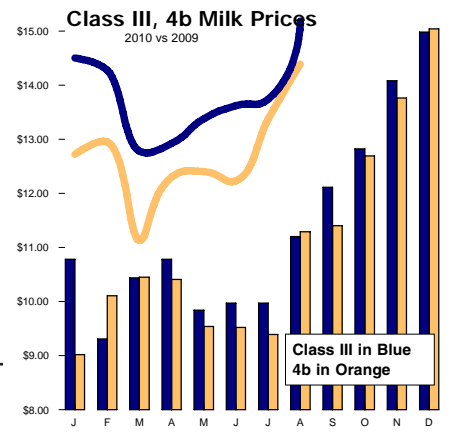




CHEESE REPORTER

Vol. 135, No. 10 • Friday, September 3, 2010 • Madison, Wisconsin



Cheese Production Jumped 4.7% In July Despite Drop In Wisconsin; CA, NM, IA Post Double-Digit Increases

Washington—US cheese production during July totaled 882.3 million pounds, up 4.7 percent from July 2009, USDA's National Agricultural Statistics Service (NASS) reported Thursday.

Cheese production during the first seven months of 2010 totaled 6.013 billion pounds, up 2.8 percent from the first seven months of 2009.

July cheese production by region, with comparisons to July 2009, was as follows: Central, 392.1 million pounds, up 0.8 percent; West, 378.4 million pounds, up 10.6 percent; and Atlantic, 111.7 million pounds, up 0.2 percent.

Cheese production in the two leading states moved in opposite directions during July. Wisconsin's July cheese output totaled 221.7 million pounds, down 0.6 percent from July 2009. That marked the third time this year that Wisconsin's monthly cheese production has been below a year earlier.

Meanwhile, California's July cheese production, at 188.4 million pounds, was up 12.8 percent from July 2009. However, output is still 7.5 million pounds below the July record, which was set in 2007. California's cheese production in July 2009 was the lowest output for the month since 2004.

July cheese production in the other major states, with comparisons to July 2009, was as follows: Idaho, 72.5 million pounds, up 6.0 percent; New Mexico, 59.8 million pounds, up 19.8 percent; New York, 58.6 million pounds, down 1.4 percent; Min-

• See **Cheese Output Rises**, p. 8

Judge Dismisses Some, But Not All, Complaints In Dairy Antitrust Lawsuit

All Claims Against Hood Dismissed, As Are Some Claims Alleging Price-Fixing Conspiracy; Some DFA, Dean Motions Denied

Burlington, VT—US District Court Judge Christina Reiss, in a decision issued Monday in a dairy antitrust case, granted some defendants' motions to dismiss claims but denied motions to dismiss other claims.

The case dates back to October of 2009, when a class action, antitrust lawsuit was filed on behalf of Northeast dairy farmers against Dairy Farmers of America (DFA) and Dean Foods Company. Dairy Marketing Services (DMS), a DFA affiliate, and HP Hood were also named in the lawsuit. An amended complaint was filed in January 2010.

As Reiss explained in her decision, plaintiffs' antitrust claims arose out of DFA's alleged unlawful creation of monopsony and monopoly power in the milk distribution system by tying up access to milk bottling plants in the Northeast through unlawful exclusive supply agreements and then using that monopsony power to force independent

farmers to join DFA or to market their raw milk through its marketing affiliate, DMS.

DFA allegedly utilized its and DMS's market power "to reduce fluid raw milk prices paid to its members and other class members relative to what would have prevailed in a competitive market," the lawsuit stated. These lowered raw milk prices allegedly increased profits for defendants Dean Foods and Hood, with whom DFA allegedly conspired and contracted to establish and maintain its market power.

In their amended complaint, plaintiffs allege four claims against Hood, Reiss noted. Hood sought dismissal of plaintiffs' claims because the amended complaint lacks the requisite specificity.

Plaintiffs' allegations against Hood do not allege any facts regarding Hood's alleged agreement to conspire, Reiss stated. Accordingly, the amended complaint, even when viewed in the light "most favorable" to the plaintiffs, "remains wholly conclusory and fails to state antitrust conspiracy claims against Hood."

Hood's motion to dismiss was granted by Reiss, who also dismissed

without prejudice plaintiffs' claims against Hood.

Dean Foods sought dismissal of the amended complaint on the grounds that plaintiffs failed to adequately plead a relevant product and geographic market.

The amended complaint alleged that fluid raw Grade A milk for bottling is the relevant product market, and alleged that this product is not reasonably interchangeable with milk for other uses because milk for non-bottling purposes does not enable producers to "touch base" and therefore become eligible to receive the federal order minimum blend price and over-order premiums.

In seeking dismissal, Dean Foods argued that it is undisputed that Grade A milk is purchased by Class II, III, and IV plants, which also offer a blend price, and that Grade A milk may be used for cheese, ice cream, sour cream, butter, powdered milk and other products; its use is thus not confined to Class I bottling plants for fluid drinking milk.

Dean Foods pointed out that by narrowing the relevant product mar-

• See **Antitrust Lawsuit**, p. 15

Uplands Cheese's Pleasant Ridge Reserve Again Takes ACS Best Of Show Award

Seattle, WA—"It's difficult to win Best of Show when you only make one cheese, and that's what we have this evening - for the third time," said John Greeley, co-chair of the American Cheese Society's (ACS) competition and judging committee.

Hundreds of ACS members and conference attendees rose to their feet as Mike Gingrich of Uplands Cheese Company, Dodgeville, WI, took the stage to collect his third Best of Show win at the 2010 ACS Cheese Competition here last Saturday.

Uplands' Extra Aged Pleasant Ridge Reserve took first place in the Farmstead Cheese division, Open Category for Hard Cow's Milk cheeses.

Pleasant Ridge Reserve had also earned ACS Best of Show in 2001 and 2005, and was named United States Champion Cheese in the 2003 United States Championship Cheese Contest.

Second place in the ACS contest went to the Vermont Butter & Cheese Creamery of Websterville, VT, for its Bonne Bouche, which took first place in the Aged Goat's Milk Division, Open Category.

