

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (05/11):**

**BUTTER:** Grade AA closed at \$1.3200. The weekly average for Grade AA is \$1.3065 (-.0355).

**CHEESE:** Barrels closed at \$1.4500 and 40# blocks at \$1.5000. The weekly average for barrels is \$1.4540 (-.0115) and blocks, \$1.5025 (-.0325).

**BUTTER HIGHLIGHTS:** During the week, the CME cash butter price dipped to the lowest level (\$1.3000) since October 2009, but firmed to \$1.3200 by weeks' end. Butter producers and handlers are indicating that churning schedules are seasonally strong. Cream offerings to the churn remain plentiful. Many butter producers are stating that cream offerings are surpassing their capacity. Current churning is generating butter stocks that are outpacing demand, thus clearances to inventory are occurring. In many instances, butter producers are generating bulk versus print, especially if they know the end location at this time is inventory. Butter demand is fair at best. Most orders being placed are for short term or immediate needs, with minimal longer term orders being negotiated and finalized. Cooperatives Working Together (CWT) continues to accept butter export assistance requests and during the week announced that they recently accepted requests totaling nearly 518,086 pounds (235 MT), the lightest weekly acceptances thus far this year. Thus far in 2012, CWT has assisted with exports of 41.3 million pounds.

**CHEESE HIGHLIGHTS:** Cheese production levels remain high as milk looks to find a home away from Class IV production. Discounts are being offered to prompt cheese plants to take on extra milk. Cheese plants are cautious without the discounts to build inventories. Domestic sales are moderate as some buyers are waiting to see if prices will go lower before committing to added purchases. Export sales remain above year ago aided in part by CWT assistance. Cash trading at the CME Group this week has been mostly lower, but firmed slightly by weeks' end with the bulk of the activity taking place in barrels. There were moderate sales of 14 loads of barrels with only 3 sales of blocks for the week. Barrels closed Friday at \$1.4500, while blocks closed at \$1.5000.

**FLUID MILK:** Milk production in the Northeast and Mid-Atlantic regions has leveled off and indications are the two regions are at or near the seasonal peak. Manufacturing milk supplies remain heavy. Class I demand is steady. Florida's milk production continues

decline as heat and drought conditions are taking their toll. Active yogurt production is adding to the cream supply and contracted cream deliveries are at increased volumes. In the Midwest, various milk handlers report their farm milk intakes are steady to dropping slightly for the week compared to the previous week. Component values are also starting a slow, seasonal decline. Spot milk availability in the region declined while sales into ice cream and ice cream mix facilities increased. Milk production in California remains uneven. Areas in northern California are seeing milk production move higher, while other areas are generally flat to occasionally lower. Temperatures are warming up, but not impacting cows. Arizona milk production is trending lower, moving away from the recent seasonal peak. Processing plants continue to work on extended schedules to handle the milk supplies. Western Cream markets are steady at weak pricing levels. Milk production in the Pacific Northwest is reported to still be heavy, although this week showed some relief from excess production in the region. Utah and Idaho milk production is following expected levels. Milk from the region is being processed locally as manufacturing capacity is adequate for current needs.

**DRY PRODUCTS:** Central nonfat dry milk prices are unchanged to lower on a continued weak market. Eastern NDM production schedules remain very active, leading to building inventories which keeps downward pressure on prices. Western low/medium heat NDM milk prices moved lower on light trading, with a weak undertone. Central dry buttermilk prices are unchanged to lower. Eastern dry buttermilk inventories are increasing and putting significant pressure on prices. In the west, dry buttermilk prices trend lower and the market tone remains weak in light trading. A decrease in the market values of nonfat solids and butterfat exerted pressure on the low end of the dry whole milk spot market. Central dry whey prices on the mostly series are unchanged for the week while the top of the range decreased by one cent. Current dry whey production in the Northeast is expanding inventories and keeping downward pressure on prices. Western dry whey prices are mostly steady with the top of the range lower as contract prices adjust. The whey protein concentrate 34% market is unchanged to lower on the range as some contract prices adjusted to variable bases. The lactose market is unchanged on a steady market. Casein markets remain weak with prices generally holding steady.

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

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**CME GROUP CASH TRADING**

COMMODITY	MONDAY MAY 07	TUESDAY MAY 08	WEDNESDAY MAY 09	THURSDAY MAY 10	FRIDAY MAY 11	:: ::	WEEKLY CHANGE*	:: ::	WEEKLY AVERAGE#
CHEESE									
BARRELS	\$1.4675 (-.0025)	\$1.4525 (-.0150)	\$1.4525 (N.C.)	\$1.4475 (-.0050)	\$1.4500 (+.0025)	:: ::	(-.0200)	:: ::	\$1.4540 (-.0115)
40# BLOCKS	\$1.5350 (N.C.)	\$1.4925 (-.0425)	\$1.4925 (N.C.)	\$1.4925 (N.C.)	\$1.5000 (+.0075)	:: ::	(-.0350)	:: ::	\$1.5025 (-.0325)
NONFAT DRY MILK									
EXTRA GRADE	\$1.0975 (-.0100)	\$1.0875 (-.0100)	\$1.0825 (-.0050)	\$1.0825 (N.C.)	\$1.0825 (N.C.)	:: ::	(-.0250)	:: ::	\$1.0865 (-.0210)
GRADE A	\$1.1375 (-.0100)	\$1.1275 (-.0100)	\$1.1225 (-.0050)	\$1.1225 (N.C.)	\$1.1225 (N.C.)	:: ::	(-.0250)	:: ::	\$1.1265 (-.0210)
BUTTER									
GRADE AA	\$1.3100 (N.C.)	\$1.3000 (-.0100)	\$1.3000 (N.C.)	\$1.3025 (+.0025)	\$1.3200 (+.0175)	:: ::	(+.0100)	:: ::	\$1.3065 (-.0355)

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

**INTERNATIONAL DAIRY MARKET OVERVIEW (DMN):** The **European** milk production season is nearing peak levels in most areas, with some reports already indicating slight declines from higher levels. The buildup to seasonal peak levels has had a longer run this season and thus peak levels are arriving or have arrived earlier than usual. Some milk producers and handlers are indicating that colder/wet conditions have slowed production increases, but as temperatures warm, are finding that a plateau in production occurred and further growth is being reported at this time. Although temperatures have been cool, grass growth is very lush and plentiful. Heavy milk volumes are providing plenty of milk for manufacturing facilities to handle. In most instances, manufacturing capacities are at maximum levels, thus additional milk volumes will be challenging to process. Stocks of manufactured dairy products in Europe are heavy, but most manufacturers and handlers are not overly concerned. Sales activity is being reported. Traders and handlers are stating that although prices are easing, some buyers are purchasing for needs 2 - 3 months down the road. This hedge is occurring so that stocks will be in place for needs at that time and new orders can be placed when prices will probably be on the increase. Much of the European and international marketplace are awaiting the results of a recently announced skim and whole milk powder tender. Bids were due within the past few weeks with the results hopefully announced soon. Europeans are not sure how they will fare with this tender as powder stocks are available internationally and will become available during the delivery period of July - September. The word intervention continues to be included with conversations. Many continue to feel that if current prices weaken to intervention levels that butter would probably be the first product to dip that low. The intervention price level for skim is 1,698 Euros per MT around \$2,202 and the butter intervention level is 2,217 Euros per MT about \$2,876. Butter continues to clear to PSA. Since March 1 through April 29, 54,484 MT (120.1 million pounds) of European butter have cleared to the PSA program. This clearance compares to 30,738 MT last year at this time.

The **Oceania** milk production season continues to run stronger than milk producers and handlers had previously projected for this time of the season. Milk volumes in both New Zealand and Australia are finishing the production year very positively. In **New Zealand**, milk output continues to run between 9 - 10% higher than last year at this time and is 4 - 5% higher in **Australia**. Some Australian milk handlers are projecting that overall annual production will be at 4% to slightly under. Fall temperatures are starting to cool which is slowing pasture growth, thus feed quality and quantity are trending lower. Up to this point, feed and pasture quality have been positive. In Northern Victoria, plentiful water volumes have been retained during the current production season to be sufficient for irrigation needs for the next few years. In Western Victoria, limited moisture conditions were reported in early fall, although recent rainfall is helping alleviate moisture shortages, but will have limited positive impact on current year pasture growth and feed quality. The Gippsland region of Victoria has had a very wet production season and producers in that region are hopeful that winter moisture will be manageable so that they can begin a new production season on a positive note. Most all milk producers in both New Zealand and Australia are reporting that herd conditioning going into the winter is very good. Many are stating that if winter weather patterns are typical, a positive start to the new season should be forth coming. In many instances, manufacturing facilities in both New Zealand and Australia are operating further into the fall than is typically the case, thus winter maintenance schedules are being pushed back.

Late season milk volumes, thus additional manufactured dairy product stocks, are providing for some late season supply/demand cushioning and also additional volumes are being offered at the Global Dairy

Trading (g/DT) event. At the May 1 g/DT session #67, with the exception of cheddar cheese (+3.1%) and lactose (+3.0%), all contract price averages were lower to sharply lower (0.5% - 13.6%) when compared to the previous event. At this event, the contracting periods were changed and will be monthly for 6 consecutive months starting with the month following the event, thus the 6 contract months for the May 1 event will be June - November. Contract #1 (June) again had activity in skim milk powder sourced from the U.S. and Europe and for the first time, whole milk powder sourced from New Zealand. U.S. and European sourced skim milk powder was also again offered during contract #2. Australian sourced lactose was offered and sold for contracts 3, 4, and 5 (August, September, and October).

**MAY MILK SUPPLY AND DEMAND ESTIMATES (WAOB):** Milk production for 2013 is forecast to increase slightly. High feed prices and weakening milk prices during 2012 are expected to pressure producer returns, leading to declines in 2013 cow numbers. However, improvements in returns during 2013 will moderate the rate of decline. Milk per cow is expected to continue to grow, supporting increased milk production. Commercial exports are forecast to increase as the global economy improves and milk production increases. Imports will be slightly lower as domestic supplies increase. With improving demand and only modest increases in production, cheese, butter, and nonfat dry milk (NDM) prices are forecast higher. Whey prices will average near 2012 levels. Both Class III and Class IV prices are forecast higher, and the all milk price is forecast at \$17.25 to \$18.25 for 2013. Forecast milk production in 2012 is raised from last month, primarily reflecting a slower decline in cow numbers and slightly faster growth in milk per cow. Cheese, butter, and NDM prices are reduced from last month on weaker-than-expected demand but whey demand has been stronger than expected and the price forecast has been raised. Class price forecasts are reduced. The milk price is forecast to average \$16.90 to \$17.40.

**OVER ORDER CHARGES ON PRODUCER MILK IN FMMOS (DAIRY PROGRAMS):** For February 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.05, down \$0.03 from the January 2012 average. Eighty-eight percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.78 in the Pacific Northwest to \$2.96 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.22, up \$0.04 from the January 2012 average. Eighty-three percent of the producer milk used in Class II carried an over-order charge.

**MAILBOX MILK PRICES (AMS & CDF):** During February 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.92, down \$1.38 from the previous month's average, and down \$1.02 from February 2011. The component tests of producer milk in February 2012 were: butterfat, 3.76%; protein, 3.13%; and other solids, 5.76%. On an individual reporting area basis, mailbox prices decreased in all areas compared to the previous month. Mailbox prices during February 2012 ranged from \$20.23 in Florida to \$15.73 in New Mexico.

