

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/05):**

BUTTER: Grade AA closed at \$2.1025. The weekly average for Grade AA is \$2.1020 (+.0270).

CHEESE: Barrels closed at \$2.1350 and 40# blocks at \$2.1325. The weekly average for barrels is \$2.1310 (+.0030) and blocks, \$2.1435 (-.0115).

BUTTER HIGHLIGHTS: During the week, the CME Group cash butter price increased slightly and closed the week at \$2.1025. Churning activity across the country is trending lower as cream volumes tighten. Current churning schedules are mostly geared to current needs with additional volumes coming from inventoried stock. Although cumulative butter production for the first six months of the year is running 13.5% ahead of last year, inventories are lighter than desired. Manufacturers and handlers are attributing the lighter inventory figure to heavy export activity during the first half of 2011 when compared to recent years. Domestic demand is seasonal, although some retail buyers indicate that firm prices appear to be hindering consumer buying patterns in their markets. Some scattered retail feature activity is occurring in the Central part of the country at \$1.9900 per pound with a \$10.00 purchase.

CHEESE HIGHLIGHTS: The cheese market is uneven as barrels remain fully steady though some weakness occurred in blocks on the CME Group cash cheese market this week. Plant location is a major factor, those east of the Rockies receiving additional heat and humidity, resulting in reduced milk volumes and components. In parts of the West, operations have milk intakes still near peak levels. Increased milk demand from bottlers as schools reopen also impacts the pool of manufacturing milk, though the volume will become a greater factor late in the month when most are back in session. Most buyers are cautious at \$2.00+ cheese prices and want to keep minimal inventory. Estimated U.S. cheddar production during the first half of 2011 totals 1.603 billion pounds, down 40.2 million pounds (-2.4%) from the same period in 2010. Mozzarella output during the same 6 months of 2011 totals 1.800 billion pounds, up 84.1 million pounds (4.9%) from a year ago. Total cheese output thus far in 2011 is put at 5.297 billion pounds, up 154.8 million pounds (3.0%).

FLUID MILK: The continued extreme heat and humidity covering most of the country has brought about significant declines, 10%-30%, in milk production with the exceptions of California, Utah, Idaho and the Pacific Northwest. Class I demand has increased in the Southeast and in some urban areas where schools have or are about to start their fall terms. Manufacturing schedules are lighter in the Central and Eastern regions due to the reduced milk supply with some plant managers concerned over the future available milk supplies. Manufacturing supplies are available in California and the Pacific Northwest, but finding tankers and securing shipping remain challenges.

Churning is lighter as cream supplies have tightened with spot interest improved, resulting in higher multiples.

DRY PRODUCTS: Nonfat dry milk prices are trending lower. Production is declining in the East and holding mostly steady in the Central region. Offerings of condensed skim are moderate to heavy in the West. Domestic buyers are keen to discount offerings, but are cautious. Dry buttermilk prices continue to trend lower. Production is declining in the East and Central regions, but active in the West. Buying interest is light and buyers are aware of the lower priced product in the NDM market complex. Dry whole milk prices are unchanged to higher. Dry whey prices were steady in the East and West, but mixed in the Central region. Increases in production were noted in the Central region, while the East and West production has slowed. Whey protein concentrate 34% prices are unchanged to lower on a mixed market with uneven production. Lactose prices are unchanged to higher on a firm market as most manufacturers indicate that current contract volumes and spot market interest surpass production capacities. Casein markets and prices remain firm with European production at expected volumes.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Generally, mild summer weather patterns continue to prevail in most of **Europe**. Cool temperatures throughout Europe during July were positive for milk production trends. Milk producers and handlers indicate that a positive start to the current milk production season is carrying through the down side of the season. In most all regions, milk output is running ahead of last year. As the milk production season declines, some manufacturers are tilting their milk intakes toward butter/powder when possible. Demand for both of these products is basically limited to an internal market, but manufacturers anticipate that international buyer interest will be more active once the summer holiday season and Ramadan are over. Some traders are stating that international buyer interest is occurring, but not at significant levels. A milk powder tender, for fourth quarter delivery, was recently concluded which indicated that not as much powder was being sourced from Europe as anticipated. With this occurring, traders and handlers are anticipating another tender will probably develop sooner than later. Many feel that lighter buyer interest is being attributed to a weakening trend in prices. Buyers generally step back from the marketplace until prices become more stable. Traders do indicate that international buyers are once again looking at European sourced dairy products as European prices are declining to levels of other international offerings. Overall, stocks are available for current and future needs with whole milk powder probably the most snug. As of July 17, PSA butter storage figures are at 82,575 MT. Butter producers are stating that this is about the level of holdings last year at this time. Intervention skim milk powder, distributed

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CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 01	TUESDAY AUG 02	WEDNESDAY AUG 03	THURSDAY AUG 04	FRIDAY AUG 05	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$2.1300 (N.C.)	\$2.1300 (N.C.)	\$2.1300 (N.C.)	\$2.1300 (N.C.)	\$2.1350 (+.0050)	:: (+.0050)	:: \$2.1310 (+.0030)
40# BLOCKS	\$2.1525 (-.0025)	\$2.1500 (-.0025)	\$2.1500 (N.C.)	\$2.1325 (-.0175)	\$2.1325 (N.C.)	:: (-.0225)	:: \$2.1435 (-.0115)
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	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	:: (N.C.)	:: \$1.5100 (-.0120)
BUTTER							
GRADE AA	\$2.1000 (N.C.)	\$2.1025 (+.0025)	\$2.1025 (N.C.)	\$2.1025 (N.C.)	\$2.1025 (N.C.)	:: (+.0025)	:: \$2.1020 (+.0270)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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through the most deprived people food scheme, continues to be offered into the market place for potential sale. The winter season continues to make its presence known with cold temperatures and snow in **New Zealand** while wet in **Australia**. An unusual snowfall occurred in many regions of New Zealand within the past few weeks which was the first occurrence of this magnitude in many years. Milk producers and handlers in New Zealand stated that temperatures did dip quite low, but now have become more seasonal for late winter. In Australia, the winter season has been basically mild, although some dairy regions of Victoria, especially Gippsland, continue to deal with excessive moisture. Milk producers in wet areas of Victoria are indicating that it will be challenging for them to manage their paddocks during early spring until drier conditions prevail. Most milk producers and handlers remain very optimistic about the upcoming new milk production year. Much of this enthusiasm is carrying over from last season as most producers finished the year on a positive note. Although still too early to realize production trends, milk producers and handlers in New Zealand continue to project a 3 - 5% increase with Australian estimates in the 1 - 2% range. The new milk production season will be resuming within 4 - 6 weeks with noticeable increases in New Zealand by the end of the month and a few weeks later for Australian producers. Trading activity at this time is slow as Ramadan began earlier this week and carryover supplies from last season are minimal. At the **August 2 g/DT event**, average prices again were mostly lower, with the exception of buttermilk powder and milk protein concentrate which were slightly higher. An overall weak trend has prevailed for the past several trading events. Easing of g/DT prices is generally impacting commercial pricing, although prices are often not declining as strongly as the g/DT percentages indicate.

JULY AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices received by farmers for dairy products increased 7 points during the month of July 2011 to 169. Compared with July 2010, the index was up 47 points (38.5%). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2011 increased 2 points at 206 from the previous month. Compared with July 2010, the index was up 25 points (13.8%).

JUNE DAIRY PRODUCTS (NASS): Butter production was 140.7 million pounds in June, 20.1% above June 2010 but 9.5 below May 2011. American type cheese production totaled 364.4 million pounds, 1.5% below June 2010 and 1.8% below May 2011. Total Cheese output (excluding cottage cheese) was 894.1 million pounds, 1.3% above June 2010 but 2.3% below May 2011. Nonfat dry milk production, for human food, totaled 145.7 million pounds, 6.4% above June 2010 but 1.6% below May 2011. Dry whey production, for human food, was 80.7 million pounds, 2.9% above June 2010 but 7.4% below May 2011. Ice cream (hard) production totaled 76.4 million gallons, 7.8% below June 2010 but 1.9% above May 2011.

AUGUST CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the 2011 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$21.29 (-\$0.08), Class III \$21.39 (+\$2.28), and Class IV \$20.33 (-\$0.72). Product price averages used in computing Class prices are: butter \$2.0304, NDM \$1.6159, cheese \$2.1243, and dry whey \$0.5494. The Class II butterfat price is \$2.2581 and the Class III/IV butterfat price is \$2.2511. Further information may be found at: www.ams.usda.gov/AMSV1.0/PriceFormulas2011

CME GROUP

MONDAY, AUGUST 1, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1525
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 2, 2011

CHEESE -- SALES: 9 CARS 40# BLOCKS: 2 @ \$2.1450, 3 @ \$2.1400, 1 @ \$2.1375, 1 @ \$2.1450, 1 @ \$2.1475, 1 @ \$2.1500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 6 CARS GRADE AA: 4 @ \$2.1000, 2 @ \$2.1025; LAST BID UNFILLED: 5 CARS GRADE AA @ \$2.1000; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 3, 2011

CHEESE -- SALES: 5 CARS 40# BLOCKS: 2 @ \$2.1350, 1 @ \$2.1450, 1 @ \$2.1475, 1 @ \$2.1500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.1300
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1100

THURSDAY, AUGUST 4, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1325
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, AUGUST 5, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$2.1300; 2 CARS 40# BLOCKS @ \$2.1325; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1350; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1325
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.1025

BUTTER MARKETS

NORTHEAST

The CME Group butter price increased \$.0025 Tuesday and closed at \$2.1025. In the last 6 trading sessions butter increased \$.0625 in fairly active trading with 13 loads sold. Butter production continues to decline in the face of reduced cream volumes, brought about by the steep reductions in milk production and component levels. A number of plants are opting to sell what available cream they have at this week's higher multiples in lieu of making butter. A couple of plants have found it necessary to rework butter in combination with their current production to fill current orders. Prices for bulk butter range from 6-8 cents over the market, based on the CME Group with various time frames and averages used. The CME Group average butter price for July was \$2.0443, \$.2656 higher compared to July 2010. According to NASS, cumulative 2011 butter production through June was 13.5% above cumulative year production for the same period for 2010. June 2011 monthly U.S. butter production totaled 140.7 million pounds, down 9.5% from May, but 20.1% more when compared to June 2010. Atlantic region butter production in June 2011 totaled 11.6 million pounds, down 27.6% from May, but 11.2% more than June, 2010.

CENTRAL

The CME cash butter price continues to gain strength during daily trading and settled at \$2.1025 at midweek. This cash price compares to \$1.8425 last year at this time and \$1.2450 in 2009. The CME cash prices has remained above the \$2.0000 level every day thus far in 2011 except for 17 trading days. The year started out at \$1.6900 per pound, but quickly increased to \$2.1000 within the first trading week and since that time dipped to \$1.9250 in mid-May before quickly returning to the \$2.0000 level or higher. Some manufactures and handlers are having difficulty putting their arms around a butter price of this level and inventory management strategies. Churning at the current time is challenged by lighter cream offerings and firmer than desired prices. In some instances, butter producers are choosing to sell a portion of their cream volumes versus churning for current and future needs. In many instances, current churning is keeping pace with demand with some reaching into inventoried stock to round out orders. Inventories of butter remain lighter than desired for this time of the season. Current butter orders are good. Some retail promotional

activity is being reported in the Central part of the country at \$1.9900 per pound with a \$10.00 purchase. Food service orders are holding up fairly well as the summer vacation season continues. Restaurant traffic flow has been mixed this summer. Some food service buyers are stating that traffic is better than usual while others are stating that they see a noticeable decline. Excessive heat and humidity, unsettled economic conditions, and lower discretionary spending are some of the factors being mentioned that may be impacting food service sales. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Wednesday's close at the CME Group for butter was unchanged at \$2.1025. The current price of \$2.1025 is the highest price since July 21. Sales for the week are moderate with six loads traded on Tuesday of this week. Western butter prices are higher as tight supplies weigh on the market. Although production is higher than a year ago, the heat wave across much of the country is reducing production levels from last month. Demand is being tempered by higher prices. Buyers are looking to fill immediate needs and taking a wait and see attitude towards future purchases. Prices for bulk butter range from even to 6 cents under the market, based on the CME with various time frames and averages used. CME Group average price for July 2011 for butter is \$2.0443 compared to \$1.7787 for July 2010. According to the NASS Dairy Products report, June butter production for the U.S. totals 140.7 million pounds, up 20.1% or 23.6 million pounds from June of last year. Production was down 9.5% or 14.8 million pounds from May 2011. Cumulative output through June for the U.S. is 935.7 million pounds, up 13.5% or 111.5 million pounds from the same period in 2010. June output in the Western region totals 77.1 million pounds, up 17% or 11.2 million pounds more than June 2010. The West produced 54.8% of the butter in the U.S. in June.

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 30	2.1062 11,847,127	2.1344 8,993,593	1.5832 17,237,246	2.0085 10,430,552	0.5591 7,849,955

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group Tuesday had barrels unchanged and closed at \$2.1300, while blocks declined \$.0025 and closed at \$2.1500. Wholesale prices for Process 5# Sliced cheese increased \$.0125, while Cheddar 40# Block and Muenster increased \$.0150 as result of the weekly average cheese price increases on the CME Group. Cheese production has declined as milk production and components have dropped significantly in the face of extended periods of hot, humid weather. Some cheese makers are using nonfat dry milk to offset declining components and boost yields. Cheese sales are reported as mostly steady with inventories marginally declining. Cooperatives Working Together (CWT) recently accepted 8 requests for export assistance to export 7.9 million pounds of cheddar cheese to customers in Asia, the Middle East, Central America, Europe, and the South Pacific. Delivery will occur from August to December. According to the latest NASS report, June 2011 total cheese production in New York was 55.7 million pounds, 7.7% less than May and 10.7% less than June 2010. Pennsylvania produced 34.6 million pounds in June, 6.4% less than one month earlier and 3.0% less than one year ago. Vermont produced 9.9 million pounds, 2.4% less than last month, but 15.9% more than June 2010. The total of all cheese production for June in the Atlantic region was 108.8 million pounds, down 5.6% from May and 4.5% less compared to the same period last year. Atlantic region cheese production accounted for 12.2% of total U.S. production. Total U.S. cheese production in June 2011 totaled 894.1 million pounds, 2.3% less than May, but 1.3% more than June 2010. Cumulative 2011 U.S. Cheese production through June was 3.0% greater than comparable 2010 production. Focusing on Italian cheese, in June, New York produced 31.4 million pounds, 1.6% less than May, but 7.5% more than June 2010. Pennsylvania produced 21.8 million pounds in June, 8.3% less than May and 9.4% less than June 2010. The Atlantic region in June, produced 59.7 million pounds of Italian cheese, 2.9% less than May, but 1.6% more than the same period last year.

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

Cheddar 40# Block	:	2.4750-2.7500
Process 5# Sliced	:	2.2375-2.5475
Muenster	:	2.4950-2.7000
Grade A Swiss Cuts 10 - 14#	:	3.3475-3.6700

MIDWEST

The cheese market is steady despite recent price movement on the CME Group cash cheese market. The weather continues to impact cheese production, whether at the current time or possibly later in the year. Some extra milk is also moving to bottlers, particularly where schools are opening, mainly next week. Plant operating schedules are generally lighter as a result. Cheese makers are adjusting production procedures to maximize the yields associated with the lower milk components. Regardless, cheese production is steady at best, generally lower through most of the Midwest. Supplemental cheese loads are still available from the West where summer heat has been less of an issue. Few packagers and/or processors need overtime to fill current orders unless preparing for a school or Labor Day related promotion. As the reopening of more schools and football season nears, mozzarella demand is improving.

