

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (12/20):**

**BUTTER:** Grade AA closed at \$1.5825. The weekly average for Grade AA is \$1.5585 (-.0715).

**CHEESE:** Barrels closed at \$1.9500 and 40# blocks at \$2.0000. The weekly average for barrels is \$1.8865 (+.0935) and blocks, \$1.9670 (+.0715).

**BUTTER HIGHLIGHTS:** Retail holiday orders are mostly wrapped up. The butter market tone is steady as butter makers look to obtain additional cream supplies to replenish depleted stocks the last few weeks of the year. Cream demand has held in longer than anticipated, reducing churn rates across the regions, but is expected to loosen up over the year-end holidays. Production rates for butter manufacturers are reduced throughout most of the country, following seasonal trends. Domestic demand is strong in the Northeast, but slowing in the Central and Western regions. Export interest is good and increasing as U.S. butter prices are lower than much of the international market. Current bulk butter prices range from 5-8 cents over the market in the Northeast, 2 cents under to 5 cents over the market in the Central, and market to 4 cents under the market in the West, based on the CME, with various time frames and averages used. The Grade AA butter price on the CME Group closed Friday at \$1.5825, 1.25 cents higher than last Friday.

**CHEESE HIGHLIGHTS:** Most last minute orders for holiday sales are completed, but buyers are looking to secure inventories for New Year's and the football bowl and playoff season. Cheese production is limited by tighter than expected milk supplies and competition from butter/powder plants for available milk. Block demand is good domestically and export sales continue to reduce inventories. Higher prices are beginning to restrict some of the export demand. Barrel demand is showing some increased interest. Mozzarella sales have slowed and some discounts are reported. Wholesale cheese prices began the week lower. The market exhibited firmer pricing as the week progressed. Cheese prices at the CME Group reached highs for the year this week. Blocks peaked Friday at \$2.0000, while barrels reached \$1.9500. Year ago prices for December 20 had blocks at \$1.7400 and barrels at \$1.6500.

**FLUID MILK:** Milk production across the U.S. is moving off of seasonal lows. Much of the country is seeing some increased milk production. Eastern, Southern and Midwest levels are slowly increasing, while the Northwest remains flat. California production is

improving, but increases are said to be lower and later than comparable years. Good Class I demand in anticipation for holiday needs is restricting milk to manufacturing plants. Schools will be closing for the holidays and should free up some increased supplies. The midweek holiday should not cause much of an interruption for milk handlers and problems are not expected with moving milk to manufacturers.

**DRY PRODUCTS:** Prices for nonfat dry milk moved higher. The market tone is firm with tight available supplies. Good export sales of SMP continue to restrict NDM manufacturing. Some domestic buyers are in short bought positions. Some spot sales of low/medium heat NDM are matching high heat prices. Dry buttermilk prices are higher. Limited spot offerings are keeping prices firm. Whey prices are mixed with a firm undertone noted. Tighter stocks are reported with most activity centered on Q1 negotiations. Whey protein concentrate 34% prices are higher. Demand is very good with limited availability. Lactose prices are mixed with unground - 100 mesh supplies available, while higher mesh product is in a tighter supply position. Increased offerings of lactose from the EU are said to be influencing international prices.

**INTERNATIONAL DAIRY MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW:** Milk production has begun its seasonal upswing with milk intake volumes up over year ago levels. Good producer margins and lower feed costs are the primary factors for the production increases. A number of producers in a number of countries are beyond their production quotas, but current market conditions are such that most are willing to pay the levy and maintain the increases in production. Some producers are expanding their herds with most of the increases being noted in the Netherlands. Supplies are tight for dairy products across the board. Markets are stable going into the holiday period and into 2014. Increased fluid supplies, combined with decreased post-holiday demand will provide a welcome boost to butter, cheese and skim milk powder inventories.

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CME GROUP CASH TRADING

COMMODITY	MONDAY DEC 16	TUESDAY DEC 17	WEDNESDAY DEC 18	THURSDAY DEC 19	FRIDAY DEC 20	:: WEEKLY CHANGE *	:: WEEKLY AVERAGE #
CHEESE							
BARRELS	\$1.8225 (-.0075)	\$1.8400 (+.0175)	\$1.8900 (+.0500)	\$1.9300 (+.0400)	\$1.9500 (+.0200)	:: (+.1200)	:: \$1.8865 (+.0935)
40# BLOCKS	\$1.9275 (+.0025)	\$1.9500 (+.0225)	\$1.9725 (+.0225)	\$1.9850 (+.0125)	\$2.0000 (+.0150)	:: (+.0750)	:: \$1.9670 (+.0715)
NONFAT DRY MILK							
EXTRA GRADE	\$2.0600 (+.0150)	\$2.0900 (+.0300)	\$2.0900 (N.C.)	\$2.0900 (N.C.)	\$2.0900 (N.C.)	:: (+.0450)	:: \$2.0840 (+.0465)
GRADE A	\$2.0900 (+.0100)	\$2.1100 (+.0200)	\$2.1100 (N.C.)	\$2.1100 (N.C.)	\$2.1100 (N.C.)	:: (+.0300)	:: \$2.1060 (+.0375)
BUTTER							
GRADE AA	\$1.5500 (-.0200)	\$1.5500 (N.C.)	\$1.5500 (N.C.)	\$1.5600 (+.0100)	\$1.5825 (+.0225)	:: (+.0125)	:: \$1.5585 (-.0715)

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

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

**EASTERN OVERVIEW:** Eastern European milk production is mixed with Poland showing production increases at levels above year ago totals, while production in other Eastern European countries is slowly coming off their seasonal low points. Markets are steady going into the holiday period. Butter demand from Russia remains strong with active interest in Polish product. Whey prices are also holding steady. **OCEANIA OVERVIEW: AUSTRALIAN** milk production continues along the usual seasonal decline. Good weather, along with good producer margins and favorable water storage levels, should boost end of season milk production. There is general consensus among those in the industry that Australia's seasonal production will fall between 1-2% below last year. The good weather and margins currently being experienced by dairy producers have brightened the outlook for dairy operations, but there has yet to be seen significant expansion of the dairy herd. Supply availability ranges from tight to very tight across dairy product groups. The recent trade agreement concluded between Australia and the Republic of Korea will expand market opportunities for makers of cheese, butter and infant formula. Australian exports from July-October 2013, as reported by Dairy Australia, showed declines in butter, skim milk powder, whole milk powder and cheddar cheese compared to the previous year. July-October 2013 commodity export totals and the year over year percentage change are as follows: butter 10,869 MT, -13.6%; cheddar 17,119 MT, -2.4%; SMP 32,010 MT, -37.5% and WMP 29,499 MT, -14.5%. **NEW ZEALAND** milk production in October was reported by DCANZ at 3,157,000 tons, up 5.4% from October last year and 9.2% higher than two years ago. Weather conditions have held up very well for producers with more than adequate rainfall over recent weeks, making for very good pasture conditions near the midsummer point. The favorable weather and good margins have encouraged producers to extend or expand production where possible, with some sheep and beef farming conversions to dairy. Excellent prices and demand for skim and whole milk powder continue to prompt manufacturers to focus on production of those products, with less fluid milk volumes going to butter and cheddar manufacturing. Asia and China continue to be the main drivers of demand for skim and whole milk powders. At the December 17 GDT event #106, average prices ranged from 1.5% lower to 7.9% higher from the prior event across categories. The all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$5,668 +4.4%; butter, \$4,051 +7.9%; buttermilk powder, \$5,070 +2.2%; cheddar cheese, \$4,569 +1.0%; lactose, n.a.; milk protein concentrate, \$8,568 +3.9%; rennet casein, \$11,770 +7.3%; skim milk powder, \$4,868 +1.7%; and whole milk powder, \$4,958 -1.5%.

**NOVEMBER MILK PRODUCTION (NASS):** Milk production in the 23 major States during November totaled 15.0 billion pounds, up 0.3% from November 2012. Production per cow in the 23 major States averaged 1,762 pounds for November, 1 pound above November 2012. The number of milk cows on farms in the 23 major States was 8.50 million head, 22,000 head more than November 2012, but 4,000 head less than October 2013.

**JANUARY FEDERAL ORDER ADVANCE PRICES (FMMO):** Under the Federal milk order pricing system, the base Class I price for January 2014 is \$21.48. This price is derived from the advanced Class IV skim milk pricing factor of \$15.81 and the advanced butterfat pricing factor of \$1.7791. A Class I differential for each order's principle pricing point (county) is added to the base price to determine the Class I Price. The base Class I price increased \$1.11 when compared to the previous month of December 2013. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$1.07, \$0.092 per gallon; reduced fat milk (2%), -1A-

\$0.85, \$0.073 per gallon; fat-free (skim milk), \$0.59, \$0.051 per gallon. The advanced Class IV skim milk pricing factor is \$15.81. Thus, the Class II skim milk price for January 2014 is \$16.51, and the Class II nonfat solids price is \$1.8344. The two-week product price averages for January 2014 are: butter \$1.6406, nonfat dry milk \$1.9423, cheese \$1.8583 and dry whey \$0.5669.

**NOVEMBER PRICE AND POOL HIGHLIGHTS (DYP PROGRAMS):** During November 2013, more than 10.4 billion pounds of milk were received from producers. This volume of milk is 16.7% higher than the November 2012 volume. In November 2012 and November 2013, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.6 billion pounds of producer milk were used in Class I products, 3.6% lower than the previous year. Class I utilization was lower in 9 of the 10 Federal Order areas. The all-market average Class utilization percentages were: Class I = 35%, Class II = 10%, Class III = 48% and Class IV = 7%. The weighted average statistical uniform price was \$20.43s, \$0.47 higher than last month and \$0.72 lower than last year.

