

NATIONAL DAIRY MARKET NEWS AT A GLANCE

CME GROUP CASH MARKETS (9/27):

BUTTER: Grade AA closed at \$1.6100. The weekly average for Grade AA is \$1.6080 (+.0680).

CHEESE: Barrels closed at \$1.7200 and 40# blocks at \$1.7500. The weekly average for barrels is \$1.7300 (-.0420) and blocks, \$1.7670 (-.0340).

BUTTER HIGHLIGHTS: Butter production is still lagging due to good cream demand and milk production not quite back to levels of a few weeks ago. More manufacturers are starting to microfix supplies to keep up with fourth quarter demand and to fill print orders in the retail, educational institution, and restaurant industries. Bulk butter prices in the Northwest have been reported at 4-8 cents over the market on the CME Group. In the Western region bulk butter sales have been steady. Higher International butter prices have been fueling the export demand. Some plants are focusing on 82% production to meet the steady export demand. The NASS *Cold Storage* report showed stocks of butter as of August 31, 2013, were at 268.5 million pounds, down 9% (27.2 million pounds) from July but up 34% (67.4 million pounds) from a year ago. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 992,080 pounds of butter. Year-to-date, CWT has assisted member cooperatives in selling a total of 71.5 million pounds of Butter. The CME Groups Grade AA butter made a gradual price increase for the week with consistent trading throughout the week.

CHEESE HIGHLIGHTS: Cheese prices were trending lower this week following both lower daily spot sales and weekly averages at the CME Group. Demand for cheese is good with increased seasonal buying interest. Buyers are looking to increase orders on price breaks. Export demand is also good and is clearing additional inventories. Cheese plants are having difficulties sourcing additional spot loads of milk to fill the demand. Tight milk supplies are restricting cheese production schedules. Plants are directing available milk to highest efficiencies and to the making of high demand products. Cheese cold storage numbers are above year ago levels, however cheese makers are being cautious not to over sell to be sure of filling future contract commitments. Spot cheese prices at the CME Group closed Friday with barrels at \$1.7200, down 4.75 cents from last Friday. Blocks closed the week at \$1.7500, down 4.5 cents from the previous Friday.

FLUID MILK: Farm milk production throughout the U.S. is clustered on either side of the seasonal low point. East, Northwest, and Idaho/Utah milk production is trending lower, while areas of the South Central and Arizona report milk production is rebuilding. California farm milk production is steady. Bottler demand is unchanged into schools and

retail outlets. Cream demand into ice cream/frozen dessert production is trending lower, toward off-season volumes. Cream cheese manufacturers are actively taking more contract cream loads for near term orders of plain/flavored varieties. As baking season advances, some fluid milk processors are also increasing production of heavy and whipping cream. Forage availability is a concern in many areas. Dairy operators in the Northeast report flooded pastures are affecting current grazing. North Central producers indicate they are short of harvested forages as the wet spring limited access to alfalfa fields. In some areas, operators finished 2 alfalfa cuttings thus far. Recent rains helped dry fields, but it may be too late in the season to take a third cutting in some areas.

DRY PRODUCTS: Price directions are mixed for dairy dry products. Nonfat dry milk prices marked some small price gains and losses as buyers consider current pricing alongside availability and transportation costs. Dry buttermilk pricing on the Central/East declined fractionally. F.O.B. supplies are tight in those areas, encouraging more resale activity. Western dry buttermilk prices gained a penny, a move supported by firm NDM pricing in that region. Dry whey prices in the Central and West are steady. Northeast dry whey registered both lower and higher prices. Whey protein concentrate 34% prices gained a total of 6.75 cents. Additional F.O.B. spot loads worked free from inventories reported as light. Lactose prices are steady as many manufacturers wait out the end of third quarter before sending lactose to the spot market.

INTERNATIONAL DAIRY MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW: Milk production is trending higher across many EU countries. For the EU -28 in July, milk was up 2.0% and indications are that August is up more than a year ago on a percentage basis. Some early August production figures versus a year ago show Germany at +3.5%, Netherlands +10.0%, and United Kingdom +5.0%. There are concerns about the higher production levels and what effects that will have on quota. Demand for fluid milk is good and processors are willing to give up milk at higher prices to maintain better returns. Interest in cream is active. Dairy product pricing trends are uneven. Butter prices are trending higher, at levels that restrict exporting. Skim milk powder prices are slightly lower. There is some unsettledness to the market tone, especially into Q4. Whole milk powder and whey prices are mostly steady. Demand for WMP remains good and clearing into export markets. Interest in whey is variable and there is some price resistance in the market, especially into the feed sector currently. Cheese demand is good and production remains full to service industry needs.

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CME GROUP CASH TRADING

COMMODITY	MONDAY SEP 23	TUESDAY SEP 24	WEDNESDAY SEP 25	THURSDAY SEP 26	FRIDAY SEP 27	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7450 (-.0225)	\$1.7450 (N.C.)	\$1.7200 (-.0250)	\$1.7200 (N.C.)	\$1.7200 (N.C.)	:: :: (-.0475)	:: :: \$1.7300 :: (-.0420)
40# BLOCKS	\$1.7825 (-.0125)	\$1.7825 (N.C.)	\$1.7700 (-.0125)	\$1.7500 (-.0200)	\$1.7500 (N.C.)	:: :: (-.0450)	:: :: \$1.7670 :: (-.0340)
NONFAT DRY MILK							
EXTRA GRADE	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	:: :: (N.C.)	:: :: \$1.7800 :: (N.C.)
GRADE A	\$1.8450 (N.C.)	\$1.8450 (N.C.)	\$1.8450 (N.C.)	\$1.8200 (-.0250)	\$1.8300 (+.0100)	:: :: (-.0150)	:: :: \$1.8370 :: (+.0040)
BUTTER							
GRADE AA	\$1.6050 (+.0050)	\$1.6050 (N.C.)	\$1.6100 (+.0050)	\$1.6100 (N.C.)	\$1.6100 (N.C.)	:: :: (+.0100)	:: :: \$1.6080 :: (+.0680)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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EASTERN OVERVIEW: Eastern European milk production is noted to be mixed across reporting countries. August output in Poland is stated to be 0.7% higher than a year earlier. Weather conditions have been generally favorable and higher milk pricing is working through to the farm level. Dairy product availability is seasonally light to moderate. Buyer interest is fair to good across categories.

OCEANIA OVERVIEW: AUSTRALIAN milk production patterns are trending higher on a seasonal basis. Milk growth is progressing, yet total levels are trailing last year by several percentage points. There was a stronger start to last season and the comparisons are based on numbers progressing at different levels. Weather conditions are good. Water levels are in positive shape for the growing season for pastures and crops. Farm financials are beginning to be more favorable, following a year of transition. Processing plants are working well as milk intakes are building. According to Dairy Australia, August milk production in Australia is 4.7% lower than August 2012. The state changes from a year earlier are: New South Wales, -4.7%; Victoria, -4.4%; Queensland -4.3%; South Australia -8.6%; Western Australia -1.8%; and Tasmania -7.3%. **NEW ZEALAND** milk production in July was recorded by DCANZ at 185,000 tons, down 5.1% from July 2012 but 14.2% higher than two years ago. Another trade report indicates that milk production in the first three months of the season (June - August) was 3.4% higher than the same period a year ago. The milk production season is ramping higher in **NEW ZEALAND**. Conditions are favorable for the milking herds. Weather has been moderate with adequate to moderate rainfall. Pastures are seeing amazing growth in some regions. There are some local concerns about conditions becoming too wet and affecting the quality as cows graze. Another forecast is for the seasonal total to be 6% higher with increased cow numbers and higher milk prices being major reasons. A new drying processing plant is operational and working well on the South Island. Dairy product markets are seeing fair to good demand across product categories. There is good buying interest from China and other exporting partners. Trade sources report that Chinese demand is higher as they compensate for declines in fresh milk supplies, said to be around 5-6% lower than a year ago. Buyers are looking to replace the lack of production by importing more dairy products, especially whole milk powders. The impact is tightening up supplies in Oceania and keeping WMP pricing rather firm around the \$5,000 per MT mark. Butter price trends are higher, reflecting good demand. Traders/handlers are noting good demand from Russia.

COLD STORAGE (NASS): On August 31, U.S. cold storage holdings of butter totaled 268.5 million pounds, down 9% from the previous month, but up 34% from August 2012. Natural American cheese holdings total 670.4 million pounds, 4% less than the previous month, but 3% more than August 2012. Total cheese stocks were 1,102.9 million pounds, 4% less than the previous month, but 5% more than August 2012.

CONSUMER PRICE INDEX (BLS): The August CPI for all food is 237.4, up 1.4% from August 2012. The dairy products index is 216.8, up 1.0% from a year ago. The following are the August to August changes for selected products: fresh whole milk is +1.8%; cheese, +1.3%; and butter, +3.9%.

CME GROUP

MONDAY, SEPTEMBER 23, 2013

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.7575, 1 @ \$1.7325, 1 @ \$1.7450; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7825
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6050; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6075

TUESDAY, SEPTEMBER 24, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.8450
 BUTTER -- SALES: 4 CARS GRADE AA @ \$1.6050; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6050; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.6075

WEDNESDAY, SEPTEMBER 25, 2013

CHEESE -- SALES: 1 CAR BARRELS @ \$1.7250; 4 CARS 40# BLOCKS: 2 @ \$1.7825, 2 @ \$1.7700; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.7700; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7200
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.8350; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.8500
 BUTTER -- SALES: 5 CARS GRADE AA: 1 @ \$1.6050, 1 @ \$1.6075, 3 @ \$1.6100; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.6100; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.6150

THURSDAY, SEPTEMBER 26, 2013

CHEESE -- SALES: 5 CARS BARRELS: 3 @ \$1.6900, 1 @ \$1.7000, 1 @ \$1.7100; 5 CARS 40# BLOCKS: 2 @ \$1.7400, 1 @ \$1.7450, 1 @ \$1.7475, 1 @ \$1.7500; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7200; 1 CAR 40# BLOCKS @ \$1.7400; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.8200; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 11 CARS GRADE AA: 3 @ \$1.6100, 2 @ \$1.6075, 3 @ \$1.6100, 1 @ \$1.6150, 2 @ \$1.6100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 3 CARS GRADE AA @ \$1.6150

FRIDAY, SEPTEMBER 27, 2013

CHEESE -- SALES: 3 CARS 40# BLOCKS @ \$1.7500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7200
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.8300; LAST BID UNFILLED: 2 CARS GRADE A @ \$1.8300; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 5 CARS GRADE AA @ \$1.6100; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 3 CARS GRADE AA @ \$1.6100

BUTTER MARKETS

NORTHEAST

Butter production remains at reduced levels as good cream demand is pulling volumes away from churns. Some butter makers have good fall orders and would make more butter if cream volumes were readily available at lower prices. Export demand is also good with some plants focusing on 82% production. Higher international prices for butter continue to support the export market. A few butter makers are microfixing supplies to fill print orders. Current bulk butter prices for domestic sales are reported 4-8 cents over the market on the CME Group with various time frames and averages used. Bulk butter prices for export are considerably above the domestic market. The CME Group butter price held steady Tuesday and closed at \$1.6050. Trading over the last 5 sessions has been very active with 54 loads sold as the market price increased \$0.0850.

