

**NATIONAL DAIRY MARKET NEWS AT A GLANCE**

**CME GROUP CASH MARKETS (9/16)**

**BUTTER:** Grade AA closed at \$2.0000. The weekly average for Grade AA is \$2.0160 (-.0190).

**CHEESE:** Barrels closed at \$1.4800 and 40# blocks at \$1.6500. The weekly average for barrels is \$1.5295 (-.1049) and blocks, \$1.6610 (+.0465).

**NONFAT DRY MILK:** Grade A closed at \$0.9100. The weekly average for Grade A is \$0.9065 (+.0021).

**BUTTER HIGHLIGHTS:** Butter churning is mostly steady across the nation as cream availability is improving. However, in the Central region, butter production is lower in a few processing plants as cream supplies fluctuate. In some regions of the country, microfixing is active in order to cover current needs and the anticipated high demand for Q4. Consequently, bulk butter inventories are decreasing, but print butter supplies are building. Demands from retailers and food service vary throughout the country. Bulk butter prices reported are ranging from one cent under market to 8 cents above, based on the CME Group with various periods and averages used. The Grade AA butter price at the CME Group on Friday closed at \$2.0000, down \$.0325 from a week ago.

**CHEESE HIGHLIGHTS:** Cheese manufacturers in the West and Midwest are seeking additional milk to fill production runs. Extra milk is generally available in the West, where facilities are running at or near full capacity. Midwestern manufacturers are having to reach out further to secure extra milk to keep facilities running at or just below capacity. Northeast milk supplies are mostly steady and cheese plants are keeping somewhat active schedules. Northeast production of Mozzarella and cheddar for aging is steady, while process cheese interest is seasonally lighter. In the West, inventories for American and Italian cheese are long, but expected to be drawn down in coming months. In CME Group trading Friday, barrels closed at \$1.4800, down \$.1250 from last Friday and blocks closed at \$1.6500, down \$.0600.

**FLUID MILK:** Milk production throughout the country is transitioning into the fall trends. Weather patterns and temperatures are becoming more favorable, prompting steady to higher production and upturns in butterfat and protein levels in some parts of the country. However, in areas of the East and Pacific Northwest declines continue. With schools back in session, over a duration of time, fluid milk

pipelines appear fairly close to stabilizing. Manufacturers, in most instances, have sufficient volumes of milk clearing into production with lesser challenges to maintain required capacity levels. Milk sales into Class III are active. This week, cream markets throughout are unsettled as standardization processing builds hefty cream supplies. Hence, pricing multiples and basing tend to fluctuate. Cream multiples range **1.20-1.32** in the East; **1.18-1.28** in the Midwest; and **1.16-1.29** for Western cream. Class II cream demand has eased as ice cream and frozen dessert production declines seasonally, but cream usages for other cream based products, particularly cream cheese, are improving.

**DRY PRODUCTS:** Low/medium heat nonfat dry milk prices are higher this week. Some market participants anticipate prices may continue to climb and hope to finalize forward contracts. Others in the trade suggest firming prices are short lived, while taking a wait and see approach. High heat NDM prices are steady to higher in a firming market. Tight supplies are limiting spot availability. Moderate trading prompted steady to higher dry buttermilk prices in an unsettled market. Demand is building on seasonal baking needs. Dry whole milk prices are steady. Some manufacturers are shifting production to NDM and SMP. Dry whey prices are steady to higher. Inventories are tight in the Central and East regions, but product is readily available in the Western region. WPC 34% prices are steady to higher. Strong sales have tightened inventories and firmed the market. Competition has increased in the global market for lactose, as prices range unchanged to higher. Supply is limited outside of contracts. Rennet and acid casein prices are steady to higher this week. Some buyers are now even exploring 2017 Q1/Q2 contracts.

**NATIONAL RETAIL REPORT (DMN):** Advertisements for conventional ice cream in 48-64 ounce containers increased 34% and the national weighted average advertised price is \$3.10. Organic ice cream averaged \$4.00, an organic price premium of \$.90. The national average price for 1 pound conventional butter is \$3.64, while 1 pound organic butter is \$5.05, an organic price premium of \$1.41. Total conventional butter ads increased 44% while total organic butter ads increased 75%. Conventional Greek yogurt in 4-6 ounce containers have an average price of \$0.95, while 4-6 ounce organic Greek yogurt averaged \$1.08, an organic price premium of \$.13. Conventional non-Greek yogurt in 4-6 ounce containers averaged \$.50 and organic

