

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (1/2)**

BUTTER: Grade AA closed at \$1.5550 on Friday. The weekly average for Grade AA is \$1.5550 (-.0400)

CHEESE: Barrels closed at \$1.5400 and 40# blocks at \$1.5700 on Friday. The weekly average for barrels is \$1.4794 (-.0181) and blocks, \$1.5344 (-.0275).

BUTTER HIGHLIGHTS: Cream supplies were increasingly available resulting in generally higher butter churn rates. Inventories are mostly growing as domestic sales have slowed seasonally. However, orders are exceeding some manufacturers' expectations. Export interest is minimal. Bulk butter prices range from 5 cents under to 6 cents over the market, based on various time frames and averages used. The market tone is unsettled with mixed price signals. Friday at the CME Group, Grade AA butter closed at \$1.5550, unchanged from a week ago.

CHEESE HIGHLIGHTS: Cheese production schedules were mostly higher for the last week of the year. Additional milk was available for manufacturing. Many plants took advantage of increased milk supplies to build inventories or to catch up on current orders. Some manufacturers are comfortable increasing inventories at current price levels. Buying has slowed in the Midwest and East but has remained active in the Western region. There continues to be a degree of uncertainty over market direction to begin the New Year with buyers and sellers waiting for prices to settle. At the CME Group, barrels closed Friday at \$1.5400 and blocks closed at \$1.5700, a 3 cent spread.

FLUID MILK: Milk production is steady to increasing nationwide. Manufacturing milk supplies are still higher than normal. Bottling demand has declined but is expected to pick up shortly as schools start a new semester. Butter/powder and cheese manufacturers will manage milk intakes through the balance of the week. Cream supplies are heavy this week with increased volumes going to churns. Trucking continues to be an issue for several reasons but mainly due to a shortage of drivers.

DRY PRODUCTS: Low/medium heat nonfat dry milk prices are mixed. Prices are steady to lower. Supplies are mixed, but generally higher. Production is very active. Dry buttermilk prices are unchanged to lower. Production is active and supplies are gradually growing. Dry whey prices are steady to lower at varying degrees across the nation. Production is active and inventories are steady to increasing. The market tone is steady to weak. Whey protein 34% prices are mostly unchanged in a soft market. Lactose prices were unchanged. The market undertone is weak.

DECEMBER AGRICULTURAL PRICES (NASS): The All Milk price received by farmers was \$20.30 in December, down \$2.70 from November 2014, and down \$1.70 from December 2013. The alfalfa hay

price was \$182.00 in December, down \$4.00 from December 2013. The corn price was \$3.77 in December, down \$0.64 from December 2013. The soybean price was \$10.20 in December, down \$2.80 from December 2013. The milk-feed price ratio was 2.38 in December, up 0.08 from December 2013. The index of prices received by farmers for dairy products during the month of December 2014 was down 13 points to 101. Compared to December 2013, the index was down 8 points (7.3 %). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2014 was unchanged at 111. Compared with December 2013, the index was up 5 points (4.7 %).

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, DECEMBER: The following are the December 2014 class prices under the Federal milk order pricing system and changes from the previous month: Class II: \$19.09 (-\$0.82), Under the Federal milk order pricing system, the butterfat price for December 2014 is \$2.0991 per pound. Thus, the Class II butterfat price is \$2.1061 per pound. The protein and other solids prices for December 2014 are \$2.7387 and \$0.3996 per pound, respectively. These component prices set the Class III skim milk price at \$10.85. The December 2014 Class IV skim milk price is \$9.69, which is derived from the nonfat solids price of \$1.0767 per pound. The product price averages for December 2014 are: butter: \$1.9049, nonfat dry milk: \$1.2554, cheese: \$1.7362, and dry whey: \$0.5871.

*******SPECIALS THIS ISSUE*******

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS (PAGE 8)

DECEMBER FMMO CLASS AND COMPONENT PRICES (PAGE 9)
DAIRY GRAPHS (G1)**CME GROUP CASH TRADING**

| COMMODITY | MONDAY DEC 29 | TUESDAY DEC 30 | WEDNESDAY DEC 31 | THURSDAY JAN 01 | FRIDAY JAN 02 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|------------------------|--------------------|----------------------|----------------------|--------------------|----------------------|-------------------|----------------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.4200 (N.C.) | \$1.4275 (+.0075) | \$1.5300 (+.1025) | CME Closed | \$1.5400 (+.0100) | :: (+.1200) | :: \$1.4794 :: (-.0181) |
| 40# BLOCKS | \$1.4950 (N.C.) | \$1.5200 (+.0250) | \$1.5525 (+.0325) | No Trading | \$1.5700 (+.0175) | :: (+.0750) | :: \$1.5344 :: (-.0275) |
| NONFAT DRY MILK | | | | | | | |
| GRADE A | \$1.0000 (N.C.) | \$1.0000 (N.C.) | \$1.0000 (N.C.) | | \$1.0000 (N.C.) | :: (N.C.) | :: \$1.0000 :: (-.0013) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.5550 (N.C.) | \$1.5550 (N.C.) | \$1.5550 (N.C.) | | \$1.5550 (N.C.) | :: (N.C.) | :: \$1.5550 :: (-.0400) |

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.

