

## NATIONAL DAIRY MARKET NEWS AT A GLANCE

## CME GROUP CASH MARKETS (01/06):

**BUTTER:** Grade AA closed at \$1.6050. The weekly average for Grade AA is \$1.6025 (+.0075).

**CHEESE:** Barrels closed at \$1.5900 and 40# blocks at \$1.6100. The weekly average for barrels is \$1.5831 (+.0131) and blocks, \$1.5906 (+.0281).

**BUTTER HIGHLIGHTS:** The current CME cash price of \$1.6050 compares to \$1.9500 last year at this time and \$1.3300 in 2010. Early in 2011, the cash price increased to \$2.1000 by January 7 and maintained that level until February 10, at which time the cash price started to ease, but maintained a level above \$2.00 until April 1. Churning activity over the past week has eased from the active churning during the yearend holiday period. Many butter producers indicated that their holiday churning schedules were at or very near capacity levels. Cream volumes were readily available at that time with some volumes moving from one region to another to find processing capacity. This week, surplus cream volumes declined as many Class II operations resumed production schedules. Butter churned during the holiday period often cleared to inventory, although early year bulk and print orders developed quite well which is often keeping inventories at manageable/desired levels.

**CHEESE HIGHLIGHTS:** Cheese sales at the CME Group this week started slowly. Block activity increased and moved the price higher. Blocks are \$0.0475 higher for the week at \$1.6100 and regained their typical status above barrel prices. Barrels ended the week one cent higher at \$1.5900. Cheese production schedules were busy over the holiday period and have returned to more normal schedules as fluid needs increased after the holidays. Additional cheese supplies will help to meet demand for retail features for the upcoming Super Bowl promotions. December monthly averages for barrels (\$1.5839) and blocks (\$1.6170) at the CME Group were above last year and the five year average. According to the NASS Dairy Products report, total cheese production in the U.S. in November was up marginally (0.3%) from last year.

**FLUID MILK:** Farm milk production is clustered on either side of the seasonal tipping point in most areas of the country. Florida milk production is already on the rise, as it is in other Southern states. Northern tier states are just beginning to see farm milk production tick higher. Bottled milk demand is variable throughout the country. Some bottler demand bounced up to pre-holiday volumes as grocers restock and schools reconvene. However, some areas in the Midwest experienced light Class I demand in addition to spot loads of milk entering the region for processing. These conditions kept many manufacturing facilities on a third week of holiday-like production schedules. Cream markets are somewhat unsettled this week, with some loads retaining the holiday surplus pricing of the previous two weeks and other loads garnering seasonal multiples in the 1.20 neighborhood. Churning is active

throughout the country.

**DRY PRODUCTS:** Dry dairy product prices are mixed in week 1 of 2012 and week 1 of Q1 as contract pricing guidelines for some products change. Nonfat dry milk prices moved down a notch as manufacturers' inventories built throughout the holiday period. Interest is steady to somewhat lower for contracting as the recent mixed tone of the market has prompted interest in using the spot market to fill some near and mid-term demand. Dry buttermilk prices, Central and West, are steady on the range, although the Western mostly price series declined. Here, too, inventories built up during the holidays and manufacturers are interested in clearing dry buttermilk to restore balance to near term supply/demand. All prices in the edible dry whey complex products increased with the start of 2012. Dry whey pricing is firm in all three regions and availability is light. Manufacturers, in many cases, have contracted at volumes close to projected production, thereby limiting spot market participation as long as contract sales have no pushbacks. Whey protein concentrate 34% prices climbed in both the range and mostly series. Market conditions for this product differ from the related nonfat dry milk market due to light supply and strong demand. Lactose pricing for Q1, 2012, rose throughout the manufacturing community. Here, too, contracting agreements will claim most of the lactose production, so spot market activity is expected to be more active through secondary channels.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** Milk production in **Western Europe** continues to show signs of seasonal increases. Cold temperatures are being reported in many regions, although measurable snowfall is limited. Although most farmers are not complaining about limited snow, many are concerned about moisture levels in the spring. Typically, measurable amounts of snowfall have occurred in past years by this time and lack of or limited snowfall volumes are potentially pointing to lower moisture levels in a few months. Although these are current concerns, most state that measurable snowfall can occur in the next few months which would curtail any lack of moisture concerns. Manufacturing schedules are also on the increase as milk volumes build. Milk producers are now starting to more closely monitor their milk volumes as the milk quota year end nears. Early reports indicate that Denmark and The Netherlands, over quota last year, are within quota this year. During the next three months, milk producers in Austria, Ireland, and potentially Germany need to monitor their output more closely as March 31 nears. Reports from European traders and handlers are indicating that results of the recent dairy product tender are starting to surface. Full details are limited, but many speculate that Europe will be the source of

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## CME GROUP CASH TRADING

COMMODITY	MONDAY JAN 02	TUESDAY JAN 03	WEDNESDAY JAN 04	THURSDAY JAN 05	FRIDAY JAN 06	WEEKLY CHANGE *	WEEKLY AVERAGE #
<b>CHEESE</b>							
BARRELS	CME	\$1.5800 (N.C.)	\$1.5775 (-.0025)	\$1.5850 (+.0075)	\$1.5900 (+.0050)	:: :: (+.0100)	:: :: \$1.5831 :: (+.0131)
40# BLOCKS	CLOSED	\$1.5625 (N.C.)	\$1.5800 (+.0175)	\$1.6100 (+.0300)	\$1.6100 (N.C.)	:: :: (+.0475)	:: :: \$1.5906 :: (+.0281)
<b>NONFAT DRY MILK</b>							
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.)
<b>BUTTER</b>							
GRADE AA		\$1.6000 (+.0050)	\$1.6000 (N.C.)	\$1.6050 (+.0050)	\$1.6050 (N.C.)	:: :: (+.0100)	:: :: \$1.6025 :: (+.0075)

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**

skim milk powder, while potentially South America will be the source of whole milk powder. Other international trading activity has been limited as the yearend holiday period is at hand. Although trading has been slow, many traders did indicate that sales activity was stronger than anticipated. Many attribute the continued sales activity to the span of time between Christmas and New Year along with the holidays occurring on weekends. **Eastern European** milk production continues to hold at low seasonal levels. Noticeable increases are slow to develop. This trend is not uncommon for Eastern Europe as milk output typically trails Western producers by 4 - 6 weeks. Manufacturing schedules remain limited with current sales activity being filled from inventoried stock. Milk production in the Oceania region continues to seasonally decline. In **New Zealand**, very wet conditions are being reported in northern areas of the North Island, although milk production does exist in this region, this is an area of the island that is not a significant milk production region. Elsewhere on the North Island, milk output is on the decline, but is generally running ahead of budget. Strong milk production continues to be reported out of the South Island. New Zealand milk producer and handlers continue to anticipate a 3 - 4% annual increase in milk output from last year. In **Australia**, milk volumes are decreasing, but in recent days, temperatures maintained high levels which could significantly impact milk output. Temperatures in Northern Victoria reached 43 degrees C (109F) during the past week and are maintaining high levels in the upper 30's to low 40's. Milk handlers are indicating that it is too early to get a real good picture on the potential negative impact on milk output, but from previous high temperature trends, milk volumes suffered and often were not recoverable. The Gippsland region, further south within Victoria, continues to struggle with excessive moisture. Often a few days of drying heat and sunshine are followed by rainfall and soggy/wet conditions prevail once again. Some milk producers are indicating that the heat is browning pastures, thus feed availability and quality are dropping off quickly. Although weather appears to potentially accelerate milk volume declines, producers and handlers remain optimistic and are still looking for a 2 - 3% annual increase over last year. During the first g/DT auction for 2012 #59, average prices for all contracts were mixed, buttermilk powder, milk protein concentrate, and cheddar cheese were higher while all others were lower.

**DECEMBER AGRICULTURAL PRICES HIGHLIGHTS (NASS):**

The All Milk price received by farmers was \$19.80 in December, down \$0.60 from November 2011 but up \$3.10 from December 2010. Alfalfa hay price was \$199.00 in December, up \$78.00 from December 2010. Corn price was \$5.44 in December, up \$0.62 from December 2010. Soybean price was \$11.10 in December, down \$0.50 from December 2010. The milk-feed price ratio was 1.88 in December, down 0.10 from December 2010. The index of prices received by farmers for dairy products during the month of December 2011 was down 4 points to 152. Compared with December 2010, the index was up 24 points (18.8%). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2011 was down 1 point to 205. Compared with December 2010, the index was up 16 points (8.5%).

**CONSUMER PRICE INDEX (BLS):** The November CPI for all food is 230.8, up 4.6% from November 2010. The dairy products index is 218.8, up 8.7% from a year ago. The following are the November to November changes for selected products: fresh whole milk is +9.2%; cheese, +8.4%; and butter, -1.1%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first 10 months of 2011 totals 164.6 billion pounds, 1.3% above the same period in 2010. Comparing disappearance levels with year earlier levels: butter is +10.9%; American cheese, +0.9%; other cheese, +4.3%; NDM, -4.7%; and fluid milk products, -1.5%.

**NOVEMBER 2011 DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 152.5 million pounds, 14.2% above November 2010 and 4.4% above October 2011. American type cheese production totaled 347.8 million pounds, 0.7% above November 2010 but 1.3% below October 2011. Total cheese output (excluding cottage cheese) was 886.5 million pounds, 0.3% above November 2010 but 1.2% below October 2011. Nonfat dry milk production, for

human food, totaled 120.1 million pounds, 2.9% above November 2010 and 19.4% above October 2011. Dry whey production, for human food, was 72.4 million pounds, 6.7% below November 2010 but 2.4% above October 2011. Ice cream (hard) production totaled 53.1 million gallons, 4.2% above November 2010 but 10.9% below October 2011.

**ANNOUNCED JANUARY COOPERATIVE CLASS I PRICES (DAIRY PROGRAMS):** For January 2012, the all-city average announced cooperative Class I price was \$23.93, \$2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The January 2012 Cooperative Class I price was \$0.32 higher than the December 2011 price. The January 2012 Federal order Class I price was \$0.33 higher than the December 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.51 in Phoenix, AZ, to \$4.21 in Miami, FL. For January 2011, the all-city average announced cooperative Class I price was \$20.31, \$2.47 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

CME GROUP

MONDAY, JANUARY 2, 2012  
CME CLOSED - NO TRADING

TUESDAY, JANUARY 3, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
BUTTER -- SALES: 1 CAR GRADE AA @ \$1.6000; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6000; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JANUARY 4, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.5775; 4 CARS 40# BLOCKS: 2 @ \$1.5700, 2 @ \$1.5800; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.5775; 3 CARS 40# BLOCKS @ \$1.5800; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6000  
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
BUTTER -- SALES: 1 CAR GRADE AA @ \$1.6000; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6000; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 5, 2012

CHEESE -- SALES: 3 CARS 40# BLOCKS @ \$1.6100; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5850; 2 CARS 40# BLOCKS @ \$1.6100; LAST OFFER UNCOVERED: NONE  
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
BUTTER -- SALES: 1 CAR GRADE AA @ \$1.6050; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6025; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 6, 2012

CHEESE -- SALES: 14 CARS 40# BLOCKS @ \$1.6100; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.5900; 2 CARS 40# BLOCKS @ \$1.6050; LAST OFFER UNCOVERED: NONE  
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price increased \$0.0050 Tuesday to close at \$1.6000. This is the first butter price change in seven trading sessions. Churns operated at near capacity throughout the holiday period, greatly increasing butter production. Both unsalted and salted butter varieties were produced. Numerous butter makers, anticipating the seasonal increase in production, made arrangements to fill bulk butter orders this past week, limiting expansions to their bulk inventories. According to NASS, cumulative 2011 butter production through November was 16.6% above cumulative year production for the same period for 2010. November 2011 monthly U.S. butter production totaled 152.5 million pounds, up 4.4% from October and 14.2% more when compared to November 2010. Atlantic region butter production in November totaled 12.4 million pounds, up 14.4% from October and 8.4% more than November 2010. 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

Butter production for the past two weeks has been seasonally strong. Cream supplies were readily available to local churns from local and out of area sources over the yearend holiday period. Most butter operations maintained near capacity levels and were not pressured to take on additional volumes. Surplus cream offerings started to decline during the New Year weekend as Class II cream based product production schedules were once again gearing up following reduced production schedules during the holiday period. In most instances, butter generated during this holiday period ended up in inventory for future use. Buying patterns during the holiday period were significantly lower, basically being placed for near term fill-in needs. Many butter producers were surprised at the slight strength the CME cash butter

price experienced early in this holiday shortened trading week. Many did and continue to feel that the cash price will ease early in the New Year. The current cash price of \$1.6000 compares to \$1.7000 last year at this time and \$1.3275 in 2010. Early in 2011, the cash price increased to \$2.1000 by January 7 and maintained that level until February 10 at which time the cash price started to ease, but maintained a level above \$2.00 until April 1. Bulk butter prices range from flat to 2 cents over various pricing bases and averages per pound.

WEST

Butter production has been very active over the two week holiday period. The market has traded in a narrow range recently. Manufacturers are beginning to see new orders from retail channels as buyers look to fill in after holiday sales. Print lines are helping to reduce bulk production. Churns are reporting increased inventories in stock, yet some are comfortable as stocks are below 5 year averages. Prices for bulk butter range from even to \$.0600 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 \$1.6000. Markets were closed for the holiday on Monday. Both Tuesday and Wednesday saw light sales activity of one sale each day. CME Group average price for December 2011 for butter is \$1.6119 compared to \$1.6327 for December 2010. According to the NASS Dairy Products report, November butter production for the U.S. totals 152.5 million pounds, up 14.2% or 19.0 million pounds from November of last year. Production was up 4.4% or 6.4 million pounds from October 2011. Cumulative output through November for the U.S. is 1,639.7 million pounds, up 16.6% or 233.5 million pounds from the same period in 2010. November output in the Western region totals 78.6 million pounds, up 12.8% or 8.9 million pounds more than November 2010. The West produced 51.5% of the butter in the U.S. in November.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
December 31, 2011	1.6380 10,206,688	1.6094 9,335,459	1.4006 20,983,212	1.5873 2,230,674	0.6710 5,357,391

## CHEESE MARKETS

## NORTHEAST

CME Group cheese prices were unchanged Tuesday with barrels closing at \$1.5800 and blocks closing at \$1.5625. Trading on the CME Group has been light over the last 5 sessions with only 1 load of barrels transacted. The CME Group weekly average cheese prices were mixed and caused Process 5# sliced cheese to increase \$0.0200, but Cheddar 40# blocks and Muenster prices were unchanged. Swiss cheese prices increased \$0.1175 following Friday's release of Class III prices. Cheese makers had more milk over the holiday period and thus made more cheese. Inventories have expanded, but supplies with the exception of Swiss cheese are not burdensome. Demand and sales remain fairly good for aged cheeses and low fat cheddar. According to the latest NASS report, November 2011 total cheese production in New York was 63.8 million pounds, 2.2% less than October and 5.2% less than November, 2010. Pennsylvania produced 34.9 million pounds in November, 7.1% more than one month earlier and 2.2% more than one year ago. Vermont produced 11.1 million pounds, 2.7% more than last month and 12.5% more than November 2010. The total of all cheese production for November in the Atlantic region was 118.7 million pounds, up 0.4% from October, but 0.9% less compared to the same period last year. Atlantic region cheese production accounted for 13.4% of total U.S. production. Total U.S. cheese production in November 2011 totaled 886.5 million pounds, 1.2% less than October, but 0.3% more than November 2010. Cumulative 2011 U.S. Cheese production through November was 1.5% greater than comparable 2010 production. Focusing on Italian cheese, in November, New York produced 29.5 million pounds, 1.5% less than October and 14.1% less than November 2010. Pennsylvania produced 19.9 million pounds in November, 2.4% more than October, but 9.7% less than November 2010. The Atlantic region in November, produced 56.5 million pounds of Italian cheese, 1.1% less than October and 10.3% less than the same period last year.