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**CME GROUP CASH TRADING**

COMMODITY	MONDAY SEP 12	TUESDAY SEP 13	WEDNESDAY SEP 14	THURSDAY SEP 15	FRIDAY SEP 16	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.5700 (-.0350)	\$1.5500 (-.0200)	\$1.5275 (-.0225)	\$1.5200 (-.0075)	\$1.4800 (-.0400)	:: (-.1250)	:: \$1.5295 (-.1049)
40# BLOCKS	\$1.6500 (-.0600)	\$1.6650 (+.0150)	\$1.6700 (+.0050)	\$1.6700 (N.C.)	\$1.6500 (-.0200)	:: (-.0600)	:: \$1.6610 (-.0465)
<b>NONFAT DRY MILK</b>							
GRADE A	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9075 (+.0025)	\$.9100 (+.0025)	:: (+.0050)	:: \$.9065 (+.0021)
<b>BUTTER</b>							
GRADE AA	\$2.0325 (N.C.)	\$2.0325 (N.C.)	\$2.0100 (-.0225)	\$2.0050 (-.0050)	\$2.0000 (-.0050)	:: (-.0325)	:: \$2.0160 (-.0190)

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/MARKET-NEWS/DAIRY

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

yogurt averaged \$.99, an organic price premium of \$.49. Conventional yogurt ads increased by 14% this week, while organic yogurt ads decreased by 44%. The U.S. advertised price for 8 ounce conventional cheese blocks averaged \$2.40, while 8 ounce organic block cheese averaged \$3.21, an organic price premium of \$.81. Ads for conventional 8 ounce shred cheese averaged \$2.39 while 8 ounce organic shred cheese averaged \$3.21, an organic price premium of \$.82. The number of conventional cheese ads decreased 5%, while organic cheese ads increased 46% this week. The price premium of the organic half gallon milk price over the conventional half gallon milk price is \$1.93. This represents the difference between the national weighted average price for organic, \$3.70, and conventional, \$1.77. Organic milk advertisements decreased by 23%, while ads for conventional milk decreased by 26%.

**INTERNATIONAL DAIRY MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW:** Late August to early September milk deliveries to dairy processors in Germany are reported to be a bit lower than expected. Hotter late summer weather is cited. In France, milk deliveries for the period are about where expected. Last week, final regulations were published in Europe specifying details for reducing the milk supply, extending skim milk powder intervention, and extending private storage aid. Total funds assigned to the milk production reduction program are 150 million Euros. Producers seeking funds for the three month period from October to December 2016 must apply by noon Brussels time on September 21. The goal is reducing milk production by 1.1 million MT. Aid will be fixed at 14 Euros per 100 kg of milk production which a producer does not produce, using a defined process comparing past production. The minimum volume of cow milk delivery reduction that can be covered by an aid application is 1500 kg. The maximum volume which can be covered is 50% of the reference volume for the chosen three month period (e.g. 50% of the milk produced by a farmer between October and December 2015). As for the 350 million Euro exceptional adjustment program targeting dairy and beef producers through programs designed by EU member states, each member state wishing to participate has until November 30 to submit to the European Commission, outline plans for using the funding. Successful member states may top up the funding received by up to 100% from the finances of each state. The published regulation also extends SMP intervention from September 30 until December 31. In 2017, intervention will run from January 1 through September 30.

**OCEANIA OVERVIEW:** Hay prices in **Australia** have been elevated, with low stocks and inconsistent demand. While recent rainfall has been average, heavy rains during recent months have helped replenish reservoir levels, easing water prices paid by producers using irrigation. Pricing for cull cows remains strong, as does interest by cash strapped dairy producers in reducing herd size as a way to raise cash and reduce ongoing costs. Predictions looking ahead are for a warm and wet spring in much of Australia. Many dairy producers have been unsuccessful in efforts to associate with another processor following recent adjustments by some processors leaving more debt with contracted producers. The situation is that most other major processors in Australia are already at their capacity of supply and are unable to handle additional milk volume. The government's previously announced multi hundred million U.S. dollar equivalent loan package for farmers has yet to reach many dairy producers. Funds are provided to Australian state governments to hand out, and the administrators working with state governments vary in efficiency and resourcing. Many dairy farmers in Victoria,

South Australia and Tasmania are waiting on support packages. At the September 6 GDT event #171 in **New Zealand**, average prices ranged from 2.0% to 15.4% higher from the prior event across categories where contracts were executed. The all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$4,769 +15.4%; butter, \$3,764 +14.9%; buttermilk powder, \$2,070 +6.8%; cheddar cheese, \$3,436 +9.0%; lactose, \$787 +2.0%; rennet casein, \$6,720 +6.7%; skim milk powder, \$2,224 +10.0%; and whole milk powder, \$2,793 +3.7%. This continues a significant upward price correction over the past few GDT sessions that has been faster and more significant than many market observers had expected. The magnitude of recent price increases of a significant magnitude has some manufacturers expecting more moderation in the near term, as markets take stock of the overall dairy situation in New Zealand and globally.

**JUNE MAILBOX MILK PRICES (FMMO & CDF):** In June 2016, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.43 per cwt, up \$0.06 per cwt from the May 2016 average but down \$2.19 per cwt from the June 2015 average. The component tests of producer milk in June 2016 were butterfat, 3.67%; protein, 3.04%; and other solids, 5.81%. When compared to the previous month, the June Mailbox prices decreased in 6, but increased in 10, and stayed the same in 3 of the 19 Federal milk order reporting areas. The greatest increase of \$0.44 per cwt occurred in the Florida area while the greatest decrease of \$0.13 per cwt occurred in the Western Texas area. Averaged over all Federal milk order reporting areas, the June 2016 Mailbox price increased an average of \$0.05 per cwt. Mailbox prices in June 2016 ranged from \$15.99 in the New England States to \$12.80 in New Mexico.

