

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (03/18):**

**BUTTER:** Grade AA closed at \$2.0700. The weekly average for Grade AA is \$2.1090(-.0110).

**CHEESE:** Barrels closed at \$1.7000 and 40# blocks at \$1.6850. The weekly average for barrels is \$1.7805 (-.1935) and blocks, \$1.7585 (-.2560).

**BUTTER HIGHLIGHTS:** During the week, the CME cash butter price decreased 5 cents to \$2.0700. Churning schedules across the country are mixed, although for the most part, are seasonally steady. Cream supplies for churning are available, but other cream based product production is gaining momentum. Butter producers and handlers continue to question their inventory management strategies. Many remain cautious with their cream acquisitions and production schedules. Many butter producers are churning for current needs with inventory enhancement slow. A firm cash price, for this time of the season, is the major factor that is limiting inventory buildup. International buyer interest continues to be reported by many domestic butter producers. Domestic butter producers that are involved with international sales are comfortable with these sales as they clear cream volumes for them at low risk. Domestic butter demand remains seasonally strong. Although retail prices are higher than usual for this time of the season, it appears that retail sales are holding their own. Easter/Passover orders continue to be placed and some scattered retail features are scheduled to appear prior to the holiday.

**CHEESE HIGHLIGHTS:** Cheese prices declined sharply on the CME Group cash cheese market this week, 33 cents cumulative on blocks and 26.5 cents on barrels. Prices declined to levels last seen in late January. The barrel/block spread is inverted as blocks declined further than barrels. Current interest is mostly slow as most buyers wait for prices to settle before reordering. The lower prices could help cheese exports that had slowed without CWT program export aid. Plant inventories are accumulating. Cheese production is generally steady to slightly higher though more operations are willing to part with extra milk and/or have reduced condensed skim use in cheese vats to slow inventory building.

**FLUID MILK:** Farm milk production is increasing seasonally across the northern tier of states and in the Southwest. Florida milk production is nearing the peak of that state's flush period, which started a littler earlier in the year. Fluid milk demand is lower as

rolling schedules for education institutions' spring breaks empty classrooms this week and for the next few weeks. Lighter bottling interest is shunting larger volumes of farm milk to manufacturing interest. Sales of condensed skim into Class III plants are mostly lower, which some industry participants relate to recent price fluctuations in the cash cheese market. Plants in all regions are keeping up with intakes. Cream demand for ice cream, frozen desserts and cream cheese manufacture is increasing to meet orders for holiday related products.

**DRY PRODUCTS:** Dairy dry product markets are mixed. The low heat nonfat dry milk markets retraced some gains of the last few weeks as buyers anticipate an influx of NDM loads will follow on the heels of the developing spring flush. Central/East dry buttermilk prices registered a decrease on the bottom of the range while the West dry buttermilk mostly notched higher on the bottom of the mostly price series. The lactose market is steady as buyers and sellers work through negotiations for the second quarter. Demand for lactose is active. Dry whey prices in the West are steady. Both the Central mostly and Northeast range price series for dry whey showed increases. Spot load availability is light from most manufacturers, keeping most activity centered on contract sales. Whey protein concentrate 34% prices increased on the mostly price series, buoyed by strong demand and intermittent spot load availability.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** The European milk production season continues to develop. Milk producers and handlers are stating that early season weather patterns have been quite positive for a good start to the new milk production season. Traders and handlers of manufactured dairy stocks are indicating that a recent milk powder tender did not source as much out of Europe as projected, thus there is or will be additional stock for potential buyers during the upcoming months. Although the milk production season is just getting underway, stocks of manufactured dairy products are starting to increase. Often, firmer prices than desired are limiting buyer interest. Traders and handlers are stating

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CME GROUP CASH TRADING

COMMODITY	MONDAY MAR 14	TUESDAY MAR 15	WEDNESDAY MAR 16	THURSDAY MAR 17	FRIDAY MAR 18	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.9125 (-.0525)	\$1.8500 (-.0625)	\$1.7400 (-.1100)	\$1.7000 (-.0400)	\$1.7000 (N.C.)	:: (-.2650)	:: \$1.7805 (-.1935)
40# BLOCKS	\$1.8800 (-.1350)	\$1.8200 (-.0600)	\$1.7150 (-.1050)	\$1.6925 (-.0225)	\$1.6850 (-.0075)	:: (-.3300)	:: \$1.7585 (-.2560)
<b>NONFAT DRY MILK</b>							
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	\$1.7900 (N.C.)	\$1.7900 (N.C.)	\$1.7900 (N.C.)	\$1.7900 (N.C.)	\$1.7900 (N.C.)	:: (N.C.)	:: \$1.7900 (-.0190)
<b>BUTTER</b>							
GRADE AA	\$2.1200 (N.C.)	\$2.1200 (N.C.)	\$2.1175 (-.0025)	\$2.1175 (N.C.)	\$2.0700 (-.0475)	:: (-.0500)	:: \$2.1090 (-.0110)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

that prices are starting to ease for most products. At the March 17 Dairy Management Committee meeting in Brussels, no offers were received to purchase intervention skim milk powder. There are about 50,000 MT of uncommitted intervention powder remaining in the program. The PSA butter storage program opened on March 1 and no official details of possible clearances have been released as of midmonth. Many traders and handlers speculate that the total volumes will be much lower than in recent years. The Oceania milk production season continues to wind down. In **New Zealand**, the impact of the lack of moisture early in the second half of the current milk production season has mended somewhat and the end of the season is playing out about normal. The loss of milk during the drought period was non recoverable, thus early year production projections have been greatly altered. Milk producers and handlers are now recalculating their estimates to be more in the line of steady with last season to up slightly. In **Australia** this year, excessive moisture is probably the major factor that has limited overall production growth. Victoria is a large region of Southeast Australia and is where the major portion of Australia's milk is generated. Moisture levels have varied within the region throughout the year, but for the most part, have been welcomed following a number of years of limited moisture and drought conditions. In January, milk production in Australia decreased 1.3% when compared to January 2010. Most milk handlers in the country feel that milk volumes on an annual basis will be in line with last year to very fractionally higher. In most instances, milk continues to clear to production of all dairy products with no specific product getting a stronger tilt. Prices have continued to firm in the past two weeks, but some are also starting to ease. At the March 15 Global Dairy Trading (g/DT) event, prices during the various contracting periods were all generally lower, with the exception of the September - November contracting period for skim milk powder. An announcement from New Zealand last week indicated that at the May 17 g/DT event, milk protein concentrate and rennet casein will be added to the trading platform. Also, the trading platform is opening up to other sources of traded stocks to additional suppliers other than just Oceania suppliers. Japan is a major market for Oceania traders and handlers. Following the recent devastating earthquake and tsunami, shipments to Japan have slowed, but continued. Most exporters are stating that it is still too early to assess the total impact on Oceania exports, but for the most part, traders feel that shipments will continue as scheduled. In country logistics will probably have the most disruption.

**DAIRY OUTLOOK (ERS):** Corn prices in 2010/11 are expected to be high by historic standards, averaging \$5.15 to \$5.65 per bushel for the crop year and soybean meal price is forecast to average \$340 to \$370 a ton in 2010/11. Feed ingredient prices could push the 16% mixed ration value up by more than \$2.00 per cwt from the \$7.25 calculated for 2010. Higher milk prices are likely supporting the modest expansion in dairy cows that began last fall and could extend for at least the first half of the year. USDA forecasts cow numbers to average 9.17 million in 2011. Milk equivalent imports are projected lower in 2011 on both a fats and skim-solids basis at 3.9 billion pounds and 4.7 billion pounds, respectively. Milk equivalent exports are also expected to decline in 2011 compared with last year. Milk equivalent exports are forecast at 6.7 billion pounds on a fats basis and 31.1 billion pounds on a skim-solids basis. Major dairy product prices are expected to go higher in 2011. Cheese prices are forecast to average \$1.695 to \$1.755 per pound for the year, and NDM prices are projected to average \$1.365 to \$1.415 per pound. Extremely tight butter stocks are helping to support currently

high butter prices. The butter price is expected to average \$1.735 to \$1.825 per pound for the year. Whey prices are forecast to average 40.0 to 43.0 cents per pound. The higher expected prices for the major dairy products lead to rising forecast milk prices. Milk price forecasts will be higher this year than last, and the milk price forecast was raised in March from February projections. The Class IV price is estimated to average \$16.95 to \$17.65 and will average above the Class III price, which is expected to average \$16.35 to \$16.95. The all milk price is forecast to average \$18.10 to \$18.70 in 2011.

**APRIL ADVANCE MILK PRICES (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the Class I base price for April 2011 is \$19.43, up \$1.20 from March. This price is derived from the Class III skim milk pricing factor of \$11.94 and the advanced butterfat pricing factor of \$2.2583. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. The Class II skim milk price for April is \$12.33, and the Class II nonfat solids price is \$1.3700. The two-week product price averages for April are: butter \$2.0363, nonfat dry milk \$1.4733, cheese \$1.9735, and dry whey \$0.4618.

**FEBRUARY FMMO PRICE AND POOL (DAIRY PROGRAMS):** During February, about 9.9 billion pounds of milk were received from producers. This volume of milk is 1.5% higher than the February 2010 volume. In February 2010 and February 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.5 billion pounds of producer milk were used in Class I products, 0.4% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 36%, Class II = 10%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$18.13, \$2.19 higher than last month and \$2.54 higher than last year.

