

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (06/10):**

BUTTER: Grade AA closed at \$2.1300. The weekly average for Grade AA is \$2.1175 (-.0400).

CHEESE: Barrels closed at \$2.0675 and 40# blocks at \$2.1100. The weekly average for barrels is \$2.0605 (+.1630) and blocks, \$2.1105 (+.1667).

BUTTER HIGHLIGHTS: The CME Group cash butter price moved higher and lower during the week, ending the week at \$2.1300. Churning was generally lighter as demand for other dairy products such as dips, sour cream, whipped cream and ice cream all required larger cream volumes. As schools close for the summer, Class I use declines, generating less standardized cream. Along with the lower fat tests in incoming milk receipts, cream supplies are tighter and cream multiples generally higher. Butter demand is generally at lighter summer levels though some manufacturers continue to worry about having adequate butter stocks to cover anticipated fall orders. Butter/butterfat exports remain a factor in domestic supplies. April U.S. butter and milkfat exports total 18.6 million pounds, up over 100% from April 2010. Cumulative January - April 2011 exports total 60.5 million pounds also over 100% more than the same period in 2010.

CHEESE HIGHLIGHTS: The cheese market is firm, though with an unsettled undertone, as customers recover from an unusual problem that tightened current supplies. Orders are mixed with some customers buying to beat the next price increase or replace product while others have backed off on new orders, in anticipation of price weakness. Cheese production remains seasonally active as milk volumes remain near the annual peak in major cheese production areas. Competition continues from butter/powder operations due to the high Class IV milk price compared to Class III, a \$3.77 difference in May. The Kansas City Commodity Office release two solicitations seeking cheese, both have offers due June 23. Solicitation AG-DNAC-S-11-0175 seeks 38,400 pounds of shredded natural cheese for July 2011 shipment. Solicitation AG-DPPC-S-11-0176-90001 seeks 356,400 pounds of process for July - September shipment. April U.S. cheese and curd exports totaled 40.7 million pounds, 28% above April 2010. Cumulative U.S. cheese exports for January - April 2011 total 175.4 million pounds, up 68% from the same period in 2010.

FLUID MILK: Milk production levels across the country are in various phases. Northern tier states are steady to still increasing supplies slightly. California may have passed peak production, but cooler weather has helped to maintain production levels. Southern tier states are experiencing warmer weather and that has affected milk supplies. Unusually warm weather across the upper Midwest and points east put some stress on cattle and farmers are waiting to see if any significant production losses are noted. Class I usage has slowed with many schools at or nearing the end of the year. Cream supplies are tightening as ice cream and other Class II manufacturers are gearing up production schedules.

DRY PRODUCTS: Nonfat dry milk prices are mostly steady across the country with a firmer tone noted. Production levels are seeing some increase with the past holiday weekend allowing for some manufacturers to build on inventories. Eastern producers are expressing some concerns over supplies of NDM into the summer as Class II users are seeking more condensed skim, especially for increased yogurt production. Demand for NDM and SMP for export are holding inventories at manageable levels. Dry buttermilk prices are steady to firm in the Midwest and East. Western buttermilk prices are slightly weaker. There is some increased interest as buyers look for lowest price formulas for dairy protein needs. Dry whey prices continued their firm trend this week. With most production geared to contracted needs, spot whey demand is good for available supplies. Whey protein concentrate 34% prices are steady to firm. Buyers are keeping an eye on NDM prices to find best case protein pricing. Lactose demand is showing some increased interest as Q3 contract negotiations are ongoing.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production across much of Western **Europe** continues to be impacted by recent weather conditions. While some countries and areas have seen some moisture over the past few weeks, the impact of the drought conditions lingers for others. The surplus levels over a year ago narrowed in many countries in May. In France, May output was at 2% over a year ago. News reports are also indicating the drought will be impacting the wheat crop and the amount of grains that are expected to be exported. Hot weather in Germany is parsing milk with levels trending lower and total volumes below a year ago. In general, dairy product prices are steady to firm. Production levels are seasonally high and reflect the milk production patterns. European butter price trends are higher and reflect firm market conditions. Export interest is limited. Local cream demand has improved as more cream-based seasonal items are produced. Ice cream output is higher. Whey prices are higher and the market tone is firming. Export activity is active for existing business, but sometimes slower for new orders. Whey stocks are available to move to local and export accounts. Skim milk powder prices are higher with a fair to good export interest that is rather price sensitive under current market conditions. Whole milk powder prices are steady to slightly higher. WMP drying is trending lower with best returns for butter/SMP. Export interest is slower with some international buyers covered for nearby needs. Milk production continues to trend towards end of season levels. In **NEW ZEALAND**, milk output is slightly above a year ago with total season levels still expected to be 2-3% higher than the prior year. Farm level conditions remain favorable. Temperatures are currently mild and moisture has been adequate for pastures

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DAIRY GRAPHS (PAGES G1 - G3)**CME GROUP CASH TRADING**

COMMODITY	MONDAY JUN 06	TUESDAY JUN 07	WEDNESDAY JUN 08	THURSDAY JUN 09	FRIDAY JUN 10	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$2.0500 (+.0900)	\$2.0500 (N.C.)	\$2.0675 (+.0175)	\$2.0675 (N.C.)	\$2.0675 (N.C.)	:: (+.1075)	:: \$2.0605 (+.1630)
40# BLOCKS	\$2.1100 (+.0600)	\$2.1100 (N.C.)	\$2.1125 (+.0025)	\$2.1100 (-.0025)	\$2.1100 (N.C.)	:: (+.0600)	:: \$2.1105 (+.1667)
NONFAT DRY MILK							
EXTRA GRADE	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	:: (N.C.)	:: \$1.6100 (N.C.)
GRADE A	\$1.6425 (N.C.)	\$1.6425 (N.C.)	\$1.6425 (N.C.)	\$1.6450 (+.0025)	\$1.6500 (+.0050)	:: (+.0075)	:: \$1.6445 (+.0032)
BUTTER							
GRADE AA	\$2.1250 (-.0175)	\$2.1025 (-.0225)	\$2.1000 (-.0025)	\$2.1300 (+.0300)	\$2.1300 (N.C.)	:: (-.0125)	:: \$2.1175 (-.0400)

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and crops with lower levels of irrigation water needed. **AUSTRALIAN** milk production trends are declining seasonally with estimates holding that output is a strong 0.8% higher than during the previous milk year. A current cold snap is expected to shut down more milk. Pastures are in good shape to end the season. The outlook is good for future water allocations. Feed for stock is available. Dairy product prices are mixed. Oceania butterfat markets are steady to firm. Demand is fair to good. Skim milk powder prices are steady to higher with the market trend good for current needs and prior contracts. Pricing for the gDT was sharply higher on limited volumes with some trading from buyers looking for tighter specs. Drying schedules are trending lower, yet stocks are available to fill orders. Oceania whole milk powder markets and prices are unsettled and lower. Trading volumes have been on the light side seasonally. Manufacturing milk is staying in WMP production. Oceania cheese markets and prices are steady to lower. Cheese output is trending lower to reflect the seasonal end to the milk year. Buying interest is fair to good and new deals are occurring.

JUNE SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecast for 2011 is raised. Producers are expected to continue to expand herds through the middle of the year, and although herds may begin to decline toward the end of the year, cow numbers are expected to be above 2010. However, higher feed costs will impact profitability and the dairy cow inventory is expected to decline in 2012. Tighter feed supplies will also likely impact the rate of increase of milk per cow. As a result, the milk production forecast for 2012 is reduced from last month. Commercial exports are forecast higher for 2011 largely due to stronger expected cheese exports. However, imports of cheese and milk proteins have been stronger than expected and the import forecast for both 2011 and 2012 is raised. Dairy product price forecasts are raised from last month. Butter supplies are tight and demand for cheese, nonfat dry milk (NDM), and whey are expected to support product prices. Class III and Class IV price forecasts are raised from last month in line with the increased product prices. The all milk price is forecast at \$19.65 to \$20.05 for 2011. Price forecasts for 2012 are also raised as the smaller production increase is expected to support higher product and Class prices. The all milk price is forecast at \$17.75 to \$18.75 for 2012.

DAIRY PRODUCT PRICES MANDATORY ELECTRONIC REPORTING (AMS): The proposed rule for Dairy Product Prices Mandatory Electronic Reporting was published in the Federal Register on Friday, June 10 and the PDF version was available at 6am Eastern Standard Time via the "Today's Federal Register" link:

<http://www.gpo.gov/fdsys/search/getftoc.action>

off of the new Federal Digital System website:

<http://www.gpo.gov/fdsys/search/home.action>

CME GROUP

MONDAY, JUNE 6, 2011

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$2.1050, 3 @ \$2.1100; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1250

TUESDAY, JUNE 7, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$2.1000, 1 @ \$2.0975, 1 @ \$2.0950, 1 @ \$2.1025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JUNE 8, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0675; 1 CAR 40# BLOCKS @ \$2.1125; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 5 CARS GRADE AA: 4 @ \$2.0975, 1 @ \$2.1000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0500; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.1000

THURSDAY, JUNE 9, 2011

CHEESE -- SALES: 3 CARS 40# BLOCKS: 1 @ \$2.1125, 1 @ \$2.1150, 1 @ \$2.1100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.6450; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$2.1100, 1 @ \$2.1200, 1 @ \$2.1225, 1 @ \$2.1300; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.1275; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.1400

FRIDAY, JUNE 10, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1100
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.6500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.1300; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.1300; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1400

BUTTER MARKETS

NORTHEAST

The CME Group butter price declined \$.0225 Tuesday and closed at \$2.1025. Butter prices have declined \$.0600 in the last three trading sessions. Butter production declined from holiday week levels as cream demand significantly increased. Both salted and unsalted varieties were being churned. Current production is adding to inventories with butter makers monitoring inventories closely as they walk the line between too little for the fall season and too much at current prices. Domestic butter demand remains seasonally steady with improved export interest. Cream multiples are firm and ranging from 126-138. DAIRY PRODUCTS: According to NASS, cumulative 2011 butter production through April was 11.2% above cumulative year production for the same period for 2010. April 2011 monthly U.S. butter production totaled 158.8 million pounds, down 3.7% from March, but 19.4% more when compared to April 2010. Atlantic region butter production in April 2011 totaled 15.8 million pounds, up 0.5% from March and 11.3% more than April, 2010.

