

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (02/10):

BUTTER: Grade AA closed at \$1.4325. The weekly average for Grade AA is \$1.4425 (-.0555).

CHEESE: Barrels closed at \$1.4850 and 40# blocks at \$1.4750. The weekly average for barrels is \$1.4890 (-.0035) and blocks, \$1.4770 (-.0195).

BUTTER HIGHLIGHTS: The CME cash butter price continues to steadily decline on basically a daily basis and settled at \$1.4325 at week's end, the lowest cash price in nearly two years. Churning activity across the country remains strong. Cream supplies are plentiful to churns with some cream volumes clearing from one region to another to secure a buyer or processing capacity. Current churning activity continues to surpass demand and clearances to inventory continue. Domestic buying interest is fair. Reports indicate that overall orders have slowed, which is typical for a time when the cash price is weak and declining. Again this week, Cooperatives Working Together (CWT) announced the acceptance of export assistance requests for nearly 3.4 million pounds of 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. Within the past two weeks, 14.4 million pounds of butter have received export assistance through CWT.

CHEESE HIGHLIGHTS: Barrel cheese prices were uneven this week, with prices rising and falling on given days. Block prices continued their decline this week. Barrels closed up \$0.0075 on Friday at the CME Group to end the week at \$1.4850. Blocks closed unchanged at \$1.4750. Weekly average prices for blocks and barrels are well below the comparable week a year ago. Increased milk supplies and discount milk pricing have cheese plants running heavier than expected schedules. Demand for cheese is lower than hoped and inventories are said to be building. Total cheese production for December 2011 was reported by NASS to be 2.4% more than last year.

FLUID MILK: Milk production levels continue to increase in most areas of the United States with more surplus milk and components available. The increases are creating balancing issues earlier than normally expected. Pricing levels are under pressure for surplus milk, cream, and condensed skim offerings. In the Northeast,

milk output is increasing due to mild weather. Plant capacity is tight, yet expected to ease a bit as maintenance projects are completed. Milk production is increasing in Florida and other Southeastern states. Auxiliary milk processing facilities are being utilized in the region to process current milk supplies. Farm level milk volumes are increasing in the Midwest. Surplus milk supplies are being moving from flat to -\$4, based on Class usage. The milk output patterns are strong in the Southwest. Both Arizona and California processors are seeing milk intakes build and creating more issues to strategically handle the situation. In the Northwest, milk production is trending higher on a week-to-week basis and above year ago levels.

DRY PRODUCTS: Nonfat dry milk prices are trending lower in a weaker market. Offerings have increased and buyers have become more reluctant to take a position. Production levels are heavy and building to process available milk supplies. The dry whey market prices are steady to lower. Price adjustments in the West were made to secure domestic and export sales opportunities. Other spot loads are being offered with some buyer reluctance in an unsettled market. Whey protein concentrate 34% market trends are unsettled with lower prices noted for the series. The market tone is affected by competition with lower priced nonfat dry milk. Buyers are reluctant to buy and hold WPC. The lactose market is steady, buoyed by contract pricing and a steady demand from domestic and international customers. Dry buttermilk prices are trending lower on a weaker market trend. There are increasing volumes of buttermilk solids coming off the butter churns. Stock levels are moderate to heavy.

ORGANIC DAIRY MARKET OVERVIEW (DMN): Comparing the December 2011 and January 2012 average price for retail half gallon organic reduced fat (2%) milk surveyed from stores in Thirty Cities, finds that 17 cities have higher average prices during January, 3 lower average prices, and 10 unchanged average prices. The overall average price for all Thirty Cities increased 7 cents from December to January, from \$3.80 to \$3.87. This is a higher month to month increase than at any time since this data was first collected monthly beginning in April, 2008. Only ads for a store brand of organic half gallons sold in outlets of a national supermarket chain appeared in surveyed newspaper ads this period. This period's survey found newspaper ads for this national retail chain in all regions except the Northeast. This is the first reporting period since this data series

*****SPECIALS THIS ISSUE*****

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CME GROUP CASH TRADING

COMMODITY	MONDAY FEB 06	TUESDAY FEB 07	WEDNESDAY FEB 08	THURSDAY FEB 09	FRIDAY FEB 10	:: ::	WEEKLY CHANGE*	:: ::	WEEKLY AVERAGE#
CHEESE									
BARRELS	\$1.5050 (+.0100)	\$1.5025 (-.0025)	\$1.4750 (-.0275)	\$1.4775 (+.0025)	\$1.4850 (+.0075)	:: ::	(-.0100)	:: ::	\$1.4890 (-.0035)
40# BLOCKS	\$1.4800 (-.0050)	\$1.4800 (N.C.)	\$1.4750 (-.0050)	\$1.4750 (N.C.)	\$1.4750 (N.C.)	:: ::	(-.0100)	:: ::	\$1.4770 (-.0195)
NONFAT DRY MILK									
EXTRA GRADE	\$1.2975 (N.C.)	\$1.2975 (N.C.)	\$1.2975 (N.C.)	\$1.2975 (N.C.)	\$1.2975 (N.C.)	:: ::	(N.C.)	:: ::	\$1.2975 (-.0675)
GRADE A	\$1.3325 (-.0250)	\$1.3325 (N.C.)	\$1.3350 (+.0025)	\$1.3350 (N.C.)	\$1.3350 (N.C.)	:: ::	(-.0225)	:: ::	\$1.3340 (-.0350)
BUTTER									
GRADE AA	\$1.4625 (-.0300)	\$1.4450 (-.0175)	\$1.4400 (-.0050)	\$1.4325 (-.0075)	\$1.4325 (N.C.)	:: ::	(-.0600)	:: ::	\$1.4425 (-.0555)

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

began during fall 2009, when only one brand of organic milk ads appeared in supermarket ads in surveyed newspapers. The national weighted average advertised price for organic milk half gallons increased 9 cents to \$2.77. The top of range price, \$2.99, ties with one other period in November 2010 as the lowest "high" price for organic half gallons since this series began surveying newspaper ads in the fall of 2009. All ads for 4-6 ounce organic yogurt appeared in newspapers in the Midwest, and only this category of organic yogurt was advertised in the Midwest. The national weighted average advertised price increased 2 cents to \$0.70, as all ads were advertised at that price. Organic corn products from India and China are reportedly in use on the West Coast, as many dairy farmers work to maintain profit margins.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, ANNUAL 2011 (DAIRY PROGRAMS): During 2011, more than 126.8 billion pounds of milk were received from producers. This total annual volume of milk is nearly the same as the 2010 total annual volume. There were volumes of milk not pooled due to intraorder disadvantageous price relationships in both years. More than 44.3 billion pounds of producer milk were used in Class I products, 1.3% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 35%, Class II = 11%, Class III = 44% and Class IV = 10%. The 2011 weighted average statistical uniform price was \$19.87, \$3.80 higher than the 2010 weighted average statistical uniform price.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecast for 2012 is raised. Milk cow numbers are raised for much of the year as USDA's Cattle report indicated 1 percent more dairy cows on January 1, 2012. However, producers are holding 1 percent fewer heifers for addition to the dairy herd, which is expected to push cow numbers lower later in the year. Milk per cow forecasts are raised as milk per cow in the last quarter of 2011 was higher than expected and mild weather in much of the country is supporting increased early year yields. Milk production estimates for 2011 are raised, reflecting end-of-year production data. Fat-basis trade estimates for 2011 are increased due to both stronger-than-expected imports of butteroil and exports of cheese during November. The skim-solids export estimate for 2011 is raised largely on relatively strong November exports of whey and skim milk powders. This strength is expected to carry into this year, thus the skim-solids export forecast for 2012 is raised as well. With higher forecast 2012 production, cheese and butter prices are lowered. The nonfat dry milk (NDM) price is lowered to reflect slightly weaker early year prices. With stronger forecast demand for whey, the whey price forecast is raised. The lower cheese price is expected to more than offset the higher whey price, resulting in a reduced forecast Class III price. Lower butter and NDM prices result in a lower Class IV price. The all milk price for 2012 is lowered to \$18.00 to \$18.70.

CME GROUP

MONDAY, FEBRUARY 6, 2012

CHEESE -- SALES: 15 CARS BARRELS: 12 @ \$1.5050, 1 @ \$1.5075, 1 @ \$1.5050, 1 @ \$1.5100; 2 CARS 40# BLOCKS: 1 @ \$1.4825, 1 @ \$1.4800; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4950; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3325
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4625

TUESDAY, FEBRUARY 7, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4900; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5025; 2 CARS 40# BLOCKS @ \$1.4800
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4450; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4300; LAST OFFER UNCOVERED: NONE

WEDNESDAY, FEBRUARY 8, 2012

CHEESE -- SALES: 3 CARS BARRELS: 2 @ \$1.4900, 1 @ \$1.4750; 4 CARS 40# BLOCKS: 1 @ \$1.4800, 1 @ \$1.4775, 2 @ \$1.4750; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4750; 1 CAR 40# BLOCKS @ \$1.4700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.3350; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4400

THURSDAY, FEBRUARY 9, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4775; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA @ \$1.4325; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, FEBRUARY 10, 2012

CHEESE -- SALES: 11 CARS BARRELS: 2 @ \$1.4825, 1 @ \$1.4900, 1 @ \$1.4950, 1 @ \$1.4900, 6 @ \$1.4850; 3 CARS 40# BLOCKS @ \$1.4750; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.4850; 1 CAR 40# BLOCKS @ \$1.4750; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The CME Group butter price declined \$0.0175 on Tuesday and closed at \$1.4450. In the last 5 trading sessions the butter price has declined 6 cents. Cream continues to be readily available with supplies exceeding demand, causing churning schedules to be at increased levels. Butter production increases are the rule for all varieties, whether bulk, print, salted, unsalted or 82% for possible export. Domestic demand for butter remains soft. Export interest has increased with the recent declines in the CME Group butter market. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used. According to NASS, cumulative 2011 butter production at 1,805.5 million pounds was 15.4% above cumulative production for 2010. December 2011 monthly U.S. butter production totaled 165.9 million pounds, up 8.9% from November and 5.2% more when compared to December 2010. Atlantic region butter production in December totaled 16.1 million pounds, up 30.1% from November, but 7.0% less than December 2010.

