

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/26):**

BUTTER: Grade AA closed at \$2.0925. The weekly average for Grade AA is \$2.0915 (+.0045).

CHEESE: Barrels closed at \$1.7225 and 40# blocks at \$1.7900. The weekly average for barrels is \$1.7510 (-.2300) and blocks, \$1.7900 (-.1940).

BUTTER HIGHLIGHTS: In most parts of the country, churning activity is increasing as available cream volumes build. In many operations, print butter is the style of butter being packaged as some butter operations prepare butter stocks for fourth quarter needs. Typically, bulk is generated when uncommitted, but with the yearend holiday season fast approaching, print butter is becoming more common. Cream volumes are increasing across the country as Class II demand, especially for ice cream, declines. More cream is also appearing in the marketplace as standardizing for school milk programs increases. Students have returned to the classroom in many parts of the country with this trend continuing for the next two to three weeks. Butter demand is seasonal. Retail orders are holding steady with some buyers indicating that sales typically improve during the next few weeks as many households return to more scheduled "at home" eating patterns. Food service orders, especially in seasonal family resort and summer vacation areas of the country, are lighter as the summer vacation period comes to a close. The Labor Day holiday weekend is the unofficial closing of the summer vacation season.

CHEESE HIGHLIGHTS: The cheese market is unsettled to weak as prices on the CME Group cash cheese market tumbled a total of 17 cents early in the week to \$1.6925 for barrels and \$1.7300 for blocks on Wednesday. Prices started to rebound on Thursday to close the week at \$1.7225 for barrels and \$1.7900 for blocks. Barrels are still down \$0.4125 from their \$2.1350 high close on August 10 and blocks are \$0.3650 below the \$2.1550 high close on July 29. Orders for the reopening of schools/Labor Day promotions are at least in transit. While buyers have delayed orders, the rebound will likely have many trying to build stocks around current prices. The question is whether enough milk will be available to fill pent up demand as school milk needs continue to expand. Occasional tightness is noted in varieties such as string cheese. Cheese production is generally steady to lower.

FLUID MILK: Milk production across the country continues to trend seasonally lower. In the Northeast, weather patterns are conducive to steady milk production. The arrival of hurricane Irene is having an impact on fluid sales up and down the Eastern Coast. Coastal fluid milk demand was strongest early in the week, but is easing as the storm nears and residents head inland. Further inland, fluid milk demand is strong as temporary residents seek shelter and procure food items. In the Southeast, hot temperatures are impacting milk production and imports into Florida are increasing. In the Central part of the country, milk output has bounced back somewhat from the declines recorded during the extreme heat of a few weeks ago. In California and the Southwest,

milk production is being impacted by hot temperatures. In the Pacific Northwest, milk production is well above year ago levels. Mild temperatures and increased cow numbers have added to the milk supply. In most all areas of the country, students are returning to the classroom, thus school milk bottling pipelines are once again filling. This activity will continue for the next two to three weeks. At this time, manufacturing milk volumes decline greatly, thus cheese and other manufacturers of dairy products reduce production schedules until the bottling pipeline are filled/balanced and surplus milk volumes are once again available. Cream markets are generally weaker as standardized cream volumes increase and Class II demand declines. Pricing multiples are often lower. Already, for the upcoming Labor Day holiday weekend, some cream handlers have made or are making arrangements to place cream volumes.

DRY PRODUCTS: Domestic nonfat dry milk markets are steady to generally weaker. Prices are basically trending lower from coast to coast with occasional increases noted. Some sales have been reported, although NDM sellers indicate many buyers/end users are holding off committing to NDM supplies for filling mid to long term needs. Supplies vary from tight to having to discount to move available stocks. The buttermilk powders market tone is weakening, with prices mixed, but generally lower. Dry buttermilk production is steady to increasing at several plants as seasonally weaker cream multiples in the spot market and decreasing contract cream sales may indicate the most advantageous use for cream is churning butter and drying buttermilk. Whey powder markets are steady to firm. Good demand from export channels continues to compete with domestic buyers for available supplies. Spot market trading activity is very limited as nearly all available supplies are committed and moving through contracts.

ORGANIC DAIRY MARKET NEWS (DMN): AMS reports Total Organic Milk Products sales for June 2011, 163 million pounds, were up 10.4% from June 2010 sales and up 20.0% January through June 2011 compared with the same first six months of 2010. Organic Whole Milk sales for June 2011, 39 million pounds, were up 14.0% compared with June 2010 and up 23.7% January through June this year compared with the same first six months of 2010. Organic Fat-Reduced Milk sales for June 2011, 124 million pounds, were up 9.3% compared with June 2010 and up 18.8% January through June 2011 compared with the same first six months of 2010. Some organic milk processors report challenges in obtaining milk to fill orders, mentioning producers being at "low output". Organic dairy weekly supermarket newspaper advertising volume is the fourth highest level of 2011 and contains almost four times as many ads for organic milk as organic yogurt. Organic milk ad numbers were led by half gallon ads, which reached the

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*****SPECIALS THIS ISSUE*****

ORGANIC DAIRY MARKET NEWS (PAGES 8 - 8B)
JULY COLD STORAGE (PAGES 9 - 10)ANNOUNCED SEPTEMBER COOPERATIVE CLASS I PRICES (PAGE 11)
DAIRY GRAPHS (PAGES G1 - G2)CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 22	TUESDAY AUG 23	WEDNESDAY AUG 24	THURSDAY AUG 25	FRIDAY AUG 26	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.8625 (N.C.)	\$1.7575 (-.1050)	\$1.6925 (-.0650)	\$1.7200 (+.0275)	\$1.7225 (+.0025)	:: (-.1400)	:: \$1.7510 (-.2300)
40# BLOCKS	\$1.8700 (-.0300)	\$1.7800 (-.0900)	\$1.7300 (-.0500)	\$1.7800 (+.0500)	\$1.7900 (+.0100)	:: (-.1100)	:: \$1.7900 (-.1940)
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	\$2.0875 (N.C.)	\$2.0925 (+.0050)	\$2.0925 (N.C.)	\$2.0925 (N.C.)	\$2.0925 (N.C.)	:: (+.0050)	:: \$2.0915 (+.0045)

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

highest level of 2011. The national weighted average advertised price of organic half gallons of is \$3.06. All ads for organic milk gallons listed a price of \$4.99 per gallon. The national weighted average advertised price of organic milk in 8 ounce containers is \$1.02. The national weighted average advertised price for 6 ounce organic yogurt is 84 cents.

JULY COLD STORAGE (NASS): On July 31, U.S. cold storage holdings of butter totaled 187.7 million pounds, 1.4% less than a month ago and 3.0% less than last year. Natural American cheese holdings total 648.6 million pounds, 5.0% heavier than last month and 1.4% more than a year ago. Total cheese stocks were 1.085 billion pounds, 3.3% more than last month and 1.4% heavier than July 2010.

ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES (DAIRY PROGRAMS): For September 2011, the all-city average announced cooperative Class I price was \$26.98, \$2.56 higher than the Federal milk order (FMO) Class I price average for these cities. The September 2011 cooperative Class I price was \$0.38 higher than the August 2011 price. The September 2011 Federal order Class I price was \$0.35 higher than the August 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For September 2010, the all-city average announced cooperative Class I price was \$20.66, \$2.52 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

CME GROUP

MONDAY, AUGUST 22, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$1.8700; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.8800
 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 23, 2011

CHEESE -- SALES: 4 CARS BARRELS: 1 @ \$1.7950, 3 @ \$1.7550; 3 CARS 40# BLOCKS @ \$1.7800; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7575; 1 CAR 40# BLOCKS @ \$1.7800; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA: 2 @ \$2.0850, 1 @ \$2.0925; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 24, 2011

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.7000, 1 @ \$1.6950, 1 @ \$1.6925; 2 CARS 40# BLOCKS: 1 @ \$1.7500, 1 @ \$1.7300; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6900; 1 CAR 40# BLOCKS @ \$1.7100; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7350
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, AUGUST 25, 2011

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.6925, 1 @ \$1.7025, 2 @ \$1.7050, 1 @ \$1.7200; 2 CARS 40# BLOCKS: 1 @ \$1.7450, 1 @ \$1.7800; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.7150; 1 CAR 40# BLOCKS @ \$1.7800; 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 @ \$2.0925

FRIDAY, AUGUST 26, 2011

CHEESE -- SALES: 13 CARS BARRELS: 1 @ \$1.7200, 12 @ \$1.7225; 3 CARS 40# BLOCKS @ \$1.7900; LAST BID UNFILLED: 4 CARS BARRELS @ \$1.7200; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7400
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The butter price on the CME Group increased \$.0050 Tuesday and closed at \$2.0925. Over the last 6 trading sessions, the CME Group butter price has increased \$0.0125. Butter production has increased as a plant that was shut down for maintenance has resumed production, but another plant remains down as an extensive maintenance project continues. Current butter production is filling orders with limited additions to inventory as butter makers are hesitant to expand inventories at current prices. Butter orders for fall and the holiday season are beginning to arrive and are ahead of last year's schedule. According to the latest NASS Cold Storage report, butter in storage on July 31, totaled 187.7 million pounds, 2.6 million pounds (1%) less than the prior month stocks and 5.8 million pounds (3%) less than July 2010 stocks. Prices for bulk butter range from 6-8 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price is steady to firm and held unchanged at \$2.0925 at midweek. Churning activity in the Central part of the country is increasing as available cream volumes build. Additional cream offerings are developing due to lighter ice cream production and increased standardizing of milk for bottling programs. Students are starting to return to the classroom, thus school milk programs are increasing. This process will continue to build during the next two to three weeks as the bottling pipelines fill. Some cream suppliers are looking forward to the upcoming Labor Day holiday weekend and making, or attempting to make, arrangements for cream disposition at that time. Some success is being reported, although there is uncommitted potential cream already. Butter inventories continue to lag last year, last month, and are substantially lighter than this time in 2009. Monthly cold storage figures from NASS

