

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (02/11):**

BUTTER: Grade AA closed at \$2.0900. The weekly average for Grade AA is \$2.0980 (-.0020).

CHEESE: Barrels closed at \$1.9000 and 40# blocks at \$1.9150. The weekly average for barrels is \$1.8485 (+.1075) and blocks, \$1.8870 (+.1085).

BUTTER HIGHLIGHTS: The CME cash butter price declined 1 cent on Friday to close the week at \$2.0900. This was the first cash butter adjustment since January 7. The 1 cent adjustment occurred on multiple offers. Churning activity across the country is increasing, but lighter than usual for this time of the season. Butter producers and handlers remain cautious with their cream procurement and butter inventory management. Many are churning for current needs and limiting inventory buildup, while others are building inventories at a faster pace. Current domestic butter demand is seasonally steady. Butter producers and handlers are surprised at the strength of butter orders, especially with shelf prices at the retail level increasing. Typically, when the CME wholesale butter price surpasses the \$2.00 level, subsequent higher retail pricing causes consumer demand to lighten, but it appears that consumers are more receptive to current price trends. International buyer interest continues. Some butter producers are finishing commitments and shipments from orders finalized in late 2010 with others indicating that new orders are being placed. Internationally, butterfat volumes are limited, thus buyers are looking at all possible sources to fulfill needs.

CHEESE HIGHLIGHTS: Cheese prices continued to advance on the CME Group cash cheese market, breaking the \$1.90 per pound barrier for both blocks and barrels. Both prices are the highest since September 2008. Some packaging and/or process operations in the path of recent storms are working at catching up on finished product production lost when employees were unable to reach the plant. Competition for milk from butter/powder manufacturers remains fierce with Class IV prices higher than Class III, though not all areas of the country have plant capacity to shift milk to Class IV. With NDM supplies tight for cheese vat standardizing, many operations are opting for condensed skim, reducing NDM production. Field staff, including some not in the upper Midwest, are out trying to solicit new milk producers to help fill vats. Cheese production is fairly steady, depending on the competition from butter/powder. Some milk in Southwestern states was reportedly not processed due to the severe winter weather.

FLUID MILK: Milk production and movement across much of the country continues to be impacted by recent and current adverse weather patterns. In the Northeast, milk production is increasing on a seasonal basis, with milk processors and handlers recovering from last week's winter storm. This week, in the Southeast, much of the dairy industry is bracing itself for a winter storm tracking east from Oklahoma and Arkansas where milk

production is increasing seasonally. In the Central part of the country, milk logistics are getting back to normal following last week's widespread winter storm. Plants that were down due to weather related problems are now back on schedule. With the widespread winter storm in the Midwest, schools were out for longer periods of time, which disrupted school milk demand and bottling schedules. In New Mexico, recovery is still occurring as the dairy industry recovers from the effects of the winter storm there last week. There were rolling blackouts of natural gas that affected some processing plants. In addition, many pipes at dairy plants have frozen which severely limited milk intakes. At the farm level, frozen water supplies limited the amount of water cows could drink and milk production was impacted. There are further concerns about how cold weather conditions will affect herd health in both the near and long term. In California, milk output is mostly steady, while steady to slightly lower in Arizona. In the Pacific Northwest, adverse weather patterns avoided this region, thus milk output is at or slightly ahead of last year at this time.

DRY PRODUCTS: Nonfat dry milk markets are firm with prices generally higher from coast to coast. Various processors indicate their condensed skim sales into Class II and III accounts are rapidly clearing silos and limiting fresh NDM production. Powder supplies are tight and, when available, often moving from one region of the country to another. Buttermilk powder markets are firm with prices higher across the country. Churning activity at this time of the season is typically strong, although this year, with the cash butter over \$2.00, butter producers are more cautious with their churning activity and inventory enhancement. Generally lighter churning is limiting buttermilk volumes. Demand for condensed buttermilk continues to clear volumes that would have cleared to the drier, thus further limiting buttermilk powder. Whey powder markets are steady to firm. Supplies of dry whey are limited as lower cheese demand has some plants reducing their cheese production and subsequently whey output. Export interest is very good as international prices are significantly higher than domestic prices.

ORGANIC DAIRY MARKET OVERVIEW (DMN): The national weighted average advertised price for half gallons of organic milk increased 90 cents to \$3.68. This is the largest report to report increase since this series began in the fall of 2009. The price range also shifted upward at both ends, with the top up 10 cents to \$3.99 and the bottom up 29 cents to \$2.79. The weighted average advertised price for organic gallons paralleled the steep increase of half gallons, with gallons increasing \$1.20 from two weeks ago, to \$5.99. This is both the greatest weighted average price movement for gallons since this data series began in Fall, 2009, as well as the highest weighted average advertised price. The increase in organic milk production and sales which became identifiable early in 2010, continues to generate organic milk

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CME GROUP CASH TRADING

COMMODITY	MONDAY FEB 07	TUESDAY FEB 08	WEDNESDAY FEB 09	THURSDAY FEB 10	FRIDAY FEB 11	:: WEEKLY :: CHANGE*	:: WEEKLY :: AVERAGE#
CHEESE							
BARRELS	\$1.7900 (+.0150)	\$1.8200 (+.0300)	\$1.8325 (+.0125)	\$1.9000 (+.0675)	\$1.9000 (N.C.)	:: (+.1250)	:: \$1.8485 (+.1075)
40# BLOCKS	\$1.8375 (+.0275)	\$1.8700 (+.0325)	\$1.9000 (+.0300)	\$1.9125 (+.0125)	\$1.9150 (+.0025)	:: (+.1050)	:: \$1.8870 (+.1085)
NONFAT DRY MILK							
EXTRA GRADE	\$1.6900 (N.C.)	\$1.7200 (+.0300)	\$1.7200 (N.C.)	\$1.7600 (+.0400)	\$1.7650 (+.0050)	:: (+.0750)	:: \$1.7310 (+.0590)
GRADE A	\$1.7200 (N.C.)	\$1.7200 (N.C.)	\$1.7400 (+.0200)	\$1.7725 (+.0325)	\$1.7775 (+.0050)	:: (+.0575)	:: \$1.7460 (+.0425)
BUTTER							
GRADE AA	\$2.1000 (N.C.)	\$2.1000 (N.C.)	\$2.1000 (N.C.)	\$2.1000 (N.C.)	\$2.0900 (-.0100)	:: (-.0100)	:: \$2.0980 (-.0020)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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supply availability for use in organic bulk commodity sales. The potential for this sector of organic dairy sales has been characterized as “very open”. Looking forward for at least the next twelve to eighteen months, expectations are for continued sales growth in the functional drink and powder sector of organic dairy products.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (WAOB):

The milk production estimate for 2010 and forecast for 2011 are raised from last month. Supply and use estimates for 2010 are adjusted to reflect production and stock estimates for December. Milk production is forecast higher for 2011 based on higher-than-expected January 1 dairy cow and dairy replacement heifer estimates. Import and export forecasts are unchanged from last month. Product prices are forecast higher this month. Strong international demand, coupled with improving domestic demand, is expected to help support prices. Butter prices are also benefitting from tight beginning stocks. Class III and Class IV price forecasts are raised to reflect higher product prices. The all milk price is forecast to average \$17.70 to \$18.40 per cwt. for 2011.

ANNUAL FMO MARKETING AND UTILIZATION SUMMARY:

During 2010, about 126.9 billion pounds of milk were received from producers. This volume of milk is 2.8% higher than the 2009 volume. There were significant volumes of milk not pooled due to intraorder disadvantageous price relationships in both years. About 44.9 billion pounds of producer milk were used in Class I products, 0.6% lower than the previous year. Calendar composition likely has a positive impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were Class I = 35%, Class II = 11%, Class III = 45% and Class IV = 9%. The weighted average statistical uniform price was \$16.07 per cwt., \$3.64 higher than last year.

MAILBOX MILK PRICES (AMS & CDF): In November 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.22 per cwt., down \$0.45 from the previous month average and up \$2.85 from November 2009. The component tests of producer milk in November 2010 were: butterfat, 3.82%; protein, 3.17%; and other solids, 5.74%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except the Appalachian States and the Southeast States. Mailbox prices in November 2010 ranged from \$21.54 in Florida to \$16.84 in New Mexico.

