

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (12/16):**

BUTTER: Grade AA closed at \$1.6025. The weekly average for Grade AA is \$1.6050 (-.0335).

CHEESE: Barrels closed at \$1.5350 and 40# blocks at \$1.5625. The weekly average for barrels is \$1.5480 (-.0655) and blocks, \$1.5910 (-.0955).

BUTTER HIGHLIGHTS: The cash butter price at the CME Group traded both lower and higher to close on Friday at \$1.6025. Some late holiday orders were causing printers to crunch through additional butter volumes. Churning was about steady despite extra demand for Class II products such as dips and whipping cream for holiday use. Extra spot interest from cream cheese accounts also tightened supplies. Churning will increase by yearend as other operations, particularly ice cream, close for all or part of the last two weeks of 2011. At least one Midwest operation is reported to be fully committed on cream supplies through the holidays. U.S. butter and milkfat exports during October totaled 6.4 million pounds, 36% below October 2010. Cumulative 2011 exports total 124.3 million pounds, 18% above the comparable period in 2010.

CHEESE HIGHLIGHTS: The CME Group cash cheese market declined sharply again this week to close on Friday at \$1.5625 for blocks and \$1.5350 on barrels. Remaining pre-holiday orders have been shipped to be available for holiday use. New orders are light as buyers wait until January to replenish stocks and prepare for the Super Bowl promotions. Interest is also hampered by yearend inventory positioning. With orders not covering current cheese production, plants are reverting to making their "default cheese", often cheddar, to allow sale options in 2012. Plant operators are either interested in discounted holiday surplus milk or will toll make cheese with extra milk. Other operations have already made commitments on the extra milk available when schools close until January. During October, U.S. cheese and curd exports totaled 37.3 million pounds, 22% above October 2010. Cumulative 2011 exports total 405.3 million pounds, 31% more than in 2010.

FLUID MILK: Milk production in the Northeast and Mid-Atlantic regions is following expected seasonal patterns. Florida is experiencing higher production levels as weather patterns have been conducive to increased production. In the Midwest, manufacturing milk interest is waning as holiday orders are shipped. Ice cream interest is light as some plants intend to shut down over the holidays. Cheese plant demand is also lighter due to prices adjusting lower. California and Northwest production is mostly steady. The Southwest is showing some unexpected declines in production. Nationally, milk handlers are preparing schedules for the upcoming holidays. Most plants expect an easier than typical holiday schedule due to the holidays landing on a weekend.

DRY PRODUCTS: Nonfat dry milk prices are uneven across the country. Pricing indices have fluctuated recently leaving buyers uncertain as to market direction. Many end users are content with current inventories to

finish out the year. Increased production is expected as the holidays close in. Negotiations are being finalized for 2012 orders with little clear price direction. Dry buttermilk prices are steady to weak as supplies are adequate for yearend needs in most cases. Dry whole milk prices are mostly unchanged. Edible dry whey prices are firm to higher, continuing recent price trends. Demand is good with limited spot offerings available. Resale outlets are supplying some product at above F.O.B. pricing. Lower production schedules have added to demand. Whey protein concentrate 34% prices are steady to weak. Prices are being influenced by competition from NDM. Lactose prices are firm to higher with good activity in spot sales.

ORGANIC DAIRY MARKET OVERVIEW (DMN): AMS reports Total Organic Milk Products sales for October 2011, 179 million pounds, were up 12.6% from October 2010 sales and up 15.6% January through October 2011 compared with the same first ten months of 2010. Organic Whole Milk sales for October 2011, 44 million pounds, were up 11.1% compared with October 2010 and up 17.1% January through October this year compared with the same period of 2010. Organic Fat-Reduced Milk sales for October 2011, 136 million pounds, were up 13.0% compared with October 2010 and up 15.2% January through October 2011 compared with the same months of 2010. This contrasts with a 1.3% October 2011 decline for Total Fluid Milk Products Adjusted (which includes organic and non-organic) compared with one year ago. Total Fluid Milk products data is adjusted for calendar year composition. Total Conventional Milk Products, which does not include organic milk, has a 2.1% decline in sales comparing October 2011 with October 2010 and a 2.1% decline January through October 2011, compared with the same period of 2010. The national weighted average advertised price for organic milk half gallons decreased 90 cents to \$3.11. Noteworthy is the magnitude of the price range, \$2.09, the largest price range for organic half gallons since this data series began over two years ago. Prices ranged from \$2.50 for a store brand to \$4.59 for a national brand, with the upper end of the range remaining at the highest level since this data series began, for the second consecutive period. With tight organic milk supplies throughout the country, higher retail price levels seem consistent with supply conditions. The record setting wide price range, with a nearly low record price of \$2.50 (\$2.49 is the record low) in the Southeast, a region containing supermarkets with some empty cooler space for organic milk, is a curiosity related to retail strategy and not milk supply. The low price of \$2.50, has not occurred since the first week of September. The national advertised price for organic milk in gallons was \$5.95, with all of the ads in the Midwest Region and all priced at \$5.95. Following an absence of ads for 8 ounce organic milk during the last two periods, ads returned this period at a level dominating organic milk ads. Because this milk is aseptically packaged, enhancing

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CME GROUP CASH TRADING

COMMODITY	MONDAY DEC 12	TUESDAY DEC 13	WEDNESDAY DEC 14	THURSDAY DEC 15	FRIDAY DEC 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5725 (N.C.)	\$1.5550 (-.0175)	\$1.5400 (-.0150)	\$1.5375 (-.0025)	\$1.5350 (-.0025)	:: (-.0375)	:: \$1.5480 (-.0655)
40# BLOCKS	\$1.6350 (-.0200)	\$1.6000 (-.0350)	\$1.5875 (-.0125)	\$1.5700 (-.0175)	\$1.5625 (-.0075)	:: (-.0925)	:: \$1.5910 (-.0955)
NONFAT DRY MILK							
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 (N.C.)
GRADE A	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	:: (N.C.)	:: \$1.4500 (N.C.)
BUTTER							
GRADE AA	\$1.6200 (-.0200)	\$1.6100 (-.0100)	\$1.5900 (-.0200)	\$1.6025 (+.0125)	\$1.6025 (N.C.)	:: (-.0375)	:: \$1.6050 (-.0335)

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 1A**

product sterility, it has a substantially longer multi-month shelf life than traditional milk half gallons and gallons and thus, retail availability is less influenced by current production/demand factors. The ads ran in three regions, led by the South Central Region with 73.3% of 8 ounce organic milk ads. All ads stated a price of \$1.00. The national weighted average advertised price for 6 ounce organic yogurt increased 20 cents to \$0.88. All ads were for a national brand at the same price.

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES (WAOB):

Milk production forecasts for 2011 and 2012 are raised slightly, reflecting higher growth in milk per cow and slightly more cows in 2011. Fat basis imports are raised for 2011 and skim-solids basis imports are forecast slightly higher in 2012. Exports are forecast higher for 2011. For 2011, cheese and whey prices are unchanged, but butter and nonfat dry milk (NDM) price forecasts are reduced. Thus, the Class III price forecast is unchanged but the Class IV price is reduced. Cheese and butter prices for 2012 are lowered from last month but the whey price is raised. The range of the NDM price is narrowed. As a result of the higher whey price, the Class III price is raised, and the lower butter price results in a reduction in the Class IV price forecast. The all milk price is forecast at \$20.05 to \$20.15 for 2011, and \$18.10 to \$18.90 for 2012.

SEPTEMBER MAILBOX MILK PRICES (AMS & CDFSA):

In September 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.39, down \$0.86 from the previous month's average, but up \$3.58 from September 2010. The component tests of producer milk in September 2011 were: butterfat, 3.65%; protein, 3.08%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except the Appalachian States and Florida. Mailbox prices in September 2011 ranged from \$26.73 in Florida to \$19.26 in New Mexico.

CME GROUP

MONDAY, DECEMBER 12, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6000; 1 CAR 40# BLOCKS @ \$1.6350
 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 @ \$1.6200

TUESDAY, DECEMBER 13, 2011

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.5600, 1 @ \$1.5550; 3 CARS 40# BLOCKS: 1 @ \$1.5975, 2 @ \$1.6000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5550;
 LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$1.6125, 2 @ \$1.6100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

WEDNESDAY, DECEMBER 14, 2011

CHEESE -- SALES: 4 CARS BARRELS: 1 @ \$1.5425, 3 @ \$1.5400; 1 CAR 40# BLOCKS @ \$1.5875; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5375; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 5 CARS GRADE AA: 4 @ \$1.5950, 1 @ \$1.5900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 15, 2011

CHEESE -- SALES: 6 CARS BARRELS @ \$1.5375; 2 CARS 40# BLOCKS @ \$1.5700; LAST BID UNFILLED: 3 CARS BARRELS @ \$1.5375; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5700
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$1.6000, 2 @ \$1.6025; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6025; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 16, 2011

CHEESE -- SALES: 10 CARS BARRELS: 2 @ \$1.5350, 1 @ \$1.5325, 7 @ \$1.5350; 1 CAR 40# BLOCKS @ \$1.5625; LAST BID UNFILLED: 3 CARS BARRELS @ \$1.5350; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5625
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.6025; LAST BID UNFILLED: 4 CARS GRADE AA @ \$1.6025; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