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

Cheddar 40# Block	:	1.8775-2.1525
Process 5# Sliced	:	1.6800-1.8000
Muenster	:	1.8975-2.2250
Grade A Swiss Cuts 10 - 14#	:	3.6375-3.9600

## MIDWEST

Milk production volume called into post-holiday bottling has increased, making somewhat less milk available for cheese manufacturing. Process cheese manufacturing orders are booked into coming months in some areas. Natural cheese sales from manufacturers are moving "well", to "strong". Manufacturers continue to deal with retailers' aversion to carrying inventory and resulting preference for cheese moving "in and out" of retail outlets. This is leading to current strong cheese manufacturing to fill College Bowl and Super Bowl retail promotions. Milk supplies are adequate for current manufacturing. Cheese markets opened the New Year slowly, with no trading on Tuesday, before the action began Wednesday. On Wednesday Blocks moved up 1 3/4 cents to \$1.58 on sales and bids, while Barrels moved in the other direction, down 1/4 cent, to \$1.5775. This leaves current Block price \$.1230 above the 5 year average for the first week of the year, 2007-2011, which is \$1.4570, with a 5 year range of \$1.0720 to \$2.1008. The 5 year Barrel average first week of the year is \$1.4383, \$.1392 below Wednesday's close, with a range of \$1.0595 to \$2.0283. According to the NASS *Dairy Products* report, total cheese production in the U.S. in November reached 886.5 million pounds, up 0.3% or 2.5 million pounds from last year. Cumulative total cheese output for the U.S. through November is 9.7 billion pounds, up 1.5% or 146.3 million pounds from the same period in 2010.

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

Process American 5# Loaf	:	1.9300-2.3600
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#	:	3.0475-3.3300

## WEST

Cheese plants were busy over the holiday period handling some extra milk. Overall production is only marginally greater than last year and demand is clearing most inventories through contract sales. Some producers are looking for CWT assistance in marketing excess stocks to the export markets. Prices are holding in a narrow range and are above year ago pricing levels. Some discounting is reported in the spot market. After starting the holiday shortened week's trading on a quiet note, buyers returned on Wednesday with one sale of barrels and two unfilled bids. The price was \$0.0025 lower at \$1.5775. Blocks closed up \$0.0175 to finish at \$1.5800. Moderate activity of four sales and three unfilled bids helped to raise the price. CME Group monthly average price for December 2011 for barrels is \$1.5839 compared to December 2010 at \$1.3751. Blocks averaged \$1.6170 for December 2011 compared to \$1.3807 for the previous year. According to the NASS *Dairy Products* report, total cheese production in the U.S. in November reached 886.5 million pounds, up 0.3% or 2.5 million pounds from last year. Cumulative total cheese output for the U.S. through November is 9.7 billion pounds, up 1.5% or 146.3 million pounds from the same period in 2010. November total cheese production in the Western region was 379.8 million pounds, down 1.2% or 4.5 million pounds from November 2010. The West produced 42.8% of all the cheese in the U.S. in November. Swiss output for the U.S. in November is 24.7 million pounds, down 11.6% or 3.3 million pounds from last year.

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

Process 5# Loaf	:	1.6975-1.9550
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#	:	3.2150-3.6450

## FOREIGN

The CME Group weekly average block price held steady and as a result domestic wholesale prices were unchanged. Prices for Swiss cuts increased \$0.1175 following Friday's release of Class III prices. The increase in domestic Swiss cheese prices widens the gap between domestic and imported Swiss cheese prices. Swiss cheese makers are hoping the upcoming football playoffs will bring about increased sales and reduce their burdensome inventories. According to the latest NASS report, domestic Parmesan production during November 2011 totaled 25.2 million pounds, 14.5% more than October and 19.4% more than November 2010. Provolone production during November totaled 30.4 million pounds, 0.9% less than October, but 0.4% more than November 2010. Romano production during November 2011 totaled 3.3 million pounds, 12.0% less than October, but 1.9% more than November 2010. Swiss production during November 2011 totaled 24.7 million pounds, 9.6% less than October and 11.6% less than November 2010.

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

VARIETY	:	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-	:	3.7300-4.0525*
Swiss Cuts Finnish	:	2.5900-2.8500	:	-0-

\* = Price change.

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## CHEESE MARKETS

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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKSBUTTER : CHEESE

	:	
01/02/12	1,569 :	135,084
01/01/12	1,511 :	134,979
CHANGE	58 :	105
% CHANGE	4 :	0

## FLUID MILK AND CREAM

## EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	45	0	20	0	180
SOUTHEAST STATES	0	0	0	0	0	0

Manufacturing milk supplies were very heavy over the holiday period, keeping churns and dryers operating at near capacity levels in the Northeast and Mid-Atlantic regions. A couple of plant breakdowns caused some unloading delays over the holiday period. Class I demand has not returned to expected levels coming off the weekend and has resulted in a continuation of heavy manufacturing milk supplies. Florida's milk production continues to rise with significant increases noted. Pastures are showing stress due to abnormally dry conditions with 60% of pastures rated as fair and 22% rated good. The dry weather has limited forage growth prompting producers to increase supplemental hay feeding. Class I demand is increasing with most schools back in session. This week Florida exported 45 spot loads. Logistics, in rerouting heavy manufacturing milk supplies, were a real headache in the Southeast region as plant breakdowns caused significant unloading delays at various locations over the holiday weekend. Class I demand has yet to bounce back to anticipated levels coming off the weekend, prompting nearly all auxiliary manufacturing plants to remain in use. Milk production is continuing to rise, but may be stalled this week as cold weather is hampering milking activities. Class I demand is expected to return to normal levels next week when all primary and secondary schools are back in session. Cream supplies were not as heavy as anticipated over the holiday period, due to less cream coming from yogurt manufacturers. Demand for cream is increasing as numerous cream based manufacturers are refilling pipelines and beginning to resume production after their holiday shutdowns. Most cream supplies were channeled to churns over the holiday period. Cream multiples range from 110 to 122. Some cream unloading delays did occur at some plants because of the reduced "tanker storage" compared to previous years. Condensed skim demand is increasing as numerous Class II plants, closed for the holidays, are beginning production with full production schedules expected to resume next week. Supplies of condensed skim are readily available with movement through contracts and limited spot sales activity. Class IV production accounted for the bulk of the condensed skim supplies over the holiday period. Class and component price changes, released Friday, prompted an increase in the Class III nonfat solids price, effectively raising the Class III condensed skim price. According to NASS, ice Cream production in the Atlantic region in November totaled 12.0 million gallons, 7.8% less than October and 5.7% less than November 2010. U.S. Yogurt production (plain and flavored) for November totaled 314.7 million pounds, down 9.1% from October and 2.2% less than for the same period last year. Cumulative 2011 production through November totaled 3,950 million pounds, 2.7% higher than through November 2010.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	1.7545-1.9459
F.O.B. producing plants: Upper Midwest -	1.8502-1.9459

## 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 -	1.60 - 1.64

## MIDWEST

Farm milk intakes in the Central region are trending slightly higher as the production season advances. This week, milk handlers report orders from bottlers are variable. For some plants, the bottler demand is providing a needed relief valve for milk intakes, giving plants some room in silos and

time in manufacturing schedules to effectively handle the intakes. A few plants, though, indicate bottler demand has not resumed to any degree and some Class II plants are still on hiatus. At those locations, plants are at full capacity and trying to keep up with intakes. In addition, milk from the East continues to clear into the Central region this week. Some milk handlers report Central milk loads cleared within the region at discounted prices, a continuation of holiday pricing trends, with early in the week prices ranging to \$4 below Class III, delivered, to mid to late week delivered prices at \$2 below Class III. Cream supplies and demand are also variable. Churning at a few locations is very active because some spot cream loads are clearing with multiples reminiscent of the holiday period. Also, recent multi-load spot sales cleared some butter inventories to the warehouse walls, indicating there is still some commercial butter demand. Consumer butter demand is at post-holiday levels. Class II milk demand for the production of various dips and cultured products has returned in some areas, but other areas are clearing those customary Class II milk volumes into Class IV products as Class II demand has not reemerged.

## WEST

CALIFORNIA milk production is trending slightly higher on a week-to-week basis and total output continues to outpace year ago levels in most areas of the state. A slight uptick in fat and protein levels in the milk is noted. Overall, the milk supplies were handled well over the yearend holidays and processing plants were beginning to get back to normal schedules at midweek. Fluid milk demand increased as Class 1 orders increased for this week with schools returning. The December 4a price (butter/powder) in CALIFORNIA is \$16.59, down \$1.11 from November but \$1.92 higher than last year. This compares to the Federal Order Class IV price for December 2011 at \$16.87. The December 4b price (cheese) is \$15.14, \$2.05 lower than November but \$2.92 more than last year. This compares to the Federal Order Class III price for December 2011 at \$18.77. Price ranges for 2011 were: Class 4a, \$16.49 (Jan.) to \$20.79 (Jun.); and Class 4b, \$12.49 (Jan.) to \$19.35 (Jul.). ARIZONA milk production is mostly steady with recent weeks. The weather outlook is seasonally warm and creating good conditions for milk cows. Processing plants are attempting to return to normal following the last several weeks of handling surplus milk and component supplies. Milk was handled well and many forms of storage were utilized. Class I interest improved as bottlers prepared for school meal programs as students returned. Western CREAM markets remain unsettled. Most ice cream plants are still offline or on reduced schedules. Makers of cream cheese, dips, sour cream, and similar, are on the slow side of ramping up for future needs. Butter production is heavy as cream is being made into butter, mostly bulk at this time. Demand for cream is still light. Multiples and overages increased as not gaining much traction. The CME Grade AA butter closed at \$1.6000 on Wednesday, January 4, up a half cent from a week ago. Western cream multiples increase on both ends of the 105-123 range and vary based on class usage and basing points. Milk handlers were busy over the New Year's weekend in the PACIFIC NORTHWEST. The additional supplies were processed without any significant difficulties. Class I bottlers are back after the holiday school recess. Milk supplies are nearing seasonal low points. Milk solids are reported to be favorable and yields at manufacturers are good. Rising feed costs remain a bothersome problem as dairy farmers look to build profitability. UTAH and IDAHO milk production levels are following expected trends. Winter weather has not been an issue so far and dairy cows are very comfortable with the current conditions. Forage availability and price have proven to be worrisome to dairy producers. Milk supplies were handled without any reported difficulties over the holiday period. According to the NASS Agricultural Prices report for December, mid-month U.S. prices for baled alfalfa hay were \$199/ton, \$78/ton more than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$250, +\$120; California \$237, +\$90; Colorado \$230, +\$100; Idaho \$228, +\$88; Nevada \$230, +\$91; New Mexico \$305, +\$140; Oregon \$250, +\$102; Utah \$200, +\$91; and Washington \$240, +\$110. Transportation costs are also adding significantly to delivered hay prices. For the United States, alfalfa prices were \$1.00 higher per ton than last month's value.

## NONFAT DRY MILK, BUTTERMILK &amp; 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 to lower on a mixed market. Contract sales account for the majority of transactions this week, while spot market interest and activity is light. Some resellers indicate buyers are price scouting nonfat dry milk to meet input needs for the next few weeks, but few deals came to any conclusion this week. Nonfat dry milk production is on the decline at many plants throughout the region as demand resume from bottlers refilling grocery shelves and the school pipeline. Condensed skim movement into yogurt, dips, and other Class II consumer products is also rebuilding to post holiday levels. According to NASS, NDM production in the Central region totaled 13.2 million pounds during November 2011, 32.0% more than one month ago and 68.4% more than one year ago. Cumulative nonfat dry milk production for 2011 in the Central region totals 141.4 pounds, 14.2% higher than 2010 production during the same time span. The December 2011 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.4475 compared to \$1.4714 one month ago and \$1.2589 in December 2010. The December 2011 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.5820 compared to \$1.5676 one month ago and \$1.3484 in December 2010.

**DAIRY PRODUCTS:** NASS's Dairy Products report shows production of human food NONFAT DRY MILK during November 2011 totaled 120.1 million pounds, up 19.4% from October 2011 production and 2.9% higher than November 2010. Cumulative nonfat dry milk production for 2011 totals 1,367.2 million pounds, 4.0% lower than 2010 production during the same time span. Month ending stocks, at 146.3 million pounds, are 2.1% higher than a month ago and 14.4% higher than one year ago. November 2011 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 39.6 million pounds, 5.7% lower than one month ago but more than double production one year ago. Cumulative 2011 skim milk powder production totals 409.5 million pounds, compared to 226.6 million pounds during the same time span in 2010, an 80.7% increase in production.

**EAST:** Nonfat dry milk prices declined this week as increased supplies and light trading pressured prices lower. Heavy manufacturing milk supplies over the holiday period kept low heat nonfat dry milk production near capacity levels. High heat nonfat dry milk production was nil as plant managers deferred to low heat production in order to clear their heavy milk volumes. The near capacity drying schedules expanded low heat inventories with high heat supplies fairly tight in the East. High heat NDM production is expected to increase once manufacturing milk volumes become more manageable next week. Demand is beginning to increase as numerous manufacturers are coming back on line following their holiday shutdowns. Many prospective buyers are continuing to sit on the sidelines waiting for a clearer market picture.