CME GROUP

MONDAY, FEBRUARY 7, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7900; 1 CAR 40# BLOCKS @ \$1.8375; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8000
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, FEBRUARY 8, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$1.8100; 1 CAR 40# BLOCKS @ \$1.8600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8200; 1 CAR 40# BLOCKS @ \$1.8700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.7200; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8000
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1000

WEDNESDAY, FEBRUARY 9, 2011

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.8800; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8325; 1 CAR 40# BLOCKS @ \$1.9000; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.7400; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8000
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, FEBRUARY 10, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$1.9125; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9000; 1 CAR 40# BLOCKS @ \$1.9125; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 3 CARS GRADE A: 1 @ \$1.7625, 2 @ \$1.7725; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.7600; 1 CAR GRADE A @ \$1.7725; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1000

FRIDAY, FEBRUARY 11, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.9150; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.7775; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.7650; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.7900
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0900

BUTTER MARKETS

NORTHEAST

The CME Group butter price continues to hold steady and closed Tuesday unchanged at \$2.1000. The butter price has remained at \$2.100, since reaching this level on January 7. Most cream users are continuing to limit their purchases and production to their contracted supplies, which is making cream more readily available. Some manufacturing plants are opting to make butter rather than sell cream at lower multiples. Multiples ranged from 118-128 with most transactions in the low 120's. Most plant managers are scheduling production of both salted and unsalted varieties of butter with current production adding to inventories. Export interest continues, as the US is viewed as the one country with large enough cream supplies and butter production to address export demand. Domestic butter demand remains fairly good with some plants beginning to receive kosher orders for the upcoming Passover holiday. Prices for bulk butter range from 5-7 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price continues to hold at \$2.1000. This unchanged price level, for 22 trading sessions, has been the longest unchanged butter price series since cash butter went to daily trading in January 2006. Churning activity is seasonally active as butter producers are churning regular cream volumes available to them and remain cautious with additional purchases. Churning activity is building to the point that fresh production is surpassing current demand, thus clearances to inventory are increasing. Although inventories are increasing, butter producers remain very cautious with their inventory management. For all butter producers, they are facing challenging times for inventory management. Never before have they had to deal with firm butter prices, above \$2.00 per pound and subsequent higher cream prices at this time of the season. Many see potential declines in butter prices, but then speculate that possibly 2011 might be a transition year for the domestic butter industry. International buyer interest is increasing. Although domestic butter prices are higher than

usual for this time of the year, international prices are also higher and supplies are very limited. Domestically, butter demand is holding steady at fairly good levels. Butter producers were wary about domestic butter sales once the cash price surpassed the \$2.00 level, but for the most part, orders are better than expected. Retailers have increased the shelf price, but consumers continue to buy. Food service orders are steady. Bulk butter prices range from 0 - 2 cents over various pricing bases and averages per pound.

WEST

The CME Group butter price for Wednesday held steady at \$2.1000. The market has been unchanged since January 7. After last week's sale of five loads on Wednesday, the market has been quiet with no sales reported. Western butter prices continue to hold steady. Cream supplies are reported to be increasing seasonally and butter churns are operating at full schedules in many cases. Weather conditions in the southeast caused some unscheduled transportation issues. Butter producers are making both salted and unsalted varieties to fill domestic demand and increased demand from export markets. Domestic demand is described as good although buyers are reluctant to order too far ahead in case of price adjustments. Manufacturers are reluctant to build large inventories with butter prices at record levels for this time of year. Stocks are being managed to fill current orders with some limited building of product. Prices for bulk butter range from 1 cent over to 3 cents under the market, based on the CME with various time frames and averages used. Limited sales were reported at lower prices depending on manufacturing dates for the product. According to the CME Group, weekly butter stocks in CME approved warehouses had a net positive movement of 1 million pounds more last week to a warehouse adjusted 18.1 million pounds. The total of 18.1 million pounds compares to 56.1 million pounds in 2010 and 65.8 million pounds in the comparable week in 2009. CME Group average price for January 2011 for butter is \$2.0345 compared to \$1.3950 for January 2010.

NASS DAIRY PRODUCT PRICES
U.S. AVERAGES AND TOTAL POUNDS

<u>WEEK ENDING</u>	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
February 5	1.5719 10,591,261	1.5796 8,929,210	1.3319 17,175,551	2.0785 3,843,089	0.4085 9,323,662

CHEESE MARKETS

NORTHEAST

The CME Group cheese prices continued to make gains on Tuesday with barrels advancing \$.0300 and closing at \$1.8200, while blocks gained \$.0325 to close at \$1.8700. In the last 10 trading sessions barrels have increased \$.1900 and blocks \$.2200. The price increases resulted in higher wholesale prices for all varieties with the exception of Swiss Cuts which declined after the Class III price was released late last week. Cheese makers are continuing to purchase increased volumes of condensed skim in lieu of higher priced nonfat dry milk. Cheese production remains steady. Demand remains good for mozzarella, aged cheddar, low fat cheddar and flavored cheeses. Cream cheese production has declined, due to seasonal production trends and also due to the high cream prices. Some cheese exports to the Middle East have been delayed, due to the crisis in Egypt.

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

Cheddar 40# Block	:	2.0950-2.3700
Process 5# Sliced	:	1.8475-2.1575
Muenster	:	2.1150-2.3200
Grade A Swiss Cuts 10 - 14#	:	3.0525-3.3750

MIDWEST

Cheese prices continue to increase on the CME Group cash market. Current price levels are near enough to world prices that international cheese demand for additional volumes of US cheese may slow, at least without a CWT subsidy. Many traders are baffled by recent price increases and are waiting for some firm to come to the market with a number of loads to sell, then expecting prices may fall. Regular buyers are able to make and receive orders with little difficulty from regular suppliers. Some aging programs are being raided to cover short term needs in the rising market. Buyers seeking product with some age to replace current cheese have a firm price limit in mind. For most, rebuilding aging programs has slowed. Cheese packagers and processors are mostly able to keep up with finished product orders without overtime. Class III milk prices continue to lag Class IV prices, making keeping butter/powder plants full more profitable. Cheese yields remain solid. Recent cold, ice, and snow have reportedly impacted cow health, and caused milk disruptions, particularly in southern areas where cow facilities are generally not as robust as in northern climes.

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

Process American 5# Loaf	:	1.9200-2.2925
Brick And/Or Muenster 5#	:	2.0600-2.2875
Cheddar 40# Block	:	1.9000-2.5650
Monterey Jack 10#	:	1.9900-2.5650
Blue 5#	:	2.6050-2.7800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9800-2.6650
Grade A Swiss Cuts 6 - 9#	:	2.7400-3.3300

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

BUTTER : CHEESE

02/07/11	4,776	:	126,619
02/01/11	4,506	:	127,109
CHANGE	270	:	-490
% CHANGE	6	:	N.C.

WEST

Cheddar Barrels on Wednesday at the CME Group are up \$.0125 at \$1.8325. 40 Pound Blocks are \$.0300 higher Wednesday at \$1.9000. For the week, Barrels are \$.0575 higher and Blocks are \$.0900 higher. Barrels increased for the last five trading sessions. Blocks have increased every day for the last 14 trading periods. Sales this week have been light with one load of Barrels and two loads of Blocks trading. Western cheese prices are higher this week with most varieties seeing steadily increasing wholesale prices. Swiss cheese was priced lower to reflect the Class III prices at manufacturing time. The cheese market tone has firmed rapidly throughout the early part of 2011. Class IV milk usage for butter/powder production has driven cheese markets higher as they try to keep milk flowing to cheese factories. Demand from domestic retail buyers is said to be steady, although process cheese buyers are appearing reluctant to buy large quantities for later use. Export demand remains a good alternative for excess supplies and is being aided by CWT price assistance. Cheese stocks are large but not described as burdensome. CME Group monthly average price for January 2011 for Barrels is \$1.4876 compared to January 2010 at \$1.4684. Blocks averaged \$1.5140 for January 2011 compared to \$1.4536 for last year.

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

Process 5# Loaf	:	1.8675-2.1250
Cheddar 40# Block	:	1.9050-2.2575
Cheddar 10# Cuts	:	2.0850-2.3050
Monterey Jack 10#	:	2.0950-2.2550
Grade A Swiss Cuts 6 - 9#	:	2.6300-3.0600

FOREIGN

The CME Group block cheese price advanced \$.0325 Tuesday and closed at \$1.8700. In the last 10 trading sessions block prices have increased \$.2200. The price increases have resulted in higher wholesale prices for all domestic varieties with the exception of Swiss Cuts, which declined following the Class III price release late last week.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 2.2350-3.7225*
Gorgonzola	: 3.6900-5.9900	: 2.7375-2.9975*
Parmesan (Italy)	: -0-	: 3.5750-3.7675*
Provolone (Italy)	: 3.4400-5.8900	: 2.2775-2.4350*
Romano (Cows Milk)	: -0-	: 3.4250-5.5675*
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-	: 3.1450-3.4675*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA & SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	180	0	177	0	118
SOUTHEAST STATES	0	0	0	0	0	0

The Northeast region is recovering from numerous winter storms. Milk production is increasing along the seasonal trend with some of those increases resulting in increased manufacturing milk supplies. Class I demand has leveled off after the recent storms. The Mid-Atlantic region has also seen increases in milk production and manufacturing milk volumes. The Southeast region is bracing for a winter storm tracking east from Oklahoma and Arkansas. Class I demand has increased, ahead of the expected winter storm, reducing manufacturing milk supplies. Milk production has increased marginally, limited by recent winter storms. Florida milk production has increased as some producers are taking advantage of good cull cow prices and replacing marginal producers with springing heifers, effectively adding to their milk production. Winter forages and pastures continue to be in mostly poor condition and need extended periods of warm temperatures and additional moisture for them to improve. Producers are continuing supplemental hay feeding, due to the poor pasture conditions, but also as a way to keep their feed costs in check. Class I sales continues to be sluggish, keeping the number of export loads above year ago levels. Export spot shipments this week totaled 180 loads. Cream availability continues to increase, caused in part, by the seasonality of cream cheese and ice cream production. The later calendar dates for Passover and Easter have pushed back production schedules of various cream based products for those holidays. Cream multiples range mostly from 118-128 with most transactions occurring in the low 120's. Spot sales of condensed skim have increased as cheese makers continue to make additional purchases of condensed skim in lieu of higher priced nonfat dry milk. Demand for condensed skim from Class II manufacturers has weakened after the Super Bowl weekend.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast	- 2.4780-2.6880
F.O.B. producing plants: Upper Midwest*	- 2.4150-2.6460*
*CORRECTION OF LAST WEEK'S PRICE *	- 2.5200-2.6250*

