

NATIONAL DAIRY MARKET AT A GLANCE**CME GROUP CASH MARKETS (01/21):**

BUTTER: Grade AA closed at \$2.1000. The weekly average for Grade AA is \$2.1000 (N.C.).

CHEESE: Barrels closed at \$1.5100 and 40# blocks at \$1.5250. The weekly average for barrels is \$1.4856 (+.0536) and blocks, \$1.5125 (+.0420).

BUTTER HIGHLIGHTS: The CME cash butter price of \$2.1000 has maintained a record high level, for this time of the year, for a second consecutive week. Butter producers and handlers are often struggling with how to approach this firm cash price in relationship to cream purchases, churning schedules, and inventory management. In most instances, butter inventories are low, thus butter producers were anticipating replenishing inventories during the first quarter of 2011. Typically, this is the time of the year when inventories build as cream volumes are often more available for churning and prices are reasonable. This year, cream is available, but the value of cream is sharply higher. Butter demand is mixed as some buyers return to the marketplace once again. Retail orders are mixed as some buyers purchase well ahead of needs and are still working off year-end/holiday stocks, while others are more current with their purchases. Retail pricing is starting to reflect firmer prices, although consumer reaction is still unknown. Food service orders are typical for this time of the year.

CHEESE HIGHLIGHTS: The cheese market exhibited some weakness on the CME Group cash market early this week before recovering to close unchanged on blocks at \$1.5250 and barrels up 3.5 cents to \$1.5100. Class III (cheese) milk prices continue to lag Class IV (butter/powder) prices. Much of the recent cheese price increase can be attributed to an attempt to keep from losing too much milk to butter/powder production. Extra cheddar made during the yearend holiday period still is eligible to be offered for sale on the CME Group cash market (up to 30 days old). However, reports indicate less surplus milk was available to cheese operations during the yearend holidays than anticipated. Current cheese demand is often lighter as most Super Bowl needs have been shipped. Pizza and mozzarella demand normally improves for the Super Bowl. Some customers have slowed their cheddar aging programs at current prices. Most plants are seeing good seasonal yields due to more typical butterfat and protein tests.

FLUID MILK: Winter weather caused some interruptions in milk handling in the Atlantic region, while the rest of the country experienced typical seasonal weather. Class I demand was strong in the East and mostly normal for the remainder of the country. Cream markets are mixed as buyers digest higher than expected prices for this time of year. Milk intakes are increasing across much of the country and component levels are above year ago possibly due to better feed quality. Milk volumes are being balanced between cheese/whey production and the higher priced Class IV values of butter/powder.

DRY PRODUCTS: Nonfat dry milk prices are higher across the country. Spot activity is increasing and setting higher prices in many cases. CME Group nonfat dry milk trading activity is also increasing. Dry buttermilk prices are trending higher following NDM prices. Producer offerings on the spot market are light. Dry whole milk prices are unchanged to lower. Dry whey markets are firm to higher in most cases. Supplies of product above contracted needs continue to be tight. Demand in many cases is outpacing available supplies. Spot offerings are typically commanding a premium. Whey protein concentrate 34% prices are firm following the trend of most dry products. The lactose market is mostly steady.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production in **Europe** continues to show signs of seasonal increases. The cold/wintery weather patterns of December have moderated and now, some producers are stating that conditions are almost too mild. Milk deliveries are generally higher and milk handlers and processors are hopeful that this trend will continue, thus contributing to a positive start to the new milk production season. Prices for European generated dairy products have been firming in the early weeks of the new year, but, during the current week, price strength has moderated. On Thursday January 20, the European Dairy Commission sold back about 9,500 MT of intervention skim milk powder at a minimum price of 2,250 Euros (about \$3,039) per MT. Influences of various weather patterns continue to dominate the conversations in both **New Zealand** and **Australia**. The drought conditions and then subsequent rainfall on the North Island of New

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CME GROUP CASH TRADING

PRODUCT	MONDAY JANUARY 17	TUESDAY JANUARY 18	WEDNESDAY JANUARY 19	THURSDAY JANUARY 20	FRIDAY JANUARY 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	HOLIDAY	\$1.4750 (N.C.)	\$1.4700 (-.0050)	\$1.4875 (+.0175)	\$1.5100 (+.0225)	(+.0350)	\$1.4856 (+.0536)
40# BLOCKS	CME	\$1.5250 (N.C.)	\$1.5000 (-.0250)	\$1.5000 (N.C.)	\$1.5250 (+.0250)	(N.C.)	\$1.5125 (+.0420)
NONFAT DRY MILK EXTRA GRADE	CLOSED	\$1.4400 (+.0400)	\$1.4800 (+.0400)	\$1.4900 (+.0100)	\$1.4900 (N.C.)	(+.0900)	\$1.4750 (+.1110)
GRADE A	NO	\$1.4675 (+.0350)	\$1.5100 (+.0425)	\$1.5200 (+.0100)	\$1.5225 (+.0025)	(+.0900)	\$1.5050 (+.1230)
BUTTER GRADE AA	TRADING	\$2.1000 (N.C.)	\$2.1000 (N.C.)	\$2.1000 (N.C.)	\$2.1000 (N.C.)	(N.C.)	\$2.1000 (N.C.)

CHEESE: carload = 40-44,000 lbs., BUTTER: carlot = 40-43,000 lbs., NDM 42-45,000lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET AT A GLANCE

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Zealand continues to impact milk production trends. Significant damage was done to the down side of the milk production season in New Zealand which is having difficulty recovering. In Australia, flooding is the major word that appears in news media, print, and conversations. The severe flooding in Queensland continues to receive much of the media attention, although flooding in Victoria is impacting the dairy industry. For the most part, farmers are fairing OK, but flooded paddocks are a concern. The biggest impact on the dairy industry in Australia is movement of milk and processing. At the January 18 g/DT event, most prices were within ranges of the previous event, outside of a 14% increase in buttermilk powder.

DAIRY OUTLOOK (ERS): The latest USDA forecasts indicate rising feed prices for the 2010/11 crop year. The corn price is forecast to average \$4.90 to \$5.70 per bushel, and the soybean meal price is forecast to average \$320 to \$360 per ton. Positive processor margins for ethanol and strong exports will contribute to the higher prices. Milk equivalent exports for 2011 are forecast at 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. U.S. dairy product prices are below international prices and a weak dollar relative to foreign currencies makes U.S. dairy products attractively priced. Global demand should be higher in 2011, especially in Asia and South America, because economic recovery in those regions has been stronger than in Europe and the United States. U.S. imports of dairy products will trail last year's totals and have been adjusted downward. Butter stocks remain very tight, and consequently, butter prices are expected to remain high relative to recent years but to average below 2010 levels. Cheese prices are projected to average \$1.510 to \$1.590 per pound in 2011, close to the 2010 average price. Expectations for continued strong exports for NDM and whey will likely boost prices above last year for both products in 2011. Milk prices in 2011, like milk product prices, are expected to average higher than in 2010.

DECEMBER MILK PRODUCTION (NASS): Milk production in the 23 major states during December totaled 15.0 billion pounds, up 2.8% from December 2009. November revised production at 14.4 billion pounds, was up 3.1% from November 2009. The November revision represented an increase of 8 million pounds or 0.1% from last month's preliminary production estimate. Production per cow in the 23 states averaged 1,794 pounds for December, 33 pounds above December 2009. The number of milk cows on farms in the 23 states was 8.39 million head, 74,000 head more than December 2009, and 15,000 head more than November 2010. Milk production in the U.S. during the October-December quarter totaled 47.5 billion pounds, up 2.8% from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.13 million head, 36,000 head more than the same period last year.

DECEMBER FMMO PRICE AND POOL (DAIRY PROGRAMS): During December, about 10.7 billion pounds of milk were received from producers. This volume of milk is 5.3% higher than the December 2009 volume. In December 2009 and December 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.3% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 37%, Class II = 9%, Class III = 45% and Class IV = 9%. The weighted average statistical uniform price was \$16.01, \$0.66 lower than last month and \$0.33 higher than last year.

FEBRUARY FEDERAL MILK ORDER ADVANCE PRICES (DAIRY PROGRAMS): Under the Federal milk order pricing system, the Class I base price for February 2011 is \$15.89. This price is derived from the Class IV skim milk pricing factor of \$9.57 and the advanced butterfat pricing factor of \$1.9003. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. Compared to January 2011, the Class I base price increased \$0.69. The advanced Class IV skim milk pricing factor is \$9.57. Thus, the Class II skim milk price for February is \$10.27, and the Class II nonfat solids price is \$1.1411. The two-week product price averages for February are: butter \$1.7407, nonfat dry milk \$1.2423, cheese \$1.3757, and dry whey \$0.3915.

CME GROUP

MONDAY, JANUARY 17, 2011

HOLIDAY, CME CLOSED

TUESDAY, JANUARY 18, 2011

CHEESE — SALES: 1 CAR BARRELS @ \$1.4750; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: 4 CARS GRADE A: 2 @ \$1.4625, 1 @ \$1.4650, 1 @ \$1.4675; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.4400; 2 CARS GRADE A @ \$1.4625; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JANUARY 19, 2011

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.4775, 1 @ \$1.4750, 1 @ \$1.4700; 6 CARS 40# BLOCKS: 2 @ \$1.5275, 1 @ \$1.5150, 1 @ \$1.5100, 1 @ \$1.5050, 1 @ \$1.5000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4675; 1 CAR 40# BLOCKS @ \$1.4950; LAST OFFER UNCOVERED: 3 CARS BARRELS @ \$1.4700

NONFAT DRY MILK — SALES: 5 CARS GRADE A: 4 @ \$1.5075, 1 @ \$1.5100; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.4800; 2 CARS GRADE A @ \$1.5075; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5175

BUTTER — SALES: 2 CARS GRADE AA @ \$2.1000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 20, 2011

CHEESE — SALES: 3 CARS BARRELS: 2 @ \$1.4775, 1 @ \$1.4875; 7 CARS 40# BLOCKS @ \$1.5000; LAST BID UNFILLED: 3 CARS BARRELS @ \$1.4875; 5 CARS 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: 1 CAR GRADE A @ \$1.5200; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.4900; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: 8 CARS GRADE AA @ \$2.1000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 21, 2011

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5100; 1 CAR 40# BLOCKS @ \$1.5250; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK — SALES: 3 CARS GRADE A: 2 @ \$1.5200, 1 @ \$1.5225; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.4900; 10 CARS GRADE A @ \$1.5200; LAST OFFER UNCOVERED: NONE

BUTTER — SALES: 1 CAR GRADE AA @ \$2.1000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group price movement incentive to buy cream last week is absent from markets this week. With many transactions priced based on the “average of the previous week”, last week’s trading-driven rush to acquire cream early in the week to beat price increases is not being referenced as a current factor. This week shapes-up to be what was characterized as more of a “true market week”. This became clear to some plants in which expectations of sales potential this week for cream at higher top multiples than last week, met with buyer resistance. This kept top multiples from rising further and in some cases, brought the top down slightly. A contributing factor in some locations, was added cream availability resulting from heavy milk runs related to increased pre-storm orders, which resulted in additional cream availability. However, this is a factor somewhat plant specific and not generally true for all plants. In some of the region, plants are using all available cream for churning. Ice cream customers present a mixed picture too, with some cutting cream orders by up to one-half while a few others take regular deliveries. Looking ahead, in some parts of the Northeast, there are expectations that there will not be enough milk next week to generate sufficient cream for orders from standardization, which may lead to plants seeking cream on spot markets. The CME Group butter price closed at \$2.1000 on January 7, 2011 and has remained there through Tuesday this week. As a comparison, this week last year the CME Group average was \$1.4844 and two years ago, \$1.1006. FAS reports that January through November butter exports totaled 115.4 million pounds, a 111% increase from the same period the previous year.

