0	16.0	12.5	N.A.	15.7	7.7	101.7	5,638.8		

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
DECEMBER 4	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

ORGANIC DAIRY MARKET NEWS

Information gathered December 6 - 17, 2010

ORGANIC DAIRY FLUID OVERVIEW

As 2010 nears an end, the year is now able to be characterized as one where the organic dairy industry has experienced a solid rebound from the previous downturn. One participant involved both as a producer and processor, remarked that “the organic dairy business is a good one to be in!” A mostly optimistic outlook is expressed across the spectrum of the industry, from smaller more locally focused to national operations. The organic dairy sector is evolving in varied ways.

Many smaller organic processors have experienced positive sales results by focusing on marketing organic dairy products with a local food concept. This has been successful in 2010, not only in less urban areas, but also the largest urban areas such as New York City and Chicago.

New York originated organic milk, branded as such, has found sales success in New York City through both retail sales as well as significant sales involving home delivery, which is popular with a number of residents of high rise buildings. In New York state, 27 permits were issued to new small artisanal cheese makers. This has resulted in new outlets for organic milk and resulted in new organic cheese brands, generally marketed within the concept of being local and sustainable.

A new organic ice cream brand based in Wisconsin has launched by acquiring organic milk and cream within the state, manufacturing in an existing plant when non-organic ice cream is not being made, then selling through various outlets including a regional outlets of a national natural food store chain. The product is now also marketed and available in the very urban Chicago market. In Wisconsin, an organic whey manufacturing plant was constructed and began operating this year – one of the first dedicated organic whey plants in the U.S.

National organic dairy brands are working toward expanding the number of organic producers. Organic milk sales for the year have generally exceeded expectations of national organic dairy processors and brands when 2010 began. New construction of added facilities is planned or even underway in parts of the country. New branded organic dairy products have been introduced during 2010 and more will be introduced in 2011. For example, organic milk with omega-3 has experienced impressive sales gains. Flavored half and half is in the offing. National brands have also expanded through partnerships to provide private label milk and products such as organic butter. Some exports of organic dairy products are occurring and more will be known about the magnitude in early 2011 when new Foreign Agriculture Service category codes expand to include organic products.

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

Comparing average retail half gallon organic reduced fat (2%) milk prices for December, 2010 with the 2010 average in each of 30 cities, eleven cities are above the 2010 average, sixteen are below, and three are even with the average. Minneapolis had the highest average price for organic 2% milk in December, at \$4.99, 25 cents higher than November.

Minneapolis also had the December price highest over the 2010 average, 47 cents. There is no uniform perspective offered by retailers, processors or other observers, as to why Minneapolis stands so far above other cities, its’ 2010 average, or even last month’s average price. Opinions tend to focus on retailer factors related to the nature of the Minneapolis area retail food market.

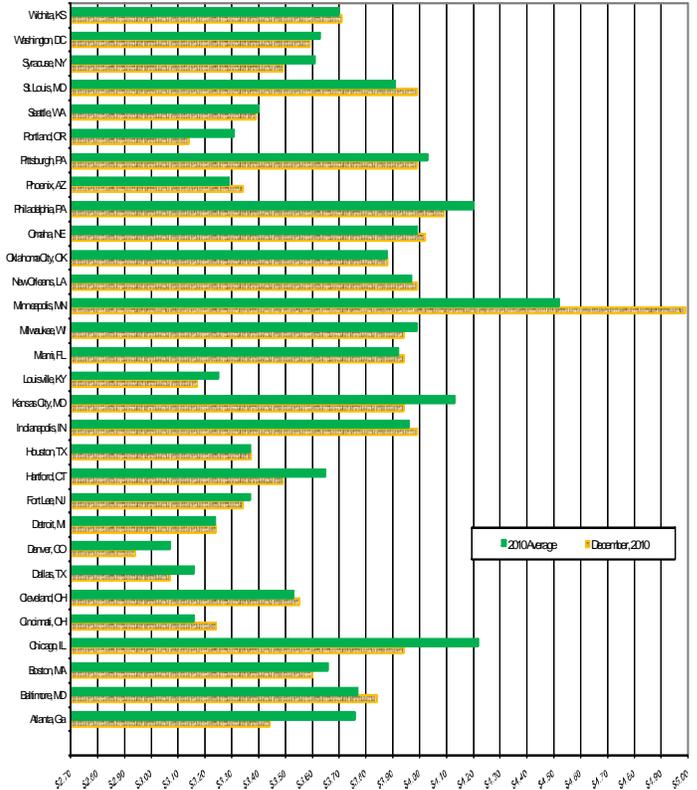
Denver had the lowest average price for December, \$2.94, which is unchanged for five consecutive months. Observers tend to suggest that Denver average retail organic milk prices are affected by far more organic milk production in the area than is needed for retail demand, in addition to an aggressively competitive retail grocery environment.

Atlanta’s November price, \$3.44, is most under the 2010 average among all cities, 32 cents.

