

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (12/30):**

BUTTER: Grade AA closed at \$1.5950. The weekly average for Grade AA is \$1.5950 (-.0015).

CHEESE: Barrels closed at \$1.5800 and 40# blocks at \$1.5625. The weekly average for barrels is \$1.5700 (+.0200) and blocks, \$1.5625 (N.C.).

BUTTER HIGHLIGHTS: The CME cash butter price has maintained a steady level for over a week and closed the year at \$1.5950. This yearly close compares to \$1.6700 last year at this time. Churning activity across the country during this yearend holiday period is seasonally strong with many butter operations churning at capacity levels. Cream offerings have been heavy and butter producers are being selective with the additional cream purchases. Many butter producers are indicating that they are generating bulk butter versus prints at this time. Butter orders are lighter this week as buyers assess holiday carryover volumes and prepare for the New Year. In many instances, buyers are hesitant to place large orders as many anticipate weaker prices in the New Year. Butter sales during the final quarter of 2011 have been much stronger than earlier anticipated. Once the cash price dipped below the \$2.00 level in September, buyers reevaluated their 4th quarter marketing plans and included heavier butter feature activity, not previously anticipated. Features were very prevalent during the final 6 - 8 weeks of the year which cleared heavy volumes of print butter. Some butter producers continue to comment on potential export opportunities early in 2012.

CHEESE HIGHLIGHTS: The CME Group cash cheese market held steady on blocks at \$1.5625 in a light trade, with no sales reported for the holiday shortened week. Barrel trading was also light with one sale reported and a bid raising the price of barrels to \$1.5800. The barrel price is above blocks for the first time since November 29. Last year's closing price on December 31, for barrels was \$1.3400 and blocks closed last year at \$1.3425. Natural cheese orders are better than process demand at this time. Cheese cutters and packagers are working reduced holiday schedules and slowing demand. Cheese plants are seeing increased milk offerings due to the holidays. The NASS Cold Storage report shows stocks of cheese (total) at the end of November 2011 at 970.6 million pounds, down 4% from last month and 5% lower than last year.

FLUID MILK: Milk production trends across the country are basically unchanged from previous weeks. Output in most areas of the country is stable while increasing in Florida. Milk logistics over the past holiday weekend and into the current week were challenging, but for the most part, no major problems developed outside of a minor powder plant breakdown in the Pacific Northwest. Milk in the affected area was shuffled to operating plants with minimal difficulties. The lack of major winter storms combined with the holiday falling on the weekend have provided for a smooth holiday period for most manufacturing plants. The biggest concern for milk processors is to get through the yearend holidays in as orderly of a fashion as possible and up to

this point, all is going well. Surplus milk offerings were heavy in most regions and manufacturing facilities were located in close proximity of production without too many long hauls reported. Cream placement was probably the most challenging. Cream volumes moved from Eastern and Western regions of the country into the Midwest for processing. In most areas of the country, churns were running at capacity and generating bulk butter versus print. Surplus milk offerings will start to ease during the upcoming New Year's holiday weekend as bottlers enhance their schedules as many primary and secondary school students return to the classroom on Tuesday, January 3.

DRY PRODUCTS: Although this is the yearend holiday period, dry product markets experienced price changes, but market activity was light. Often, especially at years' end, markets are quiet and less active. Nonfat dry milk markets are mixed as prices adjusted higher and lower. Low heat powder production was very active this week as manufacturers went this route to keep surplus milk volumes flowing. Buyer interest was at a low ebb as many end users were on hiatus for the holiday period and brokers/traders see little benefit to increasing inventories just before the end of the calendar year. Buttermilk powder markets are generally steady this holiday period, although prices did adjust higher in the Central region of the country. Churning activities, thus buttermilk volumes, are higher this week. Dry buttermilk inventories are increasing steadily as most buyers wait out the holiday period before accepting new shipments. Whey powder markets and prices are firm. Much of the price strength is being attributed to higher contract prices for 2012. Most contracts for 2012 are signed with some end users looking at tighter offerings.

ORGANIC DAIRY MARKET OVERVIEW (DMN): Data through October for estimated U.S. Sales of organic fat-reduced milk continued to grow above year earlier sales, uninterrupted since March 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country. Federal Milk Order No. 1 covering the Northeast Marketing Area, also provides utilization information for organic milk in regulated plants within the area. November 2011 organic whole milk sales were 8.3 million pounds compared with 9.1 million pounds during November 2010. Organic Fat reduced milk (which includes organic reduced fat, lowfat, skim, flavored and miscellaneous milk products combined) sales for November 2011, 21.3 million pounds, is equal to the sales reported in November 2010. This data does not include milk produced in other Market Orders but sold in the Northeast Market Order.

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CME GROUP CASH TRADING

| COMMODITY | MONDAY DEC 26 | TUESDAY DEC 27 | WEDNESDAY DEC 28 | THURSDAY DEC 29 | FRIDAY DEC 30 | WEEKLY CHANGE * | WEEKLY AVERAGE # |
|------------------------|------------------|--------------------|---------------------|----------------------|--------------------|--------------------|----------------------------------|
| CHEESE | | | | | | | |
| BARRELS | CME | \$1.5600 (N.C.) | \$1.5600 (N.C.) | \$1.5800 (+.0200) | \$1.5800 (N.C.) | :: :: (+.0200) | :: :: \$1.5700 :: (+.0200) |
| 40# BLOCKS | CLOSED | \$1.5625 (N.C.) | \$1.5625 (N.C.) | \$1.5625 (N.C.) | \$1.5625 (N.C.) | :: :: (N.C.) | :: :: \$1.5625 :: (N.C.) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | | \$1.4800 (N.C.) | \$1.4800 (N.C.) | \$1.4800 (N.C.) | \$1.4800 (N.C.) | :: :: (N.C.) | :: :: \$1.4800 :: (N.C.) |
| GRADE A | HOLIDAY | \$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 | | \$1.5950 (N.C.) | \$1.5950 (N.C.) | \$1.5950 (N.C.) | \$1.5950 (N.C.) | :: :: (N.C.) | :: :: \$1.5950 :: (-.0015) |

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**

With 2011 ending, comparing the 2010 and 2011 annual average price for retail half gallon organic reduced fat (2%) milk prices surveyed in Thirty City Series, shows 20 cities have higher prices for 2011 and 10 lower prices. Indianapolis, at \$4.19 for the 2011 annual average, is the city with 2010 to 2011 annual average prices up the most, 45 cents. Atlanta, at \$3.44 for the 2011 annual average, is the city with annual average prices down the most, 36 cents. Denver has the lowest annual average price for 2010, \$3.07, and 2011, \$3.02. Minneapolis has the highest annual average price for 2010, \$4.52, and 2011, \$4.55. The overall 2011 average price for the 30 cities combined, \$3.75, is 1 cent lower than the combined average for 2010. Turning to the Nationally Advertised Price Comparison, the national weighted average advertised price for organic milk half gallons increased 51 cents to \$3.62. The reason for the average price increase was the increase on the low end of the range. The low end of the price range increased 69 cents to \$3.19, while the upper end of the price range was unchanged at \$4.59. The low end of the range price increase occurred in the Southeast region, which was the same region that recorded the \$2.50 low end range price last period. The price increase on the low end of the range in the same region may be a result of the tightening organic milk supplies throughout the country and most notably in the Southeast. The national advertised price for organic milk in gallons was \$5.99, with all of the ads in the Southeast Region and all priced at \$5.99. The weighted average price increased 4 cents compared to last period. The national weighted average advertised price for 6 ounce organic yogurt decreased 21 cents to \$0.67. All ads were for a national brand at the same price in the Northeast Region.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The December Class II, III, and IV prices and change from November are: Class II \$18.08, -\$1.18; Class III \$18.77, -\$0.30; and Class IV \$16.87, -\$1.00. Under the Federal milk order pricing system, the butterfat price for December 2011 is \$1.7443 per pound. Thus, the Class II butterfat price is \$1.7513. The protein and other solids prices for December are \$3.3404 and \$0.4683 per pound, respectively. These component prices set the Class III skim milk price at \$13.12 per cwt. The December Class IV skim milk price is \$11.16 which is derived from the nonfat solids price of \$1.2398 per pound. The product price averages for December are: butter \$1.6119, nonfat dry milk \$1.4201, cheese \$1.8070, and dry whey \$0.6538.

