

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (06/08):

BUTTER: Grade AA closed at \$1.4175. The weekly average for Grade AA is \$1.4085 (+.0104).

CHEESE: Barrels closed at \$1.5225 and 40# blocks at \$1.6150. The weekly average for barrels is \$1.5245 (+.0007) and blocks, \$1.6080 (-.0020).

BUTTER HIGHLIGHTS: The AA cash butter price at the CME remains firm. The cash price firmed early in the week, eased slightly at midweek and finished the week firm at \$1.4175. Churning schedules across the country remain seasonally active. Cream supplies are sufficient to maintain near capacity or capacity schedules, but the surplus volumes of recent weeks have declined. Class II operations, especially ice cream producers, are absorbing increasing volumes of available cream as ice cream and mix production attains summer levels. Current churning schedules are generating sufficient volumes of print and bulk butter for needs with some volumes clearing to inventory, but inventory clearances are lighter. Domestic butter demand is good, stimulated by scattered retail features as low as \$0.99 per pound. Food service orders are steady at good levels as restaurants and food service outlets prepare for the summer vacation season. Since early in the year, the Cooperatives Working Together (CWT) program has assisted with the export of 44.3 million pounds of butter and anhydrous milk fat. There were no assistance requests acknowledged last week, but cancellations of 400,000 pounds of previously awarded assistance did occur.

CHEESE HIGHLIGHTS: The cheese market price gyrations are creating more uncertainty. The trade is digesting the latest news on production trends of various cheese varieties, domestic pricing changes, and international news. Cheese production is steady to trending lower and is along expected, seasonal levels. Cheddar cheese inventory levels are adequate to higher and available for trade needs. Mozzarella holdings are often above the slowing, seasonal demand. Discounted milk offerings in the Midwest are very limited. The CME block prices gained 8 cents last week, then fell 7 cents on Monday and Tuesday, and then rebounded to regain 7 cents on Wednesday and Thursday. On Friday, blocks were down 3.5 cents to close at \$1.6150. The barrel market price has been trending steady, creating a wide and trade described "unsustainable" spread between the barrel/block prices. International prices were higher in the gDT auction. DMN reports current Oceania cheddar pricing as steady. *Commercial Disappearance*

of American cheese for the first quarter of 2012 totals 1.1 billion pounds, up slightly from last year. Disappearance of the Other cheese category totals 1.67 billion pounds, up 2.5% from 2011. In total, Disappearance was 2.77 billion pounds, up 2.6%, up 71.2 million pounds from the same period in 2011. Total U.S. cheese production in April was 902.6 million pounds, up 2.1% or 18.9 million pounds from April 2011. Cumulative output for the first four months of the year was 3.62 billion pounds, up 3.8% or 133 million from last year. This week, Cooperatives Working Together (CWT) has accepted requests for export assistance to sell a total of 1.938 million pounds (879 metric tons) of Cheddar and Monterey Jack cheese for June - November delivery.

FLUID MILK: In the East, milk truckload weights are reported to be declining, leading to a tightening of the milk supplies in the region. Hotter temperatures are leading to milk output declines in Florida and fewer milk loads are leaving the state to find processing homes. In the Midwest, milk production patterns are sporadic with some areas seeing an increase in output following better weather conditions, yet other areas are seeing milk declines and lower component tests. Prices on spot milk loads range from flat Class to plus 50 cents. Milk output is mixed in the Southwest and weather is the contributing factor. Farm-level milk production is being affected by low milk prices and high feed cost as producers seek best returns. Processing plants are running on heavy schedules, but those levels are backing off from seasonal highs.

DRY PRODUCTS: Nonfat dry milk prices are trending higher and the near term market trends are firming. Offering volumes have tightened and buyers seeking coverage have to pay higher prices. Dry buttermilk prices are steady to slightly higher. Dry whey prices are unchanged to slightly lower and market support has developed at current levels. Export sales are transacting to fill contracts and tenders. Domestic interest is steady. WPC 34% pricing is holding mostly steady with fair to good clearances into food and feed accounts. The lactose market is weaker and prices are trending lower. Demand is steady but variable into usage categories and ahead of quarterly contracting.

INTERNATIONAL DAIRY MARKET NEWS (DMN): For the most part, **Western European** milk production has peaked and declines of varying rates are being reported. Weather patterns are quite typical for this time of the season. Temperatures fluctuate from hot for a few days and then more seasonal/comfortable the next week or so. Milk

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CME GROUP CASH TRADING

COMMODITY	MONDAY JUN 04	TUESDAY JUN 05	WEDNESDAY JUN 06	THURSDAY JUN 07	FRIDAY JUN 08	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5325 (N.C.)	\$1.5225 (-.0100)	\$1.5225 (N.C.)	\$1.5225 (N.C.)	\$1.5225 (N.C.)	:: (-.0100)	:: \$1.5245 :: (+.0007)
40# BLOCKS	\$1.5925 (-.0575)	\$1.5800 (-.0125)	\$1.6025 (+.0225)	\$1.6500 (+.0475)	\$1.6150 (-.0350)	:: (-.0350)	:: \$1.6080 :: (-.0020)
NONFAT DRY MILK							
EXTRA GRADE	\$1.0900 (N.C.)	\$1.0900 (N.C.)	\$1.1200 (+.0300)	\$1.1200 (N.C.)	\$1.1200 (N.C.)	:: (+.0300)	:: \$1.1080 :: (+.0180)
GRADE A	\$1.1850 (N.C.)	\$1.1900 (+.0050)	\$1.1900 (N.C.)	\$1.1900 (N.C.)	\$1.2100 (+.0200)	:: (+.0250)	:: \$1.1930 :: (+.0249)
BUTTER							
GRADE AA	\$1.4000 (N.C.)	\$1.4100 (+.0100)	\$1.4050 (-.0050)	\$1.4100 (+.0050)	\$1.4175 (+.0075)	:: (+.0175)	:: \$1.4085 :: (+.0104)

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.

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producers and handlers are indicating that current weather patterns are not having a negative impact on milk output at this time. Pastures are green and moisture is sufficient to maintain steady growth. Overall milk production in Western Europe is reported to be slightly ahead of last year at this time, but not significantly. Traders and handlers are stating that producer stocks are in close balance with needs and they are comfortable with this situation. Manufacturing facilities are at or very near peak capacities processing seasonally high milk volumes. Currently, stocks are basically committed with sourcing potential needs challenging for some traders. Dairy products prices are starting to show more signs of strength and buyers, especially international buyers, are returning to the marketplace for their needs. Traders and handlers still do not have a good grasp of the total volume of milk powder that will be clearing into a recently finalized dairy product tender. Many are speculating that Europe will fill a significant portion of the skim milk powder being sought and will be part of the whole milk volume with South America also filling remaining whole milk needs. Churning schedules remain active and production is often outpacing demand thus butter is clearing to PSA, versus producers holding the surplus. From March 1 through May 27, nearly 80,000 MT (176.4 million pounds) of European butter have been offered into PSA. This clearance compares to nearly 52,000 MT last year at this time. It appears that about 1/3 of the butter in PSA storage has come from The Netherlands, with Germany, France and Ireland contributing about 20%.

Eastern Europe milk production is now at peak levels throughout the region. Some milk handlers are indicating that increasing receipts are not occurring and total milk volumes appear to be slightly lower than last year at this time. Milk is clearing to most all manufactured dairy products, although powder offerings appear to not be as plentiful as projected. Some milk handlers are indicating that cheese production is strong for this time of the season. Whey powder markets are firm with most buyer interest centered around an internal EU demand versus internationally.

The **Oceania** milk production season is finished for the 2011 - 2012 fiscal year which ends at the end of the month. Milk output during the current season has been very favorable, especially the second half. In **New Zealand**, milk producers and handlers are looking at a strong 9% increase over the previous year, while in **Australia**, milk handlers are projecting a positive 4% increase. Manufacturers and handlers in both countries welcomed the extra milk, which provided additional volumes for manufactured dairy products at a time of the season, when often milk volumes are short of full needs. The additional manufactured stock provided a cushion to seasonally declining inventories and also provided additional volumes to be offered on the g/DT twice monthly event for those products traded. Traders and handlers are indicating that buyer interest is limited as buyers are fully aware of limited offerings at this time. Traders do indicate that commitments for the upcoming third quarter of the year are well in place and order books are starting to be filled. Some potential buyers are also looking at booking for fourth quarter needs, but these negotiations are slow to finalize. Winter weather pattern are now being reported in most Oceania regions. Cold temperatures are being reported in New Zealand with moisture not excessive. Temperatures are cooling and moisture is falling in much of the Victoria region of Southeast Australia. Moisture in Western Victoria has been limited for late summer and fall, but now rainfall is being reported in this region. In the Gippsland region, milk producers had been struggling with excessive rainfall and flooding for much of the current milk production season, but were realizing drier condition later in the summer, but once again, heavy rainfall and renewed flooding is being reported. Early in the week, traders and handlers were speculating on the outcome of the upcoming g/DT event. Many felt that declining price trends of recent events would cease and stability and slight strength would once again occur. At the June g/DT session #69, lactose prices eased -1A-

a little from the previous trading event, but all other products were higher to sharply higher when compared to the previous event. Percentage changes from previous all contract prices are: anhydrous milk fat +24.4%; buttermilk powder had no percentage change comparable, but averaged \$2,456 per MT; cheddar cheese was +9.4%; milk protein concentrate +10.9%; casein +19.6%; skim milk powder +21.3%; and whole milk powder was +8.5%. Traders and handlers were reporting that overall commercial pricing was starting to show signs of strength prior to the trading event and now they indicate that this firmness will once again re-energize buyer interest. Traders and handlers were also projecting firmer g/DT prices since all contracting periods will be in the new milk production season which resumes July 1. Trading activity for Oceania sourced dairy products occurred in more contracting periods than at recent events, especially with milk production increasing or maintaining high levels during the six contracting periods (July - December 2012).

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first three months of 2012 totals 49.3 billion pounds, 2.1% above the same period in 2011. Comparing disappearance levels with year earlier levels: butter is +0.7%; American cheese, +0.1%; other cheese, +2.5%; NDM, +25.0%; and fluid milk products, -2.9%.

APRIL DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 170.2 million pounds, 7.2% above April 2011 but 3.3% below March 2012. American type cheese production totaled 371.9 million pounds, 3.5% above April 2011 but 2.7% below March 2012. Total cheese output (excluding cottage cheese) was 902.6 million pounds, 2.1% above April 2011 but 4.7% below March 2012. Nonfat dry milk production, for human food, totaled 192.4 million pounds, 31.1% above April 2011 and 2.0% above March 2012. Dry whey production, for human food, was 80.4 million pounds, 6.3% below April 2011 and 3.4% below March 2012. ICE CREAM (hard) production totaled 69.5 million gallons, 2.6% below April 2011 and 4.1% below March 2012.

MARCH FMMO OVER-ORDER CHARGES (AMS): For March 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.04 per cwt., down \$0.01 from the February 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 \$0.79 in the Pacific Northwest to \$2.91 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.19 per cwt., down \$0.03 from the February 2012 average. Seventy-nine percent of the producer milk used in Class II carried an over-order charge.

