

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (12/23):**

**BUTTER:** Grade AA closed at \$1.6525. The weekly average for Grade AA is \$ 1.6525 (+.0055).

**CHEESE:** Barrels closed at \$ 1.3550 and 40# blocks at \$ 1.3225. The weekly average for barrels is \$ 1.3725 (+.0205) and blocks, \$ 1.3225 (-.0100).

**BUTTER HIGHLIGHTS:** The CME Group cash butter price has held steady during this holiday shortened trading week at \$1.6525. Churning activity is starting to increase across the country as cream volumes become more available. Butter producers anticipate that churning activity during the next week to 10 days will be quite active. By midweek this week, cream pricing multiples were declining and many butter producers anticipate that multiples might decline further as cream volumes build. Churning activity will center around 80% salted butter for domestic needs with some butter producers indicating that they will be churning 82% unsalted for export early in 2011. International butter prices are firm and supplies are limited, thus domestic butter producers feel that international buyer interest might be strong in 2011 for U.S. produced butter stocks. Domestic butter demand dropped off this week as holiday orders have been placed and shipped. Some fill-in orders are expected for next week, but overall orders for 2010 are now completed. Food service orders were good during the Thanksgiving and yearend holiday period this year. Some restaurant buyers indicated that traffic flow through their establishments was often stronger than anticipated.

**CHEESE HIGHLIGHTS:** The CME Group cash cheese prices were mixed over the week as traders prepare for January. Barrel prices moved higher early before declining while blocks were steady. Block sale activity at the CME Group remained brisk as buyers rebuild aging programs and prepare for Super Bowl orders in January. Finished product orders were generally light as customers watch holiday movement and try to minimize inventory until January. Bulk needs were lighter as packagers and processors operate on abbreviated holiday schedules. The holidays, along with snow and rain in Western locations, have delayed some bulk cheese deliveries. Cheese production is expected to increase as fluid needs will be lighter through the yearend holidays. November quota cheese imports totaled 22.1 million pounds, up 20.8% from November 2009. So far in 2010, quota cheese imports total 152.5 million pounds, down 16.7% from the same period in 2009.

**FLUID MILK:** Very heavy and persistent rain in California led to a state of emergency being issued for six counties on Tuesday. However, farm level milk production was generally holding up well early in the week, with production declines expected if the heavy rain persists. Arizona milk production is steady to trending lower. New Mexico milk output is mostly steady. Milk production in the Pacific Northwest continues to build as

farmers get more from each cow and are building cow numbers. Utah and Idaho milk production has increased, with Idaho increasing herd size significantly over last year. Northeast and Mid Atlantic manufacturing milk supplies are increasing leading to cheese plant and dryer schedules expanding to handle milk volumes. The Southeast is experiencing reduced Class I demand resulting from school breaks, as well as push back from last week's weather related Class I draws. Many Midwest bottlers were having excellent fluid sales early in the week, but by midweek bottling slowed abruptly. Midweek milk intakes were steady to generally slightly heavier.

**DRY PRODUCTS:** Central and Eastern low heat nonfat dry milk prices firmed while high heat prices are unchanged to lower. Western NDM prices are mostly steady to slightly higher. Production levels in all regions will be higher during the holiday period to accommodate increased milk volumes. Dry buttermilk prices are unchanged in the Central and Eastern Regions, while slightly lower in the West. Dry whole milk prices are unchanged with limited FOB spot market availability from producers. Dry whey prices declined at the top of the Central and bottom of the Northeast ranges while increasing at the top of the Western and Northeast range and Western mostly. Whey protein concentrate 34% prices are unchanged on a firm market. Lactose pricing is steady on the mostly series while unchanged to lower on the range. Casein markets are unchanged.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** Cold temperatures and heavy snow conditions dominate the conversations in **Europe** this week. Although these conditions are playing havoc with holiday travel plans, the dairy industry is faring fairly well. For the most part, farm pickups were not significantly impacted, but finished product deliveries to food distribution facilities were often more challenging. Traders and handlers of manufactured dairy products indicate that current adverse weather conditions are not typical for December, thus the startup of the new milk production season might develop later this year. Demand for manufactured dairy products is strong. Traders indicate that usually at this time of the year, buyer interest eases as buyers observe the yearend holidays. This year, conditions are much different. Within the past few weeks, another international tender was released looking for milk powders for first quarter deliveries. This tender along with other international interest has sparked a flurry of sales for the limited volumes of available product. For the most part, stock levels are nearing seasonal low levels, thus available stocks are being quoted at higher prices. European dairy product demand for internal needs has been and remains strong as buyers prepared for the yearend holiday period. At the December 16 Dairy Management Committee meeting, no significant dairy policy issues were acted

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY DECEMBER 20	TUESDAY DECEMBER 21	WEDNESDAY DECEMBER 22	THURSDAY DECEMBER 23	FRIDAY DECEMBER 24	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.3750 (+.0100)	\$1.3950 (+.0200)	\$1.3650 (-.0300)	\$1.3550 (-.0100)	HOLIDAY	(-.0100)	\$1.3725 (+.0205)
40# BLOCKS	\$1.3225 (N.C.)	\$1.3225 (N.C.)	\$1.3225 (N.C.)	\$1.3225 (N.C.)	CME	(N.C.)	\$1.3225 (-.0100)
NONFAT DRY MILK							
EXTRA GRADE	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	\$1.2250 (N.C.)	CLOSED	(N.C.)	\$1.2250 (N.C.)
GRADE A	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.2700 (N.C.)	NO	(N.C.)	\$1.2700 (N.C.)
BUTTER							
GRADE AA	\$1.6525 (N.C.)	\$1.6525 (N.C.)	\$1.6525 (N.C.)	\$1.6525 (N.C.)	TRADING	(N.C.)	\$1.6525 (+.0055)

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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upon, but the Commission did sell back, out of intervention stock, 4,500 MT of skim milk powder at prices ranging 2,071–2,121 Euros per MT (\$2,722–2,788). This was the first sellback in many months. Adverse weather patterns in both New Zealand and Australia continue to dominate conversations of the media, milk producers, and managers of dairy manufacturing facilities. Excessive moisture continues to cover much of **Australia**. Water reservoirs are once again getting replenished after a number of years of very low volumes. Most within the dairy industry are stating that the beneficial impact of the moisture on the dairy industry will be felt in the next few years. Currently, dairy producers and handlers are just trying to stay afloat and are dealing with the moisture as best they can. Milk production in Australia for November is running 1/2–1% ahead of November 2009. On a cumulative basis for the first 5 months (July–November) of the current season, output is running about 1/2% ahead of last season. Milk processors are pleased with this trend, especially with heavy moisture conditions in recent weeks. The locust situation appears to be in check. Current moist conditions, coupled with State and Federal spraying programs are keeping a potential adverse situation under control. Wet conditions are greatly impacting grain harvest and quality of the harvest. Dairy producers are stating that animal feed stocks should be in better supply as much of the edible grain crop for humans is being downgraded to animal feed. The grain harvest is weeks behind typical timelines. In **New Zealand**, moisture has arrived in the most severely parched regions of the North Island. Granted, this moisture is greatly appreciated, but most dairy producers and handlers state that much damage has already occurred to the current production season, thus the benefits of the moisture will probably not be felt until next season. Most milk handlers are stating that current rainfall will hopefully slow or plateau the milk production decline trend that was occurring. Due to the dry conditions, some dairy producers in the most affected areas have reduced their daily milkings to one and in some instances, have already dried off cows. On the South Island, moisture conditions are in better shape, although some reports of drier conditions are occurring. South Island dairy producers are dependent on water for irrigation to maintain pasture growth and concerns by some are developing. At the December 15 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 \$5,380 per MT, 0.7% higher than the previous event; buttermilk powder averaged \$3,020, -0.7%; skim milk powder averaged \$3,128, +2.5%; and whole milk powder averaged \$3,620, +2.6%. Oceania suppliers are stating that some international buyers are questioning supply availability and contract commitments. At this point, Oceania suppliers are optimistic that contracts will be filled, but also indicate that surplus or spot availability will be limited. Most suppliers are not acknowledging new buyer inquiries until they have a better picture on how the down side of the milk production season develops.

**OCTOBER FLUID MILK SALES (AMS):** During October, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.2% lower than October 2009. After adjusting for calendar composition, sales in October 2010 were 1.8% lower than October 2009. Estimated sales of total conventional fluid milk products

decreased 4.8% from October 2009 and estimated sales of total organic fluid milk products increased 15.0% from a year earlier.

**COLD STORAGE (NASS):** On November 30, 2010, U.S. cold storage holdings of butter totaled 70.0 million pounds, 64% of a month ago, and 49% of last year. Natural American cheese holdings total 625.6 million pounds, 98% of a month ago, and 107% of a year ago. Total cheese stocks were 1.006 billion pounds, 97% of last month, and 105% of November 2009.

**NOVEMBER MILK PRODUCTION (NASS):** Milk production in the 23 major States during November totaled 14.4 billion pounds, up 3.1% from November 2009. October production, unrevised at 14.8 billion pounds, was up 3.3% from October 2009. Production per cow in the 23 major States averaged 1,722 pounds for November, 41 pounds above November 2009. The number of cows on farms in the 23 major States was 8.37 million head, 57,000 head more than November 2009, but unchanged from October 2010.

**DAIRY OUTLOOK (ERS):** Feed prices are expected to be much higher for dairy producers next year. Higher feed costs are already pressuring producers but will not likely affect cow numbers until the second half of 2011. Cow numbers will continue to increase through the first half of 2011 and are expected to decline slightly in the second half of the year. These changes are expected to leave the herd size next year slightly above the 9,110 thousand head in 2010 at a projected 9,125 thousand head. Milk per cow is forecast to continue to rise next year, but at less than half the pace forecast for 2010. Milk equivalent imports on both a fats and skim-solids basis are forecast to be lower in 2010. Milk equivalent exports rebounded sharply this year from 2009. However, next year exports on a fats basis are expected to weaken to 6.3 billion pounds from the 8.3 billion pound total expected this year. Uncertainty over the Mexican tariff on U.S. cheese exports is contributing to the decline. Domestic commercial use on a fats basis is expected to rise by nearly 2 percent in 2011; this would be the sharpest year-over-year rise in at least 4 years. Domestic commercial use on a skim-solids basis is forecast to climb by nearly 3 percent in 2011. Strong domestic use, a good export outlook, and only a moderate increase in milk production provide the basis for continued strong price performance estimates for dairy products into 2011. While butter prices have retreated from earlier peaks, the 2010 average price is expected to be \$1.685 to \$1.715 per pound this year. Prices in 2011, while not as high as this year's, will still be above those of recent years averaging \$1.485 to \$1.595 per pound. Cheese prices in 2010 are expected to average \$1.515 to \$1.525 per pound, rising to \$1.535 to \$1.615 per pound in 2011. NDM prices are expected to average \$1.160 to \$1.180 per pound this year and climb to \$1.200 to \$1.260 per pound in 2011. Whey prices are likely to average 36.5 to 37.5 cents per pound in 2010 and 36.5 to 39.5 cents per pound next year. Export prospects for NDM should help keep Class IV milk prices firm into 2011, but not quite as high as this year's \$15.00 to \$15.20 per cwt expected average.

