

## NATIONAL DAIRY MARKET NEWS AT A GLANCE

## CME GROUP CASH MARKETS (05/13):

**BUTTER:** Grade AA closed at \$1.9500. The weekly average for Grade AA is \$1.9895 (-.1000).

**CHEESE:** Barrels closed at \$1.6425 and 40# blocks at \$1.6225. The weekly average for barrels is \$1.6525 (+.0150) and blocks, \$1.6315 (-.0075).

**BUTTER HIGHLIGHTS:** During the past week, the CME Group cash butter price declined \$0.1700, but then increased \$0.0250 on Friday to settle at \$1.9500 at week's end. This weekly decline is the largest one week decline since Thanksgiving 2010 and the lowest cash price since January 6, 2011. Churning schedules are increasing across the country as cream supplies continue to become more available to butter operations. Following the weak tone of the cash butter market, more butter producers are considering increasing their churning schedules to generate butter for inventory. With the cash butter price now under the \$2.00 level, this appears to be what many butter producers were waiting for. Many indicate that new butter stocks clearing to inventory will have a lower cost valuation when brought out of storage later this summer and fall when many project prices will once again surpass the \$2.00 per pound level. Many butter handlers feel that a weaker cash market at this time is a positive factor for their inventory management strategies. Butter demand is mixed. Orders have maintained themselves at fairly good levels following the recent holiday period, but eased early in the week as the market tone weakens.

**CHEESE HIGHLIGHTS:** The cheese market is unsettled to weak. Some short term price resistance seems to have developed as buyers expect cheese offerings will build as milk intakes and cheese production increase heading toward the spring peak. Current interest is moderate. Process orders are steady to improved. Processors and packagers are shipping orders to retailers and summer vacation locations for Memorial Day weekend use. While some producers, generally specialties, have good orders, other operations are sluggish. Cheese yields remain very good seasonally. March cheese and curd exports totaled 49.3 million pounds, 67% above March 2010. Cumulative first quarter 2011 cheese and curd exports total 134.7 million pounds, 86% more than in 2010.

**FLUID MILK:** Milk production across the bulk of the country is building slowly towards annual peak production. The Southern tier of states are at or past production peaks in many cases. Hot weather and dry temperatures are accelerating declines in the South. Manufacturing plants in the South are busy with nearby supplies of milk. Transportation costs are becoming significant barriers for surplus supplies. The Central and Northern tier milk production levels are increasing, albeit slowly as warm spring weather is slow to arrive. Regional handling plants are trying to maintain full schedules to reduce transportation expenses. Recent declines in butter prices, have increased interest from ice cream manufacturers as the warm weather season nears. Milk handlers are preparing for additional supplies into the

Memorial Day holiday weekend. Forage development is behind normal and supplies look to be tight in many parts of the country.

**DRY PRODUCTS:** Nonfat dry milk powder prices are steady to firm. A stronger U.S. dollar mixed with weaker European SMP prices are dampening demand though. NDM production is increasing in many areas and inventories are beginning to build. Drying time is available to meet most needs for both high heat and low heat production. Manufacturers are mostly comfortable with increased supplies. Dry buttermilk prices are steady to weak. Condensed buttermilk is moving well into Class II uses. Additional dry buttermilk supplies are being offered into spot markets. Whey powder markets are mostly steady. Whey production is steady to increased as additional milk supplies find their way to cheese plants. The firmer dollar has slowed some export interest. Transportation costs are influencing prices in some regions. Additional producer offerings are appearing in some areas. WPC 34% prices are steady. Producers are expressing confidence in holding inventory.

**INTERNATIONAL DAIRY MARKET NEWS(DMN):** The **Western European** milk production season continues to steadily develop, although milk output in France may be at or slightly past peak levels. Most all regions of Western Europe will be peaking out within the next 1 - 2 weeks. For the most part, milk production trends in Western Europe are positive at this time. Dry conditions are a concern for dairy producers in various parts of Western Europe. Currently though, pastures are generally green and lush, but if moisture does not fall in the next 3 - 4 weeks, positive pasture conditions and feed quality will quickly deteriorate and milk output will suffer. Limited moisture is a concern for much of the European agriculture industry, but grain and feed supply producers are probably the most concerned at this time. Traders and handlers are indicating that buying interest for dairy products, is increasing. Currently, stocks are ample to satisfy demand, but are not significant. Prices have eased during the past few weeks, but now are stabilizing. The Dairy Management Commission is now meeting only once a month and the next meeting will be held on Thursday, May 19. The milk production season in Eastern Europe is also on the increase and typically is 4 - 6 weeks behind Western areas. Peak production will be mid to late June. Favorable fall/autumn weather patterns in both **New Zealand** and **Australia** are providing for an extended milk production season. During the current 2010 - 2011 milk production season, negative weather occurrences did impact the milk flow in both countries. Drought conditions prevailed in the major milk producing region of the North Island soon after peak production in New Zealand, thus the decline in milk output from seasonal high levels was quite dramatic. Milk lost during this period was very difficult to regain, although moisture did arrive and some recovery did occur which is extending the season at this time. In **Australia**, excessive moisture was the weather related factor that impacted milk production most. Australia had been dealing with drought conditions for many years and this year, the complete opposite situation was

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## CME GROUP CASH TRADING

COMMODITY	MONDAY MAY 09	TUESDAY MAY 10	WEDNESDAY MAY 11	THURSDAY MAY 12	FRIDAY MAY 13	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.6600 (N.C.)	\$1.6600 (N.C.)	\$1.6525 (-.0075)	\$1.6475 (-.0050)	\$1.6425 (-.0050)	:: (-.0175)	:: \$1.6525 :: (+.0150)
40# BLOCKS	\$1.6475 (N.C.)	\$1.6475 (N.C.)	\$1.6200 (-.0275)	\$1.6200 (N.C.)	\$1.6225 (+.0025)	:: (-.0250)	:: \$1.6315 :: (-.0075)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$1.6400 (N.C.)	\$1.6400 (N.C.)	\$1.6400 (N.C.)	\$1.6350 (-.0050)	\$1.6350 (N.C.)	:: (-.0050)	:: \$1.6380 :: (-.0900)
GRADE A	\$1.6400 (N.C.)	\$1.6350 (-.0050)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6300 (-.0050)	:: (-.0100)	:: \$1.6350 :: (-.0070)
<b>BUTTER</b>							
GRADE AA	\$2.0500 (-.0450)	\$2.0400 (-.0100)	\$1.9825 (-.0575)	\$1.9250 (-.0575)	\$1.9500 (+.0250)	:: (-.1450)	:: \$1.9895 :: (-.1000)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

the case. Greatly depleted moisture levels were once again replenished and good volumes of moisture are in reserve for the future. With a stronger tail to the end of the current milk production season, milk producers and handlers are projecting a positive end to the current milk production year with output running about 1% ahead of last season. Traders and handlers are stating that stocks of most manufactured dairy products are fully committed and virtually no surplus volumes are projected to be available for spot buyer interest. Most traders indicate that spot buyer interest is minimal as most international buyers are aware of the Oceania supply situation.

**MAY SUPPLY AND DEMAND ESTIMATES (WAOB):** Milk production for 2012 is forecast to increase as the decline in milk cows is expected to be offset by growth in milk per cow. Although inventories are expected to expand during 2011, weakening milk prices and relatively high feed costs will set the stage for herds to contract slightly in 2012. Growth in milk production also reflects an additional milking day in 2012. Commercial exports are forecast to increase as the global economy improves. Imports will be lower as domestic supplies increase. With increasing domestic production, cheese, butter, nonfat dry milk, and whey prices are forecast lower. Both Class III and Class IV prices are forecast lower, consistent with the lower product price forecasts. The all milk price is forecast at \$17.35 to \$18.35 for 2012. Forecast milk production in 2011 is lowered from last month primarily reflecting slower growth in milk per cow despite more rapid growth in cow numbers. Imports are reduced and exports are raised from last month due to an increase in global dairy demand and a weak U.S. dollar. All dairy product prices are raised from last month with Class prices increased to reflect higher product prices. The milk price is forecast to average \$18.95 to \$19.45.

**FEBRUARY MAILBOX PRICES (AMS & CDF):** In February 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.93 per cwt., up \$2.27 from the previous month average, and up \$2.96 from February 2010. The component tests of producer milk in February 2011 were: butterfat, 3.80%; protein, 3.11%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in February 2011 ranged from \$20.57 in Florida to \$17.46 in New Mexico.

CME GROUP

MONDAY, MAY 9, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.6400; 1 CAR GRADE A @ \$1.6400  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, MAY 10, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.6350; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.6400; 1 CAR GRADE A @ \$1.6400  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0400

WEDNESDAY, MAY 11, 2011

CHEESE -- SALES: 6 CARS BARRELS: 2 @ \$1.6600, 4 @ \$1.6550; 2 CARS 40# BLOCKS: 1 @ \$1.6300, 1 @ \$1.6200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6525  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6350  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.9900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9825

THURSDAY, MAY 12, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$1.6475; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6325; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6500  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.6350; 1 CAR GRADE A @ \$1.6350  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.9250; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9200; LAST OFFER UNCOVERED: NONE

FRIDAY, MAY 13, 2011

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.6450, 1 @ \$1.6425; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6425; 1 CAR 40# BLOCKS @ \$1.6225; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.6300; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.6250; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6350  
 BUTTER -- SALES: 5 CARS GRADE AA: 1 @ \$1.9300, 1 @ \$1.9400, 1 @ \$1.9500, 1 @ \$1.9475, 1 @ \$1.9500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9500

BUTTER MARKETS

NORTHEAST

The butter price on the CME Group declined \$.0100 Tuesday and closed at \$2.0400. Butter prices have declined \$.0550 in the last two trading sessions. The fairly steady demand for butter has surprised some butter makers, who are primarily churning to fill orders with only some additions to inventories. Cream supplies and multiples have tightened as ice cream and ice cream mix production have begun to increase. Cream multiples are ranging from 123-133. Some butter makers who have not increased inventories due to higher butter prices have been reviewing their market strategies and are looking at the possibility of building inventories over the summer when cream supplies are most plentiful, typically weekends and holidays. Butter future prices remain in a positive position for those hedging portions of their current inventories. Prices for bulk butter have increased from previous discounts in recent weeks and range from 5-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

