

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (1/17):**

**BUTTER:** Grade AA closed at \$1.8525. The weekly average for Grade AA is \$1.7740 (+.1260).

**CHEESE:** Barrels closed at \$2.2025 and 40# blocks at \$2.2300. The weekly average for barrels is \$2.1765 (+.0785) and blocks, \$2.2115 (+.0595).

**BUTTER HIGHLIGHTS:** Many butter manufacturers are busy filling current export orders behind good sales. However, there are some concerns about the increased butter prices possibly reducing export interest as the U.S. price converges to the GDT and Oceania prices. The market tone is firm with inventories being tighter than normal for this time of year. Moderate amounts of cream supplies continue to find their way to butter churns resulting in higher production levels. Domestic demand is good in the Northeast and Central, while above expectations in the West. Butter inventories are currently being rebuilt. Current bulk butter prices are 6-8 cents over the market in the Northeast, flat to 6 cents over in the Central, and market to 4 cents under in the West, based on the CME. Grade AA butter price increased each day this week on the CME Group, closing 4.5 cents higher on Friday at \$1.8525, a 17.75 cent increase since last Friday. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 533,519 pounds of butter.

**CHEESE HIGHLIGHTS:** Cheese production levels continued to be mixed this week. Increased milk supplies are available for cheese makers. Manufacturers' responses to the additional milk are varied. Sharply higher prices are enticing some processors to raise production, while others worry about higher priced inventories. Super Bowl orders are often the last big push for retail cheese demand for the holiday season. Good export orders for the first quarter of 2014 are helping to clear inventories. Cheese prices at the CME Group this week are higher with barrels up 4.25 cents from last Friday and blocks 3 cents higher from last week's close. Prices have moved higher on bids. Barrels closed Friday at \$2.2025 and blocks were at \$2.2300.

**FLUID MILK:** Milk production across the nation is trending higher along the seasonal trend. Improved weather conditions in most regions of the country have been beneficial to milk production, especially in the Upper Midwest and Northeast, where temperatures have returned towards their seasonal norms. Bottling demand has improved across most of the nation. Manufacturing plants nationwide are handling intakes without major delays. Overall cream demand has

increased nationwide with improved Class II demand and with butter makers willing to handle additional supplies.

**DRY PRODUCTS:** Nonfat dry milk prices are unchanged to higher in a firm market. Production levels are mostly steady to higher. Domestic demand trends are mixed. Dry buttermilk prices are mostly higher with tight supplies and good demand. Dry whey prices moved higher this week across the nation. Production is steady in the West and recovering from adverse weather interruptions in the East and Central regions. Demand is good. The whey protein concentrate 34% market is mixed and prices are unchanged. Lactose prices are unchanged to higher. Casein prices are unchanged.

**INTERNATIONAL DAIRY MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN**

**OVERVIEW:** Milk production in Europe is increasing at accelerated levels, due to good milk prices and margins, mild weather, and expanding herds in some countries. Milk production totals for November 2013 showed year over year increases of 3.8% for France and 19.7% for Ireland. For December, the UK realized a 10.7% increase above the previous year. Producers in some countries are going over quota levels and willing to pay the levy rather than reduce production. Prices and demand on the liquid market have weakened following the yearend holidays. Dairy product market activity has increased going into 2014. Demand is good for most products. Supplies continue to be fairly tight with a majority of supplies committed in Q1. Prices are stable. **EASTERN OVERVIEW:** Eastern European milk production is also expanding with estimated increases in the 2-3% range. Weather in Eastern Europe is also mild and supportive of milk production. Russian demand for butter, cheddar cheese and whey is providing export opportunities for Eastern manufacturers. Russia has begun to lift its ban on Lithuanian dairy products. **OCEANIA OVERVIEW: AUSTRALIAN** milk production has begun to decline at an accelerated pace as Victoria, South Australia and portions of New South Wales are in the midst of an intense heat wave. Temperatures well over 100 degrees Fahrenheit are lowering cow comfort levels and impacting milk production. Weather prior to the current heat wave held up fairly well during December and into January, according to various contacts, with milk production above expectations in some areas.

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COMMODITY	MONDAY JAN 13	TUESDAY JAN 14	WEDNESDAY JAN 15	THURSDAY JAN 16	FRIDAY JAN 17	:: WEEKLY CHANGE *	:: WEEKLY AVERAGE #
<b>CHEESE</b>							
BARRELS	\$2.1600 (N.C.)	\$2.1625 (+.0025)	\$2.1625 (N.C.)	\$2.1950 (+.0325)	\$2.2025 (+.0075)	:: (+.0425)	:: \$2.1765 (+.0785)
40# BLOCKS	\$2.2000 (N.C.)	\$2.2000 (N.C.)	\$2.2000 (N.C.)	\$2.2275 (+.0275)	\$2.2300 (+.0025)	:: (+.0300)	:: \$2.2115 (+.0595)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$2.0800 (N.C.)	\$2.0800 (N.C.)	\$2.0675 (-.0125)	\$2.0675 (N.C.)	\$2.0800 (+.0125)	:: (N.C.)	:: \$2.0750 (-.0130)
GRADE A	\$2.0700 (N.C.)	\$2.0700 (N.C.)	\$2.0650 (-.0050)	\$2.0750 (+.0100)	\$2.0975 (+.0225)	:: (+.0275)	:: \$2.0755 (-.0035)
<b>BUTTER</b>							
GRADE AA	\$1.7000 (+.0250)	\$1.7400 (+.0400)	\$1.7700 (+.0300)	\$1.8075 (+.0375)	\$1.8525 (+.0450)	:: (+.1775)	:: \$1.7740 (+.1260)

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**

The current heat wave has caused numerous fires and once green pastures will soon yellow and wither without additional rains or irrigation. Production of all dairy products has slowed as milk volumes have declined. A majority of available supplies of dairy products for the first quarter are committed with premiums required to secure spot loads in the near term. Export interest remains strong, especially for skim and whole milk powders. China continues to be very active in the various dairy powder markets as they try to offset their domestic milk production shortfalls. **NEW ZEALAND** milk production continues to show projected increases of 6% or better over last year's drought shortened production season. Since the New Year, a fair amount of rain has covered most of New Zealand, keeping a majority of pastures in good condition. The focus continues to be on powder production with some producers seeing the combined margins for butter and skim milk powder equaling or surpassing those of whole milk powder. Market activity and trading has increased following the yearend holidays with good interest coming from China and Southeast Asia. Most dairy product manufacturers are attempting to build inventories of dairy products to cover needs over the carryover period, which is typically June, July and August.

**JANUARY MILK SUPPLY AND DEMAND ESTIMATES**

**(WAOB):** The 2013 milk production estimate is reduced from last month, based on recent milk production data. The forecast for 2014 is raised as improving returns are expected to support a more rapid increase in output per cow. Fat basis imports are reduced for 2013 and 2014 on lower expected imports of butterfat. On a skim-solids basis, imports are reduced slightly for 2013 but are unchanged for 2014. Fat basis exports are raised for both 2013 and 2014 on relatively strong demand for cheese and other products. Skim-solids exports are reduced slightly for 2013 as NDM exports lagged in November. However, exports are expected to strengthen in 2014 and the skim-solids export forecast is raised. Dairy product and milk prices for 2013 are adjusted to reflect December data. For 2014, cheese, butter, and nonfat dry milk (NDM) prices are raised as export and domestic demand are expected to strengthen, but the forecast for dry whey is unchanged. The Class III price is raised due to the higher cheese prices and the Class IV price forecast reflects higher butter and NDM prices. The all milk price is forecast at \$20.60 to \$21.40 per cwt for 2014.

## CME GROUP

MONDAY, JANUARY 13, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7000; LAST OFFER UNCOVERED: NONE

TUESDAY, JANUARY 14, 2014

CHEESE -- SALES: 3 CARS BARRELS: 2 @ \$2.1400, 1 @ \$2.1425; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1625; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7400; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JANUARY 15, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 2 CARS BARRELS @ \$2.1625; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 1 CAR EXTRA GRADE @ \$2.0675; 5 CARS GRADE A: 1 @ \$2.0700, 4 @ \$2.0650; LAST BID UNFILLED: 1 CAR GRADE A @ \$2.0650;  
 LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7700; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 16, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.1950; 1 CAR 40# BLOCKS @ \$2.2275; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A @ \$2.0750; LAST BID UNFILLED: 1 CAR GRADE A @ \$2.0750; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.8000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8075; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 17, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.2025; 2 CARS 40# BLOCKS @ \$2.2300; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A: 1 @ \$2.0900, 1 @ \$2.0975; LAST BID UNFILLED: 5 CARS EXTRA GRADE @ \$2.0800; 10 CARS GRADE A @ \$2.0950;  
 LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.8500; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8525; LAST OFFER UNCOVERED: NONE

## BUTTER MARKETS

## NORTHEAST

Butter production is reasonably active, with some buttermakers primarily looking to fill current orders, while moderate volumes of post-holiday cream surpluses are being channeled to Class II operations. Some buttermakers are rebuilding inventories for the spring. Butter demand is good with adequate buyer interest for both domestic retail and 82% export sales. The CME Group butter price increased \$0.0400 Tuesday and closed at \$1.7400. The butter market continues on a firm post-holiday trend, not having a price decline in the last 10 trading sessions. Current bulk butter prices are reported 6-8 cents over the market on the CME Group, using various times and averages. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 533,519 pounds of butter. The product will be delivered January through June 2014.