## CME GROUP

MONDAY, MAY 7, 2012

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.4675, 2 @ \$1.4600, 1 @ \$1.4500, 1 @ \$1.4675; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4500; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4700  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS EXTRA GRADE @ \$1.0975; 2 CARS GRADE A @ \$1.1375  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, MAY 8, 2012

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.4675, 1 @ \$1.4625, 1 @ \$1.4575, 2 @ \$1.4525; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4925  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ 1.0550; LAST OFFER UNCOVERED: 2 CARS EXTRA GRADE @ \$1.0875; 2 CARS GRADE A @ \$1.1275  
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$1.3100, 1 @ \$1.3050, 1 @ \$1.3025, 1 @ \$1.3000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.2975; LAST OFFER UNCOVERED: NONE

WEDNESDAY, MAY 9, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4700; 1 CAR 40# BLOCKS @ \$1.5000  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.0825; 1 CAR GRADE A @ \$1.1225  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.2825; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3300

THURSDAY, MAY 10, 2012

CHEESE -- SALES: 3 CARS BARRELS: 2 @ \$1.4500, 1 @ \$1.4475; 1 CAR 40# BLOCKS @ \$1.4925; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.4925; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5000  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1225  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3025; LAST OFFER UNCOVERED: NONE

FRIDAY, MAY 11, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4475; 2 CARS 40# BLOCKS @ \$1.5000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4500; 1 CAR 40# BLOCKS @ \$1.5000; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A @ \$1.1225; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1250  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.3200; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3150; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3200

## BUTTER MARKETS

## NORTHEAST

The CME Group butter price declined \$0.0100 Tuesday and closed at \$1.3000. Butter prices have declined \$0.0550 in the last 5 trading sessions and \$0.0900 in the last 10 sessions. Butter production schedules remain very active as cream volumes going to churns are at or near the seasonal peak. Butter production has transitioned from print to mostly bulk supplies with most of those supplies adding to inventories. Domestic butter demand is generally weak with some marginal uptick in print demand. Export interest continues, but at reduced levels. Cooperatives Working Together (CWT) has accepted 10 requests for export assistance to sell 518,086 pounds of butter and 749,572 pounds of Cheddar and Monterey Jack cheese to customers in Asia, North Africa and the Middle East. Delivery of product will be from May through July 2012. To date in 2012, CWT has assisted with 41.3 million pounds in export butter sales. According to NASS, cumulative 2012 butter production through March (unadjusted for the extra production day in February 2012) was 9.0% above cumulative year production for the same period for 2011. March's monthly U.S. butter production totaled 176.0 million pounds, up 3.9% from February (unadjusted for the extra production day in February 2012) and 6.4% more compared to March 2011. Atlantic region butter production in March totaled 16.1 million pounds, down 11.1% from February (unadjusted for the extra production day in February 2012), but 2.1% more than March 2011. -Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

## CENTRAL

During the past 5 CME butter trading sessions, the cash butter price declined 4 1/2 cents to settle at \$1.3000 at midweek, the lowest cash price since October 2009. Butter churning schedules remain very

active, absorbing cream offerings from local and out of area sources. In most instances, churning activity is at capacity levels and is currently outpacing demand. Clearances to inventory continue. Most butter orders being placed are for near term needs with very minimal sizable orders being placed. Buyers remain very cautious with their purchases as the butter market tone remains weak. Butter producers and handlers are questioning if the current cash price will ease further. Some feel that the current cash price might be where it will settle for the time being. Again this week, the Cooperatives Working Together (CWT) program announced export assistance for 518,086 pounds (235 MT) of butter for delivery during the balance of May thru July. Thus far in 2012, the CWT program has assisted with 41.3 million pounds of butter exports. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

## WEST

Cream supplies are decidedly long according to butter manufacturers. Churning schedules are active as cream finds it's way to butter plants. Ice cream demand is mixed and is helping to clear some excess cream from the marketplace. Butter inventories continue to build with product being stored for later in the year. Retail demand is moderate to good for print sales. Butter buyers are watching as prices move lower and in some cases waiting to purchase additional supplies. Export sales with CWT assistance are helping to move some butter supplies into the export market. Prices for bulk butter range from even to 5 cents under the market, based on the CME with various time frames and averages used. CME Group average price for April 2012 for butter is \$1.4136 compared to \$1.9970 for April 2011. Wednesday's close on the CME Group exchange for butter is unchanged at \$1.3000. The trend of lower butter prices continued this week as the market was one cent lower on Tuesday. There were sales of four loads on Tuesday. Activity is light in the face of weaker bids.

## NATIONAL DAIRY PRODUCTS SALES REPORT

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
May 5, 2012	1.4133 4,765,791	1.5169 10,309,396	1.4835 9,512,620	0.5697 6,656,512	1.2169 21,910,537

**CHEESE MARKETS**

**NORTHEAST**

Cheese prices declined on the CME Tuesday with barrels declining \$0.0150 to close at \$1.4525, while blocks declined \$0.0425 and closed at \$1.4925. Barrels have declined \$0.0425 over 4 trading sessions after posting \$0.0675 in gains over the first 2 trading sessions of the month. Tuesday's decline in blocks was the first decline since April 23. Milk volumes to cheese plants remain heavy as milk production is at or near its seasonal peak. Current cheese production is adding to inventories. Domestic demand for cheese remains at lower levels as many colleges and universities will soon be ending their spring terms. Export demand remains fairly good, aided by export assistance sales, but volumes going to export are declining. Cooperatives Working Together (CWT) has accepted 10 requests for export assistance to sell 749,572 pounds of Cheddar and Monterey Jack cheese and 518,086 pounds of butter to customers in Asia, North Africa and the Middle East. Delivery of product will be from May through July 2012. To date in 2012, CWT has assisted with 47.6 million pounds in export cheese sales. According to the latest NASS report, total cheese production for March in New York was 67.9 million pounds, 16.2% more than February and 16.1% more than March, 2011. Pennsylvania produced 35.5 million pounds in March, 5.6% more than one month earlier and 0.6% more than one year ago. Vermont produced 10.6 million pounds, 4.8% more than last month and 1.7% more than March 2011. The total of all cheese production for March in the Atlantic region was 123.9 million pounds, up 12.4% from February and 9.0% more compared to the same period last year. Atlantic region cheese production accounted for 13.1% of total U.S. production. Total U.S. cheese production in March totaled 946.3 million pounds, 10.3% more than February and 3.7% more than March 2011. Cumulative 2012 U.S. Cheese production through March was 4.4% greater than comparable 2011 production. Focusing on Italian cheese, New York in February 34.0 million pounds, 20.3% more than February and 7.6% more than March 2011. Pennsylvania produced 21.2 million pounds in March, 2.8% less than February and 3.1% less than March 2011. The Atlantic region in March, produced 63.5 million pounds of Italian cheese, 12.3% more than February and 3.9% more than the same period last year.

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

Cheddar 40# Block	:	1.9350-2.2200
Process 5# Sliced	:	1.6850-1.8050
Muenster	:	1.9550-2.3150
Grade A Swiss Cuts 10 - 14#	:	3.2550-3.5775

**MIDWEST**

Cheese demand overall has been soft, with reports of larger than desired cheese inventories throughout the region. Upper Midwest cheese manufacturers have noted milk moving from Class IV (butter/nonfat dry milk) into cheese production, driven more by milk seeking a home than cheese manufacturers scouring the region for more milk to manufacture more cheese. Continuing recent offers of surplus milk in the range of \$6 under Class III being offered to cheese plants, supports this notion. A manufacturer also observed last Friday's (NASS reported) increase in total U.S. cheese production from March last year, 912.4 million pounds, to 946.3 million pounds this March, as general evidence of what is happening in the world of cheese. Coupled with global indications of increased milk production in the EU, Australia and New Zealand, this leaves a prevailing feeling of "bearish" cheese markets. There has been a feeling among some manufacturers that recent CME cash trading in cheese has generated prices not in tune with manufacturing-sales-retail realities. Increasingly manufacturers have

vocalized the conclusion that more aggressive retail cheese price concessions are needed to motivate increased consumer buying. Speculation is that a number of retailers have held back from "sharpening their pricing pencils" due to concerns that cash traded cheese prices have the potential to fall, not wanting to pre-order in preparation for more aggressive cheese sales, then be left with inventory purchased at a higher price right before a drop in cash markets. With this week's decline in CME prices, barrels down 1 3/4 cents for the week through Tuesday and blocks down 4 1/4 cents, there is a sense of change which could move toward increased retail sales. However, there is general agreement that most participants will step back to better assess the potential for near future price movement in either direction. CME prices remained unchanged at the lower levels Wednesday, after unsuccessful offers slightly above market, 3/4 cents for both blocks and barrels, failed to generate sales. NASS reports that total Central region cheese production for March, 2012, 423.4 million pounds, 44.7% of the national total, was up slightly in volume from 410.7 million pounds during March 2011, but down slightly as a percentage of the national total compared with March last year, 45.0%. March 2012 cheese production and percentage of the total for the six separately listed Central states, in descending volume, includes Wisconsin, 237.3 million pounds, 65.9%; Minnesota, 55.0 million pounds, 15.3%; South Dakota, 22.6 million pounds, 6.3%; Iowa, 22.2 million pounds, 6.2%; Ohio, 17.4 million pounds, 4.8%; and Illinois, 5.6 million pounds, 1.6%. Wisconsin led all states in American cheese production during March 2012, producing 71.9 million pounds, 33.8% of production for the five top producing states. The Central Region during March 2012, produced 48.1% of the nation's American cheese, 47.7% of Cheddar, 40.3% of total Italian, and 34.3% of Mozzarella. Cooperatives Working Together (CWT) has accepted 10 requests for export assistance to sell a total of 749,572 pounds (340 metric tons) of Cheddar and Monterey Jack cheese for delivery May through July 2012. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 47.6 million pounds.

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

Process American 5# Loaf	:	1.6575-2.3625
Brick And/Or Muenster 5#	:	1.9225-2.4825
Cheddar 40# Block	:	1.9225-2.9075
Monterey Jack 10#	:	1.8925-2.9075
Blue 5#	:	2.1875-3.1725
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7675-3.0075
Grade A Swiss Cuts 6 - 9#	:	2.6650-2.9825

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

	<u>BUTTER</u>	:	<u>CHEESE</u>
		:	
05/07/12	10,304	:	131,862
05/01/12	9,902	:	130,931
CHANGE	402	:	931
% CHANGE	4	:	1

**CONTINUED ON PAGE 3A**

## CHEESE MARKETS

CONTINUED FROM PAGE 3

## WEST

Western wholesale cheese prices firmed slightly last week, except for Swiss. The market is trending weaker though as production levels continue at above year ago levels. Cheese manufacturers are careful to match available milk supplies to a softer trending market and hope to control inventories without overproducing. Export sales are helping to clear supplies with assistance from the CWT program again this week. The CME Group monthly average price for April 2012 for barrels is \$1.4524 compared to April 2011 at \$1.5756. Blocks averaged \$1.5039 for April 2012 compared to \$1.6036 for last year. Barrel prices at the CME Group on Wednesday are unchanged at \$1.4525 with blocks also unchanged at \$1.4925. For the week, barrels are \$.0175 lower with moderate activity of 10 loads as prices weakened. Blocks have struggled to maintain prices with pressure from barrel sales finally moving blocks \$.0425 lower on Tuesday. No sales have been reported for blocks so far this week.

