

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/12):**

BUTTER: Grade AA closed at \$2.0725. The weekly average for Grade AA is \$2.0705 (-.0315).

CHEESE: Barrels closed at \$2.0800 and 40# blocks at \$2.0250. The weekly average for barrels is \$2.1110 (-.0200) and blocks, \$2.0820 (-.0615).

BUTTER HIGHLIGHTS: During the week, the CME Group cash butter price declined 6 cents, but increased 3 cents on Friday to close at \$2.0725. Churning activity from coast to coast varies from light in the East to slightly heavier in Western areas. Churning is fully dependent on cream availability and how butter producers manage their cream volumes. Some are finding cream volumes to be minimal and expensive while others, especially in the West, are indicating that cream supplies are a little more available for churning as Class II demand is lighter. Some butter producers continue to sell a portion of their cream volumes to other uses and are cutting back on churning. For the most part, butter inventories are not at desired levels for this time of the season. Due to this situation, many butter producers and handlers are taking a short term approach to inventory management, but remain very aware of typical 4th quarter needs. Current butter demand is seasonal as some scattered retail feature activity is being reported across the country. Food service buyers, especially in resort and vacation areas, are starting to cut back on their orders as the summer vacation season winds down and the Labor Day holiday approaches.

CHEESE HIGHLIGHTS: The cheese market is weak and prices tumbled on the CME Group cash cheese market this week. Some overtime is being used by packagers and/or processors to cover upcoming promotions or school related orders. Some buyers have been cautious in making purchases in recent weeks, expecting weakness. Others have been running into delayed or reduced bulk cheese orders due to reductions in milk receipts and components where the heat was more pronounced. Recent cooler temperatures have caused a partial rebound in receipts. Milk production remains at or above year ago levels in parts of the West. The gradual reopening of schools is increasing the volume of milk pulled from manufacturing channels. During June, U.S. exports of cheese and curd totaled 44.9 million pounds, 19% above June 2010. Cumulative January – June 2011 exports total 263.4 million pounds, 48% above the same period last year. The cumulative total equates to 5% of the U.S. total cheese output during the first half of 2011.

FLUID MILK: Milk supplies remain tight in most Eastern and Central states as well as Arizona, though volumes partially rebounded from recent heat stressed levels. Fluid interest is steady to occasionally heavier where additional schools are reopening for the new school year. Manufacturing schedules are slightly heavier as a result. In California, Idaho, Utah, and the Pacific Northwest, the weather remains generally conducive for milk production and, with added cows in some locations, receipts remain seasonally strong and often at above year ago levels. Manufacturing schedules continue

heavy in the region. Drying schedules are light in some areas of the country though steady in others. Moving fluid products between regions continues to be hampered in some areas by truck/trucker availability.

DRY PRODUCTS: The NDM market is weak and prices are mostly lower. Spot interest is light as buyers wait for prices to settle. Drying schedules are generally lighter except in parts of the West where milk supplies are more available. Buttermilk is also weak, as an alternative product in some uses to NDM. Buttermilk drying schedules are lighter seasonally as schools start to play a bigger impact in reducing milk volumes available for manufacturing. Whole milk prices are steady as production is more limited by the supply of milk available for drying. The WPC market is weaker and prices were steady to lower. Some spillover pressure from the NDM market is affecting buyer interest. Whey prices are firm and offerings remain tight. Reduced production at some locations is keeping spot offerings limited. The lactose market is also firm. Offerings are light with domestic and international demand steady to higher and may exceed short term production.

ORGANIC DAIRY MARKET NEWS (DMN): Organic milk production in the Northwest continues to generate milk beyond immediate regional needs. Some of this milk is dried and shipped to other regions farther east for use in other organic products, easing demands on regional organic milk production in the receiving regions. Organic dairy weekly supermarket newspaper advertising volume is within the top one-third of 2011 report periods by volume, but lower than the last two periods. Organic yogurt ad numbers are at the highest level of any two week period since fall 2009 when this data series began. The total for the last two week periods combined as well as the last three two week periods combined, also exceeds any combined two or three week periods since Fall 2009. Advertised pricing for organic milk half gallons increased this period by 41 cents, to a weighted average advertised price of \$2.96. The top of the price range increased \$1.06 to \$4.35 while the range bottom increased 1 cent to \$2.50. This range of \$1.85 is the largest range since this data series began during fall 2009. Noteworthy is that both the Midwest and Southeast Regions contain organic milk advertised at both the range top price, \$4.35, as well as the range bottom price, \$2.50. There were no newspaper supermarket ads for gallon containers of organic milk for the sixth two week period of this year. Ad numbers for organic milk in 8 ounce containers this period were the third lowest level of 2011. Nevertheless, for 2011 year-to-date, ads for organic milk in 8 ounce containers are 39.8% of total organic milk ads for the year, compared with 16.0% for the same period of 2010. The weighted average advertised price of 6 ounce organic yogurt declined 5 cents to 60 cents. All ads were priced at 60 cents.

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CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 08	TUESDAY AUG 09	WEDNESDAY AUG 10	THURSDAY AUG 11	FRIDAY AUG 12	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$2.1350 (N.C.)	\$2.1350 (N.C.)	\$2.1350 (N.C.)	\$2.0700 (-.0650)	\$2.0800 (+.0100)	:: (-.0550)	:: \$2.1110 (-.0200)
40# BLOCKS	\$2.1300 (-.0025)	\$2.1000 (-.0300)	\$2.1000 (N.C.)	\$2.0550 (-.0450)	\$2.0250 (-.0300)	:: (-.1075)	:: \$2.0820 (-.0615)
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 (N.C.)
BUTTER							
GRADE AA	\$2.1000 (-.0025)	\$2.0700 (-.0300)	\$2.0675 (-.0025)	\$2.0425 (-.0250)	\$2.0725 (+.0300)	:: (-.0300)	:: \$2.0705 (-.0315)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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AUGUST MILK SUPPLY AND DEMAND ESTIMATES (WAOB):

The milk production forecast for 2011 is reduced. Although the July *Cattle* report indicated that producers are holding relatively large numbers of dairy replacement heifers which supports a higher forecast dairy herd, recent hot, humid weather and relatively high priced feed may constrain the growth in milk per cow. Milk production is forecast higher for 2012, reflecting a larger herd in the first part of 2012 but slightly slower growth in milk per cow. Commercial exports for 2011 are forecast higher on the strength of butterfat exports. Imports are lowered reflecting lower imports of cheese and milk proteins. Trade forecasts for 2012 are unchanged. Cheese, butter, and whey prices are forecast higher for 2011, but nonfat dry milk (NDM) is forecast lower. Tighter milk supplies are expected to support higher product prices but softening international prices will likely weigh on U.S. NDM markets. The Class III price is raised, based on higher forecast cheese and whey prices, but lower forecast NDM prices will outweigh higher butter prices and the Class IV price forecast is reduced. For 2012, NDM prices are forecast lower on expected weaker early-year demand but cheese prices are forecast slightly higher. The Class III price is raised reflecting higher forecast cheese prices but lower NDM prices result in a reduced forecast for the Class IV price. The all milk price forecast is raised to \$20.30 to \$20.50 for 2011 and \$17.80 to \$18.80 for 2012.

CME GROUP

MONDAY, AUGUST 8, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1300
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA @ \$2.1000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 3 CARS GRADE AA @ \$2.1000

TUESDAY, AUGUST 9, 2011

CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$2.1000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.1000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0750; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 4 CARS GRADE AA @ \$2.0700

WEDNESDAY, AUGUST 10, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0675

THURSDAY, AUGUST 11, 2011

CHEESE -- SALES: 4 CARS BARRELS: 2 @ \$2.1300, 1 @ \$2.1000, 1 @ \$2.0700; 2 CARS 40# BLOCKS: 1 @ \$2.0700, 1 @ \$2.0550; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$2.0550; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$2.0475, 2 @ \$2.0400, 1 @ \$2.0425; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0300; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0450

