

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (03/04):

BUTTER: Grade AA closed at \$2.1175. The weekly average for Grade AA is \$2.0780 (+.0680).

CHEESE: Barrels closed at \$1.9800 and 40# blocks at \$2.0200. The weekly average for barrels is \$1.9655 (+.0192) and blocks, \$2.0030 (+.0180).

BUTTER HIGHLIGHTS: The CME cash butter price has increased \$.0975 cents during the week to settle at \$2.1175, the highest cash price since November 4. The current cash price is the highest on record for this time of the season and compares to \$1.4400 last year at this time and \$1.1625 in 2009. Butter producers and handlers continue to question themselves as to what should they do with inventory management. Most butter producers remain hesitant to generate significant butter inventory, but instead are enhancing inventories slowly. Some domestic butter producers are indicating that international buyers are looking to the U.S. market for butter supplies. For some, domestic production is being geared to fill this international buyer interest, realizing near term financial returns, and foregoing butter production for their own needs. Many are questioning if they are making the right production decision, but at least they are maintaining steady production schedules. Domestic butter demand is holding steady at fairly good levels, stronger than many butter producers and handlers had projected. Upcoming Easter/Passover orders continue to develop.

CHEESE HIGHLIGHTS: Prices moved slightly higher on the CME Group cash cheese market with blocks breaking the \$2.00 per pound barrier. At the higher price levels, buyer resistance to purchases has increased. Spot offerings, at least of American varieties, are becoming more available though rarely more than a couple loads at a time. Cheese yields remain very strong seasonally, as early 2011 milk components were above recent years. Cheese output remains about steady as competition from Class IV manufacturers for milk remains strong. ERS has estimated Commercial Disappearance of American cheese during January - December 2010 at 4.26 billion pounds, 1.7% more than 2009 on a daily average basis. Other cheese use in 2010 was 6.39 billion pounds, 4.1% higher than during 2009.

FLUID MILK: Current Midwest milk intakes are steady to slightly higher seasonally. Manufacturing milk interest seemed to be a little softer as cheese demand is often slowing as prices increase. Spot manufacturing milk prices are about steady though with not enough prices to provide a range. Fat and protein levels in January milk were well above recent year averages. California milk production is trending mostly steady to occasionally higher. In general, current weather conditions are not a big influence on milk cows and processing plants are mostly running well. Some cheese plants are seeking more milk. Arizona milk output levels are mostly steady with recent weeks. The Pacific Northwest coastal areas experienced a variety of late winter squalls this week. Nevertheless, milk production was mostly unaffected in the region

and movement of milk to processors was not an issue. Utah and Idaho milk production continued at above year ago levels. The increased production is being readily handled locally. Weather in the region is transitioning from winter conditions to early spring temperatures. Milk production in the Northeast and Mid-Atlantic regions is gradually increasing and adding to the manufacturing milk supply as Class I demand has leveled off.

DRY PRODUCTS: Central nonfat dry milk prices are higher on a mostly firm market. Some resales of NDM from end users are reported. Eastern prices for nonfat dry milk continued their upward trend and moved higher. Spot market activity remains light with resale transactions accounting for most of the trading activity. Central dry buttermilk prices are unchanged to higher on a firm market. Dry buttermilk prices in the East moved higher this week on the low end of the range. The dry whole milk market is firm with unchanged prices and limited spot market activity. Central dry whey prices are fractionally higher, with limited availability of F.O.B. spot market loads leaving that market mostly untested. Demand is steady. Northeast dry whey prices held steady, with supplies remaining very tight and difficult to source. Western dry whey sales activity was uneven for the week. Contract sales constituted the bulk of sales reported by manufacturers. Lower prices for the full price range are reflecting the limited spot activity. Challenging market conditions continue for buyers of WPC 34%. Spot load participation is intermittent for many manufacturers. The lactose range price series widened while the top of the mostly price range increased by 1 cent. Casein markets and prices are firm.

INTERNATIONAL DAIRY MARKET NEWS (DMN): The **European** milk production season continues to develop in Western regions. Some milk handlers and processors are indicating that milk volumes are increasing at a slower rate than in recent years, but remain very optimistic about the upcoming season. Most milk processing facilities have completed winter maintenance work and are ready to receive milk. March is a very active month for European milk producers and processors. March 1 was the opening day for intervention and PSA. With very firm prices for both butter and skim milk powder, manufacturers and handlers are not anticipating any stocks to clear to intervention. At the March 3 Dairy Management Committee meeting in Brussels, 300 MT of intervention skim milk powder were sold at a minimum bid of 2,521 Euros per MT. There are about 50,000 MT of uncommitted intervention powder remaining in the program. With the PSA butter storage program just opening on March 1, no official data is available pertaining to early offerings. Most in the trade feel that some butter will clear to the program during the open season, but speculate that the total volumes will be much lower than in recent years. By March 31, the 2010 - 2011 milk quota

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CME GROUP CASH TRADING

COMMODITY	MONDAY FEB 28	TUESDAY MAR 1	WEDNESDAY MAR 2	THURSDAY MAR 3	FRIDAY MAR 4	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.9525 (+.0025)	\$1.9525 (N.C.)	\$1.9625 (+.0100)	\$1.9800 (+.0175)	\$1.9800 (N.C.)	:: :: (+.0300)	:: :: \$1.9655 :: (+.0192)
40# BLOCKS	\$1.9925 (+.0050)	\$1.9950 (+.0025)	\$2.0000 (+.0050)	\$2.0075 (+.0075)	\$2.0200 (+.0125)	:: :: (+.0325)	:: :: \$2.0030 :: (+.0180)
NONFAT DRY MILK							
EXTRA GRADE	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	:: :: (N.C.)	:: :: \$1.8000 :: (N.C.)
GRADE A	\$1.8225 (-.0100)	\$1.8225 (N.C.)	\$1.8150 (-.0075)	\$1.8150 (N.C.)	\$1.8150 (N.C.)	:: :: (-.0175)	:: :: \$1.8180 :: (-.0145)
BUTTER							
GRADE AA	\$2.0200 (N.C.)	\$2.0225 (+.0025)	\$2.1150 (+.0925)	\$2.1150 (N.C.)	\$2.1175 (+.0025)	:: :: (+.0975)	:: :: \$2.0780 :: (+.0680)

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

NATIONAL DAIRY MARKET NEWS AT A GLANCE

year will come to a close. For most countries, outside of Denmark, The Netherlands, Austria, and possibly Spain and Ireland, milk volumes will be within quota guidelines. In years past, Italy was often over quota, but this year, they received all of their remaining quota increases for the balance of the program and are within guidelines. Milk production in **New Zealand** continues to edge lower. Milk producers and handlers are indicating that overall milk output is running about 1% ahead of last season, but at lower levels than was previously projected. The devastating earthquake in Christchurch on the South Island last week had minimal impact on New Zealand's dairy industry, other than distribution logistics both locally and at the port. Milk production in **Australia** continues to edge lower. Milk production data out of Australia indicates that output during December was down 1.7% when compared to December 2009, but is slightly (0.1%) ahead of last season on a year to date basis. Oceania traders and handlers are indicating that supply availability, or lack of, is now driving the market. At the March 1 g/DT event, prices during the various contracting periods were mixed, but overall, prices are higher. 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, \$6,424, +1.1%; buttermilk powder did not trade at this auction; skim milk powder, \$3,977, +2.3%; and whole milk powder, \$4,619, +9.6%.

FEBRUARY AGRICULTURAL PRICES (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in February 2011 advanced 3 points to 197. Compared with February 2010, the index was up 17 points (9.4%). The index of prices received by farmers for dairy products advanced 13 points during the month of February 2011 to 141. Compared with February 2010, the index was up 19 points (15.6%). The All Milk price received by farmers in February was \$18.40, up \$1.70 from January.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during January through December 2010 totals 195.3 billion pounds, 2.5% above the January through December 2009. Comparing disappearance levels with year earlier levels: butter is +3.9%; American cheese is +1.7%; other cheese is +4.1%; NDM is +14.9%; and fluid milk product is -1.4%.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the February 2011 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$17.97 (+\$1.18), Class III \$17.00 (+\$3.52), and Class IV \$18.40 (+\$1.98). Product price averages used in computing Class prices are: butter \$2.0680, NDM \$1.3728, cheese \$1.7449, and dry whey \$0.4234. The Class II butterfat price is \$2.3037 and the Class III/IV butterfat price is \$2.2967. Further information may be found at: www.ams.usda.gov/AMSv1.0/PriceFormulas2011

CONSUMER PRICE INDEX (BLS): The January CPI for all food 222.9, up 1.8% from a year ago. The dairy products index is 202.3, up 1.7% from a year ago. The following are the January to January changes for selected products: fresh whole milk is +2.2%; cheese +1.7%; and butter +19.6%.

JANUARY 2011 DAIRY PRODUCTS (NASS): Butter production was 166.5 million pounds in January, 2.7% above January 2010 and 5.4% above December 2010. American type cheese production totaled 362.7 million pounds, 4.4% above January 2010 but 2.3% below December 2010. Total cheese output (excluding cottage cheese) was 883.4 million pounds, 5.0% above January 2010 but 2.7% below December 2010. Nonfat dry milk production, for human food, totaled 116.8 million pounds, 9.2% below January 2010 and 17.4% below December 2010. Dry whey production, for human food, was 86.6 million pounds, 5.0% above January 2010 and 2.9% above December 2010. Ice cream (hard) production totaled 55.8 million gallons, 0.7% above January 2010 and 6.7% above December 2010.

DECEMBER FEDERAL MILK MARKETING OVER-ORDER CHARGES (AMS): For December 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.18 per cwt., up \$0.07 from the November 2010 average. Ninety-one percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.81 in the Pacific Northwest to \$2.88 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.14 per cwt., up \$0.03 per cwt. from the November 2010 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

CME GROUP

MONDAY, FEBRUARY 28, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$1.9525; 3 CARS 40# BLOCKS: 1 @ \$1.9875, 1 @ \$1.9900, 1 @ \$1.9925; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8225
 BUTTER -- SALES: 7 CARS GRADE AA @ \$2.0200; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9700; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0300

TUESDAY, MARCH 1, 2011

CHEESE -- SALES: 4 CARS 40# BLOCKS: 2 @ \$1.9925, 2 @ \$1.9950; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9500; 1 CAR 40# BLOCKS @ \$1.9950; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.8225
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0225; LAST OFFER UNCOVERED: NONE

WEDNESDAY, MARCH 2, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$1.9625; 1 CAR 40# BLOCKS @ \$2.0000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8150
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.1150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, MARCH 3, 2011

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.9700, 1 @ \$1.9725, 1 @ \$1.9800; 3 CARS 40# BLOCKS: 1 @ \$2.0025, 1 @ \$2.0050, 1 @ \$2.0075; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$2.1150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, MARCH 4, 2011

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$2.0100; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$2.0200; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.7000; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.8150
 BUTTER -- SALES: 7 CARS GRADE AA @ \$2.1150; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1175; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price advanced \$.0025 on Tuesday and closed at \$2.0225. Butter prices reversed their downward trend after the President's Day holiday and have since advanced \$.0175. Some of the reason for the price trend reversal was the conclusion of "old crop" butter trading on the CME Group, which ended February 28. Cream demand improved this week as cream cheese makers increased their production schedules in preparation for the Passover holiday. Multiples moved higher and ranged mostly from 122-128. Some manufacturing plants sold cream rather than make butter, while others made butter for current orders with limited additions to inventories. Export butter interest remains fairly good. Domestic demand remains fairly good in some areas in the Northeast. Inventories are below year ago levels as plant managers continue to be reluctant to build inventories at current price levels and limited hedging options. Prices for bulk butter range from 5-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME Group cash butter price has gained 11 cents in the five most recent trading sessions to settle at \$2.1150 at midweek. The current cash price, highest since November, compares to \$1.4250 at this time in 2010 and \$1.1500 in 2009. Butter producers and handlers continue to question themselves as to what should they do with inventory management. Most butter producers remain hesitant to generate significant butter for inventory, but are enhancing inventories slowly. Many are stating that the time is at hand or very near that they need to figure out their inventory strategy. Most butter producers and handlers are managing much lighter inventories than desired for this time of the season and realize that if they do not act soon on inventory building, they may be without later in the year. Some domestic butter producers are indicating that international buyers are looking to the U.S. market for butter supplies. For some, domestic production is being geared to fill this international buyer interest, realizing near term financial returns, and foregoing butter production for their own needs. Many are

questioning if they are making the right production decisions, but at least they are maintaining steady production schedules. Domestically, butter demand is holding steady at fairly good levels. Many butter suppliers are quite surprised at the steady/good call for butter at both the retail and food service levels. Upcoming Easter/Passover orders continue to develop. Suppliers indicate that scattered scheduled features will be occurring at retail during the upcoming holiday period. 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 \$.0925 higher at \$2.1150. Wednesday's higher price exceeded the \$2.1000 level that had held for most of January and much of February. Sales at the CME Group this week were moderate although the large increase occurred on only one sale Wednesday. Western butter prices are at historically high levels for this time of year. The high prices have added to some delays in purchasing, although sales are reported good in most areas. Buyers are increasingly interested in making purchases above immediate needs to insure inventories for use later in the year. Manufacturers report good export interest on top of domestic demand. Stocks are at reduced levels compared to previous years and are increasing slowly. 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. According to the CME Group, weekly butter stocks in CME approved warehouses increased 2.8 million pounds to a warehouse adjusted 22.4 million pounds. Adjustments in the number of warehouses from 81 to 74 was noted. The total of 22.4 million pounds compares to 60.4 million pounds in 2010 and 74.7 million pounds in the comparable week in 2009. CME Group average price for February 2011 for butter is \$2.0622 compared to \$1.3561 for February 2010. According to the Economic Research Service, the *Commercial Disappearance* of butter for January-December 2010 totals 1.63 billion pounds, up 3.9% from the same period in 2009 on a daily average basis.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
February 26	1.8810 10,582,413	1.8878 8,422,169	1.4027 17,533,704	2.0355 3,922,387	0.4288 10,022,494

CHEESE MARKETS

NORTHEAST

Trading on the CME Group Tuesday saw barrels close unchanged at \$1.9525 and blocks advancing \$.0025 to \$1.9950. Cheese prices are showing signs of leveling off as barrels have advanced only \$.0075 in the past 5 trading sessions, while blocks have advanced \$.0125. Price increases have resulted in higher wholesale prices for all varieties with the exception of Swiss Cuts which were unchanged. Some cheese makers have voiced concern that the higher CME Group cheese prices may limit future sales. Cheese makers continue to purchase increased volumes of condensed skim in lieu of higher priced nonfat dry milk. Cheese production is steady with some production increases in cream cheese ahead of the Passover holiday. Demand remains good for mozzarella, provolone and aged cheddar cheese.

