

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (10/26):**

**BUTTER:** Grade AA closed at \$1.8900. The weekly average for Grade AA is \$1.8925 (+.0045).

**CHEESE:** Barrels closed at \$2.0800 and 40# blocks at \$2.1200. The weekly average for barrels is \$2.0290 (+.0705) and blocks, \$2.0640 (+.0400).

**BUTTER HIGHLIGHTS:** The CME cash butter price increased and decreased early in the week and concluded the week at \$1.8900. This cash price compares to \$1.8800 a week ago, \$1.9400 a month ago, and \$1.8700 last year at this time. Churning schedules across the country remain generally active and are fully dependent on cream availability and price. In most instances, butter producers are producing for current or very near term needs with inventory enhancement being closely monitored. Many butter producers and handlers are aligning production schedules with inventoried stock levels as good holiday orders continue to be placed. In some instances, active butter production might be starting to ease as a better supply/demand picture develops for the balance of the calendar year. Producers and handlers are indicating that good butter orders have been placed and continue to be placed for upcoming holiday needs. Retail buyers are indicating that feature activity will be occurring at varying times during the balance of the year. Exports continue. Cooperatives Working Together (CWT) have recently accepted requests for export assistance totaling 330,693 pounds (150 MT). This butter will be exported now through March 2013. Thus far in 2012, the CWT program has assisted with exports of 58.7 million pounds of butter and nearly 128,000 pounds of anhydrous milk fat. According to the NASS *Cold Storage* report, stocks of butter as of September 30, 2012, totaled 195.4 million pounds, +29% or 44.4 million pounds more than September of last year. Stocks were 3% lower or 5.7 million pounds less than end of August 2012.

**CHEESE HIGHLIGHTS:** Cheese prices continue to fluctuate as the CME Group spot market struggles to find equilibrium. This week saw the market advance significantly on light sales and higher bids. Cheese supplies are tighter than both last month and a year ago. The NASS *Cold Storage* report showed stocks of natural cheese down 1% from last month and 5% less than last year. Tighter milk supplies and good seasonal demand are combining to move the market higher this week. Cheese plants are often desiring to increase production, but are

wary of paying premiums for additional milk. Following last week's lower prices, this week the CME Group prices for barrels and blocks, gained back all of that loss and added some more. Barrels closed the week at \$2.0800 and blocks closed at \$2.1200. The weekly average price this week is \$.0400 higher for blocks and \$.0705 higher for barrels compared to last week's average.

**FLUID MILK:** Milk production nationally is increasing along the seasonal trend, but below year ago levels in most areas. Production increases in the Northeast and Mid-Atlantic region have been slowed by previous culling of the dairy herd. California production is basically flat. Improved weather conditions have improved cow comfort levels in Arizona, Florida and the Pacific Northwest. Handlers indicate aflatoxin contamination will remain a concern as dairy producers in drought stricken areas feed out corn/silage that may have been affected by *Aspergillus* fungi. Cream prices are steady to lower with a generally weaker market tone. Manufacturers indicate it is late in the season for ice cream interest and a little too early for strong production of holiday items. The percentage of butterfat in off farm milk is above year ago levels and contributing to the current available cream supply.

**DRY PRODUCTS:** Nonfat dry milk prices are mixed in narrowing price ranges. Product movement is primarily through contracts as spot and resale activity turned light. Some comments are being heard about world export contracts being filled with non-US powders, yet taking some pressure off total supplies. Dry buttermilk prices were steady to higher as price ranges narrowed. Production trends are steady at seasonally active levels. Dry whey prices are unchanged to slightly higher. Central dry whey loads from manufacturers above contracted volumes are described as readily available. Western whey producers are comfortable with product movement and are able to resist discounting. Export demand is steady. Prices for whey protein concentrate 34% are unchanged. Production is steady at most plants. Lactose prices are unchanged on the mostly price series. Offers on spot loads continue to be available, particularly for lower mesh size product.

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CME GROUP CASH TRADING

COMMODITY	MONDAY OCT 22	TUESDAY OCT 23	WEDNESDAY OCT 24	THURSDAY OCT 25	FRIDAY OCT 26	:: WEEKLY :: CHANGE*	:: WEEKLY :: AVERAGE#
CHEESE							
BARRELS	\$1.9700 (+.0525)	\$2.0100 (+.0400)	\$2.0250 (+.0150)	\$2.0600 (+.0350)	\$2.0800 (+.0200)	:: :: (+.1625)	:: \$2.0290 :: (+.0705)
40# BLOCKS	\$2.0100 (+.0100)	\$2.0450 (+.0350)	\$2.0550 (+.0100)	\$2.0900 (+.0350)	\$2.1200 (+.0300)	:: :: (+.1200)	:: \$2.0640 :: (+.0400)
NONFAT DRY MILK							
EXTRA GRADE	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	:: :: (N.C.)	:: \$1.5600 :: (-.0450)
GRADE A	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	:: :: (N.C.)	:: \$1.5600 :: (-.0160)
BUTTER							
GRADE AA	\$1.9025 (+.0225)	\$1.8900 (-.0125)	\$1.8900 (N.C.)	\$1.8900 (N.C.)	\$1.8900 (N.C.)	:: :: (+.0100)	:: \$1.8925 :: (+.0045)

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 OVERVIEW (DMN):**

Milk production trends continue to seasonally decline for most all **European** regions. In most instances, the production season is over and late season milk volumes are being directed to production of products of best return or most need. In many instances and when possible, this milk is clearing to cheese production. Fall weather conditions are contributing to less feed quality and quantity for pasture based production and cows are starting to be housed for the upcoming winter season. Winter feed stocks are often being referred to as not the best from a quality and quantity bases which will challenge many producers. In recent days, reports of over quota milk volumes were released and 6 countries (Austria, Ireland, The Netherlands, Germany, Cyprus, and Luxembourg) were identified as exceeding their 2011 - 2012 quota levels. These quota overages will trigger super levy penalties in the range of 79 million Euros. Austrian producers surpassed their quota levels by 5%. Some Irish producers were not surprised at the overage as many are starting to position themselves to a positive post quota (2015) production level, thus overages might prevail for the remaining years of the quota system. A recent international milk powder tender was finalized in recent days and it appears that Europe might be a significant source of skim milk powder for that tender. Whole milk powder is also a part of tender and much of this need is being sourced outside of Europe. Total volumes of either skim or whole milk are not known. The delivery period for this powder is through March 2013 with shipments needing to occur by mid-February. As the milk production season winds down, milk and cream availability is tightening for many products. Holiday cream based items are some of the products that are seeking additional volumes. PSA butter continues to be removed from the program. As of October 18, about 25,000 MT of butter have re-entered the marketplace leaving about 82,800 MT in the program. Traders and handlers are indicating that these volumes are readily being absorbed into the marketplace without any significant negative impact. Milk production in Eastern Europe is also nearing seasonally low levels. Most producers in this region have had a positive production season and this trend continues to flow into the fall, thus for many, the season is concluding on a positive note. Manufacturing facilities are being shuttered for the season as the milk flow declines. Stocks of manufactured dairy products are not overly available, but adequate to meet domestic and internal buyer interest. Offering prices on available stocks are often the limiting factor in international sales.

The milk production season is at or very near peak levels in both Australia and New Zealand. In **New Zealand**, milk producers and handlers are reporting that peak levels were attained a few weeks ago in most regions. Manufacturers and handlers are hopeful that high levels will be maintained for an extended period of time. Manufacturing facilities are all working at or near plant capacities, with minimal problems being reported in processing the milk flow. Casein output, a product that resumes production near peak milk production levels, is occurring at most all casein operations. Continuance of this production is fully dependent on milk availability at peak levels. Casein manufacturers are hopeful that high levels of milk will continue, as stocks are needed for commitments. In **Australia**, milk volumes generally continue to build towards seasonal peak levels. In some regions, milk handlers are reporting that milk is probably at peak levels, while other regions still have growth potential. Thus far this season, milk volumes are running as much as 7% stronger in Northern Victoria with overall milk volumes running 2.1% ahead of last year at this time for the first three months of the production year. Milk production projections for the 2012 - 2013 year are pretty much unchanged from previous estimates. New Zealand producers continue to look at a 3 - 4% increase while Australian producers are anticipating a 1 - 2% -1A-

growth trend. Both of these production increases are over two years ago, versus last years' very favorable season. Traders and handlers are indicating that a significant portion of current production has been committed, although as milk volumes remain at seasonally high levels, there are some uncommitted volumes of product being generated. Many manufacturers and handlers are cautious with disposition of these uncommitted volumes. Most sales activity continues to center around regular and ongoing customer needs. Average prices at the last g/DT auction on October 16 were mixed. Milk protein concentrate, buttermilk, and skim milk powder prices were firmer with all other traded product prices easing. Although overall product prices for skim milk powder were higher, U.S. sourced skim milk powder, for November delivery, was 11.3% lower and averaged \$3,318 per MT which is very comparable to the near term Oceania skim milk powder average.

**SEPTEMBER COLD STORAGE (NASS):** On September 30, U.S. cold storage holdings of butter totaled 195.4 million pounds, down 3% from August, but up 29% more than September 2011. Natural American cheese holdings total 608.4 million pounds, 1% less than August, and 5% less than a September 2011. Total cheese stocks were 994.3 million pounds, 1% less than last month, and 5% less than September 2011.

**SEPTEMBER MILK PRODUCTION (NASS):** Milk production in the 23 major states during September totaled 14.7 billion pounds, down 0.5% from September 2011. August revised production at 15.3 billion pounds, was down slightly from August 2011. The August revision represented an increase of 26 million pounds or 0.2% from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,732 pounds for September, 10 pounds below September 2011. The number of milk cows on farms in the 23 States was 8.47 million head, 5,000 head more than September 2011, but 25,000 head less than August 2012. Milk production in the U.S. during the July-September quarter totaled 48.7 billion pounds, up 0.1 percent from the July-September quarter last year. The average number of milk cows in the U.S. during the quarter was 9.22 million head, 15,000 head more than the same period last year.

**OCTOBER CROP REPORT (NASS):** According to the NASS October Crop Report, the U.S. corn crop will total 10.7 billion bushels, down 13.4% from last year based on average yield being down 17.1%. Looking at the yields in the top five production states: Iowa is at 140 bushels, down 18.6%; Minnesota at 168 bushels, up 7.7%; Nebraska at 142 bushels, down 11.3%; Illinois at 98 bushels, down 37.6%; and Indiana at 100 bushels, down 31.5%. Likewise for soybeans, the total production was hard hit by the drought. Total output for 2012 is estimated to be 2.86 billion bushels, down 7.5% from last year based on a yield reduction of 9.8%. Looking at the yields in the top five production states: Iowa is at 43 bushels, down 16.5%; Illinois at 39 bushels, down 17.9%; Minnesota at 43 bushels up 10.3%; Indiana at 41 bushels is down 9.9%; and Nebraska at 41 bushels is down 24.1%.

