

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (09/30):**

**BUTTER:** Grade AA closed at \$1.7600. The weekly average for Grade AA is \$1.7600 (-.0550).

**CHEESE:** Barrels closed at \$1.6400 and 40# blocks at \$1.7200. The weekly average for barrels is \$1.6580 (-.0200) and blocks, \$1.7210 (-.0040).

**BUTTER HIGHLIGHTS:** The cash butter price declined slightly early in the week and closed the week at \$1.7600. The current cash price is \$.3325 lower than when the current weak trend began on August 30. Many butter producers and handlers feel that the current cash price might be where it will settle for the time being. Churning activity across the country is seasonally active. Cream supplies are readily available, although some butter producers remain cautious with their spot cream purchases. Potential cream buyers are often negotiating with suppliers to keep volumes moving. Most butter producers and handlers were anticipating that butter prices would have remained at higher levels than they currently are, limiting buyer interest. Now that the cash price has eased, buyers are returning to the marketplace with heavier orders. Orders are especially heavier for upcoming yearend and holiday needs. More retail buyers are now planning on running features that they previously did not anticipate.

**CHEESE HIGHLIGHTS:** The CME Group cash cheese market is still trading within a narrow price range. Orders have improved for many packagers with overtime needed on more lines. Process interest is generally steady to lower though a few have had improved orders. Cheese supplies are tight on certain specialties often associated with fall such as aged hard Italian varieties as well as muenster. Mozzarella interest is also improved between cooler temperatures, schools/colleges open, and football season aiding pizza sales. Cheese production is relatively steady though improving cheese yields are helping manufacturers offset milk shipped to fluid accounts. The Kansas City Commodity Office announced Solicitation AG-DPRO-S-11-0234 Invitation 2000000565 seeking up to 119,911,680 pounds of mozzarella in various packages for delivery January – December 2012. Offers are due October 13 with a scheduled public release on October 24.

**FLUID MILK:** Milk production is lower in Florida and mostly steady to occasionally higher through the rest of the country. Class I interest is fairly steady though some bottlers anticipate retail promotions may be more widespread in October due to lower Class I prices. Seasonal increases in the butterfat test and the higher Class I use with schools in session, generate larger cream volumes. Cream interest is lighter and most offerings are heading to churns or cream cheese manufacturers as ice cream production is mostly lighter seasonally and other Class II product interest is mainly steady.

**DRY PRODUCTS:** The NDM market is steady to weak. Demand is steady at best with some suppliers anticipating more interest during the fourth quarter. High heat interest is steady to just occasionally improved for the fall baking season. Drying schedules are steady to higher. Buttermilk prices and

the market tone are mixed. Offerings are increasing in the Central and East but, tighter in the West to the point of buyers being put on a waiting list to get supplies. Recent price declines have cleared extra supplies in the West. Churning remains seasonally active. Whey is generally steady to firm. Demand continues to exceed the limited spot supply. Production is mixed depending on available milk supply. The WPC market is steadier as tight producer supplies are offset by recent price weakness on NDM as a replaceable ingredient in some applications. Lactose is steady to firm with contracted fourth quarter prices firm. Some users continue to look for additional supplies to fill needs.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** Milk production in Western Europe is maintaining a level that is higher than last year at this time. Many milk handlers and producers are attributing the extended production season to favorable weather conditions for early fall. Reports indicate that milk production for the first 7 months (January - July) of 2011 is 2.2% heavier than the comparable months in 2010, although during the months of April - July, milk output was 1.8% ahead of the comparable months last year. Milk handlers are stating that these figures look very good, but then they realize that last July, temperatures were hot and moisture was limited. Milk volumes remain sufficient to maintain active production schedules for most products, but as milk volumes decline, the tilt will be towards cheese output. Traders are indicating that dairy product sales have been active in recent weeks, but now have slowed. The summer holiday season is now over and consumer buying patterns have returned to typical fall levels. International sales are being reported, although not aggressive. European prices are mixed for international buyer needs. Butter, cream based products, and whole milk powder are often higher than international buyers are willing to pay, while skim milk powder, cheese, and whey powder are more in line with other international offerings. The EU Dairy Management committee met on September 22 with no significant activity being reported pertaining to dairy issues. The six month open season for PSA closed on August 31 and during the open season over 104,700 MT of butter cleared to the program. Early clearances are already being removed from the storage program and about 84,000 MT of butter remain. There are still some intervention skim milk powder stocks being held which will be distributed through the Most Deprived Persons Feeding Program in 2012. There are no intervention skim milk powder stocks available for sale. Milk production in **Eastern Europe** is declining seasonally with the season being extended a little further due to favorable early fall weather patterns. Milk volumes remain sufficient to maintain active manufacturing schedules at many plants, although operations are adjusting processing schedules due to lighter milk volumes.

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COMMODITY	MONDAY SEP 26	TUESDAY SEP 27	WEDNESDAY SEP 28	THURSDAY SEP 29	FRIDAY SEP 30	WEEKLY CHANGE *	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.6900 (-.0175)	\$1.6450 (-.0450)	\$1.6450 (N.C.)	\$1.6700 (+.0250)	\$1.6400 (-.0300)	:: :: (-.0675)	:: :: \$1.6580 :: (-.0200)
40# BLOCKS	\$1.7300 (+.0025)	\$1.7175 (-.0125)	\$1.7175 (N.C.)	\$1.7200 (+.0025)	\$1.7200 (N.C.)	:: :: (-.0075)	:: :: \$1.7210 :: (-.0040)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	:: :: (N.C.)	:: :: \$1.5800 :: (-.0180)
GRADE A	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	:: :: (N.C.)	:: :: \$1.4900 :: (N.C.)
<b>BUTTER</b>							
GRADE AA	\$1.7600 (-.0100)	\$1.7600 (N.C.)	\$1.7600 (N.C.)	\$1.7600 (N.C.)	\$1.7600 (N.C.)	:: :: (-.0100)	:: :: \$1.7600 :: (-.0550)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.  
Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

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

Stocks of product are available for domestic and international buyer needs. Both domestic and international sales have been occurring, but recently have slowed. Milk production in the **Oceania** region continues to seasonally increase. In **New Zealand**, the season got off to a strong start and indications are that milk volumes are running heavier than last year at this time. Milk producers and handlers are stating that the mid-August snowstorm that blanketed much of New Zealand had limited negative impact on the development or start of the new production season. In **Australia**, milk volumes are increasing on a steady basis and milk output is projected to peak by the later part of October. Milk handlers are stating that conditions are still quite wet in the Gippsland region and production is reflecting soggy conditions with preliminary August output down 8% when compared to August 2010. Elsewhere in Victoria, moisture conditions are drier and milk output is running heavier than a year ago. Tasmanian production is running 10% heavier while Western and Northern Victoria production is running 3 - 12% stronger than last year. Milk producers and handlers remain very optimistic about the current season. A positive 2010 - 2011 season and a projected current positive season is encouraging some producers to look at herd expansions, but for the most part, this is not occurring and farmers are paying down debt accumulated during recent negative production years. Herd expansion is not out of the picture, but for right now, animal replacements are limited. Producers and handlers are stating that it will take about two years before milk volumes would be noticeably higher if producers decide to expand. As the current milk production season develops, manufacturing schedules are ramping up, but all products are not readily available. A strong domestic market, coupled with ongoing international commitments, is keeping supplies in close balance with butterfat and cream based products reported to be snug. Most Oceania sales activity is centered around regular and ongoing customer needs. Some spot buyer interest is being reported, although many of these buyers are looking for bargains as prices ease, but minimal finalized sales are occurring. The September 20 g/DT session 52 results showed mixed average prices for all contracting periods and products. A fourth contracting period was added at this trading event. Contract #1, will be the month following the trading event; contract #2, two months following a trading event; contract #3, 3 - 5 months out; and contract #4, 6 - 8 months following a trading event. For this first event since the addition, no product was offered or traded for contract #1.

**ANNOUNCED OCTOBER COOPERATIVE CLASS I PRICES (DAIRY PROGRAMS):** For October 2011, the all-city average announced cooperative Class I price was \$24.69, \$2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The October 2011 cooperative Class I price was \$2.29 lower than the September 2011 price. The October 2011 Federal order Class I price was \$2.22 lower than the September 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.52 in Phoenix, AZ, to \$4.21 in Miami, FL. For October 2010, the all-city average announced cooperative Class I price was \$21.67, \$2.45 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.

**CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):** The following are the September 2011 prices under the Federal Milk Order pricing system and the changes from August: Class II \$20.55 (-\$1.00), Class III \$19.07 (-\$2.60), and Class IV \$19.53 (-\$0.61). Product price averages used in computing Class prices are: butter \$1.9886, NDM \$1.5439, cheese \$1.8592, and dry whey \$0.5926. The Class II butterfat price is \$2.2075 and the Class III/IV butterfat price is \$2.2005. Further information may be found at: [www.ams.usda.gov/AMSV1.0/PriceFormulas2011](http://www.ams.usda.gov/AMSV1.0/PriceFormulas2011)

## CME GROUP

MONDAY, SEPTEMBER 26, 2011

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.7050, 2 @ \$1.6900; 6 CARS 40# BLOCKS: 5 @ \$1.7275, 1 @ \$1.7300; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.6800; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7325

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 @ \$1.7600

TUESDAY, SEPTEMBER 27, 2011

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.6600, 1 @ \$1.6500, 1 @ \$1.6475, 2 @ \$1.6450; 1 CAR 40# BLOCKS @ \$1.7175; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6350; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.7200

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$1.7600, 1 @ \$1.7550, 1 @ \$1.7600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 28, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$1.6450; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6600; 2 CARS 40# BLOCKS @ \$1.7175

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, SEPTEMBER 29, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$1.6700; 2 CARS 40# BLOCKS: 1 @ \$1.7250, 1 @ \$1.7225; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6675; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6800; 1 CAR 40# BLOCKS @ \$1.7200

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, SEPTEMBER 30, 2011

CHEESE -- SALES: 6 CARS BARRELS: 4 @ \$1.6700, 2 @ \$1.6400; 1 CAR 40# BLOCKS @ \$1.7200; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.7200; 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: NONE

## BUTTER MARKETS

## NORTHEAST

The CME butter price held steady Tuesday closing at \$1.7600. This was the first time in 7 trading sessions the butter price had not declined. In the 6 previous trading sessions prior to Tuesday's close, the butter price declined \$0.1425. Cream supplies again this week outstripped demand and buyers were able to shop around for lower multiples. Multiples ranged from 122-130. Most plants are making butter; some plants are producing only to fill current orders, while others are building inventories for holiday orders. A few plants not making butter are now considering churning as the CME butter price and multiples have moved lower. Private label orders have significantly increased as grocery chains begin to build inventories for the holidays. According to the latest NASS Cold Storage report, butter in storage on August 31, totaled 165.6 million pounds, 22.2 million pounds (12%) less than the prior month stocks, but 10.3 million pounds (7%) more than August 2010 stocks. Prices for bulk butter range 6-8 cents over the market, based on the CME Group with various time frames and averages used.

## CENTRAL

The CME cash butter price continues to decline, but not at the pace of recent weeks and settled at \$1.7600 at midweek, 4 cents lower than last week at this time and \$.3325 lower than on August 30 when the current weak trend began. Many butter producers and handlers feel that the current cash price might be where it will settle for the time being. Churning schedules are active, although some butter producers remain cautious with their spot cream purchases. Cream volumes are readily available and potential buyers are often negotiating with suppliers to keep volumes moving. Overall butter demand is better than expected for this time of the season. Most butter producers and handlers were anticipating that butter prices would have remained at higher levels than they currently are, thus the firmer price was often limiting buyer

volumes. Now that the cash price has eased, buyers are returning to the marketplace with heavier orders. Orders are especially heavier for upcoming yearend and holiday needs. More retail buyers are now planning on running features that they previously did not anticipate. Food service orders are fairly steady, but overall are lighter than a year ago. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

## WEST

Butter prices at the CME Group have fallen 4 cents since last Wednesday to stand at \$1.76 at midweek. Prices have either remained the same or declined since August 23. Since that date when the price was \$2.0925, prices are down \$.3325. The story in the butter market continues to be the continued heavy production that started early this year and continues through the present time. Cream offerings in the market are very heavy with the only real outlet at this time being the churn. Class II and Class 2 product demand is slower than anticipated so these outlets are taking less cream than projected. Demand for bulk butter is fair with prints finding good interest from club store accounts. Retail interest is fair and food service accounts are holding their own. Most contacts believe that end user coverage in butter for the fall demand season is less than typical so some believe that bulk demand will improve as we move into fall.

## AUGUST COLD STORAGE

According to the NASS Cold Storage report, stocks of butter as of August 31, 2011, total 165.6 million pounds, +7% or 10.4 million pounds more than August last year. This is the first time since December 2009 that stocks have been above one year earlier. Stocks were 12% lower or 22.2 million pounds less than July 2011.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
September 24	1.8005 8,382,413	1.7694 9,699,032	1.5413 17,890,133	1.8911 3,917,648	0.6004 8,892,482

**CHEESE MARKETS**

**NORTHEAST**

CME Group cheese prices declined Tuesday with barrels dropping \$0.0450 and closing at \$1.6450 and blocks falling \$0.0125 to close at \$1.7175. CME Group trading has been very active over the last 7 sessions with 30 loads of barrels and 32 loads of blocks transacted. Cheese production is steady in the Northeast and inventories are building in preparation for the year-end holiday cheese orders. Orders are good for most all varieties, especially mozzarella and cream cheese. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of August 31, 2011 totaled 1.06 billion pounds, 2.0% less than one month ago but unchanged from one year ago. A majority of the holdings are in the form of American cheese (60.6%) totaling 641.8 million pounds, 1.0% less than the amount one month ago, but 1% more than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.2%) totaling 383.8 million pounds, 5% less than one month ago and 3% less from one year ago. Swiss cheese accounts for 3.2% of holdings at 33.6 million pounds, 2% less than one month ago, but 18% more than one year ago.

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

Cheddar 40# Block	:	2.0425-2.3175
Process 5# Sliced	:	1.7875-2.0975
Muenster	:	2.0625-2.2675
Grade A Swiss Cuts 10 - 14#	:	3.9000-4.2225

**MIDWEST**

The cheese market is unsettled and appears to be working up and down within a trading range. Current interest in natural varieties is generally improved. Demand has improved seasonally for pepper jack with tightness/delays noted on muenster and some other specialty varieties. Additional overtime is needed to fill finished natural orders, mainly shred and slice lines. Process interest is occasionally improved on planned, mainly private label, promotions. Aged hard Italian interest is generally stronger with a few extra loads of aged cheddar also changing hands. Milk supplies remain limited for some manufacturers while others are in a better position. The planned shutdown for new equipment in a couple of larger Upper Midwest plants is causing some extra milk to be diverted to other plants. Cheese yields and components are increasing seasonally though milk volumes seem little changed in traditional production areas. The Kansas City Commodity Office announced Solicitation AG-DPRO-S-11-0234 Invitation 2000000565 seeking up to 119,911,680 pounds of mozzarella in various packages for delivery January - December 2012. Offers are due October 13 with a scheduled public release on October 24.

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

Process American 5# Loaf	:	2.0375-2.4800
Brick And/Or Muenster 5#	:	2.2350-2.6000
Cheddar 40# Block	:	2.2350-2.8650
Monterey Jack 10#	:	2.1975-2.8650
Blue 5#	:	2.4900-3.2700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0700-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.1900-3.3300

**WEST**

Some contacts thought that cheese prices might have bottomed at the end of last week at the CME Group, but they continued their decline this week. Barrels closed at midweek at \$1.6450 and blocks at \$1.7175. Contacts indicate a bit more demand for cheese as prices continue to move lower. Most sales remain on contracts and plants are running efficiently. According to NASS, Cold Storage stocks of cheese (total) at the end of August 2011 are 1,059.1 million pounds, nearly equal to last year, but marginally ahead. Total cheese stocks have been running ahead of year earlier volumes since May of 2008, or 39 consecutive months. American stocks were up 1% and Other Natural stocks were 3% lower with last year. Swiss stocks at the end of August total 33.6 million pounds, up 18% or 5.2 million pounds more than August 2010.