Cold Storage: According to the latest NASS Cold Storage report, butter in storage on August 31, totaled 268.5 million pounds, 27.2 million pounds less (-9%) than the prior month stocks, but 67.4 million pounds more (+34%) than August 2012 stocks.

CENTRAL

Cream spot loads for churning are still hard to find as milk production is recovering from the heat wave a few weeks back. Some churn operators think the market will turn the corner soon due to increased milk production. Manufacturers are churning at a steady rate with an increased rate expected going into the weekend. More manufacturers are beginning to microfix to keep up with upcoming fourth quarter demand. Fourth quarter bulk butter interest has been active. Print orders are increasing to meet retail, educational institution, and restaurant needs. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell

992,080 pounds (450 metric tons) of butter. The product will be delivered this month through February 2014.

WEST

As fall arrives across the country, butter demand is in full swing for the upcoming holidays. Butter churns are busy filling orders for print butter for retail and club stores. Tighter supplies of cream have manufacturers sending supplies to their most efficient plants. Western butter manufacturers are holding onto any cream supplies rather than selling to other cream users. Export demand is very good and plants are balancing domestic demand against good export orders. Bulk butter sales are steady and helping to clear excess inventory. According to the NASS *Cold Storage* report, stocks of butter as of August 31, 2013, total 268.5 million pounds, +34% or 67.4 million pounds more than the close of August last year. Stocks were 9% lower or 27.2 million pounds less than end of July 2013. Butter prices at the CME Group exchange on Wednesday were \$.0050 higher, closing at \$1.6100. This compared to last Wednesday's close of \$1.5300. Prices so far this week are one cent higher with 12 loads sold. Prices for bulk butter range from market to 4 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
September 21, 2013	1.4304 3,844,542	1.7798 9,560,624	1.8203 9,017,162	0.5823 7,296,215	1.8149 16,354,336

CHEESE MARKETS

NORTHEAST

Milk supplies going to cheese plants remain tight, limiting cheese production. Most cheese makers would increase production, from their present levels, if they had more milk. Demand is good from both domestic and export buyers. Mozzarella sales have been especially strong. Cheese packaging facilities and warehouses are very active filling fall orders with inventories being worked lower. Cheese going into aging programs continues to be at a good pace. The CME weekly average cheese prices declined last week, lowering wholesale prices. Cheddar 40# blocks and Muenster saw a \$0.0300 decline, while processed cheese dropped \$0.0350. CME Group cheese prices held steady Tuesday after Monday's decline with barrels closing at \$1.7450 and blocks at \$1.7825. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of August 31, 2013 totaled 1,102.9 million pounds, 4% lower compared to the previous month, but 5% higher compared to one year ago. A majority of the holdings are in the form of American cheese (60.8%) totaling 670.4 million pounds, down 4% from one month ago, but 3% higher than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.3%) totaling 400.4 million pounds, 3% less than one month ago, but 8% more compared to one year ago. Swiss cheese accounts for 2.9% of holdings at 32.0 million pounds, down 2% from one month ago, but 11% more than one year ago. A closer look at the cold storage report showed Eastern stocks of American type cheese totaled 103.1 million pounds, 1% less than last month, but 22% more than August, 2012. Eastern stocks of Other cheese, which is primarily Italian type cheeses, totaled 34.6 million pounds, 6% more than last month and 20% more than August 2012.

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

Cheddar 40# Block	: 2.1975-2.4825
Process 5# Sliced	: 1.9950-2.4750
Muenster	: 2.2175-2.5775
Grade A Swiss Cuts 10 - 14#	: 3.4450-3.7675

MIDWEST

Milk volumes going to cheese plants continue to decline, limiting cheese production at most plants. Export demand for cheese remains good. Domestic demand is mixed with strong orders for mozzarella, while process cheese orders are at typical seasonal levels. Some cheese makers have redirected some of their milk supply going to cheddar for mozzarella production in order to meet demand. Demand for fresh curds has been good with strong concession sales, but that demand is expected to decline as the fall season progresses. Contrary to the heavy supply image projected by the cold storage numbers, some cheese makers are being very cautious with their inventories, not wanting to over-sell for fear of not being able to fill future contract commitments. CME Group trading through Wednesday had barrels down \$0.0475 and closing at \$1.7200 with blocks down \$0.0250 and closing at \$1.7700. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of August 31, 2013 totaled 1,102.9 million pounds, 4% lower compared to the previous month, but 5% higher compared to one year ago.

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

Process American 5# Loaf	: 1.9725-2.6775
Brick And/Or Muenster 5#	: 2.1825-2.6300
Cheddar 40# Block	: 2.1825-3.0550
Monterey Jack 10#	: 2.1525-3.0600
Blue 5#	: 2.4450-3.4325
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 2.0250-3.1600
Grade A Swiss Cuts 6 - 9#	: 2.9625-3.0800

WEST

Western cheese markets moved lower this week as the market continues to trade up and down in the \$1.7000's. The market appears comfortable trading in this range with good sales and inventories moving to end users. Cheese production is down as milk supplies are at or near a seasonal low point. Plants are choosing to dedicate milk supplies to fill orders, but are finding it hard to increase production to build inventory. High prices for milk solids to fortify cheese vats are adding to the cheesemakers' dilemma. Export demand is good with the CWT program assisting with over four million pounds of sales this week. Cheese stocks are described as adequate. According to NASS, *Cold Storage* stocks of cheese (total natural) at the end of August 2013 are 1,102.9 million pounds, 5% higher or 53.4 million pounds more than August 31, 2012. American stocks were 3% higher, and Other Natural stocks were 8% higher than last year. Swiss stocks at the end of August total 32.0 million pounds, up 11% or 3.2 million pounds more than August 31, 2012. August Swiss stocks are 2% below or 0.8 million pounds less than the previous month. Cheese prices at the CME Group on Wednesday are lower with barrels down \$0.0250 to \$1.7200 and blocks down \$0.0125 to \$1.7700. Spot prices at the exchange continued last week's softer trend. Sales at the exchange so far this week totaled four loads of barrels and four loads of blocks.

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

Process 5# Loaf	: 1.9025-2.1600
Cheddar 40# Block	: 1.9175-2.2700
Cheddar 10# Cuts	: 2.0975-2.3175
Monterey Jack 10#	: 2.1075-2.2675
Grade A Swiss Cuts 6 - 9#	: 3.0225-3.4525

FOREIGN

Wholesale prices for domestic foreign type cheeses declined, following 3 weeks of increases. Imported and Swiss cheese prices were unchanged. Demand for imported cheeses and domestic foreign type varieties remains good with improved sales to retailers. A closer look at the cold storage report, released August 1, showed Eastern stocks of Other cheese, which is primarily Italian type cheeses, totaled 34.6 million pounds, 6% more than last month and 20% more than August 2012.

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CHEESE MARKETS

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.3375-3.8250*
Gorgonzola	: 3.4900-6.6900	: 2.8400-3.2525*
Parmesan (Italy)	: -0-	: 3.7275-5.8175*
Provolone (Italy)	: -0-	: 2.3800-2.5375*
Romano (Cows Milk)	: -0-	: 3.5275-5.6775*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-4.4600	: -0-
Jarlsberg-(Brand)	: 2.9500-5.6300	: -0-
Swiss Cuts Switzerland	: -0-	: 3.5425-3.8650
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

		:	
09/23/13	14,688	:	111,005
09/01/13	15,916	:	109,397
CHANGE	-1,228	:	1,608
% CHANGE	-8	:	1

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	216	0	210	0	94	0
SOUTHEAST STATES	0	0	0	0	65	0

Eastern manufacturing milk supplies continue to be tight; due to the combination of good Class I demand and seasonally lower milk production. A number of balancing plants have eliminated drying schedules, holding limited extra fluid volumes for their future contract commitments. Forage supplies are becoming a concern in the Northeast region as the unusually wet summer has reduced hay harvest yields and quality. Milk production in Florida is at or near its seasonal low point. Producers are beginning to put more fresh cows online. Heavy rains over the past week have been detrimental to dairy production as many pastures are flooded. Class I demand remains very strong and prompted 216 spot loads to be imported this week. Import loads over the past few weeks have been their highest since 2006. Milk production in the Southeast region is about in balance with Class I demand needs, with manufacturing supplies near contract levels. Cream demand is active with good pulls coming from cream cheese, butter, ice cream and bottling manufacturers. The good cream demand has tightened available supplies and moved prices higher. **Cream multiples for all Classes** ranged this week, 1.30-1.42. **Condensed skim** milk supplies are very tight with most plants having adequate supplies to fill their fluid contracts, but little beyond that for spot sales or manufacturing. According to NASS, milk production for August 2013 in the 23 reported states totaled 15.7 billion pounds, up 2.7% from August 2012. Milk production increased in all of the 5 listed states in the Eastern region, compared to year ago levels. Eastern region production increased 3.9% compared to the same month last year to 2,588 million pounds. The 5 states showed the following percentage changes in milk production from August 2012 to August 2013 and total milk production this August: Florida, +6.9%, 185 million pounds; New York, +4.2%, 1,150 million pounds; Pennsylvania, +3.5%, 891 million pounds; Vermont, +2.8%, 220 million pounds; and Virginia, +2.9% at 142 million pounds. Due to sequestration, no information on the number of cows or milk per cow was released by NASS.

