

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (07/29):**

BUTTER: Grade AA closed at \$2.1000. The weekly average for Grade AA is \$2.0750 (+.0400).

CHEESE: Barrels closed at \$2.1300 and 40# blocks at \$2.1550. The weekly average for barrels is \$2.1280 (+.0115) and blocks, \$2.1550 (+.0150).

BUTTER HIGHLIGHTS: During the week, the CME Group cash butter price increased \$0.0600 to settle at \$2.1000 at week's end. This is the highest cash price in over a month and compares to \$1.8050 last year at this time and \$1.2450 in 2009. Churning activity has eased in much of the country this week as cream supplies tighten and are more expensive. Generally, cream pricing multiples range from 115 in the Western part of the country to 145 in Eastern regions, but unconfirmed reports of multiples as high as 170 were reported this week. Cream supplies have tightened in many part of the country as summer heat and humidity levels take toll on the milking herd. In many regions, milk components, especially butterfat, were trending typically lower for this time of the summer, but the high temperatures and humidity levels of last week and this week are accelerating the decline. Cream supplies are tightest in the Eastern and Central part of the country with some West coast cream coming into these regions to supplement shortages. Although butter inventories are often not at desired levels, some butter producers are choosing to sell a portion of their cream volumes versus churning. Butter demand continues to be seasonally active and is often stronger than many butter handlers anticipated. In most instances, much of current churning is clearing to current demand versus ending up in inventory. Some butter manufacturers and handlers are looking to micro fix butter for some of their needs.

CHEESE HIGHLIGHTS: The cheese market is steady to firm though prices on the CME Group cash cheese market were little changed at the daily closes this week. While a few sellers were trying to move extra loads of blocks, other buyers were searching for additional supplies to offset recent sharp losses in milk and cheese production, mainly in areas east of the Rockies. Some cheese makers started to delay orders due to the milk supply and lower cheese yields/milk components also caused by the weather. The tighter cheese situation is complicated by the reopening of schools and the expected increase in milk needs by bottlers in the next few weeks. Barrels remain very tight seasonally. Few, if any, packagers and/or processors need overtime to fill orders.

FLUID MILK: Heat and humidity are the buzzwords across most of the United States this week. High temperatures have stressed cows and production declines of 10% and up are common. The South has had high temperatures and production there is at expected levels in most cases. Florida had no loads of milk exported this week for the first time since November. Heat across the North Central and Eastern regions was detrimental to production. California and the Pacific Northwest were the exception from hot weather and milk

declines. Lower milk solids restricted manufacturing along with less overall milk. Class I needs are beginning to see increased interest as the opening of schools will begin in the next few weeks in some regions. Cream prices are trending higher due to increased manufacturing demand and tighter supplies.

DRY PRODUCTS: Nonfat dry milk prices are lower across most of the U.S. Weakness over the past few weeks has buyers cautious about advance purchases above current needs. Inventories are building, especially in the West. Increased spot offerings from both manufacturers and resellers are being reported. Lower milk intakes in many parts of the country are tempering negative price indications. Weakness in the NDM market has carried over to many of the dry product markets. Dry buttermilk prices are steady to weak. Condensed buttermilk sales to ice cream accounts has slowed dry product manufacturing. Dry whole milk prices are steady to firm, with the market tone unsettled. Dry whey prices are steady to firm, following increased contract pricing indices. Lower cheese production in some areas has reduced production along with lower milk solids. Resale loads are available. A weaker tone for WPC 34% is carrying over from the NDM market. Buyers are concentrating on immediate need purchases. Lactose markets are firm as buyer interest is good. Supplies are felt to be tight for current demand. Casein prices are firm with Oceania producers optimistic about the upcoming production season.

ORGANIC DAIRY MARKET NEWS (DMN): Overall retail organic reduced fat (2%) milk prices in July 2011 are higher than the 2011 average January through July. Comparing retail half gallon organic reduced fat (2%) milk prices surveyed in July 2011 with the 2011 monthly average through July in each of 30 cities, 20 cities have a lower average price than July price, 9 have an average price higher than the July price, and one city has the July price even with the 2011 average to date. Advertised pricing for organic milk half gallons decreased this period by 66 cents, following a 27 cent decrease two weeks ago, to a weighted average advertised price of \$2.55. This is the lowest weighted average advertised price since this data series began during fall 2009. There were no newspaper supermarket ads for gallon containers of organic milk for the fifth two week period of this year. In contrast, through the same week of last year, 2010, there had been ads for organic gallons of milk every two week period. The weighted average advertised price of 6 ounce organic yogurt declined 17 cents to 65 cents. Organic dairy weekly supermarket newspaper advertising volume remains high relative to 2011 norms, but declined from the record level set two weeks ago; a record spanning the period since fall 2009 when this data collection began.

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CME GROUP CASH TRADING

COMMODITY	MONDAY JUL 25	TUESDAY JUL 26	WEDNESDAY JUL 27	THURSDAY JUL 28	FRIDAY JUL 29	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$2.1250 (N.C.)	\$2.1250 (N.C.)	\$2.1300 (+.0050)	\$2.1300 (N.C.)	\$2.1300 (N.C.)	:: :: (+.0050)	:: :: \$2.1280 :: (+.0115)
40# BLOCKS	\$2.1550 (N.C.)	\$2.1550 (N.C.)	\$2.1550 (N.C.)	\$2.1550 (N.C.)	\$2.1550 (N.C.)	:: :: (N.C.)	:: :: \$2.1550 :: (+.0150)
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	\$1.5250 (N.C.)	\$1.5250 (N.C.)	\$1.5250 (N.C.)	\$1.5250 (N.C.)	\$1.5100 (-.0150)	:: :: (-.0150)	:: :: \$1.5220 :: (-.0080)
BUTTER							
GRADE AA	\$2.0400 (N.C.)	\$2.0600 (+.0200)	\$2.0800 (+.0200)	\$2.0950 (+.0150)	\$2.1000 (+.0050)	:: :: (+.0600)	:: :: \$2.0750 :: (+.0400)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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COLD STORAGE (NASS): The June 30 U.S. cold storage holdings of butter totaled 190.6 million pounds, 4% less than June 2010, but 12% more than last month. Natural American cheese holdings total 619.0 million pounds, nearly unchanged from last month and 1% less than a year ago. Total cheese stocks were 1.051 billion pounds, nearly the same as last month and 1% more than a year ago.

CONSUMER PRICE INDEX (BLS): The June CPI for all food is 227.4, up 3.7% from June 2010. The dairy products index is 212.3, up 7.2% from a year ago. The following are the June to June changes for selected products: fresh whole milk is +10.9%; cheese, +6.9%; and butter, +21.7%.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first five months of 2011 totals 81.1 billion pounds, 2.5% above the same period in 2010. Comparing disappearance levels with year earlier levels: butter is +12.4%; American cheese, +3.5%; other cheese, +6.9%; NDM, -7.2%; and fluid milk products, -1.5%.

OVER ORDER CHARGES ON PRODUCER MILK IN FMOS (DAIRY PROGRAMS): For May 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.14, down \$0.01 from the April 2011 average. Eighty-nine percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.77 in the Pacific Northwest to \$3.15 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.11, down \$0.11 from the April 2011 average. Seventy-seven percent of the producer milk used in Class II carried an over-order charge.

ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES (DAIRY PROGRAMS): For August 2011, the all-city average announced cooperative Class I price was \$26.60, \$2.53 higher than the Federal milk order (FMO) Class I price average for these cities. The August 2011 cooperative Class I price was \$0.38 higher than the July 2011 price. The August 2011 Federal order Class I price was \$0.40 higher than the July 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For August 2010, the all-city average announced cooperative Class I price was \$20.92, \$2.51 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

CME GROUP

MONDAY, JULY 25, 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: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0400; LAST OFFER UNCOVERED: NONE

TUESDAY, JULY 26, 2011

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$2.1475, 2 @ \$2.1450, 1 @ \$2.1550; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1250; 1 CAR 40# BLOCKS @ \$2.1550;
 LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0600; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JULY 27, 2011

CHEESE -- SALES: 16 CARS 40# BLOCKS: 2 @ \$2.1375, 6 @ \$2.1300, 2 @ \$2.1275, 1 @ \$2.1300, 1 @ \$2.1350, 1 @ \$2.1400, 1 @ \$2.1450, 1 @ \$2.1500,
 1 @ \$2.1550; LAST BID UNFILLED: 2 CARS BARRELS @ \$2.1300; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0800; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0800; LAST OFFER UNCOVERED: NONE

THURSDAY, JULY 28, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.1400; 1 CAR 40# BLOCKS @ \$2.1550
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$2.0850, 2 @ \$2.0900; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.0950; LAST OFFER UNCOVERED: NONE

FRIDAY, JULY 29, 2011 FRIDAY, JULY 29, 2011

CHEESE -- SALES: 4 CARS 40# BLOCKS: 3 @ \$2.1450, 1 @ \$2.1550; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.1300; 1 CAR 40#
 BLOCKS @ \$2.1550
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5100
 BUTTER -- SALES: 2 CARS GRADE AA @ \$2.1000; LAST BID UNFILLED: 2 CARS GRADE AA @ \$2.1000; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price increased \$.0200 Tuesday and closed at \$2.0600. Butter has not seen a decrease in price in the past 12 trading sessions. Butter production remains limited this week as increased cream demand has pushed multiples higher with numerous plants opting to sell cream at the higher multiples, rather than make butter. Other plants are only making butter to fill current orders with one plant adding to inventories to cover orders for a planned maintenance shutdown next month. Cream multiples are higher and in a wider range this week as cream demand increased and supplies declined, due to the recent heat wave. According to the latest NASS Cold Storage report, butter in storage on June 30, totaled 190.6 million pounds, 20.5 million pounds (12%) more than the prior month stocks, but 7.0 million pounds (4%) less than June 2010 stocks. 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 gained 4 1/2 cents since last week to settle at \$2.0800 at midweek. This is the highest cash price since June 23. Butter producers are out looking for cream, but are finding that volumes are limited and prices are higher than most desire to pay. The high temperatures and humidity levels of last week did take a toll on milk receipts and butterfat levels. Some butter producers are making difficult decisions whether to sell or churn cream volumes in their possession. Strong Class II cream demand is encouraging some butter producers to sell, at least a portion of, their cream volumes. Cream is moving into the Midwestern part of the country from Western sources for both Class II and IV needs. Churning is active for this time of the summer, although often lighter than desired. Bidding at the CME cash butter market is

