

## NATIONAL DAIRY MARKET NEWS AT A GLANCE

**CME GROUP CASH MARKETS (01/27):**

**BUTTER:** Grade AA closed at \$1.5500. The weekly average for Grade AA is \$1.5580 (-.0220).

**CHEESE:** Barrels closed at \$1.4950 and 40# blocks at \$1.5100. The weekly average for barrels is \$1.4870 (-.0330) and blocks, \$1.5060 (-.0440).

**BUTTER HIGHLIGHTS:** The CME cash butter price continues to ease and settled at \$1.5500 at week's end. This cash price is the lowest since December 2010. Churning activity across the country is strong as cream supplies are plentiful and clearing from one region to another to find processing capacity. Butter producers are gearing up production schedules and often, churns are running at capacity levels. With churning as active as it is, production is greatly surpassing demand, thus clearances to inventory are heavy. Butter demand is fair at best as many buyers are hesitant to procure too heavily in a down price cycle. According to the NASS Cold Storage report, stocks of butter as of December 31, 2011, total 105.2 million pounds, +29% or 23.5 million pounds more than December of last year. Stocks were 12% higher or 11.7 million pounds more than November 2011. According to the FAS, quota imports of butter for January-December 2011 total 9.9 million pounds, 36.5% more than the same period in 2010. Imports for 2011 account for 64.3% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 0.7 million pounds, 105.0% above the comparable 12 month period last year.

**CHEESE HIGHLIGHTS:** Cheese market averages continued to move lower this week. The market has moved lower for three consecutive weeks. The week ended on a higher note with both barrels and blocks increasing. Friday's close at the CME Group of \$1.5100 for blocks and \$1.4950 for barrels represents a retreat of \$.1000 for blocks and \$.0950 for barrels since the first week of the new year. Friday's price increase was the first advance since January 6. Increased volumes of milk available to cheese plants are allowing some manufacturers to increase production. Other producers are waiting for orders to arrive before increasing production. Cheese buyers are reluctant to place additional new orders while the market is trending lower. The recent Cold Storage report from NASS reported cheese stocks up 1% from the previous month, but down 6% from last year in December. American cheese led the way in production with increases over last month (+3%) but lower than last year's storage levels(-5%). Swiss and Other Natural cheese products stored were below both last month and last year. Quota imports of cheese into the U.S. for 2011 were reported by FAS as down 1.9% from the previous year.

**FLUID MILK:** Milk production is increasing in much of the country. In the Northeast mild weather is specifically cited for the increase. However, drought having spread to all areas of Florida, milk production remains steady with last week. Midwest milk production is improving steadily, with handlers

reporting month to month increases up 1-4%. California milk production continues to build higher on a weekly basis. New Mexico milk output trends continue along steady to higher levels with milk supplies above year ago levels. Increased herd size is credited for milk supply increases in Utah and Idaho. Winter weather including ice storms affected milk movement in the Seattle area and created difficulties in moving fluid milk. Class I demand along the coast increased with the storm, causing supplies to be rerouted to fulfill milk needs. Central cream availability is increasing. Eastern and Western cream spot loads are moving to Central facilities as cream in those regions exceeds capacity of processing facilities.

**DRY PRODUCTS:** Central Nonfat dry milk prices moved lower on the bottom of the range and mostly series. NDM prices in the East moved marginally lower. In the West, NDM prices are lower with a weaker market tone. Dry buttermilk prices are unchanged in all regions. The Central buttermilk market is picking up weakening signals from the NDM market. Eastern dry buttermilk production remains active. The Western dry buttermilk market tone is unsettled to weak. Dry whole milk prices are lower. Central dry whey prices are steady with increasing spot load availability. Northeast dry whey prices continued to move higher. Western dry whey prices are fractionally higher with limited spot sales. Whey protein concentrate 34% prices are unchanged. Lactose prices are unchanged on the mostly price series. Casein prices and markets are generally steady.

**ORGANIC DAIRY MARKET OVERVIEW (DMN):** The national weighted average advertised price for organic milk half gallons decreased 66 cents to \$2.68, following a 28 cent decrease the prior period. The top of this period's price range, \$3.99, is a 50 cent increase. The range bottom, \$2.50, one cent above the record low, is a 79 cent decrease. A significant factor influencing the increased volume, pricing and regional composition of organic half gallon milk ads this period, is a national supermarket chain advertising its store brand of organic milk half gallons. While shoppers generally are finding supplies of organic milk are tight and occasionally sold-out, this retail chain has undertaken widespread consumer advertising of its' store brand at prices rivaling historic lows in terms of this survey series, another demonstration of the growing influence of organic milk sold as store brands. Exactly one half of organic yogurt ads surveyed nationally are for 4-6 ounce yogurt. The national weighted average advertised price decreased 7 cents to \$0.68. No change occurred in the top of the price range, \$1.00, while the bottom decreased 7 cents to 60 cents.

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**CME GROUP CASH TRADING**

| COMMODITY              | MONDAY<br>JAN 23     | TUESDAY<br>JAN 24    | WEDNESDAY<br>JAN 25 | THURSDAY<br>JAN 26   | FRIDAY<br>JAN 27     | WEEKLY<br>CHANGE * | WEEKLY<br>AVERAGE #              |
|------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|--------------------|----------------------------------|
| <b>CHEESE</b>          |                      |                      |                     |                      |                      |                    |                                  |
| BARRELS                | \$1.4850<br>(-.0175) | \$1.4850<br>(N.C.)   | \$1.4850<br>(N.C.)  | \$1.4850<br>(N.C.)   | \$1.4950<br>(+.0100) | ::<br>:: (-.0075)  | ::<br>:: \$1.4870<br>:: (-.0330) |
| 40# BLOCKS             | \$1.5050<br>(N.C.)   | \$1.5050<br>(N.C.)   | \$1.5050<br>(N.C.)  | \$1.5050<br>(N.C.)   | \$1.5100<br>(+.0050) | ::<br>:: (+.0050)  | ::<br>:: \$1.5060<br>:: (-.0440) |
| <b>NONFAT DRY MILK</b> |                      |                      |                     |                      |                      |                    |                                  |
| EXTRA GRADE            | \$1.4800<br>(N.C.)   | \$1.4800<br>(N.C.)   | \$1.4800<br>(N.C.)  | \$1.4800<br>(N.C.)   | \$1.4800<br>(N.C.)   | ::<br>:: (N.C.)    | ::<br>:: \$1.4800<br>:: (N.C.)   |
| GRADE A                | \$1.4500<br>(N.C.)   | \$1.4500<br>(N.C.)   | \$1.4500<br>(N.C.)  | \$1.4500<br>(N.C.)   | \$1.4500<br>(N.C.)   | ::<br>:: (N.C.)    | ::<br>:: \$1.4500<br>:: (N.C.)   |
| <b>BUTTER</b>          |                      |                      |                     |                      |                      |                    |                                  |
| GRADE AA               | \$1.5650<br>(-.0050) | \$1.5600<br>(-.0050) | \$1.5600<br>(N.C.)  | \$1.5550<br>(-.0050) | \$1.5500<br>(-.0050) | ::<br>:: (-.0200)  | ::<br>:: \$1.5580<br>:: (-.0220) |

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

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Organic dairy advertising volume reached the highest level since mid-October last year. Organic milk ads placed by supermarkets were at the highest level since early September last year. Organic half gallon milk ads are at the highest level since mid-June last year. Organic yogurt advertising also increased over the last five reporting periods, to the highest level since late October last year. Data through November for estimated U.S. Sales of organic fat-reduced milk, illustrates the continued growth of sales above year earlier sales, uninterrupted since March 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country and occasionally "sold-out" half gallons in the Southeast and Northeast.

**COLD STORAGE (NASS):** On December 31, U.S. cold storage holdings of butter totaled 105.2 million pounds, 12% more than a month ago and 29% more than last year. Natural American cheese holdings total 600.7 million pounds, 3% more than a month ago, but 5% less than a year ago. Total cheese stocks were 981.3 million pounds, 1% more than last month and 6% less than last year.

**DECEMBER MILK PRODUCTION (NASS):** Milk production in the 23 major states during December totaled 15.4 billion pounds, up 2.7 percent from December 2010. November revised production at 14.7 billion pounds, was up 2.2 percent from November 2010. The November revision represented an increase of 3 million pounds or less than 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,818 pounds for December, 27 pounds above December 2010. The number of milk cows on farms in the 23 States was 8.49 million head, 99,000 head more than December 2010, and 12,000 head more than November 2011. Milk production in the U.S. during the October-December quarter totaled 48.7 billion pounds, up 2.3 percent from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.22 million head, 86,000 head more than the same period last year.

**CONSUMER PRICE INDEX (BLS):** The December CPI for all food is 231.3, up 4.7% from December 2010. The dairy products index is 218.5, up 8.1% from a year ago. The following are the December to December changes for selected products: fresh whole milk is + 9.5%; cheese, +7.8%; and butter, + 1.9%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first eleven months of 2011 totals 182 billion pounds, 1.5% above the same period in 2010. Comparing disappearance levels with year earlier levels: butter is +11.1%; American cheese, +1.2%; other cheese, +3.9%; NDM, -4.0%; and fluid milk products, -1.6%.

**ANNOUNCED FEBRUARY COOPERATIVE CLASS I PRICES (DAIRY PROGRAMS):** For February 2012, the all-city average announced cooperative Class I price was \$22.15, \$2.48 higher than the Federal milk order (FMO) Class I price average for these cities. The February 2012 Cooperative Class I price was \$1.78 lower than the January 2012 price. The February 2012 Federal order Class I price was \$1.77 lower than the January 2012 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 February 2011, the all-city average announced cooperative Class I price was \$21.04, \$2.51 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 23, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4900; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4850;  
 1 CAR 40# BLOCKS @ \$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 @ \$1.5650

TUESDAY, JANUARY 24, 2012

CHEESE -- SALES: 3 CARS BARRELS @ \$1.4850; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.4850; 2 CARS 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED:  
 1 CAR BARRELS @ \$1.4950  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.3900; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5200; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5600

WEDNESDAY, JANUARY 25, 2012

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$1.5050; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4700; 1 CAR 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5300; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.5600

THURSDAY, JANUARY 26, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4850; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4850; 4 CARS 40# BLOCKS @ \$1.5050; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5550; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 27, 2012

CHEESE -- SALES: 20 CARS BARRELS: 2 @ \$1.4850, 1 @ \$1.4900, 16 @ \$1.4875, 1 @ \$1.4950; 6 CARS 40# BLOCKS: 1 @ \$1.5050, 5 @ \$1.5100; LAST BID UNFILLED:  
 2 CARS BARRELS @ \$1.4900; 1 CAR 40# BLOCKS @ \$1.5050; 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: 2 CARS GRADE AA @ \$1.5500

## BUTTER MARKETS

## NORTHEAST

The butter price on the CME Group declined \$0.0050 Tuesday and closed at \$1.5600. Butter prices have declined in 7 of the last 10 trading sessions, declining \$0.0800 during that time period. Cream supplies have quickly exceeded demand and are flowing to churns. Butter production is very active with a number of plants churning at near capacity levels. Some cream cheese manufacturers are reducing production schedules for maintenance projects, resulting in additional cream volumes channeled to churns. A major balancing plant will also be closed a day this week for scheduled maintenance. Plants are making bulk and print, salted and unsalted and some 82% butter for possible future exports. Butter sales are sluggish and inventories are expanding. Export interest remains fairly active. According to the latest NASS Cold Storage report, butter in storage on December 31, totaled 105.2 million pounds, 11.7 million pounds more (+12%) than the prior month stocks and 23.5 million pounds more (+29%) than December 2010 stocks. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

## CENTRAL

Early in the week, the CME cash butter price continued to ease lower and remains at the lowest price level since late 2010. Churning activity this week is enhanced as cream availability increases to the churn. Butter producers are indicating that regular cream volumes remain plentiful while cream offerings from other regions of the country are heavier. Often, these outside offerings are being favorably priced to keep volumes moving. Churning schedules are generally surpassing current demand, thus increasing volumes of butter are entering inventory programs. Butter producers and handlers are indicating that overall butter orders are fair. Most buyers are placing orders for short term needs with no significant inventory buildup at the buyer end being reported. Often, when the cash price is on the down side, buyers are hesitant with their orders and proceed forward more cautiously. Food service buying patterns are also fair at best. Restaurant and food service buyers are indicating that post yearend holiday away from home eating patterns are about as projected. Some buyers

continue to indicate that fairly mild weather patterns thus far this winter season may be encouraging a slight uptick in customer traffic patterns. Bulk butter prices range from flat to 2 cents over various pricing bases and averages per pound.

