

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/17):**

BUTTER: Grade AA closed at \$1.7925. The weekly average for Grade AA is \$1.7775 (+.0505).

CHEESE: Barrels closed at \$1.8350 and 40# blocks at \$1.8700. The weekly average for barrels is \$1.8270 (+.0360) and blocks, \$1.8655 (+.0470).

BUTTER HIGHLIGHTS: The CME cash butter price continues to steadily increase and settled at \$1.7925 at week's end. This price is the highest cash price since early November 2011. Churning activities across the country are mixed as butter producers implement various strategies when it comes to cream offerings and availability. Some continue to sell a portion of their cream volumes while others are pulling back from this option. Some are absorbing as much cream into their operations for churning, to make sure they have sufficient butter stocks for contract obligations and for the balance of the year with others making due with what they acquire through regular supply sources. Overall butter demand is fair. Retail orders are stable as grocery store shopping patterns are starting to pick up. As the summer vacation season comes to a close and students return to the classroom, at home eating patterns are being reestablished and are occurring on a more regular schedule. Dairy product sales, including butter, often realize a spurt in demand at this time of the season. On the other hand, food service orders are easing. As the Labor Day Holiday approaches, which is often referred to as the unofficial end of the summer vacation season, food service orders for resort and vacation areas of the country adjust their buying patterns, often reflecting slower customer traffic through their operations. Butter exports continue with the assistance of the CWT program. The most recent assistance was for 300 MT (661,387 pounds). Thus far in 2012, the CWT program has assisted with 56.6 million pounds of butter exports.

CHEESE HIGHLIGHTS: Cheese prices across the U.S. were higher this week. Last week's price increases at the CME Group were reflected in higher spot prices this week. Prices at the exchange were the highest since mid-November of 2011. The recent increase has fueled interest in securing inventory before anticipated further price increases. Demand for Labor Day retail specials and filling the pipeline for school openings have added to immediate interest. Hot weather across much of the U.S. has impacted milk volumes available for processing and cheese plants are paying premiums in some cases to

secure additional milk for cheese making. Spot prices at the CME Group this week closed with barrels at \$1.8350 and blocks at \$1.8700 on Friday.

FLUID MILK: Cream markets are firming and supplies are tighter in the Southwest. Eastern cream is tight in many areas but in the Central region, cream supplies increased in some areas and multiples moderated as Class II demand stepped seasonally lower and cream generated from Class I orders increased. Various Central milk handlers indicate that milk supplies and demand are in balance. California milk output is severely impacted by hot and humid weather, lowering milk intakes and solids levels. There are processors who would like to have more milk in the short term. Arizona milk production is steady to lower at seasonal low levels. Milk supplies in the Pacific Northwest are being affected by another session of high temperatures. Utah and Idaho milk production is also suffering from hot temperatures, resulting in lower volumes and less solids. Milk imports began for the year in Florida, where increasing school related demand has outpaced production, due to weather where cow comfort is "terrible". Milk supplies are tight in the Mid-Atlantic region, but balanced in the Southeast.

DRY PRODUCTS: Nonfat dry milk prices increased in all regions, low/medium heat and high heat. Buyer interest is increasing in the West, where the market tone remains firm. Central region end users and resellers exhibit active interest for near term purchases. In the East, buyer interest was strong and not all buyers were able to find the volume of NDM they desired. Central dry buttermilk prices are unchanged to higher on a firm market. Eastern dry buttermilk prices increased at the top of the range and spot sale markets were very quiet. Western dry buttermilk prices are trending higher and the market undertone is firm. The central dry whey market is steady, with prices higher at the top of the range and bottom of the mostly. Western dry whey prices continue to show strength and Northeast dry whey prices increased at each end of the range. Whey protein concentrate 34% prices are steady. Lactose prices are steady on the mostly and unchanged to lower on the range as brokers and manufacturers report sales of unground lactose at lower prices this week. Casein markets and prices are generally holding steady.

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CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 13	TUESDAY AUG 14	WEDNESDAY AUG 15	THURSDAY AUG 16	FRIDAY AUG 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.8200 (N.C.)	\$1.8125 (-.0075)	\$1.8125 (N.C.)	\$1.8550 (+.0425)	\$1.8350 (-.0200)	:: :: (+.0150)	:: :: \$1.8270 :: (+.0360)
40# BLOCKS	\$1.8525 (-.0025)	\$1.8525 (N.C.)	\$1.8525 (N.C.)	\$1.9000 (+.0475)	\$1.8700 (-.0300)	:: :: (+.0150)	:: :: \$1.8655 :: (+.0470)
NONFAT DRY MILK							
EXTRA GRADE	\$1.4600 (+.0200)	\$1.4900 (+.0300)	\$1.5200 (+.0300)	\$1.5750 (+.0550)	\$1.6250 (+.0500)	:: :: (+.1850)	:: :: \$1.5340 :: (+.1240)
GRADE A	\$1.5000 (+.0200)	\$1.5500 (+.0500)	\$1.6000 (+.0500)	\$1.6000 (N.C.)	\$1.6500 (+.0500)	:: :: (+.1700)	:: :: \$1.5800 :: (+.1570)
BUTTER							
GRADE AA	\$1.7525 (+.0025)	\$1.7750 (+.0225)	\$1.7775 (+.0025)	\$1.7900 (+.0125)	\$1.7925 (+.0025)	:: :: (+.0425)	:: :: \$1.7775 :: (+.0505)

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

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INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production remains at seasonally low levels throughout the **Oceania** region, although signs of spring are developing each day. Pastures are starting to green and grass growth is resuming. Milk handlers are stating that noticeable increases should start to occur by the end of the month, especially in **New Zealand**, with **Australian** increases generally a few weeks later. Milk producers and handlers are very optimistic about the upcoming season. A strong finish to the previous season, favorable winter weather patterns, and good cow conditioning are some of the factors that are encouraging a positive start to a new production year. New Zealand milk producers and handlers are projecting that milk output will not be as positive as last season's 9% gain, but will be more in line with a 4 - 5% gain of two years ago. In Australia, output is not projected to be as positive as last season and projections are in the 2% gain level over two years ago. Traders and handlers of manufactured dairy products were very interested in the outcome of the most recent g/DT event which was held on Wednesday, August 15. Many were speculating that the event will be very pivotal for market sentiment. At the 74th event, all product prices that had sales activity were higher. This is following in line with what is happening with commercial prices within the Oceania region and elsewhere in the world. When looking at the all contract price averages for all contracting periods, anhydrous milk fat and milk protein concentrate were up 14.0% and 15.4% respectively, while other products were generally up in the 5 - 10% range. Traders feel that the firm trend at the g/DT will continue as international market participants closely monitor what is happening or not happening in the international marketplace.

Milk production throughout **Europe** continues to decline seasonally. Output compared to the previous year has been positive for much of the season and running around 2% stronger, but in recent weeks, the comparable figures are narrowing and production trends are becoming more comparable to the previous year. Weather patterns ranging from too much moisture, limited moisture, and hot temperatures have impacted production trends throughout the region at varying rates. Within the past two weeks, weather patterns have stabilized and became more typical for this time of the season. In instances, milk production is rebounding slightly or at least stabilizing. Milk producers and handlers are pleased with the situation, but are not overly optimistic that this trend will prevail at this time of the season. As milk volumes decline, milk continues to be re-directed towards products of most need or best return. This trend started earlier than usual, especially in wet regions of Europe, causing production of some manufactured dairy products to cease output, putting manufacturers and marketers in an unsettling situation. This unforeseen situation has caused some marketers to inform clients that they potentially would not be able to fulfill commitments. Although the milk production season has been fairly strong thus far, stocks of manufactured dairy products are often not as plentiful as in years past. Sales activity has been slow, but steady. Traders and handlers are reporting that domestic and international sales have been occurring during the past 6 weeks or so when sales are typically lighter during the summer holiday period. This year, buyer presence in the marketplace has remained throughout the holiday period and continues. Much of this buyer presence is being attributed to the uncertainty of available stocks for the upcoming winter season. Also, a concern to international buyers is the impact high temperatures and drought conditions in the U.S. will have on their dairy industry. Reports of poor grain crops and increasing feed costs are not only impacting dairy rations, but other grain dependent enterprises such as ethanol production, grain exports, and feedlots. Uncertainty of U.S. participation in international dairy markets is potentially causing some international buyers to procure upcoming needs earlier than usual from sources that currently have product -1A-

available. Butter stocks continued to clear to PSA during the final days of the open season. This program has been open since March and will remain open until August 15. Since March 1 and through August 5, 126,084 MT of butter have cleared to the program. This clearance is 25% more than last year's 95,917 MT for the same period. As of August 16, early offerings are eligible for removal from the program for commercial needs or commitments.

Milk production in **Eastern Europe** is trending lower, but is often running stronger than their Western counterparts at this time of the season. Although milk output has been running stronger than usual, manufacturers and handlers are reporting that stocks are not excessive with many reporting that they have uncommitted stocks, but not at the level of previous years. Sales activities have been slow, but steady throughout much of the summer which has caused uncommitted inventories to be lighter than in recent years. Buyers are purchasing in smaller lots, but maintaining a more active presence in the marketplace.

HAY HARVEST, YIELD AND PRODUCTION (NASS): The acres of alfalfa and alfalfa mixtures harvested for hay declined by 2.1% from the 2011 harvest to the 2012 harvest estimated as of August 1, 2012. Comparing the yield in tons per acre for the same time periods, there is a 14.1% decline. Total production declined by 16.0% during this period.

MAY MAILBOX MILK PRICES (AMS & CDF): During May 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.29, down \$0.58 from the previous month average, and down \$3.29 from May 2011. The component tests of producer milk in May 2012 were: butterfat, 3.64%; protein, 3.05%; and other solids, 5.77%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except Southern Missouri. Mailbox prices in May 2012 ranged from \$18.49 in Florida to \$14.33 in New Mexico.

AUGUST MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production forecasts for 2012 and 2013 are reduced from last month as higher forecast feed prices are expected to pressure producer returns and encourage a more rapid decline in the cow herd. Milk per cow is also reduced due to tighter feed supplies. Imports for 2012 are raised on both a fat and skim-solids basis and are raised on a fat basis for 2013. Exports are raised for 2012 but exports for 2013 are reduced from last month on tighter supplies. Ending stocks are reduced. Product prices are forecast higher for 2012 and 2013 as tighter supplies support prices. With higher product prices, both Class III and Class IV price forecasts are raised. The all milk price is forecast at \$17.55 to \$17.75 for 2012 and \$17.80 to \$18.80 for 2013.