CENTRAL

The CME cash butter price has remained at \$2.1000 for over a week, the highest cash price for this time of the year ever. The weekly average of the CME cash price is often used in pricing cream the following week, thus current cream prices are also unusually high for this time of the season. This is causing butter producers to very closely monitor their supply/demand and inventory management situation. Most butter producers are very hesitant to enhance inventories too much, especially at current price levels. Typically, the first quarter of a year is a time period where butter producers and handlers once again re-establish workable inventories. Most butter handlers were looking forward to this period, especially this year, to once again rebuild lower than desired butter inventories. Class II cream buyers are also very cautious with cream purchases with some backing away from

the market, at least not buying additional spot loads. Even with domestic butter prices at current levels, some butter producers continue to report that some international buyers are still looking. International supply of butterfat remains limited, thus butter volumes are also limited. Domestically, consumers are already seeing higher prices at the retail level. It is still too early to see how they will respond to sharply higher prices. Typically, consumers reduce their purchases of butter once the CME cash price surpasses the \$2.00 level. Food service orders have returned to post holiday levels. Some buyers are indicating that their purchases will probably be reduced due to the very firm price at this time. Bulk butter prices range from 0 - 2 cents over various pricing bases and averages per pound.

WEST

Wednesday’s butter price at the CME Group was unchanged at \$2.1000. The market price has remained unchanged for the last eight trading sessions. Sales activity is light with two loads sold on Wednesday being the only activity this holiday shortened week. Butter prices held steady this week at historically high levels for this time of year. The market is unsettled with both buyers and sellers trying to determine the best strategies for these exceptional prices. Buyers are showing interest in restocking inventories and procuring supplies for the first and second quarters of 2011. Retail customers are not yet showing significant resistance to current prices overall (but many store prices don’t reflect the recent increases). Bulk buyers are inquiring as to available supplies. Sellers are producing butter for near term needs, while trying to manage supplies against future needs. Cream supplies are improving although there is a general perception of limited amounts of butterfat available. Plant maintenance activities are causing some cream to be redirected. According to the CME Group, weekly butter stocks in CME approved warehouses had a net movement of 1.4 million pounds more last week to a warehouse adjusted 15.2 million pounds. The total of 15.2 million pounds compares to 47.6 million pounds in 2010 and 63.1 million pounds in the comparable week in 2009. Prices for bulk butter range from 2 cents over to 5 cents under the market, based on the CME with various time frames and averages used. According to the Foreign Agricultural Service, exports of butter and milkfat for January-November 2010 total 115.4 million pounds, up 111% from January-November 2009. The exports account for 8.2% of butter production in the U.S. for January-November.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
January 15	1,3471	1,3787	1,2560	1,8065	0,3956
	11,452,104	10,607,135	22,749,789	3,564,811	11,391,213

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 makers are facing block prices a bit above this time last year and barrel prices slightly below. Blocks ended an 8 day CME Group run of higher closing prices by closing unchanged Tuesday this week. Barrels similarly ended a 6 day run of price increases. For barrels this was a run of 13 1/2 cents and for blocks, 18 1/4 cents. Nevertheless, at the end of the run, barrels are 1/2 cent below the close last year at this point in the week while blocks are 7 cents higher. Mozzarella sales and manufacturing remain strong in the weeks leading to the football Super Bowl, which is also the Super Bowl of the pizza cheese season for a number of manufacturers. Last week into early this week, a few Eastern cheese manufacturers were not able to secure additional manufacturing milk supplies beyond normal orders, due to overall supply and demand from Class I and II users. FAS reports that January through November 2010 cheese and curd exports totaled 338.5 million pounds, up 60% from the same period the previous year.

Cheddar Barrels on Wednesday at the CME Group are \$.0050 lower at \$1.4700. 40 Pound Blocks are \$.0250 lower at \$1.5000. After last week's price increases, Barrels and Blocks sold lower on Wednesday. Barrels have had four loads sold this week, while Blocks sold six loads on Wednesday at lower prices. Western cheese prices are sharply higher this week. Buyers are unsettled with price increases. Retail and domestic sales are reported good with adequate inventories available. Export interest continues to help to clear product although some manufacturers are worried about pricing themselves out of the export market. 23 state milk production for December increased 2.8% from year ago levels according to NASS. Cheese plants continue to run at increased levels to handle the added supply. According to FAS, exports of cheese and curd for January-November 2010 total 338.5 million pounds, up 60% from January-November 2009. The exports account for 3.5% of total cheese production in the U.S. for the period. Mexico was easily the largest importer of cheese with 95.5 million pounds or 28.2% of U.S. cheese exports.

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

Cheddar 40# Block	:	1.7875-2.0625
Process 5# Sliced	:	1.5375-1.8475
Muenster	:	1.8075-2.0125
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	:	1.5575-1.8150
Cheddar 40# Block	:	1.5975-1.9500
Cheddar 10# Cuts	:	1.7775-1.9975
Monterey Jack 10#	:	1.7875-1.9475
Grade A Swiss Cuts 6 - 9#	:	2.8100-3.2400

MIDWEST

The cheese market is steady in price though unsettled in undertone. Many in the industry continue to watch butter and NDM prices as an indicator for cheese market direction as Class III (cheese) milk prices remain below Class IV. Typically, new cheese orders are lighter as recent price increases show up in weekly averages and as supplies needed for Super Bowl promotions are shipped. However, customers priced under monthly averages have been more aggressive in building inventory. Mozzarella interest is generally better than most other varieties as the upcoming Super Bowl is a big pizza consumption event. Hard Italian varieties continue to enter aging programs for later use though cheddar storage seems to have slowed. Barrel supplies in the region remain tight for the short term. For some processors, increasing the share of cheese in some products may be the cheapest result of reformulations. Operations with the capability to switch have or are looking to reduce cheese production in favor of butter/powder production. Current cheese production is steady to occasionally lighter as milk intakes remain little changed. Good seasonal component levels are providing solid cheese yields.

FOREIGN

Blocks ended an 8 day CME Group run of higher daily closing prices Tuesday, closing at \$1.5250, up 18 1/4 cents for the run. This leaves blocks 7 cents above the close 1 year ago. The 12 cent higher weekly average for last week moved domestic variety prices except Swiss Cuts Switzerland higher, while imported varieties are unchanged.

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

Process American 5# Loaf	:	1.7925-1.9850
Brick And/Or Muenster 5#	:	1.9800-2.0600
Cheddar 40# Block	:	1.9000-2.5650
Monterey Jack 10#	:	1.9400-2.5650
Blue 5#	:	2.2975-2.7800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8125-2.6650
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	: 1.9275-3.4150*
Gorgonzola	: 3.6900-5.9900	: 2.4300-2.6900*
Parmesan (Italy)	: -0-	: 3.2675-3.4600*
Provolone (Italy)	: 3.4400-5.8900	: 1.9700-2.1275*
Romano (Cows Milk)	: -0-	: 3.1175-5.2600*
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.

U.S. Cheese and Curd Exports, (USDA-FAS)

	Monthly Exports (Million Lb.)	
	2010 Exports Jan.- Nov.	% Change From 1 Year Ago
November	29.1	+ 39
World	338.5	+ 60
Mexico	95.5	+ 19
South Korea	36.3	+ 75
Japan	28.0	+115
Canada	22.4	+ 14
Egypt	16.8	+760

**WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS**

	BUTTER	:	CHEESE
		:	
01/17/11	2,767	:	128,864
01/01/11	3,528	:	117,082
CHANGE	-761	:	11,782
% CHANGE	-22	:	10

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	80	0	186	0	0
SOUTHEAST STATE	0	0	0	0	54	0

Winter still persists but little unusual pre-storm activity is reported this week. Class I demand remains strong in much of the region. Class I orders have been filled as well as Class II. While normal milk orders from cheese manufacturers are met, some inquiries seeking additional milk volume have not been filled due to milk described as being "a bit tight". Reduced drying this week is one result from the tightness, even as some plants are aware of the need to continue drying soon to meet ongoing obligations. The tightness is projected by some plants to generate less cream from standardization than committed orders may require next week, which could send some plants to the market to acquire cream. The wild card here is what orders are placed or reduced by cream cheese and ice cream manufacturers in coming days. In the Southeast, storms of recent weeks have left the supply system still moving back toward an equilibrium of sorts, as a series of sudden order increases and cancellations works through. There were instances of order add-ons which required scrambling to gather milk to ship, which while the milk was in transit, were then canceled. This has left unusual pools of milk throughout the system which are now being worked through. The substantial reduction in milk shipments out of Florida is generally related to plant closures lasting several days last week, necessitating moving milk out. The plants are all back in operation. Cream multiples narrowed the range to mostly 115 to 125 this week, with the emphasis being closer to 125. Efforts by some plants to price over a 125 multiple based on expectations of last week's surge continuing, were generally unsuccessful.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.4150-2.6250
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.5200-2.6670

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 - 1.08

MIDWEST

Class I interest is steady around anticipated January levels. A few milk loads were shipped out of area to a Middle Atlantic state from a northern tier state to help refill depleted stores around the big winter storm. The big question for many cream users and sellers is what to do with cream based on a \$2.10 butter market in January. Some buyers have backed off on spot cream orders, taking a "wait and see" approach while others are reluctantly taking spot loads. Some butter makers are limiting churning to regular contracted loads while others are buying spot loads. Some milk volumes have been shifted from cheese/why production over to butter/powder due to the higher Class IV milk price. Some additional milk volumes may also be shifted—though with plant capacity limitations. Cheese production is limited in many areas by the lack of spot milk supplies, with some preference to sales to Class IV operations. Some reports indicate good condensed skim sales to Class II and III accounts. Milk intakes are steady to occasionally slightly higher. The forecast for temperatures below zero in at least northern sections will likely cause some localized small declines

in volume as cows burn more energy to keep warm rather than make milk. Milk components remain strong for January, helped by the influx of better quality 2010 corn. Estimated December 2010 milk production in selected Central states compared with December 2009 is: Wisconsin, 2.163 billion pounds, +16 million pounds (0.7%); Texas, 775 million pounds, +37 million pounds (5.0%); Minnesota, 766 million pounds, unchanged; Michigan, 693 million pounds, +17 million pounds (2.5%); and Iowa, 367 million pounds, -9 million pounds (-2.4%).

