

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (01/20):

BUTTER: Grade AA closed at \$1.5700. The weekly average for Grade AA is \$1.5800 (-.0465).

CHEESE: Barrels closed at \$1.5025 and 40# blocks at \$1.5050. The weekly average for barrels is \$1.5200 (-.0555) and blocks, \$1.5500 (-.0460).

BUTTER HIGHLIGHTS: During the week, the CME cash butter price dipped to the lowest point since December 1, 2010, and closed the week at \$1.5700. Churning schedules across the country are seasonally strong. Cream supplies vary from one region to another, but for the most part, are readily available. Current churning often surpasses demand, thus clearances to inventory are increasing. Overall butter demand is often stronger than butter producers and handlers anticipated, thus print butter continues to be generated, but bulk output is heavier. Conversations are starting to occur between buyers and suppliers about upcoming Easter/Passover needs. These early conversations are indicating that some retail feature activity might be in the works, but will probably not be significant. According to the Foreign Agricultural Service, exports of butter and milkfat for January - November 2011 total 133.1 million pounds, up 15% or 17.8 million pounds from the comparable 11 month period in 2010. Saudi Arabia is the largest importer with a 24% increase (+5.0 million pounds) above last year's amount. The exports account for 8.1% of butter production in the U.S. for January - November 2011 period.

CHEESE HIGHLIGHTS: Cheese prices are trending lower for the second consecutive week. Barrels have retreated \$0.0875 since January 6, while blocks are \$0.1050 lower over the same time period. Barrels closed Friday down \$0.0125 on the day at \$1.5025. Blocks closed at \$1.5050, down \$0.0400 on Friday. Sales have been light this week until Friday with five loads of barrels and eight loads of blocks changing hands at the end of the week. FAS reported exports of cheese for the January to November 2011 period to be 33% higher (+111.1 million pounds) than last year. Cheese production is mostly steady with manufacturing milk available. Some plants are slowing production so as not to build excessive inventories. Lower prices have increased interest from buyers for both domestic and export sales.

FLUID MILK: Class I demand has leveled off nationwide. Milk production is steady to increasing in most regions of the country with the Pacific Northwest, Utah and Idaho near their seasonal low points. A winter storm in the Northwest slowed milk handling, but many areas welcomed the moisture. Florida's drought conditions are continuing, causing deterioration of pastures and winter forages. Cream supplies are moderate to heavy throughout the nation. Sellers in the East and West are finding it challenging to move cream. Cream demand has improved for sour cream, dips and cream cheese, but supplies quickly exceed demand resulting in heavy volumes going to butter churns.

DRY PRODUCTS: Nonfat dry milk prices were mixed this week. Low heat NDM prices were lower in the Central and Eastern regions, while steady to slightly higher in the West. High heat prices moved higher in the Central and Eastern regions, while the price range narrowed in the West. Drying remains active with some plants in the Central region operating at near capacity. Inventories are building with multi-load discounts being offered by some for low heat NDM. Domestic accounts are filling their needs via contracts, spot sales activity is light and export markets are unsettled. Dry buttermilk prices are trending lower as production is very active and adding to inventories. Spot activity is light, while export inquiries have increased. Dry whole milk prices are mixed with increasing production. Dry whey prices were unchanged to fractionally higher in the Central region, higher in the East and West on contract formulations. Spot load availability from manufacturers is light, with most buyers without contracts finding supplies through the broker/trader network. Prices for whey protein concentrate 34% moved slightly higher. Interest is active from end users with a mixed market tone. Lactose prices moved slightly lower with buyer interest steady.

INTERNATIONAL DAIRY MARKET OVERVIEW (DMN): Fairly mild winter weather patterns continue to be reported throughout **Western Europe**. Temperatures are cold, but snowfall is limited. Lack of snowfall, thus moisture for spring, is a concern for farmers and dairy producers. Although concerned at this time, farmers and milk handlers indicate that February and March are still ahead and measurable snowfall will probably occur which will dispel any moisture concerns. Milk production continues to increase in most Western European regions. Often, milk volumes are running heavier than last year at this time. With milk seasonally increasing, producers in some countries (Ireland and Austria) will be closely monitoring their milk output as the milk quota yearend nears. Early projections for milk output in France are that total volumes will be very near quota levels, but will probably stay within. Manufacturing schedules are also on the increase. Traders and handlers are reporting that sales activity remains quiet, although some buyers have maintained a presence in the marketplace throughout the yearend holidays and remain in the market at this time. Shipments of skim milk powder are being reported which have developed from the recent milk powder tender that was finalized just prior to Christmas. The majority, if not all, of the skim milk powder sourced out of Europe will be delivered during the first quarter of 2012. Total volumes clearing out of Europe for this tender are still unknown, but many traders and handlers are speculating that Europe is the main source with South America being the source for whole milk powder.

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CME GROUP CASH TRADING

COMMODITY	MONDAY JAN 16	TUESDAY JAN 17	WEDNESDAY JAN 18	THURSDAY JAN 19	FRIDAY JAN 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	CME	\$1.5375 (-.0125)	\$1.5250 (-.0125)	\$1.5150 (-.0100)	\$1.5025 (-.0125)	:: (-.0475)	:: \$1.5200 (-.0555)
40# BLOCKS	CLOSED	\$1.5950 (N.C.)	\$1.5550 (-.0400)	\$1.5450 (-.0100)	\$1.5050 (-.0400)	:: (-.0900)	:: \$1.5500 (-.0460)
NONFAT DRY MILK							
EXTRA GRADE		\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	:: (N.C.)	:: \$1.4800 (N.C.)
GRADE A	HOLIDAY	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	:: (N.C.)	:: \$1.4500 (N.C.)
BUTTER							
GRADE AA		\$1.5950 (-.0175)	\$1.5775 (-.0175)	\$1.5775 (N.C.)	\$1.5700 (-.0075)	:: (-.0425)	:: \$1.5800 (-.0465)

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**

The European Dairy Commission had their first meeting of the New Year on January 19. No significant new developments for the dairy industry were reported. Milk output in **Eastern Europe** continues to hold at seasonally low levels. Milk producers and handlers are indicating that noticeable increases will probably not be apparent for another 4 - 6 weeks. Winter weather patterns in this region are being reported, although for many, winter conditions are more favorable than other years at this time. Manufacturing schedules remain seasonally low, thus quiet sales activity is being filled from inventoried stock. Traders and handlers are indicating that buyer interest is starting to increase. Milk production continues to trend lower in both New Zealand and Australia. Wet conditions continue to prevail on the North Island of **New Zealand**, but limited moisture and close to drought conditions prevail in the southern tip of the South Island. With these two moisture extremes within the same country, milk production on the downside of the season may be significantly impacted. All in all, milk processors and handlers indicate that milk output and receipts are basically in line with projections. New Zealand handlers continue to project a 3 - 4% annual increase over last season. In **Australia**, the high temperatures of two weeks ago in Northern Victoria have moderated. Milk producers and handlers were concerned about what impact these temperatures might have on milk output on the downside of the season. Reports are indicating that milk volumes did decline at a faster pace than prior to the heat, but plateaued as temperatures eased. Milk producers feel that they will not be able to recover what was lost, but at least the sharper decline slowed. Current temperatures remain warm reaching 35 C (95 F) during the past week, but often moderate within a day or two. Milk producers indicate that warm summer temperature patterns are starting to become more prevalent, thus milk production could potentially decline at a faster pace during the balance of the season. Moisture does fall in Australia and refreshes parched land, but pasture conditions are often starting to deteriorate at a faster pace than replenishment. Milk producers and handlers remain optimistic about the season and continue to project a 2 - 3% seasonal increase over last year. Traders and handlers of manufactured dairy products are indicating sales activity is slow to develop following the yearend holiday period. Some enhanced butter demand is reported, but outside of this, regular contractual shipments continue to be reported. During the g/DT auction #60 on January 17, prices were again mixed. For those products that experienced firm average price trends during the last auction, price averages were weaker during this event and for those products that experienced weaker price trends last time, firm averages were recorded this time.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS

(DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for February 2012 is \$17.03, down \$1.77 from January. This price is derived from the advanced Class III skim milk pricing factor of \$11.42 and the advanced butterfat pricing factor of \$1.7170 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for February is \$11.82 and the Class II nonfat solids price is \$1.3133 per pound. The following are the two-week product price averages: butter \$1.5893, nonfat dry milk \$1.4155, cheese \$1.6052, and dry whey \$0.6915.

PRICE AND POOL HIGHLIGHTS (DAIRY PROGRAMS):

During December, more than 10.0 billion pounds of milk were received from producers. This volume of milk is 6.2% lower than the December 2010 volume. In December 2010 and December 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.8 billion pounds of producer milk were used in Class I products, 2.9% lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 38%, Class II = 12%, Class III = 37% and Class IV = 13%. The weighted average statistical uniform price was \$19.13 per cwt., \$0.57 lower than last month and \$3.13 higher than last year.

