

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (08/31):**

BUTTER: Grade AA closed at \$1.8400. The weekly average for Grade AA is \$1.8285 (+.0285).

CHEESE: Barrels closed at \$1.7775 and 40# blocks at \$1.8200. The weekly average for barrels is \$1.7995 (-.0050) and blocks, \$1.8505 (+.0065).

BUTTER HIGHLIGHTS: The CME cash butter remains firm and closed the week at \$1.8400. Churning activities across the country are mixed depending on cream availability and price. Some butter producers are indicating that standardized cream volumes are increasing as school bottling programs gear up. Also, later in the week, cream volumes were becoming more available to butter producers as Class II operations reduce their need prior to the Labor Day holiday period. Also, the time of the year will cause some Class II operations, especially ice cream producers, to cut back on their cream needs. Butter producers are anticipating heavier churning schedules during the upcoming holiday weekend and are looking forward to being able to generate some additional butter volumes. In recent weeks, churning schedules were often not keeping pace with good butter demand and inventoried stocks were being used to fulfill orders. According to the most recent NASS Cold Storage report, stocks of butter on July 31, 2012, totaled 232.0 million pounds. Stocks were 5% lower or 11.2 million pounds less than the end of June 2012. An average decline during the month of July has been about 4 million pounds. Therefore, the drawdown has been heavier and earlier than normal. Overall butter demand is steady at good levels. Retail orders are the strongest with food service needs easing.

CHEESE HIGHLIGHTS: Cheese prices increased midweek to levels still short of the 2012 record two weeks ago, before declining to end the week with blocks at \$1.8200 and barrels at \$1.7775, a close for each lower than any close since August 7th. Heavy selling continued for a second week, with 13 loads of blocks and 24 loads of barrels sold this week. The heaviest CME selling of the week occurred Wednesday, as prices reached the week's high. In all regions, manufacturers would increase cheese production if more milk became available. The recent heavy CME sales levels are attributed to buyer demand which found less cheese available from manufacturers than desired, taking some buyers to the CME as a result. Some of the demand is from buyers who seek cheese in addition to already

contracted levels. Manufacturers are generally filling contract orders for cheese but few have opted to secure additional milk at class premiums to be able to manufacture more cheese than current levels permit. Buyers are alert for available cheese, but also being cautious about locking in a price basis vulnerable to price movements. Many manufacturers anticipate some milk tightness relative to demand in the near future, as milk production continued to reflect the impact of Summer weather and resulting current feed prices. That is also motivating buyers to be alert to potential for additional purchases, while being cautious in prices paid. Everyone is a bit more cautious this year with the ultimate uncertainty of supplies and timing of price movements.

FLUID MILK: Milk supplies vary by region. Milk supply and demand are reportedly in balance in the Central region, where refilling the school pipeline occurred easily this year. Shipments into the Southeast are phasing in gradually. Requests for fluid milk from the Southwest appeared this week, which, according to some milk handlers, is an unusual pattern. California milk production is leveling off after several weeks of very hot weather. Processors are only seeing slight upticks in milk intakes. Processing plants are running well at reduced levels. Several comments are noted that current milk levels are running around 3-5% or more below a year ago. Arizona milk supplies remain seasonally low and below current needs. Conditions are more favorable but milk intakes not changing very much. Milk supplies in the Pacific Northwest have rebounded from the recent bout with high temperatures. They are, however, declining along more normal seasonal trends. Temperatures have also moderated in UTAH and IDAHO. Most believe that water supplies will be sufficient for full season irrigation water, but there will be no reserve left for next year. Contacts are noting that hay yields are declining in recent cuttings by about 15-20%. Manufacturing milk supplies in the Northeast and Mid-Atlantic regions have declined with the increase in Class I demand, as most schools are back in session. Tropical storm Isaac was not the event forecast for Florida and many schools that were scheduled to close did not and as a result Class I demand remained strong. Weather remains hot and muggy with milk production at or near its seasonal low point.

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CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 27	TUESDAY AUG 28	WEDNESDAY AUG 29	THURSDAY AUG 30	FRIDAY AUG 31	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.8025 (N.C.)	\$1.8000 (-.0025)	\$1.8100 (+.0100)	\$1.8075 (-.0025)	\$1.7775 (-.0300)	:: (-.0250)	:: \$1.7995 (-.0050)
40# BLOCKS	\$1.8525 (N.C.)	\$1.8525 (N.C.)	\$1.8700 (+.0175)	\$1.8575 (-.0125)	\$1.8200 (-.0375)	:: (-.0325)	:: \$1.8505 (+.0065)
NONFAT DRY MILK							
EXTRA GRADE	\$1.6250 (N.C.)	\$1.6250 (N.C.)	\$1.6250 (N.C.)	\$1.6250 (N.C.)	\$1.6250 (N.C.)	:: (N.C.)	:: \$1.6250 (N.C.)
GRADE A	\$1.6650 (N.C.)	\$1.6650 (N.C.)	\$1.7000 (+.0350)	\$1.7000 (N.C.)	\$1.7000 (N.C.)	:: (+.0350)	:: \$1.6860 (+.0250)
BUTTER							
GRADE AA	\$1.8025 (+.0025)	\$1.8200 (+.0175)	\$1.8400 (+.0200)	\$1.8400 (N.C.)	\$1.8400 (N.C.)	:: (+.0400)	:: \$1.8285 (+.0285)

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

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

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

DRY PRODUCTS: Central nonfat dry milk prices firmed in both the low heat and high heat series this week. Market participants indicate somewhat slow sales activity is related to difficulties finding available NDM loads rather than flagging buyer interest. In the East, the combination of good Class I demand and lower seasonal milk production has reduced manufacturing milk supplies and milk volumes going to dryers. Most plants are drying only a few days a week. Western low/medium heat nonfat dry milk prices are trending moderately to sharply higher. The market tone remains firm to strong. The bottom ends of the range and mostly series are being tempered by the index based transactions. The market is being tested more this week at the top end with additional spot transactions. Western dry buttermilk prices continue to trend higher in limited market activity. The undertone remains firm. Central and Eastern dry buttermilk prices are unchanged to higher on a firm market. Churning is active in the Central region at several locations as manufacturers try to build inventory ahead of bulk butter contract shipments. Eastern dry whey prices were higher, based on indices which were responsible for the increases in the dry whey price range this week. Dry whey prices in the Central region shifted higher as various contract index prices and spot sale prices increased. Sellers indicate current purchasers are looking for hedges against expected dry whey shortfalls in Q4. Prices for Western whey moved higher again with demand reported as very good. Buyers are looking for additional loads of whey from any source available and are often going unsatisfied if it is not from a regular supplier. Prices for whey protein concentrate 34% moved higher on the bottom of the mostly price range. Renewed lactose interest from Oceania end users continues this week, according to some manufacturers. Casein markets and prices are generally holding steady. Prices for dry whole milk are unchanged to higher on a firm market.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production in the **Oceania** region is trending higher and moving off the low point of the production year as more cows are freshening at the start of the season. Situations are generally quite favorable from both weather and water standpoints. The conditions of the milking herds are very good entering the new production year. Pastures are developing well and there are adequate water supplies to allow for supplemental watering for the season in irrigation districts. This is providing more optimism as weather forecasters are predicting effects of an El Nino cycle that could include dryer summer conditions in the region. This could affect the crop and pasture growth more in dry land production areas. **Australian** milk production in June 2012 was reported to be 4.3% higher than June 2011. The year to date for the production year shows an increase of 4.2%. The highest percentage growth changes were in the Northern Victoria region and in Tasmania. The **New Zealand** milk production season is off to a fast start with processors/handlers reporting milk intakes higher than year ago levels during the early weeks of the season. Opening milk prices are below year ago levels because they were based off the closing pricing from the previous season. Increases and step ups are anticipated in coming months as a result of increasing commodity pricing. Following some robust price increases in the last gDT auction on August 15 and firming prices in other world markets, commodity prices were higher for the reported commodities of butter, cheese, skim milk powder, and whole milk powder in the region. Demand is good across product categories and buyers are active to secure needs ahead of projected firmer prices in the future. Supplies of dairy products are at seasonal low levels as the milk production season is just starting. Producers are often gearing up for specialty and value-added products as first choices. There are no clear indications that pricing levels or projections would favor one -1A-

commodity category over another, so the schedules are proceeding along plans. Milk production across **Western Europe** is uneven, but tracking along seasonal levels in the major producing countries. Milk supplies are sufficient for current needs and processors are able to run all the product lines that they desire. Higher feed prices are becoming an increasing concern for milk production costs. Hot conditions have moderated across the southern regions of Europe and milk production has recovered slightly. Excessive rainy conditions in the UK and Ireland have affected pasturing and conditions are tending to have lowered milk output. Milk output in Germany and France is trending steady. Reports are that gains versus a year ago are slowing and becoming steady. Prices have firmed across dairy product categories. Butter, skim milk powder, whole milk powder and whey prices are all higher versus levels of two weeks ago. The market trends are matching the situations in other world markets. In general, supplies have tightened and product demand has improved. For the PSA program period, March 1 to August 15, butter stocks totaling 133,305 MT were moved into storage. Butter is now eligible to be removed from storage under the program. There are reports that butter is being moved, but volumes were not available. **Eastern Europe** milk production trends are declining and volumes are near year ago levels. In general, the milk supplies are adequate to produce sufficient supplies of dairy products. Conditions remain favorable for milk production and seasonal factors are in play. Supplies of dairy products are adequate for local consumption and are available for export needs.

JUNE OVER-ORDER CHARGES ON PRODUCER MILK BYCLASS OF UTILIZATION (FMMO): For June 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.05, up \$0.02 from the May 2012 average. Eighty-eight percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.80 in the Pacific Northwest to \$2.97 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.09, down \$0.03 from the May 2012 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

SEPTEMBER ANNOUNCED COOPERATIVE CLASS I PRICES (FMMO): For September 2012, the all-city average announced cooperative Class I price was \$22.62, \$2.41 higher than the Federal milk order (FMO) Class I price average for these cities. The September 2012 Cooperative Class I price was \$1.03 higher than the August 2012 price. The September 2012 Federal order Class I price was \$1.04 higher than the August 2012 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For September 2011, the all-city average announced cooperative Class I price was \$26.98, \$2.56 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

CONSUMER PRICE INDEX (BLS): The July CPI for all food is 233.6, up 2.3% from July 2011. The dairy products index is 214.4, down 0.2% from a year ago. The July to July changes for selected products include: fresh whole milk is -3.1%; cheese, -1.3%; and butter, -11.7%.