FRIDAY, AUGUST 12, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$2.0650; 2 CARS 40# BLOCKS: 1 @ \$2.0400, 1 @ \$2.0200; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0800; 1 CAR 40# BLOCKS @ \$2.0250; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.0450
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$2.0425, 1 @ \$2.0625; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0725; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The butter price on the CME Group declined \$.0300 Tuesday and closed at \$2.0700. Butter declined \$0.0325 in the last two trading sessions. These were the first price declines on the CME Group butter market since July 8. Butter production remains at low levels due to limited cream supplies and higher multiples. The reduced cream volumes are due to the recent decline in milk production and lower component levels, brought about by hot, humid weather. Current production is filling current orders with one plant making butter and reworking butter to build inventory for a planned maintenance shutdown. Prices for bulk butter range from 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price declined daily during the early part of the week to settle at \$2.0675 at midweek. This weakening trend is a surprise to many butter producers and handlers as many anticipated that butter prices would remain firm and probably continue to firm as the fall months approach. Churning activity remains mixed in the Central part of the country, fully dependent on cream availability and management decisions on disposition of available cream volumes. In some instances, butter producers are selling a portion of their available cream to other uses and cutting back on churning activity. Churning that is occurring is often clearing to current needs with inventory enhancement minimal. For those that are churning, some are also reaching into inventoried stock to round out current order needs. Some butter handlers are starting the tempering process to microfix butter for upcoming needs. Current butter orders remain steady for this time of the summer season. Some food service buyers, especially in resort and vacation areas, are starting to cut back on their orders as the summer vacation season winds down and the Labor Day holiday approaches. 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 down \$.0025 to settle at \$2.0675. Over the last three trading sessions, the price has declined \$.0350. Sales for the week are light to moderate with four sales recorded for the week. Unfilled offers each day at the exchange are responsible for the weaker price. Western butter prices are lower, after showing some strength last week. The market tone is unsettled as buyers hope for lower prices. Sales have been good with regular buyers content to fill immediate needs. Buyers are measuring available supplies against needs into the fourth quarter. Demand for butter into retail accounts is good, especially where featured. Club store sales are reported active, with food service sales in vacation areas also good. Overall demand is resulting in some plants pulling from inventory to fill current needs. Production in many parts of the West has been active. Cream demand from ice cream makers is slowing and additional supplies of cream are clearing to churns. Prices for bulk butter range from even to 6 cents under the market, based on the CME with various time frames and averages used.

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

	2011 Exports Monthly Exports	% Change From 1 Year Ago
June	12.9	+ 2
	Jan.- June (Million Lb.)	1 Year Ago
World	89.1	+ 58
Saudi Arabia	15.9	+ 36
Mexico	8.7	+ 282
Canada	7.4	+ 48
Morocco	6.8	+ 50
Belgium-Luxembourg	6.6	+ 196

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
August 6	2,1116 12,002,805	2,1554 7,856,360	1,5726 18,218,277	2,0812 4,202,889	0,5631 7,807,039

CHEESE MARKETS

NORTHEAST

The CME Group closed trading Tuesday with barrels unchanged at \$2.1350, while blocks declined \$.0300 and closed at \$2.1000. Since August 1 blocks have lost \$0.0525, while barrels have increased \$0.0050. Wholesale prices for Process 5# Sliced cheese increased \$.0025, while Cheddar 40# Block and Muenster declined \$.0125 as result of the weekly average cheese price changes on the CME Group. Swiss Cuts increased \$0.2950 as a result of the Class III prices released Friday. Cheese production remains at lower levels following the declines in milk production due to the recent periods of hot, humid weather. Nonfat dry milk is being used by some cheese makers to offset declining components and boost yields. Cheese sales are reported as mostly steady.

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

Cheddar 40# Block	:	2.4625-2.7375
Process 5# Sliced	:	2.2400-2.5500
Muenster	:	2.4825-2.6875
Grade A Swiss Cuts 10 - 14#	:	3.6425-3.9650

MIDWEST

The cheese market is unsettled. Recent declines on the CME Group block price have caused an inverted spread with barrels holding steady. While current supplies are becoming more limited within the region, supplemental cheese volumes are available from some Western sources where "summer" weather has been minimally stressful on cows. Delays in deliveries of specialty varieties are occurring from some manufacturers. Some packagers have increased schedules to build finished supplies for the reopening of schools and for planned Labor Day promotions. Barrels are tight. Some processors have resorted to using more "older" product from cold storage to supplement current supplies. A few processors need overtime to cover orders or to build stocks ahead of promotions. Temperatures and humidity have moderated in upper Midwest locations and reports indicate some rebound in receipts has occurred, though overall volumes remain below pre-heat levels. Lowered components from the heat continue to cause lower cheese yields. Seasonal milk shipments to Federal Order bottlers are also reducing the manufacturing milk volume. In Texas and nearby states, the extended heat spell of over a month is reportedly wearing down cows along with drought reduced feed supplies.

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

Process American 5# Loaf	:	2.4900-2.6800
Brick And/Or Muenster 5#	:	2.6550-2.7500
Cheddar 40# Block	:	2.5900-2.8650
Monterey Jack 10#	:	2.6175-2.8650
Blue 5#	:	2.9100-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.4875-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.9900-3.3300

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

	BUTTER	:	CHEESE
		:	
08/08/11	8,002	:	135,756
08/01/11	8,265	:	137,538
CHANGE	-263	:	-1,782
% CHANGE	-3	:	-1

WEST

Barrel cheese at the CME Group this week is steady with last week's close. Block cheese is showing some lower prices for the week. Wednesday's close for barrels was unchanged at \$2.1350. Blocks on Wednesday are unchanged at \$2.1000, but down \$.0325 for the week. Sales activity for barrels continues to be slow with no sales reported by midweek. Blocks are also trading lightly with four loads reported sold for the week. Wholesale Western cheese prices are mixed. Wholesale Swiss prices are significantly higher as the Class III price was adjusted. Cheese production schedules are being reduced in some cases as producers try to determine the best strategies for current inventories. Some sellers are offering product at lower prices to stimulate any spot sales above contract needs. Export sales have slowed as international prices are weaker and CWT assistance is slowing. Excess cheese milk is being backed into butter/powder plants in some cases.

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

Process 5# Loaf	:	2.2575-2.5150
Cheddar 40# Block	:	2.2725-2.6250
Cheddar 10# Cuts	:	2.4525-2.6725
Monterey Jack 10#	:	2.4625-2.6225
Grade A Swiss Cuts 6 - 9#	:	3.2200-3.6500

FOREIGN

Wholesale prices for all domestic varieties did an about face and declined this week, reversing the trend to higher prices established the last two weeks. The decline of \$.0125 was a result of the decline in the weekly average price for CME Group block cheese. Swiss cheese prices increased \$0.2950 following the release of the Class III price Friday. Prices for imported varieties were unchanged. Production remains at low levels for domestic Italian type cheeses and domestic Swiss cheese, because of the recent milk production declines brought about by the continued hot, humid weather.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
	:	:	:
Blue	:	2.6400-5.0400	: 2.6025-4.0900*
Gorgonzola	:	3.6900-6.3900	: 3.1050-3.3650*
Parmesan (Italy)	:	-0-	: 3.7250-4.1350*
Provolone (Italy)	:	3.4400-6.3900	: 2.6450-2.8025*
Romano (Cows Milk)	:	-0-	: 3.7925-5.9350*
Sardo Romano (Argentina)	:	2.8500-3.9800	: -0-
Reggianito (Argentina)	:	3.2900-4.2400	: -0-
Jarlsberg-(Brand)	:	2.9500-4.9900	: -0-
Swiss Cuts Switzerland	:	-0-	: 3.7350-4.0575*
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-

* = Price change.

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	33	0

The Northeast region has seen some bounce back in milk production as the hot, humid weather has given way to cooler temperatures and less humidity, but manufacturing supplies remain low. Crops and pastures continue to be stressed in the Northeast with over 50% of the topsoil in Pennsylvania and New York rated as short or very short of moisture. 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. Manufacturing milk supplies in the Mid-Atlantic region are limited due to the declines in milk production. Some plant managers are restricting their fluid milk contracts to the minimum levels allowed. Class I demand continues to build in the Southeast and Florida as more schools are beginning their fall terms. Most schools in the Southeast will be in session by next week with the remainder soon to open. Milk production continues to decline in the Southeast and Florida due to continued heat and humidity. Temperature issues remain a concern for long haul loads. Florida did not import spot loads of milk this week; however the need to do so is not far off. Cream supplies are very tight in the East with some plants having to import cream to cover contracts. Demand for cream depends on the day of the week with Monday through Wednesday having the strongest demand and bringing the highest multiples. Demand for cream remains good from Class II manufacturers. Cream multiples have increased and range mostly 142-156. The tight cream supply has resulted in lighter loads, longer hauls and increased rejections due to temperature issues and high microbial counts. Class III condensed skim prices moved significantly higher with Friday's release of Class III prices. The Class III skim milk price increased \$2.79 to \$14.00. Condensed skim supplies remain low due to decreases in milk production, causing some 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 attempting to secure supplies from other regions when and if trucking can be secured and at an affordable price.

