

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (02/03):**

**BUTTER:** Grade AA closed at \$1.4925. The weekly average for Grade AA is \$1.4980 (-.0600).

**CHEESE:** Barrels closed at \$1.4950 and 40# blocks at \$1.4850. The weekly average for barrels is \$1.4925 (+.0055) and blocks, \$1.4965 (-.0095).

**BUTTER HIGHLIGHTS:** The CME cash butter price continues to decline and settled at \$1.4925 at week's end, the lowest cash price since late March 2010. Churning activity across the country remains strong as cream supplies are reported to be plentiful to the churn. Although cream supplies are plentiful, some cream handlers report that dispersal of the cream this week was not as hectic as last week. In many instances, churns were running at or very near capacity levels. With churning as active as it is, butter volumes are generally surpassing demand, thus clearances to inventory continue. Commercial butter demand is fair at best. Many buyers are fully aware of the weak trend in the CME cash butter price and are hesitant to place large orders in a declining market. International sales have also been limited, but early this week, Cooperatives Working Together (CWT) announced the acceptance of export assistance requests for nearly 11 million pounds of 82% unsalted butter for shipment now through June 2012. The announcement also included cheese assistance with the destinations for the various dairy products being: Asia, Europe, the Middle East, and Northern Africa. This is the first butter export assistance since October 2010.

**CHEESE HIGHLIGHTS:** Cheese prices were uneven this week. Early trading was steady to weak, with Friday's trade steady to higher. Last week's late week activity at the CME Group was followed this week with another flurry of activity on Friday. Friday's close again saw active trading, although this week it was blocks with 10 sales reported at steady prices. Mild winter weather across much of the country is helping to increase milk production and thus more milk is finding it's way to cheese factories. Inventories are building as sales are reported slow after the New Year. CWT is accepting requests for export assistance and helping to move some excess inventories. Lower prices have increased interest from aging operations, although buyers are reported cautious as they attempt to find the low price.

**FLUID MILK:** Mild weather patterns across the country are contributing to stable or stronger milk output. In most regions, the winter season has been much less stressful on the milking herd and increasing milk receipts at processing facilities are being reported. Except for Florida, milk volumes are building to the point from coast to coast that milk is not moving from one region to another to supplement shortages. Milk volumes are increasing, but processing capacity is generally sufficient within close proximity of production at this time. Some milk handlers are already looking forward and questioning processing capacity during the upcoming spring flush. Cream markets are weak and pricing multiples are easing. Cream volumes are heavy

and often clearing from one region to another to find processing capacity. Producers of higher-class cream product items are seeing declines in finished product orders after a recent boost from football related interest, thus more cream is available to churns from coast to coast.

**DRY PRODUCTS:** Market tones for many manufactured dairy products are weak with prices generally lower. Nonfat dry milk markets are weak with prices unchanged to generally lower from coast to coast. Trade contacts expect the price adjustments in NDM markets to continue as producers use lower prices to move any uncommitted stocks. Drying schedules are increasing to process the added milk supplies in many areas of the country. Some powder producers are generating high heat powder at this time due to capacity availability, before heavier spring flush milk volumes limit high heat production capabilities. Buttermilk powder markets and prices are weak. Buttermilk volumes across the country are increasing as churning schedules are strong. Condensed buttermilk sales are limited, thus drying schedules are increasing. Stocks of buttermilk powder are moderate to heavy and building. Whey powder markets are weak with prices unchanged to lower across the board. Milk production increases are leading to increased cheese and dry whey production. Whey sellers are looking at their inventory holdings and feel that this may be a good time to reduce inventories. Some are looking to international markets for this reduction possibility. Lactose and whey protein markets are more stable and prices are holding.

**INTERNATIONAL DAIRY MARKET OVERVIEW (DMN):** The Oceania milk production season continues to trend lower, although not at an accelerated pace. Milk producers and handlers in both **Australia** and **New Zealand** indicate that milk volumes are maintaining levels on the downside of production that are welcomed. In **New Zealand**, weather patterns are quite favorable for good milk production at this time of the annual production cycle. Milk handlers continue to project a 3 - 4% annual increase over last season, with some milk handlers now adjusting their estimates to a strong 4% plus increase. In **Australia**, fluctuating weather patterns are not having an overall negative impact on milk output. Milk producers and handlers are indicating that milk volumes are lower, but maintaining levels that are often higher than projected. In recent weeks, short periods of hot temperatures are eased by cooler temperatures and period of moisture are followed by sunny days, which is having minimal negative impact on overall milk production on the downside of the season. The Gippsland region of Victoria continues to struggle with very wet conditions which are limiting milk output this season. Through December, cumulative milk production in Australia, for the first half of the fiscal year, is running 3 1/2% ahead of the previous year. Australian producers continue to project a 2 - 3% annual increase when the current fiscal year ends in June.

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CME GROUP CASH TRADING

| COMMODITY              | MONDAY<br>JAN 30     | TUESDAY<br>JAN 31    | WEDNESDAY<br>FEB 01  | THURSDAY<br>FEB 02   | FRIDAY<br>FEB 03     | WEEKLY<br>CHANGE * | WEEKLY<br>AVERAGE #        |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|----------------------------|
| <b>CHEESE</b>          |                      |                      |                      |                      |                      |                    |                            |
| BARRELS                | \$1.4950<br>(N.C.)   | \$1.4950<br>(N.C.)   | \$1.4900<br>(-.0050) | \$1.4875<br>(-.0025) | \$1.4950<br>(+.0075) | ::<br>(N.C.)       | ::<br>\$1.4925<br>(+.0055) |
| 40# BLOCKS             | \$1.5100<br>(N.C.)   | \$1.5100<br>(N.C.)   | \$1.4925<br>(-.0175) | \$1.4850<br>(-.0075) | \$1.4850<br>(N.C.)   | ::<br>(-.0250)     | ::<br>\$1.4965<br>(-.0095) |
| <b>NONFAT DRY MILK</b> |                      |                      |                      |                      |                      |                    |                            |
| EXTRA GRADE            | \$1.4800<br>(N.C.)   | \$1.3600<br>(-.1200) | \$1.3500<br>(-.0100) | \$1.3375<br>(-.0125) | \$1.2975<br>(-.0400) | ::<br>(-.1825)     | ::<br>\$1.3650<br>(-.1150) |
| GRADE A                | \$1.3800<br>(-.0700) | \$1.3800<br>(N.C.)   | \$1.3700<br>(-.0100) | \$1.3575<br>(-.0125) | \$1.3575<br>(N.C.)   | ::<br>(-.0925)     | ::<br>\$1.3690<br>(-.0810) |
| <b>BUTTER</b>          |                      |                      |                      |                      |                      |                    |                            |
| GRADE AA               | \$1.5050<br>(-.0450) | \$1.5050<br>(N.C.)   | \$1.4950<br>(-.0100) | \$1.4925<br>(-.0025) | \$1.4925<br>(N.C.)   | ::<br>(-.0575)     | ::<br>\$1.4980<br>(-.0600) |

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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Current favorable milk receipts are causing some milk handlers to project annual volumes to be at the upper end of projections, but they also indicate that a lot of negative factors could come into play during the final 6 months of the season that could potentially reduce favorable optimism. Manufacturers and handlers are indicating that stocks are basically fully committed and order books are in a strong position. During the g/DT auction #61 on February 1, all contract average prices were lower. Milk production across **Western Europe** countries is steady to trending higher over the past few weeks. Many countries are seeing milk output at levels above a year ago for the similar period. Reports are noting that milk volumes were higher in December versus year earlier for: Germany, France, Austria, Netherlands, and the United Kingdom. In Germany and other Western European countries, current, bitterly cold temperatures are being recorded. Farmers and processors are monitoring the situation to see what effects the conditions are having on milk cows and production. Milk prices have remained relatively high. Feed prices have stabilized and the positive margins are creating opportunities for milk growth. Plant capacity is adequate to handle the planned manufacturing of the product mix. The Euro has strengthened over the past two weeks and has begun to close down some export opportunities that had opened. The next European Dairy Commission meeting will be February 16. Private Storage Assistance (PSA) program will open on March 1. The Commission will announce pricing and volume at the February 16th meeting. Expectations are that butter will be entered into PSA upon the opening. Cold weather conditions are prevalent over much of **Eastern Europe**. The impact on milk production is being assessed, but many handlers expect milk receipts to decline. Milk production was higher than a year ago in December in Poland with the yearly total surpassing year ago levels. Dairy product demand is fair for the current, seasonally limited offerings across the finished product spectrum. More whey powder offerings are being made into export channels as pricing levels are favorable for international buyers.

**DECEMBER 2011 DAIRY PRODUCT HIGHLIGHTS (NASS):** During December 2011, butter production was 165.9 million pounds, 5.2% above December 2010 and 8.9% above November 2011. American type cheese output totaled 370.7 million pounds, 1.2% above December 2010 and 5.6% above November 2011. Total cheese output (excluding cottage cheese) totaled 929.5 million pounds, 2.4% above December 2010 and 4.2% above November 2011. Nonfat dry milk production, for human food, totaled 150.2 million pounds, 8.0% above December 2010 and 24.8% above November 2011. Skim milk production totaled 36.6 million pounds, 34.6% more than December 2010, but 7.6% less than November. Dry whey production, for human food, was 77.4 million pounds, 8.0% below December 2010, but 7.0% above November 2011. Hard ice cream production totaled 50.3 million gallons, slightly below December 2010 and 3.8% below November 2011.

**OVER ORDER CHARGES ON PRODUCER MILK IN FMOS (DAIRY PROGRAMS):** For November 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.15 per cwt., down \$0.03 from the October 2011 average. Ninety percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.80 in the Pacific Northwest to \$3.00 in the Appalachian Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.13 per cwt., down \$0.05 per cwt. from the October 2011 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

**JANUARY 1 MILK COW INVENTORY SUMMARY (NASS):** The number of milk cows in the United States as of January 1, 2012, totaled 9.2 million head, up 1% from January 1, 2011. Milk cow replacement heifers totaled 4.5 million head, down 1% from a year ago. The number of milk cow replacement heifers per 100 milk cows on January 1, 2012 was 49.0, down 1.8% from last January. Milk cow replacement heifers expected to calve during the year totaled 3.03 million head, down 1% from January 1, 2011.

**JANUARY AGRICULTURAL PRICES HIGHLIGHTS (NASS):** The All Milk price received by farmers was \$19.20 in January, down \$0.60 from December 2011 and up \$2.50 from January 2011. Milk Cows price was \$1,460 in January, up \$160 from January 2011. Alfalfa hay price was \$192.00 in January, up \$71.00 from January 2011. Corn price was \$5.90 in January, up \$0.96 from January 2011. Soybean price was \$11.70 in January, up \$0.10 from January 2011. The milk-feed price ratio was 1.77 in January, down 0.19 from January 2011. The index of prices received by farmers for dairy products decreased 5 points during the month of January 2012 to 147. Compared with January 2011, the index was up 19 points (14.8%). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in January 2012 increased 2 points to 207. Compared with January 2011, the index was up 12 points (6.2%).

**CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):** The January Class II, III, and IV prices and changes from December are: Class II \$17.67, -\$0.41; Class III \$17.05, -\$1.72; and Class IV \$16.56, -\$0.31. Under the Federal milk order pricing system, the butterfat price for January 2012 is \$1.7178 per pound. Thus, the Class II butterfat price is \$1.7248. The protein and other solids prices for January are \$2.7326 and \$0.5032 per pound, respectively. These component prices set the Class III skim milk price at \$11.44 per cwt. The January Class IV skim milk price is \$10.93 which is derived from the nonfat solids price of \$1.2141 per pound. The product price averages for January are: butter \$1.5900, nonfat dry milk \$1.3942, cheese \$1.6097, and dry whey \$0.6876.

CME GROUP

MONDAY, JANUARY 30, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.5000, 1 @ \$1.4950; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3800  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5050

TUESDAY, JANUARY 31, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4950; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4950; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5200  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.3600; 1 CAR GRADE A @ \$1.3950  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5050

WEDNESDAY, FEBRUARY 1, 2012

CHEESE -- SALES: 3 CARS BARRELS: 2 @ \$1.5000, 1 @ \$1.4900; 3 CARS 40# BLOCKS: 1 @ \$1.5100, 2 @ \$1.5075; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4925  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.3500; 1 CAR GRADE A @ \$1.3700  
 BUTTER -- SALES: 3 CARS GRADE AA @ \$1.5000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4950

THURSDAY, FEBRUARY 2, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.4900, 1 @ \$1.4875; 3 CARS 40# BLOCKS: 2 @ \$1.4925, 1 @ \$1.4850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5000  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.3375; 1 CAR GRADE A @ \$1.3575  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 5 CARS GRADE AA @ \$1.4900; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4925

FRIDAY, FEBRUARY 3, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4950; 10 CARS 40# BLOCKS @ \$1.4850; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4875; 1 CAR 40# BLOCKS @ \$1.4850;  
 LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2975  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price was unchanged at \$1.5050 on Tuesday's close after declining \$0.0450 on Monday. The butter price has either declined or held steady since its last price increase on January 9, when the butter price reached \$1.6400. Cream supplies continue to exceed demand with the excess volumes going to churns. Butter production remains very active with a number of plants maintaining production near capacity levels. All varieties of butter are being manufactured, bulk, print, salted, unsalted and 82%. Domestic demand for butter remains relatively light with contracted orders being filled, but new orders are very limited. End users have noted the CME Group prices are on a downward trend and are holding off purchases or only buying for immediate needs, waiting to see how low prices will fall. Export interest has improved with the recent declines in the butter price. Cooperatives Working Together (CWT) has accepted requests for export assistance for 10.9 million pounds of butter to Asia, Europe, North Africa and the Middle East. Delivery is scheduled from January through June of 2012. According to ERS, commercial disappearance of butter for the Jan. - Nov. 2011 period totals 1646.0 million pounds, up 11.1% compared to the same period a year ago. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter prices continued to decline on basically a daily basis this past week and settled at \$1.4950 at midweek. This is the lowest cash price since April 1, 2010. Butter producers and handlers are stating that the undertone is weak, but have mixed opinions on how weak the market is. Some feel that around \$1.5000 would be the low while others feel that there still is downward potential and may get to the lower \$1.40's. Churning activity across the Central part of the country is seasonally very strong. Cream volumes are readily available and additional offerings are coming from outside the region. Many butter producers are quite surprised at the heavy volumes of available cream for this time of the season. Last year at this time, much of first quarter churning activity was committed to exports and inventory buildup was limited. This year, the situation is basically

reversed, international sales are limited and inventory buildup is strong. Although international sales are limited, the CWT program awarded export assistance for nearly 11 million pounds of butter destined for Asia, Europe, the Middle East, and Northern Africa. This is the first butter assistance since October 2010. Butter will be delivered now through June of this year. This export activity will slow inventory buildup, but will potentially not have a significant negative impact on domestic butter stock levels. For those butter producers that are part of export activity, the delivery time should allow them time to manage their production schedules and absorb some additional cream offerings for 82% unsalted exports. Domestic butter demand is fair at best. Many buyers are hesitant to place large orders when further price weakness might be in the near future. Bulk butter prices range from flat to 2 cents over various pricing bases and averages per pound.

