

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (1/31):**

BUTTER: Grade AA closed at \$1.8800. The weekly average for Grade AA is \$1.8935 (-.0065).

CHEESE: Barrels closed at \$2.3200 and 40# blocks at \$2.3600. The weekly average for barrels is \$2.2990 (+.0515) and blocks, \$2.3370 (+.0576).

BUTTER HIGHLIGHTS: Butter manufacturers are focusing on rebuilding inventories, but a mix of tight cream supplies, good domestic demand, and active export sales are hindering the process. The market tone is firm with light print and bulk butter stocks. Current bulk butter prices were unchanged in the Northeast ranging 6-8 over the market, higher in the Central ranging 1-10 cents over, and unchanged in the West ranging market to 4 under, based on the CME. The Grade AA butter price at the CME Group started the week off going higher, but then moved lower the last three days of the week to close at \$1.8800 on Friday, 1 cent lower than last Friday. This week, Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 0.55 million pounds of butter.

CHEESE HIGHLIGHTS: Record high cheese prices are becoming more of an issue for manufacturers. While the high prices are welcome, there is increased resistance for purchases above immediate needs. Buyers are reluctant to build excess inventories at high prices. Manufacturers are also unwilling to build and hold stocks at these prices. Production schedules are being geared to ensure contract completion. Some plants that are in good shape inventory wise are allowing contracted milk to move to alternate production facilities. Lower than expected milk volumes in the West were responsible for a large manufacturer to announce limited layoffs. Difficult winter weather in the East is being blamed for some production slowdowns. Good export demand from previously committed sales continues to move cheese out of the country. U.S. prices are much closer to international price levels and have slowed current demand. This week, prices at the CME Group continued to move higher on bids and sales. The record high prices are beginning to bring more sales to the exchange as barrels sold 3 loads and blocks 4 loads for the week. On Friday, barrels closed at \$2.3200, up 4.5 cents from last Friday, 40# blocks closed at \$2.3600, up 5 cents.

FLUID MILK: U.S. milk production is increasing in most regions except the Central region, where milk production is mostly stagnant due to the recent cold weather. Milk supplies are generally

adequate, with occasional exceptions. Competition for milk in Utah and Idaho is outstripping supply, leading to some processor layoffs. Southeast weather is adversely affecting milk transportation.

DRY PRODUCTS: The market tone for nonfat dry milk is steady, with continuing export interest noted in all regions. Dry buttermilk prices are unchanged to higher in the West and mixed elsewhere. Dry whole milk prices are steady on a firm market. The market tone for dry whey in all regions is steady to firm, with steady to lower production. Export demand is also noted as a factor. Whey protein concentrate 34% production varies by area from steady to higher to lower, with mixed prices. Lactose prices are unchanged and production varies by area, from unchanged to higher. Casein prices are mostly steady to slightly firm.

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

Eurostat reported November milk production in the EU-28 up 4.4%, compared to a year ago. Changes in November milk output from a year ago for selected countries are: Ireland, +19.7%; Netherlands, +5.9%; Germany, +3.6%; and France +3.7%. Current milk production in Western Europe is increasing along the seasonal trend with some countries 3-5% above week to week comparisons from a year ago. Weather this winter has been comprised of mostly mild and wet conditions, and generally supportive of milk production. Dairy producers appear to be doing all they can to increase milk production to assist in filling the global demand for dairy products. The increase in milk production is throwing fat supplies out of balance and pressuring butter prices lower. Milk solids demand remains strong globally with limited availability. International buyers are turning their focus from the southern hemisphere to the northern hemisphere with increased interest for European dairy products. **EASTERN OVERVIEW:** Eastern European milk production in November, according to Eurostat, was up 2.6%, compared to a year ago. The Poland and Baltic countries are showing better milk production results than the southern countries of Eastern Europe.

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CME GROUP CASH TRADING

COMMODITY	MONDAY JAN 27	TUESDAY JAN 28	WEDNESDAY JAN 29	THURSDAY JAN 30	FRIDAY JAN 31	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE BARRELS	\$2.2750 (N.C.)	\$2.2800 (+.0050)	\$2.3000 (+.0200)	\$2.3200 (+.0200)	\$2.3200 (N.C.)	:: (+.0450)	:: \$2.2990 (+.0515)
40# BLOCKS	\$2.3100 (N.C.)	\$2.3200 (+.0100)	\$2.3400 (+.0200)	\$2.3550 (+.0150)	\$2.3600 (+.0050)	:: (+.0500)	:: \$2.3370 (+.0576)
NONFAT DRY MILK GRADE A	**NOTICE: \$2.0500 (N.C.)	Effective January 26, \$2.0750 (+.0250)	2014, the \$2.0525 (-.0225)	Extra Grade \$2.0550 (+.0025)	NDM no longer trades. \$2.0400 (-.0150)	:: (-.0100)	:: \$2.0545 (-.0224)
BUTTER GRADE AA	\$1.9000 (+.0100)	\$1.9000 (N.C.)	\$1.8950 (-.0050)	\$1.8925 (-.0025)	\$1.8800 (-.0125)	:: (-.0100)	:: \$1.8935 (-.0065)

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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Changes in November milk output from a year ago for selected countries are: Poland, +4.6%; Slovenia, -1.9%; Hungary, +2.0% and the Baltic countries +5.6%. The winter in Eastern Europe has turned cold and may affect milk production if it persists. Eastern European butter and cheese manufacturers continue to receive good export interest from Russia. **OCEANIA OVERVIEW: AUSTRALIAN** milk production is facing weather related challenges that are accelerating the seasonal decline in milk volumes. Another heat event is covering a majority of Victoria and New South Wales with temperatures in the high 30's to mid-40's Celsius (+100 Fahrenheit). The current heat wave comes at a time when milk production was experiencing a rebound from a previous heat event 7 to 10 days ago. The intense heat has caused milk production reductions of 10% or better in some areas along with isolated instances of cattle fatalities due to heat exhaustion. Those areas in northern Victoria that benefit from irrigation have seen less of an impact on milk production, due to the heat. In the northeastern part of the country, an approaching cyclone is threatening Queensland with strong winds, heavy rains and the likelihood of flash floods. December's preliminary milk production estimates range +1-1.5%, compared to the same period a year ago. Prices for dairy products are stable to firm, supported by good demand and tight supplies. China continues to be very active in all dairy markets and appears to pursue any and all dairy products available on the market. Australia's oldest dairy producer has been purchased by a Canadian firm, ending a prolonged three way competition to take over control of the company. **NEW ZEALAND** milk production in November was reported by DCANZ at 2.96 million tons, up 4.0% from November 2012 and 11.9% higher than two years ago. Current milk production levels are holding up as weather has not been a factor. Recent rains on the North Island have been beneficial to those areas that had been dry over the past few weeks. The next 4-5 weeks will be critical in just how well this year's production season has fared. If the weather continues to be a non-factor, some producers are estimating that milk production could be as high as 8% over last year's drought stricken season. The increase over last year's production is welcome as manufacturers continue to build supplies to cover the carryover period, typically June, July and August. Prices for all dairy products are firm with most supplies for Q1 and Q2 committed. China has remained active in the dairy markets, which is a bit unusual with the Chinese New Year beginning at the end of the week on January 31. Global demand continues to be very strong for nearly all dairy products. The higher dairy product prices have now worked their way to consumers with some buyers resisting higher prices, due to growing unwillingness of customers to purchase at current price levels with some buyers beginning to consider alternative products.

COMMERCIAL DISAPPEARANCE (ERS, AMS):

Commercial disappearance of dairy products during the first ten months of 2013 totals 160.5 billion pounds, 0.4% above the same period in 2012. Comparing disappearance levels with year earlier levels: butter is -1.7%; American cheese, +2.1%; other cheese, +1.5%; NDM, -57.1%; and fluid milk products, -2.4%.

DECEMBER CONSUMER PRICE INDEX (BLS): The CPI for all food is 237.9, up 1.1% from December 2012. The dairy products index is 218.4, down 0.5% from a year ago. The following are December to December changes for selected products: fresh whole milk, -0.2%; cheese, -1.0%; and butter, +0.9%.