CME Group butter prices declined 1 cent Tuesday to close at \$1.6100. Butter prices have declined 3 cents in the last two trading sessions after holding steady in the three previous sessions. Print butter production remains fairly active with most butter makers finishing off holiday orders by the end of the week. Once holiday orders are filled, production will shift from print to bulk production. Private label orders and sales have been good this season with retail promotional pricing below national brands. Export interest has significantly increased with more calls to butter makers regarding pricing and availability. Foreign Agricultural Service report shows January-October 2011 exports of butter total 124.3 million pounds, 18% higher compared to the same period last year. Current bulk butter prices range from 4- 8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME Group cash butter price started to decline early in the week to close on December 14 at \$1.5900. Most within the butter industry anticipated this trend as holiday orders come to a close. The next question in most minds is how far will the price dip before it stabilizes. Churning activity in the Central part of the country is seasonally active and some butter producers are already talking about increasing cream offerings, especially for early next week. Many butter producers are stating that with the yearend holidays falling on the weekend, juggling processing schedules to handle surplus milk and cream may not be as challenging as when the holidays fall midweek and the holiday period is longer. Traders and handlers are indicating that, for the most part, yearend/holiday orders have been placed and shipped. Any new buyer interest will be for fill-in needs. Butter producers are indicating that butter sales over the past 2 - 3 months have been very strong. Current butter orders have slowed and are projected to remain so until the new year. Although new orders are not active, retail buyers continue to state that scheduled feature activity is clearing good volumes of print butter. Many retailers are stating that feature activity all fall has cleared heavy butter volumes. International buyer interest continues to be reported. Much of this inquiry is for Q1 delivery. Earlier this year, export activity was strong out of the states and

many butter producers and handlers are projecting that export activity will be comparable, if not stronger, in 2012. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Western butter production for the holidays is uneven as some producers have finished much of the year end churning for print lines. Others have encountered reorders and late orders as the overall price has come down. Loads shipped for the holidays need to be on the road this week in many cases, while later orders will be filled when facilities are able to find time for production. Some butter plants are selling cream to take advantage of preholiday demand. 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 was \$.0200 lower at \$1.5900. Prices at the exchange have been lower each day this week with the market five cents lower since last Friday. Sales activity has been moderate with nine loads trading so far this week. According to the Foreign Agricultural Service, exports of butter and milkfat for January-October 2011 total 124.3 million pounds, up 18%, or 18.8 million pounds, from January-October 2010. Saudi Arabia is the largest importer with a 31% increase (+5.7 million pounds) above last year's amount. The exports account for 8.4% of butter production in the U.S. for January-October 2011.

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

	2011 Exports	% Change From
	Monthly Exports	1 Year Ago
October	6.4	- 36
	Jan - Oct (Million Lb.)	1 Year Ago
World	124.3	+ 18
Saudi Arabia	24.5	+ 31
Mexico	13.2	- 26
Canada	11.3	+ 63
Japan	10.8	+2,439
Morocco	7.9	+ 18

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
December 10, 2011	1.8606 10,603,692	1.8325 11,752,241	1.4418 20,686,273	1.6245 4,625,639	0.6537 7,455,462

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group moved lower Tuesday with barrels declining \$0.0175 to close at \$1.5550, while blocks declined \$0.0350 and closed at \$1.6000. Cheese prices continued their downward trend, typical for December, with to date monthly declines of \$0.1650 for barrels and \$0.1700 for blocks. The weekly average cheese prices on the CME Group also continued to decline, resulting in lower wholesale prices. Process 5# sliced cheese declined \$0.1425 with Cheddar 40# blocks and Muenster declining \$0.0950. Cheese production continues to be fairly steady with some marginal declines in production schedules. Cheese inventories are beginning to build as most holiday orders have been filled. Mozzarella sales continued strong as retail pizza chains registered record orders for pizza from online or mobile devices for the online shopping day known as Cyber Monday.

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

Cheddar 40# Block	:	2.0000-2.2750
Process 5# Sliced	:	1.7225-1.8425
Muenster	:	2.0200-2.3475
Grade A Swiss Cuts 10 - 14#	:	3.5200-3.8425

MIDWEST

The cheese market is unsettled to weak. Current short term orders are light with some for January delivery. The turnaround time on new orders is limited for yearend holiday orders. With the yearend in sight, buyers have just been covering holiday needs but looking ahead for January and Super Bowl promotions at current price levels. With slower bulk cheese orders, more plant operators are/will make spec loads of their "default cheese" variety, often cheddar, that allow them extra options/time to move. Contact reports indicate that cheese buyers committed to similar to occasionally slightly larger volumes for 2012 than in 2011, though as usual, there is some shifting in the product mix. Cheese production is generally steady with milk intakes unchanged to slightly higher. Cheese yields remain seasonal. Milk handlers continue to make deals with plant operators to sell surplus yearend holiday milk. December will likely be another "red ink" month for cheese plants as falling cheese prices exceed the decline in the Class III milk price.

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

Process American 5# Loaf	:	1.9725-2.3600
Brick And/Or Muenster 5#	:	2.1925-2.4400
Cheddar 40# Block	:	2.1925-2.8650
Monterey Jack 10#	:	2.1625-2.8650
Blue 5#	:	2.4575-3.1300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0375-2.9650
Grade A Swiss Cuts 6 - 9#	:	2.9300-3.3300

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

	BUTTER	:	CHEESE
		:	
12/12/11	2,576	:	131,491
12/01/11	3,778	:	130,196
CHANGE	-1,202	:	1,295
% CHANGE	-32	:	1

WEST

Western cheese prices are lower again this week following a trend from mid-November. The lower prices have stimulated some additional purchases. Export interest is reported to be good as the market weakens. Domestic contract sales are moving the bulk of production. Some buyers continue to wait on extra purchases rather than build supplies before year end inventories are measured. Barrels closed down \$0.0150 at the CME Group on Wednesday to settle at \$1.5400. Blocks were down \$0.0125 at \$1.5875. Block sales have been lower each day this week as they narrow the gap compared to barrels. Sales on barrels have slowed markedly from last week's heavy pace with six loads changing hands so far this week. Block sales continued modestly with four loads selling by midweek. According to FAS, exports of cheese and curd for January-October 2011 total 405.3 million pounds, up 31% (+95.8 million pounds) from January-October 2010. The exports account for 4.6% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 84.3 million pounds or 20.8% of U.S. cheese exports.

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

Process 5# Loaf	:	1.7400-1.9975
Cheddar 40# Block	:	1.8125-2.1650
Cheddar 10# Cuts	:	1.9925-2.2125
Monterey Jack 10#	:	2.0025-2.1625
Grade A Swiss Cuts 6 - 9#	:	3.0975-3.5275

FOREIGN

The weekly average block price on the CME Group declined for the third consecutive week and lowered domestic wholesale prices by \$0.0950. Prices for Swiss cuts were unchanged. In the next two weeks, usually around December 22, FAS will issue first notice of 2012 licenses. Importers are reminded that December 31 is the last day for licensees to fulfill the requirement to use 85% of their 2011 license amount.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.1400-3.6275*
Gorgonzola	: 3.6900-6.3900	: 2.6425-2.9025*
Parmesan (Italy)	: -0-	: 3.2625-3.8175*
Provolone (Italy)	: 3.4400-6.3900	: 2.1825-2.3400*
Romano (Cows Milk)	: -0-	: 3.3300-5.4725*
Sardo Romano (Argentina)	: 2.8500-3.9800	: -0-
Reggianito (Argentina)	: 3.2900-4.2400	: -0-
Jarlsberg-(Brand)	: 2.9500-4.9900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.6125-3.9350
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

*= Price change.

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

	2011 Exports (Million Lb.)	% Change From
	Monthly Exports	1 Year Ago
October	37.3	+ 22
Cumulative	Jan.- Oct	1 Year Ago
World	405.3	+ 31
Mexico	84.3	- 6
South Korea	67.1	+ 100
Japan	40.6	+ 59
Canada	19.3	- 4
Saudi Arabia	18.8	+ 51

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	14	0	14	0	0	120
SOUTHEAST STATES	0	0	0	0	6	0

Class I demand has remained strong in the early portion of the week in the Mid-Atlantic and Northeast regions. Manufacturing supplies are adequate for need with some additional supplies caused by the combination of marginal increases in milk production and some decline in condensed skim demand. Most balancing plants are anticipating a smoother than usual holiday production period due to the Christmas holiday occurring on the weekend. Class I demand in Florida has remained strong prior to next week's school closings for the holiday. Milk production is rising sharply with near perfect weather for milk production and increasing herd numbers. Milk production increases have limited milk imports to 14 spot loads this week. Marginal milk production increases are being noted in the Southeast region. Class I demand remains good with some bottlers again adding loads this week. Milk supplies are in balance with need with no utilization of auxiliary manufacturing plants. Cream demand held steady in the early part of the week as manufacturing production schedules were busy filling last minute holiday orders. Cream cheese production is beginning to slow from maximum production schedules. Cream multiples range from 125 to 136 with weekend opportunity buying extending multiples below the 130 level. Cream contracts for 2012 continue to be finalized with the tendency for manufacturers to contract cream at increased volumes compared to 2011. Condensed skim demand is beginning to wane as holiday production slows and as numerous plants prepare to shut down for the holiday. Some ice cream manufacturers may be shut down for as long as 3-4 weeks. Those shut downs will be offset somewhat by yogurt manufacturers which may only be closed for a day or two.

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 -	2.0481-2.2284
F.O.B. producing plants: Upper Midwest -	1.9990-2.2120

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.52 - 1.57
Northeast - Class III - spot prices -	1.55 - 1.60

MIDWEST

Class I interest was steady to often stronger with some extra cream generated used to produce dips, sour, whipping cream and other holiday specialties. Heavier fluid orders are expected into early next week when interest will slow until January. Ice cream production is steady at light seasonal levels. Many ice cream firms will close all or most of the last two weeks of the year, reducing cream demand. Extra interest from cream cheese and non-ice cream Class II products absorbed additional cream this week, reducing churning schedules slightly. Stronger retail butter orders at current lower prices are being filled as fast as equipment and butter supplies allow. Some butter orders may not be filled before the holiday. Churning schedules are expected to increase at yearend with reports indicating

one operation is fully committed into January. Manufacturing milk interest is soft because falling cheese prices have buyers waiting for January before making new orders. Discounts on current spot milk volumes are increasing as plant operators would prefer to see less cheese in their coolers in January. Most cheese operations are making their "default cheese", often cheddar, to allow more time to clear product made without a purchase order. Finding uncommitted plant capacity for yearend holiday surplus is more difficult as limited capacity is still available. More plants may toll make cheese for milk suppliers. Cheese plant operators are aware that December will produce "red ink" as cheese prices in Chicago have fallen faster than the Class III price. Some operations are seeing an increase in milk volumes while others remain little changed. Milk intakes are fairly steady to occasionally higher in northern sections and steady to lower in drought areas of the Southwest. Milk components remain near peak levels.

