

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (09/09):**

BUTTER: Grade AA closed at \$1.9125. The weekly average for Grade AA is \$1.9619 (-.1076).

CHEESE: Barrels closed at \$1.7200 and 40# blocks at \$1.7850. The weekly average for barrels is \$1.7306 (+.0031) and blocks, \$1.7888 (-.0012).

BUTTER HIGHLIGHTS: During the holiday shortened trading week, the CME cash butter price dipped below \$2.0000 for the first time since mid May and is the lowest cash price since early January 2011. The current cash price of \$1.9125 compares to \$2.2225 last year at this time and \$1.1700 in 2009. On September 4, 1998, the CME cash butter price (trading once a week) increased \$0.4675 to settle at \$2.8100, setting an all-time high cash price. Churning activity across the country was strong during the holiday weekend and continues. Cream volumes were readily available and remained so into the current week. Cream volumes are available due to a few factors: standardized cream volumes are increasing, butterfat levels in incoming milk are increasing, and Class II cream demand especially for ice cream production is seasonally lower. During the Labor Day holiday period, churning activity often generated butter volumes above current needs and additional volumes did clear to inventory. Butter orders were slow to develop this week as retail and food service buyers re-group before re-entering the marketplace. Some retail buyers are stating that the cash price is attaining a level that might encourage them to reconsider future activity for the future that they did not previously consider.

CHEESE HIGHLIGHTS: The cheese market is unsettled as barrels moved lower on the CME Group cash cheese market while blocks ended the week fractionally lower. The weekly barrel average is \$1.7306 and blocks \$1.7888. Both remain above the comparable 2010 weekly average of \$1.6925 for barrels and \$1.7263 for blocks. Orders are generally steady to improved on most natural varieties. Process movement is steady to slower seasonally. At current prices, some additional fall promotions are being planned. Recent hurricanes/heavy rains are still impacting affected Eastern areas with at least transportation delays. Increased milk volumes are moving from manufacturing operations to bottlers for school milk use. Cheese production is steady to lower seasonally. July cheese and curd exports total 36.1 million pounds, up 4% from July 2010. Cumulative 2011 exports total 299.5 million pounds, 41% above the comparable period in 2010. This equates to 4.9% of total U.S. cheese output in 2011.

FLUID MILK: Farm milk production trends vary throughout the nation. Dairies in the Southeast and Southwest, where high daytime temperatures have been in place for an extended period, note milk production is slipping. Most northern tier states indicate cow comfort has helped production rebound from the summer doldrums. Milk haulers in the Northeast are logging extra miles and hours to reach farmsteads along routes where roadbeds were damaged by Hurricane Irene. With the arrival of rainstorms associated with

Tropical Storm Lee, some dairy plants report water damage and operational disruptions. The full impact on dairy operations of wind, rain, wildfires and drought has yet to be tallied. Feed costs are increasing. Dairy-quality forage availability is tight in some areas. Some operations with corn in the fields are weighing out whether to harvest corn for grain or silage. Milk processors report bottled milk demand is steady to higher for the week. Milk manufacturing capacity is adequate within most areas to handle available volumes beyond bottlers' draws. Interregional transportation costs are restricting some movement of cream. Cream supplies for churning are growing seasonally as interest from ice cream manufacturers tapers down. As the nonfat dry milk price decreases, several cheese plants are opting to use NDM instead of condensed skim, which is channeling more condensed skim to the dryers.

DRY PRODUCTS: Nonfat dry milk markets are steady to slightly higher with the slight price bounce being interpreted by some market participants as a price reset on which the market will rebuild. Dry buttermilk markets are weaker, and manufacturers' inventories are rebuilding after the summer drawdown. The recent holiday weekend resulted in cream clearing heavily to churning and dry buttermilk production. Dry whey prices notched fractionally higher in all regions. Tight supplies in the Central and East have limited F.O.B. spot market sales. Dry whey manufacturers in the West are clearing some inventories to international buyers to moderate holdings. Whey protein concentrate 34% prices are decreasing in the face of pressure from the nonfat dry milk market. Lactose prices are steady this week with fewer spot transactions reported. Interest in securing lactose for the 4th quarter is active and some manufacturers have sent out offers. Pricing trends in the offers are reportedly firmer compared to 3rd quarter.

ORGANIC DAIRY MARKET NEWS (DMN): Organic dairy weekly newspaper advertising levels, over most of this summer, have led any other period of 2011. Organic dairy advertising volume this report period is close in number with two weeks ago, which was the fourth highest level of 2011. Organic cream is available for some existing plants in the Northwest to begin organic butter manufacturing in recent weeks, supplementing other, non-organic production. Organic milk ad numbers were relatively even between ads for organic half gallons and 8 ounce organic milk. Neither approached either record high or low levels for other two week periods of 2011. Advertised pricing for organic milk half gallons declined slightly this period by 7 cents, to a weighted average advertised price of \$2.99. Ad numbers for organic milk in 8 ounce containers were the third highest level of 2011. The national weighted average advertised price is \$0.86. Advertising for organic gallons in 2011 is well below 2010 levels. There were no organic gallon ads this report period, following the highest 2011 level of ads two weeks ago.

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

ORGANIC DAIRY MARKET NEWS (PAGES 8 - 8B)

DAIRY GRAPHS (PAGES G1 - G5)

CME GROUP CASH TRADING

COMMODITY	MONDAY SEP 05	TUESDAY SEP 06	WEDNESDAY SEP 07	THURSDAY SEP 08	FRIDAY SEP 09	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	CME	\$1.7575 (-.0025)	\$1.7250 (-.0325)	\$1.7200 (-.0050)	\$1.7200 (N.C.)	:: :: (-.0400)	:: :: \$1.7306 :: (+.0031)
40# BLOCKS	CLOSED	\$1.7900 (N.C.)	\$1.7900 (N.C.)	\$1.7900 (N.C.)	\$1.7850 (-.0050)	:: :: (-.0050)	:: :: \$1.7888 :: (-.0012)
NONFAT DRY MILK							
EXTRA GRADE		\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	:: :: (N.C.)	:: :: \$1.6100 :: (N.C.)
GRADE A	NO	\$1.4900 (-.0200)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	:: :: (-.0200)	:: :: \$1.4900 :: (-.0200)
BUTTER							
GRADE AA	TRADING	\$1.9950 (-.0100)	\$1.9950 (N.C.)	\$1.9450 (-.0500)	\$1.9125 (-.0325)	:: :: (-.0925)	:: :: \$1.9619 :: (-.1076)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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The national weighted average advertised price for 6 ounce organic yogurt is up 2 cents to 86 cents. The range is 29 cents, from 60 cents to 89 cents. Ads for 6 ounce containers of organic yogurt were about one half the number of ads for 5.3 ounce organic Greek yogurt, with all ads priced at \$1.25.

INTERNATIONAL UPDATE (DMN): The September 6 g/DT session 51 results showed mixed average prices for all contracting periods and products. For the nearby November 2011 contracts, prices and changes from the previous session are: anhydrous milk fat, \$4,313/MT, +3.9%; buttermilk powder, \$2,895, -13.2%; skim milk powder, \$3,365/MT, -2.5%; whole milk powder, \$3,235, -3.3%; milk protein concentrate \$6,240/MT +2.0%; rennet casein \$9,424/MT -0.7%; and cheese \$4,002/MT, -7.8%.

CME GROUP

MONDAY, SEPTEMBER 5, 2011
HOLIDAY - NO TRADING

TUESDAY, SEPTEMBER 6, 2011

CHEESE -- SALES: 6 CARS BARRELS @ \$1.7575; LAST BID UNFILLED: 5 CARS BARRELS @ \$1.7575; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.8000
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.4900
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9950

WEDNESDAY, SEPTEMBER 7, 2011

CHEESE -- SALES: 4 CARS BARRELS @ \$1.7250; 6 CARS 40# BLOCKS: 1 @ \$1.7875, 2 @ \$1.7900, 1 @ \$1.7875, 2 @ \$1.7900; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7200; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7900
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0000

THURSDAY, SEPTEMBER 8, 2011

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.7150, 1 @ \$1.7100, 1 @ \$1.7050; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7200; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7300; 2 CARS 40# BLOCKS @ \$1.7900
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9450

FRIDAY, SEPTEMBER 9, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7500; 2 CARS 40# BLOCKS @ \$1.7850
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4600; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9125

BUTTER MARKETS

NORTHEAST

The CME Group butter price dropped below \$2.0000 Tuesday, for the first time since May 13, declining \$0.0100 and closing at \$1.9950. The butter price has declined \$0.0950 in the last three trading sessions. Butter production increased over the holiday weekend and into the week as the cream supply became plentiful. Cream supply increases were due to decreased holiday demand from manufacturers and increased standardized volumes coming from Class I plants. Some plants are actively building inventories for later in the year, while others are filling current orders and slightly adding to inventories. According to NASS, cumulative 2011 butter production through July was 14.5% above cumulative year production for the same period for 2010. July 2011 monthly U.S. butter production totaled 135.2 million pounds, down 3.9% from June, but 21.6% more when compared to July 2010. Atlantic region butter production in July 2011 totaled 10.1 million pounds, down 13.6% from June, but 24.4% more than July, 2010. 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

Early in the holiday week, the CME cash butter price dipped below \$2.0000 for the first time since mid May to settle at \$1.9950. This cash price compares to \$2.2250 last year at this time and \$1.1700 in early September 2009. On September 4, 1998, the CME cash butter price (trading once a week) increased \$0.4675 to settle at \$2.8100, setting an all-time high cash price. Churning activity over the recent holiday period was active. Cream volumes were readily available and remain so early this week, although Class II cream based product production is resuming. Cream volumes are available as standardized cream volumes increase and ice cream production declines. Butter production was significant enough over the recent holiday weekend that clearances to inventory did occur. Butter orders early in the week were slow to develop as buyers assessed

their weekend carryover before re-entering the marketplace. Some retail buyers are stating that the cash price is attaining a level that might encourage them to consider future activity for the future that they did not previously consider. Food service buyers are cautious with their purchases, especially now that the summer vacation season is over and families are often returning to more at home eating patterns. 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 \$1.9950. Trading for the holiday shortened week is light as no loads changed hands. Tuesday saw the first day of butter trading below \$2.0000 since May 13. Butter has traded below \$2.0000 for only twenty days this year. Western butter production was reported heavy over the holiday weekend with ample supplies of cream available to the churns. Cream multiples were lower in many cases over the weekend with limited demand from other manufacturers. Butter sales are reported to be following along seasonal lines with increased interest from bakery manufacturers. Print butter demand is steady with food service sales flat. Export interest is light. Butter stocks are adequate for needs. Prices for bulk butter range from even to 7 cents under the market, based on the CME with various time frames and averages used. According to the NASS Dairy Products report, July butter production for the U.S. totals 135.2 million pounds, up 21.6% or 24 million pounds from July of last year. Production was down 3.9% or 5.5 million pounds from June 2011. Cumulative output through July for the U.S. is 1,070.8 million pounds, up 14.5% or 135.5 million pounds from the same period in 2010. July output in the Western region totals 75.3 million pounds, up 15.9% or 10.3 million pounds more than July 2010. The West produced 55.7% of the butter in the U.S. in July. The CME Group average price for August 2011 for butter is \$2.0882 compared to \$1.9900 for August 2010.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
September 3	1.9843 10,776,772	1.8964 9,461,713	1.5424 21,515,370	2.0596 5,255,788	0.5876 6,697,135

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were mixed Tuesday with blocks closing unchanged at \$1.7900 and barrels declining \$0.0025 to close at \$1.7575. The price for blocks has been unchanged for the last 6 trading sessions, while barrels advanced \$0.0600 in the 3 trading sessions prior to Tuesday's decline. The CME Group weekly average prices were mixed with barrels declining and blocks holding steady. Wholesale prices reflected those trends with Process 5# Sliced cheese declining \$.02250, while Cheddar 40# Block and Muenster were unchanged. Swiss Cut prices advanced \$0.2575 following Friday's Class III price release. Cheese production is steady and active, especially for mozzarella, as pizza sales are increasing as schools and universities are back in session. Hurricane Irene's most notable impact in the Northeast has been to logistics and crops rather than to milk production, though damages and losses are still being assessed. Though some delays in milk deliveries are occurring, milk haulers are being lauded for their efforts to transport milk supplies from off the farm. According to the latest NASS report, July 2011 total cheese production in New York was 57.2 million pounds, 2.6% more than June, but 2.4% less than July 2010. Pennsylvania produced 33.1 million pounds in July, 4.3% less than one month earlier and 7.2% less than one year ago. Vermont produced 9.7 million pounds, 1.5% less than last month, but 7.6% more than July 2010. The total production for July in the Atlantic region was 108.3 million pounds, down 0.4% from June and 2.7% less compared to the same period last year. Atlantic region cheese production accounted for 12.6% of total U.S. production. Total U.S. cheese production in July 2011 totaled 859.5 million pounds, 4.0% less than June and 2.0% less than July 2010. Cumulative 2011 U.S. Cheese production through July was 2.3% greater than comparable 2010 production. Focusing on Italian cheese, in July, New York produced 26.7 million pounds, 15.0% less than June and 4.3% less than July 2010. Pennsylvania produced 20.2 million pounds in July, 7.4% less than June and 13.4% less than July 2010. The Atlantic region in June, produced 53.6 million pounds of Italian cheese, 10.4% less than June and 7.0% less than the same period last year.