## WEST

Western butter prices are lower this week. The market is weak as prices on the CME Group continued to move lower. Cream is readily available to the churns and butter is going into inventory in many cases. Sales of print butter are slow following seasonal trends. Buyers are cautious as to bulk butter purchases until a price floor has been established. Some contacts report an increase in export interest as prices trend lower. Wednesday's close on the CME Group exchange for butter was unchanged at \$1.5600. Prices were \$0.0050 lower on both Monday and Tuesday. No sales of butter have been recorded at the exchange so far this week, continuing last week's trend. Prices for bulk butter range from even to \$.0500 under the market, based on the CME with various time frames and averages used. According to the NASS Cold Storage report, stocks of butter as of December 31, 2011, total 105.2 million pounds, +29% or 23.5 million pounds more than December of last year. Stocks were 12% higher or 11.7 million pounds more than November 2011. According to the FAS, quota imports of butter for January-December 2011 total 9.9 million pounds, 36.5% more than the same period in 2010. Imports for 2011 account for 64.3% of the total quota for 2011. Imports of High-Tier butter (above quota and with a penalty) are 0.7 million pounds, 105.0% above last year's amount in the same time period.

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

|   | 2011 Imports<br>(Million Lb.) | % Change From<br>1 Year Ago | % of Yearly<br>Quota |
|---|-------------------------------|-----------------------------|----------------------|
| Dec. Quota Imports                        | 2.15                          | +213.8                      | 14.0                 |
| Jan. - Dec.<br>High Tier<br>Quota Imports | .73<br>9.88                   | +105.0<br>+36.5             | N.A.<br>64.3         |

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

| WEEK ENDING      | CHEESE 40# BLOCKS    | CHEESE BARRELS<br>38% MOISTURE | NDM                  | BUTTER              | DRY WHEY            |
|------------------|----------------------|--------------------------------|----------------------|---------------------|---------------------|
| January 21, 2012 | 1.5899<br>10,571,566 | 1.6053<br>8,560,842            | 1.3654<br>27,125,986 | 1.5923<br>6,386,835 | 0.7113<br>7,194,549 |

## CHEESE MARKETS

## NORTHEAST

CME Group cheese prices were unchanged Tuesday with barrels closing at \$1.4850 and blocks closing at \$1.5050. Over the last 11 trading sessions both barrels and blocks have declined \$0.1050. Cheese production is increasing following the increase in milk supplies. Cheese demand and sales ahead of the NFL playoffs and Super Bowl have been below manufacturer's expectations. Cheese inventories are expanding as production increases. Cheese makers are feeling the squeeze between lower cheese prices and higher Class III milk prices compared to last year. The December Class III milk price of \$18.77 is \$4.94 higher than the December 2010 price. It should be noted that higher whey prices have been a significant factor in this year's higher Class III milk price. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of December 31, 2011 totaled 981.3 million pounds, 1.0% more than one month ago, but 6.0% less than one year ago. A majority of the holdings are in the form of American cheese (61.2%) totaling 600.7 million pounds, 3% more than the amount one month ago, but 5% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.0%) totaling 353.0 million pounds, 1% less than one month ago and 8% less from one year ago. Swiss cheese accounts for 2.8% of holdings at 27.6 million pounds, 8% less than one month ago and 12% less than one year ago.

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

|                             |   |               |
|-----------------------------|---|---------------|
| Cheddar 40# Block           | : | 1.9550-2.2300 |
| Process 5# Sliced           | : | 1.7400-1.8600 |
| Muenster                    | : | 1.9750-2.3025 |
| Grade A Swiss Cuts 10 - 14# | : | 3.6375-3.9600 |

## MIDWEST

Retail cheese sales in January have been "pretty good". Orders to cheese manufacturers have slowed since last week, with some exceptions. Sharply lower CME cash cheese prices last week impacted orders. The impact in some plants was described as "devastating" as some buyers opted to step back and assess the sudden price decline. CME Group cash cheese trading last week moved Blocks down 9 cents for the week to close at \$1.5050 and Barrels down \$.0475 to close at \$1.5025. This week, through Tuesday, blocks remained unchanged and barrels declined \$.0175. Although Blocks remained unchanged through Tuesday this week, some buyers whose pricing is based on movement of the prior month's average, with the end of January approaching, are believed to be awaiting early February to increase ordering and build retail inventory levels. This is expected to see increasing numbers of retail cheese promotions in February, and possibly March. Some manufacturers with assured milk supplies at a level exceeding current cheese sales requirements, have continued steady cheese manufacturing to build inventory levels, expecting a sales increase in the near future. Other manufacturers with business models more dependent on buying spot milk to supplement a lower assured volume of milk supply, continue manufacturing with the assured supply but have deferred buying additional milk to increase manufacturing. Manufacturers cite particularly strong continuing sales for Pepper Jack and hard Italian cheese varieties, even as slower food service interest has slowed interest in Italian cheese generally and other cheese varieties. NASS Cold Storage data for the East North Central Region (Wisconsin, Michigan, Ohio, Illinois and Indiana), reveals that regional American cheese Cold Storage as of December 31, 2011, 243.5 million pounds, was 101% of month earlier but 96% of December 31, 2010. The regional category Other cheese Cold Storage December 31, 2011, 262.9 million pounds, was 102% of month earlier but 99% of December 31, 2010. Nationally, total natural cheese stocks in refrigerated warehouses on December 31, 2011, were up 1% from the previous month but down 6% from December 31, 2010. This presents the question whether cold storage inventories December 31 being above November 30, was due to relatively lower inventories in November, or higher

inventories as December ended? There is some feeling that there is a mixture of both but November levels were relatively reduced. Heavy retail cheese promotions leading to last Thanksgiving resulted in robust sales, somewhat lowering cheese inventories as November ended. Then during December there was some impetus to add to lower November inventory levels. That is also consistent with December 31, 2011, cheese stocks being below December 31, 2010.

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

|                          |   |               |
|--------------------------|---|---------------|
| Process American 5# Loaf | : | 1.8800-2.3600 |
| Brick And/Or Muenster 5# | : | 2.0575-2.4400 |
| Cheddar 40# Block        | : | 2.0575-2.8650 |
| Monterey Jack 10#        | : | 2.0275-2.8650 |
| Blue 5#                  | : | 2.3225-3.1300 |

## WEST

Western cheese prices are weak as buyers are content to wait before placing additional orders. Milk for manufacturing is available with some cheese plants choosing to turn down some loads. Mozzarella demand has turned lighter and production adjustments have been made by producers. Cheddar stocks are manageable, but demand is moderate for extra orders. CWT assistance is being used for export orders when it is available. Weather problems in the Pacific Northwest caused some disruption in manufacturing schedules. Cash trading of cheese at the CME Group was unchanged on Wednesday for both barrels and blocks. Barrels closed Wednesday at \$1.4850 and blocks closed at \$1.5050. The market continued its trend lower. Sales of barrels are light to moderate with four loads trading so far this week. Block sales are light at two sales by midweek. According to NASS, Cold Storage stocks of cheese (total) at the end of December 2011 are 981.3 million pounds, down 6% or 66.6 million pounds less than December 2010. American stocks were down 5%, and Other Natural stocks were 8% lower than last year. Swiss stocks at the end of December total 27.6 million pounds, down 12% or 3.9 million pounds less than December 2010. According to FAS, quota imports of cheese for January-December 2011 total 169.2 million pounds, down 1.9% from a year ago. The imports stand at 56.6% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 26.0 million pounds, compared to 23.6 million pounds imported for January-December of 2010. Imports of quota Swiss cheese for January-December 2011 total 45.0 million pounds, up 5.6% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 28.1 million pounds or 62.4% of the year's total import of Swiss.

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

|                           |   |               |
|---------------------------|---|---------------|
| Process 5# Loaf           | : | 1.6475-1.9050 |
| Cheddar 40# Block         | : | .6750-2.0275  |
| Cheddar 10# Cuts          | : | 1.8550-2.0750 |
| Monterey Jack 10#         | : | 1.8650-2.0250 |
| Grade A Swiss Cuts 6 - 9# | : | 3.2150-3.6450 |

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

|          | BUTTER | : | CHEESE  |
|----------|--------|---|---------|
|          |        | : |         |
| 01/23/12 | 5,861  | : | 135,103 |
| 01/01/12 | 1,511  | : | 134,979 |
| CHANGE   | 4,350  | : | 124     |
| % CHANGE | 288    | : | 0       |

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## CHEESE MARKETS

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## FOREIGN

The CME Group weekly average block price reversed its recent upward trend and declined, causing domestic wholesale prices to drop \$0.0450. Prices for Swiss cuts were unchanged. Sales of Swiss cheese prior to the football playoffs and the Super Bowl have not met manufacturer's expectations. Milk supplies are increasing, production is increasing and Swiss inventories are building. Plant managers are having difficulty moving their domestic Swiss cheese at current prices when imported prices are significantly lower. According to FAS, quota imports of Swiss/Emmenthaler varieties from January through December 2011 totaled 41.1 million pounds, 4.6% more than the same period last year. Norway and Finland, the two top sources, account for 61.9% of Swiss/Emmenthaler imports January through December 2011. Imports of high tier and quota Italian-type cheese for 2011 totaled 33.4 million pounds, down 4.4% compared to last year. Imports of quota Italian-type cheese in 2011, totaled 16.9 million pounds, 16.3% below last year, which was 57.0% of the annual quota. Imports of high tier Italian-type cheese in 2011 totaled 16.4 million pounds, 12.0% higher than 2010.

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

| VARIETY                  | NEW YORK        |                  |
|--------------------------|-----------------|------------------|
|                          | IMPORTED        | DOMESTIC         |
| Blue                     | : 2.6400-5.2200 | : 2.0950-3.5825* |
| Gorgonzola               | : 3.6900-6.3900 | : 2.5975-2.8575* |
| Parmesan (Italy)         | : -0-           | : 3.2175-3.7725* |
| Provolone (Italy)        | : 3.4400-6.3900 | : 2.1375-2.2950* |
| Romano (Cows Milk)       | : -0-           | : 3.2850-5.4275* |
| 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.

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

|                    | 2011 Imports<br>(Million Lb.) | % Change From<br>1 Year Ago | % of<br>Yearly |
|--------------------|-------------------------------|-----------------------------|----------------|
| Quota              |                               |                             |                |
| Dec. Quota Imports | 17.8                          | - 12.5                      | 5.9            |
| Jan. - Dec.        |                               |                             |                |
| High Tier          | 26.0                          | + 10.2                      | N.A.           |
| Quota Imports      | 169.2                         | - 1.9                       | 56.6           |

## 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         | 70  | 0         | 70  | 0         | 109 |
| SOUTHEAST STATES | 0         | 0   | 0         | 0   | 0         | 0   |

Manufacturing milk supplies are increasing in the Northeast and Mid-Atlantic regions. The increases have occurred due to increased milk production attributed to the mild winter weather and a decline in Class I demand. Closer examination of the recently released December milk production data from NASS shows the effects this year's mild winter has had on milk production per cow. December milk production, per cow, increased in all of the Northeastern and Mid-Atlantic States covered in the report. New York showed a 5 lb. increase, Pennsylvania a 10 lb. increase with Vermont and Virginia showing a 20 lb. per cow increase in milk production. The decline in Class I demand is partially attributed to the decline in cereal sales, which was caused by high grain prices. Drought conditions have spread to all areas of Florida. Hay supplies are running short in some areas and recent freezing temperatures have limited winter forage growth. Near 90% of pastures are rated as fair, poor or very poor. Class I demand and milk production are steady with previous week's levels. This week Florida repeated last week's export total of 70 spot loads. Milk production in the Southeast region is increasing. Class I demand has leveled off in most areas with some push backs in others. Increased milk supplies have to be relocated for processing, but no auxiliary manufacturing has yet been needed to handle the increased supply. Cream supplies have quickly exceeded demand needs, resulting in lower multiples and shipments of cream to the Midwest. Cream volumes to churns are maintaining butter production at near capacity levels. Cream supply increases are attributed to increased milk production, good butterfat levels, and additional cream from increased yogurt production. Demand for cream has declined as some cream cheese manufacturers are taking some down time for routine maintenance prior to the Passover and Easter production schedules. Ice cream production remains at low seasonal levels in most areas. Cream multiples range from 110 to 122. Condensed skim supplies have also increased following the increase in manufacturing milk supplies. Supplies are moving through contracts with limited spot sales activity. Fairly heavy excess supplies are being channeled to Class IV production. According to NASS, milk production for December 2011 in the 23 reported states totaled 15.4 billion pounds, up 2.7% from December 2010. Milk production increased in 3 of the 5 listed states in the Eastern region and resulted in Eastern region production increasing 0.2% over the same month last year to 2,511 million pounds. The 5 states showed the following percentage changes in milk production from December 2010 to December 2011 and total milk production this December: Florida, +1.6%, 192 million pounds; New York, +0.2%, 1,071 million pounds; Pennsylvania, -0.2%, 889 million pounds; Vermont, -0.5%, 212 million pounds; and Virginia, +2.8% at 147 million pounds. Milk cow numbers for December 2011 increased in 2 of the 5 listed states of the Eastern region with 3 states declining. As a region, cow numbers were unchanged compared to the same period last year. Individual state cow numbers compared to December 2010 and cows remaining as of this December are: Florida, 6,000 increase, 120,000 remaining; New York, 1,000 decrease, 610,000 remaining; Pennsylvania, 4,000 decrease, 539,000 remaining; Vermont, 2,000 decrease, 133,000 remaining; and Virginia, 1,000 increase, 96,000 remaining.

