

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (07/20):

BUTTER: Grade AA closed at \$1.5900. The weekly average for Grade AA is \$1.5780 (+.0350).

CHEESE: Barrels closed at \$1.6950 and 40# blocks at \$1.7175. The weekly average for barrels is \$1.7025 (+.0445) and blocks, \$1.7160 (+.0620).

BUTTER HIGHLIGHTS: Butter markets remain firm as the cash price at the CME continues to trend higher. In most regions, cream volumes are declining as milk production decreases and butterfat levels within incoming milk are lower. Hot and humid weather conditions are stressing the milking herd in many areas of the country. Often cows are eating less and drinking more, thus not maintaining a positive dry mater to liquid balance. Churning schedules across the country are fully dependent on varying levels of available churning cream. Class II operations continue to absorb significant volumes of available cream with the balance for churning declining. In instances, although cream is desired for butter production, some operations are choosing to sell a portion of their cream volumes to higher class usage and better returns. Churning activity that remains is often not keeping pace with demand, thus inventoried stock is being tapped to fulfill orders. For the time being, butter producers are generally comfortable with their production schedules and butter clearances. According to FAS, quota imports of butter for January - June 2012 totaled 3.2 million pounds, 21.9% less than the same period in 2011. Imports thus far in 2012 account for 20.6% of the annual quota. High-Tier butter imports (above quota and with a penalty) totaled 157,000 pounds, 29.6% of last year's amount during the same six month time period.

CHEESE HIGHLIGHTS: Cheese markets are mixed this week. The market is unsettled as manufacturers and buyers are trying to anticipate the direction of the market for the next few weeks. Farm milk supplies are lower due to hot humid conditions across much of the country and this is also lowering the solids composition of the milk. Cheese makers are increasingly using nonfat dry milk or condensed skim to fortify milk for the vats. Cheese stocks are said to be adequate, but some storage facilities are reporting lower inventories than previous years. At the CME Group in Chicago, blocks have moved higher than barrels to end the week. Blocks closed the week at \$1.7175 with barrels closing at \$1.6950. Sales at the exchange have

been moderate with six loads of barrels sold and only two loads of blocks selling.

FLUID MILK: Hot, dry, humid weather covering much of the country continues to cause lower milk production and reduce component levels in many areas. Drought conditions across the grain states are also a major factor as producers evaluate feed on hand, possible crop yields, projected feed input costs, financial resources and cows on hand to determine herd size numbers that will allow operations to continue through winter. Cream markets have firmed across the country, especially in the East where adverse weather conditions have accelerated declines in milk production and component levels, tightening cream availability.

DRY PRODUCTS: Nonfat dry milk prices moved higher across the country. Demand has increased as buyers are looking at the milk, feed, and weather situation and are trying to get better coverage. Producers are also viewing market conditions and are in no hurry to sell additional loads of powder at this time. Dry buttermilk prices also moved higher across the nation. Production has declined following reductions in churning schedules as cream availability has tightened. Domestic and export demand have improved. Dry whole milk prices are unchanged to higher on a firming market. Dry whey prices were mostly steady with a firming market tone. Production is mostly steady in the Central and East regions, but lower in the West with more of the whey stream shifting to concentrated products. Whey protein concentrate 34% prices were mixed in a market seeking direction. Prices for lactose shifted lower with spot loads more available and some international prices lower than domestic prices.

INTERNATIONAL DAIRY MARKET NEWS OVERVIEW (DMN): The Oceania 2012 - 2013 milk production year has begun, although milk output remains at low seasonal levels. In **New Zealand**, winter weather patterns are reported to be typical and winter moisture is in line with projections. In **Australia**, milk producers and handlers are reporting that the winter season is good. An El Nino (dry) weather pattern continues to enter many conversations of Oceania milk producers and handlers. It is still too early to speculate any further about this pattern, but many producers and handlers are indicating that plentiful moisture over the past year should help reduce the impact of an El Nino weather pattern should it develop. Milk producers in the Gippsland region of Australia have been struggling with excess

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CME GROUP CASH TRADING

COMMODITY	MONDAY JUL 16	TUESDAY JUL 17	WEDNESDAY JUL 18	THURSDAY JUL 19	FRIDAY JUL 20	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7000 (+.0200)	\$1.7250 (+.0250)	\$1.6975 (-.0275)	\$1.6950 (-.0025)	\$1.6950 (N.C.)	:: (+.0150)	:: \$1.7025 (+.0445)
40# BLOCKS	\$1.7050 (+.0250)	\$1.7200 (+.0150)	\$1.7200 (N.C.)	\$1.7175 (-.0025)	\$1.7175 (N.C.)	:: (+.0375)	:: \$1.7160 (+.0620)
NONFAT DRY MILK							
EXTRA GRADE	\$1.1950 (N.C.)	\$1.1950 (N.C.)	\$1.1950 (N.C.)	\$1.1950 (N.C.)	\$1.2500 (+.0550)	:: (+.0550)	:: \$1.2060 (+.0110)
GRADE A	\$1.2700 (+.0050)	\$1.2900 (+.0200)	\$1.2900 (N.C.)	\$1.2975 (+.0075)	\$1.3600 (+.0625)	:: (+.0950)	:: \$1.3015 (+.0545)
BUTTER							
GRADE AA	\$1.5550 (+.0050)	\$1.5800 (+.0250)	\$1.5800 (N.C.)	\$1.5850 (+.0050)	\$1.5900 (+.0050)	:: (+.0400)	:: \$1.5780 (+.0350)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE

moisture for much of the most recent season and would welcome some drying time. Milk producers in both New Zealand and Australia are stating that winter conditions have been basically favorable to the milking herd and herd conditioning going into the upcoming season is positive. The new milk production season is just around the corner and reportable increases will potentially be occurring within the next 4 - 6 weeks. Milk production projections for the upcoming season remain positive with producers and handlers very optimistic. Although milk output was positive for the season just completed, many producers and handlers are not projecting a second year of comparable growth, but remain positive with output increases from previous years running in the 4 - 5% range in New Zealand while in the 2% range in Australia. Traders and handlers are reporting that some international buyers are looking to the Oceania region for any end of season uncommitted stocks. In most instances, manufacturers and handlers in the Oceania region do not have any uncommitted volumes for this buyer inquiry. As the new milk production season approaches, order books are in good balance with projected output. Manufacturers and handlers are basically fully committed for the first three months of the season with sales during the 3 - 6 month period often still being finalized. At the July 17 g/DT event, average prices for all products were mixed from the previous event. The next two (2) g/DT events will be held on Wednesdays, August 1 and 15.

Milk production is seasonally declining throughout **Western Europe** accelerated by adverse weather conditions in some regions. Hot temperatures in areas of Eastern and Southern Europe, coupled with wet conditions in Ireland, the UK and areas of Western Europe are all contributing to cow discomfort and stress. In areas of very wet conditions, some farmers are choosing to house the milking herd at this time versus continuing to graze, thus saving pasture conditions. Supplemental feeding is occurring and often is not generating as positive of a milk flow as if the herd was on pasture. Although milk production trends are easing, overall milk production continues to run 2 - 2.5% heavier than last year at this time. Declining milk volumes are causing some milk processors, when possible, to realign milk direction at this time to products of most need or best returns. Cheese production remains positive as the milk flow declines with exports remaining strong. Traders and handlers are indicating that dairy product sales are occurring both internally and internationally, but most are centered within the European community. Sales activity at this time of the summer typically slows as many buyers and consumers are on summer holiday. Stocks of product are available for buyer inquiry, but appear to not be as excessive as in other years at this time of the season. Butter stocks continue to clear to PSA. This program opened in March and will remain open for about 4 more weeks. Since March 1 and through the end of June, 104,484 MT of butter have cleared to the PSA program. This 2012 clearance compares to 76,579 MT last year at this time and around 80,000MT in 2010.

Milk production trends in **Eastern Europe** are also on the down side of the season. Hot temperatures in some regions are causing the milk flow to decline at a faster pace than others, although overall milk volumes are keeping manufacturing facilities at manageable levels of production. Stocks of manufactured dairy products in Eastern Europe are available, although some manufacturers and handlers are indicating that overall stock levels are not as positive as they have had in other years. Sales activity is being reported, but international sales are lighter than in previous years. Traders and handlers are speculating that lighter sales activity might be occurring due to firmer than desired prices by buyers, but then also indicate that tightening international supplies might encourage buyers to return to European sources for their needs.

FEDERAL MILK ORDER ADVANCE PRICE HIGHLIGHTS (DAIRY PROGRAMS): **Base Class I Price.** Under the Federal milk order pricing system, the base Class I price for August 2012 is

\$16.55. This price is derived from the advanced Class III skim milk pricing factor of \$11.21 and the advanced butterfat pricing factor of \$1.6386. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. Compared to July 2012, the base Class I price increased \$1.04 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$1.00 per cwt., \$0.086 per gallon; reduced fat milk (2%), \$0.78 per cwt., \$0.067 per gallon; fat-free (skim milk), \$0.51 per cwt., \$0.044 per gallon. The advanced Class IV skim milk pricing factor is \$8.83. Thus, the Class II skim milk price for August is \$9.53 per cwt., and the Class II nonfat solids price is \$1.0589. The two-week product price averages for August are: butter \$1.5246, nonfat dry milk \$1.1588, cheese \$1.6781, and dry whey \$0.4944.

JUNE MILK PRODUCTION (NASS): Milk production in the 23 major States during June totaled 15.5 billion pounds, up 1.0% from June 2011. May revised production at 16.4 billion pounds, was up 1.9% from May 2011. The May revision represented a decrease of 22 million pounds or 0.1% from last month's preliminary production estimate. Production per cow in the 23 major states averaged 1,827 pounds for June, 7 pounds above June 2011. The number of milk cows on farms in the 23 major States was 8.51 million head, 57,000 head more than June 2011, but 14,000 head less than May 2012.

MAY FLUID MILK SALES (AMS): During May, 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.5% lower than May 2011. After adjusting for calendar composition, sales in May 2012 were 2.8% lower than May 2011. Estimated sales of total conventional fluid milk products decreased 1.3% from May 2011 and estimated sales of total organic fluid milk products decreased 6.9% from a year earlier.