where some butter users and handlers are reaching in an attempt to acquire butter volumes versus dipping too far into inventoried stock which was often generated at lower price levels. Although the fourth quarter is still 8 weeks away, butter producers and handlers are looking at their inventory situation and potential butter sales for that time of year and are trying to establish an inventory strategy for that typically strong sales period of the year. For many, strategies are still in the development stages, but are becoming more necessary as the fourth quarter nears. Current demand for both retail and food service are holding up quite well. Retail demand continues to warrant steady purchasing patterns from grocery store account, while food service orders are holding steady. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Wednesday's trading at the CME Group had butter trading \$.0200 higher at \$2.0800. There was one sale reported and an additional unfilled bid at \$2.0800. Sales have been very light with Wednesday's sale the first in eight trading sessions. Western butter prices continue steady to firm. The market tone is firm as butter supplies remain behind year ago levels. Retail butter sales are mixed as discount prices attract sales when offered. Club stores are reporting brisk sales. Food service accounts are better with increased sales into vacation areas. Bulk buyers are reluctant to build inventories and are looking more to fill immediate needs. Manufacturers are measuring increased cream demand from Class II processors and some are choosing to sell more cream rather than make more butter. Transportation costs are adding to pricing equations for sales out of the region. According to the NASS Cold Storage report, stocks of butter as of June 30, 2011, total 190.6 million pounds, -4% or 7.0 million pounds less than June last year. Stocks were 12% higher or 20.5 million pounds more than May 2011.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
July 23	2.1014 10,502,448	2.1364 9,134,212	1.5544 29,628,624	2.0263 3,819,401	0.5501 8,472,750

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group Tuesday were unchanged, with barrels closing at \$2.1250 and blocks closing at \$2.1550. The weekly average prices increased for both barrels and blocks. As a result of the weekly price changes, wholesale prices for Process 5# Sliced cheese increased \$.0125, while Cheddar 40# Block and Muenster increased \$.0900. Wholesale prices for Swiss Cuts were unchanged. Cheese production is holding steady. Some plants are using greater volumes of nonfat dry milk in their cheese production as milk supplies have declined due to the recent heat wave. Some cheese makers are taking advantage of 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. Mozzarella and provolone orders are mixed with some additions to inventories, but cheese makers are comfortable with their inventory levels ahead of the start of school next month. Cheddar sales continue to be good for this time of year. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of June 30, 2011 totaled 1.05 billion pounds, slightly more (0.3%) than one month ago and 1% higher than one year ago. A majority of the holdings are in the form of American cheese (58.9%) totaling 619.0 million pounds, slightly less (.04%) than the amount one month ago and 1% lower than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (37.8%) totaling 397.8 million pounds, 1% more than one month ago and 4% more than one year ago. Swiss cheese accounts for 3.3% of holdings at 34.4 million pounds, 2% more than one month ago and 27% more than one year ago.

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

Cheddar 40# Block	:	2.4600-2.7350
Process 5# Sliced	:	2.2250-2.5350
Muenster	:	2.4800-2.6850
Grade A Swiss Cuts 10 - 14#	:	3.3475-3.6700

MIDWEST

The cheese market is a bit unsettled after the past few weeks' price movements on the CME Group cash cheese market. Prices moved lower and then rebounded sharply last week in response to extreme heat and humidity throughout much of the country. For cheese makers, not only did milk volumes decline (some plant reports of 7 - 10%) but milk components also fell, reducing cheese yields on remaining volumes. Plant operating schedules are lighter as a result. A few reports indicate that some cheese orders may have been delayed due to the decline. The return of heat, though not as severe as last week, has so far delayed any kind of milk volume rebound. Barrels are tight. Plant operators also were able to clear any extra loads of cheddar/American blocks as buyers worked to cover orders. Some improvement was noted for fresh, hard Italian varieties. Overtime is very limited at most processors and packagers as orders are mainly fair at best. Both cheese buyers and makers are aware that cheese production is likely to take another supply hit when bottlers increase schedules to fill school milk needs next month.

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

Process American 5# Loaf	:	2.4775-2.6675
Brick And/Or Muenster 5#	:	2.6525-2.7500
Cheddar 40# Block	:	2.5900-2.8650
Monterey Jack 10#	:	2.6150-2.8650
Blue 5#	:	2.9075-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.4850-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.7500-3.3300

WEST

Cheddar barrels on Wednesday at the CME Group are up \$.0050 at \$2.1300. 40 pound blocks are unchanged at \$2.1550. Sales of barrels are very light with no sales reported this week. Blocks are selling actively with 16 loads changing hands on Wednesday. For the week, blocks have had a total of 20 sales. Wholesale Western cheese prices are higher as spot trading on the CME Group pulled prices upward. Block prices gained significantly and the weekly average moved higher. Heavy milk production in the Northwest is allowing cheese plants to run full schedules. Other manufacturers are choosing to slow production to match current sales. CWT assistance is needed for most export sales as international prices are below domestic pricing. Demand into retail markets is good and is clearing most of the current production. According to NASS, Cold Storage stocks of cheese (total) at the end of June 2011 are 1,051.2 million pounds, up 1% or 13.4 million pounds from last year. American stocks were down 1%, and Other Natural stocks were 4% higher than last year. Swiss stocks at the end of June total 34.4 million pounds, up 27% or 7.4 million pounds more than June 2010.

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

Process 5# Loaf	:	2.2425-2.5000
Cheddar 40# Block	:	2.2700-2.6225
Cheddar 10# Cuts	:	2.4500-2.6700
Monterey Jack 10#	:	2.4600-2.6200
Grade A Swiss Cuts 6 - 9#	:	2.9250-3.3550

FOREIGN

The weekly average CME Group block cheese price increased, resulting in a \$.0900 increase in wholesale prices for all domestic varieties. Prices for imported varieties and Swiss cuts were unchanged. The dairy import assessment will go into effect August 1, requiring importers to pay 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	: 2.6000-4.0875*
Gorgonzola	: 3.6900-6.3900	: 3.1025-3.3625*
Parmesan (Italy)	: -0-	: 3.7225-4.1325*
Provolone (Italy)	: 3.4400-6.3900	: 2.6425-2.8000*
Romano (Cows Milk)	: -0-	: 3.7900-5.9325*
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.

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

	BUTTER	CHEESE
	:	:
07/25/11	8,190	135,255
07/01/11	9,174	129,170
CHANGE	-984	6,085
% CHANGE	-11	5

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	0	0	59	0	38
SOUTHEAST STATES	0	0	0	0	0	0

The oppressive heat and humidity of last week has reduced milk production throughout the East with some plants noting 10% declines in milk volumes. Manufacturing milk supplies have declined significantly due to a combination of reduced milk production and increased Class I pulls, due to decreased load sizes coming into the bottling plants. Areas in the Northeast are becoming very dry with top soil moisture levels being rated as 70% - 90% short or very short of moisture. The lack of moisture has also adversely affected pasture conditions in Pennsylvania with 62% of the pastures rated as poor or very poor. Auxiliary manufacturing plants are no longer being utilized in the Southeast region, due to the declines in milk production. Temperature issues continue to be a concern, especially for long haul loads. Florida's milk production has declined to a level to where zero spot loads were shipped out of state. This is the first time Florida has not exported spot loads since the first week of November 2010. Cream supplies have declined in conjunction with the heat related milk supply decreases. Demand for cream continues to be good from Class II and III manufacturers. Cream transports are restricted in length of haul and duration, because of the risk of temperature rejections, due to temperatures ranging from the mid-80s to mid-90s. Cream multiples have widened and increased, due to the combination of good demand and declining cream supplies. Cream multiples range from 137-145. Demand for condensed skim continues to be good as ice cream and other Class II manufacturers have increased production schedules. Spot sales of condensed skim are limited in the East, due to the shrinking milk supply. Some Class II and III manufacturers continue to secure supplies from other regions at lower price levels. Eastern supplies are moving mostly through contracts with concerns that the rapidly decreasing milk supply may cause plant managers to restrict or delay contract deliveries.

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 -	2.7880-2.9508
F.O.B. producing plants: Upper Midwest -	2.6862-2.8490

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

The extreme heat and humidity in Central and Northern states over the past week or so and about a month of heat in Texas along with drought has impacted milk volumes as well as components, at least in Central and Northern areas. So far, just a very limited rebound has been reported in a few areas where the temperatures cooled. Estimated declines in the upper Midwest from prior to the heat range from below 10% to nearly 30% along with lower components. Even large producers, many with heat abatement equipment, were affected as few include air cooling equipment though not as much as those without these tools. Class I interest is steady to higher where schools near reopening in early August, mainly in the South and reportedly August 8 for some Chicago area students. Some Upper Midwest milk was reported as moving to the Carolinas and Pennsylvania to supplement local supplies and volumes are projected to move further south next week. Bottlers will start pulling extra volumes from manufacturers in August to meet pooling requirements under federal orders. Some bottlers already need some supplemental loads to make up for the smaller volumes on their regular "direct shipped" loads. Manufacturing schedules are lighter

from the heat and plant management is reducing plant schedules by days and/or hours of operation. Some concern remains over the volume of milk that may be available for manufacturing this fall as some other dairy products may be able to out pay cheese makers for milk, especially in Eastern states. Churning is lighter as cream supplies have tightened and spot interest for cream products such as ice cream has improved. Some interest continues for Western cream though finding trucking remains an issue. Cream multiples have increased as spot supplies decline. The volume of manufacturing milk supplies has also declined and prices on the limited number of reports is steady to firm. Demand easily exceeds the supply of extra milk.