## 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 -     | 1.7380-1.9276 |
| F.O.B. producing plants: Upper Midwest - | 1.6590-1.8170 |

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

## F.O.B. PRODUCING PLANTS:

|  |             |
|--|-------------|
| Northeast - Class II - includes monthly formula prices - | 1.45 - 1.50 |
| Northeast - Class III - spot prices -                    | 1.60 - 1.64 |

## MIDWEST

Farm milk production is improving steadily in the Central region. Some milk handlers indicate on a month to month basis, milk receipts are up 1-4%. Dairy operators in the upper Midwest report feed inventories are holding up well as winter weather conditions so far have been moderate and haven't stressed cows for extended periods. Bottled milk demand is steady to higher, with good interest for flavored milk features. Interest in spot loads of milk is also coming from some Class III manufacturers, with prices holding near Class. Central cream availability is improving. Eastern and Western cream spot loads are also moving to Central facilities as processing facilities in the regions of origin reach capacity. Some cream brokers report finding trucks/vehicles to transport cream from the West to the Central is increasingly difficult. Cream multiples shaved off several points this week and some market participants report there is some expectation that butter prices will decrease over the next few weeks, thus making build-up of butterfat-based products less desirable. Condensed skim loads from the East and West are augmenting supplies in the Central, with some cheese plants increasing cheese manufacturing on the strength of those spot loads. For Class III purposes, the comparative price between NDM and condensed skim is favoring condensed skim use in the near term. Class II plants are incrementally ramping up production of various seasonal consumer favorites, such as cottage cheese and yogurt, which is taking some of the burden off Central NDM dryers.

## WEST

CALIFORNIA milk production continues to build higher on a weekly basis. The NASS December milk production estimates were 3.8% higher than a year earlier in the state and trade contacts are stating that the January 2012 indications are even higher than that. Milk receipts are increasing and, while there are not capacity issues, the volumes are creating more stress than was projected for this period. Several cheese producers under milk supply contracts are pushing back milk loads and this milk is moving into butter/powder operations. Class I accounts are taking steady volumes with most schools back in session and orders are more predictable. December 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.35 billion pounds, 8.5% higher than last year, according to CDFA. Cumulative January-December 2011 receipts are 7.4% higher than in 2010. The December blend price, at a fat test of 3.83%, is \$17.34, \$1.52 lower than November but \$2.47 more than December 2010. The percentage of receipts used in Class I products is 14.3%. The December quota price is \$17.80 and the over quota price is \$16.10. These prices are \$1.51 lower than November but \$2.38 higher than a year ago. (NOTE: Decisions whether to/not to pool milk affect receipts and comparisons reported.) ARIZONA milk production is moving higher. Weather conditions have been seasonal and milk cows are making a lot of milk. Plants are receiving more milk and are working harder to balance the milk supply. Class I interest is mostly steady. NEW MEXICO milk output trends continue along steady to slightly higher levels. Weather conditions are fairly neutral for the milking herds. Milk supplies are above year ago levels and processors are running balancing plants at a higher pace than projected. Class I needs are steady to slightly lower and shipments of milk to other regions are slow outside of contracted volumes. Western CREAM markets remain weak and pricing levels are trending lower. Demand for cream is lackluster, with only some minor upticks in interest from ice cream producers. Lower overages and multiples are being offered to stimulate interest. Demand from other regions has slowed because of the strong supply levels there also. The CME, Grade AA butter closed at \$1.5600 on Wednesday, January 25, down 1.75 cents from a week earlier. Cream multiples moved lower on the ends and often within the range this week and are reported at 100-121 and vary based on class usage and basing points. Winter weather was the big story across the PACIFIC NORTHWEST as ice storms in the Seattle area affected milk movement. Ice, snow and high winds all added up to increased difficulties in moving fluid milk supplies. Class I demand along the coast increased with the storm and supplies had to be rerouted to fill those needs.

CONTINUED ON PAGE 4A

## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

Transportation issues caused delays but there were no reports of milk being dumped due to weather conditions. Snow and rain in the high desert areas of the region were not blamed for any delays. UTAH and IDAHO also experienced some winter storms, but saw no serious transportation problems. Snows in the upper elevations were welcomed to replenish reduced moisture reserves. Milk intakes are above year ago levels due to increased herd size. Manufacturers report favorable milk solids yields. Dairy farmers are keeping a close eye on feed costs and availability through the winter months. According to NASS, December *Milk Production* for the 23 surveyed states totals 15.4 billion pounds, up 2.7% from last year. December milk production changes from a year ago for selected Western states are as follows: Arizona +3.6%, California +3.8%, Colorado +4.9%; Idaho +3.4%, New Mexico +2.0%, Oregon +1.0%, Utah +4.6%, and Washington +4.7%. Monthly milk production per cow for the 23 surveyed states was 27 pounds (+1.5%) more than December 2010. Compared to December 2010, the Arizona herd is up 7,000 head, California +30,000, Colorado +8,000; Idaho +7,000, New Mexico +13,000, Oregon +2,000, Utah +3,000, and Washington +11,000. These 8 states are up 81,000 cows and the 23 surveyed states are up 99,000. December cow numbers in these 8 states were 5,000 more than the previous month. According to NASS, fourth quarter milk production for the United States was 48.7 billion pounds, up 2.3% (+1.1 billion pounds) from the same quarter in 2010. The U.S. cow herd for the October-December quarter was at 9.2 million head, up 86,000 head from the same period a year ago.

## 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 moved lower on the bottom of both the range and mostly series. Buyer demand has slowed in the face of higher seasonal NDM production and declining price trends for some NDM market bases. NDM inventories are building steadily, ahead of projections at some locations as farm milk supplies in the Central region increase seasonally. Plants indicate farm milk intakes are above last year's intake volumes by 1 - 4%. Condensed skim sales into yogurt, cottage cheese, ice cream plants and some Class III manufacturers are easing the pressure on processing facilities to clear intakes in a timely fashion. Nonfat dry milk production is near to or at capacity at other facilities on both daily and weekly bases, as some regular condensed skim customers have maintenance related down days and are not receiving any milk during those periods.

**EAST:** Prices for nonfat dry milk moved marginally lower this week. Production of nonfat dry milk increased this week as manufacturing milk supplies increased due to increased milk production and lower Class I demand. Most plants were manufacturing low heat with some high heat production at mid-week when milk volumes allowed. The increased production is adding to supplies. Demand is light as end users are taking a wait and see attitude as prices move lower. Some manufacturers are offering loads at a discount in order to clear some inventory.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.3500 - 1.5000 MOSTLY: 1.4000 - 1.4500  
HIGH HEAT: 1.4900 - 1.5450

**NONFAT DRY MILK - WEST**

The market tone for Western low/medium heat nonfat dry milk is weaker; following several weeks of general unsettledness. Prices this week are lower, reflecting declining spot pricing and the reports showing decline in indices. With a drop of over 6 cents on this week's California NDM index price, buyers took notice. Buying interest slowed as purchasers assess the impact of current market price declines. Production has been strong as milk supplies are heavy in the region. Condensed skim offerings have also increased. December milk production was reported higher in all Western States and contacts are stating that January milk output trends will be higher than the year-over-year changes were for December. Milk suppliers are noting that cheese producers are taking fewer milk loads than forecast, creating a bigger milk supply to be balanced by butter/powder producers. Stock levels vary by producer and are moderate to heavy. Volume sales have helped move product. Western high heat pricing levels are unchanged. The market tone is weaker, more a reflection of market forces in the low heat market prices and indices than directly related to the high heat market. Demand is on the slower side of the seasonal norm for several producers. Production is sporadic and the volumes of milk and condensed skim entering dryers is creating more situations where throughput needs are taking priority versus making high heat. Stocks are light to moderate and available for trade needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUM HEAT: 1.3000 - 1.4425 MOSTLY: 1.3500 - 1.4100  
HIGH HEAT: 1.4100 - 1.5100

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Prices for dry buttermilk in the Central region are unchanged, but the market is picking up weakening signals from the nonfat dry milk market. Demand outside of contracts is light and production of dry buttermilk is nearing capacity at several facilities. Dry buttermilk production in the Central region continues to reflect gains resulting from Eastern/Western-based cream loads clearing into Central churns and dryers. Manufacturers' inventories are building steadily at most facilities. Sales of condensed buttermilk are increasing seasonally for some plants, especially into ice cream manufacturing.

**EAST:** Dry buttermilk prices were unchanged this week in light trading. Dry buttermilk production remains very active following butter production that is near capacity at most Eastern plants. Condensed buttermilk sales are limited as ice cream production in most areas remains at low seasonal levels. Demand for dry buttermilk remains limited, because it is too soon for baking manufacturers to expand production for the upcoming holiday period and because many buyers are on the sidelines waiting to see if prices will move lower. There continues to be some export interest for dry buttermilk.

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

**DRY BUTTERMILK - WEST**

Pricing levels are unchanged and lightly tested for Western dry buttermilk. The market tone is unsettled to weak. There are additional concerns that lower NDM pricing could influence dry buttermilk demand and pricing. Production levels are trending higher to process the available buttermilk solids. Buying interest is light both domestically and internationally, although there are export buyers in negotiations. Producers' stocks are moderate to occasionally heavy.

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

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are lower. Interest in dry whole milk is steady and contract based for many end users, but some recent spot sales drove inventories lower than anticipated for this time of year. Production is lower at some locations due to scheduled maintenance issues, but higher at other facilities to help clear increased manufacturing milk supplies as well as rebuild holdings.

F.O.B. PRODUCING PLANT: 1.6800 - 1.7800

**CALIFORNIA MANUFACTURING PLANTS - NDM**

| WEEK ENDING | PRICE    | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| January 20  | \$1.3337 | 26,862,877  | 0            |
| January 13  | \$1.3975 | 13,834,310  | 0            |

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

**WHEY, WPC 34%, LACTOSE & CASEIN**

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

**DRY WHEY - CENTRAL**

Central dry whey prices are steady. Spot load availability from manufacturers and resellers is increasing modestly. Most sales activity is still contract based, but spot load buyers remark they are actually enjoying the task of considering multiple spot offers of whey, F.O.B. or broker-based, an activity that wasn't available in recent weeks. As some end users reassess dry whey inventories, a few dry whey contract loads were pushed back and reoffered to the industry. Also, some spot loads of dry whey packaged for the export market are reportedly being offered to the domestic market, with price considerations. Buyer interest is more guarded than in recent weeks, with time lapses reportedly lengthening between spot load offers and sale finalizations. Dry whey production is steady to higher as Class III milk availability increases seasonally.