CME GROUP

MONDAY, JANUARY 16, 2012
CME CLOSED - NO TRADING

TUESDAY, JANUARY 17, 2012

CHEESE -- SALES: 2 CARS BARRELS @ \$1.5375; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.5950
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5950

WEDNESDAY, JANUARY 18, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.5250; 3 CARS 40# BLOCKS: 1 @ \$1.5775, 1 @ \$1.5675, 1 @ \$1.5550; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5250; 1 CAR 40# BLOCKS @ \$1.5550
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.4200; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.5775

THURSDAY, JANUARY 19, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.5150; 2 CARS 40# BLOCKS @ \$1.5450; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.5550
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5775

FRIDAY, JANUARY 20, 2012

CHEESE -- SALES: 5 CARS BARRELS: 2 @ \$1.5150, 1 @ \$1.5200, 1 @ \$1.5175, 1 @ \$1.5025; 8 CARS 40# BLOCKS: 1 @ \$1.5400, 1 @ \$1.5350, 1 @ \$1.5300, 1 @ \$1.5250, 1 @ \$1.5200, 1 @ \$1.5150, 1 @ \$1.5100, 1 @ \$1.5050; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4900; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5100
NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5700

BUTTER MARKETS

NORTHEAST

The CME Group butter price declined \$0.0175 Tuesday and closed at \$1.5950. Butter prices have declined in three of the last four trading sessions, declining \$0.0450 during that time period. Cream has become readily available with significant volumes heading to churns. Butter production is very active with most major manufacturing plants churning at near capacity. The production of butter exceeds current demand with both bulk and print inventories expanding. Some plants are increasing their production and supply of 82% butter for possible export opportunities. Orders for butter are fairly steady for this time of year with some noted increases in private label orders. Export interest has also improved this week. Current bulk butter prices range from 4 - 8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter prices continues to ease and settled at \$1.5775 at midweek. During the past four trading sessions (no trading on Monday), the cash price has declined 5 cents to the lowest point since December 1, 2010. The current cash price compares to \$2.1000 last year at this time and \$1.5250 in January 2010. Churning schedules in the Central part of the country remain seasonally active. Cream volumes are mixed. Some butter producers indicate that they are receiving offerings of surplus cream and are taking advantage of the offerings, while other indicate that offerings are not so plentiful and they would take additional volumes. Current churning activities are generally outpacing demand, thus inventories are increasing. Overall butter orders are stronger than many producers and handlers anticipated for the early part of 2012. Conversations are starting to occur between buyers and suppliers about upcoming Easter/Passover needs. These early conversations are indicating that some retail feature activity might be in the works, but will probably not be significant. Current food service orders are typical to slightly stronger in the Central part of the country as winter weather patterns have been quite favorable for away from home eating patterns. Bulk butter prices range from flat to 2 cents over various pricing bases and averages per pound.

WEST

The market for butter is weak following the holiday season at year end. Production schedules are heavy as cream is readily available. Print lines are running slower as retail demand has been reduced. Tight consumer finances are reported to be reducing demand for premium branded butters. Bulk butter production is heavy as churns are inventorying supplies. Prices for bulk butter range from even to \$.0500 cents under the market, based on the CME with various time frames and averages used. Butter prices on the CME Group are lower again this week with Wednesday's close at \$1.5775. The market was closed for the MLK holiday and was lower on the first two days of trading this week. The price has been unchanged or lower for the last six trading sessions. Sales activity at the Group has been nonexistent with no sales reported so far this week. The price has moved on lower offers each day this week. According to the Foreign Agricultural Service, exports of butter and milkfat for January-November 2011 total 133.1 million pounds, up 15%, or 17.8 million pounds, from January-November 2010. Saudi Arabia is the largest importer with a 24% increase (+5.0 million pounds) above last year's amount. The exports account for 8.1% of butter production in the U.S. for January-November 2011.

2011 U.S. Butter and Milkfat Exports, (USDA-FAS)

	(Million Lb.)	% Change From	
		Monthly Exports	1 Year Ago
November		8.7	- 11
		Jan.- Nov	1 Year Ago
Cumulative	(Million Lb.)		
World		133.1	+ 15
Saudi Arabia		26.2	+ 24
Mexico		14.4	- 35
Canada		12.3	+ 59
Japan		10.9	+2,452
Morocco		8.1	+ 18

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
January 14, 2012	1.5724 11,106,931	1.6081 10,494,216	1.4151 18,315,630	1.5828 6,927,814	0.7020 7,966,805

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were mixed Tuesday with barrels declining \$0.0125 to close at \$1.5375, while blocks held steady and closed at \$1.5950. In the last six trading sessions, barrels have declined \$0.0525, while blocks have declined \$0.0150. Cheese production remains steady for this time of year. Inventories are expanding for most varieties. Orders for aged sharp cheddar remain good ahead of the Super Bowl. Demand for mozzarella has improved as colleges and universities are soon to start their spring semesters.

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

Cheddar 40# Block	:	1.9100-2.1850
Process 5# Sliced	:	1.6850-1.8050
Muenster	:	1.9300-2.2575
Grade A Swiss Cuts 10 - 14#	:	3.6375-3.9600

MIDWEST

Early week uncertainty as to expectations for near future cheese prices seemed to be resolved by mid-week. CME Group cash trading Wednesday saw barrels down \$0.0125 for the second consecutive day, closing Wednesday at \$1.5250, and blocks down \$0.0400, the 2012 daily record, to \$1.5550. The early week market uncertainty had resulted in some manufacturers experiencing increased numbers of inquiries from prospective buyers offering prices below manufacturer expectations, to elect to hold new inventory to better assess market movement. Most cheese manufacturers finished production for Super Bowl orders last week, so as to give cutters sufficient time to cut, wrap and ship the cheese to retailers. Cutting/wrapping operations are busy this week. Milk availability for cheese manufacturing is relatively good. One reason cited is the string of near record warm days in the last week which resulted in a noticeable increase in milk production. A second factor is the fluid milk pipeline nearing a balance following post-holiday school resumption. Some plants have utilized increased milk availability to increase production of various natural cheese varieties. Sales interest for Mozzarella is widely reported as a bit slower throughout the region. Even with some increase in demand for Mozzarella as educational food service activity has resumed, weaker interest from restaurants and other food service customers results in lower demand than was expected.

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

Process American 5# Loaf	:	1.9350-2.3600
Brick And/Or Muenster 5#	:	2.1025-2.4400
Cheddar 40# Block	:	2.1025-2.8650
Monterey Jack 10#	:	2.0725-2.8650
Blue 5#	:	2.3675-3.1300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9475-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0475-3.3300

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

	BUTTER	:	CHEESE
		:	
01/16/12	4,464	:	138,620
01/01/12	1,511	:	134,979
CHANGE	2,953	:	3,641
% CHANGE	195	:	3

WEST

Cheese production in the West is mostly steady. Retail cheese sales are slowing somewhat after the holiday season. Lower prices are attracting the attention of both domestic and export bulk cheese buyers. Cheese plants report available milk supplies are sufficient for current needs. Cheese markets at the CME Group are lower at midweek in a holiday shortened trade. Barrels were \$.0125 lower both days with Wednesday's close of \$1.5250. Blocks are lower as they closed down \$0.0400 on Wednesday to \$1.5550. Trading has been light this week with three loads of barrels and three loads of blocks changing hands by midweek. According to FAS, exports of cheese and curd for January-November 2011 total 449.7 million pounds, up 33% (+111.1 million pounds) from January-November 2010. The exports account for 4.6% of total cheese production in the U.S. for the period. Mexico was the largest importer of cheese with 94.6 million pounds or 21.0% of U.S. cheese exports.

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

Process 5# Loaf	:	1.7025-1.9600
Cheddar 40# Block	:	1.7225-2.0750
Cheddar 10# Cuts	:	1.9025-2.1225
Monterey Jack 10#	:	1.9125-2.0725
Grade A Swiss Cuts 6 - 9#	:	3.2150-3.6450

FOREIGN

The CME Group saw the weekly average block price increase and as a result domestic wholesale prices raised \$0.0050. Prices for Swiss cuts were unchanged. Swiss cheese sales continue to be sluggish with hopes the upcoming NFL playoffs and Super Bowl will increase sales. Production of Swiss cheese in the East remains fairly active due to increased milk supplies with inventories continuing to build.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.0500-3.5375*
Gorgonzola	: 3.6900-6.3900	: 2.5525-2.8125*
Parmesan (Italy)	: -0-	: 3.1725-3.7275*
Provolone (Italy)	: 3.4400-6.3900	: 2.0925-2.2500*
Romano (Cows Milk)	: -0-	: 3.2400-5.3825*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggiano (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.