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 -	2.9848-3.2791
F.O.B. producing plants: Upper Midwest -	2.7498-3.0689

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 -	1.70 - 1.75

MIDWEST

Class I interest is steady to slightly heavier where more schools are set to reopen. Some milk is reported as moving from the upper Midwest into the Kentucky/Tennessee area. A few operations report solid, non-ice cream, Class II product movement while others are lower. Ice cream demand is still heavy, though manufacturers are focused on just covering immediate needs and gaps in product lines, not on building inventory. A few reports indicate a slowdown in soft serve interest from some customers. Cream supplies seem a bit more available, likely due to a slight drop in demand from ice cream combined to more standardized cream supplies and a slight improvement in fat tests on incoming milk

volumes. Some churning continues though current product seems destined for immediate printing rather than for bulk use. Manufacturing milk demand is strong and handlers are unable to fill all of the demand. Reported prices on a limited basis are steady to higher. Milk components remain low seasonally though reports indicate some improvement at various locations but still below levels prior to the July and the heat spell. Temperatures, along with humidity, moderated to more typical summer weather with high temperatures in the 70s and 80s. Texas and nearby states remain hot and dry, some Texas locations rapidly approaching their record number of consecutive days over 100 degrees. Feed availability remains a big issue in various parts of the country.

WEST

CALIFORNIA milk production is mostly level with recent weeks and generally trending flat to 2% higher than a year ago. Weather conditions are seasonally milder than normal with conditions favorable for cow comfort. Processing plants across the state are running along at expected levels. The trend of cheese producers pushing milk back and the milk ending in butter/powder continues. There are no big issues handling the milk supply across the state. Additional volumes of cream and condensed skim are being offered to local and out of area buyers. Finding tankers is a problem and paying for the trip is a bigger concern. ARIZONA milk production continues to be negatively impacted by hot and humid weather conditions. Monsoons are expected with the current conditions and any rains are welcome. Plant intake levels are trending lower and processors are bringing in outside milk and components to maintain operating levels. Class I demand is increasing as school terms begin and milk is diverted to those needs. NEW MEXICO milk output is mostly steady and processing plants are operating at heavier levels than projected for this time of the summer. With Class I needs soon to ramp up for fall school terms, milk will be pulled out of balancing plants to fill those needs. Additionally, any milk movements to other regions to help with needs will alleviate the need to run plants. CREAM prices are leveling off to slightly lower in light to moderate trading. Overall, demand is at lighter levels than projected and the market continues to underperform year ago trends, when product was tight and multiple/overages were very high. Ice cream interest remains slow locally; light to fair into other regions. Cream offerings are available from most producer sources in the region. Transportation costs and availability continue to impact cream movements and total pricing levels. The CME butter price was down 3.5 cents from a week ago, closing at \$2.0675 on Wednesday, August 10. Cream multiples are lower on the bottom end of the 118-138 range and vary based on class usage and basing point. Excellent weather for cows in the PACIFIC NORTHWEST continued this week. Coastal temperatures are moderate with daytime highs in the 80's. Further inland, the temperatures reached the 90's, yet moderating at night. Milk production in the region is above year ago levels and handlers are busy balancing milk volumes to available manufacturing plants. Transportation costs and truck availability are adding to hectic schedules. UTAH and IDAHO milk supplies are heavy in many cases as dairy farms have added cows over the last year. In some instances, fluid milk is being offered at a discount to clear supplies. A regional conference for dairy processors is being held in Idaho this week. Warmer weather has helped forage and grain development that had been delayed due to the cold spring. Alfalfa supplies are tight in many cases for those that have not booked needs. Prices for feed ingredients are well above year ago levels.

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Nonfat dry milk prices in the Central region are mostly lower on a weaker market. Spot market demand from buyers is light and still on a just in time basis. Buyers indicate the weaker tone in the global marketplace for dairy proteins implies there should be some adjustment on NDM pricing. Some producers, however, are disinclined to lower prices: NDM inventories are at comfortable levels and opportunities for NDM production in the near term are lower as increasing orders for fluid milk strip intakes from the region. NDM manufacturers indicate some plants are operating below capacity as farm milk intakes trend toward the seasonal low point. A few Central processing plants are receiving Western condensed skim to beef up their plant intakes, although all loads may not clear through the dryers. NDM contract fulfillment is on time with no pushback from buyers. Some spot loads of resale NDM are reportedly being offered at discounts to the current market with moderate buyer interest.

EAST: Prices for low heat nonfat dry milk moved lower this week, while high heat held steady. Nonfat dry milk production is very limited in the East with some plants not drying at all as milk production has declined. The recent heat and high humidity levels has hampered and slowed production of nonfat dry milk. Some plants that are in production are focusing on expanding their high heat inventories. Most market activity in the East is via contracts with limited spot market transactions. The nonfat dry milk market continues to be unsettled with buyers looking for lower prices due to current availability, especially from other regions, and sellers eyeing lower milk production levels and hesitant to make significant discounts. Some Eastern manufacturers and brokers are monitoring their inventories closely as they consider the possibility of limited future production as Class I demand increases due to schools reopening.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.4500 - 1.6600 MOSTLY: 1.5300 - 1.6500
 HIGH HEAT: 1.6500 - 1.7500

NONFAT DRY MILK - WEST

Pricing levels are moving irregularly for low/medium heat nonfat dry milk in the West. The market undertone is weak. Prices are steady to lower from Western producers. Index based prices moved slightly higher, reflecting their collection of past prices and a disconnect from spot market trends. Contract based sales volumes are steady to lower with some buyer delays as prices trend lower. International pricing on skim milk powder continues to trend lower into the lower \$1.40's and is pressuring U.S. pricing levels. There are unconfirmed reports of lower priced export sales of U.S. powder, which could be resale NDM or SMP. Domestic buyers are cautious. There continues to be offerings from the resale channels with prices often below manufacturers' prices. Cheese producers are utilizing limited amounts of NDM and condensed skim for standardizing/fortifying incoming milk supplies. Condensed skim is available across the region and being offered out. High heat nonfat dry milk markets are weaker with prices trading lower in a wide range. Demand is slow to develop, expected in a weaker market. Output continues along projected levels. Stocks are ample for current interest.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.4300 - 1.6100 MOSTLY: 1.4500 - 1.5700
 HIGH HEAT: 1.5700 - 1.7500

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - JUN	481.0	+ 39
1 Mexico	167.5	+113
2 Vietnam	65.1	+140
3 Philippines	60.5	+ 19
4 Indonesia	58.9	- 1
5 Malaysia	28.3	+ 6
June Total	83.5	+ 6

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are lower on a weaker market. Butter production is closely tied to orders and butter orders for some plants are nearing seasonal lows. Some plants are opting to sell cream as multiples notch higher. Condensed buttermilk is selling well into Class II accounts. Both of these market conditions are exerting downward pressure on dry buttermilk production. Dry buttermilk inventories are steady and described as comfortable.

EAST: Dry buttermilk prices declined again this week following the lower and unsettled nonfat dry milk market. Cream supplies are very tight in the East as a result of declining milk production and lower component levels. Butter and the resulting buttermilk production have declined as cream supplies tighten and multiples increase. When available, some plants are opting to sell cream at higher multiples. Production is also down due to plant maintenance, one plant this week and another next week. Condensed buttermilk sales to ice cream and ice cream mix manufacturers also contribute to lower dry buttermilk output. Inventories of dry buttermilk are decreasing as product moves through contracts. Potential buyers are considering more readily available and lower priced nonfat dry milk as a product alternative, which is limiting spot market activity and giving the market a weak undertone.

F.O.B. CENTRAL/EAST: 1.4000 - 1.5500

DRY BUTTERMILK - WEST

Dry buttermilk prices and the market undertone continue to be weak in the West. Demand is seasonally light and most often below expectations. Some buyers are willing to make purchases, but are seeking discounted pricing. Producer offerings are moderate to heavy and running more than expected for August. Some are discounting offerings to stimulate buyer interest. Pricing pressure continues from the NDM complex. Butter churning schedules remain active and dryers have time to process available buttermilk solids. Producers' inventories are moderate to heavy.

F.O.B. WEST: 1.3000 - 1.4350 MOSTLY: 1.3500 - 1.4100

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are steady. Plants are shifting in and out of dry whole milk production as contract commitments, milk supplies and dryer availability dictate. Both manufacturers and brokers/traders report higher buyer interest in dry whole milk spot loads this week, but that demand may be unquenched as availability is light. Inventories are light to building incrementally.

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

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 5	\$1.5690	12,431,138	0
July 29	\$1.5722	13,083,815	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices are higher as contract prices adjust to reflect changes in various pricing indices. The market is steady to firming. Milk intakes recovered a portion of the volumes lost during the recent bout of heat and humidity, but most plants indicate their intakes are below historical levels for this time of year. This has curtailed cheese/whey production in the region and crimped the supply of dry whey to the spot market. A few plants indicate their most likely supply of spot market loads may occur because of pushbacks on contract load shipments, however those pushbacks are irregular. Manufacturers' dry whey inventories are steady. Spot sale activity within the resale market is more active, with some participants indicating prices in the \$.55 - \$.70 range. ANIMAL FEED DRY WHEY prices are steady. Production is higher as various plants take advantage of spot condensed whey loads.