ANIMAL FEED DRY WHEY prices are unchanged. Spot load pricing has stalled some interest in recent weeks as end users instead focus on clearing inputs on hand. Sales of animal feed dry whey from other regions into the Central region are also slower. Animal feed blenders indicate some formulations changed recently to non-whey bases. Other animal protein sources, such as blood plasma, or plant based protein sources (wheat and/or soy) have become formula mainstays in those operations.

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 in a mixed market. Dry whey production is increasing as milk production and manufacturing milk supply increases have prompted higher cheese output. Dry whey futures prices for the second quarter, priced 10+ cents below the current market, are prompting manufacturers and brokers to consider liquidation of some of their current inventories. End users and brokers are receiving increased offers from various suppliers, but sales have not yet been confirmed. Supplies are moving through contracts, but spot sales and resale activity are light as prospective buyers are resisting current market prices. Export demand is also softening with greater competition coming from Europe. The market undertone is weak as supplies increase and demand is softening.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .7400 - .7700

**DRY WHEY - WEST**

Western dry whey prices are fractionally higher this week. Contract pricing continues to influence the market trend as various pricing indices adjust higher. Spot sales are limited for the majority of trading. Whey prices are currently at a level that has not been seen since the summer of 2007. Monthly average prices for Western whey were above \$.7000 for five months in 2007 before retreating. The current price is fueling some uneasiness amongst manufacturers and brokers as to how long these prices can be sustained. International whey prices are below domestic pricing. Contacts indicate that there are unconfirmed reports of block offers of whey that have traders nervous concerning pricing strategies.

NONHYGROSCOPIC: .6800 - .7550 MOSTLY: .6950 - .7400

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are unchanged. Demand from contract buyers is steady, with few pushbacks noted. Market participants indicate, though, that some spot market interest centers on other whey stream products, such as slightly off spec products and pro-cream/whey cream. Buyers indicate that in some uses, the additional fat content of these types of products is beneficial, and the price per unit of protein compares favorably to WPC 34% prices. For some buyers of WPC 34%, concern for second quarter availability has surfaced. Because of WPC 34% market uncertainty in the last quarter of 2011, some buyers forged short term supply contracts in the hope/expectation that prices would trend lower in the second quarter. Some market participants indicate WPC 34% spot loads are being offered more frequently from manufacturers as well as secondary sellers, and prices are within the mostly price series.

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

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on the mostly price series. Some buyers indicate F.O.B. based spot load availability is increasing and price quotes are currently within the lactose price range. Interest is steady. Lactose production and inventories are building incrementally as Class III milk availability increases.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .7900 - .9950 MOSTLY: .8200 - .9000

**CASEIN - NATIONAL**

Casein markets and prices are generally steady. Oceania sources continue to report that the casein production season is on the downside. For some, the production season has already ended. At this point, Oceania suppliers remain optimistic that they will be able to fulfill their commitments. Suppliers from the Oceania region are stating that their production season occurs on either side of peak milk volumes and, although on the down side, casein output is basically in line with projections. European sources are indicating that the production season will soon be resuming. Milk volumes are on the increase, but casein output remains limited. European manufacturers and suppliers are indicating that they will be gearing their casein output to be in line with commitments or needs. In both sourcing regions, suppliers are stating that surplus/uncommitted or spot availability will be minimal. Suppliers and buyers continue to monitor marketing strategies for a significant casein producing country which is withholding casein volumes from international markets.

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     | 2012                  | 2011 WEEKLY | 2011                  |
|-------------|------------|-----------------------|-------------|-----------------------|
|             | DAIRY COWS | CUMULATIVE DAIRY COWS | DAIRY COWS  | CUMULATIVE DAIRY COWS |
| 01/04/2012  | 58.2       | 58.2                  | 67.4        | 67.4                  |

**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)**

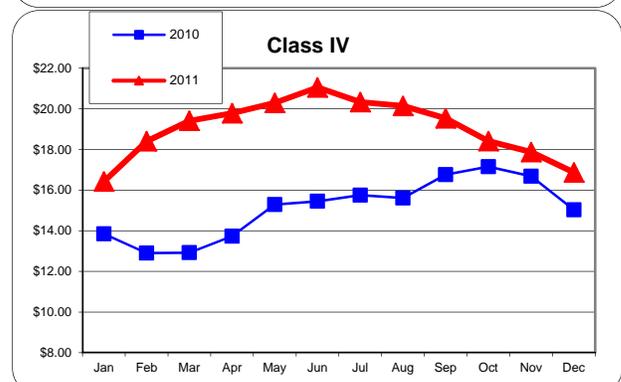
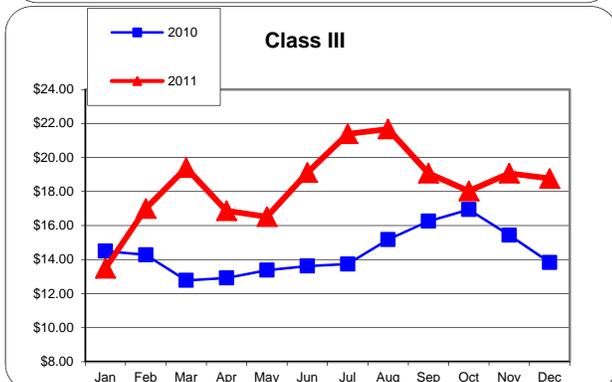
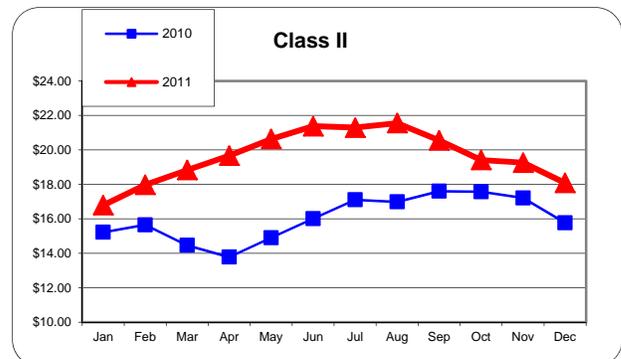
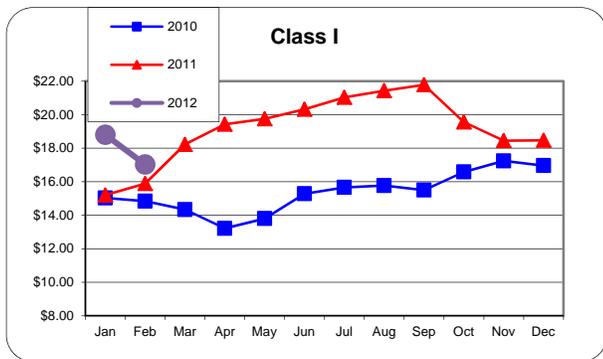
| YEAR | JAN   | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2008 | 16.29 | 14.67 | 14.17 | 14.56 | 15.26 | 15.92 | 16.60 | 16.64 | 15.45 | 13.62 | 12.25 | 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%)**

| 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](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points."

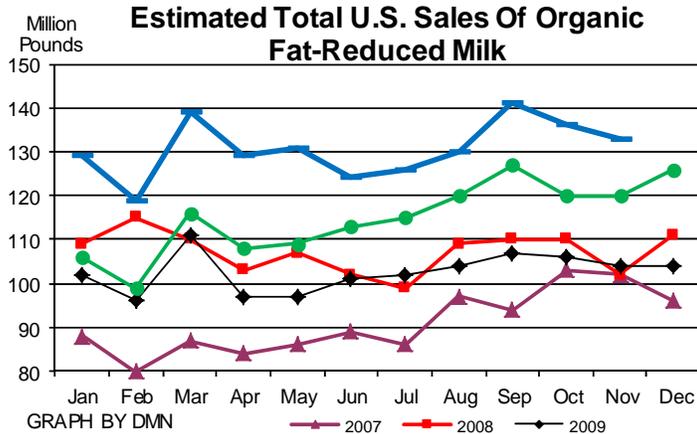


ORGANIC DAIRY MARKET NEWS

Information gathered January 16 - 27, 2012

ORGANIC DAIRY FLUID OVERVIEW

**Historic Sales Trends.** Data through November for estimated U.S. Sales of organic fat-reduced milk graphed below, illustrates the continued growth of sales above year earlier sales, uninterrupted since March 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country and occasionally “sold-out” half gallons in the Southeast and Northeast.



**Current Organic Milk Supply Issues.** Periodic episodes of sold out organic brands of milk, occurring mostly in the Southeast, have now also spread to some stores in the Northeast. One cooperative based in the Northeast has begun a campaign to invite consumers to send text messages to alert when the coop’s brand is not available in stores where it is usually stocked. The week before last, one national organic dairy brand announced a \$2.00/cwt increased milk pay price to organic milk producers beginning in March. Another national brand this week announced an increase from \$1.50 to \$3.50/cwt in a temporary Milk Adjustment Price, effective February 1. The extension of the MAP takes it from the current March 31, 2012 expiration, to June 30, 2012.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

**Organic Dairy Overview.** Organic dairy advertising volume reached the highest level since mid-October last year. Organic dairy ads this period numbered over two and one-half times higher than two weeks ago. Of total surveyed newspaper ads, 33% contained organic dairy content. There were slightly over twice as many organic milk ads as organic yogurt ads.

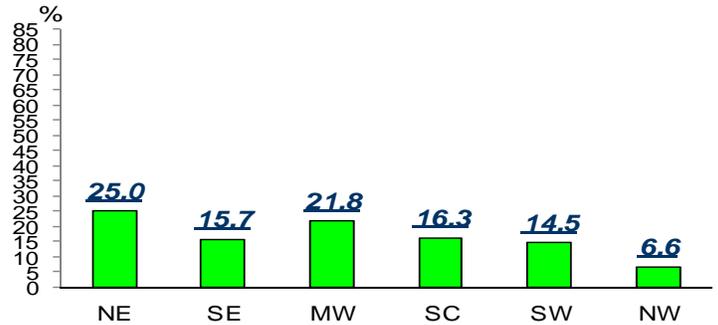
Organic milk ads placed by supermarkets were at the highest level since early September last year. Organic half gallon milk ads are at the highest level since mid-June last year, with a number of ads running in Southeast region newspapers. This is particularly noteworthy when contrasted with the widely discussed tightness of organic milk nationally, and particularly the shortages and periodic absence of varied brands of organic half gallons in some Southeast and Northeast stores. A more detailed discussion of unique characteristics this survey period, occurs below in the section “Organic Milk Half Gallons”.

Organic yogurt advertising also increased over the last five reporting periods, to the highest level since late October last year. In fact, this period’s 1,246 organic yogurt ads totals more than all organic yogurt ads for the last three reporting periods combined.

Advertising information presented is compiled from surveyed newspaper supermarket ads for the period January 14, 2012, to January 27, 2012, identifying weekly “specials” and containing organic dairy content. Surveyed ads reflect advertised “specials” and not the range of non-advertised supermarket cooler prices.

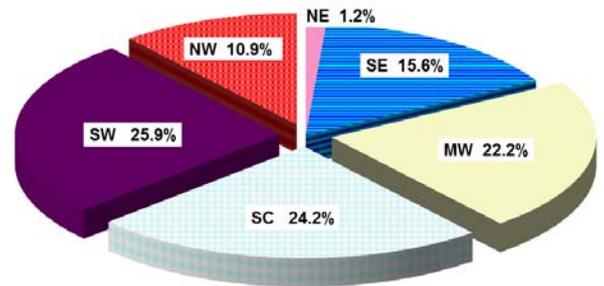
**Regional Organic Dairy Ad Trends – Current Period.** Unlike two weeks ago when the Northeast and Midwest significantly lead the regions in organic dairy weekly newspaper advertising, there was far greater evenness among the regions this period. The Northeast Region has 25.0% of current ads, followed by the Midwest with 21.8%, South Central with 16.3%, Southeast, 15.7%, Southwest, 14.5% and Northwest, 6.6%.