WEST

CALIFORNIA milk production is changing very little on a week-to-week basis on a statewide basis, yet some processors are receiving varying milk intakes. The impact of handling the milk supplies over the yearend holidays is not expected to be much, as the calendar is ideal with the holidays on the weekend. With plans in place, milk and components should be handled well. Schools and colleges are beginning to reduce orders ahead of upcoming closings. The reductions in Class I orders are most likely to create heavier drying and churning schedules at butter/powder plants. The January 2012 Class 1 prices in CALIFORNIA range from \$19.88 in the north to \$20.15 in the south. The statewide average Class 1 price based on production is \$19.90. The average is \$0.79 lower than December 2011 and \$3.43 more than January 2011. ARIZONA milk output is surprisingly lower this week, causing processors some consternation as they try to assess why this is the case. There were wet conditions and seasonal temperature across the milkshed. The high feed costs and ration readjustments were also being looked at as a reason for the milk intake changes. Class I usage is beginning to slow as school interest declines. Western CREAM demand is moderate and overall interest is declining leading into the holidays. As holiday, cream-based items are finished being made and shipped out, there is more cream moving into butter production. Cream multiples and overages were trending lower during the week and being negotiated for handling supplies over the yearend. The CME Grade AA butter closed at \$1.5900 on Wednesday, December 14, down 5 cents from a week ago. The Western cream multiples are unchanged and range from 110-125 and vary based on class usage and basing points. Milk production in the PACIFIC NORTHWEST is steady following expected volumes. Weather conditions are favorable with no extreme weather reported to interrupt handling of current supplies. Manufacturing plants are making plans for the upcoming holiday schedules. Some extra milk is expected due to lower Class I needs. Handlers are expecting few problems since it will be similar to a three day weekend. UTAH and IDAHO milk supplies are steady. Local processors are handling available supplies with no major plant difficulties reported. Normal seasonal temperatures and a lack of heavy snows are making for easy movement of milk within the region. Dairy farmers are busy looking at costs and anticipated milk prices to determine their 2012 financial plans.

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: The Central nonfat dry milk market is mixed, with lower priced loads knocking 2.5 cents off the bottom of the range. The mostly price series is unchanged. Price indices have seesawed during the last several weeks, leaving market participants with scant opportunities to feel comfortable with projecting market direction for the next few months. To counter this lack of discernible market direction, some NDM buyers are revamping 2012 contract methods. Some buyers are satisfying a lower percentage of 2012 needs via contracts, with the underlying hope/expectation that spot market availability will be sufficient to fill in the remainder of 2012 needs at lower prices. Central nonfat dry milk manufacturers indicate contracting is moving forward steadily. Monthly fixed price contracts are available from some manufacturers, however, the first month's price is generally listed as TBD at this time. Current NDM production is steady to slightly higher as farm milk production swings toward the seasonal increase. Condensed skim sales into various holiday-related end users accounts is tapering off as those demands are mostly satisfied.

EAST: The price range for low heat nonfat dry milk expanded this week as the low end of the range decreased, while the high end of the range increased. There were no price changes in either the low heat mostly or the high heat price ranges. Production of nonfat dry milk in the East has increased marginally as some Class II production has begun to slow prior to holiday shut downs. NDM manufacturers will finish high heat and specialty dryer runs this week in preparation for next week's expected low heat high volume runs. Demand continues to decrease as many end users have adequate supplies to finish their holiday production runs and are not inclined to expand inventories at this time. Supplies are building at most plants, but are not burdensome. Most plant managers are of the opinion that this year's holiday production runs will be fairly smooth, because of the holidays falling on the weekend. The number of loads being purchased from outside the region has decreased to just a few loads.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3750 - 1.5200 MOSTLY: 1.4200 - 1.4700
 HIGH HEAT: 1.5300 - 1.6500

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
October Total	76.1	-30
TOTAL, JAN - OCT	804.0	+15
1 Mexico	315.6	+51
2 Philippines	100.1	+5
3 Indonesia	89.2	+15
4 Vietnam	83.5	+34
5 Malaysia	43.2	+11

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are unchanged for the mostly prices series; slightly higher on the top of the full range. The

market tone is unsettled, although only lightly tested. Spot interest is limited. Recent, mixed trends in pricing indices are having impacts on buying decisions, but the main factor is the calendar. Export interest is light to steady with new action on the normal, limited side for this time of the year. Domestic interest is tending to be lighter with buyers slowing down ordering around the yearend. Drying schedules are steady to higher and ramping up where milk supplies are being diverted out of Class 1/I usage. This trend will continue over the next few weeks over the yearend holidays and is well planned. Western high heat nonfat dry milk pricing trends are steady to slightly lower. Buying interest for high heat remains fair to good. Product is clearing well along expectations. Production levels are light to moderate and are expected to be shortened as more milk hits the dryers over the next few weeks and processors make low heat to maximize throughput instead of making high heat. This is common for the time of year and processors have adequate holdings to service customer needs. FAS export data for NDM/SMP show January-October 2011 exports at 804.0 million pounds, up 15% from the same period in 2010. October 2011 exports total 76.1 million pounds, down 30% from a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3500 - 1.4825 MOSTLY: 1.3700 - 1.4300
 HIGH HEAT: 1.4300 - 1.5375

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: The dry buttermilk market is mixed, with prices unchanged to lower. Dry buttermilk production is steady to higher at several locations as cream demand from Class II operations is trending lower as the holiday approaches. However, some Central region cream cheese operations continue the push to produce and move cream cheese into consumer channels. Some Western cream loads are augmenting cream supplies in the Central region. Contracting for 2012 is marching steadily forward for dry buttermilk. Some in the industry remarked that dry buttermilk is the one dairy commodity with a steady trend in price and demand, and some buyers are more comfortable with finalizing dry buttermilk contracting than some other dairy commodities.

EAST: Prices for dry buttermilk declined on the low end of the range this week. Churns continue to be fairly active filling last minute holiday orders and as a result dry buttermilk production is increasing. Condensed buttermilk sales have declined, channeling more fluid to dryers, as ice cream manufacturers begin to shutter production prior to holiday shut downs. Export activity has lessened after a recent uptick in sales. Domestic demand is declining as most users have adequate supplies to complete yearend production and are not inclined to expand inventories. Manufacturers' inventories in the East are expanding and are no longer viewed as tight. The market undertone is weak, because of the softening yearend demand and expanded production.

F.O.B. CENTRAL/EAST: 1.2900 - 1.4200

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

CONTINUED FROM PAGE 5

DRY WHOLE MILK - NATIONAL

DRY BUTTERMILK - WEST

Western dry buttermilk prices are mixed. The bottom of the range is sharply lower and reflects a lower priced sale. The top end of the range is slightly higher, gaining mainly on the recent higher trends of market momentum. The market tone is unsettled in a light test. Producer offerings are generally limited and matched by a light demand in the spot market. Drying activity is mostly steady and working actively to process buttermilk solids coming off the butter churns that are working strong to fill holiday butter orders.

F.O.B. WEST: 1.2500 - 1.4000 MOSTLY: 1.3600 - 1.3750

The dry whole milk price range is unchanged. Contracting demand for 2012 needs is steady for dry whole milk. Price formulas vary from manufacturer to manufacturer and are often built upon indices of weighted average prices for various dairy commodities. Imported dry whole milk powder is reportedly available at prices competitive with domestic powder. Domestic dry whole milk powder inventories are building steadily to meet upcoming Q1 contract needs. Plant operators are making plans to handle higher intake volumes at several locations during the upcoming week as other plants channel their usual intake volumes to others plants that will operate throughout the upcoming holiday week. Dry whole milk production is expected to increase next week as it provides plants a method of clearing both nonfat and butterfat solids.