WEST

According to NASS, December *Milk Production* for the 23 surveyed states totals 15 billion pounds, up 2.8% or 410 million pounds from last year. Monthly milk production per cow for the 23 surveyed states was 33 pounds more than December 2009. December milk production for selected Western states is as follows: Arizona +8.1%, California +2.7%, Colorado +10.9%; Idaho +4.9%, New Mexico +3.4%, Oregon +8.1%, Utah +4.1%, and Washington +4.0%. Compared to December 2009, the Arizona herd is up 17,000 head, California -14,000, Colorado +7,000; Idaho +24,000, New Mexico +3,000, Oregon +7,000, Utah +4,000, and Washington +9,000. These 8 states are up 57,000 and the 23 surveyed states are up 74,000. December cow numbers in these 8 states were 4,000 more than last month. CALIFORNIA milk output is holding mostly steady with recent weeks. Butterfat and solids levels are showing very slight increases at some intake locations. Growth in milk and components are expected to remain subdued because of high prices for grains and feedstuffs limiting their usage in cow rations. Processing plants are running on lighter than planned schedules with some seeking additional milk and components. ARIZONA milk production is trending higher with some plant intakes more sporadic. In general, conditions are good for the milk cows. The big issues remain - milk prices and higher feed costs. Class I demand is steady and thought to be resuming its pattern as school and retail orders are more predictable. NEW MEXICO milk output is steady to slightly higher and is increasing from month ago levels. Milk is moving to cheese plants and balancing in the butter/powder facilities along expected levels. The impact of finished product prices has not been a factor in milk movement, at least yet. Class I demand is steady. CREAM prices are sharply higher and reflect the recent run up in butter prices and the subsequent changes in basing points. Buyers are cautiously approaching the cream market. They need cream to make current products, but are uncertain where future pricing levels will be and are concerned about inventory values. The CME Grade AA butter price closed at \$2.10 on Wednesday, January 19, unchanged from a week earlier. Cream multiples are lower on the top end of the 105-121 range and vary based on class usage and basing point. Milk production levels in the PACIFIC NORTHWEST continue to show increases as the dairy cow herd is expanding. Higher feed costs are being balanced against higher milk futures prices for 2011. Class I usage has returned to expected levels and manufacturing plants in the region are operating at normal to expanded schedules to handle available supplies. Some plant maintenance issues have forced milk or cream to move to alternate locations, but most milk is being processed within the region. UTAH and IDAHO milk production is also higher than year ago levels. Weather has not been an issue recently. Regional processing capacity is handling the available milk supplies. Herd expansion is being tempered by higher feed costs and tighter credit. Higher cull cow prices and steady to weak replacement heifer costs are allowing dairy farmers to replace poor producers with young cattle.

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: A firm market trend is yielding mostly higher prices for Central nonfat dry milk. Most sales activity is contractual. Spot sales garnered steady to higher premiums to last week's market. Uncertainty and current returns in the cheese market is leading some operations to favor nonfat dry milk production over cheese production during the next few weeks. Other operations that focus on butter and powder production indicate that strong condensed skim sales into Class II and III are stripping away opportunities to build inventories for Q1 contract needs. Spot market participation for these manufacturers is, therefore, limited in scope. Various resellers conveyed contracted NDM loads are delivering on time. Interest from current clients is increasing, with requests for additional loads being a common thread in discussion. Inquiries from new buyers are also on the rise, but, with a majority of projected NDM volumes locked in for the quarter, chances for fulfillment of new buyer interest are limited at this time. Recent reports indicate that demand from South America for nonfat dry milk or skim milk powder for feeding programs related to natural disasters is active, with inquiries reportedly in the range of 66 million pounds. According to the latest Foreign Agricultural Service report, January – December 2010 imports of dried skim milk in the high tier category total about 59,000 pounds, a 96% decrease from 2009 totals. Quota dried skim milk imports during December totaled about 150,000 pounds. Quota dried skim milk imports for 2010 total 236,000 pounds, with there were no imports in this category in 2009. Foreign Agriculture Service reports that January – November 2010 exports of nonfat dry milk under H.S. Code 0402100000 total 771.9 million pounds, a 50% increase compared to 2009 exports during the same time span.

EAST: Nonfat dry milk availability is tighter in the Northeast. The tightness caused the upper end of the low/medium range to increase as well as both the bottom and top of the mostly. High heat prices also strengthened. Some manufacturers have reduced drying. After filling orders for other classes of products, there is less milk available for drying. This is compounded by the challenges in milk availability and movements remaining in the aftermath of last week's major storms. A number of plants are behind their previously anticipated drying schedules and unable to dry at desirable levels this week. Greater milk production increases to bolster intakes would be welcome at a number of plants. FAS reports that NDM exports through November 2010 at 771.9 million pounds, are 50% greater than the same 11 months of the prior year.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.2600 - 1.5000 MOSTLY: 1.3300 - 1.4300
 HIGH HEAT: 1.3300 - 1.6000

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are trending higher. Spot activity is at light levels, but testing and setting the top of the range. Additional loads are trading at the CME. Producer offerings are tightening because of upwards trending market prices. Production schedules are steady to lower and future projections are being downgraded. Demand is fair to good and not always able to be filled as buyers are at least looking for coverage as the market trends higher. Some buyer are attempting to buy extra at their contract pricing based off lower priced indices but finding no extra offerings from producers. High heat NDM prices are slightly higher. The market tone remains firm and is anticipated to be pulled higher by the low/medium heat pricing changes. Buyer interest is light to moderate with some seasonal accounts beginning to pull additional loads. In addition, higher pricing levels and anticipation of further increases create an added demand factor as end users attempt to mitigate costs. High heat stocks are light. According to FAS, U.S. exports of NDM/SMP totaled 771.9 million pounds from January to November 2010, 50% higher than during the same period in 2009. In November 2010, U.S. exports totaled 74.5 million pounds, up 70% from a year earlier.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.2200 - 1.5000 MOSTLY: 1.2500 - 1.4000
 HIGH HEAT: 1.2800 - 1.4050

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices, Central, increased on a firm market. Cream sales are active into Class II accounts, with some conjecturing that ice cream accounts are building inventories earlier than is customary as a cost control strategy. Cream churning activity is steady to lower, yielding steady to lower dry buttermilk powder for the week. Central dry buttermilk inventories are mostly steady and manufacturers indicate they are limiting spot market sales to individual loads.

EAST: Eastern dry buttermilk prices firmed at each end of the range. This is attributed to existing supply tightness. This situation is not expected to be immediately alleviated, due to lower churning activity in some plants. Potential buyers of buttermilk powder are very aware of price levels. Those not in immediate need of supplies are tending to stay away from transactions. Regional ice cream manufacturing is a mixed situation, with some plants cutting cream orders, while others continue to maintain production. Cream supplies are tighter in some pockets of the region, with some plants anticipating the need to acquire cream on spot markets to meet contract obligations.

F.O.B. CENTRAL/EAST: 1.1800 - 1.4500

DRY BUTTERMILK - WEST

Western dry buttermilk prices are trending higher and the market tone is firm. The trend is following the nonfat dry milk market, where prices are firming and offerings are tight. Market activity is light, especially for spot business. Producer offerings are trending lower, in part because of the pricing trends and because producers want to have coverage for future needs. There are concerns about the high butter price and what affect that will have on current butter production and subsequent dry buttermilk potential output. Current stock levels are light and held with more confidence.

F.O.B. WEST: 1.1500 - 1.3000 MOSTLY: 1.2000 - 1.2500

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to lower, based on both adjustable contracts and spot market activity. Most sales activity is contract based, with prices tied to various indices. According to the latest Foreign Agricultural Service report, January – December 2010 imports of dry whole milk in the high tier category total about 195,000 pounds. This is a 46% decrease in high tier imports of dry whole milk for 2010 compared to 2009. Quota imports of dry whole milk during January – December 2010 total about 2.7 million pounds, about 63% lower than during 2009. Total quota imports represent about 38% of the allowable imports under licensing requirements. December 2010 quota dry whole milk imports total about 211,000 pounds, while there were no quota imports during December 2009. All 2010 quota import product originated in Australia, Denmark, France, Netherlands, or New Zealand. The latest globalDairyTrade auction results show prices trending mostly 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, \$1.6670, +1.5%; Contract 2, \$1.7237, -0.7%; Contract 3, \$1.7872, +2.5%. New Zealand offered quantities for the three contract periods were 8,000 MT (-20%), 7,000 MT (unchanged) and 2,000 MT (unchanged), respectively.