**DAIRY PRODUCTS:** The latest NASS Dairy Products report indicates nonfat dry milk production for November in the Atlantic region totaled 8.8 million pounds, 7.2% of the nation's total. The Atlantic region production was 10.3% less than one year ago, but 41.8% more than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.4000 - 1.5000 MOSTLY: 1.4200 - 1.4600  
HIGH HEAT: 1.4950 - 1.6000

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk pricing levels are lower for both the range and mostly series. The market tone is unsettled to weak. After dropping nearly 7 cents the previous week, the California NDM index regained nearly 3 cents this week. NDM buying interest is generally light and normal for the first week of a new year. Spot interest is limited for some fill in needs. Additional export potential is in the marketplace as buyers look to secure 2012 needs. U.S. offering prices are often being reduced to be competitive with international pricing. Domestic contract volumes appear to be lower overall as some buyer segments were affected by market movements in 2011. They project that they will be better off by contracting less volumes and getting any extra needs in the spot market in 2012. NDM production remained heavy into midweek as processors were still working through surplus milk generated over the holiday weekend. Stocks remain moderate to heavy. High heat prices are trending lower, reflecting changes in low heat pricing levels. There is little news to affect the market tone. Buying interest is contract-focused with limited spot activity. End users are pulling more high heat as products are manufactured for several market segments. Many of these end product manufacturers are revamping schedules after taking extra down times around the yearend holidays. U.S. NDM production in November 2011 totaled 120.1 million pounds, 2.9% more than last year. Cumulative YTD output through November totals 1.37 billion pounds, down 4.0% from the same period in 2010. NDM production in the West region in November totaled 98.1 million pounds, down 0.9% from last year. The West produced 82% of the U.S. total in November. U.S. manufacturers' stocks of NDM at the end of November were 146.3 million pounds, 14.4% higher than a year earlier and 2.1% more than October 2011. U.S. skim milk powder (SMP) production in November totaled 39.6 million pounds, 106.1% more than last year but 5.7% less than October. Cumulative YTD output for SMP through November totals 409.5 million pounds, up 80.7% from the same period in 2010.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.2500 - 1.4400 MOSTLY: 1.3700 - 1.4000  
HIGH HEAT: 1.4000 - 1.5375

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Central dry buttermilk prices are unchanged on an untested market. F.O.B. spot market offers improved somewhat this week after heavy production during the holiday period. Interest is light. Some Western buttermilk cleared into the Central region, with delivered prices consistent with Central pricing. Dry buttermilk production this week is slowing as cream returns to Class II manufacturers for Super Bowl related production of consumer goods. The December 2011 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.3545 compared to \$1.3638 one month ago and \$1.1846 in December 2010.

**DAIRY PRODUCTS:** NASS Dairy Products reports production of dry buttermilk during November 2011 totaled 8.6 million pounds, 13.4% more than one month ago and 29.4% more than production one year ago. Cumulative 2011 dry buttermilk production totals

CONTINUED ON PAGE 5A

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.

CONTINUED FROM PAGE 5

89.6 million pounds, 23.9% more than during the same time span of 2010. Month ending stocks of dry buttermilk, at 11.9 million pounds, are 0.7% lower than one month ago but 2.8% higher than one year ago.

EAST: Dry buttermilk prices were unchanged in light holiday trading. Plentiful cream supplies maximized churning schedules at most locations in the East over the holiday period, significantly increasing dry buttermilk production. A majority of the condensed buttermilk supplies were channeled to dryers over the holiday, expanding dry buttermilk inventories. Condensed buttermilk sales are increasing as ice cream manufacturers are coming back from their holiday shutdowns, but full production schedules are not expected until next week. Demand for dry buttermilk remains light with limited spot market activity with many prospective buyers waiting for a clearer market picture. Export interest continues, but as of yet no confirmed sales.

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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices adjusted lower on the top of the range this week, reflecting recent changes in component values as well as calendar pressure. Dry whole milk interest is mostly steady on the spot market, with some LTL's clearing to buyers needing manageable quantities less than full truckloads. A few plants continue to send whole milk to the dryers to build up contract-related inventories. The December 2011 Dairy Market News average of the range price series for dry whole milk was \$1.8414 compared to \$1.8785 one month ago and \$1.6987 in December 2010.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during November 2011 totaled 5.2 million pounds, up 2.0% from October 2011 but 41.0% lower than November 2010. Cumulative 2010 production totals 61.8 million pounds, a 4.3% decrease from 2010 production during the same time period.

F.O.B. PRODUCING PLANT: 1.7500 - 1.8500

DRY BUTTERMILK - WEST

Western dry buttermilk prices are trending lower for the mostly series, unchanged on the entire range of prices. The market tone is weaker. Offering prices are being lowered to stimulate market interest. Drying schedules are moderate to heavy to process the solids coming off the butter churns. Stocks have increased over recent weeks and are available from most producers. Buttermilk powder production in November 2011 for the U.S. totals 8.6 million pounds, up 29.4% from last year. Buttermilk stocks at the end of November were 11.9 million pounds, 2.8% higher than a year ago but 0.7% lower than last month.

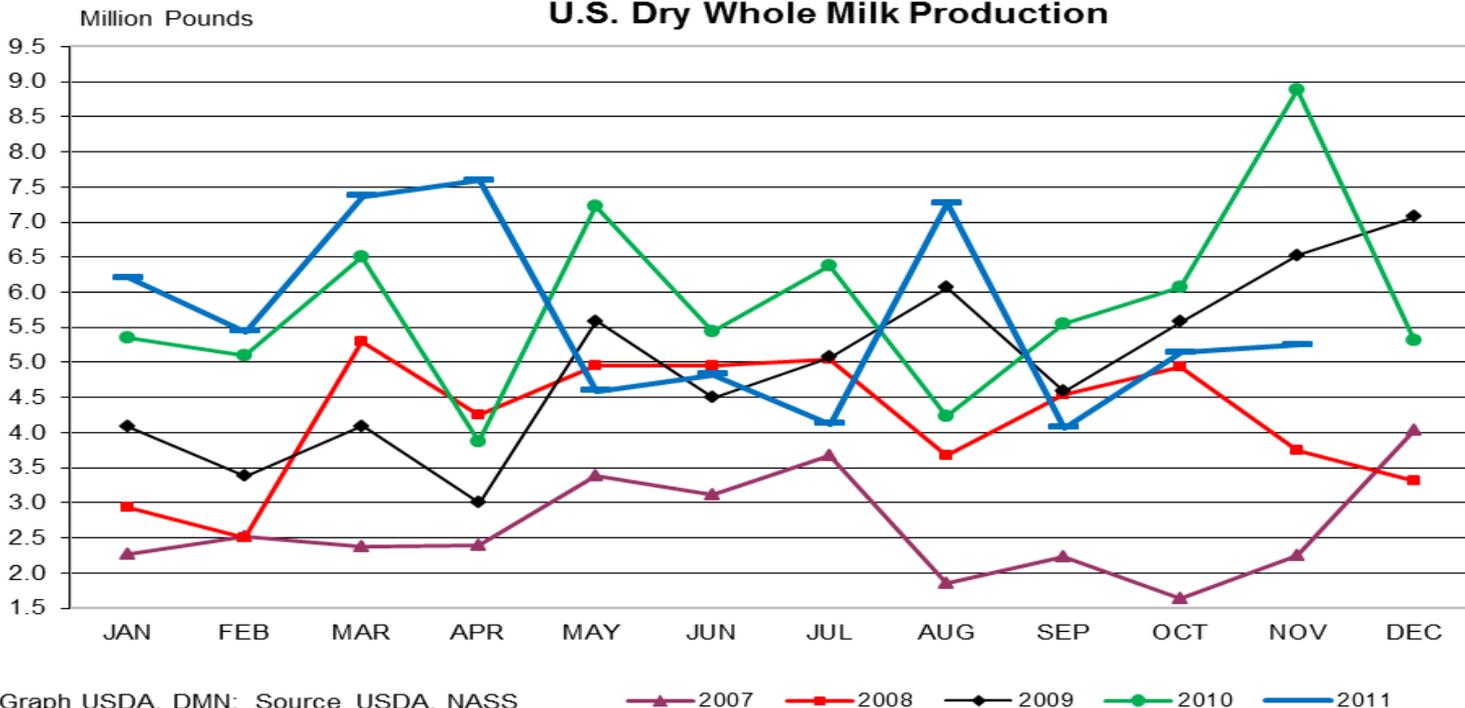
F.O.B. WEST: 1.2500 - 1.4000 MOSTLY: 1.3200 - 1.3700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 30	\$1.3850	15,211,692	0
December 23	\$1.3556	27,026,258	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 Whole Milk Production



Graph USDA, DMN; Source USDA, NASS

2007 2008 2009 2010 2011

**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**

Week 1 of 2012 brought higher prices to the firm Central dry whey market. Many manufacturers indicate their contracted quantities for this production year are closely aligned with total dry whey production projections. Because of that, manufacturers forecast offers of spot market loads throughout the year will be intermittent, at best. Dry whey production this week is expected to decrease slightly from the prior two weeks when the availability of spot loads of milk and condensed skim to Class III benefitted from other short term plant closures. Some Class III operations are sticking just to contracted milk volumes as cheese inventories are close to or above near term cheese demand. Human food dry whey production during November 2011 in the Central region totaled 36.8 million pounds. This dry whey production is 4.3% higher than one month ago but 1.8% lower than one year ago. Cumulative 2011 human food dry whey production in the Central region totals 421.1 million pounds, a 2.7% decrease compared to the same production period of 2010. CENTRAL ANIMAL FEED DRY WHEY prices are steady. A few buyers report that animal feed dry whey from the West is clearing into the Central region at prices nearing \$.70. Due to regional reporting constraints, these Western prices are not included in the Dairy Market News CENTRAL ANIMAL FEED MILK REPLACER price series. Animal feed dry whey end users report variable interest in edible and/or animal feed dry whey spot market loads as recent availability of off specification lactose and whey protein concentrate have supplemented inputs from regular dry whey suppliers and allowed some animal feed manufacturers to build finished product inventories. The December 2011 Dairy Market News average of the mostly price series for Central dry whey was \$0.6439 compared to \$0.6225 one month ago and \$0.3575 in December 2010. The December 2011 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.5522 compared to \$0.5470 one month ago and \$0.3065 in December 2010. DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during November 2011 totaled 72.6 million pounds, 2.4% more than October but 6.7% less than production 1 year ago. November ending stocks of HUMAN FOOD dry whey totaled 36.9 million pounds, 1.8% lower than 1 month ago and 9.1% lower than November 2010. Production of ANIMAL FEED dry whey during November 2011 totaled 5.2 million pounds, 16.9% lower than one month ago but more than two times the production of November 2010. ANIMAL FEED dry whey month ending stocks totaled 3.9 million pounds, 11.2% lower than one month ago but more than four times higher than the stocks of one year ago. Cumulative 2011 dry whey production, HUMAN AND ANIMAL FEED, is 0.3% higher than 2010 production through November, totaling 926.9 million pounds.

F.O.B. CENTRAL: .6650 - .7150 MOSTLY: .6850 - .7000  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4850 - .6275

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during November 2011 totaled 45.5 million pounds, a 7.9% increase in production from October 2011 and 5.4% higher than November 2010. Manufacturers' end-of-month stocks totaled 54.7 million pounds, 7.8% lower than last month and 15.1% lower than one year ago.

**DRY WHEY - NORTHEAST**

New contract pricing for 2012, advanced dry whey prices this week. Heavy manufacturing milk supplies over the holiday period increased cheese and dry whey production. The increased production expanded inventories, but most of the expanded supply is committed. Available supplies are moving through contracts, spot market activity is very limited, prompting buyers to secure additional loads via resale opportunities. Resale prices have increased ahead of the contract prices with some resale prices nearing \$0.7500. The market undertone remains very firm with good domestic and export demand. The December 2011 Dairy Market News average of the price series for Northeast dry whey was \$0.6668 compared to \$0.6469 one month ago and \$0.3916 in December 2010. The latest NASS Dairy Products report shows production of dry whey for human consumption for November 2011, in the Atlantic area totaled 19.8 million pounds, or 27.4% of the nation's total for November of 72.4 million pounds. The Atlantic area's production is 5.3% more than October, but 0.8% less than production one year ago. The national production total was 2.4% more than the previous month, but 6.7% lower than for the same period last year.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6850 - .7150

**DRY WHEY - WEST**

Western dry whey prices started the new year higher, continuing last year's trend. New contract pricing is mostly steady to higher with increasingly limited supplies being offered. Spot sales are being reported mostly from the resale market. The December 2011 Dairy Market News monthly average price for Western dry whey range was \$0.6565 compared to \$0.3909 for December 2010; the Western dry whey mostly series averaged \$.6656 compared to \$.3930 a year ago. According to the NASS *Dairy Products* report, total dry whey production in November totaled 77.5 million pounds, down 2.5% or 2.0 million pounds compared to November 2010. The Western region produced 15.8 million pounds of human dry whey in November, down 21.7% or 4.4 million pounds from last year. The West produced 21.8% of the human dry whey in the U.S. in November. Cumulative total dry whey production for the year in the U.S. is 926.9 million pounds, up 0.3% or 3.2 million pounds from 2010. Manufacturers' stocks at the end of November for total dry whey are 40.8 million pounds, down 1.8% or 0.8 million pounds from last year.

NONHYGROSCOPIC: .6300 - .7175 MOSTLY: .6650 - .7025

**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****WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices rose with the start of 2012 contracts. For several manufacturers, contract price premiums increased for 2012. WPC 34% load availability outside of contractual relationships is projected to be light as most producers indicated their steady customers maintained or increased contract quantities. A few producers who rely on outside whey sources as well as internal sources voiced concerns about the accessibility of those outside volumes due to pricing considerations in the currently firm WPC market. The December 2011 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.4600 compared to \$1.4458 one month ago and \$0.9950 in December 2010. DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during November 2011 totaled 20.7 million pounds, 0.4% less than one month ago but 5.3% higher than production of one year ago. Cumulative WPC 25.0 – 49.9% production for 2011 totals 219.1 million pounds, 2.0% lower than 2010 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 – 49.9% PROTEIN) totaled 21.0 million pounds, 3.2% more than October 2011 and 31.2% more than November 2010.

F.O.B. EXTRA GRADE 34% PROTEIN:1.4800 -1.6600 MOSTLY: 1.5000 - 1.5300

**LACTOSE - CENTRAL AND WEST**

Lactose prices adjusted higher as Q1 contract prices activate this week. The firm price trend continues and many manufacturers indicate that another round of contracts will activate next week, with prices based on some function of the newly active Q1 pricing. Most manufacturers indicate they continue to field calls of interest for lactose from those buyers who have been unable or previously uncertain about committing to monthly or quarterly contracts. Conversely, a few buyers with active contracts requested cancelation of Q1 contracts, giving price as the reason for the cancelation. Lactose inventories are in balance with current contractual demand. F.O.B. based spot load availability is light. Lactose production is unchanged at most facilities. The December 2011 Dairy Market News average of the mostly price series for Central and West lactose was \$0.7684 compared to \$0.7598 one month ago and \$0.3350 in December 2010. DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during November 2011 decreased 2.6% compared to October 2011 to 80.0 million pounds but was 5.1% higher than November 2010 production. Cumulative 2011 lactose production totals 909.7 million pounds, 10.3% more than during the same time span in 2010. Month ending stocks, at 64.1 million pounds, are 8.2% less than one month ago and 21.7% lower than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .7900 - .8800 MOSTLY: .8200 -.8600

**CASEIN - NATIONAL**

Casein markets are generally steady, although prices have eased on the top end of the reported range. Domestic buyers and suppliers were anticipating lower prices in the New Year, but lower prices did not develop as strongly as anticipated. A major casein producing country continues to withhold casein from international market, thus causing prices for other offerings to remain firm. Casein suppliers and handlers indicate that in the event that casein volumes once again move from the shuttered country, other international prices will potentially decline to remain competitive.