COMMERCIAL DISAPPEARANCE(ERS, AMS): Commercial disappearance of dairy products during the first six months of 2012 totals 100.2 billion pounds, 2.4% above the same period in 2011. Comparing disappearance levels with year earlier levels: butter is +4.1%; American cheese, +0.8%; other cheese, +1.2%; NDM, +45.6%; and fluid milk products, -2.2%.

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NATIONAL DAIRY MARKET NEWS AT A GLANCE

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CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):

The following are the August 2012 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$15.64 (+\$1.13), Class III \$17.73 (+\$1.05), and Class IV \$15.76 (+\$1.31). Product price averages used in computing Class prices are: butter \$1.6859, NDM \$1.2543, cheese \$1.7682, and dry whey \$0.5352. The Class II butterfat price is \$1.8409 and the Class III/IV butterfat price is \$1.8339. Further information may be found at: www.ams.usda.gov/AMSV1.0/PriceFormulas2012

CME GROUP**MONDAY, AUGUST 27, 2012**

CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$1.8525; LAST BID UNFILLED: 3 CARS 40# BLOCKS @ \$1.8525; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8100
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.8025; LAST OFFER UNCOVERED: 3 CARS GRADE AA @ \$1.8100

TUESDAY, AUGUST 28, 2012

CHEESE -- SALES: 2 CARS BARRELS @ \$1.8025; LAST BID UNFILLED: 4 CARS 40# BLOCKS @ \$1.8525; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.8100; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8200; LAST OFFER UNCOVERED: NONE

WEDNESDAY, AUGUST 29, 2012

CHEESE -- SALES: 12 CARS BARRELS @ \$1.8100; 4 CARS 40# BLOCKS: 1 @ \$1.8775, 2 @ \$1.8725, 1 @ \$1.8700; LAST BID UNFILLED: 3 CARS BARRELS @ \$1.8100; 1 CAR 40# BLOCKS @ \$1.8700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE A @ \$1.7000; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.7500
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.8300, 1 @ \$1.8350, 1 @ \$1.8400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, AUGUST 30, 2012

CHEESE -- SALES: 2 CARS BARRELS @ \$1.8125; 1 CAR 40# BLOCKS @ \$1.8700; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8075; 1 CAR 40# BLOCKS @ \$1.8575
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.8500

FRIDAY, AUGUST 31, 2012

CHEESE -- SALES: 8 CARS BARRELS: 1 @ \$1.7975, 1 @ \$1.7900, 6 @ \$1.7775; 4 CARS 40# BLOCKS: 1 @ \$1.8500, 1 @ \$1.8450, 1 @ \$1.8400, 1 @ \$1.8350; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7775; 5 CARS 40# BLOCKS @ \$1.8200
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.8400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8500

BUTTER MARKETS**NORTHEAST**

The CME Group butter price increased \$0.0175 Tuesday to close at \$1.8200. The butter price has not declined in the last 20 trading sessions. Friday's weekly average butter price on the CME Group was \$1.8000, compared to \$2.1545 for the same period last year. Demand for cream has declined prior to the holiday weekend and as a result, cream volumes' going to churns have increased. Overall cream supplies fall short of need as some butter manufacturers are having to microfix supplies in order to fill current orders. Demand for butter remains steady and typical for this time of year. According to the latest NASS Cold Storage report, butter in storage on July 31, totaled 232.0 million pounds, 11.2 million pounds less (-5%) than the prior month stocks, but 44.2 million pounds more (+24%) than July 2011 stocks. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The CME cash butter price remains firm, attaining levels not seen since early November 2011. The current midweek cash price of \$1.8400 compares to \$1.8000 last week at this time, \$1.6700 a month ago, and \$2.0975 a year ago. Churning schedules in the Central part of the country are mixed, although more active than many anticipated. Cream offerings are competitive as Class II operations continue to absorb good volumes of available cream. Many Class II operations, especially ice cream manufacturers, are starting to wind down their production runs. The upcoming Labor Day holiday is typically a turning point for ice cream production and it appears that this will be the situation again this year. Students are returning to the classroom and the summer vacation season is coming to a close, thus ice cream sales are slowing. An upside to cream availability is standardized cream volumes from school bottling programs. Butter producers are indicating that standardized

cream volumes are increasing. As most all schools will be back in session next week, standardized volumes will be more available within the next few weeks. Also additional cream volumes will become available during the latter part of this week as Class II operations reduce their production runs and divert cream volumes to other uses prior to the holiday weekend. In most instances, butter operations will be absorbing these volumes at varying rates. Butter manufacturers are not sure to what extent additional cream offering will be, but are anticipating that churning will be more active than recent days. Butter demand remains fair. Retail orders are holding up quite well with food service orders easing. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Wednesday's close on the CME Group exchange for butter is up 4 cents so far this week to close at \$1.84 at midweek. Since June 25, covering 42 trading sessions, butter prices have increased 32 cents. During this period, prices either held steady or increased during 40 sessions, but declined only twice. Butter sales are being called very good with some sellers noting a certain percentage of buyers ordering ahead. Producers are seeing an increase in demand from buyers in other regions. Retail orders remain good to very good. Plants are hoping for and expecting some additional cream over the holiday weekend. Looking closer at last week's NASS Cold Storage report, stocks of butter on July 31, 2012, totaled 232.0 million pounds. Stocks were 5% lower or 11.2 million pounds less than end of June 2012. An average decline during the month of July has been about 4 million pounds. Therefore, the drawdown has been heavier and earlier than normal. Prices for bulk butter range from 2 cents under to 4 1/2 cents under the market, based on the CME with various time frames and averages used.

NATIONAL DAIRY PRODUCTS SALES REPORT**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
August 25, 2012	1.7576 2,349,268	1.8121 11,848,573	1.8320 10,202,945	0.5476 8,648,897	1.2955 15,725,977

CHEESE MARKETS

NORTHEAST

CME Group cheese prices were mixed Tuesday with barrels declining \$0.0025 to close at \$1.8000, while blocks held steady and closed at \$1.8525. Trading has been fairly active in the last 7 sessions with 14 loads of barrels and 22 loads of blocks transacted. Cheese production overall has increased marginally with steady cheddar production, while mozzarella cheese makers are attempting to increase production in the face of limited manufacturing milk supplies. Demand for cheese has increased with strong orders for mozzarella and improved sales for low fat and regular cheddar cheeses. Swiss cheese orders from food service have also improved. Most cheese makers, with the exception of mozzarella makers, are comfortable with their current inventories. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 4.581 million pounds (2,078 metric tons) of Cheddar and Gouda cheese. The product will be delivered September 2012 through February 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 78.3 million pounds. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of July 31, 2012 totaled 1,043.4 million pounds, unchanged compared to one month ago, but down 4% from one year ago. A majority of the holdings are in the form of American cheese (60.7%) totaling 634.0 million pounds, 1% more than the amount one month ago, but 2% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.3%) totaling 379.0 million pounds, 2% less than one month ago and 6% less from one year ago. Swiss cheese accounts for 3.0% of holdings at 30.4 million pounds, unchanged from one month ago, but 11% less than one year ago.

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

Cheddar 40# Block	:	2.2475-2.5325
Process 5# Sliced	:	2.0200-2.1400
Muenster	:	2.2675-2.6275
Grade A Swiss Cuts 10 - 14#	:	3.2450-3.5675

MIDWEST

Buyers are acquiring cheese and looking for more. Asked whether more cheese could be sold if more milk were available, one plant manager said "that's a big yes!" Stronger interest in buying cheese from manufacturers spanned last week and this week – buying interest beyond the 26 loads of blocks and 26 loads of barrels sold during CME trading last week and through Wednesday this week. Manufacturers continue to receive inquiries from prospective cheese buyers seeking to buy either more loads than already contracted, or from buyers not already contracted, spot cheese purchases. Many manufacturers are not able to fill this added interest with present milk supplies, but are not willing to pay class premiums to secure additional milk. Wednesday's CME close of Blocks up 1 cent to \$1.8100 and barrels up 1 3/4 cents to \$1.8700, left both up for the week and increased the block/barrel price spread to 6 cents, up from 5 cents as last week closed. With about a week until some cheese plant managers expect milk supplies to tighten further when many upper Midwest schools open for the semester, this situation is being monitored. Some cheese manufacturers have already experienced losing dairy producers who had been providing milk for cheesemaking, when those farmers sold out under pressure from increased crop prices. Additional herd sales are anticipated in com-

ing months. For now, most sales have resulted in the cows going to larger sized dairy farms, rather than to slaughter, because re-sale heifer prices have been better than slaughter prices. In some cases, cheese plants have been able to add new milk producers to their roster of suppliers to replace lost producers. With the Minnesota State Fair running into Labor Day weekend, the end of seasonal increased cheese curd sales to supply Midwestern state fair demand is nearing an end. Up to about 2 1/2 semi loads of curds are required for a state fair like Minnesota's. Fairs aside, manufacturers of large volumes of cheese curds have been experiencing increased orders for curds during recent weeks. This is attributed in part to consumers who become introduced to cheese curds, increasingly featured at state fairs, who then continue to purchase curds in the grocery store. Cooperatives Working Together (CWT) has accepted 14 requests for export assistance to sell 4.581 million pounds (2,078 metric tons) of Cheddar and Gouda cheese to customers in Asia, the Middle East, North Africa and the South Pacific. The product will be delivered September 2012 through February 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 78.3 million pounds.

