

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (09/14):**

BUTTER: Grade AA closed at \$1.8500. The weekly average for Grade AA is \$1.8420 (-.0243).

CHEESE: Barrels closed at \$1.8275 and 40# blocks at \$1.8725. The weekly average for barrels is \$1.7970 (+.0207) and blocks, \$1.8455 (+.0180).

BUTTER HIGHLIGHTS: The CME cash butter price continued to ease early in the week, but recovered much of the recent decline by weeks' end to close the week at \$1.8500. Butter producers and handlers were surprised at the weak price trend and anticipated that the trend would be short lived. Many feel that the cash butter price will remain firm for the balance of the year, with some speculating that \$2.00 butter might not be out of the picture before 2013. Churning schedules across the country are generally stronger as cream volumes are more available. Class II cream needs are declining, especially for ice cream and mix needs, thus more cream is available from this channel. Standardized cream volumes are also increasing as school milk bottling programs are generally in full swing. Many butter producers are now pulling back on cream sales and churning volumes for current and future butter needs. Butter demand is seasonally steady. Retail orders are holding at good levels with food service orders settling into post summer patterns. Retail buyers are indicating that consumers appear to be more acceptive of current price levels as butter sales have remained quite positive. Exports out of the U.S. continue. Within recent days, the CWT program has awarded export assistance for 385,809 pounds of butter for delivery now through February 2013.

CHEESE HIGHLIGHTS: Cheese prices continue to trade in a range that was established in early August. The market has had ups and downs, but remained generally steady over the past six weeks. Both buyers and sellers appear to be content at these levels as sales are reported to be steady in both retail and commercial accounts. Milk for cheese manufacturing is tight in the East, while Central and Western plants are finding adequate levels of available milk to fill most needs. Additional milk supplies are available, but competition from alternative products has that milk at a premium. USDA reported that exports of cheese so far this year are up 20% from a year ago. Assistance for exports has come from the CWT program and is aiding in sales volume. Spot prices at the CME Group were generally

stronger with three days of higher prices to end the week. Barrels closed the week at \$1.8275 and blocks at \$1.8725.

FLUID MILK: Strong Class I demand in the East has reduced manufacturing milk supplies. Along with reduced milk production levels this has increased demand for milk and components from other parts of the country. Florida milk production is nearing seasonal lows and imports totaled 96 loads this week. The Southeastern region also imported 47 loads this week to fill needs. Milk supplies in the Central region are adequate for most needs with some milk being moved out of the region at premium prices. California milk supplies are tight compared to year ago levels with processors finding it difficult to satisfy all of their needs. Southwestern fluid levels are being adversely affected by heat and monsoonal conditions. Processors are balancing needs to meet the tighter supplies. Northwest milk supplies are adequate for most needs, but remain below full manufacturing capacity. Cream multiples across most of the country moderated this week, with butter manufacturers increasing production for anticipated fall and winter needs.

DRY PRODUCTS: Nonfat dry milk prices were firm to higher this week. The market tone appeared to moderate some this week as buyers were less determined to acquire product for immediate needs. High heat NDM prices are firm in a light market test. Tight milk supplies across the country continue to reduce production levels. Dry buttermilk prices are steady to higher with spot sales leading the increase. Increased butter churning schedules are anticipated to alleviate current tight supplies. Dry whey prices moved marginally higher. Increased spot offerings of whey helped to satisfy immediate demand needs. Whey protein concentrate 34% prices were firm to higher. Market activity has increased as NDM prices have outpaced the WPC market. Lactose prices are steady as negotiations continue for 4Q needs. Spot activity is light as buyers and sellers barter over new pricing. Casein prices are firm with the production season in Europe winding down and Oceania production is getting underway.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production in **Western Europe** continues to edge seasonally lower. Previous year comparables are mixed from one region to another,

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CME GROUP CASH TRADING

COMMODITY	MONDAY SEP 10	TUESDAY SEP 11	WEDNESDAY SEP 12	THURSDAY SEP 13	FRIDAY SEP 14	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7750 (N.C.)	\$1.7700 (-.0050)	\$1.8000 (+.0300)	\$1.8125 (+.0125)	\$1.8275 (+.0150)	:: (+.0525)	:: \$1.7970 (+.0207)
40# BLOCKS	\$1.8300 (N.C.)	\$1.8300 (N.C.)	\$1.8400 (+.0100)	\$1.8550 (+.0150)	\$1.8725 (+.0175)	:: (+.0425)	:: \$1.8455 (+.0180)
NONFAT DRY MILK							
EXTRA GRADE	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	:: (N.C.)	:: \$1.6350 (+.0025)
GRADE A	\$1.7000 (N.C.)	\$1.7000 (N.C.)	\$1.7000 (N.C.)	\$1.6900 (-.0100)	\$1.6900 (N.C.)	:: (-.0100)	:: \$1.6960 (-.0040)
BUTTER							
GRADE AA	\$1.8550 (-.0100)	\$1.8200 (-.0350)	\$1.8400 (+.0200)	\$1.8450 (+.0050)	\$1.8500 (+.0050)	:: (-.0150)	:: \$1.8420 (-.0243)

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

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

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

although cumulative milk production is about level to slightly lower than last year. Some milk producers and handlers are indicating that current milk volumes are lighter at this time versus last year. Manufacturers and handlers are stating that stock levels are often not at desired levels for buyer interest. Currently, manufacturers, when possible, are pushing milk volumes through butter/powder operations as these products currently have better returns and need. Traders are indicating that it is difficult to put together volumes for potential customers as suppliers are often pushing back deliveries of previous commitments. Demand is good, but supply availability is the challenging factor at this time. Prices are firm as the Euro strengthens. European traders and handlers continue to monitor other international markets, especially the U.S. due to the hot and dry conditions of the summer and its' potential impact on supply availability for their domestic market and international buyers. U.S. dairy farmers will be challenged with feed supplies and quality during the next year as heat and drought conditions during the past summer have negatively impacted feed stocks, especially grains. The European dairy industry is also struggling with feed availability and quality, thus for many farmers, comparable conditions will prevail. Butter is starting to be removed from the 133,305 MT that cleared to the PSA program during the period of March 1 - August 15. Official figures are not yet available, but traders and handlers are reporting that volumes are coming back into the marketplace. Milk production in **Eastern Europe** continues to decline, but is often stronger than Western counterparts. Eastern Europe has had a positive production season and the trend appears to be flowing into the fall. Stocks of manufactured dairy products are available, but generally not at desired levels. Domestic buyers continue to absorb a significant portion of available stocks with international buyer's often not as fortunate. Milk production in the **Oceania** region continues to seasonally build as early spring weather patterns are generally positive. In **New Zealand**, cold and windy conditions prevailed in recent days on the South Island and southern portions of the North Island, but further north on the North Island, weather patterns are more conducive to a positive start to the production season. In New Zealand, good cow conditioning and a strong finish to last season are also contributing to an overall positive start to the 2012 - 2013 production year. **Australian** milk production patterns are also being influenced by many of the same factors that have occurred or are occurring in New Zealand. Good moisture levels are being reported in most dairy production regions of Victoria. Milk producers in the Gippsland region of Victoria struggled last season with excessive moisture and early indications are that this region is again receiving excessive moisture which could again challenge milk producers this season. Warm weather patterns are slower to develop in Australia than in New Zealand, thus grass/pasture growth is slower, although early reports indicate that milk production for July in Australia was running about 3.5% ahead of last season. Production estimates for the upcoming season remain much the same as previously reported with Australia estimating a 2 - 3% increase over two years ago and New Zealand looking at a 4 - 5% increase over the 2010 - 2011 season. Milk producers and handlers in both countries are stating that output will remain positive, but not as strong as the 2011 - 2012 season generated. As milk volumes build, manufacturing facilities are being geared up. In most instances, all manufacturing facilities in both New Zealand and Australia are up and receiving milk. Although receipts are not challenging capacity levels, milk is often being balanced among all products at this time. Casein production has resumed at some locations, but for the most part remains seasonally light. Traders and handlers are indicating that buyer interest is strong. Much of this interest is from regular and ongoing customer needs. A large percentage of early production has been committed to this need with minimal -1A-

uncommitted volumes available at this time. Average prices at the last g/DT auction on September 4 continued the firm trend of recent events. Average prices ranged from a 4.3% increase for whole milk powder to a 15.8% increase in buttermilk powder. The next event, #76 will be held on Tuesday, September 18.

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The 2012 milk production forecast is reduced slightly from last month, reflecting a slower rate of growth in milk per cow in the second half of the year. The production forecast for 2013 is unchanged from last month. Skim-solids imports are raised, but the export forecast is unchanged. Product prices are forecast higher for 2012 as the milk production forecast is reduced and demand is somewhat stronger. With higher product prices, both the Class III and Class IV price forecasts are raised. For 2013, the butter price forecast is reduced slightly on weaker expected demand, but forecasts for other products are unchanged. Thus, the Class II price forecast is unchanged, but the Class IV price is lowered. The all milk price is forecast at \$17.80 to \$18.00 for 2012 and \$17.85 to \$18.85 for 2013.

JUNE MAILBOX MILK PRICES (AMS & CDFA): In June 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.21, down \$0.08 from the previous month average, and down \$4.67 from June 2011. The component tests of producer milk in June 2012 were: butterfat, 3.60%; protein, 3.01%; and other solids, 5.76%. On an individual reporting area basis, mailbox prices decreased from the previous month in 10 Federal milk order reporting areas and increased in 9 Federal milk order reporting areas. Mailbox prices in June 2012 ranged from \$18.61 in Florida to \$14.62 in New Mexico.