**CME GROUP**

MONDAY, MARCH 14, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$1.9350; 4 CARS 40# BLOCKS: 1 @ \$2.0000, 2 @ \$1.9650, 1 @ \$1.9300; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.9125; 1 CAR 40# BLOCKS @ \$1.8800  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, MARCH 15, 2011

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.8950, 1 @ \$1.8900, 1 @ \$1.8600; 7 CARS 40# BLOCKS: 1 @ \$1.8900, 1 @ \$1.8800, 1 @ \$1.8850, 1 @ \$1.8800, 1 @ \$1.8700, 1 @ \$1.8500, 1 @ \$1.8275; LAST BID UNFULFILLED: 1 CAR 40# BLOCKS @ \$1.6500; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8500; 1 CAR 40# BLOCKS @ \$1.8200  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1200

WEDNESDAY, MARCH 16, 2011

CHEESE -- SALES: 4 CARS BARRELS: 1 @ \$1.8400, 1 @ \$1.8000, 1 @ \$1.7700, 1 @ \$1.7500; 4 CARS 40# BLOCKS: 2 @ \$1.7750, 1 @ \$1.7500, 1 @ \$1.7150; LAST BID UNFULFILLED: 1 CAR 40# BLOCKS @ \$1.6900; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7400  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1175

THURSDAY, MARCH 17, 2011

CHEESE -- SALES: 5 CARS BARRELS @ \$1.7000; 6 CARS 40# BLOCKS: 2 @ \$1.7000, 4 @ \$1.6925; LAST BID UNFULFILLED: 5 CARS BARRELS @ \$1.7000; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6925  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, MARCH 18, 2011 FRIDAY, MARCH 18, 2011

CHEESE -- SALES: 3 CARS BARRELS @ \$1.7000; 2 CARS 40# BLOCKS: 1 @ \$1.6950, 1 @ \$1.6875; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: 5 CARS 40# BLOCKS @ \$1.6850  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 11 CARS GRADE AA: 2 @ \$2.0600, 7 @ \$2.0500, 1 @ \$2.0600, 1 @ \$2.0700; LAST BID UNFULFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0700

**BUTTER MARKETS**

**NORTHEAST**

The CME Group butter price was unchanged Tuesday and closed at \$2.1200. Butter prices have remained unchanged over the last 6 trading sessions and 14 loads were sold during that same time period. Cream demand continues to improve with good calls for cream from cream cheese and ice cream producers. Multiples moved higher and ranged from 128-135. Butter production is fairly steady with last week, filling contracts and kosher orders with some additions to inventories. Export butter interest continues to be good. 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 eased slightly at midweek to settle at \$2.1175. Many butter producers and handlers are speculating that the cash butter price will ease, especially following sharply lower cash prices for cheese. Churning schedules are seasonally active although most butter producers are cautious with their inventory management. Most butter producers will remain cautious with inventory clearances until the cash price declines further. At the present time, seasonally steady churning schedules are generating fresh stocks for current needs and continued international buyer interest. Some butter producers are foregoing domestic production in exchange for international sales. International buyers are in the market looking for both salted and unsalted butter. Domestic butter producers that are involved with international sales are comfortable with these sales as it clears cream volumes for them at low risk. Domestic butter demand remains seasonally strong. Although retail prices are higher than usual for this time of the season, it appears that retail sales are holding their own. Easter/Passover orders continue to be placed and some scattered retail features are scheduled to appear prior to the holiday. Retailers have indicated that recent feature activity has cleared good volumes of print butter. Food service orders are steady and orders are being enhanced for upcoming holiday needs. Suppliers feel that some buyers might step back from the market with their orders, especially if the cash price continues to edge lower. 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 \$.0025 lower at \$2.1175. Wednesday's fractionally lower price was the result of a lower offer and no sales were reported. After last week's active selling of 18 carlots, there have been no sales this week. The Western butter market is mostly steady with some weakness noted as buyers deal with unusually high prices for this time of year. Manufacturers are busy with increased cream supplies, although some cream is being diverted from churns to other cream channels. Inventories are building slowly in most cases as producers are reluctant to hold supplies at current pricing levels. Export demand remains good with tight world supplies. Retail and food service sales are along expected lines. According to the CME Group, weekly butter stocks in CME approved warehouses decreased 0.7 million pounds to 27 million pounds. The total of 27 million pounds compares to 59.4 million pounds in 2010 and 76.7 million pounds in the comparable week in 2009. 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 Foreign Agricultural Service, exports of butter and milkfat for January 2011 total 9.1 million pounds, up 41% from January 2010. The exports account for 5.5% of butter production in the U.S. for January 2011. According to the FAS, quota imports of butter for January-February 2011 total 1.0 million pounds, 13.4% less than the same period in 2010. Imports for 2011 account for 6.4% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 0.4 million pounds, 342% above last year's amount in the same time period.

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

	2011 Exports	% Change From
	Monthly Exports	1 Year Ago
	Jan.- Jan	
	(Million Lb.)	
January	9.1	+ 41
World	9.1	+ 41
Saudi Arabia	2.4	- 30
Belgium-Luxembourg	1.4	None
Egypt	1.2	+ 385

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
March 12	1.9842 11,766,478	1.9733 8,297,736	1.4766 18,223,200	2.0671 4,041,890	0.4628 10,235,665

## CHEESE MARKETS

## NORTHEAST

Trading on the CME Group Tuesday saw barrels decline \$.0625 and close at \$1.8500, while blocks declined \$.0600 and close at \$1.8200. Price declines over the last 2 trading sessions totaled \$.1150 for barrels and \$.1950 for blocks. The recent price declines did not keep last week's weekly averages from increasing, resulting in higher wholesale prices for all varieties with the exception of Swiss Cuts, which were unchanged. Cheese production is increasing in the Northeast as milk production is increasing along the seasonal trend. Cheese orders have slowed as purchasers await the impact of the price declines. A cream cheese manufacturer experienced production delays, due to an unforeseen maintenance project. Demand for low fat and aged cheddar cheese remains good. In the latest Foreign Agricultural Statistics reports, January 2011 exports of cheese and curd from the United States totaled 41.5 million pounds, a 96% increase from the same period in 2010.

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

Cheddar 40# Block	:	2.3325-2.6075
Process 5# Sliced	:	2.0800-2.3900
Muenster	:	2.3525-2.5575
Grade A Swiss Cuts 10 - 14#	:	3.0125-3.3350

## MIDWEST

The CME Group cash cheese market remains weak as prices declined sharply early this week. An inverted barrel/block spread also has occurred during the decline as the block price slippage has been sharper than the barrel. Buyers continue to delay orders as much as possible in a falling market. Many customers that purchase on monthly pricing systems loaded up in February and have the opportunity to work down inventory in the interim. Generally, packagers and processors are operating on lighter schedules in March than in February. Coupled with growing plant inventories and higher March Class III milk prices, operators expect a "red ink" month for their bottom line. The general attitude for many plant operators is if prices need to decline, get prices down quickly so customers return with orders sooner rather than drag it out longer than necessary. Spot interest is light. Some tightness continues on mozzarella and provolone, at least from preferred suppliers. Buyers have received only a limited number of calls with product offers. More operators are willing to part with some milk volumes (if desired), rather make more cheese to look at in inventory. Yields remain at solid seasonal levels.

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

Process American 5# Loaf	:	2.1700-2.5250
Brick And/Or Muenster 5#	:	2.3100-2.5250
Cheddar 40# Block	:	2.1500-2.8650
Monterey Jack 10#	:	2.2400-2.8650
Blue 5#	:	2.8425-3.0300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2300-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.7000-3.3300

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

	BUTTER	:	CHEESE
		:	
03/14/11	7,270	:	127,823
03/01/11	6,412	:	128,070
CHANGE	858	:	-247
% CHANGE	13	:	N.C.

## WEST

Cheddar Barrels on Wednesday at the CME Group are sharply lower, - \$.1100, at \$1.7400. 40 pound Blocks are \$.1050 lower Wednesday at \$1.7150. For the week so far, Barrels are \$.2250 lower and Blocks are \$.3000 lower. Barrels last traded at this level in the first week of February, with Blocks last here on the last week of January 2011. Sales are moderate to heavy for the week with Barrels trading eight loads and Blocks trading fifteen loads. Wholesale Western cheese prices are marginally higher following recent trends. Cash trading saw sharp reductions this week and buyers are taking advantage of lower prices. Buyers that had delayed purchases are expressing interest in acquiring inventories at reduced levels. Cheese production continues heavy as milk volumes increase seasonally. The bulk of production is committed to contracted needs. Export orders have slowed as domestic prices neared international pricing. CWT assistance continued to help move excess inventory for eligible manufacturers. According to FAS, exports of cheese and curd for January 2011 total 41.5 million pounds, up 96% from January 2010. The exports account for 4.7% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 9.3 million pounds or 22.4% of U.S. cheese exports. According to FAS, quota imports of cheese for January-February 2011 total 23.9 million pounds, up 33.6% from a year ago. The imports stand at 8% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 3.5 million pounds, compared to 1.9 million pounds imported for January-February of 2010. Imports of quota Swiss cheese for January-February 2011 total 7.8 million pounds, up 26.1% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 4.6 million pounds or 58.9% of the year's total import of Swiss.