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

Process American 5# Loaf	:	2.4875-2.6775
Brick And/Or Muenster 5#	:	2.6675-2.7500
Cheddar 40# Block	:	2.5900-2.8650
Monterey Jack 10#	:	2.6300-2.8650
Blue 5#	:	2.9225-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.5000-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.7500-3.3300

WEST

Cheddar barrels have remained steady this week at the CME Group. Wednesday's close for barrels was at \$2.1300. Blocks at midweek are unchanged at \$2.1500. The block price lowered a quarter cent on both Monday and Tuesday. While barrels continue to show no sales activity this week, blocks have traded fourteen loads since Monday. Western cheese prices are steady to firm. Prices are significantly higher than year ago levels. Contract fulfillment continues to lead most sales. Manufacturers report lower solids in milk deliveries and yields at cheese plants are reflecting this. The higher prices have held back some sales as buyers hope for prices to moderate. Stocks of cheese are sufficient for current needs, with some producers limiting production to match demand. CME Group monthly average price for July 2011 for Barrels is \$2.1124 compared to July 2010 at \$1.5161. Blocks averaged \$2.1150 for July 2011 compared to \$1.5549 for last year. According to the NASS Dairy Products report, total cheese production in the U.S. in June reached 894.1 million pounds, up 1.3% or 11.5 million pounds from last year. Cumulative total cheese output for the U.S. through June is 5.3 billion pounds, up 3% or 154.8 million pounds from the same period in 2010. June total cheese production in the Western region was 380.7 million pounds, up 3.6% or 13.2 million pounds from June 2010. The West produced 42.6% of all the cheese in the U.S. in June. Swiss output for the U.S. in June is 28.4 million pounds, up 3.3% or 0.9 million pounds from last year.

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

Process 5# Loaf	:	2.2550-2.5125
Cheddar 40# Block	:	2.2850-2.6375
Cheddar 10# Cuts	:	2.4650-2.6850
Monterey Jack 10#	:	2.4750-2.6350
Grade A Swiss Cuts 6 - 9#	:	2.9250-3.3550

FOREIGN

Wholesale prices for all domestic varieties increased \$.0150 as a result of the weekly average price increase for CME Group block cheese. Prices for imported varieties and Swiss cuts were unchanged. Production of domestic Italian type cheeses and domestic Swiss cheese have declined due to the reduction in the milk supply and components, brought about by the recent extended period of hot, humid weather covering much of the nation. According to the latest NASS report, domestic Parmesan production during June 2011 totaled 24.2 million pounds, 4.5% less than May, but 25.8% more than June 2010. Provolone production during June totaled 29.5 million pounds, 3.2% less than May and 3.0% less than June 2010. Romano production during June 2011 totaled 3.8 million pounds, 5.9% less than May, but 59.5% more than June 2010. Swiss production during June 2011 totaled 28.4 million pounds, 2.3% less than May, but 3.3% more than June 2010.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.0400	: 2.6150-4.1025*
Gorgonzola	: 3.6900-6.3900	: 3.1175-3.3775*
Parmesan (Italy)	: -0-	: 3.7375-4.1475*
Provolone (Italy)	: 3.4400-6.3900	: 2.6575-2.8150*
Romano (Cows Milk)	: -0-	: 3.8050-5.9475*
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.

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CHEESE MARKETS

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

	<u>BUTTER</u>	:	<u>CHEESE</u>
		:	
08/01/11	8,265	:	137,538
07/01/11	9,174	:	129,170
CHANGE	-909	:	-8,368
% CHANGE	-10	:	+6

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	0	0	0
SOUTHEAST STATES	0	0	0	0	35	0

Milk production declines are continuing throughout the East. The declines, brought about by the extended period of oppressive heat and humidity, were steeper than expected and greater than those experienced in recent years. Manufacturing milk supplies have also declined significantly with numerous plant managers restricting their fluid contracts to the minimum levels allowed. The Northeast remains dry with a majority of the region having top soil moisture levels rated as short or very short of moisture. The dry conditions have also adversely affected pasture conditions in Pennsylvania with 58% of the pastures rated as poor or very poor. The dry conditions have raised concerns about the quantity and quality of the future feed supply and the adverse effects it may have on the Northeast dairy herd. The Southeast Class I demand has increased as various schools on year round schedules are scheduled to resume classes next week with the bulk of schools starting at mid-month. The decline in milk production has concluded the necessity to utilize auxiliary manufacturing plants for the foreseeable future. Temperature issues continue to be a concern for long haul loads. Florida's milk production has also dropped significantly with many producers beginning to dry off cows. Florida neither imported nor exported spot loads of milk this week. Cream supplies have declined dramatically in conjunction with the heat related milk supply decreases with one plant manager commenting that "Cream is nonexistent". Demand for cream continues to be good from Class II manufacturers with some managers having to restrict production due to the tight cream supply. Cream multiples have increased and range from 138-151. Supplies of condensed skim have also declined causing plant managers to restrict their condensed skim contracts to their minimum levels. Demand for condensed skim remains good from Class II manufacturers. Spot sales of condensed skim are very limited in the East with some Class II and III manufacturers securing supplies from other regions at lower price levels. Ice Cream production in the Atlantic region in June totaled 16.4 million gallons, 5.3% more than May, but 5.2% less than June 2010. U.S. Yogurt production (plain and flavored) for June totaled 376.4 million pounds, up 8.2% from May and 3.8% above the same period last year. Cumulative 2011 yogurt production through June totaled 2,186 million pounds, 3.9% higher than through June 2010.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast -	2.8635-3.1125
F.O.B. producing plants: Upper Midwest -	2.7598-3.0295

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.71 - 1.75
Northeast - Class III - spot prices -	1.40 - 1.46

MIDWEST

Another bout of heat and humidity in northern and central states again reduced milk receipts and hurt milk component levels to the point of again hearing the "white water" comment from handlers. Despite over a month of elevated temperatures in the Southwest, milk receipts have been holding up, aided by the increase in cow numbers. Regardless, milk volumes have tightened, particularly as milk shipments to bottlers and, shipments to meet pooling requirements started in the new month.

A small volume of milk is also going to locations where schools are set to reopen next week though the share will increase as the month goes on. Some realignment of milk suppliers to bottlers in a couple regions may affect milk availability for some manufacturers. Where schools reopen later in the month, fluid interest is about steady with recent weeks though some needed supplemental loads to offset the reduced load size on direct shipped loads. Manufacturing plant operating schedules are lighter as a result with some operations cutting hours and others reducing the number of days operated. A small increase in the number of "higher than allowed" temperature loads at bottlers did return some to manufacturing. Manufactured product yields are low. At some locations, protein levels warrant adding condensed skim or NDM to vats to maximize the fat in the vat. Cream prices are strong as the supplies declined and demand improved. More milk is needed to generate a load of cream with the lower fat tests. Recent temperatures have allowed some crops to catch up on their lagging heat units, at least in areas with adequate precipitation. The drought continues in Texas and nearby states while flooded fields remain along the Missouri river in states such as Iowa. Winter feed availability, along with price, is a major concern in flooded and drought areas. Some forecasts have reduced estimated corn and soybean yields due to heat stress on crops.

WEST

The July 4a price (butter/powder) in CALIFORNIA is \$20.07, down \$0.72 from June but \$4.45 higher than last year. This is first month to month decline for the 4a since December 2010. The July 4b price (cheese) is \$19.35, \$0.56 higher than June and \$5.98 more than last year. This is the sixth highest 4b price on record and the highest since November 2007. CALIFORNIA milk production is mostly steady. Some areas are noticing an increase in milk output as temperatures are less severe. While daytime highs often reach 100 degrees, cooler nighttime lows provide relief to milk cows. Stress levels are low to moderate with free stalls, fans and misters providing a more comfortable environment for milk cows. Plants are running well. Some cheese plants are taking more milk. Cream and condensed skim offerings are moderate and available. Often, the biggest obstacle is finding or affording transit of the products. ARIZONA milk production continues to trend lower because of seasonal, hot weather conditions. Milk cows are under more stress and the cumulative effects of the weather are playing more of a role in the milk declines. Processing plants have returned to normal schedules following some planned downtimes last week. The weather conditions remain a factor in the distance that milk and components can be shipped. Locally, Class I needs are uneven with some milk features noted at various retailers. Milk production in NEW MEXICO is steady to lower and affected by hot weather conditions. Plant milk intakes are often level and above a year ago levels because of additional cows in the milking herds in the state. Farm level returns are positive but constricted because of higher input costs. Processing plants were having some issues this week with a dryer problem at one plant limiting output over a couple days. Hay harvest is in the fourth cutting and characterized by lower yields and high prices. Supplemental hay needs are being filled from nearby states. CREAM markets are firming as demand is improving for several sectors, including ice cream. Hot weather conditions in Arizona and New Mexico are limiting milk volumes and fat content. Supplies are more available in California but finding tankers and securing shipping remain challenges. Hot weather is shortening supplies in demand areas and buyers for those areas are reaching further to secure cream supplies. The CME butter price is trending slightly higher, up 2.25 cents over a week ago, at \$2.1025 on Wednesday. Cream multiples and overages

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

are also trending higher, resulting in higher overall cream values. Buying interest has improved at the same time cream availability has dipped. Shipping issues remain a factor in timely moving loads. Cream multiples moved higher and range from 120-138 and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST continues to be heavy as moderate temperatures persist. Daytime temperatures are warm, but not to the extent that most of the rest of the country is experiencing. Manufacturers are busy handling the available supplies and moving milk to the nearest plants. Transportation costs are high and truck availability is also a factor. UTAH and IDAHO milk supplies are above expectations as moderate weather continues. An increased herd size has added to milk production. Discounts are being offered on some excess loads and are finding buyers from out of the region. Some dairymen are hoping for more heat units to accelerate crop growth in the region. Feed and transportation costs are high, so locally grown feeds are helpful to the bottom line. According to the NASS *Agricultural Prices* report for July, mid-month U.S. prices for baled alfalfa hay were \$189/ton, \$72/ton more than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$230, +\$100; California \$237, +\$116; Colorado \$180, +\$55; Idaho \$223, +\$121; Nevada \$198, +\$88; New Mexico \$240, +\$83; Oregon \$226, +\$76; Utah \$200, +\$90; and Washington \$180, +\$50. Month to month price changes for the region were from \$1.00 lower to up \$32.00 per ton. For the United States, alfalfa prices went up \$9.00 per ton from June's value. According to the NASS *Agricultural Prices* report for July, quarterly milk cow prices for dairy herd replacement only, for the U.S. sold at \$1480 per head, \$160 more than a year ago. Slaughter prices for cull beef and dairy cows for the U.S. were significantly higher and helped to offset higher replacement costs. The cull cattle price was \$74.40/cwt. compared to \$59.10/cwt. a year ago.

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 Prices for nonfat dry milk in the Central region adjusted lower this week. End user desire for spot market NDM is light. As global prices for skim milk powder and domestic NDM indices have decreased over the last few weeks, domestic buyers are purchasing on a just in time basis to sidestep decreases in NDM holding valuations. Nonfat dry milk production is mostly steady, although spot sales of condensed skim into Class III facilities are trending lower and freeing up some dairy solids to clear through the dryers. Spot condensed skim loads from the West are reportedly clearing into Central ice cream facilities as a few cheese plants out West readjust cheese production to reflect current lighter cheese ordering. The July 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.6563 compared to \$1.6788 one month ago and \$1.2584 in July 2010. The July 2011 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.7535 compared to \$1.7632 one month ago and \$1.3730 in July 2010. According to NASS, NDM production in the Central region totaled 18.1 million pounds during June 2011, 4.7% more than one month ago and 20.9% more than one year ago.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of human food NONFAT DRY MILK during June 2011 totaled 145.7 million pounds, down 1.6% from May 2011 production but 6.4% higher than June 2010. Cumulative nonfat dry milk production for 2011 totals 793.3 million pounds, 4.6% lower than 2010 production during the same time span. Month ending stocks, at 188.5 million pounds, are 13.6% higher than a month ago and 6.5% higher than one year ago. June 2011 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 33.3 million pounds, 6.7% lower than one month ago but 1.8% higher than production one year ago. Cumulative 2011 skim milk powder production totals 214.0 million pounds, compared to 134.7 million pounds during the same time span in 2010, a 58.9% increase in production.

EAST: Prices for nonfat dry milk moved lower again this week with continued spot sales discounted below contracted price levels. High heat prices also moved lower. The nonfat dry milk market is reaching a crossroad as the current availability of uncommitted supplies, which has prompted recent price discounts, faces the realization, at least in the East, of future supply constraints. The extended period of oppressive hot, humid weather has significantly reduced milk production in the East. Combining lower milk production with the increase in Class I demand, because of the approaching school year, along with the existing demand for milk from Class II and III manufacturers will greatly decrease milk volumes available for nonfat dry milk production. Some Eastern manufacturers and brokers are monitoring their inventories closely as they consider the possibility of limited future production. The market remains unsettled as numerous buyers and sellers await a clearer market picture, prior to taking a market position.

DAIRY PRODUCTS ATLANTIC REGION: The latest NASS Dairy Products report indicates nonfat dry milk production for June in the Atlantic region totaled 18.7 million pounds, 12.8% of the nation's total. The Atlantic region production was 12.0% less than one year ago, but 7.3% more than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.5300 - 1.6800 **MOSTLY:** 1.5500 - 1.6500
HIGH HEAT: 1.6500 - 1.7500

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices continue to trend lower. The market tone remains weak. Market activity was lighter this week than in recent weeks. The number of offerings is declining, yet there were still blocks being shown and ultimately trading under the

market. These trades moved the pricing series lower. Trading prices based off indices were also trending lower, reflecting the lower index pricing of recent weeks. World skim milk powder markets are also weaker, moving into the \$1.50's arena. Export interest for U.S. powders (NDM and SMP) has been slow to build for future sales. Domestic buyers are keen to discount offerings, but are cautious. Resellers and end users continue to attempt to move part of their holdings to keep product moving and to protect against possible future market price declines. Offerings of condensed skim are moderate to heavy from the West. High heat NDM prices are following low heat pricing patterns, albeit at a slower pace, as producers adjust prices. Demand is seasonally light and producers are able to fill orders. U.S. NDM production in June 2011 totaled 145.7 million pounds, 6.4% more than last year. Cumulative YTD output through June totals 793.3 million pounds, down 4.6% from the same period in 2010. NDM production in the Western region in June totaled 108.9 million pounds, up 8.1% from last year. The West produced 75% of the U.S. total in June. U.S. manufacturers' stocks of NDM at the end of June were 188.5 million pounds, 6.5% higher than a year earlier and 13.6% higher than May 2011. U.S. skim milk powder (SMP) production in June totaled 33.3 million pounds, 1.8% more than last year but 6.7% less than May. Cumulative YTD output for SMP through June totals 214.0 million pounds, up 58.9% from the same period in 2010.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.4500 - 1.5900 **MOSTLY:** 1.4700 - 1.5700
HIGH HEAT: 1.5900 - 1.7700

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are lower this week and the market tone is weaker. Buyer interest in building inventories during the current market is light, so, spot load activity is intermittent and sometimes facilitated by attractive pricing. Most sales activity is tied to contract fulfillment. Some Western cream is clearing into the Central, moving mostly to churns. However, some Central plants indicate spot cream interest and the attendant multiples are favorable for cream sales. This is decreasing churning/dry buttermilk production in those locations. Dry buttermilk inventories are steady to building. The July 2011 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.5625 compared to \$1.5611 one month ago and \$1.3650 in July 2010.

DAIRY PRODUCTS: NASS Dairy Products reports production of dry buttermilk during June totaled 7.5 million pounds, 9.8% less than one month ago but 31.3% more than production one year ago. Cumulative 2011 dry buttermilk production totals 52.5 million pounds, 21.8% more than during the same time span of 2010. Month ending stocks of dry buttermilk, at 18.7 million pounds, are 5.6% higher than one month ago and more than double the stock levels of one year ago.