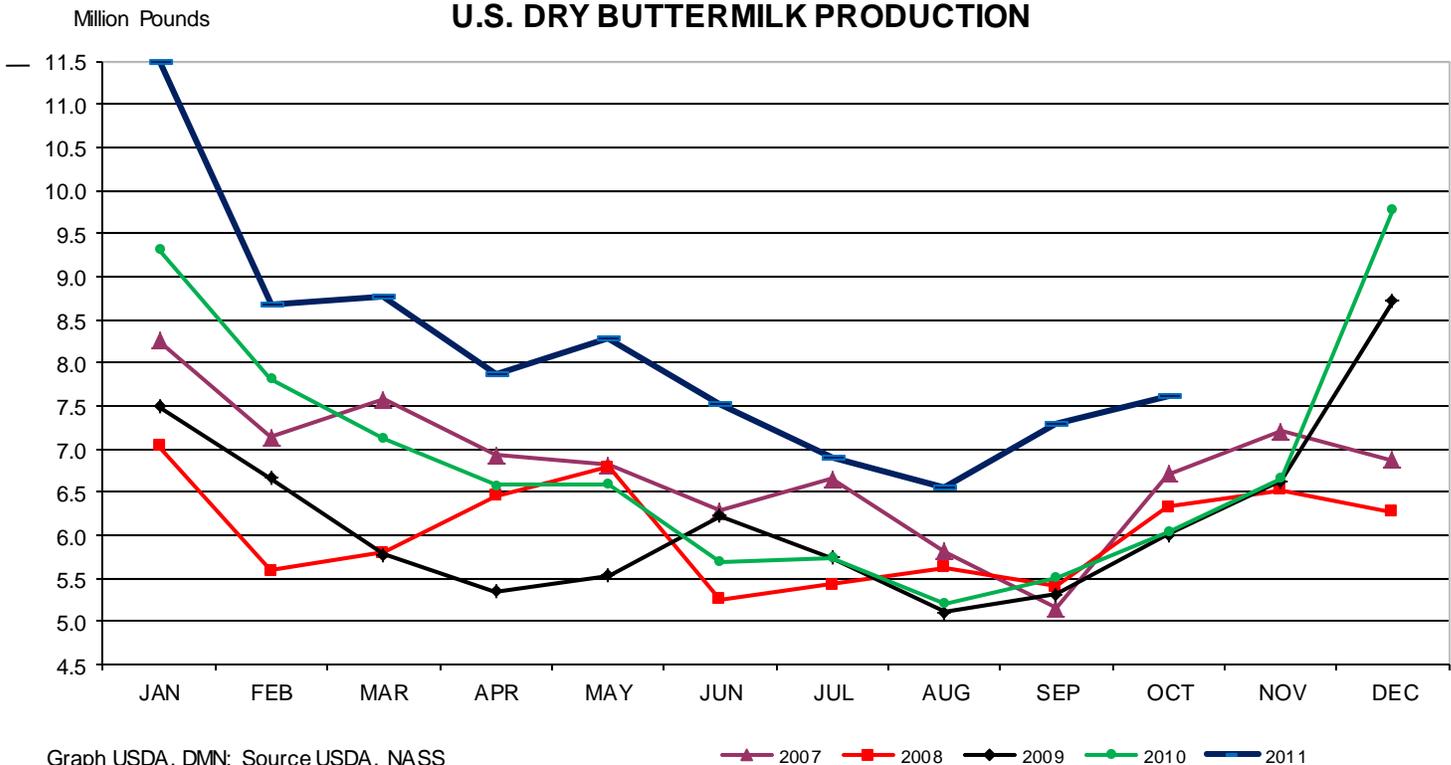
F.O.B. PRODUCING PLANT: 1.7600 - 1.9500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 9	\$1.4376	10,958,545	0
December 2	\$1.4497	11,725,227	0

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

U.S. DRY BUTTERMILK PRODUCTION



Graph USDA, DMN; Source USDA, NASS

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Dry whey prices in the Central range series narrowed, with a higher bottom price and lower top price. The mostly series moved higher on both ends as the market firming trend continues. For some plants, milk availability versus sluggish cheese orders has been the factor keeping a lid on dry whey production. As farm milk availability increases seasonally, production at some facilities is finally inching higher. Increases are variable, for completing extra vats each day to adding a full production day during the week. Some dry whey end users report they are reaching out to non-traditional suppliers in other regions to obtain contract quantities of dry whey for 2012, because regional suppliers are unable to accommodate increased quantity orders. In some cases, freight costs are anticipated to increase the final price, but that situation is overridden by two other factors: a lower premium to the market on the contract price and an assurance of dry whey availability throughout the year. Some market participants report that, as labeling and brand qualities allow, edible dry whey is being replaced to an increasing degree in some animal feed formulations by edible permeate. ANIMAL FEED DRY WHEY prices are steady to higher on a firm market. Availability is still limited and some end users are willing to buy on an LTL basis to have dry whey on hand. Other end users indicate they are working through current inputs before returning to the market. Contracting methods for animal feed dry whey for 2012 vary from end user to end user. Some end users have solidified contracts for a portion of 2012 animal feed dry whey needs, but the portion is smaller than in past years. The current market tone, with firm pricing, is making some animal feed blenders reluctant to commit to contracts. Thus, spot market participation for these end users is expected to increase in 2012 compared to 2011.

F.O.B. CENTRAL: .6050 - .6875 MOSTLY: .6200 - .6650
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4750 - .6275

DRY WHEY - NORTHEAST

The broken record repetition of higher prices and tight supplies continues as contract formulations moved dry whey prices higher again this week. Cheese and dry whey production levels remain steady. Domestic and export demand is very good. Manufacturers are struggling to keep current with their existing contract commitments. Sourcing product beyond contracts remains difficult with spot market activity nearly nonexistent in the region. The tight supply situation has increased resale activity and pushed resale prices above \$0.6900. Users of dry whey are continuing to consider possible product/protein substitutes that are lower priced and more readily available. The market undertone is very firm.

The latest Foreign Agricultural Statistics report shows 450.4 million pounds dry whey were exported from the United States during January-October 2011, down 2% from January-October 2010.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6525 - .6825

DRY WHEY - WEST

Western edible dry whey prices continue to reflect tight supplies and prices are higher. Demand for whey is good with supplies above committed levels very tight. Whey production levels over the last

five months are below year ago levels and are contributing to shorter supplies. Negotiations for 2012 are ongoing with some end users facing reduced offers of contract whey. Available whey is increasingly going towards production of whey protein concentrate products. According to the Foreign Agricultural Service, exports of dried whey for January-October 2011 total 450.4 million pounds, down 2% from January-October 2010. The exports account for 53.1% of the total dry whey production in the U.S. for January-October. The top five importing countries accounted for 266.5 million pounds or 59.2% of the exports for January-October 2011.

NONHYGROSCOPIC: .6200 - .6975 MOSTLY: .6450 - .6825

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
October Total	43.6	- 8
TOTAL, JAN - OCT	450.4	- 2
1 China	91.8	+ 5
2 Mexico	60.4	+ 26
3 Canada	44.3	+ 9
4 Malaysia	35.1	+ 22
5 Indonesia	34.9	+ 39

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% moved lower on the top of the range price series based on spot market sales. Spot load availability is intermittent, from manufacturer to manufacturer, with various quality issues affecting desirability and price considerations for end users. Contracting for projected 2012 WPC 34% production is winding down for manufacturers as many current buyers expressed interest well before December. With some plants transitioning into other whey based end products, decreasing projected production of WPC 34% is resulting in stronger buyer interest for those plants remaining in WPC 34% as an end product. For buyers, this may translate into being unable to obtain WPC 34% 2012 contracts if responses to initial F.O.B. contract bids are handled in a non-expedited manner.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4100 - 1.5100 MOSTLY: 1.4400 - 1.4800

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
October Total	21.3	- 15
TOTAL, JAN - OCT	190.3	- 18
1 China	82.4	- 14
2 Canada	28.8	- 14
3 Mexico	24.1	- 53
4 Japan	13.8	- 18
5 Vietnam	5.0	+ 1,854

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

CONTINUED FROM PAGE 6

LACTOSE - CENTRAL AND WEST

The top of the lactose range price series rose 3.5 cents this week on the strength of spot market activity. The mostly price series gained 1 cent on the high side. The market is firm. With limited availability of spot lactose and the close of Q4 approaching, the pressure on spot pricing is increasing. Various buyers in the broker/end user camp are still actively pursuing agreements with lactose manufacturers. However, many manufacturers are close to their contracting limits on a quantity basis, thus, latecomers to the bargaining table may leave with less than full satisfaction of their 2012 contract needs. Lactose production is steady at most facilities this week. Inventories allow for intermittent spot market load offerings.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .6200 -.9000 MOSTLY: .7300 - .8100

CASEIN - NATIONAL

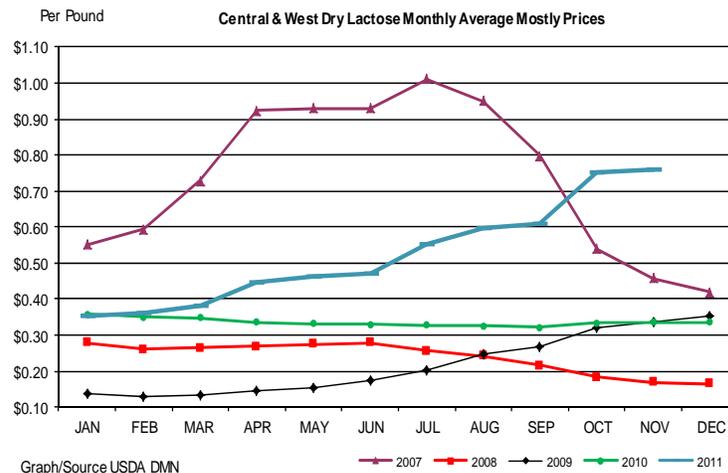
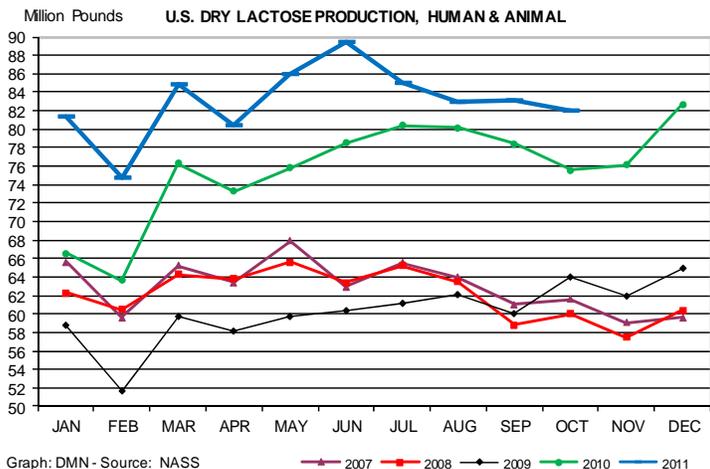
Casein markets and prices are mixed. Many domestic buyers were feeling that prices would ease in the new year, but this trend appears to not be developing as expected. Some pricing eased slightly, but the overall balanced supply situation is keeping prices fairly steady. A significant casein manufacturing country continues to withhold casein volumes from the marketplace and until/unless these volumes become available, current casein price levels will probably prevail. Some suppliers still have not finalized 2012 contracts with potential buyers, but indicate that within the next week to 10 days, negotiations will need to be finished.

