

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (02/18):**

BUTTER: Grade AA closed at \$2.0050. The weekly average for Grade AA is \$2.0465 (-.0515).

CHEESE: Barrels closed at \$1.9175 and 40# blocks at \$1.9550. The weekly average for barrels is \$1.9065 (+.0580) and blocks, \$1.9435 (+.0565).

BUTTER HIGHLIGHTS: The CME cash butter price declined further this week to \$2.0050, the lowest since January 6. Cream buyers have reduced spot purchases, in order to take advantage of lower prices next week. Churning was active with cream prices lowered to move some product. Plant operators are manufacturing and selling both 80% and 82% butter, including some volumes for planned export. Manufacturers have been clearing butter supplies, particularly pre-December 1, 2010 (old crop) produced butter before the March 1 deadline for CME Group sale. Current butter interest is fair. U.S. 2010 butter and milk fat exports totaled 125.3 million pounds, 95% higher than 2009.

CHEESE HIGHLIGHTS: Cheese prices continued to advance on the CME Group cash cheese market, though at a slower rate and often to widen the block/barrel spread. Current spot offerings are limited and some minimally aged product is being used to replace current. Additions to aging programs have slowed. Most regular customers are able to get product from regular manufacturers with normal order lead times. Mozzarella interest remains solid, as pizza makers resupply for the typically stronger NCAA basketball tournament demand. New cheese exports have slowed since domestic prices are too close to world prices without a CWT subsidy. Cheese production continues to be influenced by the unfilled capacity at butter/powder plants in the area due to higher Class IV milk prices. December 2010 cheese and curd exports totaled 44.1 million pounds, 63% above December 2009. Cumulative 2010 cheese and curd exports totaled 382.6 million pounds, 60% more than during 2009. Exports accounted for 3.7% of the 2010 U.S. total cheese production.

FLUID MILK: Milk intakes are generally steady in most of the northern and central sections of the Midwest. Milk production is steady to higher in California and trending higher across Arizona. New Mexico milk production is mostly recovered from cold and wintry weather while production in the Pacific Northwest is steady. Utah and Idaho milk production is slightly above last year. Milk production in the East is increasing. The declining price of butter is a factor in all regions in motivating a number of potential buyers of cream to delay non-essential purchases to better assess the magnitude of the price decline.

DRY PRODUCTS: Low/medium nonfat dry milk prices moved higher in all regions. Western high heat increased at both ends of the range while Central and East high heat increased at the bottom of the range. Western dry buttermilk prices are increasing while Central and East prices are steady to slightly higher. Western dry whey prices are higher. Central dry whey prices

are mostly higher on a firm market while Northeast prices moved higher in limited spot sales activity. Whey protein concentrate 34% prices are higher on the mostly range. Prices on the mostly lactose series are unchanged while the top of the range increased fractionally. The casein market remains firm.

INTERNATIONAL DAIRY MARKET NEWS (DMN): **Western European** milk production trends are mostly steady to slightly higher in recent weeks with overall volumes marginally above year ago levels. Skim milk and whole milk powder prices are trending higher and product is moving into established contracts. Butter and butterfat prices are steady to slightly higher. Demand is thinning as pricing levels increase and traders are finding buyers reluctant to make purchases at these pricing points. Whey powder pricing is sharply higher as buyers are reaching across categories in search of available dairy proteins and this is benefiting the whey category. At the February 17 European Dairy Commission meeting in Brussels, 15,400 MT of intervention SMP were sold at a minimum bid of 2,500 Euros (\$3,370). Total submitted bids were for 22,000 MT with a range from 2,400 - 2,720 Euros per MT. Approximately 50,000 MT remain available for sale from intervention storage. **New Zealand** weather events remain active factors affecting milk production throughout the country. Milk supplies are trending slightly ahead of last season's pace and generally are behind budgeted levels. Recent **Australian** weather conditions continue to develop over most regions of the country. The recent cyclone and tropical storm activity impacted larger areas across Australia. Milk production forecasts are steady to lower to account for recent events. International demand for dairy products is still good, especially for WMP and SMP. There has been recent slight weakness in butterfat prices in the region. At the February 15 G/DT event, average prices for all contracts per MT and the percentage difference from the previous event are: anhydrous milk fat, \$6,324, -2.4%; buttermilk powder did not trade at this auction; skim milk powder, \$3,898, +0.7%; and whole milk powder, \$4,320, +7.9%.

DAIRY OUTLOOK (ERS): Product prices will be higher across the board this year than in 2010. Cheese prices are forecast at \$1.640 to \$1.710, and have been buoyed by high prices for butter and nonfat dry milk (NDM). Commercial use of cheese rose in 2010 and is expected to remain strong in 2011. The exceptionally high butter and NDM prices reflect robust export prospects for both products. Although prices will likely retreat from current highs as milk production from Oceania increases seasonally, tight world butter supplies should maintain the price above 2010 for much of the year. The butter price is expected to be \$1.710 to \$1.810. NDM prices are expected to be \$1.345 to \$1.405 on the same conditions as those for butter prices. Whey prices are also expected to rally, as strong global powder demand may encourage some substitution of lower priced whey for other powder products.

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CME GROUP CASH TRADING

| COMMODITY | MONDAY FEB 14 | TUESDAY FEB 15 | WEDNESDAY FEB 16 | THURSDAY FEB 17 | FRIDAY FEB 18 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.9000 (N.C.) | \$1.9000 (N.C.) | \$1.9025 (+.0025) | \$1.9125 (+.0100) | \$1.9175 (+.0050) | :: (+.0175) | :: \$1.9065 (+.0580) |
| 40# BLOCKS | \$1.9350 (+.0200) | \$1.9375 (+.0025) | \$1.9400 (+.0025) | \$1.9500 (+.0100) | \$1.9550 (+.0050) | :: (+.0400) | :: \$1.9435 (+.0565) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | \$1.7650 (N.C.) | \$1.7650 (N.C.) | \$1.7850 (+.0200) | \$1.7975 (+.0125) | \$1.8000 (+.0025) | :: (+.0350) | :: \$1.7825 (+.0515) |
| GRADE A | \$1.7950 (+.0175) | \$1.7975 (+.0025) | \$1.8075 (+.0100) | \$1.8275 (+.0200) | \$1.8300 (+.0025) | :: (+.0525) | :: \$1.8115 (+.0655) |
| BUTTER | | | | | | | |
| GRADE AA | \$2.0775 (-.0125) | \$2.0650 (-.0125) | \$2.0550 (-.0100) | \$2.0300 (-.0250) | \$2.0050 (-.0250) | :: (-.0850) | :: \$2.0465 (-.0515) |

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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Whey prices are expected to be 40.0 to 43.0 cents. Milk prices will be higher this year. The Class IV price is expected to average \$16.70 to \$17.50. The Class III price is expected to be below the Class IV price this year and to average \$15.80 to \$16.50. The expected higher Class prices will push the all milk price well above 2010 to a forecast \$17.70 to \$18.40 for 2011.

JANUARY FMMO PRICE AND POOL (DAIRY PROGRAMS):

During January, about 10.8 billion pounds of milk were received from producers. This volume of milk is 1.2% higher than the January 2010 volume. In January 2010 and January 2011, there were 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, 2.0% higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 36%, Class II = 10%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$15.94 per cwt., \$0.07 lower than last month and \$0.29 higher than last year.

MARCH FEDERAL MILK ORDER ADVANCE PRICES (DAIRY

PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for March 2011 is \$18.23, up \$2.34 from February. This price is derived from the advanced Class IV skim milk pricing factor of \$10.50 and the advanced butterfat pricing factor of \$2.3136 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for March is \$11.20 and the Class II nonfat solids price is \$1.2444 per pound. The following are the two-week product price averages: butter \$2.0820, nonfat dry milk \$1.3467, cheese \$1.6386, and dry whey \$0.4146.

CME GROUP

MONDAY, FEBRUARY 14, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.9150, 1 @ \$1.9175; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.9350; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.7900; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.7950; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0775

TUESDAY, FEBRUARY 15, 2011

CHEESE -- SALES: 3 CARS BARRELS @ \$1.9000; 1 CAR 40# BLOCKS @ \$1.9350; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9000; 1 CAR 40# BLOCKS @ \$1.9375; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.7975; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$2.0650

WEDNESDAY, FEBRUARY 16, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$1.9025; 1 CAR 40# BLOCKS @ \$1.9400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.7850; 2 CARS GRADE A @ \$1.8075; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0550

THURSDAY, FEBRUARY 17, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.9400, 1 @ \$1.9500; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9125; 1 CAR 40# BLOCKS @ \$1.9500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.7975; 1 CAR GRADE A @ \$1.8275; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$2.0300; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0200; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0300

FRIDAY, FEBRUARY 18, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$1.9175; 1 CAR 40# BLOCKS @ \$1.9550; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.9550; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.8000; 1 CAR GRADE A @ \$1.8300; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8400
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0050; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price continued its recent downward trend Tuesday, closing \$.0125 lower to \$2.0650. The butter price has declined \$.0350 in the last 3 trading sessions. Cream availability has been described as "sloppy" with numerous loads hunting for homes. Most cream users, noting the declining butter market, are delaying purchases in order to take advantage of possible future price declines or using the lower market to negotiate a lower multiple. Some manufacturing plants are opting to make butter rather than sell cream at lower multiples. Multiples ranged from 110-125 with most transactions in the 113-118 range. Most plant managers are scheduling production of both salted and unsalted varieties of butter with current production adding to inventories. Export butter interest remains fairly good. Domestic butter demand is fairly steady with good private label orders noted at some plants. Prices for bulk butter range from 2-5 cents over the market, based on the CME Group with various time frames and averages used. According to FAS, total 2010 exports of butter are 125.3 million pounds, a 95% increase compared to 2009.

CENTRAL

The CME Group cash butter price continues to decline. The price declines started on February 10 and have continued through February 16. This has caused buyers, particularly ice cream and cream cheese makers, to reduce spot cream purchases, expecting lower prices next week. Some spot sales this week are being made based on "market date of ship." Churning remains active, including some toll churning. Both bulk and print butter are being made. Buyers and churners are wary about having a large inventory at over \$2.00 per pound. U.S. butterfat and milk fat exports during 2010 totaled 125.3 million pounds, up 95% from 2009. Bulk butter prices range from 0 - 2 cents over various pricing bases and averages per pound.

