

## NATIONAL DAIRY MARKET NEWS AT A GLANCE

## CME GROUP CASH MARKETS (11/18):

**BUTTER:** Grade AA closed at \$1.6475. The weekly average for Grade AA is \$1.7010 (-.0835).

**CHEESE:** Barrels closed at \$1.8700 and 40# blocks at \$1.8325. The weekly average for barrels is \$1.9940 (+.0540) and blocks, \$1.9555 (+.0510).

**BUTTER HIGHLIGHTS:** The cash butter price at the CME continues to decline and closed the week at \$1.6475, 9 1/4 cents lower than a week ago. The current cash price is the lowest since mid December 2010. Churning schedules across the country remain seasonally active. Cream supplies are available to local churns, but butter producers are often selective with their cream purchases. Cream prices and pricing multiples are trending lower. Many butter producers are anticipating that by early next week, cream offerings will start building as Class II operations reduce production schedules or shutter operations for the Thanksgiving holiday weekend. Cream pricing will often be a determining factor for many butter producers as to how heavy they churn during the holiday period. Overall butter demand this past week was quite active as final Thanksgiving orders were placed and delivered. Suppliers anticipate that some last minute/fill-in orders will occur next week, but for the most part, the 2011 butter Thanksgiving season is over. Retail feature activity is being reported from coast to coast. Store and Nationally branded butter feature ads are occurring and clearing good butter volumes.

**CHEESE HIGHLIGHTS:** The CME Group cash cheese market continued to increase early in the week to reach and/or break the \$2.00 per pound mark. However, prices started to decline on Wednesday and continued to fall to finish the week at \$1.8325 for blocks and \$1.8700 for barrels. The shift from strictly bids to sellers offering product on the CME Group quickly snuffed out the rally. Cutters and processors remains busy with some overtime needed, even on process at a few locations. However, new orders were generally lighter. Packagers and processors will operate on a holiday abbreviated schedule next week, reducing bulk cheese requirements. Strong milk demand from bottlers this week, for some operations their largest volume week of the year, reduced the manufacturing milk supply. On November 10, the Kansas City Commodity office announced the purchase of 74,792,500 pounds of natural American cheese for delivery January – December 2012, equal to the volume sought in the Solicitation.

**FLUID MILK:** Milk production in the Southwest and California is steady to slightly higher. The Pacific Northwest, Utah and Idaho are near their seasonal production low points. Production is steady in the Central region and increasing in the East with the increases building from South to North along the seasonal trend. Class I use was much heavier this week with many bottlers at their largest production schedules for the year. Most balancing plants have concluded maintenance projects and are trying to make ready all available silos in preparation for the expected heavy milk supplies over the upcoming holiday week.

**DRY PRODUCTS:** Nonfat dry milk prices are mixed with low heat trending lower, while high heat moved marginally higher in the Central and Eastern regions. Production levels trend steady to slightly lower in the Central and Eastern regions with Western production steady to slightly higher. Dry buttermilk markets have firmed with prices moving higher in all regions. Production has increased as butter churning is active ahead of holiday needs. Dry whole milk prices have increased due to intermittent availability. Dry whey prices continued their upward trend as contract price indices reflect tightening supplies. The market is tight for spot market volumes with the bulk of the activity taking place on the resale market. Dry 34% whey protein concentrate prices are mixed. Interest is steady from various sectors of the edible market, especially for those end users with limited opportunities to adjust formulas. Lactose prices are steady with steady demand.

**ORGANIC DAIRY MARKET NEWS OVERVIEW(DMN):** The "magic number" this period is "3-9-9". That reflects the advertised \$3.99 price for each of three advertised organic dairy products, egg nog, butter and cheese. Reflecting the time of year, organic egg nog ads dominated organic ads this period, appearing for the first time since the last week of 2010. All 397 ads ran in the Northeast, stating a price of \$3.99 for 32 ounce containers and were a national brand. The last time ads ran, prices ranged from \$2.99 to \$4.79, with a weighted average advertised price of \$3.14. Organic dairy advertising volume is at the lowest level of this year or last. This period's organic ads are 26.2% of the annual average for each period of 2011, representing 8.3% of stores advertising organic dairy products. On an advertised product basis, there were zero ads for any sized container of organic milk in any region, the first time this has occurred since Fall 2009 when this data series began. Never has one region so overwhelmingly dominated organic dairy newspaper advertising as this period when newspapers in the Northeast contained 80.6% of surveyed organic dairy ads nationwide. Organic egg nog ads comprise 41.7% of ads. Organic yogurt, typically either number one or two, is second with 23.8%. Organic butter and cream cheese each tie with 14.2%, followed by organic cheese at 6.0%. 1 pound organic butter ads ran in 135 supermarket ads of stores in the South Central Region. All ads were for a national brand offered at \$3.99. Overall organic butter advertising for 2011 to date is 47.1% above the level for the same period of 2010. With the most expensive non-organic butter advertised in the same surveyed stores reaching a price of \$3.79, and the weighted average advertised price for all non-organic butter of \$2.75, the price range between organic and non-organic butter is believed to be a factor driving organic butter.

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## CME GROUP CASH TRADING

COMMODITY	MONDAY NOV 14	TUESDAY NOV 15	WEDNESDAY NOV 16	THURSDAY NOV 17	FRIDAY NOV 18	:: ::	WEEKLY CHANGE*	:: ::	WEEKLY AVERAGE#
<b>CHEESE</b>									
BARRELS	\$2.0075 (+.0275)	\$2.0500 (+.0425)	\$2.0475 (-.0025)	\$1.9950 (-.0525)	\$1.8700 (-.1250)	:: ::	(-.1100)	:: ::	\$1.9940 (+.0540)
40# BLOCKS	\$1.9600 (+.0100)	\$2.0000 (+.0400)	\$2.0000 (N.C.)	\$1.9850 (-.0150)	\$1.8325 (-.1525)	:: ::	(-.1175)	:: ::	\$1.9555 (+.0510)
<b>NONFAT DRY MILK</b>									
EXTRA GRADE	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	:: ::	(N.C.)	:: ::	\$1.4800 (-.0600)
GRADE A	\$1.4375 (+.0025)	\$1.4400 (+.0025)	\$1.4400 (N.C.)	\$1.4450 (+.0050)	\$1.4500 (+.0050)	:: ::	(+.0150)	:: ::	\$1.4425 (+.0100)
<b>BUTTER</b>									
GRADE AA	\$1.7400 (N.C.)	\$1.7400 (N.C.)	\$1.7100 (-.0300)	\$1.6675 (-.0425)	\$1.6475 (-.0200)	:: ::	(-.0925)	:: ::	\$1.7010 (-.0835)

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**

**INTERNATIONAL UPDATE (DMN):** At the November 15 g/DT session #56, the all contract price average indicated strength for all traded products with the expectation of casein which was down 9.7%. Contract #1 (December) had activity only in U.S. sourced skim milk powder which averaged \$3,165, down 0.6% from the previous session. Contract #2 (January 2012) prices and changes from the previous session were recorded at: anhydrous milk fat, \$3,557/MT, +11.3%; buttermilk powder, \$2,980, +4.4%;, skim milk powder, \$3,268, +1.1%; whole milk powder, \$3,574, +1.6%; milk protein concentrate \$6,290/MT -13.2%; rennet casein \$8,611/MT -9.1%; and cheddar \$3,514/MT, +8.8%.

**FMMO MARKETING AND UTILIZATION SUMMARY (FMMO):** Handler reports of receipts and utilization under the Federal milk order system for have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During October, more than 10.8 billion pounds of milk were received from producers. This volume of milk is 3.0% higher than the October 2010 volume. In October 2010 and October 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.7 billion pounds of producer milk were used in Class I products, 0.9% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 35%, Class II = 11%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$19.24 per cwt., \$2.04 lower than last month and \$1.24 higher than last year.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for December 2011 is \$18.47, up 2 cents from November. This price is derived from the advanced Class IV skim milk pricing factor of \$11.68 and the advanced butterfat pricing factor of \$2.091 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for December is \$12.38 and the Class II nonfat solids price is \$1.3756 per pound. The following are the two-week product price averages: butter \$1.8388, nonfat dry milk \$1.4783, cheese \$1.7788, and dry whey \$0.6342.