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

Process American 5# Loaf	:	1.9925-2.6975
Brick And/Or Muenster 5#	:	2.2350-2.7950
Cheddar 40# Block	:	2.2350-3.2200
Monterey Jack 10#	:	2.2050-3.2200
Blue 5#	:	2.5000-3.4850
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0800-3.3200
Grade A Swiss Cuts 6 - 9#	:	2.7650-2.8825

WEST

Weather conditions have moderated in the West and milk production has rebounded somewhat. Cheese plants are generally happy to see any rebound in milk. Demand for cheese has been good and production schedules have been geared to the sales activity. With less milk, this has added to the stress of keeping deliveries on schedule. The barrel market at the CME Group has been mixed with prices moving both lower and higher. Since last week, prices are up 0.5 cents to close at \$1.81 at midweek. Blocks have seen more strength with fewer negative moves recently. Prices have gained 3.25 cents since last week to close at \$1.87. Looking closer at last week's NASS *Cold Storage* report, total cheese stocks fell by about 5 million pounds during July which is only the third time in almost 20 years that has happened. Also, the other cheese category declined by 9.6 million pounds compared to an average increase of 7.1 million pounds for the time period. Both of these factors point to tightening of the market leading to a firmer undertone.

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

Process 5# Loaf	:	1.9250-2.1825
Cheddar 40# Block	:	1.9725-2.3250
Cheddar 10# Cuts	:	2.1525-2.3725
Monterey Jack 10#	:	2.1625-2.3225
Grade A Swiss Cuts 6 - 9#	:	2.8225-3.2525

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CHEESE MARKETS

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FOREIGN

The CME Group weekly average block price declined and resulted in a \$0.0225 decline in domestic wholesale cheeses. Swiss cuts and imported varieties were unchanged. Domestic Swiss sales have increased with good food service orders. Domestic Swiss cheese makers are working their inventories lower and are not inclined to increase production in the face of ample supplies and lower prices of imported Swiss cheese. According to FAS, August 31, is the last day to enter dairy products into U.S. Customs territory that may be used to qualify and establish eligibility for calendar year 2013 licensing.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Blue	: 2.6400-5.2200	: 2.3875-3.8750*
Gorgonzola	: 3.6900-6.3900	: 2.8900-3.1500*
Parmesan (Italy)	: -0-	: 3.5100-4.0650*
Provolone (Italy)	: 3.4400-6.1800	: 2.4300-2.5875*
Romano (Cows Milk)	: -0-	: 3.5775-5.7275*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.1900	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.3375-3.6600
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

* = Price change.

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

BUTTER : CHEESE

	:	
08/27/12 11,419	:	124,420
08/01/12 12,208	:	129,478
CHANGE -789	:	-5,058
% CHANGE -6	:	-4

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	78	0	72	0	64	0
SOUTHEAST STATES	5	0	0	0	0	0

Manufacturing milk supplies in the Northeast and Mid-Atlantic regions have declined with the increase in Class I demand, as most schools are back in session. The limited manufacturing milk supplies are offering plant managers the opportunity to complete maintenance projects. Milk production continues to decline along the seasonal trend. A majority of the corn, soybean and forage crops are rated as fair to good in both regions. Tropical storm Isaac was not the event forecast for Florida and many schools that were scheduled to close did not and as a result Class I demand remained strong. Weather remains hot and muggy with milk production at or near its seasonal low point. The continued good demand from Class I plants resulted in 78 spot loads imported this week. Isaac was upgraded to hurricane status by the time it made landfall near New Orleans early Wednesday. Most bottling plants in Louisiana and Mississippi were closed prior to Isaac's arrival. Those plants are scheduled to remain closed until sometime Thursday. Milk deliveries to those plants are expected to resume Friday. Class I demand remains good in other areas of the Southeast unaffected by Isaac. The Southeast region did import 5 spot loads this week to ensure Class I needs were met. These are the first imports into the region since April when the region assisted other areas with excess milk supplies. Cream availability improved this week ahead of the upcoming holiday weekend. Numerous cream based manufacturing plants will be shutting down for an extra day over the holiday period, reducing overall cream demand. Cream cheese production remains very active, but ice cream production is beginning to wind down, consistent with the typical seasonal trend. Cream multiples were lower this week and ranged from 136-142. Condensed skim milk supplies are limited, due to the strong pulls for Class I plants, with most supplies moving through contracts. Demand for condensed skim has declined from ice cream makers, but remains good with cream cheese manufacturers. Strong fluid pulls from yogurt manufacturers are also contributing to the limited availability of condensed skim supplies. Some balancing plant managers continue to be concerned about future milk supplies and their ability to meet their nonfat dry milk commitments.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. producing plants: Northeast -	2.4480-2.5560
F.O.B. producing plants: Upper Midwest -	2.3040-2.4840

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.29 - 1.34
Northeast - Class III - spot prices -	1.35 - 1.44

MIDWEST

Milk supply and demand are reportedly in balance in the Central region. Refilling the school pipeline occurred easily this year, according to some milk handlers. Shipments into the Southeast are phasing in gradually. Requests for fluid milk from the Southwest

appeared this week, which, according to some milk handlers, is an unusual pattern. Most spot milk sales are reportedly short hauls to specialty cheese plants, with prices ranging from \$1.20 - \$2.25. Cream supplies are steady to somewhat more available as a few ice cream plants reduce production seasonally. Cream multiples stepped lower. Milk handlers and manufacturers note farm milk intakes are variable. Some plant operators indicate pickups are increased in volume compared to just a few weeks ago, while other plants noted route pickups are decreasing. Milk production is generally stabilizing in the Central region as cow comfort improves with the arrival of cool weather. The next hurdle for dairy producers is making plans to cover feed needs for the 2012-2013 winter season. Agricultural extension agents in some locations indicate the planting of small grains for fall harvest is being used to shore up forage supplies. Some counties are offering small incentive payments for these cover crop programs. Because this is a nontraditional planting pattern for small grains, some plant suppliers are importing oats and other seeds from Canada to meet this need. Also, some owners of harvested potato fields are offering those additional acres for cover crop production. Anecdotal reports of hay auction prices range from \$230 - \$400 per ton.

WEST

CALIFORNIA milk production is leveling off after several weeks of very hot weather. Processors are only seeing slight upticks in milk intakes. Expected increases in milk output are thought to be tempered by current feed practices and additional cow culling in the state. Corn silage harvest is taking place in earnest in the Central Valley. Demand for hay has slowed. Processing plants are running well at reduced levels. Several comments are noted that current milk levels are running around 3-5% or more below a year ago. The upcoming Labor Day Holiday weekend is expected to pass without notice by processors in the state. In fact, several processors are looking forward to having some additional milk supplies in the towers. Several smaller processors are taking the Monday holiday and sometimes another day off around the weekend. Class 1 needs were fair to good ahead of the weekend as buying interest was higher for retail and school account preparing for the following week. July 2012 POOL RECEIPTS of milk in CALIFORNIA total 3.40 billion pounds, 0.1% higher than last year, according to CDFA. Year to date receipts, unadjusted for leap year in 2012, are running 5.2% higher than a year earlier. The July blend price, at a fat test of 3.62%, is \$15.07, \$0.47 higher than June, but \$5.06 less than July 2011. The percentage of receipts used in Class 1 products is 13.2%. The July quota price is \$16.14 and the over quota price is \$14.44. These prices are \$0.47 higher than June, but \$5.10 lower than a year ago. ARIZONA milk supplies remain seasonally low and below current needs. Conditions are more favorable but milk intakes not changing very much. Class I needs are uneven heading into the holiday weekend. CREAM markets are generally steady to slightly unsettled heading in the Labor Day weekend. Buying interest has slowed into several ice cream accounts that are taking extra time off around the holiday. Other cream interest has been slow to develop. Local and out of region interest is fair from butter producers. At the CME Group, the Grade AA butter price moved 4 cents higher over the past week to close at 1.8400 on Wednesday, August 29. Cream multiples dipped somewhat this week, ranging 118 to 140, and vary depending on basing points and averages. Milk supplies into the

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

PACIFIC NORTHWEST have rebounded from the recent bout with high temperatures. They are, however, declining along more normal seasonal trends. Contacts believe that producers in the NORTHWEST may be better positioned to handle the financial stress caused by the increasing feed and hay prices not balanced off by high enough milk prices than other portions of the West. Plants are performing some seasonal maintenance at this time. Cream supplies are a bit more available and prices have backed off, though butter prices do continue to firm. Temperatures have also moderated in UTAH and IDAHO. Most believe that water supplies will be sufficient for full season irrigation water, but there will be no reserve left for next year. Contacts are noting that hay yields are declining in recent cuttings by about 15-20%. Producer meetings are taking place in the region to discuss what, if anything can be done to reduce the financial stress on milk producers in the region. Looking further at the NASS, July *Milk Production* report for the 23 surveyed state totals for milk per cow in July was up 0.3% from last year. Output per cow for selected Western states compared to last year is as follows: Arizona +1.6%, California -1.8%, Colorado +1.7%, Idaho +1.0%, New Mexico -2.1%, Oregon -2.0%, Utah +3.3%, and Washington -1.7%. ***FO 124/131 Pool Summaries for July 2012:*** Milk pooled on the Pacific Northwest Order 124 totaled 435.6 million pounds in July 2012; approximately 445 producers delivered milk to the market. The average daily delivery per producer was 31,576 pounds. Class I utilization was 172.6 million pounds and accounted for 39.6 percent of producer milk. The producer price differential (PPD) for the Pacific Northwest Order was a negative \$0.74 per cwt, resulting in a statistical uniform price of \$15.94 per cwt. The statistical uniform price for the Pacific Northwest Order was \$0.88 above last month, and \$5.40 below the same month last year, a decrease of 25.3 percent.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Nonfat dry milk prices firmed in both the low heat and high heat series this week. Market participants indicate somewhat slow sales activity is related to difficulties finding available NDM loads rather than flagging buyer interest. Several buyers report they were informed by their Western manufacturers/suppliers that availability of spot loads of NDM may improve near the end of the year, but spot load availability is light to nonexistent at this time. The tightness of NDM supply also extends to not being able to tack on NDM loads above monthly contract quantities, according to some buyers. This has increased NDM inquiries into Central manufacturers. Spot availability of Central low heat NDM is light to moderate, and manufacturers are building inventories with confidence. Resale prices are also reportedly firming as buyers seek out additional sources of NDM. Sales of condensed skim into Class II eased this week and into the beginning of the extended holiday week as some ice cream plants are running light production schedules consistent with the seasonal easing of consumer demand. Central manufacturers indicate the farm milk pickups are variable, with some routes regaining some volumes this week and others dropping below previous volumes. Central low heat NDM inventories are steady to building. High heat NDM inventories are light, with intermittent production refilling contract sale quantities.