CME GROUP

MONDAY, DECEMBER 26, 2011
CME CLOSED - NO TRADING

TUESDAY, DECEMBER 27, 2011
CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5500; LAST OFFER UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5950; LAST OFFER UNCOVERED: NONE

WEDNESDAY, DECEMBER 28, 2011
CHEESE -- SALES: 1 CAR BARRELS @ \$1.5600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4200; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5950; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 29, 2011
CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5800; 1 CAR 40# BLOCKS @ \$1.5625; LAST OFFER UNCOVERED: NONE
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5950; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 30, 2011
CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6000
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5950; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price was unchanged Tuesday and closed at \$1.5950. Butter prices have been at the \$1.5950 level for the past 5 trading sessions. Butter production has expanded dramatically as holiday cream supplies are heavy, causing most churns to operate at capacity. Both unsalted and salted butter varieties are being made and being stored in print and in bulk. Demand is fairly good for butter as buyer who were hand to mouth buyers prior to the holiday are building some inventory as supplies are becoming more available at lower prices. Export orders received earlier in the year are now being filled and being readied for shipment by the end of the year. According to the latest NASS Cold Storage report, butter in storage on November 30, totaled 94.9 million pounds, 35.8 million pounds less (-27%) than the prior month stocks, but 25.0 million pounds more (36%) than November 2010 stocks. 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 has remained at \$1.5950 since midweek last week. Some butter producers and handlers are surprised at the stability of this price. Many continue to anticipate a weaker cash price in the near future. Churning activity between the two yearend holidays is seasonally strong as cream volumes are readily available to butter producers. Surplus cream offerings remain heavy this week and will be basically through the weekend, but are lighter for earlier in the week next week. Class II cream based operations will once again resume processing schedules early

in the week, thus absorbing volumes of cream that were surplus during the previous 10 - 14 days. Butter orders are light this week and orders that are being placed are for short term or immediate needs. Often buyers are hesitant to place large orders at this time as many anticipate that prices might ease in the New Year. Retailers are commenting on the strong butter clearances during the final quarter of the year. Much of the clearance was stimulated by retail feature activity on both store and national brands. Traders and handlers continue to report international buyer interest for first quarter deliveries. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

WEST

Western butter prices are mostly steady as churns are busy with additional cream offerings over the holidays. Reduced demand for Class II production created extra supplies. Churns are operating on full schedules to process the supply. Print lines have slowed dramatically, while bulk butter is taking the lion's share of production. Butter manufacturers are content to build inventories now that prices have come down. Prices for bulk butter range from even to \$.0700 cents under the market, based on the CME with various time frames and averages used. Butter trading on the CME Group for Wednesday was unchanged at \$1.5950. Prices are remaining steady this week with the market closed on Monday for the holidays. With the end of the year approaching, prices have held steady for the previous six trading sessions. No sales have been reported at the CME Group so far this week. According to the NASS *Cold Storage* report, stocks of butter as of November 30, 2011, total 94.9 million pounds, +36% or 25.0 million pounds more than November of last year. Stocks were 27% lower or 35.8 million pounds less than October 2011.

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

| WEEK ENDING | CHEESE 40# BLOCKS | CHEESE BARRELS 38% MOISTURE | NDM | BUTTER | DRY WHEY |
|-------------------|----------------------|--------------------------------|----------------------|---------------------|---------------------|
| December 24, 2011 | 1.6977 10,744,611 | 1.6356 7,780,361 | 1.3766 29,462,123 | 1.5918 2,990,339 | 0.6599 5,536,434 |

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were unchanged Tuesday with barrels closing at \$1.5600 and blocks closing at \$1.5625. The CME Group weekly average cheese prices were mixed and caused Process 5# sliced cheese to increase \$0.0025, but Cheddar 40# blocks and Muenster declined \$0.0275. Cheese makers have plenty of milk and some are trying to limit production and inventory expansion as sales are expected to slow after the holidays.

The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of November 30, 2011 totaled 970.6 million pounds, 4.0% less than one month ago and 5.0% less than one year ago. A majority of the holdings are in the form of American cheese (60.4%) totaling 586.4 million pounds, 5% less than the amount one month ago and 6% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.5%) totaling 354.6 million pounds, 3% less than one month ago and 5% less from one year ago. Swiss cheese accounts for 3.1% of holdings at 29.6 million pounds, 8% less than one month ago, but 3% more than one year ago.

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

| | | |
|-----------------------------|---|---------------|
| Cheddar 40# Block | : | 1.8775-2.1525 |
| Process 5# Sliced | : | 1.6600-1.7800 |
| Muenster | : | 1.8975-2.2250 |
| Grade A Swiss Cuts 10 - 14# | : | 3.5200-3.8425 |

MIDWEST

Cheese markets are generally steady following strength in barrels last week at the cash CME cheese market. Late last week, both barrels and 40# blocks were unchanged and remain so early in this holiday shortened trading week. Natural cheese orders continue to outpace process demand at this time. This is typical for this time of the season and will continue into the new year. Holiday cheese orders have been good and remain strong. Retail feature activity prior to the Christmas holiday cleared good volumes of natural cheese and many cutters and handlers indicate that cheese orders will remain active until at least the Super Bowl. Cheese output during the yearend holiday period has remained strong with most operations following normal production schedules. Some cheese producers indicated that surplus milk volumes were available to them over the holiday period, but often did not take advantage of the offerings due to price or they were comfortable with their holiday production schedules. In many instances, cheese cutters and packagers will be running on a 4 day week this week and next.

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

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.9100-2.3600 |
| Brick And/Or Muenster 5# | : | 2.0700-2.4400 |
| Cheddar 40# Block | : | 2.0700-2.8650 |
| Monterey Jack 10# | : | 2.0400-2.8650 |
| Blue 5# | : | 2.3350-3.1300 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.9150-2.9650 |
| Grade A Swiss Cuts 6 - 9# | : | 2.9300-3.3300 |

WEST

Western wholesale cheese prices were weaker as weekly average prices continued to retreat for blocks. Cheese sales above and beyond contract amounts are light as buyers and sellers appear content to close out the year. Cheese manufacturers saw some additional milk over the Christmas weekend. Export interest was light. Activity at the CME Group for the holiday shortened week is very light. Barrels closed unchanged at the CME Group on Wednesday to settle at \$1.5600. Blocks were unchanged at \$1.5625. Traders appear content with current price levels to finish out 2011. Barrel prices have held steady for the last four trading sessions and blocks have held steady for the last eight trading days. One sale of barrels was reported on Wednesday for the only sale this week. According to NASS, *Cold Storage* stocks of cheese (total) at the end of November 2011 are 970.6 million pounds, down 5% or 55.5 million pounds less than November 2010. American stocks were down 6%, and Other Natural stocks were 5% lower than last year. Swiss stocks at the end of November total 29.6 million pounds, up 3% or 0.8 million pounds more than November 2010.

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

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.6775-1.9350 |
| Cheddar 40# Block | : | 1.6900-2.0425 |
| Cheddar 10# Cuts | : | 1.8700-2.0900 |
| Monterey Jack 10# | : | 1.8800-2.0400 |
| Grade A Swiss Cuts 6 - 9# | : | 3.0975-3.5275 |

FOREIGN

The CME Group weekly average block price declined, lowering domestic wholesale prices by \$0.0275. Prices for Swiss cuts remained unchanged. Importers are reminded that December 31 is the last day for licensees to fulfill the requirement to use 85% of their 2011 license amount. The price gap between domestic and imported Swiss cheese continues to keep domestic sales sluggish. Swiss production has expanded following the increase in holiday milk supplies.

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

| VARIETY | NEW YORK | |
|--------------------------|-----------------|------------------|
| | IMPORTED | DOMESTIC |
| Blue | : 2.6400-5.2200 | : 2.0175-3.5050* |
| Gorgonzola | : 3.6900-6.3900 | : 2.5200-2.7800* |
| Parmesan (Italy) | : -0- | : 3.1400-3.6950* |
| Provolone (Italy) | : 3.4400-6.3900 | : 2.0600-2.2175* |
| Romano (Cows Milk) | : -0- | : 3.2075-5.3500* |
| 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- | : 3.6125-3.9350 |
| Swiss Cuts Finnish | : 2.5900-2.8500 | : -0- |

*= Price change.

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

| | BUTTER | : | CHEESE |
|----------|--------|---|---------|
| | | : | |
| 12/26/11 | 1,281 | : | 134,558 |
| 12/01/11 | 3,778 | : | 130,196 |
| CHANGE | -2,497 | : | 4,362 |
| % CHANGE | -66 | : | 3 |

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 | 0 | 20 | 8 | 0 | 0 | 220 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

Nearly all churns and dryers are operating at capacity as holiday milk supplies are heavy in the Northeast and Mid-Atlantic regions. The increased manufacturing milk supplies, caused by reduced Class I demand and various holiday shutdowns, are being managed with minimal delays at most all locations. The greatest delays, of up to 4 hours, occurred over the weekend. Milk production in Florida continues to increase with near perfect weather for milk production and increasing herd numbers. Class I demand has declined, but is expected to increase next week when most primary and secondary schools resume on January 3. Milk production increases and Class I declines have brought about the export of 20 spot loads his week. This is the first time in 32 weeks that Florida has exported milk. Substantially increased manufacturing milk supplies are being handled without major delays in the Southeast region. All auxiliary manufacturing plants were used over the holiday weekend. Class I demand was lower, but saw some increases coming off the weekend. The lack of major winter storms combined with the holidays falling on the weekend have provided for a smooth holiday period for most manufacturing plants in the region. Cream supplies are very heavy over the holiday period with some shipments moving out of region on the weekend. Demand is fairly good at lower prices. Most cream supplies are being channeled to churns. Cream multiples range from 107 to 115. Some truckers hauling cream significant distances are adding holiday trucking surcharges. Starting January 1, cream supplies are expected to decline as cream product manufacturers, previously shut down for the holiday, begin to refill their silos and prepare to resume production. Cream contracts for 2012 continue to be finalized with the trend for contracts to be lower priced and for less volume compared to 2011. Class III condensed skim demand has declined as cheese makers have plenty of milk and slowing cheese sales. Class II condensed skim prices declined following Friday's release of Advanced prices and pricing factors. A majority of the holiday condensed skim supplies are being channeled to dryers.

