

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (03/09):**

**BUTTER:** Grade AA closed at \$1.4500. The weekly average for Grade AA is \$1.4500 (+.0295).

**CHEESE:** Barrels closed at \$1.5025 and 40# blocks at \$1.4925. The weekly average for barrels is \$1.4725 (-.0120) and blocks, \$1.4765 (-.0025).

**BUTTER HIGHLIGHTS:** Butter prices have stabilized this week at the CME Group with the close at \$1.4500 on Friday. The market tone is steady to firmer as demand has improved for bulk and print butter. Print orders have improved for retail accounts. Featuring volumes have increased in recent weeks with special pricing being offered. Food service accounts are taking steady to slightly higher volumes of butter. With wholesale prices lower than a year ago, attractive retail prices are expected to clear additional butter. Demand for bulk butter is fair and clearing more stocks as buyers look for both current needs and others are willing to obtain stocks at what they sense are favorable pricing levels. The leveling off on the wholesale pricing also has stimulated buyers' interest from those who had been waiting for a good market price level. Butter production remains active and heavy. There are strong milk and cream supplies in all regions of the country. Transportation costs have been increasing and finding tankers to move cream has been more challenging. Cream demand has improved for other cream-based products ahead of holiday needs. In January 2012, U.S. butter production totaled 180.6 million pounds, up 8.5% or 14.2 million pounds from a year ago. This week, the Cooperatives Working Together (CWT) program accepted requests for export assistance to sell 5.03 million pounds of butter with delivery of product from February through June 2012.

**CHEESE HIGHLIGHTS:** Cheese production across the United States continued to be above year ago levels. Increased milk supplies are sending additional volumes to cheese plants. Total national cheese production for January was reported by NASS to be 2.9% higher than year ago levels. Export interest is helping to clear some of the additional product. Domestic prices are currently lower than reported prices from Oceania. The CWT (Cooperatives Working Together) program so far has assisted with export sales of 28.7 million pounds of cheese this year. Prices were both higher and lower at the CME Group this week. Barrels closed Friday at \$1.5025 up 3 cents from Thursday's close. Blocks closed Friday at \$1.4925

up .0075. The weekly average for barrels is down \$.0120 compared to last week's average. Blocks are down \$.0025 for the weekly average.

**FLUID MILK:** Milk production remains heavy in the Southwestern U.S. California and New Mexico processing plants are working on extended schedules to handle the milk supplies. Conditions are favorable for milk cows. In the Pacific Northwest, milk output is well above a year ago. Milk and condensed are being moved around the region to accommodate the ongoing repairs at a drying facility. There are more concerns about high feed prices and future milk price projections. Milk production is increasing in Central region. Surplus milk supplies are being discounted at up to \$4/cwt. under Class pricing. Bottled milk needs are variable with some snow related storms closing schools. In the Northeast, milk is increasing. Florida and other Southeastern states are also seeing milk output gains. Auxiliary plant capacity continues to be utilized to balance the milk supplies. Pastures are benefiting from rains.

**DRY PRODUCTS:** Nonfat dry milk market prices are trending lower amidst a weaker market tone. Production levels are strong to process the heavy milk supplies. Demand remains weaker as both domestic and international buyers assess their needs against the current market directions. Dry buttermilk pricing levels are moving lower in a weaker trend. Supplies are moderate to heavy for current trade needs. Drying schedules are moderate to heavy. Dry whey markets are highly unsettled with prices trading across a wide range. With heavy cheese production and some producers making additional whey, offerings of dry whey are heavier. Whey protein concentrate 34% prices are declining in a market characterized with uneven demand; better into food applications and weakest into feed sectors. Lactose market prices are unchanged with a steady trend heading into second quarter contracts.

**ORGANIC DAIRY MARKET NEWS (DMN):** Yearly and monthly data from 2007-2011 for estimated U.S. Sales of organic fat-reduced milk sales increased each month when compared to the same month one year ago, since the beginning of 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country. There were no ads for organic milk in any container size, in any region this reporting period. This is the first

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## \*\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*\*

ORGANIC DAIRY MARKET NEWS (PAGES 8 - 8B)  
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CME GROUP CASH TRADING

COMMODITY	MONDAY MAR 05	TUESDAY MAR 06	WEDNESDAY MAR 07	THURSDAY MAR 08	FRIDAY MAR 09	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4575 (-.0225)	\$1.4575 (N.C.)	\$1.4725 (+.0150)	\$1.4725 (N.C.)	\$1.5025 (+.0300)	:: (+.0225)	:: \$1.4725 (-.0120)
40# BLOCKS	\$1.4600 (-.0200)	\$1.4600 (N.C.)	\$1.4850 (+.0250)	\$1.4850 (N.C.)	\$1.4925 (+.0075)	:: (+.0125)	:: \$1.4765 (-.0025)
NONFAT DRY MILK							
EXTRA GRADE	\$1.2775 (N.C.)	\$1.2575 (-.0200)	\$1.2575 (N.C.)	\$1.2575 (N.C.)	\$1.2575 (N.C.)	:: (-.0200)	:: \$1.2615 (-.0240)
GRADE A	\$1.2775 (-.0100)	\$1.2675 (-.0100)	\$1.2675 (N.C.)	\$1.2675 (N.C.)	\$1.2675 (N.C.)	:: (-.0200)	:: \$1.2695 (-.0190)
BUTTER							
GRADE AA	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	:: (N.C.)	:: \$1.4500 (+.0295)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.  
Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CONTINUED FROM PAGE 1**

time since reporting week 46 in mid-November 2011, that no organic milk ads were reported. Week 46 was also the only time there were no organic milk ads in 2011. The national weighted average advertised price for 4-6 ounce organic yogurt increased 23 cents from the previous report to \$0.93. The price range, compared to the previous reporting period, was only 1 cent higher on the upper end of the range with the full range being \$0.60 to \$1.00.

**INTERNATIONAL DAIRY MARKET NEWS UPDATE**

**(DMN):** At the March 6 g/DT session #63, the all contract price averages indicated weakness for all traded products with the expectation of anhydrous milk fat, which was up 3.7%. Contract #1 (April) had activity only in U.S. sourced skim milk powder which averaged \$2,765/MT, -3.2% from the previous session. Contract #2 (May 2012) prices per MT and changes from the previous session were reported at: anhydrous milk fat, \$3,453, +2.2%; buttermilk powder, no trading; skim milk powder, \$3,207, -1.4%; whole milk powder, \$3,366, -0.6%; milk protein concentrate \$4,895, -10.5%; rennet casein \$7,529, -2.4%; and cheddar cheese \$3,458, -1.0%.

**JANUARY 2012 DAIRY PRODUCTS (NASS):** Butter production was 180.6 million pounds, 8.5% above January 2011 and 9.0% above December 2011. American type cheese production totaled 370.6 million pounds, 3.1% above January 2011 and slightly above December 2011. Total cheese output (excluding cottage cheese) was 912.3 million pounds, 2.9% above January 2011 but 1.9% below December 2011. Nonfat dry milk production, for human food, totaled 152.9 million pounds, 30.6% above January 2011 and 1.8% above December 2011. Dry whey production, for human food, was 89.1 million pounds, 3.0 percent above January 2011 and 15.2% above December 2011. Ice cream (hard) production totaled 55.0 million gallons, 1.6% below January 2011 but 8.1% above December 2011.

## CME GROUP

MONDAY, MARCH 5, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.4700, 1 @ \$1.4575; 7 CARS 40# BLOCKS: 2 @ \$1.4800, 2 @ \$1.4750, 1 @ \$1.4700, 1 @ \$1.4650, 1 @ \$1.4600; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4600; 1 CAR 40# BLOCKS @ \$1.4800  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2775  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4450; LAST OFFER UNCOVERED: NONE

TUESDAY, MARCH 6, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.4600; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.2575; 1 CAR GRADE A @ \$1.2675  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4450; LAST OFFER UNCOVERED: NONE

WEDNESDAY, MARCH 7, 2012

CHEESE -- SALES: 5 CARS BARRELS: 3 @ \$1.4775, 2 @ \$1.4725; 2 CARS 40# BLOCKS: 1 @ \$1.4800, 1 @ \$1.4850; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4725; 1 CAR 40# BLOCKS @ \$1.4700; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2675  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4450; LAST OFFER UNCOVERED: NONE

THURSDAY, MARCH 8, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4725; 1 CAR 40# BLOCKS @ \$1.4850; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2675  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4500; LAST OFFER UNCOVERED: NONE

FRIDAY, MARCH 9, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5025; 1 CAR 40# BLOCKS @ \$1.4925; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4500; LAST OFFER UNCOVERED: NONE

## BUTTER MARKETS

## NORTHEAST

The butter price on the CME Group was unchanged Tuesday and closed at \$1.4500. The butter price increase on March 1, of \$.0675, coincided with the trading termination of "old crop", butter made prior to December 1, 2011. Domestic butter orders are increasing as Passover and Easter are only a month away. Export interest is improved with and without export assistance. Butter production remains very active with production of print, bulk, kosher and 82% butter. Most export interests require 82% butter, but not all. Food processor demand for butter continues to improve. Butter inventories in the East are declining with recent major sales and orders. Cooperatives Working Together (CWT) has accepted 24 requests for export assistance to sell 5.030 million pounds of butter and 1.788 million pounds of Cheddar and Monterey Jack cheese to customers in Asia, Central America, the Middle East and North Africa. Delivery of product will be from March through July 2012. 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 ERS, commercial disappearance of butter for 2011 totaled 1,806.9 million pounds, up 10.9% compared to 2010. According to NASS, January 2012 monthly U.S. butter production totaled 180.6 million pounds, up 9.0% from December and 8.5% more compared to January 2011. Atlantic region butter production in January totaled 20.4 million pounds, up 26.7% from December and 14.1% more than January 2011.

## CENTRAL

Churning activity is steady to higher across the Central region. Cream availability is still moderate to heavy for clearance to the butter churns. Cream demand from ice cream and other Class II product manufacturers has increased but is variable. Cream multiples are higher this week. The increase in butter prices at the CME Group caused notice from buyers. The butter price closed at \$1.4500 on Friday and the price has remained at that level through Wednesday of this week. The "bump" is being partially attributed to the March 1 onset of the "new crop" butter trading, whether based on actual or psychological factors. Print butter demand has gotten a boost from increased retail featuring. Lower prices are being noted as

wholesale prices are adjusting downwards. Holiday demand is expected to clear volumes of butter. Bulk butter interest is fair. Some buyers are securing butter for current need, while others are storing butter for later requirements. The price increase last week did create some additional demand from buyers who have contracts based off weekly averages. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound. Additional butter is moving into export channel. This week, Cooperatives Working Together (CWT) announced sales assistance for 5.030 million pounds of butter. For 2012, CWT has assisted member cooperatives for butter sales totaling 28 million pounds to 17 countries. NASS shows that January 2012, U.S. butter production totaled 180.6 million pounds, up 8.5% or 14.2 million pounds from a year ago.