CME GROUP

MONDAY, JULY 16, 2012

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.7000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7000; 1 CAR 40# BLOCKS @ \$1.7050; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7100

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2700; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.2750

BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5550; LAST OFFER UNCOVERED: NONE

TUESDAY, JULY 17, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.7100, 1 @ \$1.7250; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.7200; LAST OFFER UNCOVERED: 2 CARS 40# BLOCKS @ \$1.7500

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2900; LAST OFFER UNCOVERED: NONE

BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5800; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6000

WEDNESDAY, JULY 18, 2012

CHEESE -- SALES: 2 CARS BARRELS @ \$1.6975; 1 CAR 40# BLOCKS @ \$1.7225; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7000; 1 CAR 40# BLOCKS @ \$1.7200

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.3350

BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6000

THURSDAY, JULY 19, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.6950; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7175

NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.2975; LAST OFFER UNCOVERED: NONE

BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5850; LAST OFFER UNCOVERED: NONE

FRIDAY, JULY 20, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.6950; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.3600; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.2500; LAST OFFER UNCOVERED: NONE

BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5900; LAST OFFER UNCOVERED: NONE

NORTHEAST

The CME Group butter price increased \$0.0250 Tuesday and closed at \$1.5800. In the last 4 trading sessions butter prices have increased \$0.0400. Butter production has declined this week as various factors influenced cream availability and demand. Cream availability tightened this week as last week's strike at a cheese plant was resolved, reducing the milk and cream volumes going to balancing plants and churns. The continuing heat and humidity over much of the East has reduced butterfat levels of farm milk supplies. Butter production declined also as churning activity was shut down at a plant due to planned maintenance. Current butter production is filling existing orders with little going to inventory. Butter sales are fairly good for this time of year, supported by increased retail promotions. Export demand saw some renewed interest this week. Cooperatives Working Together (CWT) announced July 16 the acceptance of requests for export assistance to sell butter to overseas customers. The product will be delivered July through December 2012. During 2012, CWT has assisted member cooperatives in making export sales of butter and anhydrous milk fat totaling 54.8 million pounds. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price remains firm at \$1.5800 at midweek. This price compares to \$1.5225 a month ago, \$2.0300 a year ago, and \$1.7750 at this time in 2010. Hot temperatures continue to be reported in many areas of Central U.S. resulting in lower cow comfort and milk output. Hot and often record setting temperatures are causing cows to drink more and eat less, thus causing milk production and components within the milk to decline. Lower butterfat test on incoming milk are contributing to tighter cream supplies for all needs. Class II operations continue to enhance their production schedules following the holiday period of two weeks ago. Strong Class II demand for cream is limiting churning cream volumes. In instances, although cream is desired for butter production, some operations continue to sell a portion of their cream volumes to higher class usage and better returns. Churning activity that remains is often not keeping pace with demand, thus inventoried stock is being tapped to fulfill orders. For the time being, some butter producers are comfortable with their production schedules and butter clearances. Overall butter demand is seasonally good.

Retail print ads and in store promotions continue to feature butter in the Central part of the country under \$2.00 per pound. Food service orders are seasonally steady as the summer vacation season and active away from home eating patterns continue. Thus far in 2012, the CWT program has assisted with exports of 54.8 million pounds of butter and anhydrous milk fat. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Western butter prices are firm to higher this week. Butter prices have followed a firming trend since May 9 when butter at the CME Group was at \$1.3000. Hot weather in the West has begun to affect cream and solids levels. Added to increased demand from ice cream manufacturers, cream multiples are increasing. Butter churns are able to find some time for plant maintenance. Demand from retail outlets is good and plants are reporting using some inventoried supplies to fill orders. Stocks of butter are adequate for needs and plants are comfortable with available inventories. Butter prices at the CME Group this week are higher. Wednesday's close of \$1.5800 is 3 cents higher than last Friday's price. Sales at the exchange have been light with only one sale reported so far this week. 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. According to the FAS, quota imports of butter for January-June 2012 total 3.2 million pounds, 21.9% less than the same period in 2011. Imports for 2012 account for 20.6% of the total quota for 2012. Imports of High-Tier butter (above quota and with a penalty) are 157,000 pounds, 29.6% of last year's amount in the same time period.

U.S. Butter Imports (USDA-FAS)

	2012 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jun Quota Imports	0.50	- 53.4	3.2
Jan. - Jun.			
High Tier	0.16	- 70.4	N.A.
Quota Imports	3.17	- 21.9	20.6

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
July 14, 2012	1.5392 3,798,337	1.6444 11,720,072	1.6925 10,178,584	0.4959 9,622,447	1.1575 17,424,379

CHEESE MARKETS

NORTHEAST

CME Group cheese prices increased Tuesday with barrels advancing \$0.0250 to close at \$1.7250, while blocks advanced \$0.0150 and closed at \$1.7200. Barrels have increased \$0.0850 in the last 4 trading sessions, while blocks have increased \$0.0750 during the same period. Cheese production has resumed at a major plant in the Northeast as a labor strike was resolved and production is declining following the declines in milk production due to the heat and humid conditions covering much of the East. The heat and humidity has also lowered butterfat levels and cheese yields. Because of this situation, cheese makers are fortifying their milk with nonfat dry milk and/or condensed skim. Cheese production is nearly in balance with current orders with little being added to inventories. Sales have been fairly good for this time of year with good retail promotions and good food service demand. Cooperatives Working Together (CWT) announced July 16 the acceptance of requests for export assistance to sell various quantities of Cheddar, Monterey Jack and Gouda cheese to customers in Asia, North Africa, and the Middle East. The product will be delivered July through December 2012. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 66.6 million pounds.

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

Cheddar 40# Block	:	2.0550-2.3400
Process 5# Sliced	:	1.8750-1.9950
Muenster	:	2.0750-2.4350
Grade A Swiss Cuts 10 - 14#	:	3.2000-3.5225

MIDWEST

The cheese market tone as last week ended, was characterized as "panicky and edgy". The general feeling several weeks ago that cheese markets had "priced in" weather and heat factors, yielded to a renewed and heightened level of unease as the duration and intensity of heat and dryness in vital Midwest crop areas continued, with no relief in sight. CME cheese trading reflected this, with Blocks and Barrels breaking through the \$1.7000 level Monday. By Wednesday Blocks held at \$1.7200 while Barrels declined \$.0275 to \$1.6975. There is increasing concern with prospects for retail cheese sales during this quarter which began July 1. Cheese buyers are already seeing indications that cheese retail promotions during the third quarter seem to be declining from second quarter levels, both as to volume of ads as well as price aggressiveness. This is attributed to the combined uncertainty resulting from heat, dry weather, and recent CME price strength, leaving less than the normal consensus within the industry of what to expect in coming months. Another factor cited is increasing consumer resistance to higher cheese prices. Cheese storage facilities are not experiencing expected inventory building for the fall, even with some cheese plants believed not to now have inventory coverage similar to recent years. It is also noted that the historic pattern of inventory building which typically has accompanied CME price increases of the magnitude recently experienced, has not occurred. Cooperatives Working Together (CWT) has accepted seven requests for

export assistance to sell Cheddar cheese. The product will be delivered July through December 2012. During 2012, CWT assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 66.6 million pounds.

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

Process American 5# Loaf	:	1.8475-2.5525
Brick And/Or Muenster 5#	:	2.0425-2.6025
Cheddar 40# Block	:	2.0425-3.0275
Monterey Jack 10#	:	2.0125-3.0275
Blue 5#	:	2.3075-3.2925
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8875-3.1275
Grade A Swiss Cuts 6 - 9#	:	2.6100-2.9275

WEST

Western wholesale cheese prices are mixed this week as the weekly average from the CME Group was higher for block cheese and lower for barrel cheese. The market is still showing signs of strength as milk volumes are lowering in many parts of the West. Production of cheese in the West is still favored for milk supplies as Class III prices are significantly higher than butter/powder milk prices. Retail sales of cheese remain good at current price levels. Export demand is being aided by assistance from the CWT program. This week the CWT program assisted with 10 million pounds of cheese and butter sales. Stocks of cheese are currently in good balance for needs. As of Wednesday, the barrel price settled down \$.0275 to \$1.6975. Blocks were unchanged to close at \$1.7200. Sales have been light at the CME Group this week with four sales of barrels and two of blocks by Wednesday. According to FAS, quota imports of cheese for January-June 2012 total 74.5 million pounds, down 2.7% from a year ago. The imports stand at 24.9% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 12.8 million pounds, compared to 12.1 million pounds imported for January-June of 2011. Imports of quota Swiss cheese for January-June 2012 total 19.9 million pounds, down 10.6% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 13.0 million pounds or 65.5% of the year's total import of Swiss.

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

Process 5# Loaf	:	1.7800-2.0375
Cheddar 40# Block	:	1.7800-2.1325
Cheddar 10# Cuts	:	1.9600-2.1800
Monterey Jack 10#	:	1.9700-2.1300
Grade A Swiss Cuts 6 - 9#	:	2.7775-3.2075

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CHEESE MARKETS

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U.S. Cheese Imports (USDA-FAS)

	2012 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly
Quota			
Jun. Quota Imports	12.2	+ 3.3	4.1
Jan. - Jun. High Tier	12.8	+ 5.9	N.A.
Quota Imports	74.5	- 2.7	24.9

FOREIGN

The weekly average block price on the CME Group increased and brought about a \$0.0150 increase in domestic wholesale cheese prices. Domestic wholesale Swiss cuts and imported cheese varieties were unchanged. Domestic Swiss cheese yields have declined, because of reduced butterfat levels brought about by the continuing hot weather pattern covering much of the nation. Domestic Swiss cheese inventories in the Northeast remain steady as production has been in balance with sales. According to FAS, imports of high tier and quota Italian-type cheese from January through June this year totaled 14.3 million pounds, up 7.1% for the same period last year. Imports of quota Italian-type cheese January through June totaled 7.7 million pounds, 44.6% above the same period last year and 57.4% of the annual quota. Imports of high tier Italian-type cheese January through June totaled 6.6 million pounds, down 17.8% from the same period in 2011. Quota imports of Swiss/Emmenthaler varieties from January through June 2012 totaled 19.9 million pounds, 10.6% less than the same period last year. Norway and Finland, the two top sources, account for 65.5% of Swiss/Emmenthaler imports January through June 2012.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.1950-3.6825*
Gorgonzola	: 3.6900-6.3900	: 2.6975-2.9575*
Parmesan (Italy)	: -0-	: 3.3175-3.8725*
Provolone (Italy)	: 3.4400-6.1800	: 2.2375-2.3950*
Romano (Cows Milk)	: -0-	: 3.3850-5.5350*
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-	: 3.2925-3.6150
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

	:	
07/16/12	12,055	: 133,313
07/01/12	11,983	: 130,832
CHANGE	72	: 2,481
% CHANGE	1	: 2

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	39	0	120	0	59
SOUTHEAST STATES	0	0	0	0	0	0

Hot, dry, humid weather has now reached New England and is stressing crops and limiting hay yields, but has not yet impacted milk production to any major degree. A labor strike at a major cheese plant in New York, that interrupted and delayed milk shipments last week, was resolved. The Mid-Atlantic region is reporting significant declines in manufacturing milk supplies due to declines in milk production, brought about by the continuing adverse weather. The Pennsylvania Crop and Weather report indicates 91% of the topsoil is very short or short of moisture with 56% of pastures in very poor or poor condition. Bottling plants in the Mid-Atlantic region continue to add on loads, due to decreases in load weights. Hot humid weather in Florida is degrading cow comfort levels and continuing to lower milk production. Day time high temperatures are in the 90's, while night time lows range from the mid 70's to low 80's. Class I demand was fairly strong this week with no specific reason given for its strength. The combination of lower production and increased demand reduced exports to 39 loads. This represents the lowest number of spot loads exported this year. Pastures have improved dramatically since tropical storm Debby, 75% of the pastures are rated as good to excellent. Southeast region milk production has declined to a level that is nearly in balance with Class I demand and as a result, manufacturing milk supplies are very limited. An increasing number of loads are being rejected due to high DMC counts and temperatures. Producers continue to cull their dairy herds due to limited feed and hay supplies. Good cream demand in combination with declining milk production and butterfat levels are limiting cream availability. Cream cheese and ice cream manufacturers account for the strong demand. Multiples this week ranged from 138-146. Cream continues to be a bargain compared to last year when multiples were 130-144 on a \$2.0300 butter market. Demand for condensed skim milk has improved with good pulls from ice cream, cream cheese and yogurt manufacturers. Cheese makers are also picking up spot loads of condensed skim for fortification purposes. The volumes going to Class IV production declined significantly as a result of the improved demand and declining milk production.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	2.1293-2.2528
F.O.B. producing plants: Upper Midwest -	2.0831-2.2374

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.10 - 1.19
Northeast - Class III - spot prices -	1.30 - 1.39

MIDWEST

Crop progress in the Central region hinges on moisture in many expanded areas as a heat wave covered most of the region from last week to the middle of this week. Some amounts of rain arrived in

scattered areas this week, but other areas are still waiting. Irrigation continues where available, but even that has run into problems. In some Plains states, electrical power is being intermittently routed away from irrigation pumps as the call for power to support air conditioning in heavily populated areas is steady to higher. Some cooperative representatives indicate dairy producers are currently evaluating feed on hand, possible crop yields, projected feed input costs, financial resources and cows on hand to determine herd size numbers that will allow operations to continue through spring of 2013. On July 19, 2012, the Chicago Board of Trade reported high price records were established for corn and soybeans, topping \$8.00 and \$17.00, respectively. For dairy producers who purchase feed, and haven't already arranged for supply contracts, the higher feed input prices must be factored into 2012 - 2013 operating expenses. For milk processors, farm milk intakes are mostly unchanged from the previous week. A few locations noted short term upticks, but those increases are attributed to the arrival of heifers into milking strings, followed by active culling. The next opportunity for some manufacturers to process more milk volumes is when current short term supply contracts run out at the end of the month. Spot milk prices moved higher this week, with some reports of prices topping \$3.00 over Class. Various commodity Class III manufacturers indicate they are out of the market for spot milk loads until prices retreat. Cream multiples moved slightly higher for the week. Spot cream sales from Class III/IV operations are light as several operators indicate pending butter orders require using current above-contract cream supplies for butter production. Production of AMF is also steady, with seasonally higher interest from confectionary and prepared meals manufacturers.