F.O.B. PRODUCING PLANT: 1.6100 - 1.7500

U.S. Dry Whole Milk Exports, H.S. Code 0402210000(FAS)		
	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-NOV	72.9	+ 163
1 Mexico	20.2	+ 12
2 Vietnam	19.1	+4,191
3 Russia	13.7	—
4 Egypt	3.0	+ 547
5 Israel	2.4	+ 587
November Total	3.6	+ 15

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

U.S. NDM Exports, H.S. Code 0402100000 (FAS)		
	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-NOV	771.9	+ 50
1 Mexico	234.3	+ 5
2 Philippines	100.0	+ 77
3 Indonesia	84.4	+106
4 Vietnam	69.0	+127
5 Malaysia	41.5	+107
November Total	74.5	+ 70

CONTINUED FROM PAGE 5

CALIFORNIA MANUFACTURING PLANTS - N D M			
WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 14	\$1.2372	13,792,804	0
January 7	\$1.2195	9,532,092	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices on the top of the mostly and the bottom of the range price series adjusted higher. Offerings to the spot market this week are light from most producers. Buyers indicate spot market offerings from resellers are less frequent, but some resales are capturing double digit premiums to the market. With one or two mechanical issues surfacing during the week, dry whey production was slightly lower at some locations. Near term production may decline somewhat as a few producers indicate they will focus on optimizing returns by channeling milk toward nonfat dry milk production and away from cheese/dry whey production during the next few weeks. The top of the ANIMAL FEED DRY WHEY price range retreated slightly as spot sale activity decreased. Many blended animal feed manufacturers are working through stocks on hand and filling in with intermittent off spec edible product as it becomes available. Foreign Agriculture Service reports that January – November 2010 exports of dry whey under H.S. Code 0404104000 total 510.8 million pounds, a 22% increase compared to 2009 exports during the same time span.

F.O.B. CENTRAL: .3550 - .4300 MOSTLY: .3600 - .4000
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2600 - .3800

DRY WHEY - NORTHEAST

Northeast dry whey markets are universally characterized as “tight” and various terms derived from “tight”. Limited spot sales occurring have moved prices up at both ends of the range, reflecting demand outpacing supply. A number of whey manufacturers in the region have delayed contract deliveries. Spot sale availability is challenging to locate unless delivery in February is satisfactory, at least without substantial price premiums. Some cheese manufacturers have had less milk available than desired for manufacturing, which also feeds whey availability. FAS reports that dry whey exports from January through November 2010, 510.8 million pounds, were 22% greater than the same period in 2009.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .4025 - .4125

DRY WHEY - WEST

Western whey prices are higher with the low end of the range increasing \$.0050 and the mostly price series also increasing fractionally. The market tone is firm with tight supplies of available product. Cheese production levels are mostly steady and whey supplies are being allocated to various dry whey products. Demand for dry whey is good and buyers are looking to obtain additional supplies. Contract demand is utilizing the bulk of available inventory. Spot loads, when offered, are commanding a premium over contracted prices. According to the Foreign Agricultural Service, exports of dried whey for January-November total 510.8 million pounds, up 22% from January-November 2009. The exports account for 55% of the total whey production in the U.S. for January-November. The top five importing countries accounted for 281.4 million pounds or 55.1% of the exports for January-November.

NONHYGROSCOPIC: .3850 - .4425 MOSTLY: .3950 - .4300

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

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN-NOV	510.8	+22
1 China	97.1	+ 3
2 Mexico	57.7	+56
3 Japan	47.5	+ 5
4 Canada	46.1	+ 6
5 Vietnam	33.0	+53
November Total	50.4	+ 7

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The whey protein concentrate 34% market is firm, with both price series moving higher. Spot load availability is tight from most manufacturers. Offers of Canadian product reportedly continue to carry strong pricing but spot market sales this week on domestic product narrowed the price gap that was apparent last week between Canadian and U.S. made WPC 34%. Interest is active, with some contract-based buyers trying to increase those volumes as well as obtain WPC 34% through the spot market. Uncommitted inventories of whey protein concentrate 34% vary by manufacturer, and those with tight stocks are limiting spot market participation. Foreign Agriculture Service reports that January – November 2010 exports of nonfat dry milk under H.S. Code 0404100500 total 255.3 million pounds, a 41% increase compared to 2009 exports during the same time span.

F.O.B. EXTRA GRADE 34% PROTEIN: .9900 - 1.1400 MOSTLY: 1.0000 - 1.0600

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
U.S. WPC 34% Exports, H.S. Code 0404100500 (FAS)		
TOTAL, JAN-NOV	255.3	+ 41
1 China	108.0	+101
2 Mexico	55.3	- 22
3 Canada	36.5	+ 74
4 Japan	18.1	+ 47
November Total	22.1	- 10

LACTOSE - CENTRAL AND WEST

The lactose spot market generated both steady and lower prices this week, resulting in a price decline on the bottom of the range price series. Additional quarterly contract pricing information was factored into the mostly price series, moving the top of the mostly price series one cent higher. With some integrated operations choosing butter/NDM production over cheese production as a way of maximizing returns, lactose production in the near term may move lower. Foreign Agriculture Service reports November 2010 exports totaled 37.6 million pounds, the largest monthly export total ever reported for lactose under H.S. Code 1702110000.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2600 - .4475 MOSTLY: .3300 - .3800

	2010 Exports (Million Lb.)	% Change From 1 Year Ago
U.S. Lactose Exports, H.S. Code 1702110000 (FAS)		
TOTAL, JAN-NOV	324.3	+ 29
1 Mexico	43.3	+ 54
2 Japan	37.6	- 2
3 China	37.2	- 40
4 Brazil	27.0	+157
5 New Zealand	24.9	+ 45
November Total	37.6	+ 53

CASEIN - NATIONAL

Casein markets and prices are firm. Supply availability continues to concern domestic buyers. In most instances, suppliers and buyers are limiting their contractual commitments to 90 days. The production season in Oceania was cut short from projections due to adverse weather patterns impacting overall milk production. Typically, casein is the last dairy product to resume production as milk volumes increase and is the first to cease production on the downside. This year, peak milk production projections were not attained and the down side was accelerated by drought conditions in New Zealand and to a lesser extent, wet conditions in Australia. The European production season has yet to resume, but early indications of a positive start to milk output are developing. Casein producers are projecting a good season, but also indicate that they will not be generating uncommitted stock.

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: 4.1000 - 4.3000
ACID: 4.2200 - 4.4000

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 17 - 21, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 01/14/11	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	132,276	-0-	-0-

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 17 - 21, 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 - 21, 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 17 - 21, 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-
TOTAL	-0-	-0-	-0-	-0-	-0-	132,276	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound

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

NONFAT DRY MILK \$.80 per pound

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/01/11 & Comparable Week 2010

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		
2011-Dairy	N.A.	0.5	6.5	2.7	18.7	3.2	N.A.	N.A.	16.4	3.1	52.5	52.5	47.1	47.1
2010-Dairy	N.A.	0.5	5.0	2.5	14.0	2.2	0.2	N.A.	15.9	2.1	43.6	43.6	41.6	41.6
2011-All cows	N.A.	0.6	8.1	10.6	30.9	18.5	N.A.	N.A.	18.5	6.4	111.4	111.4		
2010-All cows	N.A.	0.6	6.3	10.9	29.8	15.3	13.4	N.A.	18.1	6.6	104.9	104.9		

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	
JANUARY 1, 2011	N.A.	7,517	SOURCE: USDA, APHIS

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83

FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89										
II												
III												
IV												

1/ Specific order differentials to be added to this base price can be found by going to: www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 10 - 21, 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 continues to show signs of seasonal increases. The cold/wintery weather patterns of December have moderated and now, some producers are stating that conditions are almost too mild. Milk deliveries are generally higher and milk handlers and processors are hopeful that this trend will continue, thus contributing to a positive start to the new milk production season. Milk handlers are projecting a positive season. Prices for European generated dairy products have been firming in the early weeks of the new year, but, during the current week, price strength has moderated. Traders and handlers are stating that buyer interest is building for the limited volumes of available stocks. Many indicate that if buyers are patient with their deliveries, new stocks will be available during the next 4 – 6 weeks. The results of the recent milk powder tender are still not known. Traders are stating that some of the specifications within the tender are different than previous tenders, thus they are speculating that the decision process might take a little longer. Another factor potentially impacting the tender might be the effects of the firm Euro against the U.S. dollar. Within the past two weeks, the Euro has gained over 5 points against the Dollar. On Thursday January 20, the European Dairy Commission met and no significant policy issues were adjusted or addressed. Many in the industry are awaiting the Commission's announcement on the opening of PSA for butter. The Commission is scheduled to address this issue in February. At the Thursday meeting, the Commission did sell back about 9,500 MT of intervention skim milk powder at a minimum price of 2,250 Euros (about \$3,039) per MT.

BUTTER/BUTTEROIL: European butter markets and prices are firm. Butterfat volumes in Europe remain limited as milk production is just starting to show signs of seasonal increases. Traders and handlers are stating that international buyer interest is limited with most butter sales centered around an internal or domestic need. Some buyers are stating that domestic demand is starting to show signs of slowing as butter prices increase. Although many do not anticipate significant volumes of butter to clear to PSA early on, manufacturers and handlers are awaiting the Commission's announcement on the opening of the PSA program.

82% BUTTERFAT:	4,850 - 5,125
99% BUTTERFAT:	5,650 - 5,900

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are firm. Demand is starting to build for the limited volumes of available powder. Traders and handlers are stating that milk production is starting to increase, thus new production will not be too far off. The results of the recently announced milk powder tender are not yet known. Some traders are speculating that specifications within the most recent tender might limit some bidding participation. At the January 20th European Dairy Commission meeting, 9,500 MT of intervention skim milk powder was sold at a minimum price of 2,250 Euros per MT (about \$3,039).

1.25% BUTTERFAT:	3,200 - 3,450
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WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are firm. Buyer interest has gained momentum since the start of the new year, but no significant sales are being reported. Inventoried powder stocks are limited, thus immediate buyer needs are often going unfilled. A firm Euro is giving extra strength to European prices at this time. Traders and handlers are stating that the firm Euro is not helping with potential sales. Whole milk powder suppliers continue to await the outcome of the most recent milk powder tender. Many are hopeful that they will get a portion of the potential sale, especially with the delivery period March – May.