## CENTRAL

Central butter manufacturers who have the capabilities of producing 82% bulk butter are busy fulfilling international orders. Export sales are good but may take a step back as the U.S. price converges in relation to the GDT and Oceania prices. The market tone is firm to higher. Cream supplies were not as plentiful as last week, reducing churn rates for some butter churn operators. Domestic print sales have held up behind moderate to good demand. Print inventories are adequate while bulk butter stocks are tight. Buyers are not finding any discounts on bulk butter as prices ranged flat to 6 cents over the market, based on the CME, with various time frames and averages used. Grade AA butter price climbed 3 cents higher on the CME Group Wednesday, closing at \$1.7700, 12 cents higher than last Wednesday. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 533,519 pounds of butter.

## WEST

Western butter prices continued to move higher this week. Western butter manufacturers are reporting tighter than usual inventories for this time of year. Much of the current production is geared towards contract fulfillment of bulk butter for export markets. Print butter demand for domestic use has slowed, but is often above expectations. Cream supplies are increasing slowly, but butter demand and orders continue to clear product at a fast pace. Butter prices at the CME Group on Wednesday were up 3 cents and closed at \$1.7700, 12 cents higher than last Wednesday. Prices have been bid higher each day up to midweek with no sales reported. Prices for bulk butter range from market to 4 cents under, 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
January 11, 2014	1.5750 2,886,773	2.0050 9,581,162	1.9490 10,432,246	0.5928 6,006,029	2.0150 18,130,668

## CHEESE MARKETS

## NORTHEAST

Cheese production is increasing with milk supplies being sent to vats as manufacturers restock their inventories, with anticipation of Super Bowl weekend activities. Inventories are light but adequate to the level of meeting contractual commitments. Demand is very good, with increased domestic retail interest and a steady export market. The market tone is firm. The weekly average cheese prices saw significant increases for both blocks and barrels last week on the CME Group. Wholesale prices for 40# block and muenster increased by \$0.1375, while prices for process 5# slices increased by \$0.2150. Swiss cheese prices were unchanged. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 707,684 pounds of cheese. The product will be delivered January through June 2014.

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

Cheddar 40# Block	: 2.5450-2.8300
Process 5# Sliced	: 2.3200-2.8000
Muenster	: 2.5650-2.9250
Grade A Swiss Cuts 10 - 14#	: 3.4675-3.7900

## MIDWEST

Cheese production volumes and schedules in the Midwest this week are mostly similar to last week, just prior to the Tuesday-Wednesday surge of CME prices. Last week's significant increase in CME prices has not led to appreciable increased overall production by Midwest cheese manufacturers. The suddenness and magnitude of price increases are still being assessed as to potential longevity by many Midwest cheese makers. Manufacturers generally seem content to maintain the status quo more or less, and await more definite indications as to CME price strength and longevity. Indeed, through this Wednesday, blocks have been unchanged for five sessions at \$2.20 and barrels unchanged in four of five sessions (up \$.0025 Tuesday), closing at \$2.1625 Wednesday. There are varied perspectives and decisions shaping Midwest cheese production. Yes, some plants have notched production up marginally, seeking extra milk and also leading to increased demand for condensed skim used to fortify vats. Spot milk purchases are reported at prices ranging up to \$1.25 over class. However, other plants are selling milk in lieu of expanding cheese production and drawing down inventories to meet orders. Yet other cheese plants are neither buying nor selling extra milk and have kept vat counts the same or close to last week, with inventories reported as being in balance. Many manufacturers report that while orders are being filled, retail demand this week is low or slow, with retailers generally buying to fill immediate needs. Many retailers are wary of building inventory at the new higher price basis. Trucking problems, common during last week's extreme cold weather, seem to have abated. Farm milk production has resumed climbing.

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

Process American 5# Loaf	: 2.1975-2.5575
Brick And/Or Muenster 5#	: 2.5250-2.9500
Cheddar 40# Block	: 2.2300-2.6475
Monterey Jack 10#	: 2.5000-2.7050
Blue 5#	: 2.7925-3.7800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 2.3700-3.2650
Grade A Swiss Cuts 6 - 9#	: 2.9850-3.1025

## WEST

Wholesale cheese prices in the West are markedly higher this week. Swiss cheese prices are steady. The market tone remains steady to firm this week. Cheese production is mostly steady to higher as milk supplies in the West slowly increase. Some plants with slower sales are willing to turn milk back to manage inventories. The sharply higher prices met with increased resistance as buyers looked to limit spot purchases. Cheese stocks are in balance for most immediate needs. The Cooperatives Working Together program (CWT) assisted with 707,684 lbs. of export sales. Cheese prices at the CME Group on Wednesday were unchanged with barrels closing at \$2.1625 and blocks at \$2.2000. Last week's sharply higher daily prices have slowed to mostly steady prices this week. Sales have been light with three sales of barrels and no sales of blocks by midweek.

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

Process 5# Loaf	: 2.2275-2.4850
Cheddar 40# Block	: 2.2675-2.6200
Cheddar 10# Cuts	: 2.4475-2.6675
Monterey Jack 10#	: 2.4575-2.6175
Grade A Swiss Cuts 6 - 9#	: 3.0450-3.4750

## FOREIGN

The return of milder winter weather holds promise that imported cheeses sales will increase ahead of the Super Bowl. Cheese importers have reviewed their inventories following the yearend holidays and are now preparing first quarter orders, which will be submitted in the near term. Wholesale prices for domestically produced, foreign type cheese are up \$0.1375 and reflect a significant rise in the weekly average block price on the CME Group. Swiss cuts and imported cheese prices were unchanged.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.6850-4.1725*
Gorgonzola	: 3.4900-6.6900	: 3.1875-3.6000*
Parmesan (Italy)	: -0-	: 4.0750-6.1650*
Provolone (Italy)	: -0-	: 2.7275-2.8850*
Romano (Cows Milk)	: -0-	: 3.8750-6.0250*
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-	: 3.5650-3.8875
Swiss Cuts Finnish	: 2.6000-2.8600	: -0-

\* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKSBUTTER : CHEESE

	:	:
01/13/14	8,606	: 96,767
01/01/14	7,566	: 96,535
CHANGE	1,040	: 232
% CHANGE	14	: 0

## 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	88	0	22	0	43	0
SOUTHEAST STATES	0	0	0	0	0	0

Manufacturing milk supplies declined this week in the Mid-Atlantic region as increased Class I demand reduced milk volumes going to balancing plants. Northeastern manufacturing milk volumes remained fairly heavy. Class I demand is strong in Florida with increased milk volumes being channeled to bottling plants as school and university consumption increases. Imported spot shipments increased this week to 88 loads. Milk production has moved higher due in part to near perfect weather conditions improving cow comfort levels. Class I demand has increased significantly in the Southeast as schools reopen and retailers restock following recent storms. The increased demand has reduced milk volumes going to manufacturing plants. Cream supplies are less burdensome this week as Class II demand has significantly increased. Any surplus cream supplies are staying in region as butter makers are more than willing to absorb the excess supplies. **Cream multiples for all classes** ranged 1.15-1.25. **Condensed skim** supplies quickly exceed demand and have pressured prices lower with some spot sales nearing flat Class price. Significant volumes continue to be channeled to Class IV production, especially in the Northeast.

## 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 -	1.8952-2.0600
F.O.B. producing plants: Upper Midwest -	1.9446-2.1424

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.88-1.98
Northeast - Class III - spot prices -	1.52-1.62

## MIDWEST

Milk production rates in the Central region are coming back as feed quality and temperatures have improved, however, the growth has not been as big as expected for the current time for most areas. Interest remains for spot loads, but buyers are not willing to pay much more than \$1.50 over Class. The milk supplies have not been as loose as years past at this point. A few processing plants were sending supplies to balancing plants. Some loads were delayed due to heavy snow in the northern part of the region on Tuesday. Bottling demand is very good with larger orders and good sales. Class II interest has been quiet with flat demand. Ice cream production is starting to pick up some. Ice cream makers are starting to have some concerns about butter prices. Class II cream multiples increased, ranging 1.18-1.30. Cream demand increased some with most of the demand from butter churn operators. Cream supplies were not quite as plentiful as the last few weeks. Condensed skim is moving rapidly with good demand shown. Cheese makers were not as active purchasing milk this week, some were selling milk supplies. The weekly cow slaughter totaled 45,600 head for the week ending on December 28, an increase of 2,500 head or 5.8% from a year ago.

