

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (07/22):**

**BUTTER:** Grade AA closed at \$2.0400. The weekly average for Grade AA is \$2.0350 (+.0050).

**CHEESE:** Barrels closed at \$2.1250 and 40# blocks at \$2.1550. The weekly average for barrels is \$2.1165 (+.0125) and blocks, \$2.1400 (+.0905).

**BUTTER HIGHLIGHTS:** During the week, the CME Group cash butter price held generally steady and closed the week at \$2.0400. Churning activity has slowed in most regions of the country as cream supplies tighten. Hot temperatures and humid conditions prevailed in many parts of the country this week which often erodes butterfat and protein levels in milk. This trend has been developing over recent weeks and current adverse weather patterns will further promote the decline. Churning schedules are lighter, but sufficient to fulfill commitments. In most instances, current churning schedules are not providing any significant volumes of butter into inventory. Inventories continue to be much lighter than butter handlers desire for this time of the season.

**CHEESE HIGHLIGHTS:** Prices firmed on the CME Group cash cheese market. The blocks rebounded sharply since July 14 and closed at the highest weekly average (\$2.1400) since June 2008. Barrels moved just slightly higher this week. Cheese production, basically east of the Rocky Mountains, has declined rapidly as oppressive summer heat, along with humidity, has reduced milk receipts and milk components. General industry expectation is that any near term rebound in volume is likely limited. Temperatures have been less extreme in parts of the West, so production has held up better. Cheese demand was uneven though some buyers tried to take advantage of price weakness last week to add inventory. At least a few plants have started to delay cheese deliveries. Reduced cheese production just before the reopening of schools minimizes the cushion stocks that operations try to have entering the usually lower fall cheese production and stronger sales season.

**FLUID MILK:** Milk production is being curtailed by hot and humid conditions across a big swath of the U.S. In addition, milk solids are also declining, further impacting product yields. In the Upper Midwest, plant intakes are down by 10% or more when compared to before the conditions changed to hot. Milk routes are coming in lighter and with lower solids levels. Processing plants are running on reduced schedules and some activities are curtailed because of hot/humid conditions. The East and Southeast are also experiencing oppressive heat and high humidity levels that are impacting cow comfort and milk output. Several balancing plants are being shut down as milk supplies dry up. In the Southwest, milk output levels are lower in Arizona, while mainly steady in New Mexico and California. In the Northwest, weather conditions are not a factor and milk production remains heavy, near the peak of the season. Plants are generally running well and handling the milk supplies with adequate capacity. In Utah and Idaho, plants

are running on heavy schedules to handle the milk supply, but have room to handle the milk.

**DRY PRODUCTS:** Following weeks of lower priced trades in the resale market, nonfat dry milk prices were lower to sharply lower for FOB plant/warehouse locations in the West. Buyer interest is better where discounts are the greatest. The market undertone remains weak and matches the lower market trends in the domestic resale markets and from international SMP offerings and trading results. Dry buttermilk market prices are also lower, reflecting general market weakness as well as pressure from the NDM complex. Buyer interest is mostly light as buyers have holdings and product to meet needs. Dry whole milk market prices are steady in light market trading. Production levels are trending lower with intermittent milk supplies. Dry whey prices showed incremental increases across the U.S. this week in a lightly tested spot market. Reseller market activity is gaining more interest. Production levels are often trending lower, especially with reduced milk supplies in the Upper Midwest and because of heat related production issues. The whey protein concentrate 34% market tone is mixed and more unsettled. Buying interest has been uneven, as some buyers gauge the effects of the NDM market on WPC pricing and demand. Buyers in the animal feed sector are finding alternative proteins to utilize in formulations. Lactose prices are steady to trending higher. Demand remains good and continues to clear production for both contracted and spot markets. Future interest remains good and deals for future needs are being negotiated.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** Milk production in **Western Europe** continues to edge lower. Early in the season, milk production was running nearly 3% heavier than the previous year in many regions, but in recent weeks, milk output is slowing and the margin between this year and last is narrowing. At this point, manufacturing schedules remain seasonally active and milk processing is following anticipated trends. Traders and handlers are indicating that sales activity is quiet. A few factors that may be slowing buyer interest are the summer holiday/vacation period is starting and secondly, prices are easing, thus buyers are stepping back from the market until stability is once again established. Some international sales activity is occurring, but it is minimal, with most activity centered around an internal or domestic market. European prices are often higher than international buyers are willing to pay, thus buyers are looking to other sources. Russian buyer interest had been strong for European sourced dairy products, but interest has eased. Traders and handlers anticipate that buyer interest will resume as late fall and winter needs are assessed. Stocks are available for immediate and future buyer needs. Traders and handlers are stating that animal feed buyers are not as active in the market as

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CME GROUP CASH TRADING

COMMODITY	MONDAY JUL 18	TUESDAY JUL 19	WEDNESDAY JUL 20	THURSDAY JUL 21	FRIDAY JUL 22	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$2.1100 (N.C.)	\$2.1150 (+.0050)	\$2.1150 (N.C.)	\$2.1175 (+.0025)	\$2.1250 (+.0075)	:: :: (+.0150)	:: :: \$2.1165 :: (+.0125)
40# BLOCKS	\$2.1200 (+.0625)	\$2.1400 (+.0200)	\$2.1400 (N.C.)	\$2.1450 (+.0050)	\$2.1550 (+.0100)	:: :: (+.0975)	:: :: \$2.1400 :: (+.0905)
<b>NONFAT DRY MILK</b>							
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	\$1.5500 (-.0600)	\$1.5250 (-.0250)	\$1.5250 (N.C.)	\$1.5250 (N.C.)	\$1.5250 (N.C.)	:: :: (-.0850)	:: :: \$1.5300 :: (-.0910)
<b>BUTTER</b>							
GRADE AA	\$2.0300 (N.C.)	\$2.0350 (+.0050)	\$2.0350 (N.C.)	\$2.0350 (N.C.)	\$2.0400 (+.0050)	:: :: (+.0100)	:: :: \$2.0350 :: (+.0050)

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CONTINUED FROM PAGE 1**

many are purchasing some of the intervention skim milk powder that was distributed to the most deprived people food scheme. Many of these programs are willing to sell some or all of their powder distribution volumes so that other food items can be purchased. Animal feed suppliers are indicating that this sales activity is minimal and not significantly impacting the commercial animal feed market. Although this powder is classified for human consumption, much of the current volume is ending up in animal feed channels due to age. The winter season is well underway in the **Oceania** region, although milk producers and handlers are looking forward to the start of the new season which will show signs of renewal in 4 - 6 weeks. As most look forward to the upcoming milk production season, production estimate increases continue to run in the 3 - 5% range for New Zealand with Australian estimates in the 1 - 1.5% range. Producers and handlers in both countries are stating that with the strong end to the recent season, sufficient winter feed supplies, and good winter herd conditioning, the startup of the new season should be positive. Another factor that most mention is the unknown of spring weather patterns. Early spring weather patterns can make or break production trends for the entire season. Traders are stating that sales activity remains limited, although there are reports of new buyer interest starting to develop. Carryover stocks from last season are minimal and most handlers and traders are comfortable with their supply situation and the condition of their order books. At the July 19 g/DT auction, average prices were mostly lower, with the exception of buttermilk powder which was slightly higher. Cheddar cheese was traded for the first time. An overall weak trend continues to prevail from previous auctions. Traders and handlers continue to use the g/DT auction platform as a component when determining commercial prices, but most are not adjusting their prices as sharply as the percentage changes from the previous auction event are indicating. Many traders and handlers indicate that the current and recent lower average price trend will not be around for too much longer as many feel that average prices will start to increase.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for August 2011 is \$21.43, up 40 cents from July. This price is derived from the advanced Class III skim milk pricing factor of \$14.05 and the advanced butterfat pricing factor of \$2.2496 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for August is \$13.97 and the Class II nonfat solids price is \$1.5522 per pound. The following are the two-week product price averages: butter \$2.0291, nonfat dry milk \$1.6571, cheese \$2.1308, and dry whey \$0.5470.

**JUNE MILK PRODUCTION (NASS):** Milk production in the 23 major states during June totaled 15.4 billion pounds, up 1.4% from June 2010. Production per cow averaged 1,819 pounds for June, 2 pounds above June 2010. The number of milk cows on farms was 8.46 million head, 106,000 head more than June 2010, and 11,000 head more than May 2011. Milk production in the U.S. during the April-June quarter totaled 50.4 billion pounds, up 1.3% from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.20 million head, 79,000 head more than the same period last year.

**FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY (AMS):** During June, more than 10.7 billion pounds of milk were received from producers. This volume of milk is 0.1% lower than the June 2010 volume. In June 2010 and June 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.3 billion pounds of producer milk were used in Class I products, 1.4% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 31%, Class II = 11%, Class III = 48% and Class IV = 10%. The weighted average statistical uniform price was \$21.04, \$1.60 higher than last month and \$5.33 higher than last year.

**CME GROUP**

<p>MONDAY, JULY 18, 2011                  CHEESE -- SALES: 1 CAR BARRELS @ \$2.1100; 1 CAR 40# BLOCKS @ \$2.1200; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1100; 1 CAR 40# BLOCKS @ \$2.1100;                  LAST OFFER UNCOVERED: NONE                  NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5500                  BUTTER -- SALES: NONE; LAST BID UNFILLED: 4 CARS GRADE AA @ \$2.0300; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0500</p>	
<p>TUESDAY, JULY 19, 2011                  CHEESE -- SALES: 5 CARS 40# BLOCKS @ \$2.1400; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1150; 1 CAR 40# BLOCKS @ \$2.1400; LAST OFFER UNCOVERED: NONE                  NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5250                  BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0350; LAST OFFER UNCOVERED: NONE</p>	
<p>WEDNESDAY, JULY 20, 2011                  CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$2.1400; LAST BID UNFILLED: 3 CARS BARRELS @ \$2.1150; 2 CARS 40# BLOCKS @ \$2.1400; LAST OFFER UNCOVERED: NONE                  NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5250                  BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0350; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0500</p>	
<p>THURSDAY, JULY 21, 2011                  CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$2.1400; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1175; 1 CAR 40# BLOCKS @ \$2.1450; 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: NONE</p>	
<p>FRIDAY, JULY 22, 2011                  CHEESE -- SALES: 5 CARS 40# BLOCKS: 4 @ \$2.1400, 1 @ \$2.1500; LAST BID UNFILLED: 2 CARS BARRELS @ \$2.1250; 1 CAR 40# BLOCKS @ \$2.1550; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1600                  NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.5050; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5550                  BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0400; LAST OFFER UNCOVERED: NONE</p>	

**BUTTER MARKETS**

**NORTHEAST**

The CME Group butter price advanced \$.0050 Tuesday and closed at \$2.0350. Tuesday's increase was the first price change in the last 7 trading sessions. Butter production is very limited this week as increased volumes of cream are being pulled by Class II manufacturers and also due to a plant shutting down churning operations for planned maintenance. One major plant continues to build inventories in preparation for a scheduled maintenance shutdown in August. Cream multiples are in wider range this week as cream demand depends on which day of the week the cream is needed with early week multiples significantly above late week multiples. Prices for bulk butter range from 6-8 cents over the market, based on the CME Group with various time frames and averages used.