Since last week, the CME cash butter price has declined 11 1/4 cents during 3 trading sessions this week, to settle at \$1.9825 at midweek. For many, this is the trend that they anticipated would occur sooner, following the recent Easter/Passover holiday. Churning schedules are somewhat more active as cream supplies continue to become more available to butter operations. Following the weak tone of the cash butter market, more butter producers are considering increasing their churning schedules to generate butter for inventory. Although the cash price is just under the \$2.00 level, this appears to be what many butter producers were waiting for. Many indicate that new butter stocks clearing to inventory will have a lower cost valuation when brought out of storage later this summer and fall when many project prices will once again surpass the \$2.00 per pound level. Butter demand was picking up following the recent holiday, but slowed somewhat early in the week as buyers paused with their order placement as the cash price eased. Butter producers feel that lighter demand will continue for the foreseeable future or until markets stabilize. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

The CME Group butter price for Wednesday is down \$.0575 at \$1.9825. Prices

for the week are down \$.1125. Today's market is the first time butter has traded under \$2.0000 since April 14. Trading has been light this week with one load sold each day. Western butter prices are lower this week. Buyers and sellers alike are evaluating their position as the price swings lower. Retail sales of print butter are meeting some resistance at the higher price levels. Increased cream supplies are adding to production runs at butter churns. Churns are cautious about building excess inventory at these historically high prices. Demand for cream from ice cream manufacturers is slow to develop until warmer weather arrives. Export possibilities are good as U.S. prices are well below European prices. Prices for bulk butter range from 1 cent over to 4 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 4.8 million pounds to a warehouse adjusted 62.2 million pounds. The total of 62.2 million pounds compares to 62.6 million pounds in 2010 and 84.4 million pounds in the comparable week in 2009. The announcement was accompanied with a disclaimer from the CME Group this week. "This report includes an adjustment of 27,203,947 lbs. of stocks held by warehouses that have not been previously reported, or due to prior reporting errors at other warehouses. As a result, CME Group is continuing a review to determine if there are other unresolved reporting issues." According to the Foreign Agricultural Service, exports of butter and milkfat for January-March 2011 total 41.9 million pounds, up 99% from January-March 2010. The exports account for 8.9% of butter production in the U.S. for January-March 2011.

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

	2011 Exports	% Change From
	Monthly Exports	
March	18.6	+ 102
	Jan.- Mar. (Million Lb.)	1 Year Ago
World	41.9	+ 99
Saudi Arabia	9.7	+ 44
Mexico	4.6	+ 361
Denmark	4.5	None
South Korea	3.0	+ 240
Egypt	2.8	+ 140

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
May 7	1.6182 11,105,397	1.6187 10,224,264	1.6000 21,907,716	2.0226 6,338,342	0.4891 10,592,279

**CHEESE MARKETS**

**NORTHEAST**

Cheese prices on the CME Group were unchanged Tuesday with barrels closing at \$1.6600 and blocks closing at \$1.6475. In the last 10 trading sessions barrels have advanced \$.0850 with blocks advancing \$.0475. The weekly average prices increased for both barrels and blocks, resulting in a \$.0450 increase in wholesale prices for Process 5# Sliced cheese and a \$.0350 increase for Cheddar 40# Block and Muenster. Wholesale prices for Swiss Cuts were unchanged. The spring flush is continuing in the Northeast, but at a slower pace compared to last year, due to the unusually cool spring. As a result, cheese production has increased marginally in the Northeast. Cream cheese production is steady with some increased export activity. Demand for mozzarella, provolone and aged cheddars remain good with little additions to inventories.

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

Cheddar 40# Block	:	1.9575-2.2325
Process 5# Sliced	:	1.7450-2.0550
Muenster	:	1.9775-2.1825
Grade A Swiss Cuts 10 - 14#	:	3.6675-3.9900

**MIDWEST**

The cheese market is about steady. Commercial interest is generally steady to slightly improved. For most packagers, orders are better but less than good. Mozzarella remains tight though schools are nearing the end of their year. Natural cheese orders are solid for some producers but lagging for others. Process continues to improve seasonally. How food service accounts are reacting to high gas prices and the summer travel season remains to be seen. For a few cooperatives, the CWT export program continues to help balance supply with demand. In upper tier areas, milk volumes have yet to pick up due to cooler than normal temperatures and widespread wet conditions. Cheese yields remain very strong seasonally due to above average components. Many producers continue to focus on spring planting needs.

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

Process American 5# Loaf	:	1.9975-2.2400
Brick And/Or Muenster 5#	:	2.1500-2.3300
Cheddar 40# Block	:	2.1500-2.8650
Monterey Jack 10#	:	2.1125-2.8650
Blue 5#	:	2.4675-3.0500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9825-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.9500-3.3550

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

	BUTTER	:	CHEESE
05/09/11	8,022	:	127,098
05/01/11	7,983	:	127,764
CHANGE	39	:	-666
% CHANGE	N.C.	:	-1

**WEST**

Cheddar barrels on Wednesday at the CME Group are down \$.0075 at \$1.6525. 40 pound blocks are \$.0275 lower Wednesday at \$1.6200. Sales of barrels are moderate to good with six loads traded. Blocks had lighter sales of two loads for the week. Western cheese prices are higher this week. Both buyers and sellers are adjusting to price swings over the past few weeks. The market has remained in the low to mid \$1.60's. Increased milk production has added to milk supplies going to cheese plants. Most producers are reporting good sales in the current price range. Block sales are available with barrels in a tighter position. Mozzarella sales are good for both domestic and export markets. Cheese processors are continuing to purchase product for use later this summer. According to FAS, exports of cheese and curd for January-March 2011 total 134.7 million pounds, up 86% from January-March 2010. The exports account for 5% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 31.7 million pounds or 23.5% of U.S. cheese exports.

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

Process 5# Loaf	:	1.7625-2.0200
Cheddar 40# Block	:	1.7675-2.1200
Cheddar 10# Cuts	:	1.9475-2.1675
Monterey Jack 10#	:	1.9575-2.1175
Grade A Swiss Cuts 6 - 9#	:	3.2450-3.6750

**FOREIGN**

The CME Group weekly average block price advanced, resulting in a \$.0350 increase in wholesale prices for all domestic varieties. Prices for Swiss cuts and imported varieties 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	: 2.0975-3.5850*
Gorgonzola	: 3.6900-6.3900	: 2.6000-2.8600*
Parmesan (Italy)	: -0-	: 3.2150-3.6300*
Provolone (Italy)	: 3.4400-6.2900	: 2.1400-2.2975*
Romano (Cows Milk)	: -0-	: 3.2875-5.4300*
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-	: 3.7600-4.0825
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

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

	2011 Exports (Million Lb.)	% Change From
	Monthly Exports	
March	49.3	+ 67
Cumulative	Jan.- Mar.	1 Year Ago
World	134.7	+ 86
Mexico	31.7	+ 50
South Korea	24.1	+ 212
Japan	12.2	+ 60
Saudi Arabia	7.2	+ 349
Egypt	5.1	+ 179

## 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	320	0	320	0	192
SOUTHEAST STATES	0	0	0	0	0	0

Yogurt and cheese makers continue to make strong pulls on the manufacturing milk supplies in the Northeast. Milk production is lagging behind last year's production levels, due to the unusually cool wet spring. Wet conditions continue to limit field work activities and as a result corn plantings in New York are only 3% completed, compared to 37% last year. Pennsylvania's corn plantings are 10% completed compared to 52% for the same period last year. The Mid-Atlantic region is the only region in the East not beset with adverse weather or weather related condition and milk production continues to increase towards its seasonal peak. Some recent Class I demand increases have been noted in the region. Flooding in portions of Kentucky and Tennessee have yet to cause any major delays in milk deliveries, but the situation is tenuous as more rains are forecast with numerous rivers and tributaries cresting. Milk production is increasing in most areas of the Southeast with some declines being noted in the Deep South. Florida production remains robust as producers are managing their herds to maximum production, taking advantage of current milk prices, before heat, humidity, drought and rising feed costs curtail their production and profit margins. Drought conditions have been compounded with daytime high temperatures in the 90's and the outbreak of numerous wild fires. Class I demand remains flat. Cream demand increased as ice cream and ice cream mix production has begun to expand. The increased demand raised the low end of the multiples, narrowing the range to 123-133. Some recent export interest for cream cheese also added to cream demand. Condensed skim is moving well through contracts with strong pulls and spot sales to cheese makers and yogurt producers.

## 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	-	2.5700-2.7790
F.O.B. producing plants: Upper Midwest	-	2.5701-2.6119

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices	-	1.61 - 1.68
Northeast - Class III - spot prices	-	1.20 - 1.27

## MIDWEST

Current fluid interest is about steady with most recent non-holiday or spring break weeks. Class II product orders, besides ice cream, were steady to occasionally improved. Ice cream/mix interest in cream is generally improved, especially in areas that finally started getting seasonal temperatures and humidity after a cool spring. The significant revision in the CME Group butter inventory caused many conversations and consternation over the sharp increase (about double) the butter volume of just a couple weeks ago. Some cream buyers switched pricing to market date of ship on new spot purchases due to the large midweek decline in butter prices at the CME Group cash market. Handlers continue to report tight manufacturing milk supplies in the Wisconsin/Minnesota area while a few reports from Indiana and Ohio note more available offerings. A milk handler was surprised by the lack of calls offering surplus milk over Memorial Day weekend. On the limited test, spot manufacturing milk prices were steady to fractionally higher. Milk volumes are little changed in the upper

Midwest where fresh grass/green chop is limited by the cool temperatures. In the Texas and nearby states, milk volumes are past the spring peak but seem to be holding up higher than expected with a large share of Texas in a severe drought. Some good progress has been made on spring planting though cool and wet conditions continue to cause delays in upper and central tier locations.