**JANUARY FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for January 2011 is \$15.20, down \$1.76 from December. This price is derived from the advanced Class IV skim milk pricing factor of \$9.33 and the advanced butterfat pricing factor of \$1.7696 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for January is \$10.03 and the Class II nonfat solids price is \$1.1144 per pound. The following are the two-week product price averages: butter \$1.6328, nonfat dry milk \$1.2148, cheese \$1.4841, and dry whey \$0.3783.

CME GROUP

MONDAY, DECEMBER 20, 2010

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.3225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3750; 1 CAR 40# BLOCKS @ \$1.3175; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, DECEMBER 21, 2010

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.3900, 1 @ \$1.3950; 13 CARS 40# BLOCKS: 5 @ \$1.3250, 2 @ \$1.3275, 5 @ \$1.3250, 1 @ \$1.3225; LAST BID UNFILLED: 5 CARS 40# BLOCKS @ \$1.3150; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3225  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 3 CARS GRADE A @ \$1.2800  
 BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, DECEMBER 22, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.3700; 1 CAR 40# BLOCKS @ \$1.3225; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3650; 1 CAR 40# BLOCKS @ \$1.3225  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.6525; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6525; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 23, 2010

CHEESE — SALES: 1 CAR BARRELS @ \$1.3575; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3550; 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: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 24, 2010

HOLIDAY, CME CLOSED

BUTTER MARKETS

NORTHEAST

Butter prices on the CME Group held steady Tuesday, closing at \$1.6525. In the last 12 trading sessions, butter prices have increased \$.0425. Churning activity has significantly increased, as Class II cream demand has waned prior to the holidays. The increased churning schedules are adding to current inventories. Some plants are reporting fairly good demand for butter as last minute private label orders arrived early in the week. Export demand remains good with some plants continuing to make 82% product for export orders. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price has held basically steady this past week, increasing 1/4 cent late last week and remains at \$1.6525 at midweek this holiday week. Churning activity is increasing as cream volumes become more available to butter producers. Butter generated over the next few weeks will be a mixture of 80% salted and 82% unsalted. For those that are producing unsalted butter, this is earmarked for shipment out of the country during the first quarter of 2011. International butter buying interest is improving as U.S. prices are well below international quotations. International supplies are limited. Domestically, butter demand has eased as yearend holiday needs have been filled. Orders for butter have been quite active, especially following the price decline recorded a few weeks ago. Those buyers that were hesitant to procure additional expensive stocks quickly re-entered the market and secured additional butter stocks for yearend needs. Retail feature activity over the past week did occur, but was not as active as some butter

manufacturers projected. Food service orders were good during the Thanksgiving and yearend holiday period this year. Some restaurant buyers indicated that traffic flow through their establishments was often stronger than anticipated. Bulk butter prices range from 0 - 2 cents over various pricing bases and averages per pound.

WEST

Wednesday's butter price at the CME Group was unchanged at \$1.6525. The price has been unchanged for the last five trading sessions. Trading activity is light with only one sale reported this week. Butter churns are preparing for a busy manufacturing schedule over the holiday period. Class I demand is off and some Class II manufacturing facilities will be closed over the holidays. Additional supplies of cream are anticipated. The market has stabilized and churns are prepared to build stored inventory over the two week period. Overall stocks are low and the increased production is welcomed. According to the CME Group, weekly butter stocks in CME approved warehouses had a net movement of 1.2 million pounds less last week to a warehouse adjusted 10.8 million pounds. A new warehouse reporting period has increased the number of warehouses from 74 to 81. This total compares to 34.8 million pounds in 2009 and 34.8 million pounds in the comparable week in 2008. According to FAS, quota imports of butter for January-November 2010 total 6.6 million pounds, 50.3% less than the same period in 2009. Imports for 2010 account for 42.6% of the total quota for 2010. Imports of High-Tier butter (above quota and with a penalty) are 308,900 pounds, 40.4% of last year's amount in the same time period.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
December 18	1.4833	1.4609	1.2163	1.6482	0.3780
	12,090,630	9,862,623	13,809,153	3,680,554	8,965,488

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 were mixed Tuesday with barrels closing \$.0200 higher at \$1.3950, while blocks remained unchanged at \$1.3225. The current market has the barrel price topping the block price by \$.0725. In the last 12 trading sessions, barrels have declined \$.0650 with 32 loads sold, while blocks have declined \$.1850 with 106 loads sold. Recent price declines lowered the weekly average price, which lowered wholesale prices, except for Swiss Cuts which were unchanged. Cheese production has increased as manufacturing milk supplies have increased ahead of the yearend holidays. The increased production is resulting in increased inventories. Cut and wrap operations are winding down as most holiday orders are in. Orders for cream cheese remain strong as well as orders for aged and low fat cheddar. Cooperatives Working Together (CWT) last week accepted requests for export assistance in making sales of cheddar, Monterey Jack and Gouda cheese, totaling over 70 million pounds. The product will be delivered from December 2010 through March 2011.

Cheddar Barrels on Wednesday at the CME Group are \$.0300 lower at \$1.3650. 40 Pound Blocks are unchanged at \$1.3225. Sales of Barrels for the week have been light with three loads trading this week. Blocks continue to see heavier trading. The week has seen sixteen loads change hands so far. Since last Wednesday, sales activity has been much heavier in Blocks than Barrels. Barrels continued the inverted price spread to Blocks. Cheese markets are somewhat unsettled as to price. Holiday needs are filled and manufacturers are awaiting new orders to replenish retail stocks. Production is continuing at above year ago levels to maximize plant efficiencies and to fill contracted orders. Export demand is good as U.S. prices are competitive with current world prices. According to FAS, quota imports of cheese for January-November 2010 total 152.5 million pounds, down 16.7% from a year ago. The imports stand at 51% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 21.9 million pounds, 800,000 pounds less than the volume imported in 2009. Imports of quota Swiss cheese for 2010 total 39.2 million pounds, down 9.1% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 27 million pounds or 68.8% of the year's total import of Swiss.

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

Cheddar 40# Block	:	1.6500-1.9250
Process 5# Sliced	:	1.4575-1.7675
Muenster	:	1.6700-1.8750
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	:	1.4775-1.7350
Cheddar 40# Block	:	1.4600-1.8125
Cheddar 10# Cuts	:	1.6400-1.8600
Monterey Jack 10#	:	1.6500-1.8100
Grade A Swiss Cuts 6 - 9#	:	2.9800-3.4100

**MIDWEST**

The cheese market is unsettled as barrel prices continue to increase at the CME Group cash cheese market while blocks have been steady. The inverted barrel/block spread from last week continues to widen, much to the dismay of natural producers. New orders are light with many buyers on vacation or waiting for the results of holiday sales before reordering. Yearend inventory levels are a concern for many operations. Current offerings are at least adequate to meet sales. Bulk cheese needs are lighter at packagers and processors due to the holiday this week and next. Cheese production is still around recent levels though as more schools close until January, less fluid will be bottled so manufacturing schedules will increase to clear surplus milk volumes.

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

Process American 5# Loaf	:	1.7125-2.0000
Brick And/Or Muenster 5#	:	1.8400-2.2100
Cheddar 40# Block	:	1.8575-2.5650
Monterey Jack 10#	:	1.8000-2.5650
Blue 5#	:	2.1575-2.9300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6725-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.8100-3.3300

**FOREIGN**

The block cheese price on the CME Group Tuesday was unchanged and closed at \$1.3225. In the last 12 trading sessions, blocks have declined \$.1850 with 106 loads sold. The recent declines brought about a decrease in the weekly average price, resulting in lower domestic wholesale prices for all varieties, except for Swiss Cuts which remained unchanged. Swiss cheese production in the Northeast continues at increased levels, as manufacturing milk supplies have increased prior to the holidays. Imports of Swiss/Emmentaler varieties from January through November 2010 totaled 39.3 million pounds, 9.0% less than the same period last year. Norway and Finland, the two top sources, account for 68.8% of Swiss/Emmentaler imports January through November 2010.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 1.7900-3.2775*
Gorgonzola	: 3.6900-5.9900	: 2.2925-2.5525*
Parmesan (Italy)	: -0-	: 3.1300-3.3225*
Provolone (Italy)	: 3.4400-5.8900	: 1.8325-1.9900*
Romano (Cows Milk)	: -0-	: 2.9800-5.1225*
Sardo Romano (Argentina)	: 2.8500-3.6900	: -0-
Reggianito (Argentina)	: 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
		:	
12/20/10	3,092	:	127,080
12/01/10	6,652	:	132,399
CHANGE	-3,560	:	-5,319
% CHANGE	-54	:	-4

**U.S. Cheese Imports (USDA-FAS)**

	2010 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Nov Quota	22.1	+20.8	-
Jan. - Nov High Tier Quota	21.9 152.5	+3.8 -16.7	N.A. 51.0

## 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	110	0	120	0	162
SOUTHEAST STATE	0	0	0	0	0	0

Manufacturing milk supplies are increasing in the Northeast and Mid Atlantic regions as Class I and II production winds down prior to the holidays with unloading delays currently at a minimum. Cheese plant production and dryer schedules have been expanded to handle the increased manufacturing milk volumes, resulting in expansion of inventories for both cheese and dry dairy products. The Southeast region is also experiencing reduced Class I demand as a result of schools on holiday break and some push back from last week's weather related Class I draws. Auxiliary cheese plants are being utilized to handle the increased manufacturing milk volumes. In Florida, a killing freeze and continued drought has significantly decreased pasture conditions to the point where 70% of the pastures are reported as poor or very poor. Producers are feeding increased volumes of hay to augment decreased grain rations as a way to keep feed costs in check. This week, Florida is exporting 110 spot loads. Condensed skim demand has dropped as Class II specialty product production has declined with most condensed skim supplies being channeled to Class IV production. Significant discounts for Class III condensed skim have been noted in the upper Northeast as plants attempt to handle the increased milk volumes. Cream supplies are increasing as ice cream and other Class II production declined ahead of the holidays. Demand for cream for cream cheese production remains good and is responsible for the higher multiples in this week's range of 115-130. Butter production has increased, as over all cream demand has declined. According to NASS, national milk production for November 2010 in the 23 reported states totaled 14.4 billion pounds, up 3.1% from November, 2009. Milk production increased in all 5 listed states of the Eastern region and as a region, increased production 3.3% over the same period last year at 2,387 million pounds. The 5 states showed the following percentage changes in milk production from November 2009 to November 2010 and total milk production this November: Florida, +0.6%, 155 million pounds; New York, +4.6%, 1,026 million pounds; Pennsylvania, +3.2%, 866 million pounds; Vermont, +3.6%, 203 million pounds; and Virginia, -0.7%, 137 million pounds. Milk cow numbers for November 2010 increased in 2 of the 5 listed states of the eastern region with the other 3 states unchanged. The region increased by 7,000 head or 0.5% compared to the same period last year. Individual state cow numbers compared to November 2009 and cows remaining as of this November are: Florida, unchanged, 113,000 remaining; New York, unchanged, 611,000 remaining; Pennsylvania, 3,000 increase, 541,000 remaining; Vermont, 4,000 increase, 138,000 remaining; and Virginia, unchanged, 95,000 remaining.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8940-2.1411
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6470-1.9764

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	-	0.80 - 1.08

## M I D W E S T

Many bottlers were having excellent fluid sales early in the week, but by midweek bottling slowed abruptly. Remaining schools close this week until January, so fluid needs are lighter. Orders for most other holiday specialties and party specialties were generally lighter, even early in the week. Cream demand was lighter and larger volumes were being cleared to churns.

