

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (12/19)**

**BUTTER:** Grade AA closed at \$1.6100. The weekly average for Grade AA is \$1.6430 (-.2910).

**CHEESE:** Barrels closed at \$1.5500 and 40# blocks at \$1.6100. The weekly average for barrels is \$1.5760 (+.0745) and blocks, \$1.6075 (+.0195).

**BUTTER HIGHLIGHTS:** Butter manufacturers are focused on filling the last of the holiday print orders. Production rates are mostly at higher levels given the seasonal demand, heavy milk supplies, and improving cream availability. However, a few butter makers are slowing production for various reasons such as completion of holiday orders, selling cream supplies, and seasonal maintenance updates and repairs. Production is mostly 80%, salted butter as export interest remains limited in light of current international prices. Domestic demand is good with expectations of reduced sales. Inventory levels are mixed, while ranging from light to moderate. Bulk butter prices range from 5 cents under to 6 cents over the market, based on various time frames and averages used. Friday at the CME Group, Grade AA butter closed at \$1.6100, down \$0.2800 from a week ago. The weekly CME average dropped from \$1.9340 last week to \$1.6430 this week. According to FAS, January–November U.S. butter quota imports total 13.7 million pounds, a 42% increase compared to same time span last year.

**CHEESE HIGHLIGHTS:** Many cheese plants are running close to full capacity due to higher than normal intakes of manufacturing milk and lower interest from spot milk load buyers. Holiday cheese demand is active, but manufacturers expect rapid tapering in the next two weeks. Some manufacturers are looking to clear inventories while others are shifting product to aging programs. Declining prices have spurred some near term demand. Some end users are scouting for cheese loads at lower prices for December and early Q1 consumption. The market undertone is unsettled. Foreign type cheese demand for select varieties remains strong. European aged cheese stocks are declining. Friday at the CME Group, barrels closed at \$1.5500, up \$0.0400 from last Friday and 40# blocks at \$1.6100, up \$0.0100 from last Friday.

**FLUID MILK:** Farm milk production trends are variable throughout the country. Across the southern tier of states, milk production is rebounding from the seasonal low point. Florida posted no spot milk load imports this week, compared to 90 loads imported during the same week last year. Within the Northeast and Northwest, milk production is rebuilding, but North Central dairy operators note on farm production is edging downward. Processors' milk supplies are quickly building in the

second half of this week in most areas of the country. This is mostly from significant declines in fluid and manufacturing milk demand, as forthcoming school closings and manufacturing shutdowns push milk volumes back to suppliers. Balancing plant operators are weighing the capacity to handle the resulting intakes, with expectations of milk volumes increasing for the next two weeks. Across the regions, the drop in fluid demand has raised production for many processing operations.

**DRY PRODUCTS:** Several dry product markets continue to show weaker pricing trends. All regional low/medium and high heat nonfat dry milk markets show supplies outstripping current demand. Manufacturers are trying to build incremental firebreaks ahead of rising supplies by finalizing sales for early next year. Near term interest is dependent on price and location. Demand for dry buttermilk is light, with back to back sales providing some insulation from price risk for resellers and alleviating some inventories in the hands of manufacturers. Dry whey markets exhibited general weakness in pricing trends as supplies build. Efforts by some producers to clear multiple loads are being hampered by buyers' awareness of futures pricing for dry whey. The dry whole milk market remains under pressure from international offerings, stalling sales. The lactose market is weak, although prices are unchanged. Buyers and sellers are focusing on new monthly and quarterly pricing during a time when domestic stocks on hand are building. The whey protein concentrate 34% price trend is weak as ample supplies of alternative proteins are available to the feed and edible market sectors. Casein markets are bearish as buyers have adequate supplies to cover needs in the early part of 2015.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):**  
**WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW:** Western European milk production has moved past the seasonal low point with nearly all countries showing at least some marginal increases. Demand for fluid milk and cream are good ahead of the yearend holidays. Farmgate prices have declined to the point where those producers who are over quota are taking steps to reduce or eliminate over quota production and levees. Culling rates have increased in Europe as many producers are culling their lower producing cows. Germany, Belgium, the Netherlands, Denmark and Ireland are all currently trending over quota production levels. According to ZMB preliminary data, January-October milk production in the EU-28 is 5.1% higher than one year ago. Various member states showed the following January-October changes, compared to last year; Germany, +4.0%; France, +5.8%; UK, +9.1%; Belgium, +6.0% and Ireland 5.9%.

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**CME GROUP CASH TRADING**

COMMODITY	MONDAY DEC 15	TUESDAY DEC 16	WEDNESDAY DEC 17	THURSDAY DEC 18	FRIDAY DEC 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.5775 (+.0675)	\$1.5775 (N.C.)	\$1.5875 (+.0100)	\$1.5875 (N.C.)	\$1.5500 (-.0375)	:: (+.0400)	:: \$1.5760 (+.0745)
40# BLOCKS	\$1.6050 (+.0050)	\$1.6075 (+.0025)	\$1.6075 (N.C.)	\$1.6075 (N.C.)	\$1.6100 (+.0025)	:: (+.0100)	:: \$1.6075 (+.0195)
<b>NONFAT DRY MILK</b>							
GRADE A	\$1.0600 (-.0250)	\$1.0050 (-.0550)	\$.9950 (-.0100)	\$.9900 (-.0050)	\$1.0025 (+.0125)	:: (-.0825)	:: \$1.0105 (-.0895)
<b>BUTTER</b>							
GRADE AA	\$1.8400 (-.0500)	\$1.6100 (-.2300)	\$1.5550 (-.0550)	\$1.6000 (+.0450)	\$1.6100 (+.0100)	:: (-.2800)	:: \$1.6430 (-.2910)

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

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

**EASTERN OVERVIEW:** Eastern European milk production is increasing. Loads of milk and cream going to Belarus manufacturing plants have significantly declined. Weather conditions are typical for this time of year and are not seen as restricting milk production. Milk production in Poland is currently trending over quota limits. Producers over quota will likely take steps to reduce milk deliveries to avoid super levee fees. According to ZMB preliminary data, January-October milk production in Poland is 7.7% higher compared to a year ago.

**OCEANIA OVERVIEW:** Australian milk production is trending lower, but remains above year ago levels. Seasonal production forecasters are calling for a 1%-2% gain over last year. In contrast to last year, more milk is being channeled to SMP and cheese production in lieu of WMP production, due to the better returns. Below average rainfall over most of the country, in combination with increasing temperatures, is beginning to pressure dairy producers to start or increase supplemental feeding. The recently concluded Korea-Australia Free Trade Agreement may boost Australian exports in the near future, due to an early introduction of reduced tariffs. Hay harvesting is near completion in most areas. In general, quality was up, but volumes were down. Hay prices are variable and dependent on region and rainfall within the region. Good quality hay is in good demand. Producers in the dry areas of Victoria have begun feeding their 2014 silage, which is earlier than usual. Dairy Australia reports dairy product exports for the July-October period totaling 225.5 thousand MT, up 2.5% from the year ago period. The skim milk powder (SMP) exports were up 28% from the same period last year. The total value of exports for the July-October period is down 8.8%. New Zealand milk production remains above year ago levels, but the increases over last year's levels are declining. Lower export prices for milk powders have led to significantly lower farmgate prices compared to a year ago. Producers are taking measures to reduce costs wherever possible. It is likely that supplemental feeding will be reduced or eliminated and the milk production season will be shortened as cows are dried of more quickly than last year. Some cooperative forecasters have significantly reduced this season's forecast to show no increase over last year, due to the bearish factors now affecting milk production. Rabobank's December Rural Confidence Survey shows dairy producer expectations for their farm business performance at its lowest since 2009. At the December 16 GDT event #130, average prices ranged from 9.5% lower to 10.8% 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, \$4,200 +10.8%; butter, \$3,145 +10.4%; buttermilk powder, \$2,466 -9.5%; cheddar cheese, \$3,002 -0.6%; lactose, n.a.; rennet casein, \$7,576 +4.5%; skim milk powder, \$2,320 -3.2%; sweet whey powder, n.a.; and whole milk powder, \$2,270 +1.4%.

**JANUARY FEDERAL ORDER ADVANCE PRICES (FMMO):**

Under the Federal milk order pricing system, the Class I base price for January 2015 is \$18.58 per cwt. This price is derived from the Class III skim milk pricing factor of \$11.35 and the advanced butterfat pricing factor of \$2.1787. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. The base Class I price decreased \$3.95 per cwt when compared to the previous month of December 2014. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$3.96 per cwt, -\$0.340 per gallon; reduced fat milk (2%), -\$3.99 per cwt; -\$0.344 per gallon; fat-free (skim milk), -\$4.03 per cwt, -\$0.348 per gallon. The advanced Class IV skim milk pricing factor is \$9.93. Thus, the Class II skim milk price for January 2015 is \$10.63 per cwt, and the Class II nonfat solids price is \$1.1811. The two-week product price averages for January are: butter \$1.9706, nonfat dry milk \$1.2826, cheese \$1.8141 and dry whey \$0.5847.

**AUGUST MILK SALES (FMO & CDFA):** During August, 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 6.0% lower than August 2013. Estimated sales of total conventional fluid milk products decreased 6.5% from August 2013 and estimated sales of total organic fluid milk products increased 4.3% from a year earlier.