CME GROUP

MONDAY, JUNE 4, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5500; 1 CAR 40# BLOCKS @ \$1.5925
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A @ \$1.1850; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1875
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, JUNE 5, 2012

CHEESE -- SALES: 4 CARS BARRELS @ \$1.5225; 3 CARS 40# BLOCKS @ \$1.5700; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5800; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5325
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.1900; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.1950
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4100; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4075; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JUNE 6, 2012

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.6025; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5100; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.1200; 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2100
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4050; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4050; LAST OFFER UNCOVERED: NONE

THURSDAY, JUNE 7, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$1.6500; LAST OFFER UNCOVERED: 2 CARS BARRELS @ \$1.5500
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2100
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4100; LAST OFFER UNCOVERED: NONE

FRIDAY, JUNE 8, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.5500; 3 CARS 40# BLOCKS: 2 @ \$1.6500, 1 @ \$1.6150; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS BARRELS @ \$1.5225
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.2100; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.1900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2200
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4175; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter prices have been inching up over recent weeks and multiples this week are in a tightening range, which also is inching up, especially at the bottom. Reports are that it is very difficult to find spot cream in the low 130's but it is available in the high 130's. Various factors are affecting butter and cream this week. Some cream cheese manufacturers have begun "pre-production" to be better positioned to meet demand in the late fall. There is continuing demand for cream from ice cream manufacturers. Increasing multiples have led some butter manufacturers to defer some butter manufacturing to sell additional cream on spot markets. Some manufacturers have also noted that last week's weekly average of \$1.3981 is in the range of 15 cents below the five year average for weeks at this time of year. Where these factors converge in butter prices is being evaluated but it was noted that "perception turns into reality". The perception seems to be upward price pressure according to some manufacturers but hanging over all of this remains the uncertainty of what the June 22 Cold Storage Report will reveal. With the market forces mentioned and a couple of weeks for summer weather and heat patterns to become more clear, there is a feeling that many manufacturers await later in the month to better assess where trends will go. Butter production during April was 170 million pounds, 7.2% above April 2011 but 3.3% below March 2012. Atlantic Region butter production was up 9.0% from this March and up 10.7% from April last year. Cumulative January through April butter production this year is 8.6% greater than the same period last year. After four consecutive trading days with no CME price movement, butter moved up 1 cent Tuesday to \$1.4100.

CENTRAL

The CME cash butter price increased 1 cent during the past five trading days, but eased slightly at midweek and is at a level that has some butter producers questioning sustainability. Some feel that the cash price will continue to ease in the near future. Others feel that increasing Class II cream demand will limit volumes to the churn, thus summer cream competition may be developing earlier than usual, keeping the butter price on the firm side. Although cream volumes clearing through the churn are lighter, most butter producers are able to maintain high levels of production. In most instances, butter producers are taking advantage of occasional

surplus cream offerings, but for the most part, are processing cream volumes from regular and ongoing suppliers. Churning schedules continue to keep pace with demand and volumes of butter are clearing to inventory, but at a slower pace than in recent weeks. Butter demand is holding up quite well for early summer. Some retail feature activity continues to be reported with food service orders fairly active as the summer vacation season and away from home eating patterns build. Since early in the year, the Cooperatives Working Together (CWT) program has assisted with the export of 44.3 million pounds of butter and anhydrous milk fat. There were no assistance requests acknowledged last week, but cancellations of 400,000 pounds of previously awarded assistance did occur. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

The last price decline noted at the CME Group until today was on May 8. Since that time, prices had increased 11 cents before declining 1/2 cent on Wednesday to stand at \$1.4050. Churning activity is holding about steady as cream supplies remain relatively heavy for the season. Some end users are taking possession of bulk butter at this time to start to cover fall needs. Price moves in the coming weeks will further impact this activity. Some contacts are also indicating that packaged sales to retailers are also above what they had planned. The offset is that output is often above projections. According to the NASS Dairy Products report for April, butter production for the U.S. totals 170.2 million pounds, up 7.2% from last year. This is an increase of 11.5 million pounds. Cumulative output for the first four months of the year totals 696.2 million pounds, up 8.6% from the same period in 2011 or an increase of 55 million pounds. April production for the Western region totals 87.7 million pounds, 51.5% of the U.S. total, up 6.6% from last year. Commercial Disappearance of butter for the first quarter of the year totals 428.5 million pounds, up 0.7% from the same period in 2011. This is an increase of 7.6 million pounds. Prices for bulk butter range from 2 cents under to 4 1/2 cents under the market, based on the CME with various time frames and averages used.

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
June 2, 2012	1.3652 4,695,548	1.5163 10,383,891	1.4995 9,189,977	0.5166 7,390,394	1.0957 30,601,990

CHEESE MARKETS

NORTHEAST

Last week's increase in the spread between blocks and barrels to 11 3/4 cents by Friday was much noted and discussed. Primarily driven by greater increases in the price of blocks than barrels, with blocks losing 7 cents Monday and Tuesday this week, the spread had declined to 5 3/4 cents by Tuesday. No specific changes in the milk supply available for cheese manufacturing, cheese sales from plants, or cheese inventory levels could be identified by manufacturers as factors leading to the magnitude of CME price movement, either up or down. One manufacturer attributed matters to the adage "perception turns into reality". Dairy Products (NASS) shows that total cheese output of the individually listed Northeast states lags national percentage production increases. During April this year, Northeast states are less above April last year, 0.8%, than the U.S. Total, 2.1%. The Northeast total for April is also down more from March this year, -6.9%, than the national -4.7% decline. Listed regional state April 2012 production in million pounds and each states' percentage of total production of the listed regional states include: New York, 60.3, 56.8%; Pennsylvania, 35.4, 33.3%, and Vermont, 10.5, 9.9%. Atlantic Region state total cheese production during April was 12.8% of national production. The Atlantic region produced 4.1% of the nations' American cheese, 5.6% of cheddar, 15.9% of Italian Cheese, and 13.8% of Mozzarella. New York and Pennsylvania are listed regional states producing Italian Cheese. New York production has declined more than the national percentages while Pennsylvania has increased in the face of national declines. New York produced 10.3% of the four listed states during April 2012, but the state's production declined -13.7% from March and -14.4% from April last year. Pennsylvania produced 8.4% of the four listed states during April 2012, and the state's production increased 12.9% from March and 2.2% from April last year. Nationally, total Italian cheese production declined -5.9% from March this year and 0.8% from April last year. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell a total of 1.938 million pounds (879 metric tons) of Cheddar and Monterey Jack cheese to customers in Asia, North Africa and the Middle East. The product will be delivered June through November 2012. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 56.6 million pounds.

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

Cheddar 40# Block	:	2.0100-2.2950
Process 5# Sliced	:	1.7425-1.8625
Muenster	:	2.0300-2.3900
Grade A Swiss Cuts 10 - 14#	:	3.2550-3.5775

MIDWEST

Milk flowing to regional cheese plants is steady to slightly lower in most locations. Discounted milk seems to have faded away and in some instances, milk brokers are receiving slight premiums for loads to some plants. Cheese inventories are deemed "decent" by a number of manufacturers. However, with the seasonal factor of less demand for Mozzarella, some manufacturers are being cautious about manufacturing schedules to better calibrate manufacturing to available sales so as to allow shredding within weeks of manufacture when moisture is preferable, rather than be left with inventory to be shredded at a later date. Last week's increase in the spread between blocks and barrels to 11 3/4 cents by Friday was much noted and discussed. Primarily driven by greater increases in the price of blocks than barrels, with blocks losing 7 cents Monday and Tuesday this week, the spread had declined to 5 3/4 cents by Tuesday but then Wednesday blocks increased once more by \$.0225, increasing the spread to 8 cents. A manufacturer assessing CME price activity noted that with no parallel velocity of change in cheese manufacturing volume, milk supplies, plant sales or inventories, it is challenging to relate CME price movement and spreads with market conditions from a manufacturer's perspective. Central state total cheese production during April was 45.3% of national production. The Central region produced 49.1% of the nations' American cheese, 49.3% of cheddar, 39.8% of Italian Cheese, and 33.8% of Mozzarella. Dairy Products (NASS) shows that total cheese output of the individually listed Midwest states during April this year, is more above April last year, 3.5%, than the U.S. Total, 2.1%. The Midwest total for April is also down less from March this year, -3.7%, than the national -4.7% decline. Listed regional states, April 2012 production in million pounds and each states' percentage of total production of the listed regional states include: Wisconsin, 226.4, 65.2%; Minnesota, 54.0, 15.5%; Iowa, 22.8, 6.6%; South Dakota, 21.4, 6.2%; Ohio, 16.7, 4.8%; and Illinois, 6.0, 1.7%. Wisconsin leads all states nationally in April for Cheddar production with 51.8 million pounds, 18.9% of the national total, and American cheese, with 72.4 million pounds, 19.5% of the nation's total. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell a total of 1.938 pounds (879 metric tons) of Cheddar and Monterey Jack cheese to customers in Asia, North Africa and the Middle East. The product will be delivered June through November 2012. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 56.6 million pounds.

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

Process American 5# Loaf	:	1.7150-2.4200
Brick And/Or Muenster 5#	:	1.9975-2.5575
Cheddar 40# Block	:	1.9975-2.9825
Monterey Jack 10#	:	1.9675-2.9825
Blue 5#	:	2.2625-3.2475
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8425-3.0825
Grade A Swiss Cuts 6 - 9#	:	2.6650-2.9825

CHEESE MARKETS

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WEST

Suppliers indicate that offerings of current cheese are relatively tight. Some are still surprised at the gyrations at the CME Group in recent days. Export sales remain relatively good and this fact continues to help the market. Block prices at the CME Group had been moving up steadily until early this week when prices declined 7 cents before rebounding at midweek and gaining 2 1/4 cents to stand at \$1.6025. Barrels fell slightly last week and were down another 1 cent by midweek to arrive at \$1.5225. Contacts indicate that the 8 cent spread is not tenable and that barrels will need to increase or blocks decline to reach equilibrium again. The problem is that they are not sure which will happen. *Commercial Disappearance* of American cheese for the first quarter of 2012 totals 1,095.0 million pounds, up slightly from last year. Disappearance of the Other cheese category totals 1,670.9 million pounds, up 2.5% from 2011. In total, Disappearance was 2.77 billion pounds, up 2.6%, up 71.2 million pounds from the same period in 2011. According to the NASS *Dairy Products* report, total cheese production in April for the U.S. was 902.6 million pounds, up 2.1% or 18.9 million pounds from April 2011. Cumulative output for the first four months of the year totals 3.62 billion pounds, up 3.8% or 133 million from last year. April output for selected Western States is as follows: California 188.8 million pounds, +2.8%; Idaho 70.5 million pounds, -0.3%; and New Mexico 63.0 million pounds, +0.2%. The Western region in April produced 378.7 million pounds of cheese, up 0.9% from a year earlier and 42% of the U.S. total in April. Swiss output in the U.S. in April was 27.7 million pounds, up 0.3% from a year earlier.

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

Process 5# Loaf	:	1.6475-1.9050
Cheddar 40# Block	:	1.7350-2.0875
Cheddar 10# Cuts	:	1.9150-2.1350
Monterey Jack 10#	:	1.9250-2.0850
Grade A Swiss Cuts 6 - 9#	:	2.8325-3.2625

FOREIGN TYPE CHEESE

Swiss production during this April was up 1.0% from March and 0.3% from April last year. April production totaled 27.7 million pounds. The recent earthquake in Italy's Emilia-Romagna region damaged 10% of the country's Parmigiano production. This has led to some cut-price sales on damaged cheese to prevent further losses, according to some sources.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.1500-3.6375*
Gorgonzola	: 3.6900-6.3900	: 2.6525-2.9125*
Parmesan (Italy)	: -0-	: 3.2725-3.8275*
Provolone (Italy)	: 3.4400-6.1800	: 2.1925-2.3500*
Romano (Cows Milk)	: -0-	: 3.3400-5.4900*
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.

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

	BUTTER	CHEESE
06/04/12	11,889	129,887
06/01/12	11,816	129,965
CHANGE	73	-78
% CHANGE	1	0

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	160	0	180	0	325
SOUTHEAST STATES	0	0	0	0	0	0

Throughout the East from the mid-Atlantic states south, there are reports of milk truck load sizes dropping. "Tightening" is the characterization of milk supplies in this area where heat is beginning to have an impact. Florida has been in the 90's during the day and 70's at night, leading to production dropping at the farm level. This has contributed to shipments out of the state declining by 20 since last week. Manufacturing activity in mid to southern areas is slower this week, with less milk to deal with. Some mid-Atlantic plants have ceased drying and churning and are using available milk to meet obligations for condensed milk sales. Resumption of drying and/or churning is not expected until around November. In the Northeast, very pleasant weather remains, keeping milk production stable and at a comfortable level. Night temperatures have been in the 40's with daily highs in the 70's. A plant manager called the weather "perfect". Regional dryers continue to operate but typically 3 or 4 days a week, leaving capacity not challenged. Cream supplies are tightening. Less cream from milk standardization coupled with increasing demand for cream cheese pre-production looking toward fall, as well as continuing ice cream manufacturing are factors. Current multiples for spot cream range between the low 130's and 140. Some manufacturers very desperate for cream delivered quickly last week, paid up to 145 plus freight although those were exceptional situations. Finding cream toward 133 has become very challenging and most sales this week are increasingly moving up within the general range. Cumulative 2012 national yogurt production through April, 1.516 billion pounds, is 2.8% higher than the same period of last year. While this NASS data is not broken into regions, yogurt manufacturing in the Northeast is robust and milk plants report that milk sales for yogurt remain are growing.