WEST

The CME Group butter price for Wednesday is \$.0100 lower at \$2.0550. After an extended stay at \$2.1000, the butter market has declined in each of the last four trading sessions. Sales activity has been nonexistent with activity limited to uncovered offers. Western butter prices are unsettled as buyers look to fill current needs. Retail and food service sales are mostly

steady. Bulk buyers are taking a wait and see attitude in some cases in hopes of lower future pricing. Cream supplies are available and churns are operating along busy schedules. Overall stocks are lower than usual, although supplies are sufficient to fill orders. According to the CME Group, weekly butter stocks in CME approved warehouses had a net positive movement of 1.6 million pounds more last week to a warehouse adjusted 20.4 million pounds. The total of 20.4 million pounds compares to 56.7 million pounds in 2010 and 66 million pounds in the comparable week in 2009. According to the FAS, quota imports of butter for January 2011 total 0.5 million pounds, 143% more than the same period in 2010. Imports for 2011 account for 3.3% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 8,000 pounds, 11.5% of last year's amount in the same time period. According to the Foreign Agricultural Service, exports of butter and milkfat for January-December 2010 total 125.3 million pounds, up 95% from January-December 2009. The exports account for 8% of butter production in the U.S. for January-December 2010.

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

| | 2010 Exports Monthly Exports (Million Lb.) | % Change From 1 Year Ago |
|--------------|--|-----------------------------|
| December | 9.9 | + 3 |
| World | 125.3 | + 95 |
| Mexico | 24.3 | + 194 |
| Saudi Arabia | 22.9 | + 8 |
| Egypt | 10.0 | + 0 |
| Russia | 9.3 | + 357 |
| Canada | 8.5 | + 234 |

U.S. Butter Imports (USDA-FAS)

| | 2011 Imports (Million Lb.) | % Change From 1 Year Ago | % of Yearly Quota |
|-----------|-------------------------------|-----------------------------|----------------------|
| Jan. 2011 | | | |
| High Tier | 0.008 | - 88.5 | N.A. |
| Quota | 0.50 | +143.2 | 3.3 |

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

| WEEK ENDING | CHEESE 40# BLOCKS | CHEESE BARRELS 38% MOISTURE | NDM | BUTTER | DRY WHEY |
|-------------|---------------------|--------------------------------|----------------------|---------------------|----------------------|
| February 12 | 1.6518 9,253,478 | 1.6979 9,437,719 | 1.3614 17,310,034 | 2.0862 3,165,702 | 0.4201 10,070,396 |

CHEESE MARKETS

NORTHEAST

Cheese trading on the CME Group saw barrels maintain their recent price advances and close Tuesday unchanged at \$1.9000, while blocks continued their upward trend, closing \$.0025 higher at \$1.9375. In the last 5 trading sessions, barrels have increased \$.0800 and blocks \$.0675. The recent price increases resulted in higher wholesale prices for all varieties with the exception of Swiss Cuts which were unchanged. Cheese makers continue to purchase increased volumes of condensed skim for production, due to difficulties sourcing nonfat dry milk and/or in lieu of higher priced nonfat dry milk. Cheese production remains steady. Demand continues to be good for mozzarella, aged cheddar, low fat cheddar and flavored cheeses. In the latest Foreign Agricultural Statistics report, total 2010 exports of cheese and curd from the United States totaled 382.6 million pounds, a 60% increase when compared to 2009.

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

| | | |
|-----------------------------|---|---------------|
| Cheddar 40# Block | : | 2.2025-2.4775 |
| Process 5# Sliced | : | 1.9550-2.2650 |
| Muenster | : | 2.2225-2.4275 |
| Grade A Swiss Cuts 10 - 14# | : | 3.0525-3.3750 |

MIDWEST

The cheese market is about steady though the block price moved higher to widen the spread to a more normal 3+ cents. Current price levels have slowed promotional activity with Lenten promotions still far enough away. Most, if not all, packagers and processors are operating on lighter schedules. Overtime is minimal on finished product orders. Most natural lines remain busier than process. Cheese exports continue under the CWT program, but world prices are close enough to domestic prices to limit additional sales. Volumes of 60 - 90 day old cheddar are still leaving aging programs for use in some applications. The building of aging programs has slowed. Regular buyers seem to have little difficulty in acquiring needed volumes from regular suppliers on normal lead times. A few buyers are willing to give up a committed load or two to balance inventory. Recent butter price weakness has not been sufficient to have milk shift from butter/powder production. Current milk intakes are about steady except in southern locations where unusually cold temperatures reduced milk volumes as cows used additional energy to keep warm.

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

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.9200-2.4000 |
| Brick And/Or Muenster 5# | : | 2.0600-2.3950 |
| Cheddar 40# Block | : | 1.9000-2.5650 |
| Monterey Jack 10# | : | 1.9900-2.5650 |
| Blue 5# | : | 2.7125-2.7800 |
| 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 |
|----------|--------|---|---------|
| 02/14/11 | 6,845 | : | 129,196 |
| 02/01/11 | 4,506 | : | 127,109 |
| CHANGE | 2,339 | : | 2,087 |
| % CHANGE | 52 | : | 2 |

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WEST

Cheddar Barrels on Wednesday at the CME Group are up \$.0025 at \$1.9025. 40 Pound Blocks are \$.0025 higher Wednesday at \$1.9400. For the week, Barrels are \$.0025 higher and Blocks are \$.0250 higher. Blocks have increased every day for the last 19 trading periods. Barrels have been steady to increasing over the same period. Since January 19, Barrels have increased \$.4325. 40 pound Blocks have increased \$.4400 in the same period. Sales this week have been light to moderate with four loads of Barrels and four loads of Blocks trading. Western wholesale prices continued to climb in conjunction with CME Group price advances. Sales of cheese into contracted accounts are moving along as expected. Demand into export channels has slowed as price concerns have increased. Cheese production is steady to increasing slightly with some increased milk volumes. Stocks are described as manageable. According to FAS, quota imports of cheese for January 2011 total 10.4 million pounds, up 33.1% from a year ago. The imports stand at 3.5% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 1.5 million pounds, compared to 800,000 pounds imported in January of 2010. Imports of quota Swiss cheese for 2011 total 3.7 million pounds, up 41% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 2 million pounds or 53.4% of the year's total import of Swiss. According to FAS, exports of cheese and curd for January-December 2010 total 382.6 million pounds, up 60% from January-December 2009. The exports account for 3.7% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 107.6 million pounds or 28.1% of U.S. cheese exports.

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

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.9750-2.2325 |
| Cheddar 40# Block | : | 2.0125-2.3650 |
| Cheddar 10# Cuts | : | 2.1925-2.4125 |
| Monterey Jack 10# | : | 2.2025-2.3625 |
| Grade A Swiss Cuts 6 - 9# | : | 2.6300-3.0600 |

FOREIGN

The CME Group block cheese price advanced \$.0025 Tuesday and closed at \$1.9375. In the last 5 trading sessions block prices have increased \$.0675. Recent price increases have resulted in higher wholesale prices for all domestic varieties with the exception of Swiss Cuts, which remained unchanged. Northeast Swiss cheese production remains steady with good demand and sales. According to FAS, imports of Swiss/Emmentaler varieties for January 2011 totaled 3.7 million pounds, 41% more than the same period last year. Norway and Finland, the two top sources, account for 53.4% of Swiss/Emmentaler imports for January 2011.

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

| VARIETY | NEW YORK | |
|--------------------------|-----------------|------------------|
| | IMPORTED | DOMESTIC |
| Blue | : 2.6400-4.6900 | : 2.3425-3.8300* |
| Gorgonzola | : 3.6900-5.9900 | : 2.8450-3.1050* |
| Parmesan (Italy) | : -0- | : 3.6825-3.8750* |
| Provolone (Italy) | : 3.4400-5.8900 | : 2.3850-2.5425* |
| Romano (Cows Milk) | : -0- | : 3.5325-5.6750* |
| 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.

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CHEESE MARKETS

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| U.S. Cheese and Curd Exports, (USDA-FAS) | | | U.S. Cheese Imports (USDA-FAS) | | | |
|--|-------------------------------|-----------------------------|--------------------------------|-------------------------------|-----------------------------|----------------------|
| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago | Jan. 2011 Quota | 2011 Imports (Million Lb.) | % Change From 1 Year Ago | % of Annual Quota |
| December | Monthly Exports 44.1 | + 63 | High Tier | 10.4 | +33.1 | 3.5 |
| | Jan.- Dec. | | | 1.5 | +85.1 | N.A. |
| World | 382.6 | + 60 | | | | |
| Mexico | 107.6 | + 22 | | | | |
| South Korea | 42.4 | + 77 | | | | |
| Japan | 32.8 | +112 | | | | |
| Canada | 25.2 | + 12 | | | | |
| Egypt | 17.9 | +540 | | | | |

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 | 160 | 0 | 180 | 0 | 100 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

The Northeast and Mid-Atlantic regions are experiencing increases in manufacturing milk supplies as Class I demand has leveled off following numerous winter storms. Milk production in the two regions is increasing along the seasonal trend. The Southeast region has also experienced some Class I push backs after last week's forecasted storm turned into a non-event. Florida milk production is increasing as some producers are expanding herds and replacing marginal producers. Pastures are improving slowly as needed rains fell on some areas. Pastures are currently rated 45% poor, compared to 70% poor in recent weeks. 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 remain flat and when combined with increased milk production, result in a continuation of significant spot loads being shipped out of state. Export spot shipments this week totaled 160 loads. Cream availability has been described as "sloppy" with numerous loads hunting for homes. Most cream users, noting the declining butter market, are delaying purchases in order to take advantage of possible future price declines or using the downward trend to negotiate lower multiples. Some manufacturing plants are opting to make butter rather than sell cream at lower multiples. Multiples ranged from 110-125 with most transactions in the 113-118 range. Demand for condensed skim has increased significantly as cheese makers continue to have difficulty sourcing nonfat dry milk and/or are making additional purchases of condensed skim in lieu of higher priced nonfat dry milk.