were released this week which indicate that July month ending stocks totaled 187.7 million pounds, 1.4% lighter than last month, 3.0% lighter than July 2010, and 28.6% lighter than July 2009. Butter demand is holding generally steady for this time of the summer, although some buyers are indicating that consumer buying trends appear to be returning to fall patterns as sales are slightly improved. This trend typically occurs when the summer vacation season comes to a close and more regular at home eating patterns resume. Food service orders are lighter as summer resort areas seasonally wind down as the Labor Day weekend (unofficial end of the summer vacation season) approaches. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Butter trading on the CME Group for Wednesday closed unchanged at \$2.0925. Trading for the week is light with only three loads changing hands as the market moved higher on Tuesday. Butter prices are firm with sales reported steady. Buyers are purchasing for immediate needs. Retail sales are moderate. Club store sales are moderate to good. Institutional demand is increasing as schools and colleges return for the fall. Cream supplies are increasing from bottling plants and adding to production schedules. Some churns continue to sell cream into Class II channels. Butter stocks are adequate for this time of year with some stored supplies supplementing current production. Manufacturers are content to move butter now, rather than store product for future holiday use. Prices for bulk butter range from even to 6 cents under the market, based on the CME with various time frames and averages used. According to the NASS Cold Storage report, stocks of butter as of July 31, 2011, total 187.7 million pounds, -3% or 5.8 million pounds less than July last year. Stocks were 1% lower or 2.6 million pounds less than June 2011.

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 20	2.1322 10,806,017	2.1489 9,219,854	1.5537 17,885,361	2.0668 4,022,558	0.5708 8,061,059

CHEESE MARKETS

NORTHEAST

Tuesday's trading on the CME Group saw significant declines in cheese prices as barrels decline \$0.1025 to close at \$1.7575, while blocks declined \$0.0900 to close at \$1.7800. In the last 6 trading sessions, barrels have declined \$0.3375 with blocks declining \$0.2600. Wholesale prices for Process 5# Sliced cheese declined \$.1300, while Cheddar 40# Block and Muenster declined \$.0975 as result of the lower weekly average cheese prices on the CME Group. Swiss Cuts prices were unchanged. Production of mozzarella, provolone and ricotta cheese have increased as orders have improved ahead of the upcoming holiday and as schools begin their fall terms. Cooperatives Working Together accepted 7 requests for export assistance to sell 1.8 million pounds of Cheddar and Monterey Jack cheese to customers in Asia, Africa and the Middle East. Delivery time frames are from August to December. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of July 31, 2011 totaled 1.08 billion pounds, 3.0% more than one month ago and 1% higher than one year ago. A majority of the holdings are in the form of American cheese (59.8%) totaling 648.6 million pounds, 5.0% more than the amount one month ago and 1% more than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (37.0%) totaling 402.0 million pounds, 1% more than one month ago and unchanged from one year ago. Swiss cheese accounts for 3.2% of holdings at 34.2 million pounds, 1% less than one month ago and 23% more than one year ago.

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

Cheddar 40# Block	:	2.3025-2.5775
Process 5# Sliced	:	2.0900-2.4000
Muenster	:	2.3225-2.5275
Grade A Swiss Cuts 10 - 14#	:	3.6425-3.9650

MIDWEST

The cheese market is weak with prices declining again this week on the CME Group cash cheese market. Many buyers are delaying orders, waiting for possible additional declines. While they may want to wait, cheese operations just may not have enough milk to fill all orders as even more milk will likely move from manufacturing for school needs during the next two weeks as the balance of systems open. The extra cheese being offered generally originates in the West where summer weather has been less stressful on cows. A few reports indicate that just a few customers are starting to use more aged cheddar but, it is early. Some packagers and processors have been building finished product inventory for Labor Day week-end/reopening of school promotions with many orders already in transit. A few order delays/shorted orders are being reported on a few specialty varieties such as string cheese, at least from preferred suppliers. A few plants have tried to move milk rather than manufacture due to the milk price compared to the current cheese price. Overall cheese production is irregularly steady to lower.

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

Process American 5# Loaf	:	2.3400-2.6600
Brick And/Or Muenster 5#	:	2.4950-2.8000
Cheddar 40# Block	:	2.4950-2.8650
Monterey Jack 10#	:	2.4575-2.8650
Blue 5#	:	2.7500-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.3275-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0450-3.3300

WEST

Cheese prices on the CME Group exchange continued lower this week. Wednesday's close for barrels was \$.0650 lower at \$1.6925. Blocks on Wednesday are \$.0500 lower at \$1.7300. Over the last two weeks; the barrel market has lowered \$.4425 and blocks are \$.3700 lower. Sales activity was moderate for barrels this week with seven loads trading. Blocks also sold seven loads this week. The sharply lower cheese prices have increased interest in cheese purchases, yet buyers are measuring when to place orders as the market looks for a bottom. Contract sales are clearing the bulk of current cheese production. Processors are looking for purchases at the lower price levels. Export interest is beginning to appear in response to the lower prices. Cheese stocks are adequate. Manufacturers are dealing with higher Class III pricing for milk but lower cheese prices. According to NASS, Cold Storage stocks of cheese (total) at the end of July 2011 are 1,084.7 million pounds, up 1% or 14.6 million pounds from last year. American stocks were up 1%, and Other Natural stocks were mostly equal with last year. Swiss stocks at the end of July total 34.2 million pounds, up 23% or 6.5 million pounds more than July 2010.

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

Process 5# Loaf	:	2.1075-2.3650
Cheddar 40# Block	:	2.1150-2.4675
Cheddar 10# Cuts	:	2.2950-2.5150
Monterey Jack 10#	:	2.3050-2.4650
Grade A Swiss Cuts 6 - 9#	:	3.2200-3.6500

FOREIGN

Wholesale prices moved lower for the third straight week for all domestic varieties with the exception of Swiss Cuts which was steady. The significant \$0.0975 price decline was caused by the decline in the weekly average price for CME Group block cheese. Prices for imported varieties were unchanged. Milk production has rebounded in some areas in the Eastern region as cooler weather elevated cow comfort levels. The increase in milk production resulted in marginal increases in the production of domestic Swiss and Italian type cheeses. Reports out of Switzerland indicate the strong Swiss Franc, compared to the Euro and U.S. dollar, has decreased Swiss/Emmentaler cheese exports. Some Swiss dairies have noted as much as a 17% decrease.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.0400	: 2.4425-3.9300*
Gorgonzola	: 3.6900-6.3900	: 2.9450-3.2050*
Parmesan (Italy)	: -0-	: 3.5650-3.9750*
Provolone (Italy)	: 3.4400-6.3900	: 2.4850-2.6425*
Romano (Cows Milk)	: -0-	: 3.6325-5.7750*
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.

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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>
		:	
08/22/11	7,424	:	139,957
08/01/11	8,265	:	137,538
CHANGE	-841	:	2,419
% CHANGE	-10	:	2

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	51	0	35	0	0	0
SOUTHEAST STATES	0	0	0	0	110	0

Milk production increases, prompted by cooler, less humid weather elevating cow comfort levels, have been noted in the Northeast and Mid-Atlantic regions. Timely rains in the Northeast have improved crop and pasture conditions with a majority of crops and pastures rated as fair to good. The lack of rain in some of the areas in the Mid-Atlantic region is beginning to stress crops with increasing concerns from producers that crop yields may be lowered. Manufacturing milk supplies in the Mid-Atlantic region have improved as milk production increases have more than offset the additional demand for milk from Class I plants as numerous schools begin their fall terms. Manufacturing plant managers are holding over any excess milk supplies for next week as they anticipate increased Class I demand and want to ensure an adequate milk supply to cover their fluid contract commitments. Significant milk production declines continue in Florida as the heat and humidity levels have not abated and as producers continue to dry off cows prior to calving. Class I pulls were strong early in the week as hurricane warnings prompted increased retail dairy purchases. Forecast tracking changes, predicting less of an event for Florida, may result in some Class I push backs as the week goes on. Florida is experiencing limited supplies of organic milk. The Southeast region reported some increases in the milk supply, but nothing significant. Hot, humid conditions continue in the region with some cooling over the evening hours. Class I demand has leveled off as the pipeline is now full. Some additional Class I demand was noted in some of the coastal areas ahead of the hurricane forecast. Cream supplies are readily available this week as Class II demand has declined, because of lower ice cream production. Cream supplies have also increased due to a continuing maintenance project at a butter plant shutting down production. Standardized cream volumes from Class I plants are increasing as many schools have begun or are about to begin their fall terms. Demand for cream has generally declined from Class II manufacturers, but remains good from cream cheese manufacturers. Cream multiples narrowed this week and ranged 128-140 with the high end of the range supported by bottled cream manufacturers. Condensed skim milk prices declined following the release of the Advanced Prices and Pricing Factors last Friday. The release saw the Class II Nonfat Solids Price, a component in the formulation of the condensed skim price, move \$0.0755 lower to \$1.4767. Supplies of condensed skim increased this week as cooler, less humid weather prompted increased milk production. Some plant managers continue to hold over excess supplies to ensure next week's fluid commitments are met. Spot sales of condensed skim continue to be limited in the East. According to NASS, milk production for July 2011 in the 23 reported states totaled 15.4 billion pounds, up 0.8% from July 2010. Milk production decreased in 3 of the 5 listed states in the Eastern region, down 0.8% over the same month last year to 2,514 million pounds. The 5 states showed the following percentage changes in milk production from July 2010 to July 2011 and total milk production this July: Florida, +8.0%, 190 million pounds; New York, -0.2%, 1,092 million pounds; Pennsylvania, -3.2%, 880 million pounds; Vermont, +1.4%, 214 million pounds; and Virginia, -3.5%, 138 million pounds. Milk cow numbers for July 2011 increased in 2 of the 5 listed states of the Eastern region with 3 states declining. The region increased by 2,000 head or 0.1% compared to the same period last year. Individual state cow numbers compared to July 2010 and cows remaining as of this July are: Florida, 5,000 increase, 120,000 remaining; New York, 1,000 decrease, 610,000 remaining; Pennsylvania, 1,000 decrease, 540,000 remaining; Vermont, 2,000 decrease, 134,000 remaining; and Virginia, 1,000 increase, 96,000 remaining.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	2.6714-2.9218
F.O.B. producing plants: Upper Midwest -	2.5879-2.8801