F.O.B. CENTRAL: .5100 - .5900 MOSTLY: .5300 - .5600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3975 - .5500

DRY WHEY - NORTHEAST

Dry whey prices held steady this week in light trading. Dry whey manufacturing has declined following decreases in cheese production, brought about by the recent declines in milk supplies. Supplies continue to be very tight in the Northeast with some manufacturers falling behind on their contract commitments, due to reduced or interrupted production schedules. A majority of the dry whey produced in the Northeast is committed for the remainder of the year. The tight supplies have prompted increased resale activity with prices above the market range. Good domestic and export demand provide the market with a firm undertone.

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

DRY WHEY - WEST

Western dry whey prices are steady to fractionally higher this week. Contract prices constituted the bulk of trading as spot load availability was limited. Resale loads of whey are trading above the current range in limited transactions. Supplies are in balance for most immediate needs. Production of whey is lower in some areas as summer heat has reduced milk supplies. Reductions in cheese production at individual plants has lowered the available whey stream supply. Concentrated whey products are competing for whey supplies and limiting production also.

NONHYGROSCOPIC: .5475 - .6100 MOSTLY: .5675 - .6050

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - JUN	268.7	- 7
1 China	51.9	- 12
2 Mexico	33.4	+ 13
3 Malaysia	27.6	+ 48
4 Canada	24.1	+ 11
5 Indonesia	23.0	+ 41
June Total	46.0	- 24

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

As buyer price resistance builds and availability of resale WPC 34% spot loads increases, F.O.B. prices retreated on the high sides of both the range and mostly price series. The WPC 34% F.O.B. spot market is also under some price pressure from the weakening NDM market, many dairy market participants report. This conflicts with some manufacturers' assessments of near term WPC 34% market conditions. Various manufacturers indicate their WPC 34% inventories are steady, at best, as current milk availability for cheese/WPC 34% production is lower due to either manufacturers' desire to manage cheese inventories, or because of regionally lower milk supplies. In addition, some manufacturers have taken the additional step of cancelling contract loads to some buyers through the balance of the year as a result of overbooking.

F.O.B. EXTRA GRADE 34% PROTEIN:1.5000 - 1.6200 MOSTLY: 1.5200 - 1.5700

U.S. WPC ≤ 80% Exports, H.S. Code 0404100500(FAS)

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - JUN	110.6	- 23
1 China	40.2	- 23
2 Mexico	18.5	- 53
3 Canada	17.5	- 9
4 Japan	8.6	- 17
5 Thailand	3.6	+ 136
June Total	17.4	- 3

LACTOSE - CENTRAL AND WEST

The lactose market is firm. Light offerings of F.O.B. spot loads hampered price continuity on the top of the range. The top of the mostly price series moved higher. Demand from current domestic buyers is steady to higher, with some buyers wanting to increase contract load commitments. International buyer interest is also unchanged to higher, but some buyers are voicing pricing concerns for the fourth quarter. With reductions in cheese production at various plants, manufacturers are unsure they will have sufficient increases in production in the near term to satisfy all the requests coming across their desks. Spot market resales of lactose are active, with prices reportedly steady to edging higher.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .6725 MOSTLY: .5500 - .6300

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - JUN	221.9	+ 46
1 New Zealand	38.4	+ 403
2 China	38.2	+ 150
3 Mexico	25.9	+ 35
4 Japan	19.0	- 3
5 Brazil	12.1	+ 3
June Total	37.5	+ 34

CONTINUED ON PAGE 6A

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

CASEIN - NATIONAL

Casein markets remain firm as European output declines seasonally and the Oceania production season is about to resume. Milk production in Europe has been positive so far this season, thus casein production is generally on track as projected. Oceania producers remain optimistic about the upcoming milk and casein production season. The Oceania milk production season will resume in 3 - 4 weeks. In Europe, the current casein production season has been as projected, although output is basically being geared to know needs with no significant uncommitted stocks available. In the Oceania region, casein output occurs on both sides of peak milk production, thus manufacturers are hopeful that the season might resume earlier than usual and maintain high levels for a longer period of time on the down side of the season. Currently, most domestic casein needs are being filled, although acid volumes are currently less available than rennet offerings. Supply availability remains a constant concern for U.S. buyers.

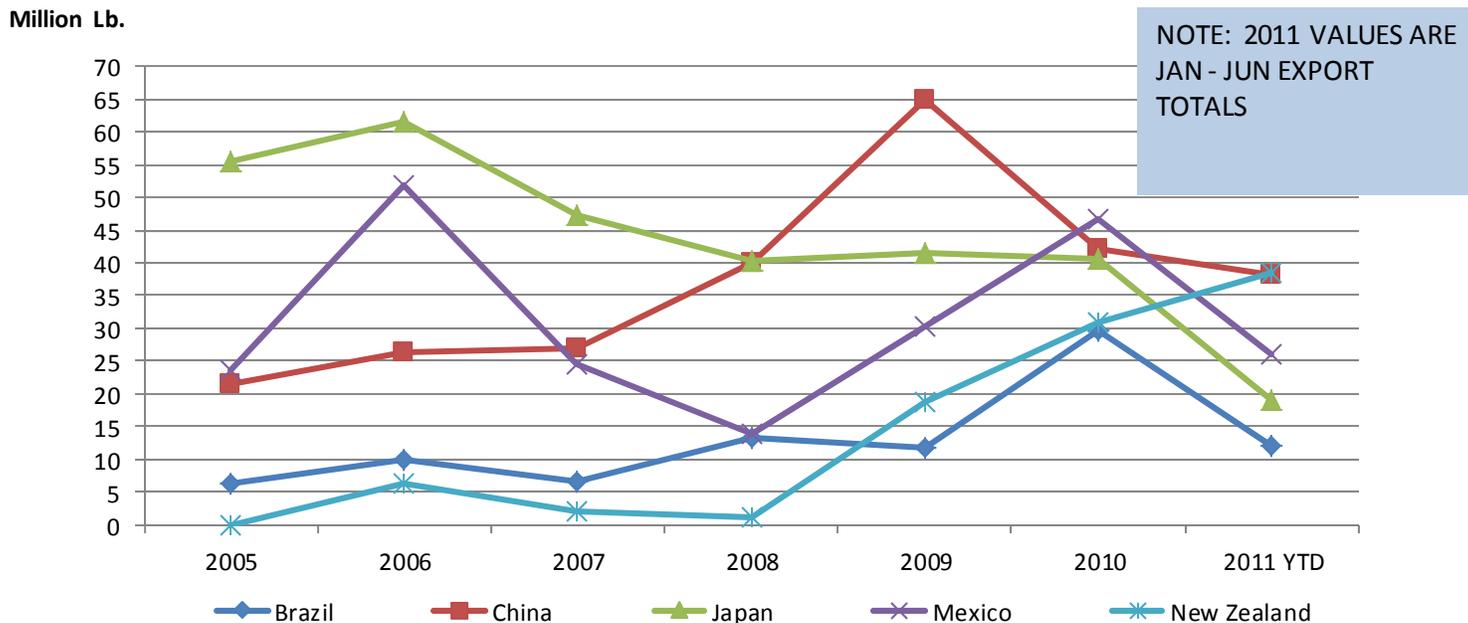
EVAPORATED MILK - NATIONAL

The Kansas City Commodity Office issued Bid Invitation Number 2000000423 on August 11 for evaporated milk packaged in 24/12 fluid ounce cans totaling 332,316 pounds. Deliveries are during October - December 2011. Small business set aside for this solicitation is 110,160 lbs. of evaporated milk. Offers are due by August 23, 2011. Award notifications are scheduled to be announced on August 24 2011, with public release currently scheduled for August 25, 2011. More information on offer specifications may be obtained at: <http://www.fsa.usda.gov/FSA/>

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

2005 - 2010 Annual & 2011 Year-to-Date Lactose Exports to 5 Top Trading Partners, 2005 - 2011



Graph, DMN; Source, FAS

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 8 - 12, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 08/05/11	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	132,276	-0-	-0-

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound

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

NONFAT DRY MILK \$.80 per pound

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/23/11 & Comparable Week 2010

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	7.8	3.5	15.6	3.0	N.A.	N.A.	14.4	2.6	49.3	1,665.6	38.6	45.4
2010-Dairy	N.A.	0.7	7.7	2.3	19.0	4.2	0.3	N.A.	14.5	3.3	53.4	1,578.1	43.9	43.7
2011-All cows	0.1	0.8	9.8	14.8	32.4	29.3	N.A.	N.A.	19.6	3.4	127.7	3,667.2		
2010-All cows	N.A.	0.8	9.6	13.4	32.4	23.4	14.2	N.A.	17.8	6.3	121.7	3,612.8		

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

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	13.56	14.18	15.09	16.09	17.60	20.17	21.38	19.83	20.07	18.70	19.22	20.60
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83