## WEST

Western butter prices are mostly steady this week as production continued at a heavy pace. Manufacturers report good retail movement in anticipation of Easter/Passover sales. Most producers are content to build inventory at current price structures. Prices for bulk butter range from even to \$.04 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 continued unchanged at \$1.4500. Trading this week has been very slow as the price has been steady each day this week. There have been no sales reported as of midweek. According to the NASS Dairy Products report, January butter production for the U.S. totals 180.6 million pounds, up 8.5% or 14.2 million pounds from January of last year. Production was up 9.0% or 14.9 million pounds from December 2011. January output in the Western region totals 92.8 million pounds, up 14.0% or 11.4 million pounds more than January 2011. The West produced 51.4% of the butter in the U.S. in January. CME Group average price for February 2012 for butter is \$1.4273 compared to \$2.0622 for February 2012. According to the Economic Research Service, the Commercial Disappearance of butter for October-December 2011 totals 527.2 million pounds, up 13.4% or 62.4 million pounds from the same period in 2010 on a daily average basis. Annual disappearance for 2011 totals 1.81 billion pounds, up 10.9% or 177.9 million pounds from 2010.

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

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
March 3, 2012	1.4873 9,306,594	1.5066 10,695,282	1.3647 18,988,823	1.4242 6,050,987	0.6059 9,116,397

## CHEESE MARKETS

## NORTHEAST

CME Group cheese prices closed unchanged on Tuesday with barrels closing at \$1.4575 and blocks closing at \$1.4600. Cheese prices have been up and down over the last 5 trading sessions with the net result of barrels declining \$.0200 with blocks dropping \$.0125. Cheese production continues at a steady pace with recent weeks. Retail price survey data in the Northeast reported the weighted average price for 8 ounce block natural variety cheese 13 cents lower than two weeks ago at \$2.34 with prices ranging from \$1.66-\$3.99. Export interest remains fairly good when assistance is provided. Cooperatives Working Together (CWT) has accepted 24 requests for export assistance to sell 1.788 million pounds of Cheddar and Monterey Jack cheese and 5.030 million pounds of butter to customers in Asia, Central America, the Middle East and North Africa. Delivery of product will be from March through July 2012. According to ERS, Commercial Disappearance of American cheese for 2011 totaled 4,292.3 million pounds, up 0.6% compared to 2010. Disappearance of Other Cheese totaled 6,660.7 million pounds, up 4.2% from 2010. According to the latest NASS report, January 2012 total cheese production in New York was 62.6 million pounds, 8.7% less than December, but 10.0% more than January, 2011. Pennsylvania produced 35.2 million pounds in January, 0.7% more than one month earlier and 1.8% more than one year ago. Vermont produced 10.9 million pounds, 8.1% more than last month and 10.3% more than January 2011. The total of all cheese production for January in the Atlantic region was 116.3 million pounds, down 4.9% from December, but 6.3% more compared to the same period last year. Atlantic region cheese production accounted for 12.8% of total U.S. production. Total U.S. cheese production in January 2012 totaled 912.3 million pounds, 1.9% less than December, but 2.9% more than January 2011.

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

Cheddar 40# Block	:	1.8825-2.1675
Process 5# Sliced	:	1.7050-1.8250
Muenster	:	1.9025-2.2625
Grade A Swiss Cuts 10 - 14#	:	3.4075-3.7300

## MIDWEST

Cheese market trading activity in the Midwest picked up compared to last week. By midweek at the CME Group, barrel prices declined from last week's \$1.4845 average, to \$1.4725. Wednesday's 40 pound block price of \$1.4850 topped last week's average of \$1.4790. Cheese production is steady to higher as various plants report they have decreased demand from their fluid milk customers for regular milk loads. For some operations with multiple dairy commodity products, increasing cheese production is the result of higher plant milk intakes that could not be utilized in other end uses. Process cheese production is increasing at some plants as is cream cheese production for the upcoming holidays. NASS reports that total national cheese output for January 2012 was 912 million pounds, 2.9% above January 2011 but 1.9% below December 2011. Total Central region cheese production in January 2012, 404.3 million pounds, was 44.3% of the national total, up slightly from 44% one month earlier. Central region January 2012 total cheese production and percentage of the total for the six separately listed Central states, in descending volume, includes Wisconsin, 225.5 million pounds, 55.8%; Minnesota, 52.2 million pounds, 12.9%; South Dakota, 23.7 million pounds, 5.9%; Iowa, 21.0 million pounds, 5.2%; Ohio, 18.0 million pounds, 4.4%; and Illinois, 5.2 million pounds, 1.3%.

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

Process American 5# Loaf	:	1.8425-2.3600
Brick And/Or Muenster 5#	:	1.9850-2.4400
Cheddar 40# Block	:	1.9850-2.8650
Monterey Jack 10#	:	1.9550-2.8650
Blue 5#	:	2.2500-3.1300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8300-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.0125-3.3300

## WEST

Western cheese prices are uneven as prices have remained in the same area for several weeks. Wholesale Swiss prices have adjusted lower as new Class III prices were lower. Cheese production is above expected levels due to increased milk supplies. Export sales are aiding in handling of the excess production. Cheese trading at the CME Group continued in an up and down pattern. Barrels were \$.0150 higher on Wednesday to close at \$1.4725. Blocks closed \$.0250 higher at \$1.4850. Barrel sales are moderate for the week with seven sales by Wednesday and blocks sold nine loads by midweek. According to the NASS *Dairy Products* report, total cheese production in the U.S. in January reached 912.3 million pounds, up 2.9% or 25.5 million pounds from last year. January total cheese production in the Western region was 391.7 million pounds, up 2.2% or 8.6 million pounds from January 2011. The West produced 42.9% of all the cheese in the U.S. in January. Swiss output for the U.S. in January is 27.9 million pounds, up 3.1% or 0.8 million pounds from last year. USDA's Economic Research Service reports that *Commercial Disappearance* of American Cheese for October-December 2011 stood at 1.1 billion pounds, 0.9% more than the same period last year on a daily average basis. Disappearance of Other Cheese for October-December 2011 was 1.8 billion pounds, 3.7% higher or 62.6 million pounds more than the same period last year on a daily average basis. Annual disappearance for American cheese for 2011 was 4.3 billion pounds, up 0.6% from 2010. Other cheese disappearance was 6.7 billion pounds, up 4.2% from 2010. CME Group monthly average price for February 2012 for barrels is \$1.4823 compared to February 2011 at \$1.8680. Blocks averaged \$1.4793 for February 2012 compared to \$1.9064 for last year.

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

Process 5# Loaf	:	1.6100-1.8675
Cheddar 40# Block	:	1.6050-1.9575
Cheddar 10# Cuts	:	1.7850-2.0050
Monterey Jack 10#	:	1.7950-1.9550
Grade A Swiss Cuts 6 - 9#	:	2.9850-3.4150

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

	BUTTER	:	CHEESE
		:	
03/05/12	8,442	:	135,607
03/01/12	8,277	:	135,544
CHANGE	165	:	63
% CHANGE	2	:	0

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## CHEESE MARKETS

## CONTINUED FROM PAGE 3

## FOREIGN

The CME Group weekly average block price advanced this week, causing domestic wholesale prices to increase \$0.0050. Prices for domestic wholesale Swiss cuts declined \$.1950 as a result of Friday's Class III price release from NASS. Swiss cheese makers are hoping the decline in domestic wholesale prices for Swiss cheese will spark sales. Numerous Swiss cheese producers are continuing to limit production until sales and inventory levels improve. According to the latest NASS report, domestic Parmesan production during January 2012 totaled 28.5 million pounds, 10.5% more than December and 26.2% more than January 2011. Provolone production during January totaled 28.8 million pounds, 1.9% more than December and 7.1% more than January 2011. Romano production during January 2012 totaled 3.3 million pounds, 10.5% less than December and 3.0% less than January 2011. Swiss production during January 2012 totaled 27.9 million pounds, 0.6% more than December and 3.1% more than January 2011.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.0225-3.5100*
Gorgonzola	: 3.6900-6.3900	: 2.5250-2.7850*
Parmesan (Italy)	: -0-	: 3.1450-3.7000*
Provolone (Italy)	: 3.4400-6.3900	: 2.0650-2.2225*
Romano (Cows Milk)	: -0-	: 3.2125-5.3625*
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-	: 3.5000-3.8225*
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 &amp; SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA		110	0	150*	0	170
* updated	0					
SOUTHEAST STATES	0	0	0	0	0	0

Manufacturing milk supplies continue to be heavy in the Northeast and Mid-Atlantic regions, prompted by increased milk production and sluggish Class I demand. The mild weather in the Mid-Atlantic with temperatures in the 60's has started to green up pastures in the region. Florida's milk production showed significant increases, this week and last. Last week's exports were revised upward to 150, while this week saw a decline to 110 as Class I demand increased. The decline in exports will be short lived as some schools and universities are beginning their spring breaks next week. Florida has seen some improvement in pastures as rains covered the panhandle region of the state this past week. Manufacturing milk supplies in the Southeast region are heavy as a result of the increases in production and static Class I demand. All auxiliary manufacturing facilities are being utilized to clear the heavy milk volumes. The devastating tornados and storms that hit some of the northern areas of the region caused only minor delays of a few milk shipments. Cream supplies remain readily available, but are less than in recent weeks as a major yogurt manufacturer was down for a couple of days, due to maintenance. Supplies continue to be in close balance with demand and those having to make last minute changes are finding prices outside the range. Spot cream sales activity continues to be light as many cream users expanded their contracted volumes for this year. Cream multiples range from 120 to 128. Condensed skim supplies continue to be heavy with considerable volumes going to dryers. Yogurt production continues to be active, except for the plant conducting maintenance, and ice cream manufacturers are increasing their production schedules and their contracted condensed skim volumes, but spot sales activity remains light. According to NASS, ice Cream production in the Atlantic region for January totaled 13.6 million gallons, 15.9% more than December and 23.4% more than January 2011. U.S. Yogurt production (plain and flavored) for January totaled 382.8 million pounds, up 16.4% from December and 6.4% more than for the same period last year.

## 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 -	1.7046-1.8182
F.O.B. producing plants: Upper Midwest -	1.7500-1.8125

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

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.43 - 1.48
Northeast - Class III - spot prices -	1.36 - 1.41

## MIDWEST

Farm milk intakes increased this week at many plants in the Central region. With farm milk production steadily increasing across the Northern tier of states, Central milk loads continue to compete with some out of area spot milk loads clearing into the Central at discounted prices, reportedly hanging in the -\$3 to -\$4 range. Cream multiples moved slightly higher this week. Cream demand

from ice cream and other Class II end product manufacturers is mostly steady, but the timing of cream needs played a part in pricing this week. Churning is active throughout the region and some butter plant operators are buying cream to keep churning facilities at full capacity. Fluid demand is variable within the region. A few milk handlers report bottled milk sales are steady into regular accounts, but others indicate bottlers ordered fewer loads this week. For some school systems in the North Central region, last week's snow storm closed schools and pushed on-hand school lunch milk into use this week, thus less milk was needed by bottlers to fill orders. Use of condensed skim by cheese plants is active as it is offering another avenue for clearing milk intakes as well as offering some savings versus NDM use. Various Class II and III plants in the Central region will be off line next week for 2 to 3 days, for regularly scheduled maintenance. Supply plants expect their churning/drying operations will be at capacity for the duration of those shutdowns.