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

Process 5# Loaf	:	2.1000-2.3575
Cheddar 40# Block	:	2.1425-2.4950
Cheddar 10# Cuts	:	2.3225-2.5425
Monterey Jack 10#	:	2.3325-2.4925
Grade A Swiss Cuts 6 - 9#	:	2.5900-3.0200

## FOREIGN

The CME Group block cheese price on Tuesday declined \$.0600 and closed at \$1.8200. Blocks have declined \$.1950 in the last two trading sessions. The recent declines did not prevent last week's weekly average from increasing which resulted in higher wholesale prices for all domestic varieties with the exception of Swiss Cuts, which were unchanged. According to FAS, imports of high tier and quota cheese from January through February this year totaled 27.4 million pounds, up 38.5% for the same period last year. Italian type cheese imports for January - February 2011 totaled 2.5 million lbs., 2.2 million lbs. (+582%) more than for the same period last year. Imports of Swiss/Emmentaler varieties from January through February 2011 totaled 7.8 million pounds, 26% more than the same period last year. Norway and Finland, the two top sources, account for 58.9% of Swiss/Emmentaler imports January through February 2011.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 2.4725-3.9600*
Gorgonzola	: 3.6900-6.3900	: 2.9750-3.2350*
Parmesan (Italy)	: -0-	: 3.5900-4.0050*
Provolone (Italy)	: 3.4400-6.2900	: 2.5150-2.6725*
Romano (Cows Milk)	: -0-	: 3.6625-5.8050*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-3.8300	: -0-
Jarlsberg-(Brand)	: 2.9500-4.8900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.1050-3.4275
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

## CHEESE MARKETS

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
	Monthly Exports	
January	41.5	+ 96
Mexico	9.3	+ 78
South Korea	8.5	+ 325
Japan	2.6	+ 4
Egypt	2.4	+1,699
Philippines	1.5	+ 383

**U.S. Cheese Imports (USDA-FAS)**

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jan. - Feb.			
High Tier	3.5	+84.8	N.A.
Quota	23.9	+33.6	8.0
Feb. Quota	13.5	+34.0	-

## FLUID MILK AND CREAM

## EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	250	0	170	0	129
SOUTHEAST STATES	0	0	0	0	0	0

Manufacturing milk supplies are fairly steady in the Northeast as increased production is being offset by good Class II and III pulls. Milk production in the Mid-Atlantic region continues to improve. Recent rains and warmer weather are beginning to green up pastures, but conditions are too wet in most areas to allow cattle to graze. The upper Southeast is beginning to dry out from numerous rains. On farm conditions remain fairly sloppy. Class I demand has backed off this week as more schools and colleges are going on spring break. Florida is nearing its peak milk production as many cows have freshened in the last month and cow comfort levels are near perfect with cool nights and warm days. Production levels at some co-ops are reported as up to 7% above last year. Class I demand has declined and is reported to be 5% below year ago levels. The increased production and Class I declines combined to increase the number of export spot loads to 250 this week. Pastures have improved as badly needed rains covered some of the drought stricken areas. Pasture conditions are rated as 15% poor, 60% fair and 25% good. Cream demand increased this week as ice cream concerns expanded production schedules and cream cheese production remains strong. Cream multiples ranged from 128-135. Sales of condensed skim remain strong to Class III concerns as cheese makers prefer to purchase condensed skim in lieu of higher priced and harder to source nonfat dry milk. Class II demand is also increasing as ice cream and yogurt manufacturers expand production schedules.

## 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	-	2.7136-2.8620
F.O.B. producing plants: Upper Midwest	-	2.5652-2.6712

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	- 1.23 - 1.33

## MIDWEST

Class I interest is about steady with recent weeks with just a few retail promotions underway. Institutional fluid demand is impacted by schools/colleges out on spring break in some locations. Sharp declines in cheese prices this week have slowed interest in manufacturing milk with a larger pool of offerings available. Spot milk prices are being pressured with some sharp discounts to Class III being offered by buyers. Condensed skim interest is also much slower from Class III accounts. A number of manufacturing plants will/are taking planned down days over the next few weeks to complete various maintenance projects before the heavier spring/Memorial Day weekend volumes arrive. Cream interest is steady to occasionally improved. Churns are trying to put up a larger share of butter as prints, ahead of Lenten season butter promotions. Churning remains active. Some other churns are still building bulk inventory. Ice cream/mix interest has improved as temperatures

warm, so milk and cream interest is stronger for some suppliers. Some improvement was noted for dips and sour cream in preparation of the tournament time while others had a disappointing sales week. Milk intakes seem to be increasing seasonally. Warmer temperatures are causing snow banks and drifts to disappear though soft fields may limit outdoor activity such as manure hauling.

## WEST

The April 2011 Class 1 prices in CALIFORNIA range from \$21.66 in the north to \$21.93 in the south. The statewide average Class 1 price based on production is \$21.68. The average is \$2.42 higher than March 2011 and \$7.29 more than April 2010. CALIFORNIA milk production is trending higher seasonally, but at a slow rate of increase. Overall conditions are favorable for milk output. Plants are generally running well and some cheese plants would welcome more milk. Class 1 demand is lower because of spring school breaks. ARIZONA milk production is steady to rising slightly on a week-to-week basis. Weather conditions are warming and very good for cows to respond. The normal flush peak in the state is in April. Processing plants are running on increased schedules to handle the extra milk with some plants performing maintenance and others seeing milk not needed by bottlers. NEW MEXICO milk output is flat to occasionally higher. More milk is staying in the state with slower orders from other regions. Also, Class I usage is down. More loads are moving to processing plants in the state. CREAM prices are mostly steady. Butter prices and averages are holding in a tight pattern. Cream demand is better from Class II ice cream accounts in and out of the region. The CME Grade AA butter price closed at \$2.1175 on Wednesday, March 16, down a 1/4 cent from a week ago. Cream multiples have been trending slightly firmer in the range of 108-123 and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST is building along seasonally expected patterns. Storms along the coastal areas are bringing rain and windy conditions, although no interruptions in milk handling have been reported. Class I usage is below a year ago and additional supplies are being balanced into various manufacturing plants within the region. Dairy farmers are looking at higher feed costs and some tight alfalfa supplies. UTAH and IDAHO saw scattered showers and warmer temperatures. Warmer rains are helping to build soil moisture as farmers prepare for spring activities. Milk volumes are building slowly and are being easily handled locally. Grain prices were lower this week as concerns over export demand surfaced in the wake of the Japanese earthquake. This is allowing an opportunity to purchase lower cost feed for dairy herds.

## NONFAT DRY MILK, BUTTERMILK &amp; 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:** The high side of the Central nonfat dry milk mostly price range decreased slightly on a mixed market. Market participants describe buyer interest as less anxious than in recent weeks, and correlate that sentiment with the seasonal increase in farm milk and NDM production that typically arrives in the spring of the year. Many plants in the Central region indicate that low heat nonfat dry milk production is notching upward, with drying schedules often clustered around the weekend when demand for condensed skim lessens. Sales of condensed skim into Class III plants is notably less active this week as cheese plants react to recent changes in orders brought on by cash market changes. Nonfat dry milk inventories are building at most locations. Manufacturers indicate that NDM put into storage now could help meet contract commitments through the end of the calendar year.

**EAST:** Some manufacturing plants are channeling increased milk volumes to dryers by limiting condensed skim spot market sales, in an effort to increase nonfat dry milk production in an attempt to become more current on contracts. Other plants are taking advantage of the good condensed skim demand and selling off most of their supplies and drying very little nonfat dry milk. Current supplies are fairly tight and moving through contracts with limited availability for the spot market. Low heat nonfat dry milk resale prices have declined from previous week's levels as purchasers take a wait and see attitude with the idea of possible lower prices as the spring flush approaches. Both low and high heat varieties of nonfat dry milk are being produced on limited schedules. Demand for nonfat dry milk remains fairly good.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4700 - 1.8500 MOSTLY: 1.4800 - 1.7500  
 HIGH HEAT: 1.5100 - 1.9000

## NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices widened this week for the full range, but narrowed for the mostly series. The market tone remains unsettled. Transactions at the top end of the market have slowed and demand has been tempered by the recent declines from higher levels. International skim milk powder markets are trading at lower pricing levels. The California weekly index price is lower than the previous week. The unsettledness of the market trend has slowed buyer interest. Export accounts continue to clear good volumes of previously committed powders and helping to keep those producers in better balance. Drying schedules are steady to higher, especially in areas where Class I/1 milk needs are lower and more milk is available for manufacturing needs. This is a direct result of schools and colleges being on spring breaks. The impact of the declining cheese prices and possible shifts in usage of NDM or condensed skim in cheese production are being assessed. Stocks remain mostly light. The CME Group NDM markets closed at midweek at \$1.8000 for Extra Grade and \$1.7900 for Grade A, with no current sales taking place. Western high heat nonfat dry milk prices are unchanged. The market undertone remains steady to firm. Buyer interest is fair to good seasonally with best demand noted for contracted volumes from regular accounts. Very little powder is available in resale channels and those volumes are not impacting the current market. Stocks are light. U.S. Exports of NDM/SMP during January 2011 total 86.1 million pounds, up 199% from a year ago, according to FAS.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4000 - 1.7500 MOSTLY: 1.4800 - 1.6500  
 HIGH HEAT: 1.4500 - 1.7600

## U.S. NDM Exports, H.S. Code 0402100000(FAS)

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN	86.1	+ 199
1 Mexico	21.9	+ 97
2 Indonesia	13.9	+ 945
3 Philippines	12.4	+ 108
4 Vietnam	9.6	+ 114
5 Malaysia	5.7	+10,239
January Total	86.1	+ 199

## DRY BUTTERMILK - CENTRAL AND EAST

**CENTRAL:** Dry buttermilk prices are unchanged to lower on a mixed market. Production is increasing in partnership with active churning schedules throughout the region. Availability of spot market loads of dry buttermilk from some manufacturers is improving. With other dry dairy products in tight supply, such as whey protein concentrate 34%, some end users are reportedly turning to dry buttermilk as a viable substitute in terms of availability, price and functionality.

**EAST:** Dry buttermilk production has declined as churning schedules are limited to current needs and sales of condensed buttermilk to ice cream producers have increased. A majority of current production supplies are moving through contracts with very little available for the spot market. Demand for buttermilk continues to be good.