CME GROUP

FRIDAY, SEPTEMBER 7, 2012 - NOTICE: Corrected trading activity for data listed in Report 36, Page 2 -
 CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.8350, 1 @ \$1.8300; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7700; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7800; 1 CAR 40# BLOCKS @ \$1.8350
 BUTTER -- SALES: 9 CARS GRADE AA: 8 @ \$1.8700, 1 @ \$1.8650; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8600; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.8700

MONDAY, SEPTEMBER 10, 2012
 CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7850
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.7500
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.8550

TUESDAY, SEPTEMBER 11, 2012
 CHEESE -- SALES: 1 CAR BARRELS @ \$1.7700; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7700; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7850
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.7500
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.8200; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8150; LAST OFFER UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 12, 2012
 CHEESE -- SALES: 1 CAR BARRELS @ \$1.8000; 12 CARS 40# BLOCKS: 1 @ \$1.8550, 1 @ \$1.8450, 1 @ \$1.8425, 1 @ \$1.8400, 3 @ \$1.8375, 5 @ \$1.8400; LAST BID UNFILLED: 4 CARS BARRELS @ \$1.8000; 1 CAR 40# BLOCKS @ \$1.8375; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8100; 5 CARS 40# BLOCKS @ \$1.8500
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.8225; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.8400; LAST OFFER UNCOVERED: NONE

THURSDAY, SEPTEMBER 13, 2012
 CHEESE -- SALES: 4 CARS BARRELS: 3 @ \$1.8200, 1 @ \$1.8150; 3 CARS 40# BLOCKS: 1 @ \$1.8700, 1 @ \$1.8600, 1 @ \$1.8550; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8000; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8125; 1 CAR 40# BLOCKS @ \$1.8600
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6900
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.8450; LAST BID UNFILLED: 5 CARS GRADE AA @ \$1.8450; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8500

FRIDAY, SEPTEMBER 14, 2012
 CHEESE -- SALES: 6 CARS BARRELS: 1 @ \$1.8350, 2 @ \$1.8325, 1 @ \$1.8300, 1 @ \$1.8275, 1 @ \$1.8250; 3 CARS 40# BLOCKS @ \$1.8800; LAST BID UNFILLED: 5 CARS BARRELS @ \$1.8275; 2 CARS 40# BLOCKS @ \$1.8600; LAST OFFER UNCOVERED: 10 CARS BARRELS @ \$1.8300; 10 CARS 40# BLOCKS @ \$1.8725
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8500; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.8800

BUTTER MARKETS

NORTHEAST

The CME Group butter price declined \$0.0350 Tuesday to close at \$1.8200. The butter price has declined 5 cents in the last 3 trading sessions. Cream is readily available as ample supplies of standardized cream are coming onto the market. Demand for cream is not as strong as in recent weeks and as a result churning schedules have increased. Current production is filling orders and adding to inventories. Demand is steady and typical for this time of year. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 385,809 pounds (175 metric tons) of butter. The products will be delivered from September through February 2013. During 2012, CWT has assisted member cooperatives in making export sales of butter totaling 57.1 million pounds and AMF totaling 123,459 pounds. According to the National Dairy Retail Report released Thursday, retail butter ads in the Northeast totaled 1881, 48% of the total national ad count of 3915 and the highest number for any region. Butter ads in the Northeast region increased by 544 ads or 40.7% compared to the previous reporting period. The weighted average price for a 1 lb. package of butter in the Northeast was the highest in the nation at \$2.93, 39 cents more than the next highest price in the Southwest region and 8 cents higher than the previous reporting period. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

are making plans to fill needs for upcoming seasonal holiday sales. Butter stocks are described as adequate, but tight for future needs. Manufacturers are easing up on outside cream sales to ensure enough butter is available later this year. Imported anhydrous milk fat is reported to be offered to the market. 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 Foreign Agricultural Service, exports of butter and milk fat for January - July 2012 total 73.2 million pounds, down 26% from the same period a year ago. Saudi Arabia at 25.8 million pounds for the year is the largest importer with a 53% increase above last year's amount. The butter and milk fat exports account for 11.8% of butter production in the U.S. for the year. According to the FAS, quota imports of butter for January-July 2012 total 3.75 million pounds, 16.7% less than the same period in 2011. Imports for 2012 account for 24.4% of the total quota for 2012. Imports of High-Tier butter (above quota and with a penalty) are 160,000 pounds, 72.5% less than last year's amount in the same time period. Wednesday's close on the CME Group exchange for butter is up \$.0200 to close at \$1.8400. The market was lower on both Monday and Tuesday this week. Three days of lower spot prices at the CME Group failed to change the mindset of the market and prices were higher Wednesday. The market reversed on Wednesday to gain back some of the lower price. Sales have been light so far this week with only two loads selling at the exchange.

CENTRAL

The CME cash butter price eased 5 cents late last week and early this week, but recovered 2 cents of that decline at midweek to settle at \$1.8400. Many butter producers were surprised to see the weak trend last week and remained unsettled early this week. Many feel that this weak trend would be short lived and anticipate the cash butter price to remain firm for the balance of the year. Some are speculating that \$2.00 butter might not be out of the picture before 2013. Churning activity across the Central part of the country is seasonally active and building. Cream offerings are mixed with some butter producers still looking for additional cream volumes. Class II continues to absorb cream supplies, but not to the extent of a few weeks ago when ice cream and mix production was strong. Since the Labor Day holiday, ice cream and mix production has eased and additional cream volumes are available to the churn. Also generating additional cream volumes is standardization from school bottling programs. Now, most all students have returned to the classroom thus school milk bottling schedules are in full swing. Butter demand for retail remains steady at good levels, while food service orders are easing. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

2012 U.S. Butter and Milkfat Exports, (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago
Jul. Total	7.6	- 27
Jan. - Jul.	73.2	- 26
1 Saudi Arabia	25.8	+ 53
2 Iran	9.4	+ 247
3 Morocco	7.4	- 4
4 Egypt	6.8	- 5
5 Japan	2.3	- 73

2012 U.S. Butter Imports (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jul. Quota Imports	0.57	+ 31.4	3.7
Jan. - Jul.			
High Tier	.16	- 72.5	N.A.
Quota Imports	3.75	- 16.7	24.4

WEST

Western butter prices have slowed their rise as buyers assess needs. Increased production over the Labor Day holiday helped to build inventories and participants

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
September 8, 2012	1.8037 4,787,843	1.8533 11,319,528	1.8330 10,901,107	0.5745 6,741,763	1.3622 15,515,911

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were mixed Tuesday as barrels declined \$0.0050 to close at \$1.7700, while blocks were unchanged and closed at \$1.8300. Trading has slowed in the last 5 sessions with 5 loads of barrels and 11 loads of blocks transacted. Cheese production has declined due to strong Class I pulls limiting the available manufacturing milk supply. Mozzarella makers would like to increase production due to good orders coming from food service and pizza makers. Most cheddar cheese makers are comfortable with their current inventories. Export demand and activity has improved. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 3.337 million pounds (1,514 metric tons) of Cheddar and Monterey Jack cheese. The products will be delivered from September through February 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 82.4 million pounds. According to the National Dairy Retail Report released Thursday, retail cheese ads for 8 oz. block cheese in the Northeast totaled 3,692, 38.7% of the total national ad count of 9,528 and was the highest ad count for any region. Retail cheese ads for 8 oz. shredded cheese in the Northeast totaled 4,240, 40.9% of the total national ad count of 10,375 and was the highest number ads for any region. The weighted average price for 8 oz. cheese blocks in the Northeast was \$2.35, 5 cents more than the national weighted average price, but 4 cents less than the previous reporting period. The weighted average price for 8 oz. shredded cheese in the Northeast was \$2.50, 31 cents more than the national weighted average price and 12 cents more than the previous reporting period.

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

Cheddar 40# Block	:	2.2325-2.5175
Process 5# Sliced	:	1.9925-2.1125
Muenster	:	2.2525-2.6125
Grade A Swiss Cuts 10 - 14#	:	3.3650-3.6875

MIDWEST

Cheese plants are generally finding milk to be readily available. In some areas of Wisconsin, milk supplies are reported to be at levels above one year ago. There is a sense that concerns of several weeks ago that milk supplies might be tight into the fall, are gradually easing. While the specter of summer's heat, drought and resulting projections about milk supplies was intense, it seems to be fading. Some plants would make more cheese if more milk was available at class prices, but few are willing to pay a class premium to obtain extra milk, which is available for a premium. There seems to be a comfort factor that adequate milk will be available through the fall, so why pay a slight premium now to accumulate more inventory? Plants spanning the region report that cheese sales are good. This seems to be a characterization for all varieties. Pepper Jack was singled out as experiencing "shining" sales. Some plants manufacturing barrels report barrel sales as "great", selling as fast as they are manufactured. Manufacturers of cheese curds are finding sales expanding beyond normal retail channels, with vigorous sales growth through restaurants and fast food outlets. Midweek the CME became active, with 12 sales of blocks moving the close up 1 cent to \$1.8400 while barrels moved up to \$1.8000 with 1 sale. Cooperatives Working Together (CWT) has accepted

requests for export assistance to sell 3.337 million pounds (1,514 metric tons) of Cheddar and Monterey Jack cheese. The product will be delivered September 2012 through February 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 82.4 million pounds.

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

Process American 5# Loaf	:	1.9650-2.6700
Brick And/Or Muenster 5#	:	2.2200-2.7800
Cheddar 40# Block	:	2.2200-3.2050
Monterey Jack 10#	:	2.1900-3.2050
Blue 5#	:	2.4850-3.4700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0650-3.3050
Grade A Swiss Cuts 6 - 9#	:	2.8850-3.0025

WEST

Wholesale cheese prices in the West were lower as spot prices at the CME Group were weaker last week. The cheese market has seesawed around the current value for a number of weeks. Both buyers and sellers report that supplies are adequate for current needs. Cheese plants are looking for additional milk in some cases, but are reluctant to pay premiums that may not be recouped in the product. Cheese production is mostly steady. Inventories are clearing into retail stores and processors are taking barrel deliveries to build inventories of holiday cheese spreads. Export sales are slow as international prices are lower than the U.S. domestic market. Barrel trading at the CME Group on Wednesday closed up \$.0300 at \$1.8000. Blocks were up \$.0100 at \$1.8400. Buyers and sellers continue to spar over prices with movement fluctuating between higher and lower. Sales of barrels for the week are light with two loads trading by Wednesday. Blocks had a flurry of activity on Wednesday as twelve loads were traded in a busy session. According to FAS, exports of cheese and curd for January - July 2012 total 359.5 million pounds, up 20% from the same period a year ago. The exports account for 5.7% of total cheese production in the U.S. for January - July 2012. Mexico continued to be the largest importer of cheese with 83.0 million pounds for the year or 23.1% of U.S. cheese exports. According to FAS, quota imports of cheese for January-July 2012 total 87.6 million pounds, down 1.9% from a year ago. The imports stand at 29.3% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are estimated to total 15.0 million pounds, compared to 13.8 million pounds imported for January-July of 2011. Imports of quota Swiss cheese for January-July 2012 total 23.3 million pounds, down 9.8% from last year. The two main countries for the Swiss imports are Norway and Finland, and they account for 15.2 million pounds or 65.1% of the year's total import of Swiss.