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

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
October Total	31.9	- 12
TOTAL, JAN - OCT	360.7	+ 26
1 New Zealand	72.6	+ 259
2 China	58.4	+ 92
3 Mexico	44.8	+ 18
4 Japan	28.3	- 18
5 Australia	18.2	+ 5



With the last CCC purchase occurring in October 2009, DMN will no longer show the CCC Purchase table unless purchases occur.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECEMBER 12 - 16, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/11	LAST YEAR	12/09/11	LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-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 11/26/11 & 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.	0.5	7.2	2.7	16.0	3.0	N.A.	N.A.	13.9	2.4	47.1	2,672.4	40.4	43.6
2010-Dairy	N.A.	0.5	7.2	2.4	15.5	2.7	0.1	N.A.	14.1	2.2	45.7	2,562.6	43.3	43.5
2011-All cows	0.0	0.6	9.1	11.1	32.7	22.3	N.A.	N.A.	20.2	4.0	116.5	6,122.4		
2010-All cows	N.A.	0.6	9.0	11.5	29.3	19.9	14.0	N.A.	19.0	7.0	114.4	5,891.9		

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)

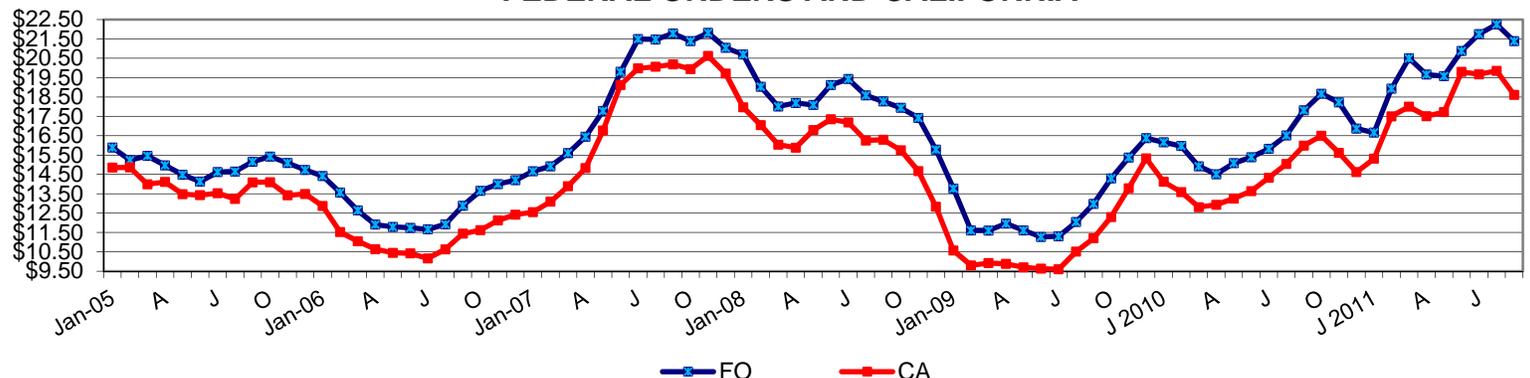
CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2012
I 1/	15.20	15.89	18.23	19.43	19.75	20.32	21.03	21.43	21.78	19.56	18.45	18.47	
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29	21.55	20.55	19.41	19.26		
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07		
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87		

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

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA

PER CWT.



ORGANIC DAIRY MARKET NEWS

Information gathered December 3 - December 16, 2011

ORGANIC DAIRY FLUID OVERVIEW

AMS reports Total Organic Milk Products sales for October 2011, 179 million pounds, were up 12.6% from October 2010 sales and up 15.6% January through October 2011 compared with the same first ten months of 2010.

Organic Whole Milk sales for October 2011, 44 million pounds, were up 11.1% compared with October 2010 and up 17.1% January through October this year compared with the same period of 2010.

Organic Fat-Reduced Milk sales for October 2011, 136 million pounds, were up 13.0% compared with October 2010 and up 15.2% January through October 2011 compared with the same months of 2010.

This contrasts with a 1.3% October 2011 decline for Total Fluid Milk Products Adjusted (which includes organic and non-organic) compared with one year ago. This total Fluid Milk products data is adjusted for calendar year composition.

Total Conventional Milk Products, which does not include organic milk, has a 2.1% decline in sales comparing October 2011 with October 2010 and a 2.1% decline January through October 2011, compared with the same period of 2010.

Federal Milk Order No. 1 covering the Northeast Marketing Area, also provides utilization information for organic milk in regulated plants within the area. October 2011 organic whole milk sales were 8.7 million pounds compared with 8.5 million pounds during October 2010. Organic Fat reduced milk (which includes organic reduced fat, lowfat, skim, flavored and miscellaneous milk products combined) sales for October 2011, 21.5 million pounds, compares with 20.6 million pounds in October 2010. While marketing area sales of each category increased from October 2010 to October 2011, the magnitude of increase lagged the national increase. Marketing area sales organic whole milk in October 2010 were 21.7% of national sales but 19.8% in October 2011. Marketing area sales of organic fat reduced milk in October 2010 were 17.2% of national sales but in October 2011, 15.8% of national sales. This data does not include milk produced in other Market Orders but sold in the Northeast Market Order.

Itemized data compared with prior reporting periods is not yet available for organic categories reduced fat milk, low fat milk, fat-free milk, flavored milk or fat-reduced milk because data analysis recently expanded these categories and data for a full year has not yet accumulated.

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

Product Name	Sales		Change from: 2/	
	October	Y-T-D	Prev Yr.	Y-T-D
	Mil. Lbs.		Percent	
Whole Milk	1,131	11,355	-2.8	-2.8
Flavored Whole Milk	45	433	-6.5	-5.2
Reduced Fat Milk (2%)	1,517	15,100	-1.7	-1.6
Low Fat Milk (1%)	629	5,885	2.3	0.5
Fat-Free Milk (Skim)	647	6,445	-3.8	-3.4
Flavored Fat-Reduced Milk	386	3,170	-4.6	-2.2
Buttermilk	41	392	-1.0	1.0
Tot. Conv. Milk Products	4,414	42,823	-2.1	-2.1
Organic Whole Milk	44	412	11.1	17.1
Organic Reduced Fat Milk	52	490	3/	3/
Organic Low Fat Milk	38	348	3/	3/
Organic Fat-Free Milk (Skim)	37	383	3/	3/
Organic Flavored Milk	6	77	3/	3/
Organic Fat-Reduced Milk 4/	136	1,303	13.0	15.2
Tot. Organic Milk Products.	179	1,716	12.6	15.6
Tot. Fluid Milk Prod. 5/	4,593	44,538	-1.6	-1.5
Tot Fluid Milk Prod Adj 5/6/	4,653	44,596	-1.3	-1.5

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Volume figures are not available for the previous year or all earlier months. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim,

flavored, and miscellaneous milk products combined. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic Dairy Overview. Organic dairy advertising volume continues at a distinctly lower level of intensity for the third consecutive two week period, than previously during 2011. Three of the four 2011 periods when organic dairy advertising did not exceed 1,000 ads, occurred during the last three periods. Cumulative organic dairy ads for the last three periods are not quite 25% of the previous three periods.

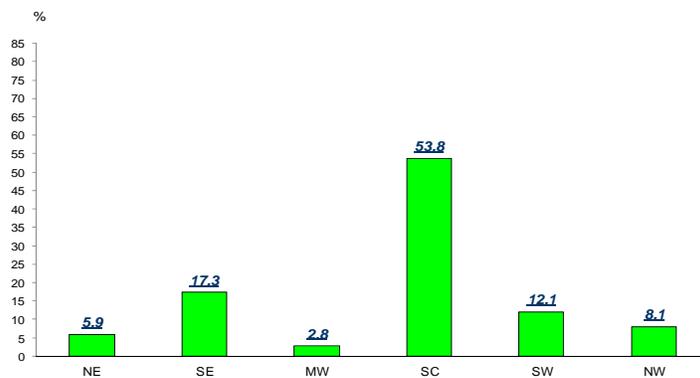
Organic milk ads this period increased significantly from recent periods to 906 ads. Nevertheless, this remains low compared with most of 2011. Organic yogurt ads are at the lowest level of the year, 116 ads, except for one period last spring when there were no organic yogurt ads. Egg nog ads declined from the previous period when there were 142 ads, to 80 ads this period.

Advertising information presented is compiled from 9,124 surveyed newspaper supermarket ads for the period December 3, 2011, to December 16, 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.

Newspapers in the South Central Region had more organic dairy ads than the five other regions combined. 53.8% of organic dairy ads ran in South Central region newspapers. The remaining regions include the Southeast with 17.3%, Southwest with 12.1%, Northwest, 8.1%, Northeast, 5.9%, and Midwest, 2.8%.

Regional Organic Dairy Ads As A Percentage of Surveyed Organic Dairy Ads 2011 - Week 50



Organic Dairy Product Emphasis. Organic milk ads dominated organic dairy advertising and 8 ounce organic milk ads dominated the milk category. The same was true for this period last year. There were nearly eight times as many organic milk ads as organic yogurt ads, nearly twice the comparative magnitude one year ago. Organic egg nog ads rounded out organic dairy ads, with 80 ads compared with 116 for organic yogurt and 906 for organic milk.

Organic Milk. Organic milk ads appeared in all regions. The South Central region led all regions, with 49.7% of ads. The remaining regions included the Southeast with 18.9%, Southwest with 13.1%, Northwest, 8.8%, Northeast, 6.4%. and Midwest, 3.1%.