CME GROUP

MONDAY, DECEMBER 29, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.4900; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.5550

TUESDAY, DECEMBER 30, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4275; 1 CAR 40# BLOCKS @ \$1.5200; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.5500; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.6000

WEDNESDAY, DECEMBER 31, 2014

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5300; 1 CAR 40# BLOCKS @ \$1.5525; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 1, 2015

HOLIDAY CME CLOSED

FRIDAY, JANUARY 2, 2015

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5400; 2 CARS 40# BLOCKS @ \$1.5700; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9500; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.5450, 1 @ \$1.5550; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Butter production is in full swing. Substantial increases in available cream supplies are prompting active churning at butter facilities in the region. Ice cream operations that are closed through the New Year's holiday into 2015 are adding to those supplies. As a result, cream that would normally clear to ice cream contracts is challenging the limited churning ability of some butter plants. Marginal export interest and stagnant domestic demand are expected to accelerate current growth of the region's butter stocks. Most buyers are busy assessing butter volumes remaining from year-end holiday inventories. The current bulk butter prices for domestic sales are flat to 4 over the market, with various time frames and averages used. At the CME Group, Grade AA butter closed Tuesday at \$1.5550, down \$0.0700 from a week ago.

WEST

Western butter prices remain steady as the year closes. Butter production is increasing as cream is available. Some butter churns are churning bulk butter to build and store inventories for the New Year while others are looking to clear out stocks on hand. Butter prices at the CME Group on Tuesday were unchanged at \$1.5550. The market is unsettled as both buyers and sellers attempt to determine the market direction. The market is closed for the New Year's holiday. Prices for bulk butter range from market to 5 cents under the market, based on the CME with various time frames and averages used.

Daily cash closes and weekly averages changes for the week of December 22 - 26, 2014 can be found on page 2A.

CENTRAL

Cream supplies were readily available and at reduced pricing. This led some butter churn operators to purchase additional spot loads along with more manufacturers electing to use cream internally instead of selling supplies in the spot market. Given the cream availability, churn rates are picking up, while microfixing is slowing. Overall production rates are fairly steady. The majority of production is directed towards 80% domestic butter with a few international orders being completed. Retail orders improved this week from considerably reduced sales last week. Demand for bulk butter is light to moderate as prices range from market to 6 cents over the market, with various time frames and averages used. The market tone is unsettled. Manufacturers look to restock inventories. Tuesday at the CME Group, Grade AA butter closed at \$1.550, down \$0.0700 from last Tuesday.

Continued on Page 2A

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 |
|--------------------|---------------------|---------------------|--------------------------------|--------------------|----------------------|
| January 3, 2015 | 1,6618 1,901,536 | 1,6373 9,279,778 | 1,5894 8,306,632 | .5866 3,453,282 | 1.1700 11,458,771 |

Further data and revisions may be found on the internet (2:00 pm CT) at: <http://www.ams.usda.gov/AMSv1.0/DairyProductMandatoryReporting>

Continued from Page 2

DAILY CASH CLOSES, WEEKLY AVERAGES, AND WEEKLY CHANGES
WEEK OF December 22 - 26, 2014

| COMMODITY | MONDAY DEC 22 | TUESDAY DEC 23 | WEDNESDAY DEC 24 | THURSDAY DEC 25 | FRIDAY DEC 26 | :: WEEKLY :: CHANGE* | :: WEEKLY :: AVERAGE# |
|-----------------|----------------------|----------------------|----------------------|--------------------|----------------------|-------------------------|----------------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.5650 (+.0150) | \$1.5350 (-.0300) | \$1.4700 (-.0650) | HOLIDAY | \$1.4200 (-.0500) | :: :: (-.1300) | :: \$1.4975 :: (-.0785) |
| 40# BLOCKS | \$1.6300 (+.0200) | \$1.5900 (-.0400) | \$1.5325 (-.0575) | CME | \$1.4950 (-.0375) | :: :: (-.1150) | :: \$1.5619 :: (-.0456) |
| NONFAT DRY MILK | | | | | | | |
| GRADE A | \$1.0025 (N.C.) | \$1.0025 (N.C.) | \$1.0000 (-.0025) | CLOSED | \$1.0000 (N.C.) | :: :: (-.0025) | :: \$1.0013 :: (-.0092) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.6250 (+.0150) | \$1.6250 (N.C.) | \$1.5750 (-.0500) | | \$1.5550 (-.0200) | :: :: (-.0550) | :: \$1.5950 :: (-.0480) |

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 international purposes. This data is available on the
internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

CHEESE MARKETS

NORTHEAST

Milk supplies to cheese manufacturers are substantial as intakes were heavy over the Christmas holiday weekend, resulting in steady to increased cheese production. With declines in holiday sale volumes, there is nonetheless moderate interest in aged cheddars, provolone, mozzarella and cream cheese. Cheese interest should remain fairly active spurred by playoff events leading up to the Super Bowl. However, buyers favor a wait and see approach, with the expectation prices will move lower and stabilize. Bulk cheese inventories are building at the plant level. The CME Group daily cash prices, on Tuesday, saw barrels close at \$1.4275, down \$0.1075 from a week ago, while blocks closed at \$1.5200, down \$0.0700 from a week ago.