WEST

Cream supplies remain very heavy in the Western region with churning very active. Current bulk and print sales are fair at best with inventories building at most locations. Compared to last year at this time, manufacturers are not quite as hesitant to store butter because of the much lower price. Little talk has been noted about the possibility of feature activity related to Easter/Passover yet. The butter market continues to show weakness at the CME Group. Since the end of last year and through midweek, prices are down 10 cents to stand at \$1.4950. Over that time period, prices declined on 11 market days, increased on 3, and were unchanged the rest. The price on February 1 last year was \$2.10. For the first time since the fall of 2010 the CWT program is active in helping to export butter. 11.0 million pounds of butter are scheduled to be exported through June with this assistance. According to ERS, *Commercial Disappearance* of butter for the first eleven months of 2011 totals 1.65 billion pounds, up 11.1% from the same time frame in 2010 on a daily average basis. That is an increase of 164.3 million pounds or a weekly average increase of 3.4 million pounds. Prices for bulk butter range from even to \$.0500 under the market, based on the CME with various time frames and averages used.

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 28, 2012 | 1.5832<br>10,996,401 | 1.5788<br>10,130,621           | 1.3936<br>22,583,767 | 1.5897<br>3,885,001 | 0.6753<br>11,154,013 |

## CHEESE MARKETS

## NORTHEAST

Cheese prices on the CME Group were unchanged Tuesday with barrels closing at \$1.4950 and blocks closing at \$1.5100. Cheese prices have varied only slightly in the last 6 trading sessions with barrels increasing \$0.0100 and blocks increasing \$0.0050. Mild winter weather has brought about increases in milk production, prompting increases in cheese production. Domestic demand has weakened as sales ahead of the Super Bowl are in the books. Inventories are expanding as cheese production increases. Cheese makers continue to feel the squeeze between lower cheese prices and higher Class III milk prices compared to last year. Export interest has improved as cheese prices have moved lower. Cooperatives Working Together (CWT) has accepted requests for export assistance for 2.8 million pounds of Cheddar, Monterey Jack, and Gouda cheese to Asia, Europe, North Africa and the Middle East. Delivery is scheduled from January through June of 2012. According to ERS, Commercial Disappearance of American cheese for the Jan. - Nov. 2011 period totals 3,944.2 million pounds, up 1.2% compared to the same period a year ago. Disappearance of cheese in the Other category totals 6,069.8 million pounds, up 3.9% for the same period a year ago.

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

|                             |   |               |
|-----------------------------|---|---------------|
| Cheddar 40# Block           | : | 1.9100-2.1950 |
| Process 5# Sliced           | : | 1.7075-1.8275 |
| Muenster                    | : | 1.9300-2.2900 |
| Grade A Swiss Cuts 10 - 14# | : | 3.6375-3.9600 |

## MIDWEST

The CME cash cheese market firmed slightly late last week, but eased at midweek to settle at \$1.4900 for barrels and \$1.4925 for 40# blocks. Cheese producers have mixed opinions on cheese prices. Some feel that a bottom to the pricing cycle might be at hand, while others feel that there is further downside potential. Some cheese manufacturers are stating that they are getting inquiries for 40# cheddar blocks for aging programs. Cheese manufacturers and suppliers indicate that typically this interest does not occur until buyers feel that a bottom to the 40# block cheese price is very near or already there. Other cheese producers and handlers are stating that cheese orders have slowed, typical for a time when cheese prices are unsettled, thus buyers are only placing orders for short or near term needs. Cheese production is seasonally strong as milk volumes are readily available to cheese operations. For those operations that are looking for additional milk to maintain full production schedules, procuring that milk is not presenting too much of a problem. In some instances, cheese plants can't take full advantage of all of the milk offerings. Heavy cheese production is often surpassing demand thus inventories continue to build. Cheese handlers, especially those that repackage, are indicating that upcoming Lenten and Easter orders are starting to develop.

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

|   |   |               |
|---|---|---------------|
| Process American 5# Loaf                    | : | 1.8475-2.3600 |
| Brick And/Or Muenster 5#                    | : | 2.0125-2.4400 |
| Cheddar 40# Block                           | : | 2.0125-2.8650 |
| Monterey Jack 10#                           | : | 1.9825-2.8650 |
| Blue 5#                                     | : | 2.2775-3.1300 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.8575-2.9650 |
| Grade A Swiss Cuts 6 - 9#                   | : | 3.0475-3.3300 |

## WEST

Since the end of December, barrels have declined 9 cents and blocks have declined 7 cents to stand at \$1.4900 and \$1.4925 respectively. Last year on February 1, barrels were \$1.7250 and blocks were \$1.7575 and were firming strongly. Current production of cheese is stronger than many manufacturers hoped with recent sales activity. Stocks are building at many locations and contacts are somewhat concerned about the timing. Cheese needed for Super Bowl festivities has been shipped for quite a while and things are now quiet on the demand front. According to ERS, *Commercial Disappearance* of cheese for the first eleven months of 2011 totals 3.94 billion pounds of American and 6.07 billion pounds of Other cheese. These figures are up 1.2% and 3.9% respectively on a daily average basis. The two categories total 10.01 billion pounds, up 2.8% or 273.7 million pounds. This is a weekly average increase of 5.7 million pounds.

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

|                           |   |               |
|---------------------------|---|---------------|
| Process 5# Loaf           | : | 1.6150-1.8725 |
| Cheddar 40# Block         | : | 1.6325-1.9850 |
| Cheddar 10# Cuts          | : | 1.8125-2.0325 |
| Monterey Jack 10#         | : | 1.8225-1.9825 |
| Grade A Swiss Cuts 6 - 9# | : | 3.2150-3.6450 |

## FOREIGN

The weekly average block price on the CME Group declined for the second consecutive week, pressuring domestic wholesale prices lower. Prices for Swiss cuts were unchanged. Sales of Swiss cheese prior to the Super Bowl are in the books and below expectations. Milk supplies are increasing above year ago levels, due to the mild winter weather, resulting in an increase in cheese production and inventories. Swiss imports, at lower prices, continue to cast a weak undertone on the domestic Swiss cheese market.

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

| VARIETY                  | NEW YORK        |                  |
|--------------------------|-----------------|------------------|
|                          | IMPORTED        | DOMESTIC         |
| Blue                     | : 2.6400-5.2200 | : 2.0500-3.5375* |
| Gorgonzola               | : 3.6900-6.3900 | : 2.5525-2.8125* |
| Parmesan (Italy)         | : -0-           | : 3.1725-3.7275* |
| Provolone (Italy)        | : 3.4400-6.3900 | : 2.0925-2.2500* |
| Romano (Cows Milk)       | : -0-           | : 3.2400-5.3900* |
| 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.

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

|          | BUTTER | CHEESE  |
|----------|--------|---------|
| 01/30/12 | 6,632  | 134,244 |
| 01/01/12 | 1,511  | 134,979 |
| CHANGE   | 5,121  | -735    |
| % CHANGE | 339    | -1      |

## 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         | 100 | 0         | 70  | 0         | 177 |
| SOUTHEAST STATES | 0         | 0   | 0         | 0   | 0         | 0   |

Mild winter weather continues in the Northeast and Mid-Atlantic regions with unseasonably warm temperatures reaching up into New England. The mild weather has prompted increases in milk production, resulting in expanded manufacturing milk supplies. Class I demand remains sluggish. A major plant in the Mid-Atlantic region has reduced manufacturing capacity due to an ongoing maintenance project. Milk production has increased in Florida, but producers are growing more concerned about drought conditions, wildfires and feed supplies. The lack of adequate rainfall is increasing the threat of wildfires and deteriorating pastures. Pastures are rated as 37% fair, 50% poor and 5% very poor. Hay supplies are in short supply with winter forages and hay fields dormant. Class I demand has declined, resulting in 100 spot loads being exported this week. Milk production in the Southeast region is also increasing. Class I demand is lackluster as it usually is at the end of the month. Some bottling plant break downs have caused some unloading delays and some redistribution of the milk supply. The increased milk supplies have necessitated the utilization of auxiliary manufacturing facilities. Cream supplies continue to exceed demand, resulting in lower multiples and heavy volumes going to churns. The excesses supply is caused by a combination of increased milk production and light demand. Seasonally low ice cream production and cream cheese makers not yet willing to increase production for the Passover and Easter holidays are limiting demand. Cream multiples range from 110 to 120. Condensed skim supplies are above year ago levels with product moving through contracts and limited spot market activity. Class II demand has improved in some areas as orders for dips and sour cream have improved prior to the Super Bowl. Fairly heavy excess supplies of condensed skim are being channeled to Class IV production.

## 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 -     | 1.7138-1.8696 |
| F.O.B. producing plants: Upper Midwest - | 1.6359-1.7917 |

## 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 continues to be above anticipated levels for this time of year. Weather conditions have been extremely favorable to cow comfort levels. Lack of extremely cold weather has boosted production earlier than most handlers had expected. Feed supplies in the Midwest are in good shape and farmers are adding to herds. Milk solids are reported to be very good. Class I demand is good especially in areas where featured. Spot loads of milk are seeing increasing interest into Class III plants as prices have moderated. Cream continues to be plentiful. Eastern and Western cream spot loads are arriving in the Midwest to handle surplus loads from those regions. Transportation continues to be a concern in moving supplies across the country. Cream multiples are steady to weak as these extra loads look to find a home. Weak cheese and butter prices are dampening demand for fluid loads unless price reductions are offered.

## WEST

CALIFORNIA milk output continues to build across most of the major producing areas of the state. Temperatures remain seasonally moderate, precipitation limited, and the weather conditions are not affecting the milk flow. Processors are becoming strategic to be able to handle the milk supplies, especially where supplied loads are being pushed back from one sector to another. The January 2012 4a price (butter/powder) in CALIFORNIA is \$16.18 down \$0.41 from December and down \$0.31 higher than last year. The January 4b price (cheese) is \$14.23, \$0.91 lower than December but \$1.74 more than last year. Milk production in ARIZONA is trending higher at levels above a year ago. Farm level conditions for milk cows have been ideal with warm temperatures and no precipitation. Plant intakes have been heavy to process incoming milk supplies. Class I movements have been steady. Milk shipments to other states and regions are light, mostly because milk supplies are available in local markets. NEW MEXICO milk production trends remain steady to higher. Farm level conditions remain favorable for milk cows and the herd is responding. Lower milk price prospects are raising more concerns about margins being squeezed and profitability slipping. Class I needs are trending lower. Milk shipments outside of normal needs are minimal. Milk receipts at local balancing plants are higher and schedules are being increased to handle the milk supply. CREAM markets in the West continue to be weak. Buying interest is slow across accounts. Producers of higher-class product items are seeing declines in finished product orders after a recent boost from football related interest. Currently, cream offerings are being made from handlers/processors in other states and regions to Western handlers from sources that are often buyers of Western cream. Weaker butter pricing is affecting buyers who will wait for the butter prices and basing points to move lower. At the CME Group, the Grade AA butter closed at \$1.4950 on Wednesday, February 1, down 6.5 cents from a week earlier. Multiples remained under pressure this week and continue to trend lower, ranging from 98-118 and vary based on class usage and basing points. Weather conditions have returned to normal in the PACIFIC NORTHWEST. The recent snow and rain had very little ongoing impact on the milk flow in the region. Milk plants in Oregon and Washington are getting prepared for the fast approaching spring flush. No major problems are expected in handling the milk at this time. Many contacts in UTAH and IDAHO indicate that it is a very open winter that has allowed cows to be very comfortable and produce more milk. Moisture conditions are behind normal, but the water carryover from last year should be enough to help with much of this concern. Hay supplies in the region remain very tight and expensive. Two factors are causing the situation to worsen. The first is that exporters continue to move strong volumes offshore as they have done for much of the year. Further, other regions in the country that are in worse shape, stock wise, are coming in and paying big money to lock up any hay that is still available. This applies to all quality levels. According to NASS, Milk Production in December for the surveyed states was 15.4 billion pounds, up 2.7% from December 2010. Production per cow for these states was up 27 pounds or 1.5%. Production per cow for selected Western states compared to last year is as follows: Arizona -0.3%, California +2.1%, Colorado -1.5%, Idaho +2.1%, New Mexico -1.9%, Oregon -0.6%, Utah +1.1%, and Washington +0.3%. U.S. prices for Alfalfa hay in January average \$192/ton, down \$7 from last month, but up \$71 from January 2011. January prices for selected Western states and the change from last year are as follows: Arizona \$250, +\$110; California \$243, +\$82; Colorado \$240, +\$110; Idaho \$220, +\$85; Nevada \$235, +\$90; New Mexico \$305, +\$135; Oregon \$239, +\$95; Utah \$191, +\$82; and Washington \$245, +\$115.

## 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:** Prices for nonfat dry milk in the Central region were lower this week. Production schedules are heavy as milk supplies are above expected levels. Favorable weather in the Midwest has increased milk production and plants are busy handling the additional supplies. Buyers are reluctant to book additional orders as the market is still determining lower pricing levels. Condensed skim sales are helping to ease production levels. Many plants are at or near capacity for drying.

**DAIRY PRODUCTS:** NASS's Dairy Products report shows production of human food NONFAT DRY MILK during December 2011 totaled 150.2 million pounds, up 24.8% from November 2011 production and 8.0% higher than December 2010. Cumulative nonfat dry milk production for 2011 totals 1,517.6 million pounds, 2.9% lower than 2010. Month ending stocks, at 165.4 million pounds, are 13.6% higher than a month ago and 14.4% higher than one year ago. December 2011 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 36.6 million pounds, 7.6% lower than one month ago, but 34.6% more than production December 2010.. Cumulative 2011 skim milk powder production for 2011 totals 446.1 million pounds, compared to 253.8 million pounds during 2010, a 75.8% increase in production.

**EAST:** Prices for nonfat dry milk moved lower this week. The price decline for low heat was more substantial when compared to the marginal decline for high heat nonfat dry milk. Manufacturing milk supply increases, prompted by milk production increases, are increasing the milk flow to dryers and the production of nonfat dry milk. One major plant in the Mid-Atlantic region has reduced manufacturing capabilities, due to an ongoing maintenance project, and is focusing on low heat production in order to clear the increased milk supply. Other plants, having adequate supplies of low heat, are now focusing on high heat production. Demand is light as buyers and end users are holding off major purchases in order to see if prices will yet move lower. The increases in production and inventories combined with light demand give the market a weak undertone.