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

Process 5# Loaf	:	1.5900-1.8475
Cheddar 40# Block	:	1.6600-2.0125
Cheddar 10# Cuts	:	1.8400-2.0600
Monterey Jack 10#	:	1.8500-2.0100
Grade A Swiss Cuts 6 - 9#	:	2.8325-3.2625

## FOREIGN

The CME Group weekly average block price increased and as a result, domestic wholesale cheese prices advanced \$0.0075. Domestic Swiss cuts declined 4 cents as a result of Wednesday's Class III price release. Prices for imported variety cheeses were unchanged. Demand and sales for imported varieties are good. Importers are indicating that European independent producers are finding it more difficult to improve their financial position, due to national debts and austerity measures implemented by various countries to lessen their debts. According to the latest NASS report, domestic Parmesan production during March totaled 25.8 million pounds, 8.3% more than February and 2.7% more than March 2011. Provolone production during March totaled 30.1 million pounds, 6.3% more than February, but 3.4% less than March 2011. Romano production during March totaled 3.7 million pounds, 10.2% more than February, but 22.6% less than March 2011. Swiss production during March totaled 27.6 million pounds, 7.4% more than February, but 0.6% less than March 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	: 2.0750-3.5625*
Gorgonzola	: 3.6900-6.3900	: 2.5775-2.8375*
Parmesan (Italy)	: -0-	: 3.1975-3.7525*
Provolone (Italy)	: 3.4400-6.1800	: 2.1175-2.2750*
Romano (Cows Milk)	: -0-	: 3.2650-5.4150*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.1900	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.3475-3.6700*
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

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

Quota			
Mar. Quota Imports	13.5	- 13.9	4.5
Jan. - Mar. High Tier	7.2	N.A.*	N.A.
Quota Imports	36.0	- 8.9	12.1

\*Previous year's data, unavailable from FAS

U.S. Cheese and Curd Exports, (USDA-FAS)  
2012 Exports (Million Lb.)      % Change From 1 Year Ago

	Monthly Exports	1 Year Ago
March	55.3	+ 12
Cumulative World	Mar. 143.5	1 Year Ago + 7
Mexico	33.5	+ 6
South Korea	20.9	- 13
Japan	15.6	+ 28
Saudi Arabia	8.7	+ 71
Canada	6.7	+ 36

## FLUID MILK AND CREAM

## EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	170	0	190	0	320
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Northeast and Mid-Atlantic regions has leveled off and indications are the two regions are at or near the seasonal peak. Manufacturing milk supplies remain heavy. Pastures in the Northeast are open and are in fair to good condition. This is the earliest that cattle have been let out on pasture in many areas. Some producers were prompted to open their pastures due to dwindling feed supplies. Class I demand in the two regions is steady. Florida's milk production continues decline as heat and drought conditions are taking their toll. Hay supplements are being fed due to the poor pasture conditions. In some areas spring rye grass hay, usually reserved for winter feeding, is being fed now. Drought conditions are so severe in some areas that water ponds and wells have gone dry and producers are hauling water to cattle. Heat in the Southeast with temperatures in the mid 80's has brought about fairly significant declines in milk production, lessening the need to use auxiliary manufacturing plants. Increases in Class I demand have also helped reduce the manufacturing milk supplies. Cream continues to be readily available, demand is increasing, but volumes to churns remain heavy. Active yogurt production is adding to the cream supply and contracted cream deliveries are at increased volumes. Ice cream production is beginning to increase as warmer weather covers much of the Southeast and Mid-Atlantic regions. Some cream cheese manufacturers have taken advantage of the lower cream prices and purchased spot loads of cream. The spot market is becoming more active, but the readily available cream supply is causing fairly significant discounts for those loads that need to find an out of region home. Cream demand continues to vary depending on day of week with multiples ranging from 115-125. Condensed skim milk demand has shown some marginal increases as ice cream production has increased, but supplies continue to overwhelm demand keeping Class IV production at near capacity levels. Most condensed skim spot loads require discounts in order to complete transactions. Spot sales activity remains light as contracted supplies are adequate for most manufacturers. According to NASS, ice Cream production in the Atlantic region for March totaled 14.4 million gallons, 14.8% more than February (unadjusted for the extra production day in February 2012), but 7.3% less than March 2011. U.S. Yogurt production (plain and flavored) for March totaled 397.2 million pounds, up 8.6% from February (unadjusted for the extra production day in February 2012) and 2.0% more than for the same period last year. Cumulative 2012 production through March (unadjusted for the extra production day in February 2012) totaled 1,154.6 million pounds, 4.0% higher than through March 2011.

## 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 -	1.5433-1.6775
F.O.B. producing plants: Upper Midwest -	1.5433-1.6372

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

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.10 - 1.30
Northeast - Class III - spot prices -	.90 - 1.28

## MIDWEST

Various milk handlers report their farm milk intakes are steady to dropping slightly for the week compared to the previous week. Most interpret this as meaning the historical type of milk production flush typically occurring in the spring was replaced this year by milk production that rose early in the year and plateaued for an extended period. Some dairy farmers indicate hot weather in July of 2011 decreased conception rates and some cows did not breed back in that month. Many of those cows required additional AI/servicing attempts, and those lagging pregnancies are expected to foster a "mini flush" in June/July of this year. Component values are also starting a slow, seasonal decline. Spot milk availability in the Central region declined this week. Milk handlers point to increasing sales into Class II accounts as well as steady to higher intakes at a few powder plants which are ramping up production. Discounts on most milk spot loads diminished, with prices centering near flat Class for the week. Sales into ice cream and ice cream mix facilities increased for the week, with some plants starting production of summer-type flavors. Butter production is active at several churning operations in the Central region this week, but one or two plants will be off online next week for regularly scheduled maintenance. Cream multiples are mostly steady, although butterfat market values are lower compared to last week. Field work and planting continues across the northern tier of Central states. Some producers have completed corn planting and expect to start soybean planting within the next week.

## WEST

Milk production in CALIFORNIA remains uneven. Areas in the north are seeing milk production move higher, while other areas are generally flat to occasionally lower. The effects of base plans at the farm level and a processor backing off on milk purchases are influencing the amount of milk and where milk is being processed. With lower finished product prices, processors would rather not build inventories. Temperatures are warming up, but not impacting cows. New hay supplies are being offered. Both rain damaged hay and high moisture hay are being offered and creating a wide price range. There are some decreases in demand from the dairy sector. Lower milk prices are one reason as producers seek best cost rations. ARIZONA milk production is trending lower, moving away from the recent seasonal peak. Processing plants continue to work on extended schedules to handle the milk supplies. They are welcoming the drop in milk supply to help better manage finished product stocks. Temperatures are forecast to move towards the 100 degree mark. Class I interest is steady to lighter. Western CREAM markets are steady at weak pricing levels. Multiples and overages remain about steady with recent weeks, but the butter price and average basing points are lower. Cream remains available in the region and shipments to ice cream and other higher-class products are lower than projections. Demand outside the region is slow to build and delivered pricing and overall demand from butter churns in other regions are at low levels. The result has been some distressed loads at the weekend and overall heavy volumes into butter production. The CME Group, Grade AA butter price closed at \$1.3000 on Wednesday, down 4.5 cents from a week ago. Cream multiples are in the range of 100-122 and vary based on class usage and basing points.

CONTINUED ON PAGE 4A

## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

Milk production in the PACIFIC NORTHWEST is reported to still be heavy, although this week showed some relief from excess production in the region. Manufacturing facilities are busy handling local milk supplies. Some milk continues to be moved out of the region due to lower processing capacity. Repairs to a damaged plant have reduced available choices for handling local milk. UTAH and IDAHO milk production is following expected levels. Milk from the region is being processed locally as manufacturing capacity is adequate for current needs. Dairy farmers are busy planting grains and are expected to begin harvesting the first fresh forage supplies of the year soon. Construction projects are ongoing in the region that will increase demand for milk in the near future. HAY STOCKS are surveyed twice a year in May and December by NASS. The results indicate that U.S. stocks total 21.4 million tons, down 0.8 million tons or -3.8% from May 1, 2011. Stocks and the change from last year for selected Western states are as follows: Arizona 35,000, -5,000 tons; California 240,000, +80,000; Colorado 230,000, -220,000; Idaho 700,000, +420,000; Nevada 238,000, +192,000; New Mexico 120,000, +20,000; Oregon 275,000, -5,000; Utah 350,000, +206,000; and Washington 230,000, -120,000. Net stocks for these nine states are up 568,000 tons from May 2011. Current stocks on farms for the United States is at 96.2% of the May 2011 stocks. The warm winter allowed for lower feeding levels across the Northern Tier of states. Hay stocks continue to be tight across the Southern Tier.

## 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 are unchanged to lower on a continued weak market. Inventories are variable, although some block sales cleared sizeable quantities from manufacturers' holdings this week. With milk intakes slowing perceptibly at several plants, some manufacturers think the flush of 2012 is unconventional this year, lacking the usual characteristic of a swift buildup to a peak, followed by a sharp decline. This year, milk production buildup was strong early in the year and held at a plateau for an extended period. Various plants indicate that some dryer timeslots are available for production of high heat NDM or other dry products. A few plants indicate their dryer schedules opened up sufficiently to allow for toll drying of products requiring segregation of milk intakes. Condensed skim sales into Class II facilities increased from various milk handlers this week as both yogurt and ice cream/ice cream mix facilities increased orders seasonally. Some Central condensed skim demand was filled via Western spot loads at prices below Central spot condensed skim prices. Manufacturers' NDM inventories are variable and most manufacturers are using a variety of sales tools to manage holdings in the short term. Arrangements are in the works at most locations to find processing room for all farm milk loads during the upcoming extended holiday weekend. Slots are reportedly filling quickly and delaying arrangements may result in price deterioration. The April 2012 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.2319 compared to \$1.3050 one month ago and \$1.5898 in April 2011. The April 2012 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.3524 compared to \$1.4216 one month ago and \$1.7098 in April 2011.

**EAST:** Milk production, which is at or near the seasonal peak, continues to channel heavy milk volumes into manufacturing plants. Condensed skim milk demand, though showing some improvement, is quickly overwhelmed with supplies and as a result nonfat dry milk production schedules remain very active. Numerous plants are producing low heat only in order to clear milk volumes as needed. Inventories continue to build keeping downward pressure on prices. High heat nonfat dry milk supplies are being worked lower, due to limited production schedules and improved demand. High heat prices moved lower this week an apparent victim of lower low heat pricing and sales based on various price indices. Spot sales of low heat required fairly significant discounts to complete transactions. Some spot sales were at increased volumes and may be an indication that prices may be developing a floor at or near the discounted prices. The market undertone remains weak.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.0700 - 1.2900 MOSTLY: 1.0900 - 1.2700  
 HIGH HEAT: 1.2500 - 1.3400

**NONFAT DRY MILK - WEST**

Pricing levels for Western low/medium heat nonfat dry milk prices continue to move lower. The market undertone remains weak and untested in generally light trading. Many buyers are sitting on the sidelines in anticipation of further weaker pricing levels. Some buyers are bidding lower numbers for blocks of NDM. Sellers are trying to be strategic with accepting lower pricing levels. Movements into export channels remain slow as those buyers have

many choices of supply and pricing levels to choose. The resale market is also offering NDM at lower prices than several of the indices and providing an option for buyers. On the supply side, the amount of milk in the region remains high and is keeping dryers full and causing inventories to build beyond projections. Western high heat prices are lower. The market tone is weak with buyers sensing the market conditions and pushing back on purchases to minimums. High heat is still being produced, in spite of the heavy milk throughput. Stocks are light to moderate.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.0000 - 1.2500 MOSTLY: 1.0500 - 1.1900  
 HIGH HEAT: 1.1950 - 1.3375

**U.S. NDM Exports, H.S. Code 0402100000 (FAS)**

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
TOTAL, JAN - MAR	259.9	+ 5
1 Mexico	107.4	+ 46
2 Indonesia	25.2	- 27
3 Philippines	23.1	- 26
4 Vietnam	16.5	- 52
5 Egypt	14.4	+ 115
March Total	86.9	+ 5

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices are unchanged to lower in the Central region. Dry buttermilk production continues, matching active churning schedules at several Central facilities. Dry buttermilk contract sales continue at expected rates while spot market interest is light. Manufacturers' inventories are steady to building incrementally. Manufacturers anticipate the opportunities to produce dry buttermilk will decrease as the season advances and demand for cream increases from Class II operations. The April 2012 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.1939 compared to \$1.2757 one month ago and \$1.4925 in April 2011.

**EAST:** Cream supplies and volumes going to churns remain heavy in the East and as a result dry buttermilk production remains very active. Dry buttermilk inventories are increasing and putting significant pressure on prices. Demand continues to be sluggish, but showed some marginal improvement as ice cream production expanded. Recent declines have prompted potential purchasers of dry buttermilk to step back from the market, waiting to see if additional declines would occur. Spot market activity has all but evaporated in the East and the market undertone is very weak.