## CME GROUP

MONDAY, OCTOBER 22, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9700; 1 CAR 40# BLOCKS @ \$2.0100; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 7 CARS GRADE AA: 1 @ \$1.8800, 2 @ \$1.8900, 1 @ \$1.8950, 2 @ \$1.9000, 1 @ \$1.9025; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED:  
 1 CAR GRADE AA @ \$1.9050

TUESDAY, OCTOBER 23, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0100; 1 CAR 40# BLOCKS @ \$2.0450; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 4 CARS GRADE AA @ \$1.8900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8950

WEDNESDAY, OCTOBER 24, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0250; 1 CAR 40# BLOCKS @ \$2.0550; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$1.8800, 1 @ \$1.8700, 1 @ \$1.8800, 1 @ \$1.8900; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8850; LAST OFFER  
 UNCOVERED: 1 CAR GRADE AA @ \$1.8900

THURSDAY, OCTOBER 25, 2012

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$2.0900; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0600; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 3 CARS GRADE AA @ \$1.8900; LAST BID UNFILLED: NONE; LAST  
 OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8900

FRIDAY, OCTOBER 26, 2012

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$2.0600, 1 @ \$2.0700; 5 CARS 40# BLOCKS: 1 @ \$2.0900, 1 @ \$2.1000, 2 @ \$2.1100, 1 @ \$2.1200; LAST BID UNFILLED:  
 1 CAR BARRELS @ \$2.0800; 1 CAR 40# BLOCKS @ \$2.1150; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.0925; 1 CAR 40# BLOCKS @ \$2.1300  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8900

## BUTTER MARKETS

## NORTHEAST

The CME Group butter price declined \$0.0125 Tuesday to close at \$1.89, continuing the up down trend in butter prices. Following last Tuesday's \$0.0550 decline, butter prices have netted a \$0.0150 increase in 5 trading sessions. Butter production has increased as available cream supplies have combined with lower multiples and a lower weekly average butter price to make it advantageous for butter makers to increase churning schedules. Butter demand is good with strong private label orders. Some inventories are beginning to be worked lower. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 330,693 pounds (150 metric tons) of butter. The product will be delivered October 2012 through March 2013. During 2012, CWT has assisted member cooperatives in making export sales of butter totaling 58.7 million pounds (adjusted for reductions) and anhydrous milk fat totaling 127,868 pounds. According to the latest NASS Cold Storage report, butter in storage on September 30, totaled 195.4 million pounds, 5.7 million pounds less (-3%) than the prior month stocks, but 44.4 million pounds more (+29%) than September 2011 stocks.

## CENTRAL

The CME cash AA butter prices has been mixed during the past week with strength and then weakness to settle at \$1.8900 at mid-week, 1 1/2 cents higher than mid-week last week. Churning schedules remain active, although trending lower as cream supplies ease. Some butter producers that had been actively churning for potential customers are finding that this need is not as strong as projected and are now holding uncommitted stocks. It is still early, thus they are hopeful that they will be able to clear these stocks before the end of the year. Holiday orders continue to be placed and for the most part, upcoming Thanksgiving orders have generally

been placed. Shipments for this holiday are well underway and it appears that strong retail feature activity will be occurring prior to the holiday. Yearend orders are being placed and also appear to be good. Food service orders for the next 8 - 10 weeks are also strong. Restaurants and food service outlets are preparing for the upcoming shopping and holiday season. Butter exports continue out of the United States. Cooperatives Working Together (CWT) have recently accepted requests for export assistance totaling 330,693 pounds (150 MT). This butter will be exported now through March 2013. Thus far in 2012, the CWT program has assisted with exports of 58.7 million pounds of butter and nearly 128,000 pounds of anhydrous milk fat. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

## WEST

Western butter prices are unsettled, with a generally steady undertone. Butter demand is good to very good as holiday buyers look to fill needs. Retail and club sales are described as very good. Food service needs are also better than year ago volumes. Cream is readily available and moving at weaker price multiples. Churns are using the excess cream to fill immediate needs in addition to using stored inventories. Manufacturers are keeping a watchful eye on their warehouses so as not to build stocks at this time. 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 unchanged at \$1.8900. The market is unsettled this week with both advances and declines. Buyers continue to purchase offered product and as of Wednesday, 15 loads were sold. According to the NASS *Cold Storage* report, stocks of butter as of September 30, 2012, total 195.4 million pounds, +29% or 44.4 million pounds more than September of last year. Stocks were 3% lower or 5.7 million pounds less than end of August 2012.

## NATIONAL DAIRY PRODUCTS SALES REPORT

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
October 20, 2012	1.9305 3,416,273	2.0889 10,887,776	2.0645 9,563,748	0.6257 8,842,367	1.4718 11,927,835

## CHEESE MARKETS

## NORTHEAST

Cheese prices on the CME Group moved higher Tuesday with barrels advancing \$0.0400 to close at \$2.0100 and blocks increasing \$0.0350 to close at \$2.0450. Cheese price increases for the past two days have recovered over half of the losses last week with barrels showing a 2 day increase of \$0.0925 and blocks an increase of \$0.450. Cheese production in the Northeast has increased marginally as some plants are seeing slight increases in milk volumes. Some plants are comfortable with their current production levels, while others would like to increase production. Cheese orders remain good with most inventories being worked lower. Some cheese makers are attempting to increase cheese going into aging programs, because of lower input costs compared to previous years. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 2.262 million pounds (1,026 metric tons) of Cheddar and Monterey Jack cheese. The product will be delivered October 2012 through March 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 102 million pounds. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of September 30, 2012 totaled 994.3 million pounds, down 1% compared to one month ago and down 5% from one year ago. A majority of the holdings are in the form of American cheese (61.2%) totaling 608.4 million pounds, 1% less than the amount one month ago and 5% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (35.9%) totaling 357.0 million pounds, 1% less than one month ago and 5% less from one year ago. Swiss cheese accounts for 2.9% of holdings at 28.9 million pounds, unchanged from one month ago, but 8% less than one year ago.

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

Cheddar 40# Block	:	2.4275-2.7125
Process 5# Sliced	:	2.1750-2.2950
Muenster	:	2.4475-2.8075
Grade A Swiss Cuts 10 - 14#	:	3.4850-3.8075

## MIDWEST

Few explanations for the latest increase in CME cheese prices are forthcoming from manufacturers, at least explanations based on manufacturing volume and retail ordering. Through Wednesday, blocks have increased for the week \$.0550, reaching \$2.0550, and barrels by \$.1075, reaching \$2.0250. A number of manufacturers presently have cheese backing up, attributed to softer retail demand. Thus, with a number of manufacturers holding cheese they hope to sell, cheese that is available to sell, the reasons for CME prices increasing as they have leaves a number of manufacturers perplexed. For cheese to reach retail stores in time for the beginning of the Christmas to Super Bowl season, the cheese generally must leave manufacturing plants by early November. That date is getting closer. The recent gyrations of CME prices have been viewed as impeding the smooth flow of retail ordering. With CME price movements up and down in a repeating cycle over recent weeks, and with most pricing to retailers based off CME prices, "retailers see price uncertainty" and slow buying, according to a manufacturer. This factor is what most manufacturers believe is a big contributor to cheese backing up at plants this week more than had been anticipated. These events cause some concern over

potential for a period of prices and production gyrating and overshooting signals from each other with each reaction, before a more normal equilibrium is reached. Meanwhile, in reaction to less buyer ordering during this week, some plants in the region have slowed manufacturing, at least of non-Mozzarella varieties, even as CME prices increase. The Kansas City Farm Service Agency Commodity Office on Monday announced contract awards to purchase a maximum of 76.4 million pounds of process cheese for delivery between January 1, 2013 and December 31, 2013. Purchase prices will be determined by a stated differential price per pound varying from -\$0.0595 to +\$0.2649 per pound, plus the previous month's average of the CME cash price, for barrel cheese trading as reported in Dairy Market News. In the East North Central States, (Wisconsin, Illinois, Indiana, Michigan and Ohio), American Cheese stocks in September were down 1% from August the same as the national percentage, but up 3% from September last year, quite different from the national 5% decline. As for "Other" cheese, the North Central states were down 2% from August compared with 1% nationally, but up 1% from September last year in contrast with being down 5% nationally. Total September natural cheese stocks were down 1% from August and down 5% from September last year. Total cheese stocks are also below the September level two years ago, but are above 2009. Swiss cheese stocks for September were even with August, but 92% of September last year. Cooperatives Working Together (CWT) has accepted nine requests for export assistance to sell 2.262 million pounds (1,026 metric tons) of Cheddar, Gouda and Monterey Jack cheese to customers in Asia, the Middle East, North Africa and the South Pacific. The product will be delivered October 2012 through March 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 102 million pounds.

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

Process American 5# Loaf	:	2.1475-2.8525
Brick And/Or Muenster 5#	:	2.4150-2.9750
Cheddar 40# Block	:	2.4150-3.4000
Monterey Jack 10#	:	2.3850-3.4000
Blue 5#	:	2.6800-3.6650
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2600-3.5000
Grade A Swiss Cuts 6 - 9#	:	3.0050-3.1225

## WEST

Wholesale Western cheese prices are lower this week. The market tone is steady as buyers are looking to increase purchases above contracted needs in some cases. Cheese production in the West is running behind desired levels as milk supplies are tight. Cheese plants are filling contracted orders, but are offering little to the spot market. Export demand is light unless augmented by assistance from the CWT program. Another 2.3 million pounds of cheese were accepted this week to the program. Prices at the CME Group are higher again on Wednesday. Barrels closed up \$.0150 at \$2.0250. Block cheese was \$.0100 higher on Wednesday to close

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## CHEESE MARKETS

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at \$2.0550. Prices have been bid higher each day this week as sellers are reluctant to bring product to the market at current prices. According to NASS, *Cold Storage* stocks of cheese (total) at the end of September 2012 are 994.3 million pounds, down 5% or 51.7 million pounds less than September 2011. American stocks were 5% lower, and Other Natural stocks were also 5% lower than last year. Swiss stocks at the end of September total 28.9 million pounds, down 8% or 2.4 million pounds less than September 2011. September Swiss stocks in storage are slightly above the previous month.