## WEST

Milk production in CALIFORNIA is trending higher on a week-to-week basis and total levels are running well above year ago marks. Processing plants are being operated at high levels to handle the available milk and components. High shipping costs and the lack of nearby processing alternatives both play into decisions. Weather conditions remain neutral to the milk herd across the state. Any moisture is not impacting the milk flow, yet is welcomed for the alfalfa and other crops. The February 4a price (butter/powder) in CALIFORNIA is \$15.51, down \$0.67 from January and \$2.37 lower than last year. This compares to the Federal Order Class IV price for February 2012 at \$15.92. The February 4b price (cheese) is \$13.42, \$0.81 lower than December and \$3.50 less than last year. This compares to the Federal Order Class III price for February 2012 at \$16.06. ARIZONA milk output remains strong at what is thought to be at or almost near the peak level for the season. Temperatures are moderate and there are no issues stressing the milk cows. Plants are working on extended and strategic schedules to handle the milk supplies. Western CREAM supplies remain heavy. Interest in cream for usage in higher class items such as cream cheese and sour cream has moved higher and there is slightly more interest from ice cream producers. Demand has also improved for butter sales. With the butter price trend having leveled off and the various average prices moderating, cream buyers seem more comfortable and active in securing needs. The CME Group butter price closed at \$1.4500 on Wednesday, up \$.0525 from last week. Cream multiples are steady at 105-121 and vary based on class usage and basing points. Milk production in the PACIFIC NORTHWEST is well above year ago levels as favorable weather continues. Milk volumes are above year ago and many feel that the spring flush is still to come. Some milk and condensed products are moving out of the region due to ongoing repairs at a drying facility in Washington. Much of that plants production is being shifted to other plants within the region. Some spring like weather is arriving in UTAH and IDAHO. Temperate weather during the day and cool evenings are making for comfortable cows. Increased milk production is a result and manufacturing plants are running heavier than expected schedules. Dairy farmers are looking at future milk prices and making decisions concerning herd expansions and feed needs for the upcoming spring and summer. High feed costs and availability are major concerns as farmers try to maintain profitability.

## NONFAT DRY MILK, BUTTERMILK &amp; WHOLE MILK

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Central nonfat dry milk prices declined on a weak market. According to market participants, the current, light buyer interest lies in the resale market, where some price discounts are available on single load needs. For manufacturers, contract sales represent the bulk of activity. A few NDM low heat block sales brought some relief to manufacturers' inventories. With both the dry whey and NDM markets exhibiting weaker tones, and resellers carrying contract-based inventories, some brokers are looking to their suppliers for relief in various forms, including delayed contract load deliveries and/or pricing adjustments. With many plants drying at capacity throughout the week, low heat NDM inventories are building. A few plants are also drying high heat NDM to rebuild stocks recently depleted by contract sales into seasonal baking concerns. According to NASS, NDM production in the Central region totaled 15.4 million pounds during January 2012, 15.4% less than one month ago but 59.2% more than one year ago. The February 2012 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.3805 compared to \$1.4302 one month ago and \$1.5703 in February 2011. The February 2012 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.4869 compared to \$1.5243 one month ago and \$1.6221 in February 2011.

**DAIRY PRODUCTS:** NASS's Dairy Products report shows production of human food NONFAT DRY MILK during January 2012 totaled 152.9 million pounds, up 1.8% from December 2011 production and 30.6% higher than January 2011. Month ending stocks, at 158.8 million pounds, are 4.0% lower than a month ago but 62.5% higher than one year ago. January 2012 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 39.7 million pounds, 8.5% more than one month ago but 0.7% less than one year ago.

**EAST:** Prices for nonfat dry milk continued to move lower for both low and high heat varieties this week. Prices continue to move lower under the pressure of heavy and increasing inventories, caused by the influence of milk production increases and expanding manufacturing milk supplies. The low heat mostly range declined 1 and 2 cents on the high and low ends of the range respectively, while high heat declined 2 cents on the upper end of the range. The downward trend in prices has caused increased buyer hesitancy to purchase product beyond their immediate needs. Most plant managers continue to focus on low heat production in order to more readily clear the increasing milk supply. Only a few plants have milk volumes conducive to high heat production. There continues to be some marginal increases in domestic demand, most notably from expanded ice cream production, but increases in production quickly exceed the growth in demand. Most brokers indicate that prospective buyer price inquiries have declined this week, another indication that many buyers continue to sit on the sidelines waiting for lower prices and/or a clearer picture of the market. Export interest has lessened as competition from other countries has increased. The NDM market tone remains weak. The February 2012 Dairy Market News average of the mostly price series for Central/East nonfat dry milk, low/medium heat was \$1.3802/lb. compared to \$1.4302/lb. one month ago and \$1.5703/lb. in February 2012. The February 2012 Dairy Market News average of the price series for Central/East nonfat dry milk, high heat was \$1.4869/lb. compared to \$1.5243/lb. one month ago and \$1.6012/lb. in February 2012. According to ERS, Commercial Disappearance of Nonfat Dry Milk for 2011 totaled 1,496.9 million pounds, down 3.4% compared to 2010.

**DAIRY PRODUCTS:** The latest NASS Dairy Products report indicates nonfat dry milk production for January in the Atlantic region totaled 18.1 million pounds, 11.8% of the nation's total. The Atlantic region production was 40.2% more than one year ago, but 4.6% less than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2000 - 1.4350 MOSTLY: 1.2800 - 1.4000  
 HIGH HEAT: 1.4000 - 1.4800

**NONFAT DRY MILK - WEST**

Pricing levels for low/medium heat nonfat dry milk are trending lower. The market tone is weaker. Spot interest is light. Some contract customers are reported to be pulling back on volumes. The resale market is trending lower and some customers are finding better pricing levels there. In addition, buyers are finding competitive pricing in the Central and Eastern regions, which, because of increasing freight costs, is providing a better choice for some buyers' needs. Condensed skim offerings remain moderate to heavy because of the recent plant fire in the region and because of heavy milk volumes. High heat NDM prices are trending lower. Demand is fair for the current season. Offerings are adequate for trade needs. Sellers are not aggressive in pushing additional load because they need stocks to service upcoming needs when production levels for high heat will be limited. U.S. NDM production in January 2012 totaled 152.9 million pounds, 30.6% more than last year. NDM production in the West region in January totaled 119.5 million pounds, up 26.4% from last year. The West produced 78% of the U.S. total in January. U.S. manufacturers' stocks of NDM at the end of January were 158.8 million pounds, 62.5% higher than a year earlier but 4.0% less than December 2011. U.S. skim milk powder (SMP) production in January totaled 39.7 million pounds, 0.7% less than last year but 8.5% more than December.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.2000 - 1.3900 MOSTLY: 1.2300 - 1.3500  
 HIGH HEAT: 1.3600 - 1.4900

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices, Central are unchanged. Buyer interest is light outside of contracts. Some Western dry buttermilk continues to clear into the Central region at competitive prices. Condensed buttermilk is clearing into ice cream mix and hard ice cream facilities at seasonal levels, but buttermilk is still clearing through the dryers. Central dry buttermilk inventories are building steadily. The February 2012 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.3071 compared to \$1.3338 one month ago and \$1.4150 in February 2011. **DAIRY PRODUCTS:** NASS Dairy Products reports production of dry buttermilk during January 2012 totaled 12.7 million pounds, 23.4% more than one month ago and 10.4% more than production one year ago. Month ending stocks of dry buttermilk, at 18.4 million pounds, are 21.2% higher than one month ago and 89.7% higher than one year ago.

**EAST:** Dry buttermilk prices held steady this week in light trading. Dry buttermilk production held steady following the active butter production schedules as butter makers prepare for the upcoming holidays and fill export orders. Some condensed buttermilk is being sold to ice cream manufacturers, lessening some buttermilk drying schedules. Domestic demand continues to improve marginally due to ice cream production increases, but increases in demand are quickly exceeded by the steady active production of buttermilk. Current production is adding to inventories. Potential buyers continue to hold off major purchases waiting to see if lower NDM prices will weigh dry buttermilk prices lower. The February 2012 Dairy Market News monthly average for the Central/East region dry buttermilk range price series is \$1.3071/lb. compared to \$1.3338/lb. one month ago and \$1.4150/lb. in February 2011.

F.O.B. CENTRAL/EAST: 1.2600 - 1.3425

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

DRY BUTTERMILK - WEST

Western dry buttermilk prices are lower and continue the trend of recent weeks. The market undertone is weak. Lower nonfat dry milk prices are also creating cross-competitive issues with buttermilk on a comparative protein basis. Churning schedules remain active at high levels. Condensed buttermilk volumes are heavy and most can be processed in a timely manner. Dryer times are tight and plant managers are strategic in finding times for the various products. Dry buttermilk stocks are heavy. Buttermilk powder production in January 2012 for the U.S. totals 12.7 million pounds, up 10.4% from last year. Buttermilk stocks at the end of January were 18.4 million pounds, 89.7% higher than a year ago and 21.2% more than last month.

F.O.B. WEST: 1.2000 - 1.3050 MOSTLY: 1.2400 - 1.2900

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 2	\$1.3558	10,516,808	0
February 24	\$1.3521	14,551,213	0