**JULY MILK SALES (FMMO & CDF):** During July 3.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.0 percent lower than July 2015. Estimated sales of total conventional fluid milk products decreased 4.1 percent from July 2015 and estimated sales of total organic fluid milk products decreased 2.8 percent from a year earlier.

**SEPTEMBER SUPPLY AND DEMAND ESTIMATES (FMMO):** The milk production forecast for 2016 is raised from last month as the cow inventory appears to have steadied in the face of expected improvements in returns. The production forecast for 2017 is raised to reflect slightly more rapid growth in milk per cow. Fat basis exports are raised for 2016 and 2017. For 2016, cheese and cream exports have remained firm, and strength in whole milk powder (WMP) exports is expected to carry into 2017. On a skim-solids basis, the export forecasts for 2016 and 2017 are raised on higher WMP and whey sales. Both fat and skim-solids basis ending stocks for 2016 are forecast higher as butter and cheese stocks remain high; fat basis ending stocks are raised for 2017 as well. Cheese and butter prices are lowered for 2016 and 2017 as supplies remain high, but prices for nonfat dry milk (NDM) and whey are forecast higher as the global supply tightens and demand strengthens. The Class III price is lowered for 2016 and 2017 as the reduction in the cheese price more than offsets the whey price increase. The Class IV price is lowered for 2016 as the lower butter price more than offsets the higher NDM price but is raised for 2017 as higher NDM prices more than offset the lower butter price forecast. The all milk price is forecast lower at \$16.10 to \$16.30 per cwt for 2016 but is unchanged from last month at \$16.15 to \$17.15 per cwt for 2017.

**CME GROUP**

**MONDAY, SEPTEMBER 12, 2016**

CHEESE -- SALES: 14 CARS BARRELS: 1 @ \$1.5975, 1 @ \$1.5800, 1 @ \$1.5775, 1 @ \$1.5750, 1 @ \$1.5800, 1 @ \$1.5775, 1 @ \$1.5800, 1 @ \$1.5900, 3 @ \$1.5800, 1 @ \$1.5775, 1 @ \$1.5750, 1 @ \$1.5700; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5600; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5900; 1 CAR 40# BLOCKS @ \$1.6500  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8900; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.9300  
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$2.0125, 1 @ \$2.0325; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0400

**TUESDAY, SEPTEMBER 13, 2016**

CHEESE -- SALES: 10 CARS BARRELS: 3 @ \$1.5675, 1 @ \$1.5700, 1 @ \$1.5675, 1 @ \$1.5650, 1 @ \$1.5625, 1 @ \$1.5600, 2 @ \$1.5500; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5400; 1 CAR 40# BLOCKS @ \$1.6650; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5600  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8950; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0000; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$2.0400

**WEDNESDAY, SEPTEMBER 14, 2016**

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.5600, 2 @ \$1.5350, 1 @ \$1.5300, 1 @ \$1.5275; 5 CARS 40# BLOCKS: 1 @ \$1.6625, 1 @ \$1.6650, 1 @ \$1.6700, 1 @ \$1.6800, 1 @ \$1.6700; LAST BID UNFILLED: 3 CARS BARRELS @ \$1.5250; 2 CARS 40# BLOCKS @ \$1.6650; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8900; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$2.0100; LAST BID UNFILLED: 1 CAR GRADE AA @ \$2.0000; LAST OFFER UNCOVERED: NONE

**THURSDAY, SEPTEMBER 15, 2016**

CHEESE -- SALES: 7 CARS BARRELS: 3 @ \$1.5600, 1 @ \$1.5575, 1 @ \$1.5500, 1 @ \$1.5400, 1 @ \$1.5200; 5 CARS 40# BLOCKS @ \$1.6700; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.5100; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.5300; 2 CARS 40# BLOCKS @ \$1.6800  
 NONFAT DRY MILK -- SALES: 8 CARS GRADE A: 3 @ \$0.9050, 4 @ \$0.9100, 1 @ \$0.9075; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.9000; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.9100  
 BUTTER -- SALES: 7 CARS GRADE AA: 1 @ \$1.9800, 1 @ \$1.9850, 1 @ \$2.0000, 1 @ \$1.9875, 2 @ \$2.0000, 1 @ \$2.0050; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9700; LAST OFFER UNCOVERED: NONE

**FRIDAY, SEPTEMBER 16, 2016**

CHEESE -- SALES: 9 CARS BARRELS: 1 @ \$1.5000, 4 @ \$1.4900, 1 @ \$1.4850, 3 @ \$1.4800; 4 CARS 40# BLOCKS: 1 @ \$1.6600, 3 @ \$1.6500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4900  
 NONFAT DRY MILK -- SALES: 4 CARS GRADE A @ \$0.9100; LAST BID UNFILLED: 7 CARS GRADE A @ \$0.9100; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.9200  
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.9900, 1 @ \$1.9800, 1 @ \$2.0000; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9950; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$2.0000