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

Process 5# Loaf	:	1.8025-2.0600
Cheddar 40# Block	:	1.8550-2.2075
Cheddar 10# Cuts	:	2.0350-2.2550
Monterey Jack 10#	:	2.0450-2.2050
Grade A Swiss Cuts 6 - 9#	:	3.4775-3.9075

**FOREIGN**

The CME Group weekly average price for block cheese declined and resulted in a \$0.0575 decrease in domestic wholesale prices with the exception of Swiss cuts which held steady. Swiss cheese buyers have held back on their orders seeing declines in other domestic cheese prices and hoping Swiss cheese prices will follow suit. The latest NASS Cold Storage report shows stocks of Other Natural Cheese, including Italian type cheeses, totaled 383.8 million pounds, 18.2 million pounds less (-5%) than one month ago and 13.2 million pounds less (-3%) from one year ago. Swiss cheese holdings are 33.6 million pounds, 0.6 million pounds less (-2%) than one month ago, but 5.2 million pounds more (+18%) than one year ago.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.0400	: 2.1825-3.6700*
Gorgonzola	: 3.6900-6.3900	: 2.6850-2.9450*
Parmesan (Italy)	: -0-	: 3.3050-3.7150*
Provolone (Italy)	: 3.4400-6.3900	: 2.2250-2.3825*
Romano (Cows Milk)	: -0-	: 3.3725-5.5150*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.2400	: -0-
Jarlsberg-(Brand)	: 2.9500-4.9900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.9925-4.3150
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

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

	BUTTER	CHEESE
09/26/11	8,004	136,213
09/01/11	7,138	139,664
CHANGE	866	-3,451
% CHANGE	12	-2

## FLUID MILK AND CREAM

## EAST

## SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA &amp; SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	91	0	38	0	0	0
SOUTHEAST STATES	0	0	0	0	16	0

Milk production in the Northeast and Mid-Atlantic regions is generally steady along the seasonal trend. Manufacturing supplies are adequate to cover contracts. Some plants are rolling over fluid supplies to ensure volumes are sufficient to cover next week's contracts. Class I demand is good, but has leveled off as pipelines are now full. Class II demand is good as yogurt production capacity has expanded throughout the year. Damage and losses to dairy production and crops in the Northeast are still being assessed. Rising feed costs are a concern among producers with warnings of silt contaminated crops in the Northeast following the recent flooding. Milk production in Florida continues to decline as heat and humidity continue to take their toll on cow comfort levels. Class I demand remains strong and 91 spot loads of milk were imported into the state. Milk supply in the Southeast is about equal to demand with little surplus going to auxiliary manufacturing plants. Class I demand has leveled off along the seasonal trend. Cream supplies again this week outstripped demand and buyers were able to shop around for lower multiples. Multiples ranged from 122-130. Cream demand is best with cream cheese makers as they are in the heart of their production season. Most butter plants are actively churning, filling current orders with some plants building supplies for the upcoming holiday season. Condensed skim milk demand from Class II manufacturers is good with supplies barely adequate to meet placement needs.

## 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 -	2.2143-2.3595
F.O.B. producing plants: Upper Midwest -	2.1472-2.2506

## 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 interest is around usual expected fall levels and the normal scattering of retail fluid promotions. Bottlers anticipate that more retailers will wait for the lower Class I prices in October to promote milk. Some non-Wisconsin, Upper Midwest milk is being shipped south to supplement local offerings. Class II product interest, not including ice cream, is about steady. Ice cream output continues to ease seasonally though at least one operation is running a heavier schedule than expected. Cream supplies are readily available with churns and/or cream cheese the major users at this time. Cream multiples are steady to occasionally lower with more deals based on "market date of ship" versus the usual previous week average. Cheese milk interest and supplies vary by location with the tightest supplies mostly in Wisconsin and Minnesota and more offerings available in Indiana and Ohio as well as the Southwest. The planned shutdown of a couple of larger upper Midwest plants this week and next is providing some needed supplies for other users.

Milk intakes are irregularly about unchanged. Milk components are slowly increasing, improving manufactured product yields. Recent rains in the Upper Midwest have slowed fall harvest. Harvest continues where dry fields and crops allow. Some delayed fall tillage has been done after the recent rain.

## WEST

August 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.36 billion pounds, 7.6% higher than last year, according to CDFA. The August blend price, at a fat test of 3.60%, is \$20.23, \$0.10 higher than July and \$4.86 more than August 2010. The percentage of receipts used in Class 1 products is 14.4%. The August quota price is \$21.23 and the over quota price is \$19.53. These prices are 1 cent lower than July but \$4.69 more than a year ago. CALIFORNIA is seeing some weather a little warmer than normal for this time of year, but not enough to stress the milking herd. Production is strong seasonally, but plants are having no problems in handling the farm milk supplies. Talk in the countryside centers around the continued stress posed by high feed and hay prices in relation to present and future milk prices. Some dairies are attempting to book additional corn on market downturns, but there are not many profitable opportunities. Hay remains the major concern from both the price and availability points of view. Dairy hay continues to trade either side of \$300 FOB the grower in most areas of California for good quality dairy hay. Coverage is short as money is tight. Nights are cooling off enough to reduce the stress on dairy herds even if daytime temperatures remain a bit above normal in ARIZONA and NEW MEXICO. CREAM markets remain very weak with heavy offerings going to the churns. Cream has to travel longer distances to find a buyer. The discounts that churns are demanding to take the cream are increasing even as the butter base price continues to decrease. The CME butter price closed at \$1.76 on Wednesday, September 28, down 4 cents from a week earlier. Cream multiples are trading in a wide range of 106-122 and vary based on class usage and basing point. Weather conditions in the PACIFIC NORTHWEST are very moderate with cows facing no stress. Hay is more available in this region than some other areas of the West. Milk is being handled easily by local plants in the region. Conditions in UTAH and IDAHO are a little warmer than normal for late-September, but they are not causing any problems. Milk is readily available for plants that need additional supplies for any good demand that they are finding. According to the NASS August *Milk Production* report, output per cow for the 23 surveyed states increased 18 pounds or 1.0% from August 2010. The percentage change in output per cow for selected Western states is as follows: Arizona +2.5%, California +1.5%, Colorado -1.2%, Idaho +2.0%, New Mexico +1.2%, Oregon +2.0%, Utah -0.5%, and Washington +1.5%. Contacts are wondering how these numbers will change over the winter as old corn contract purchase agreements expire and there are few opportunities looking forward to lock in new prices to allow a profit. Also, there is much concern about hay availability at all, let alone the high prices that are being quoted currently. Many dairy producers have not been able to get ahead on hay purchases because of financing and are only covered month to 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:** Recent adjustments to various NDM price indices prompted some manufacturers to revise NDM prices lower this week. Sales are steady with the last few weeks. NDM manufacturers and resellers indicate, though, there should be unfilled NDM needs for the fourth quarter, but end users have yet to make a strong push to fill those needs. Demand for high heat NDM, which usually increases during September and October with the advent of production of pies and other dessert items, is still described as slow. Resale prices have softened also, a reportedly necessary step to help resellers manage NDM inventories. Nonfat dry milk production is steady to higher at most plants as farm milk intakes increase. A few plants are benefitting from additional milk intakes from Central region plants undergoing maintenance/updates projects. Condensed skim sales to various Class II uses are mostly contractual.