CME GROUP

MONDAY, JANUARY 27, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 2 CARS 40# BLOCKS @ \$2.3100; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$2.0700
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.9000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9000

TUESDAY, JANUARY 28, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.2800; 1 CAR 40# BLOCKS @ \$2.3200; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$2.0700; LAST BID UNFILLED: 2 CARS GRADE A @ \$2.0750; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9100

WEDNESDAY, JANUARY 29, 2014

CHEESE -- SALES: 3 CARS BARRELS @ \$2.3000; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.3000; 1 CAR 40# BLOCKS @ \$2.3400; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 8 CARS GRADE A: 4 @ \$2.0750, 2 @ \$2.0500, 2 @ \$2.0525; LAST BID UNFILLED: 3 CARS GRADE A @ \$2.0500;
 LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$2.0600
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$1.8900, 1 @ \$1.8950, 1 @ \$1.8975, 1 @ \$1.9000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8600;
 LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8950

THURSDAY, JANUARY 30, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.3200; 1 CAR 40# BLOCKS @ \$2.3550; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 6 CARS GRADE A: 3 @ \$2.0525, 3 @ \$2.0550; LAST BID UNFILLED: 10 CARS GRADE A @ \$2.0550;
 LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$2.0600
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8925

FRIDAY, JANUARY 31, 2014

CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$2.3600; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.3200; 1 CAR 40# BLOCKS @ \$2.3600; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 8 CARS GRADE A: 1 @ \$2.0500, 1 @ \$2.0525, 2 @ \$2.0500, 1 @ \$2.0475, 2 @ \$2.0450, 1 @ \$2.0400; LAST BID UNFILLED: 1 CAR GRADE A @ \$2.0400; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$2.0550
 BUTTER -- SALES: 5 CARS GRADE AA: 3 @ \$1.8650, 1 @ \$1.8750, 1 @ \$1.8800; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8750; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter production remains strong in the region as manufacturers fulfill current order. Tight supplies in the region firmed the market, as most butter makers look to rebuild their inventories. Domestic prices for sale of bulk butter based on the CME now range from 6 cents to 8 cents over the market, using various time frames and averages. In the previous four trading weeks the CME Group weekly average price has seen an increase of \$0.3587. The CME Group butter price on Tuesday was unchanged, and closed at \$1.9000. The NASS Cold Storage report shows U.S. butter in storage on December 31, totaled 111.4 million pounds, 10.1 million pounds less (-8%) than the prior month's stocks and 41.6 million pounds less (-27%) than December 2012 stocks. This week, Cooperatives Working Together (CWT) has accepted requests for export assistance for 551,156 pounds of butter. The product will be delivered January through June 2014.

CENTRAL

Some Central butter churn operators were able to secure additional cream supplies, which have been tighter than years past. The market tone continues to be firm with low print and bulk stocks. Many butter makers are trying to rebuild inventories but are not gaining much ground as good export sales and higher than expected domestic print orders have kept supplies tight. Contacts worry that the current high butter prices may have future implications on butter stocks, ice cream makers, and milk supplies. Current bulk butter prices went higher, ranging from 1 to 10 cents over the market, based on the CME, with various time frames and basing points used. Grade AA butter price at the CME Group started the week off higher on Monday before closing lower at \$1.8950 on Wednesday, 4.5 cents lower than last Wednesday. This week, Cooperatives

Working Together (CWT) has accepted requests for export assistance to sell 0.55 million pounds of butter. Year-to-date, CWT has assisted in selling 3.54 million pounds of butter.

WEST

Western butter prices continue to have a firm undertone. Weekly average prices at the CME Group are higher by double digits for the third consecutive week. Tight cream supplies are limiting production and, in some cases, manufacturers are putting an emphasis on filling previously contracted orders. Export sales continue to move product out of the country and domestic inventory building is slower than expected. Domestic demand remains good for print orders with little price resistance for immediate needs. Butter prices at the CME Group at midweek are mixed. Monday's market was 1 cent higher to close at \$1.9000. On Wednesday, the market was \$0.0050 lower at \$1.8950. As of Wednesday's close, 5 loads of butter were sold. Bulk butter production is mostly limited to contract orders for domestic needs with light spot activity. 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 25, 2014	1.6689 5,994,315	2.1382 9,068,969	2.1496 9,782,170	0.6087 7,382,325	2.0434 17,701,815

CHEESE MARKETS

NORTHEAST

Cheese production is fairly active. Some cheese manufactures are working 5-6 day production schedules as they fulfill 1Q 2014 contracts and rebuild tight inventories. Export sales continue to drive the demand for cheese as winter weather conditions in parts of the region impede domestic retail and food service purchases. The market tone is firm. The NASS Cold Storage report shows U.S. stocks of natural cheese as of December 31, 2013 totaled 1.0 billion pounds, 1.0% higher compared to the previous month, but 1.0% less than one year ago. American cheese stocks totaled 618.8 million pounds, up 1.0% from November 2013, but 3.0% less than one year ago. Other natural cheese totaled 365.9 million pounds, 3.0% more than November 2013, and last year's comparison. Swiss cheese totaled 24.4 million pounds, down 7.0% from November 2013 and 23.0% less than one year ago. The weekly average cheese prices, on the CME Group, saw increases for both blocks and barrels last week. Northeast wholesale prices for 40# block and muenster increased by \$0.0675, while prices for process 5# slices increased by \$0.0700. Swiss cheese remained unchanged. This week Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 5.758 million 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	: 2.6725-2.9575
Process 5# Sliced	: 2.4675-2.9475
Muenster	: 2.6925-3.0525
Grade A Swiss Cuts 10 - 14#	: 3.4675-3.7900

MIDWEST

Record cheese price levels are resulting in some cheese manufacturers reducing current cheese production from what several weeks ago they had thought it would be now. A number of cheese manufacturers report decreasing sales to both retail outlets and institutional/food service. One manufacturer commented that a number of food service outlets are experimenting with reducing or removing cheese from some menu options, to reduce their need to purchase cheese. Grocery stores are resisting buying more than needed to keep shelves stocked, in the view of almost all manufacturers. This buyer resistance is obviously attributed to current prices. Wednesday barrels closed up at \$2.30 and blocks up at \$2.34 at the CME. Some manufacturers are echoing the apprehension of buyers, not wanting to be left holding inventories with a high price basis when cheese prices decline. Thus, some manufacturers with contracted milk supplies affirm that cheese production is being adjusted lower and milk which might have gone into cheese making is being diverted to other uses. There are mixed signals from other manufacturers, who, while claiming that inventories are in balance and production is steady, then state that more cheese is being manufactured than is needed. Some cheese makers are now using more condensed skim as an alternative to nonfat dry milk in manufacturing due to current prices of NDM.

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

Process American 5# Loaf	: 2.3450-2.7050
Brick And/Or Muenster 5#	: 2.6525-3.0775
Cheddar 40# Block	: 2.3575-2.7750
Monterey Jack 10#	: 2.6275-2.8325
Blue 5#	: 2.9200-3.9075
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 2.4975-3.3925
Grade A Swiss Cuts 6 - 9#	: 2.9850-3.1025

WEST

Western cheese prices continue to move higher. Tight cheese supplies are driving prices higher as demand is well above amounts offered. Lower than expected milk production and strong demand from competing products are limiting milk available to cheese plants. One prominent manufacturer announced layoffs this week due to tight milk supplies. Production is sufficient for most contracted needs but is limiting spot offerings. Good export demand is also adding to the tight inventories. The Cooperatives Working Together (CWT) program announced export assistance this week for 5.8 million pounds of cheese for delivery from January to June. Prices for barrel cheese at the CME Group closed \$.0200 higher at \$2.3000 on Wednesday. Block prices were also \$.0200 higher at \$2.3400. Despite record high prices, the market continues to show a very firm undertone in light trading. At midweek there were only three loads of barrels sold with no sales for blocks.

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

Process 5# Loaf	: 2.3750-2.6325
Cheddar 40# Block	: 2.3950-2.7475
Cheddar 10# Cuts	: 2.5750-2.7950
Monterey Jack 10#	: 2.5850-2.7450
Grade A Swiss Cuts 6 - 9#	: 3.0450-3.4750

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

BUTTER : CHEESE

	:	
01/27/14	9,004	: 94,307
01/01/14	7,566	: 96,535
CHANGE	1,438	: -2,228
% CHANGE	19	: -2

BUTTER : CHEESE

	:	
01/20/14	**8,197	: **96,699
01/01/14	7,566	: 96,535
CHANGE	631	: 164
% CHANGE	8	: 0

**NOTICE: Revisions were made to Report 4 holdings for butter and cheese. Trade sources made corrections to reported holding levels.