26% BUTTERFAT:	3,925 - 4,375
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OCEANIA

OVERVIEW: Influences of various weather patterns continue to dominate the conversations in both New Zealand and Australia. The drought conditions and then subsequent rainfall on the North Island of New Zealand continues to impact milk production trends. Significant damage was done to the down side of the milk production season in New Zealand which is having difficulty in recovery. Milk producers and handlers on the North Island are stating that the sharp decline to milk output during the drought period has slowed, thus recent moisture has been helpful, but milk production recovery is not occurring. Milk handlers are stating that at least the end of the season may be stretched out a little further for those producers that are still in production. Milk receipts are indicating that protein and butterfat levels in incoming milk are lower than usual for this time of the season. The La Nina weather pattern continues with an unsettled situation for much of the agriculture community in New Zealand. In Australia, flooding is the major word that appears in news media, print, and conversations. The severe flooding in Queensland continues to receive much of the media attention, although flooding in Victoria is also impacting the dairy industry. For the most part, farmers are fairing OK, but flooded paddocks are a concern. Farmers are stating that usually, flooded or very wet paddocks drain quite quickly and no damage occurs, but if water levels persist, damage occurs which takes a much longer time to once again reestablish. The biggest impact on the dairy industry in Australia is movement of milk and processing. Some manufacturing facilities have had to deal with water in their facilities which have caused them to shutter their operation until the water recedes and cleanup could be performed. Manufacturers are stating that flood water is a challenging item to cleanup, especially for a food processing operation which totally needs to be sterilized/sanitized before reopening. Manufactured dairy product supplies in the Oceania region are reported to be in close balance with need with basically no surplus or uncommitted volumes being reported. Traders and handlers are working with domestic and international buyers to fulfill their commitments to them. At the January 18 G/DT event, most prices were within ranges of the previous event, outside of a 14% increase in buttermilk powder. Following are the various products traded with their average price per MT and the percentage difference from the previous event: anhydrous milk fat, \$5,946, -0.3%; buttermilk powder, \$3,880, +14.5%; skim milk powder, \$3,579, +2.4%; and whole milk powder, \$3,780, +0.5%. Traders and handlers were not surprised at the modest percentage differences for the various products traded and are stating that price resistance might be developing. Looking back at the July 6th, 2010 g/DT event and average trading values per MT for the 3rd contracting period (January – March 2011) they were: anhydrous milk fat \$4,417; skim milk powder \$3,099; and whole milk powder \$3,100. Buttermilk powder was not traded at that time.

BUTTER: Oceania butter markets and prices remain firm. Butterfat continues to be limited for needs. Adverse weather patterns in both New Zealand and Australia are being attributed to lower butterfat levels in incoming milk, which is not helping alleviate butterfat shortages. Butter producers are indicating that that production schedules are trending lower, often at a faster pace than projected. Butter stocks are in very close balance with needs and butter handlers and traders are stating that they do not anticipate having any uncommitted volumes for spot buyer interest. Traders and handlers are working closely with customers to meet their needs, but patience and cooperation of all parties is encouraged.

82% BUTTERFAT:	4,500 - 4,800
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COMMENTS AND PRICES CONTINUED ON PAGE 8A

COMMENTS AND PRICES CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 10 - 21, 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

COMMENTS AND PRICES CONTINUED FROM PAGE 8

SWEET WHEY POWDER: Whey powder markets and prices are firm. Traders and handlers are stating that have seen whey powder prices swing 60 – 80 Euros in either direction within the past two weeks. The whey powder market is very volatile at this time and they do not foresee any trends which might stabilize the market. Currently, whey demand is centered around an internal market with animal feed whey prices nearing edible prices.

NONHYGROSCOPIC: 1,075 - 1,200

EASTERN OVERVIEW: Winter weather patterns in Eastern Europe are also moderating, but milk producers indicate that there is a significant portion of the winter still to occur and often February and March can be quite grueling. Eastern European traders and handlers are stating that buyer interest is increasing, although no significant sales are being reported. Many are still awaiting the outcome of the recent milk powder tender in hopes of being able to take part in filling at least a portion of that need.

Exchange rates for selected foreign currencies: January 17, 2011

1.0128 Canadian Dollar	.0220 Indian Rupee
.2513 Argentina Peso	.7724 New Zealand Dollar
.0834 Mexican Peso	.9936 Australian Dollar
.3436 Polish Zloty	.0121 Japanese Yen
	1.3284 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0834)
= 11.9904 Mexican Pesos. Source: "Wall Street Journal"

OCEANIA

COMMENTS AND PRICES CONTINUED FROM PAGE 8

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices are firm. Powder manufacturers are stating that milk volumes are declining at varying rates, thus powder production is often not at projected levels. Most traders and handlers remain optimistic about the balance of the milk production season and feel that they will meet commitments, but also state that they do not anticipate having any uncommitted volumes for spot buyer interest. At the January 18th g/DT event, skim milk powder averaged \$3,579 per MT over all three contracting periods, 2.4% higher than the previous average. For the near term contract (March), the price averaged \$3,605, 5.6% higher than the previous event, for April – June contracts, \$3,546, +0.6%, and for July – September contracts, \$3,581, -2.4%. Looking back at the July 6th, 2010 g/DT event, for the 3rd contracting period (January – March 2011), skim milk powder averaged \$3,099 per MT.

1.25% BUTTERFAT: 3,500 - 3,650

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices in the Oceania region are firm. Powder production is declining seasonally and often at a more rapid rate than projected. Much of the accelerated decline is being attributed to recent adverse weather patterns in New Zealand and continued wet/flooding conditions in Australia. Traders and handlers are stating that stocks are limited to contractual commitments, with virtually no powder uncommitted. At the January 18th g/DT event, whole milk powder averaged \$3,780 per MT over all 3 contracting period, 0.5% higher than the previous all contract average. For March contracts, the average price was \$3,701, 1.5% higher than the previous event; April – June contracts averaged \$3,819, -0.6%; and July – September contracts averaged \$3,960, +0.3%. Looking back six months to the July 6th G/DT event, whole milk powder, for the third contracting period (January – March 2011) averaged \$3,100 per MT.

26% BUTTERFAT: 3,775 - 3,950

CHEDDAR CHEESE: Oceania cheese markets are generally steady with prices unchanged to slightly higher. Cheese production is trending lower as milk volumes decline seasonally. Negative weather patterns continue to impact milk production in both New Zealand and Australia. New Zealand milk producers continue to adjust to the recent drought and then subsequent moisture on the down side of the season. In Australia, milk producers continue to make the best of very moist conditions. Flooding continues to impact paddock conditions and growth, but overall, dairy farmers are fairing O.K. Milk pickup and delivery logistics are probably the most challenging at this time. Some manufacturing facilities have been dealing with water in their facilities of which some have had to shutter their operation until water levels recede and cleanup can be performed.

39% MAXIMUM MOISTURE: 4,300 - 4,500

JANUARY 18, 2011 Global/Dairy Trading (g/DT) event recap US \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 March 2011	Contract #2 April - June 2011	Contract #3 July – September 2011	All Contracts
Anhydrous Milk Fat	\$5,969	\$5,880	\$6,104	\$5,946
	-0.1%	-1.0%	2.7%	-0.3%
Buttermilk Powder	\$3,880	N.A.	N.A.	\$3,880
	14.5%	N.A.	N.A.	14.5%
Skim Milk Powder	\$3,605	\$3,546	\$3,581	\$3,579
	5.6%	0.6%	-2.4%	2.4%
Whole Milk Powder	\$3,701	\$3,819	\$3,960	\$3,780
	1.5%	-0.6%	0.3%	0.5%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/06	01/07	01/10	01/11	01/12	01/13	01/14	01/17	01/18	01/19
CME - CLASS III MILK FUTURES (Pit-Traded)										
JAN 11	13.22 (5662) 0	13.33 (5695) 0	13.35 (5683) 0	13.46 (5647) 5	13.52 (5565) 0	13.55 (5594) 0	13.51 (5569) 1	NO TRADING	13.51 (5440) 0	13.47 (5411) 0
FEB 11	13.88 (5440) 15	14.15 (5428) 5	14.39 (5463) 5	14.92 (5372) 4	14.87 (5475) 22	14.91 (5481) 8	15.00 (5546) 13		15.12 (5533) 7	14.90 (5462) 3
MAR 11	14.24 (4034) 15	14.43 (4090) 5	14.60 (4136) 2	15.02 (4156) 4	14.93 (4323) 22	14.92 (4383) 9	15.13 (4504) 15		15.23 (4517) 11	14.95 (4494) 3
APR 11	14.90 (2789) 15	15.02 (2791) 10	15.03 (2826) 2	15.34 (2879) 11	15.30 (2964) 22	15.32 (2933) 18	15.45 (2971) 11		15.60 (2981) 7	15.50 (2967) 8
MAY 11	15.20 (2542) 38	15.29 (2556) 14	15.25 (2588) 7	15.46 (2649) 3	15.44 (2693) 22	15.47 (2744) 18	15.65 (2765) 11		15.77 (2771) 7	15.78 (2819) 8
JUN 11	15.61 (2175) 38	15.62 (2194) 14	15.57 (2207) 7	15.66 (2227) 3	15.61 (2258) 21	15.70 (2302) 17	15.88 (2363) 11		15.95 (2414) 36	15.96 (2433) 9
JUL 11	16.00 (1639) 31	15.96 (1652) 14	15.90 (1641) 7	15.91 (1632) 4	15.90 (1666) 16	15.99 (1697) 7	16.19 (1724) 7		16.28 (1768) 7	16.28 (1779) 6
AUG 11	16.00 (1565) 31	15.94 (1575) 14	15.89 (1576) 7	15.85 (1591) 4	15.85 (1617) 5	15.94 (1651) 7	16.16 (1703) 5		16.25 (1745) 29	16.28 (1746) 6
SEP 11	16.04 (1501) 31	15.99 (1506) 14	15.90 (1525) 7	15.90 (1531) 4	15.94 (1551) 5	16.00 (1565) 7	16.20 (1616) 5		16.25 (1640) 1	16.32 (1642) 6
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JAN 11	15.44 (27) 0	15.60 (27) 0	15.80 (32) 0	16.00 (32) 0	16.20 (32) 0	16.20 (32) 0	16.20 (32) 0	NO TRADING	16.20 (32) 0	16.20 (32) 0
FEB 11	15.90 (16) 0	16.30 (16) 0	17.00 (21) 0	17.00 (21) 0	17.00 (21) 0	17.00 (21) 0	17.00 (21) 0		17.10 (21) 0	17.20 (21) 0
MAR 11	16.90 (64) 0	17.60 (65) 0	17.60 (65) 0	17.60 (65) 0	17.60 (65) 0	17.61 (65) 0	17.90 (67) 0		17.90 (72) 0	17.51 (73) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JAN 11	178.00 (435) 25	183.03 (435) 14	183.03 (433) 6	183.43 (433) 2	181.50 (433) 2	180.50 (433) 0	180.50 (433) 0	NO TRADING	182.03 (433) 0	182.03 (433) 0
FEB 11	183.00 (346) 2	193.00 (349) 4	198.00 (356) 12	195.00 (357) 10	195.50 (357) 2	200.00 (363) 21	200.00 (363) 1		204.50 (362) 11	203.50 (366) 5
MAR 11	187.50 (284) 1	197.50 (289) 14	198.98 (294) 5	194.00 (298) 9	194.00 (307) 14	197.00 (314) 37	199.98 (318) 4		199.98 (323) 19	198.98 (323) 1
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JAN 11	123.00 (283) 11	123.00 (283) 0	125.00 (283) 0	127.50 (283) 0	127.50 (283) 0	127.50 (283) 0	127.50 (283) 0	NO TRADING	127.50 (283) 0	127.50 (283) 0
FEB 11	128.50 (288) 11	128.50 (288) 0	128.50 (289) 0	129.00 (290) 0	129.00 (290) 0	129.00 (290) 0	129.00 (290) 0		129.03 (290) 0	129.28 (290) 0
MAR 11	133.50 (234) 11	133.00 (234) 0	133.00 (235) 0	131.98 (236) 0	131.98 (236) 0	134.48 (236) 0	137.00 (236) 0		139.03 (236) 0	141.50 (230) 0
CME - WHEY (Electronic-Traded)										
JAN 11	39.00 (487) 5	39.50 (497) 10	39.50 (497) 0	39.50 (497) 0	39.50 (497) 1	39.95 (497) 6	39.50 (497) 0	NO TRADING	39.50 (497) 0	39.75 (494) 3
FEB 11	40.75 (473) 26	41.25 (473) 5	41.25 (473) 0	41.00 (472) 2	41.00 (472) 45	41.50 (474) 15	41.50 (476) 14		41.50 (475) 2	41.75 (475) 6
MAR 11	44.00 (272) 3	44.00 (272) 0	44.00 (272) 0	44.50 (269) 3	43.50 (275) 8	45.00 (280) 6	45.00 (280) 0		45.00 (280) 12	45.50 (280) 10
CME - CHEESE CSC (Electronic-Traded)										
JAN 11	1.38 (471) 0	1.38 (471) 12	1.39 (471) 0	1.40 (471) 8	1.41 (471) 0	1.41 (471) 0	1.41 (471) 0	NO TRADING	1.41 (471) 0	1.40 (471) 17
FEB 11	1.44 (336) 14	1.45 (336) 0	1.48 (336) 0	1.53 (336) 6	1.54 (361) 38	1.54 (363) 2	1.54 (363) 0		1.55 (363) 4	1.53 (363) 13
MAR 11	1.45 (266) 0	1.46 (266) 0	1.47 (266) 0	1.52 (266) 5	1.54 (302) 43	1.53 (307) 5	1.54 (307) 2		1.54 (307) 0	1.52 (310) 4
APR 11	1.50 (194) 2	1.51 (194) 2	1.51 (194) 0	1.55 (196) 7	1.55 (202) 9	1.56 (202) 2	1.56 (202) 0		1.58 (204) 6	1.56 (209) 6
MAY 11	1.54 (118) 0	1.54 (126) 8	1.54 (126) 1	1.55 (126) 0	1.57 (135) 10	1.57 (136) 1	1.58 (136) 0		1.59 (135) 1	1.59 (140) 6
JUN 11	1.57 (123) 0	1.57 (120) 3	1.57 (120) 0	1.57 (120) 0	1.60 (127) 7	1.60 (127) 0	1.60 (127) 0		1.60 (125) 7	1.60 (125) 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.