CME GROUP

MONDAY, AUGUST 13, 2012

CHEESE -- SALES: 3 CARS BARRELS @ \$1.8200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS BARRELS @ \$1.8200; 1 CAR 40# BLOCKS @ \$1.8525
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.4600; 2 CARS GRADE A @ \$1.5000; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7525; LAST OFFER UNCOVERED: NONE

TUESDAY, AUGUST 14, 2012

CHEESE -- SALES: 11 CARS BARRELS: 8 @ \$1.8175, 1 @ \$1.8150, 2 @ \$1.8125; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8125
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.4900; 2 CARS GRADE A @ \$1.5500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7750; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8000

WEDNESDAY, AUGUST 15, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.6000; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$1.5200; 1 CAR GRADE A @ \$1.6000; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6500
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7775; LAST OFFER UNCOVERED: NONE

THURSDAY, AUGUST 16, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.8750, 1 @ \$1.8550; 1 CAR 40# BLOCKS @ \$1.9000; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8325; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.9000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.5750; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7900; LAST OFFER UNCOVERED: NONE

FRIDAY, AUGUST 17, 2012

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.8800; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8350; 1 CAR 40# BLOCKS @ \$1.8700
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 2 CARS EXTRA GRADE @ \$1.6250; 2 CARS GRADE A @ \$1.6500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7925; LAST OFFER UNCOVERED: NONE

NORTHEAST

Butter prices have been trending upward, reaching a nine month high of \$1.7750 Tuesday this week. Prices were last higher than this Tuesday's close on November 9 last year. Cream availability remains tight. This has resulted in varied responses throughout the region. Some plants have stopped selling spot cream loads to ensure enough is available to meet contract obligations. In some cases, this has also curtailed churning activity to preserve cream for contracts. Elsewhere in the region, previously scheduled plant maintenance this week has resulted in some additional cream coming available but that cream was quickly spoken for. Elsewhere yet, lighter spot cream availability has prompted another plant to elect to perform routine maintenance on a line this week, thereby reducing butter manufacturing. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 661,387 pounds (300 metric tons) of butter. The product will be delivered August 2012 through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of butter and anhydrous milk fat totaling 56.6 million pounds.

CENTRAL

The CME cash butter price increased 4 1/4 cents during the most recent 5 trading sessions to settle at \$1.7775 at midweek. Churning schedules are seasonally active, although cream availability and price are often limiting desired levels. Although churning cream volumes are often lighter than desired, some butter producers continue to sell a portion of their cream supply to other uses due to positive returns. In most instances, current churning schedules are not keeping pace with demand and inventoried stock is being used to fulfill butter demand. Butter demand is holding steady at fair levels. Retail orders are often being enhanced by scheduled feature activities. Food service orders are fair, but butter orders for resort and vacation areas of the Midwest are trending lower as the end of the summer vacation season nears. Students are starting to return to

Midwestern school systems as the 2012 - 2013 school year resumes. Comments from food service buyers in the Central part of the country are already indicating lighter traffic flow through their facilities and thus, are placing lighter overall food orders. Food service buyers are indicating that summer traffic flow through their operations has been positive and often stronger than anticipated. Butter export activity continues to occur with the assistance of the CWT program. Within the past week, CWT export assistance was awarded for 661,387 pounds (300 MT) of butter for export now through January 2013. Thus far this calendar year, butter and anhydrous milk fat export assistance has been extended for 56.6 million pounds. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Butter prices in the West continue to be firm to higher. Unusually high temperatures in the Northwest have cut into milk production in the region and milk solids yields are suffering. Adequate cream is available for current butter needs with some churns taking advantage of good cream demand to move cream directly to other end users. Butter manufacturers are keeping a close eye on inventories for upcoming fall and holiday needs. Bulk buyers have been building inventories when available. Print sales for retail are mostly steady along expected lines. 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. Wednesday's close on the CME Group exchange for butter is up \$.0025 to close at \$1.7775. The butter market has been steady to higher each trading session in August. The market is being driven higher recently by unfilled bids with no actual sales reported at the exchange.

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
August 11, 2012	1.6601 3,600,801	1.7170 11,567,114	1.7132 9,888,161	0.5291 8,663,617	1.2467 17,487,632

CHEESE MARKETS

NORTHEAST

“Strength” is the characteristic of recent cheese price movement. While blocks and barrels are slightly down this week through Tuesday’s trading, they remain close to highs for the year. The +.1105 increase last week in the average for barrels was last achieved the week of November 7 last year. The weekly average increase for blocks, +.1145, has not been exceeded since the week of January 24, 2011. In the Northeast, cheese production remains steady and inventories are adequate. Sales are pushing up in response to orders related to school openings. Cheese retail advertising volume reported in the National Dairy Retail Report is up, following three periods of declining volume. Current cheese ad numbers are 20.2% above volume two weeks ago. A cheese marketer comments that cheese advertising moving into the pipeline for the period surrounding Labor Day appears to maintain an “increased volume of advertising”. The weighted average advertised price of four of the five cheese package varieties reported increased from two weeks ago. The weighted average advertised price of 8 ounce shredded increased 9.3% to \$2.36; 8 ounce blocks increased 4.5% to \$2.30; 1 pound blocks increased 0.3% to \$3.95; and 2 pound blocks increased 5.0% to \$5.66. Only 1 pound shreds declined, -17.2%, to \$3.41. Leading cheese category ad volume during the current survey period, is 8 ounce shredded cheese, up 3.5% from the last period, when 8 ounce shredded cheese also led all cheese categories. Next highest is 8 ounce block, down 34.3% from volume two weeks ago. The remaining cheese category ads in descending volume are 1 pound block, up 222.8%; 1 pound shredded, up 463.3%; and 2 pound block, up 43.4%. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 3.1 million pounds (1,417 metric tons) of Cheddar and Monterey Jack cheese. The product will be delivered August 2012 through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 73.6 million pounds (adjusted for cancellations).

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

Cheddar 40# Block	:	2.2225-2.5075
Process 5# Sliced	:	2.0075-2.1275
Muenster	:	2.2425-2.6025
Grade A Swiss Cuts 10 - 14#	:	3.2450-3.5675

MIDWEST

Cheese prices continue to demonstrate strength. While midweek CME prices have stepped back slightly from last week’s significant increases, prices remain near high levels for the year. Last weeks’ +.1105 increase in the average for barrels was last achieved during the week of November 7 2011. The weekly average increase for blocks, +.1145, has not been exceeded since the week of January 24, 2011. The significant price increases last week have impacted cheese orders received by plants. Orders seeking immediate delivery increased, from buyers acting quickly to attempt to “get ahead of the averages”. In contrast, standing orders from some regular customers notched down somewhat in the future, as those buyers looking ahead, became more nervous about what prices “might be” in the weeks ahead. Manufacturers who received a sudden increase in ordering, took cheese from manufacturer’s inventory to fill the orders. Some of those manufacturers would now be happy to increase cheese production if more milk became available to them,

but that generally is not the case. Securing additional milk generally requires paying \$2.00 or \$2.50 over class, which commercial cheese manufacturers mostly decline to do in this situation. Remaining inventories are “adequate” but manufacturers will likely replenish them as milk becomes available without premium prices being attached. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 3.1 million pounds (1,417 metric tons) of Cheddar and Monterey Jack cheese. The product will be delivered August 2012 through January 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 73.6 million pounds (adjusted for cancellations).

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

Process American 5# Loaf	:	1.9800-2.6850
Brick And/Or Muenster 5#	:	2.2100-2.7700
Cheddar 40# Block	:	2.2100-3.1950
Monterey Jack 10#	:	2.1800-3.1950
Blue 5#	:	2.4750-3.4600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0550-3.2950
Grade A Swiss Cuts 6 - 9#	:	2.7650-2.8825

WEST

Western cheese prices are higher following last week’s prices at the CME Group. Very hot temperatures across much of the West are reducing farm milk production and affecting milk solids yields. Cheese production is steady to slower. Barrel sales are showing an increased volume with the recent price increases. Sales to retail accounts are steady along expected amounts with export sales slowed some due to lower competitive world prices. The Cooperatives Working Together program is assisting sales with another 3.1 million pounds of Cheddar and Monterey Jack cheese. Barrel trading at the CME Group on Wednesday closed unchanged at \$1.8125. Blocks were also unchanged at \$1.8525. After last week’s quick climb higher, prices this week have remained closer to unchanged. Sales of barrels are moderate with 14 loads selling so far this week while blocks had no sales reported.

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

Process 5# Loaf	:	1.9125-2.1700
Cheddar 40# Block	:	1.9475-2.3000
Cheddar 10# Cuts	:	2.1275-2.3475
Monterey Jack 10#	:	2.1375-2.2975
Grade A Swiss Cuts 6 - 9#	:	2.8225-3.2525

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CHEESE MARKETS

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FOREIGN

The CME Group weekly average block price increased which moved domestic wholesale cheese prices up by 11 1/2 cents. Importers are watching domestic price movements in considering potential pricing changes for imported cheese. Prices for imported cheese varieties were unchanged this week.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	2.6400-5.2200	2.3625-3.8500*
Gorgonzola	3.6900-6.3900	2.8650-3.1250*
Parmesan (Italy)	-0-	3.4850-4.0400*
Provolone (Italy)	3.4400-6.1800	2.4050-2.5625*
Romano (Cows Milk)	-0-	3.5525-5.7025*
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-	3.3375-3.6600
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

	:	
08/13/12	11,483	: 127,145
08/01/12	12,208	: 129,478
CHANGE	-725	: -2,333
% CHANGE	-6	: -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	44	0	0	0	35	0
SOUTHEAST STATES	0	0	0	0	0	0

A combination of weather and mechanical factors contributed to comfortably keeping milk flowing into bottling in the Southeast. Apprehensions of the last few weeks over potential supply weakness, did not develop this week. Weather - with comfortable temperatures for August coupled with rain - kept milk production "stabilized" at slightly higher levels than had recently been expected if August weather was more like "normal" years. That, coupled with a regional manufacturing plant being down this week, freeing some otherwise committed milk sales, resulted in comfortably accommodating increased milk demand from schools which began classes a week and a half ago in some areas. It was not necessary to import milk into the region. In Florida, milk imports began this week for the season, 44 loads, at a higher level than last year at this time, 35 loads. Demand has increased due to schools starting. Florida produced milk has been declining in volume with cow comfort being "terrible" at this time of year. Temperatures are in the 90's days and 80's nights. In Florida, pasture conditions ranged from very poor to excellent, with most pastures in good condition. This reflects deterioration from last week due to dry conditions in some locations. Class I milk is in a tight supply situation in the Mid-Atlantic region as the school pipeline is beginning to be filled. This has left some plants to stop all drying and churning, to maximize milk available for Class I use. Other manufacturing plants have decided to undertake some maintenance now, taking advantage of lighter milk availability. Much of New England and parts of New York continue to benefit from weather seasonally favorable to milk production. Pastures in New York continued to improve as a result of recent rain and slightly cooler temperatures. Cream is tight in some areas of the region. Some plants are concerned with their ability to fill cream supply contracts while other plants report a slight easing in cream availability from last week, with emphasis on "slight".