Farms for City Kids Foundation of Reading, VT, earned third place for its Spring Brook Farm Tarentaise, which won first place in the Farmstead Division, Open Semi-soft Cow's Milk Category.

This year's ACS contest drew a total of 1,462 cheese and cultured dairy product entries from 225 producers in 34 US states, along with manufacturers from Canada and Mexico.

The record-breaking contest was up by 135 entries from last year's ACS cheese competition in Austin, TX.

Results from the 2010 American Cheese Society Cheese Competition are as follows:

• See **Uplands Cheese Wins**, p. 10

Lotito Foods Subsidiary To Occupy Former Via Cheese Facility In Swanton, VT

Swanton, VT—Swan Valley Cheese, a subsidiary of Lotito Foods Inc., will be occupying the former Via Cheese facility in the Swanton Town Industrial Park here, Vermont Gov. Jim Douglas announced Wednesday.

"We are excited to be a part of Vermont's agricultural business community," said Chris Lotito, president of Swan Valley Cheese and also president and CEO of Lotito Foods.

"The availability of milk, the skilled workforce and the strong support that we have received from the town of Swanton, the village of Swanton and the state of Vermont

• See **Swanton Plant**, p. 5

INSIDE THIS ISSUE:

'Reviewing 1980'	p. 2
Menu Labeling Guidance	p. 3
"WI's Industry Expanding"	p. 4
Dairy Import Fee at \$1.50	p. 6
USDA Raises Export Forecast	p. 9

Antitrust Lawsuit

(Continued from p. 1)

ket to Grade A raw milk sold to bottlers and by focusing on the financial incentives attached to selling to this market, plaintiffs have limited the market by customer traits, rather than by differences between the product and its acceptable substitutes.

On balance, although Reiss was concerned that plaintiffs have "artificially narrowed" the relevant product market to Grade A fluid raw milk for bottling, before the court may make this determination, it must examine industry recognition of the market, the commercial realities of, among other things, production, transportation, accessibility of plants, pricing, and consumer preferences, as well as the dynamics of the market. This level of detailed information is not required at the pleading stage.

Plaintiffs are thus entitled to discovery and a factual inquiry before their alleged product market may be dismissed as impermissibly narrow, Reiss continued.

Dean's request for dismissal of the amended complaint for failure to plead a relevant product market was denied.

In their amended complaint, plaintiffs alleged that the Northeast, which plaintiffs claim is the same as the Northeast federal order, is the relevant geographic market.

Plaintiffs alleged that selling Grade A raw milk outside the Northeast is not a viable substitute because fluid Grade A raw milk is highly perishable.

In seeking dismissal, Dean Foods objected to the use of federal orders, which it characterized as "creatures of federal regulation," to define a geographic market for antitrust purposes. Dean Foods further contended that perishability of the product does not support the alleged geographic market because the Northeast order excludes Maine and includes areas in Virginia and Maryland.

Although Reiss is not convinced that the Northeast order is "the area of effective competition," she ruled that the amended complaint contains "sufficient facts" to support its proposed geographic market which, when accepted as true and regarded in the light most favorable to plaintiffs, render dismissal inappropriate at this time.

Dean's motion to dismiss the amended complaint for failure to plead a relevant geographic market was therefore denied.

Dean's Alleged Market Power

Dean Foods sought dismissal of Counts III (attempt to monopolize) and V (unlawful monopoly) of the amended complaint on the further ground that plaintiffs allegedly "have failed to supply any factual predicate for their conclusory allegations that Dean had the requisite market power to support their claims."

Dean Foods characterized plaintiffs' claims regarding its market share as similarly conclusory. In particular, Dean pointed out that while plaintiffs purport to calculate its market share in New England, plaintiffs also allege a relevant market of the Northeast order, which is not commensurate with New England.

Moreover, Dean asserted that publicly available documents reveal that it owned fewer than 20 percent of the bottling plants in the Northeast order during plaintiffs' proposed class period. By focusing solely on the number of plants it owns in the Northeast order, Dean calculated its own market share as approximately 18 percent and sought dismissal on this basis.

"Certainly there is no authority for dismissing a complaint at the pleading stage based upon Dean's approach of simply adding up the bottling plants in the relevant geographic market, determining what percentage of the number of plants are owned by Dean, and dismissing the case" if that number is less than 30 percent, Reiss said.

The amended complaint "adequately pleads" Dean's market share in the alleged relevant market, and the actual determination of both Dean's market share and market power must await a full consideration of the relationship between market share and other relevant market characteristics, Reiss added. She thus denied Dean's request for dismissal of Counts III and V for failure to plead sufficient market power.

Monopolization Claims

DFA and DMS sought dismissal of Count II (attempt to monopolize) and Count IV (unlawful monopolization) of the amended complaint for failure to state a claim. They asserted that Counts II and IV contain no factual allegations that DFA possesses monopoly power, or that there is a dangerous probability that it will acquire monopoly power.

DFA and DMS asked the court to dismiss the amended complaint without any discovery based upon their further contention that DFA's 1,900 members in the Northeast represent a market share of approximately 17 percent.

In their opposition, plaintiffs argued that DFA's market share must be considered in conjunction with the market share of DMS, as the two act as one. In so arguing, they disavowed any reliance on a shared monopoly theory and alleged, instead, that their theory is one of agency and that they seek to hold DFA responsible for its own antitrust violations, as well as for those of its alleged agent, DMS.

The amended complaint alleges that Dairy Farmers of America, as principal, acted in concert with DMS, as agent, in an attempt to monopolize and to monopolize in violation of Section 2 of the Sherman Act.

Specifically, Reiss noted, the amended complaint alleges that DMS is subject to DFA's direction and control; that DMS was formed by DFA to act as DFA's exclusive marketing agent; that through DMS, DFA exercises control over more farmers; that DFA and DMS together have punished farmers, haulers, and independent processors who operate outside of their sphere of influence; and that DFA and DMS together have harmed competition.

Because the amended complaint sufficiently alleges claims of attempted monopolization and monopolization based upon an agency theory, Reiss denied DFA's motion to dismiss Counts II and IV of the amended complaint for failure to state a claim.

Price-Fixing Claims

Defendants DFA and DMS sought dismissal of Count VI of the amended complaint, which alleges price-fixing against them.

