

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (04/27):**

BUTTER: Grade AA closed at \$1.3600. The weekly average for Grade AA is \$1.3845 (-.0330).

CHEESE: Barrels closed at \$1.4350 and 40# blocks at \$1.5350. The weekly average for barrels is \$1.4455 (-.0145) and blocks, \$1.5265 (+.0235).

BUTTER HIGHLIGHTS: The CME Group cash butter price dipped under the \$1.40 level for the first time since February 2010 and closed the week at \$1.3600. This weekly close compares to \$1.4175 last Friday, \$1.5225 a month ago, and \$2.0150 a year ago. Churning schedules across the country remain seasonally strong as cream supplies are readily available. In most instances, current churning is surpassing demand, thus clearances to inventory are strong. Butter producers and handlers are indicating that buying interest is fair at best with most buyers cautious with their purchases and procuring for near term needs. Retailers are stating that butter feature activity has slowed significantly since the recent holiday period and overall butter demand is typical for this time of the year. Food service buyers are reporting fairly steady needs as traffic flow through restaurants is holding steady at fairly good levels. Cooperatives Working Together (CWT) accepted butter export assistance requests totaling 750,000 pounds (341 MT). This week, the CWT program announced that beginning May 7, the program will begin accepting requests for export assistance for anhydrous milk fat. Thus far in 2012, CWT has assisted member cooperatives in making butter export sales totaling 39.2 million pounds.

CHEESE HIGHLIGHTS: Cheese production across the country is robust. Milk supplies are up and much of that production is finding its way to cheese plants. Excess milk volumes are often being discounted to encourage additional cheese manufacturing. Cheese inventories are building and this is reflected in the March Cold Storage report. NASS reported stocks of natural cheese in cold storage, 2% above the previous month's volume. At the CME Group this week, cheese trading was active. Barrel prices worked lower through the week, while blocks inched higher. Sales activity was heavy, with blocks trading at their highest volume of the year. Barrels closed the week lower from last Friday at \$1.4350, while blocks were higher for the week at \$1.5350.

FLUID MILK: Milk production showed signs of leveling off at or near the seasonal peak in the Southeast and Mid-Atlantic regions.

Arizona had marginally lower production, caused by the recent heat. California's milk production was uneven; Florida was steady with the rest of the nation showing various degrees of increased milk production. Coops in the Pacific Northwest are warning dairy producers of possible penalties, like those imposed in California, for excess milk above their established bases. Processors across the nation are operating plants on extended schedules. The added volumes of finished dairy products are creating more supplies that are not readily clearing the market. Cream supplies are steady to higher nationwide with heavy volumes clearing to butter plants. Demand for cream from ice cream plants has registered only slight improvement.

DRY PRODUCTS: Nonfat dry milk prices declined as the market tone moved weaker, undercut by strong production in all regions of the country. Domestic buying interest is light with spot transactions tied to price and near term need. Export interest is declining with new business slow to develop. Dry buttermilk prices are trending lower on a weak market. Dry buttermilk production is steady as churning activity is near capacity at many churns in order to clear heavy cream intakes. Buyers are purchasing dry buttermilk for immediate needs only, unwilling to expand inventories on a downward trending market. Dry whole milk prices moved marginally higher in a lightly tested market. Dry whey prices moved lower this week as inventories continue to build alongside active cheese production. The increased supplies of available whey are giving buyers a chance to shop around for the best price. Dry whey spot load availability increased both in quantity and number of sources as manufacturers work toward managing inventories. Whey protein concentrate 34% prices moved lower on a transitional market. Manufacturers are clearing spot loads by setting prices that compete with nonfat dry milk. Lactose prices on the mostly series are unchanged and the market tone is steady.

INTERNATIONAL DAIRY MARKET OVERVIEW (DMN): The **European** milk production season is off to a strong start and some milk handlers are projecting that peak output might only be 4 weeks away. Preliminary reports are indicating that milk volumes are running 2.5 - 3% ahead of last year. Some milk handlers are indicating that cool temperature levels are hindering good grass and pasture growth, thus when temperatures warm on a more consistent basis,

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CME GROUP CASH TRADING

| COMMODITY | MONDAY APR 23 | TUESDAY APR 24 | WEDNESDAY APR 25 | THURSDAY APR 26 | FRIDAY APR 27 | :: WEEKLY CHANGE* | :: WEEKLY AVERAGE# |
|-----------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|----------------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.4700 (+.0100) | \$1.4550 (-.0150) | \$1.4475 (-.0075) | \$1.4200 (-.0275) | \$1.4350 (+.0150) | :: (-.0250) | :: \$1.4455 (-.0145) |
| 40# BLOCKS | \$1.5225 (-.0050) | \$1.5225 (N.C.) | \$1.5250 (+.0025) | \$1.5275 (+.0025) | \$1.5350 (+.0075) | :: (+.0075) | :: \$1.5265 (+.0235) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | \$1.1275 (N.C.) | \$1.1275 (N.C.) | \$1.1275 (N.C.) | \$1.1175 (-.0100) | \$1.1075 (-.0100) | :: (-.0200) | :: \$1.1215 (-.0280) |
| GRADE A | \$1.1675 (N.C.) | \$1.1675 (N.C.) | \$1.1675 (N.C.) | \$1.1575 (-.0100) | \$1.1475 (-.0100) | :: (-.0200) | :: \$1.1615 (-.0140) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.4125 (N.C.) | \$1.4000 (-.0125) | \$1.3900 (-.0100) | \$1.3600 (-.0300) | \$1.3600 (N.C.) | :: (-.0525) | :: \$1.3845 (-.0330) |

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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prepare for further production increases. Heavy milk volumes are arriving at manufacturing facilities and many operations are already challenged to handle the milk flow. In most instances, churns, dryers, and cheese vats are nearly maxed out on capacity and current output is far exceeding demand, thus clearances of manufactured dairy products to inventory programs are heavy. Traders and handlers are reporting that sales activity is occurring, but is slow as most buyers are cautious with their purchases and only procuring for near term needs. Pricing for most all dairy products is steady to lower, thus buyers often step back from the marketplace until prices stabilize. The word intervention is starting to occur in more conversations. Traders and handlers feel that butter and skim milk powder prices might ease to intervention levels if sales activity does not occur soon. The intervention price level for skim is 1,698 Euros per MT around \$2,245 and the butter intervention level is 2,217 Euros per MT about \$2,930. Many feel that if current prices weaken to intervention levels that butter would probably be the first product to dip that low. The Dairy Management Committee met on April 19 and no significant dairy related policy issues were addressed or changed. At the meeting, figures for 7 weeks of PSA, through April 15, were released. Since the first of March, 40,799 MT of butter have cleared to the PSA program. This volume is 15,000 MT more than last year's figure of 25,294 MT figure for the same seven (7) week period.

Milk production trends in Eastern Europe appear to be developing on a very positive basis with early reports indicating that milk output is running as much as 9% stronger in many regions.

Although temperatures are also cool in **Eastern Europe**, milk output had a good start to the season and continues to develop. Stronger milk prices are another factor that milk handlers point to that is probably encouraging more output. Eastern European traders and handlers are reporting slow sales, both domestically and internationally. Many feel that weakening prices are the contributing factor to slow sales activity. Stocks of uncommitted manufactured dairy products in Eastern Europe are being reported.

The **Oceania** milk production season continues to wind down, but remains positive for this time of the season. Milk producers and handlers in both New Zealand and Australia are very pleased at how the season is ending. Most indicate that the milking herd will finish the year in good health and condition. As the winter season approaches, farmers are hopeful that weather patterns during the upcoming months will be typical for the region and that herd stress during this period will be minimal. In **New Zealand**, milk output remains positive with end of season milk production projections still running between 9 - 10% ahead of last season. In **Australia**, a positive end continues to be reported for the country and annual milk output is pegged around 4% ahead of last year. Some milk handlers feel that annual output might dip slightly under 4%, but will be much stronger than predictions a year ago. March milk production figures indicate that monthly production was running about 2.9% ahead of last March with a cumulative output around 4.1%. The heavy rainfall and flooding in the Northern regions of Victoria early in March appear to not have had too significant of a negative impact on overall milk output. Milk output in this region for March was up significantly (17.5%) over last year. Milk producers and handlers affected by the adverse conditions in that region were able to relocate herds to higher ground, thus alleviating milk losses. Milk producers in Australia will be concluding a positive milk production season for the second year in a row. This has producers very optimistic about a 3rd positive year, but are very aware of what potentially lower milk prices might be in the upcoming season and what impact this will have on production management. Although many manufacturing facilities in both New Zealand and Australia have shuttered their operations or

are working on greatly reduced schedules, many remain more active than is typically the case for this time of the year. Much of the current additional/late season manufactured dairy products being generated are being managed with relative ease. Some are using the additional stock to cushion late season commitments while other output is appearing at the g/DT event with higher than projected offerings. All in all, Oceania traders and handlers are very comfortable with their end of season supply/demand balance. At the April 17 g/DT event, all product price averages were lower. Most prices established new multi-year lows with increased volumes of most products being offered. Skim milk powder was again offered out of three sourcing regions of the world, but lactose offered for the first time during the past event was not offered at this auction. A formal rule change has been approved which will adjust the contracting periods to six (6) consecutive monthly periods beginning with the month following a trading event. This proposal will be in effect for the next (May 1, #67) event. This proposed rule change will potentially make it easier for buyers and sellers to manage their purchases and commitments.

MARCH COLD STORAGE (NASS): On March 31, U.S. cold storage holdings of butter totaled 210.6 million pounds, 3% more than a month ago, and 46% more than last year. Natural American cheese holdings total 621.9 million pounds, 2% more than a month ago, and 2% more than a year ago. Total cheese stocks were 1.0 billion pounds, 2% more than last month, but 2% less than 2011.

MARCH PRICE AND POOL STATISTICS (NASS): During March, more than 11.9 billion pounds of milk were received from producers. This volume of milk is 15.6% higher than the March 2011 volume. In March 2011 and March 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.7 billion pounds of producer milk were used in Class I products, 3.4% lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2012 as compared to 2011. The all-market average Class utilization percentages were: Class I = 32%, Class II = 11%, Class III = 45% and Class IV = 12%. The weighted average statistical uniform price was \$16.89 per cwt., \$0.45 lower than last month and \$3.05 lower than last year.

2011 MILK PRODUCTION, DISPOSITION, AND INCOME (NASS): Milk production increased 1.8% in 2011 to 196 billion pounds. The rate per cow, at 21,345 pounds, was 197 pounds above 2010. The annual average number of milk cows on farms was 9.19 million head, up 75,000 head from 2010. Cash receipts from marketings of milk during 2011 totaled \$39.5 billion, 26.0% higher than 2010. Producer returns averaged \$20.25 per hundredweight, 23.9% above 2010. Marketings totaled 195.3 billion pounds, 1.8% above 2010. Marketings include whole milk sold to plants and dealers and milk sold directly to consumers. An estimated 985 million pounds of milk were used on farms where produced, unchanged from 2010. Calves were fed 90% of this milk, with the remainder consumed in producer households.

JANUARY MAILBOX MILK PRICES (AMS & CDFA): In January 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.30 per cwt., down \$0.75 from the previous month's average, and up \$2.63 from January 2011. The component tests of producer milk in January 2012 were: butterfat, 3.80%; protein, 3.15%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased in all areas except the Appalachian States where it increased by \$0.13/cwt compared to the previous month. Mailbox prices in January 2012 ranged from \$22.85 in Florida to \$17.10 in New Mexico.

