

**NATIONAL DAIRY MARKET AT A GLANCE****CME GROUP CASH MARKETS (01/07):**

**BUTTER:** Grade AA closed at \$2.1000. The weekly average for Grade AA is \$1.8380 (+.1805).

**CHEESE:** Barrels closed at \$1.3425 and 40# blocks at \$1.3650. The weekly average for barrels is \$1.3405 (+.0055) and blocks, \$1.3510 (+.0205).

**BUTTER HIGHLIGHTS:** The CME cash butter market increased sharply this week, 43 cents, to settle at \$2.1000 at week's end. The 20 cent increase on Thursday was biggest one day increase in over 6 years and the 43 cent weekly increase is the largest since November 2000. The current price is the highest cash price since early November and compares to \$1.3300 last year at this time and \$1.1300 in 2009. Many butter producers and handlers are stating that this will halt export demand and will cause domestic buyers and handlers to question how they should approach inventory management. Although the cash butter price is at a record high for this time of the year, some butter producers and handlers are stating that international buyer interest might continue since the U.S. is the only "Store in Town" that potentially may have uncommitted butter supplies. Churning activities have slowed now that the holidays have passed and cream volumes are once again entering Class II operations. During the final days of surplus cream over the holiday period and early in the New Year, churning schedules were geared more to 80% salted production versus 82% unsalted for export. Export buyer interest slowed, thus uncommitted unsalted butter was not the product of choice. Many domestic buyers were building inventories at that time, but now are greatly puzzled about what to do. Butter producers and handlers are now questioning what impact current firm prices will have on domestic demand and sales. Typically, when cash butter prices near the \$2.00 level, consumer buying patterns decline. Overall domestic butter orders were not aggressive this past week as most buyers were assessing holiday carryover stocks before re-entering the marketplace.

**CHEESE HIGHLIGHTS:** The cheese market is unsettled early in the year. Traders were able to widen the barrel/block spread to a more normal level. Extra milk available to plants over the yearend holidays increased the offerings available, particularly on the natural side. Late 2010 barrel purchases tightened supplies at a number of locations.

Many customers needed a few days early in the week to review holiday movement and inventory before reordering. Estimated cumulative U.S. cheddar output for January–November 2010 totals 2.974 billion pounds, an increase of 29.3 million pounds (1.0%) from the same period in 2009. Mozzarella output during 2010 is put at 3.186 billion pounds, up 207.8 million pounds (7.0%) from the same 2009 period. Total cheese output in 2010 totals 9.547 billion pounds, up 302.1 million pounds (3.3%) from 2009.

**FLUID MILK:** Manufacturing plants were still operating on heavier schedules early in the week as they cleared the extra fluid and cream volumes backed up from the holidays. The reopening of schools this week caused a rebound in fluid use, reducing the volume available for manufacturing. Churning was active during the yearend holiday period as many other cream users were closed for vacation and maintenance. Most operators welcomed the extra volumes which were handled with minimal disruptions. Overall, milk intakes are trending higher seasonally through most of the country.

**DRY PRODUCTS:** Prices for NDM were mixed on a firming market. A late year inventory clearing sale at reduced prices caused some weakness to occur in certain contract prices. Drying schedules have eased as fluid interest increased as students return to class in 2011. Interest in NDM is picking up in January; the yearend holiday allowed producers the opportunity to build some inventory. Buttermilk prices are mixed as extra churning occurred the past couple of weeks. Interest is mixed as some buyers try to acquire supplies to rebuild inventory for use later in the year. Condensed buttermilk demand has also strengthened as more users return after the holidays. The whey complex markets (whey, lactose, and WPC) all remain firm. Supplies remain tight and sales are mainly limited to filling contracts. Extra product made over the yearend holidays was readily absorbed. Overall interest for whey products has improved in January. Some producers shifted to more specialized products, leaving some customers looking for a new supplier.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** Milk production in **Europe** is on the eve of seasonal increases. Milk producers and handlers are stating that the deepest point of the season is over and milk volumes will soon be increasing at a more

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**CME GROUP CASH TRADING**

PRODUCT	MONDAY JANUARY 3	TUESDAY JANUARY 4	WEDNESDAY JANUARY 5	THURSDAY JANUARY 6	FRIDAY JANUARY 7	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.3400 (N.C.)	\$1.3400 (N.C.)	\$1.3400 (N.C.)	\$1.3400 (N.C.)	\$1.3425 (+.0025)	(+.0025)	\$1.3405 (+.0055)
40# BLOCKS	\$1.3425 (N.C.)	\$1.3425 (N.C.)	\$1.3450 (+.0025)	\$1.3600 (+.0150)	\$1.3650 (+.0050)	(+.0225)	\$1.3510 (+.0205)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$1.2250 (N.C.)	\$1.2350 (+.0100)	\$1.2900 (+.0550)	\$1.2900 (N.C.)	\$1.3400 (+.0500)	(+.1150)	\$1.2760 (+.0510)
GRADE A	\$1.2700 (N.C.)	\$1.2700 (N.C.)	\$1.3000 (+.0300)	\$1.3000 (N.C.)	\$1.3300 (+.0300)	(+.0600)	\$1.2940 (+.0240)
<b>BUTTER</b>							
GRADE AA	\$1.6900 (+.0200)	\$1.7000 (+.0100)	\$1.7500 (+.0500)	\$1.9500 (+.2000)	\$2.1000 (+.1500)	(+.4300)	\$1.8380 (+.1805)

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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noticeable rate. With most of the milking herd housed in barns during the winter, cold temperatures should not have a significant impact on production growth. Some milk processors and handlers are reporting that increases in milk receipts are starting to occur, although in recent weeks, some milk deliveries to manufacturing facilities have been challenged by heavy snowfall. Traders and handlers are stating that buyer interest slowed during the recent holiday period, but is expected to increase as the New Year begins. Much of current buyer interest is centered around domestic needs. Traders are stating that currency volatility is making sales negotiations difficult to finalize. European traders are finalizing their bids for a tender extended a few weeks ago. Bids are due by the weekend. Traders indicate that immediate need stocks are limited, thus much of the potential tender volume will be filled from new production. For a recent tender, stocks will be coming from Europe and South America. European traders and handlers continue to closely monitor the g/DT event held in New Zealand. The January 4th event realized increases ranging from 7% – to over 20% from the previous event. European prices, along with other international prices, were on the increase prior to the event, thus European suppliers were comfortable with their adjustments following the g/DT event. On Thursday, January 6, the European Dairy Commission reconvened with their first meeting of 2011. No significant policy issues were adjusted, but the Commission did sell back about 5,400 MT of intervention skim milk powder at a minimum price of 2,120 Euros (about \$2,804) per MT. The next meeting will be held on January 20. Weather patterns continue to dominate the conversations in both New Zealand and Australia. Rainfall has occurred in the drought areas of the North Island in **New Zealand**. Dairy producers welcomed the moisture, but for many, the damage had already occurred to the current milk production season and this moisture is having minimal positive impact on the current season. The positive impact of current moisture will probably not be felt until the new season resumes in August/September. Milk producers and handlers are stating that although damage has occurred to the down side of the current season, current milk production declines are slowing. A La Nina weather pattern is typical for what has happened in New Zealand. Periods of dry conditions are ended with measurable moisture, then followed by dry conditions once again. Reports of dry conditions in areas of the South Island are also starting to occur. Early reports are stating that milk production in New Zealand took a significant hit during December and is down as much as 6 1/2% when compared to last December. As moisture arrived in mid December, the steep drop off in milk output slowed. In **Australia**, heavy rainfall and flooding are occurring in Queensland in Northern Australia. This is having significant negative impact on grains and grain harvests. In Victoria, the major dairy region, south of Queensland, moisture continues to fall, but not to the extent as in Queensland. For the most part, the rainfall that is occurring in Victoria is not having a significant negative impact on milk production with dairy farmers making the best of wet conditions. Milk processors and handlers are stating that incoming milk tests are indicating that butterfat content is lower, with much of this being attributed to waterlogged pastures that do not have good feed content. Dairy producers continue to state that they are not looking for too much recovery in the current production season, but look toward the 2011 – 2012 season with optimism.

Manufacturers and handlers of dairy products in Oceania remain confident they will be able to fulfill commitments, but also state that they are projecting that they will have very minimal, if any, uncommitted inventory for spot buyer interest. At the January 4 g/DT, contract price averages were all higher when compared to the previous event. Traders and handlers were not surprised at this trend. For anhydrous milk fat, the average price for all contracting periods was \$5,984 per MT, 10.6% higher than the previous event; buttermilk powder averaged \$3,390, +20.6%; skim milk powder averaged \$3,492, +10.9%; and whole milk powder averaged \$3,750, +3.8%.

**DECEMBER AGRICULTURAL PRICES HIGHLIGHTS (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2010 advanced 3 points to 191. Compared with December 2009, the index was up 13 points (7.3%). The index of prices received by farmers for dairy products declined 8 points during the month of December 2010 to 129. Compared with December 2009, the index was up 3 points (2.4%). Prices received by farmers in December with changes from November were: for All Milk, \$16.80, down \$1.10; for Fluid Grade Milk, \$16.80, down \$1.10; and for Manufacturing Grade Milk, \$14.70, down \$0.90.

**NOVEMBER 2010 DAIRY PRODUCTS (NASS):** Butter production was 132.8 million pounds in November, 9.8% above November 2009 and 9.2% above October 2010. American type cheese production totaled 350.3 million pounds, 5.6% above November 2009 but 3.5% below October 2010. Total cheese output (excluding cottage cheese) was 889.6 million pounds, 6.0% above November 2009 but 0.3% below October 2010. Nonfat dry milk production, for human food, totaled 115.5 million pounds, 13.0% above November 2009 and 0.2% above October 2010. Dry whey production, for human food, was 78.1 million pounds, 3.7% above November 2009 and 2.1% above October 2010. Ice cream (hard) production totaled 51.9 million gallons, 2.2% below November 2009 and 15.2% below October 2010.

**WORLD DAIRY SITUATION AND OUTLOOK (FAS):** Despite the prospect of higher milk supplies, the outlook for 2011 remains bright. Although global GDP is forecast to moderate from 2010, income per capita growth rates in such key market areas as Asia and Oceania are forecast to increase by around 3.9% – up from 2.9% in 2010. This implies that import demand will remain fairly strong. Further, there are limited buffer stocks of skim milk powder (SMP) or butter in the United States or the EU-27 to temper any production shortfalls. The lynchpin to the outlook, however, will be China. Assuming strong economic growth in China, the 2011 forecast calls for China to import 400,000 tons of WMP which will absorb any added supplies coming onto world markets. Prospects for U.S. exports are positive although, there are obstacles. The Mexican Government has implemented retaliatory tariffs - as permitted by the World Trade Organization - on imports of U.S. cheese as a result of the cross-border trucking issue. Through October 2010, nearly 30% of total U.S. cheese exports were shipped to Mexico; consequently, U.S. exports of cheese to Mexico are expected to decline. In addition, the Russian and Algerian Governments have implemented an import ban on U.S. dairy products due to unresolved certification issues. China has also imposed a new hygiene certificate that threatened imports of U.S. dairy products but U.S. dairy exports have continued to ship while talks to resolve the issue are ongoing. Cheese production in Oceania for 2011 is expected to grow modestly by 3%

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(20,000 tons) and most of this output is likely to be exported. For 2011, EU-27 cheese production is projected to continue growing – increasing by 1% – as most of the additional manufacturing milk is likely to flow into cheese vats. EU-27 exports of cheese are projected to grow by a modest 2% and the domestic cheese market is likely to remain fairly firm given recovering domestic consumption. U.S. cheese production is on track to post a 3% increase in 2010. For 2011, cheese output is pegged to increase by 1% to flat while exports, though still historically strong, are expected to be down. Global butter trade during 2011 for major exporters is forecast to shrink by 3% largely due to reduced shipments from the EU-27. New Zealand butter output for 2011 is projected to rise by 10% reflecting to some extent the substantial jump in domestic milk production forecast for that year. Likewise, exports are expected to increase by 2%. U.S. butter production in 2010 is expected to be 3% lower because milk was channeled into the production of other products. For 2011, butter output is forecast to reverse course and expand by 3%, ending up marginally above levels attained in 2009. For 2011, growth in SMP shipments for selected countries is forecast to be somewhat less than in 2010, but is nevertheless projected to post a relatively healthy 6% gain. EU-27 exports of SMP for 2011 are anticipated to decline by 6%, reflecting a slight decrease in output as processors shift more milk to the more profitable production of cheese. Intervention stocks, which stood at 259,000 tons in early 2010, are expected to fall to 80,000 tons by the end of 2011 and more critically, no purchases are anticipated during the coming year. U.S. exports of SMP are forecast to increase by 1% in 2011, as demand increases with global economic growth. Production of WMP for selected countries is expected to grow by 5% in 2011 with major gains likely to be posted by New Zealand and Argentina. In contrast, WMP output in the EU – the second largest global exporter after New Zealand – is expected to decline as more milk is directed to the production of cheese.

**CME GROUP**

MONDAY, JANUARY 3, 2011

CHEESE — SALES: 4 CARS BARRELS: 2 @ \$1.3400, 1 @ \$1.3425, 1 @ \$1.3400; 4 CARS 40# BLOCKS @ \$1.3425; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$1.3425; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2100; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 3 CARS GRADE AA @ \$1.6900; LAST OFFER UNCOVERED: NONE

TUESDAY, JANUARY 4, 2011

CHEESE — SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.3200; 1 CAR 40# BLOCKS @ \$1.3200; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.2350; 1 CAR GRADE A @ \$1.2700; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 3 CARS GRADE AA @ \$1.7000; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JANUARY 5, 2011

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.3425, 1 @ \$1.3450, 1 @ \$1.3425, 1 @ \$1.3400; 2 CARS 40# BLOCKS: 1 @ \$1.3475, 1 @ \$1.3450; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.3425; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3400  
 NONFAT DRY MILK — SALES: 3 CARS GRADE A @ \$1.3000; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.2900; 5 CARS GRADE A @ \$1.3000; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.7500; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 6, 2011

CHEESE — SALES: 9 CARS BARRELS: 1 @ \$1.3450, 3 @ \$1.3525, 1 @ \$1.3500, 1 @ \$1.3475, 3 @ \$1.3425; 5 CARS 40# BLOCKS: 1 @ \$1.3575, 1 @ \$1.3600, 2 @ \$1.3550, 1 @ \$1.3600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.3400  
 NONFAT DRY MILK — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3300  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.9500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 7, 2011

CHEESE — SALES: 4 CARS BARRELS @ \$1.3400; 2 CARS 40# BLOCKS @ \$1.3650; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.3425; 1 CAR 40# BLOCKS @ \$1.3650; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: 2 CARS GRADE A @ \$1.3300; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.3400; 1 CAR GRADE A @ \$1.3100; LAST OFFER UNCOVERED: NONE  
 BUTTER — SALES: 1 CAR GRADE AA @ \$2.0500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1000; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**NOVEMBER BUTTER PRODUCTION**

During November, U.S. butter production, totaled 132.8 million pounds, 9.8% higher than last November and 9.2% higher than October. June butter production by geographic regions of the country has output in the Atlantic region 9.5% higher than last November, 16.3% higher in the Central region and 5.4% higher in the West.

**NORTHEAST**

Butter prices on the CME Group have increased in the last 4 trading sessions and closed 1 cent higher Tuesday at \$1.7000. Butter production remains at increased levels as cream supplies are heavy coming off the holiday weekend. Production of 82% butter has declined as butter makers are focusing on domestic, rather than export demand. Butter orders have declined, which is typical following the yearend holiday period. Some current purchasers of butter have expressed their concern for 2011 supplies and prices as being the reasons for purchasing now. Overall inventories are building and held with confidence. 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 increased 9 3/4 cents since midweek last week to settle at \$1.7500 on Wednesday. Traders and handlers are stating that this is the highest cash price for this time of year that many can remember. The current cash price is 42 cents higher than last year at this time and 62 cents higher than in 2009. Churning activity over the Christmas/New year holiday period was quite active in the Central part of the country. Additional cream supplies were available to local churns, but not as plentiful as many had anticipated. Holiday period churning activity centered around 80% salted butter for domestic needs with some 82% unsalted for export being churned. Some butter producers indicated that they actively churning salted butter for domestic needs as it appeared that domestic

buyers were seeking butter for future needs. Some butter buyers are speculating that the lower cash prices of last week might be the low butter price for 2011. International buyer interest is slow this week, but traders and handlers continue to anticipate that this inquiry will build in the first quarter of the year. International butterfat supplies are tight, thus buyers are looking to the U.S. for supply needs. In most instances, U.S. butter prices are lower than international offerings. Domestic buyer interest remains light early in the week as buyers continue to assess their supply situation following the year-end holidays. Some buyers are looking to procure additional butter volumes for future use. 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 up \$.0500 to \$1.7500. The price has gone up for the last five trading sessions. Trading activity is light with no sales reported so far the week. Western butter prices are at historic highs for this time of year. Churns are busy as cream volumes had increased over the yearend holidays. Manufacturers are trying to build inventories and are reluctant to offer spot loads. Post-holiday contract orders are being filled with little incentive to seek out new customers. Domestic and foreign demand are anticipated to compete for limited supplies. Prices for bulk butter range from flat to 3 cents under the market, based on the CME with various time frames and averages used. According to the CME Group, weekly butter stocks in CME approved warehouses had a net movement of 1.8 million pounds more last week to a warehouse adjusted 12.9 million pounds. Butter stocks typically begin to build at this time of year. The 5 year average input for the first week of the year is 5.43 million pounds. The total of 12.9 million pounds compares to 41.6 million pounds in 2010 and 44.5 million pounds in the comparable week in 2009.