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 -	2.0020-2.1868
F.O.B. producing plants: Upper Midwest -	1.9404-2.0790

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.79 - 1.89
Northeast - Class III - spot prices -	1.55 - 1.65

MIDWEST

Farm milk production in the Central region regained some of the losses to high daytime temperatures that occurred in the last few weeks. Some processors note the increasing manufacturing milk volumes are having a possible effect on cheese production, and helping to make up for the draw from bottlers. Suppliers to the fluid industry indicate sales of milk loads into bottling are reaching equilibrium now as the school pipeline is considered satisfied, and retailers are continuing to run single product or bundled specials on bottled milk. Milk marketers report they are busy handling callers looking for extra milk loads, but have not had many loads to sell. Limited spot milk load sales occurred within the Central region this week, with prices up to \$2.50 over Class reported. Some ice cream manufacturers are not taking any more fluid milk as the seasonal ice cream demand is winding down. Many cheese plant operators are glad to have an uptick in farm milk intakes and few are interested selling loads of milk. August 2013 milk production increased compared to one year ago in all the

ten Central region states included in the NASS 23 Selected States Milk Production report. Central region monthly milk production increases ranged from 1.0% in Missouri to 8.8% in Kansas. On a regional basis, the ten Central States' August 2013 milk production showed a 2.9% increase over one year ago. Cream supplies are variable within the Central region, with some areas reporting tighter supplies compared to last week. A few churn operators report they paid slightly higher than normal multiples to the market as cream is needed to fulfill Q4 butter orders. Class II cream demand is steady into cream cheese operations, unchanged to lower into frozen desserts. **Class II cream multiples range from 1.26 - 1.35.** Many producers are beginning to chop corn silage. Some producers are expecting lower corn yields. In the North Central region, some producers only harvested two crops of alfalfa. The lower crop and hay yields worry some producers about their feed supplies going into the winter.

WEST

CALIFORNIA milk production is mostly steady with recent trends. Seasonally cooler weather patterns have reduced stress on dairy herds and that is positive to milk production. Although milk production numbers are up compared to year ago numbers, contacts mentioned that the numbers are still below two years ago. Last year's heat affected production numbers well into fall. Class I needs have evened out with the pipeline for school milk well established. Milk processors are looking forward to increased production for October to better utilize plant efficiencies. August 2013 POOL RECEIPTS of milk in CALIFORNIA total 3.27 billion pounds, 2.6% higher than last year, according to CDFA. Year-to-date through August 2013 receipts are 3.4% lower, unadjusted, from the comparable months in 2012. The August blend price, at a fat test of 3.63%, is \$18.07, \$0.58 higher than July and \$1.58 more than August 2012. The percentage of receipts used in Class I products is 14.2%. The August quota price is \$19.01 and the over quota price is \$17.31. These prices are \$0.46 higher than July and \$1.53 higher than a year ago. ARIZONA milk supplies are increasing slowly. This week saw temperatures dropping significantly if only for a short period of time. Manufacturers feel that the low point of the production season may have passed. Alfalfa harvest continued across much of the state. CREAM prices are steady to higher with a firm undertone. **Cream multiples ranged from 1.22 to 1.35,** and vary depending on class usage and basing points. Higher butter prices and basing points are firming cream prices. Cream demand is fair to good with ice cream demand uneven, but other Class II operations are ramping production up. Butter churns are aggressively making butter for fall needs. At the CME Group, the Grade AA butter price closed at \$1.6100 on Wednesday, September 25, up 8 cents from last week. Milk production in the PACIFIC NORTHWEST continues to decline seasonally along expected lines. Much of the maintenance and refurbishing for processing plants has been accomplished and processors are awaiting increasing supplies for Oct./Nov. Harvesting of alfalfa and corn silage for winter feed supplies is ongoing. UTAH and IDAHO milk production is also experiencing slight seasonal declines. Cooler weather has arrived and fall harvesting and storage is occupying more of the dairies' time. Milk production is short of processing capacity for the region and milk is being moved to most profitable locations. According to NASS, August milk production for the 23 surveyed states totals 15.7 billion pounds, up 2.7% from last year. August milk production changes from a year ago for selected Western states are as follows: Arizona +5.5%, California +2.7%, Colorado +4.4%; Idaho -0.7%, New Mexico -1.2%, Oregon +1.4%, Utah +2.4%, and Washington +4.4%. Due to the effects of sequestration, cow numbers and production per cow are unavailable for this report.

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: Central nonfat dry milk prices are mixed, with some index-based contract prices increasing, but spot prices on some F.O.B. spot loads decreasing. Domestic buyers have short term buying objectives on the spot market, but longer term objectives in discussions with suppliers for Q1 - Q2, 2014 NDM contracts. Some fixed priced NDM contracts are locked up for the beginning of 2014. Interest in NDM from resellers picked up with the talk of an upcoming NDM tender within the Americas. Current NDM production is well below plant capacity in the Central region. Manufacturers report farm milk intakes are increasing slowly and steadily. Some concerns are emerging, though; regarding winter feed supplies in the Central region, as corn, soybean, and alfalfa yields are expected to fall below historical averages in many areas. Nonfat dry milk inventories are variable. A few plants are taking the time to produce high heat NDM for Q4 contracts.

EAST: Low heat prices were mixed this week, which resulted in a marginal decline in the mostly range. High heat prices moved lower with spot sales lowering both ends of the range. Current price levels are meeting price resistance from prospective buyers. Purchased volumes are of the "hand to mouth" type, covering buyers' immediate needs. Production of NDM in the region is very limited, due to limited manufacturing milk supplies with most manufacturers having drying volumes focusing on specialty or high heat production. Current inventories continue to be worked lower as orders are filled. Some buyers are securing loads on the resale market at prices near the low end of the range. Domestic demand has declined as numerous prospective buyers are looking to alternative lower priced products to fill their needs. The weaker demand, in combination with the declining supplies, has given the market a cautiously steady undertone.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.7500 - 1.9000 MOSTLY: 1.8200 - 1.8500
 HIGH HEAT: 1.8600 - 1.9425

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are higher in both the full range and mostly price series. The market tone firmed following recent pricing increases and an overall perception of tight supplies. Demand from export buyers is driving much of the strength. U.S. manufacturers are busy filling export orders and are reducing domestic NDM production. Domestic buyers are reluctant to purchase above immediate needs at current price levels. Tight milk supplies are also restricting NDM production in the West with plants reporting reduced supplies for spot sales. Although supplies remain tight, buyers are looking at increased international offerings and looking for possible price breaks as Q4 progresses. With sales at the gDT auction remaining strong into 2014, buyers are assessing strategies with the added information. Lower milk supplies are allowing more time for high heat production. High heat prices are higher with most plants reporting tight stocks. Increased seasonal demand from fall baking and blending mix users is noted.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.7700 - 1.8700 MOSTLY: 1.8100 - 1.8425
 HIGH HEAT: 1.8650 - 1.9800

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are unchanged to fractionally lower. Churning at a few Central plants is increasing compared to last week as demand from Class II manufacturers gradually subsides. Sales of condensed buttermilk loads continue into various accounts and some dry buttermilk manufacturers expect drying will not resume until mid-Q4. Dry buttermilk inventories are mostly steady in the Central region. Some resellers report they are short of dry buttermilk to supply customers in the East, but transportation costs from the Central to the East make it difficult to finalize sales.

EAST: Dry buttermilk prices on the upper end of the range declined marginally, based on indexed sales. Supplies are very tight in the East as churning is very limited. Increased sales of condensed buttermilk to ice cream manufacturers have contributed to the reduction in dry buttermilk production. Demand has increased, but product is so tight that prospective buyers are having difficulty finding available loads for purchase. The market undertone is steady to firm.

F.O.B. CENTRAL/EAST: 1.6500 - 1.7325

DRY BUTTERMILK - WEST

Western dry buttermilk prices are steady for the full range and higher for the mostly series. Continued strong NDM prices are helping to keep a firm undertone to buttermilk. Good seasonal demand for buttermilk is also adding support to the market. Buttermilk supplies are tight with spot loads very tight. Contract needs are being supplied, but manufacturers are expressing difficulties in filling all of the demand.

F.O.B. WEST: 1.6200 - 1.7500 MOSTLY: 1.7000 - 1.7300

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady to lower on a mixed market. Interest is active into contract accounts. Manufacturers indicate some plants are waiting for farm milk production to increase before drying whole milk powder. Inventories are currently sufficient to fill near term contract needs.

F.O.B. PRODUCING PLANT: 1.8400 - 2.0000

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 20	\$1.7933	8,230,406	0
September 13	\$1.7847	9,359,797	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, WPC 34%, LACTOSE & CASEIN

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

DRY WHEY - CENTRAL

Central dry whey prices remained unchanged on the mostly, but did decrease slightly on the high end of the range. Offers are being presented to end users from resellers and manufacturers at a slight discount due to extra volumes of dry whey on hand. Some end users indicated they have ample supplies and are not as active in seeking offers. Some manufacturers sent whey supplies out to other locations to rebalance inventories for contract fulfillment. Dry whey production has improved from the heat spell as some manufacturers reported the decrease in daytime temperatures and humidity improved dryer efficiencies. ANIMAL FEED DRY WHEY prices went up on the lower end of the range but remained unchanged on the higher end. The change in price was due to an increase in index prices.

F.O.B. CENTRAL: .4700 - .6300 MOSTLY: .5200 - .5575
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4350 - .5200

DRY WHEY - NORTHEAST

The price range for dry whey narrowed this week as spot sales increased the low end of the range, while sales based on various price indices moved the upper end of the range lower. Production of dry whey has marginally decreased, due to seasonally lower milk volumes and components. Domestic demand for dry whey continues to be flat with product moving through contracts and limited spot sales. Export demand remains below manufacturers' expectations, which has prompted some price discounts as plant managers attempt to better manage their inventories. The market undertone is steady to weak.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5475 - .6300

DRY WHEY - WEST

Western dry whey prices are unchanged this week. While prices this week stayed steady, increasing amounts of whey are beginning to be offered to the market. The upper end of the market is reflecting index buying. Whey production continues at a mostly steady pace and inventories are said to be building for some manufacturers. Buyer demand is good for immediate needs, but international buyers are looking for price breaks before committing to larger block purchases. Much of the Western whey is exported and there appears to be a weaker undertone to the export market.