**DAIRY PRODUCTS:** The latest NASS Dairy Products report indicates nonfat dry milk production for December in the Atlantic region totaled 18.9 million pounds, 12.6% of the nation's total. The Atlantic region production was 4.1% less than one year ago, but 116.1% more than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.3500 - 1.4500 MOSTLY: 1.3800 - 1.4350  
 HIGH HEAT: 1.4850 - 1.5450

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are trending lower this week, following sharp declines in spot and indices over the past week. The California index regained over 4 cents from last week's decline. The CME Group cash NDM prices are lower, offered down to prices in the mid \$1.30's with no recorded sales. Trade contacts expect the price fluctuations in NDM markets to continue as producers use lower prices to move any uncommitted stocks. The market tone is weak. Domestic buying interest has slowed. Offerings of milk and condensed skim are heavy into cheese producers. Export interest is very price sensitive for the current light to moderate demand. Pricing towards the bottom end of the range is working better to secure export deals. Drying schedules are

heavy to process the increasing milk supplies. Western high heat NDM prices are lower. The market tone is unsettled, more so because of the weaker and fluctuating low heat market that due to any other direct factors. Demand has been light to moderate and unaggressive. Some producers are trying to make extra high heat now, ahead of heavier milk throughput in coming months and the need to maximize dryer times by running low heat. U.S. NDM production in December 2011 totaled 150.2 million pounds, 8.0% more than last year. Cumulative 2011 output totals 1.52 billion pounds, down 2.9% from 2010. NDM production in the West region in December totaled 113.1 million pounds, up 6.7% from last year. The West produced 75% of the U.S. total in December. U.S. manufacturers' stocks of NDM at the end of December were 165.4 million pounds, 14.4% higher than a year earlier and 13.6% more than November 2011. U.S. skim milk powder (SMP) production in December totaled 36.6 million pounds, 34.6% more than last year but 7.6% less than November. Cumulative 2011 output for SMP totals 446.1 million pounds, up 75.8% from 2010.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2800 - 1.4100 MOSTLY: 1.3350 - 1.3750  
 HIGH HEAT: 1.4000 - 1.5100

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Prices for dry buttermilk in the Central region are unchanged. Production levels are heavy as cream continues to move to butter churns both from within and outside the region. Contract loads continue to move with spot activity slow as buyers sense a weak undertone to the market. Additional demand is slow to develop as ice cream manufacturing is slow at this time of year.

**DAIRY PRODUCTS:** NASS Dairy Products reports production of dry buttermilk during December 2011 totaled 10.3 million pounds, 19.2% more than one month ago and 5.1% more than production one year ago. Month ending stocks of dry buttermilk, at 15.2 million pounds, are 28.2% more than one month ago and 38.0% higher than one year ago.

**EAST:** Dry buttermilk prices moved lower on the upper end of the range this week in continued light trading. Dry buttermilk production continues to be at elevated levels as butter production is active and near capacity at some Eastern plants. Ice cream production levels have increased in the Northeast, but are sluggish in most other areas, limiting condensed buttermilk sales. Demand remains limited for dry buttermilk as baking product manufacturers are not yet willing to ramp up production for the Passover and Easter holidays. Also, numerous buyers are holding off purchases to see if prices will move lower.

F.O.B. CENTRAL/EAST: 1.2700 - 1.3650

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are lower for both the range and for the mostly series, that defines the majority of transactions within the range. The market undertone remains unsettled to weak. Buyers are cautious and purchasing activity is light. Offerings are available from most producers in the region. There are more concerns about the current holdings and subdued buying interest. Drying schedules are heavy to handle the available buttermilk solids from the active butter churning taking place in the region. Demand for condensed

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

CONTINUED FROM PAGE 5

buttermilk is limited. There will be more pressure to find dryer times as milk production grows and competition for available capacity builds. Dry buttermilk stock levels are moderate to heavy and building. Buttermilk powder production in December 2011 for the U.S. totals 10.3 million pounds, up 5.1% from last year. Buttermilk stocks at the end of December were 15.2 million pounds, 38.0% higher than a year ago and 28.2% higher than last month.

F.O.B. WEST: 1.2300 - 1.3700 MOSTLY: 1.2800 - 1.3500

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady. Production levels are at expected levels in most cases. Some extra manufacturing milk is finding its way to dryers as milk supplies begin to increase nationally. Contract needs are being met with little spot activity reported this week. Nass's Dairy Products report shows dry whole milk production during December 2011 totaled 4.1 million pounds, down 22.2% from November 2011 and 22.5% less than December 2010. Manufacturers' month ending stocks, at 6.5 million pounds, are 19.7% higher than one month ago and 14.8% less than one year ago.

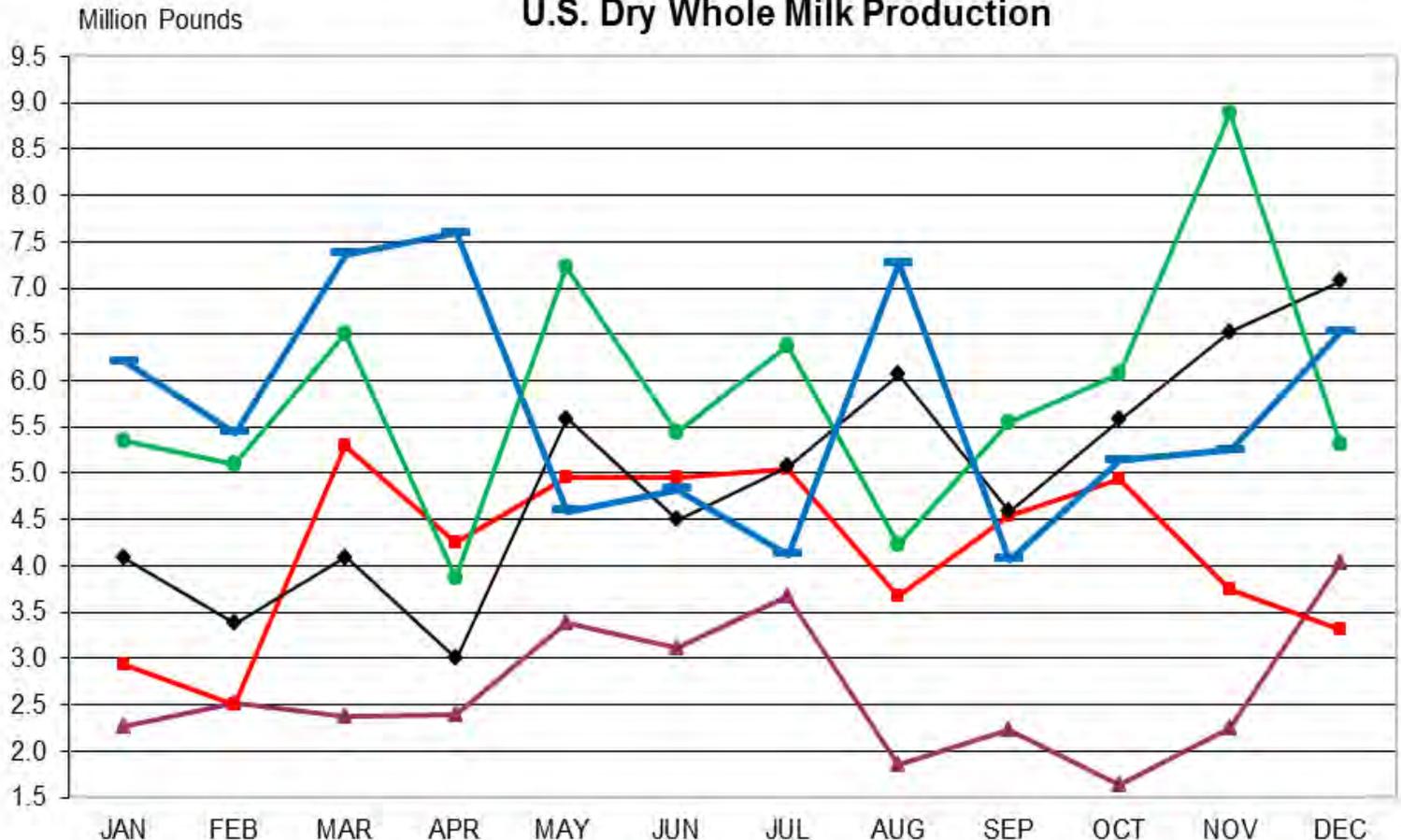
F.O.B. PRODUCING PLANT: 1.6800 - 1.7800

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE    | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| January 27  | \$1.3779 | 15,187,647  | 0            |
| January 20  | \$1.3337 | 26,862,877  | 0            |

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

U.S. Dry Whole Milk Production



Graph USDA, DMN; Source USDA, NASS

2007 2008 2009 2010 2011

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

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

**DRY WHEY - CENTRAL**

Central dry whey prices are generally steady to lower. Some contract pricing is showing firm to higher indices. Increased offers of spot whey are appearing and are typically below current prices. Reports of large blocks offered to export buyers from outside the region are circulating and have buyers waiting to see if they will see lower pricing. Both manufacturers and buyers are reassessing pricing strategies in light of these sales. The December 2011 Central dry whey average price of \$.6509 is significantly higher than the year ago average at \$.3686. The last time prices were near this level was in 2007. Production of dry whey is good as cheese plants continue to receive increased milk volumes. **DAIRY PRODUCTS:** NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during December 2011 totaled 77.4 million pounds, 7.0% more than November but 8.0% less than production 1 year ago. December ending stocks of HUMAN FOOD dry whey totaled 41.4 million pounds, 12.0% more than 1 month ago and 2.9% lower than December 2010. Production of ANIMAL FEED dry whey during December 2011 totaled 5.6 million pounds, 9.5% more than one month ago and 8.2% more than the production of December 2010. ANIMAL FEED dry whey month ending stocks totaled 4.2 million pounds, 7.8% more than one month ago but 4.8% less than the stocks of one year ago. Cumulative 2011 dry whey production, HUMAN AND ANIMAL FEED, is 0.3% lower than 2010 production, totaling 1,009.8 million pounds. Human food dry whey production during December 2011 in the Central region totaled 40.1 million pounds. This dry whey production is 9.0% higher than one month ago but 0.6% lower than one year ago.

F.O.B. CENTRAL: .6900 - .7625 MOSTLY: .6900 - .7200  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .5200 - .6925

**DRY WHEY - NORTHEAST**

Dry whey prices declined on the low end of the range on spot sale activity. This is the first time Eastern dry whey prices have declined since the week ending September 2, 2011. Milk production increases are leading to increased cheese and dry whey production. Second quarter dry whey futures prices at 10+ cents under the current market continue to prompt manufacturers and brokers to consider liquidating some of their current supplies. End users and brokers are viewing the turn in the market as time to hold off purchases to see how far prices may decline. Supplies are moving through contracts with some spot sale activity below contracted prices. Export demand has softened with additional competition coming from Europe. Dutch prices released this week had Edible Grade Whey priced at \$0.5658 in U.S. Dollars. The market undertone continues to be weak.

**DAIRY PRODUCTS:** The latest NASS Dairy Products report shows production of dry whey for human consumption for December 2011, in the Atlantic area totaled 21.0 million pounds, or 27.1% of the nation's total for December of 77.4 million pounds. The Atlantic area's production is 6.0% more than November and 16.8% more than production one year ago. The national production total was 7.0% more than the previous month, but 8.0% lower than for the same period last year.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .7000 - .7700

**DRY WHEY - WEST**

Some whey sellers decided that this was a good time to reduce inventory holdings as milk production starts to increase seasonally. To get this done, many relied on export opportunities to move substantial volumes of whey. Some contacts indicated that they also looked at what whey futures are indicating and took that into account. Prices needed to be reduced to get the volumes sold that allowed them to be more comfortable with inventories at the start of February. Many of these contacts indicate that prices may well rebound in the near future as stock levels become more comfortable for them and the pressure to sell more powder immediately is reduced. Production of powder at this time is heavier than many had assumed due to heavier milk production in the region with quite a bit of it heading to cheese and whey output. According to the NASS *Dairy Products* report, U.S. total dry whey production in December was 83.0 million pounds, down 7.1% from last year. Cumulative output for 2011 totals 1.010 billion pounds, down 0.3% from 2010. Western human food output in December totals 16.3 million pounds, down 37.0% from last year. In December, the West produced 21% of the total human food whey volume in the country.

NONHYGROSCOPIC: .5300 - .7550 MOSTLY: .6500 - .7300

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate prices are unchanged this week, although the market tone is decidedly weaker. The current price for WPC 34% is higher than nonfat dry milk pricing and, where possible, buyers are looking to substitute NDM into their products. Supplies of WPC are varied from tight to others reporting increased spot loads being offered. Negotiations for 2Q contracts are beginning and buyers are hoping to see some price relief along with increased supplies. **DAIRY PRODUCTS:** The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during December 2011 totaled 21.1 million pounds, 1.7% more than one month ago and 1.8% higher than production of one year ago. Cumulative WPC 34% production for 2011 totals 430.9 million pounds, 0.7% more than 2010 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 22.3 million pounds, 5.6% more than November 2011 and 30.3% more than December 2010.

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

**CONTINUED ON PAGE 6A**

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

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

**CONTINUED FROM PAGE 6****LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged this week. Supplies are adequate for current orders. Buyers expressed concern that the current prices are at the top of the range. Export buyers commented that many end users are looking to other carbohydrate sources if prices remain at current levels. High mesh lactose prices are firm with lower grade prices being affected the most by downward pressure. DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during December 2011 increased 5.2% compared to November 2011 to 85.7 million pounds and was 3.7% higher than December 2010 production. Cumulative 2011 lactose production totals 996.9 million pounds, 9.9% more than during the same time span in 2010. Month ending stocks, at 66.5 million pounds, are 4.1% more than one month ago and 18.2% lower than one year ago.

Including spot sales and up to 3 month contracts.

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

**CASEIN - NATIONAL**

Casein markets are unsettled, with prices unchanged to lower. Some Oceania sourced casein is entering the states at lower prices. Although European sourced product prices remain generally unchanged, many feel that the stability of prices at current levels is unsettled. The Oceania casein production season is winding down as milk volumes decrease seasonally, while the European casein production season is just getting underway. A recent cold weather pattern across much of Europe might slow positive milk production trends thus far this season, which could slow early casein output potential. Although this trend might crimp early output, European producers are optimistic about the upcoming casein season. In many instances, European manufacturers continue to inform traders and potential customers that they will be gearing their 2012 production to closely mirror contractual commitments and will have minimal uncommitted volumes available for spot buyer inquiry.