CME GROUP

MONDAY, NOVEMBER 14, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.9500, 1 @ \$1.9350; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0075; 1 CAR 40# BLOCKS @ \$1.9600; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.0000  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4375; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.7500

TUESDAY, NOVEMBER 15, 2011

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.9700, 1 @ \$2.0000; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0500; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4400; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7400

WEDNESDAY, NOVEMBER 16, 2011

CHEESE -- SALES: 2 CARS BARRELS @ \$2.0500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.0475; 1 CAR 40# BLOCKS @ \$2.0000  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4400; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.7200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7100

THURSDAY, NOVEMBER 17, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.9950; 2 CARS 40# BLOCKS @ \$1.9850  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4450; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6675

FRIDAY, NOVEMBER 18, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8700; 1 CAR 40# BLOCKS @ \$1.8325  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4500; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.6475

BUTTER MARKETS

NORTHEAST

The CME Group butter price remained unchanged Tuesday and closed at \$1.7400. Prior to the last two trading sessions of unchanged prices, the butter price declined in 8 consecutive trading sessions and dropped 14 cents to its present level. Butter production remains very active with most major retail butter makers producing at near capacity levels. Butter promotions and features are plentiful among most grocery store chains in the Northeast with retail 1 pound butter prices ranging from \$2.50-\$3.79. Butter supplies continue to be reworked in order to fill current orders. Butter makers are trying to limit inventories ahead of expected butter price declines. In 2010, during the two weeks covering the week of and after Thanksgiving, the CME weekly average butter price declined \$0.3905 to \$1.5575. Current bulk butter prices range from 2-4 cents over the market, based on the CME Group with various time frames and averages used.

CENTRAL

The CME Group cash butter price continues to steadily decline to settle at \$1.7100 at midweek. The current cash price has declined 8 cents during the past five trading days and is the lowest cash price since January 4, 2011, with the lowest cash price in 2011 recorded the previous day at \$1.6900. Butter producers and handlers are unsure where the current weak trend will settle out, but many feel that weakness prevails. Churning schedules remain active. Cream offerings are available to butter operations, although butter producers are becoming more cautious with their purchases as the cash butter price continues to erode. Butter producers that generated inventories when the cash price was above \$2.00 are now questioning what to do with remaining higher priced stocks as the cash price continues to decline. In instances, butter producers and handlers were rotating higher valued inventories with lower priced new production as the cash price declined, thus some butter handlers are in better shape than others. Overall butter demand has slowed, although orders continue to be placed. A significant portion of 4th quarter and yearend butter needs have been previously placed and on the order books, thus producers and handlers are juggling inventoried stocks with current production to maintain delivery schedules. Butter feature activity continues to be reported at the retail level. Promotions at \$1.79 per pound with store coupon are being reported. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

As butter prices approach lows for the year, orders are brisk for print accounts and increased demand for bulk butter. Buyers that had waited to place fall orders are calling manufacturers with new orders. Butter producers are still keeping a careful

eye on production to balance needs with inventory. Some churns are taking opportunities to market cream directly to Class II users rather than build supplies above orders. Although Thanksgiving orders are out the door, buyers are looking to acquire print needs for the next holiday season. Prices for bulk butter range from even to \$.0650 cents under the market, based on the CME with various time frames and averages used. Butter trading on the CME Group for Wednesday closed \$.0300 lower at \$1.7100. The last time that butter traded near this level was January 4, 2011 with butter at \$1.7000. Sales of butter on the exchange are very light with one sale this week. According to the Foreign Agricultural Service, exports of butter and milkfat for January-September 2011 total 117.9 million pounds, up 23%, or 22.4 million pounds, from January-September 2010. Saudi Arabia is the largest importer with a 33% increase (+5.3 million pounds) above last year's amount. The exports account for 8.8% of butter production in the U.S. for January-September 2011. According to the FAS, quota imports of butter for January-October 2011 total 6.5 million pounds, 17.4% more than the same period in 2010. Imports for 2011 account for 42.3% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 0.7 million pounds, 172.4% above last year's amount in the same time period.

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

	2011 Exports Monthly Exports	% Change From 1 Year Ago
September	6.0	- 38
Jan.- Aug (Million Lb.)		1 Year Ago
World	117.9	+ 23
Saudi Arabia	21.4	+ 33
Mexico	12.7	+ 4
Canada	10.8	+ 59
Japan	10.8	+2,886
Morocco	7.9	+ 18

U.S. Butter Imports (USDA-FAS)

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Oct. Quota Imports	1.10	+ 59.6	7.1
Jan. - Oct			
High Tier	.69	+172.4	N.A.
Quota Imports	6.51	+ 17.4	42.3

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
November 12	1.7646 11,925,918	1.8209 8,642,487	1.4860 15,864,681	1.8382 3,803,541	0.6360 7,246,022

## CHEESE MARKETS

## NORTHEAST

CME Group cheese prices rose significantly Tuesday with barrels increasing \$0.0425 to close at \$2.0500 and blocks advancing \$0.0400 to close at \$2.0000. In the last three trading sessions barrels have increased \$0.1200, while blocks have increased \$0.1025. Holiday cheese buying continues at an active pace supported by numerous retail cheese promotions and features. The USDA announced Thursday the awarding of contracts to purchase up to 75 million pounds of natural cheese, including blocks, barrels, cuts and shredded varieties, for delivery in 2012. Cheese production has declined, as low seasonal milk production combined with strong preholiday Class I pulls, limits milk supplies to cheese makers.

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

Cheddar 40# Block	:	2.2200-2.4950
Process 5# Sliced	:	2.0500-2.1700
Muenster	:	2.2400-2.5675
Grade A Swiss Cuts 10 - 14#	:	3.6375-3.9600

## MIDWEST

The cheese market is firm for the interim, but already showing signs of weakness before yearend. New orders are mostly lighter as buyers back off at current higher price levels. Barrels are in the tightest position during a lower milk production month as well as one of the best fluid sales months. Supplies are at least adequate for current cheddar and most other non-specialty varieties. Mozzarella is about in balance though the higher prices are starting to impact orders. Aged cheddar interest is spotty but generally improved. Most packaging and processors will be operating on a reduced holiday schedule next week so some operations have been using overtime in recent weeks to build finished product inventory, including this week. Bulk cheese needs will be lower next week as a result. Also, Thanksgiving week has been traditionally a difficult week to get truckers for long distance deliveries. On November 10, the Kansas City Commodity office announced the purchase of 74,792,500 pounds of natural American cheese for delivery January - December 2012, equal the volume sought in the Solicitation. Milk intakes seem little changes from week to week with cheese yields around annual peak levels.

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

Process American 5# Loaf	:	2.3000-2.4900
Brick And/Or Muenster 5#	:	2.4125-2.4800
Cheddar 40# Block	:	2.2700-2.8650
Monterey Jack 10#	:	2.3750-2.8650
Blue 5#	:	2.6675-3.1500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2475-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0450-3.3300

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

	BUTTER	:	CHEESE
11/14/11	4,706	:	128,387
11/01/11	6,091	:	128,362
CHANGE	-1,385	:	25
% CHANGE	-23	:	N.C.