The December, 2010 average price for the 30 cities combined is \$3.66, 3 cents lower than the 2010 all city average.

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

Half Gallon Organic 2% Milk Price Change 2010: December Compared to Annual Average



NATIONALLY ADVERTISED PRICE COMPARISON:

Organic dairy retail advertising this period emphasizes milk in 8 ounce containers and curiously not organic products that may be conducive to pre-holiday baking or parties, such as organic butter, sour cream, egg nog, etc.

The only organic dairy product advertised in every one of the six regions this period, was 8 ounce milk in aseptic packages. Ads for 8 ounce organic milk also comprised nearly half of all organic dairy ads and just over 75% of all organic milk ads. Thus, whether measured by numbers of ads or geographic scope, 8 ounce organic milk was the only organic dairy product advertised in all regions of the United States in the week prior to the Christmas Holiday. Moreover, the total number of ad placements for 8 ounce organic milk, 1,498, set a record for the second highest level of ads for this product during 2010.

Another 2010 record was set for organic milk in half gallon containers. The 24 ads nationally set a record for the lowest number of organic half gallon ad placements during 2010.

Organic butter ads declined precipitously from 1,064 last period, the highest number of any period during 2010, to only 79 this period. Nevertheless the national weighted average advertised price, \$4.99, remained within 6 cents of last period and was \$1.21 higher than the organic butter average advertised retail price last year at this time.

As for numbers of organic butter ad placements, the chart below shows that for three of the last four reporting periods of 2010 compared with 2009, more organic butter ads ran in 2009 than 2010. Further comparing 2009 and 2010, while average advertised organic butter prices for three of the four referenced reporting periods were no more than 20 cents apart, for the current period number 50, the 2010 national average advertised organic butter price is \$1.21 higher than this time in 2009.

Overall, this reflects less evidence of 2010 retailer focus on organic butter price competition and advertising toward the end of the period leading into the Christmas Holiday, than at this time last year.

ORGANIC DAIRY MARKET NEWS

Information gathered December 6 - 17, 2010

CONTINUED FROM PAGE 8

YEAR-END ORGANIC BUTTER PRICE - AD PLACEMENT NUMBERS
2009 - 2010 COMPARISON

WEEKLY PERIOD	AD PLACEMENT #*S		PRICE*	
	2009	2010	2009	2010
50	250	79	3.78	4.99
48	103	1,064	4.73	4.93
46	658	55	4.16	3.99
44	541	304	4.44	4.45

*Price is national weighted average advertised price in dollars

These characteristics of organic butter retail advertising are somewhat in contrast with retail advertising of non-organic butter. For the same weekly newspaper ads used for surveying organic dairy data, non-organic and organic butter track in opposite price trend directions. In period 46, non-organic butter had an average advertised retail price of \$2.77, which fell 41 cents to \$2.36 by period 50, the current period. As the chart above reflects, for the same 2010 time reference, the organic price increased \$1.00 to \$4.99 between period 46 and period 50.

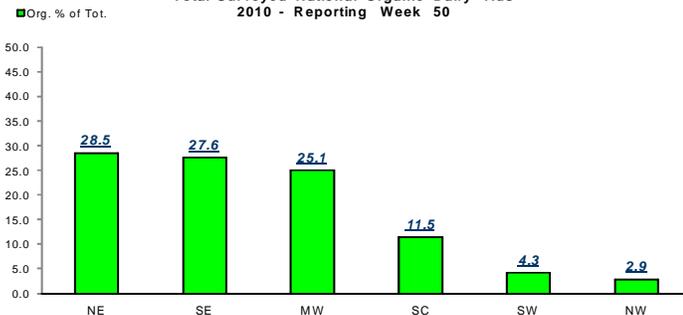
Ad number trends also diverged for organic and non-organic butter. Non-organic butter ad placements decreased from 5,797 in period 46 to 1,592 in the current period. Organic ad placements increased by 24 to 79 for the same time span. Also noteworthy is that non-organic ads appeared in all six regions during both periods, while organic butter ads appeared only in the Midwest for period 46 and the Southeast for the current period.

Total store organic dairy ads were up 452 from last period to 2,737. This is within the general range of the last five reports: between 2,285 to 3,500 organic dairy ads out of a total survey of 9,150 ads.

This information is compiled from newspaper supermarket ads for the period December 4, 2010 to December 17, 2010 identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

Regional Organic Dairy Ad Trends - Current Period. The regional share of total organic dairy ads was relatively close between ads in three regions: the Northeast (28.5%); Southeast (27.6%); and Midwest (25.1%). The remaining regions trailed: South Central (11.5%), Southwest (4.3%) and Northwest (2.9%).