EAST: Dry buttermilk prices declined this week with a significant decline on the low end of the range. The overriding cause for the decline in prices is due to the weaker nonfat dry milk market. Declines in milk production and component levels have reduced cream supplies, resulting in lower butter and corresponding dry buttermilk production. Condensed buttermilk sales to ice cream and ice cream mix manufacturers have also contributed to the decline in output. Inventories of dry buttermilk are decreasing as product moves through contracts. Spot market activity remains light as potential buyers consider more readily available and lower priced nonfat dry milk as a product alternative.

F.O.B. CENTRAL/EAST: 1.4000 - 1.6000

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

CONTINUED FROM PAGE 5

DRY BUTTERMILK - WEST

Western dry buttermilk market prices continue to trend lower and the market undertone remains weak. Producer offerings are moderate to heavy, especially for this time of the year. Buying interest is light and buyers are aware of the lower priced product in the NDM market complex. Production of dry buttermilk is still active as cream moves towards the churns and creates buttermilk solids. Stocks are available at most producer locations. Buttermilk powder production in June 2011 for the U.S. totals 7.5 million pounds, up 31.3% from last year. Buttermilk stocks at the end of June were 18.7 million pounds, 109.5% higher than a year ago and 5.6% higher than last month.

F.O.B. WEST: 1.3500 - 1.4450 MOSTLY: 1.3700 - 1.4100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 29	\$1.5722	13,083,815	0
July 22	\$1.5364	24,957,346	0

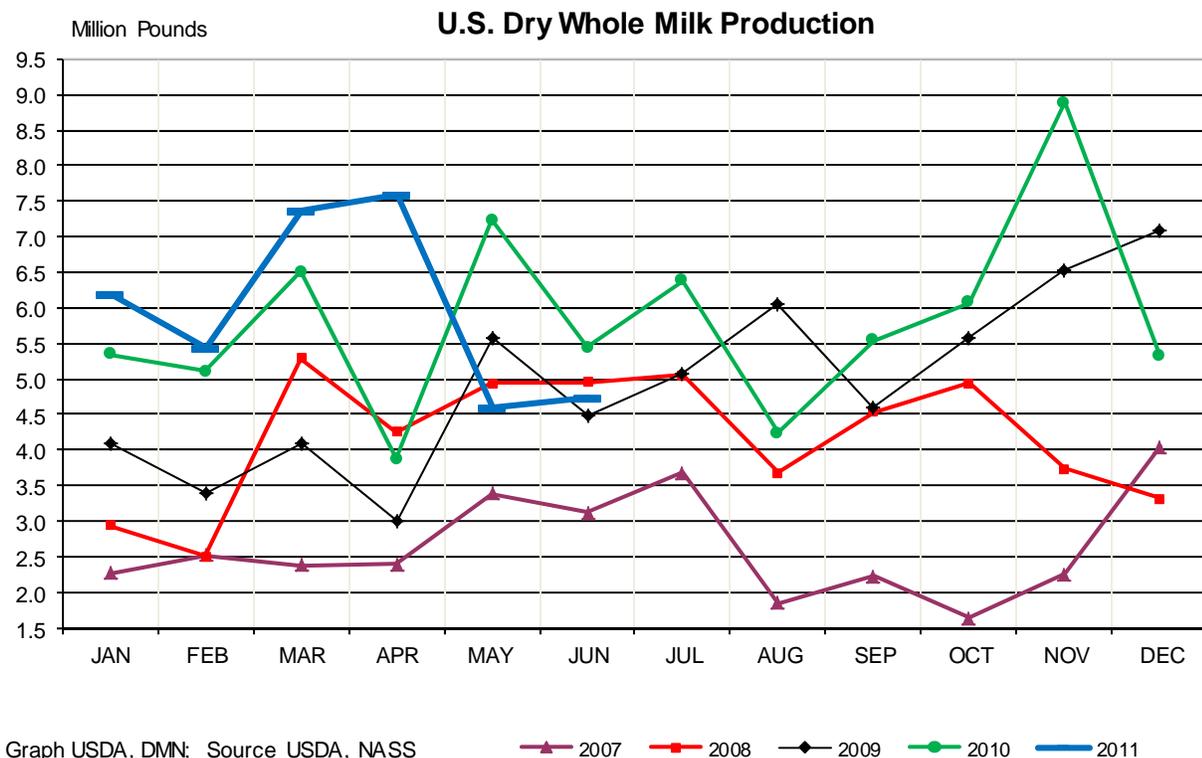
Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to higher, exhibiting some strength despite pressure from the domestic NDM and global SMP markets. Production opportunities for some plants have evaporated with the disappearance of intermittent milk supplies. Other plants are considering placing dry whole milk into the near term production schedule as a means of clearing butterfat and using dryers more fully as farm milk intakes taper off seasonally. The June 2011 Dairy Market News average of the range price series for dry whole milk was \$1.9610 compared to \$1.9875 one month ago and \$1.6100 in July 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during June 2011 totaled 4.7 million pounds, up 3.0% from May 2011 but 13.2% lower than June 2010. Cumulative 2010 production totals 35.9 million pounds, a 7.1% increase from 2010 production during the same time period.

F.O.B. PRODUCING PLANT: 1.9200 - 2.0600



WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices are both higher and lower on an unsettled market. Some contract prices readjusted to various indices as shipments were finalized. Spot load activity was curtailed by limited F.O.B. offerings, and pricing was steady to fractionally lower than in recent weeks as buyer price concerns mount. F.O.B. spot offers are, in some cases, a result of one – two week push backs by contract buyers. Many end users indicated their operational plans call for working through current holdings before acquiring more inputs. Resale pricing reportedly remains within the \$.60 - \$.70 channel, but the overall resale market tone is described as weaker. Dry whey production is mostly higher compared to last week throughout the region as milk intakes regained some volumes through midweek. ANIMAL FEED DRY WHEY prices are steady. Human food dry whey production during June 2011 in the Central region totaled 40.4 million pounds. This dry whey production is 1.0% more than May 2011 production and 2.9% higher than June 2010. The July 2011 Dairy Market News average of the mostly price series for Central dry whey was \$0.5310 compared to \$0.5084 one month ago and \$0.3427 in July 2010. The July 2011 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.4739 compared to \$0.4452 month ago and \$0.2713 in July 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of HUMAN FOOD dry whey during June 2011 totaled 80.7 million pounds, 7.4% less than May 2011 but 2.9% more than production 1 year ago. Cumulative dry whey production for HUMAN FOOD totals 511.6 million pounds, a 4.7% increase compared to the same time span in 2010. June ending stocks of HUMAN FOOD dry whey totaled 44.1 million pounds, 9.0% lower than 1 month ago and 0.6% lower than June 2010. Production of ANIMAL FEED dry whey during June 2011 totaled 3.3 million pounds, 25.6% less than the production of May 2011, and 57.1% lower than production 1 year ago. ANIMAL FEED dry whey month ending stocks totaled 2.5 million pounds, 11.5% higher than one month ago but 63.7% lower than the stocks of one year ago.

F.O.B. CENTRAL: .5000 - .5850 MOSTLY: .5200 - .5550
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3975 - .5500

DRY WHEY - NORTHEAST

Prices for dry whey held steady this week with limited spot trading and a firm market undertone. Dry whey production is declining following decreases in cheese production, brought about by reductions in milk production. Supplies remain very tight in the Northeast with a majority of the product contracted out for the remainder of the year. Buyers looking for additional loads have limited availability through resale opportunities, but are required to pay above the market range in order to secure the product. Domestic and export demand remains good. The July 2011 Dairy Market News average of the price series for Northeast dry whey was \$0.5559 compared to \$0.5282 one month ago and \$0.3679 in July 2010. The latest NASS Dairy Products report shows production of dry whey for human consumption for June 2011, in the Atlantic area totaled 20.1 million pounds, or 25.2% of the nation's total for June of 80.7 million pounds. The Atlantic area's production is 11.3% less than May, but 6.9% above production one year ago.

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

DRY WHEY - WEST

Western dry whey prices are steady for the range price series this week. The mostly series is fractionally higher following contract pricing indices. Spot loads are difficult to source from manufacturers as cheese production has slowed in some areas. Stocks are described as tight. Reseller loads are available but are priced at a premium. The July 2011 Dairy Market News monthly average price for Western dry whey range was \$0.5735 compared to \$0.3769 for July 2010; the Western dry whey mostly series averaged \$.5727 compared to \$.3843 a year ago. According to the NASS Dairy Products report, total dry whey production in June totaled 84 million pounds, down 2.4% or 2.1 million pounds compared to June 2010. The Western region produced 19.9 million pounds of human dry whey in June, down 0.8% or 0.2 million pounds from last year. The West produced 24.7% of the human dry whey in the U.S. in June. Cumulative total dry whey production for the year in the U.S. is 534.7 million pounds, up 2.9% or 15.2 million pounds from 2010. Manufacturers' stocks at the end of June for total dry whey are 46.6 million pounds, down 8.9% or 4.6 million pounds from last year.

NONHYGROSCOPIC: .5450 - .6100

MOSTLY: .5650 - .6050

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are unchanged to lower on a mixed market. F.O.B. based spot load offers cropped up intermittently this week but buyer price resistance hampered some sales. Resales are reportedly clearing at prices within the range price series, which is a change from just a week or two ago when resale prices reportedly topped that series. WPC 34% production is uneven from location to location. Milk intakes at some cheese/WPC 34% facilities improved compared to last week, yielding increased volumes of WPC 34%. However, some manufacturers are limiting cheese production, their first tier product, due to conditions in the cheese market: comparatively high cheese prices and slower cheese ordering, especially with the Italian cheese sector. This has the net effect of decreasing WPC 34% production at those locations. Most WPC 34% manufacturers indicate inventories are comfortable to light. The July 2011 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.5650 compared to \$1.5570 one month ago and \$0.9444 in July 2010.

DAIRY PRODUCTS: The NASS Dairy Products report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during June 2011 totaled 20.9 million pounds, 2.1% more than one month ago but 0.7% lower than production of one year ago. Cumulative WPC (25.0-49.9% PROTEIN) production for 2011 totals 118.7 million pounds, 3.7% lower than 2010 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 – 49.9% PROTEIN) totaled 16.9 million pounds, 18.5% more than May 2011 but 18.6% less than June 2010.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.5000 - 1.6300 MOSTLY: 1.5300 - 1.5800

CONTINUED ON PAGE 6

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.

CONTINUED FROM PAGE 6

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged to higher on a firm market. Farm milk availability for cheese/lactose production climbed higher compared to last week as more moderate weather conditions settled into the Central region. Some Central plants report recapturing 30% or more of the milk volumes lost during the previous week. However, some manufacturers of Italian-type cheeses indicate the pace of new orders has slowed in tandem with rising cheese prices. As a result, production of cheese/lactose at those facilities has slowed and spot loads of milk are reportedly moving to other end uses. Lactose interest is active in both the domestic and international markets. In addition, some manufacturers mentioned requests by new entrants into the lactose market for meetings and plant tours. Most manufacturers indicated that current contract volumes and spot market interest surpass production capacities, therefore there are limited opportunities to fulfill the interests of new buyers. Discussions for 2012 volumes are taking place between some manufacturers and buyers, with pricing strategies also part of the dialogues. The July 2011 Dairy Market News average of the mostly price series for Central and West lactose was \$0.5540 compared to \$0.4700 one month ago and \$0.3277 in July 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows HUMAN and ANIMAL lactose production during June 2011 increased 3.4% compared to May 2011 to 88.9 million pounds and was 13.2% higher than June 2010 production. Cumulative 2011 lactose production totals 496.0 million pounds, 14.3% more than during the same time span in 2010. Month ending stocks, at 78.9 million pounds, are 7.3% more than one month ago and 1.8% higher than one year ago.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .7400 MOSTLY: .5500 - .6200

CASEIN - NATIONAL

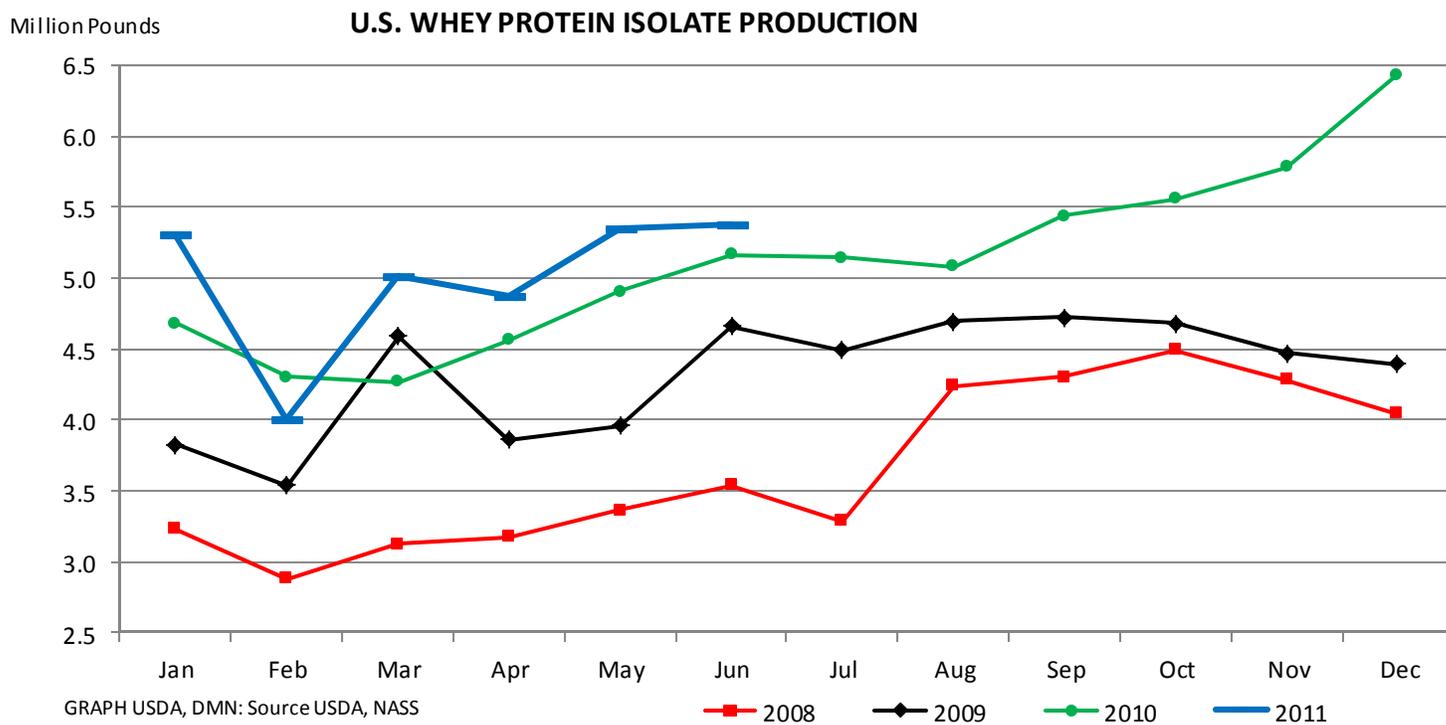
Casein markets and prices remain firm. The European casein industry continues to generate volumes along projections. The current milk production season is positive in that most all product lines are getting sufficient volumes of milk to maintain steady production schedules for current needs. Often at this time of the summer, milk volumes are declining to the point that milk is being diverted away from some products to facilitate others. Casein milk volumes are often in this situation, but this year, casein output remains positive. As has been the case for most of the season, production continues to be geared to known needs with minimal, uncommitted, volumes being generated. The Oceania milk production season is about to resume, thus it will be a number of weeks before casein production resumes. Milk producers and handlers along with casein producers are very optimistic about the upcoming season. Casein producers are hopeful that milk volumes will build at a steady pace and that casein might experience an earlier than usual start to their production season.

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

EVAPORATED MILK - NATIONAL

Canned evaporated milk production during June 2011 totaled 44.0 million pounds, an increase of 6.1% from May 2011 but 4.6% lower than June 2010. Manufacturers' end-of-month stocks totaled 80.4 million pounds, 15.4% higher than one month ago but 19.9% lower than one year ago.