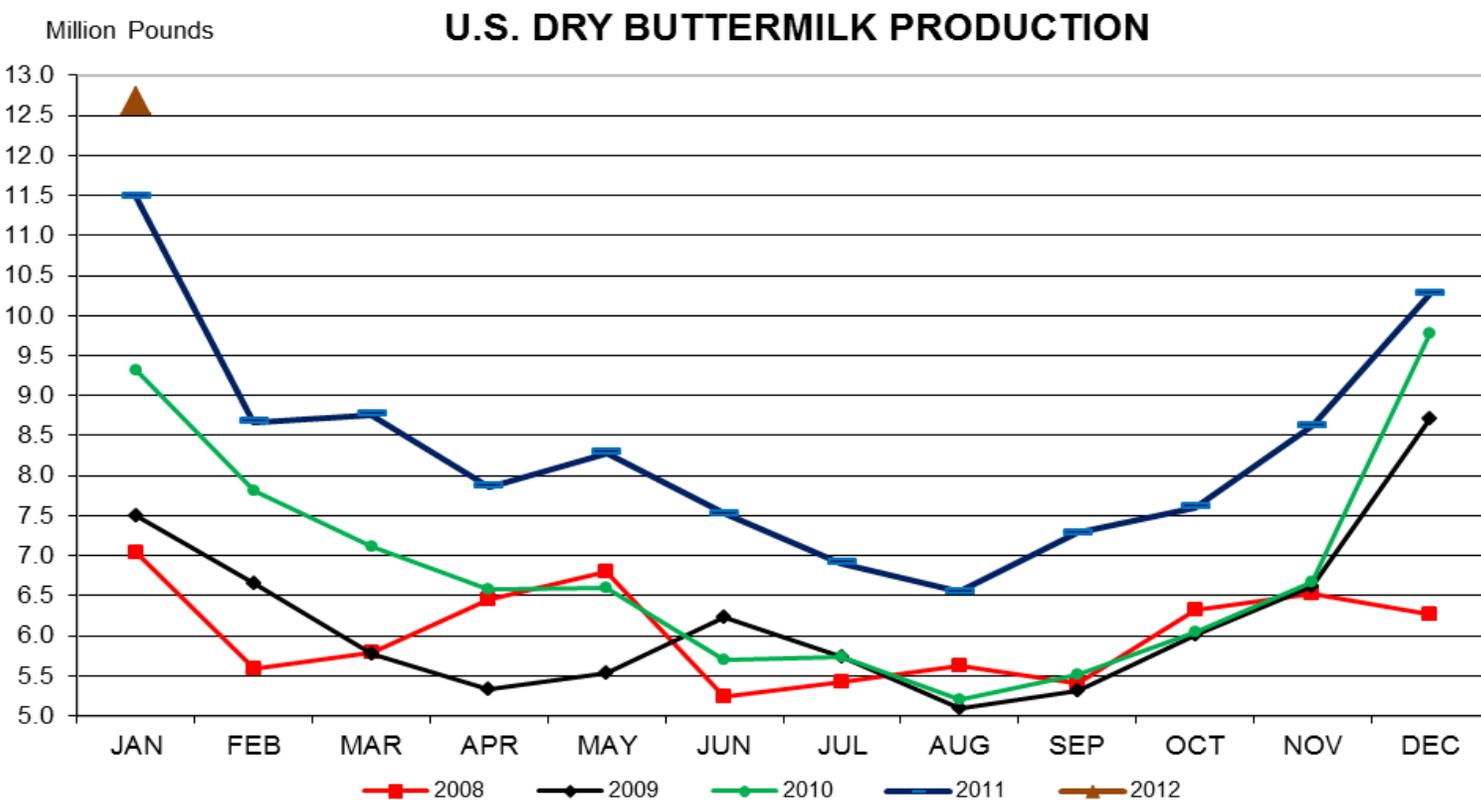
Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady. Production varies from location to location with drying schedules increasing at some plants to rebuild inventories after active drawdowns throughout February by confectioners. The February 2012 Dairy Market News average of the range price series for dry whole milk was \$1.6933 compared to \$1.7650 one month ago and \$1.8413 in February 2011.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during January 2012 totaled 5.5 million pounds, up 33.0% from December 2011 but 11.7% lower than January 2011. Month ending stocks, at 7.3 million pounds, are 11.5% higher than one month ago but 5.5% less than one year ago.

F.O.B. PRODUCING PLANT: 1.6200 - 1.6700



**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 shifted lower as contract pricing related to various adjustable bases declined. Spot market interest in dry whey has dried up according to many market participants. With price uncertainty represented in the ranges of both the Central and West markets, end users are delaying sizeable purchases and feeding end product production needs via just in time purchases. Some resales reportedly cleared at prices below the market as brokers try to decrease stocks on hand while the market sorts through supply/demand information. A few manufacturers are allowing changes to contract load delivery dates, along with modifications on pricing dates, as a way of helping their broker customers manage dry whey inventories during the recent slowdown in secondary dry whey sales. Human food dry whey production during January 2012 in the Central region totaled 39.3 million pounds. This dry whey production is 1.8% lower than one month ago and 4.3% lower than one year ago. ANIMAL FEED DRY WHEY prices moved lower as various pricing indices declined. Interest in animal feed spot loads is light as the animal feed blending industry serving calf raising operations notes customers are reportedly decreasing calf populations due to high calf and feed costs.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during January 2012 totaled 89.1 million pounds, 15.2% more than December 2011 and 3.0% more than production 1 year ago. January ending stocks of HUMAN FOOD dry whey totaled 44.5 million pounds, 7.6% more than 1 month ago but 1.4% lower than January 2011. Production of ANIMAL FEED dry whey during January 2012 totaled 6.0 million pounds, 5.8% more than one month ago and 29.9% more than the production of January 2011. ANIMAL FEED dry whey month ending stocks totaled 4.8 million pounds, 15.0% more than one month ago and 28.5% more than the stocks of one year ago.

F.O.B. CENTRAL: .3000 - .7175 MOSTLY: .6200 - .6550  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4900 - .6100

**DRY WHEY - NORTHEAST**

Dry whey prices moved significantly lower on the low end of the range due to spot sales activity. Declines on the upper end of the range were prompted by sales based on index pricing. Trading for the week increased compared to the previous week, but overall, trading remains light as buyers are hesitant to make purchases beyond current needs, due to the uncertainty of the market. The uncertainty and uneasiness in the market continues as many buyers attempt to grasp and understand the wide price ranges reported in other regions in past weeks. Many members of the industry acknowledge the increases in dry whey production, see DAIRY PRODUCTS below, but cannot justify the prices significantly below international prices, see DUTCH PRICES below, especially when whey protein concentrate prices have been holding fairly steady for a number of weeks. The current market uncertainty has caused whey inventories to build as many buyers delay March contract deliveries for later in the month hoping for lower prices and a clearer market picture. The delay in contract deliveries and no significant spot sales activity has resulted in increased inventories for Eastern manufacturers. The net result of this market situation is that whey is more readily available now than it has been in over a year. Production of dry whey remains mostly steady. Domestic demand has declined, export interest has declined compared to

recent weeks, but remains fairly active. Resale offers are increasing as numerous brokers attempt to lower their inventories of previously purchased higher priced product. The February 2012 Dairy Market News average of the price series for Northeast dry whey was \$0.7221 compared to \$0.7318 one month ago and \$0.4146 in February 2011. DUTCH PRICES: Dutch prices released this week had Edible Grade Whey priced at \$0.5004 in U.S. Dollars.

DAIRY PRODUCTS: The latest NASS Dairy Products report shows production of dry whey for human consumption for January 2012, in the Atlantic region totaled 21.7 million pounds, or 24.3% of the nation's total for January of 89.1 million pounds. The Atlantic area's production is 3.1% more than December and 20.6% more than production one year ago. The national production total was 15.2% more than the previous month and 3.0% more than for the same period last year.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5000 - .7025

**DRY WHEY - WEST**

Western edible dry whey prices are weak to lower this week. The market is unsettled as contract priced sales are lower. Production of whey has increased as cheese plants are running heavy schedules. Demand for additional whey above contract needs is lighter as buyers look for lower priced product. According to the NASS *Dairy Products* report, total dry whey production in January totaled 95.1 million pounds, up 4.4% or 4.0 million pounds compared to January 2011. The Western region produced 28.1 million pounds of human dry whey in January, up 2.6% or 0.7 million pounds from last year. The West produced 31.5% of the human dry whey in the U.S. in January. Manufacturers' stocks at the end of January for total dry whey are 49.4 million pounds, up 0.9% or 0.5 million pounds from last year. The February 2012 Dairy Market News monthly average price for Western dry whey range was \$0.5836 compared to \$0.4914 for February 2011; the Western dry whey mostly series averaged \$0.6402 compared to \$0.4506 a year ago.

NONHYGROSCOPIC: .3000 - .6350 MOSTLY: .4500 - .6300

**EVAPORATED MILK - NATIONAL**

Canned evaporated milk production during January 2012 totaled 42.7 million pounds, a 17.8% increase in production from December 2011 and 9.5% higher than January 2011. Manufacturers' end-of-month stocks totaled 48.4 million pounds, 30.3% higher than last month but 21.1% lower than one year ago.

CONTINUED ON PAGE 6A

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

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

**CONTINUED FROM PAGE 6****WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices decreased on both the range and mostly series. WPC 34% demand is uneven from manufacturer to manufacturer and dependent on existing customer bases. WPC 34% demand from the infant formula, process cheese, and cream cheese sectors is steady to seasonally higher. However, demand from animal feed blending accounts is reportedly light and there is some pushback on contract loads occurring. As some calf raising operations decrease their calf populations due to calf prices and feed costs, the demand for calf feed is lower. Feed blending operations are working through WPC 34% stocks on hand, and in some cases, looking for resale opportunities for WPC 34% loads. The February 2012 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.5271 compared to \$1.5239 one month ago and \$1.0597 in February 2011. **DAIRY PRODUCTS:** The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during January 2012 totaled 21.8 million pounds, 3.0% more than one month ago and 12.2% 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 23.7 million pounds, 6.0% more than December 2011 and 49.3% more than January 2011.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4000 - 1.6675 MOSTLY: 1.5000 - 1.5400

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a steady market. Q2 contract negotiations are ongoing. Some buyers are reportedly holding back on finalizing lactose contracts, hoping for a retreat from current market strength as Q1 draws to a close. However, demand for unground lactose and 100 - 200 mesh lactose is mostly steady. Various lactose manufacturers report interest from their established domestic and international customers with intermittent lactose needs is on the rise and related to seasonal holiday needs. Lactose production is steady to higher at some plants as cheese milk is readily available in most areas. In some locations, plants are exceeding their anticipated lactose production year to date because of plentiful milk supplies. The February 2012 Dairy Market News average of the mostly price series for Central and West lactose was \$0.8894 compared to \$0.8736 one month ago and \$0.3603 in February 2011.

**DAIRY PRODUCTS:** NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during January 2012 increased 2.2% compared to December 2011 to 87.7 million pounds and was 7.7% higher than January 2011 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 64.3 million pounds, are 3.4% less than one month ago and 19.1% 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**

Prices are unchanged for acid and rennet casein. Buying patterns are following expectations. Product is available to fill current contracts. Production levels and holdings in Europe and Oceania are stated to be adequate in order to supply future needs for U.S. customers.