NONHYGROSCOPIC: .5400 - .5975 MOSTLY: .5475 - .5800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are mostly higher on a firm market. Manufacturers' inventories are variable. Some manufacturers are behind on contract shipments due to shortfalls in availability of manufacturing milk, compounded by occasional production issues that channeled some loads into the animal feed industry. One or two producers requested relief from supplying some contract loads to buyers, in an attempt to rebalance supply and demand. Other manufacturers experienced minor pushbacks on contract loads from buyers, allowing them to offer loads to the spot market intermittently to active interest. A few manufacturers are finding inputs to keep production steady and send loads to contract and F.O.B. spot load buyers. Overall interest for WPC 34% is active, with physical characteristics, results of analysis, certifications, and packaging affecting desirability and pricing. Ample supplies of off specification NDM and WPC 34% are clearing into the animal feed sector and limiting pressure on the edible WPC 34% markets from those end users.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.3000 - 1.6000 MOSTLY: 1.4000 - 1.4700

LACTOSE - CENTRAL AND WEST

Lactose prices are mostly unchanged on a steady to firm market for manufacturers with established customers. Q4 contracting is making steady progress toward the finish line, according to manufacturers and end users. Some manufacturers indicate they've run into a little competition from European manufacturers offering lactose into Southeast Asia/China/Japan. Early reports indicate U.S. manufacturers are maintaining established selling relationships in those regions. Some October monthly contract negotiations are also close to be finalized. Requests from some end users to open 2014 contract discussions have been denied as manufacturers tally up the conclusion of Q3 sales and production as well as projected Q4 sales and production. Lactose production is at seasonal levels. Producers report the recent tight supply of manufacturing milk is beginning to ease as cooler weather arrives.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .5000 - .7200 MOSTLY: .5900 - .6900

CASEIN - NATIONAL

Both acid and rennet casein price series are unchanged. The market undertone remains firm. Offerings are along expectations. Higher milk production output in the EU and Oceania are giving more favorable signs to future casein availability.

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

RENNET: 4.7500 - 5.0000
ACID: 4.9000 - 5.4000

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 2012

WEEK ENDING	WEEKLY DAIRY COWS	2013 CUMULATIVE DAIRY COWS	2012 WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS
09/19/2013	56.5	2,149.2	55.9	2,097.4

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
2012	17.05	16.06	15.72	15.72	15.23	15.63	16.68	17.73	19.00	21.02	20.83	18.66

CLASS IV MILK PRICES (3.5% BF)

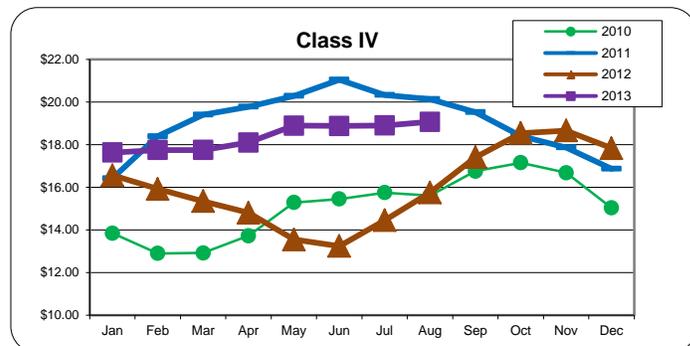
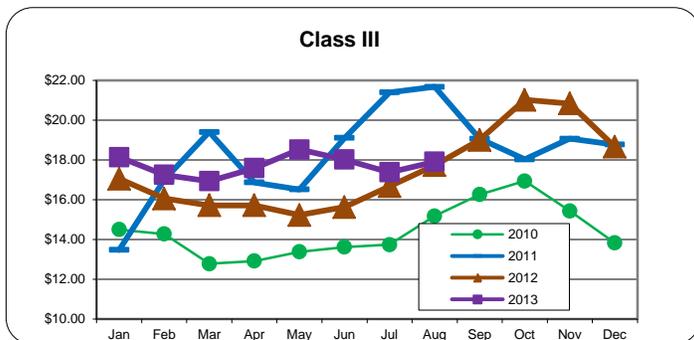
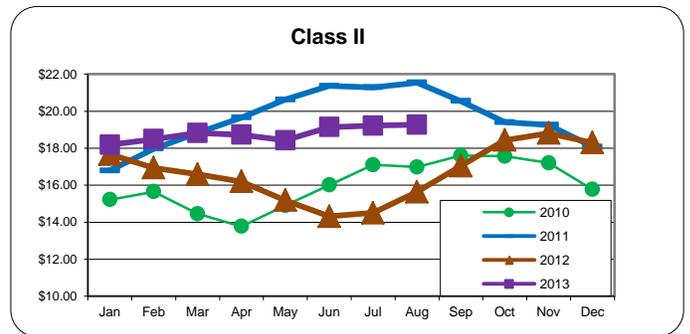
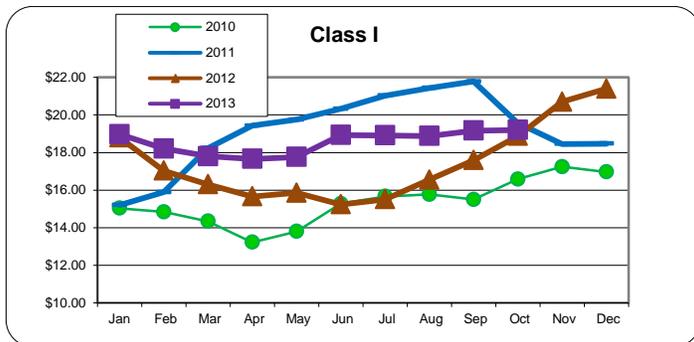
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87
2012	16.56	15.92	15.35	14.80	13.55	13.24	14.45	15.76	17.41	18.54	18.66	17.83

FEDERAL MILK ORDER CLASS PRICES FOR 2013 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.97	18.21	17.80	17.66	17.76	18.93	18.91	18.88	19.16	19.20		
II	18.19	18.49	18.82	18.73	18.43	19.14	19.22	19.27				
III	18.14	17.25	16.93	17.59	18.52	18.02	17.38	17.91				
IV	17.63	17.75	17.75	18.10	18.89	18.88	18.90	19.07				

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."



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 16 - 27, 2013

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 is trending higher across many EU countries. For the EU-28 in July, milk was up 2.0% and indications are that August is up more than a year ago on a percentage basis. Some early August production figures versus a year ago show Germany at +3.5%, Netherlands +10.0%, and United Kingdom +5.0%. There are concerns about the higher production levels and what effects that will have on quota. Demand for fluid milk is good and processors are willing to give up milk at higher prices to maintain better returns. Interest in cream is active. Dairy product pricing trends are uneven. Butter prices are trending higher, at levels that restrict exporting. Skim milk powder prices are slightly lower. There is some unsettledness to the market tone, especially into Q4. Whole milk powder and whey prices are mostly steady. Demand for WMP remains good and clearing into export markets. Interest in whey is variable and there is some price resistance in the market, especially into the feed sector currently. Cheese demand is good and production remains full to service industry needs.

BUTTER/BUTTEROIL: Butter prices are slightly higher. Increasing Euro values are putting pricing at higher levels. Market conditions are in stable position with recent months. Relative pricing levels remain at points well above other world supplying countries. Thus, bulk butter shipments are limited into export channels. Movements are occurring to local accounts. Print demand is favorable. Overall, butter production is flat to lower. Cream prices have moderated, yet remain at high levels. Butteroil pricing is higher, reflecting higher fat values. High prices are limiting production and sales. Other international AMF pricing is lower and commanding the attention of buyers.

82% BUTTERFAT: 5,400 - 5,875
99% BUTTERFAT: 6,200 - 6,950

SKIM MILK POWDER (SMP): European skim milk market prices are trending lower this reporting period. Buyer interest is slightly more subdued. Some demand is pending. Pricing points are being negotiated more as there is some buyer resistance to current levels. Production remains light to moderate. Some countries are seeing milk production gains and subsequent increases to dairy product categories. Stock volumes range from light to more moderate levels for current marketing conditions.

1.25% BUTTERFAT: 4,100 - 4,450

WHOLE MILK POWDER (WMP): The WMP pricing range is unchanged this reporting period. The market tone is mainly stable. Buying interest remains fair to good from export markets. There is some caution about future pricing levels. World demand is good and there is an impact of China being a heavier buyer of WMP from a lot of market areas. WMP production is uneven. There is good demand for fluid milk and some producers are taking advantage of those sales. Current holdings of WMP are generally limited.

26% BUTTERFAT: 4,900 - 5,200

SWEET WHEY POWDER: Pricing for European dry whey is mainly steady to slightly lower. The market undertone is pegged at weaker trends. Food whey market demand is uneven. There is active cheese production and a steady whey stream. Export buying interest is mixed. Some buyers are bidding into EU countries; others continue to pull from U.S. sources. EU stocks are seeing slight gains. Sales into feed accounts are slower.

NONHYGROSCOPIC: 1,275 - 1,475

EASTERN OVERVIEW: Eastern European milk production is noted to be mixed across reporting countries. August output in Poland is stated to be 0.7% higher than a year earlier. Weather conditions have been generally favorable and higher milk pricing is working through to the farm level. Dairy product availability is seasonally light to moderate. Buyer interest is fair to good across categories.

**Exchange rates for selected foreign currencies:
September 23, 2013**

.1733 Argentina Peso	.0101 Japan Yen
.9430 Australian Dollar	.0781 Mexican Peso
.9724 Canadian Dollar	.8374 New Zealand Dollar
1.3493 Euro	.3192 Polish Zloty
.0160 India Rupee	

To compare the value of 1 US Dollar to Mexican Pesos:
(1/.0781) = 12.8041 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 16 - 27, 2013

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.