CENTRAL

The CME cash butter prices continues to decline and settled at \$1.4400 at midweek. This is the lowest cash price since early March 2010 and compares to \$2.1000 last year at this time and \$1.3200 in 2010. Churning activity in the Central part of the country remains seasonally strong. Cream supplies are readily available to local churns from local and outside sources. Cream coming in from outside sources continues as cream handlers in those regions need to keep volumes moving and the Central part of the country is where there is potential plant capacity or willingness on the part of butter producers to take on additional cream volumes. Current churning schedules are generating heavier volumes of butter than demand dictates, thus clearances to inventory are increasing. Butter demand is fair at best. Buyers continue to place orders, but are hesitant to place large orders. This is typically a purchasing strategy when the cash price is trending lower on basically a daily basis. Food service orders are likewise fair. Restaurant and food service buyers continue to report, heavier than projected traffic flow for this time of the winter season. Much of the heavier traffic is being attributed to mild winter weather patterns. Again this week, CWT accepted

export assistance requests for butter totaling nearly 3.4 million pounds. The destinations, which include cheese, are Asia, Europe, the Middle East, and Northern Africa now through June 2012. Butter producers and handlers are stating that this export activity will decrease inventory volumes, but is not significant enough to concern butter handlers at this time. Within the past two weeks, the CWT program has accepted requests of export butter assistance for 14.4 million pounds. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Western butter prices continue to trend lower. There is currently ample to surplus supplies of cream in the West and butter churns are busy handling the supply. Discount cream is being offered as a way to clear inventories. Print butter sales to club stores are reported to be good as lower prices become available. Bulk butter sales are also being aided by discounting. Prices for bulk butter range from even to \$.0800 cents under the market, based on the CME with various time frames and averages used. Wednesday's close on the CME Group exchange for butter was \$.0050 lower at \$1.4400. The last time the price at the CME Group was at this level was the first week of March 2010. Sales of butter are very light as only one load has changed hands so far this week. CME Group average price for January 2012 for butter is \$1.5831 compared to \$2.0345 for January 2011. According to the FAS, quota imports of butter for January 2012 total 553.7 thousand pounds, 9.8% more than the same period in 2011. Imports for 2011 account for 3.6% of the total quota for 2012. Imports of High-Tier butter (above quota and with a penalty) are 9,900 pounds, 22.2% above last year's amount in the same time period.

U.S. Butter Imports (USDA-FAS)

	2012 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jan.			
High Tier	0.01	+ 22.2	N.A.
Quota Imports	0.55	+ 9.8	3.6

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
February 4, 2012	1,5587 11,122,145	1,5409 11,393,382	1,3853 22,190,857	1,5470 3,578,540	0,6648 9,723,049

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were mixed Tuesday with barrels declining \$0.0025 and closing at \$1.5025, while blocks were unchanged and closed at \$1.4800. Cheese prices have ebbed and flowed in a fairly narrow range over the last 13 trading sessions with barrel prices ranging \$1.4850-\$1.5025, while blocks ranged \$1.4800-\$1.5100. Trading during that same time period has been active with barrels having 54 loads transacted, while blocks had 34 sales. The mild winter weather continues and so do the increases in milk and cheese production. Domestic demand remains sluggish, causing inventories to expand. There continues to be improved export interest.

DAIRY PRODUCTS: According to the latest NASS report, December 2011 total cheese production in New York was 68.6 million pounds, 7.6% more than November and 5.9% more than December, 2010. Pennsylvania produced 35.0 million pounds in December, 0.2% more than one month earlier and 0.2% more than one year ago. Vermont produced 10.0 million pounds, 9.4% less than last month and 4.7% less than December 2010. The total of all cheese production for November in the Atlantic region was 122.4 million pounds, up 3.1% from November and 2.9% more compared to the same period last year. Atlantic region cheese production accounted for 13.2% of total U.S. production. Total U.S. cheese production in December 2011 totaled 929.5 million pounds, 4.2% more than November and 2.4% more than December 2010.

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

Cheddar 40# Block	:	1.9000-2.1850
Process 5# Sliced	:	1.7125-1.8325
Muenster	:	1.9200-2.2800
Grade A Swiss Cuts 10 - 14#	:	3.6025-3.9250

MIDWEST

Weakness prevails in cheese markets. This is widely believed to be a factor of increased milk supplies during an unusually mild winter in many areas, weaker retail sales, and low export interest. Cheese price weakness is illustrated by considering last week's CME average for blocks, \$1.4965, being \$0.2820 below the same week in 2011 and \$0.066 below the close of 2011. For barrels, last week's average, \$1.4925, is \$.2485 below week 5 of last year and \$.0775 below week 52 of 2011. By this Wednesday's CME close, both blocks and barrels were \$1.4750, with barrels down \$0.0200 this week so far and blocks down \$0.0100. Many cheese manufacturers report strong milk supply availability, at discount prices well under Class prices. In some cases, milk is so readily available at a favorable price that cheese for inventory building and aging programs is being manufactured to ease capacity demands on powder plants by firms which both manufacture cheese and operate drying operations. With slower retail ordering, cheese inventories are building. Some retail ordering is believed to have been delayed by prospective buyers who have decided to step back in expectation of some further price weakness. Government procurement orders for cheese barrels continue to keep some manufacturers of cheese barrels busy. Pepper Jack sales continue to be cited as particularly strong among the varieties of cheese. The demand is believed to be fueled by featured sandwiches in various chains of sub sandwich stores. Other manufacturers cite particularly strong sales of hard Italian varieties such as Asiago and Parmesan. There is little current reported cheese export interest. One source characterized export interest as being in the doldrums. NASS reports that total national cheese output for December 2011 was 929 million pounds, 2.4% above December 2010 and 4.2% above November 2011. Total Central region

cheese production in December 2011, 409.3 million pounds, was 44% of the national total. Central region December 2011 total cheese production and percentage of the total for the six separately listed Central states, in descending volume, includes Wisconsin, 230.2 million pounds, 65.9%; Minnesota, 52.1 million pounds, 14.9%; South Dakota, 23.4 million pounds, 6.7%; Iowa, 22.3 million pounds, 6.4%; Ohio, 16.3 million pounds, 4.7%; and Illinois, 5.0 million pounds, 1.4%. Wisconsin wholesale prices for Grade A Swiss Cuts adjusted down following the decrease in the Class III price announced last Friday when January Class and Component Prices were released. Process cheese adjusted up slightly following last week's CME weekly average increase for barrels and down for the remaining varieties driven by the decline in blocks.

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

Process American 5# Loaf	:	1.8525-2.3600
Brick And/Or Muenster 5#	:	2.0025-2.4400
Cheddar 40# Block	:	2.0025-2.8650
Monterey Jack 10#	:	1.9725-2.8650
Blue 5#	:	2.2675-3.1300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8475-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0125-3.3300

WEST

Western cheese prices are mixed. Barrels are showing some strength for last week's average while block prices are generally lower. Production of cheese in the West is heavy as milk is readily available. Plants are keeping a close eye on inventory levels as stocks are building. Lower prices have increased export interest, especially those eligible for CWT assistance. Cash trading of cheese at the CME Group was lower on Wednesday for both barrels and blocks. Barrels closed Wednesday down \$.0275 at \$1.4750 and blocks closed down \$.0050 at \$1.4750. Sales of barrels are good so far this week as eighteen sales have been made through Wednesday. Block trading was moderate with six loads trading so far this week. CME Group monthly average price for January 2012 for barrels is \$1.5358 compared to January 2011 at \$1.4876. Blocks averaged \$1.5546 for January 2012 compared to \$1.5140 for last year. According to FAS, quota imports of cheese for January 2012 total 11.0 million pounds, up 6.1% from a year ago. The imports stand at 3.7% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 2.3 million pounds, compared to 1.5 million pounds imported for January of 2011. Imports of quota Swiss cheese for January 2012 total 3.0 million pounds, down 20.0% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 1.8 million pounds or 59.4% of the year's total import of Swiss.