CENTRAL

Since last Wednesday, the CME cash butter price declined to \$2.10 at midweek. Cream demand has increased from other users, particularly ice cream as temperatures through much of the country have soared, stimulating demand. Combine this with less standardized cream being available as Class I use declines because schools are closing along with the fact that lower fat tests on farm milk receipts are now more common. Also, higher cream multiples have churns slowing purchases. A few Midwest cream buyers are bringing in extra cream from the West, but truck/truckers availability can be an issue. 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 \$.0025 at \$2.1000. The market has declined for the last four trading sessions. As of Wednesday, nine loads have traded this week. Tuesday's price of \$2.1025 was the first time since April of 2010 that the butter price has been below the Barrel price at the exchange. Western butter prices are trending lower this week. Although overall inventories are lighter than is typical for this time of year, prices are still historically high. Production levels are slowing after the holiday week, as Class II demand for cream is reducing the supply available to churns. Some butter churns are making and selling product rather than trying to build inventory. Demand for butter is reported good, although current prices are causing buyers to buy more for immediate needs. 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 NASS Dairy Products report, April butter production for the U.S. totals 158.8 million pounds, up 19.4% or 25.8 million pounds from April of last year. Production was down 3.7% or 6.1 million pounds from March 2011. Cumulative output for the year for the U.S. is 639.5 million pounds, up 11.2% or 64.3 million pounds from the same period in 2010. April output in the Western region totals 82.3 million pounds, up 13.8% or 10 million pounds more than April 2010. The West produced 51.8% of the butter in the U.S. in April.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
June 4	1.7083 9,608,334	1.7600 8,451,757	1.6381 14,831,362	2.1244 3,746,610	0.5156 7,694,119

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group were unchanged Tuesday, following significant increases early in the week, with barrels closing at \$2.0500 and blocks at \$2.1100. In the last 6 trading sessions barrels advanced \$.2325 with blocks advancing \$.3000. Weekly average prices reflected the recent CME Group price increases with higher wholesale prices. Process 5# Sliced cheese increased \$.1350, while Cheddar 40# Block and Muenster increased \$.1775. Wholesale prices for Swiss Cuts declined \$.2800 following the Class III milk price release Friday. Cheese production returned to pre-holiday levels with some marginal declines being noted as milk production is beginning to decline in some areas. Orders for mozzarella, provolone and aged cheddar have picked up following the holiday week. DAIRY PRODUCTS: According to the latest NASS report, April 2011 total cheese production in New York was 61.6 million pounds, 5.1% more than March and 4.0% more than April 2010. Pennsylvania produced 35.4 million pounds in April, 0.5% more than one month earlier and 3.6% more than one year ago. Vermont produced 9.9 million pounds, 4.0% less than last month, but 2.5% more than April, 2010. The total of all cheese production for March in the Atlantic region was 115.7 million pounds, up 1.8% from March and 4.8% more compared to the same period last year. Atlantic region cheese production accounted for 13.1% of total U.S. production. Total U.S. cheese production in April 2011 totaled 882.0 million pounds, 3.2% less than March, but 2.1% more than April 2010. Cumulative 2011 U.S. Cheese production through April was 3.2% greater than comparable 2010 production. Focusing on Italian cheese, in April, New York produced 34.3 million pounds, 8.5% more than March and 16.3% more than April 2010. Pennsylvania produced 23.4 million pounds in April, 2011, 7.0% more than March and 1.0% more than April 2010. The Atlantic region in April, produced 64.5 million pounds of Italian cheese, 5.6% more than March and 8.5% more than for the same period last year.

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

Cheddar 40# Block	:	2.2600-2.5350
Process 5# Sliced	:	2.0050-2.3150
Muenster	:	2.2800-2.4850
Grade A Swiss Cuts 10 - 14#	:	3.3875-3.7100

MIDWEST

The cheese market is unsettled. Since Memorial Day, the block price at the CME Group cash cheese market has increased 24 cents through June 7 and barrels are up 18 cents. Bulk buyers have been trying to replace a significant number of natural American loads and this has sharply tightened short term supplies, even during the annual peak cheese production period. The concern remains is how much cheese actually needs to be replaced and if a number of different traders are out searching for the same number of loads for customer(s) - multiplying the volume actually needed. Other manufacturers have cleared their inventory as a result. While some finished product buyers ordered heavy to beat some of the recent price increase, some others, including bulk customers, have slowed orders at current prices. The closing of more schools along with warmer weather have slowed mozzarella demand for some producers. Process demand is stimulated by upcoming holiday promotions at some operations. Higher temperatures, including a number of new record daily highs and even a few into the 100's, may impact milk receipts in a number states including Wisconsin and Minnesota.

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

Process American 5# Loaf	:	2.2400-2.4475
Brick And/Or Muenster 5#	:	2.3300-2.4525
Cheddar 40# Block	:	2.1700-2.8650
Monterey Jack 10#	:	2.2800-2.8650
Blue 5#	:	2.7700-3.0500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2400-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.7900-3.3300

WEST

Cheddar barrels on Wednesday at the CME Group are up \$.0175 at \$2.0675. 40 pound blocks are \$.0025 higher at \$2.1125. Blocks and barrels continue their upward climb started in mid-May. Barrel prices have gained \$.4250 and blocks are \$.4925 higher over this period. The only sales reported this week were for blocks, with four sales on Monday. Wholesale prices for Western cheese are higher. The market is firm as cheese prices at the CME Group have increased. There is some extra demand reported as some users are looking for product to replace some recalled product. Production levels are steady in the West and geared to contract fulfillment in most cases. The higher prices have slowed export demand. Cheese stocks are off slightly from last month, but sufficient for immediate needs. According to the NASS Dairy Products report, total cheese production in the U.S. in April reached 882 million pounds, up 2.1% or 17.9 million pounds from last year. Cumulative total cheese output for the U.S. for the year is 3.5 billion pounds, up 3.2% or 108.8 million pounds from the same period in 2010. April total cheese production in the Western region was 374.9 million pounds, up 1.5% or 5.5 million pounds from April 2010. The West produced 42.5% of all the cheese in the U.S. in April. Swiss output for the U.S. in April is 27.6 million pounds, down 3.2% or 0.9 million pounds from last year.

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

Process 5# Loaf	:	2.0225-2.2800
Cheddar 40# Block	:	2.0725-2.4250
Cheddar 10# Cuts	:	2.2525-2.4725
Monterey Jack 10#	:	2.2625-2.4225
Grade A Swiss Cuts 6 - 9#	:	2.9650-3.3950

FOREIGN

Block cheese prices on the CME Group have recently moved significantly higher, raising the weekly average and causing wholesale prices for all domestic varieties to increase by \$.1775. Prices for Swiss cuts declined \$.2800 following Friday's release of the Class III milk price. Production of Swiss cheese in the Northeast remains steady with current production filling orders and adding to inventories. DAIRY PRODUCTS: According to the latest NASS report, domestic Parmesan production during April 2011 totaled 22.0 million pounds, 10.2% less than March, but 2.3% more than April 2010. Provolone production during April totaled 28.9 million pounds, 7.7% less than March and 6.9% less than April 2010. Romano production during April 2011 totaled 5.7 million pounds, 19.1% more than March and 117.6% more than April 2010. Swiss production during April 2011 totaled 27.6 million pounds, 1.5% less than March and 3.2% less than April 2010.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-4.6900	: 2.4000-3.8875*
Gorgonzola	: 3.6900-6.3900	: 2.9025-3.1625*
Parmesan (Italy)	: -0-	: 3.5175-3.9325*
Provolone (Italy)	: 3.4400-6.2900	: 2.4425-2.6000*
Romano (Cows Milk)	: -0-	: 3.5900-5.7325*
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-	: 3.4800-3.8025*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

* = Price change.