WEST

June 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.36 billion pounds, 8.1% higher than last year, according to CDFCA. The June blend price, at a fat test of 3.63%, is \$20.26, \$2.16 higher than May and \$6.32 more than June 2010. The percentage of receipts used in Class 1 products is 13.2%. The June quota price is \$21.19 and the over quota price is \$19.49. These prices are \$2.22 higher than May and \$6.02 more than a year ago. CALIFORNIA milk production levels are often trending slightly higher, regaining some of the declines caused by recent hot temperatures. The addition of cows has caused the total milk volumes to be higher than projections indicated and processing plants are running at higher levels than thought. Some handlers are utilizing processing plants on tolling basis to be able to work through their milk supplies. Current weather conditions are favorable for cows across the state. Temperatures have been moderate in the northern producing region. High feed costs remain a big concern for producers across the state. Corn and hay prices continue at high levels and continue to dampen milk growth potential, despite currently good milk prices. ARIZONA milk production trends are often lower. Weather conditions remain hot, but heat abatement is in full swing. Milk processing was disrupted by scheduled plant downtime. Other plants are taking in and processing more milk and components this week. Condensed skim sales are often slow. Class I needs are steady at seasonally low levels. There are anecdotal reports of low milk prices at some retail stores. NEW MEXICO milk output levels are declining off the seasonal peak at a moderate pace. Volumes continue above a year ago by around 5%. The milk supply is mostly being handled locally with processing plants keeping up with the intakes. Class I needs are limited. CREAM prices are trending higher as both cream multiples/overages and butter prices are increasing. The butter price at the CME increased 4.5 cents over a week ago to close at \$2.0800 at midweek. Demand has improved for several ice cream accounts and more cream is moving out of the region. Transportation issues continue to dampen sales potential. Finding tankers is a challenge, freight rates are higher, and hot weather is limiting how far cream is shipped. Cream multiples are higher on the top end of the 115-136 range and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST remains good. Coastal temperatures are seasonally cool, with inland temperatures reaching the 90's during the day, but cooling significantly at night. The good weather is adding to cow comfort levels and helping to hold production. Milk handlers are busy balancing milk supplies with available manufacturing facilities. Class I milk demand is following expected patterns. USDA reported Cattle Inventory had increased numbers of replacement heifers for dairy compared to year ago levels. There are currently 46 milk replacement heifers for each 100 dairy cows. This amounts to 150,000 head more than last year. The increased numbers are keeping replacement costs steady and helping to finance expansion in the region. UTAH and IDAHO continue to experience increased milk production. Manufacturing plants are operating busy schedules to handle current supplies. Some excess milk is being discounted and is being moved out of the region. Transportation costs are a significant part of that equation. High feed costs are limiting expansion plans. Both cost and availability of forages are holding back some growth in the area.

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are mostly lower with mixed to weaker tones in the market. Milk availability in the Central region decreased strongly during the last week to ten days in response to a prolonged bout of heat and humidity. Some plants report farm milk intakes are regaining some lost volumes this week, but the expectation is that near term milk intakes may recapture just a small percentage of the decreased volumes. Nonfat dry milk production is lower at most locations because of the decreased farm milk intakes and contract agreements for weekly condensed skim loads that must be met before condensed skim moves to the dryers. Inventories of nonfat dry milk are mostly steady as contract fulfillment continues. Spot load interest for NDM is slower as buyers take a wait and see approach toward filling NDM needs for the next few weeks. Brokers/traders report buyer interest is low and while there is unfilled end user need for the last four-five months of the calendar year, few end users are interested in purchasing NDM for midterm needs in this drooping market environment.

EAST: Prices for nonfat dry milk moved lower this week with some spot sales of low heat discounted below contracted price levels. High heat prices also moved lower on the upper end of the range. An increase in uncommitted available supplies and lower prices prompted increased spot trading. Manufacturing milk supplies declined significantly, due to declines in milk production, caused by the recent hot, humid weather. Nonfat dry milk production has declined following the decrease in manufacturing milk supplies. The market remains unsettled with potential buyers looking for lower prices, but numerous sellers are taking a longer view of the market, seeing the declining milk production, the corresponding downturn in nonfat dry milk production and the increase in Class I demand when schools start fall terms in mid to late August as reasons not to lower prices significantly.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.5500 - 1.7200 MOSTLY: 1.5800 - 1.6800
 HIGH HEAT: 1.7200 - 1.7600

NONFAT DRY MILK - WEST

Western nonfat dry milk prices again moved sharply lower for the low/medium heat price series. The market tone remains weak. More offerings are appearing on the spot market as producers attempt to clear stocks. Price declines for market indices are also noted with contract prices based on those adjusting lower. Production levels have been seasonally active. Domestic sales are slow to regular accounts and some of those buyers are utilizing condensed skim in place of NDM in formulations and production processes. Buyers are aware of the market declines and are holding off making purchases until they perceive the best buying opportunity. Export interest is fair to regular accounts and has been slower to develop for new business. International prices are also weaker for skim milk powder. Higher freight rates are also making being competitive in other regions harder. Stocks are at moderate to heavy levels and often increasing. Western high heat prices also declined. Trading activity is light and centered around contract fulfillment with little new business developing in a declining market. Production levels are being matched with market demand and producers are attempting to lower inventories.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.4800 - 1.6900 MOSTLY: 1.5000 - 1.6000
 HIGH HEAT: 1.6100 - 1.7900

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central are unchanged to lower. Pricing on various NDM indices has stairstepped down recently, which has weakened prices for the nonfat solids portion of dry buttermilk. Buttermilk production is lower at several locations as farm milk intakes and component values approach yearly low points. Cream sales into Class II accounts are active. This is crimping cream movement to churning and decreasing condensed and/or dry buttermilk production.

EAST: Prices for dry buttermilk moved lower on the high end of the range this week. Dry buttermilk production declined in the East as higher cream multiples and cream demand had numerous plant managers opting to sell cream rather than make butter. Condensed buttermilk sales to ice cream and ice cream mix manufacturers also contributed in the decline of dry buttermilk production. Dry buttermilk inventories are decreasing as product continues to move through contracts. Spot market activity is light caused by sluggish demand, brought about in part by the unsettled and weaker nonfat dry milk market.

F.O.B. CENTRAL/EAST: 1.5000 - 1.6100

DRY BUTTERMILK - WEST

Prices are trending sharply lower for Western dry buttermilk. The market tone is weak. Producer offerings are moderate to heavy and mostly met with limited interest unless pricing levels are discounted. Resale offerings are also being competitive as holders attempt to clear their stocks as they see the market price and the value of their holdings decline. The weaker nonfat dry milk complex is also weighing on the dry buttermilk market. Current production levels are trending lower, affected by increased cream sales and by lower milk intakes. There are dryer times available to process buttermilk solids as desired.

F.O.B. WEST: 1.3500 - 1.4900 MOSTLY: 1.3800 - 1.4500

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to 2 cents higher on the top of the range. The market tone is somewhat unsettled as prices for the nonfat and fat solids portions of dry whole milk adjust to national and international market cues. Production is intermittent from location to location and largely dependent on regional manufacturing milk availability. Interest in spot loads of dry whole milk is steady and prompting some additional production as milk supplies allow.

F.O.B. PRODUCING PLANT: 1.9200 - 2.0000

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 22	\$1.5364	24,957,346	0
July 15	\$1.6137	14,131,787	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

Edible Central dry whey prices are unchanged on the mostly price series and the market tone is mixed. Production of cheese and whey is lower for the week as plants match cheese production to seasonally lower milk supplies. Milk component values are also curbing dry whey production. Spot loads of condensed whey were reportedly more available this week but interest was lukewarm as various plants indicated either there was limited dryer time available or plant maintenance schedules precluded accepting outside whey loads. Contract dry whey shipments are reported as mostly timely, with just a few plants lagging on shipping schedules by a week or two. Spot load offers from the reseller community have increased in numbers and buyer interest covers a wide range. Some offers are running into price resistance despite a recent notching down of market overages. Other offers are garnering +10 cent premiums, depending on the dry whey brand. ANIMAL FEED DRY WHEY prices are steady. Production is reportedly higher this week as some spot condensed whey loads that could not be accommodated in edible whey facilities cleared into animal feed dry whey production facilities. Animal feed dry whey interest is steady to lower as animal feed blending operators indicate their goals center around working through current holdings before committing to new purchases.

F.O.B. CENTRAL: .5000 - .5900 MOSTLY: .5150 - .5550
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3975 - .5500

DRY WHEY - NORTHEAST

Spot sales and contract formulations increased the dry whey price series this week. Northeastern supplies remain very tight with a majority of the product contracted out for the remainder of the year. Dry whey production is mixed with some cheese makers reducing production due to reduced milk intakes, while others have marginally expanded production due to the availability of lower priced condensed skim supplies from outside the region. Resale prices strengthened again this week. Domestic and export demand remains good. Those potential buyers looking for additional loads are looking in other regions, exploring resale opportunities or considering nonfat dry milk as a protein alternative.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5500 - .6100

DRY WHEY - WEST

Western dry whey prices are steady to fractionally higher. Prices are being driven by various indices tied to annual and quarterly contracts. Spot availability of whey is considered tight in most cases. Cheese production in the region has slowed in some areas as milk solids have declined. Some cheese plants have lowered production schedules to balance inventory with demand. This has eased whey production in those areas. Buyers report sufficient supplies for needs, although deliveries may be delayed. Resale loads of whey are available in many cases.

NONHYGROSCOPIC: .5450 - .6100 MOSTLY: .5650 - .6000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

A weaker tone is emerging in the whey protein concentrate 34% market. Spot offers this week are reseller based versus from manufacturers. Buyers seem reluctant to commit to sizeable purchases, despite offers from resellers that could provide a discount to the current market. With various indices in the nonfat dry milk market stepping lower from week to week, there is an expectation that weakness will eventually reach the WPC 34% market. Thus, buyers are biding their time. In addition, some buyers have switched to other competitively priced dairy inputs with similar protein percentages. Whey protein concentrate production in the Central region is reportedly lower as plants adjust cheese production to mostly lower farm milk intakes. Western plants have ample milk supplies to maintain cheese and WPC production.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.5000 - 1.6300 MOSTLY: 1.5400 - 1.5900

LACTOSE - CENTRAL AND WEST

The top ends of both the range and mostly lactose price series stepped higher. Interest is strong and most producers indicate lactose supplies fall short of meeting spot demand in addition to current contract commitments. Lactose production is uneven as milk volumes clearing into cheese production adjust to regionally lower farm milk intakes, fluid demand, and individual plant schedules. A few plants halted cheese production for up to three days this week to allow for equipment maintenance and/or to balance cheese production with milk availability. Decreased cheese production curtailed the lactose production in those locations. A few producers indicate end users are bringing "reformulation" into discussions, indicating they may minimize lactose inputs during the 4th quarter and beyond if lactose prices continue firming.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .6650 MOSTLY: .5400 - .6100

CASEIN - NATIONAL

Casein markets and prices remain firm. Domestic buyers continue to question suppliers on casein availability. European suppliers are indicating that the casein production season is on the downside of the annual cycle, but basically assure buyers that their contractual needs will be filled. Oceania suppliers are stating that this is the off season for production, thus current commitments are being filled from 2010 - 2011 production. Oceania casein producers are very optimistic about the upcoming season. Milk handlers in the Oceania regions are projecting a positive start to the milk production season which will resume in 3 - 4 weeks in New Zealand and in about 6 weeks in Australia. With a strong start to the season, casein manufacturers are hopeful that casein output might resume earlier than usual and will hopefully be able to maintain a longer production season at peak milk levels.