Plaintiffs' price-fixing claims contain two distinct components, Reiss explained: first, plaintiffs allege that DFA fixed prices through DMS; and second, plaintiffs allege that DFA and DMS fixed prices through the Greater Northeast Milk Marketing Association (GNEMMA).

Because the amended complaint alleges that DFA-DMS, acting as a single entity, conspired with itself to fix prices, it fails to state a DFA-

DMS price-fixing claim as a matter of law, Reiss stated. DFA's and DMS's motion to dismiss the DFA-DMS price-fixing allegations was therefore granted.

DFA's and DMS's argument in favor of dismissal of plaintiffs' GNEMMA price-fixing claim on the basis of Capper-Volstead immunity "is considerably less persuasive," Reiss stated.

Reiss determined that the amended complaint contains sufficient plausible factual allegations regarding a price-fixing conspiracy through GNEMMA to withstand pre-discovery dismissal. Accordingly, DFA's and DMS's motion to dismiss Count VI is granted in part and denied in part.

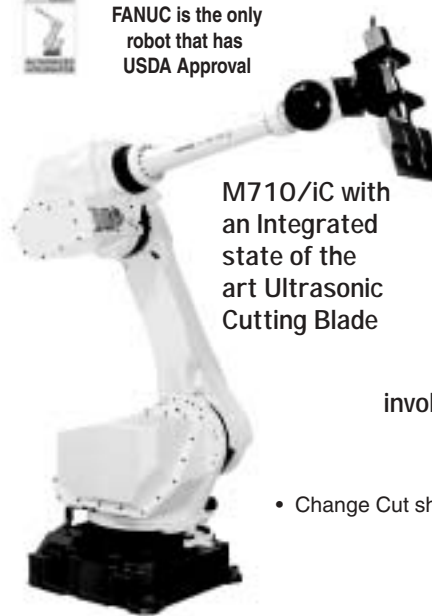
Finally, defendants challenged all but Count VI of the amended complaint, which alleges price-fixing, as barred by the applicable statute of limitations. Defendants asserted that Counts I-V and VII allege claims that are dependent upon acts that took place more than four years before the filing of plaintiffs' initial complaint.

But Reiss ruled that plaintiffs have alleged overt anticompetitive acts within the limitations period with regard to each count of the amended complaint and defendants have failed to sustain their burden to prove otherwise.

Therefore, defendants' motions to dismiss on statute of limitations grounds were denied. r

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August 2010 with comparisons to August 2009

Class III - Cheese Milk Price	2009	2010
PRICE (per hundredweight)	\$11.20	\$15.18
SKIM PRICE (per hundredweight)	\$7.08	\$8.35
Class II - Soft Dairy Products	2009	2010
PRICE (per hundredweight)	\$10.86	\$16.98
BUTTERFAT PRICE (per pound)	\$1.2561	\$2.0406
Class IV - Butter, MP	2009	2010
PRICE (per hundredweight)	\$10.38	\$15.61
SKIM MILK PRICE (per hundredweight)	\$6.23	\$8.80
BUTTERFAT PRICE (per pound)	\$1.2491	\$2.0336
NONFAT SOLIDS PRICE (per pound)	\$0.6918	\$0.9780
PROTEIN PRICE (per pound)	\$2.1009	\$2.3788
OTHER SOLIDS PRICE (per pound)	\$0.0962	\$0.1647
SOMATIC CELL ADJUSTMENT RATE (per 1,000 scc)	\$0.00063	\$0.00080
Product Price Averages	2009	2010
Cheese, US 40-block, NASS	\$1.2605	\$1.6031
Butter, CME	\$1.2030	\$1.8508
Nonfat Dry Milk	\$0.8666	\$1.1557
Dry Whey	\$0.2925	\$0.3590

California 4a & 4b Milk Prices

August 2010 with comparisons to August 2009

California Class 4a & 4b Prices			Minimum Prices per cwt	
Class	Lb. Fat	Lb. SNF	2009	2010
4a	\$2.0741	\$0.9689	\$10.21	\$15.69
4b	\$2.0741	\$0.8196	\$11.29	\$14.39

Commodity Market Prices

Product	2009	2010
Cheese, US 40-block, CME	\$1.3157	\$1.6191
AA Butter, CME	\$1.2172	\$1.9153
Nonfat Dry Milk (low/med. heat), West, USDA	\$0.8458	\$1.1387

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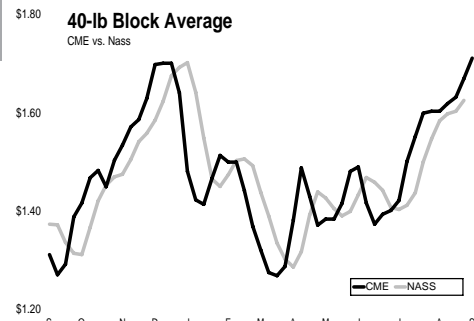
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September 3—NASS,USDA. Prices included are provided each week by manufacturers. Prices collected are for the (wholesale) point of sale for natural, unaged Cheddar; boxes of butter meeting USDA standards; Extra Grade edible dry whey; and Extra Grade and USPH Grade A nonfortified NFDM. A transaction is complete when the product is "shipped out" and title transfers. *Revised