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

Process 5# Loaf	:	1.8975-2.1550
Cheddar 40# Block	:	1.9550-2.3075
Cheddar 10# Cuts	:	2.1350-2.3550
Monterey Jack 10#	:	2.1450-2.3050
Grade A Swiss Cuts 6 - 9#	:	2.9425-3.3725

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CHEESE MARKETS

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2012 U.S. Cheese and Curd Exports, (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago
July Total	49.2	+ 35
Total Jan.-July	359.5	+ 20
1 Mexico	83.0	+ 37
2 South Korea	57.6	+ 5
3 Japan	39.4	+ 32
4 Saudi Arabia	18.9	+ 36
5 Australia	17.7	+ 51

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

	<u>BUTTER : CHEESE</u>	
	:	
09/10/12	11,427	: 125,388
09/01/12	11,404	: 124,789
CHANGE	23	: 599
% CHANGE	0	: 0

2012 U.S. Cheese Imports (USDA-FAS)

	2012 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Jul. Quota Imports	13.1	+ 5.6	4.4
Jan. - Jul. High Tier	15.0	+ 8.9	N.A.
Quota Imports	87.6	- 1.9	29.3

FOREIGN

Domestic wholesale cheese prices were mixed this week as some wholesalers adjusted prices higher ahead of the typically busy 4th quarter, while other prices were pressured lower by the decline in the CME Group weekly average block price. Prices moved lower for some imported cheese varieties as ample supplies of Italian type cheeses have pressured prices. Demand has improved as importers are building supplies for the upcoming holidays. According to FAS, imports of high tier and quota Italian-type cheese from January through July this year totaled 16.9 million pounds, up 9.5% for the same period last year. Imports of quota Italian-type cheese January through July totaled 8.8 million pounds, 38.3% above the same period last year and 29.6% of the annual quota. Imports of high tier Italian-type cheese January through July totaled 8.1 million pounds, down 10.8% from the same period in 2011. Quota imports of Swiss/Emmenthaler varieties from January through July 2012 totaled 23.3 million pounds, 9.8% less than the same period last year. Norway and Finland, the two top sources, account for 65.1% of Swiss/Emmenthaler imports January through July 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	: 2.3725-3.8600*
Gorgonzola	: 3.6900-6.1900*	: 2.8750-3.3300*
Parmesan (Italy)	: -0-	: 3.7625-5.8525*
Provolone (Italy)	: 3.4400-5.5800*	: 2.4150-2.5725*
Romano (Cows Milk)	: -0-	: 3.5625-5.7125*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.2900*	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.4575-3.7800
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	96	0	72	0	0	0
SOUTHEAST STATES	47	0	20	0	0	0

Strong Class I demand has significantly limited manufacturing milk supplies in the Northeast and Mid-Atlantic regions. The strong Class I pulls have accentuated the declines in milk production, primarily brought about in recent weeks by producers culling their herds to meet available feed supplies. Recent beneficial rains over both regions have generated pasture and hay regrowth with both areas reporting pasture conditions and hay crops as mostly fair to good. Milk production in Florida continues to be at/or near the seasonal low point. Some contacts have indicated that current production is the lowest it has been since 2009. Class I demand remains very strong and prompted 96 spot loads of milk to be imported this week. Recent frequent rains have hampered hay harvest activities, but pastures are in good condition and providing plenty of grass. Declining milk production combined with very good Class I demand have severely tightened milk supplies in the Southeast region. Bottling plants are being held to their contracted volumes, even though additional loads have been requested. Any and all efforts are being made to supply bottling plants with additional loads. Milk shipments to manufacturing facilities are being held to their contract minimums. The region has imported 47 spot loads milk this week and continues to look for additional supplies. This is the highest number of imports into the region since the fall of 2010. Increases in standardized cream volumes, coming from Class I plants, have added to the overall cream supply. Supplies are more than adequate to meet demand. Some balancing plants have purchased spot loads to cover their contract needs, due to the significantly reduced manufacturing milk and cream volumes coming into their plants. Demand for cream has leveled off after the holiday week. Pulls for cream remain strong coming from cream cheese makers and some ice cream manufacturers. Some butter makers are also purchasing spot loads as they attempt to build inventories ahead of the fall and yearend holidays. Cream multiples ranged from 132-139 this week. Strong Class I pulls have significantly limited condensed skim milk supplies. Condensed skim supplies in the East are moving through contracts with little being offered on the spot market. Most manufacturers looking for additional loads have to go out of region and pay premiums to fill their needs. The strong demand for condensed skim comes primarily from yogurt manufacturers with some additional pulls from ice cream manufacturers and cheese makers. The tight manufacturing milk supplies continue to concern balancing plant managers and their ability to meet their future nonfat dry milk commitments.

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 -	2.4635-2.5942
F.O.B. producing plants: Upper Midwest -	2.3142-2.4262

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.29 - 1.40
Northeast - Class III - spot prices -	1.44 - 1.49

MIDWEST

Milk supplies in the Central region followed seasonal expectations. Cooler weather has helped with a small rebound in production levels.

Milk supply levels varied within the region as some handlers reported better than year ago volumes. Even with the current teacher strike, demand for milk into Class I plants is good, with plants in the Chicago area using unexpected volumes as many students are still participating in school lunch programs. Interest from Class II manufacturers is good as cream cheese plants are beginning to ramp up production schedules. Ice cream demand has slowed and cream multiples moderated some this week. Cream multiples ranged from 124-130 in the region. Reported tight milk supplies in the East are pushing demand for Central milk supplies and components. Cheese plants in the Midwest are looking for extra milk to boost production, but premiums of up to \$3.00 are slowing interest. Dairy plants are reporting that farmers are often asking to have milk tested for the presence of aflatoxins. Dairy farmers are taking a hard look at feed supplies and prices as the fall harvest season approaches. Farmers in drought areas are especially vulnerable to rising cost of production figures. Those without adequate homegrown supplies of feed will find sharply higher feedstuff prices compared to recent years.

WEST

CALIFORNIA milk output is steady to slightly higher, regaining some of the losses seen in prior weeks. Weather conditions are generally not a factor to milk cows. Many processors are still seeing milk intakes at lower levels than a year ago. Handlers supplying milk contracts are continuing to find it difficult to satisfy all milk needs. Class 1 needs for schools and colleges have evened out and are more predictable. Contacts are reporting that the farm level financial stress is not being eased, even as milk prices increase. The high input costs are creating challenges that producers have not seen in several years. The October 2012 Class 1 prices in CALIFORNIA range from \$20.55 in the north to \$20.82 in the south. The statewide average Class 1 price based on production is \$20.57. The average is \$1.21 higher than September 2012 but \$0.95 less than October 2011. ARIZONA milk production is uneven, reflecting monsoonal conditions across the milkshed. Lower milk receipts are being received at the processor levels and there are challenges to fill product categories. Class I demand is steady to school and retail customers. Wet weather conditions were common across much of NEW MEXICO. Farm-level milk production was impacted and there was less milk available to the processing plants. Plants are running on reduced schedules. CREAM prices and the market tone are more unsettled than in recent weeks. Demand has eased from ice cream buyers in and out of the region. Interest has increased in cream cheese, sour cream and dip categories. Supermarket ads are featuring more of those items around football themes. Some butter makers are keeping more cream to focus on filling their fall and holiday butter needs. The focus is to have stocks on hand to fill orders, yet not have extra inventory at the end and risk losing inventory value should a correction occur. At the CME Group, the Grade AA butter price on Wednesday, September 12 closed at \$1.8400, down 3 cents from a week ago. Cream multiples have stabilized at the range of 124 to 140, and vary depending on basing points and averages. Milk output in the PACIFIC NORTHWEST remains at expected levels. Milk handlers are able to process current supplies within the region and are taking time for scheduled maintenance at various plants. Fall weather has arrived with cool nights and moderate temperatures during the day. Harvesting of corn silage has begun in the region with forage cutting winding down. UTAH and IDAHO milk supplies are following seasonal patterns. Current production is being handled locally in most cases to reduce transportation costs. Good weather has improved production, but overall totals are declining. Dairy farmers and their bankers are making plans for purchased inputs and what breakevens need to be to maintain profitability.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices were higher this week. Both the full range and the mostly series moved higher. Buyers in the spot market appeared to take a less determined attitude into negotiations this week. Offerings of spot loads were more evident this week as resellers were willing to bring product to the market. Manufacturers had sufficient supplies to continue to provide contracted deliveries. The Foreign Agricultural Service reports that cumulative 2012 through July exports of nonfat dry milk under Schedule B code 0402100000 total 603.0 million pounds, a 7% increase compared to the same time span of 2011. Total exports for 2012, and percent change in amounts exported compared to 2011 are: Mexico, 248.7 million pounds (22%), Philippines, 61.0 million pounds (-15%) and Indonesia, 48.2 million pounds (-26%). These countries are the top three destinations for nonfat dry milk thus far in 2012, accounting for 59.3% of the total nonfat dry milk exports. According to the latest Foreign Agricultural Service report, January - July 2012 imports of dried skim milk in the high tier category totals about 184,188 pounds. Quota dried skim milk imports during January - July 2012 totaled 408,347 pounds, up 34.2% from last year.

EAST: Transactions based on price indices moved Nonfat dry milk prices higher on the low end of the range. Manufacturing milk supplies have been significantly reduced due to strong Class I demand, limiting nonfat dry milk production. Current production is moving through contracts. Inventories are being worked lower as production is short of demand needs. The tight manufacturing milk supplies continue to concern plant managers and their ability to meet their future nonfat dry milk commitments. Demand remains good with strong pulls from yogurt and baking manufacturers, but some buyers are resisting the higher prices and looking for lower priced imported product. High heat nonfat dry milk is in short supply with some contract shipments being delayed. The market undertone remains firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3975 - 1.8000 MOSTLY: 1.4000 - 1.6500
 HIGH HEAT: 1.4475 - 1.9000

NONFAT DRY MILK - WEST

The Western low/medium heat nonfat dry milk market tone remains firm. Pricing movements have tempered at the top ends of the range and mostly series due to the lack of product to test the market top. Producers continue to struggle to stay timely with contracted volumes. Reports of shipment delays are more common. Drying schedules remain light in the region as milk production is lighter than projections and filling into other categories. Index-based pricing is trending higher at a steady, measured pace. The circularity of the market is evident in the light volumes in both state and national index reports. With limited spot trading to be reported, the math only works out to incremental increases in the weighted average pricing. Export interest is light for new business, which is also impacted by limited offerings. Higher prices at levels above international markets are also factoring into the export demand. Resale pricing is often within the range. Some back-to-back trades are based off indexes, while other resale trades are able to test the market and are at levels near the top end of the range. Traders and handlers are indicating some reluctance to buy and hold NDM above the \$1.70-1.75 mark. While that may be the case for now, that

philosophy could be tested in a potentially, tightly supplied fall market. Stocks are light to moderate and held with confidence. Western high heat nonfat dry milk prices are trending slightly higher. The market tone is firm. Production levels are very light to light and producers are often struggling to schedule high heat time. Demand is fair to good for the limited offerings. Some seasonal accounts are more active and high heat supplies are moving towards those needs. Any additional spot needs are going unmet. Stocks are light. FAS export data for NDM/SMP show U.S. January-July 2012 exports at 603.0 million pounds, up 7% from the same period in 2011. July 2012 exports total 70.2 million pounds, down 13% from a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3050 - 1.7300 MOSTLY: 1.3400 - 1.6700
 HIGH HEAT: 1.3400 - 1.7500

U.S. NDM Exports, H.S. Code 0402100000 (FAS)		
	2012 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	70.2	- 13
TOTAL, JAN - JULY	603.0	+ 7
1 Mexico	248.7	+ 22
2 Philippines	61.0	- 15
3 Indonesia	48.2	- 26
4 Vietnam	40.0	- 43
5 China	25.2	+ 48

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are steady to higher with spot sales leading the increase. There were increased offerings of buttermilk as churns were busy with extra holiday cream supplies. Demand for the offered spot loads was good as supplies have been limited through the summer. Sales of condensed buttermilk in the Central region have been brisk with good demand.