Organic Dairy Newspaper Ads Regionally As A Percentage of Surveyed Organic Dairy Ads 2012 - Week 4



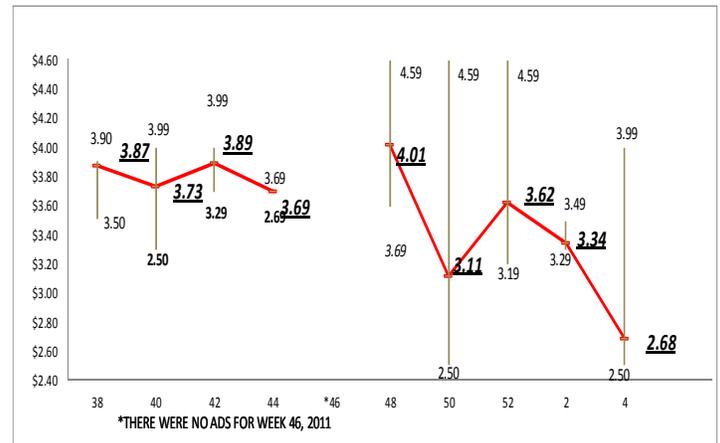
**Organic Milk.** Organic milk ads appeared in all six regions. The Southwest led, with 25.9%, followed by the South Central, 24.2%, Midwest, 22.2%, Southeast, 15.6%, Northwest, 10.9% and Northeast, 1.2%.

ORGANIC MILK FEATURES  
Regional % of Nationally Surveyed Supermarket Ads Report - Week 4, 2012



**Organic Milk Half Gallons.** The national weighted average advertised price for organic milk half gallons decreased 66 cents to \$2.68, following a 28 cent decrease the prior period. The top of this period’s price range, \$3.99, is a 50 cent increase. The range bottom, \$2.50, one cent above the record low, is a 79 cent decrease.

Advertised Organic Milk Half Gallon Price Range and Weighted Average Advertised Price by 2011 - 12 Week



ORGANIC DAIRY MARKET NEWS

Information gathered January 16 - 27, 2012

CONTINUED FROM PAGE 8

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

| REGION | %    | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE     | 01.6 | 3.99                   |
| SE     | 20.1 | 2.83                   |
| MW     | 28.6 | 2.75                   |
| SC     | 21.7 | 2.55                   |
| SW     | 19.3 | 2.50                   |
| NW     | 08.8 | 2.50                   |
| US     |      | 2.68                   |

A significant factor influencing the increased volume, pricing and regional composition of organic half gallon milk ads this period, is a national supermarket chain advertising its store brand of organic milk half gallons. Particularly noteworthy is the magnitude and pricing of these ads during a period of significant focus on the tightness of organic milk supplies and even many stores "sold out" of various brands, particularly in the Southeast.

Thus, while shoppers generally are finding supplies of organic milk are tight and occasionally sold-out, this retail chain has engaged in widespread consumer advertising of its store brand at prices rivaling historic lows in terms of this survey series, another demonstration of the growing influence of organic milk sold as store brands.

This period's survey found newspaper ads for this national retail chain in all regions except the Northeast. This organic milk, for the most part, is bottled in a single plant in Kansas, using organic milk produced in Texas, then shipped throughout the regions of the United States.

Advertised retail pricing for this organic milk is not uniform, ranging from \$2.50 to \$2.79 to \$2.99 to \$3.00 for a half gallon. A price of \$2.50 during this time of shortages nationwide is noteworthy for being only 1 cent above the record low weighted average advertised price (as well as absolutely lowest noted price) for organic half gallons, dating back to the Fall of 2009.

For example, in the Southeast, the full range of prices is found. Atlanta, a city with some sold-out organic milk of other labels noted, has ads for this store brand at \$3.00, with ads in Tennessee and Mississippi being \$2.79 and \$2.99. Some ads in North Carolina state a price of \$2.50.

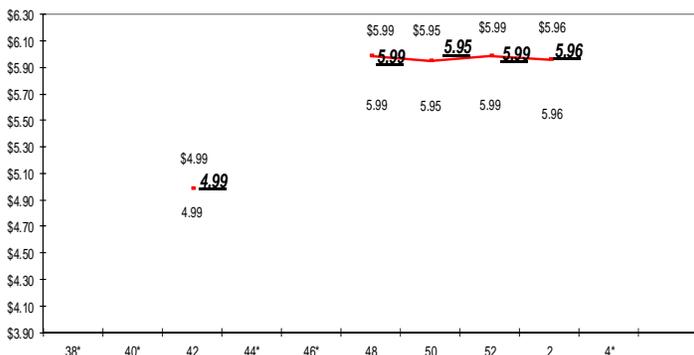
Other ads stating a \$2.50 price are in California, Louisiana, Texas, Arizona, Colorado, Kansas, Oregon, Washington, Ohio and West Virginia.

Ads stating a price of \$2.79 can also be found in Kentucky and Illinois.

Arkansas is a state with newspapers also advertising a price of \$2.99.

**Organic Gallons.** Following four consecutive periods of ads for organic gallons, there are no ads this period among surveyed newspapers. This reflects the de-emphasis in ads for organic gallons which developed during 2011, which had only 23% of the ad volume annually for organic gallons compared with 2010.

**Advertised Organic Milk Gallon Range and  
Weighted Average Advertised Price by 2011 - 12 Week\***



\*THERE WERE NO ADS FOR WEEKS 36, 38, 40, 44 and 46 OF 2011 AND 4 OF 2012

**8 Ounce Organic Milk.** There were 644 ads for 8 ounce organic milk during this reporting period, up slightly from last period. This being the only category of organic milk ads which increased in annual numbers 2010 to 2011, it is further noteworthy that this period's total number has not been reached since mid-

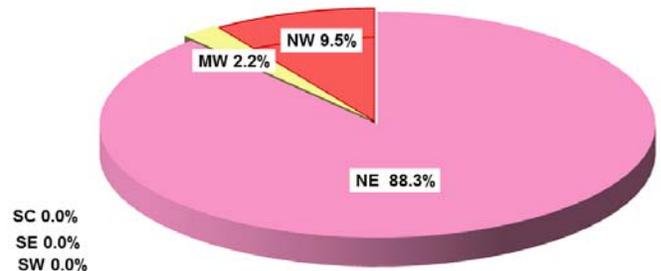
September last year. All ads are priced \$1.00. Regional emphasis shifted from the Midwest and South Central regions last period, to the Southwest, South Central and Northwest this period.

**8 OUNCE ORGANIC MILK ADS  
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

| REGION | %    | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE     | 00.0 | ----                   |
| SE     | 00.0 | ----                   |
| MW     | 00.0 | ----                   |
| SC     | 32.9 | 1.00                   |
| SW     | 48.8 | 1.00                   |
| NW     | 18.3 | 1.00                   |
| US     |      | 1.00                   |

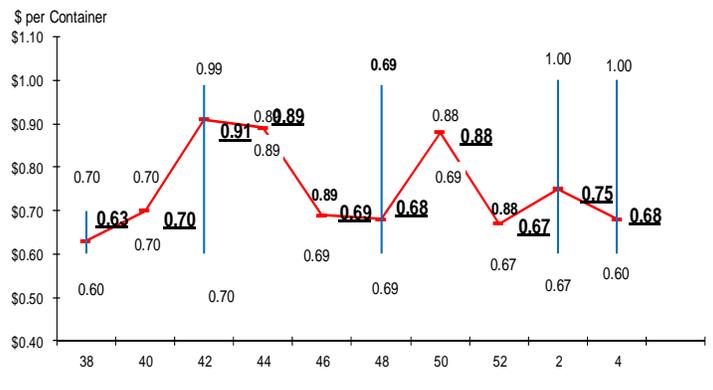
**Organic Yogurt.** Almost all organic yogurt ads ran in newspapers in the Northeast, which had 88.3% of all organic yogurt ads this period. The Northeast frequently dominates organic yogurt advertising among surveyed newspaper ads nationally. Second was the Northwest with 9.5% followed by the Midwest with 2.2%.

**ORGANIC YOGURT FEATURES  
Regional % of Surveyed National Newspaper Ads  
Report Week 4, 2012**



**4-6 Ounce Organic Yogurt.** Exactly one half of organic yogurt ads surveyed nationally are for 4-6 ounce yogurt. The national weighted average advertised price decreased 7 cents to \$0.68. No change occurred in the top of the price range, \$1.00, while the bottom decreased 7 cents to 60 cents.

**Advertised 4-6 Oz. Organic Yogurt Price Range and  
Weighted Average Advertised Price by 2011 - 12 Week**



CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered January 16 - 27, 2012

CONTINUED FROM PAGE 8-A

**LOW HIGH RANGE**  
(In Dollars)

**4-6 OUNCE ORGANIC YOGURT ADS**  
**REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

| REGION | %    | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE     | 95.5 | 0.66                   |
| SE     | 00.0 | ----                   |
| MW     | 04.5 | 1.00                   |
| SC     | 00.0 | ----                   |
| SW     | 00.0 | ----                   |
| NW     | 00.0 | ----                   |
| US     |      | 0.68                   |

**CHEESE – 6 OUNCE STRING**

|            |      |      |      |
|------------|------|------|------|
| Mozzarella | 3.99 | 5.09 | 1.10 |
| Colby Jack | 3.89 | 4.99 | 1.10 |

**BUTTER – 1 POUND**

|  |       |      |      |
|--|-------|------|------|
|  | 4.79* | 6.19 | 1.94 |
|--|-------|------|------|

\*=Price change from prior reporting period

**Organic Greek Yogurt.** All organic Greek yogurt ads ran in newspapers in the Northeast, constituting 25% of this periods' organic yogurt ads. Pricing was 63 cents per container.

**Other Organic Yogurt.** The remaining organic yogurt ads were for yogurt in either 32 ounce or 16 ounce containers. Comprising 16% of organic yogurt ads, all 16 ounce containers were advertised in the Northeast, priced \$2.50. Ads for 32 ounce containers, priced \$3.69, all ran in newspapers in the Northwest and represented 9% of organic yogurt ads.

**Organic Cheese.** Newspapers in the Northeast also contained all 196 ads for organic cheese. All organic cheese ads were for a national brand of 6 ounce shredded natural cheese.

Organic dairy price ranges in surveyed Madison supermarkets increased at the bottom of the price range for half gallons of organic milk and organic butter. The price range bottom for half gallons of organic milk increased from \$3.09 to \$3.49. Organic butter's lower price range increased from \$3.99, to \$4.79, for the same brand, a store brand.

**ORGANIC GRAIN AND FEEDSTUFFS MARKETS:**

National organic grain and feedstuffs were mixed. Light to moderate demand and offerings were reported for all grains. Trade activity was limited this period due in part to farmers holding onto grain and waiting for higher prices. Feed grade corn averaged a higher price, as did feed grade soybeans. Feed grade hard red winter wheat was mostly steady. Interest remains prevalent for alternative feed grains, especially barley and wheat. Oat trade remains limited, but a market was established this period across the Eastern Cornbelt.

Additional livestock and grain market news information is available at: <http://www.ams.usda.gov/mnreports/lbfnof.pdf>

**SUPERMARKET PRICE COMPARISON:**

**Madison, Wisconsin Prices.** Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period.

Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big box chain store also selling food; and a large local cooperative grocery store.

Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheese makers.