CHEESE MARKETS

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FOREIGN

Retail cheese sales will get a welcome boost this week as consumers make purchases ahead of the Super Bowl weekend. Wholesale prices for domestic foreign type cheeses increased \$0.0675, in response to the weekly average block price increase on the CME Group. Imported and Swiss cheese prices were unchanged. European cheese makers have seen a good start to 2014 with good orders coming from both domestic and export business. NASS's Cold Storage report shows December's U.S. stocks of other cheese, which is primarily Italian type cheeses, totaling 365.9 million pounds, 3% more compared to one year ago. Swiss cheese holdings totaled 24.4 million pounds, 23% less than one year ago.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.8125-4.3000*
Gorgonzola	: 3.6900-6.9700	: 3.3150-3.7275*
Parmesan (Italy)	: -0-	: 4.2025-6.2925*
Provolone (Italy)	: -0-	: 2.8550-3.0125*
Romano (Cows Milk)	: -0-	: 4.0025-6.1525*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-4.5600	: -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.

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	53	43	0	0	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is increasing in the Northeast region. Manufacturing volumes are adequate at most plants. Severe winter weather in the Southeast and coastal regions is having significant impact on milk transports, as they experience major delays, unable to make scheduled drop offs. Florida Class I demand is active. Milk production levels in Florida are along seasonal trends. Producers are speculating that the impact of the winter storm will cause cow stress, resulting in reduced milk volumes. The magnitude of the storm has surged Class I demand causing bottling plant orders to move upward with consumer retail purchases. Cream demand is expanded with adequate supplies to fulfill contract orders. Spot cream sales are marginal. **Cream multiples for all classes** ranged 1.20-1.30. **Condensed skim** supplies remain tight with significant milk supplies being pulled to bottling operations. Some manufacturers are directing volumes to Class IV production as they rebuild those inventories. NASS reports milk production for December 2013 in the 23 reported states totaled 15.7 billion pounds, up slightly from December 2012. Milk production increased in 3 of the 5 listed states in the Eastern region, with a decline in one state, and one state unchanged, compared to year ago levels. Eastern states production increased 0.9% compared to the same month last year. The 5 states showed the following percentage changes in milk production from December 2012 to December 2013 and total milk production this December: Florida, +4.1%, 201 million pounds; New York, +1.6%, 1.1 billion pounds; Pennsylvania, -0.7%, 888 million pounds; Vermont, 0.0%, 218 million pounds; and Virginia, +2.0% at 150 million pounds. Milk cow numbers for December 2013 decreased in 3 of the 5 listed states and increased in 2 states in the region.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast -	2.2800-2.5270
F.O.B. producing plants: Upper Midwest -	2.2800-2.3940

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	2.07-2.10
Northeast - Class III - spot prices -	1.62-1.65

MIDWEST

Farm milk production in the Central region has been stagnant for the most part due to the recent cold weather. Milk supplies loosened some this week as multiple cheese makers are backing off on orders, reflected by the retreat in spot milk loads prices ranging from Class to \$1.75 over. Bottling demand took a step back; weather has played a big role in the reduction with school delays and cancellations. Demand for Class II products is moderate. **Class II cream multiples narrowed this week, ranging 1.20-1.26.** Cream demand is mixed, but overall tighter than expected.

Some ice cream makers have started to acquire additional cream supplies a little early due to the concern of not being able to secure ample supplies or having to pay a higher price in the future. Condensed skim demand and production is increasing with good pulls coming from cheese and ice cream manufacturers. The NASS MILK PRODUCTION REPORT notes December 2013 milk production increased compared to a year ago in only three Central region states (Indiana, Kansas, and Michigan) included in the 23 Selected States. The Central region monthly milk production range was from -7.7% in Illinois to +4.1% in Kansas. On a regional basis, Central December 2013 milk production showed a 1.3% decrease over one year ago. Regional cow numbers grew by 7,000 animals compared to a year ago. The Texas herd led the region by adding 7,000 cows while Minnesota's herd dropped by 5,000 head. Monthly milk production per cow increased by the largest in the region in Kansas, 5 pounds per cow per month, while reducing the most in Illinois by 60 pounds per cow per month. The December 2013 milk production in the 23 Selected States increased less than 1% from a year ago to 15.7 billion pounds. The herd increased by 6,000 head from a year ago. The December 2013 milk per cow was down 1 pound per cow per month from December 2012. The NASS LIVESTOCK SLAUGHTER reports December 2013 dairy cow slaughter at 256,700 head, a 0.8% decrease from a year ago. Dairy cow slaughter for 2013 totaled 3.13 million head, 0.8% higher than 2012. The weekly cow slaughter reports U.S. dairy cow slaughter at 59,400 head for the week ending on January 12, down 13,100 head from the comparable week a year ago.

WEST

Milk production in the SOUTHWEST is trending upward, and milk components are also increasing. Manufacturing plant managers also report the drawdown on milk supplies from bottlers is lower than in recent weeks. Some fluid milk handlers/processors are pushing back on previously ordered loads, and those volumes are also clearing into manufacturing. Milk production in CALIFORNIA is continuing a steady trend, moving higher. Dairy operators report temperatures in the state are supporting farm milk production, but they are facing the challenges of water restrictions and shortages as well as an extended wildfire season. December 2013 POOL RECEIPTS of milk in CALIFORNIA total 3.35 billion pounds, 1.3% higher compared to December last year, according to CDFA. Cumulative 2013 receipts are 2.2% lower, unadjusted, from 2012. The December Value at Test price is \$20.72, \$0.74 higher than November and \$2.15 higher than December 2012. The percentage of receipts used in Class 1 products is 14.29%. The December quota price is \$20.98 and the over quota price is \$19.28. These prices are \$0.67 higher than November and \$2.01 higher than a year ago. Dairy cows in NEW MEXICO are responding to warm daytime and comfortable nighttime temperatures. Farm milk intake volumes continue climbing at balancing plants, and plant operators report they are experiencing light demand from bottling plants. Sales into Class II facilities are seasonally higher. Milk production in ARIZONA continues to climb higher. Fluid demand is at seasonal values. Some additional seasonal interest is sending milk into Class II operations. Manufacturers indicate they are handling in-state as well as some out-of-state milk volumes. Intake volumes are well within the capacity of manufacturing operations.

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FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

The western CREAM multiple range is higher, 1.20 – 1.26, depending on Class usage and basing points. At the CME Group, Grade AA butter closed on Wednesday at \$1.8950, 4.5 cents lower than one week ago. Some plant operators who regularly sell cream are actively in the market this week as buyers. This is a result of manufacturing milk supplies being juggled around plant maintenance projects. Butter production is active, with 82% butter production continuing to take precedence at some western plants. Milk intakes in the PACIFIC NORTHWEST are increasing along seasonally expected volumes. Class I demand is mostly steady and processors are seeing some increase in volume. Good weather in the region is allowing for milk to be moved to highest return processing plants with little difficulty. Increased sales of cheese and dips for Super Bowl parties in the region was noted by some manufacturers. Milk production in UTAH and IDAHO is mostly steady to higher. Favorable weather for dairies is helping to keep milk volumes up. Good prices for farm milk have producers holding cows in the herd longer to increase volumes. Competition for milk in the region continues to outstrip current milk supplies. A large processor in the region announced some layoffs this week due to tight milk supplies. According to NASS, December *Milk Production* for the 23 surveyed states totals 15.7 billion pounds, unchanged from last year. December milk production changes from a year ago for selected Western states are as follows: Arizona +1.1%, California +1.6%, Colorado +4.4%; Idaho -1.1%, New Mexico -1.8%, Oregon +1.5%, Utah +6.7%, and Washington +1.0%. Monthly milk production per cow for the 23 surveyed states was 1,846 pounds, down 1 pound from December 2012. Milk cow numbers on farms in the 23 major States was 8.5 million head for December 2013, 6,000 head more than last year, and 1,000 head more than November 2013. Compared to December 2012, the Arizona herd is +3,000 cows, California +1,000, Colorado +4,000, Idaho -15,000, New Mexico +2,000, Oregon +1,000, Utah +4,000, and Washington +2,000. These 8 Western states are up 2,000 cows compared to 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 LOW/MEDIUM HEAT nonfat dry milk are lower on the top of the range and unchanged on the bottom. The mostly price series remained the same, but some prices leaned towards the bottom of the mostly this week. The market tone is steady. Some buyers are becoming comfortable with the current prices as they are in a wait-and-see approach as to what the market will do. Low/medium heat production rates are steady to lower as some cheese makers are substituting NDM for condensed skim due to the higher cheese prices. Some NDM manufacturers reported to be selling additional condensed skim, taking away from the amounts being dried. Domestic demand is steady while export interest is active. Some contacts are waiting to see what some bigger international buyers will do when they get back into the market. Supplies of low/medium heat are tight. HIGH HEAT NDM prices lowered on the bottom of the range with light activity this week. The market tone is steady with many manufacturers meeting contract obligations. Production for high heat is status quo this week. Inventories are limited.