Style and Region	WEEK ENDING			
	Aug. 28	Aug. 21	Aug. 14	Aug. 7
40-Pound Blocks				
Average Price	Dollars/Pound			
MN/WI	1.7378	1.7021	1.6971	1.6589
Other States	1.6153	1.5943	1.5914	1.5781
US	1.6245	1.6029	1.5974	1.5834
Sales Volume	Pounds			
MN/WI	803,562	1,016,086	629,554	803,592
Other States	9,863,370	11,642,166	10,410,208	11,287,763
US	10,666,932	12,658,252	11,039,762	12,091,355
500-Pound Barrels				
Average Price	Dollars/Pound			
MN/WI	1.6954	1.6891	1.6710	1.6536
Other States	1.6949	1.6816	1.6575	1.6428
US	1.6951	1.6851	1.6628	1.6474
Price Adj. to 38% Moisture	Dollars/Pound			
MN/WI	1.6237	1.6115	1.5974	1.5867
Other States	1.6119	1.6043	1.5877	1.5705
US	1.6166	1.6076	1.5915	1.5774
Sales Volume	Pounds			
MN/WI	3,740,900	4,223,315	3,477,256	4,270,414
Other States	5,579,440	4,806,533	5,338,361	5,690,861
US	9,320,340	9,029,848	8,815,617	9,961,275
Moisture Content	Percent			
MN/WI	35.26	35.03	35.14	35.38
Other States	34.81	35.01	35.28	35.15
US	34.99	35.02	35.22	35.25
Butter				
Average Price	Dollars/Pound			
US	1.9659	1.8940	1.8508	1.8025
Sales Volume	Pounds			
US	4,341,969	4,001,276	3,583,433	3,500,540
Nonfat Dry Milk				
Average Price	Dollars/Pound			
US	1.1413	1.1493	1.1353	1.1766
Sales Volume	Pounds			
US	23,503,193	19,987,746	22,484,715	18,803,839
Dry Whey Prices				
Average Price	Dollars/Pounds			
US	0.3584	0.3553	0.3583	0.3590
Sales Volume	Pounds			
US	11,075,916	10,965,330	11,784,725	9,016,239

DAIRY FUTURES PRICES

SETTLING PRICE							*Cash Settled	
Date	Month	Class III*	Class IV*	Dry Whey*	NDM*	Butter*	Cheese*	
8-27	August 10	15.15	15.62	36.000	116.000	184.000	1.5900	
8-30	August 10	15.15	15.60	36.000	116.000	184.000	1.5900	
8-31	August 10	15.15	15.60	36.000	116.000	184.000	1.5900	
9-1	August 10	15.15	15.60	36.000	115.750	184.000	1.5910	
9-2	August 10	15.15	15.60	36.000	115.750	184.000	1.5910	
8-27	September 10	15.88	16.45	36.950	116.025	210.000	1.6410	
8-30	September 10	15.86	16.70	36.750	116.025	210.000	1.6410	
8-31	September 10	16.07	16.70	36.250	116.250	206.900	1.6700	
9-1	September 10	16.19	16.70	36.250	116.250	212.000	1.6830	
9-2	September 10	16.13	16.70	36.250	116.250	212.500	1.6830	
8-27	October 10	15.60	16.75	36.750	120.000	207.000	1.6250	
8-30	October 10	15.49	16.92	37.000	120.250	206.500	1.6020	
8-31	October 10	15.75	16.92	37.000	120.000	205.000	1.6035	
9-1	October 10	15.88	16.92	37.000	120.000	207.000	1.6470	
9-2	October 10	15.66	16.92	37.000	120.000	208.500	1.6340	
8-27	November 10	15.01	16.10	35.500	120.000	191.000	1.5800	
8-30	November 10	14.88	16.18	35.500	120.000	189.500	1.5730	
8-31	November 10	15.07	16.18	35.500	120.000	190.000	1.5880	
9-1	November 10	15.23	16.18	35.500	120.000	188.000	1.6050	
9-2	November 10	14.98	16.18	35.500	120.000	188.000	1.6030	
8-27	December 10	14.56	15.40	35.000	120.000	173.750	1.5400	
8-30	December 10	14.53	15.55	35.000	120.500	173.750	1.5420	
8-31	December 10	14.65	15.55	35.000	120.000	176.000	1.5470	
9-1	December 10	14.75	15.55	35.000	120.000	172.750	1.5580	
9-2	December 10	14.60	15.55	35.000	120.000	172.750	1.5700	
8-27	January 11	14.17	14.75	34.500	119.000	162.750	1.5010	
8-30	January 11	14.15	14.96	34.500	119.000	162.750	1.5030	
8-31	January 11	14.17	14.96	34.500	119.000	163.000	1.5100	
9-1	January 11	14.23	14.96	34.500	119.000	163.000	1.5100	
9-2	January 11	14.15	14.96	34.500	119.000	163.000	1.5100	
8-27	February 11	13.98	14.50	33.250	118.000	159.000	1.5250	
8-30	February 11	14.00	14.71	32.750	118.000	159.000	1.5350	
8-31	February 11	14.00	14.71	32.500	118.000	158.500	1.5300	
9-1	February 11	14.00	14.71	33.500	118.000	157.500	1.5300	
9-2	February 11	13.90	14.71	33.500	117.750	157.500	1.5250	
8-27	March 11	14.04	14.45	29.500	117.000	157.500	1.5200	
8-30	March 11	14.00	14.56	29.500	117.000	157.500	1.5200	
8-31	March 11	14.00	14.56	30.000	117.000	158.000	1.5220	
9-1	March 11	13.98	14.56	30.250	117.500	157.500	1.5220	
9-2	March 11	13.92	14.56	30.750	116.750	157.500	1.5200	
8-27	April 11	14.00	14.32	28.750	114.000	157.000	1.5600	
8-30	April 11	13.97	14.28	28.750	114.000	157.000	1.5650	
8-31	April 11	13.98	14.28	28.750	114.000	157.000	1.5600	
9-1	April 11	13.97	14.28	28.750	114.000	157.000	1.5460	
9-2	April 11	13.91	14.28	29.500	114.000	157.000	1.5400	
8-27	May 11	14.10	14.15	29.000	112.000	158.000	1.5450	
8-30	May 11	14.07	14.15	29.000	112.000	158.000	1.5450	
8-31	May 11	14.10	14.15	29.000	112.000	158.000	1.5470	
9-1	May 11	14.05	14.15	29.000	112.000	157.000	1.5470	
9-2	May 11	13.95	14.15	29.500	112.000	157.000	1.5550	
8-27	June 11	14.12	14.04	29.000	110.000	160.000	1.5550	
8-30	June 11	14.08	14.06	29.000	110.000	160.000	1.5600	
8-31	June 11	14.10	14.06	29.000	110.000	159.500	1.5650	
9-1	June 11	14.05	14.06	29.000	110.000	158.000	1.5650	
9-2	June 11	14.04	14.06	29.500	110.000	158.000	1.5550	
Open Interest - Sept. 2		28,708	375	1,877	1,898	3,236	418	

DAIRY PRODUCT MARKETS

AS REPORTED BY THE US DEPARTMENT OF AGRICULTURE

WHOLESALE CHEESE MARKETS

NATIONAL - AUGUST 27: Cash cheese prices at the CME Group continue to set new daily and weekly 2010 highs. Current cheese supplies have tightened through much of the country as milk needed to cover school needs requires larger volumes as additional schools reopen. In parts of the country, plant operators are unable to secure additional fluid supplies to help fill orders and have reduced production schedules. Cheese demand is steady to occasionally improved on natural varieties, typically steady to lighter on process. Supplemental volumes are being removed from cold storage for some applications. Cheese yields remain seasonally low.