A table summarizing the survey results follows:

**ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE**  
**2012 REPORTING WEEK 04**

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

**GALLONS:**

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

**HALF GALLONS:**

|                  |       |      |      |
|------------------|-------|------|------|
| Whole            | 3.49* | 4.19 | 1.10 |
| Reduced Fat (2%) | 3.49* | 4.19 | 1.00 |
| Low Fat (1%)     | 3.49* | 4.49 | 1.40 |
| Nonfat (Skim)    | 3.49* | 4.19 | 1.10 |

**CHOCOLATE HALF GALLON:**

|  |      |      |      |
|--|------|------|------|
|  | 3.09 | 5.69 | 2.60 |
|--|------|------|------|

**YOGURT**

|  |     |      |      |
|--|-----|------|------|
|  | .79 | 1.29 | 0.50 |
|--|-----|------|------|

**CHEESE – 8 OUNCE BLOCKS:**

|               |      |      |      |
|---------------|------|------|------|
| Mozzarella    | 3.40 | 5.75 | 2.35 |
| Mild Cheddar  | 3.79 | 5.99 | 2.20 |
| Monterey Jack | 3.79 | 5.99 | 2.20 |
| Pepper Jack   | 3.89 | 5.99 | 2.10 |

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

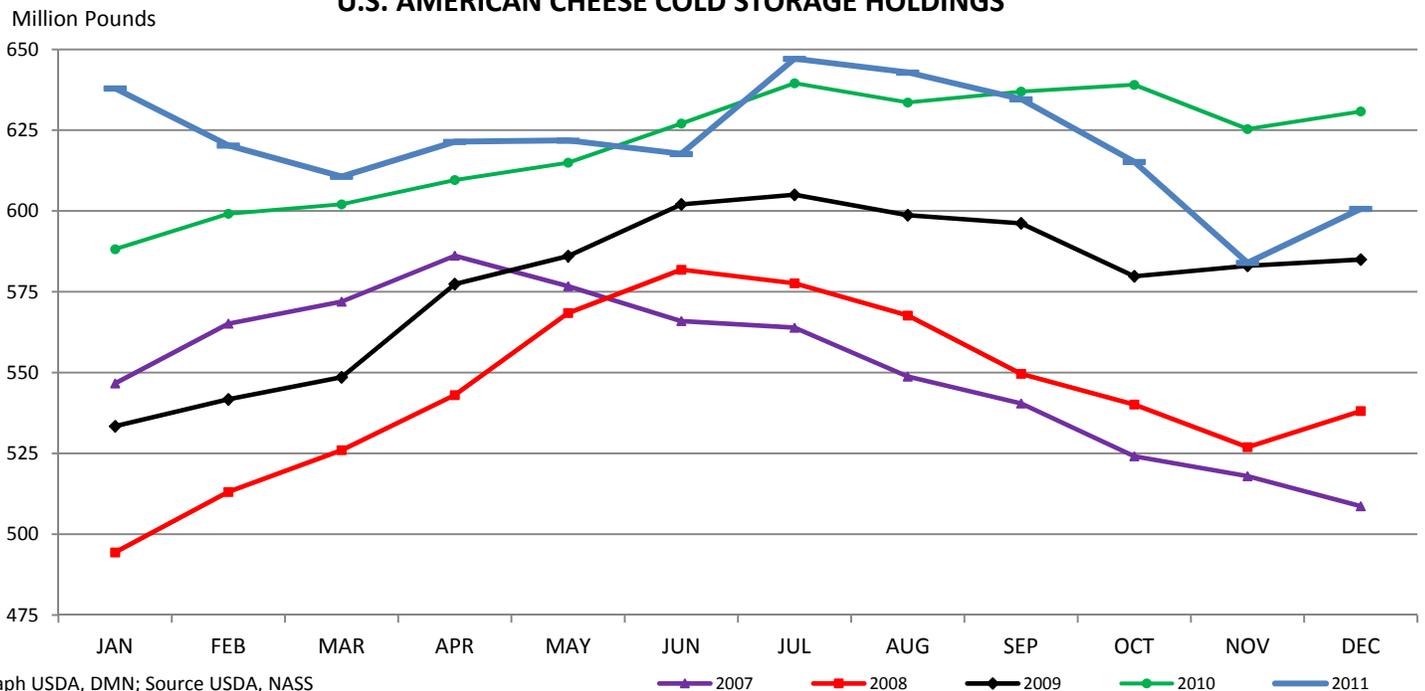
All stocks in thousand pounds except where otherwise indicated

| U.S. HOLDINGS OF DAIRY PRODUCTS |              |              |                      |              |              |              |
|---------------------------------|--------------|--------------|----------------------|--------------|--------------|--------------|
| COMMODITY                       | NOV 30, 2009 | NOV 30, 2010 | REVISED NOV 30, 2011 | DEC 31, 2009 | DEC 31, 2010 | DEC 31, 2011 |
| Butter                          | 142,661      | 93,523       | 93,523               | 133,022      | 81,695       | 105,180      |
| Cheese, Natural American        | 583,056      | 583,993      | 583,993              | 584,981      | 630,789      | 600,666      |
| Cheese, Swiss                   | 24,254       | 30,073       | 30,073               | 24,791       | 31,492       | 27,607       |
| Cheese, Other Natural           | 354,435      | 354,919      | 354,919              | 356,986      | 385,645      | 353,044      |
| Total Cheese                    | 961,745      | 968,985      | 968,985              | 966,758      | 1,047,926    | 981,317      |

| DECEMBER STORAGE HOLDINGS BY REGION |                         |                |                |                |               |                |                      |                |                |
|-------------------------------------|-------------------------|----------------|----------------|----------------|---------------|----------------|----------------------|----------------|----------------|
| REGION                              | Natural American Cheese |                |                | Butter *       |               |                | Other Natural Cheese |                |                |
|                                     | 2009                    | 2010           | 2011           | 2009           | 2010          | 2011           | 2009                 | 2010           | 2011           |
| New England                         | 38,282                  | 39,124         | 42,697         | ---            | ---           | ---            | 685                  | 602            | 937            |
| Middle Atlantic                     | 34,001                  | 50,564         | 47,021         | ---            | ---           | ---            | 20,494               | 15,625         | 17,382         |
| East North Central                  | 240,883                 | 252,683        | 243,529        | ---            | ---           | ---            | 232,567              | 264,439        | 262,865        |
| West North Central                  | 91,129                  | 101,196        | 113,750        | ---            | ---           | ---            | 69,815               | 65,626         | 35,306         |
| South Atlantic                      | 7,618                   | 2,124          | 61             | ---            | ---           | ---            | 181                  | 6,903          | 6,157          |
| East South Central                  | 2,401                   | 3,424          | 1,459          | ---            | ---           | ---            | 2,639                | 213            | 307            |
| West South Central                  | 1,597                   | 2,637          | 819            | ---            | ---           | ---            | 1,244                | 1,443          | 1,150          |
| Mountain                            | 59,912                  | 79,339         | 45,368         | ---            | ---           | ---            | 6,718                | 5,764          | 4,728          |
| Pacific                             | 109,158                 | 99,638         | 105,962        | ---            | ---           | ---            | 22,643               | 25,030         | 24,212         |
| <b>TOTAL</b>                        | <b>584,981</b>          | <b>630,789</b> | <b>600,666</b> | <b>133,022</b> | <b>81,695</b> | <b>105,180</b> | <b>356,986</b>       | <b>385,645</b> | <b>353,044</b> |

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

U.S. AMERICAN CHEESE COLD STORAGE HOLDINGS



Graph USDA, DMN; Source USDA, NASS

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2010 TO DATE

| Month     | Butter         |      | Natural American Cheese |      | Nonfat Dry Milk |      |            |      |            |           |
|-----------|----------------|------|-------------------------|------|-----------------|------|------------|------|------------|-----------|
|           | Commercial     |      | Commercial              |      | Total <u>1/</u> |      | Commercial |      | Government |           |
|           | 2011           | 2010 | 2011                    | 2010 | 2011            | 2010 | 2011       | 2010 | 2011       | 2010      |
|           | Million Pounds |      | Million Pounds          |      | Million Pounds  |      |            |      |            |           |
| January   | 119            | 168  | 638                     | 588  | 98              | 274  | 98         | 140  | 0          | 134       |
| February  | 139            | 203  | 620                     | 599  | 124             | 201  | 100        | 154  | 0          | 47        |
| March     | 144            | 196  | 611                     | 602  | 124             | 176  | 124        | 150  | 0          | 26        |
| April     | 142            | 206  | 621                     | 610  | 150             | 153  | 150        | 145  | 0          | 8         |
| May       | 170            | 212  | 622                     | 615  | 166             | 155  | 166        | 149  | 0          | 6         |
| June      | 190            | 198  | 618                     | 627  | 190             | 179  | 190        | 177  | 0          | 2         |
| July      | 188            | 194  | 647                     | 640  | 193             | 201  | 193        | 197  | 0          | 4         |
| August    | 166            | 155  | 643                     | 634  | 167             | 166  | 167        | 164  | 0          | 2         |
| September | 151            | 130  | 635                     | 637  | 151             | 141  | 151        | 139  | 0          | 2         |
| October   | 131            | 109  | 615                     | 639  | 143             | 123  | 143        | 123  | 0          | <u>2/</u> |
| November  | 94             | 70   | 584                     | 625  | 146             | 128  | 146        | 128  | 0          | <u>2/</u> |
| December  | 105            | 82   | 601                     | 631  |                 | 145  |            | 145  |            | 0         |

1/ Includes instant nonfat dry milk. 2/ Less than 500,000 pounds.

**Source:** U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, November 2011*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, January 2012*.

## DECEMBER MILK PRODUCTION

Milk production in the 23 major states during December totaled 15.4 billion pounds, up 2.7 percent from December 2010. November revised production at 14.7 billion pounds, was up 2.2 percent from November 2010. The November revision represented an increase of 3 million pounds or less than 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,818 pounds for December, 27 pounds above December 2010. The number of milk cows on farms in the 23 States was 8.49 million head, 99,000 head more than December 2010, and 12,000 head more than November 2011. Milk production in the U.S. during the October-December quarter totaled 48.7 billion pounds, up 2.3 percent from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.22 million head, 86,000 head more than the same period last year.