CLASS IV MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	12.53	12.71	13.71	16.12	18.48	20.76	21.64	21.87	21.61	21.31	20.40	19.18
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03

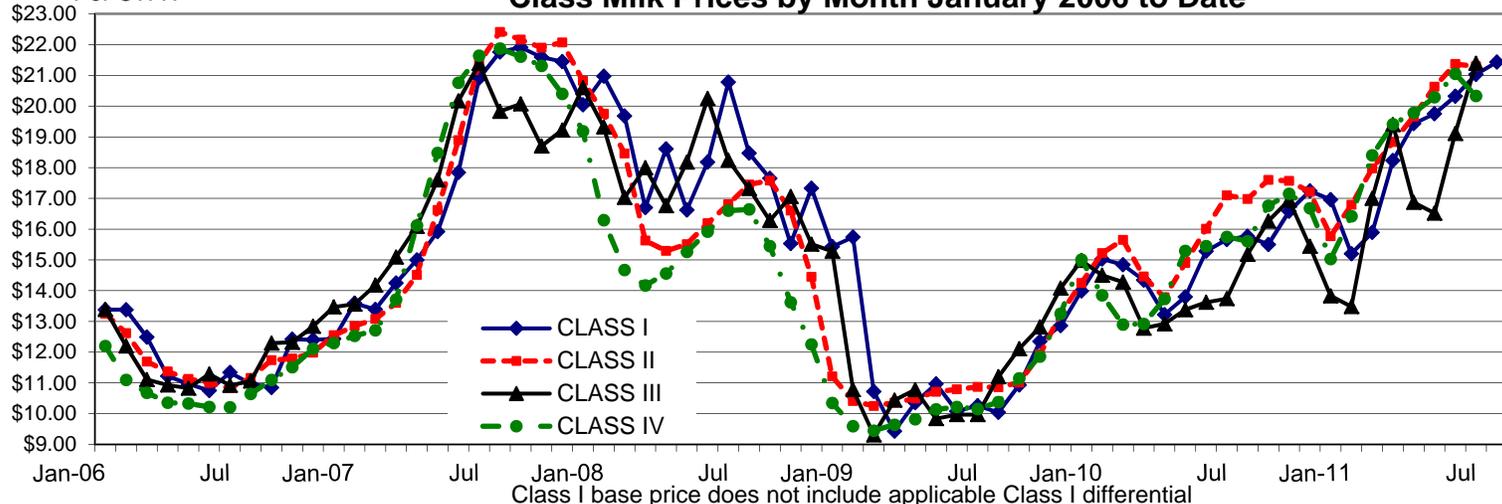
FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89	18.23	19.43	19.75	20.32	21.03	21.43				
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29					
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39					
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33					

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

Per CWT.

Class Milk Prices by Month January 2006 to Date



ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 12, 2011

ORGANIC DAIRY FLUID OVERVIEW

Organic milk production in the Northwest continues to generate milk beyond immediate regional needs. Some of this milk is dried and shipped to other regions farther east for use in other organic products, easing demands on regional organic milk production in the receiving regions.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Overview. Organic dairy weekly supermarket newspaper advertising volume is within the top one-third of 2011 report periods by volume, but lower than the last two periods. This week, 32.6% of 9,201 surveyed newspaper supermarket ads contained organic dairy content, down from the record 38.9% two weeks ago and 65.2% four weeks ago.

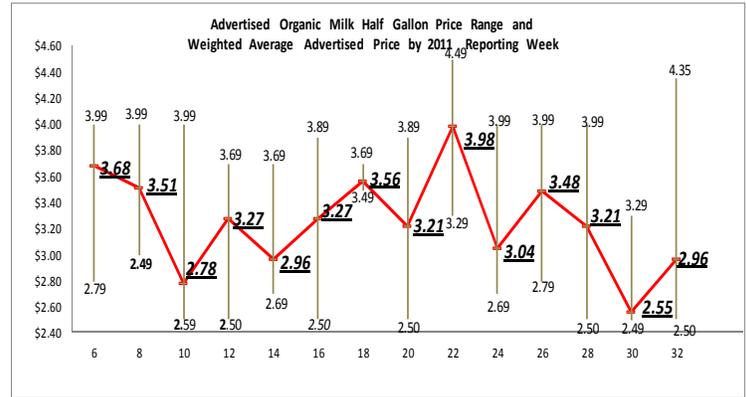
Organic dairy newspaper advertising for this two week period of 2011 contains almost twice as many ads for organic yogurt as for organic milk. Other than organic milk and butter, the only other organic dairy product advertised was organic butter.

Information presented is compiled from newspaper supermarket ads for the period July 30, 2011, to August 12, 2011, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. The regional balance of organic dairy advertising between all six regions this week is relatively even compared with many periods of this year. The Southwest led all regions for the second consecutive two week period, with 22.4% of organic dairy ads.

Other regions and percentages are the Midwest, 19.0%; Northeast, 17.3%; Southeast, 16.9%; Northwest, 13.0%; and South Central, 11.1%.

Half Gallons. Advertised pricing for organic milk half gallons increased this period by 41 cents, to a weighted average advertised price of \$2.96. The top of the price range increased \$1.06 to \$4.35 while the range bottom increased 1 cent to \$2.50. This range of \$1.85 is the largest range since this data series began during fall 2009. Noteworthy is that both the Midwest and Southeast Regions contain organic milk advertised at both the range top price, \$4.35, as well as the range bottom price, \$2.50. The higher price is for a national brand and the lower price for a store brand.

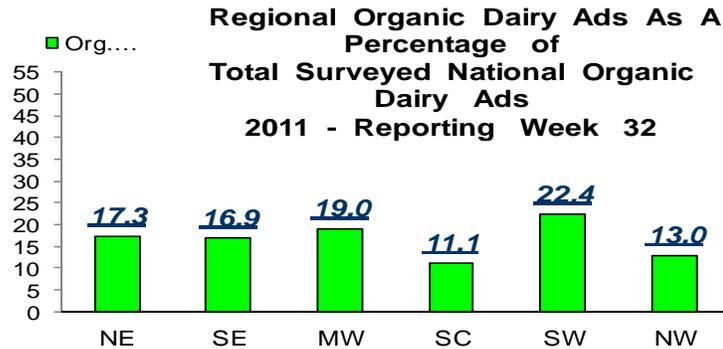


Comparing regional weighted average advertised prices, there is a spread of 99 cents between the South Central Region, with the highest weighted average advertised price, and the Midwest, with the lowest weighted average advertised price.

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

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

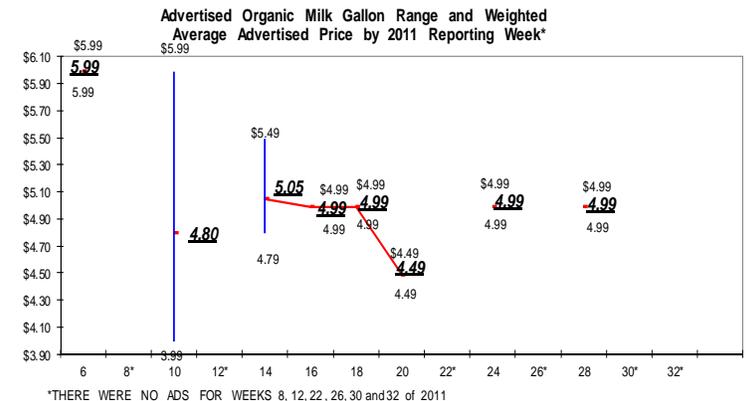
REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	0.00
SE	53.7	2.96
MW	35.1	2.78
SC	06.5	3.77
SW	00.0	0.00
NW	04.7	3.29
US		2.96



Product Emphasis. Organic yogurt ads were dominated by ads for 5.3 ounce containers of Greek Yogurt and ads for 27 ounce containers of yogurt. There were over seven times as many ads for organic milk in half gallon containers, than in 8 ounce containers. No ads appeared for organic gallons.

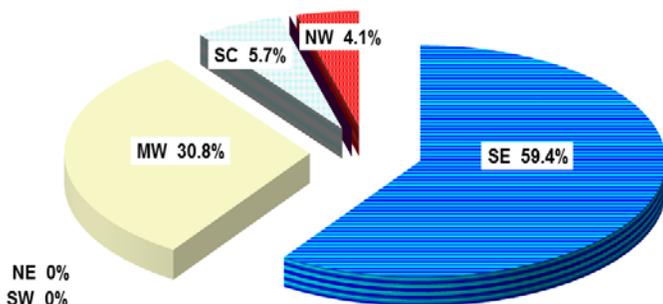
Milk. Organic milk ads appeared in four of the six regions. The Southwest leads the organic milk category, with 59.4% of ads, just as it led all regions two weeks ago. The remaining regional totals include the Midwest, 30.8%; South Central Region, 5.7%; and Northwest, 4.1%. No organic milk ads appeared in surveyed newspapers in the Northeast or the Southwest.