**CME GROUP**

MONDAY, DECEMBER 15, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5775; 1 CAR 40# BLOCKS @ \$1.6050; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.0500; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.0600  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8400

TUESDAY, DECEMBER 16, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.6075; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.0400; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.0050  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.6100

WEDNESDAY, DECEMBER 17, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5875; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A @ \$0.9950; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.0000  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5550; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5550; LAST OFFER UNCOVERED: NONE

THURSDAY, DECEMBER 18, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: 3 CARS GRADE A @ \$0.9900; LAST BID UNFILLED: 2 CARS GRADE A @ \$0.9900; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.6000; LAST OFFER UNCOVERED: NONE

FRIDAY, DECEMBER 19, 2014

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.5900, 1 @ \$1.5600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5300; 1 CAR 40# BLOCKS @ \$1.6100; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5500  
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$0.9900; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.0025; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$1.6500, 2 @ \$1.6100; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5500; LAST OFFER UNCOVERED: NONE

**BUTTER MARKETS**

**NORTHEAST**

Some regional butter makers are benefiting from an increased level of cream availability, as additional cream volumes favors their production objectives. Balancing plants are managing existing cream supplies as they plan to churn salted butter ahead of the heavier cream supplies anticipated into next week. Brokers' inventories are slowly diminishing, as last minute orders are being expedited to avoid an expected truck shortage next week. Butter acquisitions in the spot market are fairly limited. Export demand is weak, as domestic prices are significantly higher than global prices. The current bulk butter prices for domestic sales are flat to 5 over the market, with various time frames and averages used. At the CME Group, Grade AA butter closed Tuesday at \$1.6100, down \$0.3750 from a week ago.

**CENTRAL**

Butter production rates are slowing for manufacturers who have completed holiday orders, while others are pushing hard around capacity levels to finish orders. Milk supplies are heavy, keeping churns busy. Production schedules vary for the last two weeks of the year with the holidays falling in the middle portion of the week. A few plants are performing annual updates and repair procedures. Cream spot availability is improving as churn operator demand for cream curtails. Sales of bulk butter are slowing as prices range from market to 6 cents over the market, with various time frames and averages used. Demand from retail and food service accounts is moderate, but orders are stepping down from previous weeks. Butter imports are coming in, while export sales remain light. Inventory levels range from steady to moderately building. The market tone is softening. Wednesday at the CME Group, Grade AA butter closed at \$1.5550, down \$0.3650 from last Wednesday.

**WEST**

Print butter lines are steady but looking to slow within the next week. Butter stocks are mixed with some plants using stocks on hand until prices decline. Retail demand is strong but into next week manufacturers are looking to start making and storing bulk butter. Some manufacturers are buying spot loads of cream to fulfill contract orders while others have enough internal supply for current production needs. Butter prices at the CME Group on Wednesday closed at \$1.5550. The market moved down \$0.3650 from last week Wednesday. Bulk butter prices range from 5 cents under to even with the CME.

**2014 U.S. Butter Imports (USDA-FAS)**

	(Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Nov. Quota Imports	0.9	- 17	6
Jan. - Nov. High Tier Quota Imports	6.1 13.7	+ 1106 + 42	N.A. 89

**NATIONAL DAIRY PRODUCTS SALES REPORT**

**U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
December 13, 2014	1,9557 3,075,261	1,7711 13,838,989	1,7030 10,292,666	0,5849 8,327,696	1,2550 19,414,918

Further data and revisions may be found on the internet (2:00 pm CT) at: <http://www.ams.usda.gov/AMSV1.0/DairyProductMandatoryReporting>

## CHEESE MARKETS

## NORTHEAST

Milk supplies are readily available, with some cheese makers running full production schedules. Orders remain strong. Some manufacturers expect a sharp drop in buyers' needs going into the Christmas week. Inventories are mixed. Processors' cheese stocks are slowly diminishing, conversely, production clearing to aging programs is adding to existing stock levels. Cheese manufacturers note apprehensions into 2015 relative to competitive global prices and the uncertainty of domestic milk prices. The market undertone is unsettled. This week, the wholesale selling prices for 40# block and muenster adjusted \$0.0650 lower, while process 5# sliced prices dropped \$.0825. Grade A Swiss price is unchanged. The CME Group daily cash prices, on Tuesday, saw barrels close at \$1.5775, up \$0.0875 from a week ago, while blocks closed at \$1.6075, up \$0.0275 from a week ago.

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

Cheddar 40# Block	:	1.9825-2.2675
Process 5# Sliced	:	1.7250-2.2050
Muenster	:	2.0025-2.3625
Grade A Swiss Cuts 10 - 14#	:	4.1925-4.5150

## MIDWEST

Cheese orders are still strong, but looking to taper by the end of the week and into next. Retail and food service demand is stronger for blocks as we approach Christmas. Once the holiday season is over, the signs point to more price weakness. Declining prices have strengthened demand especially from those manufacturers who were using stocks on hand during periods of higher pricing. Due to the high milk volumes, cheese makers are running at close to full production. The extra milk is expected to move to dryers rather than to cheese plants. Export potential is weaker due to lower prevailing prices in Europe. Blocks and barrels have fallen significantly from three months ago. On Wednesday the CME had blocks closing at \$1.6075 and barrels at \$1.5875. Last week barrels closed at \$1.4750 and blocks at \$1.5800, compared to last year's prices of \$1.89 and \$1.9725, respectively.

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

Process American 5# Loaf	:	1.6075-1.9675
Brick And/Or Muenster 5#	:	1.9625-2.3875
Cheddar 40# Block	:	1.6675-2.0850
Monterey Jack 10#	:	1.9375-2.1425
Blue 5#	:	2.2300-3.2175
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8075-2.7025
Grade A Swiss Cuts 6 - 9#	:	3.7100-3.8275

## WEST

Cheese production levels are at maximum capacity due to higher than normal milk supplies for this time of year. Holiday demand is strong this week, but looking to slow down after the holidays. Manufacturers are looking to clear out inventories as they wait for the prices to drop. With the futures market weak, end users are hoping to buy cheese at \$.20 to \$.30 under current market price. Cheese prices at the CME Group on Wednesday were lower. Barrel prices closed at \$1.5875 and blocks were at \$1.6075. Last week, on Wednesday, barrels were \$1.4750 and blocks were at \$1.5800. The block/barrel spread is 2 cents at Wednesday's close.

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

Process 5# Loaf	:	1.6275-1.8850
Cheddar 40# Block	:	1.7150-2.1600
Cheddar 10# Cuts	:	1.8950-2.1150
Monterey Jack 10#	:	1.9050-2.0650
Grade A Swiss Cuts 6 - 9#	:	3.7700-4.2000

## FOREIGN

Domestic foreign type cheese prices declined for the fifth consecutive week, reflecting the continuing downward trend on the CME block cheese market. Wholesalers are very active this week filling last minute orders prior to the yearend holidays. Demand for all cheese varieties has been strong this year. Aged cheese stocks in Europe have been declining, experiencing good domestic and international demand, and are anticipated to be at typical year end levels going into 2015.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.3800	: 2.1225-3.6100*
Gorgonzola	: 3.6900-6.9700	: 2.6300-3.3275*
Parmesan (Italy)	: -0-	: 3.5125-5.6025*
Provolone (Italy)	: -0-	: 2.1650-2.4175*
Romano (Cows Milk)	: -0-	: 3.3125-5.4625*
Sardo Romano (Argentine)	: 2.8500-4.4900	: -0-
Reggianito (Argentine)	: 3.2900-4.4900	: -0-
Jarlsberg-(Brand)	: 2.9500-6.0800	: -0-
Swiss Cuts Switzerland	: -0-	: 4.2900-4.6125
Swiss Cuts Finnish	: 2.6700-2.9300	: -0-

\*= Price change.

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

	BUTTER	CHEESE
12/15/14	4,119	90,471
12/01/14	5,642	94,184
CHANGE	-1,523	-3,713
% CHANGE	-27	-4

## 2014 U.S. Cheese Imports (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Nov. Quota Imports	25.8	+ 50	9
Jan. - Nov.			
High Tier	27.0	+ 8	N.A.
Quota Imports	171.0	+ 12	57

## 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	0	0	0	0	90	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Northeast and Mid-Atlantic is trending seasonally higher, with output above last year. Manufacturing milk volumes are growing as production slows for bottling plants, prior to Christmas holiday shutdowns. Southeast bottling plants cut their milk orders this week, as holiday school closings loom and Class I demand declines. Those volumes are finding room at various manufacturing plants. Contacts are somewhat uncertain if their customary redistribution accounts can handle all the surplus milk, as farm milk production levels are above previous years. Florida's farm milk production is showing a slight uptick in some areas. This week, there are no f.o.b. spot milk shipments into the state compared to 90 loads last year. Class I sales began the week strong. On the other hand, bottling orders will likely weaken next week, as schools dismiss for the Christmas holiday. According to NASS, light rainfall and slightly warmer conditions improved winter forage and reduced cow stress in the Panhandle and North Florida. **Cream multiples** moved marginally lower for **all Classes**, ranging **1.20-1.30**. Supplies are fairly heavy, as demand slows. Cream offerings are active, however, buyers are hard to find. Handlers are trying to reduce available holdings in anticipation of next week's elevated cream volumes. Production of cottage cheese, cream cheese, and egg nog is easing as the holiday momentum wanes. Yogurt orders increased slightly in some areas. Last week, the weekly average Grade AA butter price at the CME Group was \$1.9340, down \$0.0385 from the previous week. The **condensed skim** market continues to show very little spot market activity. Manufacturers are filling contracts and channeling excess condensed skim to Class IV production, as holiday interest declines.