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

Cheddar 40# Block	:	2.3025-2.5775
Process 5# Sliced	:	2.0525-2.3625
Muenster	:	2.3225-2.5275
Grade A Swiss Cuts 10 - 14#	:	3.0525-3.3750

MIDWEST

The cheese market is showing signs of approaching the peak in the current price cycle at the CME Group cash cheese market. Buyers, purchasing on prices based on monthly averages, built inventory in February to beat the nearly 40 cent increase in the March monthly average prices. Other customers, using weekly prices, may have slowed purchases while prices were rising and may need to rebuild low working stocks. Higher prices may slow branded demand in favor of usually lower priced store brands. Bulk cheese demand is slower and inventory is starting to build despite efforts to keep minimal levels at higher prices. American offerings are increasing but still remain in the load or two levels more so than multiple load volumes. Some better interest is noted in processing solids to reduce the cost per pound. Natural interest remains better overall than process items. Cheese production is generally about steady. Yields remain at good seasonal levels due to limited slippage in components.

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

Process American 5# Loaf	:	2.1700-2.4975
Brick And/Or Muenster 5#	:	2.3100-2.4950
Cheddar 40# Block	:	2.1500-2.5650
Monterey Jack 10#	:	2.2400-2.5650
Blue 5#	:	2.8125-3.0300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2300-2.6650
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
		:	
02/28/11	6,312	:	128,085
02/01/11	4,506	:	127,109
CHANGE	1,806	:	976
% CHANGE	40	:	1

WEST

Cheddar Barrels on Wednesday at the CME Group are up \$.0100 at \$1.9625. 40 Pound Blocks are \$.0050 higher Wednesday at \$2.0000. For the week, Barrels and Blocks are \$.0125 higher. Except for one unchanged day, Blocks have increased on a daily basis since January 21. Barrels are following the Blocks upward. Three loads of Barrels were sold this week, with eight loads of Blocks being sold. Western cheese production schedules are busy as inventory continues to clear in the face of higher wholesale prices. Retail demand is clearing contracted needs with large processors limiting some purchases to immediate needs. Export sales have slowed, but are still being assisted by CWT funds to eligible cooperatives. USDA's Economic Research Service reports that *Commercial Disappearance* of American Cheese for January-December 2010 stood at 4.26 billion pounds, 1.7% more than the same period last year on a daily average basis. Disappearance of Other Cheese for January-December 2010 was 6.39 billion pounds, 4.1% higher or 250 million pounds more than the same period last year on a daily average basis. The CME Group monthly average price for February 2011 for Barrels is \$1.8680 compared to February 2010 at \$1.4182. Blocks averaged \$1.9064 for January 2011 compared to \$1.4526 for last year.

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

Process 5# Loaf	:	2.0725-2.3300
Cheddar 40# Block	:	2.1125-2.4650
Cheddar 10# Cuts	:	2.2925-2.5125
Monterey Jack 10#	:	2.3025-2.4625
Grade A Swiss Cuts 6 - 9#	:	2.6300-3.0600

FOREIGN

The CME Group block cheese price advanced \$.0025 Tuesday and closed at \$1.9950. The block cheese prices have leveled off somewhat, having risen only \$.0125 in the past 5 trading sessions. Price increases have resulted in higher wholesale prices for all domestic varieties with the exception of Swiss Cuts, which remained unchanged.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Blue	: 2.6400-4.6900	: 2.4425-3.9300*
Gorgonzola	: 3.6900-5.9900	: 2.9450-3.2050*
Parmesan (Italy)	: -0-	: 3.7825-3.9750*
Provolone (Italy)	: 3.4400-5.8900	: 2.4850-2.6425*
Romano (Cows Milk)	: -0-	: 3.6325-5.7750*
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	220	0	180	0	132
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Northeast and Mid-Atlantic regions is gradually increasing and adding to the manufacturing milk supply as Class I demand has leveled off. In the Southeast region, heavy rains in Kentucky and Tennessee have caused some flooding and some milk quality issues as somatic cell counts have increased due to the muddy/sloppy conditions. Warmer weather in Florida is raising soil temperatures initiating some pasture growth, but drought conditions continue in many areas, limiting major improvement in pasture conditions. Supplemental hay feeding continues as pastures are rated as 39% poor to very poor and 45% fair. Herd sizes and milk production are increasing in Florida with some areas noting production 5-6% higher than this time last year. The increased production and flat Class I demand has increased the number of export loads to 220 this week. Cream demand improved this week as cream cheese makers expanded their production schedules for kosher items ahead of the Passover holiday. Multiples ranged mostly from 122-128. Condensed skim is moving well through contracts to Class II and III concerns with additional spot loads being sold to cheese makers 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	-	2.4522-2.5728
F.O.B. producing plants: Upper Midwest	-	2.3432-2.5452

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices	-	1.42 - 1.49
Northeast - Class III - spot prices	-	.94 - 1.04

MIDWEST

Class I interest was uneven, often lighter after the big push last week to beat the higher March Class I prices. A few other states/locations were stronger where schools were out on break last week. Class II interest was about steady with recent weeks. Cream buyers were more interested in cream if prices were based on the market date of ship, at least until Wednesday, March 2, when butter prices increased sharply. The midweek increase boosted cream interest based on last week's average. Spot cream interest seemed to be a little stronger from ice cream and cream cheese accounts. Condensed skim interest remained good with some producers running out of truck loading time. Manufacturing milk interest seemed to be a little softer as cheese demand is often slowing as prices increase. Spot manufacturing milk prices are about steady though with not enough prices to provide a range. Fat and protein levels in January milk were well above recent year averages. January was also a good month for milk quality (see graphs on page G1). Manufacturers are able to get solid seasonal yields. Current milk intakes are steady to slightly higher seasonally. With milk prices increasing, more producers are trying to push cows harder. Concern remains over high feed costs and feed availability both through spring and next year.

WEST

According to NASS, January *Milk Production* for the 23 surveyed states totals 15.2 billion pounds, up 2.7% or 395 million pounds from last year. Monthly milk production per cow for the 23 surveyed states was 29

pounds more than January 2010. January milk production for selected Western states is as follows: Arizona +7.5%, California +0.7%, Colorado +8.5%; Idaho +5.3%, New Mexico +6.1%, Oregon +4.1%, Utah +1.3%, and Washington +2.3%. Compared to January 2010, the Arizona herd is up 16,000 head, California -11,000, Colorado +7,000; Idaho +23,000, New Mexico +5,000, Oregon +5,000, Utah +3,000, and Washington +6,000. These 8 states are up 47,000 and the 23 surveyed states are up 82,000. January cow numbers in these 8 states were 4,000 more than last month. According to the NASS *Agricultural Prices* report for February, mid-month U.S. prices for baled alfalfa hay were \$127/ton, \$17/ton more than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$145, +\$35; California \$170, +\$61; Colorado \$135, +\$10; Idaho \$149, +\$42; Nevada \$143, +\$38; New Mexico \$165, +\$20; Oregon \$160, +\$50; Utah \$113, +\$13; and Washington \$130, +\$15. The February 4a price (butter/powder) in CALIFORNIA is \$17.88, up \$1.39 from January and \$5.04 higher than last year. The February 4b price (cheese) is \$16.92, \$4.43 higher than January and \$3.97 higher than last year. January 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.25 billion pounds, 5.1% higher than last year, according to CDFR. The January blend price, at a fat test of 3.83%, is \$15.64, 77 cents higher than December and \$1.24 more than January 2010. The percentage of receipts used in Class 1 products 15.4%. The January quota price is \$16.12 and the over quota price is \$14.42. These prices are \$0.70 higher than December and 94 cents higher than a year ago. CALIFORNIA milk production is trending mostly steady to occasionally higher. In general, current weather conditions are not a big influence on milk cows. There are some areas of rain in the state. Wet conditions earlier in the year have generally subsided as time has passed. Water conditions are favorable following a heavy snowpack year. Milk prices are continuing to move higher and being reflected at the farm level. There is a general cautious tone surrounding the producer segment because of uncertainties about the length of time these pricing levels will continue. Higher feed costs and other inputs are also negative factors, along with a more constrained financing environment. Processing plants are mostly running well. Some cheese plants are seeking more milk. ARIZONA milk output levels are mostly steady with recent weeks. Some slight increases are noted for daily plant intakes, but are not sustaining. Plants are running along expected levels. Class I demand is steady to lower this week. With higher March pricing in effect, some buyers made a bigger push last week. CREAM prices are steady to trending firmer and reflect both higher basing points and multiples. Demand is sporadic across product lines. Some contacts are noting better demand from ice cream producers. Other cream buyers are looking for additional coverage for later in the year needs and are finding little, if any, being made available. Many processors are concerned about the levels of fat they will have available for their presently committed needs and are not willing to negotiate on further loads. The CME Grade AA butter price moved 11 cents higher over the last week to close at \$2.1150 on Wednesday, March 2. Cream multiples have been slightly firmer, especially on the top end of the 102-123 range and vary based on class usage and basing point. The PACIFIC NORTHWEST coastal areas experienced a variety of late winter squalls this week. Cold rains, sleet and snow made for uncomfortable conditions. Milk production was mostly unaffected in the region. Movement of milk to processors was not an issue. Higher dairy commodity prices are raising expectations for milk prices. Dairy farmers are increasingly optimistic, although feed costs and energy costs are causing some concerns. UTAH and IDAHO milk production continued at above year ago levels. The increased production is being readily handled locally. Weather in the region is transitioning from winter conditions to early spring temperatures. Dairy farmers are watching fuel prices rise quickly along with high feed inputs. Hay supplies in the region are tight and reflected in higher prices where available.

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: Central nonfat dry milk prices are higher on a mostly firm market. Some resales of NDM from end users are reported this week. A few operations with NDM holdings and access to condensed skim for current use are finding active interest in the spot market for the NDM. Some delays in NDM contract deliveries are reported, with deliveries lagging by one to two weeks. Nonfat dry milk production is steady at most locations to trending higher, with weekends offering the most opportunities to schedule continuous drying. Midweek sales of condensed skim are clearing intakes readily. A few plants report that although dryers are running, a portion of finished product is destined for internal use versus spot or contract fulfillment. Low heat NDM is leading production scheduling at many locations with contract fulfillment needs. One or two plants with variable milk intakes scheduled high heat NDM production runs to clean up this week's milk volumes. According to NASS, NDM production in the Central region totaled 9.4 million pounds during January 2011, 29.7% less than one month ago and 15.7% less than one year ago.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of human food NONFAT DRY MILK during January 2011 totaled 116.8 million pounds, down 17.4% from December 2010 production and 9.2% lower than January 2010. Month ending stocks, at 97.7 million pounds, are 32.4% lower than a month ago and 29.2% lower than one year ago. January 2011 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 40.0 million pounds, 47.1% higher than one month ago and 94.3% higher than production one year ago.

EAST: Prices for nonfat dry milk continued their upward trend and moved higher this week. The spot market activity remains light with resale transactions accounting for most of the trading activity. Low heat nonfat dry milk resale prices appear to have leveled off in the \$1.80-\$1.90 range. Condensed skim sales to Class II and III concerns are limiting milk volumes going to the dryers. Both low and high heat varieties of nonfat dry milk are being produced on limited schedules. Supplies continue to be tight in the East with current production going to contracted commitments. Demand for nonfat dry milk remains very good with those looking for additional loads having to look outside the region. The latest NASS Dairy Products report indicates nonfat dry milk production in the Atlantic region totaled 12.9 million pounds, 11.0% of the nation's total. The Atlantic region production was 17.3% less than one year ago and 34.7% less than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.4400 - 1.9000 MOSTLY: 1.4800 - 1.7800
 HIGH HEAT: 1.5100 - 1.9000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are mixed this week, with a more unsettled market tone noted. Current spot pricing tests at the top end of the range are finding some further push back at this time. Additionally, the CME NDM prices have been offered lower this week with no sales occurring. Resale trades and offers are being reported as softer off the top end of the range. However, pricing within the reported range is moving higher. Pricing indices are still expected to move higher as more recent trading levels are captured. There is still good demand for NDM and SMP on the world market. Higher prices are noted out of Europe and Oceania. SMP output is higher domestically and being used to fill export demand. Production is seasonally steady. Spot offerings are light from producers. The CME Group NDM markets closed at midweek at \$1.8000 for Extra Grade and \$1.8150 for Grade A. Western high heat market prices are slightly higher. There are limited spot offerings being made now. Demand is generally in line with expectations with some producers a few weeks behind on orders. U.S. NDM production in January 2011 totaled 116.8 million pounds, 9% less than last year. NDM production in the Western region in January totaled 94.5 million pounds, down 7% from last year. The West produced 81% of the U.S. total in January. U.S. manufacturers' stocks of NDM at the end of January were 97.7 million pounds, 29% lower than a year earlier and 32% lower than December. U.S. skim milk powder (SMP) production in January totaled 40.0 million pounds, 94% more than last year and 47% more than December.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3600 - 1.8500 MOSTLY: 1.4700 - 1.7500
 HIGH HEAT: 1.4200 - 1.7200

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are unchanged to higher on a firm market. Various manufacturers indicate sales of butter into the international markets and baking accounts has spurred churning activity, thus allowing additional dry buttermilk production. Availability of dry buttermilk in the Central region is tight, though, leaving the spot market lightly tested.

DAIRY PRODUCTS: NASS Dairy Products reports production of dry buttermilk during January 2011 totaled 11.4 million pounds, 16.6% more than December 2010 production, and 22.3% more than production one year ago. Month ending stocks of dry buttermilk, at 9.6 million pounds, are 11.9% lower than one month ago and 28.2% lower than the stock levels of one year ago.

EAST: Dry buttermilk prices in the East moved higher this week on the low end of the range. The buttermilk market continues to be supported by the strength of the nonfat dry milk market. Cream demand has picked up, resulting in reduced churning schedules and decreased buttermilk production. Sales of condensed buttermilk to ice cream concerns have also limited dry buttermilk production. A majority of current production supplies are moving through contracts with little available for the spot market. Supplies are tight and spot market activity remains very light.

F.O.B. CENTRAL/EAST: 1.4100 - 1.6500

DRY BUTTERMILK - WEST

The Western dry buttermilk market activity remains light, while prices are trending slightly higher in a largely untested trade. Buyers are in the market to cover current needs. Producer offerings remain light outside of contracted needs and some producers are behind on projections to fill current needs. The butter production levels in the region are mainly steady and along expectations. Buttermilk powder production in January 2011 for the U.S. totals 11.4 million pounds, up 22.3% from last year. Buttermilk stocks at the end of January are 9.6 million pounds, 28.2% lower than a year ago and 11.9% lower than last month.

F.O.B. WEST: 1.3800 - 1.5400 MOSTLY: 1.4200 - 1.4700

DRY WHOLE MILK - NATIONAL

The dry whole milk market is firm. Prices are unchanged, with limited spot market activity. Production is intermittent and dictated by various conditions, including: internal consumption needs, contract commitments, and spot market sales opportunities. Operations with access to the spot market indicate steady to higher dry whole milk production is being worked into the product mix in the near term. The latest globalDairyTrade 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, \$2.2453, +16.2%; Contract 2, \$2.2340, +12.3%; Contract 3, \$1.9369, +2.5%. New Zealand maximum supply volumes by contract period were 1,750 MT, 1,750 MT and 3,500 MT, respectively.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during January 2011 totaled 6.2 million pounds, up 15.9% from December 2010 and 15.3% more than January 2010.