Gallons. There were no newspaper supermarket ads for gallon containers of organic milk for the sixth two week period of this year. In contrast, through the same week of last year, 2010, there had been ads for organic gallons of milk every two week period. Overall for 2011 year-to-date, 6.2% of organic milk ads have been for gallons in contrast with 18.0% for the same period of 2010.



*THERE WERE NO ADS FOR WEEKS 8, 12, 22, 26, 30 and 32 of 2011

ORGANIC MILK FEATURES Regional % of Nationally Surveyed Supermarket Ads Report Week 32, 2011



ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 12, 2011

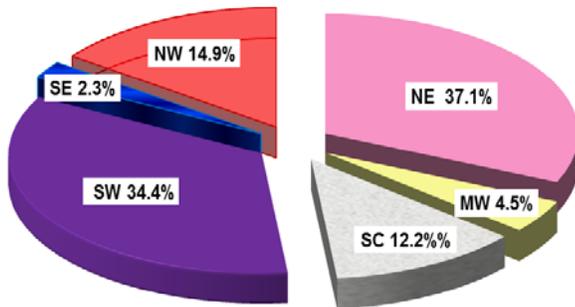
CONTINUED FROM PAGE 8

8 Ounce Milk. Ad numbers for organic milk in 8 ounce containers this period were the third lowest level of 2011. Nevertheless, for 2011 year-to-date, ads for organic milk in 8 ounce containers are 39.8% of total organic milk ads for the year, compared with 16.0% for the same period of 2010.

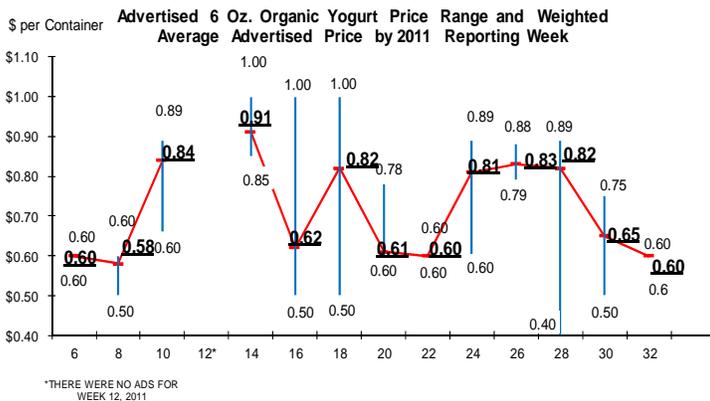
Yogurt. Organic yogurt ad numbers are at the highest level of any two week period since fall 2009 when this data series began, 3,896 ads. The total for the last two week periods combined as well as the last three two week periods combined, also exceeds any combined two or three week periods since Fall 2009.

Organic yogurt ads ran in each of the six regions. Regional percentages include the Northeast, 37.1%; Southwest, 34.4%; Northwest, 14.9%; South Central, 12.2%; Midwest, 4.5%; and Southeast, 2.3%.

ORGANIC YOGURT FEATURES
Regional % of Surveyed National Newspaper Ads
Report Week 32, 2011



Although the standard reported price for organic yogurt to track trends has been organic yogurt in 6 ounce containers, this two week period less than 1% of organic yogurt ads were for 6 ounce containers and all of those were in the Northeast. Nevertheless, the weighted average advertised price of 6 ounce organic yogurt declined 5 cents to 60 cents. All ads were priced at 60 cents.



The greatest number of organic yogurt ads were for 5.3 ounce organic Greek yogurt, 46.8% of organic yogurt ads. These ads ran in newspapers in all six regions, as set forth in the following table.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	22.2	1.11
SE	02.5	1.00
MW	09.6	1.25
SC	13.0	1.00
SW	36.8	1.00
NW	15.9	1.00
US		1.05

For the first time there was a significant showing for ads featuring 27 ounce organic yogurt. 34.4% of organic yogurt ads were for this sized container. These ads appeared in all regions except the Midwest, as the following table illustrates.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	07.2	2.88
SE	03.4	2.88
MW	00.0	0.00
SC	17.7	2.88
SW	50.1	2.88
NW	21.7	2.88
US		2.88

Weekly supermarket ads in the Northeast contained 309 ads each, for organic yogurt in 4 ounce containers and 4 ounce tubes of squeezable yogurt, the former priced at 50 cents and the later at 75 cents. Each accounted for 7.9% of organic yogurt ads nationally.

There were 79 ads in the Southeast for 1 pound organic butter for \$4.59. No other organic dairy products were advertised in the surveyed newspapers this two week period.

SUPERMARKET PRICE COMPARISON:

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

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

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

A table summarizing the survey results follows:

ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE
2011 REPORTING WEEK 32

MADISON, WI		
LOW	HIGH	RANGE
(In Dollars)		

GALLONS:	LOW	HIGH	RANGE
Whole	5.69*	6.39	0.70
Reduced Fat (2%)	5.69*	6.39	0.70
Low Fat (1%)	5.69*	6.39	0.70
Nonfat (Skim)	5.69*	6.39	0.70

HALF GALLONS:	LOW	HIGH	RANGE
Whole	3.14*	4.19	1.05
Reduced Fat (2%)	3.14*	4.19	1.05
Low Fat (1%)	3.14*	4.19	1.05
Nonfat (Skim)	3.14*	4.19	1.05

CHOCOLATE HALF GALLON:	LOW	HIGH	RANGE
	3.49	5.69	2.20

YOGURT	LOW	HIGH	RANGE
	.79*	1.29	0.50

CHEESE - 8 OUNCE BLOCKS:	LOW	HIGH	RANGE
Mozzarella	3.59	5.75	2.16
Mild Cheddar	3.79	5.99	2.20
Monterey Jack	3.79*	5.99	2.20
Pepper Jack	3.59	5.99	2.40

ORGANIC DAIRY MARKET NEWS

Information gathered July 30 - August 12, 2011

CONTINUED FROM PAGE 8-A

<u>LOW</u>	<u>HIGH</u>	<u>RANGE</u>
(In Dollars)		

CHEESE – 6 OUNCE STRING:

Mozzarella	3.49	5.09	1.60
Colby Jack	3.89	5.39	1.40

BUTTER – 1 POUND	4.25	6.19	1.94
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*=Price change from prior reporting period

For this report, the lower range price for organic gallons increased 40 cents to \$5.69 and for half gallons, decreased 5 cents to \$3.14. Organic yogurt's low range price decreased 4 cents to 75 cents. Monterey Jack in the 8 ounce size decreased at the range bottom to \$3.79.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuffs prices were mostly steady with light to moderate demand, with the exception of feed grade corn which was higher with very good demand. Offerings of most feed grains this period were light to moderate, while offerings of feed corn were very light due to extremely limited supplies. Producers in areas where excessive heat was an issue for an extended period of time are reported to be concerned with their corn yields this harvest. According to the recent crop production report, corn production is up four percent from 2010, soybeans are down eight percent from 2010, while wheat is down one percent from July's forecast.

Eastern organic grain and feedstuffs prices were mostly steady, with feed grade corn reportedly sharply higher with good demand and light offerings. Feed grade soybeans and soft red winter wheat were steady to firm this period, with moderate offerings and moderate to good demand. The recent heat spell throughout the Eastern Cornbelt paired with the lack of rain in some areas has some farmers worried about their yields this year, especially for corn.

Upper Midwest organic grain and feedstuffs were lightly tested due to very limited trade this period. Feed grade corn was higher with good demand, although light trade was reported throughout the region due to increasingly limited supplies. Some farmers throughout the Dakotas have reported issues with aphids on their soybeans as of late, and are very concerned with the potential harm that could be done if left untreated.