F.O.B. CENTRAL/EAST: 1.3650 - 1.6500

## DRY BUTTERMILK - WEST

Western dry buttermilk pricing trends are continuing to increase within the range, but at a slower rate as prices near values for nonfat dry milk. The impact of the recent declining prices at the top end of the NDM market has reached across and is affecting dry buttermilk pricing potential. Buyer demand is fair to good for regular needs, but slightly lower from other accounts. The resale market test is also light. Drying remains steady to higher to process available buttermilk solids coming off the butter churns. Buttermilk inventories remain light to moderate.

F.O.B. WEST: 1.4000 - 1.5600 MOSTLY: 1.4600 - 1.5000

CONTINUED ON PAGE 5A



**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 moved higher on the mostly price series, reflecting contract loads based on various variable indices. The overall market tone is termed firm by most participants, with interest reported as higher than regional supply. Some contract load delays are occurring, although wait times have decreased over the last few weeks. Resale offers are actively being provided broker-to-broker and broker-to-end user. Prices for finalized resales range from the high \$.50's to high \$.60's. ANIMAL FEED DRY WHEY prices are higher. Production is constrained by tight supplies of whey solids.

F.O.B. CENTRAL: .3700 - .4900 MOSTLY: .3800 - .4500  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: . 2800 - .4000

**DRY WHEY - NORTHEAST**

Dry whey prices moved higher this week in the Northeast as spot sales moved the upper end of the range. Supplies continue to be very tight and difficult to source. Current production remains fairly steady following the steady to slightly increased cheese production. A majority of supplies are moving through contracts with some manufacturers behind on their contract commitments. The tight supplies and limited spot market availability have resulted in resale prices as high as \$.6850. Domestic and export demand remain good, supporting the market's firm undertone.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .4125 - .4400

**DRY WHEY - WEST**

Western dry whey range prices are higher with isolated instances of spot loads above contracted prices. The mostly price series was steady with a firm undertone. Reported supplies of whey remain mostly committed to contracted accounts. Limited spot offerings were available on the higher side of the price range. Demand for spot whey is good. Export demand is good with no interruptions reported as of yet into the Japanese markets. According to the Foreign Agricultural Service, exports of dried whey for January 2011 total 43.3 million pounds, up 2% from January 2010. The exports account for 47.5% of the total whey production in the U.S. for January. The top five importing countries accounted for 25.7 million pounds or 59.4% of the exports for January 2011. The February 2011 Dairy Market News monthly average price for Western dry whey range was \$0.4914 compared to \$0.4012 for February 2010; the Western dry whey mostly series averaged \$.4506 compared to \$.4050 a year ago.

NONHYGROSCOPIC: .4075 - .6500 MOSTLY: .4500 - .5200

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN	43.3	+ 2
1 Mexico	6.9	+ 93
2 Malaysia	5.6	+ 48
3 China	5.5	- 42
4 Japan	3.9	- 10
5 Indonesia	3.8	+ 72
January Total	43.3	+ 2

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market remains firm, with variable levels of offerings to the spot market, depending on manufacturers' inventories. The mostly price series continues to exhibit bimodal characteristics. Some end users are reportedly finding other dry dairy products to substitute for WPC 34% in formulations, fully or in part, but overall WPC 34% interest is active. Resale prices on WPC 34% reportedly are garnering premiums of \$.25 - \$.50, and a few

buyers are settling for F.O.B. LTL quantities carrying similar price premiums. Increased demand from Japan has already registered with some stateside suppliers, as buyers/end users seek to replace stored WPC 34% affected by various events in that country. WPC 34% production is steady at most locations, but lower at one or two facilities. These changes in production were prompted by increased movement of farm milk to butter/powder facilities, or operations choosing to focus on end products with different protein profiles.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.1500 - 1.4900 MOSTLY: 1.1800 - 1.4000

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN	23.3	- 5
1 China	11.8	+ 39
2 Canada	3.5	+ 27
3 Mexico	3.3	- 60
4 Japan	1.5	- 4
January Total	23.3	- 5

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a steady market. Interest is active for all mesh sizes. The supply of spot market offers from manufacturers is described as lighter than last week. This is providing opportunities for some loads of slightly older product to clear through resale channels without age-related price adjustments. Contract offers and counteroffers are activity being exchanged, with some finalized contract prices reportedly securing price premiums that are higher compared to Q1.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3100 - .5200 MOSTLY: .3300 - .4150

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN	36.9	+ 57
1 New Zealand	5.6	+ 120
2 China	4.8	+ 69
3 Brazil	4.2	+ 89
4 Mexico	3.6	+ 35
5 Australia	2.7	+ 145
January Total	36.9	+ 57

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Domestic buyers are fully aware of where prices are heading for the future. Although prices will be higher, most continue to question suppliers on availability. The Oceania production season is now over and commitments are being filled from inventoried stock. In most instances, stocks are sufficient for contractual commitments, but very limited for additional buyer interest. The European milk production season is just developing, thus is the casein production season. Casein producers remain optimistic about the upcoming season, but are proceeding cautiously with their commitments. Within the past 6 - 12 months, many domestic buyers have been limiting their purchases to about 90 days, but now are becoming more willing to expand these purchase periods. Many are considering this trend, knowing that supplies will be secured.

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 - 4.9000  
ACID: 4.2800 - 4.8500

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

	FOR THE WEEK OF MARCH 14 - 18, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 03/11/11	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	132,276	-0-	-0-

**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 02/26/11 & Comparable Week 2010**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2011-Dairy	N.A.	0.5	8.0	3.7	19.4	6.1	N.A.	N.A.	17.7	3.3	60.7	555.0	47.5	48.9
2010-Dairy	N.A.	0.5	7.7	2.9	18.2	4.7	0.5	N.A.	17.4	4.0	57.3	494.9	45.1	44.9
2011-All cows	0.1	0.7	10.0	14.2	32.9	24.7	N.A.	N.A.	20.2	6.3	127.9	1,136.0		
2010-All cows	N.A.	0.6	9.6	15.0	35.5	19.8	14.6	N.A.	19.9	7.6	127.0	1,102.8		

**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

**CLASS IV MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	12.53	12.71	13.71	16.12	18.48	20.76	21.64	21.87	21.61	21.31	20.40	19.18
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03

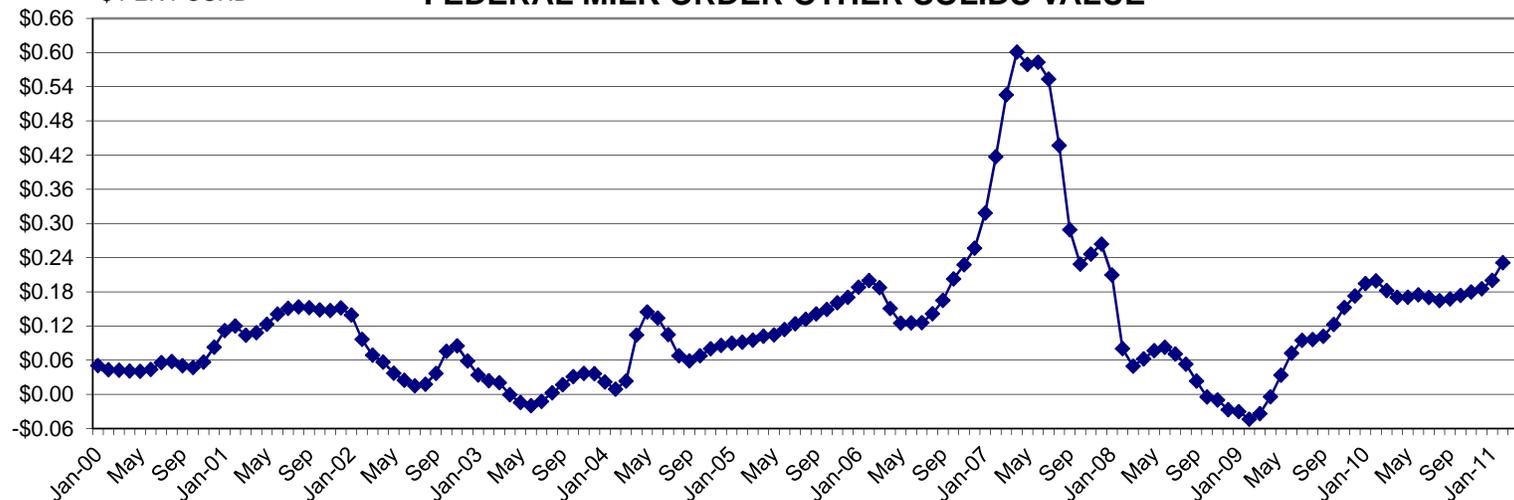
**FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89	18.23	19.43								
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](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points." \$ Revised

\$ PER POUND

**FEDERAL MILK ORDER OTHER SOLIDS VALUE**



## INTERNATIONAL DAIRY MARKET NEWS—EUROPE

Information gathered March 7—18, 2011

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

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** The European milk production season continues to develop. Milk producers and handlers are stating that early season weather patterns have been quite positive for a good start to the new milk production season. Although the milk production season is developing in a positive trend, some producers in various countries have to be cautious with their milk deliveries as the 2010 - 2011 milk quota year end is still a few weeks away. Most countries are within quota levels although reports indicate that The Netherlands, Denmark, Austria, Belgium, and Ireland might be at or above quota levels. Traders and handlers of manufactured dairy stocks are indicating that a recent milk powder tender did not source as much out of Europe as projected, thus there is or will be additional stock for potential buyers during the upcoming months. Although the milk production season is just getting underway, stocks of manufactured dairy products are starting to increase. Often, firmer prices than desired are limiting buyer interest. Traders and handlers are stating that prices are starting to ease for most products. At the recent g/DT trading event in New Zealand, prices across the board traded lower than the previous event. European traders are speculating that near term trading events will also realize lower prices. At the March 17 Dairy Management Committee meeting in Brussels, no offers were received to purchase intervention skim milk powder. There are about 50,000 MT of uncommitted intervention powder remaining in the program. The PSA butter storage program opened on March 1 and no official details of possible clearances have been released as of midmonth. Many traders and handlers speculate that the total volumes will be much lower than in recent years.