**EAST:** Prices for nonfat dry milk moved lower on the upper end of the range for low heat and declined on the low end of the range for high heat this week. Milk supplies are about equal to placements, limiting nonfat dry milk production to the end of week and weekends. Eastern inventories are fairly tight with most of the supplies committed. Some manufacturers of nonfat dry milk are nearing the end of their fiscal year and have cleared some inventory for the yearend balance sheet. Though prices have declined this week, the situation of limited production and tight supplies is providing a firmer undertone ahead of the fall baking season. Brokers are reporting increased price inquiries from prospective buyers, an indication that demand may soon improve.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4600 - 1.6175 MOSTLY: 1.4800 - 1.5800  
 HIGH HEAT: 1.5800 - 1.7000

**NONFAT DRY MILK - WEST**

Low/medium heat prices are steady to slightly lower on the range and mostly. There continues to be a weak undertone to the market. Demand is often steady, but certainly unaggressive. Offerings are readily available on both the direct and resale markets. The export option is working for some producers, but it is often becoming much more competitive with other sellers. NDM production is at least at expected levels and often above expectations. Prices for high heat powder are mixed, moving both higher and lower. Some contacts report that interest is increasing seasonally, but others indicate they have not noticed any seasonal changes in interest yet. Some powder is available for spot interest.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.3900 - 1.5875 MOSTLY: 1.4200 - 1.5500  
 HIGH HEAT: 1.5200 - 1.6700

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices are unchanged to lower on a mixed market. Uncommitted cream spot loads are increasingly more available in the Central region as Class I milk use adjusts to school milk demand and farm milk butterfat components increase seasonally. Some manufacturers are choosing butter/dry buttermilk production for fourth quarter use rather than selling cream at current spot prices. Dry buttermilk sales activity is mostly contract based. Industry participants indicate that as with the lagging NDM demand, the anticipated surge in demand for fourth quarter dry buttermilk is slow to develop. Some dry buttermilk from the West is clearing into the Central region at competitive prices.

**EAST:** The dry buttermilk market in the East continues to be slow and on a downward trend with prices moving lower on the upper end of the range. Dry buttermilk production is increasing as cream availability expands and increases churning schedules. Condensed buttermilk sales are limited, which also adds to dry buttermilk production. Inventories are expanding as product movement is limited to primarily contracted loads. Spot market demand and activity are light.

F.O.B. CENTRAL/EAST: 1.2700 - 1.4600

**DRY BUTTERMILK - WEST**

More buying interest is noted for Western buttermilk powder and offerings are somewhat lighter. Some buyers indicate that they are now on a waiting list, whereas a few weeks ago they could make immediate purchases. Contacts indicate that the low prices of the past few weeks have allowed the market to become more balanced. Production remains heavy as churning is still the outlet for the majority of the cream out there. Buttermilk powder prices are mixed to slightly higher.

F.O.B. WEST: 1.2300 - 1.3100 MOSTLY: 1.2600 - 1.2800

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are unchanged to higher, based on contract and spot sales. Production at some plants is increasing seasonally, with the output slated for internal use. A few other plants are producing dry whole milk for their regular customers, making up for some lost production time during the last few weeks. Interest is steady.

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

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 23	\$1.5574	12,864,152	0
September 16	\$1.5581	11,947,642	0

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

**WHEY, WPC 34%, LACTOSE & CASEIN**

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

**DRY WHEY - CENTRAL**

Central edible dry whey prices are unchanged on a steady to firm market. Manufacturers indicate their offers to the spot market are limited to intermittent loads. Interest continues to be active for any spot loads, with buyers eager to be on waiting lists. Dry whey production this week is somewhat lower due to plant maintenance and/or equipment upgrades taking place. Milk is either being channeled to other facilities within the organization, or clearing to other processors in the region. One or two plants are starting the planning process for larger operational improvements, working toward gradually building and rotating inventory through the next few months to be able to meet contract commitments once construction starts. ANIMAL FEED DRY WHEY prices are unchanged to higher as prices adjust to variable indices. Interest is steady as some feed blenders found ample 34% dairy protein inputs within the off-specification markets, but still need dry whey supplies for blending.

F.O.B. CENTRAL: .5600 - .6200 MOSTLY: .5650 - .6100  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4400 - .5800

**DRY WHEY - NORTHEAST**

Dry whey prices moved higher on contract formulations. This is the seventh consecutive week that Northeastern prices have moved higher. Supplies are very tight and production, though steady, is barely able to keep up with contract commitments. Some re-sellers are having success moving loads above the market price range, but resale activity has slowed compared to recent weeks. The continued tight supply supports a firm market undertone.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6025 - .6175

**DRY WHEY - WEST**

The Western whey market continues to be generally firm, but some extra loads are just beginning to show up from producers. Some of these are going into export channels, but most are staying to cover domestic needs. Offerings are readily clearing the market as fall demand improves. Some comments are noted about prices being much higher than last year, but there are not really any alternatives at this time. Production is mixed, depending on the cheese production strategy of individual plants. Prices are mixed, but buyers are generally finding the market firm. There are indications that more competition is developing internationally for whey sales as prices from Europe become more competitive.

NONHYGROSCOPIC: .5500 - .6425 MOSTLY: .6100 - .6350

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are unchanged to lower. The market tone, which has been somewhat unsettled during the last few weeks, seems to be nearing the end of an adjustment period. Recent decreasing prices seem contradictory to manufacturers' reportedly tight WPC 34% supplies, but market participants indicate NDM

price trends led WPC 34% buyer price expectations for the last few weeks. Resellers indicate their WPC 34% sales faced some price related buyer resistance, too. Various manufacturers indicate the demand for WPC 34% through the balance of 2011 and into 2012 is strong both from established customers as well as other customers who have seen contract quantities decreased from their regular manufacturers/suppliers. These contract decreases are reportedly the results of production changes/shortfalls or manufacturers wanting to decrease contractual commitments and increase allocations to other outlets for their WPC 34%.

F.O.B. EXTRA GRADE 34% PROTEIN:1.4000 - 1.5500 MOSTLY:1.4600 - 1.5000

**LACTOSE - CENTRAL AND WEST**

The lactose market is unchanged on the mostly, poised for a reset in pricing next week when many fourth quarter contracts activate. Prices on finalized fourth quarter contracts reportedly include both fixed prices and variable prices that incorporate premiums over adjustable indices. Some end users are still looking for manufacturer-based supply commitments for the upcoming quarter, but finding sufficient quantities of uncommitted lactose remains a challenge. Some industry participants in the resale markets report they have concluded lactose contracting with their customers, but for lower quantities than in past quarters. Their buyers, particularly in Asia, are resistant to fourth quarter lactose prices and are choosing to limit contract-based lactose purchases during the upcoming quarter. Lactose availability on a spot basis from manufacturers remains limited. Lactose production is steady to lower as a few plants work through equipment upgrades and maintenance projects.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .4700 - .7450 MOSTLY: .5500 - .6700

**CASEIN - NATIONAL**

Casein markets and prices are mixed as the 3rd quarter comes to a close. Many buyers were anticipating prices to ease during the 4th quarter, but prices appear to be stabilizing, especially for those that are purchasing on a spot basis. Contractual domestic buyers are pleased at the stability of 4th quarter prices, especially when many contracted earlier in the year at prices more in line with current price ranges. Most suppliers indicate that stocks should be sufficient to fulfill commitments, but question spot availability. The overall production season in Europe has been good, although some Eastern European manufacturers are indicating that their season has not been as positive. In the Oceania region, the milk production season is in full swing and casein output is occurring. Casein manufacturers are hopeful that the casein production season will continue to develop positively.

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 SEPTEMBER 26 – 30, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/10	SAME PERIOD LAST YEAR	WEEK ENDING 09/23/11	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfat	-0-	-0-	-0-	-0-	132,276	-0-	-0-
<b>TOTAL</b>	-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 09/10/11 & Comparable Week 2010**

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.6	5.9	3.4	18.3	3.2	N.A.	N.A.	13.3	2.7	49.2	2,035.1	40.4	44.6
2010-Dairy	N.A.	0.5	7.1	3.7	17.7	4.1	0.3	N.A.	13.2	2.5	50.6	1,954.4	44.4	44.0
2011-All cows	0.1	0.7	7.2	13.2	35.0	26.7	N.A.	N.A.	17.8	3.8	121.8	4,559.5		
2010-All cows	N.A.	0.6	8.9	12.3	31.4	21.3	13.0	N.A.	17.0	6.4	113.9	4,442.5		