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: 4.8200 - 5.1000



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 23 - February 3, 2012

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

**WESTERN OVERVIEW:** Milk production across Western European countries is steady to trending higher over the past few weeks. Many countries are seeing milk output at levels above a year ago for the similar period. Reports are noting that milk volumes were higher in December versus year earlier for: Germany, France, Austria, Netherlands, and the United Kingdom. In Germany and other Western European countries, current, bitterly cold temperatures are being recorded. Farmers and processors are monitoring the situation to see what effects the conditions are having on milk cows and production. Milk prices have remained relatively high. Feed prices have stabilized and the positive margins are creating opportunities for milk growth. Plant capacity is adequate to handle the planned manufacturing of the product mix. The Euro has strengthened over the past two weeks and has begun to close down some export opportunities that had opened. The next European Dairy Commission meeting will be February 16. Private Storage Assistance (PSA) program will open on March 1. The Commission will announce pricing and volume at the February 16th meeting. Expectations are that butter will be entered into PSA upon the opening.

**BUTTER/BUTTEROIL:** European butter prices are trending slightly lower. Current butter pricing levels are above other world pricing levels and mainly meeting domestic needs with limited export opportunities now, beyond obligations. Butteroil market prices are high relative to other world sources and have limited exports. Private Storage Assistance (PSA) program will open on March 1. The Commission will announce pricing and volume at the February 16th meeting. Expectations are that butter will be entered into PSA upon the opening.

82% BUTTERFAT: 4,225 - 4,600  
99% BUTTERFAT: 4,750 - 5,175

**SKIM MILK POWDER (SMP):** Skim milk powder prices are unchanged in a light market test. The market tone is steady to unsettled with most of the current pricing fluctuation centered around the currency factors. Demand is stable at light to moderate levels. Interest is expected to increase from Asia. Some buyers are looking at lower pricing in U.S. markets, while others are waiting for the 2nd quarter before negotiating.

1.25% BUTTERFAT: 2,950 - 3,125

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are unchanged. Pricing levels are higher than other regions and the strengthening Euro is limited export opportunities. Buying interest has slowed. Future Asian interest and other tenders will increase demand on the world market. Current WMP production levels are steady to lower. Holdings are available to meet all needs.

26% BUTTERFAT: 3,625 - 3,800

**SWEET WHEY POWDER:** Dry whey prices are trending higher, but are often lower than current U.S. pricing quotes. There are reports of whey export deals from U.S. sources this week. Current European pricing levels and disparities between export competitors are creating opportunities for European traders and handlers to export more whey powder. Demand from international buyers is fair to good and moving increasing volumes of whey. Additional whey offerings are being noted from secondary sources. Whey production is light to moderate. Other whey protein powders are being produced to satisfy buyer needs.

NONHYGROSCOPIC: 1,275 - 1,600

**EASTERN OVERVIEW:** Cold weather conditions are prevalent over much of Eastern Europe. The impact on milk production is being assessed, but many handlers expect milk receipts to decline. Milk production was higher than a year ago in December in Poland with the yearly total surpassing year ago levels. Dairy product demand is fair for the current, seasonally limited offerings across the finished product spectrum. More whey powder offerings are being made into export channels as pricing levels are favorable for international buyers.

Exchange rates for selected foreign currencies: January 30, 2012

|                       |                          |
|-----------------------|--------------------------|
| .9984 Canadian Dollar | .0201 Indian Rupee       |
| .2312 Argentina Peso  | .8192 New Zealand Dollar |
| .0771 Mexican Peso    | 1.0599 Australian Dollar |
| .3089 Polish Zloty    | .0131 Japanese Yen       |
|                       | 1.3143 Euro              |

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0771) = 12.9701 Mexican Pesos.

Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 23 - February 3, 2012

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

**OVERVIEW:** The Oceania milk production season continues to trend lower, although not at an accelerated pace. Milk producers and handlers in both Australia and New Zealand indicate that milk volumes are maintaining levels on the downside of production that are welcomed. In New Zealand, weather patterns are quite favorable for good milk production at this time of the annual production cycle. Milk handlers continue to project a 3 - 4% annual increase over last season, with some milk handlers now adjusting their estimates to a strong 4% plus increase. In Australia, fluctuating weather patterns are not having an overall negative impact on milk output. Milk producers and handlers are indicating that milk volumes are lower, but maintaining levels that are often higher than projected. In recent weeks, short periods of hot temperatures are eased by cooler temperatures and period of moisture are followed by sunny days, which is having minimal negative impact on overall milk production on the downside of the season. The Gippsland region of Victoria continues to struggle with very wet conditions which are limiting milk output this season. Through December, cumulative milk production in Australia, for the first half of the fiscal year is running 3 1/2% ahead of the previous year. Australian producers continue to project a 2 - 3% annual increase when the current fiscal year ends in June. Current favorable milk receipts are causing some milk handlers to project annual volumes to be at the upper end of projections, but they also indicate that a lot of negative factors could come into play during the final 6 months of the season that could potentially reduce favorable optimism. Manufacturers and handlers are indicating that stocks are basically fully committed and order books are in a strong position. During the g/DT auction #61 on February 1, all contract average prices were lower. For skim milk powder (U.S. sourced) contract #1 (March), the price averaged \$3,008 per MT, 0.9% less than the previous auction. Contract #2 (April) average prices and changes from the previous session are: anhydrous milk fat, \$3,796/MT, -6.4%; no buttermilk powder was traded; skim milk powder, \$3,265, -0.6%; whole milk powder, \$3,495, -0.8%; milk protein concentrate \$5,220/MT -9.6%; rennet casein \$7,728/MT -2.9%; and cheddar \$3,578/MT, -2.9%.

**BUTTER:** Oceania butter markets are generally steady, although prices have eased on the top end of the reported range. Butter output in the region remains seasonally active, although milk volumes in both New Zealand and Australia are on the downside of the season. Butter producers and handlers are indicating that butter stocks are basically fully committed to known and contractual needs. Butter producers are monitoring g/DT anhydrous milk fat trading and indicating that trading price levels are lower than most commercial butter prices. The near term contract (April) price averaged \$3,796 per MT, 6.4% lower than the previous near term contract average. The all contracts anhydrous price averaged \$3,942 per MT which was 3.5% lower than the previous all contract average.

82% BUTTERFAT:

3,700 - 4,100

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets and prices are generally steady. The milk production season is winding down, but still providing sufficient milk volumes to maintain active butter/powder manufacturing schedules. Traders and handlers indicate that powder stocks are sufficient to fulfill commitments with minimal volumes remaining as uncommitted. At the February 1 g/DT event, skim milk powder contract price averages were generally lower. Near term March and U.S. sourced skim milk powder averaged \$3,008 per MT, 0.9% lower than the previous near term contract average. New Zealand sourced powder price averages were generally lower with the exception of May - July contracts which average 0.3% higher than the previous Contract #3 average.

1.25% BUTTERFAT:

3,275 - 3,500

**CHEDDAR CHEESE:** Cheese markets in the Oceania region are generally steady although prices are easing on the top end of the reported range. Cheese production is active, but trending lower as milk volumes decline seasonally. Cheese producers and handlers are stating that stocks are basically in balance with needs and commitments. Exporters and traders are indicating that second half contract negotiations are now basically completed and production projections are being geared to be in line with these needs.

39% MAXIMUM MOISTURE:

3,775 - 4,300

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets and prices are generally holding steady. The milk production season is winding down, but when possible, any surplus milk is being directed towards whole milk powder production. Traders and handlers are reporting that whole milk powder stocks are sufficient to maintain timely shipments to international contractual customers. The port strike in Auckland continues to challenge exports, but for the most part, this action is being managed by using other North Island ports. At the February 1 g/DT event, whole milk powder price averages were generally lower when compared to the previous event, with the exception of Contract #3 (May - July) deliveries. Averaging all contract periods and prices, the average is \$3,533 per MT, down 0.9% from the previous all contract average. April contracts averaged \$3,495, -0.8% while May - July contracts averaged \$3,643, +0.6%.

26% BUTTERFAT:

3,500 - 3,700

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 23 - February 3, 2012

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

| FEBRUARY 1, 2012<br>Global/Dairy Trading (g/DT) event 61 recap<br>US \$ per metric ton |             |      |             |       |                 |       |                          |       |               |       |
|--|-------------|------|-------------|-------|-----------------|-------|--------------------------|-------|---------------|-------|
| Average prices and<br>Changes in price<br>Indices from<br>Previous event               | Contract #1 |      | Contract #2 |       | Contract #3     |       | Contract #4              |       | All Contracts |       |
|  | March 2012  |      | April 2012  |       | May - July 2012 |       | August - October<br>2012 |       |               |       |
| Anhydrous Milk Fat   | N.A.        | N.A. | \$3,796     | -6.4% | \$4,069         | -1.0% | \$4,322                  | +3.3% | \$3,942       | -3.5% |
| Buttermilk Powder  | N.A.        | N.A. | N.A.        | N.A.  | N.A.            | N.A.  | N.A.                     | N.A.  | N.A.          | N.A.  |
| Skim Milk Powder   | \$3,008     | -0.9 | \$3,265     | -0.6% | \$3,474         | +0.3% | \$3,457                  | -0.6% | \$3,296       | -0.5% |
| Whole Milk Powder  | N.A.        | N.A. | \$3,495     | -0.8% | \$3,643         | +0.6% | \$3,450                  | -6.5% | \$3,533       | -0.9% |
| Milk Protein Concentrate   | N.A.        | N.A. | \$5,220     | -9.6% | \$5,990         | N.C.  | N.A.                     | N.A.  | \$5,569       | -4.9% |
| Rennet Casein  | N.A.        | N.A. | \$7,728     | -2.9% | \$7,702         | -5.7% | N.A.                     | N.A.  | \$7,715       | -4.3% |
| Cheddar  | N.A.        | N.A. | \$3,578     | -2.9% | \$3,707         | +0.4% | N.A.                     | N.A.  | \$3,640       | -1.1% |

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

| Month  | 01/19           | 01/20           | 01/23           | 01/24           | 01/25           | 01/26          | 01/27           | 01/30           | 01/31           | 02/01           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>             |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 17.07 (4243) 0  | 17.10 (4212) 0  | 17.09 (4213) 0  | 17.10 (4208) 0  | 17.09 (4221) 0  | 17.09 (4247) 0 | 17.10 (4309) 0  | 17.10 (4312) 0  | 17.09 (4317) 0  | 17.10 (4320) 0  |
| FEB 12   | 16.49 (5290) 3  | 16.41 (5306) 1  | 16.28 (5312) 0  | 16.50 (5295) 1  | 16.58 (5352) 2  | 16.58 (5333) 0 | 16.64 (5367) 0  | 16.68 (5451) 0  | 16.52 (5426) 0  | 16.35 (5410) 0  |
| MAR 12   | 16.77 (5100) 3  | 16.69 (5128) 1  | 16.54 (5221) 0  | 16.82 (5218) 0  | 16.85 (5431) 0  | 16.81 (5414) 0 | 16.72 (5487) 0  | 16.70 (5798) 3  | 16.56 (5894) 8  | 16.25 (5937) 3  |
| APR 12   | 16.63 (3177) 3  | 16.71 (3201) 1  | 16.56 (3228) 0  | 16.82 (3227) 0  | 16.85 (3233) 0  | 16.80 (3246) 0 | 16.79 (3274) 7  | 16.63 (3301) 0  | 16.50 (3318) 0  | 16.18 (3426) 0  |
| MAY 12   | 16.86 (2926) 3  | 16.78 (2928) 1  | 16.74 (2947) 0  | 16.83 (2942) 0  | 16.90 (2930) 0  | 16.91 (2935) 0 | 16.86 (2931) 7  | 16.68 (2945) 0  | 16.57 (2959) 0  | 16.43 (2994) 0  |
| JUN 12   | 17.11 (2467) 3  | 17.15 (2474) 1  | 17.00 (2477) 0  | 17.12 (2486) 42 | 17.08 (2480) 0  | 17.04 (2478) 0 | 17.00 (2482) 7  | 16.96 (2511) 3  | 16.83 (2526) 0  | 16.66 (2541) 0  |
| JUL 12   | 17.20 (1787) 3  | 17.24 (1785) 1  | 17.15 (1786) 0  | 17.19 (1803) 43 | 17.17 (1821) 28 | 17.15 (1816) 1 | 17.14 (1822) 7  | 17.10 (1861) 3  | 17.12 (1879) 2  | 16.96 (1926) 0  |
| AUG 12   | 17.20 (1764) 3  | 17.26 (1773) 1  | 17.20 (1779) 0  | 17.25 (1799) 43 | 17.20 (1812) 28 | 17.21 (1855) 1 | 17.25 (1858) 7  | 17.20 (1866) 3  | 17.15 (1886) 2  | 17.08 (1922) 0  |
| SEP 12   | 17.20 (1667) 3  | 17.23 (1669) 1  | 17.16 (1673) 0  | 17.16 (1698) 47 | 17.17 (1750) 28 | 17.20 (1752) 1 | 17.24 (1757) 7  | 17.26 (1777) 3  | 17.20 (1792) 2  | 17.15 (1865) 0  |
| OCT 12   | 17.08 (1403) 3  | 17.14 (1413) 1  | 17.12 (1420) 0  | 17.12 (1452) 47 | 17.07 (1464) 28 | 17.08 (1486) 1 | 17.10 (1487) 7  | 17.10 (1499) 3  | 17.09 (1530) 2  | 17.06 (1570) 0  |
| <b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>              |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 16.75 (330) 0   | 16.75 (330) 0   | 16.75 (330) 0   | 16.65 (327) 0   | 16.65 (327) 0   | 16.65 (327) 0  | 16.65 (327) 0   | 16.65 (327) 0   | 16.65 (327) 0   | 16.65 (327) 0   |
| FEB 12   | 16.78 (336) 0   | 16.78 (336) 0   | 16.78 (336) 0   | 16.44 (333) 0   | 16.34 (333) 0   | 16.34 (333) 0  | 16.34 (333) 0   | 16.30 (333) 0   | 16.30 (333) 0   | 16.04 (333) 0   |
| MAR 12   | 16.70 (320) 0   | 16.70 (320) 0   | 16.70 (320) 0   | 16.55 (320) 0   | 16.35 (320) 0   | 16.35 (320) 0  | 16.35 (320) 0   | 16.35 (320) 0   | 16.35 (320) 0   | 16.25 (320) 0   |
| <b>CME – CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b> |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 161.00 (624) 8  | 160.00 (624) 4  | 159.00 (624) 1  | 159.00 (625) 7  | 157.58 (626) 6  | 157.75 (626) 0 | 158.00 (626) 0  | 158.20 (626) 0  | 158.20 (626) 0  | 158.20 (626) 0  |
| FEB 12   | 155.50 (619) 18 | 155.50 (650) 44 | 155.00 (649) 4  | 154.00 (648) 20 | 153.00 (650) 3  | 154.00 (656) 8 | 152.75 (663) 11 | 151.50 (661) 20 | 151.50 (662) 3  | 150.75 (656) 12 |
| MAR 12   | 159.50 (724) 48 | 159.00 (734) 29 | 158.75 (738) 20 | 158.00 (747) 10 | 157.75 (746) 25 | 157.75 (746) 0 | 157.00 (777) 32 | 156.25 (779) 4  | 156.25 (776) 19 | 155.00 (776) 16 |
| <b>CME – NONFAT DRY MILK FUTURES (Pit-Traded)</b>            |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 140.50 (130) 0  | 140.50 (130) 0  | 140.50 (130) 0  | 140.50 (124) 0  | 140.75 (126) 0  | 140.75 (126) 0 | 139.75 (126) 0  | 139.75 (126) 0  | 139.75 (126) 0  | 139.75 (126) 0  |
| FEB 12   | 140.00 (133) 0  | 140.00 (133) 0  | 140.00 (133) 0  | 140.00 (134) 0  | 137.75 (139) 0  | 137.50 (161) 0 | 136.50 (181) 0  | 136.50 (181) 0  | 136.50 (181) 0  | 135.75 (181) 0  |
| MAR 12   | 140.00 (92) 0   | 140.00 (92) 0   | 140.00 (92) 0   | 138.50 (106) 0  | 137.00 (126) 0  | 137.00 (141) 0 | 136.25 (141) 0  | 136.25 (141) 0  | 136.25 (141) 0  | 135.00 (143) 0  |
| <b>CME – WHEY (Electronic-Traded)</b>                        |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 68.05 (461) 0   | 68.75 (460) 15  | 68.75 (460) 0   | 68.75 (459) 23  | 68.75 (459) 0   | 68.75 (437) 0  | 69.33 (437) 24  | 69.25 (437) 4   | 69.25 (438) 31  | 69.40 (430) 19  |
| FEB 12   | 69.50 (442) 23  | 70.75 (442) 31  | 70.73 (442) 0   | 71.50 (441) 7   | 70.10 (451) 30  | 70.00 (425) 1  | 70.50 (425) 6   | 70.00 (426) 2   | 69.75 (425) 3   | 69.00 (463) 46  |
| MAR 12   | 67.40 (438) 50  | 68.75 (459) 45  | 68.95 (474) 41  | 69.50 (471) 15  | 68.30 (471) 14  | 67.00 (448) 37 | 65.50 (449) 4   | 64.75 (454) 12  | 64.50 (458) 19  | 62.75 (495) 53  |
| <b>CME – CHEESE CSC (Electronic-Traded)</b>                  |                 |                 |                 |                 |                 |                |                 |                 |                 |                 |
| JAN 12   | 1.61 (1107) 0   | 1.61 (1107) 0   | 1.61 (1107) 0   | 1.61 (1107) 0   | 1.61 (1106) 0   | 1.61 (1106) 0  | 1.61 (1106) 0   | 1.61 (1106) 0   | 1.61 (1106) 0   | 1.61 (1106) 0   |
| FEB 12   | 1.55 (1079) 23  | 1.54 (1119) 62  | 1.52 (1124) 6   | 1.54 (1129) 16  | 1.55 (1131) 3   | 1.55 (1131) 0  | 1.56 (1131) 4   | 1.56 (1131) 8   | 1.56 (1137) 21  | 1.54 (1133) 10  |
| MAR 12   | 1.61 (1133) 128 | 1.58 (1155) 31  | 1.56 (1185) 40  | 1.58 (1192) 27  | 1.59 (1191) 1   | 1.60 (1193) 2  | 1.60 (1199) 11  | 1.60 (1200) 29  | 1.59 (1197) 10  | 1.57 (1229) 54  |
| APR 12   | 1.62 (878) 31   | 1.61 (896) 18   | 1.60 (910) 22   | 1.62 (916) 26   | 1.64 (917) 1    | 1.64 (917) 0   | 1.65 (910) 11   | 1.65 (924) 15   | 1.63 (927) 5    | 1.62 (960) 77   |
| MAY 12   | 1.66 (720) 6    | 1.64 (724) 4    | 1.65 (735) 17   | 1.66 (742) 19   | 1.66 (739) 2    | 1.67 (734) 5   | 1.69 (732) 2    | 1.68 (734) 2    | 1.67 (721) 20   | 1.65 (726) 7    |
| JUN 12   | 1.71 (515) 4    | 1.70 (517) 2    | 1.70 (517) 12   | 1.70 (538) 39   | 1.70 (538) 0    | 1.70 (538) 0   | 1.70 (538) 0    | 1.71 (542) 4    | 1.70 (544) 21   | 1.68 (548) 11   |