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered July 24—August 6, 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: Generally, mild summer weather patterns continue to prevail in most of Europe. Cool temperatures throughout Europe during July were positive for milk production trends. Milk producers and handlers indicate that a positive start to the current milk production season is carrying through the down side of the season. In most all regions, milk output is running ahead of last year. As the milk production season declines, some manufacturers are tilting their milk intakes toward butter/powder when possible. Demand for both of these products is basically limited to an internal market, but manufacturers anticipate that international buyer interest will be more active once the summer holiday season and Ramadan are over. Some traders are stating that international buyer interest is occurring, but not at significant levels. A milk powder tender, for fourth quarter delivery, was recently concluded which indicated that not as much powder was being sourced from Europe as anticipated. With this occurring, traders and handlers are anticipating another tender will probably develop sooner than later. Many feel that lighter buyer interest is being attributed to the summer holiday season, Ramadan, and a weakening trend in prices. Buyers generally step back from the marketplace until prices become more stable. Traders do indicate that international buyers are once again looking at European sourced dairy products as European prices are declining to levels of other international offerings. Overall, stocks are available for current and future needs with whole milk powder probably the most snug. As of July 17, PSA butter storage figures are at 82,575 MT. Butter producers are stating that this is about the level of holdings last year at this time. Intervention skim milk powder, distributed through the most deprived people food scheme, continues to enter the market place. Due to the age of this powder, most is clearing into animal feed channels. This buyer interest is easing as animal feed buyers are not as active in the marketplace as they were a few weeks ago.

BUTTER/BUTTEROIL: European butter markets and prices are weaker. Overall, prices are easing, although European prices remain significantly higher than other international offerings. International sales are not occurring, thus trading activity is centered around an internal market. Butter producers and handlers are indicating that stocks are available for both internal and international needs. As of July 17, PSA butter holdings total 82,575 MT. which butter handlers feel is about where PSA totals were last year at this time.

82% BUTTERFAT: 5,725 - 5,950
99% BUTTERFAT: 6,050 - 6,350

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are generally steady, although prices did adjust higher and lower. European traders and handlers feel that current price levels are very conducive to sales activity as other international offerings are basically at these levels. Currently, buyer interest is centered around an internal market, although some international sales are being reported. Typically, this time of the summer is a slow sales period as buyers are enjoying the summer holiday period. A recent milk powder tender did not source as much powder out of Europe as many anticipated. Traders and handlers are projecting that another tender might appear in the near future.

1.25% BUTTERFAT: 3,225 - 3,400

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are weaker, although traders and handlers are indicating that whole milk powder supplies might not be as plentiful as they have been. Some manufacturers, when possible, are tilting milk volumes away from whole milk production and directing them towards butter/powder. Sales activity remains centered around an internal market with limited international sales being reported. Results of a recent milk powder tender did not source as much milk powder out of Europe as projected by traders and handlers. Many feel that a developing weaker market might have been the cause for the lower volumes, but also feel that another tender might be in the near future, especially once prices stabilize.

26% BUTTERFAT: 4,150 - 4,375

SWEET WHEY POWDER: European whey powder markets and prices are holding generally steady. Cheese production is slightly lower than earlier this summer, but is still active enough to meet cheese needs. Whey volumes are available for both an internal and international market. Whey handlers are stating that international buyer interest is picking up as European prices are becoming more favorable to international buyers. For quite some time, other international whey sources have had lower prices, thus European suppliers were often out of the market.

NONHYGROSCOPIC: 1,100 - 1,250

EASTERN OVERVIEW: Milk production in Eastern Europe is now past the peak in most all regions. Cooler summer temperatures are providing for good milk production comfort conditions for the milking herd, thus the down side of the season is declining at a gradual pace. Milk producers and handlers are stating that milk volumes are running stronger than last season in most regions. Good milk production is providing sufficient milk volumes to maintain steady, near capacity, manufacturing levels in most facilities. Traders and handlers indicate that stocks are available for internal and international buyer interest with prices slightly lower than Western offerings for some items.

Exchange rates for selected foreign currencies: August 2, 2011

1.0449 Canadian Dollar	.0226 Indian Rupee
.2427 Argentina Peso	.8765 New Zealand Dollar
.0853 Mexican Peso	1.0971 Australian Dollar
.3565 Polish Zloty	.0130 Japanese Yen
	1.4250 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 24—August 6, 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 continues to make its' presence known with cold temperatures and snow in New Zealand while wet in Australia. An unusual snow fall occurred in many regions of New Zealand within the past few weeks which was the first occurrence of this magnitude in many years. Milk producers and handlers in New Zealand stated that temperatures did dip quite low, but now have become more seasonal for late winter. In Australia, the winter season has been basically mild, although some dairy regions of Victoria, especially Gippsland, continue to deal with excessive moisture. Milk producers in wet areas of Victoria are indicating that it will be challenging for them to manage their paddocks during early spring until drier conditions prevail. Grazing dairy herds on wet pastures can quickly damage paddock conditions. Although winter weather patterns are impacting late season conditions, most milk producers and handlers remain very optimistic about the upcoming new milk production year. Much of this enthusiasm is carrying over from last season as most producers finished the year on a positive note. In recent years, the end of the season was not as positive, thus contributing some challenges to producers as they started a new production year. Although still too early to realize production trends, milk producers and handlers in New Zealand continue to project a 3 - 5% increase with Australian estimates in the 1 - 2% range. The new milk production season will be resuming within 4 - 6 weeks with noticeable increases in New Zealand by the end of the month and a few weeks later for Australian producers. In many instances, a significant portion of the first half of the upcoming season's milk production has been committed to regular and ongoing customer needs. Traders and handlers are stating that most commitments are following along anticipated patterns. Trading activity at this time is slow as Ramadan began earlier this week and carryover supplies from last season are minimal. At the August 2 g/DT auction, average prices again were mostly lower, with the exception of buttermilk powder and milk protein concentrate which were slightly higher. An overall weak trend has prevailed for the past several trading events. The average prices covering all contracting periods and the percentage change from the previous event average are: anhydrous milk fat, \$4,297 per MT, -7.2%; buttermilk powder, \$3,319, +3.3%; skim milk powder \$3,479, -1.4%; whole milk powder, \$3,474, -0.3%; milk protein concentrate, \$5,632, +1.7%; rennet casein, \$9,498, -1.4%; and cheddar cheese, \$4,220, -2.3%. Easing of g/DT prices is generally impacting commercial pricing, although prices are often not declining as strongly as the g/DT percentages indicate.

BUTTER: Oceania butter markets and prices are weaker. Although this is the off season for butter production in the region, prices are trending lower. Traders and handlers are stating that Oceania prices are now nearing other international prices and well below European quotes. Stocks are minimal as the new production season is still 4 - 6 weeks away. At the August 2 g/DT event, anhydrous milk averaged \$4,297 per MT, -7.2% when compared to the previous event all contract average. Since the June 1 g/DT event, the average price has declined \$1,372 from \$5,669 per MT. For the most recent event, contract #1 (October)

averaged \$4,290 per MT, -5.6% when compared to the previous contract #1 average; Contract #2 (November - January) averaged \$4,248, -8.3%; and contract #3 (February - April) averaged \$4,556, -7.8%.

82% BUTTERFAT:

4,300 - 4,800

SKIM MILK POWDER (SMP): Skim milk powder markets are weak with prices trending lower. At the August 2 g/DT event, skim milk powder averaged \$3,479 per MT, -1.4% when compared to the previous all contract average. This all contract average compares to \$4,372 per MT at the June 1 event. During the August 2 event, contract #1 (October) averaged \$3,488, -3.7%; contract #2 (November - January) \$3,466, -0.3%; and contract #3 (February - April) \$3,495, -1.2%. Traders and handlers continue to use the g/DT as a component in determining commercial prices, but the weak trend at the trading event is influencing lower commercial pricing. Often, commercial prices are not adjusting at the percentage change levels of the event, but adjusting in the direction of the trading results.

1.25% BUTTERFAT:

3,488 - 3,900

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are weaker with prices slightly higher on the low end of the reported range to generally lower. Traders and handlers are indicating that prices are adjusting lower in response to overall weakening trends for most all Oceania sourced dairy products. Although this is the low production season, markets are positioning themselves for the new season which will resume in about a month. At the August 2 g/DT event, whole milk powder prices averaged \$3,474 per MT, down 0.3% when compared to the previous all contract average. Near term contract #1 (October) averaged \$3,477 per MT, -0.6%; for contract #2 (November - January) \$3,453, -0.1%; and for contract #3 (February - April) \$3,546, -0.4% when compared to the various previous contracting period averages.

26% BUTTERFAT:

3,477 - 3,800

CHEDDAR CHEESE: The Oceania cheddar cheese market and prices are weaker. Cheese output is at seasonally low levels, thus no new stock will be available for about 4 - 6 weeks. Traders and handlers are stating that cheese orders for the upcoming season are looking good and are basically in line with projections. Cheddar cheese traded for the second time at the August 2, g/DT event. The all contract price averaged \$4,220 per MT., -2.3% from the previous all contract price. For October shipment, contract #1, prices averaged \$4,118 per MT., -12.6% from the previous near term contract, but was up 4.7% during the contract #2 period (November - January) to \$4,321 per MT. There were no February - April contracts traded.

39% MAXIMUM MOISTURE:

4,118 - 4,600

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered July 24—August 6, 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.

AUGUST 2, 2011 Global/Dairy Trading (g/DT) event 49 recap US \$ per metric ton								
Average prices and Changes in price Indices from Previous event	Contract #1		Contract #2		Contract #3		All Contracts	
	October 2011		November 2011 - January 2012		February - April 2012			
Anhydrous Milk Fat	\$4,290	-5.6%	\$4,248	-8.3%	\$4,556	-7.8%	\$4,297	-7.2%
Buttermilk Powder	\$3,225	N.A.	\$3,455	3.3%	N.A.	N.A.	\$3,319	3.3%
Skim Milk Powder	\$3,488	-3.7%	\$3,466	-0.3%	\$3,495	-1.2%	\$3,479	-1.4%
Whole Milk Powder	\$3,477	-0.6%	\$3,453	-0.1%	\$3,546	-0.4%	\$3,474	-0.3%
Milk Protein Concentrate	\$5,785	4.6%	\$5,515	-1.0%	N.A.	N.A.	\$5,632	1.7%
Rennet Casein	\$9,515	-3.6%	\$9,481	-5.3%	N.A.	N.A.	\$9,498	-1.4%
Cheese	\$4,118	-12.6%	\$4,321	4.7%	N.A.	N.A.	\$4,220	-2.3%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	07/21	07/22	07/25	07/26	07/27	07/28	07/29	08/01	08/02	08/03
CME - CLASS III MILK FUTURES (Pit-Traded)										
JUL 11	21.25 (7139) 0	21.33 (7033) 0	21.33 (7004) 0	21.34 (6937) 0	21.34 (6933) 0	21.33 (6900) 0	21.38 (6782) 0	21.38 (6761) 7	21.38 (6736) 1	21.36 (6738) 0
AUG 11	21.10 (6412) 32	21.32 (6396) 5	21.26 (6384) 0	21.10 (6385) 0	21.34 (6410) 0	21.41 (6430) 2	21.46 (6442) 0	21.50 (6415) 8	21.43 (6377) 0	21.45 (6359) 0
SEP 11	20.09 (5911) 3	20.26 (5883) 3	20.36 (5935) 5	20.25 (6067) 100	20.55 (6201) 35	20.71 (6278) 5	20.67 (6326) 0	20.80 (6407) 0	20.42 (6300) 0	20.31 (6230) 0
OCT 11	19.29 (4762) 1	19.36 (4816) 1	19.44 (4820) 3	19.32 (4822) 35	19.49 (4889) 0	19.63 (4934) 15	19.67 (4966) 0	19.89 (5041) 0	19.61 (5049) 0	19.53 (5099) 0
NOV 11	18.53 (3926) 1	18.53 (3914) 1	18.55 (3945) 3	18.47 (3980) 35	18.52 (4009) 0	18.61 (4006) 15	18.65 (4007) 0	18.85 (4059) 0	18.66 (4085) 0	18.65 (4106) 0
DEC 11	17.66 (3655) 1	17.67 (3646) 1	17.66 (3643) 3	17.49 (3627) 35	17.61 (3643) 0	17.73 (3670) 15	17.71 (3654) 0	17.90 (3633) 0	17.74 (3609) 0	17.73 (3628) 0
JAN 12	17.03 (898) 0	17.17 (908) 0	17.18 (938) 0	17.14 (936) 0	17.20 (938) 0	17.28 (963) 0	17.21 (975) 0	17.28 (980) 0	17.18 (987) 0	17.19 (1009) 0
FEB 12	16.70 (800) 0	16.81 (806) 0	16.81 (824) 0	16.77 (827) 0	16.81 (833) 0	16.99 (852) 0	16.96 (868) 0	17.03 (887) 0	17.00 (897) 0	17.02 (916) 0
MAR 12	16.63 (752) 0	16.72 (758) 0	16.74 (778) 0	16.74 (786) 0	16.81 (790) 0	16.95 (815) 0	16.90 (836) 0	17.00 (859) 0	17.00 (865) 0	17.00 (885) 0
APR 12	16.58 (544) 0	16.66 (554) 0	16.69 (560) 0	16.69 (565) 0	16.71 (566) 0	16.90 (593) 0	16.89 (600) 0	16.94 (598) 0	16.88 (598) 0	16.89 (623) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JUL 11	20.60 (712) 0	20.60 (712) 0	20.51 (712) 0	20.51 (712) 0	20.51 (712) 0	20.51 (712) 0	20.51 (712) 0	20.51 (712) 0	20.51 (710) 0	20.51 (710) 0
AUG 11	19.80 (868) 0	19.81 (868) 0	19.90 (868) 0	19.90 (868) 0	20.00 (868) 0	19.98 (862) 0	19.98 (862) 0	19.98 (862) 0	19.98 (862) 0	19.98 (862) 0
SEP 11	19.23 (716) 0	19.24 (716) 0	19.24 (716) 0	19.24 (716) 0	19.24 (716) 0	19.32 (719) 0	19.33 (719) 0	19.33 (719) 0	19.45 (715) 0	19.45 (715) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JUL 11	204.00 (723) 0	204.00 (723) 0	204.00 (723) 0	204.00 (723) 0	204.00 (723) 0	204.00 (721) 2	204.00 (721) 0	204.00 (721) 0	204.00 (721) 0	204.00 (721) 0
AUG 11	206.00 (931) 2	206.50 (931) 2	206.50 (931) 0	205.50 (940) 10	206.00 (940) 1	208.50 (941) 8	209.00 (941) 1	209.00 (941) 0	209.00 (941) 0	209.00 (941) 0
SEP 11	207.00 (794) 6	207.00 (794) 0	207.00 (794) 0	207.00 (802) 8	207.00 (804) 2	208.00 (807) 16	209.00 (813) 6	209.00 (813) 5	208.50 (815) 6	208.50 (815) 0
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JUL 11	163.00 (441) 0	163.25 (441) 0	163.25 (441) 0	163.25 (441) 0	162.95 (441) 0	162.50 (441) 0	162.00 (441) 0	162.00 (441) 0	162.00 (441) 0	162.00 (441) 0
AUG 11	155.03 (436) 0	155.03 (442) 0	155.03 (442) 0	155.03 (442) 0	155.03 (442) 0	155.00 (438) 0	155.00 (438) 0	155.00 (437) 0	155.00 (437) 0	155.00 (437) 0
SEP 11	145.00 (338) 0	147.25 (332) 0	147.25 (332) 0	147.25 (332) 0	147.25 (332) 0	148.50 (333) 0	148.50 (333) 0	148.50 (333) 0	148.53 (333) 0	148.53 (333) 0
CME - WHEY (Electronic-Traded)										
JUL 11	55.00 (188) 0	55.00 (188) 0	55.00 (188) 0	55.00 (188) 0	55.00 (188) 0	55.00 (188) 2	55.00 (188) 0	55.00 (188) 0	55.00 (188) 0	55.00 (188) 0
AUG 11	55.00 (202) 0	56.50 (202) 1	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0	56.50 (202) 0
SEP 11	54.00 (189) 0	55.00 (189) 2	55.25 (189) 0	55.25 (189) 0	56.50 (187) 3	56.50 (187) 1	56.50 (187) 1	56.50 (189) 2	55.73 (189) 0	55.73 (189) 0
CME - CHEESE CSC (Electronic-Traded)										
JUL 11	2.10 (243) 0	2.11 (245) 0	2.11 (245) 0	2.11 (245) 0	2.11 (245) 0	2.11 (245) 0	2.12 (245) 0	2.12 (245) 0	2.12 (245) 0	2.12 (245) 0
AUG 11	2.08 (323) 0	2.10 (323) 0	2.10 (323) 0	2.10 (325) 2	2.10 (325) 0	2.10 (325) 0	2.10 (325) 0	2.10 (325) 0	2.11 (325) 0	2.11 (325) 2
SEP 11	1.99 (291) 0	2.00 (288) 6	2.01 (287) 1	2.01 (287) 0	2.02 (287) 31	2.04 (297) 14	2.04 (297) 2	2.04 (309) 16	2.03 (309) 1	2.03 (309) 0
OCT 11	1.93 (322) 0	1.93 (322) 0	1.93 (322) 1	1.93 (322) 0	1.94 (303) 1	1.94 (303) 0	1.94 (303) 0	1.97 (304) 11	1.95 (313) 16	1.95 (313) 0
NOV 11	1.86 (338) 0	1.86 (338) 1	1.86 (343) 5	1.86 (343) 0	1.86 (343) 0	1.86 (343) 0	1.86 (343) 0	1.88 (345) 14	1.87 (357) 13	1.87 (357) 0
DEC 11	1.81 (308) 0	1.80 (308) 1	1.80 (308) 0	1.78 (308) 0	1.78 (308) 0	1.78 (308) 3	1.78 (308) 0	1.78 (310) 2	1.78 (328) 19	1.78 (328) 0