Cream multiples are lower, particularly for deliveries late in the week as many other cream users such as ice cream close until January for maintenance and/or vacation. Some surplus cream will be churned into 82% butter, potentially for export. There was some early week interest in spot manufacturing milk but as the holiday approaches, interest has slowed and spot prices paid are mostly below class. Plants will be operating on extended schedules until early January, though some operations are planning a down day or two for the holiday observance. Current milk intakes are steady to generally slightly heavier. Milk components remain at solid seasonal levels. A few handler comments note that producer milk volumes have lower somatic cell counts than usual, indicative of better quality milk. Discussion about the EU and their 400,000 SCC requirement continues as well.

## W E S T

According to NASS, November *Milk Production* for the 23 surveyed states totals 14.4 billion pounds, up 3.1% or 432 million pounds from last year. Monthly milk production per cow for the 23 surveyed states was 41 pounds more than November 2009. November milk production for selected Western states is as follows: Arizona +8.7%, California +4.5%, Colorado +7.4%; Idaho +7.2%, New Mexico +1.9%, Oregon +8.4%, Utah +1.4%, and Washington +6.0%. Compared to November 2009, the Arizona herd is up 14,000 head, California -15,000, Colorado +6,000; Idaho +24,000, New Mexico +2,000, Oregon +7,000, Utah +2,000, and Washington +13,000. These 8 states are up 53,000 and the 23 surveyed states are up 57,000. November cow numbers in these 8 states were 4,000 more than last month. CALIFORNIA weather conditions are garnering much attention. A state of emergency was issued for six counties in the state on Tuesday. More rain was falling across wide areas on Wednesday. Farm level milk production was generally holding up well early in the week with processors expecting declines in milk and load weights as wet conditions persist. A majority of cows in the state are under cover and the rains were warm which are helping to mitigate any issues. Milk handling over the weekend holiday is expected to go well. Some processors will run heavier than others will with limited guidance expected to be needed to handle milk. ARIZONA milk production is steady to trending higher. Conditions have been favorable for milk cows and milk growth in recent weeks. There are concerns about potentially heavy rains across parts of the state after midweek. Production levels are increasing at balancing plants ahead of the holidays. Fluid milk needs are declining with schools on recess and retail stores planning for a holiday. NEW MEXICO milk output is mostly steady. Weather issues are neutral. Balancing plants are receiving increasing milk volumes. Class I milk needs are declining to school accounts and are mixed to retail accounts. CREAM prices are mostly steady with the market being typically unsettled around the yearend. Cream is shifting out of holiday type items and surplus is moving towards the churns. Butter production will be active. The Grade AA butter price at the CME Group closed at \$1.6525 on Wednesday, December 22, up 1/4 cent from a week ago. Cream multiples are unchanged and range from 100-123; and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST continues to build as farmers get more from each cow and are building cow numbers. The weather has cooperated with mostly seasonal norms and no interruptions in delivery schedules. Balancing plants are expecting increased volumes of milk over the holiday period. UTAH and IDAHO milk production has increased with Idaho increasing herd size significantly over last year. Increased feed costs have yet to dampen the growth in herd size. Processing plants in the region are able to handle the increased supplies. A recent breakdown at one manufacturer caused some milk to be diverted for a short period of time. Most milk processors are expecting to run regular schedules over the holiday period.

**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:** Nonfat dry milk prices, Central, are higher for low and medium heat varieties, unchanged to lower on high heat NDM. Several facilities in the region anticipate clearing higher volumes of condensed skim through the dryers as fluid demand trails off midweek. Also, with various Class II and III plants closed over the holiday weekend, availability of condensed skim for NDM production is expected to increase from that sector. Inventories are building gradually. Interest is steady to higher, with buyers looking for volume commitments for Quarter 1 of 2011.

**EAST:** Eastern nonfat dry milk prices firmed this week. Manufacturing milk supplies are increasing ahead of the holiday with most of the increase being channeled to the dryers. The increased drying schedules are focusing on low heat nonfat dry milk in order to better handle the increased milk volumes. Current production is adding to inventory supplies. Nonfat dry milk supplies remain fairly tight in limited hand to mouth trading, as most purchasers are unwilling to expand yearend inventories. Export demand remains good, while domestic demand is steady.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2300 - 1.3100 MOSTLY: 1.2500 - 1.2900  
 HIGH HEAT: 1.3000 - 1.3900

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are mostly steady to slightly higher. The market tone is steady and characterized by limited offerings and light demand for the holiday period. Production levels are expected to gear up as more milk moves to dryers to help handle the surplus milk over the yearend period. Any inventory buildup would be welcome as suppliers regroup for the new quarter. Buyer interest remains mixed for the first quarter needs - some buyers are locking in volumes, while others are cautious and waiting for future market signals. High heat prices are unchanged. Trading activity is light and mainly moving to contract accounts. There could be windows to make some additional high heat if dryer times allow. Demand is limited.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2000 - 1.2725 MOSTLY: 1.2050 - 1.2350  
 HIGH HEAT: 1.2350 - 1.3800

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** A steady market is keeping Central dry buttermilk prices unchanged. Heavier dry buttermilk production runs are planned over the long holiday weekend at some facilities. This will help manufacturers rebuild inventories to meet internal use needs for early 2011, as well as meet contract needs and provide dry buttermilk to offer on the spot market. These heavier production schedules are in response to various regional manufacturing plants closing for three to four days, encompassing the upcoming weekend. Inventories of dry buttermilk are short in some locations, with few spot market offerings. Prices on some spot load offers have notched fractionally higher, but buyers are price conscious and not all offerings are resulting in sales.

**EAST:** Dry buttermilk prices in the East weakened within the range this week. Production of dry buttermilk increased as butter makers increased churning schedules in order to handle the increased cream supplies prior to the holiday. Spot market demand and activity is extremely light as many users of dry buttermilk have curtailed their production over the holiday period, while other buyers are unwilling to expand yearend inventories. Current production supplies are adding to inventories.

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

**DRY BUTTERMILK - WEST**

Dry buttermilk prices in the West are mostly steady to slightly lower. Trading activity is limited during this holiday shortened week. Butter churning has been active and more buttermilk has been dried with slight gains noted for inventories. Spot interest is limited and met with light offerings.

F.O.B. WEST: 1.0800 - 1.2000 MOSTLY: 1.1400 - 1.1900

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged. There is limited FOB spot market availability from producers, but loads are clearing intermittently. Some production runs are being spliced into this week and next, as farm milk intakes for manufacturing are expected to increase when bottled milk demand tapers off during the week bracketed by the holidays.

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

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 17	\$1.1940	10,646,886	0
December 10	\$1.1973	10,923,261	0

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

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

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

**DRY WHEY - CENTRAL**

Dry whey prices in the Central region are unchanged on the mostly while the top of the range moderated fractionally. Some cheese manufacturers indicated a portion of their milk intakes for early this week transferred either to other Class III plants under supply agreements or into the fluid market due to active demand. This is trimming cheese and dry whey production at some locations. Spot market offerings from manufacturers are generally light. Resale interest is reported strong, however, supplies from that market sector are also variable. Resale prices are reported by some market participants as carrying 3 to 4 cent premiums to the market. ANIMAL FEED DRY WHEY prices are unchanged and inventories are snug.

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

**DRY WHEY - NORTHEAST**

The average price of the range for Northeast dry whey declined marginally, as the price range expanded in limited sales activity. The low end of the range declined, while the upper end of the range increased. Non-contract purchases are expanding the price range higher with resale prices above the upper limit of the range. Dry whey production is increasing following cheese production increases, due to increased volumes of manufacturing milk supplies going into the holiday. Though production has increased, supplies remain extremely tight with some prospective buyers reporting uncommitted supplies as practically nonexistent. Manufacturers continue to ration supplies to ensure that yearend contract commitments are covered. Those shipping product are noting increased trucking rates and limited truck availability. Spot market activity is extremely light, due to the continued extremely tight supplies. Buyers seeking product are forced to look out of region. Domestic and export demand remains good, supporting the market's firm undertone.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3725 - .4100

**DRY WHEY - WEST**

Western dry whey prices are higher on the top of the range and the top of the mostly series. Export sales seem to be pushing the range higher and the domestic market is driving the mostly price series. International prices are reported firm with tight supplies and have aided sales. The upcoming Chinese New Year is expected to slow some sales to that part of the world. Domestic supplies are mostly geared to contracted needs with very little activity on the spot market. Cheese manufacturers are limiting production in some cases as cheese prices have weakened. Whey producers are rationing supplies to finish year end obligations. Whey for drying is tight as available whey is diverted to other whey stream products in some cases.

NONHYGROSCOPIC: .3575 - .4300 MOSTLY: .3750 - .4125

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are unchanged on a firm market. With monthly contract pricing usually adjusting at the beginning of any given month and limited FOB spot load availability, price variability is bumping into tight FOB supplies. Plans for 2011 WPC 34% production are continuing. Dairy producers in some areas are switching milk buyers for 2011. The net effect of these changes on WPC 34% production for the upcoming year is difficult to determine at this time. Whey protein concentrate 34% contracting interest for 2011 is active. Manufacturers carrying approved supplier status with end users have some pricing advantage. With few new manufacturers of WPC 34% coming on line, end users wanting suppliers with approved status indicate they have limited options for purchasing inputs. Also, some manufacturers of WPC 34% have the ability to diversify their whey streams among various end products as market conditions dictate. Some manufacturers project this, too, could tighten WPC 34% supplies.

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

**LACTOSE - CENTRAL AND WEST**

Lactose pricing is steady on the mostly price series, unchanged to lower on the range. The spot market is mixed, with spot sales of coarser mesh size lactose selling lower than the previous week, while FOB LTL loads of similar mesh size lactose cleared to active interest at prices above the high end of the range price series. Contract negotiating for 2011 continues. Production estimates for the first quarter of 2011 are in place at many locations, but subject to adjustment as milk supply agreements finalize. Some regions of the country offer dairy producers opportunities to choose among various handlers, and the final tally on farm milk production headed for each handler has yet to be determined. Depending on the outcome of these choices by dairy producers, 2011 lactose production may or may not compare favorably with 2010 production on a manufacturer by manufacture basis. Lactose production this week is lower at some locations for the beginning of the week due to active fluid demand.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2100 - .4350 MOSTLY: .3100 - .3600

**CASEIN - NATIONAL**

Casein markets and prices are unchanged as the last quarter of 2010 comes to a close. The undertone is weak. Reports of lower priced casein for first quarter 2011 are being reported. The casein production season in the Oceania region is coming to a close much quicker than projected. Manufacturers are stating that some casein operations are still generating casein, only due to the location of the plant and unreasonable logistics to move milk elsewhere. Other plants are shuttered already for the season. In Europe, the milk production season is getting a slow start due to cold temperatures and measurable snowfall, unusual for December. Typically, milk production is starting to show signs of increases, but this year, these signs are less developed. Casein output remains seasonally low.