F.O.B. CENTRAL/EAST: .9500 - 1.1050

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 continue to trend lower. The market tone remains weak in light trading. Buyer interest is slow for any spot interest; slow to fair for volume contracts with trading below expected levels. Bakery account interest is fair; ice cream account demand is light to fair. With active drying schedule to keep pace with the buttermilk solids coming off the butter churns, producers are building stocks.

F.O.B. WEST: 1.0500 - 1.1300 MOSTLY: 1.0800 - 1.1050

DRY WHOLE MILK - NATIONAL

A decrease in the market values of nonfat solids and butterfat exerted pressure on the low end of the dry whole milk spot market. Spot market interest is light to moderate. Production is intermittent at several plants and depends on available dryer time as well as the need to fill existing orders for dry whole milk. Inventories are variable and mostly dependent on the rate of shipping of contract loads. The April 2012 Dairy Market News average of the range price series for dry whole milk was \$1.5480 compared to \$1.6234 one month ago and \$1.9374 in April 2011.

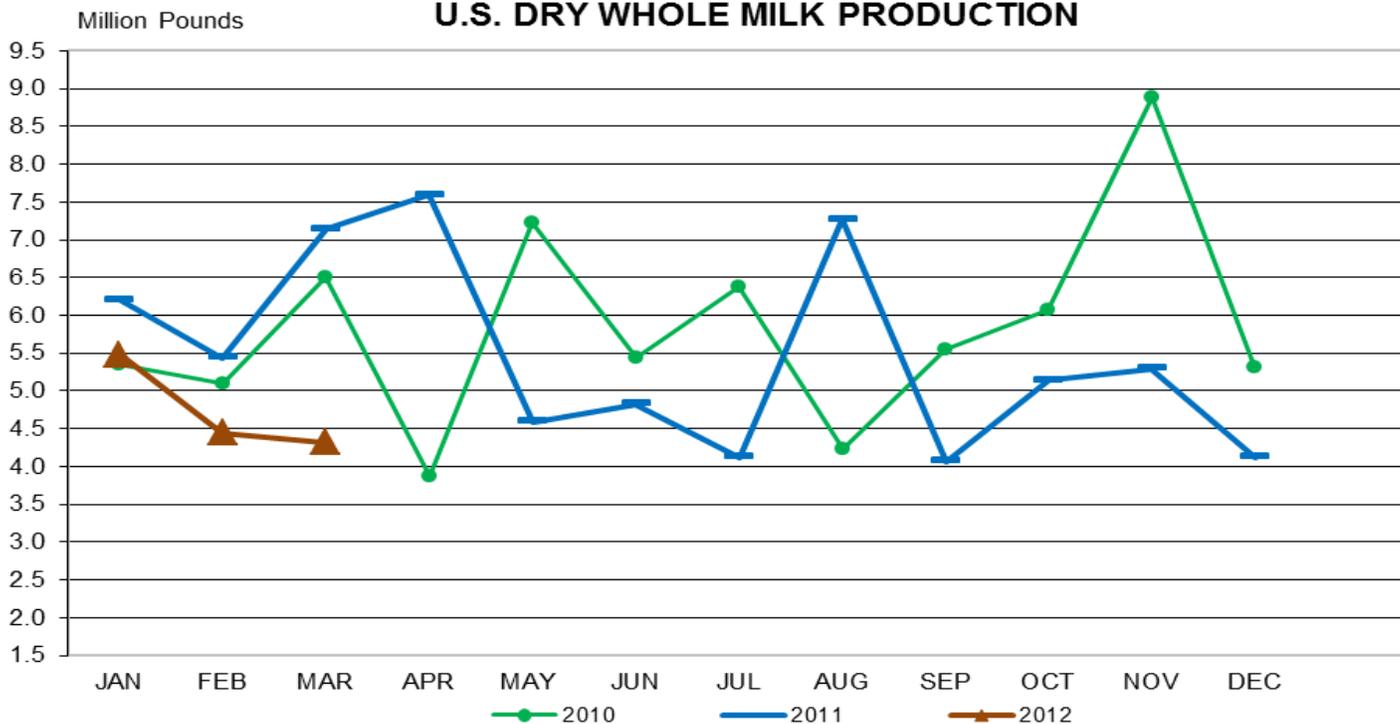
F.O.B. PRODUCING PLANT: 1.4700 - 1.5600

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 4	\$1.2531	14,961,545	0
April 27	\$1.2342	23,140,823	0

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

U.S. DRY WHOLE MILK PRODUCTION



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

**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 on the mostly series are unchanged for the week while the top of the range decreased by one cent. Spot loads of whey are available from some manufacturers as well as resellers, with demand from the export market reportedly active. Some in the industry expressed the belief that some Central manufacturers' holdings moderated during the last few weeks and the pressure to clear inventories via spot sale price reductions may taper off in the near term. Manufacturers point to standing contracts with Class II plants for dry whey as those ice cream/mix plants gear up for summer production. Also, a few plants are strategically building inventory to cover upcoming contract needs during lulls in dry whey production for plant maintenance and/or plant upgrades. Dry whey production in the Central region is mostly unchanged for the week. One or two plants decreased cheese and dry whey production due to storm related plant damage late last week, but are back to normal operations this week. The availability of deeply discounted milk to Class III plants decreased from last week. Various cheese plant operators report they are now only using their contract-based supplies of milk. This is decreasing overall cheese production on a week to week basis, with a few plants shaving one day of production off the weekly schedule. Central dry whey inventories are steady at some plants, increasing at a few others, but the pace of inventory accretion has decreased compared to a few weeks ago. The April 2012 Dairy Market News average of the mostly price series for Central dry whey was \$0.5446 compared to \$0.6224 one month ago and \$0.4508 in April 2011. Prices for ANIMAL FEED DRY WHEY are unchanged to lower. Demand is variable, depending on the market sector. Market participants indicate interest in blended feed for dairy replacements is steady and dairy beef demand is unchanged to higher. Demand for the veal calf industry is steady to increasing as some barns are refilling now to meet the fall veal demand. The April 2012 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.4650 compared to \$0.5323 one month ago and \$0.3789 in April 2011.

F.O.B. CENTRAL: .3000 - .6000 MOSTLY: .4750 - .5350  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3775 - .4800

**DRY WHEY - NORTHEAST**

Milk volumes going to cheese production continue at increased levels as milk production is at or near the seasonal peak and as a result dry whey production is very active. Current production is expanding inventories keeping downward pressure on prices. Demand for dry whey is marginally improving as ice cream and ice cream mix production is increasing. There is a sense among some in the industry that the recent downward price trends may be leveling off as milk production appears to be at the tipping point and may soon start to decline. Warmer weather patterns are hastening milk production declines in the Southeast and prompting expanded production schedules for ice cream and increased use of dry whey. Some buyers are delaying their contracted load pickups in hopes of lower prices. Spot sales were very light this week. The market undertone, though showing signs of improving, remains weak. The April 2012 Dairy Market News average of the price series for Northeast dry whey was \$0.6039 compared to \$0.6357 one month ago and \$0.5044 in April 2011.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5450 - .6200

**DRY WHEY - WEST**

Western dry whey prices are mostly steady with the top of the range lower as contract price indices adjust. The market continues to adjust to increased production of whey and whey concentrate products. Cheese plants are operating at higher than expected levels as excess milk continues to find its way to manufactured products. Demand for whey is good and buyers are looking for lower prices to fill any additional purchases above immediate needs. Export sales continue to help clear inventories from manufacturers with added supplies.

NONHYGROSCOPIC: .3000 - .5925 MOSTLY: .4600 - .5325

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market is unchanged to lower on the range as some contract prices adjusted to variable bases. The mostly series is unchanged. The market tone is mixed. Demand from human nutrition accounts, both domestic and international, is active. Some weakness in the animal nutrition side of the market persists, although various feed blend manufacturers indicate they are close to the end of inputs on hand and will resume looking for inputs in the next few weeks. Demand from various sectors of the animal nutrition industry is steady to improving, supported by finished animal prices that allow some profit by growers. Some veal barn owners indicate they will be activating more barns in the weeks to come in anticipation of the fall veal market, thus demand for blended veal feed is expected to increase as those barns refill. The April 2012 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.4195 compared to \$1.5091 one month ago and \$1.3686 in April 2011.

F.O.B. EXTRA GRADE 34% PROTEIN:1.0000 - 1.4800 MOSTLY: 1.2500 - 1.4325

	U.S. WPC ≤ 80% Exports, H.S. Code 0404100500(FAS)	
	2012 Exports (Million Lb.)	% Change From 1 Year Ago
March Total	19.3	+ 1
TOTAL, JAN - MAR	45.7	- 20
1 China	15.0	- 35
2 Canada	6.1	- 32
3 Mexico	4.4	- 54
4 Japan	4.0	- 22
5 South Korea	3.2	+ 290

**LACTOSE - CENTRAL AND WEST**

The lactose market is unchanged on a steady market. Confectioners, domestic and international, reportedly continue to look for spot loads from approved suppliers as end product demand outpaces projections in many global areas. Lactose interest is active from human nutrition accounts also, with no push back of contract loads indicated. Lactose production is steady at some locations, lower at a few others as discounted Class III milk availability decreased this week. Several cheese plants trimmed production schedules, either by a vat or full day basis, to match the reduced milk intakes. The April 2012 Dairy Market News average of the mostly price series for Central and West lactose was \$0.9126 compared to \$0.8600 one month ago and \$0.4464 in April 2011.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .8500 -1.0050 MOSTLY: .8900 -.9400

	U.S. Lactose Exports, H.S. Code 1702110000(FAS)	
	2012 Exports (Million Lb.)	% Change From 1 Year Ago
March Total	36.8	+ 5
TOTAL, JAN - MAR	96.2	- 14
1 China	21.7	+ 10
2 New Zealand	18.4	+ 4
3 Mexico	11.7	- 14
4 Japan	6.6	- 30
5 Brazil	5.3	- 27

**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.

**CASEIN - NATIONAL**

	U.S. Dry Whey Exports. H.S. Code 0404104000(FAS)	
	2012 Exports (Million Lb.)	% Change From 1 Year Ago
March Total	41.8	- 21
TOTAL, JAN - MAR	127.0	- 8
1 China	25.7	+ 15
2 Mexico	25.0	+ 56
3 Canada	10.9	- 5
4 Japan	9.2	- 33
5 Malaysia	8.2	- 43

Casein markets remain weak with prices generally holding steady. Details on the recently announced opening of the export doors of a major casein producing country are still not fully known. Domestic buyers and international suppliers are closely monitoring the situation and are still unclear on how this may impact casein supplies and prices. Outside of this country, casein supplies are generally in balance with commitments. European milk production is basically at seasonal peak levels, thus casein output is equally strong. Oceania suppliers are filling commitments from inventoried stock and indicating that the supply/demand balance is good. Domestic buyers are very cautious with their purchases as prices ease and supplies are available. Domestic purchases are generally geared to quarterly contracts with buyers not reaching out too far into the future at this time. In instances, buyers are indicating that spot volumes are available.