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices - 1.32 - 1.39

MIDWEST

The weather continues to impact fluid demand. Ahead of storms, retail interest picks up as consumers stockpile staples like milk, occasionally clearing store shelves. However, many students have had a higher number than usual of snow days, cutting and/or delaying school milk demand. One plant in a bottling chain stepped up and added production to offset a production shortfall at another plant due to employees unable to get to the other plant because of the weather. Trucking remains a problem in affected areas due to snow and/or ice. In parts of the Southwest, electrical and natural gas problems, as well as frozen pipes, have affected production, manufacturing schedules, distribution, and use patterns. Class II product output has returned to normal levels after stronger levels in recent weeks ahead of the Super Bowl. Churning remains active as ice cream accounts still may have major profitability problems at current cream prices. Few plants have issues with securing desired cream

volumes, though transportation delays are common in some areas. Manufacturing milk supplies remain tight with a number of firms' field staff out soliciting new producers to try to add additional volumes to their plant intakes. Milk intakes are mixed from around steady to lower in weather-affected areas. While likely very limited in northern areas, some southern states' milk volumes may have had to be dumped due to the weather. Where power issues are most severe, reports indicate increased levels of mastitis and/or frozen teats, mainly in the Southwest, where winter weather protection for cows is minimal. Most expect colder temperatures to temporarily reduce the milk intakes in other areas as cows increase energy use to keep warm.

WEST

CALIFORNIA milk output is trending mostly steady. Plant intakes are running along at often lower than projected levels and adjustments are being made. Some processors are or are trying to bring in outside milk and components to meet needs. In general, plants are running well and no one is talking about capacity issues. At the farm level, higher commodity dairy product prices are creating more optimism and bettering the mood that had been dampened by higher feed costs and lower milk prices. Anecdotally, more culling of marginal cows is taking place and they are being replaced by younger stock. Milk production is steady to slightly lower in ARIZONA. The impact of cold weather was not as severe as in other areas, but adverse for a region normally having much warmer temperatures. Plants are running on planned schedules and Class I demand is steady. NEW MEXICO is recovering from the effects of severe winter storms and the aftermath of cold weather that started at midweek last week and extended for several days. There were rolling blackouts of natural gas that affected some processing plants. In addition, many pipes at the dairy plants frozen and that severely limited milk intakes. At the farm level, frozen water supplies limited the amount of water cows could drink and milk production was impacted. There are further concerns about how the cold weather condition will affect herd health in both the near and long terms. Transportation issues compounded the situations at the farms and plants. Some plants were running on extended schedules to help out others having issues. Some milk was not able to be processed. By the start of this week, the milk handling situation had mostly returned to normal. Milk shipments to nearby states were resuming and Class I needs were often higher to refill coolers and stores. Overall, milk intakes in the state are running lower than two weeks ago. CREAM markets are steady with recent weeks with some additional demand noted from ice cream producers. Cream movements are being restricted by the lack of tankers to move product out of the region. Butter prices and other basing points have held steady for several weeks. The CME Grade AA butter price closed at \$2.10 on Wednesday, February 9, unchanged from a week ago and has been at this price since January 7. Cream multiples are steady at 100-121 and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST is following anticipated trends. The severe weather patterns that have affected much of the midsection of the U.S. have missed the region. While milk supplies are above year ago, the regional processors have sufficient capacity to handle current volumes. Increased milk solids are adding to returns for manufacturers. Milk prices are rising and dairy farmers are eager to cash in on the better returns. Feed costs are accelerating along with the higher milk prices and making it difficult to stay ahead. UTAH and IDAHO weather has been favorable for milk production with no severe storms to interrupt milk handlers. Plants continue to seek additional milk supplies as capacities are above current milk production within the region. Feed costs continue to put pressure on profitability. Hay supplies are becoming tight for high quality forages and prices are reflecting the tight supplies. USDA's recent Supply and Demand report has tightened corn estimates and prices are nearing record levels. Balancing production costs to milk returns is becoming increasingly difficult.

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 increased and the market is firm. Delays on contract shipments from Western manufacturers are reported from some brokers and F.O.B. NDM spot load availability from that region has reportedly dried up. This is throwing additional demand on Central NDM manufacturers. This week, though, various processors indicate their condensed skim sales into Class II and Class III accounts is rapidly clearing silos and limiting fresh NDM production. Condensed skim is also clearing into the Central region from Eastern plants. Some limited runs of high heat NDM moved through dryers, destined for contract fulfillment. According to the latest Foreign Agricultural Service report, January 2011 imports of dried skim milk in the high tier category total about 3,500 pounds and there were no quota skim milk powder imports. The January 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.3489 compared to \$1.2589 one month ago and \$1.3664 in January 2010. The January 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, high heat, was \$1.4298 compared to \$1.3484 one month ago and \$1.4500 in January 2010.

EAST: Prices for nonfat dry milk continued to move higher this week with increases on both ends of the range. Nonfat dry milk production has declined, primarily due to increased condensed skim sales to cheese makers. Both low and high heat varieties of nonfat dry milk are being produced on limited schedules with some plants not drying at all. Supplies are very tight and users are having difficulty sourcing product with brokers sourcing product for only their largest accounts and preferred customers. Some manufacturers are behind on contract commitments. Some plant managers are hesitant to sell current inventories with concerns of having adequate supplies to fill future commitments, while others are holding on to product for possible higher prices. Demand for nonfat dry milk remains very strong with those looking for additional loads having to look outside the region and paying above the range to secure product.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.3550 - 1.8200 MOSTLY: 1.3900 - 1.7000
 HIGHHEAT: 1.4000 - 1.8500

NONFAT DRY MILK - WEST

Prices continue to move higher for Western low/medium heat nonfat dry milk. The market undertone remains firm. Direct, spot offerings are tight and pricing levels are often testing and setting the upper end of the range. Resale spot offerings are also tending to be in the same neighborhood. Indices are slower to move, mainly due to the nature of those calculations, tempering the effects of price movements and creating wider range and mostly price series. Contract product movements are becoming tighter and some buyers are being shorted, bringing some trade comments about where the spot loads are coming from that are testing the top of the range. Current production levels are often trending below projections due to sales of condensed skim and lower milk intakes. Future contracting volumes are committing more NDM production. Some producers are stating they are committed for the next couple of months. Currently, producer stocks are light and held with confidence. No cars of NDM sold at the CME Group with pricing higher on bids to \$1.72 for Extra Grade and \$1.74 for Grade A at midweek. A total of 7 cars sold last week at the CME. Western high heat NDM prices are higher and the market tone is firm. Spot movements are light with most trading happening on contracts. High heat is also available in the resale market.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.2600 - 1.7500 MOSTLY: 1.3300 - 1.6500
 HIGHHEAT: 1.3400 - 1.6000

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices rose this week on a firm market. With cash butter prices at seasonally uncharacteristic high levels, butter churning for speculative inventory enhancement is off the table. Despite low churning interest, manufacturers indicate cream sales into Class II are steady. Condensed buttermilk sales are also active into Class II, although supplies of condensed buttermilk are generally lower due to decreased churning schedules. Dry buttermilk production is lower. Manufacturers' spot load offers are intermittent and often limited to their regular customer base. Some LTL's cleared at prices above \$1.70. Dry buttermilk inventories are light. The January 2011 Dairy Market News average of the range price series for Central and East dry buttermilk, was \$1.2690 compared to \$1.1846 one month ago and \$1.2933 in January 2010.

EAST: Dry buttermilk prices in the East moved higher this week. The market prices are moving higher as they shadow the strength in the nonfat dry milk market. Manufacturers are continuing to adjust product formulations in order to take advantage of pricing and supply availability opportunities that may be available by using substitute ingredients. Cream is more readily available in the East with increased volumes going to churns, resulting in increased production of dry buttermilk powder. Current production is moving through contracts with some increases to inventories. Supplies are tight in the East with those seeking additional supplies having to look outside the region and paying premiums above the range to secure product.

F.O.B. CENTRAL/EAST: 1.3000 - 1.4900

DRY BUTTERMILK - WEST

Western dry buttermilk prices are moderately to sharply higher. The market tone is firm to strong. Demand is fair to good and being aided by unfilled demand in other dairy protein sectors. Producer offerings are light and very little is available in resale channels. The gap between dry buttermilk and nonfat dry milk market pricing is attempting to narrow. Dry buttermilk production is mostly steady with recent weeks and remains dependent on the solids coming off the butter lines. Stocks are light.

F.O.B. WEST: 1.2500 - 1.5000 MOSTLY: 1.2850 - 1.3500

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are higher and spot load interest is energetic. Production is most active at plants which receive milk intermittently and have more flexible processing schedules. According to the latest Foreign Agricultural Service report, there were no January imports of dry whole milk in the high tier category. Quota imports of dry whole milk during January 2011 total about 101,000 pounds, about 86% lower than during the same time span of 2010. All 2010 quota import product originated in the Netherlands. The January 2011 Dairy Market News average of the range price series for dry whole milk was \$1.6943 compared to \$1.6987 one month ago and \$1.4895 in January 2010.