EAST: Dry buttermilk prices moved higher on the upper end of the range this week in light trading. Butter and dry buttermilk production increased this week as cream became available due to increased volumes of standardized cream. Current production is moving through contracts with very little being add to inventories. Buyers looking for additional loads have to look outside the region or via limited resale opportunities. Supplies are held in firm hands as manufacturers anticipate price increases following recent price increases on the nonfat dry milk market. Demand continues to be good with steady pulls from baking manufacturers. The market undertone remains firm.

F.O.B. CENTRAL/EAST: 1.3000 - 1.3700

DRY BUTTERMILK - WEST

Western dry buttermilk prices are continuing to moving higher. The market undertone is firm. The market is being pulled up by the higher low heat nonfat dry milk market, but there is limited product to even begin to test the full extent of the market top. Dry buttermilk production levels are trending only slightly higher as more cream supplies are returning to butter production. Buttermilk solids supplies are slightly higher and drying times are available to

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

the dryers. Offerings are light with most supplies moving to fill contracted volumes. Demand is limited and buyers are only able to find limited offerings in the resale market. Producers' stock levels remain light.

F.O.B. WEST: 1.2750 - 1.6000 MOSTLY: 1.3250 - 1.3750

DRY WHOLE MILK - NATIONAL

Dry whole milk prices were steady this week in a light test. Manufacturers are building inventories to fill expected increases in demand during the upcoming baking season. Spot sales were quiet this week. Foreign Agricultural Service reports that cumulative 2012 through July exports of dry whole milk and cream under Schedule B code 0402210000 total 15.7 million pounds, down 5% from the same period in 2011. Mexico is the largest customer of dry whole milk with imports of 5.9 million pounds from January - July of 2012. This accounts for 37.4% of total U.S. exports. According to the latest Foreign Agricultural Service report, January - July 2012 imports of dry whole milk in the high tier category total 164,221 pounds, 24.3% less than the amount imported during the same time span one year ago. Quota imports of dry whole milk during January - July 2012 total about 1.4 million pounds, an increase of 89.1% compared to the same time span of 2011. July 2012 dry whole milk imports total 125,290 pounds, a 110.9% increase over July 2011. All of the quota dry whole milk imported during the first seven months of 2012 originated in Denmark, France, the Netherlands, New Zealand or Sweden. Total quota imports through the end of July represent 19.7% of the tariff-rate quota for this commodity.

F.O.B. PRODUCING PLANT: 1.5800 - 1.6400

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 7	\$1.2874	7,500,804	0
August 31	\$1.2647	8,700,856	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 marginally higher across both price series this week. Contract pricing indices continue to move higher affecting average pricing. An increase in availability of spot whey has slowed the price climb. Buyers are taking more of a wait and see approach as supplies appear adequate for immediate needs. ANIMAL FEED DRY WHEY prices in the Central region were mostly steady with a slight increase noted on contract sales. Increased offerings of whey were reported this week. Feed companies appear to be in a good position with adequate inventories already acquired. Sales of milk replacer to dairy/beef programs are going well with steady demand from the veal markets. Foreign Agricultural Service reports that cumulative 2012 through July exports of dried whey under Schedule B code 0404104000 totaled 296.3 million pounds, a 6% decrease compared to the same time span of 2011. The three largest 2012 U.S. export markets for dried whey, total exports for the year, and percent change in amounts exported compared to the same 2011 timeframe: China, 63.4 million pounds (+1%); Mexico, 39.4 million pounds (-3%); and Canada, 28.5 million pounds (unchanged). Exports to those three countries account for 44.3% of all U.S. dried whey exported during the first seven months of 2012.

F.O.B. CENTRAL: .5200 - .6050 MOSTLY: .5500 - .5850
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4050 - .5450

DRY WHEY - NORTHEAST

Dry whey prices increased again this week as transactions based on price indices moved both ends of the price range higher. Cheese and dry whey production declined as strong Class I demand limited manufacturing milk supplies. Current production is moving through contracts with little being added to inventories. Very few spot sales were reported this week, an indication that supplies are becoming tight. Demand for dry whey has moderated slightly as purchases by ice cream manufacturers have declined in some areas. Some buyers have been successful securing additional loads from outside the region and through resale opportunities. Resale activity has slowed, compared to recent weeks, but prices continue to be above the range. The market undertone remains firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5900 - .6150

DRY WHEY - WEST

Western dry whey prices were higher this week. Contract indices continue to move markets higher. Spot market activity this week is mixed as more product was being offered to the market. Resellers were willing to move whey at closer to average prices. Buyers appear to have taken a wait and see attitude for product above immediate needs. Manufacturer inventories are adequate for contract and export needs, with brokers holding adequate inventories for most spot needs. According to the Foreign Agricultural Service, exports of dried whey for January - July 2012 total 296.3 million pounds, down 6% from the same period a year ago. The exports account for 47.9% of the total dry whey production in the U.S. for the year. China remains the leader in U.S. export destination for whey. The top five importing countries accounted for 171.9 million pounds or 58.0% of the exports for the year.

NONHYGROSCOPIC: .5700 - .6250 MOSTLY: .5800 - .6050

U.S. Dry Whey Exports. H.S. Code 0404104000(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	38.3	- 16
TOTAL, JAN - JULY	296.3	- 6
1 China	63.4	+ 1
2 Mexico	39.4	- 3
3 Canada	28.5	N.C.
4 Japan	21.4	- 8
5 Vietnam	19.2	+ 29

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are steady to firm this week. Prices firmed on both the range and mostly series. The market is showing increased activity as WPC prices have lagged behind nonfat dry milk prices. End users with the ability to switch protein sources are increasingly looking to WPC. Whey protein concentrate 34% production is in balance with needs in most cases. Foreign Agricultural Service reports that cumulative 2012 through July exports of WPC 34% under Schedule B code 0404100500 totaled 146.8 million pounds, a 13% increase compared to the same time span in 2011. Exports to China (56.8 million pounds, +16%), Canada (18.4 million pounds, -8%) and Mexico (15.8 million pounds, -21%) accounted for 62.0% of all the WPC 34% exported thus far.

F.O.B. EXTRA GRADE 34% PROTEIN:1.0700 - 1.3125 MOSTLY: 1.1600 - 1.1850

U.S. WPC ≤ 80% Exports, H.S. Code 0404100500(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	31.9	+ 72
TOTAL, JAN - JULY	146.8	+ 13
1 China	56.8	+ 16
2 Canada	18.4	- 8
3 Mexico	15.8	- 21
4 Japan	8.2	- 21
5 Vietnam	8.2	+ 153

LACTOSE - CENTRAL AND WEST

Lactose prices are mostly steady this week as negotiations are ongoing in many cases for 4Q contracts. Spot activity this week was minimal as the bulk of deliveries were tied to previously determined contracts. The market tone is uneven as buyers are showing increased demand into the quarter, but are looking for lower pricing. Prices remain in a wide spread due to end users quality needs. Stocks of lactose are reported by manufacturers to be adequate for needs. Foreign Agricultural Service reports that cumulative 2012 through July lactose exports under Schedule B code 1702110000, anhydrous, >99% solids, totaled 209.7 million pounds. This is a decrease in exports of 19% compared to the same time span in 2011. China (45.2 million pounds, +1%), New Zealand (34.4 million pounds, -29%) and Mexico (30.5 million pounds, +3%) are the top three destinations for lactose exports thus far in 2012, accounting for 52.5% of lactose exports.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .6500 - .9575 MOSTLY: .7800 - .8700

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

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

CONTINUED FROM PAGE 6**U.S. Lactose Exports, H.S. Code 1702110000(FAS)**

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
July Total	30.8	- 20
TOTAL, JAN - JULY	209.7	+ 2
1 China	45.2	+ 1
2 New Zealand	34.4	- 29
3 Mexico	30.5	+ 3
4 Japan	15.5	- 26
5 Brazil	10.7	- 18

CASEIN - NATIONAL

Casein markets and prices are firm. Domestic buyers are indicating that their needs are basically being filled as scheduled for the balance of the 3rd quarter, although for some, deliveries have been adjusted. Most of these buyers indicate that adjusted delivery schedules should have minimal negative impact on their operations as most have working inventories that should bridge the gap. The big question is price and supply availability for 4th quarter and beyond. The production season in Europe is winding down quite quickly. In the Oceania region, the milk production season is developing positively and casein production is just getting underway. For some operations in New Zealand, casein operations have been operational for a longer period of time versus others due to logistics of the milk supply.