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: 3.9500 - 4.7000  
ACID: 4.3000 - 4.9000

**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

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

**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
04/21/2012	57.0	982.1	55.9	965.7

WEBSITE: [http://www.ams.usda.gov/mnreports/sj\\_ls714.txt](http://www.ams.usda.gov/mnreports/sj_ls714.txt)

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

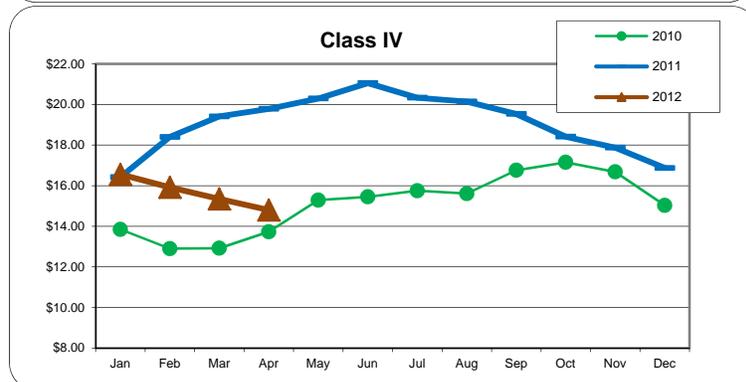
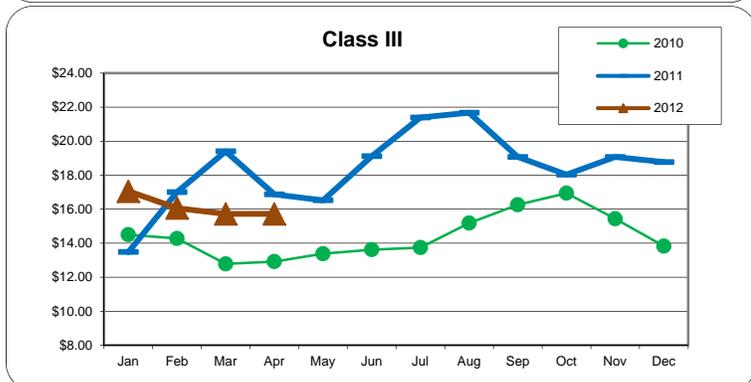
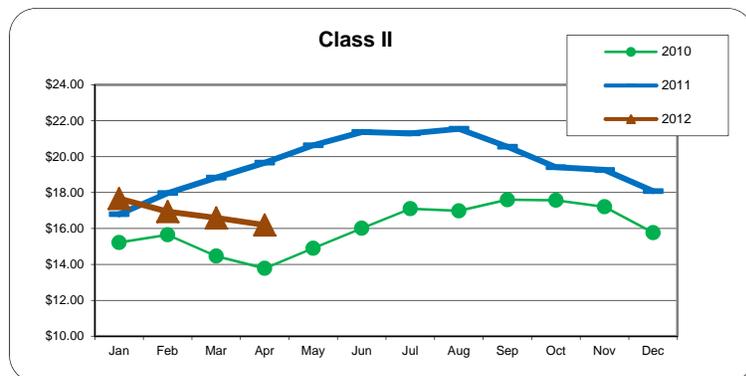
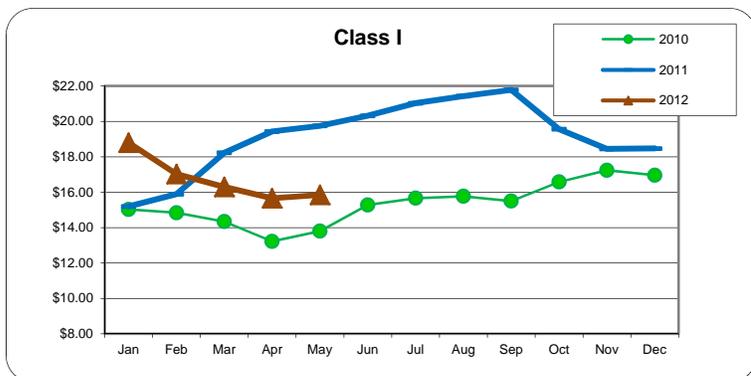
**CLASS IV MILK PRICES (3.5% BF)**

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	15.66	15.85							
II	17.67	16.94	16.59	16.20								
III	17.05	16.06	15.72	15.72								
IV	16.56	15.92	15.35	14.80								

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."



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered April 30 - May 11, 2012

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

**WESTERN OVERVIEW:** The European milk production season is nearing peak levels in most areas, with some reports already indicating slight declines from higher levels. The buildup to seasonal peak levels has had a longer run this season and thus peak levels are arriving or have arrived earlier than usual. Some milk producers and handlers are indicating that colder/wet conditions have slowed production increases, but as temperatures warm, are finding that a plateau in production occurred and further growth is being reported at this time. Although temperatures have been cool, grass growth is very lush and plentiful. Heavy milk volumes are providing plenty of milk for manufacturing facilities to handle. In most instances, manufacturing capacities are at maximum levels, thus additional milk volumes will be challenging to process. Stocks of manufactured dairy products in Europe are heavy, but most manufacturers and handlers are not overly concerned. Sales activity is being reported. Traders and handlers are stating that although prices are easing, some buyers are purchasing for needs 2 - 3 months down the road. This hedge is occurring so that stocks will be in place for needs at that time and new orders can be placed when prices will probably be on the increase. Much of the European and international marketplace are awaiting the results of a recently announced skim and whole milk powder tender. Bids were due within the past few weeks with the results hopefully announced soon. Europeans are not sure how they will fare with this tender as powder stocks are available internationally and will become available during the delivery period of July - September. The word intervention continues to be included with conversations. Many continue to feel that if current prices weaken to intervention levels that butter would probably be the first product to dip that low. The intervention price level for skim is 1,698 Euros per MT around \$2,202 and the butter intervention level is 2,217 Euros per MT about \$2,876. Butter continues to clear to PSA. Since March 1 through April 29, 54,484 MT (120.1 million pounds) of European butter have cleared to the PSA program. This clearance compares to 30,738 MT last year at this time.

**BUTTER/BUTTEROIL:** European butter markets and prices are weak. Milk production is seasonally strong and butter/powder output is fully active. Stocks of butter are building and overall sales activity is slow. The word intervention is appearing in more conversations. Many feel that if current manufactured dairy product prices continue to weaken, butter prices may be the first to dip to intervention levels. The intervention price level for butter is 2,217 Euros per MT about \$2,876. Butter continues to clear to PSA. Since March 1 and through April 29, 54,484 MT (120.1 million pounds) of European butter have cleared to the PSA program. This clearance compares to 30,738 MT last year at this time.

82% BUTTERFAT: 3,125 - 3,350  
99% BUTTERFAT: 3,775 - 3,975

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices remain weak, although some traders and handlers are indicating that prices might be stabilizing. Many also indicate that this possible plateauing of prices might be only for a short period of time, especially if powder stocks continue to build and are uncommitted. European traders are awaiting the results of a recent skim milk powder tender. Bids were due a few weeks ago with the result hopefully known soon. Europeans are not sure to what extent their participation might be, especially with other international supplies already available and will become available by the delivery

period of July - September. The word intervention continues to be included with more skim milk powder conversations. Many feel that if any dairy product price would weaken to intervention levels, butter would probably be the first product to dip that low. The intervention price level for skim is 1,698 Euros per MT around \$2,202.

1.25% BUTTERFAT: 2,475 - 2,675

**WHOLE MILK POWDER (WMP):** European whole milk powder markets and prices are weak. Milk production is at or very near peak levels and whole milk powder production equally active. Traders and handlers are reporting that sales activity is occurring, but basically limited to near term needs. Many European traders and handlers are awaiting the results of a recently announce dairy product tender which included whole milk powder. Bids were due a few weeks ago with the results hopefully known soon. European traders have mixed opinions as to the degree of participation they might have with this export opportunity.

26% BUTTERFAT: 3,075 - 3,250

**SWEET WHEY POWDER:** European whey powder markets and prices remain weak, although reports of firmer pricing in Eastern Europe are starting to develop. Some traders and handlers feel that a bottom to the recent price decline might be at hand. Volatility has plagued this market for much of the current milk production season. Prices and supply availability have been up and down during the past few months. Currently, supplies are tightening. Domestic and international buyer interest is keeping whey powder stocks in check.

NONHYGROSCOPIC: 1,025 - 1,225

**EASTERN OVERVIEW:** Milk production in Eastern Europe is also headed toward seasonal peak levels. This year, milk output in the region got an earlier start than usual and milk producers and handlers are projecting the seasonal peak in two to three weeks. Milk volumes are building thus clearances to manufacturing facilities are also on the rise. For the most part, manufacturing facilities are at or very near capacity levels. Stocks of new production are building, but many manufacturers and handlers are not overly concerned at this time. Some sales are being reported, but the overall sales picture is slow. Traders are indicating that buyers remain very cautious with their purchases and are often purchasing for near term needs only. Eastern European traders are awaiting the results of a recently announce milk powder tender and are hopeful that they will be able to fill some of the tender volumes.

Exchange rates for selected foreign currencies: May 7, 2012

1.0069 Canadian Dollar	.0189 Indian Rupee
.2256 Argentina Peso	.7947 New Zealand Dollar
.0760 Mexican Peso	1.0198 Australian Dollar
.3122 Polish Zloty	.0125 Japanese Yen
	1.3051 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0760) = 13.1579 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered April 30 - May 11, 2012

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**OVERVIEW:** The Oceania milk production season continues to run stronger than milk producers and handlers had previously projected for this time of the season. Milk volumes in both New Zealand and Australia are finishing the production year very positively. In New Zealand, milk output continues to run between 9 - 10% higher than last year at this time and is 4 - 5% higher in Australia. Some Australian milk handlers are projecting that overall annual production will be at 4% to slightly under. Fall temperatures are starting to cool which is slowing pasture growth, thus feed quality and quantity are trending lower. Up to this point, feed and pasture quality have been positive. In Northern Victoria, plentiful water volumes have been retained during the current production season to be sufficient for irrigation needs for the next few years. In Western Victoria, limited moisture conditions were reported in early fall, although recent rainfall is helping alleviate moisture shortages, but will have limited positive impact on current year pasture growth and feed quality. The Gippsland region of Victoria has had a very wet production season and producers in that region are hopeful that winter moisture will be manageable so that they can begin a new production season on a positive note. Most all milk producers in both New Zealand and Australia are reporting that herd conditioning going into the winter is very good. Many are stating that if winter weather patterns are typical, a positive start to the new season should be forth coming. In many instances, manufacturing facilities in both New Zealand and Australia are operating further into the fall than is typically the case, thus winter maintenance schedules are being pushed back. Late season milk volumes, thus additional manufactured dairy product stocks, are providing for some late season supply/demand cushioning and also additional volumes are being offered at the Global Dairy Trading (g/DT) event. At the May 1 g/DT session #67, with the exception of cheddar cheese (+3.1%) and lactose (+3.0%), all contract price averages were lower to sharply lower (0.5% - 13.6%) when compared to the previous event. At this event, the contracting periods were changed and will be monthly for 6 consecutive months starting with the month following the event, thus the 6 contract months for the May 1 event will be June - November. Contract #1 (June) again had activity in skim milk powder sourced from the U.S. and Europe and for the first time, whole milk powder sourced from New Zealand. U.S. and European sourced skim milk powder was also again offered during contract #2. Australian sourced lactose was offered and sold for contracts 3, 4, and 5 (August, September, and October).

**BUTTER:** Oceania butter prices and market tone remain weak. Churning activity continues to edge lower, although it has maintained a higher level than previously projected. A strong finish to the end of the milk production season is providing additional milk volumes that are clearing through butter/powder operations. Although the additional butter being generated is not significant, the additional volumes are helping late season supply/demand balance. Traders and handlers are re-

porting that some buyer interest is starting to develop for the new milk production year which will resume in July. At the May 1 g/DT event, anhydrous milk fat prices continues to trend lower. Averaging all traded contracting periods, the average was \$2,852 per MT, 13.6% lower than the previous average.

82% BUTTERFAT:

2,900 - 3,500

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are generally weak, although some traders and handlers are speculating if a bottom in the recent price decline might be near. Prices are generally lower, but some handlers are trying to hold the line with further price declines. Powder production for this time of the season is lower, but a strong finish to the current milk production season is keeping some butter/powder operations at more active levels than previously anticipated. Much of this current, extra production, is being used to round out late season supply/demand balance, while some volumes are clearing through the g/DT event. At the May 1 g/DT event, skim milk powder averaged \$2,730 per MT, 4.6% lower than the previous all contract price average.