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 | - | 2.3078-2.6225 |
| F.O.B. producing plants: Upper Midwest | - | 2.4547-2.5596 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

| | | |
|--|---|-------------|
| Northeast - Class II - includes monthly formula prices | - | 1.32 - 1.39 |
| Northeast - Class III - spot prices | - | .94 - 1.04 |

MIDWEST

The fluid milk market has returned to more normal use and production patterns after recent weather related adjustments in recent weeks. Current fluid use was about steady with January levels. Production schedules of most Class II products were at regular levels. Ice cream and cream cheese production were steady to lighter where buyers are backing off on spot cream purchases after butter prices started to fall. Some cream sales were even made based on the butter market price date of ship this week, rather than using the weekly average. Churning is steady to heavier with some toll churning and 82% butter being made. Condensed skim demand remains strong as buyers, often Class III, find NDM pricey and supplies difficult to locate. Some milk handlers are saying they have a very limited number of spot loads to move. Some cheese plant operators are starting to see uneven purchase patterns at current prices and are inclined to release a load or two of milk. Manufacturing milk

supplies remain tight. Some field staff are actively soliciting new producers. Most reports indicate milk supplies remain tight though a few parts of the region have been receiving larger manufacturing volumes than in recent weeks due to the weather. Milk intakes are generally steady in most northern and central sections, though the hard hit Southern states are still recovering from recent snow, ice, and low temperatures. Warmer temperatures have melted down the snow piles this week to make intersections safer.

WEST

The March 2011 Class 1 prices in CALIFORNIA range from \$19.24 in the north to \$19.51 in the south. The statewide average Class 1 price based on production is \$19.26. The average is \$2.36 higher than February 2011 and \$2.79 more than March 2010. CALIFORNIA milk production is steady to higher. Weather conditions are generally neutral to output in the state. Wet conditions in some areas are not impacting the milk flow. Temperatures are generally favorable. Processing plants are running well with any issues this past week having limited impact. At the farm level, higher feed costs are being assessed against higher milk prices. Milk output is trending higher across ARIZONA with gains noted for plant intakes. Production conditions are favorable for milk cows at the farm level. Class I demand is fair to good for current orders. There are concerns that higher milk prices could impact fluid milk sales as prices are passed along to consumers. NEW MEXICO milk production is mostly recovered from cold and wintry weather conditions two weeks ago that impacted milk cows and dairy plants. Overall, plants have returned to expected schedules and running as expected. Farm conditions have improved, yet some cows are still coming back from issues such as the cold or even feeding or water disruptions. CREAM markets are slightly unsettled with butter prices declining for the first time in over a month of trading at \$2.10. The declines have been minor in extent, but the change has impacted the cream market. Buyer interest is uneven and buyers often are waiting and not taking much cream beyond contracted amounts. Cream is moving greater distances to find processing homes as more tankers are becoming available. The CME Grade AA butter price closed at \$2.0550 on Wednesday, February 16, down 4.5 cents from a week ago. Cream multiples range from 100-121 and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST is steady. The region is experiencing typical weather patterns for this time of year. Dairy farmers are looking forward to spring field work and planning cropping strategies. Milk prices are encouraging dairy farms to consider expansion, but rapidly increasing costs are tempering the enthusiasm. Aside from normal maintenance, manufacturers reported no unusual interruptions in production schedules. Farm milk supplies are being handled within the region in most cases. UTAH and IDAHO weather was mild overall and caused no problems with milk handling this week. Production levels followed expected lines and are slightly above last year's production. Manufacturers are able to handle supplies locally in most cases and are looking for extra milk in some cases. As farmers look to expand herds, the price of replacement heifers at local auctions has increased to levels not seen since spring of 2009. A recent auction had the top heifer at \$1610 per head with the top 50 heifers averaging \$1500. Along with uncertain feed costs, the higher prices are restraining expansion plans in some cases.

NONFAT DRY MILK, 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: Higher prices and firm conditions continue to define the Central nonfat dry milk market. With steady to increasing sales of condensed skim milk into higher Class end uses, nonfat dry milk production is below regional capacity. A few plants took advantage of spot load offerings of farm milk with initial intentions of augmenting NDM production, but condensed skim demand cleared significant volumes before the condensed skim reached the dryers. Most manufacturers are interested in sending low/medium NDM into inventory for upcoming contract needs, while also recognizing the importance of capturing the margins on condensed skim sales.

EAST: Prices for nonfat dry milk continued to move higher this week with increases on both ends of the range for low heat and an increase on the low end for high heat. Spot market activity is light with resale transactions accounting for most of the trading activity. Low heat nonfat dry milk resale prices are reported above \$1.85. Nonfat dry milk production is limited as condensed skim sales have increased with cheese makers purchasing additional condensed skim volumes. 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 remain behind on their contract commitments. 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/MEDIUM HEAT: 1.4200 - 1.8500 MOSTLY: 1.4500 - 1.7500
 HIGH HEAT: 1.4500 - 1.8500

| U.S. NDM Exports, H.S. Code 0402100000(FAS) | | |
|---|-------------------------------|-----------------------------|
| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago |
| TOTAL, JAN-DEC | 846.8 | +55 |
| 1 Mexico | 252.8 | +9 |
| 2 Philippines | 108.0 | +78 |
| 3 Indonesia | 95.4 | +103 |
| 4 Vietnam | 74.6 | +109 |
| 5 Malaysia | 44.5 | +121 |
| December Total | 74.5 | +135 |

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices and market tone are trending higher. Buyer interest is still good and often going unfilled. Producer offerings are limited into the spot market with many producers trying to keep up with contracted orders. U.S. pricing indices are trending higher. Domestic spot pricing is higher and testing the top of the range. International indices are mixed, but remain at high levels. U.S. nonfat dry milk production is mostly steady. There are no big changes in milk receipts or shifting of milk around. Stocks are light. The CME Group pricing moved higher on bids to \$1.7850 for Extra Grade and \$1.8075 for Grade A at midweek. Four car lots sold last week at the CME. Western high heat NDM prices continue to trend higher in light spot trading. The market tone remains firm. Buyers are getting most contracted loads on a timely basis, but finding spot loads hard to find. Producer offerings are generally limited and along expected levels in a rising market. According to FAS, U.S. Exports of NDM/SMP during calendar year 2010 totaled 846.8 million pounds, 55% higher than during 2009. High heat prices are trending upwards and the market tone is firm. This market is being pulled by the low/medium heat market with limited quantities available to test the spot market. Contracts are moving expected volumes with some delays noted. Current production levels are light to moderate and mainly made to orders or projections.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3000 - 1.8500 MOSTLY: 1.4000 - 1.7400
 HIGH HEAT: 1.3600 - 1.6200

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices, Central region, are steady to slightly higher. Churning increased this week at some locations as lower fluid demand sent additional farm milk loads into Class IV use. Those additional milk loads yielded cream loads for churning, condensed buttermilk and some dry buttermilk. Inventories of dry buttermilk are building incrementally, with some manufacturers indicating stocks are somewhat below planned levels for this time of year. Contract-based and intermittent spot loads of Western dry buttermilk are filling supply gaps in the Central region.

EAST: Dry buttermilk prices in the East moved marginally higher on the low end of the range this week. The buttermilk market is trending higher following the strength of the nonfat dry milk market. Cream is more readily available in the East with increased volumes going to churns, resulting in increased production of dry buttermilk powder. Most current production is moving through contracts with some increases to inventories. Supplies are not as tight as in recent weeks and but spot market activity remains relatively light.

F.O.B. CENTRAL/EAST: 1.3100 - 1.4900

DRY BUTTERMILK - WEST

Dry buttermilk prices and the market tone remain firm. Pricing levels are increasing and attempting to match the rate of nonfat dry milk. Offerings of dry buttermilk are limited into the spot market. The limited availability of product is not allowing for a full test of the market and part of the reason for dry buttermilk prices lagging NDM prices by the current margin. Production levels have been spotty because of varying butter output and condensed buttermilk usage. Dry buttermilk stocks are light.

F.O.B. WEST: 1.2800 - 1.5400 MOSTLY: 1.3400 - 1.4000

DRY WHOLE MILK - NATIONAL

Firm nonfat solids markets support the current dry whole milk market and prices are steady. Production of dry whole milk is reportedly limited to contract fulfillment at most locations despite active spot market buyer interest. Demand for condensed skim is one factor limiting production of dry whole milk for spot market participation. The latest global DairyTrade auction results show prices trending higher. New Zealand regular dry whole milk winning prices per pound for the various contract periods and percent change in price from the previous auction are: Contract 1, \$1.9323, +7.7%; Contract 2, \$1.9890, +9.4; Contract 3, \$1.8892, +5.2%. New Zealand offered quantities for the three contract periods were 5,000 MT, 3,000 MT and 3,000 MT, respectively.

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

| U.S. Dry Whole Milk Exports, H.S. Code 0402210000(FAS) | | |
|--|-------------------------------|-----------------------------|
| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago |
| TOTAL, JAN-DEC | 75.0 | +137 |
| 1 Mexico | 21.0 | +2 |
| 2 Vietnam | 19.1 | +4,191 |
| 3 Russia | 13.7 | -- |
| 4 Egypt | 3.0 | +165 |
| 5 Israel | 2.8 | +703 |
| December Total | 2.0 | +47 |

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| February 11 | \$1.3120 | 15,601,007 | 0 |
| February 4 | \$1.2946 | 9,828,242 | 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 Central dry whey market is firm. Prices are mostly higher, with most sales activity being related to variably-priced contracts. Many market participants indicate resale offerings from brokers are light with some quoted prices nearing the \$0.60 mark. A few manufacturers and brokers report spot load inquiries are lighter this week. Manufacturers' conjectures on the root causes of lighter demand include: buyers are waiting out the current prices, buyers have already contacted all suppliers within their sphere of influence, or early fulfillment of some dry whey needs has lessened overall demand for this week. Some concerns are also apparent related to the upcoming switch in end products planned by a Western dry whey manufacturer. This is expected to channel additional dry whey demand into the Central dry whey market beginning in the second quarter. ANIMAL FEED DRY WHEY production is unchanged to lower. Manufacturers indicate offers of condensed whey from their regular suppliers have slowed over the last few weeks and the problem has been compounded by the prices now desired for whey solids. Those prices, which are usually based upon an edible dry whey price index, are often beyond the reach of animal feed dry whey producers.