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

Process 5# Loaf	:	2.0825-2.3400
Cheddar 40# Block	:	2.1500-2.5025
Cheddar 10# Cuts	:	2.3300-2.5500
Monterey Jack 10#	:	2.3400-2.5000
Grade A Swiss Cuts 6 - 9#	:	3.0625-3.4925

## FOREIGN

The CME weekly average block price declined significantly and reduced domestic wholesale foreign type cheese prices by \$0.0750 this week. Swiss cuts and imported variety cheese prices were unchanged. Demand for imported and domestic foreign type cheese varieties remains good as wholesalers have seen increased orders coming from specialty cheese shops and supermarkets.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.5675-4.0550*
Gorgonzola	: 3.6900-6.1900	: 3.0700-3.5250*
Parmesan (Italy)	: -0-	: 3.9575-6.0475*
Provolone (Italy)	: 3.4400-5.5800	: 2.6100-2.7675*
Romano (Cows Milk)	: -0-	: 3.7575-5.9075*
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-	: 3.5825-3.9050
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

	:	
10/22/12	10,973	: 117,523
10/01/12	10,968	: 119,894
CHANGE	5	: -2,371
% CHANGE	0	: -2

## FLUID MILK AND CREAM

## EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	117	0	111	0	130	0
SOUTHEAST STATES	0	0	15	0	0	0

The typical seasonal increases in milk production have been stymied by herd reductions in the Northeast and Mid-Atlantic regions as producers struggle with feed supplies and financial concerns. Milk volumes are adequate to meet fluid demand with manufacturing milk supplies remaining fairly tight. Pasture conditions in both regions are declining seasonally as limited daylight and cooler temperatures restrict regrowth. Milk production in Florida is showing signs of increasing in some areas as cooler, dryer weather is covering much of the state and improving cow comfort levels. Class I demand remains good, but not as strong as the last couple of weeks. A number of industry contacts have indicated they feel this year's flush will be sub-par compared to previous years. The limited milk production increases and good Class I demand prompted 117 spot loads to be imported this week. The milk production in the Southeast region has increased to the point where no spot loads of imported milk were required this week. This is the first week since late August, 8 weeks ago, that import loads were not needed to cover bottling demand. Manufacturing milk supplies remain tight with most manufacturers being held to their contract minimums. Load rejections due to high aflatoxin levels increased this week. According to NASS, the percentage of butterfat in the off farm milk supplies is above year ago levels and contributing to the readily available cream supply. Demand for cream is increasing as production of cream cheese, whipping cream, dips, sour cream, bottled cream and butter are increasing along the seasonal trend. Spot cream sales are below contract levels as cream multiples marginally declined this week and ranged from 120-130. Condensed skim milk supplies are also more readily available this week, but continue to be fairly tight. Balancing plants have adequate supplies to cover their fluid contracts, but Class IV production continues to be limited. Premiums paid in previous weeks for spot loads of condensed skim are all but gone as supplies have improved. According to NASS, milk production for September 2012 in the 23 reported states totaled 14.7 billion pounds, down 0.5% from September 2011. Milk production increased in 3 of the 5 listed states in the Eastern region. Eastern region production increased 0.3% over the same month last year to 2,390 million pounds. The 5 states showed the following percentage changes in milk production from September 2011 to September 2012 and total milk production this September: Florida, +3.2%, 160 million pounds; New York, +2.3%, 1,061 million pounds; Pennsylvania, -2.7%, 831 million pounds; Vermont, +1.5%, 206 million pounds; and Virginia, -2.2% at 132 million pounds. The Eastern region saw cow numbers decline 3,000 head (-0.2%) less compared to the same period last year. Individual state cow numbers compared to September 2011 and cows remaining as of this September are: Florida, 3,000 increase, 122,000 remaining; New York, unchanged, 610,000 remaining; Pennsylvania, 4,000 decrease, 533,000 remaining; Vermont, 1,000 decrease, 133,000 remaining; and Virginia, 1,000 decrease, 95,000 remaining.

## 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 -	2.2656-2.4544
F.O.B. producing plants: Upper Midwest -	2.2656-2.3789

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

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.41 - 1.47
Northeast - Class III - spot prices -	1.52 - 1.57

## MIDWEST

Farm milk solid components are steady to somewhat higher in the Central region, according to various milk handlers. This is boosting cheese yields throughout the region. A few cheese manufacturers indicate, though, demand for cheese is volatile. Some plants are dealing with numerous order changes throughout the week. A few plant managers noted they have decreased production days in the week to accommodate recent changes in orders, especially linked to Italian type cheeses. Cream spot loads are readily available this week. Manufacturers indicate it is late in the season for ice cream interest and a little too early for strong production of holiday items. Cream multiples are mostly unchanged for the week. Churning is active at many locations. Milk handlers indicate spot load sales are steady to slightly more active for the week. Intraregional sales dominate sales activity, with spot prices ranging from \$1.00 - \$1.50 over market. A few operations are offering numerous spot loads of milk per week for an extended duration. Some milk handlers note this is an earlier and larger than usual spot milk availability than seasonal offers that generally occur around holidays to accommodate long weekends. Some milk handlers report a few loads of farm milk were disposed of this week due to the presence of aflatoxin. Handlers indicate aflatoxin contamination will remain a concern as dairy producers in drought stricken areas feed out corn/silage that may have been affected by *Aspergillus* fungi. Some Central states are requiring screening or testing of all milk being processed. September 2012 milk production was unchanged or increased compared to September 2011 in seven of the ten Central region states included in the NASS 23 Selected States Milk Production report. Central region monthly milk production increases ranged from 0.4% in Indiana to 4.3% in Kansas. On a regional basis, Central September 2012 milk production showed a 6.5% increase over one year ago. Regional cow numbers grew by 18,000 animals compared to one year ago. Michigan and Wisconsin each gained 7,000 dairy cows, compared to one year ago.

## WEST

Milk production trends are basically flat in CALIFORNIA. Temperatures have moderated and conditions are conducive for limited herd stress, but wet conditions are being watched to see if they could affect output. Early snowfall is being seen as a positive for future water supplies. The most recent milk report continues to reveal what people know - that total output remains below a year ago level. The trend is proving hard to reverse as producers work with current milk prices against the high input costs. Indications are that fat and protein levels in the milk are increasing. Processors are able to handle the current milk supplies with limited issues noted. ARIZONA milk output continues to move higher and build on a week-to-week basis as weather conditions are more conducive to

## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

milk cows in the milk producing areas of the state. Higher milk prices are working through to the farm level and producers are seeing improving returns. Cost of production remains high and challenging in the current environment. Processing plants are having limited issues at the current intake levels. Retail milk orders are good and thought to be indicative of future activity for fluid milk. Western CREAM prices are steady to lower and the market tone is generally weaker than in recent weeks. The downturn in the butter market price late last week created a slow cream marketing weekend with butter producers getting some low cream multiples and overages during the weekend. The trade is not taking much additional cream volumes into higher class items as of yet. Expectations are for increased production ahead of the holidays, yet the slow upstart should change soon. Butter production is active ahead of holiday needs. The CME Group, Grade AA butter price closed at \$1.8900 on Wednesday, October 24, up 1.5 cents from a week ago. Cream multiples are steady to lower and range from 115 to 125 range, and vary depending on basing points and averages. Weather conditions in the PACIFIC NORTHWEST are conducive to increased cow comfort and milk production is beginning to show some increases along seasonal lines. Class I needs are steady in the region. Increased demand for seasonal specialty products like eggnog, have some bottling plants altering production schedules. Milk supplies are moving within the region to balance production goals of the various milk classes. Milk production in UTAH and IDAHO is mostly steady and along expected volumes. Higher farm milk prices have helped to ease immediate worries by dairies. Feed costs continue to be difficult to manage and maintain profitability. Manufacturing plants are seeing higher than anticipated volumes as they await production startup for a new plant in the region. According to NASS, *September Milk Production* for the 23 surveyed states totals 14.7 billion pounds, down 0.5% (74 million pounds) from last year. September milk production changes from a year ago for selected Western states are as follows: Arizona -5.4%, California -3.9%, Colorado +5.2%; Idaho +2.3%, New Mexico -4.5%, Oregon unchanged, Utah unchanged, and Washington -1.9%. Monthly milk production per cow for the 23 surveyed states was 1,732 pounds, -0.6% from September 2011. Compared to September 2011, the Arizona herd is down 8,000 head, California +3,000, Colorado +5,000, Idaho -2,000, New Mexico -5,000, Oregon +1,000, Utah unchanged, and Washington -4,000. These 8 states are down 10,000 cows and the 23 surveyed states are up 5,000. September cow numbers in these 8 states were 8,000 less than the previous month.

## NONFAT DRY MILK, BUTTERMILK &amp; WHOLE MILK

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices for Central nonfat dry milk are unchanged to lower. Near term buyer interest beyond contract obligations is light, according to manufacturers and the trade. As the end of some fiscal year bookkeeping approaches, some buyers are less interested in adding additional loads of NDM into inventory. Contracting for 2013 NDM is ongoing. Market participants report varied success in locking in contracts from Central and/or West NDM manufacturers. For some manufacturers, 2013 farm milk supply information is still developing. This week, Central farm milk intakes are mostly steady. Condensed skim use/sales into Class III accounts are unchanged to higher, according to some milk handlers and cheese plant operators. Other NDM manufacturers are sending production into 50 lb. bags or totes. NDM inventories are mostly steady as contract fulfillment continues.

**EAST:** Nonfat dry milk price ranges narrowed this week in light trading. The reduced activity on the spot market resulted in lower prices on the upper end of the ranges. Manufacturing milk supplies remain fairly tight in the East as herd reductions have slowed the typical seasonal increase in milk production and as a result nonfat dry milk production is limited. Dryer volumes are conducive for specialty and/or high heat production. Current production is moving through contracts with little being added to inventories. Demand has softened as ice cream production has significantly slowed. Some cheese makers are looking for nonfat dry milk for fortification purposes. Resale activity has also slowed. The market undertone is weak.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4900 - 1.6000 MOSTLY: 1.5100 - 1.5600  
 HIGH HEAT: 1.5775 - 1.6600

**NONFAT DRY MILK - WEST**

The price range and mostly series for Western low/medium heat nonfat dry milk both are slightly higher on the bottom ends. The impact of higher index trends continues to pull the market prices higher. The top of the range and mostly series are unchanged, reflecting the slower changing of spot prices at the top ends. Some comments are being heard about world export contracts being filled with non-US powders, yet taking some pressure off total supplies. Offerings are tending to be lighter this week from direct and indirect sources. Those holding product are having a more optimistic face in the short term with less liquidation taking place. Drying schedules are light to moderate and building in the region. Sales of condensed skim are indicated to be slower than expected. Producer powder stocks are light to moderate. Western high heat price trends continue to move upwards in a light test and limited trading. Seasonal interest is light to fair for the current limited offerings. Production levels are steady at light levels with some places attempting to make some additional loads for upcoming needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4300 - 1.5500 MOSTLY: 1.4600 - 1.5200  
 HIGH HEAT: 1.4900 - 1.6100

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** The Central dry buttermilk price range narrowed. Sales activity is largely contract based, but spot sale prices cluster near the top of the range. Cream availability for churning is steady to somewhat higher in the Central region. Current cream interest from ice cream and ice cream mix manufacturers is light. Butter makers indicate spot cream interest is expected to increase strongly in the next one - two weeks, as the production of butterfat based holiday items begins. Until that time, butter production is expected to easily clear Central cream intakes. Dry buttermilk production is in step with churning activity, as sales of condensed buttermilk into Class II operations are mostly lower as ice cream production facilities are gearing down seasonally.

**EAST:** Prices for dry buttermilk increased this week as prices at the low end of the range moved higher. Butter and dry buttermilk production have increased this week as readily available cream supplies, at lower prices, prompted increased churning schedules. Current production of dry buttermilk is moving through contracts and adding to inventories. Spot and resale activity have slowed over recent weeks as a number of end users have adequate supplies.