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 - | 1.7083-1.8360 |
| F.O.B. producing plants: Upper Midwest - | 1.7562-1.9477 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

| | |
|--|-------------|
| Northeast - Class II - includes monthly formula prices - | 1.48 - 1.53 |
| Northeast - Class III - spot prices - | 1.55 - 1.60 |

MIDWEST

Class I demand is light as holiday grocery shopping trends continue for many customers this week. The school pipeline will begin refilling late this week/early next week as some schools resume midweek in January. With that being the school schedule, milk handlers still have to find manufacturing capacity for that "bottler" milk through this week. Discounts on milk spot loads reportedly range up to -\$3.50, but interest is variable. Production of nonfat dry milk is at full capacity at several plants, with some of the overflow of condensed skim loads moving to

Class III plants in order to be processed in a timely manner. Some cheese plant operators report they are only handling their regular milk supplies this week, including the loads that usually go to fluid demand. They declined purchases of attractively priced spot loads of milk to avoid building cheese inventories while cheese ordering is slow. Cream demand is light from Class II end users, with the cream supplies in the Central region being augmented by spot loads from both the East and West. Transportation costs of some cream loads carried a holiday premium, especially from the East where haulers were difficult to hire. Weather cooperated with transportation in most areas of the Central region this week. Churning is active at most Central facilities, with bulk butter production taking over as print demand fades seasonally.

WEST

CALIFORNIA milk production trends are steady with recent weeks. The biggest concerns are to get through another holiday weekend and the typical, yet disorderly distribution of the surplus milk supplies in as orderly of a fashion as possible. Overall, things went well over last weekend and into this week as the planning and foresight were complemented with plants working well. There were pockets where milk supplies were longer. There are concerns that lower Class 1 pulls this week ahead of a traditionally light, fluid milk needs holiday will make the upcoming weekend more stressful in processing the milk supplies. November 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.20 billion pounds, 7.0% higher than last year, according to CDFA. The November blend price, at a fat test of 3.79%, is \$18.86, \$0.67 higher than October and \$2.98 more than November 2010. The percentage of receipts used in Class 1 products is 15.3%. The November quota price is \$19.31 and the over quota price is \$17.61. These prices are \$0.40 higher than October and \$2.86 more than a year ago. ARIZONA milk output is mostly "flat". Weather conditions are mostly favorable for cow comfort. Milk intakes are heavy at processing plants to balance the surplus offerings available over the holidays. Equipment is running hard to keep things in balance. Class I interest is light with fluid customers pushing back additional volumes this week. Western CREAM markets are in the flux of the yearend holidays. Buying interest is subdued, especially if the deals are into higher Class items or involve transporting to distant locations. Cream is being placed into butter churns, where more bulk butter is being produced. At the CME, Grade AA butter closed at \$1.5950 on Wednesday, December 28, unchanged from a week ago. Western cream multiples moved lower on both ends of the 100-120 range and vary based on class usage and basing points. Milk handlers in the PACIFIC NORTHWEST were busy with additional supplies due to the holiday shortened week. Class I and II usage has dropped off as holiday shipped items are out the door. The added milk volumes were expected. Reports of a minor breakdown at a powder plant caused some milk to be moved to different plants, but no serious handling problems occurred. Seasonally wet weather along the coast is keeping pastures green, while further inland dairy farmers are relying on harvested forages for feed. High alfalfa prices are a factor in restricting expansion plans. Milk pooled on the Pacific Northwest Order 124 totaled 660.8 million pounds in November 2011; approximately 626 producers delivered milk to the market. The average daily delivery per producer was 35,185 pounds. Class I utilization was 192.4 million pounds and accounted for 29.1 percent of producer milk. The producer price differential (PPD) for the Pacific Northwest Order was a negative \$0.30 per cwt., resulting in a statistical uniform price of \$18.77 per cwt. The statistical uniform price for the Pacific Northwest Order was \$0.03 below last month, and \$2.06 above the same month last year, an increase of 12.3%. UTAH and IDAHO milk production is following expected volumes. No serious winter storms have occurred so far this year, allowing easy movement of milk to processors. Area processors are able to handle the bulk of the local production.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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: Central nonfat dry milk prices are unchanged on the mostly series, but higher on the range series. The market is mixed. Spot sale activity is at low ebb as many end users are on hiatus for the holiday period, and brokers/traders see little benefit to increasing inventories just before the end of the calendar year. Contract negotiations continue for some manufacturers. Some buyers are locking in quantities below their full 2012 needs to provide some coverage, while still allowing for opportunities to buy at reduced prices should the market shift lower. Fluid demand remains light as most schools within the region are closed for the week and not providing student meals. Condensed skim sales into Class II manufacturing locations are at a standstill as much of the holiday related production of novelty drinks and frozen desserts is done. Production of NDM is at full capacity at several plants, with some of the overflow of condensed skim loads moving to Class III plants in order to be processed in a timely manner.

EAST: Prices for nonfat dry milk were mixed this week in very light trading. Low heat NDM prices increased on the full range, but held steady on the mostly range as trading volumes were light to the degree as to not justifying a price change. High heat NDM prices moved lower with some suppliers moving some spot loads at lower prices in order to clear some inventory. Production of low heat nonfat dry milk has increased significantly and is near capacity volumes as manufacturers attempt to clear heavy holiday milk supplies in a timely manner. Demand is limited as most buyers have adequate supplies and are not inclined to expand inventories. Many prospective buyers are taking a wait and see attitude, wanting to see where supplies and prices are after the heavy holiday production period.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.4000 - 1.5225 MOSTLY: 1.4200 - 1.4700
 HIGH HEAT: 1.5100 - 1.6000

NONFAT DRY MILK - WEST

Pricing levels for low/medium heat nonfat dry milk are lower on the bottom end of the range, unchanged for the mostly series. The market tone is unsettled to weaker. Trade news was limited during the holiday-shortened week. Buying interest is traditionally light. The weekly NDM index for California this week was announced nearly 7 cents lower on increased volumes. Lower international pricing and year end considerations factor into recent sales. Regional NDM production levels are high as plants are full to handle the milk supply over the holiday period. There were some issues in at least one drying plant that caused milk to be diverted to other plants. Stock levels are building. Western high heat NDM prices are unchanged in a very quiet market. Demand is very light and met by sellers with little need to sell their limited holdings. Drying levels were variable, but the need for capacity limited high heat output. Stocks are mostly light and in balance.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3000 - 1.4825 MOSTLY: 1.3700 - 1.4300
 HIGH HEAT: 1.4300 - 1.5375

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are unchanged to higher in the Central region on light trading activity. Ice cream plants at several locations scaled back on operations during this end of the year period and sharply decreased their cream needs. Also, production of some novelty holiday drinks has also tapered off seasonally. Cream

availability improved steadily beginning in the middle of last week and that trend continues through most of this week. Spot cream loads from within the region are moving to various churning operations, and spot loads from Eastern and Western locations are also clearing into the Central region to find Class IV processing capacity. Bulk butter and buttermilk production are correspondingly higher for the week. Dry buttermilk inventories are increasing steadily as most buyers wait out the holiday period before accepting new shipments.

EAST: Dry buttermilk prices increased for the first time in 5 weeks as the low end of the range advanced in very light holiday trading. Churns are operating at capacity at most locations in the East, significantly increasing butter and dry buttermilk production. Nearly all supplies of condensed buttermilk are being channeled to dryers as most ice cream manufacturers remain on holiday shutdowns. Export interest continues, but domestic demand has declined as most buyers have adequate supplies and are taking a wait and see attitude to future purchases, wanting a clearer picture of the market.

F.O.B. CENTRAL/EAST: 1.2900 - 1.4100

DRY BUTTERMILK - WEST

Western dry buttermilk prices are unchanged. Trading activity was very light during the holiday-shortened week. Demand is limited because of inventory considerations, transportation conflicts, and because most manufacturers using buttermilk as an ingredient have taken down time over the yearend. Production of dry buttermilk is mixed. There are available buttermilk solids coming off active butter making schedules. Competition for drying times with nonfat dry milk is a limiting factor. Yearend stocks at the producer level are light to moderate.

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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady. Dry whole milk production is active at several plants this week as manufacturing milk intakes remain strong. Cream/condensed skim milk demand is seasonally low as many Class II facilities have geared down on the production of holiday items. With light demand for these dry whole milk components and increased manufacturing milk intakes, dry whole milk production is helping clear both condensed skim and cream for some plants. Spot market activity is light and shipping is at a standstill for some plants as buyers hold off until 2012 for inventory rebuilding.