F.O.B. CENTRAL: .3600 - .4300 MOSTLY: .3700 - .4175
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2700 - .3800

DRY WHEY - NORTHEAST

Dry whey in the Northeast remains very tight and difficult to source. Prices moved higher on both ends of the range in limited spot sales activity. Current production has declined as a plant has shut down for routine maintenance, further limiting the already tight supplies. A majority of current production supplies are moving through contracts. Trading is comprised mostly of resale activity with the top prices over 60 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 good supporting the market's firm undertone. The latest Foreign Agricultural Statistics report shows 557.4 million pounds of dry whey were exported from the United States during 2010, up 23% from 2009.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .4025 - .4275

DRY WHEY - WEST

Western dry whey prices are higher. The market is following reports of higher spot sales and adjusting to increased contract pricing formulas. The market is firm as availability of spot whey is very tight. The bulk of production for dry whey is tied to contract needs. Available supplies above contracted orders are often held for regular customers before being offered elsewhere. Resale loads being offered to the open market are reported above the market in some cases. Export demand remains strong. Stocks remain tight. According to the Foreign Agricultural Service, exports of dried whey for January-December total 557.4 million pounds, up 23% from January-December 2009. The exports account for 54.7% of the total whey production in the U.S. for January-December. The top five importing countries accounted for 310.6 million pounds or 55.7% of the exports for January-December.

NONHYGROSCOPIC: .3975 - .6700 MOSTLY: .4300 - .5025

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

| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago |
|----------------|-------------------------------|-----------------------------|
| TOTAL, JAN-DEC | 557.4 | +23 |
| 1 China | 105.1 | + 3 |
| 2 Mexico | 66.4 | +65 |
| 3 Japan | 52.8 | + 5 |
| 4 Canada | 50.3 | + 6 |
| 5 Malaysia | 35.8 | + 6 |
| December Total | 46.6 | +24 |

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are higher on the mostly price range as variably priced contract loads adjust relative to price indices. Interest for WPC 34% is active into both edible and animal feed accounts. Recent recalls of whey protein concentrates with higher protein values has shifted some interest from that market into the already firm WPC 34% market. Intermittent F.O.B. spot load offerings are clearing readily. Most buyers are agreeable on offered prices as a means to acquiring loads of WPC 34%. Inquiries from newcomers or infrequent buyers tend to be handled on an as-product-becomes-available basis, with the needs of established buyers being fulfilled first. Some manufacturers are keeping contract options open for 2012 and responding to requests for product samples from new buyers. Resale interest for WPC 34% is steady and buyers/end users are canvassing the commodity broker community in search of LTL's and full loads.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0200 - 1.4500 MOSTLY: 1.0300 - 1.1000

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

| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago |
|----------------|-------------------------------|-----------------------------|
| TOTAL, JAN-DEC | 280.7 | + 38 |
| 1 China | 121.8 | + 97 |
| 2 Mexico | 58.1 | - 22 |
| 3 Canada | 39.5 | + 58 |
| 4 Japan | 20.4 | + 47 |
| December Total | 25.4 | + 16 |

LACTOSE - CENTRAL AND WEST

Prices on the mostly series are unchanged this week for lactose while the top of the range rose fractionally. Although spot loads are more readily available, prices are pinned to various currently report markets and sellers are confident in current and upcoming lactose interest. Demand from animal feed blending accounts is steady to higher as recent decreased availability of dairy based carbohydrates from one or two regular suppliers has transferred some of that demand to the lactose market.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3200 - .4600 MOSTLY: .3300 - .3900

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

| | 2010 Exports (Million Lb.) | % Change From 1 Year Ago |
|----------------|-------------------------------|-----------------------------|
| TOTAL, JAN-DEC | 359.9 | + 32 |
| 1 Mexico | 46.7 | + 54 |
| 2 China | 42.2 | - 35 |
| 3 Japan | 40.7 | - 2 |
| 4 New Zealand | 31.3 | + 66 |
| 5 Brazil | 29.7 | + 157 |
| December Total | 35.6 | + 61 |

CASEIN - NATIONAL

The casein market remains firm. The Oceania production season is mostly over as remaining milk supplies are diverted to manufactured products in the tightest supply and/or best return. Casein supplies in the region are below desired levels though suppliers feel the volume will be adequate to meet commitments. Milk production in Europe is increasing seasonally though casein production remains at minimal levels at this time. Current plans in Europe are to manufacture enough to meet commitments with little extra available for spot sale. U.S. customers anticipate limited spot supplies to be available from preferred sources even at current to potentially higher prices.

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF FEBRUARY 14 - 18, 2011 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|--|-------------|-----------|-------------------|-------------|-------------------------|-------------|
| | TOTAL | CONTRACT | ADJUSTED | SINCE | SAME PERIOD | WEEK ENDING | SAME PERIOD |
| | PURCHASES | ADJUSTMENTS | PURCHASES | 10/01/10 | LAST YEAR | 02/11/11 | 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 01/29/11 & 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 | 8.3 | 3.8 | 21.0 | 5.6 | N.A. | N.A. | 17.1 | 4.0 | 62.5 | 306.9 | 47.5 | 47.9 |
| 2010-Dairy | N.A. | 0.6 | 6.9 | 3.0 | 16.8 | 3.9 | 0.4 | N.A. | 18.1 | 3.2 | 54.3 | 272.1 | 43.1 | 43.0 |
| 2011-All cows | 0.1 | 0.6 | 10.4 | 14.9 | 34.8 | 24.5 | N.A. | N.A. | 20.3 | 7.0 | 131.6 | 640.4 | | |
| 2010-All cows | N.A. | 0.7 | 8.6 | 13.6 | 31.9 | 23.5 | 14.4 | N.A. | 22.2 | 7.6 | 126.0 | 633.2 | | |

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)

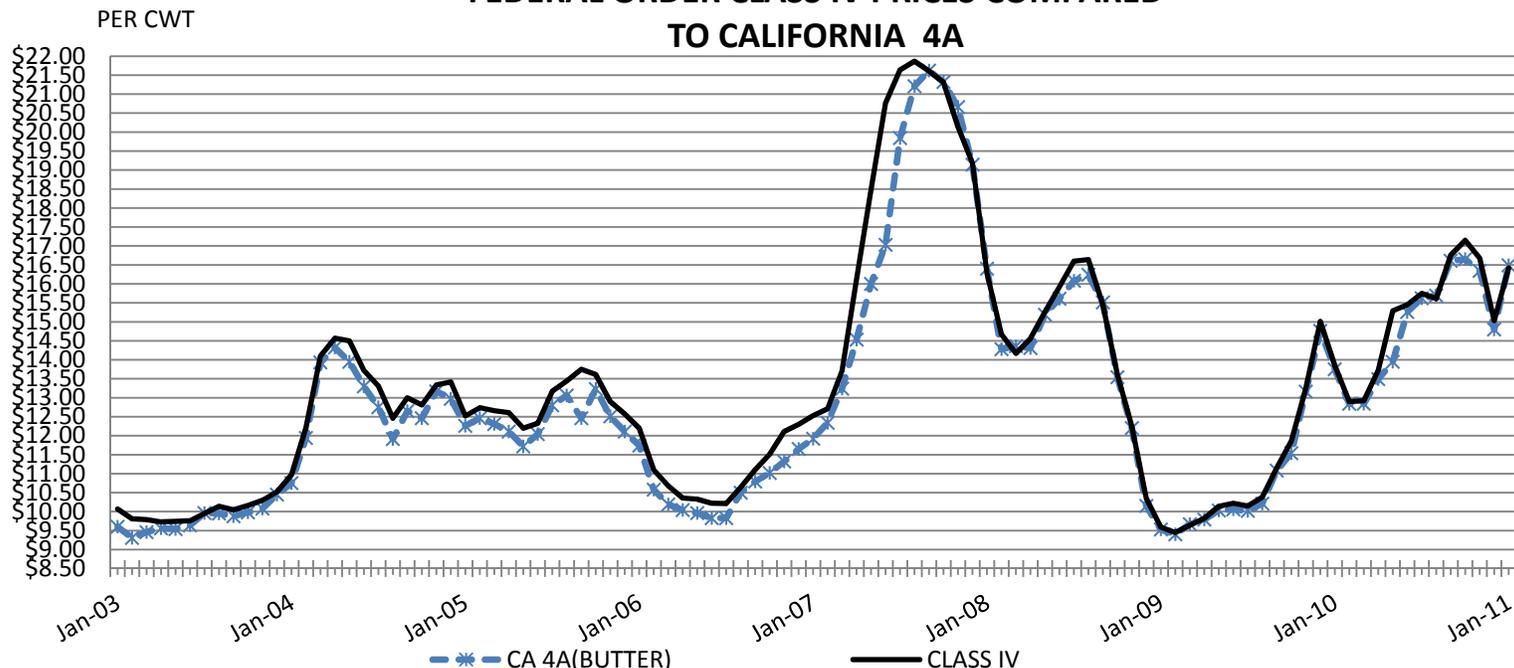
| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2007 | 13.56 | 14.18 | 15.09 | 16.09 | 17.60 | 20.17 | 21.38 | 19.83 | 20.07 | 18.70 | 19.22 | 20.60 |
| 2008 | 19.32 | 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 | 18.23 | | | | | | | | | |
| 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

FEDERAL ORDER CLASS IV PRICES COMPARED TO CALIFORNIA 4A



INTERNATIONAL DAIRY MARKET NEWS—EUROPE

Information gathered February 7 - 18, 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: Western European milk production trends are mostly steady to slightly higher in recent weeks with overall volumes marginally above year ago levels. More milk is common in France and Germany. Weather conditions have been seasonally mild. Milk processing is posing limited issues across the region and there is some limited shifting of milk to make products to meet demand and maximize returns. There is a healthy demand for dairy products into the international markets. Skim milk and whole milk powder prices are trending higher and product is moving into established contracts. Traders and handlers are negotiating on tenders. Butter and butterfat prices are steady to slightly higher. Demand is thinning as pricing levels increase and traders are finding buyers reluctant to make purchases at these pricing points. Whey powder pricing is sharply higher as buyers are reaching across categories in search of available dairy proteins and this is benefiting the whey category. At the February 17 European Dairy Commission meeting in Brussels, 15,400 MT of intervention SMP were sold at a minimum bid of 2,500 Euros (\$3,370). Total submitted bids were for 22,000 MT with a range from 2,400 - 2,720 Euros per MT. Approximately 50,000 MT remain available for sale from intervention storage. No new information on the butter PSA program was announced with the program scheduled to open March 1st.

BUTTER/BUTTEROIL: European butter markets and prices remain firm. Pricing levels are marginally to slightly higher over the previous reporting period. As prices increase, there are more signs that at current levels, butter and butteroil export buyers are becoming harder to find. Slightly softer butter prices in the U.S. and lower anhydrous milk fat prices for the most recent g/DT trading session may be foretelling a trend. Production levels are generally steady at lower levels in the EU with no major shifting of products noted. Details of the February 17 European Dairy Commission meeting in Brussels were not available for this report release time, but this will be updated if additional information on the PSA butter program is announced. Indications are that butter is expected to be placed into the PSA program as European butter producers utilize the monetary and storage features of the program.