## CME GROUP

MONDAY, DECEMBER 16, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.9275; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.8225  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$2.0600; 1 CAR GRADE A @ \$2.0900; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5600

TUESDAY, DECEMBER 17, 2013

CHEESE -- SALES: 1 CAR BARRELS @ \$1.8200; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8400; 1 CAR 40# BLOCKS @ \$1.9500; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$2.1100; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$2.0900; 1 CAR GRADE A @ \$2.1050; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 3 CARS GRADE AA @ \$1.5600

WEDNESDAY, DECEMBER 18, 2013

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.9600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.8900; 2 CARS 40# BLOCKS @ \$1.9725; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$2.1100; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.5500, 1 @ \$1.5475; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5500;  
 LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5600

THURSDAY, DECEMBER 19, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.9300; 1 CAR 40# BLOCKS @ \$1.9850; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$2.1100; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5600; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5800

FRIDAY, DECEMBER 20, 2013

CHEESE -- SALES: 1 CAR BARRELS @ \$1.9500; 1 CAR 40# BLOCKS @ \$2.0000; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$2.0000;  
 LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.9700  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR EXTRA GRADE @ \$2.0900; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 3 CARS GRADE AA: 2 @ \$1.5700, 1 @ \$1.5800; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5825;  
 LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.6000

## BUTTER MARKETS

## NORTHEAST

Butter production is down, as retail sales of Class I fluid milk and Class II cream surged, due to winter weather conditions in the region and normal seasonal demand. Supplies are very tight with inventories being reduced as manufacturers fill end of year commitments. Demand is very strong for domestic and export markets, with orders set for end of year and going into first quarter 2014. The butter price on the CME Group was unchanged on Tuesday and closed at \$1.5500, after declining \$0.11 in the previous three trading sessions.

## CENTRAL

Prices for butter in the Central region weakened as holiday retail orders are finished. Production for butter manufacturers has slowed for most, following seasonal trends. Domestic butter demand has dropped off from previous weeks, while export interest is good. Some butter makers reported Q4 sales were the best they have seen in years. Butter inventories are reduced and cream supplies are still hard to come by. Current bulk butter prices range from 5 cents over the market to 2 cents under the market, based on the CME, with various time frames and averages used. The Grade AA butter price on the CME Group continues to slide, closing at \$1.55 on Wednesday, down 2 cents on the week and 11 cents lower than last Wednesday.

## WEST

Western butter prices are lower again this week as holiday orders are mostly shipped to retailers. Print butter lines are slowing and manufacturers are turning to increased bulk butter production. Butter production remains lighter than hoped for as milk production is at seasonally light volumes. Export demand remains good as U.S. butter prices are lower than much of the international market. Butter stocks are tighter than anticipated in many cases and manufacturers are hoping to see increased cream supplies over the upcoming holidays. Butter prices at the CME Group on Wednesday were unchanged and closed at \$1.5500. The market moved 2 cents lower on Monday and has held steady for the next two days. Three loads have sold at the exchange as of Wednesday's close. Since last Wednesday, butter prices are 11 cents lower. 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
December 14, 2013	1.6318 3,346,424	1.8728 9,517,738	1.8521 11,302,901	0.5742 7,533,679	1.9472 16,618,631

**CHEESE MARKETS**

**NORTHEAST**

Cheese production is active and expected to increase as milk volumes expand prior to holiday. Supplies are being shrunk as cheese makers fill established year end orders. Strong demand in the domestic market parallels cheese exports to various global markets. Cheese weekly average changes on the CME Group price saw barrels decline \$.0350, and blocks fall \$.0025. Cheese trades for last week include seven cars of block and two cars of barrels.

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

Cheddar 40# Block	: 2.2875-2.5725
Process 5# Sliced	: 2.0175-2.4975
Muenster	: 2.3075-2.6675
Grade A Swiss Cuts 10 - 14#	: 3.4575-3.7800

**MIDWEST**

A number of cheese plant officials report that milk production is increasing in the region. However, plants are not generally anticipating volumes of extra milk for cheese making over the next two holiday weeks commensurate with what has occurred in recent years. A limiting factor mentioned is that Wednesday holidays will lead to less time off for many people than in past years when holidays were closer to either the beginning or end of the weeks. Another factor vocalized is increased regional drying capacity coupled with strong nonfat dry milk prices. Distressed milk over year-end holidays in recent years came from surrounding states such as Indiana into Wisconsin, leading to extra milk being available to cheese makers. Most extra holiday milk this year, if there is extra milk, is expected to move more steadily to dryers than cheese plants. A number of cheese plants have scheduled Sunday operation around the coming holidays to offset the production impact of being closed for Christmas and New Year's Day. Some mozzarella manufacturers are offering cheese at up to 8 cents below market. These discounts are offered to induce buyers who have shown a tendency to delay buying due to apprehension over being left holding stocks with a higher price basis if prices recede in coming weeks. This is also a time of year when mozzarella is typically prone to less buying interest. Blocks and barrels reached highs for the year by Wednesday, with blocks closing at \$1.9725 and barrels at \$1.8900. Cheese orders are mixed. Some plants report that orders are steady. Other plants report strong orders, until "tomorrow", meaning a dip in orders beginning with the Christmas week. There are also some reports of Wednesday holidays resulting in logistical challenges in trying to schedule shipments of cheese from manufacturers during the middle part of the next two weeks.

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

Process American 5# Loaf	: 1.8950-2.2550
Brick And/Or Muenster 5#	: 2.2675-2.6925
Cheddar 40# Block	: 1.9725-2.3900
Monterey Jack 10#	: 2.2425-2.4475
Blue 5#	: 2.5350-3.5225
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 2.1125-3.0075
Grade A Swiss Cuts 6 - 9#	: 2.9750-3.0925

**WEST**

Western wholesale cheese prices are lower. Holiday demand is good this week with blocks moving higher and barrels mostly following the trend. Export demand is meeting some resistance at the higher prices. Cheese production levels are limited by tight milk supplies in many areas. Stocks are adequate to meet most demand. Cheese prices at the CME Group were higher on Wednesday. Barrel prices closed 5 cents higher at \$1.8900. Blocks were 2.25 cents higher and closed at \$1.9725. Barrels began the week lower, but turned sharply higher by midweek. Blocks continued to move higher with increased prices in each of the last seven trading sessions. Sales are limited with one barrel sale and one load of blocks sold by midweek. The block/barrel spread is 8.25 cents at Wednesday's close.

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

Process 5# Loaf	: 1.9250-2.1825
Cheddar 40# Block	: 2.0100-2.3625
Cheddar 10# Cuts	: 2.1900-2.4100
Monterey Jack 10#	: 2.2000-2.3600
Grade A Swiss Cuts 6 - 9#	: 3.0350-3.4650

**FOREIGN**

The market continues to show active seasonal strength, with very good demand and solid retail sales. Notice to cheese importers, December 31 is the last day for licensees to make entries to fulfill the requirement to use 85% of their calendar year 2013 license amount. It is also the last day for which calendar year 2013 licenses are valid. The weekly average CME Group block price decreased last week. Domestic type foreign cheese prices are down \$.0025. Domestic Swiss cuts remain unchanged. Imported Cheese prices are steady.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.4275-3.9150*
Gorgonzola	: 3.4900-6.6900	: 2.9300-3.3425*
Parmesan (Italy)	: -0-	: 3.8175-5.9075*
Provolone (Italy)	: -0-	: 2.4700-2.6275*
Romano (Cows Milk)	: -0-	: 3.6175-5.7675*
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-	: 3.5550-3.8775
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

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

**BUTTER : CHEESE**

	:	:
12/16/13	7,136	: 96,638
12/01/13	7,212	: 101,126
CHANGE	-76	: -4,488
% CHANGE	-1	: -4

## FLUID MILK AND CREAM

## EAST

## SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA &amp; SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	90	0	95	0	0	70
SOUTHEAST STATES	0	0	0	0	0	0

The combination of strong Class I and II fluid demand limited manufacturing milk volumes in the Northeast and Mid-Atlantic regions. A series of storm fronts moving through both regions sparked consumer sales of dairy products. Florida Class I demand remains strong, with retail sales trending higher, as holiday tourists are flocking to the state to escape winter weather conditions in the North. Milk production in Florida has leveled off. Fluid sales are expected to slow down next week with schools closing for the holiday break. Class I demand has held up in the Southeast region with minimal volumes going to manufacturing plants. Recent storms have caused some transportation issues over the past week. Cream demand held up fairly strong early in the week, then quickly declined as the holiday week approached. Cream supplies are expected to expand significantly over the holiday period with expanded volumes going into butter production. **Cream multiples for all classes** were in a wide range this week 1.25-1.43, as manufacturers transitioned from pre to post holiday production. **Condensed skim** demand was good early in the week as some manufacturers finished off holiday production. Supplies going into the holiday are expected to be heavy with a majority of the volumes going to Class IV production.

## 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 -	1.9560-2.3309
F.O.B. producing plants: Upper Midwest -	2.0864-2.2331

## PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.93-1.98
Northeast - Class III - spot prices -	1.66-1.71

## MIDWEST

Farm milk production in the Central region is steady to marginally increasing. A combination of lower feed quality and recent cold weather has put a damper on production growth. Prices on spot loads of milk retreated as more milk is expected to be available over next week. Some milk processors are balancing additional supplies through the year-end holidays. Bottling demand is good, but is expected to back off as most schools close for the holidays Friday. Interest for cultured products is steady to strong as retail stores keep up with increased consumer demand leading up to the holidays. Class II cream multiples ranged from 1.28 to 1.37, with seasonal lower levels expected next week. Cream supplies remain tight this week, tighter than years' past, but are anticipated to loosen over the next few weeks. Class III demand for milk is mixed; some cheese manufacturers are buying additional milk spot loads while others are selling extra supplies. The anticipated extra seasonal milk available over the holidays is expected to result in increased butter churn rates and additional drying of nonfat dry milk and buttermilk.