**CENTRAL**

The CME cash butter price has held generally steady, but increased slightly early in the week, remaining at \$2.0350 at midweek. Churning schedules are easing as cream supplies become less available. Hot and humid weather conditions prevail in basically all regions of the Central part of the country which will potentially negatively impact milk production and milk components. In recent weeks, butterfat tests on incoming milk have been declining and the current hot/humid weather conditions will not help the situation. Significant volumes of cream are clearing to Class II operations, especially ice cream production. Churning that is occurring continues to clear good volumes to current demand with minimal volumes clearing to inventory. Inventory levels remain at lower levels than usual for this time of the summer and lower than most butter producers and handlers desire. Butter demand remains at higher levels than many producers and handlers anticipated. Retail

butter sales are reported to be good at the grocery store level. Food service orders are fairly steady and are often higher than anticipated. 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 unchanged at \$2.0350. Tuesday, the market gained \$.0050 on higher bids, but sales of butter at the Group are limited to only one sale for the last week and a half. Butter prices are steady to firm over the past few weeks. Supplies of butter remain adequate to tight in the West. Good weather in the Pacific Northwest has kept churns busy clearing cream supplies. Contract sales are reported good as buyers try to insure available supplies. The current heat spell across much of the country has increased interest. Retail and club sales are reported moderate to good with some increased demand from food service buyers. Manufacturers are balancing extra orders against current inventories and anticipated future needs. Prices for bulk butter range from even to 8 cents under the market, based on the CME with various time frames and averages used. According to the FAS, quota imports of butter for January-June 2011 total 4.1 million pounds, 30.5% more than the same period in 2010. Imports for 2011 account for 26.4% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 0.5 million pounds, 176.1% above last year's amount in the same time period.

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

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jan. - June High Tier Quota Imports	.53 4.06	+176.1 + 30.5	N.A. 26.4
June Quota Imports	1.07	+ 98.9	-

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

<u>WEEK ENDING</u>	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
July 16	2,1336 11,771,014	2,1243 8,423,661	1,6510 18,885,688	2,0250 5,686,690	0,5521 8,180,913

**CHEESE MARKETS**

**NORTHEAST**

Cheese prices on the CME Group Tuesday, saw barrels advance \$.0050 to close at \$2.1150 and blocks increase \$.0200 to close at \$2.1400. The weekly average prices were mixed with barrels increasing, while blocks declined. As a result of the weekly prices, wholesale prices for Process 5# Sliced cheese increased \$.0025, while Cheddar 40# Block and Muenster declined \$.0625. Wholesale prices for Swiss Cuts were unchanged. Cheese production remains mixed with some scale backs in production due to higher milk prices and sufficient inventories, while others have steady to increasing production, due to the availability of lower priced condensed skim from outside the region. Cream cheese production continues to be very active, filling orders and building inventories for this fall. Cream cheese preorders for this fall are above year ago levels. Mozzarella and provolone orders are mixed, while aged cheddar sales remain good.

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

Cheddar 40# Block	:	2.3700-2.6450
Process 5# Sliced	:	2.2125-2.5225
Muenster	:	2.3900-2.5950
Grade A Swiss Cuts 10 - 14#	:	3.3475-3.6700

**MIDWEST**

The CME Group cash cheese market rebounded sharply since last week as hot summer weather trumps short term supplies. The weather is the major factor throughout the region and plant operators expect appreciable declines to occur, between reduced milk volumes and components/yields. Temperatures of 90 – 100+ degrees, often accompanied with high humidity have impacted receipts as the muggy nights do not provide time for cows to recover. Many buyers using weekly averages were trying to buy before the full effect of current CME cash market prices kicks in for next week. Plants that had a few extra loads in the past week or so have seen them “disappear”. Operations with committed buyers are also watching and rotating any extra load(s) to help with later year needs. There were even a few manufacturer cancellations on committed load orders reported. For some buyers, current prices have slowed interest in purchasing hard Italian for aging programs. Barrels and good processing solids remain snug.

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

Process American 5# Loaf	:	2.4650-2.6550
Brick And/Or Muenster 5#	:	2.5625-2.7500
Cheddar 40# Block	:	2.5625-2.8650
Monterey Jack 10#	:	2.5250-2.8650
Blue 5#	:	2.8175-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.3950-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.7500-3.3300

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

	<u>BUTTER</u>	:	<u>CHEESE</u>
07/18/11	8,286	:	134,126
07/01/11	9,174	:	129,170
CHANGE	-888	:	4,956
% CHANGE	-10	:	4

**WEST**

Cheddar barrels on Wednesday at the CME Group are unchanged at \$2.1150. 40 pound blocks are also unchanged at \$2.1400. Blocks have regained the upper hand compared to barrel prices this week with active sales reported. Ten loads have sold in the first three days this week. Barrel sales are very light with only one sale reported. Prices for blocks are at a three year high. Wholesale barrel cheese was fractionally higher with block products lower following last week’s average price. Wholesale Swiss prices were steady. Hot weather across much of the country is anticipated to lower milk solid yields and tighten cheese production. Contract sales are good, with very light spot activity outside of CME Group supplies. Cheese stocks are mostly steady and felt to be in balance with current demand. Sales of mozzarella are reported slow. According to FAS, quota imports of cheese for January-June 2011 total 76.9 million pounds, up 17.6% from a year ago. The imports stand at 25.7% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 12.1 million pounds, compared to 4.9 million pounds imported for January-June of 2010. Imports of quota Swiss cheese for January-June 2011 total 22.4 million pounds, up 7.8% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 14 million pounds or 62.6% of the year's total import of Swiss.

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

Process 5# Loaf	:	2.2300-2.4875
Cheddar 40# Block	:	2.1800-2.5325
Cheddar 10# Cuts	:	2.3600-2.5800
Monterey Jack 10#	:	2.3700-2.5300
Grade A Swiss Cuts 6 - 9#	:	2.9250-3.3550

**FOREIGN**

The weekly average CME Group block cheese price declined, resulting in a \$.0625 decrease in wholesale prices for all domestic varieties. Prices for imported varieties and Swiss cuts were unchanged. According to FAS, quota imports of Swiss/Emmentaler varieties from January through June 2011 totaled 22.4 million pounds, 7.8% more than the same period last year. Norway and Finland, the two top sources, account for 62.6% of the Swiss/Emmentaler imports for January through June 2011. Cheese importers are preparing for August 1, when they will be required to pay the dairy import assessment, a fee equivalent to 7.5 cents per hundredweight of milk solids for imported products.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.0400	: 2.5100-3.9975*
Gorgonzola	: 3.6900-6.3900	: 3.0125-3.2725*
Parmesan (Italy)	: -0-	: 3.6325-4.0425*
Provolone (Italy)	: 3.4400-6.3900	: 2.5525-2.7100*
Romano (Cows Milk)	: -0-	: 3.7000-5.8425*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.2400	: -0-
Jarlsberg-(Brand)	: 2.9500-4.9900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.4400-3.7625
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

## CHEESE MARKETS

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

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly
Quota Jan. - June			
High Tier	12.1	+147.9	N.A.
Quota Imports	76.9	+ 17.6	25.7
June Quota Imports	12.0	+ 0.3	-

## 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	59	0	140	0	131
SOUTHEAST STATES	0	0	0	0	0	0

Extended periods of oppressive heat and humidity are reducing cow comfort levels and milk production in the East, from New England to Florida. Heat index values of over 100 degrees have been noted throughout the East and are forecast to continue through the remainder of the week. Class I pulls are having a greater impact and decreasing manufacturing milk supplies as milk load averages decline. The greatest declines in milk production are being noted in Florida and the Deep South, but significant declines are being felt throughout the Eastern region. Florida saw export loads decline from 140 loads last week to 59 loads this week. Butterfat and protein levels have also declined in all areas due to the adverse weather conditions. The utilization of auxiliary manufacturing plants has been discontinued in the Southeast region. Temperature issues continue to be a concern, especially for long haul loads. Demand for cream has increased as cream cheese and ice cream mix manufacturers have increased production. Cream multiples have widened with the level of demand dependent on what day of the week the product is needed. Early week multiples are higher than those later in the week with multiples ranging from 130-144. Demand for condensed skim has increased as ice cream and other Class II manufacturers have increased production schedules. However, spot sales of condensed skim in the East are sluggish as some Class II and III manufacturers are able to secure supplies from other regions at lower price levels. Eastern condensed skim supplies are moving mostly through contracts. According to NASS, milk production for June 2011 in the 23 reported states totaled 15.4 billion pounds, up 1.4% from June 2010. Milk production decreased in 2 of the 5 listed states in the Eastern region and as a region, decreased production 0.6% over the same month last year at 2,504 million pounds. The 5 states showed the following percentage changes in milk production from June 2010 to June 2011 and total milk production this June: Florida, +1.1%, 186 million pounds; New York, +0.3%, 1,083 million pounds; Pennsylvania, -2.0%, 880 million pounds; Vermont, +0.5%, 214 million pounds; and Virginia, -2.1%, 141 million pounds. Milk cow numbers for June 2011 increased in 3 of the 5 listed states of the Eastern region with 1 state declining and 1 state unchanged. The region increased by 4,000 head or 0.3% compared to the same period last year. Individual state cow numbers compared to June 2010 and cows remaining as of this June are: Florida, 2,000 increase, 117,000 remaining; New York, unchanged, 610,000 remaining; Pennsylvania, 2,000 increase, 543,000 remaining; Vermont, 1,000 decrease, 135,000 remaining; and Virginia, 1,000 increase, 96,000 remaining.