F.O.B. CENTRAL/EAST: 1.5000 - 1.6300

**DRY BUTTERMILK - WEST**

Pricing levels for Western dry buttermilk are steady to higher in a tighter trading band. The market tone is unsettled and generally untested. Demand is mainly light and met with limited offerings. Production trends are steady at seasonally active levels. Output is generally going to fill contracted commitments with little extra hitting the spot market. There are limited offerings in the resale market. Producer's stocks are light.

F.O.B. WEST: 1.4400 - 1.5100 MOSTLY: 1.4400 - 1.4700

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are unchanged. Most manufacturers indicate they are scheduling dry whole milk production intermittently, based on inventories and contract fulfillment needs.

F.O.B. PRODUCING PLANT: 1.6000 - 1.9500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 19	\$1.4397	6,288,447	0
October 12	\$1.4127	6,621,529	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 unchanged to slightly higher as various indices notched fractional increases. The market tone is mixed. Central dry whey loads from manufacturers above contracted volumes are described as readily available. Loads are also available from the trade. Prices on dry whey spot loads, F.O.B. and resale, are mostly steady as both manufacturers and brokers/traders attempt to balance inventories as the end of the year approaches. Some dry whey spot loads sold as slightly aged are clearing at discounts to the market. The Central market, though, is also experiencing some increased demand from buyers who generally shop for Western dry whey. Buyers indicate that with limited availability in the West, they are filling immediate dry whey demand from the inventories of Central manufacturers. Use of condensed skim in some cheese plants is augmenting cheese and dry whey production. Some plants, though, indicate cheese demand is mirroring the price volatility in the cheese marketplace. Days of operation per week at some cheese plants are lower, as is dry whey production at those locations. ANIMAL FEED DRY WHEY prices are unchanged. Sales into the animal feed industry are mostly steady and on contract bases. Animal feed blenders indicate the beef and dairy replacement market sectors are exerting strong feed demand, while sales into the veal feed market are steady to lower.

F.O.B. CENTRAL: .5750 - .6325 MOSTLY: .5800 - .6200  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4350 - .5850

**DRY WHEY - NORTHEAST**

Northeast dry whey prices continued to move higher this week as contract pricing based on various price indices moved higher. Cheese and eventual dry whey production moved marginally higher this week as some cheese makers saw increased milk volumes, due to farm production increases along the seasonal trend in various areas of the Northeast. Current production is moving through contracts with little being added to inventories. The whey supply remains tight in the region. Spot and resale activity continues to be light. The market undertone remains firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6375 - .6625

**DRY WHEY - WEST**

Western dry whey prices are mostly unchanged. The mostly series is fractionally higher on contract driven indices. The market tone is described as steady by most participants. Recent price fluctuations in the cheese market have buyers hoping to see price reductions in whey markets. Whey producers are comfortable with product movement and are able to resist discounting. Export demand is steady. Manufacturers' inventories are in balance with demand in most cases. Additional sales activity is therefore limited more to resellers.

NONHYGROSCOPIC: .5900 - .6425 MOSTLY: .6000 - .6350

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices for whey protein concentrate 34% are unchanged on the mostly price series. Spot load availability is variable, ranging from limited to readily obtainable. Interest from end users is reported as light to steady into some facilities, steady to higher at others. WPC 34% production is steady at most plants. Expanded capacity for condensed WPC 34% production is anticipated at some plants in the near future. Discussions for 2013 dry WPC 34% contracts are ongoing. A few manufacturers indicate some buyers are trying to expand WPC 34% sourcing options by requesting samples for testing from an increasing number of manufacturers.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.1600 - 1.3425 MOSTLY: 1.2000 - 1.2525

**LACTOSE - CENTRAL AND WEST**

The lactose market is unchanged on the mostly price series, while the bottom of the range moved lower and the top of the range moved higher on a mixed market. Offers of lactose spot loads continue to be available from some manufacturers, particularly of lower mesh size product. Spot loads of 100 and above mesh size lactose are less frequently noted. One or two manufacturers report sourcing lactose from outside their own facilities because of upticks in demand from some of their customers and light uncommitted inventories. Discussions for 2013 contracting are ongoing. A few manufacturers/buyers indicate agreements on volume and pricing are in place. Lactose production is unchanged to higher as farm milk solids inch higher.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .5900 - .9300 MOSTLY: .7500 - .8200

**CASEIN - NATIONAL**

Casein markets and prices are generally steady. The Oceania casein production season is well underway as milk volumes are very near or at peak levels. Oceania producers are indicating that casein production schedules are being maintained at projected levels and producers are hopeful that high milk production trends will prevail for an extended period of time. In Europe, the casein production season has ended and current commitments are being filled from inventoried stock. European producers and handlers are generally comfortable with their supply/demand balance. Some uncommitted stocks appear to be available in the marketplace as spot offerings are being reported by U.S. buyers. Although these offerings are available, firm prices are often limiting sales. Most domestic U.S. buyers are comfortable with their supply situation and are not looking to the spot market for additional needs.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.7000 - 4.4000  
ACID: 4.4500 - 4.7500

**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
10/06/2012	63.4	2,351.5	56.7	2,207.9

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

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

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

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77

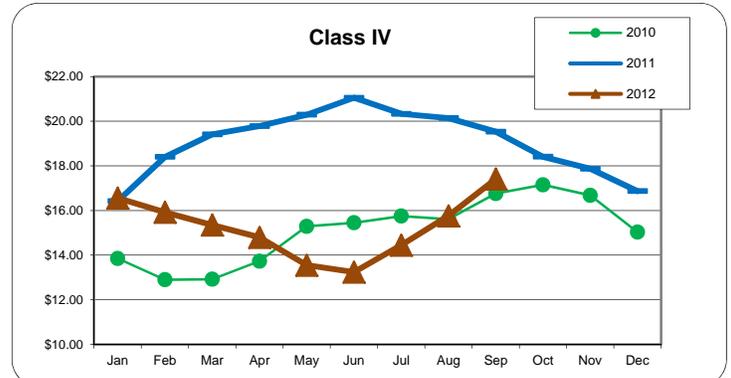
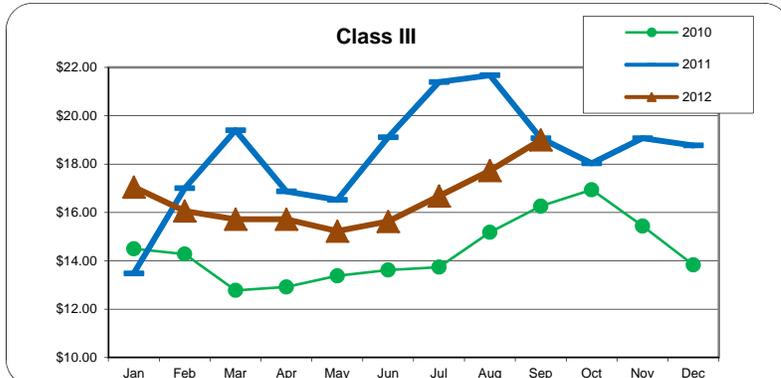
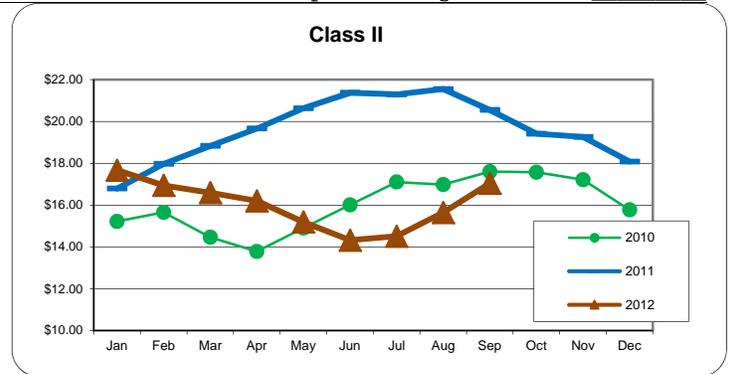
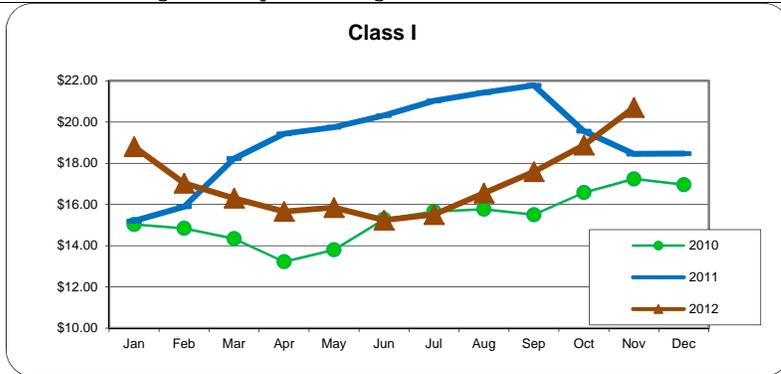
**CLASS IV MILK PRICES (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87

**FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.80	17.03	16.30	15.66	15.85	15.24	15.51	16.55	18.88	20.70		
II	17.67	16.94	16.59	16.20	15.19	14.32	14.51	15.64	17.04			
III	17.05	16.06	15.72	15.72	15.23	15.63	16.68	17.73	19.00			
IV	16.56	15.92	15.35	14.80	13.55	13.24	14.45	15.76	17.41			

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



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 15 - 26, 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 trends continue to seasonally decline for most all European regions. In most instances, the production season is over and late season milk volumes are being directed to production of products of best return or most need. In many instances and when possible, this milk is clearing to cheese production. Fall weather conditions are contributing to less feed quality and quantity for pasture based production and cows are starting to be housed for the upcoming winter season. Winter feed stocks are often being referred to as not the best from a quality and quantity bases which will challenge many producers. In recent days, reports of over quota milk volumes were released and 6 countries (Austria, Ireland, The Netherlands, Germany, Cyprus, and Luxembourg) were identified as exceeding their 2011 - 2012 quota levels. These quota overages will trigger super levy penalties in the range of 79 million Euros. Austrian producers surpassed their quota levels by 5%. Some Irish producers were not surprised at the overage as many are starting to position themselves to a positive post quota (2015) production level, thus overages might prevail for the remaining years of the quota system. A recent international milk powder tender was finalized in recent days and it appears that Europe might be a significant source of skim milk powder for that tender. Whole milk powder is also a part of tender and much of this need is being sourced outside of Europe. Total volumes of either skim or whole milk are not known. The delivery period for this powder is through March 2013 with shipments needing to occur by mid-February. As the milk production season winds down, milk and cream availability is tightening for many products. Holiday cream based items are some of the products that are seeking additional volumes. PSA butter continues to be removed from the program. As of October 18, about 25,000 MT of butter have re-entered the marketplace leaving about 82,800 MT in the program. Traders and handlers are indicating that these volumes are readily being absorbed into the marketplace without any significant negative impact.