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

Cheddar 40# Block	:	2.1075-2.3825
Process 5# Sliced	:	1.8375-2.1475
Muenster	:	2.1275-2.3325
Grade A Swiss Cuts 10 - 14#	:	3.9000-4.2225

MIDWEST

The cheese market is steadier at current prices. Some additional fall promotions are being planned at current cheese prices. Tightness is noted on a few current varieties such as muenster and string cheese. Mozzarella/pizza interest has improved as schools/colleges have reopened. Demand for other varieties such as pepper jack and colby/jack traditionally improve in fall. Process orders range from steady to slower seasonally. At least one packager/processor is trying to build finished product inventory for later year shipment. Milk intakes have increased from heat stressed levels and components have also rebounded somewhat from the low. With a record high Class III milk price in August, producers have an incentive to "push" cows for production. The reopening of remaining schools in the region has increased fluid milk needs, reducing cheese production at plants supplying the milk.

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

Process American 5# Loaf	:	2.0875-2.6600
Brick And/Or Muenster 5#	:	2.3000-2.8000
Cheddar 40# Block	:	2.3000-2.8650
Monterey Jack 10#	:	2.2625-2.8650
Blue 5#	:	2.5550-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.1350-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0900-3.3300

WEST

Wednesday's close at the CME Group for barrels was \$.0325 lower at \$1.7250. Blocks on Wednesday held steady at \$1.7900. Sales of barrels for the holiday shortened week are active with ten loads changing hands by Wednesday. Block sales are moderate to active with six loads selling on Wednesday. Western cheese production is mostly steady with ample milk supplies. Cooler weather across much of the West has improved milk intakes. Cheese sales are seasonally steady for immediate needs. Buyers are showing some reluctance towards forward buying until prices have stabilized. Export interest is better at current prices. Stocks of cheese are in balance for most needs. According to the NASS Dairy Products report, total cheese production in the U.S. in July reached 859.5 million pounds, down 2% or 17.8 million pounds from last year. Cumulative total cheese output for the U.S. through July is 6.2 billion pounds, up 2.3% or 137.9 million pounds from the same period in 2010. July total cheese production in the Western region was 375.4 million pounds, down 0.8% or 3.1 million pounds from July 2010. The West produced 43.7% of all the cheese in the U.S. in July. Swiss output for the U.S. in July is 27.2 million pounds, down 4% or 1.1 million pounds from last year. CME Group monthly average price for August 2011 for Barrels is \$1.9571 compared to August 2010 at \$1.6006. Blocks averaged \$1.9725 for August 2011 compared to \$1.6367 for last year.

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

Process 5# Loaf	:	1.8525-2.1100
Cheddar 40# Block	:	1.9200-2.2725
Cheddar 10# Cuts	:	2.1000-2.3200
Monterey Jack 10#	:	2.1100-2.2700
Grade A Swiss Cuts 6 - 9#	:	3.4775-3.9075

FOREIGN

The weekly average price for CME Group block cheese held steady. Wholesale prices, following the weekly average price, were unchanged for all domestic varieties with the exception of Swiss Cuts. Swiss cut prices advanced \$0.2575 following the release of the Class III price on Friday. Swiss cheese makers continue to be concerned that the higher prices for Swiss cheese will trim future orders/sales. Production declines in some Italian hard cheeses can be attributed to higher milk/cheese prices, which resulted in a reduction of aged orders. According to the latest NASS report, domestic Parmesan production during July 2011 totaled 22.2 million pounds, 10.5% less than June, but 22.3% more than July 2010. Provolone production during July totaled 28.4 million pounds, 4.0% less than June and 10.1% less than July 2010. Romano production during July 2011 totaled 2.6 million pounds, 33.7% less than June and 5.9% less than July 2010. Swiss production during July 2011 totaled 27.2 million pounds, 4.4% less than June and 4.0% less than July 2010.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.0400	: 2.2475-3.7350
Gorgonzola	: 3.6900-6.3900	: 2.7500-3.0100
Parmesan (Italy)	: -0-	: 3.3700-3.7800
Provolone (Italy)	: 3.4400-6.3900	: 2.2900-2.4475
Romano (Cows Milk)	: -0-	: 3.4375-5.5800
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-	: 3.9925-4.3150*
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>
		:	
09/05/11	6,914	:	138,989
09/01/11	7,138	:	139,664
CHANGE	-224	:	-675
% CHANGE	-3	:	N.C.

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	20	0	64	0	0	0
SOUTHEAST STATES	0	0	0	0	90	0

Milk production has seen some bounce back in the Northeast and Mid-Atlantic regions as heat and humidity have moderated over recent weeks. Milk production increases have provided manufacturing plants with adequate supplies even in the face of strong Class I pulls. Tropical storm Lee is dropping as much as 3-4 inches of rain on the Northeast, hampering repair and recovery efforts. Hurricane Irene's most damaging impacts, to date, have been to transportation and crops, though assessments are still ongoing. Milk haulers are putting in extra hours and driving extra miles to reach farms. Some delays in deliveries are occurring, but manufacturing plants are noticing only minor schedule disruptions. Crop damage has yet to be fully assessed, but losses may impact dairy production feed supplies and costs in the future. Milk production in Florida continues to decline as daytime temperatures remain in the mid-90s. Class I plants have pushed back milk following the holiday weekend lessening the need for imported spot loads. Producers and milk manufacturers are keeping a wary eye on tropical storms in the Atlantic that are currently heading towards Florida. Tropical storm Lee covered much of the Southeast for three days straight and drenched the region with as much as 10-15 inches of rain. Pumps installed in New Orleans after Katrina worked as designed and prevented major flooding in the city. Milk manufacturers dealt with the heavy rains and experienced only minor problems and delivery delays. Class I pulls are seasonally strong. Cream supplies are readily available coming off the holiday weekend. Increased volumes of standardized cream are coming from Class I plants and demand has declined as ice cream manufacturers lower production schedules following the height of the season. Cream multiples ranged from 124-132. Condensed skim milk supplies are not as tight as expected due to milk production increases. Though Class I pulls are strong, manufacturing milk supplies are adequate. The Class III price released Friday increased 28 cents to \$21.67. Demand for condensed skim milk has declined as some cheese makers are opting for lower priced nonfat dry milk. Condensed skim supplies are moving through contracts with very limited spot sale activity. Ice Cream production in the Atlantic region in July totaled 15.6 million gallons, 4.8% less than June and 12.7% less than July 2010. U.S. Yogurt production (plain and flavored) for July totaled 336.9 million pounds, down 10.4% from June and 1.2% below the same period last year. Cumulative 2011 production through July totaled 2,525 million pounds, 3.2% higher than through July 2010.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	2.5669-2.7317
F.O.B. producing plants: Upper Midwest -	2.4834-2.7317

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 -	1.72 - 1.77

MIDWEST

Class I milk usage was heavier this week as bottlers prepared supplies for continuing as well as the last remaining schools to reopen this week. The wet weather in the East may have contributed to lighter than expected Class I use in some eastern states within the Central region. As a result, more is still being used for manufacturing. Some Upper Midwest milk did move out of area to Kentucky to supplement local supplies. Class II accounts varied, steady to mostly lighter to ice cream manufacturers this

week and steady to back to normal levels for other Class II products. Cream offerings remain heavy and interest is weak, even after the holiday weekend when many ice cream and other Class II users closed for the holiday. As a result, offers remain heavy to churns so multiples and cream prices are lower. Increased bottling generates larger volumes of standardized cream. Manufacturing milk volumes vary by area in the Central region with some heavier than expected volumes available in some eastern states, generally tight and expensive for spot loads in Minnesota and Wisconsin and somewhat more available than usual in parts of the Southwest. In parts of the Upper Midwest, demand continues to exceed the supply as specialty cheese makers often have more orders than milk. Milk volumes seem to have recovered from the summer heat with components, both fat and protein better but still at the usual lower, summer levels (see page G5). Some corn is chopped often on the sandier soils. For some producers, the financial question is whether to fill silos, bags, and bunkers with corn silage or cull more cows and sell more cash grain. Some forecasts expect drought area producers may cull heavier or to expect reductions in per cow output to occur.

WEST

The August 4a price (butter/powder) in CALIFORNIA is \$20.23, up \$0.16 from July and \$4.54 higher than last year. This compares to the Federal Order Class IV price for August 2011 at \$20.14. The August 4b price (cheese) is \$18.60, \$0.75 lower than July but \$4.21 more than last year. This compares to the Federal Order Class III price for August 2011 at \$21.67. CALIFORNIA milk production levels are holding up fairly well. There are some areas beginning to see slight declines due to a surge in daytime high temperatures. The length and severity of this weather cycle are expected to be limited. Processing plants worked well over the holiday weekend and balanced the milk supplies. Some increases in milk solids are noted. While milk prices remain at high levels, costs of milk production remain at high levels that are creating concerns and problems for producers. With feed inputs costs of corn, soybean meal, and hay, continuing to increase, milk producers who do not have those commodities contracted are being stung with high feed bills and trucking costs. Weather conditions remain on the hot side across most of ARIZONA. Milk output has been suppressed because of the severity and length of the recent heat cycle. Plants were busier over the holiday weekend, but had plenty of room for any extra milk. Class I demand is fair to good. CREAM markets remain on the steady to weak side and markets are slow to redevelop coming out of the Labor Day weekend. Demand from ice cream and other higher class, cream-based product producers remains light at below expected levels. The result is that more cream than expected is backing up into butter plants and butter production is active. Cream prices remain under pressure with offerings available across the region. Multiples and overages are steady, but butter pricing and basing points have declined. The CME butter price closed at \$1.9950 on Wednesday, September 7, down 9.5 cents from a week ago. Cream multiples are steady to slightly lower, ranging from 110-120, and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST is following seasonally expected volumes. Overall production is above year ago, helped by additional cow numbers and favorable weather. Warmer weather returned to the Northwest, yet nighttime temperatures are moderate and cows are not being stressed enough to affect production. Additional volumes of manufacturing milk were available due to the Labor Day holiday. Handlers were able to balance supplies within the region. Additional cream was available as some Class II plants were closed for the holiday. UTAH and IDAHO milk supplies over the holiday weekend were processed locally in most cases with some surplus cream being offered. Transportation costs are restricting sales out of the region. Warmer weather was welcomed by dairymen to help finish corn that was behind schedule due to the late spring. Farmers are balancing anticipated feed costs against expected milk prices for the upcoming fall and winter. High feed costs and tight forage supplies will challenge profitability.

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: With no price modifications coming from manufacturers in the West to provide market shading, Central manufacturers reset prices based on regional supply/demand. Nonfat dry milk prices, Central, strengthened midweek, responding to lighter offerings and changes in various contract price indices. Some market participants report there is a "hot potato" feeling to some of the bids and offers this week as buyers are reluctant to take on more inventory than is absolutely necessary, but need some NDM for the near term. Sellers are interested in moderating inventories as the fiscal yearend approaches, but don't want to be singled on price in an unsettled market. Nonfat dry milk production climbed throughout the holiday weekend and into midweek, with regional plants handling the influx without problems. Condensed skim sales are seasonally lower into Class II manufacturing and some Class III plants are using on-hand inventories of NDM for vat fortification. This is sending powder to current contract fulfillment and into manufacturers' inventories. According to NASS, NDM production in the Central region totaled 14.1 million pounds during July 2011, 19.9% less than one month ago but 38.2% more than one year ago. The August 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.5783 compared to \$1.6563 one month ago and \$1.2182 in August 2010. The August 2011 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.6774 compared to \$1.7535 one month ago and \$1.3249 in August 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of human food NONFAT DRY MILK during July 2011 totaled 133.5 million pounds, down 9.0% from June 2011 production but 1.4% higher than July 2010. Cumulative nonfat dry milk production for 2011 totals 927.8 million pounds, 3.7% lower than 2010 production during the same time span. Month ending stocks, at 192.9 million pounds, are 1.6% higher than a month ago but 2.3% lower than one year ago. July 2011 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 39.7 million pounds, 19.1% higher than one month ago and 75.3% higher than production one year ago. Cumulative 2011 skim milk powder production totals 253.7 million pounds, compared to 157.3 million pounds during the same time span in 2010, a 61.2% increase in production.