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

Process 5# Loaf	:	1.6200-1.8775
Cheddar 40# Block	:	1.6225-1.9750
Cheddar 10# Cuts	:	1.8025-2.0225
Monterey Jack 10#	:	1.8125-1.9725
Grade A Swiss Cuts 6 - 9#	:	3.1800-3.6100

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CHEESE MARKETS

CONTINUED FROM PAGE 3

U.S. Cheese Imports (USDA-FAS)
 2012 Imports % Change From % of
 (Million Lb.) 1 Year Ago Yearly Quota

Jan.			
High Tier	2.3	+ 56.5	N.A.
Quota Imports	11.0	+ 6.1	3.7

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

	BUTTER	CHEESE
02/06/12	7,108	134,134
02/01/12	6,822	134,200
CHANGE	286	-66
% CHANGE	4	-0

FOREIGN

The CME Group weekly average block price declined for the third consecutive week and caused a 1 cent decline in domestic wholesale prices. Prices for Swiss cuts declined \$0.0350 stemming from Friday's release of the Class III milk price. Domestic Swiss cheese production has increased as the mild winter weather has prompted an increase in milk production. Demand for Swiss cheese is sluggish, inventories are increasing and the market undertone remains weak. According to the latest NASS report, domestic Parmesan production during December 2011 totaled 25.8 million pounds, 0.5% more than November and 18.1% more than December 2010. Provolone production during December totaled 28.2 million pounds, 7.0% less than November and 3.0% less than December 2010. Romano production during December 2011 totaled 3.7 million pounds, 10.3% more than November and 0.5% more than December 2010. Swiss production during December 2011 totaled 27.8 million pounds, 4.5% more than November, but 5.6% less than December 2010. According to FAS, imports of high tier and quota Italian-type cheese for January totaled 2.0 million pounds, up 25.1% compared to January 2011. Imports of quota Italian-type cheese for January totaled 0.7 million pounds, 17.1% higher than January 2011 and 2.5% of the annual quota. Imports of high tier Italian-type cheese in 2011, totaled 1.3 million pounds, 30.1% higher than January, 2011. Quota imports of Swiss/Emmenthaler varieties for January 2012 totaled 3.0 million pounds, 20.0% more than January 2011. Norway and Finland, the two top sources, account for 59.4% of Swiss/Emmenthaler imports for January 2012.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.0400-3.5275*
Gorgonzola	: 3.6900-6.3900	: 2.5425-2.8025*
Parmesan (Italy)	: -0-	: 3.1625-3.7175*
Provolone (Italy)	: 3.4400-6.3900	: 2.0825-2.2400*
Romano (Cows Milk)	: -0-	: 3.2300-5.3800*
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-	: 3.6950-4.0175*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

= Price change.

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	91	0	100	0	180
SOUTHEAST STATES	0	0	0	0	0	0

Manufacturing milk supplies are continuing to increase in the Northeast and Mid-Atlantic regions. The increases in manufacturing milk supplies are due to a combination of milk production increases, brought about by the mild winter weather, and sluggish Class I demand. A couple of plants are finishing maintenance projects, which should increase manufacturing capacity by week's end. What a difference a year makes, last year this week the Northeast was recovering from numerous winter storms, the Southeast was bracing for a storm coming in from the Plains and Florida milk production increases were limited by unseasonably cool weather. Milk production in Florida is still increasing, but at a slower rate than previous weeks. Minimal rainfall covered only portions of the state, causing pasture conditions to deteriorate further. Pasture conditions are now rated as 64% poor or very poor, which is a 9% increase compared to the previous week. Many pastures are not in use due to their poor condition, causing producers to increase their hay purchases and supplies. Class I demand has increased over last week. Export spot loads totaled 91 this week. The Southeast region is also experiencing milk production increases with Class I demand remaining sluggish in most areas. The additional milk supply is prompting the utilization of some auxiliary manufacturing facilities. Cream supplies are described as "sloppy" with some loads being shipped to the Central region and heavy volumes going to churns. Demand for cream continues to be weak, but may increase next week from cream cheese makers as kosher production increases, in preparation for the Passover holiday. Demand for cream from ice cream plants has increased in some areas. Cream multiples range from 110 to 120. Condensed skim supplies are heavy and significantly above year ago levels. Class II demand has increased in some areas with good pulls from yogurt manufacturers and increases in ice cream production. The heavy condensed skim supply is keeping Class IV production at increased levels. Friday's release of the Class and Component Prices for January resulted in a \$1.68 decline in the Class III Skim Milk Price, which lowers the price for Nonfat Solids Price and the price for Class III condensed skim spot loads. According to NASS, ice cream production in the Atlantic region for December totaled 11.8 million gallons, 1.8% less than November, but 13.4% more than December 2010. U.S. Yogurt production (plain and flavored) for December totaled 327.9 million pounds, up 4.7% from November, but 2.1% less than for the same period last year. Cumulative 2011 production totaled 4,275.7 million pounds, 2.3% higher than 2010.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	1.5729-1.8276
F.O.B. producing plants: Upper Midwest -	1.6478-1.7976

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 -	1.41 - 1.46

MIDWEST

plant has processing room versus which end product has sales lined up. For some handlers, sending more milk into cheese manufacturing and then into cheese aging programs offers one of the more palatable options to accommodate the seasonally strong farm milk intakes. Use of condensed skim in cheese vat fortification is also on the rise as another milk clearing mechanism. Central cream is readily available to butter makers, with Western and Eastern cream loads also adding to the raw inputs for Central butter churns. Churning operations outside the Central region are reportedly close to capacity, and cream cheese operations have not fully restarted. Central cream multiples are under some pressure from the abundance of cream in the marketplace, but the timing of sales also affected final cream pricing. Sales to fluid accounts are steady to lower for some plants, adding to the milk volumes available to plants that usually chip in fluid loads on a regular basis. Spot loads of milk are a tough sell, according to operators in that part of the industry, because of the burgeoning native milk supplies in the Central region. Prices on spot milk reportedly range from flat Class to -\$4.

WEST

CALIFORNIA milk output is following recent weeks' trends higher. Farm level production is building both seasonally and because of good conditions. More milk is moving into processing plants and more challenges are taking place to balance the milk supplies. ARIZONA milk production continues to move higher on a weekly basis. Weather conditions remain ideal for milk cows. The peak of the milk cycle for the state is usually around the end of February. Plant intakes are heavy and processing plants are working on extended schedules. NEW MEXICO milk production is building at levels above a year ago. Processing levels are above planned amounts for this period. Sales of fluid milk and components are limited. Milk handling got more challenging with some issues at the processing plant level. The CREAM situation in the West remains "sloppy" and is characterized by heavy offerings and lower prices. Butter production is very heavy to handle the cream supplies with only planned volumes moving to higher-class items. There are no seasonal items being made at the present time. Interest from ice cream producers is slow to develop. The CME Group, Grade AA butter closed at \$1.4400 on Wednesday, February 8, down 5.5 cents from a week earlier. Multiples and overages are being lowered, within reported ranges, in attempts to stimulate buying interest with limited success. Current multiples range 98-118 and vary based on class usage and basing points. Fluid milk supplies in the PACIFIC NORTHWEST are above year ago levels and are higher than expected in many cases for this time of year. Winter weather in the region has been mild and this is being reflected in increased milk per cow at the dairy level. The increased supplies of milk are being handled mostly within the region, but there are some concerns as to manufacturing capacity in the near future. Anticipated lower farm milk prices combined with high feed costs are restraining expansion plans for many dairies in the region. UTAH and IDAHO milk supplies are also above last year and are along expected volumes. Mild winter weather in the High Plains has added to cow comfort and helped production. There are some concerns as to forage availability as the winter progresses. Hay supplies are very tight and priced accordingly.

Farm milk volumes in the Central region are moving steadily higher. Some Central milk handlers report that with the goal of effectively using all milk intakes, some milk handling decisions are based on which

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are unchanged to lower on a weak market. Spot load interest is flat according to many in the industry. Buyers are aware of the seasonally building NDM inventories at Central production locations, as well as the weaker tone to the domestic and international markets. With these things in mind, some buyers are delaying purchasing decisions from week to week. If end user plants are not in immediate need of NDM, buyers anticipate time may be on their side for getting lower prices than those currently available. Nonfat dry milk production is at near capacity at several Central plants as farm milk intakes increase seasonally. For some plants, the decision to make and use condensed skim internally is helping clear the steadily increasing intakes through pathways other than the dryers. Production is mostly focusing on low heat NDM as the most effective means for clearing intakes. High heat NDM interests are being fulfilled through stocks on hand.

EAST: Prices for nonfat dry milk were mixed this week in light trading. The full price range was extended as the low end of the range moved lower on spot sales, while the high end of the range moved higher as NASS based contracts moved higher. High heat NDM prices moved lower. Mild winter weather, prompting increased milk production, continues to be the primary factor driving nonfat dry milk production to higher levels. Balancing plants are focusing on low heat NDM production in order to clear the heavy milk volumes coming into the plants. Some high heat NDM is being produced when milk volumes allow, usually at mid-week. Current production quickly exceeds demand, causing inventories to build. Numerous manufacturers want to reduce inventories and are offering loads under contract prices. Domestic demand remains sluggish as most buyers and end users are standing on the sidelines, holding off major purchases looking for the market to move lower.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3000 - 1.4800 MOSTLY: 1.3500 - 1.4350
 HIGH HEAT: 1.4600 - 1.5250

NONFAT DRY MILK - WEST

Prices for Western low/medium heat nonfat dry milk are lower for the mostly range. The market test is light to moderate. The market tone is unsettled and weaker. Market indicators are trending weaker for indices, spot pricing, and export markets. Buyer interest has slowed as some buyers contemplate needs against pricing expectations. Offering volumes have increased and are available from most sources. Production of NDM is seasonally heavy and above projected levels at most plants in the region. The milk supply is higher and milk needs supplied to other products have been lower than expectations. Western high heat prices are unchanged in a light test. Buying interest beyond contracted volumes is limited as buyers assess their requirements. Drying schedules are being squeezed in the interest of plant throughput that favors low heat production. Overall, high heat NDM stock positions are moderate.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2800 - 1.4100 MOSTLY: 1.3200 - 1.3750
 HIGH HEAT: 1.4000 - 1.5100

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are lower on a weaker market. Spot cream loads from both the East and West are clearing to Central butter making operations, yielding additional condensed buttermilk. Condensed buttermilk sales into ice cream plants continue at steady, late winter levels, sending the overflow of condensed buttermilk to the dryers. Dry buttermilk inventories are building steadily.