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

	2011 Exports (Million Lb.)	% Change From
	Monthly Exports	1 Year Ago
November	44.3	+ 53
	Cumulative	1 Year Ago
World	Jan.- Nov. 449.7	+ 33
Mexico	94.6	- 1
South Korea	73.7	+ 103
Japan	44.6	+ 59
Canada	21.7	- 3
Saudi Arabia	21.6	+ 63

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	70	0	70	0	80
SOUTHEAST STATES	0	0	0	0	0	0

Class I demand has leveled off in most areas of the Northeast and Mid-Atlantic regions with some loads occasionally pushed back. Manufacturing milk supplies have increased and are more than adequate to fill demand needs as less milk is being shipped to the Southeast. Plant managers continue to see load weights increase as farm production increases. Fat and protein levels of incoming milk supplies are consistent with expectations for this time of year. Cold temperatures and a worsening drought are rapidly deteriorating pasture conditions in Florida. In the Panhandle and northern areas of the state, some stock ponds have gone dry. Supplemental feeding continues with hay supplies becoming short in some areas. Pastures are rated as 45% fair, 35% poor and 10% very poor. Class I demand has leveled off and so has milk production. This week Florida exported 70 spot loads. Class I demand has also leveled off in the Southeast region. Milk supplies are in balance with demand and milk production off the farm is increasing. Cream supplies are readily available and are quickly exceeding demand needs with some cream loads being shipped to the Midwest at lower multiples. Butter production in the East is near capacity. Cream demand remains sluggish. Ice cream production has increased in the Northeast, but remains slow elsewhere. Cream multiples range from 115 to 125. Condensed skim supplies have increased following the increase in manufacturing milk supplies caused by reduced milk shipments out of the Northeast and Mid-Atlantic regions. Condensed skim demand is fairly good as yogurt production is very active and increasing in the Northeast. Most supplies are moving through contracts with limited spot sales. Class IV production remains fairly active.

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 -	1.8705-2.0331
F.O.B. producing plants: Upper Midwest -	1.9193-2.0169

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

Bottler demand is level to somewhat lower for the week. Some Midwest school systems had extended weekends due to a snow storm last week, and started this short school week with early dismissals in some districts due to another storm prediction. Availability of spot loads of milk is mostly steady compared to last week, with prices mostly in the range of \$1 under to \$1 over Class price, delivered. Various American-type cheese plants are approaching cheese production capacity with the addition of spot milk loads. Conversely, some producers of Italian-type cheeses indicate slower-than-projected cheese sales have taken the edge off their milk demand. Central spot cream loads are readily available, with most loads clearing into the churns. Western cream is also moving to the Central to find processing capacity. Cream cheese manufacturers are taking some spot cream loads, too. Ice cream production is restarting, but is at seasonally low levels, as is the production of other cream-based Class II items. With cream in good supply, some ice cream facilities are rebuilding inventories of their consumer favorites: vanilla, chocolate, and

variations thereof. Cream multiples are mostly unchanged from last week, but some buyers anticipate multiples may move lower as spot cream availability trends higher through the next few weeks. Production of cottage cheese and yogurt is ramping up after the holidays to meet increasing consumer demand for these products.

WEST

CALIFORNIA milk output continues to trend higher on a weekly basis. Overall, conditions are very favorable for milk cows and the lack of rainfall has been a big factor. Economic conditions are less favorable on the input side of the equation with little relief from high input costs. Milk prices have been called adequate, but margins have been squeezed. The increased milk intakes have been handled well by dairy plants across the state. There has been some shuffling of the milk supply among end usage. Base plans have remained in place, yet the big picture concern is what will need to happen to accommodate future growth in the state milk supply. ARIZONA milk production continues to trend slightly higher on a week-to-week basis and levels are building towards the peak levels usually seen in the next month. NEW MEXICO milk production is trending steady. Weather conditions are mostly seasonal and not having much impact on the milking herds. Input costs for feed and hay remain concerns for producers, who are finding it more difficult to secure hay supplies in the current high priced environment. Processing plants are running on expected schedules to handle milk and components. Milk shipments to local and regional buyers are going as planned with little spot interest noted for additional milk. Class I needs have leveled off with most schools and colleges in session as well as balanced retail ordering. Western CREAM markets continue to trend weaker. Supplies are moderate to heavy and pricing remains under pressure. Sellers are finding it challenging to move cream. At the CME, Grade AA butter closed at \$1.5775 on Wednesday, January 18, down 5 cents from a week earlier. Demand from higher-class utilization is light, yet along projections. Demand for sour cream, dips, and cream cheese is good for football playoff needs and promotions. Overall, cream supplies are heavy into the butter churns where output is unchanged in the range of 103-123 and vary based on class usage and basing points. Winter weather arrived in the PACIFIC NORTHWEST as snow and high winds arrived in the coastal areas. Handling of milk supplies during the storm was slower than normal, although rains following the storm helped to clear many of the roads. Further inland, the weather was a combination of snow and ice. Milk production in the region continued at near lows for the year, although milk solid yields are favorable. Dairy farmers were able to take advantage of some lower corn prices this week as prices are reduced after last week's Crop Production report. UTAH and IDAHO also experienced winter weather with snow and blustery winds. The moisture was welcomed in most quarters as precipitation has been light through the fall and early winter. Milk handlers were able to move milk supplies with some minor difficulties due to the weather. Hay supplies continue to be a concern for dairy farms in the region, especially in Idaho. HAY STOCKS are surveyed twice a year at the end of May and at the end of December by NASS. The results indicate that U.S. stocks total 90.7 million tons, down 11.4 million tons or -11.2% from December 1, 2010. Stocks and the change from last year for selected Western states are as follows: Arizona 250,000, -115,000 tons; California 1,640,000, -210,000; Colorado 1,800,000, -200,000; Idaho 2,000,000, -300,000; Nevada 830,000, +11,000; New Mexico 575,000, +55,000; Oregon 2,200,000, +100,000; Utah 1,420,000, +370,000; and Washington 1,460,000, -147,000. Net stocks for these nine states are down 436,000 tons from December 2010. Current stocks on farms for the United States are at 88.8% of the 2010 stocks and the lowest stocks reported since 1988. Alfalfa production for the United States for 2011 is 65.3 million pounds, down 3.9% from 2010.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Nonfat dry milk prices are both lower and higher on a mixed market. With fluid milk demand mostly steady and seasonal increases in farm milk intakes beginning, availability of manufacturing milk is increasing. Class II demand is steady to trending higher, with yogurt and cottage cheese consumption ahead of ice cream and other frozen dessert items. Also, some Cheddar-type cheese plants are taking condensed skim milk to augment cheese production. Some plants are approaching capacity on NDM milk production levels while others have cleared sufficient loads of milk to step NDM production significantly below week ago quantities. NDM inventories are building, in step with seasonal trends, but most manufacturers are gearing NDM inventories to contract fulfillment. Interest in holding NDM for possible future spot market activity is low. Multi-load pricing discounts are available for low/medium heat NDM. Contract shipping is steady and on time for Central region NDM manufacturers.

EAST: Prices for nonfat dry milk were mixed this week. High heat prices moved higher, while the mostly range for low heat moved marginally lower. Production of nonfat dry milk was mixed this week as some plants limited or shut down dryer runs, while others increased their drying schedules. Overall, nonfat dry milk production marginally declined. Increased inventories are becoming a concern for some plant managers and some are offering additional discounts for multiple load purchases. Manufacturing milk supplies are at volumes conducive for both low and high heat NDM production. Demand continues to be lackluster as many prospective buyers are holding off major purchases waiting for a clearer market picture, but export interest has increased.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3550 - 1.5000 MOSTLY: 1.4100 - 1.4500
 HIGH HEAT: 1.4900 - 1.5500

	U.S. NDM Exports, H.S. Code 0402100000 (FAS)	
	2011 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	82.3	+11
TOTAL, JAN - NOV	886.3	+15
1 Mexico	354.8	+51
2 Philippines	106.0	+ 6
3 Indonesia	92.7	+11
4 Vietnam	85.7	+24
5 Malaysia	47.3	+14

NONFAT DRY MILK - WEST

Western low heat nonfat dry milk prices are steady to slightly higher, while the market undertone is unsettled. Spot market pricing is mostly steady; whereas some index basing points moved slightly higher. Buying activity is seasonally fair. Domestic accounts are taking their needs under contract with little movement noted for direct spot needs. Interest from the cheese sector is light. Export markets are unsettled with some waiting to be reestablished with the new year. Pricing considerations are a factor with lower prices noted in Europe. NDM drying activity in the region remains active to process available milk and condensed skim. Total output levels are increasing. Production is trending lower for skim milk powder, mainly a reflection on lower sales. Low heat stocks are moderate and building. The Western high heat prices narrowed in a light test. The market tone is mostly steady with recent weeks. The market is lightly tested. Buyer interest is light. Producer offerings are generally limited, but more high heat is being made in advance of upcoming needs. FAS export data for NDM/SMP show January-November 2011 exports at 886.3 million pounds, up 15% from the same period in 2010. November 2011 exports total 82.3 million pounds, up 11% from a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3250 - 1.4425 MOSTLY: 1.3800 - 1.4100
 HIGH HEAT: 1.4100 - 1.5100

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices in the Central region are lower on a weaker market as price pressure develops on nonfat solids and butterfat values. Some buyers are interested in closely timing spot load purchases to price-lowering market trends, and are holding off in the expectation of some price decreases in the weeks to come. Dry buttermilk contract demand is steady, with Western dry buttermilk continuing to fill some Central end user needs. Spot market interest is light, waiting for the surge of interest from the next holiday baking season in February/March. Central butter production is very active, with churning schedules maxed out at some locations. Buttermilk drying is also active as sales of condensed buttermilk into Class II are seasonally low.