**NASS DAIRY PRODUCT PRICES**

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

<u>WEEK ENDING</u>	<u>CHEESE 40# BLOCKS</u>	<u>CHEESE BARRELS</u> <u>38% MOISTURE</u>	<u>NDM</u>	<u>BUTTER</u>	<u>DRY WHEY</u>
January 1	1.3753	1.4012	1.2172	1.6469	0.3903
	12,043,013	9,746,687	13,115,540	2,839,463	8,185,307

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 unchanged coming off the holiday weekend and closed Tuesday with barrels at \$1.3400 and blocks at \$1.3425. The weekly average prices on the CME Group were mixed, resulting in lower wholesale prices for Process Sliced cheese, higher prices for Cheddar Blocks with Swiss Cuts declining as a result of the Class III price released Friday. Cheese production is holding at increased levels as manufacturing milk supplies have increased over the holiday period. Most plants are in production 6-7 days per week. Inventories are building, but are not perceived as burdensome as cheese orders remain good for mozzarella, provolone, Swiss and aged cheddar. According to NASS, November 2010 total cheese production in New York was 67.2 million pounds, 2.6% more than October and 6.0% more than November 2009. Pennsylvania produced 34.1 million pounds in November, 4.8% less than one month earlier, but 4.3% more than one year ago. Vermont produced 9.9 million pounds, 0.5% less than last month and 3.1% less than November 2009. Focusing on Italian cheese, in November, New York produced 34.2 million pounds, 7.4% more than October and 4.2% more than November 2009. Pennsylvania produced 22.0 million pounds in November 2010, 4.7% less than October, but 12.9% more than November 2009. Total October cheese production in the Atlantic region was 119.8 million pounds, up 0.1% from October and 5.6% more compared to the same period last year. Atlantic region cheese production accounted for 13.5% of total U.S. production. Total U.S. cheese production in November 2010 totaled 889.6 million pounds, 0.3% less than October, but 6.0% more than November 2009. Cumulative 2010 (eleven month) U.S. Cheese production through November was 3.3% greater than comparable 2009 production.

Cheddar Barrels on Wednesday at the CME Group are unchanged at \$1.3400. 40 Pound Blocks are \$.0025 higher at \$1.3450. Sales of Barrels for the week have been moderate with eight loads trading. Block sales were light to moderate with six loads traded so far this week. Western cheese prices are steady to firming. Although inventories are above year ago levels, cheese plants are operating on busy schedules to handle excess milk over the holidays. Process cheese accounts are showing increased interest for inventory into the new year. Contract orders are handling most production with CWT assistance benefitting export sales. According to the NASS *Dairy Products* report, total cheese production in the U.S. in November reached 889.6 million pounds, up 6% or 50 million pounds from last year. November total cheese production in the Western region was 384.2 million pounds, up 10.4% or 36.2 million pounds from November 2009. The West produced 43.2% of all the cheese in the U.S. in November. Cumulative total cheese output for the U.S. through November is 9.5 billion pounds, up 3.3% or 302.1 million pounds from the same period in 2009. Swiss output for the U.S. in November is 27.9 million pounds, up 2.7% or 700 thousand pounds from last year. CME Group monthly average price for December 2010 for Barrels is \$1.3751 compared to December 2009 at \$1.4520. Blocks averaged \$1.3807 for December 2010 compared to \$1.6503 for last year.

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

Cheddar 40# Block	:	1.6475-1.9225
Process 5# Sliced	:	1.4400-1.7500
Muenster	:	1.6675-1.8725
Grade A Swiss Cuts 10 - 14#	:	3.2325-3.5550

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

Process 5# Loaf	:	1.4600-1.7175
Cheddar 40# Block	:	1.4575-1.8100
Cheddar 10# Cuts	:	1.6375-1.8575
Monterey Jack 10#	:	1.6475-1.8075
Grade A Swiss Cuts 6 - 9#	:	2.8100-3.2400

**MIDWEST**

The cheese market is a bit unsettled early in the week as retailers and food service accounts review yearend movement and current inventory levels before ordering. Generally, packaging line overtime is limited though some firms are using some to rebuild finished stocks depleted during the past two holiday shortened weeks. Compared to early January 2010, current cheese prices are several cents lower. This provides many buyers the incentive to have a larger early year working inventory. A number of firms are starting to rebuild cheddar and hard Italian aging programs for later year use. Barrel interest is good for Midwest barrels with spot supplies limited. At least one food service promotion featuring cheese burgers is underway in selected markets. Cheese output is returning to regular levels in January. Some extra cheese was made from milk that had been going to fluid use before the yearend holidays. It seems that the volume of holiday surplus milk may have been lower than in recent years. Cheese yields are around normal levels.

**FOREIGN**

The block cheese price on the CME Group held steady coming off the holiday period and closed Tuesday unchanged at \$1.3425. Recent price increases brought about an increase in the weekly average price, resulting in higher domestic wholesale prices for all varieties, except for Swiss Cuts which moved lower following the Class III price release on Friday. Swiss cheese production in the Northeast continues at increased levels with some marginal increases in inventory. Overall, Swiss cheese demand and sales continue to be good. According to NASS, domestic Parmesan production during November 2010 totaled 17.1 million pounds, 12.0% more than October, but 12.8% less than November 2009. Provolone production during November totaled 29.4 million pounds, 2.0% more than October and 4.2% more than November 2009. Romano production during November 2010 totaled 2.7 million pounds, 15.0% less than October and 26.0% less than November 2009. Swiss production during November 2010 totaled 27.9 million pounds, 6.6% less than October, but 2.7% more than November 2009.

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

Process American 5# Loaf	:	1.6950-2.0000
Brick And/Or Muenster 5#	:	1.8375-2.2100
Cheddar 40# Block	:	1.8550-2.5650
Monterey Jack 10#	:	1.7975-2.5650
Blue 5#	:	2.1550-2.9300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6700-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.6400-3.3300

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 1.7875-3.2750*
Gorgonzola	: 3.6900-5.9900	: 2.2900-2.5500*
Parmesan (Italy)	: -0-	: 3.1275-3.3200*
Provolone (Italy)	: 3.4400-5.8900	: 1.8300-1.9875*
Romano (Cows Milk)	: -0-	: 2.9775-5.1200*
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-	: 3.3250-3.6475*
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
01/03/11	3,528	:	117,082
12/01/10	6,652	:	132,399
CHANGE	-3,124	:	-15,317
% CHANGE	-47	:	-12

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	180	0	220	0	100
SOUTHEAST STATE	0	0	0	0	0	0

Manufacturing milk supplies continued to be heavy in portions of the Northeast region coming out of the holiday period and some unloading delays have been noted. The Mid Atlantic region experienced a quick decline in manufacturing milk supplies coming out of the holiday as Class I and II demand significantly increased. The Southeast region handled the increased manufacturing milk supplies over the holiday period without any major problems. Class I demand is lagging as most schools will not resume until later this week. Auxiliary cheese plants that received manufacturing milk supplies over the holidays are having their supplies cut back. Florida experienced cold weather over the holiday, setting new record lows in some areas. The cold weather has slowed winter forage growth, caused summer pastures to become dormant, and increased supplemental hay feeding. 70% of the pastures continue to be rated as poor to very poor. Feed requirements are increasing in some areas as more cows are calving. The cold weather has also prompted an early orange harvest. The early harvest has caused a decrease in tanker availability as tankers are being used for condensed orange juice transport at the same time that milk transports are near their peak. Most Florida schools did not reopen until mid week limiting Class I demand. This week, Florida is exporting 180 spot loads. Condensed skim demand has increased as Class II production is resuming regular schedules after the holidays and Class III production remains fairly steady. Class IV dryers are running at reduced levels with some plants turning to high heat nonfat dry milk production. Most cream supplies are headed to the churns as ice cream production is slow to come back on line at full production. Cream cheese production has slowed lessening the demand for cream. Cream multiples this week ranged from 110-123 with the low end of the range reflecting weekend activity when supplies were at increased levels. According to NASS, ice Cream production in the Atlantic region in November totaled 13.1 million gallons, 4.4% less than October, but 3.7% more than November 2009. Pennsylvania's ice cream production for November totaled 2.7 million gallons, down 6.6% from October, but 1.9% more than one year ago. Yogurt production (plain and flavored) for November totaled 318.8 million pounds, down 6.2% from October, but 17.3% higher compared to the same period last year. Cumulative 2010 production through November totaled 3.83 billion pounds, 8.8% higher than through November 2009.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8233-2.0387
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6575-2.0553

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:	
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.26 - 1.30
NORTHEAST - CLASS III - SPOT PRICES	- 1.01 - 1.05

MIDWEST

Class I interest was mixed, generally good for many but sluggish for at least one other after the holiday. Bottling volumes have generally returned to the higher "school in session" levels. Interest in many of the non-ice cream Class II products was quiet after the holidays. Some fluid operations are trying to use more cream internally by making extra ice cream early rather than depend on spring/summer cream supplies and prices. Churning was heavier during the holidays, including some toll churning with some of the extra cream volumes lasting into this work week. Interest in butter is good early in the year, though

most is headed into storage for use later in the year. Good discussion occurred on current butter prices (high for January), and possible price direction and 2011 peak price forecasts. Spot milk and cream prices were affected by when the load was available, lower during the holiday weekend and higher after. Cheese milk interest exceeded the limited supply and prices were firm after the holiday weekend. Some later offered holiday milk may have been discounted to clear, but most went for at least class price prior to the holidays. Some plant operators were expecting larger surplus milk offerings that did not seem to materialize, perhaps due to increases in plant capacities at some locations. Overall, the extra fluid volumes were handled with a minimal amount of disruption though some storage silos may not have gotten emptied until the work week. Current milk volumes are unevenly higher and lower as some herds seemed to be affected by recent temperature changes. In many northern states, much of the snow cover disappeared last week and 2011 receipts limited this far.

WEST

The December 4a price (butter/powder) in CALIFORNIA is \$14.67, down \$1.67 from November and \$0.09 lower than last year. This compares to the Federal Order Class IV price for December 2010 at \$15.03. The December 4b price (cheese) is \$12.22, \$0.92 lower than November and \$2.82 less than last year. This compares to the Federal Order Class III price for December 2010 at \$13.83. According to the NASS *Agricultural Prices* report for December, mid-month U.S. prices for baled alfalfa hay were \$121/ton, \$12/ton more than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$130, +\$25; California \$140, +\$36; Colorado \$130, unchgd.; Idaho \$140, +\$30; Nevada \$139, +\$37; New Mexico \$165, +\$19; Oregon \$148, +\$20; Utah \$113, +\$13; and Washington \$125, +\$5. CALIFORNIA milk production is reported to be along seasonal expectations. Weather conditions were favorable with areas drying out after heavy rains from end of the year storms. Increased milk supplies are being balanced amongst manufacturing plants in the region. Schools have reopened in many areas and Class I demand is returning. NEW MEXICO milk production is mostly steady with recent weeks. Increased supplies were available for manufacturing as schools are just returning to class. Processing plants were able to handle the volumes and are eager to build manufactured inventory. Weather conditions are mostly favorable for increased milk production. ARIZONA milk production is following seasonal norms. Increased cow numbers have resulted in increased production from year ago levels. Schools are returning to class and fluid milk needs are returning to normal after the holidays. Processors were busy with increased supplies and are building inventories. Weather conditions are favorable for high cow comfort levels. CREAM availability is tightening as manufacturers return to normal production levels. Butter churns were very active over the holidays and welcomed the opportunity to build supplies for use later in the year. Butter production has increased although supplies remain tight compared to previous years. At the CME, Grade AA butter price closed at \$1.7500 on January 5, up \$.0975 over the last five trading sessions. Cream multiples range from 100-123 and are firming after the holidays. Cream supplies are described as tight overall. The PACIFIC NORTHWEST experienced seasonal weather with no severe storms to interrupt milk handling this week. Balancing plants were able to handle the increased supplies of manufacturing milk over the holidays with no serious interruptions. Processors welcomed the additional supplies and used the surge to build inventories. Class I usage is returning to normal as schools return to class. UTAH and IDAHO milk supplies are increased from year ago levels and local processors are able to utilize extra loads within the region. Dairy farmers are balancing current milk prices with added feed costs to determine plans into 2011.

**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 in the Central region are mixed, with lower prices attached to contract pricing based on various indices that declined within the last 7-10 days. The overall market tone is firming. Buyer interest is termed "active" by many resellers. Production of NDM is declining somewhat as fluid demand rebuilds due to the reopening of educational settings. Trucking schedules were disrupted in some areas late last week due to high winds and white out driving conditions, but most reports indicate all milk was eventually processed. Nonfat dry milk inventories are increasing at most locations, adding to the NDM gains accomplished during the holiday week. According to NASS, NDM production in the Central region totaled 7.3 million pounds during November 2010, 9.4% higher than October 2010 but 16.0% lower than November 2009. Cumulative 2010 nonfat dry milk in the Central region through November totals 122.3 million pounds, a 17.5% decrease from 2009 production during the same time span. The December 2010 Dairy Market News average of the mostly price series for Central/East nonfat dry milk, low/medium heat, was \$1.2589 compared to \$1.2338 one month ago and \$1.3657 in December 2009. The Central/East nonfat dry milk high heat average of the range price series for December was \$1.3484 compared to \$1.3703 one month ago and \$1.4464 in December 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during November 2010 totaled 115.5 million pounds, up 0.2% from October 2010 production and 13.0% higher than November 2009. Month ending stocks, at 127.9 million pounds, are 3.2% higher than a month ago and 10.4% higher than one year ago. Cumulative 2010 human food nonfat dry milk powder production totals 1,417.9 million pounds, compared to 1,382.4 million pounds in 2009, a 2.6% increase in production. November 2010 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 16.3 million pounds, 6.9% lower than one month ago and 13.8% lower than production one year ago. Cumulative 2010 skim milk powder production totals 223.7 million pounds, compared to 199.3 million pounds during the same time span in 2009, a 12.2% increase.

EAST: Eastern nonfat dry milk prices were mixed this week. The price range for low heat nonfat dry milk expanded with some lower prices based off various base price indices, while the average of the mostly range moved higher. The high heat prices increased, moving the average price higher. Manufacturing milk supplies began to decline this week as Class I and II demands have increased, following the holiday period. Some plants in the Northeast continue to dry at increased levels as they clear remaining holiday manufacturing milk supplies, while other plants are focusing on high heat production as their manufacturing milk volumes decline. Demand has increased as Class II products return to regular production schedules. Current nonfat dry milk production is adding to fairly tight supplies in the Northeast. Spot sales activity is picking up, as buyers are beginning to place orders to fill their early 2011 needs. According to NASS, nonfat dry milk production in the Atlantic region totaled 9.9 million pounds, 8.6% of the nation's total. The Atlantic region production was 13.3% more than one year ago and 17.7% more than October. Month ending stocks for the U.S., at 127.9 million pounds, are 10.4% above last year and 3.2% more than October.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2125 - 1.3200 MOSTLY: 1.2500 - 1.2950  
 HIGH HEAT: 1.3300 - 1.3950

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices were somewhat unsettled this week. Lower pricing indices from year end sales lowered some contract prices. These lower prices were met with some increased demand for supplies into the spot market. Drying schedules continue to be busy as increased milk supplies are available. Inventories are building although not described as burdensome for producers. High heat production increased this week as demand begins to build seasonally. Prices for high heat firmed over the range. U.S. NDM production in November 2010 totaled 115.5 million pounds, 13% more than last year. Cumulative YTD output through November totals 1.42 billion pounds, up 2.6% from the same period in 2009. NDM production in the Western region in November totaled 98.3 million pounds, up 16% from last year. The West produced 85.1% of the U.S. total in November. U.S. manufacturers' stocks of NDM at the end of November were reported at 127.9 million pounds, 10.4% higher than a year earlier and 3.2% higher than October. U.S. skim milk powder (SMP) production in November totaled 16.3 million pounds, 13.8% less than last year and 6.9% less than October.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.1825 - 1.2800 MOSTLY: 1.2025 - 1.2400  
 HIGH HEAT: 1.2400 - 1.3950

**DRY BUTTERMILK - CENTRAL AND EAST**

CENTRAL: Central dry buttermilk prices are unchanged to higher. Demand is steady to higher, with buyers waiting for product to clear testing at some facilities. Dry buttermilk inventories are growing seasonally as cream clears to Class IV uses versus Class II. Toll churning in the region provided opportunities for some manufacturers to run additional loads of condensed buttermilk through the dryers. The December 2010 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.1846 compared to \$1.2953 one month ago and \$1.3500 in December 2009.