OCEANIA OVERVIEW: AUSTRALIAN milk production patterns are trending higher on a seasonal basis. Milk growth is progressing, yet total levels are trailing last year by several percentage points. There was a stronger start to last season and the comparisons are based on numbers progressing at different levels. Weather conditions are good. Water levels are in positive shape for the growing season for pastures and crops. Farm financials are beginning to be more favorable, following a year of transition. Processing plants are working well as milk intakes are building. According to Dairy Australia, August milk production in Australia is 4.7% lower than August 2012. The state changes from a year earlier are: New South Wales, -4.7%; Victoria, -4.4%; Queensland -4.3%; South Australia -8.6%; Western Australia -1.8%; and Tasmania -7.3%. **NEW ZEALAND** milk production in July was recorded by DCANZ at 185,000 tons, down 5.1% from July 2012 but 14.2% higher than two years ago. Another trade report indicates that milk production in the first three months of the season (June - August) was 3.4% higher than the same period a year ago. The milk production season is ramping higher in NEW ZEALAND. Conditions are favorable for the milking herds. Weather has been moderate with adequate to moderate rainfall. Pastures are seeing amazing growth in some regions. There are some local concerns about conditions becoming too wet and affecting the quality as cows graze. Another forecast is for the seasonal total to be 6% higher with increased cow numbers and higher milk prices being major reasons. A new drying processing plant is operational and working well on the South Island. Dairy product markets are seeing fair to good demand across product categories. There is good buying interest from China and other exporting partners. Trade sources report that Chinese demand is higher as they compensate for declines in fresh milk supplies, said to be around 5-6% lower than a year ago. Buyers are looking to replace the lack of production by importing more dairy products, especially whole milk powders. The impact is tightening up supplies in Oceania and keeping WMP pricing rather firm around the \$5,000 per MT mark. Butter price trends are higher, reflecting good demand. Traders/handlers are noting good demand from Russia.

BUTTER: Oceania butter prices are steady to firm. Buying interest remains fair to good for the available offerings. Two tier pricing is being reported from traders/handlers being able to service accounts in Russia, versus other world trading partners. China demand is strong. Other export interest is fair. Competition within the markets is mixed with U.S. pricing moving higher, but still at lower levels. Demand from retail accounts in Australia remains good with clearances active. Stock levels are light and are slow to build across the region. At the September 17 GDT event 100, butter averaged \$3,915/MT for the November contracts, +6.2%, and \$3,911/MT for all contract periods, +5.2%. AMF prices averaged \$4,892/MT for the November contracts, -3.0% from the prior event. For all contract periods, the AMF price average was \$4,940/MT, -3.3%.

SKIM MILK POWDER (SMP): Pricing for Oceania SMP moved slightly lower. SMP demand trends are mainly light to moderate. Trading volumes are often lighter, reflecting the current milk production levels and the impact of the trade demand for WMP. International demand is active. Buyers looking for specific country of origin and long term customers are in the Oceania market. Lower priced product in other exporting countries is keeping the interest of those buyers with open sourcing. Oceania SMP stock holdings remain light, indicative of the current light, seasonal output and hard pulls on supply due to the poor finish to last season. At the September 17 event 100, SMP for all regions and contracting periods averaged \$4,330 per MT, down 1.7%. For trading in contract period 2, (November 2013), prices averaged \$4,370 for NZ sourced medium heat product. For November sales, the price gap narrowed between U.S. sourced MH SMP, at \$4,040, to \$330/MT.

1.25% BUTTERFAT: 4,350 - 4,750

CHEDDAR CHEESE: Oceania cheese prices and market tone are steady. Cheese production is light as seasonal production is slowly being ramped up. Processors are favoring making WMP as a product of first choice. Cheese makers are less motivated to make cheese based on market returns. Cheese demand has been uneven as traders/handlers look ahead. Retail and long term buyers are being serviced. Other international customers are being offered lower priced cheese from the U.S. and are able to make those offers work in certain applications.

39% MAXIMUM MOISTURE: 4,300 - 4,600

WHOLE MILK POWDER (WMP): The whole milk powder market tone is mostly steady. The pricing range narrowed, but the general trend of the market is holding well at around the \$5,000 per MT mark. Buying interest is good from all accounts. Buyers are seeking to fill WMP needs. Sales are occurring into the fourth quarter and beyond. Demand from China is very good as buyers seek to compensate for the shortages of milk supplies in China. Movements to China have a duty advantage for product received after January 1. WMP output is trending higher seasonally. Many producers are making WMP as their first choice because of the returns and buyer interest. Stocks are generally light and committed. At the September 17 GDT event, the WMP pricing index, across all contracting periods, averaged \$5,096 per MT, +1.1%. For contract periods 2 and 3, November and December 2013, NZ regular WMP averaged from \$5,105 and \$5,095 per MT, respectively.

26% BUTTERFAT: 4,850 - 5,200

82% BUTTERFAT: 3,550 - 4,500

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (g/DT) Event 100 Recap - September 17, 2013												
	Contract 1 Oct-13		Contract 2 Nov-13		Contract 3 Dec-13		Contract 4 Jan-14		Contract 5 Feb-14		Contract 6 Mar-14		All Contracts
Anhydrous Milk Fat	n.a.	\$4,892	-3.0%	\$4,971	-5.3%	\$4,884	-4.5%	\$4,889	-1.5%	\$5,465	2.2%	\$4,940	-3.3%
Butter	\$3,735	2.2%	\$3,915	6.2%	\$3,885	3.7%	\$3,955	6.1%	n.a.	n.a.	\$3,911	5.2%	
Buttermilk Powder	n.a.	\$4,790	2.0%	\$4,820	2.7%	\$4,820	1.9%	n.a.	n.a.	\$4,805	2.2%		
Cheddar	n.a.	\$4,345	1.5%	\$4,253	1.2%	\$4,291	0.5%	n.a.	n.a.	\$4,295	1.0%		
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Milk Protein Concentrate	n.a.	\$7,675	0.3%	\$7,445	-0.1%	\$7,460	-2.9%	n.a.	n.a.	\$7,569	-0.6%		
Rennet Casein	n.a.	\$9,827	-0.6%	\$9,780	-1.1%	\$9,867	0.5%	n.a.	n.a.	\$9,825	-0.4%		
Skim Milk Powder	\$4,090	0.2%	\$4,302	-2.1%	\$4,381	-1.8%	\$4,450	-2.7%	\$4,745	3.0%	\$4,330	-1.7%	
Whole Milk Powder	n.a.	\$5,115	2.0%	\$5,109	1.1%	\$5,051	0.1%	\$5,068	0.9%	\$5,176	-1.5%	\$5,096	1.1%

Average price US\$/MT and % change in indices from previous event.

US\$/Pound	Global/Dairy Trading (g/DT) Event 100 Recap - September 17, 2013												
	Contract 1 Oct-13		Contract 2 Nov-13		Contract 3 Dec-13		Contract 4 Jan-14		Contract 5 Feb-14		Contract 6 Mar-14		All Contracts
Anhydrous Milk Fat	n.a.	\$2.2190	-3.0%	\$2.2548	-5.3%	\$2.2154	-4.5%	\$2.2176	-1.5%	\$2.4789	2.2%	\$2.2408	-3.3%
Butter	\$1.6942	2.2%	\$1.7758	6.2%	\$1.7622	3.7%	\$1.7940	6.1%	n.a.	n.a.	\$1.7740	5.2%	
Buttermilk Powder	n.a.	\$2.1727	2.0%	\$2.1863	2.7%	\$2.1863	1.9%	n.a.	n.a.	\$2.1795	2.2%		
Cheddar	n.a.	\$1.9709	1.5%	\$1.9291	1.2%	\$1.9464	0.5%	n.a.	n.a.	\$1.9482	1.0%		
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Milk Protein Concentrate	n.a.	\$3.4814	0.3%	\$3.3770	-0.1%	\$3.3838	-2.9%	n.a.	n.a.	\$3.4333	-0.6%		
Rennet Casein	n.a.	\$4.4575	-0.6%	\$4.4362	-1.1%	\$4.4756	0.5%	n.a.	n.a.	\$4.4566	-0.4%		
Skim Milk Powder	\$1.8552	0.2%	\$1.9514	-2.1%	\$1.9872	-1.8%	\$2.0185	-2.7%	\$2.1523	3.0%	\$1.9641	-1.7%	
Whole Milk Powder	n.a.	\$2.3201	2.0%	\$2.3174	1.1%	\$2.2911	0.1%	\$2.2988	0.9%	\$2.3478	-1.5%	\$2.3115	1.1%