## WEST

Weather across the southwest is comfortable and beneficial to milk production. Temperatures vary from the 20's to the 60's, with low humidity. Farm milk production in CALIFORNIA is trending steady to higher. A few processors report recent upticks in milk intakes surpassed expectations formulated at the end of 2013. Manufacturing plants are handling intakes comfortably. Dairy producers are still facing financial challenges in handling upcoming operating costs. Forages are available, but according to NASS's Crop Production Annual Summary report, California's 2013 alfalfa/mixture hay harvested acres decreased by 50,000 acres to 900,000 acres; 2013 yields decreased from 2012's 6.9 tons/acre to 6.8. Concerns about water availability, sources, and costs are also rising. The February 2014 Class 1 prices in CALIFORNIA range from \$23.11 in the north to \$23.38 in the south. The statewide average Class 1 price based on production is \$23.13. The average is \$0.27 higher than January 2014 and \$3.28 higher than February 2013. Two listening/Q&A sessions are scheduled this week in California with USDA staff, with some discussion expected to focus on the process of petitioning for a California Federal Milk Order. The impetus for the petition for a federal milk order in California rests in the difference between California Class 4b (cheese) and Federal Order Class III(cheese) milk pricing, with the price paid by cheese makers in California to California dairy producers tending to be lower than the Federal Order Class III price. In 2013, the average California 4b price was \$16.42 while the Federal Order Class III average price was \$17.99. California cheese production has grown steadily, with current annual production topping 2.2 billion pounds. Farm milk production in NEW MEXICO is steady for the week. Sales into Class I slowed as bottlers caught up on restocking in-store coolers. Other fluid account managers pushed back milk loads to handle maintenance issues. Some out-of-state milk loads cleared into New Mexico, seeking manufacturing capacity. Class II production is mostly steady. According to NASS's Crop Production Annual Summary report, New Mexico's 2013 alfalfa/mixture hay harvested acres decreased by 55,000 acres to 145,000 acres; 2013 yields decreased from 2012's 5.5 tons/acre to 5.4. ARIZONA milk production is trending higher with the help of comfortable weather. Fluid orders retreated to post-holiday norms while sales into Class II are improving. According to NASS's Crop Production Annual Summary report, Arizona's 2013 harvested acres were unchanged at 250,000 acres; 2013 yields decreased from 2012's 8.4 tons/acre to 8.1. CREAM demand from ice cream manufacturers is at seasonal levels. Butter churners are actively seeking cream as demand for bulk domestic and international style butters is active. Uncontracted cream load availability in the West is variable, with some cream loads crossing state lines to find processing room. The western cream multiple range is unchanged on the bottom and higher on the top, 1.10 - 1.25, depending on Class usage and basing points. At the CME Group, Grade AA butter closed on Wednesday at \$1.7700, 12 cents higher than one week ago.

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## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

Milk production in the PACIFIC NORTHWEST is increasing along seasonally expected volumes. Moderate winter temperatures and lower feed costs are helping to increase production in the region. No major problems have been reported in moving milk to various manufacturing plants. Lack of significant snowfall is becoming more of a concern as reservoirs are at reduced levels for this year's irrigation needs. According to NASS's Crop Production Annual Summary 2013, alfalfa hay harvested in Washington was 2.17 million tons, up 213,000 tons from 2012. Oregon production was 1.84 million tons, up 130,000 tons from the previous year. UTAH and IDAHO milk production continues to improve. Lower overall feed costs are helping to improve milk production. Higher pay prices on milk are encouraging dairies to increase herd size. Utah alfalfa production for 2013 was reported at 2.31 million tons, up 260,000 tons from 2012. Idaho alfalfa production was 4.26 million tons, up 96,000 tons from the previous year. Milk pooled on the Pacific Northwest Order 124 totaled 698.0 million pounds in December 2013, 4% higher than the previous month. Class I utilization accounted for 25.6 percent of producer milk.

## NONFAT DRY MILK, BUTTERMILK &amp; 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 LOW/MEDIUM HEAT nonfat dry milk are lower on the bottom of the range, but higher on the top. The mostly price series increased on the top and bottom. The market tone is firm with many buyers purchasing with a hand to mouth approach to see what the market does. NDM production rates are steady with some tapering off from increased holiday levels. Domestic demand is status quo while international interest has slowed some due to holidays in other countries. Supplies for low/medium heat are tight. HIGH HEAT NDM prices increased based on F.O.B spot trades and various indices. The market tone is steady with tight supplies. Most of production for high heat has been to fulfill current contract obligations resulting in little excess around. Domestic demand reduced some following seasonal trends. Extra Grade NDM on the CME Group has dropped 2.25 cents since last Wednesday, closing at \$2.0625 Wednesday. Grade A NDM price decreased as well, by 1.75 cents from last Wednesday, closing at \$2.0650 on Wednesday.

**EAST:** Prices moved higher in the mostly range for low/medium heat nonfat dry milk. Production was mixed with heavier production schedules in the Northeast, while Mid-Atlantic production declined in some areas, due to strong Class I demand reducing manufacturing milk volumes. Domestic demand is hesitant as some buyers feel the market is nearing its peak and are cautious to purchases at current prices. Good global demand for milk powders is adding to nonfat dry milk export interest. The market undertone is steady to firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 2.0200 - 2.1600 MOSTLY: 2.0500 - 2.1200  
 HIGH HEAT: 2.1200 - 2.1900

**NONFAT DRY MILK - WEST**

Nonfat dry milk prices in the West are unchanged to higher on a firm market. Some market participants anticipate a reversal in market direction in the near term for low/medium heat nonfat dry milk, but others note the fundamentals currently point to continued strength in that market. Proponents of a steady to firm market list the following points: decreased production in the Central/East, lower U.S. NDM production through November 2013 compared to 2012 as some manufacturers focus instead on skim milk powder production, recently announced tenders for NDM/SMP, and uncontracted NDM needs for February – March 2014 and beyond. Nonfat dry milk production is steadily ramping up in the West, with Southwestern states especially reporting improving intakes at butter/powder facilities. Manufacturers' inventories are sufficient for near term contracts and some F.O.B. spot load sales activity.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 2.0225 - 2.1200 MOSTLY: 2.0500 - 2.1000  
 HIGH HEAT: 2.0500 - 2.1400

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices moved higher on the bottom and top of the range. The market tone is firm as buyers are not seeing many offers from manufacturers. Dry buttermilk production levels are mixed. Demand domestically is good with some manufacturers in sold out positions. Inventories of dry buttermilk are improving.

**EAST:** Dry buttermilk prices increased this week as both spot sales and sales based on various price indices increased.

Butter and dry buttermilk production marginally declined as cream volumes going to churns lessened. Supplies are tight with some buyers sourcing products from other regions. Demand is good and lends support to a firm market undertone.

F.O.B. CENTRAL/EAST: 1.8800 - 1.9425

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are unchanged to higher on a steady to firm market. Buyers in the West and Central indicate there have been some improvements in availability of dry buttermilk from western sources as loads produced during the yearend holidays clear testing. F.O.B. spot loads continue to carry premiums to the market. At this time, those premiums are not dissuading buyers. Interest remains active as dry buttermilk continues to offer dairy protein at a lower price than nonfat dry milk. Production is active at many western locations as farm milk production trends steadily higher.

F.O.B. WEST: 1.8800 - 1.9300 MOSTLY: 1.8800 - 1.9100

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged on a firm market. Dry whole milk production receded this week as farm milk volumes followed more typical delivery patterns after recent winter storms. Last week's storms keep some milk loads closer to the point of origin, clearing to a few plants that had time to produce dry whole milk. Inventories are light to moderate with steady interest for F.O.B. spot loads as they become available.

F.O.B. PRODUCING PLANT: 2.0750 - 2.1500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 10	\$1.9661	9,561,782	0
January 3	\$1.9664	7,253,946	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 increased on the range and mostly price series behind higher premiums in F.O.B spot market trading along with various new contract pricing and averages used. The market tone is firm with tight spot load availability as contract volume amounts mostly increased. Production rates are recovering from last week as cold weather forced numerous problems at many dry whey manufacturing plants ranging from switching of heat sources to frozen valves. Transportation has been an ongoing issue with less than desirable road conditions, hauling trucks are catching up from delayed loads. Domestic demand picked up this week with a good push for product. ANIMAL FEED WHEY prices went slightly higher on the bottom of the range. The market tone is firming as product is harder and harder to come by. Due to the lack of product available buyers are starting to look for alternatives. Domestic interest for animal feed whey is good.

F.O.B. CENTRAL: .5375 - .6375 MOSTLY: .5550 - .6000  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4250 - .5500

**DRY WHEY - NORTHEAST**

Dry whey prices are higher on both ends of the range this week. Production of dry whey has improved as manufactures have gotten past previous weeks weather interruptions. Inventories are sufficient for contractual commitments. Dry whey domestic demand remains good. Market activity is light with limited spot offerings.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5800 - .6425

**DRY WHEY - WEST**

Western dry whey prices are higher. The market tone is firm as alternate dairy protein prices continue strong. Whey production is mostly steady as manufacturers balance production to meet projected domestic needs and export sales. Demand for whey is good for available spot offerings, although higher prices have reduced some interest above immediate needs. Some buyers are looking at alternative products and prices to balance protein needs where possible. Dry whey stocks are adequate for needs, but supplies are described as tight in many cases.

NONHYGROSCOPIC: .5900 - .6300 MOSTLY: .5900 - .6225

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

The whey protein concentrate 34% market is mixed and prices are unchanged. Producers report demand for F.O.B. spot loads of WPC 34% is mostly active and buyers' requests outstrip current uncommitted inventories at many locations for use in human food applications. However, there are also reports of some pushback on edible WPC 34% loads clearing into animal feed blending operations. A few WPC 34% producers reportedly dropped premium pricing to enable feed blenders to continue using dairy protein in their finished feed. Some blenders report they switched to blending whey and higher protein whey protein concentrate with acceptable results and lower comparative cost than using WPC 34%.