F.O.B. PRODUCING PLANT: 1.6500 - 2.0400

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 4	\$1.2946	9,828,242	0
January 28	\$1.2495	19,137,866	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

The mostly price series for Central dry whey adjusted fractionally higher to more fully capture contract pricing related to various industry indices. Light spot load offerings in the region are the result of active fluid demand and scaled down cheese production at some locations. Demand for some types of cheese is reportedly lower. Curtailed consumer spending on restaurant-type meals has dampened interest in some cheeses and decreased current cheese orders. The lower cheese orders have some plants cutting back on cheese and dry whey production. Most Central region producers indicate participation in the spot market is lower for the week. Contract customers are often given first dibs on spot loads on a rotational basis, at prices more reflective of contractual relationships versus the current firm market. Interest in Central dry whey for both domestic and export needs is active. Resale prices range from about \$0.50 - \$0.57, with competition for dry whey loads giving buyers small windows of opportunity to respond to offerings. Limited availability of spot loads of dry whey from producers in the West and increasing prices for European dry whey support the firm Central dry whey market. Various producers also indicate interest in liquid and/or condensed whey is strong, and often from nontraditional buyers. ANIMAL FEED DRY WHEY prices are slightly higher. Spot market offerings are sporadically clearing to good interest. Those in the animal feed blending industry indicate tight dairy protein supplies are encouraging the use of other protein sources, such as wheat and soy. Various blenders report limited availability of edible and/or animal feed dry whey is driving increasing use of whey permeate, often called dairy product solids, and lactose as an alternative to dry whey for calf feed blending purposes. The January 2011 Dairy Market News average of the mostly price series for Central dry whey was \$0.3765 compared to \$0.3575 one month ago and \$0.3761 in January 2010. Animal feed dry whey January 2011 Dairy Market News average of the range price series was \$0.3238 compared to \$0.3065 one month ago and \$0.2950 in January 2010.

F.O.B. CENTRAL: .3550 - .4300 MOSTLY: .3600 - .4150
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2700 - .3800

DRY WHEY - NORTHEAST

The Northeast dry whey market remains very tight. Prices moved higher on the low end of the range in limited spot sales activity. Current production is following cheese production and remains steady. A majority of current production supplies are moving through contracts. Contracted buyers are requesting increased volumes with limited success. Spot sales activity remains very light with the bulk of dry whey trading in resale transactions. The bulk of the resale activity is registering sales over 55 cents. Availability in the Northeast is very limited with those looking for additional product having to look outside the region and often having to pay prices significantly above the range. Domestic and export demand remains very good supporting the market's firm undertone. The January 2011 Dairy Market News average of the price series for Northeast dry whey was \$0.4017 compared to \$0.3916 one month ago and \$0.3755 in January 2010.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: 4000 - .4250

DRY WHEY - WEST

Western whey prices are firming. The range was higher with some reported spot sales significantly above the previous market. The mostly series was higher as contract sales followed firm pricing formulas. The market is unsettled as manufacturers are locked into contracted pricing for most production, while spot sales are reported above most contract prices. Availability of spot offerings is very tight in the midst of increased domestic demand. Export interest is very good as international prices are significantly higher than domestic prices. Dry whey production schedules are limited to mostly contract fulfillment as other whey products compete for available whey supplies. Short term interruptions in drying schedules occurred in the Southwest as winter storms affected production. The January 2011 Dairy Market News monthly average price for Western dry whey range was \$0.4101 compared to \$0.4037 for January 2010; the Western dry whey mostly series averaged \$.4107 compared to \$.4068 a year ago.

NONHYGROSCOPIC: .3950 - .5500 MOSTLY: .4150 - .4500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices on the mostly and range price series adjusted higher. WPC 34% production is increasing seasonally at some locations as farm milk intakes trend higher. Spot market interest is running ahead of WPC 34% F.O.B. spot load availability at several plants which are trying to catch up on contract load commitments. Other plants report clearing more spot loads of WPC 34% this week to good interest. Market participants report the general tone in the marketplace is somewhat anxious and buyers are actively seeking WPC 34% from traditional and nontraditional suppliers. The January 2011 Dairy Market News average of the mostly price series for Central and West whey protein concentrate 34% was \$1.0233 compared to \$0.9950 one month ago and \$0.9271 in January 2010.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0150 - 1.3400 MOSTLY: 1.0300 - 1.0700

LACTOSE - CENTRAL AND WEST

Lactose spot load availability is improved this week compared to late January and F.O.B. loads are clearing readily to domestic and off shore interests in the Americas and Asia. Pricing is steady to firm. Manufacturers' inventories vary, ranging from short to somewhat above contract needs. Many buyers are expressing interest in negotiating second quarter contract terms, although it is earlier in the calendar year than what is typical for starting contract talks. With the current strong lactose market, assuring adequate lactose volumes for the second quarter is a top priority for many buyers. The January 2011 Dairy Market News average of the mostly price series for edible, non pharmaceutical lactose was \$0.3521 compared to \$0.3350 one month ago and \$0.3568 in January 2010.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .3200 - .4550 MOSTLY: .3300 - .3900

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

CONTINUED FROM PAGE 6

CASEIN – NATIONAL

Casein markets and prices remain firm. For the most part, the Oceania casein production season is over, except for some remote locations that are generating casein due to milk logistics. This production continues because the milk base is located in an area where moving milk to other locations for processing is not financially sound. Overall, Oceania supplies are not as plentiful as desired, although suppliers remain optimistic about their customer commitments. In Europe, the milk production season continues to gain momentum, although casein production remains seasonally low. European casein producers are indicating that milk production development might be lagging a little, but remain optimistic about the upcoming season. Within the past few years, many European casein producers have adjusted their production schedules to be in line with needs, thus limiting surplus or uncommitted volumes for spot buyer interest. This once again is the strategy that many producers will be working with this year. Domestic buyers continue to question supply availability, but feel pretty confident that they will get their desired needs filled and potentially will be paying more for those volumes.

EVAPORATED MILK - NATIONAL

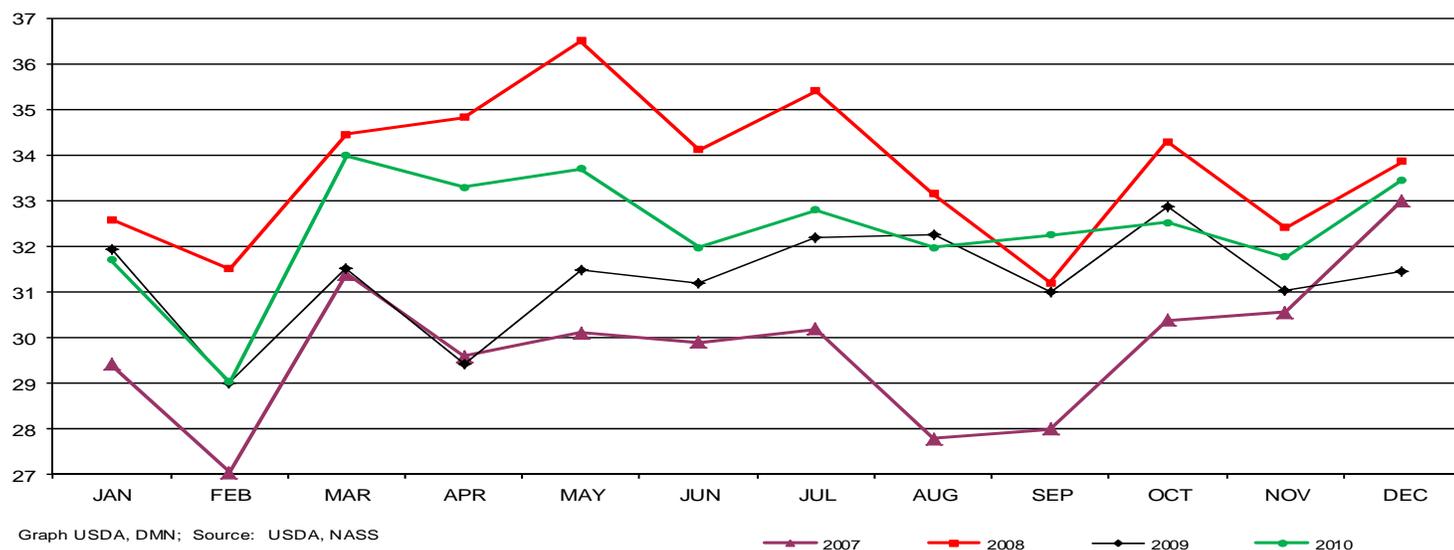
The Kansas City Commodity Office issued Solicitation EVD3-021 on February 3, for evaporated milk packaged in 24/12 fluid ounce cans totaling 4,736,880 pounds. Deliveries are from April – June 2011. Offers are due by February 15, 2011. Award notifications are scheduled to be announced on February 16, 2011, with public release of award currently scheduled for February 17, 2011. More information on offer specifications may be obtained at: <http://www.fsa.usda.gov/FSA/>

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: 4.1400 - 4.4500
ACID: 4.2800 - 4.5000

U.S. DRY WHEY PROTEIN CONCENTRATE PRODUCTION, HUMAN (25.0 - 89.9% Protein)

Million Pounds



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 7 - 11, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 02/04/11	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-

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 01/22/11 & Comparable Week 2010

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.5	8.4	4.1	19.5	5.1	N.A.	N.A.	19.5	3.7	62.7	244.4	48.0	48.0
2010-Dairy	N.A.	0.6	7.7	3.3	19.7	4.6	0.3	N.A.	18.6	3.2	59.5	217.8	42.6	42.9
2011-All cows	0.1	0.6	10.5	14.7	32.7	23.1	N.A.	N.A.	22.0	6.8	130.5	508.8		
2010-All cows	N.A.	0.6	9.7	15.6	38.1	24.6	16.1	N.A.	22.5	7.8	139.6	507.2		

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.