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

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

Week Ending	2011			Week Ending	2010		
	Dairy Cows	All Cows	Dairy as Percent of All		Dairy Cows	All Cows	Dairy as Percent Of All
Jan 1	52.5	111.4	41.6	Jan 2	43.6	104.9	41.6
8	67.4	137.7	48.9	9	56.6	130.2	43.5
15	61.8	129.2	47.8	16	58.1	132.5	43.8
22	62.7	130.5	48.0	23	59.5	139.6	42.6
29	62.5	131.6	47.5	30	54.3	126.0	43.1
Feb 5	59.0	122.1	48.3	Feb 6	56.2	118.2	47.5
12	63.6	119.4	53.3	13	52.0	106.5	48.8
19	64.8	126.2	51.3	20	57.3	117.9	48.6
26	60.7	127.9	47.5	27	57.3	127.0	45.1
Mar 5	62.1	123.5	50.3	Mar 6	58.4	124.1	47.1
12	58.9	118.4	49.7	13	58.8	124.4	47.3
19	57.5	116.3	49.4	20	55.4	117.8	46.9
26	56.2	118.1	47.6	27	54.3	115.9	46.9
Apr 2	56.1	116.8	48.0	Apr 3	52.4	114.6	45.7
9	58.2	122.5	47.5	10	53.6	119.9	45.7
16	58.3	126.8	46.0	17	54.8	125.4	43.7
23	55.9	123.6	45.2	24	54.0	122.8	44.0
30	52.9	121.5	43.5	May 1	52.8	124.9	42.3
May 7	53.4	121.2	44.0	8	51.9	124.7	41.6
14	52.1	121.2	43.0	15	52.4	127.6	41.1
21	511.7	125.2	41.3	22	51.5	125.6	41.0
28	52.5	123.5	42.5	29	49.3	121.6	40.5
Jun 4	44.1	104.8	42.1	Jun 5	43.9	108.8	40.3
11	47.1	117.1	40.2	12	48.9	119.0	41.1
18	50.7	122.5	41.4	19	49.9	117.8	42.4
25	50.1	125.5	39.9	26	47.4	117.4	40.4

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

AUGUST MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2011 is reduced. Although the July *Cattle* report indicated that producers are holding relatively large numbers of dairy replacement heifers which supports a higher forecast dairy herd, recent hot, humid weather and relatively high priced feed may constrain the growth in milk per cow. Milk production is forecast higher for 2012, reflecting a larger herd in the first part of 2012 but slightly slower growth in milk per cow. Commercial exports for 2011 are forecast higher on the strength of butterfat exports. Imports are lowered reflecting lower imports of cheese and milk proteins. Trade forecasts for 2012 are unchanged. Cheese, butter, and whey prices are forecast higher for 2011, but nonfat dry milk (NDM) is forecast lower. Tighter milk supplies are expected to support higher product prices but softening international prices will likely weigh on U.S. NDM markets. The Class III price is raised, based on higher forecast cheese and whey prices, but lower forecast NDM prices will outweigh higher butter prices and the Class IV price forecast is reduced. For 2012, NDM prices are forecast lower on expected weaker early-year demand but cheese prices are forecast slightly higher. Forecast butter and whey prices are unchanged from last month. The Class III price is raised reflecting higher forecast cheese prices but lower NDM prices result in a reduced forecast for the Class IV price. The all milk price forecast is raised to \$20.30 to \$20.50 per cwt. for 2011 and \$17.80 to \$18.80 per cwt. for 2012.

U.S. MILK SUPPLY AND USE					
Commodity	2010	2011 Projected		2012 Projected	
		July	August	July	August
BILLION POUNDS					
MILK					
PRODUCTION	192.8	195.7	195.6	198.8	198.8
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	10.9	10.9	11.4	11.4
MARKETINGS	191.8	194.7	194.6	197.8	197.8
IMPORTS	4.1	3.4	3.2	3.2	3.2
TOTAL COMMERCIAL SUPPLY	207.2	209.1	208.8	212.4	212.4
FAT BASIS USE					
COMMERCIAL EXPORTS	8.3	8.8	9.0	8.7	8.7
ENDING COMMERCIAL STOCKS	10.9	11.4	11.4	11.6	11.6
CCC NET REMOVALS <u>1/</u>	0.2	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.8	188.8	188.4	192.2	192.2
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	12.3	12.3	12.3	12.3
MARKETINGS	191.8	194.7	194.6	197.8	197.8
IMPORTS	4.8	5.0	4.8	4.5	4.5
TOTAL COMMERCIAL SUPPLY	208.0	212.0	211.7	214.6	214.7
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.1	32.1	32.2	32.3	32.3
ENDING COMMERCIAL STOCKS	12.3	12.3	12.3	12.0	12.1
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	164.0	167.5	167.2	170.4	170.2
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	8	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

2/ Includes commercial exports.

Continued on page 11

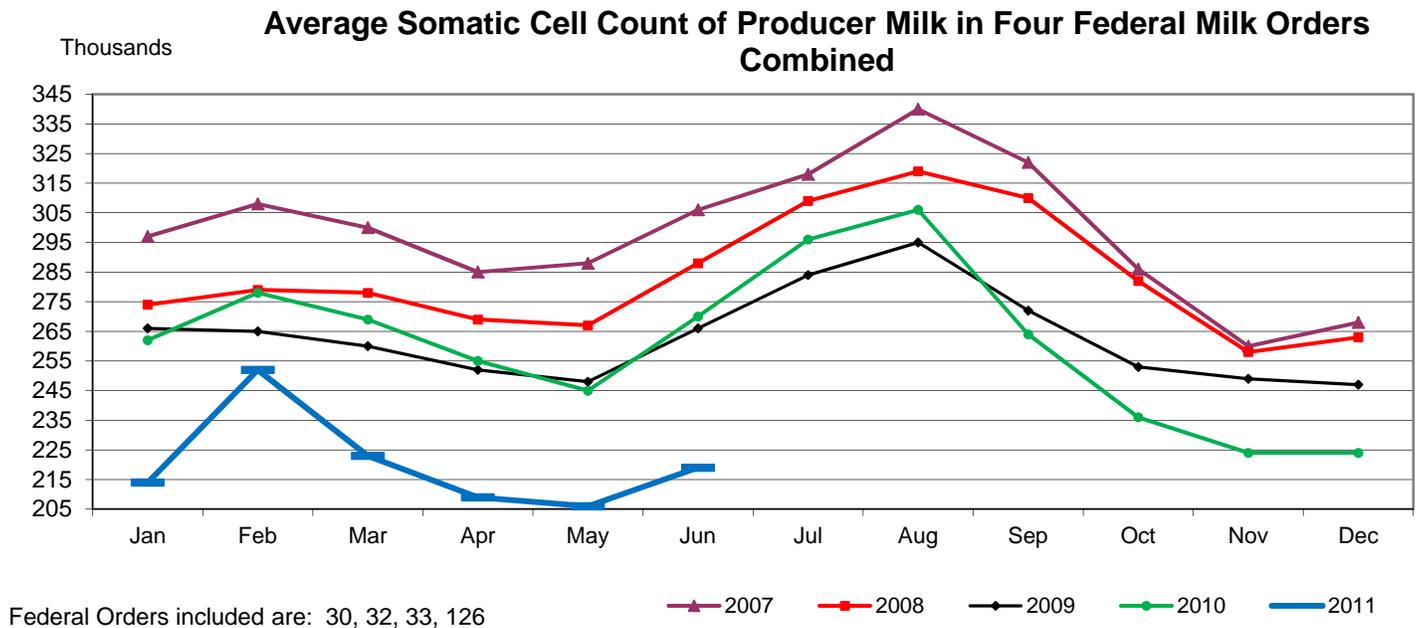
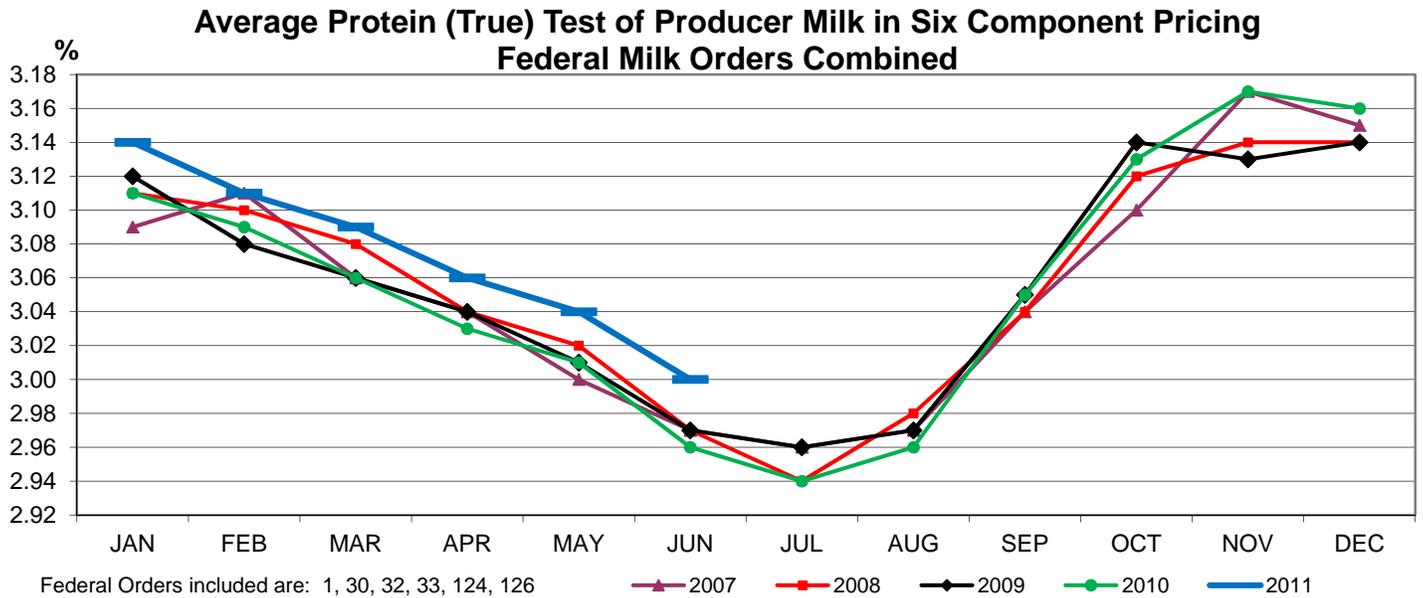
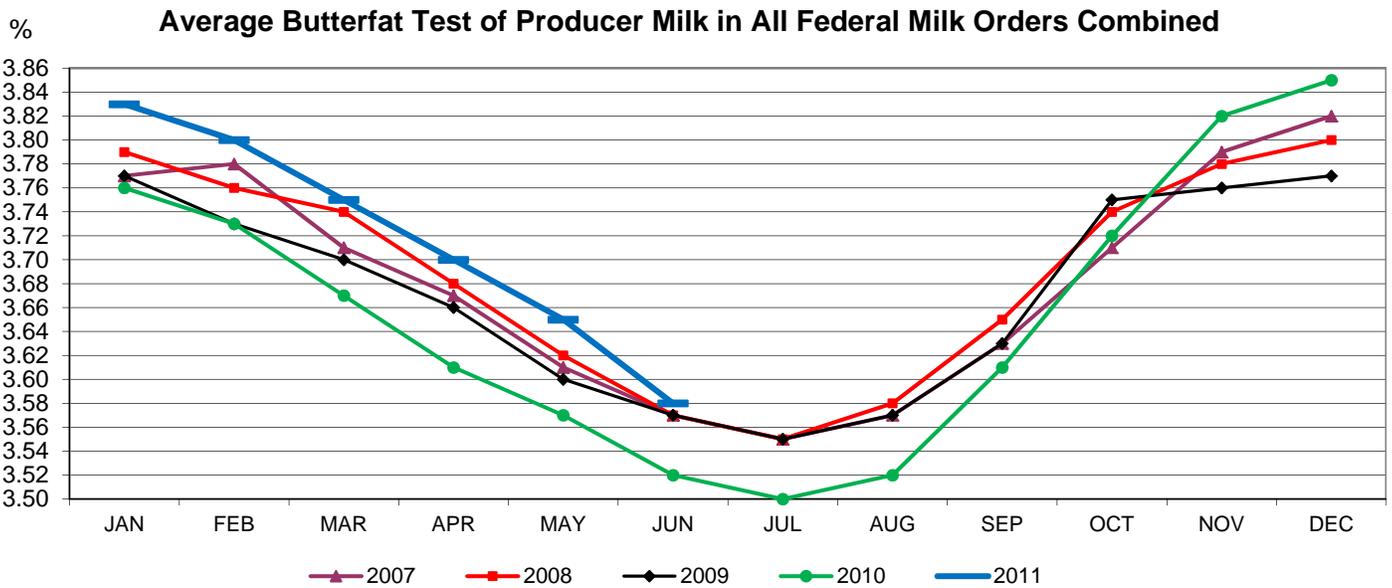
AUGUST MILK SUPPLY AND DEMAND ESTIMATES-cont'd