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during November 2010 totaled 6.8 million pounds, 11.7% more than October 2010 production and 2.0% more than production one year ago. Cumulative 2010 dry buttermilk production totals 72.5 million pounds, 10.2% more than during the same time span of 2009. Month ending stocks of dry buttermilk, at 11.6 million pounds, are 17.3% higher than one month ago and 117.4% higher than the stock levels of one year ago.

EAST: Dry buttermilk prices in the East were steady this week. Production of dry buttermilk increased as butter makers continue to run churns at increased levels, following the holiday period. Spot market activity remains light, but buyer interest is increasing as buttermilk prices have become competitive with nonfat dry milk prices. Current inventories are expanding quickly, given the increase in production and continued light trading.

F.O.B. CENTRAL/EAST: 1.1000 - 1.2700

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are steady with a weak undertone reported. Increased butter churning over the yearend holidays has increased availability of buttermilk for drying. Condensed buttermilk sales are reported good. Contract sales are being filled with some dry product being offered into the spot market. Buttermilk powder production in November 2010 for the U.S. totals 6.8 million pounds, up 2% from last year. Buttermilk stocks at the end of November are 11.6 million pounds, 117.4% higher than a year ago and 17.3% above last month.

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

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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

The dry whole milk market is firm. Dry whole milk production is intermittent as Class I demand emerges to refill that pipeline. Contract fulfillment is driving most of the dry whole milk production scheduling, but some production is geared for near term spot market offerings. The December 2010 Dairy Market News average of the range price series for dry whole milk was \$1.6987 compared to \$1.6900 one month ago and \$1.4800 in December 2009. 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, \$1.6420, +1.1%; Contract 2, \$1.7350, +5.7%; Contract 3, \$1.7826, +10.2%. New Zealand offered quantities for the three contract periods were 10,000 MT, 7,000 MT and 2,000 MT, respectively.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during November totaled 9.2 million pounds, up 38.6% from October 2010 and 41.6% more than November 2009. This is the highest level of production for dry whole milk in November since 1999 when production was 10.2 million pounds. Cumulative 2010 production through November of dry whole milk totals 66.0 million pounds, a 25.8% increase from 2009 production.

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

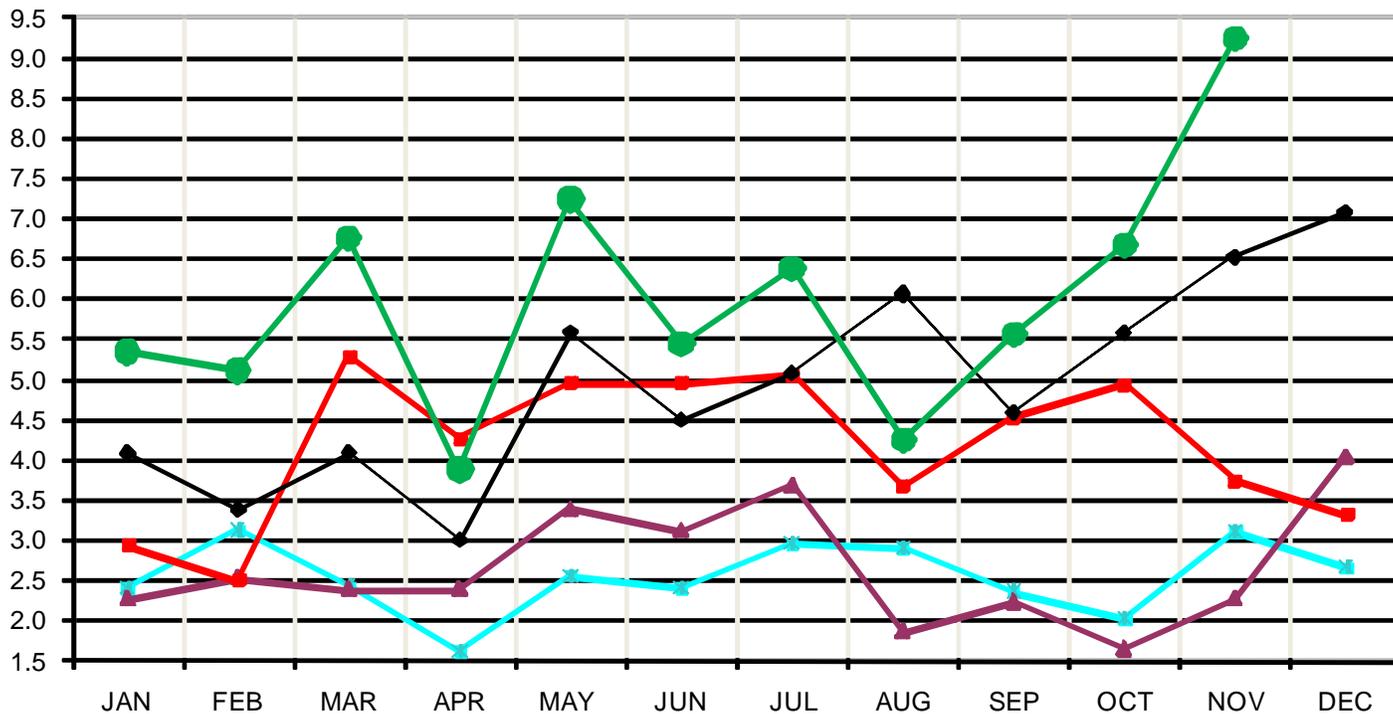
CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 31	\$1.1896	10,647,112	0
December 24	\$1.1309	28,258,675	0

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

Million Pounds

U.S. Dry Whole Milk Production



Graph USDA, DMN; Source USDA, NASS

Legend: 2006 (cyan square), 2007 (purple triangle), 2008 (red square), 2009 (black diamond), 2010 (green circle)

## WHEY, WPC 34%, LACTOSE &amp; CASEIN

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

## DRY WHEY - CENTRAL

Central dry whey prices are mostly higher as new contract prices take effect. Dry whey available for spot market consumption is light, while several manufacturers report increases in phone traffic. Some customers who historically dealt with Western or Eastern manufacturers are back in the market searching for edible dry whey to fill their 2011 needs. This is because their traditional suppliers are reportedly modifying end products and/or dry whey volumes and paring down their customer lists to match end product projections. Central dry whey production is steady to lower at most plants, and generally below regional capacity due to either current milk supplies or vacillating cheese orders. The snowstorm in the East had a sort of cascading effect that reached into some Central region dry whey facilities: storms forced some Eastern stores to close, fresh-type cheese on hand at the stores did not sell, stores decreased cheese orders for this week, cheese manufacturers decreased fresh-type cheese production to match current orders, whey output decreased, and dry whey volumes available to fill contract orders are lower for the week. Some manufacturers report they are working toward filling contract orders, but anticipate some delivery delays. ANIMAL FEED DRY WHEY prices are unchanged and the market is tight. Human food dry whey production during November 2010 in the Central region totaled 37.9 million pounds. This dry whey production is 0.8% less than October 2010 production and 1.6% less than one year ago. Cumulative 2010 total human food dry whey production through November in the Central region is 1.3% higher than during the same time span in 2009. The December 2010 Dairy Market News average of the mostly price series for Central dry whey is \$0.3575 compared to \$0.3558 one month ago and \$0.3613 in December 2009. The December 2010 Dairy Market News average of the range price series for Central ANIMAL FEED dry whey is \$0.3065 compared to \$0.3063 one month ago and \$0.2991 in December 2009.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during November 2010 totaled 78.1 million pounds, 2.1% higher than October 2010 production and 3.7% higher than November 2009 production. Production of ANIMAL FEED dry whey during November 2010 totaled 2.0 million pounds, 15.2% less than October 2010 production and 52.3% lower than production one year ago. Cumulative 2010 total dry whey production is 1.4% higher than 2009 production through November, totaling 929.4 million pounds. Month ending stocks of HUMAN FOOD dry whey totaled 41.2 million pounds, 1.5% more than 1 month ago and 3.4% higher than November 2009. ANIMAL FEED dry whey month ending stocks totaled .9 million pounds, 73.2% lower than one month ago and 48.2% lower than one year ago.

F.O.B. CENTRAL: .3400 - .4050 MOSTLY: .3550 - .3850  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2500 - .3800

## WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate prices are unchanged on the range, but higher on the mostly price range on a firm market. Availability of spot loads is tight, and sometimes represents reshuffling of contract commitments to allow for spot market sales. Offers of product from India have met with some skepticism from potential end users due to unfamiliarity with that WPC 34%. Domestic and international demand for U.S. WPC 34% is active, but many market participants regard exports as the wild card in the total demand equation: reductions in demand from any of the top WPC 34% export destinations could signal a change in market dynamics. With disruptions in deliveries caused by recent snowstorms, especially in the East, some WPC 34% manufacturers note they are rescheduling deliveries to accommodate plants behind on receiving contracted loads. The December 2010 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$0.9950, unchanged from one month ago, but higher than the year ago average of \$0.8605 in December 2009.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during November totaled 19.7 million pounds, 1.1% lower than one month ago, and 2.7% lower than production of one year ago. Cumulative 2010 HUMAN and ANIMAL WPC (25.0%-49.9% PROTEIN) production through November 2010 totals 222.2 million pounds, 7.5% lower than 2009 production through the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) totaled 15.0 million pounds, 2.7% more than October 2010 but 35.7% less than November 2009.

F.O.B. EXTRA GRADE 34% PROTEIN: .9800 - 1.0750 MOSTLY: .9900 - 1.0300

## LACTOSE - CENTRAL AND WEST

Lactose prices for 2011, Q1, and monthly prices are represented in both the range and mostly price series this week, along with spot sale prices. Prices firmed in the mostly price series as many producers reported higher monthly prices or increased premiums to various price bases when compared to 2010 monthly prices or Q4 premiums. Spot market interest is steady to higher, with additional demand emerging for lactose destined for blending into infant formula for the Southeast Asian markets. Also, a few manufacturers are shifting production emphasis into more specialized products, resulting in some end users having to find new suppliers for their nonpharmaceutical lactose needs. Most manufacturers indicate contracting is close to complete, leaving some question as to where customers who were cut loose from their previous suppliers will be able to lock in needed lactose volumes for 2011. Market participants indicate FOB and resale spot loads are more available this week and clearing within the price range. The December 2010 Dairy Market News average of the mostly price series for Central and West lactose was \$0.3350, unchanged from one month ago, but lower than the year ago average of \$0.3518 in December 2009.

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

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

**CONTINUED FROM PAGE 6****DRY WHEY - NORTHEAST**

The Northeast dry whey prices remained unchanged this week. Dry whey production continues at increased levels as cheese production has increased, due to increased manufacturing milk supplies through the holiday period. Though production has increased, supplies remain very tight, as some plants have committed to 2011 increases of other whey stream product production at the expense of Extra Grade and Grade A production. Export activity is fairly active, but some brokers are concerned that Far Eastern demand will decline going into the first quarter of the New Year as it has done historically over the past two years. Those shipping product are noting increased trucking rates and limited truck availability. Spot market activity continues to be limited, due to lack of available uncommitted supplies. The tight supply situation has pushed the top resale prices above 43 cents. Buyers seeking product are looking out of region. Overall, domestic and export demand remains good. The latest NASS Dairy Products report shows production of dry whey for human consumption in the Atlantic area totaled 20.0 million pounds, or 25.6% of the nation's total for November of 78.1 million pounds. The Atlantic area's production is 8.0% above October and 10.7% above production one year ago. The November 2010 Dairy Market News average of the price series for Northeast dry whey was \$0.3916 compared to \$0.3812 one month ago and \$0.3639 in December 2009.

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

**DRY WHEY - WEST**

Western whey prices firmed in light spot trading for the first week of 2011. The lower end of the range increased \$.0100 and the mostly series was \$.0100 higher. New contracts for the first quarter of 2011 came into effect and pricing formulas for the new year are higher in some instances. Dry whey is tight as to spot availability. Production is geared to contracted volumes as other whey products compete for whey solids. According to the NASS *Dairy Products* report, total dry whey production in November totals 80 million pounds, up 0.8% or 700,000 pounds compared to November 2009. The Western region produced 20.1 million pounds of whey in November, up 7.9% or 1.5 million pounds from last year. The West produced 25.8% of the whey in the U.S. in November. Cumulative total dry whey production for the year in the U.S. is 929.4 million pounds, up 1.4% or 13.3 million pounds from the same period in 2009. Manufacturers' stocks at the end of November for total dry whey are 42.1 million pounds, up 1.1% or 500,000 pounds from last year.

NONHYGROSCOPIC: .3675 - .4300 MOSTLY: .3850 - .4225

**CONTINUED FROM PAGE 6**

NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during November 2010 increased 0.9% compared to October 2010 to 74.2 million pounds and was 19.8% higher than November 2009 production. Cumulative 2010 lactose production totals 808.5 million pounds, 22.9% more than during the same time span in 2009. Month ending stocks, at 81.0 million pounds, are 0.4% less than one month ago, but 39.0% higher than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2800 -.4350 MOSTLY: .3300 -.3650

**CASEIN - NATIONAL**

Casein markets and prices are firm as a new contracting period resumes. Many domestic buyers are indicating that long term contractual commitments are not as prevalent at this time as they have been in recent quarters. Often, suppliers are only committing to 90 days/quarterly contracts at the most. The Oceania milk production season continues to wind down, thus casein production becomes more limited. Suppliers remain optimistic that they will be able to fulfill commitments. In Europe, the milk production season has not yet resumed to a point that casein output begins. Casein producers are projecting that their upcoming season will yield sufficient volumes for regular and ongoing customer needs. In both supply regions, producers and handlers are indicating that they do not foresee much surplus for spot buyer interest.

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: 3.9500 - 4.3000  
ACID: 4.0000 - 4.2500

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during November 2010 totaled 43.1 million pounds, a decrease of 2.8% from October 2010 and 11.3% lower than November 2009. Manufacturers' end-of-month stocks totaled 64.2 million pounds, 19.2% lower than one month ago but 4.5% higher than one year ago.

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

	FOR THE WEEK OF JANUARY 3 - 7, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 12/30/10	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 JANUARY 3 - 7, 2011 =	0.0	0.0	COMPARABLE PERIOD IN 2010 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2010 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	1.5
CUMULATIVE JANUARY 1 - 7, 2011 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2010 =	0.0	0.0

\* 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 JANUARY 3 - 7, 2011 (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 12/18/10 & 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	9.0	3.2	20.4	4.2	0.3	N.A.	16.9	3.4	59.4	2,742.6	43.8	43.5
2009-Dairy	N.A.	0.6	7.1	3.0	18.5	4.0	0.4	N.A.	15.0	2.4	52.3	2,770.0	42.2	46.1
2010-All cows	N.A.	0.8	11.2	14.2	35.4	24.8	15.9	N.A.	20.9	7.6	135.6	6,306.5		
2009-All cows	N.A.	0.7	8.9	13.4	34.5	21.3	14.4	N.A.	19.9	6.8	123.9	6,012.9		

**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	
DECEMBER 18	2	7,493	SOURCE: USDA, APHIS

**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	15.77	
III	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83	
IV	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03	

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 27, 2010 - January 7, 2011

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** Milk production in Europe is on the eve of seasonal increases. Milk producers and handlers are stating that the deepest point of the season is over and milk volumes will soon be increasing at a more noticeable rate. With most of the milking herd housed in barns during the winter, cold temperatures should not have a significant impact on production growth. Some milk processors and handlers are reporting that increases in milk receipts are starting to occur, although in recent weeks, some milk deliveries to manufacturing facilities have been challenged by heavy snowfall. Traders and handlers are stating that buyer interest slowed during the recent holiday period, but is expected to increase as the New Year begins. Much of current buyer interest is centered around domestic needs. Traders are stating that currency volatility is making sales negotiations difficult to finalize. European traders are finalizing their bids for a tender extended a few weeks ago. Bids are due by the weekend. Traders indicate that immediate need stocks are limited, thus much of the potential tender volume will be filled from new production. For a recent tender, stocks will be coming from Europe and South America. European traders and handlers continue to closely monitor the g/DT event held in New Zealand. The January 4th event realized increases ranging from 7% – to over 20% from the previous event. European prices, along with other international prices, were on the increase prior to the event, thus European suppliers were comfortable with their adjustments following the g/DT event. On Thursday January 6, the European Dairy Commission reconvened with their first meeting of 2011. No significant policy issues were adjusted, but the Commission did sell back about 5,400 MT of intervention skim milk powder at a minimum price of 2,120 Euros (about \$2,804) per MT. The next meeting will be held on January 20.