WEST

The recent hot spell in CALIFORNIA did stress the milking herds for a few days, but now that it is cooler again, production is rebounding. Output generally remains ahead of last year currently. However, producers are apprehensive as to what impact the rapidly rising grain prices will have on them in the near future and through the winter. Financial stress is occurring now and many believe it could get worse. Hay prices had backed off the peak, but there are signs that they may be increasing again. Plants are running efficiently and milk is able to stay in local areas. Milking conditions are not as stressful in ARIZONA as has been recently noted. Both night and day temperatures have backed off a bit. Some storms moved through localized areas last weekend, but were not very widespread. Humidity levels have also moved lower which means that cooling strategies are more effective. Plant operating schedules have declined from peak levels. CREAM markets are firm. Less cream is available for churning due to less butterfat in total at the farm level and much higher demand from other cream based products. Some contacts are stating that the summer seems to be happening earlier for most weather related issues. This is helping to improve demand for cream. The Grade AA butter price at the CME Group closed at \$1.5800 on Wednesday, July 17, up 4 cents from midweek, last week. Cream multiples are higher and range from 120 to 139 and vary depending on basing points and averages. Milk production levels in the PACIFIC NORTHWEST are easing back as last week's warm temperatures affected both quantities and composition of milk. Protein and butterfat levels are lower. Local processors are taking advantage of reduced milk levels to address maintenance and other plant issues. Temperatures have moderated

CONTINUED ON PAGE 1A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 1

and intakes are expected to rebound soon. Milk production in UTAH and IDAHO remains strong, although volumes are dropping along seasonally expected lines. Cool nights are keeping milk cows comfortable and dairymen are describing conditions as excellent. Dairy farmers are making calculations concerning feed costs as prices for corn are skyrocketing in the Midwest. Alternative ration formulations are being researched to help control costs. Replacement heifer costs at auctions are steady to weak with a recent auction reporting the top springer at \$1560, with the top 50 head at \$1370 per head. According to the NASS *Crop Progress* report for Pastures and Range Conditions, the U.S. was rated as 54% "very poor to poor" for the week ending July 15. That compares to only 32% from the previous year. The ratings for selected Western states are as follows: Arizona 80%, California 75%, Colorado 73%, Idaho 25%, Nevada 80%, New Mexico 85%, Oregon 10%, Utah 49%, and Washington 5%. These figures indicate that the Southwest is in the worst shape in the West. The hay market is tending to firm in the West. Idaho prices are higher and average about \$170-200 for dairy hay according to AMS, Market News sources. Utah is noting very slow dairy demand and prices near \$200. New Mexico is finding \$250-270 delivered to dairies. Washington and Oregon are exporting most of their hay currently at \$180-240. In California in the north prices are \$200-205, Sacramento area \$210-240, San Joaquin Valley \$225-265, and \$200 for "summer hay" in the Imperial Valley.

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: Nonfat dry milk prices in the Central region moved higher this week. Spot buyers are reentering the market for both low and high heat NDM. Some manufacturers indicate with the recent decline in farm milk intakes, opportunities to clear condensed skim into nonfat dry milk are decreasing for the near future. With inventories of low heat NDM at comfortable levels and projections of reduced near term NDM production, manufacturers are fulfilling contract needs, but planning to manage spot market interest through price adjustments. Condensed skim continues to clear into NDM at several locations, but dryers are operating below full capacity. A few plants expect high heat NDM inventories will be replenished during the next few weeks to fulfill contracts. Western contract-based loads of NDM are shipping regularly to Central cheese plants for near to mid-term vat fortification. Western condensed skim is also clearing into the Central region and generally into Class II operations.

EAST: Prices for nonfat dry milk moved significantly higher this week with most of the increases coming from index based prices. High heat prices saw some price resistance on the upper end of the range, but the low end of the range moved notably higher. A strike at a major cheese plant in New York, which resulted in increases of manufacturing milk supplies and drying schedules last week, was resolved. Continuing declines in milk production, brought about by the hot humid weather, also contributed to the lower nonfat dry milk production. Declines in drying schedules are offering plant managers the opportunity to schedule high heat nonfat dry milk runs if needed. Current production is moving through contracts with little being offered on the spot market. Demand has improved with good pulls from ice cream makers and also from cheese makers as their need of product for fortification purposes has increased. Significant resale activity was noted this week with prices above the range, giving the market a firm undertone. Brokers and end users are attempting to expand inventories, feeling that declining milk production and increased demand set the stage for future higher prices.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.2300 - 1.3600 MOSTLY: 1.2300 - 1.2800
HIGH HEAT: 1.2800 - 1.4200

NONFAT DRY MILK - WEST

Prices for low/medium heat powder moved sharply higher in the Western region. Demand has increased markedly in the last ten days. Sellers indicate they are getting many more inquiries by phone and e-mail. Buyers are looking at the milk, feed, and weather issues and are trying to get better coverage. NDM producers are in no hurry to sell additional loads of powder at this time. They have seen milk receipts change rapidly in the last week to ten days and are now concerned about contract coverage. There is a firm undertone to the Western NDM market. High heat prices ranged from steady to sharply higher. Manufacturers now have time in their production runs to make high heat powder as milk output at the farm level is declining more rapidly. Therefore, powder is generally available to cover current and expected needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.1300 - 1.3100 MOSTLY: 1.1900 - 1.2700
HIGH HEAT: 1.2100 - 1.3300

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are higher. Various market participants report spot load interest is active, but spot market supplies are tight. International buyers representing Mexico

and other Central and South American interests are reportedly scouting for dry buttermilk spot loads as a reasonably priced replacement for NDM in some applications. Some Central manufacturers are restricting spot market sales due to the rapid decline in farm milk intakes and ongoing contract fulfillment of condensed and dry buttermilk. Some regional and private label ice cream plants are increasing production and drawing more heavily on condensed and/or dry buttermilk.

EAST: Dry buttermilk prices moved higher this week in light trading. Good cream demand in combination with declining cream supplies, due to lower milk production and butterfat levels, have considerably tightened cream availability in the East. Reduced churning schedules have also lowered dry buttermilk production. Demand has improved as ice cream production is very active. Some buyers of nonfat dry milk have increased their purchases of dry buttermilk as a lower priced alternative. Current production is moving through contracts with little spot market activity. The market has a firm undertone as it follows the higher priced nonfat dry milk market.

F.O.B. CENTRAL/EAST: 1.0100 - 1.2000

DRY BUTTERMILK - WEST

Prices moved higher for dry buttermilk in the Western region. Offerings are declining as churning is past the seasonal peak. Demand is up earlier than is normal for any production year as is most everything this summer. Any producer stocks are held with confidence now. Offerings of powder are light and some organizations have no desire to make many new incremental sales at this time, knowing they will be short later on. There is a firm undertone to this market. The continued strength in NDM is part of the equation.

F.O.B. WEST: 1.0700 - 1.1800 MOSTLY: 1.1100 - 1.1500

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to higher on a firming market. Fulfillment of dry whole milk contract volumes is steady to higher, with required quantities increasing into confectionary lines, in particular. Spot market interest is steady to higher, but availability on a spot basis is tightening. Some plants are running dry whole milk this week to rebuild inventories. A few other plants with dry whole milk contracts waiting for fulfillment currently do not have enough farm milk intakes from regular milk suppliers. In addition, spot milk prices are increasing and putting them out of reach for some processors.

F.O.B. PRODUCING PLANT: 1.4400 - 1.5000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 13	\$1.1406	9,067,808	0
July 6	\$1.1801	5,176,557	0

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

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices recorded an uptick on the bottom of the range price series while the rest of the series prices are unchanged. The market is adjusting to near term Class III milk availability expectations and manufacturers' current dry whey inventories of varying production dates. Some discounts to the market decreased while overall reported market premiums held steady. Dry whey spot load availability is variable, with a few manufacturers surprising buyers with additional spot load offerings, especially into feed blending operations. Some Class III plants indicate cheese orders increased compared to last week as buyers note the trend toward higher prices for cheese. However, milk supplies in the Central region are largely unchanged from the previous week, which marked a 20% decline into some cheese plants compared to late June intakes. Most milk handlers indicate milk pickups on farms are unchanged from the previous week. This has left dry whey production in the Central region mostly steady, except for a few lactose operations performing regularly scheduled maintenance on lactose equipment, which increased volumes of liquid whey clearing into their dryers. **ANIMAL FEED DRY WHEY:** Central animal feed dry whey prices are unchanged to fractionally lower. Some dry whey manufacturers indicate that problems with whey drying associated with hot weather produced some slightly off specification product for clearing to animal feed blending operations. Animal feed blenders indicate demand for finished dry feed products is uneven. Interest from veal calf operations is steady to lower. Some veal raisers indicate prices from packers stepped lower recently. The options available for selling finished veal calves are limited. One Central region veal packer closed recently, leaving veal raisers with fewer outlets for finished veal calves. Sales of dairy beef feed blends exhibited active interest as prices for baby calves at auction are markedly lower than at the end of June when prices were \$200 and above. Current reported baby calf prices range from \$50 - \$100, with anecdotal reports of \$10 - \$15 per calf from some market participants.

F.O.B. CENTRAL: .4200 - .5375 MOSTLY: .4550 - .5250
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3525 - .4775

DRY WHEY - NORTHEAST

Dry whey prices moved higher this week as prices based on indices advanced. The price range remains narrow as spot sales in the region all but disappeared. Dry whey production increased this week as a strike at a major cheese plant in New York was resolved, but overall production is on a downward trend following the declines in milk and resulting cheese production. Supplies are fairly tight and held in firm hands. Demand has increased with strong pulls from ice cream makers and whey based health product manufacturers. Resale transactions were numerous this week with prices above the range, giving the market a firm under tone. Brokers and end users are attempting to expand inventories, feeling that declining milk and cheese production combined with increased demand may move prices higher in the future.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5200 - .5400

DRY WHEY - WEST

Western dry whey prices are mostly steady. Although the market is showing the steady price, the market tone appears to be firming. Dry whey production is reduced as more of the whey stream is going into concentrated products. Buyers are looking to build their inventories for upcoming needs in case the trend continues. Current supplies are adequate for domestic contracted needs. Spot loads of whey are available mostly from resellers. Export prices for U.S. product have firmed and are closer to domestic prices.