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 -	1.8595-1.9573
F.O.B. producing plants: Upper Midwest -	1.7476-1.8595

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.19 - 1.22
Northeast - Class III - spot prices -	1.31 - 1.34

MIDWEST

Several cheese plant operators indicated their patron milk intakes are steadily decreasing and spot loads are unobtainable, even with price premiums tacked on as an inducement. A few milk handlers indicate on-farm milk pick up volumes have increased, going against the seasonal trend. Most milk handlers view this as the end result of localized weather-related breeding complications that took place during the summer of 2011. Various managers of multi-end product operations state milk is selectively being channeled away from Class IV products and into Class III products because of comparatively enhanced returns from Class III. Some spot milk cleared to specialty cheese operations where higher end product prices allow manufacturers some room to purchase milk above

Class. Prices on spot loads range from flat Class to plus 50 cents. Sales into Class II operations are steady to higher, with dips and sour cream production increasing strongly. Most milk marketers indicate the ice cream/mix/soft serve sector has yet to shift into full production mode. Cream sales to ice cream manufacturers, in particular, are reported as lagging compared to year ago quantities. Reported cream multiples range from 1.25 to 1.33 F.O.B. for the week. Some Central operations brought in cream spot loads from the West for Class IV use. North Central region cropping operations report corn, soybean and alfalfa fields could use some moisture to continue development toward maturity, but the near term forecast is mostly without measureable precipitation. Areas of the South Central region received 2 or more inches of rain during the week, which has helped refill water reservoirs. Wheat harvesting is nearing completion in several South Central states.

WEST

CALIFORNIA milk output remains strong at near peak levels. Production limits, base plans, sell offs, and optimizations have led to more moderate growth for the milk supply in the state. Conditions are conducive to the milk flow. Some local areas are seeing a boost due to feeding of new crop feedstuffs. Lower milk prices and relatively high feed costs remain big concerns for dairy producers in the state. Processing plants are running on heavy schedules but have space. They hope the worst is over. Cheese plants are taking some additional down days and therefore more milk is staying in the butter/powder plants for processing. The May 4a price (butter/powder) in CALIFORNIA is \$13.45, down \$1.27 from April and \$6.49 lower than last year. This compares to the Federal Order Class IV price for May at \$13.55. The May 4b price (cheese) is \$13.56, \$0.13 higher than April but \$1.18 less than last year. This compares to the Federal Order Class III price for May 2012 at \$15.23. ARIZONA milk production took a hit with the recent heat wave pushing daytime highs over 110 degrees last weekend. Conditions have moderated with temperatures in the 90's and milk cows are under less stress. Production has rebounded slightly. Plants are running well to handle the current milk supplies. There appears to be stronger pulls from retail fluid customers who are promoting milk in ads. NEW MEXICO milk production patterns are steady to slightly lower and are at or above year ago levels. Dry conditions are prevalent across the state but temperatures are manageable for dairy cows with heat abatement and other measures in place. Processing plants are running on heavy schedules to handle the incoming milk supplies. More milk is moving into manufacturing as fluid needs are lower with more schools and colleges now off for the duration. Plant capacity is available within the region. Western CREAM markets are steady to slightly firmer. Prices are often higher, reflecting changes in basing points and some increase in overages and multiples. School accounts milk needs have declined sharply and there is less standardized cream available. There have been incremental demand improvements for cream from ice cream accounts both in and out of the region. Demand from the higher-class accounts is seasonally low for sour cream, cream cheese, and similars. Trucking continues to be problematic with pricing a concern and availability of tankers an issue. At the CME Group, Grade AA butter price closed at \$1.4050 on Wednesday, up 0.5 cents from a week ago. Western cream multiples range 112-126,

CONTINUED ON PAGE 4-A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

and vary based on class usage and basing points. Moisture conditions are being called good for this time of year in the PACIFIC NORTHWEST. Crop progress is good for this early in the year. Milk output seems to be on a plateau. This is likely due to some supply controls, less of a prominent spring flush, and poor margins impacting feeding rations. Less milk has to move to find processing capacity. Warm conditions of last week were replaced with cold temperatures this week in UTAH and IDAHO. In fact, snow was reported in some of the low country passes. Some frost did impact small grain growth, but had no impact on milk production. The moisture did catch some hay in the windrow and that will reduce harvest quality. Contacts note that some old crop hay that had been offered at some very high numbers and did not sell is coming back to the market at substantially lower numbers and having to compete with new crop hay. Most contacts indicate that the spring peak is probably past on milk production, but it certainly was a gradual and early run up this year. According to the NASS Crop Progress Pasture and Range Condition report for June 3, conditions in Arizona are 76% very poor and poor, California is 40%, Nevada 52%, and New Mexico 82%. These conditions are adding to feed costs in the Southwest. According to the NASS Agricultural Prices report for May, mid-month U.S. prices for baled alfalfa hay were \$215/ton, \$28/ton more than last year. Prices for selected Western states and the change from last year are as follows: Arizona \$255, +\$40; California \$227, -\$12; Colorado \$255, +\$105; Idaho \$180, -\$12; Nevada \$225, +\$60; New Mexico \$286, +\$66; Oregon \$230, +\$40; Utah \$205, +\$38; and Washington \$240, +\$85. Transportation costs are also adding significantly to delivered hay prices. For the United States, alfalfa prices were \$8.00 higher per ton than last month's value.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are unchanged to higher on a firmer market. Market participants point to a recent national sales survey indicating NDM quantities changing hands during the last two weeks, ranging from 32.7 – 34.5 million pounds, topped quantities of the week ending May 12, 2012 by more than 20%. Also, a Japanese tender for SMP has reportedly been satisfied, at least in part, by U.S. SMP. Those increased sales, as well as the seasonal decline in milk production, give the June NDM market more strength compared to the May NDM market, according to several NDM producers and buyers. Some plant operators expect to replenish high heat NDM inventories during the next few weeks as dryer scheduling opens up. Low heat nonfat dry milk production is active at most locations in the Central region, but throughput reportedly ranges from 70 – 90% of capacity. Also, toll drying of specialty products is ongoing at some plants as silo storage and drying schedules allow. One or two plants experienced equipment problems, causing unloading delays and some rerouting of milk deliveries. Reports indicate impacted milk loads found processing room within the Central region. For a few operations with multiple end products, shifting some milk intakes toward cheese manufacturing has been ongoing for several weeks as the NDM market sought support. According to NASS, NDM production in the Central region totaled 24.6 million pounds during April 2012, 40.6% more than one month ago and 61.0% more than one year ago. Cumulative nonfat dry milk production for 2012 in the Central region totals 74.7 million pounds, 49.0% higher than 2011 production during the same time span. The May 2012 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.1702 compared to \$1.2319 one month ago and \$1.6464 in May 2011. The May 2012 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.2655 compared to \$1.3524 one month ago and \$1.7352 in May 2011.

EAST: Low/medium heat nonfat dry milk prices continued the recent trend of moving higher. Prices increased both at the bottom of the mostly and the top of the range. High heat prices also increased at both ends of the range, with some manufacturers now being sold out and other manufacturers having tight supplies. Low heat NDM is more available than high, but some plants have reduced drying to less than five days a week and others have stopped drying to protect their ability to meet contract obligations to sell condensed skim. The seasonal easing of milk production is reducing milk available to be dried. With NDM prices having trended lower much of the year until recent weeks, the trend reversal has caused more “possible” buyers to become “actual” buyers as the feeling sets in that renewed market strength may be with us in the immediate future.

DAIRY PRODUCTS: NASS’s *Dairy Products* report shows production of human food NONFAT DRY MILK during April 2012 totaled 192.4 million pounds, up 2.0% from March 2012 production and 31.1% higher than April 2011. Cumulative nonfat dry milk production for 2012 totals 707.0 million pounds, 42.7% higher than 2011 production during the same time span. Month ending stocks, at 227.4 million pounds, are 8.1% higher than a month ago and 54.2% higher than one year ago. April 2012 production of SKIM MILK POWDERS, which includes protein standardized and

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are unchanged and the market has gained some strength from recent rising nonfat solids price. Buyer interest for dry buttermilk is steady to somewhat improved. Butter and dry buttermilk production are steady to lower using patron milk supplies as farm milk intakes and components decline and cream from standardized milk volumes declines from reduced bottler demand. Spot cream load availability also continues to tighten as Class II production kicks in for the summer season. Production of dips and sour cream increased in earnest this month, boosted by seasonal consumer demand. Ice cream/mix/soft serve production is also increasing gradually. Improved Class II spot cream prices are stripping cream away from the churns as operations seek improved returns from available cream supplies. The May 2012 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.0328 compared to \$1.1939 one month ago and \$1.5367 in May 2011.

EAST: Eastern dry buttermilk prices remained unchanged. However, some buyers purchased loads this week with the feeling that prices might increase in the near future. Various factors are cited, such as increasing cream multiples which have motivated some butter manufacturers to sell cream which they have capacity to churn. Additional factors are continuing ice cream manufacturing, soft serve sales and cream cheese pre-production continue to compete for cream.

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during April 2012 totaled 9.5 million pounds, 11.4% less than one month ago but 19.3% more than production one year ago. Cumulative 2012 dry buttermilk production totals 43.5 million pounds, 17.6% more than during the same time span of 2011. Month ending stocks of dry buttermilk, at 23.3 million pounds, are 6.5% higher than one month ago and 38.3% higher than one year ago.

F.O.B. CENTRAL/EAST: .9500 - 1.1000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are steady to trending marginally higher. The market tone is steady to slightly firm. The firmer tones are coming from higher pricing levels for low heat nonfat dry milk and the improved market interest from buyers. Production runs of dry buttermilk are variable but are trending lower. Despite recent sales, stocks remain high. Other buyers have needs met and are not active in the current market. Export interest has been favorable and has helped to move product. Buttermilk powder production in April 2012 for the U.S. totals 9.5 million pounds, up 19.3% from last year. Buttermilk stocks at the end of April were 23.3 million pounds, 38.3% higher than a year ago and 6.5% more than a month earlier.

F.O.B. WEST: .9700 - 1.0700 MOSTLY: .9700 - 1.0400

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

blended product, totaled 17.5 million pounds, 46.5% more than one month ago but 35.4% less than one year ago. Cumulative 2011 skim milk powder production totals 87.3 million pounds, 39.8% decrease in production compared to production during the same time span in 2011.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1600 - 1.2175 MOSTLY: 1.1800 - 1.2000
 HIGH HEAT: 1.2400 - 1.2700

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are trending higher for the range and mostly price series. There are some prices based off indices that are moving lower within both series. In the past couple of weeks, nearby powder has been committed and this has tightened up current offering volumes. There are even higher offering prices as processors test the market. Some buyers are looking for coverage after missing the recent market lows. Others are skeptical and expect future corrections. Sales prices based off indices are likely to show further declines as those series lag the market; reflecting prior sales shipped during a reported week. Buyers are quick to point out that they were on the wrong side of this occurrence when the market retreats off the high side of a cycle. They hope to help balance the books now that prices are moving higher off a market low. Western high heat NDM pricing levels are narrowing. Pricing off the low end is moving higher, reflecting increases in the low heat market. At the top end, prices are following indices downwards. Demand is fair and along projections for the time of year. Production levels remain sporadic and dependent on dryer times available to make high heat. There are holdings available to service accounts.