Month ending stocks, at 7.6 million pounds, are 1.1% lower than a month ago but 13.7% higher than one year ago.

F.O.B. PRODUCING PLANT: 1.7500 - 2.0400

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 25	\$1.3605	13,854,271	0
February 18	\$1.3293	14,124,437	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices are fractionally higher, with limited availability of F.O.B. spot market loads leaving that market mostly untested. Demand is steady. Resale spot load availability is also limited, with prices reportedly hovering in the \$.6500 - \$.7000 range. Some manufacturers indicate buyers are actively seeking their monthly loads without any pushback, as concerns about dry whey shortages outweigh worries about week-to-week price fluctuations. A few buyers are stepping up contract load numbers, as supplier availability allows. Some industry participants indicate the Gulfood Show, Dubai, UAE, has generated interest from new offshore customers for dry whey sourced from the United States. With overall domestic edible dry whey production slated to decrease as various plants switch end products, market participants anticipate the Central dry whey market may continue to strengthen in the near term. ANIMAL FEED DRY WHEY prices are unchanged. Availability of spot market loads is limited.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during January 2011 totaled 86.6 million pounds, 2.9% more than December 2010, and 5.0% more than production 1 year ago. January ending stocks of HUMAN FOOD dry whey totaled 44.8 million pounds, 5.2% higher than 1 month ago but 1.2% lower than January 2010. Production of ANIMAL FEED dry whey during January 2011 totaled 4.6 million pounds, 11.8% less than December 2010, and 32.3% more than production 1 year ago. ANIMAL FEED dry whey month ending stocks totaled 3.8 million pounds, 14.7% lower than one month ago but more than double the stocks of one year ago.

F.O.B. CENTRAL: .3600 - .5900 MOSTLY: .3725 - .4225
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2750 - .3800

DRY WHEY - NORTHEAST

Dry whey prices held steady this week. Supplies in the Northeast remain very tight and difficult to source. Current production is steady with most supplies moving through contracts. Resale activity comprises the bulk of the trading activity with the top prices reportedly between 60 and 65 cents. Those looking for additional supplies are looking out of the region with limited success. Domestic and export demand remain good supporting the market's firm undertone. The latest NASS Dairy Products report shows production of dry whey for human consumption for January 2011, in the Atlantic area totaled 18.0 million pounds, or 21.0% of the nation's total for January of 86.6 million pounds. The Atlantic area's production is 0.2% below December and 12.0% below production one year ago.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .4075 - .4325

DRY WHEY - WEST

Western dry whey sales activity was uneven for the week. Contract sales constituted the bulk of sales reported by manufacturers. Lower prices for the full price range are reflecting the limited spot activity. Whey production is currently lagging behind demand and limiting spot sales. Prices are steady to firm for the mostly series as pricing formulas for contracts are adjusted. Spot load availability was limited to mostly resellers. Resale loads are reported well above the range this week. Very good export demand has further limited supplies of spot whey for domestic use. According to the NASS Dairy Products report, total dry whey production in January was 91.2 million pounds, up 6.1% or 5.2 million pounds compared to January 2010. The Western region produced 27 million pounds of human dry whey in January, up 32.1% or 6.6 million pounds from last year. The West produced 31.2% of the human dry whey in the U.S. in January. Manufacturers' stocks at the end of January for total dry whey are 48.6 million pounds, up 3.5% or 1.7 million pounds from last year.

NONHYGROSCOPIC: .4050 - .5775 MOSTLY: .4400 - .5150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Challenging market conditions continue for buyers of WPC 34%. Spot load participation is intermittent for many manufacturers. Some contract deliveries lag their scheduled arrival dates, but various buyers indicate the lag time is not increasing. Manufacturers are working to clear up those delayed loads, which limits spot market participation.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during January 2011 totaled 20.0 million pounds, 0.8% less than one month ago, but 0.5% lower than production of one year ago. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 15.8 million pounds, 6.3% less than December 2010 and 24.4% less than January 2010.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0200 - 1.2750 MOSTLY: 1.0300 - 1.1300

LACTOSE - CENTRAL AND WEST

The lactose range price series widened while the top of the mostly price range increased by 1 cent. Second quarter contract discussions are underway between some sellers and buyers for lactose. Demand from edible market sectors is termed steady to higher as many buyers seem disinclined to rely on spot market loads to meet a majority of their input needs. Prolonged tight supplies of dry whey for use within the animal feed industry have created a new set of nontraditional end users within the lactose market. While their blended feed product is destined for animal feed use, many of these buyers prefer/demand edible quality lactose. Because many of these new lactose buyers did not traditionally use lactose, most of their activity has been within the realm of the spot market. With the approach of a new contracting period, some of these newer buyers are trying to obtain lactose via contracts instead of continuing in the spot market. This has strengthened lactose demand during the first quarter and helped keep inventories at modest levels. Also, some manufacturers with multiple end-product lines are using lactose internally as a standardizing medium. This, too, is moderating lactose holdings.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during January 2011 increased 1.7% compared to December 2010 to 81.7 million pounds and was 22.2% higher than January 2010 production. Month ending stocks, at 80.3 million pounds, are 0.9% less than one month ago, but 30.7% higher than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2900 - .5200 MOSTLY: .3300 - .4000

CASEIN – NATIONAL

Casein markets and prices are firm. Although low first quarter contract prices are reflected in the reported price range, current pricing is higher and will continue to firm. A significant supplier of casein has closed the door for all dairy product exports from their country, which is causing industrial grade casein buyers to look to other supply sources for needed volumes. Often, buyers are reaching to the edible market. Dealing with an already tight supply situation, firm prices are being secured for available offerings. This current market activity is causing rennet and acid price quotes for upcoming quarters to be significantly higher. Already, domestic buyers are hearing of 3rd quarter price quotes above \$5.00 per pound.

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 - 4.6000
ACID: 4.2800 - 4.6500

EVAPORATED MILK - NATIONAL

Canned evaporated milk production during January 2011 totaled 39.0 million pounds, a decrease of 6.2% from December 2010 but 1.9% higher than January 2010. Manufacturers' end-of-month stocks totaled 61.3 million pounds, 17.4% higher than one month ago and 3.2% higher than one year ago.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 28 – MARCH 4, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 02/25/11	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 02/12/11 & Comparable Week 2010

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	8.9	4.1	20.5	5.6	N.A.	N.A.	18.3	3.7	63.6	429.5	53.3	48.7
2010-Dairy	N.A.	0.4	5.8	2.5	15.2	5.4	0.4	N.A.	16.9	3.8	52.0	380.3	48.8	44.3
2011-All cows	0.1	0.7	11.1	14.0	31.9	17.5	N.A.	N.A.	20.8	6.6	119.4	881.9		
2010-All cows	N.A.	0.5	7.3	11.2	28.6	15.6	13.7	N.A.	19.0	6.7	106.5	857.9		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

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

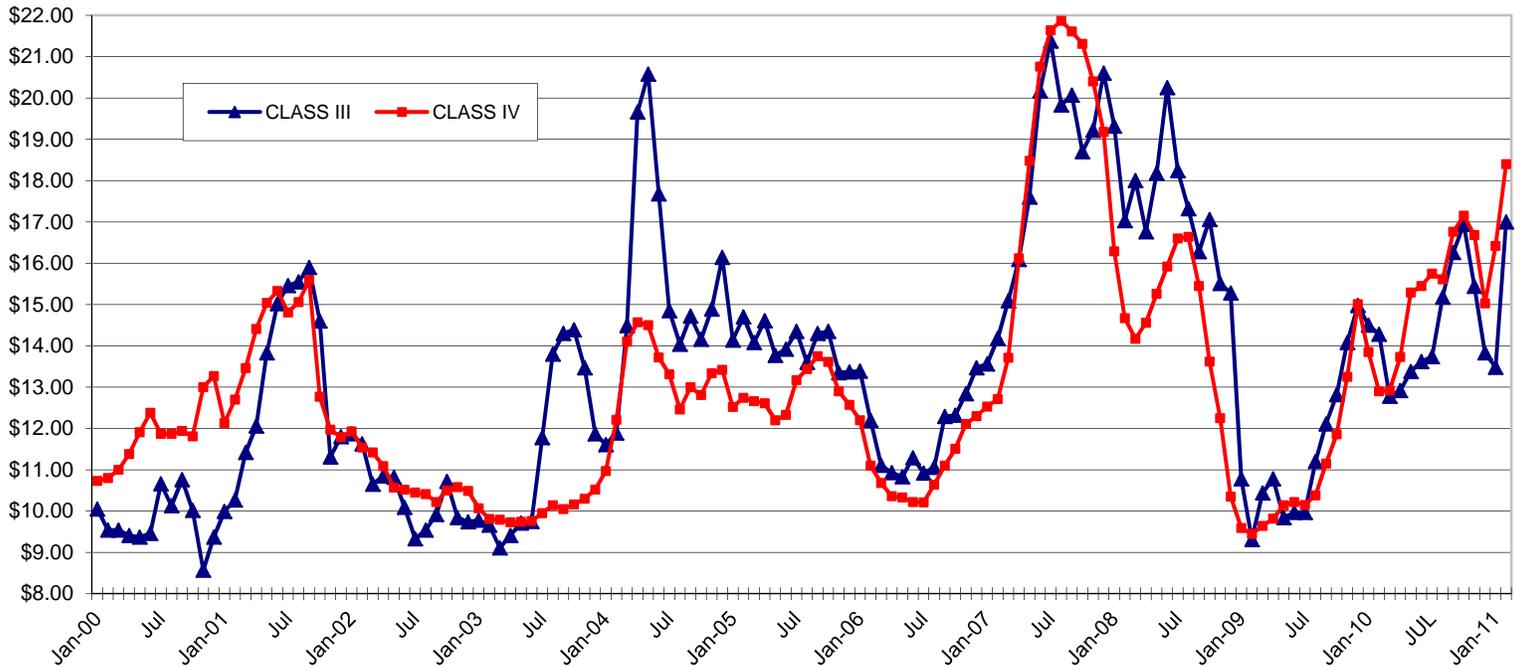
FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89	18.23									
II	16.79	17.97										
III	13.48	17.00										
IV	16.42	18.40										

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

Per Cwt.

CLASS III & IV MILK PRICES, JAN 2000 TO DATE



INTERNATIONAL DAIRY MARKET NEWS—EUROPE

Information gathered February 21 - March 4, 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: The European milk production season continues to develop in Western regions. Some milk handlers and processors are indicating that milk volumes are increasing at a slower rate than in recent years, but remain very optimistic about the upcoming season. Most milk processing facilities have completed winter maintenance work and are ready to receive milk. The big question for many is how will milk volumes be utilized. In light of current firm prices and potentially strong domestic and international buyer interest, will early estimates and projected production plans be maintained throughout the season. Already some manufacturers, especially casein producers, are concerned about milk disposition. Some are speculating that strong butterfat and skim milk powder markets may be more financially attractive and prudent for milk volumes, thus reducing casein production projections. European traders and handlers are stating that international buyer interest is quiet for the moment. They are speculating that renewed buyer interest will soon resume, especially as the European milk production season develops. March is a very active month for European milk producers and processors. March 1 was the opening day for intervention and PSA. With very firm prices for both butter and skim milk powder, manufacturers and handlers are not anticipating any stocks to clear to intervention. During the period of March 2010 – February 2011, no butter or skim milk powder cleared to intervention and a significant portion of uncommitted skim milk powder was sold back to the trade in recent months. At the March 3 Dairy Management Committee meeting in Brussels, 300 MT of intervention skim milk powder were sold at a minimum bid of 2,521 Euros per MT. Following this sale, there are about 50,000 MT of uncommitted intervention powder remaining in the program. With the PSA butter storage program just opening on March 1, no official data is available pertaining to early offerings. Most in the trade feel that some butter will clear to the program during the open season, but speculate that the total volumes will be much lower than in recent years. By the start of the new program on March 1, all of the previous year's offerings have been cleared. By March 31, the 2010 – 2011 milk quota year will come to a close. For most countries, outside of Denmark, The Netherlands, Austria, and possibly Spain and Ireland, milk volumes will be within quota guidelines. In years past, Italy was often over quota, but this year, they received all of their remaining quota increases for the balance of the program and are within guidelines.

BUTTER/BUTTEROIL: European butter and anhydrous milk fat markets and prices are firm. Milk production remains seasonally low, but is increasing slowly, thus very minimal volumes of new stock butter are being churned or available. Most traders and handlers anticipate that butterfat will once again be tight and very competitive during the upcoming year. Internationally, butterfat is tight and potential buyers are reaching further than regular sources to seek needed volumes if available. On March 1, Europe's private storage program (PSA) for butter opened. Butter can be offered to this program and must be held in the program for a minimum of 6 months before it can be removed. Thus, early offerings in March can be removed in Early August. Butter producers and handlers feel that some volumes will clear to the program, but are speculating that total volumes will not be as heavy as in recent years. Since March 1 was just earlier this week, no official PSA data is available for the new program.

82% BUTTERFAT:	5,650 - 5,875
99% BUTTERFAT:	6,075 - 6,500

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are firm. Butter/powder production in Europe remains limited as milk production is just resuming. Stocks of new skim powder are limited, thus minimal new sales are being reported. International buyers are returning to the marketplace looking for product later this spring and early summer, with some producers and handlers in negotiations with these buyers. Often in these negotiations, price is the challenging component for both the seller and buyer. Recent commercial strength and mixed results

realized at the March 1 g/DT auction are causing negotiations to be challenging. At the March 3 Dairy Management Committee meeting in Brussels, 300 MT of intervention skim milk powder were sold at a minimum price of 2,251 Euros (about \$3,500) per MT. Following this sale, about 50,000 MT of intervention powder is available for potential sale. March 1 marked the opening of intervention for skim milk powder. No powder was cleared to the program during the 2010 – 2011 open season and traders and handlers do not anticipate any powder to clear to the current program.

1.25% BUTTERFAT:	3,675 - 4,300
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to firm with prices unchanged to higher. International buyer interest is quiet, but traders are anticipating that it will not be too far into the future before more activity is reported. Supply availability will be a major factor for buyers. Already, some international buyers are looking beyond regular sources for their full needs and European traders speculate that more buyers will be looking to Europe than in recent years. At this point, European suppliers are anticipating a positive milk production season and project that they will have uncommitted stocks for additional buyer interest.

26% BUTTERFAT:	4,750 - 5,000
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SWEET WHEY POWDER: European whey powder markets and prices are firm. Milk production is just starting to gain momentum, thus cheese production is minimal and whey volumes are limited. Whey stocks from last season are basically committed or, if available, higher priced than desired. Animal feed buyers are in the edible market to secure stocks for their needs which is limiting stocks for edible buyers.