Regional Organic Dairy Ads As A Percentage of Total Surveyed National Organic Dairy Ads
2010 - Reporting Week 50



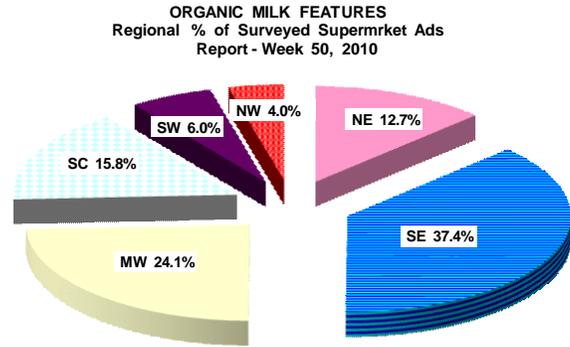
Product Emphasis. Organic milk ad placements totaled 1,994, up from 994 two weeks ago but a few less than 2,281 four weeks ago. In addition to the previously mentioned ad placements for organic milk half gallons and 8 ounce containers, there were 472 ads for gallons, up from 137 two weeks ago.

The total number of organic yogurt ad placements this period is 454, well below 1378 two weeks ago and about half of ad placements four weeks ago. All yogurt ad placements were either for 6 ounce containers, 200, or 4 ounce containers, 254.

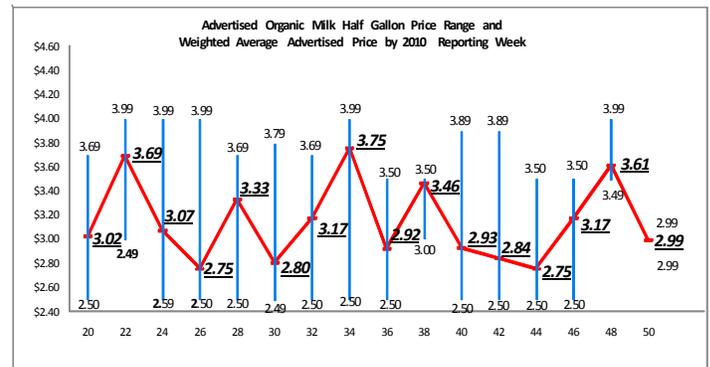
Individual store ads may contain more than one type of organic dairy featured item, or multiple brands of the same item and size. Thus, numbers shown below for product emphasis exceed total organic ad numbers.

Milk. Organic milk ads appeared in all six regions in contrast with the last report, when no milk ads appeared in weekly supermarket ads in the Northwest.

The highest concentration of current milk ads, 37.4%, appeared in the Southeast. Coincidentally, two weeks ago the region with the most ads, the Northeast, also had 37.4% of organic milk ads. However, this report the Northeast had 12.7% of milk ads. The remaining regions and percentages include the Midwest, 24.1%; the South Central Region, 15.8%; the Southwest, 6.0%; and the Northwest, 4.0%.



Half Gallons. The national weighted average advertised price for half gallons of organic milk declined 62 cents to \$2.99. All ads listed a price of \$2.99 this report. With only 24 stores in the Midwest running ads for organic milk half gallons, the lowest number of ads for organic half gallons during 2010, this represents a very small price base.



Even with the Midwest as the only region with half gallon ads, the current average advertised price for the region, \$2.99, is 53 cents lower than two weeks ago when the region had 192 ads.

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

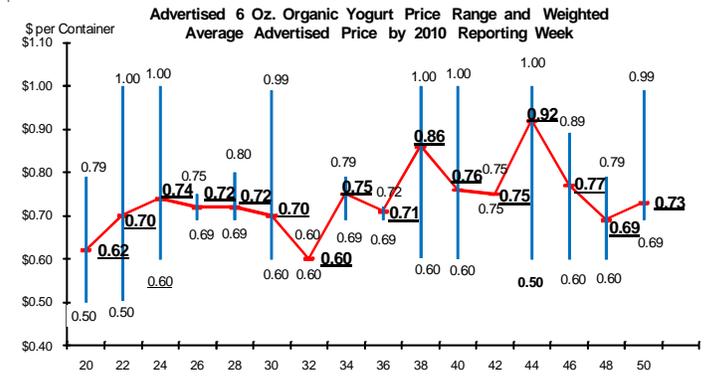
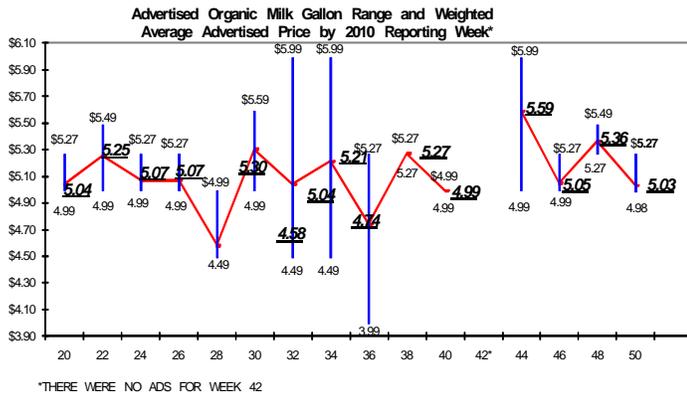
REGION %	WTD. AV. ADVERTISED PRICE \$
NE	00.0
SE	00.0
MW	100.0
SC	00.0
SW	00.0
NW	00.0
	2.99

Gallons. Organic milk gallon ads appeared in two of the six regions, the same number as two weeks ago. The regions also remained identical: the Northeast and Southeast. Nevertheless, even with the same two regions, the national weighted average advertised price for organic milk gallons fell 33 cents to \$5.03 this report. The top and the bottom of the range both fell - the top by 22 cents to \$5.27 and the bottom by 29 cents to \$4.98. There were 472 ads for organic gallons in contrast with 137 two weeks ago.