EAST: Dry buttermilk prices moved marginally lower on the upper end of the range this week in light trading. Dry buttermilk production is very active as churning schedules have increased, caused by an increase in cream supplies. Butter production, at major manufacturing plants in the East, is near capacity levels. Condensed buttermilk sales are limited as ice cream production in most areas remains sluggish. Supplies are moving through contracts and adding to inventories with little spot sales activity. Domestic demand for dry buttermilk remains lackluster, but export interest has improved.

F.O.B. CENTRAL/EAST: 1.2600 - 1.3900

DRY BUTTERMILK - WEST

Western dry buttermilk prices are trending lower in a lightly traded market. Demand is light for the available producer offerings. There are talks of export inquiries in buttermilk powder, but no sales have been reported. Contacts are noting that bakery interest is slower to develop than projected. Production levels are moderate to heavy on a seasonal basis. The impact of heavy butter output is creating heavy volumes of buttermilk solids for processing. Inventory levels vary, but are moderate for all trade needs.

F.O.B. WEST: 1.2400 - 1.3700 MOSTLY: 1.3000 - 1.3600

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are both lower and higher on a mixed market. Many plants are scheduling dry whole milk production as contract fulfillment demands, but one or two plants are increasing dry whole milk production for near term internal use.

F.O.B. PRODUCING PLANT: 1.7200 - 1.8200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 13	\$1.3975	13,834,310	0
January 6	\$1.4019	8,988,000	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Dry whey prices in the Central region are unchanged to fractionally higher on the mostly price series, and higher on the range. The market is edgy, reminiscent of 2007, when prices approached the April/May tipping point near \$.80. Market participants, though, theorize that today's market differs from 2007 in that the tight supply is the major factor currently influencing price. Offers from a few resellers reportedly carried prices set below offers of the previous week as the desire to build current dry whey inventories for resale is mixed to lower. Spot load availability from manufacturers is light, with most buyers sans contracts finding supplies through the broker/trader network. There is concern from some market participants about the reporting of weekly NASS volumes/prices and whether the information on some dry whey sales falls outside the parameters of NASS reporting guidelines. As some participants comment, 2012 dry whey contracting was accomplished using various methods, possibly including prices that fall outside the NASS price survey. Dry whey production is steady at some plants, lower at others. Some cheese manufacturers report new order volumes for Italian-type cheese lag projections for this time of year. Observations include that some smaller, independent restaurants are trending toward offering reduced dining hours, with some restaurants discontinuing midday hours as a cost savings measure and thereby reducing the need for meal ingredients. ANIMAL FEED DRY WHEY prices are higher on the bottom of the range. Demand is steady, with dry whey from some Western manufacturers continuing to clear into the Central to fill supply gaps. Feed manufacturers indicate sales to dairy replacement and beef calf raisers are balancing some of the softening in sales to veal raisers who have not refilled barns.

F.O.B. CENTRAL: .6950 - .7625 MOSTLY: .6950 - .7250
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .5200 - .6925

DRY WHEY - NORTHEAST

Dry whey prices continued to move higher under contract formulations this week. Production of dry whey has increased marginally as an increase in manufacturing milk supplies channeled more milk to cheese plants. Nearly all supplies are moving through contracts, leaving resale opportunities as the only alternative to secure additional loads. A majority of the resale opportunities are coming from outside the region with prices in the upper \$.70's. The market undertone remains very firm with good domestic and export demand.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .7225 - .7675

DRY WHEY - WEST

Western dry whey prices are higher as contract formulations continue to ratchet prices upward. Supplies of whey are reported to be very tight for any supplies above previously contracted amounts. Spot activity therefore is limited. Buyers are becoming increasingly wary of the current high pricing levels. Contacts note that whey futures for the second quarter have gone below the \$.60 mark. According to the Foreign Agricultural Service, exports of dried whey for January-November 2011 total 496.9 million pounds, down 3% from January-November 2010. The exports account for 53.6% of the total dry whey production in the U.S. for January-November.

The top five importing countries accounted for 295.1 million pounds or 59.4% of the exports for January-November 2011.

NONHYGROSCOPIC: .6800 - .7450 MOSTLY: .6950 - .7375

U.S. Dry Whey Exports, H.S. Code 0404104000(FAS)		
	2011 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	46.5	- 8
TOTAL, JAN - NOV	496.9	- 3
1 China	104.5	+ 8
2 Mexico	66.2	+ 15
3 Canada	47.9	+ 3
4 Japan	38.7	- 18
5 Indonesia	37.8	+ 40

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The WPC 34% range price series notched slightly higher on both ends as 2012 contract pricing takes effect. The mostly price series is unchanged to fractionally higher.

WPC 34% interest is active from many end users, but the market tone is mixed as some brokers/traders and end users are keeping close tabs on WPC 34% inventories while prices top NDM prices. Some end users are offering WPC 34% loads to the spot market as a risk management tool. Conversely, buyers of condensed whey protein concentrate 34% report recent changes to some suppliers' end products have decreased availability of condensed WPC 34%. In some cases, buyers are widening their search to include dry WPC 34%, although availability is intermittent at best on a spot basis from manufacturers. With lighter demand from some process cheese facilities, a few WPC 34% manufacturers built WPC 34% spot loads over the last week or two. Also, a few F.O.B. spot loads of WPC 34% are available as one or two plants benefitted from spot condensed whey loads over the holidays. Whey protein concentrate 34% production is steady to stepping lower in some areas as the heavier influxes of milk into cheese plants during the holiday/post-holiday period subside. Because of recent weakness in cheese demand, some cheese plants are processing less milk by choice, which means WPC 34% production is below plant capacity at some locations.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.5000 - 1.7200 MOSTLY: 1.5100 - 1.5450

U.S. WPC < 80% Exports, H.S. Code 0404100500(FAS)		
	2011 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	25.6	+ 16
TOTAL, JAN - NOV	215.9	- 15
1 China	99.4	- 8
2 Canada	31.5	- 13
3 Mexico	25.9	- 53
4 Japan	14.2	- 21
5 Vietnam	5.3	+ 1,975

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

CONTINUED FROM PAGE 6

LACTOSE - CENTRAL AND WEST

Spot sales dropped the bottom of the range price series by one cent, but the balance of the lactose market is unchanged. Lactose interest is steady, varying by mesh size. As prices increased through the last few weeks, market participants continue to express concerns about reaching the price point where some end users will exit the marketplace. However, manufacturers indicate contract loads are shipping without pushback and interest from non-contract buyers is strongly evident. Weekly lactose production, being a function of cheese manufacturing, is variable. Lagging interest in some cheese types has a few plants scaling cheese production to match less active cheese sales, resulting in lighter lactose production.

Including spot sales and up to 3 month contracts.
 F.O.B. EDIBLE, NON PHARMACEUTICAL .7800 -.9750 MOSTLY: .8200 -.9000

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

	2011 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	32.0	- 15
TOTAL, JAN - NOV	392.7	+ 21
1 New Zealand	77.2	+ 214
2 China	65.5	+ 75
3 Mexico	51.3	+ 18
4 Japan	30.8	- 18
5 Australia	19.3	- 10

CASEIN - NATIONAL

Casein markets and prices are generally holding steady. The European milk production season is just getting underway, thus casein output remains seasonally low. Although inventories from last season are dwindling, domestic buyers continue to get needs filled through contractual commitments from Europe. European suppliers are indicating that they are very optimistic about the upcoming production season, but indicate to domestic buyers that they will generally be gearing their output to contractual and known needs with minimal uncommitted volumes available. The Oceania milk production season is on the downside and casein output is also declining. Some casein operations have already shuttered their facilities for the season, while others remain active. For some operations that remain in production, their output might not be as significant as earlier in the season, but milk availability and logistics are keeping these plants operational.