WPC 34% production is steady at most locations as milk available for cheese production is at seasonal levels.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.6000-1.9200 MOSTLY: 1.7200-1.8100

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged to higher on the range price series and higher on each end of the mostly as contracts with basis plus pricing activate for the month and quarter. Several market participants report the change in prices recently reported has brought in a fresh wave of interest from lactose buyers. Whether the new onslaught of requests represents buyers who strategically waited out new monthly/quarterly pricing or buyers who under-committed for this new buying period, both domestic and international interest are reemerging for unground – 100 mesh lactose. The improved lactose interest from New Zealand is especially notable as dairy production in that country rebounds strongly from the previous year. Recent estimates indicate 2013-2014 milk production in New Zealand may be 6% higher than the 2012-2013 season. One or two lactose manufacturers found a way to recover from unexpected decreases in orders from established customers: as unground lactose inventories grew, producers ground that lactose and put together off-shore sales of higher mesh size lactose. Lactose inventories are uneven, with unground – 100 mesh lactose F.O.B. loads generally available from some manufacturers on an on-call basis. Higher mesh lactose loads for the F.O.B. spot market are in short supply. Some manufacturers report concerns for Q2 pricing are developing as currency exchange rates fluctuate in the Far East, making lactose potentially more expensive in those economies. Lactose production is steady to higher at most plants as fluid demand settles into a non-holiday pattern.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .4000-7200 MOSTLY: .5400-.6500

**CASEIN - NATIONAL**

Casein pricing series are unchanged for both rennet and acid, now reflecting the higher pricing levels in place for the first quarter of 2014. Supplies are generally adequate to service trade needs. Demand has met expectations, yet some buyers are utilizing holdings and waiting for potential pricing breaks before moving back into the market. Other contacts are making strategic purchases and offsetting the higher costs by balancing the books against prior buys made at lower prices. Higher natural cheese prices are not having much of an impact on the imitation cheese market. Labeling requirements make switching between natural cheese and imitation very difficult.

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: 4.9000 - 5.2000  
ACID: 5.0000 - 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
12/28/2013	45.6	3,049.3	43.1	3,030.3

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

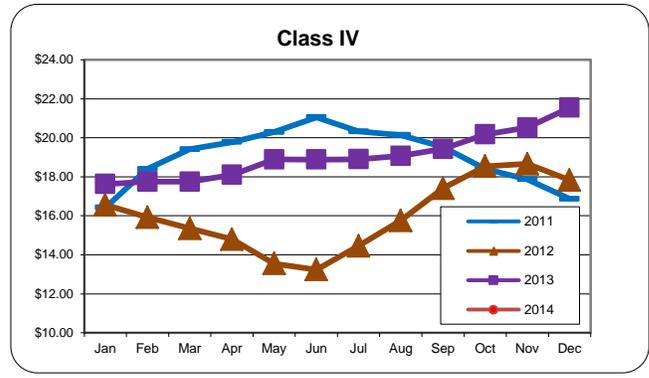
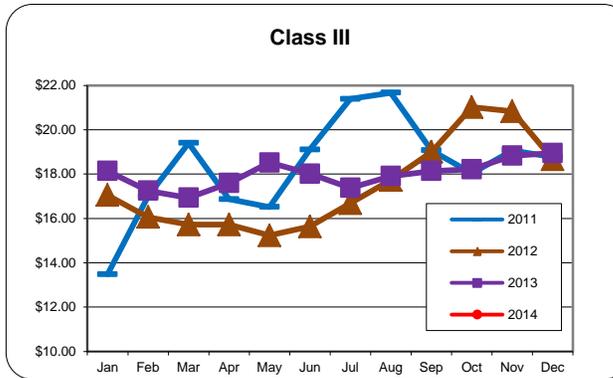
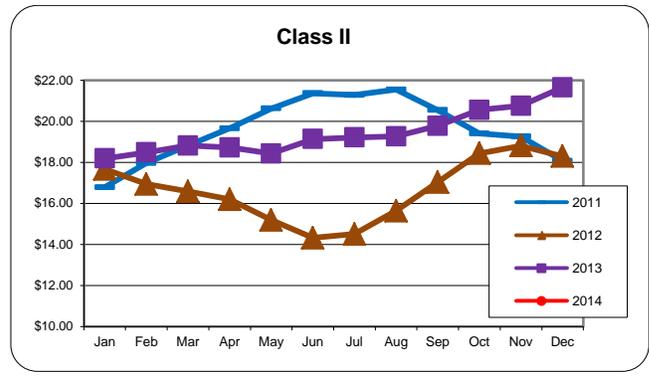
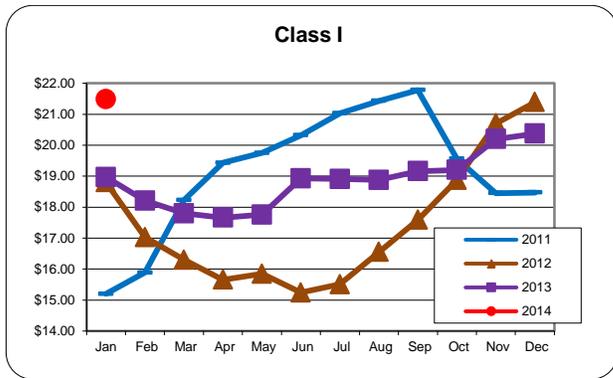
FEDERAL MILK ORDER CLASS PRICES FOR 2013 (3.5%)

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	21.66
III	18.14	17.25	16.93	17.59	18.52	18.02	17.38	17.91	18.14	18.22	18.83	18.95
IV	17.63	17.75	17.75	18.10	18.89	18.88	18.90	19.07	19.43	20.17	20.52	21.54

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 January 6 -17, 2014

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 in Europe is increasing at accelerated levels, due to good milk prices and margins, mild weather, and expanding herds in some countries. Milk production totals for November 2013 showed year over year increases of 3.8% for France and 19.7% for Ireland. For December, the UK realized a 10.7% increase above the previous year. Producers in some countries are going over quota levels and willing to pay the levy rather than reduce production. Prices and demand on the liquid market have weakened following the yearend holidays. Dairy product market activity has increased going into 2014. Demand is good for most products. Supplies continue to be fairly tight with a majority of supplies committed in Q1. Prices are stable.

**BUTTER/BUTTEROIL:** Butter prices and demand have declined following the yearend holidays. Post-holiday packaged butter sales have slowed, which is the typical trend, going into the New Year. Market activity has moved from packaged to bulk butter. Overall butter production remains fairly active as manufacturers transition their production focus from package to bulk butter. Discussions between buyers and sellers for bulk butter have increased with some buyers hesitant to purchase too far forward, in hopes that prices will decline. Best interest for bulk butter is coming from the processing industry for both short and long term deliveries. EU prices are the highest on the international market, thus there is only nominal export interest. What export interest there is, deals with Eastern Europe sales to Russia. PSA supplies have been reduced to about 10% of their peak supply with an estimated 9,000-10,000 tons remaining. Remaining supplies need to be distributed by the end of February. The European Commission has indicated, going into the 2014 production season, that the PSA program will likely be inactive, due to current pricing and market conditions. Butteroil prices declined going into the New Year, but continue to top the international markets. At these prices, butteroil remains a challenge to export.

82% BUTTERFAT: 5,175 - 5,825  
99% BUTTERFAT: 6,675 - 6,700

**SKIM MILK POWDER (SMP):** Prices for skim milk powder were mixed coming out of the yearend holidays, but are generally regarded as steady to firm. Production has increased as milk supplies have expanded. Some skim milk production facilities are operating at active levels. Though production has expanded, inventories remain tight with most supplies in Q1 committed. Global demand is very strong and with the production season in the southern hemisphere in its later stages, there is increased export opportunity for European product. Negotiations for Q2 supplies are ongoing. Prices for skim milk powder sold for feed are holding steady.

1.25% BUTTERFAT: 4,350 - 4,750

**WHOLE MILK POWDER (WMP):** Prices for whole milk powder are steady to firm going into the New Year. Production has increased marginally following the increases in milk production. Production expansion is restricted by the fact that the combined margins for butter and skim milk powder are outperforming returns for whole milk powder. Global demand is strong with best export interest for European supplies coming from the Middle East and North Africa. A majority of Q1 supplies are committed with negotiations ongoing for Q2 product.

26% BUTTERFAT: 5,100 - 5,250

**SWEET WHEY POWDER:** Prices for sweet whey powder have firmed. Production has increased as milk volumes have expanded with supplies becoming more readily available. Milk supplies going to whey protein concentrate production have also expanded production schedules. Market activity has increased considerably following the yearend holidays. Demand has increased for both food and feed grade whey. Increased export interest for Western European product is coming from Southeast Asia. Eastern European manufacturers are receiving increased interest from Russia.