| STATE                 | MILK COWS <sup>1/ 2/</sup> |       |                  |         | MILK PRODUCTION <sup>1/ 3/</sup> |                    |                  |                    |
|-----------------------|----------------------------|-------|------------------|---------|----------------------------------|--------------------|------------------|--------------------|
|                       | DECEMBER                   |       | OCTOBER-DECEMBER |         | DECEMBER                         |                    | OCTOBER-DECEMBER |                    |
|                       | 2010                       | 2011  | 2010             | 2011    | 2011                             | % CHANGE FROM 2010 | 2011             | % CHANGE FROM 2010 |
|                       | THOUSANDS                  |       |                  |         | MILLION LBS.                     | PERCENT            | MILLION LBS.     | PERCENT            |
| AL                    | --                         | --    | 11.0             | 10.0    | --                               | --                 | 32.0             | -8.6               |
| AK                    | --                         | --    | 0.5              | 0.5     | --                               | --                 | 1.7              | 6.3                |
| AZ                    | 184                        | 191   | 183.0            | 192.0   | 375                              | 3.6                | 1,089.0          | 5.5                |
| AR                    | --                         | --    | 12.0             | 11.5    | --                               | --                 | 34.0             | -2.9               |
| CA                    | 1,749                      | 1,779 | 1,751.0          | 1,778.0 | 3,496                            | 3.8                | 10,262.0         | 2.8                |
| CO                    | 123                        | 131   | 122.0            | 131.0   | 256                              | 4.9                | 757.0            | 5.3                |
| CT                    | --                         | --    | 19.0             | 18.5    | --                               | --                 | 88.0             | -1.1               |
| DE                    | --                         | --    | 5.0              | 5.0     | --                               | --                 | 22.0             | 4.8                |
| FL                    | 114                        | 120   | 114.0            | 120.0   | 192                              | 1.6                | 529.0            | 4.1                |
| GA                    | --                         | --    | 78.0             | 78.0    | --                               | --                 | 354.0            | 7.6                |
| HI                    | --                         | --    | 1.9              | 1.9     | --                               | --                 | 6.4              | 1.6                |
| ID                    | 574                        | 581   | 573.0            | 580.0   | 1,110                            | 3.4                | 3,296.0          | 2.2                |
| IL                    | 98                         | 99    | 98.0             | 98.0    | 167                              | 3.7                | 479.0            | 2.8                |
| IN                    | 171                        | 174   | 170.0            | 172.0   | 306                              | 6.3                | 887.0            | 4.2                |
| IA                    | 207                        | 203   | 205.0            | 201.0   | 376                              | 2.5                | 1,088.0          | 2.1                |
| KS                    | 122                        | 123   | 121.0            | 123.0   | 219                              | -0.5               | 651.0            | 1.6                |
| KY                    | --                         | --    | 77.0             | 75.0    | --                               | --                 | 274.0            | -0.7               |
| LA                    | --                         | --    | 19.0             | 18.0    | --                               | --                 | 54.0             | 1.9                |
| ME                    | --                         | --    | 32.0             | 32.0    | --                               | --                 | 149.0            | 2.8                |
| MD                    | --                         | --    | 53.0             | 52.0    | --                               | --                 | 236.0            | -3.3               |
| MA                    | --                         | --    | 13.5             | 12.0    | --                               | --                 | 52.0             | -8.8               |
| MI                    | 361                        | 370   | 360.0            | 369.0   | 722                              | 4.2                | 2,120.0          | 3.7                |
| MN                    | 470                        | 465   | 470.0            | 467.0   | 760                              | 0.8                | 2,192.0          | -0.5               |
| MS                    | --                         | --    | 16.0             | 14.0    | --                               | --                 | 47.0             | -6.0               |
| MO                    | 95                         | 93    | 96.0             | 94.0    | 115                              | -1.7               | 339.0            | -1.5               |
| MT                    | --                         | --    | 14.0             | 14.0    | --                               | --                 | 73.0             | 4.3                |
| NE                    | --                         | --    | 58.0             | 57.0    | --                               | --                 | 296.0            | 2.8                |
| NV                    | --                         | --    | 28.0             | 29.0    | --                               | --                 | 161.0            | 2.5                |
| NH                    | --                         | --    | 15.0             | 14.0    | --                               | --                 | 68.0             | -5.6               |
| NJ                    | --                         | --    | 7.5              | 7.5     | --                               | --                 | 32.0             | -3.0               |
| NM                    | 321                        | 334   | 319.0            | 333.0   | 676                              | 2.0                | 2,046.0          | 5.0                |
| NY                    | 611                        | 610   | 611.0            | 610.0   | 1,071                            | 0.2                | 3,148.0          | 0.0                |
| NC                    | --                         | --    | 44.0             | 45.0    | --                               | --                 | 225.0            | 6.6                |
| ND                    | --                         | --    | 20.0             | 18.0    | --                               | --                 | 81.0             | -12.9              |
| OH                    | 270                        | 270   | 270.0            | 269.0   | 439                              | 0.9                | 1,288.0          | 0.0                |
| OK                    | --                         | --    | 54.0             | 52.0    | --                               | --                 | 227.0            | -3.0               |
| OR                    | 121                        | 123   | 121.0            | 122.0   | 203                              | 1.0                | 608.0            | 1.3                |
| PA                    | 543                        | 539   | 542.0            | 538.0   | 889                              | -0.2               | 2,611.0          | -1.3               |
| RI                    | --                         | --    | 1.1              | 1.1     | --                               | --                 | 4.8              | 0.0                |
| SC                    | --                         | --    | 16.0             | 16.0    | --                               | --                 | 69.0             | 4.5                |
| SD                    | --                         | --    | 90.0             | 89.0    | --                               | --                 | 469.0            | 1.3                |
| TN                    | --                         | --    | 51.0             | 50.0    | --                               | --                 | 200.0            | -1.0               |
| TX                    | 420                        | 435   | 417.0            | 435.0   | 807                              | 4.1                | 2,407.0          | 7.6                |
| UT                    | 86                         | 89    | 85.0             | 88.0    | 160                              | 4.6                | 470.0            | 4.2                |
| VT                    | 135                        | 133   | 136.0            | 134.0   | 212                              | -0.5               | 623.0            | 0.2                |
| VA                    | 95                         | 96    | 95.0             | 96.0    | 147                              | 2.8                | 424.0            | 0.7                |
| WA                    | 252                        | 263   | 253.0            | 264.0   | 513                              | 4.7                | 1,530.0          | 4.9                |
| WV                    | --                         | --    | 10.0             | 10.0    | --                               | --                 | 38.0             | -2.6               |
| WI                    | 1,265                      | 1,265 | 1,265.0          | 1,265.0 | 2,214                            | 2.6                | 6,482.0          | 2.2                |
| WY                    | --                         | --    | 6.0              | 6.0     | --                               | --                 | 30.0             | -2.9               |
| 23 STATE TOTAL        | 8,387                      | 8,486 | --               | --      | 15,425                           | 2.7                | --               | --                 |
| U.S. <sup>4/ 5/</sup> |                            |       | 9,130.0          | 9,216.0 |                                  |                    | 48,650.0         | 2.3                |

<sup>1/</sup> Preliminary. <sup>2/</sup> Includes dry cows, excludes heifers not yet fresh. <sup>3/</sup> Excludes milk sucked by calves. <sup>4/</sup> Includes states for which individual monthly estimates are not available. <sup>5/</sup> Milk cows will not add due to rounding. **Source:** U.S. Department of Agriculture. National Agricultural Statistics Service. *Milk Production, January 2012.*

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,  
FEBRUARY 2012, WITH COMPARISONS 1/**

For February 2012, the all-city average announced cooperative Class I price was \$22.15 per cwt., \$2.48 higher than the Federal milk order (FMO) Class I price average for these cities. The February 2012 Cooperative Class I price was \$1.78 lower than the January 2012 price. The February 2012 Federal order Class I price was \$1.77 lower than the January 2012 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 February 2011, the all-city average announced cooperative Class I price was \$21.04, \$2.51 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              | FEBRUARY 2012                             |                                     |            |
|-------------------|---|-------------------------------------|------------|
|                   | Announced Cooperative<br>Class I Price    | Federal Milk Order<br>Class I Price | Difference |
|                   | Dollars per hundredweight, 3.5% butterfat |                                     |            |
| Atlanta, GA       | 24.13                                     | 20.83                               | 3.30       |
| Baltimore, MD     | 21.70                                     | 20.03                               | 1.67       |
| Boston, MA        | 22.08                                     | 20.28                               | 1.80       |
| Charlotte, NC     | 23.80                                     | 20.43                               | 3.37       |
| Chicago, IL       | 22.39                                     | 18.83                               | 3.56       |
| Cincinnati, OH    | 22.37                                     | 19.23                               | 3.14       |
| Cleveland, OH     | 22.17                                     | 19.03                               | 3.14       |
| Dallas, TX        | 20.71                                     | 20.03                               | 0.68       |
| Denver, CO        | 21.00                                     | 19.58                               | 1.42       |
| Des Moines, IA    | 21.56                                     | 18.83                               | 2.73       |
| Detroit, MI       | 21.94                                     | 18.83                               | 3.11       |
| Hartford, CT      | 21.98                                     | 20.18                               | 1.80       |
| Houston, TX       | 21.96                                     | 20.63                               | 1.33       |
| Indianapolis, IN  | 22.17                                     | 19.03                               | 3.14       |
| Kansas City, MO   | 21.25                                     | 19.03                               | 2.22       |
| Louisville, KY    | 22.50                                     | 19.33                               | 3.17       |
| Memphis, TN       | 23.10                                     | 19.93                               | 3.17       |
| Miami, FL         | 27.24                                     | 23.03                               | 4.21       |
| Milwaukee, WI     | 22.34                                     | 18.78                               | 3.56       |
| Minneapolis, MN   | 21.05                                     | 18.73                               | 2.32       |
| New Orleans, LA   | 23.00                                     | 20.83                               | 2.17       |
| Oklahoma City, OK | 21.71                                     | 19.63                               | 2.08       |
| Omaha, NE         | 21.31                                     | 18.88                               | 2.43       |
| Philadelphia, PA  | 23.20                                     | 20.08                               | 3.12       |
| Phoenix, AZ       | 19.89                                     | 19.38                               | 0.51       |
| Pittsburgh, PA    | 22.85                                     | 19.13                               | 3.72       |
| St. Louis, MO     | 21.65                                     | 19.03                               | 2.62       |
| Seattle, WA       | 19.71                                     | 18.93                               | 0.78       |
| Springfield, MO   | 22.01                                     | 19.43                               | 2.58       |
| Washington, DC    | 21.70                                     | 20.03                               | 1.67       |
| Wichita, KS       | 21.13                                     | 19.23                               | 1.90       |
| Simple Average    | 22.15                                     | 19.67                               | 2.48       |

1/ 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.

Report Contact: Randal Stoker, [randal.stoker@usda.gov](mailto:randal.stoker@usda.gov) or 202-690-1932.

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

| Month and Year                  | All Food      |             | Dairy Products |             | Fresh Whole Milk  |             | Cheese            |             | Butter       |             | Meat, Poultry, Fish, and Eggs |             |
|---------------------------------|---------------|-------------|----------------|-------------|-------------------|-------------|-------------------|-------------|--------------|-------------|-------------------------------|-------------|
|                                 | CPI 2/        | Pct. Chg.3/ | CPI 2/         | Pct. Chg.3/ | CPI 2/            | Pct. Chg.3/ | CPI 2/            | Pct. Chg.3/ | CPI 2/       | Pct. Chg.3/ | CPI 2/                        | Pct. Chg.3/ |
| 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         |
| DEC 2011                        | 231.3         | 4.7         | 218.5          | 8.1         | 212.9             | 9.5         | 223.4             | 7.8         | 199.6        | 1.9         | 228.9                         | 7.9         |
| U.S. City Average Retail Prices |               |             |                |             |                   |             |                   |             |              |             |                               |             |
| Month                           | Whole Milk 4/ |             | Butter 5/      |             | Process Cheese 6/ |             | Natural Cheese 7/ |             | Ice Cream 8/ |             |                               |             |
|                                 | 2011          | 2010        | 2011           | 2010        | 2011              | 2010        | 2011              | 2010        | 2011         | 2010        | 2011                          | 2010        |
|                                 | Dollars       |             |                |             |                   |             |                   |             |              |             |                               |             |
| 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       |                               |             |
| DEC                             | 3.565         | 3.318       | 3.320          | 3.416       | 4.303             | 3.797       | 5.430             | 4.933       | 5.251        | 4.584       |                               |             |