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

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: 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 Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2010

WEEK ENDING	WEEKLY	2011	2010 WEEKLY	2010
	DAIRY COWS	CUMULATIVE DAIRY COWS	DAIRY COWS	CUMULATIVE DAIRY COWS
12/31/2011	51.5	2,966.3	53.1	2,847.1

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
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
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77

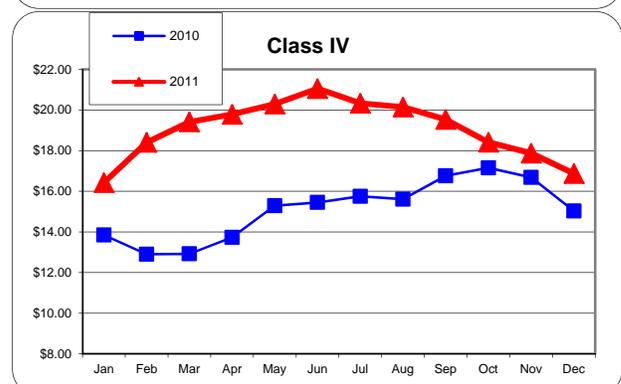
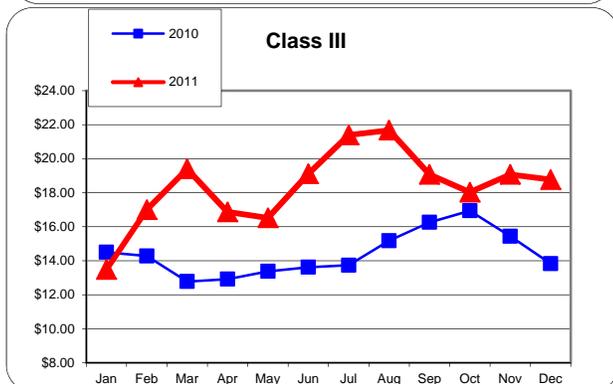
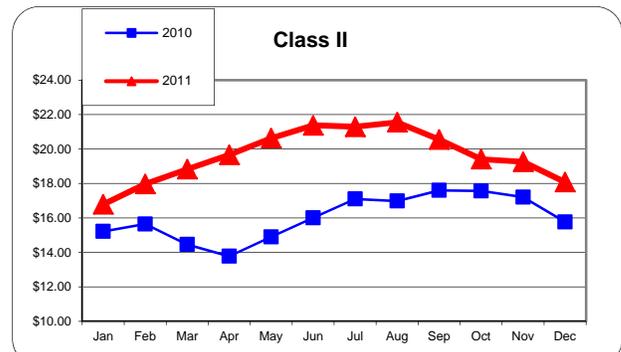
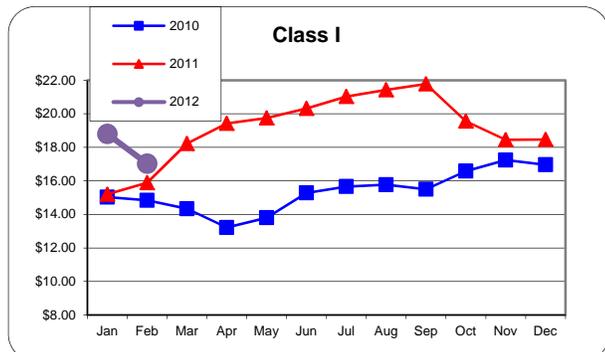
CLASS IV MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.80	17.03										
II												
III												
IV												

1/ Specific order differentials to be added to this base price can be found by going to: www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 9 - 20 , 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: Fairly mild winter weather patterns continue to be reported throughout Western Europe. Temperatures are cold, but snowfall is limited. Lack of snowfall, thus moisture for spring, is a concern for farmers and dairy producers. Although concerned at this time, farmers and milk handlers indicate that February and March are still ahead and measurable snowfall will probably occur which will dispel any moisture concerns. Milk production continues to increase in most Western European regions. Often, milk volumes are running heavier than last year at this time. With milk seasonally increasing, producers in some countries (Ireland and Austria) will be closely monitoring their milk output as the milk quota yearend nears. Early projections for milk output in France are that total volumes will be very near quota levels, but will probably stay within. Manufacturing schedules are also on the increase. Traders and handlers are reporting that sales activity remains quiet, although some buyers have maintained a presence in the marketplace throughout the yearend holidays and remain in the market at this time. Shipments of skim milk powder are being reported which have developed from the recent milk powder tender that was finalized just prior to Christmas. The majority, if not all, of the skim milk powder sourced out of Europe will be delivered during the first quarter of 2012. Total volumes clearing out of Europe for this tender are still unknown, but many traders and handlers are speculating that Europe is the main source with South America being the source for whole milk powder. The European Dairy Commission had their first meeting of the New Year on January 19. No significant new developments for the dairy industry were reported.

BUTTER/BUTTEROIL: European butter markets and prices are weak. Overall butter sales activity in Europe is limited to an internal or domestic market. Internal packaged butter demand is active. In most instances, international buyers continue to look beyond European sources for their needs where prices are more favorable. European churning activity remains seasonally light, although cream volumes are becoming more available.

82% BUTTERFAT: 4,225 - 4,625
 99% BUTTERFAT: 4,750 - 5,175

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to weaker with prices unchanged to lower. Skim milk powder production is seasonally increasing as milk volumes build. New product is being generated, although much of current demand is being filled from inventoried stock of last season. European traders and handlers are indicating that shipments of skim milk powder are increasing as demand resumes and commitments of previously placed orders are filled. Shipments, following the results of a recent dairy product tender, are occurring and will continue out of Europe for much of the first quarter of 2012. The total volume of skim milk powder sourced out of Europe for this tender is unknown, but many feel that a significant portion of the total volume will come from Europe.

1.25% BUTTERFAT: 2,950 - 3,125

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are mixed, but are generally holding steady. Traders and handlers report that sales activity remains slow. Stocks are available, but often priced higher than international buyers are willing to pay, thus most market activity is centered around an internal or domestic market. The milk production season is on the increase, but remains low, thus no significant volume of new whole milk powder is being generated.

26% BUTTERFAT: 3,625 - 3,800

SWEET WHEY POWDER: European whey powder markets are mixed, although the undertone is firm. Prices are unchanged to generally higher, even though the Euro is weak. Much of the current strength is being attributed to product availability and source of that supply. International buyers continue to look to Europe for their needs as other international prices are often higher than buyers are willing to pay. Milk production is low, but seasonally increasing and early season milk volumes are often clearing to the cheese vat versus other manufactured dairy products. In many instances, whey demand is outpacing availability at this time.

NONHYGROSCOPIC: 1,275 - 1,500

EASTERN OVERVIEW: Milk output in Eastern Europe continues to hold at seasonally low levels. Milk producers and handlers are indicating that noticeable increases will probably not be apparent for another 4 - 6 weeks. Winter weather patterns in this region are being reported, although for many, winter conditions are more favorable than other years at this time. Manufacturing schedules remain seasonally low, thus quiet sales activity is being filled from inventoried stock. Traders and handlers are indicating that buyer interest is starting to increase.

Exchange rates for selected foreign currencies: January 17, 2012

.9848 Canadian Dollar	.0195 Indian Rupee
.2316 Argentina Peso	.8003 New Zealand Dollar
.0744 Mexican Peso	1.0376 Australian Dollar
.2923 Polish Zloty	.0130 Japanese Yen
1.2736 Euro	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0744) = 13.4408 Mexican Pesos.

Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 9 - 20, 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.

OVERVIEW: Milk production continues to trend lower in both New Zealand and Australia. Wet conditions continue to prevail on the North Island of New Zealand, but limited moisture and close to drought conditions prevail in the southern tip of the South Island. With these two moisture extremes within the same country, milk production on the downside of the season may be significantly impacted. All in all, milk processors and handlers indicate that milk output and receipts are basically in line with projections. New Zealand handlers continue to project a 3 - 4% annual increase over last season. In Australia, the high temperatures of two weeks ago in Northern Victoria have moderated. Milk producers and handlers were concerned about what impact these temperatures might have on milk output on the downside of the season. Reports are indicating that milk volumes did decline at a faster pace than prior to the heat, but plateaued as temperatures eased. Milk producers feel that they will not be able to recover what was lost, but at least the sharper decline slowed. Current temperatures remain warm reaching 35 C (95 F) during the past week, but often moderate within a day or two. Milk producers indicate that warm summer temperature patterns are starting to become more prevalent, thus milk production could potentially decline at a faster pace during the balance of the season. Moisture does fall in Australia and refreshes parched land, but pasture conditions are often starting to deteriorate at a faster pace than replenishment. Milk producers and handlers remain optimistic about the season and continue to project a 2 - 3% seasonal increase over last year. Traders and handlers of manufactured dairy products are indicating sales activity is slow to develop following the yearend holiday period. Some enhanced butter demand is reported, but outside of this, regular contractual shipments continue to be reported. During the g/DT auction #60 on January 17, prices were again mixed. For those products that experienced firm average price trends during the last auction, price averages were weaker during this event and for those products that experienced weaker price trends last time, firm averages were recorded this time. For skim milk powder (U.S. sourced) contract #1 (February), the price averaged \$3,032 per MT, 0.3% more than the previous auction. Contract #2 (March) average prices and changes from the previous session are: anhydrous milk fat, \$4,054/MT, +4.6%; buttermilk powder, \$3,430, -4.3%; skim milk powder, \$3,337, +2.9%; whole milk powder, \$3,517, -0.6%; milk protein concentrate \$5,775/MT - 1.2%; rennet casein \$7,990/MT +3.7%; and cheddar \$3,757/MT, +5.5%.

BUTTER: Oceania butter markets and prices are generally holding steady. The milk production season is on the decline, but milk and cream flow through butter/powder operations remains strong. Traders and butter handlers indicate that sales activity continues to center around regular and ongoing customer needs. For the most part, butter production and stocks are fully committed to this ongoing need with minimal uncommitted volumes available.