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.63 - 1.68
Northeast - Class III - spot prices -	1.70 - 1.75

MIDWEST

Fluid interest is steady to slightly improved where additional schools reopened. Some upper Midwest milk is moving at least to the Carolinas to help supplement local supplies, at least before the hurricane arrives. The reopening of the remaining schools after Labor Day is projected by bottlers to keep some lines operating over the holiday weekend. Cream interest was lighter as bottlers generate larger standardized volumes and ice cream interest wanes seasonally. Some churns have already warned cream sellers to book manufacturing capacity early for Labor Day weekend. Production of certain other Class II products, including dips and sour cream were steady to improved for holiday events. Condensed skim interest is steady to lighter with at least one bottler converting plants back to powder use soon. Cheese plant interest in milk is mixed. Early in the week, some operators were interested in extra volumes. But as cheese prices continued to fall on the CME Group cash cheese market, cheese operations were showing an increased willingness to give up extra volumes of milk to other users, including bottlers. With the current cheese and whey prices compared to the August Class III estimates, it will likely be a "red ink" month for cheese plants. Milk intakes have rebounded from recent heat stressed levels though components, particularly protein, are seasonally low and cheese makers have to really adjust levels in order to make quality cheese. Crop yield estimates being reported by producers may lead to further yield adjustments lower for 2011 crop estimates of corn and beans. Crop maturity also varies.

WEST

July 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.39 billion pounds, 8.8% higher than last year, according to CDFA. The July blend price, at a fat test of 3.57%, is \$20.13, \$0.13 lower than June but \$5.47 more than July 2010. The percentage of receipts used in Class 1 products is 12.7%. The July quota price is \$21.24 and the over quota price is \$19.54. These prices are 5 cents higher than June and \$5.30 more than a year ago. CALIFORNIA milk output is steady to slightly lower on a weekly basis, but continues at levels above a year ago. A hotter weather front is moving across the state this week with daytime highs around 100 degrees F. The overall impact will be muted because of shorter days and cool nighttime temperatures. Processing plants are running on planned schedules with some plants down for scheduled maintenance. There are generally limited issues. Class 1 needs are trending higher as school program needs are filled. There are concerns about consumption patterns with recent school systems actions against allowing flavored milk to be distributed. ARIZONA milk production was lower to sharply lower following several days of very hot weather conditions where temperatures were over 110 degrees. At the farm level, heat abatement measures are not having the intended effects at these hot conditions. Schools are pulling additional Class I milk as classes start for the new school year.

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FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

Processing plants are receiving less milk than expected and some handlers are searching for supplemental milk to be able to fill all their current needs. CREAM demand had backed off further and buyers are unaggressive in the current market. Cream multiples and overages are lower this week. Ice cream orders have slowed beyond their recent lighter than normal levels. Churning remains active in the region to process available cream supplies. Other higher class, cream-based items are only seeing normal runs. At the CME, the butter price closed a \$2.0925 on Wednesday, August 24, up 0.5 cents from a week ago. Cream multiples moved lower and traded from 115-128, varying on class usage and basing point. Milk production in the PACIFIC NORTHWEST is well above year ago levels. Mild temperatures, along with increased cow numbers in the region, have added to the milk supply. Cow numbers in Oregon and Washington are 4.3% higher than year ago numbers. As schools start for the new year, more milk is going into Class I usage and manufacturing supplies are becoming more manageable. UTAH and IDAHO are also experiencing increased herd sizes as the two states have increased cow numbers 2.4% above year ago levels. Warm weather this week had little effect on milk production as cool nights alleviated any heat concerns. Milk supplies are being handled within the region in most cases, with some condensed products finding a home outside of the region. According to NASS, July *Milk Production* for the 23 surveyed states totals 15.4 billion pounds, up 0.8% from last year. Monthly milk production per cow for the 23 surveyed states was 5 pounds (-0.3%) less than July 2010. July milk production changes from a year ago for selected Western states are as follows: Arizona +4.8%, California +4.4%, Colorado +5.7%; Idaho +4.8%, New Mexico +2.4%, Oregon +4.8%, Utah +2.5, and Washington +6.6%. Compared to July 2010, the Arizona herd is up 7,000 head, California +22,000, Colorado +9,000; Idaho +13,000, New Mexico +6,000, Oregon +3,000, Utah +3,000, and Washington +13,000. These 8 states are up 76,000 cows and the 23 surveyed states are up 93,000. July cow numbers in these 8 states were 13,000 more than last month.

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: The Central nonfat dry milk market is unchanged to lower and the market tone is weak. Completed NDM spot sales increased somewhat this week as a few Central manufacturers successfully cleared single loads and multiloading groups at lower prices compared to last week. Beyond those transactions, though, NDM sellers indicate many buyers/end users are holding off committing to NDM supplies for filling mid to long term needs. Some buyers/end users believe waiting a week or two may yield improved NDM buying opportunities. Several production facilities in the Central region are actively supplying milk to the fluid market this week. Bottled milk sales in Florida and the greater Gulf area are reportedly increasing as people buy milk in anticipation of Hurricane Irene hitting that area. Sales into the fluid market are decreasing the need to clear condensed skim through the dryers. Manufacturers' stocks of NDM are mostly steady.

EAST: Nonfat dry milk prices declined on the low end of the range for low heat, while high heat saw declines on both ends of the range. Manufacturing milk supplies have increased in some areas of the Eastern region, resulting in marginal increases in drying schedules. Some manufacturers are focusing on high heat or specialty dry product production. A few plants are not drying at all, opting to move their fluid supplies through contracts and or via the spot market. Spot market activity for nonfat dry milk is light with most transactions outside the region at prices under Eastern contracts. Demand has turned very light prior to the upcoming holiday. The nonfat dry milk market continues to be unsettled as traders attempt to find new price levels for the current market.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.4200 - 1.6600 MOSTLY: 1.5000 - 1.6400
HIGH HEAT: 1.5700 - 1.7000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are mixed, reflecting first direct sales in the region. Pricing indices are beginning to gyrate and are hard to predict, creating pricing points that are higher while other producers and resellers' prices are trading lower. The market undertone remains unsettled to weak. While some suppliers are in tighter inventory positions, others are discounting to move available stocks. In addition, the resale market continues to offer better deals than direct offerings. Many resellers are quickly turning loads, often for a near term loss, in order to keep their holdings at minimal levels. Export interest is fair to good and moving prior arranged sales of NDM and SMP. New orders are slow to develop with the reality of lower prices in other international markets providing competition. Buyer interest has slowed as buyers assess global conditions as well as changes in currency values. Domestic demand is fair for contracted volumes, slow for new business. With the sharp declines in cheese prices in the last week, cheese makers who had already shown to not need NDM, are further finding little need to acquire NDM in the near term. Drying schedules are holding up rather well in the region, especially where conditions have been cooler than normal. Stocks are moderate to heavy and able to fill trade needs. High heat prices are trending slightly lower in light trading. The wide range for the high heat range and the gap from low heat prices can obscure the overall weak trend for the high heat market, partly due to the limited trading levels taking place. Buyer interest is fair and is clearing most current offerings. Seasonal needs are expected to build into the fall. Holdings are available for trade needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.4200 - 1.6300 MOSTLY: 1.4300 - 1.5700
HIGH HEAT: 1.5300 - 1.7500

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are both higher and lower, but the overall market undertone is weakening. Manufacturers' inventories of dry buttermilk are building seasonally and a few manufacturers are making a push to prudently cull inventories through attractive pricing on single and multiple loads. Conversely, some manufacturers were aided in clearing spot loads at steady to higher prices by being on the short list of approved suppliers for end users. Interest from Class II accounts for cream is on the decline, mimicking slowing consumer interest in frozen dessert items. Dry buttermilk production is steady to increasing at several plants as seasonally weaker cream multiples in the spot market and decreasing contract cream sales may indicate the most advantageous use for cream is churning butter and drying buttermilk.

EAST: Dry buttermilk prices were mixed and the price ranged widened as the low end of the range declined, while the high end of the range advanced in price. Production of butter and, consequently, dry buttermilk has increased as a plant that was down for maintenance resumed butter production. Declining condensed buttermilk sales to ice cream manufacturers also factored into the increase of dry buttermilk production. Dry buttermilk inventories are increasing marginally following the increases in production. Supplies continue to be fairly tight in the East in light spot market activity. Some increased interest for dry buttermilk is coming from bakeries and manufacturers of baking goods. The lower nonfat dry milk market casts a weak undertone on the dry buttermilk market.

F.O.B. CENTRAL/EAST: 1.3600 - 1.5600

DRY BUTTERMILK - WEST

Dry buttermilk prices continue to trend lower in the West. The market tone remains weak. Buyer interest is slow to materialize unless stimulated by discounted offering prices. Buyers remain cautious about purchasing and holding product with some buyers sensing prices going lower before any improvements are expected. Drying schedules remain active in region as condensed buttermilk offerings are heavy off the butter churns, reflecting both the availability of cream made into butter and the slowness of condensed buttermilk into channels such as ice cream. With the high costs of transporting freight, shipping dry buttermilk to other regions is a challenge to find additional buyers. Export interest has been slow to develop despite recent price declines. Dry buttermilk stocks are moderate to heavy and available from most producers in the region as well as from resellers.