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 20 - 24, 2010			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 12/17/10	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	132,276	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 20 - 24, 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. 24, 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 20 - 24, 2010 (POUNDS)**

REGION	BUTTER		CHEESE		NONFAT DRY MILK	
	BULK	BLOCK	BARREL	NONFORTIFIED		
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/10 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	132,276	-0-	100.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-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 12/04/10 & Comparable Week 2009**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2010-Dairy	N.A.	0.6	8.2	3.7	22.9	4.1	0.2	N.A.	16.8	3.2	61.3	2,623.3	43.3	43.5
2009-Dairy	N.A.	0.7	7.3	3.4	19.3	3.5	0.7	N.A.	14.9	2.7	54.1	2,666.0	42.3	46.2
2010-All cows	N.A.	0.7	10.3	15.5	38.0	25.5	17.4	N.A.	22.0	7.5	141.7	6,031.4		
2009-All cows	N.A.	0.8	9.2	13.3	37.2	19.6	15.2	N.A.	19.7	8.4	127.9	5,766.7		

**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 11	N.A.	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	JAN 2011
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	15.20
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](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points." \$ Revised

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 13 - 24, 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:** Cold temperatures and heavy snow conditions dominate the conversations in Europe this week. Although these conditions are playing havoc with holiday travel plans, the dairy industry is faring fairly well. For the most part, farm pickups were not significantly impacted, but finished product deliveries to food distribution facilities were often more challenging. Traders and handlers of manufactured dairy products indicate that current adverse weather conditions are not typical for December, thus the startup of the new milk production season might develop later this year. Demand for manufactured dairy products is strong. Traders indicate that usually at this time of the year, buyer interest eases as buyers observe the yearend holidays. This year, conditions are much different. Within the past few weeks, another international tender was released looking for milk powders for first quarter deliveries. This tender along with other international interest has sparked a flurry of sales for the limited volumes of available product. For the most part, stock levels are nearing seasonal low levels, thus available stocks are being quoted at higher prices. European dairy product demand for internal needs has been and remains strong as buyers prepared for the yearend holiday period. At the December 16 Dairy Management Committee meeting, no significant dairy policy issues were acted upon, but the Commission did sell back, out of intervention stock, 4,500 MT of skim milk powder at prices ranging 2,071 – 2,121 Euros per MT (\$2,722 – 2,788). This was the first sellback in many months.

**BUTTER/BUTTEROIL:** European butter markets are generally steady with prices unchanged, although slightly lower on the top of the reported range. Butterfat remains tight. Butter producers and handlers indicate that butter demand has been strong for holiday needs. Much of this interest has come from internal or domestic European buyers. International buyer interest is increasing, although European stocks are minimal and most suppliers are not able to acknowledge these buyer inquiries.

82% BUTTERFAT:	4,750 - 5,000
99% BUTTERFAT:	5,400 - 5,750

**SKIM MILK POWDER (SMP):** European skim milk powder markets and prices are firm. Traders and handlers report that international buyer interest has increased significantly in recent weeks. This is unusual for this time of December, especially when buyers typically step away from the market prior to the yearend holidays. A recent milk powder tender is once again looking for skim and whole milk powder. Not too long ago, another tender was addressed and now this one, prior to the holiday period. Stocks of skim milk powder are declining as warehouses are being emptied prior to the new milk production season which will soon resume. At the December 16 Dairy Management Committee meeting, the Commission sold back, out of intervention stock, 4,500 MT of skim milk powder at prices ranging 2,071 – 2,121 Euros per MT (\$2,722 – 2,788). This was the first sellback in many months.

1.25% BUTTERFAT:	2,850 - 3,150
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COMMENTS AND PRICES CONTINUED ON PAGE 8A

OCEANIA

**OVERVIEW:** Adverse weather patterns in both New Zealand and Australia continue to dominate conversations of the media, milk producers, and managers of dairy manufacturing facilities. Excessive moisture continues to cover much of Australia. Water reservoirs are once again getting replenished after a number of years of very low volumes. Most within the dairy industry are stating that the beneficial impact of the moisture on the dairy industry will be felt in the next few years. Currently, dairy producers and handlers are just trying to stay afloat and are dealing with the moisture as best they can. Milk production in Australia for November is running 1/2 – 1% ahead of November 2009. On a cumulative basis for the first 5 months (July – November) of the current season, output is running about 1/2% ahead of last season. Milk processors are pleased with this trend and are pleasantly surprised at the trend, especially with heavy moisture conditions in recent weeks. The locust situation appears to be in check. Current moist conditions, coupled with State and Federal spraying programs are keeping a potential adverse situation under control. Wet conditions are greatly impacting grain harvest and quality of the harvest. Dairy producers are stating that animal feed stocks should be in better supply as much of the edible grain crop for humans is being downgraded to animal feed. The grain harvest is weeks behind typical timelines. In New Zealand, moisture has arrived in the most severely parched regions of the North Island. Granted, this moisture is greatly appreciated, but most dairy producers and handlers state that much damage has already occurred to the current production season, thus the benefits of the moisture will probably not be felt until next season. Most milk handlers are stating that current rainfall will hopefully slow or plateau the milk production decline trend that was occurring. Due to the dry conditions, some dairy producers in the most affected areas have reduced their daily milkings to one and in some instances, have already dried off cows. On the South Island, moisture conditions are in better shape, although some reports of drier conditions are occurring. South Island dairy producers are dependent on water for irrigation to maintain pasture growth and concerns by some are developing. At the December 15 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 \$5,380 per MT, 0.7% higher than the previous event; buttermilk powder averaged \$3,020, -0.7%; skim milk powder averaged \$3,128, +2.5%; and whole milk powder averaged \$3,620, +2.6%. Oceania suppliers are stating that some international buyers are questioning supply availability and contract commitments. At this point, Oceania suppliers are optimistic that contracts will be filled, but also indicate that surplus or spot availability will be limited. Most suppliers are not acknowledging new buyer inquiries until they have a better picture on how the down side of the milk production season develops.

**BUTTER:** Oceania butter markets and prices remain firm. Butterfat continues to be tight as butterfat levels within the milk are lower. Churning activity is seasonally declining on the down side of the peak. At the December 15 g/DT event, anhydrous milk fat averaged \$5,380 per MT 0.7% higher than the previous event for all contracting periods. For the near term contracting period (February), the average price was \$5,330 per MT +0.1% higher than earlier in the month; \$5,389 per MT (+1.1%) for the March – May contracting period; and \$5,537 per MT (+1.7%) for the June – August period.

82% BUTTERFAT:	4,200 - 4,800
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COMMENTS AND PRICES CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 13 - 24, 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

OCEANIA

COMMENTS AND PRICES CONTINUED FROM PAGE 8

COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** European whole milk powder markets and prices are firm. Demand for European stocks has increased significantly in recent weeks. A portion of a recent international whole milk powder tender is being filled with European stocks and now another tender has appeared for first quarter delivery. The most recent tender was a surprise to many as buyer interest typically slows at this time of the year when buyers step away from the market during the holiday period. Traders and handlers are speculating that supply availability in the New Year may be a concern for many, thus they are re-entering the market earlier than usual. Whole milk powder stocks are not overly available for immediate shipment, but the new milk production season and new whole milk stock availability are soon to resume.

26% BUTTERFAT: 3,675 - 3,950

**SWEET WHEY POWDER:** European whey powder markets and prices are firm. Cheese production remains active, although whey volumes are not able to keep pace with demand. Strong whey demand is coming from both internal and international buyers. Traders and handlers are quite surprised at the strength of the whey market for this time of the season. Typically at the end of the year, buyer interest slows and resumes in the new year, but this year, demand for most all manufactured dairy products is much stronger in December for first quarter shipments. Demand for animal feed whey stocks is also strong.

NONHYGROSCOPIC: 1,000 - 1,125

**EASTERN OVERVIEW:** Cold temperatures and heavy snow conditions are also being reported in Eastern Europe. Typically, these conditions occur after the first of the year, thus Eastern milk producers feel that this will be a longer winter than usual and the result may be a slower/late start to the new milk production season. At this time, milk production is at seasonally low levels and buyer interest is being filled from inventoried stock. Traders and handlers indicate that international buyer interest is building earlier than usual and sales are being reported. Stocks are available and are being committed.

Exchange rates for selected foreign currencies: December 20, 2010

.9840 Canadian Dollar	.0221 Indian Rupee
.2516 Argentina Peso	.7423 New Zealand Dollar
.0806 Mexican Peso	.9940 Australian Dollar
.3281 Polish Zloty	.0119 Japanese Yen
	1.3126 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0806) = 12.4069 Mexican Pesos. Source: "Wall Street Journal"

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices in the Oceania region remain firm. Unsettling weather patterns in both New Zealand and Australia are putting strains on milk production on the down side of the season. Dry and now wet conditions in New Zealand coupled with wet conditions in Australia are causing milk production trends to not attain projected levels in both countries. International buyers are often questioning suppliers if they will be getting their contracted volumes. In most instances, suppliers are responding positively, but also indicate to customers that there is still a significant portion of the current milk production season still to occur. It is still too early to realize what impact the adverse weather patterns will have on annual production. At the December 15 g/DT event, skim milk powder averaged \$3,020 per MT (-0.7) from the previous event average. For specific contracting periods: February, \$2,992, +3.1%; March - May, \$3,196, +1.6%; and for contract period 3, June - August, \$3,557, +2.4%.

1.25% BUTTERFAT: 3,000 - 3,200

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets remain firm and prices are generally holding steady. As the milk production season continues to wind down, milk volumes, when possible, are clearing to whole milk production. Whole milk powder demand remains strong and traders and handlers feel that any uncommitted stocks would easily be absorbed. At the December 15 g/DT event, whole milk powder averaged \$3,620 per MT over all of the contracting periods, 2.6% higher than earlier in December. For the near term contracting period, February, the average price was \$3,597, 3.2% higher than earlier in the month; contract period #2, March - May, \$3,652, +1.9%; and for contracting period #3, June - August, \$3,593, +2.1%.

26% BUTTERFAT: 3,400 - 3,700

**CHEDDAR CHEESE:** Oceania cheese markets remain firm, although prices did ease slightly on the top end of the reported range. Many Oceania traders and handlers project that cheese stocks will be sufficient for contracted needs, but feel that surplus or spot availability will be limited. The current milk production season is being changed by adverse weather pattern in both New Zealand and Australia, thus any surplus milk volumes will probably be headed towards milk powders versus cheese output. In some instances, cheese manufacturers are stating that cheese inventories, although adequate for needs, are lower than in many years.