**BUTTER/BUTTEROIL:** European butter markets and prices remain firm. Butterfat volumes are limited. Churning activity is at seasonally low levels as milk production is now just starting to show signs of a new beginning. Traders and handlers are stating that domestic butter demand has slowed following the yearend holiday period, typical for this time of the season. Butter stocks are limited and what stocks are available are clearing to an internal or domestic market. International butter demand is developing, but limited stocks are curtailing international sales. European traders are stating that international butter supplies are limited, outside of possible volumes in the U.S. At this time, U.S. prices are more attractive to potential buyers than from other supply sources.

82% BUTTERFAT: 4,800 - 5,000  
 99% BUTTERFAT: 5,550 - 5,800

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are firm in Europe. Milk production is at seasonally low levels, thus limited sales activity is being filled from inventoried stock. Many European traders have submitted bids for a recent tender that was extended a few weeks ago. They are hopeful that they will be able to clear some of the uncommitted inventory prior to the new production season which will resume shortly. At the January 6th Dairy Management Commission meeting in Brussels, 5,400 MT of intervention skim milk powder were sold at a minimum price of \$2,120 Euros per MT. This was the second sale in recent weeks. For the two sales, nearly 10,000 MT of intervention powder have been sold.

1.25% BUTTERFAT: 3,050 - 3,300

OCEANIA

**OVERVIEW:** Weather patterns continue to dominate the conversations in both New Zealand and Australia. Rainfall has occurred in the drought areas of the North Island in New Zealand. Dairy producers welcomed the moisture, but for many, the damage had already occurred to the current milk production season and this moisture is having minimal positive impact on the current season. The positive impact of current moisture will probably not be felt until the new season resumes in August/September. Milk producers and handlers are stating that although damage has occurred to the down side of the current season, current milk production declines are slowing. A LaNina weather pattern is typical for what has happened in New Zealand. Periods of dry conditions are ended with measurable moisture, then followed by dry conditions once again. Reports of dry conditions in areas of the South Island are also starting to occur. Early reports are stating that milk production in New Zealand took a significant hit during December and is down as much as 6 1/2% when compared to last December. As moisture arrived in mid December, the steep drop off in milk output slowed. In Australia, heavy rainfall and flooding are occurring in Queensland in Northern Australia. This is having significant negative impact on grains and grain harvests. In Victoria, the major dairy region, south of Queensland, moisture continues to fall, but not to the extent as in Queensland. For the most part, the rainfall that is occurring in Victoria is not having a significant negative impact on milk production with dairy farmers making the best of wet conditions. Milk processors and handlers are stating that incoming milk tests are indicating that butterfat content is lower, with much of this being attributed to waterlogged pastures that do not have good feed content. Dairy producers continue to state that they are not looking for too much recovery in the current production season, but look toward the 2011 – 2012 season with optimism. Manufacturers and handlers of dairy products in Oceania remain confident they will be able to fulfill commitments, but also state that they are projecting that they will have very minimal, if any, uncommitted inventory for spot buyer interest. At the January 4 g/DT, contract price averages were all higher when compared to the previous event. Traders and handlers were not surprised at this trend. For anhydrous milk fat, the average price for all contracting periods was \$5,984 per MT, 10.6% higher than the previous event; buttermilk powder averaged \$3,390, +20.6%; skim milk powder averaged \$3,492, +10.9%; and whole milk powder averaged \$3,750, +3.8%.

**BUTTER:** Oceania butter markets are firm with prices unchanged to higher. Butterfat continues to be a limited item in the region. Milk handlers, especially in Australia, are stating that butterfat tests on incoming milk are lower. Many are attributing this trend to waterlogged pastures and lower feed quality in the grasses. At the January 4 g/DT event, anhydrous milk fat average prices were all 8% to nearly 12% higher. The average price for all contracts periods was \$5,984 per MT, 10.6% higher than the previous average. For the near term contract (March), the average price was \$5,977 per MT, 11.6% higher than the previous near term contract with April – June deliveries up 10.4% averaging \$5,985 and July – September deliveries up 8.2% averaging \$6,015 per MT.

82% BUTTERFAT: 4,400 - 4,800

## INTERNATIONAL DAIRY MARKET NEWS

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## WESTERN AND EASTERN EUROPE

## COMMENTS AND PRICES CONTINUED FROM PAGE 8

**WHOLE MILK POWDER (WMP):** European whole milk powder markets and prices are firm. Prices have been firm for a number of weeks and traders feel that strength will continue. Whole milk production is at seasonal low levels, thus any sales that are occurring are being filled from inventoried stock. European traders have submitted bids for a milk powder tender that was announced a few weeks ago. Many are hopeful that they will be successful with their bids which will clear inventoried stock and potentially new production. Deliveries of these tendered volumes will reach into early second quarter when European whole milk powder production will be in full swing.

26% BUTTERFAT: 3,700 - 3,975

**SWEET WHEY POWDER:** European whey powder markets and prices are firm. Cheese production is seasonally low, although when possible milk is clearing to cheese output. A favorable whey powder market is helping encourage milk to clear to cheese production as cheese and whey sales are realizing good returns. Overall whey powder volumes are light as the animal feed market is actively pulling whey volumes into that market. International sales are slow as prices are often higher than international buyers are willing to pay.

NONHYGROSCOPIC: 1,050 - 1,200

**EASTERN OVERVIEW:** Cold temperatures and winter conditions are occurring in most all Eastern European countries, thus minimal milk production or manufacturing activity is occurring. Traders and handlers are stating that sales activity is limited outside of some recent and potential tender business. Handlers and suppliers are stating that inventoried stock is still uncommitted and they would like to clear this before the start of the new production season. Many are hopeful that traders will receive positive results with their recent tender bids which will help reduce these volumes.

Exchange rates for selected foreign currencies: January 3, 2011

1.0063 Canadian Dollar	.0224 Indian Rupee
.2517 Argentina Peso	.7734 New Zealand Dollar
.0816 Mexican Peso	1.0167 Australian Dollar
.3380 Polish Zloty	.0122 Japanese Yen
	1.3351 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0816)  
= 12.2549 Mexican Pesos. Source: "Wall Street Journal"

## OCEANIA

## COMMENTS AND PRICES CONTINUED FROM PAGE 8

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are firm. Milk production in the Oceania region is trending lower at varying rates, thus powder production is also mixed. In New Zealand, drought areas on the North Island 4 - 6 weeks ago have received some much needed moisture, thus replenishing soil moisture, but much of the damage has already occurred to the milk production season with minimal recovery anticipated. In Australia, excessive moisture is causing pastures to be waterlogged, thus providing less feed quality. In both of these countries, these adverse weather patterns are causing milk volumes to decrease at a more accelerated rate than anticipated during the second half of the production season, thus reducing overall powder volumes. Oceania traders remain optimistic about their supply/demand commitments though. At the January 4 g/DT event, skim milk powder averaged \$3,492 per MT., 10.9% higher than the previous all contracts average. Near term shipments (March) averaged \$3,406, +13.6%; April - June contracts averaged \$3,497, +10.7%; with July - September contracts averaging \$3,690, +3.9%.

1.25% BUTTERFAT: 3,200 - 3,650

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets and prices are firm. Most traders and handlers were reporting firmer prices prior to the most recent g/DT event and the trading event validated this trend. At the January 4 g/DT event, whole milk powder prices, for all contracting periods, averaged \$3,750 per MT., 3.8% higher than the previous average. Near term contracts (March) averaged 1.1% higher at \$3,637 per MT., April - June contracts averaged \$3,859 +5.6%, and July - September contracts averaged \$3,936, 10.3% higher. Traders and handlers remain optimistic that they will have adequate supplies to meet contractual commitments, but are hesitant to acknowledge that they will have surplus for spot buyer or additional needs.

26% BUTTERFAT: 3,550 - 3,925

**CHEDDAR CHEESE:** Oceania's cheddar cheese market is firm as prices trend higher. The milk production season in both New Zealand and Australia has been challenged by both dry and wet conditions. Overall, milk volumes have been sufficient to maintain steady cheese production with supplies in close balance for needs. Oceania manufacturers and handlers feel that they will have adequate volumes of cheese to fulfill contractual commitments, but are not sure about additional/uncommitted volumes. Within second half sales negotiations, traders are stating that they were cautious with their commitments and, at this time, are comfortable with their supply/demand balance.

39% MAXIMUM MOISTURE: 4,300 - 4,400

JANUARY 4, 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	\$5,977	\$5,985	\$6,015	\$5,984
	11.6%	10.4%	8.2%	10.6%
Buttermilk Powder	\$3,390	N.A.	N.A.	\$3,390
	20.6%	N.A.	N.A.	20.6%
Skim Milk Powder	\$3,406	\$3,497	\$3,690	\$3,492
	13.6%	10.7%	3.9%	10.9%
Whole Milk Powder	\$3,637	\$3,859	\$3,936	\$3,750
	1.1%	5.6%	10.3%	3.8%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	12/23	12/24	12/27	12/28	12/29	12/30	12/31	01/03	01/04	01/05
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 10	13.79 (5903) 0	NO TRADING	13.82 (5918) 0	13.84 (5895) 0	13.86 (5863) 0	13.83 (5175) 0				
JAN 11	13.15 (4613) 0		13.10 (4624) 4	13.10 (4692) 0	13.25 (4767) 6	13.27 (4775) 0	13.22 (4875) 0	13.19 (4961) 1	13.18 (5089) 0	13.21 (5515) 0
FEB 11	13.41 (4754) 0		13.42 (4779) 4	13.40 (4933) 0	13.64 (5011) 6	13.84 (4953) 13	13.72 (5044) 0	13.65 (5261) 0	13.69 (5330) 0	13.72 (5409) 10
MAR 11	13.70 (3434) 0		13.72 (3448) 4	13.81 (3468) 2	14.05 (3525) 6	14.15 (3542) 13	14.06 (3610) 0	14.08 (3700) 0	14.07 (3830) 0	14.13 (3996) 10
APR 11	14.20 (2525) 0		14.24 (2542) 4	14.35 (2590) 2	14.49 (2651) 0	14.60 (2687) 13	14.55 (2717) 0	14.60 (2732) 0	14.61 (2758) 0	14.75 (2756) 10
MAY 11	14.40 (2330) 0		14.50 (2312) 4	14.60 (2323) 2	14.73 (2402) 5	14.78 (2441) 13	14.73 (2459) 0	14.79 (2484) 0	14.78 (2501) 0	15.00 (2523) 10
JUN 11	14.68 (1828) 0		14.70 (1828) 4	14.79 (1848) 2	14.89 (1948) 6	14.99 (1979) 15	14.98 (2051) 0	15.10 (2083) 1	15.18 (2094) 6	15.38 (2129) 10
JUL 11	15.15 (1438) 5		15.19 (1439) 0	15.25 (1489) 2	15.35 (1513) 10	15.45 (1515) 13	15.49 (1518) 0	15.52 (1531) 1	15.59 (1546) 6	15.75 (1566) 14
AUG 11	15.38 (1349) 0		15.40 (1358) 0	15.40 (1373) 1	15.49 (1458) 8	15.56 (1465) 13	15.56 (1461) 0	15.56 (1466) 1	15.62 (1473) 6	15.72 (1498) 14
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 10	15.15 (46) 0	NO TRADING	15.16 (46) 0	15.16 (46) 0	15.16 (46) 0	15.03 (46) 0				
JAN 11	15.25 (26) 0		15.44 (26) 0	15.44 (26) 0	15.44 (26) 0	15.44 (26) 0	15.44 (26) 0	15.44 (26) 0	15.44 (27) 0	15.44 (27) 0
FEB 11	15.20 (16) 0		15.65 (16) 0	15.65 (16) 0	15.65 (16) 0	15.65 (16) 0	15.65 (16) 0	15.65 (16) 0	15.75 (16) 0	15.80 (16) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 10	164.48 (509) 0	NO TRADING	164.48 (509) 0	163.98 (509) 3	164.00 (509) 3	165.39 (509) 0				
JAN 11	166.00 (448) 0		166.00 (448) 0	166.00 (447) 5	166.00 (448) 1	166.75 (448) 3	168.00 (447) 1	170.00 (449) 10	171.00 (458) 18	173.00 (458) 0
FEB 11	167.00 (333) 8		167.00 (335) 3	167.53 (344) 19	168.75 (345) 26	169.00 (348) 8	170.00 (347) 21	171.25 (349) 3	175.00 (346) 4	178.00 (347) 1
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 10	120.55 (357) 0	NO TRADING	120.55 (357) 0	120.55 (356) 0	119.50 (356) 0	118.48 (356) 0				
JAN 11	123.00 (273) 0		123.00 (273) 0	123.00 (272) 0	123.00 (272) 0	123.00 (272) 0	123.00 (272) 0	123.00 (272) 0	123.00 (272) 0	123.00 (272) 0
FEB 11	124.00 (271) 0		125.00 (273) 0	125.00 (273) 0	125.00 (276) 0	125.00 (276) 0	125.00 (276) 0	125.00 (276) 0	125.00 (276) 0	126.00 (276) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 10	37.90 (329) 0	NO TRADING	37.90 (329) 0	37.90 (329) 0	37.90 (329) 0	37.89 (329) 0				
JAN 11	38.75 (477) 0		38.75 (477) 0	38.75 (477) 2	38.75 (477) 0	39.00 (478) 6	39.00 (478) 0	38.70 (484) 9	38.70 (485) 3	39.25 (487) 2
FEB 11	39.28 (468) 0		39.28 (468) 0	39.28 (468) 5	39.25 (468) 3	40.00 (468) 10	40.00 (469) 1	40.00 (473) 1	40.75 (477) 10	40.75 (477) 11
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
DEC 10	1.46 (227) 0	NO TRADING	1.46 (227) 0	1.46 (227) 4	1.46 (227) 0	1.46 (227) 0				
JAN 11	1.38 (294) 0		1.38 (294) 0	1.38 (296) 2	1.39 (296) 0	1.39 (296) 1	1.40 (295) 1	1.39 (345) 68	1.39 (461) 119	1.38 (471) 11
FEB 11	1.41 (323) 5		1.41 (323) 0	1.41 (323) 0	1.43 (323) 0	1.44 (323) 0	1.44 (323) 1	1.43 (323) 4	1.43 (340) 18	1.43 (340) 0
MAR 11	1.44 (264) 12		1.44 (264) 0	1.44 (264) 0	1.46 (264) 0	1.47 (264) 0	1.47 (264) 0	1.47 (264) 0	1.45 (266) 2	1.45 (266) 0
APR 11	1.47 (184) 10		1.47 (184) 0	1.49 (189) 5	1.49 (189) 0	1.49 (189) 0	1.49 (190) 1	1.49 (190) 0	1.49 (193) 3	1.49 (193) 0
MAY 11	1.50 (133) 0		1.50 (118) 15	1.50 (118) 0	1.51 (118) 0	1.52 (118) 0	1.52 (118) 0	1.52 (118) 0	1.52 (118) 0	1.52 (118) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2010 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 48	:::REPORT NUMBER 49	:::REPORT NUMBER 50	:::REPORT NUMBER 51	:::REPORT NUMBER 52:::	2010	:	2009
	:::-----	:::-----	:::-----	:::-----	:::-----	Average	:	Average
	::: DEC 01 - 03	::: DEC 06 - 10	::: DEC 13 - 17	::: DEC 20 - 24	::: DEC 27 - 31	or Total	:	or Total