## 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 -	2.6390-2.9232
F.O.B. producing plants: Upper Midwest -	2.6593-2.8014

## PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.69-1.74
Northeast - Class III - spot prices -	1.40-1.46

## MIDWEST

week from north to south in the region. Milk intakes are down appreciably (some reports of 10% since before the heat) as cows expend more energy trying to stay cool than making milk. A report indicated that a small number of highly stressed cows may have succumbed in the heat and humidity in Iowa. Regardless, trucks are returning to plants after producer pickups with smaller loads and milk components are also down. Most industry representatives expect that it could take until fall before milk volumes recover appreciably. Manufacturing plant schedules are shorter as a result. One report described the milk components as being low enough to be referred to as "white water". Employee heat stress in one plant reportedly caused management to adjust the production schedule to avoid the worst forecasted day (Wednesday). On a very limited test, spot milk prices are steady to higher with more reported loads nearing the \$2.00 over class area, high for this time of year. Some orders for extra manufacturing milk are not being filled due to the limited supply. Cream interest was spotty. Some offerings were not clearing as rapidly as sellers would expect in the current weather but demand was good for others. With the lower fat tests, less cream is being generated from each milk load. Temperatures may have reached the point where consumers likely avoid making any more trips/stops than necessary, impacting shopping patterns. Estimated June milk production in selected Midwestern states compared with June 2010 is: Wisconsin, 2,209 billion pounds, -37 million pounds (-1.6%); Texas, 803 million pounds, +75 million pounds (10.3%); Minnesota, 749 million pounds, -36 million pounds (-4.6%); Michigan, 719 million pounds, +1 million pounds (0.1%); and Iowa, 362 million pounds, -11 million pounds (-2.9%).

## WEST

CALIFORNIA milk output is trending seasonally lower with some areas seeing slight recovery after a reprieve from hot temperatures this week. Plants are running on planned schedules. Some cheese plants continue to run on reduced schedules and are pushing milk back to suppliers. Total milk supplies are running higher than year ago levels as seen in the latest milk production report for June. More cows are being added in the state. Cream and condensed skim offerings remain available, yet trucking issues remain a concern in both finding trucks and finding a reasonable transport price. Hot weather across the state continues to impact milk output in ARIZONA. Milk volumes and components are trending lower. No plant issues are being reported. Class I needs are at low seasonal levels. NEW MEXICO milk production is holding at generally steady levels despite hot weather conditions across most of the milk producing regions of the state. Additional cow numbers have helped to hold the total milk volumes higher. Plants are generally running well in the hot conditions and balancing plants are running on heavier schedules than were projected. Class I interest is seasonally light. CREAM markets continue to be "all over the place" with a mix of uneven demand and offerings. Overall, cream supplies are adequate to heavy for trade needs and surplus cream continues to clear to churns. Ice cream interest remains slower than expected with finished product sales below expectations. Other, higher-class items are at seasonally low levels. The CME butter price closed at \$2.0350 at midweek, 0.5 cents higher versus a week ago. Cream multiples are mostly steady in the wide range of 115-132 and vary based on class usage and basing point. Milk output in the PACIFIC NORTHWEST is at seasonal highs. Temperatures have been very favorable for milk production. The hot weather that has enveloped much of the country has not been a factor in the region. Plants are running on heavy schedules to handle the heavy volumes. Some excess condensed skim is being sent out of the region for processing. UTAH and IDAHO experienced some temperatures in the 90's, but cooler

Class I interest was about average for summer. The weather (90 - 100+ temperatures) and the effect on milk production are the big story this

CONTINUED ON PAGE 4A

## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

temperatures at night has slowed production losses due to the heat. Increased cow numbers have added to available milk supplies in the region. Manufacturing capacity is sufficient in the region to handle most of the increased supply. Good demand for replacement heifers has increased prices at recent auctions. The top 50 springing heifer average price at auction recently was \$1440 with the top heifer bringing \$1600. According to NASS, June Milk Production for the 23 surveyed states totals 15.4 billion pounds, up 1.4% from last year. Monthly milk production per cow for the 23 surveyed states was 2 pounds (+0.1%) more than June 2010. June milk production for selected Western states is as follows: Arizona +3.4%, California +3.4%, Colorado +6.8%; Idaho +5.0%, New Mexico +1.9%, Oregon +5.0%, Utah +1.3, and Washington +6.3%. Compared to June 2010, the Arizona herd is up 10,000 head, California +19,000, Colorado +9,000; Idaho +16,000, New Mexico +3,000, Oregon +4,000, Utah +3,000, and Washington +12,000. These 8 states are up 76,000 and the 23 surveyed states are up 106,000. June cow numbers in these 8 states were 8,000 more than last month.

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 are both higher and lower, reflecting adjustment factors applied to some NDM contract prices as well as spot market sales. The market tone is mixed. Processors' farm milk intakes are decreasing steadily due to seasonal trends and environmental conditions. A string of days with daytime temperatures above 90 degrees, high humidity, and negligible nighttime cooling have put the brakes on milk production in the Central region. Farm milk production declines are estimated in the neighborhood of 5% - 10%. Component levels, too, are lower. Nonfat dry milk production is steady to lower as a result of lower farm milk intakes and component levels. Manufacturers' spot load availability of NDM is steady to lower for the week as concerns emerge regarding meeting nearby contract commitments. Market participants indicate resale loads are readily available and prices have moderated compared to recent weeks. Brokers and traders indicate interest for NDM is tepid as buyers weigh the risk/reward of building positions of nonfat dry milk during an uncertain market. According to the latest Foreign Agricultural Service report, combined January – June 2011 imports of dried skim milk in the high tier and quota categories total about 349,000 pounds.

**EAST:** Prices for nonfat dry milk were mixed as the low ends of the ranges for low heat and high heat were adjusted this week. The nonfat dry milk market is unsettled as potential buyers are looking for lower prices for current supplies, but sellers are viewing the decline in milk production and future supplies as a bullish market trend and are hesitant to offer significant discounts. Spot trading is light as buyers and sellers try to agree on current market values. Manufacturing milk supplies have declined significantly, due to declines in milk production, caused by the extended periods of hot, humid weather covering most of the East. Current production is moving through contracts with some marginal additions to inventories. Reports of offers and resale prices below contract price levels continue to give the market a weak undertone.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.5500 - 1.7450 MOSTLY: 1.6200 - 1.6900  
 HIGH HEAT: 1.7200 - 1.7900

### NONFAT DRY MILK - WEST

Nonfat dry milk prices are sharply lower for the low/medium heat price series in the West. The market undertone remains weak. Following several weeks with reduced price offerings in the resale market and with lower offering prices for older NDM holdings, there are now confirmed trading reports for the current market. Demand is light to fair and buyers are seeking the best pricing between the various producer and resale offerings. Drying activity has been moderate to heavy and above projections. Some areas are seeing plant milk intakes lower. Yet, in others, balancing plants are running at heavier than expected levels and creating more NDM than had been planned. Demand had become more subdued and sellers needed the lower priced offerings to stimulate interest. World market prices have also receded and U.S. export pricing came under more pressure. Domestic buyer interest has been sporadic. Interest from cheese accounts has been uneven with adequate offerings of milk and condensed skim to meet needs. Western high heat prices are slightly lower. The market tone is weaker, more a reflection of the pressure in the low heat market. Supplies are light to moderate and generally adequate for trade needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.5000 - 1.7050 MOSTLY: 1.5500 - 1.6400  
 HIGH HEAT: 1.6600 - 1.8200

### DRY BUTTERMILK - CENTRAL AND EAST

**CENTRAL:** Central dry buttermilk prices are unchanged. Churning activity in the Central region is steady to higher at some locations, reflecting cream moving into the Central region while intraregional supplies trend lower seasonally. Interest in F.O.B. and reseller spot loads of dry buttermilk is in neutral as some buyers indicate they anticipate near term prices to trend lower in tandem with NDM prices. Manufacturers' inventories are steady to building.

**EAST:** Dry buttermilk prices held steady this week. Dry buttermilk production continues to decline as Class II demand is pulling more cream and condensed buttermilk away from churns and dryers. Lower butterfat levels and the declining milk supply are also reducing the supply of available cream for churning. Dry buttermilk inventories are in balance and current production is moving through contracts with little spot market activity. The dry buttermilk market and sluggish demand is a victim of the unsettled to weaker nonfat dry milk market.

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

### DRY BUTTERMILK - WEST

The Western dry buttermilk market prices and tone are weaker in light to moderate market activity. Additional sales of discounted product are being reported as some producers are trying to reduce holdings. Drying schedules are often higher than expected for July. Buying interest has been subdued and the market was feeling the effects of the softer NDM market. Demand from the ice cream sector is light. Export interest is better, especially at lower prices. Stocks remain moderate to heavy.

F.O.B. WEST: 1.3600 - 1.5400 MOSTLY: 1.4000 - 1.5000

### DRY WHOLE MILK - NATIONAL

The dry whole milk market is steady and prices are unchanged. Some intermittent producers are experiencing seasonally lower milk intakes and have put dry whole milk production on hold until farm milk supplies improve. According to the latest Foreign Agricultural Service report, January – June 2011 imports of dry whole milk in the high tier category total about 141,000 pounds. Quota imports of dry whole milk during January – June 2011 total about 704,000 pounds, 66% lower than during the same time span in 2010 and about 10% of the allowable imports under 2011 licensing requirements. All 2011 quota import dry whole milk originated in France, the Netherlands, or New Zealand.