U.S. NDM production in April 2012 totaled 192.4 million pounds, 31.1% more than last year. YTD cumulative NDM output through April totals 707.0 million pounds, up 42.7% or 211.4 million pounds from a year earlier. NDM production in the West region in April totaled 141.0 million pounds, up 27.3% from last year. The West produced 73% of the U.S. total in April. U.S. manufacturers' stocks of NDM at the end of April were 227.3 million pounds, 54.2% higher than a year earlier and 8.1% more than March 2012. U.S. skim milk powder (SMP) production in April totaled 17.5 million pounds, 35.4% less than last year but 46.5% more than during March. YTD cumulative SMP output through April totals 87.3 million pounds, down 39.8% or 57.7 million pounds from a year earlier.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.0900 - 1.2000 MOSTLY: 1.1000 - 1.1500
 HIGH HEAT: 1.1350 - 1.2400

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 1	\$1.1040	16,578,191	0
May 25	\$1.1302	21,155,940	0

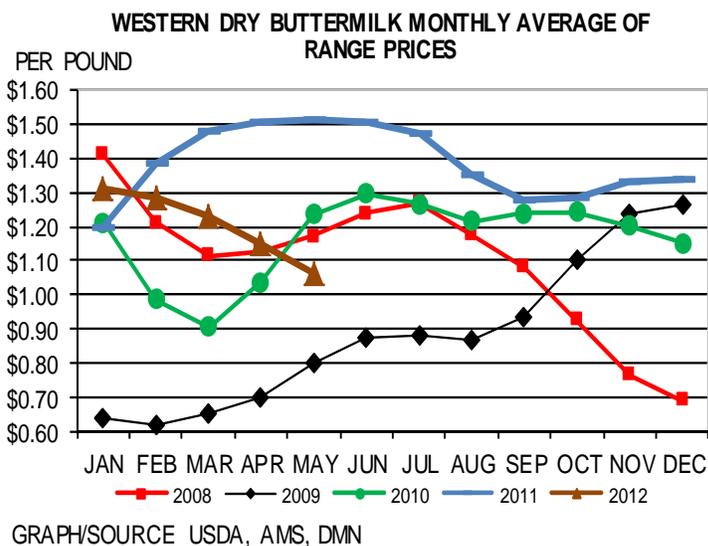
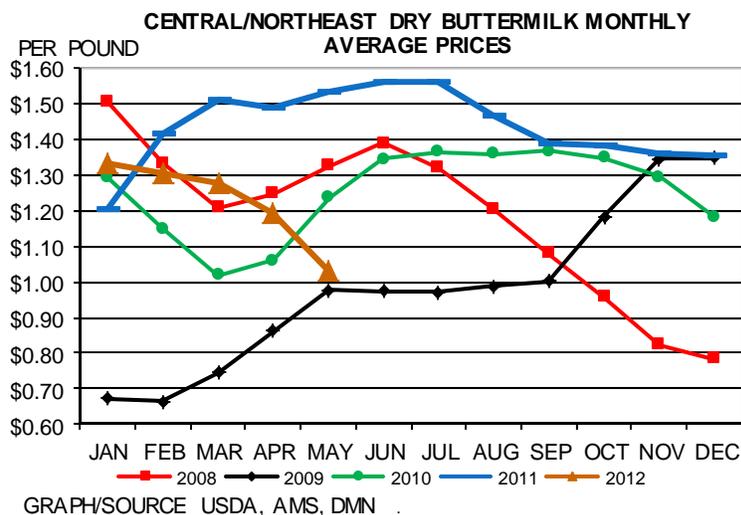
Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food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

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady this week, finding some support for the current price from firmer nonfat solids prices. Various manufacturers indicate they do not have whole milk production on the schedule for the near term. Other manufacturers that use dry whole milk internally are increasing production schedules to build inventories ahead of the blending and marketing season for hot drink mixes. The May 2012 Dairy Market News average of the range price series for dry whole milk was \$1.4602 compared to \$1.5480 one month ago and \$1.9440 in May 2011.

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during April 2012 totaled 4.6 million pounds, up 8.2 % from March 2012 but 40.0% lower than April 2011. Month ending stocks, at 6.9 million pounds, are 0.4% lower than one month ago and 22.2% lower than one year ago. Cumulative 2012 production totals 20.6 million pounds, a 27.6% decrease from 2011 production during the same time period.

F.O.B. PRODUCING PLANT: 1.3900 - 1.4400



WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Dry whey, Central, prices are unchanged as the market seems to be finding support for current pricing levels. F.O.B. sales activity is reportedly more active, especially into some East Asian markets. Manufacturers, responding to recent international tenders, successfully offered dry whey loads to fill a portion of that demand. However, some market participants indicate higher quality dry whey cleared into that sale than was necessitated by the tender requirements. The benefit to some participants is the restoration of a measure of balance to current dry whey supply and demand. Availability of resale loads of dry whey from brokers is steady. Dry whey production is unchanged to declining in the Central region. Various cheese/dry whey manufacturers indicate seasonally lower patron milk intakes are decreasing weekly output of those products. Availability of spot loads of milk to Class III is tighter, offering fewer opportunities to run cheese vats at weekly capacities. Inventories of dry whey are adequate for near term contract fulfillment as well as allowing some manufacturers to sell spot loads. Human food dry whey production during April 2012 in the Central region totaled 39.7 million pounds. This dry whey production is 3.0% lower than one month ago but 4.2% higher than one year ago. ANIMAL FEED DRY WHEY prices are both lower and higher on a mixed market. Demand is variable. A few calf raising operations indicate calf numbers are expected to remain steady for the next few months and some excess input holdings, such as dry whey, are expected to clear through the resale market. Those operations are generally out of the dry whey spot market. Other operations indicate sales to dairy beef and dairy replacement herds are steady to improving, and feed blending inputs are once again being acquired via F.O.B. and resale channels. The May 2012 Dairy Market News average of the mostly price series for Central dry whey was \$0.4956 compared to \$0.5446 one month ago and \$0.4898 in May 2011. The May 2012 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.4269 compared to \$0.4650 one month ago and \$0.4288 May 2011.

DAIRY PRODUCTS: NASS's Dairy Products report shows production of HUMAN FOOD dry whey during April 2012 totaled 80.4 million pounds, 3.4% less than March 2012 and 6.3% less than production 1 year ago. April ending stocks of HUMAN FOOD dry whey totaled 46.7 million pounds, 3.7% less than 1 month ago and 12.5% lower than April 2011. Production of ANIMAL FEED dry whey during April 2012 totaled 5.6 million pounds, 11.8% more than one month ago and but 10.9% less than the production of April 2011. ANIMAL FEED dry whey month ending stocks totaled 3.0 million pounds, 22.0% less than one month ago but 3.4% more than the stocks of one year ago. Cumulative 2012 dry whey production, HUMAN AND ANIMAL FEED, is 0.3% higher than 2011 production, totaling 359.5 million pounds.

F.O.B. CENTRAL: .4000 - .5700 MOSTLY: .4450 - .5225
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3625 - .4850

DRY WHEY - NORTHEAST

Prices moved down at each end of the range, with the high and low prices being anchored by spot transactions outside contract pricing. Some buyers this week only bought as much whey as they needed for now and plan to purchase on a weekly basis in the immediate future due to a feeling that the market has some weakness. April 2012 dry whey production in the Atlantic region was 3.7% above March, in contrast with national production being down -3.4%, and the region is up 17.7% from April last year in contrast with the -6.3% national decline. New York, the only delineated regional state in Dairy Products (NASS) with 12.5 million pounds of production in April this year, was up 0.4% from March and up 39.6% from April last year. The significant New York whey volume increase compared with last year in New York, in contrast with the national decline, may be due to new production facilities opening in the state within the last year which increased underlying production capacity.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: 4750 - .5700

DRY WHEY - WEST

The Western whey price range narrowed this week while the mostly held steady again. Producers seem to be more comfortable with stock levels at this time. Export sales are definitely helping this trend. Production levels are also backing off some as patron milk supplies are beginning to ease lower seasonally along with component tests. Some whey supplies continue to be shifted into production of higher protein whey products. According to the NASS, edible U.S. whey production in April totals 80.4 million pounds, down 6.3% from last year. The Western region produced 18.1 million pounds of whey in April, down 36.4% from last year. The West produced 23% of the whey in the U.S. in April. Cumulative U.S. total dry whey production for the first four months of the year is 359.6 million pounds, up 0.3% or 1.1 million pounds from the same period in 2011. Manufacturers' stocks at the end of April for edible whey are 46.7 million pounds, down 12.5% from last year.

NONHYGROSCOPIC: .4400 - .5450 MOSTLY: .4500 - .5175

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices were steady on the range and bottom of the mostly. The top of the mostly price range decreased fractionally. Contract sales activity is steady this week, with price adjusting lower, following variable indices. Reselling was active this week, with several loads clearing into animal feed blending operations. F.O.B. spot sales of whey protein concentrate 34% are available sporadically from a few manufacturers, more consistently from others, and spot prices continue to span the full WPC 34% price range. Some manufacturers indicate seasonal interest from a few end users is increasing and new customers entering the market are opting for high quality WPC 34% for specialized needs. The May 2012 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.3010 compared to \$1.4195 one month ago and \$1.5043 in May 2011.

DAIRY PRODUCTS: The NASS Dairy Products report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during April 2012 totaled 20.3 million pounds, 3.4% less than one month ago but 4.7% higher than production of one year ago. Cumulative WPC 34% HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) production for 2012 totals 85.2 million pounds, 8.6% more than 2011 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 - 49.9% PROTEIN) totaled 26.1 million pounds, 5.1% less than March 2012 but 82.2% more than the stocks of April 2011.

F.O.B. EXTRA GRADE 34% PROTEIN: .9000 - 1.4200 MOSTLY: 1.2000 - 1.2850

Continued on Page 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

Continued from Page 6

LACTOSE - CENTRAL AND WEST

Prices for lactose are mostly lower on a weaker market. Lactose interest is steady into various domestic human nutrition, beverage and confectionary market sectors, but several manufacturers indicate the number of inquiries from new customers declined in recent weeks. Contract negotiations continue, with offers from European manufacturers sharpening pricing discussions. With the Euro currently weakening, lactose pricing based on that currency may offer near term price savings compared to lactose pricing based on the U.S. dollar, which is firming. Contract offers for Q3 from most lactose producers were delivered to most regular buyers within the last 7 to 10 days. Responses to the offers are pending, in most cases. Lactose production is steady to marginally lower at most plants as milk intakes decline seasonally. Manufacturers' inventories are steady. The May 2012 Dairy Market News average of the mostly price series for Central and West lactose was \$0.9100 compared to \$0.9126 one month ago and \$0.4640 in May 2011.

DAIRY PRODUCTS: NASS's Dairy Products report shows HUMAN and ANIMAL lactose production during April 2012 decreased 3.0% compared to March 2012 to 87.2 million pounds but was 8.3% higher than April 2011 production. Cumulative 2012 lactose production totals 345.2 million pounds, 7.3% more than during the same time span in 2011. Month ending stocks, at 79.0 million pounds, are 6.7% more than one month ago and 3.0% higher than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .7500 - 1.0350 MOSTLY: .8500 - .9200

CASEIN - NATIONAL

Casein markets and prices remain unchanged, although the market tone remains weak. Domestic buyers continue to question suppliers about the potential of additional casein volumes coming onto the market following the recent announcement of a major casein producing country re-entering the international marketplace. Details of this development remain unanswered thus, for the time being, casein offerings are sufficient for customer needs. If additional stocks become available, buyers are anticipating that price will ease as regular sourced stocks will not be the only stocks available. Some domestic buyers indicate that they will not be too interested in the additional offerings as their product formulations and end results are what they are seeking with their regular and ongoing supply sources. At this time, casein volumes are sufficient for customer needs.