NORTHEAST - SEPT. 1: Cheese prices were mixed Tuesday as blocks advanced \$.0150 and closed at \$1.7100, while barrels were unchanged, closing at \$1.6650. Both barrels and blocks have been trading to higher levels in the last seven trading sessions with barrels advancing \$.0500 and blocks advancing \$.0625. The recent increases advanced the weekly average, resulting in higher wholesale prices with the exception of Swiss Cuts, which were unchanged. Cheese production, despite increased Class I demand, has remained fairly steady in the Northeast. Demand for Mozzarella has increased as most schools and universities are now open. Cream cheese makers have noted an increase in orders and aged Cheddar has benefited from good vacation sales.

Wholesale prices, delivered, dollars per/lb:

Cheddar 40-lb blocks:	\$1.9825 - \$2.2575	Process 5-lb sliced:	\$1.7400 - \$2.0500
Muenster:	\$2.0025 - \$2.2075	Swiss Cuts 10-14 lbs:	\$3.0325 - \$3.3550

MIDWEST AREA - SEPT. 1: The cheese market is firm as prices set new 2010 highs with each increase at the cash market. However, a cautious undertone has developed as the recently imposed Mexican tariffs on many cheese varieties exported to Mexico has not been resolved. Demand has improved for a number of packagers though business is hardly seasonally robust. Concern about the affect of current and/or possibly higher prices may have on sales through the end of the year continue. Late summer interest is starting to grow, in part due to additional schools reopening, recent price increases, and nervousness over current cheese availability in the short term. Some customers purchasing on monthly averages had ordered heavier in August, expecting a large increase (8+ cents) on September deliveries. Other packagers are building finished product supplies ahead of the holiday weekend. A few manufacturers are shorting orders to a few customers and/or limiting purchase volumes due to milk availability. Lead times on a few orders have increased slightly. Aged cheddar and hard Italian interest remains light. Increased fluid needs, as more schools reopen, are limiting cheese production.

Wholesale prices delivered, dollars per/lb:

Brick/Muenster 5# Loaf:	\$2.1600 - \$2.1800	Process 5# Loaf:	\$1.9700 - \$2.1800
Monterey Jack 10#:	\$2.0900 - \$2.5650	Cheddar 40# Block:	\$2.0000 - \$2.5650
Mozzarella 5-6# (LMPS):	\$2.0125 - \$2.6650	Blue 5# Loaf:	\$2.5175 - \$2.8800
		Grade A Swiss 6-9#:	\$2.4400 - \$3.3300

WEST - SEPT. 1: Cheese prices are firm and product is reported to be moving along expected volumes. The market remains firm in the face of large inventories. Stocks are being held with confidence as most production is forward contracted. Manufacturers continue to report lower volumes of farm milk and reduced yields of solids. The return of school lunch programs and college athletics are helping to clear inventories of various cheeses.

Wholesale prices delivered, dollars per/lb:

Cheddar 40# Block:	\$1.7975 - \$2.1500	Process 5# Loaf:	\$1.7625 - \$2.0200
Monterey Jack 10#:	\$1.9875 - \$2.1475	Cheddar 10# Cuts:	\$1.9775 - \$2.1975
		Grade A Swiss Cuts 6 - 9#:	\$2.6100 - \$3.0400

FOREIGN -TYPE CHEESE - SEPT. 1: The block cheese price on the CME increased \$.0150 on Tuesday, closing at \$1.7100. In the last seven trading sessions, blocks have advanced \$.0625. The weekly average price for block followed the recent increases, resulting in higher prices for domestic varieties with the exception of Swiss Cuts, which was unchanged. Continued strong Class I pulls are limiting Swiss cheese production in the East. Wholesale activity for Swiss cheese has improved as of late.

Wholesale selling prices, delivered, dollars per/lb:

	Imported	Domestic
Blue:	\$2.6400-5.3900	\$2.1225-3.6100
Gorgonzola:	\$3.6900-6.6900	\$2.6250-2.8850
Parmesan (Italy):	0	\$3.5300-3.7325
Provolone (Italy)	\$3.4400-5.9900	\$2.1650-2.3225
Romano (Cows Milk):	0	\$3.3125-5.4550
Sardo Romano (Argentine):	\$2.8500-3.6900	0
Reggianito (Argentine):	\$3.2900-3.5300	0
Jarlsberg (Brand):	\$2.9500-4.6900	0
Swiss Cuts Switzerland:	0	\$3.1250-3.4475

OCEANIA CHEDDAR & BUTTER MARKETS

CHEDDAR CHEESE - SEPT. 2: Oceania cheese markets and prices are steady to firm. Traders and handlers are indicating that cheese order books are quite full for the first half of the milk production season. Much of this buyer interest is from ongoing customers. Manufacturers and handlers are comfortable with the demand and potential supply situation. Early indications are that the milk flow is developing positively on the North Island of New Zealand and cheese output is building accordingly.

39% MAXIMUM MOISTURE: 3,750 - 4,100

BUTTER - SEPT. 2: Traders and handlers anticipated strength in the trading event in the near future, but were quite surprised at the strength already. Many indicate that commercial butter prices are firming, but probably not as sharply as the anhydrous trading realized. The new milk production season is just getting underway in the Oceania region with milk output and butter production increases being reported out of areas of the North Island of New Zealand, but the noticeable increases on the South Island and Australia still a few weeks away. Traders indicate that butter order books are quite full for the first half of the milk production season.