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

	BUTTER	CHEESE
06/06/11	8,000	125,471
06/01/11	8,187	124,401
CHANGE	-187	1,070
% CHANGE	-2	1

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	325	0	320	0	342
SOUTHEAST STATES	0	0	0	0	0	0

The cool wet spring in the Northeast has finally given way to dryer warmer weather, providing farmers with the opportunity to work aggressively and try to catch up on planting and haying operations. Warmer temperatures will likely bring milk production to a peak in New England with other areas in the Northeast already showing some milk production declines. Milk production in the Mid-Atlantic region is suffering from an extended period of heat and humidity, resulting in lighter loads coming into manufacturing facilities. Nonfat dry milk producers continue to be concerned with future milk supplies and their ability to meet future nonfat dry milk commitments. Hot weather has covered the Southeast for the last ten days with temperatures over 90 degrees in most areas. Milk production declines are limiting auxiliary plant use to only weekends. Temperature issues are becoming a problem for long haul loads. An uptick in Class I demand has caused some last minute logistic problems for some haulers. Florida continues to be hot and dry, but night temperatures in the low 70's combined with fairly low humidity levels are allowing producers to limit milk production declines. Class I demand remains low as many schools are letting out. Cream demand has increased significantly following the holiday week as cream cheese and ice cream production have increased. Due to the berry harvest occurring in numerous Eastern states, whipping cream production has also increased, which is adding to cream demand. Cream multiples firmed this week and range from 126-138. Condensed skim availability has declined following the holiday week, with most supplies moving through contracts and/or being channeled to dryers with very few spot sales. DAIRY PRODUCTS: Ice Cream production in the Atlantic region in April totaled 16.0 million gallons, 5.1% more than March, but 3.0% less than April 2010. Yogurt production (plain and flavored) in the U.S. for April totaled 357.7 million pounds, down 9.9% from March, but 4.7% above the same period last year. Cumulative 2011 production through April totaled 1,464 million pounds, 3.9% higher than through April 2010.

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 -	2.7185-2.9774
F.O.B. producing plants: Upper Midwest -	2.7616-2.8911

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.65 - 1.72
Northeast - Class III - spot prices -	1.15 - 1.20

MIDWEST

Class I use has slowed as more schools close for the summer. Orders for high fat Class II products are steady to frequently stronger, aided by weddings and graduation parties. Whipping cream use is also higher for berry season. Ice cream demand has picked up in northern sections as temperatures set record daily highs in even northern tier states with some reports above 100 degrees, along with elevated humidity levels. Cream supplies have

tightened, between less standardized cream produced at Class I operations as well as lower fat levels in incoming milk volumes, and stronger demand. Churning was lighter as other users were willing to out-pay the churns for spot cream supplies. Reports indicate some cream is moving into the Midwest from California to bolster local offerings, though finding a truck/trucker is a continuing problem. Manufacturing milk interest is mixed, with some plant operators looking to sell milk while others are looking to buy. Milk volumes are steady to trending lower in the region with some handlers surprised by the persistence of receipts in the Southwest which are down from the peak but not as far as anticipated. However, as temperatures cool in northern locations, plant milk receipts could still rebound. Components are generally lower with the higher temperatures despite producer heat abatement efforts. Producers made excellent progress with spring planting in previously wet locations as well as with first cutting of hay/haylage.

WEST

CALIFORNIA milk production continues to hold up rather well at levels off the seasonal top across the state. Rather mild temperatures are commonplace and creating a very comfortable environment for the milking herds. Processing plants are running well and have returned to pre-holiday levels after adjusting to any extra volumes moved around during and after the holiday. Some additional milk loads are shipped to find processing homes. With the current conditions, milk intakes are often slightly higher than expected. ARIZONA milk production levels are also holding flat. Daytime temperatures are mild and not affecting the milk flow as in normal years when hot temperatures begin to affect milk output. Plant intakes are steady to higher, with Class I interest lower. NEW MEXICO milk output is steady to lower. Temperatures are reaching 100 degrees and affecting milk cows. Processing plant schedules remain active to handle the milk supplies. Class I demand has slowed and trends are beginning for summer patterns. CREAM markets are starting to heat up with additional interest noted from ice cream producers and other, higher class items. Cream is moving further to fill interest. Transportation costs are still high but there are more tankers available than in recent weeks. At the CME, the butter price was at of \$2.1000, down 6.25 from a week ago. Cream multiples are increasing and range from 110-129 range and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST continued to slowly increase towards peak production. Supplies are at expected levels with some increased milk available for manufacturing needs as Class I needs are reduced. A Class I facility experienced some production delays and caused some surplus supplies to be moved to various manufacturing plants. Most plants are working full schedules to handle the supply. Temperatures are moderate and conducive to full milk production. Forages are late to be harvested, but first crop is beginning to show up. UTAH and IDAHO milk production is along expected levels with most supplies being handled within the region. Forage costs are significantly higher this year as the cool spring has put harvest behind schedule. Less alfalfa acres, short production and higher costs are putting a squeeze on expansion plans at many dairies. This week saw a rise in replacement heifer prices in the area. Auction prices in both Utah and Idaho were \$50 to \$100 per head higher at recent sales.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: The Central nonfat dry milk market is mixed with widening of both the range and mostly price series. Contract-based sales of NDM are clearing regularly and some manufacturers are holding prices steady on spot load offers for the week. However, some F.O.B. multi-load offers, totes and/or bags, reportedly cleared below the bottom of the last week's range. Condensed skim sales into Class II uses recovered from the recent lower volumes associated with the recent extended holiday weekend. Some plant managers indicated they are receiving an increasing number of calls from East region buyers. Some East region buyers are trying to extend their reach into the Central to cover near and mid-term condensed skim needs as the use of milk within the East region evolves toward heavier Class II use, such as yogurt. Demand for high heat nonfat dry milk is light, as baking season demand has yet to develop. The May 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.6464 compared to \$1.5898 one month ago and \$1.3175 in May 2010. The May 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, high heat, was \$1.7352 compared to \$1.7098 one month ago and \$1.4063 in May 2010.

EAST: Nonfat dry milk prices moved marginally higher, in the mostly range, this week. Nonfat dry milk production has declined due to lower milk production in the Mid-Atlantic and Southeast regions and also due to continued good demand for condensed skim from Class II & III manufacturers. Nonfat dry milk manufacturers remain concerned about future milk supplies and their ability to fill future nonfat dry milk commitments. Current production is focused on filling current orders and building inventories for future commitments. Demand has weakened as numerous buyers are sitting on the sidelines in hopes of lower prices. Supplies are more available in the Western region of the country, but high trucking rates and the seasonal movement of West coast produce is limiting the feasibility of moving nonfat dry milk from the West. Most brokers continue to have a bullish view of market conditions as supplies are tight and they see more upward trends than down.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.6200 - 1.7100 MOSTLY: 1.6600 - 1.6950
 HIGH HEAT: 1.7300 - 1.8000

NONFAT DRY MILK - WEST

Western nonfat dry milk prices are mostly steady to slightly higher. The market tone is steady to slightly firm. Spot market activity is light with more activity noted in the resale trade at pricing often below current plant pricing levels. In general, buying interest is light. Blenders are stating their business is slow. There are abundant and well priced condensed skim offerings that are also garnering buyers' interest. News is slow to develop on new contracts for later in the year shipment. Producers' stocks are mainly light with current output generally committed. Drying activity is moderate to heavy across the region to process the available milk supplies. High heat prices are slightly higher. Trading activity is light with most activity centered on contracts. Seasonal accounts are taking regular volumes. Production is often light with product made and stored to balance ordering needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.5900 - 1.6850 MOSTLY: 1.6150 - 1.6450
 HIGH HEAT: 1.6600 - 1.8200

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Prices for Central dry buttermilk are unchanged to higher on a mixed market. Production is higher at some locations, lower at others, depending on cream use at each location. Cream spot loads from the West cleared into a few Central churns, easing cream handling within the Southwest and allowing higher dry buttermilk production at those plants. North Central cream sales into frozen dessert manufacture moved higher this week and decreased churning and drying activities. Inventories are steady to building incrementally. F.O.B. based spot loads of dry buttermilk are available from a few Central manufacturers. Spot load offers of dry buttermilk are reportedly available on the resale market also, priced within the current Central-East range. The May 2011 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.5367 compared to \$1.4925 one month ago and \$1.2363 in May 2010.

EAST: Dry buttermilk prices moved higher on the low end of the range this week in light trading. Butter and dry buttermilk production declined as cream volumes channeled to churns were limited due to increased cream demand from ice cream, cream cheese and whipping cream concerns. Dry buttermilk interest increased as users of whey protein concentrate and nonfat dry milk consider dry buttermilk as a lower priced alternative. Current dry buttermilk supplies are moving through contracts with limited additions to inventories. Condensed buttermilk sales have increased following the increases in ice cream production.

F.O.B. CENTRAL/EAST: 1.5000 - 1.6300

DRY BUTTERMILK - WEST

Western dry buttermilk prices and the market tone are slightly weaker. Buying interest is light to fair for spot interest. Offerings are increasing as a couple sellers look to clear some multi load deals. Drying schedules remain active to help process solids coming off the butter production side. Stocks of dry buttermilk are moderate to occasionally heavy.

F.O.B. WEST: 1.4500 - 1.5500 MOSTLY: 1.4800 - 1.5100

DRY WHOLE MILK - NATIONAL

Steady to increasing domestic and international interest moved the top of the dry whole milk price range higher. Firm butterfat and dairy nonfat solids prices support the increasing price trend in the near term. Various manufacturers indicate dry whole milk production is slated for as long as farm milk supplies hold out, to cater to spot market interest. Other manufacturers plan to schedule dry whole milk production based on contract fulfillment, as inventories and shipping dates dictate. The May 2011 Dairy Market News average of the range price series for dry whole milk was \$1.9440 compared to \$1.9374 one month ago and \$1.5725 in May 2010.