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:	4.3000 - 4.9000
ACID:	4.8200 - 5.1000

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

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

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

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

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
02/04/2012	60.5	428.9	64.9	441.8

**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

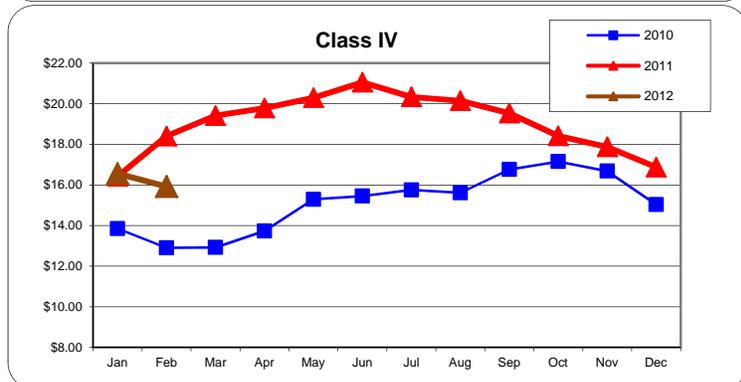
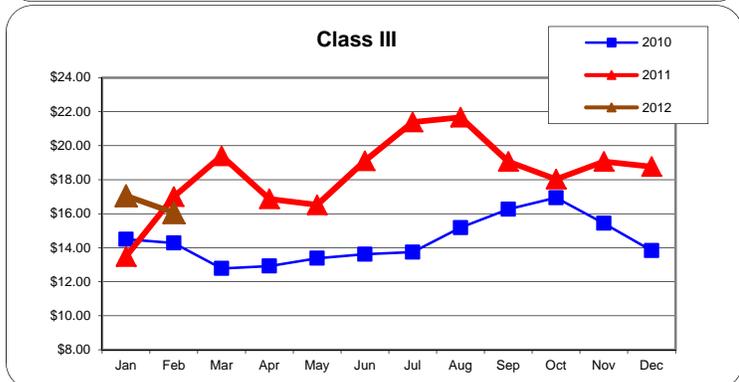
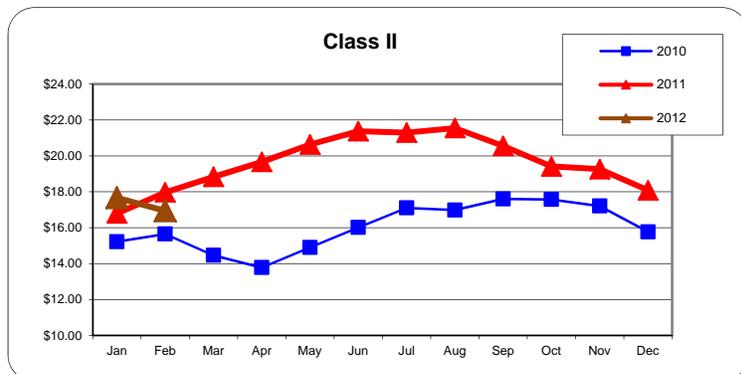
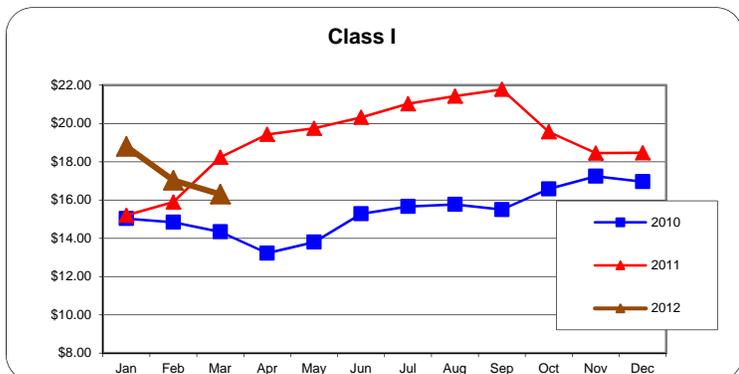
**CLASS IV MILK PRICES (3.5% BF)**

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	16.30									
II	17.67	16.94										
III	17.05	16.06										
IV	16.56	15.92										

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

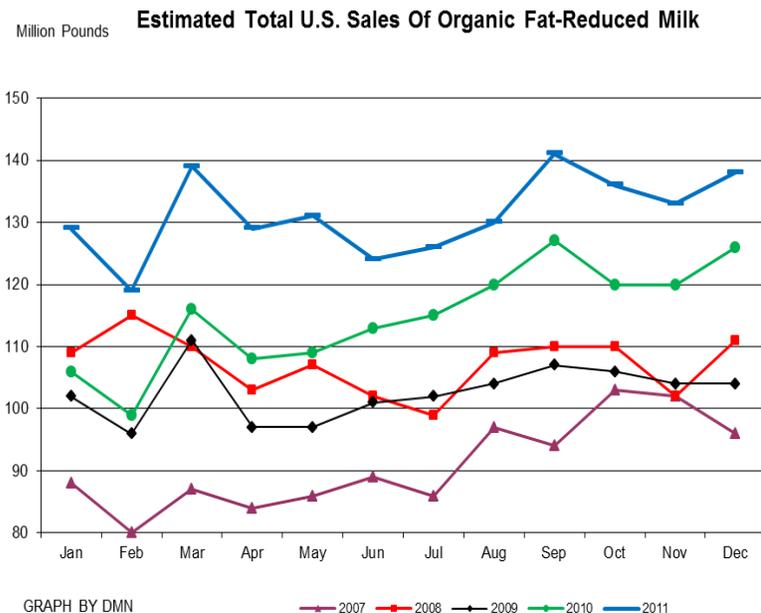


ORGANIC DAIRY MARKET NEWS

Information gathered February 27 - March 9, 2012

ORGANIC DAIRY FLUID OVERVIEW

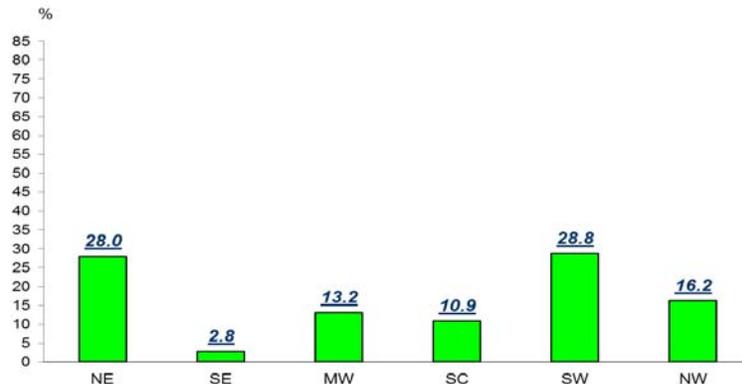
**Milk Product Sales:** Yearly and monthly data from 2007-2011 for estimated U.S. Sales of organic fat-reduced milk graphed below, illustrates the continued growth of sales. The graph shows that organic fat reduced milk sales have been higher each month compared to the same month one year ago, since the beginning of 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country.



newspaper supermarket ads for the period February 25, 2012, to March 9, 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 continued to be dominated by the Southwest with 28.8% of ads and the Northeast, with 28.0%. The remaining regions were the Northwest, 16.2%, Midwest, 13.2%, South Central, 10.9%, and Southeast, 2.8%.

**Organic Dairy Newspaper Ads Regionally As A Percentage of Surveyed Organic Dairy Ads 2012 - Week 10**



**Organic Dairy Market News.** Organic milk supplies are especially tight in the East region. Organic producers are faced with a number of increasing cost and cash flow factors that limit or preclude them from increasing production. Feed and hay supplies are becoming tight in the Northeast as drought in some areas last year limited harvest yields, while continual fall rains in New England limited the hay harvest and quality. Tight cash flow situations for many organic producers prevent them from purchasing additional hay and feed supplies.

**NATIONALLY ADVERTISED PRICE COMPARISON**

**Organic Dairy Overview.** Organic dairy advertising volume increased from two weeks ago, reaching the highest level for the year, as well as the highest since mid-October last year. Over 88% of organic dairy ads this period were for organic yogurt. The remaining organic ads were divided between sour cream (7%), natural variety cheese (3%), and cream cheese (1%).

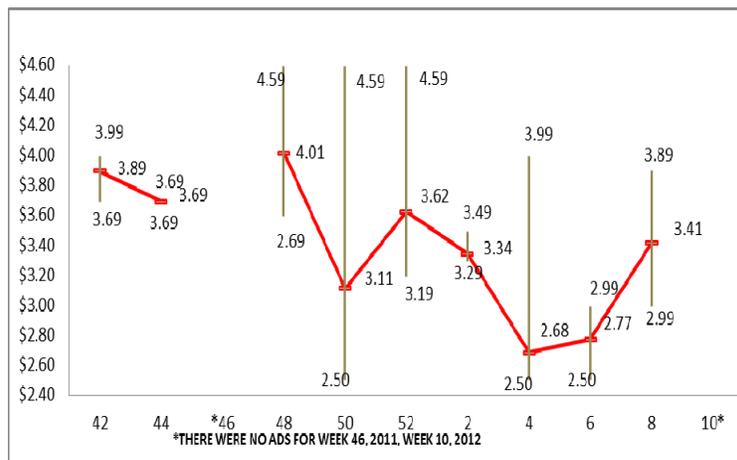
The percentage increase in organic yogurt ads can best be attributed to the total lack of any organic milk ads this period. The absence of any organic milk ads reflects the tightness of the organic milk supply. The supplies are especially tight in the East where various grocery store chains periodically sell out of various brands and container sizes of organic milk. As a result of the tight organic milk supplies, there continues to be an increase in ads featuring organic soy beverages. Organic dairy producers in the Northeast, faced with seasonal decline in feed and hay supplies, are often prohibited from purchasing additional supplies due to the high cost of organic feed and hay. The high cost of feed, hay, fuel, land and other inputs prevents many producers from expanding their operations to address the tight organic milk supply situation.

Advertising information presented is compiled from surveyed

**Organic Milk.** There were no ads for organic milk in any container size, in any region this reporting period. This is the first time since reporting week 46 in mid-November, 2011, that no organic milk ads were reported. Week 46 was also the only time there were no organic milk ads in 2011.

**Organic Milk Half Gallons.** There are no ads for half gallon containers of organic milk this period among surveyed newspapers. The graph which follows shows recent trends of advertising and weighted average retail prices.

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



**Organic Yogurt.** The Southwest replaced the Northeast as the region with the most newspaper advertising for organic yogurt, with 29.5% of ads this period. The Northeast followed closely with 26.1%, the Northwest at 17.8%, the South Central region at 10.9%, the Midwest at 9.5% and the Southeast at 6.2%.

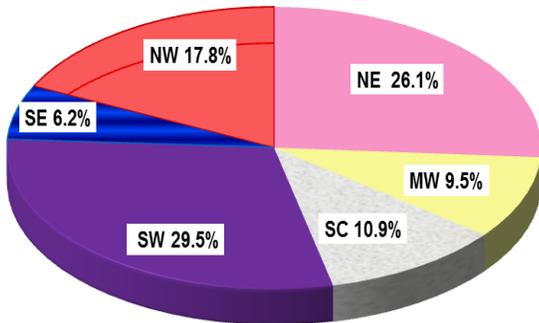
ORGANIC DAIRY MARKET NEWS

Information gathered February 27 - March 9, 2012

CONTINUED FROM PAGE 8

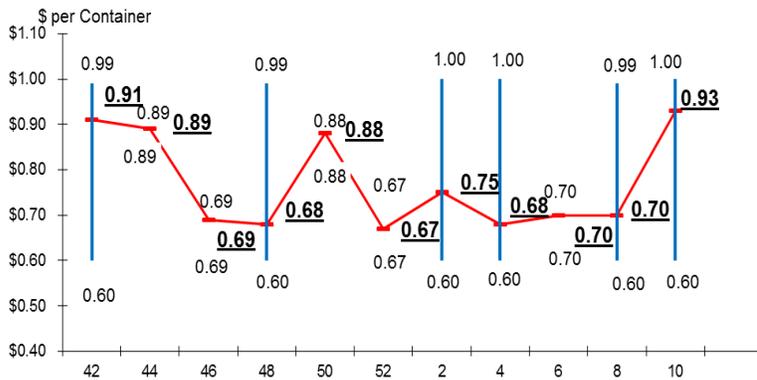
ORGANIC YOGURT FEATURES

Regional % of Surveyed National Newspaper Ads  
Report Week 10, 2012



**4-6 Ounce Organic Yogurt.** Ads for 4-6 ounce organic yogurt appeared in newspapers for all regions. The national weighted average advertised price increased 23 cents from the previous report to \$0.93. The \$0.93 national weighted average is the highest average on record, since the inception of the Organic Dairy Market News in November, 2009. The price range, compared to the previous reporting period, was only 1 cent higher on the upper end of the range with the full range being \$0.60 to \$1.00. The average weighted price increased because, more regions had organic yogurt prices near the upper end of the range.