CLASS III MILK PRICES, (3.5% BF)

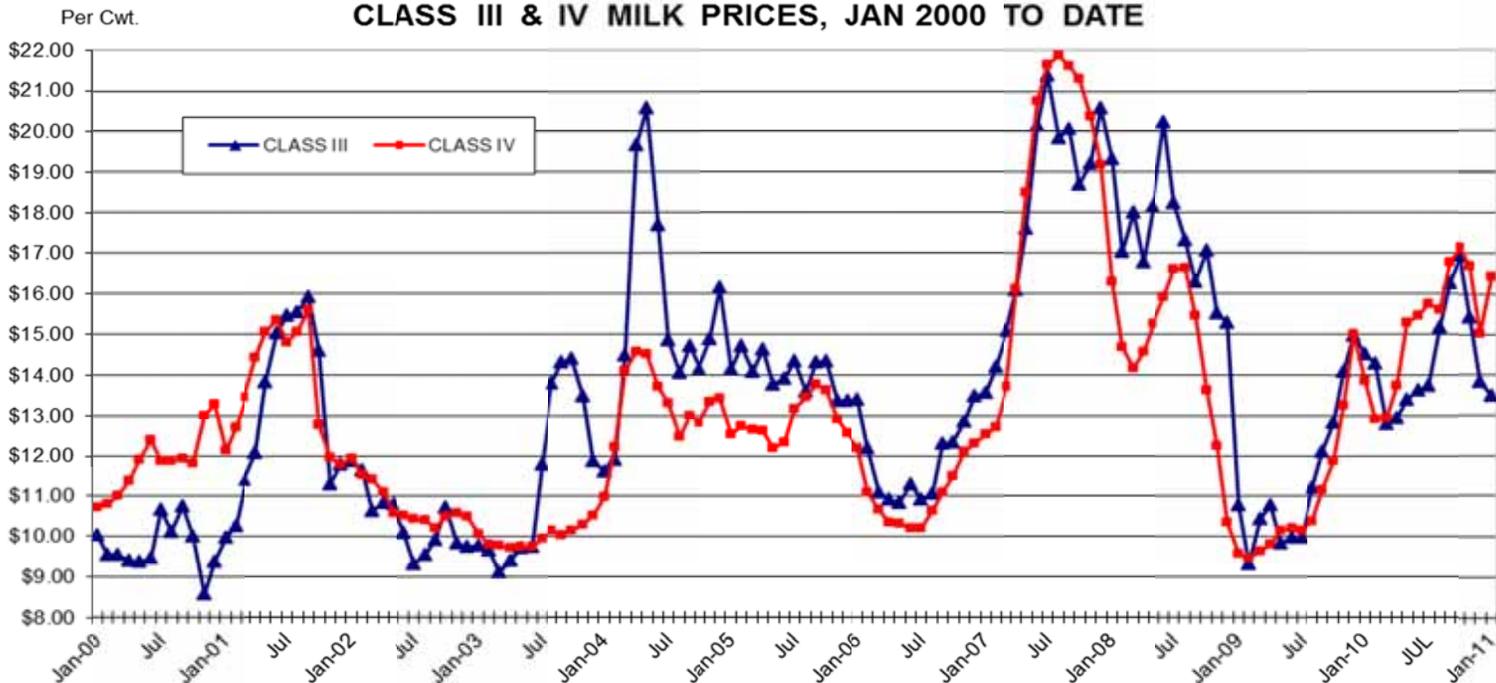
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	13.56	14.18	15.09	16.09	17.60	20.17	21.38	19.83	20.07	18.70	19.22	20.60
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	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	16.79											
III	13.48											
IV	16.42											

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

CLASS III & IV MILK PRICES, JAN 2000 TO DATE



ORGANIC DAIRY MARKET NEWS

Information gathered January 31 - February 11, 2011

ORGANIC DAIRY FLUID OVERVIEW

The increase in organic milk production and sales, which became identifiable early in 2010, continues to generate organic milk supply availability for use in organic bulk commodity sales. The potential for this sector of organic dairy sales has been characterized as “very open”. Looking forward for at least the next twelve to eighteen months, expectations are for continued sales growth in the functional drink and powder sector of organic dairy products. As this sector continues to develop and grow, there is becoming increasing interest by both commercial buyers and sellers, in expanding contracting for milk supplies and pricing. As the sector continues to develop, organizations with a national presence strive to work toward regional milk supply balancing, seeking to reduce the need to move milk between regions.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Total organic dairy ads this period remained similar with levels in prior 2011 reports. This report, 2,361 of 9,210 surveyed newspaper weekly supermarket ads had organic dairy content. This is nearly the same as 2,426 two weeks ago and 2,253 four weeks ago.

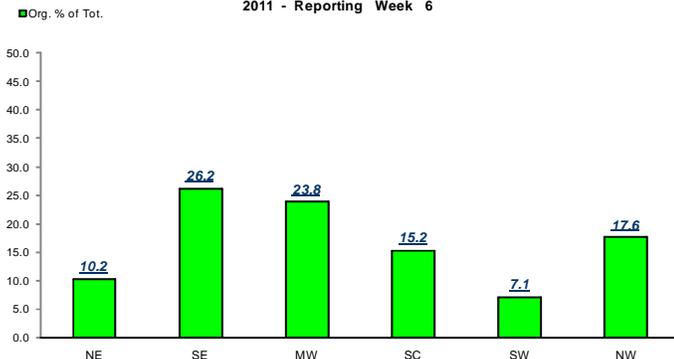
A special comparison with non-organic dairy ads containing milk or butter, is also made this reporting period to provide a context with organic dairy advertising. Non-organic dairy ads numbered 4,583. In five of the six regions, there were more non-organic dairy ads in absolute numbers than organic dairy ads. However, even with total organic ads constituting about 53% of non-organic dairy ads, in one region, South Central, there were more ads for organic dairy products, 358, than for surveyed non-organic dairy products, 237.

This period as with the prior reporting period, organic dairy ads overwhelmingly focus on organic milk, with some for organic yogurt and a relative few for organic butter.

Information presented is compiled from newspaper supermarket ads for the period January 31, 2011 to February 11, 2011, identifying weekly “specials” and containing organic dairy content. Surveyed ads reflect advertised “specials” and not the range of supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. A comparison of regional emphasis in organic dairy advertising reveals a continuation of the trend from two weeks ago, with the Northeast and Southwest lagging the other four regions in organic dairy ad intensity. The region with the highest percentage of ads containing organic dairy content, the Southeast, had 26.2% of surveyed organic dairy advertising placed across America. The remaining regions this week are: Midwest, 23.8%; Northwest, 17.6%; South Central, 15.2%; Northeast, 10.2%; and Southwest, 7.1%.

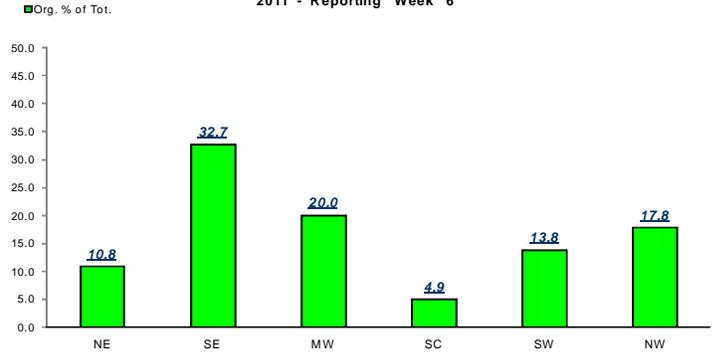
Regional Organic Dairy Ads As A Percentage of Total Surveyed National Organic Dairy Ads 2011 - Reporting Week 6



A special comparison with non-organic dairy advertising this report reveals the relative position of four of six regions is similar with organic dairy ads, but notably varied in two regions: Southwest and South Central. Just as with organic dairy ads, the Southeast has the highest percentage of non-organic dairy ads, 32.7%, and the Midwest is second, with 20.0%. The

percentage of non-organic dairy ads in the Northwest, 17.8%, is only 0.2% higher than the region’s percentage of organic dairy ads. Similarly, the Northeast with 10.8% of non-organic ads, varies only 0.6% from the regions organic ad percentage. The most striking variation is the Southwest, with 13.8% of non-organic dairy ads in contrast with 7.1% of organic dairy ads, as well as the South Central Region with 4.9% of non-organic dairy ads in contrast with 15.2% of organic dairy ads.

Regional Non-Organic Milk & Butter Ads As A Percentage of Total Surveyed National Organic Dairy Ads 2011 - Reporting Week 6



Product Emphasis. Organic milk ads have dominated organic dairy advertising in the opening weeks of 2011 and this week, more so than ever. Organic milk ads are dominated by ads for 8 ounce aseptic containers.