## WEST

The June 2011 Class 1 prices in CALIFORNIA range from \$21.41 in the north to \$21.68 in the south. The statewide average Class 1 price based on production is \$21.43. The average is \$0.51 higher than May 2011 and \$5.73 more than June 2010. CALIFORNIA milk output is overall steady. Some areas in the far south are seeing the start of seasonal declines. The Central Valley is generally steady. Far northern production is steady to higher and more pronounced in areas with good pasture growth. Processing plants are running well on active schedules to handle the milk supply. NEW MEXICO milk production is steady with recent weeks. Plants are operating on extended schedules to process the incoming milk supplies. The first hay cutting is ending and the prices are very high. With the dry conditions across the state, the yield is lighter than expected. Water to irrigate future cuttings will be limited. ARIZONA milk production is trending lower off recent seasonal peak levels. Milk solids are also declining and yields are being impacted. Hotter temperatures are developing with many areas seeing 100 degrees this week. Processing plants are running on reduced schedules. Class I demand is steady with school and retail accounts pulling projected volumes. In coming weeks, schools and colleges will be recessing for the summer. CREAM markets are unsettled this week. Declining butter prices at the CME Group, the midweek price closed at \$1.9825, totaled 11.25 cents since a week ago. The decline gave some pause to cream demand as buyers reproject where they think pricing will settle. There had been improved demand from ice cream accounts. Butter projection remains active in the region to process available cream. The more southern areas are seeing declines in milk production as well as fat and protein levels. Cream multiples are unchanged at the 105-124 range and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST continues to build as warmer weather arrives. Class I usage is winding down as the school year is ending soon. Weekend supplies of milk are being balanced within the region with some excess product moving east. Transportation costs are significant in moving fluid supplies. First crop hay is still a few weeks off in the Northwest. Availability and price are both factors in forage procurement this year. Washington replacement heifer costs are holding mostly steady with Supreme quality heifers ranging \$1400-\$1600 at a recent auction. UTAH and IDAHO milk supplies are increasing slowly as spring is slow to fully arrive in the region. The area has adequate manufacturing capacity to handle the increased supplies locally in most cases. Moisture levels are good for spring cropping activity, although temperatures are slow to warm up. Feed costs for the coming year are at the front of many dairy farmers minds as they enter the spring season. HAY STOCKS are surveyed twice a year to determine supplies as of May 1 and December 1 by NASS. The results indicate that U.S. stocks total 22,217,000 tons, up 1,286,000 tons or +6.1% from May 1 last year. Stocks and the change from last year for selected Western states are as follows: Arizona 40,000, -20,000 tons; California 160,000, -272,000; Colorado 450,000, -200,000; Idaho 280,000, -495,000; Nevada 46,000, -264,000; New Mexico 100,000, -25,000; Oregon 280,000, -140,000; Utah 144,000, -101,000; and Washington 350,000, +70,000. Net stocks for these nine states are down 1,447,000 tons from May 2010. Current stocks on farms in the selected Western states are at 56% of the 2010 stocks.

## 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: Nonfat dry milk prices in the Central region are higher as prices adjusted in relation to various indices. The market tone in the region is steady to firm, although some buyers and sellers note that price signals from both the EU and Oceania indicate near term markets may soften. Farm milk intakes at several plants are below what processors had projected for this time of year and there is some concern that a strong seasonal flush may not develop along historical patterns. Contract sales of Class III milk loads into a few plants have reportedly decreased as those cheese plants modify production to match current cheese orders. This has increased the volumes of milk available for nonfat dry production at some locations. High heat nonfat dry milk production runs are being scheduled intermittently to augment current holdings and meet contract commitments. Low heat NDM inventories are steady to building, with total holdings well within the comfort zones of producers. F.O.B. offers to the spot market tend to be for less than block quantities.

EAST: Eastern nonfat dry milk prices moved higher this week with low heat prices firming within the range and high heat price increases advancing the upper end of the range. Strong Class II and III demand continues to pull manufacturing milk supplies away from dryers, limiting nonfat dry milk production. Current production significantly lags behind last year's levels with most nonfat dry milk producers focused on catching up and/or filling current contracts. Drying schedules are conducive for either low or high heat production. Demand is mixed with some end users holding off purchases for possible lower prices as the spring flush increases manufacturing milk supplies, other manufacturers are considering nonfat dry milk purchases as an alternative to purchasing whey protein concentrates, which are very tight. Freight rates are limiting Eastern purchases of the more available product in the West.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.6000 - 1.7000 MOSTLY: 1.6100 - 1.6800  
 HIGH HEAT: 1.6800 - 1.7700

## NONFAT DRY MILK - WEST

Pricing levels for Western low/medium heat nonfat dry milk are steady to slightly higher. The market undertone is generally steady. There have been some marginal changes in weekly indices that have affected pricing levels on the producer side. The CME spot NDM prices are at \$1.6400 for Extra Grade and at \$1.6350 for Grade A at midweek. There have been a couple sales in the past week. Additional offerings are in the marketplace from resellers and some end users. Buying interest is light to fair for current offerings. Export shipments continue to move for past and current trades and are making up a greater share of current sales. Production and exporting of SMP also are active. Drying schedules are seasonally active and reflect the ebb and flow of milk output in the region. Milk is steady to lower in the Southwest; trending higher in the Northwest and generally following expected seasonal trends. Stocks are light to moderate. High heat prices are steady to up slightly on the bottom end of the range. Offerings are light to moderate and well matched with current demand. Most current trades are based on contracted volumes with a limited test on the spot market. Output is holding steady with dryer room available for needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.5400 - 1.6600 MOSTLY: 1.5900 - 1.6200  
 HIGH HEAT: 1.6200 - 1.8100

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	247.3	+108
1 Mexico	73.3	+ 71
2 Indonesia	34.7	+156
3 Vietnam	34.2	+278
4 Philippines	31.0	+ 52
5 Malaysia	16.3	+256
March Total	82.6	+ 46

## DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Domestic and international interest in butter surged midweek in response to an inventory restatement and downturn in cash butterfat market prices. However, most butter producers report their churning plans were not altered for the week by these events. Prior to the above events, butter interest was described as at expected post-holiday levels. Various milk processors indicate milk intakes are lagging projections and point to cool, damp weather as a possible factor in the delayed flush. A few plants are diverting butterfat into cheese products instead of churning. Condensed buttermilk is moving steadily through contract sales into Class II uses. Contract sales of dry buttermilk account for most dry commodity activity, but some dry buttermilk spot loads are clearing. Producer inventories at several locations are views as light to adequate.

EAST: Dry buttermilk prices are steady in light trading. Dry buttermilk production has increased as sales of condensed buttermilk have declined, increasing dryer volumes. Demand for dry buttermilk has increased as ice cream and ice cream mix production has expanded. Spot market activity is light with current production moving through contracts with some additions to inventories.

F.O.B. CENTRAL/EAST: 1.4400 - 1.6200

## DRY BUTTERMILK - WEST

Western dry buttermilk prices are sharply lower for the range and mostly series. The market tone is unsettled to weaker. Additional offerings of dry buttermilk were available at the producer level and also in resale channels this week. Sellers are looking to clear at least a portion of their holdings. Demand is fair at current levels but piqued by discounts. Drying remains seasonally active and matches the butter output trend. Stocks are light to moderate.

F.O.B. WEST: 1.4500 - 1.5675 MOSTLY: 1.4500 - 1.5450

## CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 6	\$1.5463	13,807,532	0
April 29	\$1.5219	10,442,490	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.

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.

CONTINUED FROM PAGE 5

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are unchanged to higher. Many producers are scheduling dry whole milk production as dryer time and contract needs dictate. Domestic and international interest is steady to higher and some producers report near term interest is above planned dry whole milk production quantities.

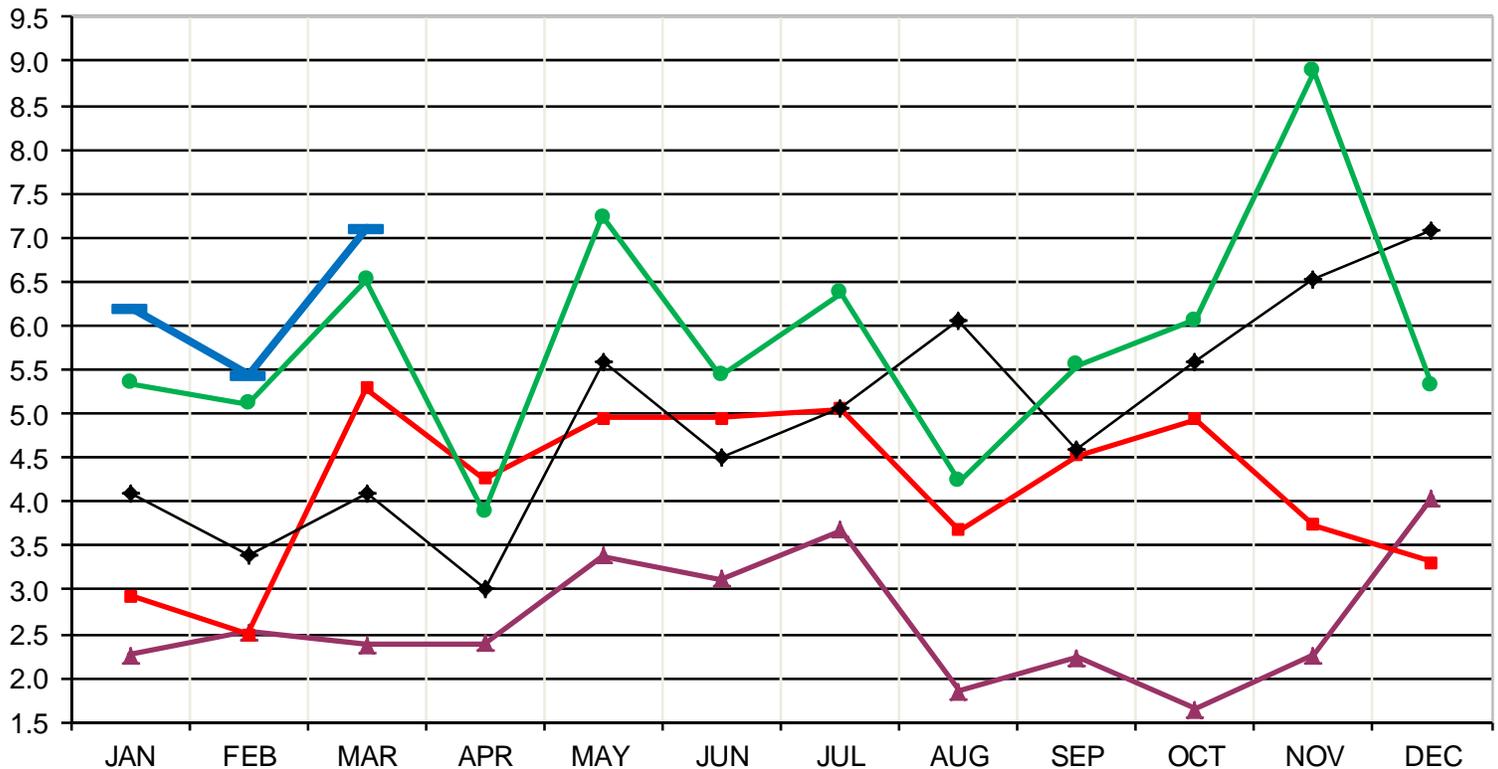
F.O.B. PRODUCING PLANT: 1.9000 - 1.9900

U.S. Dry Whole Milk Exports, H.S. Code 0402210000(FAS)