F.O.B. WEST: 1.2500 - 1.3950 MOSTLY: 1.2800 - 1.3800

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to higher on the strength of spot market sales. A few manufacturers indicate production of dry whole milk is slated for the week for contract fulfillment, internal use and potential spot market participation. Inventories of dry whole milk are generally light.

F.O.B. PRODUCING PLANT: 1.9200 - 2.0800

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 19	\$1.5768	16,085,622	0
August 12	\$1.6005	13,236,092	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

Improving cheese orders and higher farm milk intakes nudged cheese and dry whey production higher this week at some plants. Other plants, though, indicate cheese orders are on pause while cash cheese market prices decrease, therefore cheese and dry whey production are steady to lower for the week at those locations. Prices for dry whey in the Central region are mostly higher as contract and spot prices adjust to various indices. F.O.B. based spot load offers are infrequent, according to resellers and end users. A few resellers report interest for dry whey from East Asia has decreased for the near term. Some buyers in East Asia indicate dry whey offers from European sources, at comparatively lower prices, are providing opportunities to lower input costs. ANIMAL FEED DRY WHEY prices are unchanged to fractionally higher on the bottom of the range. Spot load offers from manufacturers are sporadic and buyer interest is steady to somewhat lower as prices increase.

F.O.B. CENTRAL: .5300 - .5950 MOSTLY: .5400 - .5800
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4050 - .5600

DRY WHEY - NORTHEAST

Dry whey prices moved higher on the low end of the range on contract formulation in limited trading and tight supplies. Production of dry whey has increased following increased cheese production due to some bounce back in milk production. Domestic and export demand remain very good. Spot market trading is very limited as nearly all available supplies are committed and moving through contracts. Some manufacturers who fell behind in their contracted deliveries continue to catch up, but remain marginally behind on their delivery schedules. Resale transactions are active with prices well above the market range.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5675 - .6100

DRY WHEY - WEST

Western dry whey prices are fractionally higher this week for both the range and mostly price series. Good demand from export channels continues to compete with domestic buyers for available supplies. Domestic interest is increasing as bakery manufacturers begin to assess needs for fall production. Contract fulfillment is driving whey production schedules. Spot availability of Western whey is light as most production is tied to current obligations. Whey producers express satisfaction with current pricing, yet competing whey concentrate products are capturing whey stream supplies from cheese plants.

NONHYGROSCOPIC: .5625 - .6175 MOSTLY: .5825 - .6125

EVAPORATED MILK – NATIONAL

On August 25, 2011, the Kansas City Commodity Office announced the awarding of one contract for a total of 334,611 pounds of evaporated milk. The evaporated milk, packed in 24/12 oz. cans, is scheduled for October – December 2011 deliveries at various locations throughout the country. Accepted prices ranged from \$0.6554 - \$.6923/lb.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Buyer price resistance is growing for WPC 34% and prices adjusted lower on a weaker market for carload/truckload quantities, while a few LTL spot sales from approved suppliers captured premiums. Although some manufacturers are tight on inventories and unable to meet all requests or offer loads to the spot market, inventories have grown at other locations. To moderate inventories, some manufacturers cleared product at lower prices compared to last week. Resellers, too, indicate that while they are honoring contracts with suppliers, sales activity is slower as buyers await price adjustments on the WPC 34% market. With the lag in sales, resellers are feeling some pressure to adjust prices. WPC 34% production is uneven from location to location, dependent on cheese production schedules.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4000 - 1.6100 MOSTLY: 1.4900 - 1.5600

LACTOSE - CENTRAL AND WEST

Steady to higher interest from domestic and international buyers is supporting the lactose market. Prices on the top of the range and mostly series moved higher. Spot loads from manufacturers are clearing readily, but are only available intermittently. Contract commitments are consuming most fresh lactose production. Some requests from contract buyers to increase monthly purchases from approved suppliers were unable to be met. Manufacturers indicate more lead time is needed to comply with these requests because inventories are generally light. Manufacturers also indicate buyer interest for fourth quarter lactose is strong. Some producers report they continue to fend off requests to discuss lactose contract arrangements for 2012.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL: .4700 - .7300 MOSTLY: .5500 - .6600

CASEIN - NATIONAL

Casein markets and prices remain firm. Suppliers remain confident that they will be able to fulfill their commitments to domestic buyers. The European production season is winding down and, for the most part, producers are pleased with the season. The Oceania milk production season will resume soon, thus it is still too early to get a good feel for overall milk output, but casein producers remain optimistic about the upcoming season. A late winter season snowstorm in New Zealand occurred early last week which blanketed much of both Islands, thus it is still unknown what impact this will have on the start of the upcoming production season. Typically, by the end of August, New Zealander's are indicating noticeable increases, although this trend appears to be slower to develop at this time. Domestic buyers are indicating that they are sourcing known needs and not relying on the spot market to supplement shortages. In Europe, suppliers continue to state that they have geared production to known needs and have minimal uncommitted stocks for the spot market. Oceania casein production is fully dependent on sustained milk volumes at peak production.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 4.8100 - 5.1400
ACID: 5.1000 - 5.2600

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 22 - 26, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/10	LAST YEAR	08/19/11	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 07/30/11 & 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.	0.8	8.2	3.4	18.1	3.3	N.A.	N.A.	14.5	2.9	53.2	1,770.4	41.1	45.1
2010-Dairy	N.A.	0.6	7.4	2.5	19.0	6.0	0.5	N.A.	15.1	3.8	56.7	1,691.7	49.3	44.0
2011-All cows	0.1	0.9	10.4	13.4	35.7	28.4	N.A.	N.A.	19.6	3.9	129.3	3,924.8		
2010-All cows	N.A.	0.7	9.3	12.5	31.8	20.5	12.3	N.A.	18.2	5.8	114.9	3,846.0		

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

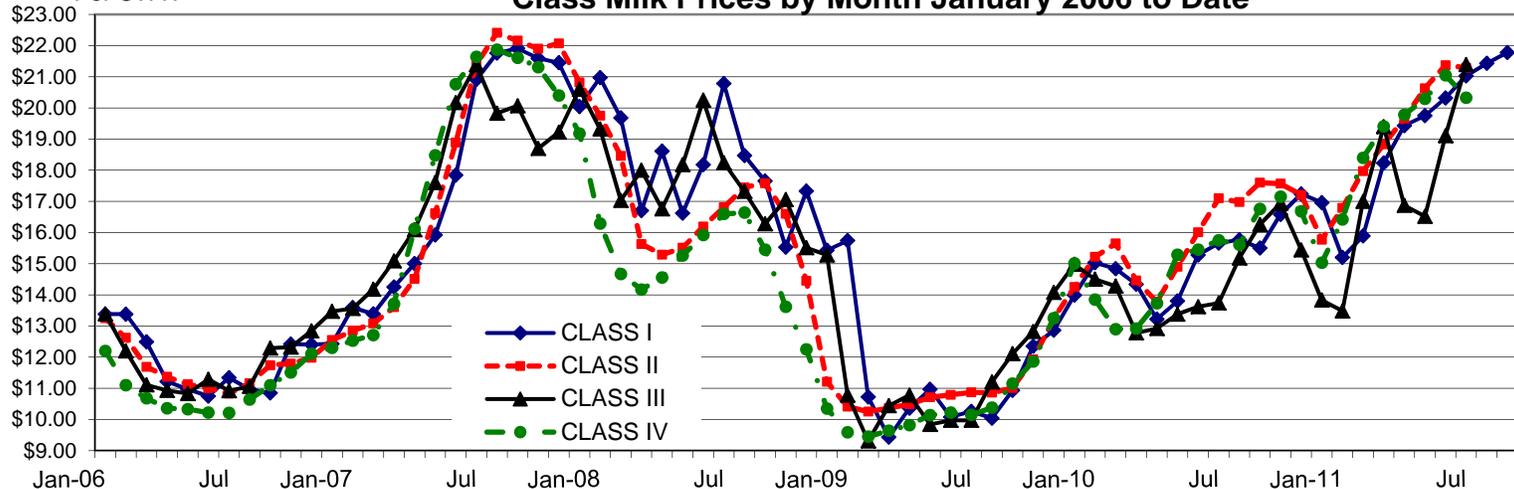
FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)

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	21.78			
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 August 13 - August 26, 2011

ORGANIC DAIRY FLUID OVERVIEW

Some organic milk processors in the United States report challenges in obtaining milk to fill orders, mentioning producers being at "low output". Internationally, a major dairy cooperative in New Zealand has announced that it plans to reduce the number of organic farmers supplying the company. The cooperative plans to focus its organic product range on cheese, which it said provides the best returns, as well as emerging organic markets in Asia and Australia.

AMS reports Total Organic Milk Products sales for June 2011, 163 million pounds, were up 10.4% from June 2010 sales and up 20.0% January through June 2011 compared with the same first six months of 2010.

Organic Whole Milk sales for June 2011, 39 million pounds, were up 14.0% compared with June 2010 and up 23.7% January through June this year compared with the same first six months of 2010.

Organic Fat-Reduced Milk sales for June 2011, 124 million pounds, were up 9.3% compared with June 2010 and up 18.8% January through June 2011 compared with the same first six months of 2010.