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

MONTHLY SUMMARY AND AVERAGES FOR JULY 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 26 :-----: : : JUL 01	:::REPORT NUMBER 27 :-----: : : JUL 04 - 08	:::REPORT NUMBER 28 :-----: : : JUL 11 - 15	:::REPORT NUMBER 29 :-----: : : JUL 18 - 22	:::REPORT NUMBER 30: :-----: : : JUL 25 - 29	2011 : Average	2010 : Average
						or Total	or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 2.4300 - 2.6200	:: 2.4450 - 2.6350	:: 2.4625 - 2.6525	:: 2.4650 - 2.6550	:: 2.4775 - 2.6675	:: 2.5568	: 1.9134
-- Brick And/Or Muenster 5#	:: 2.6300 - 2.6400	:: 2.6300 - 2.6400	:: 2.6250 - 2.6300	:: 2.5625 - 2.7500	:: 2.6525 - 2.7500	:: 2.6550	: 2.0106
-- Cheddar 40# Block	:: 2.4700 - 2.8650	:: 2.4700 - 2.8650	:: 2.4700 - 2.8650	:: 2.5625 - 2.8650	:: 2.5900 - 2.8650	:: 2.6941	: 2.2075
-- Monterey Jack 10#	:: 2.5800 - 2.8650	:: 2.5800 - 2.8650	:: 2.5800 - 2.8650	:: 2.5250 - 2.8650	:: 2.6150 - 2.8650	:: 2.7200	: 2.2448
-- Blue 5#	:: 2.9575 - 3.3500	:: 2.9575 - 3.3500	:: 2.9425 - 3.3500	:: 2.8175 - 3.4700	:: 2.9075 - 3.4700	:: 3.1581	: 2.5447
-- Mozzarella 5 - 6#	:: 2.4725 - 2.9650	:: 2.4725 - 2.9650	:: 2.4575 - 2.9650	:: 2.3950 - 2.9650	:: 2.4850 - 2.9650	:: 2.7088	: 2.2500
-- Grade A Swiss Cuts 6 - 9#	:: 2.7900 - 3.3300	:: 2.7500 - 3.3300	:: 2.7500 - 3.3300	:: 2.7500 - 3.3300	:: 2.7500 - 3.3300	:: 3.0410	: 2.8689
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 40# Block	:: 2.4475 - 2.7225	:: 2.4475 - 2.7225	:: 2.4325 - 2.7075	:: 2.3700 - 2.6450	:: 2.4600 - 2.7350	:: 2.5650	: 1.9622
-- Process 5# Sliced	:: 2.1775 - 2.4875	:: 2.1925 - 2.5025	:: 2.2100 - 2.5200	:: 2.2125 - 2.5225	:: 2.2250 - 2.5350	:: 2.3643	: 1.7309
-- Muenster	:: 2.4675 - 2.6725	:: 2.4675 - 2.6725	:: 2.4525 - 2.6575	:: 2.3900 - 2.5950	:: 2.4800 - 2.6850	:: 2.5500	: 1.9434
-- Grade A Swiss Cuts 10 - 14#	:: 3.3875 - 3.7100	:: 3.3475 - 3.6700	:: 3.3475 - 3.6700	:: 3.3475 - 3.6700	:: 3.3475 - 3.6700	:: 3.5108	: 3.1615
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 2.1950 - 2.4525	:: 2.2100 - 2.4675	:: 2.2275 - 2.4850	:: 2.2300 - 2.4875	:: 2.2425 - 2.5000	:: 2.3555	: 1.7281
-- Cheddar 40# Block	:: 2.2600 - 2.6125	:: 2.2600 - 2.6125	:: 2.2425 - 2.5950	:: 2.1800 - 2.5325	:: 2.2700 - 2.6225	:: 2.4144	: 1.8150
-- Cheddar 10# Cuts	:: 2.4400 - 2.6600	:: 2.4400 - 2.6600	:: 2.4225 - 2.6425	:: 2.3600 - 2.5800	:: 2.4500 - 2.6700	:: 2.5281	: 1.9288
-- Monterey Jack 10#	:: 2.4500 - 2.6100	:: 2.4500 - 2.6100	:: 2.4325 - 2.5925	:: 2.3700 - 2.5300	:: 2.4600 - 2.6200	:: 2.5081	: 1.9088
-- Grade A Swiss Cuts 6 - 9#	:: 2.9650 - 3.3950	:: 2.9250 - 3.3550	:: 2.9250 - 3.3550	:: 2.9250 - 3.3550	:: 2.9250 - 3.3550	:: 3.1420	: 2.7927
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b	:: 2.7733 - 2.9834	:: 2.5984 - 2.9232	:: 2.7083 - 2.8712	:: 2.6390 - 2.9232	:: 2.7880 - 2.9508	:: 2.8061	: 2.7733
-- Upper Midwest - f.o.b	:: 2.6683 - 2.8364	:: 2.5578 - 2.7405	:: 2.6472 - 2.8915	:: 2.6593 - 2.8014	:: 2.6862 - 2.8490	:: 2.7343	: 2.6079
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 1.69 - 1.74	:: 1.69 - 1.74	:: 1.69 - 1.74	:: 1.69 - 1.74	:: 1.69 - 1.74	:: 1.7150	: 1.3695
-- Class III	:: 1.15 - 1.20	:: 1.40 - 1.45	:: 1.40 - 1.46	:: 1.40 - 1.46	:: 1.40 - 1.46	:: 1.4163	: 1.0375

MONTHLY SUMMARY AND AVERAGES FOR JULY 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 26 :-----: : : JUL 01	:::REPORT NUMBER 27 :-----: : : JUL 04 - 08	:::REPORT NUMBER 28 :-----: : : JUL 11 - 15	:::REPORT NUMBER 29 :-----: : : JUL 18 - 22	:::REPORT NUMBER 30: :-----: : : JUL 25 - 29	: 2011 : Average : or Total	: 2010 : Average : or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 1.6400 - 1.7300	:: 1.5000 - 1.7450	:: 1.5000 - 1.7450	:: 1.5500 - 1.7450	:: 1.5500 - 1.7200	:: 1.6350	: 1.2423
-- Mostly	:: 1.6600 - 1.7000	:: 1.6600 - 1.7000	:: 1.6200 - 1.7000	:: 1.6200 - 1.6900	:: 1.5800 - 1.6800	:: 1.6563	: 1.2584
-- High Heat	:: 1.7300 - 1.7800	:: 1.7300 - 1.7900	:: 1.7300 - 1.7900	:: 1.7200 - 1.7900	:: 1.7200 - 1.7600	:: 1.7535	: 1.3730
-- West (f.o.b.)							
-- Low/Medium Heat	:: 1.6100 - 1.7125	:: 1.6000 - 1.7125	:: 1.6000 - 1.7125	:: 1.5000 - 1.7050	:: 1.4800 - 1.6900	:: 1.6253	: 1.2048
-- Mostly	:: 1.6200 - 1.6550	:: 1.6200 - 1.6550	:: 1.6200 - 1.6650	:: 1.5500 - 1.6400	:: 1.5000 - 1.6000	:: 1.6063	: 1.2038
-- High Heat	:: 1.6750 - 1.8300	:: 1.6750 - 1.8300	:: 1.6750 - 1.8300	:: 1.6600 - 1.8200	:: 1.6100 - 1.7900	:: 1.7363	: 1.3257
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.4800 - 0.5900	:: 0.5000 - 0.5600	:: 0.5000 - 0.5950	:: 0.5000 - 0.5800	:: 0.5000 - 0.5900	:: 0.5409	: 0.3377
-- Mostly	:: 0.5000 - 0.5400	:: 0.5100 - 0.5400	:: 0.5100 - 0.5500	:: 0.5150 - 0.5550	:: 0.5150 - 0.5550	:: 0.5310	: 0.3427
-- West (f.o.b.)	:: 0.5200 - 0.6100	:: 0.5300 - 0.6100	:: 0.5350 - 0.6100	:: 0.5400 - 0.6100	:: 0.5450 - 0.6100	:: 0.5735	: 0.3769
-- Mostly	:: 0.5400 - 0.5725	:: 0.5500 - 0.5800	:: 0.5550 - 0.5850	:: 0.5600 - 0.5900	:: 0.5650 - 0.6000	:: 0.5727	: 0.3843
-- Northeast (f.o.b.)	:: 0.5250 - 0.5450	:: 0.5350 - 0.5500	:: 0.5400 - 0.5575	:: 0.5450 - 0.5625	:: 0.5500 - 0.6100	:: 0.5559	: 0.3679
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 1.5000 - 1.6400	:: 1.5200 - 1.6650	:: 1.5200 - 1.6450	:: 1.5000 - 1.7150	:: 1.5000 - 1.6300	:: 1.5858	: 0.9481
-- Mostly	:: 1.5400 - 1.5900	:: 1.5400 - 1.5900	:: 1.5400 - 1.5900	:: 1.5400 - 1.5900	:: 1.5400 - 1.5900	:: 1.5650	: 0.9444
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.3800 - 0.5600	:: 0.3900 - 0.5700	:: 0.3900 - 0.5500	:: 0.3975 - 0.5500	:: 0.3975 - 0.5500	:: 0.4739	: 0.2713
BUTTERMILK (Min. 30% protein)							
-- Central And East (f.o.b.)	:: 1.5000 - 1.6300	:: 1.5000 - 1.6300	:: 1.5000 - 1.6300	:: 1.5000 - 1.6300	:: 1.5000 - 1.6100	:: 1.5625	: 1.3650
-- West (f.o.b.)	:: 1.4800 - 1.5400	:: 1.4800 - 1.5475	:: 1.4500 - 1.5500	:: 1.3600 - 1.5400	:: 1.3500 - 1.4900	:: 1.4708	: 1.2661
-- Mostly	:: 1.4800 - 1.5175	:: 1.4800 - 1.5175	:: 1.4500 - 1.5175	:: 1.4000 - 1.5000	:: 1.3800 - 1.4500	:: 1.4619	: 1.2704
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.9400 - 2.0600	:: 1.9200 - 2.0400	:: 1.9200 - 1.9800	:: 1.9200 - 1.9800	:: 1.9200 - 2.0000	:: 1.9610	: 1.6100
LACTOSE							
-- Central And West (f.o.b.)	:: 0.3600 - 0.6500	:: 0.4700 - 0.6600	:: 0.4700 - 0.6600	:: 0.4700 - 0.6600	:: 0.4700 - 0.6650	:: 0.5626	: 0.3052
-- Mostly	:: 0.4300 - 0.5100	:: 0.5200 - 0.5600	:: 0.5200 - 0.5800	:: 0.5400 - 0.5900	:: 0.5400 - 0.6100	:: 0.5540	: 0.3277
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 4.7600 - 5.1400	:: 4.8100 - 5.1400	:: 4.8100 - 5.1400	:: 4.8100 - 5.1400	:: 4.8100 - 5.1400	:: 4.9738	: 4.0864
-- Nonrestricted - Acid	:: 4.7000 - 5.1200	:: 5.1000 - 5.2600	:: 5.1000 - 5.2600	:: 5.1000 - 5.2600	:: 5.1000 - 5.2600	:: 5.1665	: 4.0614

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CME GROUP AVERAGES FOR JULY 2011

COMMODITY	:REPORT NUMBER 26:	:REPORT NUMBER 27:	:REPORT NUMBER 28:	:REPORT NUMBER 29:	:REPORT NUMBER 30:	2011 *	2010 *
	: JUL 1	: JUL 5 - 8	: JUL 11 - 15	: JUL 18 - 22	: JUL 25 - 29	: Monthly Average	: Monthly Average
BUTTER*							
-- GRADE AA							
--Monday	::	:: 1/	:: 2.0300	:: 2.0300	:: 2.0400	::	::
--Tuesday	::	:: 2.0400	:: 2.0300	:: 2.0350	:: 2.0600	::	::
--Wednesday	::	:: 2.0400	:: 2.0300	:: 2.0350	:: 2.0800	::	::
--Thursday	::	:: 2.0350	:: 2.0300	:: 2.0350	:: 2.0950	::	::
--Friday	:: 2.0400	:: 2.0300	:: 2.0300	:: 2.0400	:: 2.1000	:: 2.0443	:: 1.7787
--Weekly Average**	:: 2.0300	:: 2.0363	:: 2.0300	:: 2.0350	:: 2.0750	::	::
CHEESE*							
-- BARRELS							
--Monday	::	:: 1/	:: 2.1025	:: 2.1100	:: 2.1250	::	::
--Tuesday	::	:: 2.1025	:: 2.1025	:: 2.1150	:: 2.1250	::	::
--Wednesday	::	:: 2.1000	:: 2.1025	:: 2.1150	:: 2.1300	::	::
--Thursday	::	:: 2.1025	:: 2.1025	:: 2.1175	:: 2.1300	::	::
--Friday	:: 2.0975	:: 2.1025	:: 2.1100	:: 2.1250	:: 2.1300	:: 2.1124	:: 1.5161
--Weekly Average**	:: 2.0855	:: 2.1019	:: 2.1040	:: 2.1165	:: 2.1280	::	::
-- 40# BLOCKS							
--Monday	::	:: 1/	:: 2.0975	:: 2.1200	:: 2.1550	::	::
--Tuesday	::	:: 2.1225	:: 2.0550	:: 2.1400	:: 2.1550	::	::
--Wednesday	::	:: 2.1100	:: 2.0350	:: 2.1400	:: 2.1550	::	::
--Thursday	::	:: 2.1100	:: 2.0025	:: 2.1450	:: 2.1550	::	::
--Friday	:: 2.1250	:: 2.1100	:: 2.0575	:: 2.1550	:: 2.1550	:: 2.1150	:: 1.5549
--Weekly Average**	:: 2.1290	:: 2.1131	:: 2.0495	:: 2.1400	:: 2.1550	::	::
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	::	:: 1/	:: 1.6100	:: 1.6100	:: 1.6100	::	::
--Tuesday	::	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	::	::
--Wednesday	::	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	::	::
--Thursday	::	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	::	::
--Friday	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.2283
--Weekly Average**	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	:: 1.6100	::	::
-- GRADE A							
--Monday	::	:: 1/	:: 1.6250	:: 1.5500	:: 1.5250	::	::
--Tuesday	::	:: 1.6250	:: 1.6250	:: 1.5250	:: 1.5250	::	::
--Wednesday	::	:: 1.6250	:: 1.6250	:: 1.5250	:: 1.5250	::	::
--Thursday	::	:: 1.6250	:: 1.6200	:: 1.5250	:: 1.5250	::	::
--Friday	:: 1.6250	:: 1.6250	:: 1.6100	:: 1.5250	:: 1.5100	:: 1.5745	:: 1.2145
--Weekly Average**	:: 1.6250	:: 1.6250	:: 1.6210	:: 1.5300	:: 1.5220	::	::

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

1/ HOLIDAY - CME GROUP

JULY AGRICULTURAL PRICES HIGHLIGHTS

The All Milk price received by farmers was \$22.10 in July, up \$0.90 from June 2011 and up \$6.20 from July 2010. Milk Cows price was \$1,480 in July, up \$160 from July 2010. Alfalfa hay price was \$189.00 in July, up \$72.00 from July 2010. Corn price was \$6.46 in July, up \$2.97 from July 2010. Soybean price was \$13.40 in July, up \$3.61 from July 2010. The milk-feed price ratio was 1.91 in July, down 0.40 from July 2010.