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 - 2.6077-2.7632
F.O.B. producing plants: Upper Midwest - 2.2969-2.4178

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices - 1.16 - 1.25
Northeast - Class III - spot prices - 1.35 - 1.44

MIDWEST

Cream multiples moderated this week, ranging between 1.33 - 1.40. Cream supplies increased in some areas as Class II demand stepped seasonally lower and cream generation from Class I orders increased. Ice cream manufacturing operators describe near term orders for ice cream are returning to traditional fall patterns, with less emphasis on frozen novelty items. Cream use in dips, whipping cream and sour cream is steady. Various milk handlers indicate their milk supplies and demand are in balance, with no sales or

purchases of outside milk loads required to meet weekly needs. Demand from specialty cheese operations continues, with spot prices for milk reportedly \$2.75 - \$3.00 over Class. Some changes in farm milk use were noted in some areas of the Central region. Reports indicate that some farms were delisted as Grade A status, necessitating accommodation by milk processors in farm milk pickup routing, plant segregation, and sales into various end uses. Actions to restore Grade A status are being quickly implemented. NASS's Crop Production report included forecasted yields for corn for grain and alfalfa hay. Ten of the sixteen states in the DMN Central region posted corn for grain projected production losses compared to 2011. Missouri and Indiana corn for grain losses are expected at 28%, the highest loss percentage in the Central region. Six states posted projected production gains for the year for corn for grain, with Texas posting a 73% gain compared to last year. Projected alfalfa production declined in 11 of the 14 states surveyed in the Central region. South Dakota alfalfa production is pegged to drop 46%, leading the Central states on production declines. Kansas, Oklahoma, and Texas producers expect alfalfa production will exceed year ago levels.

WEST

CALIFORNIA milk output is being severely impacted by hot and humid weather conditions that remain over wide areas of the state. Milk intakes are lower and the solids levels are lower. Processors with milk supply contracts are finding themselves in tighter milk positions to run their own plants after all their commitments are filled to others. In addition, schools and colleges are creating a stronger pull and the Class 1 processors are pulling heavier. The heat is the story, yet the underlying financial stress on input costs is playing out in farm and cow sales. In addition, cows on adjusted rations are further impacted by the heat stress. Processing plants are running on reduced schedules and able to handle the milk supply in the state despite several plants remaining down for scheduled maintenance. There are processors who would like to have more milk in the short term. This is a sharp contrast to the early months in 2012 when producers were being asked to limit milk marketings. The September 2012 Class 1 prices in CALIFORNIA range from \$19.34 in the north to \$19.61 in the south. The statewide average Class 1 price based on production is \$19.36. The average is \$1.33 higher than August 2012 but \$4.22 less than September 2011. ARIZONA milk production is steady to lower at seasonal low levels. The excessive heat warnings remain in effect and the conditions are impacting milk receipts. Feeding and reproduction concerns are on farm issues that will have longer-term impacts. As the plant level, lower milk supplies are creating issues as processors adjust schedules in attempts to satisfy customer needs for milk and products. CREAM markets continue to firm. Cream supplies are tighter with milk production declining across much of the Southwestern states. Buyer interest is fair to good across finished product categories. Some butter producers in other regions are bidding for cream to augment their holdings. Ice cream categories are trending lower, yet still active cream buyers. Other class items are slow to develop a demand pattern. At the CME, Grade AA butter price moved 4.25 cents higher to close at \$1.7775 on Wednesday, August 15. Cream multiples moved higher and range 120 to 138 and vary depending on basing points and averages. Milk

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

supplies in the PACIFIC NORTHWEST are being affected by another session of high temperatures. Coastal regions of Oregon and Washington are also seeing the unusually high temperatures with humidity. Processors are taking advantage of lower milk intakes to deal with scheduled maintenance. Dairy farmers are busy with alfalfa harvest and irrigated crops are looking good for fall harvest. Grain prices and availability will be major factors in planning for the fourth quarter of 2012 and into 2013. UTAH and IDAHO milk production is also suffering from hot temperatures. Processors report lower volumes and less solids in the milk that is delivered. A well attended conference of the Idaho Milk Processors Association afforded an opportunity to discuss milk supplies and future plans for the region. According to NASS, the August Crop Production report for alfalfa production showed 2012 alfalfa supplies for the United States at 54.9 million tons, down 10.4 million tons or -16.0% from last year. 2012 production totals for selected Western states showed Arizona +125,000 tons, California +592,000, Colorado -352,000, Idaho -200,000, Nevada -68,000, New Mexico -21,000, Oregon -120,000, Utah -350,000, and Washington +24,000 tons. The net loss for these Western states was -370,000 tons (-1.6%) for the region.

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 are higher on a firm market. Interest from end users and resellers for NDM is active for near term purchases. Resellers indicate there is some hesitancy to establish positions on NDM by end users as they anticipate the new milk production season, which is a few weeks away, may offer some relief from the current firm price trend. Other market participants project NDM supplies will continue to be tight through the balance of 2012 because of supply contracts already on the books and the expectation of decreases in the national dairy herd as winter arrives. Some brokers indicate the current timeframe of buy/sell deals is shorter compared to a few weeks ago. Brokers find spot loads are moving quickly through the marketplace, squeezing the time between receiving an inquiry for NDM and then looking/finding/selling. This is changing market strategy for some brokers, so that they are now considering buying multiple NDM loads and providing quick turnaround for NDM inquiries. Central low heat nonfat dry milk inventories are light, with spot sales generally limited to 1 -2 loads per transaction. Demand for condensed skim loads on a spot basis is active. Some facilities are sticking to contract fulfillment. Condensed skim sales in some specific geographic areas moved sharply higher this week due to delisting of some farms and facilities as Grade A. Manufacturers in these areas are rerouting farm milk pickups and segregating milk to maintain the integrity of Grade A milk, while still using all farm milk in various ways, including condensed skim manufacturing. Sales into Class II benefitted in some locales due to the increased availability of condensed skim. For manufacturers with multiple end products, cheese production continues to funnel condensed skim away from the dryers in the Central. Various cheese/NDM manufacturers indicate returns from cheese are expected to exceed NDM returns, barring exceptional milk transportation costs. High heat NDM inventories are also light. Production is intermittent at some plants, and geared to contract fulfillment.

EAST: Prices for eastern nonfat dry milk increased this week, a week with strong buyer interest during which not all buyers were able to find the volume of NDM they desired. Spot sale product availability was insufficient to meet demand, which also led to active re-sale activity. Some buyers found out the hard way that resellers tended to have product taken quickly in this market. In some cases, buyers who received initial price quotes and who took a few hours to consider, learned when they called back to accept the terms that the product had already sold to another buyer. A number of plants in the Northeast were not drying this week in efforts to maintain Class I supplies. Milk is expected to be somewhat tight in coming weeks as schools cycle into session. There is a split among buyers as to what they believe the future holds. Some buyers are holding back from current NDM purchases unless needed to carry them into about October, hoping there will be more milk available for drying and thus, NDM available at more favorable prices than now. Other buyers are buying all they can now, expecting prices by October to be even higher. One buyer summed this week up by saying that he was "tired of chasing" NDM.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2850 - 1.5100 MOSTLY: 1.3350 - 1.4400
 HIGH HEAT: 1.3350 - 1.6000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are moving moderately to sharply higher across trading categories. The market tone remains firm. Buyer interest is increasing as various buyers look for loads and coverage. Index based pricing levels are trending slightly higher on a week-to-week basis; whereas spot pricing is sharply higher. The nature of the index-based prices would project slightly higher gains. The spot market is also higher on the CME and even included a sale at midweek. The gDT auction showed U.S. SMP pricing at the \$1.50 FOB mark for September shipments. Some domestic buyers entered the year seeing surplus milk and products, along with low pricing levels and were not inclined to contract in 2012. Some of these buyers are now concerned about getting needs in a more tightly held NDM market and are searching for those needs. Production schedules are reduced in the region. Hot weather over most of California was reducing milk intakes at the plant level. In addition, solids in the milk are trending lower. Further, with schools and colleges starting, there is a stronger pull for Class 1 milk. Other producers are having to fill milk supply contracts to other customers. The overriding comment is that there is less milk available for powder plants and powder output is lower. Prices are trending higher for Western high heat. The market tone remains firm. The market is not being fully tested because of limited product being available in the region. Buyer needs are light to moderate and being filled through supply contracts. Spot interest is light, but the reality is that producers have little that they are willing to offer out because of the market conditions. Drying schedules are light. FAS export data for NDM/SMP show January-June 2012 exports at 532.8 million pounds, up 11% from the same period in 2011. June 2012 exports total 86.3 million pounds, up 3% from a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2000 - 1.5500 MOSTLY: 1.2500 - 1.4500
 HIGH HEAT: 1.2200 - 1.4000

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are unchanged to higher on a firm market. Interest is steady to higher, with end users who are able to swap dry buttermilk for nonfat dry milk showing increasing interest. Spot market activity is light as Central region manufacturers indicate their focus remains contract fulfillment. Contract loads of Western dry buttermilk are filling the supply gap into some end users' Central facilities.

EAST: Eastern dry buttermilk prices increased at the top of the range. Spot sale markets were very quiet. Butter production has been lower following cream supplies tightening. Some sellers were not able to find dry buttermilk for sale on spot markets. One buyer commented that "no one is making it". With NDM prices moving up, another commented that "dry buttermilk is along for the ride".

F.O.B. CENTRAL/EAST: 1.2425 - 1.3200

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

CONTINUED FROM PAGE 5**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are trending higher and the market undertone is firm. Buying interest is fair to good for the currently offered product. Contract volumes are being filled on a timely basis. Spot interest and contract buyers looking for extra loads are both providing added demand to a generally tight offering position. Production schedules are light as butter churns are slowed. Demand for NDM is good and there is spillover interest into the dry buttermilk market for those buyers able to utilize buttermilk in formulations. The downside is that availability is limited and not able to fill those needs. Butter producers are selling moderate volumes of cream to take advantage of current cream values. Producers' stock levels are light to moderate and held with more confidence as the market prices and trends firm.