CHEESE

WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	::: 1.8000 - 2.0000	::: 1.8250 - 2.0175	::: 1.7475 - 2.0000	::: 1.7125 - 2.0000	::: 1.7325 - 2.0000	::: 1.8821	:	1.9101
-- Brick And/Or Muenster 5#	::: 1.9850 - 2.2100	::: 2.0075 - 2.2100	::: 1.9600 - 2.2100	::: 1.8400 - 2.2100	::: 1.8300 - 2.2100	::: 2.0646	:	2.1870
-- Cheddar 40# Block	::: 2.0025 - 2.5650	::: 2.0250 - 2.5650	::: 1.9775 - 2.5650	::: 1.8575 - 2.5650	::: 1.8475 - 2.5650	::: 2.2509	:	2.2775
-- Monterey Jack 10#	::: 1.9450 - 2.5650	::: 1.9675 - 2.5650	::: 1.9200 - 2.5650	::: 1.8000 - 2.5650	::: 1.7900 - 2.5650	::: 2.2221	:	2.3206
-- Blue 5#	::: 2.3025 - 2.9300	::: 2.3250 - 2.9300	::: 2.2775 - 2.9300	::: 2.1575 - 2.9300	::: 2.1475 - 2.9300	::: 2.5834	:	2.6920
-- Mozzarella 5 - 6#	::: 1.8175 - 2.6650	::: 1.8400 - 2.6650	::: 1.7925 - 2.6650	::: 1.6725 - 2.6650	::: 1.6625 - 2.6650	::: 2.2084	:	2.3227
-- Grade A Swiss Cuts 6 - 9#	::: 2.7350 - 3.3300	::: 2.8100 - 3.3300	::: 2.8100 - 3.3300	::: 2.8100 - 3.3300	::: 2.8100 - 3.3300	::: 3.0651	:	2.9011

NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 40# Block	::: 1.7950 - 2.0700	::: 1.8175 - 2.0925	::: 1.7700 - 2.0450	::: 1.6500 - 1.9250	::: 1.6400 - 1.9150	::: 1.8667	:	2.0928
-- Process 5# Sliced	::: 1.5450 - 1.8550	::: 1.5700 - 1.8800	::: 1.4925 - 1.8025	::: 1.4575 - 1.7675	::: 1.4775 - 1.7875	::: 1.6603	:	1.7147
-- Muenster	::: 1.8150 - 2.0200	::: 1.8375 - 2.0425	::: 1.7900 - 1.9950	::: 1.6700 - 1.8750	::: 1.6600 - 1.8650	::: 1.8517	:	2.0741
-- Grade A Swiss Cuts 10 - 14#	::: 3.3275 - 3.6500	::: 3.4025 - 3.7250	::: 3.4025 - 3.7250	::: 3.4025 - 3.7250	::: 3.4025 - 3.7250	::: 3.5540	:	3.2792

WEST COAST (WSP, Delivered, LTL)

-- Process 5# Loaf	::: 1.5650 - 1.8225	::: 1.5900 - 1.8475	::: 1.5125 - 1.7700	::: 1.4775 - 1.7350	::: 1.4975 - 1.7550	::: 1.6541	:	1.7228
-- Cheddar 40# Block	::: 1.6050 - 1.9575	::: 1.6275 - 1.9800	::: 1.5800 - 1.9325	::: 1.4600 - 1.8125	::: 1.4500 - 1.8025	::: 1.7155	:	1.9851
-- Cheddar 10# Cuts	::: 1.7850 - 2.0050	::: 1.8075 - 2.0275	::: 1.7600 - 1.9800	::: 1.6400 - 1.8600	::: 1.6300 - 1.8500	::: 1.8292	:	2.0989
-- Monterey Jack 10#	::: 1.7950 - 1.9550	::: 1.8175 - 1.9775	::: 1.7700 - 1.9300	::: 1.6500 - 1.8100	::: 1.6400 - 1.8000	::: 1.8092	:	2.0789
-- Grade A Swiss Cuts 6 - 9#	::: 2.9050 - 3.3350	::: 2.9800 - 3.4100	::: 2.9800 - 3.4100	::: 2.9800 - 3.4100	::: 2.9800 - 3.4100	::: 3.1852	:	2.8848

FLUID PRODUCTS

SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

-- Northeast - f.o.b	::: 2.2050 - 2.3275	::: 1.9936 - 2.0559	::: 1.9666 - 2.1439	::: 1.8940 - 2.1411	::: 1.8177 - 1.9830	::: 2.0343	:	1.7462
-- Upper Midwest - f.o.b	::: 1.7500 - 2.1875	::: 1.8223 - 1.9628	::: 1.8860 - 2.0150	::: 1.6470 - 1.9764	::: 1.6525 - 1.9004	::: 1.8723	:	1.7280

PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.

-- Class II	::: 1.24 - 1.29	::: 1.24 - 1.29	::: 1.24 - 1.29	::: 1.24 - 1.29	::: 1.26 - 1.30	::: 1.2683	:	1.2155
-- Class III	::: 1.11 - 1.18	::: 1.04 - 1.08	::: 1.04 - 1.08	::: 0.80 - 1.08	::: 0.80 - 1.08	::: 1.0189	:	1.1627

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2010 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 48	:::REPORT NUMBER 49	:::REPORT NUMBER 50	:::REPORT NUMBER 51	:::REPORT NUMBER 52:::	2010	:	2009
	:-----:-----:-----:-----:-----:-----:					Average	:	Average
	::: DEC 01 - 03	::: DEC 06 - 10	::: DEC 13 - 17	::: DEC 20 - 24	::: DEC 27 - 31	::: or Total	:	or Total
<b>DRY PRODUCTS</b>								
<b>NONFAT DRY MILK</b>								
-- Central And East (f.o.b.)								
-- Low/Medium Heat	::: 1.1800 - 1.2800	::: 1.2000 - 1.2900	::: 1.2000 - 1.2950	::: 1.2300 - 1.3100	::: 1.2300 - 1.3100	::: 1.2545	:	1.3959
-- Mostly	::: 1.2200 - 1.2500	::: 1.2300 - 1.2700	::: 1.2400 - 1.2800	::: 1.2500 - 1.2900	::: 1.2500 - 1.2900	::: 1.2589	:	1.3657
-- High Heat	::: 1.3100 - 1.3900	::: 1.3100 - 1.3900	::: 1.3100 - 1.3900	::: 1.3000 - 1.3900	::: 1.3000 - 1.3950	::: 1.3484	:	1.4464
-- West (f.o.b.)								
-- Low/Medium Heat	::: 1.1700 - 1.2600	::: 1.1900 - 1.2625	::: 1.2000 - 1.2650	::: 1.2000 - 1.2725	::: 1.2000 - 1.2725	::: 1.2305	:	1.3180
-- Mostly	::: 1.1800 - 1.2150	::: 1.2000 - 1.2300	::: 1.2050 - 1.2350	::: 1.2050 - 1.2350	::: 1.2050 - 1.2350	::: 1.2160	:	1.3368
-- High Heat	::: 1.2150 - 1.3800	::: 1.2300 - 1.3700	::: 1.2350 - 1.3800	::: 1.2350 - 1.3800	::: 1.2350 - 1.3900	::: 1.3057	:	1.3550
<b>WHEY POWDER (Nonhygroscopic)</b>								
-- Central (f.o.b.)	::: 0.3350 - 0.4000	::: 0.3350 - 0.4000	::: 0.3350 - 0.4050	::: 0.3350 - 0.4000	::: 0.3350 - 0.4050	::: 0.3686	:	0.3782
-- Mostly	::: 0.3400 - 0.3750	::: 0.3400 - 0.3750	::: 0.3400 - 0.3750	::: 0.3400 - 0.3750	::: 0.3400 - 0.3750	::: 0.3575	:	0.3613
-- West (f.o.b.)	::: 0.3575 - 0.4200	::: 0.3575 - 0.4200	::: 0.3575 - 0.4200	::: 0.3575 - 0.4300	::: 0.3575 - 0.4300	::: 0.3909	:	0.3950
-- Mostly	::: 0.3750 - 0.4100	::: 0.3750 - 0.4100	::: 0.3750 - 0.4100	::: 0.3750 - 0.4125	::: 0.3750 - 0.4125	::: 0.3930	:	0.3914
-- Northeast (f.o.b.)	::: 0.3700 - 0.3975	::: 0.3725 - 0.4150	::: 0.3825 - 0.4075	::: 0.3725 - 0.4100	::: 0.3725 - 0.4100	::: 0.3916	:	0.3639
<b>WHEY PROTEIN CONCENTRATE</b>								
-- Central And West (f.o.b.)								
-- Extra Grade 34% Protein	::: 0.9700 - 1.0700	::: 0.9700 - 1.0700	::: 0.9800 - 1.0750	::: 0.9800 - 1.0750	::: 0.9800 - 1.0750	::: 1.0249	:	0.8773
-- Mostly	::: 0.9800 - 1.0100	::: 0.9800 - 1.0100	::: 0.9800 - 1.0100	::: 0.9800 - 1.0100	::: 0.9800 - 1.0100	::: 0.9950	:	0.8605
<b>ANIMAL FEED - WHEY</b>								
-- Central (f.o.b.)								
-- Milk Replacer	::: 0.2600 - 0.3525	::: 0.2500 - 0.3575	::: 0.2500 - 0.3575	::: 0.2500 - 0.3575	::: 0.2500 - 0.3575	::: 0.2500 - 0.3800	::: 0.3065	0.2991
<b>BUTTERMILK (Min. 30% protein)</b>								
-- Central And East (f.o.b.)	::: 1.0750 - 1.3800	::: 1.0750 - 1.3000	::: 1.0600 - 1.3000	::: 1.0600 - 1.3000	::: 1.0600 - 1.2700	::: 1.1846	:	1.3500
-- West (f.o.b.)	::: 1.1500 - 1.2300	::: 1.1100 - 1.2100	::: 1.0800 - 1.2100	::: 1.0800 - 1.2000	::: 1.0800 - 1.2000	::: 1.1520	:	1.2626
-- Mostly	::: 1.1600 - 1.2150	::: 1.1500 - 1.2050	::: 1.1400 - 1.2000	::: 1.1400 - 1.1900	::: 1.1400 - 1.1900	::: 1.1717	:	1.2666
<b>WHOLE MILK POWDER</b>								
-- National (f.o.b.)	::: 1.6400 - 1.7400	::: 1.6500 - 1.7500	::: 1.6500 - 1.7500	::: 1.6500 - 1.7500	::: 1.6500 - 1.7500	::: 1.6987	:	1.4800
<b>LACTOSE</b>								
-- Central And West (f.o.b.)	::: 0.2200 - 0.4350	::: 0.2500 - 0.4350	::: 0.2500 - 0.4350	::: 0.2100 - 0.4350	::: 0.2500 - 0.4350	::: 0.3362	:	0.3475
-- Mostly	::: 0.3100 - 0.3600	::: 0.3100 - 0.3600	::: 0.3100 - 0.3600	::: 0.3100 - 0.3600	::: 0.3100 - 0.3600	::: 0.3350	:	0.3518
<b>CASEIN - Edible - National (f.o.b.)</b>								
-- Nonrestricted - Rennet	::: 3.9000 - 4.3000	::: 3.9000 - 4.3000	::: 3.9000 - 4.3000	::: 3.9000 - 4.3000	::: 3.9000 - 4.3000	::: 4.1000	:	3.3568
-- Nonrestricted - Acid	::: 3.9000 - 4.2500	::: 3.9000 - 4.2500	::: 3.9000 - 4.2500	::: 3.9000 - 4.2500	::: 3.9000 - 4.2500	::: 4.0750	:	3.3318

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CME GROUP AVERAGES FOR DECEMBER 2010

COMMODITY	REPORT NUMBER 48 DEC 1 - 3	REPORT NUMBER 49 DEC 6 - 10	REPORT NUMBER 50 DEC 13 - 17	REPORT NUMBER 51 DEC 20 - 24	REPORT NUMBER 52 DEC 27 - 31	2010 * Average	2009 * Average
<b>BUTTER*</b>							
-- GRADE AA							
--Monday		1.6100	1.6300	1.6525	1.6525		
--Tuesday		1.6100	1.6500	1.6525	1.6525		
--Wednesday	1.5325	1.6100	1.6500	1.6525	1.6525		
--Thursday	1.5850	1.6100	1.6525	1.6525	1.6600		
--Friday	1.6100	1.6200	1.6525	#	1.6700	1.6327	1.3968
--Weekly Average**	1.5575	1.6120	1.6470	1.6525	1.6575		
<b>CHEESE*</b>							
-- BARRELS							
--Monday		1.4025	1.3500	1.3750	1.3450		
--Tuesday		1.4025	1.3425	1.3950	1.3200		
--Wednesday	1.4750	1.4025	1.3500	1.3650	1.3300		
--Thursday	1.4600	1.3775	1.3525	1.3550	1.3400		
--Friday	1.4600	1.3475	1.3650	#	1.3400	1.3751	1.4520
--Weekly Average**	1.4650	1.3865	1.3520	1.3725	1.3350		
-- 40# BLOCKS							
--Monday		1.5075	1.3600	1.3225	1.3200		
--Tuesday		1.5000	1.3350	1.3225	1.3200		
--Wednesday	1.4975	1.4450	1.3225	1.3225	1.3300		
--Thursday	1.5075	1.4150	1.3225	1.3225	1.3400		
--Friday	1.5075	1.3900	1.3225	#	1.3425	1.3807	1.6503
--Weekly Average**	1.5000	1.4515	1.3325	1.3225	1.3305		
<b>NONFAT DRY MILK*</b>							
-- EXTRA GRADE							
--Monday		1.2250	1.2250	1.2250	1.2250		
--Tuesday		1.2250	1.2250	1.2250	1.2250		
--Wednesday	1.2250	1.2250	1.2250	1.2250	1.2250		
--Thursday	1.2250	1.2250	1.2250	1.2250	1.2250		
--Friday	1.2250	1.2250	1.2250	#	1.2250	1.2250	1.4000
--Weekly Average**	1.2250	1.2250	1.2250	1.2250	1.2250		
-- GRADE A							
--Monday		1.2250	1.2700	1.2700	1.2700		
--Tuesday		1.2250	1.2700	1.2700	1.2700		
--Wednesday	1.2250	1.2250	1.2700	1.2700	1.2700		
--Thursday	1.2250	1.2300	1.2700	1.2700	1.2700		
--Friday	1.2250	1.2350	1.2700	#	1.2700	1.2543	1.3832
--Weekly Average**	1.2250	1.2280	1.2700	1.2700	1.2700		

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

# Holiday - CME Group Closed.

## DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2010 advanced 3 points to 191. Compared with December 2009, the index was up 13 points (7.3 percent). The index of prices received by farmers for dairy products declined 8 points during the month of December 2010 to 129. Compared with December 2009, the index was up 3 points (2.4 percent).

Prices received by farmers in December with changes from November were: for All Milk, \$16.80 per hundredweight (cwt.), down \$1.10; for Fluid Grade Milk, \$16.80 per cwt., down \$1.10; and for Manufacturing Grade Milk, \$14.70 per cwt., down \$.90.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., DECEMBER 2010 WITH COMPARISONS

STATE	All-milk price <sup>1/</sup> <sup>3/</sup>				Milk cows <sup>5/</sup>		Cows <sup>6/</sup>		Alfalfa hay, baled <sup>7/</sup>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	NOVEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	2010 <sup>2/</sup>	2009 <sup>2/</sup>	2010 <sup>4/</sup>	2009 <sup>2/</sup>	2010 <sup>4/</sup>	2009 <sup>2/</sup>	2010 <sup>7/</sup>	2009 <sup>8/</sup>	2010	2009
CA	15.49	14.17	14.60	15.64	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		56.20	45.00	140.00	103.00
ID	16.10	14.80	14.60	15.40			54.30	45.20	140.00	110.00
MI	19.20	15.60	18.20	16.60			50.00	44.00	110.00	145.00
MN	17.60	16.20	17.00	16.90			55.80	46.40	100.00	120.00
NM	17.90	14.90	16.60	15.60			60.00	48.00	165.00	146.00
NY	19.40	16.00	18.40	17.10			---	---	125.00	145.00
PA	20.20	16.80	19.30	17.90			53.00	40.90	145.00	156.00
TX	19.20	16.00	18.20	16.90			51.20	39.60	180.00	183.00
WA	18.10	14.60	17.20	15.90			---	---	125.00	120.00
WI	18.00	15.80	16.60	17.00			53.00	42.00	95.00	110.00
U.S.	17.90	15.40	16.80	16.50			54.20	43.50	121.00	110.00

<sup>1/</sup> Prices are shown at reported butterfat test. <sup>2/</sup> Partially revised. <sup>3/</sup> Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. <sup>4/</sup> Preliminary. <sup>5/</sup> Animals sold for dairy herd replacement only. <sup>6/</sup> Beef cows and cull dairy cows sold for slaughter. <sup>7/</sup> Mid-month price. <sup>8/</sup> Entire month.