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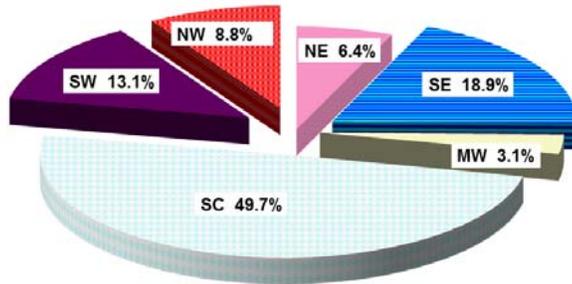
ORGANIC DAIRY MARKET NEWS

Information gathered December 3 - December 16, 2011

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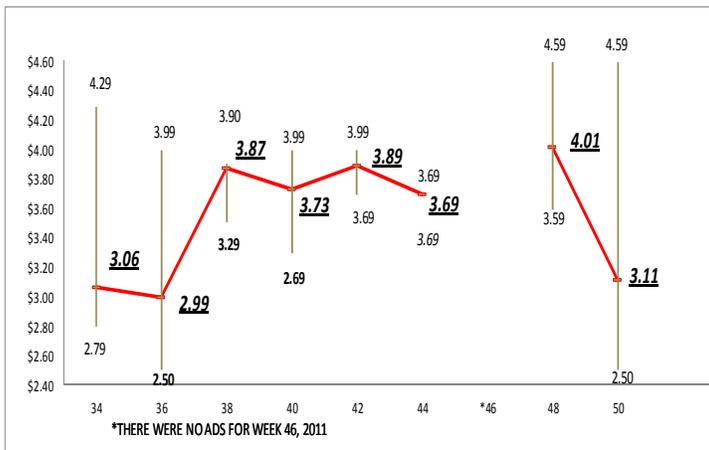
ORGANIC MILK FEATURES

Regional % of Nationally Surveyed Supermarket Ads Report - Week 50, 2011



Organic Milk Half Gallons. The national weighted average advertised price for organic milk half gallons decreased 90 cents to \$3.11. Noteworthy is the magnitude of the price range, \$2.09, the largest price range for organic half gallons since this data series began over two years ago. Prices ranged from \$2.50 for a store brand to \$4.59 for a national brand, with the upper end of the range remaining at the highest level since this data series began, for the second consecutive period. With tight organic milk supplies throughout the country, higher retail price levels seem consistent with supply conditions. The record setting wide price range, with a nearly low record price of \$2.50 (\$2.49 is the record low) in the Southeast, a region containing supermarkets with some empty cooler space for organic milk, is a curiosity related to retail strategy and not milk supply. The low price of \$2.50, has not occurred since the first week of September.

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

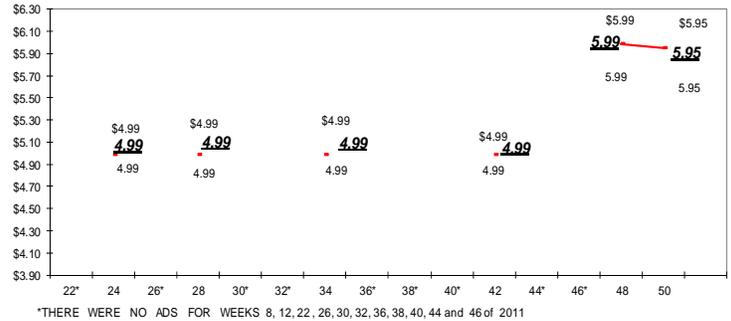


HALF GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	22.0	4.59
SE	47.7	2.50
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	30.3	2.99
US		3.11

Organic Gallons. The national advertised price for organic milk in gallons was \$5.95, with all of the ads in the Midwest Region and all priced at \$5.95. However, the number of ads, 28, is low in comparison with the total number of stores surveyed. The stores advertising organic gallons are identical with two weeks ago but the advertised price is now 4 cents lower.

Advertised Organic Milk Gallon Range and



Weighted Average Advertised Price by 2011 Week*

GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	----
SE	00.0	----
MW	100.0	5.95
SC	00.0	----
SW	00.0	----
NW	00.0	----
US		5.95

8 Ounce Organic Milk. Following an absence of ads for 8 ounce organic milk during the last two periods, ads returned this period at a level dominating organic milk ads. Because this milk is aseptically packaged, enhancing product sterility, it has a substantially longer multi-month shelf life than traditional milk half gallons and gallons and thus, retail availability is less influenced by current production/demand factors. The ads ran in three regions, led by the South Central Region with 73.3% of 8 ounce organic milk ads. All ads stated a price of \$1.00.

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	----
SE	07.3	1.00
MW	00.0	----
SC	73.3	1.00
SW	19.4	1.00
NW	00.0	----
US		1.00

Organic Yogurt. All organic yogurt ads ran in newspapers in the Northeast. Organic yogurt ads were for both 4 and 6 ounce containers. Not only was the number of organic yogurt ads at the lowest level of 2011, 116, about one-half the previous low, but were about one fourth of the number of organic yogurt ads for the same period last year.

6 Ounce Organic Yogurt. The national weighted average advertised price for 6 ounce organic yogurt increased 20 cents to \$0.88. All ads were for a national brand at the same price.

ORGANIC DAIRY MARKET NEWS

Information gathered December 3 - December 16, 2011

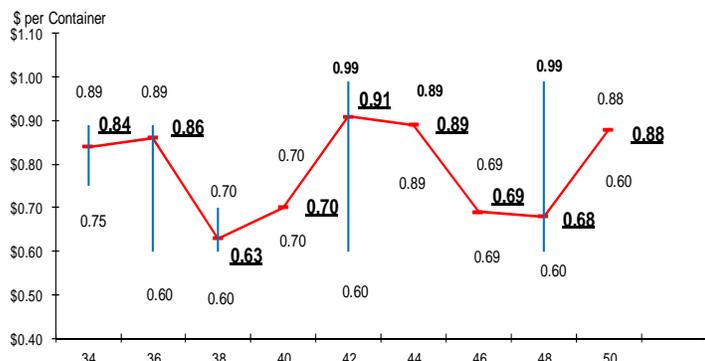
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6 OUNCE ORGANIC YOGURT ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	100.0	0.88
SE	00.0	----
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	00.0	----
US	00.0	0.88

The weighted average advertised price has strengthened from recent periods, as is illustrated on the following graph.

Advertised 6 Oz. Organic Yogurt Price Range and Weighted Average Advertised Price by 2011 Week



4 Ounce Organic Yogurt. All ads for 4 ounce containers of organic yogurt were for a national brand, priced 75 cents.

Organic Egg Nog. Organic egg nog ads seem to be winding down in magnitude. All 80 ads this period were for 32 ounce containers and ran in Northwest Region newspapers. The advertised price, \$3.49, is 50 cents higher than organic egg nog ads in the Northwest last 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 50**

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

GALLONS:	LOW	HIGH	RANGE
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

LOW HIGH RANGE

HALF GALLONS:

Whole	3.00*	4.19	1.10
Reduced Fat (2%)	3.00*	4.19	1.00
Low Fat (1%)	3.00*	4.49	1.40
Nonfat (Skim)	3.00*	4.19	1.10

CHOCOLATE HALF GALLON:

	3.09	5.69	2.60
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YOGURT

	.79	1.29	0.50
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CHEESE – 8 OUNCE BLOCKS:

Mozzarella	3.40*	5.75	2.35
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	4.99	1.10

BUTTER – 1 POUND

	4.25	6.19	1.94
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*=Price change from prior reporting period

Organic milk half gallons decreased to \$3.00 on the bottom of the range. The decrease was for a store brand in a regional supermarket chain store.

ORGANIC GRAIN AND FEEDSTUFFS MARKETS:

National organic grain and feedstuffs were mixed this period, with light to moderate demand reported on light offerings of grain. Feed grade corn was lower, while feed grade oats and barley were higher on a light test. Demand remains good for alternative feed grains in light of the corn market. Grain movement has been light due to the holiday season, with buyers and producers reporting that they anticipate the market to expedite after the first of the year. Supreme alfalfa hay in California was reported from \$275.00-\$300.00/ton, while premium alfalfa/timothy mixed hay was \$275.00/ton.

Eastern organic grain and feedstuffs prices were mostly firm with the exception of feed grade corn and feed grade oats, which were slightly higher. The bulk of the corn market was 11.00-12.50/bushel, with the higher range of the market found in the far northeast. Offerings of organic grains this period were light, with moderate demand due to the holiday season. Most people in the market are expecting market activity to increase after the first of the year. Livestock producers are said to be searching for more feed grade wheat due to the current corn prices.

Upper Midwest organic grain and feedstuffs prices were mostly steady, with a weaker undertone. Feed grade corn was steady, while feed grade soybeans averaged \$0.75 higher with soybean meal \$25.00 lower on a light test. Demand for most commodities continues to be moderate to good, with offerings mostly light for most commodities. Most contacts said trading was very slow due to many producers waiting until the New Year to sell sizable amounts of grain. Weather continues to be mild, with some areas experiencing rain and snow.

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

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES

Milk production forecasts for 2011 and 2012 are raised slightly, reflecting higher growth in milk per cow and slightly more cows in 2011. Fat basis imports are raised for 2011 and skim-solids basis imports are forecast slightly higher in 2012. Exports are forecast higher for 2011. For 2011, cheese and whey prices are unchanged, but butter and nonfat dry milk (NDM) price forecasts are reduced. Thus, the Class III price forecast is unchanged but the Class IV price is reduced. Cheese and butter prices for 2012 are lowered from last month but the whey price is raised. The range of the NDM price is narrowed. As a result of the higher whey price, the Class III price is raised, and the lower butter price results in a reduction in the Class IV price forecast. The all milk price is forecast at \$20.05 to \$20.15 per cwt. for 2011, and \$18.10 to \$18.90 per cwt. for 2012.