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 - 4.9000
ACID:	4.9500 - 5.1000

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

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 & Comparable Week 2010

WEEK ENDING	WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS	2010 WEEKLY DAIRY COWS	2010 CUMULATIVE DAIRY COWS
12/17/2011	60.2	2,855.2	59.4	2,743.2

**WEBSITE**

**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)

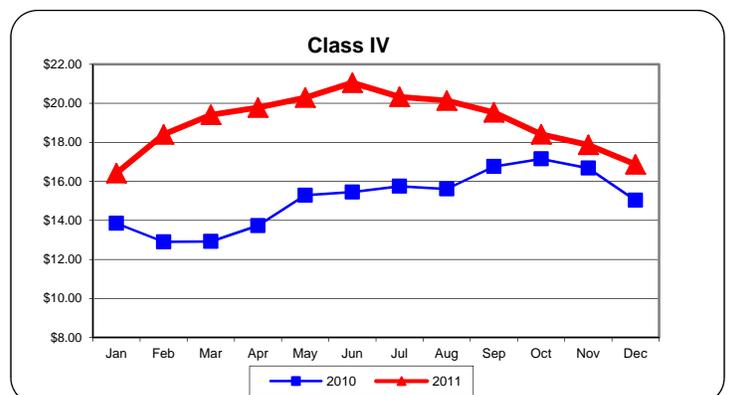
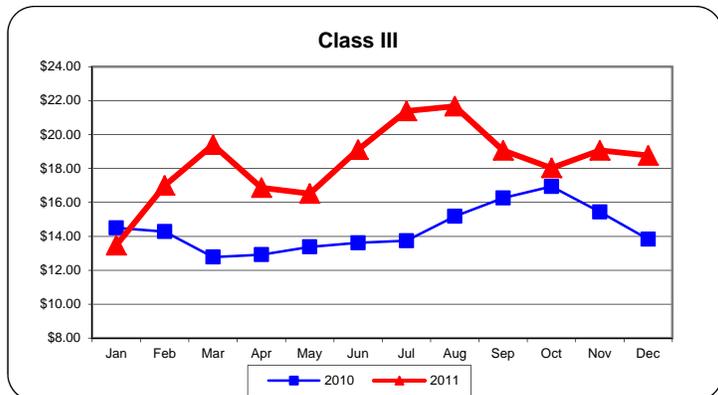
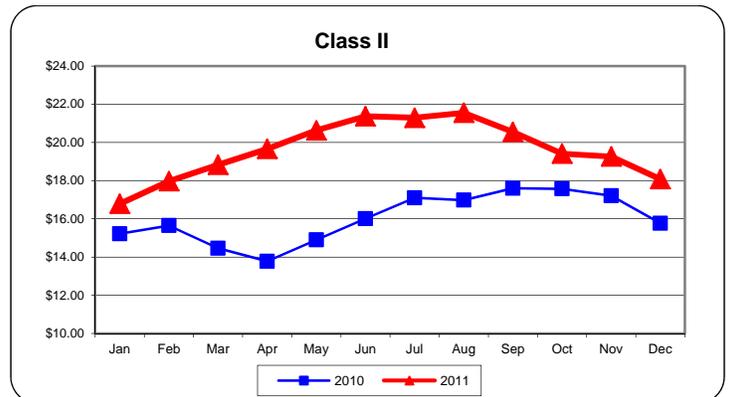
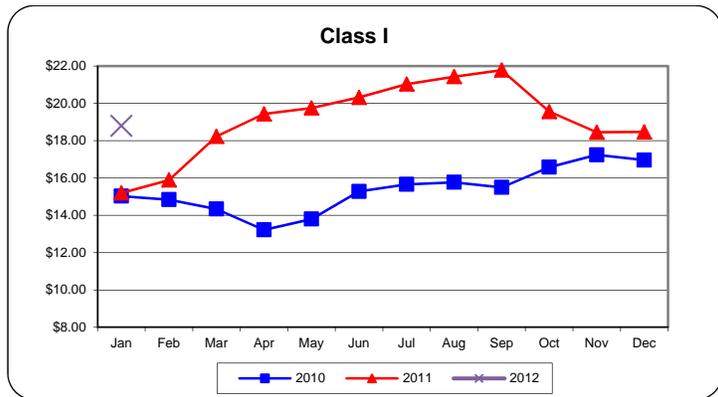
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	12.53	12.71	13.71	16.12	18.48	20.76	21.64	21.87	21.61	21.31	20.40	19.18
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	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](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points." \$ Revised



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered December 26 - January 6, 2012

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

**WESTERN OVERVIEW:** Milk production in Europe continues to show signs of seasonal increases. Cold temperatures are being reported in many regions, although measurable snowfall is limited. Although most farmers are not complaining about limited snow, many are concerned about moisture levels in the spring. Typically, measurable amounts of snowfall have occurred in past years by this time and lack of or limited snowfall volumes are potentially pointing to lower moisture levels in a few months. Although these are current concerns, most state that measurable snowfall can occur in the next few months which would curtail any lack of moisture concerns. Manufacturing schedules are also on the increase as milk volumes build. Milk producer are now starting to more closely monitor their milk volumes as the milk quota year end nears. Early reports indicate that Denmark and The Netherlands, that were over quota last year, are within quota this year. During the next three months, milk producers in Austria, Ireland, and potentially Germany need to monitor their output more closely as March 31 nears. Reports from European traders and handlers are indicating that results of the recent dairy product tender are starting to surface. Full details are limited, but many speculate that Europe will be the source of skim milk powder, while potentially South America will be the source of whole milk powder. Other international trading activity has been limited as the yearend holiday period is at hand. Although trading has been slow, many traders did indicate that sales activity was stronger than anticipated. Many attribute the continued sales activity to the span of time between Christmas and New Year along with the holidays occurring on weekends.

**BUTTER/BUTTEROIL:** Butter markets and prices in Europe are generally weaker. European butter prices are often higher than international buyers are willing to pay, thus buyer inquiry is reaching to other international sources. At the present time, firm prices are limiting European butter sales to internal or domestic needs. Traders and handlers are not sure how low prices will have to recede, to once again become competitive internationally. Currently, U.S. prices are around \$1,000 per MT lower. Although no new PSA figures are available, butter volumes continue to clear back to the marketplace.

82% BUTTERFAT: 4,425 - 4,675  
99% BUTTERFAT: 4,950 - 5,225

**SKIM MILK POWDER (SMP):** European skim milk powder markets and prices are generally stable. Manufacturers and handlers are indicating that stocks are available for both internal and international buyer needs. European traders and handlers are starting to put bits and pieces of information together pertaining to the results of the recent dairy product tender that was finalized just before Christmas. Volume totals and full details are limited. Traders are speculating that a significant portion of the accepted skim milk powder will be sourced from Europe. Traders also indicate that a large percentage of tender offers were rejected with about 20% being accepted.

1.25% BUTTERFAT: 2,950 - 3,150

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are generally stable although prices are unchanged to lower. European milk production continues to show signs of seasonal increases although whole milk powder production remains low. Traders and handlers indicate that stocks are available, but often priced higher than potential buyers are willing to pay, especially international buyers. Results of the recent dairy product tender are starting to be released, but volumes and full details are very limited. Traders and handlers are indicating that Europe will not be a significant source of whole milk powder under this tender. Many are speculating that South America and Oceania will be filling that need. Traders are also indicating that well over half of the offers submitted were rejected with about 20% being accepted.

26% BUTTERFAT: 3,575 - 3,950

**SWEET WHEY POWDER:** European whey powder markets are generally stable with prices adjusting higher and lower within the reported range. Cheese production is active as milk volumes increase and demand for cheese remains positive. Whey volumes are starting to build as buyers have been absent from the marketplace during the yearend holidays and for some, prices of European offerings are higher than they are willing to pay. At this point, most sales activity continues to be centered around an internal or domestic market.

NONHYGROSCOPIC: 1,275 - 1,400

**EASTERN OVERVIEW:** Eastern European milk production continues to basically hold at low seasonal levels. Noticeable increases are slow to develop. This trend is not uncommon for Eastern Europe as milk output typically trails Western producers by 4 - 6 weeks. Manufacturing schedules remain limited with current sales activity being filled from inventoried stock.

Exchange rates for selected foreign currencies: January 3, 2012

.9895 Canadian Dollar	.0188 Indian Rupee
.2321 Argentina Peso	.7900 New Zealand Dollar
.0733 Mexican Peso	1.0378 Australian Dollar
.2919 Polish Zloty	.0130 Japanese Yen
	1.3051 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0733) = 13.6426 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered December 26, 2011 - January 6, 2012

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**OVERVIEW:** Milk production in the Oceania region continues to seasonally decline. In New Zealand, very wet conditions are being reported in northern areas of the North Island, although milk production does exist in this region, this is an area of the island that is not a significant milk production region. Elsewhere on the North Island, milk output is on the decline, but is generally running ahead of budget. Strong milk production continues to be reported out of the South Island. New Zealand milk producer and handlers continue to anticipate a 3 - 4% annual increase in milk output from last year. In Australia milk volumes are decreasing, but in recent days, temperatures maintained high levels which could significantly impact milk output. Temperatures in Northern Victoria reached 43 degrees C (109F) during the past week and are maintaining high levels in the upper 30's to low 40's. Milk handlers are indicating that it is too early to get a real good picture on the potential negative impact on milk output, but from previous high temperature trends, milk volumes suffered and often were not recoverable. The Gippsland region, further south within Victoria, continues to struggle with excessive moisture. Often a few days of drying heat and sunshine are followed by rainfall and soggy/wet conditions prevail once again. Some milk producers are indicating that the heat is browning pastures, thus feed availability and quality are dropping off quickly. Although weather appears to potentially accelerate milk volume declines, producers and handlers remain optimistic and are still looking for a 2 - 3% annual increase over last year. Traders and handlers are indicating the yearend holidays have slowed overall trading activity. Many feel that activity will probably maintain a slow presence this week, but will hopefully pick up next week. During the first g/DT auction for 2012 #59, average prices for all contracts were mixed, buttermilk powder, milk protein concentrate, and cheddar cheese were higher while all others were lower. As has been the case since U.S. skim milk powder has been offered at the trading event, only U.S. powder traded for Contract #1 (February) delivery. This powder averaged \$3,023 per MT which was 1.7% lower than the previous contract #1 average in December. Contract #2 (March) average prices and changes from the previous session are: anhydrous milk fat, \$3,879/MT, -2.8%; buttermilk powder, \$3,585, +9.3%;, skim milk powder, \$3,243, -0.1%; whole milk powder, \$3,527, -0.7%; milk protein concentrate \$5,845/MT +0.9%; rennet casein \$7,717/MT -4.7%; and cheddar \$3,470/MT, -1.1%.

**BUTTER:** Oceania butter markets and prices are steady to slightly firmer. Churning activities remain seasonally strong as milk and cream volumes decline. In most instances, churning activities are geared to butter commitments with minimal volumes of uncommitted butter being reported. In Australia especially, cream volumes that do not clear to the churn are cleared through cream cheese production which is a strong cream based product for export. Traders and handlers indicate that sales activity during the past week to 10 days slowed, but is starting to show renewed interest as 2012 begins. Anhydrous milk fat trading at the g/DT event on January 3 declined 5.1% from the previous all contract average to \$3,982 per MT.

82% BUTTERFAT:

3,550 - 4,200

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices are steady to firm. The milk production season in the region is on the down side, but milk volumes are sufficient to maintain active butter/powder production schedules. Traders and handlers are indicating that uncommitted stocks are available. Sales activity slowed during the yearend holiday period, but often remained more active than many anticipated. Oceania sourced skim milk powder, traded at the January 3 g/DT event averaged lower in price than the previous event. For contract #2 (March) the average price was \$3,243 per MT, -0.1%; contract #3 (April - June) \$3,366, -0.5%; and contract #4 (July - September) \$3,439, -9.5%.

1.25% BUTTERFAT:

3,250 - 3,700

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets and prices are weak. Some Oceania traders and handlers are speculating that the Oceania region will be a source of whole milk powder for the recently announced dairy product tender. Full details and volumes of the outcome are still unclear, but many speculate that a significant portion of the accepted offers will come from South America. Traders and handlers are also indicating that only about 20% of the offers were accepted. Whole milk powder production in the region is seasonally active, but trending lower. Whole milk powder, trading at the January 3 g/DT event, averaged \$3,554 per MT for all contracting periods, 0.8% lower than the previous all contract average. Contract 2 and 3 averages were lower than the previous contract period, but were 1.8% higher for contract #4 (July - September).

26% BUTTERFAT:

3,525 - 3,750

**CHEDDAR CHEESE:** Cheese markets and prices in the Oceania region are steady to firm. Cheese production is seasonally active as milk volumes decline, but remain sufficient to maintain steady production projections. Stocks of cheese are adequate for commitments with suppliers and handlers comfortable with their supply/demand situations. Many manufacturers and handlers are indicating that cheese order books are in good shape and within budget. Cheddar cheese traded at the January 3 g/DT event averaged \$3,598 per MT, up 0.2% from the previous all contract average. Contract #2 deliveries (March) averaged \$3,470 per MT, -1.1% from the previous average with April - June contracts (#3) averaging \$3,727 per MT, +1.4%.