**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)**

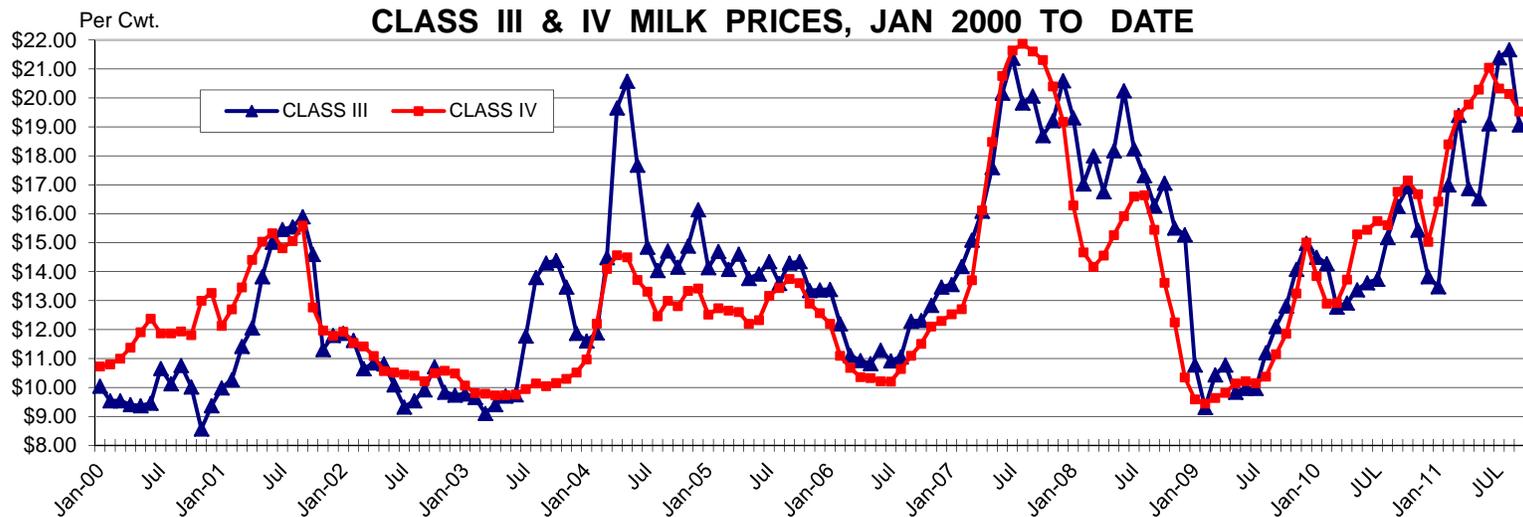
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	12.53	12.71	13.71	16.12	18.48	20.76	21.64	21.87	21.61	21.31	20.40	19.18
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	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	19.56		
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29	21.55	20.55			
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07			
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53			

1/ Specific order differentials to be added to this base price can be found by going to:

[www.ams.usda.gov/DairyMarketingStatistics](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points." \$ Revised



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 18—October 1, 2011

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** Milk production in Western Europe is maintaining a level that is higher than last year at this time. Many milk handlers and producers are attributing the extended production season to favorable weather conditions for early fall. Reports indicate that milk production for the first 7 months (January - July) of 2011 is running 2.2% heavier than the comparable months in 2010, although during the months of April - July, milk output is 1.8% ahead of the comparable months last year. For the first seven months of 2011, Ireland is the leading country in production with output 11% heavier followed by France which is 5.4% higher. Milk handlers are stating that these figures look very good, but then they realize that last July, temperatures were hot and moisture was limited. Milk volumes remain sufficient to maintain active production schedules for most products, but as milk volumes decline, the tilt will be towards cheese output. Cheese demand remains strong with traders and handlers indicating that this demand will continue into the winter months. Traders are indicating that sales have been active in recent weeks, but now have slowed. The summer holiday season is now over and consumer buying patterns have returned to typical fall levels. International sales are being reported, although not aggressive. European prices are mixed for international buyer needs. Butter, cream based products, and whole milk powder are often higher than international buyers are willing to pay, while skim milk powder, cheese, and whey powder are more in line with other international offerings. The EU Dairy Management committee met on September 22 with no significant activity being reported pertaining to dairy issues. Common refunds remain at zero and there were no offers for tender refunds. The six month open season for PSA closed on August 31 and during the open season over 104,700 MT of butter cleared to the program. Early clearances are already being removed from the storage program and about 84,000 MT of butter remain in the program. There are still some intervention skim milk powder stocks being held which will be distributed through the Most Deprived Persons Feeding Program in 2012. There are no intervention skim milk powder stocks available for sale.

**BUTTER/BUTTEROIL:** European butter prices remain firm, in comparison to other international prices. The market tone is mixed, but easing slightly. Churning is declining seasonally as milk volumes decrease. Firm European prices are limiting international sales, thus most all sales activity is centered around an internal or domestic market. The six month open season for PSA closed on August 31 and during the open season over 105,700 MT of butter cleared to the program. Early clearances are already being removed from the storage program and about 84,000 MT of butter remain.

82% BUTTERFAT: 5,375 - 5,750  
99% BUTTERFAT: 6,100 - 6,400

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are mixed in Europe. The overall market tone is steady, although prices have firmed slightly at the lower end of the reported range. Powder production in Europe is winding down seasonally as milk volumes decline. Stocks of powder are available for both an internal and international market. Sales have been active, but have slowed in recent days. European prices are competitive on the international market.

1.25% BUTTERFAT: 3,125 - 3,275

**WHOLE MILK POWDER (WMP):** European whole milk powder markets and prices are firm. Powder production is seasonally lower as milk volumes decline. In some instances and when possible, milk is being diverted away from whole milk production and clearing to other products, especially cheese. Traders and handlers are stating that whole milk powder sales are basically limited to a domestic market as international buyers look elsewhere where prices are often lower, but availability is questionable. Some international buyers are procuring from Europe due to availability.

26% BUTTERFAT: 3,900 - 4,150

**SWEET WHEY POWDER:** European when powder markets are firm with prices generally higher, although remaining competitive for an international market. Cheese production is seasonally strong and late season milk volumes are being directed to cheese output when possible. Positive cheese production at this time of the year is generating good volumes of whey for both domestic and international buyer interest. Traders and handlers are stating that international sales are occurring. Some whey volumes are being sold at higher values, especially if a customer is looking for specific manufacturers and quality standards.

NONHYGROSCOPIC: 1,125 - 1,300

**EASTERN OVERVIEW:** Milk production in Eastern Europe is declining seasonally with the season being extended a little further due to favorable early fall weather patterns. Milk producers and handlers are indicating that the current production season has been quite favorable, especially when compared to recent years. Milk volumes remain sufficient to maintain active manufacturing schedules at many plants, although operations are adjusting processing schedules due to lighter milk volumes. Stocks of product are available for domestic and international buyer needs. Both domestic and international sales have been occurring, but recently have slowed.

Exchange rates for selected foreign currencies: September 26, 2011

.9752 Canadian Dollar	.0203 Indian Rupee
.2383 Argentina Peso	.7799 New Zealand Dollar
.0738 Mexican Peso	.9833 Australian Dollar
.3064 Polish Zloty	.0131 Japanese Yen
	1.3532 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0738) = 13.5501 Mexican Pesos. Source: "Wall Street Journal"

Information gathered September 18—October 1, 2011

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## OCEANIA

**OVERVIEW:** Milk production in the Oceania region continues to seasonally increase. In New Zealand, the season got off to a strong start and indications are that milk volumes are running heavier than last year at this time. Milk producers and handlers are stating that the mid- August snowstorm that blanketed much of New Zealand had limited negative impact on the development or start of the new production season. In Australia, milk volumes are increasing on a steady basis and milk output is projected to peak by the later part of October. Milk handlers are stating that conditions are still quite wet in the Gippsland region and production is reflecting soggy conditions with preliminary August output down 8% when compared to August 2010. Elsewhere in Victoria, moisture conditions are drier and milk output is running heavier than a year ago. Tasmanian production is running 10% heavier while Western and Northern Victoria production is running 3 - 12% stronger than last year. Milk producers and handlers remain very optimistic about the current season. A positive 2010 - 2011 season and a projected current positive season is encouraging some producers to look at herd expansions, but for the most part, this is not occurring and farmers are paying down debt accumulated during recent negative production years. Herd expansion is not out of the picture, but for right now, animal replacements are limited. Producers and handlers are stating that it will take about two years before milk volumes would be noticeably higher if producers decide to expand. As the current milk production season develops, manufacturing schedules are ramping up, but all products are not readily available. A strong domestic market, coupled with ongoing international commitments, is keeping supplies in close balance with butterfat and cream based products reported to be snug. Most Oceania sales activity is centered around regular and ongoing customer needs. Some spot buyer interest is being reported, although many of these buyers are looking for bargains as prices ease, but minimal finalized sales are occurring. The September 20 g/DT session 52 results showed mixed average prices for all contracting periods and products. A fourth contracting period was added at this trading event. Contract #1, will be the month following the trading event; contract #2, two months following a trading event; contract #3, 3 - 5 months out; and contract #4, 6 - 8 months following a trading event. For this first event since the addition, no product was offered or traded for contract #1. For contract #2 (November 2011), prices and changes from the previous session are: anhydrous milk fat, \$3,737/MT, -13.1%; buttermilk powder, \$2,935 +1.4%; skim milk powder, \$3,173/MT, -5.6%; whole milk powder, \$3,289, +1.7%; milk protein concentrate \$6,920/MT +10.9%; rennet casein \$8,733/MT -7.4%; and cheese \$4,019/MT, +1.0%.