This contrasts with a 1.3% June 2011 decline for Total Fluid Milk Products Adjusted (which includes organic and non-organic) compared with one year ago. This total Fluid Milk products data is adjusted for calendar year composition. Itemized data compared with prior reporting periods is not yet available for organic categories reduced fat milk, low fat milk, fat-free milk, flavored milk or fat-reduced milk because data analysis recently expanded these categories and data for a full year has not yet accumulated.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, JUNE 2011, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	June	Y-T-D	Prev Yr.	Y-T-D
	Mil. Lbs.		Percent	
Whole Milk	1,106	6,801	-2.4	-2.9
Flavored Whole Milk	41	262	-4.0	-3.8
Reduced Fat Milk (2%)	1,459	9,027	-0.6	-2.0
Low Fat Milk (1%)	526	3,510	-1.0	-0.4
Fat-Free Milk (Skim)	611	3,882	-3.1	-3.4
Flavored Fat-Reduced Milk	174	2,015	-9.2	-0.9
Buttermilk	38	234	0.1	1.4
Tot. Conv. Milk Products	3,956	25,750	-2.1	-2.2
Organic Whole Milk	39	246	14.0	23.7
Organic Reduced Fat Milk	46	286	3/	3/
Organic Low Fat Milk	35	203	3/	3/
Organic Fat-Free Milk (Skim)	37	232	3/	3/
Organic Flavored Milk	6	49	3/	3/
Organic Fat-Reduced Milk 4/	124	771	9.3	18.8
Tot. Organic Milk Products.	163	1,017	10.4	20.0
Tot. Fluid Milk Prod. 5/	4,120	26,767	-1.6	-1.6
Tot Fluid Milk Prod Adj 5/6/	4,129	26,816	-1.3	-1.4

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Volume figures are not available for the previous year or all earlier months. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

NATIONALLY ADVERTISED PRICE COMPARISON:

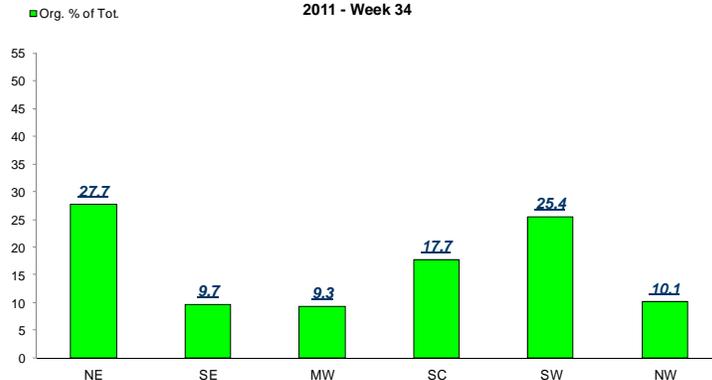
Overview. Organic dairy weekly supermarket newspaper advertising volume is the fourth highest level of 2011. This report period, 42.1% of 9,201 surveyed newspaper supermarket ads contained organic dairy content, up from 32.6% two weeks ago and 38.9% four weeks ago, but lower than the 65.2% 2011 record six weeks ago.

Organic dairy newspaper advertising for this two week period of 2011 contains almost four times as many ads for organic milk as organic yogurt, the

reverse of the ratio two weeks ago when organic yogurt dominated organic milk. Information presented is compiled from newspaper supermarket ads for the period August 13, 2011, to August 26, 2011, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of non-advertised supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. The Northeast followed by the Southwest dominated the six regions in organic dairy advertising, together yielding just over half of all organic dairy ads in the survey. The last time the Northeast led all regions in organic advertising was the period ending June 3, 2011. Regional percentages of organic dairy weekly newspaper advertising include the Northeast, 27.7%; Southwest, 25.4%; South Central, 17.7%; Northwest, 10.1%; Southeast, 9.7%; and Midwest, 9.3%.

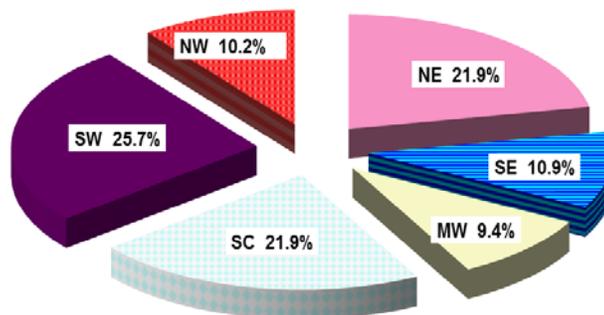
Regional Organic Dairy Ads As A Percentage of Surveyed Organic Dairy Ads 2011 - Week 34



Product Emphasis. Organic milk ad numbers were led by half gallon ads, which reached the highest level of 2011. Ads for organic gallons, which were absent for the last four weeks, returned at the highest level of the year. Organic yogurt ads were dominated by ads for 5.3 ounce containers of Greek Yogurt, continuing the pattern of two weeks ago.

Milk. Organic milk ads appeared in all of the six regions. Regional percentages of organic milk advertising roughly divided into two tiers of regions: three regions placing closely in the top tier and three close in the lower tier. The Southwest, South Central and Northeast placed closely as to the top percentage of organic dairy ads, with 25.7% in the Southwest and the remaining two tying with 21.9% each. The lower tier of regions included the Southeast, 10.9%; Northwest, 10.2%; and Midwest, 9.4%.

ORGANIC MILK FEATURES Regional % of Nationally Surveyed Supermarket Ads Report - Week 34, 2011



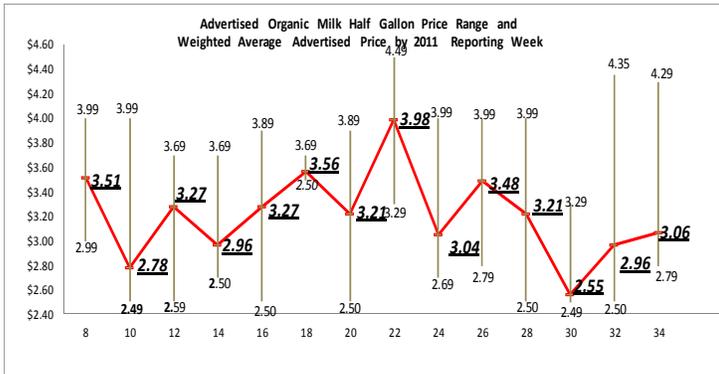
Half Gallons. Advertised pricing for organic milk half gallons increased slightly this period by 10 cents, to a weighted average advertised price of \$3.06. The top of the price range decreased 6 cents to \$4.29 while the range bottom increased 29 cents to \$2.79. The highest advertised price was found only in the Southeast while the lowest advertised price was found in all regions except the Midwest, which had no ads for organic half gallons.

CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered August 13 - August 26, 2011

CONTINUED FROM PAGE 8

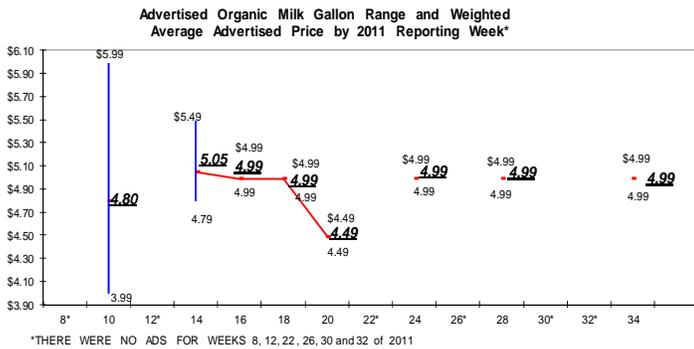


The following table shows the percentage of half gallon organic milk ads by region and the regional weighted average advertised price.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	31.5	3.45
SE	08.2	3.54
MW	00.0	—
SC	12.4	2.80
SW	32.7	2.79
NW	15.2	2.82
US		3.06

Gallons. Newspaper supermarket ads for gallon containers of organic milk returned after a four week absence. Although ads appeared only in newspapers in the South Central Region, the magnitude of advertising for organic milk in gallon containers was the second highest level of 2011. All ads listed a price of \$4.99 per gallon.



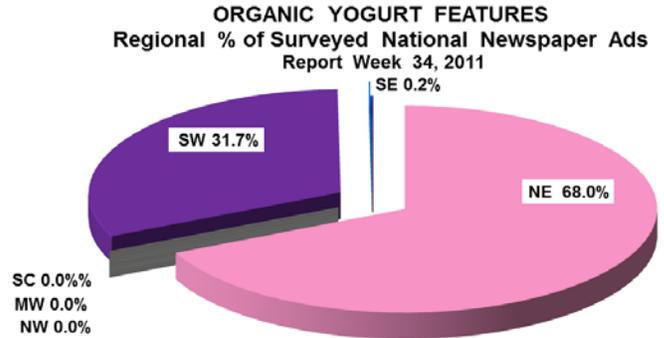
8 Ounce Milk. Ad numbers for organic milk in 8 ounce containers rebounded from the third lowest level of 2011 two weeks ago, to among the higher bi-weekly levels. This was the only sized organic milk container advertised in all six regions. All advertised prices in all regions were \$1.00 except in the Northeast, where all ads listed a price of \$1.17. This yielded a national weighted average advertised price of \$1.02.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	13.6	1.17
SE	17.3	1.00
MW	25.1	1.00
SC	16.6	1.00
SW	21.8	1.00
NW	05.6	1.00
US		1.02

Yogurt. Organic yogurt ad numbers declined from the record level for this data series which was set two weeks ago, but remain in the upper half of 2011 bi-weekly levels.

Organic yogurt ads ran in three of the six regions although, barely in the third, the Southeast, with only 0.2% of organic yogurt newspaper ads surveyed. The regions with most organic yogurt newspaper advertising were the Northeast, with 68.0%, and the Southwest, with 31.7%.

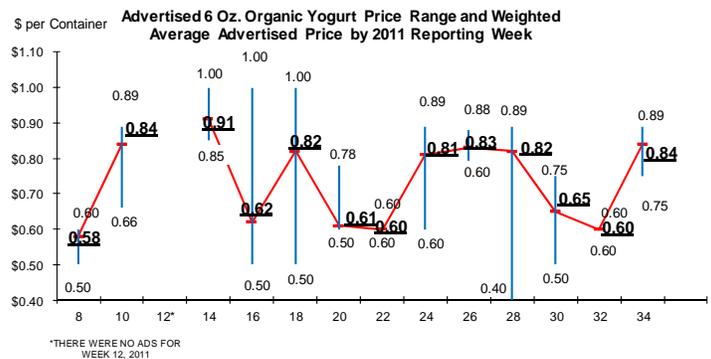


The greatest number of organic yogurt ads were for 6 ounce containers, 47.6% of organic yogurt ads. These ads ran in newspapers in only three regions, as set forth in the following table.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	32.9	0.75
SE	00.4	0.75
MW	00.0	—
SC	00.0	—
SW	66.7	0.89
NW	00.0	—
US		0.84

The national weighted average advertised price for 6 ounce organic yogurt is 84 cents. The range is 14 cents, from 75 cents to 89 cents..