Average price US\$/pound and % change from previous event.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	09/12	09/13	09/16	09/17	09/18	09/19	09/20	09/23	09/24	09/25
CME - CLASS III MILK FUTURES (Pit-Traded)										
SEP 13	18.17 (4100) 0	18.18 (4091) 0	18.16 (4056) 0	18.14 (4032) 0	18.15 (4050) 0	18.14 (3998) 0	18.14 (3954) 0	18.14 (3971) 0	18.14 (3920) 0	18.13 (3883) 0
OCT 13	18.29 (4375) 0	18.19 (4414) 10	17.80 (4489) 3	17.66 (4513) 0	17.88 (4519) 0	18.00 (4555) 0	18.09 (4560) 0	17.92 (4568) 0	18.04 (4523) 0	17.92 (4577) 5
NOV 13	17.81 (3504) 0	17.78 (3603) 10	17.57 (3653) 0	17.45 (3671) 0	17.65 (3660) 0	17.68 (3671) 0	17.70 (3678) 0	17.61 (3704) 0	17.75 (3717) 0	17.58 (3777) 10
DEC 13	17.11 (2992) 0	17.05 (3044) 10	16.92 (3033) 3	16.88 (3073) 0	16.98 (3091) 0	17.09 (3081) 0	17.07 (3089) 0	17.05 (3105) 0	17.14 (3076) 0	17.00 (3124) 10
JAN 14	16.60 (1396) 2	16.56 (1418) 10	16.62 (1434) 0	16.55 (1449) 0	16.60 (1458) 1	16.70 (1470)	16.65 (1486) 8	16.66 (1503) 0	16.68 (1513) 0	16.66 (1560) 10
FEB 14	16.40 (1205) 2	16.41 (1228) 10	16.48 (1247) 0	16.45 (1272) 0	16.48 (1275) 1	16.60 (1285) 0	16.54 (1302) 8	16.54 (1323) 0	16.51 (1335) 0	16.46 (1365) 0
MAR 14	16.31 (1062) 2	16.37 (1079) 10	16.43 (1082) 0	16.40 (1098) 0	16.48 (1107) 1	16.58 (1119) 0	16.52 (1129) 8	16.49 (1144) 0	16.47 (1156) 0	16.50 (1174) 0
APR 14	16.36 (854) 2	16.39 (868) 0	16.44 (873) 0	16.37 (886) 0	16.46 (900) 1	16.52 (913) 0	16.47 (923) 8	16.50 (935) 0	16.48 (952) 0	16.49 (968) 0
MAY 14	16.37 (901) 2	16.39 (915) 0	16.45 (924) 0	16.39 (937) 0	16.49 (948) 1	16.53 (962) 0	16.47 (967) 8	16.52 (981) 0	16.51 (985) 0	16.52 (1007) 0
JUN 14	16.64 (782) 2	16.67 (797) 0	16.67 (801) 0	16.61 (807) 0	16.70 (812) 1	16.73 (821) 0	16.61 (829) 8	16.68 (836) 0	16.65 (845) 0	16.68 (862) 17
CME - CLASS IV MILK FUTURES (Pit-Traded)										
SEP 13	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0	19.49 (536) 0
OCT 13	20.00 (601) 0	20.01 (614) 10	19.83 (624) 0	19.86 (628) 0	19.87 (628) 0	19.87 (628) 0	19.99 (635) 0	20.10 (649) 0	20.15 (650) 0	20.19 (656) 1
NOV 13	20.00 (572) 0	20.14 (594) 10	19.90 (597) 0	19.84 (605) 0	19.85 (624) 0	19.83 (633) 0	20.08 (677) 0	20.14 (681) 0	20.20 (705) 0	20.18 (731) 1
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
SEP 13	146.15 (1072) 9	146.15 (1072) 0	146.15 (1072) 0	146.00 (1054) 0	146.00 (1099) 0	145.25 (1119) 0	146.00 (1114) 8	146.00 (1124) 0	145.28 (1125) 6	145.28 (1125) 14
OCT 13	154.48 (1119) 58	154.43 (1109) 14	152.90 (1100) 19	153.00 (1100) 9	153.00 (1099) 6	152.25 (1097) 18	157.25 (1062) 53	159.80 (1050) 32	159.80 (1038) 20	161.48 (1028) 21
NOV 13	156.45 (1213) 15	155.50 (1233) 22	153.25 (1223) 32	153.25 (1220) 3	153.65 (1219) 7	154.75 (1224) 7	159.75 (1222) 19	161.00 (1206) 36	162.90 (1210) 7	162.50 (1218) 16
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
SEP 13	181.00 (258) 0	181.00 (258) 0	181.00 (257) 0	180.98 (257) 0	181.00 (252) 0	181.00 (252) 0	181.00 (252) 0	181.00 (252) 0	181.00 (252) 0	181.00 (252) 0
OCT 13	182.55 (279) 0	182.15 (280) 0	181.00 (280) 0	181.75 (279) 0	181.00 (283) 0	181.00 (287) 0	180.78 (287) 0	180.78 (294) 0	180.78 (294) 0	180.78 (298) 0
NOV 13	182.00 (383) 0	183.20 (386) 0	181.50 (386) 0	180.75 (391) 0	180.75 (385) 0	180.75 (385) 0	180.75 (392) 0	180.70 (392) 0	180.73 (392) 0	180.75 (395) 0
CME - WHEY (Electronic-Traded)										
SEP 13	58.00 (296) 1	57.70 (296) 1	57.70 (297) 3	57.70 (297) 0	57.70 (297) 0	57.70 (297) 0	57.60 (297) 2	57.85 (308) 11	57.85 (308) 0	58.25 (309) 2
OCT 13	57.75 (286) 1	57.75 (286) 0	57.75 (282) 8	57.50 (282) 2	58.00 (283) 1	57.68 (288) 5	57.68 (288) 0	57.40 (290) 2	57.50 (295) 16	57.50 (295) 0
NOV 13	57.20 (252) 3	57.20 (252) 0	57.50 (252) 2	57.50 (252) 2	57.50 (252) 0	57.68 (253) 13	57.03 (255) 6	57.50 (255) 2	57.00 (255) 3	57.00 (255) 0
CME - CHEESE CSC (Electronic-Traded)										
SEP 13	1.80 (1128) 2	1.80 (1128) 0	1.80 (1131) 4	1.79 (1134) 3	1.79 (1134) 1	1.79 (1134) 0	1.79 (1133) 1	1.79 (1131) 4	1.79 (1131) 0	1.79 (1110) 31
OCT 13	1.81 (1232) 6	1.80 (1237) 8	1.76 (1241) 8	1.75 (1247) 6	1.77 (1246) 5	1.78 (1246) 2	1.79 (1244) 3	1.77 (1237) 17	1.78 (1231) 7	1.77 (1224) 7
NOV 13	1.76 (1491) 9	1.75 (1492) 17	1.73 (1500) 17	1.73 (1511) 18	1.74 (1511) 0	1.74 (1523) 12	1.74 (1527) 16	1.74 (1533) 16	1.75 (1530) 3	1.73 (1526) 46
DEC 13	1.68 (1409) 7	1.68 (1415) 11	1.67 (1421) 28	1.67 (1421) 0	1.67 (1422) 2	1.68 (1422) 12	1.68 (1420) 2	1.68 (1430) 21	1.69 (1428) 10	1.68 (1445) 19
JAN 14	1.66 (635) 0	1.65 (640) 5	1.66 (648) 10	1.66 (648) 0	1.65 (669) 2	1.66 (672) 11	1.66 (693) 24	1.66 (718) 26	1.66 (722) 5	1.66 (727) 7
FEB 14	1.65 (485) 9	1.65 (490) 25	1.64 (499) 21	1.63 (499) 5	1.64 (519) 0	1.65 (519) 0	1.65 (538) 23	1.65 (562) 25	1.65 (566) 4	1.65 (584) 23

^{1/} At the CME open interest for milk -- 200,000 pounds per contract.)

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

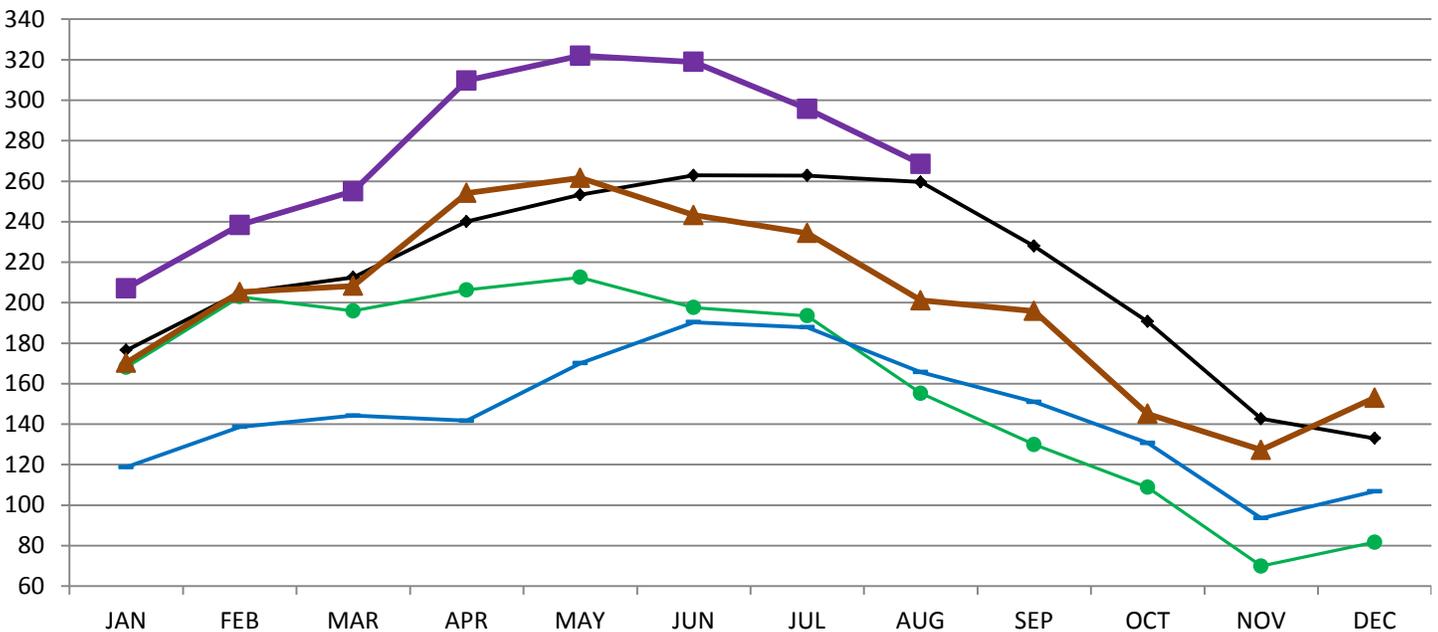
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JULY 31, 2011	JULY 31, 2012	REVISED JULY 31, 2013	AUG 31, 2011	AUG 31, 2012	AUG 31, 2013
Butter	187,796	234,352	295,751	165,698	201,135	268,532
Cheese, Natural American	648,834	670,734	701,964	647,268	649,397	670,444
Cheese, Swiss	34,168	30,611	32,715	33,577	28,792	32,007
Cheese, Other Natural	401,944	391,272	411,452	384,518	371,295	400,409
Total Cheese	1,084,946	1,092,617	1,146,131	1,065,363	1,049,484	1,102,860

AUGUST STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
New England	39,959	37,351	47,373	---	---	---	844	746	1,051
Middle Atlantic	52,189	46,810	55,180	---	---	---	24,697	22,590	21,232
East North Central	272,251	287,772	283,793	---	---	---	266,758	274,055	278,272
West North Central	109,894	103,382	98,128	---	---	---	53,516	27,704	41,002
South Atlantic	85	312	595	---	---	---	6,414	5,525	12,295
East South Central	1,391	7,203	6,451	---	---	---	247	12,404	10,010
West South Central	3,392	14,404	11,886	---	---	---	1,280	308	387
Mountain	62,546	49,300	55,810	---	---	---	6,136	5,517	4,383
Pacific	105,561	102,863	111,228	---	---	---	24,626	22,446	31,777
TOTAL	647,268	649,397	670,444	165,698	201,135	268,532	384,518	371,295	400,409

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

MILLION POUNDS

BUTTER COLD STORAGE HOLDINGS



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

—◆— 2009 —●— 2010 — — 2011 —▲— 2012 —■— 2013

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2012 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total ^{1/}		Commercial		Government	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Million Pounds		Million Pounds		Million Pounds					
January	207	170	643	642	198	157	198	157	0	0
February	238	205	661	635	226	193	226	193	0	0
March	255	208	685	651	232	210	232	210	0	0
April	310	254	699	664	208	226	208	226	0	0
May	322	262	715	652	230	215	230	215	0	0
June	319	243	711	662	230	144	230	144	0	0
July	296	234	702	671	207	129	207	129	0	0
August	269	201	670	649		106		106		0
September		196		642		118		118		0
October		145		611		104		104		0
November		127		612		127		127		0
December		153		636		183		183		0

^{1/} Includes instant nonfat dry milk.