1.25% BUTTERFAT:

2,675 - 3,000

**CHEDDAR CHEESE:** Oceania cheese markets and prices are holding generally steady. Weakness in most other manufactured dairy products is occurring, but cheese appears to be the most stable. Cheese production is seasonally low as late season milk volumes are often being directed towards other products. Traders and handlers are reporting that end of season stock levels are sufficient to fulfill commitments until new orders and stocks are in place. Cheese sales negotiations are soon to resume, thus the cycle once again begins.

39% MAXIMUM MOISTURE:

3,200 - 4,100

**WHOLE MILK POWDER (WMP):** Whole milk powder markets remain unsettled, but the market tone is generally weak. Prices are unchanged to generally lower with some traders and handlers speculating if a bottom to recent price declines might be near. As the milk production season winds down, milk volumes are often heavier than projected, thus milk is clearing to manufacturing for processing. When possible, whole milk powder is often the product of most choice at this time. The additional powder volumes are being used to round out late season supply/demand balance or are appearing on the g/DT event. At the May 1 event, whole milk powder averaged \$2,776 per MT, 2.2% lower than the previous all contract average. Powder continues to be offered at the g/DT event from 3 international sourcing regions: Oceania, U.S., and Europe.

26% BUTTERFAT:

2,750 - 3,400

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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US\$/MT	Global/Dairy Trading (g/DT) Event 67 Recap - May 1, 2012													
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts	
	Jun-12		Jul-12		Aug-12		Sep-12		Oct-12		Nov-12			
Anhydrous Milk Fat	n.a.	\$2,706	-14.7%	\$3,138	-9.8%	\$3,117	-10.6%	\$3,111	-10.8%	\$3,125	n.a.	\$2,852	-13.6%	
Buttermilk Powder	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cheddar	n.a.	\$2,819	2.4%	\$4,234	9.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,940	3.1%	
Lactose	n.a.	n.a.	n.a.	\$2,039	4.1%	\$2,037	3.4%	\$1,977	0.0%	n.a.	n.a.	\$2,016	3.0%	
Milk Protein Concentrate	n.a.	\$3,990	-11.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,990	-11.7%	
Rennet Casein	n.a.	\$6,395	-0.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$6,395	-0.5%	
Skim Milk Powder	\$2,520	-4.0%	\$2,675	-4.2%	\$2,801	-10.1%	\$2,991	-4.2%	\$3,035	-2.9%	\$2,976	-6.8%	\$2,730	-4.6%
Whole Milk Powder	\$2,755	n.a.	\$2,744	-0.5%	\$2,838	-8.4%	\$2,851	-8.4%	\$2,945	-5.1%	\$2,905	-5.8%	\$2,776	-2.2%

Average price US\$/MT and % change in indices from previous event.

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	04/26	04/27	04/30	05/01	05/02	05/03	05/04	05/07	05/08	05/09
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
APR 12	15.73 (4369) 0	15.73 (4365) 0	15.73 (4363) 0	15.73 (4369) 0	15.72 (4144) 0					
MAY 12	14.85 (4869) 1	14.88 (4905) 18	14.94 (4924) 37	15.27 (4856) 48	15.13 (4852) 4	14.95 (4840) 0	15.10 (4885) 0	15.17 (4895) 0	15.09 (4904) 10	15.12 (4912) 0
JUN 12	14.18 (4476) 0	14.20 (4541) 19	14.27 (4547) 17	14.83 (4488) 56	14.59 (4480) 3	14.12 (4568) 4	14.09 (4559) 0	14.26 (4611) 3	14.25 (4652) 6	14.38 (4644) 2
JUL 12	14.75 (3117) 0	14.70 (3195) 0	14.74 (3196) 0	15.18 (3174) 0	14.84 (3171) 0	14.20 (3282) 0	14.18 (3269) 0	14.27 (3273) 0	14.27 (3270) 0	14.35 (3293) 0
AUG 12	15.43 (2982) 0	15.35 (2989) 0	15.38 (2991) 0	15.60 (2985) 0	15.35 (2972) 0	14.75 (3022) 0	14.71 (3037) 0	14.80 (3060) 0	14.78 (3059) 0	14.75 (3076) 0
SEP 12	16.02 (2539) 0	15.88 (2567) 0	15.81 (2571) 0	15.96 (2588) 0	15.84 (2588) 0	15.35 (2707) 0	15.31 (2726) 0	15.35 (2740) 0	15.34 (2744) 0	15.32 (2747) 0
OCT 12	16.08 (2327) 0	16.05 (2323) 0	15.97 (2323) 0	15.98 (2333) 0	15.83 (2336) 0	15.44 (2358) 0	15.41 (2368) 0	15.43 (2371) 0	15.42 (2377) 0	15.39 (2379) 0
NOV 12	16.00 (2181) 0	15.94 (2202) 0	15.85 (2205) 0	15.84 (2207) 0	15.73 (2218) 0	15.53 (2221) 0	15.50 (2226) 0	15.45 (2230) 0	15.47 (2229) 0	15.47 (2229) 0
DEC 12	15.90 (2094) 0	15.73 (2099) 0	15.71 (2109) 0	15.70 (2112) 0	15.68 (2127) 0	15.40 (2131) 0	15.39 (2139) 0	15.38 (2146) 0	15.42 (2151) 0	15.43 (2155) 0
JAN 13	15.75 (301) 0	15.61 (301) 0	15.59 (306) 0	15.58 (312) 0	15.60 (322) 0	15.40 (327) 0	15.40 (327) 0	15.40 (330) 0	15.50 (329) 0	15.50 (329) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
APR 12	14.83 (338) 0	14.83 (338) 0	14.83 (338) 0	14.83 (338) 0	14.80 (277) 0					
MAY 12	13.80 (287) 0	13.80 (287) 0	13.80 (287) 0	13.80 (287) 0	13.80 (287) 0	13.75 (287) 0	13.70 (287) 0	13.70 (287) 0	13.55 (287) 0	13.55 (287) 0
JUN 12	14.00 (243) 0	13.96 (243) 0	13.59 (243) 0	13.59 (243) 0	13.59 (243) 0	13.59 (243) 0	13.59 (243) 0	13.49 (243) 0	13.45 (243) 0	13.45 (243) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
APR 12	146.10 (721) 0	146.15 (721) 0	146.15 (721) 0	146.15 (721) 0	146.34 (711) 0					
MAY 12	135.50 (619) 9	135.00 (621) 3	135.00 (621) 0	134.25 (620) 2	133.00 (617) 3	133.00 (617) 0	133.00 (617) 0	133.00 (617) 0	133.00 (617) 0	133.00 (617) 0
JUN 12	135.75 (776) 31	135.75 (787) 18	136.00 (787) 0	136.00 (783) 8	134.15 (784) 2	132.78 (784) 1	131.00 (780) 5	130.75 (780) 4	131.50 (775) 15	131.33 (775) 9
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
APR 12	124.48 (258) 0	124.65 (258) 0	124.65 (258) 0	124.65 (258) 0	124.14 (390) 0					
MAY 12	119.50 (304) 0	119.25 (304) 0	119.00 (303) 0	119.00 (303) 0	118.98 (303) 0	118.00 (303) 0	118.00 (303) 0	118.00 (303) 0	118.00 (303) 0	118.00 (303) 0
JUN 12	115.00 (402) 0	115.00 (402) 0	114.75 (402) 0	114.75 (402) 0	114.75 (402) 0	114.75 (402) 0	114.75 (402) 0	114.50 (402) 0	112.00 (402) 0	112.25 (402) 0
<b>CME - WHEY (Electronic-Traded)</b>										
APR 12	59.60 (381) 6	59.60 (381) 0	59.60 (381) 0	59.60 (381) 0	59.21 (372) 0					
MAY 12	53.00 (402) 8	53.50 (426) 35	53.50 (426) 0	53.50 (423) 3	53.53 (423) 9	53.45 (423) 0	53.50 (423) 2	53.50 (423) 0	53.50 (423) 0	53.50 (423) 1
JUN 12	44.50 (424) 15	44.00 (425) 5	44.00 (425) 0	44.00 (425) 0	46.00 (422) 7	43.40 (433) 17	43.50 (431) 5	44.00 (430) 19	44.78 (429) 2	46.00 (433) 14
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
APR 12	1.54 (1330) 0	1.54 (1330) 0	1.54 (1330) 2	1.54 (1330) 0	1.54 (1320) 0					
MAY 12	1.49 (1584) 34	1.49 (1687) 109	1.49 (1685) 2	1.52 (1680) 12	1.50 (1700) 31	1.50 (1700) 0	1.50 (1700) 0	1.51 (1700) 0	1.51 (1700) 0	1.51 (1700) 0
JUN 12	1.47 (1702) 52	1.48 (1693) 24	1.47 (1696) 9	1.53 (1688) 23	1.50 (1683) 21	1.47 (1715) 93	1.46 (1705) 32	1.48 (1707) 34	1.47 (1707) 27	1.48 (1712) 17
JUL 12	1.54 (1169) 15	1.54 (1249) 99	1.54 (1250) 6	1.57 (1258) 37	1.54 (1263) 18	1.49 (1333) 122	1.49 (1341) 24	1.50 (1351) 28	1.49 (1355) 20	1.50 (1387) 39
AUG 12	1.61 (1056) 26	1.61 (1065) 10	1.61 (1069) 6	1.61 (1073) 11	1.60 (1075) 6	1.55 (1146) 95	1.55 (1152) 10	1.56 (1162) 15	1.55 (1171) 24	1.55 (1204) 42
SEP 12	1.67 (883) 19	1.66 (882) 8	1.66 (882) 2	1.66 (880) 4	1.66 (904) 28	1.61 (1003) 117	1.61 (1003) 1	1.62 (1011) 12	1.61 (1022) 21	1.61 (1038) 23

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

## DAIRY PRODUCTS 2011 SUMMARY

**Butter** production in the United States during 2011 totaled 1.81 billion pounds, 15.7 percent above 2010. California accounted for 34.4 percent of the production.

**Total cheese** production, excluding cottage cheeses, was 10.6 billion pounds, 1.5 percent above 2010 production. Wisconsin was the leading State with 24.9 percent of the production, followed by California with 21.2 percent and Idaho with 7.9 percent.

**American type cheese** production was 4.27 billion pounds, 0.5 percent below 2010 and accounted for 40.3 percent of total cheese in 2011. Wisconsin was the leading State with 18.6 percent of production, followed by Idaho with 15.3 percent and California with 13.9 percent.

**Italian varieties**, with 4.56 billion pounds were 3.3 percent above 2010 production and accounted for 43.0 percent of total cheese in 2011. Mozzarella accounted for 78.1 percent of the Italian production followed by Provolone with 7.7 percent and Parmesan with 6.1 percent. California was the leading State in Italian cheese production with 31.0 percent of the production, followed by Wisconsin with 29.6 percent and New York with 8.0 percent.

**Ice cream, Regular** totaled 900 million gallons, down 3.1 percent from 2010. Lowfat ice cream, at 440 million gallons, was up 5.8 percent.

**Nonfat dry milk for human food** totaled 1.51 billion pounds, down 3.1 percent from 2010. California was the leading state with 51.2 percent of the production. Skim milk powders totaled 446 million pounds, up 75.7 percent.

**Dry whey for human food** production, at 951 million pounds, was down 1.0 percent from 2010. Lactose, Human and Animal production was 1.00 billion pounds, up 10.1 percent.

**Dairy Plants:** During 2011, there were 1,278 dairy plants in the U.S. manufacturing one or more dairy products, 28 more than in 2010.