## MILK AND OTHER GENERAL PRICE MEASURES, U.S., DECEMBER 2010 WITH COMPARISONS

ITEM	DECEMBER 2009	NOVEMBER 2010 <sup>1/</sup>	DECEMBER 2010 <sup>2/</sup>
<b>PRICES RECEIVED BY FARMERS</b> , dol. per cwt., at reported butterfat test: <sup>3/</sup>			
All milk	16.50	17.90	16.80
Fluid grade milk	16.50	17.90	16.80
Manufacturing grade milk	16.30	15.60	14.70
<b>INDEX NUMBERS</b> (1990-92=100):			
Prices received by farmers for all farm products	135	159	160
Prices received by farmers for dairy products	126	137	129
Prices paid by farmers for commodities and services, interest taxes, and wage rates	178	188	191
Prices paid by farmers for production items	181	193	197
Prices paid by farmers for feed	182	203	214
<b>MILK FEED PRICE RATIO</b> : Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <sup>4/</sup>	2.42	2.23	1.97

<sup>1/</sup> Partially revised. <sup>2/</sup> Preliminary. <sup>3/</sup> Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. <sup>4/</sup> For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

**SOURCE:** "Agricultural Prices," December 2010, Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

NOVEMBER 2010 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 132.8 million pounds in November, 9.8 percent above November 2009 and 9.2 above October 2010. **AMERICAN TYPE CHEESE** production totaled 350.3 million pounds, 5.6 percent above November 2009 but 3.5 percent below October 2010. **TOTAL CHEESE** output (excluding cottage cheese) was 889.6 million pounds, 6.0 percent above November 2009 but 0.3 percent below October 2010. **NONFAT DRY MILK** production, for human food, totaled 115.5 million pounds, 13.0 percent above November 2009 and 0.2 percent above October 2010. **DRY WHEY** production, for human food, was 78.1 million pounds, 3.7 percent above November 2009 and 2.1 percent above October 2010. **ICE CREAM** (hard) production totaled 51.9 million gallons, 2.2 percent below November 2009 and 15.2 percent below October 2010.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 2010	PERCENT CHANGE FROM:			PRODUCT	NOV 2010	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 2009	OCT 2010	YEAR TO DATE 1/		1,000 LBS.	NOV 2009	OCT 2010	YEAR TO DATE 1/
BUTTER	132,804	9.8	9.2	-1.3	SOUR CREAM	115,538	6.5	14.0	2.3
CHEESE					YOGURT (PLAIN AND FLAVORED)	318,765	17.3	-6.2	8.8
AMERICAN TYPES 2/	350,261	5.6	-3.5	1.8	DRY WHEY, HUMAN FOOD	78,053	3.7	2.1	---
CHEDDAR	264,105	6.1	-3.5	1.0	DRY WHEY, ANIMAL FEED	1,966	-52.3	-15.2	---
OTHER AMERICAN	86,156	4.3	-3.7	---	DRY WHEY, TOTAL 8/	80,019	0.8	1.6	1.4
BRICK & MUENSTER	10,685	0.7	1.2	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	72,987	-0.1	-3.7	---	HUMAN FOOD	3,004	19.1	29.4	---
HISPANIC	17,502	6.0	3.4	---	ANIMAL FEED	4,290	-7.1	-8.3	---
TOTAL ITALIAN TYPES	380,766	6.1	3.1	5.5	LACTOSE, HUMAN FOOD & ANIMAL FEED	74,219	19.8	0.9	22.9
MOZZARELLA	299,748	7.4	2.7	7.0	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	81,018	1.4	4.9	---	HUMAN FOOD 9/	31,758	2.4	-2.4	---
SWISS	27,854	2.7	-6.6	---	ANIMAL FEED 9/	2,832	-6.7	0.2	---
ALL OTHER TYPES	29,504	36.4	11.4	---	TOTAL 9/	34,590	1.6	-2.2	1.3
TOTAL	889,559	6.0	-0.3	3.3	25.0-49.9 PERCENT 10/	19,687	-2.7	-1.1	---
COTTAGE CHEESE, CURD 3/	33,052	3.2	0.7	---	50.0-89.9 PERCENT 10/	14,903	7.8	-3.5	---
COTTAGE CHEESE, CREAM 4/	25,799	4.9	0.7	-6.7	PROTEIN ISOLATES 11/	5,744	28.5	3.5	---
COTTAGE CHEESE, LOWFAT 5/	29,398	2.3	-0.4	-3.4	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSD WHOLE MILK	43,079	-11.3	-2.8	---	ICE CREAM (HARD)	51,851	-2.2	-15.2	-2.8
DRY BUTTERMILK	6,752	2.0	11.7	---	ICE CREAM, LOWFAT (HARD)	9,394	-4.8	-7.3	---
DRY WHOLE MILK	9,242	41.6	38.6	---	ICE CREAM, LOWFAT (SOFT)	15,946	14.0	-10.4	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	4,594	-9.1	55.5	---	ICE CREAM, LOWFAT (TOTAL)	25,340	6.2	-9.3	5.1
NONFAT DRY MILK (NDM), HUMAN	115,483	13.0	0.2	2.6	SHERBET, HARD	2,693	4.7	-10.3	-7.5
SKIM MILK POWDERS (SMP) 7/	16,308	-13.8	-6.9	12.2	YOGURT (TOTAL)	4,011	-13.7	-10.6	-8.2

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	NOV 2010	PERCENT OF:		PRODUCT	NOV 2010	PERCENT OF:	
	1,000 LBS.	NOV 2009	OCT 2010		1,000 LBS.	NOV 2009	OCT 2010
DRY WHEY, HUMAN FOOD	41,167	3.4	1.5	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	938	-48.2	-73.2	HUMAN FOOD 9/	29,851	-17.8	6.8
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	7,816	-29.3	-17.6	ANIMAL FEED 9/	2,060	-1.4	22.8
LACTOSE, HUMAN FOOD & ANIMAL FEED	81,013	39.0	-0.4	TOTAL 9/	31,911	-16.9	7.7
CANNED EVAP & CONDSD WHOLE MILK	64,172	4.5	-19.2	25.0-49.9 PERCENT 10/	14,953	-35.7	2.7
DRY BUTTERMILK	11,550	117.4	17.3	50.0-89.9 PERCENT 10/	16,958	12.0	12.5
NONFAT DRY MILK (NDM), HUMAN FOOD	127,894	10.4	3.2	PROTEIN ISOLATES 11/	6,024	-42.1	-12.4

1/ 2010 cumulative as percent change of 2009 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes cheddar and blends. 8/ Excludes all modified dry whey products. 9/ Whey Protein Concentrate, 25.0 to 89.9 percent. 10/ Whey Protein Concentrate Human and Animal. 11/ Whey Protein Isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. **SOURCE:** "Dairy Products," December 2010, National Agricultural Statistics Service, Agricultural Statistics Board, USDA.

## WORLD DAIRY SITUATION AND OUTLOOK

**SOURCE:** “Dairy: World Markets and Trade”, Circular Series, December 2010, Foreign Agricultural Service, USDA.

**Summary-**Despite the backdrop of a sluggish global economic recovery, international dairy markets during 2010 were surprisingly robust with prices of such commodities as butterfat and whole milk powder (WMP) at historically lofty levels. Prices for butter demonstrated a persistent upward run starting from an average of \$3,600/MT FOB (Oceania) in early February 2010 to a recent price of around \$4,500/MT FOB. The higher dairy prices have translated into higher returns for producers and not unexpectedly, milk output from major producers is forecast to increase significantly in 2011. In New Zealand for example, farmers are forecast to ramp-up production by an impressive 10 percent.

Despite the prospect of higher milk supplies, the outlook for 2011 remains bright. Although global GDP is forecast to moderate from 2010, income per capita growth rates in such key market areas as Asia and Oceania are forecast to increase by around 3.9 percent – up from 2.9 percent in 2010. This implies that import demand will remain fairly strong. Further, there are limited buffer stocks of skim milk powder (SMP) or butter in the United States or the EU-27 to temper any production shortfalls. In fact, the supply lines for some dairy products look precariously tenuous; stocks of butter in the EU are at historically low levels while U.S. stocks of butter are 20 percent below average levels of the past decade. For SMP, there are no U.S. CCC surplus stocks while EU SMP stocks are largely committed to domestic assistance programs or metered out at only high prices.

The lynchpin to the outlook, however, will be China. Assuming strong economic growth in China, the 2011 forecast calls for China to import 400,000 tons of WMP which will absorb any added supplies coming onto world markets. This will effectively keep pressure on prices. At present, judging from the results of the recent Fonterra auctions (via the Global Dairy Trade platform), the market sentiment points towards strong import demand. Prices for WMP to be delivered well into 2011 have ranged from around \$3,000 to \$3,600/MT since early August 2010. Similarly for anhydrous milk fat (AMF), prices during the same period have been above \$5,000/ton which suggests that butter prices will be equally strong.

Prospects for U.S. exports are positive although, there are obstacles. The Mexican Government has implemented retaliatory tariffs - as permitted by the World Trade Organization - on imports of U.S. cheese as a result of the cross-border trucking issue. Through October 2010, nearly 30 percent of total U.S. cheese exports were shipped to Mexico; consequently, U.S. exports of cheese to Mexico are expected to decline. In addition, the Russian and Algerian Governments have implemented an import ban on U.S. dairy products due to unresolved certification issues. China has also imposed a new hygiene certificate that threatened imports of U.S. dairy products but U.S. dairy exports have continued to ship while talks to resolve the issue are ongoing.

As expected, higher returns in 2010 have stimulated dairy farmers to raise production. In Argentina, the herd is forecast to remain unchanged for 2011. Competition for land use - particularly for crop production - is likely to limit any expansionary plans. However, higher prices and returns are expected to promote the use of higher energy feeds, thereby increasing milk output by an expected 470,000 tons. Most of this additional production is expected to be channeled into the production of WMP, ultimately for the export market.

In Australia, widespread rains since early in 2010 appear to have broken the long-running drought conditions. Dairy producers are forecast to start rebuilding herds during 2011. Although cow numbers are expected to grow by 1 percent, the total number of cows will still be about 30 percent below the peak attained in 2001/2002. Improved pasture conditions, fodder, and increased irrigation supplies will boost per cow yields to record levels. Consequently, total milk production for 2011 is forecast to grow by 3 percent.

The expansion in EU-27 milk production, which started in 2010 as a result of improved farm-gate prices and strong export demand, is expected to continue through 2011. Although the total herd size is anticipated to contract, milk output is likely to grow as the result of higher milk per cow yields following the extensive culling of poorer performing cows in previous years. The additional milk supplies are expected to be directed towards the production of cheese as export and domestic demand is anticipated to be firm.

In New Zealand, drought conditions early in the year are likely to reduce milk output by 3 percent in 2010, but production is expected to rebound by 10 percent in 2011 to hit a record 18.6 million tons. This forecast increase is attributed to the conversion of farms to dairy units, improved genetics and growth in the national herd. However, weather conditions played a key role in suppressing milk production in 2010 and recent reports indicate developing drought conditions which could impact future production.

U.S. projected milk production for 2010 is pegged to grow by 2 percent and the outlook for 2011 is for continued growth but at a slower pace. Although milk prices in 2011 - averaging from \$15.90 - \$16.70 - are expected to remain similar to 2010, higher feed prices particularly for corn, are expected to result in a lower milk-feed price ratio which will likely dampen any rapid expansion in cow inventories.

**Cheese-** Cheese production in Oceania for 2011 is expected to grow modestly by 3 percent (20,000 tons) and most of this output is likely to be exported. Australian cheese exports are forecast to rise significantly by 9 percent. However, at a projected 180,000 tons, this is still well below the prior 5-year average of 189,000 tons. New Zealand cheese shipments are forecast to grow by 4 percent to 295,000 tons but this is only 5,000 tons higher than the exports registered in 2009, i.e., the year prior to the drought.

After several years of anemic growth, EU-27 cheese production in 2010 is estimated to jump by over 2 percent to nearly 7 million tons. For 2011, cheese production is projected to continue growing – increasing by 1 percent – as most of the additional manufacturing milk is likely to flow into cheese vats. EU-27 exports of cheese are projected to grow by a modest 2 percent and the domestic cheese market is likely to remain fairly firm given recovering domestic consumption. This translates into higher returns for the production of cheese relative to other dairy products. During 2010, Russian import demand was a key factor in promoting EU-27 exports of cheese – up an estimated 14 percent - with nearly one third of all shipments (through August 2010) flowing to Russia. For 2011, Russian import demand is expected to continue and serve as a major outlet for EU cheese.

U.S. cheese production is on track to post a 3 percent increase in 2010 and exports are forecast to hit a record 163,000 tons. Nevertheless, despite increased domestic consumption and shipments, ending stocks are projected to grow by 4 percent. The stocks are expected to overhang markets in early 2011. For 2011, cheese output is pegged to increase by 1 percent to flat while exports, though still historically strong, are expected to be down from 2010. Production increases in Oceania and the EU will increase competition in global markets. In addition, Mexico, which in 2010 will likely account for around 30 percent of U.S. cheese exports, has imposed retaliatory tariffs on imports U.S. cheese which will likely reduce shipments.

**Butter-** Global butter trade during 2011 for major exporters is forecast to shrink by 3 percent largely due to reduced shipments from the EU-27. For 2010, EU-27 butterfat exports are expected to jump by 18 percent due to strong demand from Russia and to a lesser extent, Iran. However 2011 EU-27 butter exports are expected to drop sharply by 17 percent due to lower available exportable supplies and increased international competition.

New Zealand butter output for 2011 is projected to rise by 10 percent reflecting to some extent the substantial jump in domestic milk production forecast for that year. Likewise, exports are expected to increase by 2 percent. Although 2011 ending stocks are forecast to grow, recent prices for anhydrous milk fat (AMF) on Fonterra's Global Trading auctions have demonstrated surprising strength. This suggests that there is a strong and persistent import demand for butterfat that may well carry through all of 2011.

U.S. butter production in 2010 is expected to be 3 percent lower because milk was channeled into the production of other products. For 2011, butter output is forecast to reverse course and expand by 3 percent, ending up marginally above levels attained in 2009. U.S. 2010 butter exports are expected to post an impressive 311 percent gain. For 2011, however, shipments are expected to be limited by increased competition from Oceania. Further, there is strong global demand for butteroil/AMF, a product the U.S. does not produce in substantial quantities.

Continued on page 17

**SMP-** Exports of SMP from key exporting countries are on track to post substantial gains in 2010 – estimated at 11 percent for the year. Although 2010 shipments from Oceania are slated to drop by 95,000 tons, this is likely to be more than compensated for by shipments from EU-27 and the United States, which are estimated to expand by 231,000 tons by year's end. For 2011, growth in SMP shipments for selected countries is forecast to be somewhat less than in 2010, but is nevertheless projected to post a relatively healthy 6 percent gain. Australian SMP exports are expected to rebound significantly by 28 percent to reach 160,000 tons while New Zealand exports are projected to grow by 13 percent to 400,000 tons.

EU-27 exports of SMP for 2011 are anticipated to decline by 6 percent, reflecting a slight decrease in output as processors shift more milk to the more profitable production of cheese. Intervention stocks, which stood at 259,000 tons in early 2010, are expected to fall to 80,000 tons by the end of 2011 and more critically, no purchases are anticipated during the coming year. During 2010, the EU-27 committed some 65,000 tons of SMP stocks to domestic social programs while very limited quantities were released to the open market. The EU Commission has adopted a very cautious approach to avoid negatively impacting domestic prices.

U.S. exports of SMP are forecast to increase by 1 percent in 2011, as demand increases with global economic growth. However, U.S. export growth will be limited by increased supplies in Oceania. Export data for 2010 - through October 2010 - indicates that although nearly 30 percent of U.S. SMP is shipped to Mexico, some 40 percent of the volume exported was shipped to the hotly contested markets of the Philippines, Indonesia, Vietnam, and Malaysia. For 2011, imports of SMP in the Asia region are expected to expand by 10 percent but competition from Oceania will be more visible.

**WMP-** Production of WMP for selected countries is expected to grow by 5 percent in 2011 with major gains likely to be posted by New Zealand and Argentina. In contrast, WMP output in the EU – the second largest global exporter after New Zealand – is expected to decline as more milk is directed to the production of cheese.