ORGANIC DAIRY MARKET NEWS

Information gathered December 6 - 17, 2010

CONTINUED FROM PAGE 8-A



The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price. The Northeast regional weighted average advertised price is 50 cents lower than two weeks ago and the Southeast price is 21 cents lower.

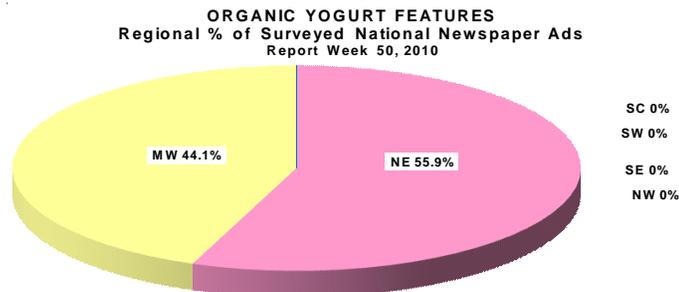
GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADVERTISED. PRICE \$
NE 42.0	4.99
SE 58.0	5.06
MW	—
SC	—
SW	—
NW	—

8 Ounce Milk. The survey recorded 1,498 ad placements for 8 ounce organic milk, a record for the second highest level of ads during 2010. This contrasts with no ads two weeks ago and 711 four weeks ago. All ads were for one national brand, with a \$1.00 price. This contrasts with a weighted average advertised price four weeks ago of 78 cents.

This current advertising intensity reflects a brand and retailer effort to maintain a consumer connection between this product, which is popular with school children for school lunches, as many schools begin vacation periods until early next year.

Yogurt. While two weeks ago all regions except the Northeast had organic yogurt ads, this report only two regions, the Midwest and Northeast, had organic yogurt ads. Leading was the Northeast with 55.9% followed by the Midwest had 44.1%.



The national weighted average advertised organic yogurt price in 6 ounce containers increased 4 cents to 73 cents. The top of the range increased 20 cents to 99 cents and the bottom increased 9 cents to 69 cents. All 6 ounce yogurt ads ran in the Midwest, unlike two weeks ago when 6 ounce ads ran in five regions.

6 OUNCE ORGANIC YOGURT ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADVERTISED. PRICE \$
NE 00.0	—
SE 00.0	—
MW 100.0	0.73
SC 00.0	—
SW 00.0	—
NW 00.0	—

All other organic yogurt ad placements featured 4 ounce yogurt and all were in the Northeast. There were 254 ads with an average advertised retail price of 66 cents.

Butter. Organic 1 lb. butter placements fell to a 2010 low of 79, all in the Southeast. This is well down from 1064 two weeks ago. All prices were \$4.99.

Eggnog. Eggnog ad placements for one quart containers increased to 397 from 225 ads two weeks ago. All organic eggnog ads were in the Northeast, unlike two weeks ago when most such ads were in the Midwest. Prices were uniformly \$3.79.

Half and Half. Ad placements for organic half and half in pint containers totaled 297, all in the South Central Region. Prices were uniformly \$1.99, down from the weighted average advertised price two weeks ago of \$2.74. This also represents a geographic shift from two weeks ago, when most ads were in the Northeast and Midwest.

Sour Cream. Organic sour cream ad placements for 1 pound containers totaled 31, well down from 179 two weeks ago. All ads this period are in the Midwest and all uniformly priced at \$2.49. Two weeks ago, ads ran in the Northeast and Midwest regions with a price range of \$2.99 to \$3.89 and a weighted average advertised price of \$3.81.

Cheese. Organic cheese ad placements for 8 ounce packages of sliced organic American cheese totaled 139, 129 in the Northeast and 10 in the Southeast. The advertised price was uniformly \$3.99.

No ads appeared for organic ice cream, cottage cheese, cream cheese or whipping cream.

SUPERMARKET PRICE COMPARISON:

Madison Wisconsin Prices. Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period.

Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big-box chain store also selling food; and a large local cooperative grocery store.

Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheesemakers.

ORGANIC DAIRY MARKET NEWS

Information gathered December 6 - 17, 2010

CONTINUED FROM PAGE 8-B

A table summarizing the survey results appears below.

**ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE
REPORTING WEEK 48**

	MADISON, WI		
	<u>LOW</u>	<u>HIGH</u>	<u>RANGE</u>
	(In Dollars)		
GALLONS:			
Whole	5.19	6.49	1.30
Reduced Fat (2%)	5.19	6.49	1.30
Low Fat (1%)	5.19	6.49	1.30
Nonfat (Skim)	5.19	6.49	1.30
HALF GALLONS:			
Whole	3.39*	4.19	0.80*
Reduced Fat (2%)	3.39*	4.19	0.80*
Low Fat (1%)	3.39*	4.19	0.80*
Nonfat (Skim)	3.39*	4.19	0.80*
CHOCOLATE HALF GALLON:			
	3.39	5.69	2.30
YOGURT	.79	1.59	0.80
CHEESE – 8 OUNCE BLOCKS:			
Mozzarella	3.59	5.75	2.16
Mild Cheddar	3.50	5.99	2.49
Monterey Jack	3.50	5.99	2.49
Pepper Jack	3.59	5.99	2.40
CHEESE – 6 OUNCE STRING			
Mozzarella	3.89	5.89	2.00*
Colby Jack	3.89	5.39	1.50*
BUTTER – 1 POUND	4.79	8.45	3.66

*=Price change from prior reporting period

Of 34 prices forming the top and bottom of the price range for the organic dairy categories shown above, 4 changed from two weeks ago, with all being low prices moving higher. All 4 of the changes increased the low price for half gallons to \$3.39 from \$2.99 two weeks ago. This lowest price is available in two separate stores: a national discount big box store for the store brand and a local big-boxed size supermarket for a national brand.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mostly steady on light demand and moderate offerings. Feed grade organic corn traded higher in the Upper Midwest region. Trading activity was slow as producers continue to hold out for higher prices. Moderate demand was being seen for food grade soybeans and feed grade wheat. However, in general, movement in food grade commodities was slow with weak demand.

Eastern organic grain and feedstuff prices were steady. Organic grain movement was light as many producers were sitting on the sideline waiting to sell at higher prices. Trading activity was slow but demand was moderate for food grade soybeans and feed grade wheat. Upper

Midwest organic grain and feedstuffs prices traded steadily, with the exception of feed grade corn, which was higher. Light demand and moderate offerings were reported. A correlation with the current conventional market was reported as a factor in higher corn prices as of late. Food grade grain movement was noted as very slow, reportedly due to lack of demand.

Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, NOVEMBER 2010

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for November have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During November, about 10.1 billion pounds of milk were received from producers. This volume of milk is 9.8 percent higher than the November 2009 volume. In November 2009 and November 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 4.0 percent higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 38%, Class II = 10%, Class III = 45% and Class IV = 7%. The weighted average statistical uniform price was \$17.34 per cwt., \$0.66 lower than last month and \$2.70 higher than last year.