F.O.B. PRODUCING PLANT: 1.7500 - 1.9000

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| December 23 | \$1.3556 | 27,026,258 | 0 |
| December 16 | \$1.4254 | 13,444,861 | 0 |

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices moved higher on a firm market. Contract negotiations for 2012 continue, with some customers frustrated by the strength in price premiums while also understanding that Central dry whey supplies are generally short of current demand. Dry whey interest is steady, with some buyers turning to the resale market for fulfillment. Resale prices reportedly range from the low to mid \$.70's. F.O.B. spot load availability is light in the Central region, but some individual loads of Eastern dry whey reportedly cleared into the Central region with nominal price enhancements. Central dry whey production increased slightly this week, boosted by increased availability of manufacturing milk. ANIMAL FEED DRY WHEY prices are unchanged to slightly higher on a firm market. Supplies are reportedly in balance with yearend demand. Some dry feed blenders indicate finished product orders are on the rise as some customers want to build inventories before anticipated 2012 price increases.

F.O.B. CENTRAL: .6200 - .7000 MOSTLY: .6300 - .6800
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4850 - .6275

DRY WHEY - NORTHEAST

Prices for dry whey marched higher under contract formulations and are expected to rise again next week when higher 2012 contract pricing begins. Cheese and dry whey production have increased following the increase in holiday milk supplies being channeled to cheese makers. Product is moving through contracts with no spot sales reported. Supplies continue to be tight. Additional loads are being secured through resale opportunities with prices above the \$.7000 level. The market undertone remains very firm with good domestic and export demand.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6625 - .6850

DRY WHEY - WEST

Western dry whey markets continue to show strength as contract sales inch higher. Various pricing indices tied to many contracts continue to adjust higher. Spot sales activity is light due to tight offerings. Spot buyers are content to close the books on 2011 and wait to see what the new year will offer for buying opportunities. Contracts for 2012 are mostly signed with some end users looking at tighter offerings. Competition from concentrated whey protein products is the main reason for lower supplies. Cheese plants are receiving some additional milk over the holiday period and this is hoped to increase whey production.

NONHYGROSCOPIC: .6300 - .7075 MOSTLY: .6575 - .6975

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices on the mostly series are steady, with a one cent increase on the top of the range. The market tone is firm. Because of diminished Class I demand, WPC 34% production for the week is expected to show an increase compared to non-holiday weeks as several cheese plants held back the milk loads that usually clear to bottlers. This week, one or two manufacturers are getting back on track after resolution of production problems and other producers are focusing on 2012 contract fulfillment. WPC 34% spot sale activity is light. Some manufacturers indicate new buyers continue to request samples for the supplier approval process although the 2012 contracting process is close to being finalized.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4100 - 1.5200 MOSTLY: 1.4400 - 1.4800

LACTOSE - CENTRAL AND WEST

Lactose prices are steady on a firm market as Q4 draws to a close. Spot sale activity is minimal as F.O.B. inventories are light and manufacturers are focusing on 2012 contract fulfillment. Lactose production increased at several locations this week as the seasonal decrease in bottler demand sent more manufacturing milk to Class III facilities.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL: .6200 - .9050 MOSTLY: .7300 - .8100

CASEIN - NATIONAL

Casein markets are unsettled as the end of the 4th quarter nears and the New Year is just around the corner. Handlers and suppliers are indicating that prices will ease somewhat, but not to the levels that were previously anticipated. Supplies of casein are basically in balance with known needs, but less available for spot inquiries. European suppliers continue to fill needs from inventoried stock, while Oceania suppliers are filling needs from current production. Casein production in the Oceania region continues, but is declining as milk volumes decrease.

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

As of January 2012, DMN will no longer show the CCC Purchase table unless purchases occur. The last CCC purchase occurred in October 2009.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF DECEMBER 26 - 30, 2011 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|--|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/11 | SAME PERIOD LAST YEAR | WEEK ENDING 12/23/11 | SAME PERIOD 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 12/10/11 & Comparable Week 2010

| Regions* (000 HEAD) | | | | | | | | | | | U.S. TOTAL | | % DAIRY OF ALL | |
|---------------------|------|-----|------|------|------|------|------|------|------|-----|------------|-------------|----------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | WEEK | SINCE JAN 1 | WEEK | SINCE JAN 1 |
| 2011-Dairy | N.A. | 0.7 | 9.9 | 3.9 | 21.7 | 3.8 | N.A. | N.A. | 16.9 | 2.8 | 61.6 | 2,795.0 | 42.2 | 43.6 |
| 2010-Dairy | N.A. | 0.6 | 8.8 | 3.4 | 21.8 | 4.3 | 0.2 | N.A. | 15.9 | 3.2 | 59.9 | 2,683.8 | 42.9 | 43.5 |
| 2011-All cows | N.A. | 0.8 | 12.5 | 15.2 | 42.4 | 26.7 | N.A. | N.A. | 22.7 | 4.3 | 145.9 | 6,411.9 | | |
| 2010-All cows | N.A. | 0.7 | 11.0 | 14.9 | 38.5 | 26.1 | 16.9 | N.A. | 20.2 | 6.9 | 139.5 | 6,172.8 | | |

The cow slaughter table will be simplified in 2012 but will continue dairy cow weekly totals but without regional data.

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)

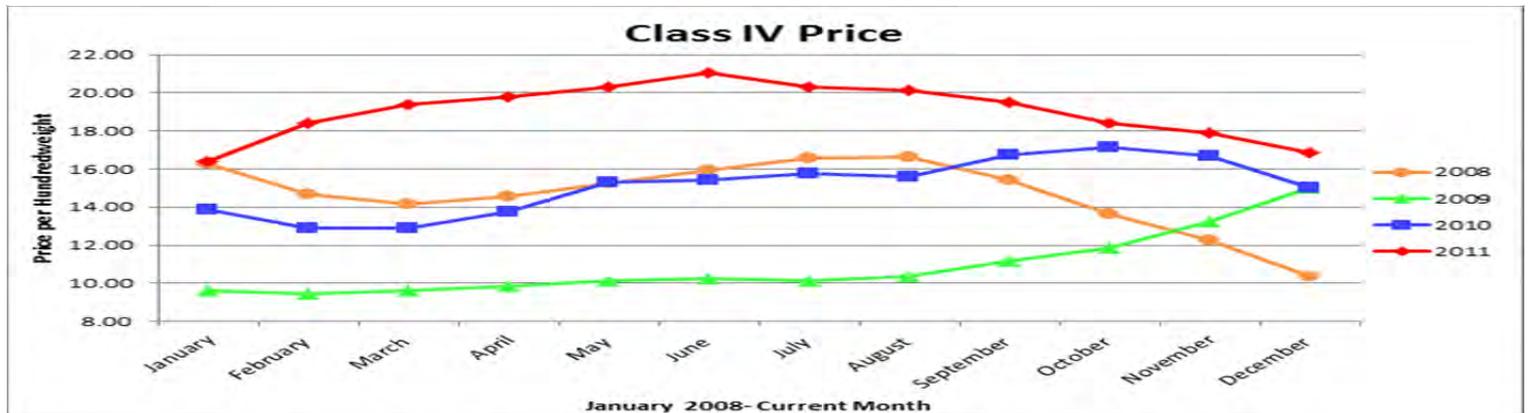
| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2007 | 12.53 | 12.71 | 13.71 | 16.12 | 18.48 | 20.76 | 21.64 | 21.87 | 21.61 | 21.31 | 20.40 | 19.18 |
| 2008 | 16.29 | 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 | 18.80 |
| II | 16.79 | 17.97 | 18.83 | 19.66 | 20.63 | 21.37 | 21.29 | 21.55 | 20.55 | 19.41 | 19.26 | 18.08 | |
| III | 13.48 | 17.00 | 19.40 | 16.87 | 16.52 | 19.11 | 21.39 | 21.67 | 19.07 | 18.03 | 19.07 | 18.77 | |
| IV | 16.42 | 18.40 | 19.41 | 19.78 | 20.29 | 21.05 | 20.33 | 20.14 | 19.53 | 18.41 | 17.87 | 16.87 | |

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

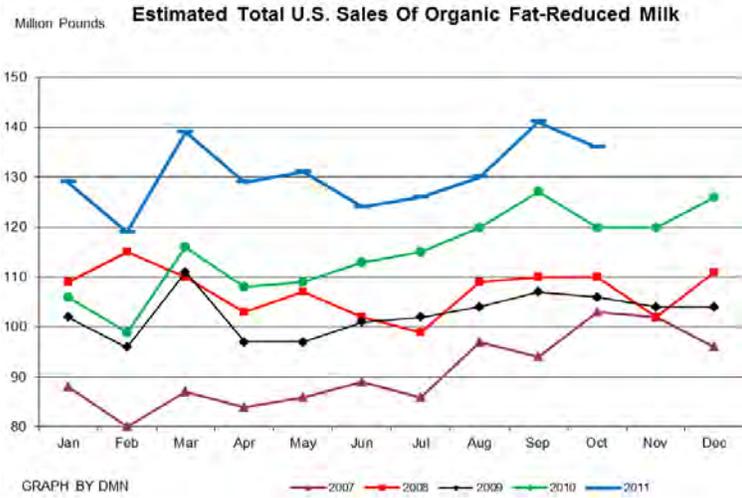


ORGANIC DAIRY MARKET NEWS

Information gathered December 19 - 30, 2011

ORGANIC DAIRY FLUID OVERVIEW

Data through October for estimated U.S. Sales of organic fat-reduced milk graphed below, illustrates the continued growth of sales above year earlier sales, uninterrupted since March 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country.