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## WEST

Cheese production in the West is mostly steady, with some increases as prices firm. Sales are geared to contract orders. Spot sales have slowed as buyers are adopting a wait and see attitude for future needs. Export inquiries are also affected adversely by the price increase. Milk intakes for cheese plants are near seasonal lows in the West, although yields are reported good. Stocks are adequate and in balance for current needs. Wednesday's close at the CME Group had barrel cheese down \$.0025 at \$2.0475. Block cheese was unchanged at \$2.000. Barrels have increased \$.2800 cents in the last two and one half weeks. Blocks continued to be upside down to barrels with barrel sales very light. Lack of sellers has increased the barrel price while blocks followed the barrel lead. Barrels traded two loads on Wednesday for the only loads reported since the first of November. Blocks were also lightly traded with four loads sold thus far this week. According to FAS, exports of cheese and curd for January-September 2011 total 368.1 million pounds, up 32% (+131.9 million pounds) from January-September 2010. The exports account for 4.7% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 76.3 million pounds or 21.4% of U.S. cheese exports. According to FAS, quota imports of cheese for January-October 2011 total 132.3 million pounds, up 1.5% from a year ago. The imports stand at 44.3% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 21.0 million pounds, compared to 19.4 million pounds imported for January-October of 2010. Imports of quota Swiss cheese for January-October 2011 total 37.0 million pounds, up 5.0% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 23.1 million pounds or 62.6% of the year's total import of Swiss.

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

Process 5# Loaf	:	2.0650-2.3225
Cheddar 40# Block	:	2.0325-2.3850
Cheddar 10# Cuts	:	2.2125-2.4325
Monterey Jack 10#	:	2.2225-2.3825
Grade A Swiss Cuts 6 - 9#	:	3.2150-3.6450

## FOREIGN

Weekly average block cheese prices on the CME Group advanced domestic wholesale prices by \$0.0925. Prices for Swiss cuts were unchanged. Most holiday cheese orders continue to be active, supporting domestic wholesale cheese prices. Domestic wholesale Swiss orders have become sluggish in the face of lower priced Swiss imports. According to FAS, imports of high tier and quota Italian-type cheese from January through October this year totaled 23.5 million pounds, down 6.6% for the same period last year. Imports of quota Italian-type cheese January through October totaled 10.4 million pounds, 32.4% below the same period last year and 34.9% of the annual quota. Imports of high tier Italian-type cheese January through September totaled 13.1 million pounds, up 11.9% from the same period in 2009. Quota imports of Swiss/Emmentaler varieties from January through October 2011 totaled 37.0 million pounds, 4.9% more than the same period last year. Norway and Finland, the two top sources, account for 62.6% of Swiss/Emmentaler imports January through October 2011.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.3600-3.8475*
Gorgonzola	: 3.6900-6.3900	: 2.8625-3.1225*
Parmesan (Italy)	: -0-	: 3.4825-4.0375*
Provolone (Italy)	: 3.4400-6.3900	: 2.4025-2.5600*
Romano (Cows Milk)	: -0-	: 3.5500-5.6925*
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-	: 3.7300-4.0525
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

## CHEESE MARKETS

## U.S. Cheese Imports (USDA-FAS)

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Oct. Quota Imports	17.2	+ 7.0	5.8
Jan. - Oct. High Tier	21.0	+ 7.7	N.A.
Quota Imports	132.3	+ 1.5	44.3

## U.S. Cheese and Curd Exports, (USDA-FAS)

	2011 Exports (Million Lb.)	% Change From
	Monthly Exports	1 Year Ago
September	34.3	+ 22
Cumulative World	Jan.- Sep 368.1	1 Year Ago + 32
Mexico	76.3	- 6
South Korea	62.9	+ 114
Japan	36.5	+ 58
Canada	17.1	- 5
Saudi Arabia	16.1	+ 35

## 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	88	0	81	0	0	110
SOUTHEAST STATES	0	0	0	0	10	0

Milk production in the Mid-Atlantic and Northeast regions is marginally increasing as some producers are adding cattle to their herds. Manufacturing supplies continue to be limited in both regions as Class I pulls ahead of the Thanksgiving holiday are very strong. Weather in the Northeast has allowed producers to increase field work activities. Corn and soybean harvests in Pennsylvania are now only 10 percentage points behind last year's harvest, compared to 30 points two weeks ago. Milk production in Florida and the Southeast region is steadily increasing. Class I demand is strong ahead of the holiday. Milk supplies are in balance in the Southeast with no auxiliary manufacturing needed. Florida imported 88 spot loads of milk this week. Cream demand has increased as numerous manufacturers have increased production to expand inventories prior to the holiday week. Cream multiples have reflected the increase in demand and range from 130-138. Some ice cream manufacturers will be shut down a couple of extra days next week, but some cream cheese manufacturers will continue production throughout the week, including Thanksgiving Day. Condensed skim demand has increased as numerous retail features and promotions of Class II and III products have prompted sales, orders and production. Most balancing plants have concluded maintenance projects and are trying to make ready all available silos in preparation for the expected heavy milk supplies over the holiday week.

## 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 -	2.3199-2.4626
F.O.B. producing plants: Upper Midwest -	2.1949-2.3373

## PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.58 - 1.63
Northeast - Class III - spot prices -	1.44 - 1.49

## MIDWEST

Class I use was much heavier this week and may be the biggest production week of the year for some bottlers. At least a few bottlers project stronger fluid production levels may continue into Tuesday next week before dropping off as remaining holiday orders are made and shipped. Egnog output is seasonally active. Production and use of non-ice cream high fat products such as dips, whipping, and sour cream were also sharply higher in preparation for upcoming Thanksgiving weekend use. Ice cream output remains at lighter seasonal levels. Churn operators expect increased offerings over the upcoming Thanksgiving weekend as other cream users take a long weekend. Cream prices are expected to be lower as a result. At least one seasonal churn will be more active on weekends, including this one. Manufacturing milk interest is steady to occasionally lighter with spot prices for this week fairly steady. A few projections for holiday weekend surplus volumes already priced down to around flat class delivered. Some other impetus for the decline is expectation that cheese market prices may weaken after holiday orders are made and shipped. Handlers and cheese operators continue to work on scheduling surplus loads during the last week of the year. Milk volumes seem little changed on a week to week basis. Fat and protein levels on incoming milk volumes remain around annual peak

levels. Fall harvest and tillage operations continue to wind down toward completion.

## WEST

CALIFORNIA milk production is mostly steady to slightly increasing. The fat and protein levels of incoming milk are trending higher seasonally. No issues are anticipated in handling milk and component supplies ahead of and into the upcoming holiday period. Higher milk prices are helping to offset the effects of increased feed costs, but limited feed availability and lower quality feed are factors that are not expected to improve. Class I needs are steady at midweek. The December 2011 Class 1 prices in CALIFORNIA range from \$20.67 in the north to \$20.94 in the south. The statewide average Class 1 price based on production is \$20.69. The average is \$0.41 higher than November 2011 and \$1.96 more than December 2010. ARIZONA milk production is building slightly higher. Conditions remain favorable and milk volumes and fat levels of the incoming milk are moving higher. Processing has been somewhat sporadic with maintenance schedules taking some plants off line for varying times this week. Fluid needs are steady early in the week with some Class I buyers beginning to adjust schedules later in the week and into next week. Demand levels flip around the holiday with school pipeline needs lower, while retail interest builds. NEW MEXICO milk output is trending higher following a lighter week last week. The overall movement is steady to higher seasonally. Weather has been generally neutral to milk cows. Processing plants are running on expected schedules. More milk is moving into cheese plants to help with cheese demand and to take advantage of higher cheese prices and current returns. Class I demand is lower this week due to upcoming school holiday recesses and the drop of bottled milk sales in some supermarket chains. Western CREAM markets are steady this week. Demand for cream from butter makers is good, often depending on the subsequent butter orders. There have been some butter makers selling cream or backing down on cream orders this week. Overall, butter production is strong to meet orders. Manufacturing of higher class, cream-based items remains active as the upcoming Thanksgiving holiday approaches and stores prepare for an onslaught of retail customer buying their supplies for holiday gatherings. Ice cream demand is slow. At the CME, Grade AA butter closed at \$1.7100 on Wednesday, November 16, down 8 cents from a week earlier. Cream multiples are steady at 112-126 and vary based on class usage and basing points. Milk production in the PACIFIC NORTHWEST is nearing seasonal low volumes. Any increased volumes are attributed to additional cow numbers above last year. Weather patterns across the region are supportive for milk production. Class I sales have been good, although handlers are anticipating less demand next week as the holiday will slow school milk needs. Processors are expecting increased volumes over the holiday period. Milk pooled on the Pacific Northwest Order 124 totaled 700.3 million pounds in October 2011; approximately 629 producers delivered milk to the market. The average daily delivery per producer was 35,917 pounds. Class I utilization was 190.4 million pounds and accounted for 27.2% of producer milk. The producer price differential (PPD) for the Pacific Northwest Order was \$0.77, resulting in a statistical uniform price of \$18.80. The statistical uniform price for the Pacific Northwest Order was \$1.60 below last month, and \$1.45 above the same month last year, an increase of 8.4%. UTAH and IDAHO milk production levels are following expected trends. The buzz at a recent milk producer conference centered around an announced yogurt production facility to be built in the Magic Valley region. Dairy farmers are anticipating the increased milk demand to help raise mailbox prices. Feed costs and availability are both factors as dairy farmers make plans for 2012. Other costs to dairies include replacement heifer prices. At recent auctions in Idaho, top replacement heifers were lower with average prices for replacements approximately \$100 per head below summer prices.