## 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 -	2.3208-2.5142
F.O.B. producing plants: Upper Midwest -	2.3788-2.5539

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

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.20-1.45
Northeast - Class III - spot prices -	1.65-1.70

## MIDWEST

Central milk production is maintaining to nominally decreasing. Spot loads of milk are readily available as prices range from \$7.00 under to \$2.00 under Class. Processing facilities continue to run at or near capacity levels to handle incoming milk. Condensed skim sales are down even with further discounts. Bottling orders are steady on the week and expectations are for sales to drop next week. Class II demand is light to moderate. Cream supply availability is improving, while demand from butter churn operators is declining. **Cream multiples ranged from 1.23 to 1.32**. Wednesday at the CME Group, Grade AA butter closed at \$1.5550, down \$0.3650 from last Wednesday. The weekly Cow Slaughter under Federal Inspection report shows U.S. dairy cow slaughter for the week ending November 29, at 46,100 head, 2,400 head or 4.9% less than the comparable week a year ago.

## WEST

Milk intakes into processing plants are steady to marginally higher. Sales into bottling plants are unchanged through midweek, but decreased ordering is evident for late in the week and into next week. Bottlers at some locations have plans to shut down over the extended holiday weekend, and are curtailing milk orders accordingly. The recent rain storms which crossed over Central and Southern California left behind some damage to buildings due to high speed winds. Flooding caused damage to roadways in some rural areas. Hay fields in many areas are inaccessible due to muddy conditions; baled hay is sitting in fields waiting for transportation to barns. Muddy conditions are also taking a toll on dairy cows on dry lots as those holding areas take in water. Dairy operators indicate it takes energy for cows to move around, and current conditions offer less comfort to cows when they are lying down. Some improvements to drought conditions throughout the state emerged after the latest spate of rain storms. As of the latest release from the National Drought Mitigation Center, 5.4% of California remains in Exceptional Drought, compared to 8.45% one week ago. Farm milk production in ARIZONA is steady to incrementally higher, and out of state milk is also clearing through Arizona manufacturing plants. Balancing plant operators indicate they are bracing for even higher milk volumes channeling through to Class IV manufacturing next week. Bottled milk orders are steady for this week, but ordering for the next two holiday weeks is expected to decline. Milk pooled on the Arizona Order 131 totaled 372.3 million pounds in November 2014. Class I utilization accounted for about 27.9% of producer milk. The uniform price was \$21.19, \$2.26 below last month, but \$0.49 above one year ago. NEW MEXICO milk handlers report milk production is building incrementally. In-state plants are also processing milk coming in from neighboring states. Sales into Class I and II moved lower, but handlers also indicated a late holiday push from Class III manufacturers is helping to decrease the number of loads being held overnight. Handlers report milk use plans for the next two holiday weeks are coming together, with heavier use of Class IV production expected. Butter churn operators indicate they continue to receive unsolicited offers for cream spot loads available throughout the week. Interest is generally steady to lower as internal cream supplies at some plants build due to declining sales into ice cream, heavy cream, and aerated cream products. However, a few butter plant managers are seeking additional cream loads to polish off holiday butter orders. Cream multiples are steady, ranging from 1.22 to 1.27. At the CME Group, Grade AA butter closed Wednesday at \$1.5550, down \$0.3650 compared to last Wednesday's closing price. Milk production in the PACIFIC NORTHWEST continues to remain higher than normal during the seasonal low time frame. Milder weather in the region has helped to improve cow comfort levels. Surplus milk supplies are being moved to drying plants. UTAH and IDAHO milk production also remains steady to increasing with warmer than usual temperatures. Contacts in the regions say that the milk supply is ample. The dairy futures market has producers in the region concerned. The dry fall and lack of snow early this winter have farmers in the region hoping for increased precipitation in the mountains for next year's irrigation needs.

## 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:** Low/medium heat nonfat dry milk (NDM) prices are lower for spot sales and index basing points. The market tone is weak as supplies exceed demand. Some manufacturers are letting volumes go at discounts to clean up end of the year inventories, while others are moving supplies mostly through contract. Buyer interest is light. However, some deals are enticing end users to purchase. The resale market is active. Production rates are steady to increasing as sales into condensed skim and bottling have slowed, causing additional volumes of milk being sent into NDM production. HIGH HEAT NDM prices are weaker on the top of the range. Spot load activity is light and demand is moderate. Wednesday at the CME Group, Grade A NDM closed at \$0.9950, down \$0.1025 from last Wednesday.

**EAST:** East nonfat dry milk price trended lower with decreasing indices and f.o.b. spot prices. Production rates at plants capable of producing powder are higher for low/medium heat nonfat dry milk, as manufacturers adjust dryer schedules to handle increasing milk volumes, resulting from shrinking Class I demand. Buyers tend to limit their purchases and delay commitments, with reserved interest, as they contemplate the price risks. Inventories are building at many plants. Prices for high heat nonfat dry milk moved lower. High heat nonfat dry milk production is intermittent. Schedules are determined primarily by processors' immediate needs and low/medium nonfat dry milk production focus. Inventories are low. Spot loads are limited. Contacts expect light sales and spot offerings to continue into next week. The market undertone is weak.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .9950 - 1.3400 MOSTLY: 1.0500 - 1.2700  
 HIGH HEAT: 1.2400 - 1.4300

**NONFAT DRY MILK - WEST**

Prices for Western low/medium heat nonfat dry milk shifted lower across both price series. The market tone remains weak. Some FOB spot sales cleared NDM loads to North American and Middle Eastern buyers when prices were internationally competitive. Low/medium heat nonfat dry milk production is active and several plants have room to spare in their dryer schedules. However, plant managers are bracing for higher intakes next week due to declining bottling orders. Inventories of low/medium heat NDM are growing steadily. However, some producers have sizeable orders for January that will cut inventories to comfortable levels. In some cases, buyers show more interest in striking short-term contracts that stipulate delivery after January 1, 2015. High heat nonfat dry milk prices are lower on a weak market. As some producers review stocks on hand, they are placing some loads into the FOB spot market. That market is price sensitive, and buyers are limiting interest to those loads priced comparatively lower than in previous weeks. Less dryer time is being devoted to high heat NDM production as many plant operators are focusing on maximizing clearance of condensed skim milk through the dryers for these two holiday weeks.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .9450 - 1.3300 MOSTLY: 1.0000 - 1.2000  
 HIGH HEAT: 1.3500 - 1.4950

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices shifted lower on the top of range. Spot activity is light to moderate. The market tone is weak with buyers commenting that many opportunities are available in the spot market. Production rates are mostly steady at high levels. Inventory levels are mostly building.

**EAST:** Dry buttermilk prices in the East are steady to lower as f.o.b. spot sales and indices adjust prices. Dry buttermilk production is increasing as butter makers are inclined to churn at/near capacity due to increases in cream supplies. Stocks in the East are growing significantly. Spot market activity is virtually non-existent, while transactions centers most often on contracted commitments. As yearend demand declines, the market undertone trends weaker.

F.O.B. CENTRAL/EAST: .9500 - 1.0775

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are lower on a weak market. Some previous support for the market shifted lower this week as Grade AA butter prices declined sharply on CME Group daily trading, losing \$.3650 from Monday to Wednesday. Contract dry buttermilk loads are clearing, but delays in shipping are being requested by some buyers to ease disparities between contract and resale prices. Resellers indicate that they are focusing on back to back order fulfillment to limit financial losses. Dry buttermilk production is active as cream clears to the churns in the Western region. However, several churn managers indicate they are not in the spot market to add to internal cream supplies or build butter/dry buttermilk inventories. Inventories are steady to building at most locations.

F.O.B. WEST: .9000 - 1.1300 MOSTLY: .9600 - 1.1000

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk are unchanged on a weak market. Nonfat dry milk and butterfat component values continue to decline on various domestic trading platforms. This is creating a challenge for dry whole milk pricing to move counter to those trends. Production is generally light, with producers working to decrease holdings before scheduling additional production. In addition, several managers at dry whole milk manufacturing locations indicate the next two holiday weeks require rapid throughput of condensed skim into NDM to keep up with growing intake volumes.

F.O.B. PRODUCING PLANT: 1.4000 - 1.6500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES
December 12	\$1.3034	9,276,961
December 5	\$1.3653	10,849,869

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**

Dry whey prices are softening as more F.O.B. spot trades are at lower prices. Index basing points adjusted lower. The market tone is unsettled as many buyers are bearish about dry whey moving forward. Production rates are steady to higher as some cheese plants are taking on extra milk, along with a few switching additional whey streams to dry whey from whey protein concentrates and isolates. Export orders are light. Domestic buyer interest is lackluster as many look to work warehouse supplies lower before taking a new position. Manufacturers are moving most whey volumes through contracts with a few plants marginally building stocks. ANIMAL FEED DRY WHEY prices are slightly lower on the top of the range. Spot activity was very active with additional offerings at discounted prices.

F.O.B. CENTRAL: .4000 - .6350 MOSTLY: .5300 - .6100  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3500 - .5550

**DRY WHEY - NORTHEAST**

Northeast dry whey prices are marginally lower. Manufacturers looking to clear inventories are noticeably discounting multi-loads; however, targeted buyers are content to wait for more attractive offerings. Most inventories are steadily increasing, with the advancing cheese output. The market undertone remains soft.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5250 - .6500

**DRY WHEY - WEST**

Western dry whey prices are declining, but product is still moving. Whey demand is steady to increasing. Whey futures prices are dropping drastically, which has buyers wanting to wait to buy supplies and sellers wanting to reduce stocks on hand. The market undertone is weak as supplies are plentiful. Delivered spot offers available this week. Extra fluid milk is ending up in dryer plants, rather than other products.