**BUTTER/BUTTEROIL:** European butter markets and prices are generally weaker. The milk production season is just getting underway, thus churning activity remains seasonally low. Most milk handlers are very optimistic about the upcoming season and manufacturing facilities are ready to receive milk. A tight butterfat situation has hampered the domestic and international marketplace over the past year and European handlers are hopeful that this will ease for the upcoming season. At the present time, some international buyers are reaching to the U.S. for desired butter needs as Europe and other international sources remain limited in their supply availability.

82% BUTTERFAT: 5,500 - 5,800  
99% BUTTERFAT: 6,050 - 6,400

**SKIM MILK POWDER (SMP):** European skim milk powder markets are weak and prices are trending lower. European traders and handlers were surprised at the lighter than anticipated clearance/commitment of European powder to a recent milk powder tender for April - June shipment. Although this commitment is lighter, European traders and handlers speculate that other international buyer interest will develop and keep new production stocks moving. Traders are stating that buyer interest has quieted, probably in response to prices trending lower. They are hearing "why should we buy today, when prices might be lower tomorrow". At the March 17 Dairy Management Committee meeting in Brussels, no offers were received for the purchase of intervention skim milk powder. At this time, there are about 50,000 MT of intervention skim milk powder available for potential sale.

1.25% BUTTERFAT: 3,600 - 4,125

**WHOLE MILK POWDER (WMP):** The whole milk powder market tone is weak with prices unchanged to lower. Prices remained strong early in the surveyed period, but are easing in recent days. At the March 15 g/DT event in the Oceania region, whole milk powder traded 10 - 13% lower over the various contracting period. Many traders speculated that prices would ease as buyers were starting to pull away from the market due to firm prices. Many feel that a weak price trend will continue at both the g/DT and commercial level, especially as the Northern Hemisphere enters into their milk flush period.

26% BUTTERFAT: 4,300 - 5,000

**SWEET WHEY POWDER:** European whey powder markets are weaker and prices are trending lower. Some buyers continue to show price resistance. Much of the current buyer interest is from the animal feed sector reaching into the edible market to fulfill their needs. Animal feed demand is building, typical for this time of the season. Cheese production is seasonally low thus no significant volume of new whey powder are being generated.

NONHYGROSCOPIC: 1,225 - 1,625

**EASTERN OVERVIEW:** Eastern European milk production remains at seasonal low levels, but is starting to show some signs of seasonal increases. Milk producers and handlers are optimistic about the upcoming season. Stocks of manufactured dairy products in this region are minimal with immediate stock availability supplied from last season's production. Some Eastern European manufacturers and handlers were hoping to get a larger portion of a recent milk powder tender than they actually realized, thus product will be more available than projected as the milk production season unfolds.

Exchange rates for selected foreign currencies: March 14, 2011

1.0284 Canadian Dollar	.0222 Indian Rupee
.2482 Argentina Peso	.7513 New Zealand Dollar
.0841 Mexican Peso	1.0105 Australian Dollar
.3474 Polish Zloty	.0122 Japanese Yen
	1.3999 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0841)  
= 11.8906 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered March 7—18, 2011

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

## OCEANIA

**OVERVIEW:** The New Zealand milk production season continues to wind down. The impact of the lack of moisture early in the second half of the current milk production season has mended somewhat and the end of the season is playing out about normal. The loss of milk during the drought period was non recoverable, thus early year production projections have been greatly altered. Milk producers and handlers are now recalculating their estimates to be more in the line of steady with last season to up slightly. There are about 11 - 12 weeks left of the current season and milk handlers are not projecting any significant positive influences to alter the most recent estimates. In Australia, the milk production season continues to edge lower. This year, excessive moisture is probably the major factor that has limited overall production growth. Victoria is a large region of Southeast Australia and is where the major portion of Australia's milk is generated. Moisture levels have varied within the region throughout the year, but for the most part, have been welcomed following a number of years of limited moisture and drought conditions. Most farmers and milk handlers are stating that it will take a few years for this abundance of moisture to be reflected in the dairy industry. In January, milk production in Australia decreased 1.3% when compared to January 2010. Most milk handlers in the country feel that milk volumes on an annual basis will be in line with last year to very fractionally higher. As the milk production season winds down in the Oceania region, much of the manufactured dairy product stock has been fully committed with minimal volumes anticipated to be available for spot buyer interest. In most instances, milk continues to clear to production of all dairy products with no specific product getting a stronger tilt. Prices have continued to firm in the past two weeks, but some are also starting to ease. Traders and handlers are stating that some buyers are now showing signs of price resistance, even though they are looking for and in need of supplies. Since prices have eased somewhat, further slowdown in buyer interest is being reported. Buyers are stepping away from the marketplace until prices stabilize. At the March 15 Global Dairy Trading (g/DT) event, prices during the various contracting periods were all generally lower, with the exception of the September - November contracting period for skim milk powder. 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, \$6,111, -4.5%; buttermilk powder did not trade at this auction; skim milk powder, \$3,816, -4.6%; and whole milk powder, \$4,105, -11.4%. An announcement from New Zealand last week indicated that at the May 17 g/DT event, milk protein concentrate and rennet casein will be added to the trading platform. Also, the trading platform is opening up to other sources of traded stocks to additional suppliers other than just Oceania suppliers. Japan is a major market for Oceania traders and handlers. Following the recent devastating earthquake and tsunami, shipments to Japan have slowed, but continued. Most exporters are stating that it is still too early to assess the total impact on Oceania exports, but for the most part, traders feel that shipments will continue as scheduled. In country logistics will probably have the most disruption.

**BUTTER:** Oceania butter markets and prices are mixed. Prices remain firm, although in recent days, a weakening trend is developing. At the March 15 g/DT event, on an all contract average, the anhydrous milk fat price declined 4.5% to \$6,111 per MT when compared to the previous event average. For various contracting periods, the average price and percentage difference from the previous average are as follows: Contract 1 (May), \$6,148, -4.3%; Contract 2 (June - August), \$6,178, -4.0%; and for Contract 3 (September - November), \$5,950, -5.8%. Traders and handlers state that buyer interest has remained strong, but is easing somewhat in

recent days. Traders feel that buyers might be stepping back from the market to see how this trend develops. Spot availability is limited as most all butter stocks have been fully committed.

82% BUTTERFAT: 4,600 - 5,200

**SKIM MILK POWDER (SMP):** Skim milk powder markets in the Oceania region are generally weaker. Prices are trending lower. Some traders are stating that buyers are resisting firm prices of recent weeks and stepping back from the market place. Spot availability is quite limited as most all stocks have been previously committed. At the March 15 g/DT event, skim milk powder prices, for all contracting periods, averaged \$3,816 per MT, 4.6% lower than the previous all contract average. Contracting periods 1 and 2 trended lower pricewise, but contracting period 3 increased. Following are the various contracting period averages and percentage change from the previous event. Contract 1 (May), \$3,759 per MT, -7.7%; Contract 2 (June - August), \$3,730, -8.9%; and Contract 3 (September - November), \$3,984, +4.1%, gaining more than it lost during the previous event for the same contracting period. Traders and handlers indicate that very minimal amounts of skim milk powder are available for spot buyer interest with interest well surpassing availability.

1.25% BUTTERFAT: 3,600 - 4,200

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets are mixed with commercial prices steady to higher, while g/DT prices are 10 - 13% lower. Many traders and handlers were speculating that the commercial prices were attaining levels that potential buyers were starting to resist, but often need surpassed price in importance. At the March 15 g/DT event, the average price for all contracts was 11.4% lower than the previous event average, \$4,105 per MT. Following are the various contracting period averages and percentage change from the previous event: Contract period 1 (May), \$4,337, -12.9%; Contract 2 (June - August), \$4,303, -13.0%; and Contract 3 (September - November), \$3,890, -9.7%. The milk production season is winding down in the Oceania region and when possible, milk is clearing to milk powder production on basically a 50/50 split between skim and whole milk powder output.

26% BUTTERFAT: 4,300 - 5,000

**CHEDDAR CHEESE:** Oceania cheese markets are generally steady, although a weakening price trend is developing. Traders indicate that Japan is a major buyer of Oceania cheese and it is still too early to see the full impact of future shipments following the devastating earthquake and tsunami of last week. At this point, shipments remain on schedule but ports of entry might have to be changed. Traders state that coastal areas are the hardest hit with inland transportation logistics equally challenging. Traders state that it will be a long time before some semblance of order is restored. In the Oceania region, if milk has a processing option at the end of the production season, milk is often being directed toward milk powders versus cheese production. Most cheese needs are now known, thus remaining production and inventoried stock should be sufficient to cover projected needs.