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	9.0	- 47
1 Mexico	3.2	- 49
2 Israel	2.3	+118
3 Egypt	1.7	+169
4 Canada	.5	- 34
5 The Bahamas	.3	+ 51
March Total	4.2	- 57

U.S. Dry Whole Milk Production

Million Pounds



**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 supplies are described as tight by most market participants. The mostly price series is steady. Resale loads of Central dry whey are reported to be clearing within a broader range, running between \$0.55 - \$0.70, with a mixed tone reemerging in that market sector. The frequency of offers of Western dry whey are steady to lower into the Central region and garnering uneven levels of interest. Various end users often stipulate which manufacturers' dry whey is acceptable for contract fulfillment, thereby decreasing the number of potential dry whey contributors to their inputs. A few end users are clearing single loads of dry whey to the resale market. Dry whey production is steady to lower as some cheese plants are reportedly decreasing cheese and dry whey production due to slower cheese ordering. ANIMAL FEED DRY WHEY prices are steady. Interest is steady to lower. Some feed blenders report experimenting with other protein inputs as a way to meet current demand cost effectively. Some vegetable protein blends are reportedly providing avenues for replacing a portion of the dairy protein usually used in veal or dairy calf feed blends. Demand for veal calf starter feed is reported as generally lower as some veal calf barn owners mull refilling those barns until finished veal prices and veal calf inputs adjust to offer sufficient incentives.

F.O.B. CENTRAL: .4500 - .5150 MOSTLY: .4550 - .5100  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: . 3500 - .4800

**DRY WHEY - NORTHEAST**

Northeast dry whey prices narrowed this week as the low end of the range rose due to formula pricing, while the upper end of the range declined to the contract level in light trading. Production is steady, supplies are moving through contracts with little available for the spot market. Domestic demand remains strong, but export demand has declined marginally as the US dollar firmed against foreign currencies. Limited resale activity this week saw prices dip below 60 cents.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .4975 - .5500

**DRY WHEY - WEST**

Western dry whey prices are uneven this week. The market is unsettled as buyers and sellers try to determine market direction. Spot sales are limited in most cases as the bulk of the product continues to be directed to contract fulfillment. Resale prices of whey are being offered above the mostly range. Demand is good for available spot offerings although transportation costs are weighing heavily on price negotiations. The April 2011 Dairy Market News monthly average price for Western dry whey range was \$0.5210 compared to \$0.3898 for April 2010; the Western dry whey mostly series averaged \$.4859 compared to \$.4000 a year ago. According to the Foreign Agricultural Service, exports of dried whey for January-March 2011 total 137.9 million pounds, up 10% from January-March 2010. The exports account for 53.4% of the total dry whey production in the U.S. for January-March. The top five importing countries accounted for 79.6 million pounds or 58% of the exports for January-March 2011.

NONHYGROSCOPIC: .4800 - .5500 MOSTLY: .4800 - .5325

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	137.9	+ 10
1 China	22.4	- 21
2 Mexico	16.0	+ 5
3 Malaysia	14.4	+ 23
4 Japan	13.8	+ 4
5 Indonesia	13.1	+ 147
March Total	52.6	+ 24

**EVAPORATED MILK - NATIONAL**

The Kansas City Commodity Office issued Bid Invitation Number 2000000156 on May 12, for evaporated milk packaged in 24/12 fluid ounce cans totaling 330,480 pounds. Deliveries are during July - September 2011. Offers are due by May 24, 2011. Award notifications are scheduled to be announced on May 25, 2011, with public release currently scheduled for May 26, 2011. More information on offer specifications may be obtained at: <http://www.fsa.usda.gov/FSA/>

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices moved both higher and lower on the whey protein concentrate 34% market. Prices on the high side of the spot market did not hold for a second week and the top of the range price series decreased by 12 cents. The mostly price range adjusted moderately to reflect contract and spot sale pricing. Overall firm dairy protein pricing throughout the matrix is underpinning the WPC 34% market. Some in the market expressed views, though, that as the price gap between WPC 34% and nonfat dry milk narrows, it could provide an exit strategy for WPC 34% end users with input price concerns. Switching to nonfat dry milk from WPC 34%, if allowed by end product ingredient and functionality specifications, may allow end users to obtain inputs from a market experiencing less upward price pressure. WPC 34% production is mostly steady, although a few plants are sending additional condensed whey protein concentrate loads into contact fulfillment.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4500 - 1.6300 MOSTLY: 1.4700 - 1.5500

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	57.1	- 23
1 China	23.0	- 14
2 Mexico	9.4	- 60
3 Canada	8.9	- 4
4 Japan	5.2	+ 17
March Total	19.0	- 28

**LACTOSE - CENTRAL AND WEST**

Active interest is maintaining a steady to firm market tone for edible lactose. The top of the mostly price range moved 2 cents higher. Customers are advocating for Q3 contract discussions, however many manufacturers are pushing off firm commitments for a week or two. Spot market loads cleared readily this week from both F.O.B. and resale sources, with current spot interest for all mesh sizes outstripping available spot load supplies. Manufacturer inventories are light to adequate for near term needs. Some contract load shipping dates are being adjusted, with some May loads shifted later in the month or expected to straddle May/June.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3600 - .5600 MOSTLY: .4300 - .5000

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	111.7	+ 69
1 China	19.8	+ 247
2 New Zealand	17.7	+ 216
3 Mexico	13.7	+ 50
4 Japan	9.5	+ 12
5 Brazil	7.2	+ 36
March Total	35.0	+ 56

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Oceania commitments are being filled from previous production, while European supplies are being filled from current and future output. Domestic buyers continue to voice their concern about product availability and for the present time, suppliers are optimistic that commitments will be fulfilled. Domestic rennet casein buyers will be closely monitoring the May 17 global Dairy Trading (g/DT) event at which rennet casein will be traded for the first time. This venue will provide an opportunity for rennet users to possibly procure additional casein volumes outside of their regular contracts and sources. Typically, dairy products offered at event are for a near term contract, a 3 month period beyond that, and then another 3 month period beyond that. Current contracting period are: Contract #1 (July); Contract #2 (August - October); and Contract #3 (November - January 2012). These initial contracting periods will encompass much of the upcoming Southern Hemisphere casein production season and will basically be in the off season for Northern Hemisphere output.

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: 4.7600 - 5.1400  
ACID: 4.7000 - 5.1200

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

	FOR THE WEEK OF MAY 9 - 13, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 05/06/11	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 04/16/11 & Comparable Week 2010**

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	8.2	3.1	21.5	4.3	N.A.	N.A.	15.0	3.5	58.3	962.3	46.0	48.6
2010-Dairy	N.A.	0.7	7.4	3.0	17.2	4.0	0.2	N.A.	17.0	3.7	54.8	882.6	43.7	45.3
2011-All cows	N.A.	0.7	10.3	13.1	33.4	26.7	N.A.	N.A.	17.9	6.6	126.8	1,978.4		
2010-All cows	N.A.	0.8	9.4	14.1	32.9	23.4	14.4	N.A.	19.9	6.4	125.4	1,944.9		

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 04/23/11 & Comparable Week 2010**

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	7.9	3.2	19.8	3.6	N.A.	N.A.	15.3	3.8	55.9	1,018.2	45.2	48.4
2010-Dairy	N.A.	0.7	7.1	2.4	17.4	3.8	0.2	N.A.	17.3	3.7	54.0	936.6	44.0	45.3
2011-All cows	N.A.	0.6	9.9	13.6	31.3	25.1	N.A.	N.A.	18.1	7.4	123.6	2,102.0		
2010-All cows	N.A.	0.7	8.9	14.1	32.3	22.2	12.9	N.A.	20.5	6.9	122.8	2,067.7		

**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	19.75							
II	16.79	17.97	18.83	19.66								
III	13.48	17.00	19.40	16.87								
IV	16.42	18.40	19.41	19.78								

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

## INTERNATIONAL DAIRY MARKET NEWS—EUROPE

Information gathered May 1—14, 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 steadily develop, although milk output in France may be at or slightly past peak levels. Most all regions of Western Europe will be peaking out within the next 1 - 2 weeks. For the most part, milk production trends in Western Europe are positive at this time. Reports indicate that fat and protein levels of incoming milk are lower than usual for this time of the season and some are attributing this trend to lack of sufficient moisture. Dry conditions are a concern for dairy producers in various parts of Western Europe. Currently though, pastures are generally green and lush, but if moisture does not fall in the next 3 - 4 weeks, positive pasture conditions and feed quality will quickly deteriorate and milk output will suffer. Spotty rainfall is being reported, although additional volumes are needed to maintain better moisture levels. Limited moisture is a concern for much of the European agriculture industry, but grain and feed supply producers are probably the most concerned at this time. Traders and handlers are indicating that buying interest for dairy products, both domestically and internationally, is increasing. Many felt that this trend would develop following the recent holiday period. Currently, stocks are ample to satisfy demand, but are not significant. Prices have eased during the past few weeks, but now are stabilizing. Traders are speculating that recent price declines have probably reached a low and are now staging themselves to firm somewhat. Buyers appear to also be realizing this trend and are returning to the marketplace with more enthusiasm. The Dairy Management Commission is now meeting only once a month and the next meeting will be held on Thursday, May 19. No new figures on intervention sellback or PSA butter levels are available at this time.

**BUTTER/BUTTEROIL:** European butter markets and prices are firm. Europe's milk production season is well underway, thus churning is seasonally strong. Butter stocks are being generated for both current and future needs. Stocks of butter are ample for current needs. Manufacturers and handlers are comfortable with the current supply/demand balance. In most instances, butter is clearing through internal or domestic markets with international sales limited. Often, price is limiting international buyer interest.