The index of prices received by farmers for dairy products increased 7 points during the month of July 2011 to 169. Compared with July 2010, the index was up 47 points (38.5 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2011 increased 2 points at 206 from the previous month. Compared with July 2010, the index was up 25 points (13.8 percent).

SELECTED MILK PRICES, MILK COWS, AND FEED PRICES, SELECTED STATES AND U.S., JULY 2011 WITH COMPARISONS

State	All-Milk price ^{1/} ^{2/}				Milk cows ^{3/}		Alfalfa hay, baled		Corn		Soybeans	
	Dollars per cwt.				Dollars per head		Dollars per ton		Dollars per bushel		Dollars per bushel	
	June		July		July		July		July		July	
	2010	2011	2010	2011 ^{4/}	2010	2011 ^{4/}	2010	2011 ^{4/}	2010	2011 ^{4/}	2010	2011 ^{4/}
AZ	15.60	21.00	15.90	21.70	1,300	1,500	130.00	230.00	---	---	---	---
CA	13.97	20.42	14.69	20.70	1,300	1,400	121.00	237.00	---	---	---	---
CO	15.60	20.80	15.90	21.90	1,350	1,550	125.00	180.00	3.48	7.01	---	---
ID	14.10	19.30	14.60	21.00	1,350	1,500	102.00	223.00	---	---	---	---
IN	16.60	21.50	17.20	22.60	1,260	1,500	---	---	3.69	6.90	---	---
IA	15.60	21.20	16.00	22.50	1,250	1,470	114.00	121.00	3.50	6.50	9.69	13.50
MI	16.30	21.60	16.70	22.80	1,400	1,550	105.00	110.00	3.55	6.90	9.80	13.20
MN	14.90	21.20	15.30	22.70	1,270	1,480	115.00	120.00	3.37	6.00	9.41	13.00
NM	14.90	20.80	15.40	21.80	1,320	1,460	157.00	240.00	---	---	---	---
NY	16.80	22.40	17.40	23.10	1,300	1,450	130.00	121.00	---	---	---	---
OH	16.80	22.40	17.20	23.40	1,300	1,520	145.00	169.00	3.57	6.98	---	---
PA	17.50	22.90	18.10	23.80	1,400	1,550	149.00	217.00	4.03	7.42	---	---
TX	16.10	21.60	16.70	22.50	1,230	1,450	183.00	220.00	3.72	6.57	---	---
WA	15.60	21.70	15.80	22.40	1,300	1,450	130.00	180.00	---	---	---	---
WI	15.00	20.70	15.20	22.10	1,400	1,570	110.00	110.00	3.41	6.47	9.98	12.80
U.S.	15.40	21.20	15.90	22.10	1,320	1,480	117.00	189.00	3.49	6.46	9.79	13.40

^{1/} Prices are shown at reported butterfat test. ^{2/} Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies.

^{3/} Animals sold for dairy herd replacement only. Prices estimated in January, April, July, and October. ^{4/} Preliminary.

MILK-FEED PRICE RATIO, SELECTED STATES AND U.S., JULY 2011 WITH COMPARISONS

Milk-feed: pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk ^{1/}			
State ^{2/}	July 2010	June 2011	July 2011 ^{3/}
IA	2.35	2.11	2.21
MI	2.50	2.17	2.21
MN	2.29	2.27	2.35
OH	2.27	1.95	2.03
WI	2.27	2.17	2.24
U.S.	2.31	1.88	1.91

^{1/} The price of commercial prepared dairy feed is based on current United States prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa hay. ^{2/} Available states that provided all necessary data to compute milk feed price ratios.

^{3/} Preliminary.

GENERAL PRICE MEASURES, U.S., JULY 2011 WITH COMPARISONS

Item	July 2010	June 2011	July 2011 ^{1/}
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for dairy products	122	162	169
Prices paid by farmers for commodities and services, interest taxes, and wage rates	181	204	206

^{1/} Preliminary.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Agricultural Prices, July 2011.*

WORLD DAIRY SITUATION AND OUTLOOK

Foreign Agricultural Service, *World Markets and Trade*, July 2011

Summary- During the past six months, international prices for dairy commodities experienced a run-up to levels not seen since 2008 reflecting strong demand particularly from Asia. The outlook for the next six months is mixed with butterfat prices reluctantly slipping but still trading at levels easily surpassing \$4,000/MT. In the meantime, milk powders, notably whole milk powder, are showing early signs of a retreat to lower price levels. The future course of markets has become more unpredictable and volatile as various undercurrents, political and economic, complicate the outlook.

During the first half of this year, China's unprecedented import surge of WMP particularly in the first quarter of this year was a key factor in supporting the rise in dairy prices. It is unlikely that the early setting import pace will persist; nevertheless, China's imports of WMP for this year will remain significant and are expected to reach record levels. Although China's GDP for 2011 is projected to grow at a lower rate than in 2010 – 9.3 percent versus 10.3 percent – this should still be sufficient to generate growth in consumer income and thus increased consumption of processed dairy products.

Globally, economic growth this year has been ratcheted down and is now pegged at 3.2 percent down from 3.9 percent in 2010. This suggests that the strong increase in dairy imports witnessed early this year may slow and prices moderate. However, supply lines are tight and any interruptions could spark a sharp spike in dairy product prices. In Oceania, milk output is at a seasonal low and the forecasts, barring any inclement weather, point to a sharp upturn in milk output particularly in New Zealand. In the United States, the price of feedstuffs particularly corn will be a key determinant influencing milk output in the following months. At present, U.S. milk production is in an expansionary mode, albeit at a slower pace than in 2010; but feed price uncertainty is likely factoring into producer decisions.

Milk Production: 2011 Forecast Summary -

Milk Production Summary for Major Exporters (1,000 Metric Tons)

	2009	2010 (est.)	2011 Forecast (July 2011)	% Change 2011/2010
Argentina	10,350	10,600	11,070	+4%
Australia	9,326	9,327	9,600	+3%
EU-27	133,700	135,350	136,600	+1%
New Zealand	16,983	17,173	18,049	+5%
United States	85,881	87,461	88,768	+1%

-- The Australian milk production 2011 forecast is lowered but is still expected to result in a 3 percent expansion in milk output over the previous year due to a return of widespread beneficial rains which have recharged irrigation reservoirs, improved pasture conditions, and increased fodder supplies. The biggest constraint to further expansion is the shortage of dairy cattle available to increase herds. Dairy cow numbers in Australia have been declining since 1965 but now appear to be leveling off and are expected to grow modestly in the coming years.

-- The EU-27 milk production forecast for 2011 is revised up as high internal prices are stimulating increased production despite a slight reduction in the herd size. Although input costs, especially feed prices, have increased substantially, farmers are adopting more efficient production methods and the yield per cow is expected to rise by 1 percent over last year. Despite the increase, milk production for MY 2010/2011 (April-March) was below quota. The milk production quotas are scheduled to rise by 1 percent per year until they are terminated in 2015.

-- In New Zealand, the milk output forecast was revised down, but nevertheless still represents a 5 percent increase over 2010. Rainfall amounts have been favorable in early 2011 and pasture conditions and fodder supplies are currently conducive to increased milk production. At present, Fonterra is predicting a payout range of around US \$2.85/lb of milk solids for the season (approximately \$22-\$25/cwt. of milk) and not surprisingly an additional 125 dairy farms or an estimated 100,000 extra cows are expected to enter production by August 2011.

-- The 2011 U.S. milk production forecast is raised marginally by 78,000 tons and total milk output is slated to expand by 1.5 percent over 2010. Milk prices are strong and the 2011 all-milk price forecast to average \$20.00-20.30 per cwt. However, the rising cost of feeds, has been a major concern and feed price uncertainty is likely tempering any expansionary plans. Although corn prices have recently been lowered they are still projected to average a record \$5.50 to \$6.50 per bushel (\$216 to \$256 per ton) for the 2011/12 crop year.

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Cheese:

-- The Oceania 2011 cheese production forecast is revised down 1 percent from 2010 due largely to the forecast drop in New Zealand cheese output. In New Zealand, the focus has been on ramping up the production of WMP which is expected to come at the expense of cheese production. This shift is expected to lead to an 11 percent decline in New Zealand's cheese exports – the lowest recorded in the past 12 years.

-- After 7 consecutive years of decline, Australian cheese production is forecast to increase by 3 percent. Domestic consumption has been increasing for the past 2 years reducing available exportable supplies. Consequently, exports are expected only to increase by 3 percent to 170,000 tons.

-- Cheese production in the EU-27 for 2011 is expected to grow by 1 percent due to the greater than anticipated availability of fluid milk, strong export demand, and higher domestic demand. As a result of higher production, the 2011 export forecast has been raised by 5 percent to a record 620,000 tons with most of the cheese expected to be shipped to Russia and the United States. Although cheese shipments to the United States have fallen below 100,000 tons in 2009 and 2010, exports of cheese to the U.S. market through April 2011 are up by nearly 25 percent in comparison to the same period in 2010. Total cheese exports would likely have been higher except that strong domestic consumption is limiting supplies available to the export markets.

-- The U.S. cheese production forecast was revised up by 3 percent from December as the pace of production through April 2011 is up by 3 percent in comparison to the same period in 2010. Exports have also been revised by nearly 40 percent given the strength of shipments in the first quarter of this year. The export forecast of 203,000 tons is a record and most of this cheese is expected to be shipped to meet strong import demand particularly from Mexico and South Korea. At present, domestic cheese prices are strong despite some 475,000 tons of stocks recorded in May 2011. However, based on expected consumption rates for 2011, this only equates to a supply line of around 36 days.

Butter:

-- The Oceania 2011 butterfat forecast is revised down by 15 percent due largely to a sharp drop in New Zealand output; nevertheless New Zealand's production will still register a 3 percent increase over the previous year. As in cheese, this decline is primarily due to the focus on using fluid milk for the production of WMP.

-- The Russian import forecast is raised by 44 percent driven by lower domestic milk production and stronger consumer demand driven by rising disposable incomes. The main supplier of butter to Russia – approximately 40 percent – is Belarus which is part of a recently formed Russian-Kazakh-Belarusian Customs Union. Russian import demand for the longer term is uncertain due to the adoption of higher tariff duties and sanitary/technical barriers. Currently, U.S. dairy exports to Russia are not permitted since Russia imposed new health certificate requirements.

-- In the EU-27, demand for butterfat is strong and supplies are tight with virtually no intervention stocks remaining. The EU-27 butterfat 2011 production forecast is raised and total output is expected to be 1 percent over the previous year. Domestic butterfat prices have been steady at relatively high levels; they were recently quoted as ranging from \$5,900-\$6,150 per ton (\$2.68-\$2.79 per pound). In contrast, Oceania export prices have been declining during the past two months which may to some extent undermine EU export sales. At present, EU butter exports are pegged at 165,000 tons which is below the past 5-year average of 188,000 tons.

-- The U.S. butter production forecast is raised by 82,000 tons from December to 800,000 reflecting the strong pace of production in the 5 months of this year; up 13 percent in comparison to the same period last year. Domestic butter prices have been consistently strong in the first half of 2011 with the monthly CME price through June averaging \$2.06 per pound (\$4,540 per ton) due to strong domestic and export demand. The export forecast is revised up by about one third since export shipments January through April 2011 have been more than double the volume shipped over the comparable period in 2010. Butter shipments are anticipated to slow in the second half of 2011 as competition from Oceania supplies ramps up. Further, the competitive advantage that U.S. butter enjoyed earlier in the year has been eroded as the price gap between Oceania and the U.S. port price has virtually closed. U.S. butter ending stocks are anticipated to rise above 2010 levels; nevertheless, they are projected to provide less than a month's buffer given estimated consumption rates.

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SMP:

-- For 2011, the forecast for exports of SMP among selected countries was revised up by 11 percent. Consequently, exports of SMP are now expected to jump by 12 percent over the previous year with the strongest increases forecast to be registered by the United States and the EU-27. Import demand has been particularly strong from North Africa, Mexico, and the Asian region.

-- The EU-27 SMP 2011 export forecast is increased by 36 percent largely reflecting strong export flows early in the year. Shipments of EU-27 SMP in the January-April 2011 period have been particularly significant to Algeria, up 116 percent. Intervention stocks of NDM stand at 148,000 tons; however, some 94,000 tons are committed to domestic social programs. The remaining balance is expected to be reduced and end-of-year stocks are projected at 30,000 tons.

-- Mexico's imports of SMP in 2011 are projected to remain stable at 155,000 tons. Mexican dairy farmers have been pressuring LICONSA – a parastatal company charged distributing milk to disadvantaged groups – to raise fluid milk prices to encourage domestic production.

-- The U.S. SMP production forecast is revised up by 5 percent given the current pace of production this year which through May 2011, increased by 4 percent compared to the same period last year. The export forecast has also been raised by 11 percent (41,000 tons) to a record 414,000 tons, reflecting the strong flow of shipments to Mexico and Asian markets such as Vietnam, Philippines, and Indonesia. As in butter, the competitive advantage evident earlier in the year has been eroded as domestic prices have increased and global prices have slipped. For the coming months, international prices of SMP are expected to soften and U.S. exports are expected to slow as competition from Oceania increases.

WMP:

-- The WMP production forecast among selected countries is raised by 5 percent undoubtedly encouraged by the high prices that prevailed during the first half of the year. A major reason for this has been China's surge in imports of WMP which, through May 2011, were up over 54 percent in comparison to the same period last year. Although China's forecast imports of WMP for 2011 have been increased by 8 percent there is the expectation that the pace will be lower in the second half of the year. Currently, China's import demand accounts for nearly a quarter of total exports among selected countries.

-- New Zealand's export forecast is raised by 13 percent to a record 1,000,000 tons in large part due to significant volumes being purchased by China. For 2011, nearly 50 percent of the increased milk production forecast for New Zealand is expected to be channeled into the production of WMP.

-- The EU-27 WMP production forecast for 2011 is set to increase slightly - less than 1 percent – as most of the available fluid milk is channeled into the production of cheese. Exportable supplies are expected to be somewhat limited as domestic consumption is strong; consequently, 2011 exports are expected to decline by 3 percent over the previous year.