F.O.B. WEST: 1.1300 - 1.3500 MOSTLY: 1.1750 - 1.2250

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged to higher on a firm market. Light spot market offerings of domestic dry whole milk and limited availability of imported dry whole milk are supporting the market in conjunction with butterfat and nonfat solids prices.

F.O.B. PRODUCING PLANT: 1.5000 - 1.6300

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 10	\$1.2174	8,391,361	0
August 3	\$1.1844	5,754,520	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 are higher on the top of the range and the bottom of the mostly price series. The market tone is steady. Manufacturers' inventories are wide ranging. Some manufacturers report they could use extra milk for cheese and whey production, but spot milk loads are tight to unavailable. In some of those locations, dry whey manufacturers are getting inquiries for additional loads of dry whey, but they have none to offer. In contrast, some end users in the edible dry whey market indicate the number of spot loads offered from their usual suppliers is steady to higher, indicating that dry whey spot loads are readily available from week to week. Those F.O.B. spot loads carry customary market plus pricing. Increased availability of condensed whey is also noted this week. One or two plant operators are clearing condensed whey loads due to plant maintenance, and it is also providing a dry whey inventory management tool. ANIMAL FEED DRY WHEY prices are unchanged to higher as prices follow the trends of various pricing indices. Interest is unchanged. Various animal feed blenders report sales of feed into veal raising operations are steady to lower while sales into dairy replacement markets are steady to increasing.

F.O.B. CENTRAL: .4700 - .5700 MOSTLY: .4900 - .5450
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3825 - .5150

DRY WHEY - NORTHEAST

Dry whey prices increased by 1/2 cent at each end of the price range this week. Adjustment at the top was based on contract adjustments. This represents the sixth consecutive week of upward price adjustments. There is price strength in Northeast whey, with re-sale activity occurring in the face of apparent limited spot market availability from manufacturers. Contract deliveries are generally being made on schedule. Demand for dry whey remains good.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5450 - .5650

DRY WHEY - WEST

Western dry whey prices continue to show strength as various pricing indices for contracted whey move higher. The market remains strong as supplies are mostly adequate for contracted needs. Spot availability is described as tight for additional product needs. There is whey available through the reseller markets but at prices near or above the current ranges. Extremely hot weather across most of the West has reduced milk supplies into cheese plants and whey stream products are seeing reduced volumes. Buyers are looking to build inventories to ensure they will be able to meet their product needs and to beat any possible future price increases.

NONHYGROSCOPIC: .5225 - .5750 MOSTLY: .5400 - .5600

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are steady. Market participants report spot load offers from resellers outpace those from manufacturers. Resale prices reportedly cluster near market average values, while manufacturers' offers carry market plus prices. Some end users also indicate direct offers of loads above contract quantities from their approved WPC 34% suppliers are more active than in July. These types of sales help manufacturers clear product and steer loads away from the spot market. Demand for condensed whey protein concentrate is active into snack accounts and continues to pull loads away from dryers and inventories. Manufacturers' inventories are steady to lower.

F.O.B. EXTRA GRADE 34% PROTEIN:1.0700 - 1.2750 MOSTLY: 1.0900 - 1.1525

LACTOSE - CENTRAL AND WEST

Prices for lactose are steady on the mostly, unchanged to lower on the range as brokers and manufacturers reported sales of unground lactose at lower prices this week. Market participants continue to review factors that may affect lactose prices in the near term. Some express confidence in a steady near term market but the occasional sales that send lactose prices lower indicate some manufacturers' inventories may be above planned quantities. Price planning for Q4 is underway. Many fourth quarter offers are being finalized during the next two weeks for transmittal to customers near the end of August.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .6800 - .9500 MOSTLY: .7800 - .8700

CASEIN - NATIONAL

Casein markets and prices are generally holding steady. European casein production is nearing seasonally low levels in those regions that are still in production. Some European producers, especially from Ireland, had previously greatly reduced their production schedules due to very wet conditions and quickly declining milk production trends. Most of this action was done to re-direct available milk volumes to other products of most need or better returns. Oceania production has not yet resumed as milk output remains at low levels, although a few milk handlers, especially in New Zealand, are reporting seasonal increases. Casein output within the Oceania region still has a number of weeks before production resumes as casein is basically the last product to come on line during a production season and the first to cease output on the downside of the season. Domestic buyers continue to question suppliers on availability, but outside of some European sources, most suppliers are comfortable with their supply commitments.

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
07/28/2012	55.9	1,741.3	51.6	1,654.7

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

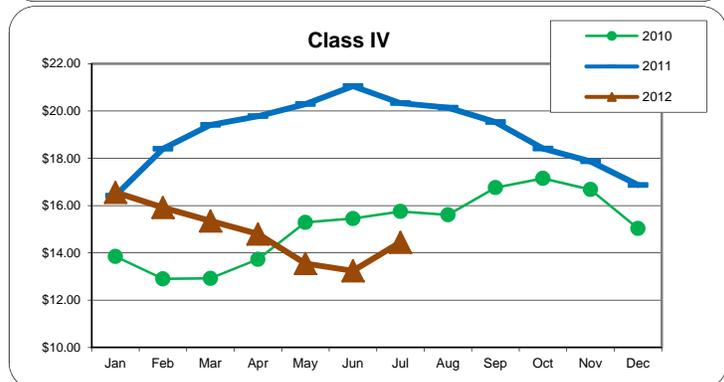
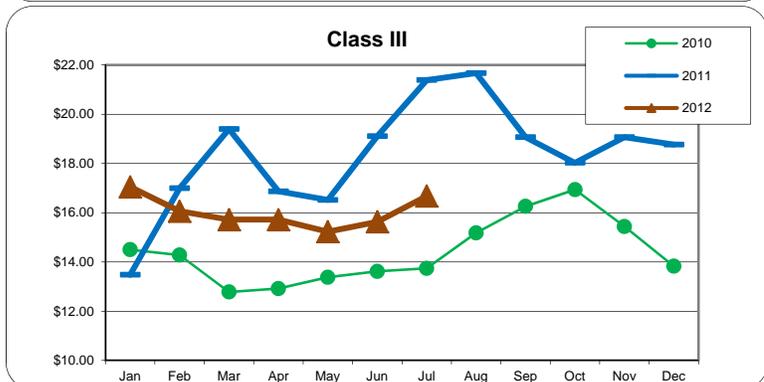
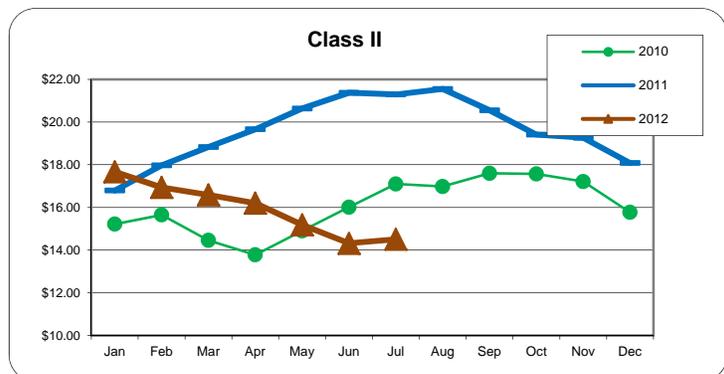
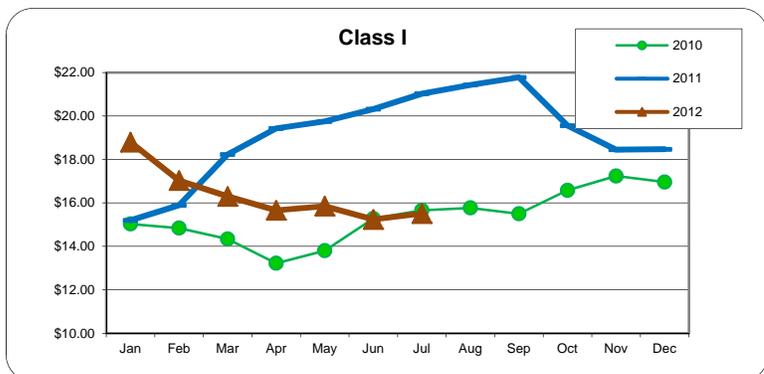
CLASS IV MILK PRICES (3.5% BF)

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	14.51					
III	17.05	16.06	15.72	15.72	15.23	15.63	16.68					
IV	16.56	15.92	15.35	14.80	13.55	13.24	14.45					

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 August 6 - 17, 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 throughout Europe continues to decline seasonally. Output compared to the previous year has been positive for much of the season and running around 2% stronger, but in recent weeks, the comparable figures are narrowing and production trends are becoming more comparable to the previous year. Weather patterns ranging from too much moisture, limited moisture, and hot temperatures have impacted production trends throughout the region at varying rates. Within the past two weeks, weather patterns have stabilized and became more typical for this time of the season. In instances, milk production is rebounding slightly or at least stabilizing. Milk producers and handlers are pleased with the situation, but are not overly optimistic that this trend will prevail at this time of the season. As milk volumes decline, milk continues to be re-directed towards products of most need or best return. This trend started earlier than usual, especially in wet regions of Europe, causing production of some manufactured dairy products to cease output, putting manufacturers and marketers in an unsettling situation. This unforeseen situation has caused some marketers to inform clients that they potentially would not be able to fulfill commitments. Although the milk production season has been fairly strong thus far, stocks of manufactured dairy products are often not as plentiful as in years past. Sales activity has been slow, but steady. Traders and handlers are reporting that domestic and international sales have been occurring during the past 6 weeks or so when sales are typically lighter during the summer holiday period. This year, buyer presence in the marketplace has remained throughout the holiday period and continues. Much of this buyer presence is being attributed to the uncertainty of available stocks for the upcoming winter season. Also, a concern to international buyers is the impact high temperatures and drought conditions in the U.S. will have on their dairy industry. Reports of poor grain crops and increasing feed costs are not only impacting dairy rations, but other grain dependent enterprises such as ethanol production, grain exports, and feedlots. Uncertainty of U.S. participation in international dairy markets is potentially causing some international buyers to procure upcoming needs earlier than usual from sources that currently have product available. Butter stocks continued to clear to PSA during the final days of the open season. This program has been open since March and will remain open until August 15. Since March 1 and through August 5, 126,084 MT of butter have cleared to the program. This clearance is 25% more than last year's 95,917 MT for the same period. As of August 16, early offerings are eligible for removal from the program for commercial needs or commitments.