82% BUTTERFAT: 5,600 - 6,050  
99% BUTTERFAT: 6,200 - 6,600

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices in Western Europe are weaker, although some traders and handlers are speculating that a bottom to the current market might be near. Milk and butter/powder production are seasonally strong, thus stocks of powder are ample to satisfy demand. Current demand is improving for both an internal and international market. Some traders are stating that market conditions are "healthy". A good balance of supply and demand is keeping product moving.

1.25% BUTTERFAT: 3,250 - 3,600

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are generally steady, although prices are mixed. Overall demand is basically centered around an internal market as prices are often too high for some international buyers. Traders and handlers do indicate that buyer interest is improving, which was anticipated following the recent holiday period. Currently, there are no significant international buyers in the marketplace, but traders do anticipate that this buyer interest will resume in the near future. Stocks of whole milk powder are increasing as the milk production season continues to develop.

26% BUTTERFAT: 4,275 - 4,500

**SWEET WHEY POWDER:** European whey powder markets and prices are mixed. During the past two weeks, prices have fluctuated higher and lower, thus causing an unsettled market situation. Whey powder availability is increasing as cheese production is seasonally active. Buyer interest is basically limited to an internal market as prices gyrate. Often, price is the limiting factor in international sales possibilities.

NONHYGROSCOPIC: 1,250 - 1,350

**EASTERN OVERVIEW:** The milk production season in Eastern Europe is also on the increase and typically is 4 - 6 weeks behind Western areas. Milk production trends in various Eastern European countries are mixed with output up in the Baltics, Poland, Slovakia, and Slovenia, while trailing last year in Romania and Bulgaria. Peak production will be mid to late June. As milk output increases, so are milk processing schedules at manufacturing facilities. New stocks of dairy products are being generated for current and future needs. Currently, buying interest is building for both an internal and international market.

Exchange rates for selected foreign currencies: May 9, 2011

1.0377 Canadian Dollar	.0224 Indian Rupee
.2449 Argentina Peso	.7946 New Zealand Dollar
.0860 Mexican Peso	1.0788 Australian Dollar
.3650 Polish Zloty	.0125 Japanese Yen
	1.4352 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0860) = 11.6279 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 1—14, 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**

Favorable fall/autumn weather patterns in both New Zealand and Australia are providing for an extended milk production season. During the current 2010 - 2011 milk production season, negative weather occurrences did impact the milk flow in both countries. Early in 2011, in New Zealand, drought conditions prevailed in the major milk producing region of the North Island. This lack of moisture period occurred soon after peak production, thus the decline in milk output from seasonal high levels was quite dramatic. Most milk producers and handlers were not sure on the impact this would have on overall production, but most speculated that early season milk production projections would be greatly affected. Milk lost during this period was very difficult to regain, although moisture did arrive and some recovery did occur which is extending the season at this time. Milk output projections for New Zealand were adjusted lower and now as the season's end nears, actual production figures will probably be at a 1 - 2% higher level than the previous year. In Australia, excessive moisture was the most weather related factor that impacted milk production. Australia had been dealing with drought conditions for many years and this year, the complete opposite situation was the case. Flooding did occur in some areas of Victoria, but for the most part, heavy rainfall was captured and is being held in reserve. Greatly depleted moisture levels were once again replenished and good volumes of moisture are in reserve for the future. Receiving moisture throughout the dairy region of the country for much of the milk production season provided for stable pasture conditions and growth which is extending further into the fall. With a stronger tail to the end of the current milk production season, milk producers and handlers are projecting a positive end to the current milk production year with output running about 1% ahead of last season. Traders and handlers are stating that stocks of most manufactured dairy products are fully committed and virtually no surplus volumes are projected to be available for spot buyer interest. Most traders indicate that spot buyer interest is minimal as most international buyers are aware of the Oceania supply situation. At the May 3 g/DT auction, prices were mixed, anhydrous milkfat and whole milk powder were lower while skim milk prices were generally steady to sharply higher for the near term contract. The average prices covering all contracting period and the percentage change from the previous event are: anhydrous milk fat, \$5,670 per MT, -4.6%; skim milk powder \$3,909, +2.8%; and whole milk powder, \$3,859, -1.7%. Again no buttermilk powder was offered or sold. At the May 17 g/DT auction, milk protein concentrate and rennet casein will be offered for the first time and on July 19, cheese will be offered for the first time. Traders and handlers continue to state that the g/DT auction platform is a good reference point for sales negotiations and price quotations, especially when some of the product prices average out to be well outside of current commercial prices.

**BUTTER:** Oceania butter markets and prices are generally steady. Churning activity is nearing seasonal low levels, although some milk continues to clear through butter/powder plants. Handlers and traders indicate that butter stocks are sufficient for commitments, but minimal for spot or additional buyer interest. At the May 3 g/DT event, anhydrous milk fat averaged \$5,670 per MT over all three contracting periods, 4.6% lower than the previous event average. For near term shipments (July), the price averaged \$5,669 per MT, down 4.9% from the previous near term contract average. For contract period 2 (August - October) the average price was \$5,682 per MT, down 4.6% and for contract period 3, (November - January) \$5,646 per MT, -4.0%.

82% BUTTERFAT: 4,500 - 4,900

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices are weaker. The milk production season has now basically ended in the region, thus new powder generation is limited and orders are being filled from recent production. Traders and handlers are stating that end of season spot buyer interest is limited as stocks are basically fully committed. At the May 3 g/DT event, skim milk powder averaged \$3,909 per MT for all

contracting periods, 2.8% higher than the previous all contract average. For the July contract, the average price was \$4,374 per MT, 11.5% higher than the previous near term contract. For contract 2 (August - October), the average price was \$3,806, 0.1 lower than the previous contract period and for contract 3 (November - January) the average price was \$3,733, 0.3% higher. Traders and handlers were questioning why the near term contract was significantly higher. There were mixed opinions ranging from a specific buyer maybe needing specifically sourced powder and was willing to pay for it to sales of higher priced UHT powder significantly increased the contract period average.

1.25% BUTTERFAT: 3,600 - 3,900

**WHOLE MILK POWDER (WMP):** The Oceania whole milk powder markets and prices are on the weak side. Late season milk production is not contributing too much milk volume to whole milk production, thus most orders are being filled from previous production. Although milk volumes are nearing seasonal low levels, milk volumes late in the season have been extended a little further than previously projected in both New Zealand and Australia. At the May 3 g/DT event, whole milk powder prices averaged \$3,859 per MT over all contracting periods, 1.7% lower than the previous all contract average. The near term (July) contract averaged \$4,008 per MT, 0.1% lower than the previous near term contract; \$3,930 per MT for the August - October contracting period, down 1.5%; and \$3,742 per MT, down 2.7% for the November - January contract period. Most traders and handlers felt that these average prices were in line with their projections for those contracting periods, especially since the new milk production season would be well underway during the second and third contracting period.

26% BUTTERFAT: 3,900 —4,200

**CHEDDAR CHEESE:** Oceania cheese markets and prices are generally steady. The milk production season is near its' seasonal end, thus cheese production has basically ended for the 2010 - 2011 year. Cheese manufacturers are stating that the cheese production season has been a positive one, especially later in the season when milk volumes were more available than projected. Cheese sales for the year are winding up to be in line with projections and stocks have been well managed, thus minimal volumes of cheese are uncommitted.

39% MAXIMUM MOISTURE: 4,300 - 4,550

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 1—14, 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.