## WEST

Farm milk production is making a comeback on SOUTHWEST dairy operations. Cold weather moved out of the region as the polar jet stream shifted to the Northeast, allowing an influx of warmer air. Fluid milk sales are steady to somewhat higher, with some retailers and regional milk promotion boards offering coupons for fluid milk purchases. CALIFORNIA milk handlers report more farm loads are being topped off, indicating farm milk production is on the rise. The increase is viewed as being lower and later in comparison to other years' seasonal milk flows. Some dairy operators relate the delay to unseasonably cold weather in November/December, as well as still-burdensome feed costs. Farm milk production in NEW MEXICO held steady for the week following a quick warm up in daytime temperatures. Fluid milk sales into bottling facilities are steady to lower at midweek, but bottlers expect retailers will order heavily to refill coolers before Monday. Manufacturing facilities readily absorbed pushback from bottlers. ARIZONA milk production benefitted from recent improvements in daytime temperatures, with high temperatures hitting the high 60's – low 70's, but handlers note cumulative milk production for the year seems to be lagging 2012's total. Various Class II and III plant operators report milk supplies are sufficient for production of the last of the holiday-related items. Several manufacturers report they expect their manufacturing milk needs will increase post-holiday as production starts for the new 2014 line of flavors. Milk pooled on the Arizona Order 131 totaled 364.9 million pounds in November 2013. Class I utilization accounted for 31.7% of producer milk. The uniform price was \$20.70, \$0.46 above last month, and \$0.03 above one year ago. CREAM demand remains active, with production going steadily into aerated and whipping cream, dips, and butter. A few facility managers who planned for strong butter production this week experienced problems. Those problems diverted some purchased cream loads back to the market. **The Western cream multiple range shifted lower on each end compared to last week, 1.20 – 1.31, depending on Class usage and basing points.** At the CME Group, Grade AA butter closed on Wednesday at \$1.5500, 11 cents lower than one week ago. Milk production in the PACIFIC NORTHWEST continues near seasonal lows. Milder weather in the region has helped to improve cow comfort levels. No significant problems in handling milk were reported. Class I demand is along expected lines and manufacturing facilities are anticipating increased supplies over the upcoming holidays. Available milk supplies are being moved to manufacturing plants with best returns. UTAH and IDAHO milk production is increasing slowly after cold weather restricted output last week. The milk supply is currently tight with competition amongst the manufacturing plants in the region. Expansion plans for dairies are slow to materialize due to tight lending practices. The dry fall and lack of snow early this winter have farmers in the region hoping for increased precipitation in the mountains for next year's irrigation needs. Milk pooled on the Pacific Northwest Order 124 totaled 671.4 million pounds in November 2013. Class I utilization accounted for 26.6% of producer milk. The uniform price was \$19.77, up \$0.49 from last month, but \$0.21 below last year.

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:** Prices for nonfat dry milk moved higher for low/medium heat and heat high. The market tone for NDM is firm, product is moving quickly as sellers want to take advantage of the current prices and users are in need of product for production lines. NDM production is steady for most manufacturers with expectations of drying additional product over the holidays. Domestic demand for NDM is strong with little excess product available in the spot market as many manufacturers are in soldout positions. International interest is steady to strong. NDM supplies are tight. Some manufacturers of NDM are soldout into Q1.

**EAST:** Prices for nonfat dry milk moved higher this week with spot sales pushing low heat prices near the upper end of the high heat range. Supplies are very tight with export sales the primary factor in the decline of stocks. Domestic demand is variable with most buyers only willing to purchase in volumes to cover immediate needs. Production has been low, due to good Class I demand, but is expected to increase over the holiday period. The market undertone remains firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 2.0150 - 2.1300 MOSTLY: 2.0200 - 2.1000  
 HIGH HEAT: 2.0575 - 2.1400

**NONFAT DRY MILK WEST**

As contract indices strengthen, and steady demand continues, Western nonfat dry milk F.O.B. spot and contract pricing increased this week. The market is firm and availability of F.O.B. spot loads is light. Some sellers report delivery of a portion of December contract loads has been delayed until January due to lower than expected production. Reseller inventories are limited, as well, so brokers/traders are also having some difficulty servicing all requests for low/medium heat NDM. Concerns regarding NDM availability in early 2014 have some buyers reexamining whether to contract NDM. Current NDM prices are well above monthly averages of the recent past, so new contracts are locking in NDM at prices that haven't been around since mid to late 2007. In that year, prices declined rapidly as the end of the year approached, and continued a downward trend through the first quarter of 2008. However, buyers are also concerned about timely availability of NDM in early 2014 at the same time that some domestic manufacturers are planning for increasing exports milk powders. Some purchasers are opting to contract, despite comparatively higher prices, to assure a steady supply of NDM. The big question for buyers remains, when will the NDM market change direction? Several market participants project the U.S. NDM market will remain firm in the near term because of strong sales of NDM/SMP into the export market. Nonfat dry milk production is steadily increasing, but a portion of milk continues moving toward SMP production.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.9550 - 2.1000 MOSTLY: 1.9800 - 2.0600  
 HIGH HEAT: 1.9800 - 2.1000

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices increased a cent on the bottom and top of the range. The market tone for dry buttermilk is firm as buyers are having a difficult time securing product in a tight market. Dry buttermilk production is steady for most manufacturers, but rates are expected to increase through the end of the year. Domestic dry buttermilk demand remains strong.

**EAST:** Dry buttermilk prices are higher in a firm market. Production is down due to good cream demand pulling volumes away from churns. An increase in production is expected over the holiday week. Dry buttermilk supplies are tight, while demand is very good. Some buyers are having trouble sourcing product. Resale prices are reported above the high end of the range. Export interests are strong going into 2014.

F.O.B. CENTRAL/EAST: 1.8200 - 1.8800

**DRY BUTTERMILK - WEST**

Prices for dry buttermilk out of Western sources are higher across both price series on a firm market. Market participants report the dry buttermilk market continues to benefit from the firm domestic nonfat dry milk market. Availability of dry buttermilk F.O.B. spot loads is mostly light. Buyers from the East and Central continue to turn to manufacturers in the West to fill supply gaps in those regions, with limited success. Dry buttermilk production is uneven as some butter plants decreased production this week.

F.O.B. WEST: 1.8350 - 1.9300 MOSTLY: 1.8400 - 1.8700

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are steady on a firm market. Manufacturers report their inventories are light, and dry whole milk loads are quick to clear from testing to shipping. Contract volumes for 2014 are steady to higher.

F.O.B. PRODUCING PLANT: 2.0000 - 2.1500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 13	\$1.9190	6,729,853	0
December 6	\$1.9094	7,340,210	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**

Prices for dry whey in the Central region lowered on top of the range and the top of the mostly based on various indices. The bottom of the range went higher and bottom of the mostly remained steady. The dry whey market has a firming undertone as F.O.B spot sales are moving at premiums. Some dry whey manufacturers report reduced production levels. Domestic demand for dry whey is steady, while export interest has picked up given the U.S. price advantage over Europe's dry whey prices. Dry whey inventories are mixed. ANIMAL FEED WHEY prices moved lower on the bottom of the range, but higher on the top of the range based on F.O.B spot sales. Despite the price fluctuations, the market tone for animal feed whey is steady to firm due to tight supplies and product moving readily when available.

F.O.B. CENTRAL: .5250 - .6100 MOSTLY: .5300 - .5750  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3500 - .5650

**DRY WHEY - NORTHEAST**

Prices were mixed with spot sales moving prices higher on the lower end of the range while index price sales lowered the upper end of the range. Production of dry whey is active and remains steady with recent weeks. Supplies are tightening with some producer's stock obligations going well into January. Domestic demand is good, with a majority of product moving through contracts. Export demand remains strong.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5725 - .6250

**DRY WHEY - WEST**

Western dry whey prices are higher. The market undertone is firm as available supplies have tightened. Cheese production remains seasonally tight due to limited milk supplies. Whey stocks are tight with most of this year's production committed and increasing amounts of Q1 production spoken for. High dairy protein prices have buyers looking for any available supplies. Export demand is good for Q1 sales with firmer prices being noted.