BUTTER/BUTTEROIL: Butter markets and prices in Europe are firm. Churning activities are trending lower as milk volumes and cream availability decline. Butter stocks continued to clear to PSA during the final days of the open season. This program has been open since March and will remain open until August 15. Since March 1 and through August 5, 126,084 MT of butter have cleared to the program. This clearance is 25% more than last year's 95,917 MT for the same period. As of August 16, early offerings are eligible for removal from the program for commercial needs or commitments. Traders and handlers are speculating that volumes coming out of PSA into the marketplace will probably stabilize current firm price trends rather than cause prices to ease.

82% BUTTERFAT: 3,300 - 3,700
99% BUTTERFAT: 3,975 - 4,425

SKIM MILK POWDER (SMP): European skim milk powder markets and prices are firm. The milk production season is winding down, but skim milk powder production remains active. Traders and handlers are indicating that uncommitted stocks of powder are available, but volumes appear to not be a heavy as in previous seasons. Traders are stating that buyer interest has remained steady throughout

the summer months, which is often not the case. Typically during the summer holiday season, sales slow, but this year, steady sales activity is being reported. Many are attributing this sales trend to uncertainty in supply availability within the international marketplace. Many international traders and buyers are closely monitoring the impact high temperatures and drought conditions will have on the U.S. dairy industry and its potential impact on skim milk powder availability and sales.

1.25% BUTTERFAT: 2,875 - 3,200

SWEET WHEY POWDER: European whey powder markets and prices are firm. Stocks of whey powder are not excessive, with traders and handlers indicating that procuring volumes for customer needs is often challenging. Current whey powder demand is generally centered around an internal or domestic need with current firm prices often higher than international buyers are willing to pay. Although European prices are firm, international buyers are finding that other international prices are firming and European sourced volumes might be where they have to go to fulfill their needs.

NONHYGROSCOPIC: 1,175 - 1,300

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are firm. Manufacturers and handlers are indicating that buyer interest is steady to improving as upcoming needs and supply availability becomes a concern for potential buyers. For much of the summer, whole milk powder sales have been occurring, but not at a significant pace. Steady sales continue to be reported, but potential buyers appear to be concerned about supply availability for the future. European manufacturers and handlers indicate that they have uncommitted volumes, but state that often these volumes are lighter than in years past. Currently, suppliers are able to acknowledge most orders, but indicate that typically heavier buying patterns into the fall might not be as successful.

26% BUTTERFAT: 3,175 - 3,500

EASTERN OVERVIEW: Milk production in Eastern Europe is trending lower, but is often running stronger than their Western counterparts at this time of the season. Although milk output has been running stronger than usual, manufacturers and handlers are reporting that stocks are not excessive with many reporting that they have uncommitted stocks, but not at the level of previous years. Sales activities have been slow, but steady throughout much of the summer which has caused uncommitted inventories to be lighter than in recent years. Buyers are purchasing in smaller lots, but maintaining a more active presence in the marketplace.

Exchange rates for selected foreign currencies: August 13, 2012

1.0075 Canadian Dollar	.0181 Indian Rupee
.2172 Argentina Peso	.8090 New Zealand Dollar
.0760 Mexican Peso	1.0519 Australian Dollar
.3018 Polish Zloty	.0128 Japanese Yen
	1.2333 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0760)
= 13.1579 Mexican Pesos.

Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered August 6 - 17, 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: Milk production remains at seasonally low levels, although signs of spring are developing each day. Pastures are starting to green and grass growth is resuming. Milk handlers are stating that noticeable increases should start to occur by the end of the month, especially in New Zealand, with Australian increases generally a few weeks later. Milk producers and handlers are very optimistic about the upcoming season. A strong finish to the previous season, favorable winter weather patterns, and good cow conditioning are some of the factors that are encouraging a positive start to a new production year. New Zealand milk producers and handlers are projecting that milk output will not be as positive as last season's 9% gain, but will be more in line with a 4 - 5% gain of two years ago. In Australia, output is not projected to be as positive as last season and projections are in the 2% gain level over two years ago. Traders and handlers of manufactured dairy products were very interested in the outcome of the most recent g/DT event which was held on Wednesday, August 15. Many were speculating that the event will be very pivotal for market sentiment. At the 74th event, all product prices that had sales activity were higher. This is following in line with what is happening with commercial prices within the Oceania region and elsewhere in the world. When looking at the all contract price averages for all contracting periods, anhydrous milk fat and milk protein concentrate were up 14.0% and 15.4% respectively, while other products were generally up in the 5 - 10% range. Traders feel that the firm trend at the g/DT will continue as international market participants closely monitor what is happening or not happening in the international marketplace. A concern to international buyers is the impact high temperatures and drought conditions in the U.S. will have on their dairy industry. Reports of poor grain crops and increasing feed costs are not only impacting dairy rations, but other grain dependent enterprises such as ethanol production, grain exports, and feedlots. Uncertainty of U.S. participation in international dairy markets is potentially causing some international buyers to seek upcoming needs earlier than usual from sources that currently have product available or will have product within the near future.

BUTTER: Oceania butter markets and prices are firm. The new production season is about to resume. Milk production remains seasonally low, thus are churning activities, but plants are ready and butter producers are very optimistic about the upcoming season. At the August 15th g/DT event #74, the average price for all contracting periods for anhydrous milk fat increased 14%. Many traders and handlers were projecting firmer prices, but this average price was stronger than many anticipated. Most traders are indicating that prices for most all manufactured dairy products are firm and this trading event follows along those lines. Currently, commercial butter shipments are minimal, but order books are quite well filled for first quarter needs with many indicating that first half of the production year is well committed.

82% BUTTERFAT:

2,700 - 3,150

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are firm in the Oceania region. Traders and handlers are indicating that prices are on the increase as the Southern Hemisphere is on the eve of production increases and output in the Northern Hemisphere is declining seasonally. Oceania traders are optimistic about their upcoming season, but question supply availability elsewhere in the international marketplace, in Europe and

especially in the U.S. It is still not known what impact the hot temperatures and drought conditions of the summer in the U.S. will have on their dairy industry and what potential impact this may have on skim milk powder availability for the world market. Currently, Oceania skim milk powder volumes are very limited as their production season has yet to begin, but traders and handlers remain very positive about the upcoming season. At the August 15th g/DT event, skim milk powder prices averaged \$3,023 per MT (\$1.3712 per pound) for all contracting periods, 7.3% higher than the previous all contract price. U.S. sourced powder for September contracts averaged \$3,308 per MT, (\$1.5005 per pound) up 12.3% from the previous comparable delivery period.

1.25% BUTTERFAT:

2,750 - 3,100

CHEDDAR CHEESE: Oceania cheddar cheese markets and prices are generally steady, although firming prices in most all other manufactured dairy products within the region may nudge cheese prices higher. Cheese production remains at seasonally low levels, but milk production is on the eve of seasonal increases, thus is cheese output. Cheese producers indicate that cheese vats are ready for increasing milk flows and are not projecting any difficulties in gearing up production as the milk flow builds. Cheese stocks are seasonally low at this time, thus there is very little, if any, carryover volumes to clear before the new production is available. Traders and handlers indicate that cheese order books are in good shape for the first half of the upcoming production season.

39% MAXIMUM MOISTURE:

3,100 - 4,000

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets and prices are steady to generally firm. The whole milk powder production season will soon resume and manufacturers and handlers are very optimistic about the upcoming season. Most indicate that conditions are nearly ideal for a very positive start to the new milk and powder production year. Many Oceania and international market participants are closely monitoring what is happening or not happening in other regions of the world, especially the U.S. Although the U.S. is not a significant supplier of whole milk powder into the international marketplace, the effects of record setting temperatures and drought conditions during their summer may significantly impact their participation in international markets. Oceania traders are indicating that some international buyers are questioning if they might be able to secure any additional volumes of powder from the Oceania region during upcoming months. In most instances, traders and handlers are holding the line on these additional inquiries until they have a better understanding of the upcoming milk production season. At the August 15th g/DT, whole milk powder prices for all contracting periods were 7% higher (\$2,870 per MT) than the previous all contract average.

26% BUTTERFAT:

2,700 - 3,100

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered August 6 - 17, 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 74 Recap - August 15, 2012													
	Contract 1 Sep-12		Contract 2 Oct-12		Contract 3 Nov-12		Contract 4 Dec-12		Contract 5 Jan-13		Contract 6 Feb-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$3,133	9.5%	\$3,103	11.0%	\$3,110	14.2%	\$3,258	17.3%	\$3,568	25.6%	\$3,173	14.0%	
Buttermilk Powder	n.a.	\$2,565	12.3%	\$2,690	7.4%	\$2,870	8.7%	n.a.	n.a.	\$2,668	10.2%			
Cheddar	n.a.	\$3,515	15.8%	\$3,319	4.8%	\$3,429	8.8%	n.a.	n.a.	\$3,401	8.8%			
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.	
Milk Protein Concentrate	n.a.	\$5,375	14.9%	\$5,350	15.9%	\$5,315	15.5%	n.a.	n.a.	\$5,351	15.4%			
Rennet Casein	n.a.	\$7,049	4.0%	\$7,080	3.5%	\$7,206	6.7%	n.a.	n.a.	\$7,100	4.7%			
Skim Milk Powder	\$3,308	12.3%	\$2,973	7.5%	\$2,993	7.0%	\$2,978	5.9%	\$3,032	4.5%	n.a.	\$3,023	7.3%	
Whole Milk Powder	n.a.	\$2,861	7.3%	\$2,861	7.3%	\$2,880	6.9%	\$2,913	7.0%	\$2,939	2.1%	\$2,870	7.0%	

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 74 Recap - August 15, 2012													
	Contract 1 Sep-12		Contract 2 Oct-12		Contract 3 Nov-12		Contract 4 Dec-12		Contract 5 Jan-13		Contract 6 Feb-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$1.4211	9.5%	\$1.4075	11.0%	\$1.4107	14.2%	\$1.4778	17.3%	\$1.6184	25.6%	\$1.4393	14.0%	
Buttermilk Powder	n.a.	\$1.1635	12.3%	\$1.2202	7.4%	\$1.3018	8.7%	n.a.	n.a.	\$1.2102	10.2%			
Cheddar	n.a.	\$1.5944	15.8%	\$1.5055	4.8%	\$1.5554	8.8%	n.a.	n.a.	\$1.5427	8.8%			
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.	
Milk Protein Concentrate	n.a.	\$2.4381	14.9%	\$2.4267	15.9%	\$2.4109	15.5%	n.a.	n.a.	\$2.4272	15.4%			
Rennet Casein	n.a.	\$3.1974	4.0%	\$3.2115	3.5%	\$3.2686	6.7%	n.a.	n.a.	\$3.2205	4.7%			
Skim Milk Powder	\$1.5005	12.3%	\$1.3485	7.5%	\$1.3576	7.0%	\$1.3508	5.9%	\$1.3753	4.5%	n.a.	\$1.3712	7.3%	
Whole Milk Powder	n.a.	\$1.2977	7.3%	\$1.2977	7.3%	\$1.3064	6.9%	\$1.3213	7.0%	\$1.3331	2.1%	\$1.3018	7.0%	