EAST: Nonfat dry milk prices for low/medium heat remained the same on the bottom of the range while falling \$0.0100 on the top end of the range. The mostly price series is consistent with last week. The production rate of nonfat dry milk is steady as most manufacturers focus on fulfilling contractual orders. The impact of severe weather conditions on milk supply in areas of the region is hampering dryer capacity of plants that look to rebuild inventories. With a number of buyers hoping prices to ease, the market tone for nonfat dry milk low/medium heat is steady. Domestic demand is moderate with active export interest. Prices for high heat nonfat dry milk fell on the bottom of the range by \$0.0150 and remained the same at the top of the range. The market activity is slow, with some manufacturers primarily making high heat to fulfill commitments. The CME Group price saw Grade A nonfat dry milk price drop by \$0.0225 on Wednesday, closing at \$2.0525.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 2.0300 - 2.1400 MOSTLY: 2.0500 - 2.1200
 HIGH HEAT: 2.1200 - 2.2050

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are mixed on the range, but steady on the mostly price series. Reported F.O.B. spot market activity trailed lower this week as many market participants attended an informational annual dairy meeting that aids in price forecasting and other areas. Low/medium heat nonfat dry milk production is variable from location to location. Some plants are diverting raw milk, condensed skim, and ultra-filtered milk loads to sister plants, or selling loads outright, to accommodate intermittent down-days for maintenance and upgrades. Interest for those loads is adequate as many plants are still operating below full capacity and plant managers welcome the opportunity to run their plants at comparatively higher efficiencies. Some milk loads are crossing state lines to find the nearest processing room. Milk processors also report the drawdown on milk supplies from bottlers is lower than in recent weeks. In some cases, the directional flow of milk has reversed, with balancing plants receiving milk from bottling operations that usually are buyers. High heat NDM prices are unchanged to higher. NDM manufacturers are splicing in runs of high heat nonfat dry milk on occasion, to assure sufficient inventories to meet upcoming contract needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 2.0000 - 2.1250 MOSTLY: 2.0500 - 2.1000
 HIGH HEAT: 2.0300 - 2.1500

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Dry buttermilk prices are mixed, higher on the top of the range and lower on the bottom. The market tone is steady as some buyers are finding the product they need, while others are not. Dry buttermilk production rates were for the most part slightly higher this week. Demand domestically is good with some manufacturers in sold out positions while others are moving product readily in the spot market.

EAST: Prices for dry buttermilk are mixed this week, with the bottom end of the range falling \$0.0200, and the top end of the range moving higher by \$0.0125. Production schedules are comparable to seasonal levels. Some dry buttermilk manufacturers are opting to dry loads instead of selling condensed buttermilk. Export buyer interest remains strong. Domestic demand is fairly active.

F.O.B. CENTRAL/EAST: 1.8800 - 1.9650

DRY BUTTERMILK - WEST

Dry buttermilk prices in the West are unchanged to higher as some F.O.B. index-based spot loads cleared. Dry buttermilk production in the West is active as cream is clearing readily into churns. Inventories are building incrementally. Various cream buyers indicate they are dealing with only light demand from ice cream/frozen dessert manufacturers at this time, and a sizeable percentage of spot cream loads are heading to churns. Market participants indicate end users are concerned about getting too far ahead on dry buttermilk needs at this point, as they expect some price flattening or weakness in the near to mid-term.

F.O.B. WEST: 1.8800 - 1.9350 MOSTLY: 1.8900 - 1.9200

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are steady on a firm market. Manufacturers report it is challenging to stay ahead of active contract and spot market demand. Production is intermittent at some locations, depending on milk supplies and dryer schedules. A few end users report they have resold whole milk powder to keep stocks on hand in balance with near term needs.

F.O.B. PRODUCING PLANT: 2.0750 - 2.1700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 24	\$2.0085	7,686,998	0
January 17	\$2.0044	10,490,218	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 with many F.O.B spot prices towards the higher end of the range. The mostly price series moved higher on the top and bottom. The market tone is firm as supplies are tightening behind increased sales to end users from both manufacturers and resellers. Production rates of dry whey are steady to slightly lower. Good domestic and steady export demand keep product moving readily. End users and feed blenders are reported using additional whey protein concentrate 80%, requiring extra dry whey in formulations. Contracts are pulling strong on manufacturer inventories, leaving little excess for the spot market. ANIMAL FEED WHEY prices moved slightly higher on spot market activity. Many buyers mentioned they cannot find product as the market remains firm. Demand is very good domestically. Manufacturers of animal feed whey have low stocks on hand.

F.O.B. CENTRAL: .5500 - .6400 MOSTLY: .5650 - .6050
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4350 - .5600

DRY WHEY - NORTHEAST

Prices for dry whey remained the same on the bottom and moved up \$0.0125 on the upper end. Dry whey production is mostly steady to slightly lower, as further severe weather caused some plant closings in the region. Dry whey inventories are tight, but adequate for fulfilling current contracts. Export sales continue to drive demand, with less active interest from domestic buyers. The market tone is steady to firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6025 - .6550

DRY WHEY - WEST

Western dry whey prices are marginally higher. Prices firmed on the high end of both the full price series and the mostly. The market tone is steady to firm as competing dairy protein products continue at high price levels. Whey production is mostly steady with recent weeks' levels, but lower than hoped for due to tighter overall whey supplies. Stocks are adequate for current domestic demand. Good export demand and prices continued to pull Western whey out of the country.

NONHYGROSCOPIC: .5900 - .6375 MOSTLY: .5900 - .6300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are mixed, with an increase on the top of the range, but mixed changes on the mostly series this week. Several manufacturers indicate they are only able to fulfill contract needs at this time, but requests for additional loads continue to arrive from industry participants. One or two manufacturers selling primarily through the spot market report successfully clearing multiple loads to active interest. Product specifications remain part of the price discovery process. Within the domestic industry, the year started out with an inventory shortfall at some locations compared to near term contract obligations. This was

largely due to lower manufacturing milk intakes at some western cheese/WPC facilities. Those lower milk supplies have kept WPC 34% supplies tight in those areas and those producers are out of the spot market at this point. In contrast, feed industry participants indicate inclusion of edible WPC 34% into calf feed blends is getting to be cost-prohibitive. Several blenders report they are either working off WPC 34% stocks on hand, and not replenishing, or finding more cost effective dairy protein/fat values in other whey stream products. Some feed blenders anticipate the emerging lack of demand from the feed sector will eventually lead to WPC 34% price weakness. Current WPC 34% production is steady to higher at some locations as milk supplies trend higher, but steady to lower in other areas as milk clears to higher Class manufacturing.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.6000 - 1.9725 MOSTLY: 1.7000 - 1.8450

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged. Manufacturers report interest is steady to increasing from countries in Southeast Asia, although the Chinese New Year celebration has reportedly delayed some shipments to that country. Spot load availability of lower mesh size lactose is decreasing according to several manufacturers. Some producers are adding to grinding schedules to clear lactose into the firm, high mesh size market. Discussions for February are on the cusp and manufacturers are forecasting new prices may find support in January values. Lactose production is unchanged to higher and varies by plant location and regional milk supplies.

Including spot sales and up to 3 month contracts.