U.S. MILK SUPPLY AND USE					
Commodity	2010	2011 Projected		2012 Projected	
		November	December	November	December
BILLION POUNDS					
MILK					
PRODUCTION	192.8	195.9	196.1	198.4	198.5
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	10.9	10.9	11.2	11.2
MARKETINGS	191.8	195.0	195.1	197.5	197.6
IMPORTS	4.1	3.2	3.3	3.2	3.2
TOTAL COMMERCIAL SUPPLY	207.2	209.1	209.3	211.9	212.0
FAT BASIS USE					
COMMERCIAL EXPORTS	8.3	9.2	9.3	8.6	8.6
ENDING COMMERCIAL STOCKS	10.9	11.2	11.2	11.5	11.5
CCC NET REMOVALS <u>1/</u>	0.2	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.8	188.6	188.8	191.8	191.9
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	12.3	12.3	12.0	12.2
MARKETINGS	191.8	195.0	195.1	197.5	197.6
IMPORTS	4.8	5.3	5.3	5.1	5.2
TOTAL COMMERCIAL SUPPLY	208.0	212.6	212.7	214.6	214.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.1	33.1	33.6	31.9	31.9
ENDING COMMERCIAL STOCKS	12.3	12.0	12.2	12.1	12.1
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	164.0	167.4	166.9	170.6	171.0
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	8	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

2/ Includes commercial exports.

Continued on page 10

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2010	2011 Projected		2012 Projected	
		November	December	November	December
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.5226	1.820-1.830	1.820-1.830	1.685-1.775	1.675-1.755
BUTTER	1.7020	1.960-1.990	1.935-1.965	1.625-1.745	1.605-1.715
NONFAT DRY MILK	1.1687	1.500-1.520	1.495-1.515	1.355-1.425	1.360-1.420
DRY WHEY	0.3716	0.525-0.535	0.525-0.535	0.485-0.515	0.535-0.565
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	14.41	18.30-18.40	18.30-18.40	16.70-17.60	16.90-17.70
CLASS IV	15.09	19.05-19.25	18.95-19.15	16.40-17.40	16.35-17.25
ALL MILK <u>3/</u>	16.29	20.10-20.20	20.05-20.15	18.05-18.95	18.10-18.90
QUARTERLY					
	2011 III	2011 IV <u>4/</u>	2012 I <u>4/</u>	2012 II <u>4/</u>	2012 III <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	48.7	48.5	49.7	51.0	49.0
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	21.67	19.70-19.90	18.85-19.35	17.45-18.25	17.90-18.90
CLASS III PRICE <u>2/</u>	20.71	18.50-18.70	17.45-17.95	16.25-17.05	17.25-18.25
CLASS IV PRICE <u>2/</u>	20.00	17.50-17.80	16.45-17.05	16.30-17.20	16.35-17.45

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

Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-501, December 9, 2011.* Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

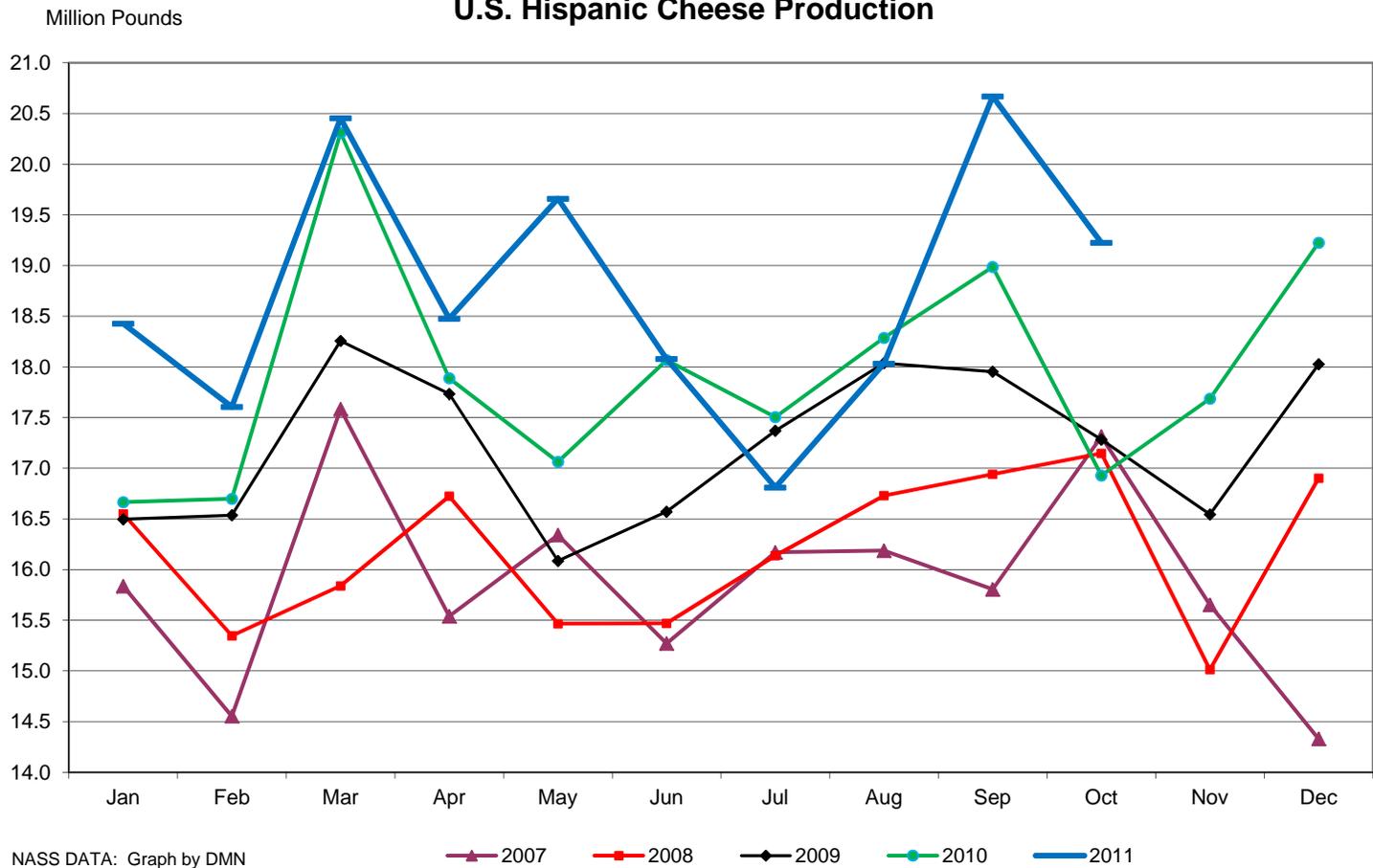
MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, SEPTEMBER 2011, WITH COMPARISONS

In September 2011, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.39 per cwt., down \$0.86 from the previous month's average, but up \$3.58 from September 2010. The component tests of producer milk in September 2011 were: butterfat, 3.65%; protein, 3.08%; and other solids, 5.72%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except the Appalachian States and Florida. Mailbox prices in September 2011 ranged from \$26.73 in Florida to \$19.26 in New Mexico.

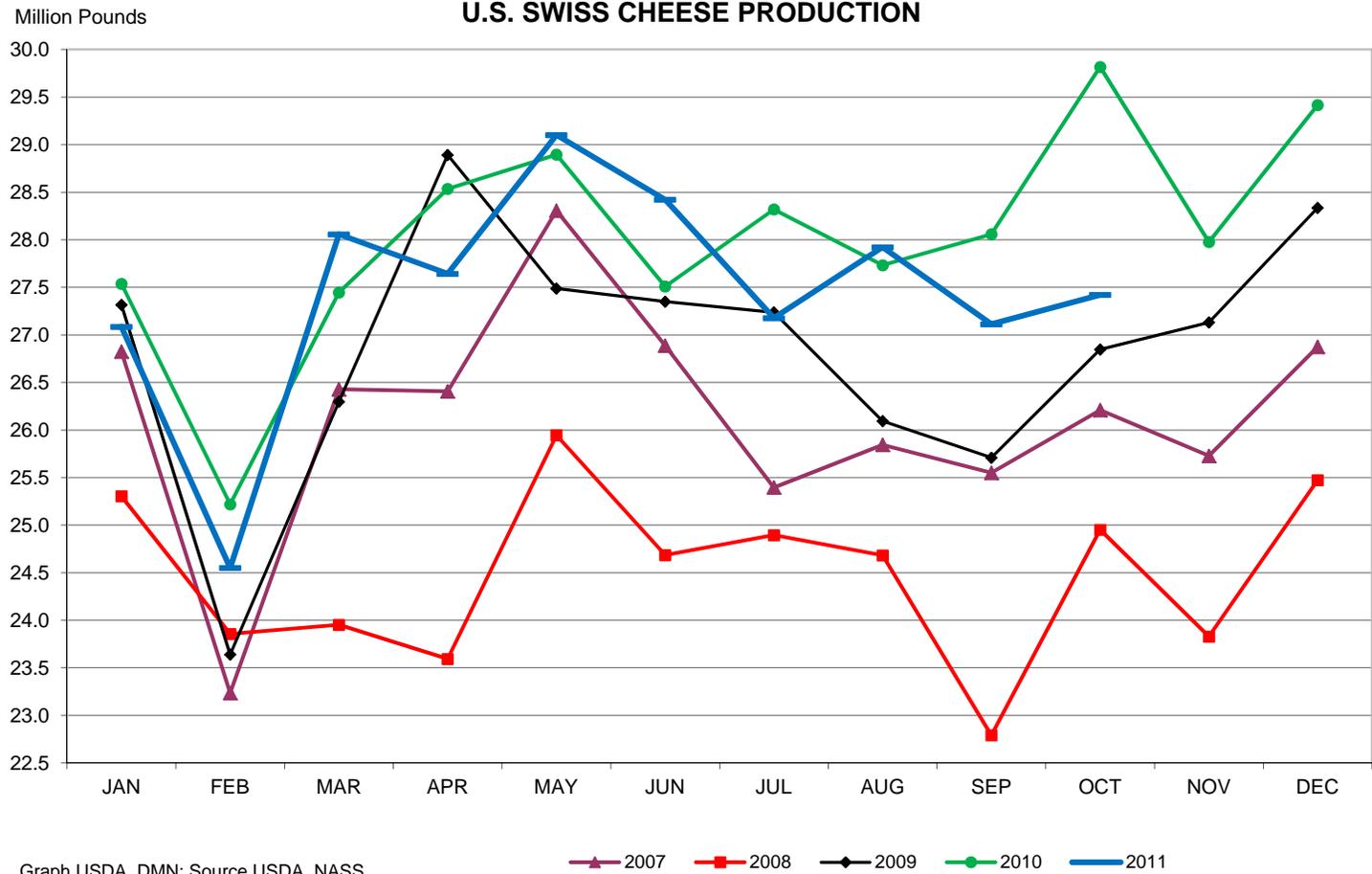
Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	September 2010	August 2011	September 2011
	Dollars per hundredweight		
New England States <u>3/</u>	18.84	23.36	22.69
New York	17.59	21.92	21.30
Eastern Pennsylvania <u>4/</u>	18.36	22.73	22.30
Appalachian States <u>5/</u>	19.36	23.89	23.98
Southeast States <u>6/</u>	20.11	24.87	24.76
Southern Missouri <u>7/</u>	17.96	22.78	22.54
Florida	21.63	26.72	26.73
Western Pennsylvania <u>8/</u>	18.51	22.87	22.31
Ohio	18.55	22.64	22.24
Indiana	18.22	22.06	22.03
Michigan	17.81	21.92	21.56
Wisconsin	17.70	22.31	20.95
Minnesota	17.71	22.10	20.59
Iowa	17.89	22.14	21.28
Illinois	18.15	22.60	21.78
Corn Belt States <u>9/</u>	17.42	21.61	20.89
Western Texas <u>10/</u>	16.86	21.45	20.44
New Mexico	15.90	20.17	19.26
Northwest States <u>11/</u>	17.33	22.07	20.73
All Federal Order Areas <u>12/</u>	17.81	22.25	21.39
California <u>13/</u>	15.99	19.85	18.61