EAST: Nonfat dry milk prices increased for the fifth consecutive week with higher prices for spot sales and also for sales based on price indices. The combination of good Class I demand and lower seasonal milk production has reduced manufacturing milk supplies and milk volumes going to dryers. Most plants are drying only a few days a week. High heat nonfat dry milk production is very limited and supplies are very tight. Due to the limited drying schedules, numerous plants are conducting planned maintenance projects. Demand for nonfat dry milk is good with best interest coming from cheese makers and baking manufacturers. Current production is moving through contracts with very little available for the spot market. Existing manufacturer inventories are held in firm hands as numerous manufacturers are concerned about future milk supplies and covering nonfat dry milk contract commitments. Buyers looking for additional loads are looking out of region and or for resale opportunities. Low heat nonfat dry milk resale prices are significantly above the range. The market undertone remains firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3275 - 1.7200 MOSTLY: 1.3700 - 1.6200
 HIGH HEAT: 1.3775 - 1.6000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are trending moderately to sharply higher. The market tone remains firm to strong. The bottom ends of the range and mostly series are being tempered by the index based transactions. The market is being tested more this week at the top end with additional spot transactions. The bimodal nature of the current market transactions is creating a wide and complex mostly range. World prices are also trending higher for SMP in Oceania and Europe. Buying interest remains fair to good for the current limited spot offerings. Buyers continue to find it difficult to secure additional loads. There are only limited offerings in the resale market and those prices are at the upper side of the reported range, \$1.60 to \$1.80. Drying schedules

remain seasonally light and at lower levels than forecast because of lower milk receipts in the Southwest. Producers' inventory levels are declining and becoming shorter than desired. Western high heat NDM prices are higher to sharply higher on the top end of the range. The market undertone is firm. Additional buying interest is developing as buyers seek coverage. Producers do not have extra holdings and generally want to hold onto stocks for future needs. Buyers needing product this week had to pay up to the \$1.75 mark to secure high heat powder.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.2300 - 1.7500 MOSTLY: 1.2900 - 1.6500
 HIGH HEAT: 1.3000 - 1.7500

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged to higher on a firm market. Churning is active in the Central region at several locations as manufacturers try to build inventory ahead of bulk butter contract shipments. Sales of fluid/condensed buttermilk into Class II manufacturing continues, although various ice cream plants are starting their seasonal slowdown. Dry buttermilk production is mostly steady. A few resellers indicate their contract loads of dry buttermilk from the West are on hold for the near term as manufacturers in that region are struggling to fill orders. Preference may be shown to end user contract holders. The decrease in Western dry buttermilk has sent more interest to Central region dry buttermilk manufacturers for spot purchases. Central manufacturers note that as the prices on nonfat and butterfat solids firm, they are holding dry buttermilk inventories with confidence.

EAST: Dry buttermilk prices moved higher on the upper end of the range this week. Cream supplies were a little more available going into the holiday weekend with some marginal increases in butter and dry buttermilk production. Current supplies are moving through contracts with only marginal increases to inventories. Supplies are held in firm hands as manufacturers are not inclined to make sales, in hopes of future price increases. Demand continues to be good with steady pulls from ice cream makers and baking manufacturers. The firm undertone in the market is supported by the price increases in the nonfat dry milk market.

F.O.B. CENTRAL/EAST: 1.2700 - 1.3525

DRY BUTTERMILK - WEST

Western dry buttermilk prices continue to trend higher in limited market activity. The undertone remains firm. The lack of product availability is limiting the market test, especially on the top side of the reported range. As prices have moved higher, sellers are more inclined to hold onto any extra product. The impact of the higher nonfat dry milk markets are also helping to firm the buttermilk market. Offering prices in the resale market are above the top of the current range. Dry buttermilk production is light to moderate and slow to move off current trends. Dry buttermilk stocks are light to moderate and held with confidence.

F.O.B. WEST: 1.2200 - 1.3900 MOSTLY: 1.2550 - 1.2950

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

CONTINUED FROM PAGE 5**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged to higher on a firm market. Limited availability of domestic spot loads is noted by interested buyers and resellers. Manufacturers indicate contract sales into confectionery and some baking accounts moved seasonally higher. Stocks are closely aligned with near term contract needs. Dry whole milk production is steady at some locations, while other locations are not anticipating production runs for a few weeks.

F.O.B. PRODUCING PLANT: 1.5400 - 1.6300

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 24	\$1.2571	8,773,562	0
August 17	\$1.1896	11,132,096	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

Dry whey prices in the Central region shifted higher as various contract index prices and spot sale prices increased. Sellers indicate current purchasers are looking for hedges against expected dry whey shortfalls in Q4. Spot load availability from some manufacturers is tighter. Resellers report spot market loads may not be available from a few manufacturers for the next few weeks because inventories closely match quantities needed for contract fulfillment. Discussions regarding Q4 contracting started recently. There is concern in the marketplace on how to handle Q4 needs. Buyers/end users are weighing the pros/cons of contracting for dry whey with pricing based on a moving index. Few fixed price contracts are available for terms over 30 days. Dry whey production is variable from location to location. A few plants cleared condensed whey to ease pressure on equipment as maintenance progresses. Other manufacturers are selecting dry whey production versus WPC as upcoming contracts and spot market activity is expected to increase in the near term. ANIMAL FEED DRY WHEY prices moved higher, following the lead of index prices. Interest is steady to higher domestically, and interest from various off shore markets is improving. Some feed blenders indicate finished product sales are mostly headed to dairy replacements and/or dairy beef accounts while veal account demand is steady to lower.

F.O.B. CENTRAL: .5050 - .5775 MOSTLY: .5200 - .5600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3975 - .5325

DRY WHEY - NORTHEAST

Higher prices for purchases based on indices were responsible for the increases in the dry whey price range this week. Production of dry whey was marginally higher as mozzarella cheese makers increased production schedules. Current production is moving through contracts with little available for spot market activity. Demand for dry whey is good as baking manufacturers are increasing their production schedules as fall approaches. Buyers looking for additional loads have to look out of region and or for resale opportunities. Resale prices have increased significantly and are well above the contract levels. The market undertone remains firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5675 - .5850

DRY WHEY - WEST

Prices for Western whey moved higher again with demand reported as very good. Buyers are looking for additional loads of whey from any source available and are often going unsatisfied if it is not from a regular supplier. Spot sales are becoming more limited as milk receipts decline seasonally and because of recent extended high temperatures in the region. World whey prices also continue to increase. Demand for whey for exports has slowed somewhat. Some buyers are looking at the resale market for some additional supplies and they are only partially successful. This is a firm market and the pace seems to be increasing.

NONHYGROSCOPIC: .5600 - .6200 MOSTLY: .5700 - .5900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% moved higher on the bottom of the mostly price range. Interest in WPC 34% is increasing as queries to manufacturers are on the upswing for September spot loads. This is a result of the firming NDM market, anticipated increases to condensed skim pricing in the coming months, and seasonal changeover to other end products that incorporate WPC 34%. Various manufacturers indicate their inventories, which were running above projections for the last few months, are now in balance with near term contract fulfillment. WPC 34% production is unchanged at some facilities, lower at others as spot and contract sales of condensed WPC 34% into various consumer product markets move higher. Some plant operators are clearing whey streams into dry whey or WPC with higher protein values.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0700 - 1.2750 MOSTLY: 1.1200 - 1.1650

LACTOSE - CENTRAL AND WEST

Renewed lactose interest from Oceania end users continues this week, according to some manufacturers. Lactose manufacturers speculate that with the milk production season restarting in Oceania and strong farm milk production increases forecast, the need for lactose for standardizing is near. Domestic industrial and adult beverage demand is also increasing. Sellers indicate preferences from those end users run toward higher quality characteristics, such as absence of color. Fourth quarter contracting negotiations are active this week. Manufacturers want to give buyers sufficient time to consider pricing bids before the new quarter begins, but with limited reported competition from European lactose producers this quarter, domestic manufacturers are not anxious to be the first out with quarterly pricing.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .6800 - .9300 MOSTLY: .7800 - .8750

CASEIN - NATIONAL

Casein markets and prices are generally holding steady. The European casein production season continues to decline, following milk production trends. Some manufacturers had production run disruptions during the current season which caused them to be very concerned about fulfilling commitments, but this situation has eased. Although production lost during the unsettled situation is not able to be recovered, late season output is helping bridge the loss during that time. Some shipment logistics were disrupted, but overall, stocks are pretty well getting back to where they need to be. Milk output in the Oceania region appears to be off to a positive start. New Zealand milk producers are indicating that milk output trends are very positive and will hopefully continue. With this occurring, casein output may gear up earlier than many anticipated.