**Source:** U.S. Department of Agriculture. National Agricultural Statistics Service. *Dairy Products 2011 Summary, April 2012.*

**ANNUAL PRODUCTION OF SELECTED DAIRY PRODUCTS AND NUMBER OF PLANTS MANUFACTURING THESE PRODUCTS,  
UNITED STATES, 2010 AND 2011**

Product	2010 Revised		2011		Change from 2010 Percent
	Plants	Production	Plants	Production	
	<u>Number</u>	<u>1,000 pounds</u>	<u>Number</u>	<u>1,000 pounds</u>	
Butter	76	1,563,972	82	1,809,754	15.7
Cheese Types:					
Cheddar	197	3,234,991	209	3,141,060	-2.9
Other American <u>1/</u>	131	1,054,350	129	1,126,281	6.8
Total American	211	4,289,341	220	4,267,341	-0.5
Swiss	54	336,458	57	329,145	-2.2
Muenster	44	117,647	39	131,237	11.6
Mozzarella	121	3,479,441	115	3,560,665	2.3
Other Italian	55	936,273	65	999,474	6.8
Total Italian	176	4,415,714	180	4,560,139	3.3
Cream & Neufchatel	32	744,864	31	715,737	-3.9
Hispanic	64	215,312	62	224,649	4.3
Total <u>2/</u>	515	10,443,397	524	10,597,030	1.5
Cottage Cheese, Curd <u>3/</u>	67	432,881	64	423,668	-2.1
Cottage Cheese, Creamed <u>4/</u>	68	331,348	66	322,098	-2.8
Cottage Cheese, Lowfat <u>5/</u>	64	387,689	62	381,481	-1.6
Canned Evaporated &					
Condensed Whole Milk <u>6/</u>	6	502,665	6	494,853	-1.6
Dry Whole Milk	13	71,056	12	65,787	-7.4
Milk Protein Concentrate, Total <u>7/</u>	9	88,617	6	94,489	6.6
Nonfat Dry Milk, Human	49	1,562,518	48	1,514,408	-3.1
Skim Milk Powders <u>8/</u>	10	253,804	9	446,017	75.7
Dry Buttermilk	26	82,042	26	100,107	22.0
Sour Cream	116	1,227,947	114	1,254,895	2.2
Yogurt (Plain & Flavored)	120	4,180,688	130	4,272,236	2.2
Condensed Whey, Solids Content, Human Food <u>9/</u>	11	88,962	12	98,692	10.9
Dry Whey Products					
Dry Whey, Human	31	960,680	32	950,863	-1.0
Dry Whey, Animal	26	52,303	25	59,254	13.3
Reduced Lactose and Minerals, Total	8	84,936	8	88,253	3.9
Lactose Total	31	908,426	30	1,000,201	10.1
Whey Protein Concentrate					
Human Food <u>10/</u>	41	393,251	37	398,862	1.4
Animal Feed <u>10/</u>	18	34,659	17	32,076	-7.5
Total <u>10/</u>	NA	427,910	NA	430,938	0.7
25.0-49.9 Pct <u>11/</u>	26	244,314	24	241,465	-1.2
50.0-89.9 Pct <u>11/</u>	26	183,596	25	189,473	3.2
Protein Isolates <u>12/</u>	13	61,321	14	60,511	-1.3
Frozen Products	<u>Number</u>	<u>1,000 pounds</u>	<u>Number</u>	<u>1,000 pounds</u>	<u>Percent</u>
Ice Cream, Regular	NA	929,128	NA	900,155	-3.1
Ice Cream, Lowfat <u>13/</u>	NA	415,496	NA	439,548	5.8
Sherbet	NA	49,270	NA	44,991	-8.7
Yogurt	NA	50,058	NA	60,676	21.2

NA = Not available.

1/ Includes Colby, Monterey and Jack. 2/ Excluding cottage cheese. 3/ Mostly used for processing into creamed or lowfat cottage cheese. 4/ Fat content 4.0 percent or more. 5/ Fat content less than 4.0 percent, mostly 0.5 to 2.0 fat. 6/ Combined to avoid disclosing individual plant operations. 7/ Dry milk protein concentrate, 40.0-89.9 percent. 8/ Includes protein standardized and blends. 9/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified dry whey products. 10/ Whey Protein Concentrate, 25.0 to 89.9 percent. 11/ Whey Protein Concentrate, Human and Animal. 12/ Whey Protein Isolate, 90.0 percent or higher. 13/ Includes freezer-made milkshake.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. *Dairy Products 2011 Summary, April 2012.*

MAY MILK SUPPLY AND DEMAND ESTIMATES

Milk production for 2013 is forecast to increase slightly. High feed prices and weakening milk prices during 2012 are expected to pressure producer returns, leading to declines in 2013 cow numbers. However, improvements in returns during 2013 will moderate the rate of decline. Milk per cow is expected to continue to grow, supporting increased milk production. Commercial exports are forecast to increase as the global economy improves and milk production increases. Imports will be slightly lower as domestic supplies increase. With improving demand and only modest increases in production, cheese, butter, and nonfat dry milk (NDM) prices are forecast higher. Whey prices will average near 2012 levels. Both Class III and Class IV prices are forecast higher, and the all milk price is forecast at \$17.25 to \$18.25 per cwt. for 2013. Forecast milk production in 2012 is raised from last month, primarily reflecting a slower decline in cow numbers and slightly faster growth in milk per cow. Cheese, butter, and NDM prices are reduced from last month on weaker-than-expected demand but whey demand has been stronger than expected and the price forecast has been raised. Class price forecasts are reduced. The milk price is forecast to average \$16.90 to \$17.40 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2011	2012 Projected		2013 Projected	
		April	May	April	May
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	196.2	201.1	201.9	NA	202.6
FARM USE	1.0	1.0	1.0	NA	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.8	11.0	10.9	NA	12.0
MARKETINGS	195.3	200.2	200.9	NA	201.6
IMPORTS	3.5	3.3	3.3	NA	3.3
TOTAL COMMERCIAL SUPPLY	209.6	214.5	215.1	NA	216.9
FAT BASIS USE					
COMMERCIAL EXPORTS	9.5	8.4	8.5	NA	8.7
ENDING COMMERCIAL STOCKS	10.9	11.8	12.0	NA	11.4
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	189.2	194.3	194.6	NA	196.7
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	12.2	11.9	11.8	NA	12.1
MARKETINGS	195.3	200.2	200.9	NA	201.6
IMPORTS	5.3	5.4	5.4	NA	5.2
TOTAL COMMERCIAL SUPPLY	212.7	217.5	218.1	NA	218.9
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.7	32.8	31.5	NA	32.4
ENDING COMMERCIAL STOCKS	11.8	12.0	12.1	NA	11.8
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	168.2	172.7	174.5	NA	174.7
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	NA	0
CHEESE	0	0	0	NA	0
NONFAT DRY MILK	0	0	0	NA	0
DRY WHOLE MILK	0	0	0	NA	0

NA = Not available.

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 13

MAY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2011	2012 Projected		2013 Projected	
		April	May	April	May
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <u>1/</u> CHEESE	1.8246	1.590-1.640	1.555-1.605	NA	1.600-1.700
BUTTER	1.9498	1.490-1.570	1.425-1.505	NA	1.465-1.595
NONFAT DRY MILK	1.5058	1.300-1.340	1.235-1.275	NA	1.320-1.390
DRY WHEY	0.5325	0.550-0.580	0.560-0.590	NA	0.555-0.585
<b>DOLLARS PER CWT</b>					
MILK PRICES <u>2/</u> CLASS III	18.37	16.10-16.60	15.80-16.30	NA	16.20-17.20
CLASS IV	19.04	15.35-15.95	14.50-15.10	NA	15.40-16.50
ALL MILK <u>3/</u>	20.14	17.25-17.75	16.90-17.40	NA	17.25-18.25
<b>QUARTERLY</b>					
	2012 I	2012 II <u>4/</u>	2012 III <u>4/</u>	2012 IV <u>4/</u>	2013 I <u>4/</u>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	51.0	51.7	49.7	49.4	50.3
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <u>2/</u> <u>3/</u>	17.97	16.20-16.50	16.30-16.90	17.15-18.05	16.50-17.50
CLASS III PRICE <u>2/</u>	16.28	15.40-15.70	15.85-16.45	15.90-16.80	15.05-16.05
CLASS IV PRICE <u>2/</u>	15.94	13.90-14.30	13.90-14.60	14.45-15.45	14.65-15.75

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-506, May 10, 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].

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,  
BY FEDERAL MILK ORDER MARKETING AREA, FEBRUARY 2012 1/**

For February 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.05 per cwt., down \$0.03 from the January 2012 average. Eighty-eight percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.78 in the Pacific Northwest to \$2.96 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.22 per cwt., up \$0.04 per cwt. from the January 2012 average. Eighty-three percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.88	1.28
Southeast	007	2.35	1.93
Florida	006	2.96	0.34
Mideast	033	1.96	1.48
Upper Midwest	030	1.78	1.30
Central	032	1.98	0.93
Pacific Northwest	124	0.78	0.65
All Reporting Areas Combined 3/		2.05	1.22

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

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

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential. Report Contact: Randal Stoker, [randal.stoker@usda.gov](mailto:randal.stoker@usda.gov) or 202-690-1932

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, FEBRUARY 2012, WITH COMPARISONS**

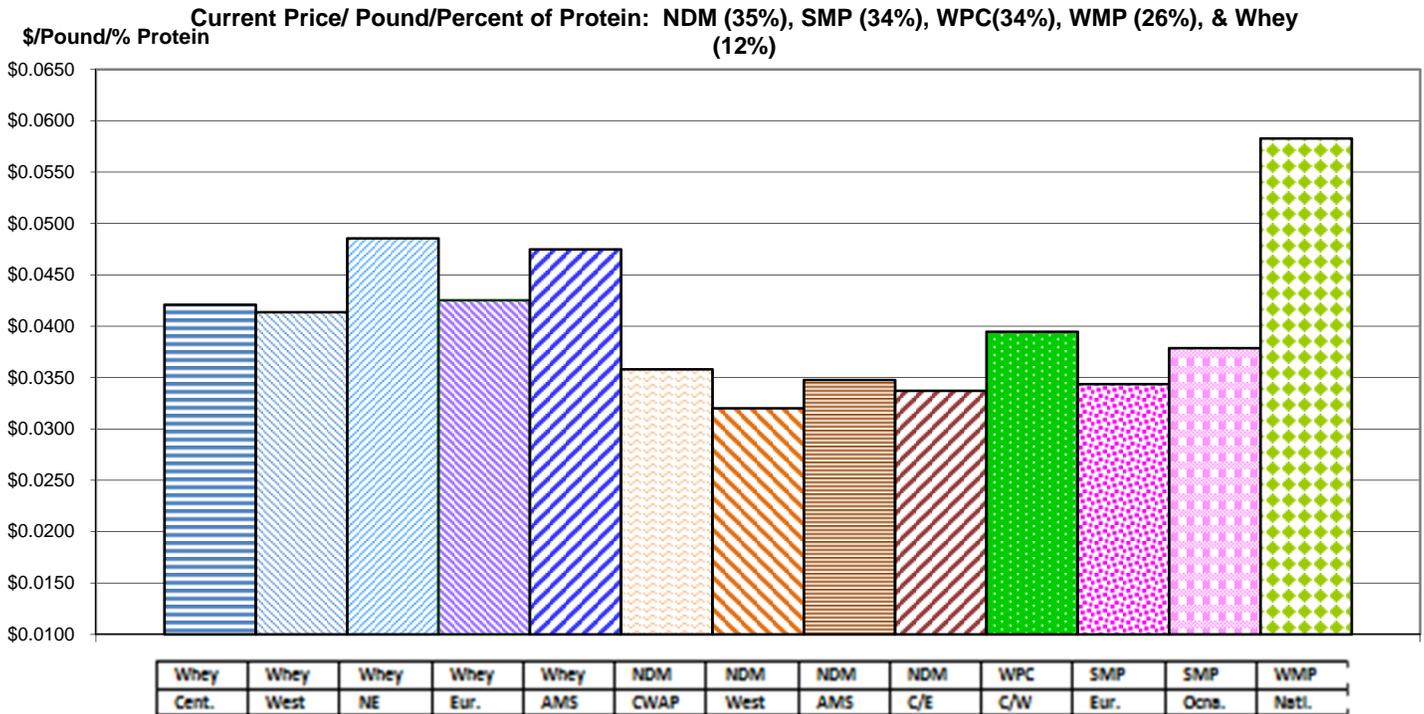
In February 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.92 per cwt., down \$1.38 from the previous month's average, and down \$1.02 from February 2011. The component tests of producer milk in February 2012 were: butterfat, 3.76%; protein, 3.13%; and other solids, 5.76%. On an individual reporting area basis, mailbox prices decreased in all areas compared to the previous month. Mailbox prices in February 2012 ranged from \$20.23 in Florida to \$15.73 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	February 2011	January 2012	February 2012
	Dollars per hundredweight		
New England States <u>3/</u>	19.91	20.50	19.06
New York	18.56	19.24	17.87
Eastern Pennsylvania <u>4/</u>	19.41	19.98	18.60
Appalachian States <u>5/</u>	19.87	20.79	19.12
Southeast States <u>6/</u>	19.89	21.57	19.29
Southern Missouri <u>7/</u>	18.30	19.10	17.05
Florida	20.57	22.85	20.23
Western Pennsylvania <u>8/</u>	19.60	19.78	18.34
Ohio	19.57	19.77	18.34
Indiana	19.14	19.33	17.78
Michigan	18.69	19.04	17.60
Wisconsin	18.91	19.31	18.16
Minnesota	19.01	19.32	18.18
Iowa	19.03	19.38	18.02
Illinois	19.24	19.73	18.27
Corn Belt States <u>9/</u>	18.89	18.80	17.49
Western Texas <u>10/</u>	18.43	17.96	16.57
New Mexico	17.46	17.10	15.73
Northwest States <u>11/</u>	18.60	18.61	17.26
All Federal Order Areas <u>12/</u>	18.94	19.30	17.92
California <u>13/</u>	17.50	16.36 *	15.22