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** The Central/East nonfat dry milk low heat price series registered a 2 cent drop on the top of the range, while the mostly price series is unchanged. Activity in the low heat NDM market is on hold according to several sellers and buyers. Spot sales of high heat NDM were more active this week, with various manufacturers interested in decreasing holdings through the end of the month. That series gained a penny and one half on the bottom of the range. NDM production is steady to slightly lower through mid to late week as fluid demand steps up to accommodate active bottled milk sales before the holiday. Many processors, though, expect higher farm milk intakes and increased NDM production starting this weekend and extending through next week as fluid milk sales diminish before the holiday and various plant closures route additional loads into full time plants. Buyers and sellers are examining options for 2012, especially because one seemingly easy choice, using a formula built upon the weekly NASS-issued price series, may present challenges. Some market participants indicated they were unaware that many aspects of mandatory dairy price reporting will change next year, including how price information is collected and which agency will collect and issue weekly dairy product prices.

**EAST:** Prices for nonfat dry milk were mixed again this week with low heat prices declining on the upper end of the full range, while high heat prices moved higher on the low end of the range. Production of nonfat dry milk in the East declined as increases in Class I demand ahead of the holiday decreased milk volumes going to dryers. Eastern supplies remain fairly tight. Demand for high heat NDM has improved as some baking manufacturers have increased production schedules prior to Thanksgiving. Low heat NDM demand remains sluggish with numerous buyers trying to work their inventories lower. Those looking for additional loads continue to find low and high heat NDM available in the Central and Western regions at prices below Eastern contracts.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4000 - 1.5400 MOSTLY: 1.4200 - 1.5200  
 HIGH HEAT: 1.4950 - 1.6500

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are lower to sharply lower. The market tone is highly unsettled to weak. Some slightly firmer signs last week gave way to lower trading activity this week. Some producers are moving NDM at a discount to better manage holdings. Domestic pricing indices are lower with continuing contract sales the contributing factor in that tone. There is a disconnect between U.S. NDM pricing and world market pricing as the U.S. prices are higher at current levels. Unless discounting or selling lower priced SMP, producers are having issues securing new export sales. Production levels are steady to slightly higher and reflect the current milk supplies in the region. Drying schedules will be higher over the Thanksgiving holiday period. No processing

issues are expected with processors having adequate capacity to handle the milk supplies. Currently, inventory levels are moderate. Western high heat NDM prices are unchanged to lower on the top end of the range. The market tone is steady to firm with good seasonal interest noted. Production runs are light to moderate and being planned to meet current and future orders. The holiday period will likely see high heat output decline as processors look for throughput to handle the milk supplies. High heat stocks are adequate for current trade needs. FAS export data for NDM/SMP show January-September 2011 exports at 717.9 million pounds, up 24% from the same period in 2010. September 2011 exports total 85.2 million pounds, down 11% from a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.3000 - 1.5125 MOSTLY: 1.3400 - 1.4700  
 HIGH HEAT: 1.4500 - 1.5625

U.S. NDM Exports, H.S. Code 0402100000(FAS)		
	2011 Exports (Million Lb.)	% Change From 1 Year Ago
September Total	85.2	-11
TOTAL, JAN - SEP	727.9	+24
1 Mexico	280.3	+75
2 Philippines	91.9	+12
3 Vietnam	82.4	+52
4 Indonesia	81.8	+12
5 Malaysia	38.9	+19

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices, Central, are mostly steady. Dry buttermilk supplies tightened up within the region during the last one to two weeks. Production of various holiday related products increased during the last few weeks, moving cream away from Class IV production. Many producers expect availability of cream will improve this week due to increasing standardization of milk for the fluid market prior to the holiday. This should boost butter and dry buttermilk production through this weekend.

**EAST:** Dry buttermilk prices moved higher on the low end of the range, raising the average price. The price increase halted a three week trend of lower prices. Dry buttermilk production is steady at increased seasonal volumes as butter production is very active. Demand for dry buttermilk has increased slightly as some users have increased production ahead of the holiday. Transactions are mostly through contracts with limited spot market activity. Inventories are building in the East.

F.O.B. CENTRAL/EAST: 1.2700 - 1.4300



**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 are unchanged to fractionally higher on a firm market. Discussions amongst market participants this week centered on managing expectations for 2012: manufacturers indicate customers should expect to get less and pay more. For many customers, this means reaching beyond comfort-zone suppliers and considering other suppliers who may have some room to spare in 2012 contract quantities. A few end users report receiving quotes for 2012 dry whey contracts that carry double digit premiums, although finalization on those offers has not followed as yet. Dry whey production is mostly steady to slightly higher in some locations as plants work through the variability in milk intakes of the week. ANIMAL FEED DRY WHEY prices are unchanged for the week. Availability of spot loads is intermittent from edible dry whey manufacturers. Several animal feed blending operators expressed concerns about the current prices of inputs for animal feed. Veal calf raisers are also concerned, noting the margin between veal prices from processors and total calf raising costs has decreased markedly over the last year. And, with continued firm prices for feed inputs, and unattractive prices for finished calves, incentives for continuing all existing veal calf raising operations in 2012 are limited.

F.O.B. CENTRAL: .5900 - .6600 MOSTLY: .6050 - .6400  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4650 - .6275

**DRY WHEY - NORTHEAST**

Dry whey prices continue to advance as the low end of the range moved higher under contract formulations. Dry whey production has declined following declines in cheese output. Cheese production declines are due to the combination of strong Class I demand and low seasonal milk supplies limiting manufacturing milk volumes. Demand for dry whey remains very good as contracted purchasers are attempting to secure the maximum volumes allowed by contract. Spot sales activity remains virtually nonexistent as supplies are extremely tight. Some resale activity has been noted with prices above the range. Negotiations are ongoing for the 2012 contract year.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6350 - .6600

**DRY WHEY - WEST**

Western dry whey prices continued higher as contract pricing indices reflect tight supplies. The market is very tight for spot volumes with the bulk of the activity taking place in the resale market. Domestic resale prices are occurring at or above reported price ranges. Despite significantly higher prices compared to last year, demand remains good for product. Tight availability of additional whey from domestic manufacturers appears to be the driving force behind price strength. Export prices have firmed over the last few weeks as European Union prices are tracking closer to U.S. prices. Export sales of dry whey are continuing below domestic prices as manufacturers are determined to maintain market share.