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	08/02	08/03	08/06	08/07	08/08	08/09	08/10	08/13	08/14	08/15
CME - CLASS III MILK FUTURES (Pit-Traded)										
AUG 12	17.17 (4133) 5	17.49 (4137) 0	17.57 (4058) 0	17.56 (4070) 0	17.59 (4026) 0	17.63 (4102) 0	17.64 (4133) 0	17.61 (4169) 0	17.58 (4159) 0	17.64 (4165) 0
SEP 12	18.40 (4750) 0	18.77 (4767) 1	19.12 (4885) 0	19.19 (4966) 25	19.25 (5062) 18	19.25 (5125) 0	19.17 (5081) 0	18.75 (5129) 5	18.75 (5113) 4	19.22 (5221) 3
OCT 12	18.81 (3497) 0	19.20 (3579) 6	19.55 (3664) 0	19.62 (3765) 25	19.77 (3915) 15	19.80 (4031) 0	19.74 (4206) 0	19.33 (4286) 10	19.24 (4285) 0	19.68 (4333) 1
NOV 12	19.00 (3084) 0	19.36 (3176) 6	19.65 (3182) 0	19.67 (3220) 25	19.78 (3239) 15	19.78 (3260) 0	19.61 (3319) 0	19.33 (3338) 7	19.22 (3322) 0	19.60 (3387) 1
DEC 12	18.90 (2930) 0	19.20 (2958) 6	19.35 (3047) 3	19.47 (3057) 25	19.57 (3084) 15	19.67 (3083) 0	19.54 (3084) 0	19.27 (3083) 7	19.22 (3076) 0	19.54 (3144) 1
JAN 13	18.60 (987) 0	18.85 (1020) 15	18.99 (1037) 3	19.07 (1041) 0	19.12 (1052) 0	19.22 (1060) 0	19.17 (1067) 0	19.05 (1065) 0	18.95 (1069) 0	19.24 (1080) 0
FEB 13	18.27 (828) 0	18.50 (853) 15	18.63 (865) 4	18.71 (893) 0	18.73 (897) 0	18.85 (897) 0	18.83 (896) 0	18.75 (900) 0	18.72 (907) 0	18.90 (915) 0
MAR 13	18.15 (705) 0	18.40 (749) 15	18.55 (762) 4	18.70 (783) 0	18.70 (786) 0	18.80 (794) 0	18.75 (799) 0	18.64 (810) 0	18.56 (816) 0	18.84 (830) 1
APR 13	18.17 (538) 0	18.37 (569) 9	18.58 (596) 4	18.74 (614) 0	18.75 (619) 0	18.75 (632) 0	18.63 (636) 0	18.60 (647) 0	18.61 (658) 0	18.79 (665) 0
MAY 13	18.12 (452) 0	18.35 (479) 9	18.38 (495) 4	18.64 (523) 0	18.65 (532) 0	18.73 (536) 0	18.70 (539) 0	18.60 (540) 0	18.65 (545) 0	18.81 (560) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
AUG 12	15.65 (124) 0	15.65 (124) 0	15.65 (124) 0	15.65 (124) 0	15.66 (124) 0	15.66 (124) 0	15.66 (124) 0	15.66 (124) 0	15.67 (124) 0	15.67 (124) 0
SEP 12	16.65 (132) 0	16.66 (132) 0	16.80 (132) 0	16.80 (132) 0	16.80 (132) 0	17.30 (132) 0	17.35 (132) 0	17.35 (132) 0	17.68 (119) 0	17.68 (119) 0
OCT 12	16.80 (77) 0	17.01 (77) 0	17.35 (77) 0	17.45 (77) 0	17.45 (77) 0	18.00 (77) 0	18.00 (77) 0	18.25 (77) 0	18.42 (73) 0	18.43 (73) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
AUG 12	164.25 (877) 0	164.25 (877) 0	165.50 (877) 0	166.00 (877) 0	166.25 (875) 2	166.28 (875) 0	166.33 (875) 0	166.33 (875) 0	166.33 (875) 0	166.33 (875) 0
SEP 12	166.50 (910) 5	171.00 (909) 3	173.50 (909) 0	174.50 (910) 2	177.00 (911) 3	177.00 (912) 3	178.10 (914) 5	178.50 (914) 2	179.50 (909) 18	179.50 (909) 0
OCT 12	168.00 (721) 13	173.00 (719) 7	175.50 (719) 2	175.55 (719) 0	178.00 (720) 1	178.50 (720) 3	182.00 (718) 7	180.50 (727) 24	180.50 (728) 5	181.50 (743) 5
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
AUG 12	127.00 (414) 0	127.00 (414) 0	127.00 (414) 0	127.00 (415) 0	127.00 (415) 0	127.00 (415) 0	127.00 (415) 0	127.00 (415) 0	127.00 (415) 0	127.00 (415) 0
SEP 12	137.00 (351) 0	139.50 (352) 0	142.00 (352) 0	142.00 (352) 0	142.00 (352) 0	142.00 (353) 0	142.00 (353) 0	142.00 (355) 0	144.00 (355) 0	144.00 (357) 0
OCT 12	138.25 (282) 0	140.75 (285) 0	143.25 (287) 0	143.25 (289) 0	143.25 (289) 0	145.75 (291) 0	146.50 (295) 1	149.00 (291) 4	151.00 (291) 0	152.00 (292) 0
CME - WHEY (Electronic-Traded)										
AUG 12	53.00 (279) 2	53.98 (279) 1	53.98 (279) 0	53.98 (279) 0	53.95 (279) 0	53.50 (279) 1	53.50 (279) 0	53.98 (278) 1	53.98 (278) 0	53.98 (277) 1
SEP 12	56.75 (304) 5	58.98 (302) 6	59.50 (302) 2	59.50 (304) 3	57.50 (306) 4	57.50 (306) 0	57.50 (306) 0	57.50 (306) 0	57.00 (302) 8	57.00 (301) 3
OCT 12	60.48 (294) 4	61.00 (295) 3	60.50 (289) 13	60.50 (291) 14	60.50 (285) 8	60.53 (288) 3	60.75 (287) 2	60.00 (288) 3	59.00 (285) 8	60.50 (278) 9
CME - CHEESE CSC (Electronic-Traded)										
AUG 12	1.72 (1376) 0	1.76 (1366) 13	1.76 (1366) 0	1.76 (1366) 1	1.77 (1367) 1	1.76 (1368) 1	1.76 (1368) 0	1.76 (1362) 7	1.76 (1359) 3	1.76 (1359) 0
SEP 12	1.83 (1366) 0	1.85 (1374) 24	1.88 (1375) 23	1.90 (1387) 33	1.90 (1416) 60	1.91 (1423) 8	1.90 (1430) 19	1.87 (1432) 12	1.85 (1425) 18	1.90 (1426) 14
OCT 12	1.85 (1088) 1	1.88 (1088) 12	1.91 (1096) 36	1.91 (1098) 12	1.93 (1097) 47	1.93 (1095) 3	1.93 (1091) 10	1.90 (1105) 14	1.89 (1105) 5	1.93 (1105) 14
NOV 12	1.86 (1114) 4	1.90 (1115) 5	1.91 (1146) 52	1.92 (1153) 24	1.92 (1150) 11	1.92 (1101) 66	1.90 (1100) 33	1.88 (1111) 16	1.86 (1113) 3	1.90 (1113) 29
DEC 12	1.85 (1107) 0	1.87 (1114) 11	1.88 (1112) 25	1.90 (1120) 16	1.90 (1120) 8	1.91 (1130) 11	1.90 (1132) 2	1.87 (1147) 20	1.86 (1151) 8	1.89 (1152) 5
JAN 13	1.84 (151) 1	1.86 (162) 11	1.88 (164) 33	1.88 (168) 5	1.89 (172) 7	1.89 (172) 0	1.89 (172) 0	1.89 (172) 0	1.88 (172) 0	1.86 (176) 5

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.)

Alfalfa and Alfalfa Mixtures for Hay Area Harvested, Yield, and Production - States and United States: 2011 and Forecasted August 1, 2012

State	Area harvested :		Yield :		Production		
	2011	2012	2011	2012	2011	2012	Change from last year
	-- 1,000 acres --		--- tons ---		--- 1,000 tons ---		-- percent --
Arizona	250	250	8.30	8.80	2,075	2,200	6.0
California	880	980	6.90	6.80	6,072	6,664	9.7
Colorado	800	790	3.60	3.20	2,880	2,528	-12.2
Idaho	1,000	1,000	4.30	4.10	4,300	4,100	-4.7
Illinois	280	350	3.40	2.70	952	945	-0.7
Indiana	300	280	4.00	2.60	1,200	728	-39.3
Iowa	820	800	3.40	3.10	2,788	2,480	-11.0
Kansas	650	750	3.00	3.00	1,950	2,250	15.4
Kentucky	210	200	3.40	2.60	714	520	-27.2
Michigan	700	660	3.20	2.80	2,240	1,848	-17.5
Minnesota	1,100	1,000	3.70	2.90	4,070	2,900	-28.7
Missouri	250	250	2.60	2.00	650	500	-23.1
Montana	2,000	1,800	2.20	1.80	4,400	3,240	-26.4
Nebraska	780	790	4.05	2.90	3,159	2,291	-27.5
Nevada	250	240	4.40	4.30	1,100	1,032	-6.2
New Mexico	210	210	5.20	5.10	1,092	1,071	-1.9
New York	350	380	2.40	1.90	840	722	-14.0
North Dakota ...	1,550	1,570	2.35	1.50	3,643	2,355	-35.4
Ohio	380	350	3.40	2.70	1,292	945	-26.9
Oklahoma	200	200	1.30	2.00	260	400	53.8
Oregon	400	400	4.50	4.20	1,800	1,680	-6.7
Pennsylvania ...	410	440	2.70	2.70	1,107	1,188	7.3
South Dakota ...	2,350	2,300	2.70	1.50	6,345	3,450	-45.6
Texas	100	120	4.80	4.50	480	540	12.5
Utah	580	520	4.10	3.90	2,378	2,028	-14.7
Virginia	90	80	3.20	3.20	288	256	-11.1
Washington	380	400	5.20	5.00	1,976	2,000	1.2
Wisconsin	1,150	1,000	2.80	2.30	3,220	2,300	-28.6
Wyoming	620	525	2.50	2.40	1,550	1,260	-18.7
Other States 1/	173	177	2.95	2.68	511	474	-7.2
United States ...	19,213	18,812	3.40	2.92	65,332	54,895	-16.0

1/ Other States include Arkansas, Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, Rhode Island, Tennessee, Vermont, and West Virginia. Individual State level estimates will be published in the "Crop Production 2012 Summary." USDA, National Agricultural Statistics Service. Change from last year calculation done by Dairy Market News.