**BUTTER:** Oceania butter markets are mixed, although prices are lower. At the September 20 g/DT event, anhydrous milk fat declined 11.2% from the previous all contract average to \$3,846 per MT. The November contract declined 13.1% to \$3,737. These declines surprised many butter producers and handlers within the Oceania region as cream supplies are snug and finished butterfat based products are in close balance to tight. Outside of the g/DT event, commercial prices are easing, but not to the percentage extent of g/DT trading. Manufacturers and handlers are stating that new butter production, for the most part, is

just getting underway and current output is generally keeping pace with commitments with minimal spot availability being reported.

82% BUTTERFAT: 3,700 - 4,500

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are generally weaker with prices unchanged to lower. Commercial prices are trending lower, but not to the extent of the recent percentage declines recorded at the g/DT. Drying activity is increasing in both New Zealand and Australia as the 2011 - 2012 milk production season continues to expand. Manufacturers and handlers are quite pleased with the flow of milk clearing through driers as the milk flow increases. Most sales activity is centered around contractual commitments, although some manufacturers are indicating that there is some uncommitted stock available for additional buyer interest. At the September 20 g/DT event, skim milk powder averaged \$3,230 per MT which was 6.2% lower than the previous all contract average. Specific contract averages and their percentage change from the previous event are: Contract #1 (October) no activity; Contract #2 (November) \$3,173, -5.6%; Contract #3 (December - February) \$3,249, -7.8%; and Contract #4 (March - May) \$3,396, -2.6%.

1.25% BUTTERFAT: 3,175 - 3,600

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets are weak with prices slightly higher on the lower end of the reported range to generally lower. Drying schedules are seasonally active as the milk flow increases toward peak levels in both New Zealand and Australia. Whole milk powder stocks are basically sufficient to meet known contractual commitments, although occasionally tight for near term or immediate needs. Traders and handlers are reporting that there are some "Bargain Hunters" in the spot market looking for a good buy, but are finding few opportunities. At the September 2 g/DT event, the average price covering all contracting periods for whole milk powder increase by 1.1% to \$3,345 per MT. Near term contracts (November) increased 1.7% to an average of \$3,289 per MT; December - February contracts averaged \$3,342, +0.2%; and March - May contracts averaged \$3,508, +2.7%.

26% BUTTERFAT: 3,300 - 3,600

**CHEDDAR CHEESE:** Cheese markets in the Oceania region are weaker, although prices are mixed. Slight strength occurred at the low end of the reported range while overall, prices are lower. Cheese production is seasonally building as milk production develops. Manufacturers and handlers are stating that cheese output is increasing and cheese plant capacity is still available. Traders and handlers report that current production is keeping pace with contractual commitments. At the September 20 g/DT event, cheddar cheese averaged \$4,049 per MT, +0.6% for all contracts when compared to the previous all contract average. The nearest term contract (November) price averaged \$4,019 which was +1.0% higher than the previous November contract.