THE DAIRY OUTLOOK

Year-Over-Year Milk Production Increases Slowly Adjusting Supply to Demand, Holding the All Milk Price near the 2010 Price

The latest USDA forecasts indicate rising feed prices for the 2010/11 crop year. The corn price is forecast to average \$4.90 to \$5.70 per bushel, and the soybean meal price is forecast to average \$320 to \$360 per ton. These latest price forecasts represent an increase from last month's forecasts. Positive processor margins for ethanol and strong exports will contribute to the higher prices. Supplies of corn are expected to be lower as yield per harvested acre is expected to be lower than in 2009/10, despite higher planted acreage. Supplies of soybeans and soybean meal are also forecast to be slightly lower than in 2009/10.

Meanwhile, the November *Milk Production* report indicated that estimated U.S. milk production rose 2.7 percent on a year-over-year basis. Cow numbers also continue to rise on a year-over-year basis. However, herd size was unchanged in November from October. This situation suggests producers may be responding to lackluster feed-price ratios that persisted in 2010 and are likely to worsen in 2011 due to higher expected feed prices. USDA's *Cattle* report, which will be released January 28, will provide an early indication of producer intentions regarding dairy heifer retention. The current forecast calls for cow numbers to average 9.1 million head in 2011, the first annual increase since 2008. High cow slaughter and heifer prices that are about unchanged from last year suggest little incentive for herd expansion. The availability of heifer replacements at modest prices could provide an opportunity to some producers for herd freshening, which could be a cost-reducing strategy with higher feed prices in the offing. Milk per cow is projected to rise 1.3 percent this year over last to 21,425 pounds. Total milk production in 2011 is expected to reach 195.5 billion pounds, compared with 192.8 billion pounds for 2010.

Milk equivalent exports for 2011 are forecast at 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. Although representing a retreat from 2010 exports, these forecasts have been raised from last month largely on improved skim-solids basis exports. U.S. dairy product prices are below international prices and a weak dollar relative to foreign currencies makes U.S. dairy products attractively priced. Global demand should be higher in 2011, especially in Asia and South America, because economic recovery in those regions has been stronger than in Europe and the United States. What remains to be seen is the scope of recovery in milk production in Oceania.

U.S. imports of dairy products will trail last year's totals and have been adjusted downward. Imports for 2011 are forecast at 3.9 billion pounds on a fats basis and 4.7 billion pounds on a skim-solids basis. The same fundamentals that make U.S. exports attractive on the world markets weaken the U.S. import market.

Butter stocks remain very tight, and consequently, butter prices are expected to remain high relative to recent years but to average below 2010 levels. Butter prices are expected to decline in the second half of 2011 as foreign production eases global tightness and more milk moves to Class IV uses due to adequate domestic supplies of cheese and strong export demand for nonfat dry milk (NDM). Butter prices are forecast to average \$1.545 to \$1.655 per pound in 2011.

Cheese prices are projected to average \$1.510 to \$1.590 per pound in 2011, close to the 2010 average price. Beginning cheese stocks are above last year's levels and supplies appear adequate to meet demand. Over the course of 2011, supplies could tighten in the face of forecast milk production, keeping cheese prices firm over the course of the year. Expectations for continued strong exports for NDM and whey will likely boost prices above last year for both products in 2011. In 2011, NDM prices are forecast to average \$1.220 to \$1.280 per pound and whey prices are projected at 37.5 to 40.5 cents per pound; both forecasts represent an increase from 2010 prices. Milk prices in 2011, like milk product prices, are expected to average higher than in 2010. The Class III price is expected to average \$14.35 to \$15.15 per cwt. The Class IV price is expected to average \$14.90 to \$15.80. The all milk price is projected at \$16.10 to \$16.80 per cwt.

SOURCE: "Livestock, Dairy, and Poultry Outlook," LDP-M-199, January 19, 2011, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

DECEMBER MILK PRODUCTION

Milk production in the 23 major states during December totaled 15.0 billion pounds, up 2.8 percent from December 2009. November revised production at 14.4 billion pounds, was up 3.1 percent from November 2009. The November revision represented an increase of 8 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,794 pounds for December, 33 pounds above December 2009. The number of milk cows on farms in the 23 States was 8.39 million head, 74,000 head more than December 2009, and 15,000 head more than November 2010. Milk production in the U.S. during the October-December quarter totaled 47.5 billion pounds, up 2.8 percent from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.13 million head, 36,000 head more than the same period last year.

STATE	MILK COWS ^{1/2/}				MILK PRODUCTION ^{1/3/}			
	DECEMBER		OCTOBER-DECEMBER		DECEMBER		OCTOBER-DECEMBER	
	2009	2010	2009	2010	2010	% CHANGE FROM 2009	2010	% CHANGE FROM 2009
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	11	11	--	--	35	-2.8
AK	--	--	0.6	0.5	--	--	1.6	6.7
AZ	167	184	167	183	362	8.1	1,032	8.7
AR	--	--	13	12	--	--	35	-5.4
CA	1,762	1,748	1,765	1,749	3,374	2.7	9,988	3.8
CO	116	123	116	122	244	10.9	719	9.1
CT	--	--	18.5	19	--	--	89	3.5
DE	--	--	6	5	--	--	21	-12.5
FL	112	114	113	114	180	4.7	498	7.1
GA	--	--	76	77	--	--	326	1.6
HI	--	--	1.6	1.9	--	--	6.3	18.9
ID	550	574	548	573	1,068	4.9	3,219	6.6
IL	101	98	101	98	161	-0.6	466	-1.3
IN	169	171	169	170	290	2.5	853	1.9
IA	215	207	215	205	367	-2.4	1,066	-2.9
KS	115	122	113	121	220	7.3	641	7.6
KY	--	--	81	77	--	--	276	-1.1
LA	--	--	21	19	--	--	53	-8.6
ME	--	--	33	32	--	--	145	-0.7
MD	--	--	54	53	--	--	246	0.8
MA	--	--	14	13.5	--	--	57	-3.4
MI	354	361	354	360	693	2.5	2,034	3.0
MN	470	470	469	470	766	--	2,214	-0.8
MS	--	--	17	16	--	--	50	-9.1
MO	103	95	104	96	117	-7.9	344	-7.8
MT	--	--	15	14	--	--	69	-5.5
NE	--	--	60	58	--	--	288	-4.3
NV	--	--	28	28	--	--	157	3.3
NH	--	--	15	15	--	--	72	1.4
NJ	--	--	8.5	7.5	--	--	33	-8.3
NM	318	321	317	319	663	3.4	1,949	2.3
NY	610	611	612	611	1,069	4.6	3,149	4.6
NC	--	--	44	44	--	--	211	1.4
ND	--	--	21	20	--	--	93	--
OH	272	270	274	270	437	1.6	1,290	1.7
OK	--	--	57	54	--	--	228	-4.6
OR	114	121	114	121	200	8.1	597	9.1
PA	539	542	539	541	889	1.8	2,642	2.6
RI	--	--	1.1	1.1	--	--	5	8.7
SC	--	--	17.5	16	--	--	66	-10.8
SD	--	--	93	90	--	--	463	-1.1
TN	--	--	54	51	--	--	202	-3.3
TX	411	420	412	417	775	5.0	2,238	3.9
UT	82	86	83	85	153	4.1	451	2.7
VT	134	135	134	136	214	3.4	623	3.3
VA	95	95	95	95	147	1.4	425	0.5
WA	243	252	241	253	490	4.0	1,458	5.2
WV	--	--	10	10	--	--	39	2.6
WI	1,259	1,265	1,258	1,265	2,163	0.7	6,349	0.7
WY	--	--	6	6	--	--	31.4	7.2
23 STATE TOTAL	8,311	8,385	--	--	15,042	2.8	--	--
U.S. ^{4/5/}	--	--	9,090	9,126	--	--	47,543	2.8