NONHYGROSCOPIC: .5600 - .6125 MOSTLY: .5700 - .6050

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% range and mostly price series shifted higher. Demand is active for F.O.B. WPC 34% spot loads, but availability is limited. Interest in condensed WPC 34% is also strong, and some manufacturers continue selling condensed loads to match retained condensed WPC 34% volumes with dryer capacity. Contracting activity is drawing to a close for Q1 of 2014. A few buyers report they were unable to reaffirm contract volumes for 2014 with their current suppliers as those suppliers are focusing sales in the new year on offshore accounts. Contracts may still be available from a few manufacturers, and buyers must weigh out supply location/destination/transportation costs. One or two manufacturers are reportedly opting out of any contracts for 2014 and will solely pursue F.O.B. spot sales. Production of dry WPC 34% is steady to higher as farm milk supplies and cheese production make seasonal gains.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.4250 -1.8800 MOSTLY: 1.6700 - 1.7700

**LACTOSE - CENTRAL AND WEST**

Prices on the lactose mostly series are steady while the range series prices are unchanged to higher. The lactose market is mixed, with some availability of unground – 100 mesh lactose, while the 200 and higher mesh market is firm on limited supplies. Few F.O.B. spot loads were available this week as several manufacturers are focusing on finalizing new contracts. Some market participants report competitive bids from European lactose manufacturers into Southeast Asia are having a cooling effect on lactose prices in that region, especially for lactose not destined for infant formula production. Conversely, recent interest from South America cleared F.O.B. spot loads at higher prices. Current lactose production is increasing seasonally alongside active cheese production.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL.5000 - .8400 MOSTLY: .5500 - .7200

**CASEIN - NATIONAL**

Pricing for both casein market series is unchanged, reflecting quarterly contract pricing. Current trading is limited. Most buyers have needs in place ahead of the yearend and others are in various stages of finalizing Q1 contracting. World market signals remain firm for dairy proteins. Casein availability will be tighter as producers make whole milk powder and other proteins with better returns. At the most recent GDT auction, rennet casein is trading for \$5.3289 - \$5.3620 for NZ sourced product.

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: 4.7000 - 5.0000  
ACID: 4.8000 - 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
11/30/2013	48.5	2,816.1	65.1	2,785.1

WEBSITE: [http://www.ams.usda.gov/mnreports/sj\\_ls714.txt](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

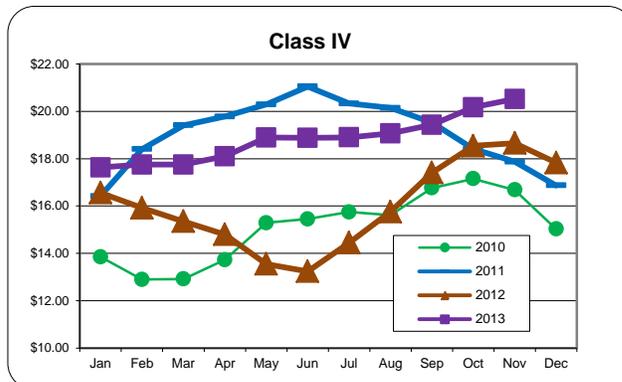
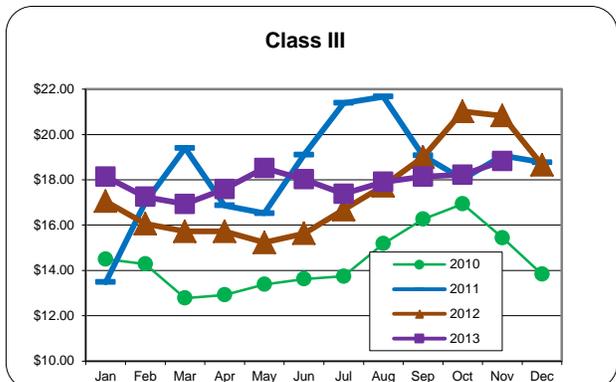
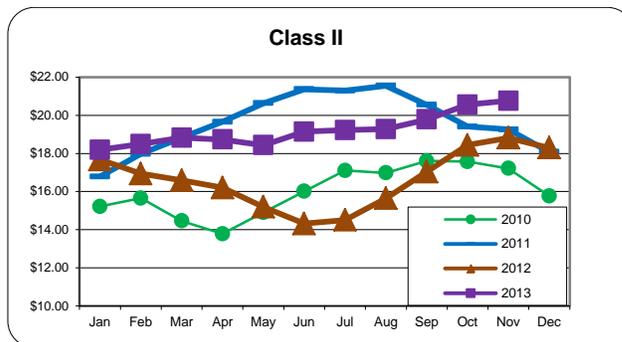
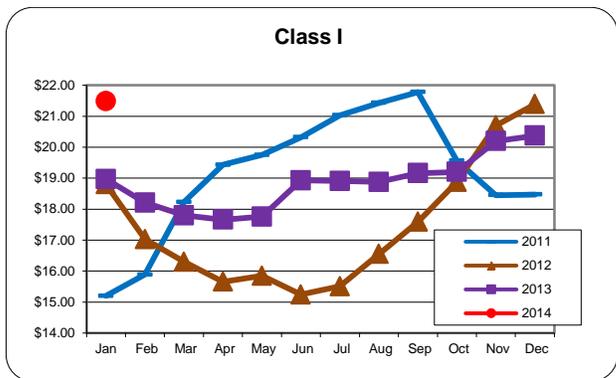
FEDERAL MILK ORDER CLASS PRICES FOR 2013 (3.5%)

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	20.20	20.37
II	18.19	18.49	18.82	18.73	18.43	19.14	19.22	19.27	19.78	20.56	20.76	
III	18.14	17.25	16.93	17.59	18.52	18.02	17.38	17.91	18.14	18.22	18.83	
IV	17.63	17.75	17.75	18.10	18.89	18.88	18.90	19.07	19.43	20.17	20.52	

FEDERAL MILK ORDER CLASS PRICES FOR 2014 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	21.48											

1/ Specific order differentials to be added to this base price can be found by going to: [www.ams.usda.gov/DairyMarketingStatistics](http://www.ams.usda.gov/DairyMarketingStatistics); then select "Prices"; and then select "Principal Pricing Points."



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered December 9 -20, 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 has begun its seasonal upswing with milk intake volumes up over year ago levels. Good producer margins and lower feed costs are the primary factors for the production increases. A number of producers in a number of countries are beyond their production quotas, but current market conditions are such that most are willing to pay the levy and maintain the increases in production. Some producers are expanding their herds with most of the increases being noted in the Netherlands. Supplies are tight for dairy products across the board. Markets are stable going into the holiday period and into 2014. Increased fluid supplies, combined with decreased post-holiday demand will provide a welcome boost to butter, cheese and skim milk powder inventories.

**BUTTER/BUTTEROIL:** The butter market is in transition from pre to post holiday production and demand. Overall, prices were steady to firm over the fortnight. Holiday production focus on package butter has concluded with some expansion of bulk butter production. The lack of any significant roll back in butter prices, speaks to the strength of export demand with strong sales to Russia. Local demand for butter remains good. Bulk butter prices eased to a degree, primarily due to lower priced sales of PSA butter. PSA stocks as of December 3 were listed at 23,486 MT and below year ago levels. Butteroil prices have firmed in very light trading. The higher prices are limiting production runs to committed sales as manufacturers are not inclined to expand inventories at current prices. Lower international prices of butteroil/AMF are limiting interest in the European market.

82% BUTTERFAT: 5,425 - 5,850  
99% BUTTERFAT: 6,700 - 6,775

**SKIM MILK POWDER (SMP):** Prices for skim milk powder were steady to firm this period. Production has increased marginally as milk intakes are increasing along the seasonal trend. Skim milk powder appears to be the manufacturers' dairy powder of choice as margins, in combination with butter margins, are above whole milk powder. Supplies are very tight in the near term and into the first quarter of 2014. Prices for first quarter sales to Asia and the Middle East were strong. Large lot buyers are currently in negotiations for second quarter supplies with some concluded sales showing slight discounts in pricing.

1.25% BUTTERFAT: 4,225 - 4,700

**WHOLE MILK POWDER (WMP):** Prices for whole milk powder firmed again this period with tight inventories under good demand. The market is very stable going into the holiday period. Export demand is primarily from the Middle East and North Africa with some added interest from China. Export interest has declined marginally this period as the stronger Euro works against exports. Production is holding steady.

26% BUTTERFAT: 5,000 - 5,225

**SWEET WHEY POWDER:** Sweet whey powder prices were steady to firm as supplies are balanced with demand. Production has been steady to slightly increasing following the very active cheese production ahead of the yearend holidays. European demand for food grade whey remains good as sweet dry whey is the lowest priced protein, per unit, on the market. Overall, the market is steady with trading expected to slow over the holidays. Feed grade supplies are also in balance with needs at firmer prices due to marginal increases in demand as some skim milk powder feed buyers are transitioning to sweet dry whey.

NONHYGROSCOPIC: 1,350 - 1,500

**EASTERN OVERVIEW:** Eastern European milk production is mixed with Poland showing production increases at levels above year ago totals, while production in other Eastern European countries is slowly coming off their seasonal low points. Markets are steady going into the holiday period. Butter demand from Russia remains strong with active interest in Polish product. Whey prices are also holding steady.

**Exchange rates for selected foreign currencies:  
December 16, 2013**

.1584 Argentina Peso	.0097 Japan Yen
.8948 Australian Dollar	.0773 Mexican Peso
.9438 Canadian Dollar	.8258 New Zealand Dollar
1.3761 Euro	.3296 Polish Zloty
.0162 India Rupee	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0773) = 12.9366 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered December 9 -20, 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.