EAST: Dry buttermilk prices moved lower again this week in limited trading. Dry buttermilk production remains at increased levels following the very active churning schedules being maintained by butter manufacturers. Current production levels are exceeding demand and adding to already building inventories. Supplies are moving through contracts with limited spot market activity. Domestic demand remains sluggish, because baking manufacturers are only beginning to prepare for the upcoming Passover and Easter holidays. Buyers and end users are buying only for current needs, willing to hold off major purchases, noting the current weakness and downward trend in the market.

F.O.B. CENTRAL/EAST: 1.2600 - 1.3600

DRY BUTTERMILK - WEST

Western pricing levels for dry buttermilk prices continue to trend lower in a weak market. Demand is limited beyond contract volumes. Higher milk intakes and churning schedules continue to pressure processors and the dryer times available for making buttermilk powder are being diminished. Processors are attempting to move condensed buttermilk with limited success. Dry buttermilk stocks are moderate to heavy and available from most all producers in the region.

F.O.B. WEST: 1.2300 - 1.3500 MOSTLY: 1.2700 - 1.3350

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are unchanged. Production this week is lower than in recent weeks at a few plants, with regularly scheduled maintenance taking time away from dry whole milk production schedules. Other plants are focusing on specialty products, thus pushing dry whole milk production off for the near term. Dry whole milk inventories are adequate for contract fulfillment for the next few weeks.

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

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 3	\$1.3621	19,693,582	0
January 27	\$1.3779	15,187,647	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Dry whey prices, Central are unchanged on the mostly price series. Recent changes in some regional price series have prompted discussions on whether the domestic dry whey market is headed for a modest price correction or a sharper decline. Offers to buyers from brokers are increasing in frequency, with some price discounts offering purchasing incentives. Some F.O.B. loads also came to the spot market, although prices reportedly remained similar to contract pricing. Buyer interest in dry whey spot loads, which was aggressive in recent weeks, has retreated to moderate levels. With market conditions mixed, buyers are satisfying needs on a just-in-time basis and waiting for clearer market indications before shoring up dry whey inventories. Dry whey production is steady to higher at many Central locations as seasonally increasing farm milk production offers improved milk availability both from usual suppliers as well as from discounted spot milk loads. ANIMAL FEED DRY WHEY prices are unchanged. Some animal feed blending operations are intentionally running operations close to the edge on inputs, as interest in holding inventories at this time is low. A few plants noted upticks in monthly finished feed orders as livestock raising operators try to beat monthly price adjustments.

F.O.B. CENTRAL: .6900 - .7550 MOSTLY: .6900 - .7200
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .5200 - .6925

DRY WHEY - NORTHEAST

Dry whey prices declined marginally as the upper end of the range declined on contract formulations. Milk production increases, prompted by the mild winter weather, are maintaining increased levels of cheese and dry whey production. The market, as one broker stated, "has been spooked recently" with rumors of excess supplies and second quarter dry whey futures significantly below the current market. Trade contacts indicate that conventional wisdom suggests liquidation of at least some supplies when nearby futures prices are significantly below the current market. Eastern dry whey manufacturers have some additional supplies, but are very comfortable with their current inventories, especially after 2011's struggles to keep up with contract demands. Some loads are showing up in resale offers at prices just under the current market. The uncertain nature of the current market has end users and brokers taking a wait and see attitude, wanting a more clear picture of the market prior to pursuing additional purchases. Supplies are moving through contracts with limited spot sale activity below contracted prices. Export demand has softened with additional competition coming from Europe and as the U.S. dollar strengthened against other currencies. Dutch prices released this week had Edible Grade Whey priced at \$0.5595 in U.S. Dollars. The market undertone is steady to weak.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .7000 - .7650

DRY WHEY - WEST

Western dry whey prices are lower this week. Prices for the range and the mostly series are both weaker on the top side as various pricing indices are moving lower. Contract sales are providing the bulk of the trade, although increased spot loads are finding their way to the market. There is some pushback to contracted prices on the high side with buyers looking for lower priced offerings. Export prices are below domestic pricing in many cases. Manufacturers are finding they need to price product lower to move quantity sales in the export market. Dry whey futures prices for the first and second quarters of 2012 are indicating lower expectations for whey prices. The January 2012 Dairy Market News monthly average price for Western dry whey range was \$0.6954 compared to \$0.4101 for January 2011; the Western dry whey mostly series averaged \$.7039 compared to \$.4107 a year ago.

NONHYGROSCOPIC: .5300 - .7300 MOSTLY: .6500 - .6950

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are unchanged on the mostly price range, unchanged to lower on the range. The market is unsettled, with market participants looking to the weakening NDM market to bring some price pressure to the WPC 34% market. Loads of slightly off spec WPC 34% continue to clear into the animal feed industry, relieving some of the demand from that market sector, but interest from human food manufacturers is steady. Production of WPC 34% is steady to higher as some manufacturers are sending more farm milk to cheese/WPC 34% operations to relieve the pressure on NDM plants. Interest in condensed WPC 34% is steady to higher, drawing off some of the WPC 34% liquid stream and reducing weekly dry WPC 34% output at some locations. WPC 34% inventories are mostly steady to building gradually. The number of spot offers of WPC 34% from resellers increased compared to last week, with some decreases in pricing overages sweetening these offers. Several buyers state their interest in acquiring and holding WPC 34% is low at this time due to perceived near term market weakness.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.5000 -1.6675 MOSTLY: 1.5100 - 1.5450

LACTOSE - CENTRAL AND WEST

Prices for lactose are unchanged this week. Interest in lactose is reportedly steady for all mesh sizes. A few manufacturers report both domestic and international end users requested additional loads of lactose within this month, putting some pressure on clearing lactose through testing. Locating suitable containers for shipping has become more time consuming for some export loads. Production of lactose is steady to higher as milk volumes flowing to cheese making operations are on the rise. For some plants, this trend of higher cheese production is in contrast to slowing cheese orders, but the current cheese market is beneficial to cheese aging programs.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .7900 - .9950 MOSTLY: .8200 - .9000

CASEIN - NATIONAL

Casein markets and prices are generally steady. A very sharp reverse in weather patterns is being reported in Eastern and Western Europe, thus the cold/winter conditions will potentially have a negative impact on early season milk production development. Up to this time, milk production was reported to be steadily increasing in Western regions which encouraged manufacturing facilities to enhance operating schedules. Although still limited, casein output was also on the increase, but this cold snap could greatly slow the milk flow through those operations. Milk producers and handlers remain optimistic about the upcoming production season, but are stating that current conditions could have a lasting negative impact on the entire production season. In the Oceania region, casein output continues to edge lower as milk volumes decline seasonally. Casein producers and handlers are indicating that the current casein season has been as projected and also indicate that late season casein milk volumes are welcomed.

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

EVAPORATED MILK - NATIONAL

Canned evaporated milk production during December 2011 totaled 36.5 million pounds, a 19.7% decrease in production from November 2011 and 12.2% lower than December 2010. Manufacturers' end-of-month stocks totaled 37.0 million pounds, 22.0% lower than last month and 29.1% lower than one year ago.

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound; CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; NONFAT DRY MILK \$.80 per pound

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2010

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
01/21/2012	60.9	181.7	62.4	191.7

WEBSITE

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77

CLASS IV MILK PRICES (3.5% BF)

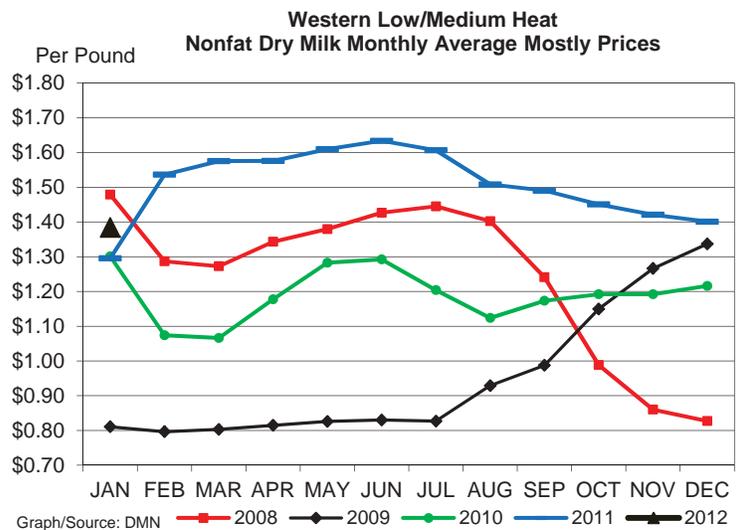
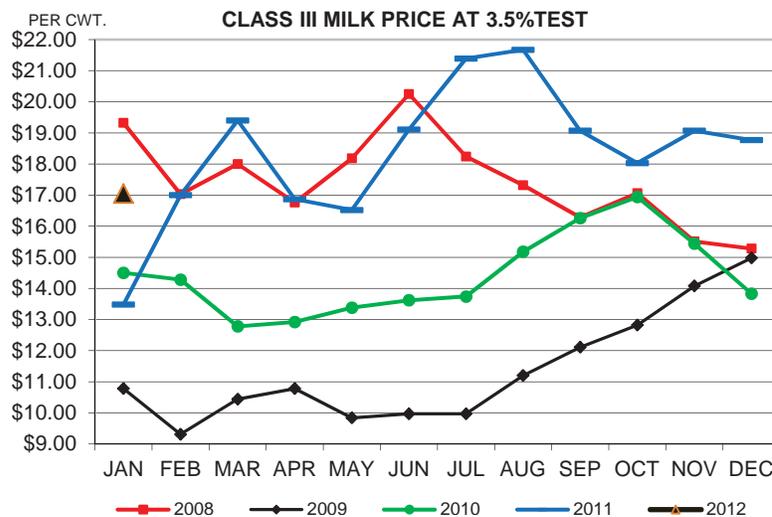
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.80	17.03										
II	17.67											
III	17.05											
IV	16.56											

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."