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	2012	2011 WEEKLY	2011
	DAIRY COWS	CUMULATIVE DAIRY COWS	DAIRY COWS	CUMULATIVE DAIRY COWS
08/25/2012	60.0	1,978.6	54.6	1,869.9

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

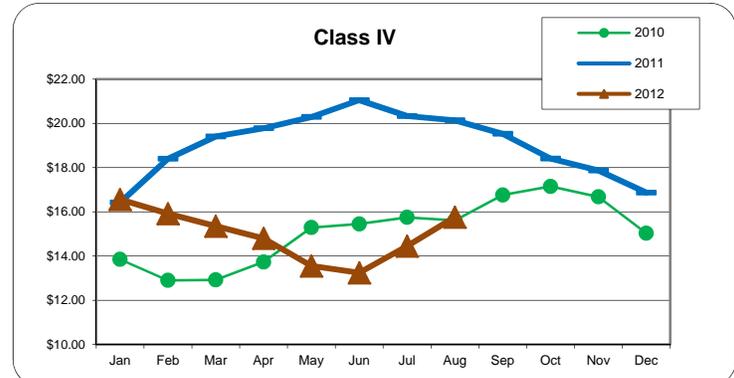
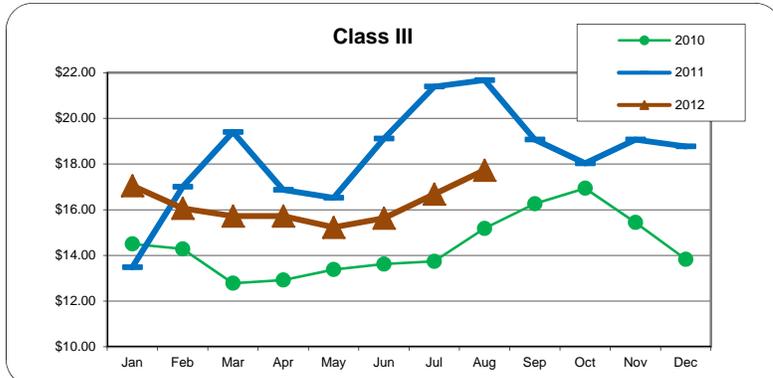
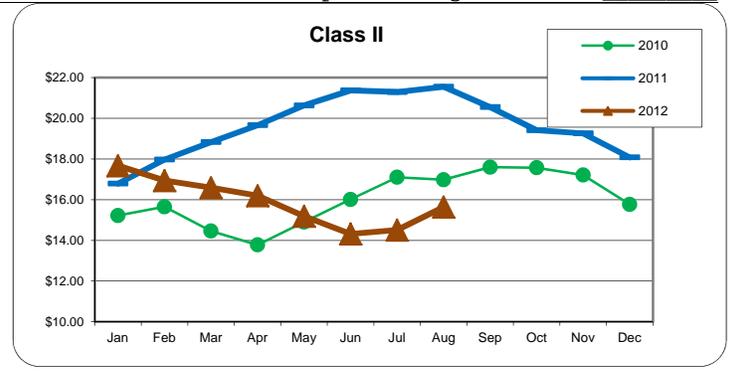
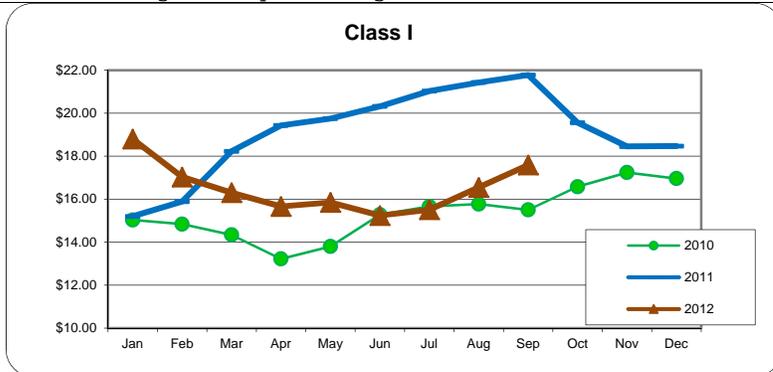
CLASS IV MILK PRICES (3.5% BF)

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	16.55				
II	17.67	16.94	16.59	16.20	15.19	14.32	14.51	15.64				
III	17.05	16.06	15.72	15.72	15.23	15.63	16.68	17.73				
IV	16.56	15.92	15.35	14.80	13.55	13.24	14.45	15.76				

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 September 2 - 14, 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 in Europe continues to edge seasonally lower. Previous year comparables are mixed from one region to another, although cumulative milk production is about level to slightly lower than last year. Some milk producers and handlers are indicating that current milk volumes are lighter at this time versus last year. Manufacturers and handlers are stating that stock levels are often not at desired levels for buyer interest. Currently, manufacturers, when possible, are pushing milk volumes through butter/powder operations as these products currently have better returns and need. Traders are indicating that it is difficult to put together volumes for potential customers as suppliers are often pushing back deliveries of previous commitments already. Demand is good, but supply availability is the challenging factor at this time. Prices are firm as the Euro strengthens. European traders and handlers continue to monitor other international markets, especially the U.S. due to the hot and dry conditions of the summer and its' potential impact on supply availability for their domestic market and international buyers. U.S. dairy farmers will be challenged with feed supplies and quality during the next year as heat and drought conditions during the past summer have negatively impacted feed stocks, especially grains. The European dairy industry is also struggling with feed availability and quality, thus for many farmers, comparable conditions will prevail. Butter is starting to be removed from the 133,305 MT that cleared to the PSA program during the period of March 1 - August 15. Official figures are not yet available, but traders and handlers are reporting that volumes are coming back into the marketplace.

BUTTER/BUTTEROIL: European butter markets and prices are firm. The milk production season is winding down, thus is churning activity. Although many butter operations would like to be churning heavier, some are finding it more cost efficient to sell cream versus churn. Supplies are not that plentiful and when possible, milk is being directed towards butter/powder operations versus others due to better returns or most need. Butter is starting to re-enter the marketplace out of the PSA program. During the open season, March 1 - August 15, 133,305 MT (nearly 294 million pounds) cleared to the PSA program compared to 105,705 MT (nearly 233 million pounds) last year.

82% BUTTERFAT: 3,950 - 4,200
 99% BUTTERFAT: 4,550 - 4,900

SKIM MILK POWDER (SMP): Skim milk powder markets and prices in Europe are firm. A strong Euro is aiding in firm prices along with limited supplies. Milk production is declining, thus is powder output, although, when possible, late season milk production is clearing to butter/powder facilities and away from other manufactured products. Traders and handlers are indicating that powder demand is mixed, but generally centered around an internal market.

1.25% BUTTERFAT: 3,325 - 3,600

SWEET WHEY POWDER: European whey powder markets and prices are firm. Milk production is declining seasonally, thus is cheese output. Cheese production has been strong for much of the current milk season, but now, when possible, milk is being directed to other products and away from cheese output. Whey volumes are also easing and firm prices are often limiting international buyer interest. Most whey activity is centered around an internal market.

NONHYGROSCOPIC: 1,325 - 1,500

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are firm. Whole milk supplies appear to be a little more available than other manufactured products, but still limited for significant buyer interest. Buyer interest is fair as traders and handlers question the slower buyer pattern. Many feel that firm prices and overall tight supplies in the European marketplace may be two of the leading factors in this trend.

26% BUTTERFAT: 3,725 - 3,950

EASTERN OVERVIEW: Milk production in Eastern Europe continues to decline, but is often stronger than Western counterparts. Eastern Europe has had a positive production season and the trend appears to be flowing into the fall. Stocks of manufactured dairy products are available, but generally not at desired levels. Domestic buyers continue to absorb a significant portion of available stocks with international buyer's often not as fortunate.

Exchange rates for selected foreign currencies: September 10, 2012

1.0229 Canadian Dollar	.0180 Indian Rupee
.2145 Argentina Peso	.8086 New Zealand Dollar
.0764 Mexican Peso	1.0335 Australian Dollar
.3100 Polish Zloty	.0128 Japanese Yen
	1.2759 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0764) = 13.0890 Mexican Pesos.

Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 3 - 14, 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 in the Oceania region continues to seasonally build as early spring weather patterns are generally positive. In New Zealand, cold and windy conditions prevailed in recent days on the South Island and southern portions of the North Island, but further north on the North Island, weather patterns are more conducive to a positive start to the production season. In New Zealand, good cow conditioning and a strong finish to last season are also contributing to an overall positive start to the 2012 - 2013 production year. Australian milk production patterns are also being influenced by many of the same factors that have occurred or are occurring in New Zealand. Good moisture levels are being reported in most dairy production regions of Victoria. Milk producers in the Gippsland region of Victoria struggled last season with excessive moisture and early indications are that this region is again receiving excessive moisture which could again challenge milk producers this season. Warm weather patterns are slower to develop in Australia than in New Zealand, thus grass/pasture growth is slower, although early reports indicate that milk production for July in Australia was running about 3.5% ahead of last season. Production estimates for the upcoming season remain much the same as previously reported with Australia estimating a 2 - 3% increase over two years ago and New Zealand looking at a 4 - 5% increase over the 2010 - 2011 season. Milk producers and handlers in both countries are stating that output will remain positive, but not as strong as the 2011 - 2012 season generated. As milk volumes build, manufacturing facilities are being geared up. In most instances, all manufacturing facilities in both New Zealand and Australia are up and receiving milk. Although receipts are not challenging capacity levels, milk is often being balanced among all products at this time. Casein production has resumed at some locations, but for the most part remains seasonally light. Traders and handlers are indicating that buyer interest is strong. Much of this interest is from regular and ongoing customer needs. A large percentage of early production has been committed to this need with minimal uncommitted volumes available at this time. Average prices at the last g/DT auction on September 4 continued the firm trend of recent events. Average prices ranged from a 4.3% increase for whole milk powder to a 15.8% increase in buttermilk powder. The next event, #76 will be held on Tuesday, September 18.

BUTTER: Oceania butter markets and prices are steady to firm. The new milk production season is just getting underway in both New Zealand and Australia and early reports indicate that milk volumes are positive. Most butter operations are now up and running for the new season. Although milk volumes remain light, butter plants are ready for the seasonal increase. Butter producers and handlers are reporting that a significant portion of early production is fully committed with minimal uncommitted volumes being reported. Many producers are indicating that they are spot on with their

supply/demand balance at this early point of the season.

82% BUTTERFAT:

2,800 - 3,400

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices are steady to generally firm. Manufacturers and handlers are indicating that the new production season has resumed and fresh product is being generated. The milk production season in the region is seasonally building, thus will drying schedules. Most all plants are now up and running with capacity not a problem. Current and near term powder volumes are generally fully committed with minimal, if any, uncommitted volumes available for spot buyer interest. Traders and handlers are stating that buyer interest is strong and is basically centered around regular/ongoing customer needs. Some of those buyers are questioning suppliers about additional volumes, but many of the inquiries are going unfilled at this time. Many manufacturers and traders are cautious with their commitments at this time until they get a better picture as to how the season is developing.

1.25% BUTTERFAT:

3,050 - 3,450

CHEDDAR CHEESE: Oceania cheese markets and prices are firm. Traders and handlers are indicating that cheese demand is picking up as the new milk production season is resuming. Cheese traders and handlers are stating that demand patterns are much in line with projections and no significant deviations from this trend are expected. Seasonal cheese production is on the increase as cheese vats in both New Zealand and Australia absorb increasing milk volumes.

39% MAXIMUM MOISTURE:

3,500 - 4,000

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices in the Oceania region are steady to generally firm. The 2012 - 2013 milk production season is off and running. Powder operations are up and running, absorbing increasing volumes of milk. Milk producers are indicating that the season is off to a strong start and milk volumes appear to be running heavier than last year at this time. It is still early in the milk production season and, for the most part, milk volumes are clearing to all manufactured dairy products at varying rates. Whole milk powder demand is strong and is centered around ongoing customer needs. Traders and handlers are indicating that, although early in the season, supplies are in balance with demand. At the September 4 g/DT event, whole milk powder averaged \$2,978 per MT, 4.3% higher than the previous all contract average. Whole milk powder prices have been firm for recent events with many traders and handlers anticipating this trend to continue.