82% BUTTERFAT: 5,250 - 5,700
99% BUTTERFAT: 5,950 - 6,300

SKIM MILK POWDER (SMP): European skim milk powder prices moved slightly to moderately higher with a firm market tone. Demand remains good into international channels and several contract tenders are seeking significant volumes of SMP and WMP. Traders and handlers are seeing short term markets as bullish. Offerings are light to moderate to offer into these contracts currently, with future offerings available later in the milk production season. At the February 17 European Dairy Commission meeting in Brussels, 15,400 MT of intervention SMP were sold at a minimum bid of 2,500 Euros (\$3,370). Total submitted bids were for 22,000 MT with a range from 2,400 - 2,720 Euros per MT. Approximately 50,000 MT remain available for sale from intervention storage.

1.25% BUTTERFAT: 3,550 - 4,300

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices continue to firm. World prices are firming in other regions for dairy proteins and are helping to bolster WMP markets. Tenders are in effect, seeking substantial quantities of SMP and WMP and expectations are that some of those will be filled from Europe. There are concerns among traders and handlers that WMP is becoming too expensive and could impact demand. Yet, that sentiment has been in place as pricing levels have moved through several points this year already. Overall, supplies are tight and new season production is gearing higher.

26% BUTTERFAT: 4,500 - 5,000

SWEET WHEY POWDER: European whey powder prices are sharply higher and the market undertone is very firm. Buying interest is active for the light to moderate supplies. International buying interest for SMP and WMP are spilling over into other dairy proteins and dry whey markets are being probed for supplies. The increased demand is driving up pricing levels quickly. Some traders are concerned that the higher prices will shut off more markets quickly, especially the animal feed sector.

NONHYGROSCOPIC: 1,250 - 1,650

EASTERN OVERVIEW: Milk production patterns across Eastern Europe are trending steady over the past several weeks. Winter weather conditions are generally limited in their impact on current milk output and incoming plant volumes are along expected levels. Offerings and availability of dairy products out of Eastern European countries remain limited for new contracts.

Exchange rates for selected foreign currencies: February 15, 2011

| | |
|-----------------------|--------------------------|
| .9884 Canadian Dollar | .0220 Indian Rupee |
| .2487 Argentina Peso | .7574 New Zealand Dollar |
| .0829 Mexican Peso | 1.0035 Australian Dollar |
| .3416 Polish Zloty | .0120 Japanese Yen |
| | 1.3487 Euro |

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0829) = 12.0627$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered February 7-18, 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.

OCEANIA

OCEANIA OVERVIEW: New Zealand weather events remain active factors affecting milk production throughout the country. The La Nina effect on weather is creating more rainfall than in normal years. Rains can be beneficial to keep pastures growing and to provide water for cropping, yet this is occurring at the end of the milk and crop year. Milk supplies are trending slightly ahead of last season's pace and generally are behind budgeted levels. Processing plants are running along expected levels and some shifting between products is reported. Recent Australian weather conditions continue to develop over most regions of the country. The recent cyclone and tropical storm activity impacted larger areas across Australia. Processing plants were mostly unaffected by any storm issues with only minor power outages and limited transportation issues reported. The overall impact on the dairy industry is relatively light to moderate overall. On a smaller scale, some farmers were greatly and unfortunately affected. There are areas across most regions that are more adversely impacted by floodwaters and storms than others. Many areas welcomed rainfalls that were able to help replenish pasture growth and stimulate crops. Milk production forecasts are steady to lower to account for recent events. In general, cow numbers are holding steady. Producers are finding it hard to expand cow numbers with limited stocks available for replacements. Factors such as the high beef prices and export options have tempered cow number increases. Weaker U.S. Dollar and other currencies gains are affecting export returns and limiting adding value to milk price payouts. International demand for dairy products is still good, especially for WMP and SMP. There have been recent slight weaknesses in butterfat prices in the region. At the February 15 G/DT event, pricing indices were mixed across products and contracting periods with slight weakness for AMF, mixed results for SMP, and firmness for WMP. Following are the various products traded with their average price for all contracts per MT and the percentage difference from the previous event: anhydrous milk fat, \$6,324, -2.4%; buttermilk powder did not trade at this auction; skim milk powder, \$3,898, +0.7%; and whole milk powder, \$4,320, +7.9%.

BUTTER: Oceania butter prices are steady to trending slightly lower. The most recent g/DT event saw lower trading values for AMF. Demand is fair to good for current offerings; however there is some unsettledness at the higher pricing points. Current production levels are steady at projected levels. Stocks are light and processors are able to meet contracted and future needs. At the February 15th g/DT event, anhydrous milk fat averaged \$6,324 per MT, 2.4% lower than the previous event for all three contracting periods. The three contracting period averages and percentage changes from the previous event are: contract period 1 (April) averaged \$6,284, -1.6%; contract 2 (May - July) \$6,352, -3.1%; and contract 3 (August - October), \$6,392, -3.5%.

82% BUTTERFAT: 4,500 - 5,100

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices remain steady to firm. Demand remains fair to good for current offerings and buying interest is evident in the marketplace. Drying schedules are remaining active to meet current and future orders. Several tenders are being negotiated and are expected to lead to more sales. Supplies are generally tight. At the recent g/DT event, skim powder averaged \$3,898, +0.7% from the previous event average for all contracting periods. The average price and percentage change from the previous event are: contract 1 (April), \$3,927, +4.4%; contract 2, (May - July) \$3,861, -1.6%; and contract 3, (August - October) \$3,911, -3.8%.

1.25% BUTTERFAT: 3,600 - 4,200

WHOLE MILK POWDER (WMP): Oceania whole milk prices are trending moderately higher and the market undertone is firming. Offerings are generally limited and tight in comparison to buyer interest. Supplies are tight locally and internationally. Buyer demand is steady to higher and movements are further tightening the supply. There are concerns that the market could be approaching a top. Production levels are seasonal and along projected levels. At the February 15 g/DT event, whole milk powder prices averaged \$4,320 per MT, +7.9% from the previous event average. Near term contract period 1 (April) averaged \$4,327 +8.4%; contract period 2, (May - July), \$4,423 +9.3%; and contract 3, (August - October), \$4,206, +5.1%.

26% BUTTERFAT: 4,000 - 4,500

CHEDDAR CHEESE: Oceania cheese prices are unchanged from recent weeks with a steady market tone. Price movements higher within the range are reported. Buying demand is mixed, ranging from light to moderate levels for buyers shorter on coverage. Some additional Asian interest has been indicated. Cheese production is mostly steady.

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

| FEBRUARY 15, 2011 Global/Dairy Trading (g/DT) event recap US \$ per metric ton | | | | |
|--|---------------------------|--------------------------------|---|---------------|
| Average prices and Changes in price Indices from Previous event | Contract #1 April 2011 | Contract #2 May - July 2011 | Contract #3 August - October 2011 | All Contracts |
| Anhydrous Milk Fat | \$6,284 | \$6,352 | \$6,392 | \$6,324 |
| | -1.6% | -3.1% | -3.5% | -2.4% |
| Buttermilk Powder | N.A. | N.A. | N.A. | N.A. |
| | N.A. | N.A. | N.A. | N.A. |
| Skim Milk Powder | \$3,927 | \$3,861 | \$3,911 | \$3,898 |
| | 4.4% | -1.6% | -3.8% | 0.7% |
| Whole Milk Powder | \$4,327 | \$4,423 | \$4,206 | \$4,320 |
| | 8.4% | 9.3% | 5.1% | 7.9% |