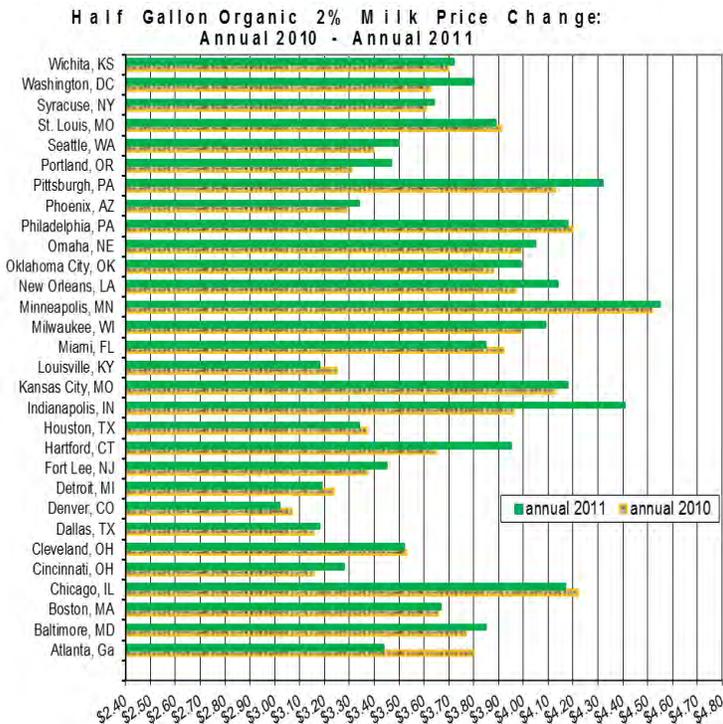


Federal Milk Order No. 1 covering the Northeast Marketing Area, also provides utilization information for organic milk in regulated plants within the area. November 2011 organic whole milk sales were 8.3 million pounds compared with 9.1 million pounds during November 2010. Organic Fat reduced milk (which includes organic reduced fat, lowfat, skim, flavored and miscellaneous milk products combined) sales for November 2011, 21.3 million pounds, is equal to the sales reported in November 2010. This data does not include milk produced in other Market Orders but sold in the Northeast Market Order.

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

With 2011 ending, comparing the 2010 and 2011 annual average price for retail half gallon organic reduced fat (2%) milk prices surveyed in Thirty Cities, shows 20 cities have higher prices for 2011 and 10 lower prices.

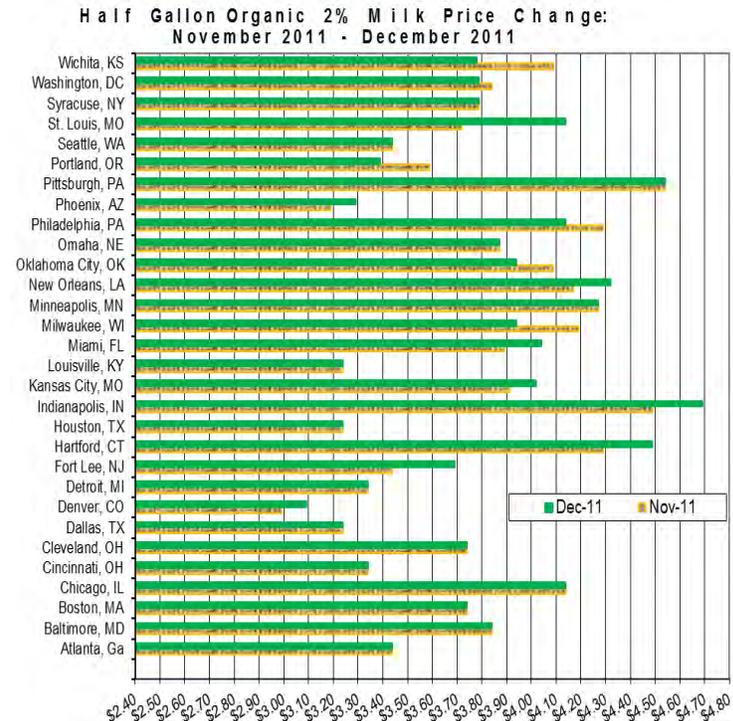


Indianapolis, at \$4.19 for the 2011 annual average, is the city with 2010 to 2011 annual average prices up the most, 45 cents. Atlanta, at \$3.44 for the 2011 annual average, is the city with annual average prices down the most, 36 cents.

Denver has the lowest annual average price for 2010, \$3.07, and 2011, \$3.02. Minneapolis has the highest annual average price for 2010, \$4.52, and 2011, \$4.55.

The overall 2011 average price for the 30 cities combined, \$3.75, is 1 cent lower than the combined average for 2010.

Next, focusing on the monthly national average price change between November and December 2011, the price increased 4 cents, in contrast with the smaller year to year average price decline just mentioned.



Only seven of the Thirty Cities surveyed showed price movement both for November to December prices in 2011, as well as in comparing the 2010 annual average price over twelve months, with the 2011 annual average price over twelve months. Six of 30 cities had upward average price movement during both comparison periods, November to December 2011, in addition to the 2010 annual average compared with 2011.

Specifically, with prices stated first for the 2010 to 2011 annual change then the November to December 2011 change, followed by the December 2011 price, these include: Fort Lee, New Jersey, 8 cents and 25 cents, \$3.69; Hartford, Connecticut, 30 cents and 20 cents, \$4.49; Indianapolis, 45 cents and 20 cents, \$4.69; Kansas City, 5 cents and 11 cents, \$4.02; New Orleans, 17 cents and 15 cents, \$4.32; and Phoenix, 5 cents and 10 cents, \$3.29.

Only Philadelphia had downward average price movement during both comparison periods, November to December 2011, 15 cents, and the 2010 annual average compared with 2011, 2 cents. The December 2011 price is \$4.14.

The price listed represents the simple average of two prices, the price of the single most common brand in non-returnable paper cartons in one outlet of each of the two largest food store chains in each of the Thirty Cities. Not all brands of organic milk in each surveyed store are included and higher or lower prices of milk offered by other than the most common brand in each of the two stores are not included. Prices are collected by Federal Milk Market Administrators during the first non-Friday or weekend 10 days of each month.

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic Dairy Overview. Organic dairy advertising volume exceeded 1000 ads for the first time since report 44, released in early November. This period's 1415 ads were 429 more than last period and represents 15.5% of the stores advertising organic dairy products. Cumulative organic dairy ads for 2011 totaled 69,564, 7,217 less or a decline of 9.4%, compared to 2010.

ORGANIC DAIRY MARKET NEWS

Information gathered December 19 - 30, 2011

CONTINUED FROM PAGE 8

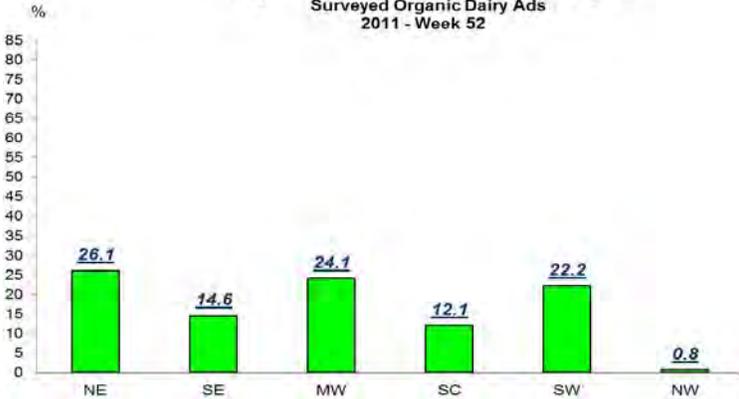
Organic milk ads this period decreased significantly compared to last period from 906 to 389 ads. Nevertheless, this remains low compared with most of 2011. Organic yogurt ads jumped from 116 last period to 548 ads. Butter and Egg nog ads also increased significantly from last period.

Advertising information presented is compiled from 9,124 surveyed newspaper supermarket ads for the period December 17, 2011, to December 30, 2011, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of non-advertised supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period.

The Northeast Region had the highest percentage of total ads for all regions with 26.1%, followed closely behind by the Midwest with 24.1% and the Southwest Region with 22.2%. The remaining regions include the Southeast with 14.6%, South Central with 12.1% and the Northwest with 0.8%.