NONHYGROSCOPIC: 1,375 - 1,500

**EASTERN OVERVIEW:** Eastern European milk production is also expanding with estimated increases in the 2-3% range. Weather in Eastern Europe is also mild and supportive of milk production. Russian demand for butter, cheddar cheese and whey is providing export opportunities for Eastern manufacturers. Russia has begun to lift its ban on Lithuanian dairy products.

**Exchange rates for selected foreign currencies:  
January 13, 2014**

.1494 Argentina Peso	.0097 Japan Yen
.9054 Australian Dollar	.0764 Mexican Peso
.9208 Canadian Dollar	.8377 New Zealand Dollar
1.3672 Euro	.3291 Polish Zloty
.0163 India Rupee	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0764) = 13.0890 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 6 -17, 2014

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 has begun to decline at an accelerated pace as Victoria, South Australia and portions of New South Wales are in the midst of an intense heat wave. Temperatures well over 100 degrees Fahrenheit are lowering cow comfort levels and impacting milk production. Weather prior to the current heat wave held up fairly well during December and into January, according to various contacts, with milk production above expectations in some areas. The current heat wave has caused numerous fires and once green pastures will soon yellow and wither without additional rains or irrigation. Production of all dairy products has slowed as milk volumes have declined. A majority of available supplies of dairy products for the first quarter are committed with premiums required to secure spot loads in the near term. Export interest remains strong, especially for skim and whole milk powders. China continues to be very active in the various dairy powder markets as they try to offset their domestic milk production shortfalls. **NEW ZEALAND** milk production continues to show projected increases of 6% or better over last year's drought shortened production season. Since the New Year, a fair amount of rain has covered most of New Zealand, keeping a majority of pastures in good condition. The focus continues to be on powder production with some producers seeing the combined margins for butter and skim milk powder equaling or surpassing those of whole milk powder. Market activity and trading have increased following the yearend holidays with good interest coming from China and Southeast Asia. Most dairy product manufacturers are attempting to build inventories of dairy products to cover needs over the carryover period, which is typically June, July and August. At the January 7 GDT event #107, average prices ranged from 3.4% lower to 5.8% 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, \$5,538 -1.8%; butter, \$4,223 +5.1%; buttermilk powder, \$4,539 +0.5%; cheddar cheese, \$4,656 +1.9%; lactose, \$1,826 +5.8% milk protein concentrate, \$9,010 +5.2%; rennet casein, \$11,903 +1.1%; skim milk powder, \$4,688 -3.4%; and whole milk powder, \$4,934 -0.6%.

**BUTTER:** Oceania butter prices were mixed following the yearend holidays. Some declines were noted on the upper end of the range as prices for export to Russia moderated. Supplies are mostly in balance with a majority of first quarter supplies committed. Premium prices are required for those buyers needing additional loads in the near term. Most manufacturers are building supplies to cover needs over the upcoming low production period. Export interest remains active from Russia, the Middle East, North Africa and Turkey. At the January 7 GDT event 107, butter averaged \$4,273/MT for the March contracts, +5.9%, and \$4,223/MT for all contract periods, +5.1%. AMF prices averaged \$5,520/MT for the March contracts, -0.6% from the prior event. For all contract periods, the AMF price average was \$5,538/MT, -1.8%.

82% BUTTERFAT:

4,000 - 4,800

**SKIM MILK POWDER (SMP):** Oceania SMP prices firmed coming off the yearend holiday period. Demand for SMP is very active as the focus on whole milk powder production has lowered supplies of SMP. Production is declining as milk volumes are falling in the last leg of the production season. Some manufacturers are finding the combination of margins from butter and skim milk powder equal to or above those of whole milk powder. Demand remains active with good interest coming from China, the Middle East and Southeast Asia. The strong global demand is seeking additional supplies of SMP as Oceania production seasonally declines with the focus turning to available supplies in the US and Europe. At the January 7th GDT event 107, SMP for all regions and contracting periods averaged \$4,688 per MT, -3.4%. For trading in contract period 2, March 2014, prices averaged \$5,060 for NZ sourced medium heat product, up \$210 from the prior event. For March sales, the price gap between NZ and U.S. sourced MH SMP, at \$4,540, was \$520/MT.

1.25% BUTTERFAT:

4,600 - 5,200

**CHEDDAR CHEESE:** Cheddar cheese prices have firmed within the price range, following the steady to firm trend for most other dairy products and also due to good global demand. Recently concluded sales to Japan are reflected at the upper end of the range. Production is down as milk volumes are declining, but also due to the continuing channeling of milk away from cheese production to dairy powder production. Current production is covering immediate needs and building supplies to cover the low production period. Export demand remains active with good interest coming from China and Russia.

39% MAXIMUM MOISTURE:

4,500 - 5,300

**WHOLE MILK POWDER (WMP):** WMP continues to be the powder of choice for many manufacturers, due to the margins available and seemingly unrelenting global demand. Prices are stable as trading activity has increased going into the New Year. China continues to be the primary driver of demand with additional demand pulls coming from the Middle East and Southeast Asia. Many manufacturers continue to channel as much milk as possible to WMP, but overall production is on a downward trend as milk production declines. Product availability is limited with nearly all first quarter supplies committed. At the January 7th GDT event, the WMP pricing index, across all contracting periods, averaged \$4,934 per MT, down 0.6% compared to the prior event. For contract periods 1 and 2, February and March 2014, NZ regular WMP averaged \$4,935 and \$4,875 per MT, respectively.

26% BUTTERFAT:

4,875 - 5,400

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (g/DT) Event 107 Recap - January 7, 2014													
	Contract 1 Feb-14		Contract 2 Mar-14		Contract 3 Apr-14		Contract 4 May-14		Contract 5 Jun-14		Contract 6 Jul-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$5,520	-0.6%	\$5,576	-1.0%	\$5,463	-4.5%	\$5,611	-4.8%	\$5,825	-8.8%	\$5,538	-1.8%	
Butter	\$3,925	-1.4%	\$4,273	5.9%	\$4,257	5.1%	\$4,355	8.6%	n.a.	n.a.	\$4,223	5.1%		
Buttermilk Powder	n.a.	\$4,500	0.9%	\$5,135	-1.2%	n.a.	n.a.	n.a.	n.a.	\$4,539	0.5%			
Cheddar	n.a.	\$4,646	1.4%	\$4,645	2.0%	\$4,683	2.5%	n.a.	n.a.	\$4,656	1.9%			
Lactose	n.a.	n.a.	\$1,800	n.a.	\$1,830	5.8%	\$1,830	5.8%	n.a.	\$1,826	5.8%			
Milk Protein Concentrate	n.a.	\$9,020	5.1%	\$9,000	5.4%	n.a.	n.a.	n.a.	\$9,010	5.2%				
Rennet Casein	n.a.	\$11,884	1.0%	\$11,964	1.4%	n.a.	n.a.	n.a.	\$11,903	1.1%				
Skim Milk Powder	\$4,631	-6.9%	\$4,781	0.5%	\$4,772	-2.8%	\$4,581	-5.8%	\$4,522	-8.8%	\$4,500	-9.9%	\$4,688	-3.4%
Whole Milk Powder	\$4,957	-1.3%	\$4,893	-0.2%	\$4,960	-0.9%	\$4,991	-1.9%	\$5,103	-0.4%	n.a.	\$4,934	-0.6%	

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 107 Recap - January 7, 2014													
	Contract 1 Feb-14		Contract 2 Mar-14		Contract 3 Apr-14		Contract 4 May-14		Contract 5 Jun-14		Contract 6 Jul-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$2.5039	-0.6%	\$2.5293	-1.0%	\$2.4780	-4.5%	\$2.5451	-4.8%	\$2.6422	-8.8%	\$2.5120	-1.8%	
Butter	\$1.7804	-1.4%	\$1.9382	5.9%	\$1.9310	5.1%	\$1.9754	8.6%	n.a.	n.a.	\$1.9155	5.1%		
Buttermilk Powder	n.a.	\$2.0412	0.9%	\$2.3292	-1.2%	n.a.	n.a.	n.a.	n.a.	\$2.0589	0.5%			
Cheddar	n.a.	\$2.1074	1.4%	\$2.1070	2.0%	\$2.1242	2.5%	n.a.	n.a.	\$2.1119	1.9%			
Lactose	n.a.	n.a.	\$0.8165	n.a.	\$0.8301	5.8%	\$0.8301	5.8%	n.a.	\$0.8283	5.8%			
Milk Protein Concentrate	n.a.	\$4.0914	5.1%	\$4.0824	5.4%	n.a.	n.a.	n.a.	\$4.0869	5.2%				
Rennet Casein	n.a.	\$5.3905	1.0%	\$5.4268	1.4%	n.a.	n.a.	n.a.	\$5.3992	1.1%				
Skim Milk Powder	\$2.1006	-6.9%	\$2.1686	0.5%	\$2.1646	-2.8%	\$2.0779	-5.8%	\$2.0512	-8.8%	\$2.0412	-9.9%	\$2.1265	-3.4%
Whole Milk Powder	\$2.2485	-1.3%	\$2.2195	-0.2%	\$2.2498	-0.9%	\$2.2639	-1.9%	\$2.3147	-0.4%	n.a.	\$2.2380	-0.6%	