NONHYGROSCOPIC: .4000 - .6250 MOSTLY: .5000 - .5800

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices of whey protein concentrate 34% are mostly steady with some spot trades toward the top of the range retreating in price. The market tone is weak with many alternative proteins readily available to end users. Market participants note reduced pricing on nonfat dry milk, higher whey protein concentrates and whey isolates are pressuring WPC 34% lower. The strengthening U.S. dollar is slowing export orders. Domestic demand is light to moderate. Resellers are mainly purchasing in a back-to-back strategy. Production rates are steady to increasing as some plants shift whey streams from higher whey protein concentrates and whey isolates into WPC 34% production. Manufacturers' inventories are steadily moving through contracts. Supplies are steady to marginally growing. Negotiations are beginning for 2015 contracts with a few agreements being reached.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0800-1.4125 MOSTLY: 1.1100-1.3375

**LACTOSE - CENTRAL AND WEST**

Prices of lactose are steady on the week. The market is loosening with two-tiered pricing between milled and unground. Market participants are actively working on 2015 contracts with some agreements being reached on first quarter pricing, which is generally weaker than the current fourth quarter contracts. Production rates remain at high levels. International sales are steady to declining as competition stiffens. The combination of many end users having ample supplies and buyers not wanting to take a position prior to 2015 is leaving interest limited. Stocks of lactose are steady to growing.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2000-.5200 MOSTLY: .3000-.4800

**CASEIN - NATIONAL**

Casein prices are unchanged for both rennet and acid. Trading is very light as buyers have adequate supplies to cover needs into 2015. The market has a bearish undertone going into the New Year. More than adequate milk supplies and a weak SMP market are contributing factors for a lower priced market. At the December 16 GDT event 130, the average winning price for rennet casein for all contract periods increased 4.5% to \$7,576/MT.

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: 4.2000 - 4.8000  
ACID: 4.4000 - 5.0000

U.S. Dairy Cow Slaughter (1000 head) under Federal Inspection & Comparable Week 2013

WEEK ENDING	2014 WEEKLY DAIRY COWS	2014 CUMULATIVE DAIRY COWS	2013 WEEKLY DAIRY COWS	2013 CUMULATIVE DAIRY COWS
11/29/2014	46.1	2,581.9	48.5	2,877.2

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
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
2013	18.14	17.25	16.93	17.59	18.52	18.02	17.38	17.91	18.14	18.22	18.83	18.95

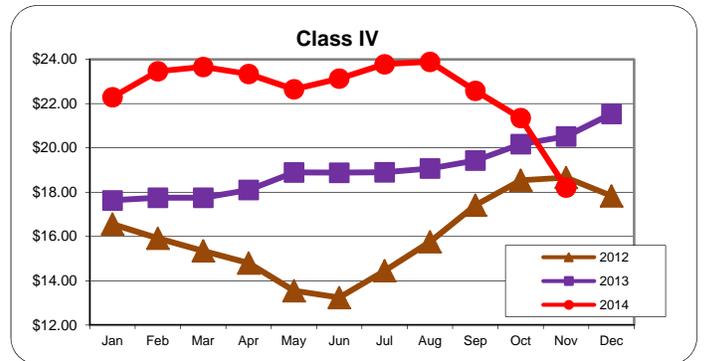
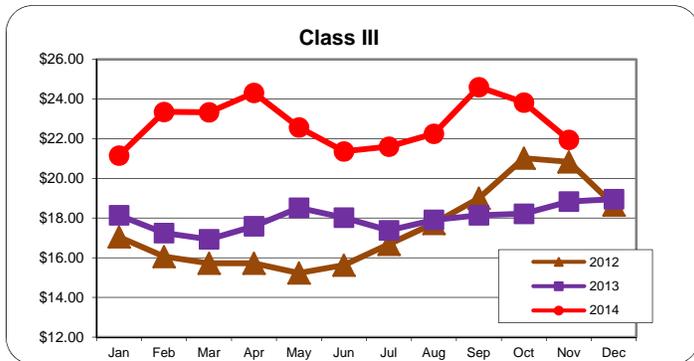
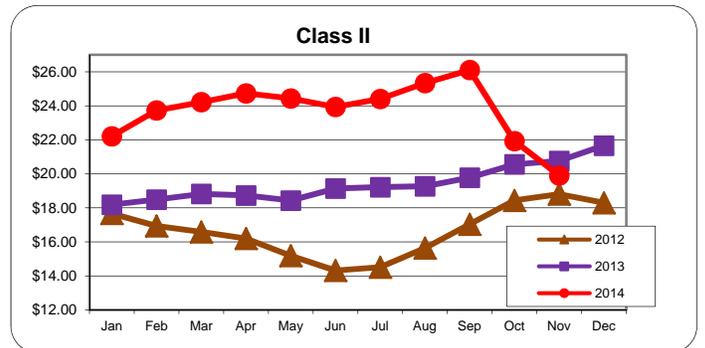
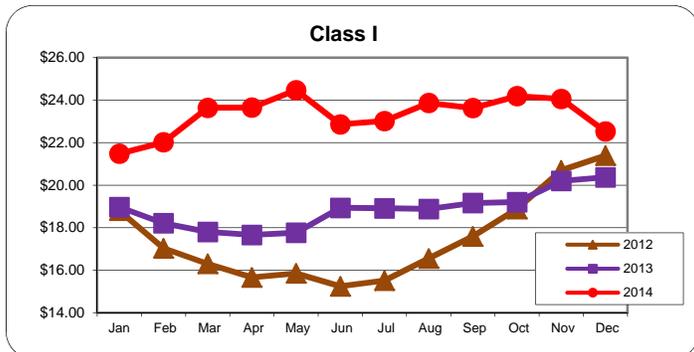
CLASS IV MILK PRICES (3.5%)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2013	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	22.02	23.64	23.65	24.47	22.86	23.02	23.87	23.63	24.19	24.06	22.53
II	22.21	23.73	24.22	24.74	24.44	23.94	24.41	25.34	26.11	21.93	19.91	
III	21.15	23.35	23.33	24.31	22.57	21.36	21.60	22.25	24.60	23.82	21.94	
IV	22.29	23.46	23.66	23.34	22.65	23.13	23.78	23.89	22.58	21.35	18.21	

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



## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered December 8 - 19, 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:** Western European milk production has moved past the seasonal low point with nearly all countries showing at least some marginal increases. Demand for fluid milk and cream are good ahead of the yearend holidays. Farmgate prices have declined to the point where those producers who are over quota are taking steps to reduce or eliminate over quota production and levees. Culling rates have increased in Europe as many producers are culling their lower producing cows. Germany, Belgium, the Netherlands, Denmark and Ireland are all currently trending over quota production levels. According to ZMB preliminary data, January-October milk production in the EU-28 is 5.1% higher than one year ago. Various member states showed the following January-October changes, compared to last year; Germany, +4.0%; France, +5.8%; UK, +9.1%; Belgium, +6.0% and Ireland +5.9%.

**BUTTER/BUTTEROIL:** Butter prices moved lower this period. Most butter manufacturers are focused on filling domestic orders prior to the holidays. Current production is moderately restricted, due to the increased demand for fresh cream and holiday related products. Export demand is lackluster as most buyers are covered through the end of the year. Export demand going into 2015 varies with prices expected to weaken in anticipation of increased global supplies. Weaker global economies and energy markets have also been bearish factors on the butter export market. Negotiations are ongoing for Q1 needs. Agreements are limited with buyers and sellers having difficulty agreeing on price. Private storage volumes through the first week of December totaled 20,682 MT. Butter from Ireland and the Netherlands make up a majority of the PSA holdings. Butteroil prices moved lower with prices declining on both ends of the range. Current butteroil production is moving through existing contracts. Spot sales and new export business are limited as European pricing remains predominately above the Oceania market.

82% BUTTERFAT: 3,350 - 3,775  
99% BUTTERFAT: 4,025 - 4,600

**SKIM MILK POWDER (SMP):** Skim milk powder prices are steady to weak. Prices are nearing intervention levels with general acknowledgement throughout the industry that prices will drop to those levels sometime after the New Year. Export demand, which has been relatively active, is weakening as most Q1 needs are covered. Export demand beyond Q1 is quiet as many buyers are taking a wait and see attitude in hopes of possible lower prices. PSA volumes through the first week of December totaled 15,100 MT.

1.25% BUTTERFAT: 2,100 - 2,475

**WHOLE MILK POWDER (WMP):** Whole milk powder prices increased this period as recent production declines have tightened available supplies. Production is flat with current production covering existing orders. Domestic demand was fair ahead of the holidays, but is now beginning to slow. Export demand from those buyers who prefer European sourced WMP has marginally increased. New export opportunities have been difficult, due to the price disadvantage compared to New Zealand.

26% BUTTERFAT: 2,725 - 3,000

**SWEET WHEY POWDER:** Dry whey prices decreased on the low end of the range. Domestic demand is weakening as holiday related business is nearly completed. Export demand remains fairly good, but European manufacturers are experiencing increased competition from the other international markets. Production continues to be restricted, due to the curbing of cheese production in light of the Russian embargo. Stocks are in balance with needs.