ORGANIC DAIRY MARKET NEWS

Information gathered January 30 - February 10, 2012

ORGANIC DAIRY RETAIL OVERVIEW

MONTHLY RETAIL MILK PRICE COMPARISON FOR 30 CITIES:

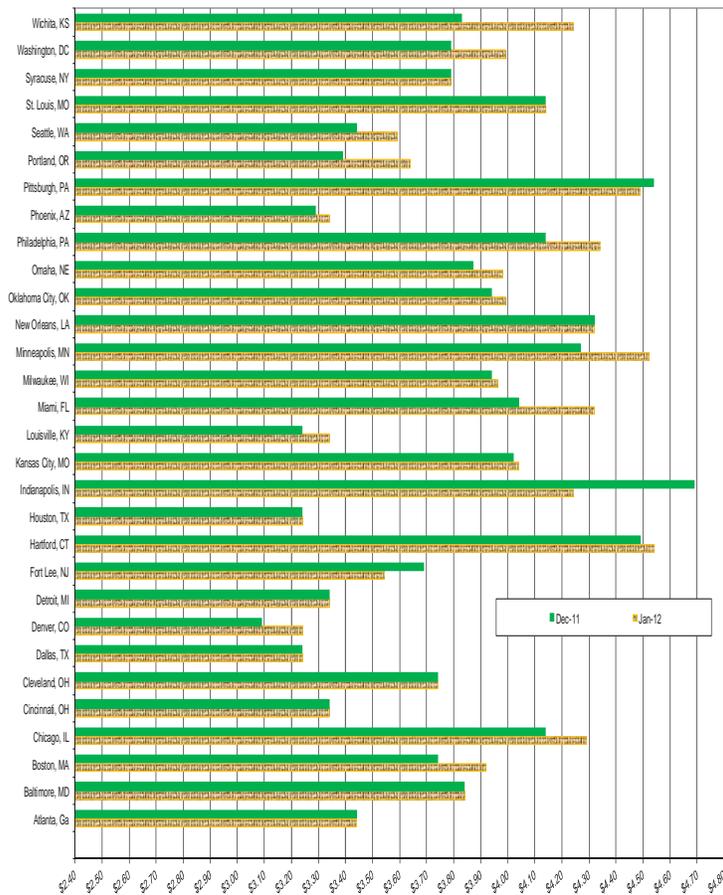
Comparing the December 2011 and January 2012 average price for retail half gallon organic reduced fat (2%) milk surveyed from stores in Thirty Cities, finds that 17 cities have higher average prices during January, 3 lower average prices, and 10 unchanged average prices.

The overall average price for all Thirty Cities increased 7 cents from December to January, from \$3.80 to \$3.87. This is a higher month to month increase than at any time since this data was first collected monthly beginning in April, 2008.

Wichita, at \$4.24 for January, is the city up the most, 41 cents. Hartford, at \$4.54, is the city with the highest January average price.

Dallas, Houston and Denver, each with an average of \$3.24, are tied for the lowest January average price.

Half Gallon Organic 2% Milk Price Change:
December 2011 - January 2012



The price listed represents the simple average of two prices, the price of the single most common brand in non-returnable paper cartons in one outlet of each of the two largest food store chains in each of the 30 Thirty Cities. Not all brands of organic milk in each surveyed store are included and higher or lower prices of milk offered by other than the most common brand in each of the two stores are not included. Prices are collected by Federal Milk Market Administrators during the first non-Friday or weekend 10 days of each month.

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic Dairy Overview. Organic dairy advertising volume dipped from two weeks ago but remained at the second highest level since mid-October last year. Of total surveyed newspaper ads, 23% contained organic dairy content, down from 33% two weeks ago. Almost 60% of organic dairy ads were for organic milk, 37% for organic yogurt, and 3% for organic whipped butter.

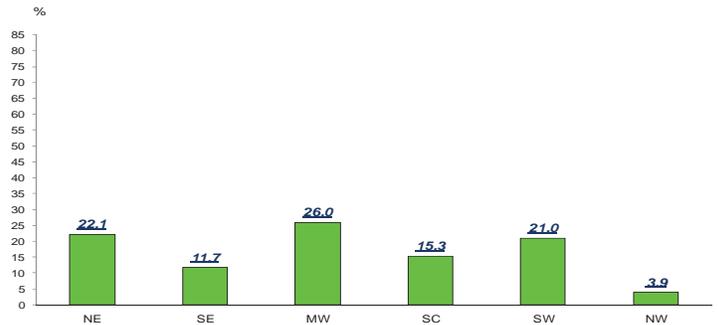
Organic milk ads placed by supermarkets were at the second highest level since early September last year. Organic half gallon milk ads are at the second highest level since early September last year.

Organic yogurt advertising was below two weeks ago but remained high compared with recent reporting periods. This period's organic ads were at the second highest level since late October last year, second only to the last reporting period.

Advertising information presented is compiled from surveyed newspaper supermarket ads for the period January 28, 2012, to February 10, 2012, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of non-advertised supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. Organic dairy ads ran with relative evenness among the regions excepting the low level of organic ads in the Northwest region. The Midwest has 26.0% of current ads, followed by the Northeast with 22.1%, Southwest with 21.0%, South Central, 15.3%, Southeast, 11.7% and Northwest, 3.9%.

Organic Dairy Newspaper Ads Regionally As A Percentage of Surveyed Organic Dairy Ads 2012 - Week 6, 2012



Organic Milk. Organic milk ads appeared in all regions except the Northeast. The Southwest led, with 35.1%, followed by the Midwest, 29.3%, South Central, 25.5%, Northwest, 6.5%, and Southeast, 3.6%.

ORGANIC MILK FEATURES
Regional % of Nationally Surveyed Supermarket Ads Report - Week 6, 2012



Organic Milk Half Gallons. The national weighted average advertised price for organic milk half gallons increased 9 cents to \$2.77, following the prior period's 66 cent decrease. The top of this period's price range, \$2.99, is a \$1.00 decrease from the high price last period, which occurred when ads previously appearing for national organic milk brands did not run this period. This top of range price, \$2.99, ties with one other period in November 2010 as the lowest "high" price for organic half gallons since this series began surveying newspaper ads in the fall of 2009. The range bottom, \$2.50, is unchanged. Advertised retail pricing for this organic milk is not uniform, ranging from \$2.50 to \$2.79 to \$2.99 for a half gallon.

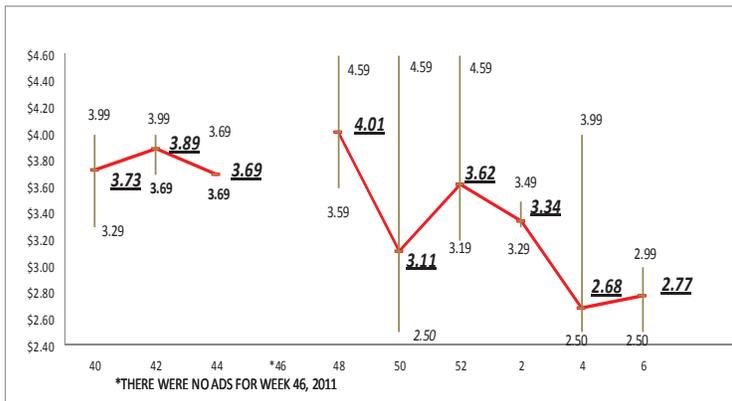
CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered January 30 - February 10, 2012

CONTINUED FROM PAGE 8

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

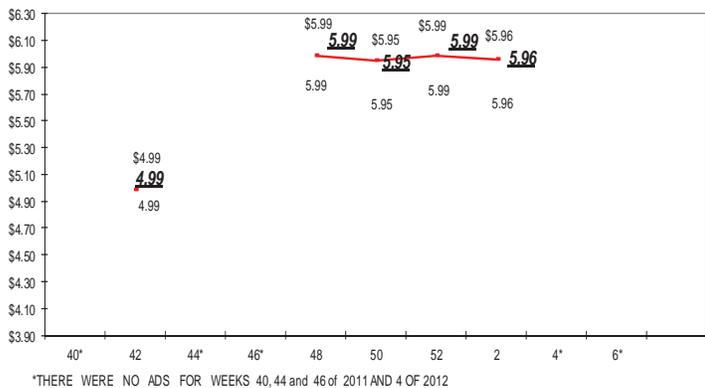


HALF GALLON ORGANIC MILK ADS REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	----
SE	03.6	2.99
MW	29.3	2.50
SC	25.5	2.80
SW	35.1	2.93
NW	06.5	2.79
US		2.77

Organic Gallons. There are no ads for gallon containers of organic milk this period among surveyed newspapers for the second consecutive reporting period. The graph which follows shows recent trends of advertising and weighted average retail prices.