39% MAXIMUM MOISTURE: 4,025 - 4,550

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 18—October 1, 2011

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SEPTEMBER 20, 2011 Global/Dairy Trading (g/DT) event 52 recap US \$ per metric ton										
Average prices and Changes in price Indices from Previous event	Contract #1		Contract #2		Contract #3		Contract #4		All Contracts	
	October 2011		November 2011		December 2011 - February 2012		March - May 2012			
Anhydrous Milk Fat	N.A.	N.A.	\$3,737	-13.1%	\$3,868	-10.6%	\$4,527	-3.2%	\$3,846	-11.2%
Buttermilk Powder	N.A.	N.A.	\$2,935	+1.4%	\$3,115	-2.4%	N.A.	N.A.	\$2,985	+0.2%
Skim Milk Powder	N.A.	N.A.	\$3,173	-5.6%	\$3,249	-7.8%	\$3,396	-2.6%	\$3,230	-6.2%
Whole Milk Powder	N.A.	N.A.	\$3,289	+1.7%	\$3,342	+0.2%	\$3,508	+2.7%	\$3,345	+1.1%
Milk Protein Concentrate	N.A.	N.A.	\$6,920	+10.9%	\$6,430	+2.2%	N.A.	N.A.	\$6,692	+6.7%
Rennet Casein	N.A.	N.A.	\$8,733	-7.4%	\$8,910	-7.9%	N.A.	N.A.	\$8,828	-7.6%
Cheese	N.A.	N.A.	\$4,019	+1.0%	\$4,082	+0.1%	N.A.	N.A.	\$4,049	+0.6%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	09/15	09/16	09/19	09/20	09/21	09/22	09/23	09/26	09/27	09/28
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
SEP 11	18.93 (6240) 0	18.94 (6216) 0	18.93 (6158) 0	18.93 (6199) 0	18.93 (6185) 0	18.93 (6188) 0	19.00 (6204) 0	19.01 (6196) 0	19.00 (6170) 0	19.00 (6168) 0
OCT 11	18.51 (5472) 0	18.52 (5507) 0	17.77 (5628) 0	17.40 (5660) 1	17.77 (5547) 0	17.90 (5563) 0	17.99 (5577) 0	17.65 (5568) 0	17.38 (5564) 0	17.21 (5496) 0
NOV 11	18.37 (4664) 5	18.47 (4710) 0	17.72 (4814) 0	17.51 (4917) 5	18.01 (4901) 0	17.90 (4972) 0	17.77 (4970) 0	17.36 (5020) 2	17.01 (5045) 1	16.64 (5151) 2
DEC 11	17.86 (4266) 5	17.96 (4299) 0	17.43 (4353) 0	17.39 (4352) 1	17.66 (4384) 0	17.59 (4487) 0	17.42 (4492) 0	17.07 (4584) 2	16.81 (4732) 4	16.59 (4721) 4
JAN 12	17.35 (1753) 7	17.43 (1802) 0	17.01 (1909) 0	16.98 (1922) 20	17.10 (1929) 5	17.10 (2000) 1	16.97 (2022) 5	16.80 (2075) 3	16.62 (2160) 7	16.54 (2173) 27
FEB 12	16.93 (1532) 7	16.97 (1591) 0	16.71 (1644) 0	16.70 (1660) 20	16.78 (1666) 5	16.75 (1691) 1	16.74 (1720) 5	16.69 (1767) 3	16.60 (1809) 7	16.50 (1811) 27
MAR 12	16.91 (1454) 7	16.91 (1486) 0	16.71 (1522) 0	16.68 (1532) 20	16.84 (1522) 5	16.70 (1585) 1	16.68 (1612) 5	16.68 (1676) 3	16.59 (1712) 7	16.51 (1722) 27
APR 12	16.84 (1174) 7	16.85 (1204) 0	16.69 (1236) 0	16.61 (1241) 20	16.64 (1260) 5	16.50 (1287) 1	16.42 (1306) 5	16.38 (1340) 3	16.31 (1374) 7	16.35 (1382) 28
MAY 12	16.85 (1104) 7	16.84 (1126) 0	16.67 (1162) 0	16.60 (1172) 20	16.68 (1193) 0	16.50 (1226) 1	16.49 (1242) 5	16.46 (1266) 3	16.38 (1299) 4	16.46 (1330) 32
JUN 12	17.08 (1103) 2	17.08 (1123) 0	16.93 (1140) 0	16.85 (1149) 20	16.88 (1164) 0	16.72 (1193) 1	16.70 (1207) 5	16.70 (1240) 3	16.64 (1278) 7	16.71 (1315) 29
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
SEP 11	19.35 (708) 0	19.65 (708) 0	19.65 (708) 0	19.65 (708) 0	19.65 (708) 0	19.65 (708) 0	19.65 (708) 0	19.65 (707) 0	19.65 (707) 0	19.65 (707) 0
OCT 11	18.60 (609) 0	18.75 (609) 0	18.50 (609) 0	18.40 (609) 0	18.39 (610) 0	18.39 (610) 0	18.39 (610) 0	18.35 (610) 0	18.25 (610) 0	18.25 (610) 0
NOV 11	18.05 (477) 0	18.05 (477) 0	18.00 (477) 0	18.00 (477) 0	18.00 (477) 0	18.00 (477) 0	18.00 (477) 0	18.00 (477) 0	17.50 (494) 0	17.50 (497) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
SEP 11	200.50 (827) 0	199.50 (827) 5	199.50 (827) 0	199.00 (825) 4	199.00 (825) 0	199.00 (825) 0	199.00 (825) 0	199.00 (825) 0	199.00 (825) 0	199.00 (825) 0
OCT 11	190.00 (718) 5	187.75 (719) 43	185.00 (720) 15	180.00 (727) 14	180.00 (725) 17	178.00 (725) 8	178.00 (726) 9	178.00 (736) 13	176.00 (735) 2	177.00 (735) 8
NOV 11	184.50 (762) 0	184.50 (762) 0	183.50 (798) 49	179.00 (806) 20	179.00 (802) 12	178.00 (798) 4	178.00 (798) 0	176.25 (798) 3	175.00 (798) 5	175.00 (798) 0
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
SEP 11	151.00 (328) 0	152.03 (328) 0	152.25 (328) 0	152.25 (328) 0	153.00 (328) 0	153.00 (328) 0	153.00 (328) 0	153.00 (328) 0	153.00 (328) 0	153.00 (328) 0
OCT 11	147.25 (284) 0	147.25 (284) 0	147.50 (284) 0	147.50 (284) 0	149.00 (284) 0	150.50 (284) 0	150.50 (287) 0	150.00 (297) 0	149.00 (307) 0	148.00 (318) 0
NOV 11	143.00 (194) 0	143.00 (194) 0	143.00 (194) 0	142.00 (194) 0	143.50 (194) 0	145.00 (194) 0	146.50 (194) 0	145.10 (201) 0	143.73 (201) 0	143.98 (202) 0
<b>CME - WHEY (Electronic-Traded)</b>										
SEP 11	58.90 (247) 0	58.75 (247) 22	58.75 (247) 1	58.73 (247) 1	58.75 (247) 1	59.00 (248) 1	59.00 (249) 17	59.00 (248) 0	59.00 (248) 0	59.00 (248) 0
OCT 11	59.88 (274) 27	59.25 (279) 6	58.70 (285) 10	58.48 (326) 50	59.00 (325) 2	59.75 (328) 5	59.10 (332) 15	59.00 (343) 11	59.00 (349) 11	58.50 (350) 1
NOV 11	59.00 (294) 17	59.00 (294) 0	58.00 (300) 11	56.50 (322) 25	58.00 (321) 2	57.00 (322) 1	56.48 (323) 1	57.00 (328) 6	55.88 (359) 38	54.68 (367) 9
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
SEP 11	1.85 (353) 0	1.85 (354) 1	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0	1.85 (354) 0
OCT 11	1.81 (469) 0	1.81 (475) 22	1.75 (498) 40	1.70 (520) 55	1.73 (520) 0	1.75 (520) 0	1.76 (524) 6	1.73 (541) 18	1.70 (557) 19	1.69 (557) 2
NOV 11	1.80 (430) 0	1.80 (430) 0	1.75 (463) 35	1.74 (532) 83	1.77 (532) 0	1.77 (532) 0	1.76 (533) 2	1.72 (589) 70	1.69 (732) 153	1.65 (762) 30
DEC 11	1.76 (499) 12	1.78 (516) 19	1.74 (632) 124	1.73 (651) 19	1.75 (651) 0	1.73 (653) 2	1.73 (653) 0	1.71 (742) 92	1.69 (864) 130	1.67 (886) 23
JAN 12	1.75 (243) 3	1.75 (243) 0	1.74 (252) 9	1.72 (255) 7	1.72 (255) 0	1.74 (262) 7	1.72 (267) 6	1.71 (272) 6	1.69 (303) 31	1.69 (341) 39
FEB 12	1.71 (241) 14	1.72 (247) 8	1.69 (249) 8	1.69 (250) 1	1.69 (250) 0	1.72 (258) 8	1.70 (261) 3	1.69 (265) 4	1.69 (269) 5	1.69 (275) 6

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

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,  
OCTOBER 2011, WITH COMPARISONS <sup>1/</sup>**

For October 2011, the all-city average announced cooperative Class I price was \$24.69 per cwt., \$2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The October 2011 cooperative Class I price was \$2.29 lower than the September 2011 price. The October 2011 Federal order Class I price was \$2.22 lower than the September 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.52 in Phoenix, AZ, to \$4.21 in Miami, FL. For October 2010, the all-city average announced cooperative Class I price was \$21.67, \$2.45 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	OCTOBER 2011		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
Dollars per hundredweight, 3.5% butterfat			
Atlanta, GA	26.65	23.36	3.29
Baltimore, MD	24.23	22.56	1.67
Boston, MA	24.41	22.81	1.60
Charlotte, NC	26.33	22.96	3.37
Chicago, IL	25.02	21.36	3.66
Cincinnati, OH	24.91	21.76	3.15
Cleveland, OH	24.71	21.56	3.15
Dallas, TX	23.31	22.56	0.75
Denver, CO	23.53	22.11	1.42
Des Moines, IA	24.10	21.36	2.74
Detroit, MI	24.48	21.36	3.12
Hartford, CT	24.31	22.71	1.60
Houston, TX	24.56	23.16	1.40
Indianapolis, IN	24.71	21.56	3.15
Kansas City, MO	23.79	21.56	2.23
Louisville, KY	25.03	21.86	3.17
Memphis, TN	25.63	22.46	3.17
Miami, FL	29.77	25.56	4.21
Milwaukee, WI	24.97	21.31	3.66
Minneapolis, MN	23.68	21.26	2.42
New Orleans, LA	25.53	23.36	2.17
Oklahoma City, OK	24.30	22.16	2.14
Omaha, NE	23.85	21.41	2.44
Philadelphia, PA	25.76	22.61	3.15
Phoenix, AZ	22.43	21.91	0.52
Pittsburgh, PA	25.41	21.66	3.75
St. Louis, MO	24.19	21.56	2.63
Seattle, WA	22.24	21.46	0.78
Springfield, MO	24.60	21.96	2.64
Washington, DC	24.23	22.56	1.67
Wichita, KS	23.70	21.76	1.94
Simple Average	24.69	22.20	2.49

<sup>1/</sup> 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.

## FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, SEPTEMBER

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for September 2011 is \$2.2005 per pound. Thus, the Class II butterfat price is \$2.2075. The protein and other solids prices for September are \$3.0282 and \$0.4053 per pound, respectively. These component prices set the Class III skim milk price at \$11.78 per cwt. The September Class IV skim milk price is \$12.26 which is derived from the nonfat solids price of \$1.3623 per pound. **Product Price Averages:** The product price averages for September are: butter \$1.9886, nonfat dry milk \$1.5439, cheese \$1.8592, and dry whey \$0.5926.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <sup>1/ 2/</sup>						
FEDERAL MILK ORDER MARKETING AREAS <sup>3/</sup>	ORDER NUMBER	SEPTEMBER 2011				OCTOBER 2011
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <sup>4/</sup>	001	25.03	20.55	19.07	19.53	22.81
Appalachian (Charlotte) <sup>5/ 6/</sup>	005	25.18	20.55	19.07	19.53	22.96
Southeast (Atlanta) <sup>6/ 7/</sup>	007	25.58	20.55	19.07	19.53	23.36
Florida (Tampa) <sup>6/ 8/</sup>	006	27.18	20.55	19.07	19.53	24.96
Midwest (Cleveland) <sup>9/</sup>	033	23.78	20.55	19.07	19.53	21.56
Upper Midwest (Chicago) <sup>10/</sup>	030	23.58	20.55	19.07	19.53	21.36
Central (Kansas City) <sup>11/</sup>	032	23.78	20.55	19.07	19.53	21.56
Southwest (Dallas) <sup>12/</sup>	126	24.78	20.55	19.07	19.53	22.56
Arizona (Phoenix)	131	24.13	20.55	19.07	19.53	21.91
Pacific Northwest (Seattle) <sup>13/</sup>	124	23.68	20.55	19.07	19.53	21.46
All-Market Average	---	24.67	20.55	19.07	19.53	22.45

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

<sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

<sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the market.

<sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

<sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.

<sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.

<sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.

<sup>8/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.

<sup>9/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

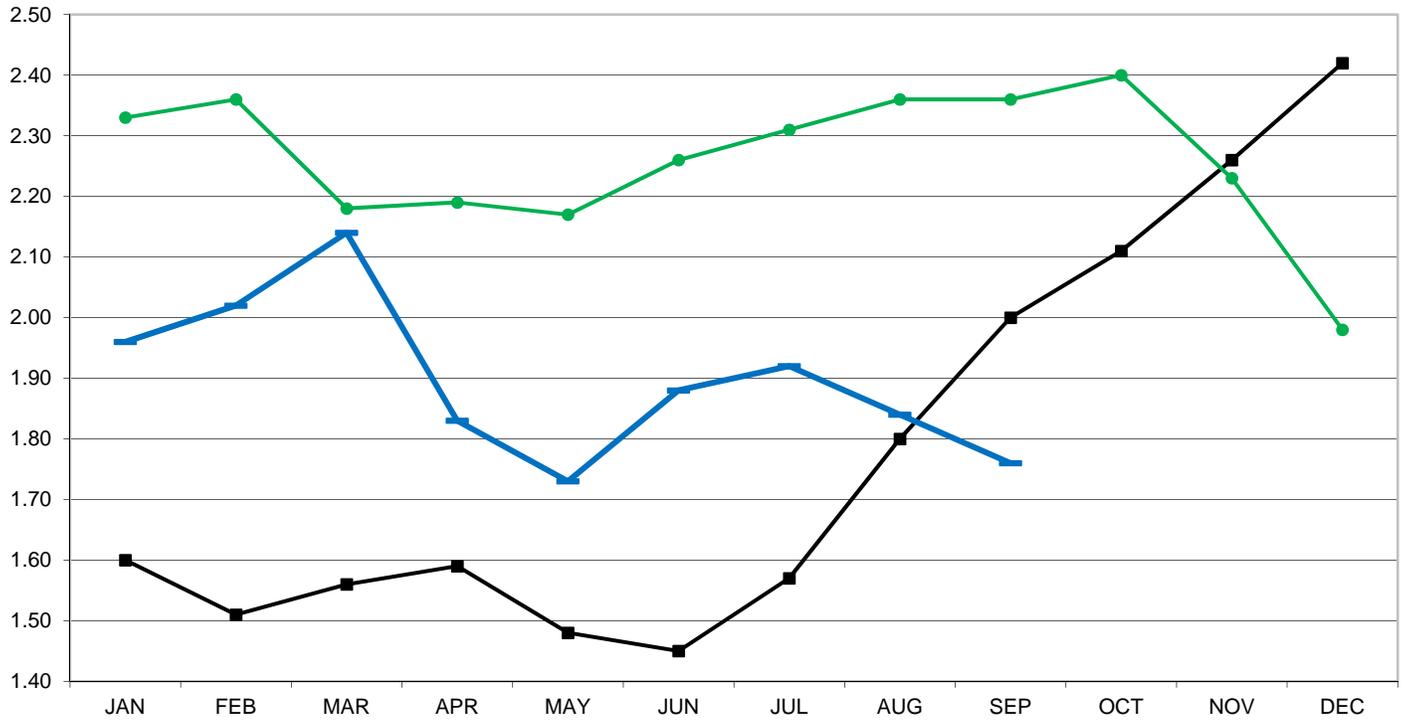
<sup>10/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

<sup>11/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

<sup>12/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

<sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

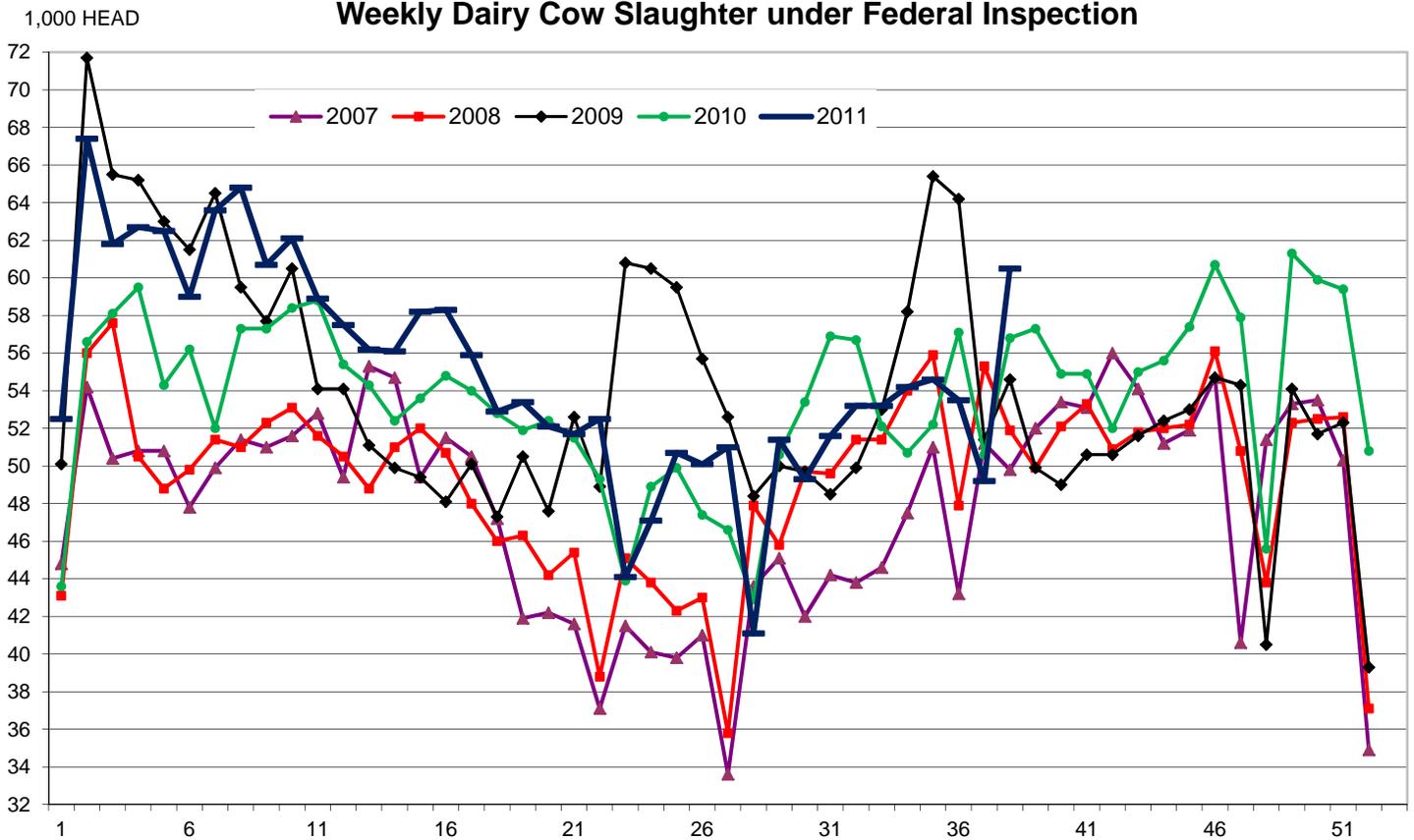
### Milk Feed Price Ratio



SOURCE: NASS DATA, GRAPH BY DMN

■ 2009      ● 2010      ■ 2011

### Weekly Dairy Cow Slaughter under Federal Inspection



Source: LIVESTOCK MN/NASS, Graph DMN

Week Number

DATA THROUGH 09/17/2011

# DAIRY MARKET NEWS

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