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

| | |
|-----------------------------|-----------------|
| Cheddar 40# Block | : 1.9575-2.2425 |
| Process 5# Sliced | : 1.7225-2.2025 |
| Muenster | : 1.9775-2.3375 |
| Grade A Swiss Cuts 10 - 14# | : 4.1925-4.5150 |

MIDWEST

The market tone for Midwest cheese is steady with heavy production due to additional milk volumes. Many manufacturers took on additional milk supplies at \$6.50 under Class. Buying is slow due to cheese prices dropping, while inventories are building. Cheese barrels remained steady on Monday and up .75 cent on Tuesday at the CME Group, closing at \$1.4275 on Tuesday. Cheese blocks closed unchanged Monday and up 2.50 cents on Tuesday to close at \$1.5200. The barrel to block price spread is at 9.25 cents at Tuesday's close.

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

| | |
|---|-----------------|
| Process American 5# Loaf | : 1.6050-1.9650 |
| Brick And/Or Muenster 5# | : 1.9375-2.3625 |
| Cheddar 40# Block | : 1.6425-2.0600 |
| Monterey Jack 10# | : 1.9125-2.1175 |
| Blue 5# | : 2.2050-3.1925 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : 1.7825-2.6775 |
| Grade A Swiss Cuts 6 - 9# | : 3.7100-3.8275 |

WEST

Cheese production in the West continues to focus on fulfilling contracts. The 2015 contract negotiations are still underway, with some manufacturers choosing to pursue different pricing methods. Cheese prices are unsettled as producers and manufacturers wait for the market to settle. Prices are at a level where manufacturers are comfortable keeping inventories. Recent price decreases have helped demand for domestic and export markets. Cheese trading prior to the New Year's break was up with barrels and blocks holding steady to increasing. Barrel prices closed .75 cent higher at \$1.4275 on Tuesday. Blocks were also up 2.50 cents at \$1.5200. The exchange is closed for the New Year's holiday.

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

| | |
|---------------------------|-----------------|
| Process 5# Loaf | : 1.6250-1.8825 |
| Cheddar 40# Block | : 1.6900-2.1350 |
| Cheddar 10# Cuts | : 1.8700-2.0900 |
| Monterey Jack 10# | : 1.8800-2.0400 |
| Grade A Swiss Cuts 6 - 9# | : 3.7700-4.2000 |

FOREIGN TYPE CHEESE

Domestic foreign type cheese prices moved lower to end the year. Swiss and imported cheese prices were unchanged. Some wholesalers are busy filling orders for the upcoming New Year's Day holiday. Cheese orders from restaurants have been mixed. Most wholesale buyers view seasonal sales for 2014 as one of their best in recent years. Domestic orders for Q1 are being negotiated and moving along at a good pace. Import orders for January are on the books with February needs being assessed. Inventory restocking is active, prompted by good yearend demand and lower trending prices, but buyers are being cautious not to expand inventories greatly beyond current needs.

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

| VARIETY | NEW YORK | |
|--------------------------|-----------------|------------------|
| | IMPORTED | DOMESTIC |
| Blue | : 2.6400-5.3800 | : 2.0975-3.5850* |
| Gorgonzola | : 3.6900-6.9700 | : 2.6050-3.3025* |
| Parmesan (Italy) | : -0- | : 3.4875-5.5775* |
| Provolone (Italy) | : -0- | : 2.1400-2.3925* |
| Romano (Cows Milk) | : -0- | : 3.2875-5.4375* |
| 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 |
|----------|--------|--------|
| | : | : |
| 12/29/14 | 2,718 | 96,207 |
| 12/01/14 | 5,642 | 94,184 |
| CHANGE | -2,924 | 2,023 |
| % CHANGE | -52 | 2 |

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 | 0 | 0 | 77 | 0 | 0 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

Farm milk output is above last year's level at this time in the Northeast and Mid-Atlantic regions. Milk orders have declined at most bottling operations while increasing the number of loads clearing to balancing and cheese facilities. Milk production in the Southeast is up. Distribution operations are managing heavier than usual milk loads with the withdrawal of Class I holiday demand. Shipments are being redistributed from bottling to secondary plants. Farm milk production in Florida is steady. Class I demand is light but at expected levels. Shipments are balanced this week with no imports or exports. The cream market continued to show year-end holiday weakness as **cream multiples for all Classes** ranged **0.95 - 1.16**. Spot sales are extremely light. Supplies are ample, with some surplus loads moving into a few Midwest butter plants. Lengthy closings at some ice cream plants are increasing available supplies. Eastern butter plants are running full schedules to reduce cream volumes. **Condensed skim** is heavy throughout the region. Some market participants note that there are problems finding trucks to move condensed skim to new homes. Loads are primarily changing hands through contracts. Active trading is expected by some buyers/sellers following the New Year's holiday into the weekend.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

| | |
|--|---------------|
| F.O.B. producing plants: Northeast - | 1.5153-1.8502 |
| F.O.B. producing plants: Upper Midwest - | 1.6747-1.9938 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

| | |
|--|-----------|
| Northeast - Class II - includes monthly formula prices - | 1.00-1.25 |
| Northeast - Class III - spot prices - | 1.05-1.40 |