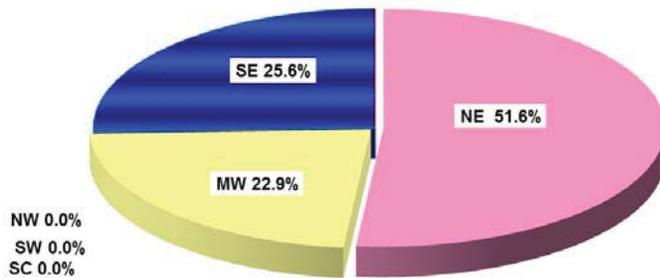
Advertised Organic Milk Gallon Range and Weighted Average Advertised Price by 2011 - 12 Week*



8 Ounce Organic Milk. There were no ads for 8 ounce organic milk, stating a specific price, during this reporting period. Some ads appeared where a three pack of 8 ounce organic milk would be provided to a buyer of ten other specified food items, but these ads did not state a price for the 8 ounce organic milk.

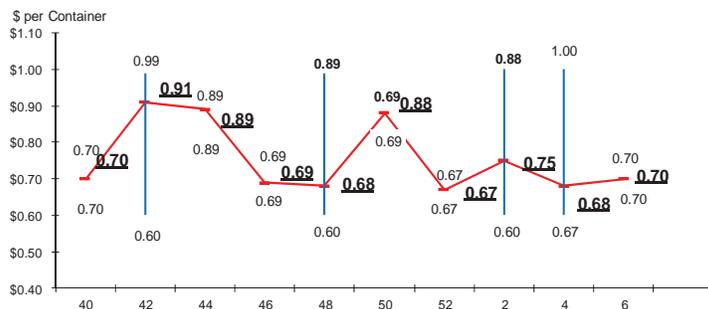
Organic Yogurt. The Northeast continues to dominate newspaper advertising for organic yogurt, with 51.6% of ads this period. Second in magnitude, the Southeast with 25.6%, appears for the first time in 2012. Finally, newspaper ads in the Midwest contained 22.9% of organic yogurt ads.

ORGANIC YOGURT FEATURES Regional % of Surveyed National Newspaper Ads Report Week 6, 2012



4-6 Ounce Organic Yogurt. All ads for 4-6 ounce organic yogurt appeared in newspapers in the Midwest, and only this category of organic yogurt was advertised in the Midwest. The national weighted average advertised price increased 2 cents to \$0.70, as all ads were advertised at that price. This yogurt is a national brand.

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



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

REGION	%	WTD. AV. ADV. PRICE \$
NE	00.0	----
SE	00.0	----
MW	100.0	0.70
SC	00.0	----
SW	00.0	----
NW	00.0	----
US		0.70

Other Organic Yogurt. All organic Greek yogurt ads ran in newspapers in the Southeast, for a national brand, priced \$1.25. The remaining organic yogurt ads were for 32 ounce containers of yogurt of a national brand, advertised in the Northeast, for \$3.49.

Organic Butter. Newspapers in the Northeast also contained all 58 ads for organic whipped butter in 8 ounce containers. All are priced \$2.49.

CONTINUED ON PAGE 8-B

ORGANIC DAIRY MARKET NEWS

Information gathered January 30 - February 10, 2012

CONTINUED FROM PAGE 8-A

SUPERMARKET PRICE COMPARISON:

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

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

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

A table summarizing the survey results follows:

**ORGANIC MILK, YOGURT, CHEESE & BUTTER PRICE RANGE
2012 REPORTING WEEK 06**

MADISON, WI
LOW HIGH RANGE
(In Dollars)

GALLONS:

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

HALF GALLONS:

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

CHOCOLATE HALF GALLON:

	3.09	5.69	2.60
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YOGURT

	.79	1.29	0.50
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CHEESE – 8 OUNCE BLOCKS:

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

CHEESE – 6 OUNCE STRING

Mozzarella	3.99	5.09	1.10
Colby Jack	3.89	4.99	1.10

BUTTER – 1 POUND

	4.99*	6.19	1.94
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*=Price change from prior reporting period

Organic butter's lower price range increased from \$4.79, to \$4.99.

ORGANIC DAIRY FLUID OVERVIEW

A smaller organic dairy cooperative based in New England, has finalized commitments to market organic milk of its members in stores of a New England based supermarket chain. The supermarket has stores located in Maine, New Hampshire, Massachusetts, Rhode Island and Vermont.

Only ads for a store brand of organic half gallons sold in outlets of a national supermarket chain appeared in surveyed newspaper ads this period. This period's survey found newspaper ads for this national retail chain in all regions except the Northeast. This is the first reporting period since this data series began during fall 2009, when only one brand of organic milk ads appeared in supermarket ads in surveyed newspapers. The same geographic pattern occurred during the last survey period.

This organic milk, for the most part, is bottled in a single plant in Kansas, using organic milk produced in Texas, then shipped throughout the regions of the United States.

Ads were found in newspapers published in California, Louisiana, Texas, Tennessee, Mississippi, Arkansas, Arizona, Kansas, Washington, Ohio and West Virginia.

ORGANIC GRAIN AND FEEDSTUFFS MARKETS:

National organic grain and feedstuffs were mixed. Feed grade yellow corn was higher, while food grade soybeans were lower. Feed grade soybeans were steady with a higher undertone. Soybean trade this period was largely limited to nearby states of origin due to the importation of Argentinian soybeans on the East Coast. Higher soybean prices are driving organic farmers and grain buyers to look for other sources of grains to maintain profitable operations and to avoid detrimental price increases. Organic corn products from India and China are reportedly in use on the West Coast, as many dairy farmers are working to maintain profit margins as well. Organic grains this period were in good demand, with light offerings of soybeans and moderate offerings of corn. Additional livestock and grain market news information is available at: <http://www.ams.usda.gov/mnreports/lbnof.pdf>

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, ANNUAL 2011

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for 2011 have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During 2011, more than 126.8 billion pounds of milk were received from producers. This total annual volume of milk is nearly the same as the 2010 total annual volume. There were volumes of milk not pooled due to intraclass disadvantageous price relationships in both years. More than 44.3 billion pounds of producer milk were used in Class I products, 1.3 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2011 as compared to 2010. The all-market average Class utilization percentages were: Class I = 35%, Class II = 11%, Class III = 44% and Class IV = 10%. The 2011 weighted average statistical uniform price was \$19.87 per cwt., \$3.80 per cwt. higher than the

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE YEAR 2011											
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I		UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/		
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	CLASS II	CLASS III	CLASS IV			
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT	PERCENT	PERCENT	PERCENT			
Northeast (Boston)	001	24,358.3	0.1	10,074.9	-3.0	41	24	25	10	20.62	
Appalachian (Charlotte)	005	6,128.1	1.4	4,207.3	1.8	69	15	8	8	21.70	
Florida (Tampa)	006	2,919.1	0.6	2,463.8	-2.0	84	9	3	4	23.70	
Southeast (Atlanta)	007	7,057.1	0.8	4,572.3	-2.4	65	9	19	7	21.72	
Upper Midwest (Chicago)	030 3/	32,766.3	-3.1	4,242.5	-3.2	13	3	82	2	18.72	
Central (Kansas City)	032 3/	13,937.8	4.4	4,473.4	2.2	32	12	44	12	19.19	
Midwest (Cleveland)	033 3/	15,938.5	-0.5	6,332.5	-2.7	40	15	37	8	19.59	
Pacific Northwest (Seattle)	124 3/	8,022.8	0.1	2,231.9	-0.2	28	6	39	27	19.25	
Southwest (Dallas)	126 3/	11,233.3	0.2	4,373.7	0.6	39	8	40	13	20.20	
Arizona (Phoenix)	131	4,517.9	6.8	1,410.5	0.7	31	8	28	33	19.67	
ALL MARKET AVERAGE OR TOTAL	3/	126,879.1	0.0	44,382.8	-1.3	35	11	44	10	19.87	

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

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

3/ Due to a disadvantageous relationship between intraclass prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 5.402 billion pounds of milk that normally would have been associated with these markets. In 2010, the estimated not pooled volume of milk was 2.779 billion pounds, occurring in order numbers 030, 032, 033, and 126. After adjusting for non pooled milk, the year-to-year percent change is -2.0%. Report Contact: Randal Stoker, randal.stoker@usda.gov or 202-690-1932.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES

The milk production forecast for 2012 is raised. Milk cow numbers are raised for much of the year as USDA’s *Cattle* report indicated 1 percent more dairy cows on January 1, 2012. However, producers are holding 1 percent fewer heifers for addition to the dairy herd, which is expected to push cow numbers lower later in the year. Milk per cow forecasts are raised as milk per cow in the last quarter of 2011 was higher than expected and mild weather in much of the country is supporting increased early year yields. Milk production estimates for 2011 are raised, reflecting end-of-year production data. Fat-basis trade estimates for 2011 are increased due to both stronger-than-expected imports of butteroil and exports of cheese during November. The skim-solids export estimate for 2011 is raised largely on relatively strong November exports of whey and skim milk powders. This strength is expected to carry into this year, thus the skim-solids export forecast for 2012 is raised as well. With higher forecast 2012 production, cheese and butter prices are lowered. The nonfat dry milk (NDM) price is lowered to reflect slightly weaker early year prices. With stronger forecast demand for whey, the whey price forecast is raised. The lower cheese price is expected to more than offset the higher whey price, resulting in a reduced forecast Class III price. Lower butter and NDM prices result in a lower Class IV price. The all milk price for 2012 is lowered to \$18.00 to \$18.70 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2010	2011 Estimated		2012 Projected	
		January	February	January	February
BILLION POUNDS					
MILK					
PRODUCTION	192.8	196.0	196.2	198.5	199.0
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	10.9	10.9	10.7	10.9
MARKETINGS	191.8	195.1	195.2	197.6	198.0
IMPORTS	4.1	3.4	3.5	3.3	3.3
TOTAL COMMERCIAL SUPPLY	207.2	209.4	209.7	211.5	212.1
FAT BASIS USE					
COMMERCIAL EXPORTS	8.3	9.3	9.5	8.6	8.6
ENDING COMMERCIAL STOCKS	10.9	10.7	10.9	11.4	11.5
CCC NET REMOVALS <u>1/</u>	0.2	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	187.8	189.5	189.3	191.6	192.0
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.3	12.3	12.3	12.0	11.8
MARKETINGS	191.8	195.1	195.2	197.6	198.0
IMPORTS	4.8	5.4	5.4	5.1	5.1
TOTAL COMMERCIAL SUPPLY	208.0	212.7	212.9	214.7	214.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.1	33.8	34.1	31.9	32.3
ENDING COMMERCIAL STOCKS	12.3	12.0	11.8	12.0	12.1
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	164.0	167.0	167.0	170.8	170.5
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	8	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program.

2/ Includes commercial exports.

Continued on page 11

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2010	2011 Estimated		2012 Projected	
		January	February	January	February
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.5226	1.8246	1.8246	1.655-1.735	1.610-1.680
BUTTER	1.7020	1.9498	1.9498	1.605-1.715	1.570-1.670
NONFAT DRY MILK	1.1687	1.5058	1.5058	1.370-1.430	1.360-1.420
DRY WHEY	0.3716	0.5325	0.5325	0.605-0.635	0.615-0.645
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	14.41	18.37	18.37	17.10-17.90	16.70-17.40
CLASS IV	15.09	19.04	19.04	16.45-17.35	16.25-17.05
ALL MILK <u>3/</u>	16.26	20.14	20.14	18.30-19.10	18.00-18.70
QUARTERLY					
	2011 IV	2012 I <u>4/</u>	2012 II <u>4/</u>	2012 III <u>4/</u>	2012 IV <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	48.7	50.0	51.1	49.1	48.8
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	20.03	18.20-18.50	17.30-17.90	17.85-18.75	18.70-19.70
CLASS III PRICE <u>2/</u>	18.62	16.35-16.65	16.10-16.70	17.10-18.00	17.30-18.30
CLASS IV PRICE <u>2/</u>	17.72	16.00-16.40	16.25-16.95	16.45-17.45	16.30-17.40

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Prices;" then select "Description." 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

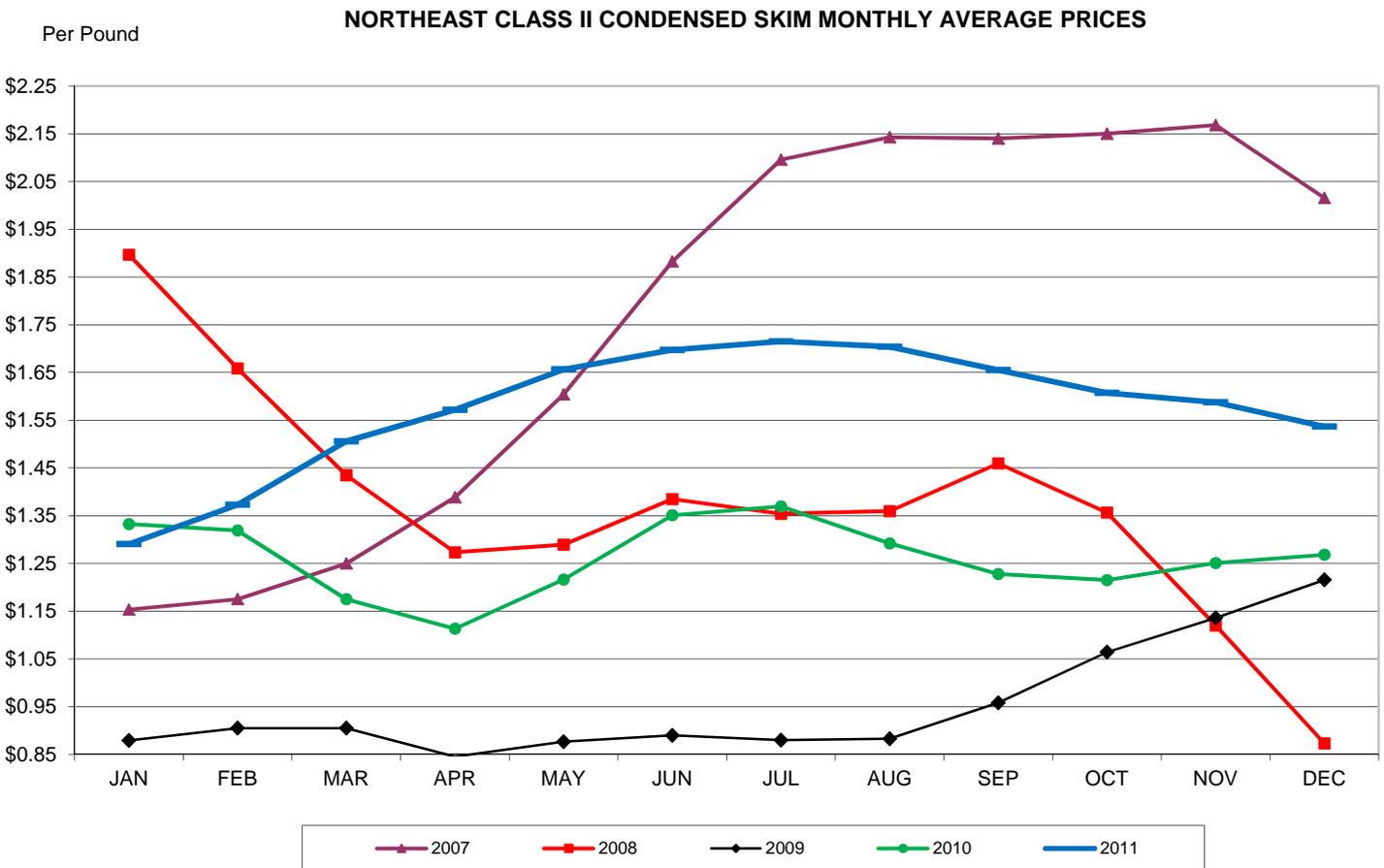
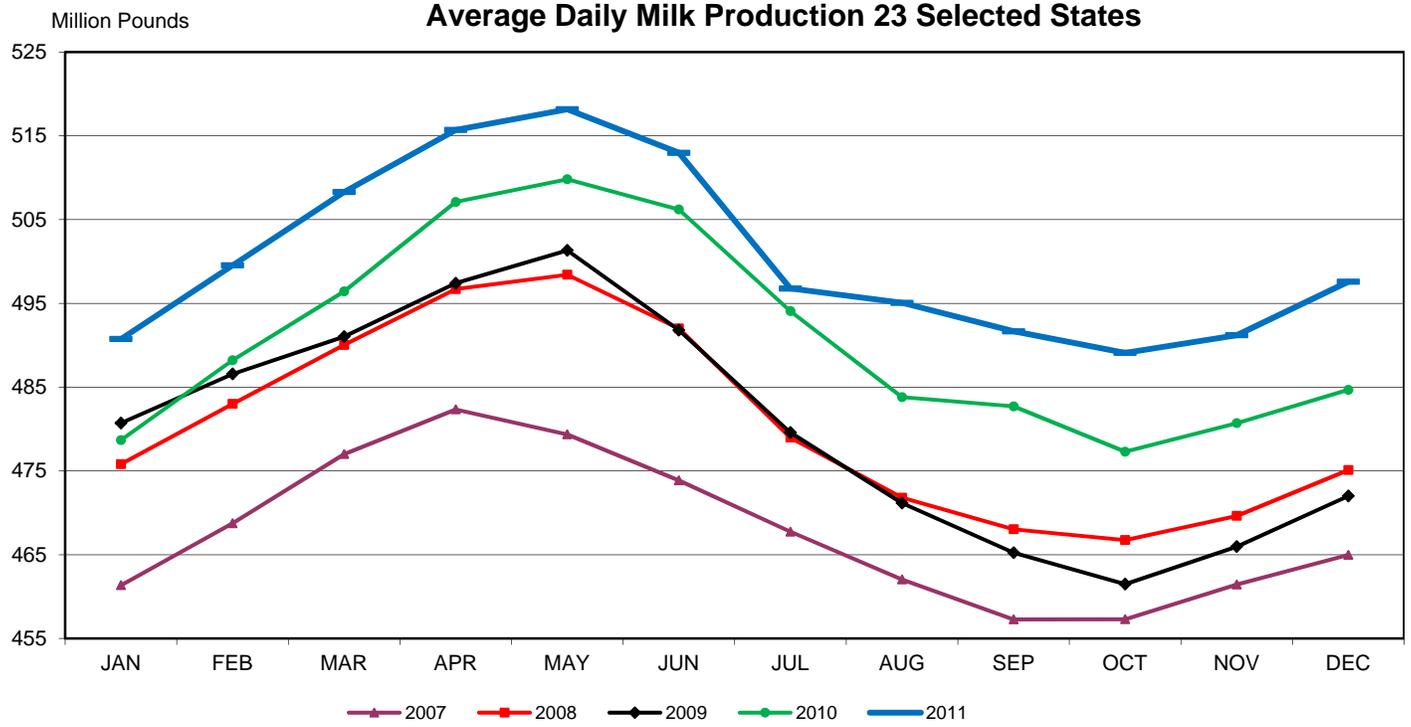
Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-503, February 9, 2012.* Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JANUARY