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

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	01/02	01/03	01/06	01/07	01/08	01/09	01/10	01/13	01/14	01/15
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
DEC 13	18.95 (3998) 0									
JAN 14	19.66 (4135) 0	20.06 (4235) 17	20.06 (4234) 0	20.28 (4274) 0	20.39 (4332) 1	20.42 (4239) 0	20.50 (4260) 0	20.66 (4407) 0	20.72 (4443) 1	20.83 (4425) 1
FEB 14	19.12 (3823) 8	19.68 (3961) 12	19.83 (4004) 26	20.15 (4187) 2	20.45 (4077) 1	20.16 (4129) 8	20.21 (4108) 0	20.47 (4139) 1	21.01 (4273) 1	21.04 (4349) 0
MAR 14	18.54 (2864) 0	19.07 (2996) 5	19.18 (3065) 5	19.36 (3137) 0	19.50 (3226) 5	19.12 (3283) 8	19.22 (3356) 0	19.37 (3390) 6	19.79 (3562) 30	19.81 (3654) 0
APR 14	18.17 (2281) 1	18.55 (2360) 0	18.59 (2370) 5	18.73 (2409) 3	18.86 (2461) 26	18.62 (2556) 27	18.70 (2566) 0	18.83 (2586) 9	19.07 (2703) 27	19.17 (2748) 3
MAY 14	18.00 (2180) 5	18.18 (2225) 5	18.25 (2246) 5	18.39 (2310) 0	18.60 (2306) 20	18.41 (2375) 27	18.53 (2383) 1	18.59 (2397) 9	18.70 (2474) 27	18.70 (2482) 3
JUN 14	17.83 (1889) 5	17.96 (2001) 0	18.03 (2006) 0	18.15 (2036) 5	18.32 (2075) 77	18.25 (2137) 27	18.40 (2146) 0	18.43 (2163) 9	18.50 (2228) 27	18.49 (2222) 3
JUL 14	17.60 (1161) 5	17.72 (1181) 13	17.74 (1183) 5	17.86 (1210) 0	18.09 (1239) 4	18.04 (1232) 27	18.19 (1238) 0	18.18 (1244) 9	18.23 (1252) 26	18.22 (1259) 3
AUG 14	17.56 (1102) 0	17.65 (1115) 13	17.68 (1121) 5	17.75 (1139) 0	18.01 (1164) 4	17.98 (1149) 0	18.09 (1151) 0	18.05 (1159) 8	18.10 (1187) 26	18.12 (1194) 3
SEP 14	17.53 (1051) 0	17.60 (1065) 13	17.61 (1052) 5	17.69 (1062) 0	17.93 (1108) 4	17.94 (1130) 0	18.00 (1134) 0	17.92 (1138) 1	18.02 (1135) 0	18.08 (1155) 3
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
DEC 13	21.54 (1125) 0									
JAN 14	21.64 (1297) 0	21.73 (1302) 7	21.77 (1300) 0	21.81 (1304) 7	21.86 (1347) 9	21.94 (1353) 0	21.90 (1355) 0	22.02 (1354) 0	22.05 (1358) 0	22.09 (1370) 0
FEB 14	21.80 (1356) 0	21.87 (1359) 7	21.93 (1376) 6	22.14 (1408) 12	22.36 (1439) 15	22.41 (1462) 0	22.37 (1478) 0	22.54 (1500) 0	22.80 (1522) 0	23.02 (1564) 2
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
DEC 13	163.08 (964) 0									
JAN 14	157.00 (779) 7	159.50 (780) 3	159.90 (779) 7	159.90 (774) 21	161.00 (780) 19	161.48 (780) 7	160.65 (802) 26	160.70 (801) 6	160.73 (800) 2	161.53 (769) 51
FEB 14	1.6000 (790) 26	161.00 (791) 10	162.00 (801) 21	164.03 (814) 33	167.03 (853) 8	168.80 (834) 9	170.03 (830) 10	172.60 (832) 8	176.65 (824) 29	181.65 (824) 0
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
DEC 13	195.37 (443) 0									
JAN 14	199.03 (497) 0	200.23 (493) 0	200.35 (494) 0	200.60 (495) 0	200.45 (509) 0	201.63 (509) 0	201.00 (512) 0	201.73 (515) 0	202.48 (510) 0	202.45 (510) 0
FEB 14	199.43 (553) 0	200.88 (552) 0	200.60 (559) 0	200.68 (564) 0	201.03 (563) 0	202.23 (562) 0	202.00 (573) 0	202.13 (580) 0	202.70 (584) 0	202.80 (585) 0
<b>CME - WHEY (Electronic-Traded)</b>										
DEC 13	57.06 (311) 0									
JAN 14	58.50 (274) 4	58.50 (274) 0	58.50 (274) 2	58.08 (272) 8	58.75 (270) 3	59.50 (270) 0	60.00 (270) 5	60.00 (270) 0	60.05 (270) 0	60.25 (269) 1
FEB 14	59.68 (262) 0	59.68 (262) 0	59.68 (265) 6	59.68 (265) 0	59.68 (269) 14	60.50 (273) 4	60.70 (273) 10	60.50 (275) 2	60.73 (280) 14	61.45 (283) 4
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
DEC 13	1.88 (1676) 0									
JAN 14	1.93 (1193) 26	1.98 (1183) 14	1.98 (1182) 10	2.00 (1180) 16	2.02 (1169) 27	2.01 (1170) 8	2.02 (1155) 44	2.03 (1158) 14	2.04 (1154) 13	2.05 (1148) 13
FEB 14	1.88 (963) 7	1.94 (964) 25	1.95 (969) 26	1.98 (982) 18	2.01 (1002) 48	1.98 (1017) 31	1.99 (1034) 31	2.00 (1033) 14	2.06 (1040) 35	2.06 (1067) 45
MAR 14	1.81 (887) 1	1.87 (887) 2	1.88 (892) 37	1.90 (898) 9	1.91 (924) 39	1.88 (953) 68	1.88 (953) 23	1.89 (960) 11	1.93 (968) 16	1.93 (992) 40
APR 14	1.77 (774) 0	1.81 (774) 5	1.82 (775) 11	1.83 (779) 10	1.85 (816) 60	1.82 (844) 71	1.82 (840) 19	1.84 (849) 15	1.86 (855) 28	1.86 (887) 46
MAY 14	1.77 (733) 5	1.79 (735) 3	1.79 (756) 25	1.80 (758) 5	1.82 (765) 12	1.80 (769) 22	1.81 (769) 5	1.81 (782) 15	1.83 (807) 32	1.83 (828) 24

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

**JANUARY MILK SUPPLY AND DEMAND ESTIMATES**

The 2013 milk production estimate is reduced from last month, based on recent milk production data. The forecast for 2014 is raised as improving returns are expected to support a more rapid increase in output per cow. Fat basis imports are reduced for 2013 and 2014 on lower expected imports of butterfat. On a skim-solids basis, imports are reduced slightly for 2013 but are unchanged for 2014. Fat basis exports are raised for both 2013 and 2014 on relatively strong demand for cheese and other products. Skim-solids exports are reduced slightly for 2013 as NDM exports lagged in November. However, exports are expected to strengthen in 2014 and the skim-solids export forecast is raised. Dairy product and milk prices for 2013 are adjusted to reflect December data. For 2014, cheese, butter, and nonfat dry milk (NDM) prices are raised as export and domestic demand are expected to strengthen, but the forecast for dry whey is unchanged. The Class III price is raised due to the higher cheese prices and the Class IV price forecast reflects higher butter and NDM prices. The all milk price is forecast at \$20.60 to \$21.40 per cwt for 2014.

U.S. MILK SUPPLY AND USE					
Commodity	2012	2013 Projected		2014 Projected	
		December	January	December	January
<b>BILLION POUNDS</b>					
MILK					
PRODUCTION	200.3	201.6	201.3	205.3	205.6
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.9	12.2	12.2	11.8	11.5
MARKETINGS	199.4	200.7	200.3	204.3	204.7
IMPORTS	4.1	3.9	3.8	4.0	3.7
TOTAL COMMERCIAL SUPPLY	214.3	216.7	216.4	220.1	219.9
FAT BASIS USE					
COMMERCIAL EXPORTS	8.8	12.1	12.2	10.8	11.2
ENDING COMMERCIAL STOCKS	12.2	11.8	11.5	11.5	11.6
CCC NET REMOVALS <sup>1/</sup>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <sup>2/</sup>	193.3	192.8	192.7	197.8	197.1
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	11.8	12.4	12.4	11.9	11.8
MARKETINGS	199.4	200.7	200.3	204.3	204.7
IMPORTS	5.7	5.3	5.2	5.2	5.2
TOTAL COMMERCIAL SUPPLY	216.9	218.3	217.9	221.4	221.6
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	33.3	38.9	38.7	38.4	38.5
ENDING COMMERCIAL STOCKS	12.4	11.9	11.8	12.1	12.0
CCC NET REMOVALS <sup>1/</sup>	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <sup>2/</sup>	171.2	167.5	167.4	170.9	171.1
<b>MILLION POUNDS</b>					
CCC PRODUCT NET REMOVALS <sup>1/</sup>					
BUTTER	0	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding.