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

RENNET: 3.7500 - 4.4000
ACID: 4.1500 - 4.7000

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

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

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

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2011

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
08/11/2012	57.3	1,857.6	53.2	1,761.1

WEBSITE: http://www.ams.usda.gov/mnreports/sj_ls714.txt

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

CLASS III MILK PRICES (3.5% BF)

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

CLASS IV MILK PRICES (3.5% BF)

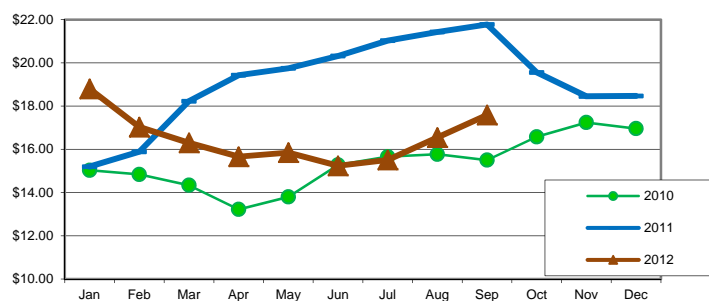
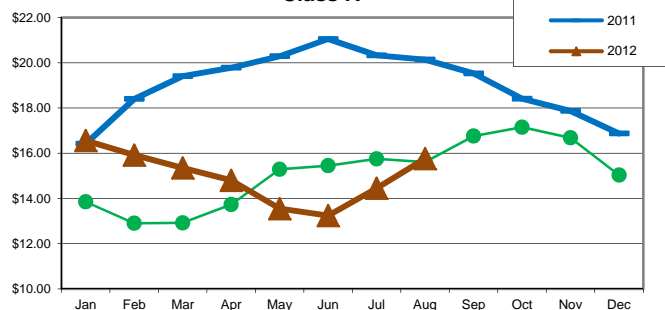
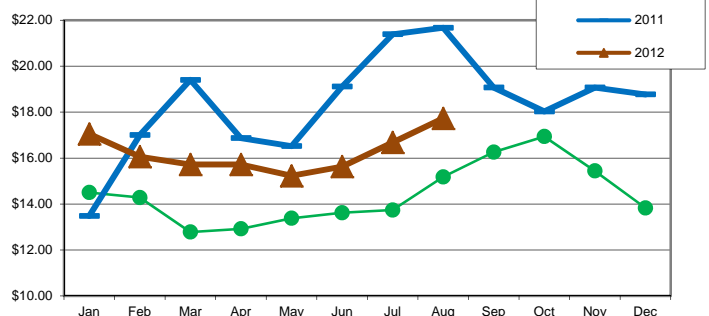
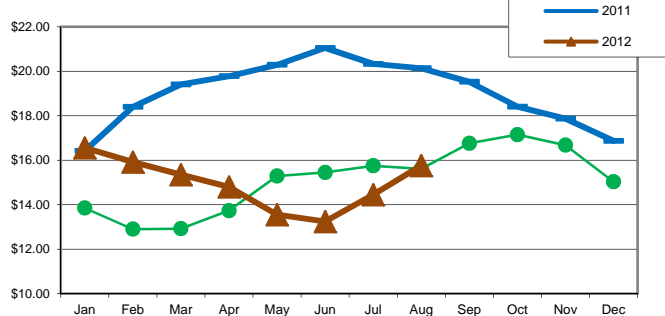
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41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

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)

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

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."

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

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered August 20 - 31, 2012

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

WESTERN OVERVIEW: Milk production across Western Europe is uneven, but tracking along seasonal levels in the major producing countries. Milk supplies are sufficient for current needs and processors are able to run all the product lines that they desire. Higher feed prices are becoming an increasing concern for milk production costs. Hot conditions have moderated across the southern regions of Europe and milk production has recovered slightly. Excessive rainy conditions in the UK and Ireland have affected pasturing and conditions are tending to have lowered milk output. Milk output in Germany and France is trending steady. Reports are that gains versus a year ago are slowing and becoming steady. Prices have firmed across dairy product categories. Butter, skim milk powder, whole milk powder and whey prices are all higher versus levels of two weeks ago. The market trends are matching the situations in other world markets. In general, supplies have tightened and product demand has improved. For the PSA program period, March 1 to August 15, butter stocks totaling 133,305 MT were moved into storage. Butter is now eligible to be removed from storage under the program. There are reports that butter is being moved, but volumes were not available.

BUTTER/BUTTEROIL: Butter pricing levels continue to trend higher in Europe. Demand is fair to good from domestic accounts, but is slow to develop from export accounts at current market prices. Butter is moving to regular account business. Sales of cream are seasonally active in major countries with sales into cream based commodity products at moderate levels. Butter production is trending lower and is along expectations for the time of year. Butter stocks moving in the PSA during the most recent open period, March 1 - August 15, totaled 133,305 MT. Butter is now eligible to be taken out of the program. There are reports that butter is being removed, but no volumes were available. Butteroil prices are trending higher, reflective of increases in fat values. The market is only lightly tested. Offerings are limited and export demand is very light and price sensitive.

82% BUTTERFAT:	3,500 - 3,900
99% BUTTERFAT:	4,100 - 4,600

SKIM MILK POWDER (SMP): European skim milk powder prices continue to trend higher. The market tone remains firm in the region and for other world exporters. Drying schedules are steady to trending lower to match the milk production levels in producing countries. Buyer interest is fair to good for the current SMP supplies. Some international buyers are seeking future coverage and are actively seeking available supplies. The increasing prices are also motivating other buyers to make purchases ahead of potential further price movements. Holdings of SMP are moving lower in the region.

1.25% BUTTERFAT:	3,100 - 3,500
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SWEET WHEY POWDER: European dry, sweet whey prices continue to move higher. Demand has improved into export markets. There are some volatile market conditions, yet the market trend is firming. Buying interest and pricing levels are also variable depending on quality and sources. Production is often moving lower and matching the declines in cheese output. Traders and handlers are indicating that whey stocks are light to adequate to service accounts.

NONHYGROSCOPIC:	1,250 - 1,400
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WHOLE MILK POWDER (WMP): Prices are higher for whole milk powder in European markets and the tone remains firm. At higher prices, export sales are becoming more difficult to secure. There is market sentiment that the world skim milk market is tighter than the whole milk market. The U.S. market is tighter and more expensive for SMP, but the U.S. is not a player in the world export market for dry whole milk. The influences of the higher SMP world prices have spilled over into other protein markets. Production of WMP is steady to slightly lower and dependent on milk intakes. Holdings by traders and handlers are ample for trade needs.

26% BUTTERFAT:	3,400 - 3,700
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EASTERN OVERVIEW: Eastern Europe milk production trends are declining and volumes are near year ago levels. In general, the milk supplies are adequate to produce sufficient supplies of dairy products. Conditions remain favorable for milk production and seasonal factors are in play. Supplies of dairy products are adequate for local consumption and are available for export needs.

Exchange rates for selected foreign currencies: August 27, 2012

1.0093 Canadian Dollar	.0180 Indian Rupee
.2167 Argentina Peso	.8087 New Zealand Dollar
.0758 Mexican Peso	1.0369 Australian Dollar
.3060 Polish Zloty	.0127 Japanese Yen
	1.2499 Euro

To compare the value of 1 US Dollar to Mexican Pesos:
(1/.0758)
= 13.1926 Mexican Pesos.

Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered August 20 - 31, 2012

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

OVERVIEW: Milk production in the **Oceania** region is trending higher and moving off the low point of the production year as more cows are freshening at the start of the season. Situations are generally quite favorable from both weather and water standpoints. The conditions of the milking herds are very good entering the new production year. Pastures are developing well and there are adequate water supplies to allow for supplemental watering for the season in irrigation districts. This is providing more optimism as weather forecasters are predicting effects of an El Nino cycle that could include dryer summer conditions in the region. This could affect the crop and pasture growth more in dry land production areas. **Australian** milk production in June 2012 was reported to be 4.3% higher than June 2011. The year to date for the production year shows an increase of 4.2%. The highest percentage growth changes were in the Northern Victoria region and in Tasmania. The **New Zealand** milk production season is off to a fast start with processors/handlers reporting milk intakes higher than year ago levels during the early weeks of the season. Opening milk prices are below year ago levels because they were based off the closing pricing from the previous season. Increases and step ups are anticipated in coming months as a result of increasing commodity pricing. Following some robust price increases in the last gDT auction on August 15 and firming prices in other world markets, commodity prices were higher for the reported commodities of butter, cheese, skim milk powder, and whole milk powder in the region. Demand is good across product categories and buyers are active to secure needs ahead of projected firmer prices in the future. Supplies of dairy products are at seasonal low levels as the milk production season is just starting. Producers are often gearing up for specialty and value-added products as first choices. There are no clear indications that pricing levels or projections would favor one commodity category over another, so the schedules are proceeding along plans.

BUTTER: Pricing levels are trending higher for Oceania butter markets. The general market tone remains firm. Demand is good in the early portion of the production season. The higher prices in other world markets are creating more buyer tension. Buyers are looking for coverage for their needs and are more proactive because of pricing levels moving higher. More buyers are looking to price butter out for a longer period than had been thought. Early season production patterns are developing for butter, but there are no considerations that are affecting output levels. Butter holdings are at minimal levels at the start of the season with adequate stocks to fill needs.

82% BUTTERFAT:

2,800 - 3,400

SKIM MILK POWDER (SMP): Oceania skim milk powder markets and prices continue the firming trend into the last half of August. The increases in pricing in the U.S. and the most recent increases in the gDT auction are thought by many buyers

to be foretelling that the SMP market prices will continue to trend in the near term. More buyers are looking to secure product commitments for longer terms; whereas sellers are tending to wait for further market signal trends. Overall, demand is good and more SMP is being transacted. Supplies are adequate for contracted trade needs and continue to develop. Production is along expected volumes during the early portion of the milk season.

1.25% BUTTERFAT:

2,950 - 3,450

CHEDDAR CHEESE: Oceania cheddar cheese prices are trending higher on the bottom end of reported range, while the top of the range is holding at the \$4000 mark. The market tone is firming and supported by world market supply and demand conditions and higher prices in the U.S. and Europe. Cheese production is increasing at a slow rate as the milk production season builds. Output levels are tending to be along projected levels for the current milk supplies. Demand is fair to good across the export complex. Cheese is moving to the existing customer base. Increasing interest is noted from domestic channels in Australia where cheese featuring at the retail level is moving more cheese. Other traders are seeing cheese demand as steadier at more consistent levels.

39% MAXIMUM MOISTURE:

3,400 - 4,000

WHOLE MILK POWDER (WMP): Prices are moving upwards for whole milk powder within the Oceania region and the market undertone remains firm. Demand is fair to good in the early production season and there is crossover demand from the skim milk market sector. The price firmness in the SMP segment is also a big factor in affecting the pricing levels of WMP. Export sales are active to regular accounts and some buyers are trying to front load contracts in anticipation of higher future pricing levels. Production is active and moving higher along early season patterns. Holdings are light and committed for nearby contracted volumes.