82% BUTTERFAT:

3,700 - 4,200

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices are steady to weaker. The milk production season in the region is on the downside of the cycle, but is often running

heavier than last year at this time, thus skim milk powder production remains seasonally strong. Stocks are sufficient for contractual commitments, but limited for spot buyer needs. At the January 17 g/DT event, skim milk powder averaged \$3,351 per MT., 2.7% higher than the all contract average two weeks before. For contract #1 (February), U.S. sourced skim milk powder averaged \$3,032 per MT., 0.3% higher than the previous event. For contract #2 (March), the average was \$3,337 per MT., 2.9% higher than the previous average. For contracts #3 (April - June) and #4 (July—September), the average prices were \$3,465, +3.5% and \$3,494, +1.2% respectively.

1.25% BUTTERFAT:

3,250 - 3,500

CHEDDAR CHEESE: Oceania cheddar cheese markets and prices are generally holding steady. Although the milk production season is winding down, cheese output continues to be geared toward need. In most instances, cheese output is in very close balance with cheese order books and manufacturers are indicating that this balance is ongoing and positive. Traders are reporting that sales activity continues to center around regular and ongoing customer needs, with minimal spot inquiries occurring.

39% MAXIMUM MOISTURE:

3,775 - 4,500

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices in the Oceania region are weak. The milk production season is on the downside of the yearly cycle, but whole milk powder production remains strong. For operations that have the flexibility to clear milk to one product over another, whole milk powder is often getting the tilt as milk volumes decline. Stocks are sufficient for contractual commitments with minimal uncommitted volumes being reported. At the January 17 g/DT event, whole milk powder averaged \$3,562 per MT., basically unchanged from the all contract average two weeks earlier. For contract #2 (March), the average price was \$3,517 per MT, 0.6% lower than the previous March contract average. For April - June and July - September contracts, the average price was 1.4% higher and 1.3% less than the previous average respectively.

26% BUTTERFAT:

3,500 - 3,700

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 9 - 20, 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.

JANUARY 17, 2012 Global/Dairy Trading (g/DT) event 60 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.	\$4,054	+4.6%	\$4,105	+1.8%	\$4,168	-2.5%	\$4,084	+2.8%
Buttermilk Powder	N.A.	N.A.	\$3,430	-4.3%	N.A.	N.A.	N.A.	N.A.	\$3,430	-4.3%
Skim Milk Powder	\$3,032	+0.3	\$3,337	+2.9%	\$3,465	+3.5%	\$3,494	+1.2%	\$3,351	+2.7%
Whole Milk Powder	N.A.	N.A.	\$3,517	-0.6%	\$3,616	+1.4%	\$3,697	-1.3%	\$3,562	N.C.
Milk Protein Concentrate	N.A.	N.A.	\$5,775	-1.2%	\$5,990	-2.6%	N.A.	N.A.	\$5,880	-1.9%
Rennet Casein	N.A.	N.A.	\$7,990	+3.7%	\$8,151	+3.6%	N.A.	N.A.	\$8,069	+3.7%
Cheddar	N.A.	N.A.	\$3,757	+5.5%	\$3,794	-0.7%	N.A.	N.A.	\$3,776	+2.1%

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/05	01/06	01/09	01/10	01/11	01/12	01/13	01/16	01/17	01/18
CME - CLASS III MILK FUTURES (Pit-Traded)										
JAN 12	17.19 (4637) 1	17.26 (4639) 2	17.14 (4585) 0	17.12 (4405) 1	17.14 (4366) 0	17.12 (4339) 0	17.11 (4415) 61	NO TRADING	17.08 (4322) 0	17.07 (4271) 0
FEB 12	17.69 (5271) 2	17.75 (5318) 1	17.40 (5410) 0	17.34 (5498) 0	17.48 (5604) 0	17.40 (5713) 0	17.08 (5711) 1		16.97 (5688) 0	16.48 (5531) 0
MAR 12	17.76 (4146) 2	17.87 (4284) 1	17.64 (4467) 10	17.69 (4581) 3	17.85 (4647) 1	17.76 (4722) 0	17.39 (4870) 3		17.28 (4947) 4	16.68 (5154) 7
APR 12	17.57 (2934) 2	17.72 (2976) 3	17.67 (3067) 11	17.65 (3084) 1	17.73 (3113) 0	17.68 (3133) 0	17.31 (3133) 4		17.21 (3180) 1	16.58 (3207) 6
MAY 12	17.40 (2764) 2	17.50 (2786) 1	17.48 (2795) 5	17.50 (2809) 1	17.59 (2835) 0	17.59 (2842) 0	17.35 (2869) 4		17.26 (2873) 1	16.72 (2919) 6
JUN 12	17.35 (2337) 2	17.50 (2349) 1	17.46 (2362) 5	17.46 (2376) 1	17.54 (2391) 0	17.59 (2411) 10	17.44 (2422) 4		17.35 (2426) 1	16.95 (2443) 6
JUL 12	17.36 (1683) 3	17.40 (1691) 1	17.43 (1716) 5	17.44 (1717) 1	17.55 (1724) 0	17.51 (1740) 10	17.42 (1755) 4		17.40 (1752) 1	17.18 (1782) 6
AUG 12	17.36 (1621) 3	17.44 (1634) 3	17.44 (1661) 5	17.44 (1662) 1	17.53 (1666) 0	17.55 (1686) 10	17.46 (1681) 4		17.48 (1685) 1	17.20 (1726) 6
SEP 12	17.37 (1565) 5	17.48 (1574) 1	17.44 (1585) 5	17.44 (1588) 1	17.51 (1587) 0	17.52 (1602) 10	17.46 (1618) 4		17.45 (1625) 1	17.18 (1652) 6
OCT 12	17.10 (1345) 5	17.18 (1355) 1	17.14 (1353) 0	17.14 (1353) 0	17.21 (1353) 0	17.24 (1365) 10	17.20 (1367) 4		17.20 (1377) 1	17.08 (1398) 6
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JAN 12	16.90 (330) 0	16.90 (330) 0	16.90 (330) 0	16.85 (330) 0	16.85 (330) 0	16.85 (330) 0	16.85 (330) 0	NO TRADING	16.75 (330) 0	16.75 (330) 0
FEB 12	16.82 (343) 0	16.82 (343) 0	16.82 (343) 0	16.82 (343) 0	16.82 (343) 0	16.82 (336) 0	16.78 (336) 0		16.78 (336) 0	16.78 (336) 0
MAR 12	17.01 (323) 0	17.01 (323) 0	17.01 (323) 0	17.01 (323) 0	17.01 (323) 0	17.01 (319) 0	16.90 (315) 0		16.90 (319) 0	16.80 (319) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JAN 12	161.00 (611) 0	161.00 (611) 9	162.00 (610) 7	163.00 (609) 3	161.00 (610) 2	160.75 (609) 4	160.75 (609) 0	NO TRADING	161.00 (624) 21	161.00 (624) 1
FEB 12	166.00 (607) 2	166.50 (590) 11	166.75 (572) 24	165.50 (568) 7	164.50 (558) 31	162.00 (572) 42	161.00 (578) 9		160.00 (595) 31	156.20 (607) 10
MAR 12	166.00 (645) 2	167.00 (655) 10	169.00 (635) 33	167.00 (627) 28	167.00 (628) 7	165.75 (638) 15	165.75 (643) 6		164.25 (665) 67	162.28 (734) 9
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JAN 12	140.00 (127) 0	140.00 (127) 0	140.00 (127) 0	140.50 (130) 0	140.50 (130) 0	140.50 (130) 0	140.50 (130) 0	NO TRADING	140.50 (130) 0	140.50 (130) 0
FEB 12	140.00 (131) 0	140.00 (131) 0	140.00 (131) 0	140.00 (131) 0	140.00 (131) 0	140.00 (131) 0	140.00 (131) 0		140.00 (131) 0	140.00 (133) 0
MAR 12	140.50 (74) 0	140.50 (74) 0	140.50 (74) 0	140.50 (74) 0	140.50 (74) 0	140.50 (74) 0	140.50 (78) 0		140.50 (78) 0	140.00 (89) 0
CME - WHEY (Electronic-Traded)										
JAN 12	68.48 (442) 7	68.75 (450) 11	68.00 (451) 1	68.00 (452) 1	68.25 (456) 4	68.50 (461) 10	68.50 (463) 5	NO TRADING	68.50 (462) 1	68.05 (461) 7
FEB 12	70.00 (371) 30	71.75 (380) 15	71.00 (381) 2	70.50 (380) 20	70.10 (382) 5	71.03 (382) 11	71.00 (382) 2		70.50 (403) 29	68.50 (429) 51
MAR 12	69.10 (378) 5	70.00 (388) 17	70.00 (388) 0	70.50 (390) 4	70.50 (385) 8	70.50 (386) 14	70.40 (390) 4		69.00 (395) 16	66.00 (410) 49
CME - CHEESE CSC (Electronic-Traded)										
JAN 12	1.64 (1109) 5	1.64 (1109) 0	1.62 (1119) 22	1.61 (1119) 2	1.62 (1117) 2	1.62 (1117) 0	1.62 (1117) 0	NO TRADING	1.61 (1112) 5	1.61 (1107) 5
FEB 12	1.67 (934) 18	1.67 (938) 5	1.63 (941) 4	1.63 (952) 24	1.64 (956) 4	1.63 (949) 24	1.60 (962) 29		1.59 (1004) 73	1.55 (1065) 78
MAR 12	1.68 (961) 6	1.67 (970) 9	1.67 (970) 0	1.66 (967) 9	1.68 (968) 1	1.68 (970) 4	1.64 (967) 4		1.63 (977) 13	1.59 (1014) 51
APR 12	1.67 (857) 5	1.68 (857) 9	1.68 (832) 30	1.68 (832) 0	1.68 (832) 0	1.68 (834) 4	1.66 (836) 2		1.66 (836) 0	1.62 (861) 38
MAY 12	1.68 (709) 7	1.68 (709) 0	1.68 (709) 4	1.67 (714) 10	1.68 (714) 0	1.70 (716) 2	1.68 (716) 0		1.67 (716) 10	1.66 (720) 15
JUN 12	1.68 (529) 15	1.69 (529) 2	1.69 (523) 6	1.69 (523) 0	1.70 (523) 0	1.71 (525) 2	1.71 (525) 0		1.71 (525) 3	1.71 (515) 22