NONHYGROSCOPIC: 1,050 - 1,300

**EASTERN OVERVIEW:** Eastern Europe milk production is increasing. Loads of milk and cream going to Belarus manufacturing plants have significantly declined. Weather conditions are typical for this time of year and are not seen as restricting milk production. Milk production in Poland is currently trending over quota limits. Producers over quota will likely take steps to reduce milk deliveries to avoid super levee fees. According to ZMB preliminary data, January-October milk production in Poland is 7.7% higher compared to a year ago.

**Exchange rates for selected foreign currencies:  
December 15, 2014**

.1169 Argentina Peso	.0085 Japan Yen
.8211 Australian Dollar	.0677 Mexican Peso
.8567 Canadian Dollar	.7744 New Zealand Dollar
1.2439 Euro	.2971 Poland Zloty
.0159 India Rupee	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0677) = 14.7710 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered December 8 - 19, 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 trending lower, but remains above year ago levels. Seasonal production forecasters are calling for a 1%-2% gain over last year. In contrast to last year, more milk is being channeled to SMP and cheese production in lieu of WMP production, due to the better returns. Below average rainfall over most of the country, in combination with increasing temperatures, is beginning to pressure dairy producers to start or increase supplemental feeding. The recently concluded Korea-Australia Free Trade Agreement may boost Australian exports in the near future, due to an early introduction of reduced tariffs. Hay harvesting is near completion in most areas. In general, quality was up, but volumes were down. Hay prices are variable and dependent on region and rainfall within the region. Good quality hay is in good demand. Producers in the dry areas of Victoria have begun feeding their 2014 silage, which is earlier than usual. Dairy Australia reports dairy product exports for the July-October period totaling 225.5 thousand MT, up 2.5% from the year ago period. The skim milk powder (SMP) exports were up 28% from the same period last year. The total value of exports for the July-October period is down 8.8%. New Zealand milk production remains above year ago levels, but the increases over last year's levels are declining. Lower export prices for milk powders have led to significantly lower farmgate prices compared to a year ago. Producers are taking measures to reduce costs wherever possible. It is likely that supplemental feeding will be reduced or eliminated and the milk production season will be shortened as cows are dried off more quickly than last year. Some cooperative forecasters have significantly reduced this season's forecast to show no increase over last year, due to the bearish factors now affecting milk production. Rabobank's December Rural Confidence Survey shows dairy producer expectations for their farm business performance at its lowest since 2009. At the December 16 GDT event #130, average prices ranged from 9.5% lower to 10.8% 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, \$4,200 +10.8%; butter, \$3,145 +10.4%; buttermilk powder, \$2,466 -9.5%; cheddar cheese, \$3,002 -0.6%; lactose, n.a.; rennet casein, \$7,576 +4.5%; skim milk powder, \$2,320 -3.2%; sweet whey powder, n.a.; and whole milk powder, \$2,270 +1.4%.

**BUTTER:** Butter prices improved again this reporting period with increases on both ends of the range. Butter production is active as global demand for fat is stronger than for protein. Australian production is focused on domestic needs prior to the year-end holidays. Export demand is fairly good from Southeast Asia and the Middle East. Some exports have also gone to Russia. Most manufacturers are comfortable with their current inventories. Butteroil demand reflects the fairly good demand for butter with strong pulls from Southeast Asia. At the December 16 GDT event #130, NZ butter averaged \$3,171/MT for the February 2015 contracts, +9.7% from the prior event. Butter for all regions and contracting periods averaged \$3,145/MT, +10.4%. New Zealand AMF prices averaged \$4,211/MT for the February

2015 contracts, +11.9% from the prior event. For all contracting periods, the AMF price average was \$4,200/MT, +10.8%.

82% BUTTERFAT: 3,000 - 3,600

**SKIM MILK POWDER (SMP):** Prices for SMP were unchanged this reporting period. The SMP market is very competitive with plenty of global supplies available. Production in the region is active and supplies are building, though not described as burdensome. Export demand has been fairly steady with sales described as "ticking along." The market has a bearish undertone due to the readily available international supplies and prices nearing intervention levels in Europe. At the December 16 GDT event 130, SMP for all regions and contracting periods averaged \$2,320 per MT, -3.2%. For trading in contract period 2, February 2015, prices averaged \$2,285 for NZ sourced medium heat product, down \$100 from the prior event.

1.25% BUTTERFAT: 2,200 - 2,600

**CHEDDAR CHEESE:** Cheddar prices decreased on the upper end of the range. Cheddar returns are fairly good compared to other dairy commodities, and as a result additional milk flows are being channeled to cheddar production. Buyers are aware there is plenty of competition on the international market and are negotiating lower prices. Export demand is best coming from Japan and Korea. Australian production and supplies are focused on domestic needs, restricting available supplies for export.

39% MAXIMUM MOISTURE: 3,400 - 4,000

**WHOLE MILK POWDER (WMP):** Whole milk powder prices increased marginally on the low end of the range, reflecting some bounce back from the declines experienced in the previous report. Whole milk powder is bringing lower returns compared to butter, SMP and cheddar, and as a result, milk flows are being diverted away from WMP production where possible. Some manufacturers in Australia are nearly finished with their WMP production for the season. Demand from China continues to be lackluster and below year ago levels. Exports into Northern Africa have been fairly good and have eased some concerns regarding burdensome inventory supplies to date. At the December 16 GDT event 130, the WMP pricing index, across all contracting periods, averaged \$2,270 per MT, up 1.4% compared to the prior event. For contract periods 2 and 3, February 2015 and March 2015, NZ regular WMP averaged \$2,210 and \$2,220 per MT.

26% BUTTERFAT: 2,200 - 2,700

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (gDT) Event 130 Recap - December 16, 2014												
	Contract 1 Jan-15		Contract 2 Feb-15		Contract 3 Mar-15		Contract 4 Apr-15		Contract 5 May-15		Contract 6 Jun-15		All Contracts
Anhydrous Milk Fat	n.a.	\$4,211	11.9%	\$4,213	11.1%	\$4,222	11.4%	\$4,128	7.7%	\$4,122	5.2%	\$4,200	10.8%
Butter	n.a.	\$3,171	9.7%	\$3,141	12.9%	\$3,106	8.3%	\$3,135	9.4%	n.a.		\$3,145	10.4%
Buttermilk Powder	n.a.	\$2,425	-11.5%	\$2,670	-2.6%	n.a.		n.a.		n.a.		\$2,466	-9.5%
Cheddar	n.a.	\$3,046	3.7%	\$2,970	-2.9%	\$2,986	-2.7%	n.a.		n.a.		\$3,002	-0.6%
Lactose	n.a.	n.a.		n.a.									
Rennet Casein	n.a.	\$7,482	3.2%	\$7,736	5.7%	\$7,709	7.6%	n.a.		n.a.		\$7,576	4.5%
Skim Milk Powder	n.a.	\$2,255	-3.9%	\$2,384	0.2%	\$2,464	-3.1%	\$2,476	-7.6%	\$2,585	-5.5%	\$2,320	-3.2%
Sweet Whey Powder	n.a.	n.a.		n.a.									
Whole Milk Powder	n.a.	\$2,232	4.7%	\$2,239	1.8%	\$2,338	-2.7%	\$2,421	-8.4%	\$2,459	-11.2%	\$2,270	1.4%

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

US\$/Pound	Global/Dairy Trading (gDT) Event 130 Recap - December 16, 2014												
	Contract 1 Jan-15		Contract 2 Feb-15		Contract 3 Mar-15		Contract 4 Apr-15		Contract 5 May-15		Contract 6 Jun-15		All Contracts
Anhydrous Milk Fat	n.a.	\$1.9101	11.9%	\$1.9110	11.1%	\$1.9151	11.4%	\$1.8724	7.7%	\$1.8697	5.2%	\$1.9051	10.8%
Butter	n.a.	\$1.4384	9.7%	\$1.4247	12.9%	\$1.4089	8.3%	\$1.4220	9.4%	n.a.		\$1.4266	10.4%
Buttermilk Powder	n.a.	\$1.1000	-11.5%	\$1.2111	-2.6%	n.a.		n.a.		n.a.		\$1.1186	-9.5%
Cheddar	n.a.	\$1.3817	3.7%	\$1.3472	-2.9%	\$1.3544	-2.7%	n.a.		n.a.		\$1.3617	-0.6%
Lactose	n.a.	n.a.		n.a.									
Rennet Casein	n.a.	\$3.3938	3.2%	\$3.5090	5.7%	\$3.4968	7.6%	n.a.		n.a.		\$3.4365	4.5%
Skim Milk Powder	n.a.	\$1.0229	-3.9%	\$1.0814	0.2%	\$1.1177	-3.1%	\$1.1231	-7.6%	\$1.1725	-5.5%	\$1.0523	-3.2%
Sweet Whey Powder	n.a.	n.a.		n.a.									
Whole Milk Powder	n.a.	\$1.0124	4.7%	\$1.0156	1.8%	\$1.0605	-2.7%	\$1.0982	-8.4%	\$1.1154	-11.2%	\$1.0297	1.4%