MAY 3, 2011 Global/Dairy Trading (g/DT) event 43 recap US \$ per metric ton				
Average prices and Changes in price Indices from Previous event	Contract #1 July 2011	Contract #2 August - October 2011	Contract #3 November 2011 - January 2012	All Contracts
Anhydrous Milk Fat	\$5,669	\$5,682	\$5,646	\$5,670
	-4.9%	-4.6%	-4.0%	-4.6%
Buttermilk Powder	N.A.	N.A.	N.A.	N.A.
	N.A.	N.A.	N.A.	N.A.
Skim Milk Powder	\$4,374	\$3,806	\$3,733	\$3,909
	11.5%	-0.1%	0.3%	2.8%
Whole Milk Powder	\$4,008	\$3,930	\$3,742	\$3,859
	-0.1%	-1.5%	-2.7%	-1.7%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	04/28	04/29	05/02	05/03	05/04	05/05	05/06	05/09	05/10	05/11
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
APR 11	16.80 (5434) 0	16.87 (4658) 0								
MAY 11	16.27 (5382) 1	16.41 (5405) 0	16.47 (5347) 0	16.46 (5360) 0	16.52 (5358) 9	16.58 (5370) 0	16.58 (5318) 1	16.52 (5314) 0	16.49 (5318) 0	16.36 (5325) 0
JUN 11	17.18 (4683) 4	17.33 (4717) 10	17.39 (4734) 6	17.38 (4714) 0	17.29 (4728) 0	17.10 (4663) 0	17.19 (4660) 1	17.27 (4653) 0	17.38 (4540) 7	16.76 (4578) 0
JUL 11	17.60 (3425) 9	17.73 (3433) 0	17.80 (3446) 6	17.75 (3463) 0	17.75 (3458) 0	17.60 (3492) 0	17.65 (3499) 1	17.75 (3499) 0	17.81 (3509) 7	17.24 (3510) 5
AUG 11	17.86 (3276) 9	17.97 (3284) 0	18.04 (3303) 1	17.97 (3320) 0	18.00 (3328) 0	17.87 (3349) 0	17.86 (3365) 1	17.86 (3368) 0	17.95 (3376) 0	17.52 (3387) 0
SEP 11	18.00 (3298) 9	18.02 (3319) 0	18.16 (3336) 1	18.10 (3362) 0	18.10 (3372) 0	18.04 (3411) 0	18.01 (3426) 1	18.06 (3426) 0	18.01 (3426) 0	17.56 (3402) 0
OCT 11	17.83 (2942) 9	17.89 (2953) 0	18.02 (2993) 1	17.98 (3021) 0	18.00 (3032) 0	17.88 (3055) 0	17.88 (3085) 1	17.90 (3086) 0	17.86 (3084) 0	17.54 (3089) 0
NOV 11	17.34 (2704) 1	17.34 (2720) 0	17.50 (2749) 1	17.50 (2754) 0	17.50 (2773) 0	17.46 (2780) 0	17.45 (2798) 1	17.45 (2802) 0	17.43 (2799) 0	17.19 (2800) 0
DEC 11	16.96 (2788) 1	16.93 (2793) 0	17.07 (2799) 0	17.00 (2815) 0	17.05 (2840) 0	16.99 (2866) 0	16.96 (2883) 1	16.99 (2883) 0	16.94 (2891) 0	16.72 (2899) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
APR 11	19.81 (412) 0	19.78 (412) 0								
MAY 11	20.09 (491) 8	20.09 (491) 0	20.09 (491) 0	20.09 (491) 0	20.09 (491) 0	20.09 (491) 0	20.10 (491) 0	20.10 (491) 0	20.10 (491) 0	20.10 (491) 0
JUN 11	20.40 (557) 8	20.40 (553) 0	20.50 (561) 0	20.50 (577) 0	20.60 (577) 0	20.60 (577) 0	20.60 (577) 0	20.45 (577) 0	20.38 (577) 0	20.24 (574) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
APR 11	199.75 (562) 0	199.75 (572) 0								
MAY 11	203.00 (442) 6	203.00 (442) 0	203.00 (442) 0	202.98 (443) 1	202.98 (443) 0	202.98 (443) 0	202.98 (443) 0	202.98 (443) 0	202.98 (443) 0	202.98 (443) 0
JUN 11	205.00 (460) 11	206.00 (459) 2	206.00 (472) 13	207.00 (470) 15	208.00 (470) 5	208.00 (470) 0	208.00 (470) 0	205.00 (473) 3	204.00 (473) 0	199.00 (478) 10
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
APR 11	157.25 (346) 0	156.80 (346) 0								
MAY 11	160.50 (337) 0	160.50 (337) 0	160.50 (337) 0	160.50 (337) 0	160.50 (337) 0	160.25 (337) 0	160.25 (340) 0	160.25 (340) 0	160.25 (340) 0	160.25 (340) 0
JUN 11	162.00 (414) 0	162.50 (414) 0	162.95 (417) 0	162.50 (434) 0	162.00 (450) 0	162.00 (450) 0	162.00 (451) 0	162.00 (451) 0	162.00 (451) 0	159.50 (456) 0
<b>CME - WHEY (Electronic-Traded)</b>										
APR 11	48.00 (432) 0	48.08 (432) 0								
MAY 11	48.00 (409) 5	48.70 (410) 2	48.50 (418) 8	48.50 (422) 4	48.50 (422) 0	48.80 (422) 1	48.50 (422) 0	48.50 (423) 1	48.70 (423) 1	48.70 (423) 2
JUN 11	49.00 (314) 3	49.50 (314) 3	49.25 (319) 5	50.00 (318) 6	50.10 (319) 10	51.50 (316) 4	51.50 (316) 0	51.50 (329) 1	52.95 (331) 3	52.50 (331) 0
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
APR 11	1.69 (359) 0	1.70 (359) 0								
MAY 11	1.64 (279) 16	1.63 (282) 3	1.64 (291) 10	1.65 (295) 4	1.65 (295) 5	1.66 (295) 0	1.66 (295) 0	1.66 (297) 2	1.65 (298) 1	1.64 (302) 5
JUN 11	1.72 (372) 9	1.73 (373) 8	1.74 (373) 4	1.74 (373) 0	1.73 (376) 16	1.70 (378) 4	1.70 (378) 1	1.72 (378) 2	1.72 (378) 0	1.66 (382) 9
JUL 11	1.78 (175) 1	1.76 (177) 3	1.77 (177) 7	1.77 (177) 0	1.77 (177) 2	1.75 (181) 8	1.75 (181) 0	1.75 (182) 5	1.75 (182) 0	1.71 (194) 13
AUG 11	1.81 (146) 9	1.80 (146) 0	1.80 (148) 9	1.80 (148) 0	1.80 (148) 0	1.79 (148) 0	1.78 (148) 0	1.78 (148) 0	1.75 (149) 3	1.73 (158) 16
SEP 11	1.83 (159) 0	1.82 (159) 0	1.82 (161) 2	1.82 (171) 10	1.82 (171) 0	1.81 (171) 0	1.81 (171) 0	1.81 (171) 0	1.81 (171) 0	1.75 (176) 11

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.

MAY MILK SUPPLY AND DEMAND ESTIMATES\*

Milk production for 2012 is forecast to increase as the decline in milk cows is expected to be offset by growth in milk per cow. Although inventories are expected to expand during 2011, weakening milk prices and relatively high feed costs will set the stage for herds to contract slightly in 2012. Growth in milk production also reflects an additional milking day in 2012. Commercial exports are forecast to increase as the global economy improves. Imports will be lower as domestic supplies increase. With increasing domestic production, cheese, butter, nonfat dry milk, and whey prices are forecast lower. Both Class III and Class IV prices are forecast lower, consistent with the lower product price forecasts. The all milk price is forecast at \$17.35 to \$18.35 per cwt. for 2012. Forecast milk production in 2011 is lowered from last month primarily reflecting slower growth in milk per cow despite more rapid growth in cow numbers. Imports are reduced and exports are raised from last month due to an increase in global dairy demand and a weak U.S. dollar. All dairy product prices are raised from last month with Class prices increased to reflect higher product prices. The milk price is forecast to average \$18.95 to \$19.45 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2010	2011 Projected		2012 Projected	
		April	May	April	May
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	192.8	195.9	195.4	NA	198.7
FARM USE	1.0	1.0	1.0	NA	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	10.9	10.9	NA	11.3
MARKETINGS	191.8	194.9	194.5	NA	197.7
IMPORTS	4.1	3.7	3.2	NA	3.0
TOTAL COMMERCIAL SUPPLY	207.2	209.5	208.6	NA	212.0
FAT BASIS USE					
COMMERCIAL EXPORTS	8.3	7.0	7.8	NA	8.7
ENDING COMMERCIAL STOCKS	10.9	11.4	11.3	NA	11.3
CCC NET REMOVALS <u>1/</u>	0.2	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	187.8	191.1	189.4	NA	192.0
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	12.3	12.3	NA	11.9
MARKETINGS	191.8	194.9	194.5	NA	197.7
IMPORTS	4.8	4.8	4.3	NA	4.1
TOTAL COMMERCIAL SUPPLY	208.0	212.0	211.1	NA	213.7
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.1	31.3	31.9	NA	32.3
ENDING COMMERCIAL STOCKS	12.3	12.2	11.9	NA	11.8
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	164.0	168.5	167.3	NA	169.7
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	8	0	0	NA	0
CHEESE	0	0	0	NA	0
NONFAT DRY MILK	0	0	0	NA	0
DRY WHOLE MILK	0	0	0	NA	0

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

Continued on page 11

## MAY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2010	2011 Projected		2012 Projected	
		April	May	April	May
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <u>1/</u> CHEESE	1.5226	1.665-1.715	1.670-1.720	NA	1.595-1.695
BUTTER	1.7020	1.735-1.815	1.840-1.920	NA	1.605-1.735
NONFAT DRY MILK	1.1687	1.375-1.415	1.480-1.520	NA	1.360-1.430
DRY WHEY	0.3716	0.410-0.440	0.450-0.480	NA	0.405-0.435
<b>DOLLARS PER CWT</b>					
MILK PRICES <u>2/</u> CLASS III	14.41	16.10-16.60	16.45-16.95	NA	15.35-16.35
CLASS IV	15.09	17.05-17.65	18.40-19.00	NA	16.30-17.40
ALL MILK <u>3/</u>	16.29	18.15-18.65	18.95-19.45	NA	17.35-18.35
<b>QUARTERLY</b>					
	2011 I	2011 II <u>4/</u>	2011 III <u>4/</u>	2011 IV <u>4/</u>	2012 I <u>4/</u>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	48.4	50.3	48.5	48.2	49.6
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <u>2/</u> <u>3/</u>	18.73	19.60-19.90	19.25-19.85	18.35-19.25	17.30-18.30
CLASS III PRICE <u>2/</u>	16.63	16.60-16.90	16.65-17.25	16.05-16.95	14.90-15.90
CLASS IV PRICE <u>2/</u>	18.08	19.85-20.25	18.70-19.40	17.05-18.05	16.25-17.35

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

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

**Source:** U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-494, May 11, 2011.*

**2011 Total Cow Slaughter under Federal Inspection - U. S. Total, with Comparisons  
(thousand head)**

Week Ending	2011			Week Ending	2010		
	Dairy Cows	All Cows	Dairy as Percent of All		Dairy Cows	All Cows	Dairy as Percent Of All
Jan 1	52.5	111.4	41.6	Jan 2	43.6	104.9	41.6
8	67.4	137.7	48.9	9	56.6	130.2	43.5
15	61.8	129.2	47.8	16	58.1	132.5	43.8
22	62.7	130.5	48.0	23	59.5	139.6	42.6
29	62.5	131.6	47.5	30	54.3	126.0	43.1
Feb 5	59.0	122.1	48.3	Feb 6	56.2	118.2	47.5
12	63.6	119.4	53.3	13	52.0	106.5	48.8
19	64.8	126.2	51.3	20	57.3	117.9	48.6
26	60.7	127.9	47.5	27	57.3	127.0	45.1
Mar 5	62.1	123.5	50.3	Mar 6	58.4	124.1	47.1
12	58.9	118.4	49.7	13	58.8	124.4	47.3
19	57.5	116.3	49.4	20	55.4	117.8	46.9
26	56.2	118.1	47.6	27	54.3	115.9	46.9
Apr 2	56.1	116.8	48.0	Apr 3	52.4	114.6	45.7
9	58.2	122.5	47.5	10	53.6	119.9	45.7
16	58.3	126.8	46.0	17	54.8	125.4	43.7
23	55.9	123.6	45.2	24	54.0	122.8	44.0
30				May 1	52.8	124.8	42.3
May 7				8	51.9	124.7	41.6
14				15	52.4	127.6	41.1
21				22	51.5	125.5	41.1
28				29	49.3	121.5	40.6
Jun 4				Jun 5	43.9	108.8	40.3
11				12	48.9	118.9	41.1
18				19	49.9	117.8	42.4
25				26	47.4	117.6	40.3

**Source:** U.S. Department of Agriculture. Market News Service. *Cow Slaughter Under Federal Inspection, January 2010-May 2011.*

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, FEBRUARY 2011, WITH COMPARISONS**