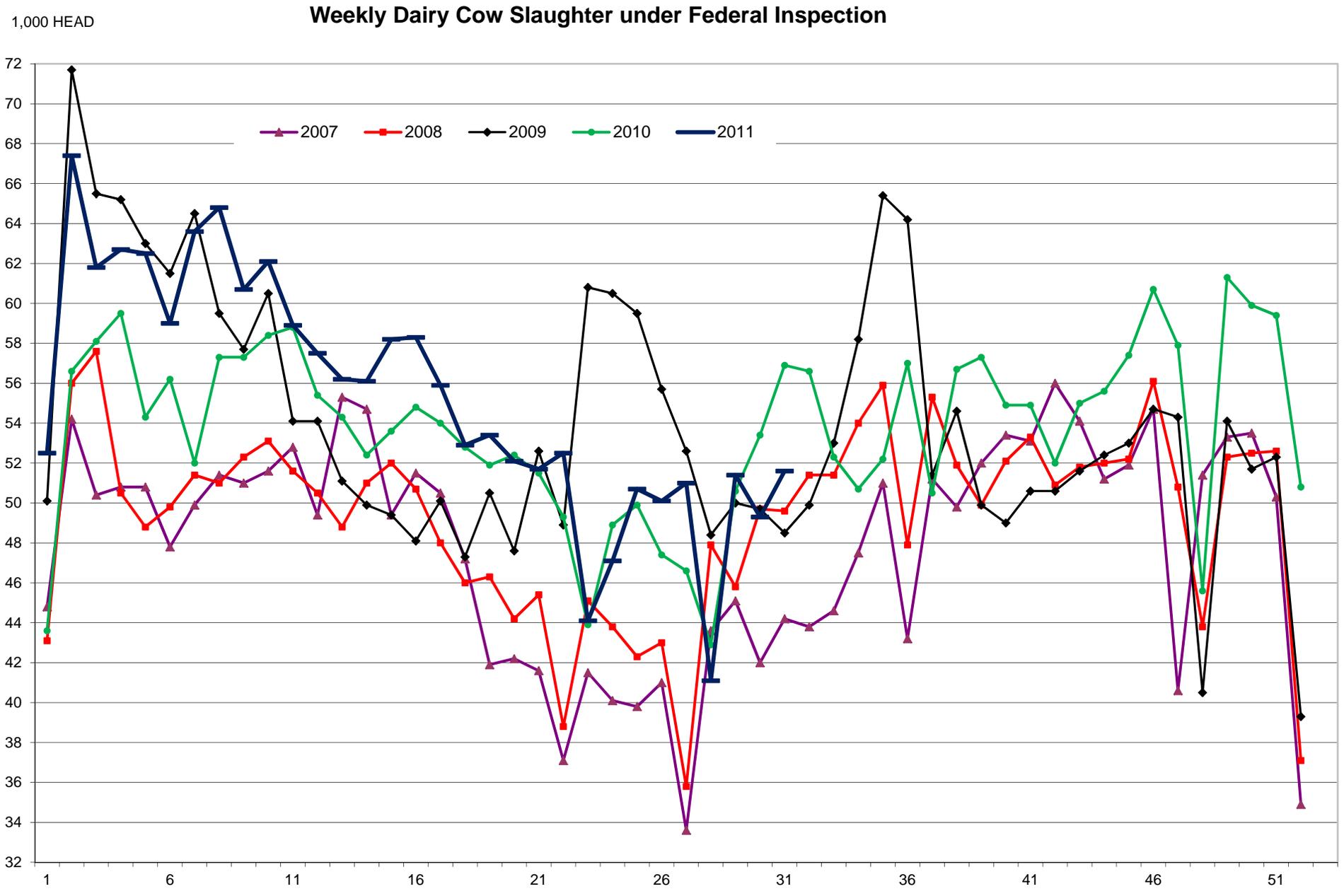
U.S. DAIRY PRICES					
Commodity	2010	2011 Projected		2012 Projected	
		July	August	July	August
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u> CHEESE	1.5226	1.815-1.845	1.855-1.875	1.660-1.760	1.670-1.770
BUTTER	1.7020	1.925-1.985	1.955-1.995	1.615-1.745	1.615-1.745
NONFAT DRY MILK	1.1687	1.520-1.550	1.500-1.520	1.375-1.445	1.370-1.440
DRY WHEY	0.3716	0.475-0.495	0.480-0.500	0.410-0.440	0.410-0.440
DOLLARS PER CWT					
MILK PRICES <u>2/</u> CLASS III	14.41	18.00-18.30	18.40-18.60	16.00-17.00	16.10-17.10
CLASS IV	15.09	19.15-19.55	19.05-19.35	16.50-17.60	16.45-17.55
ALL MILK <u>3/</u>	16.29	20.00-20.30	20.30-20.50	17.75-18.75	17.80-18.80
QUARTERLY					
	2011 II	2011 III <u>4/</u>	2011 IV <u>4/</u>	2012 I <u>4/</u>	2012 II <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	50.4	48.5	48.2	49.7	51.1
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	20.13	22.05-22.35	20.25-20.85	18.20-19.10	17.20-18.20
CLASS III PRICE <u>2/</u>	17.50	20.95-21.25	18.35-18.95	16.20-17.10	15.35-16.35
CLASS IV PRICE <u>2/</u>	20.37	19.65-20.05	18.20-18.90	16.70-17.70	16.35-17.45

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

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

Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-497, August 11, 2011.*





Source: LIVESTOCK MN/NASS, Graph DMN

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