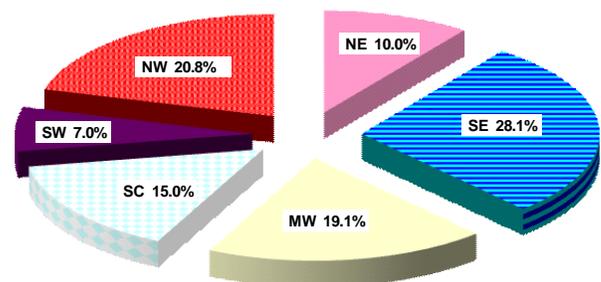
This report’s 2,390 organic milk ad placements exceed 1,784 two weeks ago, and 2,099 four weeks ago. Organic milk ad placement numbers have not been as high as this week, since the first week of November, 2010. Yogurt ad placements this week numbered 416, down from 713 two weeks ago but more than 234 four weeks ago.

Of this report’s organic milk ad placements, the clear lead goes to 8 ounce containers, with 1,440 ad placements, up from 1,267 two weeks previously. This represents a magnitude of ad placements for 8 ounce aseptic containers of milk exceeding any two week period in the last four months.

Half gallon ad placements numbered 835, up from 437 two weeks ago. Gallons remained at a low level, 115, up slightly from 80 two weeks ago but well below 491 four weeks ago.

Milk. Organic milk ads appeared in every region, led by the Southeast, 28.1%. The remaining regions and percentages are: Northwest, 20.8%; Midwest, 19.1%; South Central, 15.0%; Northeast, 10.0%; and Southwest, 7.0%.

ORGANIC MILK FEATURES Regional % of Nationally Surveyed Supermarket Ads Report - Week 06, 2011



Continuing this report’s special comparison with non-organic dairy advertising, this category was regionally led by the Midwest with 31.0% of non-organic milk ads. The remaining regions and percentages are: Southwest, 18.4%; Southeast, 16.4%; Northeast, 15.2%; Northwest, 14.9%; and South Central, 4.1%.

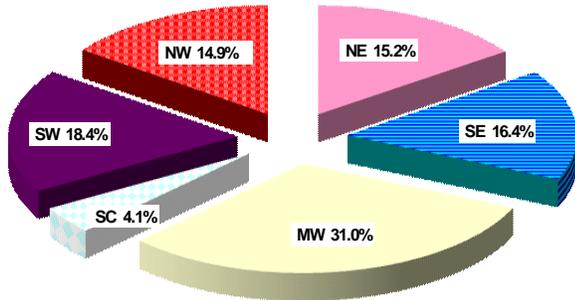
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ORGANIC DAIRY MARKET NEWS

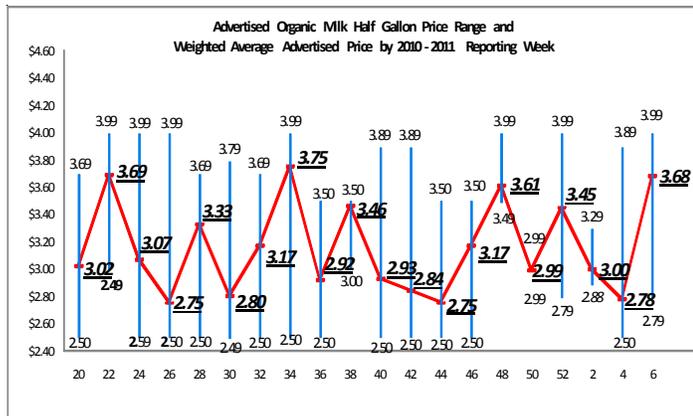
Information gathered January 31 - February 11, 2011

CONTINUED FROM PAGE 8

NON ORGANIC MILK AND BUTTER FEATURES
Regional % of Nationally Surveyed Supermarket Ads
Report - Week 06, 2011



Half Gallons. The national weighted average advertised price for half gallons of organic milk increased 90 cents to \$3.68. This is the largest report to report increase since this series began in the fall of 2009. The price range also shifted upward at both ends, with the top up 10 cents to \$3.99 and the bottom up 29 cents to \$2.79. Compared with two weeks ago, this reflects a greater preponderance of prices higher within the range than absolute range price movement.

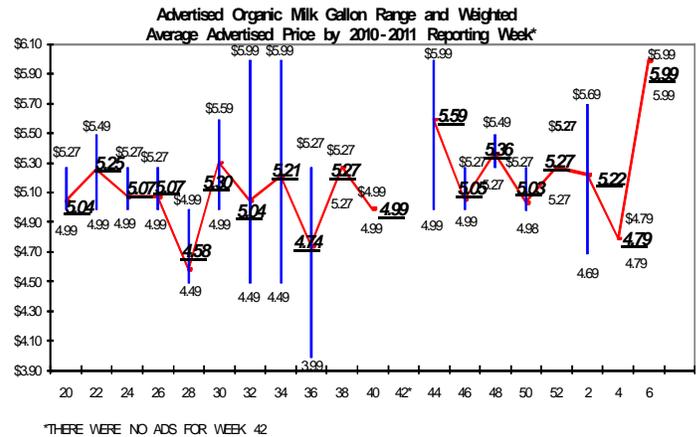


The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION %	WTD. AV. ADV. PRICE \$	
NE	15.0	3.99
SE	24.3	3.95
MW	—	—
SC	05.1	3.99
SW	05.7	3.99
NW	49.8	3.39
US	—	3.68

Gallons. The weighted average advertised price for organic gallons paralleled the steep increase of half gallons, with gallons increasing \$1.20 from two weeks ago, to \$5.99. This is both the greatest weighted average price movement for gallons since this data series began in Fall, 2009, as well as the highest weighted average advertised price. However, the top of the range has reached \$5.99 during eight other two week periods since the fall of 2009. The overall significance of these factors may be mitigated by the relatively low number of ads for gallons this report, 115, lower than all but three two week periods since fall 2009. All gallon ad placements were in the Northeast.



The following table shows the percentage of national gallon organic milk ads by region and the regional weighted average advertised price.

GALLON ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADV. PRICE \$	
NE	100.0	5.99
SE	—	—
MW	—	—
SC	—	—
SW	—	—
NW	—	—
US	—	5.99

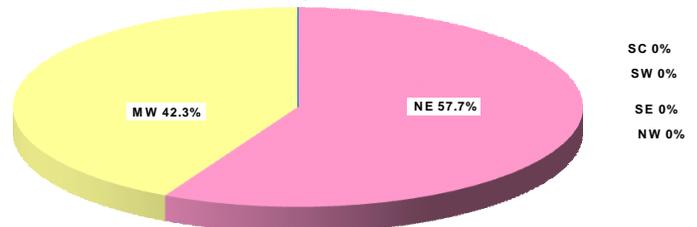
8 Ounce Milk. The national weighted average advertised price for 8 ounce organic milk is 92 cents, up from 85 cents two weeks ago. Regionally, the weighted average varied from 67 cents to \$1.00, as is presented in the table which follows, as well as regional percentage of ad placements.

8 OUNCE ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION %	WTD. AV. ADV. PRICE \$	
NE	—	—
SE	32.6	1.00
MW	31.7	1.00
SC	21.9	0.78
SW	08.3	0.67
NW	05.6	1.00
US	—	0.92

Yogurt. Two of six regions had organic yogurt ads, which has been the situation in four of the five previous two week periods. This report, the Northeast had 57.7% of organic yogurt ads and the Midwest, 42.3%.

ORGANIC YOGURT FEATURES
Regional % of Nationally Surveyed Newspaper Ads
Report Week 6, 2011



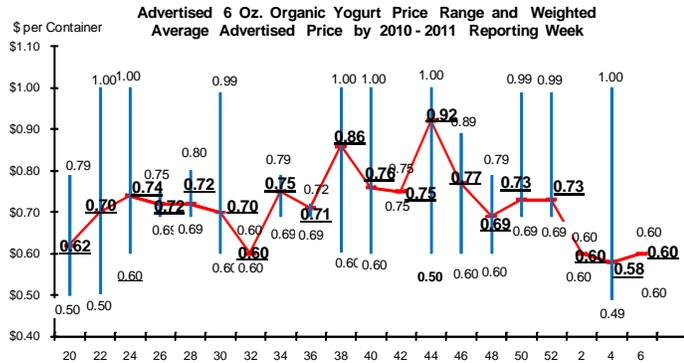
CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered January 31 - February 11, 2011

CONTINUED FROM PAGE 8-A

The weighted average advertised price increased 2 cents to 60 cents after falling 2 cents two weeks ago. All prices were 60 cents this report, in contrast with a range two weeks ago spanning 49 cents to \$1.00.



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

REGION %	WTD. AV. ADV. PRICE \$
NE 57.7	0.60
SE	
MW 42.3	0.60
SC	
SW	
NW	
US	0.60

Butter. Organic 1 lb. butter newspaper retail ad placements totaled 79, all in the same 79 Southeastern stores as two and four weeks ago. The advertised price this report, \$4.79, is the same as two weeks ago. Throughout this reporting series, the Southeast is the clear leader among regions in numbers of organic butter ads and magnitude of ads.