CME GROUP

MONDAY, APRIL 23, 2012

CHEESE -- SALES: 9 CARS BARRELS: 2 @ \$1.4625, 3 @ \$1.4525, 2 @ 1.4500, 2 @ \$1.4700; 5 CARS 40# BLOCKS: 3 @ \$1.5275, 2 @ \$1.5200; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5225; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4800
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 3 CARS GRADE AA @ \$1.4125; LAST OFFER UNCOVERED: NONE

TUESDAY, APRIL 24, 2012

CHEESE -- SALES: 7 CARS BARRELS: 5 @ \$1.4600, 1 @ \$1.4525, 1 @ 1.4550; 4 CARS 40# BLOCKS: 1 @ \$1.5150, 3 @ \$1.5225; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5200; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4575; 1 CAR 40# BLOCKS @ \$1.5250
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.4125, 1 @ \$1.4000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3900; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4125

WEDNESDAY, APRIL 25, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4475; 7 CARS 40# BLOCKS: 4 @ \$1.5225, 3 @ \$1.5250; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.5250; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4500
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS EXTRA GRADE @ \$1.1275; 2 CARS GRADE A @ \$1.1675
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3850; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3900

THURSDAY, APRIL 26, 2012

CHEESE -- SALES: 7 CARS BARRELS: 4 @ \$1.4300, 1 @ \$1.4250, 2 @ \$1.4200; 5 CARS 40# BLOCKS @ \$1.5275; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4175; 1 CAR 40# BLOCKS @ \$1.5250; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS EXTRA GRADE @ \$1.1175; 2 CARS GRADE A @ \$1.1575
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3300; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.3600

FRIDAY, APRIL 27, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$1.4300; 7 CARS 40# BLOCKS: 2 @ \$1.5275, 3 @ \$1.5300, 1 @ \$1.5325, 1 @ \$1.5350; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4350; 1 CAR 40# BLOCKS @ \$1.5350; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR EXTRA GRADE @ \$1.1075; 2 CARS GRADE A @ \$1.1475
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3450; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.3600

BUTTER MARKETS

NORTHEAST

The CME Group butter price declined \$0.0125 Tuesday and closed at \$1.4000. The butter price continues to work lower with the last 25 trading sessions showing either prices unchanged or declining. The last butter price increase was registered on March 19. Butter production continues to be at near capacity levels at many plants as increased cream supplies remain heavy with significant volumes going to the churn. Bulk, print, salted and unsalted varieties of butter are all being made and adding to inventories. Domestic demand for print butter is at expected seasonal levels. Export interest continues to be a bright spot in the market with a number of plants making 82% and filling export orders, which were prompted by export assisted sales. Cooperatives Working Together (CWT) has accepted 11 requests for export assistance to sell 0.752 million pounds of butter and 2.615 million pounds of Cheddar and Monterey Jack cheese to customers in Asia, Africa, the Middle East and South America. Delivery of product will be from May through July 2012. To date in 2012, CWT has assisted with 39.2 million pounds in export butter sales. CWT also announced that, beginning the week of May 7, it will begin accepting requests for export assistance for Anhydrous Milk Fat (AMF). Current bulk butter prices range from 2-8 cents over the market based on the CME Group with various time frames and averages used. According to the latest NASS Cold Storage report, butter in storage on March 31, totaled 210.6 million pounds, 5.4 million pounds more (+3%) than the prior month stocks and 66.4 million pounds more (+46%) than March 2011 stocks.

CENTRAL

During the past week, the CME cash butter price dipped to the lowest trading level since February 2010. The current midweek cash price is \$1.3900 which is 2 1/4 cents lower than last week and compares to \$1.5225 a month ago and \$2.0025 last year at this time. Many butter handlers were questioning when would the cash price break the \$1.40 level and now feel that further weakness will develop. Current churning activity is strong and is generating surplus butter volumes that are clearing to inventory. Current butter demand is fair at best as many buyers are very cautious with their

purchases, for what they purchase today might be lower priced tomorrow. Retail feature activity has slowed greatly and is basically absent from recent store ads in the Central part of the country. Food service orders have also slowed as restaurant buyers are also cautious with their purchases. The CWT program continues to extend butter export assistance. Last week, nearly 750,000 pounds (341 MT) of domestically produced butter received export assistance through the CWT program. This butter will be exported May through July 2012. In Europe, the word "intervention" is starting to enter conversations more often. The intervention price level is 2,217 Euro per MT which is about \$2,930 U.S. dollars. Currently in Europe, butter production is very strong and sales are slow. Butter is clearing to the Private Storage Program at nearly double the pace of last year and current commercial butter prices are in the 3,000 Euro range (\$3,975). Although current butter prices in Europe are above intervention levels, some traders and handlers are not discounting the fact that strong production, building inventories, and slow sales might cause butter prices to dip to intervention levels. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Western butter prices are showing weakness due to heavy production schedules at the churns. Manufacturers are building inventories as post Easter sales are average at best. Print sales and food service sales are moderate to good. Bulk buyers are reluctant to purchase ahead of needs. Prices for bulk butter range from even to \$.0500 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 down \$.0100 to close at \$1.3900. Sales activity for the week has been light. Buyers and sellers are offering and counteroffering with very few sales being accomplished. For the week, only two sales have been recorded by Wednesday's close. According to the NASS Cold Storage report, stocks of butter as of March 31, 2012, total 210.6 million pounds, +46% or 66.4 million pounds more than March of last year. Stocks were 3% higher or 5.4 million pounds more than February 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 |
|----------------|---------------------|----------------------|--------------------------------|---------------------|----------------------|
| April 21, 2012 | 1.4408 2,901,903 | 1.5041 11,502,570 | 1.4891 12,561,271 | 0.5931 8,438,527 | 1.2404 26,198,896 |

CHEESE MARKETS

NORTHEAST

Cheese prices were mixed on the CME Tuesday with barrels declining \$0.0150 to close at \$1.4550, while blocks were unchanged and closed at \$1.5225. Trading activity has increased recently with barrels recording 27 sales in the last 3 trading sessions, while blocks have recorded 9 sales in the last 2 sessions. Cheese production continues to be near capacity levels at many plants. Some cheese plants are receiving offers of condensed skim at discount prices as manufacturers attempt to find ways to deflect milk volumes away from Class IV production. Domestic demand for cheese has declined as many buyers reduce orders ahead of colleges and universities ending their spring terms next month. Export interest continues, aided by export assistance sales. Cooperatives Working Together (CWT) has accepted 11 requests for export assistance to sell 2.615 million pounds of Cheddar and Monterey Jack cheese and 0.752 million pounds of butter to customers in Asia, Africa, the Middle East and South America. Delivery of product will be from May through July 2012. To date in 2012, CWT has assisted with 46.0 million pounds in export cheese sales. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of March 31, 2012 totaled 1,004.5 million pounds, 2% more than one month ago, but 2% less than one year ago. A majority of the holdings are in the form of American cheese (61.9%) totaling 621.9 million pounds, 2% more than the amount one month ago and 2% more than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (35.2%) totaling 354.0 million pounds, unchanged from one month ago, but 8% less from one year ago. Swiss cheese accounts for 2.9% of holdings at 28.6 million pounds, 6% more than one month ago, but 12% less than one year ago.

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

| | | |
|-----------------------------|---|---------------|
| Cheddar 40# Block | : | 1.9050-2.1900 |
| Process 5# Sliced | : | 1.6800-1.8000 |
| Muenster | : | 1.9250-2.2850 |
| Grade A Swiss Cuts 10 - 14# | : | 3.2950-3.6175 |

MIDWEST

There continues to be some "discrete marketing" of cheese by regional manufacturers quietly offering cheese to wholesalers, retailers or storage facilities, a bit below list prices. Many cheese manufacturers and cold storage operators believe that retail cheese sales remain sluggish due to a lack of robust retail price promotions. Retailers have mentioned to manufacturers, an intent to hold back on aggressive promotions for now unless they feel motivated to respond to more aggressive promotions by competitors, due to uncertainty about the short term prospect for wholesale cheese prices. Thus, the manufacturer "discrete" price incentives are muted in their impact on sales. Cold storage facilities in Wisconsin and states close by, are full of cheese. "Snug" is a term used to describe inventory levels. Normal aging schedules for hard Italian varieties are noted to be expanding by a month or so in some cases, as manufacturers leave cheese in storage a bit longer due to lower sales interest. A similar pattern with some Cheddar aging has recently been noted. An additional factor influencing Wisconsin cold storage in particular, is the importance of cheese cutting and wrapping in Wisconsin, which brings significant volumes of cheese manufactured elsewhere into the state for cutting and wrapping. American cheese cold storage in the East North Central Region (Wisconsin, Michigan, Ohio, Illinois and Indiana) on March 31, 2012, was 106% of one year ago in contrast with storage nationally being 98% of this year. NASS Cold Storage data also reveals that regional

American cheese Cold Storage as of March 31, 2012, 268.9 million pounds, was 102% of month earlier. The regional category Other cheese Cold Storage March 31, 2012, 268.1 million pounds, was even with month earlier and 104% of March 31, 2011. Nationally, total natural cheese stocks in refrigerated warehouses on March 31, 1,004.5 million pounds, were up 2% from the previous month and down 2% from one year earlier. The CME trading price spread between blocks and barrels increased from where last week began, \$.0275, into mid this week, \$.0775, as blocks advanced overall ahead of barrels. Over the last eight trading days, blocks advanced on five days and barrels on one. Last week's advance of blocks curiously occurred with no sales of blocks in contrast with 31 cars of barrels. Block sales resumed this week, and by Wednesday 17 cars of barrels sold and 16 of blocks. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell a total of 2.615 million pounds (1,186 metric tons) of Cheddar and Monterey Jack cheese to customers in Africa, Asia, the Middle East and South America. The product will be delivered May through July 2012. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 46.0 million pounds.

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

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.6525-2.3575 |
| Brick And/Or Muenster 5# | : | 1.8925-2.4525 |
| Cheddar 40# Block | : | 1.8925-2.8775 |
| Monterey Jack 10# | : | 1.8625-2.8775 |
| Blue 5# | : | 2.1575-3.1425 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.7375-2.9775 |
| Grade A Swiss Cuts 6 - 9# | : | 2.7050-3.0225 |

WEST

Western cheese production continues to be heavy as large volumes of milk are entering the marketplace. The market tone is mostly steady with barrels showing some weakness, while blocks are steady to firm. Inventories are manageable, but are building in many cases. Cheese plants are being offered milk solids at a discount to encourage production. Wednesday's close at the CME Group for barrels was \$.0075 lower at \$1.4475. Blocks were up \$.0025 to close at \$1.5250. Barrel prices are uneven this week with good activity from both buyers and sellers. Monday's trade saw the market go up one cent while the next two sessions were lower. The block market is firm this week with sales being made for the first time in two weeks. Barrels sold seventeen loads by Wednesday and blocks traded sixteen loads. According to NASS, *Cold Storage* stocks of cheese (total) at the end of March 2012 are 1,004.5 million pounds, down 2% or 25.0 million pounds less than March 2011. American stocks were up 2%, and Other Natural stocks were 8% lower than last year. Swiss stocks at the end of March total 28.6 million pounds, down 12% or 3.9 million pounds less than March 2011. March Swiss stocks in storage are 6% higher (up 1.6 million pounds) from last month.

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

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.5850-1.8425 |
| Cheddar 40# Block | : | 1.6275-1.9800 |
| Cheddar 10# Cuts | : | 1.8075-2.0275 |
| Monterey Jack 10# | : | 1.8175-1.9775 |
| Grade A Swiss Cuts 6 - 9# | : | 2.8725-3.3025 |

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CHEESE MARKETS

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FOREIGN

The weekly average block cheese price on the CME Group increased and as a result, domestic wholesale cheese prices advanced \$0.0150. Swiss cheese and all varieties of imported cheeses held steady. Demand for domestic Swiss cheese improved with sales on par with current production levels. As a reminder to the industry, calendar year 2012 license fee payments must be transmitted no later than May 1, 2012. The latest NASS Cold Storage report shows Swiss cheese holdings at 28.6 million pounds, 6% more than one month ago, but 12% less than one year ago.