1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices do not include any Milk Income Loss Contract (MILC) payments, but do include, for the most part, the assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ Includes all counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ Includes the counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these. 9/ Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 7/. 10/ Includes all counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of prices for all selected reporting areas. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

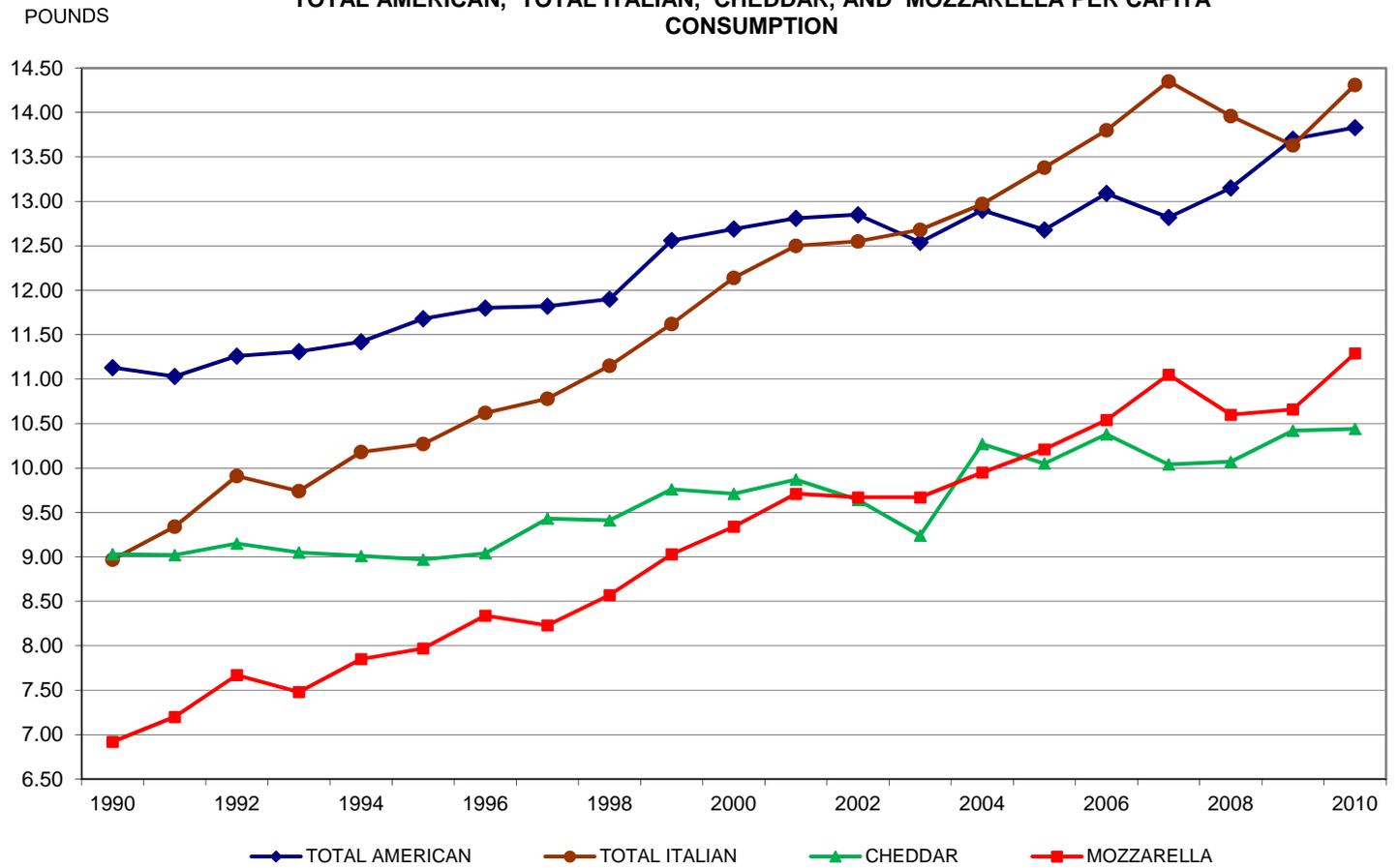
U.S. Hispanic Cheese Production



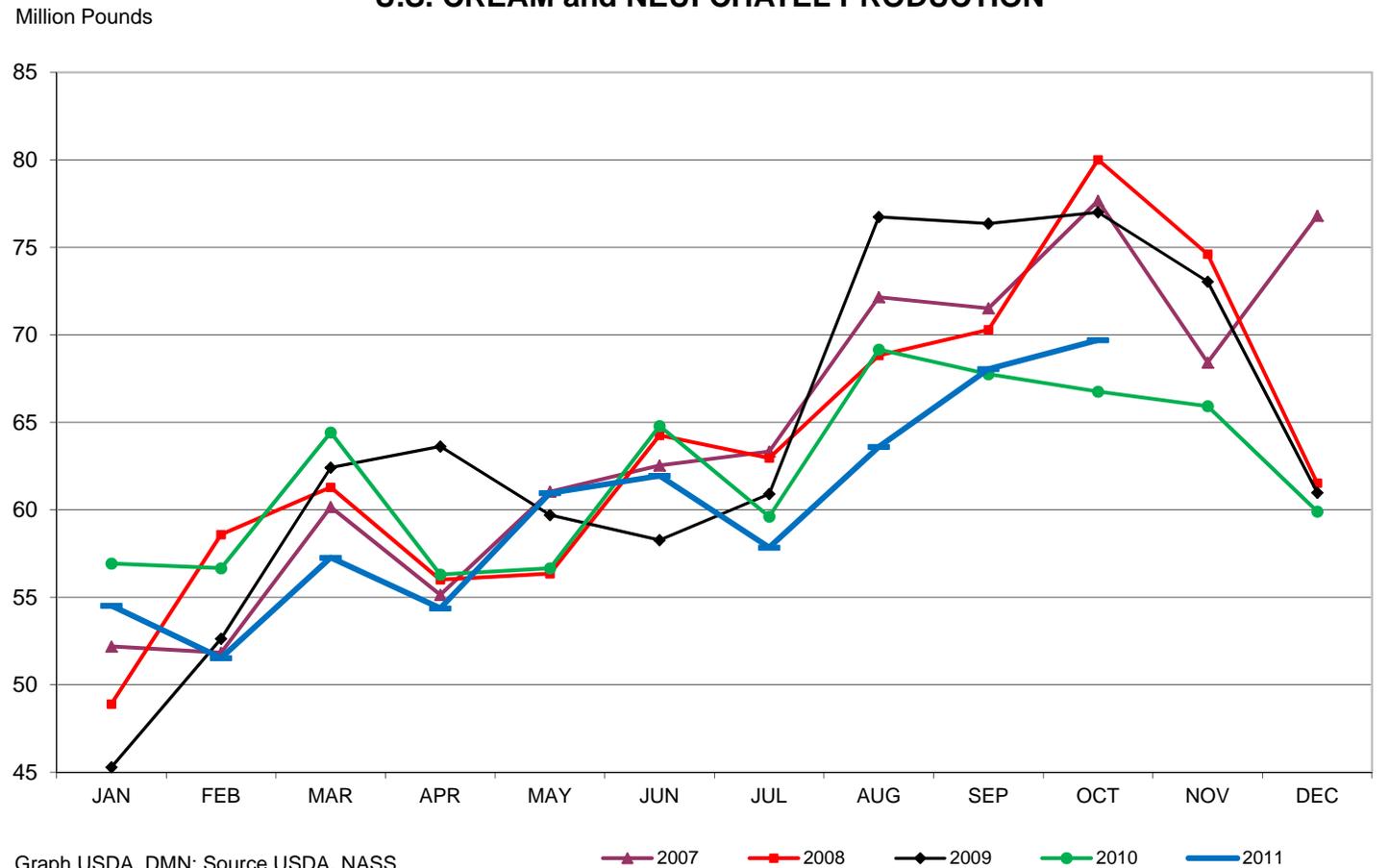
U.S. SWISS CHEESE PRODUCTION



TOTAL AMERICAN, TOTAL ITALIAN, CHEDDAR, AND MOZZARELLA PER CAPITA CONSUMPTION



U.S. CREAM and NEUFCHATEL PRODUCTION



Graph USDA, DMN; Source USDA, NASS

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