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 2011

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
05/19/2012	54.4	1,202.3	51.8	1,175.8

WEBSITE: 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

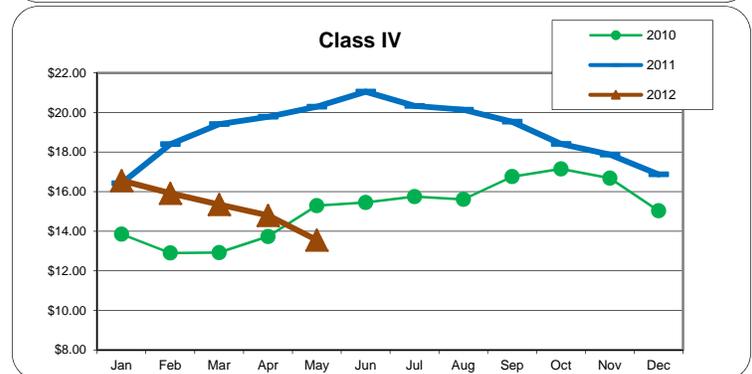
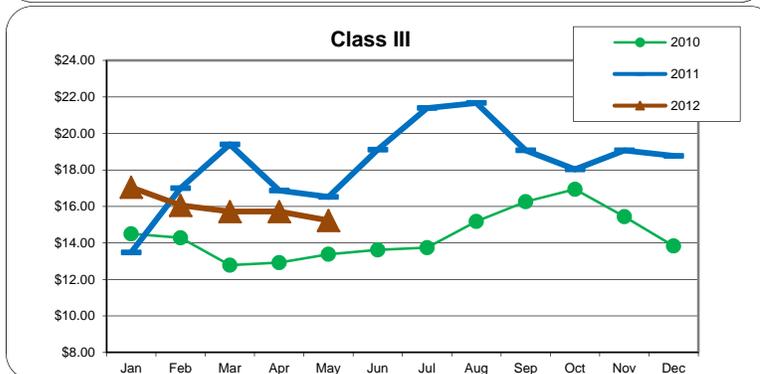
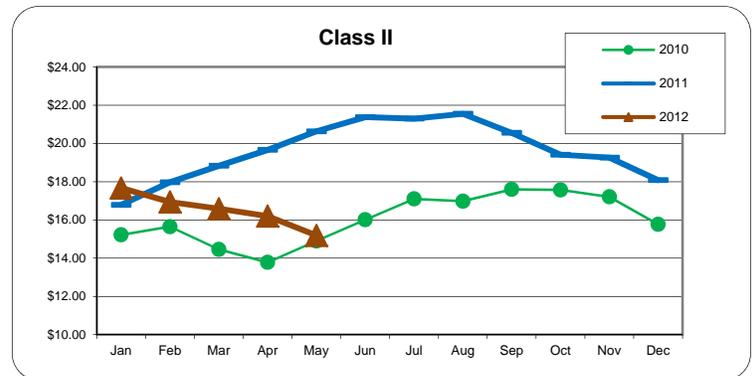
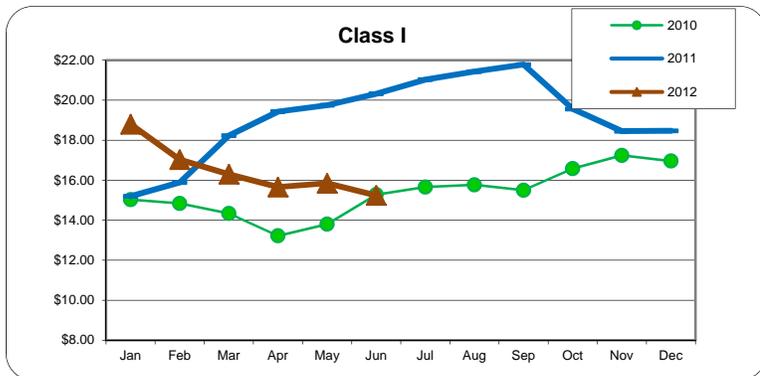
CLASS IV MILK PRICES (3.5% BF)

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	15.24						
II	17.67	16.94	16.59	16.20	15.19							
III	17.05	16.06	15.72	15.72	15.23							
IV	16.56	15.92	15.35	14.80	13.55							

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



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered May 28 - June 8, 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: For the most part, Western European milk production has peaked and declines of varying rates are being reported. Weather patterns are quite typical for this time of the season. Temperatures fluctuate from hot for a few days and then more seasonal/comfortable the next week or so. Milk producers and handlers are indicating that current weather patterns are not having a negative impact on milk output at this time. Pastures are green and moisture is sufficient to maintain steady growth. Overall milk production in Western Europe is reported to be slightly ahead of last year at this time, but not significantly. Traders and handlers are stating that producer stocks are in close balance with needs and they are comfortable with this situation. Manufacturing facilities are at or very near peak capacities processing seasonally high milk volumes. Currently, stocks are basically committed with sourcing potential needs challenging for some traders. Dairy products prices are starting to show more signs of strength and buyers, especially international buyers, are returning to the marketplace for their needs. Traders and handlers still do not have a good grasp of the total volume of milk powder that will be clearing into a recently finalized dairy product tender. Many are speculating that Europe will fill a significant portion of the skim milk powder being sought and will be part of the whole milk volume with South America also filling remaining whole milk needs. Churning schedules remain active and production is often outpacing demand thus butter is clearing to PSA, versus producers holding the surplus. From March 1 through May 27, nearly 80,000 MT (176.4 million pounds) of European butter have been offered into PSA. This clearance compares to nearly 52,000 MT last year at this time. It appears that about 1/3 of the butter in PSA storage has come from The Netherlands, with Germany, France and Ireland contributing about 20%.

BUTTER/BUTTEROIL: European butter markets are mixed, although the undertone is firm. Prices are lower and higher with strength prevailing. Churning activity is seasonally heavy as milk production is at or slightly past peak levels. Butter buying interest is basically limited to an internal market with international buyers still absent from European markets. Stocks of butter for immediate needs are limited as much of recent production has cleared internally or cleared to PSA. Producer stocks are limited. Since March 1 and through May 27th, PSA clearances total nearly 80,000 MT (176.4 million pounds). This clearance compares to nearly 51,800 MT a year ago.

82% BUTTERFAT:	3,100 - 3,375
99% BUTTERFAT:	3,750 - 4,000

SKIM MILK POWDER (SMP): Skim milk powder markets are unsettled in Europe with prices slightly lower to generally higher. Within the past few weeks, manufactured dairy product prices started to show signs of price firmness and buyers are returning to the marketplace. Renewed buyer interest typically occurs when prices have been declining and now strength is re-developing. Stocks of skim milk powder are available as drying schedules are seasonally strong with milk production at or very near peak levels. Also contributing to renewed international buyer interest is the weak Euro against the U.S. dollar, making European sourced skim milk powder more affordable to international buyers. Although details

are not fully known, many European traders and handlers are speculating that a significant portion of a recent skim milk powder tender will be sourced out of Europe.

1.25% BUTTERFAT:	2,450 - 2,750
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WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are unsettled. A weak Euro against the U.S. dollar is contributing to prices easing lower, although the undertone to the market and prices are firm. Whole milk powder production is seasonally strong as milk production is at or very near peak levels. International buyer interest is increasing as buyers return to the marketplace as prices start to increase. Some European traders and handlers are speculating that European whole milk powder manufacturers and suppliers might be involved with filling at least a portion of the recently announced whole milk powder tender. Total volumes and other details are limited, but European traders speculate that European, South American, and possible Oceania sources will be tapped for this need.

26% BUTTERFAT:	2,875 - 3,150
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SWEET WHEY POWDER: European whey powder markets are mixed, with prices higher and lower. Cheese production in Europe is seasonally strong and, in some instances, heavier than projected. Whey volumes are available and are generally clearing through internal markets versus internationally. Production cycles are actively processing whey solids from cheese operations throughout Europe.

NONHYGROSCOPIC:	1,050 - 1,225
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EASTERN OVERVIEW: Eastern Europe milk production is now at peak levels throughout the region. Some milk handlers are indicating that increasing receipts are not occurring and total milk volumes appear to be slightly lower than last year at this time. Milk is clearing to most all manufactured dairy products, although powder offerings appear to not be as plentiful as projected. Some milk handlers are indicating that cheese production is strong for this time of the season. Whey powder markets are firm with most buyer interest centered around an internal EU demand versus internationally.

Exchange rates for selected foreign currencies: June 4, 2012

.9622 Canadian Dollar	.0180 Indian Rupee
.2235 Argentina Peso	.7566 New Zealand Dollar
.0703 Mexican Peso	.9728 Australian Dollar
.2849 Polish Zloty	.0128 Japanese Yen
	1.2500 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0703)
= 14.2248 Mexican Pesos.

Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 28 - June 8, 2012

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

OVERVIEW: For the most part, the Oceania milk production season is finished for the 2011 - 2012 fiscal year which ends at the end of the month. Milk output during the current season has been very favorable, especially the second half. In New Zealand, milk producers and handlers are looking at a strong 9% increase over the previous year, while in Australia, milk handlers are projecting a positive 4% increase. Manufacturers and handlers in both countries welcomed the extra milk which provided additional volumes for manufactured dairy products at a time of the season, when often milk volumes are short of full needs. The additional manufactured stock provided a cushion to seasonally declining inventories and also provided additional volumes to be offered on the g/DT twice month event for those products traded. Traders and handlers are indicating that buyer interest is limited as buyers are fully aware of limited offerings at this time. Traders do indicate that commitments for the upcoming third quarter of the year are well in place and order books are starting to be filled. Some potential buyers are also looking at booking for fourth quarter needs, but these negotiations are slow to finalize. Winter weather pattern are now being reported in most Oceania regions. Cold temperatures are being reported in New Zealand with moisture not excessive. Temperatures are cooling and moisture is falling in much of the Victoria region of Southeast Australia. Moisture in Western Victoria has been limited for late summer and fall, but now rainfall is being reported in this region. In the Gippsland region, milk producers had been struggling with excessive rainfall and flooding for much of the current milk production season, but were realizing drier condition later in the summer, but once again, heavy rainfall and renewed flooding is being reported. Early in the week, traders and handlers were speculating on the outcome of the upcoming g/DT event. Many felt that declining price trends of recent events would cease and stability and slight strength would once again occur. At the June g/DT session #69, lactose prices eased a little from for previous trading event, but all other products were higher to sharply higher when compared to the previous event. Percentage changes from previous all contract prices are: anhydrous milk fat +24.4%; buttermilk powder had no percentage change comparable, but averaged \$2,456 per MT; cheddar cheese was +9.4%; milk protein concentrate +10.9%; casein +19.6%; skim milk powder +21.3%; and whole milk powder was +8.5%. Traders and handlers were reporting that overall commercial pricing was starting to show signs of strength prior to the trading event and now they indicate that this firmness will once again re-energize buyer interest. Traders and handlers were also projecting firmer g/DT prices since all contracting periods will be in the new milk production season which resumes July 1. Trading activity for Oceania sourced dairy products occurred in more contracting periods than at recent events, especially with milk production increasing or maintaining high levels during the six contracting periods (July - December 2012).

BUTTER: Oceania butter markets and prices are unsettled. Traders and handlers are indicating that sales activity is limited as are stocks for this time of the season, although orders for Q3 are developing very well. In most instances, Q3 orders are being placed by regular and ongoing customers. At the June 4 Global Dairy Trading (g/DT) event, anhydrous milk fat averaged \$3,096 per MT for all contract periods, 24.4% higher than the previous all contract price. Although total volumes offered for the event were limited, prices for the various contracting periods did increase greatly from the previous event. For contracting period #2 (August), the average price per metric ton was \$3,393, 43.6% higher than the previous contract #2 average. Subsequent contracting periods 3 - 6 (September - December) were 13.9%, 17.5%, 9.6%, and 5.1% higher respectively. Many traders and handlers were speculating that prices at the June 5th g/DT would at least

hold steady to slightly firmer, but the strength of increases was surprising to most.