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 25 - 29, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 07/22/11	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 07/09/11 & 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	6.3	2.3	13.0	2.9	N.A.	N.A.	12.1	2.1	41.1	1,564.9	40.8	45.9
2010-Dairy	N.A.	0.5	5.5	2.1	15.4	3.4	0.2	N.A.	12.2	2.2	42.9	1,474.1	42.3	43.7
2011-All cows	0.1	0.7	7.9	10.8	23.0	23.9	N.A.	N.A.	15.5	3.2	100.8	3,410.0		
2010-All cows	N.A.	0.6	7.1	11.6	26.5	18.4	12.5	N.A.	16.7	4.9	101.4	3,371.1		

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

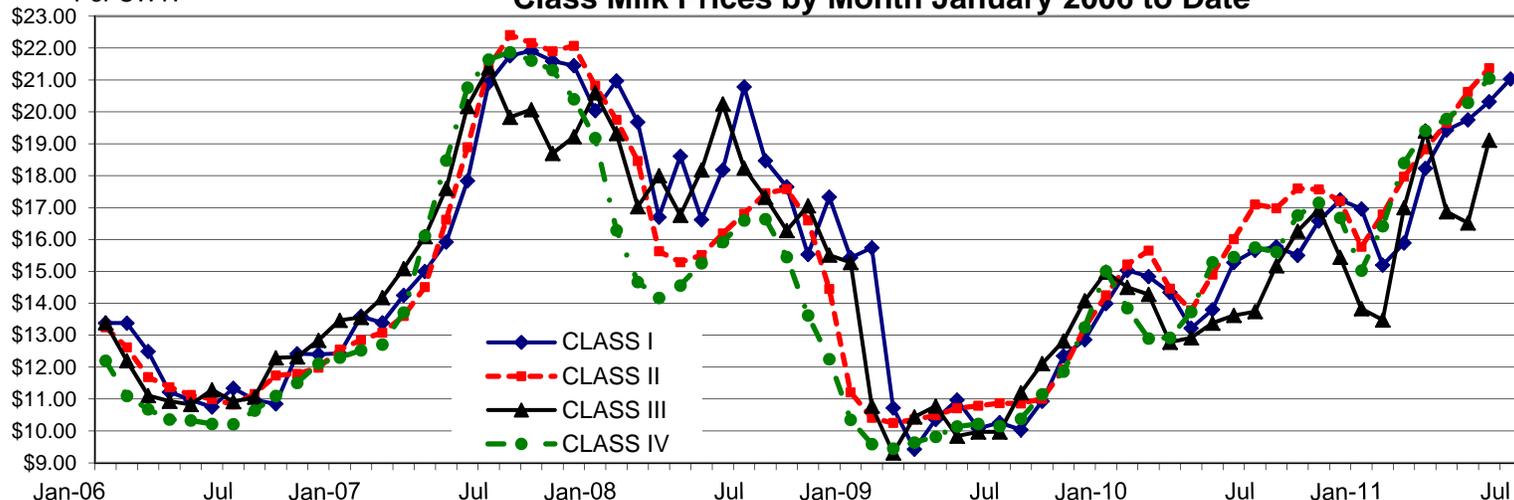
FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

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; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

Per CWT.

Class Milk Prices by Month January 2006 to Date



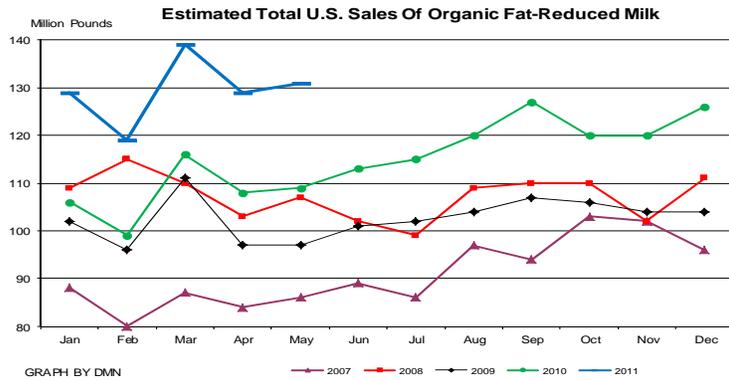
Class I base price does not include applicable Class I differential

ORGANIC DAIRY MARKET NEWS

Information gathered July 16 - July 29, 2011

ORGANIC DAIRY FLUID OVERVIEW

2011 sales of organic fat-reduced milk remain strong and above prior year levels. Monthly organic fat-reduced milk sales through May 2011 are higher than year earlier sales every month since January 2010 as is shown on the following graph.



ORGANIC DAIRY RETAIL OVERVIEW
MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

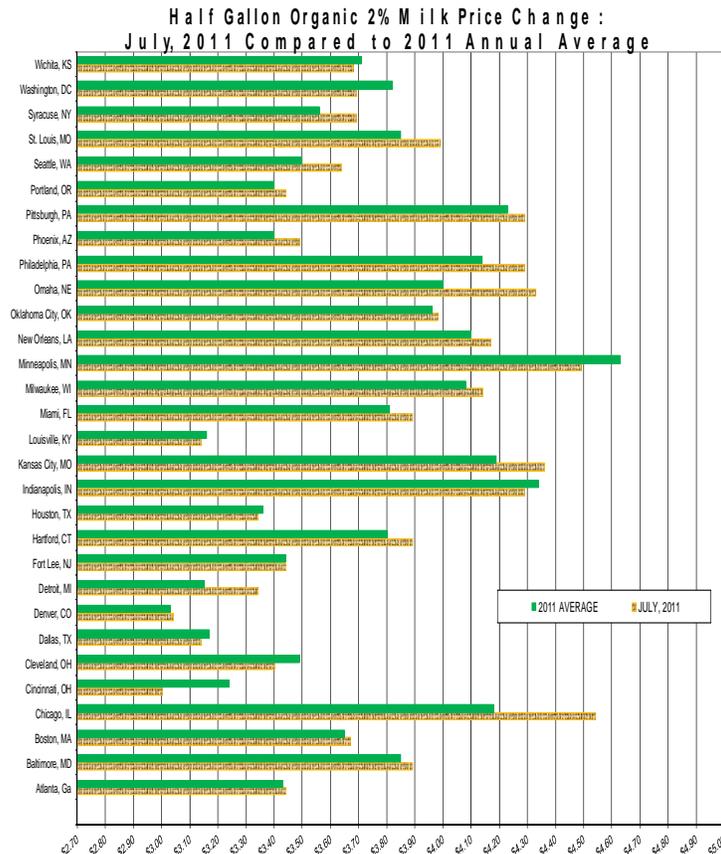
Overall retail organic reduced fat (2%) milk prices in July 2011 are higher than the 2011 average January through July.

Comparing retail half gallon organic reduced fat (2%) milk prices surveyed in July 2011 with the 2011 monthly average through July in each of 30 cities, 20 cities have a lower average price than July price, 9 have an average price higher than the July price, and one city has the July price even with the 2011 average to date.

Cincinnati, at \$3.00, is the city with July prices most below the average, being 24 cents lower. Chicago, at \$4.54, is the city with July prices most above the average, being 36 cents higher.

Cincinnati also has the lowest July 2011 price of any city. Chicago has the highest July 2011 price, \$4.54.

The overall July 2011 average price for the 30 cities combined, \$3.77, is 5 cents higher than the 2011 monthly average through July for all cities.



The price listed represents the simple average of two prices, the price of the single most common brand in non-returnable paper cartons in one outlet of each of the two largest food store chains in each of the 30 thirty cities. Not all brands of organic milk in each surveyed store are included and higher or lower prices of milk offered by other than the most common brand in each of the two stores are not included. Prices are collected by Federal Milk Market Administrators during the first non-Friday or weekend 10 days of each month.

NATIONALLY ADVERTISED PRICE COMPARISON:

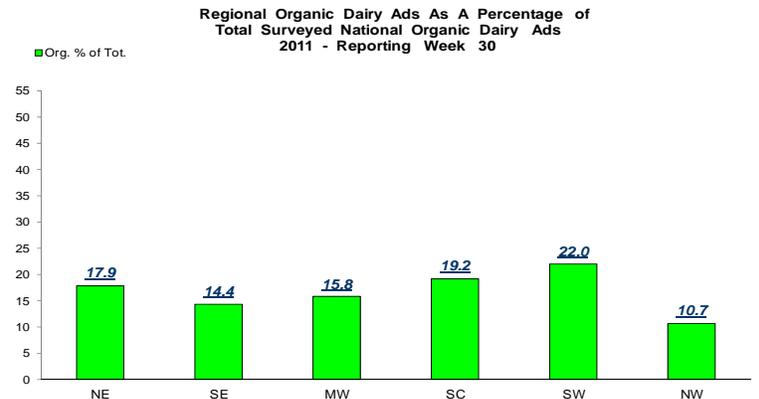
Overview. Organic dairy weekly supermarket newspaper advertising volume remains high relative to 2011 norms, but declined from the record level set two weeks ago; a record spanning the period since fall 2009 when this data collection began. This week, 38.9% of 9,201 surveyed newspaper supermarket ads contained organic dairy content, down from the record 65.2% two weeks ago.

Organic dairy newspaper advertising for this two week period of 2011 comprises 63.5% of ads for organic milk and 36.5% for organic yogurt. No other organic dairy products were advertised.

Information presented is compiled from newspaper supermarket ads for the period July 16, 2011, to July 29, 2011, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

Regional Organic Dairy Ad Trends - Current Period. The regional balance of organic dairy advertising between all six regions this week is more even than recent two week periods. The Southeast had led all regions for the last three two week periods, having 34.5% of ads two weeks ago. This period, the Southeast lags four of the regions, having 14.4% of organic dairy ads.

