



Milk Market News and Summary

March 6, 2010

January Herd numbers 4,000 head higher than December

February Class IV - \$ 12.90/cwt. Dn. \$.95 from January. -- Class IV projection for March is \$13.17

February Class III - \$14.28/cwt. Dn \$.22 from last month. --- Class III projection for March is \$12.87.

JANUARY MILK PRODUCTION (NASS): Milk production in the 23 major States during January totaled 14.8 billion pounds, down 0.6 percent from January 2009. Production per cow in the 23 major States averaged 1,782 pounds for January, 30 pounds above January 2009. The number of cows on farms in the 23 major States was 8.32 million head, 191,000 head less than January 2009, but 4,000 head more than December 2009.

FEWER AND LARGER HERDS

Nearly half of U.S. milk production came from herds of at least 1,000 cows last year,

Compared with one-third just five years ago.

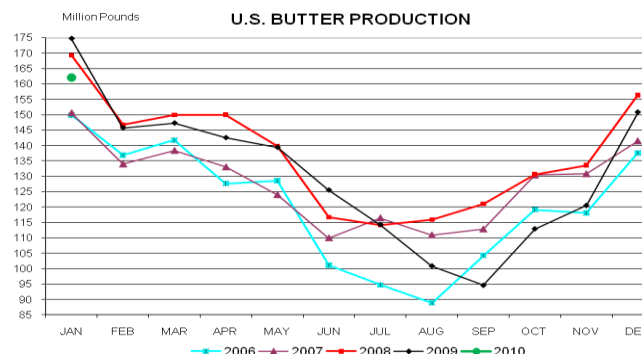
Last year, 31.2% of the nation's output came from farms with at least 2,000 cows and another 15.7% came from farms with 1,000-1,999, Even last year, with profitability at historically low levels, the number of farms milking at least

1,000 cows increased by 20, while the number of farms milking less than 100 decreased by 1,800 according to USDA's annual "Farms, Land in Farms and Livestock Operations" 2009 annual summary

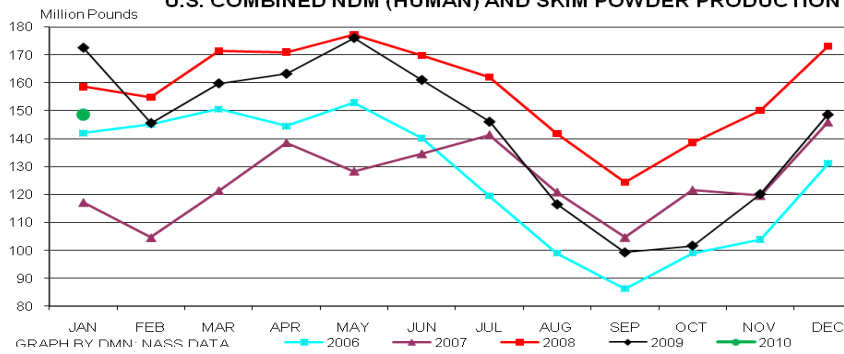
	2004	2009
1-99	22.5%	16.4%
100-499	30.5%	24.1%
500-999	14.0%	12.6%
1,000-1,999	13.1%	15.7%
2,000+	19.9%	31.2%

BUTTER-- the NASS butter price average for February was \$1.3609/lb. basically unchanged from last months average price. The week ending February 27, NASS butter price was \$1.3592/lb. about the same the February average price. The CME spot Butter price on March 5 was \$1.45. up 4.5 cents from last Friday's close and the fourth straight week of increases in the weekly average price. The CME price indicates a firm market going

forward. The butter price is forecasted to be \$1.420/lb for March 2010. February might be the low price for this cycle. Butter production has already passed peak production for the year.



NONFAT--The February average NASS price was \$1.0812/lb. Dn. \$.1117/lb from the previous month's average price. The February 27th week ending NASS nonfat price was \$1.0448/lb. roughly 4cents below the February average. The CME spot price on March 5, 2009 was \$1.10/lb. for Grade A. Many buyers and traders remain on the sidelines waiting for the market to settle. The projected March Nonfat average price is \$1.08/lb. One reason for declining NDM prices in the last two months is a drop-off in exports. In December, NDM/SMP exports were just 31.9 million



lbs., down 29% from a year ago, and the smallest figure since February. This volume represented just 22% of U.S. NDM/SMP production in December. For the year, NDMSMP exports were 548.6 million lbs., down from 862.4 million lbs. (-36.4%) from 2008's level. Even with a strong dollar excess nonfat can be moved into the export market to keep prices from falling further. Time will tell.

Class IV Prices are slightly lower in the first half of 2010 and slightly higher in the fourth quarter of 2010,

Class IV forecast for 2010

March \$13.17, April \$13.10, May \$13.25, June \$13.40, July \$13.80, August \$14.10, September \$14.60, October \$14.95, November 15.10, December \$15.50

Dale Johnson.