Source: U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, August 2013*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, September 2013*.

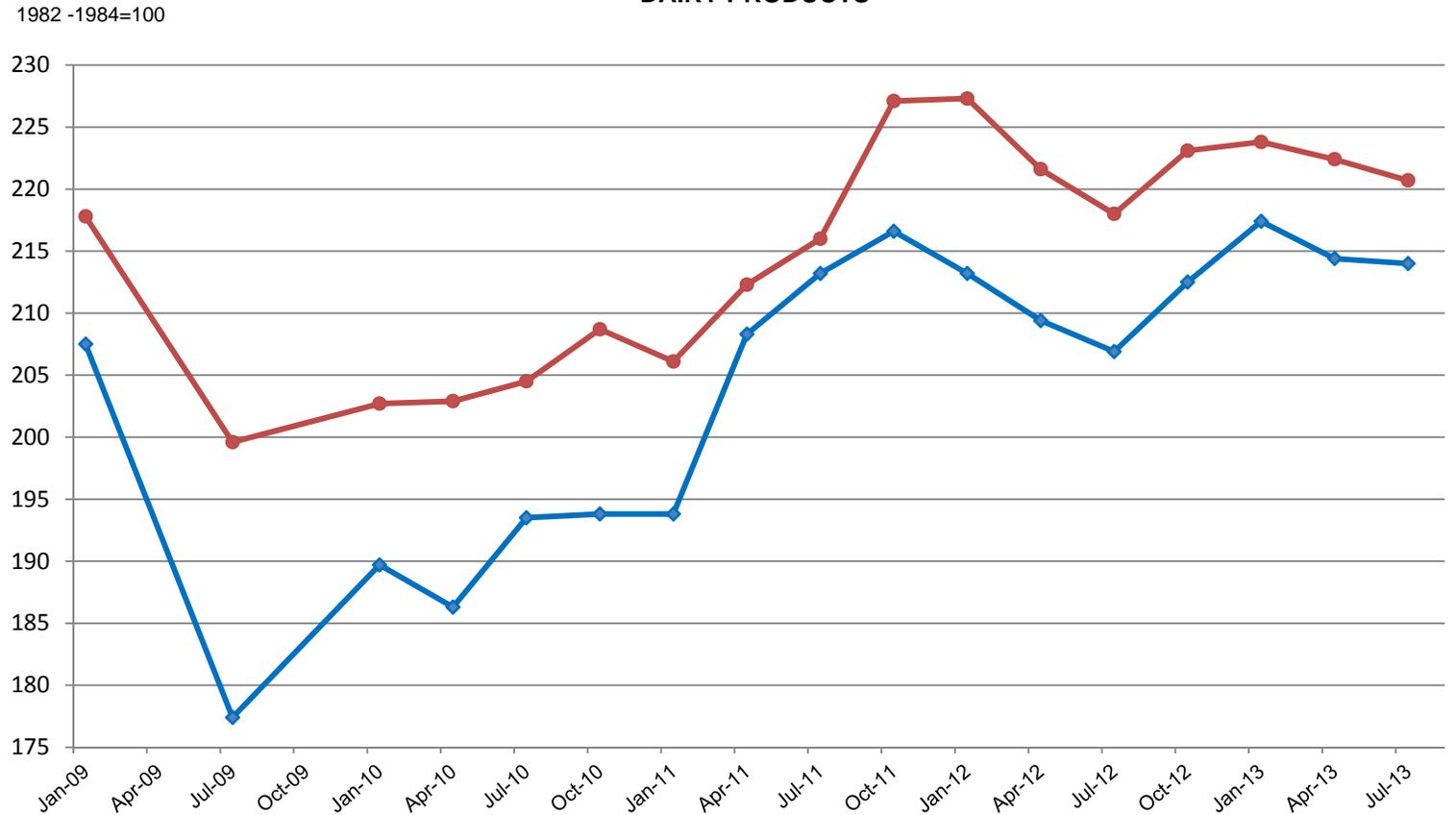
CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

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/}								
JUN 2013	236.8	1.4	216.1	0.3	214.1	3.3	219.3	-0.5	200.4	4.7	235.3	2.1
JUL 2013	237.0	1.4	215.9	0.7	214.0	3.4	220.7	1.2	198.8	3.1	235.9	2.0
AUG 2013	237.4	1.4	216.8	1.0	213.3	1.8	222.2	1.3	199.7	3.9	237.5	2.2

U.S. City Average Retail Prices											
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}		
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
	Dollars										
JUN	3.458	3.396	N/A	N/A	4.085	4.030	5.493	5.475	5.005	4.896	
JUL	3.449	3.428	N/A	N/A	4.092	4.052	5.434	5.457	4.840	4.929	
AUG	3.448	3.474	N/A	N/A	4.135	4.085	5.465	5.493	5.034	4.846	

N/A = 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.