NONHYGROSCOPIC:	1,375 - 1,650
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EASTERN OVERVIEW: Eastern European milk production remains at seasonal low levels as this region typically trails their Western counterparts by about 6 weeks or so. Milk handlers anticipate that milk receipts will start to show increases as the month unfolds. Traders and handlers are stating that international buyer interest is starting to occur, but no significant sales are being reported as of yet. Manufacturers and handlers are projecting a positive milk production season and feel that they will have fully sufficient stock volumes to meet domestic needs with additional uncommitted volumes for other buyer interest.

Exchange rates for selected foreign currencies: February 28, 2011

1.0294 Canadian Dollar	.0221 Indian Rupee
.2484 Argentina Peso	.7524 New Zealand Dollar
.0826 Mexican Peso	1.0181 Australian Dollar
.3486 Polish Zloty	.0122 Japanese Yen
	1.3799 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 21—March 4, 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

OVERVIEW: Milk production in New Zealand continues to edge lower. Milk producers and handlers are indicating that overall milk output is running about 1% ahead of last season, but at lower levels than was previously projected earlier in the year. Early season milk production projections for the year were running in the 3 – 5% range. Lack of moisture in the major milk producing regions of the North Island a few months ago greatly impacted annual milk output and milk production has not been able to recover from the effects of that weather pattern. The devastating earthquake in Christchurch on the South Island of New Zealand last week had minimal impact on New Zealand's dairy industry, other than distribution logistics both locally and at the port. Reports of minimal disruptions to dairy operations in the areas were heard. At one storage location, walls to the structure were damaged to the point that stored inventory was exposed to the elements and will potentially have to be disposed of rather than enter food distribution channels. Milk production in Australia continues to edge lower. Milk production data out of Australia indicates that output during December was down 1.7% when compared to December 2009, but is slightly (0.1%) ahead of last season on a year to date basis. During December, output in the major milk producing region, Victoria, was 3.5% less than last December and is running 2.4% behind on a year to date basis. Milk producers and handlers in the Victoria region that were impacted by heavy rainfall and flooding in late January and early February are recovering pretty well and most operations are now back to where they were prior to the adverse weather conditions. Although Queensland is not a significant dairy region for Australia, milk production still occurs and recent heavy rainfall and flooding did disrupt the dairy industry. The majority of milk produced in this region is generated for and cleared through local outlets. Farms were isolated by high water levels, thus milk pickup was not feasible. A review of the impact from recent flooding is still not completed, but many feel that the dairy industry in this region might see some dramatic changes for the future. Oceania traders and handlers are indicating that supply availability, or lack of, is now driving the market. Often, supplies have been fully committed early on in the milk production season and manufacturers and handlers are now trying to meet those commitments with minimal volumes of spot availability being reported. International buyers are very active in the marketplace looking for needed volumes and are having to reach beyond Oceania sources. At the March 1 g/DT event, prices during the various contracting periods were mixed, but overall, prices are higher. 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, \$6,424, +1.1%; buttermilk powder did not trade at this auction; skim milk powder, \$3,977, +2.3%; and whole milk powder, \$4,619, +9.6%.

BUTTER: Oceania butter markets and prices are firm. Butterfat continues to be limited for full trade needs. Often, suppliers are not acknowledging

new buyer interest as they fulfill previous commitments. International buyer interest is strong and often going unfilled from Oceania suppliers. At the March 1 g/DT event, anhydrous milk fat averaged \$6,424 per MT, 1.1% higher than the previous event average. Near term contracts (May) averaged \$6,427 per MT, +1.9% from the previous contract 1 period; \$6,450, +1.2% for the contract 2 (June – August) period; and \$6,378, -0.7% for the contract 3 (September – November) period. Commercial anhydrous milk supplies are limited and running in the \$6,400 – 6,500 per MT range.
82% BUTTERFAT: 4,600 - 5,100

SKIM MILK POWDER (SMP): Oceania skim milk powder prices and markets are firm. Supplies are limited and what supplies are uncommitted are quickly absorbed in the spot market. Traders and handlers are indicating that the current powder market is driven by supply availability or lack thereof. Buyers are aggressively looking for supplies and often paying a firmer price if supply is located. At the March 1 g/DT event, skim milk powder prices averaged \$3,977 per MT, 2.3% higher than the previous event average. Near term contracts (May) averaged \$4,042 per MT, 2.8% higher than the previous contract 1 average; contract period 2 (June – August) averaged \$4,078, +5.8%; and for contract period 3 (September – November) \$3,782, -3.1% from the previous contract 3 average.
1.25% BUTTERFAT: 3,700 - 4,300

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices in the Oceania region are firm, especially for near term and contract period 2 volumes purchased at the most recent global Dairy Trading (g/DT) event. The overall average for all contracting periods at the March 1 g/DT event averaged \$4,619 per MT, 9.6% higher than the previous event average. Near term contracts (May) averaged \$4,958, +15.4%; contract period 2 (June – August) averaged \$4,935, +12.3%; and for contract period 3 (September – November), \$4,291, +2.6%. Traders and handlers indicate that there is a supply gap between supplies and need. In most instances, there are no uncommitted supplies at this time with international buyer interest very active. In most instances, spot buyers are having to look outside of the Oceania region for potential supplies with this inquiry equally challenging.
26% BUTTERFAT: 4,300 - 4,950

CHEDDAR CHEESE: Cheddar cheese markets in the Oceania region are steady to firm with prices generally unchanged to slightly higher. Traders and handlers are stating that cheese sales are following along known and projected lines. Most cheese sales have been prearranged with minimal spot buyer interest being reported. Milk production in the Oceania region is sufficient to maintain steady cheese production schedules for known needs. Most manufacturers and handlers are projecting that they will have minimal, if any, carryover volumes at the end of the current production season.
39% MAXIMUM MOISTURE: 4,300 - 4,600

MARCH 1, 2011
Global/Dairy Trading (g/DT) event recap
US \$ per metric ton

Average prices and Changes in price Indices from Previous event	Contract #1 May 2011	Contract #2 June - August 2011	Contract #3 September- November 2011	All Contracts
Anhydrous Milk Fat	\$6,427	\$6,450	\$6,378	\$6,424
	1.9%	1.2%	-0.7%	1.1%
Buttermilk Powder	N.A.	N.A.	N.A.	N.A.
	N.A.	N.A.	N.A.	N.A.
Skim Milk Powder	\$4,042	\$4,078	\$3,782	\$3,977
	2.8%	5.8%	-3.1%	2.3%
Whole Milk Powder	\$4,958	\$4,935	\$4,291	\$4,619
	15.4%	12.3%	2.6%	9.6%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	02/16	02/17	02/18	02/21	02/22	02/23	02/24	02/25	02/28	03/01	03/02
CME - CLASS III MILK FUTURES (Pit-Traded)											
FEB 11	16.93 (5023) 0	16.98 (4945) 0	16.99 (4885) 0	NO TRADING	16.98 (4891) 0	17.04 (4934) 0	17.00 (4934) 0	17.07 (5033) 0	17.05 (5069) 0	17.08 (5056) 0	17.07 (5058) 0
MAR 11	18.94 (6153) 10	18.91 (6304) 0	18.51 (6355) 0		18.77 (6361) 10	18.75 (6425) 0	18.73 (6472) 22	19.07 (6452) 60	19.19 (6533) 5	19.44 (6548) 25	19.47 (6568) 0
APR 11	18.78 (5551) 5	18.56 (5832) 1	18.06 (5889) 1		18.15 (5827) 0	17.61 (5856) 17	17.15 (5894) 0	17.81 (5727) 19	17.94 (5768) 7	18.11 (5799) 0	18.07 (5813) 2
MAY 11	18.33 (4564) 0	18.23 (4641) 1	17.85 (4713) 1		17.89 (4677) 0	17.49 (4669) 7	16.91 (4685) 0	17.33 (4619) 6	17.40 (4640) 6	17.50 (4638) 0	17.37 (4644) 0
JUN 11	17.94 (3620) 0	17.87 (3676) 2	17.56 (3682) 9		17.40 (3683) 0	17.06 (3648) 7	16.62 (3678) 0	16.98 (3677) 18	16.95 (3680) 5	17.05 (3684) 0	16.90 (3655) 0
JUL 11	17.73 (2485) 0	17.65 (2535) 12	17.44 (2603) 1		17.37 (2604) 0	17.05 (2636) 5	16.74 (2604) 0	17.00 (2661) 18	16.97 (2661) 5	17.07 (2673) 2	16.99 (2649) 0
AUG 11	17.56 (2323) 0	17.55 (2364) 11	17.38 (2392) 1		17.34 (2418) 0	17.20 (2439) 5	16.91 (2484) 0	17.06 (2519) 18	17.03 (2511) 5	17.08 (2511) 2	17.00 (2512) 0
SEP 11	17.43 (2310) 0	17.44 (2355) 11	17.34 (2390) 1		17.25 (2380) 0	17.17 (2408) 5	17.00 (2450) 0	17.04 (2460) 18	17.04 (2479) 2	17.10 (2483) 5	17.02 (2492) 0
OCT 11		17.20 (2197) 2	16.93 (2204) 1		16.91 (2219) 0	16.95 (2202) 5	16.92 (2240) 0	16.98 (2280) 18	16.94 (2305) 5	16.97 (2286) 2	16.85 (2306) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)											
FEB 11	18.49 (70) 0	18.49 (70) 0	18.40 (65) 0	NO TRADING	18.40 (65) 0	18.40 (65) 0	18.40 (65) 0	18.40 (65) 0	18.38 (65) 0	18.38 (65) 0	18.38 (65) 0
MAR 11	19.80 (209) 1	19.90 (212) 3	19.80 (212) 0		19.80 (212) 0	19.80 (212) 0	19.75 (212) 0	19.73 (214) 0	19.59 (214) 0	19.59 (221) 7	19.59 (221) 0
APR 11		20.45 (282) 3	20.45 (282) 0		20.45 (283) 0	20.20 (327) 0	20.20 (339) 0	20.14 (339) 0	20.15 (339) 0	20.15 (346) 7	20.20 (347) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)											
FEB 11	207.50 (386) 0	207.50 (386) 0	208.00 (378) 8	NO TRADING	208.00 (378) 0	208.00 (378) 0	208.00 (378) 1	208.00 (378) 0	208.00 (378) 0	208.00 (378) 0	208.00 (378) 0
MAR 11	195.50 (514) 59	195.50 (513) 4	196.50 (511) 7		196.50 (511) 0	197.00 (509) 3	197.00 (509) 0	197.00 (508) 2	200.00 (508) 15	203.00 (506) 4	208.00 (510) 18
APR 11		194.75 (440) 4	196.50 (465) 31		195.00 (470) 5	192.00 (478) 20	192.05 (483) 11	192.00 (483) 1	197.00 (499) 17	200.00 (510) 10	204.98 (523) 28
CME - NONFAT DRY MILK FUTURES (Pit-Traded)											
FEB 11	136.00 (290) 0	136.00 (290) 0	136.50 (290) 0	NO TRADING	136.50 (290) 0	136.50 (290) 0	136.50 (290) 0	136.50 (290) 0	136.50 (290) 0	136.50 (290) 0	136.50 (290) 0
MAR 11	158.00 (254) 0	158.00 (254) 0	158.00 (254) 0		158.00 (254) 0	158.00 (242) 0	158.00 (242) 0	155.00 (243) 0	154.50 (243) 0	154.50 (243) 0	154.00 (243) 0
APR 11		168.00 (189) 0	168.00 (189) 0		168.00 (187) 0	167.00 (201) 0	166.00 (215) 0	162.53 (213) 0	162.53 (213) 0	162.53 (231) 0	162.00 (228) 0
CME - WHEY (Electronic-Traded)											
FEB 11	42.50 (481) 11	42.50 (481) 0	43.00 (479) 2	NO TRADING	43.00 (479) 0	43.00 (479) 0	43.00 (479) 0	43.00 (477) 4	42.98 (477) 0	42.98 (477) 0	42.98 (477) 0
MAR 11	52.75 (302) 5	52.75 (299) 3	53.03 (299) 1		51.00 (300) 3	51.75 (301) 1	50.75 (296) 9	51.50 (297) 5	51.50 (297) 0	51.50 (297) 0	51.50 (297) 0
APR 11		57.90 (317) 2	58.73 (317) 1		58.18 (317) 0	57.98 (318) 12	57.00 (313) 10	55.43 (314) 6	55.90 (315) 1	55.90 (315) 0	55.90 (315) 0
CME - CHEESE CSC (Electronic-Traded)											
FEB 11	1.74 (371) 0	1.74 (371) 0	1.74 (371) 0	NO TRADING	1.74 (371) 0	1.74 (371) 0	1.74 (371) 0	1.74 (371) 0	1.74 (371) 0	1.75 (371) 0	1.75 (371) 0
MAR 11	1.90 (303) 1	1.90 (308) 16	1.86 (310) 13		1.88 (306) 4	1.88 (306) 0	1.88 (312) 36	1.91 (314) 27	1.93 (314) 1	1.95 (314) 0	1.96 (314) 2
APR 11	1.84 (219) 0	1.81 (220) 4	1.77 (217) 23		1.77 (217) 0	1.73 (219) 2	1.67 (243) 43	1.74 (239) 4	1.76 (245) 8	1.78 (245) 0	1.77 (247) 2
MAY 11	1.78 (142) 0	1.78 (142) 0	1.75 (142) 0		1.75 (142) 0	1.71 (143) 1	1.64 (152) 16	1.70 (154) 6	1.71 (154) 0	1.72 (154) 0	1.71 (157) 6
JUN 11	1.75 (138) 0	1.75 (138) 0	1.72 (138) 0		1.72 (138) 0	1.69 (138) 0	1.65 (152) 26	1.67 (152) 0	1.67 (152) 0	1.69 (152) 0	1.69 (172) 22
JUL 11		1.73 (95) 0	1.71 (95) 0		1.72 (97) 2	1.72 (97) 0	1.66 (91) 11	1.66 (91) 0	1.67 (91) 1	1.69 (91) 0	1.70 (94) 9