NONHYGROSCOPIC: .4650 - .5275 MOSTLY: .4750 - .5200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are unchanged, lower, and higher in a market seeking direction. Interest from the human food market is steady, but interest from various dairy/beef/veal feed blending facilities is variable. Some feed operators who specialize in supplying feed blends to veal raising operations note decreases in demand from that sector. According to some veal industry participants, veal calf populations are lower, barn repopulations are largely on hold, and cold storage veal quantities are reportedly above current market demand. Whey protein concentrate 34% production is steady to lower and dependent on current cheese milk supplies. Some operations are maintaining rates of cheese by procuring milk through milk marketing arrangements. Dairy cooperative operations, though, generally are noting seasonal declines in milk production with attendant decreases in throughput to cheese and whey stream outlets. Pricing on spot loads of milk are generally above that needed to pencil out for commodity cheese production. That means most cooperatives are working strictly with patron milk supplies. The next uptick in cheese milk volumes is expected when a few short term supply contracts finalize at the end of the month. Interest in concentrated WPC 34% is reportedly steady and a few plants report returns on the fluid WPC 34% are comparable to dry WPC 34%. With options of selling both dry and concentrated WPC 34%, several plants are managing their inventories and offering minimal quantities to the spot market.

F.O.B. EXTRA GRADE 34% PROTEIN: .9500 - 1.3025 MOSTLY: 1.0900 - 1.1725

LACTOSE - CENTRAL AND WEST

Prices for lactose moderated slightly this week, with a shift to lower prices on both ends of the range. The top of the mostly price series also declined slightly to reflect additional contract pricing information. Various market participants indicate spot loads of unground lactose are more available this week from a few manufacturers. However, some traders indicate that the international market for unground lactose is still lower than the domestic market and for lactose load to clear offshore, F.O.B. spot prices or resale prices may need to adjust lower. Domestic lactose demand is steady. A few manufacturers indicate off shore buyers put out feelers for Q4 and 2013 contracts, asking for bids that incorporate a discount to the current market. However, most manufacturers indicate inventories of lactose are not burdensome,

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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.

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production is close to projections, and it is too early in Q3 to commit to discounted prices for edible lactose going forward. Cheese production for lactose and whey stream manufacturing is mostly steady compared to last week. Although some plants indicate cheese ordering is increasing in step with the current market price trend for cheese, the available milk supply into some plants is keeping cheese production unchanged. Lactose production is steady to lower, though, as some manufacturers with multiple end products perform planned maintenance on equipment. For some of these manufacturers, this is funneling extra volumes of liquid whey into dry whey manufacturing in place of lactose and concentrated whey protein production.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .7400 -.9500 MOSTLY: .7900 - .8700

CASEIN - NATIONAL

Casein markets are unsettled although prices are generally unchanged. Some U.S. buyers are concerned about reports of tightening supplies out of Europe. Declining milk production trends in Europe due to wet conditions may be causing some casein producers to greatly reduce their output on the down side of the season with milk volumes being redirected to other manufactured dairy products. This may cause some suppliers to cut back on their commitments to U.S. buyers. U.S. buyers are quite disturbed with this potential development. Many indicate that to acquire potential displaced volumes now in the marketplace will be very challenging, if possible at all. The Oceania casein production season still has a number of months to go before their season resumes, thus sourcing near term volumes from this region is not an option.

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:	3.7500 - 4.4000
ACID:	4.1500 - 4.7000

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
06/30/2012	52.7	1,523.3	51.3	1,471.1

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

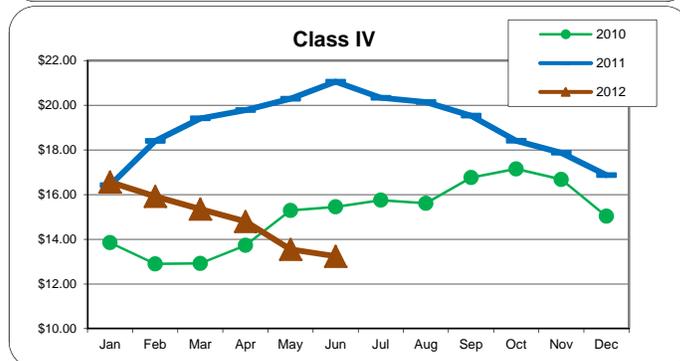
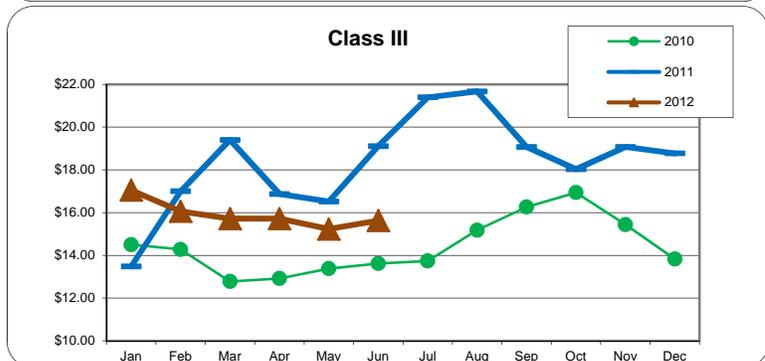
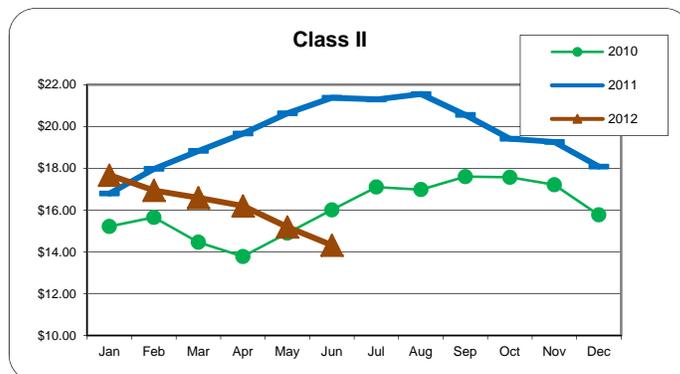
CLASS IV MILK PRICES (3.5% BF)

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	15.51					
II	17.67	16.94	16.59	16.20	15.19	14.32						
III	17.05	16.06	15.72	15.72	15.23	15.63						
IV	16.56	15.92	15.35	14.80	13.55	13.24						

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 July 9 - 20, 2012

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

WESTERN OVERVIEW: Milk production is seasonally declining throughout Western Europe accelerated by adverse weather conditions in some regions. Hot temperatures in areas of Eastern and Southern Europe, coupled with wet conditions in Ireland, the UK and areas of Western Europe are all contributing to cow discomfort and stress. In areas of very wet conditions, some farmers are choosing to house the milking herd at this time versus continuing to graze, thus saving pasture conditions. Supplemental feeding is occurring and often is not generating as positive of a milk flow as if the herd was on pasture. Although milk production trends are easing, overall milk production continues to run 2 - 2.5% heavier than last year at this time. Declining milk volumes are causing some milk processors, when possible, to realign milk direction at this time to products of most need or best returns. Cheese production remains positive as the milk flow declines with exports remaining strong. Traders and handlers are indicating that dairy product sales are occurring both internally and internationally, but most are centered within the European community. Sales activity at this time of the summer typically slows as many buyers and consumers are on summer holiday. Stocks of product are available for buyer inquiry, but appear to not be as excessive as in other years at this time of the season. Butter stocks continue to clear to PSA. This program opened in March and will remain open for about 4 more weeks. Since March 1 and through the end of June, 104,484 MT of butter have cleared to the PSA program. This 2012 clearance compares to 76,579 MT last year at this time and around 80,000MT in 2010.

BUTTER/BUTTEROIL: European butter markets are generally steady with prices trending lower, basically due to a weaker Euro against the dollar. Churning activity throughout Europe is trending lower as milk production declines and churning cream volumes dip lower. Traders and handlers are indicating that butter sales are generally centered around an internal or domestic demand as prices are often higher than international buyers are willing to pay. Some traders are speculating that international buyers may be looking to Europe in the near future for their needs as other international sources have limited supplies and prices are firm. Butter continues to clear to PSA. The program will be open for about 4 more weeks. Since March and through June, 104,484 MT of European butter has cleared to the PSA program, compared to 76,579 MT last year at this time.

82% BUTTERFAT:	3,225 - 3,300
99% BUTTERFAT:	3,875 - 4,025

SKIM MILK POWDER (SMP): Skim milk powder markets are firm, although prices have eased, basically due to a weak Euro to U.S. dollar conversion. Powder production is trending lower as milk volumes decline. Declining milk production is being influenced by various weather patterns ranging from hot temperatures in regions of Eastern and Southern Europe and wet conditions in Ireland, the UK, and regions of Western Europe. Powder producers are stating that powder production is becoming less active as milk volumes decline and competition for available milk volumes builds. Although powder production is declining, many handlers are stating that stock levels are adequate for current demand. Sales activity has been basically centered around internal needs with some international sales being reported. Traders and

handlers are speculating that sales activity will slow during the next month or so which is typical for this time of the summer.

1.25% BUTTERFAT:	2,575 - 2,750
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SWEET WHEY POWDER: European whey powder markets are generally steady, although prices have eased primarily due to a weaker Euro to U.S. dollar conversion. In the past 10 - 14 days, the Euro has declined nearly 3 cents against the dollar. Manufacturers and handlers are indicating that cheese production remains active, but is trending seasonally lower as milk volumes decline. Whey powder volumes are also easing. Whey powder suppliers are indicating that that stocks are available and most sales activity is centered around an internal market. This is typically a time of the season where whey powder sales slow and it appears that this development is occurring. International sales are limited as prices are often higher than desired.

NONHYGROSCOPIC:	1,075 - 1,225
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WHOLE MILK POWDER (WMP): European whole milk powder markets are generally steady although prices have eased, basically due to Euro to U.S. dollar conversions. Whole milk powder production is easing as milk volumes seasonally decline. Milk production is declining at varying rates due to heat and plentiful moisture conditions. In some regions, cows are being housed due to very wet pasture conditions. Whole milk powder production schedules are mixed as declining milk volumes are being re-directed towards product of best return or need. Stocks of powder are available, but are not excessive. Powder sales are occurring, but are not overly aggressive.

26% BUTTERFAT:	2,975 - 3,150
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EASTERN OVERVIEW: Milk production trends in Eastern Europe are also on the down side of the season. Hot temperatures in some regions are causing the milk flow to decline at a faster pace than others, although overall milk volumes are keeping manufacturing facilities at manageable levels of production. Stocks of manufactured dairy products in Eastern Europe are available, although some manufacturers and handlers are indicating that overall stock levels are not as positive as they have had in other years. Sales activity is being reported, but international sales are lighter than in previous years. Traders and handlers are speculating that lighter sales activity might be occurring due to firmer than desired prices by buyers, but then also indicate that tightening international supplies might encourage buyers to return to European sources for their needs.