A close second in ad volume for organic yogurt, is 5.3 ounce containers of organic Greek yogurt, comprising 42.9% of organic yogurt newspaper ads. These ads ran in newspapers only in the Northeast and all stated a price of \$1.00.

Weekly supermarket ads in the Northeast contained 58 ads for drinkable organic yogurt in 6 ounce containers priced at \$1.00. Ads in the Northeast also contained 36 ads for 10 ounce organic yogurt smoothies, priced at 79 cents.

Organic butter. Ads for organic butter appeared in 79 newspapers in the Northeast for 1 pound packages, priced \$4.99.

Remaining organic products. The remaining organic dairy ads were run by 67 stores in the Northeast for 6 ounce organic American cheese priced at \$3.99; 16 ounce half and half priced at \$2.50; and 16 ounce whipping cream priced at \$2.79.

CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered August 13 - August 26, 2011

CONTINUED FROM PAGE 8-A

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 34**

	MADISON, WI		
	LOW	HIGH	RANGE
	(In Dollars)		
GALLONS:			
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:			
Whole	2.99*	4.19	1.20
Reduced Fat (2%)	2.99*	4.19	1.20
Low Fat (1%)	2.99*	4.19	1.20
Nonfat (Skim)	2.99*	4.19	1.20
CHOCOLATE HALF GALLON:			
	3.49	5.69	2.20
YOGURT	0.79	1.29	0.50
CHEESE – 8 OUNCE BLOCKS:			
Mozzarella	3.59	5.75	2.16
Mild Cheddar	3.79	5.99	2.20
Monterey Jack	3.79	5.99	2.20
Pepper Jack	3.59	5.99	2.40
CHEESE – 6 OUNCE STRING			
Mozzarella	3.49	5.09	1.60
Colby Jack	3.89	5.39	1.40
BUTTER – 1 POUND	4.25	6.19	1.94

*=Price change from prior reporting period

For this reporting period, the lower range price for organic half gallons decreased 20 cents to \$2.99, for a national brand in a national discount store.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuffs prices were mixed. Feed grade corn was higher, while feed grade soybeans averaged lower with a firm undertone due to light trade. Wheat prices were mostly steady with moderate to good demand. Offerings of corn this period were very light due to supplies, while offerings of soybeans and wheat were moderate. Many food grade soybeans have been sold on the feed market due to lagging food grade demand, which has been a key factor in avoiding supply issues in the feed market. Concerns over new crop corn prices are heavy on the minds of many with poultry operations. Some are reportedly considering scaling back their operations due to the high input costs in the current market and the possible continuation of such in the new harvest.

Eastern organic grain and feedstuffs prices were lightly tested throughout the region due to tight supplies and high corn prices. Feed grade corn was higher this period with moderate demand, while feed grade soybeans were slightly lower on a light test. Feed grade soft red winter wheat trade was noted this period, but an accurate test of the market was not established due to limited trades. Offerings of grain this period were light. Strong concerns regarding the disconnect between high corn prices and higher prices for end users of organic products are on the minds of many. Organic products are a luxury for many in a stable economy, and exceedingly high input prices threaten the future demand of organic products, including meat and dairy. Worry has also been reported regarding the feasibility for some consumers to begin or continue to purchase such products. Some organic grain farms in the region are reportedly transitioning to non-GMO crops to increase yields and meet the overseas needs of consumers who now purchase more non-GMO than organic, due to the state of the global economy.

Upper Midwest organic grain and feedstuffs were mostly steady while feed grade corn was higher. Offerings of grain this period were light, with light to moderate demand. While soybean supplies reportedly remain in good condition, supplies of corn continue to dwindle, causing increased prices on the light volumes trading. High corn prices in the Upper Midwest alone are causing some poultry operations to strongly reconsider growing new birds after the new crop harvest. Many corn growers are searching for new crop corn contracts near current market prices, which many in the organic livestock industry simply cannot afford over an extended period of time. Some organic dairies are reportedly relying more on grass and hay for feed and foregoing grain purchases, thus lowering production. This is a measure some have had to take due to the financial constraints facing organic livestock operations in light of the current market trends.

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

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

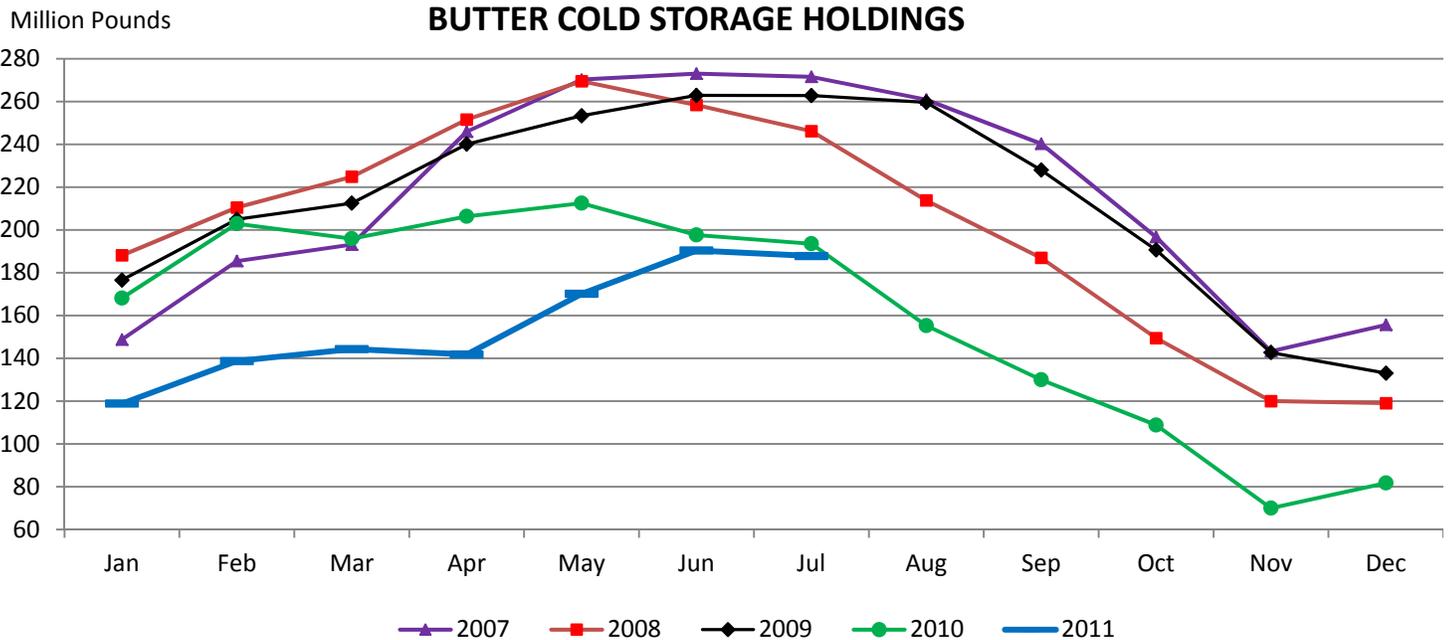
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JUNE 30, 2009	JUNE 30, 2010	REVISED JUNE 30, 2011	JULY 31, 2009	JULY 31, 2010	JULY 31, 2011
Butter	262,854	197,601	190,310	262,782	193,506	187,740
Cheese, Natural American	602,049	627,053	617,666	605,022	639,525	648,555
Cheese, Swiss	23,067	26,978	34,363	23,270	27,702	34,172
Cheese, Other Natural	362,283	383,788	397,895	371,879	402,900	401,998
Total Cheese	987,399	1,037,819	1,049,924	1,000,171	1,070,127	1,084,725

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
COMMODITY	#	#	#	#	#	#
Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

#Beginning with the February 22, 2008, Cold Storage release, NASS discontinued published estimates for government owned butter and cheese due to data quality.

JULY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
New England	38,483	37,881	41,120	---	---	---	493	540	778
Middle Atlantic	44,156	49,301	53,371	---	---	---	20,523	21,931	23,524
East North Central	263,940	278,540	270,645	---	---	---	231,142	275,329	272,748
West North Central	95,078	100,378	110,543	---	---	---	75,643	71,717	67,711
South Atlantic	6,840	2,564	41	---	---	---	218	174	6,923
East South Central	2,355	2,095	1,545	---	---	---	2,997	106	222
West South Central	3,046	1,599	4,606	---	---	---	1,896	1,453	1,328
Mountain	53,706	55,942	58,226	---	---	---	6,263	7,666	6,463
Pacific	97,418	111,225	108,458	---	---	---	32,704	23,984	22,301
TOTAL	605,022	639,525	648,555	262,782	193,506	187,740	371,879	402,900	401,998

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2010 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>1/</u>		Commercial		Government	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Million Pounds		Million Pounds		Million Pounds					
January	119	168	638	588	98	274	98	140	0	134
February	139	203	620	599	124	201	100	154	0	47
March	144	196	611	602	124	176	124	150	0	26
April	142	206	621	610	150	153	150	145	0	8
May	170	212	622	615	166	155	166	149	0	6
June	190	198	618	627	189	179	189	177	0	2
July	188	194	649	640		201		197		4
August		155		634		166		164		2
September		130		637		141		139		2
October		109		639		123		123		<u>2/</u>
November		70		625		128		128		<u>2/</u>
December		82		631		145		145		0