F.O.B. PRODUCING PLANT: 1.9200 - 1.9800

### CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 15	\$1.6137	14,131,787	0
July 8	\$1.6252	10,545,872	0

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

**WHEY, WPC 34%, LACTOSE & CASEIN**

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

**DRY WHEY - CENTRAL**

The Central dry whey market is mixed, with prices both higher and lower as contract prices adjust to various indices. Plant managers indicate spot load offerings are variable this week: some have nothing to offer and others cleared spot loads quickly to regular buyers. Resale offers by a few end users clouded the market somewhat as those offers were generally priced below F.O.B. and broker/trader loads. Trade resellers indicate they are experiencing some pushback from their customers, which has, in turn, generated additional resale load availability for the week from resellers. Resellers are monitoring dry whey inventories to stay within their comfort zones. Central dry whey production is lower for the week. A few manufacturers cancelled cheese orders because of current lower farm milk intakes and anticipated tight manufacturing milk supplies in the near term. Equipment problems lowered dry whey output from one or two plants. ANIMAL FEED DRY WHEY production is unchanged to slightly higher as one or two plants modified their end product stream on a temporary basis. The animal feed dry whey price range is steady to fractionally higher on the bottom of the range.

F.O.B. CENTRAL: .5000 - .5800 MOSTLY: .5150 - .5550  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3975 - .5500

**DRY WHEY - NORTHEAST**

The dry whey price series moved \$.0050 higher on both ends of the range via contract formulations. Supplies continue to be tight in the Northeast with availability limited to contracts and/or through resale opportunities. Dry whey production continues to be mixed as some cheese makers have reduced production, due to adequate inventories and higher milk prices, while others have marginally expanded production, due to the availability of lower priced condensed skim supplies from outside the region. Brokers indicated resale prices strengthened this week. The tight supplies in the region are prompting potential buyers to consider resale opportunities, look outside the region, or purchase nonfat dry milk as a protein alternative. Export interest remains good.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5450 - .5625

**DRY WHEY - WEST**

Western dry whey prices are steady to firm with the mostly series fractionally higher. Whey supplies are mostly adequate for contractual obligations. Production schedules for whey are restricted by increased manufacturing of whey concentrates. Spot loads of whey are difficult to source from producers with most of the current production tied to contract fulfillment. Lower cheese production in some cases is delaying deliveries. Demand for whey is good as hot weather has arrived in many parts of the country and there is some increased interest being shown from ice cream manufacturers. Export demand is lower so far this year compared to last year.

NONHYGROSCOPIC: .5400 - .6100 MOSTLY: .5600 - .5900

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market tone is mixed. Interest in WPC 34% from manufacturers in the "approved supplier" category was strong enough to move the top of the range price series higher. Offers to the spot market are more heavily reseller-based and price incentivized, but buyers are still reluctant to purchase. Some buyers of WPC 34% for the human food industry are holding off on purchases with the hope that near term prices will mimic the weaker trend of the NDM market. Animal feed sector buyers are gleaning protein inputs from outside the WPC 34% supply chain to fill current needs. Both of those circumstances are lessening current demand for WPC 34% spot market offerings. Production of WPC 34% is unchanged to lower at various plants as farm milk supplies decline seasonally. Manufacturers' inventories are mostly light.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.5000 - 1.7150 MOSTLY: 1.5400 - 1.5900

**LACTOSE - CENTRAL AND WEST**

The lactose range price series is unchanged while both sides of the mostly price series moved higher. Lactose production is steady to lower in some areas as farm milk intakes into some cheese plants are declining seasonally. A few plants, though, benefitted from intakes of spot loads of various whey stream products due to production problems at other facilities. These spot loads generated additional lactose production. Some producers are curtailing production of ground lactose because of high humidity levels within production facilities. Domestic and off shore interest for lactose is ongoing. Fourth quarter demand is shaping up, with some off shore buyers reportedly less price conscious than supply conscious.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .6600 MOSTLY: .5400 - .5900

**CASEIN - NATIONAL**

Casein markets and prices remain firm, although at the July 19 g/DT event in New Zealand, rennet casein traded 1.4% lower, \$9,992 per MT when compared to the previous all contract winning price. The near term contract #1 (September) average price was \$9,890 per MT, -1.1% and for contract #2 (October - December), the average price was \$10,055, -1.7%. The g/DT contracting periods, especially contract #2, will basically be during their peak production period, thus some domestic buyers feel that prices might ease for them at that time, but will remain firm overall. European casein output is on the down side of the season and continues at basically projected levels. Most manufacturers and handlers are pleased with output this season and stocks are generally sufficient for contractual commitments. Some domestic acid buyers are stating that acid offerings are tightening.

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: 4.8100 - 5.1400  
ACID: 5.1000 - 5.2600

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

	FOR THE WEEK OF JULY 18 - 22, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 07/15/11	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	132,276	-0-	-0-

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009**

**BUTTER** Bulk \$1.05 per pound

**CHEESE** 40# Blocks \$1.13 per pound; 500# Barrels \$1.10

**NONFAT DRY MILK** \$.80 per pound

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/02/11 & 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.	0.7	8.2	3.2	18.1	2.9	N.A.	N.A.	13.9	2.3	51.0	1,523.8	40.9	46.0
2010-Dairy	N.A.	0.6	7.4	2.2	17.2	3.0	0.2	N.A.	12.0	2.6	46.7	1,431.2	40.8	43.8
2011-All cows	0.1	0.8	10.3	13.9	32.3	27.2	N.A.	N.A.	18.7	3.7	124.7	3,309.2		
2010-All cows	N.A.	0.7	9.3	13.0	30.1	21.3	13.2	N.A.	17.5	5.9	114.6	3,269.7		

**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

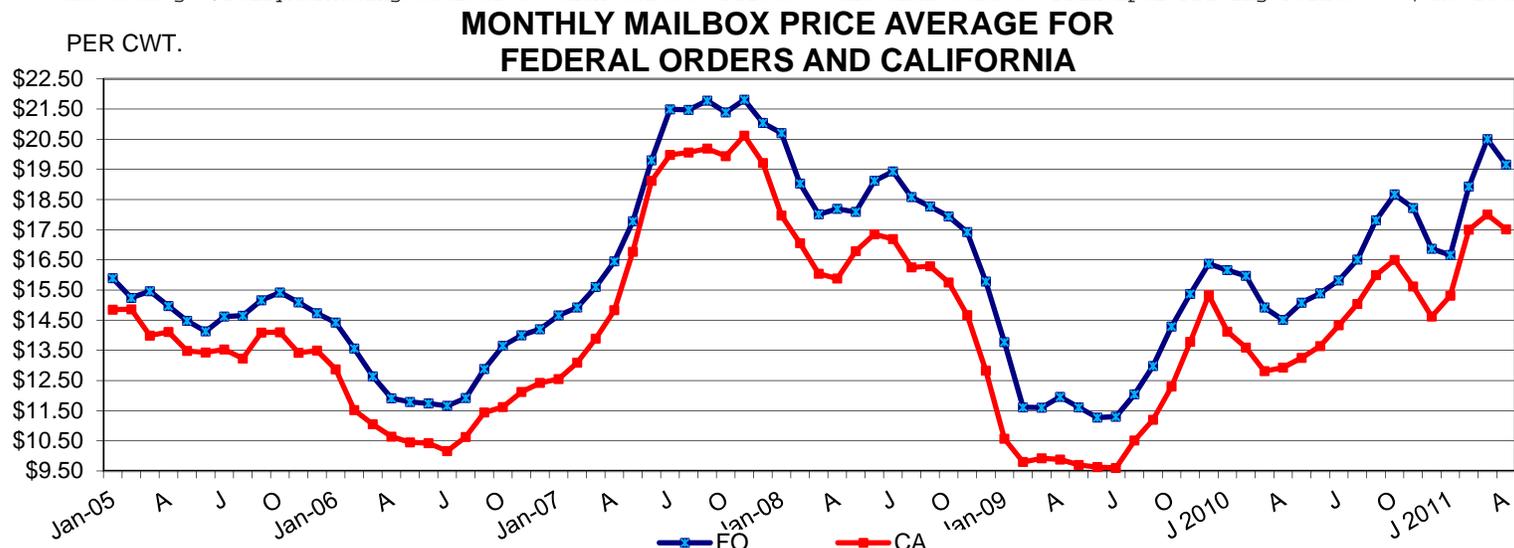
**CLASS IV MILK PRICES, (3.5% BF)**

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	20.32	21.03	21.43				
II	16.79	17.97	18.83	19.66	20.63	21.37						
III	13.48	17.00	19.40	16.87	16.52	19.11						
IV	16.42	18.40	19.41	19.78	20.29	21.05						

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 July 10—23, 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 in Western Europe continues to edge lower. Early in the season, milk production was running nearly 3% heavier than the previous year in many regions, but in recent weeks, milk output is slowing and the margin between this year and last is narrowing. At this point, manufacturing schedules remain seasonally active and milk processing is following anticipated trends. Although milk is available for most all products, manufacturers and handlers are stating that a milk tilt is developing towards butter/powder. Traders and handlers are indicating that sales activity is quiet. A few factors that may be slowing buyer interest are the summer holiday/vacation period is starting and secondly, prices are easing somewhat, thus buyers are stepping back from the market until stability is once again established. Some international sales activity is occurring, but it is minimal, with most activity centered around an internal or domestic market. European prices are often higher than international buyers are willing to pay, thus buyers are looking to other sources. Russian buyer interest has been strong for European sourced dairy products, but in interest has eased. Traders and handlers anticipate that this buyer interest will resume as late fall and winter needs are assessed. Stocks are available for immediate and future buyer needs. Traders and handlers are stating that animal feed buyers are not as active in the market at this time as many are purchasing some of the intervention skim milk powder that was distributed to the most deprived people food scheme. Many of these programs are willing to sell some or all of their powder distribution volumes so that other food items can be purchased. Animal feed suppliers are indicating that this sales activity is minimal and not significantly impacting the commercial animal feed market. Although this powder is classified for human consumption, much of the current volume is ending up in animal feed channels due to age.

**BUTTER/BUTTEROIL:** European butter markets and prices are unsettled. Butter prices are easing somewhat, but remain significantly higher than other international markets. Churning schedules remain active as milk volumes decline seasonally. Sales activity is totally centered around an internal market as European prices are often higher than potential international buyers are willing to pay. Some buyers that have recently been purchasing European sourced dairy products, including butter, are looking to other, less expensive sources.