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

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 5 FEB 01 - 04	REPORT NUMBER 6 FEB 07 - 11	REPORT NUMBER 7 FEB 14 - 18	REPORT NUMBER 8 FEB 21 - 25	REPORT NUMBER 9 FEB 28	2011 Average or Total	2010 Average or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 1.9200 - 2.1950	:: 1.9200 - 2.2925	:: 1.9200 - 2.4000	:: 1.9200 - 2.4575	:: 2.1700 - 2.4975	:: 2.1395	: 1.9124
-- Brick And/Or Muenster 5#	:: 2.0600 - 2.1825	:: 2.0600 - 2.2875	:: 2.0600 - 2.3950	:: 2.0600 - 2.4525	:: 2.3100 - 2.4950	:: 2.2063	: 2.0666
-- Cheddar 40# Block	:: 1.9000 - 2.5650	:: 1.9000 - 2.5650	:: 1.9000 - 2.5650	:: 1.9000 - 2.5650	:: 2.1500 - 2.5650	:: 2.2391	: 2.2659
-- Monterey Jack 10#	:: 1.9900 - 2.5650	:: 1.9900 - 2.5650	:: 1.9900 - 2.5650	:: 1.9900 - 2.5650	:: 2.2400 - 2.5650	:: 2.2841	: 2.2632
-- Blue 5#	:: 2.5000 - 2.7800	:: 2.6050 - 2.7800	:: 2.7125 - 2.7800	:: 2.7200 - 2.7800	:: 2.8125 - 3.0300	:: 2.7197	: 2.5716
-- Mozzarella 5 - 6#	:: 1.9800 - 2.6650	:: 1.9800 - 2.6650	:: 1.9800 - 2.6650	:: 1.9800 - 2.6650	:: 2.2300 - 2.6650	:: 2.3291	: 2.2482
-- Grade A Swiss Cuts 6 - 9#	:: 2.6400 - 3.3300	:: 2.7400 - 3.3300	:: 2.7400 - 3.3300	:: 2.7400 - 3.3300	:: 2.7400 - 3.3300	:: 3.0245	: 2.9666
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 40# Block	:: 1.9900 - 2.2650	:: 2.0950 - 2.3700	:: 2.2025 - 2.4775	:: 2.2600 - 2.5350	:: 2.3025 - 2.5775	:: 2.2843	: 1.9513
-- Process 5# Sliced	:: 1.7500 - 2.0600	:: 1.8475 - 2.1575	:: 1.9550 - 2.2650	:: 2.0125 - 2.3225	:: 2.0525 - 2.3625	:: 2.0558	: 1.7099
-- Muenster	:: 2.0100 - 2.2150	:: 2.1150 - 2.3200	:: 2.2225 - 2.4275	:: 2.2800 - 2.4850	:: 2.3225 - 2.5275	:: 2.2693	: 1.9326
-- Grade A Swiss Cuts 10 - 14#	:: 3.2325 - 3.5550	:: 3.0525 - 3.3750	:: 3.0525 - 3.3750	:: 3.0525 - 3.3750	:: 3.0525 - 3.3750	:: 3.2516	: 3.3932
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 1.7700 - 2.0275	:: 1.8675 - 2.1250	:: 1.9750 - 2.2325	:: 2.0325 - 2.2900	:: 2.0725 - 2.3300	:: 2.0495	: 1.7161
-- Cheddar 40# Block	:: 1.8000 - 2.1525	:: 1.9050 - 2.2575	:: 2.0125 - 2.3650	:: 2.0700 - 2.4225	:: 2.1125 - 2.4650	:: 2.1331	: 1.7951
-- Cheddar 10# Cuts	:: 1.9800 - 2.2000	:: 2.0850 - 2.3050	:: 2.1925 - 2.4125	:: 2.2500 - 2.4700	:: 2.2925 - 2.5125	:: 2.2468	: 1.9088
-- Monterey Jack 10#	:: 1.9900 - 2.1500	:: 2.0950 - 2.2550	:: 2.2025 - 2.3625	:: 2.2600 - 2.4200	:: 2.3025 - 2.4625	:: 2.2268	: 1.8888
-- Grade A Swiss Cuts 6 - 9#	:: 2.8100 - 3.2400	:: 2.6300 - 3.0600	:: 2.6300 - 3.0600	:: 2.6300 - 3.0600	:: 2.6300 - 3.0600	:: 2.8829	: 2.9945
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b	:: 2.5724 - 2.7300	:: 2.4780 - 2.6880	:: 2.3078 - 2.6225	:: 2.2511 - 2.5990	:: 2.4522 - 2.5728	:: 2.5294	: 1.7008
-- Upper Midwest - f.o.b	:: 2.5200 - 2.6250	:: 2.4150 - 2.6460	:: 2.4547 - 2.5596	:: 2.3258 - 2.4967	:: 2.3432 - 2.5452	:: 2.5036	: 1.6453
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 1.29 - 1.34	:: 1.32 - 1.39	:: 1.32 - 1.39	:: 1.42 - 1.49	:: 1.42 - 1.49	:: 1.3729	: 1.3189
-- Class III	:: 1.05 - 1.12	:: 0.91 - 1.02	:: 0.94 - 1.04	:: 0.94 - 1.04	:: 0.94 - 1.04	:: 1.0034	: 1.2726

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 5	:::REPORT NUMBER 6	:::REPORT NUMBER 7	:::REPORT NUMBER 8	:::REPORT NUMBER 9	::: 2011	: 2010
	:::-----	:::-----	:::-----	:::-----	:::-----	::: Average	: Average
	::: FEB 01 - 04	::: FEB 07 - 11	::: FEB 14 - 18	::: FEB 21 - 25	::: FEB 28	::: or Total	: or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	::: 1.3300 - 1.7000	::: 1.3550 - 1.8200	::: 1.4200 - 1.8500	::: 1.4400 - 1.8500	::: 1.4400 - 1.9000	::: 1.6012	: 1.1916
-- Mostly	::: 1.3900 - 1.6500	::: 1.3900 - 1.7000	::: 1.4500 - 1.7500	::: 1.4500 - 1.7500	::: 1.4800 - 1.7800	::: 1.5703	: 1.2050
-- High Heat	::: 1.3700 - 1.7000	::: 1.4000 - 1.8500	::: 1.4500 - 1.8500	::: 1.4500 - 1.8500	::: 1.5100 - 1.9000	::: 1.6221	: 1.2938
-- West (f.o.b.)							
-- Low/Medium Heat	::: 1.2400 - 1.6700	::: 1.2600 - 1.7500	::: 1.3000 - 1.8500	::: 1.3500 - 1.8500	::: 1.3600 - 1.8500	::: 1.5382	: 1.1051
-- Mostly	::: 1.3000 - 1.6000	::: 1.3300 - 1.6500	::: 1.4000 - 1.7400	::: 1.4500 - 1.7900	::: 1.4700 - 1.7500	::: 1.5363	: 1.0739
-- High Heat	::: 1.3200 - 1.4550	::: 1.3400 - 1.6000	::: 1.3600 - 1.6200	::: 1.4000 - 1.7000	::: 1.4200 - 1.7200	::: 1.4800	: 1.2332
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	::: 0.3550 - 0.4300	::: 0.3550 - 0.4300	::: 0.3600 - 0.4300	::: 0.3600 - 0.5800	::: 0.3600 - 0.5900	::: 0.4138	: 0.3742
-- Mostly	::: 0.3600 - 0.4100	::: 0.3600 - 0.4150	::: 0.3700 - 0.4175	::: 0.3700 - 0.4175	::: 0.3725 - 0.4225	::: 0.3905	: 0.3782
-- West (f.o.b.)	::: 0.3900 - 0.4425	::: 0.3950 - 0.5500	::: 0.3975 - 0.6700	::: 0.4050 - 0.6700	::: 0.4050 - 0.5775	::: 0.4914	: 0.4012
-- Mostly	::: 0.4050 - 0.4350	::: 0.4150 - 0.4500	::: 0.4300 - 0.5025	::: 0.4400 - 0.5150	::: 0.4400 - 0.5150	::: 0.4506	: 0.4050
-- Northeast (f.o.b.)	::: 0.3950 - 0.4250	::: 0.4000 - 0.4250	::: 0.4025 - 0.4275	::: 0.4075 - 0.4325	::: 0.4075 - 0.4325	::: 0.4146	: 0.3807
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	::: 1.0000 - 1.2000	::: 1.0150 - 1.3400	::: 1.0200 - 1.4500	::: 1.0200 - 1.4500	::: 1.0200 - 1.2750	::: 1.1868	: 0.9349
-- Mostly	::: 1.0200 - 1.0700	::: 1.0300 - 1.0700	::: 1.0300 - 1.1000	::: 1.0300 - 1.1200	::: 1.0300 - 1.1300	::: 1.0597	: 0.9307
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	::: 0.2600 - 0.3800	::: 0.2700 - 0.3800	::: 0.2700 - 0.3800	::: 0.2750 - 0.3800	::: 0.2750 - 0.3800	::: 0.3246	: 0.2950
BUTTERMILK (Min. 30% protein)							
-- Central And East (f.o.b.)	::: 1.2400 - 1.4500	::: 1.3000 - 1.4900	::: 1.3100 - 1.4900	::: 1.3500 - 1.6500	::: 1.4100 - 1.6500	::: 1.4150	: 1.1508
-- West (f.o.b.)	::: 1.2000 - 1.4000	::: 1.2500 - 1.5000	::: 1.2800 - 1.5400	::: 1.3300 - 1.5400	::: 1.3800 - 1.5400	::: 1.3855	: 0.9872
-- Mostly	::: 1.2500 - 1.2800	::: 1.2850 - 1.3500	::: 1.3400 - 1.4000	::: 1.3900 - 1.4500	::: 1.4200 - 1.4700	::: 1.3486	: 0.9726
WHOLE MILK POWDER							
-- National (f.o.b.)	::: 1.6100 - 1.9200	::: 1.6500 - 2.0400	::: 1.6500 - 2.0400	::: 1.7500 - 2.0400	::: 1.7500 - 2.0400	::: 1.8413	: 1.4295
LACTOSE							
-- Central And West (f.o.b.)	::: 0.3000 - 0.4550	::: 0.3200 - 0.4550	::: 0.3200 - 0.4600	::: 0.3100 - 0.4600	::: 0.2900 - 0.5200	::: 0.3864	: 0.3671
-- Mostly	::: 0.3300 - 0.3900	::: 0.3300 - 0.3900	::: 0.3300 - 0.3900	::: 0.3300 - 0.3900	::: 0.3300 - 0.4000	::: 0.3603	: 0.3500
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	::: 4.1400 - 4.4500	::: 4.1400 - 4.4500	::: 4.1400 - 4.4500	::: 4.1400 - 4.4500	::: 4.1400 - 4.6000	::: 4.2989	: 3.8750
-- Nonrestricted - Acid	::: 4.2800 - 4.5000	::: 4.2800 - 4.5000	::: 4.2800 - 4.5000	::: 4.2800 - 4.5000	::: 4.2800 - 4.6500	::: 4.3939	: 3.8500

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

CME GROUP AVERAGES FOR FEBRUARY 2011

COMMODITY	::REPORT NUMBER 5 :: FEB 1 - 4	::REPORT NUMBER 6 :: FEB 7 - 11	::REPORT NUMBER 7 :: FEB 14 - 18	::REPORT NUMBER 8 :: FEB 22 - 25	::REPORT NUMBER 9 :: FEB 28	2011 * :: Average	2010 * :: Monthly Average
BUTTER*							
-- GRADE AA							
--Monday	::	:: 2.1000	:: 2.0775	:: 1/	:: 2.0200	::	::
--Tuesday	:: 2.1000	:: 2.1000	:: 2.0650	:: 2.0050	::	::	::
--Wednesday	:: 2.1000	:: 2.1000	:: 2.0550	:: 2.0050	::	::	::
--Thursday	:: 2.1000	:: 2.1000	:: 2.0300	:: 2.0100	::	::	::
--Friday	:: 2.1000	:: 2.0900	:: 2.0050	:: 2.0200	::	:: 2.0622	:: 1.3561
--Weekly Average**	:: 2.1000	:: 2.0980	:: 2.0465	:: 2.0100	::	::	::
CHEESE*							
-- BARRELS							
--Monday	::	:: 1.7900	:: 1.9000	:: 1/	:: 1.9525	::	::
--Tuesday	:: 1.7250	:: 1.8200	:: 1.9000	:: 1.9450	::	::	::
--Wednesday	:: 1.7250	:: 1.8325	:: 1.9025	:: 1.9400	::	::	::
--Thursday	:: 1.7550	:: 1.9000	:: 1.9125	:: 1.9500	::	::	::
--Friday	:: 1.7750	:: 1.9000	:: 1.9175	:: 1.9500	::	:: 1.8680	:: 1.4182
--Weekly Average**	:: 1.7410	:: 1.8485	:: 1.9065	:: 1.9463	::	::	::
-- 40# BLOCKS							
--Monday	::	:: 1.8375	:: 1.9350	:: 1/	:: 1.9925	::	::
--Tuesday	:: 1.7575	:: 1.8700	:: 1.9375	:: 1.9825	::	::	::
--Wednesday	:: 1.7825	:: 1.9000	:: 1.9400	:: 1.9850	::	::	::
--Thursday	:: 1.7875	:: 1.9125	:: 1.9500	:: 1.9850	::	::	::
--Friday	:: 1.8100	:: 1.9150	:: 1.9550	:: 1.9875	::	:: 1.9064	:: 1.4526
--Weekly Average**	:: 1.7785	:: 1.8870	:: 1.9435	:: 1.9850	::	::	::
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	::	:: 1.6900	:: 1.7650	:: 1/	:: 1.8000	::	::
--Tuesday	:: 1.6650	:: 1.7200	:: 1.7650	:: 1.8000	::	::	::
--Wednesday	:: 1.6650	:: 1.7200	:: 1.7850	:: 1.8000	::	::	::
--Thursday	:: 1.6900	:: 1.7600	:: 1.7975	:: 1.8000	::	::	::
--Friday	:: 1.6900	:: 1.7650	:: 1.8000	:: 1.8000	::	:: 1.7514	:: 1.2400
--Weekly Average**	:: 1.6720	:: 1.7310	:: 1.7825	:: 1.8000	::	::	::
-- GRADE A							
--Monday	::	:: 1.7200	:: 1.7950	:: 1/	:: 1.8225	::	::
--Tuesday	:: 1.6900	:: 1.7200	:: 1.7975	:: 1.8325	::	::	::
--Wednesday	:: 1.7200	:: 1.7400	:: 1.8075	:: 1.8325	::	::	::
--Thursday	:: 1.7200	:: 1.7725	:: 1.8275	:: 1.8325	::	::	::
--Friday	:: 1.7200	:: 1.7775	:: 1.8300	:: 1.8325	::	:: 1.7784	:: 1.1308
--Weekly Average**	:: 1.7035	:: 1.7460	:: 1.8115	:: 1.8325	::	::	::

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

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

1/ HOLIDAY - CME GROUP CLOSED

SUMMARY OF ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, BY MONTHS, 2010 ^{1/}

Month	Fluid milk sales by marketing area											Estimated Total U.S. ^{2/}
	Northeast	Appalachian	Southeast	Florida	Mideast	Upper Midwest	Central	Southwest	Arizona	Pacific Northwest	California	
Million pounds												
Jan	790	321*	450	263	546	376	401	395	103	190	551	4,386
Feb	748	286*	402	239*	496	345	363	360	94	171	505	4,009
Mar	808	317*	444*	265*	534	379	401	388	104	191	563	4,394
Apr	767	298*	423*	245*	509	361	381	381	102	189	548	4,204
May	779	299	409	241*	511	357	367*	369	97	187	546	4,162
Jun	733	280	379*	221*	452	332	339	339	89	176	512	3,852
Jul	747	293	392*	237*	482	343	354	352	94	177	504	3,975
Aug	738	307	425*	240*	495*	347	374	369	100	180	527	4,102
Sep	777	307	416	238	515	361	381	386	98	187	535	4,201
Oct	790	308	424	248	521	370	390	389*	102	191	558	4,291
Nov	791	308	433	254	524	375	397	388	105	194	540	4,309
Dec	837	319	434	259	543	382	406	391	103	194	546	4,419
Total ^{3/}	8,468	3,324	5,031	2,950	6,128	4,328	4,554	4,507	1,191	2,227	6,435	50,299

Note: Some data for January-October has been revised. Revised figures are indicated by an asterisk. ^{1/} These figures are based on the consumption of fluid milk products in Federal milk order marketing areas and California, which represents approximately 92% of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8% of sales from the Federal milk order and California data. The procedure used for estimating U.S. fluid milk sales by the Agricultural Marketing Service is different from that used by the Economic Research Service (ERS) of USDA. Consequently, the annual figures here may differ from the annual figures published by ERS. Fluid milk products include: plain, flavored, and organic whole milk, plain, flavored, and organic fat-reduced milk, buttermilk, eggnog, and miscellaneous fluid milk products. ^{2/} Estimated total includes the remaining 8% outside of Federal milk orders and California. ^{3/} May not add due to rounding.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, DECEMBER 2010 1/**

For December 2010, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.18 per cwt., up \$0.07 from the November 2010 average. Ninety-one percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.81 in the Pacific Northwest to \$2.88 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.14 per cwt., up \$0.03 per cwt. from the November 2010 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.72	1.99
Southeast	007	2.85	2.34
Florida	006	2.88	0.22
Midwest	033	2.37	1.68
Upper Midwest	030	2.64	1.39
Central	032	2.31	1.13
Pacific Northwest	124	0.81	0.65
All Reporting Areas Combined 3/		2.18	1.14

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

FEBRUARY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in February 2011 advanced 3 points to 197. Compared with February 2010, the index was up 17 points (9.4 percent). The index of prices received by farmers for dairy products advanced 13 points during the month of February 2011 to 141. Compared with February 2010, the index was up 19 points (15.6 percent).