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

MONTHLY SUMMARY AND AVERAGES FOR JANUARY 2012 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

| COMMODITY   | :REPORT NUMBER 1   |                    | :REPORT NUMBER 2   |                    | :REPORT NUMBER 3   |            | :REPORT NUMBER 4 |  | :REPORT NUMBER 5 |  | 2012      | 2011      |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------|------------------|--|------------------|--|-----------|-----------|
|   | :-----             |                    | :-----             |                    | :-----             |            | :-----           |  | :-----           |  | : Average | : Average |
|   | : JAN 02 - 06      | : JAN 09 - 13      | : JAN 16 - 20      | : JAN 23 - 27      | : JAN 30 - 31      | : or Total | : or Total       |  |                  |  |           |           |
| CHEESE  |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| WISCONSIN (WSP, Delivered, LTL)                                       |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| -- Process American 5# Loaf   | :: 1.9300 - 2.3600 | :: 1.9425 - 2.3600 | :: 1.9350 - 2.3600 | :: 1.8800 - 2.3600 | :: 1.8475 - 2.3600 | :: 2.1371  | : 1.8803         |  |                  |  |           |           |
| -- Brick And/Or Muenster 5#   | :: 2.0700 - 2.4400 | :: 2.0975 - 2.4400 | :: 2.1025 - 2.4400 | :: 2.0575 - 2.4400 | :: 2.0125 - 2.4400 | :: 2.2571  | : 2.0163         |  |                  |  |           |           |
| -- Cheddar 40# Block  | :: 2.0700 - 2.8650 | :: 2.0975 - 2.8650 | :: 2.1025 - 2.8650 | :: 2.0575 - 2.8650 | :: 2.0125 - 2.8650 | :: 2.4696  | : 2.2241         |  |                  |  |           |           |
| -- Monterey Jack 10#  | :: 2.0400 - 2.8650 | :: 2.0675 - 2.8650 | :: 2.0725 - 2.8650 | :: 2.0275 - 2.8650 | :: 1.9825 - 2.8650 | :: 2.4546  | : 2.2263         |  |                  |  |           |           |
| -- Blue 5#  | :: 2.3350 - 3.1300 | :: 2.3625 - 3.1300 | :: 2.3675 - 3.1300 | :: 2.3225 - 3.1300 | :: 2.2775 - 3.1300 | :: 2.7346  | : 2.5351         |  |                  |  |           |           |
| -- Mozzarella 5 - 6#  | :: 1.9150 - 2.9650 | :: 1.9425 - 2.9650 | :: 1.9475 - 2.9650 | :: 1.9025 - 2.9650 | :: 1.8575 - 2.9650 | :: 2.4421  | : 2.2154         |  |                  |  |           |           |
| -- Grade A Swiss Cuts 6 - 9#  | :: 3.0475 - 3.3300 | :: 3.0475 - 3.3300 | :: 3.0475 - 3.3300 | :: 3.0475 - 3.3300 | :: 3.0475 - 3.3300 | :: 3.1888  | : 2.9850         |  |                  |  |           |           |
| NORTHEAST (WSP, Delivered, LTL)                                       |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| -- Cheddar 40# Block  | :: 1.8775 - 2.1525 | :: 1.9050 - 2.1800 | :: 1.9100 - 2.1850 | :: 1.9550 - 2.2300 | :: 1.9100 - 2.1950 | :: 2.0498  | : 1.8808         |  |                  |  |           |           |
| -- Process 5# Sliced  | :: 1.6800 - 1.8000 | :: 1.6925 - 1.8125 | :: 1.6850 - 1.8050 | :: 1.7400 - 1.8600 | :: 1.7075 - 1.8275 | :: 1.7608  | : 1.6688         |  |                  |  |           |           |
| -- Muenster   | :: 1.8975 - 2.2250 | :: 1.9250 - 2.2525 | :: 1.9300 - 2.2575 | :: 1.9750 - 2.3025 | :: 1.9300 - 2.2900 | :: 2.0971  | : 1.8658         |  |                  |  |           |           |
| -- Grade A Swiss Cuts 10 - 14#  | :: 3.6375 - 3.9600 | :: 3.6375 - 3.9600 | :: 3.6375 - 3.9600 | :: 3.6375 - 3.9600 | :: 3.6375 - 3.9600 | :: 3.7988  | : 3.3938         |  |                  |  |           |           |
| WEST COAST (WSP, Delivered, LTL)                                      |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| -- Process 5# Loaf  | :: 1.6975 - 1.9550 | :: 1.7100 - 1.9675 | :: 1.7025 - 1.9600 | :: 1.6475 - 1.9050 | :: 1.6150 - 1.8725 | :: 1.8104  | : 1.6625         |  |                  |  |           |           |
| -- Cheddar 40# Block  | :: 1.6900 - 2.0425 | :: 1.7175 - 2.0700 | :: 1.7225 - 2.0750 | :: 1.6750 - 2.0275 | :: 1.6325 - 1.9850 | :: 1.8699  | : 1.7295         |  |                  |  |           |           |
| -- Cheddar 10# Cuts   | :: 1.8700 - 2.0900 | :: 1.8975 - 2.1175 | :: 1.9025 - 2.1225 | :: 1.8550 - 2.0750 | :: 1.8125 - 2.0325 | :: 1.9837  | : 1.8433         |  |                  |  |           |           |
| -- Monterey Jack 10#  | :: 1.8800 - 2.0400 | :: 1.9075 - 2.0675 | :: 1.9125 - 2.0725 | :: 1.8650 - 2.0250 | :: 1.8225 - 1.9825 | :: 1.9637  | : 1.8233         |  |                  |  |           |           |
| -- Grade A Swiss Cuts 6 - 9#  | :: 3.2150 - 3.6450 | :: 3.2150 - 3.6450 | :: 3.2150 - 3.6450 | :: 3.2150 - 3.6450 | :: 3.2150 - 3.6450 | :: 3.4300  | : 3.0250         |  |                  |  |           |           |
| FLUID PRODUCTS  |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)                  |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| -- Northeast - f.o.b  | :: 1.7545 - 1.9459 | :: 1.8910 - 2.0192 | :: 1.8705 - 2.0331 | :: 1.7380 - 1.9276 | :: 1.7138 - 1.8696 | :: 1.8848  | : 2.2938         |  |                  |  |           |           |
| -- Upper Midwest - f.o.b  | :: 1.8502 - 1.9459 | :: 1.8429 - 1.9712 | :: 1.9193 - 2.0169 | :: 1.6590 - 1.8170 | :: 1.6359 - 1.7917 | :: 1.8579  | : 2.3112         |  |                  |  |           |           |
| PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b. |                    |                    |                    |                    |                    |            |                  |  |                  |  |           |           |
| -- Class II   | :: 1.48 - 1.53     | :: 1.48 - 1.53     | :: 1.48 - 1.53     | :: 1.45 - 1.50     | :: 1.45 - 1.50     | :: 1.4950  | : 1.2905         |  |                  |  |           |           |
| -- Class III  | :: 1.60 - 1.64     | :: 1.60 - 1.64     | :: 1.60 - 1.64     | :: 1.60 - 1.64     | :: 1.60 - 1.64     | :: 1.6200  | : 1.0533         |  |                  |  |           |           |

MONTHLY SUMMARY AND AVERAGES FOR JANUARY 2012 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