Exchange rates for selected foreign currencies: July 16, 2012

.9852 Canadian Dollar	.0182 Indian Rupee
.2200 Argentina Peso	.7976 New Zealand Dollar
.0757 Mexican Peso	1.0249 Australian Dollar
.2929 Polish Zloty	.0127 Japanese Yen
	1.2272 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0757) = 13.2100 Mexican Pesos. Source: "Wall Street Journal"

Information gathered July 9 - 20, 2012

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

OVERVIEW: The Oceania 2012 - 2013 milk production year has begun, although milk output remains at low seasonal levels. In New Zealand, winter weather patterns are reported to be typical and winter moisture is in line with projections. In Australia, milk producers and handlers are reporting that the winter season is good. An El Nino (dry) weather pattern continues to enter many conversations of Oceania milk producers and handlers. It is still too early to speculate any further about this pattern, but many producers and handlers are indicating that plentiful moisture over the past year should help reduce the impact of an El Nino weather pattern should it develop. Milk producers in the Gippsland region of Australia have been struggling with excess moisture for much of the most recent season and would welcome some drying time. Milk producers in both New Zealand and Australia are stating that winter conditions have been basically favorable to the milking herd and herd conditioning going into the upcoming season is positive. The new milk production season is just around the corner and reportable increases will potentially be occurring within the next 4 - 6 weeks. Milk production projections for the upcoming season remain positive with producers and handlers very optimistic. Although milk output was positive for the season just completed, many producers and handlers are not projecting a second year of comparable growth, but remain positive with output increases from previous years running in the 4 - 5% range in New Zealand while in the 2% range in Australia. Traders and handlers are reporting that some international buyers are looking to the Oceania region for any end of season uncommitted stocks. In most instances, manufacturers and handlers in the Oceania region do not have any uncommitted volumes for this buyer inquiry. As the new milk production season approaches, order books are in good balance with projected output. Manufacturers and handlers are basically fully committed for the first three months of the season with sales during the 3 - 6 month period often still being finalized. At the July 17 g/DT event, average prices for all products were mixed from the previous event. Average prices for anhydrous milk fat, buttermilk powder, milk protein concentrate, and skim milk powder were higher, while cheddar cheese, rennet casein, and whole milk powder price averages were lower. Lactose did not trade. The next two (2) g/DT events will be held on Wednesdays, August 1 and 15.

BUTTER: Oceania butter markets and prices are generally holding steady. Sales activity is reported as limited as milk production and churning schedules are at low seasonal levels. Noticeable milk production gains are about 4 - 6 weeks away, thus butter operators are readying their facilities for the upcoming production season. Traders and handlers are indicating that their order books are starting to fill, especially during the early months of the upcoming season. Outlying months of the first half of the season still have some uncommitted volumes, but suppliers and handlers are not concerned about this situation. In instances, some suppliers are holding off with

commitments until they have a better feel on how the season is developing.

82% BUTTERFAT:

2,700 - 3,000

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are mixed. Sales activity is limited as most stock has been committed through previous contract negotiations. The new production season is about to resume and traders and handlers are quite pleased with how order books are being filled. Some manufacturers and traders are being cautious with their commitments until they get a better feel for how the milk production season is developing. At the July 17th g/DT event, skim milk powder prices averaged \$2,727 per MT (5.2% higher) when compared to the previous all contract average. U.S. sourced skim milk powder averaged \$2,824 per MT for contracting period 1 (August), up 6.6% from the previous event. Comparable low heat powder for contracting period 2 (September) sourced from New Zealand averaged \$2,790 per MT with medium heat European sourced skim milk powder averaging \$2,610 per MT during the same contract 2 period.

1.25% BUTTERFAT:

2,600 - 3,000

CHEDDAR CHEESE: Oceania cheese markets and prices are holding steady. Current cheese output in the region is at seasonal low levels as is milk production. Maintenance at Oceania cheese plants continues, but for the most part, plants are ready for the flow of milk that will resume within 4 - 6 weeks. Cheese manufacturers and handlers are reporting that cheese demand during the winter months has been stable for internal needs with export needs being filled from inventoried stock. Much of export commitments have been filled and traders and handlers are preparing for the upcoming season. Order books for the upcoming year appear to be generally full for the early part of the season with outlying months still under negotiations. At this time, it appears that international cheese needs to regular and ongoing customers are in line with previous years.

39% MAXIMUM MOISTURE:

3,100 - 4,100

WHOLE MILK POWDER (WMP): Whole milk powder markets are mixed with prices unchanged to lower. At the July 17th g/DT event in New Zealand, the average all contract price of \$2,584 per MT declined 5.8% from the previous all contract price. The near term contract #2 price averaged \$2,538 per MT, down 6.4% from the previous event. Although g/DT event averages are lower, commercial prices are generally holding firm. Traders and handlers are indicating that some buyers are questioning commercial price quotes in relationship to g/DT averages. Most suppliers are stating that they are sticking with their quotations and directing potential buyers to the trading event to possibly secure lower priced product. Whole milk powder stocks are limited as the milk and powder production season is at low seasonal levels.

26% BUTTERFAT:

2,550 - 3,050

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered July 9 - 20, 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.

US\$/MT	Global/Dairy Trading (g/DT) Event 72 Recap - July 17, 2012												
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13							
Anhydrous Milk Fat	n.a.	\$2,882	7.2%	\$2,822	5.0%	\$2,785	2.0%	\$2,831	-1.4%	\$2,980	n.a.	\$2,845	3.3%
Buttermilk Powder	n.a.	\$2,660	12.2%	\$2,685	3.3%	\$2,645	3.7%	n.a.	n.a.	n.a.	n.a.	\$2,662	7.2%
Cheddar	n.a.	\$2,885	-5.3%	\$3,051	1.3%	\$3,002	-4.9%	n.a.	n.a.	n.a.	n.a.	\$2,986	-2.9%
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Milk Protein Concentrate	n.a.	\$4,185	2.1%	\$4,160	3.1%	\$4,120	2.0%	n.a.	n.a.	n.a.	n.a.	\$4,157	2.4%
Rennet Casein	n.a.	\$6,316	1.2%	\$6,385	-4.6%	\$6,307	-2.9%	n.a.	n.a.	n.a.	n.a.	\$6,333	-1.8%
Skim Milk Powder	\$2,824	6.6%	\$2,803	7.9%	\$2,687	3.6%	\$2,697	4.0%	\$2,586	0.4%	n.a.	\$2,727	5.2%
Whole Milk Powder	n.a.	\$2,538	-6.4%	\$2,547	-6.0%	\$2,634	-5.0%	\$2,715	-3.9%	\$2,762	-6.4%	\$2,584	-5.8%

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 72 Recap - July 17, 2012												
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13							
Anhydrous Milk Fat	n.a.	\$1.3073	7.2%	\$1.2801	5.0%	\$1.2633	2.0%	\$1.2841	-1.4%	\$1.3517	n.a.	\$1.2905	3.3%
Buttermilk Powder	n.a.	\$1.2066	12.2%	\$1.2179	3.3%	\$1.1998	3.7%	n.a.	n.a.	n.a.	n.a.	\$1.2075	7.2%
Cheddar	n.a.	\$1.3086	-5.3%	\$1.3839	1.3%	\$1.3617	-4.9%	n.a.	n.a.	n.a.	n.a.	\$1.3544	-2.9%
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Milk Protein Concentrate	n.a.	\$1.8983	2.1%	\$1.8870	3.1%	\$1.8688	2.0%	n.a.	n.a.	n.a.	n.a.	\$1.8856	2.4%
Rennet Casein	n.a.	\$2.8649	1.2%	\$2.8962	-4.6%	\$2.8608	-2.9%	n.a.	n.a.	n.a.	n.a.	\$2.8726	-1.8%
Skim Milk Powder	\$1.2810	6.6%	\$1.2714	7.9%	\$1.2188	3.6%	\$1.2234	4.0%	\$1.1730	0.4%	n.a.	\$1.2370	5.2%
Whole Milk Powder	n.a.	\$1.1512	-6.4%	\$1.1553	-6.0%	\$1.1948	-5.0%	\$1.2315	-3.9%	\$1.2528	-6.4%	\$1.1721	-5.8%

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	07/05	07/06	07/09	07/10	07/11	07/12	07/13	07/16	07/17	07/18
CME - CLASS III MILK FUTURES (Pit-Traded)										
JUN 12	15.63 (4504) 0									
JUL 12	16.76 (3867) 0	16.71 (3885) 2	16.60 (3835) 0	16.58 (3823) 0	16.57 (3787) 30	16.71 (3759) 0	16.73 (3752) 0	16.72 (3713) 0	16.74 (3688) 0	16.69 (3714) 0
AUG 12	17.48 (4783) 0	17.52 (4810) 1	17.52 (4853) 0	17.44 (4861) 0	17.54 (4813) 0	18.03 (4817) 2	18.22 (4970) 0	18.19 (5107) 27	18.03 (5001) 5	17.79 (4946) 0
SEP 12	17.87 (3316) 0	17.87 (3328) 0	17.90 (3337) 0	17.80 (3367) 9	18.00 (3412) 0	18.48 (3449) 12	18.88 (3494) 0	19.20 (3724) 25	19.06 (3781) 0	18.78 (3874) 0
OCT 12	17.85 (3086) 3	17.76 (3076) 0	17.82 (3126) 5	17.81 (3143) 0	18.03 (3129) 0	18.47 (3168) 11	18.69 (3233) 5	18.89 (3236) 25	18.84 (3229) 67	18.66 (3239) 0
NOV 12	17.60 (2735) 0	17.63 (2733) 0	17.80 (2726) 5	17.78 (2735) 0	18.00 (2769) 0	18.39 (2902) 11	18.60 (2947) 2	18.73 (2916) 25	18.70 (2905) 0	18.65 (2921) 0
DEC 12	17.40 (2538) 0	17.45 (2540) 0	17.60 (2640) 5	17.62 (2644) 0	17.90 (2642) 0	18.35 (2713) 11	18.60 (2741) 2	18.68 (2758) 25	18.66 (2760) 0	18.59 (2794) 0
JAN 13	17.20 (573) 0	17.25 (583) 0	17.40 (576) 1	17.55 (581) 0	17.94 (597) 0	18.30 (700) 1	18.40 (727) 0	18.54 (784) 24	18.56 (794) 4	18.50 (824) 0
FEB 13	16.85 (334) 0	17.05 (393) 0	17.16 (418) 2	17.30 (418) 0	17.62 (457) 0	17.95 (550) 1	18.08 (582) 0	18.20 (651) 2	18.19 (655) 0	18.15 (671) 0
MAR 13	16.85 (348) 0	17.00 (383) 0	17.13 (402) 2	17.28 (404) 0	17.53 (420) 0	17.89 (424) 1	17.83 (430) 0	17.90 (445) 1	17.94 (457) 0	17.92 (464) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JUN 12	13.24 (210) 0									
JUL 12	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0	14.45 (92) 0
AUG 12	14.71 (74) 0	14.71 (74) 0	14.71 (74) 0	15.22 (74) 0	15.22 (74) 0	15.60 (74) 0	15.75 (74) 0	15.75 (78) 0	15.75 (115) 0	15.75 (115) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JUN 12	139.91 (762) 0									
JUL 12	153.50 (782) 3	153.50 (782) 0	155.00 (782) 2	155.58 (782) 1	155.25 (782) 13	155.00 (783) 6	155.50 (787) 4	154.90 (787) 13	155.00 (787) 0	155.00 (787) 6
AUG 12	154.28 (780) 0	154.53 (780) 0	156.50 (778) 6	157.03 (788) 13	157.03 (788) 0	157.28 (788) 0	160.00 (786) 3	160.00 (790) 8	162.50 (822) 50	162.50 (822) 0
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JUN 12	110.23 (407) 0									
JUL 12	117.00 (381) 0	117.00 (383) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0	117.00 (384) 0
AUG 12	121.75 (409) 0	121.75 (409) 0	124.00 (409) 0	125.00 (409) 0	125.00 (409) 0	125.05 (409) 0	128.75 (412) 0	126.25 (408) 0	128.00 (414) 0	128.00 (414) 0
CME - WHEY (Electronic-Traded)										
JUN 12	50.13 (419) 0									
JUL 12	52.00 (311) 4	51.00 (311) 0	50.00 (312) 1	50.10 (312) 0	50.00 (312) 4	50.03 (312) 0	50.05 (312) 0	50.05 (312) 0	50.05 (312) 0	50.05 (312) 1
AUG 12	54.00 (271) 20	54.00 (271) 0	54.00 (272) 5	54.00 (269) 5	53.75 (269) 0	54.55 (268) 7	55.00 (266) 7	54.98 (273) 7	54.88 (273) 0	54.50 (273) 4
CME - CHEESE CSC (Electronic-Traded)										
JUN 12	1.59 (1785) 0									
JUL 12	1.69 (1397) 21	1.68 (1397) 6	1.67 (1396) 5	1.67 (1390) 28	1.67 (1390) 1	1.69 (1390) 1	1.69 (1390) 0	1.69 (1389) 1	1.69 (1389) 0	1.68 (1390) 2
AUG 12	1.76 (1336) 17	1.76 (1338) 2	1.75 (1339) 18	1.74 (1346) 37	1.75 (1356) 22	1.80 (1346) 35	1.81 (1359) 37	1.81 (1363) 7	1.79 (1364) 6	1.77 (1362) 12
SEP 12	1.78 (1310) 40	1.78 (1313) 3	1.78 (1321) 42	1.78 (1328) 15	1.79 (1333) 47	1.84 (1334) 21	1.86 (1340) 38	1.89 (1345) 14	1.89 (1348) 9	1.86 (1353) 30
OCT 12	1.78 (1067) 31	1.77 (1069) 2	1.78 (1071) 13	1.77 (1072) 9	1.79 (1070) 30	1.83 (1070) 4	1.84 (1071) 6	1.86 (1068) 4	1.87 (1063) 11	1.84 (1068) 7
NOV 12	1.75 (1090) 25	1.75 (1097) 12	1.77 (1096) 3	1.77 (1096) 0	1.79 (1099) 3	1.82 (1098) 1	1.83 (1098) 2	1.85 (1099) 4	1.83 (1105) 9	1.84 (1107) 4