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service, *World Markets and Trade*, July 2011

JUNE 2011 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 140.7 million pounds in June, 20.1 percent above June 2010 but 9.5 below May 2011. **AMERICAN TYPE CHEESE** production totaled 364.4 million pounds, 1.5 percent below June 2010 and 1.8 percent below May 2011. **TOTAL CHEESE** output (excluding cottage cheese) was 894.1 million pounds, 1.3 percent above June 2010 but 2.3 percent below May 2011. **NONFAT DRY MILK** production, for human food, totaled 145.7 million pounds, 6.4 percent above June 2010 but 1.6 percent below May 2011. **DRY WHEY** production, for human food, was 80.7 million pounds, 2.9 percent above June 2010 but 7.4 percent below May 2011. **ICE CREAM** (hard) production totaled 76.4 million gallons, 7.8 percent below June 2010 but 1.9 percent above May 2011.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUN 2011	PERCENT CHANGE FROM:			PRODUCT	JUN 2011	PERCENT CHANGE FROM:		
	1,000 LBS.	JUN 2010	MAY 2011	YEAR TO DATE 1/		1,000 LBS.	JUN 2010	MAY 2011	YEAR TO DATE 1/
BUTTER	140,669	20.1	-9.5	13.5	SOUR CREAM	107,027	3.3	0.9	3.7
CHEESE					YOGURT (PLAIN AND FLAVORED)	376,437	3.8	8.2	3.9
AMERICAN TYPES 2/	364,365	-1.5	-1.8	0.5	DRY WHEY, HUMAN FOOD	80,685	2.9	-7.4	---
CHEDDAR	270,762	-5.4	-4.5	-2.4	DRY WHEY, ANIMAL FEED	3,290	-57.1	-25.6	---
OTHER AMERICAN	93,603	11.5	6.7	---	DRY WHEY, TOTAL 8/	83,975	-2.4	-8.3	2.9
BRICK & MUENSTER	11,789	19.2	-4.5	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	62,274	-3.9	2.2	---	HUMAN FOOD	3,176	36.0	-1.1	---
HISPANIC	17,908	-0.9	-8.9	---	ANIMAL FEED	4,833	1.9	-2.0	---
TOTAL ITALIAN TYPES	380,767	4.5	-3.3	5.8	LACTOSE, HUMAN FOOD & ANIMAL FEED	88,902	13.2	3.4	14.3
MOZZARELLA	298,042	2.6	-3.6	4.9	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	82,725	12.1	-2.2	---	HUMAN FOOD 9/	33,077	2.2	-2.3	---
SWISS	28,421	3.3	-2.3	---	ANIMAL FEED 9/	3,786	28.6	27.0	---
ALL OTHER TYPES	28,560	1.9	0.4	---	TOTAL 9/	36,863	4.4	0.1	-0.2
TOTAL	894,084	1.3	-2.3	3.0	25.0-49.9 PERCENT 10/	20,869	-0.7	2.1	---
COTTAGE CHEESE, CURD 3/	38,021	4.9	5.9	---	50.0-89.9 PERCENT 10/	15,994	11.9	-2.5	---
COTTAGE CHEESE, CREAM 4/	28,653	---	5.1	-0.6	PROTEIN ISOLATES 11/	5,381	4.1	0.6	---
COTTAGE CHEESE, LOWFAT 5/	34,328	2.6	5.0	1.0	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSO WHOLE MILK	44,031	-4.6	6.1	---	ICE CREAM (HARD)	76,441	-7.8	1.9	-4.4
DRY BUTTERMILK	7,473	31.3	-9.8	---	ICE CREAM, LOWFAT (HARD)	16,032	-1.3	11.0	---
DRY WHOLE MILK	4,724	-13.2	3.0	---	ICE CREAM, LOWFAT (SOFT)	27,086	3.7	11.0	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	10,377	-3.2	11.3	---	ICE CREAM, LOWFAT (TOTAL)	43,118	1.7	11.0	5.1
NONFAT DRY MILK (NDM), HUMAN	145,720	6.4	-1.6	-4.6	SHERBET, HARD	4,417	-8.4	4.2	-12.4
SKIM MILK POWDERS (SMP) 7/	33,284	1.8	-6.7	58.9	YOGURT (TOTAL)	4,833	-8.7	5.8	0.9

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	JUN 2011	PERCENT OF:		PRODUCT	JUN 2011	PERCENT OF:	
	1,000 LBS.	JUN 2010	MAY 2011		1,000 LBS.	JUN 2010	MAY 2011
DRY WHEY, HUMAN FOOD	44,101	-0.6	-9.0	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	2,459	-63.7	11.5	HUMAN FOOD 9/	33,237	-6.4	9.6
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	4,530	-55.9	-5.0	ANIMAL FEED 9/	1,917	10.5	32.7
LACTOSE, HUMAN FOOD & ANIMAL FEED	78,863	1.8	7.3	TOTAL 9/	35,154	-5.6	10.6
CANNED EVAP & CONDSO WHOLE MILK	80,401	-19.9	15.4	25.0-49.9 PERCENT 10/	16,881	-18.6	18.5
DRY BUTTERMILK	18,709	109.5	5.6	50.0-89.9 PERCENT 10/	18,273	10.7	4.3
NONFAT DRY MILK (NDM), HUMAN FOOD	188,505	6.5	13.6	PROTEIN ISOLATES 11/	4,553	-52.5	-12.0

1/ 2011 cumulative as percent change of 2010 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes protein standardized and blends. 8/ Excludes all modified dry whey products. 9/ Whey protein concentrate, 25.0 to 89.9 percent. 10/ Whey protein concentrate, human and animal. 11/ Whey protein isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

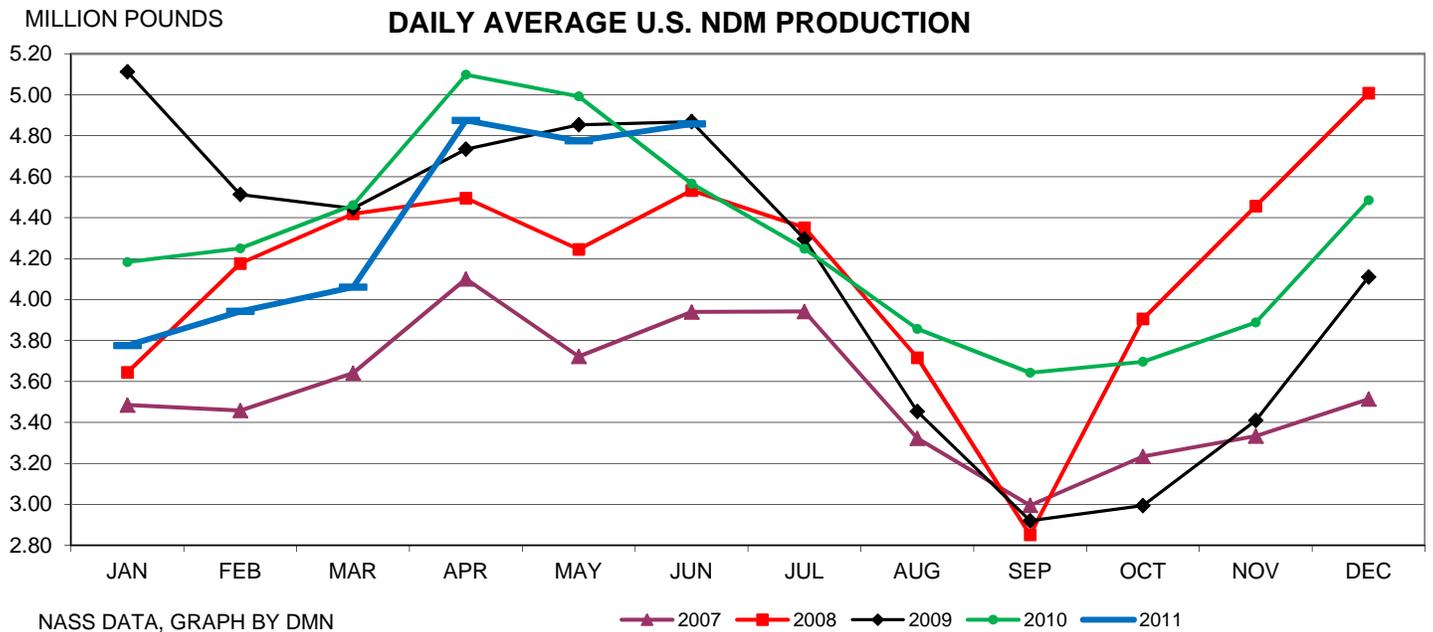
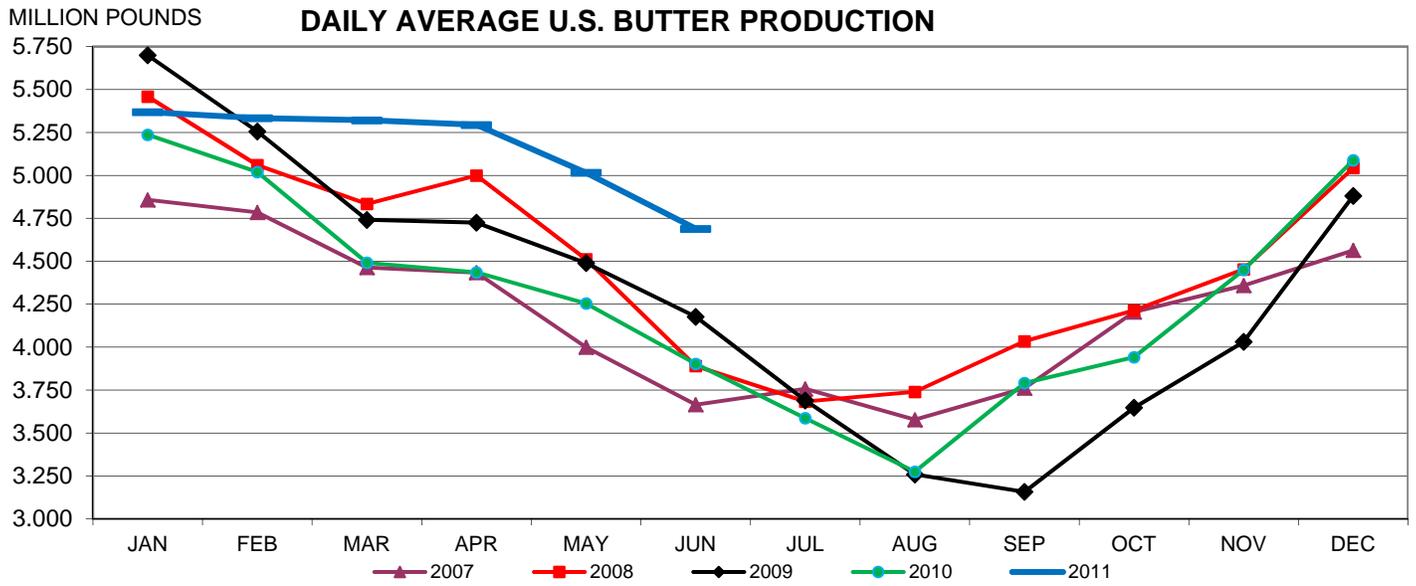
Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. Dairy Products, August 2011.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JULY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for July 2011 is \$2.2511 per pound. Thus, the Class II butterfat price is \$2.2581. The protein and other solids prices for July are \$3.8292 and \$0.3608 per pound, respectively. These component prices set the Class III skim milk price at \$14.00 per cwt. The July Class IV skim milk price is \$12.90 which is derived from the nonfat solids price of \$1.4336 per pound. **Product Price Averages:** The product price averages for July are: butter \$2.0304, nonfat dry milk \$1.6159, cheese \$2.1243, and dry whey \$0.5494.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	JULY 2011				AUGUST 2011
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
DOLLARS PER 100 POUNDS						
Northeast (Boston) 4/	001	24.28	21.29	21.39	20.33	24.68
Appalachian (Charlotte) 5/ 6/	005	24.43	21.29	21.39	20.33	24.83
Southeast (Atlanta) 6/ 7/	007	24.83	21.29	21.39	20.33	25.23
Florida (Tampa) 6/ 8/	006	26.43	21.29	21.39	20.33	26.83
Midwest (Cleveland) 9/	033	23.03	21.29	21.39	20.33	23.43
Upper Midwest (Chicago) 10/	030	22.83	21.29	21.39	20.33	23.23
Central (Kansas City) 11/	032	23.03	21.29	21.39	20.33	23.43
Southwest (Dallas) 12/	126	24.03	21.29	21.39	20.33	24.43
Arizona (Phoenix)	131	23.38	21.29	21.39	20.33	23.78
Pacific Northwest (Seattle) 13/	124	22.93	21.29	21.39	20.33	23.33
All-Market Average	---	23.92	21.29	21.39	20.33	24.32

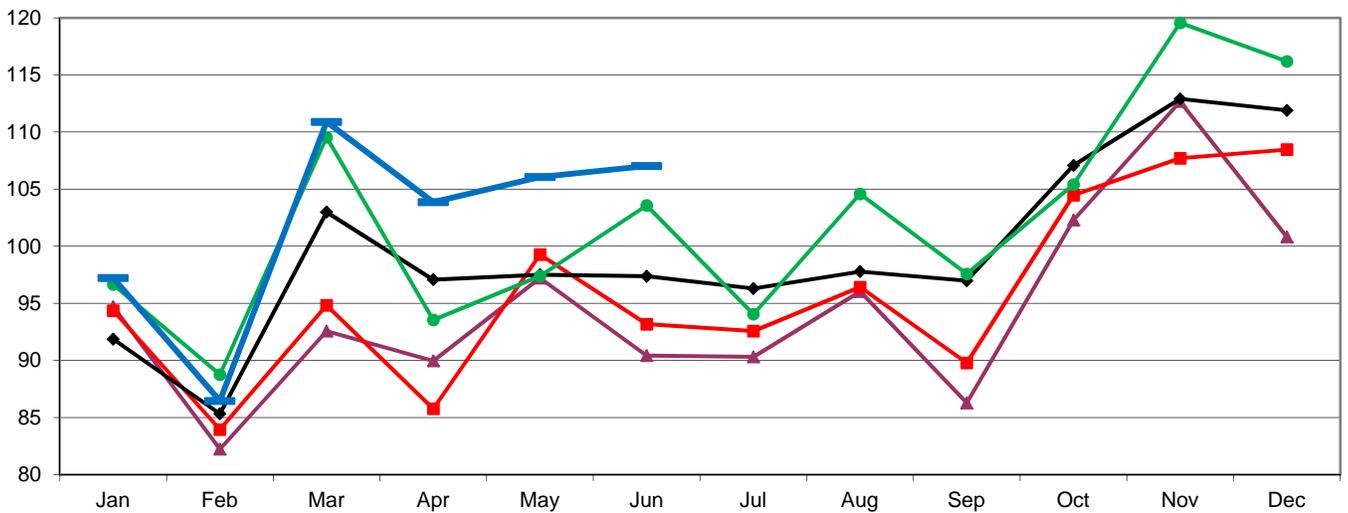
1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.
 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.
 3/ Names in parentheses are the major city in the principal pricing point of the market.
 4/ 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.
 5/ Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.
 6/ Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.
 7/ Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.
 8/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.
 9/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.
 10/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.
 11/ 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.
 12/ 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.
 13/ Class I prices at other cities are: Portland, same; and Spokane, same.