**BUTTER MARKETS**

**NORTHEAST**

Churning output levels in the region are rather steady this week. Some butter manufacturers continue to draw down bulk butter inventories and microfix to cover their existing needs. Currently, active demand results from retail markets, as food service orders and restaurant interest ease with the end of the summer vacation season. Q4 needs are at the forefront of some production runs, as manufacturers look to increase stocks for year-end customer orders. Bulk butter prices range 4-8 over the market of the CME Group, with various time frames and averages used. According to the *DMN National Retail Report-Dairy*, for September 9-15, 2016, the national weighted average ad price for 1-pound butter is \$3.29, down 55 cents from last week, but up 32 cents from a year ago. The Northeast regional price is \$3.00, 29 cents below than the advertised national average. In the Southeast, butter prices average \$3.01, 94 cents below last week's average. Tuesday's CME Group cash trading saw Grade AA butter close at \$2.0325, down \$0.0050 from a week ago.

**CENTRAL**

Butter manufacturing is uneven throughout the Central region. The churning activity is lower in a few processing plants as cream supplies fluctuate. Meanwhile, some manufacturers are producing butter at sufficient levels with comfortable cream volumes. Processors are expecting to increase butter production in order to meet the anticipated high demand for Q4. Some manufacturers are reducing bulk butter inventories as they microfix existing stocks to fill current print butter orders. Print butter inventories are steady to building. Demands from many retail channels and restaurants are

strong. Bulk butter prices reported ranged from one cent under market to 8 cents over the market, with various periods and averages used. The *DMN National Retail Report-Dairy* for September 9-15 noted the national weighted average advertised price for a 1 pound package of butter is \$3.29, \$0.55 below one week ago, but \$0.32 higher than one year ago. The regional weighted average prices in the Midwest and South Central are \$3.01 and \$3.30, respectively. Wednesday at the CME Group, Grade AA butter closed at \$2.0100, down \$0.0250 from last Wednesday.

**WEST**

Western butter production is steady in advance of the fall butter season. Butter is moving well through existing contracts and buyers are placing orders for their Q4 holiday butter needs. Some industry contacts say they are starting to see a little seasonal uptick in retail butter sales. Processors are not having any difficulty finding available cream. A few manufacturers report comfortable butter inventories and a willingness to sell off milkfat as opposed to churning. Butter inventories across the industry vary from long to committed. The *DMN National Retail Report-Dairy* for the week of September 9-15 found that the U.S. weighted average advertised price of 1 pound butter is \$3.29, down \$.55 from last week. The U.S. weighted average price was \$2.97 one year ago. In the Southwest, the weighted average advertised price of 1 pound butter is \$4.07, with a price range of \$2.99-\$5.49. In the Northwest, the weighted average advertised price of 1 pound butter is \$3.52, with a price range of \$2.88-\$3.99. Bulk butter pricing in the West this week is 1 cent under market to 3 cents above, based on the CME Group with various time frames and averages used.

**NATIONAL DAIRY PRODUCTS SALES REPORT**

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

<u>WEEK ENDING</u>	<u>BUTTER</u>	<u>CHEESE 40# BLOCKS</u>	<u>CHEESE BARRELS 38% MOISTURE</u>	<u>DRY WHEY</u>	<u>NDM</u>
September 10, 2016	2,0982 1,974,896	1,7958 12,643,660	1,7613 10,390,836	.2973 7,083,257	.8819 13,357,797

Further data and revisions may be found on the internet at: <http://www.ams.usda.gov/rules-regulations/mmr/dmr>

## CHEESE MARKETS

## NORTHEAST

Cheese manufacturing schedules are somewhat active where milk supplies permit. Reports indicate that milk volumes, in general, are mostly steady while components are marginally improving but remain at lower seasonal levels. Mozzarella cheese production and cheddar for aging programs remain steady. Contract orders are expediting most transactions. Process cheese interest is seasonally lighter. Cream cheese producers note typical strong fall orders. This week, Northeast wholesale cheese selling prices for cheddar blocks and Muenster changed higher \$0.0125. Process 5# sliced moved up \$0.0025. Grade A Swiss prices remained steady following last week's reported increase. According to the *DMN National Retail Report-Dairy*, for September 9-15, 2016, the Northeast weighted average advertised price for 8 oz. cheese blocks was \$2.08, 2 cents below the national average and 18 cents lower than the previous week. The Southeast 8 oz. block cheese price was \$2.32, up 4 cents from the previous week. The Northeast advertised price for 8 oz. shredded cheese is \$2.27, 9 cents above the national average price. In the Southeast, the average price for 8 oz. shredded cheese is \$2.30, up 6 cents from last week. Tuesday's CME Group daily cash prices saw barrels close at \$1.5500, down significantly \$0.1025 from a week ago; blocks closed at \$1.6650, falling \$0.0350 from a week ago.