82% BUTTERFAT:	5,750 - 6,100
99% BUTTERFAT:	6,200 - 6,500

**SKIM MILK POWDER (SMP):** European skim milk powder markets are unsettled, with prices generally lower. Most of the current weakness in price is being attributed to a weaker Euro against the U.S. dollar versus supply/demand influences. Powder production is seasonally strong, thus stocks are available for both internal and international buyer interest. Demand at this time is quiet as many buyers are absent from the market due to the summer vacation/holiday time and also for those that are in the market, buyers are hesitant to purchase due to a weakening trend in prices. Traders and handlers are stating that animal feed buyers are not as active in the market at this time as many are purchasing some of the intervention skim milk powder that was distributed to the most deprived people food scheme. Animal feed suppliers are indicating

that this sales activity is minimal and not significantly impacting the commercial animal feed market. Although this powder is classified for human consumption, much of the current volume is ending up in animal feed channels due to age.

1.25% BUTTERFAT:	3,200 - 3,400
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**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady, although prices trended lower. Milk production is seasonally declining, thus whole milk powder is also on the down side. In some instances, milk is being diverted away from whole milk powder production and being directed towards butter/powder output. Traders and handlers are indicating that stocks of whole milk powder are available for current and future needs, thus the re-direction of milk at some locations is not concerning. Overall demand is quiet as many buyers are stepping back from the market as prices appear to be easing. Also, the summer vacation/holiday period is beginning, thus sales activity at this time of the season is typically lighter.

26% BUTTERFAT:	4,200 - 4,400
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**SWEET WHEY POWDER:** European whey powder markets and prices are weaker. Cheese production remains seasonally strong with milk volumes declining, although some cheese producers are stating that they are cutting back on cheese production when possible as demand has declined, especially internationally. As cheese production schedules adjust, thus are whey volumes. Overall demand for whey continues to center around an internal market with international sales limited. Traders and handlers are anticipating whey demand to remain minimal for the near future as the summer holiday/vacation period of the year begins. Sales for all dairy products slow at this time, thus lighter whey demand is not unusual.

NONHYGROSCOPIC:	1,100 - 1,250
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**EASTERN OVERVIEW:** Milk production in Eastern Europe is now basically past the peak in most regions. Declines from seasonally high levels are being reported, but the decline is gradual. Summer heat and humidity could accelerate the decline, but at this time, conditions are typical. Manufacturers and handlers are stating that milk processing is following anticipated trends with no significant problems being reported. Stocks of manufactured dairy products are available for immediate and future needs. Buyer interest is slow, typical for this time of the summer as the summer holiday/vacation season begins.

Exchange rates for selected foreign currencies: July 18, 2011

1.0422 Canadian Dollar	.0225 Indian Rupee
.2436 Argentina Peso	.8449 New Zealand Dollar
.0853 Mexican Peso	1.0607 Australian Dollar
.3499 Polish Zloty	.0127 Japanese Yen
	1.4113 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0853) = 11.7233 Mexican Pesos. Source: "Wall Street Journal"

Information gathered July 10—23, 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

The winter season is well underway in the Oceania region, although milk producers and handlers are looking forward to the start of the new season which will show signs of renewal in 4 - 6 weeks. In both New Zealand and Australia, traders and handlers are stating that the winter season is basically following typical conditions. As most look forward to the upcoming milk production season, production estimate increases continue to run in the 3 - 5% range for New Zealand with Australian estimates in the 1 - 1 1/2% range. Producers and handlers in both countries are stating that with the strong end to the recent season, sufficient winter feed supplies, and good winter herd conditioning, the startup of the new season should be positive. Another factor that most mention is the unknown of spring weather patterns. Early spring weather patterns can make or break production trends for the entire season. Traders are stating that sales activity remains limited, although there are reports of new buyer interest starting to develop. Some potential Russian buyer interest is developing, especially for butter. Carryover stocks from last season are minimal and most handlers and traders are comfortable with their supply situation and the condition of their order books. At the July 19 g/DT auction, average prices were mostly lower, with the exception of buttermilk powder which was slightly higher. Cheddar cheese was traded for the first time. An overall weak trend continues to prevail from previous auctions. The average prices covering all contracting periods and the percentage change from the previous event average are: anhydrous milk fat, \$4,614 per MT, -12.5%; buttermilk powder, \$3,345, +0.3%; skim milk powder \$3,488, -5.2%; whole milk powder, \$3,475, -4.0%; milk protein concentrate, \$5,525, -10.2%; rennet casein, \$9,992, -1.4%; and cheddar cheese, \$4,315, N.A. Traders and handlers continue to use the g/DT auction platform as a component when determining commercial prices, but most are not adjusting their prices as sharply as the percentage changes from the previous auction event are indicating. Many traders and handlers indicate that the current and recent lower average price trend will not be around for too much longer as many feel that average prices will start to increase when compared to the previous event.

**BUTTER:** Oceania butter markets and prices are generally unchanged, although at the July 19 g/DT event, anhydrous milk fat traded 12.5% lower than the previous event to \$4,614 per MT over all contracting periods. Traders and handlers are puzzled at the sharp decline, especially when commercial butter prices are higher than anhydrous and butter fat is very competitive. During the most recent milk production season, butter stocks were in close balance to often short of full needs and many traders and handlers are anticipating much the same during the upcoming season. Milk production is at seasonally low levels, thus any shipments that are still occurring are being filled from inventoried stock. Most butter commitments have previously been shipped, thus any current activity is limited and warehouses are being readied for the new production season that will resume in 4 - 6 weeks.

82% BUTTERFAT:

4,300 - 5,050

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are mixed with prices unchanged to lower. The most significant weakening trend follows trading at the July 19 g/DT event where skim milk powder traded 0.8% lower to \$3,612 per MT than the previous contract #1 shipment period. This price is for September shipments when the new milk production season is typically well underway in New Zealand. For contract period #2 (October - December), the average price dipped further to \$3,452 per MT which is 6.4% lower than the previous contract #2 average. Traders and handlers are stating that these g/DT average prices are more in line with other current international skim milk prices, thus competitiveness might be more of a factor than supply/demand.

1.25% BUTTERFAT:

3,612 - 4,000

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices in the Oceania region are steady to lower with the most significant weakness occurring at the recent g/DT event. Traders and handlers are stating that prices are easing lower, but often not to the extent realized at the g/DT event. The Oceania milk production season is at seasonally low levels, although the new season is not too far away. Manufacturers and handlers are indicating that milk output will typically resume in 4 weeks or so in New Zealand with Australian output to resume in late August to early September. Manufacturers are anticipating a positive start to the new production season. At the July 19th g/DT event, whole milk powder averaged \$3,475 per MT, 4.0% lower when compared to the previous all contract price average. Near term contract #1 (September) averaged \$3,474, -4.8%; contract #2 (October - December) averaged \$3,441, -4.4%; and contract #3 (January - March) averaged \$3,559, 2.1% lower than previous comparable contracting periods.

26% BUTTERFAT:

3,474 - 4,100

**CHEDDAR CHEESE:** Oceania cheese markets are generally steady although prices are mixed. Some traders are indicating a slightly firmer undertone is developing. Cheddar cheese traded for the first time at the g/DT event on July 19. There are five categories of cheese that are possibly traded at any event, but only three (Young, Frozen, and Hi Solids cheddar) were the first to realize any trading activity. The other two categories are EU Quota Hi Solids and US Quota Hi Solids cheddar. The average price for all contracting periods was \$4,315 per MT which is slightly lower than current commercial prices. The near term contract #1 (September) averaged \$4,630 per MT and contract #2 (October - December) averaged \$4,099 with no trading activity or product offered for the contract #3 (January - March) period.

39% MAXIMUM MOISTURE:

4,315 - 4,630

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered July 10—23, 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.

JULY 19, 2011 Global/Dairy Trading (g/DT) event 48 recap US \$ per metric ton								
Average prices and Changes in price Indices from Previous event	Contract #1		Contract #2		Contract #3		All Contracts	
	September 2011		October - December 2011		January - March 2012			
Anhydrous Milk Fat	\$4,512	-13.7%	\$4,609	-12.5%	\$4,962	1.3%	\$4,614	-12.5%
Buttermilk Powder	N.A.	N.A.	\$3,345	0.3%	N.A.	N.A.	\$3,345	0.3%
Skim Milk Powder	\$3,612	-0.8%	\$3,452	-6.4%	\$3,531	-4.1%	\$3,488	-5.2%
Whole Milk Powder	\$3,474	-4.8%	\$3,441	-4.4%	\$3,559	-2.1%	\$3,475	-4.0%
Milk Protein Concentrate	\$5,530	-9.6%	\$5,520	-10.8%	N.A.	N.A.	\$5,525	-10.2%
Rennet Casein	\$9,890	-1.1%	\$10,055	-1.7	N.A.	N.A.	\$9,992	-1.4%
Cheese	\$4,630	N.A.	\$4,099	N.A.	N.A.	N.A.	\$4,315	N.A.

