

CASH DAIRY PRODUCT MARKETS

For Week Ending:	Weekly Average for Week Ending:							Friday's
	09/16/11	09/23/11	09/30/11	10/07/11	10/14/11	10/21/11	10/28/11	Close
CME Cheddar 40# Blocks	\$ 1.7825	\$ 1.7250	\$ 1.7210	\$ 1.7340	\$ 1.7030	\$ 1.7185	\$ 1.7270	\$ 1.7725
CME Cheddar Barrels	\$ 1.7245	\$ 1.6780	\$ 1.6580	\$ 1.7010	\$ 1.7210	\$ 1.7050	\$ 1.7400	\$ 1.7675
CME Grade "AA" Butter	\$ 1.9045	\$ 1.8150	\$ 1.7600	\$ 1.7635	\$ 1.8140	\$ 1.8585	\$ 1.8720	\$ 1.8800
USDA Western NFD (Mostly)	\$ 1.4900	\$ 1.4900	\$ 1.4850	\$ 1.4750	\$ 1.4575	\$ 1.4450	\$ 1.4300	--
USDA Western Whey (Mostly)	\$ 6.1375	\$ 0.6163	\$ 0.6225	\$ 0.6300	\$ 0.6375	\$ 0.6300	\$ 0.6338	--
USDA Central Whey (Mostly)	\$ 0.5775	\$ 0.5875	\$ 0.5875	\$ 0.6000	\$ 0.6050	\$ 0.6075	\$ 0.6075	--
NASS Survey For Week Ending:	09/02/11	09/09/11	09/16/11	09/23/11	09/30/11	10/07/11	10/14/11	10/21/11
Cheddar 40# Blocks:	\$ 1.9847	\$ 1.8752	\$ 1.8159	\$ 1.8005	\$ 1.7590	\$ 1.7475	\$ 1.7373	\$ 1.7271
Cheddar Barrels (38% Moisture):	\$ 1.8943	\$ 1.8035	\$ 1.7814	\$ 1.7694	\$ 1.7275	\$ 1.7080	\$ 1.7227	\$ 1.7417
Butter	\$ 2.0605	\$ 2.0356	\$ 1.9393	\$ 1.8911	\$ 1.8084	\$ 1.7579	\$ 1.7528	\$ 1.8039
Nonfat Dry Milk	\$ 1.5424	\$ 1.5578	\$ 1.5365	\$ 1.5413	\$ 1.5161	\$ 1.5418	\$ 1.5231	\$ 1.4969
Whey	\$ 0.5878	\$ 0.5890	\$ 0.5908	\$ 0.6006	\$ 0.6055	\$ 0.6033	\$ 0.6191	\$ 0.6208
Class III Estimator	\$ 19.84	\$ 18.88	\$ 18.45	\$ 18.36	\$ 17.95	\$ 17.77	\$ 17.88	\$ 17.95
Class IV Estimator	\$ 19.83	\$ 19.85	\$ 19.26	\$ 19.10	\$ 18.53	\$ 18.54	\$ 18.36	\$ 18.35

MONTHLY MILK AND MILK COMPONENT PRICES

For Month:	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
FMMO Prices, 3.5% Fat, 2.99% True Protein								
FMMO Class I Base Price	\$ 15.89	\$ 18.23	\$ 19.43	\$ 19.75	\$ 20.32	\$ 21.03	\$ 21.43	\$ 21.78
FMMO Class II Price	\$ 17.97	\$ 18.83	\$ 19.66	\$ 20.63	\$ 21.37	\$ 21.29	\$ 21.55	\$ 20.55
FMMO Class III	\$ 17.00	\$ 19.40	\$ 16.87	\$ 16.52	\$ 19.11	\$ 21.39	\$ 21.67	\$ 19.07
FMMO Class IV	\$ 18.40	\$ 19.41	\$ 19.78	\$ 20.29	\$ 21.05	\$ 20.33	\$ 20.14	\$ 19.53
FMMO Producer Component Prices Per Pound								
Milkfat	\$ 2.2967	\$ 2.2859	\$ 2.2113	\$ 2.2497	\$ 2.3702	\$ 2.2511	\$ 2.2985	\$ 2.2005
True Protein	\$ 2.5586	\$ 3.3024	\$ 2.4984	\$ 2.3133	\$ 2.9807	\$ 3.8292	\$ 3.8305	\$ 3.0282
Other Solids	\$ 0.2310	\$ 0.2665	\$ 0.2902	\$ 0.3026	\$ 0.3339	\$ 0.3608	\$ 0.3811	\$ 0.4053
California Overbase Fat	\$ 2.1980	\$ 2.2360	\$ 2.1940	\$ 2.2460	\$ 2.3170	\$ 2.2240	\$ 2.2830	\$ 2.1200
California Overbase SNF	\$ 1.0400	\$ 1.0900	\$ 1.0710	\$ 1.0820	\$ 1.3080	\$ 1.3510	\$ 1.3260	\$ 1.2360