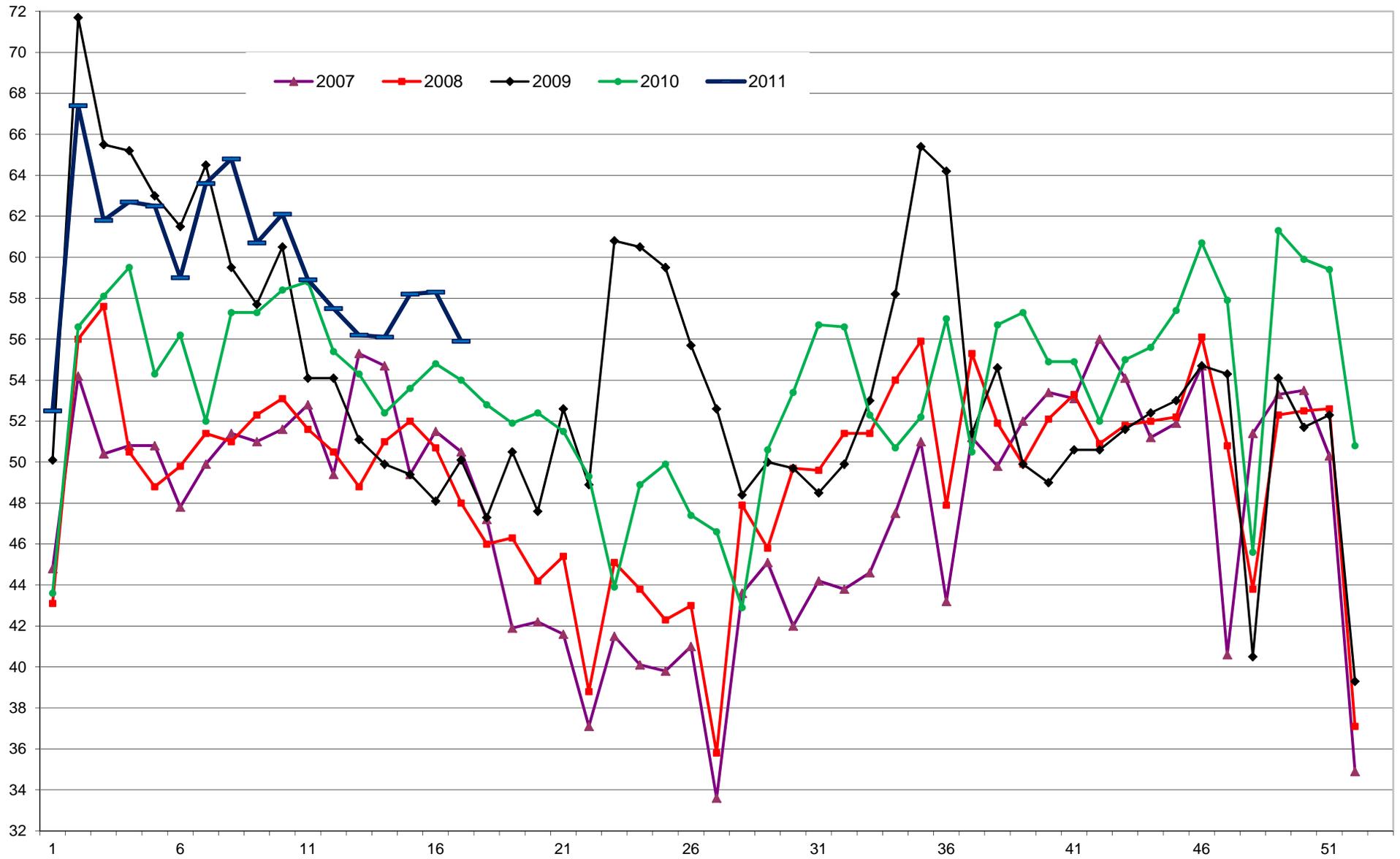
In February 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.93 per cwt., up \$2.27 from the previous month average, and up \$2.96 from February 2010. The component tests of producer milk in February 2011 were: butterfat, 3.80%; protein, 3.11%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased from the previous month in all Federal milk order reporting areas. Mailbox prices in February 2011 ranged from \$20.57 in Florida to \$17.46 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	February 2010	January 2011	February 2011
	Dollars per hundredweight		
New England States <u>3/</u>	17.02	18.09	19.91
New York	15.79	16.83	18.56
Eastern Pennsylvania <u>4/</u>	16.63	17.72	19.41
Appalachian States <u>5/</u>	17.65	18.71	19.87
Southeast States <u>6/</u>	18.20	18.77	19.89
Southern Missouri <u>7/</u>	15.99	16.67	18.30
Florida	19.01	19.69	20.57
Western Pennsylvania <u>8/</u>	16.78	17.68	19.60
Ohio	16.92	17.90	19.57
Indiana	16.41	17.69	19.14
Michigan	16.02	16.87	18.69
Wisconsin	15.78	16.01	18.91
Minnesota	15.53	15.93	19.01
Iowa	15.92	16.76	19.03
Illinois	16.18	17.12	19.24
Corn Belt States <u>9/</u>	15.63	16.58	18.89
Western Texas <u>10/</u>	15.33	15.63	18.43
New Mexico	14.46	14.72	17.46
Northwest States <u>11/</u>	14.93	15.93	18.47
All Federal Order Areas <u>12/</u>	15.97	16.66	18.93
California <u>13/</u>	13.59	15.31	17.50

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

1,000 HEAD

### Weekly Dairy Cow Slaughter under Federal Inspection

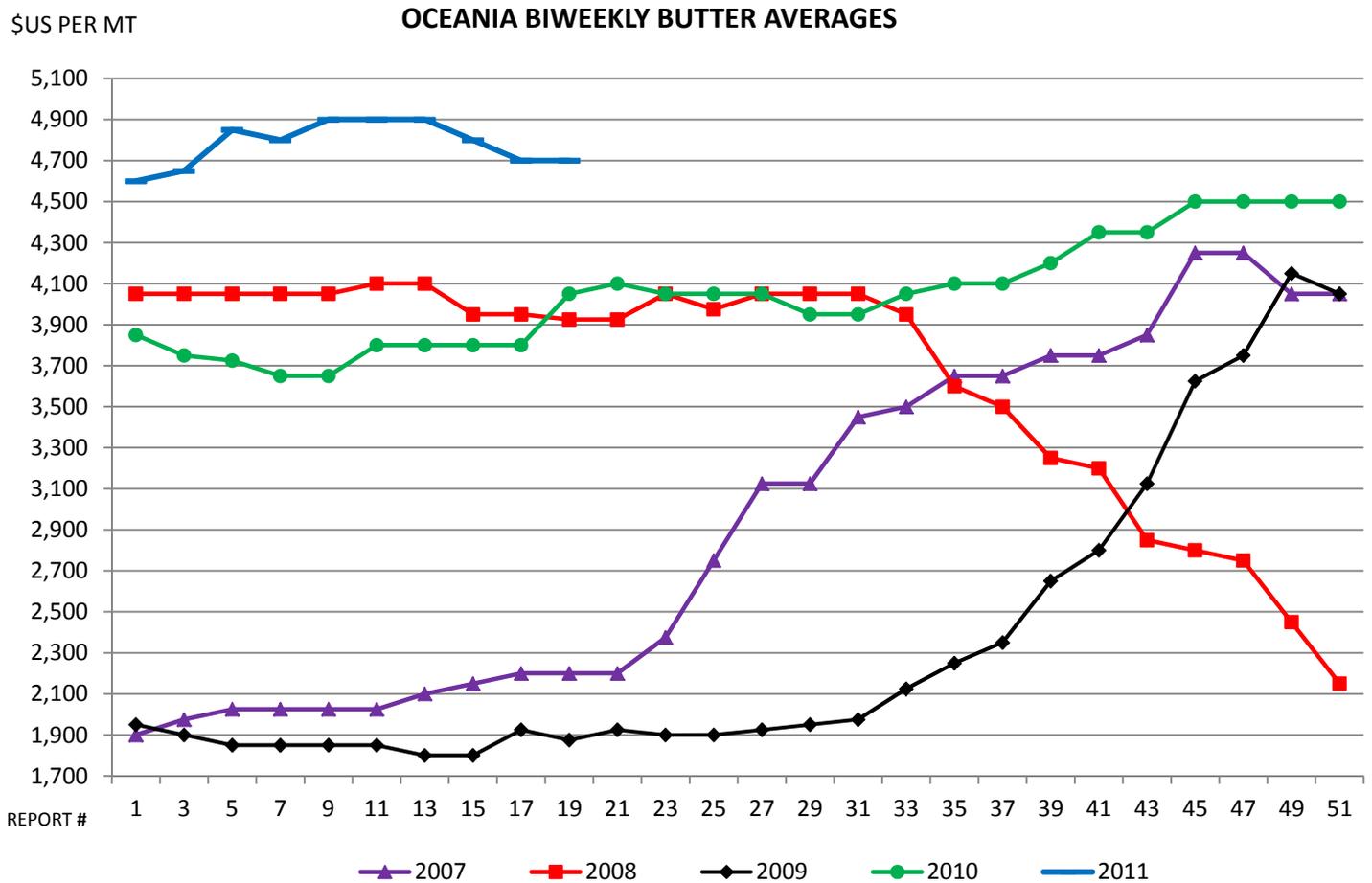
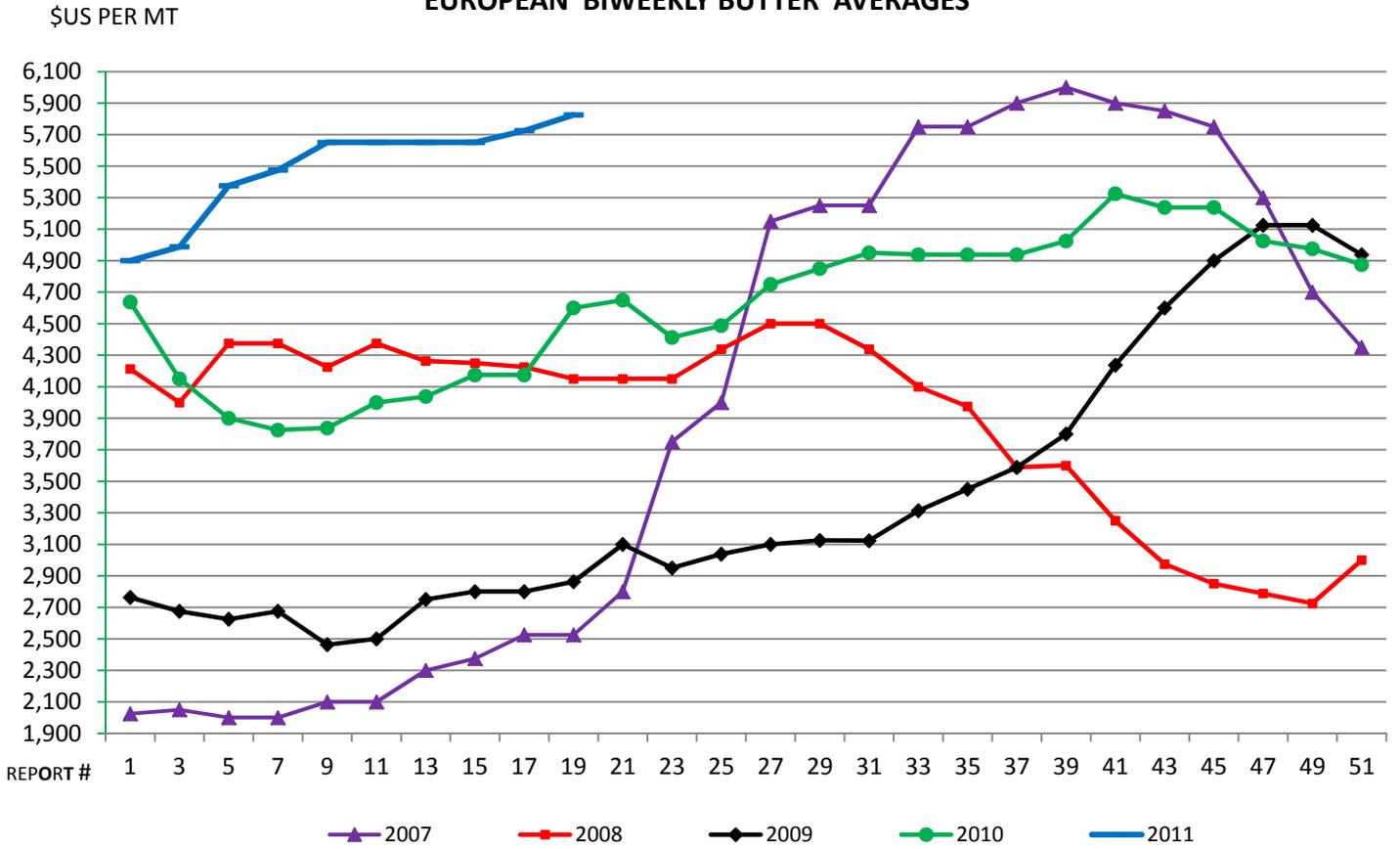