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

| VARIETY | NEW YORK | |
|--------------------------|-----------------|------------------|
| | IMPORTED | DOMESTIC |
| Blue | : 2.6400-5.2200 | : 2.0450-3.5325* |
| Gorgonzola | : 3.6900-6.3900 | : 2.5475-2.8075* |
| Parmesan (Italy) | : -0- | : 3.1675-3.7225* |
| Provolone (Italy) | : 3.4400-6.1800 | : 2.0875-2.2450* |
| Romano (Cows Milk) | : -0- | : 3.2350-5.3850* |
| Sardo Romano (Argentine) | : 2.8500-3.9800 | : -0- |
| Reggianito (Argentine) | : 3.2900-4.1900 | : -0- |
| Jarlsberg-(Brand) | : 2.9500-5.2900 | : -0- |
| Swiss Cuts Switzerland | : -0- | : 3.3875-3.7100 |
| 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 |
|----------|--------|---------|
| | : | : |
| 04/23/12 | 9,612 | 130,873 |
| 04/01/12 | 8,178 | 133,301 |
| CHANGE | 1,434 | -2,428 |
| % CHANGE | 18 | -2 |

FLUID MILK AND CREAM

EAST

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

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 0 | 200 | 0 | 190 | 0 | 260 |
| SOUTHEAST STATES | 0 | 0 | 30 | 0 | 0 | 0 |

A spring storm in the Northeast deposited accumulating snows in the higher elevations, but most areas of the region received heavy rains rather than snow. The storm did not cause any significant transportation delays or problems. The rains were welcome in many areas as conditions were becoming quite dry. Milk production continues to increase in the Northeast, but is showing signs of leveling off in the Mid-Atlantic region. Manufacturing facilities in both regions continue to operate at near capacity levels. Class I demand did show some increases brought about by the storm and also due to some schools resuming classes after their Easter/spring breaks. Florida's milk production has leveled off in response to recent cooler weather patterns. Class I demand increased this week after last week's lackluster activity. Many areas of the state are under severe wildfire warnings as severe drought conditions continue. Over 39,000 acres have been charred by wild fires. Supplemental hay feeding continues as 80% of the pastures in the state are rated as either fair or poor. Spot loads of milk exported out of state this week totaled 200. There are some indications that milk production is at its apex and leveling off in the Southeast. Most all auxiliary manufacturing facilities are being utilized with couple of plants receiving less milk than in previous weeks. Class I demand has increased as schools have completed their spring breaks. Price discounts on spot loads continue to be significant with some discounts as low as \$4.00-\$6.00 under Class. Significant volumes of cream supplies are being directed to churns as cream based product production remains sluggish. Cooler weather in the East has stymied the increases seen earlier this spring in ice cream and ice cream mix production. The weaker cream demand decreased spot market activity with numerous loads having a difficult time finding a home. Demand continues to vary widely, depending on day of the week with multiples ranging from 113-126. Heavy volumes of condensed skim milk are keeping Class IV production at near capacity levels. Manufacturers are offering condensed skim at a discount to cheese manufacturers as a way to deflect some of the milk volumes headed to their Class IV production. Condensed skim demand continues to be very sluggish and spot sales activity remains light as contracted supplies are adequate for most manufacturers. According to NASS, milk production for March 2012 in the 23 reported states totaled 16.5 billion pounds, up 4.3% from March 2011. Milk production increased in 3 of the 5 listed states in the Eastern region with 1 state declining and 1 state unchanged. Eastern region production increased 1.2% over the same month last year to 2,663 million pounds. The 5 states showed the following percentage changes in milk production from March 2011 to March 2012 and total milk production this March: Florida, +0.5%, 223 million pounds; New York, +3.1%, 1,138 million pounds; Pennsylvania, -0.6, 923 million pounds; Vermont, unchanged at 221 million pounds; and Virginia, +1.9% at 158 million pounds. Milk cow numbers for March 2012 increased in only 1 of the 5 listed states of the Eastern region with 2 states declining and 2 states unchanged. As a region, cow numbers were 2,000 head (-0.1%) less compared to the same period last year. Individual state cow numbers compared

to March 2011 and cows remaining as of this March are: Florida, 3,000 increase, 122,000 remaining; New York, unchanged, 610,000 remaining; Pennsylvania, 3,000 decrease, 540,000 remaining; Vermont, 2,000 decrease, 133,000 remaining; and Virginia, unchanged, 96,000 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 - | 1.6018-1.7861 |
| F.O.B. producing plants: Upper Midwest - | 1.6160-1.7435 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

| | |
|--|-------------|
| Northeast - Class II - includes monthly formula prices - | 1.10 - 1.30 |
| Northeast - Class III - spot prices - | .90 - 1.20 |

MIDWEST

March 2012 milk production increased compared to March 2011 in all ten Central region states included in the NASS 23 Selected States Milk Production report. Central region individual state monthly milk production increases ranged from 1.6% in Missouri to 7.3% in Michigan. On a national basis, March 2012 milk production showed a 4.2% increase over one year ago. Cow numbers in Iowa, Minnesota, and Missouri decreased compared to March 2011. Cow numbers in Illinois, Indiana, Iowa, Kansas, Michigan, Ohio, Texas and Wisconsin increased, with a net gain among all Central states of 25,000 dairy cows compared to March 2011. Central milk handlers indicate milk intakes are steady to somewhat higher for the week in the North Central region. The question on the minds of handlers is which scenario will take place in the area in the coming weeks: a flush with a rapid increase and sharp decline in milk intakes or a gradual uptick from current volumes and gradual decline. Retail bottled milk demand is mostly steady to improved compared to last week as some milk handlers indicate decreases in milk loads moving North from Florida and the Southeast translated into a strong pull on Central milk into bottler accounts. Cream availability is steady to higher in some areas. A few cheese manufacturers indicate they recently decreased the use of condensed skim and/or nonfat dry milk to fortify vat yields. With cheese interest steady to lower, the need to increase cheese yields is diminished. For these manufacturers, this results in more cream clearing into the spot market. Cream multiples held mostly steady this week, ranging from 114 to 123 for most spot loads. Cream and condensed skim sales into Class II plants increased seasonally this week, although most plants indicate Class II plants have yet to move into full production mode. Spot milk loads are readily available, with prices reported in the \$2 - \$5 below Class range.

WEST

CALIFORNIA milk production levels are uneven, but overall levels remain well above a year ago. Some processors are seeing lighter intakes because of producers' changes due to base plans in place. Others are seeing milk intakes higher following the return of decent weather after recent wet conditions that tempered growth. Processors continue to operate plants on extended schedules. Supplies of milk and components remain heavy. The added volumes of finished dairy products are creating more supplies that are not readily clearing the market. Transportation costs of moving milk and components to other states and regions remain high and finding tankers can be a challenge. The biggest news this week was the discovery of a single case of atypical BSE in a milk cow in

FLUID MILK AND CREAM

central California. The industry is digesting the news and assessing what effects the case will create. Federal and State agencies are stating that the safeguards worked to keep the animal out of the food supply and further state that there is no known transfer of BSE through milk. March 2012 POOL RECEIPTS of milk in CALIFORNIA total 3.70 billion pounds, 7.4% higher than last year, according to CDFA. The March blend price, at a fat test of 3.72%, is \$15.44, \$0.04 lower than February and \$2.91 less than March 2011. The percentage of receipts used in Class 1 products is 12.9%. The March quota price is \$16.28 and the over quota price is \$14.58. These prices are \$0.01 lower than February and \$2.73 lower than a year ago. (NOTE: Decisions whether to/not to pool milk affect receipts and comparisons reported.) ARIZONA milk output is trending marginally lower. The weather impact of temperatures over 100 degrees was limited. Fans and misters were in use to abate the heat. Cooler nighttime temperatures are helpful and so are the low humidity levels. Cooler and wetter temperatures are forecast for this week. Processing plants are running full and several mechanical issues created more stress at plants. Class I demand is steady and at expected levels. NEW MEXICO milk production trends are moving higher. Conditions are favorable for milk cows. Processing plants are running smoothly. Class I interest is steady to slightly higher. Western CREAM markets are weaker. Butter prices, averages and basing points continue to trend lower. Demand runs light to fair. Only slight improvements are noted from ice cream producers taking more cream. Clearances to butter plants remain high. Other Class items are along schedules. The CME Group, Grade AA butter price closed at \$1.3900 on Wednesday, down 2.25 cents from the prior week. Cream multiples are 100-122 and vary based on class usage and basing points. Milk supplies in the PACIFIC NORTHWEST continue to be burdensome. Manufacturing plants in the region are working extended schedules in many cases to handle the increased milk volumes. Excess milk is being moved out of the region where needed. These sales are typically at a discount. Coops in the region are warning dairy farmers of possible penalties for excess milk produced above their established basis. Favorable weather conditions continue to add to milk supplies in UTAH and IDAHO. Manufacturing facilities in the region are handling the increased supplies in most cases. Expansion plans are being put on hold at many dairies in the region as milk prices are lower, while feed costs continue to put stress on the profitability of dairy farms. According to NASS, March *Milk Production* for the 23 surveyed states totals 16.5 billion pounds, up 4.3% (.7 billion pounds) from last year. March milk production changes from a year ago for selected Western states are as follows: Arizona +6.6%, California +6.2%, Colorado +7.1%; Idaho +3.3%, New Mexico +5.3%, Oregon +3.4%, Utah +7.8%, and Washington +4.5%. Monthly milk production per cow for the 23 surveyed states was 1,931 pounds (+3.2%) more than March 2011. Compared to March 2011, the Arizona herd is up 7,000 head, California +25,000, Colorado +7,000; Idaho +4,000, New Mexico +11,000, Oregon +4,000, Utah +4,000, and Washington +9,000. These 8 states are up 71,000 cows and the 23 surveyed states are up 94,000. March cow numbers in these 8 states were 3,000 more than February 2012.

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: The market tone for Central NDM is weaker, undercut by strong production in all regions of the country. Nonfat dry milk prices moved lower on the low/medium heat mostly and the high heat series. Prices on the NDM range adjusted higher based on some adjustable indices-based contract prices and a decrease in some spot load sales from various sources. Buyer spot interest is tied to price and near term needs. Some buyers indicate they continue to ratchet their target price lower for NDM at which they could comfortably take a position. Various end users indicate their NDM buying patterns are changing, with purchasing decisions revisited throughout the week and driven by price and just in time needs. Nonfat dry milk production is steady to higher, varying by location in the Central region. A few more loads of condensed skim appeared in the market this week as a newer location ramped up farm milk intakes. As intakes increase at this new facility, it is providing some welcome space in dryer schedules within the Central region. Increased Class I sales to bottlers took some of the pressure off processors this week. NDM inventories continue to build from week to week.

EAST: Milk production in the East is showing signs of leveling off, but manufacturing milk volumes continue to be very heavy and at near record levels at some plants. Prices for nonfat dry milk continued to be pressured by significantly increasing inventories and lackluster demand. Drying schedules are focusing on low heat nonfat dry milk production in an effort to clear milk volumes as quickly as possible. High heat nonfat dry milk supplies are being worked lower, due to limited production schedules. Demand has declined further this week from being very sluggish last week. Buyers are purchasing for immediate needs only. Spot market activity is very light with spot sales requiring price discounts to complete transactions. The market undertone remains very weak.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.1000 - 1.3375 MOSTLY: 1.1200 - 1.3000
 HIGH HEAT: 1.2800 - 1.3800

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices continue to trend lower in generally light trading. The market tone is weak. Buying interest is light on the domestic front. There are heavy offerings of milk and condensed skim that are often being priced at more competitive levels to users of NDM. Export interest is tapering off and new business is slow to develop. Bids are coming in lower and at levels that producers/marketers are not aggressively embracing. Pricing trends are moving lower from other exporting countries. There are concerns about the discovery of a case of atypical BSE in a milk cow in California and what the effects, if any, the international reaction could have on NDM/SMP exports. Government agencies are affirming that there is no known transfer of BSE through milk and subsequently dairy products. Index-based sales are still marking the top end of the market, while current spot pricing levels are tending to be at the bottom of the range and mostly series. Drying schedules are active and heavy in the region. Producers' stocks are moderate to heavy. Western high heat prices are lower in a light test. The market undertone is weak. Pricing levels are trending lower, often influenced by the declining low heat market tone and trends. High heat demand is light to fair. Producer offerings are generally in line with current and future expectations. The heavy drying schedules are only allowing for planned high heat production. There are adequate stocks for buyer needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.0500 - 1.3250 MOSTLY: 1.1200 - 1.2400
 HIGH HEAT: 1.2450 - 1.3850

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged on a weak market. Various manufacturers indicate interest outside of contract agreements is light. Buyers note the disconnect between dry buttermilk and nonfat dry milk prices and anticipate dry buttermilk prices may adjust lower in the near term. Buyers, therefore, indicate there is no need to commit funds to buttermilk purchasing at this time if input needs are more than a week or two away. Some condensed buttermilk is clearing to Class II but many ice cream manufacturers have yet to ramp up ice cream production to full plant capacities. Dry buttermilk production is steady as churning activity is near capacity at many churns to clear cream intakes. Inventories of dry buttermilk are building steadily.

EAST: Prices for dry buttermilk moved lower on the low end of the range this week. Butter export assistance sales and heavy cream supplies are keeping churns very active and as a result, condensed buttermilk volumes heading to dryers are heavy. Expanding dry buttermilk inventories are pressuring prices. Demand for dry buttermilk has declined as cooler weather in the Northeast has limited ice cream and ice cream mix sales. Buyers continue to purchase for immediate needs only, unwilling to expand inventories on a downward trending market. Spot market activity remains very light. The market undertone remains weak.

F.O.B. CENTRAL/EAST: 1.0800 - 1.2825

DRY BUTTERMILK - WEST

Western dry buttermilk prices continue to trend lower and the market undertone remains weak. Demand is light, occasionally stimulated by lower pricing levels. Drying schedules remain seasonally heavy to process the condensed solids from the butter churns. Extra dryer times are limited, so processors are strategic about getting the maximum utilization out of their dryers. The impact of lower prices and the general lack of demand for nonfat dry milk continues to impact the dry buttermilk market. Buyers are cautious of taking extra product in a declining market. Export interest is limited at best. Producers' stocks are moderate to heavy.