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	07/07	07/08	07/11	07/12	07/13	07/14	07/15	07/18	07/19	07/20
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
JUL 11	20.78 (6222) 0	21.00 (6267) 0	21.13 (6352) 0	21.03 (6483) 0	21.01 (6455) 0	21.03 (6545) 1	21.19 (6578) 0	21.19 (6792) 0	21.21 (7382) 0	21.21 (7262) 0
AUG 11	18.98 (5900) 3	19.16 (5922) 0	19.26 (5969) 0	19.21 (5984) 0	19.39 (6017) 0	19.48 (6082) 2	20.20 (6350) 0	20.69 (6306) 0	20.63 (6414) 0	20.86 (6391) 0
SEP 11	18.42 (5134) 1	18.55 (5145) 0	18.64 (5147) 0	18.60 (5190) 0	18.90 (5238) 2	18.92 (5391) 0	19.64 (5668) 0	20.12 (5734) 0	20.05 (5812) 1	19.98 (5798) 0
OCT 11	17.97 (4301) 1	18.04 (4360) 0	18.06 (4355) 0	18.00 (4356) 0	18.25 (4386) 0	18.26 (4419) 0	18.92 (4486) 0	19.32 (4598) 0	19.28 (4703) 0	19.18 (4726) 0
NOV 11	17.35 (3663) 1	17.42 (3673) 0	17.46 (3679) 0	17.42 (3687) 0	17.60 (3697) 0	17.69 (3770) 0	18.33 (3857) 0	18.42 (3869) 0	18.45 (3878) 0	18.37 (3880) 0
DEC 11	16.94 (3510) 14	17.07 (3530) 0	17.08 (3528) 0	17.07 (3531) 0	17.09 (3546) 0	17.09 (3563) 0	17.48 (3621) 0	17.59 (3608) 0	17.59 (3643) 0	17.59 (3649) 0
JAN 12	16.44 (762) 13	16.58 (782) 0	16.55 (784) 0	16.55 (782) 0	16.55 (779) 0	16.61 (795) 0	16.85 (827) 0	16.92 (853) 0	16.90 (881) 0	16.98 (894) 0
FEB 12	16.24 (637) 13	16.31 (667) 0	16.26 (673) 0	16.25 (676) 0	16.25 (678) 0	16.30 (694) 0	16.45 (727) 0	16.50 (773) 0	16.50 (781) 0	16.59 (795) 0
MAR 12	16.30 (594) 13	16.28 (614) 0	16.28 (621) 0	16.23 (622) 0	16.25 (628) 0	16.35 (645) 0	16.45 (682) 0	16.52 (721) 0	16.50 (725) 0	16.56 (738) 0
APR 12	16.11 (442) 13	16.15 (451) 0	16.15 (455) 0	16.11 (455) 0	16.20 (456) 0	16.23 (466) 0	16.45 (505) 0	16.51 (528) 0	16.54 (529) 0	16.54 (537) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
JUL 11	20.39 (714) 0	20.55 (714) 0	20.94 (714) 0	20.93 (714) 0	20.93 (714) 0	20.93 (714) 0	20.69 (714) 0	20.69 (714) 0	20.69 (714) 0	20.69 (714) 0
AUG 11	19.81 (852) 0	19.95 (853) 6	19.74 (855) 0	19.75 (870) 39	19.75 (870) 0	19.75 (870) 0	19.75 (870) 0	19.80 (868) 0	19.80 (868) 0	19.80 (868) 0
SEP 11	18.99 (685) 0	18.99 (685) 0	18.80 (685) 0	18.80 (713) 0	18.86 (716) 5	18.86 (716) 0	19.24 (716) 0	19.24 (716) 0	19.23 (716) 0	19.23 (716) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
JUL 11	203.00 (722) 4	203.00 (722) 1	203.00 (722) 0	203.50 (722) 1	203.50 (722) 0	203.50 (722) 0	204.00 (722) 0	204.00 (722) 0	204.00 (722) 0	204.00 (723) 1
AUG 11	202.00 (876) 26	202.00 (876) 3	202.50 (876) 0	203.00 (886) 25	203.00 (880) 20	203.03 (882) 5	203.03 (925) 43	203.03 (925) 0	205.00 (927) 3	205.50 (933) 13
SEP 11	202.00 (776) 25	202.00 (776) 0	202.00 (776) 0	202.03 (775) 4	202.03 (775) 0	202.25 (778) 5	203.00 (789) 17	203.00 (789) 0	204.00 (794) 10	207.50 (794) 10
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
JUL 11	159.50 (437) 0	161.48 (435) 0	161.50 (435) 0	161.50 (435) 0	163.00 (435) 0	163.00 (435) 0	163.50 (431) 0	163.50 (431) 0	162.50 (434) 0	162.50 (434) 0
AUG 11	153.00 (441) 0	152.50 (444) 0	152.50 (444) 0	155.00 (444) 0	156.93 (442) 0	155.00 (436) 0	155.00 (436) 0	154.00 (440) 0	154.00 (440) 0	154.00 (440) 0
SEP 11	144.00 (325) 0	144.00 (325) 0	144.00 (325) 0	144.00 (325) 0	144.00 (325) 0	145.00 (333) 0	145.00 (333) 0	145.00 (333) 0	145.00 (334) 0	145.00 (334) 0
<b>CME - WHEY (Electronic-Traded)</b>										
JUL 11	54.00 (189) 10	54.70 (188) 19	54.70 (188) 0	54.70 (188) 0	54.70 (188) 0	54.70 (188) 0	55.00 (188) 7	55.00 (188) 1	55.00 (188) 0	55.00 (188) 0
AUG 11	53.15 (193) 1	55.50 (195) 2	55.50 (195) 0	55.50 (195) 0	53.95 (197) 2	53.95 (198) 1	53.70 (200) 2	54.75 (201) 2	55.00 (202) 1	55.00 (202) 0
SEP 11	54.00 (166) 4	54.00 (173) 8	52.00 (173) 0	51.50 (173) 5	52.03 (173) 0	52.03 (174) 1	52.75 (187) 14	53.00 (187) 0	53.00 (188) 3	53.75 (189) 1
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
JUL 11	2.06 (237) 0	2.08 (239) 3	2.09 (239) 0	2.09 (239) 0	2.09 (239) 0	2.09 (242) 0	2.09 (243) 1	2.09 (243) 0	2.10 (243) 0	2.10 (243) 0
AUG 11	1.89 (306) 16	1.89 (306) 0	1.91 (307) 1	1.91 (307) 1	1.92 (319) 12	1.93 (319) 0	2.00 (323) 12	2.05 (323) 2	2.05 (323) 0	2.06 (323) 0
SEP 11	1.83 (235) 4	1.84 (237) 3	1.87 (237) 1	1.87 (237) 0	1.87 (237) 0	1.89 (240) 7	1.95 (240) 1	1.99 (241) 1	1.99 (241) 0	1.99 (241) 0
OCT 11	1.80 (286) 13	1.80 (286) 0	1.83 (286) 1	1.83 (286) 0	1.83 (286) 0	1.83 (286) 0	1.87 (286) 0	1.93 (286) 0	1.93 (286) 0	1.93 (286) 0
NOV 11	1.77 (336) 3	1.77 (337) 1	1.79 (338) 2	1.78 (338) 1	1.78 (338) 0	1.78 (338) 0	1.81 (338) 0	1.85 (338) 0	1.86 (338) 0	1.86 (338) 0
DEC 11	1.73 (307) 2	1.74 (306) 3	1.76 (305) 2	1.75 (305) 0	1.75 (303) 4	1.75 (302) 1	1.76 (302) 0	1.77 (302) 0	1.78 (302) 0	1.81 (308) 6

<sup>1/</sup> 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 PRODUCTION

Milk production in the 23 major states during June totaled 15.4 billion pounds, up 1.4 percent from June 2010. May revised production at 16.1 billion pounds, was up 1.6 percent from May 2010. The May revision represented an increase of 20 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,819 pounds for June, 2 pounds above June 2010. The number of milk cows on farms in the 23 States was 8.46 million head, 106,000 head more than June 2010, and 11,000 head more than May 2011. Milk production in the U.S. during the April-June quarter totaled 50.4 billion pounds, up 1.3 percent from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.20 million head, 79,000 head more than the same period last year.

STATE	MILK COWS <sup>1/ 2/</sup>				MILK PRODUCTION <sup>1/ 3/</sup>			
	JUNE		APRIL-JUNE		JUNE		APRIL-JUNE	
	2010	2011	2010	2011	2011	% CHANGE FROM 2010	2011	% CHANGE FROM 2010
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	11.0	11.0	--	--	41.0	-8.9
AK	--	--	0.6	0.5	--	--	1.7	-10.5
AZ	176	186	173.0	186.0	368	3.4	1,163.0	6.0
AR	--	--	12.5	12.0	--	--	40.0	-7.0
CA	1,754	1,773	1,755.0	1,771.0	3,511	3.4	10,708.0	3.3
CO	118	127	117.0	126.0	253	6.8	760.0	7.3
CT	--	--	19.0	18.5	--	--	92.0	-4.2
DE	--	--	5.5	5.0	--	--	23.5	-2.1
FL	115	117	115.0	118.0	186	1.1	598.0	2.7
GA	--	--	79.0	79.0	--	--	378.0	-1.0
HI	--	--	1.9	1.9	--	--	7.0	11.1
ID	562	578	559.0	577.0	1,127	5.0	3,346.0	5.0
IL	101	98	101.0	98.0	157	-3.7	489.0	-3.4
IN	169	170	169.0	170.0	291	-0.7	896.0	0.1
IA	212	204	212.0	207.0	362	-2.9	1,121.0	-0.8
KS	118	123	117.0	122.0	217	4.8	663.0	4.9
KY	--	--	79.0	77.0	--	--	296.0	-6.0
LA	--	--	20.0	18.0	--	--	61.0	-7.6
ME	--	--	32.0	32.0	--	--	152.0	1.3
MD	--	--	54.0	52.0	--	--	251.0	-3.1
MA	--	--	14.0	13.0	--	--	58.0	-10.8
MI	359	367	358.0	364.0	719	0.1	2,170.0	0.4
MN	470	471	470.0	471.0	749	-4.6	2,297.0	-3.2
MS	--	--	17.0	14.0	--	--	55.0	-12.7
MO	100	96	101.0	96.0	116	-5.7	378.0	-3.6
MT	--	--	14.0	14.0	--	--	72.0	-4.0
NE	--	--	59.0	57.0	--	--	303.0	1.0
NV	--	--	28.0	29.0	--	--	163.0	5.8
NH	--	--	15.5	14.5	--	--	74.0	-5.1
NJ	--	--	8.0	8.0	--	--	36.0	--
NM	325	328	324.0	327.0	689	1.9	2,095.0	2.1
NY	610	610	610.0	610.0	1,083	0.3	3,288.0	0.2
NC	--	--	44.0	45.0	--	--	235.0	2.6
ND	--	--	21.0	19.0	--	--	88.0	-11.1
OH	270	268	271.0	268.0	429	-4.2	1,313.0	-5.1
OK	--	--	57.0	53.0	--	--	239.0	-5.2
OR	118	122	116.0	121.0	210	5.0	633.0	4.6
PA	541	543	541.0	543.0	880	-2.0	2,737.0	-1.2
RI	--	--	1.1	1.1	--	--	5.0	-3.8
SC	--	--	16.5	16.0	--	--	74.0	-5.1
SD	--	--	93.0	93.0	--	--	482.0	--
TN	--	--	53.0	49.0	--	--	212.0	-8.6
TX	410	434	410.0	430.0	803	10.3	2,458.0	8.8
UT	85	88	85.0	87.0	156	1.3	464.0	0.7
VT	136	135	137.0	135.0	214	0.5	653.0	0.5
VA	95	96	95.0	96.0	141	-2.1	445.0	-1.3
WA	250	262	250.0	260.0	524	6.3	1,569.0	5.1
WV	--	--	10.0	10.0	--	--	40.0	--
WI	1,262	1,266	1,261.0	1,266.0	2,209	-1.6	6,684.0	-1.2
WY	--	--	6.0	6.0	--	--	31.5	6.8
23 STATE TOTAL	8,356	8,462	--	--	15,394	1.4	--	--
U.S. <sup>4/ 5/</sup>	--	--	9,119.0	9,198.0	--	--	50,439.0	1.3