82% BUTTERFAT: 3,800 - 4,400

MILK EQUIVALENT, MILKFAT & SKIM SOLIDS

	Milkfat* Basis	Skim** Solids	Comparable period in 2009	Milkfat* Basis	Skim** Solids
Week of August 30 - Sept. 3, 2010	0.0	0.0	Comparable period in 2009	-0.1	-0.6
Cumulative since Oct. 1, 2009	0.0	1.5	Cumulative same period last year	162.4	3,244.6
Cumulative Jan. 1 - Sept. 3, 2010	0.0	0.0	Comparable Calendar year 2009	137.2	1,911.3

WHOLESALE BUTTER MARKETS

NATIONAL - AUGUST 27: Churning activity is mixed across the country. Some butter producers continue to sell a portion of their cream supplies, while others are pulling back from cream sales and increasing their churning activity. Orders for butter continue to be placed by buyers, but more reports are starting to surface that orders are lighter. In any case, current churning is often not keeping pace with demand, thus suppliers are reaching into lighter than desired inventories to supplement shortages. Besides domestic production, some butter and anhydrous milk fat producers are switching gears and generating stocks for export between now and February 2011.

NORTHEAST - SEPT. 1: Cream supplies remain very tight with some possible increased availability as the Labor Day weekend approaches. Multiples are ranging mostly from 160-170. Increased butter orders are increasing churning schedules, but current production is falling short of need with inventories being tapped to cover orders. Butter makers remain concerned about having adequate inventories for this fall and holiday season.

CENTRAL - SEPT. 1: A very steady cash price increase continues to occur. Traders and handlers are still unsure how much strength continues in the market. Churning continues to be lighter in the Central part of the country as butter producers continue to sell a portion of their cream to other uses. Many butter producers do anticipate that cream supplies will become more available to them by weeks' end as many Class II operations reduce production schedules during the long holiday weekend. Early reports are starting to surface that weekend cream is being priced in the upper 130's to 140's which is considerably lower than early week quotes, but still much higher than many butter producers desire. Many butter producers

will take advantage of the offerings and churn as much as possible as inventories are often much lighter than desired for this time of the season. Butter orders have eased this week, typical for the period prior to a holiday, but firm prices are also impacting consumer buying patterns. Retailers are reporting that shelf prices are on the increase and consumers are responding to the higher prices by purchasing lighter volumes. Foodservice orders are also lighter as the end of the summer vacation season is at hand and many summer vacation resorts and amusements are greatly reducing their operations or closing for the season. The CWT program accepted export assistance requests for nearly 300,000 pounds of butter for September - October shipment. Since late July, slightly more than 33 million pounds of butter/anhydrous milk fat have been awarded export assistance.

WEST - SEPT. 1: Firm to higher butter prices overshadowed the marketplace. Buyers continue to purchase for contracted needs, but are becoming cautious as to forward purchases at current prices. Retail and club stores are watching inventories to keep a close eye on clearance of higher priced product. The holiday weekend is anticipated to allow for some extra butter churning as other manufacturers are dark. Increased cream will be welcomed as butter stocks are lighter than previous years. Butter manufacturers are reluctant to substantially increase inventories at the higher cream prices. Weekly butter stocks in CME approved warehouses decreased 5 million pounds last week to 28.6 million pounds. This total compares to 99.2 million pounds in 2009 and 80.9 million pounds in the comparable week in 2008. The five million pound reduction is the largest one week loss since the week ahead of the Fourth of July. Prices for bulk butter range from flat to 3.5 cents under the market.

WEEKLY COLD STORAGE HOLDINGS

SELECTED STORAGE CENTERS IN 1,000 POUNDS - INCLUDING GOVERNMENT STOCKS

DATE	BUTTER	CHEESE
8/30/10	12,196	132,778
8/01/10	9,846	130,294
Change	2,350	2,484
Percent Change	24	2

DRY MILK PRICES- AUG. 30 - SEPT. 3

Nonfat Dry Milk:		Buttermilk Powder:	
Central & East		Central & East: 1.2800 (NC)- 1.4400(NC)	
Low/Med. Heat:	1.1900(N+4) - 1.2800(+3)	West:	1.1800 (+1) -1.2525(NC)
Mostly:	1.2000(+2) - 1.2500(NC)	Mostly:	1.2000 (+2) - 1.2200 (NC)
High Heat:	1.3000(+3) - 1.3600 (NC)		
Western		California Weighted Average NFD:	
Low/Med. Heat:	1.1000(+5) - 1.2200(+2)	Week Ending:	Total Sales: Sales to CCC:
Mostly:	1.1200(+4) - 1.1750(NC)	August 27	\$1.1257 20,531,412 0
High Heat:	1.9500(+4) - 1.3400(NC)	August 20	\$1.1411 18,795,417 0
Whole Milk:			
National:	1.5800(NC) - 1.7000(+3)		

ORGANIC DAIRY MARKET - FLUID

FLUID OVERVIEW - AUG. 27: Increasing organic milk sales this year continue to keep organic milk supplies tighter than during a comparable time last year. Nevertheless, milk is generally available to meet demand even as demand for organic milk increases. Partly this results from increasingly utilizing organic milk that in the past may have moved in non-organic uses. Organic milk in the Northeast remains tighter than some other areas, particularly parts of California.

There still remain differences, even within regions, as to producer organic milk utilization into organic retail sales. Some smaller organic cooperatives in the Northeast are not moving as much producer milk into organic retail outlets as national brands, or even smaller cooperatives with manufacturing options beyond bottling. The ability to secure retail placements varies and is viewed in many quarters as somewhat easier for national brands.

However, some smaller cooperatives that have moved toward creating "localized" identities, believe this helps compensate for having less "clout" with retailers in terms of securing cooler space. This is believed to have increased organic milk utilization. Overall, demand and sales are up and organic milk is available to meet demand.