The All Milk price received by farmers in February was \$18.40, up \$1.70 from January.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., FEBRUARY 2011 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>2/</u>				Milk cows <u>3/</u>		Cows <u>4/</u>		Alfalfa hay, baled	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JANUARY		FEBRUARY		FEBRUARY		FEBRUARY		FEBRUARY	
	2011	2010	2011 <u>5/</u>	2010	2011 <u>5/</u>	2010	2011	2010	2011 <u>5/</u>	2010
CA	15.35	14.75	17.70	14.22	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		---	51.50	170.00	109.00
ID	15.40	14.60	17.40	14.10			---	53.90	149.00	107.00
MI	17.40	16.90	18.80	16.70			---	53.00	110.00	140.00
MN	16.20	16.10	18.90	15.90			---	52.80	105.00	125.00
NM	16.40	15.70	17.40	15.50			---	54.50	165.00	145.00
NY	17.80	16.80	18.50	16.80			---	---	144.00	150.00
PA	18.90	18.00	19.80	18.10			---	48.70	163.00	153.00
TX	17.60	17.10	18.60	16.80			---	50.00	190.00	183.00
WA	17.00	15.70	19.20	15.30			---	---	130.00	115.00
WI	16.20	16.30	18.90	16.00			---	50.00	100.00	120.00
U.S.	16.70	16.10	18.40	15.90			---	51.60	127.00	110.00

1/ Prices are shown at reported butterfat test. 2/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 3/ Animals sold for dairy herd replacement only. 4/ NASS discontinued prices beginning January 2011. 5/ Preliminary.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., FEBRUARY 2011 WITH COMPARISONS

ITEM	FEBRUARY 2010	JANUARY 2011	FEBRUARY 2011 <u>1/</u>
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test: <u>2/</u>			
All milk	15.90	16.70	18.40
Fluid grade milk <u>3/</u>	---	---	---
Manufacturing grade milk <u>3/</u>	---	---	---
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	135	164	168
Prices received by farmers for dairy products	122	128	141
Prices paid by farmers for commodities and services, interest taxes, and wage rates	180	194	197
Prices paid by farmers for production items	184	202	205
Prices paid by farmers for feed	178	216	226
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>4/</u>	2.36	1.96	1.96

1/ Preliminary. 2/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies.

3/ NASS discontinued prices beginning January 2011. 4/ The price of commercial prepared dairy feed is based on current United States prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa.

SOURCE: "Agricultural Prices," (February 2011), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
NOV 2010	220.6	1.5	201.3	3.8	194.5	7.5	208.1	5.4	202.8	32.1	213.0	5.8
DEC 2010	220.9	1.5	202.1	3.7	194.5	5.6	207.4	4.3	196.0	21.9	212.0	5.5
JAN 2011	222.9	1.8	202.3	1.7	193.8	2.2	206.1	1.7	202.6	19.6	214.3	6.2
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Dollars												
NOV	3.327	3.034	3.361	2.612	3.836	3.838	5.005	4.425	4.490	4.431		
DEC	3.318	3.105	3.416	2.668	3.797	3.858	4.933	4.552	4.584	4.234		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		
JAN	3.301	3.236	3.526	2.778	3.758	3.875	5.143	4.720	4.740	4.483		

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—OCTOBER-DECEMBER AND YEAR-TO-DATE 2009-2010 ^{1/}

Item	Oct.-Dec. 2009	Percent change ^{2/}	Oct.-Dec. 2010	Percent change ^{2/}	Jan.-Dec. 2009	Percent change ^{2/}	Jan.-Dec. 2010	Percent change ^{2/}
	Million Pounds							
MILK								
Production	46,265	0.1	47,548	2.8	189,320	-0.1	192,819	1.8
Marketings	46,010	0.2	47,307	2.8	188,308	-0.1	191,863	1.9
Beginning Commercial Stocks ^{3/}	13,626	18.4	12,910	-10.5	10,045	-3.0	11,334	12.8
Imports ^{3/}	1,058	-30.1	855	-19.2	4,057	3.2	3,098	-23.6
Total Supply ^{4/}	60,694	3.6	60,352	-0.6	202,410	0.0	206,295	1.9
Ending Commercial Stocks ^{3/}	11,284	12.3	10,927	-3.2	11,284	12.3	10,927	-3.2
Net Removals ^{3/}	582	2,325.0	0	-100.0	703	2,829.2	112	-84.1
Commercial Disappearance ^{4/}	48,828	-0.2	49,425	1.2	190,423	-1.2	195,256	2.5
SELECTED PRODUCTS ^{5/}								
Butter	464.4	-8.6	464.8	0.1	1,567.6	-8.1	1,629.0	3.9
American Cheese	1,046.4	-1.0	1,095.4	4.7	4,193.4	3.4	4,264.4	1.7
Other Cheese	1,627.1	5.8	1,687.6	3.7	6,138.9	1.2	6,388.9	4.1
Nonfat Dry Milk	288.7	11.2	366.6	27.0	1,346.2	-2.0	1,546.9	14.9
Fluid Milk Products ^{6/}	14,333.4	0.5	14,143.9	-1.3	55,445.0	1.0	54,673.1	-1.4

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

JANUARY 2011 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 166.5 million pounds in January, 2.7 percent above January 2010 and 5.4 above December 2010. **AMERICAN TYPE CHEESE** production totaled 362.7 million pounds, 4.4 percent above January 2010 but 2.3 percent below December 2010. **TOTAL CHEESE** output (excluding cottage cheese) was 883.4 million pounds, 5.0 percent above January 2010 but 2.7 percent below December 2010. **NONFAT DRY MILK** production, for human food, totaled 116.8 million pounds, 9.2 percent below January 2010 and 17.4 percent below December 2010. **DRY WHEY** production, for human food, was 86.6 million pounds, 5.0 percent above January 2010 and 2.9 percent above December 2010. **ICE CREAM** (hard) production totaled 55.8 million gallons, 0.7 percent above January 2010 and 6.7 percent above December 2010.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JAN 2011	PERCENT CHANGE FROM:			PRODUCT	JAN 2011	PERCENT CHANGE FROM:		
	1,000 LBS.	JAN 2010	DEC 2010	YEAR TO DATE 1/		1,000 LBS.	JAN 2010	DEC 2010	YEAR TO DATE 1/
BUTTER	166,518	2.7	5.4	2.7	SOUR CREAM	96,407	7.6	-13.9	7.6
CHEESE					YOGURT (PLAIN AND FLAVORED)	359,232	5.9	5.1	5.9
AMERICAN TYPES 2/	362,735	4.4	-2.3	4.4	DRY WHEY, HUMAN FOOD	86,600	5.0	2.9	---
CHEDDAR	281,470	5.6	-0.1	5.6	DRY WHEY, ANIMAL FEED	4,606	32.3	-11.8	---
OTHER AMERICAN	81,265	0.3	-9.0	---	DRY WHEY, TOTAL 8/	91,206	6.1	2.1	6.1
BRICK & MUENSTER	9,880	-1.9	-11.0	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	54,414	-3.8	-8.8	---	HUMAN FOOD	2,597	25.4	-9.5	---
HISPANIC	18,452	14.5	-3.9	---	ANIMAL FEED	4,684	-5.4	-0.4	---
TOTAL ITALIAN TYPES	382,112	5.3	-2.2	5.3	LACTOSE, HUMAN FOOD & ANIMAL FEED	81,692	22.2	1.7	22.2
MOZZARELLA	306,234	7.4	-0.8	7.4	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	75,878	-2.4	-8.5	---	HUMAN FOOD 9/	32,234	1.7	-3.6	---
SWISS	27,014	-0.6	-8.0	---	ANIMAL FEED 9/	2,885	-3.2	6.0	---
ALL OTHER TYPES	28,802	34.6	8.2	---	TOTAL 9/	35,119	1.2	-2.9	1.2
TOTAL	883,409	5.0	-2.7	5.0	25.0-49.9 PERCENT 10/	19,984	-0.5	-0.8	---
COTTAGE CHEESE, CURD 3/	32,258	-3.3	2.9	---	50.0-89.9 PERCENT 10/	15,135	3.7	-5.6	---
COTTAGE CHEESE, CREAM 4/	25,029	0.3	3.8	0.3	PROTEIN ISOLATES 11/	5,118	9.3	-20.5	---
COTTAGE CHEESE, LOWFAT 5/	29,253	0.5	1.9	0.5	FROZEN PRODUCTS	1,000 GALLONS			
CANNED EVAP & CONDSD WHOLE MILK	38,979	1.9	-6.2	---	ICE CREAM (HARD)	55,811	0.7	6.7	0.7
DRY BUTTERMILK	11,395	22.3	16.6	---	ICE CREAM, LOWFAT (HARD)	9,462	-2.0	8.8	---
DRY WHOLE MILK	6,160	15.3	15.9	---	ICE CREAM, LOWFAT (SOFT)	13,535	3.8	1.0	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	7,351	-1.4	-0.7	---	ICE CREAM, LOWFAT (TOTAL)	22,997	1.3	4.1	1.3
NONFAT DRY MILK (NDM), HUMAN	116,751	-9.2	-17.4	-9.2	SHERBET, HARD	3,095	-10.0	7.7	-10.0
SKIM MILK POWDERS (SMP) 7/	39,988	94.3	47.1	94.3	YOGURT (TOTAL)	3,615	-5.3	-5.2	-5.3

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	JAN 2011	PERCENT OF:		PRODUCT	JAN 2011	PERCENT OF:	
	1,000 LBS.	JAN 2010	DEC 2010		1,000 LBS.	JAN 2010	DEC 2010
DRY WHEY, HUMAN FOOD	44,827	-1.2	5.2	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	3,773	138.0	-14.7	HUMAN FOOD 9/	32,403	-5.1	-5.4
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	5,525	-39.9	-14.0	ANIMAL FEED 9/	1,520	-26.8	-16.6
LACTOSE, HUMAN FOOD & ANIMAL FEED	80,298	30.7	-0.9	TOTAL 9/	33,923	-6.3	-6.0
CANNED EVAP & CONDSD WHOLE MILK	61,340	3.2	17.4	25.0-49.9 PERCENT 10/	15,836	-24.4	-6.3
DRY BUTTERMILK	9,623	-28.2	-11.9	50.0-89.9 PERCENT 10/	18,087	18.4	-5.7
NONFAT DRY MILK (NDM), HUMAN FOOD	97,666	-29.2	-32.4	PROTEIN ISOLATES 11/	5,175	-50.4	18.8