EAST: Prices for low/medium and high heat nonfat dry milk moved higher this week. This is the first time both price series moved higher since the report for week 22, issued on June 3. Nonfat dry milk production increased going into and coming off the holiday weekend, but production schedules were adjusted downward as Class I pulls increased as schools and universities resumed. Production interruptions caused by hurricane Irene are no longer occurring. Irene's impact to milk production in the East has yet to be determined. Supplies of nonfat dry milk in the East continue to be fairly tight with a majority of supplies committed to contract buyers. Buyers trying to secure additional loads are looking outside the region or pursuing resale opportunities. Demand has increased as cheese makers are switching from condensed skim milk to lower priced nonfat dry milk. Some brokers are expressing the opinion that the nonfat dry milk market may have bottomed out with the resumption of the school year and stronger Class I pulls reducing milk volumes headed towards dryers. The latest NASS Dairy Products report indicates nonfat dry milk production for July in the Atlantic region totaled 16.0 million pounds, 12.0% of the nation's total. The Atlantic region production was 11.9% less than one year ago and 21.0% less than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.4300 - 1.6500 MOSTLY: 1.4800 - 1.6000
HIGH HEAT: 1.6000 - 1.7000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are generally unchanged, yet the market undertone remains weak. Producer offerings range from light to moderate. The spot market is especially weak and extra loads have to be sharply discounted to compete with lower priced product in the resale channels. Index based pricing is steady and holding up the higher end of the range. Resellers continue to have to discount NDM to capture sales and avoid adding to inventories. Export interest is slow to moderate for new sales with buying activity nearer to the bottom end of the range for nearby exporting opportunities. During the holiday weekend, production of NDM was higher as surplus milk volumes and condensed skim moved into drying plants. Several balancing plants are being run on higher than projected schedules. Stock levels are moderate to heavy and vary throughout the marketing channel. High heat prices are slightly lower. Market interest is mainly light and centered around contracts and prior commitments. Spot sales remain light. Offerings are generally limited beyond contracted volumes. Stocks are light. U.S. NDM production in July 2011 totaled 133.5 million pounds, 1.4% more than last year. Cumulative YTD output through July totals 927.8 million pounds, down 3.7% from the same period in 2010. NDM production in the Western region in July totaled 103.4 million pounds, up 0.1% from last year. The West produced 77% of the U.S. total in July. U.S. manufacturers' stocks of NDM at the end of July were 192.9 million pounds, 2.3% lower than a year earlier but 1.6% higher than June 2011. U.S. skim milk powder (SMP) production in July totaled 39.7 million pounds, 75.3% more than last year and 19.1% above June. Cumulative YTD output for SMP through July totals 253.7 million pounds, up 61.2% from the same period in 2010.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.4000 - 1.6100 MOSTLY: 1.4200 - 1.5700
HIGH HEAT: 1.5100 - 1.7100

U.S. NDM Exports, H.S. Code 0402100000(FAS)	2011 Exports	% Change From
	(Million Lb.)	1 Year Ago
July Total	81.7	+ 22
TOTAL, JAN - JUL	562.6	+ 36
1 Mexico	204.8	+120
2 Philippines	71.6	+ 15
3 Vietnam	70.5	+ 84
4 Indonesia	64.5	--
5 Malaysia	33.1	+ 11

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged to lower. Manufacturers and resellers posit that demand is on the cusp of reemergence for this commodity as the pancake, snack and dry blend seasoning mix production cycle approaches. With cream supplies plentiful in the Central region and Class II cream interest slowing, butter and dry buttermilk production are increasing steadily. As butterfat component readings in farm milk intakes rebound, butter yields per hundredweight are also rising. Manufacturers are rebuilding dry buttermilk inventories after the summer drawdown. The July 2011 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.4700 compared to \$1.5625 one month ago and \$1.3600 in July 2010.

CONTINUED ON PAGE 5A

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

CONTINUED FROM PAGE 5

DAIRY PRODUCTS: NASS Dairy Products reports production of dry buttermilk during July 2011 totaled 6.9 million pounds, 8.2% less than one month ago but 20.3% more than production one year ago. Cumulative 2011 dry buttermilk production totals 59.5 million pounds, 21.8% more than during the same time span of 2010. Month ending stocks of dry buttermilk, at 18.4 million pounds, are 1.9% lower than one month ago but almost double the stock levels of one year ago.

EAST: Dry buttermilk prices moved lower again this week as the upper end of the range declined. Production of dry buttermilk increased significantly over the holiday weekend as cream supplies were readily available. The increases in standardized cream volumes from Class I plants are increasing the flow of cream to churns. Condensed buttermilk sales to ice cream manufacturers continue to decline, which is also adding to dry buttermilk production. Manufacturing interruptions caused by hurricane Irene are no longer occurring; however the full impact of Irene to milk production has yet to be determined. Inventories of dry buttermilk are expanding. Supplies are moving through contracts with limited spot market activity. Declining ice cream production and sluggish bakery orders have weakened demand.

F.O.B. CENTRAL/EAST: 1.3200 - 1.5100

DRY WHOLE MILK - NATIONAL

The dry whole milk price range contracted as changes in nonfat dry milk and butterfat values used in some price formulas were factored into contract and/or spot sales this week. Production is steady at some plants, especially those building dry whole milk holdings to use internally. Other plants indicated production is intermittent with the usual factors driving production decisions, including: current dry whole milk inventory, contract fulfillment needs, and milk supplies. The August 2011 Dairy Market News average of the range price series for dry whole milk was \$1.9922 compared to \$1.9610 one month ago and \$1.6161 in August 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during July 2011 totaled 4.3 million pounds, down 11.6% from June 2011 and 33.1% lower than July 2010. Cumulative 2010 production totals 40.3 million pounds, a 0.01% increase from 2010 production during the same time period.

F.O.B. PRODUCING PLANT: 1.9200 - 2.0200

DRY BUTTERMILK - WEST

Western dry buttermilk prices are slightly lower for both the range and mostly price series. The market tone remains weak. Buying interest is light and buyers continue to look for bargains and are comparing across commodities before securing any needs. Production levels remain high as butter output is strong and creating buttermilk solids available for drying. Stocks are moderate to heavy and available from a wide variety of sources in the region. Buttermilk powder production in July 2011 for the U.S. totals 6.9 million pounds, up 20.3% from last year. Buttermilk stocks at the end of July were 18.4 million pounds, 98.2% higher than a year ago but 1.9% lower than last month.

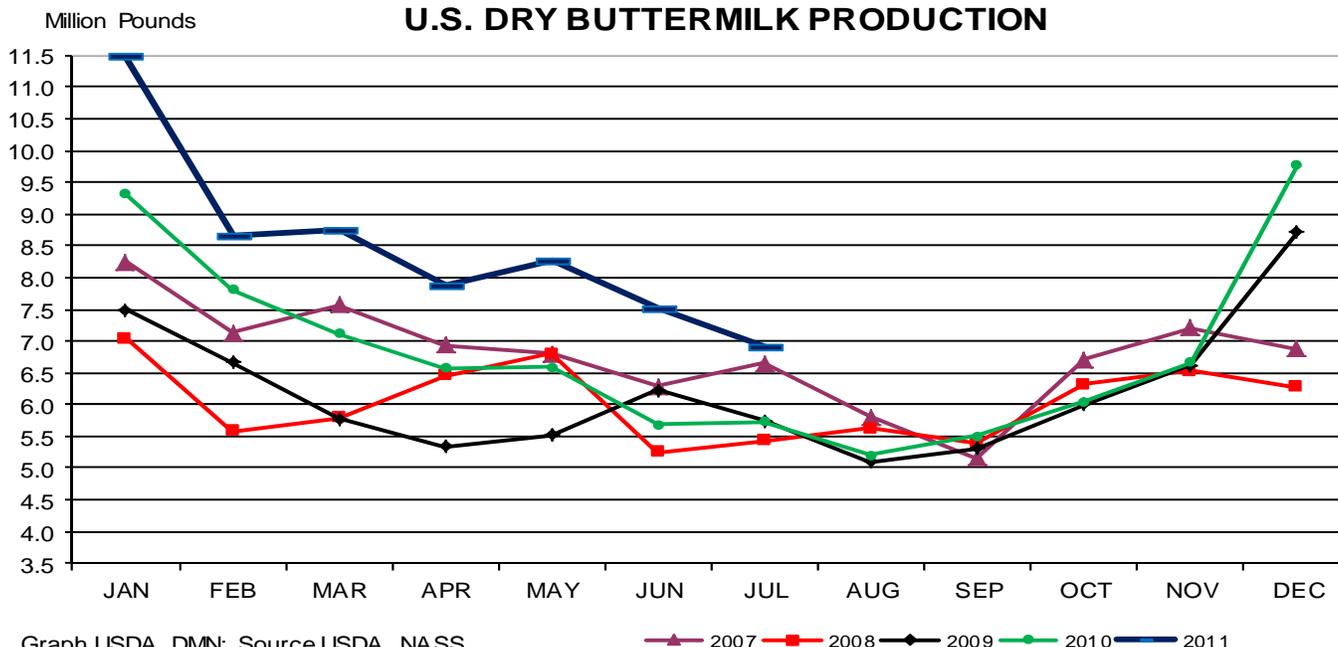
F.O.B. WEST: 1.2500 - 1.3500 MOSTLY: 1.2700 - 1.3200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 2	\$1.5446	11,239,749	0
August 26	\$1.5805	10,294,846	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.

U.S. DRY BUTTERMILK PRODUCTION



Graph USDA, DMN; Source USDA, NASS

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

Dry whey prices in the Central region moved higher, factoring in the increases in indices used as a basis for some contract pricing. Spot load availability continues to be light from manufacturers. Resellers are taking care of their regular customers' needs, but spot offers from both brokers and traders seem less prevalent this week. Buyer interest from both edible and animal feed accounts has stalled. According to some in the industry, the dry product markets remain in the grip of the long holiday weekend, but interest for dry whey is expected to reemerge next week. Dry whey production is moving higher at several Central plants, aided by ample milk supplies from the holiday weekend. A few plants, though, indicate milk supplies are still limiting cheese and dry whey throughput. ANIMAL FEED DRY WHEY prices are unchanged to slightly higher and the market is steady to firm. Demand is mixed. The steady movement of dairy products with protein contents ranging from 50% - 80% into the animal feed industry has affected dry whey interest from some of those end users. Some feed blenders find that a combination of a higher protein dairy product and a dairy product with low/negligible protein yields an acceptable, cost competitive end product and decreases/eliminates the need for dry whey as an input. Human food dry whey production during July 2011 in the Central region totaled 39.5 million pounds. This dry whey production is 2.0% less than June 2011 production and 6.2% lower than July 2010. Cumulative Central dry whey production for 2011 totals 276.8 million pounds, a 2.2% decrease compared to the same time span in 2010. The August 2011 Dairy Market News average of the mostly price series for Central dry whey was \$0.5505 compared to \$0.5310 one month ago and \$0.3450 in August 2010. The August 2011 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.4782 compared to \$0.4739 month ago and \$0.2780 in August 2010.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during July 2011 totaled 78.6 million pounds, 2.5% less than June 2011 and 5.6% less than production 1 year ago. Manufacturers' July ending stocks of HUMAN FOOD dry whey totaled 43.8 million pounds, 0.3% lower than 1 month ago and 6.6% lower than July 2010. Production of ANIMAL FEED dry whey during July 2011 totaled 3.3 million pounds, 0.6% less than the production of June 2011, and 22.8% lower than production 1 year ago. Manufacturers' ANIMAL FEED dry whey month ending stocks totaled 4.0 million pounds, 61.2% higher than one month ago but 42.3% lower than the stocks of one year ago.

F.O.B. CENTRAL: .5400 - .6050 MOSTLY: .5500 - .5900
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4200 - .5600

DRY WHEY - NORTHEAST

Dry whey prices moved higher on the low end of the range due to contract formulation. This is the third consecutive week that prices have moved higher. The higher price trends reflect the limited availability of product and the extremely tight supplies in the Northeast. Production is steady to increasing as mozzarella production is picking up with schools and universities resuming their fall terms. Manufacturing interruptions caused by hurricane Irene are no longer occurring, but the impact to milk production has yet to be fully determined. Domestic demand shows some signs of weakening as ice cream production winds down and bakery orders are hand to mouth. Manufacturers are more able to catch up on their contract orders, because of the lighter domestic demand. Export demand remains very good. Resale transactions are about the only method to secure additional product with prices above the market range. The latest NASS Dairy Products report shows production of dry whey for human consumption for July 2011, in the Atlantic area totaled 18.9 million pounds, or 24.1% of the nation's total for July of 78.6 million pounds. The Atlantic area's production is 7.0% less than June and 8.0% below production one year ago.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5775 - .6100

DRY WHEY - WEST

Western dry whey prices are marginally higher across both the range and the mostly series. Domestic prices continue to be driven by contract pricing and related pricing indices. Spot offerings into the domestic market are tight. Production of whey is closely tied to contract fulfillment, with other whey products competing for supplies. Domestic demand is increasing from bakery customers looking to begin fall production schedules. Higher than year ago prices are limiting bulk buying. Export interest is good, albeit at lower than domestic prices in most cases. According to the NASS *Dairy Products* report, total dry whey production in July totaled 81.9 million pounds, down 6.5% or 5.7 million pounds compared to July 2010. The Western region produced 20.1 million pounds of human dry whey in July, down 2.1% or 0.4 million pounds from last year. The West produced 25.6% of the human dry whey in the U.S. in July. Cumulative total dry whey production for the year in the U.S. is 616.5 million pounds, up 1.6% or 9.5 million pounds from 2010. Manufacturers' stocks at the end of July for total dry whey are 47.8 million pounds, down 11.1% or 6 million pounds from last year. The August 2011 Dairy Market News monthly average price for Western dry whey range was \$0.5843 compared to \$0.3739 for August 2010; the Western dry whey mostly series averaged \$.5921 compared to \$.3756 a year ago.