F.O.B. PRODUCING PLANT: 1.9000 - 2.0500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 3	\$1.6288	11,081,945	0
May 27	\$1.5924	14,556,715	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices moved higher on the mostly price series this week. Availability of F.O.B. spot loads of dry whey improved marginally, likely as an offshoot of recent higher farm milk intakes during the holiday weekend. Dry whey loads reportedly moved readily to regular buyers with little price resistance. Availability of spot loads of condensed whey also improved this week, with some loads funneling toward other whey stream products versus dry whey. July contracts for dry whey are being finalized a continuation of the firm price trends. Dry whey inventories are mostly light, with a few plants still lagging scheduled shipping dates on some contract loads. Interest is steady from both international and domestic buyers. Resale activity is reportedly steady to higher, with prices within the high \$0.50's - high \$0.60's. The May 2011 Dairy Market News average of the mostly price series for Central dry whey was \$0.4898 compared to \$0.4508 one month ago and \$0.3450 in May 2010. ANIMAL FEED DRY WHEY prices are steady in the Central region. Animal feed dry whey prices in the West, which are not included in the Central Animal Feed Milk Replacer price series, are steady to higher, with both export and domestic demand keeping manufacturers' inventories in check. Central region sales of finished feed are reportedly slower. A few blending plant operators indicate finished feed production schedules may vary from week to week, geared toward meeting lower contract commitments and using contract-based input loads most economically. The May 2011 Dairy Market News average of the range price series for Central Animal Feed Milk Replacer dry whey was \$0.4288 compared to \$0.3789 month ago and \$0.2838 in May 2010.

F.O.B. CENTRAL: .4700 - .5300 MOSTLY: .4875 - .5225
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3700 - .4900

DRY WHEY - NORTHEAST

The dry whey price range narrowed again this week in the Northeast on contract formulations with an increase on the low end of the range. Supplies continue to be very tight. Production declined marginally as cheese production returned to pre-holiday levels. Resale prices weakened, ranging from \$.57 - \$.64. Current production is moving through contracts with little showing up on the spot market. End users looking for additional product continue to look in other regions, pursue resale opportunities or consider nonfat dry milk as an alternative protein source. Solid domestic demand from ice cream makers and bakeries along with good export interest and tight supplies gives the dry whey market a firm undertone. The May 2011 Dairy Market News average of the price series for Northeast dry whey was \$0.5238 compared to \$0.5044 one month ago and \$0.3734 in May 2010.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5125 - .5375

DRY WHEY - WEST

Western dry whey prices are higher this week. The full range and the mostly series both saw increases. The market is firm with supplies described as tight in most cases. Manufacturers are drying to fill contract needs to regular customers. In some instances, a few loads are reaching the spot market. Demand is good from end users and is being filled in many cases by brokers at resale prices above the current market. Whey supplies are adequate for most immediate needs with production schedules dependent on cheese production. Those plants with surplus whey are using the extra stocks to catch up on orders or hold some product for future use. Demand from other whey products is limiting overall dry whey manufacturing.

NONHYGROSCOPIC: .5075 - .5600 MOSTLY: .5200 - .5500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The whey protein concentrate 34% range price series widened. Active demand is supporting the market. Discussion with industry representatives often revolves, though, around the unknown price point at which WPC 34% market strength will be stymied by price interference from the nonfat dry milk market. Current buying patterns are generally on an as-needed and/or per-contract basis as buyers try to minimize downside risk. A few WPC 34% plants plan to dry a few more loads of WPC 34% compared to last week, as either fewer loads of condensed WPC 34% were sold or additional condensed whey loads were acquired from regional cheese plants. The May 2011 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.5043 compared to \$1.3686 one month ago and \$0.9238 in May 2010.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4800 - 1.7225 MOSTLY: 1.5200 - 1.5700

LACTOSE - CENTRAL AND WEST

Interest is active from domestic and international buyers for all mesh sizes of lactose. Spot load offers from a few manufacturers appear from time to time and clear readily, generally with little price resistance, as reflected by the adjustment to the top of the range price series this week. With one or two manufacturers adjusting Q3 production projections marginally lower, some buyers are extending the search for lactose supplies to carry them through that quarter. Q3 price premiums on offered contract volumes are reported as unchanged to higher. Some buyers that resell to Southeast Asia indicate interest has dampened somewhat, thus they are weighing the decision of procuring Q3 lactose either via contract or spot market. The May 2011 Dairy Market News average of the mostly price series for Central and West lactose was \$0.4640 compared to \$0.4464 one month ago and \$0.3313 in May 2010.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .3600 - .6600 MOSTLY: .4300 - .5100

CASEIN - NATIONAL

Pricing levels for both casein types are unchanged. The market undertone remains firm, reflective of most dairy proteins. Higher market quotes are being offered for third quarter contract negotiations. Availability of both types is adequate for current trade needs and filling contracts on a timely basis. Product is expected to remain available, as production has been made in supplying countries.

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 JUNE 6 - 10, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 06/03/11	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 05/21/11 & Comparable Week 2010

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	7.6	3.0	18.2	3.3	N.A.	N.A.	14.0	3.2	51.7	1,228.3	41.3	47.4
2010-Dairy	N.A.	0.7	7.1	2.3	18.6	3.4	0.3	N.A.	15.0	2.8	51.5	1,145.2	41.0	44.6
2011-All cows	0.0	0.8	9.6	13.3	32.9	27.1	N.A.	N.A.	17.5	6.9	125.2	2,591.1		
2010-All cows	N.A.	0.8	8.9	14.3	32.8	23.4	14.2	N.A.	20.4	7.0	125.6	2,570.5		

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

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

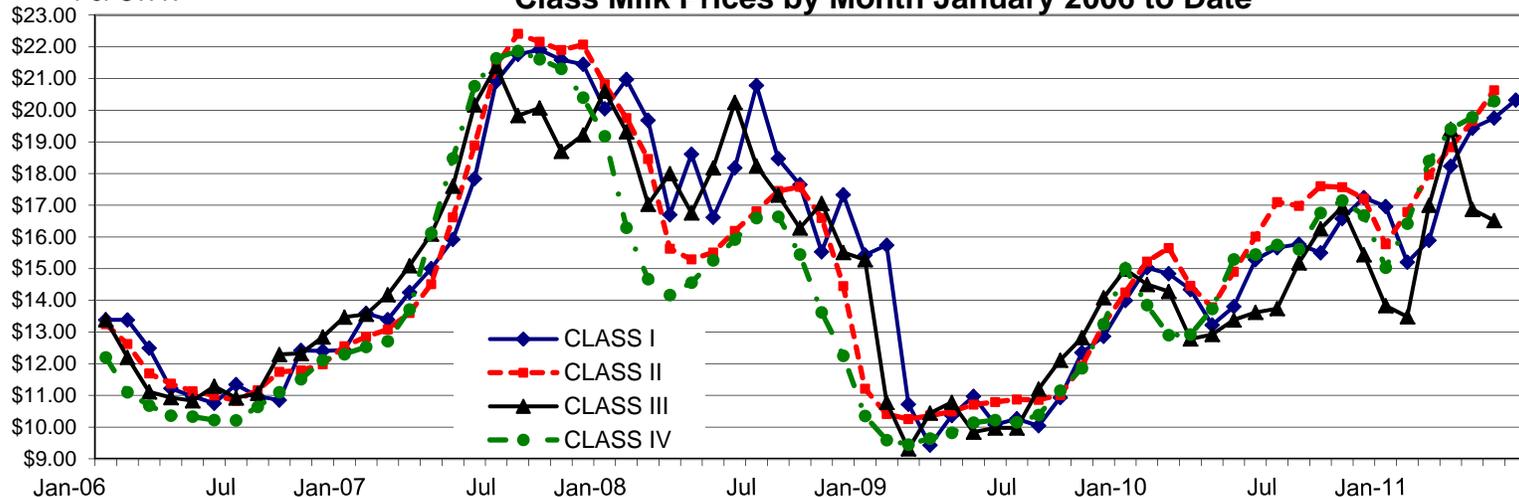
FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

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	20.32						
II	16.79	17.97	18.83	19.66	20.63							
III	13.48	17.00	19.40	16.87	16.52							
IV	16.42	18.40	19.41	19.78	20.29							

1/ Specific order differentials to be added to this base price can be found by going to: www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

Per CWT.

Class Milk Prices by Month January 2006 to Date



Class I base price does not include applicable Class I differential

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered May 29 - June 11, 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: Milk production across much of Western Europe continues to be impacted by recent weather conditions. While some countries and areas have seen some moisture over the past few weeks, the lingering impact of the drought conditions lingers for others. The surplus levels over a year ago narrowed in many countries in May. In France, May output was at 2% over a year ago. News reports are also indicating the drought will be impacting the wheat crop and the amount of grains that are expected to be exported. Hot weather in Germany is parsing milk with levels trending lower and total volumes below a year ago currently. In general, dairy product prices are steady to firm. Production levels are seasonally high and reflect the milk production patterns. European butter price trends are higher and reflect firm market conditions. Export interest is limited. Local cream demand has improved as more cream-based seasonal items are produced. Ice cream output is higher. Whey prices are higher and the market tone is firming. Export activity is active for existing business, but sometimes slower for new orders. Whey stocks are available to move to local and export accounts. Skim milk powder prices are higher with a fair to good export interest that is rather price sensitive under current market conditions. Whole milk powder prices are steady to slightly higher. WMP drying is trending lower with best returns for butter/SMP. Export interest is slower with some international buyers covered for nearby needs.