In a special comparison this period of organic butter newspaper advertising with non organic butter newspaper advertising, the non-organic butter region with the most ad placements was also the Southeast. While there were minimal ads for organic butter this report, 79, the number of ad placements for non-organic butter, 3,257, nearly 1/3 of all non-organic ads surveyed, exceeded the number of ads for non-organic milk in all bottle sizes. While there were non-organic butter ads in all six regions, 46.1% of ads were in the Southeast.

The dominance of the Southeast was also present in the two recent special surveys of non-organic butter advertising. During the reporting period ending December 17, 2010, the Southeast led all regions with nearly 49% of non-organic butter ads. Similarly, during the special butter comparison for the week ending November 19, 2010, the Southeast had the highest percentage of non-organic butter advertising of all regions, 31%.

No ads appeared for organic dairy products other than milk, yogurt and butter.

SUPERMARKET PRICE COMPARISON:

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

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

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

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE 2011 REPORTING WEEK 6

	MADISON, WI		
	LOW	HIGH	RANGE
	(In Dollars)		
GALLONS:			
Whole	5.19	6.49	1.30
Reduced Fat (2%)	5.19	6.49	1.30
Low Fat (1%)	5.19	6.49	1.30
Nonfat (Skim)	5.19	6.49	1.30
HALF GALLONS:			
Whole	3.00	4.19	1.19
Reduced Fat (2%)	2.87	4.19	1.32
Low Fat (1%)	2.87	4.19	1.32
Nonfat (Skim)	2.87	4.19	1.32
CHOCOLATE HALF GALLON:			
	3.39	5.69	2.30
YOGURT	.79	1.59	0.80
CHEESE – 8 OUNCE BLOCKS:			
Mozzarella	3.70	5.75	2.05
Mild Cheddar	3.50	5.99	2.49
Monterey Jack	3.50	5.99	2.49
Pepper Jack	3.59*	5.99	2.40*
CHEESE – 6 OUNCE STRING			
Mozzarella	3.89*	5.59	1.70*
Colby Jack	3.89*	5.09	1.20*
BUTTER – 1 POUND	4.79	6.19	1.40

*=Price change from prior reporting period

This report, there were changes in the bottom of the range for three cheese varieties. Pepper Jack 8 ounce cheese fell 30 cents at the bottom of the range. The string cheese price range increased 50 cents at the bottom for both Mozzarella and Colby Jack.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were higher with good demand reported for feed grade grains in moderate supply. Food grade grain trade was very light this period. Some producers continue to hold grain in hopes that the organic market will continue to mirror the conventional market's increasing prices for corn and soybeans. However, organic grain prices are not driven by ethanol production, which is a strong factor in conventional corn production and marketing. Food grade wheat was slightly higher this period, with a higher undertone noted on high protein wheat. Alfalfa/grass mix organic hay was \$150.00/ton in the Northern-Intermountain region of California this period.

Eastern organic grain and feedstuff prices were steady to firm. Cash sales for organic grains were light to moderate for this reporting period. The combination of higher corn and soybean values at the Board of Trade and lack of producer selling, continue to strengthen organic grain prices.

Midwest organic grain and feedstuffs were higher, with moderate offerings. Conventional corn prices have risen, causing organic producers to hold onto corn in hopes for higher organic prices. Grain buyers are trying to make these purchases work, as organic corn is not used in ethanol production—the reason for higher demand and prices on conventional corn. Barley trade increased this period due to many dairy farmers reportedly working to off-set corn prices. Food grade grain trade was limited this period.

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

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES*

The milk production estimate for 2010 and forecast for 2011 are raised from last month. Supply and use estimates for 2010 are adjusted to reflect production and stock estimates for December. Milk production is forecast higher for 2011 based on higher-than-expected January 1 dairy cow and dairy replacement heifer estimates. Import and export forecasts are unchanged from last month. Product prices are forecast higher this month. Strong international demand, coupled with improving domestic demand is expected to help support prices. Butter prices are also benefitting from tight beginning stocks. Class III and Class IV price forecasts are raised to reflect higher product prices. The all milk price is forecast to average \$17.70 to \$18.40 per cwt for 2011.

U.S. MILK SUPPLY AND USE					
Commodity	2009	2010 Estimated		2011 Projected	
		January	February	January	February
BILLION POUNDS					
MILK					
PRODUCTION	189.3	192.8	192.7	195.5	196.1
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.1	11.3	11.3	10.2	10.8
MARKETINGS	188.3	191.8	191.8	194.5	195.2
IMPORTS	5.6	4.1	4.1	3.9	3.9
TOTAL COMMERCIAL SUPPLY	204.0	207.3	207.2	208.7	209.9
FAT BASIS USE					
COMMERCIAL EXPORTS	4.5	8.1	8.1	6.4	6.4
ENDING COMMERCIAL STOCKS	11.3	10.2	10.8	10.5	11.2
CCC NET REMOVALS <u>1/</u>	0.7	0.2	0.2	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.3	188.7	188.1	191.8	192.3
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	11.3	11.3	11.9	12.1
MARKETINGS	188.3	191.8	191.8	194.5	195.2
IMPORTS	5.5	4.8	4.8	4.7	4.7
TOTAL COMMERCIAL SUPPLY	204.7	208.0	207.9	211.1	211.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	22.4	32.1	32.1	30.7	30.7
ENDING COMMERCIAL STOCKS	11.3	11.9	12.1	11.5	12.0
CCC NET REMOVALS <u>1/</u>	2.9	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.6	164.4	164.2	168.9	169.2
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	30	8	8	0	0
CHEESE	3	0	0	0	0
NONFAT DRY MILK	248	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

Continued on page 10

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2009	2010 Projected		2011 Projected	
		January	February	January	February
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u> CHEESE	1.2963	1.5226	1.5226	1.510-1.590	1.640-1.710
BUTTER	1.2094	1.7020	1.7020	1.545-1.655	1.710-1.810
NONFAT DRY MILK	0.9222	1.1687	1.1687	1.220-1.280	1.345-1.405
DRY WHEY	0.2584	0.3716	0.3716	0.375-0.405	0.400-0.430
DOLLARS PER CWT					
MILK PRICES <u>2/</u> CLASS III	11.36	14.41	14.41	14.35-15.15	15.80-16.50
CLASS IV	10.89	15.09	15.09	14.90-15.80	16.70-17.50
ALL MILK <u>3/</u>	12.83	16.30	16.29	16.10-16.90	17.70-18.40
QUARTERLY					
	2010 IV	2011 I <u>4/</u>	2011 II <u>4/</u>	2011 III <u>4/</u>	2011 IV <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	47.5	48.7	50.5	48.6	48.3
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	17.70	17.80-18.10	18.40-19.00	17.55-18.45	17.05-18.05
CLASS III PRICE <u>2/</u>	15.40	15.55-15.85	16.30-16.90	15.95-16.85	15.35-16.35
CLASS IV PRICE <u>2/</u>	16.29	17.60-18.00	17.60-18.30	16.35-17.35	15.35-16.45

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-491, World Agricultural Outlook Board, USDA, February 9, 2010.

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

In November 2010, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.22 per cwt., down \$0.45 from the previous month average, and up \$2.85 from November 2009. The component tests of producer milk in November 2010 were: butterfat, 3.82%; protein, 3.17%; and other solids, 5.74%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except the Appalachian States and the Southeast States. Mailbox prices in November 2010 ranged from \$21.54 in Florida to \$16.84 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	November 2009	October 2010	November 2010
	Dollars per hundredweight		
New England States <u>3/</u>	15.90	19.73	19.37
New York	14.84	18.40	18.14
Eastern Pennsylvania <u>4/</u>	15.52	19.09	18.97
Appalachian States <u>5/</u>	16.33	20.13	20.19
Southeast States <u>6/</u>	16.93	20.64	20.65
Southern Missouri <u>7/</u>	15.01	18.80	18.71
Florida	17.86	21.80	21.54
Western Pennsylvania <u>8/</u>	15.69	19.44	19.05
Ohio	15.85	19.41	19.25
Indiana	15.34	19.11	19.00
Michigan	15.05	18.48	17.96
Wisconsin	15.69	18.70	17.82
Minnesota	15.77	18.26	17.23
Iowa	15.66	18.75	18.31
Illinois	15.69	19.35	18.79
Corn Belt States <u>9/</u>	14.99	18.45	18.27
Western Texas <u>10/</u>	14.65	18.01	17.71
New Mexico	13.86	17.06	16.84
Northwest States <u>11/</u>	14.84	18.06	17.56
All Federal Order Areas <u>12/</u>	15.37	18.67	18.22
California <u>13/</u>	13.78	16.50	15.62

1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices do not include any Milk Income Loss Contract (MILC) payments, but do include, for the most part, the assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ Includes all counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ Includes the counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these. 9/ Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 7/. 10/ Includes all counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of prices for all selected reporting areas. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, ANNUAL