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	26.1	0.75
SE	6.2	0.99
MW	9.5	0.99
SC	10.9	0.99
SW	29.5	0.97
NW	17.8	0.99
US		0.93

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

REGION	%	WTD. AV. ADV. PRICE \$
NE	51.4	1.39
SE	48.6	1.00
MW	00.0	----
SC	00.0	----
SW	00.0	----
NW	00.0	----
US		1.20

**Other Organic Yogurt.** The remaining organic yogurt ads were for yogurt in 32 ounce containers, comprising 6% of all organic yogurt ads with ads appearing in the Midwest and Southwest regions. Prices ranged from \$2.50-\$3.00 with a weighted national average price of \$2.75.

**Organic Cheese.** Ads for organic cheese appeared in 122 stores in the Northeast region. All of the ads were for a store brand of 8 ounce block natural cheese, priced at \$4.99.

**Organic Cream Cheese.** Ads for organic cream cheese appeared in 32 stores in the Northeast region. All of the ads were for a national brand in an 8 ounce block, priced at \$3.00.

**Organic Sour Cream.** Ads for organic sour cream in 16 ounce containers appeared in 271 stores in the Northeast, South Central and Southwest regions. Prices ranged from \$2.29 to \$2.49 with a national weighted average price of \$2.44. The appearance of the organic sour cream ads is partly due to the upcoming Passover/Easter holidays and college basketball tournaments.

**Organic Butter.** There were no organic butter ads for this reporting period.

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 10

	MADISON, WISCONSIN		
	LOW	HIGH	RANGE
	(in Dollars)		
<b>FLUID MILK</b>			
MILK - gallon			
Whole	5.49	6.99	1.50
Nonfat (Skim)	5.49	6.99	1.50
Low fat (1%)	5.49	6.99	1.50
Reduced fat (2%)	5.49	6.99	1.50

**4-6 Ounce Organic Greek Yogurt.** All organic Greek yogurt ads ran in newspapers in the Northeast and Southeast. The national weighted average advertised price was \$1.20, with advertised prices ranging from \$1.00 to \$1.50.

CONTINUED ON PAGE 8B

## ORGANIC DAIRY MARKET NEWS

Information gathered February 27 - March 9, 2012

CONTINUED FROM PAGE 8A

ORGANIC MILK, YOGURT, CHEESE, BUTTER PRICE RANGE  
2012 REPORTING WEEK 10 (CONTINUED)MADISON, WISCONSIN  
LOW   HIGH   RANGE  
(in Dollars)

<b>MILK - half gallon</b>			
Whole	3.19*	4.49*	1.30*
Nonfat (Skim)	3.19*	4.49*	1.30*
Reduced fat (2%)	3.19*	4.49*	1.30*
Low fat (1%)	3.19*	4.49	1.30*
<b>FLAVMILK - half gallon</b>			
All fat tests	3.09	5.69	2.60
<b>YOGURT</b>			
Yogurt - 4-6 oz			
Yogurt	0.79	1.29	0.50
<b>CHEESE</b>			
Cheese - 8 oz block			
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 oz string			
Mozzarella	3.99	5.09	1.10
Colby Jack	3.89	4.99	1.10
<b>BUTTER</b>			
Butter - 1 Pound	4.99*	6.19	1.20*

\* = Price change from prior reporting period.

Organic butter's lower price range increased slightly from \$4.79, to \$4.99. The low price for half gallons increased slightly from \$3.15 to \$3.19.

**ORGANIC GRAIN AND FEEDSTUFFS MARKETS:**

National organic grain and feedstuffs were higher with good demand for feed grade corn and soybeans, and very good demand for feed grade barley. Offerings of grain this period were light to moderate with some producers holding onto grain inventories in anticipation of higher prices. Soybean splits were reported for \$21.00/bushel this period, with interest reported in contracting such feed ingredients after harvest, including wheat midlings. Feed grade corn this period was mostly \$13.50-\$14.25 per bushel, with the lower end of the price range occurring in the early part of the reporting period. Some organic operations are considering cutting production due to high feed costs so early in the year, as operating profitably is becoming increasingly difficult given the current feed costs and milk prices.

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

## JANUARY 2012 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 180.6 million pounds, 8.5 percent above January 2011 and 9.0 percent above December 2011. **AMERICAN TYPE CHEESE** production totaled 370.6 million pounds, 3.1 percent above January 2011 and slightly above December 2011. **TOTAL CHEESE** output (excluding cottage cheese) was 912.3 million pounds, 2.9 percent above January 2011 but 1.9 percent below December 2011. **NONFAT DRY MILK** production, for human food, totaled 152.9 million pounds, 30.6 percent above January 2011 and 1.8 percent above December 2011. **DRY WHEY** production, for human food, was 89.1 million pounds, 3.0 percent above January 2011 and 15.2 percent above December 2011. **ICE CREAM** (hard) production totaled 55.0 million gallons, 1.6 percent below January 2011 but 8.1 percent above December 2011.

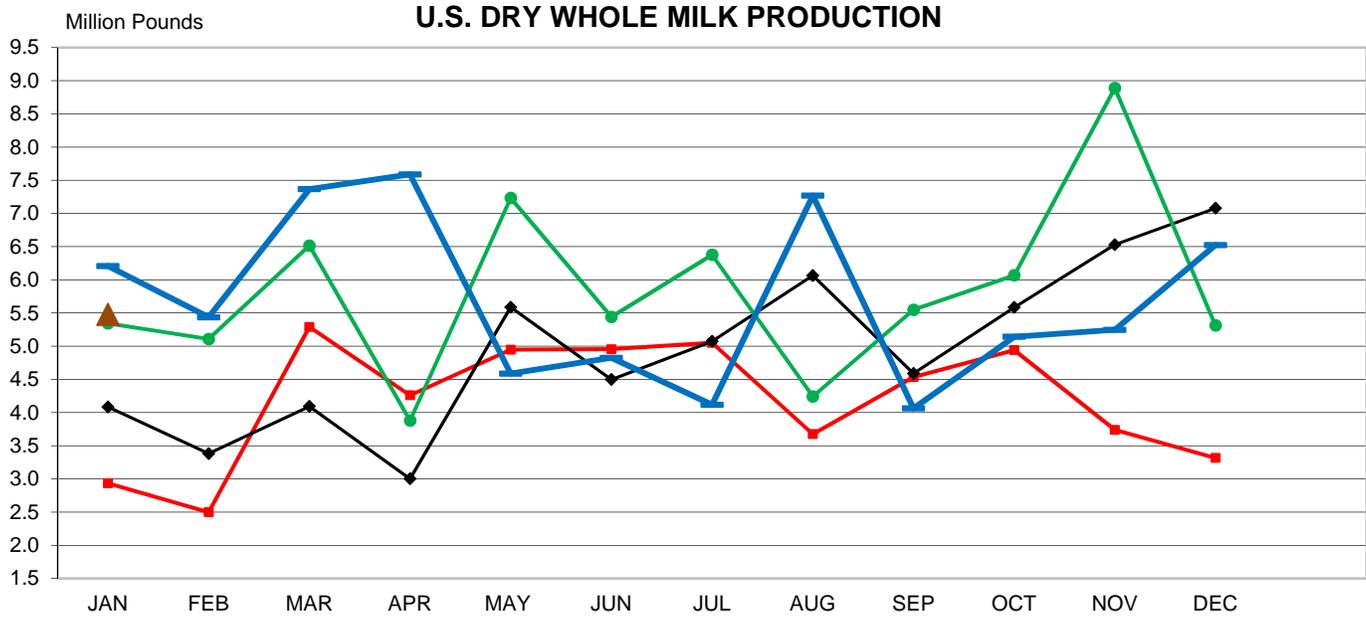
PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JAN 2012	PERCENT CHANGE FROM:			PRODUCT	JAN 2012	PERCENT CHANGE FROM:		
	1,000 LBS.	JAN 2011	DEC 2011	YEAR TO DATE 1/		1,000 LBS.	JAN 2011	DEC 2011	YEAR TO DATE 1/
BUTTER	180,591	8.5	9.0	8.5	SOUR CREAM	102,791	5.7	-10.4	5.7
CHEESE					YOGURT (PLAIN AND FLAVORED)	382,799	6.4	16.4	6.4
AMERICAN TYPES 2/	370,605	3.1	0.0	3.1	DRY WHEY, HUMAN FOOD	89,096	3.0	15.2	---
CHEDDAR	277,330	0.9	1.0	0.9	DRY WHEY, ANIMAL FEED	5,975	29.9	5.8	---
OTHER AMERICAN	93,275	10.4	-2.8	---	DRY WHEY, TOTAL 8/	95,071	4.4	14.5	4.4
BRICK & MUENSTER	11,690	10.4	-2.2	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	57,659	5.8	-8.1	---	HUMAN FOOD	2,699	2.7	-0.9	---
HISPANIC	18,486	0.3	2.0	---	ANIMAL FEED	5,280	15.5	0.5	---
TOTAL ITALIAN TYPES	397,219	2.3	-2.8	2.3	LACTOSE, HUMAN FOOD & ANIMAL FEED	87,698	7.7	2.2	7.7
MOZZARELLA	309,617	0.5	-3.5	0.5	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	87,602	9.3	0.0	---	HUMAN FOOD 9/	36,185	11.1	-3.4	---
SWISS	27,924	3.1	0.6	---	ANIMAL FEED 9/	2,173	-5.2	0.8	---
ALL OTHER TYPES	28,749	0.7	-5.4	---	TOTAL 9/	38,358	10.0	-3.2	10.0
TOTAL	912,332	2.9	-1.9	2.9	25.0-49.9 PERCENT 10/	21,757	12.2	3.0	---
COTTAGE CHEESE, CURD 3/	35,261	1.7	9.6	---	50.0-89.9 PERCENT 10/	16,601	7.2	-10.3	---
COTTAGE CHEESE, CREAM 4/	25,862	-3.4	11.1	-3.4	PROTEIN ISOLATES 11/	5,517	4.0	3.7	---
COTTAGE CHEESE, LOWFAT 5/	33,444	6.4	15.2	6.4	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSO WHOLE MILK	42,692	9.5	17.8	---	ICE CREAM (HARD)	55,035	-1.6	8.1	-1.6
DRY BUTTERMILK	12,679	10.4	23.4	---	ICE CREAM, LOWFAT (HARD)	13,436	31.7	8.4	---
DRY WHOLE MILK	5,479	-11.7	33.0	---	ICE CREAM, LOWFAT (SOFT)	15,161	11.3	21.7	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	8,892	19.6	6.2	---	ICE CREAM, LOWFAT (TOTAL)	28,597	20.0	15.1	20.0
NONFAT DRY MILK (NDM), HUMAN	152,879	30.6	1.8	30.6	SHERBET, HARD	3,032	-4.9	25.1	-4.9
SKIM MILK POWDERS (SMP) 7/	39,704	-0.7	8.5	-0.7	YOGURT (TOTAL)	3,432	-4.9	5.6	-4.9