39% MAXIMUM MOISTURE: 4,000 - 4,300

December 15, 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	\$5,330	\$5,389	\$5,537	\$5,380
	0.1	1.1%	1.7%	0.7%
Buttermilk Powder	\$2,810	\$3,300	N.A.	\$3,020
	-4.7%	4.9%	N.A.	-0.7%
Skim Milk Powder	\$2,992	\$3,196	\$3,557	\$3,128
	3.1%	1.6%	2.4%	2.5%
Whole Milk Powder	\$3,597	\$3,652	\$3,593	\$3,620
	3.2%	1.9%	2.1%	2.6%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	12/09	12/10	12/13	12/14	12/15	12/16	12/17	12/20	12/21	12/22
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 10	13.78 (5775) 1	13.80 (5836) 0	13.82 (5808) 0	13.78 (5804) 0	13.78 (5830) 0	13.78 (5817) 0	13.73 (5866) 0	13.74 (5875) 0	13.74 (5870) 0	13.73 (5869) 0
JAN 11	13.08 (4258) 0	13.02 (4395) 1	13.18 (4466) 0	13.11 (4473) 0	13.20 (4529) 2	13.27 (4547) 2	13.28 (4573) 0	13.12 (4610) 0	13.16 (4618) 0	13.08 (4611) 0
FEB 11	13.16 (3926) 0	13.16 (4121) 10	13.19 (4244) 0	13.22 (4298) 4	13.32 (4372) 7	13.36 (4448) 2	13.50 (4483) 0	13.37 (4560) 5	13.39 (4607) 0	13.31 (4710) 10
MAR 11	13.62 (3124) 0	13.66 (3163) 10	13.73 (3204) 0	13.72 (3241) 0	13.77 (3260) 2	13.79 (3338) 2	13.79 (3350) 0	13.75 (3379) 0	13.72 (3397) 0	13.64 (3428) 10
APR 11	14.02 (2188) 0	14.05 (2240) 10	14.08 (2310) 0	14.10 (2337) 4	14.18 (2393) 2	14.20 (2439) 22	14.20 (2461) 3	14.20 (2477) 13	14.24 (2494) 5	14.15 (2526) 10
MAY 11	14.23 (2148) 0	14.26 (2172) 9	14.29 (2181) 0	14.30 (2191) 3	14.33 (2204) 0	14.30 (2250) 20	14.33 (2265) 3	14.35 (2285) 10	14.36 (2288) 8	14.35 (2324) 10
JUN 11	14.55 (1621) 0	14.62 (1653) 9	14.66 (1666) 0	14.66 (1685) 0	14.62 (1700) 3	14.62 (1727) 20	14.59 (1746) 3	14.60 (1761) 10	14.62 (1785) 13	14.60 (1793) 10
JUL 11	15.03 (1287) 0	15.03 (1299) 9	14.99 (1310) 0	15.07 (1326) 0	15.02 (1339) 3	15.10 (1372) 27	15.10 (1381) 3	15.10 (1386) 13	15.10 (1407) 15	15.10 (1432) 5
AUG 11	15.28 (1166) 9	15.30 (1186) 14	15.27 (1202) 11	15.26 (1223) 11	15.24 (1247) 13	15.28 (1285) 29	15.25 (1295) 5	15.30 (1308) 10	15.33 (1329) 18	15.33 (1343) 10
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 10	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0	15.15 (46) 0
JAN 11	14.80 (21) 0	14.80 (21) 0	14.80 (21) 0	15.10 (24) 0	15.25 (26) 0	15.25 (26) 0	15.25 (26) 0	15.25 (26) 0	15.25 (26) 0	15.25 (26) 0
FEB 11	14.80 (15) 0	14.80 (15) 0	14.85 (15) 0	14.90 (15) 0	15.15 (15) 0	15.30 (15) 0	15.30 (15) 0	15.20 (16) 0	15.20 (16) 0	15.20 (16) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 10	165.00 (509) 0	165.00 (509) 0	165.00 (509) 0	165.00 (509) 0	165.00 (509) 2	165.00 (509) 0	164.98 (509) 0	164.48 (509) 0	164.48 (509) 0	164.48 (509) 0
JAN 11	163.50 (454) 23	164.70 (456) 3	164.00 (461) 5	165.00 (451) 11	169.50 (450) 11	167.00 (450) 10	166.00 (447) 6	166.00 (447) 0	166.00 (447) 3	166.00 (448) 18
FEB 11	164.50 (310) 22	164.50 (312) 2	164.50 (311) 5	165.50 (311) 0	170.50 (310) 4	168.25 (314) 21	168.00 (318) 11	166.75 (319) 1	167.00 (329) 10	167.00 (329) 6
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 10	118.50 (357) 0	118.75 (357) 0	118.75 (357) 0	118.75 (357) 0	119.00 (357) 0	119.25 (357) 0	120.55 (357) 0	120.55 (357) 0	120.55 (357) 0	120.55 (357) 0
JAN 11	119.00 (254) 0	119.00 (254) 0	120.00 (254) 0	120.53 (257) 0	122.00 (260) 0	122.25 (273) 0	122.25 (273) 0	122.25 (273) 0	122.25 (273) 0	123.00 (273) 0
FEB 11	118.98 (251) 0	119.25 (250) 0	120.00 (250) 0	120.53 (253) 0	122.00 (258) 0	125.00 (261) 0	125.00 (262) 0	124.00 (263) 0	124.00 (267) 0	124.00 (271) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 10	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0
JAN 11	38.75 (379) 18	38.75 (385) 10	38.50 (390) 5	38.50 (416) 26	38.50 (455) 39	39.00 (459) 6	39.00 (459) 0	38.75 (474) 15	38.73 (475) 1	38.75 (477) 2
FEB 11	38.25 (358) 54	38.25 (392) 36	38.25 (424) 32	38.25 (461) 37	39.00 (466) 6	39.25 (467) 2	39.25 (467) 0	39.50 (467) 0	39.50 (468) 4	39.25 (468) 3
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
DEC 10	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.47 (227) 0	1.46 (227) 0	1.46 (227) 0	1.46 (227) 0	1.46 (227) 0
JAN 11	1.38 (259) 22	1.38 (277) 19	1.38 (277) 0	1.38 (277) 0	1.40 (283) 6	1.41 (289) 6	1.40 (289) 2	1.39 (289) 1	1.39 (289) 0	1.38 (294) 5
FEB 11	1.40 (259) 19	1.40 (281) 25	1.41 (297) 30	1.40 (309) 12	1.41 (319) 14	1.41 (319) 0	1.41 (319) 0	1.41 (319) 8	1.41 (323) 5	1.41 (323) 0
MAR 11	1.45 (244) 20	1.44 (253) 10	1.45 (258) 5	1.45 (258) 0	1.45 (258) 0	1.45 (258) 0	1.45 (262) 4	1.45 (264) 2	1.44 (264) 4	1.44 (264) 0
APR 11	1.47 (170) 13	1.47 (175) 6	1.47 (175) 0	1.47 (175) 0	1.47 (175) 0	1.47 (180) 5	1.49 (187) 8	1.49 (188) 1	1.48 (189) 3	1.47 (190) 1
MAY 11	1.51 (123) 9	1.51 (128) 6	1.51 (128) 0	1.51 (128) 0	1.51 (128) 0	1.51 (133) 8	1.51 (133) 1	1.51 (133) 0	1.51 (133) 0	1.51 (133) 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.

## NOVEMBER MILK PRODUCTION

Milk production in the 23 major States during November totaled 14.4 billion pounds, up 3.1 percent from November 2009. October production, unrevised at 14.8 billion pounds, was up 3.3 percent from October 2009.

Production per cow in the 23 major States averaged 1,722 pounds for November, 41 pounds above November 2009.

The number of cows on farms in the 23 major States was 8.37 million head, 57,000 head more than November 2009, but unchanged from October 2010.

## NOVEMBER 2010 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2009	2010	2009	2010	2009	2010	% CHANGE FROM 2009
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	168	182	1,840	1,845	309	336	8.7
CA	1,765	1,750	1,775	1,870	3,133	3,273	4.5
CO	116	122	1,860	1,905	216	232	7.4
FL	113	113	1,360	1,370	154	155	0.6
ID	548	572	1,790	1,840	981	1,052	7.2
IL	101	98	1,510	1,550	153	152	-0.7
IN	169	169	1,610	1,640	272	277	1.8
IA	215	204	1,670	1,700	359	347	-3.3
KS	113	121	1,725	1,730	195	209	7.2
MI	354	360	1,805	1,830	639	659	3.1
MN	469	470	1,545	1,520	725	714	-1.5
MO	105	96	1,170	1,180	123	113	-8.1
NM	317	319	1,970	1,995	624	636	1.9
NY	611	611	1,605	1,680	981	1,026	4.6
OH	274	270	1,510	1,560	414	421	1.7
OR	114	121	1,560	1,595	178	193	8.4
PA	538	541	1,560	1,600	839	866	3.2
TX	413	415	1,710	1,750	706	726	2.8
UT	83	85	1,740	1,720	144	146	1.4
VT	134	138	1,460	1,470	196	203	3.6
VA	95	95	1,455	1,440	138	137	-0.7
WA	241	254	1,865	1,875	449	476	6.0
WI	1,258	1,265	1,630	1,630	2,051	2,062	0.5
23 STATE TOTAL	8,314	8,371	1,681	1,722	13,979	14,411	3.1

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

**SOURCE:** "Milk Production," (December 2010), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

OCTOBER FLUID MILK SALES

During October, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.2 percent lower than October 2009. After adjusting for calendar composition, sales in October 2010 were 1.8 percent lower than October 2009. Estimated sales of total conventional fluid milk products decreased 4.8 percent from October 2009 and estimated sales of total organic fluid milk products increased 15.0 percent from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>. Some data for February-September 2010 have been revised due to changes in the information from some reporting areas.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
OCTOBER 2010, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	October	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,164	11,687	-7.9	-6.3
Flavored Whole Milk	48	456	-6.4	-4.9
Reduced Fat Milk (2%)	1,543	15,351	-5.1	-0.6
Low Fat Milk (1%)	614	5,852	-1.0	2.6
Fat-Free Milk (Skim)	671	6,666	-4.4	-1.6
Flavored Fat-Reduced Milk	404	3,233	-0.1	1.2
Buttermilk	41	388	-0.8	-22.2
Total Conventional Milk Products	4,663	43,708	-4.8	-2.1
Organic Whole Milk	39	352	21.2	14.6
Organic Reduced Fat Milk	45	3/	3/	3/
Organic Low Fat Milk	31	3/	3/	3/
Organic Fat-Free Milk (Skim)	36	3/	3/	3/
Organic Flavored Milk	7	3/	3/	3/
Organic Fat-Reduced Milk 4/	120	1,133	13.1	10.8
Total Organic Milk Products	159	1,484	15.0	11.7
Total Fluid Milk Products 5/	4,663	45,193	-4.2	-1.7
Total Fluid Milk Products Adjusted 5/ 6/	4,714	45,982	-1.8	-1.5

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Volume figures are not available for the previous year or all earlier months. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, OCTOBER 2010, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	October	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	790	7,667	-2.0	-1.7
Appalachian (005)	308	3,015	0.9	1.2
Southeast (007)	424	4,165	-2.1	-1.8
Florida (006)	248	2,437	-0.8	-0.5
Mideast (033)	521	5,061	-1.7	-1.4
Upper Midwest (030)	370	3,570	-1.2	-0.9
Central (032)	390	3,752	-3.1	-2.9
Southwest (126)	386	3,728	-0.3	0.0
Arizona (131)	102	984	-1.6	-1.4
Pacific Northwest (124)	191	1,839	-0.2	0.1
California (---)	558	5,350	-3.7	-3.4

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above.