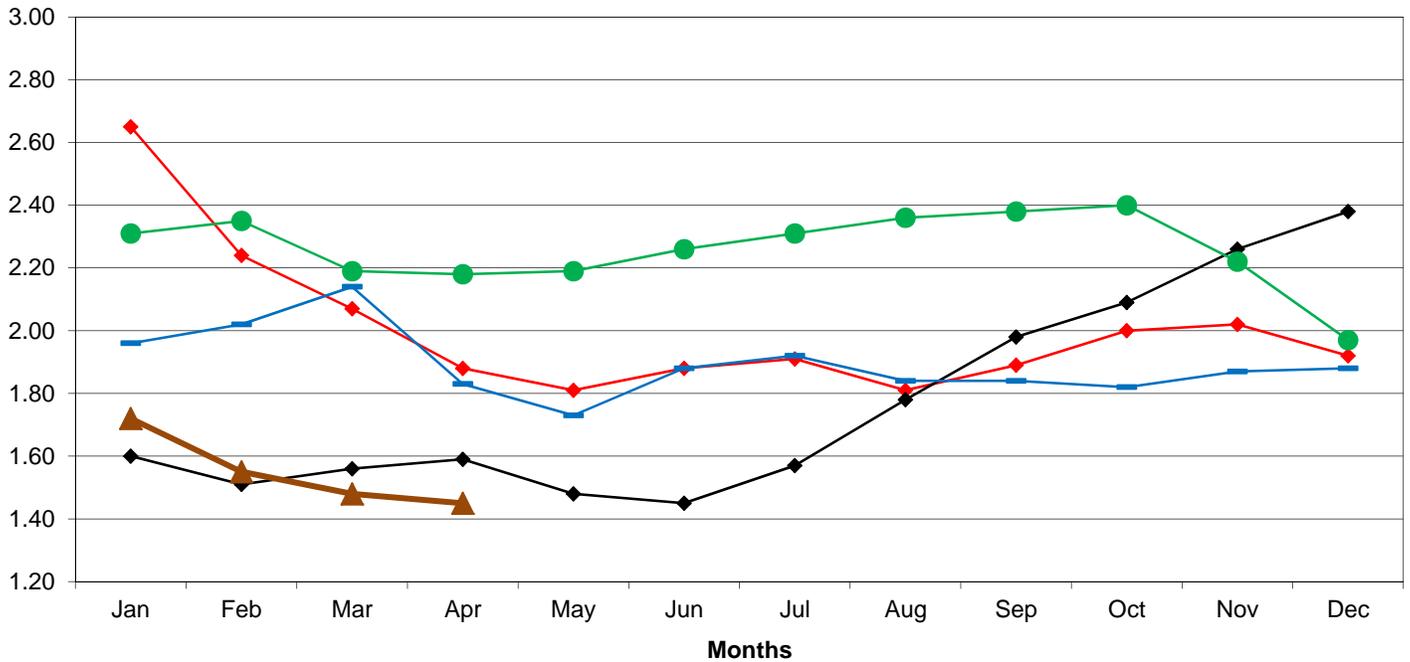
\* Revised

1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices do not include any Milk Income Loss Contract (MILC) payments, but do include, for the most part, the assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ Includes all counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ Includes the counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these. 9/ Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 7/. 10/ Includes all counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of prices for all selected reporting areas. California is simple average. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

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



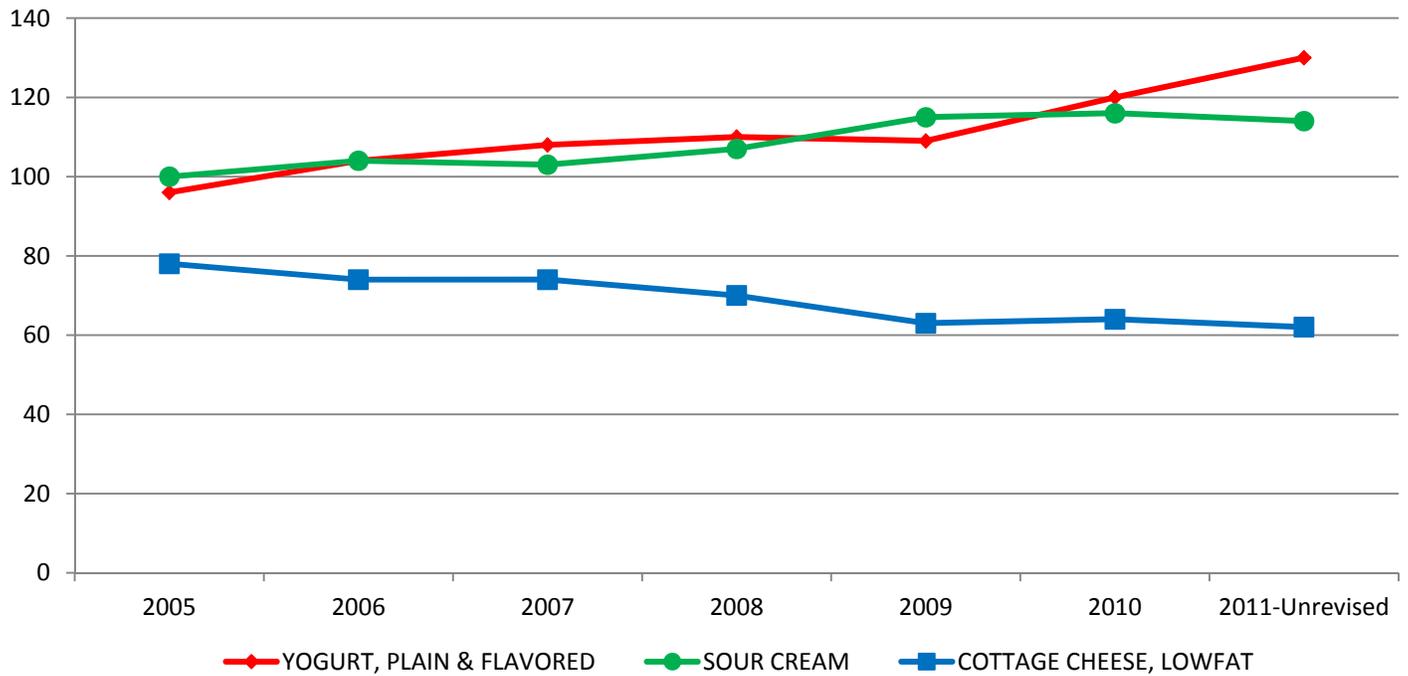
**MILK-FEED PRICE RATIO BASED ON THE POUNDS OF 16% MIXED DAIRY FEED EQUAL IN VALUE TO 1 POUND OF WHOLE MILK**



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

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

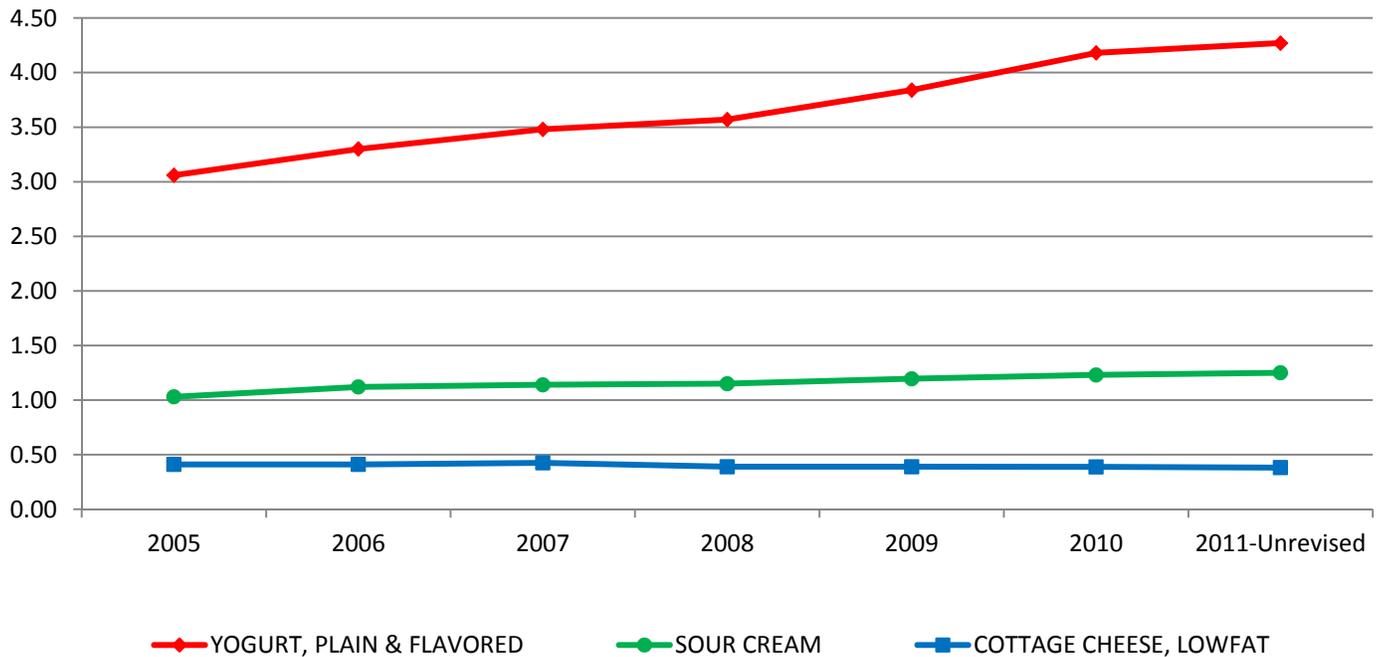
**NUMBER OF U.S. PLANTS MANUFACTURING SELECTED DAIRY PRODUCTS, 2005 - 2011**



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

**ANNUAL U.S. PRODUCTION OF SELECTED DAIRY PRODUCTS, 2005 - 2011**

BILLION POUNDS



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

# DAIRY MARKET NEWS

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