F.O.B. WEST: 1.0500 - 1.1700 MOSTLY: 1.0800 - 1.1500

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are unchanged on the low end, one cent higher on the top of the range and the market is lightly tested. Dry whole milk production is intermittent at various plants this week. A few plants report alternating dry whole milk production with other dry products in between dryer maintenance.

F.O.B. PRODUCING PLANT: 1.5300 - 1.5600

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| April 20 | \$1.2576 | 22,112,106 | 0 |
| April 13 | \$1.3034 | 14,255,528 | 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 on the mostly series declined as the number of spot sales in the region increased. With strong milk production in the Central region, several milk processors indicate they continue to use cheese/dry whey production as a means of clearing milk intakes. Various manufacturers indicate some of the cheese and dry whey production is speculative in nature, but there is no other outlet for the milk intakes as butter/powder plants are running close to capacity. Dry whey inventories continue to build alongside active cheese production. Dry whey spot load availability increased this week both in quantity and number of sources as manufacturers work toward managing holdings. Some manufacturers shaved premiums or shifted pricing to discounts to the market to encourage sales. The reductions in pricing did move dry whey spot loads. ANIMAL FEED DRY WHEY prices are unchanged to lower as this market experiences some pushback from customers and steadily increasing inventories. Some animal feed dryer plants indicate their dryer schedules are booked for drying other types of products and they have had to pass on offers of affordably priced condensed whey.

F.O.B. CENTRAL: .3000 - .6200 MOSTLY: .4825 - .5650
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4200 - .4800

DRY WHEY - NORTHEAST

Dry whey prices declined on both ends of the range this week. Production of dry whey continues at increased levels as milk volumes going to cheese plants are very near their seasonal peak. Some cheese makers are offering condensed whey at price discounts, but spot sales have only marginally decreased the flow of condensed whey to dryers. Demand has declined as buyers are purchasing for immediate needs only, unwilling to expand supplies on a downward trending market. Spot market activity is fairly active with sales at discounted prices. The market undertone remains weak.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5400 - .6375

DRY WHEY - WEST

Western dry whey prices are lower this week. Prices on the top end of the range and mostly series are lower. There continues to be a wide spread of prices being offered. Export sales are making up the lower end of prices. Lower price incentives are needed in many cases to move larger blocks of product. Heavier than usual cheese production is adding to dry whey and condensed whey offerings. The increased supplies of available whey are giving buyers a chance to shop around for best prices. End users of whey are taking advantage of the lower prices to purchase ahead of immediate needs.

NONHYGROSCOPIC: .3000 - .6125 MOSTLY: .4600 - .5325

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

The top of the whey protein concentrate 34% mostly price series and the bottom of the range price series moved lower on a transitional market. Although contract sales into infant formula and adult nutrition manufacturers are mostly steady, sales are reportedly lagging into some other market sectors. There is increasing availability of spot loads of various grades of WPC 34% from some manufacturers. These spot loads of WPC 34% are competing for interest alongside readily available and generally lower priced NDM. Manufacturers of WPC 34% are clearing spot loads by setting prices that compete successfully with NDM. WPC 34% production is steady at most plants. Inventories vary from plant to plant.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.1000 - 1.5750 MOSTLY: 1.3600 - 1.4325

LACTOSE - CENTRAL AND WEST

Spot sales of lactose shifted the bottom of the range lower and the top of the range resettled to \$1.0050. The mostly price series is unchanged. The market tone is steady. Discussions for Q3 are already starting between some trading partners as the firm market tone for Q2 has ignited some concerns regarding continued firm pricing for Q3. Some manufacturers indicate that a few customers, mostly from the international community, declined to contract for Q2 at the higher prices. Despite the loss of interest from customers at current price levels, most manufacturers indicate inquiries regarding obtaining lactose now and in the future continue. Lactose production is steady at most production locations. Inventories are steady to building incrementally. Spot loads are intermittently available from manufacturers, and pricing reflects overall quality and mesh size.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .8000 -1.0050 MOSTLY: .8900 - .9400

CASEIN - NATIONAL

Casein markets and prices are generally holding steady, although the undertone remains weak. Some domestic casein buyers are commenting and questioning the possibility of a major casein producing country, absent from the market for over a year, returning to the marketplace and what impact this may have on casein availability and prices. Although much of this is speculation, domestic buyers feel that prices would significantly decline. Currently, supplies are in balance with need. Oceania sourced product is coming from inventory, while European volumes are coming from new production. The European casein production season is strong at this point as milk volumes continue to build towards peak levels. Milk volumes are heavy, but most casein producers are holding the line with their annual production projections and continue to maintain that they will have minimal uncommitted volumes for spot buyer interest.

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: 4.3000 - 4.7000
ACID: 4.6000 - 4.9000

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound; CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; NONFAT DRY MILK \$.80 per pound

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009.

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2010

| WEEK ENDING | WEEKLY DAIRY COWS | 2012 CUMULATIVE DAIRY COWS | 2011 WEEKLY DAIRY COWS | 2011 CUMULATIVE DAIRY COWS |
|-------------|----------------------|-------------------------------|---------------------------|-------------------------------|
| 04/07/2012 | 63.1 | 865.9 | 58.2 | 851.5 |

WEBSITE

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)

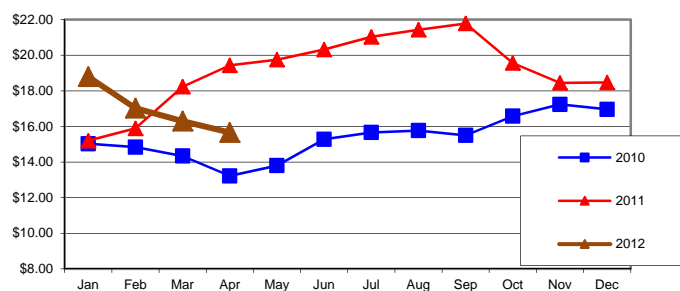
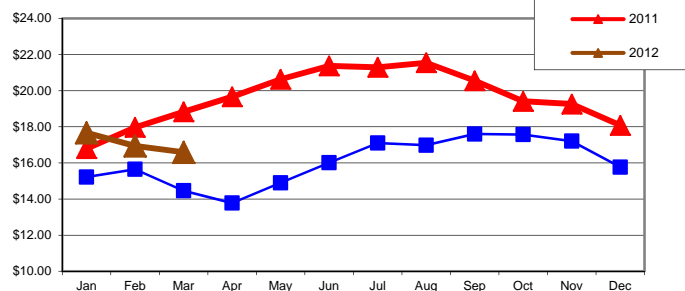
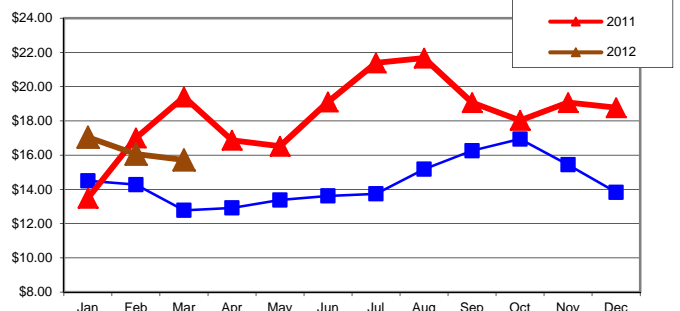
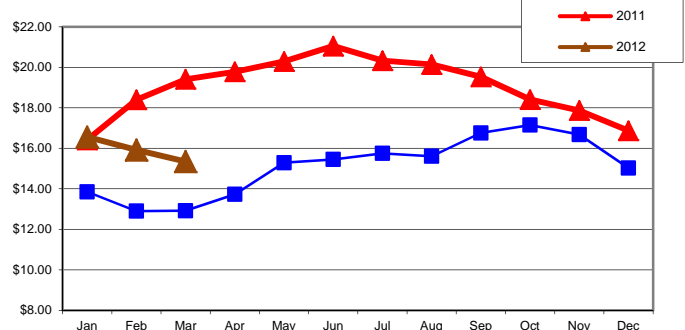
| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2008 | 16.29 | 14.67 | 14.17 | 14.56 | 15.26 | 15.92 | 16.60 | 16.64 | 15.45 | 13.62 | 12.25 | 10.35 |
| 2009 | 9.59 | 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 | | | | | | | |
| II | 17.67 | 16.94 | 16.59 | | | | | | | | | |
| III | 17.05 | 16.06 | 15.72 | | | | | | | | | |
| IV | 16.56 | 15.92 | 15.35 | | | | | | | | | |

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."

Class I**Class II****Class III****Class IV**

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered April 16 - 27, 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: The European milk production season is off to a strong start and some milk handlers are projecting that peak output might only be 4 weeks away. Preliminary reports are indicating that milk volumes are running 2.5 - 3% ahead of last year. Some milk handlers are indicating that cool temperature levels are hindering good grass and pasture growth, thus when temperatures warm on a more consistent basis, prepare for further production increases. Heavy milk volumes are arriving at manufacturing facilities and many operations are already challenged to handle the milk flow. In most instances, churns, dryers, and cheese vats are nearly maxed out on capacity and current output is far exceeding demand, thus clearances of manufactured dairy products to inventory programs are heavy. Traders and handlers are reporting that sales activity is occurring, but is slow as most buyers are cautious with their purchases and only procuring for near term needs. Pricing for most all dairy products is steady to lower, thus buyers often step back from the marketplace until prices stabilize. The word intervention is starting to occur in more conversations. Traders and handlers feel that butter and skim milk powder prices might ease to intervention levels if sales activity does not occur soon. The intervention price level for skim is 1,698 Euros per MT around \$2,245 and the butter intervention level is 2,217 Euros per MT about \$2,930. Intervention price levels are established by using a reference point of 100% for skim milk powder and 90% of 2,463.9 Euros for butter. Many feel that if current prices weaken to intervention levels that butter would probably be the first product to dip that low. The Dairy Management Committee met on April 19 and no significant dairy related policy issues were addressed or changed. At the meeting, figures for 7 weeks of PSA, through April 15, were released. Since the first of March, 40,799 MT of butter have cleared to the PSA program. This volume is 15,000 MT more than last year's figure of 25,294 MT figure for the same seven (7) week period.

BUTTER/BUTTEROIL: European butter markets and prices are weak. Churning activity is strong throughout Western and Eastern Europe as milk production continues to build towards seasonal peak levels. Already, many butter churns are challenged to process all of the cream that is available in a timely manner. Stocks of butter are building as sales activity is slow. The word intervention is starting to enter more conversations. The intervention price level for butter is 2,217 Euros per MT about \$2,930. The intervention price level for butter is established by using 90% of the reference point of 2,463.9 Euros. Many feel that if current prices weaken to intervention levels, butter would probably be the first product to dip to that level. At the most recent Dairy Management Committee meeting, figures for 7 weeks of PSA, through April 15, were released. Since the first of March, 40,799 MT of butter have cleared to the PSA program. This volume is 15,000 MT more than last year's figure of 25,294 MT figure for the same seven (7) week period.

82% BUTTERFAT: 3,300 - 3,550
99% BUTTERFAT: 3,950 - 4,175

SKIM MILK POWDER (SMP): European skim milk powder markets are mixed with prices holding steady to slightly lower. Traders and handlers are indicating that recent weakening trends have slowed and for some, they are indicating that the market might be stabilizing for the time being. Heavy milk production is generating a lot of milk that is clearing to butter/powder output, thus

powder inventories are building. Sales activity is occurring, but buyers are very cautious with their purchases and basically procuring for near term needs only. The word intervention is starting to occur in conversations. Much of this topic is centered around butter, but skim powder is also a possibility. The intervention price level for skim is 1,698 Euros per MT around \$2,245.

1.25% BUTTERFAT:

2,525 - 2,725

WHOLE MILK POWDER (WMP): Whole milk powder markets are unsettled with prices unchanged to generally lower throughout Europe. European traders and handlers are questioning on how to respond to the significantly lower prices for whole milk powder recorded at the most recent g/DT event in New Zealand. Milk production is building towards seasonal peak levels throughout Western and Eastern Europe, thus whole milk powder volumes are increasing. Traders do indicate that sales are occurring, but buyers remain very cautious with their purchases and are only procuring for near term needs. This is a typical trend for buyers to step back from the marketplace until more stability is established within the market.