CHICAGO MERCANTILE EXCHANGE FUTURES

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

| Month | 02/03 | 02/04 | 02/07 | 02/08 | 02/09 | 02/10 | 02/11 | 02/14 | 02/15 | 02/16 |
|--|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|----------------|-----------------|-------|
| CME - CLASS III MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| JAN 11 | 13.50 (5126) 0 | 13.48 (4800) 0 | | | | | | | | |
| FEB 11 | 16.63 (5413) 1 | 16.59 (5376) 1 | 16.56 (5328) 5 | 16.70 (5192) 0 | 16.69 (5174) 3 | 16.70 (5127) 2 | 16.99 (4944) 1 | 16.96 (5052) 0 | 16.96 (5068) 0 | |
| MAR 11 | 18.37 (5551) 20 | 18.50 (5710) 22 | 18.56 (5830) 11 | 18.61 (5813) 3 | 18.55 (5811) 3 | 18.56 (5789) 11 | 18.78 (5908) 11 | 18.73 (6012) 3 | 18.77 (6114) 1 | |
| APR 11 | 18.08 (4815) 20 | 18.15 (4882) 11 | 18.32 (4967) 14 | 18.47 (5054) 6 | 18.42 (5110) 31 | 18.34 (5162) 16 | 18.63 (5263) 19 | 18.67 (5312) 7 | 18.65 (5494) 1 | |
| MAY 11 | 17.71 (4126) 20 | 17.83 (4152) 11 | 17.88 (4169) 15 | 18.08 (4278) 3 | 18.03 (4366) 5 | 17.95 (4394) 9 | 18.24 (4434) 14 | 18.30 (4510) 3 | 18.23 (4565) 1 | |
| JUN 11 | 17.03 (3211) 20 | 17.10 (3256) 7 | 17.21 (3353) 11 | 17.42 (3429) 3 | 17.40 (3484) 4 | 17.41 (3612) 4 | 17.72 (3645) 14 | 17.92 (3596) 3 | 17.88 (3620) 1 | |
| JUL 11 | 16.90 (2213) 14 | 16.94 (2244) 2 | 17.05 (2274) 8 | 17.10 (2354) 3 | 17.10 (2372) 4 | 17.06 (2383) 1 | 17.25 (2428) 15 | 17.63 (2466) 1 | 17.60 (2468) 3 | |
| AUG 11 | 16.80 (2122) 14 | 16.83 (2127) 2 | 16.86 (2135) 8 | 16.97 (2131) 3 | 16.99 (2203) 4 | 17.00 (2220) 1 | 17.15 (2258) 17 | 17.47 (2292) 1 | 17.44 (2304) 3 | |
| SEP 11 | 16.79 (2069) 14 | 16.76 (2078) 2 | 16.80 (2104) 8 | 16.80 (2114) 3 | 16.84 (2126) 4 | 16.84 (2137) 1 | 17.07 (2179) 17 | 17.35 (2258) 1 | 17.33 (2287) 3 | |
| CME - CLASS IV MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| JAN 11 | 16.50 (32) 0 | 16.42 (32) 0 | | | | | | | | |
| FEB 11 | 18.15 (44) 3 | 18.17 (48) 8 | 18.17 (48) 0 | 18.17 (50) 2 | 18.17 (62) 12 | 18.17 (67) 7 | 18.29 (69) 1 | 18.35 (70) 1 | 18.35 (70) 0 | |
| MAR 11 | 19.60 (159) 3 | 19.60 (163) 8 | 19.59 (163) 0 | 19.50 (165) 2 | 19.50 (180) 15 | 19.59 (198) 10 | 19.65 (210) 8 | 19.80 (212) 1 | 19.80 (213) 1 | |
| CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded) | | | | | | | | | | |
| JAN 11 | 183.08 (431) 0 | 184.28 (436) 0 | | | | | | | | |
| FEB 11 | 203.75 (387) 0 | 205.00 (387) 0 | 205.50 (387) 0 | 206.00 (387) 0 | 207.50 (389) 18 | 207.50 (385) 4 | 207.50 (385) 0 | 207.50 (385) 0 | 207.50 (386) 2 | |
| MAR 11 | 198.00 (409) 0 | 199.00 (409) 3 | 199.00 (409) 0 | 200.00 (409) 4 | 198.00 (437) 31 | 197.00 (444) 21 | 197.00 (454) 6 | 197.00 (455) 1 | 195.00 (470) 18 | |
| CME - NONFAT DRY MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| JAN 11 | 126.00 (283) 0 | 125.30 (283) 0 | | | | | | | | |
| FEB 11 | 137.00 (289) 0 | 136.50 (289) 0 | 136.50 (289) 0 | 136.50 (289) 0 | 135.00 (289) 0 | 135.00 (289) 0 | 135.25 (290) 0 | 136.00 (290) 0 | 136.00 (290) 0 | |
| MAR 11 | 154.98 (227) 0 | 154.93 (227) 0 | 154.88 (227) 0 | 154.50 (227) 0 | 154.50 (232) 0 | 156.75 (247) 0 | 157.00 (254) 0 | 158.50 (254) 0 | 158.50 (254) 0 | |
| CME - WHEY (Electronic-Traded) | | | | | | | | | | |
| JAN 11 | 39.48 (494) 0 | 39.35 (494) 0 | | | | | | | | |
| FEB 11 | 43.00 (490) 0 | 42.90 (490) 1 | 42.75 (490) 0 | 42.75 (491) 1 | 42.75 (488) 6 | 42.75 (489) 1 | 42.75 (489) 0 | 43.00 (489) 1 | 43.00 (492) 0 | |
| MAR 11 | 51.50 (301) 25 | 51.20 (301) 0 | 49.50 (308) 19 | 49.90 (311) 4 | 49.90 (308) 9 | 51.50 (311) 4 | 53.00 (312) 8 | 53.03 (306) 11 | 52.75 (306) 4 | |
| CME - CHEESE CSC (Electronic-Traded) | | | | | | | | | | |
| JAN 11 | 1.41 (469) 0 | 1.41 (469) 0 | | | | | | | | |
| FEB 11 | 1.70 (373) 2 | 1.71 (372) 1 | 1.71 (372) 0 | 1.71 (371) 3 | 1.71 (371) 0 | 1.71 (371) 0 | 1.74 (371) 0 | 1.74 (371) 0 | 1.74 (371) 0 | |
| MAR 11 | 1.82 (286) 2 | 1.84 (286) 0 | 1.85 (286) 0 | 1.88 (285) 2 | 1.85 (261) 39 | 1.85 (255) 21 | 1.86 (287) 51 | 1.86 (291) 21 | 1.89 (303) 15 | |
| APR 11 | 1.77 (209) 8 | 1.77 (209) 3 | 1.80 (214) 6 | 1.81 (212) 3 | 1.80 (196) 95 | 1.79 (210) 50 | 1.80 (217) 9 | 1.82 (219) 2 | 1.82 (219) 4 | |
| MAY 11 | 1.73 (140) 2 | 1.74 (140) 0 | 1.75 (140) 0 | 1.76 (133) 8 | 1.77 (126) 53 | 1.77 (126) 0 | 1.77 (131) 10 | 1.78 (142) 22 | 1.78 (142) 0 | |
| JUN 11 | 1.67 (138) 0 | 1.68 (138) 0 | 1.69 (138) 0 | 1.69 (138) 0 | 1.69 (138) 0 | 1.69 (138) 0 | 1.70 (138) 0 | 1.74 (138) 0 | 1.74 (138) 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.

2010 Total Cow Slaughter Under Federal Inspection - U. S. Total
(thousand head)

| Week Ending | Dairy Cows | All Cows | Dairy as Percent of All | Week Ending | Dairy Cows | All Cows | Dairy as Percent Of All |
|-------------|------------|----------|-------------------------|-------------|------------|----------|-------------------------|
| Jan 2 | 43.6 | 104.9 | 41.6 | Jul 3 | 46.6 | 114.6 | 40.7 |
| 9 | 56.6 | 130.2 | 43.5 | 10 | 42.9 | 101.4 | 42.3 |
| 16 | 58.1 | 132.5 | 43.8 | 17 | 50.6 | 120.0 | 42.2 |
| 23 | 59.5 | 139.6 | 42.6 | 24 | 53.4 | 121.7 | 43.9 |
| 30 | 54.3 | 126.0 | 43.1 | 31 | 53.7 | 118.1 | 48.0 |
| Feb 6 | 56.2 | 118.2 | 47.5 | Aug 7 | 56.6 | 114.8 | 49.3 |
| 13 | 52.0 | 106.6 | 48.8 | 14 | 52.3 | 113.2 | 46.2 |
| 20 | 57.3 | 117.9 | 48.6 | 21 | 50.7 | 117.9 | 43.0 |
| 27 | 57.3 | 127.0 | 45.1 | 28 | 52.2 | 122.0 | 42.8 |
| Mar 6 | 58.4 | 124.1 | 47.1 | Sep 4 | 57.0 | 129.4 | 44.0 |
| 13 | 58.8 | 124.4 | 47.3 | 11 | 50.5 | 112.6 | 44.8 |
| 20 | 55.3 | 117.7 | 47.0 | 18 | 56.7 | 129.0 | 44.0 |
| 27 | 54.3 | 115.8 | 46.9 | 25 | 57.3 | 128.3 | 44.7 |
| Apr 3 | 52.4 | 114.6 | 45.7 | Oct 2 | 54.9 | 123.1 | 44.6 |
| 10 | 53.6 | 119.9 | 44.7 | 9 | 54.9 | 127.0 | 43.2 |
| 17 | 54.8 | 125.4 | 43.7 | 16 | 52.0 | 127.5 | 40.8 |
| 24 | 54.0 | 122.8 | 44.0 | 23 | 55.0 | 134.4 | 40.9 |
| May 1 | 52.8 | 124.8 | 42.3 | 30 | 55.6 | 136.8 | 40.6 |
| 8 | 51.9 | 124.7 | 41.6 | Nov 6 | 57.4 | 141.2 | 40.7 |
| 15 | 52.4 | 127.6 | 41.1 | 13 | 60.7 | 143.7 | 42.2 |
| 22 | 51.5 | 125.5 | 41.1 | 20 | 57.9 | 143.9 | 40.2 |
| 29 | 49.3 | 121.5 | 40.6 | 27 | 45.6 | 114.4 | 39.9 |
| Jun 5 | 43.9 | 108.8 | 40.3 | Dec 4 | 61.3 | 141.7 | 43.3 |
| 12 | 48.9 | 118.9 | 41.1 | 11 | 59.9 | 139.5 | 42.9 |
| 19 | 49.9 | 117.8 | 42.4 | 18 | 59.4 | 135.6 | 43.8 |
| 26 | 47.4 | 117.6 | 40.3 | 25 | 50.8 | 109.3 | 46.5 |

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.

THE DAIRY OUTLOOK

Both Milk Production and Milk Prices Are Expected To Be Higher in 2011

Feed prices continue upward. The soybean meal price is projected at \$340 to \$380 per ton, up from last month's projection. Slightly lower planted acreage and lower yields combined to cause the rise in the forecast. The corn price forecast was also raised, to \$5.05 to \$5.75 per bushel. Despite an increase in harvested acreage, corn production is forecast lower due to an expected 11.9-bushel fall in the national average yield per acre. The corn season-ending stocks-to-use ratio is forecast to be the lowest since 1995/96.

The Nation's dairy herd continues a modest expansion. The fourth-quarter 2010 dairy cow population was higher than in the corresponding quarter of 2009. The January *Cattle* report indicated that milk cows and dairy replacement heifers had both risen by 1-percent year-over-year. The *Livestock Slaughter* report showed dairy cow slaughter in December 2010 ahead of both November and December 2009. The proportion of replacements relative to cows is about the same as last year. The evidence suggests an ample number of dairy replacements are available for both herd freshening and some expansion. Despite substantially higher feed costs, higher milk prices could provide enough margin for many producers to continue the herd expansion that began last fall. Herd size will likely contract toward the end of 2011 as already high feed costs continue to escalate. Over the course of the year, the herd size will average 9.15 million cows. Production per cow is expected to rise by about 1 percent, near trend and below last year's stellar 2.8 percent increase. The result will be 196.1 billion pounds of milk produced in 2011. Milk equivalent imports for 2011 are forecast at 3.9 billion pounds on a fats basis and 4.7 billion pounds on a skim-solids basis, continuing the downward trend of the past 2 years.

Milk equivalent exports are projected to reach 6.4 billion pounds on a fats basis and 30.7 billion pounds on a skim-solids basis. The export forecasts are below 2010 totals, and although world supplies are tight, higher production from Oceania over the course of the year is expected to ease the international supply situation. Exporters will have to compete with a resurgent U.S. domestic market where use is expected to climb by 2.3 percent on a fats basis and 3.1 percent on a skim-solids basis.