Other regions and percentages are the Southwest, 22.0%; South Central, 19.2%; Northeast, 17.9%; Midwest, 15.8%; and Northwest, 10.7%.



Product Emphasis. Organic milk ads were almost evenly split between ads for organic half gallons and ads for organic milk in 8 ounce containers. No ads appeared for organic gallons. Organic yogurt ads were heavily weighted toward ads for 6 ounce containers with most of the remaining organic yogurt ads being for 5.3 ounce organic Greek yogurt. New this period for the 6 ounce category, were more ads for "buy 1 get 1 free" (with no stated price) than for 6 ounce organic yogurt with a specific advertised price.

Milk. Organic milk ads are more evenly split between organic half gallons and 8 ounce containers than any period of 2011. The narrow lead for this period goes to half gallons. However, there is a differing regional emphasis for each container size. Nearly 70% of ads for organic milk in 8 ounce containers ran in newspapers in the Midwest and Southwest. In contrast, only 3% of organic half gallon ads ran in those two regions.

Organic milk ads appeared in all six regions. The Southwest leads the organic milk category, with 23.3% of ads. The remaining regional totals include the South Central Region, 20.7%; Northwest, 18.8%; Southeast, 17.9%; Midwest, 15.9%; and Northeast, 3.3%.

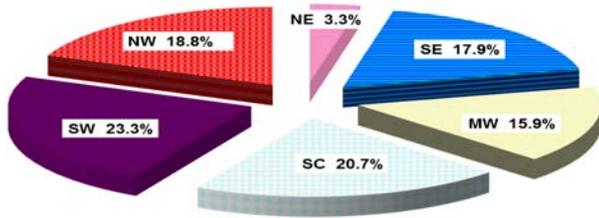
CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

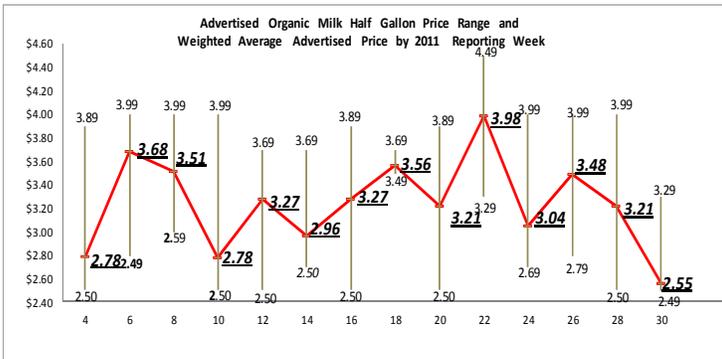
Information gathered July 16 - July 29, 2011

CONTINUED FROM PAGE 8

ORGANIC MILK FEATURES
Regional % of Nationally Surveyed Supermarket Ads
Report - Week 30, 2011



Half Gallons. Advertised pricing for organic milk half gallons decreased this period by 66 cents, following a 27 cent decrease two weeks ago, to a weighted average advertised price of \$2.55. This is the lowest weighted average advertised price since this data series began during fall 2009. The top of the price range declined 70 cents to \$3.29 while the range bottom decreased 1 cent to \$2.49. The range bottom has previously reached \$2.49 four times since Fall 2009, but it has never been lower.



Comparing regional weighted average advertised prices, there is a spread of 19 cents between the Northwest, with the highest weighted average advertised price, and the Northeast, Southeast, South Central and Southwest Regions, each of which have a \$2.49 weighted average advertised price. The spread two weeks ago was 98 cents.

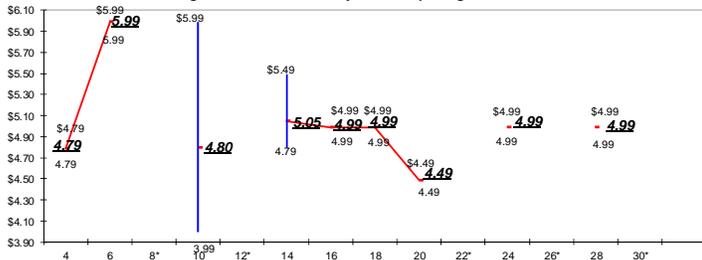
The following table shows the percentage of national half gallon organic milk ads by region and the regional weighted average advertised price.

HALF GALLON ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	06.4	2.49
SE	03.4	2.49
MW	00.0	0.00
SC	15.7	2.49
SW	44.4	2.49
NW	30.5	2.68
US		2.55

Gallons. There were no newspaper supermarket ads for gallon containers of organic milk for the fifth two week period of this year. In contrast, through the same week of last year, 2010, there had been ads for organic gallons of milk every two week period.

Advertised Organic Milk Gallon Range and Weighted Average Advertised Price by 2011 Reporting Week*



8 Ounce Milk. Ad numbers for organic milk in 8 ounce containers this period were above average for 2011 but not among two week periods with the highest numbers. All of the ads were for national brands of organic milk, but mostly for one brand.

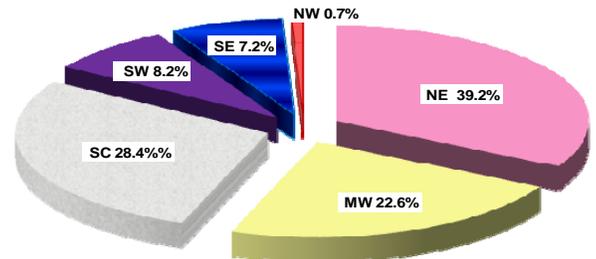
8 OUNCE CONTAINER ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	0.00
SE	34.4	0.97
MW	33.5	1.00
SC	26.3	0.66
SW	00.0	0.00
NW	05.9	1.00
US		0.90

Yogurt. Organic yogurt ad numbers while below two weeks ago, are still 67% above the 2011 bi-weekly average level of newspaper ads. Nevertheless, compared with 2010 through this week, 2011 organic yogurt ads are 68.7% of the 2010 level. Ads this two week period are overwhelmingly for 6 ounce containers of organic yogurt, 1,259, in contrast with 361 for 5.3 ounce Greek yogurt and a total of 36 for organic yogurt 10 ounce smoothies.

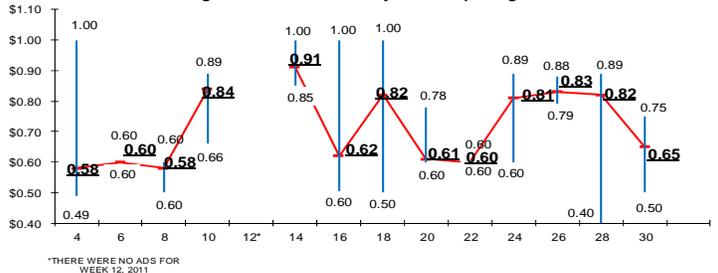
Organic yogurt ads ran in each of the six regions although barely in the Northwest, which had 0.7% of organic yogurt newspaper ads in the national survey. Other regions with organic yogurt ads are the Northeast, 39.2%; South Central, 28.4%; Midwest, 22.6%; and Southeast, 7.2%.

ORGANIC YOGURT FEATURES
Regional % of Surveyed National Newspaper Ads
Report Week 30, 2011



The weighted average advertised price of 6 ounce organic yogurt declined 17 cents to 65 cents. There was a 14 cent decrease in the top of the price range to 75 cents. The bottom of the price range increased 10 cents to 50 cents.

Advertised 6 Oz. Organic Yogurt Price Range and Weighted Average Advertised Price by 2011 Reporting Week



The following table shows the percentage of national organic 6 ounce organic yogurt ads by region and the regional weighted average advertised price.

CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered July 16 - July 29, 2011

CONTINUED FROM PAGE 8-A

6 OUNCE ORGANIC YOGURT ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	39.1	0.72
SE	01.0	0.71
MW	26.9	0.71
SC	33.0	0.50
SW	00.0	0.00
NW	00.0	0.00
US		0.65

For the first time in 2011, there were a significant number of ads for 6 ounce organic yogurt which did not state a price, but which offered one free container for each container purchased. Of total ads for 6 ounce organic yogurt, 67.5% were "buy 1 get 1 free" and 32.5% were ads stating a specific price. There was a different regional emphasis, as the following table depicts when compared with the prior table.

6 OUNCE ORGANIC YOGURT ADS
REGIONAL % for "Buy 1 Get 1 Free" (no price stated)

REGION	%
NE	00.0
SE	43.5
MW	42.5
SC	00.0
SW	14.0
NW	00.0

The 361 supermarket ad placements for 5.3 ounce organic Greek yogurt ran in newspapers in two of six regions, mostly the Northeast, as is set forth in the following table.

5.3 OUNCE ORGANIC GREEK YOGURT ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	96.7	1.03
SE	00.0	----
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	03.3	1.48
US		1.04

Remaining ads for organic yogurt all ran in the Northeast. There were 36 ads for 10 ounce organic yogurt smoothies. The advertised price for each was \$1.00. No other organic dairy products were advertised in the surveyed newspapers this two week period.

SUPERMARKET PRICE COMPARISON:

Madison, Wisconsin Prices. Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period.

Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big box chain store also selling food; and a large local cooperative grocery store.

Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheesemakers.

A table summarizing the survey results follows:

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE
2011 REPORTING WEEK 30

	MADISON, WI		
	LOW	HIGH	RANGE
(In Dollars)			
GALLONS:			
Whole	5.29	6.39	1.10
Reduced Fat (2%)	5.29	6.39	1.10
Low Fat (1%)	5.29	6.39	1.10
Nonfat (Skim)	5.29	6.39	1.10
HALF GALLONS:			
Whole	3.19	4.19	1.00
Reduced Fat (2%)	3.19	4.19	1.00
Low Fat (1%)	3.19	4.19	1.00
Nonfat (Skim)	3.19	4.19	1.00
CHOCOLATE HALF GALLON:			
	3.49	5.69	2.20
YOGURT			
	.79	1.29	0.50
CHEESE – 8 OUNCE BLOCKS:			
Mozzarella	3.59	5.75	2.16
Mild Cheddar	3.79	5.99	2.20
Monterey Jack	4.99	5.99	1.00
Pepper Jack	3.59	5.99	2.40
CHEESE – 6 OUNCE STRING			
Mozzarella	3.49	5.09	1.60
Colby Jack	3.89	5.39	1.40
BUTTER – 1 POUND			
	4.25*	6.19	1.94

*=Price change from prior reporting period

For this report the price range changes were minimal. Only organic butter generated a change in the range, with the range-bottom price decreasing to \$4.25. Other product price changes occurred within the ranges, with shifting prices between stores, but not at a magnitude to change the overall range.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuff prices were mixed. Feed grade corn and soybeans were higher, while all other grains reported were steady to weak. Good demand was reported for corn but light demand reported for all other grains. Offerings of corn were very light, while offerings of soybeans, barley and wheat were light to moderate. The food grade grain trade was extremely limited. Good and premium alfalfa hay in California's Region 3 was \$275-\$305/ton delivered, while good alfalfa hay in Region 1 was \$250/ton. Good alfalfa hay in Idaho was \$240/ton. Premium and supreme alfalfa in western Nevada was \$280-\$300/ton.