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

CASEIN - NATIONAL

Acid and rennet casein prices are holding mostly steady to slightly firm within the respective price ranges. Offerings are mostly light outside of contracted volumes. Spot interest is similarly light with most casein volumes moving under contracts. The impacts of higher prices are working through the marketing channels. The tighter supplies and relatively high values of other dairy proteins are not providing substitutionary values. Other buyers are exploring non-dairy substitutes where practical. Higher milk production trends in Europe could allow more milk to move into casein, yet there remains strong international demand and more favorable returns for whole milk powder, skim milk powder, and milkfat.

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

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 20 –31, 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: Eurostat reported November milk production in the EU-28 up 4.4%, compared to the same period last year. Changes in November milk output from a year ago for selected countries are: Ireland, +19.7%; Netherlands, +5.9%; Germany, +3.6%; and France +3.7%. Current milk production in Western Europe is increasing along the seasonal trend with some countries 3-5% above week to week comparisons from a year ago. Weather this winter has been comprised of mostly mild and wet conditions, and generally supportive of milk production. Dairy producers appear to be doing all they can to increase milk production to assist in filling the global demand for dairy products. The increase in milk production is throwing fat supplies out of balance and pressuring butter prices lower. Milk solids demand remains strong globally with limited availability. International buyers are turning their focus from the southern hemisphere to the northern hemisphere with increased interest for European dairy products.

BUTTER/BUTTEROIL: European butter prices are in decline as demand has declined following the yearend holidays, while cream supplies and butter production has increased. Butter prices in Europe are moving lower at an accelerated pace and are nearing convergence with other international prices. It is anticipated that export interest will increase as European prices become more competitive in the global market. Russia and the Middle East are showing increased interest in European butter stocks. Some buyers continue to hold off on purchases in hopes of lower prices, while noting milkfat supplies are outpacing demand. Butter supplies are increasing, which is typical for this time of year. PSA supplies are nearly depleted. Butteroil prices have also declined, but remain well above international pricing, limiting export opportunities.

82% BUTTERFAT:	4,975 - 5,525
99% BUTTERFAT:	6,600 - 6,675

SKIM MILK POWDER (SMP): The SMP market has firmed, supported by strong global demand. Production is expanding as milk volumes are increasing, but demand far exceeds supply. First quarter production is largely under contract. Second quarter negotiations are ongoing with manufacturers in no hurry to make deals on an upward trending market. Available supplies are held with confidence. Global supplies remain tight, giving the market a firm undertone. Export interest from the Middle East and North Africa is increasing as those countries seek to build supplies prior to Ramadan. The outlook for expanded milk production in the coming months will test drying capacities in most regions of Europe.

1.25% BUTTERFAT:	4,400 - 4,825
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WHOLE MILK POWDER (WMP): Prices for whole milk powder are mainly steady to firm with continued market support coming from strong global demand. European supplies for export are fairly tight, but drawing interest from the Middle East and North Africa as production declines in Oceania. Some customers in the more price sensitive countries of North Africa are considering alternative products, including fat-filled SMP. Internal demand for WMP remains good. A majority of supplies for Q1 are committed with negotiations ongoing for Q2.

26% BUTTERFAT:	5,075 - 5,300
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SWEET WHEY POWDER: Sweet dry whey markets were steady to weak with some marginal declines noted for food grade whey. Whey going for feed has firmed and narrowed, and in some instances, eliminated the price differential between food and feed grade whey. Supplies are mostly in balance with demand. Production increases, due to increased milk volumes going to cheese plants, have been marginal at best with a majority of the increased condensed whey being channeled to whey protein concentrate production.

NONHYGROSCOPIC:	1,350 - 1,475
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EASTERN OVERVIEW: Eastern European milk production in November, according to Eurostat, was up 2.6%, compared to the same period last year. The Poland and Baltic countries are showing better milk production results than the southern countries of Eastern Europe. Changes in November milk output from a year ago for selected countries are: Poland, +4.6%; Slovenia, -1.9%; Hungary, +2.0% and the Baltic countries +5.6%. The winter in Eastern Europe has turned cold and may affect milk production if it persists. Eastern European butter and cheese manufacturers continue to receive good export interest from Russia.

**Exchange rates for selected foreign currencies:
January 27, 2014**

.1251 Argentina Peso	.0098 Japan Yen
.8739 Australian Dollar	.0748 Mexican Peso
.8997 Canadian Dollar	.8233 New Zealand Dollar
1.3673 Euro	.3252 Polish Zloty
	.0158 India Rupee

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0748) = 13.3690 Mexican Pesos. Source: "Wall Street Journal"

Information gathered January 20 -31, 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 is facing weather related challenges that are accelerating the seasonal decline in milk volumes. Another heat event is covering a majority of Victoria and New South Wales with temperatures in the high 30's to mid-40's Celsius (+100 Fahrenheit). The current heat wave comes at a time when milk production was experiencing a rebound from a previous heat event 7 to 10 days ago. The intense heat has caused milk production reductions of 10% or better in some areas along with isolated instances of cattle fatalities due to heat exhaustion. Those areas in northern Victoria that benefit from irrigation have seen less of an impact on milk production, due to the heat. In the northeastern part of the country, an approaching cyclone is threatening Queensland with strong winds, heavy rains and the likelihood of flash floods. December's preliminary milk production estimates range +1-1.5%, compared to the same period a year ago. Prices for dairy products are stable to firm, supported by good demand and tight supplies. China continues to be very active in all dairy markets and appears to pursue any and all dairy products available on the market. Australia's oldest dairy producer has been purchased by a Canadian firm, ending a prolonged three way competition to take over control of the company. **NEW ZEALAND** milk production in November was reported by DCANZ at 2.96 million tons, up 4.0% from November 2012 and 11.9% higher than two years ago. Current milk production levels are holding up as weather has not been a factor. Recent rains on the North Island have been beneficial to those areas that had been dry over the past few weeks. The next 4-5 weeks will be critical in just how well this year's production season has fared. If the weather continues to be a non-factor, some producers are estimating that milk production could be as high as 8% over last year's drought stricken season. The increase over last year's production is welcome as manufacturers continue to build supplies to cover the carryover period, typically June, July and August. Prices for all dairy products are firm with most supplies for Q1 and Q2 committed. China has remained active in the dairy markets, which is a bit unusual with the Chinese New Year beginning at the end of the week on January 31. Global demand continues to be very strong for nearly all dairy products. The higher dairy product prices have now worked their way to consumers with some buyers resisting higher prices, due to growing unwillingness of customers to purchase at current price levels with some buyers beginning to consider alternative products.

BUTTER: Oceania butter prices increased this week with the low end of the range moving up significantly. The market continues to be a tiered market with Russian exports at the upper end of the range, Middle East and North African sales in the mid-range. The strong Russian demand has more to do with their improved economy and the increased purchasing power of consumers, than with the demand increases caused by the upcoming Olympics. Production in Oceania is focused on building stocks to cover current commitments and for the carryover period. Product availability for spot sales is limited. At the January 21 GDT event 108, butter averaged \$4,793/MT for the March contracts, +12.2%, and \$4,657/MT for all contract periods, +10.8%. AMF prices averaged \$5,616/MT for the March contracts, +2.2% from the prior event. For all contract periods, the AMF price average was \$5,641/MT, +2.2%.

82% BUTTERFAT:

4,450 - 4,825

SKIM MILK POWDER (SMP): Little has changed in the Oceania SMP market during the past fortnight with prices firming, continued strong demand and tight supplies. Some manufacturers are finding the combined margins of butter and SMP are equal to or above WMP and are attempting to channel more milk to SMP and butter production. Demand is good coming from Southeast Asia, the Middle East and North Africa. Some buyers have intimated that customers are tiring of high prices and may be looking for alternative products to lower their costs. The continued good sales of SMP would seem to indicate that some easing in demand from one region is quickly filled with demand from another. As production slows in Oceania, buyers are beginning to search in earnest for buying opportunities in the northern hemisphere. At the January 21st GDT event 108, SMP for all regions and contracting periods averaged \$4,698 per MT, -0.5%. For trading in contract period 2, March 2014, prices averaged \$4,985 for NZ sourced medium heat product, down \$75 from the prior event. For March sales, the price gap between NZ and U.S. sourced MH SMP, at \$4,535, was \$450/MT.