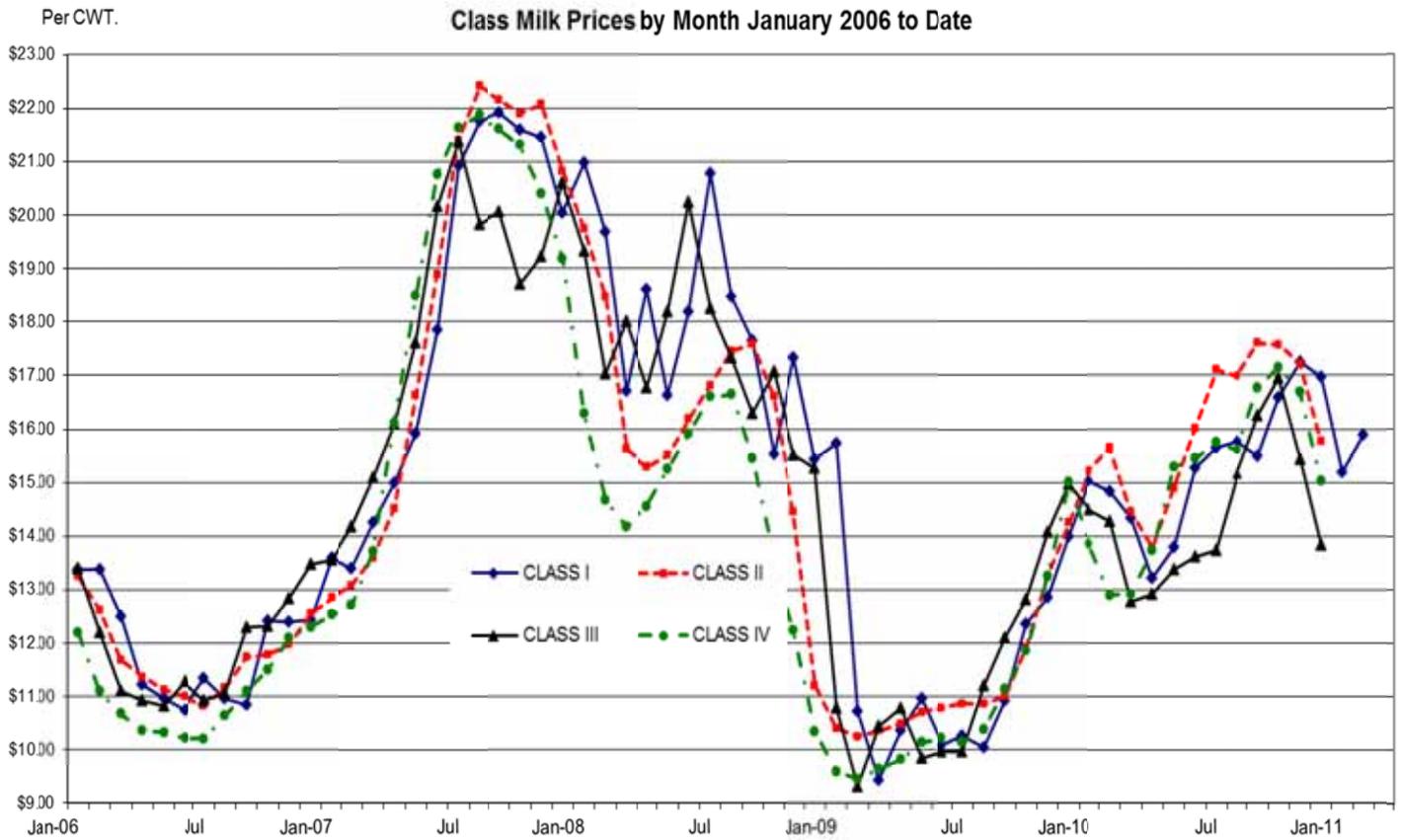
HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for 2010 have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During 2010, about 126.9 billion pounds of milk were received from producers. This volume of milk is 2.8 percent higher than the 2009 volume. There were significant volumes of milk not pooled due to intraorder disadvantageous price relationships in both years. About 44.9 billion pounds of producer milk were used in Class I products, 0.6 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2010 as compared to 2009. The all-market average Class utilization percentages were: Class I = 35%, Class II = 11%, Class III = 45% and Class IV = 9%. The weighted average statistical uniform price was \$16.07 per cwt., \$3.64 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE YEAR 2010										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	24,334.7	3.6	10,386.5	1.2	43	21	24	12	16.89
Appalachian (Charlotte)	005	6,041.8	1.5	4,133.7	-0.4	68	16	7	9	17.91
Southeast (Atlanta)	007	7,001.1	-2.3	4,684.1	-1.3	67	9	19	5	18.01
Florida (Tampa)	006	2,901.7	-4.1	2,513.2	-3.1	87	8	2	3	20.10
Mideast (Cleveland)	033 3/	16,021.6	-3.5	6,508.2	-4.9	40	16	37	7	15.79
Upper Midwest (Chicago)	030 3/	33,803.1	5.0	4,384.7	-0.8	13	2	84	1	14.80
Central (Kansas City)	032 3/	13,351.7	5.3	4,377.6	2.9	33	12	43	12	15.48
Southwest (Dallas)	126 3/	11,210.4	3.7	4,345.6	1.2	39	6	45	10	16.45
Arizona (Phoenix)	131	4,231.9	4.7	1,400.0	-1.9	33	8	30	29	15.81
Pacific Northwest (Seattle)	124	8,010.8	7.2	2,236.0	-1.4	28	7	40	25	15.41
ALL MARKET AVERAGE OR TOTAL	3/	126,908.8	2.8	44,969.6	-0.6	35	11	45	9	16.07

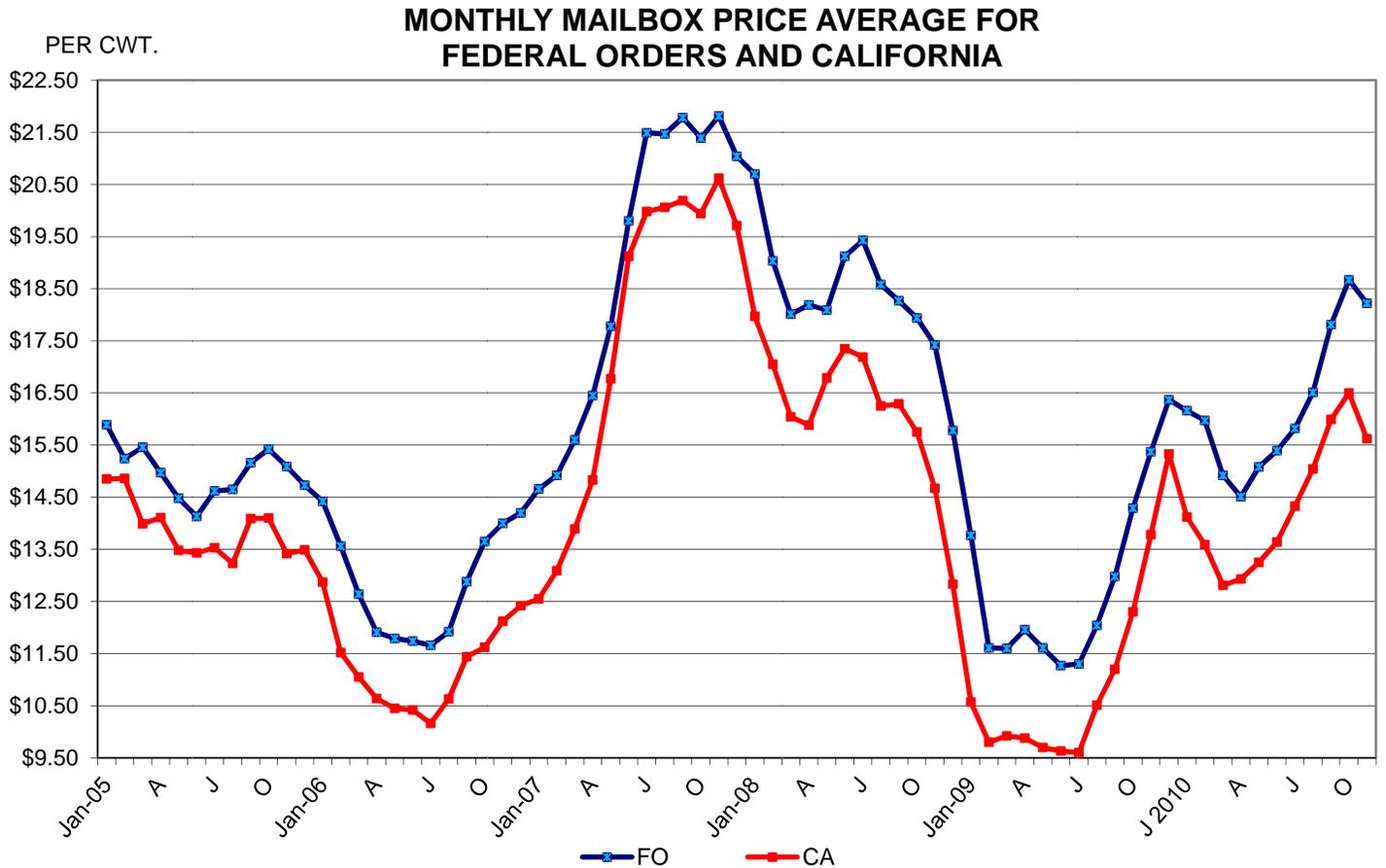
1/ Names in parentheses are the major city in the principal pricing point of the market.

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 2.779 billion pounds of milk that normally would have been associated with these markets. In 2009, the estimated not pooled volume of milk was 4.362 billion pounds, occurring in order numbers 030, 032, 033, 124, and 126. After adjusting for non pooled milk, the year-to-year percent change is +1.5%.



Class I base price does not include applicable Class I differential



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