MIDWEST

Central milk production continues to exceed expectations, with generally steady incoming milk intakes. Milk supplies are abundant as many plant schedules are or close to capacity. Processors are having difficulties moving excess milk spot loads, as prices range from \$11.00 under to \$3.00 under Class. Trucking problems continue as contacts noted problems stemming from increased competition for transportation, longer unload times, and lack of drivers due to the holidays. Bottling sales are slow, but orders are anticipated to pick up later in the week as schools refill pipelines in preparation for the new semester. Class II orders are slow. Cream supplies are loose, while pricing is generally lower. **Cream multiples ranged from 1.05 to 1.25**. Due to lower pricing, many churn operators decided to churn internal cream instead of selling in the spot market. Tuesday at the CME Group, Grade AA butter closed at \$1.5550, down \$0.0700 from last Tuesday. The NASS *Livestock Slaughter* report notes November dairy cow slaughter at 218,000 head, 34,000 head less than last month and 31,000 head less than a year ago. January-November cumulative dairy cow slaughter totals 2.559 million head, compared to 2.868

million head during the same time span in 2013. The weekly *Cow Slaughter under Federal Inspection* report shows U.S. dairy cow slaughter for the week ending December 13, at 60,100 head, 2,200 head or 3% less than the comparable week a year ago.

WEST

Daytime temperatures fell sharply during the last few days, bringing morning temperatures in the 30s to some areas of the state. Milk production in CALIFORNIA is generally steady. Interest from bottlers peaked early in the week, then declined through the balance of the week. Processors are coordinating efforts throughout the state to place milk loads within reach of plants that have room to process additional loads. Milk production continues to ramp up in ARIZONA. Processors indicate sales into Class I rebounded slightly as bottlers strive to cover consumer needs over the upcoming holiday weekend. Butter/powder plant operators have some long production runs scheduled to clear both in-state milk volumes and loads coming into Arizona for the processing room. Recent rainstorms delivered some moisture, which has helped crop conditions. Alfalfa harvesting is ongoing. NEW MEXICO milk production continues to edge higher from week to week as temperatures range from the middle 20s to the low 60s. Class I sales improved early in the week as bottlers used the weekend to bring in loads to restock consumer outlets. Sales into Class II are steady to slightly higher. Cheese manufacturers are running close to full at several locations to meet active January demand. Cream loads are readily available in the Western region, but pricing is keeping some loads within the state of origin. Sellers indicate demand from cream cheese, sour cream, and a few ice cream plants is above the usual holiday week volumes. Cream is also clearing into butter churning operations as last minute print orders near completion. Bulk butter production is taking the balance of available cream. Truck availability continues to be problematic for short and long haul cream loads. The cream multiples range widened, ranging from 1.15 to 1.55. At the CME Group, Grade AA butter closed Tuesday at \$1.5550, down \$.0700 compared to last Tuesday's closing price. Milk production in the PACIFIC NORTHWEST is mostly unchanged. Milk needed for school usage will increase late this week to refill that supply. Surplus cream is being distributed to butter churns. No weather problems were reported but reports indicate a cold front moving in that may affect production. UTAH and IDAHO milk production is steady to climbing. Temperatures are above freezing for most days and in the 20's at night. According to the NASS *Agricultural Prices* report, December U.S. prices for Feed increased 1% from November but decreased 3% from last December. Production costs are unchanged from last month and up 6% from 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: Some market participants are looking to clean up inventories prior to year-end price adjustments to move supplies. Spot activity was lighter than last week, with moderate sales occurring this week. Prices of low/medium heat NDM shifted lower on spot sales and weaker indices. The market tone is weak. Production rates are generally strong as manufacturers keep up with heavy milk supplies. End users' interest is picking up as prices decline. Many contacts are finalizing 2015 contracts, with prices generally trending lower compared to 2014 agreements. HIGH HEAT NDM prices are weaker on the bottom and top of the range. Most of supplies are moving on contract fulfillment. Production rates are light as a few plants currently are not running high heat due to full dryer schedules. Tuesday at the CME Group, Grade A NDM closed at \$1.0000, down \$0.0025 from last Tuesday.

EAST: Nonfat dry milk prices are steady to lower in the mostly series. The market continues to weaken. Nonfat dry milk production is at a high level for the week as some manufacturers took in heavier milk loads for processing. Unsuccessful efforts to move oversupplies of condensed skim are challenging the production capability of some plants. Distribution is restricted as truck availability is limited in some cases. Low/medium heat inventories continue to build. Spot sales are light. High heat nonfat dry milk prices have declined, resulting from lower f.o.b spot market transactions and pricing indices. Year-end buyer interest is limited. Supplies are adequate for filling near-term needs.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .9900 - 1.2850 MOSTLY: 1.0000 - 1.2200
HIGH HEAT: 1.2125 - 1.3900