26% BUTTERFAT:

3,200 - 3,425

SWEET WHEY POWDER: Whey powder markets are mixed, although the undertone is firm with prices stable to trending higher. Cheese production is seasonally strong thus generating increasing liquid whey volumes. In instances, new whey powder stocks are less available, due to lack of dryer capacity. Heavy milk production is already taxing dryer capacity for other manufactured dairy products, thus some whey dryers are being utilized for other needs. Although whey powder stocks are not a readily available as they could be, most traders and handlers are comfortable with the current supply/demand balance.

NONHYGROSCOPIC:

1,075 - 1,300

EASTERN OVERVIEW: Milk production trends in Eastern Europe appear to be developing on a very positive basis with early reports indicating that milk output is running as much as 9% stronger in many regions. Although temperatures are also cool in Eastern Europe, milk output had a good start to the season and continues to develop. Stronger milk prices are another factor that milk handlers point to that is probably encouraging more output. Eastern European traders and handlers are reporting slow sales, both domestically and internationally. Many feel that weakening prices are the contributing factor to slow sales activity. Stocks of uncommitted manufactured dairy products in Eastern Europe are being reported.

Exchange rates for selected foreign currencies: April 23, 2012

| | |
|------------------------|--------------------------|
| 1.0091 Canadian Dollar | .0190 Indian Rupee |
| .2269 Argentina Peso | .8135 New Zealand Dollar |
| .0759 Mexican Peso | 1.0321 Australian Dollar |
| .3128 Polish Zloty | .0123 Japanese Yen |
| | 1.3158 Euro |

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0759) = 13.1752 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered April 16 - 27, 2012

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

OVERVIEW: The Oceania milk production season continues to wind down, but remains positive for this time of the season. Milk producers and handlers in both New Zealand and Australia are very pleased at how the season is ending. Most indicate that the milking herd will finish the year in good health and condition. As the winter season approaches, farmers are hopeful that weather patterns during the upcoming months will be typical for the region and that herd stress during this period will be minimal. In New Zealand, milk output remains positive with end of season milk production projections still running between 9 - 10% ahead of last season. In Australia, a positive end continues to be reported for the country and annual milk output is pegged around 4% ahead of last year. Some milk handlers feel that annual output might dip slightly under 4%, but will be much stronger than predictions a year ago. March milk production figures indicate that monthly production was running about 2.9% ahead of last March with a cumulative output around 4.1%. The heavy rainfall and flooding in the Northern regions of Victoria early in March appear to not have had too significant of a negative impact on overall milk output. Milk output in this region for March was up significantly (17.5%) over last year. Milk producers and handlers affected by the adverse conditions in that region were able to relocate milk herds to higher ground, thus alleviating milk losses. Milk producers in Australia will be concluding a positive milk production season for the second year in a row. This has producers very optimistic about a 3rd positive year, but are very aware of what potentially lower milk prices might be in the upcoming season and what impact this will have on production management. Although many manufacturing facilities in both New Zealand and Australia have shuttered their operations or are working on greatly reduced schedules, many remain more active than is typically the case for this time of the year. Much of the current additional/late season manufactured dairy products being generated are being managed with relative ease. Some are using the additional stock to cushion late season commitments while other output is appearing at the g/DT event with higher than projected offerings. All in all, Oceania traders and handlers are very comfortable with their end of season supply/demand balance. At the April 17 g/DT event, all product price averages were lower. Most prices established new multi-year lows with increased volumes of most products being offered. Skim milk powder was again offered out of three sourcing regions of the world, but lactose offered for the first time during the past event was not offered at this auction. A formal rule change has been approved which will adjust the contracting periods to six (6) consecutive monthly periods beginning with the month following a trading event. This proposal will be in effect for the next (May 1, #67) event. This proposed rule change will potentially make it easier for buyers and sellers to manage their transactions.

BUTTER: Oceania butter markets and prices are weak. The milk production season in the Oceania region continues to wind down, but is running heavier than usual for this time of the year. Thus with heavier late season milk volumes, some butter churns continue to operate. The additional/late season output is being managed and handled with minimal problems and in most instances, is providing a supply/demand cushion for this time of the year. Traders and handlers are reporting that there are minimal uncommitted stocks for spot buyer interest.

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices are weak. At the most recent g/DT event, skim milk powder prices averaged \$2,871 per MT, down 7.6% from the previous all contracts average. Again, U.S. sourced powder was offered for May shipment and averaged \$2,648 per MT, 4% lower than the previous event. For Contract #2, volumes from Europe, U.S., and the Oceania region averaged \$2,795 per MT down 8.4%. This weak trend is being felt throughout the industry and world with lower prices being quoted. Although international prices are not as weak as the trading event is indicating, weak trends are being reported. Traders and handlers are also reporting that international buyer interest is occurring, but buying volumes are basically for very near term needs. Typically, when prices are edging lower, buyers will step back from the marketplace until stability is attained.

1.25% BUTTERFAT:

2,800 - 3,000

CHEDDAR CHEESE: Oceania cheese markets and prices are weak. The overall trend to most dairy products is weaker and cheese is following suit. Although cheese prices are trending lower, manufacturers and handlers are indicating that cheese has more stability than other dairy products at this time. Cheese production is winding down seasonally, but is heavier than previously projected. Second half of the milk production season milk volumes have been very strong, thus manufactured dairy product production, including cheese has been favorable. As the current season nears a conclusion, traders and marketers are already looking forward to upcoming cheese sales negotiations. At this point, most are anticipating typical needs for the upcoming season and with a positive production season this year, suppliers and handlers are optimistic about the upcoming season.

39% MAXIMUM MOISTURE:

3,200 - 4,100

WHOLE MILK POWDER (WMP): Skim milk powder markets and prices are weak. Traders and handlers are indicating that the recent weakness recorded at the most recent g/DT event is influencing weaker commercial pricing trends. Whole milk powder production in the Oceania region remains more active late in the season than previously projected. Very positive end of the season milk output is providing additional milk volumes to the dryers. Much of this powder is being readily absorbed within the market and providing a little cushion to supply/demand balance or is enhancing trading volumes at g/DT events. International sales are being reported, although buyers are cautious with their purchases in a weak market tone situation.

26% BUTTERFAT:

2,950 - 3,400

82% BUTTERFAT:

3,000 - 3,600

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered April 16 - 27, 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.

[illegible]

CHICAGO MERCANTILE EXCHANGE FUTURES

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

| Month | 04/12 | 04/13 | 04/16 | 04/17 | 04/18 | 04/19 | 04/20 | 04/23 | 04/24 | 04/25 |
|--|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| CME - CLASS III MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| APR 12 | 15.73 (4767) 0 | 15.80 (4689) 0 | 15.79 (4673) 0 | 15.78 (4663) 0 | 15.74 (4579) 0 | 15.77 (4522) 2 | 15.77 (4462) 22 | 15.73 (4379) 0 | 15.76 (4357) 0 | 15.74 (4369) 0 |
| MAY 12 | 14.68 (4590) 0 | 14.97 (4655) 0 | 14.98 (4684) 0 | 14.83 (4710) 2 | 14.68 (4747) 0 | 15.04 (4768) 2 | 15.15 (4793) 5 | 14.79 (4816) 0 | 15.01 (4829) 0 | 14.98 (4837) 0 |
| JUN 12 | 14.89 (3751) 0 | 15.05 (3764) 0 | 14.96 (3814) 0 | 14.71(3888) 0 | 14.45 (4010) 0 | 14.80 (4038) 2 | 14.65 (4139) 5 | 14.15 (4291) 3 | 14.53 (4354) 2 | 14.29 (4427) 0 |
| JUL 12 | 15.70 (2907) 0 | 15.69 (2918) 0 | 15.64 (2954) 0 | 15.43 (3009) 3 | 15.16 (3099) 5 | 15.33 (3097) 5 | 15.19 (3097) 5 | 14.77 (3124) 0 | 15.08 (3096) 3 | 14.82 (3115) 2 |
| AUG 12 | 16.40 (2723) 0 | 16.35 (2727) 0 | 16.24 (2751) 3 | 16.05 (2800) 3 | 15.85 (2893) 5 | 15.89 (2895) 5 | 15.90 (2893) 7 | 15.50 (2943) 0 | 15.70 (2957) 0 | 15.51 (2970) 0 |
| SEP 12 | 16.46 (2395) 0 | 16.42 (2405) 0 | 16.40 (2439) 3 | 16.27 (2472) 3 | 16.20 (2514) 5 | 16.19 (2515) 3 | 16.25 (2517) 2 | 16.10 (2519) 0 | 16.20 (2525) 3 | 16.07 (2534) 0 |
| OCT 12 | 16.46 (2181) 0 | 16.40 (2206) 0 | 16.37 (2239) 3 | 16.30 (2270) 3 | 16.16 (2287) 5 | 16.18 (2290) 3 | 16.20 (2290) 2 | 16.20 (2299) 0 | 16.25 (2315) 3 | 16.12 (2318) 0 |
| NOV 12 | 16.41 (2011) 0 | 16.37 (2033) 0 | 16.30 (2065) 3 | 16.21 (2085) 3 | 16.15 (2120) 5 | 16.10 (2127) 3 | 16.13 (2128) 2 | 16.13 (2132) 0 | 16.15 (2146) 3 | 16.03 (2162) 0 |
| DEC 12 | 16.40 (1890) 0 | 16.32 (1915) 0 | 16.20 (2005) 3 | 16.10 (2027) 3 | 16.00 (2053) 5 | 15.99 (2066) 3 | 16.03 (2068) 2 | 16.02 (2071) 0 | 16.04 (2072) 3 | 15.93 (2077) 0 |
| JAN 13 | 16.20 (196) 0 | 16.17 (203) 0 | 16.15 (238) 0 | 16.13 (257) 0 | 16.01 (277) 0 | 15.93 (290) 0 | 15.90 (297) 0 | 15.93 (300) 0 | 15.93 (300) 0 | 15.81 (302) 0 |
| CME - CLASS IV MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| APR 12 | 14.85 (338) 0 | 14.85 (338) 0 | 14.84 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 | 14.83 (338) 0 |
| MAY 12 | 14.73 (282) 0 | 14.73 (282) 0 | 14.73 (282) 0 | 14.71 (282) 0 | 14.68 (282) 0 | 14.50 (282) 0 | 14.49 (282) 0 | 14.46 (282) 0 | 14.42 (282) 0 | 14.41 (282) 0 |
| JUN 12 | 14.98 (243) 0 | 14.97 (243) 0 | 14.88 (243) 0 | 14.70 (243) 0 | 14.68 (243) 0 | 14.55 (243) 0 | 14.53 (243) 0 | 14.50 (243) 0 | 14.46 (243) 0 | 14.41 (243) 0 |
| CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded) | | | | | | | | | | |
| APR 12 | 143.50 (747) 0 | 143.50 (747) 0 | 143.50 (748) 3 | 143.50 (748) 0 | 143.25 (743) 9 | 145.50 (746) 6 | 145.50 (746) 0 | 145.50 (746) 0 | 145.50 (746) 0 | 145.00 (721) 42 |
| MAY 12 | 143.50 (627) 1 | 143.50 (627) 0 | 144.00 (629) 4 | 143.00 (628) 25 | 141.75 (629) 9 | 141.50 (628) 2 | 141.50 (628) 3 | 141.50 (628) 0 | 140.00 (627) 7 | 138.00 (624) 3 |
| JUN 12 | 146.25 (750) 0 | 146.25 (750) 0 | 147.00 (753) 4 | 145.28 (757) 13 | 144.35 (754) 35 | 144.00 (757) 20 | 143.58 (757) 3 | 143.58 (759) 2 | 143.00 (760) 29 | 140.00 (760) 2 |
| CME - NONFAT DRY MILK FUTURES (Pit-Traded) | | | | | | | | | | |
| APR 12 | 125.00 (259) 0 | 125.00 (259) 0 | 125.00 (259) 0 | 124.00 (258) 0 | 124.00 (258) 0 | 124.00 (258) 0 | 124.00 (258) 0 | 124.00 (258) 0 | 124.00 (258) 0 | 124.00 (258) 0 |
| MAY 12 | 123.50 (297) 0 | 123.50 (297) 0 | 123.50 (297) 0 | 123.50 (297) 0 | 122.75 (297) 0 | 122.75 (297) 0 | 122.75 (297) 0 | 122.75 (297) 0 | 122.75 (297) 0 | 121.75 (303) 0 |
| JUN 12 | 125.00 (388) 0 | 124.00 (388) 0 | 123.98 (388) 0 | 123.50 (388) 0 | 121.75 (388) 0 | 121.75 (388) 0 | 121.75 (391) 0 | 121.75 (391) 0 | 120.75 (397) 0 | 118.25 (403) 0 |
| CME - WHEY (Electronic-Traded) | | | | | | | | | | |
| APR 12 | 57.98 (385) 5 | 58.00 (381) 9 | 58.00 (381) 0 | 58.00 (381) 0 | 58.00 (381) 3 | 59.00 (381) 1 | 59.00 (381) 0 | 59.00 (381) 1 | 58.88 (381) 0 | 58.88 (381) 3 |
| MAY 12 | 50.50 (394) 11 | 50.48 (392) 2 | 50.65 (397) 19 | 50.00 (402) 22 | 50.00 (406) 21 | 52.50 (404) 9 | 51.50 (400) 6 | 51.00 (395) 14 | 51.00 (404) 3 | 51.00 (397) 2 |
| JUN 12 | 47.50 (368) 5 | 47.25 (366) 3 | 47.00 (369) 4 | 45.90 (376) 10 | 44.00 (385) 91 | 45.00 (386) 7 | 45.00 (393) 18 | 42.00 (408) 25 | 42.95 (423) 5 | 42.88 (417) 18 |
| CME - CHEESE CSC (Electronic-Traded) | | | | | | | | | | |
| APR 12 | 1.54 (1335) 11 | 1.54 (1328) 7 | 1.54 (1328) 0 | 1.54 (1328) 0 | 1.54 (1328) 0 | 1.54 (1328) 0 | 1.54 (1328) 0 | 1.54 (1330) 5 | 1.55 (1330) 3 | 1.55 (1330) 2 |
| MAY 12 | 1.49 (1572) 12 | 1.52 (1554) 28 | 1.52 (1547) 15 | 1.50 (1565) 11 | 1.49 (1591) 35 | 1.51 (1591) 50 | 1.52 (1574) 23 | 1.49 (1555) 41 | 1.50 (1553) 7 | 1.51 (1553) 6 |
| JUN 12 | 1.53 (1245) 20 | 1.54 (1245) 6 | 1.53 (1300) 59 | 1.52 (1387) 74 | 1.50 (1486) 133 | 1.53 (1469) 36 | 1.52 (1516) 70 | 1.48 (1596) 121 | 1.52 (1617) 45 | 1.50 (1659) 34 |
| JUL 12 | 1.62 (919) 15 | 1.64 (921) 3 | 1.62 (934) 18 | 1.61 (990) 52 | 1.58 (1074) 125 | 1.59 (1084) 48 | 1.57 (1096) 53 | 1.54 (1128) 104 | 1.56 (1153) 37 | 1.55 (1169) 30 |
| AUG 12 | 1.70 (821) 24 | 1.70 (823) 9 | 1.69 (829) 20 | 1.68 (853) 30 | 1.65 (933) 89 | 1.65 (936) 11 | 1.64 (962) 41 | 1.62 (1018) 77 | 1.63 (1019) 8 | 1.63 (1033) 17 |
| SEP 12 | 1.71 (766) 27 | 1.71 (772) 9 | 1.71 (783) 30 | 1.69 (808) 13 | 1.68 (819) 33 | 1.68 (830) 12 | 1.69 (846) 19 | 1.68 (859) 19 | 1.68 (864) 8 | 1.68 (875) 9 |