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

**CME GROUP, INC FUTURES**  
Selected settling prices, (open interest)

Month	12/04	12/05	12/08	12/09	12/10	12/11	12/12	12/15	12/16	12/17
<b>CLASS III MILK FUTURES (Pit-Traded) (\$/cwt)</b>										
DEC 14	17.77 (5096)	17.80 (5106)	17.80 (5064)	17.85 (5042)	17.87 (5067)	17.75 (5091)	17.75 (5042)	17.78 (5142)	17.79 (5127)	17.80 (5198)
JAN 15	16.18 (5007)	16.15 (5095)	15.89 (5129)	15.90 (5219)	15.90 (5222)	15.90 (5199)	15.80 (5185)	15.61 (5300)	15.58 (5356)	15.75 (5305)
FEB 15	15.67 (4776)	15.78 (4835)	15.80 (4778)	15.78 (4816)	15.77 (4865)	15.77 (4887)	15.51 (4935)	15.24 (5019)	15.15 (5073)	15.28 (5053)
MAR 15	15.80 (4056)	15.87 (4101)	15.91 (4136)	15.90 (4180)	15.71 (4280)	15.61 (4317)	15.38 (4431)	14.95 (4549)	14.80 (4628)	14.85 (4583)
APR 15	15.94 (3265)	15.91 (3361)	15.92 (3411)	15.95 (3457)	15.89 (3519)	15.70 (3603)	15.54 (3653)	15.10 (3812)	14.69 (3935)	14.69 (3951)
MAY 15	16.23 (3189)	16.21 (3236)	16.22 (3311)	16.23 (3361)	16.20 (3389)	15.98 (3452)	15.78 (3473)	15.54 (3544)	15.15 (3657)	15.10 (3689)
JUN 15	16.47 (2943)	16.45 (3001)	16.48 (3050)	16.53 (3114)	16.47 (3144)	16.23 (3212)	16.05 (3255)	15.96 (3335)	15.68 (3401)	15.59 (3431)
JUL 15	16.62 (2295)	16.59 (2348)	16.64 (2356)	16.65 (2374)	16.56 (2395)	16.34 (2486)	16.17 (2508)	16.19 (2536)	15.84 (2605)	15.76 (2648)
AUG 15	16.90 (2201)	16.90 (2254)	16.93 (2264)	16.94 (2278)	16.89 (2283)	16.70 (2314)	16.60 (2359)	16.52 (2419)	16.22 (2527)	16.00 (2596)
SEP 15	17.10 (2079)	17.09 (2133)	17.14 (2150)	17.13 (2173)	17.15 (2188)	16.97 (2219)	16.86 (2263)	16.81 (2314)	16.50 (2424)	16.38 (2490)
<b>CLASS IV MILK FUTURES (Pit-Traded) (\$/cwt)</b>										
DEC 14	17.24 (932)	17.10 (933)	17.00 (932)	17.11 (936)	17.11 (936)	17.11 (936)	17.10 (933)	16.91 (931)	16.75 (931)	16.75 (931)
JAN 15	15.93 (341)	15.93 (345)	15.93 (345)	15.93 (345)	15.85 (351)	15.85 (353)	15.82 (353)	15.82 (353)	15.22 (353)	15.01 (354)
FEB 15	15.30 (295)	15.41 (299)	15.41 (299)	15.41 (299)	15.41 (302)	15.50 (302)	15.42 (302)	15.28 (301)	15.05 (302)	14.56 (312)
<b>CASH SETTLED BUTTER FUTURES (Electronic-Traded) (¢/lb)</b>										
DEC 14	190.00 (1017)	190.53 (1014)	191.00 (1012)	191.03 (1016)	189.50 (1024)	189.00 (1019)	188.75 (1021)	187.50 (1020)	184.00 (1020)	182.50 (1027)
JAN 15	177.50 (607)	177.65 (630)	178.00 (633)	177.50 (661)	175.50 (659)	175.00 (662)	173.50 (661)	173.00 (663)	168.50 (658)	163.98 (682)
FEB 15	172.73 (672)	172.00 (690)	171.00 (713)	170.75 (757)	170.75 (757)	170.00 (767)	168.25 (781)	168.25 (796)	166.03 (814)	161.75 (822)
<b>NONFAT DRY MILK FUTURES (Pit-Traded) (¢/lb)</b>										
DEC 14	130.50 (758)	130.50 (758)	129.85 (757)	129.85 (752)	129.85 (752)	129.00 (748)	129.03 (748)	129.00 (737)	128.00 (738)	127.20 (733)
JAN 15	122.00 (563)	122.50 (563)	122.10 (563)	122.10 (563)	122.03 (565)	123.00 (566)	122.13 (577)	118.75 (577)	117.50 (587)	116.75 (595)
FEB 15	119.25 (580)	121.98 (590)	120.00 (590)	120.50 (590)	120.50 (590)	121.00 (590)	119.25 (594)	117.50 (610)	115.50 (619)	113.00 (620)
<b>WHEY (Electronic-Traded) (¢/lb)</b>										
DEC 14	60.00 (418)	59.75 (418)	59.98 (418)	60.03 (418)	60.03 (417)	57.10 (421)	57.60 (421)	58.00 (420)	57.83 (412)	57.98 (412)
JAN 15	51.68 (741)	52.50 (754)	50.88 (766)	50.70 (773)	50.70 (780)	48.78 (788)	48.78 (790)	48.10 (804)	47.63 (815)	49.25 (821)
FEB 15	46.58 (747)	46.75 (768)	45.38 (771)	44.50 (768)	45.23 (776)	45.03 (782)	44.00 (789)	43.25 (804)	42.25 (821)	44.33 (829)
<b>CHEESE CSC (Electronic-Traded) (\$/lb)</b>										
DEC 14	1.72 (2593)	1.72 (2592)	1.72 (2594)	1.73 (2578)	1.73 (2513)	1.74 (2518)	1.73 (2522)	1.74 (2520)	1.74 (2518)	1.73 (2547)
JAN 15	1.62 (3267)	1.61 (3365)	1.60 (3441)	1.60 (3484)	1.60 (3527)	1.61 (3615)	1.60 (3681)	1.58 (3725)	1.59 (3767)	1.59 (3846)
FEB 15	1.61 (3149)	1.61 (3256)	1.62 (3302)	1.62 (3322)	1.62 (3346)	1.63 (3436)	1.61 (3505)	1.58 (3600)	1.58 (3652)	1.58 (3707)
MAR 15	1.63 (3059)	1.64 (3149)	1.64 (3190)	1.65 (3211)	1.64 (3248)	1.64 (3335)	1.61 (3410)	1.58 (3521)	1.58 (3629)	1.57 (3716)
APR 15	1.65 (2567)	1.67 (2508)	1.64 (2654)	1.66 (2709)	1.66 (2722)	1.65 (2798)	1.65 (2864)	1.60 (3024)	1.56 (3173)	1.55 (3236)
MAY 15	1.68 (2455)	1.69 (2495)	1.67 (2508)	1.69 (2584)	1.69 (2576)	1.68 (2630)	1.66 (2688)	1.64 (2823)	1.61 (2930)	1.59 (2988)

Source: <http://www.cmegroup.com/market-data/daily-bulletin.html>

FEDERAL MILK ORDER ADVANCE PRICES, JANUARY

**Base Class I Price:** Under the Federal milk order pricing system, the base Class I price for January 2015 is \$18.58 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$11.35 and the advanced butterfat pricing factor of \$2.1787. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I Price

**Comparison to Previous Month:** The base Class I price decreased \$3.95 per cwt when compared to the previous month of December 2014. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$3.96 per cwt, -\$0.340 per gallon; reduced fat milk (2%), -\$3.99 per cwt, -\$0.344 per gallon; fat-free (skim milk), -\$4.03 per cwt, -\$0.348 per gallon.

**Class II Price Information:** The advanced Class IV skim milk pricing factor is \$9.93. Thus, the Class II skim milk price for January 2015 is \$10.63 per cwt, and the Class II nonfat solids price is \$1.1811.

**Product Price Averages:** The two-week product price averages for January 2015 are: butter \$1.9706, nonfat dry milk \$1.2826, cheese \$1.8141 and dry whey \$0.5847.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	January 2015		
		Class I Price (3.5%) \$ per cwt.	Class I Skim Milk Price \$ per cwt.	Class I Butterfat Price \$ per pound
Northeast (Boston) <sup>4/</sup>	001	21.83	14.60	2.2112
Appalachian (Charlotte) <sup>5/</sup>	005	21.98	14.75	2.2127
Florida (Tampa) <sup>6/</sup>	006	23.98	16.75	2.2327
Southeast (Atlanta) <sup>7/</sup>	007	22.38	15.15	2.2167
Upper Midwest (Chicago) <sup>8/</sup>	030	20.38	13.15	2.1967
Central (Kansas City) <sup>9/</sup>	032	20.58	13.35	2.1987
Mideast (Cleveland) <sup>10/</sup>	033	20.58	13.35	2.1987
Pacific Northwest (Seattle) <sup>11/</sup>	124	20.48	13.25	2.1977
Southwest (Dallas) <sup>12/</sup>	126	21.58	14.35	2.2087
Arizona (Phoenix)	131	20.93	13.70	2.2022
All-Market Average		21.47	14.24	2.2076

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63 - the approximate number of gallons in 100 pounds of milk.  
<sup>2/</sup> Note: The mandatory \$0.20 per cwt processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.  
<sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets.  
<sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25.  
<sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.  
<sup>6/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40.  
<sup>7/</sup> Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90; Nashville, minus \$0.90; and Springfield, MO, minus \$1.40.  
<sup>8/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.  
<sup>9/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.  
<sup>10/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.  
<sup>11/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.  
<sup>12/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