^{1/} Preliminary. ^{2/} Includes dry cows, excludes heifers not yet fresh. ^{3/} Excludes milk sucked by calves. ^{4/} Includes states for which individual monthly estimates are not available. ^{5/} Milk cows will not add due to rounding. SOURCE: "Milk Production," January 2011. Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, DECEMBER 2010

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During December, about 10.7 billion pounds of milk were received from producers. This volume of milk is 5.3 percent higher than the December 2009 volume. In December 2009 and December 2010, there were significant volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.3 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 37%, Class II = 9%, Class III = 45% and Class IV = 9%. The weighted average statistical uniform price was \$16.01 per cwt., \$0.66 lower than last month and \$0.33 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2010										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,062.3	7.9	935.2	3.4	45	17	26	12	16.91
Appalachian (Charlotte)	005	526.6	4.4	363.7	0.2	69	12	9	10	18.31
Southeast (Atlanta)	007	629.3	2.2	407.0	-1.5	65	10	19	6	18.33
Florida (Tampa)	006	254.4	0.0	218.1	-2.2	86	7	3	4	20.69
Mideast (Cleveland)	033 3/	1,307.8	-6.0	558.6	-7.8	43	14	36	7	15.76
Upper Midwest (Chicago)	030 3/	2,764.1	2.4	390.1	-0.3	14	2	83	1	14.41
Central (Kansas City)	032 3/	1,183.6	21.9	396.1	3.8	34	10	45	11	15.29
Southwest (Dallas)	126	990.1	9.9	383.8	3.6	39	6	45	10	16.39
Arizona (Phoenix)	131	373.5	8.0	116.9	-5.2	31	8	23	38	15.88
Pacific Northwest (Seattle)	124	657.7	6.3	193.7	-3.5	30	6	39	25	15.32
ALL MARKET AVERAGE OR TOTAL	3/	10,749.4	5.3	3,963.1	-0.3	37	9	45	9	16.01

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

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

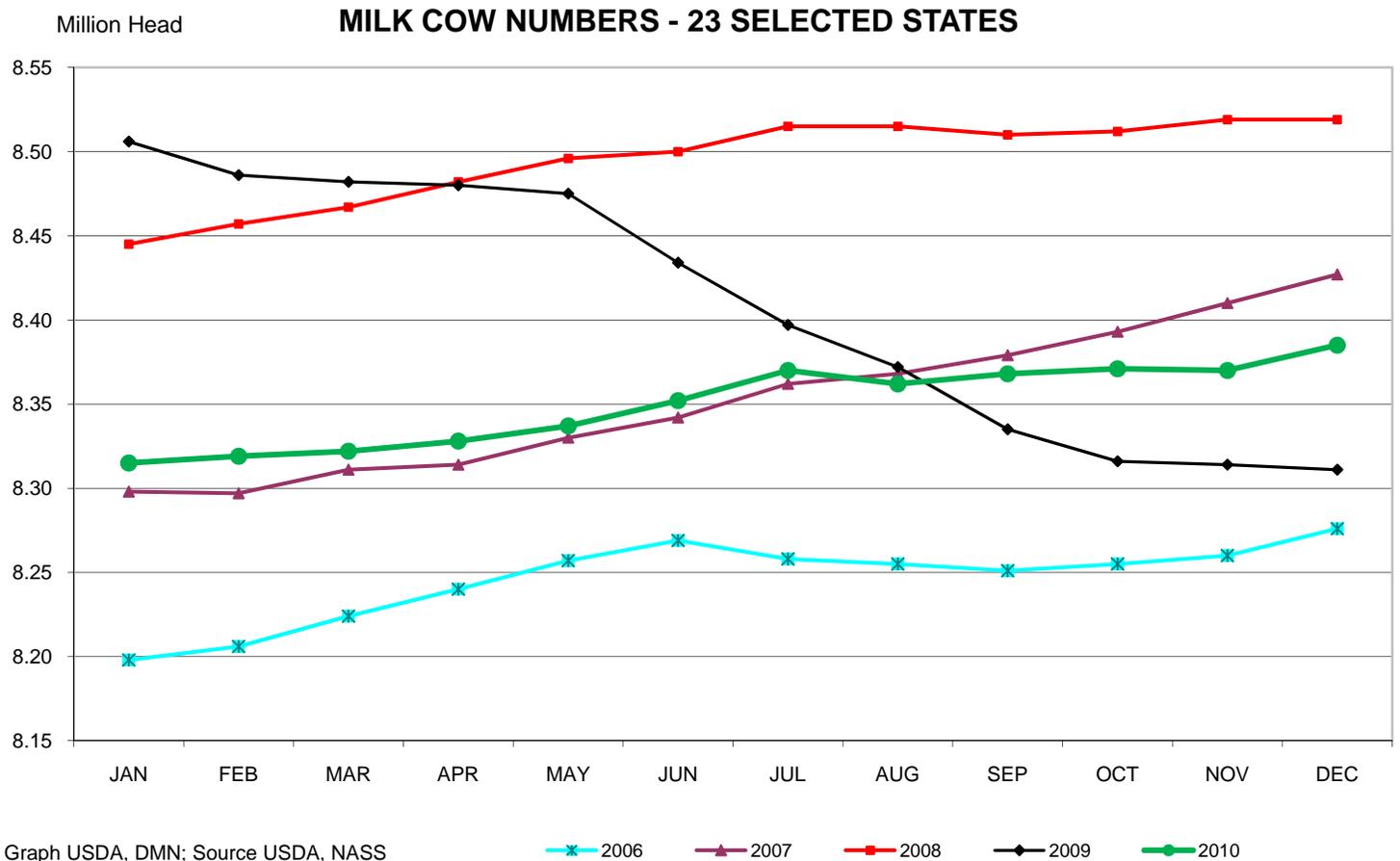
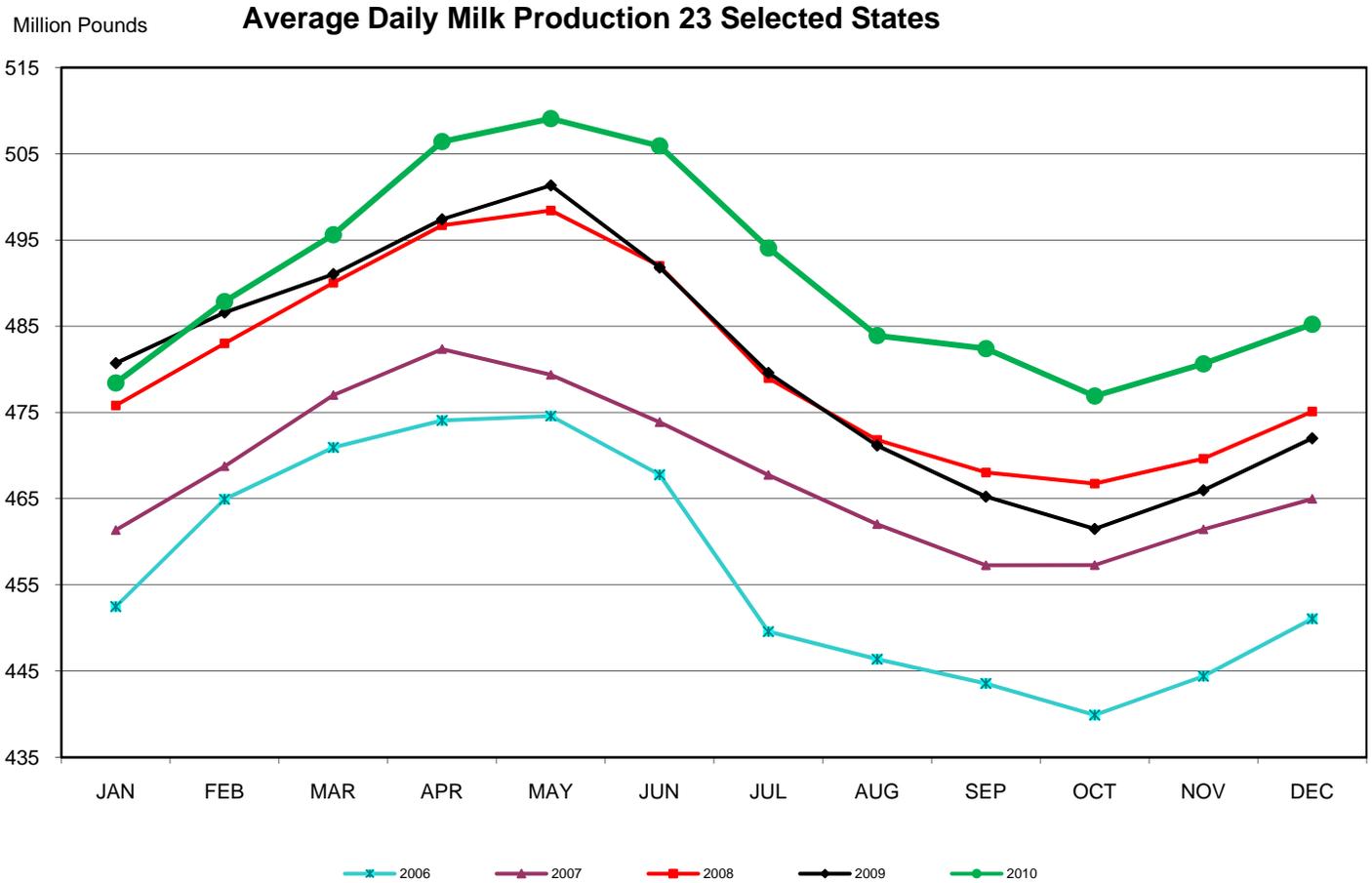
3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 222 million pounds of milk that normally would have been associated with these markets. In December 2009, the estimated not pooled volume of milk was 485 million pounds, occurring in order numbers 030, 032, 033, and 126. After adjusting for non pooled milk, the year-to-year percent change is +2.8%.