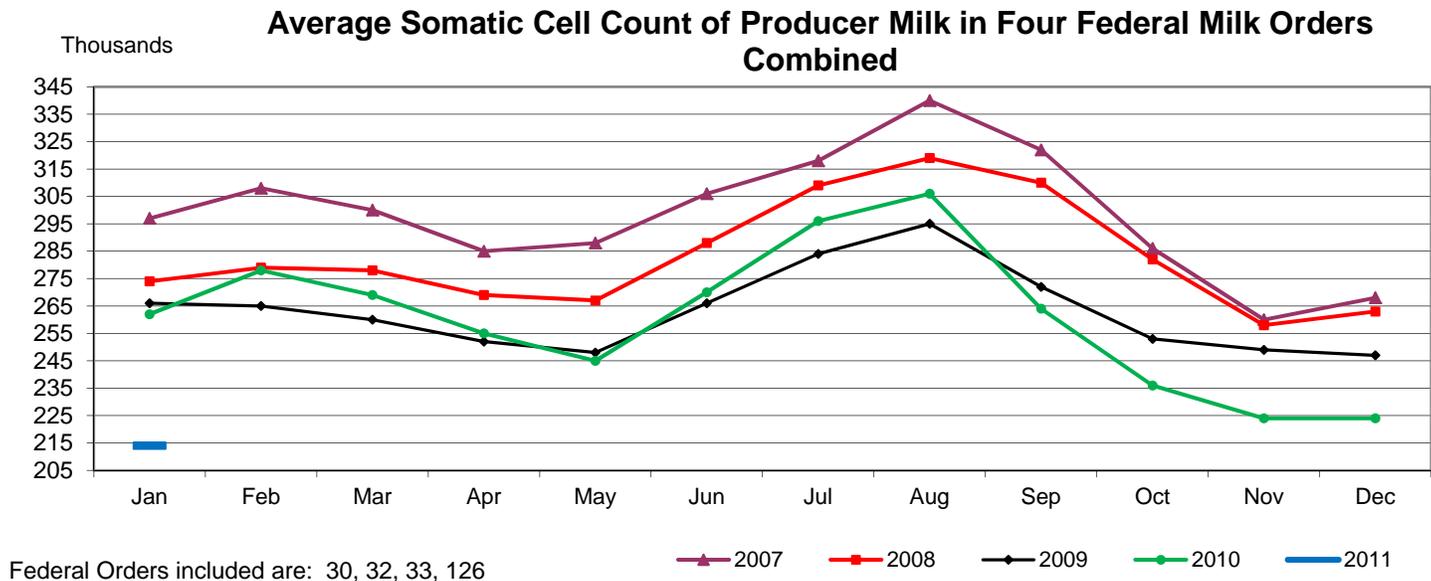
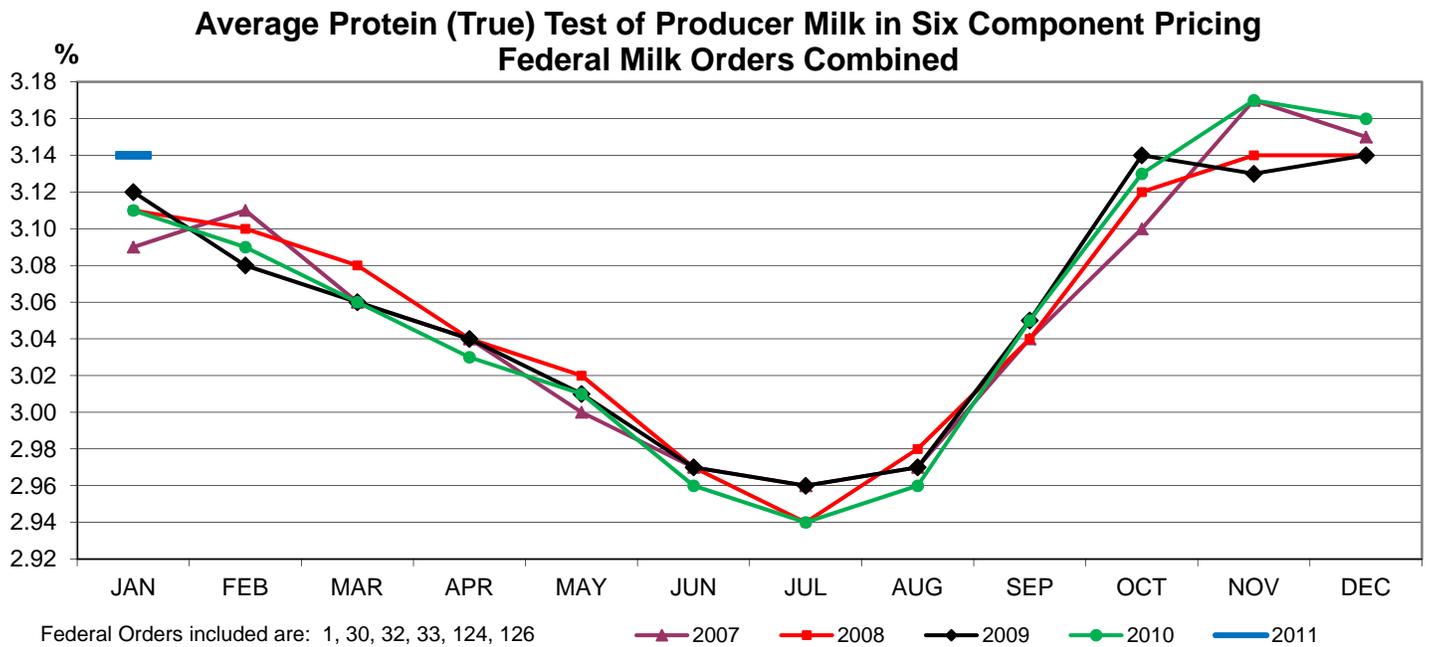
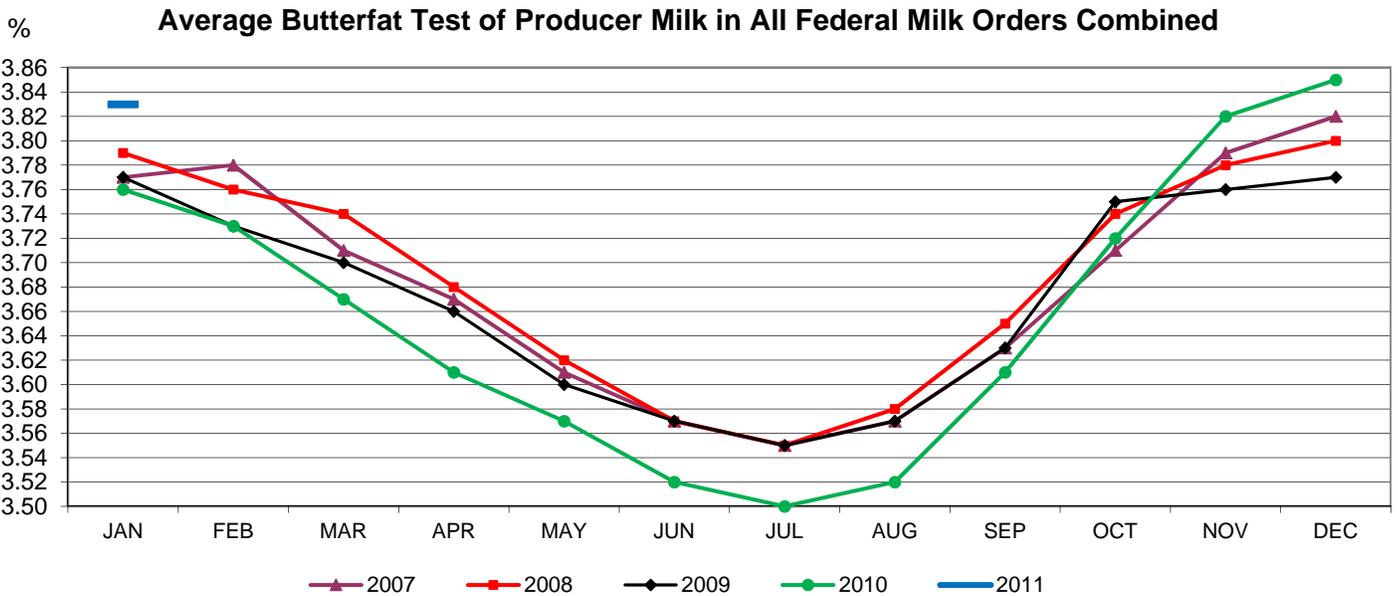
1/ 2011 cumulative as percent change of 2010 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes protein standardized and blends. 8/ Excludes all modified dry whey products. 9/ Whey protein concentrate, 25.0 to 89.9 percent. 10/ Whey protein concentrate, human and animal. 11/ Whey protein isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. SOURCE: "Dairy Products," (March 2011), National Agricultural Statistics Service, Agricultural Statistics Board, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, FEBRUARY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for February 2011 is \$2.2967 per pound. Thus, the Class II butterfat price is \$2.3037. The protein and other solids prices for February are \$2.5586 and \$0.2310 per pound, respectively. These component prices set the Class III skim milk price at \$9.29 per cwt. The February Class IV skim milk price is \$10.74 which is derived from the nonfat solids price of \$1.1930 per pound. **Product Price Averages:** The product price averages for February are: butter \$2.0680, nonfat dry milk \$1.3728, cheese \$1.7449, and dry whey \$0.4234.

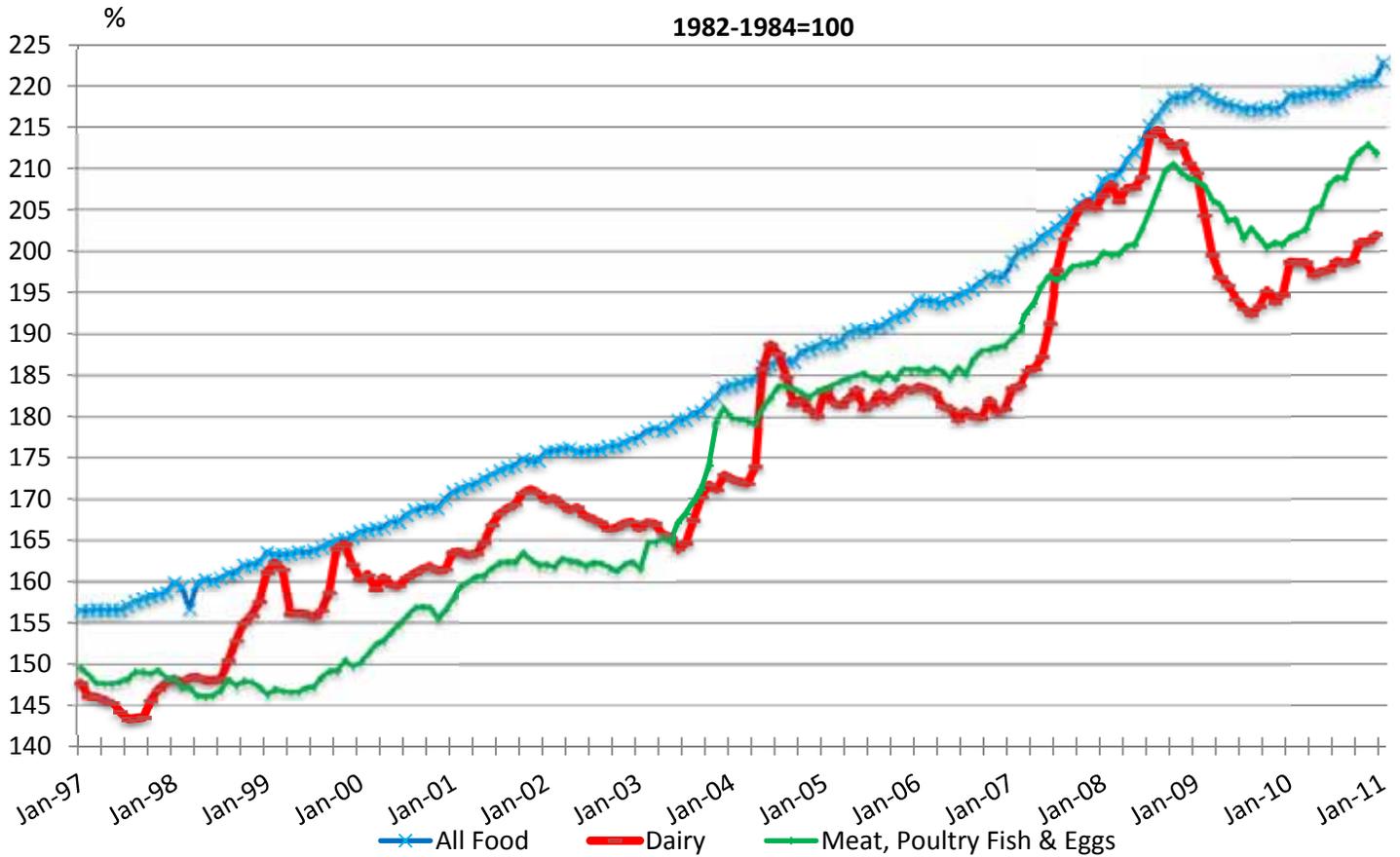
FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	FEBRUARY 2011				MARCH 2011
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	19.14	17.97	17.00	18.40	21.48
Appalachian (Charlotte) 5/ 6/	005	19.29	17.97	17.00	18.40	21.63
Southeast (Atlanta) 6/ 7/	007	19.69	17.97	17.00	18.40	22.03
Florida (Tampa) 6/ 8/	006	21.29	17.97	17.00	18.40	23.63
Midwest (Cleveland) 9/	033	17.89	17.97	17.00	18.40	20.23
Upper Midwest (Chicago) 10/	030	17.69	17.97	17.00	18.40	20.03
Central (Kansas City) 11/	032	17.89	17.97	17.00	18.40	20.23
Southwest (Dallas) 12/	126	18.89	17.97	17.00	18.40	21.23
Arizona (Phoenix)	131	18.24	17.97	17.00	18.40	20.58
Pacific Northwest (Seattle) 13/	124	17.79	17.97	17.00	18.40	20.13
All-Market Average	---	18.78	17.97	17.00	18.40	21.12

- 1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 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 market.
- 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.