26% BUTTERFAT:

2,850 - 3,400

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	08/16	08/17	08/20	08/21	08/22	08/23	08/24	08/27	08/28	08/29
CME - CLASS III MILK FUTURES (Pit-Traded)										
AUG 12	17.66 (4288) 0	17.66 (4281) 0	17.65 (4266) 0	17.66 (4252) 0	17.63 (4219) 0	17.70 (4133) 0	17.72 (4132) 0	17.72 (4132) 0	17.72 (4147) 0	17.73 (4082) 0
SEP 12	19.62 (5311) 0	19.57 (5231) 5	19.05 (5172) 20	19.16 (5213) 0	19.06 (5237) 0	19.20 (5197) 0	19.10 (5126) 18	19.08 (5110) 0	19.06 (5083) 0	19.36 (5055) 0
OCT 12	20.31 (4563) 3	20.25 (4591) 30	19.88 (4706) 0	20.23 (4777) 0	20.07 (4794) 0	20.18 (4921) 0	20.01 (4911) 10	19.97 (4986) 0	19.99 (5038) 0	20.34 (5157) 5
NOV 12	20.11 (3530) 1	20.10 (3607) 26	19.86 (3644) 3	20.19 (3645) 0	20.09 (3686) 0	20.10 (3758) 0	19.98 (3782) 10	20.10 (3884) 0	20.16 (3922) 0	20.55 (4030) 0
DEC 12	20.03 (3220) 3	20.08 (3279) 26	19.87 (3342) 0	20.20 (3375) 3	20.14 (3430) 0	20.15 (3475) 0	19.95 (3462) 10	20.05 (3471) 0	20.05 (3482) 3	20.41 (3532) 0
JAN 13	19.62 (1150) 3	19.73 (1209) 9	19.70 (1221) 0	19.99 (1248) 0	19.95 (1268) 0	19.81 (1280) 0	19.63 (1287) 3	19.69 (1278) 12	19.65 (1307) 0	19.96 (1364) 0
FEB 13	19.15 (963) 4	19.30 (1025) 8	19.30 (1051) 0	19.62 (1070) 0	19.59 (1093) 0	19.45 (1111) 0	19.23 (1125) 3	19.32 (1139) 10	19.28 (1160) 0	19.55 (1157) 0
MAR 13	19.05 (863) 5	19.15 (905) 9	19.16 (933) 0	19.48 (946) 0	19.40 (973) 0	19.20 (981) 0	19.00 (989) 3	19.08 (1005) 10	19.07 (1033) 0	19.30 (1036) 2
APR 13	18.95 (684) 0	19.13 (716) 8	19.14 (734) 0	19.35 (763) 0	19.34 (769) 0	19.30 (775) 0	19.16 (786) 3	19.16 (787) 0	19.08 (793) 0	19.28 (796) 0
MAY 13	18.85 (570) 0	18.86 (601) 8	18.87 (608) 0	19.00 (617) 0	19.05 (644) 0	18.94 (655) 0	18.80 (658) 3	18.80 (659) 0	18.75 (659) 0	18.98 (668) 2
CME - CLASS IV MILK FUTURES (Pit-Traded)										
AUG 12	15.69 (124) 0	15.80 (124) 0	15.80 (124) 0	15.80 (124) 0	15.65 (134) 0	15.65 (134) 0	15.65 (134) 0	15.65 (134) 0	15.65 (134) 0	15.76 (134) 0
SEP 12	17.68 (119) 0	18.30 (119) 0	18.20 (120) 0	18.20 (120) 0	18.20 (120) 0	18.19 (120) 0	18.19 (120) 0	18.19 (120) 0	18.19 (120) 0	18.19 (120) 0
OCT 12	18.85 (75) 0	19.25 (75) 0	19.25 (75) 0	19.25 (75) 0	19.49 (75) 0	19.49 (75) 0	19.49 (75) 0	19.49 (75) 0	19.47 (75) 0	19.47 (75) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
AUG 12	166.33 (875) 0	166.35 (874) 0	166.35 (874) 0	166.35 (874) 0	166.35 (874) 0	166.35 (874) 0	167.00 (874) 0	167.00 (874) 0	167.00 (874) 0	168.59 (894) 0
SEP 12	181.00 (909) 5	182.28 (909) 1	182.98 (909) 2	182.98 (902) 0	182.00 (902) 2	182.00 (902) 0	180.00 (902) 0	182.00 (905) 3	182.00 (905) 4	184.00 (905) 2
OCT 12	183.00 (756) 15	185.25 (758) 6	185.00 (764) 9	185.50 (766) 4	183.50 (769) 6	183.50 (770) 1	181.50 (778) 13	182.00 (776) 4	182.00 (772) 4	184.50 (767) 15
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
AUG 12	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	127.00 (413) 0	125.43 (413) 0
SEP 12	145.90 (357) 0	148.00 (349) 0	147.75 (349) 0	147.75 (348) 0	147.00 (347) 0	144.50 (347) 0	144.50 (347) 0	144.50 (347) 0	144.50 (347) 0	146.00 (347) 0
OCT 12	155.50 (295) 0	158.00 (295) 0	160.00 (301) 0	160.00 (301) 0	160.00 (297) 0	158.53 (296) 0	158.03 (294) 0	158.00 (294) 0	158.00 (294) 0	159.90 (293) 0
CME - WHEY (Electronic-Traded)										
AUG 12	53.95 (277) 0	53.50 (276) 1	53.50 (276) 0	53.50 (276) 0	53.50 (276) 0	53.50 (276) 0	53.50 (276) 0	53.50 (276) 0	53.50 (276) 0	53.52 (271) 0
SEP 12	57.75 (303) 4	57.75 (303) 0	57.65 (304) 1	57.00 (303) 6	57.00 (303) 0	58.00 (302) 1	58.00 (302) 0	57.93 (302) 0	56.50 (305) 14	58.18 (306) 1
OCT 12	61.25 (280) 10	61.48 (280) 1	60.98 (280) 0	60.50 (278) 4	59.53 (277) 2	60.00 (275) 2	60.00 (275) 0	60.00 (275) 0	58.50 (279) 13	60.50 (279) 8
CME - CHEESE CSC (Electronic-Traded)										
AUG 12	1.76 (1359) 0	1.76 (1358) 1	1.76 (1358) 0	1.76 (1358) 0	1.76 (1358) 0	1.76 (1358) 0	1.76 (1358) 0	1.76 (1358) 0	1.76 (1358) 0	1.77 (1382) 0
SEP 12	1.95 (1432) 13	1.94 (1432) 2	1.89 (1430) 12	1.89 (1432) 13	1.89 (1432) 0	1.90 (1421) 18	1.89 (1422) 3	1.89 (1422) 0	1.88 (1410) 34	1.91 (1409) 25
OCT 12	1.99 (1108) 19	1.98 (1110) 11	1.96 (1110) 0	1.97 (1119) 23	1.97 (1118) 2	1.98 (1125) 19	1.96 (1123) 2	1.96 (1123) 3	1.97 (1140) 30	2.00 (1148) 16
NOV 12	1.95 (1106) 10	1.96 (1106) 6	1.95 (1103) 3	1.96 (1102) 3	1.96 (1102) 0	1.97 (1104) 18	1.95 (1112) 18	1.96 (1110) 3	1.97 (1116) 10	2.00 (1116) 20
DEC 12	1.95 (1151) 14	1.95 (1153) 3	1.95 (1153) 4	1.97 (1161) 13	1.96 (1161) 2	1.96 (1161) 8	1.95 (1161) 4	1.95 (1165) 9	1.95 (1165) 0	1.98 (1166) 9
JAN 13	1.93 (179) 6	1.93 (179) 0	1.93 (177) 2	1.95 (184) 8	1.95 (185) 1	1.95 (191) 11	1.93 (233) 43	1.93 (235) 5	1.93 (235) 0	1.95 (239) 11

^{1/} At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.)

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, AUGUST

Component Price Information: Under the Federal milk order pricing system, the butterfat price for August 2012 is \$1.8339 per pound. Thus, the Class II butterfat price is \$1.8409. The protein and other solids prices for August are \$3.1211 and \$0.3462 per pound, respectively. These component prices set the Class III skim milk price at \$11.72 per cwt. The August Class IV skim milk price is \$9.68, which is derived from the nonfat solids price of \$1.0756 per pound.

Product Price Averages: The product price averages for August are: butter \$1.6859, nonfat dry milk \$1.2543, cheese \$1.7682, and dry whey \$0.5352.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT ^{1/} ^{2/}						
FEDERAL MILK ORDER MARKETING AREAS ^{3/}	ORDER NUMBER	AUGUST 2012				SEPTEMBER 2012
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) ^{4/}	001	19.80	15.64	17.73	15.76	20.84
Appalachian (Charlotte) ^{5/} ^{6/}	005	19.95	15.64	17.73	15.76	20.99
Southeast (Atlanta) ^{6/} ^{7/}	007	20.35	15.64	17.73	15.76	21.39
Florida (Tampa) ^{6/} ^{8/}	006	21.95	15.64	17.73	15.76	22.99
Mideast (Cleveland) ^{9/}	033	18.55	15.64	17.73	15.76	19.59
Upper Midwest (Chicago) ^{10/}	030	18.35	15.64	17.73	15.76	19.39
Central (Kansas City) ^{11/}	032	18.55	15.64	17.73	15.76	19.59
Southwest (Dallas) ^{12/}	126	19.55	15.64	17.73	15.76	20.59
Arizona (Phoenix)	131	18.90	15.64	17.73	15.76	19.94
Pacific Northwest (Seattle) ^{13/}	124	18.45	15.64	17.73	15.76	19.49
All-Market Average	---	19.44	15.64	17.73	15.76	20.48

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63 - the approximate number of gallons in 100 pounds of milk.

^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

^{3/} Names in parentheses are the major city in the principal pricing point of the market.

^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.

^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.

^{7/} Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.

^{8/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.