Regional Organic Dairy Ads As A Percentage of Surveyed Organic Dairy Ads 2011 - Week 52



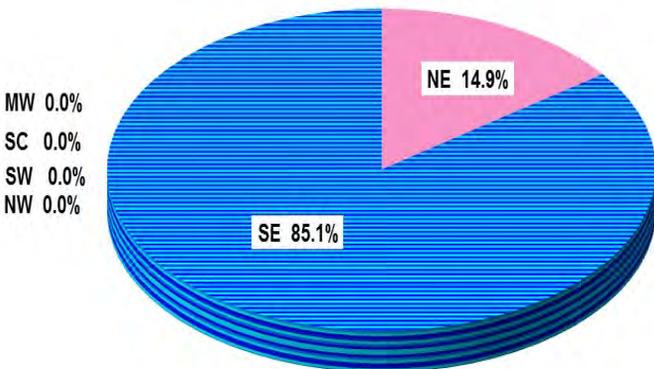
Organic Dairy Product Emphasis.

Yogurt ads with an emphasis on 32 ounce containers topped all product categories with 548 ads, 432 more ads than last period. Egg nog ads were second most frequent with a total of 449 ads, followed by butter ads with 415. Organic milk ads totaled 389, the fourth lowest total for 2011.

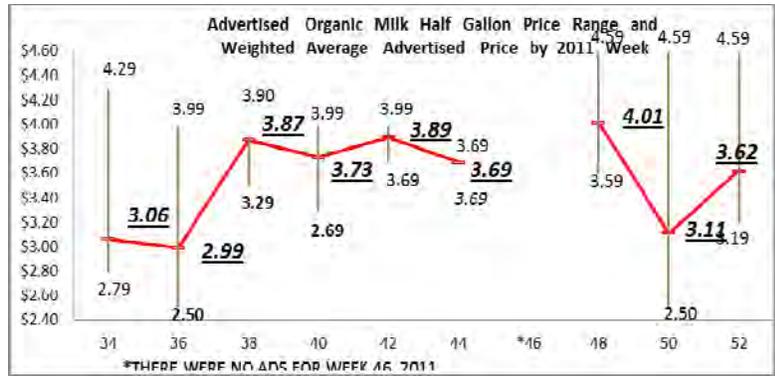
Organic Milk.

Organic milk ads appeared in only 2 of the 6 regions. The Southeast region was responsible for a vast majority of organic milk ads with 85.1% with the Northeast responsible for the remaining 14.9%.

ORGANIC MILK FEATURES
Regional % of Nationally Surveyed Supermarket Ads Report - Week 52, 2011



Organic Milk Half Gallons. The national weighted average advertised price for organic milk half gallons increased 51 cents to \$3.62. The reason for the average price increase was the increase on the low end of the range. The low end of the price range increased 69 cents to \$3.19, while the upper end of the price range was unchanged at \$4.59. The low end of the range price increase occurred in the Southeast region, which was the same region that recorded the \$2.50 low end range price last period. The price increase on the low end of the range in the same region may be a result of the tightening organic milk supplies throughout the country and most notably in the Southeast.



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

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE | 22.1 | 4.59 |
| SE | 77.9 | 3.34 |
| MW | 00.0 | ---- |
| SC | 00.0 | ---- |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 3.62 |

Organic Gallons. The national advertised price for organic milk in gallons was \$5.99, with all of the ads in the Southeast Region and all priced at \$5.99. The weighted average price increased 4 cents compared to last period.

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 | 100.0 | 5.99 |
| MW | 00.0 | ---- |
| SC | 00.0 | ---- |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 5.99 |

8 Ounce Organic Milk. There were no ads for 8 ounce organic milk during this reporting period.

Organic Yogurt. The vast majority of organic yogurt ads ran in newspapers in the Northeast and for organic yogurt in 32 ounce containers. Of the 548 total organic yogurt ads, 312 were in the Northeast and of the 548 ads, 490 were organic yogurt in 32 ounce containers.

CONTINUED ON PAGE 8B

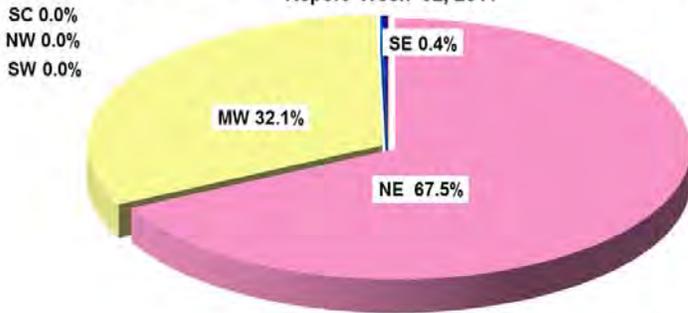
ORGANIC DAIRY MARKET NEWS

Information gathered December 19 - 30, 2011

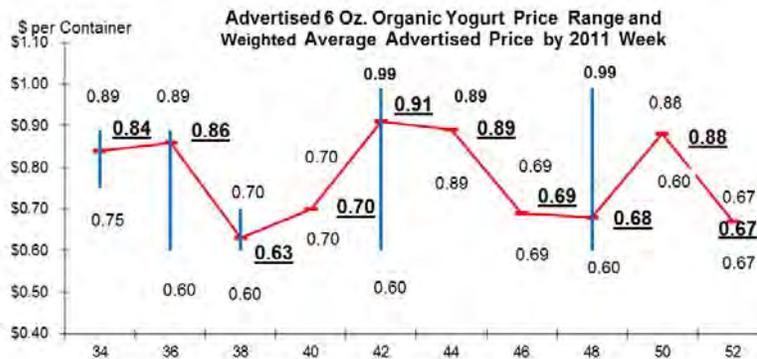
CONTINUED FROM PAGE 8A

ORGANIC YOGURT FEATURES

Regional % of Surveyed National Newspaper Ads Report Week 52, 2011



6 Ounce Organic Yogurt. The national weighted average advertised price for 6 ounce organic yogurt decreased 21 cents to \$0.67. All ads were for a national brand at the same price in the Northeast Region.



Organic Butter. One pound organic butter ads ran in 415 supermarket ads of stores in the Southeast, Midwest and South Central Regions. Prices ranged from \$4.29 to \$4.79 with a weighted average price of \$4.59. The weighted average price increased 15 cents from the last report on organic butter 2 periods ago.

Organic Egg Nog. Organic egg nog ads for 32 ounce containers ran in two of the six regions with the Southwest Region having a significant majority of the ads. All 449 ads were for the same national brand and at the same price of \$3.49.

Other Organic Dairy Products. The only other organic dairy product advertised this period was organic half and half in 16 ounce containers. Ads appeared in two of the six regions with a majority, 201, of the 213 total ads in the Midwest Region. Prices ranged from \$1.99 to \$2.00 with the weighted average at \$1.99.

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 52

| | LOW | MADISON, WI 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 | 1.00 |
| Low Fat (1%) | 3.09* | 4.49 | 1.40 |
| Nonfat (Skim) | 3.09* | 4.19 | 1.10 |
| CHOCOLATE HALF GALLON: | 3.09 | 5.69 | 2.60 |
| YOGURT | .79 | 1.29 | 0.50 |
| 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 | 3.99* | 6.19 | 1.94 |

*=Price change from prior reporting period

Organic milk half gallons increased 9 cents to \$3.09 on the bottom of the range. The increase reflects prices for a national organic brand in a regional supermarket chain store. Organic butter declined 26 cents at the bottom of the price range to \$3.99, among the lowest prices of 2011, for a store brand in a regional supermarket chain store. This organic butter was manufactured in a plant nearly 500 miles from Madison, in Nebraska, then hauled to Madison. Nevertheless, it is being sold, in the same store as organic butter manufactured in Wisconsin just over 100 miles from the store, selling for \$1.70 more. Organic butter transported nearly five times the distance, through three states, sells for less than butter

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

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|-------|------------------------|
| NE | 100.0 | 0.67 |
| SE | 00.0 | ---- |
| MW | 00.0 | ---- |
| SC | 00.0 | ---- |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 0.67 |

32 Ounce Organic Yogurt. The national weighted average advertised price for 32 ounce organic yogurt was \$3.04. Prices ranged from \$2.50 to \$3.69. All ads were for the same national brand with the low price in the Midwest, while the high price was in the Northeast Region.

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

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE | 63.7 | 3.34 |
| SE | 00.4 | 2.99 |
| MW | 35.9 | 2.50 |
| SC | 00.0 | ---- |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 3.04 |

4 Ounce Organic Yogurt. There were no ads for 4 ounce containers of organic yogurt.

ORGANIC DAIRY MARKET NEWS

Information gathered December 19 - 30, 2011

CONTINUED FROM PAGE 8B

manufactured in the same state. This is further evidence of the significance of retail margins marginalizing the element of transportation costs in organic dairy retail pricing.