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.)

FEDERAL MILK ORDER ADVANCE PRICES, AUGUST

Base Class I Price. Under the Federal milk order pricing system, the base Class I price for August 2012 is \$16.55 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$11.21 and the advanced butterfat pricing factor of \$1.6386. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to July 2012, the base Class I price increased \$1.04 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$1.00 per cwt., \$0.086 per gallon; reduced fat milk (2%), \$0.78 per cwt., \$0.067 per gallon; fat-free (skim milk), \$0.51 per cwt., \$0.044 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$8.83. Thus, the Class II skim milk price for August is \$9.53 per cwt., and the Class II nonfat solids price is \$1.0589. **Product Price Averages.** The two-week product price averages for August are: butter \$1.5246, nonfat dry milk \$1.1588, cheese \$1.6781, and dry whey \$0.4944.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/}				
August 2012				
Federal Milk Order Marketing Area ^{3/}	Order Number	Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	19.80	14.46	1.6711
Appalachian (Charlotte) ^{5/ 6/}	005	19.95	14.61	1.6726
Southeast (Atlanta) ^{6/ 7/}	007	20.35	15.01	1.6766
Florida (Tampa) ^{6/ 8/}	006	21.95	16.61	1.6926
Midwest (Cleveland) ^{9/}	033	18.55	13.21	1.6586
Upper Midwest (Chicago) ^{10/}	030	18.35	13.01	1.6566
Central (Kansas City) ^{11/}	032	18.55	13.21	1.6586
Southwest (Dallas) ^{12/}	126	19.55	14.21	1.6686
Arizona (Phoenix)	131	18.90	13.56	1.6621
Pacific Northwest (Seattle) ^{13/}	124	18.45	13.11	1.6576
All-Market Average		19.44	14.10	1.6675

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

JUNE MILK PRODUCTION

Milk production in the 23 major states during June totaled 15.5 billion pounds, up 1.0 percent from June 2011. May revised production at 16.4 billion pounds, was up 1.9 percent from May 2011. The May revision represented a decrease of 22 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,827 pounds for June, 7 pounds above June 2011. The number of milk cows on farms in the 23 States was 8.51 million head, 57,000 head more than June 2011, and 14,000 head less than May 2012. Milk production in the U.S. during the April-June quarter totaled 51.5 billion pounds, up 2.0 percent from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.26 million head, 66,000 head more than the same period last year.

STATE	MILK COWS ^{1/} ^{2/}				MILK PRODUCTION ^{1/} ^{3/}			
	JUNE		APRIL-JUNE		JUNE		APRIL-JUNE	
	2011	2012	2011	2012	2012	% CHANGE FROM 2011	2012	% CHANGE FROM 2011
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	11.0	10.0	--	--	37.0	-7.5
AK	--	--	0.5	0.4	--	--	1.4	-17.6
AZ	186	188	186.0	192.0	378	2.7	1,214.0	4.4
AR	--	--	12.0	10.5	--	--	36.0	-10.0
CA	1,769	1,783	1,767.0	1,783.0	3,521	0.3	10,895.0	1.8
CO	127	133	126.0	132.0	267	5.5	813.0	7.0
CT	--	--	18.5	18.5	--	--	93.0	0.0
DE	--	--	5.0	5.0	--	--	24.8	5.5
FL	119	123	119.0	123.0	204	5.2	643.0	6.1
GA	--	--	80.0	80.0	--	--	398.0	4.2
HI	--	--	1.9	2.0	--	--	7.6	4.1
ID	578	578	577.0	578.0	1,150	1.5	3,422.0	2.0
IL	98	100	98.0	100.0	161	2.5	506.0	3.5
IN	171	176	171.0	176.0	307	4.8	955.0	4.9
IA	204	205	207.0	206.0	357	-1.4	1,123.0	0.2
KS	123	124	122.0	124.0	222	2.3	689.0	3.9
KY	--	--	77.0	74.0	--	--	292.0	-1.4
LA	--	--	18.0	18.0	--	--	60.0	-1.6
ME	--	--	32.0	33.0	--	--	158.0	3.9
MD	--	--	52.0	51.0	--	--	252.0	0.4
MA	--	--	13.0	12.0	--	--	56.0	-3.4
MI	364	376	363.0	376.0	739	3.6	2,260.0	4.4
MN	468	465	468.0	465.0	751	-0.3	2,298.0	0.0
MS	--	--	14.0	14.0	--	--	53.0	-3.6
MO	96	94	96.0	94.0	119	2.6	386.0	2.1
MT	--	--	14.0	14.0	--	--	76.0	5.6
NE	--	--	57.0	56.0	--	--	299.0	-0.7
NV	--	--	29.0	29.0	--	--	168.0	-1.2
NH	--	--	14.5	14.0	--	--	72.0	-2.7
NJ	--	--	8.0	7.0	--	--	33.0	-8.3
NM	328	332	327.0	335.0	676	-1.9	2,116.0	1.0
NY	610	610	610.0	610.0	1,095	1.4	3,367.0	2.5
NC	--	--	45.0	46.0	--	--	245.0	4.7
ND	--	--	19.0	18.0	--	--	86.0	-2.3
OH	266	270	267.0	271.0	440	5.0	1,371.0	5.2
OK	--	--	53.0	50.0	--	--	232.0	-4.9
OR	122	123	121.0	123.0	213	0.9	648.0	2.2
PA	542	535	543.0	536.0	861	-1.9	2,689.0	-1.7
RI	--	--	1.1	1.1	--	--	5.0	-3.8
SC	--	--	16.0	15.5	--	--	74.0	0.0
SD	--	--	92.0	93.0	--	--	497.0	3.5
TN	--	--	49.0	50.0	--	--	208.0	-1.9
TX	434	440	430.0	440.0	785	-2.2	2,475.0	0.6
UT	88	90	87.0	91.0	164	5.1	497.0	7.1
VT	134	133	135.0	133.0	214	0.9	653.0	0.5
VA	96	96	96.0	96.0	139	0.0	443.0	0.0
WA	262	262	260.0	264.0	524	0.0	1,602.0	2.1
WV	--	--	10.0	10.0	--	--	41.0	2.5
WI	1,265	1,271	1,266.0	1,271.0	2,256	2.5	6,881.0	3.1
WY	--	--	6.0	6.0	--	--	31.3	-0.6
23 STATE TOTAL	8,450	8,507	--	--	15,543	1.0	--	--
U.S. ^{4/} ^{5/}			9,191.0	9,257.0			51,482.0	2.0

^{1/} Preliminary. ^{2/} Includes dry cows, excludes heifers not yet fresh. ^{3/} Excludes milk sucked by calves. ^{4/} Includes states for which individual monthly estimates are not available. ^{5/} Milk cows will not add due to rounding. **Source:** U.S. Department of Agriculture. National Agricultural Statistics Service. *Milk Production, July 2012.*

MAY FLUID MILK SALES

During May, 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.5 percent lower than May 2011. After adjusting for calendar composition, sales in May 2012 were 2.8 percent lower than May 2011. Estimated sales of total conventional fluid milk products decreased 1.3 percent from May 2011 and estimated sales of total organic fluid milk products decreased 6.9 percent from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
MAY 2012, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,109	5,541	-1.2	-2.7
Flavored Whole Milk	41	204	-6.3	-7.8
Reduced Fat Milk (2%)	1,465	7,389	-1.0	-2.4
Low Fat Milk (1%)	611	3,072	3.4	3.0
Fat-Free Milk (Skim)	611	3,117	-4.6	-4.7
Flavored Fat-Reduced Milk	343	1,797	-4.5	-2.4
Buttermilk	39	197	3.7	0.7
Total Conventional Milk Products 5/	4,223	21,334	-1.3	-2.5
Organic Whole Milk	46	224	10.6	9.3
Organic Reduced Fat Milk	52	265	8.4	9.7
Organic Low Fat Milk	38	193	2.9	13.4
Organic Fat-Free Milk (Skim)	38	186	-0.9	-2.9
Organic Flavored Milk	6	31	-5.4	-32.5
Organic Fat-Reduced Milk 3/	135	679	-11.6	1.0
Total Organic Milk Products	181	903	-6.9	2.9
Total Fluid Milk Products 4/	4,404	22,238	-1.5	-2.3
Total Fluid Milk Products Adjusted 4/ 5/	4,395	22,126	-2.8	-3.1

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; 3/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272> Report contact: Daniel Manzoni, Daniel.manzoni@ams.usda.gov or 202-720-2352