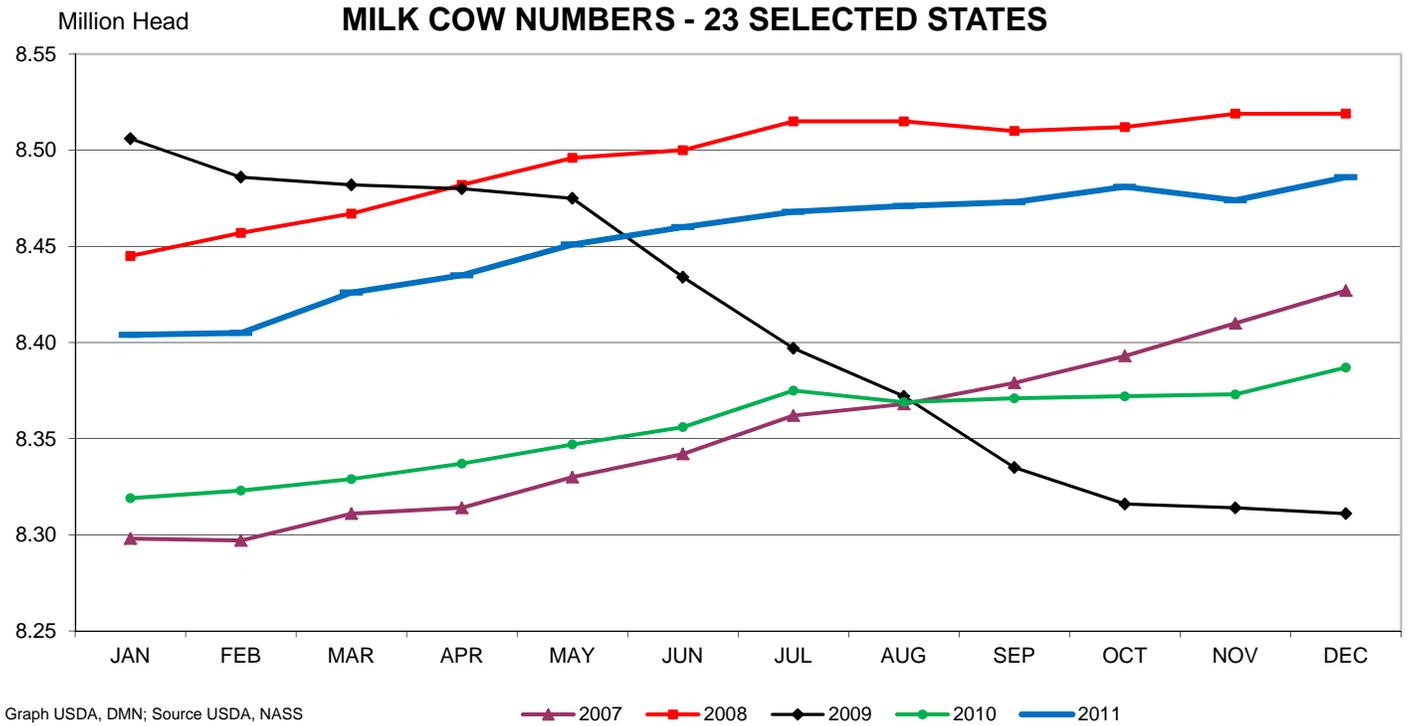
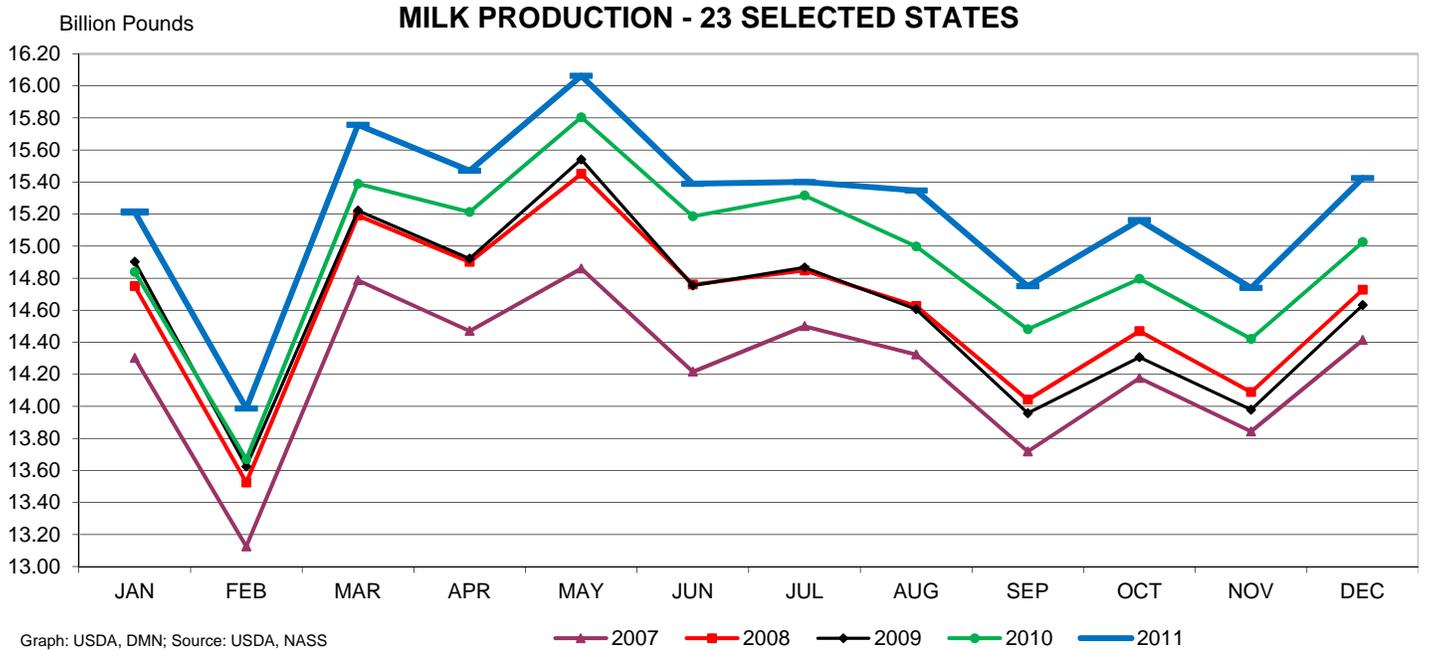
1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these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

## COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—SEPTEMBER-NOVEMBER AND YEAR-TO-DATE 2010-2011 1/

| Item                           | Sep.-Nov. 2010 | Percent change 2/ | Sep.-Nov. 2011 | Percent change 2/ | Jan.-Nov. 2010 | Percent change 2/ | Jan.-Nov. 2011 | Percent change 2/ |
|--------------------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
|                                | Million Pounds |                   |                |                   |                |                   |                |                   |
| <b>MILK</b>                    |                |                   |                |                   |                |                   |                |                   |
| Production                     | 46,940         | 3.0               | 47,886         | 2.0               | 176,677        | 1.8               | 179,665        | 1.7               |
| Marketings                     | 46,701         | 3.1               | 47,644         | 2.0               | 175,802        | 1.8               | 178,779        | 1.7               |
| Beginning Commercial Stocks 3/ | 12,772         | -11.4             | 12,960         | 1.5               | 11,334         | 12.8              | 10,927         | -3.6              |
| Imports 3/                     | 806            | -17.3             | 978            | 21.3              | 2,828          | -23.1             | 2,787          | -1.4              |
| Total Supply 4/                | 60,279         | -0.7              | 61,582         | 2.2               | 189,964        | 1.9               | 192,493        | 1.3               |
| Ending Commercial Stocks 3/    | 10,516         | -8.4              | 10,501         | -0.1              | 10,516         | -8.4              | 10,501         | -0.1              |
| Net Removals 3/                | 0              | 100.0             | 0              | 0.0               | 112            | -79.6             | 0              | -100.0            |
| Commercial Disappearance 4/    | 49,763         | 2.2               | 51,081         | 2.6               | 179,336        | 2.9               | 181,992        | 1.5               |
| <b>SELECTED PRODUCTS 5/</b>    |                |                   |                |                   |                |                   |                |                   |
| Butter                         | 457.5          | 5.6               | 520.3          | 13.7              | 1,481.7        | 5.0               | 1,646.0        | 11.1              |
| American Cheese                | 1,080.4        | 3.9               | 1,101.7        | 2.0               | 3,898.0        | 1.5               | 3,944.2        | 1.2               |
| Other Cheese                   | 1,690.2        | 4.1               | 1,722.6        | 1.9               | 5,842.3        | 4.3               | 6,069.8        | 3.9               |
| Nonfat Dry Milk                | 376.8          | 46.4              | 347.4          | -7.8              | 1,422.8        | 14.8              | 1,366.2        | -4.0              |
| Fluid Milk Products 6/         | 13,923.7       | -1.3              | 13,680.3       | -1.7              | 49,897.2       | -1.4              | 49,097.6       | -1.6              |

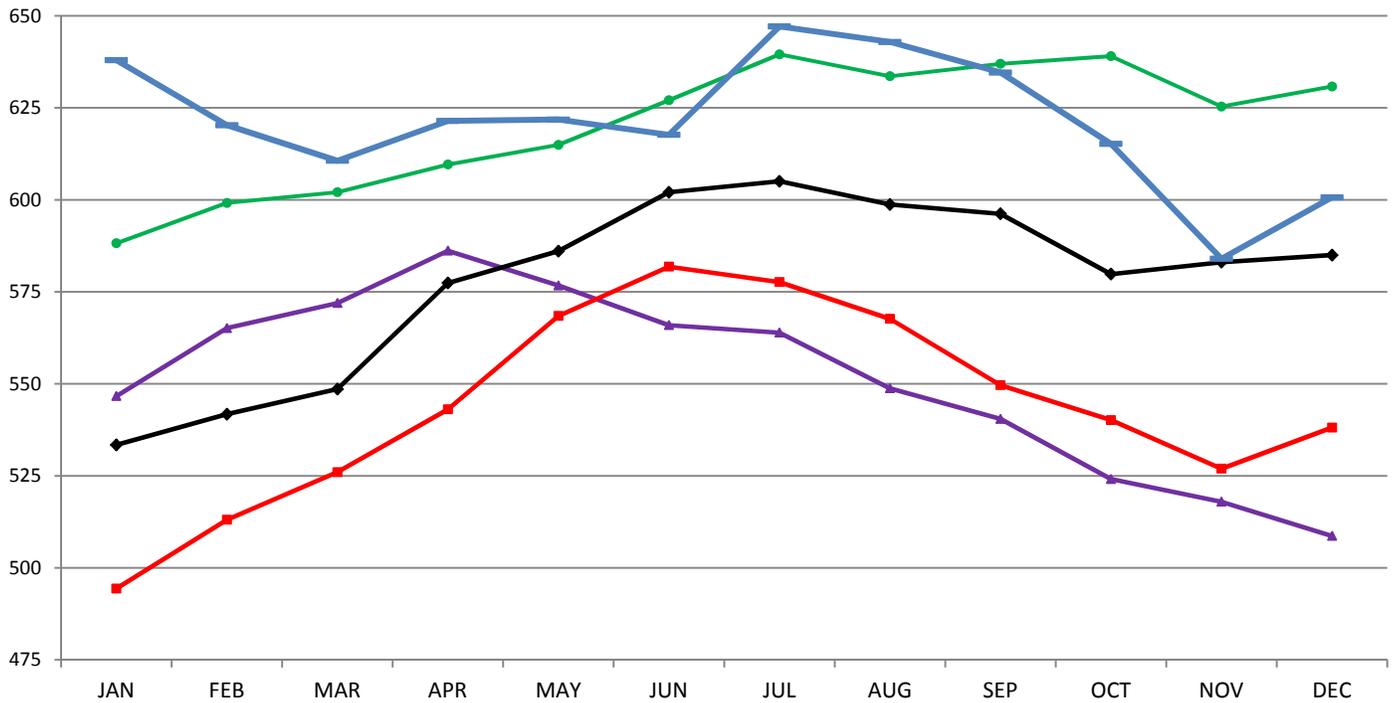
1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ 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.



### U.S. AMERICAN CHEESE COLD STORAGE HOLDINGS

Million Pounds

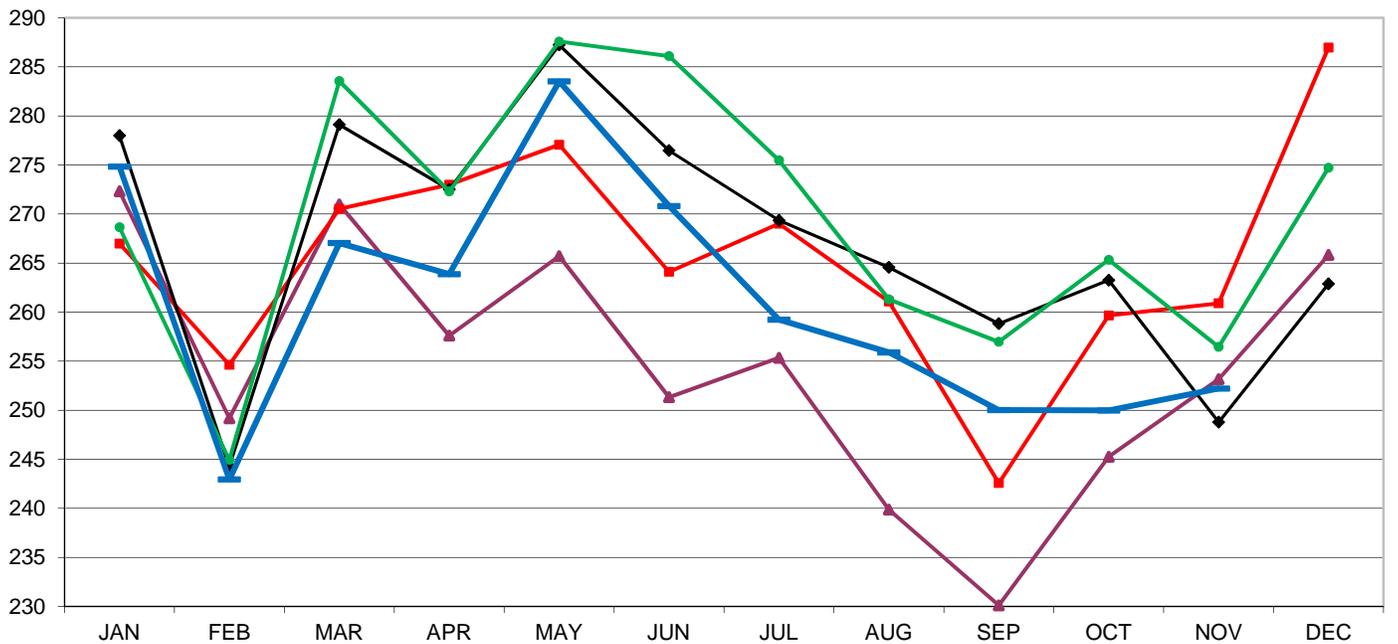


Graph USDA, DMN; Source USDA, NASS

2007 2008 2009 2010 2011

### U.S. CHEDDAR CHEESE PRODUCTION

Million Pounds



Graph USDA, DMN; Source USDA, NASS

2007 2008 2009 2010 2011

# DAIRY MARKET NEWS

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