NONHYGROSCOPIC: .5600 - .6825 MOSTLY: .6300 - .6600

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are mixed this week, adjusting both higher and lower on the range and higher on both ends of the mostly. Resale prices firmed, too, with transactions reportedly finalizing between the mid 1.40's and low 1.50's. Interest is steady from various sectors of the edible market, especially those end users with limited opportunities to tinker with formulas. Interest from the animal feed sector is lower as availability of off spec NDM and WPC of various protein potencies has satisfied near term production needs. The focus for many end users is now on reaching supply agreements with manufacturers for 2012 needs. Most manufacturers are current with 2011 shipments, so it is anticipated that shipping for 2012 contracts will coincide with the new calendar year. Discussions are underway between producers and buyers. Reports thus far indicate demand is sufficient to place price premiums near to and above 2011 premiums.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4200 - 1.5150 MOSTLY: 1.4300 - 1.4600

**LACTOSE - CENTRAL AND WEST**

Lactose prices are steady on the mostly price range this week, while inclusion of fresh information on fourth quarter prices prompted a 4 cent decrease on the bottom of the range. Transactions were largely manufacturer/buyer based this week, with limited resale activity. Lactose interest is steady. More discussions are happening concerning 2012 contracting. Some contracts for Q1 are in place, but current and near term price predictions have spurred more talk about the sustainability of demand. For those users having end product formula options, replacements for lactose are being considered as a part of 2012 operating plans.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .6200 - .8600 MOSTLY: .7300 - .7900

**CASEIN - NATIONAL**

Domestic casein markets and prices are generally holding steady, although the market undertone is weak. Most domestic buyers are pretty well situated for the balance of the calendar year and are looking to Q1 and beyond. Suppliers are indicating that stocks should be adequate to fulfill most all contractual needs. In years past, domestic buyers have contracted a good portion of long term needs early on in the year, but for 2012, outlaying contracts are not as prevalent. Buyers appear to be more hesitant on longer term contracts and will be proceeding through 2012 with caution. The European supply situation appears to be in good balance with domestic needs while the Oceania casein production season is at peak output levels. Cooler/wet weather patterns in some Oceania regions might be impacting the milk flow on the downside of the 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: 4.6000 - 5.0500  
ACID: 4.9500 - 5.2000

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF NOVEMBER 14 - 18, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/11	SAME PERIOD LAST YEAR	WEEK ENDING 11/11/11	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-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-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 10/29/11 & 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	10.2	3.4	20.9	3.5	N.A.	N.A.	16.5	2.8	59.8	2,442.5	40.9	43.9
2010-Dairy	N.A.	0.7	8.3	3.1	20.5	3.7	0.2	N.A.	14.7	2.9	55.6	2,340.9	40.6	43.8
2011-All cows	0.0	0.8	12.9	15.0	41.3	28.9	N.A.	N.A.	21.6	4.1	146.2	5,560.2		
2010-All cows	N.A.	0.8	10.4	14.4	37.1	26.1	16.0	N.A.	19.8	7.7	136.8	5,348.7		

**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

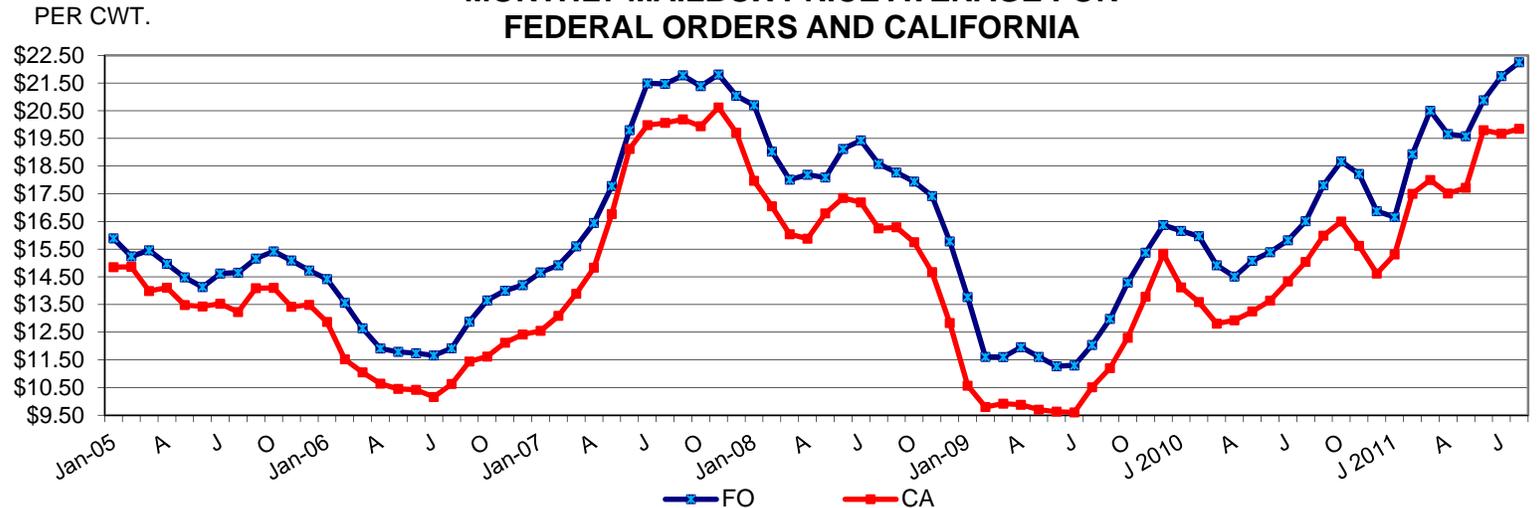
**FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)**

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	18.45	18.47
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29	21.55	20.55	19.41		
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03		
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41		

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

**MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA**



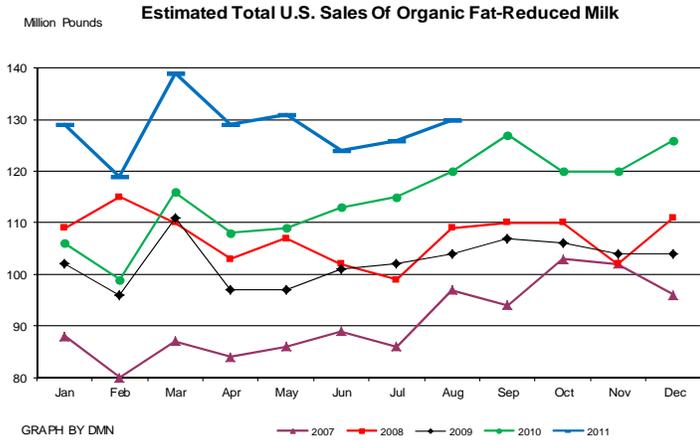
ORGANIC DAIRY MARKET NEWS

Information gathered November 7 - 18, 2011

ORGANIC DAIRY FLUID OVERVIEW

Organic milk being made into organic nonfat dry milk in the Northwest continues to be shipped into the Northeast under contracts as well as offered for sale on spot markets.

August data for estimated total U.S. sales of organic fat-reduced milk continues to reflect sales above previous year levels, as is shown in the following graph.



ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

**Organic Dairy Overview.** Organic dairy advertising volume is at the lowest level of this year or last. This period's 759 organic ads are 26.2% of the annual average each period, 2,893 of 9,124 surveyed stores. This represents 8.3% of stores advertising organic dairy products.

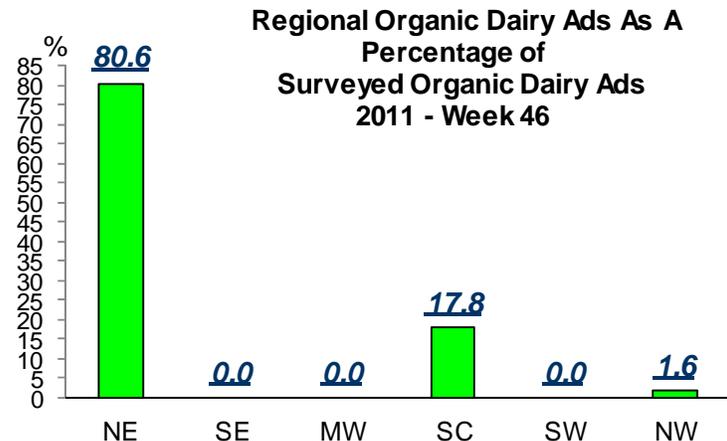
On an advertised product basis, there were zero ads for any sized container of organic milk in any region, the first time this has occurred since Fall 2009 when this data series began. Organic yogurt ads, which typically vie with organic milk for first or second in volume, appeared but narrowly at the lowest recorded level since Fall 2009, 227, which is 7 below the previous low for the data series. Reflecting the time of year, organic egg nog ads dominated organic ads this period, appearing for the first time since the last week of 2010.