^{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.

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 | FEB 28, 2010 | FEB 28, 2011 | REVISED FEB 29, 2012 | MAR 31, 2010 | MAR 31, 2011 | MAR 31, 2012 |
|--------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| Butter | 202,896 | 138,672 | 205,172 | 195,888 | 144,244 | 210,598 |
| Cheese, Natural American | 599,152 | 621,023 | 607,701 | 602,777 | 611,200 | 621,941 |
| Cheese, Swiss | 27,379 | 34,611 | 27,049 | 26,950 | 32,557 | 28,612 |
| Cheese, Other Natural | 369,384 | 379,698 | 353,508 | 375,736 | 385,737 | 353,980 |
| Total Cheese | 995,915 | 1,035,332 | 988,258 | 1,004,763 | 1,029,494 | 1,004,533 |

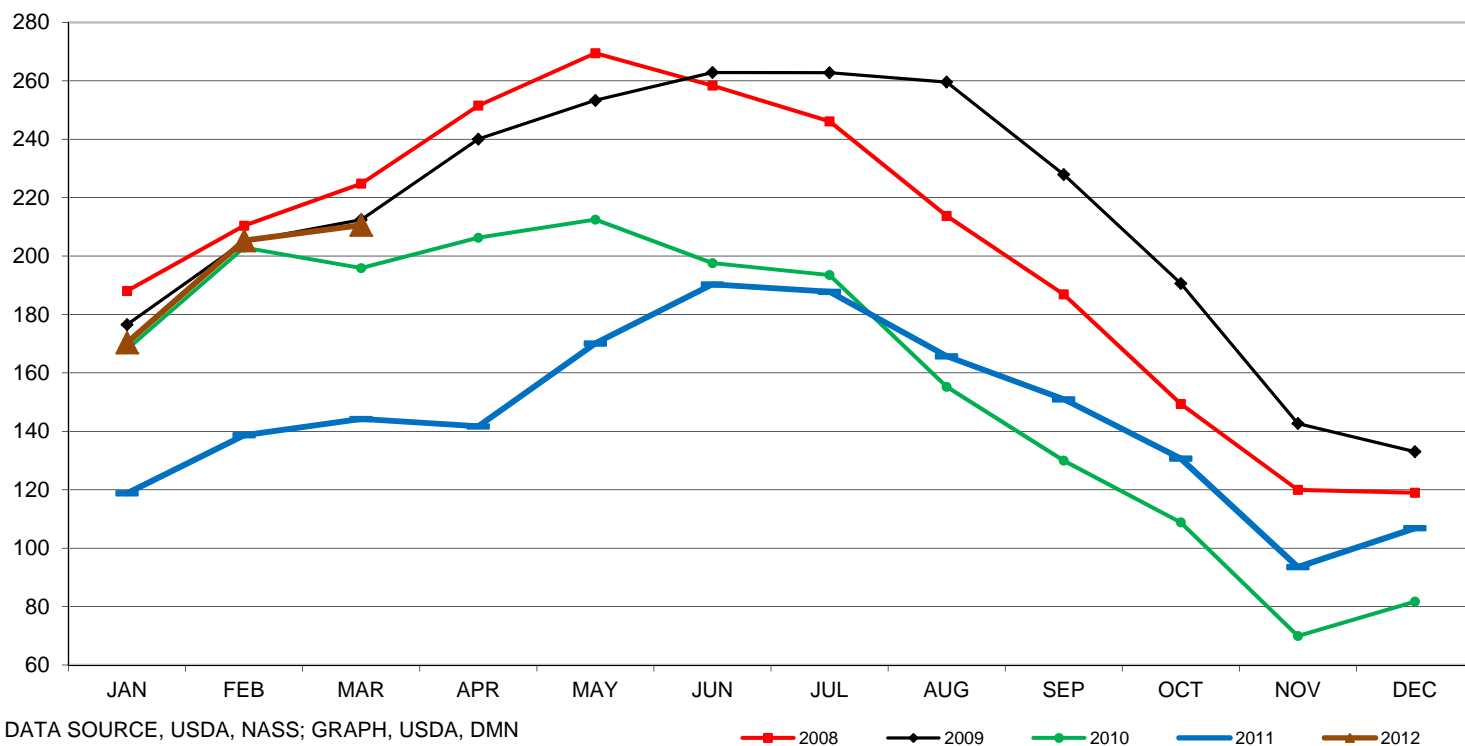
MARCH STORAGE HOLDINGS BY REGION

| REGION | Natural American Cheese | | | Butter * | | | Other Natural Cheese | | |
|--------------------|-------------------------|---------|---------|----------|---------|---------|----------------------|---------|---------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| New England | 38,329 | 38,904 | 41,013 | --- | --- | --- | 536 | 617 | 928 |
| Middle Atlantic | 37,743 | 54,942 | 53,066 | --- | --- | --- | 19,319 | 17,970 | 15,108 |
| East North Central | 257,009 | 254,301 | 268,901 | --- | --- | --- | 250,423 | 257,144 | 268,146 |
| West North Central | 97,965 | 97,784 | 108,908 | --- | --- | --- | 69,996 | 66,803 | 35,539 |
| South Atlantic | 6,531 | 43 | 47 | --- | --- | --- | 190 | 7,242 | 5,641 |
| East South Central | 1,938 | 2,860 | 1,533 | --- | --- | --- | 2,449 | 162 | 247 |
| West South Central | 2,996 | 2,528 | 2,593 | --- | --- | --- | 953 | 1,131 | 915 |
| Mountain | 55,367 | 64,100 | 45,983 | --- | --- | --- | 7,479 | 5,304 | 4,724 |
| Pacific | 104,199 | 95,738 | 99,897 | --- | --- | --- | 24,391 | 29,364 | 22,732 |
| TOTAL | 602,077 | 611,200 | 621,941 | 195,888 | 144,244 | 210,598 | 375,736 | 385,737 | 353,980 |

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

U.S. BUTTER COLD STORAGE HOLDINGS

MILLION POUNDS



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2011 TO DATE

| Month | Butter | | Natural American Cheese | | Nonfat Dry Milk | | | | | |
|-----------|----------------|------|-------------------------|------|-----------------|------|------------|------|------------|------|
| | Commercial | | Commercial | | Total <u>1/</u> | | Commercial | | Government | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | Million Pounds | | Million Pounds | | Million Pounds | | | | | |
| January | 170 | 119 | 612 | 638 | 159 | 98 | 159 | 98 | 0 | 0 |
| February | 205 | 139 | 608 | 621 | 196 | 124 | 196 | 100 | | 0 |
| March | 211 | 144 | 622 | 611 | | 124 | | 124 | | 0 |
| April | | 142 | | 622 | | 150 | | 150 | | 0 |
| May | | 170 | | 623 | | 166 | | 166 | | 0 |
| June | | 190 | | 619 | | 190 | | 190 | | 0 |
| July | | 188 | | 649 | | 193 | | 193 | | 0 |
| August | | 166 | | 647 | | 167 | | 167 | | 0 |
| September | | 151 | | 639 | | 151 | | 151 | | 0 |
| October | | 131 | | 619 | | 143 | | 143 | | 0 |
| November | | 94 | | 593 | | 146 | | 146 | | 0 |
| December | | 107 | | 611 | | 165 | | 165 | | 0 |

1/ Includes instant nonfat dry milk. 2/ Less than 500,000 pounds.

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

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, MARCH 2012

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for March have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During March, more than 11.9 billion pounds of milk were received from producers. This volume of milk is 15.6 percent higher than the March 2011 volume. In March 2011 and March 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.7 billion pounds of producer milk were used in Class I products, 3.4 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2012 as compared to 2011. The all-market average Class utilization percentages were: Class I = 32%, Class II = 11%, Class III = 45% and Class IV = 12%. The weighted average statistical uniform price was \$16.89 per cwt., \$0.45 lower than last month and \$3.05 lower than last year.

| PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF MARCH 2012 | | | | | | | | | | |
|--|-----------------|------------------------------|------------------------------|--|------------------------------|-----------|--|--------------|-------------|---------------------|
| FEDERAL MILK ORDER MARKETING AREA 1/ | ORDER NUMBER | RECEIPTS OF PRODUCER MILK | | UTILIZATION OF PRODUCER MILK IN CLASS I | | | UTILIZATION OF PRODUCER MILK IN OTHER CLASSES | | | UNIFORM PRICE 2/ |
| | | TOTAL | CHANGE FROM PREV. YEAR | TOTAL | CHANGE FROM PREV. YEAR | PERCENT | CLASS II | CLASS III | CLASS IV | |
| | | MIL. LBS. | PERCENT | MIL. LBS. | PERCENT | | PERCENT | | | \$ PER CWT. |
| Northeast (Boston) | 001 | 2,160.9 | 1.5 | 860.9 | -2.3 | 40 | 25 | 23 | 12 | 17.64 |
| Appalachian (Charlotte) | 005 | 515.1 | 1.1 | 331.9 | -6.5 | 64 | 14 | 10 | 12 | 18.48 |
| Florida (Tampa) | 006 | 254.2 | -5.1 | 219.5 | -0.5 | 87 | 9 | 1 | 3 | 20.83 |
| Southeast (Atlanta) | 007 | 666.2 | 0.6 | 392.3 | -2.1 | 59 | 10 | 21 | 10 | 18.62 |
| Upper Midwest (Chicago) | 030 3/ | 2,938.2 | 12.5 | 323.4 | -14.6 | 11 | 2 | 84 | 3 | 15.98 |
| Central (Kansas City) | 032 3/ | 1,533.6 | 52.6 | 422.5 | 7.6 | 28 | 9 | 47 | 16 | 16.22 |
| Mideast (Cleveland) | 033 3/ | 1,557.7 | 9.5 | 534.2 | -8.8 | 34 | 17 | 39 | 10 | 16.55 |
| Pacific Northwest (Seattle) | 124 | 719.1 | 4.1 | 191.3 | -3.5 | 27 | 6 | 41 | 27 | 16.14 |
| Southwest (Dallas) | 126 | 1,141.6 | 90.1 | 369.9 | -2.0 | 32 | 8 | 46 | 14 | 17.18 |
| Arizona (Phoenix) | 131 | 434.7 | 5.2 | 121.4 | -0.2 | 28 | 7 | 23 | 42 | 16.40 |
| ALL MARKET AVERAGE OR TOTAL | 3/ | 11,921.3 | 15.6 | 3,767.2 | -3.4 | 32 | 11 | 45 | 12 | 16.89 |

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 178 million pounds of milk that normally would have been associated with these markets. In March 2011, the estimated not pooled volume of milk was 1155 million pounds, occurring in order numbers 030, 032, 033, and 126. After adjusting for non pooled milk, the year-to-year percent change is -5.2%.