<sup>1/</sup> Preliminary. <sup>2/</sup> Includes dry cows, excludes heifers not yet fresh. <sup>3/</sup> Excludes milk sucked by calves. <sup>4/</sup> Includes states for which individual monthly estimates are not available. <sup>5/</sup> Milk cows will not add due to rounding. **Source:** U.S. Department of Agriculture. National Agricultural Statistics Service. *Milk Production, July 2011.*

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

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for June have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During June, more than 10.7 billion pounds of milk were received from producers. This volume of milk is 0.1 percent lower than the June 2010 volume. In June 2010 and June 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.3 billion pounds of producer milk were used in Class I products, 1.4 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 31%, Class II = 11%, Class III = 48% and Class IV = 10%. The weighted average statistical uniform price was \$21.04 per cwt., \$1.60 higher than last month and \$5.33 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 2011										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	1,996.0	-5.4	777.9	-4.7	39	24	26	11	22.09
Appalachian (Charlotte)	005	526.6	4.5	334.6	4.5	64	15	11	10	22.90
Florida (Tampa)	006	227.1	0.9	187.2	-0.7	82	9	5	4	25.04
Southeast (Atlanta)	007	567.7	0.3	350.3	-0.4	62	10	25	3	22.93
Upper Midwest (Chicago)	030 3/	2,779.2	-3.7	322.3	-2.9	12	2	86	0	19.58
Central (Kansas City)	032 3/	1,236.9	13.2	337.1	0.4	27	12	53	8	20.36
Mideast (Cleveland)	033 3/	1,283.5	-2.9	466.5	-2.9	36	11	43	10	20.80
Pacific Northwest (Seattle)	124	704.9	7.0	177.2	0.2	25	7	41	27	20.60
Southwest (Dallas)	126 3/	1,007.7	1.2	325.6	-0.6	32	9	41	18	21.50
Arizona (Phoenix)	131	379.8	5.9	106.5	1.4	28	8	30	34	21.02
<b>ALL MARKET AVERAGE OR TOTAL</b>	3/	10,709.4	-0.1	3,385.2	-1.4	31	11	48	10	21.04

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

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

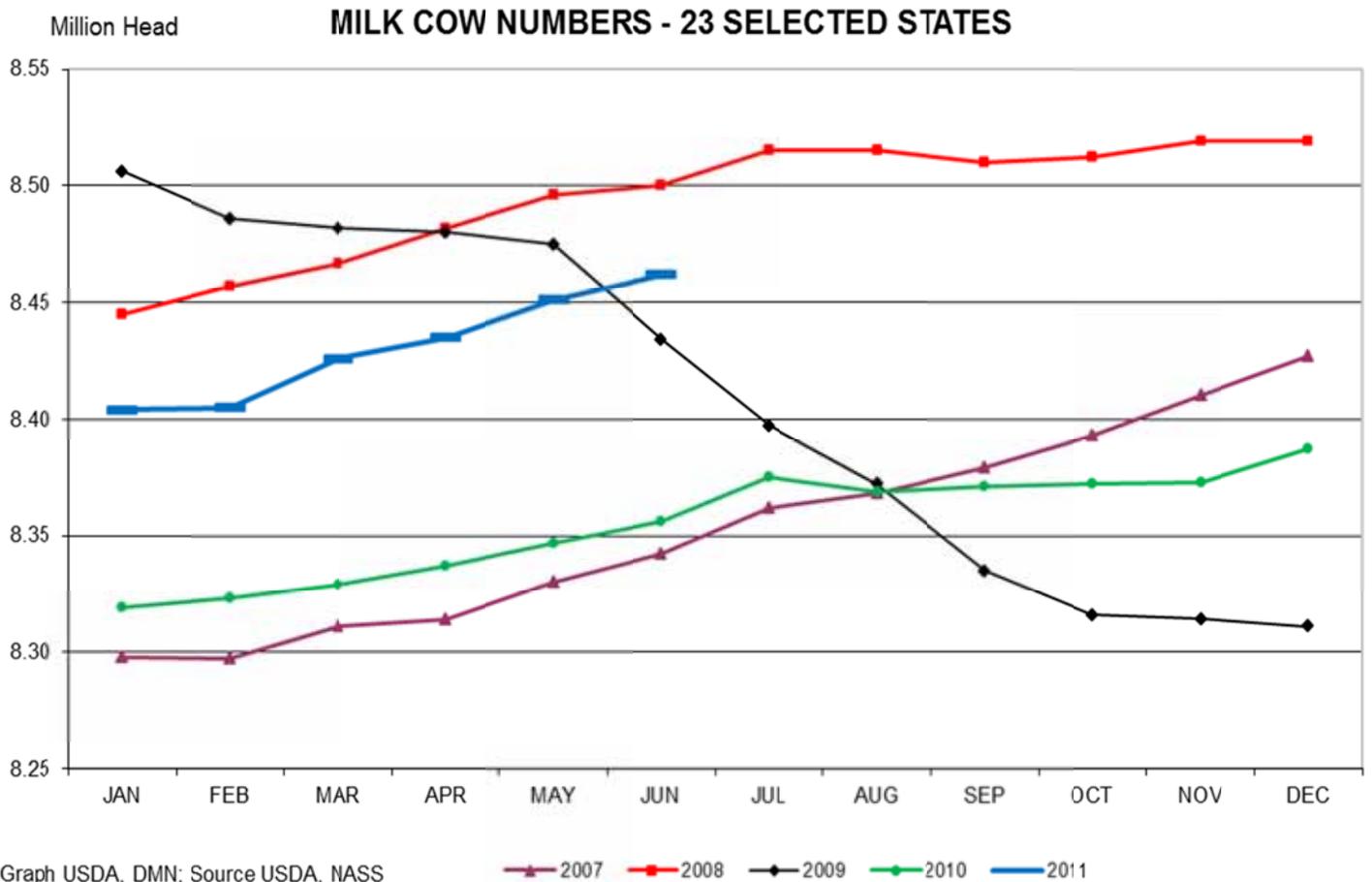
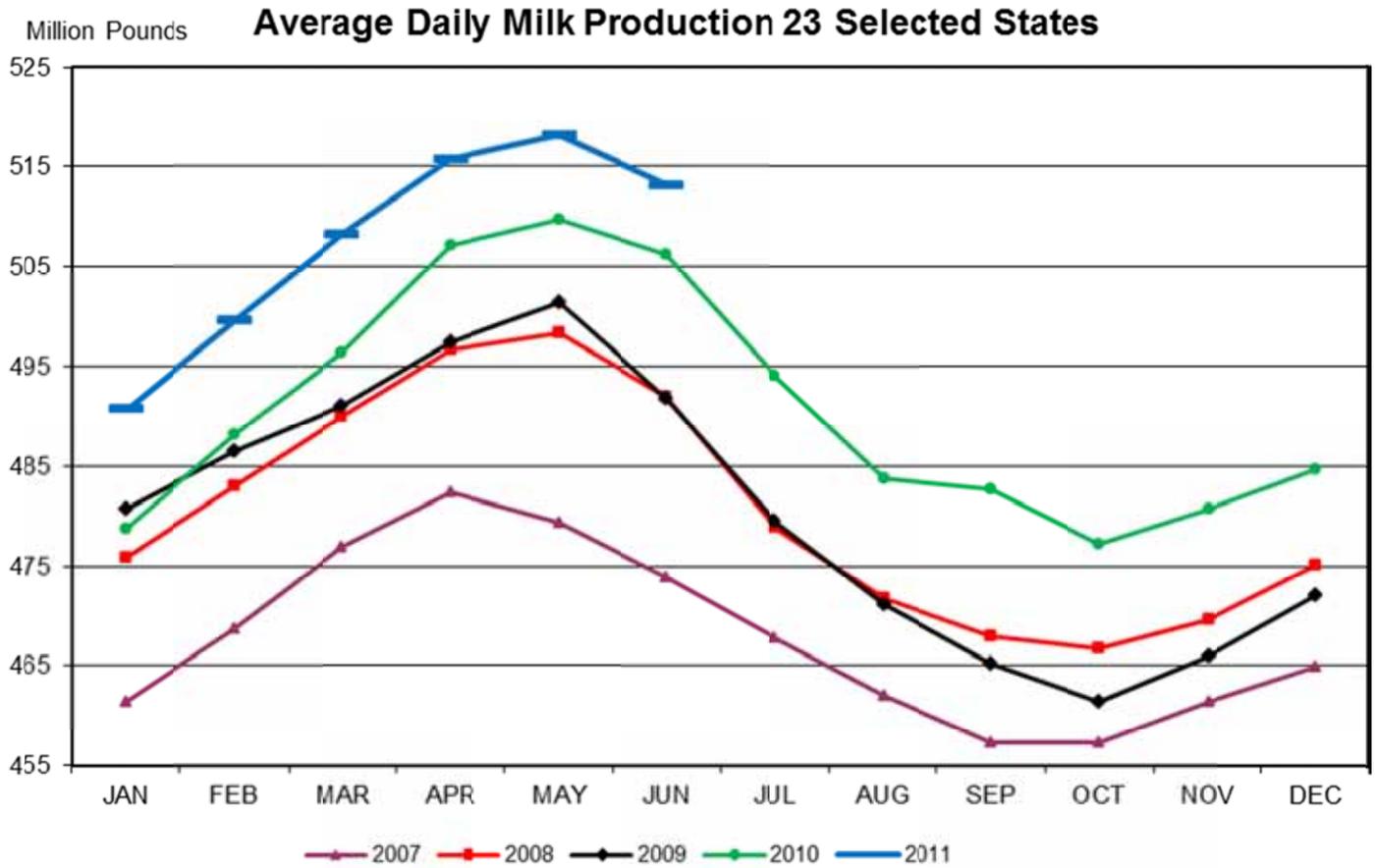
3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 408 million pounds of milk that normally would have been associated with these markets. In June 2010, the estimated not pooled volume of milk was 345 million pounds, occurring in order numbers 030, 032, 033, and 126. After adjusting for non pooled milk, the year-to-year percent change is -0.5%.