NONHYGROSCOPIC: .5700 - .6275 MOSTLY: .5925 - .6225

U.S. Dry Whey Exports. H.S. Code 0404104000(FAS)		
	2011 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	45.8	+ 4
TOTAL, JAN - JUL	314.5	- 5
1 China	63.1	- 4
2 Mexico	40.5	+ 27
3 Malaysia	29.8	+ 31
4 Canada	28.9	+ 7
5 Indonesia	26.0	+ 33

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Central and West whey protein concentrate 34% prices decreased in both ranges this week. With steady price pressure from the NDM market and downgraded NDM loads clearing to some traditional WPC 34% end user markets, interest in F.O.B. and resale WPC 34% spot loads has plateaued from accounts not served through approved supplier arrangements. Inventories of WPC 34% at some manufacturers' locations are building incrementally. Production of WPC 34% is unchanged to somewhat higher this week compared to recent weeks, but the pull on the condensed WPC 34% stream from end products with higher protein content is still evident. Weather related problems at one plant occurred early in the weekend, but reportedly were handled quickly and production resumed with less than 24 hours of down time. The August 2011 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.5376 compared to \$1.5650 one month ago and \$0.9555 in August 2010.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during July 2011 totaled 19.3 million pounds, 6.2% less than one month ago and 10.1% lower than production of one year ago. Cumulative WPC 34% production for 2011 totals 137.7 million pounds, 4.8% lower than 2010 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 17.1 million pounds, 1.2% more than June 2011 but 20.8% less than July 2010.

F.O.B. EXTRA GRADE 34% PROTEIN:1.4000 -1.5700 MOSTLY: 1.4600 - 1.5300

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

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	18.5	+ 27
TOTAL, JAN - JUL	129.1	- 18
1 China	48.5	- 11
2 Mexico	20.1	- 54
3 Canada	20.0	- 10
4 Japan	10.4	- 17
5 Indonesia	3.8	+ 111

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	38.4	+ 27
TOTAL, JAN - JUL	260.3	+ 43
1 New Zealand	48.7	+ 451
2 China	44.9	+ 134
3 Mexico	29.7	+ 25
4 Japan	21.0	- 13
5 Brazil	13.1	- 11

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged on the mostly price series and the market is firm. Light F.O.B. inventories constrained spot market activities for many producers. Lactose production at most plants remains steady, but recent slow cheese orders at a few facilities translates into lower near term lactose production. This, too, decreases the need to engage in lactose spot market sales. In addition, as the time approaches for finalization of 4th quarter contracts, producers indicate they are less prone to clear lactose through the spot market. General indications from manufacturers are that 4th quarter offers follow the price trend established throughout 2011. The August 2011 Dairy Market News average of the mostly price series for Central and West lactose was \$0.5952 compared to \$0.5540 one month ago and \$0.3249 in August 2010.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during July 2011 decreased 5.0% compared to June 2011 to 85.0 million pounds but was 5.7% higher than July 2010 production. Cumulative 2011 lactose production totals 581.5 million pounds, 13.0% more than during the same time span in 2010. Month ending stocks, at 76.1 million pounds, are 1.6% less than one month ago and 9.3% lower than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .7000 MOSTLY: .5500 - .6600

CASEIN - NATIONAL

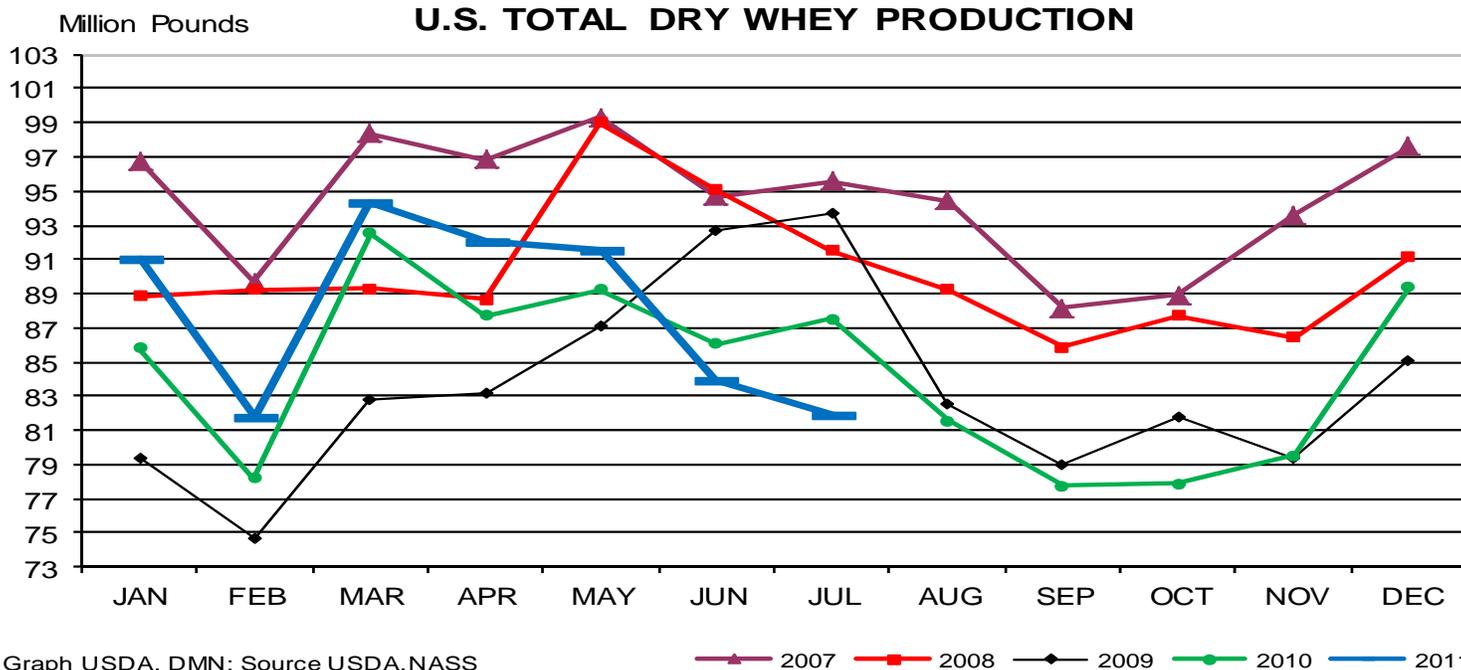
Current casein prices and market trends are unchanged, but a weaker trend is developing for 2012. With this trend developing, some domestic buyers are very hesitant with their 2012 purchases, especially Q1. Some feel that weakness will potentially develop due to weaker nonfat and skim milk powder prices at that time. Currently, domestic buyers are indicating that they are getting their supplies as contracted, although spot availability is snug. European output is winding down seasonally, although production during the season has been basically on track with projections. The Oceania casein production season is soon to resume and casein producers remain very optimistic about the upcoming production season.

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

RENNET: 4.8100 - 5.1400
ACID: 5.1000 - 5.2600

EVAPORATED MILK - NATIONAL

Canned evaporated milk production during July 2011 totaled 43.3 million pounds, a decrease of 1.6% from June 2011 and 2.6% lower than July 2010. Manufacturers' end-of-month stocks totaled 89.1 million pounds, 9.5% above one month ago but 29.2% lower than one year ago.



Graph USDA, DMN; Source USDA, NASS

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 5 - 9, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/10	LAST YEAR	09/02/11	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 08/20/11 & Comparable Week 2010

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.7	8.3	3.5	19.6	3.3	N.A.	N.A.	14.3	2.5	54.2	1,877.8	47.9	45.1
2010-Dairy	N.A.	0.6	7.0	2.6	17.9	4.5	0.4	N.A.	13.1	2.7	50.7	1,794.5	43.0	44.0
2011-All cows	0.1	0.8	10.4	14.7	38.1	29.7	N.A.	N.A.	20.0	3.7	133.2	4,165.3		
2010-All cows	N.A.	0.7	8.8	14.0	31.4	22.1	13.4	N.A.	17.3	6.4	117.9	4,077.1		

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

CLASS III MILK PRICES, (3.5% BF)

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

CLASS IV MILK PRICES, (3.5% BF)

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

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

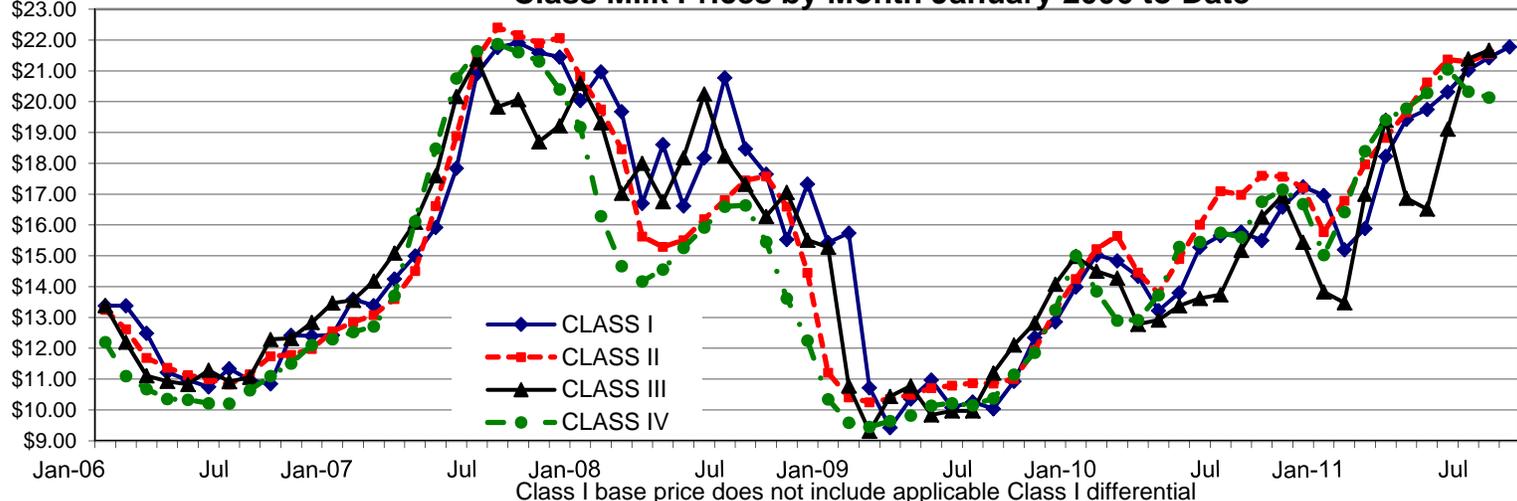
CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89	18.23	19.43	19.75	20.32	21.03	21.43	21.78			
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29	21.55				
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67				
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14				

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

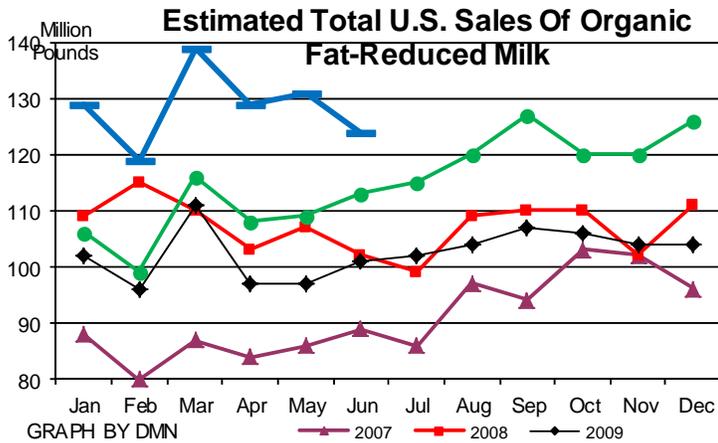


ORGANIC DAIRY MARKET NEWS

Information gathered August 27 - September 9, 2011

ORGANIC DAIRY FLUID OVERVIEW

The data for June 2011 estimated total sales of organic fat-reduced milk show a lower monthly increase over June 2010 than previous 2011 months compared with the same month in the prior year. Nevertheless, there has been continuous monthly sales growth every month, over the same month of the prior year, beginning in March 2010. All sales data beginning with 2007 is displayed on the following graph.



Organic cream is available for some existing plants in the Northwest to begin organic butter manufacturing in recent weeks, supplementing other, non-organic production.

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

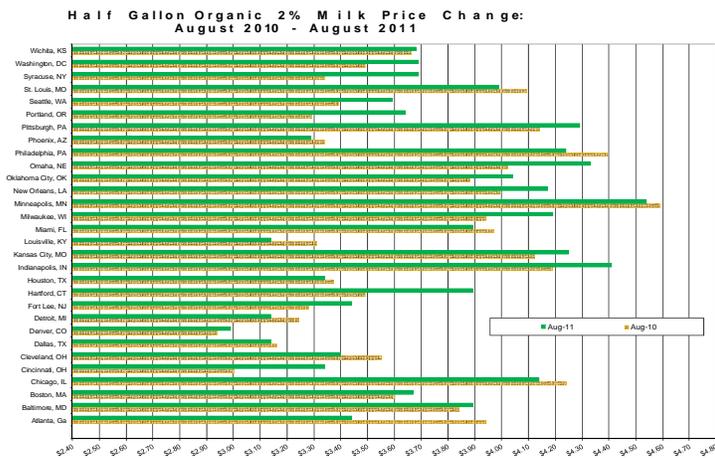
Comparing retail half gallon organic reduced fat (2%) milk prices surveyed in August 2011 with August 2010, 18 cities have higher prices and 12 have lower prices.