1.25% BUTTERFAT:

4,700 - 5,300

CHEDDAR CHEESE: Cheddar cheese prices were steady to firm this week with some prices increasing within the range. The cheddar market is receiving support from the increases seen in other dairy product prices. Current production is covering immediate needs and future commitments. Export demand is fairly strong with continued good interest from Russia and China. Milk continues to be diverted, where possible, from cheese manufacturing to whole milk powder production, because of price advantages and quicker turnover. Supplies are seen as tight with limited availability on the spot market.

39% MAXIMUM MOISTURE:

4,500 - 5,300

WHOLE MILK POWDER (WMP): Whole milk powder prices held steady in a firm market. Current available supplies are very limited with a majority of Q1 and Q2 supplies committed. Most manufacturers continue to channel additional milk volumes into WMP production to take advantage of the current strength in demand and high prices. Demand continues to be strong with major buying interest coming from China. China's January import levels are expected to exceed the strong November and December tonnage, due to lower tariff rates, which went into effect January 1. The increase in January's market activity was to build up stocks prior to the Chinese New Year. The Middle East and North Africa are also adding to the demand for WMP. At the January 21st GDT event, the WMP pricing index, across all contracting periods, averaged \$4,943 per MT, up 0.1% compared to the prior event. For contract periods 2 and 3, March and April 2014, NZ regular WMP averaged \$4,895 and \$4,945 per MT, respectively.

26% BUTTERFAT:

4,900 - 5,400

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (g/DT) Event 108 Recap - January 21, 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.	\$5,616	2.2%	\$5,700	2.6%	\$5,626	2.3%	\$5,622	1.9%	\$5,795	-0.5%	\$5,641	2.2%	
Butter	\$4,435	13.0%	\$4,793	12.2%	\$4,656	9.4%	\$4,680	7.5%	n.a.	n.a.	n.a.	\$4,657	10.8%	
Buttermilk Powder	n.a.	\$5,290	3.9%	\$5,105	-0.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$5,244	3.0%	
Cheddar	n.a.	\$5,261	13.5%	\$5,104	10.1%	\$5,006	6.9%	n.a.	n.a.	n.a.	n.a.	\$5,133	10.4%	
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.	\$9,645	6.9%	\$9,670	7.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$9,657	7.2%	
Rennet Casein	n.a.	\$12,336	3.9%	\$12,608	5.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$12,390	4.2%	
Skim Milk Powder	\$4,513	-2.1%	\$4,723	-1.4%	\$4,818	0.3%	\$4,655	1.3%	\$4,765	1.8%	\$4,706	2.5%	\$4,698	-0.5%
Whole Milk Powder	n.a.	\$4,921	0.4%	\$4,961	0.1%	\$4,971	-0.6%	\$5,047	-1.0%	n.a.	n.a.	\$4,943	0.1%	

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 108 Recap - January 21, 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.	\$2.5474	2.2%	\$2.5855	2.6%	\$2.5519	2.3%	\$2.5501	1.9%	\$2.6286	-0.5%	\$2.5587	2.2%	
Butter	\$2.0117	13.0%	\$2.1741	12.2%	\$2.1119	9.4%	\$2.1228	7.5%	n.a.	n.a.	n.a.	\$2.1124	10.8%	
Buttermilk Powder	n.a.	\$2.3995	3.9%	\$2.3156	-0.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2.3787	3.0%	
Cheddar	n.a.	\$2.3864	13.5%	\$2.3152	10.1%	\$2.2707	6.9%	n.a.	n.a.	n.a.	n.a.	\$2.3283	10.4%	
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.	\$4.3749	6.9%	\$4.3863	7.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$4.3804	7.2%	
Rennet Casein	n.a.	\$5.5956	3.9%	\$5.7190	5.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$5.6201	4.2%	
Skim Milk Powder	\$2.0471	-2.1%	\$2.1423	-1.4%	\$2.1854	0.3%	\$2.1115	1.3%	\$2.1614	1.8%	\$2.1346	2.5%	\$2.1310	-0.5%
Whole Milk Powder	n.a.	\$2.2322	0.4%	\$2.2503	0.1%	\$2.2548	-0.6%	\$2.2893	-1.0%	n.a.	n.a.	\$2.2421	0.1%	

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/16	01/17	01/20	01/21	01/22	01/23	01/24	01/27	01/28	01/29
CME - CLASS III MILK FUTURES (Pit-Traded)										
JAN 14	20.91 (4339) 14	20.94 (4431) 1	NO TRADING	20.94 (4392) 20	20.93 (4358) 104	20.92 (4374) 0	21.05 (4266) 0	21.05 (4264) 0	21.07 (4266) 0	21.06 (4311) 0
FEB 14	21.79 (4486) 59	21.92 (4640) 1		22.40 (4689) 15	22.07 (4754) 0	22.35 (4764) 0	22.45 (4877) 1	22.78 (4923) 0	22.92 (5002) 1	22.91 (4983) 0
MAR 14	20.39 (3770) 65	20.49 (3679) 2		21.05 (3800) 5	20.60 (3848) 32	20.45 (3887) 0	20.47 (3918) 5	20.76 (3946) 4	20.89 (3958) 1	20.96 (3958) 12
APR 14	19.44 (2772) 74	19.55 (2770) 3		20.05 (2859) 7	19.73 (2948) 17	19.50 (3022) 18	19.44 (3034) 7	19.57 (3055) 4	19.78 (3095) 5	19.80 (3101) 10
MAY 14	18.90 (2524) 53	18.99 (2543) 3		19.54 (2618) 7	19.34 (2667) 22	19.21 (2709) 18	19.06 (2718) 7	19.08 (2723) 4	19.17 (2727) 5	19.15 (2735) 14
JUN 14	18.60 (2294) 56	18.74 (2325) 5		19.12 (2375) 7	19.01 (2413) 37	18.85 (2429) 18	18.75 (2435) 7	18.83 (2439) 0	18.88 (2462) 9	18.88 (2458) 8
JUL 14	18.34 (1301) 35	18.40 (1316) 4		18.64 (1408) 7	18.65 (1461) 16	18.60 (1484) 19	18.47 (1499) 7	18.56 (1504) 0	18.64 (1526) 9	18.70 (1532) 8
AUG 14	18.20 (1234) 36	18.30 (1259) 4		18.45 (1293) 6	18.45 (1338) 7	18.43 (1356) 5	18.32 (1388) 5	18.33 (1399) 0	18.42 (1406) 8	18.47 (1414) 8
SEP 14	18.15 (1193) 21	18.20 (1207) 4		18.30 (1241) 5	18.30 (1260) 2	18.32 (1265) 0	18.29 (1279) 5	18.28 (1283) 0	18.30 (1288) 8	18.35 (1288) 0
OCT 14	18.00 (955) 26	18.00 (967) 2		18.15 (994) 5	18.12 (1026) 2	18.10 (1024) 0	18.03 (1033) 1	18.05 (1031) 0	18.06 (1044) 0	18.09 (1049) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
JAN 14	22.10 (1364) 0	22.20 (1351) 0	NO TRADING	22.19 (1393) 0	22.19 (1391) 0	22.19 (1390) 0	22.25 (1382) 0	22.25 (1382) 0	22.24 (1380) 0	22.26 (1368) 0
FEB 14	23.24 (1572) 0	23.45 (1585) 0		23.56 (1587) 0	23.33 (1604) 0	23.05 (1605) 0	23.21 (1614) 0	23.21 (1614) 0	23.35 (1619) 0	23.40 (1613) 0
MAR 14	22.90 (1545) 0	23.19 (1595) 2		23.43 (1594) 0	23.35 (1613) 6	23.02 (1644) 0	23.04 (1673) 0	23.03 (1678) 0	23.10 (1682) 0	23.12 (1683) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
JAN 14	162.50 (770) 9	162.75 (771) 5	NO TRADING	163.05 (775) 11	163.60 (775) 13	162.68 (783) 12	163.65 (783) 0	163.65 (734) 50	163.65 (734) 0	163.65 (735) 2
FEB 14	185.03 (836) 45	190.00 (848) 13		193.00 (841) 16	189.03 (859) 71	185.20 (857) 51	189.00 (861) 12	189.00 (882) 24	189.00 (885) 19	188.00 (885) 1
MAR 14	183.50 (887) 54	187.00 (898) 22		191.98 (919) 27	189.00 (925) 54	184.03 (954) 56	186.75 (964) 18	185.00 (965) 4	186.00 (963) 5	184.50 (965) 7
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
JAN 14	202.50 (510) 0	202.50 (499) 0	NO TRADING	202.73 (507) 0	202.73 (506) 0	202.73 (500) 0	202.73 (497) 0	202.73 (486) 0	202.73 (485) 0	202.83 (479) 0
FEB 14	203.50 (586) 0	203.50 (586) 0		203.50 (586) 0	203.00 (596) 0	202.50 (597) 0	202.53 (602) 0	202.50 (604) 0	202.50 (605) 0	203.00 (600) 0
MAR 14	201.33 (745) 0	203.48 (733) 0		204.00 (711) 0	202.95 (716) 0	202.50 (726) 0	202.30 (734) 0	202.40 (743) 0	202.98 (752) 0	203.73 (727) 0
CME - WHEY (Electronic-Traded)										
JAN 14	60.25 (271) 3	60.38 (267) 8	NO TRADING	60.38 (267) 10	60.38 (266) 1	60.38 (267) 3	59.70 (267) 3	59.70 (267) 0	59.70 (267) 0	59.70 (267) 0
FEB 14	62.48 (288) 8	63.75 (293) 17		63.00 (281) 24	63.00 (278) 3	63.00 (277) 1	62.70 (277) 0	62.70 (277) 0	62.70 (277) 0	62.50 (277) 0
MAR 14	61.43 (335) 8	64.00 (335) 26		63.70 (319) 35	63.70 (319) 0	63.15 (319) 0	63.10 (319) 0	63.00 (319) 0	63.00 (319) 0	63.00 (319) 0
CME - CHEESE CSC (Electronic-Traded)										
JAN 14	2.06 (1146) 18	2.06 (1141) 25	NO TRADING	2.06 (1203) 16	2.06 (1202) 1	2.06 (1187) 3	2.07 (1175) 10	2.07 (1175) 0	2.07 (1175) 0	2.07 (1173) 2
FEB 14	2.13 (1061) 34	2.13 (1074) 17		2.18 (1071) 28	2.15 (1067) 28	2.18 (1064) 3	2.19 (1062) 6	2.22 (1062) 0	2.24 (1062) 0	2.24 (1062) 0
MAR 14	1.99 (1034) 60	1.99 (1036) 29		2.04 (1049) 78	2.01 (1049) 28	1.99 (1051) 7	1.98 (1041) 26	2.02 (1043) 4	2.04 (1044) 1	2.04 (1050) 7
APR 14	1.89 (905) 24	1.89 (915) 27		1.94 (949) 47	1.92 (960) 64	1.89 (971) 21	1.88 (976) 20	1.91 (994) 18	1.92 (995) 1	1.92 (994) 8
MAY 14	1.84 (828) 3	1.83 (838) 14		1.88 (847) 27	1.88 (854) 27	1.86 (855) 10	1.85 (858) 14	1.85 (865) 7	1.85 (865) 0	1.86 (863) 5
JUN 14	1.82 (748) 19	1.81 (776) 28		1.85 (786) 31	1.85 (784) 4	1.84 (788) 15	1.83 (789) 7	1.83 (789) 0	1.83 (789) 0	1.84 (789) 1