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

Cheddar 40# Block	:	2.1075-2.3925
Process 5# Sliced	:	1.8350-2.3150
Muenster	:	2.0925-2.4425
Grade A Swiss Cuts 10 - 14#	:	2.9175-3.2400

## MIDWEST

Midwest cheese makers are seeing decent demand for commodity cheese in both retail and food service markets. Most varieties of cheese are moving well through regular contracts. However, cheese with any irregularity or age is a lot harder to move. Manufacturers are running their facilities at or just below capacity. Some manufacturers are looking for additional loads of milk to round out cheese production. Spot loads of milk are a little harder to find and cheese makers need to reach further out of the region to find the extra milk. Although milk components are increasing, a few processors are fortifying the cheese make process to improve yields. The *DMN National Retail Report-Dairy* shows that September 9-15 Midwest ads for 8 ounce shred cheese have a weighted average advertised price of \$1.49, 69 cents lower than the national average. Midwest prices range from \$0.99-\$2.50. One year ago, the national price was \$2.27. For 8 ounce blocks, the Midwest average price is \$1.44, 66 cents below the national average price. Midwest ads are priced from \$0.99-\$2.25. Last year, the national price was \$2.21. Midwestern wholesale prices are unchanged for Swiss cuts, up \$0.0025 for process, and up \$0.0125 for all other types. In CME Group trading Wednesday, barrels closed at \$1.5275, down \$0.1325 from last Wednesday and blocks closed at \$1.6700, down \$0.0500.

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

Process American 5# Loaf	:	1.7275-2.0875
Brick And/Or Muenster 5#	:	2.0775-2.5025
Cheddar 40# Block	:	1.8050-2.2000
Monterey Jack 10#	:	2.0525-2.2575
Blue 5#	:	2.3450-3.3325
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8775-2.8175
Grade A Swiss Cuts 6 - 9#	:	2.4350-2.5525

## WEST

Western cheese makers report no problems finding milk available for processing needs. Manufacturers are seeking out a few extra spot loads of milk to fill up production runs. Cheese production is steady and facilities are running at or near full capacity. Cheese marketers suggest inventories are a bit long for American and Italian cheeses. However, industry contacts feel these stocks will be drawn down in the next few months. A few industry contacts note a growing buyer interest for retail cheese. Domestic cheese demand is stable for most cheese varieties. The *DMN National Retail Report-Dairy* for the week of September 9-15 shows the U.S. weighted average advertised retail price for an 8 ounce pack of natural shredded cheese is \$2.18, down \$.01 from last week, and down \$.09 from a year ago. Packs average \$2.10 in the Southwest and \$1.84 in the Northwest. For 8 ounce blocks, the U.S. price is \$2.10, down \$.07 from last week, and down \$.11 from a year ago. Blocks average \$2.08 in the Southwest and \$1.69 in the Northwest this week. In the West, wholesale prices are up \$.0025 for process, and up \$.0125 for cheddar block, cuts, and Monterey Jack. Swiss cut wholesale prices are unchanged. In CME Group trading Wednesday, barrels closed at \$1.5275, down \$.1325 from a week ago and blocks closed at \$1.6700, down \$.0500.

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

Process 5# Loaf	:	1.7425-2.0000
Cheddar 40# Block	:	1.8100-2.2550
Cheddar 10# Cuts	:	1.9900-2.2100
Monterey Jack 10#	:	2.0000-2.1600
Grade A Swiss Cuts 6 - 9#	:	2.4950-2.9250

## CHEESE MARKETS

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## FOREIGN

In Europe, sliced cheese availability continues to be tight. Many manufacturers have allocated or reduced deliveries. There are low stocks in aging programs. This tight supply situation is expected to continue in the immediate future. Prices continue to rise. With significant overcharges, it is possible for buyers to obtain short-run quantities. Domestic demand in Europe remains strong. In the U.S., wholesale domestic blue, gorgonzola, parmesan and Romano cheese prices increased \$0.0125 following lower weekly average CME Group block prices. The remaining prices are unchanged.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2300	: 2.2725-3.7600*
Gorgonzola	: 3.6900-5.7400	: 2.7800-3.4975*
Parmesan (Italy)	: -0-	: 3.6625-5.7525*
Romano (Cows Milk)	: -0-	: 3.4625-5.6125*
Sardo Romano (Argentine)	: 2.8500-4.7800	: -0-
Reggianito (Argentine)	: 3.2900-4.7800	: -0-
Jarlsberg-(Brand)	: 2.9500-6.4500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.9550-3.2775
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
09/12/16	25,881	: 87,878
09/01/16	27,497	: 89,021
CHANGE	-1,616	: -1,143
% CHANGE	-6	: -1