Eastern organic grain and feedstuffs prices were mixed, with feed grade corn and feed grade soybeans higher, while feed grade soft red winter wheat was lower. Offerings of grain this period were very light, with good demand for corn and light to moderate demand for all other grains. Corn is reportedly in extremely short supply. The heat wave across the corn belt has minimized feed usage.

Upper Midwest organic grain and feedstuffs were mostly higher, with feed grade barley averaging lower this period. Grain trade was very light due in part to the unusual high temperatures for this time of year in the Upper Midwest. Extremely limited supplies of corn have hampered trade as well, while interest in smaller feed grade grains was less than the previous reporting period. Feed grade corn remains in good demand, with light demand reported for feed grade soybeans and barley.

Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2010 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>1/</u>		Commercial		Government	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Million Pounds		Million Pounds		Million Pounds					
January	119	168	638	588	98	274	98	140	0	134
February	139	203	620	599	124	201	100	154	0	47
March	144	196	611	602	124	176	124	150	NA	26
April	142	206	621	610	150	153	150	145	NA	8
May	170	212	622	615	166	155	166	149	NA	6
June	191	198	619	627		179		177		2
July		194		639		201		197		4
August		155		634		166		164		2
September		130		637		141		139		2
October		109		639		123		123		<u>2/</u>
November		70		625		128		128		<u>2/</u>
December		82		631		145		145		0

NA = Not available.

1/ Includes instant nonfat dry milk. 2/ Less than 500,000 pounds.

Source: U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, May 2011*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, July 2011*.

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

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
APR 2011	226.2	3.2	209.7	6.3	208.3	11.9	212.3	4.6	209.0	22.9	220.7	7.6
MAY 2011	227.0	3.5	211.3	6.9	211.9	13.6	215.0	5.7	215.5	23.4	223.2	8.5
JUN 2011	227.4	3.7	212.3	7.2	213.2	10.9	216.0	6.9	213.6	21.7	223.1	7.2
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Dollars											
APR	3.597	3.140	3.720	2.846	3.891	3.939	5.204	4.647	4.877	4.445		
MAY	3.653	3.178	3.693	2.922	4.052	3.912	5.435	4.713	4.614	4.563		
JUN	3.622	3.297	3.605	2.953	3.922	4.074	5.443	4.525	4.854	4.528		

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—MARCH-MAY 2011 AND YEAR-TO-DATE 2010-2011 ^{1/}

Item	Mar.-May 2010	Percent change ^{2/}	Mar.-May 2011	Percent change ^{2/}	Jan.-May 2010	Percent change ^{2/}	Jan.-May 2011	Percent change ^{2/}
	Million Pounds							
MILK								
Production	50,051	1.3	50,864	1.6	80,834	0.6	82,319	1.8
Marketings	49,810	1.3	50,620	1.6	80,439	0.7	81,919	1.8
Beginning Commercial Stocks ^{3/}	13,138	7.1	12,036	-8.4	11,334	12.8	10,927	-3.6
Imports ^{3/}	648	-27.6	710	9.6	1,178	-25.1	1,155	-2.0
Total Supply ^{4/}	63,596	2.0	63,366	-0.4	92,951	1.6	94,001	1.1
Ending Commercial Stocks ^{3/}	13,712	-2.3	12,884	-6.0	13,712	-2.3	12,884	-6.0
Net Removals ^{3/}	47	261.5	0	-100.0	112	-13.8	112	0.0
Commercial Disappearance ^{4/}	49,837	3.2	50,482	1.3	79,127	2.3	81,117	2.5
SELECTED PRODUCTS ^{5/}								
Butter	396.6	2.1	450.3	13.5	632.0	1.2	710.6	12.4
American Cheese	1,080.7	2.4	1,097.0	1.5	1,737.3	-0.6	1,798.5	3.5
Other Cheese	1,579.3	3.9	1,669.6	5.7	2,543.8	4.3	2,718.4	6.9
Nonfat Dry Milk	447.4	21.5	377.5	-15.6	674.6	15.2	626.0	-7.2
Fluid Milk Products ^{6/}	13,873.0	-0.5	13,618.1	-1.8	23,000.5	-0.9	22,647.1	-1.5

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

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. Fluid Milk Products.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, MAY 2011 1/**

For May 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.14 per cwt., down \$0.01 from the April 2011 average. Eighty-nine percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.77 in the Pacific Northwest to \$3.15 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.11 per cwt., down \$0.11 per cwt. from the April 2011 average. Seventy-seven percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.76	1.15
Southeast	007	2.84	2.19
Florida	006	3.15	0.66
Mideast	033	2.11	1.30
Upper Midwest	030	1.80	1.10
Central	032	1.91	0.92
Pacific Northwest	124	0.77	0.67
All Reporting Areas Combined 3/		2.14	1.11

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

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

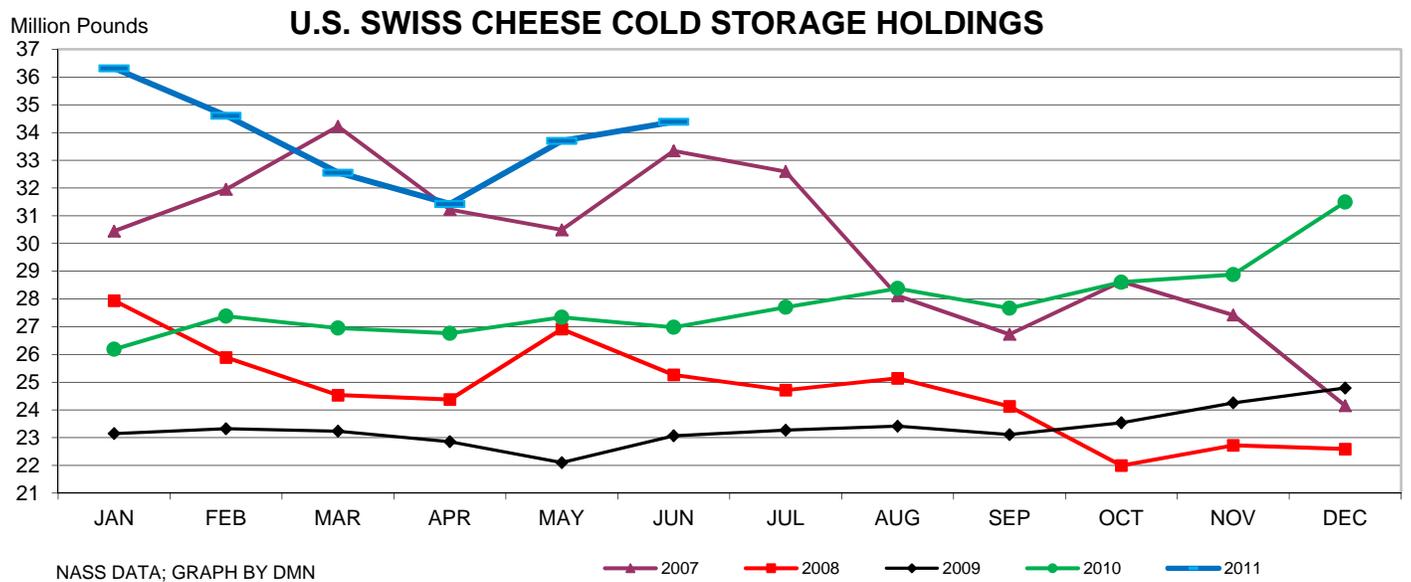
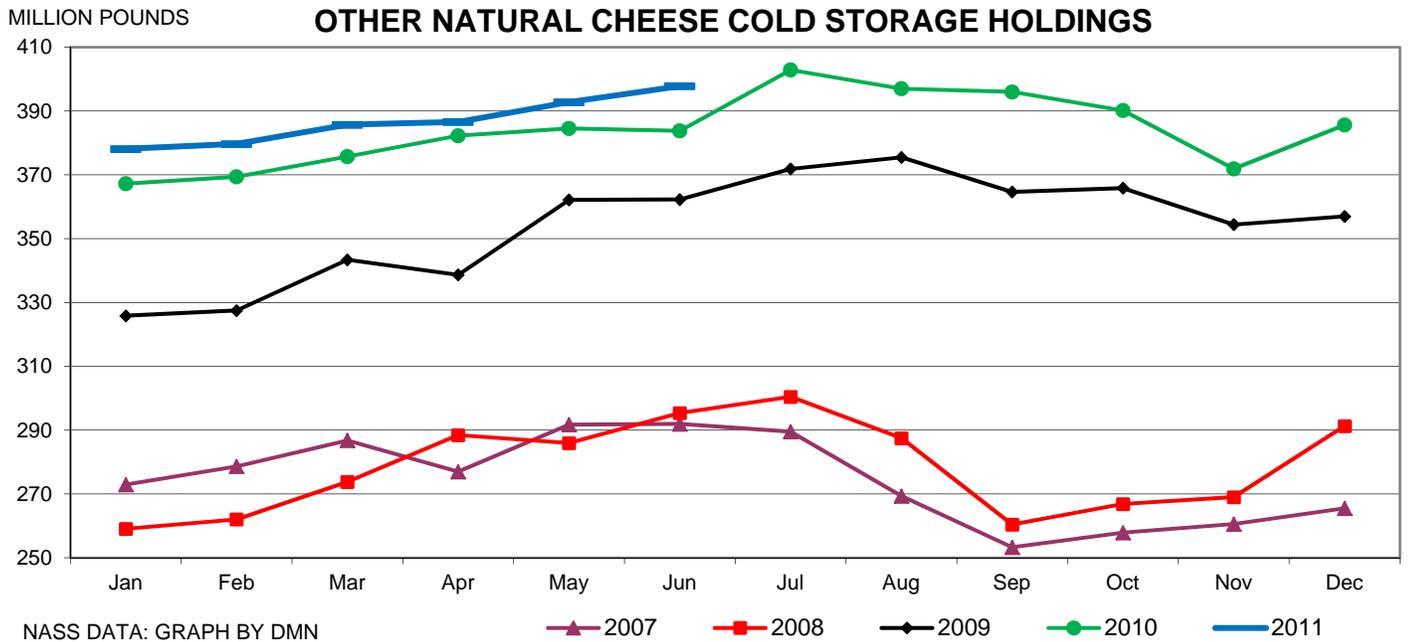
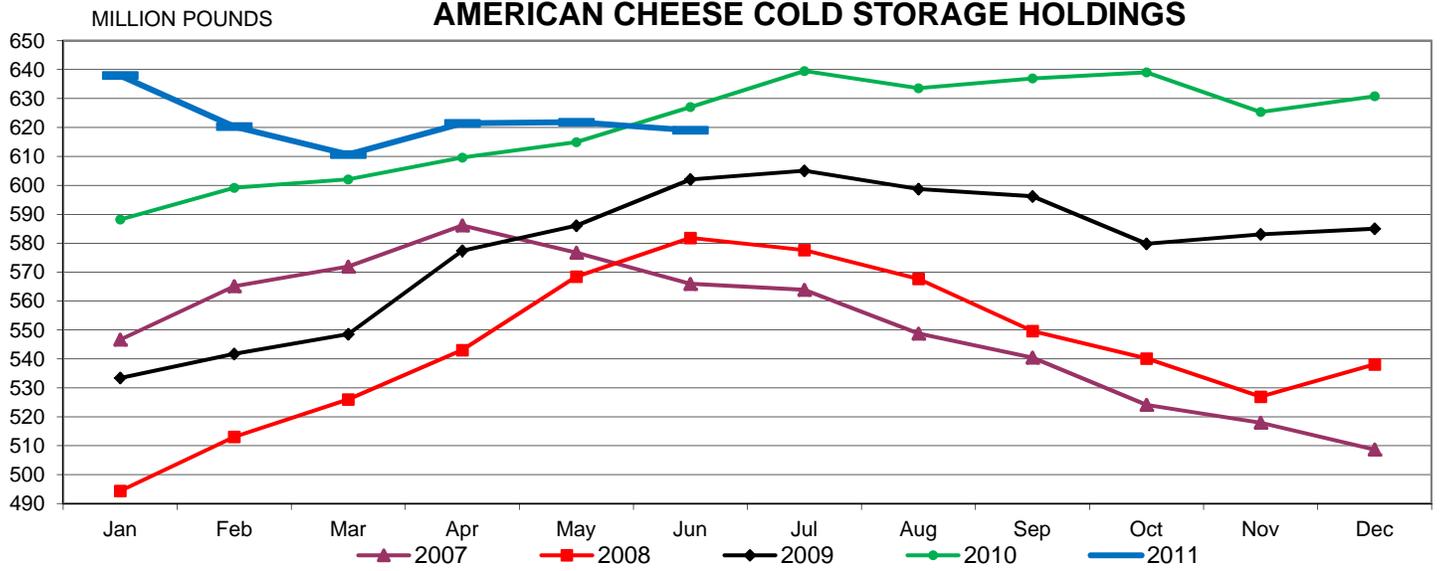
3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, AUGUST 2011, WITH COMPARISONS ^{1/}