39% MAXIMUM MOISTURE:

3,675 - 4,500

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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JANUARY 3, 2012 Global/Dairy Trading (g/DT) event 59 recap US \$ per metric ton										
Average prices and Changes in price Indices from Previous event	Contract #1		Contract #2		Contract #3		Contract #4		All Contracts	
	February 2012		March 2012		April - June 2012		July - September 2012			
Anhydrous Milk Fat	N.A.	N.A.	\$3,879	-2.8%	\$4,041	-6.7%	\$4,274	-6.4%	\$3,982	-5.1%
Buttermilk Powder	N.A.	N.A.	\$3,585	+9.3%	N.A.	N.A.	N.A.	N.A.	\$3,585	+9.3%
Skim Milk Powder	\$3,023	-1.7	\$3,243	-0.1%	\$3,366	-0.5%	\$3,439	-9.5%	\$3,269	-0.6%
Whole Milk Powder	N.A.	N.A.	\$3,527	-0.7%	\$3,559	-1.7%	\$3,746	+1.8%	\$3,554	-0.8%
Milk Protein Concentrate	N.A.	N.A.	\$5,845	+0.9%	\$6,150	+3.7%	N.A.	N.A.	\$5,986	+2.3%
Rennet Casein	N.A.	N.A.	\$7,717	-4.7%	\$7,877	-3.4%	N.A.	N.A.	\$7,796	-4.0%
Cheddar	N.A.	N.A.	\$3,470	-1.1%	\$3,727	+1.4%	N.A.	N.A.	\$3,598	+0.2%

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	12/22	12/23	12/26	12/27	12/28	12/29	12/30	01/02	01/03	01/04
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 11	18.68 (5857) 0	18.66 (5903) 0	NO TRADING	18.66 (5948) 0	18.66 (5940) 0	18.66 (6143) 0	18.77 (5923) 0	NO TRADING		
JAN 12	17.34 (4631) 0	17.00 (4678) 0		17.05 (4676) 0	17.14 (4722) 0	17.45 (4726) 0	17.26 (4762) 0		17.14 (4749) 1	17.09 (4691) 1
FEB 12	17.47 (4511) 8	17.12 (4546) 0		17.22 (4573) 0	17.28 (4562) 0	17.61 (4679) 0	17.43 (4706) 0		17.59 (4873) 0	17.40 (4895) 1
MAR 12	17.24 (3604) 8	17.04 (3620) 0		17.11 (3628) 0	17.23 (3737) 0	17.54 (3824) 5	17.46 (3905) 2		17.55 (3926) 5	17.44 (3960) 6
APR 12	17.15 (2633) 8	17.05 (2643) 0		17.12 (2652) 0	17.23 (2745) 0	17.35 (2808) 5	17.36 (2840) 2		17.39 (2841) 1	17.39 (2884) 5
MAY 12	17.06 (2518) 8	17.05 (2518) 0		17.08 (2545) 0	17.14 (2596) 0	17.20 (2650) 5	17.25 (2679) 2		17.25 (2687) 1	17.26 (2703) 5
JUN 12	17.05 (2198) 8	17.00 (2199) 0		17.02 (2205) 0	17.06 (2230) 0	17.10 (2247) 5	17.12 (2261) 2		17.19 (2292) 1	17.20 (2318) 5
JUL 12	17.20 (1565) 8	17.20 (1571) 0		17.25 (1585) 0	17.25 (1611) 0	17.25 (1664) 35	17.24 (1674) 2		17.34 (1680) 1	17.32 (1684) 8
AUG 12	17.22 (1507) 8	17.24 (1509) 0		17.30 (1515) 0	17.31 (1535) 0	17.30 (1580) 35	17.30 (1584) 2		17.32 (1592) 1	17.32 (1608) 8
SEP 12	17.25 (1437) 9	17.25 (1487) 0		17.28 (1487) 0	17.30 (1506) 0	17.30 (1544) 35	17.32 (1553) 2		17.38 (1555) 1	17.37 (1566) 8
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 11	17.05 (397) 0	17.05 (397) 0	NO TRADING	17.00 (397) 0	17.00 (397) 0	17.00 (397) 0	16.87 (423) 0	NO TRADING		
JAN 12	16.92 (325) 0	16.90 (320) 0		16.90 (320) 0	16.90 (330) 0	16.90 (330) 0	16.90 (330) 0		16.90 (330) 0	16.90 (330) 0
FEB 12	16.95 (333) 0	16.95 (333) 0		16.95 (333) 0	16.95 (333) 0	16.82 (343) 0	16.82 (343) 0		16.82 (343) 0	16.82 (343) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 11	161.25 (703) 5	161.25 (703) 2	NO TRADING	161.25 (703) 0	161.25 (703) 0	161.25 (703) 0	161.19 (703) 0	NO TRADING		
JAN 12	165.00 (572) 30	162.00 (588) 30		161.50 (598) 11	161.50 (608) 20	161.50 (608) 0	161.50 (606) 3		161.50 (606) 0	161.00 (611) 12
FEB 12	165.48 (605) 11	163.00 (610) 19		163.00 (610) 0	164.00 (605) 9	163.53 (606) 2	163.53 (606) 0		165.00 (606) 12	165.00 (607) 3
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 11	142.50 (292) 0	142.50 (292) 0	NO TRADING	142.50 (292) 0	142.00 (294) 0	143.20 (296) 0	142.01 (296) 0	NO TRADING		
JAN 12	142.50 (128) 0	141.70 (127) 0		141.70 (127) 0	140.93 (128) 0	140.00 (127) 0	140.00 (127) 0		140.00 (127) 0	140.00 (127) 0
FEB 12	142.08 (118) 0	141.00 (118) 0		141.50 (118) 0	140.70 (120) 0	140.00 (131) 0	140.00 (131) 0		140.00 (131) 0	140.00 (131) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 11	65.98 (433) 1	65.68 (433) 0	NO TRADING	65.68 (433) 0	65.68 (433) 0	65.68 (433) 0	65.38 (416) 0	NO TRADING		
JAN 12	67.93 (437) 17	67.00 (439) 3		67.03 (439) 1	67.03 (439) 0	67.75 (439) 9	67.73 (439) 3		67.03 (439) 5	67.45 (442) 13
FEB 12	69.00 (362) 9	68.00 (367) 6		69.00 (366) 5	69.00 (366) 0	69.50 (367) 17	69.00 (367) 1		69.00 (367) 0	68.20 (377) 23
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
DEC 11	1.79 (1141) 0	1.79 (1141) 0	NO TRADING	1.79 (1141) 0	1.79 (1141) 0	1.79 (1141) 0	1.81 (1141) 0	NO TRADING		
JAN 12	1.64 (1088) 0	1.61 (1096) 13		1.62 (1096) 0	1.62 (1096) 2	1.65 (1096) 2	1.64 (1096) 1		1.62 (1095) 2	1.62 (1104) 8
FEB 12	1.65 (903) 6	1.62 (911) 22		1.62 (911) 0	1.63 (911) 0	1.66 (911) 0	1.66 (911) 0		1.66 (911) 0	1.64 (930) 8
MAR 12	1.62 (920) 12	1.62 (929) 9		1.62 (933) 4	1.63 (943) 10	1.65 (943) 7	1.66 (944) 1		1.66 (944) 0	1.66 (958) 0
APR 12	1.63 (761) 11	1.63 (756) 5		1.63 (756) 0	1.64 (789) 33	1.66 (817) 33	1.68 (838) 22		1.67 (838) 0	1.66 (853) 7
MAY 12	1.64 (641) 14	1.64 (641) 0		1.64 (641) 0	1.64 (641) 0	1.66 (677) 38	1.66 (686) 10		1.66 (686) 0	1.66 (702) 8

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

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:REPORT NUMBER 48		:REPORT NUMBER 49		:REPORT NUMBER 50		:REPORT NUMBER 51		:REPORT NUMBER 52:		2011	2010
	:-----		:-----		:-----		:-----		:-----		: Average	: Average
	: DEC 01 - 02	: DEC 05 - 09	: DEC 12 - 16	: DEC 19 - 23	: DEC 26 - 30	: or Total	: or Total					
CHEESE												
WISCONSIN (WSP, Delivered, LTL)												
-- Process American 5# Loaf	:: 2.2000 - 2.3900	:: 2.1150 - 2.3600	:: 1.9725 - 2.3600	:: 1.9075 - 2.3600	:: 1.9100 - 2.3600	:: 2.1797	: 1.8821					
-- Brick And/Or Muenster 5#	:: 2.3225 - 2.4800	:: 2.2875 - 2.4800	:: 2.1925 - 2.4400	:: 2.0975 - 2.4400	:: 2.0700 - 2.4400	:: 2.3146	: 2.0646					
-- Cheddar 40# Block	:: 2.2700 - 2.8650	:: 2.2700 - 2.8650	:: 2.1925 - 2.8650	:: 2.0975 - 2.8650	:: 2.0700 - 2.8650	:: 2.5164	: 2.2509					
-- Monterey Jack 10#	:: 2.2925 - 2.8650	:: 2.2575 - 2.8650	:: 2.1625 - 2.8650	:: 2.0675 - 2.8650	:: 2.0400 - 2.8650	:: 2.5057	: 2.2221					
-- Blue 5#	:: 2.5875 - 3.1500	:: 2.5525 - 3.1500	:: 2.4575 - 3.1300	:: 2.3625 - 3.1300	:: 2.3350 - 3.1300	:: 2.7889	: 2.5834					
-- Mozzarella 5 - 6#	:: 2.1675 - 2.9650	:: 2.1325 - 2.9650	:: 2.0375 - 2.9650	:: 1.9425 - 2.9650	:: 1.9150 - 2.9650	:: 2.4932	: 2.2084					
-- Grade A Swiss Cuts 6 - 9#	:: 3.0450 - 3.3300	:: 2.9300 - 3.3300	:: 2.9300 - 3.3300	:: 2.9300 - 3.3300	:: 2.9300 - 3.3300	:: 3.1352	: 3.0651					
NORTHEAST (WSP, Delivered, LTL)												
-- Cheddar 40# Block	:: 2.1300 - 2.4050	:: 2.0950 - 2.3700	:: 2.0000 - 2.2750	:: 1.9050 - 2.1800	:: 1.8775 - 2.1525	:: 2.1215	: 1.8667					
-- Process 5# Sliced	:: 1.9500 - 2.0700	:: 1.8650 - 1.9850	:: 1.7225 - 1.8425	:: 1.6575 - 1.7775	:: 1.6600 - 1.7800	:: 1.8066	: 1.6603					
-- Muenster	:: 2.1500 - 2.4775	:: 2.1150 - 2.4425	:: 2.0200 - 2.3475	:: 1.9250 - 2.2525	:: 1.8975 - 2.2250	:: 2.1677	: 1.8517					
-- Grade A Swiss Cuts 10 - 14#	:: 3.6375 - 3.9600	:: 3.5200 - 3.8425	:: 3.5200 - 3.8425	:: 3.5200 - 3.8425	:: 3.5200 - 3.8425	:: 3.6919	: 3.5540					
WEST COAST (WSP, Delivered, LTL)												
-- Process 5# Loaf	:: 1.9650 - 2.2225	:: 1.8825 - 2.1400	:: 1.7400 - 1.9975	:: 1.6750 - 1.9325	:: 1.6775 - 1.9350	:: 1.8926	: 1.6541					
-- Cheddar 40# Block	:: 1.9425 - 2.2950	:: 1.9075 - 2.2600	:: 1.8125 - 2.1650	:: 1.7175 - 2.0700	:: 1.6900 - 2.0425	:: 1.9727	: 1.7155					
-- Cheddar 10# Cuts	:: 2.1225 - 2.3425	:: 2.0875 - 2.3075	:: 1.9925 - 2.2125	:: 1.8975 - 2.1175	:: 1.8700 - 2.0900	:: 2.0865	: 1.8292					
-- Monterey Jack 10#	:: 2.1325 - 2.2925	:: 2.0975 - 2.2575	:: 2.0025 - 2.1625	:: 1.9075 - 2.0675	:: 1.8800 - 2.0400	:: 2.0665	: 1.8092					
-- Grade A Swiss Cuts 6 - 9#	:: 3.2150 - 3.6450	:: 3.0975 - 3.5275	:: 3.0975 - 3.5275	:: 3.0975 - 3.5275	:: 3.0975 - 3.5275	:: 3.3232	: 3.1852					
FLUID PRODUCTS												
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)												
-- Northeast - f.o.b	:: 2.1340 - 2.2310	:: 2.0968 - 2.2123	:: 2.0481 - 2.2284	:: 1.9581 - 2.1668	:: 1.7083 - 1.8360	:: 2.0455	: 2.0343					
-- Upper Midwest - f.o.b	:: 1.6975 - 2.0694	:: 2.0142 - 2.1463	:: 1.9990 - 2.2120	:: 1.7655 - 1.9581	:: 1.7562 - 1.9477	:: 1.9666	: 1.8723					
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.												
-- Class II	:: 1.53 - 1.58	:: 1.52 - 1.57	:: 1.52 - 1.57	:: 1.52 - 1.57	:: 1.48 - 1.53	:: 1.5368	: 1.2683					
-- Class III	:: 1.44 - 1.49	:: 1.55 - 1.60	:: 1.55 - 1.60	:: 1.55 - 1.60	:: 1.55 - 1.60	:: 1.5650	: 1.0189					

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2011 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:::REPORT NUMBER 48	:::REPORT NUMBER 49	:::REPORT NUMBER 50	:::REPORT NUMBER 51	:::REPORT NUMBER 52:::	2011	:	2010
	:-----:-----:-----:-----:-----:					Average	:	Average
	:: DEC 01 - 02	:: DEC 05 - 09	:: DEC 12 - 16	:: DEC 19 - 23	:: DEC 26 - 30	:: or Total	:	or Total
DRY PRODUCTS								
NONFAT DRY MILK								
-- Central And East (f.o.b.)								
-- Low/Medium Heat	:: 1.4000 - 1.5350	:: 1.4000 - 1.4900	:: 1.3750 - 1.5200	:: 1.3750 - 1.5200	:: 1.4000 - 1.5225	:: 1.4519	:	1.2545
-- Mostly	:: 1.4200 - 1.5250	:: 1.4200 - 1.4700	:: 1.4200 - 1.4700	:: 1.4200 - 1.4700	:: 1.4200 - 1.4700	:: 1.4475	:	1.2589
-- High Heat	:: 1.5300 - 1.6500	:: 1.5300 - 1.6500	:: 1.5300 - 1.6500	:: 1.5300 - 1.6500	:: 1.5100 - 1.6000	:: 1.5820	:	1.3484
-- West (f.o.b.)								
-- Low/Medium Heat	:: 1.3500 - 1.5000	:: 1.3500 - 1.4700	:: 1.3500 - 1.4825	:: 1.3500 - 1.4825	:: 1.3000 - 1.4825	:: 1.4099	:	1.2305
-- Mostly	:: 1.3700 - 1.4525	:: 1.3700 - 1.4300	:: 1.3700 - 1.4300	:: 1.3700 - 1.4300	:: 1.3700 - 1.4300	:: 1.4010	:	1.2160
-- High Heat	:: 1.4450 - 1.5500	:: 1.4300 - 1.5475	:: 1.4300 - 1.5375	:: 1.4300 - 1.5375	:: 1.4300 - 1.5375	:: 1.4861	:	1.3057
WHEY POWDER (Nonhygroscopic)								
-- Central (f.o.b.)	:: 0.6000 - 0.6750	:: 0.6000 - 0.7025	:: 0.6050 - 0.6875	:: 0.6100 - 0.6925	:: 0.6200 - 0.7000	:: 0.6509	:	0.3686
-- Mostly	:: 0.6150 - 0.6500	:: 0.6150 - 0.6550	:: 0.6200 - 0.6650	:: 0.6250 - 0.6700	:: 0.6300 - 0.6800	:: 0.6439	:	0.3575
-- West (f.o.b.)	:: 0.5800 - 0.6875	:: 0.6000 - 0.6925	:: 0.6200 - 0.6975	:: 0.6200 - 0.7025	:: 0.6300 - 0.7075	:: 0.6565	:	0.3909
-- Mostly	:: 0.6375 - 0.6675	:: 0.6425 - 0.6725	:: 0.6450 - 0.6825	:: 0.6525 - 0.6850	:: 0.6575 - 0.6975	:: 0.6656	:	0.3930
-- Northeast (f.o.b.)	:: 0.6425 - 0.6650	:: 0.6525 - 0.6700	:: 0.6525 - 0.6825	:: 0.6575 - 0.6825	:: 0.6625 - 0.6850	:: 0.6668	:	0.3916
WHEY PROTEIN CONCENTRATE								
-- Central And West (f.o.b.)								
-- Extra Grade 34% Protein	:: 1.3700 - 1.5850	:: 1.4100 - 1.5450	:: 1.4100 - 1.5100	:: 1.4100 - 1.5100	:: 1.4100 - 1.5200	:: 1.4667	:	1.0249
-- Mostly	:: 1.4400 - 1.4800	:: 1.4400 - 1.4800	:: 1.4400 - 1.4800	:: 1.4400 - 1.4800	:: 1.4400 - 1.4800	:: 1.4600	:	0.9950
ANIMAL FEED - WHEY								
-- Central (f.o.b.)								
-- Milk Replacer	:: 0.4650 - 0.6275	:: 0.4725 - 0.6275	:: 0.4750 - 0.6275	:: 0.4800 - 0.6275	:: 0.4850 - 0.6275	:: 0.5522	:	0.3065
BUTTERMILK (Min. 30% protein)								
-- Central And East (f.o.b.)	:: 1.3200 - 1.4300	:: 1.3200 - 1.4200	:: 1.2900 - 1.4200	:: 1.2600 - 1.4100	:: 1.2900 - 1.4100	:: 1.3545	:	1.1846
-- West (f.o.b.)	:: 1.3300 - 1.3800	:: 1.3400 - 1.3975	:: 1.2500 - 1.4000	:: 1.2500 - 1.4000	:: 1.2500 - 1.4000	:: 1.3377	:	1.1520
-- Mostly	:: 1.3500 - 1.3600	:: 1.3600 - 1.3750	:: 1.3600 - 1.3750	:: 1.3600 - 1.3750	:: 1.3600 - 1.3750	:: 1.3664	:	1.1717
WHOLE MILK POWDER								
-- National (f.o.b.)	:: 1.7900 - 1.9200	:: 1.7600 - 1.9500	:: 1.7600 - 1.9500	:: 1.7500 - 1.9000	:: 1.7500 - 1.9000	:: 1.8414	:	1.6987
LACTOSE								
-- Central And West (f.o.b.)	:: 0.6200 - 0.8950	:: 0.6200 - 0.8650	:: 0.6200 - 0.9000	:: 0.6200 - 0.9050	:: 0.6200 - 0.9050	:: 0.7569	:	0.3362
-- Mostly	:: 0.7300 - 0.8000	:: 0.7300 - 0.8000	:: 0.7300 - 0.8100	:: 0.7300 - 0.8100	:: 0.7300 - 0.8100	:: 0.7684	:	0.3350
CASEIN - Edible - National (f.o.b.)								
-- Nonrestricted - Rennet	:: 4.6000 - 5.0500	:: 4.6000 - 5.0500	:: 4.6000 - 5.0500	:: 4.6000 - 5.0500	:: 4.6000 - 5.0500	:: 4.8250	:	4.1000
-- Nonrestricted - Acid	:: 4.9500 - 5.2000	:: 4.9500 - 5.2000	:: 4.9500 - 5.2000	:: 4.9500 - 5.2000	:: 4.9500 - 5.2000	:: 5.0750	:	4.0750