Product prices will be higher across the board this year than in 2010. Cheese prices are forecast at \$1.640 to \$1.710 per pound, and have been buoyed by high prices for butter and nonfat dry milk (NDM). Commercial use of cheese rose in 2010 and is expected to remain strong in 2011. The exceptionally high butter and NDM prices reflect robust export prospects for both products. Although prices will likely retreat from current highs as milk production from Oceania increases seasonally, tight world butter supplies should maintain the price above 2010 for much of the year. The butter price is expected to be \$1.710 to \$1.810 per pound. NDM prices are expected to be \$1.345 to \$1.405 per pound on the same conditions as those for butter prices. Whey prices are also expected to rally, as strong global powder demand may encourage some substitution of lower priced whey for other powder products. Whey prices are expected to be 40.0 to 43.0 cents per pound.

Milk prices will be higher this year. The Class IV price is expected to average \$16.70 to \$17.50 per cwt. The Class III price is expected to be below the Class IV price this year and to average \$15.80 to \$16.50 per cwt. The expected higher Class prices will push the all milk price well above 2010 to a forecast \$17.70 to \$18.40 per cwt for 2011.

SOURCE: "Livestock, Dairy, and Poultry Outlook," LDP-M-200, February 15, 2011, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

FEDERAL MILK ORDER ADVANCE PRICES, MARCH

Class I Base Price. Under the Federal milk order pricing system, the Class I base price for March 2011 is \$18.23 per cwt. This price is derived from the Class IV skim milk pricing factor of \$10.50 and the advanced butterfat pricing factor of \$2.3136. 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 February 2011, the Class I base price increased \$2.34 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$2.25 per cwt., \$0.193 per gallon; reduced fat milk (2%), \$1.74 per cwt., \$0.150 per gallon; fat-free (skim milk), \$1.13 per cwt., \$0.097 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$10.50. Thus, the Class II skim milk price for March is \$11.20 per cwt., and the Class II nonfat solids price is \$1.2444. **Product Price Averages.** The two-week product price averages for March are: butter \$2.0820, nonfat dry milk \$1.3467, cheese \$1.6386, and dry whey \$0.4146.

| FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/} | | | | |
|---|--------------|-----------------------|-------------------------|-------------------------|
| March 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 | 21.48 | 13.75 | 2.3461 |
| Appalachian (Charlotte) ^{5/ 6/} | 005 | 21.63 | 13.90 | 2.3476 |
| Southeast (Atlanta) ^{6/ 7/} | 007 | 22.03 | 14.30 | 2.3516 |
| Florida (Tampa) ^{6/ 8/} | 006 | 23.63 | 15.90 | 2.3676 |
| Midwest (Cleveland) ^{9/} | 033 | 20.23 | 12.50 | 2.3336 |
| Upper Midwest (Chicago) ^{10/} | 030 | 20.03 | 12.30 | 2.3316 |
| Central (Kansas City) ^{11/} | 032 | 20.23 | 12.50 | 2.3336 |
| Southwest (Dallas) ^{12/} | 126 | 21.23 | 13.50 | 2.3436 |
| Arizona (Phoenix) | 131 | 20.58 | 12.85 | 2.3371 |
| Pacific Northwest (Seattle) ^{13/} | 124 | 20.13 | 12.40 | 2.3326 |
| All-Market Average | | 21.12 | 13.39 | 2.3425 |

^{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.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, JANUARY 2011

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During January, about 10.8 billion pounds of milk were received from producers. This volume of milk is 1.2 percent higher than the January 2010 volume. In January 2010 and January 2011, there were 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, 2.0 percent higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 36%, Class II = 10%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$15.94 per cwt., \$0.07 lower than last month and \$0.29 higher than last year.

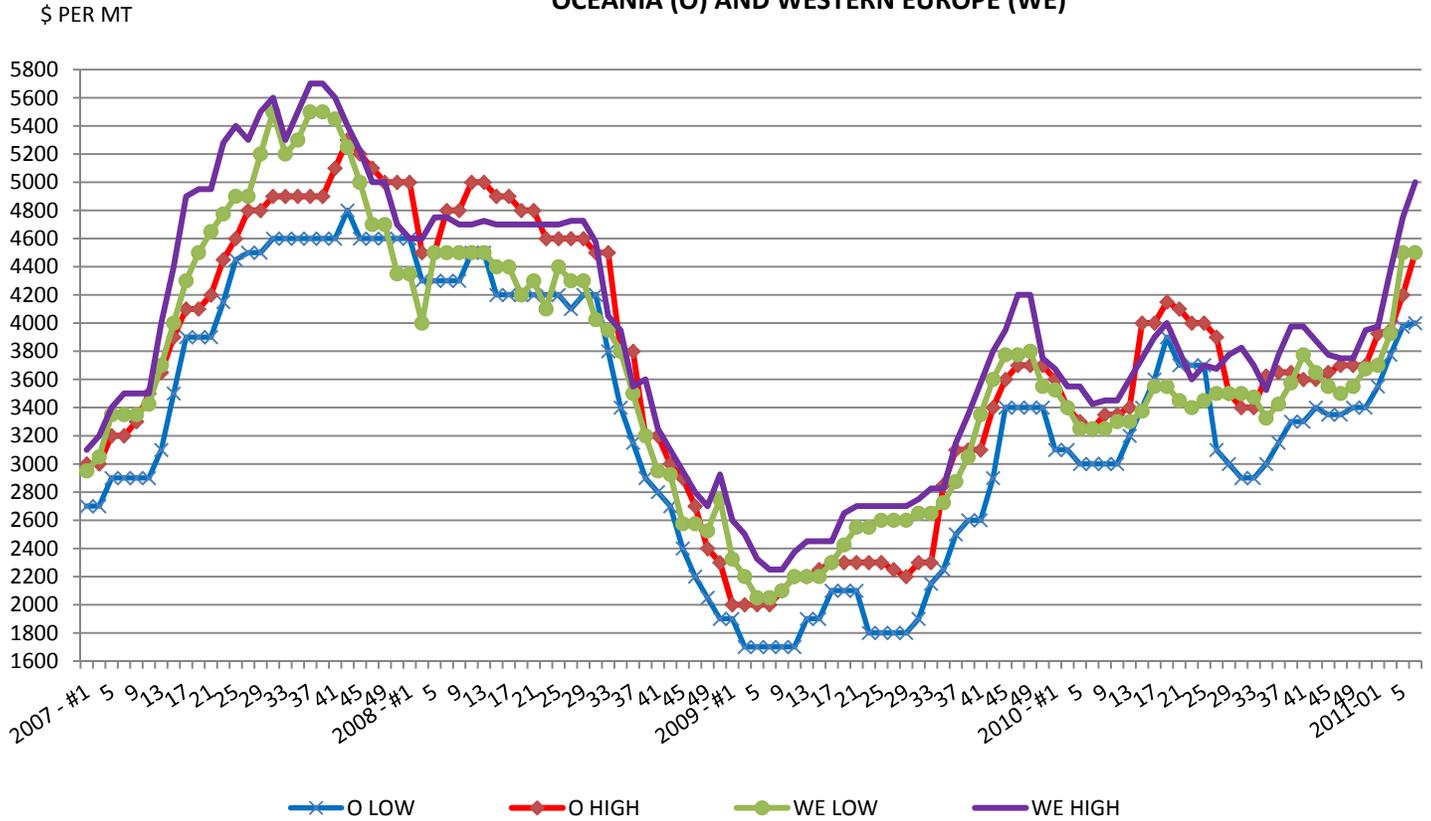
| PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JANUARY 2011 | | | | | | | | | | |
|--|-----------------|------------------------------|------------------------------|--|------------------------------|---------|--|--------------|-------------|---------------------|
| 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 | 2,142.2 | 9.3 | 910.7 | 6.5 | 43 | 21 | 26 | 10 | 17.01 |
| Appalachian (Charlotte) | 005 | 505.7 | -1.2 | 352.7 | -1.3 | 70 | 15 | 7 | 8 | 18.31 |
| Southeast (Atlanta) | 007 | 628.5 | 5.3 | 407.6 | -0.6 | 65 | 7 | 23 | 5 | 18.01 |
| Florida (Tampa) | 006 | 264.9 | 0.0 | 222.3 | -1.8 | 84 | 8 | 3 | 5 | 20.32 |
| Mideast (Cleveland) | 033 3/ | 1,245.5 | -12.0 | 555.9 | -5.0 | 45 | 12 | 37 | 6 | 15.78 |
| Upper Midwest (Chicago) | 030 3/ | 2,843.5 | -1.3 | 372.2 | -0.4 | 13 | 2 | 84 | 1 | 14.12 |
| Central (Kansas City) | 032 3/ | 1,144.5 | -0.1 | 400.6 | 9.5 | 35 | 11 | 47 | 7 | 15.31 |
| Southwest (Dallas) | 126 | 1,000.7 | 13.6 | 396.1 | 6.6 | 40 | 5 | 44 | 11 | 16.24 |
| Arizona (Phoenix) | 131 | 384.7 | 7.8 | 126.5 | 6.2 | 33 | 9 | 27 | 31 | 16.23 |
| Pacific Northwest (Seattle) | 124 | 667.8 | -2.6 | 189.3 | -1.9 | 28 | 6 | 40 | 26 | 15.57 |
| ALL MARKET AVERAGE OR TOTAL | 3/ | 10,827.9 | 1.2 | 3,933.8 | 2.0 | 36 | 10 | 46 | 8 | 15.94 |