For August 2011, the all-city average announced cooperative Class I price was \$26.60 per cwt., \$2.53 higher than the Federal milk order (FMO) Class I price average for these cities. The August 2011 cooperative Class I price was \$0.38 higher than the July 2011 price. The August 2011 Federal order Class I price was \$0.40 higher than the July 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For August 2010, the all-city average announced cooperative Class I price was \$20.92, \$2.51 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

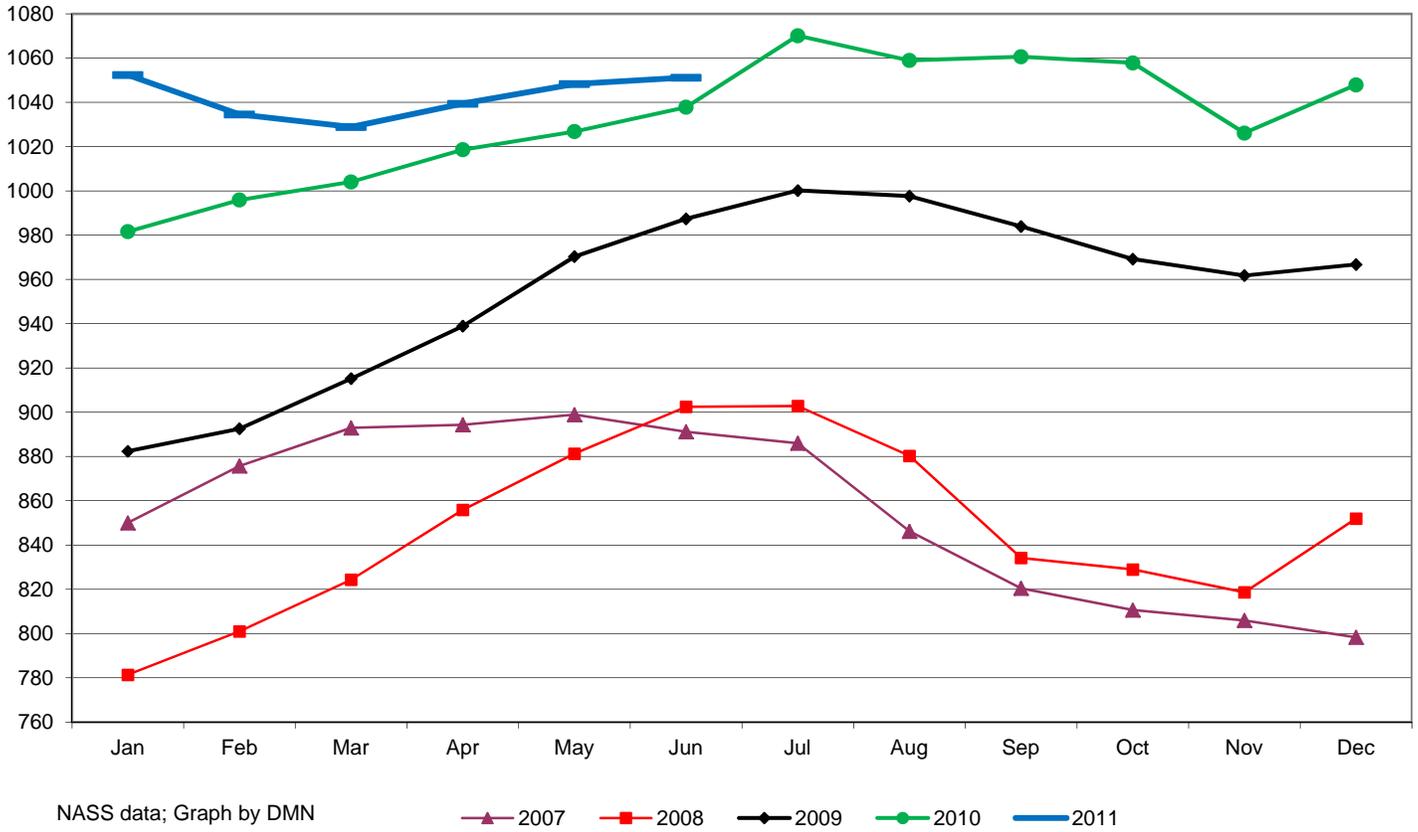
City	August 2011		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	28.53	25.23	3.30
Baltimore, MD	26.10	24.43	1.67
Boston, MA	26.28	24.68	1.60
Charlotte, NC	28.20	24.83	3.37
Chicago, IL	26.66	23.23	3.43
Cincinnati, OH	26.78	23.63	3.15
Cleveland, OH	26.58	23.43	3.15
Dallas, TX	26.56	24.43	2.13
Denver, CO	25.10	23.98	1.12
Des Moines, IA	25.97	23.23	2.74
Detroit, MI	26.35	23.23	3.12
Hartford, CT	26.18	24.58	1.60
Houston, TX	27.36	25.03	2.33
Indianapolis, IN	26.58	23.43	3.15
Kansas City, MO	25.66	23.43	2.23
Louisville, KY	26.90	23.73	3.17
Memphis, TN	27.50	24.33	3.17
Miami, FL	31.64	27.43	4.21
Milwaukee, WI	26.61	23.18	3.43
Minneapolis, MN	25.32	23.13	2.19
New Orleans, LA	27.40	25.23	2.17
Oklahoma City, OK	26.17	24.03	2.14
Omaha, NE	25.72	23.28	2.44
Philadelphia, PA	27.63	24.48	3.15
Phoenix, AZ	24.28	23.78	0.50
Pittsburgh, PA	27.28	23.53	3.75
St. Louis, MO	26.06	23.43	2.63
Seattle, WA	24.12	23.33	0.79
Springfield, MO	26.47	23.83	2.64
Washington, DC	26.10	24.43	1.67
Wichita, KS	25.57	23.63	1.94
Simple Average	26.60	24.07	2.53

^{1/} This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.