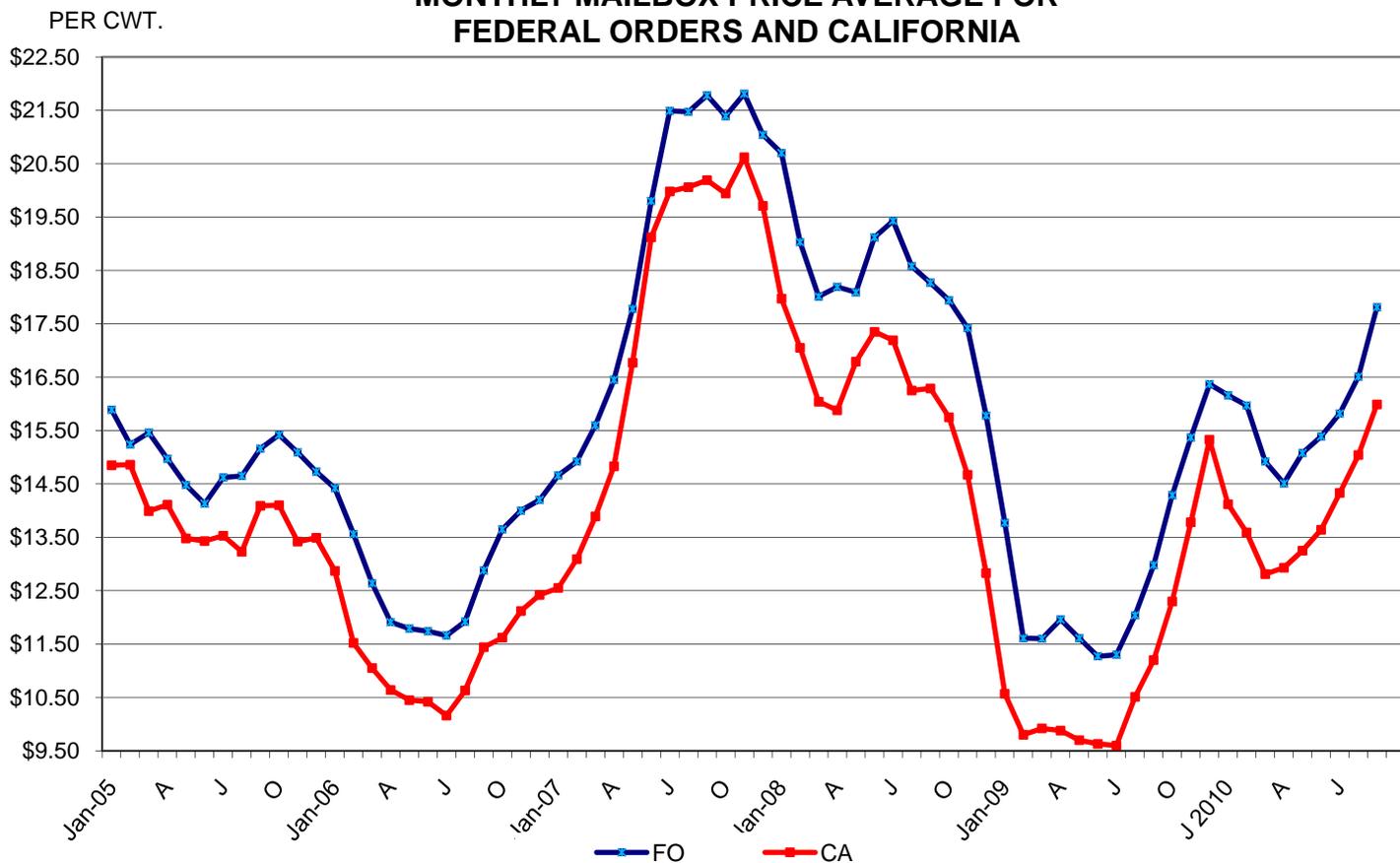
PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 2010										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	1,969.0	8.3	899.6	6.9	46	21	25	8	18.17
Appalachian (Charlotte)	005	492.0	1.3	351.7	1.7	71	14	8	7	19.45
Southeast (Atlanta)	007	573.0	2.1	404.3	2.4	71	9	17	3	19.62
Florida (Tampa)	006	247.4	-0.4	214.3	1.5	86	8	3	3	21.61
Mideast (Cleveland)	033 3/	1,226.0	-6.3	557.1	-3.2	45	12	37	6	17.02
Upper Midwest (Chicago)	030 3/	2,640.7	9.0	379.6	4.3	14	2	83	1	15.92
Central (Kansas City)	032 3/	1,110.0	16.9	397.2	12.3	36	11	45	8	16.67
Southwest (Dallas)	126	900.9	81.6	385.5	7.7	43	6	46	5	17.69
Arizona (Phoenix)	131	347.2	8.9	120.8	-1.8	35	10	27	28	17.30
Pacific Northwest (Seattle)	124	637.5	0.9	195.5	3.9	31	7	41	21	16.71
ALL MARKET AVERAGE OR TOTAL	3/	10,143.8	9.8	3,905.7	4.0	38	10	45	7	17.34