**AUSTRALIAN** milk production continues along the usual seasonal decline. Good weather, along with good producer margins and favorable water storage levels, should boost end of season milk production. There is general consensus among those in the industry that Australia's seasonal production will fall between 1-2% below last year. The good weather and margins currently being experienced by dairy producers have brightened the outlook for dairy operations, but there has yet to be seen significant expansion of the dairy herd. Supply availability ranges from tight to very tight across dairy product groups. The recent trade agreement concluded between Australia and the Republic of Korea will expand market opportunities for makers of cheese, butter and infant formula. Australian exports from July-October 2013, as reported by Dairy Australia, showed declines in butter, skim milk powder, whole milk powder and cheddar cheese compared to the previous year. July-October 2013 commodity export totals and the year over year percentage change are as follows: butter 10,869 MT, -13.6%; cheddar 17,119 MT, -2.4%; SMP 32,010 MT, -37.5% and WMP 29,499 MT, -14.5%. **NEW ZEALAND** milk production in October was reported by DCANZ at 3,157,000 tons, up 5.4% from October last year and 9.2% higher than two years ago. Weather conditions have held up very well for producers with more than adequate rainfall over recent weeks, making for very good pasture conditions near the midsummer point. The favorable weather and good margins have encouraged producers to extend or expand production where possible, with some sheep and beef farming conversions to dairy. Excellent prices and demand for skim and whole milk powder continue to prompt manufacturers to focus on production of those products, with less fluid milk volumes going to butter and cheddar manufacturing. Asia and China continue to be the main drivers of demand for skim and whole milk powders. At the December 17 GDT event #106, average prices ranged from 1.5% lower to 7.9% higher from the prior event across categories. The all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$5,668 +4.4%; butter, \$4,051 +7.9%; buttermilk powder, \$5,070 +2.2%; cheddar cheese, \$4,569 +1.0%; lactose, n.a.; milk protein concentrate, \$8,568 +3.9%; rennet casein, \$11,770 +7.3%; skim milk powder, \$4,868 +1.7%; and whole milk powder, \$4,958 -1.5%.

**BUTTER:** Butter prices were steady to firm and continue to reflect a two tiered market. Russian demand for Australian butter continues to be strong and pushed prices higher on the upper end of the range. New Zealand exports are addressing demand needs from the Middle East and North Africa with prices at the lower end of the range. Overall butter supplies are tight, but somewhat more available in Australia as New Zealand manufacturers focus on whole milk powder production, reducing cream volumes going to churns. Domestic demand for butter in Australia has been good ahead of the yearend holidays. At the December 17 GDT event 106, butter averaged \$4,060/MT for the February contracts, +8.6%, and \$4,051/MT for all contract periods, +7.9%. AMF prices averaged \$5,557/MT for the February contracts, +2.8% from the prior event. For all contract periods, the AMF price average was \$5,668/MT, +4.4%.

82% BUTTERFAT: 3,700 - 5,000

**SKIM MILK POWDER (SMP):** The Oceania SMP market firmed again this period as tight supplies in the Northern Hemisphere has caused buyers to focus on supplies in Oceania. Very strong demand, especially from China, has outstripped available supplies and pushed prices higher. Supplies are tight globally with some Oceania manufacturers having fully committed supplies through the first quarter. Premiums are required to secure product in the near term. At the December 17th GDT event 106, SMP for all regions and contracting periods averaged \$4,868 per MT, up 1.7%. For trading in contract period 2, February 2014, prices averaged \$4,750 for NZ sourced medium heat product, down \$190 from the prior event. For February sales, the price gap between NZ and U.S. sourced MH SMP, at \$4,615, was \$135/MT.

1.25% BUTTERFAT: 4,450 - 5,100

**CHEDDAR CHEESE:** Oceania cheddar cheese prices moved higher this period as completed negotiations with Japan moved the upper end of the price range higher. Cheese supplies have tightened in Oceania as some milk volumes have been channeled to whole milk powder production. Cheese production is geared to covering immediate needs.

39% MAXIMUM MOISTURE: 4,500 - 5,300

**WHOLE MILK POWDER (WMP):** Prices firmed for whole milk powder this period as the upper end of the price range increased. Market factors remain basically unchanged with demand outpacing supplies. Transactions with China have slowed compared to recent weeks. Some buyers are showing some resistance to prices over \$5000/MT. Supplies are tight with most stocks for the first quarter of 2014 committed. Production is active in New Zealand with manufacturers trying to channel additional milk volumes to WMP production. At the December 17th GDT event, the WMP pricing index, across all contracting periods, averaged \$4,958 per MT, down 1.5% compared to the prior event. For contract periods 2 and 3, February and March 2014, NZ regular WMP averaged \$4,903 and \$5,001 per MT, respectively.

26% BUTTERFAT: 4,875 - 5,400

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (g/DT) Event 106 Recap - December 17, 2013													
	Contract 1 Jan-14		Contract 2 Feb-14		Contract 3 Mar-14		Contract 4 Apr-14		Contract 5 May-14		Contract 6 Jun-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$5,557	2.8%	\$5,637	3.2%	\$5,750	6.3%	\$5,915	11.3%	\$6,385	13.8%	\$5,668	4.4%	
Butter	\$3,980	-1.8%	\$4,060	8.6%	\$4,080	9.2%	\$4,011	8.5%	n.a.	n.a.	n.a.	\$4,051	7.9%	
Buttermilk Powder	n.a.	\$5,045	1.7%	\$5,195	4.1%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$5,070	2.2%	
Cheddar	n.a.	\$4,583	2.1%	\$4,550	-1.1%	\$4,568	1.7%	n.a.	n.a.	n.a.	n.a.	\$4,569	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.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$8,585	5.1%	\$8,535	1.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$8,568	3.9%	
Rennet Casein	n.a.	\$11,748	9.0%	\$11,821	1.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$11,770	7.3%	
Skim Milk Powder	\$4,965	9.1%	\$4,782	-0.2%	\$4,908	2.3%	\$4,901	1.9%	\$4,946	1.6%	\$5,012	-7.4%	\$4,868	1.7%
Whole Milk Powder	n.a.	\$4,903	-1.9%	\$5,001	-1.5%	\$5,087	-0.3%	\$5,121	0.7%	n.a.	n.a.	\$4,958	-1.5%	

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 106 Recap - December 17, 2013													
	Contract 1 Jan-14		Contract 2 Feb-14		Contract 3 Mar-14		Contract 4 Apr-14		Contract 5 May-14		Contract 6 Jun-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$2.5206	2.8%	\$2.5569	3.2%	\$2.6082	6.3%	\$2.6830	11.3%	\$2.8962	13.8%	\$2.5710	4.4%	
Butter	\$1.8053	-1.8%	\$1.8416	8.6%	\$1.8507	9.2%	\$1.8194	8.5%	n.a.	n.a.	n.a.	\$1.8375	7.9%	
Buttermilk Powder	n.a.	\$2.2884	1.7%	\$2.3564	4.1%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2.2997	2.2%	
Cheddar	n.a.	\$2.0788	2.1%	\$2.0639	-1.1%	\$2.0720	1.7%	n.a.	n.a.	n.a.	n.a.	\$2.0725	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.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$3.8941	5.1%	\$3.8715	1.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3.8864	3.9%	
Rennet Casein	n.a.	\$5.3289	9.0%	\$5.3620	1.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$5.3388	7.3%	
Skim Milk Powder	\$2.2521	9.1%	\$2.1691	-0.2%	\$2.2263	2.3%	\$2.2231	1.9%	\$2.2435	1.6%	\$2.2734	-7.4%	\$2.2081	1.7%
Whole Milk Powder	n.a.	\$2.2240	-1.9%	\$2.2684	-1.5%	\$2.3074	-0.3%	\$2.3229	0.7%	n.a.	n.a.	\$2.2489	-1.5%	