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

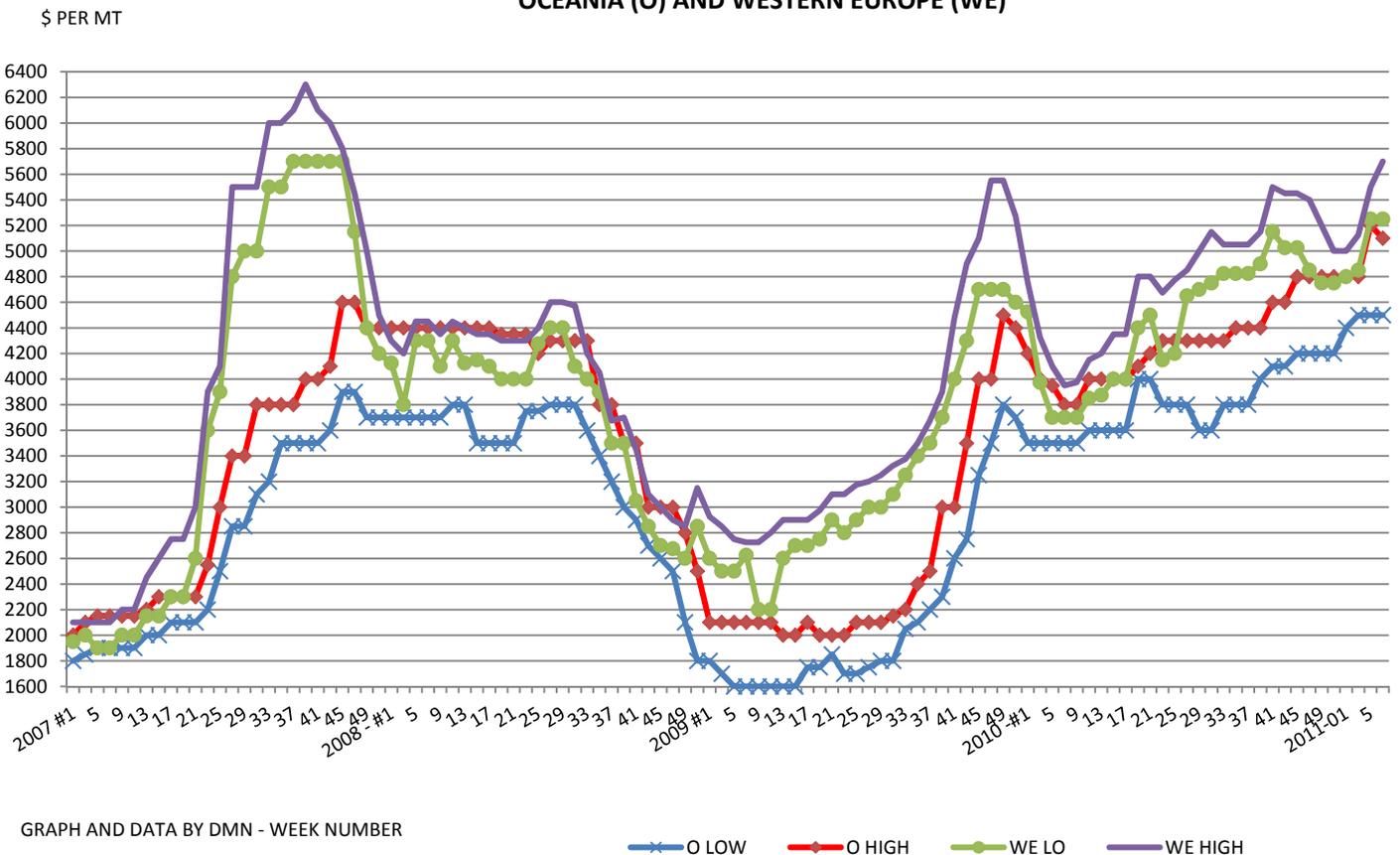
2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

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 363 million pounds of milk that normally would have been associated with these markets. In January 2010, the estimated not pooled volume of milk was 46 million pounds, occurring in order numbers 030, 032, and 033. After adjusting for non pooled milk, the year-to-year percent change is -4.0%.

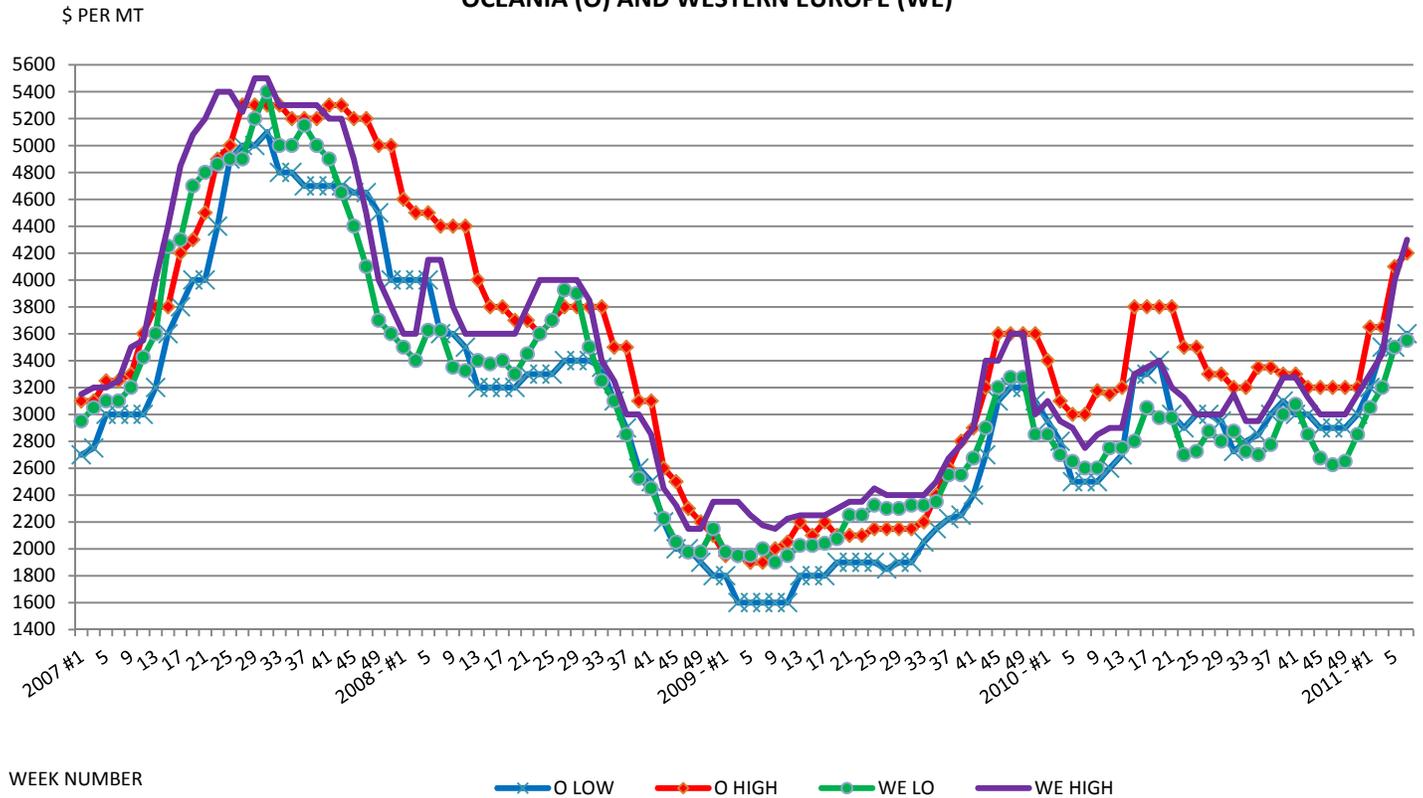
**BIWEEKLY INTERNATIONAL WHOLEMILK PRICES
OCEANIA (O) AND WESTERN EUROPE (WE)**



**BIWEEKLY INTERNATIONAL BUTTER PRICES
OCEANIA (O) AND WESTERN EUROPE (WE)**

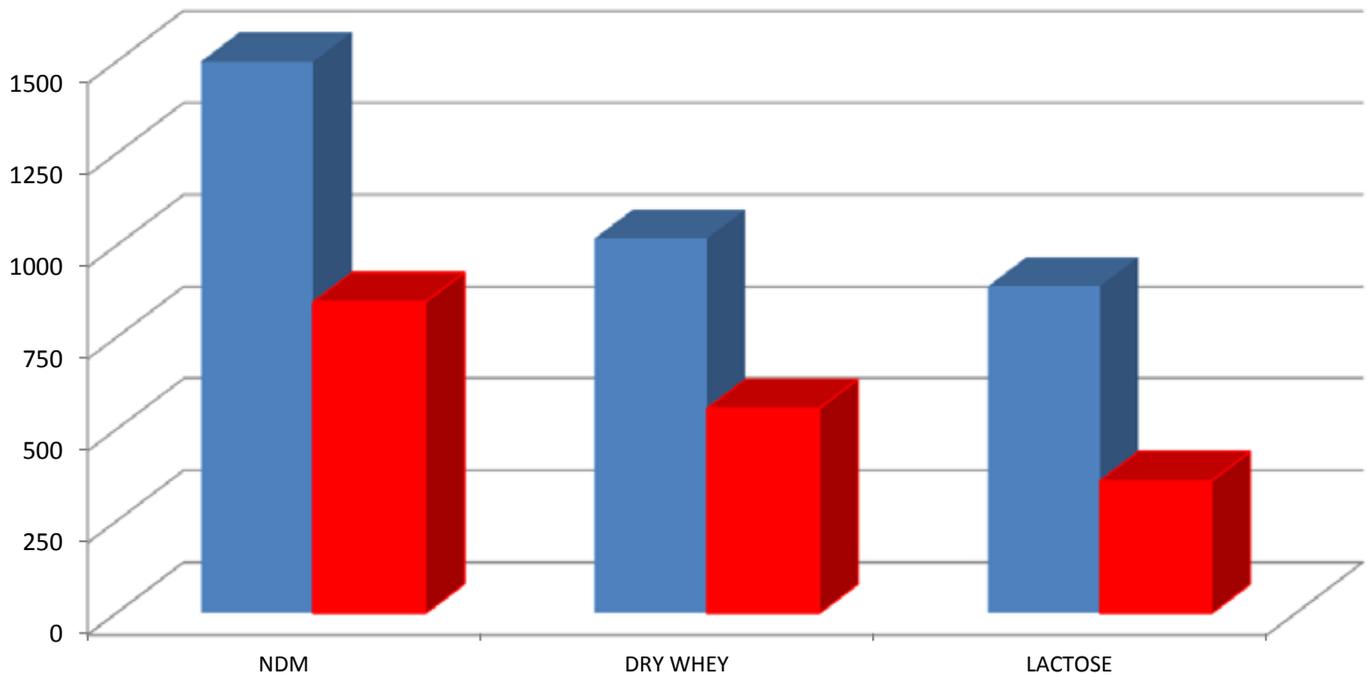


**BIWEEKLY INTERNATIONAL SKIM MILK PRICES
OCEANIA (O) AND WESTERN EUROPE (WE)**



**TOTAL 2010 U.S. PRODUCTION OF DRY PRODUCTS AND
TOTAL EXPORTS OF SIMILAR DRY PRODUCTS**

Million Lbs.



GRAPH BY DMN, DATA BY NASS AND FAS

■ 2010 TOTAL PRODUCTION

■ 2010 TOTAL EXPORTS

DAIRY MARKET NEWS

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