The "magic number" this period is "3-9-9". That reflects the advertised \$3.99 price for three advertised organic dairy products, egg nog, butter and cheese.

Information presented is compiled from newspaper supermarket ads for the period November 5, 2011, to November 18, 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.

Never since this data series began in fall 2009, has one region so overwhelmingly dominated organic dairy newspaper advertising as this period, when newspapers in the Northeast contained 80.6% of surveyed organic dairy ads nationwide. This is followed by the South Central with 17.8% and Northwest with 1.6%.

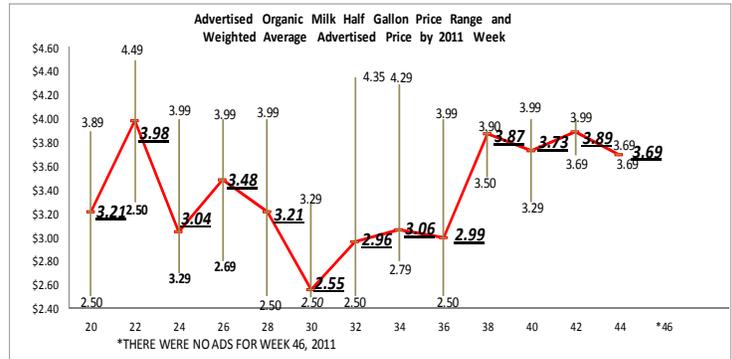


**Organic Dairy Product Emphasis.** Organic egg nog ads dominate organic dairy advertising this data period, with 41.7% of ads. Organic yogurt, typically either number one or two, is second with 23.8%. Organic butter and cream cheese each tie with 14.2%, followed by organic cheese at 6.0%.

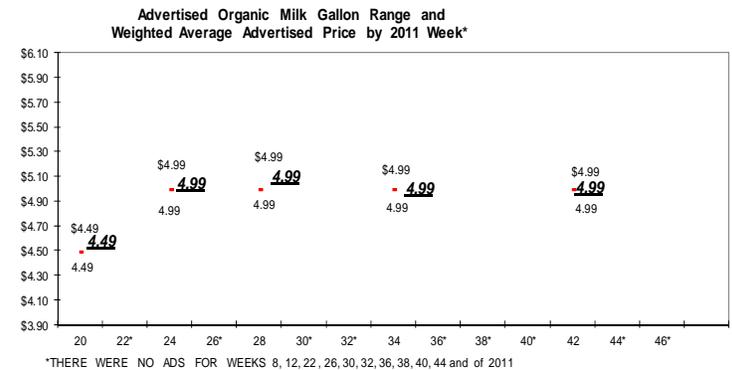
**Organic Egg Nog.** For the first time since the last week of 2010, ads for organic egg nog ran in surveyed newspapers. All 397 ads ran in the Northeast, stating a price of \$3.99 for 32 ounce containers and were a national brand. The last time ads ran, prices ranged from \$2.99 to \$4.79, with a weighted average advertised price of \$3.14. Those ads ran in the Midwest and Southeast.

**Organic Milk.** For the first time since this data series began during the fall of 2009, no ads appeared for organic milk. Thus, the current absence of any organic milk ads is an aberration and not a trend. Organic milk sales for 2011 remain strong, with the most recent data finding total organic milk products sales for 2011 through August up 17.1% over the same period last year. With cumulative 2011 organic milk ads year to date a bit below the same period in 2010, while organic milk sales are up 17.1%, the weekly supermarket newspaper organic milk advertising data does not correspond in a linear way with sales data.

**Organic Half Gallons.** Weighted average advertised pricing for organic milk half gallons in the weeks prior to the current absence, has alternated up and down within a 20 cent range over four periods, at prices above the prior seven periods, as is illustrated in the following graph.



**Organic Gallons.** No newspaper ads for organic gallons appeared this period, for the second consecutive period. This is not an unusual situation, as is illustrated by the following graph.



**8 Ounce Organic Milk.** No ads for 8 ounce containers of organic milk appeared this period. Overall for 2011 to date compared with the same period during 2010, there have been 40.4% more ads for 8 ounce containers of organic milk. The typical recent weighted average advertised price has been \$1.00.

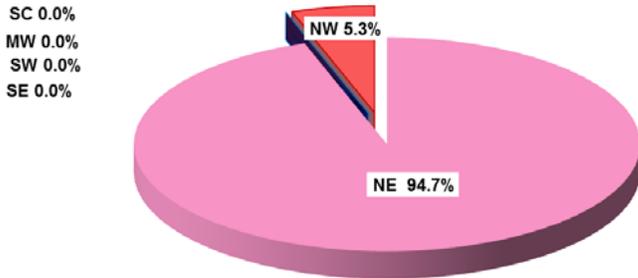
**Organic Yogurt.** Organic yogurt ads ran in two of six regions this report period, led overwhelmingly by the Northeast, with 94.7% of ads. The remaining 5.3% of ads ran in the Northwest.

ORGANIC DAIRY MARKET NEWS

Information gathered November 7 - 18, 2011

CONTINUED FROM PAGE 8

**ORGANIC YOGURT FEATURES**  
Regional % of Surveyed National Newspaper Ads  
Report Week 46, 2011

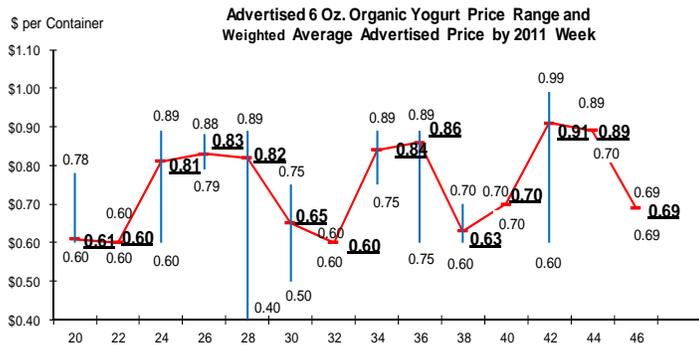


**6 ounce organic yogurt.** All ads for 6 ounce organic yogurt ran in the Northeast, stating a price of 69 cents, a 20 cent decline in the weighted average advertised price. The ads were for a store brand offered in stores of a regional supermarket chain.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	100.0	0.69
SE	00.0	----
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	100.0	----
US		0.69

This 20 cent decline in the weighted average advertised price of organic yogurt can be compared with recent periods, on the following graph.



**4 Ounce Organic Yogurt.** All ads for the second largest category of organic yogurt ads, 4 ounce containers, ran in the Northeast. The ads were for a national brand, offered in a regional supermarket chain.

**4 OUNCE ORGANIC YOGURT ADS**  
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	100.0	0.69
SE	00.0	----
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	00.0	----
US		0.69

**32 Ounce Organic Yogurt.** A small number of ads for 64 ounce containers of yogurt ran in the Northwest. The \$4.99 price was for a national brand.

**Organic Butter.** One pound organic butter ads ran in 135 supermarket ads of stores in the South Central Region. All ads were for a national brand offered at \$3.99. Overall organic butter advertising for 2011 to date is 47.1% above the level for the same period of 2010. With the most expensive non-organic butter advertised in the same surveyed stores reaching a price of \$3.79, and the weighted average advertised price for all non-organic butter of \$2.75, the price range between organic and non-organic butter is believed to be a factor driving organic butter sales.

**Organic Cream Cheese.** Eight ounce organic cream cheese ads ran in 135 supermarket ads of stores in the South Central Region. All ads were for a national brand offered at \$3.99.