Hartford, Connecticut, at \$3.89 this August, is the city with prices most above August last year, being 40 cents higher. Atlanta, at \$3.44 this August, is the city with prices most below August last year, being 50 cents lower.

Minneapolis has the highest August 2011 price of any city, \$4.54. It also had the highest August 2010 price.

Denver has the lowest August 2011 price, \$2.99. It also had the lowest August 2010 price.

The overall August 2011 average price for the 30 Cities combined, \$3.76, is 7 cents higher than the combined average one year earlier.



The price listed represents the simple average of two prices, the price of the single most common brand in non-returnable paper cartons in one outlet of each

of the two largest food store chains in each of the 30 Cities. Not all brands of organic milk in each surveyed store are included and higher or lower prices of milk offered by other than the most common brand in each of the two stores are not included. Prices are collected by Federal Milk Market Administrators during the first non-Friday or weekend 10 days of each month.

NATIONALLY ADVERTISED PRICE COMPARISON:

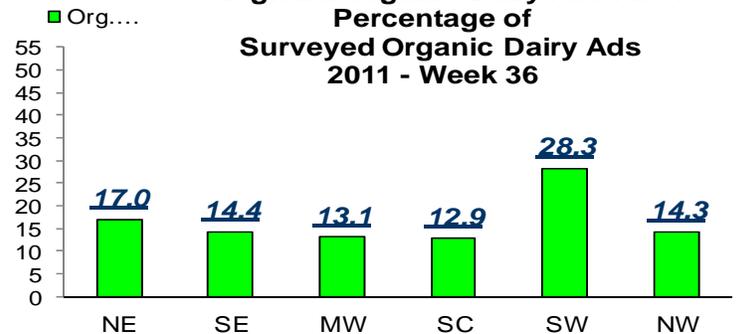
Overview. Organic dairy weekly newspaper advertising levels, over most of this summer, have led any other period of 2011. Organic dairy advertising volume is close in number with two weeks ago, which was the fourth highest level of 2011. This report, total organic dairy weekly supermarket advertising is the fifth highest level of 2011, with 37.9% of surveyed newspaper weekly supermarket ads containing organic dairy content. Two weeks ago, 42.1% contained organic dairy content, up from 32.6% four weeks ago. The last five two week periods set a strong trend, comprising the heaviest level of organic dairy newspaper advertising in any consecutive ten weeks of 2011.

Organic dairy newspaper advertising for this two week period of 2011 contains a bit over twice as many ads for organic milk as organic yogurt. Organic milk ads also dominated two weeks ago, but more intensely than now.

Information presented is compiled from newspaper supermarket ads for the period August 27, 2011, to September 9, 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 Southwest dominated the six regions in organic dairy advertising, with 28.3% of all organic dairy ads in the survey. Other regional percentages of organic dairy weekly newspaper advertising include the Northeast, 17.0%; Southeast, 14.4%; Northwest, 14.3%; Midwest, 13.1%; and South Central, 12.9%.

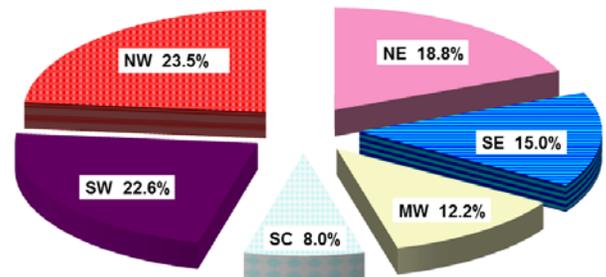
Regional Organic Dairy Ads As A Percentage of Surveyed Organic Dairy Ads 2011 - Week 36



Product Emphasis. Organic milk ad numbers were relatively even between ads for organic half gallons and 8 ounce organic milk. Neither approached either record high or low levels for other two week periods of 2011. Ads for organic gallons were absent following having reached the highest level of 2011 two weeks ago. Organic yogurt ads for 5.3 ounce containers of Greek Yogurt comprised a bit over twice the number of ads for 6 ounce organic yogurt.

Milk. Organic milk ads appeared in all of the six regions. Regional percentages included the Northwest, 23.5%; Southwest, 22.6%; Northeast, 18.8%; Southeast, 15.0%; Midwest, 12.2%; and South Central, 8.0%.

ORGANIC MILK FEATURES Regional % of Nationally Surveyed Supermarket Ads Report - Week 36, 2011



CONTINUED ON PAGE 8-A

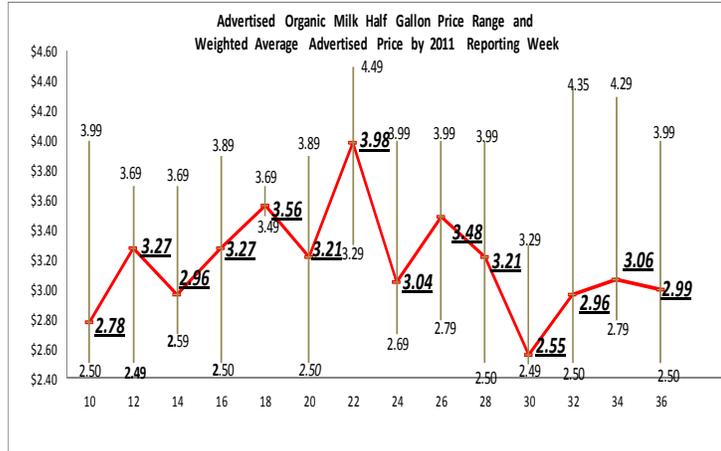
ORGANIC DAIRY MARKET NEWS

Information gathered August 27 - September 9, 2011

CONTINUED FROM PAGE 8

Half Gallons. Advertised pricing for organic milk half gallons declined slightly this period by 7 cents, to a weighted average advertised price of \$2.99. The entire price range shifted downward, with the top declining 30 cents to \$3.99 and the bottom declining 29 cents to \$2.50. The highest advertised price, \$3.99, was found only in the Northeast while the lowest advertised price, \$2.50, was found in the Southeast and the Midwest.

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	32.9	3.73
SE	26.7	2.50
MW	26.1	2.50
SC	00.0	----
SW	00.0	----
NW	14.3	3.11
US		2.99

Gallons. Advertising for organic gallons in 2011 is well below 2010 levels. There were no organic gallon ads this report period, following the highest 2011 level of ads two weeks ago, after no ads during the prior four weeks. Through this week of 2011, there have been only 27.5% of the number of organic gallon ads as during the same period of 2010.

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



*THERE WERE NO ADS FOR WEEKS 8, 12, 22, 26, 30, 32 and 36 of 2011

8 Ounce Milk. Ad numbers for organic milk in 8 ounce containers were the third highest level of 2011. The national weighted average advertised price is \$0.86. All ads were for a national brand and the strength of advertising was driven in ads for a major national supermarket chain.

The following table shows the percentage of 8 ounce container organic milk ads by region and the regional weighted average advertised price.

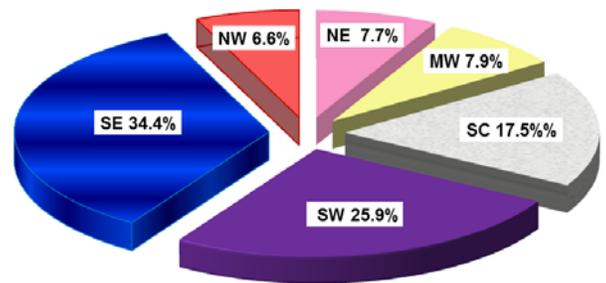
EIGHT OUNCE CONTAINER ORGANIC MILK ADS

REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	06.5	0.84
SE	04.9	0.90
MW	00.0	----
SC	14.9	0.83
SW	42.3	0.83
NW	31.4	0.90
US		0.86

Yogurt. Organic yogurt ad numbers are about twice as high as two weeks ago and ran in all six regions. The Southeast led with 34.4% of ads, followed by the Southwest with 25.9%, dominating the regions. The percentage of organic yogurt ads in the other regions were South Central, 17.5%; Midwest, 7.9%; Northeast, 7.7%; and Northwest, 6.6%.

ORGANIC YOGURT FEATURES
Regional % of Surveyed National Newspaper Ads
Report Week 36, 2011



Ads for 6 ounce containers of organic yogurt were about one half the number of ads for 5.3 ounce organic Greek yogurt, as set forth in the following table.

6 OUNCE ORGANIC YOGURT ADS

REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

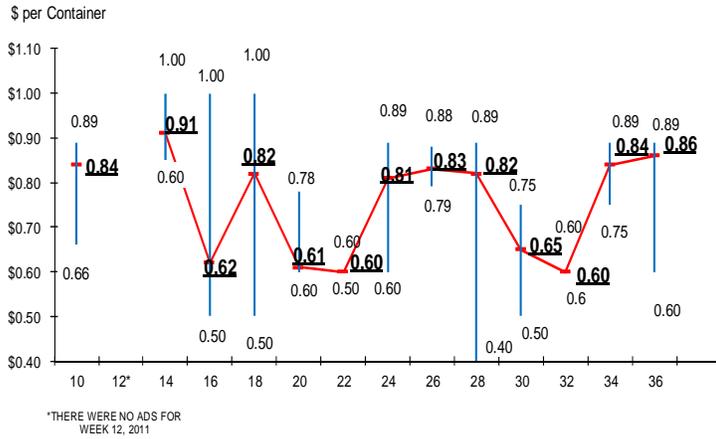
REGION	%	WTD. AV. ADV. PRICE \$
NE	10.3	0.60
SE	00.0	----
MW	00.0	----
SC	00.0	----
SW	89.7	0.89
NW	00.0	----
US		0.86

The national weighted average advertised price for 6 ounce organic yogurt is up 2 cents to 86 cents. The range is 29 cents, from 60 cents to 89 cents, as the following graph displays.

CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered August 27 - September 9, 2011



LOW HIGH RANGE
(In Dollars)

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

Leading the category ad volume for organic yogurt, is 5.3 ounce containers of organic Greek yogurt. All ads were priced \$1.25, with 57.5% of ads in the Southeast; 29.2% in the South Central; and 13.2% in the Midwest.

Weekly supermarket ads in the Northeast contained 58 ads organic yogurt in 4 ounce containers priced at 50 cents.

In the Northwest, there were 80 ads for drinkable organic yogurt in 32 ounce containers, priced \$3.50.

Organic butter. Ads for organic butter appeared in 80 newspapers in the Northwest for 1 pound packages, priced \$4.99.

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 36**

MADISON, WI
LOW HIGH RANGE
(In Dollars)

GALLONS:

Whole	5.45*	6.39	0.94
Reduced Fat (2%)	5.45*	6.39	0.94
Low Fat (1%)	5.45*	6.39	0.94
Nonfat (Skim)	5.45*	6.39	0.94

HALF GALLONS:

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:

3.49	5.69	2.20
------	------	------

YOGURT

.79	1.29	0.50
-----	------	------

For this reporting period, the lowest range price for organic gallons decreased 24 cents to \$5.45, for a store brand in a regional supermarket chain. Conversely, the lowest price for half gallons increased 15 cents, for a store brand in a national discount chain.