BUTTER/BUTTEROIL: European butter/butteroil pricing levels are trending higher and reflect firm, local market conditions. Prices for bulk and packaged butter are higher with demand for both categories showing improvement. At these levels, export interest is limited. Cream demand has improved as more cream-based seasonal items are produced for local interest. Ice cream and similars production are increasing. Production runs are seasonally active and reflect milk availability. Butteroil trading is minimal at the present time, especially for new business. Regional pricing is at a premium when compared to other exporting countries. The next Dairy Management Committee meeting will be on June 16, so there are no new PSA butter storage figures available. The latest figure, through May 15, showed that 39,215 MT of butter had cleared.

82% BUTTERFAT: 5,800 - 6,150
99% BUTTERFAT: 6,300 - 6,700

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are firm and higher. SMP production remains at season high levels with milk output at or slightly off peak volumes and better returns being recorded for SMP and butter. Market activity is lower in part due to several holidays affecting the number of trading dates. Export interest is fair to good, yet price sensitive. As current offering prices increase, demand backs off.

1.25% BUTTERFAT: 3,400 - 3,650

WHOLE MILK POWDER (WMP): European whole milk powder pricing levels are steady to slightly higher. Production is lower with better returns and needs for butter/SMP. The WMP export market activity has slowed with some international buyers having enough stocks or fluid milk for anticipated current needs. Lower Oceania prices have also caused world buyers to take pause and assess their needs and where to best source products. In addition, WMP is being offered onto the world market from South American countries. Production levels are seasonally active. Current stock levels are adequate to fill nearby needs.

26% BUTTERFAT: 4,200 - 4,600

SWEET WHEY POWDER: European dry whey prices are trending higher and are firming. Demand is fair to good with current interest for both local and export demand. Export interest is clearing under existing contracts, yet mixed for new business at the current pricing levels. Whey production is active seasonally. Stocks are available for local and export needs.

NONHYGROSCOPIC: 1,225 - 1,500

EASTERN OVERVIEW: Eastern European milk production levels are trending seasonally higher. Drought conditions are also occurring in several countries with only a limited impact being noted on milk output. Processing plants are running well and readily handling the milk supplies to make expected levels of products. Finished dairy product stocks are available for most product categories. Demand for finished dairy products remains good and clearances to customers, both in and out of the region, are regular.

Exchange rates for selected foreign currencies: June 6, 2011

1.0196 Canadian Dollar	.0223 Indian Rupee
.2444 Argentina Peso	.8134 New Zealand Dollar
.0851 Mexican Peso	1.0698 Australian Dollar
.3678 Polish Zloty	.0125 Japanese Yen
	1.4564 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0851) = 11.7509 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 29 — June 11, 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

Milk production continues to trend towards end of season levels. In NEW ZEALAND, milk output is slightly above a year ago with total season levels still expected to be 2-3% higher than the prior year. Farm level conditions remain favorable. Temperatures are currently mild and moisture has been adequate for pastures and crops with lower levels of irrigation water needed. AUSTRALIAN milk production trends are declining seasonally with estimates holding that output is a strong 0.8% higher than during the previous milk year. A current cold snap is expected to shut down more milk. Pastures are in good shape to end the season. The outlook is good for future water allocations. Feed for stock is available. Dairy product prices are mixed. Oceania butterfat markets are steady to firm. Demand is fair to good. Skim milk powder prices are steady to higher with the market trend good for current needs and prior contracts. Pricing for the gDT was sharply higher on limited volumes with some trading from buyers looking for tighter specs. Drying schedules are trending lower, yet stocks are available to fill orders. Oceania whole milk powder markets and prices are unsettled and lower. Trading volumes have been on the light side seasonally. Manufacturing milk is staying in WMP production. Oceania cheese markets and prices are steady to lower. Cheese output is trending lower to reflect the seasonal end to the milk year. Buying interest is fair to good and new deals are occurring. At the June 1 g/DT auction, average prices were mostly higher, with the exception of whole milk powder being lower. The average prices covering all contracting periods and the percentage change from the previous event average are: anhydrous milk fat, \$5,669 per MT, +6.2%; skim milk powder \$4,372, +12.9%; whole milk powder, \$3,780, -3.0%; milk protein concentrate, \$6,430, +4.8%; and rennet casein, \$10,252, +4.9%.

BUTTER: Oceania butterfat markets are steady to firm with fair to good interest for current and future needs. Demand is evident for current limited seasonal offerings and a new tender was made looking for additional butter. Offering prices are steady to higher and demand is clearing limited, current product. Butter production has been moderate over recent weeks. At the June 1 g/DT event, anhydrous milk fat averaged \$5,669 per MT over all contracting periods, 6.2% higher than the previous event average.

82% BUTTERFAT:

4,500 - 5,100

SKIM MILK POWDER (SMP): Skim milk powder prices are steady to higher. The SMP market trend is moving well for current needs and under prior contracts. Pricing for the gDT was sharply higher on limited volumes with some trading from buyers looking for specifications. While other regional pricing is moving towards the gDT results, SMP offerings from the EU and the US are at lower pricing levels. Oceania drying schedules are trending lower, matching the trend of the seasonal milk flow and the pull to other products. Supplies are planned and adequate to fill current and future orders. At the June 1 g/DT event, skim milk powder averaged \$4,372 per MT for all contracting period, 12.9% more than the previous all contract average. Following are the various contracting period averages and percentage changes from the previous event: Contract #1, (August), \$4,548, +10.8%; Contract #2, (September - November), \$4,556, +17.5%; and Contract #3, (December - February), \$4,006, +9.7%.

1.25% BUTTERFAT:

3,650 - 4,550

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets and prices are unsettled and lower. Prior period outlooks were sensing the market tone being on the steady to firm side; yet recent activity has seen slight price declines in the spot and auction markets. Trading volumes have been on the light side seasonally. Milk production has been declining, yet manufacturing milk is staying in WMP production. At the June 1 g/DT event, whole milk powder prices averaged \$3,780 per MT for all contracting periods, -3.0% from the previous event average. Following are the various contracting period averages and percentage changes from the previous event: Contract #1 (August), \$3,760, -5.7%; Contract #2 (September - November), \$3,824, -4.0%; and Contract #3 (December - February), \$3,723, +0.4%.

26% BUTTERFAT:

3,750 - 4,100

CHEDDAR CHEESE: Oceania cheese markets and prices are steady to lower on the bottom end of the reported price range. Cheese output is trending lower to reflects the seasonal end to the milk year. Cheese stocks are ample to fill contracted amounts and for local needs. Demand is fair to good and contracts are being established for new season cheese. Higher prices in other world markets are noted on the market.

39% MAXIMUM MOISTURE:

4,250 - 4,800

JUNE 1, 2011 Global/Dairy Trading (g/DT) event 45 recap US \$ per metric ton								
Average prices and Changes in price Indices from Previous event	Contract #1		Contract #2		Contract #3		All Contracts	
	August 2011		September - November 2011		December 2011 - Febru- ary 2012			
Anhydrous Milk Fat	\$5,741	8.6%	\$5,622	4.1%	\$5,676	6.1%	\$5,669	6.2%
Buttermilk Powder	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Skim Milk Powder	\$4,548	10.8%	\$4,556	17.5%	\$4,006	9.7%	\$4,372	12.9%
Whole Milk Powder	\$3,760	-5.7%	\$3,824	-4.0%	\$3,723	0.4%	\$3,780	-3.0%
Milk Protein Concentrate	\$6,480	2.9%	\$6,380	6.5%	N.A.	N.A.	\$6,430	4.8%
Rennet Casein	\$10,280	6.8%	\$10,220	2.7%	N.A.	N.A.	\$10,252	4.9%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	05/26	05/27	05/30	05/31	06/01	06/02	06/03	06/06	06/07	06/08
CME - CLASS III MILK FUTURES (Pit-Traded)										
MAY 11	16.51 (5340) 0	16.55 (5283) 0	NO TRADING	16.54 (5248) 0	16.53 (5218) 0	16.52 (5219) 0	16.52 (5028) 0			
JUN 11	18.41 (4961) 0	18.48 (4996) 0		18.75 (5010) 0	18.94 (5085) 0	18.89 (4994) 0	18.95 (4967) 0	19.01 (5060) 0	18.87 (4927) 0	18.97 (4940) 0
JUL 11	19.08 (4727) 0	19.12 (4787) 0		19.69 (4895) 0	20.05 (5069) 2	19.95 (5075) 0	20.00 (5293) 0	20.17 (5420) 5	19.42 (5278) 0	19.87 (5326) 24
AUG 11	18.98 (4270) 10	18.96 (4335) 10		19.22 (4422) 0	19.49 (4466) 2	19.41 (4517) 0	19.35 (4622) 3	19.39 (4666) 0	18.64 (4791) 0	18.85 (4880) 12
SEP 11	18.77 (4087) 0	18.78 (4106) 0		19.04 (4165) 0	19.24 (4259) 2	19.13 (4386) 0	18.98 (4496) 0	18.84 (4540) 0	18.12 (4584) 0	18.47 (4659) 12
OCT 11	18.16 (3415) 0	18.22 (3435) 0		18.40 (3412) 0	18.60 (3503) 0	18.47 (3519) 0	18.35 (3549) 0	18.23 (3544) 0	17.70 (3582) 0	17.87 (3605) 0
NOV 11	17.84 (3100) 0	17.89 (3104) 0		18.05 (3138) 0	18.22 (3194) 0	18.02 (3229) 0	17.98 (3278) 0	17.85 (3277) 0	17.43 (3302) 0	17.74 (3309) 0
DEC 11	17.32 (3161) 0	17.34 (3164) 0		17.50 (3189) 0	17.71 (3204) 0	17.60 (3256) 0	17.65 (3234) 0	17.60 (3229) 0	17.30 (3283) 0	17.52 (3277) 0
JAN 12	16.90 (532) 0	16.90 (557) 0		17.10 (573) 0	17.36 (606) 0	17.30 (612) 0	17.25 (618) 0	17.30 (622) 0	17.05 (627) 0	17.16 (631) 0
FEB 12	16.50 (431) 0	16.54 (440) 0		16.60 (445) 0	16.80 (468) 0	16.72 (479) 0	16.67 (484) 0	16.63 (486) 1	16.53 (490) 0	16.60 (493) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
MAY 11	20.21 (491) 0	20.21 (491) 0	NO TRADING	20.21 (491) 0	20.21 (491) 0	20.21 (491) 0	20.29 (491) 0			
JUN 11	20.80 (575) 0	20.80 (575) 0		20.80 (575) 0	20.80 (579) 4	20.90 (577) 4	20.90 (577) 0	20.90 (577) 0	20.90 (577) 0	20.90 (577) 0
JUL 11	20.45 (690) 0	20.56 (690) 0		20.56 (690) 0	20.57 (697) 7	20.57 (703) 15	20.70 (708) 0	20.69 (708) 0	20.69 (708) 0	20.69 (708) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
MAY 11	202.00 (450) 0	202.08 (450) 0	NO TRADING	202.08 (450) 0	202.08 (450) 0	202.08 (450) 0	202.92 (547) 0			
JUN 11	217.00 (471) 13	216.98 (471) 0		216.00 (471) 0	217.00 (470) 7	216.50 (467) 3	215.00 (467) 1	215.00 (467) 0	214.00 (467) 0	213.00 (467) 0
JUL 11	217.00 (615) 9	216.03 (615) 5		216.03 (615) 0	217.50 (643) 30	217.25 (654) 16	214.48 (656) 2	211.75 (659) 3	210.00 (670) 13	208.75 (667) 9
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
MAY 11	161.25 (348) 0	161.75 (343) 0	NO TRADING	161.75 (343) 0	161.75 (343) 0	161.75 (343) 0	161.20 (343) 0			
JUN 11	160.75 (457) 0	161.50 (457) 0		161.50 (457) 0	161.50 (457) 0	161.50 (457) 0	161.50 (457) 0	161.50 (457) 0	161.50 (457) 0	161.50 (457) 0
JUL 11	158.50 (449) 0	158.50 (449) 0		158.50 (449) 0	158.50 (449) 0	160.00 (438) 0	161.00 (437) 0	161.00 (437) 0	161.00 (437) 0	161.00 (437) 0
CME - WHEY (Electronic-Traded)										
MAY 11	48.95 (428) 0	49.65 (426) 2	NO TRADING	49.65 (426) 0	49.65 (426) 0	49.65 (426) 0	49.29 (426) 0			
JUN 11	52.50 (332) 0	52.50 (332) 0		52.50 (332) 0	52.50 (332) 0	52.50 (332) 1	52.50 (332) 0	52.00 (333) 2	52.00 (333) 0	52.00 (333) 0
JUL 11	56.03 (196) 0	56.03 (195) 3		56.03 (195) 0	56.50 (195) 1	56.50 (195) 2	56.50 (195) 0	56.00 (195) 0	55.98 (195) 0	54.75 (194) 2
CME - CHEESE CSC (Electronic-Traded)										
MAY 11	1.65 (298) 0	1.65 (298) 0	NO TRADING	1.65 (298) 0	1.65 (298) 0	1.65 (298) 0	1.65 (298) 0			
JUN 11	1.82 (384) 0	1.83 (384) 0		1.85 (384) 0	1.87 (384) 0	1.87 (392) 0	1.88 (392) 0	1.88 (392) 0	1.88 (392) 0	1.88 (392) 0
JUL 11	1.87 (202) 1	1.87 (202) 0		1.93 (202) 0	1.96 (202) 0	1.96 (220) 0	1.96 (220) 0	1.99 (220) 0	1.93 (220) 3	1.96 (220) 0
AUG 11	1.85 (169) 0	1.85 (169) 0		1.86 (169) 0	1.89 (169) 0	1.89 (185) 0	1.89 (185) 0	1.89 (185) 0	1.85 (195) 14	1.85 (195) 0
SEP 11	1.83 (187) 0	1.83 (187) 0		1.85 (187) 0	1.85 (187) 0	1.85 (195) 0	1.86 (195) 0	1.86 (195) 0	1.80 (207) 12	1.81 (207) 0
OCT 11	1.79 (238) 0	1.79 (243) 5		1.79 (243) 0	1.79 (243) 0	1.79 (251) 0	1.79 (251) 0	1.78 (251) 0	1.75 (252) 6	1.78 (255) 3

^{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.

JUNE MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2011 is raised. Producers are expected to continue to expand herds through the middle of the year, and although herds may begin to decline toward the end of the year, cow numbers are expected to be above 2010. However, higher feed costs will impact profitability and the dairy cow inventory is expected to decline in 2012. Tighter feed supplies will also likely impact the rate of increase of milk per cow. As a result, the milk production forecast for 2012 is reduced from last month. Commercial exports are forecast higher for 2011 largely due to stronger expected cheese exports. However, imports of cheese and milk proteins have been stronger than expected and the import forecast for both 2011 and 2012 is raised. Dairy product price forecasts are raised from last month. Butter supplies are tight and demand for cheese, nonfat dry milk (NDM), and whey are expected to support product prices. Class III and Class IV price forecasts are raised from last month in line with the increased product prices. The all milk price is forecast at \$19.65 to \$20.05 per cwt. for 2011. Price forecasts for 2012 are also raised as the smaller production increase is expected to support higher product and Class prices. The all milk price is forecast at \$17.75 to \$18.75 per cwt. for 2012.

U.S. MILK SUPPLY AND USE					
Commodity	2010	2011 Projected		2012 Projected	
		May	June	May	June
BILLION POUNDS					
MILK					
PRODUCTION	192.8	195.4	195.5	198.7	198.5
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	10.9	10.9	11.3	11.2
MARKETINGS	191.8	194.5	194.6	197.7	197.5
IMPORTS	4.1	3.2	3.4	3.0	3.2
TOTAL COMMERCIAL SUPPLY	207.2	208.6	208.9	212.0	211.9
FAT BASIS USE					
COMMERCIAL EXPORTS	8.3	7.8	8.1	8.7	8.7
ENDING COMMERCIAL STOCKS	10.9	11.3	11.2	11.3	11.3
CCC NET REMOVALS <u>1/</u>	0.2	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.8	189.4	189.6	192.0	191.9
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	12.3	12.3	11.9	11.9
MARKETINGS	191.8	194.5	194.6	197.7	197.5
IMPORTS	4.8	4.3	5.0	4.1	4.5
TOTAL COMMERCIAL SUPPLY	208.0	211.1	211.8	213.7	213.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.1	31.9	32.1	32.3	32.3
ENDING COMMERCIAL STOCKS	12.3	11.9	11.9	11.8	11.7
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	164.0	167.3	167.8	169.7	170.0
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	8	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