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk prices in the Western region are unchanged to fractionally lower. The market tone is weak as supplies are higher than near term demand at several locations. Buyers/end users with approved supplier needs are finalizing some contracts for 2015, but price bases for contracts are variable. Buyers who do not require NDM from approved suppliers are reluctant to commit to any 2015 pricing or volumes due to the continuing weak market. Resales are more active as resellers look for opportunities to bring inventories down. Low/medium heat production is active throughout the region as milk production is steady to higher in many areas, and demand from bottling plant operators is concentrated at the beginning of the week. Prices for high heat nonfat dry milk are unchanged to lower on a weak market. Buyer interest is light and price driven. Manufacturers indicate high heat NDM production is not being scheduled at most plants this week as manufacturing milk intakes are seasonally strong and requiring expeditious throughput.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .9450 - 1.2725 MOSTLY: .9900 - 1.1800
HIGH HEAT: 1.3225 - 1.4450

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Many end users report adequate supplies for the near-term and are in a "wait-and-see" approach with future purchases. However, a few buyers took positions as the spot market offered lower prices. The market tone is softening as supplies continue to outpace demand. Production rates are steady to slightly higher.

EAST: Dry buttermilk prices are trending lower in a weak market. Overall production is higher, as cream availability boosts churning and drying. Production does vary by processor, as some plants have allocated significant dryer time to accommodate heavier condensed skim supplies. Dry buttermilk demand is soft. Inventory levels are sufficient and building.

F.O.B. CENTRAL/EAST: .9100 - 1.0650

DRY BUTTERMILK - WEST

Western dry buttermilk prices are steady. Buyer interest is scant beyond immediate needs as the market is still looking for a level of support to emerge. Some sales into North American accounts have been put together, which will lighten inventories for the near term. Dry buttermilk production is active, matching active butter production throughout the Western region. Inventories are building from week to week.

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

DRY WHOLE MILK - NATIONAL

Prices for dry whole milk are unchanged to lower. F.O.B. spot load demand is limited as buyers are able to access loads of imported dry whole milk at competitive prices. Additionally, some domestic end users have aligned with international dry whole milk providers for early 2015 needs. Production is generally being delayed until 2015 as holiday week dryer schedules focus on clearing condensed skim.

F.O.B. PRODUCING PLANT: 1.4000 - 1.5800

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES |
|-------------|----------|-------------|
| December 26 | \$1.1997 | 4,659,420 |
| December 19 | \$1.2561 | 6,844,052 |

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

Spot activity of dry whey was lighter this week. Some buyers noted reduced pricing on spot loads, with a few making purchases. The market tone is unsettled with contract adjustments occurring over the next few weeks. Some cheese plants took on extra milk over the holidays, thus producing cheese at higher levels are creating additional dry whey production. Exports are limited. Many buyers are sitting on the sidelines, while anticipating weaker prices available in the future. Manufacturers' inventories range from sold-out to moderate levels. ANIMAL FEED WHEY prices are slightly weaker on the top of the range. Buyer interest is light. Supply movement was mainly on a contractual basis.

F.O.B. CENTRAL: .4000 - .6275 MOSTLY: .5200 - .6000
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3500 - .5425

DRY WHEY - NORTHEAST

Northeast dry whey prices inched lower prompted by spot prices and indices adjusting. Dry whey is realizing an increase in output in the region as heavy milk supplies, over the Christmas holiday period, increased cheese production. The whey market is weak, with ample supplies available. Export interest is sluggish. Domestic demand is light, as available stocks fill contracts and expand inventories. Contract negotiations for 2015 are continuing.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5200 - .6300

DRY WHEY - WEST

Western dry whey prices are unchanged in very light year end trading. The market tone is steady with some firmness noted. Whey production is increased marginally this week as some extra manufacturing milk enters the cheese plants. Demand for whey is unchanged as both buyers and sellers are content to wait for full trading to resume next week. Whey stocks are adequate to fill most current needs.

NONHYGROSCOPIC: .4000 - .6250 MOSTLY: .4400 - .5400

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are mostly unchanged. Spot activity is light. The undertone is softening as some buyers noted additional offerings in the marketplace. Production rates are mostly unchanged. Some end users are waiting a few weeks to see where prices are after new contracts are in place, before taking a new position. Manufacturers' inventories range from sold-out to growing volumes.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.0800-1.4000 MOSTLY: 1.1000-1.3300

LACTOSE - CENTRAL AND WEST

Prices of lactose were unchanged. The market tone is weak with supplies readily available in the spot market. Production is steady to slightly higher on the week. Many market participants are finalizing new monthly and/or quarterly agreements, which are trending lower compared to previous contracts. Inventories are mixed, with some manufacturers moving additional volumes prior to year end.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .1700-.5200 MOSTLY: .2800-.4800

CASEIN - NATIONAL

Prices for both rennet and acid casein were unchanged in very light trading. Pricing levels are generally noted to be significantly weaker for Q1 contracts. Increasing global milk supplies and lower skim milk powder prices are contributing to the market's weak undertone.

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

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The All Milk price received by farmers was \$20.30 in December, down \$2.70 from November 2014, and down \$1.70 from December 2013. The alfalfa hay price was \$182.00 in December, down \$4.00 from December 2013. The corn price was \$3.77 in December, down \$0.64 from December 2013. The soybean price was \$10.20 in December, down \$2.80 from December 2013. The milk-feed price ratio was 2.38 in December, up 0.08 from December 2013.