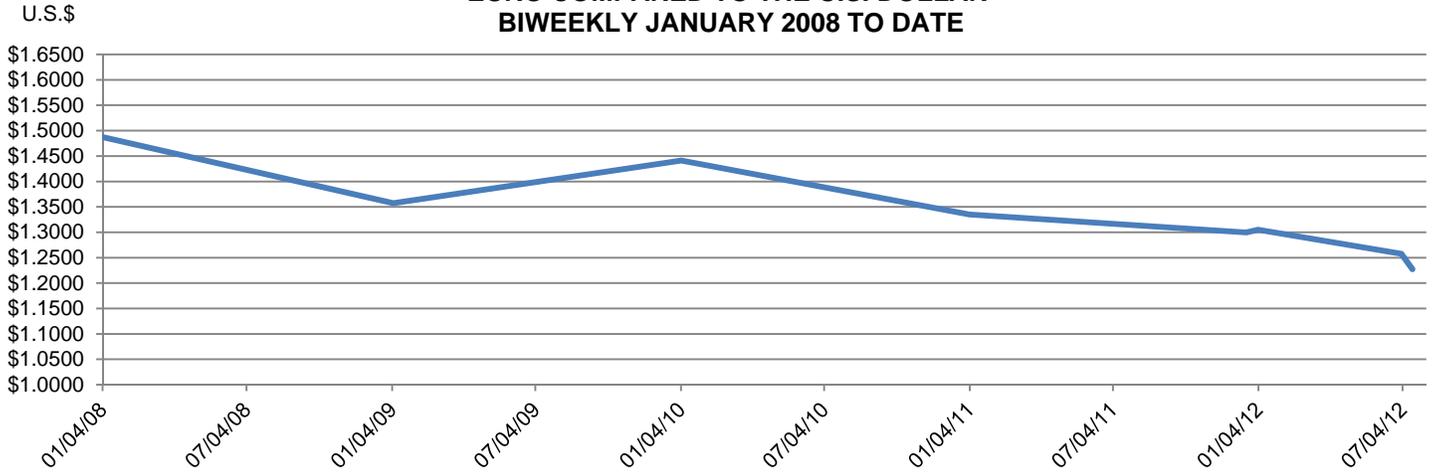
**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MAY 2012, WITH COMPARISONS 1/**

Area (Order Number)	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Northeast (001)	762	3,774	0.6	-1.0
Appalachian (005)	291	1,470	-2.1	-2.1
Southeast (007)	390	2,004	-2.6	-3.0
Florida (006)	233	1,226	-1.6	-1.1
Mideast (033)	484	2,466	-2.4	-2.5
Upper Midwest (030)	345	1,739	-0.9	-3.1
Central (032)	369	1,895	0.2	-0.6
Southwest (126)	377	1,879	1.7	-0.5
Arizona (131)	94	490	-1.6	-1.9
Pacific Northwest (124)	187	921	0.4	-0.9
California (---)	518	2,593	-6.8	-6.5

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 5/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis.

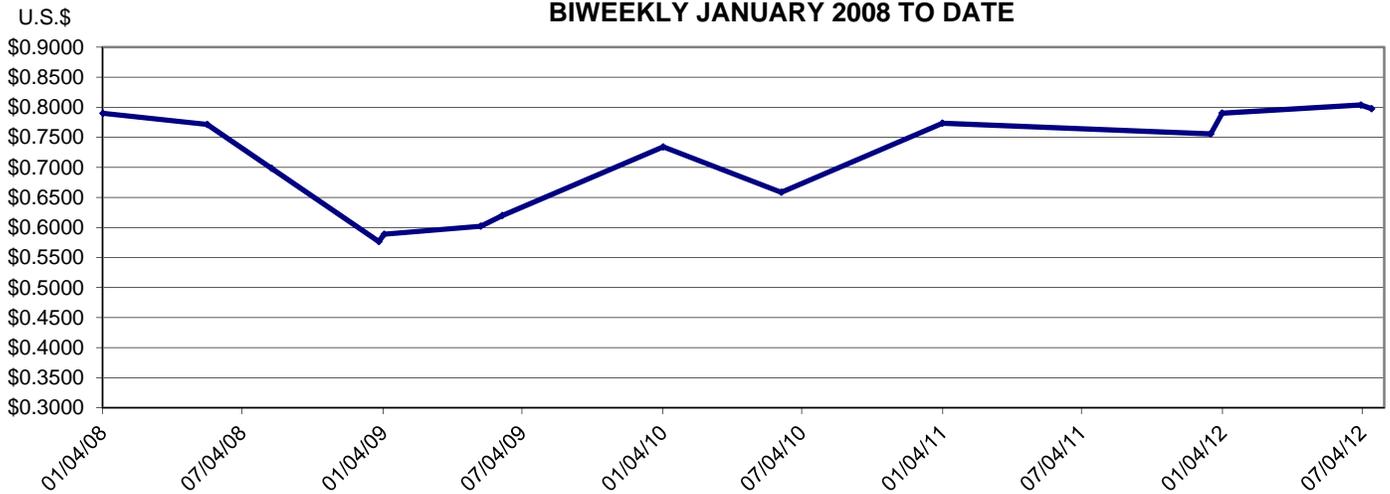
Source: U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin*, May 2012.

**EURO COMPARED TO THE U.S. DOLLAR
BIWEEKLY JANUARY 2008 TO DATE**



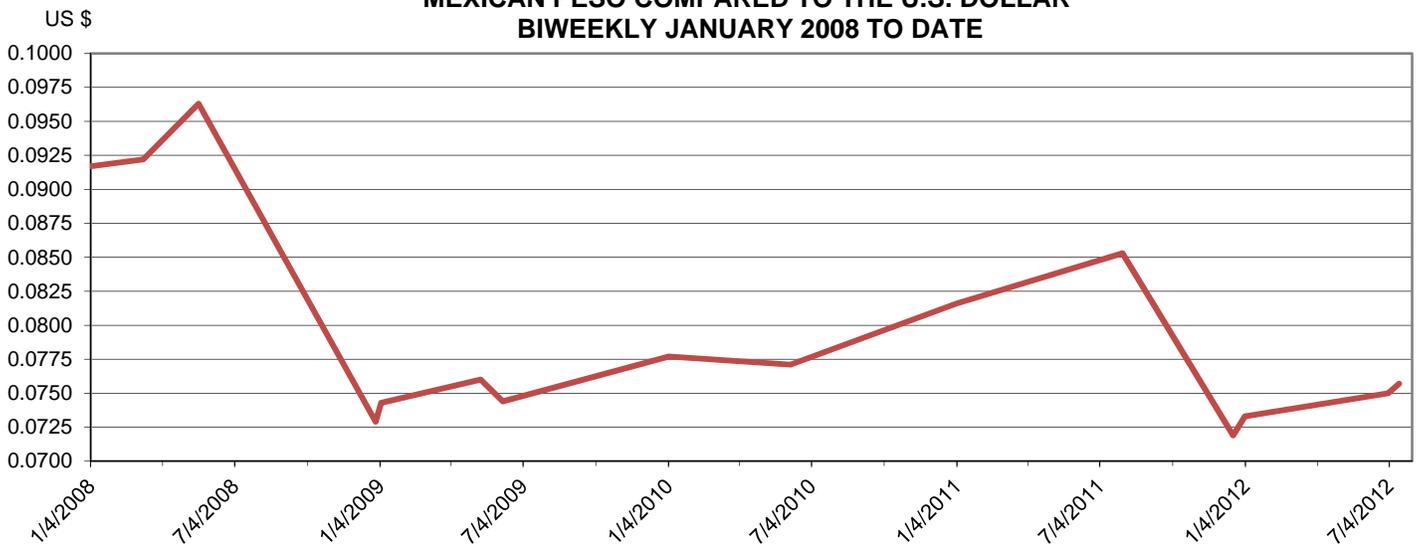
DATA, WALL STREET JOURNAL; GRAPH, USDA, AMS, DMN

**NEW ZEALAND DOLLAR COMPARED TO U.S. DOLLAR
BIWEEKLY JANUARY 2008 TO DATE**



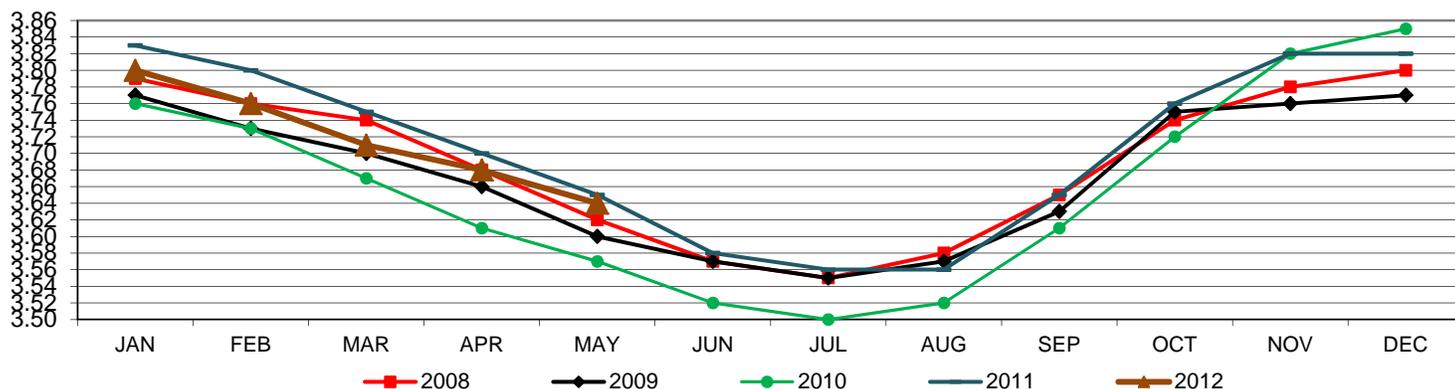
DATA, WALL STREET JOURNAL; GRAPH, USDA, AMS, DMN