## 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	50	0	55	0	120	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk output in the Northeast is mostly steady. Cooler temperatures have moved into parts of the area and are expected to progress through the week. Active pulls from Class I orders appear to be settling, as milk pipelines continue to be filled. Some manufacturers note higher than normal intakes for this time of the year. Mid-Atlantic milk supplies are adequate as production volumes move lower. Balancing plants are able to meet fluid contract commitments with very little remaining for manufacturing. Southeast milk production continues to lose ground. Manufacturing supplies are held near contract minimums to ensure bottling plant needs are met. Florida is still seeing hot weather but nights are cooler. Rain is a daily occurrence. Production declines continue, with expectations of bottoming out soon. Class I sales remain flat. Increases are not likely to appear until November. Imported milk shipments are trending lower, with transactions totaling 50 loads this week. **Cream multiples** for all Classes range **1.20-1.32**, as declines occurred at both the top and bottom limits. Sources indicated cream supplies improved in availability. The market notes retreating ice cream demand and active cream distribution through standardization. Nonetheless, cream volumes are actively moving to cream cheese production as market interest grows seasonally. Cream for butter usage appears steady to nominally building, in some channels. Wednesday at the CME Group, saw Grade AA butter close at \$2.0100, down \$0.0250 from a week ago. **Condensed skim** supplies are available at levels adequate for most manufacturing needs. Supplies are clearing through contracts with limited volumes for the spot market as customers, in some instances, acquire extra loads. Condensed skim to Class IV is at seasonal levels. According to the DMN *National Retail Report-Dairy*, for September 9-15, 2016, the U.S. weighted average advertised price for a gallon of milk was \$2.82, up 37 cents compared to last year, and up 2 cents from last week. The Northeast weighted average price for a gallon of milk was \$2.62, up 47 cents from last week. This week, prices range \$2.50-\$2.88.

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 - 2.4420-2.6862  
 F.O.B. producing plants: Upper Midwest - 2.4013-2.6048

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS, F.O.B. PRODUCING PLANTS:  
 Northeast - Class II - includes monthly formula prices - .75-.93  
 Northeast - Class III - spot prices - .71-.94

## MIDWEST

Milk production throughout the Central region is mostly steady but milk volumes coming into the region from out-of-region sources are mostly lower. Protein and butterfat milk components are rising. Milk handlers note farm milk pickups are trending higher and there is evidence of expansions taking place. Feed availability within the region is ample to support herd growth. Sales into Class I are mixed from area to area. Southeast bottlers are actively drawing on milk supplies in the Central region to meet fluid milk demand. Other

processors report the demand to send milk into bottling is steady to somewhat lower. The DMN *National Retail Report-Dairy* for September 9-15 noted the national weighted average advertised price for one gallon of milk was \$2.82, up \$0.02 from a week ago, and \$0.37 higher than a year ago. The weighted average regional prices in the Midwest and South Central and changes from the previous week are \$3.65(+\$1.66) and \$2.71(-\$.11), respectively. The draw on milk supplies to refill the school pipeline stabilized as of this week. Class II sales are generally lower as frozen dessert manufacturers realign production schedules with fall demand. Some production lines of fall holiday novelties are starting. Cream multiples are lower, 1.18-1.28. A handful of manufacturers are beginning discussions on 2017 milk/cream supply contracts. Spot milk load availability is limited. Milk marketers indicate inquiries are active with end users looking for spot loads of milk to support active production schedules at cheese plants. Spot milk prices range from \$1.00 to \$3.00 over class. Periods of rainstorms decreased the days available for fieldwork in much of the Central region this week. Corn silage harvesting is ongoing, as weather permits. Far South Central operators report they are taking a sixth cutting of alfalfa while North Central producers started winter wheat planting, especially as soybean fields mature.

## WEST

Farm milk intakes are steady to higher in California as daytime temperatures continue dropping. Milk components are slowly improving. Manufacturers report having sufficient milk supplies for processing. Requests from bottlers have plateaued as school milk pipelines are filled. Class 1 sales to restaurants and grocery stores are slightly lower. Demand for Class 2 is steady at the customary level. Class 3 (ice cream) sales are seasonally down. Dairy operators' demand for premium/supreme quality alfalfa hay is active, but supplies are tight throughout California. The October 2016 Class 1 prices in California are \$17.77 in the north and \$18.04 in the south. The statewide average Class 1 price based on production is \$17.79. This price is 34 cents lower than September 2016, but 41 cents higher than October 2015. In Arizona, milk production is slightly higher. The cooler morning temperatures, below 100 degrees, are supporting cows' comfort. Orders from bottlers are up as they are trying to refill some schools' pipelines. Requests from the food service and retail sectors are steady. Demands for Class II products, especially ice cream, are weakening. Milk pooled on the Arizona Order 131 totaled 362.8 million pounds in August 2016. Class I utilization accounted for about 31.0% of producer milk. The uniform price was \$16.16, \$0.74 above last month and \$0.28 above one year ago. Milk production is even in New Mexico. Manufacturers have adequate milk supplies for most processing needs. Class I sales to retailers, food service and educational institutions are slightly down. Sales into Class II are seasonally lower. Sales to cheese processing plants are active. Dairy operators' interest for high quality alfalfa hay is light as supplies are readily available. New Mexico is into the fourth and fifth cutting of high quality alfalfa hay. According to the DMN *National Retail Report-Dairy* for the week of September 9-15, the national weighted average advertised price for one gallon of milk is \$2.82, up 2 cents from last week and 37 cents higher from a year ago. The weighted average regional prices in the Southwest and Northwest are \$2.59 and \$2.08, respectively. Milk pooled on Pacific Northwest Order 124 totaled 588.4 million pounds in August 2016. Class I utilization accounted for about 27.6% of producer milk. The uniform