The index of prices received by farmers for dairy products during the month of December 2014 was down 13 points to 101. Compared to December 2013, the index was down 8 points (7.3 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2014 was unchanged at 111. Compared with December 2013, the index was up 5 points (4.7 percent).

SELECTED MILK PRICES, MILK COWS, AND FEED PRICES, SELECTED STATES AND U.S., DECEMBER 2014 WITH COMPARISONS

| State | All-Milk price ^{1/2/} | | | | Alfalfa hay, baled | | Corn for Grain | | Soybeans | |
|-------|--------------------------------|-------|----------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Dollars per cwt. | | | | Dollars per ton | | Dollars per bushel | | Dollars per bushel | |
| | November | | December | | December | | December | | December | |
| | 2013 | 2014 | 2013 | 2014 ^{3/} | 2013 | 2014 ^{3/} | 2013 | 2014 ^{3/} | 2013 | 2014 ^{3/} |
| AZ | 20.90 | 21.80 | 21.50 | 19.80 | 190.00 | 180.00 | --- | --- | --- | --- |
| CA | 20.01 | 20.53 | 20.81 | 17.90 | 198.00 | 215.00 | --- | --- | --- | --- |
| CO | 21.80 | 23.40 | 21.90 | 21.00 | 230.00 | 205.00 | 4.58 | 3.96 | --- | --- |
| ID | 20.70 | 22.40 | 21.00 | 20.40 | 170.00 | 200.00 | --- | --- | --- | --- |
| IN | 22.20 | 23.50 | 22.60 | 21.20 | --- | --- | 4.37 | 3.90 | 13.10 | 10.40 |
| IA | 22.20 | 23.90 | 22.30 | 21.20 | 195.00 | 153.00 | 4.32 | 3.80 | 13.00 | 10.10 |
| MI | 21.70 | 23.00 | 22.10 | 20.90 | 180.00 | 180.00 | 4.03 | 3.80 | 13.00 | 10.10 |
| MN | 22.00 | 24.40 | 22.00 | 21.00 | 205.00 | 154.00 | 4.51 | 3.70 | 12.70 | 9.85 |
| NM | 20.50 | 21.10 | 20.90 | 19.10 | 245.00 | 240.00 | --- | --- | --- | --- |
| NY | 22.90 | 23.80 | 23.20 | 21.00 | 200.00 | 212.00 | --- | --- | --- | --- |
| OH | 22.20 | 23.60 | 22.80 | 21.30 | 200.00 | 175.00 | 4.31 | 3.90 | 13.10 | 10.30 |
| PA | 23.00 | 24.30 | 23.70 | 21.60 | 200.00 | 240.00 | 4.16 | 4.19 | --- | --- |
| TX | 22.40 | 23.90 | 22.80 | 21.40 | 234.00 | 232.00 | 5.08 | 4.22 | --- | --- |
| WA | 22.20 | 22.70 | 22.90 | 20.70 | 195.00 | 215.00 | --- | --- | --- | --- |
| WI | 21.80 | 24.40 | 22.00 | 20.80 | 205.00 | 165.00 | 4.31 | 3.75 | 13.10 | 10.20 |
| U.S. | 21.60 | 23.00 | 22.00 | 20.30 | 186.00 | 182.00 | 4.41 | 3.77 | 13.00 | 10.20 |

^{1/} Prices are shown at reported butterfat test. ^{2/} Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies.

^{3/} Preliminary. ^{4/} Withheld to avoid disclosing data for individual operations.

MILK-FEED PRICE RATIO, SELECTED STATES AND U.S., DECEMBER 2014 WITH COMPARISONS

| Milk-feed: pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk ^{1/} | | | |
|---|---------------|---------------|-----------------------------|
| State ^{2/} | December 2013 | November 2014 | December 2014 ^{3/} |
| IA | 2.31 | 3.06 | 2.67 |
| MI | 2.43 | 2.74 | 2.46 |
| MN | 2.20 | 3.13 | 2.68 |
| OH | 2.37 | 2.95 | 2.55 |
| WI | 2.23 | 2.98 | 2.55 |
| U.S. | 2.30 | 2.74 | 2.38 |

^{1/} The price of commercial prepared dairy feed is based on current United States prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa hay. ^{2/} Available states that provided all necessary data to compute milk feed price ratios.

^{3/} Preliminary.

GENERAL PRICE MEASURES, U.S., DECEMBER 2014 WITH COMPARISONS

| Item | December 2013 | November 2014 | December 2014 ^{1/} |
|---|---------------|---------------|-----------------------------|
| INDEX NUMBERS (1990-92=100): | | | |
| Prices received by farmers for dairy products | 109 | 114 | 101 |
| Prices paid by farmers for commodities and services, interest taxes, and wage rates | 106 | 111 | 111 |

^{1/} Preliminary.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Agricultural Prices, December 2014*.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, DECEMBER

Class Prices: The following are the December 2014 class prices under the Federal milk order pricing system and changes from the previous month: Class II: \$19.09 (-\$0.82), Class III: \$17.82 (-\$4.12), and Class IV: \$16.70 (-\$1.51).