Continued on page 11

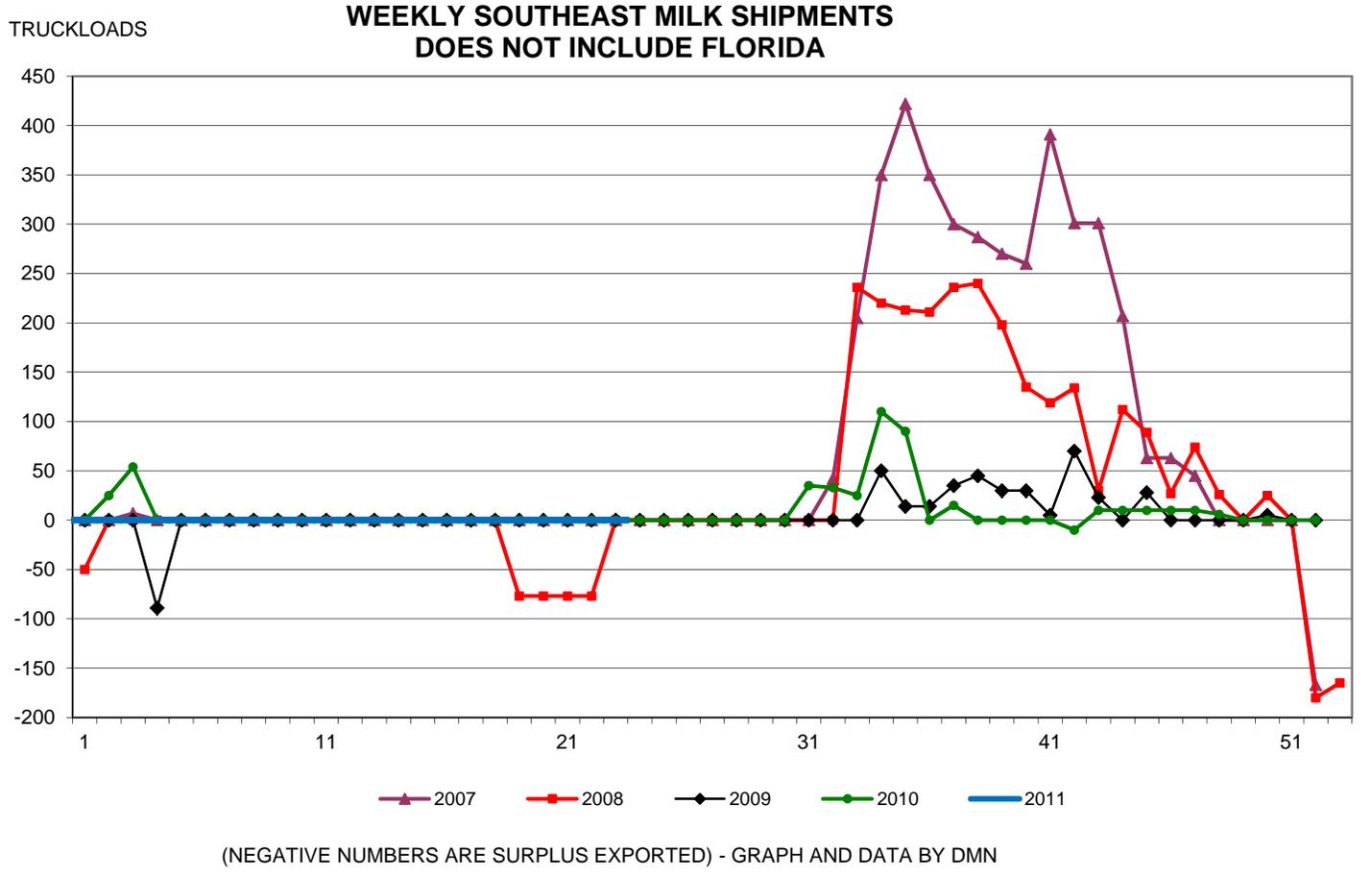
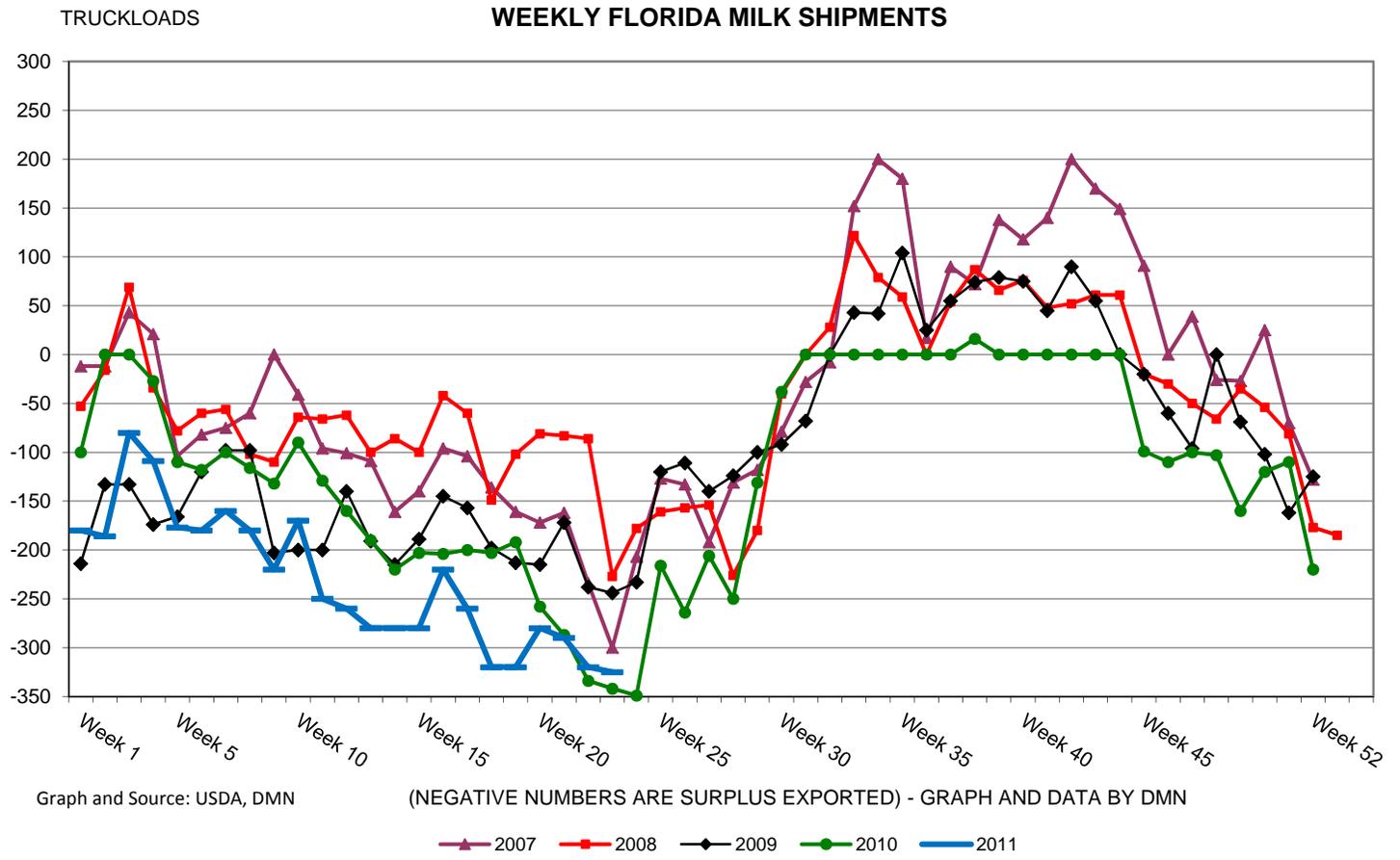
JUNE MILK SUPPLY AND DEMAND ESTIMATES-cont'd

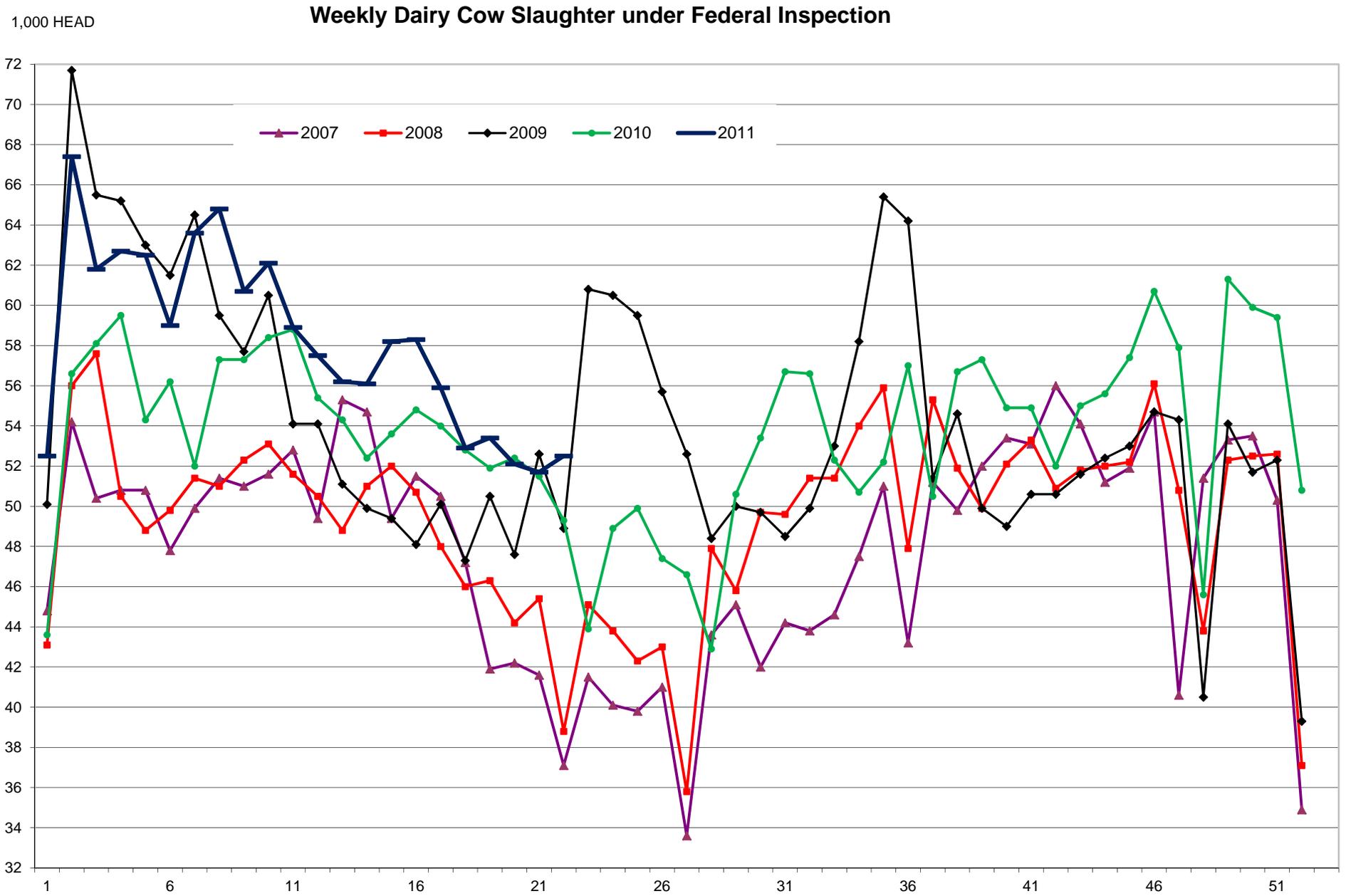
U.S. DAIRY PRICES					
Commodity	2010	2011 Projected		2012 Projected	
		April	May	April	May
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.5226	1.670-1.720	1.755-1.795	1.595-1.695	1.660-1.760
BUTTER	1.7020	1.840-1.920	1.915-1.985	1.605-1.735	1.610-1.740
NONFAT DRY MILK	1.1687	1.480-1.520	1.505-1.545	1.360-1.430	1.375-1.445
DRY WHEY	0.3716	0.450-0.480	0.465-0.485	0.405-0.435	0.410-0.440
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	14.41	16.45-16.95	17.40-17.80	15.35-16.35	16.00-17.00
CLASS IV	15.09	18.40-19.00	18.95-19.45	16.30-17.40	16.50-17.60
ALL MILK <u>3/</u>	16.29	18.95-19.45	19.65-20.05	17.35-18.35	17.75-18.75
QUARTERLY					
	2011 I	2011 II <u>4/</u>	2011 III <u>4/</u>	2011 IV <u>4/</u>	2012 I <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	48.4	50.4	48.5	48.2	49.6
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	18.73	19.80-20.00	20.50-21.00	19.55-20.35	17.95-18.95
CLASS III PRICE <u>2/</u>	16.63	17.20-17.40	18.25-18.75	17.50-18.30	15.85-16.85
CLASS IV PRICE <u>2/</u>	18.08	20.15-20.45	19.75-20.35	17.90-18.80	16.70-17.80