**BUTTER/BUTTEROIL:** European butter markets and prices are firm. The milk production season is nearing seasonal low levels, thus churning schedules are also declining. Cream availability is tightening as holiday cream based item production is basically absorbing most all available cream volumes. Butter needs are being filled from inventoried stock generated during the recent production season with the assistance of PSA butter volumes coming back into the marketplace. As of October 18, about 25,000 MT of PSA butter has cleared the program since release began on August 16. With this release, there are about 82,800 MT left in the program. Traders and handlers are indicating that the return of this butter into the marketplace is having very minimal, if any, negative impact on current market conditions. Many butter producers and handlers are indicating that sales activity is basically centered around an internal or domestic market as prices are often too firm for international buyer interest.

82% BUTTERFAT: 4,100 - 4,350  
99% BUTTERFAT: 4,750 - 5,050

**SKIM MILK POWDER (SMP):** European skim milk powder markets and prices are firm. Powder production is declining seasonally as milk volumes near low levels. Stocks of powder are available, although traders and handlers are indicating that sales

activity is limited. A recent international milk powder tender has been finalized and it appears that a significant portion of skim milk will be sourced from the EU. Total volumes are unknown, but some handlers are projecting that around 20,000 MT of skim milk powder might be sought. Delivery of this powder will occur during the first quarter of 2013 with shipments leaving Europe as early as December.

1.25% BUTTERFAT: 3,500 - 3,625

**SWEET WHEY POWDER:** Whey powder markets and prices are steady to firm. As milk production nears seasonally low levels, available milk volumes appear to be clearing to cheese operations when possible. Late season cheese output is generating whey volumes for both domestic and international buyer interest. Traders and handlers are stating that stocks are available, although price levels might be slowing sales, especially from the international side.

NONHYGROSCOPIC: 1,225 - 1,450

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are firm in the European marketplace. Firm prices are limiting international sales, thus most sales activity is centered around an internal or domestic market. An international milk powder tender was recently finalized and minimal European sourced whole milk powder will be filling this inquiry. Traders and handlers are speculating that a significant portion of this tender will be filled from Oceania sourced whole milk powder. Total volumes are unknown, but traders were speculating that about 30,000 MT of whole milk powder was being sought.

26% BUTTERFAT: 3,800 - 3,925

**EASTERN OVERVIEW:** Milk production in Eastern Europe is also nearing seasonally low levels. Most producers in this region have had a positive production season and this trend continues to flow into the fall, thus for many, the season is concluding on a positive note. Manufacturing facilities are being shuttered for the season as the milk flow declines. Stocks of manufactured dairy products are not overly available, but adequate to meet domestic and internal buyer interest. Offering prices on available stocks are often the limiting factor in international sales.

Exchange rates for selected foreign currencies: October 22, 2012

1.0079 Canadian Dollar	.0187 Indian Rupee
.2110 Argentina Peso	.8177 New Zealand Dollar
.0778 Mexican Peso	1.0322 Australian Dollar
.3179 Polish Zloty	.0125 Japanese Yen
	1.3061 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0778)  
= 12.8535 Mexican Pesos.

Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 15 - 26, 2012

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

**OVERVIEW:** The milk production season is at or very near peak levels in both Australia and New Zealand. In New Zealand, milk producers and handlers are reporting that peak levels were attained a few weeks ago in most regions. Manufacturers and handlers are hopeful that high levels will be maintained for an extended period of time. Manufacturing facilities are all working at or near plant capacities, with minimal problems being reported in processing the milk flow. Casein output, a product that resumes production near peak milk production levels, is occurring at most all casein operations. Continuance of this production is fully dependent on milk availability at peak levels. Casein manufacturers are hopeful that high levels of milk will continue, as stocks are needed for commitments. In Australia, milk volumes generally continue to build towards seasonal peak levels. In some regions, milk handlers are reporting that milk is probably at peak levels, while other regions still have growth potential. Thus far this season, milk volumes are running as much as 7% stronger in Northern Victoria with overall milk volumes running 2.1% ahead of last year at this time for the first three months of the production year. Milk production projections for the 2012 - 2013 year are pretty much unchanged from previous estimates. New Zealand producers continue to look at a 3 - 4% increase while Australian producers are anticipating a 1 - 2% growth trend. Both of these production increases are over two years ago, versus last years' very favorable season. Traders and handlers are indicating that a significant portion of current production has been committed, although as milk volumes remain at seasonally high levels, there are some uncommitted volumes of product being generated. Many manufacturers and handlers are cautious with disposition of these uncommitted volumes. Most sales activity continues to center around regular and ongoing customer needs. Average prices at the last g/DT auction on October 16 were mixed. Milk protein concentrate, buttermilk, and skim milk powder prices were firmer with all other traded product prices easing. Although overall product prices for skim milk powder were higher, U.S. sourced skim milk powder, for November delivery, was 11.3% lower and averaged \$3,318 per MT which is very comparable to the near term Oceania skim milk powder average. The next event, #79 will be held on Tuesday, November 6.

**BUTTER:** Oceania butter markets and prices are generally steady. Churning activity in the region is seasonally strong as milk production is at or very near peak levels. Most butter producers are indicating that plant capacity is very near peak levels although most operations still have room for additional cream volumes. Butter demand is seasonally strong and a significant portion of previous and current output is clearing to international markets. Traders and handlers indicate that butter stocks are quite fully committed, thus minimal volumes of uncommitted butter are being reported.

82% BUTTERFAT:

3,000 - 3,500

**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady with prices generally unchanged. The Oceania milk production season is at or very near peak levels in both New Zealand and Australia, thus skim milk powder driers are running full out at this time. Milk handlers in both countries are indicating that plant capacities are near peak levels, although in most instances, capacity is still available. Powder is clearing to commitments and most of these are

centered around regular and ongoing customer needs. Although much of current production has been committed, some uncommitted stocks are being generated at this high production point of the season. Manufacturers and handlers are hopeful that the milk flow will maintain a high level for an extended period of time, which will provide some additional powder stocks for spot buyer interest. At the October 16 g/DT event, skim milk powder prices averaged \$3,325 per MT for all contracting periods, 0.8% higher than the previous all contract average. Although the all contract price was higher, contract #1, U.S. sourced skim milk powder, was down 11.3% from the previous average to \$3,318 per MT.

1.25% BUTTERFAT:

3,200 - 3,600

**CHEDDAR CHEESE:** Cheese markets and prices in the Oceania region are steady to firm. Cheese production is seasonally strong as milk volumes are at or very near peak levels. Producers are indicating that cheese vats are running at near capacity levels with some additional space still to go. As with other manufactured dairy products, cheese manufacturers and handlers are hopeful that a high volume of milk will be able to be maintained at this time to generate cheese stocks for customer commitments and spot availability.

39% MAXIMUM MOISTURE:

3,800 - 4,100

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets and prices are generally steady. Driers are actively processing the milk flow as milk is at or very near peak levels in both New Zealand and Australia. A large percentage of current production is fully committed, although some uncommitted volumes of whole milk powder are being reported. This is often the case at peak production levels. If milk production trends remain positive at peak levels, this will potentially provide additional whole milk powder stocks for spot buyer interest. A portion of a recently announced international milk powder tender will be filled from Oceania sourced whole milk powder. Manufacturers and handlers are not sure as to the volume, but feel that a significant portion of the desired volumes will be sourced from the region. At the October 16 g/DT event, whole milk powder averaged \$3,421 per MT, up 9.2% from the previous all contract average.

26% BUTTERFAT:

3,100 - 3,500

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 15 - 26, 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 78 Recap - October 16, 2012												
	Contract 1 Nov-12		Contract 2 Dec-12		Contract 3 Jan-13		Contract 4 Feb-13		Contract 5 Mar-13		Contract 6 Apr-13		All Contracts
Anhydrous Milk Fat	n.a.	\$2,736	-5.5%	\$2,885	-2.9%	\$2,977	0.9%	\$3,049	0.1%	\$3,201	-13.4%	\$2,879	-3.2%
Buttermilk Powder	n.a.	\$3,270	6.0%	\$3,335	9.0%	\$3,280	-3.1%	n.a.	n.a.	n.a.	n.a.	\$3,289	4.3%
Cheddar	n.a.	\$2,988	-7.8%	\$2,988	-8.2%	\$2,996	-13.5%	n.a.	n.a.	n.a.	n.a.	\$2,990	-9.9%
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Milk Protein Concentrate	n.a.	\$6,050	2.8%	\$6,170	5.0%	\$6,190	5.5%	n.a.	n.a.	n.a.	n.a.	\$6,117	4.2%
Rennet Casein	n.a.	\$7,259	2.5%	\$7,194	-5.8%	\$7,315	-3.7%	n.a.	n.a.	n.a.	n.a.	\$7,254	-2.2%
Skim Milk Powder	\$3,318	-11.3%	\$3,315	0.8%	\$3,315	1.0%	\$3,352	1.4%	\$3,394	5.6%	n.a.	\$3,325	0.8%
Whole Milk Powder	n.a.	\$3,450	9.7%	\$3,398	9.9%	\$3,322	7.0%	\$3,492	7.4%	\$3,562	7.4%	\$3,421	9.2%

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 78 Recap - October 16, 2012												
	Contract 1 Nov-12		Contract 2 Dec-12		Contract 3 Jan-13		Contract 4 Feb-13		Contract 5 Mar-13		Contract 6 Apr-13		All Contracts
Anhydrous Milk Fat	n.a.	\$1.2410	-5.5%	\$1.3086	-2.9%	\$1.3504	0.9%	\$1.3830	0.1%	\$1.4520	-13.4%	\$1.3059	-3.2%
Buttermilk Powder	n.a.	\$1.4833	6.0%	\$1.5127	9.0%	\$1.4878	-3.1%	n.a.	n.a.	n.a.	n.a.	\$1.4919	4.3%
Cheddar	n.a.	\$1.3553	-7.8%	\$1.3553	-8.2%	\$1.3590	-13.5%	n.a.	n.a.	n.a.	n.a.	\$1.3563	-9.9%
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Milk Protein Concentrate	n.a.	\$2.7443	2.8%	\$2.7987	5.0%	\$2.8078	5.5%	n.a.	n.a.	n.a.	n.a.	\$2.7747	4.2%
Rennet Casein	n.a.	\$3.2927	2.5%	\$3.2632	-5.8%	\$3.3181	-3.7%	n.a.	n.a.	n.a.	n.a.	\$3.2904	-2.2%
Skim Milk Powder	\$1.5050	-11.3%	\$1.5037	0.8%	\$1.5037	1.0%	\$1.5205	1.4%	\$1.5395	5.6%	n.a.	\$1.5082	0.8%
Whole Milk Powder	n.a.	\$1.5649	9.7%	\$1.5413	9.9%	\$1.5068	7.0%	\$1.5840	7.4%	\$1.6157	7.4%	\$1.5518	9.2%