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. Sales and movement were very light for this period, therefore prices from the December 14 report are being carried over to reflect the most current markets reported. 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 reported due to the holiday season. Most 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

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, DECEMBER

Component Price Information: Under the Federal milk order pricing system, the butterfat price for December 2011 is \$1.7443 per pound. Thus, the Class II butterfat price is \$1.7513. The protein and other solids prices for December are \$3.3404 and \$0.4683 per pound, respectively. These component prices set the Class III skim milk price at \$13.12 per cwt. The December Class IV skim milk price is \$11.16 which is derived from the nonfat solids price of \$1.2398 per pound. **Product Price Averages:** The product price averages for December are: butter \$1.6119, nonfat dry milk \$1.4201, cheese \$1.8070, and dry whey \$0.6538.

| FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/ 2/</u> | | | | | | |
|--|-----------------|------------------------|----------|-----------|----------|--------------|
| FEDERAL MILK ORDER MARKETING AREAS <u>3/</u> | ORDER NUMBER | DECEMBER 2011 | | | | JANUARY 2012 |
| | | CLASS I | CLASS II | CLASS III | CLASS IV | CLASS I |
| | | DOLLARS PER 100 POUNDS | | | | |
| Northeast (Boston) <u>4/</u> | 001 | 21.72 | 18.08 | 18.77 | 16.87 | 22.05 |
| Appalachian (Charlotte) <u>5/ 6/</u> | 005 | 21.87 | 18.08 | 18.77 | 16.87 | 22.20 |
| Southeast (Atlanta) <u>6/ 7/</u> | 007 | 22.27 | 18.08 | 18.77 | 16.87 | 22.60 |
| Florida (Tampa) <u>6/ 8/</u> | 006 | 23.87 | 18.08 | 18.77 | 16.87 | 24.20 |
| Mideast (Cleveland) <u>9/</u> | 033 | 20.47 | 18.08 | 18.77 | 16.87 | 20.80 |
| Upper Midwest (Chicago) <u>10/</u> | 030 | 20.27 | 18.08 | 18.77 | 16.87 | 20.60 |
| Central (Kansas City) <u>11/</u> | 032 | 20.47 | 18.08 | 18.77 | 16.87 | 20.80 |
| Southwest (Dallas) <u>12/</u> | 126 | 21.47 | 18.08 | 18.77 | 16.87 | 21.80 |
| Arizona (Phoenix) | 131 | 20.82 | 18.08 | 18.77 | 16.87 | 21.15 |
| Pacific Northwest (Seattle) <u>13/</u> | 124 | 20.37 | 18.08 | 18.77 | 16.87 | 20.70 |
| All-Market Average | --- | 21.36 | 18.08 | 18.77 | 16.87 | 21.69 |

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

2/ 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.

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

4/ 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.

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

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

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

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

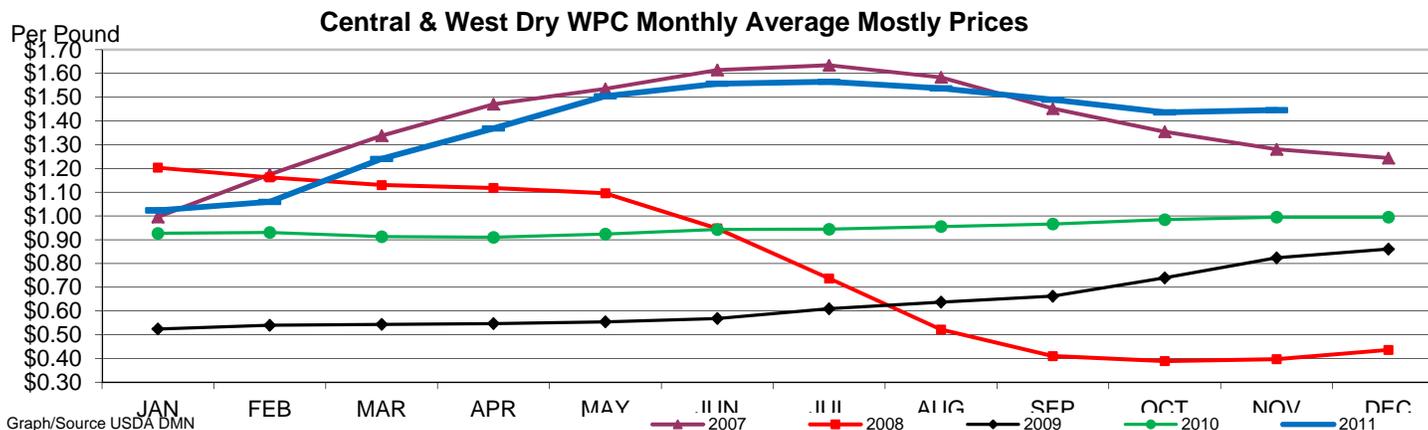
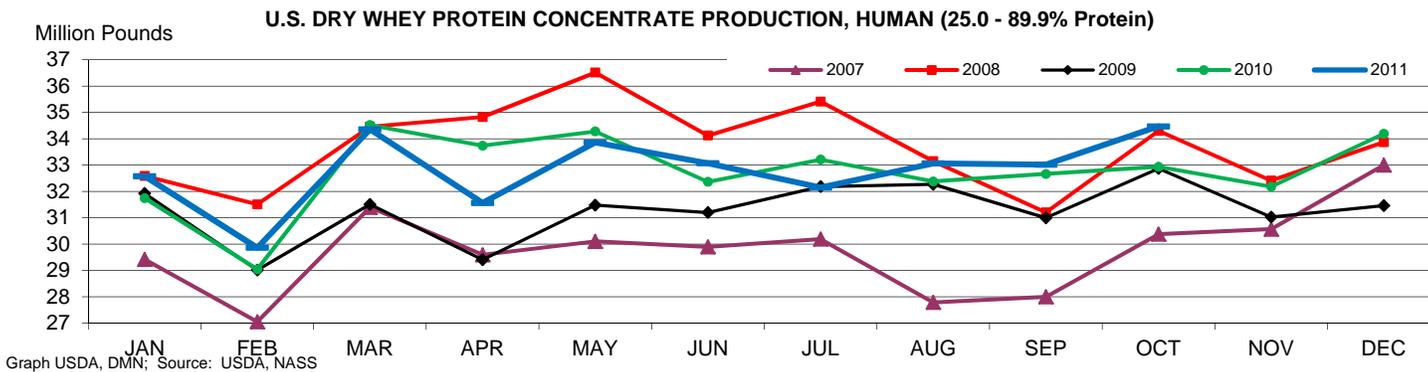
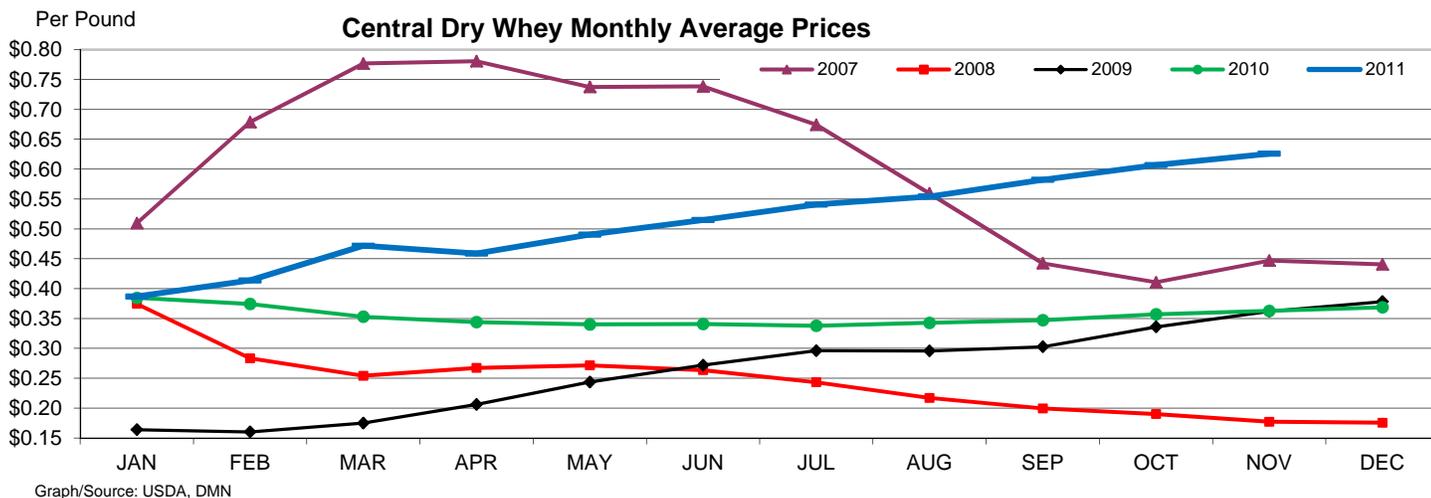
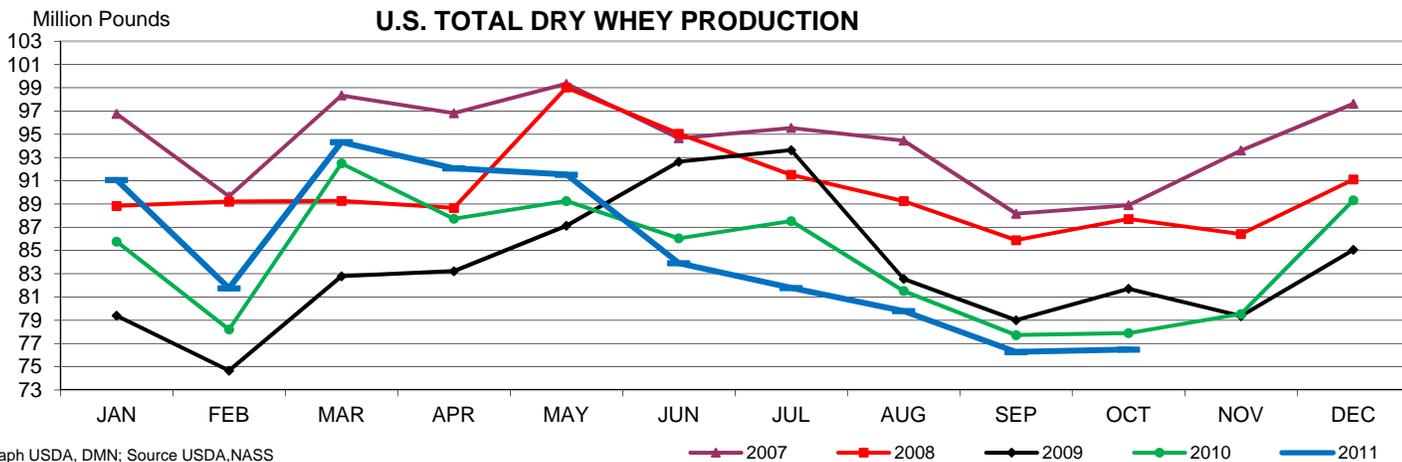
9/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