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

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	12/05	12/06	12/09	12/10	12/11	12/12	12/13	12/16	12/17	12/18
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 13	18.98 (4639) 5	19.08 (4594) 62	19.11 (4568) 18	19.09 (4562) 0	19.03 (4483) 0	18.92 (4481) 0	19.02 (4528) 0	18.98 (4540) 0	19.01 (4536) 0	19.01 (4548) 0
JAN 14	18.45 (3101) 40	18.55 (3159) 3	18.69 (3165) 17	18.61 (3247) 8	18.43 (3283) 0	18.34 (3310) 5	18.52 (3397) 7	18.67 (3399) 0	19.12 (3592) 17	19.22 (3762) 0
FEB 14	17.89 (2648) 46	18.00 (2682) 0	18.20 (2711) 0	18.09 (2748) 2	17.92 (2751) 0	17.85 (2779) 0	17.96 (2827) 0	18.10 (2880) 0	18.35 (3039) 0	18.54 (3212) 1
MAR 14	17.55 (2331) 36	17.68 (2390) 2	17.87 (2425) 0	17.82 (2457) 8	17.70 (2460) 0	17.64 (2466) 0	17.75 (2489) 0	17.86 (2499) 0	18.09 (2574) 1	18.39 (2680) 0
APR 14	17.39 (1787) 38	17.42 (1829) 0	17.69 (1848) 3	17.62 (1869) 6	17.53 (1855) 0	17.48 (1864) 0	17.61 (1914) 9	17.74 (1947) 5	17.95 (1981) 0	18.11 (2065) 0
MAY 14	17.28 (1788) 34	17.27 (1811) 0	17.53 (1817) 0	17.49 (1841) 6	17.38 (1822) 0	17.35 (1832) 0	17.48 (1868) 0	17.60 (1903) 0	17.79 (1948) 0	17.90 (1996) 0
JUN 14	17.24 (1616) 39	17.23 (1641) 0	17.47 (1648) 0	17.43 (1657) 6	17.32 (1637) 0	17.36 (1645) 0	17.47 (1679) 0	17.54 (1692) 0	17.70 (1713) 0	17.70 (1714) 0
JUL 14	17.30 (900) 5	17.32 (918) 5	17.40 (924) 0	17.36 (936) 6	17.27 (948) 0	17.30 (959) 5	17.35 (982) 0	17.40 (1001) 0	17.47 (1016) 2	17.49 (1050) 0
AUG 14	17.33 (870) 5	17.36 (889) 5	17.40 (892) 0	17.34 (903) 6	17.28 (910) 0	17.30 (927) 5	17.39 (931) 0	17.39 (947) 0	17.42 (971) 2	17.45 (998) 0
SEP 14	17.36 (874) 0	17.41 (891) 5	17.40 (891) 0	17.35 (904) 6	17.35 (907) 0	17.36 (919) 5	17.42 (937) 0	17.40 (944) 0	17.42 (948) 2	17.43 (951) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 13	21.44 (820) 0	21.44 (821) 0	21.44 (820) 0	21.44 (824) 0	21.43 (865) 0	21.42 (865) 0	21.46 (865) 0	21.52 (905) 0	21.59 (908) 0	21.59 (908) 0
JAN 14	21.49 (1018) 1	21.80 (1026) 7	21.84 (1065) 0	21.82 (1068) 0	21.78 (1080) 1	21.58 (1093) 11	21.55 (1094) 1	21.54 (1106) 5	21.74 (1141) 35	21.78 (1159) 12
FEB 14	21.00 (1017) 1	21.55 (1034) 7	21.62 (1067) 13	21.62 (1073) 0	21.62 (1084) 1	21.50 (1132) 11	21.44 (1137) 1	21.53 (1149) 0	21.77 (1215) 28	21.83 (1246) 13
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 13	161.00 (893) 5	162.50 (895) 5	163.63 (899) 6	163.55 (903) 13	163.55 (895) 32	163.20 (910) 49	163.40 (921) 11	163.88 (913) 13	163.88 (913) 0	164.40 (922) 13
JAN 14	155.00 (615) 5	160.00 (633) 36	162.50 (636) 45	162.45 (636) 5	162.43 (641) 10	159.00 (653) 50	156.00 (674) 40	156.50 (676) 22	157.98 (688) 20	159.75 (705) 46
FEB 14	152.75 (629) 9	155.25 (626) 16	159.25 (628) 55	159.00 (626) 59	159.70 (637) 16	158.95 (672) 48	157.25 (675) 10	156.70 (679) 11	157.33 (701) 40	160.00 (725) 66
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 13	193.80 (406) 0	194.50 (412) 0	194.50 (419) 0	194.00 (417) 0	194.00 (426) 0	194.00 (434) 0	194.68 (443) 0	194.95 (448) 0	195.73 (450) 0	195.53 (450) 0
JAN 14	198.25 (448) 0	200.00 (432) 0	199.50 (428) 0	199.00 (429) 0	199.00 (432) 0	197.93 (434) 0	197.00 (441) 5	198.00 (451) 3	200.50 (453) 5	200.20 (458) 0
FEB 14	194.50 (480) 0	198.50 (489) 0	198.50 (497) 0	198.50 (502) 0	198.50 (499) 0	197.60 (499) 0	197.00 (501) 5	197.78 (510) 3	201.00 (529) 5	200.40 (530) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 13	59.50 (282) 3	59.50 (282) 0	59.50 (282) 0	60.00 (284) 7	60.25 (288) 9	58.98 (296) 8	58.75 (296) 0	58.75 (296) 0	58.75 (296) 0	58.50 (296) 1
JAN 14	60.20 (275) 17	60.50 (275) 3	60.75 (274) 11	60.70 (280) 11	60.00 (281) 4	58.75 (281) 9	58.75 (273) 10	58.75 (273) 0	58.50 (281) 8	58.50 (281) 3
FEB 14	62.20 (255) 21	63.00 (256) 1	63.25 (257) 4	62.00 (258) 2	60.98 (263) 32	60.23 (263) 1	59.98 (264) 3	59.98 (264) 0	61.00 (264) 1	61.00 (264) 2
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
DEC 13	1.86 (1556) 5	1.87 (1493) 9	1.87 (1492) 2	1.87 (1487) 9	1.86 (1481) 10	1.86 (1481) 0	1.87 (1481) 0	1.87 (1494) 0	1.87 (1481) 0	1.87 (1481) 0
JAN 14	1.82 (1133) 70	1.82 (1158) 34	1.83 (1169) 14	1.82 (1188) 21	1.81 (1196) 7	1.80 (1174) 35	1.83 (1175) 32	1.84 (1185) 19	1.89 (1185) 3	1.89 (1198) 73
FEB 14	1.74 (864) 44	1.75 (865) 5	1.76 (876) 15	1.76 (885) 13	1.75 (900) 26	1.74 (905) 9	1.76 (905) 0	1.77 (905) 14	1.80 (905) 4	1.81 (909) 4
MAR 14	1.71 (845) 29	1.72 (846) 9	1.74 (847) 8	1.73 (875) 39	1.73 (871) 4	1.73 (879) 10	1.74 (882) 3	1.75 (883) 4	1.77 (889) 18	1.80 (892) 6
APR 14	1.70 (758) 19	1.71 (764) 11	1.72 (765) 6	1.72 (787) 29	1.71 (785) 2	1.71 (783) 2	1.72 (783) 1	1.73 (782) 3	1.76 (781) 17	1.77 (780) 5
MAY 14	1.69 (693) 26	1.70 (699) 10	1.71 (702) 7	1.70 (708) 9	1.70 (708) 0	1.70 (716) 10	1.71 (716) 2	1.73 (718) 3	1.73 (718) 3	1.74 (720) 5

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

### NOVEMBER MILK PRODUCTION

Milk production in the 23 major States during November totaled 15.0 billion pounds, up 0.3 percent from November 2012. October revised production, at 15.4 billion pounds, was up 1.4 percent from October 2012. The October revision represented an increase of 27 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,762 pounds for November, 1 pound above November 2012.

The number of milk cows on farms in the 23 major States was 8.50 million head, 22,000 head more than November 2012, but 4,000 head less than October 2013.

### NOVEMBER 2013 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS <sup>1/</sup>		MILK PER COW <sup>2/</sup>		MILK PRODUCTION <sup>2/</sup>		
	2012	2013	2012	2013	2012	2013	% CHANGE FROM 2012
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	185	190	1,890	1,860	350	353	0.9
CA	1,779	1,780	1,835	1,845	3,264	3,284	0.6
CO	135	137	1,940	1,975	262	271	3.4
FL	122	122	1,460	1,485	178	181	1.7
ID	578	570	1,890	1,880	1,092	1,072	-1.8
IL	100	98	1,570	1,560	157	153	-2.5
IN	173	178	1,730	1,730	299	308	3.0
IA	205	206	1,790	1,775	367	366	-0.3
KS	128	135	1,770	1,810	227	244	7.5
MI	375	381	1,945	1,925	729	733	0.5
MN	465	465	1,590	1,560	739	725	-1.9
MO	93	90	1,180	1,160	110	104	-5.5
NM	323	322	2,000	1,990	646	641	-0.8
NY	610	610	1,735	1,770	1,058	1,080	2.1
OH	270	269	1,610	1,580	435	425	-2.3
OR	123	123	1,600	1,595	197	196	-0.5
PA	533	530	1,590	1,595	847	845	-0.2
TX	430	440	1,770	1,770	761	779	2.4
UT	89	92	1,750	1,790	156	165	5.8
VT	134	132	1,545	1,570	207	207	--
VA	95	94	1,445	1,490	137	140	2.2
WA	262	265	1,880	1,895	493	502	1.8
WI	1,271	1,271	1,745	1,735	2,218	2,205	-0.6
23 STATE TOTAL	8,478	8,500	1,761	1,762	14,929	14,979	0.3

<sup>1/</sup> Includes dry cows. Excludes heifers not yet fresh.

<sup>2/</sup> Excludes milk sucked by calves.

**Source:** U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Milk Production, December 2013*.

FEDERAL MILK ORDER ADVANCE PRICES, JANUARY

**Base Class I Price:** Under the Federal milk order pricing system, the base Class I price for January 2014 is \$21.48 per cwt. This price is derived from the advanced Class IV skim milk pricing factor of \$15.81 and the advanced butterfat pricing factor of \$1.7791. A Class I differential for each order's principle pricing point (county) is added to the base price to determine the Class I Price.

**Comparison to Previous Month:** The base Class I price increased \$1.11 per cwt when compared to the previous month of December 2013. For selected consumer products, the price changes are: whole milk (3.25% milk fat), \$1.07 per cwt., \$0.092 per gallon; reduced fat milk (2%), \$0.85 per cwt., \$0.073 per gallon; fat-free (skim milk), \$0.59 per cwt., \$0.051 per gallon.

**Class II Price Information:** The advanced Class IV skim milk pricing factor is \$15.81. Thus, the Class II skim milk price for January 2014 is \$16.51 per cwt., and the Class II nonfat solids price is \$1.8344.

**Product Price Averages:** The two-week product price averages for January 2014 are: butter \$1.6406, nonfat dry milk \$1.9423, cheese \$1.8583 and dry whey \$0.5669.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	January 2014		
		Class I Price (3.5%) \$ per cwt.	Class I Skim Milk Price \$ per cwt.	Class I Butterfat Price \$ per pound
Northeast (Boston) <sup>4/</sup>	001	24.73	19.06	1.8116
Appalachian (Charlotte) <sup>5/6/</sup>	005	24.88	19.21	1.8131
Florida (Tampa) <sup>6/7/</sup>	006	26.88	21.21	1.8331
Southeast (Atlanta) <sup>6/8/</sup>	007	25.28	19.61	1.8171
Upper Midwest (Chicago) <sup>9/</sup>	030	23.28	17.61	1.7971
Central (Kansas City) <sup>10/</sup>	032	23.48	17.81	1.7991
Mideast (Cleveland) <sup>11/</sup>	033	23.48	17.81	1.7991
Pacific Northwest (Seattle) <sup>12/</sup>	124	23.38	17.71	1.7981
Southwest (Dallas) <sup>13/</sup>	126	24.48	18.81	1.8091
Arizona (Phoenix)	131	23.83	18.16	1.8026
All-Market Average		24.37	18.70	1.8080

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

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

<sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets.