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

Milk Production, Disposition, and Income 2011

Milk production increased 1.8 percent in 2011 to 196 billion pounds. The rate per cow, at 21,345 pounds, was 197 pounds above 2010. The annual average number of milk cows on farms was 9.19 million head, up 75,000 head from 2010.

Cash receipts from marketings of milk during 2011, totaled \$39.5 billion, 26.0 percent higher than 2010. Producer returns averaged \$20.25 per hundredweight, 23.9 percent above 2010. Marketings totaled 195.3 billion pounds, 1.8 percent above 2010. Marketings include whole milk sold to plants and dealers as well as milk sold directly to consumers.

An estimated 985 billion pounds of milk were used on farms where produced, unchanged from 2010. Calves were fed 90 percent of this milk, with the remainder consumed in producer households.

Milk Cows and Production of Milk: United States, 2009-2011

| Year | Number of Milk Cows <u>1/</u> | United States, 2009-2011 | | | | |
|------|--|------------------------------|----------------|-----------------|----------|-----------|
| | | Production of Milk <u>2/</u> | | | | Total |
| | | Per Milk Cow | Percent of Fat | | | |
| | | Milk | Fluid Grade | Manuf. Grade | All Milk | Milk |
| | 1,000 head | Pounds | Percent | | | Mil. Lbs. |
| 2009 | 9,203 | 20,573 | 3.67 | 4.00 | 3.67 | 189,334 |
| 2010 | 9,119 | 21,148 | 3.65 | 4.00 | 3.66 | 192,848 |
| 2011 | 9,194 | 21,345 | (NA) | (NA) | 3.71 | 196,245 |

1/ Average number during year, excluding heifers not yet fresh. 2/ Excludes milk sucked by calves.

Milk Marketings and Income: United States, 2009-2011

| Year | Combined Marketings of Milk and Cream | | | |
|------|---------------------------------------|-----------------------|---------------------------|----------------------------------|
| | Milk Marketed by Producers | | Average Returns <u>1/</u> | Cash Receipts from Marketings |
| | Total <u>2/</u> | Fluid Grade <u>3/</u> | Per 100 Pounds of Milk | |
| | Mil. lbs. | Percent | Dollars | 1,000 Dollars |
| 2009 | 188,322 | 98 | 12.93 | 24,388,642 |
| 2010 | 191,863 | 98 | 16.35 | 31,367,282 |
| 2011 | 195,260 | 99 | 20.25 | 39,532,545 |

1/ Cash receipts divided by milk marketings. 2/ Milk sold to plants and dealers as whole milk and equivalent amounts of milk for cream. Includes milk produced by dealers' own herds and milk sold directly to consumers. Also includes milk produced by institutional herds. 3/ Percentage of milk sold that is eligible for fluid use (Grade A in most States). Includes fluid grade milk used in manufacturing dairy products.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. *Milk Production, Disposition, and Income 2011 Summary*, April 2012.

**ANNUAL MILK MARKETINGS BY PRODUCERS AND CASH RECEIPTS FROM MARKETINGS,
BY STATE, 2011**

| State | Milk Marketed by Producers | | Cash Receipts from Marketings | |
|--------------|----------------------------|-----------------------|-------------------------------|--------------------------|
| | Quantity <u>1/</u> | Fluid Grade <u>2/</u> | Total | Average Return <u>3/</u> |
| | Mil. lbs. | Percent | 1,000 Dollars | \$/cwt. |
| AL | 144.0 | 100 | 33,984 | 23.60 |
| AK | 6.4 | 100 | 1,549 | 24.20 |
| AZ | 4,399.0 | 100 | 871,002 | 19.80 |
| AR | 140.0 | 100 | 28,980 | 20.70 |
| CA | 41,427.0 | 98 | 7,680,566 | 18.54 |
| CO | 2,971.0 | 100 | 594,200 | 20.00 |
| CT | 358.0 | 100 | 78,402 | 21.90 |
| DE | 90.5 | 100 | 20,001 | 22.10 |
| FL | 2,263.0 | 100 | 545,383 | 24.10 |
| GA | 1,441.0 | 100 | 317,020 | 22.00 |
| HI | 27.2 | 100 | 9,547 | 35.10 |
| ID | 13,223.0 | 100 | 2,433,032 | 18.40 |
| IL | 1,885.0 | 98 | 393,965 | 20.90 |
| IN | 3,514.0 | 99 | 737,940 | 21.00 |
| IA | 4,335.0 | 99 | 888,675 | 20.50 |
| KS | 2,579.0 | 100 | 541,590 | 21.00 |
| KY | 1,075.0 | 100 | 232,200 | 21.60 |
| LA | 227.0 | 100 | 49,713 | 21.90 |
| ME | 594.0 | 100 | 133,650 | 22.50 |
| MD | 962.0 | 100 | 214,526 | 22.30 |
| MA | 218.0 | 100 | 47,960 | 22.00 |
| MI | 8,449.0 | 100 | 1,774,290 | 21.00 |
| MN | 8,785.0 | 99 | 1,800,925 | 20.50 |
| MS | 202.0 | 100 | 45,046 | 22.30 |
| MO | 1,365.0 | 97 | 281,190 | 20.60 |
| MT | 283.0 | 100 | 56,317 | 19.90 |
| NE | 1,166.0 | 99 | 248,358 | 21.30 |
| NV | 658.0 | 100 | 136,206 | 20.70 |
| NH | 284.0 | 100 | 61,628 | 21.70 |
| NJ | 134.0 | 100 | 27,470 | 20.50 |
| NM | 8,132.0 | 100 | 1,577,608 | 19.40 |
| NY | 12,794.0 | 100 | 2,737,916 | 21.40 |
| NC | 896.0 | 100 | 205,184 | 22.90 |
| ND | 335.0 | 94 | 67,000 | 20.00 |
| OH | 5,112.0 | 97 | 1,109,304 | 21.70 |
| OK | 918.0 | 100 | 201,960 | 22.00 |
| OR | 2,457.0 | 100 | 525,798 | 21.40 |
| PA | 10,554.0 | 100 | 2,332,434 | 22.10 |
| RI | 19.5 | 100 | 4,271 | 21.90 |
| SC | 275.0 | 100 | 62,700 | 22.80 |
| SD | 1,864.0 | 98 | 385,848 | 20.70 |
| TN | 806.0 | 100 | 174,902 | 21.70 |
| TX | 9,552.0 | 100 | 1,986,816 | 20.80 |
| UT | 1,841.0 | 100 | 360,836 | 19.60 |
| VT | 2,523.0 | 100 | 544,968 | 21.60 |
| VA | 1,711.0 | 100 | 395,241 | 23.10 |
| WA | 6,152.0 | 100 | 1,273,464 | 20.70 |
| WV | 154.0 | 100 | 32,032 | 20.80 |
| WI | 25,838.0 | 98 | 5,245,114 | 20.30 |
| WY | 121.6 | 89 | 23,834 | 19.60 |
| US <u>4/</u> | 195,260.0 | 99 | 39,532,545 | 20.25 |

1/ Milk sold to plants and dealers as whole milk and equivalent amounts of milk for cream. Includes milk produced by dealers' own herds and milk sold directly to consumers. Also includes milk produced by institutional herds. 2/ Percentage of milk sold that is eligible for fluid use (Grade A in most States). Includes fluid grade milk used in manufacturing dairy products.

3/ Cash receipts divided by milk marketings. 4/ May not add due to rounding.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. *Milk Production, Disposition, and Income 2011 Summary, April 2012.*

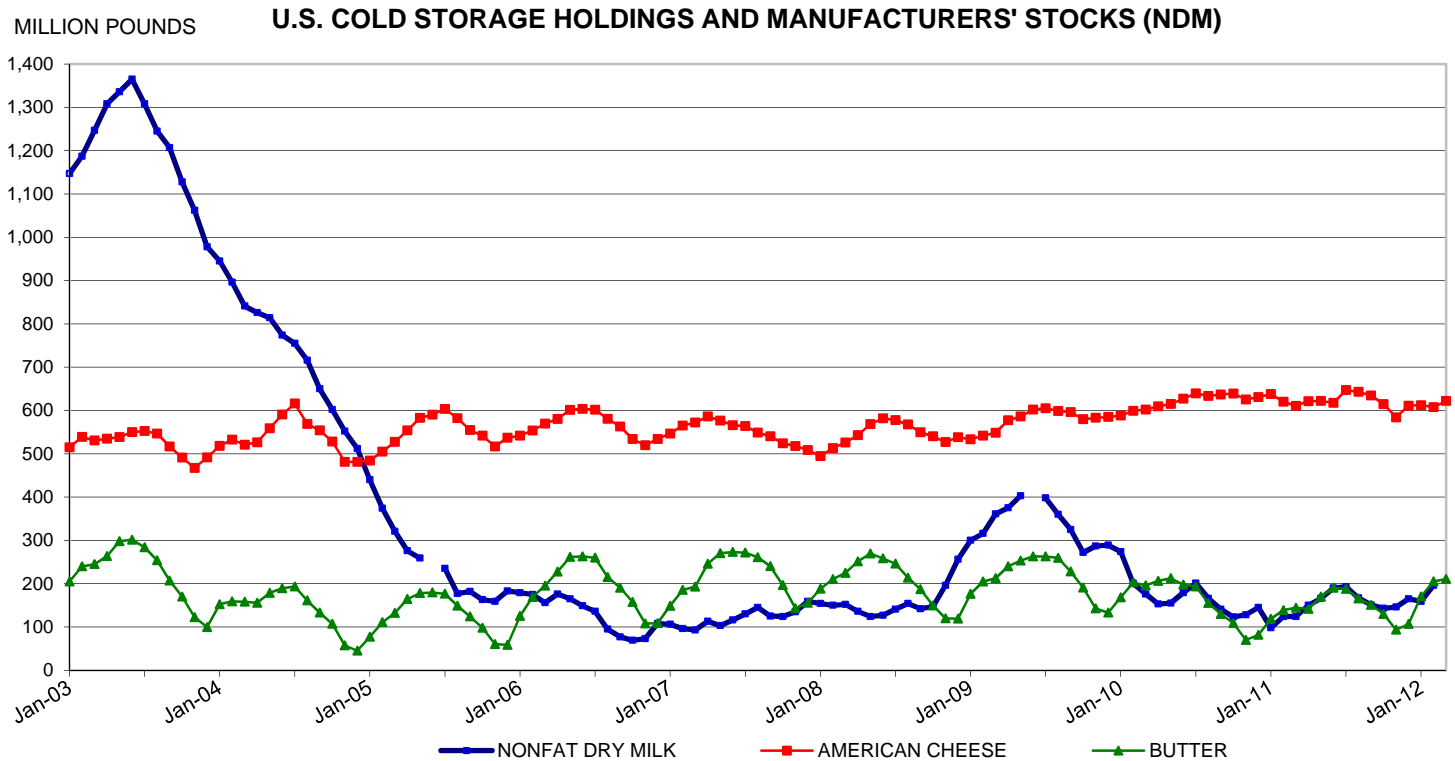
MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JANUARY 2012, WITH COMPARISONS

In January 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$19.30 per cwt., down \$0.75 from the previous month's average, and up \$2.63 from January 2011. The component tests of producer milk in January 2012 were: butterfat, 3.80%; protein, 3.15%; and other solids, 5.75%. On an individual reporting area basis, mailbox prices decreased in all areas except the Appalachian States where it increased by \$0.13/cwt compared to the previous month. Mailbox prices in January 2012 ranged from \$22.85 in Florida to \$17.10 in New Mexico.