| COMMODITY                           | :::REPORT NUMBER 1 | :::REPORT NUMBER 2 | :::REPORT NUMBER 3 | :::REPORT NUMBER 4 | :::REPORT NUMBER 5 | ::: 2012     | : | 2011     |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|---|----------|
|                                     | :::-----           | :::-----           | :::-----           | :::-----           | :::-----           | ::: Average  | : | Average  |
|                                     | ::: JAN 02 - 06    | ::: JAN 09 - 13    | ::: JAN 16 - 20    | ::: JAN 23 - 27    | ::: JAN 30 - 31    | ::: or Total | : | or Total |
| DRY PRODUCTS                        |                    |                    |                    |                    |                    |              |   |          |
| NONFAT DRY MILK                     |                    |                    |                    |                    |                    |              |   |          |
| -- Central And East (f.o.b.)        |                    |                    |                    |                    |                    |              |   |          |
| -- Low/Medium Heat                  | :: 1.4000 - 1.5000 | :: 1.4100 - 1.4850 | :: 1.3550 - 1.5000 | :: 1.3500 - 1.5000 | :: 1.3500 - 1.4500 | :: 1.4344    | : | 1.3552   |
| -- Mostly                           | :: 1.4200 - 1.4600 | :: 1.4200 - 1.4500 | :: 1.4100 - 1.4500 | :: 1.4000 - 1.4500 | :: 1.3800 - 1.4350 | :: 1.4302    | : | 1.3489   |
| -- High Heat                        | :: 1.4950 - 1.6000 | :: 1.4900 - 1.5400 | :: 1.4900 - 1.5500 | :: 1.4900 - 1.5450 | :: 1.4850 - 1.5450 | :: 1.5243    | : | 1.4298   |
| -- West (f.o.b.)                    |                    |                    |                    |                    |                    |              |   |          |
| -- Low/Medium Heat                  | :: 1.2500 - 1.4400 | :: 1.3250 - 1.4350 | :: 1.3250 - 1.4425 | :: 1.3000 - 1.4425 | :: 1.2800 - 1.4100 | :: 1.3670    | : | 1.3176   |
| -- Mostly                           | :: 1.3700 - 1.4000 | :: 1.3800 - 1.4000 | :: 1.3800 - 1.4100 | :: 1.3500 - 1.4100 | :: 1.3350 - 1.3750 | :: 1.3840    | : | 1.2953   |
| -- High Heat                        | :: 1.4000 - 1.5375 | :: 1.4000 - 1.5200 | :: 1.4100 - 1.5100 | :: 1.4100 - 1.5100 | :: 1.4000 - 1.5100 | :: 1.4616    | : | 1.3398   |
| WHEY POWDER (Nonhygroscopic)        |                    |                    |                    |                    |                    |              |   |          |
| -- Central (f.o.b.)                 | :: 0.6650 - 0.7150 | :: 0.6850 - 0.7450 | :: 0.6950 - 0.7625 | :: 0.6950 - 0.7625 | :: 0.6900 - 0.7625 | :: 0.7160    | : | 0.3869   |
| -- Mostly                           | :: 0.6850 - 0.7000 | :: 0.6950 - 0.7200 | :: 0.6950 - 0.7250 | :: 0.6950 - 0.7250 | :: 0.6900 - 0.7200 | :: 0.7048    | : | 0.3765   |
| -- West (f.o.b.)                    | :: 0.6300 - 0.7175 | :: 0.6800 - 0.7250 | :: 0.6800 - 0.7450 | :: 0.6800 - 0.7550 | :: 0.5300 - 0.7550 | :: 0.6954    | : | 0.4101   |
| -- Mostly                           | :: 0.6650 - 0.7025 | :: 0.6900 - 0.7225 | :: 0.6950 - 0.7375 | :: 0.6950 - 0.7400 | :: 0.6500 - 0.7300 | :: 0.7039    | : | 0.4107   |
| -- Northeast (f.o.b.)               | :: 0.6850 - 0.7150 | :: 0.7150 - 0.7425 | :: 0.7225 - 0.7675 | :: 0.7400 - 0.7700 | :: 0.7000 - 0.7700 | :: 0.7318    | : | 0.4017   |
| WHEY PROTEIN CONCENTRATE            |                    |                    |                    |                    |                    |              |   |          |
| -- Central And West (f.o.b.)        |                    |                    |                    |                    |                    |              |   |          |
| -- Extra Grade 34% Protein          | :: 1.4800 - 1.6600 | :: 1.4800 - 1.6650 | :: 1.5000 - 1.7200 | :: 1.5000 - 1.7200 | :: 1.5000 - 1.7200 | :: 1.5915    | : | 1.0461   |
| -- Mostly                           | :: 1.5000 - 1.5300 | :: 1.5100 - 1.5400 | :: 1.5100 - 1.5450 | :: 1.5100 - 1.5450 | :: 1.5100 - 1.5450 | :: 1.5239    | : | 1.0233   |
| ANIMAL FEED - WHEY                  |                    |                    |                    |                    |                    |              |   |          |
| -- Central (f.o.b.)                 |                    |                    |                    |                    |                    |              |   |          |
| -- Milk Replacer                    | :: 0.4850 - 0.6275 | :: 0.4850 - 0.6925 | :: 0.5200 - 0.6925 | :: 0.5200 - 0.6925 | :: 0.5200 - 0.6925 | :: 0.5902    | : | 0.3238   |
| BUTTERMILK (Min. 30% protein)       |                    |                    |                    |                    |                    |              |   |          |
| -- Central And East (f.o.b.)        | :: 1.2900 - 1.4100 | :: 1.2800 - 1.4000 | :: 1.2600 - 1.3900 | :: 1.2600 - 1.3900 | :: 1.2700 - 1.3650 | :: 1.3338    | : | 1.2690   |
| -- West (f.o.b.)                    | :: 1.2500 - 1.4000 | :: 1.2600 - 1.3800 | :: 1.2400 - 1.3700 | :: 1.2400 - 1.3700 | :: 1.2300 - 1.3700 | :: 1.3129    | : | 1.1963   |
| -- Mostly                           | :: 1.3200 - 1.3700 | :: 1.3200 - 1.3600 | :: 1.3000 - 1.3600 | :: 1.3000 - 1.3600 | :: 1.2800 - 1.3500 | :: 1.3345    | : | 1.2058   |
| WHOLE MILK POWDER                   |                    |                    |                    |                    |                    |              |   |          |
| -- National (f.o.b.)                | :: 1.7500 - 1.8500 | :: 1.7000 - 1.8500 | :: 1.7200 - 1.8200 | :: 1.6800 - 1.7800 | :: 1.6800 - 1.7800 | :: 1.7650    | : | 1.6943   |
| LACTOSE                             |                    |                    |                    |                    |                    |              |   |          |
| -- Central And West (f.o.b.)        | :: 0.7900 - 0.8800 | :: 0.7900 - 0.9750 | :: 0.7800 - 0.9750 | :: 0.7900 - 0.9950 | :: 0.7900 - 0.9950 | :: 0.8736    | : | 0.3709   |
| -- Mostly                           | :: 0.8200 - 0.8600 | :: 0.8200 - 0.9000 | :: 0.8200 - 0.9000 | :: 0.8200 - 0.9000 | :: 0.8200 - 0.9000 | :: 0.8552    | : | 0.3521   |
| CASEIN - Edible - National (f.o.b.) |                    |                    |                    |                    |                    |              |   |          |
| -- Nonrestricted - Rennet           | :: 4.6000 - 4.9000 | :: 4.6000 - 4.9000 | :: 4.6000 - 4.9000 | :: 4.6000 - 4.9000 | :: 4.6000 - 4.9000 | :: 4.7500    | : | 4.1860   |
| -- Nonrestricted - Acid             | :: 4.9500 - 5.1000 | :: 4.9500 - 5.1000 | :: 4.9500 - 5.1000 | :: 4.9500 - 5.1000 | :: 4.8200 - 5.1000 | :: 5.0188    | : | 4.2340   |

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

CME GROUP AVERAGES FOR JANUARY 2012

| COMMODITY               | :REPORT NUMBER 1 | :REPORT NUMBER 2 | :REPORT NUMBER 3 | :REPORT NUMBER 4 | :REPORT NUMBER 5 | : 2012 *        | : 2011 *        |
|-------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
|                         | JAN 2 - 6        | JAN 9 - 13       | JAN 17 - 20      | JAN 23 - 27      | JAN 30 - 31      | Monthly Average | Monthly Average |
| <b>BUTTER*</b>          |                  |                  |                  |                  |                  |                 |                 |
| -- GRADE AA             |                  |                  |                  |                  |                  |                 |                 |
| --Monday                | 1/               | 1.6400           | 1/               | 1.5650           | 1.5050           |                 |                 |
| --Tuesday               | 1.6000           | 1.6400           | 1.5950           | 1.5600           | 1.5050           |                 |                 |
| --Wednesday             | 1.6000           | 1.6275           | 1.5775           | 1.5600           |                  |                 |                 |
| --Thursday              | 1.6050           | 1.6125           | 1.5775           | 1.5550           |                  |                 |                 |
| --Friday                | 1.6050           | 1.6125           | 1.5700           | 1.5500           |                  | 1.5831          | 2.0345          |
| --Weekly Average**      | 1.6025           | 1.6265           | 1.5800           | 1.5580           |                  |                 |                 |
| <b>CHEESE*</b>          |                  |                  |                  |                  |                  |                 |                 |
| -- BARRELS              |                  |                  |                  |                  |                  |                 |                 |
| --Monday                | 1/               | 1.5875           | 1/               | 1.4850           | 1.4950           |                 |                 |
| --Tuesday               | 1.5800           | 1.5800           | 1.5375           | 1.4850           | 1.4950           |                 |                 |
| --Wednesday             | 1.5775           | 1.5800           | 1.5250           | 1.4850           |                  |                 |                 |
| --Thursday              | 1.5850           | 1.5800           | 1.5150           | 1.4850           |                  |                 |                 |
| --Friday                | 1.5900           | 1.5500           | 1.5025           | 1.4950           |                  | 1.5358          | 1.4876          |
| --Weekly Average**      | 1.5831           | 1.5755           | 1.5200           | 1.4870           |                  |                 |                 |
| -- 40# BLOCKS           |                  |                  |                  |                  |                  |                 |                 |
| --Monday                | 1/               | 1.6000           | 1/               | 1.5050           | 1.5100           |                 |                 |
| --Tuesday               | 1.5625           | 1.5950           | 1.5950           | 1.5050           | 1.5100           |                 |                 |
| --Wednesday             | 1.5800           | 1.5950           | 1.5550           | 1.5050           |                  |                 |                 |
| --Thursday              | 1.6100           | 1.5950           | 1.5450           | 1.5050           |                  |                 |                 |
| --Friday                | 1.6100           | 1.5950           | 1.5050           | 1.5100           |                  | 1.5546          | 1.5140          |
| --Weekly Average**      | 1.5906           | 1.5960           | 1.5500           | 1.5060           |                  |                 |                 |
| <b>NONFAT DRY MILK*</b> |                  |                  |                  |                  |                  |                 |                 |
| -- EXTRA GRADE          |                  |                  |                  |                  |                  |                 |                 |
| --Monday                | 1/               | 1.4800           | 1/               | 1.4800           | 1.4800           |                 |                 |
| --Tuesday               | 1.4800           | 1.4800           | 1.4800           | 1.4800           | 1.3600           |                 |                 |
| --Wednesday             | 1.4800           | 1.4800           | 1.4800           | 1.4800           |                  |                 |                 |
| --Thursday              | 1.4800           | 1.4800           | 1.4800           | 1.4800           |                  |                 |                 |
| --Friday                | 1.4800           | 1.4800           | 1.4800           | 1.4800           |                  | 1.4740          | 1.4263          |
| --Weekly Average**      | 1.4800           | 1.4800           | 1.4800           | 1.4800           |                  |                 |                 |
| -- GRADE A              |                  |                  |                  |                  |                  |                 |                 |
| --Monday                | 1/               | 1.4500           | 1/               | 1.4500           | 1.3800           |                 |                 |
| --Tuesday               | 1.4500           | 1.4500           | 1.4500           | 1.4500           | 1.3800           |                 |                 |
| --Wednesday             | 1.4500           | 1.4500           | 1.4500           | 1.4500           |                  |                 |                 |
| --Thursday              | 1.4500           | 1.4500           | 1.4500           | 1.4500           |                  |                 |                 |
| --Friday                | 1.4500           | 1.4500           | 1.4500           | 1.4500           |                  | 1.4430          | 1.4514          |
| --Weekly Average**      | 1.4500           | 1.4500           | 1.4500           | 1.4500           |                  |                 |                 |

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

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

1/ - Holiday - no cash dairy trading.

## JANUARY AGRICULTURAL PRICES HIGHLIGHTS

The All Milk price received by farmers was \$19.20 in January, down \$0.60 from December 2011 and up \$2.50 from January 2011. Milk Cows price was \$1,460 in January, up \$160 from January 2011. Alfalfa hay price was \$192.00 in January, up \$71.00 from January 2011. Corn price was \$5.90 in January, up \$0.96 from January 2011. Soybean price was \$11.70 in January, up \$0.10 from January 2011. The milk-feed price ratio was 1.77 in January, down 0.19 from January 2011.

The index of prices received by farmers for dairy products decreased 5 points during the month of January 2012 to 147. Compared with January 2011, the index was up 19 points (14.8 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in January 2012 increased 2 points to 207. Compared with January 2011, the index was up 12 points (6.2 percent).

## SELECTED MILK PRICES, MILK COWS, AND FEED PRICES, SELECTED STATES AND U.S., JANUARY 2012 WITH COMPARISONS

| State | All-Milk price 1/ 2/ |       |         |         | Milk cows 3/     |         | Alfalfa hay, baled |         | Corn               |         | Soybeans           |         |
|-------|----------------------|-------|---------|---------|------------------|---------|--------------------|---------|--------------------|---------|--------------------|---------|
|       | Dollars per cwt.     |       |         |         | Dollars per head |         | Dollars per ton    |         | Dollars per bushel |         | Dollars per bushel |         |
|       | December             |       | January |         | January          |         | January            |         | January            |         | January            |         |
|       | 2010                 | 2011  | 2011    | 2012 4/ | 2011             | 2012 4/ | 2011               | 2012 4/ | 2011               | 2012 4/ | 2011               | 2012 4/ |
| AZ    | 16.60                | 19.10 | 16.50   | 18.60   | 1,380            | 1,500   | 140.00             | 250.00  | ---                | ---     | ---                | ---     |
| CA    | 14.86                | 17.80 | 15.35   | 17.30   | 1,200            | 1,400   | 161.00             | 243.00  | ---                | ---     | ---                | ---     |
| CO    | 16.80                | 19.10 | 16.70   | 18.90   | 1,330            | 1,500   | 130.00             | 240.00  | 4.77               | 6.00    | ---                | ---     |
| ID    | 15.00                | 18.30 | 15.40   | 17.50   | 1,200            | 1,450   | 135.00             | 220.00  | ---                | ---     | ---                | ---     |
| IN    | 18.10                | 20.40 | 17.90   | 20.10   | 1,350            | 1,450   | ---                | ---     | 4.95               | 5.90    | ---                | ---     |
| IA    | 16.80                | 20.40 | 16.50   | 19.70   | 1,250            | 1,400   | 117.00             | 152.00  | 5.07               | 5.80    | 11.80              | 11.30   |
| MI    | 17.60                | 20.50 | 17.40   | 19.50   | 1,450            | 1,600   | 110.00             | 110.00  | 5.25               | 5.65    | 11.80              | 11.30   |
| MN    | 16.30                | 21.00 | 16.20   | 20.40   | 1,310            | 1,430   | 100.00             | 140.00  | 4.76               | 5.70    | 11.20              | 11.50   |
| NM    | 16.60                | 18.70 | 16.40   | 18.50   | 1,320            | 1,380   | 170.00             | 305.00  | ---                | ---     | ---                | ---     |
| NY    | 18.30                | 20.70 | 17.80   | 20.30   | 1,300            | 1,450   | 130.00             | 129.00  | ---                | ---     | ---                | ---     |
| OH    | 18.60                | 21.10 | 18.40   | 20.90   | 1,360            | 1,500   | 156.00             | 187.00  | 5.23               | 5.95    | ---                | ---     |
| PA    | 18.90                | 21.40 | 18.90   | 20.90   | 1,400            | 1,500   | 153.00             | 183.00  | 6.34               | 6.75    | ---                | ---     |
| TX    | 17.80                | 20.00 | 17.60   | 19.50   | 1,200            | 1,400   | 190.00             | 265.00  | 4.91               | 6.67    | ---                | ---     |
| WA    | 16.90                | 19.90 | 17.00   | 19.50   | 1,300            | 1,400   | 130.00             | 245.00  | ---                | ---     | ---                | ---     |
| WI    | 16.50                | 20.90 | 16.20   | 19.80   | 1,430            | 1,550   | 95.00              | 125.00  | 4.90               | 5.78    | 11.50              | 11.60   |
| U.S.  | 16.70                | 19.80 | 16.70   | 19.20   | 1,300            | 1,460   | 121.00             | 192.00  | 4.94               | 5.90    | 11.60              | 11.70   |

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

3/ Animals sold for dairy herd replacement only. Prices estimated in January, April, July, and October. 4/ Preliminary.