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

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

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	OCT 31, 2008	OCT 31, 2009	REVISED OCT 31, 2010	NOV 30, 2008	NOV 30, 2009	NOV 30, 2010
Butter	149,391	190,624	108,809	119,946	142,661	70,023
Cheese, Natural American	540,140	579,808	638,911	526,941	583,056	625,637
Cheese, Swiss	21,994	23,537	28,705	22,723	24,254	29,320
Cheese, Other Natural	266,839	365,840	368,015	268,969	354,435	351,319
Total Cheese	828,973	969,185	1,035,631	818,633	961,745	1,006,276

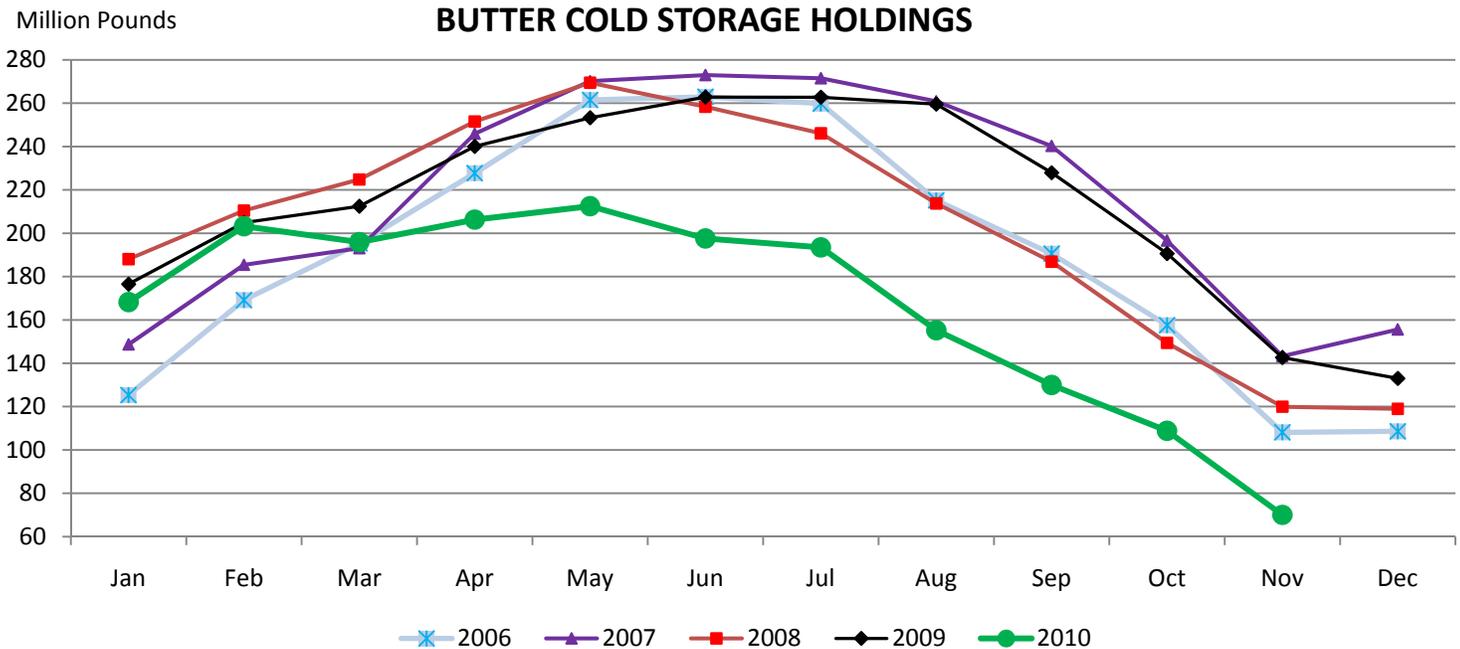
  

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	2008	2009	2010	2008	2009	2010
Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

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

NOVEMBER STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
New England	35,605	39,651	38,637	---	---	---	445	599	547
Middle Atlantic	40,396	32,602	51,124	---	---	---	14,173	22,214	15,678
East North Central	210,657	251,868	256,960	---	---	---	180,637	225,228	235,824
West North Central	89,309	86,162	84,553	---	---	---	31,255	68,915	64,297
South Atlantic	2,981	6,702	4,694	---	---	---	321	79	6,175
East South Central	1,533	2,840	4,155	---	---	---	2,954	2,623	87
West South Central	4,354	1,835	1,877	---	---	---	1,149	1,374	1,103
Mountain	48,934	55,156	77,200	---	---	---	6,609	6,217	5,795
Pacific	93,172	106,240	106,437	---	---	---	31,426	27,186	21,813
TOTAL	526,941	583,056	625,637	119,946	142,661	70,023	268,969	354,435	351,319

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2009 TO DATE

Month	Butter <u>1/</u>		Natural American Cheese <u>1/</u>		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>2/</u>		Commercial		Government	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Million Pounds		Million Pounds		Million Pounds					
January	168	177	588	533	272	300	138	203	134	97
February	203	205	598	542	195	316	152	192	47	124
March	196	212	602	549	174	361	148	190	26	171
April	206	240	610	577	160	375	152	180	8	195
May	212	253	615	586	154	403	148	198	6	205
June	198	263	627	602	176	201	174	201	2	NA
July	194	263	639	605	198	398	194	173	4	225
August	155	260	634	599	166	360	164	138	2	222
September	130	228	637	596	141	325	139	122	2	203
October	109	191	639	580	124	272	124	91	0	181
November	70	143	626	583		287		116		171
December		133		585		289		132		157

NA - Not available.

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

**SOURCE:** "Cold Storage," Co St 1 (11-10) and "Dairy Products," (November 2010), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## THE DAIRY OUTLOOK

### **Firm Demand Will Likely Keep Milk Prices Near 2010 Levels; However, Higher Feed Prices Will Narrow Producer Profits**

Feed prices are expected to be much higher for dairy producers next year. The USDA forecast corn price is expected to be \$4.80 to \$5.60 a bushel for the 2010/11 crop year. Soybean meal prices, while projected to be higher, will not rise as much as corn. They are expected to be \$310 to \$350 per ton in 2010/11, up from a \$311 per ton average in 2009/10. The increase in feed ingredient prices will boost the benchmark 16-percent protein mixed dairy ration price nearly 20 percent above 2010. Higher feed costs are already pressuring producers but will not likely affect cow numbers until the second half of 2011. Cow numbers will continue to increase through the first half of 2011 and are expected to decline slightly in the second half of the year. These changes are expected to leave the herd size next year slightly above the 9,110 thousand head in 2010 at a projected 9,125 thousand head. Milk per cow is forecast to continue to rise next year, but at less than half the pace forecast for 2010. The current year's increase in milk per cow was aided by good weather in addition to moderate feed prices. Overall, milk production will be slightly higher next year at 195.5 billion pounds, up 1.4 percent from the 2010 estimated total of 192.8 billion pounds.

Milk equivalent imports on both a fats and skim-solids basis are forecast to be lower in 2010. The fact that international prices are still above U.S. domestic prices for the major dairy products, and that the domestic economic recovery is gradual, will limit import totals to 4.1 billion pounds next year, down from 4.3 billion this year on a fats basis and down to 4.9 billion pounds from 5.1 billion this year on a skim-solids basis. Milk equivalent exports rebounded sharply this year from 2009. However, next year exports on a fats basis are expected to weaken to 6.3 billion pounds from the 8.3 billion pound total expected this year. Uncertainty over the Mexican tariff on U.S. cheese exports is contributing to the decline. On a skim-solids basis, exports are forecast to decline slightly to 30 billion pounds from a projected 31.3 billion pound total expected this year. Oceania milk production is forecast to increase in 2011, raising competition in export markets.

Domestic commercial use on a fats basis is expected to rise by nearly 2 percent in 2011; this would be the sharpest year-over-year rise in at least 4 years. Domestic commercial use on a skim-solids basis is forecast to climb by nearly 3 percent in 2011. The rise would follow a better than 2-percent year-over-year decline expected in 2010.

Strong domestic use, a good export outlook, and only a moderate increase in milk production provide the basis for continued strong price performance estimates for dairy products into 2011. While butter prices have retreated from earlier peaks, the 2010 average price is expected to be \$1.685 to \$1.715 per pound this year. Prices in 2011, while not as high as this year's, will still be above those of recent years averaging \$1.485 to \$1.595 per pound. Despite uncertainty in the cheese export market, domestic demand should be sufficient to boost cheese prices next year. Cheese prices in 2010 are expected to average \$1.515 to \$1.525 per pound, rising to \$1.535 to \$1.615 per pound in 2011. Nonfat dry milk (NDM) prices are also projected higher next year. NDM prices are expected to average \$1.160 to \$1.180 per pound this year and climb to \$1.200 to \$1.260 per pound in 2011. Whey prices are likely to average 36.5 to 37.5 cents per pound in 2010 and 36.5 to 39.5 cents per pound next year.

Export prospects for NDM should help keep Class IV milk prices firm into 2011, but not quite as high as this year's \$15.00 to \$15.20 per cwt expected average. In 2011, Class IV milk is forecast to average \$14.50 to \$15.40 per cwt. Class III milk prices should be higher next year. For 2010, the Class III price is expected to average \$14.35 to \$14.45 per cwt and to climb to \$14.45 to \$15.25 next year. On balance, this leaves the all milk price next year at \$15.90 to \$16.70 per cwt, virtually unchanged from the 2010 projected average of \$16.25 to \$16.35 per cwt.