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

MARCH 15, 2011 Global/Dairy Trading (g/DT) event recap US \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 May 2011	Contract #2 June - August 2011	Contract #3 September- November 2011	All Contracts
Anhydrous Milk Fat	\$6,148	\$6,178	\$5,950	\$6,111
	-4.3%	-4.0%	-5.8%	-4.5%
Buttermilk Powder	N.A.	N.A.	N.A.	N.A.
	N.A.	N.A.	N.A.	N.A.
Skim Milk Powder	\$3,759	\$3,730	\$3,984	\$3,816
	-7.7%	-8.9%	4.1%	-4.6%
Whole Milk Powder	\$4,337	\$4,303	\$3,890	\$4,105
	-12.9%	-13.0%	-9.7%	-11.4%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	03/03	03/04	03/07	03/08	03/09	03/10	03/11	03/14	03/15	03/16
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
FEB 11	17.10 (5059) 0	17.00 (4626) 0								
MAR 11	19.60 (6548) 13	19.58 (6639) 8	19.61 (6673) 0	19.54 (6773) 0	19.63 (6900) 13	19.60 (6968) 0	19.65 (6977) 1	19.61 (6989) 0	19.59 (7034) 0	19.58 (7093) 0
APR 11	18.30 (5809) 2	18.43 (5866) 9	18.40 (6043) 0	17.96 (6095) 8	18.25 (5825) 9	17.87 (5796) 7	17.41 (5806) 8	16.66 (5756) 5	16.40 (5771) 0	16.49 (5776) 3
MAY 11	17.51 (4707) 2	17.56 (4723) 3	17.50 (4753) 0	17.08 (4765) 0	17.23 (4682) 4	16.88 (4688) 26	16.57 (4754) 53	16.02 (4893) 5	15.96 (4896) 0	16.15 (4994) 27
JUN 11	17.03 (3674) 2	17.02 (3684) 3	16.94 (3777) 0	16.75 (3812) 3	16.90 (3806) 6	16.66 (3796) 27	16.40 (3850) 52	15.99 (3848) 5	15.85 (3866) 0	16.02 (3938) 18
JUL 11	17.08 (2662) 2	17.04 (2685) 1	16.95 (2691) 0	16.88 (2709) 3	16.90 (2720) 9	16.84 (2724) 27	16.70 (2696) 52	16.41 (2723) 5	16.38 (2780) 1	16.51 (2800) 12
AUG 11	17.08 (2533) 2	17.07 (2542) 1	17.10 (2541) 0	17.00 (2572) 3	16.97 (2601) 9	16.96 (2629) 7	16.90 (2634) 52	16.85 (2618) 5	16.79 (2667) 1	16.75 (2679) 12
SEP 11	17.13 (2505) 2	17.11 (2513) 1	17.20 (2537) 0	17.15 (2546) 3	17.15 (2582) 9	17.18 (2656) 6	17.14 (2686) 57	17.10 (2641) 0	16.93 (2693) 1	16.90 (2700) 12
OCT 11	17.00 (2319) 2	16.98 (2327) 1	17.07 (2355) 2	17.00 (2350) 3	16.97 (2376) 9	16.95 (2400) 6	16.90 (2393) 21	16.79 (2387) 0	16.74 (2450) 1	16.74 (2465) 12
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
FEB 11	18.38 (65) 0	18.40 (65) 0								
MAR 11	19.75 (230) 7	19.75 (230) 0	19.75 (230) 0	19.75 (230) 0	19.75 (234) 4	19.75 (232) 0	19.75 (234) 2	19.75 (234) 0	19.75 (234) 0	19.75 (234) 0
APR 11	20.59 (354) 7	20.59 (354) 0	20.59 (354) 0	20.30 (359) 0	20.30 (372) 4	20.15 (372) 0	20.15 (374) 2	20.05 (374) 0	20.00 (382) 0	20.00 (382) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
FEB 11	208.00 (377) 1	200.68 (371) 0								
MAR 11	210.00 (513) 11	210.03 (514) 9	211.00 (526) 13	210.00 (526) 0	210.50 (526) 2	210.00 (526) 8	209.23 (526) 1	208.50 (527) 1	207.75 (527) 0	207.45 (527) 1
APR 11	209.98 (523) 10	210.00 (520) 9	211.00 (520) 2	212.00 (519) 1	212.00 (520) 10	211.00 (522) 15	210.75 (522) 2	209.00 (522) 1	206.00 (520) 8	203.75 (519) 4
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
FEB 11	136.50 (290) 0	137.28 (290) 0								
MAR 11	152.25 (244) 0	151.00 (244) 0	150.00 (244) 0	149.00 (244) 0	149.00 (244) 0	149.00 (244) 0	150.00 (241) 0	150.00 (241) 0	150.50 (233) 0	150.50 (233) 0
APR 11	162.00 (228) 0	160.03 (222) 0	160.00 (222) 0	159.50 (225) 0	158.48 (225) 0	156.53 (226) 0	157.00 (226) 0	157.00 (226) 0	157.00 (228) 0	157.00 (228) 0
<b>CME - WHEY (Electronic-Traded)</b>										
FEB 11	42.98 (477) 0	42.34 (477) 0								
MAR 11	50.75 (297) 0	49.00 (300) 6	49.00 (300) 0	48.00 (299) 1	46.75 (297) 2	46.00 (291) 7	46.75 (283) 9	46.75 (283) 0	47.00 (292) 14	47.03 (295) 10
APR 11	54.75 (315) 0	53.00 (317) 2	52.50 (312) 7	51.00 (313) 4	51.00 (313) 7	49.50 (318) 12	49.00 (315) 24	48.00 (317) 12	47.25 (324) 14	47.73 (327) 3
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
FEB 11	1.75 (317) 0	1.74 (371) 0								
MAR 11	1.97 (314) 2	1.97 (314) 0	1.99 (314) 1	1.98 (314) 0	1.99 (314) 2	1.99 (314) 0	1.99 (314) 0	1.98 (314) 2	1.98 (314) 0	1.99 (327) 32
APR 11	1.80 (247) 0	1.82 (247) 0	1.81 (248) 1	1.77 (275) 39	1.80 (275) 0	1.78 (276) 2	1.72 (277) 2	1.65 (295) 30	1.64 (330) 58	1.66 (344) 22
MAY 11	1.72 (157) 0	1.72 (157) 0	1.72 (158) 1	1.69 (178) 45	1.69 (177) 1	1.67 (185) 10	1.65 (186) 9	1.58 (204) 23	1.61 (216) 24	1.63 (231) 61
JUN 11	1.69 (172) 0	1.69 (177) 5	1.69 (182) 5	1.67 (228) 54	1.68 (233) 13	1.66 (233) 2	1.65 (244) 15	1.60 (253) 19	1.63 (285) 41	1.64 (316) 50
JUL 11	1.70 (94) 13	1.70 (94) 0	1.70 (98) 5	1.69 (110) 26	1.69 (109) 1	1.69 (110) 2	1.70 (108) 16	1.70 (110) 6	1.68 (118) 20	1.69 (126) 8

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

## **THE DAIRY OUTLOOK**

### **Cow Numbers Continue To Expand as Milk Prices Rise; Strong Demand Underpins the Market**

Corn prices in 2010/11 are expected to be high by historic standards, averaging \$5.15 to \$5.65 per bushel for the crop year. USDA did not revise the corn supply, demand, and price forecast this month from last. The soybean meal price is forecast to average \$340 to \$370 a ton in 2010/11, and this month's forecast was revised downward slightly from last month. Feed ingredient prices could push the 16 % mixed ration value up by more than \$2.00 per cwt from the \$7.25 calculated for 2010. Countering this is the likelihood of higher milk prices this year. Despite much higher expected feed prices, higher milk prices are likely supporting the modest expansion in dairy cows that began last fall and could extend for at least the first half of the year. Later this year, pressure from projected high feed prices and softening milk prices could precipitate a modest downturn in cow numbers. USDA forecasts cow numbers to average 9.17 million in 2011.

Milk yield per cow rose by nearly 2.8 percent in 2010 and is forecast to climb by only slightly more than 1 percent in 2011, a rate much closer to long-term trend. Downward revisions in output per cow in late 2010 and slower than expected growth in January contributed to the forecast. Along with this, dairy cow slaughter has been trending upward since last fall, based on year-earlier comparisons. The higher implied culling, along with an ample supply of dairy heifers, suggests that herd freshening may be underlying the expansion. The introduction of a greater number of heifers could also slow the growth rate in milk per cow in 2011. Younger cows typically do not hit their production stride in the first lactation. Annual output per cow is forecast at 21,375 pounds. That forecast and the forecast cow population will lead to about 196 billion pounds of milk being produced in 2011, an increase of almost 2 percent over 2010.

Milk equivalent imports are projected lower in 2011 on both a fats and skim-solids basis at 3.9 billion pounds and 4.7 billion pounds, respectively. Milk equivalent exports are also expected to decline in 2011 compared with last year. Milk equivalent exports are forecast at 6.7 billion pounds on a fats basis and 31.1 billion pounds on a skim-solids basis. Although lower than last year, exports on both a fats and skim-solids basis have been revised upward slightly over the last few months, as global demand has appeared to strengthen. Recent strength in domestic cheese prices may erode U.S. competitiveness in the world market. Very firm demand for nonfat dry milk and skim milk powder (NDM/SMP), along with a weak dollar, are the basis for the export forecast on a skim-solids basis. U.S. product prices are close to world prices, especially for powder products, greater anticipated production from Oceania later this year, expected large farm milk production could limit exports. Domestic commercial use is forecast to climb in 2011 by 2.1 percent on a fats basis, a sizeable rise compared with recent years. Domestic commercial use on a skim-solids basis is forecast to rise 2.8 percent this year following last year's contraction of 2.7 percent.

Major dairy product prices are expected to go higher in 2011. Prices were revised upward this month from February's forecasts. Export demand for cheese and NDM boosted prices as exporters competed with domestic demand. Cheese prices are forecast to average \$1.695 to \$1.755 per pound for the year, and NDM prices are projected to average \$1.365 to \$1.415 per pound. Although seemingly high in light of reported cheese stocks, the high cheese price, along with exceptionally high December cheese exports, suggests exports may be currently supporting the price. Extremely tight butter stocks are helping to support currently high butter prices. Later this year, continued improvement in domestic demand for cheese and butter is expected to support prices as increased milk production and lower export prospects from rising competition work to limit prices. The butter price is expected to average \$1.735 to \$1.825 per pound for the year. Whey prices are forecast to average 40.0 to 43.0 cents per pound. High NDM prices may be providing some support for whey prices. The higher expected prices for the major dairy products lead to rising forecast milk prices. Milk price forecasts will be higher this year than last, and the milk price forecast was raised in March from February projections. The Class IV price is estimated to average \$16.95 to \$17.65 per cwt and will average above the Class III price, which is expected to average \$16.35 to \$16.95 per cwt. The all milk price is forecast to average \$18.10 to \$18.70 per cwt in 2011.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook," LDP-M-201, March 16, 2011, Economic Research Service, USDA. Any questions or requests for more information can be directed to Roger Hoskin at (202) 694-5148.