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

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	10/11	10/12	10/15	10/16	10/17	10/18	10/19	10/22	10/23	10/24
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
OCT 12	21.12 (5493) 0	21.14 (5476) 0	21.16 (5471) 0	21.05 (5530) 0	21.05 (5538) 0	21.04 (5543) 0	21.04 (5518) 15	21.05 (5529) 0	21.04 (5523) 0	21.04 (5511) 0
NOV 12	20.90 (5208) 0	21.07 (5226) 0	20.97 (5239) 5	20.24 (5141) 0	20.12 (4940) 0	20.61 (4930) 5	20.62 (4949) 30	20.58 (4947) 0	20.61 (4986) 3	20.79 (5032) 10
DEC 12	20.65 (4442) 0	20.80 (4463) 0	20.63 (4487) 0	20.01 (4518) 0	20.12 (4574) 0	20.62 (4617) 5	20.55 (4640) 0	20.49 (4808) 0	20.20 (4838) 2	20.30 (4802) 2
JAN 13	19.82 (1646) 0	19.90 (1697) 0	19.78 (1723) 1	19.49 (1747) 2	19.61 (1764) 20	20.05 (1924) 0	19.98 (1954) 0	19.78 (1971) 0	19.47 (1936) 0	19.50 (1933) 0
FEB 13	19.32 (1391) 0	19.35 (1448) 0	19.26 (1459) 0	19.20 (1474) 0	19.27 (1465) 20	19.66 (1562) 0	19.65 (1574) 0	19.49 (1571) 0	19.17 (1576) 0	19.19 (1584) 7
MAR 13	19.05 (1222) 0	19.10 (1253) 0	19.05 (1249) 0	19.05 (1261) 0	19.10 (1256) 20	19.28 (1321) 0	19.30 (1326) 0	19.20 (1332) 0	18.95 (1336) 0	18.95 (1350) 9
APR 13	18.70 (1076) 0	18.76 (1077) 0	18.77 (1080) 0	18.80 (1078) 0	18.87 (1077) 0	19.00 (1071) 0	19.02 (1067) 0	19.00 (1040) 0	18.87 (1032) 0	18.87 (1038) 0
MAY 13	18.45 (949) 0	18.52 (959) 0	18.50 (959) 0	18.53 (955) 0	18.63 (963) 0	18.72 (962) 0	18.73 (970) 0	18.70 (970) 0	18.61 (964) 0	18.61 (972) 0
JUN 13	18.40 (870) 0	18.47 (875) 0	18.48 (875) 0	18.48 (889) 0	18.60 (896) 0	18.70 (904) 0	18.71 (916) 0	18.70 (916) 0	18.65 (916) 0	18.64 (919) 0
JUL 13	18.57 (646) 0	18.60 (659) 0	18.60 (665) 0	18.55 (665) 0	18.60 (665) 0	18.60 (669) 0	18.60 (670) 0	18.60 (670) 0	18.60 (683) 0	18.55 (684) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
OCT 12	19.10 (86) 0	18.75 (93) 0	18.75 (93) 0	18.75 (93) 0	18.75 (106) 0	18.55 (126) 0	18.55 (126) 0	18.55 (126) 0	18.55 (126) 0	18.55 (126) 0
NOV 12	19.15 (74) 0	19.15 (74) 0	19.15 (74) 0	19.00 (88) 0	19.00 (99) 0	18.85 (134) 0	18.85 (134) 0	18.85 (134) 0	18.75 (134) 0	18.75 (134) 0
DEC 12	19.00 (95) 0	18.70 (137) 0	18.70 (137) 0	18.70 (152) 0	18.65 (162) 0	18.65 (162) 0	18.60 (164) 0	18.60 (164) 0	18.60 (164) 0	18.60 (164) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
OCT 12	191.00 (781) 0	191.50 (774) 13	191.50 (774) 0	191.05 (775) 1	190.03 (771) 16	191.50 (769) 4	190.05 (769) 1	190.98 (769) 1	190.98 (769) 0	190.98 (770) 1
NOV 12	189.50 (765) 1	189.00 (772) 7	188.00 (772) 0	187.25 (772) 0	187.25 (774) 4	186.68 (792) 20	185.00 (791) 2	185.50 (797) 14	184.48 (797) 1	185.00 (798) 2
DEC 12	177.00 (644) 3	177.75 (648) 20	177.50 (648) 0	174.25 (660) 15	174.40 (674) 16	173.70 (687) 17	173.50 (691) 7	174.00 (693) 7	172.00 (706) 18	172.00 (706) 3
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
OCT 12	150.50 (304) 0	148.05 (307) 0	148.05 (307) 0	148.05 (307) 0	148.05 (308) 0	147.03 (312) 0	147.03 (312) 0	147.03 (312) 0	147.03 (312) 0	147.03 (312) 0
NOV 12	155.00 (243) 0	154.00 (243) 0	154.00 (243) 0	154.00 (243) 0	154.00 (243) 0	154.00 (243) 0	154.00 (242) 0	154.00 (242) 0	154.00 (242) 0	154.00 (242) 0
DEC 12	156.00 (197) 0	154.98 (212) 0	154.98 (212) 0	156.13 (212) 0	155.00 (214) 0	155.00 (214) 0	157.00 (216) 0	157.00 (216) 0	157.00 (216) 0	157.00 (216) 0
<b>CME - WHEY (Electronic-Traded)</b>										
OCT 12	62.00 (287) 4	62.00 (287) 0	62.00 (287) 0	62.00 (287) 0	62.00 (287) 0	62.00 (286) 1	62.00 (286) 0	61.98 (286) 0	61.98 (286) 0	61.98 (286) 0
NOV 12	62.80 (217) 3	62.75 (217) 0	62.75 (217) 0	61.00 (220) 4	61.00 (222) 4	61.00 (222) 2	61.50 (222) 0	61.50 (224) 1	61.50 (224) 0	61.50 (221) 9
DEC 12	63.20 (300) 5	63.25 (298) 4	63.00 (298) 0	61.38 (299) 9	63.38 (300) 3	62.50 (300) 3	62.50 (300) 0	63.40 (299) 4	63.40 (299) 0	62.75 (295) 15
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
OCT 12	2.07 (1260) 2	2.06 (1258) 3	2.06 (1258) 0	2.06 (1256) 2	2.06 (1256) 0	2.06 (1252) 18	2.06 (1252) 0	2.06 (1253) 1	2.06 (1253) 0	2.06 (1252) 1
NOV 12	2.04 (1169) 16	2.05 (1170) 4	2.05 (1179) 14	1.98 (1184) 16	1.96 (1201) 39	2.01 (1192) 20	20.1 (1192) 0	2.01 (1192) 0	2.01 (1192) 0	2.03 (1192) 5
DEC 12	2.01 (1252) 16	2.02 (1252) 16	2.02 (1251) 13	1.95 (1255) 41	1.95 (1251) 30	2.02 (1240) 11	2.01 (1240) 0	2.01 (1240) 5	1.98 (1240) 4	1.99 (1248) 34
JAN 13	1.94 (273) 0	1.94 (273) 0	1.94 (273) 0	1.91 (275) 18	1.92 (274) 12	1.96 (274) 7	1.96 (279) 10	1.95 (282) 5	1.91 (304) 59	1.91 (315) 20
FEB 13	1.90 (164) 9	1.90 (164) 0	1.90 (164) 0	1.89 (163) 1	1.89 (163) 11	1.92 (164) 3	1.93 (163) 16	1.92 (166) 3	1.88 (189) 28	1.89 (193) 17
MAR 13	1.87 (139) 2	1.87 (139) 0	1.87 (139) 0	1.87 (139) 0	1.87 (138) 16	1.88 (138) 1	1.89 (144) 11	1.89 (150) 7	1.86 (161) 28	1.86 (164) 13

<sup>1/</sup> 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.)

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

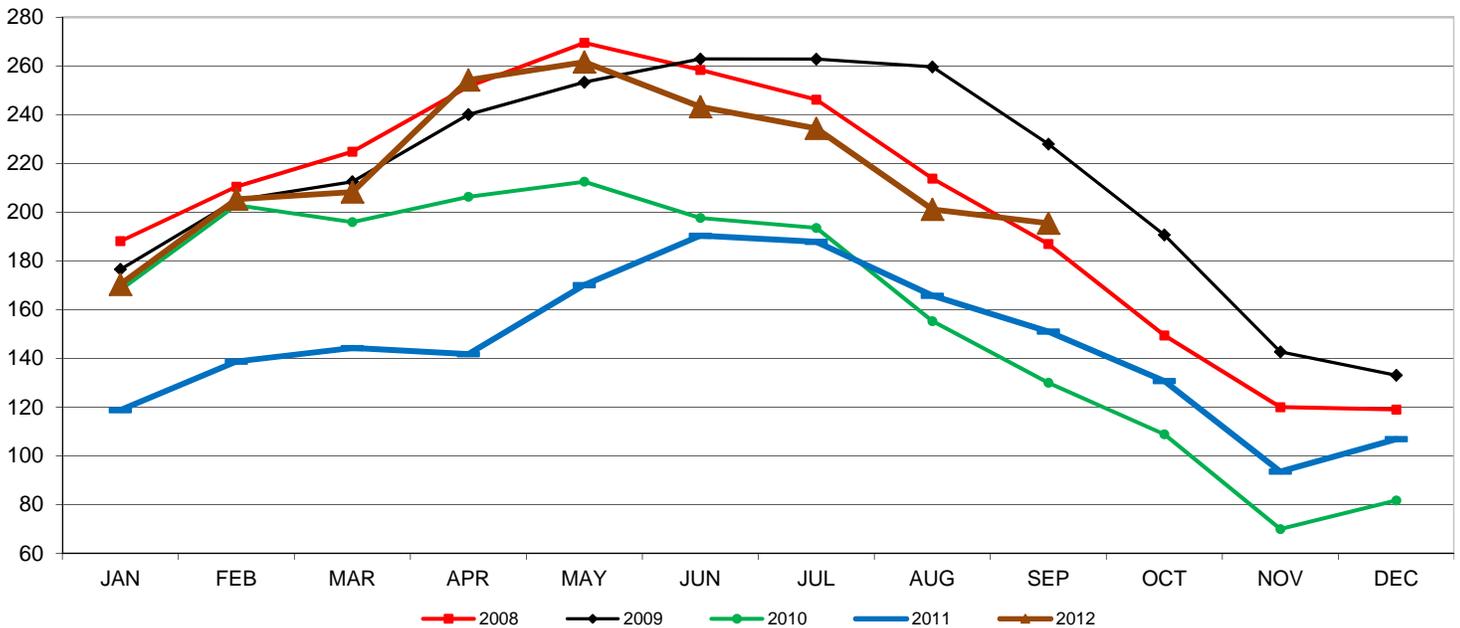
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	AUG 31, 2010	AUG 31, 2011	REVISED AUG 31, 2012	SEP 30, 2010	SEP 30, 2011	SEP 30, 2012
Butter	129,956	150,979	201,135	129,956	150,979	195,428
Cheese, Natural American	636,946	639,175	614,111	636,946	639,175	608,427
Cheese, Swiss	27,668	31,304	28,792	27,668	31,304	28,930
Cheese, Other Natural	395,982	375,535	359,508	395,982	375,535	356,952
Total Cheese	1,060,596	1,046,014	1,002,411	1,060,596	1,046,014	994,309

SEPTEMBER STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
New England	38,822	40,642	36,826	---	---	---	507	1,043	807
Middle Atlantic	49,666	51,914	43,544	---	---	---	21,639	23,002	18,957
East North Central	271,371	264,921	272,291	---	---	---	271,489	265,642	267,769
West North Central	95,155	112,183	103,703	---	---	---	64,338	47,186	32,758
South Atlantic	3,981	78	572	---	---	---	6,341	5,994	5,313
East South Central	3,390	1,467	1,940	---	---	---	119	257	1,005
West South Central	1,893	3,398	6,317	---	---	---	1,220	1,270	440
Mountain	65,833	60,592	49,131	---	---	---	8,982	6,228	6,510
Pacific	106,835	103,980	94,103	---	---	---	21,347	24,913	23,393
TOTAL	636,946	639,175	608,427	129,956	150,979	195,428	395,982	375,535	356,952

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS

U.S. BUTTER COLD STORAGE HOLDINGS



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

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2011 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total <sup>1/</sup>		Commercial		Government	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Million Pounds		Million Pounds		Million Pounds					
January	170	119	612	638	159	128	159	128	0	0
February	205	139	608	621	193	122	193	122	0	0
March	208	144	623	611	210	119	210	119	0	0
April	254	142	633	622	226	147	226	147	0	0
May	262	170	620	623	215	163	215	163	0	0
June	243	190	629	619	144	186	144	186	0	0
July	234	188	635	649	129	192	129	192	0	0
August	201	166	614	647	106	168	106	168	0	0
September	195	151	608	639		151		151		0
October		131		619		143		143		0
November		94		593		146		146		0
December		107		611		165		165		0

<sup>1/</sup> Includes instant nonfat dry milk.