CHICAGO MERCANTILE EXCHANGE (CME) FUTURES MARKETS

Closing Prices	OCT11	NOV11	DEC11	JAN12	FEB12	MAR12	APR12	MAY12
Cash Settled Butter (¢ / lb.):	178.500	184.000	173.000	171.000	170.000	171.750	175.250	176.500
Change from last Friday (¢ / lb.):	0.500	1.000	(2.000)	(2.000)	(2.500)	(3.250)	(2.750)	(1.500)
Cash Settled Cheese (\$ / lb.):	\$ 1.7440	\$ 1.7700	\$ 1.7030	\$ 1.6520	\$ 1.6300	\$ 1.6510	\$ 1.6600	\$ 1.6700
Change from last Friday:	\$ 0.003	\$ 0.065	\$ 0.058	\$ 0.012	\$ 0.003	\$ 0.009	\$ 0.016	\$ 0.023
Class III Milk Contract, 3.5% Fat	\$ 18.04	\$ 18.35	\$ 17.62	\$ 16.93	\$ 16.55	\$ 16.58	\$ 16.60	\$ 16.59
Change from last Friday:	\$ 0.04	\$ 0.70	\$ 0.69	\$ 0.41	\$ 0.37	\$ 0.37	\$ 0.45	\$ 0.47
Open Interest (Thursday)	5170	5355	5018	2630	2359	2137	1622	1571
Change from last Friday:	(65)	(31)	244	258	232	252	181	148

DAIRY NEWS OF INTEREST

Market Update

CME cash cheese prices were an up-and-down ride this week, but finished on the up side compared to last Friday. Block cheddar fell as low as \$1.69 per pound before finishing strong, up 5.25 cents total on the week. Seven trades were completed. Barrels gained 7.75 cents per pound on eleven completed trades.

Cash butter increased another two cents this week, reaching \$1.88 per pound on thirteen completed trades. Grade A nonfat dry milk dropped a nickel on Wednesday to close at \$1.43 per pound. Extra Grade held unchanged at \$1.58 per pound. No nonfat dry milk trades were completed.

European Union milk production was up 3% in July, after only a 0.6% increase in May and June. Most of the additional production went into skim milk powder, increasing EU dairy exports 28% year-to-date.

In New Zealand, a natural gas leak shut down 15 Fonterra processing plants and over 2500 other businesses on the North Island. Farmers dumped about 30 million liters of milk early this week and some plants remain closed.

Dairy Security Act Impact Studied

Mark Stephenson of the University of Wisconsin-Madison and Charles Nicholson of Cal Poly have released the first economic analyses of both the Dairy Security Act and the Rural Economic Farm and Ranch Sustainability and Hunger Act that incorporates the Dairy Security Act provisions. The analyses compared the baseline projections to estimates under each legislation, both at low and high levels of producer participation.

Compared to the expected baseline for 2012 through 2018, both legislative programs would reduce the variability in the all milk price. Higher participation resulted in more volatility reduction. The reduced volatility, however, led to lower average all milk, Class III, and Class IV prices. The Dairy Market Stabilization Program would be in effect between 40% and 45% of all months.

Expected government expenditures varied greatly depending on producer participation. At low levels of enrollment, the dairy programs only cost \$61 million over the five years, but should 50% of dairy producers participate, the expected outlays jump to \$824 million.