CCC PURCHASES

Butter	2009/2010	2008/2009	NDM	2009/2010	2008/2009
Central	None	None	Central	None	None
West	None	4,639,010	West	132,276	278,713,745
East	None	None	East	None	None
TOTAL	None	4,639,010	TOTAL	132,276	278,713,745
Cheese	2009/2010	2008/2009	Milk Equivalent	2009/2010	2008/2009
Central	None	None	Central	0.0	0.0
West	None	None	West	100.0	100.0
East	None	None	East	0.0	0.0
TOTAL	None	None	TOTAL	100.0	100.0

CASH PRICES - AUG 30 - SEPT 3, 2010 - CME

Visit www.cheesereporter.com for daily prices

	CHEDDAR BARRELS	40-LB. BLOCKS	AA BUTTER	GRADE A NFD	EXTRA GRADE NFD
MONDAY August 30	\$1.6650 (NC)	\$1.6950 (NC)	\$2.1800 (NC)	\$1.2000 (NC)	\$1.2250 (NC)
TUESDAY August 31	\$1.6650 (NC)	\$1.7100 (+1½)	\$2.2150 (+3½)	\$1.2150 (+1½)	\$1.2250 (NC)
WEDNESDAY September 1	\$1.6750 (+1)	\$1.7100 (NC)	\$2.2250 (+1)	\$1.2150 (NC)	\$1.2250 (NC)
THURSDAY September 2	\$1.6700 (-½)	\$1.7200 (+1)	\$2.2250 (NC)	\$1.2300 (+1½)	\$1.2250 (NC)
FRIDAY September 3	\$1.6850 (+1½)	\$1.7200 (NC)	\$2.2250 (NC)	\$1.2300 (NC)	\$1.2250 (NC)
Week's AVG Change	\$1.6720 (+0.0355)	\$1.7110 (+0.0420)	\$2.2140 (+0.0595)	\$1.2180 (+0.0180)	\$1.2250 (NC)
Last Week's AVG	\$1.6395	\$1.6690	\$2.1545	\$1.2000	\$1.2250
2009 AVG Same Week	\$1.2845	\$1.3845	\$1.1700	\$0.9950	\$0.9500

CHEESE REPORTER'S MARKET OPINION

Cheese Comment: Cheese prices increased this week to their highs for 2010. Blocks were unchanged on Monday; activity was limited to an offer-based sale of 1 car at \$1.6950, which left the price unchanged. On Tuesday, an unfilled bid for 2 cars of blocks at \$1.7100 raised the price. There was no block market activity at all on Wednesday. On Thursday, an unfilled bid for 1 car of blocks at \$1.7200 raised the price. There was no block market activity at all on Friday. There was no activity at all on barrels on Monday or Tuesday. On Wednesday, activity was limited to an unfilled bid for 1 car of barrels at \$1.6750, which raised the price. Five cars of barrels were sold on Thursday, all on offers, 3 at \$1.6750, 1 at \$1.6725 and the last at \$1.6700, which reduced the price. Friday's activity was limited to an unfilled bid for 1 car of barrels at \$1.6850, which raised the price.

Butter Comments: Butter prices increased this week to their highest level since April of 2004. There was no butter market activity at all on Monday. On Tuesday, 2 cars of butter were sold, both on bids, the first at \$2.2000 and the last at \$2.2150, which raised the price. Wednesday's activity was limited to an unfilled bid for 1 car of butter at \$2.2250, which raised the price. There was no butter market activity at all on Thursday or Friday.

Nonfat Dry Milk Comments: Grade A nonfat dry milk increased to \$1.2150 on Tuesday on an unfilled bid for 1 car at that price, then increased to \$1.2300 on Thursday on a bid-based sale of 1 car at that price.

WHEY MARKETS - AUGUST 30 - SEPTEMBER 3, 2010

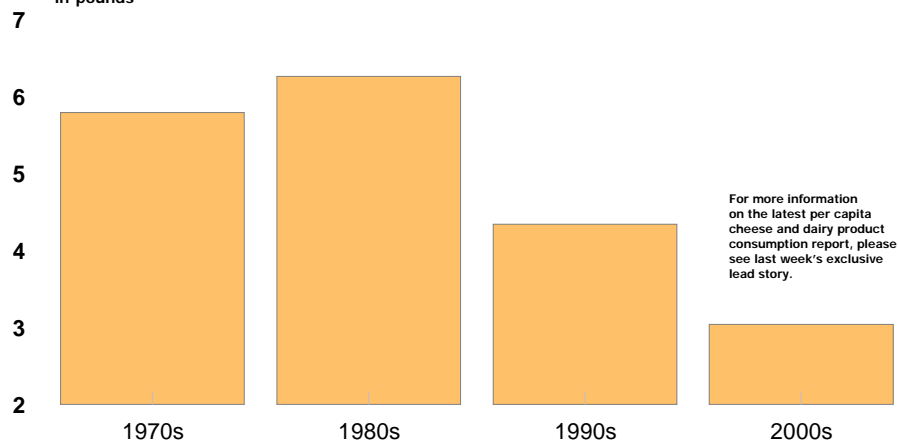
FOR THE PERIOD AUGUST 30 - SEPTEMBER 3, 2010

Whey Protein Concentrate—Central and West: Edible 34% Protein: .9200(NC)–1.0200(NC) Mostly: .9450(NC)–.9750(NC)
Dry Whey—Central (Edible): Nonhygroscopic: .3100(NC)–.3800(NC) Mostly: .3250(NC)–.3650(NC)
Dry Whey—West (Edible): Nonhygroscopic: .3425(+¼)–.4075(NC) Mostly: .3500(NC)–.3950(NC)
Dry Whey—Northeast: .3525(NC) - .3825(NC)
Lactose—Central and West: Edible: .1800(NC)–.4275(NC) Mostly: .2900(NC)–.3525(NC)
Casein: Rennet: \$3.9000(NC)–\$4.3000(NC) Acid: \$3.9000(NC)–\$4.2500(NC)
Animal Feed Whey—Central: Milk Replacer: .24000(NC)–.3250(NC)

Visit www.cheesereporter.com for weekly prices

8 Gains in Per Capita Cheese Consumption

by Decade in Pounds in pounds



All Dairy Product Prices Rise In Fonterra's Online Auction; Next Session Is Sept. 15

US Cheese Prices Hit 2010 Highs At CME, Butter Price At Highest Level Since 2004

Wellington, New Zealand—Prices for all four dairy commodities traded on Fonterra's globalDairyTrade online trading platform increased during this week's trading session.