NASS DATA, GRAPH BY DMN

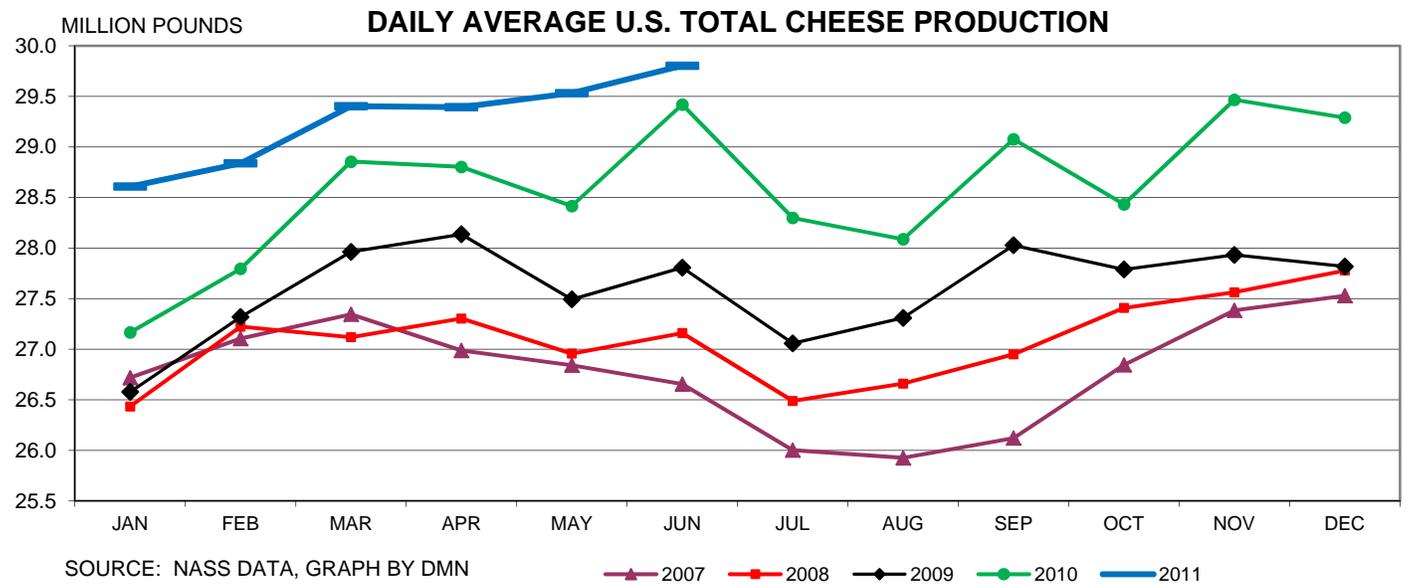
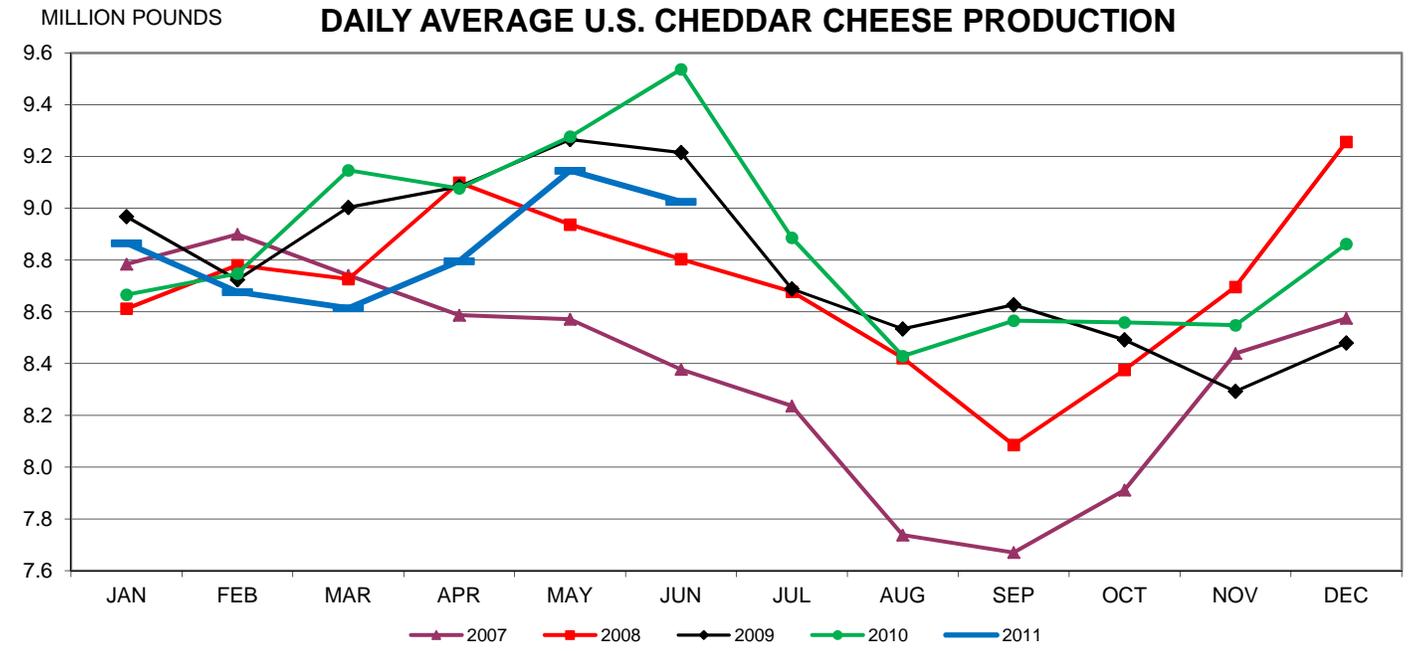
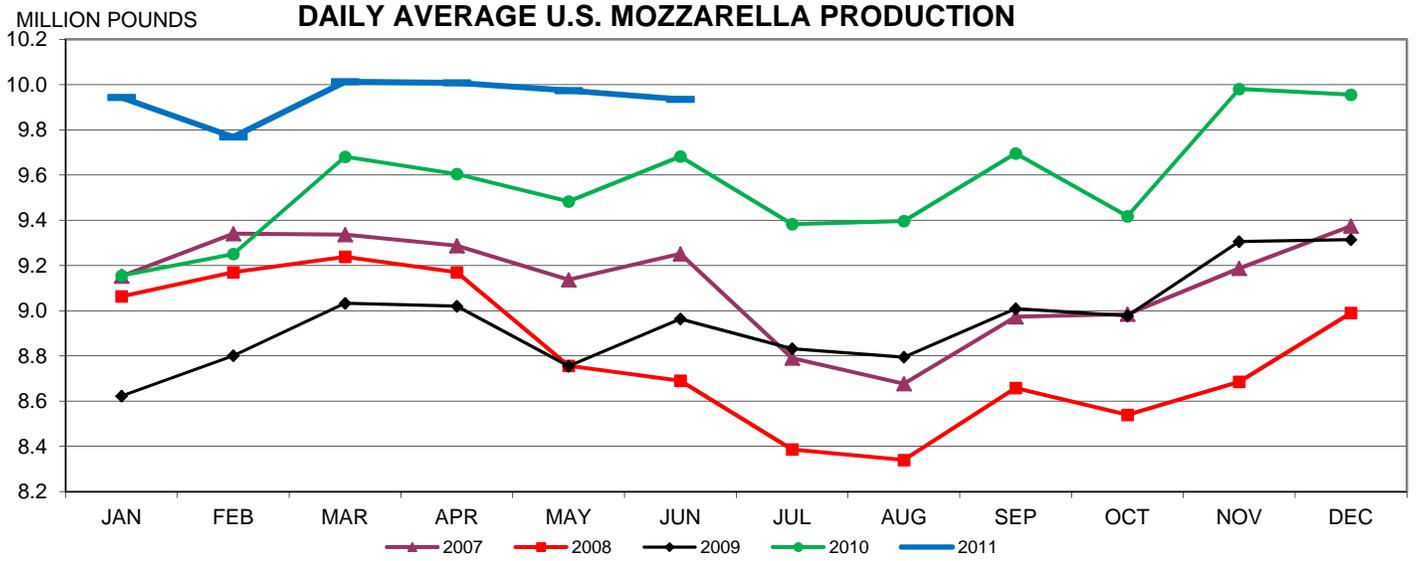
Million Pounds

U.S. Sour Cream Production



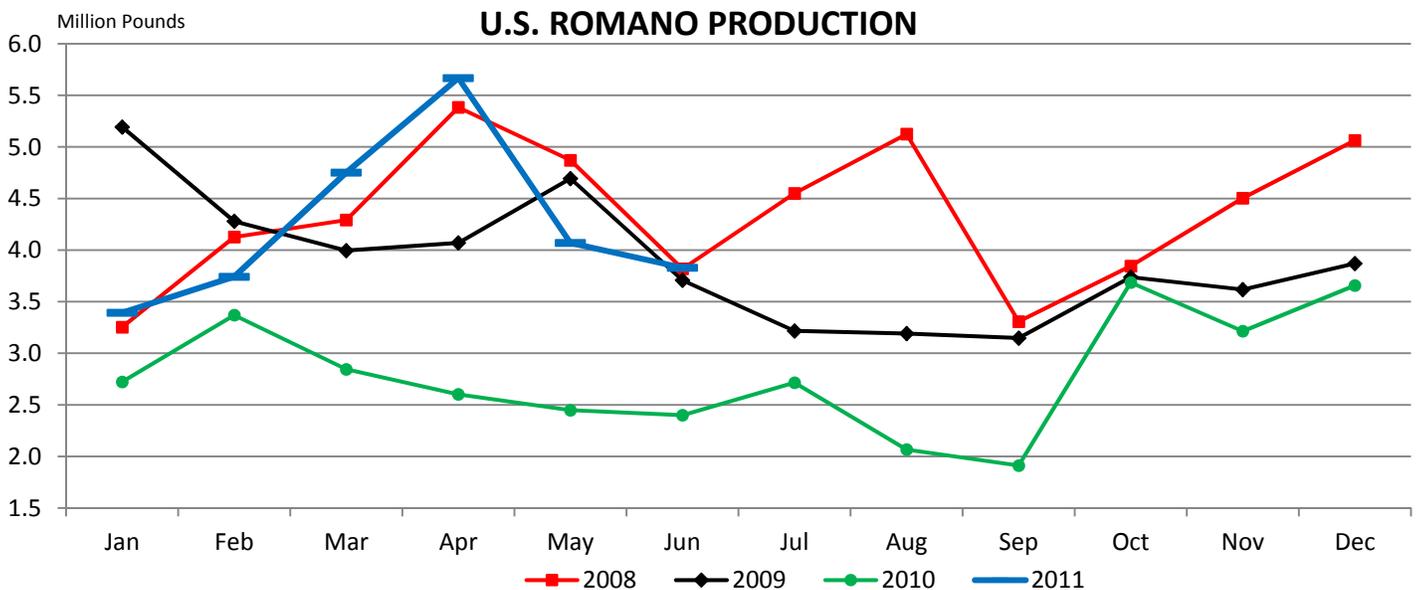
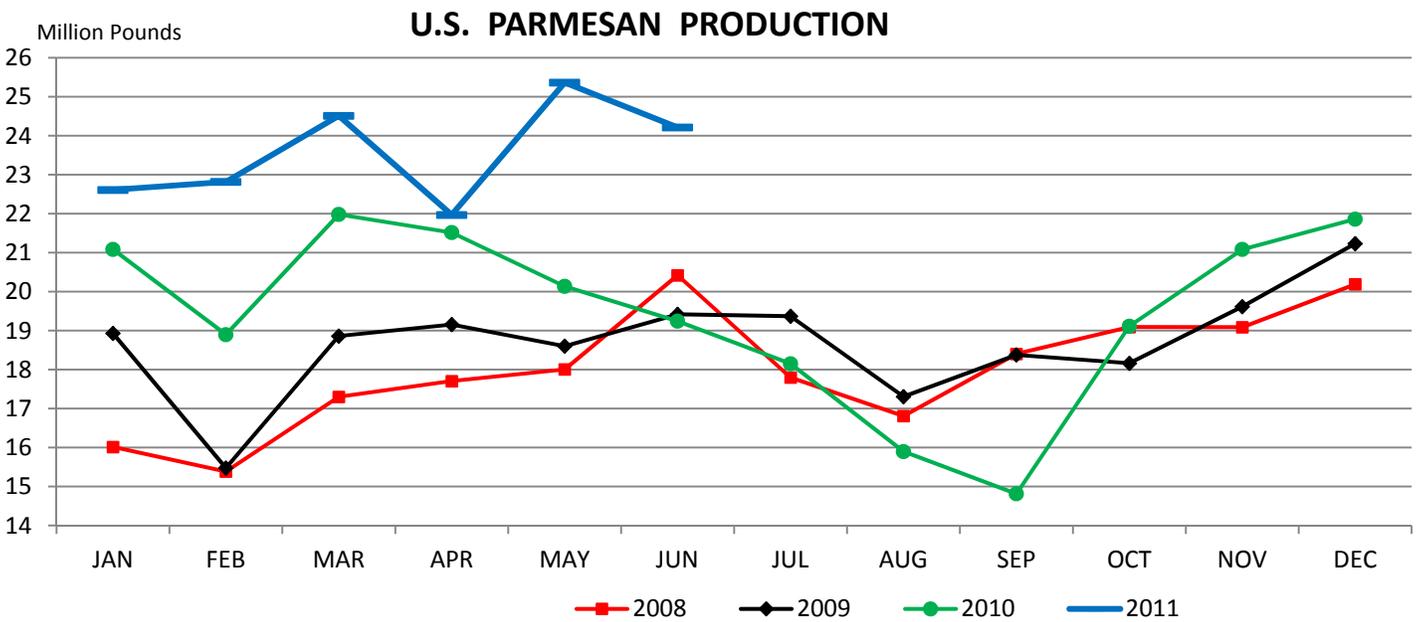
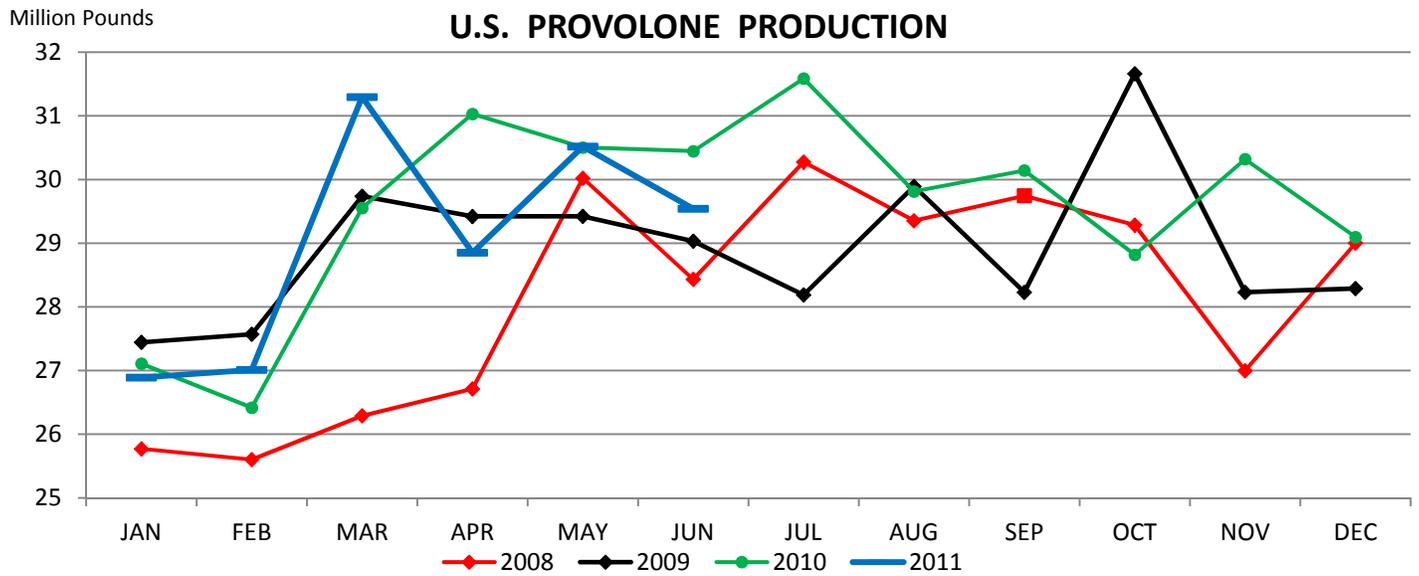
Nass Data, Graph by DMN

▲ 2007 ■ 2008 ◆ 2009 ● 2010 ■ 2011



SOURCE: NASS DATA, GRAPH BY DMN

2007 2008 2009 2010 2011



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