82% BUTTERFAT: 2,700 - 3,200

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are steady to firm with prices unchanged to higher. Traders and handlers are indicating that prices are starting to firm and many project that this trend will continue. The current milk production year comes to an end by the end of the month, thus most are looking forward to the new season which will resume July 1. Currently, stock levels are seasonally low, although a strong finish to the milk production year did provide additional skim milk powder which was used to cushion the supply/demand balance for the end of the current fiscal year and also provided some additional volumes for the g/DT event. At the June 5th g/DT, skim milk powder averaged \$3,011 per MT (+21.3%) for all contracting periods. Contract period #1 (July) again had only U.S. sourced powder averaging \$2,655 per MT, 10.9% higher than the previous contract #1 average. When compared to the previous contracting periods, subsequent contracting periods #2 - 5 (August - November) were all higher by 28.4%, 19.3%, 9.0%, and 2.4% respectively, with no activity for contract #6 (December).

1.25% BUTTERFAT: 2,600 - 3,000

CHEDDAR CHEESE: Oceania cheese markets and prices are generally holding steady. The current milk production season is at seasonally low levels, thus cheese production is quite limited. Traders and handlers are indicating that Q3 contracts are being finalized and, for the most part, are in line with projections. Some cheese buyers are reaching beyond Q3 and aligning commitments from suppliers through the end of the calendar year. Traders and handlers are speculating that the firmness realized at the June 5th g/DT event will re-energize buyer interest for not only cheese, but most all dairy products.

39% MAXIMUM MOISTURE: 3,100 - 4,100

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are unsettled with prices unchanged to slightly lower, although following the recent g/DT event, many traders and handlers feel that prices will firm in the very near future. Current milk production is at seasonally low levels, thus basically no new powder is being generated. Manufacturers are performing winter maintenance at their locations in preparation for the upcoming new production year which gets underway July 1. At the June 5th g/DT event, whole milk powder averaged \$2,763 per MT, 8.5% higher than the last all contract average. For the first time, whole milk powder traded for contract #1 which was the nearest contracting month to the trading event. Trading activity occurred in all subsequent contracting periods 2 - 6 (August - December) which will be within the new milk production season resuming July 1. Average prices in contracting periods 2 - 6 were 12.3%, 0.8%, 7.8%, 6.0%, and 7.4% higher respectively than the previous contracting period average.

26% BUTTERFAT: 2,500 - 3,000

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered May 28 - June 8, 2012

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US\$/MT	Global/Dairy Trading (g/DT) Event 69 Recap - June 5, 2012													
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts	
	Jul-12		Aug-12		Sep-12		Oct-12		Nov-12		Dec-12			
Anhydrous Milk Fat	n.a.	\$3,393	43.6%	\$3,103	13.9%	\$3,102	17.5%	\$3,017	9.6%	\$2,860	5.1%	\$3,096	24.4%	
Buttermilk Powder	n.a.	\$2,515	n.a.	\$2,525	n.a.	\$2,295	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,456	n.a.	
Cheddar	n.a.	\$3,315	18.2%	\$3,250	-9.3%	\$3,070	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,189	9.4%	
Lactose	n.a.	n.a.	n.a.	\$1,980	-2.9%	\$2,000	-2.2%	\$2,000	1.0%	n.a.	n.a.	\$1,992	-1.3%	
Milk Protein Concentrate	n.a.	\$4,370	10.9%	\$4,420	n.a.	\$4,205	n.a.	n.a.	n.a.	n.a.	n.a.	\$4,339	10.9%	
Rennet Casein	n.a.	\$6,715	19.6%	\$7,215	n.a.	\$6,752	n.a.	n.a.	n.a.	n.a.	n.a.	\$6,890	19.6%	
Skim Milk Powder	\$2,655	10.9%	\$3,135	28.4%	\$3,258	19.3%	\$2,942	9.0%	\$2,724	2.4%	n.a.	\$3,011	21.3%	
Whole Milk Powder	\$2,649	n.a.	\$2,784	12.3%	\$2,789	0.8%	\$2,810	7.8%	\$2,822	6.0%	\$2,939	7.4%	\$2,763	8.5%

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 69 Recap - June 5, 2012													
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts	
	Jul-12		Aug-12		Sep-12		Oct-12		Nov-12		Dec-12			
Anhydrous Milk Fat	n.a.	\$1.5391	43.6%	\$1.4075	13.9%	\$1.4071	17.5%	\$1.3685	9.6%	\$1.2973	5.1%	\$1.4043	24.4%	
Buttermilk Powder	n.a.	\$1.1408	n.a.	\$1.1453	n.a.	\$1.0410	n.a.	n.a.	n.a.	n.a.	n.a.	\$1.1140	n.a.	
Cheddar	n.a.	\$1.5037	18.2%	\$1.4742	-9.3%	\$1.3925	n.a.	n.a.	n.a.	n.a.	n.a.	\$1.4465	9.4%	
Lactose	n.a.	n.a.	n.a.	\$0.8981	-2.9%	\$0.9072	-2.2%	\$0.9072	1.0%	n.a.	n.a.	\$0.9036	-1.3%	
Milk Protein Concentrate	n.a.	\$1.9822	10.9%	\$2.0049	n.a.	\$1.9074	n.a.	n.a.	n.a.	n.a.	n.a.	\$1.9682	10.9%	
Rennet Casein	n.a.	\$3.0459	19.6%	\$3.2727	n.a.	\$3.0627	n.a.	n.a.	n.a.	n.a.	n.a.	\$3.1253	19.6%	
Skim Milk Powder	\$1.2043	10.9%	\$1.4220	28.4%	\$1.4778	19.3%	\$1.3345	9.0%	\$1.2356	2.4%	n.a.	\$1.3658	21.3%	
Whole Milk Powder	\$1.2016	n.a.	\$1.2628	12.3%	\$1.2651	0.8%	\$1.2746	7.8%	\$1.2801	6.0%	\$1.3331	7.4%	\$1.2533	8.5%

Average price US\$/pound and % change from previous event.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	05/24	05/25	05/28	05/29	05/30	05/31	06/01	06/04	06/05	06/06
CME - CLASS III MILK FUTURES (Pit-Traded)										
MAY 12	15.22 (4625) 0	15.27 (4618) 1	NO TRADING	15.27 (4606) 0	15.28 (4599) 0	15.23 (5231) 0				
JUN 12	15.57 (4696) 7	15.80 (4713) 1		15.60 (4705) 0	15.65 (4680) 19	15.62 (4646) 16	15.62 (4567) 24	15.39 (4479) 4	15.53 (4459) 0	15.47 (4407) 0
JUL 12	15.98 (3791) 0	16.35 (3941) 1		16.01 (4054) 0	16.35 (4134) 51	16.33 (4179) 14	15.93 (4273) 24	15.71 (4312) 6	16.20 (4351) 9	16.11 (4278) 0
AUG 12	15.98 (3225) 0	16.23 (3261) 1		15.90 (3289) 0	16.10 (3339) 33	16.09 (3360) 2	15.80 (3379) 0	15.66 (3428) 0	16.17 (3421) 0	16.09 (3426) 0
SEP 12	16.08 (2810) 0	16.20 (2823) 0		16.05 (2836) 0	16.15 (2872) 33	16.10 (2913) 2	15.98 (2961) 0	15.90 (2955) 0	16.25 (2967) 0	16.37 (2969) 0
OCT 12	16.00 (2434) 0	16.12 (2433) 0		16.12 (2442) 0	16.13 (2461) 33	16.16 (2484) 2	16.12 (2488) 0	16.03 (2494) 0	16.20 (2519) 0	16.25 (2534) 0
NOV 12	15.95 (2289) 0	15.97 (2299) 0		15.93 (2292) 0	15.97 (2325) 33	16.00 (2332) 2	16.00 (2337) 0	15.95 (2360) 0	16.10 (2374) 0	16.25 (2396) 0
DEC 12	15.85 (2209) 0	15.90 (2210) 0		15.90 (2218) 0	15.95 (2247) 33	16.00 (2250) 2	15.95 (2251) 0	15.98 (2267) 0	16.09 (2289) 0	16.24 (2307) 0
JAN 13	15.81 (383) 0	15.90 (383) 0		15.90 (383) 0	15.90 (389) 0	15.99 (389) 0	15.96 (399) 0	15.98 (402) 0	16.00 (403) 0	16.10 (415) 0
FEB 13	15.59 (222) 0	15.59 (222) 0		15.58 (225) 0	15.58 (225) 0	15.65 (237) 0	15.58 (238) 0	15.65 (242) 0	15.69 (242) 0	15.74 (241) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
MAY 12	13.67 (287) 0	13.67 (287) 0	NO TRADING	13.67 (287) 0	13.67 (287) 0	13.55 (287) 0				
JUN 12	13.75 (273) 0	13.75 (273) 0		13.75 (273) 0	13.75 (273) 0	13.75 (273) 0	13.75 (273) 0	13.75 (273) 0	13.75 (273) 0	13.75 (283) 0
JUL 12	13.85 (92) 0	13.85 (92) 0		13.90 (92) 0	13.90 (92) 0	13.90 (92) 0	13.90 (92) 2	13.90 (92) 0	13.90 (92) 0	13.95 (92) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
MAY 12	136.00 (614) 0	136.00 (614) 0	NO TRADING	136.00 (614) 0	136.03 (614) 0	136.57 (666) 0				
JUN 12	141.00 (768) 0	143.50 (768) 2		142.00 (768) 8	142.00 (768) 0	142.00 (768) 0	142.00 (768) 0	142.00 (768) 0	142.00 (768) 0	141.50 (770) 9
JUL 12	144.75 (698) 23	146.88 (698) 3		145.00 (702) 10	145.25 (702) 0	145.00 (702) 4	145.00 (668) 0	146.00 (668) 3	146.00 (670) 11	145.50 (670) 0
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
MAY 12	117.50 (301) 0	117.50 (301) 0	NO TRADING	117.50 (301) 0	117.50 (301) 0	115.51 (468) 0				
JUN 12	114.25 (403) 0	114.25 (403) 0		114.25 (403) 0	115.00 (403) 0	114.03 (403) 0	114.03 (403) 0	114.03 (403) 0	114.03 (403) 0	114.10 (407) 0
JUL 12	115.50 (375) 0	115.50 (375) 0		115.50 (375) 0	115.50 (375) 0	115.50 (375) 0	115.50 (375) 0	115.50 (375) 0	115.50 (375) 0	115.50 (375) 0
CME - WHEY (Electronic-Traded)										
MAY 12	54.75 (419) 7	54.75 (419) 0	NO TRADING	54.75 (419) 0	54.75 (419) 0	53.89 (414) 0				
JUN 12	50.50 (464) 9	51.00 (465) 1		51.50 (465) 0	52.25 (464) 1	51.05 (464) 1	50.75 (465) 2	50.25 (463) 3	51.00 (463) 5	51.00 (449) 16
JUL 12	49.03 (302) 7	50.50 (296) 8		51.00 (292) 8	51.50 (312) 41	51.00 (312) 4	49.60 (312) 1	49.55 (313) 8	50.00 (313) 3	51.00 (315) 3
CME - CHEESE CSC (Electronic-Traded)										
MAY 12	1.52 (1700) 0	1.52 (1700) 0	NO TRADING	1.52 (1700) 0	1.52 (1700) 0	1.52 (1718) 0				
JUN 12	1.57 (1758) 7	1.58 (1774) 23		1.56 (1774) 6	1.57 (1774) 3	1.56 (1774) 4	1.56 (1775) 2	1.55 (1773) 10	1.56 (1774) 10	1.55 (1775) 1
JUL 12	1.61 (1441) 20	1.65 (1441) 30		1.61 (1434) 36	1.64 (1433) 39	1.63 (1428) 17	1.61 (1445) 36	1.59 (1438) 28	1.62 (1440) 3	1.61 (1441) 10
AUG 12	1.63 (1293) 28	1.66 (1288) 17		1.63 (1286) 24	1.65 (1316) 40	1.64 (1317) 13	1.62 (1335) 35	1.61 (1349) 16	1.66 (1351) 11	1.65 (1351) 4
SEP 12	1.66 (1113) 23	1.66 (1116) 10		1.66 (1136) 30	1.67 (1151) 32	1.66 (1170) 39	1.65 (1220) 70	1.63 (1236) 21	1.67 (1235) 13	1.67 (1236) 1
OCT 12	1.67 (969) 10	1.67 (973) 7		1.67 (989) 16	1.67 (992) 3	1.67 (1009) 35	1.67 (1019) 15	1.66 (1019) 1	1.66 (1020) 6	1.67 (1033) 15

^{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.)