FEDERAL MILK ORDER ADVANCE PRICES, AUGUST

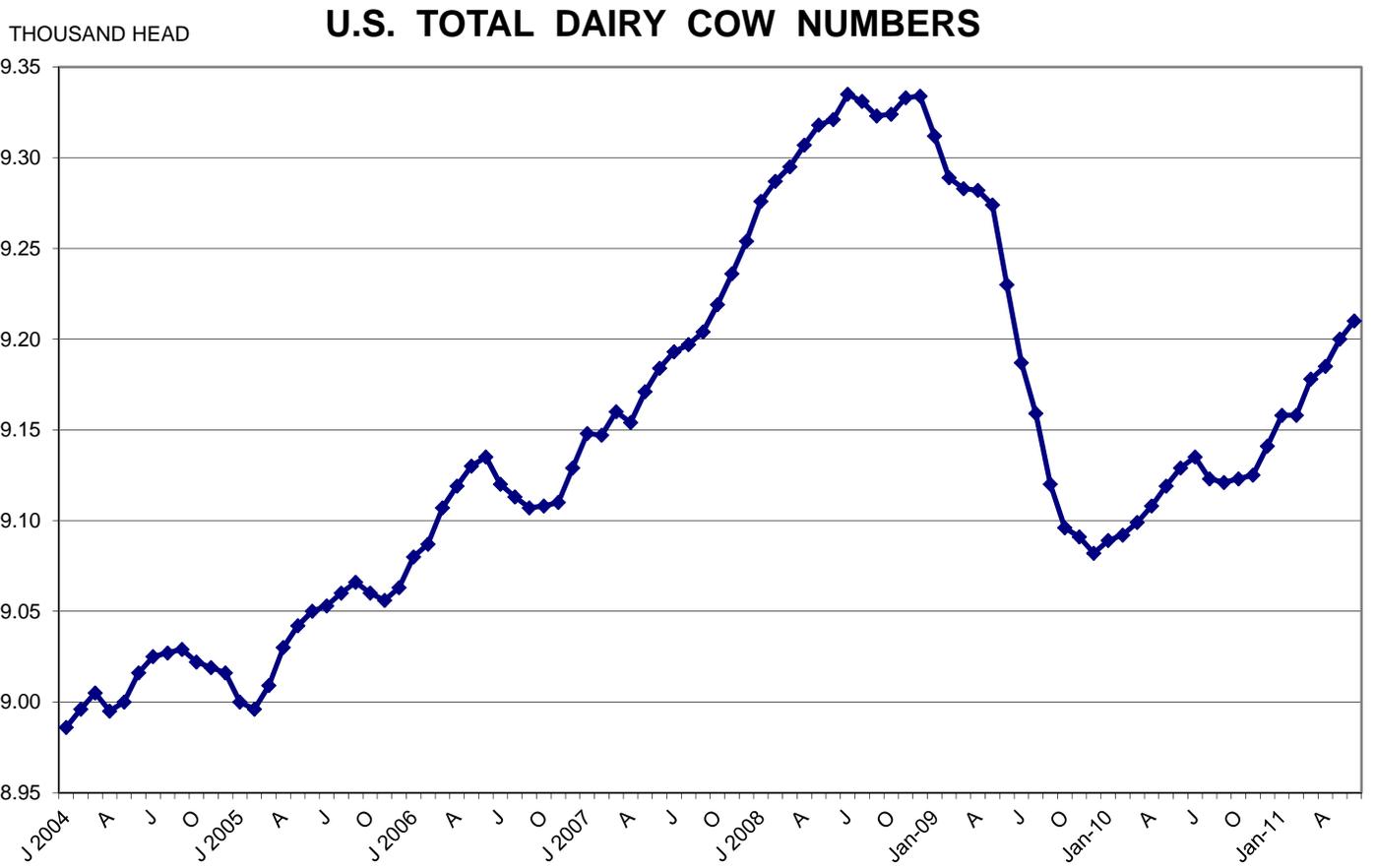
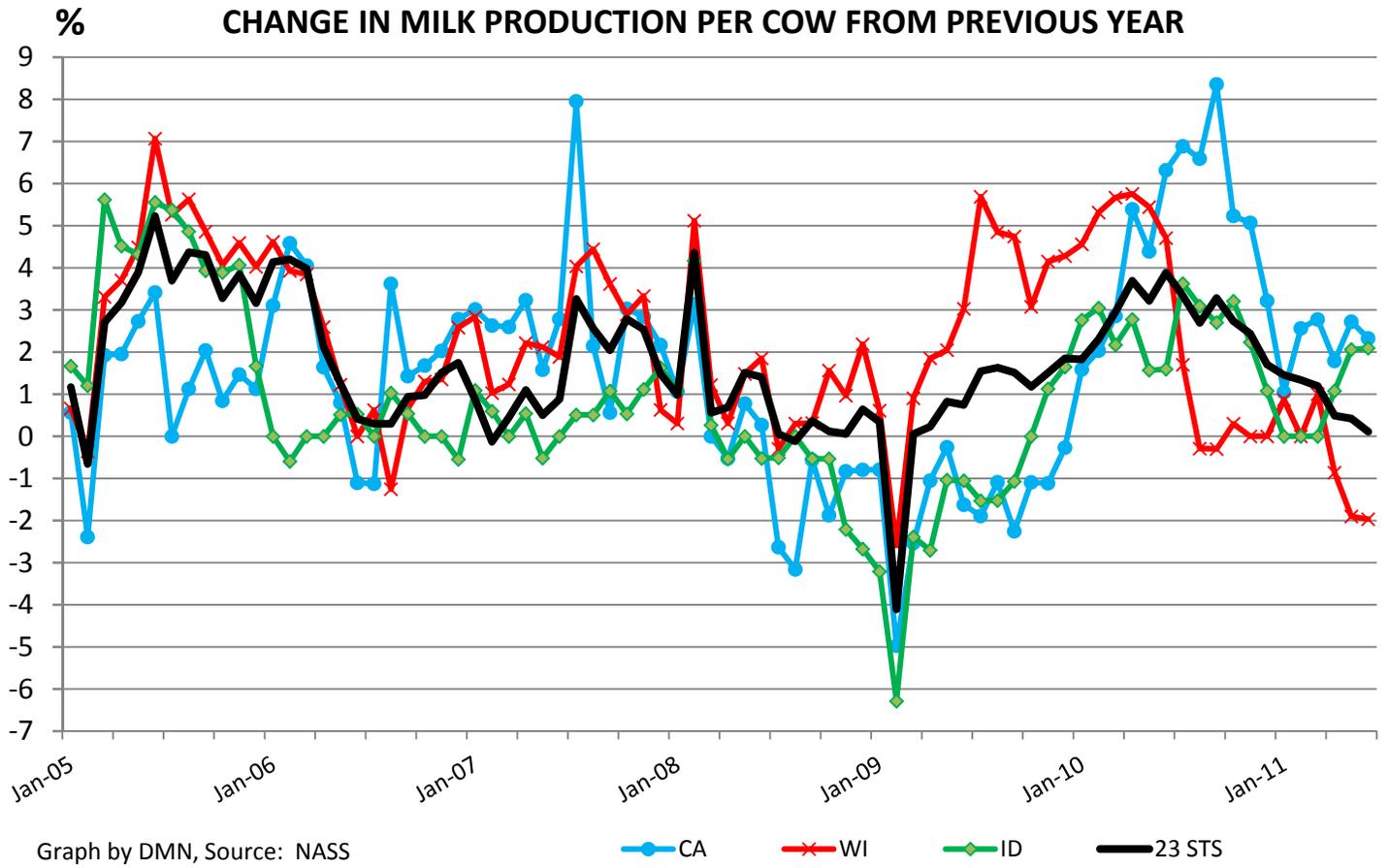
**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for August 2011 is \$21.43 per cwt. This price is derived from the Class III skim milk pricing factor of \$14.05 and the advanced butterfat pricing factor of \$2.2496. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to July 2011, the Class I base price increased \$0.40 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$0.43 per cwt., \$0.037 per gallon; reduced fat milk (2%), \$0.61 per cwt., \$0.053 per gallon; fat-free (skim milk), \$0.81 per cwt., \$0.070 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$13.27. Thus, the Class II skim milk price for August is \$13.97 per cwt., and the Class II nonfat solids price is \$1.5522. **Product Price Averages.** The two-week product price averages for August are: butter \$2.0291, nonfat dry milk \$1.6571, cheese \$2.1308, and dry whey \$0.5470.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/</sup> <sup>2/</sup>				
August 2011				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	24.68	17.30	2.2821
Appalachian (Charlotte) <sup>5/</sup> <sup>6/</sup>	005	24.83	17.45	2.2836
Southeast (Atlanta) <sup>6/</sup> <sup>7/</sup>	007	25.23	17.85	2.2876
Florida (Tampa) <sup>6/</sup> <sup>8/</sup>	006	26.83	19.45	2.3036
Midwest (Cleveland) <sup>9/</sup>	033	23.43	16.05	2.2696
Upper Midwest (Chicago) <sup>10/</sup>	030	23.23	15.85	2.2676
Central (Kansas City) <sup>11/</sup>	032	23.43	16.05	2.2696
Southwest (Dallas) <sup>12/</sup>	126	24.43	17.05	2.2796
Arizona (Phoenix)	131	23.78	16.40	2.2731
Pacific Northwest (Seattle) <sup>13/</sup>	124	23.33	15.95	2.2686
All-Market Average		24.32	16.94	2.2785

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets. <sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. <sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. <sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. <sup>8/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. <sup>9/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. <sup>10/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>11/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. <sup>12/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.



Graph USDA, DMN; Source USDA, NASS



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