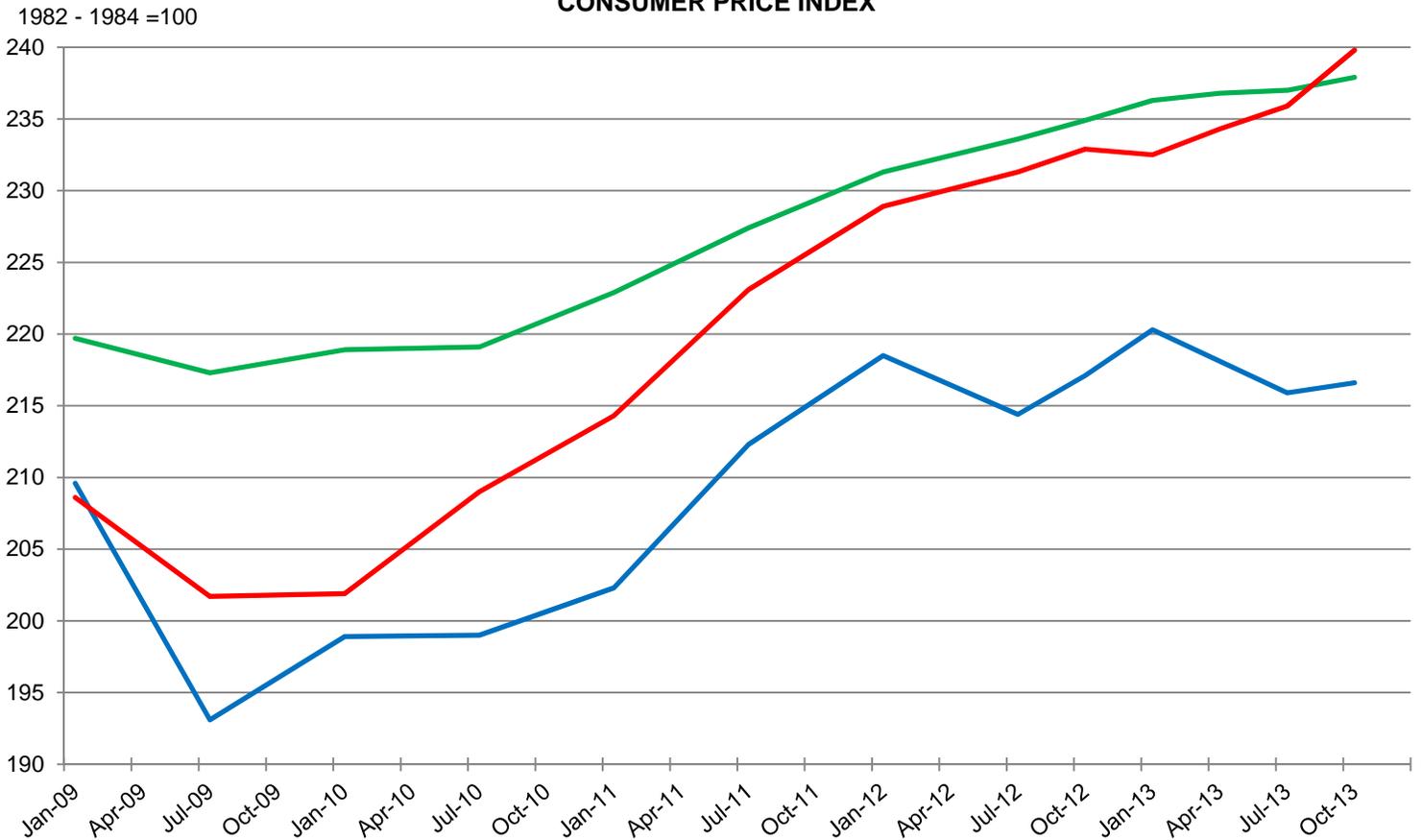
^{1/} At the CME open interest for milk -- 200,000 pounds per contract.)

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

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
OCT 2013	237.9	1.3	216.6	-0.2	212.4	0.0	220.4	-1.2	197.8	0.9	239.8	3.0
NOV 2013	237.6	1.2	217.5	-0.7	216.7	-0.6	221.2	-0.9	194.5	-2.1	238.8	2.8
DEC 2013	237.9	1.1	218.4	-0.5	218.6	-0.2	221.3	-1.0	196.2	0.9	239.1	2.9
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
	Dollars											
OCT	3.462	3.524	N/A	N/A	4.088	4.093	5.390	5.635	4.945	5.128		
NOV	3.491	3.536	N/A	N/A	4.317	4.188	5.391	5.833	4.885	5.036		
DEC	3.501	3.580	N/A	N/A	4.345	4.237	5.386	5.867	4.975	5.102		

N/A = Not available. ^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc). ^{8/} Per 1/2 gallon prepackaged regular.