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JANUARY 2011-MARCH 2012 AND YEAR-TO-DATE 2010-2011 1/

Item	Jan.-Mar. 2011	Percent change 2/	Jan.-Mar. 2012	Percent change 2/	Jan.-Dec. 2010	Percent change 2/	Jan.-Dec. 2011	Percent change 2/
	Million Pounds							
MILK								
Production	48,421	2.2	50,990	4.1	193,118	2.0	195,674	1.3
Marketings	48,177	2.2	50,747	4.2	192,130	2.0	194,686	1.3
Beginning Commercial Stocks 3/	10,927	-3.6	10,983	0.5	11,334	12.8	10,927	-3.6
Imports 3/	707	-10.4	776	8.5	3,098	-23.6	3,220	3.9
Total Supply 4/	59,811	0.9	62,506	2.8	206,562	2.1	208,833	1.1
Ending Commercial Stocks 3/	12,115	-7.5	13,254	9.4	10,927	-3.2	10,983	0.5
Net Removals 3/	0	100.0	0	0.0	112	-84.1	0	-100.0
Commercial Disappearance 4/	47,696	3.5	49,252	2.1	195,523	2.7	197,850	1.2
SELECTED PRODUCTS 5/								
Butter	420.9	10.0	428.5	0.7	1,630.7	4.1	1,806.7	10.8
American Cheese	1,081.7	6.2	1,095.0	0.1	4,266.2	1.7	4,300.7	0.8
Other Cheese	1,613.0	7.0	1,670.9	2.5	6,391.9	4.8	6,661.6	4.2
Nonfat Dry Milk	372.2	1.0	470.0	25.0	1,552.5	15.1	1,496.7	-3.6
Fluid Milk Products 6/	13,793.8	-0.8	13,538.2	-2.9	54,696.0	-1.4	53,738.5	-1.8

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

APRIL 2012 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 170.2 million pounds, 7.2 percent above April 2011 but 3.3 percent below March 2012. **AMERICAN TYPE CHEESE** production totaled 371.9 million pounds, 3.5 percent above April 2011 but 2.7 percent below March 2012. **TOTAL CHEESE** output (excluding cottage cheese) was 902.6 million pounds, 2.1 percent above April 2011 but 4.7 percent below March 2012. **NONFAT DRY MILK** production, for human food, totaled 192.4 million pounds, 31.1 percent above April 2011 and 2.0 percent above March 2012. **DRY WHEY** production, for human food, was 80.4 million pounds, 6.3 percent below April 2011 and 3.4 percent below March 2012. **ICE CREAM** (hard) production totaled 69.5 million gallons, 2.6 percent below April 2011 and 4.1 percent below March 2012.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	APR 2012	PERCENT CHANGE FROM:			PRODUCT	APR 2012	PERCENT CHANGE FROM:		
	1,000 LBS.	APR 2011	MAR 2012	YEAR TO DATE 1/		1,000 LBS.	APR 2011	MAR 2012	YEAR TO DATE 1/
BUTTER	170,171	7.2	-3.3	8.6	SOUR CREAM	96,536	-5.2	-13.3	3.1
CHEESE					YOGURT (PLAIN AND FLAVORED)	361,561	-0.9	-8.9	2.8
AMERICAN TYPES 2/	371,947	3.5	-2.7	4.0	DRY WHEY, HUMAN FOOD	80,391	-6.3	-3.4	---
CHEDDAR	274,149	3.6	-2.4	4.0	DRY WHEY, ANIMAL FEED	5,599	-10.9	11.8	---
OTHER AMERICAN	97,798	3.2	-3.7	---	DRY WHEY, TOTAL 8/	85,990	-6.6	-2.5	0.3
BRICK & MUENSTER	11,781	5.0	0.3	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	59,032	8.9	-12.6	---	HUMAN FOOD	3,357	55.8	0.2	---
HISPANIC	17,711	-3.9	-7.8	---	ANIMAL FEED	4,794	-1.6	-7.5	---
TOTAL ITALIAN TYPES	381,482	-0.8	-5.9	1.9	LACTOSE, HUMAN FOOD & ANIMAL FEED	87,240	8.3	-3.0	7.3
MOZZARELLA	299,482	0.1	-5.3	2.1	WHEY PROTEIN CONCENTRATE				
OTHER ITALIAN	82,000	-4.0	-8.2	---	HUMAN FOOD 9/	34,267	8.5	-5.7	---
SWISS	27,719	0.3	1.0	---	ANIMAL FEED 9/	2,785	-10.0	8.9	---
ALL OTHER TYPES	14,347	2.0	-2.4	---	TOTAL 9/	37,052	6.9	-4.7	7.8
TOTAL	902,564	2.1	-4.7	3.8	25.0-49.9 PERCENT 10/	20,295	4.7	-3.4	---
COTTAGE CHEESE, CURD 3/	34,189	-2.7	-3.7	---	50.0-89.9 PERCENT 10/	16,757	9.7	-6.2	---
COTTAGE CHEESE, CREAM 4/	25,132	-6.6	-4.7	-4.0	WHEY PROTEIN ISOLATES 11/	5,666	16.2	-5.6	---
COTTAGE CHEESE, LOWFAT 5/	31,777	-1.2	-3.5	0.5	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAP & CONDSD WHOLE MILK	(D)	(NA)	(NA)	---	ICE CREAM (HARD)	69,487	-2.6	-4.1	-2.5
DRY BUTTERMILK	9,468	19.3	-11.4	---	ICE CREAM, LOWFAT (HARD)	16,709	7.7	5.6	---
DRY WHOLE MILK	4,557	-40.0	8.2	---	ICE CREAM, LOWFAT (SOFT)	24,435	-0.4	2.8	---
MILK PROTEIN CONC. (MPC), TOTAL 6/	12,315	8.7	12.6	---	ICE CREAM, LOWFAT (TOTAL)	41,144	2.7	4.0	0.7
NONFAT DRY MILK (NDM), HUMAN	192,364	31.1	2.0	42.7	SHERBET, HARD	3,881	5.0	-4.8	-0.9
SKIM MILK POWDERS (SMP) 7/	17,451	-35.4	46.5	-39.8	FROZEN YOGURT (TOTAL)	5,623	5.3	-1.6	3.5

MANUFACTURERS' STOCKS, END OF MONTH 12/							
PRODUCT	MAR 2012	PERCENT OF:		PRODUCT	MAR 2012	PERCENT OF:	
	1,000 LBS.	MAR 2011	FEB 2012		1,000 LBS.	MAR 2011	FEB 2012
DRY WHEY, HUMAN FOOD	46,744	-12.5	-3.7	WHEY PROTEIN CONCENTRATE			
DRY WHEY, ANIMAL FEED	2,985	3.4	-22.0	HUMAN FOOD 9/	43,253	42.2	-4.3
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 13/	7,592	98.6	-0.6	ANIMAL FEED 9/	1,855	9.2	-4.0
LACTOSE, HUMAN FOOD & ANIMAL FEED	78,981	3.0	6.7	TOTAL 9/	45,108	40.5	-4.3
CANNED EVAP & CONDSD WHOLE MILK	(D)	(NA)	(NA)	25.0-49.9 PERCENT 10/	26,101	82.2	-5.1
DRY BUTTERMILK	23,347	38.3	6.5	50.0-89.9 PERCENT 10/	19,007	6.8	-3.2
NONFAT DRY MILK (NDM), HUMAN FOOD	227,360	54.2	8.1	WHEY PROTEIN ISOLATES 11/	7,296	62.9	-13.4

(D) = Withheld to avoid disclosing data for individual operations.

(NA) = Not available.

1/ 2012 cumulative as percent change of 2011 cumulative. 2/ Includes Cheddar, Colby, Monterey and Jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Dry milk protein concentrate, 40-89.9 percent. 7/ Includes protein standardized and blends. 8/ Excludes all modified dry whey products. 9/ Whey protein concentrate, 25.0 to 89.9 percent. 10/ Whey protein concentrate, human and animal. 11/ Whey protein isolates, 90.0 percent or greater. 12/ Stocks held by manufacturers at all points and in transit. 13/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

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

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

For March 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.04 per cwt., down \$0.01 from the February 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 \$0.79 in the Pacific Northwest to \$2.91 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.19 per cwt., down \$0.03 per cwt. from the February 2012 average. Seventy-nine 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	2.75	1.15
Southeast	007	2.61	2.04
Florida	006	2.91	0.39
Mideast	033	1.81	1.43
Upper Midwest	030	1.90	1.01
Central	032	1.95	0.90
Pacific Northwest	124	0.79	0.68
All Reporting Areas Combined 3/		2.04	1.19

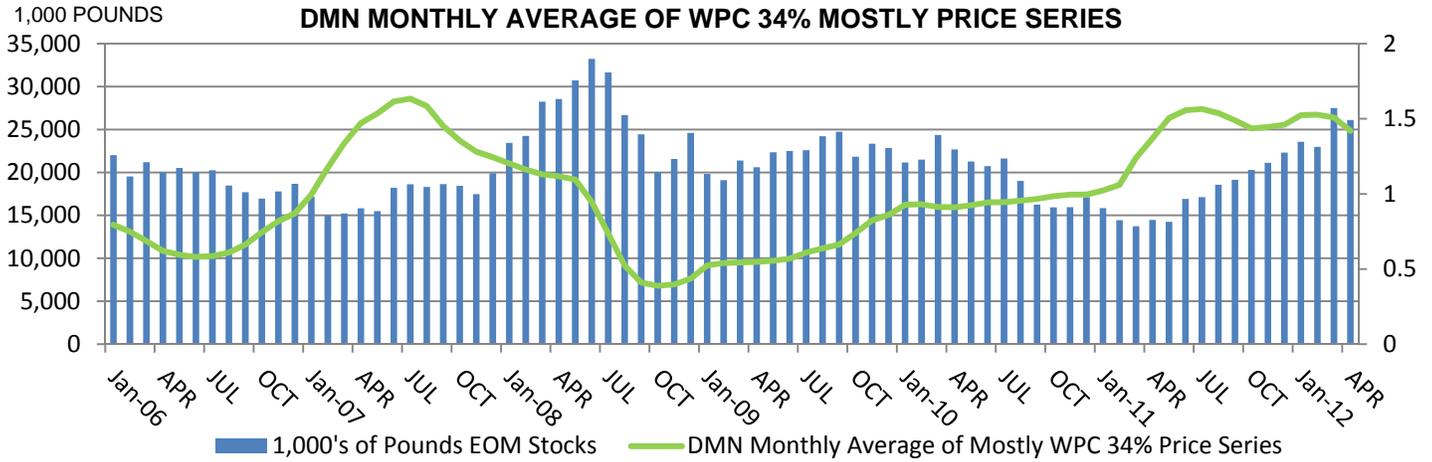
1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

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.