## MILK-FEED PRICE RATIO, SELECTED STATES AND U.S., JANUARY 2012 WITH COMPARISONS

| Milk-feed: pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk 1/ |              |               |                 |
|--|--------------|---------------|-----------------|
| State 2/   | January 2011 | December 2011 | January 2012 3/ |
| IA   | 1.92         | 2.11          | 1.99            |
| MI   | 2.02         | 2.31          | 2.19            |
| MN   | 2.06         | 2.24          | 2.13            |
| OH   | 1.93         | 1.95          | 1.90            |
| WI   | 2.04         | 2.22          | 2.11            |
| U.S.   | 1.96         | 1.81          | 1.77            |

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

3/ Preliminary.

## GENERAL PRICE MEASURES, U.S., JANUARY 2012 WITH COMPARISONS

| Item  | January 2011 | December 2011 | January 2012 1/ |
|---|--------------|---------------|-----------------|
| <b>INDEX NUMBERS (1990-92=100):</b>   |              |               |                 |
| Prices received by farmers for dairy products                                       | 128          | 152           | 147             |
| Prices paid by farmers for commodities and services, interest taxes, and wage rates | 195          | 205           | 207             |

1/ Preliminary.

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

### JANUARY 1 MILK COW INVENTORY SUMMARY

The number of milk cows in the United States as of January 1, 2012, totaled 9.2 million head, up 1 percent from January 1, 2011.

Milk cow replacement heifers totaled 4.5 million head, down 1 percent from January 1, 2011.

The number of milk cow replacement heifers per 100 milk cows on January 1, 2012 was 49.0, down 1.8 percent from January 1, 2011.

Milk cow replacement heifers expected to calve during the year totaled 3.03 million head, down 1 percent from January 1, 2011.

#### MILK COW INVENTORY: Number by Class, January 1, 2011-2012

| State | Milk Cows that Have Calved |         | Heifers for Milk Cow Replacement |       | State | Milk Cows that Have Calved |         | Heifers for Milk Cow Replacement |         |
|-------|----------------------------|---------|----------------------------------|-------|-------|----------------------------|---------|----------------------------------|---------|
|       | 2010                       | 2011    | 2010                             | 2011  |       | 2010                       | 2011    | 2010                             | 2011    |
|       | 1,000 Head                 |         |                                  |       |       | 1,000 Head                 |         |                                  |         |
| AL    | 11.0                       | 10.0    | 6.0                              | 6.0   | NE    | 58.0                       | 56.0    | 20.0                             | 15.0    |
| AK    | 0.5                        | 0.5     | 0.2                              | 0.2   | NV    | 28.0                       | 29.0    | 10.0                             | 10.0    |
| AZ    | 185.0                      | 190.0   | 60.0                             | 65.0  | NH    | 15.0                       | 14.0    | 7.5                              | 6.5     |
| AR    | 12.0                       | 11.0    | 4.0                              | 5.0   | NJ    | 7.5                        | 7.5     | 4.0                              | 4.0     |
| CA    | 1,750.0                    | 1,780.0 | 760.0                            | 800.0 | NM    | 322.0                      | 335.0   | 140.0                            | 120.0   |
| CO    | 123.0                      | 131.0   | 75.0                             | 75.0  | NY    | 610.0                      | 610.0   | 330.0                            | 320.0   |
| CT    | 19.0                       | 18.5    | 9.5                              | 9.5   | NC    | 44.0                       | 45.0    | 21.0                             | 21.0    |
| DE    | 5.0                        | 5.0     | 3.0                              | 3.3   | ND    | 20.0                       | 18.0    | 10.0                             | 10.0    |
| FL    | 114.0                      | 120.0   | 30.0                             | 35.0  | OH    | 270.0                      | 270.0   | 125.0                            | 120.0   |
| GA    | 78.0                       | 78.0    | 23.0                             | 31.0  | OK    | 54.0                       | 52.0    | 20.0                             | 20.0    |
| HI    | 2.0                        | 1.9     | 1.0                              | 1.0   | OR    | 121.0                      | 123.0   | 65.0                             | 75.0    |
| ID    | 574.0                      | 581.0   | 320.0                            | 280.0 | PA    | 543.0                      | 540.0   | 310.0                            | 315.0   |
| IL    | 98.0                       | 99.0    | 46.0                             | 47.0  | RI    | 1.1                        | 1.1     | 0.5                              | 0.5     |
| IN    | 172.0                      | 175.0   | 62.0                             | 70.0  | SC    | 16.0                       | 16.0    | 7.0                              | 6.0     |
| IA    | 210.0                      | 205.0   | 130.0                            | 140.0 | SD    | 90.0                       | 90.0    | 25.0                             | 35.0    |
| KS    | 122.0                      | 123.0   | 85.0                             | 85.0  | TN    | 50.0                       | 50.0    | 35.0                             | 30.0    |
| KY    | 77.0                       | 75.0    | 50.0                             | 45.0  | TX    | 425.0                      | 435.0   | 230.0                            | 210.0   |
| LA    | 19.0                       | 18.0    | 5.0                              | 6.0   | UT    | 87.0                       | 90.0    | 42.0                             | 53.0    |
| ME    | 32.0                       | 32.0    | 17.0                             | 16.0  | VT    | 135.0                      | 133.0   | 61.0                             | 54.0    |
| MD    | 53.0                       | 52.0    | 28.0                             | 28.0  | VA    | 95.0                       | 96.0    | 49.0                             | 40.0    |
| MA    | 13.5                       | 12.0    | 7.5                              | 6.0   | WA    | 252.0                      | 263.0   | 122.0                            | 120.0   |
| MI    | 361.0                      | 371.0   | 148.0                            | 158.0 | WV    | 10.0                       | 10.0    | 5.0                              | 5.0     |
| MN    | 470.0                      | 465.0   | 290.0                            | 285.0 | WI    | 1,265.0                    | 1,265.0 | 700.0                            | 680.0   |
| MS    | 15.0                       | 14.0    | 7.0                              | 7.0   | WY    | 6.0                        | 6.0     | 5.0                              | 5.0     |
| MO    | 95.0                       | 93.0    | 50.0                             | 40.0  |       |                            |         |                                  |         |
| MT    | 14.0                       | 14.0    | 7.0                              | 8.0   | U.S.  | 9,149.6                    | 9,229.5 | 4,568.2                          | 4,527.0 |

**SOURCE:** U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Cattle, January 2012.*

## DECEMBER 2011 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 165.9 million pounds, 5.2 percent above December 2010 and 8.9 percent above November 2011. **AMERICAN TYPE CHEESE** production totaled 370.7 million pounds, 1.2 percent above December 2010 and 5.6 percent above November 2011. **TOTAL CHEESE** output (excluding cottage cheese) was 929.5 million pounds, 2.4 percent above December 2010 and 4.2 percent above November 2011. **NONFAT DRY MILK** production, for human food, totaled 150.2 million pounds, 8.0 percent above December 2010 and 24.8 percent above November 2011. **DRY WHEY** production, for human food, was 77.4 million pounds, 8.0 percent below December 2010 but 7.0 percent above November 2011. **ICE CREAM** (hard) production totaled 50.3 million gallons, slightly below December 2010 and 3.8 percent below November 2011.

| PRODUCTION OF DAIRY PRODUCTS       |            |                      |          |                 |                                   |               |                      |          |                 |
|------------------------------------|------------|----------------------|----------|-----------------|-----------------------------------|---------------|----------------------|----------|-----------------|
| PRODUCT                            | DEC 2011   | PERCENT CHANGE FROM: |          |                 | PRODUCT                           | DEC 2011      | PERCENT CHANGE FROM: |          |                 |
|                                    | 1,000 LBS. | DEC 2010             | NOV 2011 | YEAR TO DATE 1/ |                                   | 1,000 LBS.    | DEC 2010             | NOV 2011 | YEAR TO DATE 1/ |
| BUTTER                             | 165,906    | 5.2                  | 8.9      | 15.4            | SOUR CREAM                        | 114,649       | -1.3                 | -7.8     | 3.1             |
| CHEESE                             |            |                      |          |                 | YOGURT (PLAIN AND FLAVORED)       | 327,900       | -2.1                 | 4.7      | 2.3             |
| AMERICAN TYPES 2/                  | 370,684    | 1.2                  | 5.6      | -0.4            | DRY WHEY, HUMAN FOOD              | 77,356        | -8.0                 | 7.0      | ---             |
| CHEDDAR                            | 274,666    | 0.0                  | 7.5      | -2.6            | DRY WHEY, ANIMAL FEED             | 5,648         | 8.2                  | 9.5      | ---             |
| OTHER AMERICAN                     | 96,018     | 4.8                  | 0.6      | ---             | DRY WHEY, TOTAL 8/                | 83,004        | -7.1                 | 7.1      | -0.3            |
| BRICK & MUENSTER                   | 12,072     | 4.6                  | -2.3     | ---             | REDUCED LACTOSE AND MINERALS      |               |                      |          |                 |
| CREAM & NEUFCHATEL                 | 61,838     | 3.2                  | -8.8     | ---             | HUMAN FOOD                        | 2,724         | -5.1                 | 15.7     | ---             |
| HISPANIC                           | 18,038     | -6.2                 | 0.1      | ---             | ANIMAL FEED                       | 5,253         | 11.7                 | 1.5      | ---             |
| TOTAL ITALIAN TYPES                | 408,602    | 3.5                  | 6.4      | 3.3             | LACTOSE, HUMAN FOOD & ANIMAL FEED | 85,710        | 3.7                  | 5.2      | 9.9             |
| MOZZARELLA                         | 321,002    | 4.0                  | 8.8      | 2.4             | WHEY PROTEIN CONCENTRATE          |               |                      |          |                 |
| OTHER ITALIAN                      | 87,600     | 1.8                  | -1.5     | ---             | HUMAN FOOD 9/                     | 37,473        | 9.6                  | 8.8      | ---             |
| SWISS                              | 27,770     | -5.6                 | 4.5      | ---             | ANIMAL FEED 9/                    | 2,156         | -33.8                | -9.3     | ---             |
| ALL OTHER TYPES                    | 30,450     | 13.5                 | -5.2     | ---             | TOTAL 9/                          | 39,629        | 5.8                  | 7.6      | 0.7             |
| TOTAL                              | 929,454    | 2.4                  | 4.2      | 1.7             | 25.0-49.9 PERCENT 10/             | 21,122        | 1.8                  | 1.7      | ---             |
| COTTAGE CHEESE, CURD 3/            | 31,767     | -2.4                 | -5.6     | ---             | 50.0-89.9 PERCENT 10/             | 18,507        | 10.8                 | 15.3     | ---             |
| COTTAGE CHEESE, CREAM 4/           | 23,203     | -7.3                 | -4.2     | -2.2            | PROTEIN ISOLATES 11/              | 5,322         | -17.3                | 2.9      | ---             |
| COTTAGE CHEESE, LOWFAT 5/          | 28,040     | -4.8                 | -8.0     | -1.3            | FROZEN PRODUCTS                   | 1,000 GALLONS | PERCENT CHANGE FROM: |          |                 |
| CANNED EVAP & CONDSO WHOLE MILK    | 36,526     | -12.2                | -19.7    | ---             | ICE CREAM (HARD)                  | 50,348        | 0.0                  | -3.8     | -2.9            |
| DRY BUTTERMILK                     | 10,277     | 5.1                  | 19.2     | ---             | ICE CREAM, LOWFAT (HARD)          | 11,896        | 37.1                 | 4.3      | ---             |
| DRY WHOLE MILK                     | 4,119      | -22.5                | -22.2    | ---             | ICE CREAM, LOWFAT (SOFT)          | 12,630        | 1.8                  | -13.7    | ---             |
| MILK PROTEIN CONC. (MPC), TOTAL 6/ | 7,612      | -2.2                 | 38.3     | ---             | ICE CREAM, LOWFAT (TOTAL)         | 24,526        | 16.3                 | -5.8     | 6.9             |
| NONFAT DRY MILK (NDM), HUMAN       | 150,202    | 8.0                  | 24.8     | -2.9            | SHERBET, HARD                     | 2,422         | -17.7                | -3.9     | -10.4           |
| SKIM MILK POWDERS (SMP) 7/         | 36,579     | 34.6                 | -7.6     | 75.8            | YOGURT (TOTAL)                    | 3,272         | 11.0                 | 0.3      | 3.5             |

| MANUFACTURERS' STOCKS, END OF MONTH 12/       |            |             |          |                          |            |             |          |
|---|------------|-------------|----------|--------------------------|------------|-------------|----------|
| PRODUCT                                       | DEC 2011   | PERCENT OF: |          | PRODUCT                  | DEC 2011   | PERCENT OF: |          |
|   | 1,000 LBS. | DEC 2010    | NOV 2011 |                          | 1,000 LBS. | DEC 2010    | NOV 2011 |
| DRY WHEY, HUMAN FOOD                          | 41,372     | -2.9        | 12.0     | WHEY PROTEIN CONCENTRATE |            |             |          |
| DRY WHEY, ANIMAL FEED                         | 4,209      | -4.8        | 7.8      | HUMAN FOOD 9/            | 40,057     | 14.5        | 3.9      |
| REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/ | 4,976      | -22.6       | -9.4     | ANIMAL FEED 9/           | 1,777      | -2.5        | -16.4    |
| LACTOSE, HUMAN FOOD & ANIMAL FEED             | 66,516     | -18.2       | 4.1      | TOTAL 9/                 | 41,834     | 13.6        | 2.9      |
| CANNED EVAP & CONDSO WHOLE MILK               | 37,028     | -29.1       | -22.0    | 25.0-49.9 PERCENT 10/    | 22,312     | 30.3        | 5.6      |
| DRY BUTTERMILK                                | 15,170     | 38.0        | 28.2     | 50.0-89.9 PERCENT 10/    | 19,522     | -0.9        | -0.1     |
| NONFAT DRY MILK (NDM), HUMAN FOOD             | 165,444    | 14.4        | 13.6     | PROTEIN ISOLATES 11/     | 6,869      | 54.3        | 9.4      |

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

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

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,  
BY FEDERAL MILK ORDER MARKETING AREA, NOVEMBER 2011 1/**

For November 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.15 per cwt., down \$0.03 from the October 2011 average. Ninety percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.80 in the Pacific Northwest to \$3.00 in the Appalachian Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.13 per cwt., down \$0.05 per cwt. from the October 2011 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

| Federal Milk Order Marketing Area 2/ | Order Number | Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/ | Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/ |
|--------------------------------------|--------------|--|---|
|                                      |              | \$/cwt   |   |
| Appalachian                          | 005          | 3.00   | 1.01  |
| Southeast                            | 007          | 2.73   | 2.14  |
| Florida                              | 006          | 2.95   | 0.47  |
| Mideast                              | 033          | 2.06   | 1.39  |
| Upper Midwest                        | 030          | 1.97   | 0.91  |
| Central                              | 032          | 1.90   | 0.93  |
| Pacific Northwest                    | 124          | 0.80   | 0.62  |
| All Reporting Areas Combined 3/      |              | 2.15   | 1.13  |