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

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

Class I Base Price. Under the Federal milk order pricing system, the Class I base price for February 2012 is \$17.03 per cwt. This price is derived from the Class III skim milk pricing factor of \$11.42 and the advanced butterfat pricing factor of \$1.7170. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to January 2012, the Class I base price decreased \$1.77 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$1.77 per cwt., -\$0.152 per gallon; reduced fat milk (2%), -\$1.76 per cwt., -\$0.152 per gallon; fat-free (skim milk), -\$1.75 per cwt., -\$0.151 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$11.12. Thus, the Class II skim milk price for February is \$11.82 per cwt., and the Class II nonfat solids price is \$1.3133. **Product Price Averages.** The two-week product price averages for February are: butter \$1.5893, nonfat dry milk \$1.4155, cheese \$1.6052, and dry whey \$0.6915.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/2/}				
February 2012				
Federal Milk Order Marketing Area ^{3/}	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	20.28	14.67	1.7495
Appalachian (Charlotte) ^{5/ 6/}	005	20.43	14.82	1.7510
Southeast (Atlanta) ^{6/ 7/}	007	20.83	15.22	1.7550
Florida (Tampa) ^{6/ 8/}	006	22.43	16.82	1.7710
Midwest (Cleveland) ^{9/}	033	19.03	13.42	1.7370
Upper Midwest (Chicago) ^{10/}	030	18.83	13.22	1.7350
Central (Kansas City) ^{11/}	032	19.03	13.42	1.7370
Southwest (Dallas) ^{12/}	126	20.03	14.42	1.7470
Arizona (Phoenix)	131	19.38	13.77	1.7405
Pacific Northwest (Seattle) ^{13/}	124	18.93	13.32	1.7360
All-Market Average		19.92	14.31	1.7459

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. ^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. ^{7/} Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. ^{8/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. ^{9/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. ^{10/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. ^{11/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55. ^{12/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. ^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, DECEMBER 2011

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During December, more than 10.0 billion pounds of milk were received from producers. This volume of milk is 6.2 percent lower than the December 2010 volume. In December 2010 and December 2011, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.8 billion pounds of producer milk were used in Class I products, 2.9 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 38%, Class II = 12%, Class III = 37% and Class IV = 13%. The weighted average statistical uniform price was \$19.13 per cwt., \$0.57 lower than last month and \$3.13 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2011										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,018.2	-2.1	881.8	-6.1	44	21	23	12	19.57
Appalachian (Charlotte)	005	536.2	1.8	362.4	-0.3	68	11	8	13	20.43
Florida (Tampa)	006	247.8	-2.6	215.6	-1.1	87	8	2	3	22.79
Southeast (Atlanta)	007	589.1	-6.4	389.7	-4.4	66	7	15	12	20.92
Upper Midwest (Chicago)	030 3/	2,517.0	-8.9	369.7	-5.5	15	5	76	4	18.71
Central (Kansas City)	032 3/	1,013.4	-14.4	394.7	-0.4	39	12	32	17	18.25
Mideast (Cleveland)	033 3/	1,365.3	4.4	551.2	-1.3	40	17	30	13	18.54
Pacific Northwest (Seattle)	124 3/	581.0	-11.7	190.6	-1.6	33	6	28	33	18.05
Southwest (Dallas)	126 3/	830.3	-16.1	376.3	-2.0	45	8	32	15	19.25
Arizona (Phoenix)	131	386.1	3.4	118.8	1.6	31	7	29	33	18.57
ALL MARKET AVERAGE OR TOTAL	3/	10,084.3	-6.2	3,850.7	-2.9	38	12	37	13	19.13

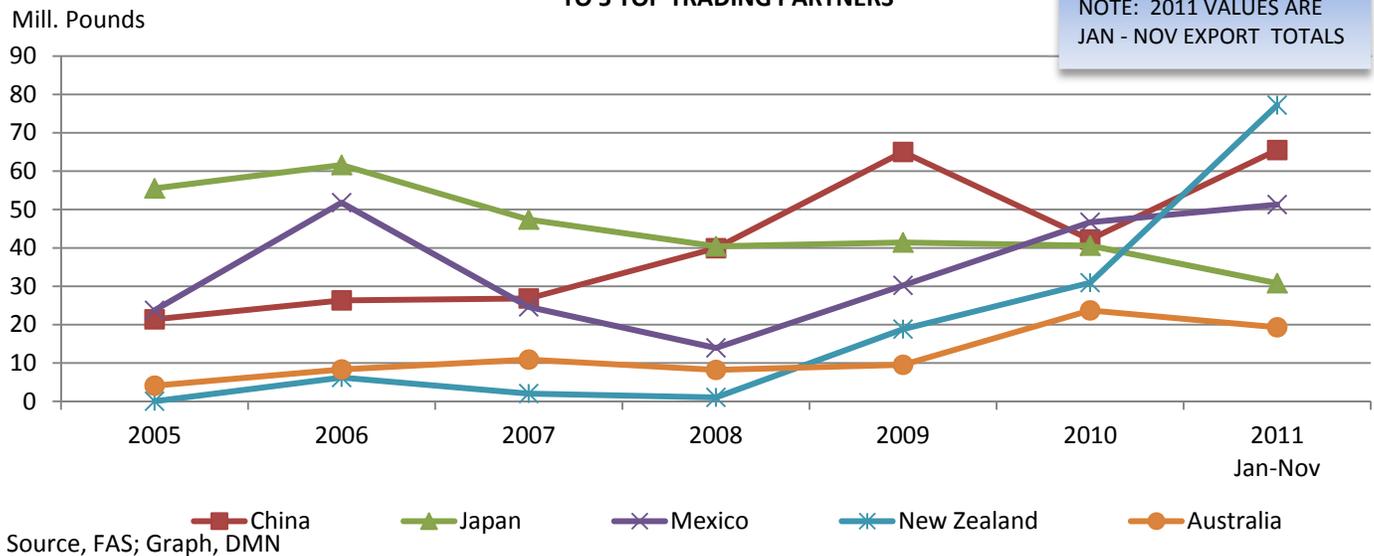
1/ Names in parentheses are the major city in the principal pricing point of the market.

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

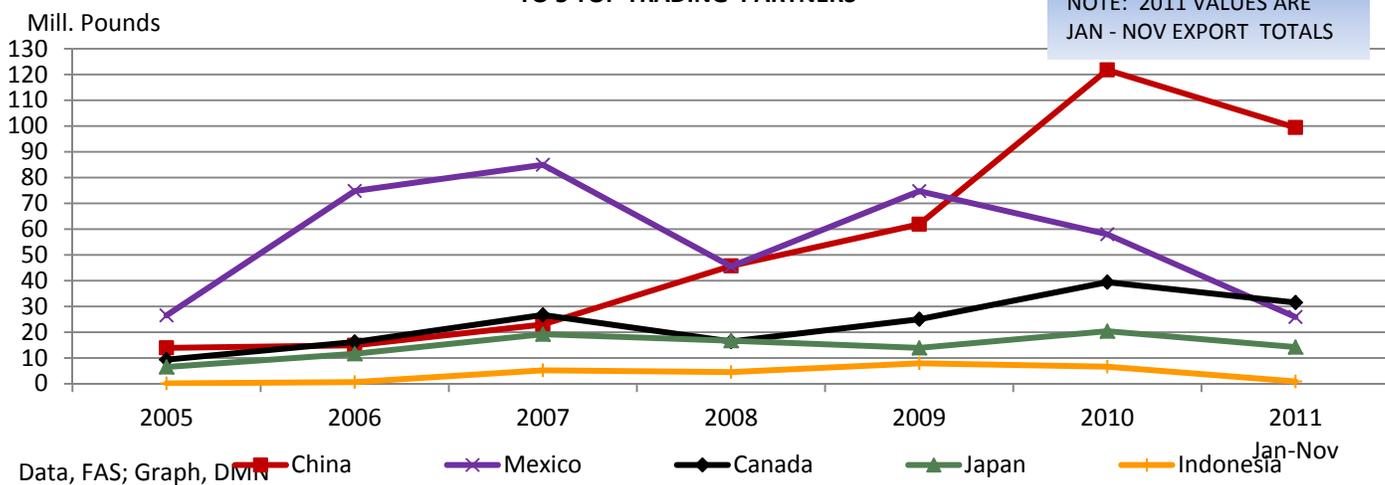
3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 1.341 billion pounds of milk that normally would have been associated with these markets. In December 2010, the estimated not pooled volume of milk was 222 million pounds, occurring in order numbers 030, 032, and 033. After adjusting for non pooled milk, the year-to-year percent change is -4.0%.