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

<sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.

<sup>6/</sup> Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.

<sup>7/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.

<sup>8/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.

<sup>9/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

<sup>10/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

<sup>11/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

<sup>12/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

<sup>13/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, NOVEMBER 2013

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for November have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During November 2013, more than 10.4 billion pounds of milk were received from producers. This volume of milk is 16.7 percent higher than the November 2012 volume. In November 2012 and November 2013, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.6 billion pounds of producer milk were used in Class I products, 3.6 percent lower than the previous year. Class I utilization was lower in 9 of the 10 Federal Order areas. The all-market average Class utilization percentages were: Class I = 35%, Class II = 10%, Class III = 48% and Class IV = 7%. The weighted average statistical uniform price was \$20.43 per cwt., \$0.47 higher than last month and \$0.72 lower than last year.

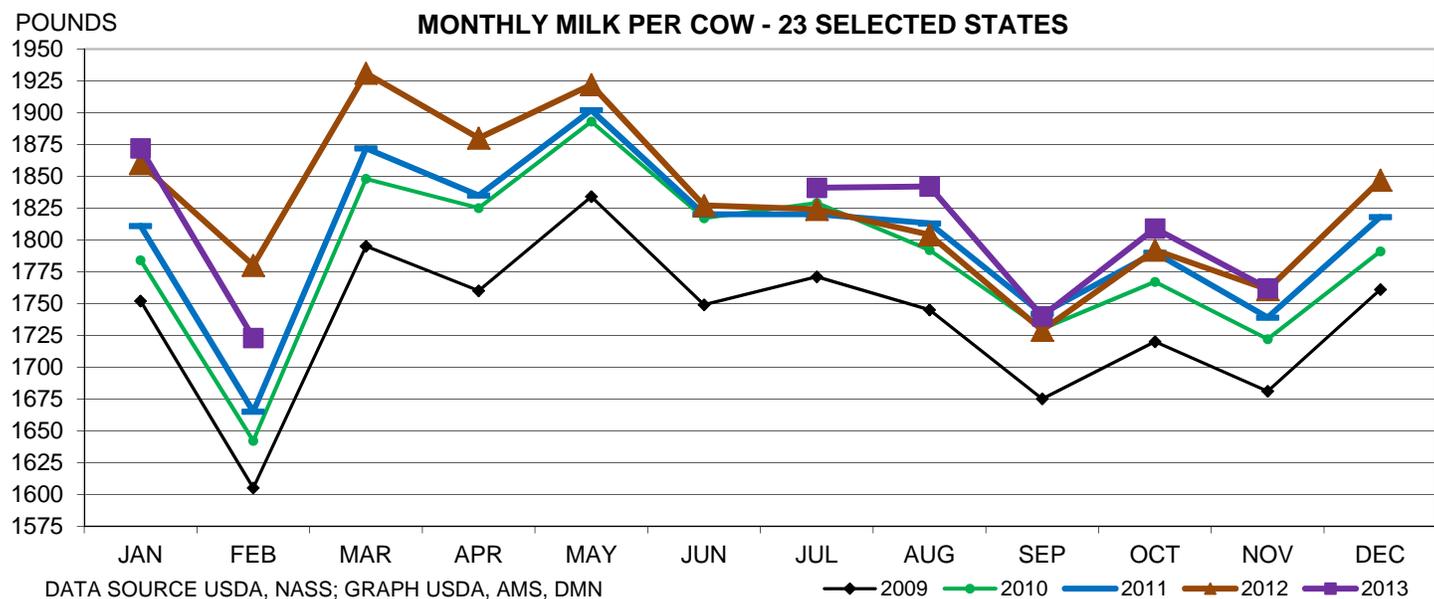
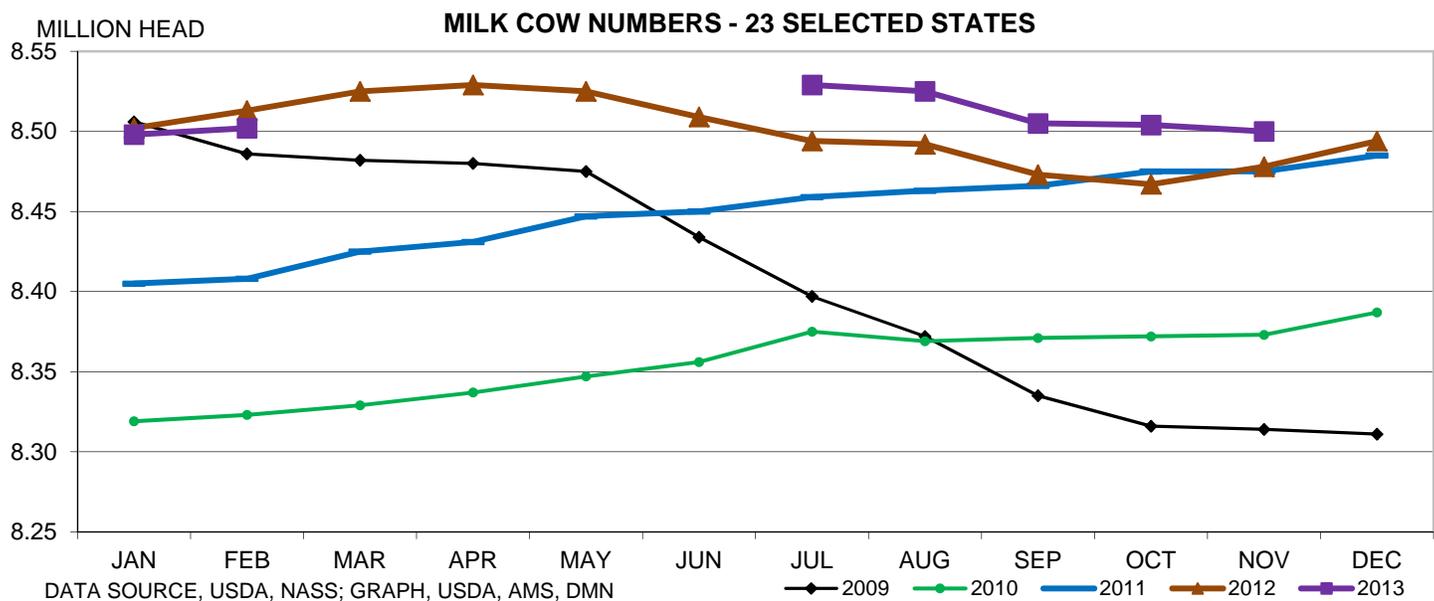
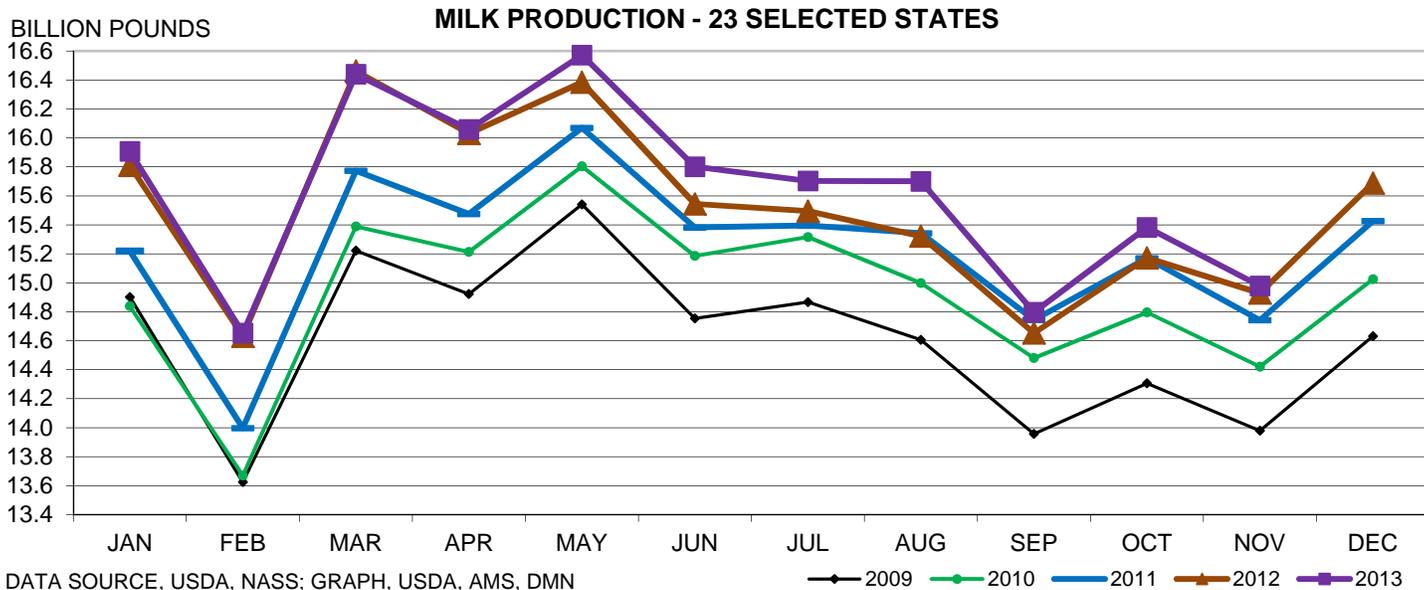
PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 2013										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,996.4	0.0	818.7	-4.3	41	24	25	10	21.28
Appalachian (Charlotte)	005	452.8	-3.7	326.0	-5.0	72	14	10	4	22.72
Florida (Tampa)	006	237.8	-1.3	207.8	-1.6	87	9	2	2	24.92
Southeast (Atlanta)	007	442.8	-14.2	341.5	-10.6	77	12	5	6	23.36
Upper Midwest (Chicago)	030 3/	2,742.9	21.1	314.6	-6.2	11	2	86	1	19.16
Central (Kansas City)	032 3/	1,241.2	44.6	422.2	-0.1	34	9	50	7	19.68
Mideast (Cleveland)	033 3/	1,305.9	-0.3	556.1	-0.8	43	11	37	9	20.12
Pacific Northwest (Seattle)	124	671.4	61.8	178.2	-4.8	27	6	42	25	19.77
Southwest (Dallas)	126 3/	1,018.7	84.8	372.8	0.6	36	7	56	1	20.50
Arizona (Phoenix)	131	364.9	4.2	115.7	-3.5	31	10	29	30	20.70
<b>ALL MARKET AVERAGE OR TOTAL</b>	<b>3/</b>	<b>10,474.9</b>	<b>16.7</b>	<b>3,653.7</b>	<b>-3.6</b>	<b>35</b>	<b>10</b>	<b>48</b>	<b>7</b>	<b>20.43</b>