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-495, June 9, 2011.*

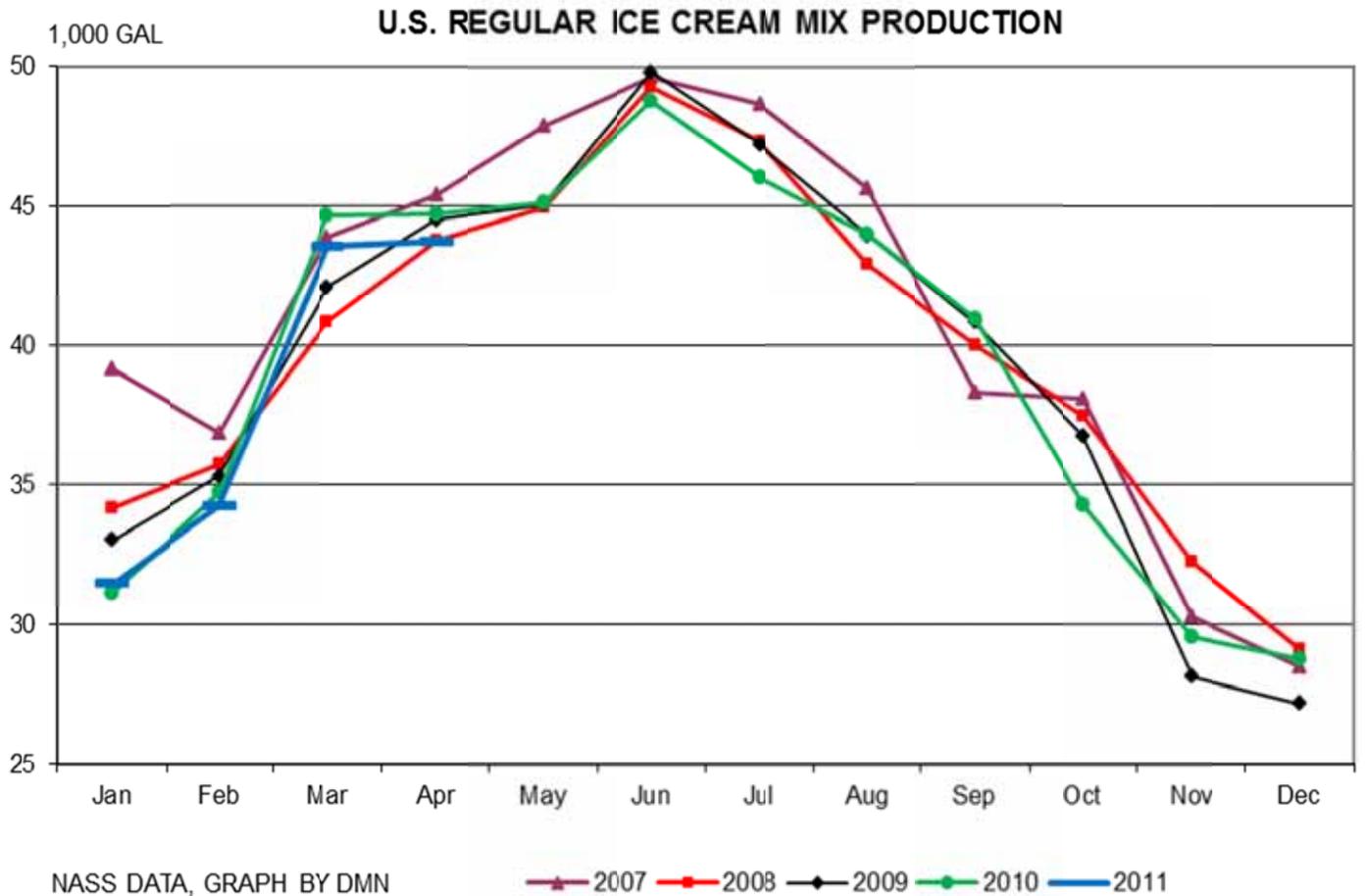
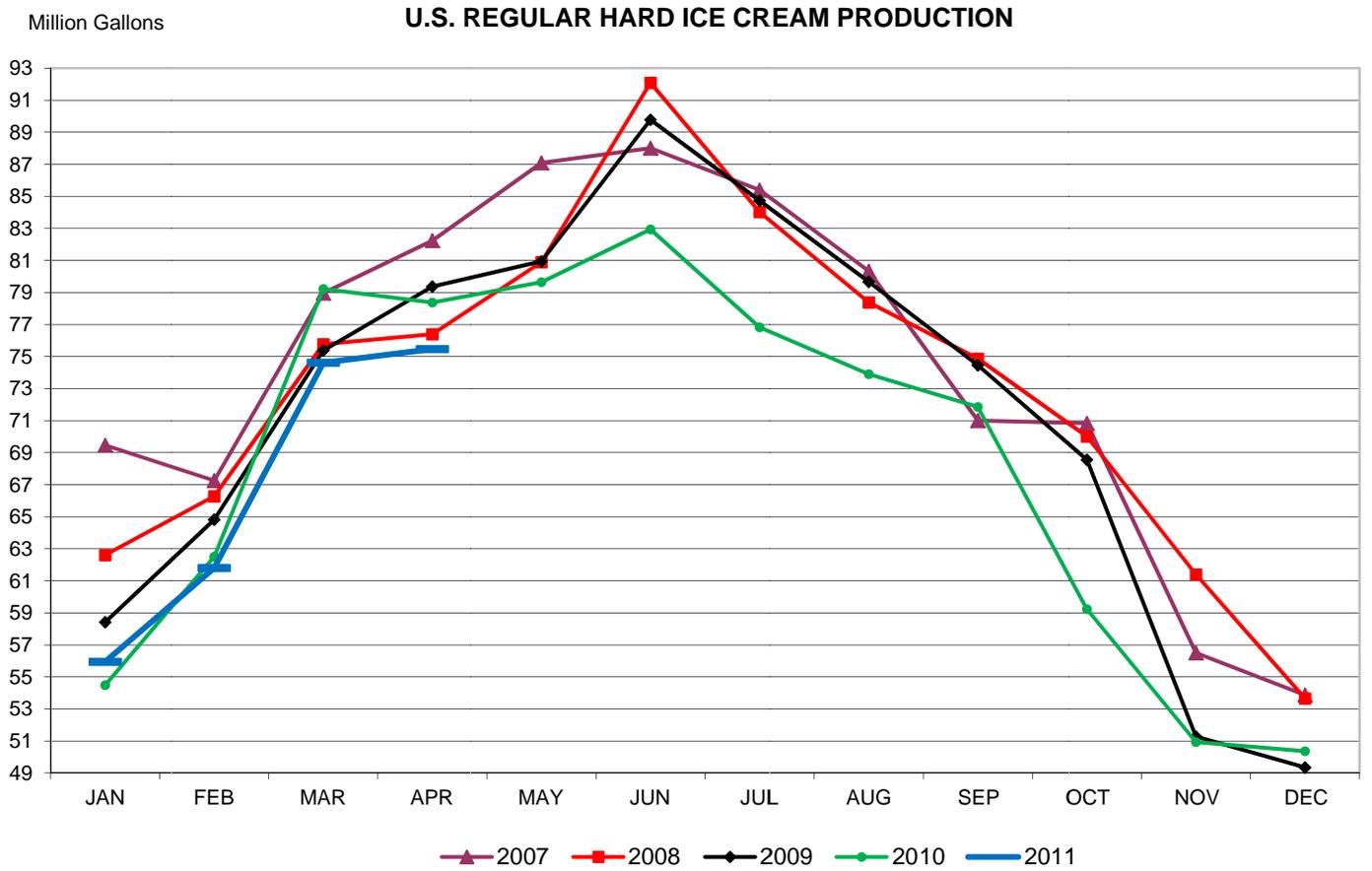




Source: LIVESTOCK MN/NASS, Graph DMN

Week Number

DATA THROUGH 05/29/2011



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