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

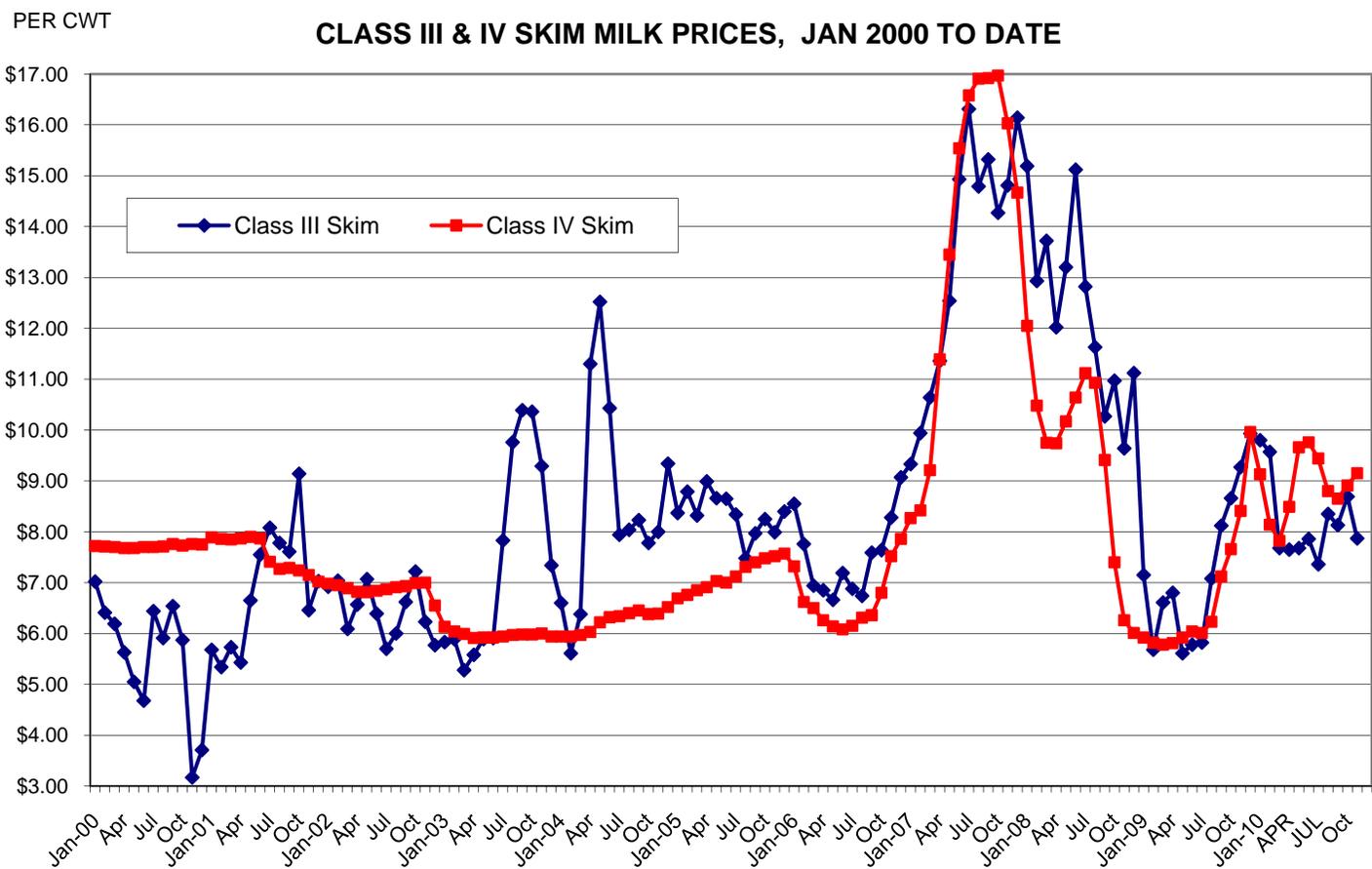
2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 245 million pounds of milk that normally would have been associated with these markets. In November 2009, the estimated not pooled volume of milk was 946 million pounds, occurring in order numbers 030, 032, 033, and 126. After adjusting for non pooled milk, the year-to-year percent change is +2.0%.

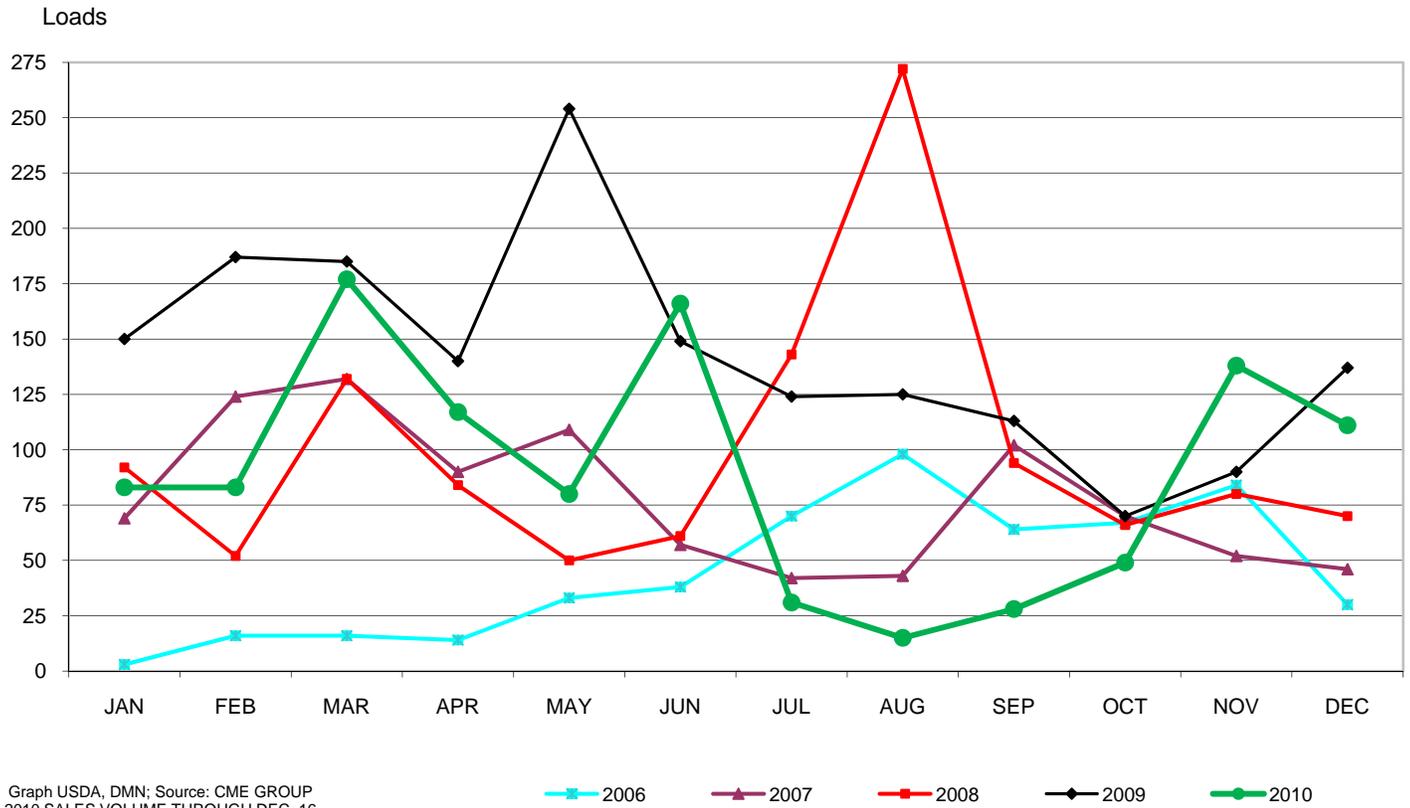
MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA