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CME GROUP AVERAGES FOR DECEMBER 2011

COMMODITY	REPORT NUMBER 48	REPORT NUMBER 49	REPORT NUMBER 50	REPORT NUMBER 51	REPORT NUMBER 52	2011 * Monthly Average	2010 * Monthly Average
	DEC 1 - 2	DEC 5 - 9	DEC 12 - 16	DEC 19 - 23	DEC 27 - 30		
<b>BUTTER*</b>							
-- GRADE AA							
--Monday		1.6325	1.6200	1.6025			
--Tuesday		1.6400	1.6100	1.5950	1.5950		
--Wednesday		1.6400	1.5900	1.5950	1.5950		
--Thursday	1.6400	1.6400	1.6025	1.5950	1.5950		
--Friday	1.6300	1.6400	1.6025	1.5950	1.5950	1.6119	1.6327
--Weekly Average**	1.6510	1.6385	1.6050	1.5965	1.5950		
<b>CHEESE*</b>							
-- BARRELS							
--Monday		1.6850	1.5725	1.5350			
--Tuesday		1.6400	1.5550	1.5450	1.5600		
--Wednesday		1.6000	1.5400	1.5500	1.5600		
--Thursday	1.7125	1.5700	1.5375	1.5600	1.5800		
--Friday	1.7125	1.5725	1.5350	1.5600	1.5800	1.5839	1.3751
--Weekly Average**	1.7560	1.6135	1.5480	1.5500	1.5700		
-- 40# BLOCKS							
--Monday		1.7325	1.6350	1.5625			
--Tuesday		1.6850	1.6000	1.5625	1.5625		
--Wednesday		1.6850	1.5875	1.5625	1.5625		
--Thursday	1.7675	1.6750	1.5700	1.5625	1.5625		
--Friday	1.7400	1.6550	1.5625	1.5625	1.5625	1.6170	1.3807
--Weekly Average**	1.7805	1.6865	1.5910	1.5625	1.5625		
<b>NONFAT DRY MILK*</b>							
-- EXTRA GRADE							
--Monday		1.4800	1.4800	1.4800			
--Tuesday		1.4800	1.4800	1.4800	1.4800		
--Wednesday		1.4800	1.4800	1.4800	1.4800		
--Thursday	1.4800	1.4800	1.4800	1.4800	1.4800		
--Friday	1.4800	1.4800	1.4800	1.4800	1.4800	1.4800	1.2250
--Weekly Average**	1.4800	1.4800	1.4800	1.4800	1.4800		
-- GRADE A							
--Monday		1.4500	1.4500	1.4500			
--Tuesday		1.4500	1.4500	1.4500	1.4500		
--Wednesday		1.4500	1.4500	1.4500	1.4500		
--Thursday	1.4500	1.4500	1.4500	1.4500	1.4500		
--Friday	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.2543
--Weekly Average**	1.4500	1.4500	1.4500	1.4500	1.4500		

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

2011 MONTHLY AVERAGES

AREA and PRODUCT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL AVERAGE*
CME GROUP													
BUTTER - DAILY TRADING													
GRADE AA	2.0345	2.0622	2.0863	1.9970	2.0724	2.1077	2.0443	2.0882	1.8724	1.8295	1.7356	1.6119	1.9618
CHEESE - DAILY TRADING													
BARRELS	1.4876	1.8680	1.8049	1.5756	1.6902	2.0483	2.1124	1.9571	1.7010	1.7192	1.8963	1.5839	1.7870
40# BLOCKS	1.5140	1.9064	1.8125	1.6036	1.6858	2.0995	2.1150	1.9725	1.7561	1.7231	1.8716	1.6170	1.8064
NONFAT DRY MILK - DAILY TRADING													
EXTRA GRADE	1.4263	1.7514	1.8000	1.8000	1.6488	1.6100	1.6100	1.6100	1.6000	1.5800	1.5150	1.4800	1.6193
GRADE A	1.4514	1.7784	1.7816	1.6426	1.6338	1.6410	1.5745	1.5100	1.4919	1.4786	1.4398	1.4500	1.5728
CHEESE													
WISCONSIN													
PROCESS AMERICAN 5# LOAF	1.8803	2.1395	2.2821	2.0680	2.1240	2.4197	2.5568	2.5355	2.3260	2.2658	2.3360	2.1797	2.2595
BRICK AND/OR MUENSTER 5#	2.0163	2.2063	2.3530	2.2204	2.2415	2.4959	2.6550	2.6707	2.4940	2.4109	2.4175	2.3146	2.3747
CHEDDAR 40# BLOCKS	2.2241	2.2391	2.4486	2.4949	2.5053	2.5789	2.6941	2.6983	2.5739	2.5464	2.5640	2.5164	2.5070
MONTEREY JACK 10#	2.2263	2.2841	2.4817	2.4768	2.4902	2.6310	2.7200	2.6953	2.5551	2.5276	2.5873	2.5057	2.5151
BLUE 5#	2.5351	2.7197	2.8717	2.7395	2.7602	3.0147	3.1581	3.1440	2.9563	2.8734	2.8818	2.7889	2.8703
MOZZARELLA 5 - 6#	2.2154	2.3291	2.5032	2.4618	2.4752	2.6390	2.7088	2.6804	2.5414	2.5139	2.5793	2.4932	2.5117
GRADE A SWISS CUTS 6 - 9#	2.9850	3.0245	3.0185	3.1126	3.1525	3.0726	3.0410	3.1495	3.2317	3.2600	3.2020	3.1352	3.1154
NORTHEAST													
CHEDDAR 40# BLOCKS	1.8808	2.2843	2.3410	2.0711	2.0980	2.4841	2.5650	2.5080	2.2277	2.1728	2.3000	2.1215	2.2545
PROCESS 5# SLICED	1.6688	2.0558	2.1346	1.8493	1.9071	2.2497	2.3643	2.3079	1.9827	1.9626	2.0820	1.8066	2.0310
MUENSTER	1.8658	2.2693	2.3260	2.0561	2.0830	2.4691	2.5500	2.4930	2.2127	2.1578	2.3218	2.1677	2.2477
GRADE A SWISS CUTS 10 - 14#	3.3938	3.2516	3.1807	3.5452	3.8288	3.5869	3.5108	3.7396	4.0367	4.0938	3.8578	3.6919	3.6431
WEST													
PROCESS 5# LOAF	1.6625	2.0495	2.1273	1.8405	1.8984	2.2409	2.3555	2.2992	1.9717	1.9514	2.1278	1.8926	2.0348
CHEDDAR 40# BLOCKS	1.7295	2.1331	2.1897	1.9198	1.9468	2.3353	2.4144	2.3582	2.0790	2.0240	2.1513	1.9727	2.1045
CHEDDAR 10# CUTS	1.8433	2.2468	2.3035	2.0336	2.0606	2.4491	2.5281	2.4720	2.1927	2.1378	2.2650	2.0865	2.2183
MONTEREY JACK 10#	1.8233	2.2268	2.2835	2.0136	2.0406	2.4291	2.5081	2.4520	2.1727	2.1178	2.2450	2.0665	2.1983
GRADE A SWISS CUTS 6 - 9#	3.0250	2.8829	2.8120	3.1764	3.4600	3.2182	3.1420	3.3709	3.6680	3.7250	3.4890	3.3232	3.2744
FLUID PRODUCTS													
CLASS II CREAM													
NORTHEAST - F.O.B.	2.2938	2.5294	2.6693	2.5562	2.6235	2.8691	2.8061	2.8976	2.4970	2.3276	2.3444	2.0455	2.5383
UPPER MIDWEST - F.O.B.	2.3112	2.5036	2.5793	2.4829	2.5491	2.7879	2.7343	2.8244	2.4095	2.2322	2.2047	1.9666	2.4655
CONDENSED SKIM - NORTHEAST - F.O.B.													
CLASS II	1.2905	1.3729	1.5059	1.5719	1.6564	1.6973	1.7150	1.7039	1.6550	1.6073	1.5875	1.5368	1.5750
CLASS III	1.0533	1.0034	1.2296	1.4776	1.2333	1.1784	1.4163	1.6609	1.7431	1.4720	1.4690	1.5650	1.3752

2011 MONTHLY AVERAGES

AREA and PRODUCT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL AVERAGE*
DRY PRODUCTS													
NONFAT DRY MILK													
CENTRAL/EAST - LOW/MEDIUM HEAT	1.3552	1.6012	1.6607	1.6505	1.6562	1.6786	1.6350	1.5632	1.5385	1.5023	1.4726	1.4519	1.5638
-- MOSTLY	1.3489	1.5703	1.6200	1.5898	1.6464	1.6788	1.6563	1.5783	1.5386	1.4893	1.4714	1.4475	1.5530
CENTRAL/EAST - HIGH HEAT	1.4298	1.6221	1.7050	1.7098	1.7352	1.7632	1.7535	1.6774	1.6450	1.5960	1.5676	1.5820	1.6489
WEST - LOW/MEDIUM HEAT	1.3176	1.5382	1.5735	1.5764	1.6056	1.6490	1.6253	1.5185	1.4947	1.4641	1.4331	1.4099	1.5172
-- MOSTLY	1.2953	1.5363	1.5752	1.5755	1.6095	1.6335	1.6063	1.5080	1.4902	1.4505	1.4209	1.4010	1.5085
WEST - HIGH HEAT	1.3398	1.4800	1.6139	1.6862	1.7195	1.7456	1.7363	1.6541	1.6045	1.5641	1.5094	1.4861	1.5950
WHEY POWDER													
CENTRAL -	0.3869	0.4138	0.4718	0.4588	0.4905	0.5149	0.5409	0.5543	0.5823	0.6069	0.6259	0.6509	0.5248
-- MOSTLY	0.3765	0.3905	0.4173	0.4508	0.4898	0.5084	0.5310	0.5505	0.5794	0.6054	0.6225	0.6439	0.5138
WEST -	0.4101	0.4914	0.5147	0.5210	0.5180	0.5445	0.5735	0.5843	0.5985	0.6019	0.6096	0.6565	0.5520
-- MOSTLY	0.4107	0.4506	0.4837	0.4859	0.5129	0.5434	0.5727	0.5921	0.6143	0.6327	0.6436	0.6656	0.5507
NORTHEAST - EXTRA AND GRADE A	0.4017	0.4146	0.4677	0.5044	0.5238	0.5282	0.5559	0.5835	0.6005	0.6295	0.6469	0.6668	0.5436
WHEY PROTEIN CONCENTRATE													
CENTRAL AND WEST	1.0461	1.1868	1.3043	1.3900	1.5558	1.6022	1.5858	1.5392	1.4881	1.4629	1.4785	1.4667	1.4255
-- MOSTLY	1.0233	1.0597	1.2404	1.3686	1.5043	1.5570	1.5650	1.5376	1.4900	1.4363	1.4458	1.4600	1.3907
ANIMAL FEED													
CENTRAL - MILK REPLACER	0.3238	0.3246	0.3403	0.3789	0.4288	0.4452	0.4739	0.4782	0.5006	0.5224	0.5470	0.5522	0.4430
DRY BUTTERMILK													
CENTRAL/EAST	1.2690	1.4150	1.5104	1.4925	1.5367	1.5611	1.5625	1.4700	1.3905	1.3848	1.3638	1.3545	1.4426
WEST	1.1963	1.3855	1.4796	1.5076	1.5114	1.5084	1.4708	1.3512	1.2767	1.2866	1.3301	1.3377	1.3868
-- MOSTLY	1.2058	1.3486	1.4796	1.5131	1.5006	1.4978	1.4619	1.3598	1.2740	1.2839	1.3300	1.3664	1.3851
DRY WHOLE MILK													
NATIONAL	1.6943	1.8413	1.9074	1.9374	1.9440	1.9875	1.9610	1.9922	1.9814	1.9384	1.8785	1.8414	1.9087
LACTOSE													
CENTRAL AND WEST	0.3709	0.3864	0.4133	0.4495	0.4602	0.5030	0.5626	0.5909	0.6008	0.6929	0.7441	0.7569	0.5443
-- MOSTLY	0.3521	0.3603	0.3820	0.4464	0.4640	0.4700	0.5540	0.5952	0.6086	0.7503	0.7598	0.7684	0.5426
CASEIN													
RENNET	4.1860	4.2989	4.4939	4.9295	4.9500	4.9500	4.9738	4.9750	4.9750	4.8250	4.8250	4.8250	4.7673
ACID	4.2340	4.3939	4.5476	4.8936	4.9100	4.9100	5.1665	5.1800	5.1800	5.0750	5.0750	5.0750	4.8867

\*Annual Averages are the simple averages of the 12 monthly averages.

## DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The All Milk price received by farmers was \$19.80 in December, down \$0.60 from November 2011 but up \$3.10 from December 2010. Alfalfa hay price was \$199.00 in December, up \$78.00 from December 2010. Corn price was \$5.44 in December, up \$0.62 from December 2010. Soybean price was \$11.10 in December, down \$0.50 from December 2010. The milk-feed price ratio was 1.88 in December, down 0.10 from December 2010.

The index of prices received by farmers for dairy products during the month of December 2011 was down 4 points to 152. Compared with December 2010, the index was up 24 points (18.8 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2011 was down 1 point to 205. Compared with December 2010, the index was up 16 points (8.5 percent).

## SELECTED MILK PRICES, MILK COWS, AND FEED PRICES, SELECTED STATES AND U.S., DECEMBER 2011 WITH COMPARISONS

State	All-Milk price 1/ 2/				Alfalfa hay, baled		Corn		Soybeans	
	Dollars per cwt.				Dollars per ton		Dollars per bushel		Dollars per bushel	
	November		December		December		December		December	
	2010	2011	2010	2011 3/	2010	2011 3/	2010	2011 3/	2010	2011 3/
AZ	16.60	19.60	16.60	19.40	130.00	250.00	---	---	---	---
CA	14.86	18.41	14.86	17.20	147.00	237.00	---	---	---	---
CO	16.80	19.90	16.80	19.50	130.00	230.00	4.66	5.61	---	---
ID	15.00	19.20	15.00	19.00	140.00	228.00	---	---	---	---
IN	18.10	21.00	18.10	20.80	---	---	4.94	5.50	---	---
IA	16.80	21.20	16.80	20.50	115.00	142.00	4.86	5.40	11.60	10.90
MI	17.60	21.00	17.60	20.90	110.00	110.00	5.15	5.20	11.90	10.70
MN	16.30	21.70	16.30	20.70	100.00	140.00	4.42	5.20	11.30	11.10
NM	16.60	18.90	16.60	18.90	165.00	305.00	---	---	---	---
NY	18.30	21.60	18.30	21.00	125.00	105.00	---	---	---	---
OH	18.60	21.60	18.60	21.50	163.00	183.00	5.04	5.51	---	---
PA	18.90	22.20	18.90	21.80	145.00	194.00	5.86	6.52	---	---
TX	17.80	20.70	17.80	20.40	180.00	270.00	4.59	6.23	---	---
WA	16.90	21.00	16.90	20.70	130.00	240.00	---	---	---	---
WI	16.50	21.30	16.50	20.70	100.00	130.00	4.56	5.40	11.60	11.00
U.S.	16.70	20.40	16.70	19.80	121.00	199.00	4.82	5.44	11.60	11.10

1/ Prices are shown at reported butterfat test. 2/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies.

3/ Preliminary.

## MILK-FEED PRICE RATIO, SELECTED STATES AND U.S., DECEMBER 2011 WITH COMPARISONS

State 2/	Milk-feed: pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk 1/		
	December 2010	November 2011	December 2011 3/
IA	2.02	2.18	2.21
MI	2.06	2.31	2.48
MN	2.15	2.30	2.28
OH	1.95	1.99	2.05
WI	2.13	2.25	2.29
U.S.	1.98	1.87	1.88

1/ The price of commercial prepared dairy feed is based on current United States prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa hay. 2/ Available states that provided all necessary data to compute milk feed price ratios.

3/ Preliminary.

## GENERAL PRICE MEASURES, U.S., DECEMBER 2011 WITH COMPARISONS

Item	December 2010	November 2011	December 2011 1/
<b>INDEX NUMBERS</b> (1990-92=100):			
Prices received by farmers for dairy products	128	156	152
Prices paid by farmers for commodities and services, interest taxes, and wage rates	189	206	205

1/ Preliminary.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Agricultural Prices, December 2011*.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
SEP 2011	230.6	4.7	219.4	10.2	216.6	13.0	227.1	10.2	215.6	9.2	227.2	7.5
OCT 2011	231.0	4.7	219.5	9.0	215.2	11.1	227.3	8.9	213.3	3.5	227.9	7.4
NOV 2011	230.8	4.6	218.8	8.7	212.4	9.2	225.6	8.4	200.6	-1.1	227.6	6.9
U.S. City Average Retail Prices												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Dollars											
SEP	3.715	3.278	3.656	3.573	4.281	3.864	5.707	4.726	4.805	4.325		
OCT	3.622	3.321	3.663	3.634	4.360	4.004	5.702	4.651	5.209	4.602		
NOV	3.557	3.327	3.323	3.361	4.367	3.836	5.630	5.005	5.218	4.490		

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—AUGUST-OCTOBER 2011 AND YEAR-TO-DATE 2010-2011 <sup>1/</sup>

Item	Aug.-Oct. 2010	Percent change <sup>2/</sup>	Aug.-Oct. 2011	Percent change <sup>2/</sup>	Jan.-Oct. 2010	Percent change <sup>2/</sup>	Jan.-Oct. 2011	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	47,536	2.9	48,567	2.0	161,178	1.7	163,818	1.6
Marketings	47,295	2.9	48,223	2.0	160,382	1.7	163,012	1.6
Beginning Commercial Stocks <sup>3/</sup>	13,710	-5.7	13,609	-0.7	11,334	12.8	10,927	-3.6
Imports <sup>3/</sup>	866	-9.5	810	-6.5	2,482	-25.5	2,375	-4.3
Total Supply <sup>4/</sup>	61,871	0.7	62,642	1.2	174,198	1.9	176,314	1.2
Ending Commercial Stocks <sup>3/</sup>	11,640	-7.7	11,705	0.6	11,640	-7.7	11,705	0.6
Net Removals <sup>3/</sup>	0	100.0	0	0.0	112	-65.7	0	-100.0
Commercial Disappearance <sup>4/</sup>	50,231	3.5	50,937	1.4	162,446	2.8	164,609	1.3
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	425.7	12.6	480.0	12.8	1,307.8	4.8	1,450.0	10.9
American Cheese	1,076.4	0.9	1,073.7	-0.3	3,531.3	0.5	3,563.2	0.9
Other Cheese	1,671.5	4.4	1,702.1	1.8	5,259.3	4.1	5,487.9	4.3
Nonfat Dry Milk	413.9	33.8	370.2	-10.6	1,311.1	12.6	1,248.9	-4.7
Fluid Milk Products <sup>6/</sup>	13,697.6	-2.5	13,621.6	-0.6	45,209.9	-1.7	44,538.2	-1.5

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

## NOVEMBER 2011 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 152.5 million pounds, 14.2 percent above November 2010 and 4.4 percent above October 2011. **AMERICAN TYPE CHEESE** production totaled 347.8 million pounds, 0.7 percent above November 2010 but 1.3 percent below October 2011. **TOTAL CHEESE** output (excluding cottage cheese) was 886.5 million pounds, 0.3 percent above November 2010 but 1.2 percent below October 2011. **NONFAT DRY MILK** production, for human food, totaled 120.1 million pounds, 2.9 percent above November 2010 and 19.4 percent above October 2011. **DRY WHEY** production, for human food, was 72.4 million pounds, 6.7 percent below November 2010 but 2.4 percent above October 2011. **ICE CREAM** (hard) production totaled 53.1 million gallons, 4.2 percent above November 2010 but 10.9 percent below October 2011.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 2011	PERCENT CHANGE FROM:			PRODUCT	NOV 2011	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 2010	OCT 2011	YEAR TO DATE 1/		1,000 LBS.	NOV 2010	OCT 2011	YEAR TO DATE 1/
BUTTER	152,509	14.2	4.4	16.6	SOUR CREAM	125,060	4.6	17.9	3.6
CHEESE					YOGURT (PLAIN AND FLAVORED)	314,748	-2.2	-9.1	2.7
AMERICAN TYPES 2/	347,847	0.7	-1.3	-0.6	DRY WHEY, HUMAN FOOD	72,351	-6.7	2.4	---
CHEDDAR	252,211	-1.7	0.9	-3.0	DRY WHEY, ANIMAL FEED	5,159	163.8	-16.9	---
OTHER AMERICAN	95,636	7.5	-6.7	---	DRY WHEY, TOTAL 8/	77,510	-2.5	0.9	0.3
BRICK & MUENSTER	12,430	11.8	5.5	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	67,996	3.1	-2.5	---	HUMAN FOOD	2,355	-21.6	-27.8	---
HISPANIC	18,144	2.6	-7.4	---	ANIMAL FEED	5,177	21.2	11.1	---
TOTAL ITALIAN TYPES	383,446	-0.6	0.1	3.2	LACTOSE, HUMAN FOOD & ANIMAL FEED	79,978	5.1	-2.6	10.3
MOZZARELLA	294,956	-1.5	-0.5	2.3	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	88,490	2.6	2.1	---	HUMAN FOOD 9/	33,967	5.6	-1.6	---
SWISS	24,718	-11.6	-9.6	---	ANIMAL FEED 9/	2,211	-20.1	-6.8	---
ALL OTHER TYPES	31,879	5.8	-5.4	---	TOTAL 9/	36,178	3.5	-1.9	0.1
TOTAL	886,460	0.3	-1.2	1.5	25.0-49.9 PERCENT 10/	20,691	5.3	-0.4	---
COTTAGE CHEESE, CURD 3/	33,664	-2.9	2.5	---	50.0-89.9 PERCENT 10/	15,487	1.2	-3.9	---
COTTAGE CHEESE, CREAM 4/	24,232	-9.6	-3.4	-1.8	PROTEIN ISOLATES 11/	5,292	-8.4	1.7	---
COTTAGE CHEESE, LOWFAT 5/	30,472	0.0	4.8	-1.0	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSO WHOLE MILK	45,511	5.4	7.9	---	ICE CREAM (HARD)	53,076	4.2	-10.9	-3.0
DRY BUTTERMILK	8,625	29.4	13.4	---	ICE CREAM, LOWFAT (HARD)	11,402	24.3	-15.3	---
DRY WHOLE MILK	5,246	-41.0	2.0	---	ICE CREAM, LOWFAT (SOFT)	14,694	4.2	-11.8	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	5,404	8.6	-10.3	---	ICE CREAM, LOWFAT (TOTAL)	26,096	12.2	-13.3	6.3
NONFAT DRY MILK (NDM), HUMAN	120,090	2.9	19.4	-4.0	SHERBET, HARD	2,432	-9.0	-4.9	-10.2
SKIM MILK POWDERS (SMP) 7/	39,574	106.1	-5.7	80.7	YOGURT (TOTAL)	3,247	-0.2	-14.7	3.0

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	NOV 2011	PERCENT OF:		PRODUCT	NOV 2011	PERCENT OF:	
	1,000 LBS.	NOV 2010	OCT 2011		1,000 LBS.	NOV 2010	OCT 2011
DRY WHEY, HUMAN FOOD	36,937	-9.1	-1.8	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	3,906	312.5	-11.2	HUMAN FOOD 9/	38,315	21.4	7.5
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	5,490	-32.6	14.1	ANIMAL FEED 9/	2,187	8.8	-12.8
LACTOSE, HUMAN FOOD & ANIMAL FEED	64,140	-21.7	-8.2	TOTAL 9/	40,502	20.6	6.2
CANNED EVAP & CONDSO WHOLE MILK	54,690	-15.1	-7.8	25.0-49.9 PERCENT 10/	20,950	31.2	3.2
DRY BUTTERMILK	11,862	2.8	-0.7	50.0-89.9 PERCENT 10/	19,552	11.0	9.5
NONFAT DRY MILK (NDM), HUMAN FOOD	146,332	14.4	2.1	PROTEIN ISOLATES 11/	6,278	3.2	14.5

1/ 2011 cumulative as percent change of 2010 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes protein standardized and blends. 8/ Excludes all modified dry whey products. 9/ Whey protein concentrate, 25.0 to 89.9 percent. 10/ Whey protein concentrate, human and animal. 11/ Whey protein isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