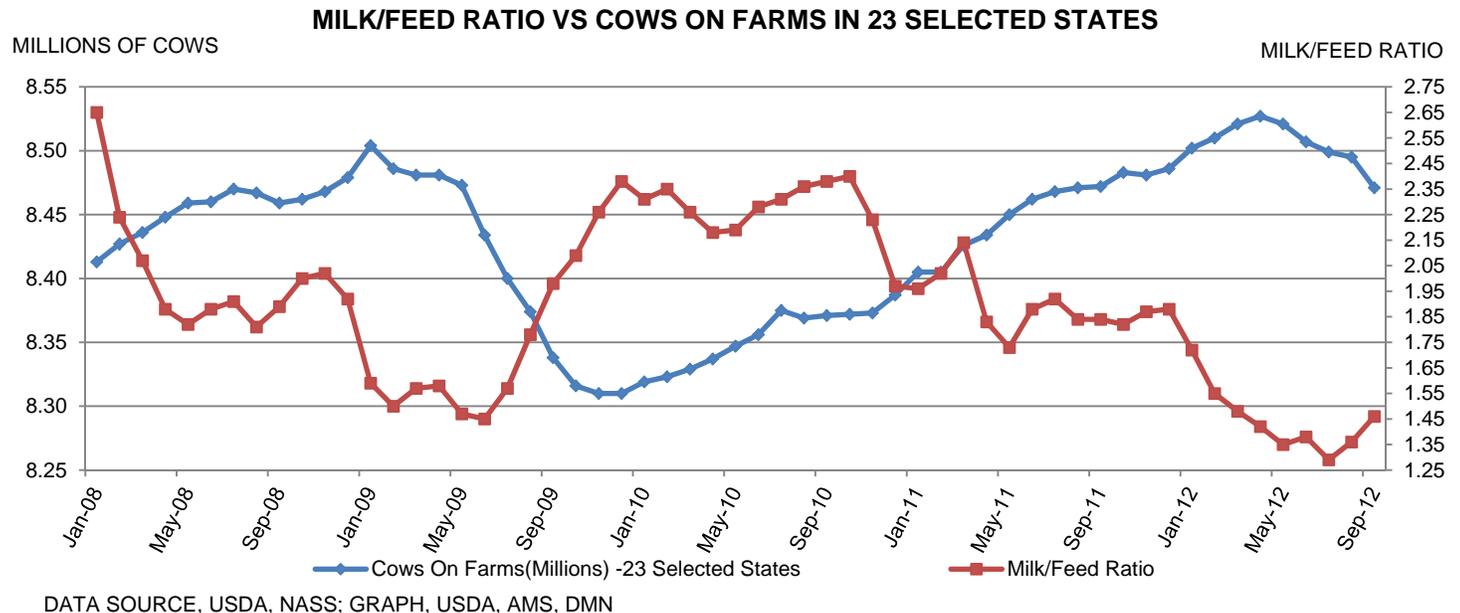
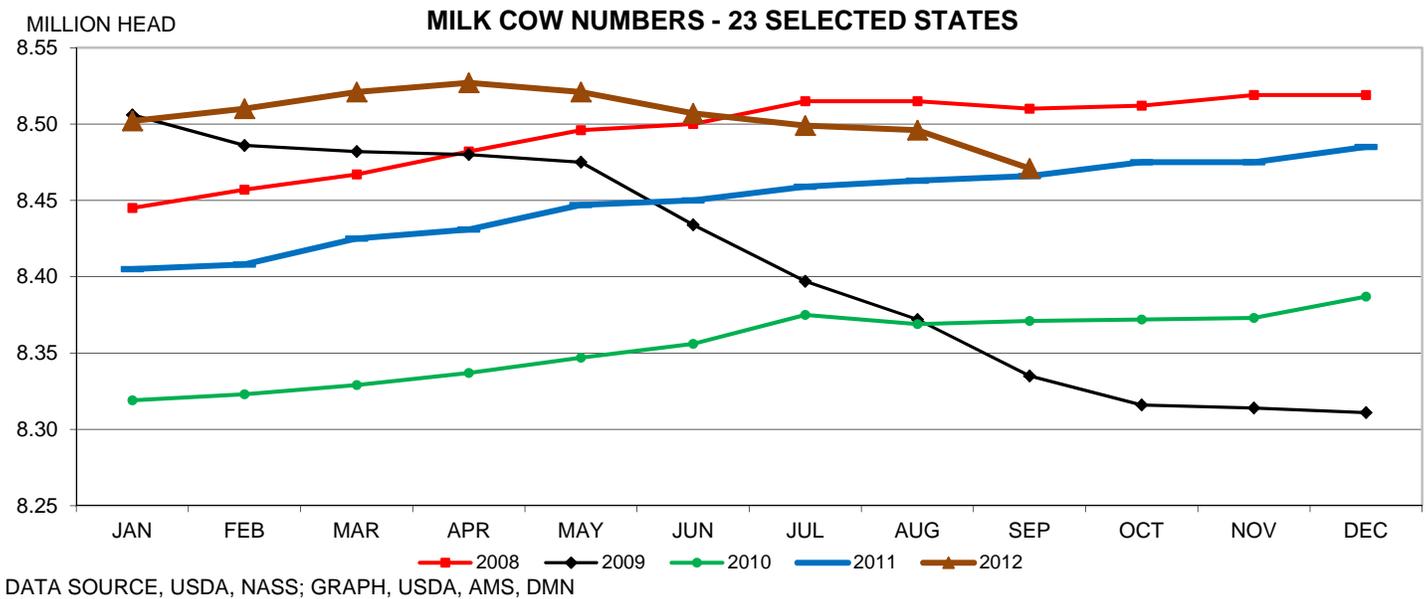
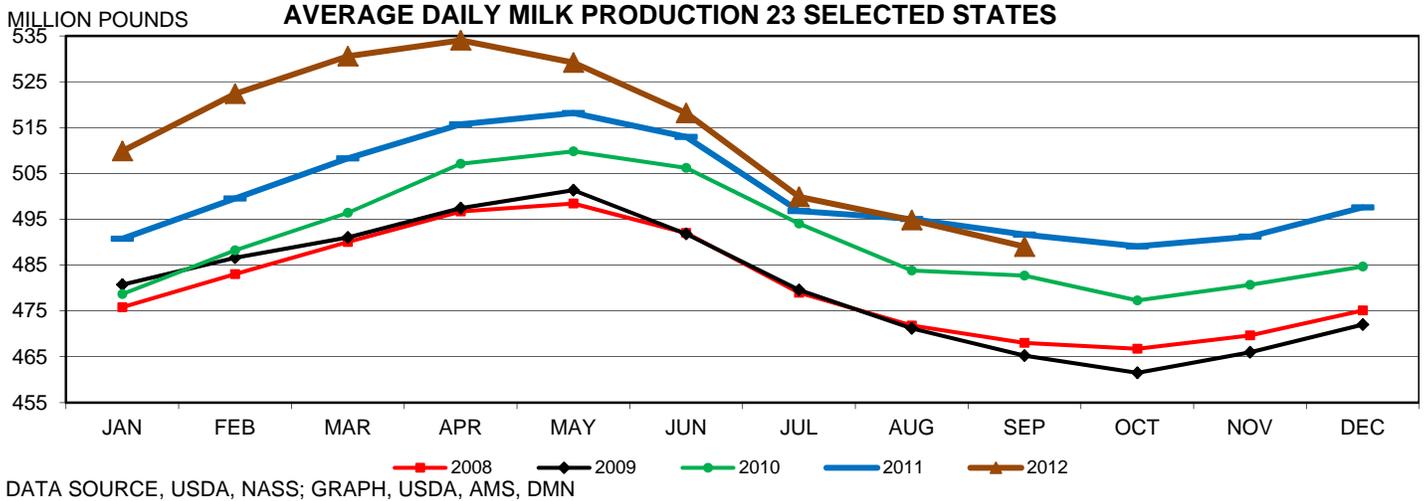
Source: U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, September 2012*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, October 2012*.