26% BUTTERFAT:

2,900 - 3,400

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 3 - 14, 2012

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US\$/MT	Global/Dairy Trading (g/DT) Event 75 Recap - September 4, 2012													
	Contract 1 Oct-12		Contract 2 Nov-12		Contract 3 Dec-12		Contract 4 Jan-13		Contract 5 Feb-13		Contract 6 Mar-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$3,408	7.6%	\$3,484	12.3%	\$3,606	14.6%	\$3,616	12.2%	\$4,180	17.1%	\$3,530	11.8%	
Buttermilk Powder	n.a.	\$3,070	19.7%	\$3,145	16.9%	\$3,085	7.5%	n.a.	n.a.	n.a.	n.a.	\$3,091	15.8%	
Cheddar	n.a.	\$3,693	4.7%	\$3,530	6.0%	\$3,618	4.8%	n.a.	n.a.	n.a.	n.a.	\$3,593	5.3%	
Lactose	n.a.	n.a.	n.a.	\$2,135	6.8%	\$2,011	2.6%	\$2,000	n.a.	n.a.	n.a.	\$2,059	5.2%	
Milk Protein Concentrate	n.a.	\$6,155	14.5%	\$6,165	15.2%	\$6,225	17.1%	n.a.	n.a.	n.a.	n.a.	\$6,173	15.5%	
Rennet Casein	n.a.	\$7,838	11.0%	\$7,756	9.8%	\$7,874	9.2%	n.a.	n.a.	n.a.	n.a.	\$7,825	10.1%	
Skim Milk Powder	\$3,670	11.0%	\$3,152	7.0%	\$3,220	7.2%	\$3,275	9.7%	\$3,191	4.9%	n.a.	\$3,211	7.5%	
Whole Milk Powder	\$2,918	n.a.	\$2,978	4.2%	\$2,985	4.6%	\$2,994	4.2%	\$3,017	4.0%	\$3,066	4.9%	\$2,978	4.3%

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 75 Recap - September 4, 2012													
	Contract 1 Oct-12		Contract 2 Nov-12		Contract 3 Dec-12		Contract 4 Jan-13		Contract 5 Feb-13		Contract 6 Mar-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$1.5459	7.6%	\$1.5803	12.3%	\$1.6357	14.6%	\$1.6402	12.2%	\$1.8960	17.1%	\$1.6012	11.8%	
Buttermilk Powder	n.a.	\$1.3925	19.7%	\$1.4266	16.9%	\$1.3993	7.5%	n.a.	n.a.	n.a.	n.a.	\$1.4021	15.8%	
Cheddar	n.a.	\$1.6751	4.7%	\$1.6012	6.0%	\$1.6411	4.8%	n.a.	n.a.	n.a.	n.a.	\$1.6298	5.3%	
Lactose	n.a.	n.a.	n.a.	\$0.9684	6.8%	\$0.9122	2.6%	\$0.9072	n.a.	n.a.	n.a.	\$0.9340	5.2%	
Milk Protein Concentrate	n.a.	\$2.7919	14.5%	\$2.7964	15.2%	\$2.8236	17.1%	n.a.	n.a.	n.a.	n.a.	\$2.8001	15.5%	
Rennet Casein	n.a.	\$3.5553	11.0%	\$3.5181	9.8%	\$3.5716	9.2%	n.a.	n.a.	n.a.	n.a.	\$3.5494	10.1%	
Skim Milk Powder	\$1.6647	11.0%	\$1.4297	7.0%	\$1.4606	7.2%	\$1.4855	9.7%	\$1.4474	4.9%	n.a.	\$1.4565	7.5%	
Whole Milk Powder	\$1.3236	n.a.	\$1.3508	4.2%	\$1.3540	4.6%	\$1.3581	4.2%	\$1.3685	4.0%	\$1.3907	4.9%	\$1.3508	4.3%

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	08/30	08/31	09/03	09/04	09/05	09/06	09/07	09/10	09/11	09/12
CME - CLASS III MILK FUTURES (Pit-Traded)										
SEP 12	19.11 (4903) 7	18.89 (4854) 13	NO TRADING	18.97 (4804) 20	18.78 (4768) 0	18.86 (4745) 2	18.85 (4724) 0	18.78 (4705) 0	18.81 (4687) 0	18.81 (4708) 0
OCT 12	20.19 (5320) 9	19.76 (5322) 12		19.95 (5351) 20	19.76 (5486) 8	19.64 (5315) 0	19.45 (5192) 7	19.01 (4954) 3	19.24 (4905) 0	19.37 (4921) 0
NOV 12	20.21 (4115) 2	19.90 (4066) 0		20.07 (4078) 0	19.88 (4094) 8	19.85 (4082) 0	19.71 (4044) 0	19.37 (4040) 0	19.64 (4038) 3	19.81 (4037) 0
DEC 12	20.21 (3574) 0	19.88 (3585) 0		20.10 (3570) 0	19.87 (3582) 8	19.80 (3570) 0	19.71 (3551) 0	19.37 (3568) 0	19.57 (3577) 0	19.77 (3584) 0
JAN 13	19.90 (1369) 2	19.77 (1371) 0		19.93 (1400) 0	19.82 (1396) 0	19.68 (1424) 0	19.61 (1421) 0	19.35 (1431) 0	19.41 (1459) 5	19.50 (1466) 0
FEB 13	19.50 (1175) 4	19.37 (1186) 0		19.52 (1204) 0	19.39 (1207) 0	19.25 (1255) 0	19.20 (1263) 0	19.00 (1275) 0	19.07 (1272) 5	19.08 (1271) 0
MAR 13	19.28 (1053) 0	19.20 (1060) 0		19.37 (1076) 0	19.20 (1085) 0	19.10 (1114) 0	19.10 (1112) 0	18.96 (1124) 0	19.00 (1117) 5	18.98 (1126) 0
APR 13	19.23 (806) 2	19.12 (811) 0		19.17 (812) 0	19.12 (815) 0	18.98 (831) 0	18.98 (838) 0	18.95 (840) 0	18.91 (836) 5	18.93 (849) 0
MAY 13	18.95 (674) 0	18.87 (674) 0		18.90 (684) 0	18.90 (687) 0	18.83 (686) 0	18.83 (685) 0	18.80 (685) 0	18.80 (685) 5	18.80 (687) 0
JUN 13	18.75 (582) 0	18.65 (583) 0		18.70 (594) 0	18.65 (594) 0	18.62 (599) 0	18.65 (600) 0	18.52 (602) 0	18.55 (607) 5	18.60 (613) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
SEP 12	18.20 (120) 0	18.20 (120) 0	NO TRADING	18.20 (120) 0	18.20 (120) 0	18.20 (120) 0	18.00 (120) 0	17.85 (120) 0	17.50 (119) 0	17.50 (119) 0
OCT 12	19.47 (75) 0	19.47 (75) 0		20.00 (78) 0	19.95 (85) 8	19.89 (85) 0	19.46 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0
NOV 12	19.97 (64) 0	19.97 (64) 0		20.25 (66) 0	20.00 (73) 8	20.00 (73) 0	20.00 (73) 0	20.00 (73) 0	20.00 (73) 0	19.99 (73) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
SEP 12	185.00 (905) 4	187.98 (888) 100	NO TRADING	188.00 (888) 11	188.00 (901) 10	188.00 (909) 9	186.00 (909) 3	183.25 (913) 18	183.00 (936) 29	183.00 (936) 0
OCT 12	184.75 (767) 0	188.50 (766) 23		191.93 (772) 12	191.00 (767) 0	191.00 (768) 2	188.50 (768) 10	186.00 (767) 10	184.75 (779) 22	185.00 (773) 10
NOV 12	186.75 (737) 0	188.50 (710) 47		190.00 (715) 10	190.00 (710) 0	190.00 (712) 2	188.00 (719) 7	186.50 (729) 18	184.00 (735) 17	184.00 (735) 0
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
SEP 12	146.00 (347) 0	146.00 (347) 0	NO TRADING	145.50 (347) 0	145.50 (347) 0	143.00 (346) 0	140.50 (346) 0	140.50 (346) 0	140.50 (346) 0	140.00 (346) 0
OCT 12	159.90 (293) 0	159.90 (293) 0		159.50 (293) 0	159.50 (293) 0	158.75 (300) 0	156.50 (300) 0	154.25 (300) 0	154.25 (300) 0	154.00 (300) 0
NOV 12	163.50 (242) 0	164.50 (245) 0		164.50 (245) 0	164.50 (245) 0	164.50 (248) 0	164.50 (248) 0	164.50 (248) 0	164.50 (248) 0	164.50 (248) 0
CME - WHEY (Electronic-Traded)										
SEP 12	58.18 (306) 0	56.75 (306) 1	NO TRADING	56.75 (306) 0	56.75 (306) 0	56.75 (305) 2	57.03 (305) 0	57.03 (305) 0	57.00 (305) 1	57.00 (304) 1
OCT 12	61.88 (279) 2	60.50 (284) 5		60.50 (284) 0	60.50 (284) 0	60.50 (284) 0	59.75 (284) 1	59.50 (284) 8	59.50 (286) 2	59.25 (287) 1
NOV 12	62.20 (245) 0	61.00 (248) 5		61.00 (248) 0	61.00 (248) 0	61.00 (247) 15	60.50 (245) 2	60.50 (245) 0	60.50 (242) 3	61.25 (242) 0
CME - CHEESE CSC (Electronic-Traded)										
SEP 12	1.89 (1409) 0	1.87 (1408) 6	NO TRADING	1.87 (1408) 2	1.85 (1418) 0	1.86 (1416) 6	1.85 (1409) 7	1.85 (1409) 2	1.86 (1410) 6	1.86 (1411) 1
OCT 12	1.96 (1147) 4	1.93 (1170) 59		1.94 (1170) 2	1.92 (1171) 1	1.91 (1172) 10	1.90 (1166) 10	1.86 (1164) 32	1.89 (1168) 13	1.90 (1168) 12
NOV 12	1.97 (1131) 2	1.94 (1126) 27		1.95 (1126) 0	1.94 (1130) 10	1.93 (1132) 3	1.91 (1133) 7	1.89 (1133) 0	1.91 (1131) 14	1.92 (1132) 5
DEC 12	1.96 (1180) 5	1.94 (1203) 34		1.95 (1212) 11	1.93 (1213) 1	1.92 (1212) 7	1.91 (1212) 0	1.88 (1219) 9	1.89 (1219) 7	1.90 (1218) 2
JAN 13	1.95 (240) 12	1.94 (250) 11		1.94 (250) 0	1.94 (250) 0	1.93 (254) 4	1.93 (254) 0	1.91 (257) 3	1.91 (257) 1	1.90 (261) 6
FEB 13	1.94 (124) 11	1.92 (124) 0		1.92 (124) 0	1.92 (124) 0	1.91 (124) 0	1.90 (124) 0	1.89 (124) 0	1.89 (124) 0	1.88 (129) 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.)