^{9/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

^{10/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

^{11/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

^{12/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
MAY 2012	233.3	2.8	216.1	2.3	209.6	-1.1	220.1	2.4	194.2	-9.9	229.4	2.7
JUN 2012	233.6	2.7	215.5	1.5	207.2	-2.8	220.4	2.0	191.4	-10.4	230.5	3.3
JUL 2012	233.6	2.3	214.4	-0.2	206.9	-3.1	218.0	-1.3	192.8	-11.7	231.3	3.1
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Dollars											
MAY	3.427	3.653	NA	3.693	4.218	4.052	5.568	5.435	5.048	4.614		
JUN	3.396	3.622	NA	3.605	4.030	3.922	5.475	5.443	4.896	4.854		
JUL	3.428	3.654	NA	3.694	4.052	4.093	5.457	5.596	4.929	4.862		

NA = Not available. ^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS - APRIL 2011-JUNE 2012 AND YEAR-TO-DATE 2011-2012 ^{1/}

Item	Apr.-Jun. 2011	Percent change ^{2/}	Apr.-Jun. 2012	Percent change ^{2/}	Jan.-Jun. 2011	Percent change ^{2/}	Jan.-Jun. 2012	Percent change ^{2/}
	Million Pounds							
MILK								
Production	50,432	1.3	51,484	2.1	98,853	1.7	102,501	3.1
Marketings	50,186	1.3	51,238	2.1	98,363	1.7	102,012	3.1
Beginning Commercial Stocks ^{3/}	12,115	-7.5	13,254	9.4	10,927	-3.6	10,983	0.5
Imports ^{3/}	671	13.2	753	12.2	1,378	-0.3	1,528	10.2
Total Supply ^{4/}	62,972	-0.4	65,245	3.6	110,668	1.1	114,523	2.6
Ending Commercial Stocks ^{3/}	13,369	-0.7	14,324	7.1	13,369	-0.7	14,324	7.1
Net Removals ^{3/}	0	-100.0	0	0.0	0	-100.0	0	0.0
Commercial Disappearance ^{4/}	49,603	-0.3	50,921	2.7	97,299	1.5	100,199	2.4
SELECTED PRODUCTS ^{5/}								
Butter	410.4	6.9	443.7	8.1	833.6	8.8	872.2	4.1
American Cheese	1,092.2	0.7	1,109.4	1.6	2,173.9	3.0	2,204.5	0.8
Other Cheese	1,639.5	4.6	1,628.4	-0.7	3,244.3	5.5	3,299.9	1.2
Nonfat Dry Milk	378.7	-9.4	621.5	64.1	746.3	-5.2	1,091.5	45.6
Fluid Milk Products ^{6/}	13,034.1	0.0	12,800.4	-1.8	26,750.4	-1.6	26,340.5	-2.2

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,
BY FEDERAL MILK ORDER MARKETING AREA, JUNE 2012 1/**

For June 2012, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.05 per cwt., up \$0.02 from the May 2012 average. Eighty-eight percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.80 in the Pacific Northwest to \$2.97 in the Florida Order. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.09 per cwt., down \$0.03 per cwt. from the May 2012 average. Seventy-five percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	5	2.72	1.17
Florida	6	2.97	0.44
Southeast	7	2.70	1.96
Upper Midwest	30	2.02	0.84
Central	32	1.98	0.87
Mideast	33	1.69	1.38
Pacific Northwest	124	0.80	0.69
All Reporting Areas Combined 3/		2.05	1.09

1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

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**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,
SEPTEMBER 2012, WITH COMPARISONS ^{1/}**

For September 2012, the all-city average announced cooperative Class I price was \$22.62 per cwt., \$2.41 higher than the Federal milk order (FMO) Class I price average for these cities. The September 2012 Cooperative Class I price was \$1.03 higher than the August 2012 price. The September 2012 Federal order Class I price was \$1.04 higher than the August 2012 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$4.21 in Miami, FL. For September 2011, the all-city average announced cooperative Class I price was \$26.98, \$2.56 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

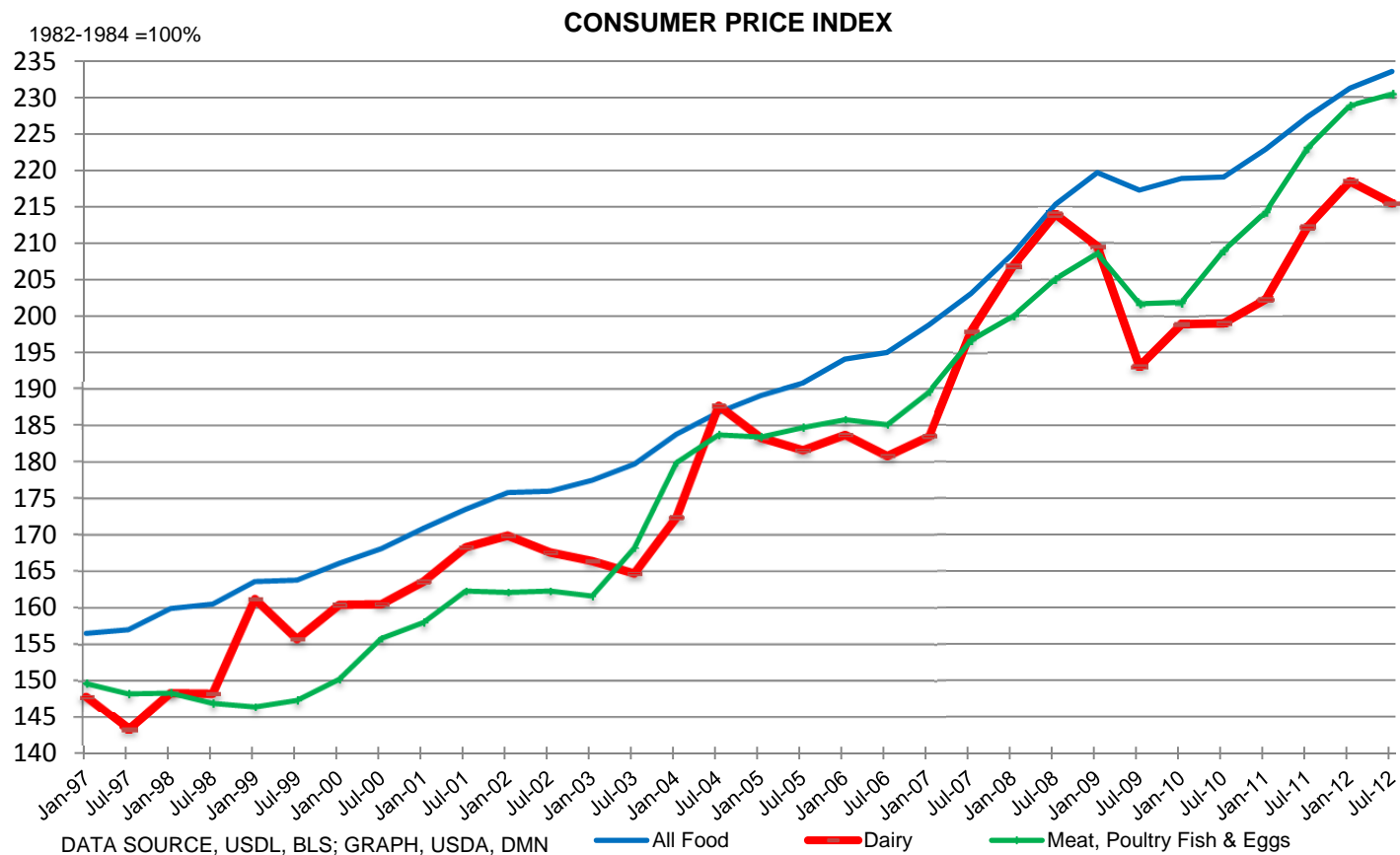
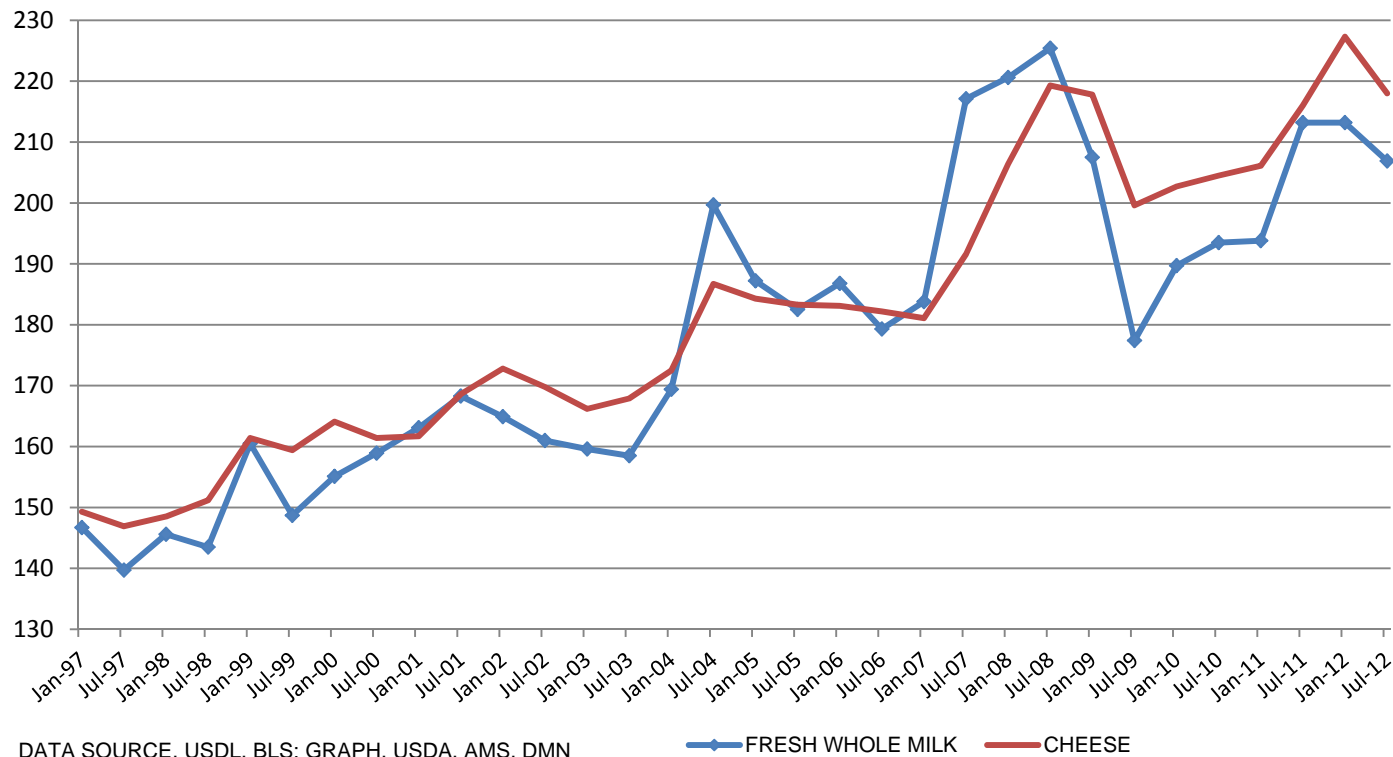
City	SEPTEMBER 2012		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	24.69	21.39	3.30
Baltimore, MD	22.26	20.59	1.67
Boston, MA	22.64	20.84	1.80
Charlotte, NC	24.36	20.99	3.37
Chicago, IL	22.96	19.39	3.57
Cincinnati, OH	22.50	19.79	2.71
Cleveland, OH	22.30	19.59	2.71
Dallas, TX	21.34	20.59	0.75
Denver, CO	21.56	20.14	1.42
Des Moines, IA	22.14	19.39	2.75
Detroit, MI	22.17	19.39	2.78
Hartford, CT	22.54	20.74	1.80
Houston, TX	22.59	21.19	1.40
Indianapolis, IN	22.30	19.59	2.71
Kansas City, MO	21.83	19.59	2.24
Louisville, KY	23.06	19.89	3.17
Memphis, TN	23.66	20.49	3.17
Miami, FL	27.80	23.59	4.21
Milwaukee, WI	22.91	19.34	3.57
Minneapolis, MN	21.82	19.29	2.53
New Orleans, LA	23.56	21.39	2.17
Oklahoma City, OK	22.33	20.19	2.14
Omaha, NE	21.89	19.44	2.45
Philadelphia, PA	23.53	20.64	2.89
Phoenix, AZ	20.44	19.94	0.50
Pittsburgh, PA	23.18	19.69	3.49
St. Louis, MO	21.98	19.59	2.39
Seattle, WA	20.31	19.49	0.82
Springfield, MO	22.63	19.99	2.64
Washington, DC	22.26	20.59	1.67
Wichita, KS	21.73	19.79	1.94
Simple Average	22.62	20.21	2.41