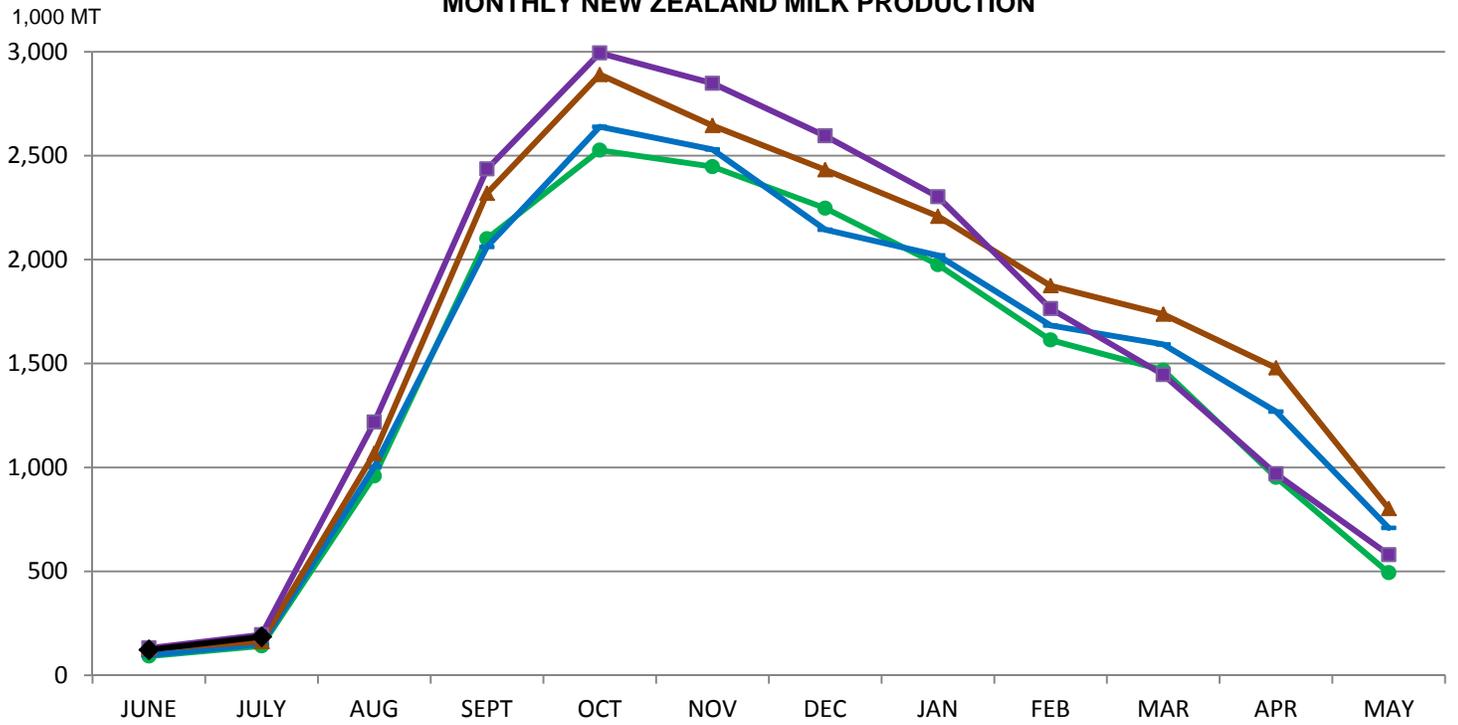
CONSUMER PRICE INDEX
DAIRY PRODUCTS



DATA SOURCE, USDL, BLS; GRAPH, USDA, AMS, DMN

◆ FRESH WHOLE MILK ● CHEESE

MONTHLY NEW ZEALAND MILK PRODUCTION

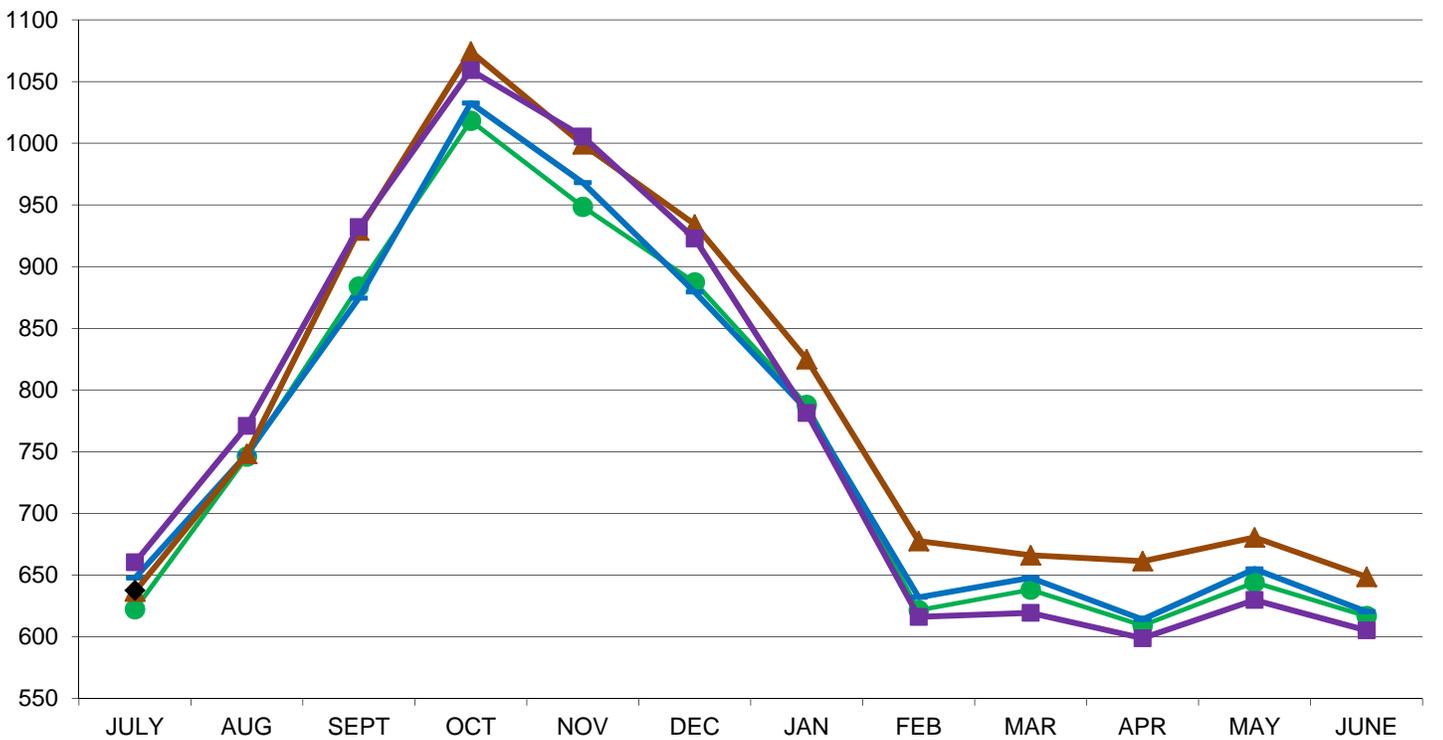


DATA SOURCE, DCANZ; GRAPH, USDA, AMS, DMN

2009-10 2010-11 2011-12 2012-13 2013-14

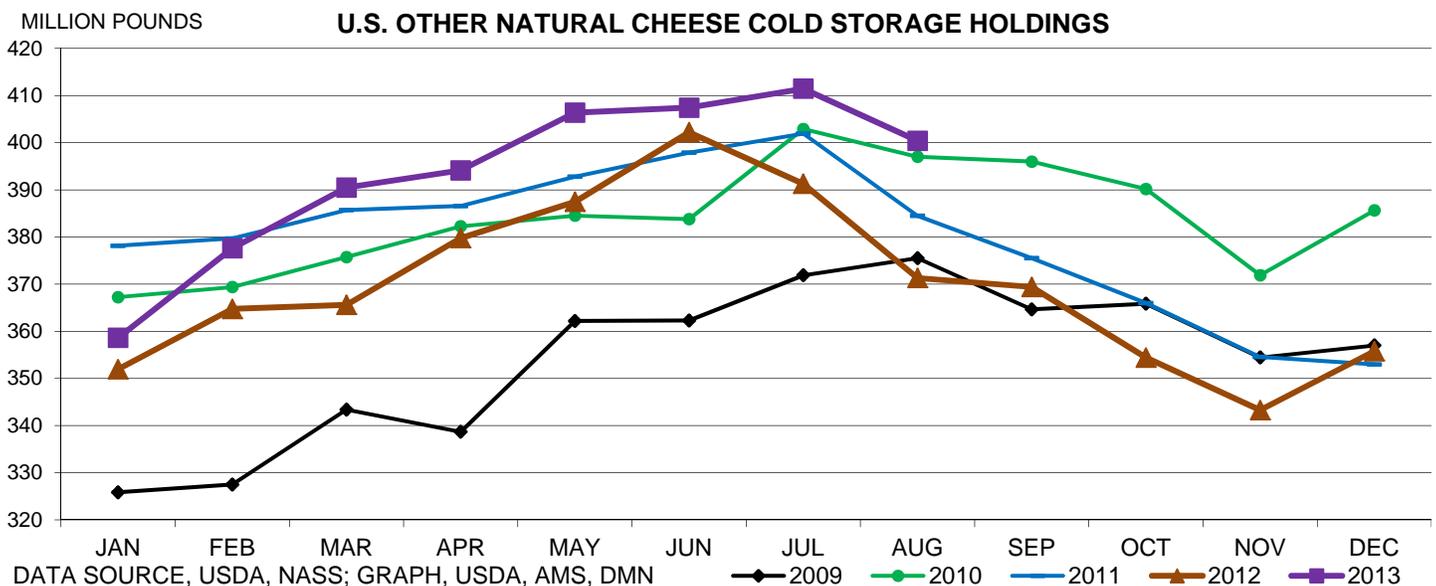
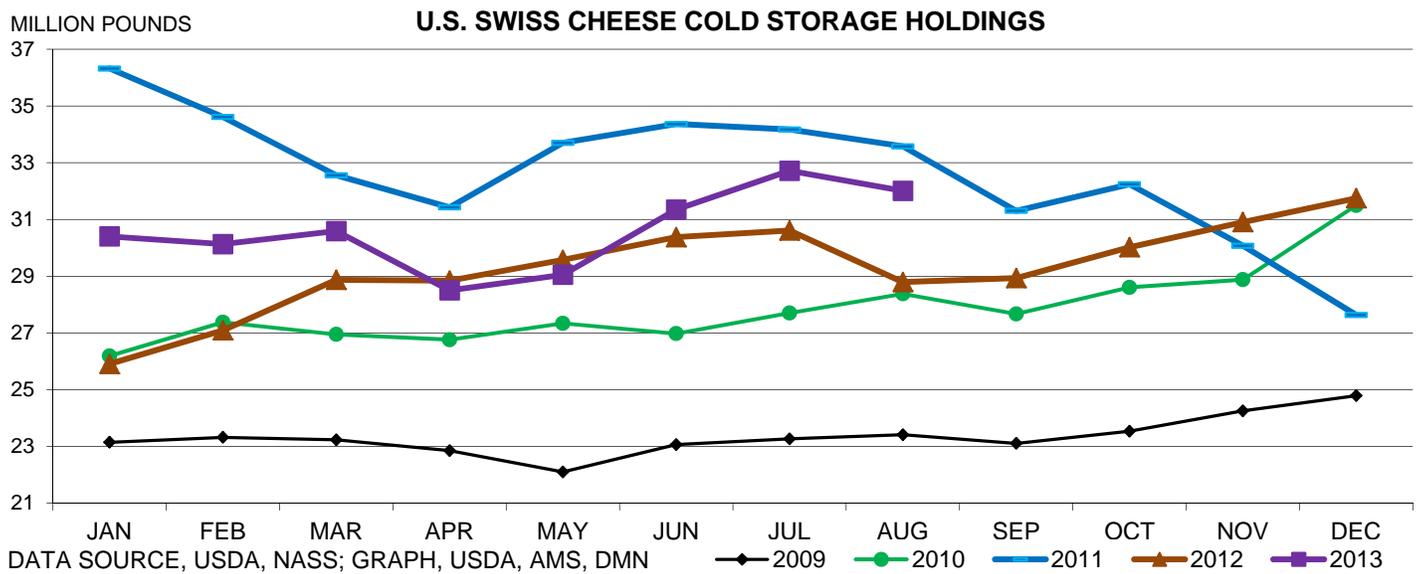
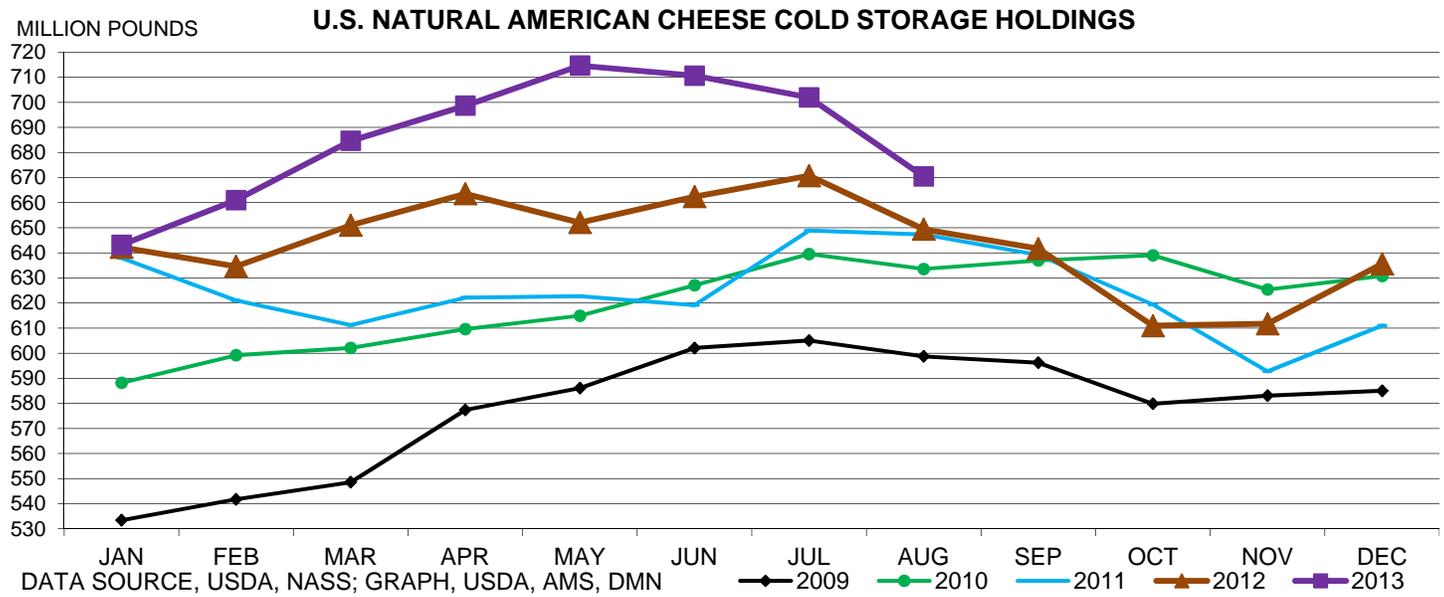
MILLION LITRES

MONTHLY AUSTRALIAN MILK PRODUCTION



DATA SOURCE, DAIRY AUSTRALIA LTD.; GRAPH, USDA, AMS, DMN

2009-10 2010-11 2011-12 2012-13 2013-14



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