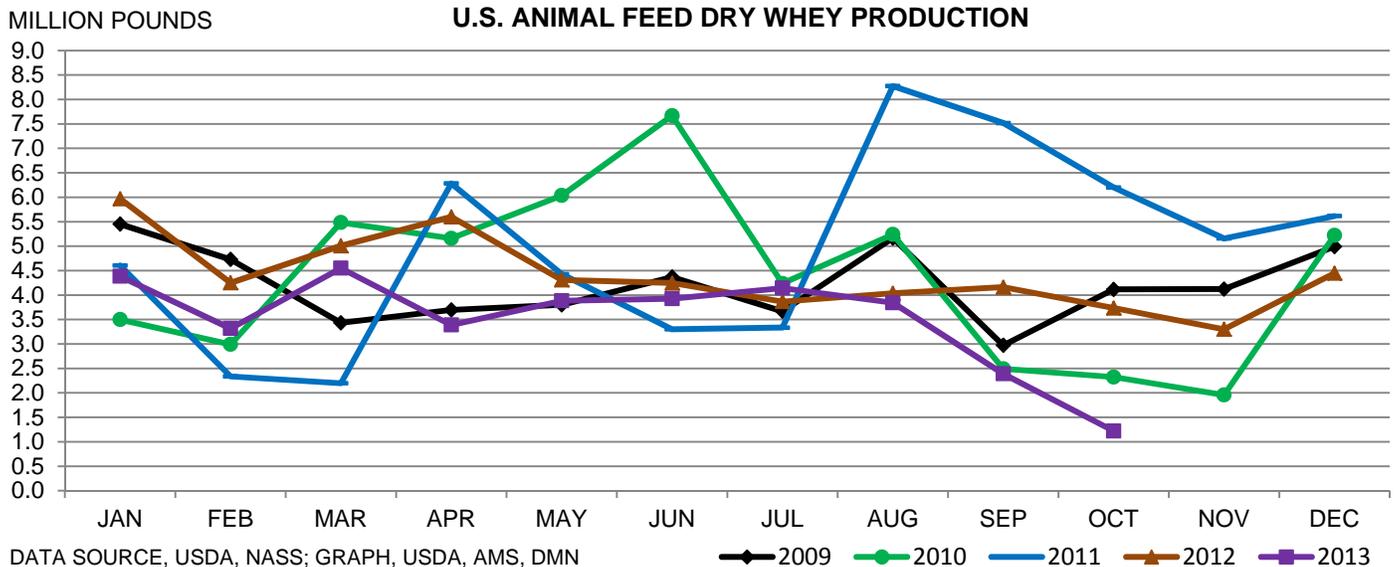
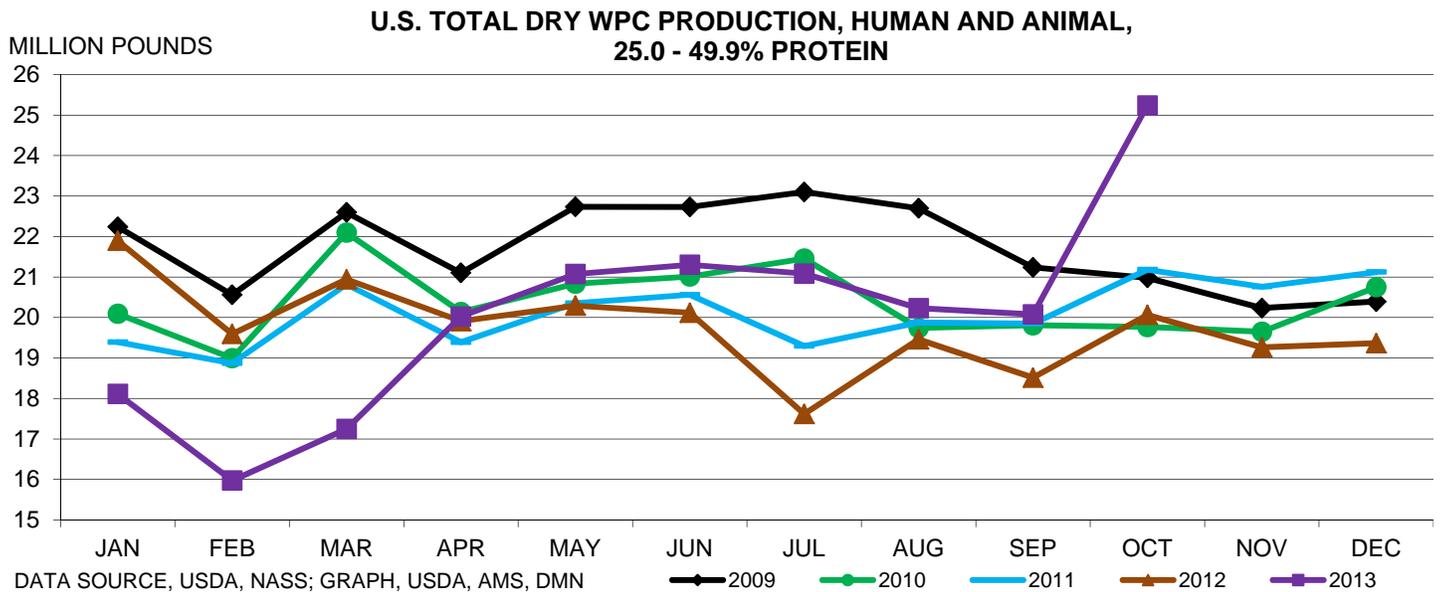
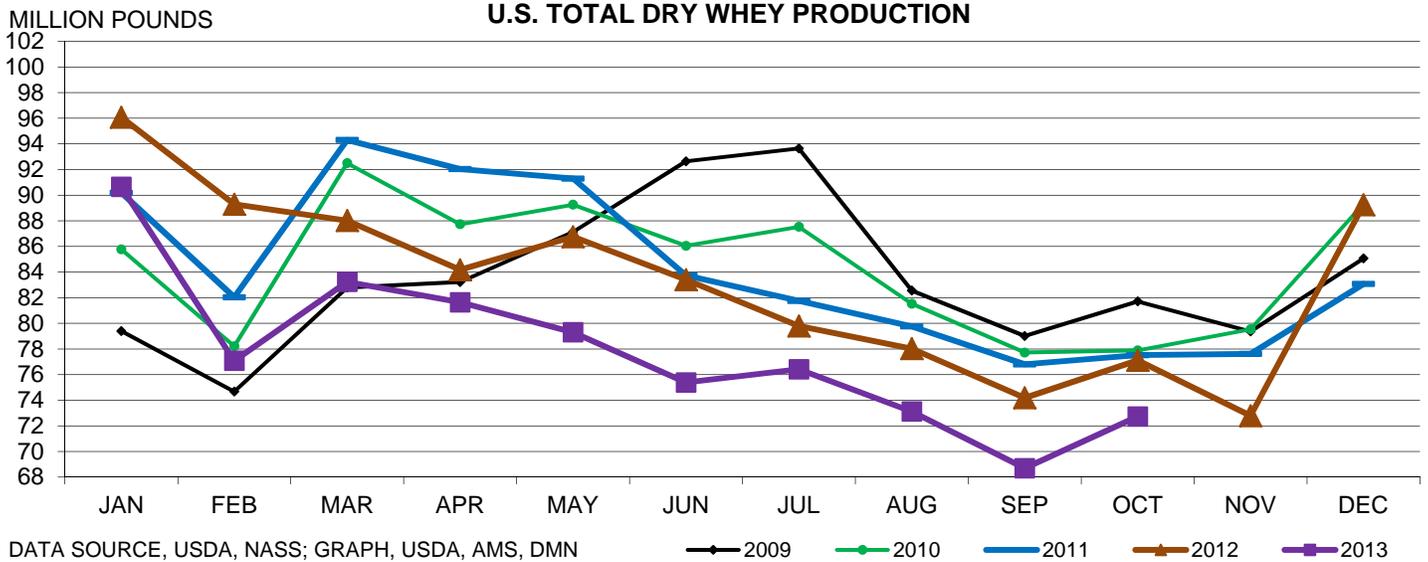
1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 463.2 million pounds of milk that normally would have been associated with these markets. In November 2012, the estimated not pooled volume of milk was 1.833 billion pounds, occurring in order numbers 030, 032, 033, 124, 126, and 131. After adjusting for non pooled milk, the year-to-year percent change is -1.2%.

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