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

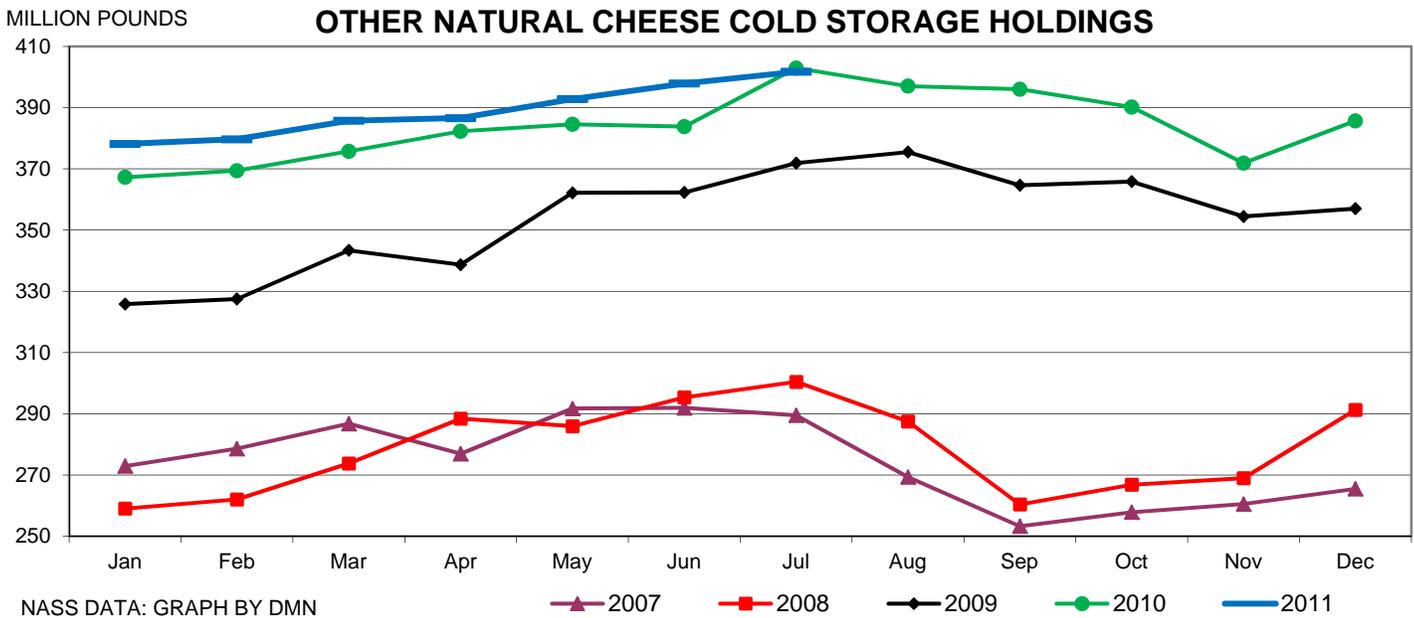
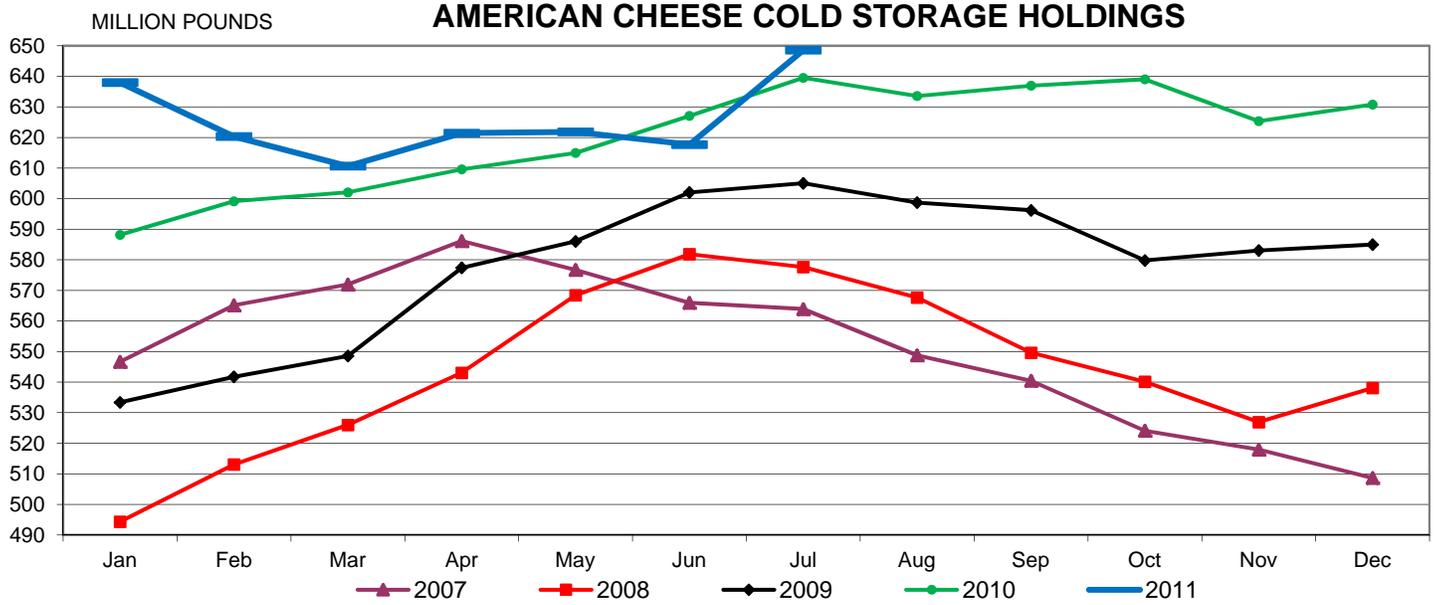
Source: U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, June 2011*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, August 2011*.

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

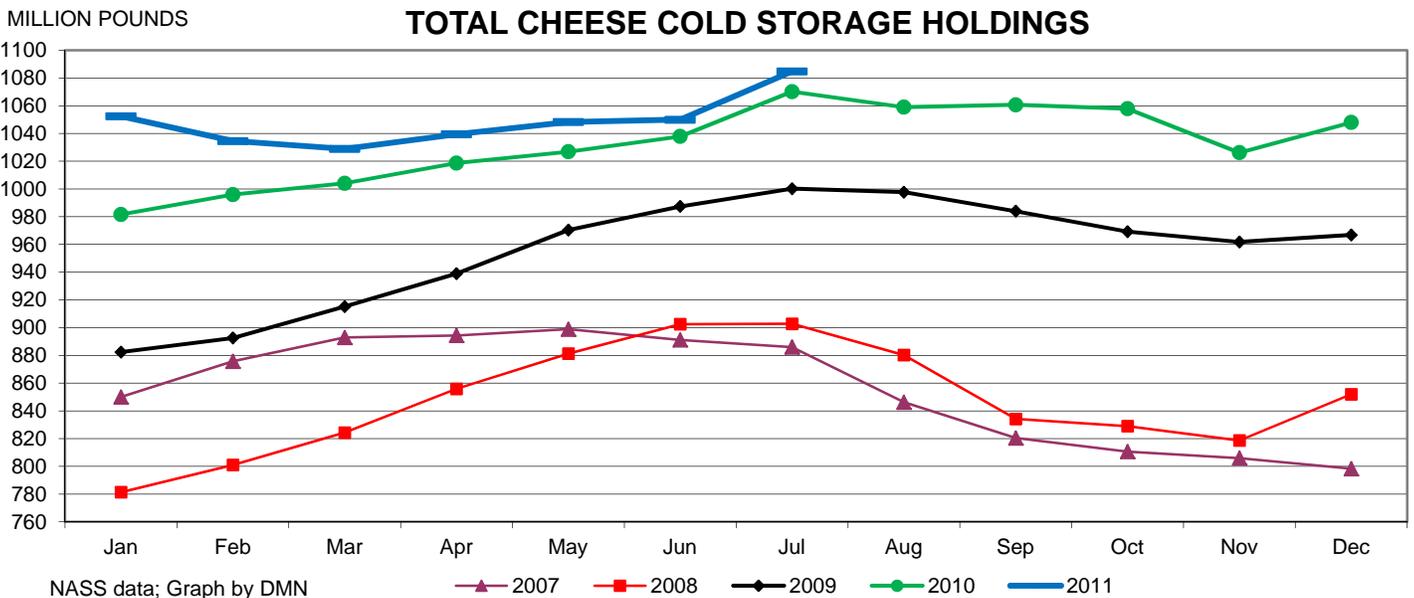
For September 2011, the all-city average announced cooperative Class I price was \$26.98 per cwt., \$2.56 higher than the Federal milk order (FMO) Class I price average for these cities. The September 2011 cooperative Class I price was \$0.38 higher than the August 2011 price. The September 2011 Federal order Class I price was \$0.35 higher than the August 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For September 2010, the all-city average announced cooperative Class I price was \$20.66, \$2.52 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

City	SEPTEMBER 2011		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	28.87	25.58	3.29
Baltimore, MD	26.45	24.78	1.67
Boston, MA	26.63	25.03	1.60
Charlotte, NC	28.55	25.18	3.37
Chicago, IL	27.31	23.58	3.73
Cincinnati, OH	27.13	23.98	3.15
Cleveland, OH	26.93	23.78	3.15
Dallas, TX	26.91	24.78	2.13
Denver, CO	25.45	24.33	1.12
Des Moines, IA	26.32	23.58	2.74
Detroit, MI	26.70	23.58	3.12
Hartford, CT	26.53	24.93	1.60
Houston, TX	27.71	25.38	2.33
Indianapolis, IN	26.93	23.78	3.15
Kansas City, MO	26.01	23.78	2.23
Louisville, KY	27.25	24.08	3.17
Memphis, TN	27.85	24.68	3.17
Miami, FL	31.99	27.78	4.21
Milwaukee, WI	27.26	23.53	3.73
Minneapolis, MN	25.97	23.48	2.49
New Orleans, LA	27.75	25.58	2.17
Oklahoma City, OK	26.52	24.38	2.14
Omaha, NE	26.07	23.63	2.44
Philadelphia, PA	27.98	24.83	3.15
Phoenix, AZ	24.63	24.13	0.50
Pittsburgh, PA	27.63	23.88	3.75
St. Louis, MO	26.41	23.78	2.63
Seattle, WA	24.47	23.68	0.79
Springfield, MO	26.82	24.18	2.64
Washington, DC	26.45	24.78	1.67
Wichita, KS	25.92	23.98	1.94
Simple Average	26.98	24.42	2.56