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

In May 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.29 per cwt., down \$0.58 from the previous month average, and down \$3.29 from May 2011. The component tests of producer milk in May 2012 were: butterfat, 3.64%; protein, 3.05%; and other solids, 5.77%. On an individual reporting area basis, mailbox prices decreased from the previous month in all Federal milk order reporting areas except Southern Missouri. Mailbox prices in May 2012 ranged from \$18.49 in Florida to \$14.33 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	May 2011	April 2012	May 2012
	Dollars per hundredweight		
New England States <u>3/</u>	21.26	18.03	17.45
New York	19.99	16.90	16.32
Eastern Pennsylvania <u>4/</u>	20.79	17.48	16.83
Appalachian States <u>5/</u>	21.39	17.12	17.06
Southeast States <u>6/</u>	21.35	17.57	17.50
Southern Missouri <u>7/</u>	19.31	15.37	15.54
Florida	22.25	18.71	18.49
Western Pennsylvania <u>8/</u>	20.62	17.33	16.45
Ohio	20.64	17.33	16.18
Indiana	20.14	16.19	15.65
Michigan	19.86	16.25	15.43
Wisconsin	18.64	17.46	16.81
Minnesota	18.86	17.35	16.93
Iowa	19.53	17.19	16.58
Illinois	19.69	17.23	16.63
Corn Belt States <u>9/</u>	19.23	16.22	15.63
Western Texas <u>10/</u>	19.09	15.51	15.15
New Mexico	18.09	14.67	14.33
Northwest States <u>11/</u>	19.15	16.43	15.49
All Federal Order Areas <u>12/</u>	19.58	16.87	16.29
California <u>13/</u>	17.72	14.59	13.97

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

AUGUST MILK SUPPLY AND DEMAND ESTIMATES

Milk production forecasts for 2012 and 2013 are reduced from last month as higher forecast feed prices are expected to pressure producer returns and encourage a more rapid decline in the cow herd. Milk per cow is also reduced due to tighter feed supplies. Imports for 2012 are raised on both a fat and skim-solids basis and are raised on a fat basis for 2013. Exports are raised for 2012 but exports for 2013 are reduced from last month on tighter supplies. Ending stocks are reduced. Product prices are forecast higher for 2012 and 2013 as tighter supplies support prices. With higher product prices, both Class III and Class IV price forecasts are raised. The all milk price is forecast at \$17.55 to \$17.75 per cwt for 2012 and \$17.80 to \$18.80 per cwt for 2013.

U.S. MILK SUPPLY AND USE					
Commodity	2011	2012 Projected		2013 Projected	
		July	August	July	August
BILLION POUNDS					
MILK					
PRODUCTION	196.2	201.6	200.0	201.7	198.9
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.8	10.9	10.9	11.7	10.5
MARKETINGS	195.3	200.6	199.0	200.7	197.9
IMPORTS	3.5	3.5	3.7	3.4	3.6
TOTAL COMMERCIAL SUPPLY	209.6	215.0	213.6	215.8	212.0
FAT BASIS USE					
COMMERCIAL EXPORTS	9.4	9.3	9.8	9.2	8.9
ENDING COMMERCIAL STOCKS	10.9	11.7	10.5	11.5	10.9
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	189.2	194.0	193.4	195.1	192.3
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	12.2	11.8	11.8	12.0	11.6
MARKETINGS	195.3	200.6	199.0	200.7	197.9
IMPORTS	5.3	4.9	5.5	4.7	4.7
TOTAL COMMERCIAL SUPPLY	212.7	217.3	216.4	217.4	214.2
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.5	32.4	33.4	32.9	32.5
ENDING COMMERCIAL STOCKS	11.8	12.0	11.6	12.0	11.6
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.3	172.9	171.3	172.4	170.1
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

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

2/ Domestic commercial use only.

Continued on page 12

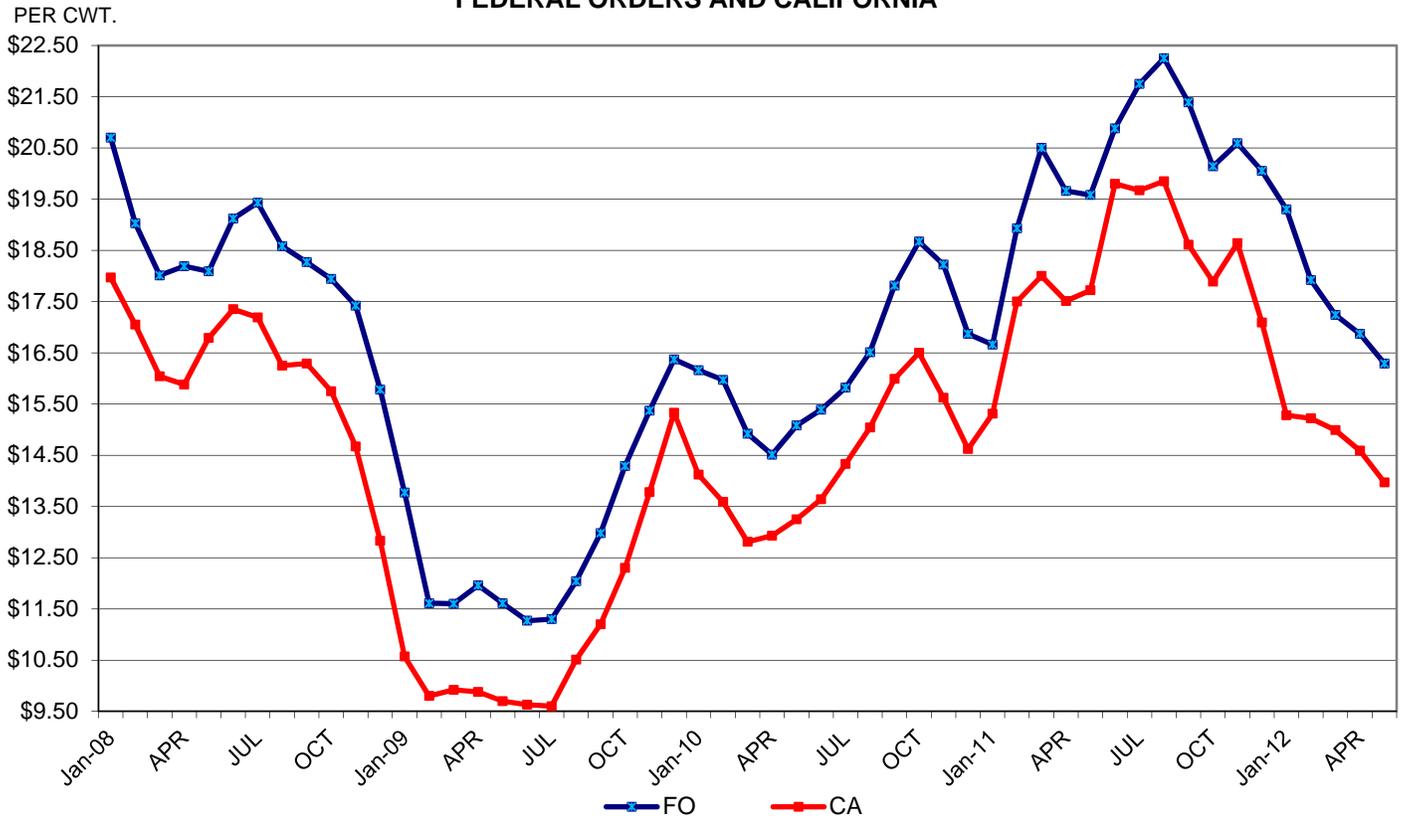
AUGUST MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2011	2012 Projected		2013 Projected	
		July	August	July	August
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.8246	1.590-1.620	1.635-1.655	1.605-1.705	1.640-1.740
BUTTER	1.9498	1.470-1.530	1.535-1.575	1.465-1.595	1.515-1.645
NONFAT DRY MILK	1.5058	1.210-1.240	1.250-1.270	1.320-1.390	1.350-1.420
DRY WHEY	0.5325	0.540-0.560	0.550-0.570	0.555-0.585	0.570-0.600
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	18.37	16.00-16.30	16.50-16.70	16.25-17.25	16.70-17.70
CLASS IV	19.04	14.55-14.95	15.10-15.40	15.40-16.50	15.90-17.00
ALL MILK <u>3/</u>	20.14	17.05-17.35	17.55-17.75	17.35-18.35	17.80-18.80
QUARTERLY					
	2012 II	2012 III <u>4/</u>	2012 IV <u>4/</u>	2013 I <u>4/</u>	2013 II <u>4/</u>
BILLION POUNDS					
MILK PRODUCTION	51.5	48.9	48.6	49.5	51.1
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	16.40	17.50-17.80	18.20-18.80	17.50-18.40	17.20-18.20
CLASS III PRICE <u>2/</u>	15.53	17.25-17.55	16.95-17.55	16.15-17.05	16.20-17.20
CLASS IV PRICE <u>2/</u>	13.86	15.30-15.70	15.35-16.05	15.25-16.25	15.65-16.75