<sup>1/</sup> Includes products exported under the Dairy Export Incentive Program.

<sup>2/</sup> Domestic commercial use only.

Continued on page 11

JANUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2012	2013 Projected		2014 Projected	
		December	January	December	January
<b>DOLLARS PER POUND</b>					
PRODUCT PRICES <sup>1</sup>					
CHEESE	1.7076	1.760-1.770	1.7683	1.690-1.770	1.760-1.840
BUTTER	1.5943	1.530-1.560	1.5451	1.500-1.610	1.515-1.625
NONFAT DRY MILK	1.3279	1.695-1.715	1.7066	1.715-1.775	1.805-1.865
DRY WHEY	0.5935	0.585-0.595	0.5902	0.550-0.580	0.550-0.580
<b>DOLLARS PER CWT</b>					
MILK PRICES <sup>2/</sup>					
CLASS III	17.44	17.90-18.00	17.99	17.05-17.85	17.80-18.60
CLASS IV	16.01	18.95-19.15	19.05	19.00-19.90	19.80-20.70
ALL MILK <sup>3/</sup>	18.53	19.90-20.00	19.99	19.70-20.50	20.60-21.40
<b>QUARTERLY</b>					
	2013 IV	2014 I <sup>4/</sup>	2014 II <sup>4/</sup>	2014 III <sup>4/</sup>	2014 IV <sup>4/</sup>
<b>BILLION POUNDS</b>					
MILK PRODUCTION	49.4	51.0	52.6	50.7	51.3
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE <sup>2/3/</sup>	21.37	22.45-22.85	20.80-21.50	19.70-20.70	19.40-20.40
CLASS III PRICE <sup>2/</sup>	18.67	19.54-19.94	17.85-18.55	17.15-18.15	16.65-17.65
CLASS IV PRICE <sup>2/</sup>	20.74	21.50-22.00	20.40-21.20	19.15-20.25	18.20-19.30

<sup>1/</sup> Simple average of monthly prices calculated from AMS weekly weighted average prices published in the National Dairy Products Sales Report located at: <http://www.ams.usda.gov/AMSV1.0/DairyProductMandatoryReporting>.”

<sup>2/</sup> Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test.

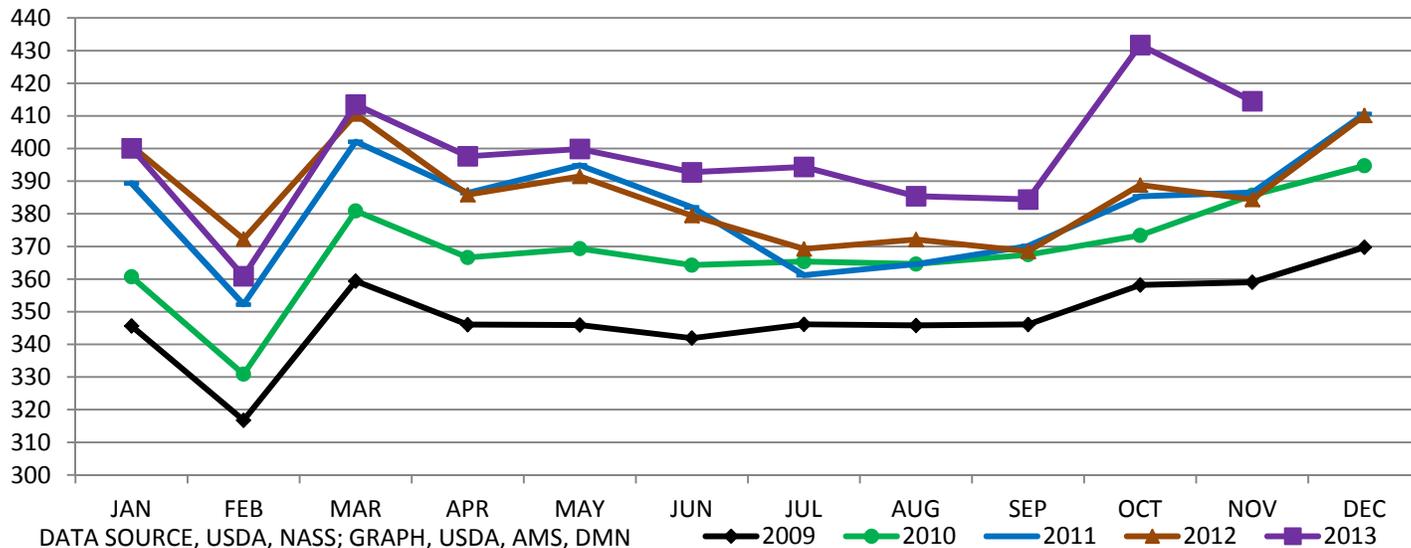
<sup>3/</sup> Does not reflect any deductions from producers as authorized by legislation.

<sup>4/</sup> Projection.

**Source:** U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-525, January 10, 2014.* Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