**AUGUST MILK SALES**

During August, 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 6.0 percent lower than August 2013. Estimated sales of total conventional fluid milk products decreased 6.5 percent from August 2013 and estimated sales of total organic fluid milk products increased 4.3 percent from a year earlier. Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYearToDate>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, AUGUST 2014, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	August	Year to Date	Previous Year	Year to Date
	<i>million pounds</i>		<i>Percent</i>	
Conventional Production Practice				
Whole Milk	1,105	8,737	-4.0	-0.7
Flavored Whole Milk	45	350	-12.0	-3.1
Reduced Fat Milk (2%)	1,431	11,388	-6.1	-2.5
Low Fat Milk (1%)	533	4,356	-6.9	-4.9
Fat-Free Milk (Skim)	474	3,954	-15.0	-11.4
Flavored Fat-Reduced Milk	260	2,258	1.1	-3.4
Buttermilk	39	317	-6.5	-1.5
Other Fluid Milk Products	0	28	0.0	22.4
Total Fat-Reduced Milk 3/	2,698	21,956	-7.3	-4.8
Total Conventional Milk Products	3,887	31,387	-6.5	-3.6
Organic Production Practice				
Whole Milk	62	482	14.1	20.9
Reduced Fat Milk (2%)	63	496	16.2	17.8
Low Fat Milk (1%)	38	318	-0.9	6.3
Fat-Free Milk (Skim)	32	273	-10.7	-3.6
Flavored Fat-Reduced Milk	8	75	-35.6	-9.8
Other Fluid Milk Products	0	3	0.0	-14.1
Total Fat-Reduced Milk 3/	141	1,162	0.1	7.0
Total Organic Milk Products	204	1,648	4.3	10.7
Total Fluid Milk Products	4,091	33,035	-6.0	-3.0
Total Fluid Milk Products Adjusted 4/	*	*	*	*

\* Total Fluid Milk Products Adjusted for Calendar Composition will not be published until the release of "An Overview of Calendar Composition of Fluid Milk Sales." 1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which account for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis. 3/ Both conventional and organic fat-reduced milk categories are total of reduced fat, lowfat, skim and flavored fat-reduced milk. 4/ Sales volumes and percent changes have been adjusted for calendar composition. Report contact: Daniel Manzoni, [Daniel.manzoni@ams.usda.gov](mailto:Daniel.manzoni@ams.usda.gov) or 202-720-2352

**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS AND CALIFORNIA, AUGUST 2014, WITH COMPARISONS 1/**

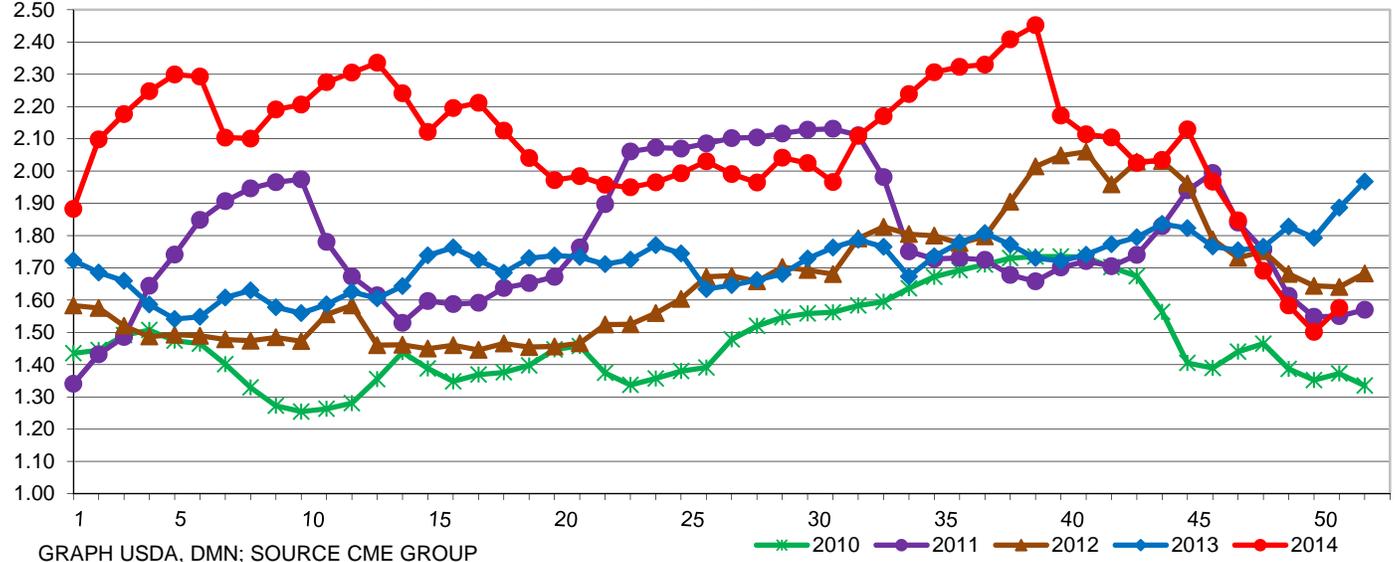
Marketing Area	Order Number	Sales		Change from: 2/	
		August	Year to Date	Previous Year	Year to Date
		<i>million pounds</i>		<i>percent</i>	
Northeast	001	670	5,595	-9.0	-4.1
Appalachian	005	272	2,152	-5.1	-4.1
Florida	006	223	1,810	-4.4	-3.0
Southeast	007	389	3,025	-3.6	-1.6
Upper Midwest	030	307	2,551	-7.7	-4.1
Central	032	352	2,795	-6.9	-5.2
Mideast	033	462	3,637	-1.1	-3.2
Pacific Northwest	124	159	1,328	-10.6	-11.7
Southwest	126	354	2,888	-5.6	-5.4
Arizona	131	92	731	-4.7	-16.2
California	---	487	3,883	-6.0	-3.5
All Orders (Total)		3,280	26,512	-5.9	-2.9
All Areas (Total)		3,767	30,395	-6.0	-3.0

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 4/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis.