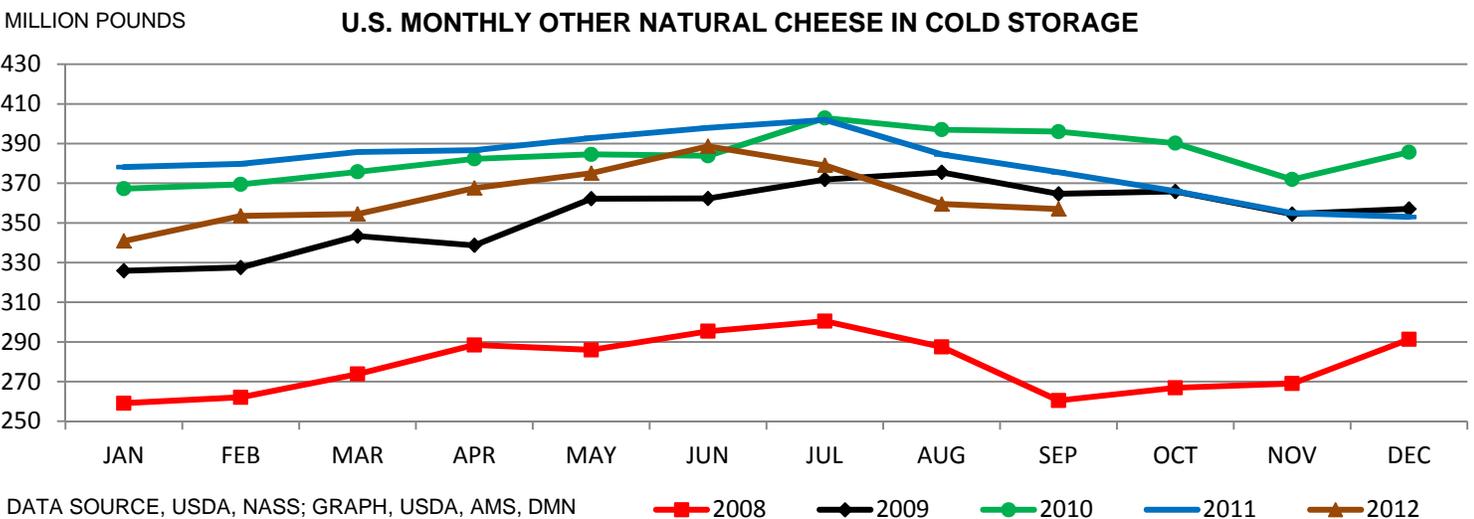
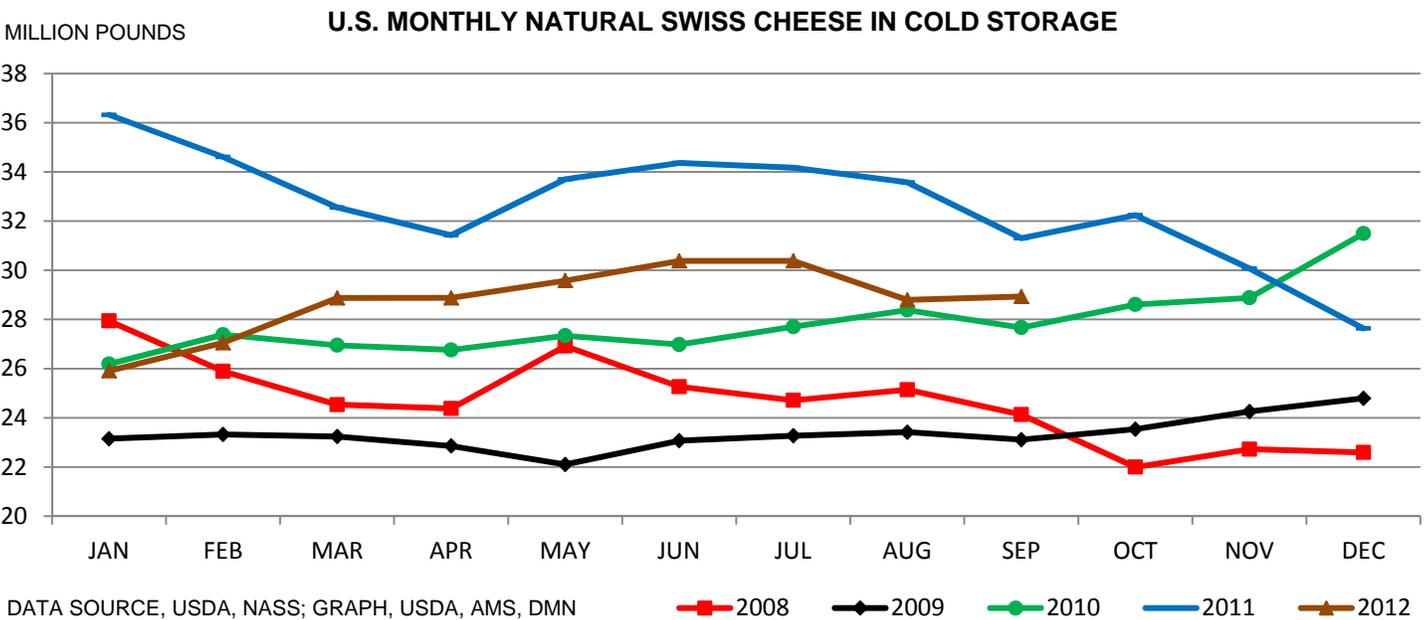
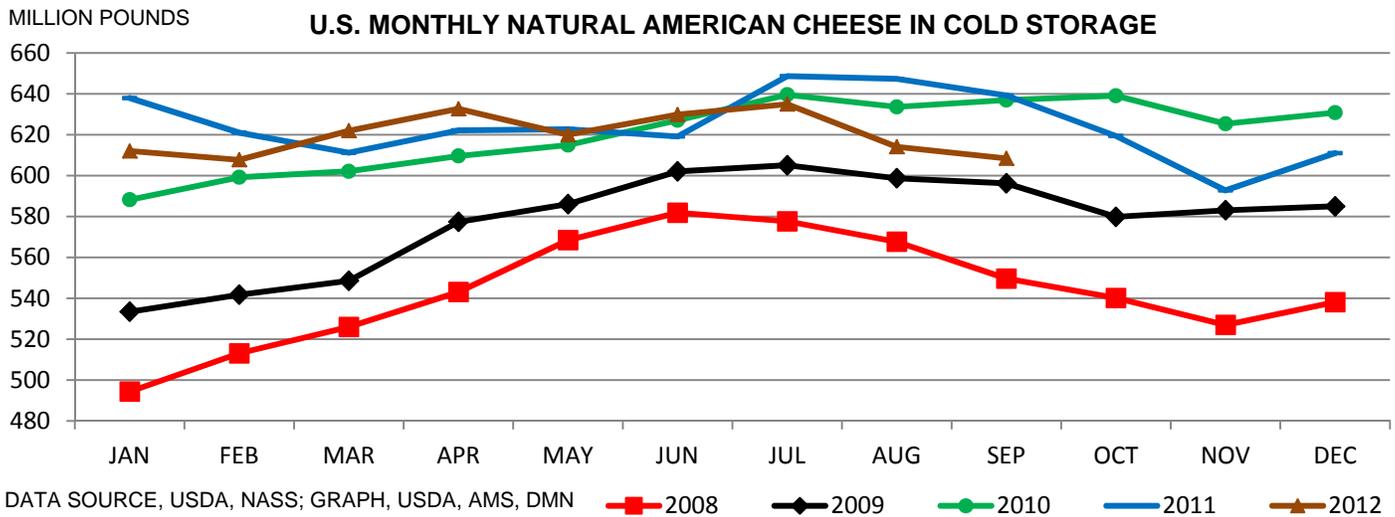
## SEPTEMBER MILK PRODUCTION

Milk production in the 23 major states during September totaled 14.7 billion pounds, down 0.5 percent from September 2011. August revised production at 15.3 billion pounds, was down slightly from August 2011. The August revision represented an increase of 26 million pounds or 0.2 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,732 pounds for September, 10 pounds below September 2011. The number of milk cows on farms in the 23 States was 8.47 million head, 5,000 head more than September 2011, but 25,000 head less than August 2012. Milk production in the U.S. during the July-September quarter totaled 48.7 billion pounds, up 0.1 percent from the July-September quarter last year. The average number of milk cows in the U.S. during the quarter was 9.22 million head, 15,000 head more than the same period last year.

STATE	MILK COWS <sup>1/2/</sup>				MILK PRODUCTION <sup>1/3/</sup>			
	SEPTEMBER		JULY-SEPTEMBER		SEPTEMBER		JULY-SEPTEMBER	
	2011	2012	2011	2012	2012	% CHANGE FROM 2011	2012	% CHANGE FROM 2011
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	10.0	9.5	--	--	29.0	-3.3
AK	--	--	0.5	0.4	--	--	1.4	-17.6
AZ	189	181	187.0	183.0	316	-5.4	996.0	-2.7
AR	--	--	11.0	10.0	--	--	28.0	-6.7
CA	1,776	1,779	1,774.0	1,782.0	3,184	-3.9	9,989.0	-3.5
CO	130	135	129.0	134.0	264	5.2	812.0	6.0
CT	--	--	18.5	18.0	--	--	86.0	-2.3
DE	--	--	5.0	5.0	--	--	22.0	1.4
FL	119	122	119.0	123.0	160	3.2	520.0	3.4
GA	--	--	78.0	80.0	--	--	335.0	1.5
HI	--	--	1.9	2.0	--	--	7.0	2.9
ID	582	580	582.0	579.0	1,143	2.3	3,529.0	1.1
IL	98	100	98.0	100.0	149	0.0	460.0	2.4
IN	173	173	172.0	175.0	285	0.4	886.0	2.4
IA	198	200	199.0	202.0	346	-0.3	1,058.0	1.2
KS	123	126	123.0	125.0	219	4.3	666.0	3.9
KY	--	--	75.0	73.0	--	--	253.0	3.3
LA	--	--	18.0	17.0	--	--	45.0	-6.3
ME	--	--	32.0	32.0	--	--	152.0	1.3
MD	--	--	52.0	51.0	--	--	235.0	2.2
MA	--	--	12.0	11.5	--	--	52.0	-1.9
MI	367	374	366.0	375.0	705	2.8	2,194.0	4.1
MN	466	465	467.0	465.0	714	0.8	2,202.0	1.8
MS	--	--	14.0	14.0	--	--	43.0	0.0
MO	95	93	95.0	94.0	103	-1.9	318.0	0.3
MT	--	--	14.0	14.0	--	--	75.0	1.4
NE	--	--	57.0	56.0	--	--	291.0	1.0
NV	--	--	29.0	28.0	--	--	161.0	-5.8
NH	--	--	14.0	13.5	--	--	67.0	-2.9
NJ	--	--	7.5	7.0	--	--	32.0	-3.0
NM	331	326	330.0	327.0	639	-4.5	1,976.0	-3.4
NY	610	610	610.0	610.0	1,061	2.3	3,278.0	1.9
NC	--	--	45.0	46.0	--	--	220.0	3.3
ND	--	--	19.0	18.0	--	--	87.0	2.4
OH	268	270	267.0	270.0	424	2.2	1,290.0	2.4
OK	--	--	52.0	48.0	--	--	192.0	-10.7
OR	122	123	123.0	123.0	205	0.0	637.0	-0.6
PA	537	533	539.0	534.0	831	-2.7	2,567.0	-1.9
RI	--	--	1.1	1.0	--	--	4.3	-12.2
SC	--	--	16.0	15.0	--	--	59.0	-1.7
SD	--	--	90.0	92.0	--	--	487.0	5.6
TN	--	--	49.0	49.0	--	--	184.0	1.1
TX	435	433	435.0	437.0	738	-4.7	2,282.0	-3.0
UT	88	88	88.0	89.0	155	0.0	491.0	2.7
VT	134	133	134.0	133.0	206	1.5	638.0	1.4
VA	96	95	96.0	96.0	132	-2.2	407.0	-1.5
WA	265	261	265.0	261.0	505	-1.9	1,554.0	-2.9
WV	--	--	10.0	10.0	--	--	39.0	0.0
WI	1,264	1,271	1,264.0	1,271.0	2,186	2.9	6,755.0	3.9
WY	--	--	6.0	6.0	--	--	31.8	1.9
23 STATE TOTAL	8,466	8,471	--	--	14,670	-0.5	--	--
U.S. <sup>4/5/</sup>			9,200.0	9,215.0			48,724.0	0.1

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





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