On the trade side, exports of WMP from Argentina are expected to grow by 18 percent to 200,000 tons – the second highest recorded volume. Although New Zealand exports are also expected to grow by a modest 3 percent, at 885,000 tons they are likely to set a record.

On the import side, China's spectacular rise as a major purchaser of WMP in 2010 is expected to continue with imports forecast to reach 400,000 tons in 2011. This will account for nearly a quarter of global trade for selected countries. This is not expected to be just a onetime phenomenon but could be a longer term pattern that may have a profound influence on global dairy markets.

**SOURCE:** "Dairy: World Markets and Trade", Circular Series, December 2010, Foreign Agricultural Service, USDA.

## CORRECTED 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 5/	<b>4,504*</b>	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	<b>13.0*</b>	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	<b>45,248*</b>	-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/

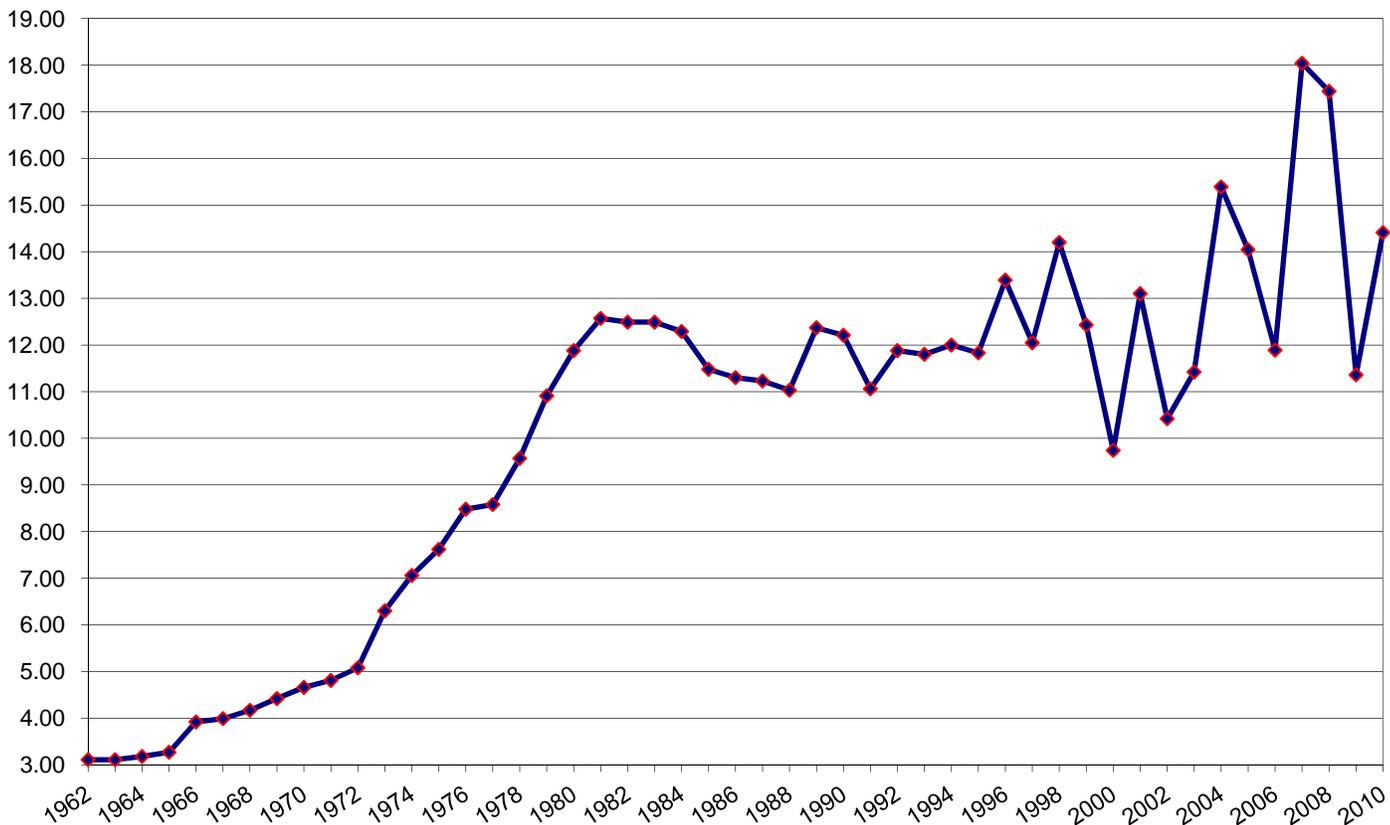
Area (Order Number)	Sales		Change from: 2/	
	October	Year to Date	*Previous Year*	*Year to Date*
	Mil. Lbs.		Percent	
Northeast (001)	790	7,667	<b>-4.8</b>	<b>-2.0</b>
Appalachian (005)	308	3,015	<b>-2.0</b>	<b>0.9</b>
Southeast (007)	424	4,165	<b>-5.8</b>	<b>-2.1</b>
Florida (006)	248	2,437	<b>-2.8</b>	<b>-0.8</b>
Mideast (033)	521	5,061	<b>-4.5</b>	<b>-1.7</b>
Upper Midwest (030)	370	3,570	<b>-4.6</b>	<b>-1.2</b>
Central (032)	390	3,752	<b>-4.1</b>	<b>-3.1</b>
Southwest (126)	<b>389*</b>	3,728	<b>-3.2</b>	<b>-0.3</b>
Arizona (131)	102	984	<b>-3.3</b>	<b>-1.6</b>
Pacific Northwest (124)	191	1,839	<b>-4.1</b>	<b>-0.2</b>
California (---)	558	5,350	<b>-4.6</b>	<b>-3.7</b>

\*Note: figures in bold print are corrected. 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.

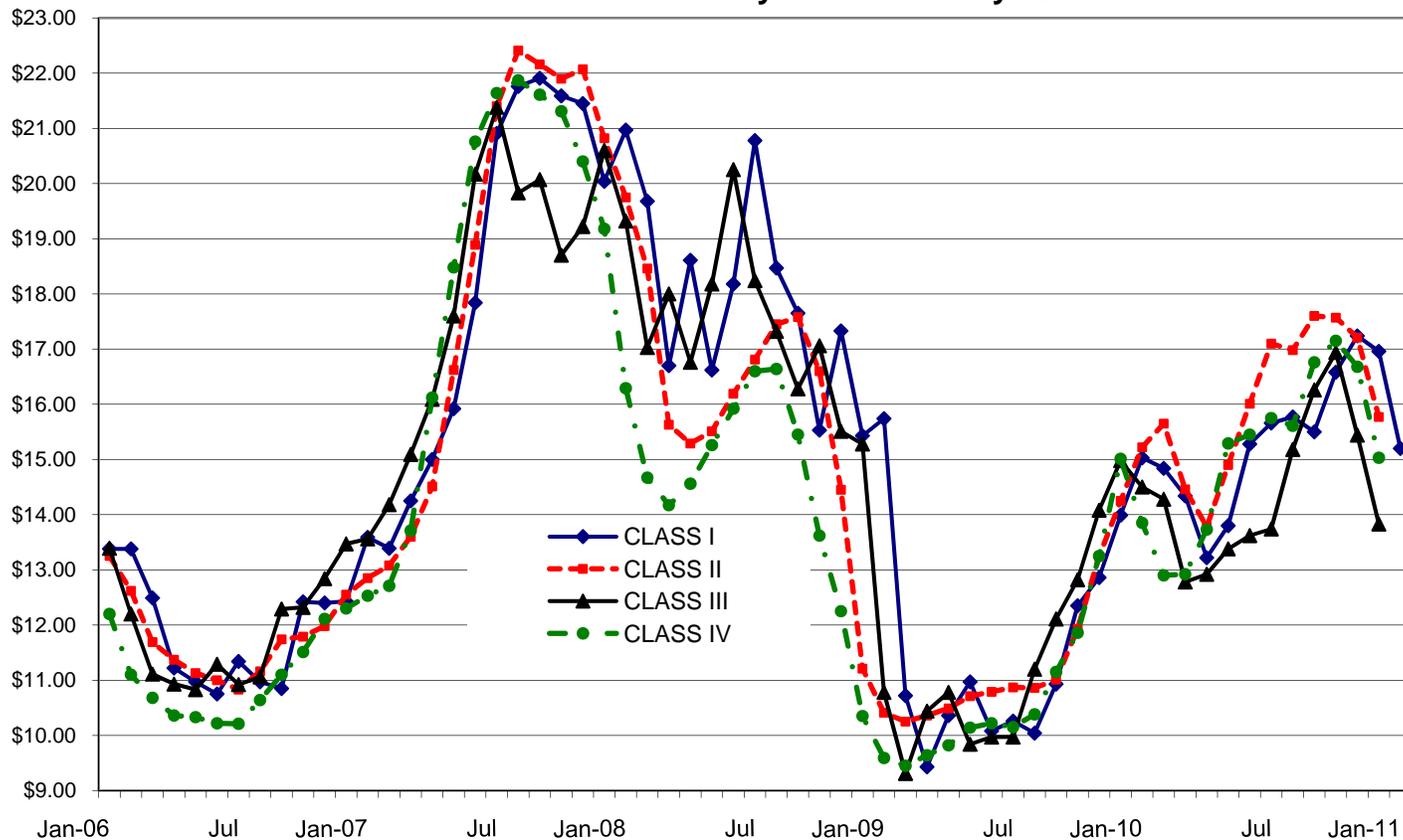
**ANNUAL AVERAGE CLASS III/BFP/MW 1962-2010**

\$ PER CWT.

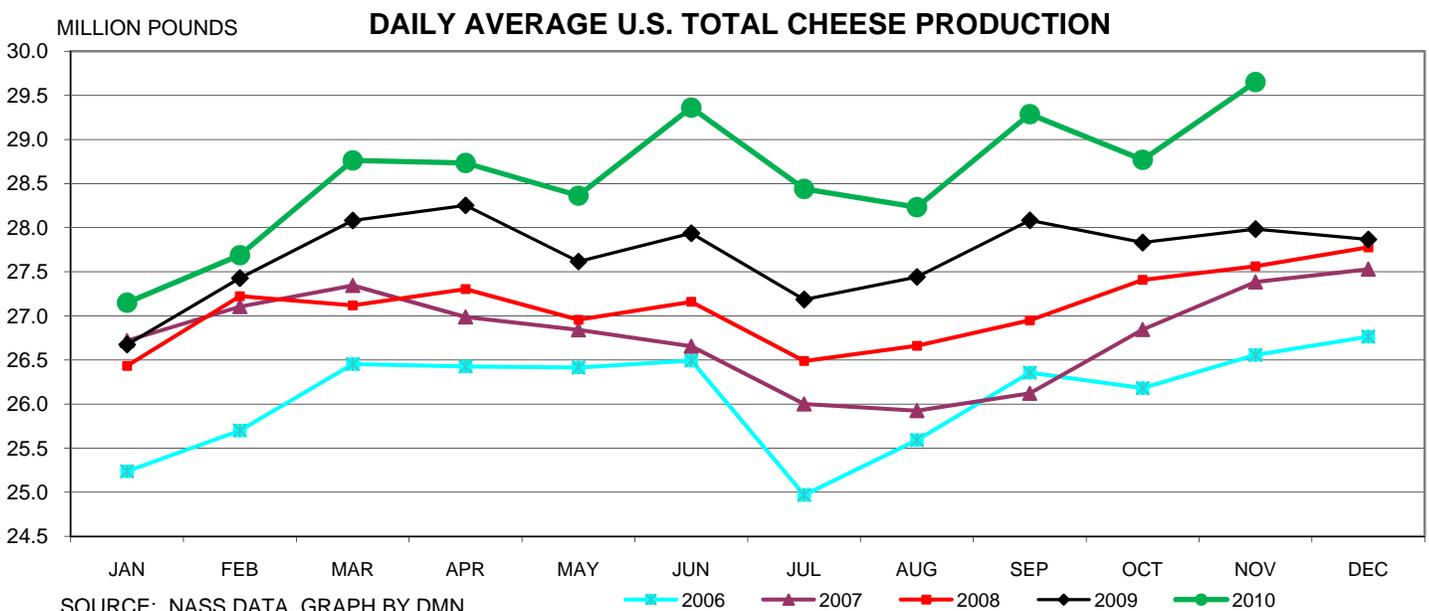
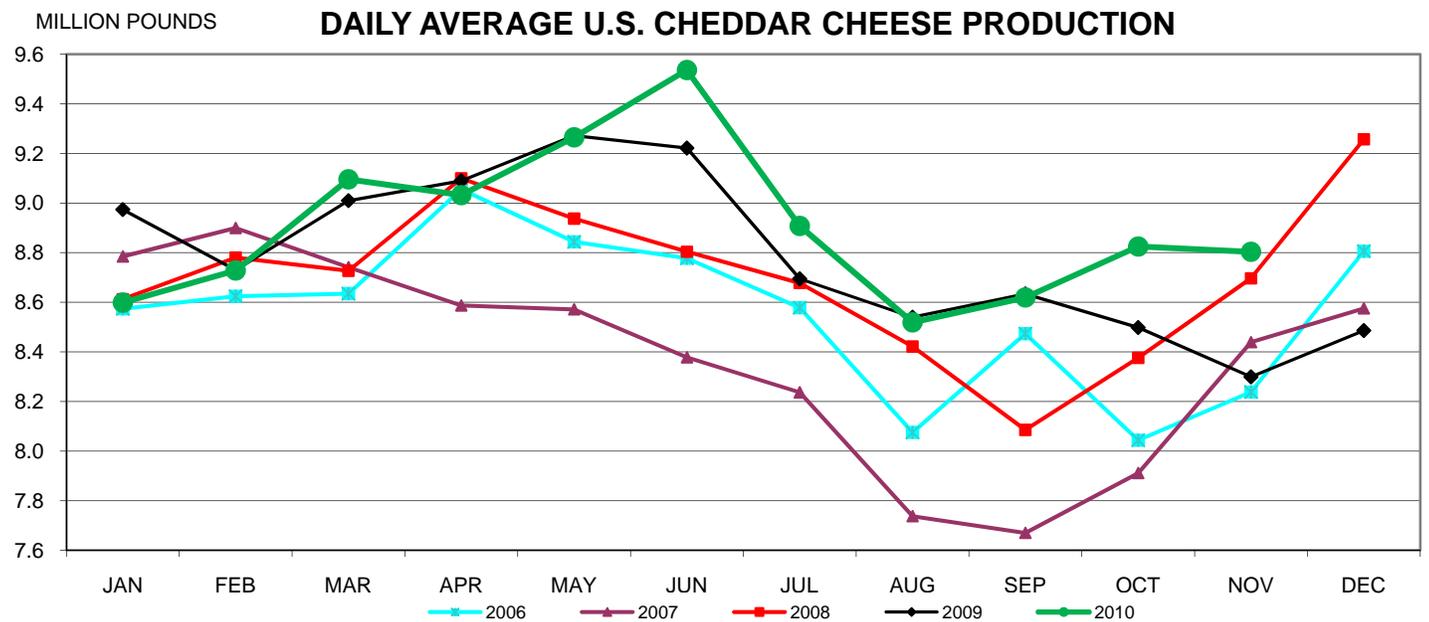
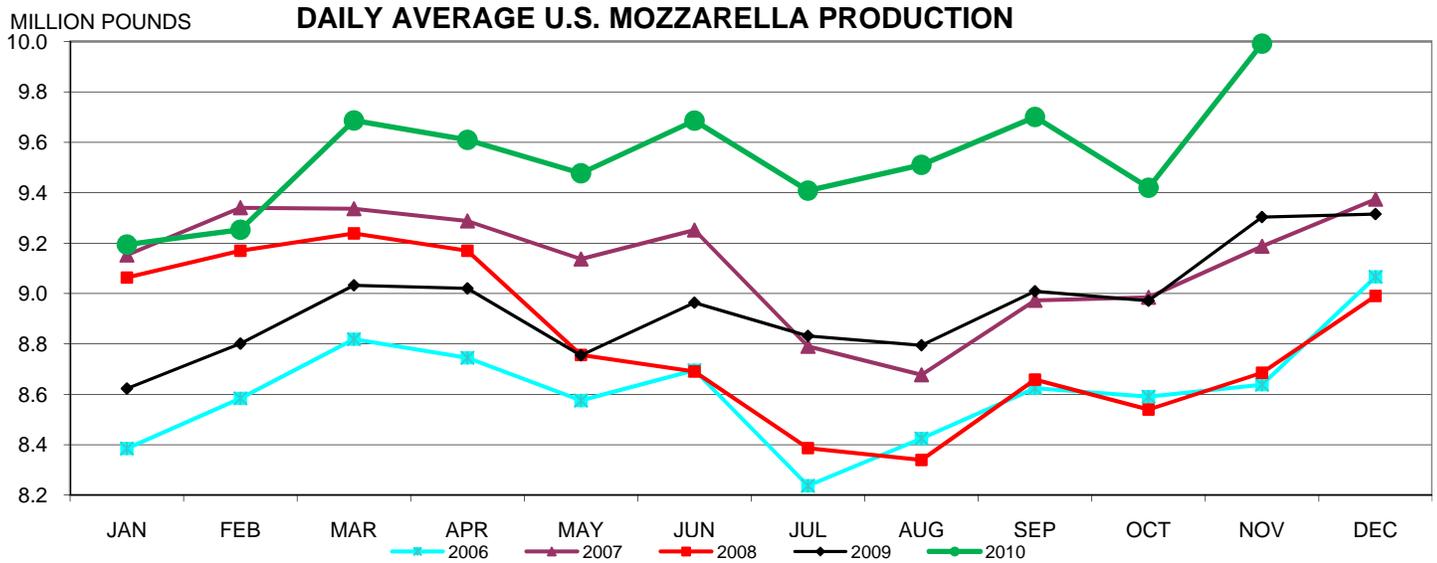


Per CWT.