Component Price Information: 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. **Product Price Averages:** The product price averages for January are: butter \$1.5900, nonfat dry milk \$1.3942, cheese \$1.6097, and dry whey \$0.6876.

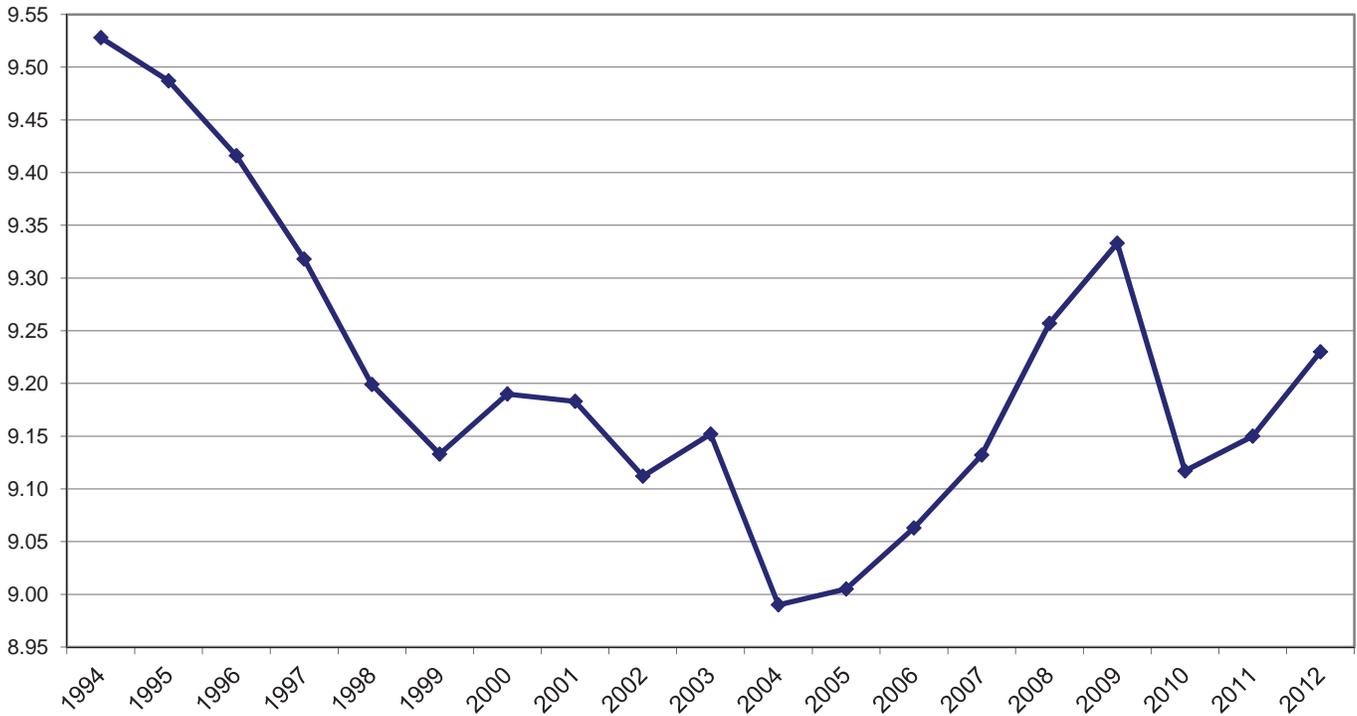
FEDERAL MILK ORDER MARKETING AREAS ^{3/}		ORDER NUMBER	JANUARY 2012				FEBRUARY 2012
			CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
			DOLLARS PER 100 POUNDS				
Northeast (Boston) ^{4/}	001	22.05	17.67	17.05	16.56	20.28	
Appalachian (Charlotte) ^{5/ 6/}	005	22.20	17.67	17.05	16.56	20.43	
Southeast (Atlanta) ^{6/ 7/}	007	22.60	17.67	17.05	16.56	20.83	
Florida (Tampa) ^{6/ 8/}	006	24.20	17.67	17.05	16.56	22.43	
Midwest (Cleveland) ^{9/}	033	20.80	17.67	17.05	16.56	19.03	
Upper Midwest (Chicago) ^{10/}	030	20.60	17.67	17.05	16.56	18.83	
Central (Kansas City) ^{11/}	032	20.80	17.67	17.05	16.56	19.03	
Southwest (Dallas) ^{12/}	126	21.80	17.67	17.05	16.56	20.03	
Arizona (Phoenix)	131	21.15	17.67	17.05	16.56	19.38	
Pacific Northwest (Seattle) ^{13/}	124	20.70	17.67	17.05	16.56	18.93	
All-Market Average	---	21.69	17.67	17.05	16.56	19.92	

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



MILLION HEAD

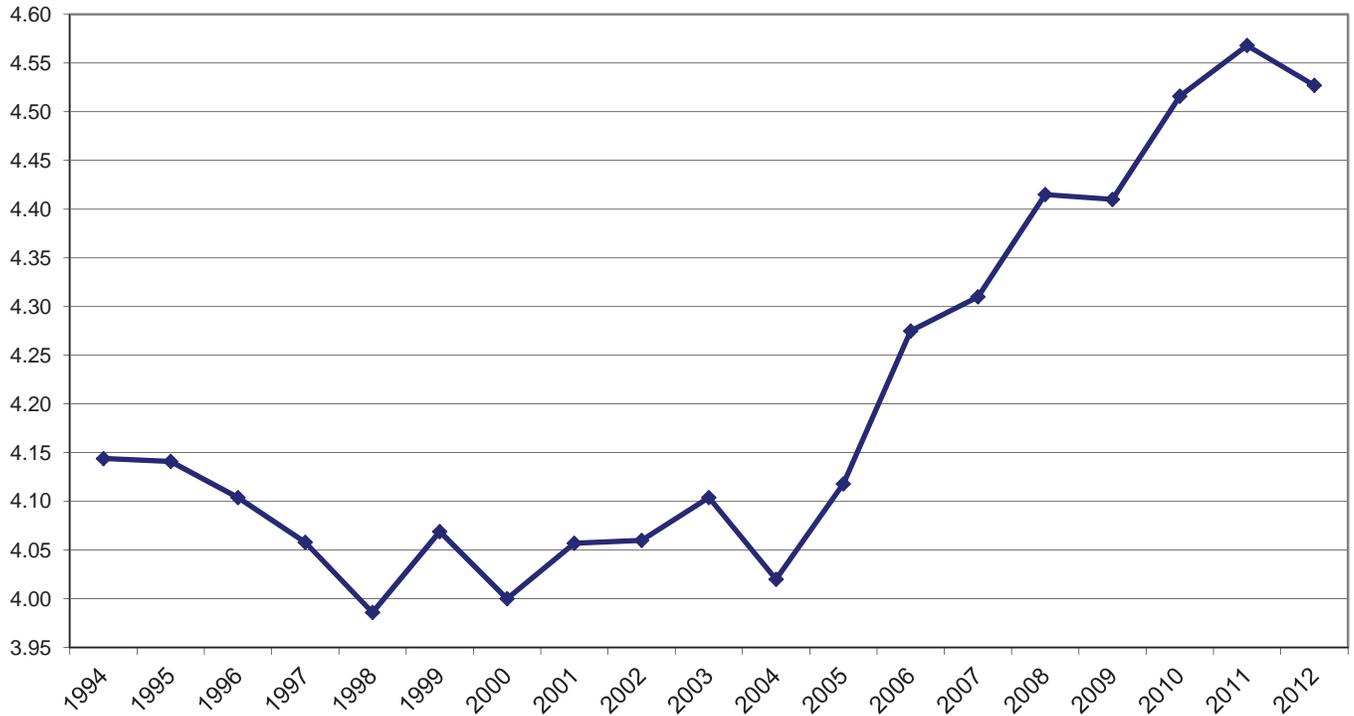
JANUARY 1 U.S. DAIRY COW INVENTORY



NASS DATA: GRAPH BY DMN

MILLION HEAD

JAN 1 U.S. DAIRY HEIFER INVENTORY (OVER 500 LBS.)



NASS DATA: GRAPH BY DMN

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