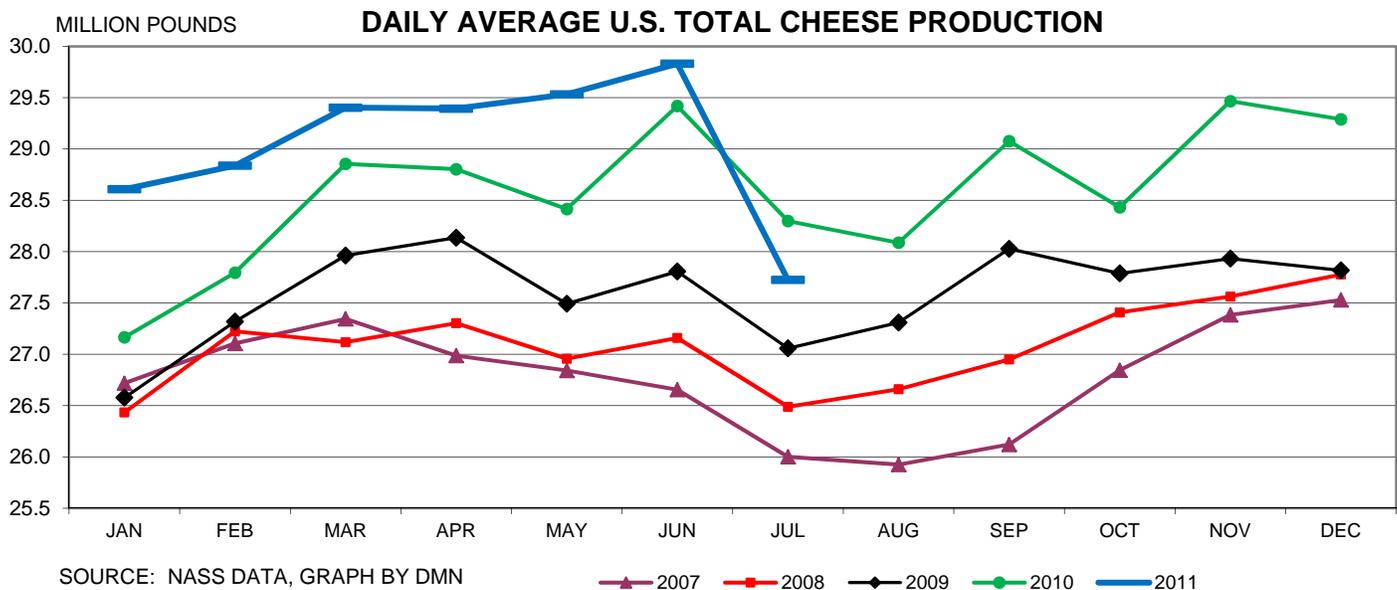
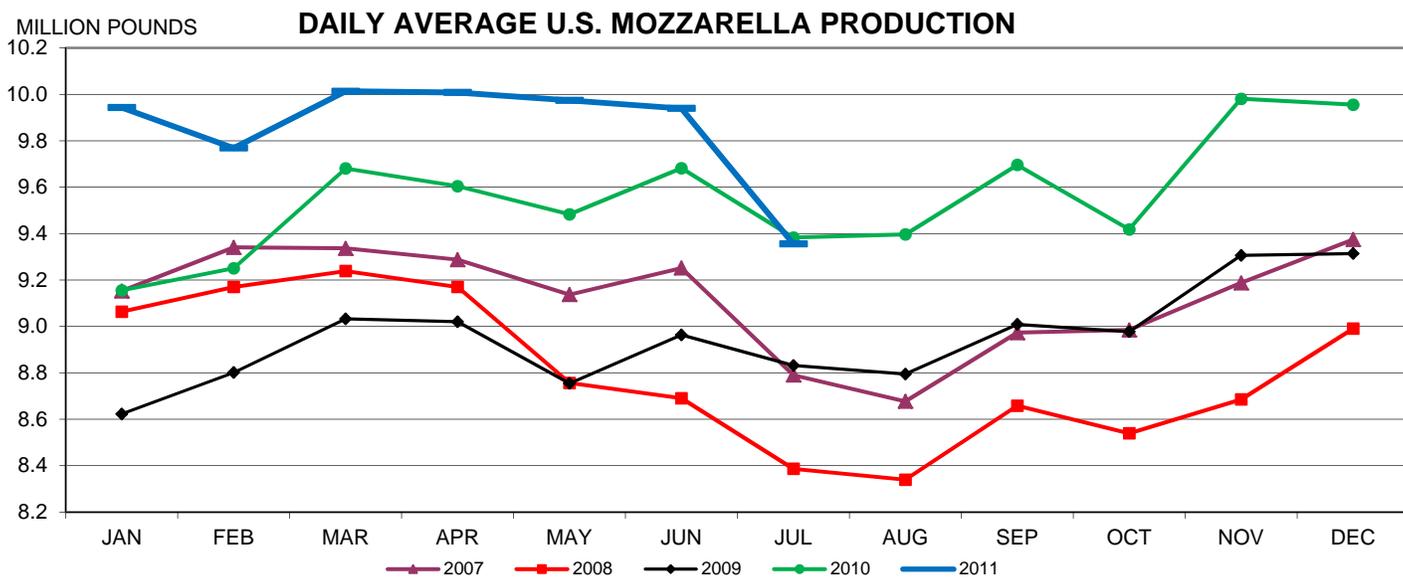
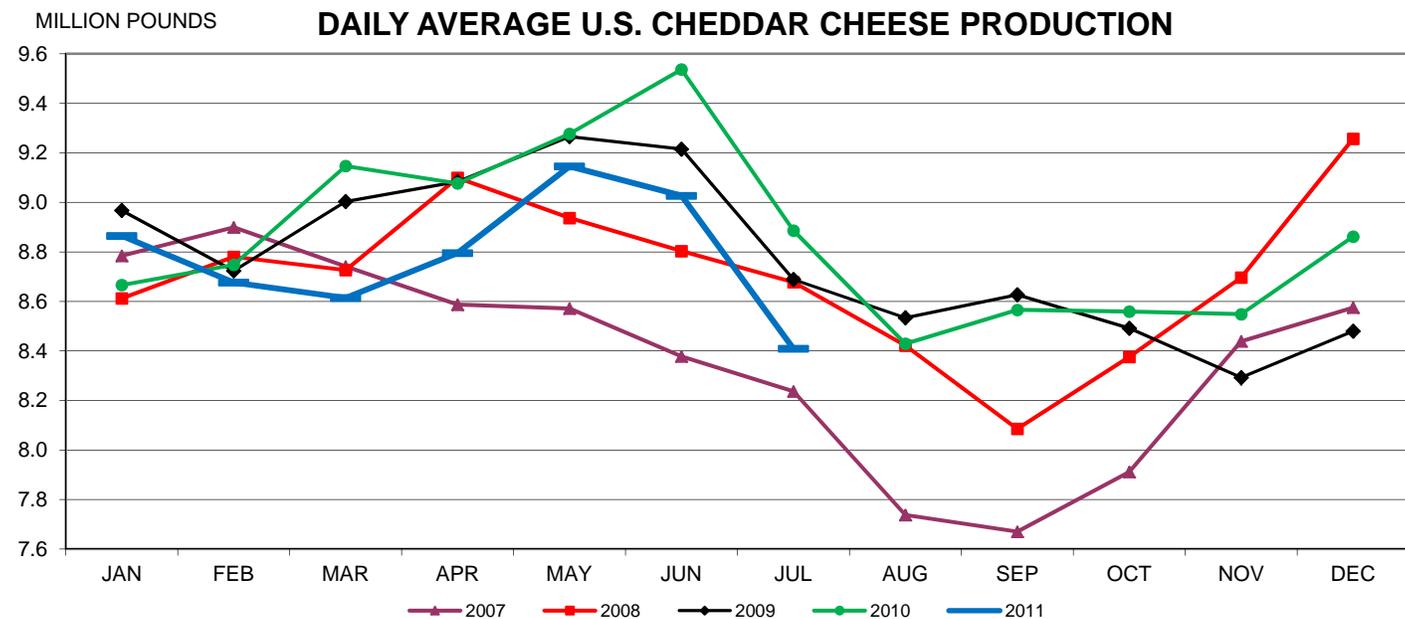
ORGANIC GRAIN AND FEEDSTUFF MARKETS:

National organic grain and feedstuffs prices were mixed, with corn slightly lower with a weaker undertone. Soybeans averaged higher on a light test, while food grade hard red spring wheat was higher. Offerings of feed grade grains were light, with light to moderate demand. Offerings of food grade wheat were moderate with good demand. Drought conditions throughout parts of the cornbelt are of great concern as harvest nears. Some essential corn growing areas have been without significant rainfall since June. New crop oat harvest in the far Northeast is reportedly expected to be lackluster due to moisture conditions during planting season and throughout the growing season.

Eastern organic grain and feedstuffs prices were mixed, based on light volumes traded. Feed grain corn was slightly lower with a weaker undertone noted throughout the region. Feed grain soybeans were slightly higher on a light test. Demand for corn and soybeans this period was moderate, with light to moderate supplies and offerings. Concerns regarding the upcoming harvest are continually reported to livestock producers who are struggling to make their current programs operate in a profitable manner in light of the current spot market trends.

Upper Midwest organic grain and feedstuffs were slightly lower, with light supplies of grain offered. Demand was light to moderate, with many end-users of grain reportedly stretching what corn they have left in inventory until new crop. A weaker undertone was noted on corn this period, due to very high prices in the past month and new crop corn harvest to begin sooner rather than later. Barley and wheat trades were noted, but accurate tests of the market were not established. Many in the industry are simply waiting for new crop progress to begin before making significant decisions or purchases.

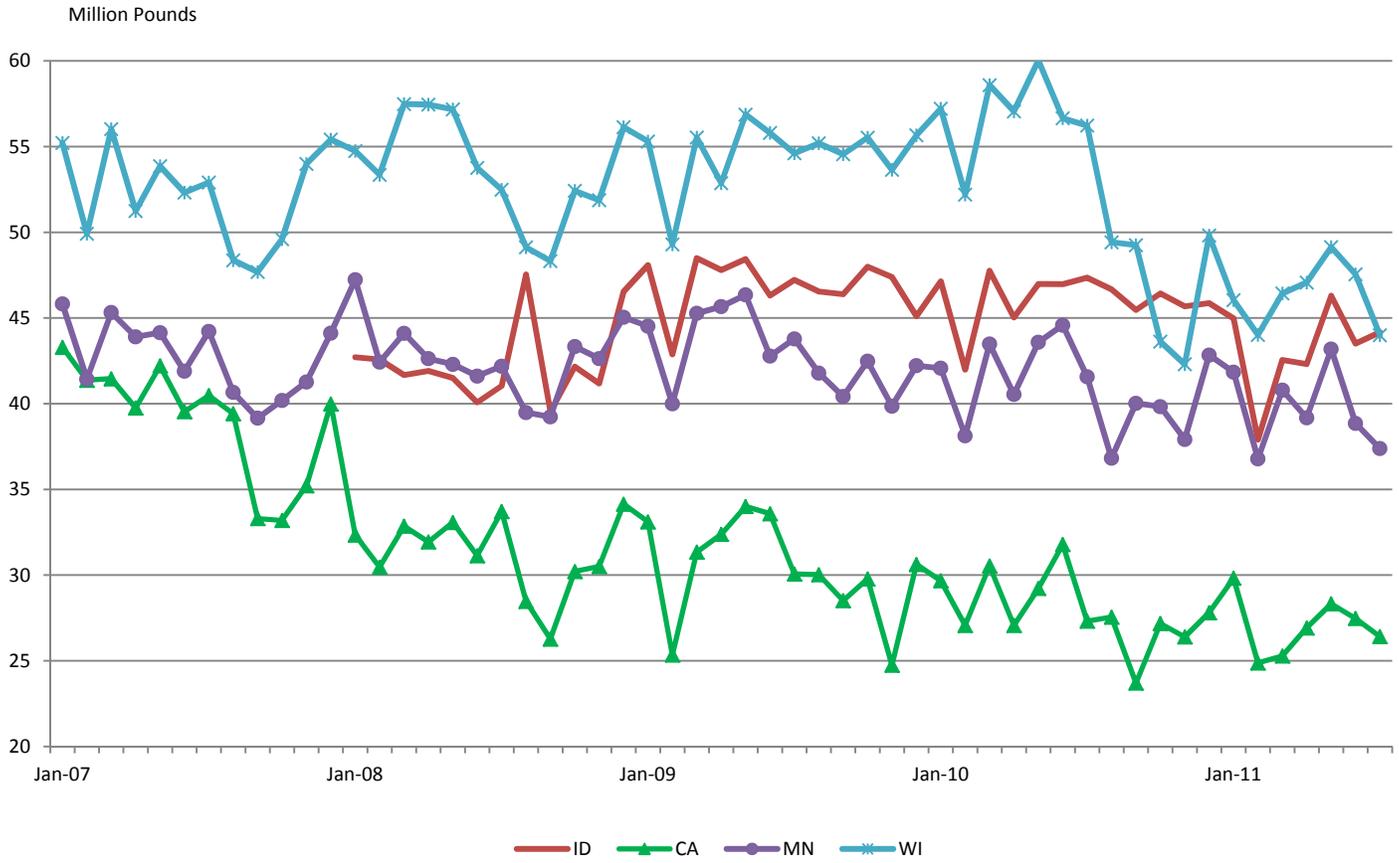
Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews



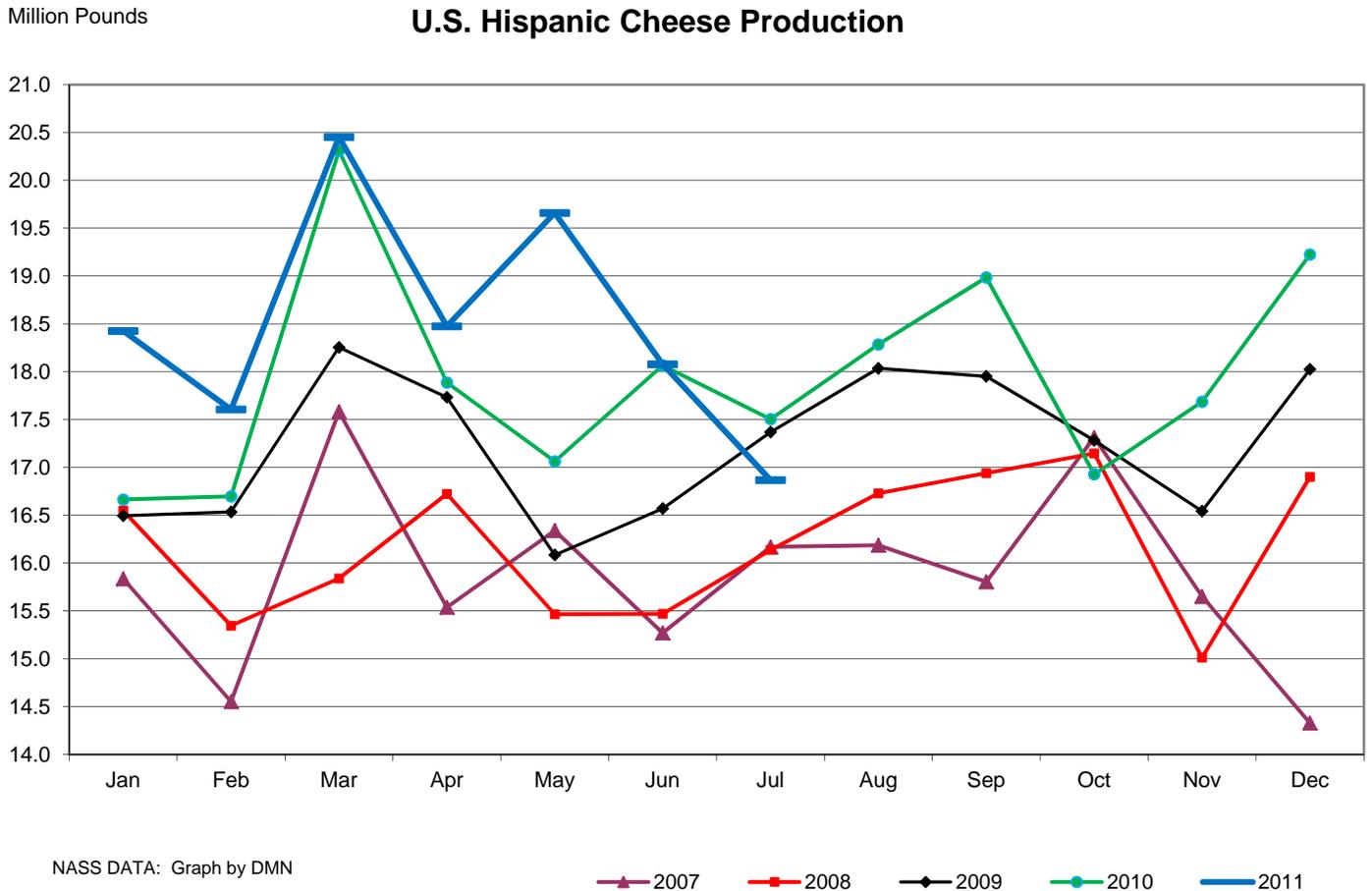
SOURCE: NASS DATA, GRAPH BY DMN

2007 2008 2009 2010 2011

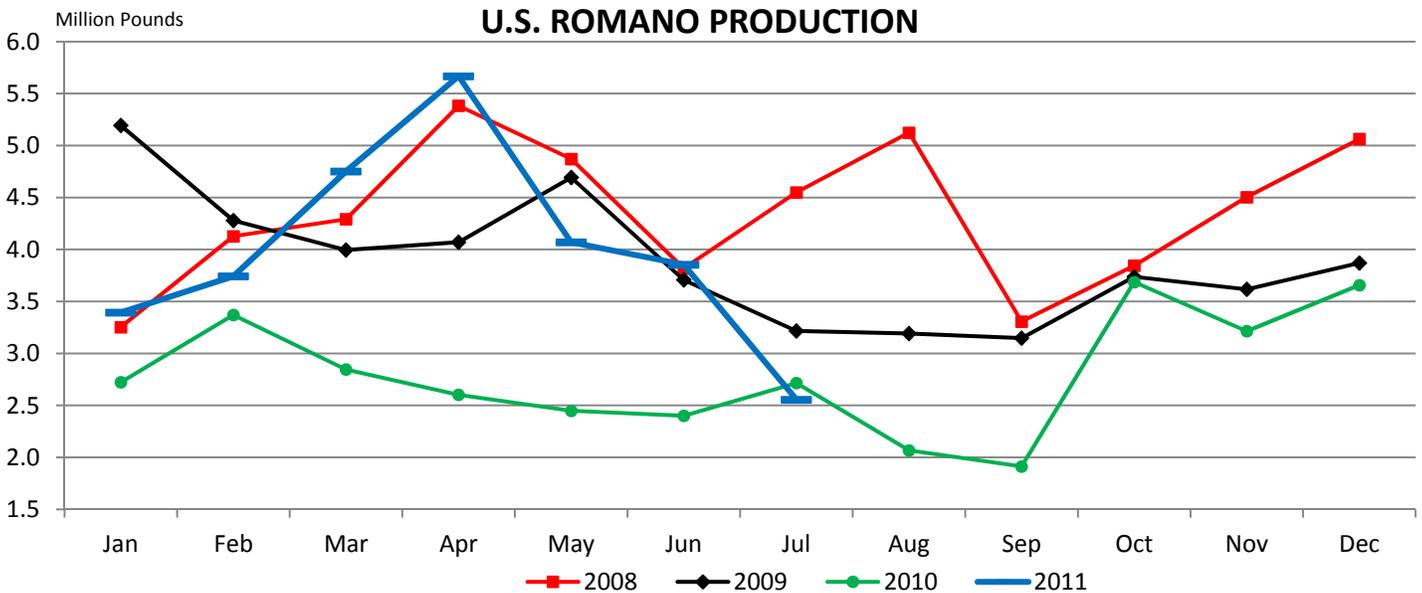
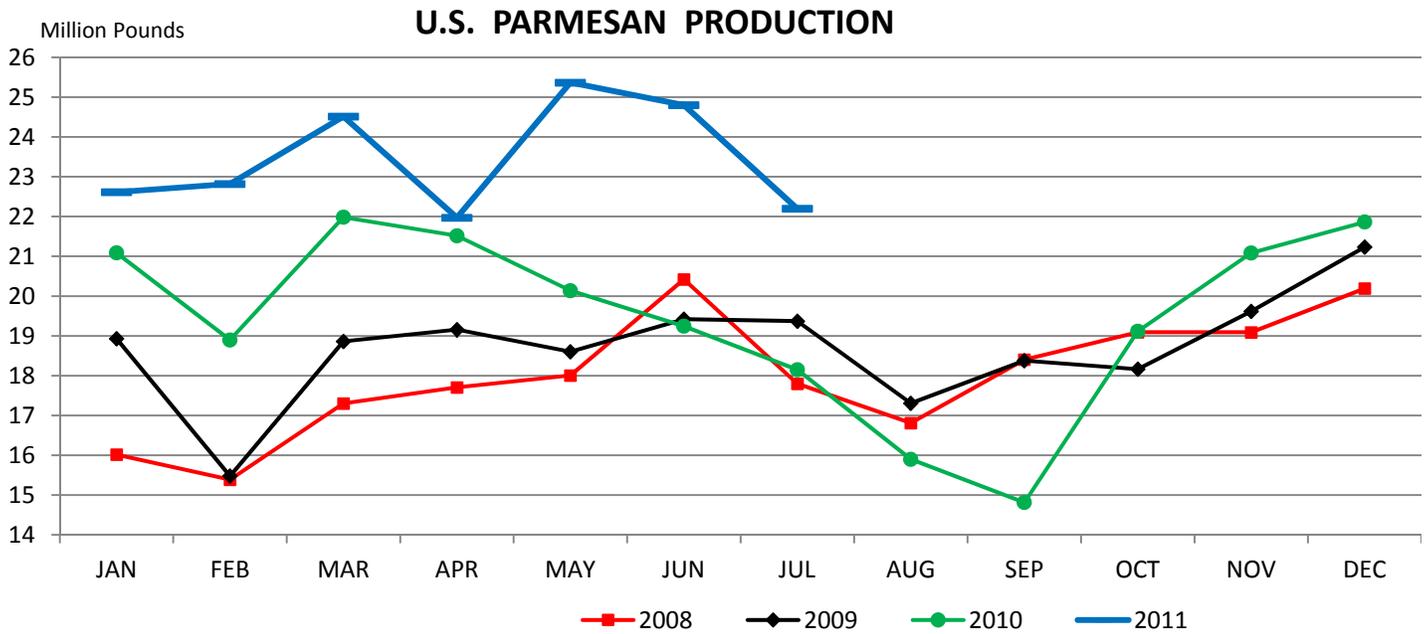
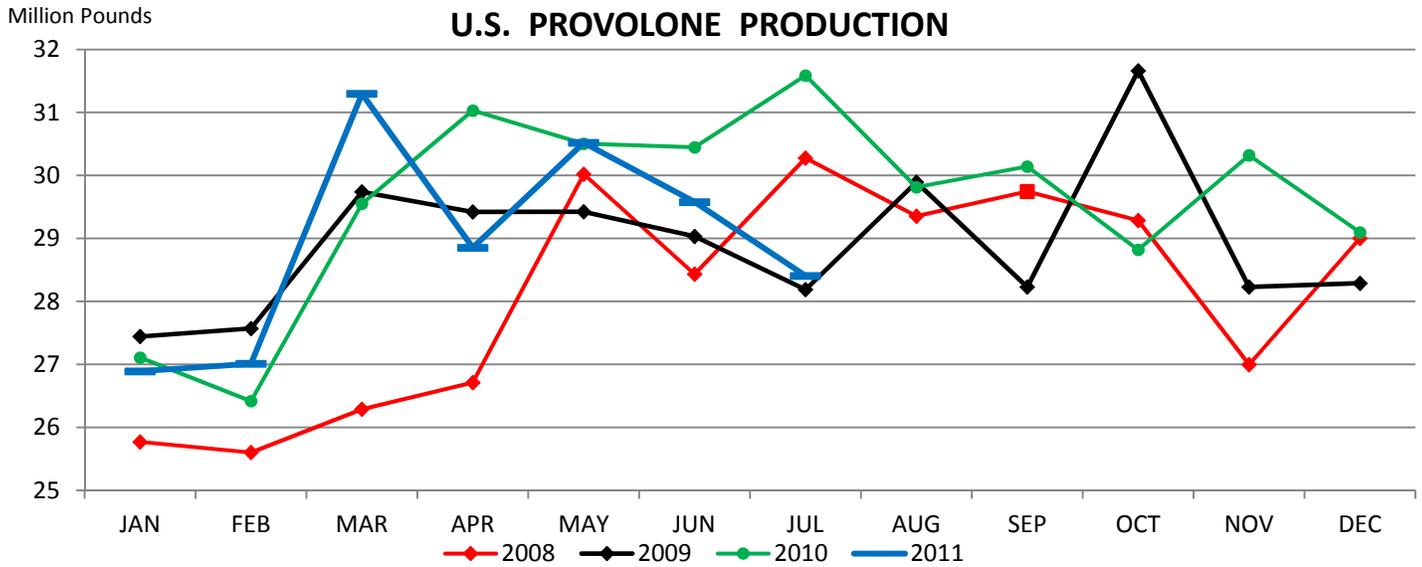
CHEDDAR CHEESE PRODUCTION IN LEADING STATES