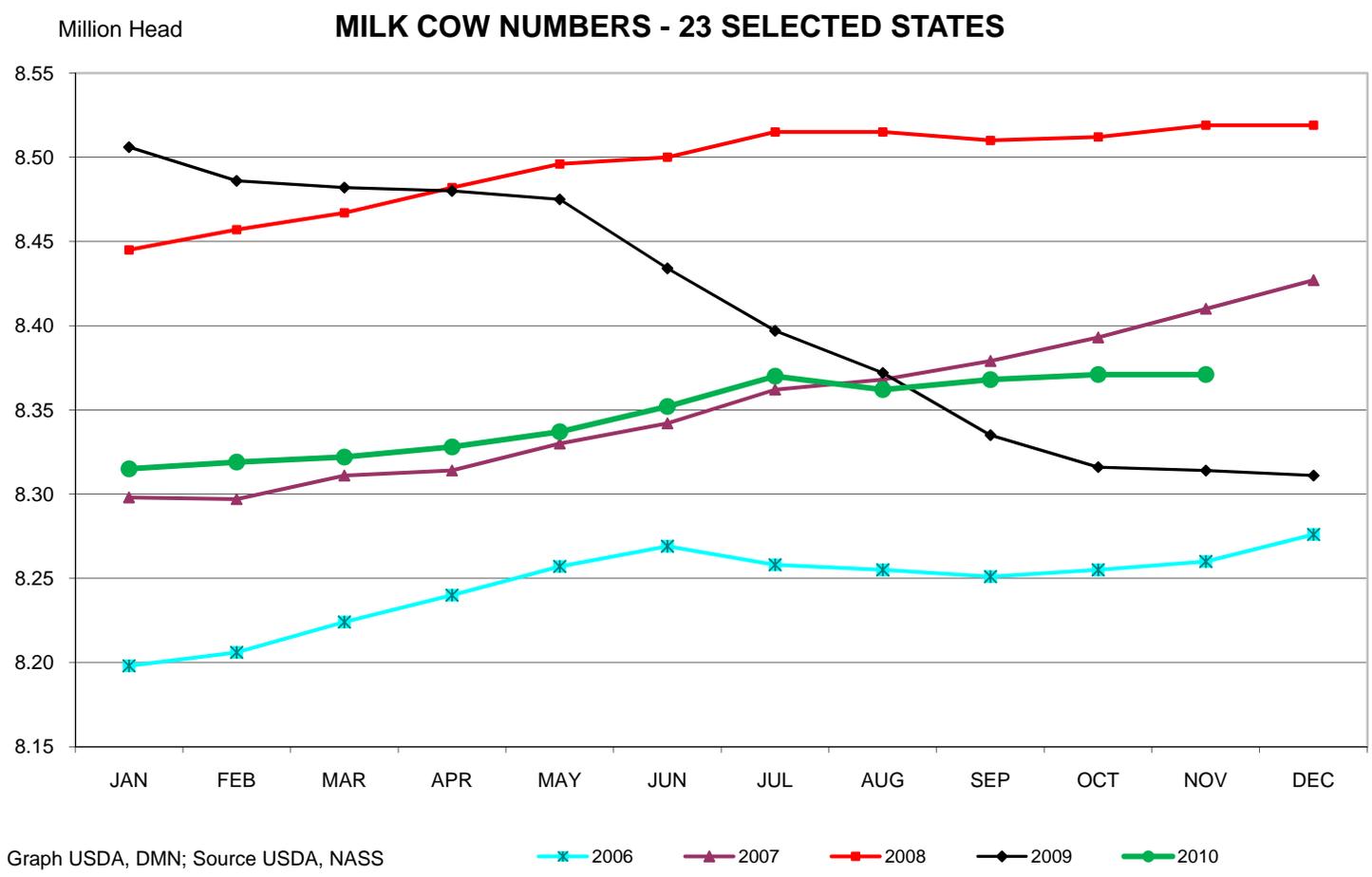
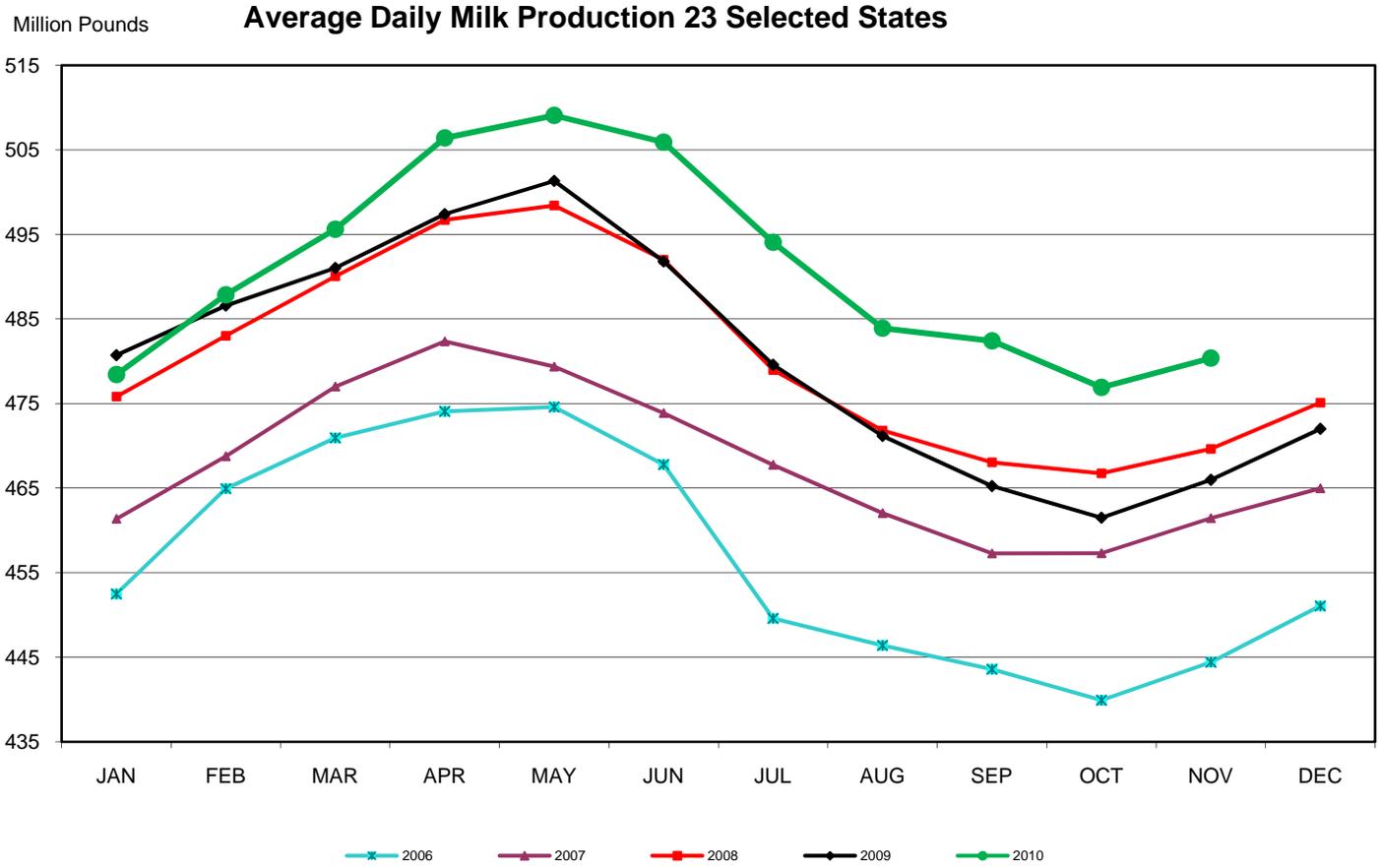
**SOURCE:** "Livestock, Dairy, and Poultry Outlook," LDP-M-198, December 20, 2010, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

## FEDERAL MILK ORDER ADVANCE PRICES, JANUARY

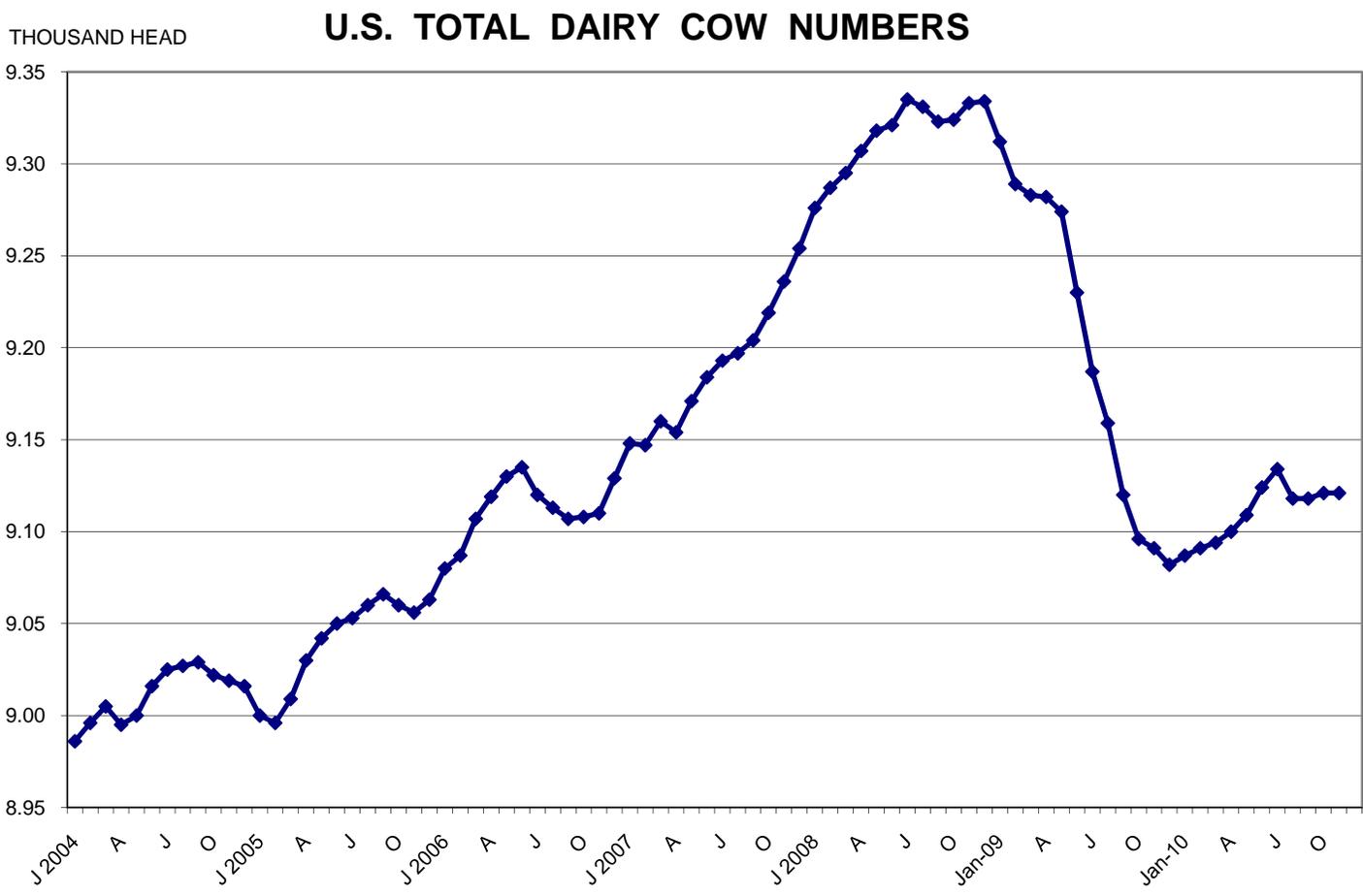
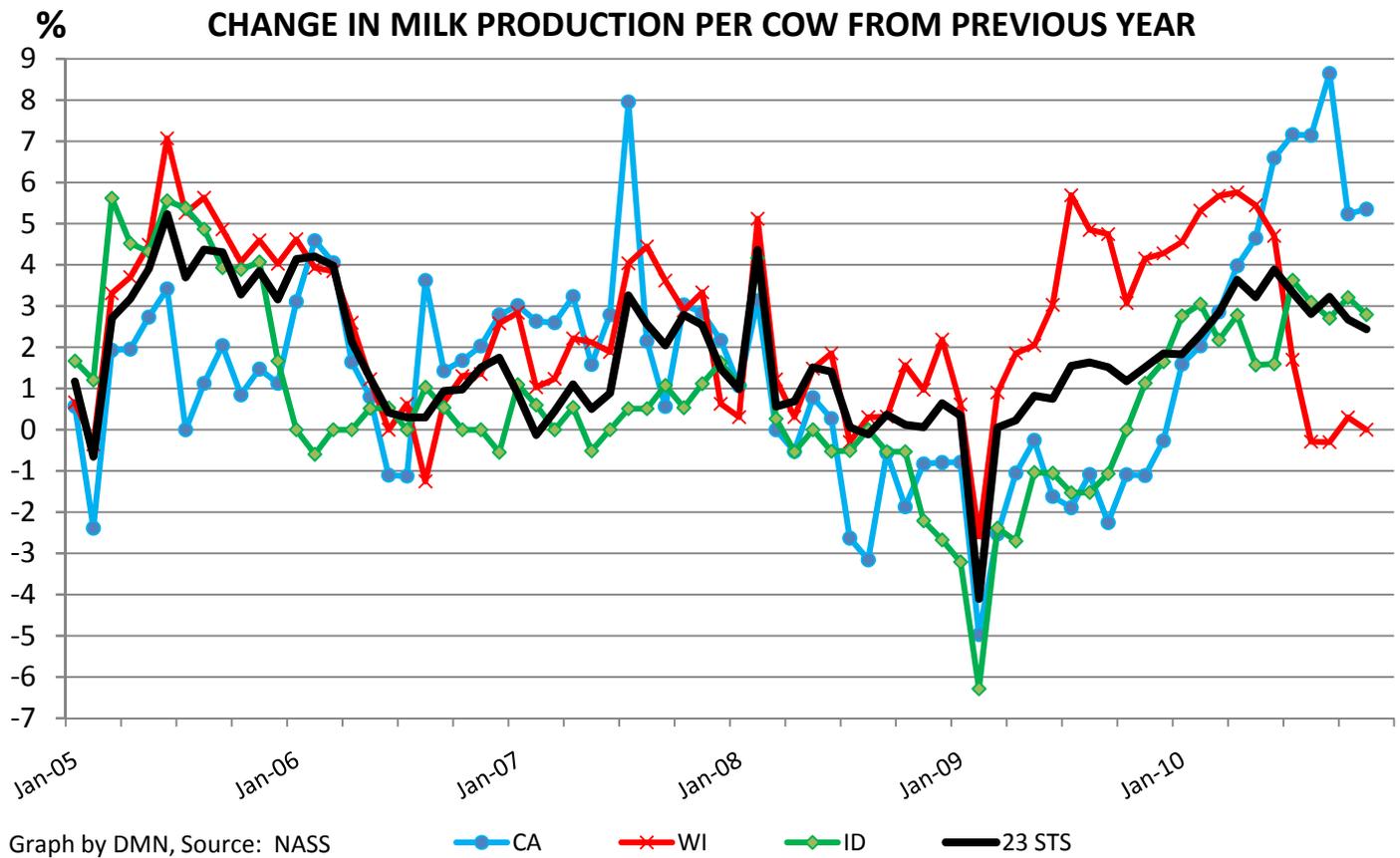
**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for January 2011 is \$15.20 per cwt. This price is derived from the Class IV skim milk pricing factor of \$9.33 and the advanced butterfat pricing factor of \$1.7696. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to December 2010, the Class I base price decreased \$1.76 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$1.62 per cwt., -\$0.139 per gallon; reduced fat milk (2%), -\$0.92 per cwt., -\$0.079 per gallon; fat-free (skim milk), -\$0.06 per cwt., -\$0.005 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$9.33. Thus, the Class II skim milk price for January is \$10.03 per cwt., and the Class II nonfat solids price is \$1.1144. **Product Price Averages.** The two-week product price averages for January are: butter \$1.6328, nonfat dry milk \$1.2148, cheese \$1.4841, and dry whey \$0.3783.