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

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

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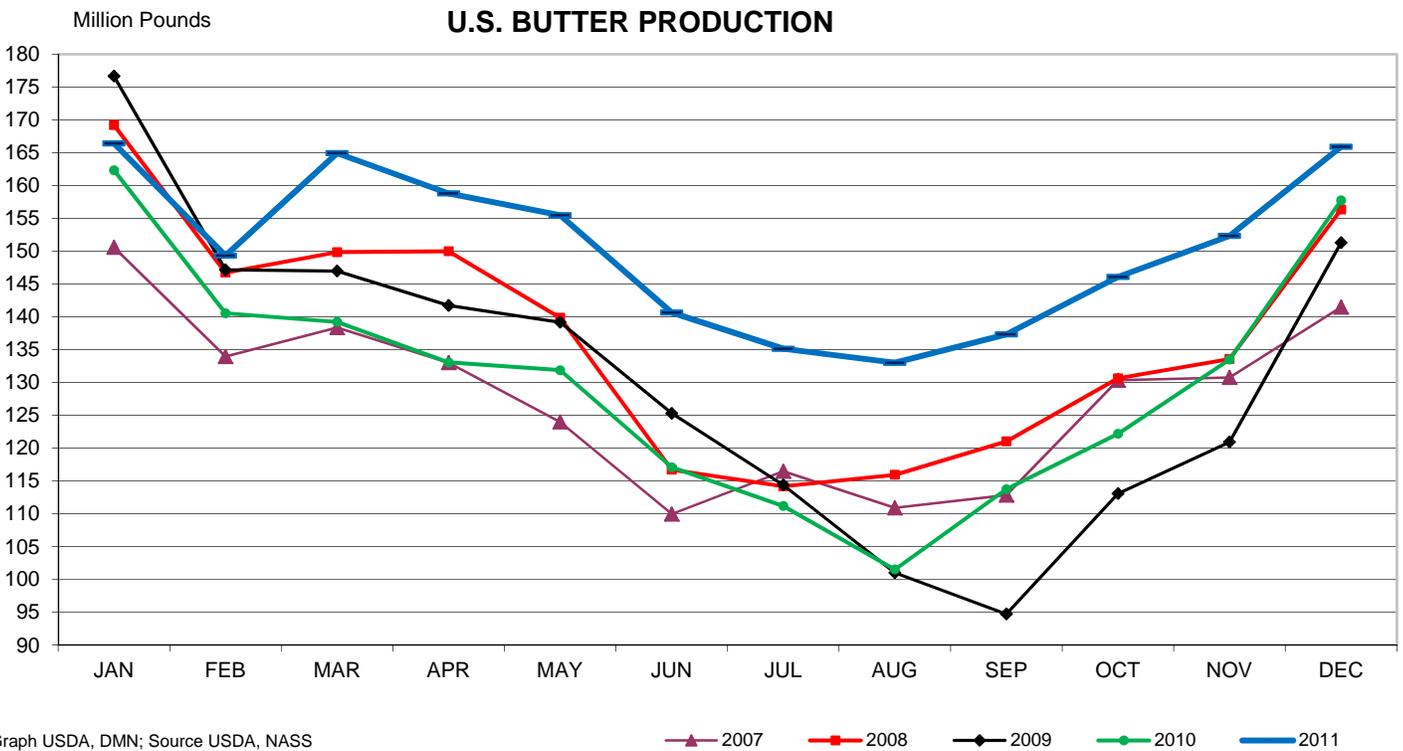
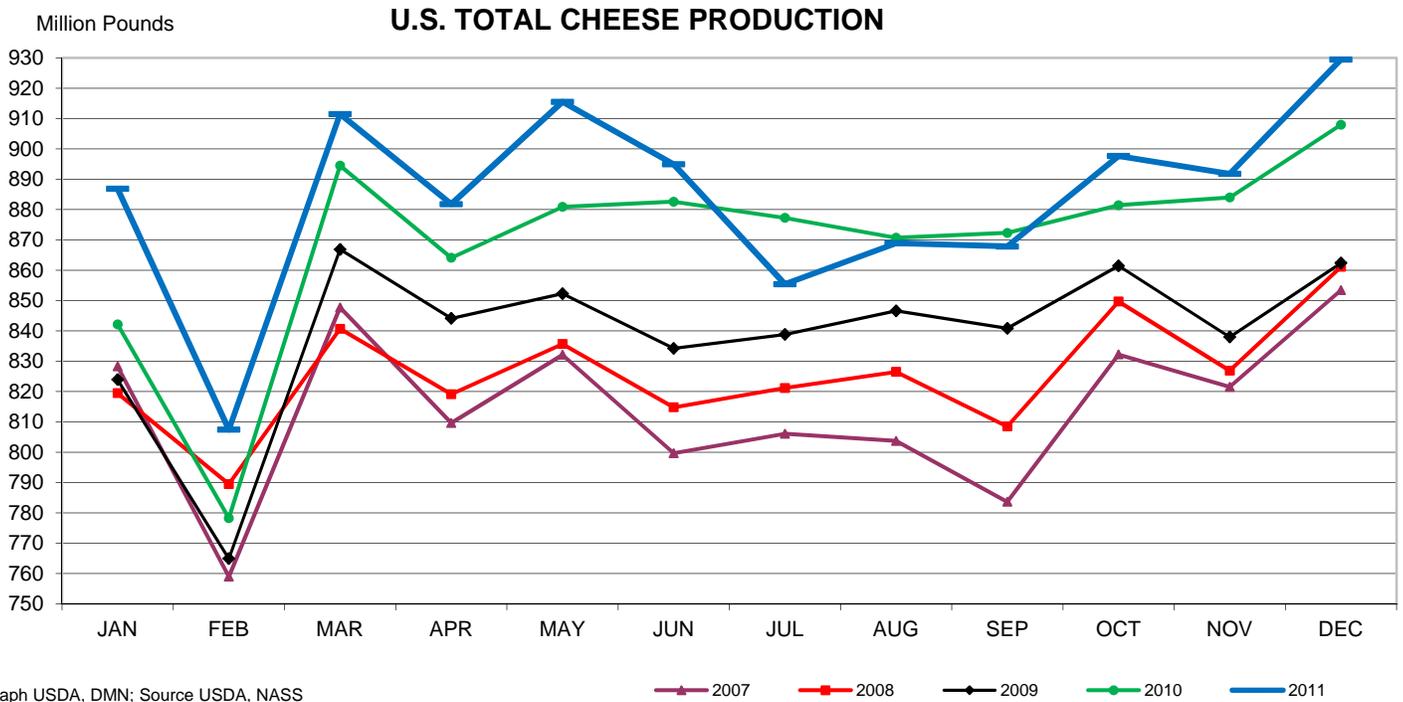
| Federal Milk Order Marketing Area 2/ | Order Number | Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/ | Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/ |
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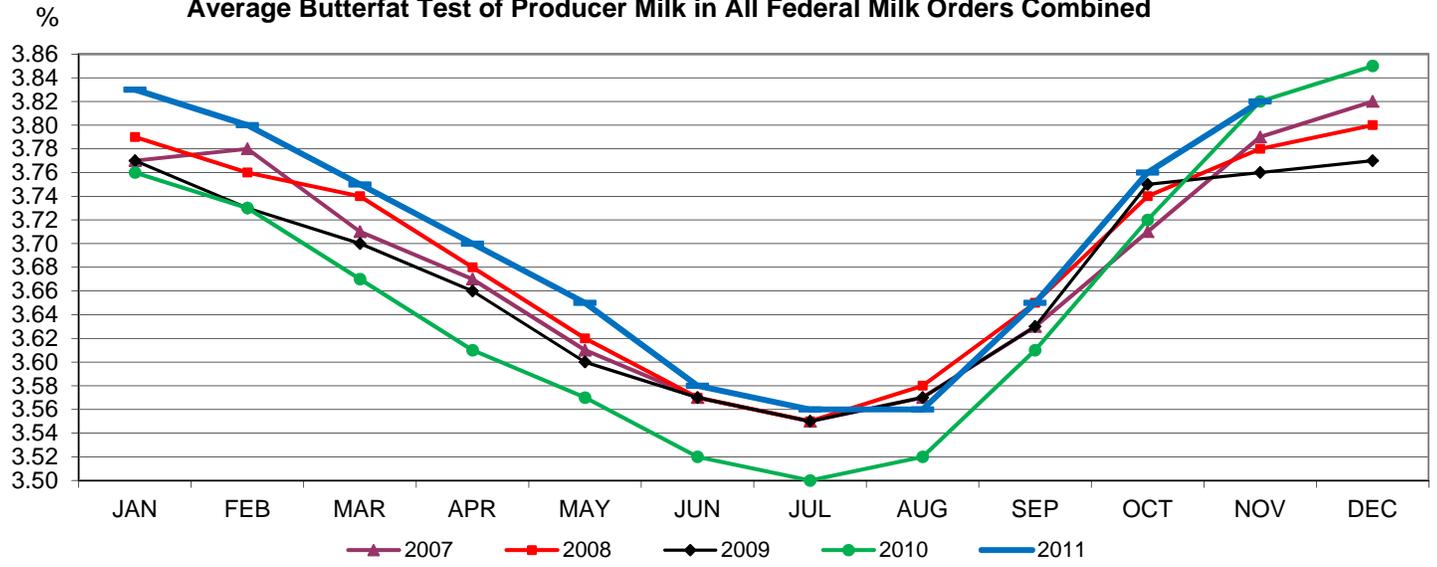
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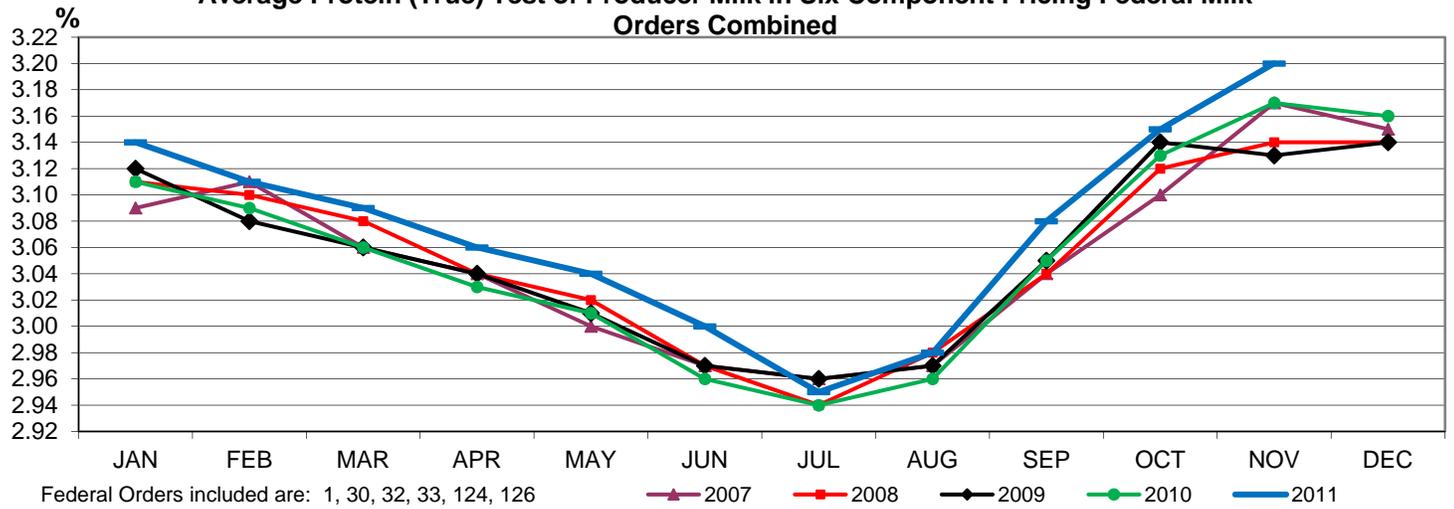
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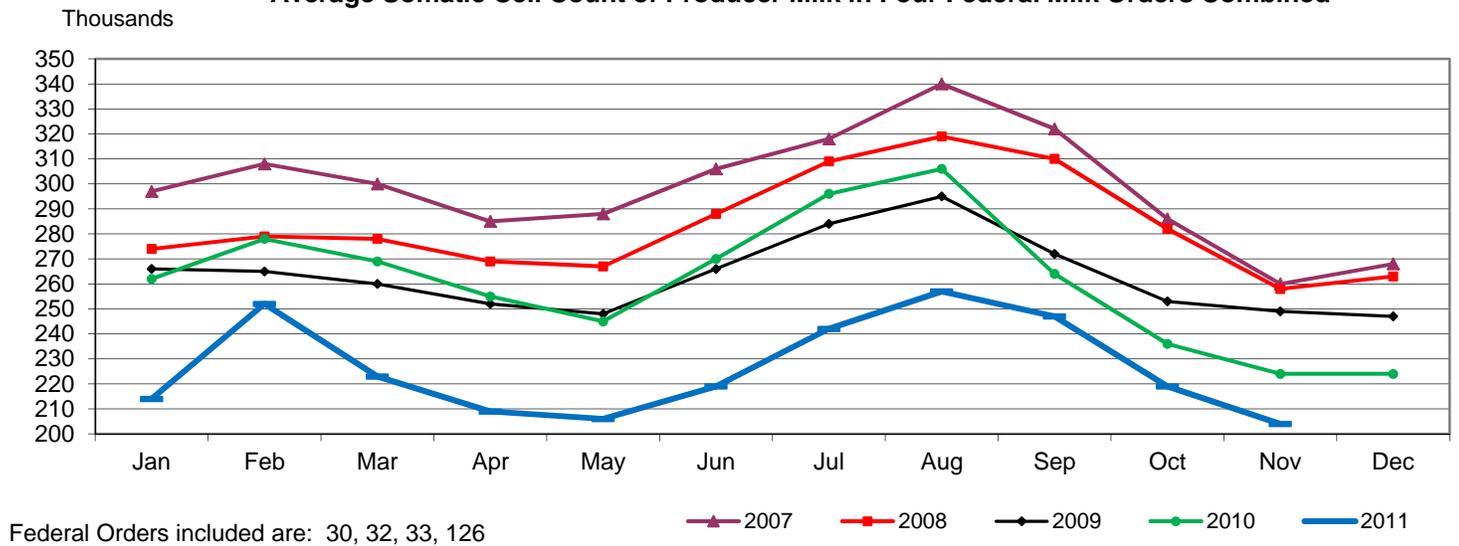
**Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined**



**Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined**



**Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined**



# DAIRY MARKET NEWS

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