**Organic Cheese.** There were 58 ads for 8 ounce organic American cheese manufactured by a national brand. The ads ran in outlets of a regional supermarket chain in the Northeast.

**Other Organic Dairy Products.** 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 46

**MADISON, WI**  
LOW HIGH RANGE  
(In Dollars)

**GALLONS:**

Whole	5.49*	6.99*	1.50
Reduced Fat (2%)	5.49*	6.99*	1.50
Low Fat (1%)	5.49*	6.99*	1.50
Nonfat (Skim)	5.49*	6.99*	1.50

**HALF GALLONS:**

Whole	3.09*	4.19	1.10
Reduced Fat (2%)	3.09*	4.19	1.10
Low Fat (1%)	3.09*	4.19	1.10
Nonfat (Skim)	3.09*	4.19	1.10

**CHOCOLATE HALF GALLON:**

	3.49	5.69	2.20
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**YOGURT**

	.79	1.25*	0.46
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**CHEESE – 8 OUNCE BLOCKS:**

Mozzarella	3.89	5.75	1.86
Mild Cheddar	3.79	5.99	2.20
Monterey Jack	3.79	5.99	2.20
Pepper Jack	3.89	5.99	2.10

**CHEESE – 6 OUNCE STRING**

Mozzarella	3.99	5.09	1.10
Colby Jack	3.89	5.39	1.40

**BUTTER – 1 POUND**

	3.99*	5.59	1.60
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\*=Price change from prior reporting period

CONTINUED ON PAGE 8-B

**ORGANIC DAIRY MARKET NEWS**

Information gathered November 7 - 18, 2011

**CONTINUED FROM PAGE 8-A**

There was price movement in the ranges for organic milk, butter and yogurt this week. Organic milk gallons increased by 29 cents at the top and declined by 20 cents at the bottom of the price range. The increase was driven by a national brand in a regional supermarket chain and the decline by a store brand in the same regional supermarket chain. Organic half gallon milk prices declined by 10 cents at the bottom of the price range for a national brand in a regional supermarket chain. Organic yogurt prices declined by 4 cents at the top of the price range. Finally, organic butter prices declined by 26 cents at the bottom of the price range.

**ORGANIC GRAIN AND FEEDSTUFFS MARKETS:**

National organic grain and feedstuffs were mostly higher, with good demand for feed grade corn and moderate demand for all other grains. Offerings of corn were moderate this period, while all other offerings were light to moderate. Food grade HRS and crude soybean oil trades were limited. Wheat midds were reported throughout the Upper Midwest and Eastern Cornbelt from \$175.00-\$225.00/ton. Alfalfa hay in Region 1 of California was \$265.00-\$305.00, and \$290.00-\$300.00 in Washington-Oregon (Columbia Basin.)

Eastern organic grain and feedstuffs prices were mostly steady. Feed grade corn was mostly steady with good demand and moderate offerings. Feed grade soybeans were steady to 1.00 higher with moderate demand and offerings. Corn harvest continues to progress for most producers in the Eastern Cornbelt, with many reporting that trades will likely pick up in the next couple of weeks. Wheat middlings were reported at 175.00-225.00 per ton with no recent comparison.

Upper Midwest organic grain and feedstuffs prices were mixed. Feed grade corn averaged \$.10 higher per bushel while feed grade soybeans averaged \$.32 higher per bushel. Soybean meal was lower this period, while food grade hard red spring wheat averaged higher with limited comparison. Much of the food grade wheat market at this time is reportedly priced on protein levels, with prices indicating the exact protein level of the wheat purchased. Offerings of grain were moderate, with good demand reported for corn and wheat and moderate demand for soybeans and barley. Oat trade has reportedly been minimal due to lackluster harvest results this year. Wheat midds were reported from \$200.00-\$215.00/ton.

Additional livestock and grain market news information is available at: [www.ams.usda.gov/LSMarketNews](http://www.ams.usda.gov/LSMarketNews)

## FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, OCTOBER 2011

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During October, more than 10.8 billion pounds of milk were received from producers. This volume of milk is 3.0 percent higher than the October 2010 volume. In October 2010 and October 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.7 billion pounds of producer milk were used in Class I products, 0.9 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 35%, Class II = 11%, Class III = 46% and Class IV = 8%. The weighted average statistical uniform price was \$19.24 per cwt., \$2.04 lower than last month and \$1.24 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF OCTOBER 2011										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	1,955.3	-1.2	851.1	-5.0	44	25	24	7	20.42
Appalachian (Charlotte)	005	522.6	4.9	361.6	5.0	69	15	10	6	21.57
Florida (Tampa)	006	240.5	-1.4	206.7	-1.0	86	8	3	3	23.77
Southeast (Atlanta)	007	574.0	3.1	382.4	-2.3	67	7	21	5	21.79
Upper Midwest (Chicago)	030 3/	2,703.8	-1.5	358.2	-3.6	13	2	84	1	18.41
Central (Kansas City)	032 3/	1,332.4	14.5	384.1	0.0	29	9	48	14	18.82
Mideast (Cleveland)	033 3/	1,410.7	3.8	537.7	-1.7	38	18	38	6	19.23
Pacific Northwest (Seattle)	124	700.3	5.0	190.4	1.8	27	6	38	29	18.80
Southwest (Dallas)	126	1,000.7	7.3	396.1	4.3	40	5	44	11	16.24
Arizona (Phoenix)	131	366.6	7.8	121.4	3.1	33	9	29	29	19.39
<b>ALL MARKET AVERAGE OR TOTAL</b>	3/	10,806.9	3.0	3,789.7	-0.9	35	11	46	8	19.24

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 184 million pounds of milk that normally would have been associated with these markets. In October 2010, the estimated not pooled volume of milk was 137 million pounds, occurring in order numbers 030, 032, and 033. After adjusting for non pooled milk, the year-to-year percent change is -3.3%.