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES

The 2012 milk production forecast is reduced slightly from last month, reflecting a slower rate of growth in milk per cow in the second half of the year. The production forecast for 2013 is unchanged from last month. Skim-solids imports are raised, but the export forecast is unchanged. Product prices are forecast higher for 2012 as the milk production forecast is reduced and demand is somewhat stronger. With higher product prices, both the Class III and Class IV price forecasts are raised. For 2013, the butter price forecast is reduced slightly on weaker expected demand but forecasts for other products are unchanged. Thus, the Class II price forecast is unchanged but the Class IV price is lowered. The all milk price is forecast at \$17.80 to \$18.00 per cwt for 2012 and \$17.85 to \$18.85 per cwt for 2013.

U.S. MILK SUPPLY AND USE					
Commodity	2011	2012 Projected		2013 Projected	
		August	September	August	September
BILLION POUNDS					
MILK					
PRODUCTION	196.2	200.0	199.9	198.9	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	10.5	10.5
MARKETINGS	195.3	199.0	198.9	197.9	197.9
IMPORTS	3.5	3.7	3.7	3.6	3.6
TOTAL COMMERCIAL SUPPLY	209.6	213.6	213.5	212.0	212.0
FAT BASIS USE					
COMMERCIAL EXPORTS	9.4	9.8	9.8	8.9	8.9
ENDING COMMERCIAL STOCKS	10.9	10.5	10.5	10.9	11.0
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	189.2	193.4	193.2	192.3	192.2
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	12.2	11.8	11.8	11.6	11.5
MARKETINGS	195.3	199.0	198.9	197.9	197.9
IMPORTS	5.3	5.5	5.7	4.7	5.0
TOTAL COMMERCIAL SUPPLY	212.7	216.4	216.4	214.2	214.4
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.5	33.4	33.4	32.5	32.5
ENDING COMMERCIAL STOCKS	11.8	11.6	11.5	11.6	11.7
CCC NET REMOVALS <u>1/</u>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	168.3	171.3	171.5	170.1	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 11

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd from page 10

U.S. DAIRY PRICES					
Commodity	2011	2012 Projected		2013 Projected	
		August	September	August	September
DOLLARS PER POUND					
PRODUCT PRICES <u>1/</u>					
CHEESE	1.8246	1.635-1.655	1.650-1.670	1.640-1.740	1.640-1.740
BUTTER	1.9498	1.535-1.575	1.565-1.605	1.515-1.645	1.510-1.640
NONFAT DRY MILK	1.5058	1.250-1.270	1.275-1.295	1.350-1.420	1.350-1.420
DRY WHEY	0.5325	0.550-0.570	0.565-0.585	0.570-0.600	0.570-0.600
DOLLARS PER CWT					
MILK PRICES <u>2/</u>					
CLASS III	18.37	16.50-16.70	16.75-16.95	16.70-17.70	16.70-17.70
CLASS IV	19.04	15.10-15.40	15.45-15.75	15.90-17.00	15.85-16.95
ALL MILK <u>3/</u>	20.14	17.55-17.75	17.80-18.00	17.80-18.80	17.85-18.85
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	48.5	49.5	51.1
DOLLARS PER CWT.					
ALL MILK PRICE <u>2/</u> <u>3/</u>	16.40	17.85-18.05	19.10-19.60	17.75-18.55	17.25-18.25
CLASS III PRICE <u>2/</u>	15.53	17.50-17.70	17.75-18.25	16.25-17.05	16.20-17.20
CLASS IV PRICE <u>2/</u>	13.86	15.75-16.05	16.35-16.95	15.50-16.40	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.

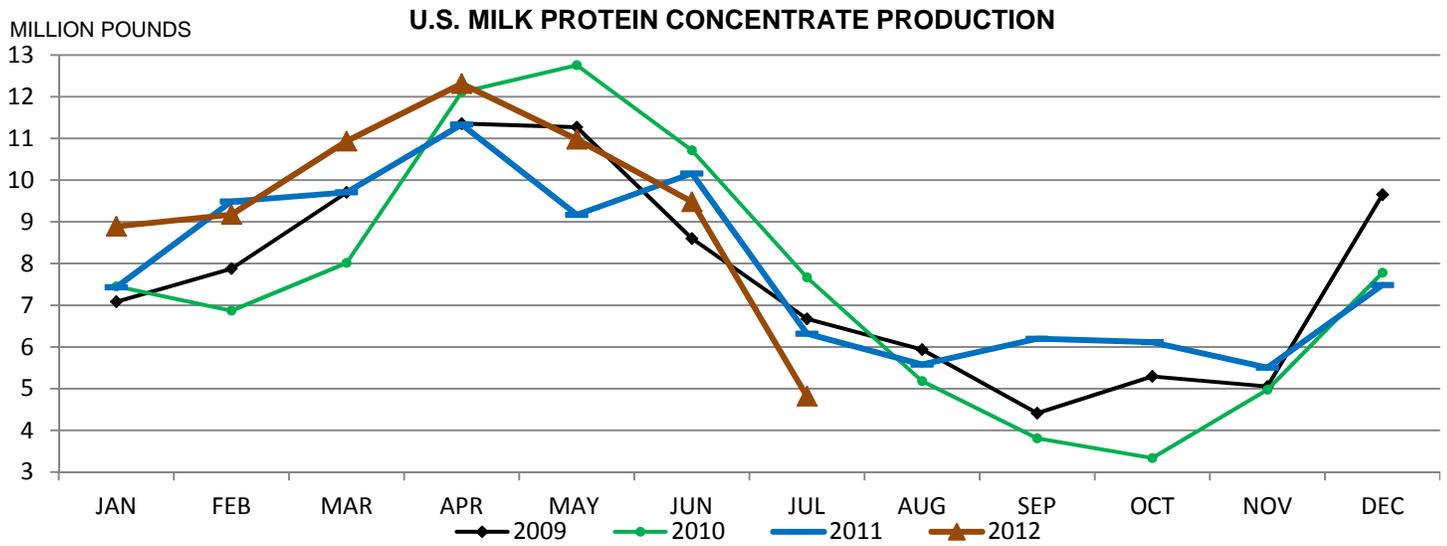
Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-510, September 12, 2012.* Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

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

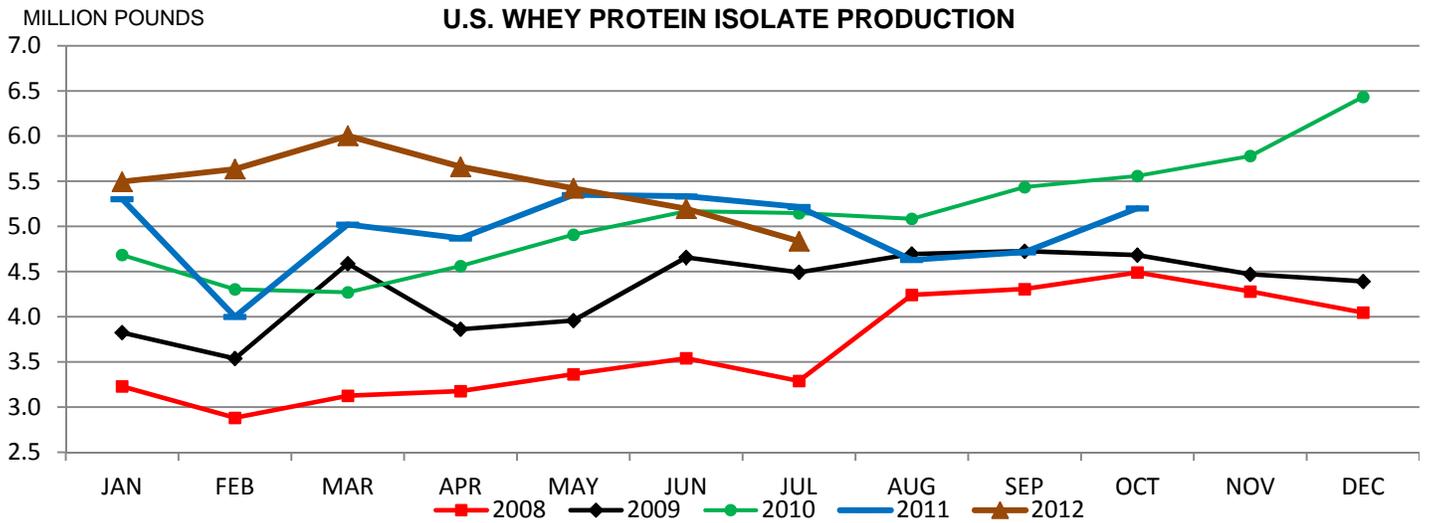
In June 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$16.21 per cwt., down \$0.08 from the previous month average, and down \$4.67 from June 2011. The component tests of producer milk in June 2012 were: butterfat, 3.60%; protein, 3.01%; and other solids, 5.76%. On an individual reporting area basis, mailbox prices decreased from the previous month in 10 Federal milk order reporting areas and increased in 9 Federal milk order reporting areas. Mailbox prices in June 2012 ranged from \$18.61 in Florida to \$14.62 in New Mexico.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	June 2011	May 2012	June 2012
	Dollars per hundredweight		
New England States <u>3/</u>	22.33	17.45	17.06
New York	20.88	16.32	15.91
Eastern Pennsylvania <u>4/</u>	21.66	16.83	16.50
Appalachian States <u>5/</u>	22.58	17.06	17.07
Southeast States <u>6/</u>	23.06	17.50	17.60
Southern Missouri <u>7/</u>	20.88	15.54	15.83
Florida	23.98	18.49	18.61
Western Pennsylvania <u>8/</u>	21.53	16.45	16.06
Ohio	21.28	16.18	15.79
Indiana	21.16	15.65	15.34
Michigan	20.78	15.43	15.06
Wisconsin	20.41	16.81	16.94
Minnesota	20.65	16.93	17.01
Iowa	20.75	16.58	16.57
Illinois	21.02	16.63	16.57
Corn Belt States <u>9/</u>	20.50	15.63	15.68
Western Texas <u>10/</u>	20.22	15.15	15.49
New Mexico	19.19	14.33	14.62
Northwest States <u>11/</u>	20.77	15.49	15.43
All Federal Order Areas <u>12/</u>	20.88	16.29	16.21
California <u>13/</u>	19.80	13.97	14.38