^{1/} This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

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

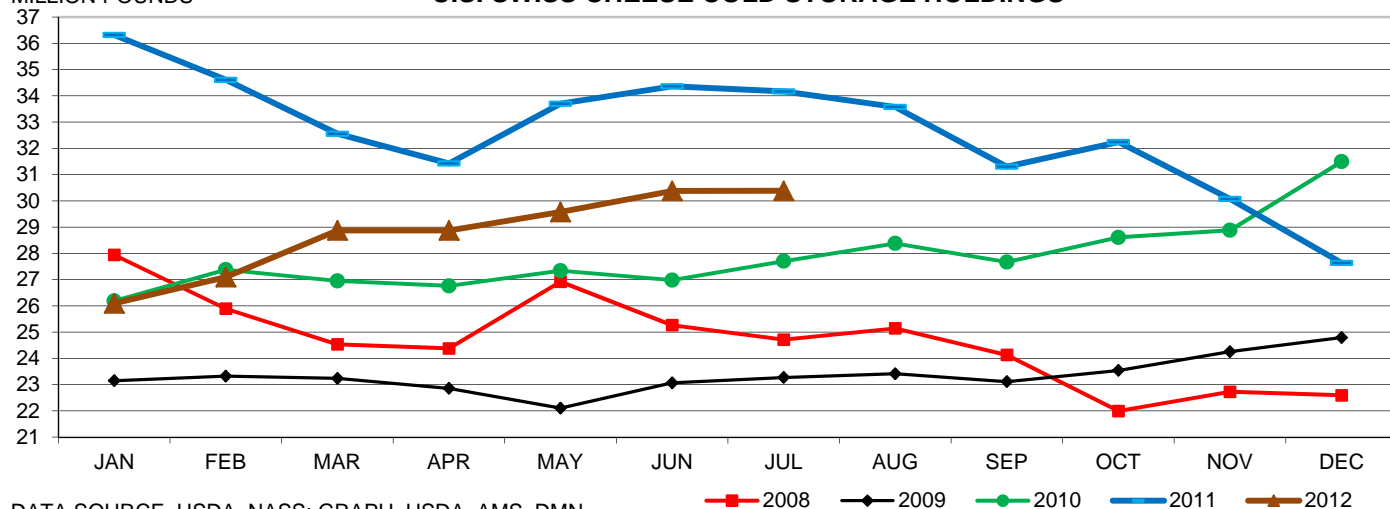
CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100%



MILLION POUNDS

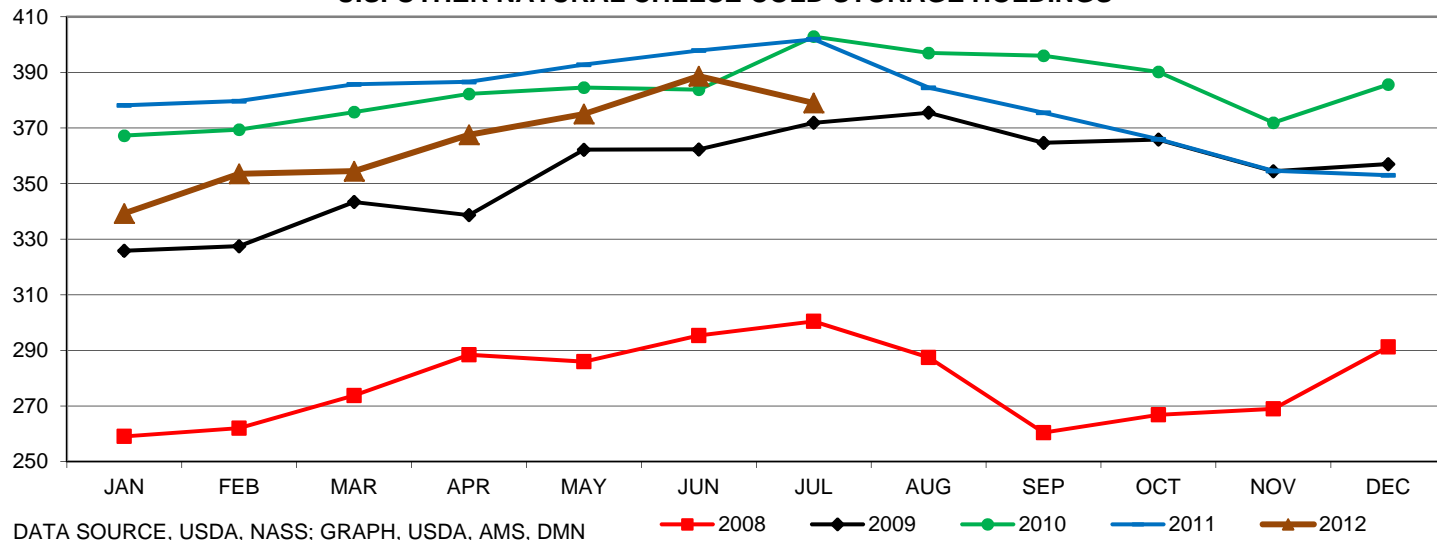
U.S. SWISS CHEESE COLD STORAGE HOLDINGS



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

MILLION POUNDS

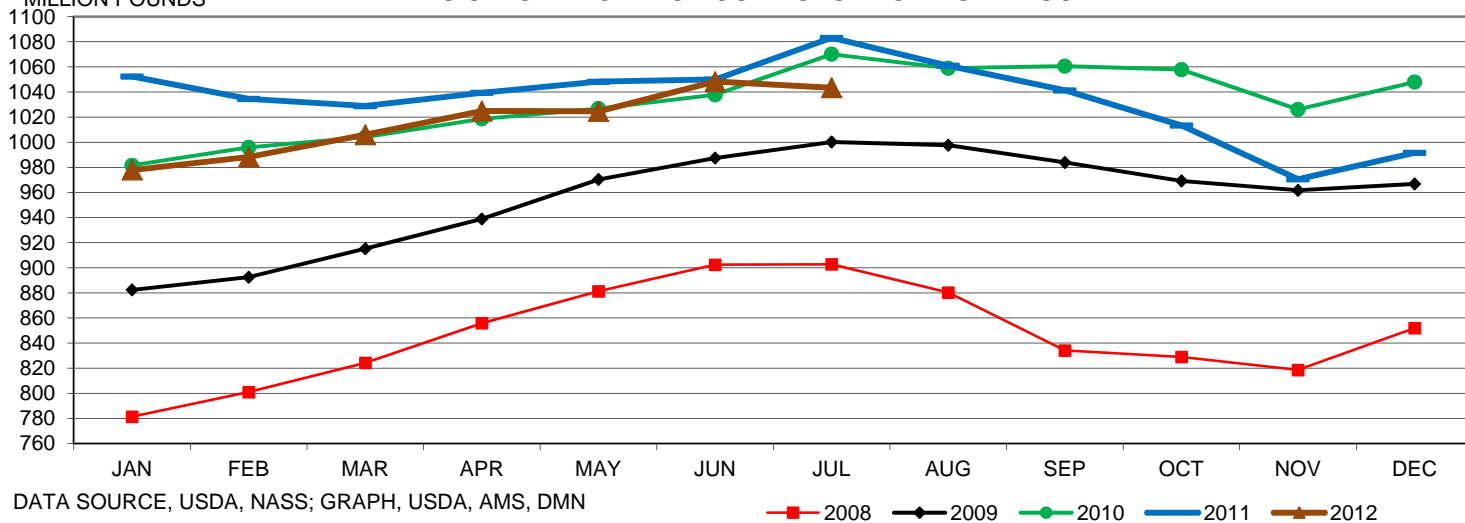
U.S. OTHER NATURAL CHEESE COLD STORAGE HOLDINGS



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

MILLION POUNDS

U.S. TOTAL CHEESE COLD STORAGE HOLDINGS



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

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