## FEDERAL MILK ORDER ADVANCE PRICES, APRIL

**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for April 2011 is \$19.43 per cwt. This price is derived from the Class III skim milk pricing factor of \$11.94 and the advanced butterfat pricing factor of \$2.2583. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to March 2011, the Class I base price increased \$1.20 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$1.21 per cwt., \$0.104 per gallon; reduced fat milk (2%), \$1.30 per cwt., \$0.112 per gallon; fat-free (skim milk), \$1.41 per cwt., \$0.122 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$11.63. Thus, the Class II skim milk price for April is \$12.33 per cwt., and the Class II nonfat solids price is \$1.3700. **Product Price Averages.** The two-week product price averages for April are: butter \$2.0363, nonfat dry milk \$1.4733, cheese \$1.9735, and dry whey \$0.4618.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/ 2/</sup>				
April 2011				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	22.68	15.19	2.2908
Appalachian (Charlotte) <sup>5/ 6/</sup>	005	22.83	15.34	2.2923
Southeast (Atlanta) <sup>6/ 7/</sup>	007	23.23	15.74	2.2963
Florida (Tampa) <sup>6/ 8/</sup>	006	24.83	17.34	2.3123
Mideast (Cleveland) <sup>9/</sup>	033	21.43	13.94	2.2783
Upper Midwest (Chicago) <sup>10/</sup>	030	21.23	13.74	2.2763
Central (Kansas City) <sup>11/</sup>	032	21.43	13.94	2.2783
Southwest (Dallas) <sup>12/</sup>	126	22.43	14.94	2.2883
Arizona (Phoenix)	131	21.78	14.29	2.2818
Pacific Northwest (Seattle) <sup>13/</sup>	124	21.33	13.84	2.2773
All-Market Average		22.32	14.83	2.2872

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> 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. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets. <sup>4/</sup> 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. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. <sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. <sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. <sup>8/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. <sup>9/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. <sup>10/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>11/</sup> 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. <sup>12/</sup> 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. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

## FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, FEBRUARY 2011

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for February have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During February, about 9.9 billion pounds of milk were received from producers. This volume of milk is 1.5 percent higher than the February 2010 volume. In February 2010 and February 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. About 3.5 billion pounds of producer milk were used in Class I products, 0.4 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 36%, Class II = 10%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$18.13 per cwt., \$2.19 higher than last month and \$2.54 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF FEBRUARY 2011										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	1,911.1	5.3	813.1	1.1	43	22	25	10	18.75
Appalachian (Charlotte)	005	453.5	-3.9	311.0	-5.4	68	15	8	9	19.58
Southeast (Atlanta)	007	563.8	3.4	367.3	-1.3	65	8	23	4	19.60
Florida (Tampa)	006	238.3	1.7	200.7	-2.4	84	8	4	4	21.38
Mideast (Cleveland)	033 3/	1,215.0	-3.5	503.8	-7.8	42	12	40	6	17.68
Upper Midwest (Chicago)	030 3/	2,577.6	-2.4	341.1	-1.7	13	2	84	1	17.23
Central (Kansas City)	032 3/	1,046.5	3.6	356.9	7.0	34	13	47	6	17.50
Southwest (Dallas)	126 3/	951.0	13.5	354.3	4.8	37	7	43	13	18.42
Arizona (Phoenix)	131	364.2	8.3	118.1	7.3	33	8	27	32	18.18
Pacific Northwest (Seattle)	124	612.9	-3.2	177.1	2.4	29	7	39	25	17.78
<b>ALL MARKET AVERAGE OR TOTAL</b>	3/	9,933.7	1.5	3,543.5	-0.4	36	10	46	8	18.13

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

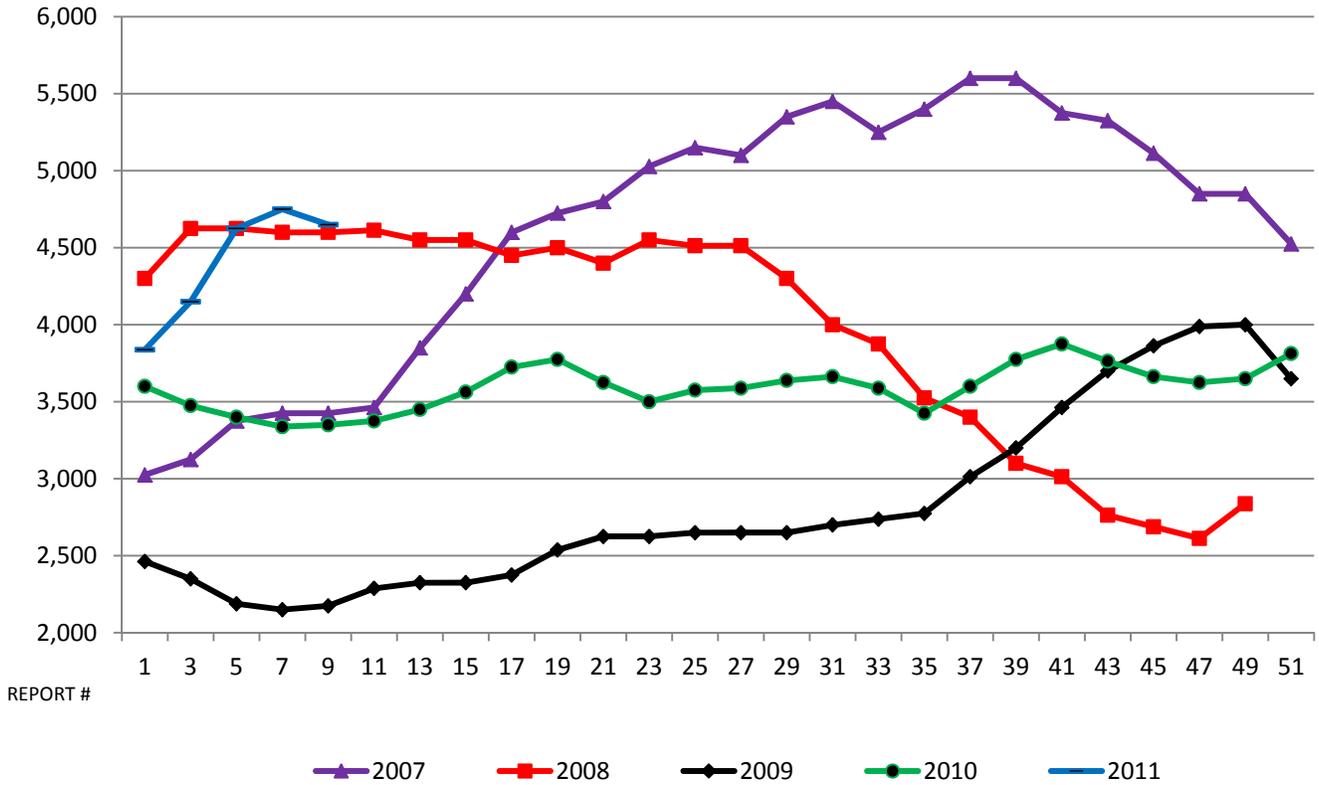
2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 222 million pounds of milk that normally would have been associated with these markets. In February 2010, the estimated not pooled volume of milk was 156 million pounds, occurring in order numbers 030, 032, and 033. After adjusting for non pooled milk, the year-to-year percent change is -1.2%.