**Class Milk Prices by Month January 2006 to Date**



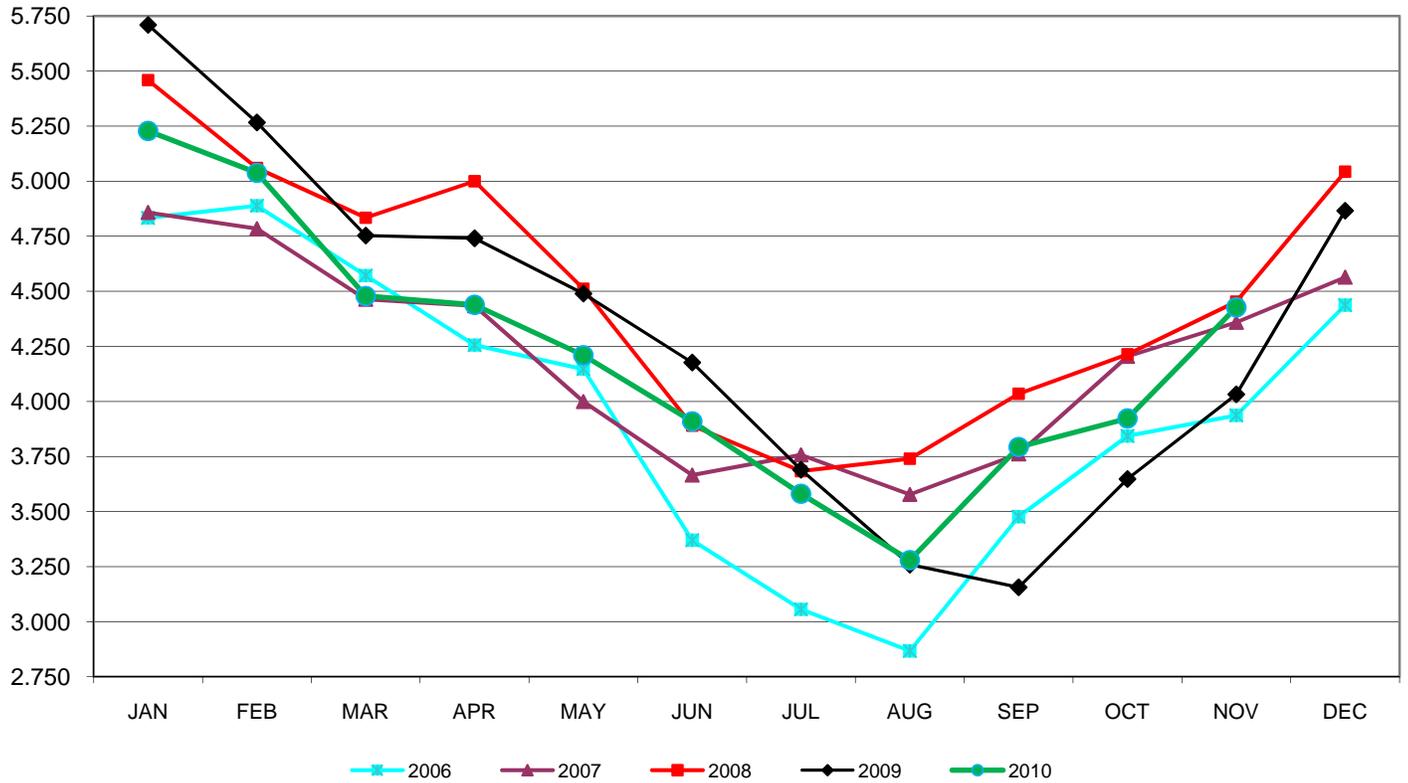
Class I base price does not include applicable Class I differential



SOURCE: NASS DATA, GRAPH BY DMN

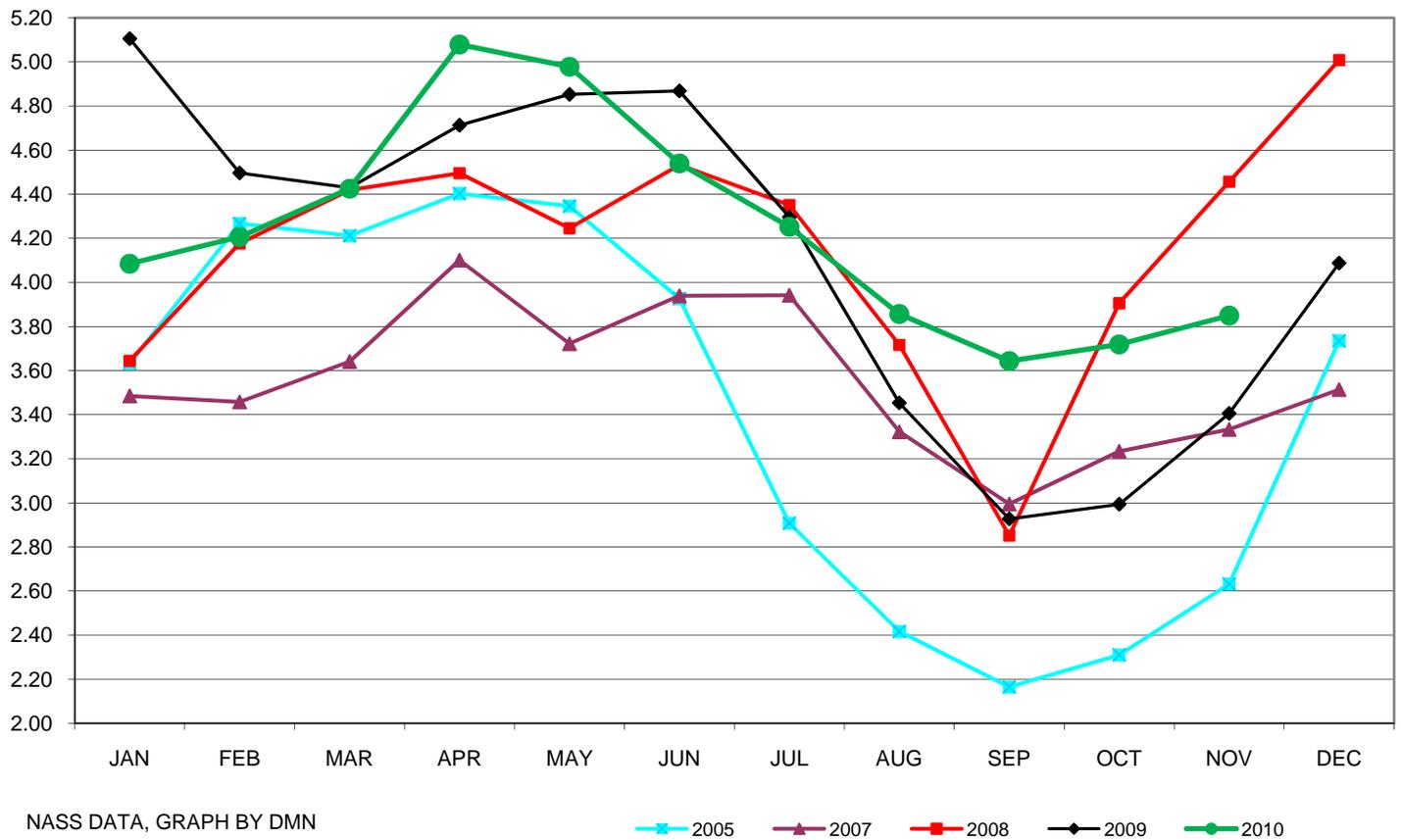
MILLION POUNDS

**DAILY AVERAGE U.S. BUTTER PRODUCTION**



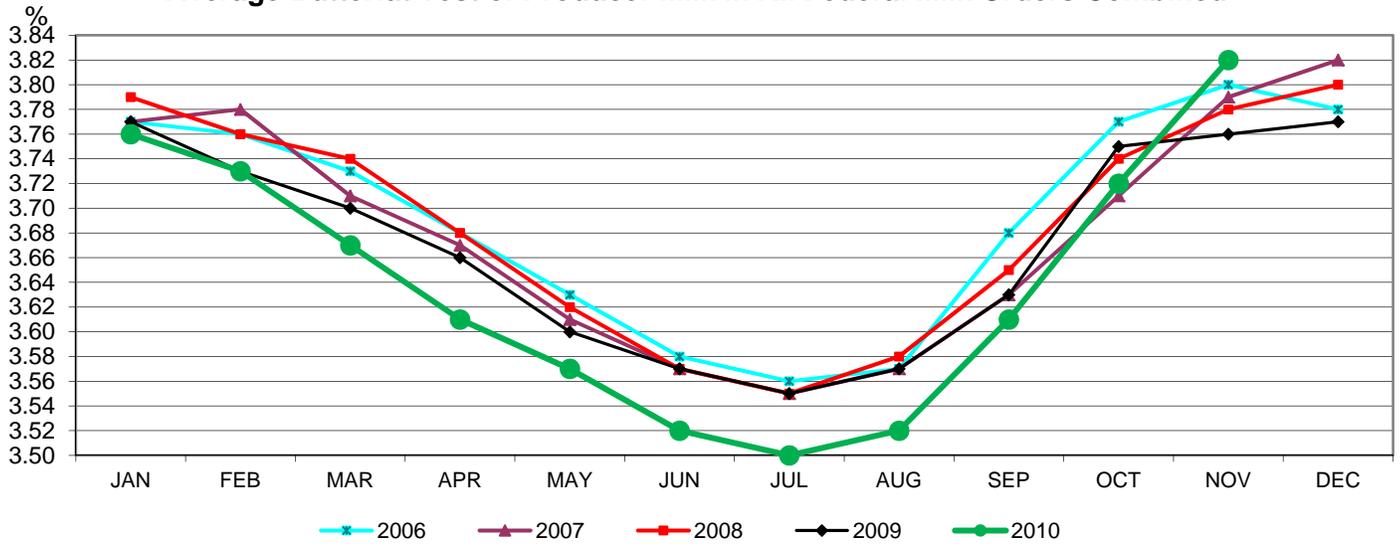
MILLION POUNDS

**DAILY AVERAGE U.S. NDM PRODUCTION**

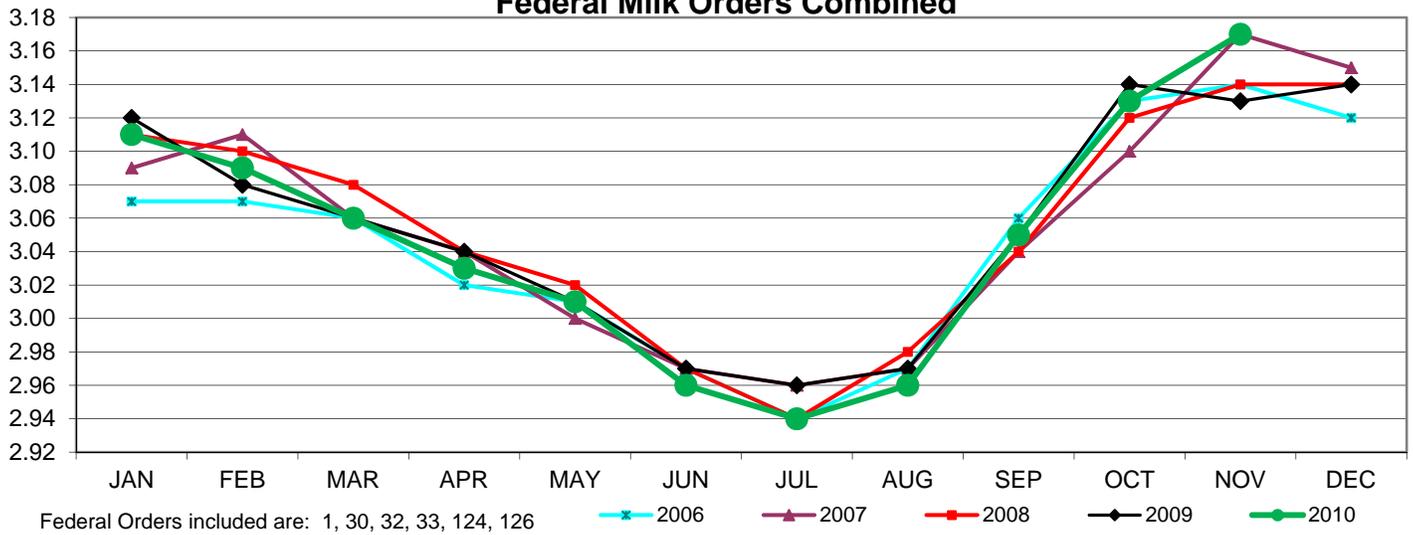


NASS DATA, GRAPH BY DMN

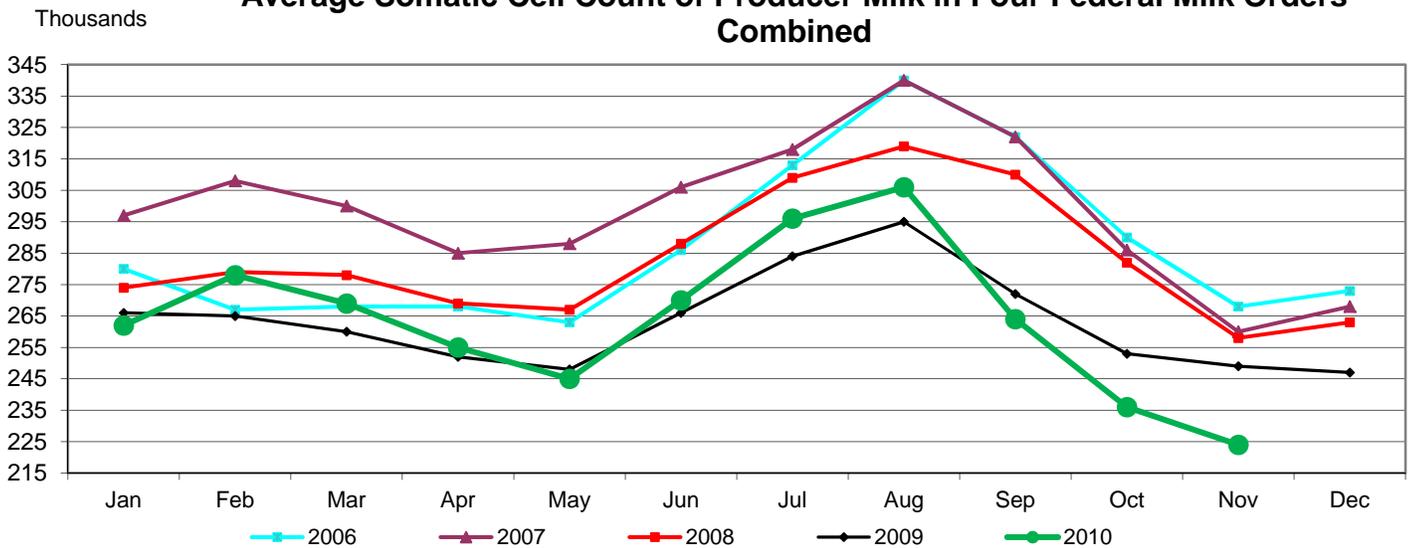
**Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined**



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



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



Federal Orders included are: 30, 32, 33, 126

# DAIRY MARKET NEWS

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