-CONTINUED ON PAGE 4A-

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price was \$15.79, \$0.60 above last month and \$0.94 above one year ago. Pacific Northwest milk intakes have fallen off a bit. Milk production is mostly following typical seasonal patterns. Bottling demand is steady. Manufacturers are processing available milk easily within their own facilities with minimal need to move loads around. Milk production in the mountain states of Colorado, Idaho and Utah is steady to lower. A stretch of cooler temperatures has aided cow comfort. Manufacturers say they have little or no problem getting the milk they need for processing runs. They are able to pick up a few loads of milk to round out production from within the region. Bottling demand is steady. Single serve fluid milk sales are strong with schools, hospitals and other institutions pulling good volumes. Western condensed skim processing is steady. Many producers are opting to dry instead of selling. Interest to process NDM, SMP and MPC is strong. Ice cream/frozen desserts makers are pulling less condensed skim volumes. Cream is less tight in the West region. Bottled milk standardization is adding to cream supplies. In addition, ice cream makers are pulling less cream. Demand from butter churners is active. This week, **multiples** for all classes are mixed, ranging from **1.16 to 1.29**.

## 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 prices are higher in the mostly series, as f.o.b. spot transactions adjusted the pricing series. NDM production is ongoing, as Class I needs continue to pull available milk supplies. Production is well below capacity for most plants. Buyers' spot interest is relaxed this week, with limited activity taking place. Interest in contracting is active, with sales reducing the availability of inventories. Resale market transactions are increasing for buyers needing smaller loads. The market undertone remains firm. High heat nonfat dry milk prices are unchanged. Production is steady to marginally higher as the need for high heat nonfat dry milk increases seasonally. Inventories are adequate for customer needs.

**EAST:** East region low/medium nonfat dry milk prices are mixed in the range series as the spread widened. The mostly series saw prices moved slightly higher. Prices at the CME Group are fairly steady, but higher in some cases, prompted by global indices. Some sources report declines in low/medium heat NDM shipments this week. While activity is light to moderate, there are manufacturers who project that customer orders could reflect a bump in pricing, while they suggest current NDM inventories are "practically sold out" due to end-of-year and the 2017 Q1 sales volumes moving higher. Some brokers have taken exception to that and current prices, while prepared to wait-and-see through what some consider a short-lived market event. The low/medium NDM market undertone is unsettled as prices continue to firm. High heat nonfat dry milk prices are steady. Production is sporadic. Buyers/end users are looking for buying opportunities to fill current needs. Inventories are steady to building as dryer time becomes more devoted to high heat NDM. Wednesday at the CME Group, Grade A NDM closed at \$0.9050, unchanged from the previous Wednesday.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .8400 - .9700 MOSTLY: .9000 - .9400  
 HIGH HEAT: .9800 - 1.0700

## NONFAT DRY MILK - WEST

Western f.o.b. spot prices for low/medium nonfat dry milk (NDM) are mixed on the range, but higher on the mostly series. The market undertone is firmer. Compared to the previous week, sales volumes in the spot market are slightly higher. According to industry participants, some buyers/end users want to settle Q4 contracts in anticipation of prices going higher. Some NDM manufacturers are not hesitant to hold stocks, expecting better prices in the next few weeks. NDM sales into cheese plants for fortification purposes are active. In addition, demand from bakers is improving as the fall baking season approaches. The availability of condensed skim volumes for drying is increasing, as the requests from ice cream manufacturers are lower. Consequently, low/medium heat NDM processing is steady to higher. Inventories are mixed throughout the West. F.O.B. spot prices for high heat nonfat dry milk shifted higher on the bottom of the range, but held steady on the top. Production is sporadic, based on contracts. Inventories are very tight. Thus, trading activity in the spot market is limited.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .8400 - .9800 MOSTLY: .9050 - .9350  
 HIGH HEAT: .9500 - 1.0600

## CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES
September 9	\$.8612	9,688,100
September 2	\$.8460	10,962,954

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. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

## DRY BUTTERMILK - CENTRAL AND EAST

**CENTRAL:** The Central dry buttermilk market saw prices move higher at the lower end of the range. The demand side of the Central dry buttermilk market continues to be light and with spot interest mainly inspired by buyers' immediate needs. Supplies are moving through contracts. Not much trading occurred in the spot market this week. Inventories are comfortable for committed accounts. The market undertone is steady.