Source: U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin, August 2014.*

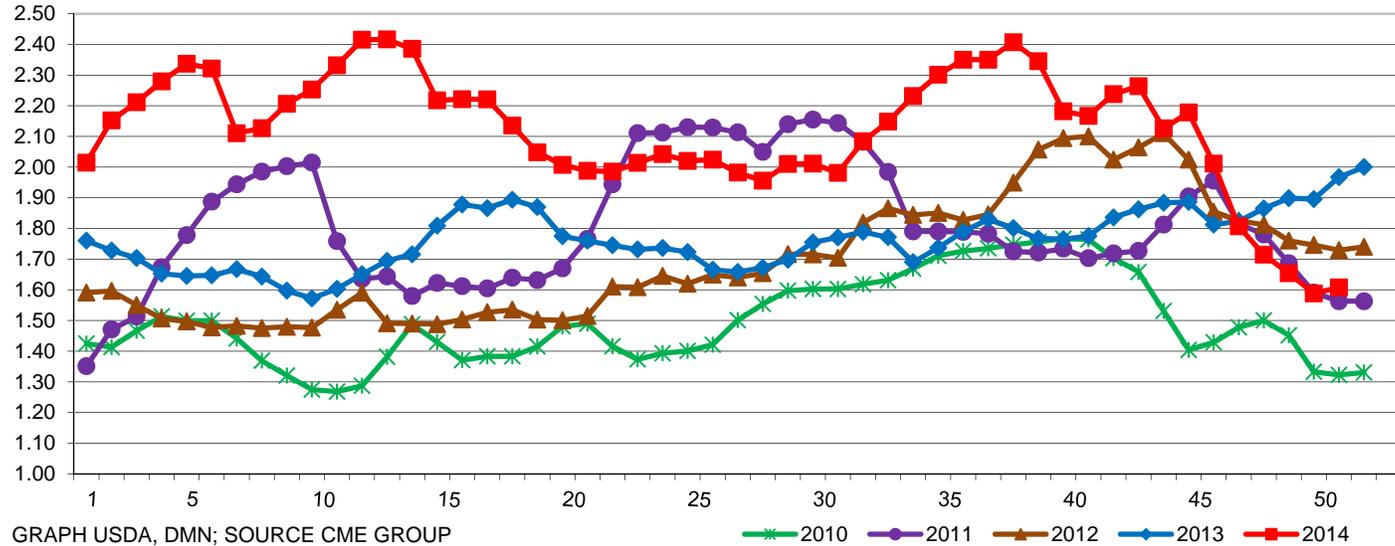
U.S. \$ PER POUND

### CME WEEKLY AVERAGE CASH BARREL PRICES



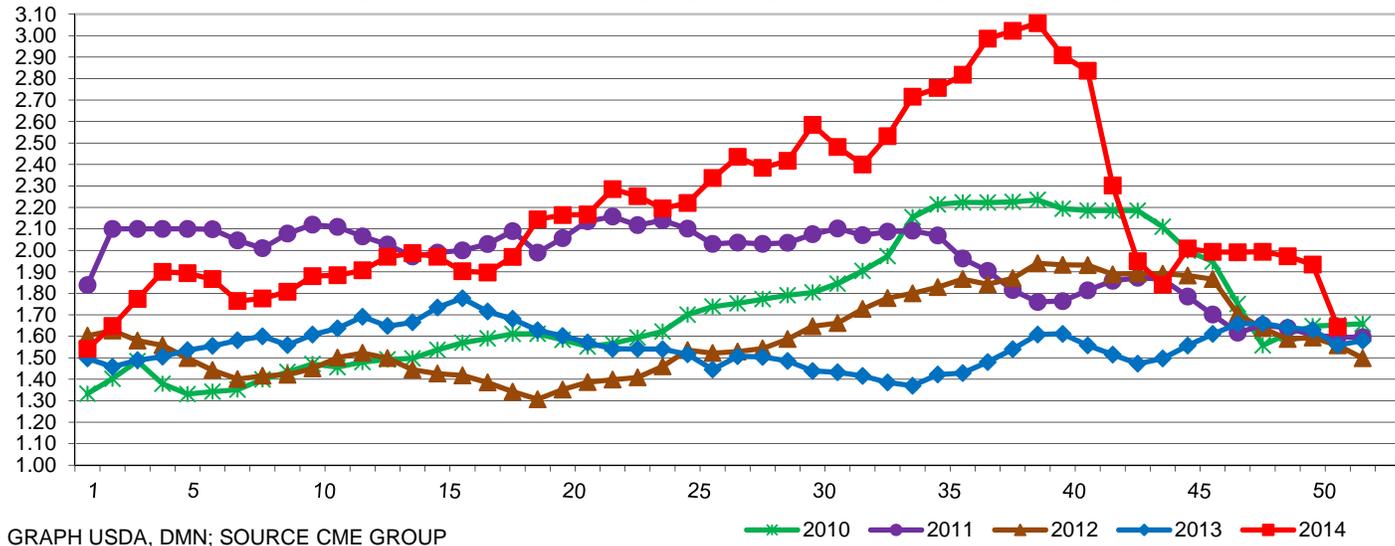
U.S. \$ PER POUND

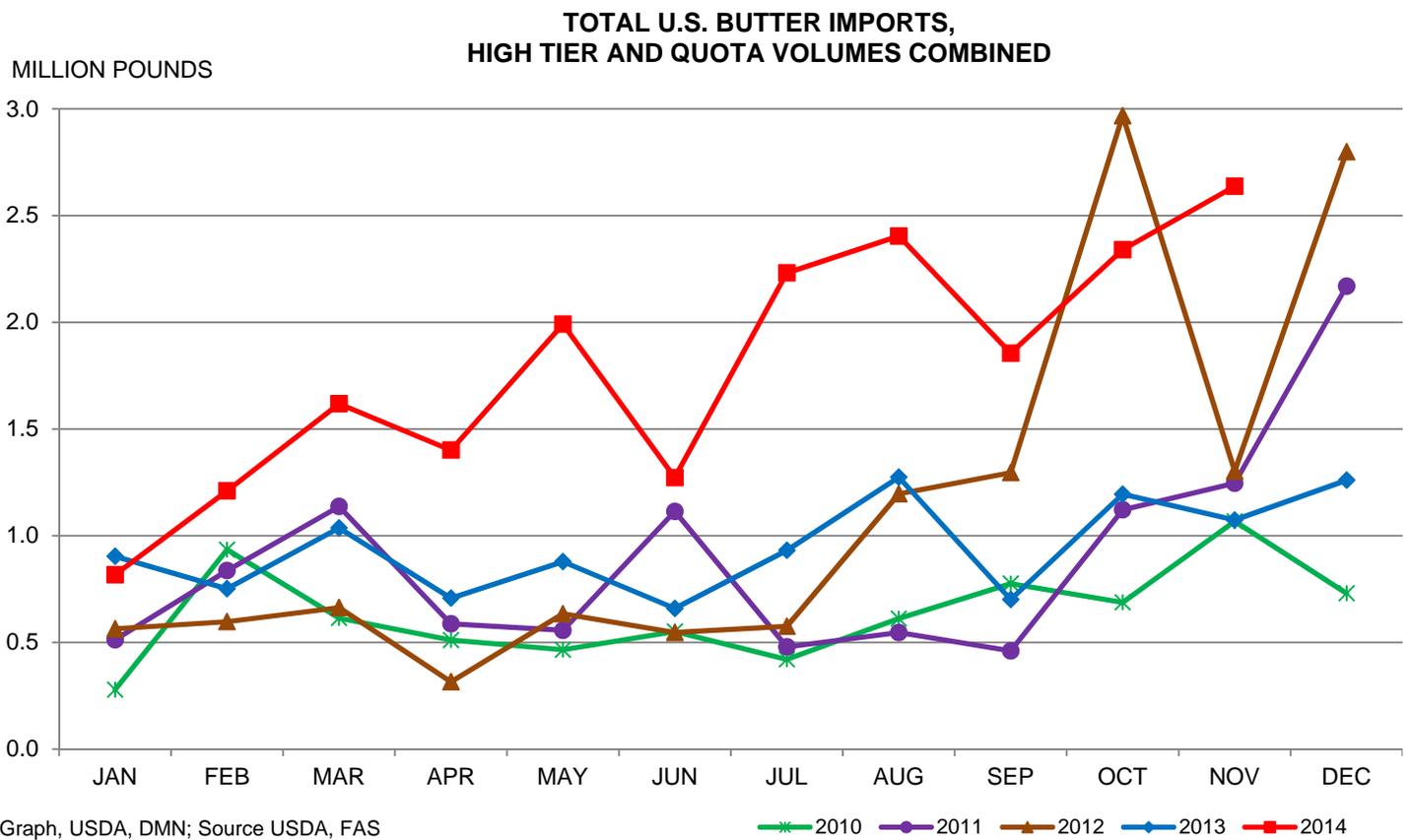
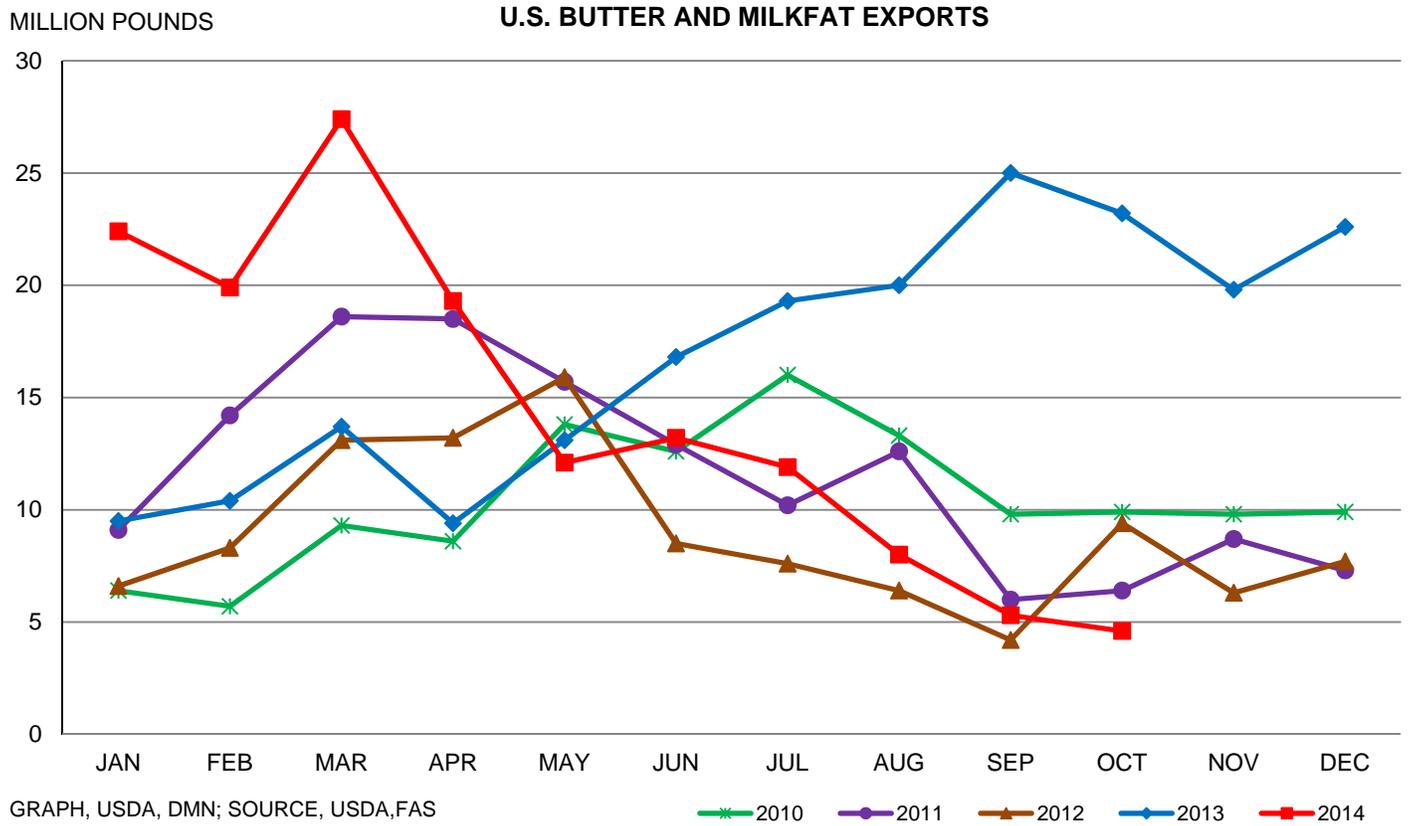
### CME WEEKLY AVERAGE CASH CHEDDAR BLOCK PRICES



U.S. \$ PER POUND

### CME WEEKLY AVERAGE CASH GRADE AA BUTTER PRICES





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