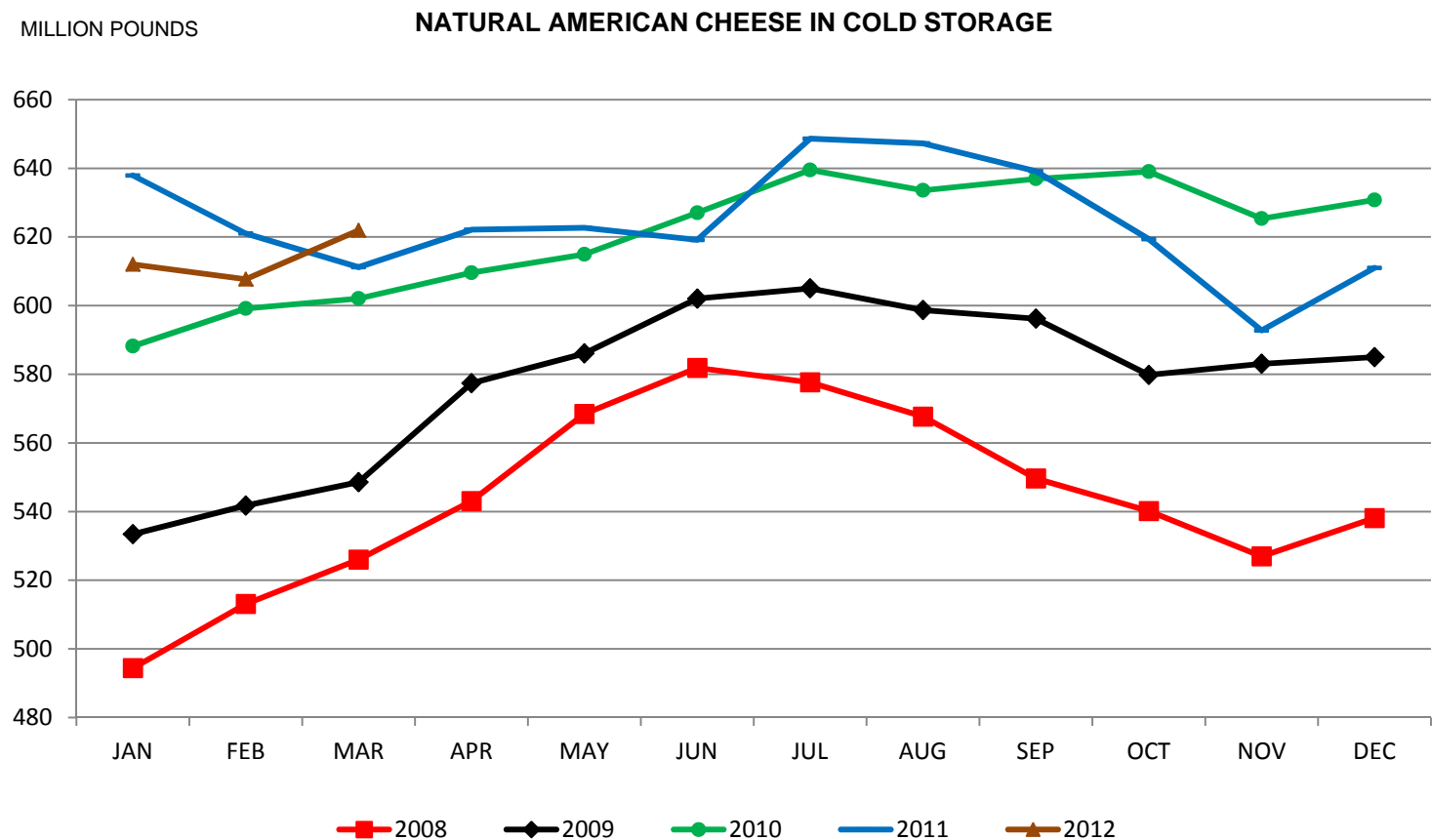
| Reporting Area <u>1/</u> | Mailbox Milk Price <u>2/</u> | | |
|------------------------------------|------------------------------|---------------|--------------|
| | January 2011 | December 2011 | January 2012 |
| | Dollars per hundredweight | | |
| New England States <u>3/</u> | 18.09 | 20.68 | 20.50 |
| New York | 16.83 | 19.35 | 19.24 |
| Eastern Pennsylvania <u>4/</u> | 17.72 | 20.19 | 19.98 |
| Appalachian States <u>5/</u> | 18.71 | 20.66 | 20.79 |
| Southeast States <u>6/</u> | 18.77 | 21.62 | 21.57 |
| Southern Missouri <u>7/</u> | 16.67 | 19.45 | 19.10 |
| Florida | 19.69 | 23.05 | 22.85 |
| Western Pennsylvania <u>8/</u> | 17.68 | 20.32 | 19.78 |
| Ohio | 17.90 | 20.75 | 19.77 |
| Indiana | 17.69 | 19.68 | 19.33 |
| Michigan | 16.87 | 19.94 | 19.04 |
| Wisconsin | 16.01 | 20.69 | 19.31 |
| Minnesota | 15.93 | 20.52 | 19.32 |
| Iowa | 16.76 | 20.19 | 19.38 |
| Illinois | 17.12 | 20.60 | 19.73 |
| Corn Belt States <u>9/</u> | 16.58 | 19.25 | 18.80 |
| Western Texas <u>10/</u> | 15.63 | 18.76 | 17.96 |
| New Mexico | 14.72 | 18.03 | 17.10 |
| Northwest States <u>11/</u> | 16.06 | 19.59 | 18.61 |
| All Federal Order Areas <u>12/</u> | 16.67 | 20.05 | 19.30 |
| California <u>13/</u> | 15.31 | 17.09 | 15.28 |

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. California is simple average. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

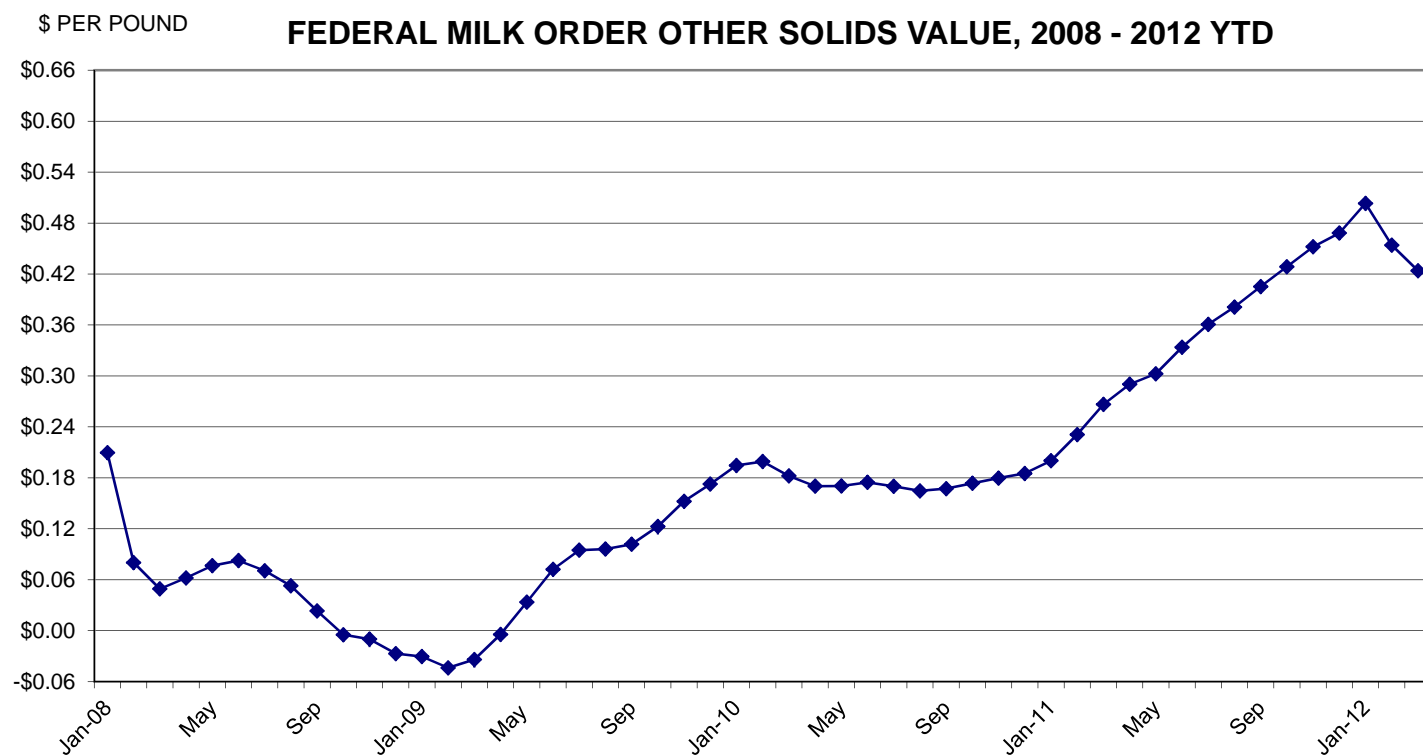
Report Contact: Randal Stoker, randal.stoker@usda.gov or 202-690-1932



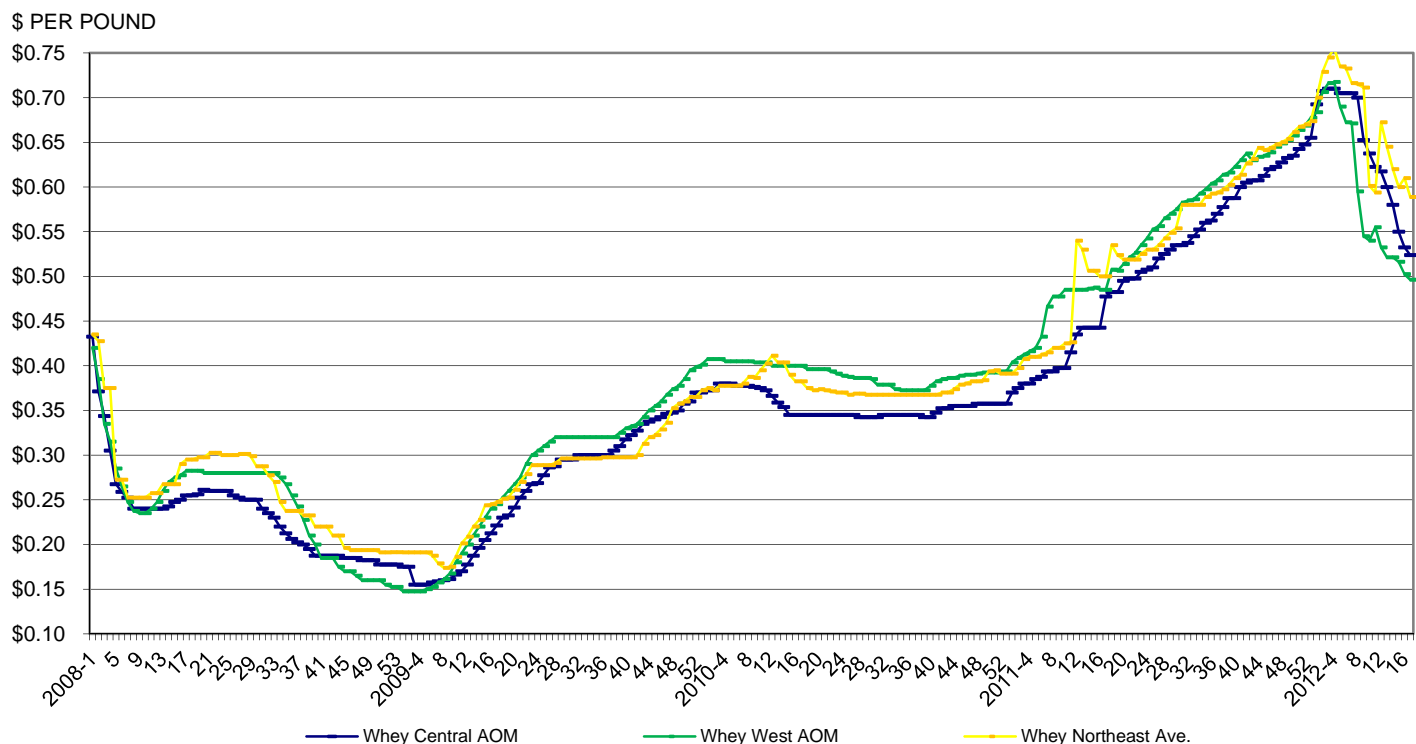
DATA SOURCE USDA, NASS; GRAPH, USDA, AMS, DMN



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