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

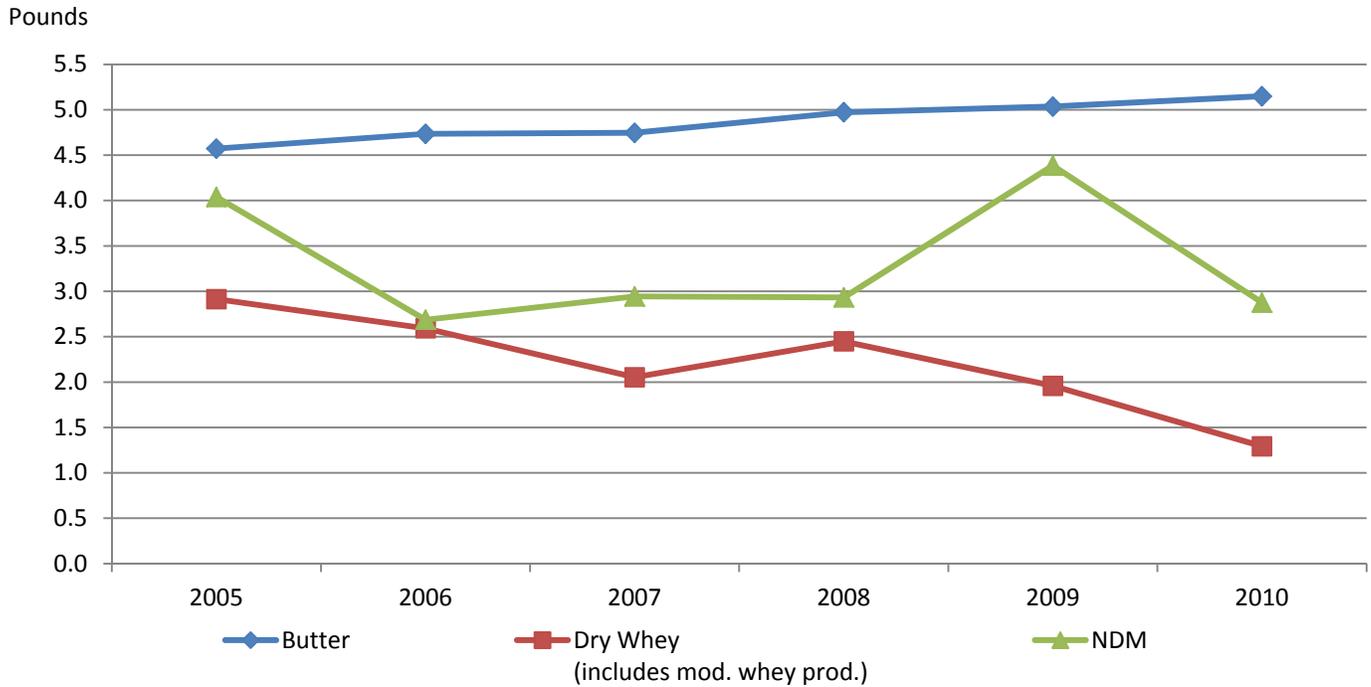
11/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

12/ 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.

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

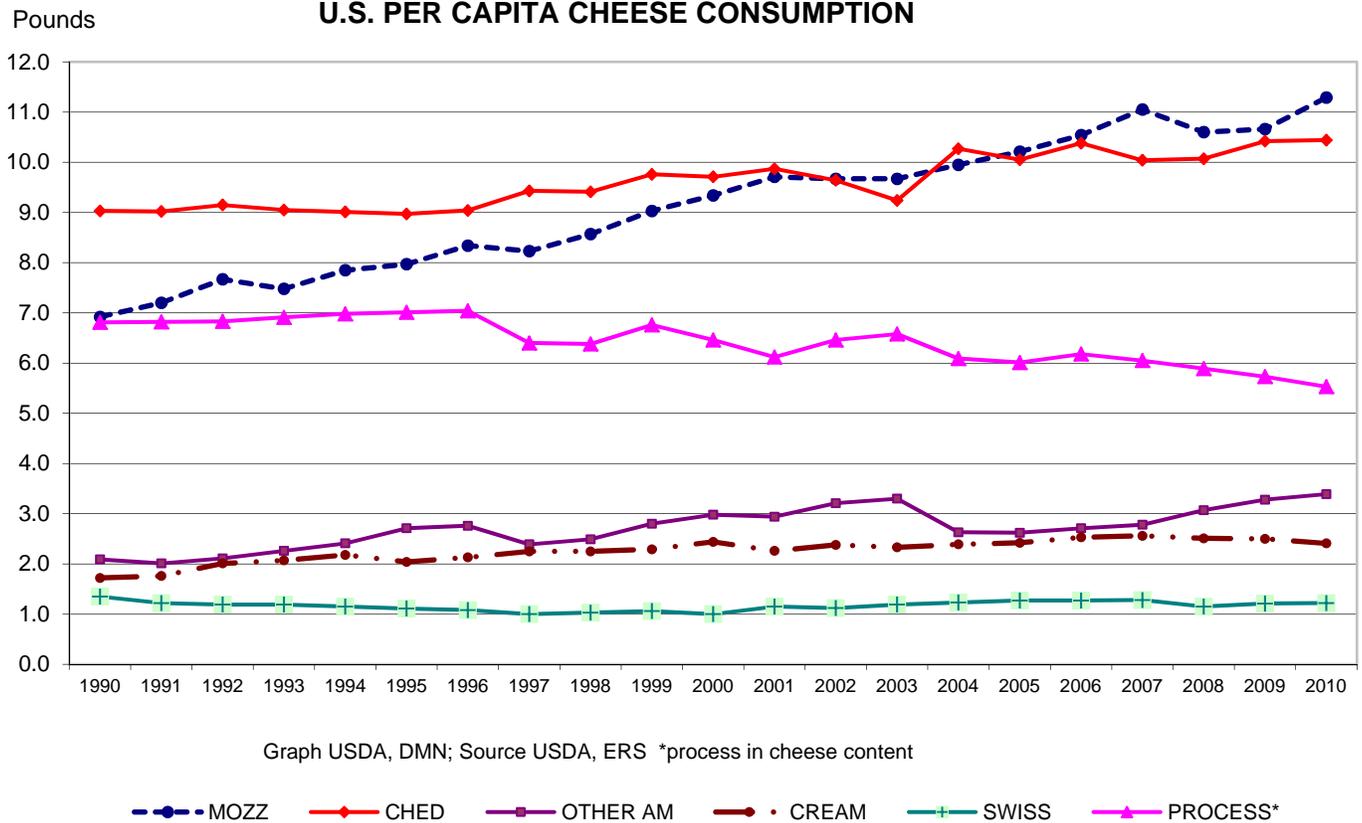


U.S. Pounds Per Capita Consumption of Dairy Products, 2005 - 2010 (preliminary)



Data: USDA, ERS; Graph USDA, AMS

U.S. PER CAPITA CHEESE CONSUMPTION



Graph USDA, DMN; Source USDA, ERS *process in cheese content

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

DATE: 12/30/2011

EAST

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

INTERNATIONAL

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

CENTRAL

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

ORGANIC

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

CENTRAL/WEST

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

INTERNET ADDRESS

www.ams.usda.gov/DairyMarketNews

SOUTHWEST

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

MARKET NEWS PORTAL

www.marketnews.usda.gov

NORTHWEST/MOUNTAIN

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

RECORDED INFORMATION SYSTEM

(608) 278-4142

FAX

(608) 278-4141

NATIONAL SUPERVISOR

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

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