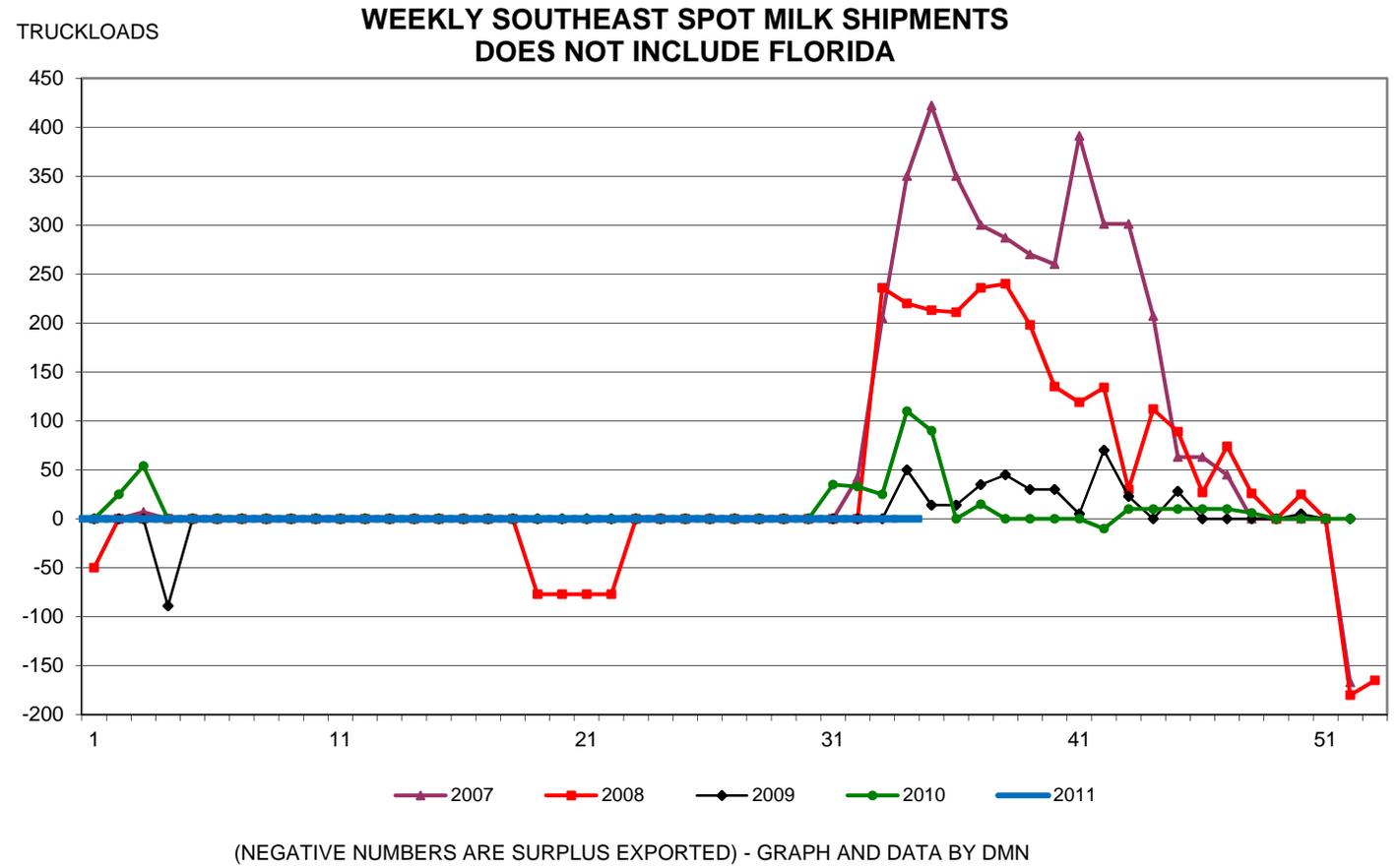
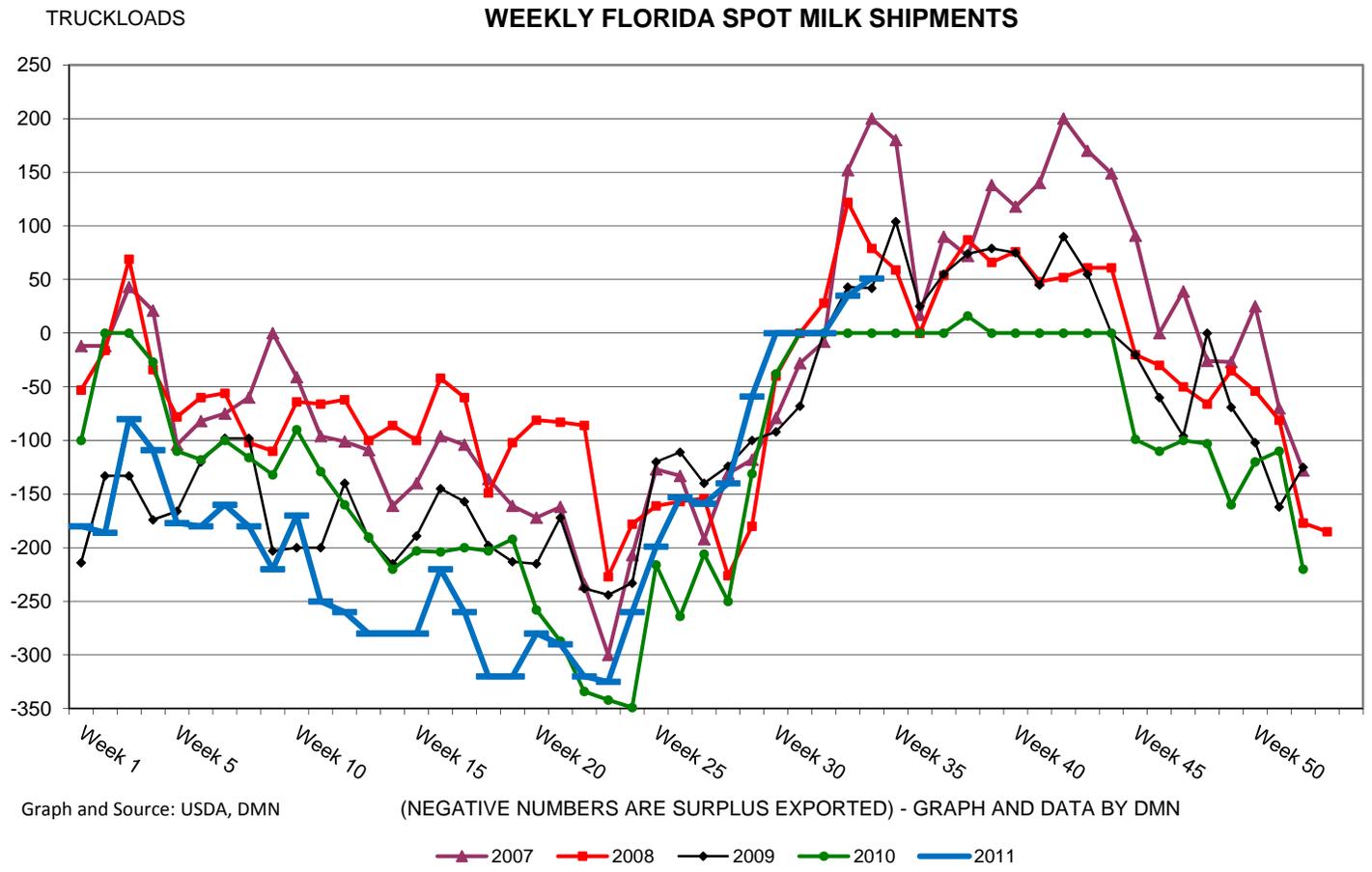
1/ This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may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



NASS DATA: GRAPH BY DMN



NASS data; Graph by DMN



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Elizabeth Frederick
(608) 278-4150
Elizabeth.Frederick@AMS.USDA.GOV

DATE: 08/26/2011

EAST

Rick Whipp
(608) 278-4151
Rick.Whipp@AMS.USDA.GOV

INTERNATIONAL

Steven Schneeberger
(608) 278-4154
Steven.Schneeberger@AMS.USDA.GOV

CENTRAL

George Koerner
(608) 278-4155
George.Koerner@AMS.USDA.GOV

ORGANIC

Eric Graf
(608) 278-4153
Eric.Graf@AMS.USDA.GOV

CENTRAL/WEST

Janet Linder
(608) 278-4157
Janet.Linder@AMS.USDA.GOV

INTERNET ADDRESS

www.ams.usda.gov/DairyMarketNews

SOUTHWEST

Butch Speth
(608) 278-4152
Butch.Speth@AMS.USDA.GOV

MARKET NEWS PORTAL

www.marketnews.usda.gov

NORTHWEST/MOUNTAIN

Bob Hunter
(608) 278-4158
Robert.Hunter@AMS.USDA.GOV

RECORDED INFORMATION SYSTEM

(608) 278-4142

FAX

(608) 278-4141

NATIONAL SUPERVISOR

Donald Nelson
(608) 278-4156
DonaldO.Nelson@AMS.USDA.GOV

USDA, Dairy Market News
2920 Marketplace Drive, STE 202
Fitchburg, WI 53719-5337