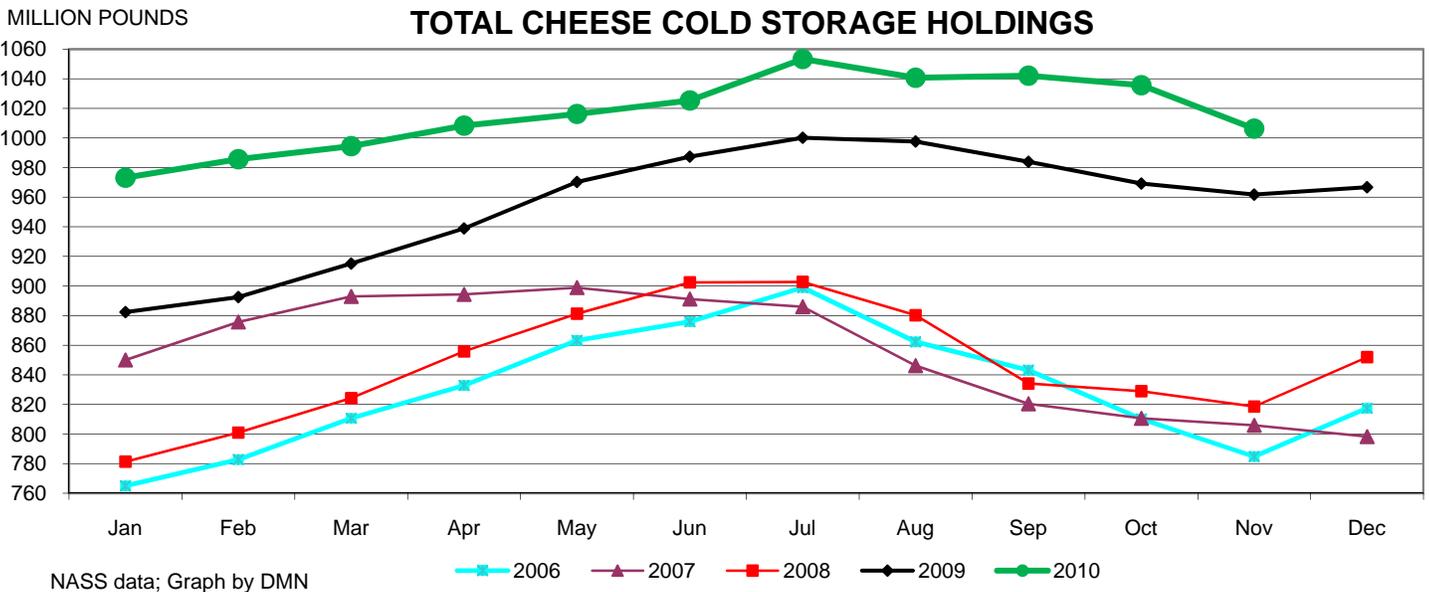
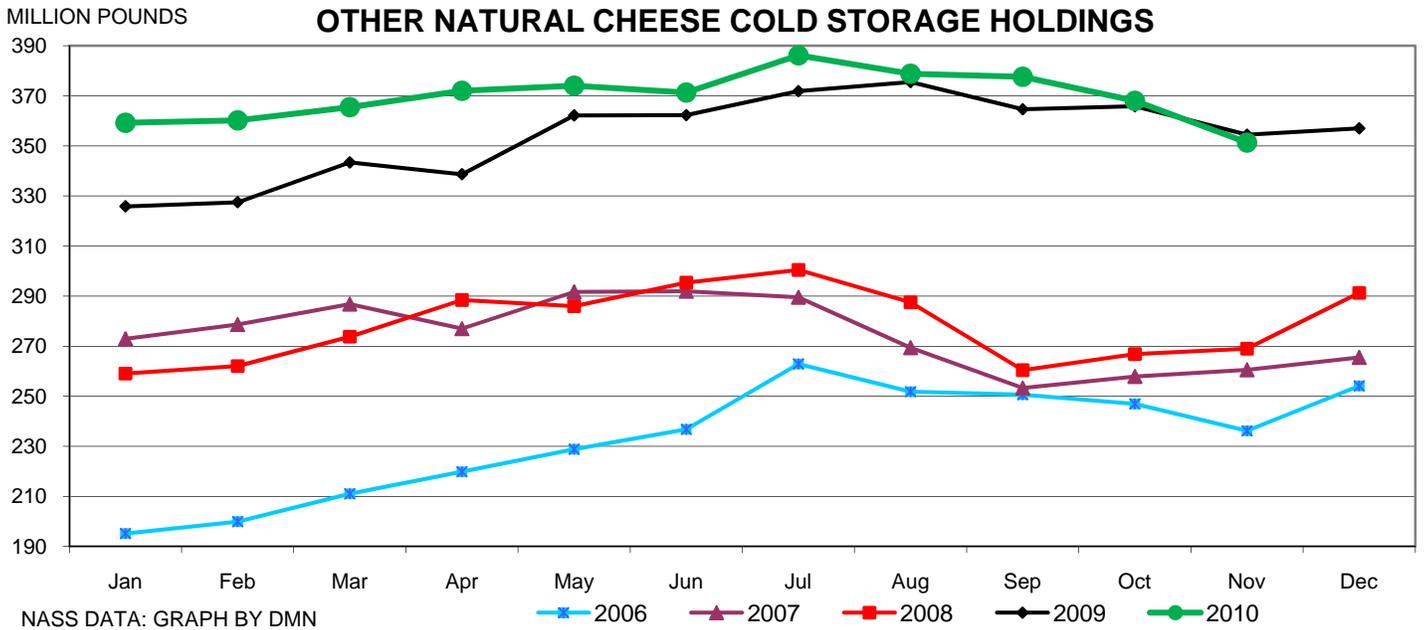
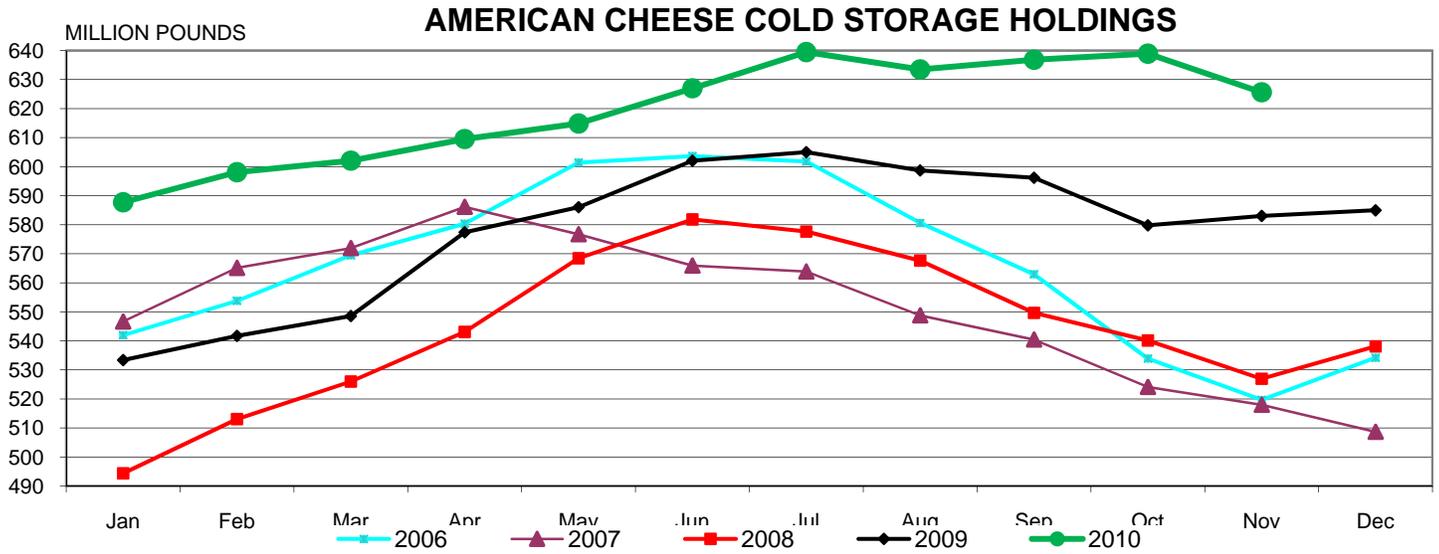
FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/ 2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	January 2011		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	18.45	12.58	1.8021
Appalachian (Charlotte) <sup>5/ 6/</sup>	005	18.60	12.73	1.8036
Southeast (Atlanta) <sup>6/ 7/</sup>	007	19.00	13.13	1.8076
Florida (Tampa) <sup>6/ 8/</sup>	006	20.60	14.73	1.8236
Midwest (Cleveland) <sup>9/</sup>	033	17.20	11.33	1.7896
Upper Midwest (Chicago) <sup>10/</sup>	030	17.00	11.13	1.7876
Central (Kansas City) <sup>11/</sup>	032	17.20	11.33	1.7896
Southwest (Dallas) <sup>12/</sup>	126	18.20	12.33	1.7996
Arizona (Phoenix)	131	17.55	11.68	1.7931
Pacific Northwest (Seattle) <sup>13/</sup>	124	17.10	11.23	1.7886
All-Market Average		18.09	12.22	1.7985

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets. <sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. <sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. <sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. <sup>8/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. <sup>9/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. <sup>10/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>11/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. <sup>12/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.



Graph USDA, DMN; Source USDA, NASS





# DAIRY MARKET NEWS

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