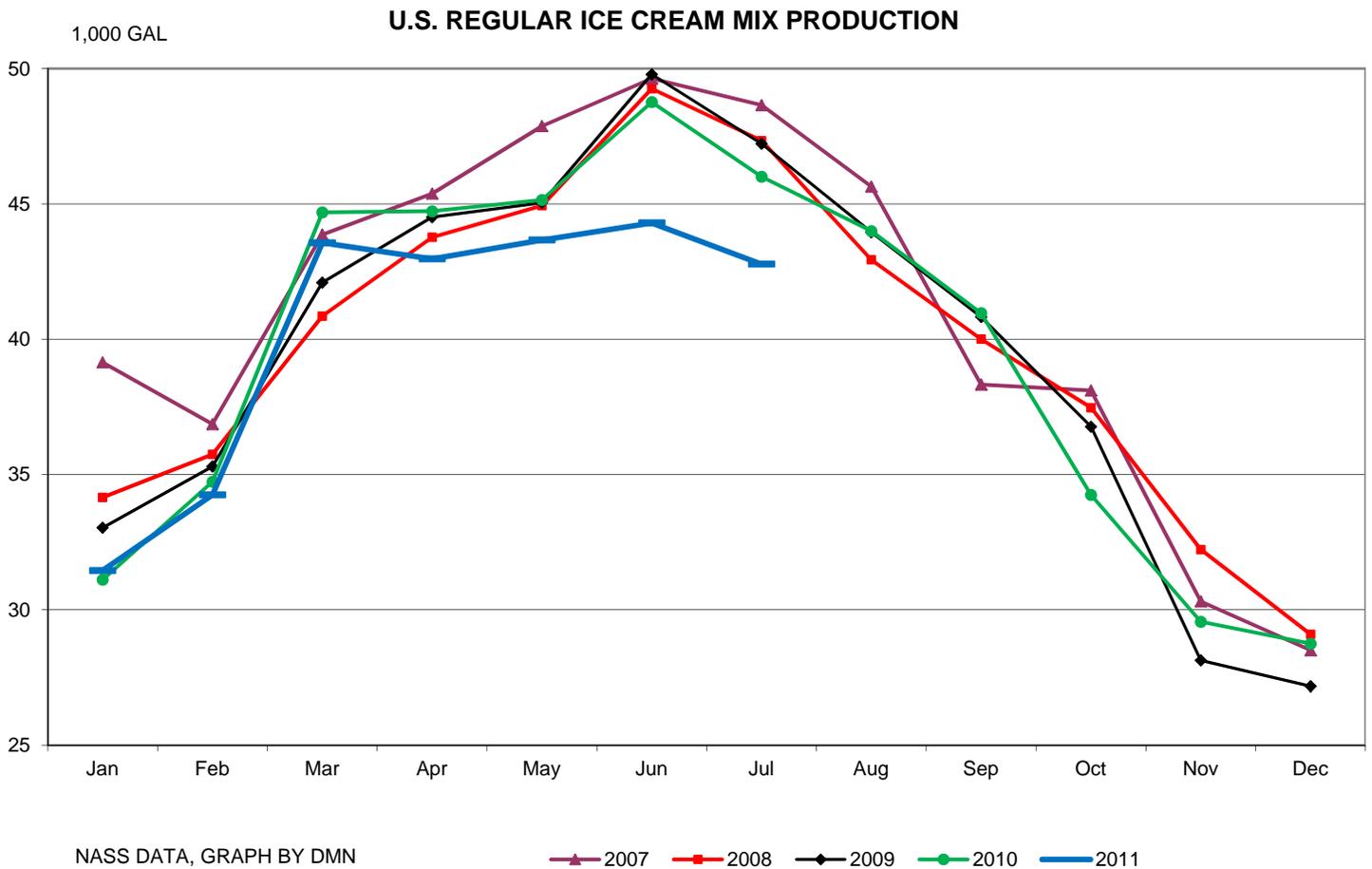
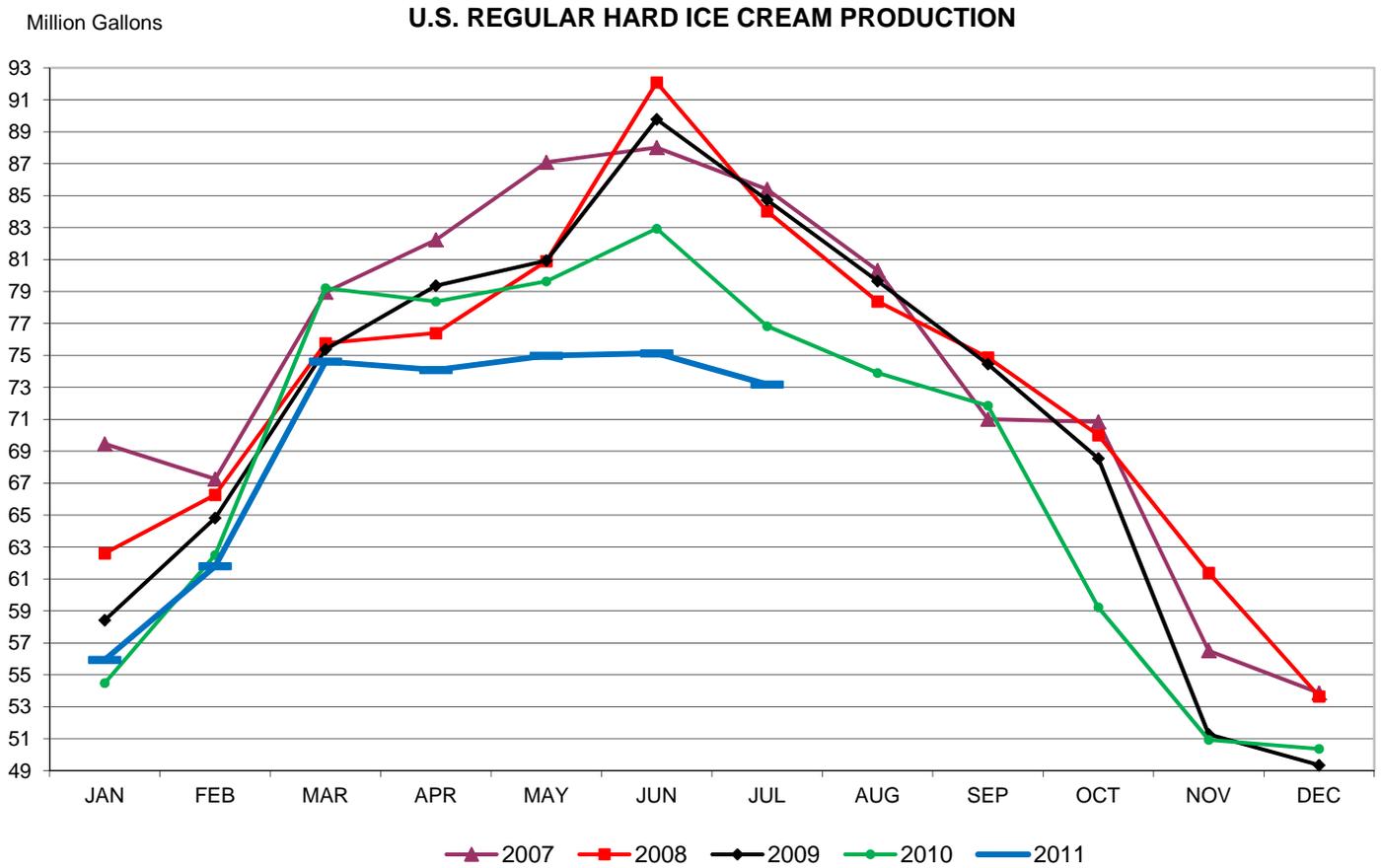


U.S. Hispanic Cheese Production

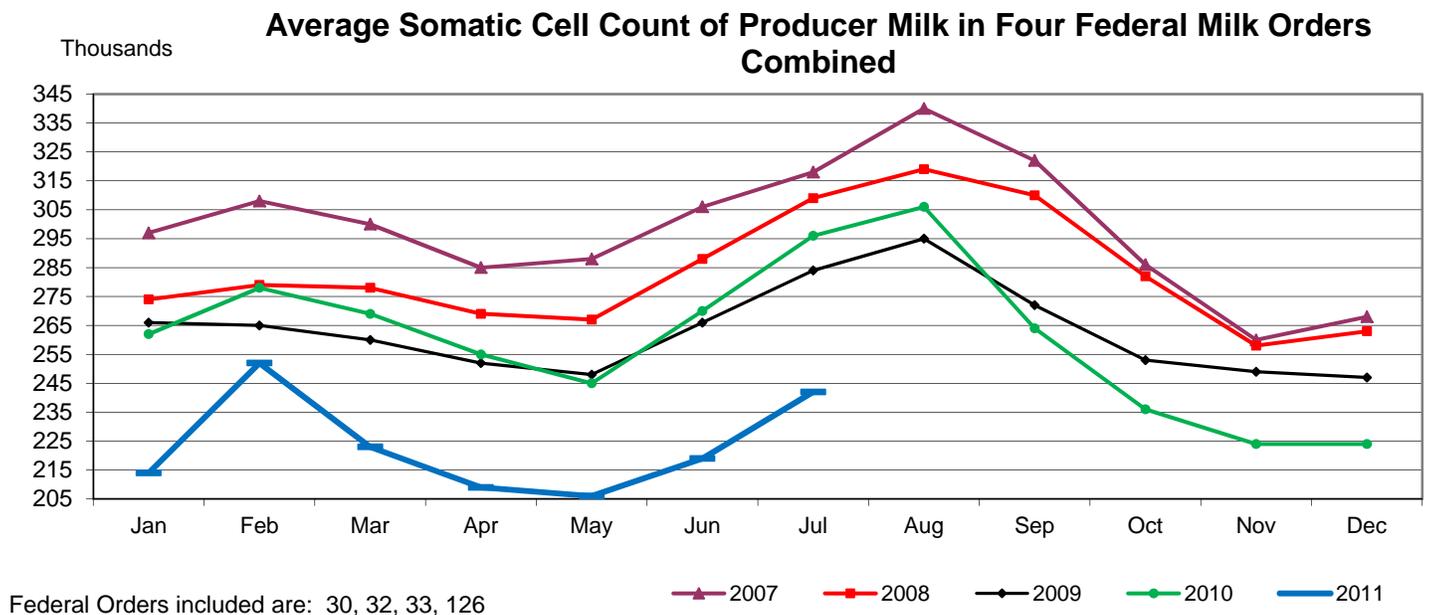
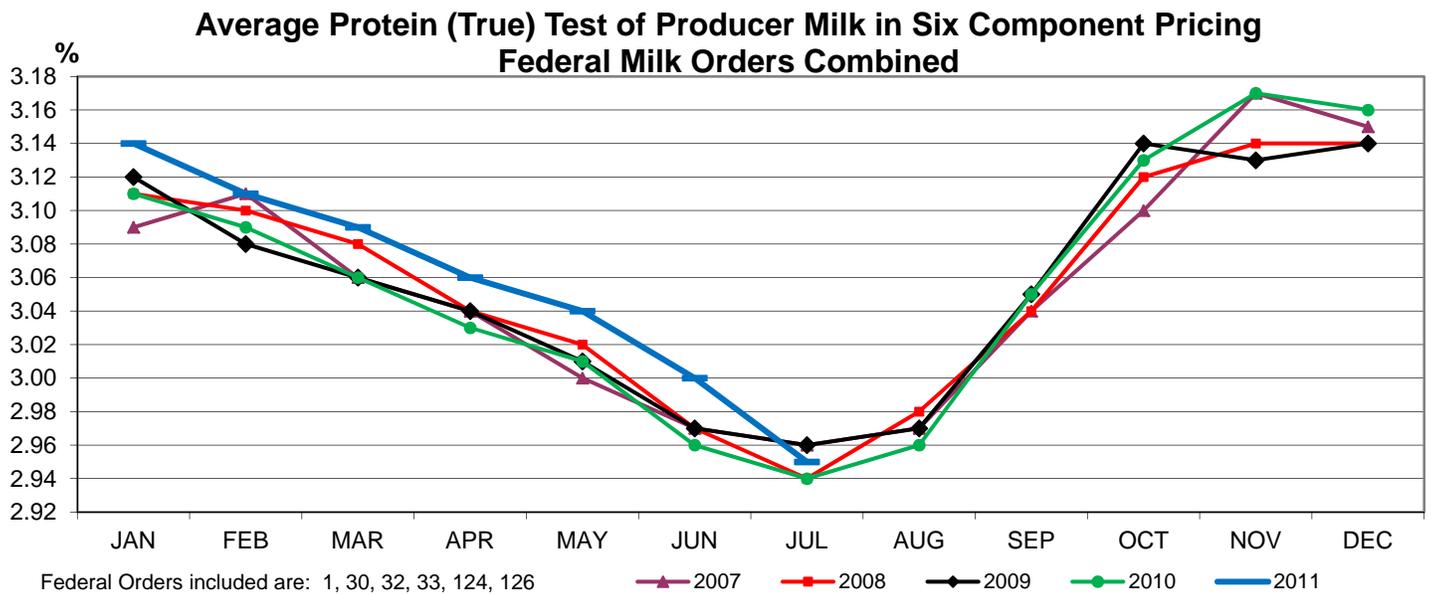
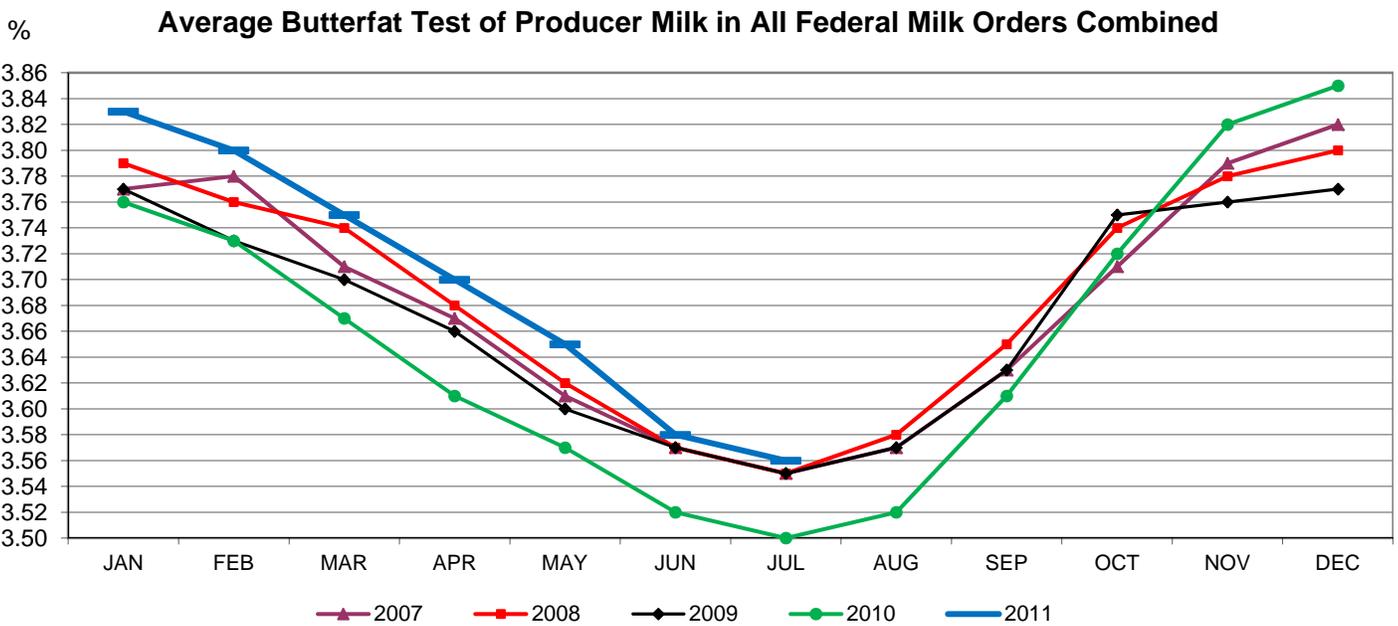


NASS DATA: Graph by DMN





NASS DATA, GRAPH BY DMN



DAIRY MARKET NEWS

GENERAL NUMBER
(608) 278-4200

VOLUME: 78

REPORT: 36

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