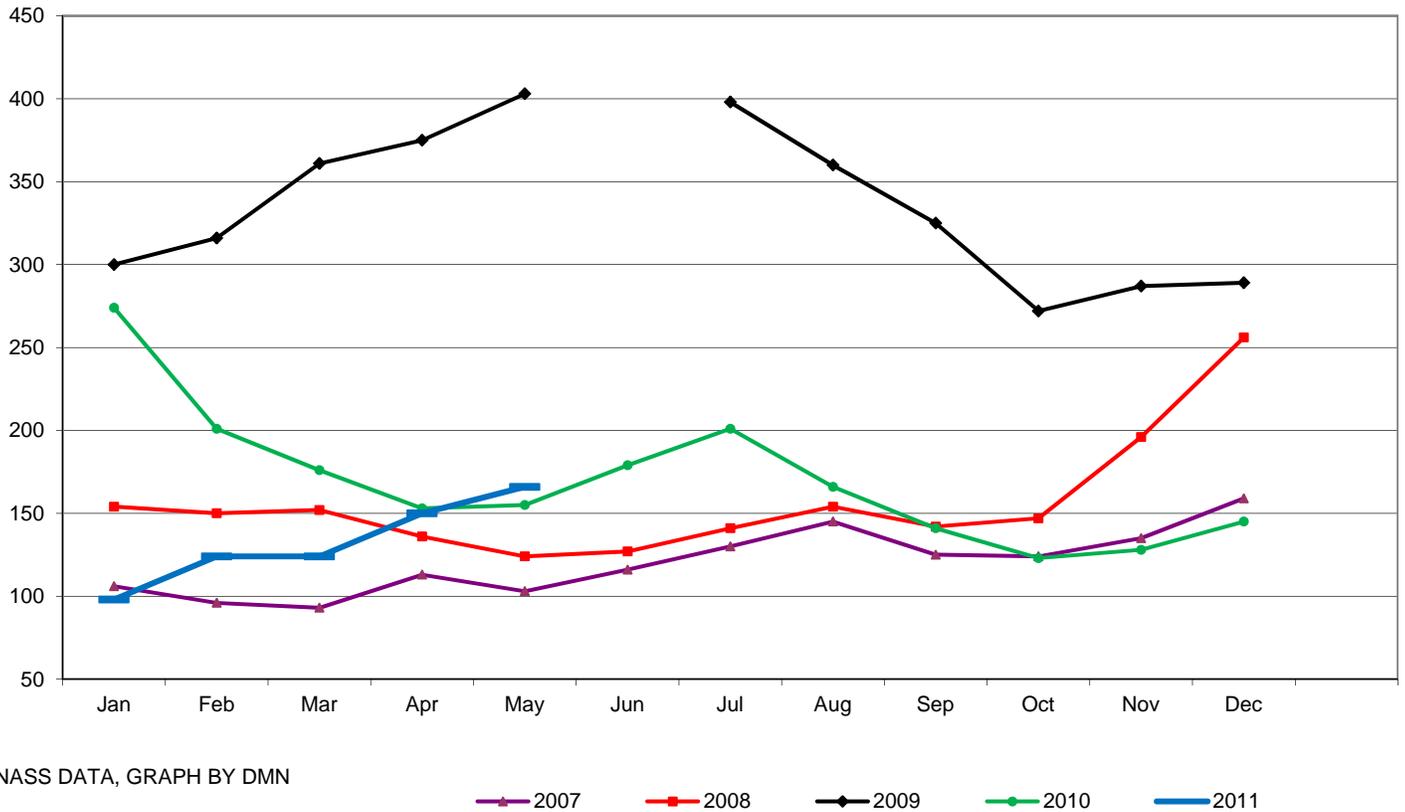
MILLION POUNDS

TOTAL CHEESE COLD STORAGE HOLDINGS



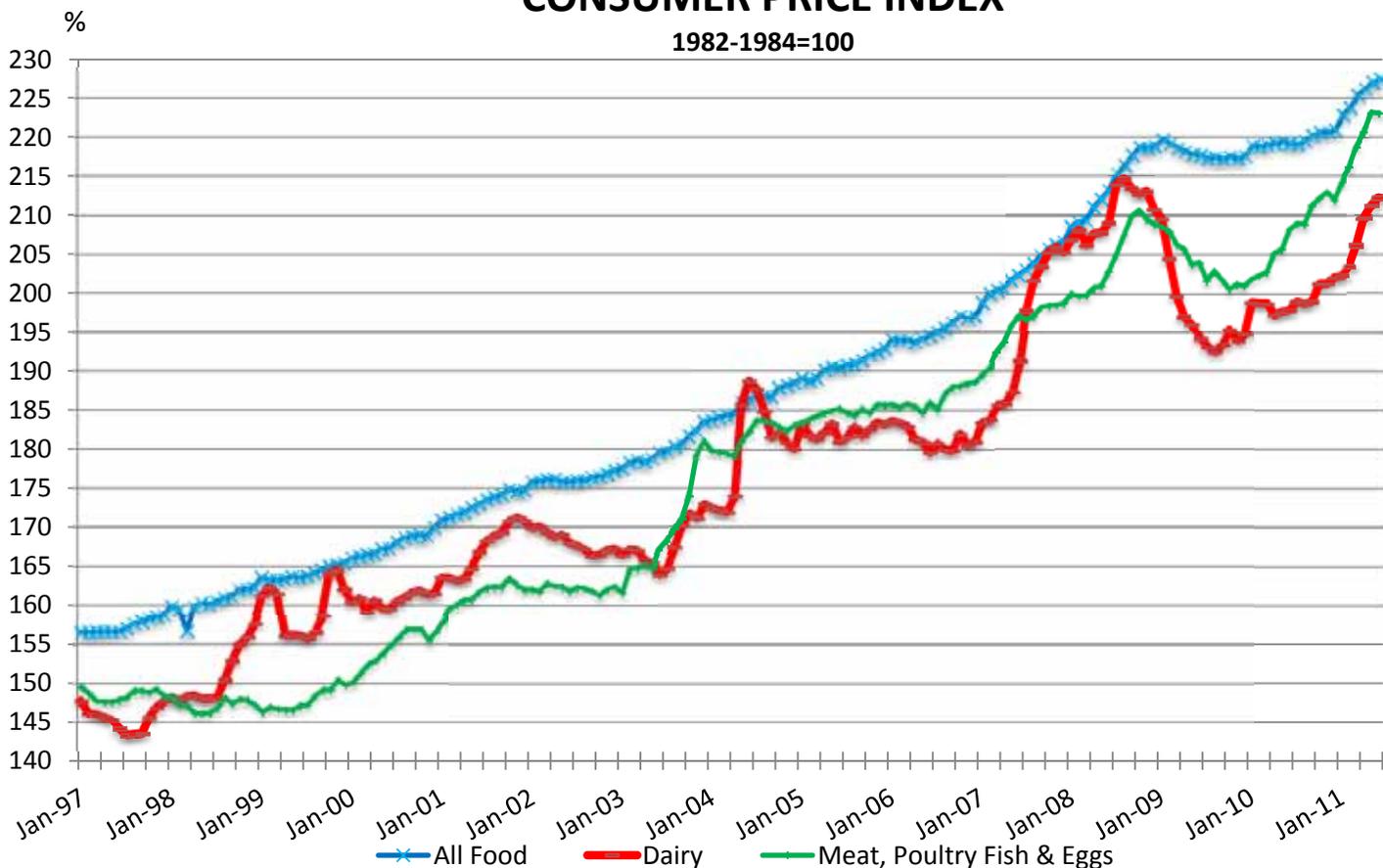
COMBINED GOVERNMENT AND COMMERCIAL NDM STOCKS

MILLION POUNDS



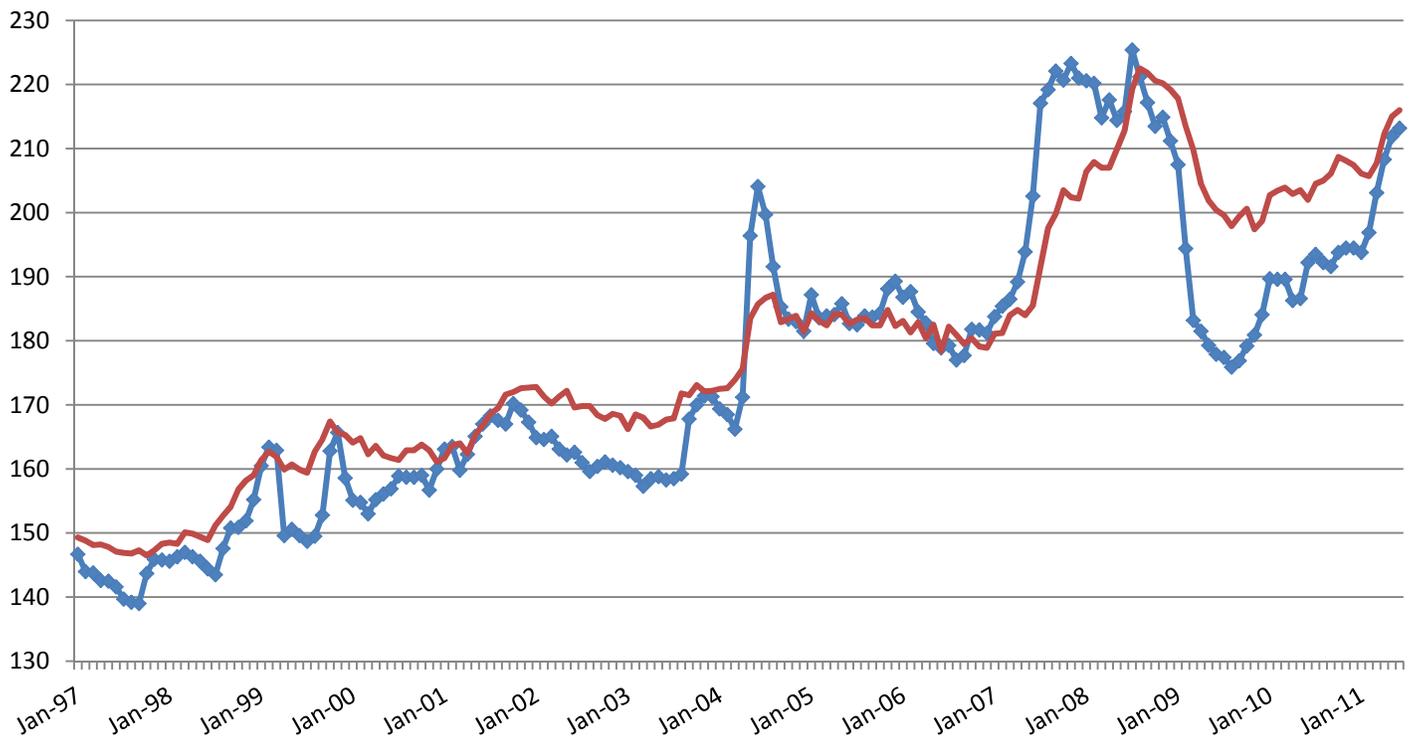
CONSUMER PRICE INDEX

1982-1984=100



CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100
%



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

◆ FRESH WHOLE MILK — CHEESE

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