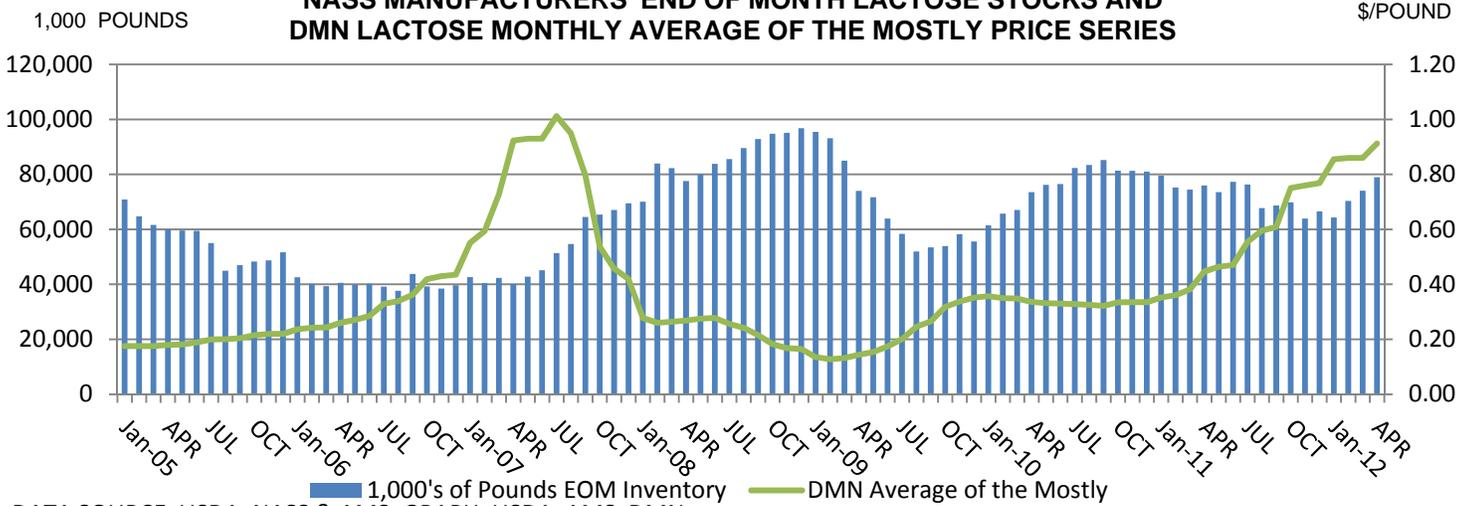
Report Contact: Randal Stoker, randal.stoker@usda.gov or 202-690-1932

NASS MANUFACTURERS' 25.0 - 49.9% WPC END OF MONTH STOCKS AND DMN MONTHLY AVERAGE OF WPC 34% MOSTLY PRICE SERIES



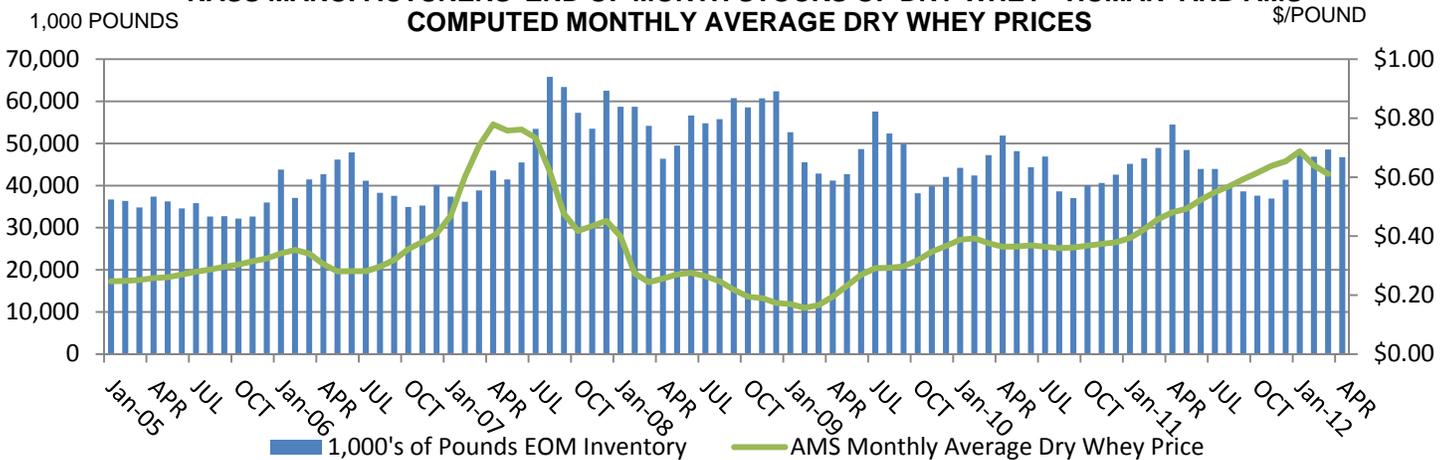
DATA SOURCE, USDA, NASS & AMS; GRAPH, USDA, AMS, DMN

NASS MANUFACTURERS' END OF MONTH LACTOSE STOCKS AND DMN LACTOSE MONTHLY AVERAGE OF THE MOSTLY PRICE SERIES

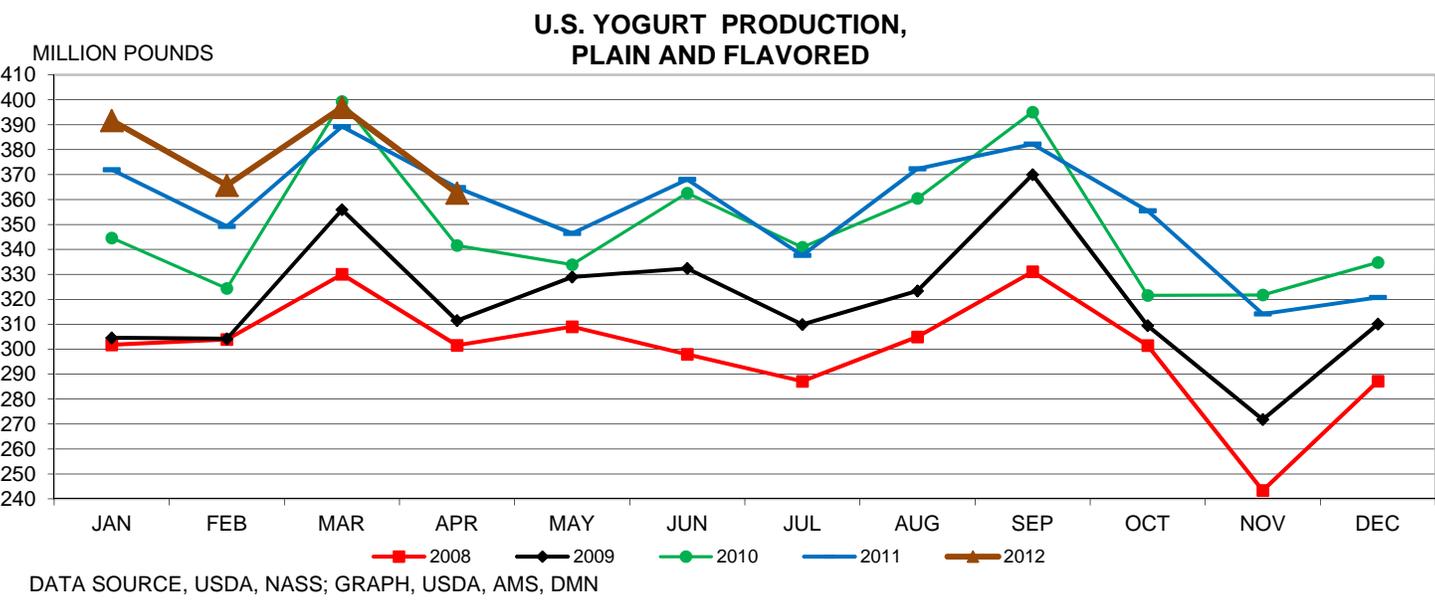
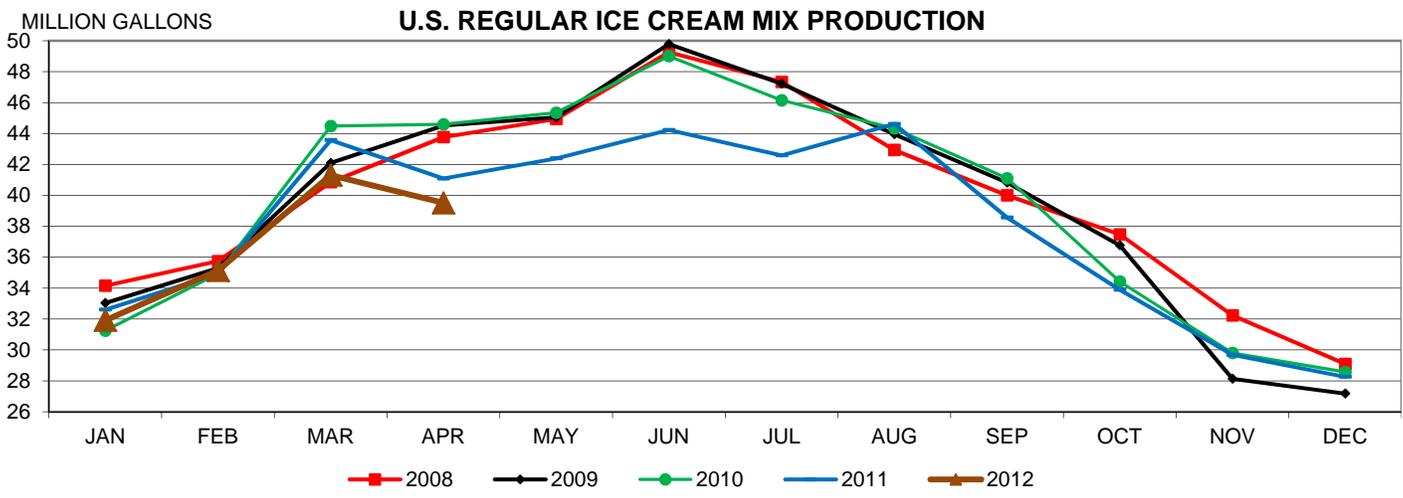
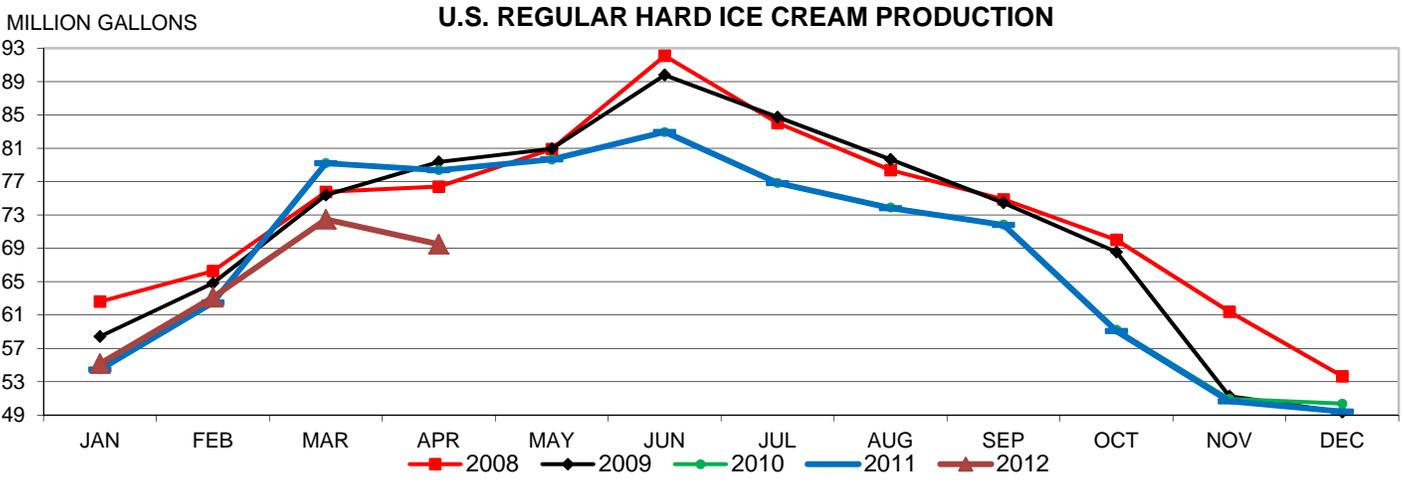


DATA SOURCE, USDA, NASS & AMS; GRAPH, USDA, AMS, DMN

NASS MANUFACTURERS' END OF MONTH STOCKS OF DRY WHEY - HUMAN AND AMS-COMPUTED MONTHLY AVERAGE DRY WHEY PRICES



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



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