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

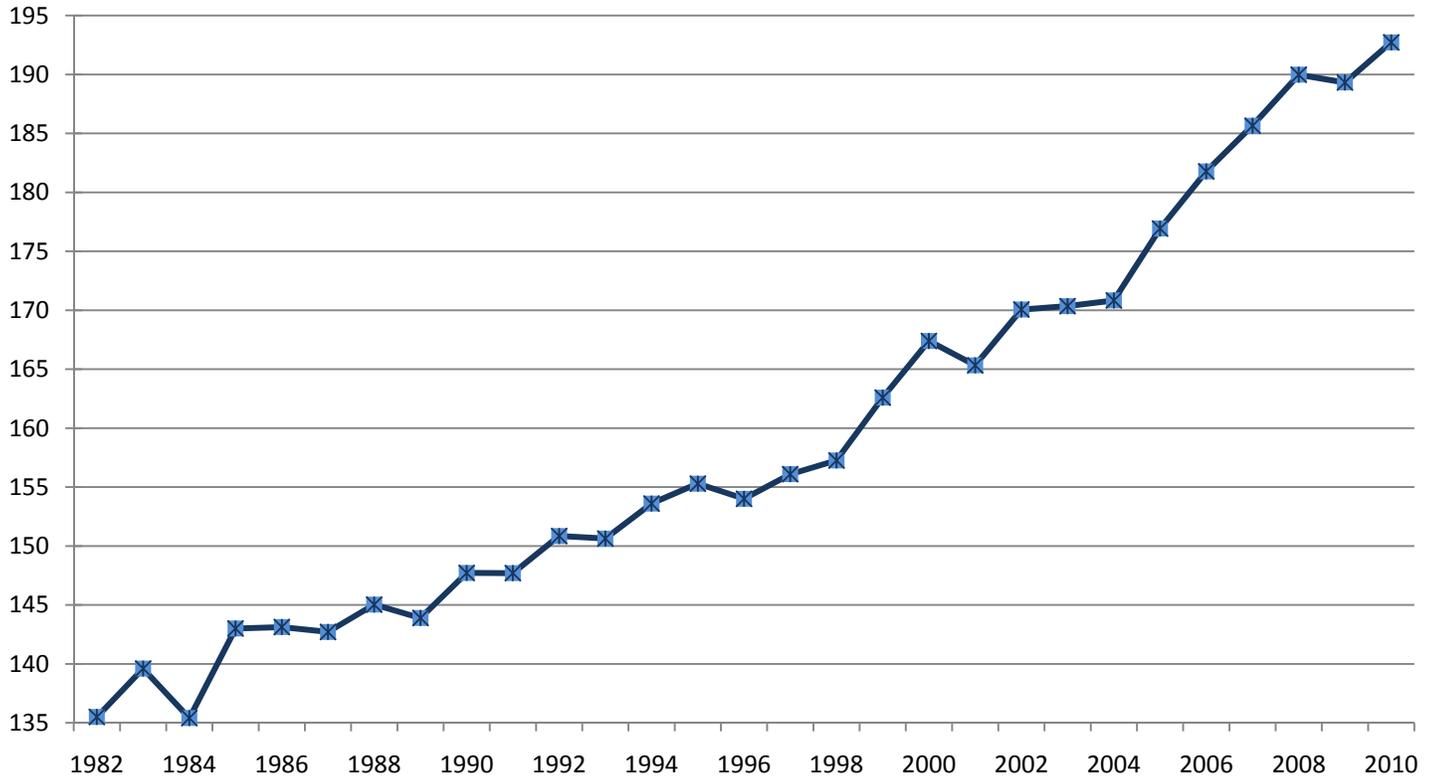
Class I Base Price. Under the Federal milk order pricing system, the Class I base price for February 2011 is \$15.89 per cwt. This price is derived from the Class IV skim milk pricing factor of \$9.57 and the advanced butterfat pricing factor of \$1.9003. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to January 2011, the Class I base price increased \$0.69 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$0.65 per cwt., \$0.056 per gallon; reduced fat milk (2%), \$0.50 per cwt., \$0.043 per gallon; fat-free (skim milk), \$0.30 per cwt., \$0.026 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$9.57. Thus, the Class II skim milk price for February is \$10.27 per cwt., and the Class II nonfat solids price is \$1.1411. **Product Price Averages.** The two-week product price averages for February are: butter \$1.7407, nonfat dry milk \$1.2423, cheese \$1.3757, and dry whey \$0.3915.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/}				
February 2011				
Federal Milk Order Marketing Area ^{3/}	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	19.14	12.82	1.9328
Appalachian (Charlotte) ^{5/ 6/}	005	19.29	12.97	1.9343
Southeast (Atlanta) ^{6/ 7/}	007	19.69	13.37	1.9383
Florida (Tampa) ^{6/ 8/}	006	21.29	14.97	1.9543
Midwest (Cleveland) ^{9/}	033	17.89	11.57	1.9203
Upper Midwest (Chicago) ^{10/}	030	17.69	11.37	1.9183
Central (Kansas City) ^{11/}	032	17.89	11.57	1.9203
Southwest (Dallas) ^{12/}	126	18.89	12.57	1.9303
Arizona (Phoenix)	131	18.24	11.92	1.9238
Pacific Northwest (Seattle) ^{13/}	124	17.79	11.47	1.9193
All-Market Average		18.78	12.46	1.9292

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

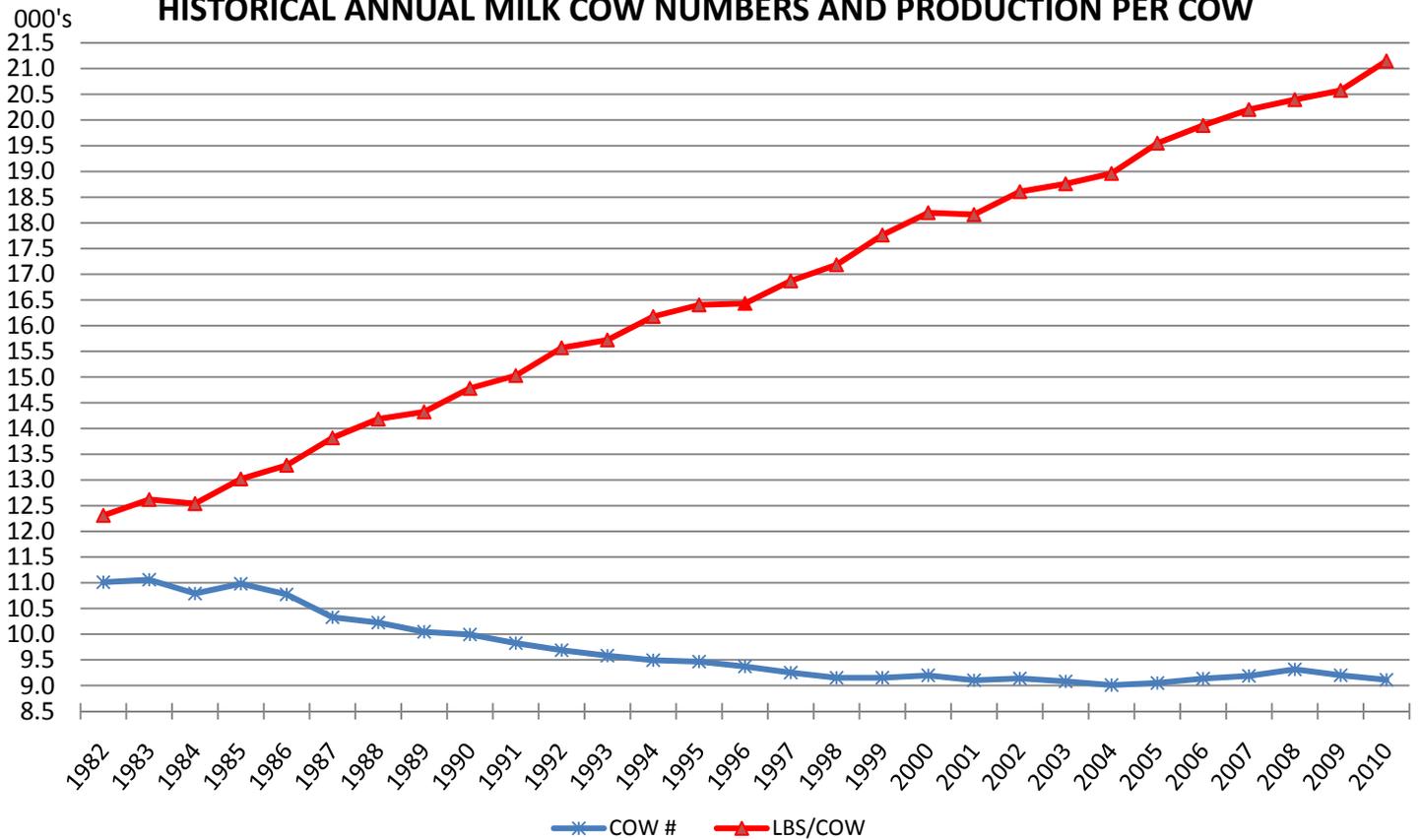


ANNUAL U.S. TOTAL MILK PRODUCTION
Billion Pounds 1982-2010



NASS DATA, GRAPH BY DMN

HISTORICAL ANNUAL MILK COW NUMBERS AND PRODUCTION PER COW



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(608) 278-4200

VOLUME: 78

Elizabeth Frederick
(608) 278-4150
Elizabeth.Frederick@AMS.USDA.GOV

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NORTHEAST/SOUTHEAST

Rick Whipp
(608) 278-4151
Rick.Whipp@AMS.USDA.GOV

INTERNATIONAL

Steven Schneeberger
(608) 278-4154
Steven.Schneeberger@AMS.USDA.GOV

CENTRAL

George Koerner
(608) 278-4155
George.Koerner@AMS.USDA.GOV

ORGANIC

Eric Graf
(608) 278-4153
Eric.Graf@AMS.USDA.GOV

Janet Linder
(608) 278-4157
Janet.Linder@AMS.USDA.GOV

INTERNET ADDRESS

www.ams.usda.gov/DairyMarketNews

SOUTHWEST

Lester "Butch" Speth
(608) 278-4152
Butch.Speth@AMS.USDA.GOV

MARKET NEWS PORTAL

www.marketnews.usda.gov

NORTHWEST/MOUNTAIN

Bob Hunter
(608) 278-4158
Robert.Hunter@AMS.USDA.GOV

RECORDED INFORMATION SYSTEM

(608) 278-4142

FAX

(608) 278-4141

NATIONAL SUPERVISOR

Donald Nelson
(608) 278-4156
DonaldO.Nelson@AMS.USDA.GOV

USDA, Dairy Market News
2920 Marketplace Drive, STE 202
Fitchburg, WI 53719-5337