The gDT-TWI index was up 16.9 percent after this week's trading event, which included 151 participating bidders and 75 winning bidders.

Results by product in this week's trading event, with comparisons to last month, were as follows:

- **Whole milk powder:** The average price was US\$3,522 per ton FAS, up 18.8 percent. Average prices for each contract period were: Contract 1 (November 2010), \$3,624 per ton, up 24.9 percent; Contract 2 (December 2010-February 2011), \$3,457 per ton, up 17.7 percent; and Contract 3 (March-May 2011), \$3,595 per ton, up 13.7 percent.

- **Skim milk powder:** The average price was \$3,197 per ton, up 15.8 percent. Average prices for each contract period were: Contract 1, \$3,131 per ton, up 15.7 percent; Contract 2, \$3,215 per ton, up 15.7 percent; and Contract 3, \$3,355 per ton, up 16.4 percent.

- **Anhydrous milkfat:** The average price was \$4,681 per ton, up 9.5 percent. Average prices for each contract period were: Contract 1, \$4,688 per ton, up 5.5 percent; Contract 2, \$4,641 per ton, up 10.1 percent; and Contract 3, \$4,946 per ton, up 16.1 percent.

- **Buttermilk powder:** The average price was \$3,199 per ton, up 10.6 percent. Average prices for the first two contract periods were: Contract 1, \$3,125 per ton, up 11.2 percent; and Contract 2, \$3,370 per ton, up 9.4 percent. This marked just the

second month of buttermilk powder trading.

Paul Grave, globalDairyTrade manager, said this week's results appear to indicate that a firmer tone has returned to the market over the last month.

This month marks the beginning of two globalDairyTrade trading events each month. Since it was launched by Fonterra in July of 2008, globalDairyTrade has held one trading event per month.

The next globalDairyTrade trading event will be held on Sept. 15.

"Having two events a month will provide a lot more visibility when it comes to assessing the market direction," Grave commented.

Meanwhile, dairy prices also continued to increase on the cash markets at the CME, with block and barrel cheese ending the week at their highs for 2010 and butter ending the week at its highest price since April of 2004.

Cheddar 40-pound blocks ended the week at \$1.7200 per pound, the first time blocks have been above \$1.70 per pound since early December 2009, when blocks reached their high for 2009, also \$1.7200 per pound. The last time blocks were above \$1.7200 per pound was in December of 2008.

Cheddar barrels ended the week at \$1.6850 per pound, the highest level since December of 2008.

And butter closed the week at \$2.2250 per pound, the highest level since April of 2004, when butter reached \$2.3650 per pound.

The Grade A nonfat dry milk price at the CME also increased this week, closing the week at \$1.2300 per pound, the highest price since early July. Extra Grade nonfat dry milk was unchanged all week and remains at \$1.2250 per pound, where it has been since mid-July. **■**

HISTORICAL MONTHLY AVERAGE BLOCK PRICES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'98	1.4300	1.4214	1.3737	1.2732	1.2358	1.5169	1.6204	1.6575	1.7165	1.8189	1.8628	1.8971
'99	1.4929	1.3189	1.3300	1.3224	1.2389	1.3974	1.6307	1.8943	1.6183	1.3031	1.1435	1.1545
'00	1.1285	1.1090	1.1139	1.1032	1.0950	1.2050	1.2345	1.2460	1.2953	1.0463	1.0588	1.1233
'01	1.0912	1.2184	1.3161	1.4180	1.6023	1.6599	1.6699	1.7126	1.7174	1.3346	1.2668	1.2567
'02	1.3242	1.2076	1.2113	1.2448	1.2009	1.1299	1.0889	1.1575	1.2041	1.1950	1.0891	1.1322
'03	1.1507	1.0920	1.0817	1.1225	1.1421	1.1864	1.5123	1.6000	1.6000	1.5876	1.3932	1.3383
'04	1.3062	1.3958	1.8197	2.1687	1.9925	1.7105	1.4486	1.5734	1.5702	1.5170	1.6960	1.5923
'05	1.6269	1.4929	1.5317	1.5413	1.4774	1.5065	1.5035	1.4249	1.5639	1.4470	1.3756	1.4224
'06	1.3335	1.1989	1.1638	1.1651	1.8155	1.1924	1.1630	1.2354	1.2933	1.2347	1.3745	1.3223
'07	1.3180	1.3408	1.3823	1.4628	1.7211	2.0100	1.9138	1.9554	1.9929	1.8957	2.0926	2.0083
'08	1.8257	2.0023	1.8234	1.8826	2.0976	2.0350	1.9673	1.7398	1.8762	1.7963	1.7099	1.5132
'09	1.0833	1.2171	1.2455	1.2045	1.1394	1.1353	1.1516	1.3471	1.3294	1.4709	1.5788	1.6503
'10	1.4536	1.4526	1.2976	1.4182	1.4420	1.3961	1.5549	1.6367				

HISTORICAL MONTHLY AVERAGE BUTTER PRICES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'04	1.4320	1.7132	2.135	2.2204	2.0363	1.9300	1.7458	1.5408	1.7656	1.6475	1.9238	1.7083
'05	1.5775	1.6145	1.5527	1.4933	1.4044	1.5313	1.6210	1.6861	1.6988	1.6204	1.4260	1.3552
'06	1.3368	1.1930	1.1663	1.1632	1.1755	1.1643	1.1645	1.3035	1.3170	1.3206	1.2915	1.2405
'07	1.2248	1.2187	1.3218	1.3725	1.4825	1.5019	1.4913	1.4464	1.3783	1.3020	1.3590	1.3190
'08	1.2246	1.2088	1.3454	1.3905	1.4750	1.5001	1.5385	1.6279	1.6973	1.7320	1.6165	1.2007
'09	1.1096	1.1097	1.1770	1.2050	1.2526	1.2235	1.2349	1.2000	1.2199	1.2830	1.5008	1.3968
'10	1.3950	1.3560	1.4641	1.5460	1.5896	1.6380	1.7787	1.9900				