CONSUMER PRICE INDEX

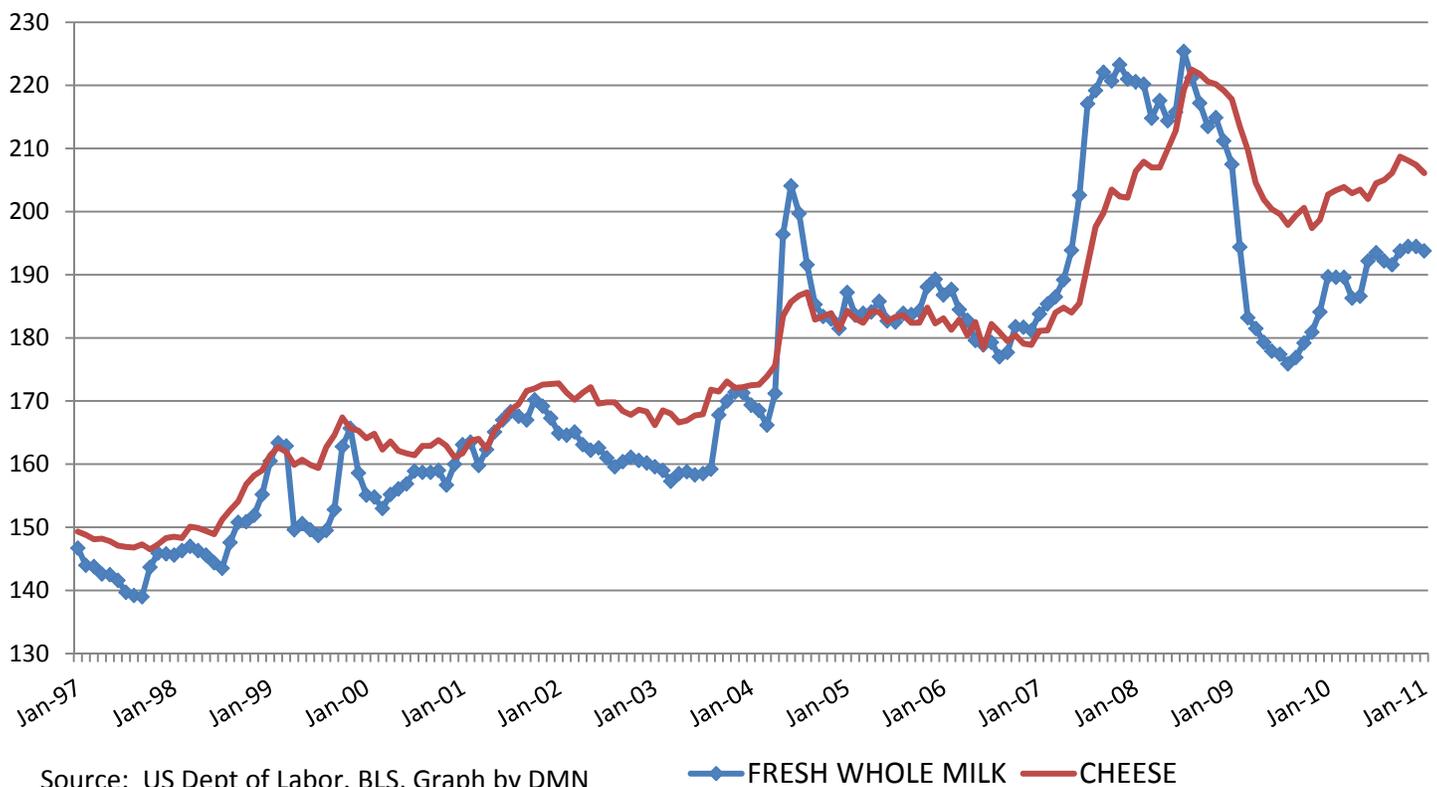
1982-1984=100



CONSUMER PRICE INDEX DAIRY PRODUCTS

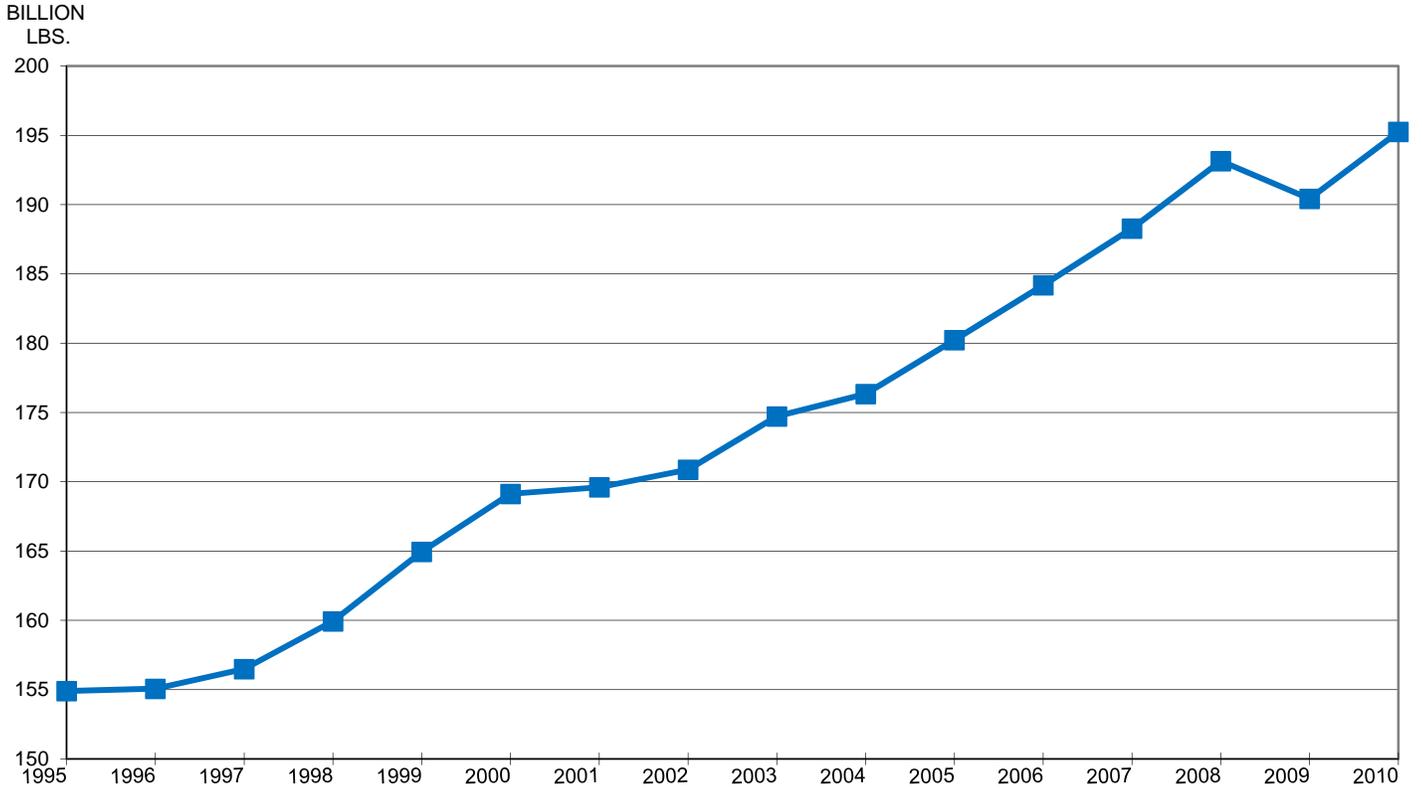
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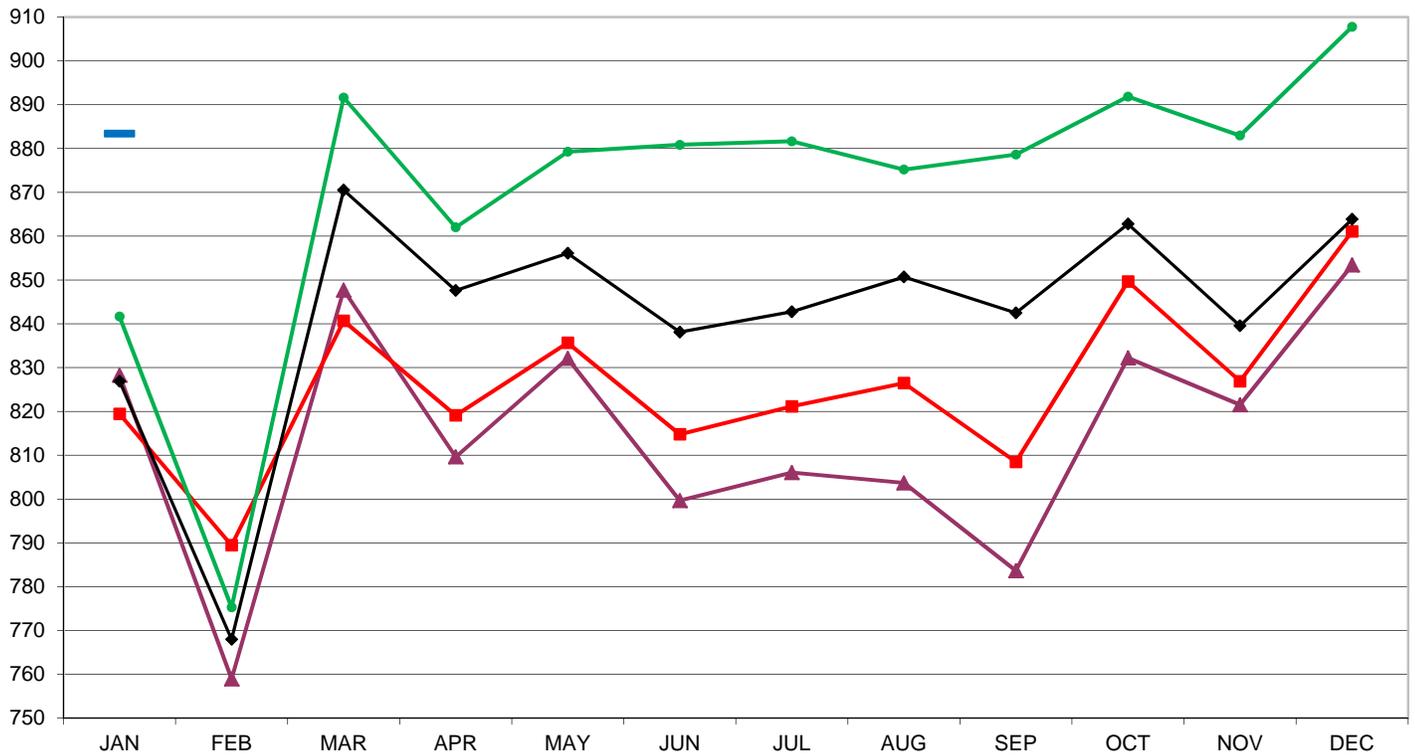
Source: US Dept of Labor. BLS, Graph by DMN

ANNUAL COMMERCIAL DISAPPEARANCE OF TOTAL MILK & DAIRY PRODUCTS



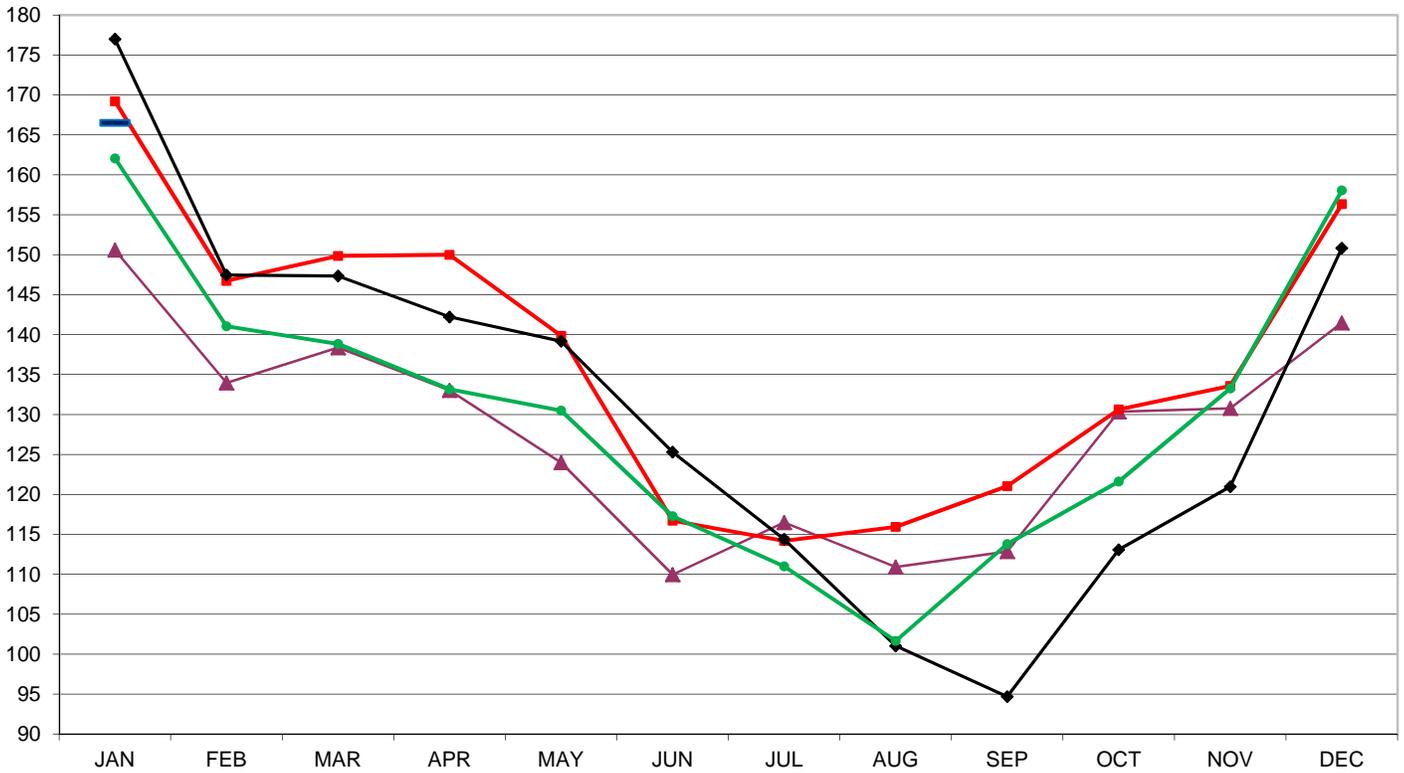
U.S. TOTAL CHEESE PRODUCTION

Million Pounds



Million Pounds

U.S. BUTTER PRODUCTION

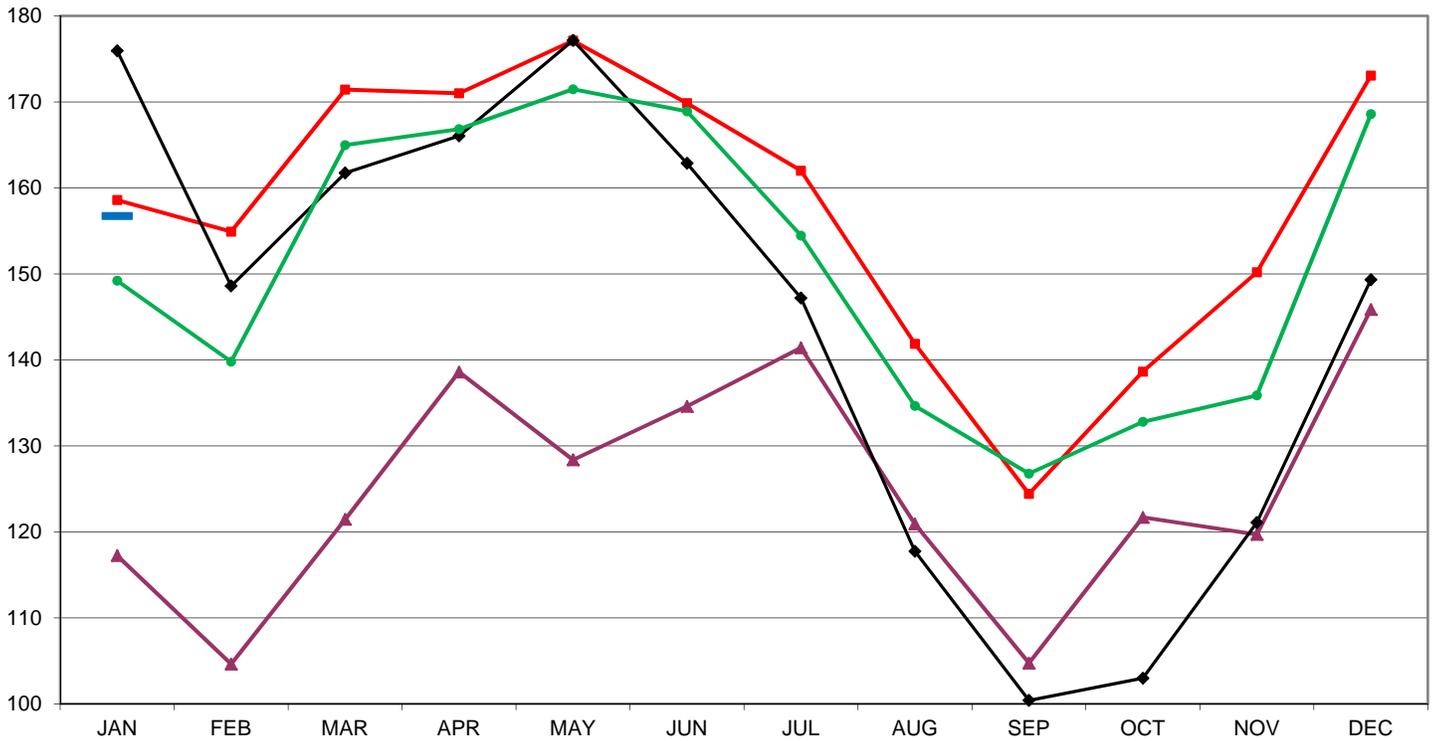


03/02/2011 - Graph USDA, DMN; Source USDA, NASS

2007 2008 2009 2010 2011

U.S. COMBINED NDM (HUMAN) AND SKIM POWDER PRODUCTION

Million Pounds



GRAPH BY DMN: NASS DATA

2007 2008 2009 2010 2011

DAIRY MARKET NEWS

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