## MANUFACTURERS' STOCKS, END OF MONTH 12/

PRODUCT	JAN 2012	PERCENT OF:		PRODUCT	JAN 2012	PERCENT OF:	
	1,000 LBS.	JAN 2011	DEC 2011		1,000 LBS.	JAN 2011	DEC 2011
DRY WHEY, HUMAN FOOD	44,528	-1.4	7.6	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	4,842	28.5	15.0	HUMAN FOOD 9/	40,542	25.0	1.2
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	5,623	-2.2	13.0	ANIMAL FEED 9/	1,655	9.8	-6.9
LACTOSE, HUMAN FOOD & ANIMAL FEED	64,338	-19.1	-3.4	TOTAL 9/	42,197	24.3	0.9
CANNED EVAP & CONDSO WHOLE MILK	48,369	-21.1	30.3	25.0-49.9 PERCENT 10/	23,661	49.3	6.0
DRY BUTTERMILK	18,388	89.7	21.2	50.0-89.9 PERCENT 10/	18,536	2.5	-5.1
NONFAT DRY MILK (NDM), HUMAN FOOD	158,847	62.5	-4.0	PROTEIN ISOLATES 11/	6,652	28.0	-3.2

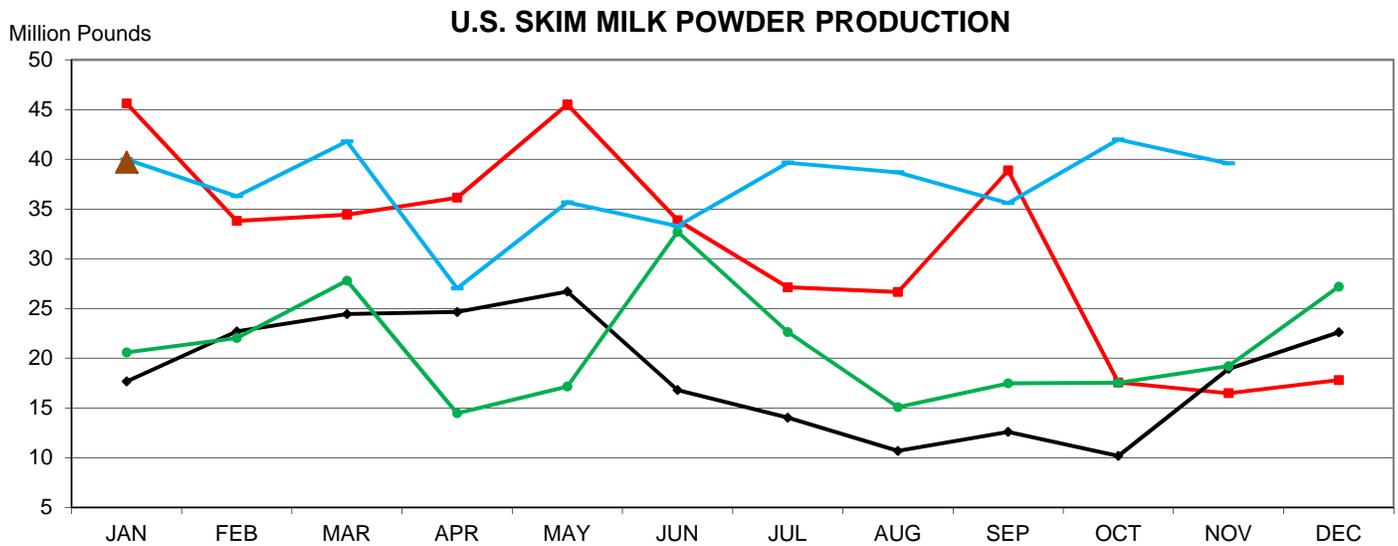
1/ 2012 cumulative as percent change of 2011 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes 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, March 2012.



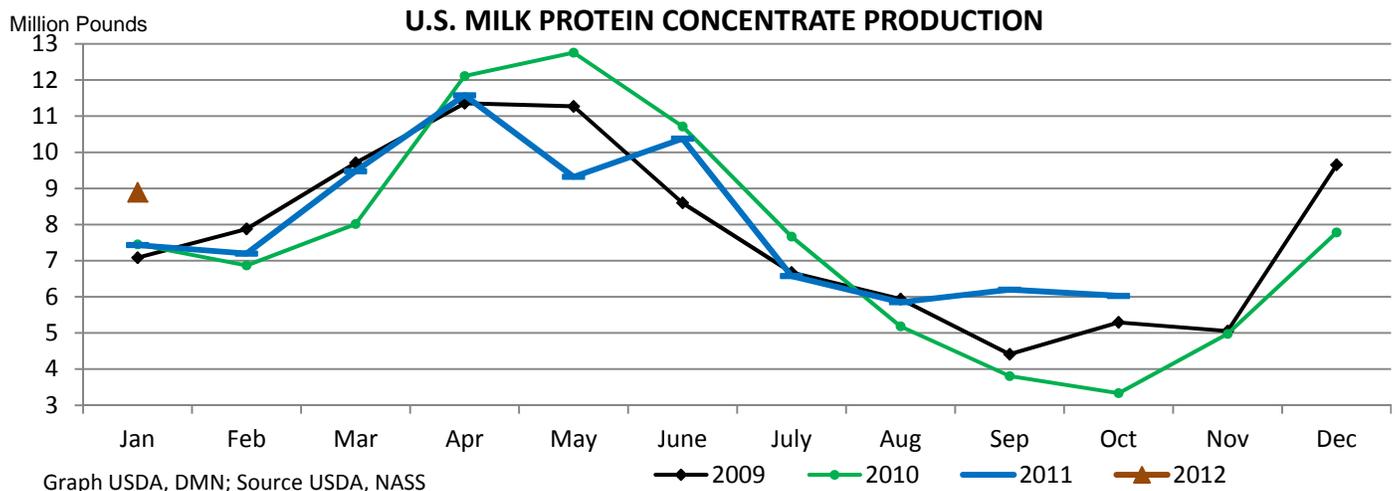
Graph USDA, DMN; Source USDA, NASS

—■— 2008    —◆— 2009    —●— 2010    —■— 2011    —▲— 2012



Graph USDA, DMN; Source USDA, NASS

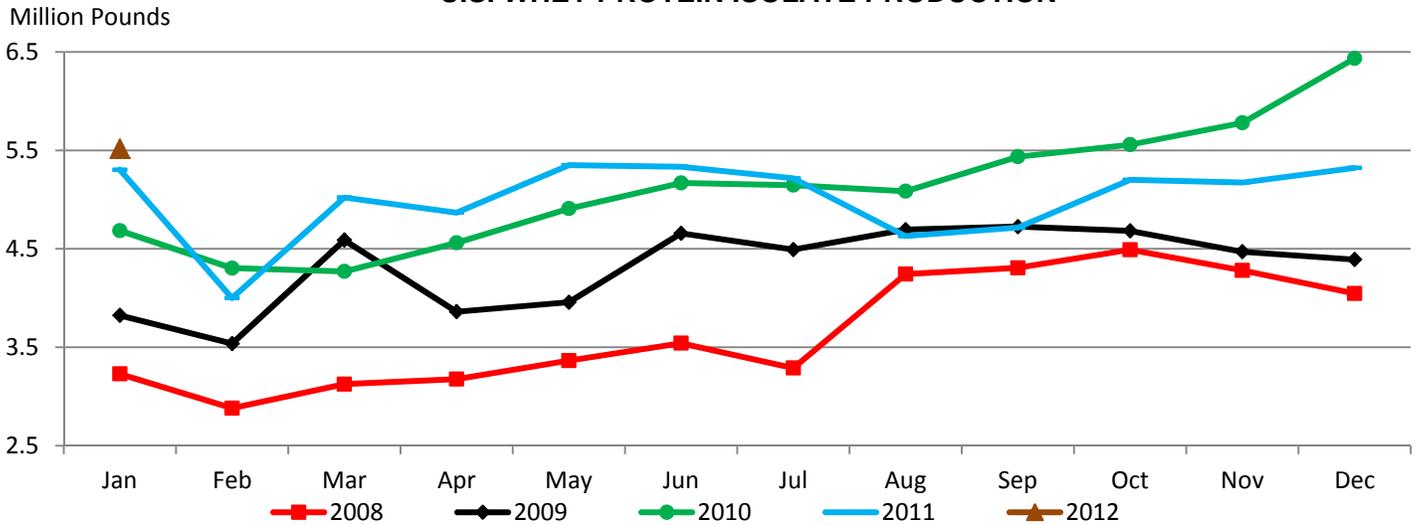
—■— 2008    —◆— 2009    —●— 2010    —■— 2011    —▲— 2012



Graph USDA, DMN; Source USDA, NASS

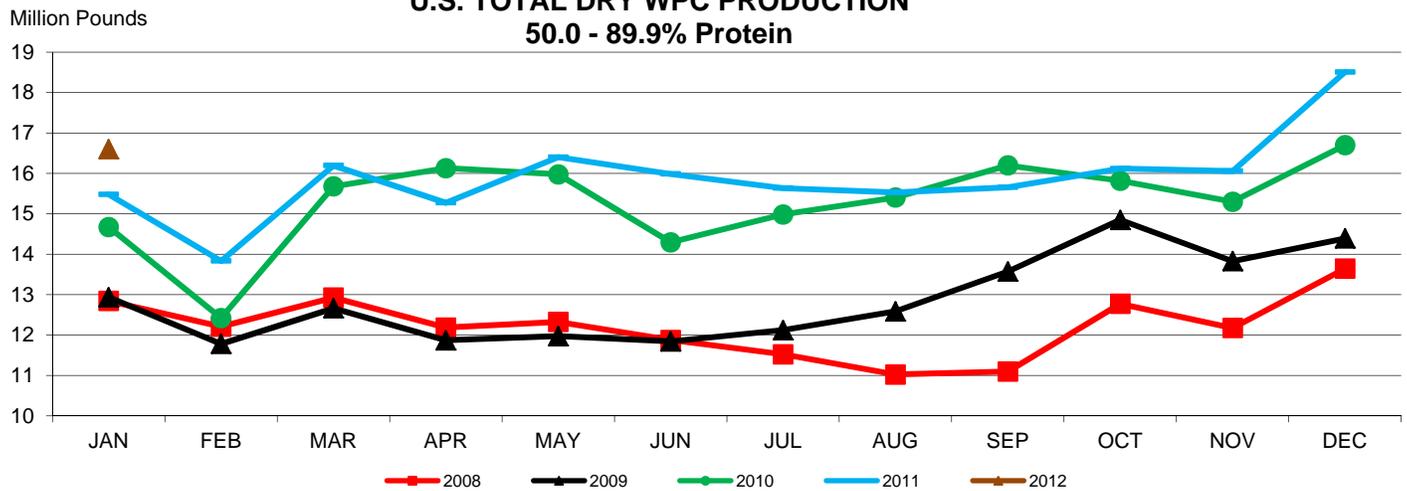
—◆— 2009    —●— 2010    —■— 2011    —▲— 2012