Component Price Information: Under the Federal milk order pricing system, the butterfat price for December 2014 is \$2.0991 per pound. Thus, the Class II butterfat price is \$2.1061 per pound. The protein and other solids prices for December 2014 are \$2.7387 and \$0.3996 per pound, respectively. These component prices set the Class III skim milk price at \$10.85 per cwt. The December 2014 Class IV skim milk price is \$9.69, which is derived from the nonfat solids price of \$1.0767 per pound.

Product Price Averages: The product price averages for December 2014 are: butter: \$1.9049, nonfat dry milk: \$1.2554, cheese: \$1.7362, and dry whey: \$0.5871.

| FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT ^{1/2/} | | | | | | |
|---|-----------------|------------------------|----------|-----------|----------|--------------|
| Federal Milk Order Marketing Areas ^{3/} | Order Number | December 2014 | | | | January 2015 |
| | | Class I | Class II | Class III | Class IV | Class I |
| | | Dollars Per 100 Pounds | | | | |
| Northeast (Boston) ^{4/} | 001 | 25.78 | 19.09 | 17.82 | 16.70 | 21.83 |
| Appalachian (Charlotte) ^{5/ 6/} | 005 | 25.93 | 19.09 | 17.82 | 16.70 | 21.98 |
| Florida (Tampa) ^{6/ 7/} | 006 | 27.93 | 19.09 | 17.82 | 16.70 | 23.98 |
| Southeast (Atlanta) ^{6/ 8/} | 007 | 26.33 | 19.09 | 17.82 | 16.70 | 22.38 |
| Upper Midwest (Chicago) ^{9/} | 030 | 24.33 | 19.09 | 17.82 | 16.70 | 20.38 |
| Central (Kansas City) ^{10/} | 032 | 24.53 | 19.09 | 17.82 | 16.70 | 20.58 |
| Mideast (Cleveland) ^{11/} | 033 | 24.53 | 19.09 | 17.82 | 16.70 | 20.58 |
| Pacific Northwest (Seattle) ^{12/} | 124 | 24.43 | 19.09 | 17.82 | 16.70 | 20.48 |
| Southwest (Dallas) ^{13/} | 126 | 25.53 | 19.09 | 17.82 | 16.70 | 21.58 |
| Arizona (Phoenix) | 131 | 24.88 | 19.09 | 17.82 | 16.70 | 20.93 |
| All-Market Average | --- | 25.42 | 19.09 | 17.82 | 16.70 | 21.47 |

^{1/} 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.

^{2/} 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.

^{3/} Names in parentheses are the major city in the principal pricing point of the markets.

^{4/} 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.

^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10.

^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted.

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

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

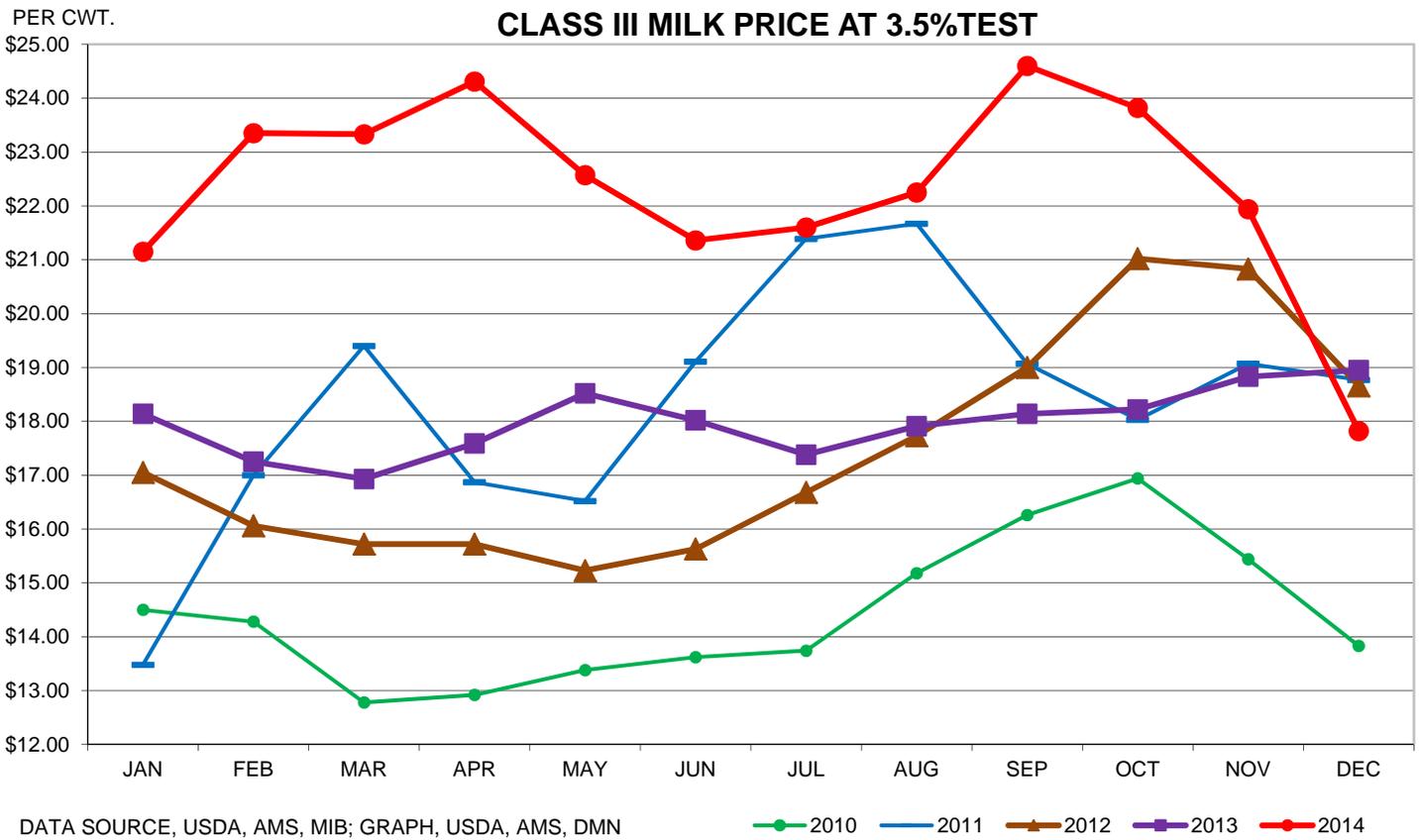
^{9/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