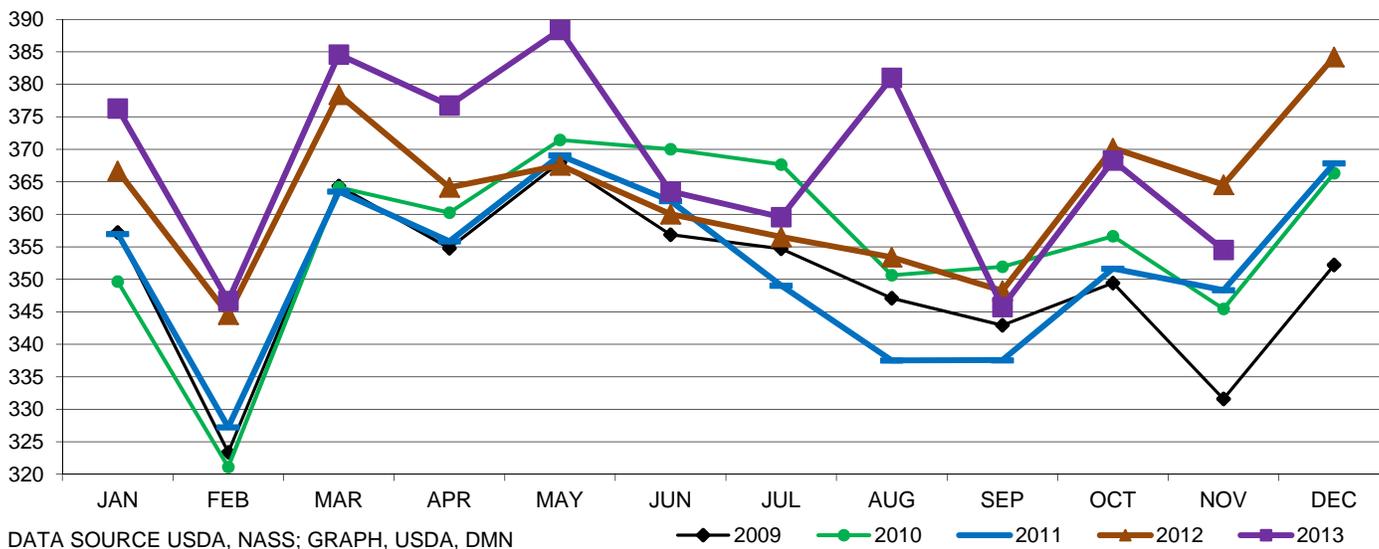
MILLION POUNDS

**U.S. TOTAL ITALIAN-TYPE CHEESE PRODUCTION**



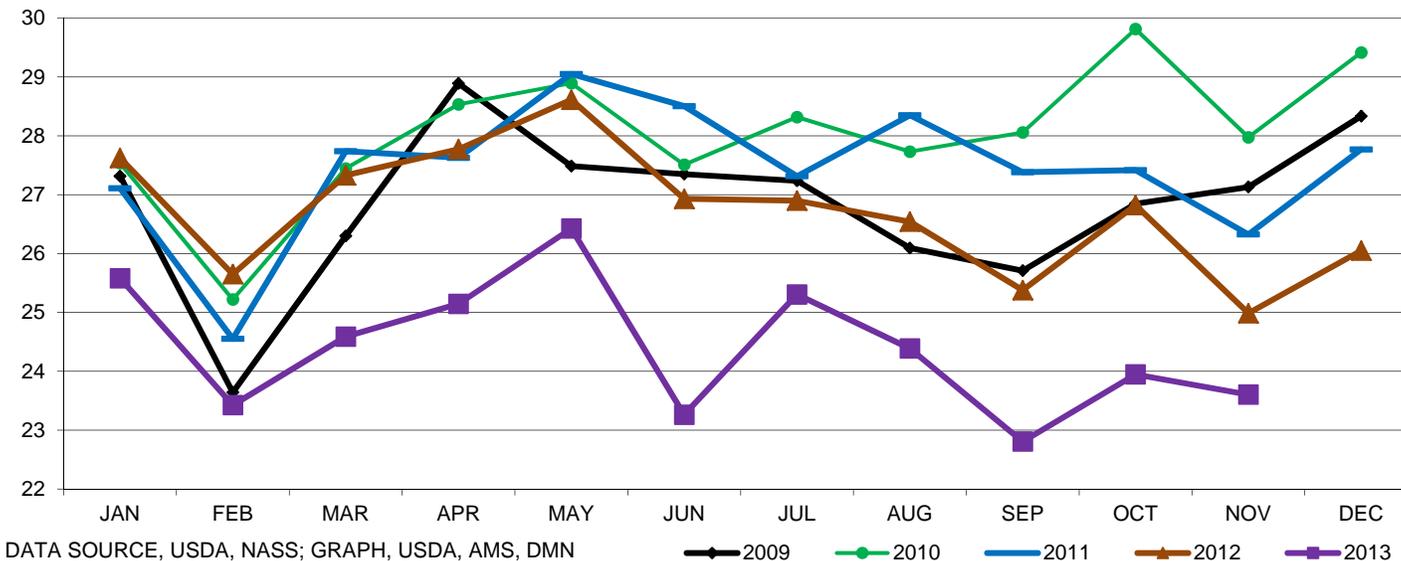
MILLION POUNDS

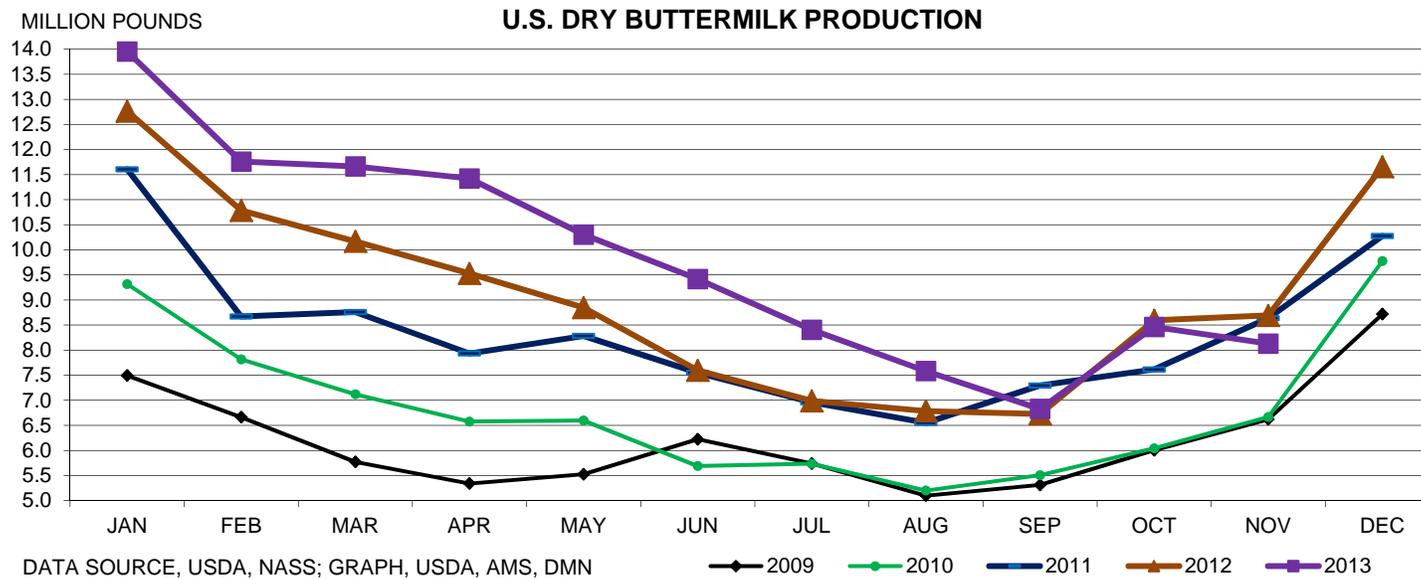
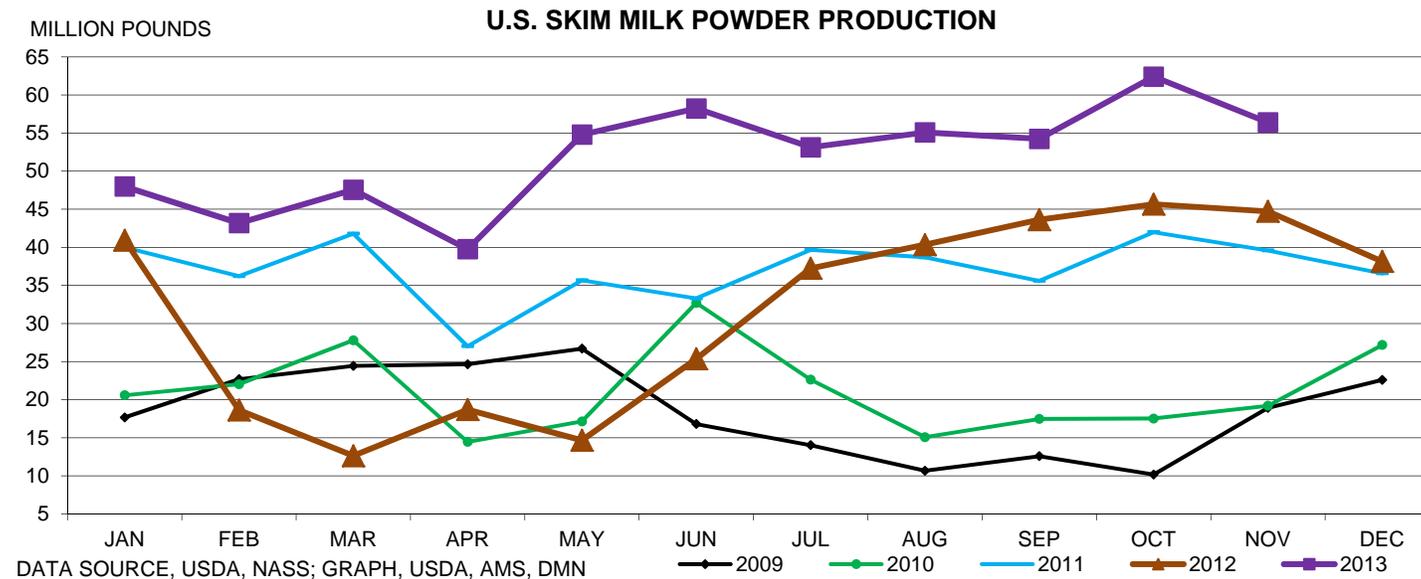
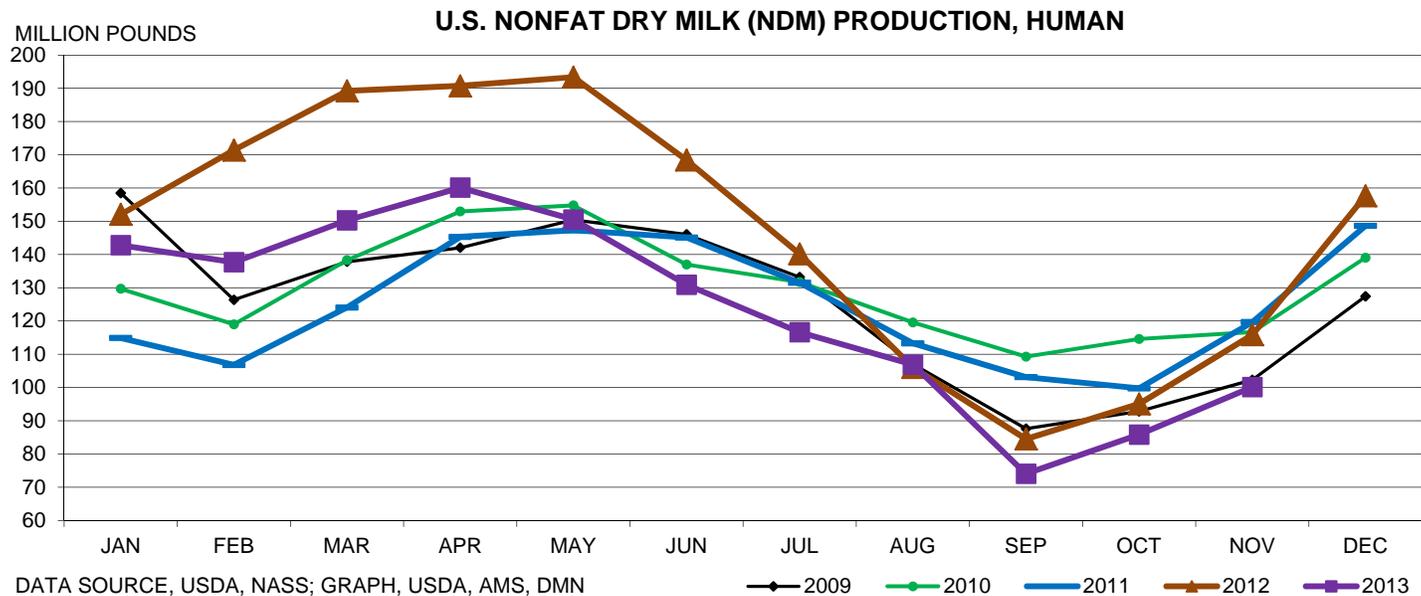
**U.S. TOTAL AMERICAN CHEESE PRODUCTION**



MILLION POUNDS

**U.S. SWISS CHEESE PRODUCTION**





# DAIRY MARKET NEWS

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