Source: LIVESTOCK MN/NASS, Graph DMN

Week Number

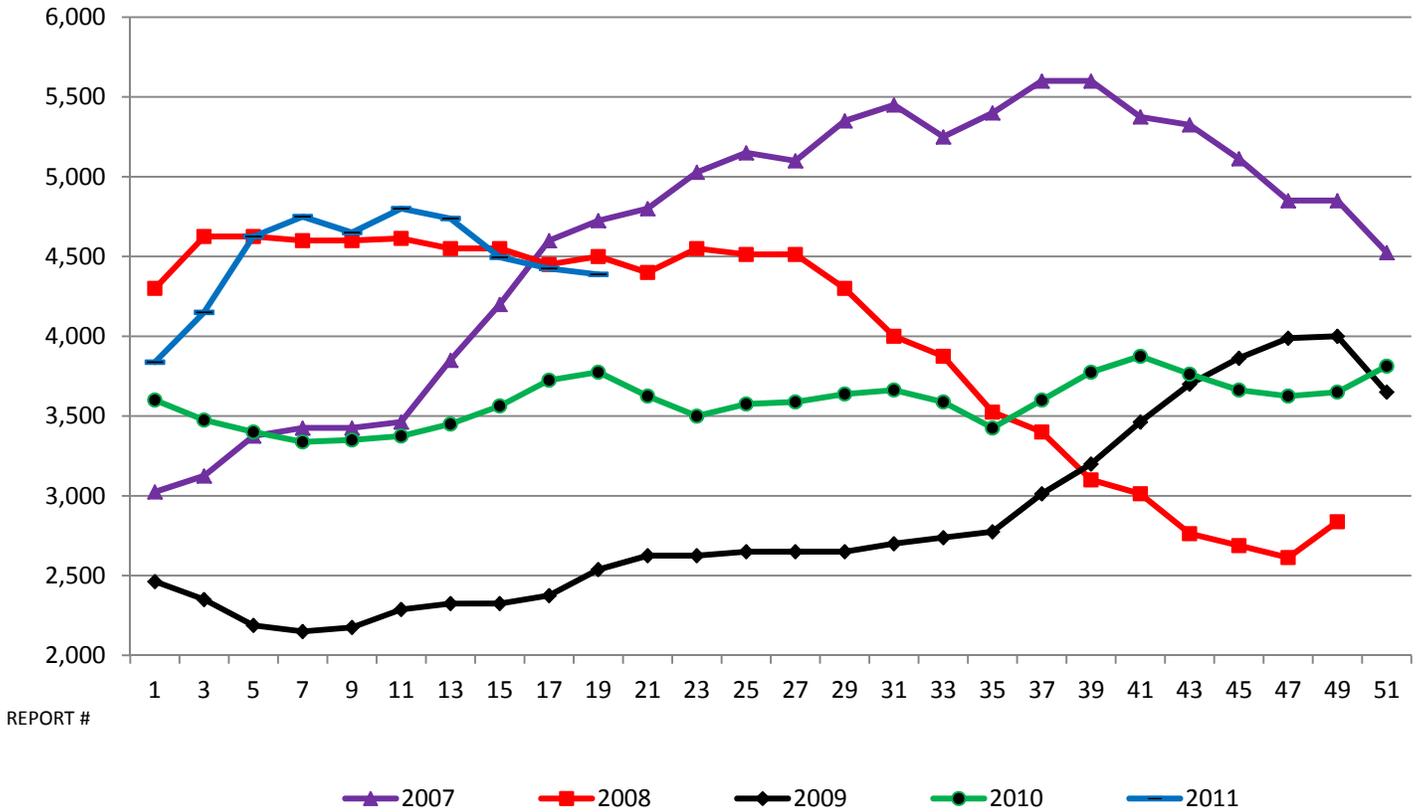
DATA THROUGH 04/23/2011

EUROPEAN BIWEEKLY BUTTER AVERAGES



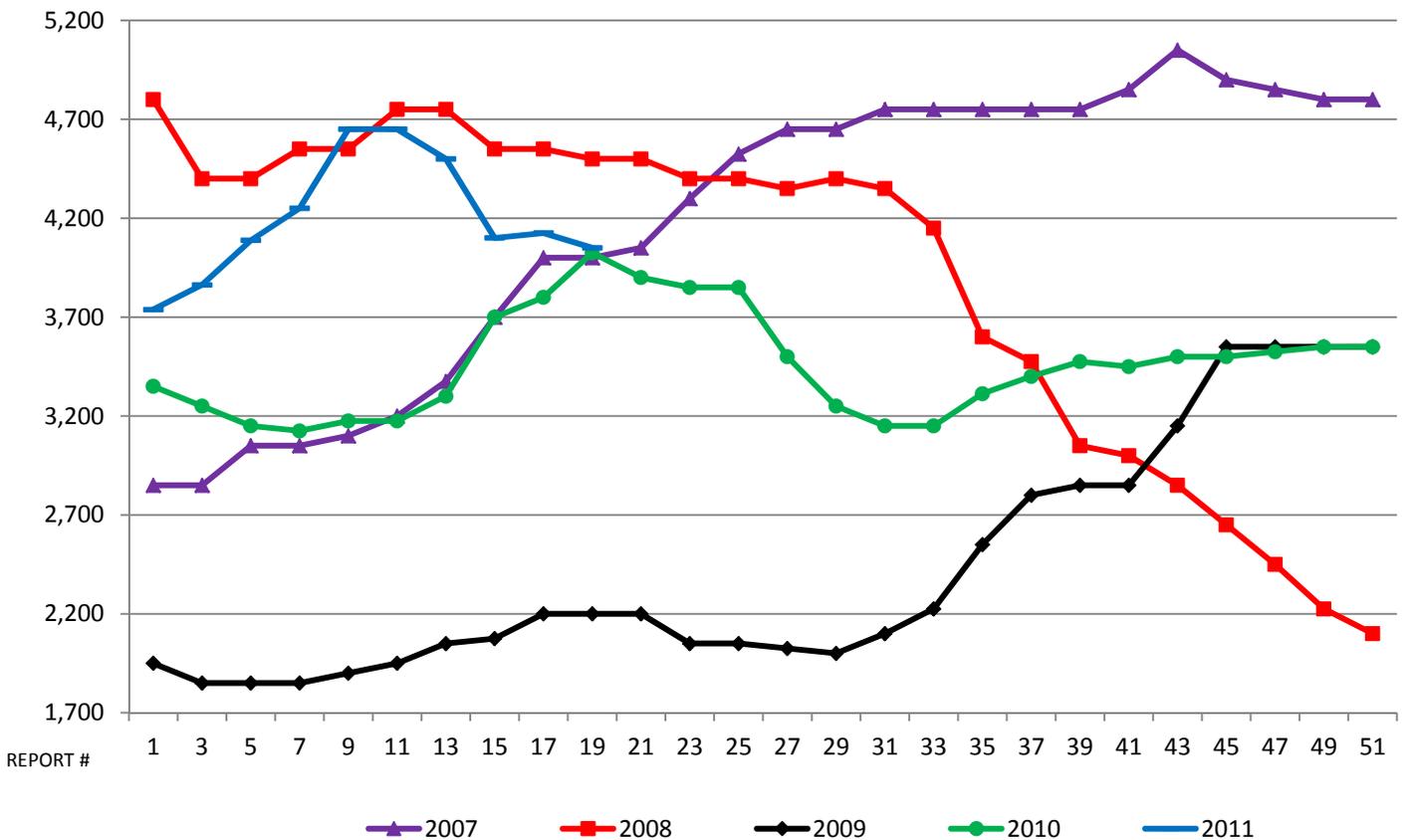
\$US PER MT

EUROPEAN WHOLE MILK POWDER PRICES



\$US PER MT

OCEANIA WHOLE MILK POWDER



# DAIRY MARKET NEWS

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**GENERAL NUMBER**  
(608) 278-4200

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