CONSUMER PRICE INDEX



DATA SOURCE, USDL, BLS; GRAPH, USDA, AMS, DMN — ALL FOOD — DAIRY PRODUCTS — MEAT, POULTRY FISH, AND EGGS

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS: OCTOBER 2013 AND YEAR-TO-DATE 2012 - 2013 ^{1/}

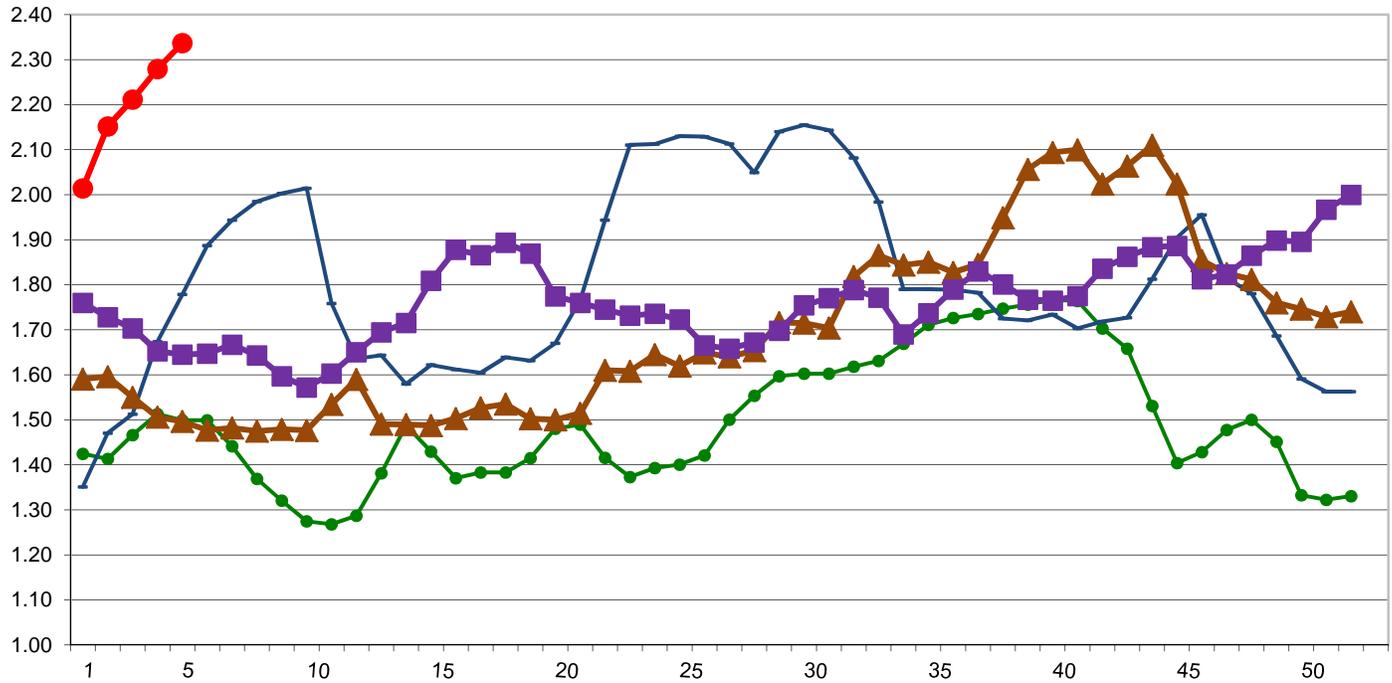
Item	Oct. 2012	Percent Change ^{2/}	Oct. 2013	Percent Change ^{2/}	Jan. - Oct. 2012	Percent Change ^{2/}	Jan. - Oct. 2013	Percent Change ^{2/}
	Million Pounds							
MILK								
Production	16,273	0.0	16,425	0.9	167,501	2.2	168,294	0.5
Farm Use	81	-1.2	82	1.2	796	-1.2	803	0.9
Marketings	16,192	0.0	16,343	0.9	166,705	2.2	167,491	0.5
Beginning Commercial Stocks ^{3/}	13,236	6.0	14,332	8.3	10,983	0.5	12,194	11.0
Imports ^{3/}	324	-1.8	323	-0.5	2,715	14.2	3,161	16.4
Total Supply ^{4/}	29,752	2.6	30,998	4.2	180,403	1.0	182,846	1.4
Ending Commercial Stocks ^{3/}	11,746	0.0	12,169	3.6	11,746	0.0	12,169	3.6
Net Removals ^{3/}	0	0.0	0	0.0	0	0.0	0	0.0
Exports ^{3/}	672	4.3	1,167	73.7	8,806	10.6	10,148	15.2
Commercial Disappearance ^{4/}	17,334	4.3	17,662	1.9	159,852	2.1	160,529	0.4
SELECTED PRODUCTS ^{5/}								
Butter	191.0	16.2	187.7	-1.7	1,445.5	6.9	1,420.2	-1.7
American Cheese	391.6	8.0	385.9	-1.5	3,486.7	2.3	3,559.8	2.1
Other Cheese	566.5	2.0	583.8	3.1	5,277.8	1.2	5,359.1	1.5
Nonfat Dry Milk	36.4	18.0	5.7	-84.3	709.2	64.9	304.1	-57.1
Fluid Milk Products ^{6/}	4.7	10.2	4.5	-3.5	43.8	7.0	42.8	-2.4

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and, therefore, can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

CME WEEKLY AVERAGE CASH CHEDDAR BLOCK PRICES

U.S. \$ PER POUND

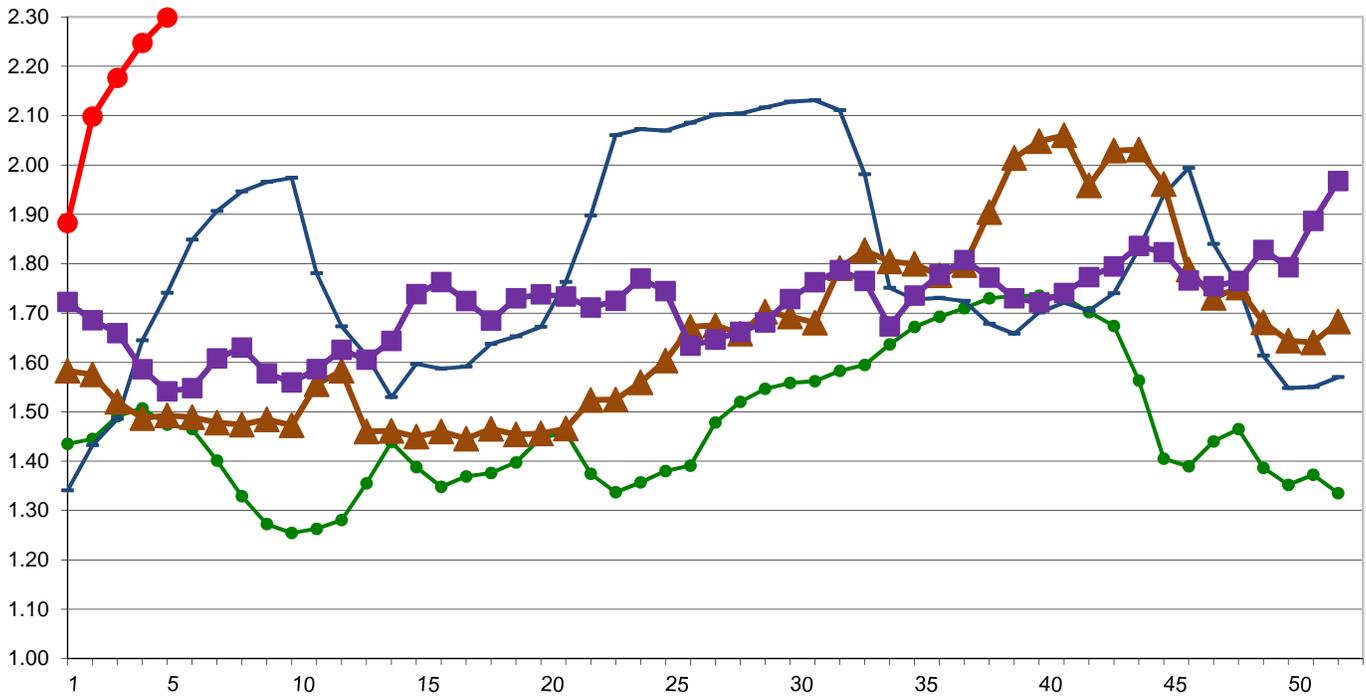


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Dairy Market News website: www.ams.usda.gov/dairymarketnews
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● 2010 ■ 2011 ▲ 2012 ■ 2013 ● 2014

CME WEEKLY AVERAGE CASH BARREL PRICES

U.S. \$ PER POUND



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