^{10/} 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.

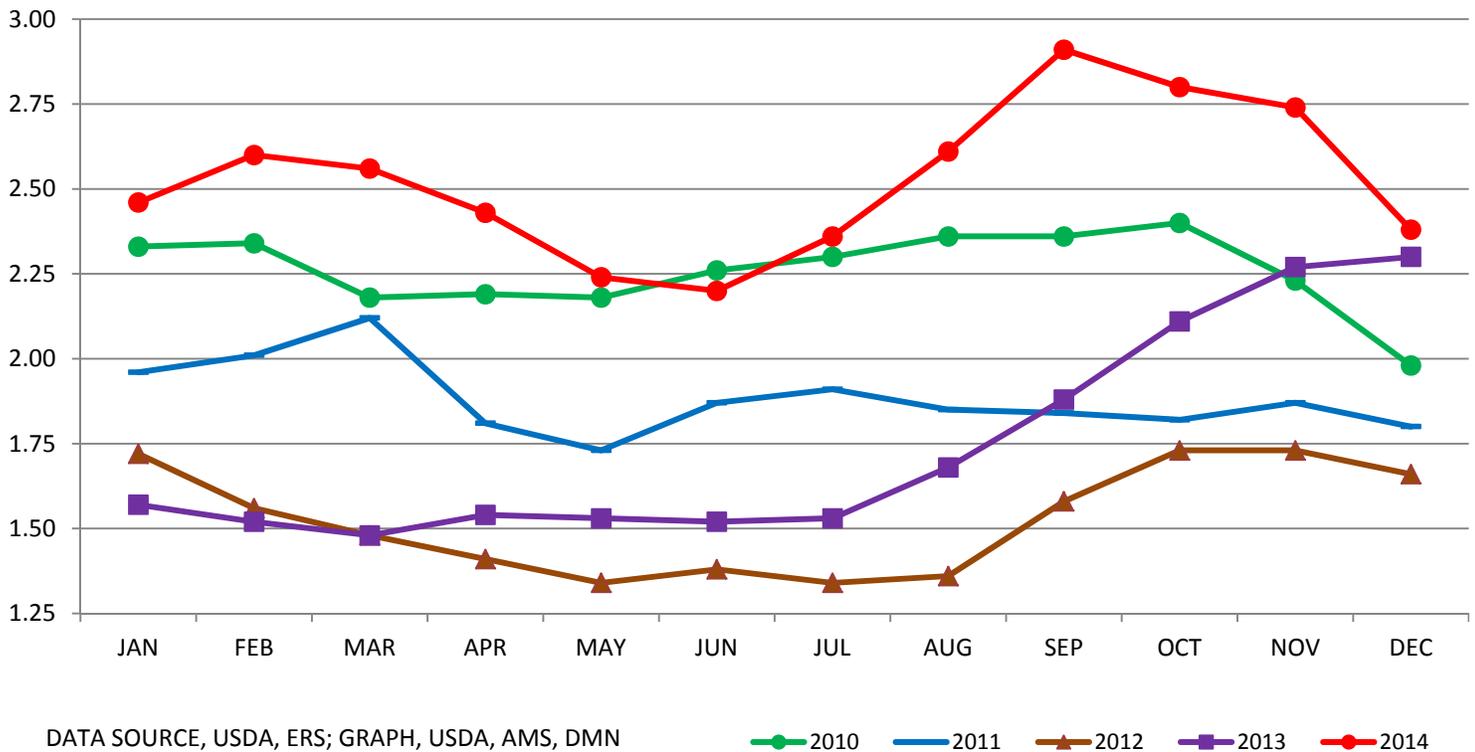
^{11/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

^{12/} Class I prices at other cities are: Portland, same; and Spokane, same.

^{13/} 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.



MILK-FEED PRICE RATIO BASED ON THE POUNDS OF 16% MIXED DAIRY FEED EQUAL IN VALUE TO 1 POUND OF WHOLE MILK



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