## FEDERAL MILK ORDER ADVANCE PRICES, DECEMBER

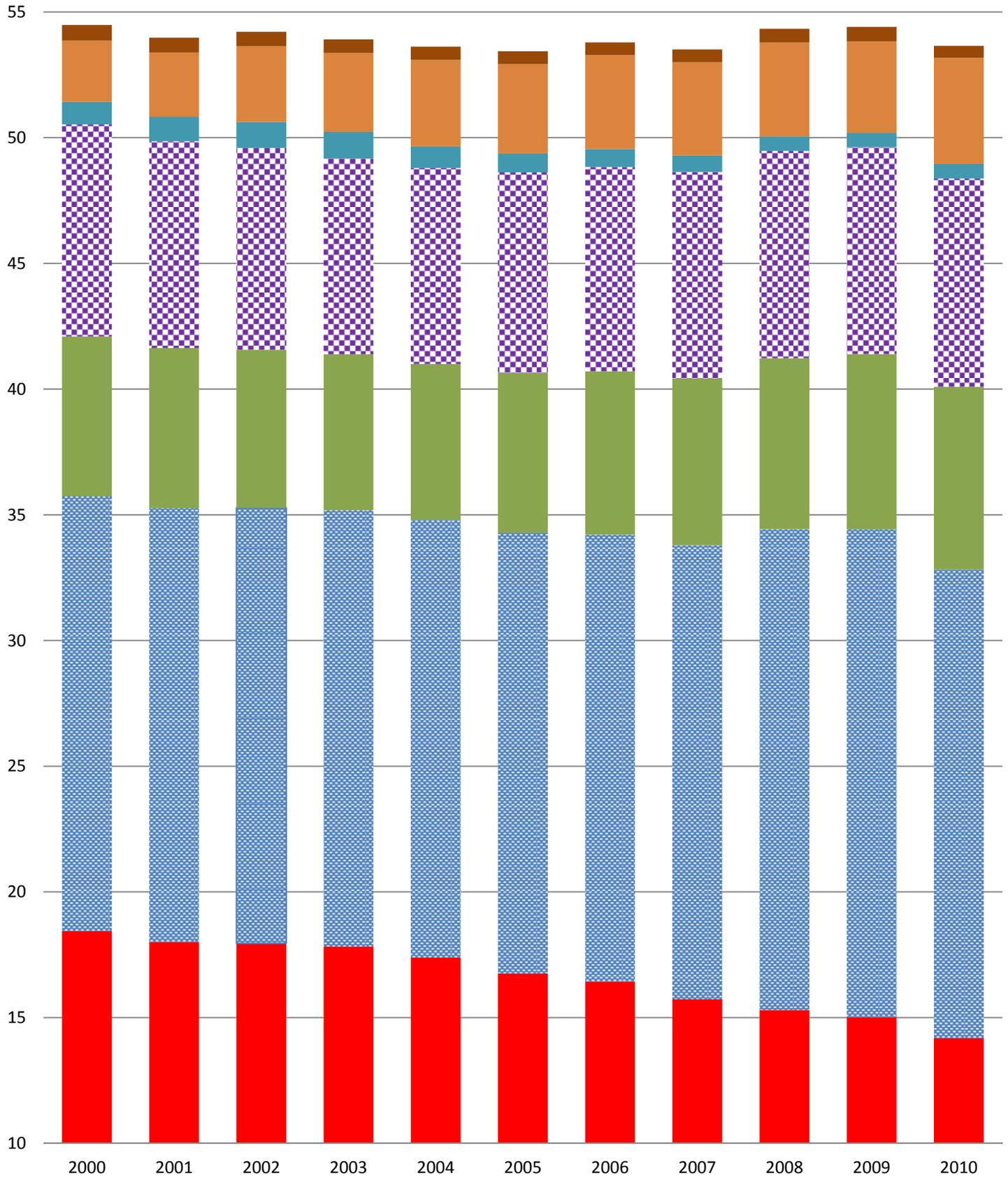
**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for December 2011 is \$18.47 per cwt. This price is derived from the Class III skim milk pricing factor of \$11.82 and the advanced butterfat pricing factor of \$2.0191. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to November 2011, the Class I base price increased \$0.02 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), unchanged per cwt., unchanged per gallon; reduced fat milk (2%), -\$0.13 per cwt., -\$0.011 per gallon; fat-free (skim milk), -\$0.29 per cwt., -\$0.025 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$11.68. Thus, the Class II skim milk price for December is \$12.38 per cwt., and the Class II nonfat solids price is \$1.3756. **Product Price Averages.** The two-week product price averages for December are: butter \$1.8388, nonfat dry milk \$1.4783, cheese \$1.7788, and dry whey \$0.6342.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/ 2/</sup>				
December 2011				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	21.72	15.07	2.0516
Appalachian (Charlotte) <sup>5/ 6/</sup>	005	21.87	15.22	2.0531
Southeast (Atlanta) <sup>6/ 7/</sup>	007	22.27	15.62	2.0571
Florida (Tampa) <sup>6/ 8/</sup>	006	23.87	17.22	2.0731
Midwest (Cleveland) <sup>9/</sup>	033	20.47	13.82	2.0391
Upper Midwest (Chicago) <sup>10/</sup>	030	20.27	13.62	2.0371
Central (Kansas City) <sup>11/</sup>	032	20.47	13.82	2.0391
Southwest (Dallas) <sup>12/</sup>	126	21.47	14.82	2.0491
Arizona (Phoenix)	131	20.82	14.17	2.0426
Pacific Northwest (Seattle) <sup>13/</sup>	124	20.37	13.72	2.0381
All-Market Average		21.36	14.71	2.0480

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 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 markets. <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.

### ANNUAL FLUID SALES BY PRODUCT

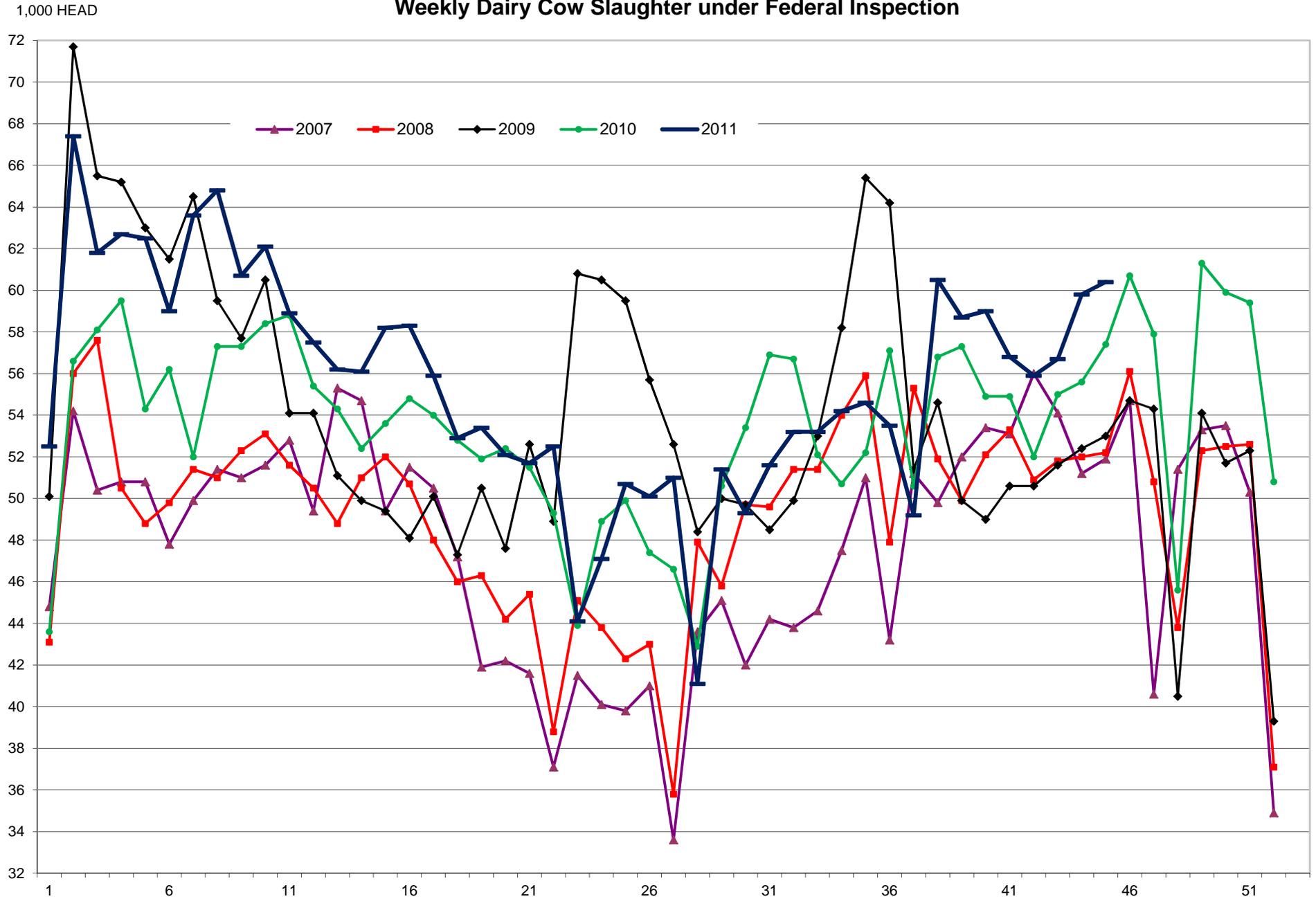
Million Pounds



ERS DATA, GRAPH BY DMN

■ Whole   
 ■ 2%   
 ■ 1%   
 ■ Skim   
 ■ Flavored whole   
 ■ Other Flavored   
 ■ Buttermilk

### Weekly Dairy Cow Slaughter under Federal Inspection



Source: LIVESTOCK MN/NASS, Graph DMN

Week Number

DATA THROUGH 11/05/2011

# DAIRY MARKET NEWS

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