Report Contact: Randal Stoker: randal.stoker@usda.gov or 202-690-1932.

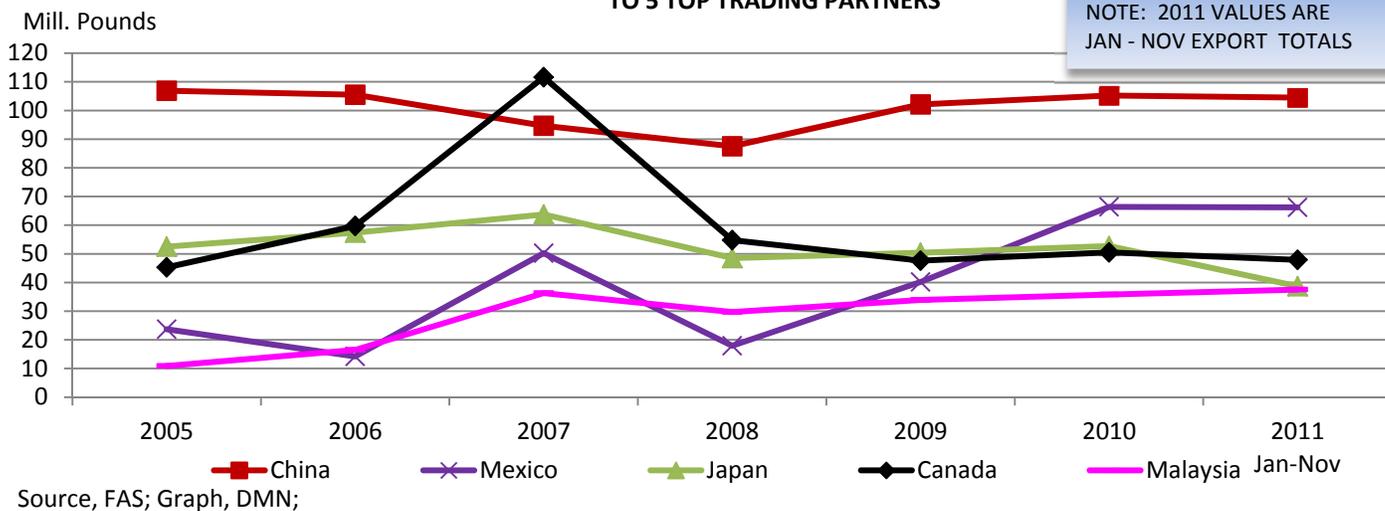
2005 - 2010 ANNUAL & 2011 YEAR-TO-DATE LACTOSE EXPORT QUANTITIES OF HS CODE 1702110000 TO 5 TOP TRADING PARTNERS



2005 - 2010 ANNUAL & 2011 YEAR-TO-DATE WPC EXPORT QUANTITIES OF HS CODE 0404100500 TO 5 TOP TRADING PARTNERS



2005 - 2010 ANNUAL & 2011 YEAR-TO-DATE DRY WHEY EXPORT QUANTITIES OF HS CODE 0404104000 TO 5 TOP TRADING PARTNERS



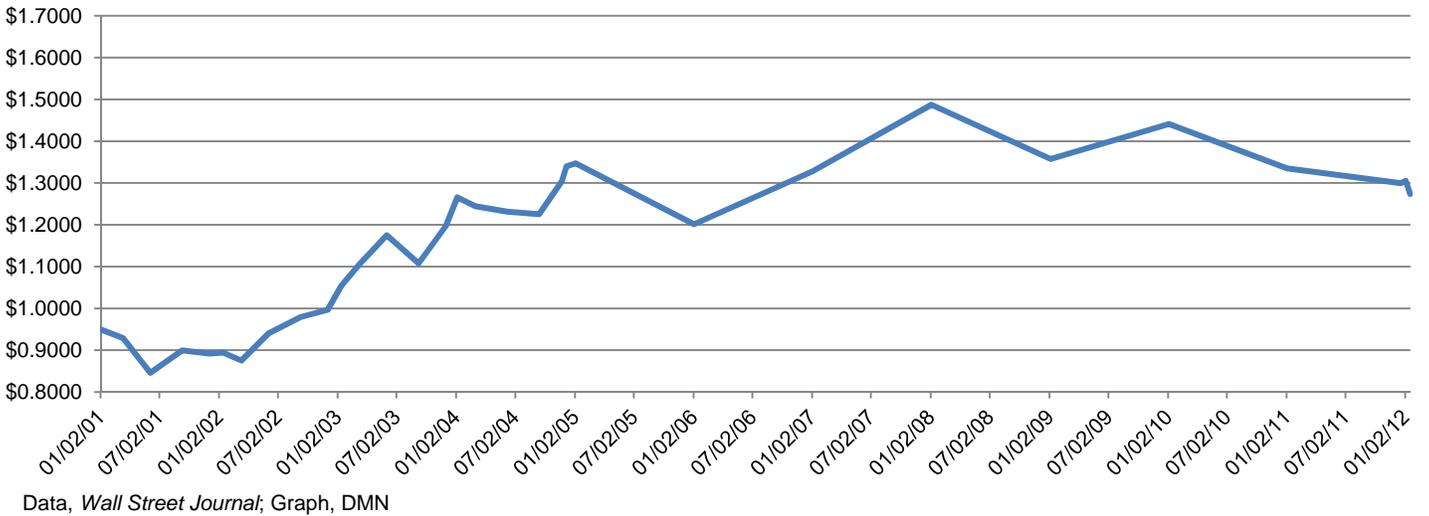
US\$

MEXICAN PESO COMPARED TO THE U.S. DOLLAR



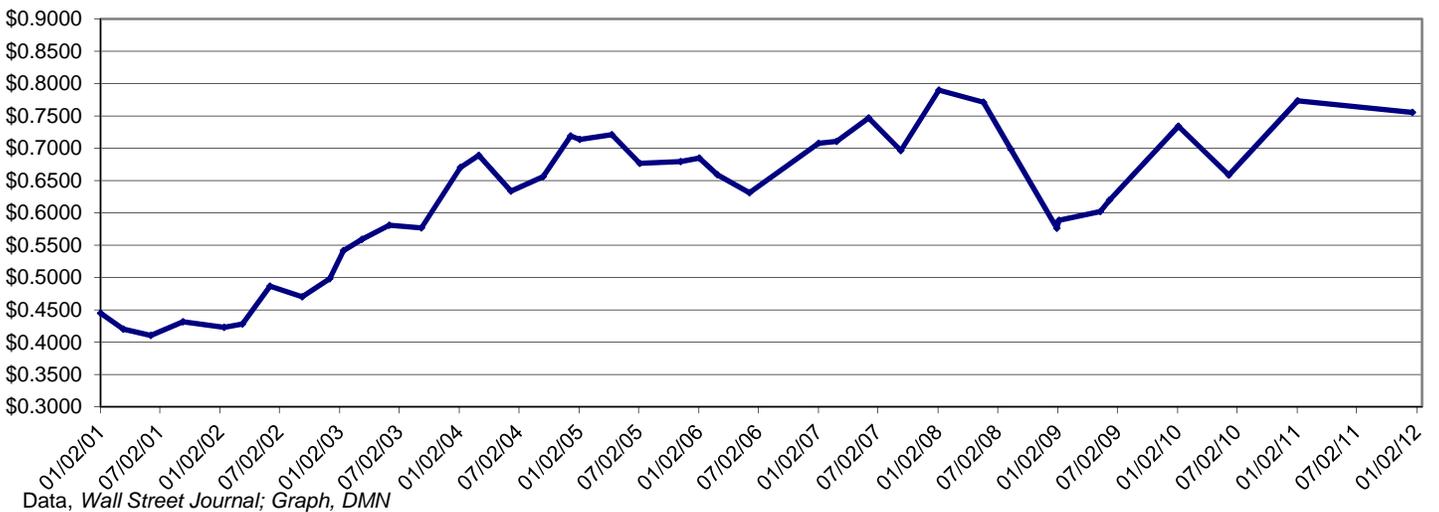
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EURO COMPARED TO THE U.S. DOLLAR



US\$

NEW ZEALAND DOLLAR COMPARED TO U.S. DOLLAR



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