**U.S. WHEY PROTEIN ISOLATE PRODUCTION**



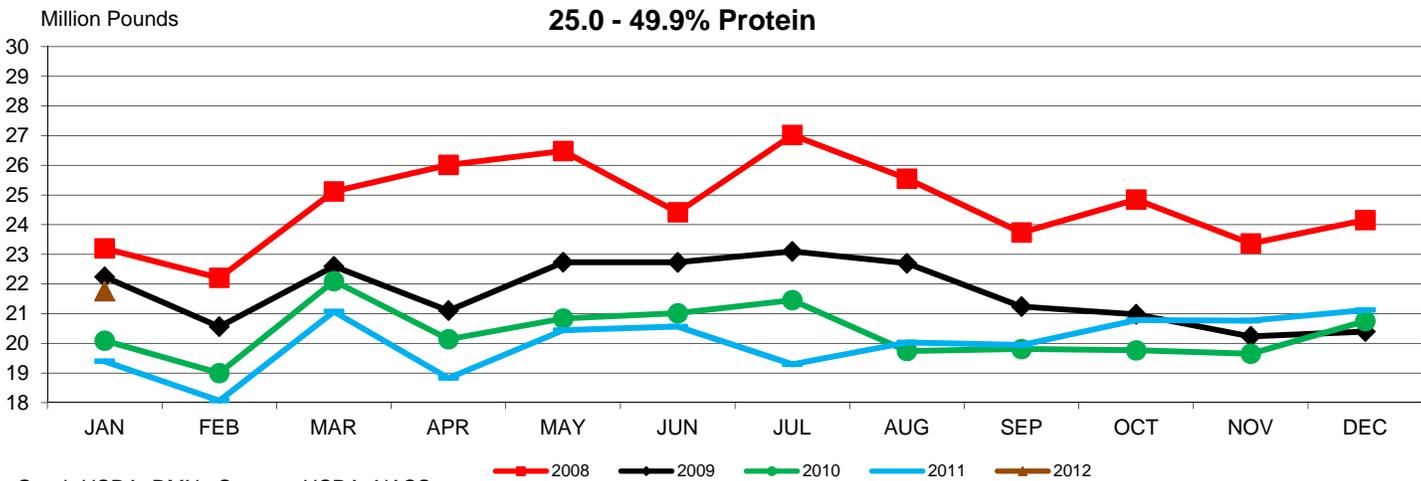
Graph USDA, DMN; Source USDA, NASS

**U.S. TOTAL DRY WPC PRODUCTION  
50.0 - 89.9% Protein**



Graph USDA, DMN; Source: USDA, NASS

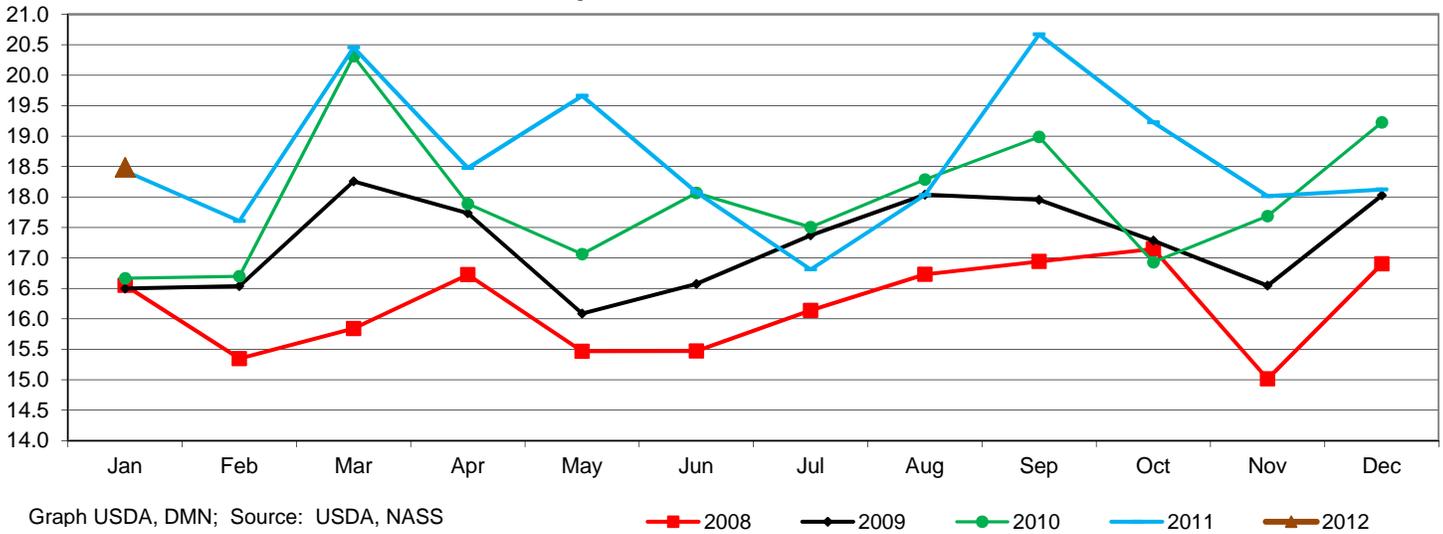
**U.S. TOTAL DRY WPC PRODUCTION  
25.0 - 49.9% Protein**



Graph USDA, DMN; Source: USDA, NASS

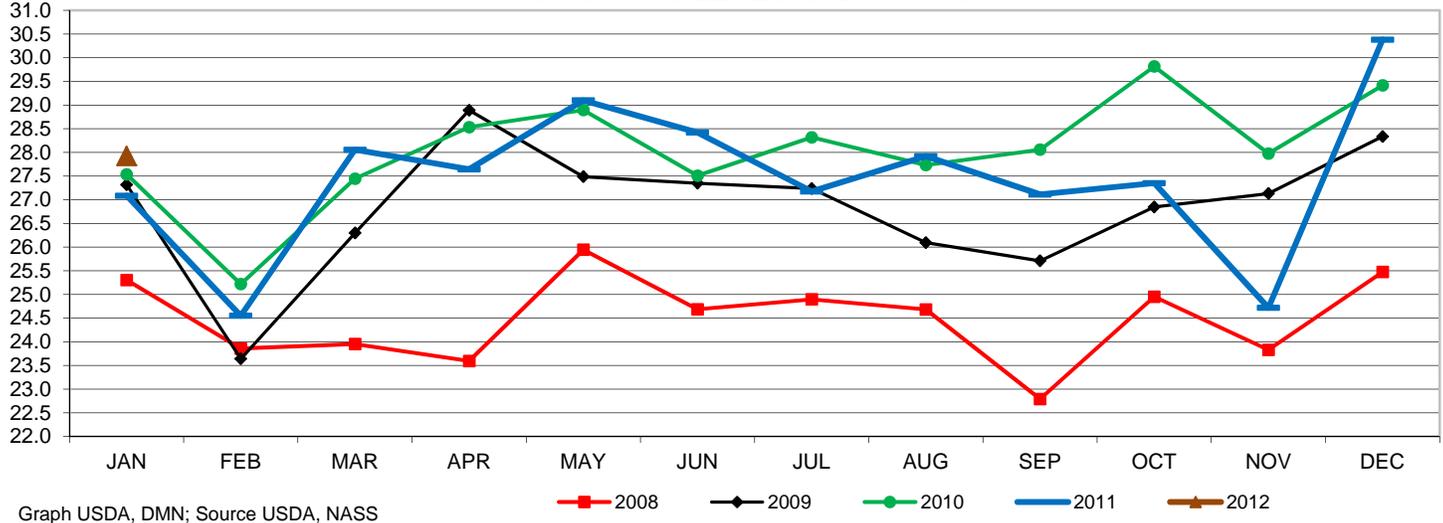
Million Pounds

### U.S. Hispanic Cheese Production



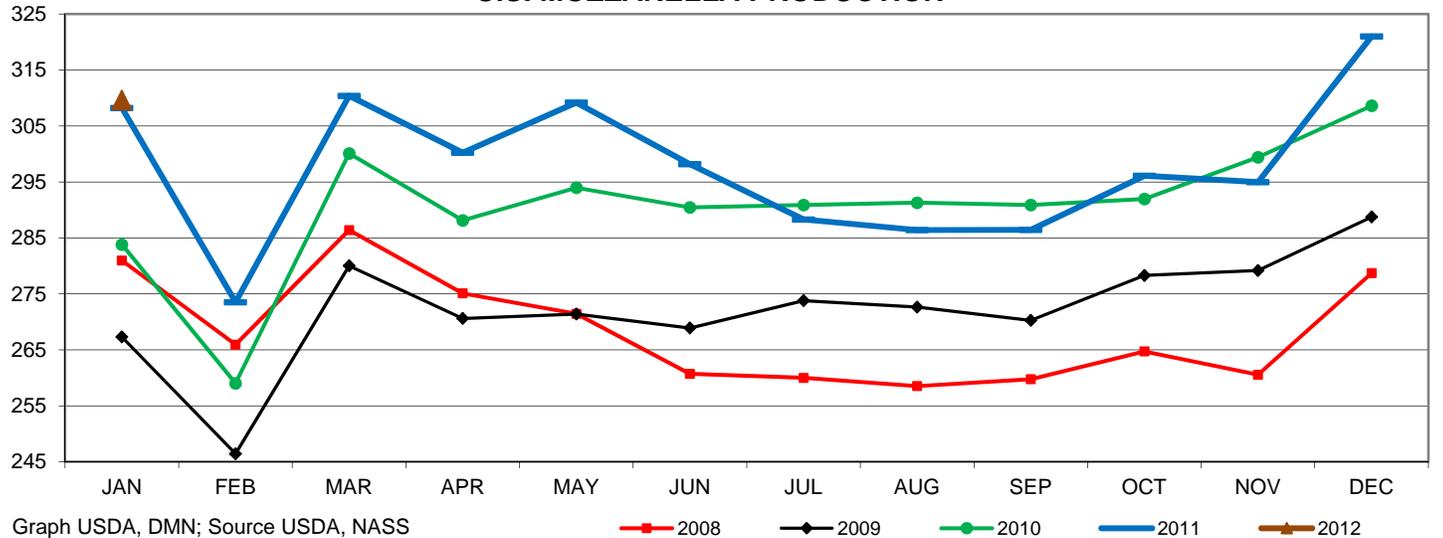
Million Pounds

### U.S. SWISS CHEESE PRODUCTION



Million Pounds

### U.S. MOZZARELLA PRODUCTION



# DAIRY MARKET NEWS

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