**CORRECTED UNIT MEASURE**

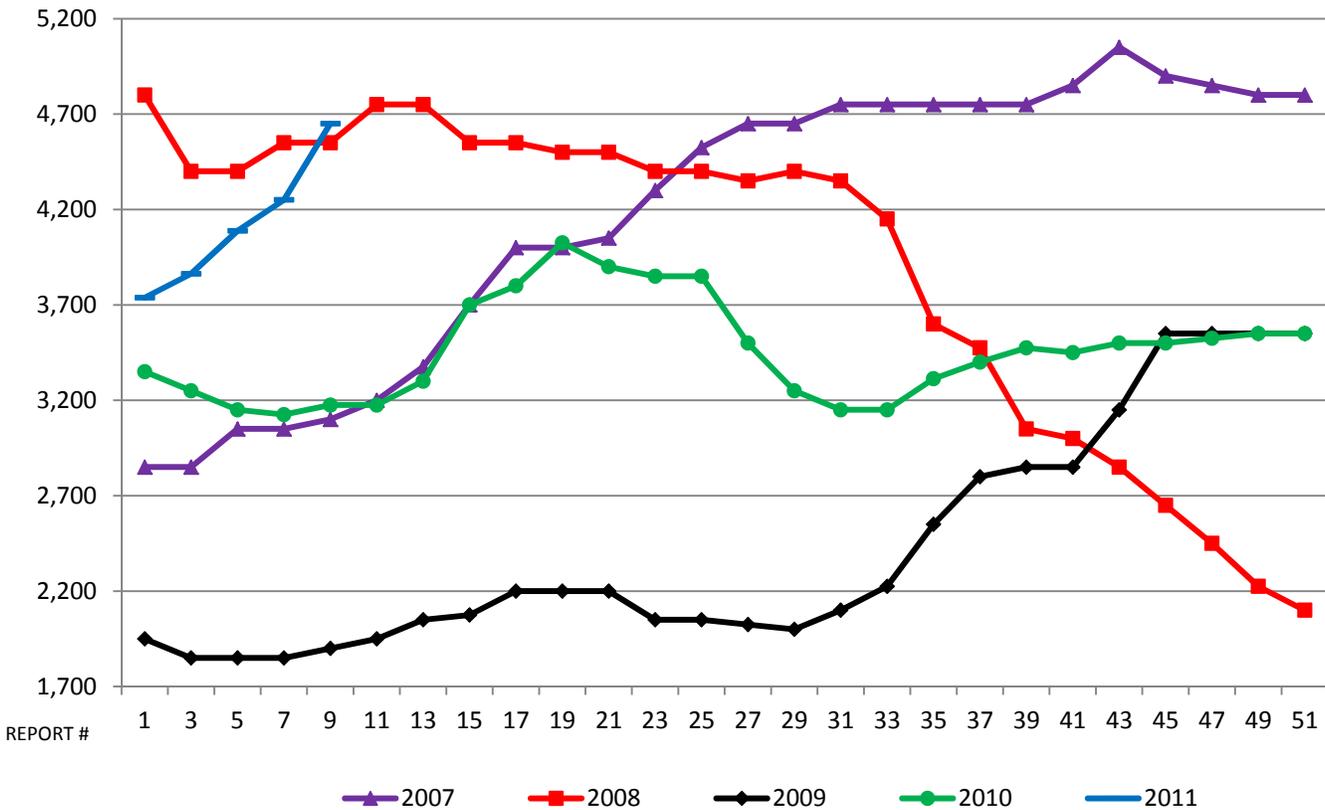
**EUROPEAN WHOLE MILK POWDER PRICES**

\$US PER MT



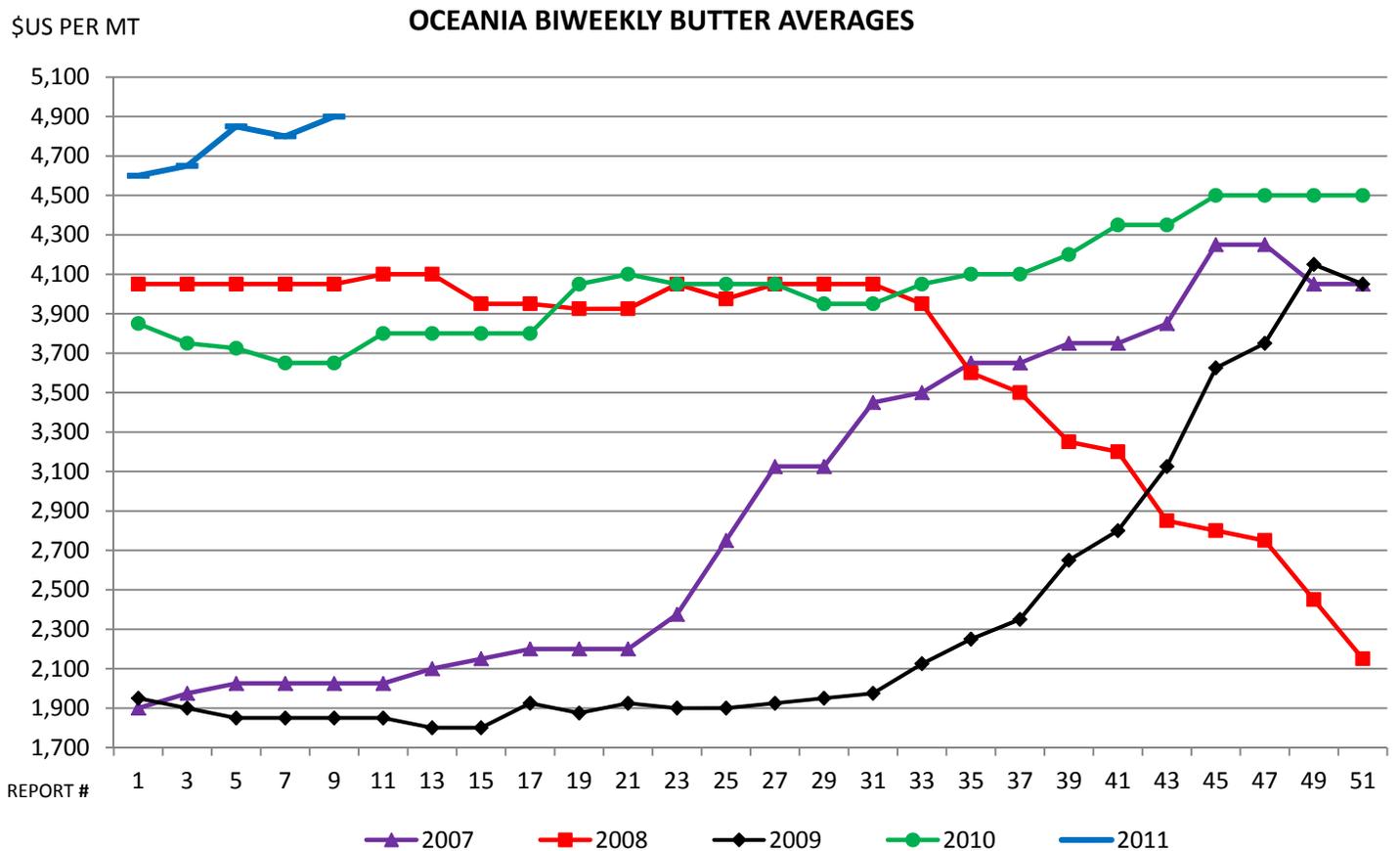
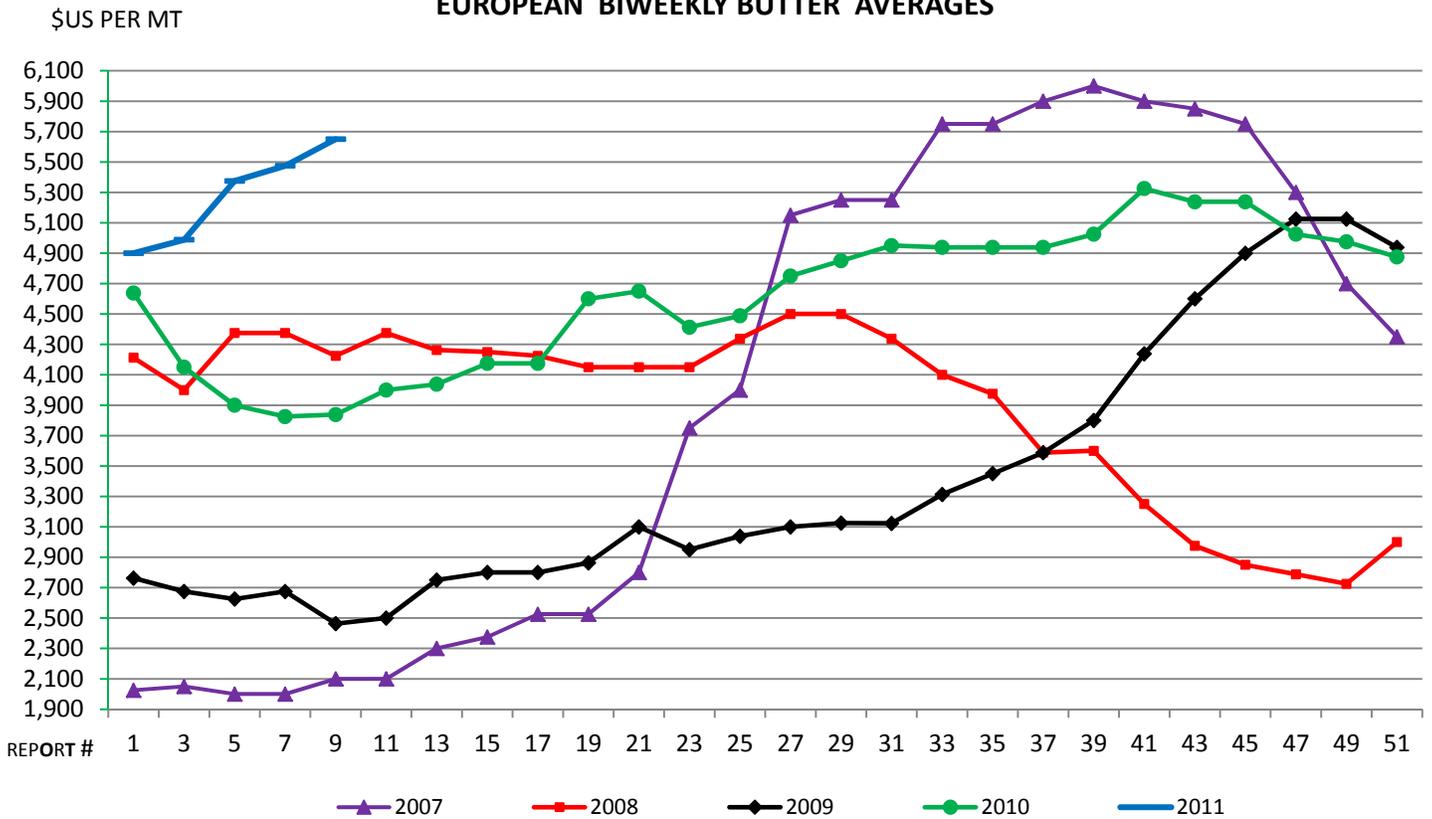
\$US PER MT

**OCEANIA WHOLE MILK POWDER**



**CORRECTED UNIT MEASURE**

**EUROPEAN BIWEEKLY BUTTER AVERAGES**



# DAIRY MARKET NEWS

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