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

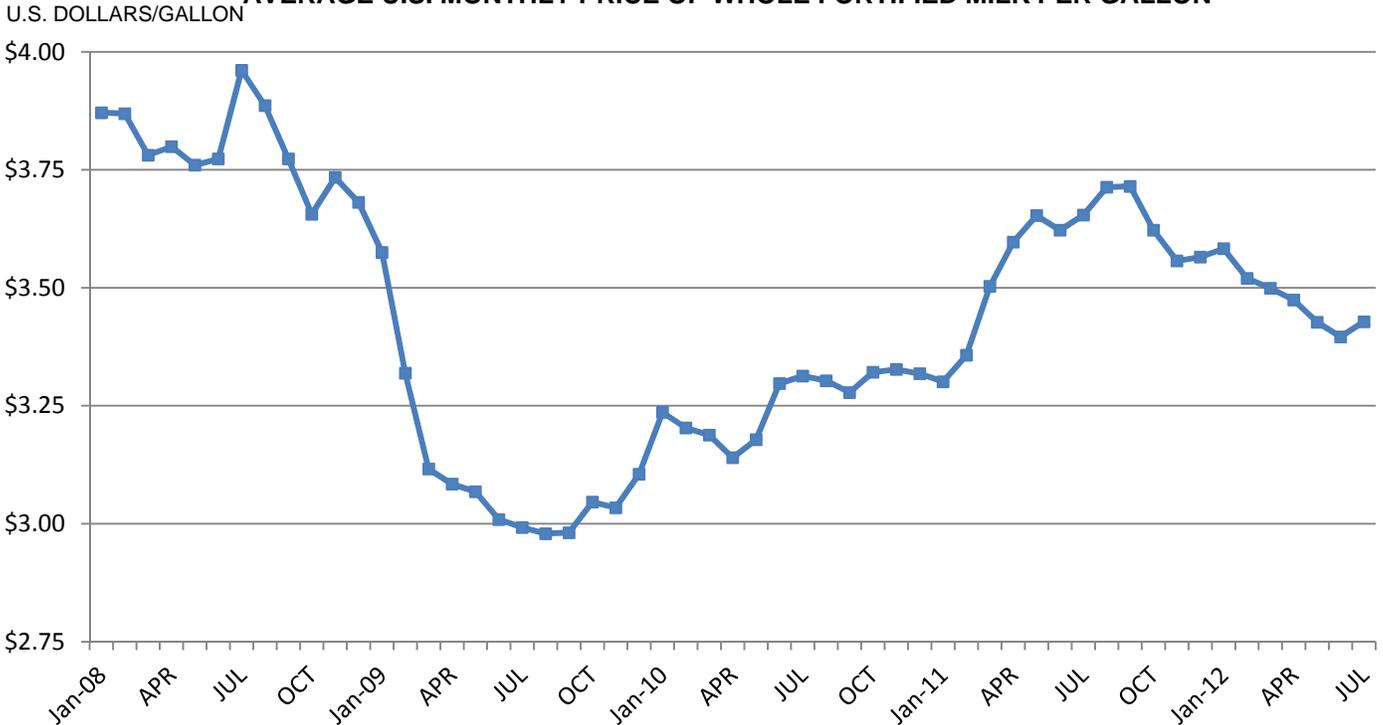
Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-509, August 10, 2012.* Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

MONTHLY MAILBOX PRICE AVERAGE FOR FEDERAL ORDERS AND CALIFORNIA

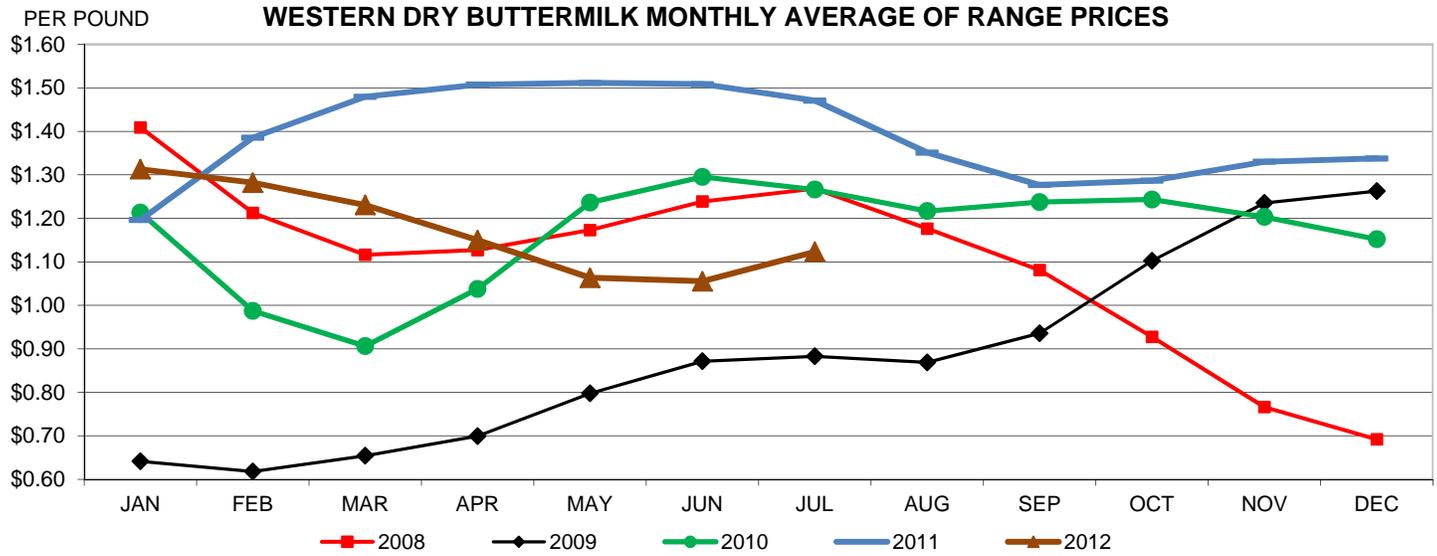


DATA SOURCE, USDA, DAIRY PROGRAMS & STATE OF CALIFORNIA, CDFA; GRAPH, USDA, AMS, DMN

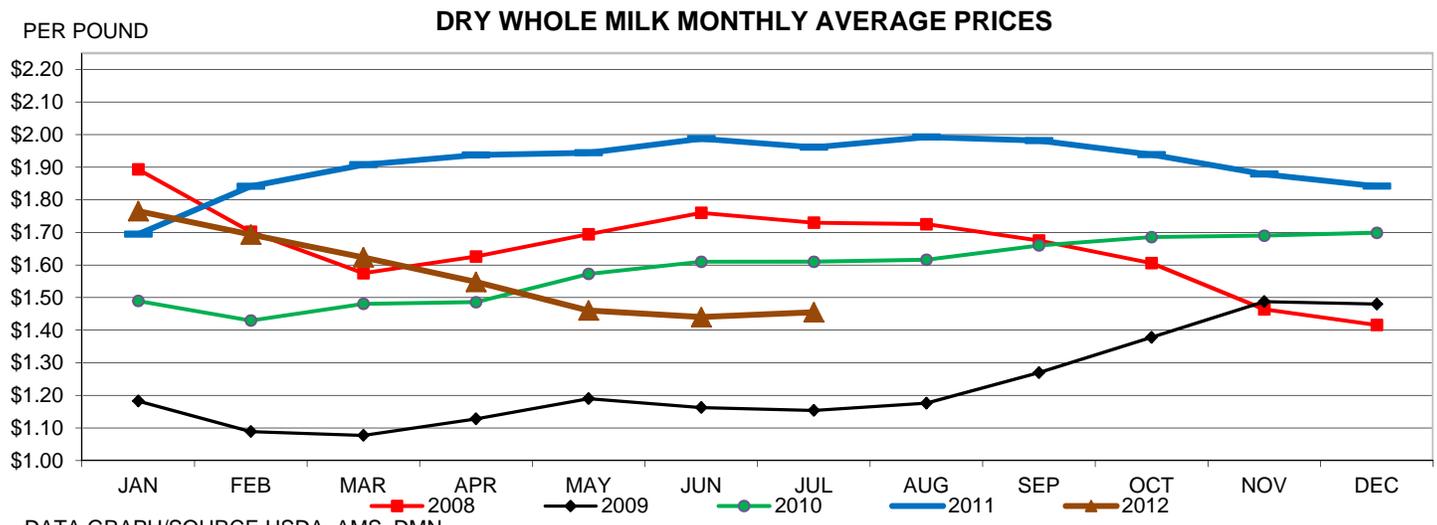
AVERAGE U.S. MONTHLY PRICE OF WHOLE FORTIFIED MILK PER GALLON



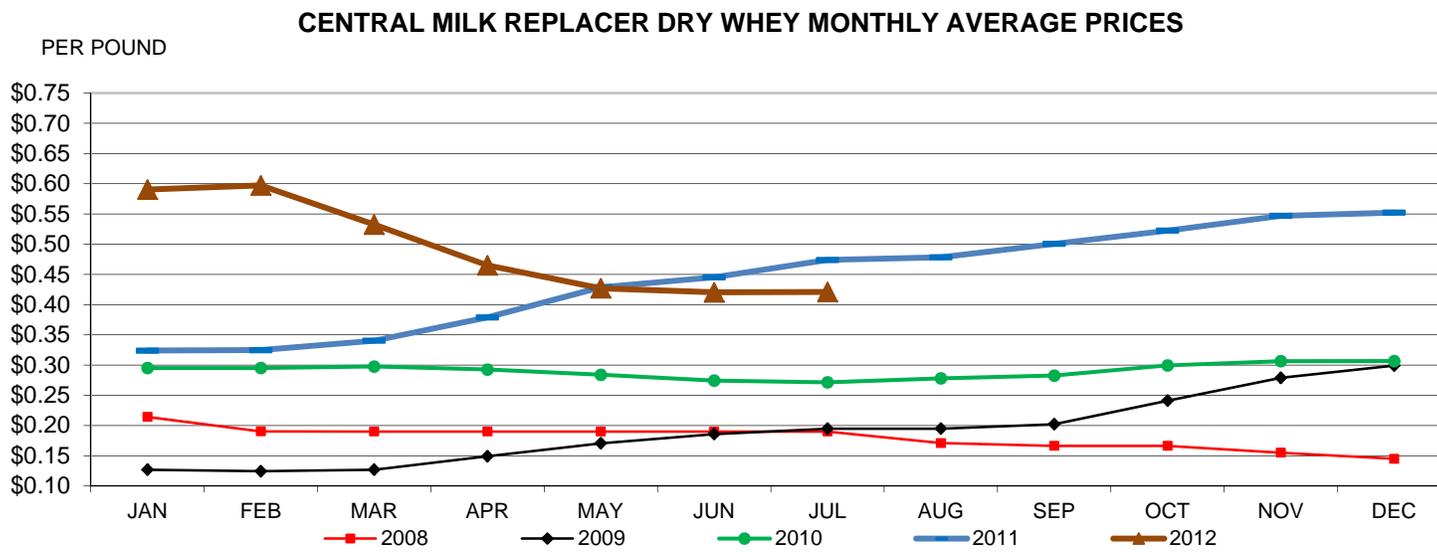
DATA SOURCE, BLS; GRAPH, USDA, AMS, DMN



DATA GRAPH/SOURCE USDA, AMS, DMN



DATA GRAPH/SOURCE USDA, AMS, DMN



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