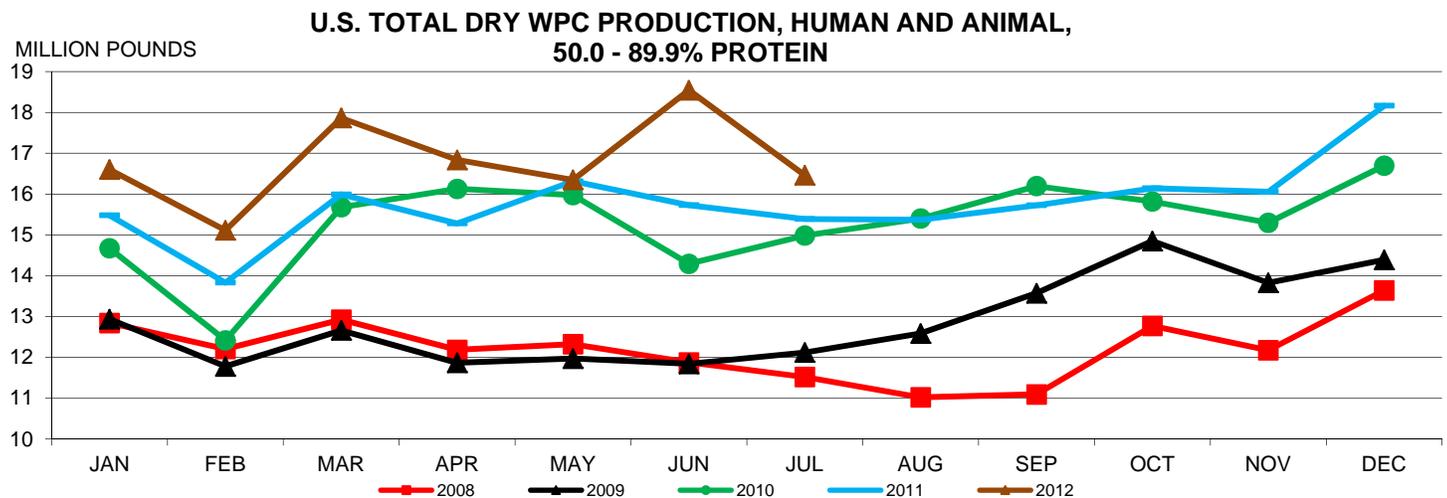
1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices 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."



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

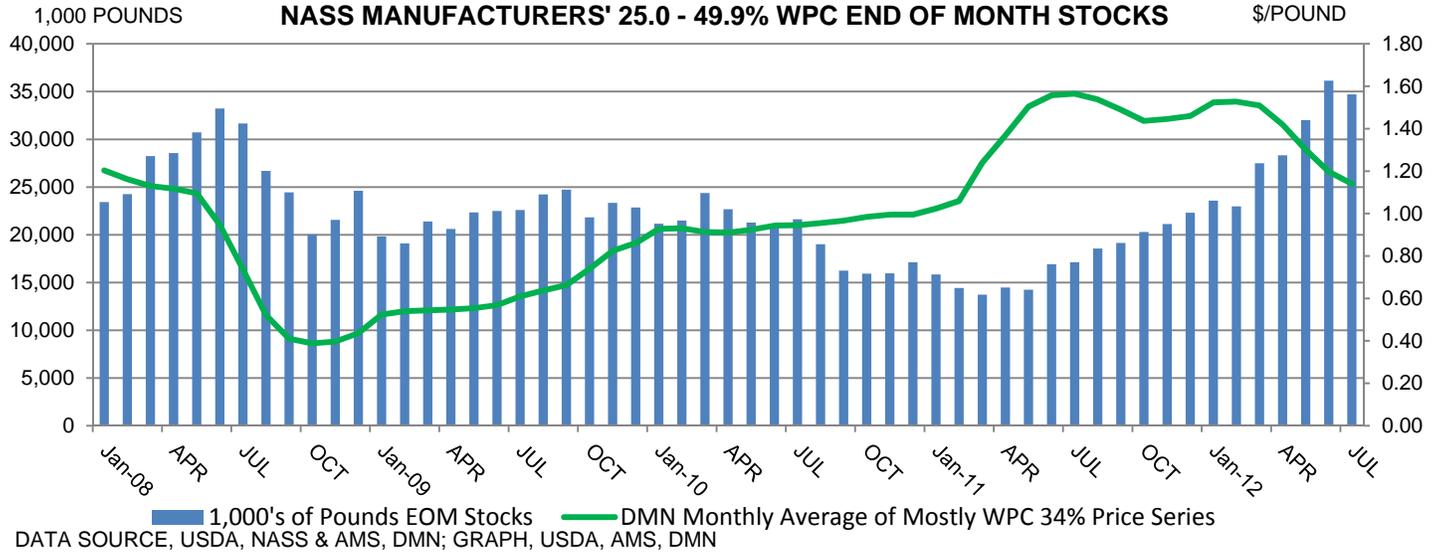


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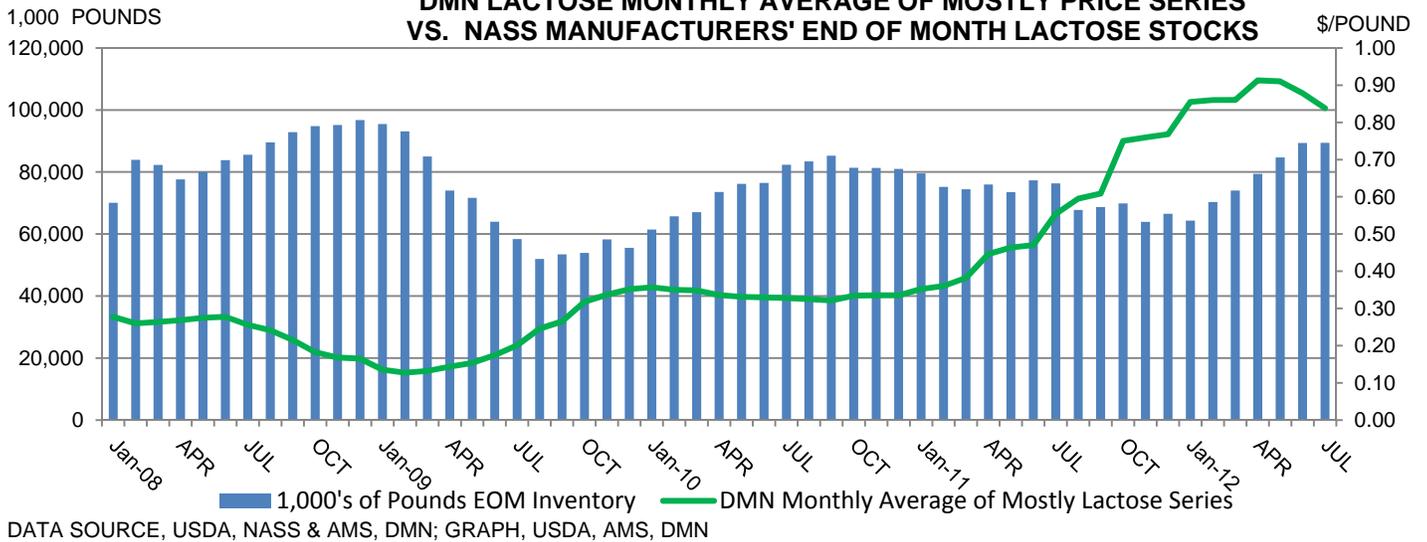


DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

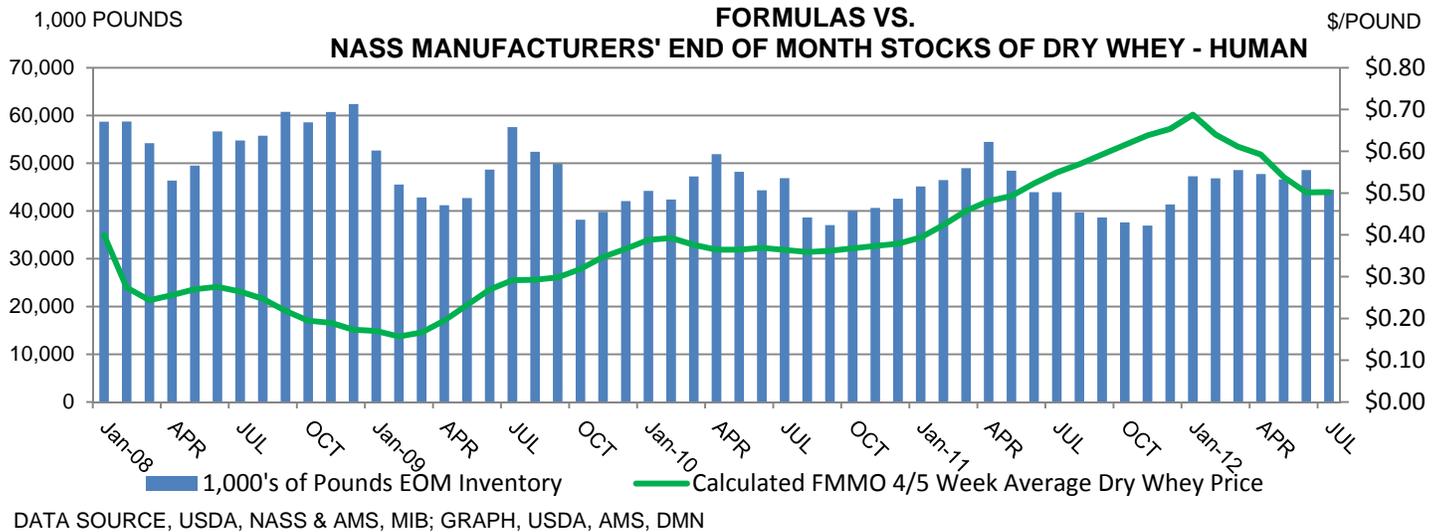
DMN MONTHLY AVERAGE OF WPC 34% MOSTLY PRICE SERIES VS. NASS MANUFACTURERS' 25.0 - 49.9% WPC END OF MONTH STOCKS



DMN LACTOSE MONTHLY AVERAGE OF MOSTLY PRICE SERIES VS. NASS MANUFACTURERS' END OF MONTH LACTOSE STOCKS



4-5 WEEK AVERAGE DRY WHEY PRICES FROM FMMO CALCULATED MILK PRICE FORMULAS VS. NASS MANUFACTURERS' END OF MONTH STOCKS OF DRY WHEY - HUMAN



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