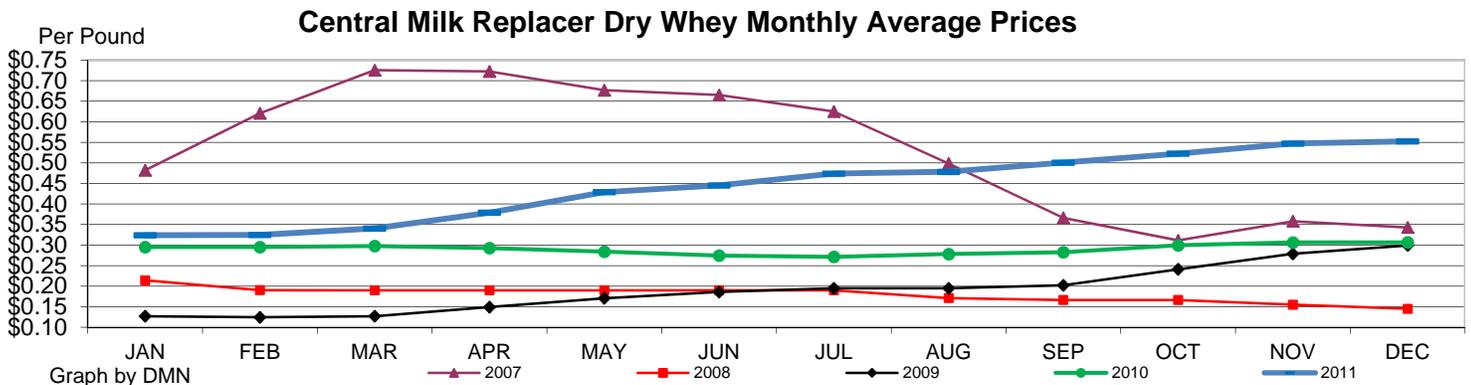
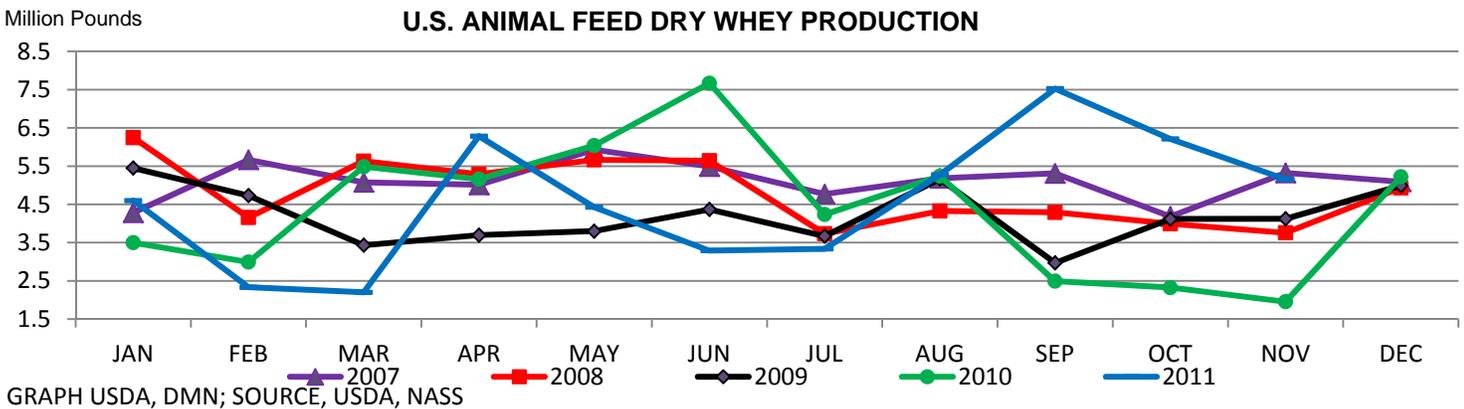
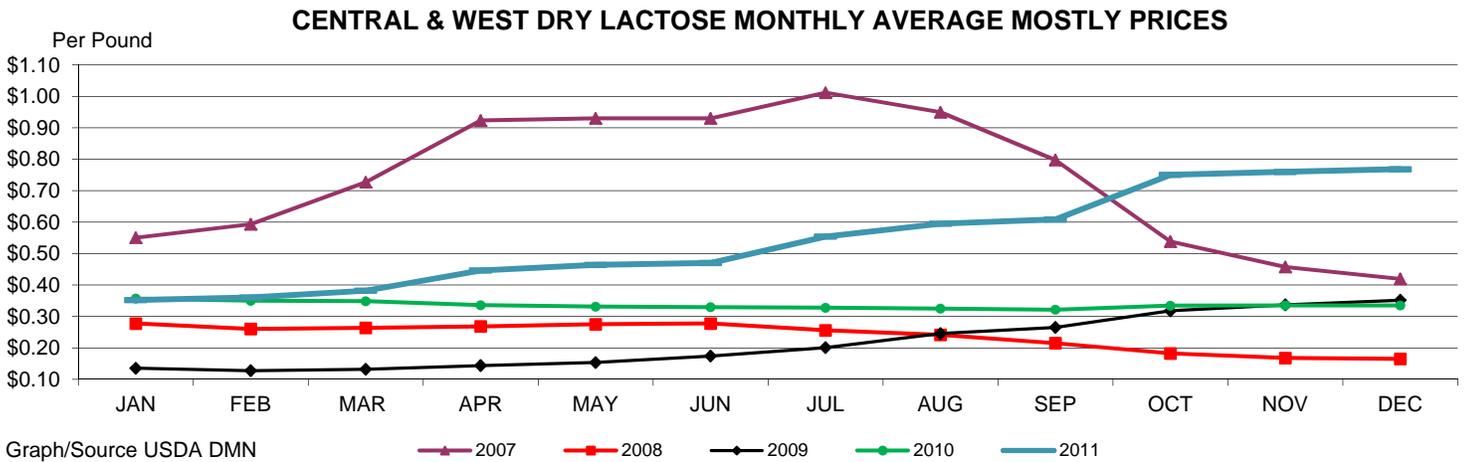
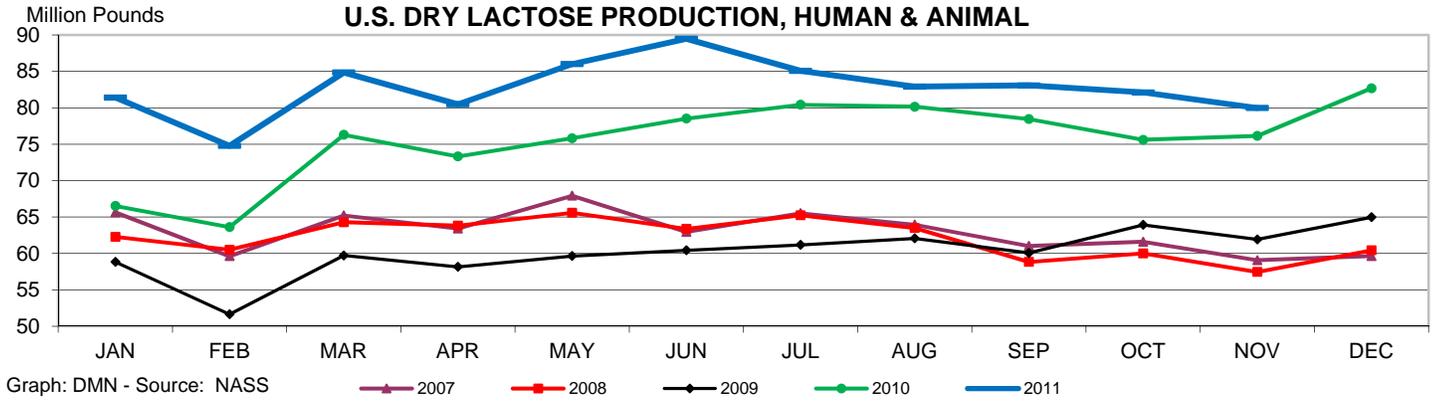
Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. Dairy Products, January 2012.

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,  
JANUARY 2012, WITH COMPARISONS <sup>1/</sup>**

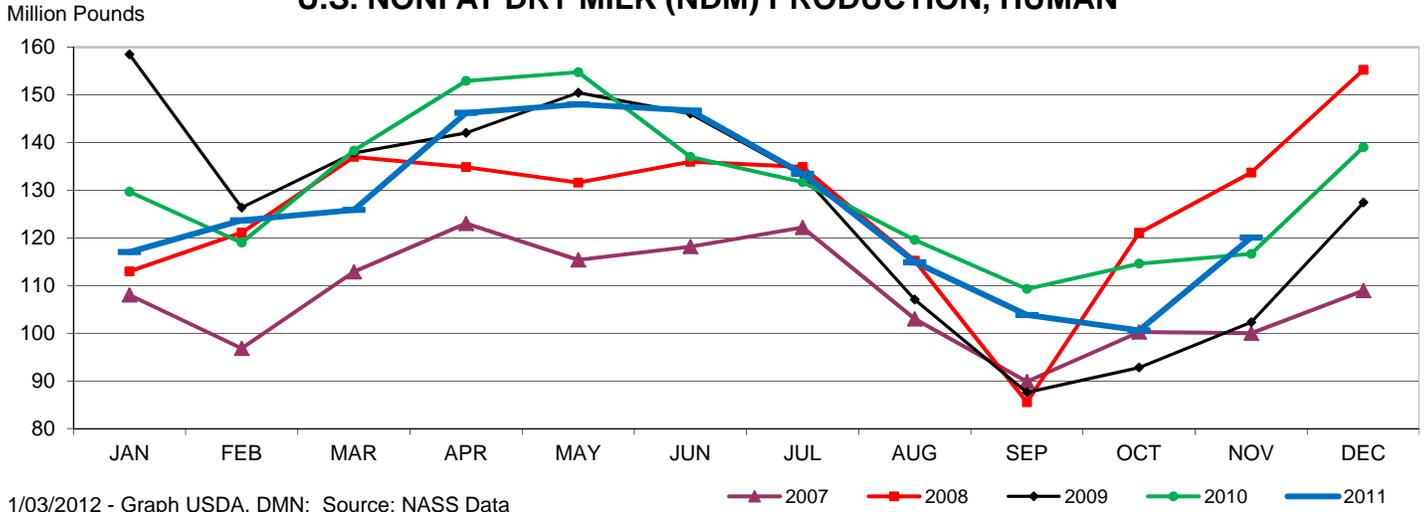
For January 2012, the all-city average announced cooperative Class I price was \$23.93 per cwt., \$2.49 higher than the Federal milk order (FMO) Class I price average for these cities. The January 2012 Cooperative Class I price was \$0.32 higher than the December 2011 price. The January 2012 Federal order Class I price was \$0.33 higher than the December 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.51 in Phoenix, AZ, to \$4.21 in Miami, FL. For January 2011, the all-city average announced cooperative Class I price was \$20.31, \$2.47 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

City	JANUARY 2012		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	25.89	22.60	3.29
Baltimore, MD	23.47	21.80	1.67
Boston, MA	23.85	22.05	1.80
Charlotte, NC	25.57	22.20	3.37
Chicago, IL	24.17	20.60	3.57
Cincinnati, OH	24.15	21.00	3.15
Cleveland, OH	23.95	20.80	3.15
Dallas, TX	22.55	21.80	0.75
Denver, CO	22.78	21.35	1.43
Des Moines, IA	23.35	20.60	2.75
Detroit, MI	23.72	20.60	3.12
Hartford, CT	23.75	21.95	1.80
Houston, TX	23.80	22.40	1.40
Indianapolis, IN	23.95	20.80	3.15
Kansas City, MO	23.04	20.80	2.24
Louisville, KY	24.27	21.10	3.17
Memphis, TN	24.87	21.70	3.17
Miami, FL	29.01	24.80	4.21
Milwaukee, WI	24.12	20.55	3.57
Minneapolis, MN	22.83	20.50	2.33
New Orleans, LA	24.77	22.60	2.17
Oklahoma City, OK	23.54	21.40	2.14
Omaha, NE	23.10	20.65	2.45
Philadelphia, PA	25.00	21.85	3.15
Phoenix, AZ	21.66	21.15	0.51
Pittsburgh, PA	24.65	20.90	3.75
St. Louis, MO	23.44	20.80	2.64
Seattle, WA	21.48	20.70	0.78
Springfield, MO	23.84	21.20	2.64
Washington, DC	23.47	21.80	1.67
Wichita, KS	22.94	21.00	1.94
Simple Average	23.93	21.44	2.49

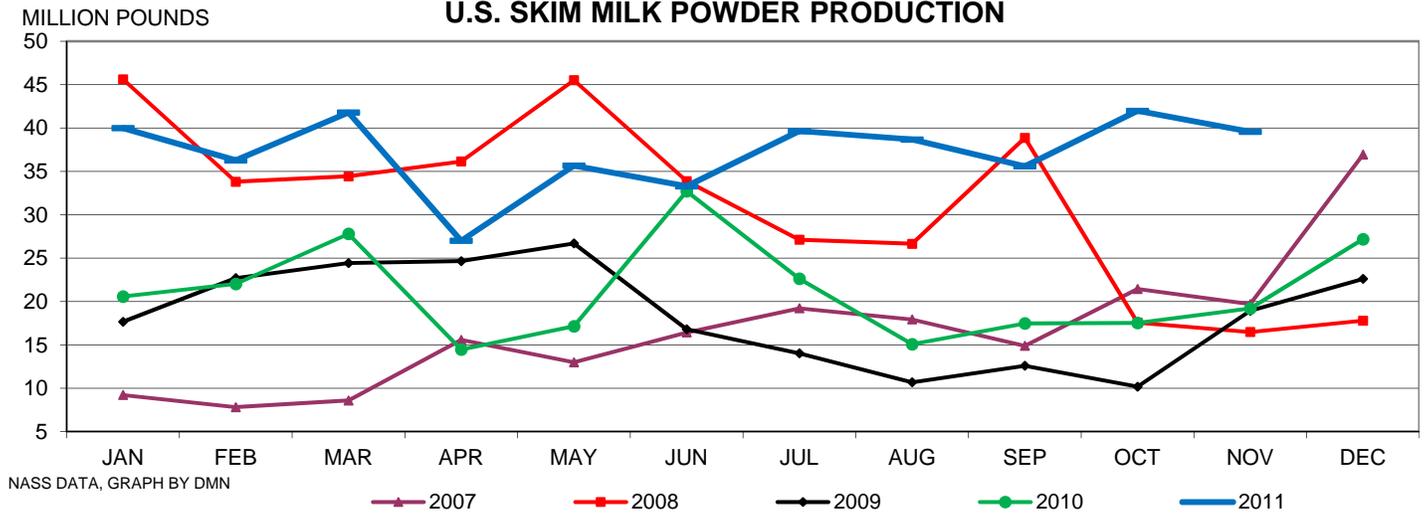
<sup>1/</sup> This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.



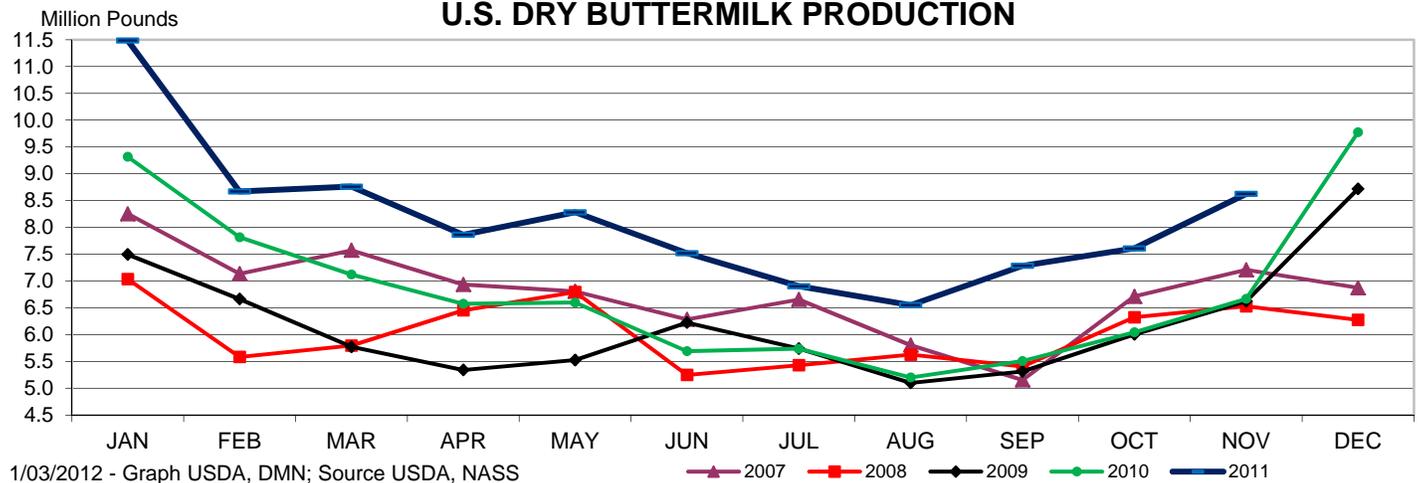
### U.S. NONFAT DRY MILK (NDM) PRODUCTION, HUMAN



### U.S. SKIM MILK POWDER PRODUCTION



### U.S. DRY BUTTERMILK PRODUCTION



# DAIRY MARKET NEWS

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