**MEXICAN PESO COMPARED TO THE U.S. DOLLAR
BIWEEKLY JANUARY 2008 TO DATE**



DATA, WALL STREET JOURNAL; GRAPH, USDA, AMS, DMN

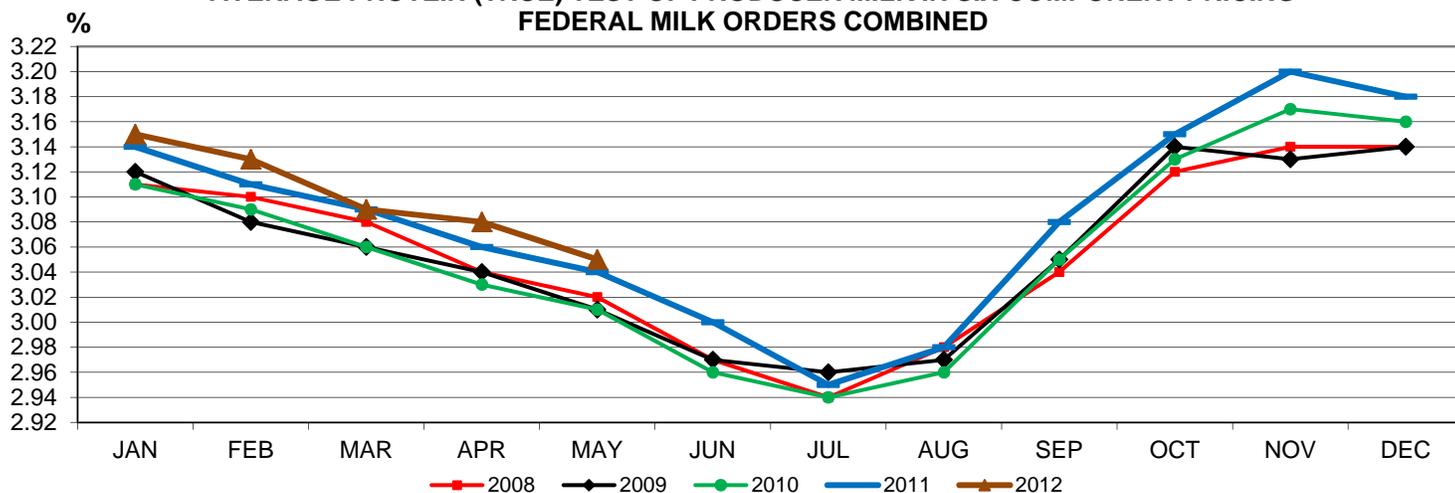
AVERAGE BUTTERFAT TEST OF PRODUCER MILK IN ALL FEDERAL MILK ORDERS COMBINED



FEDERAL ORDERS INCLUDED ARE: 1, 5, 6, 7, 30, 32, 33, 124, 126, 131

DATA SOURCE, USDA, AMS, DAIRY PROGRAMS, MIB; GRAPH, USDA, AMS, DMN

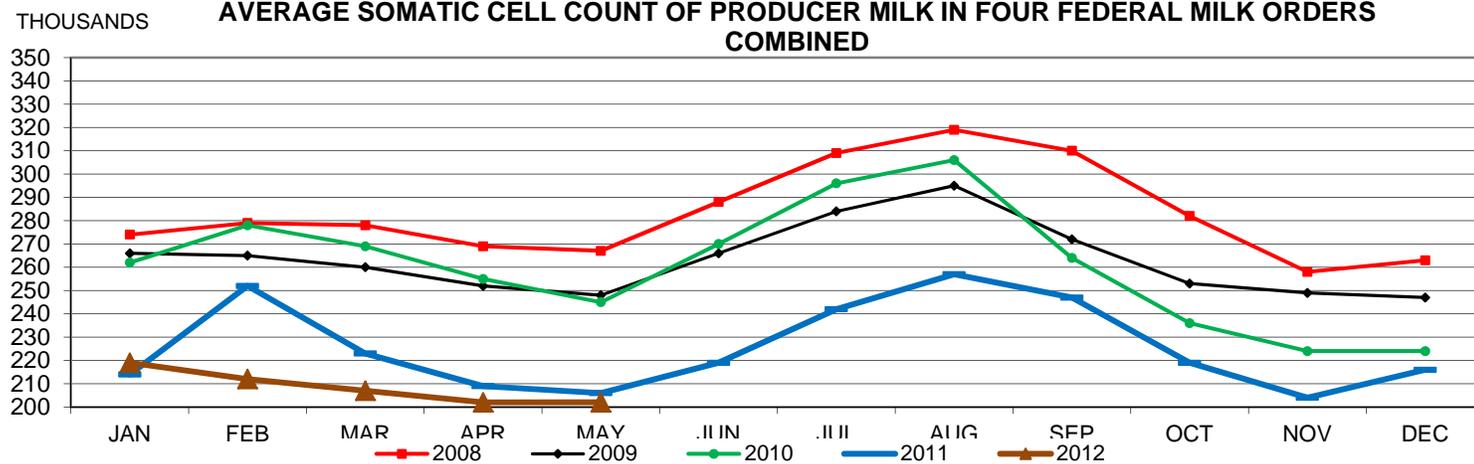
AVERAGE PROTEIN (TRUE) TEST OF PRODUCER MILK IN SIX COMPONENT PRICING FEDERAL MILK ORDERS COMBINED



FEDERAL ORDERS INCLUDED ARE: 1, 30, 32, 33, 124, 126

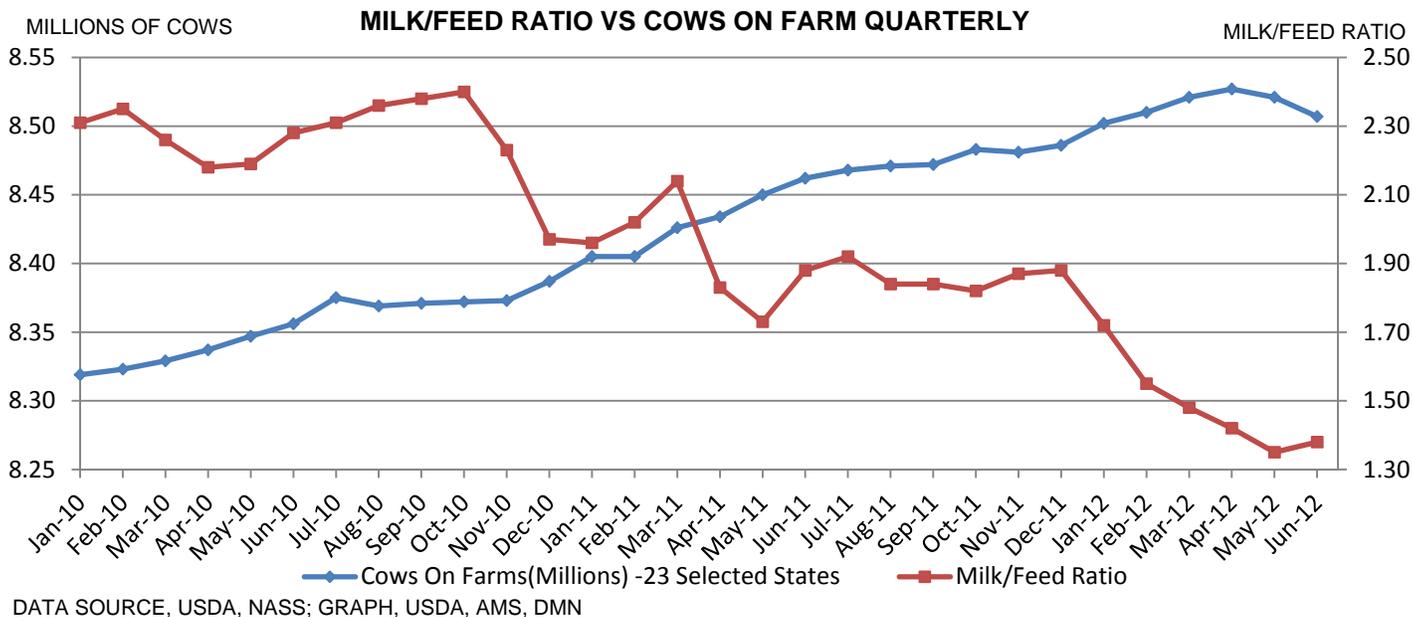
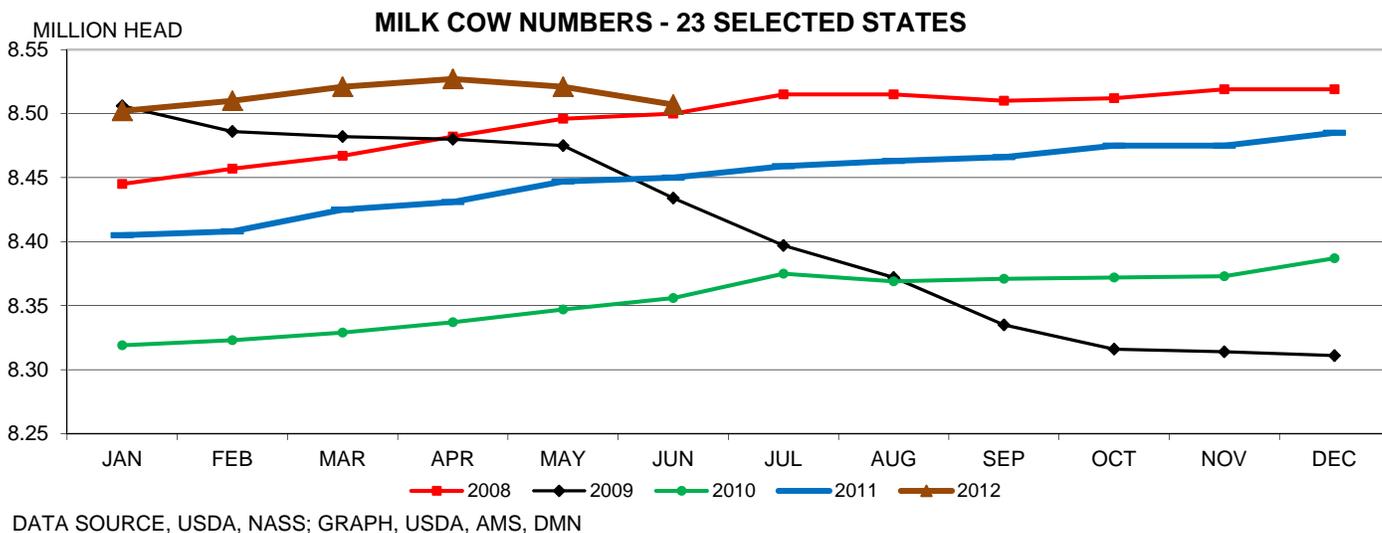
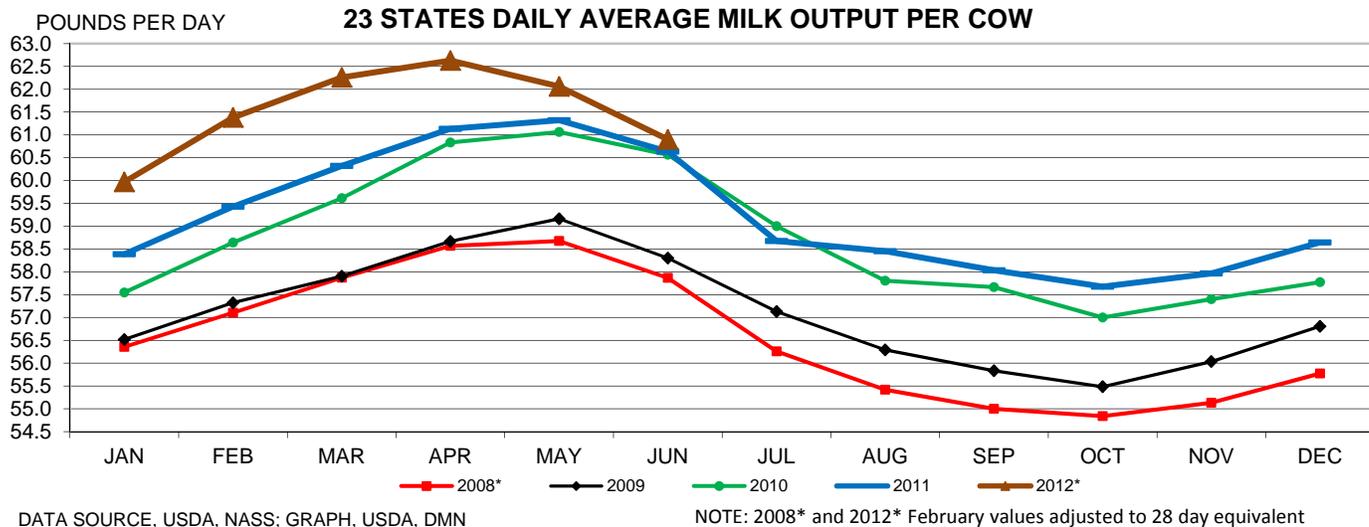
DATA SOURCE, USDA, AMS, DAIRY PROGRAMS, MIB; GRAPH, USDA, AMS, DMN

AVERAGE SOMATIC CELL COUNT OF PRODUCER MILK IN FOUR FEDERAL MILK ORDERS COMBINED



FEDERAL ORDERS INCLUDED ARE: 30, 32, 33, 126

DATA SOURCE, USDA, AMS, DAIRY PROGRAMS, MIB; GRAPH, USDA, AMS, DMN



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