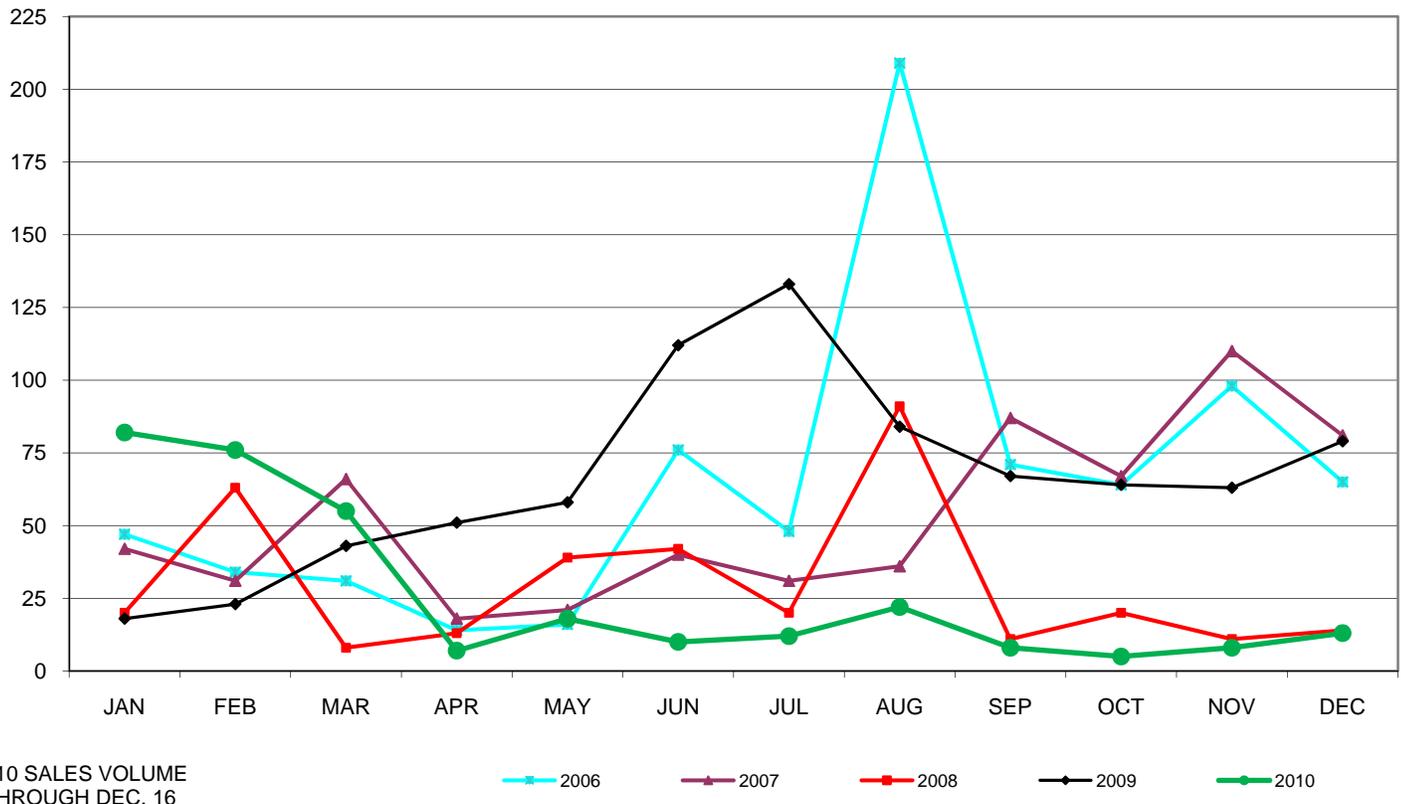
CLASS III & IV SKIM MILK PRICES, JAN 2000 TO DATE



CME Group Monthly Cash Cheese Sales Blocks and Barrels Combined



LOADS CME GROUP CASH BUTTER MONTHLY SALES



DAIRY MARKET NEWS

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