**EAST:** Eastern dry buttermilk prices are trending upwards in an unsettled market. Manufacturers are churning at mixed rates as butter needs vary from plant to plant. Manufacturers report stocks as sufficient for customers' contracts, while a few buyers/sellers suggest the market is not as tight as some reports are indicating. Demand has slowed and remains light as bakery orders are primarily hand to mouth. However, the market continues to show some strength on the heels of the NDM market.

F.O.B. CENTRAL/EAST: .8300 - .8900

## DRY BUTTERMILK - WEST

Western dry buttermilk f.o.b. spot prices are higher on the range, but steady to higher on the mostly series. Trading activity has been fair to good throughout the week. According to some industry participants, the firming NDM market is helping to boost dry buttermilk prices. Demand from the bakery sector is improving as the fall baking season is close. Production is active, parallel with the regional butter churning activity. Inventories are steady to higher.

F.O.B. WEST: .8000 - .9200 MOSTLY: .8200 - .8700

## DRY WHOLE MILK - NATIONAL

F.O.B. prices for national dry whole milk are steady. Trading activity in the spot market is light. At this point, the market undertone is unsettled. Dry whole milk production is irregular, based on contractual requirements. Some manufacturers are switching from dry whole milk manufacturing to NDM and SMP production. Inventories vary from plant to plant.

F.O.B. PRODUCING PLANT: 1.2900 - 1.3500

**WHEY, WPC 34%, LACTOSE & CASEIN**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Central whey prices are mostly steady, but went up at the top end of the price range. Industry contacts describe consistent demand and steady inquiries. Inventories are generally tighter and some contacts feel manufacturers are more willing to hold stocks as a cushion. Resellers are active and making trades at the upper end of the range. Dry whey production is steady, but may be hampered a little by increased manufacturing of higher protein concentrations. Animal feed whey prices are unchanged. Foreign demand for whey permeate continues to provide some price support for animal feed whey, but domestic demand remains a little slow. End users seem content to work through existing inventories and wait for good deals offered by manufacturers.

F.O.B. CENTRAL: .2550 - .4000 MOSTLY: .2750 - .3350  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2250 - .2750

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate 34% prices are steady to higher. Prices moved just slightly higher at the bottom of the range and top of the mostly price series. Some manufacturers are still facing stiff competition from feed grade nonfat dry milk priced near the bottom of the WPC 34% price range. The inexpensive NDM keeps the market for WPC 34% (that does not meet high end product specifications) sluggish and price points suppressed. WPC 34% that does meet stricter product specifications is in tight supply and is often priced higher in the price range. In some cases, end users are getting WPC 34% from across the country in order to fill product needs. Production is steady, however a few manufacturers are shut down this month in order to complete maintenance and repairs.

F.O.B. EXTRA GRADE 34% PROTEIN: .6000 - .8750 MOSTLY: .6700 - .7850

**LACTOSE - CENTRAL AND WEST**

Prices for lactose moved slightly higher at the top of the mostly price series, otherwise prices are largely stable. Manufacturers describe steady demand and buyers are looking for deals, or looking to increase future orders. Quarter 4 contracting is ongoing. Lactose production is strong and some processors say they are making more lactose than last year. Industry contacts report an increase in competition from EU lactose in some Oceania markets. They say reduced milk intakes in Europe are prompting a reduction in skim milk powder production and likewise greater availability of lactose. Lactose inventories in the U.S. are still largely committed and tight, however a few processors say they have a little more product available.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2300 - .4050 MOSTLY: .2800 - .3650

**DRY WHEY - NORTHEAST**

Dry whey prices parallel active increases in domestic and global indices. Tighter inventories are a result of seasonal milk clearing to Class I, and summer's heat impact on milk production. Some sources hint that whey solids are clearing to higher protein production, suggesting economics favor higher protein products over whey powder. While customers' scheduled dry whey deliveries are timely, availability is random for purchases in the cash markets. Hence, active trading, at premiums, is occurring in the resale market. The dry whey undertone is firm, in an unsettled market.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3000 - .3450

**CASEIN - NATIONAL**

Rennet casein and acid casein prices slightly increased at the bottom of their price ranges, but were unchanged at the top. There is little spot market activity because most manufacturers have earmarked current production to filling commitments and many current users of casein have previously secured supplies through contracts. Contracting negotiations continue for the first and second quarters of 2017, with some potential buyers even exploring third quarter contracts.

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: 3.0250 - 3.0700  
ACID: 3.0400 - 3.1000

**DRY WHEY - WEST**

Western whey prices moved higher at the top end of both the range and mostly price series. Industry contacts describe mixed inventories. A few manufacturers report being committed through the end of the quarter or end of the year. Other contacts suggest whey is available, or even long in a few cases. Resales are active. Demand is steady. A few contacts note a production shift to higher protein concentrations may be reducing the amount of dry whey being made.

NONHYGROSCOPIC: .2850 - .4000 MOSTLY: .3000 - .3450

**U.S. Dairy Cow Slaughter (1000 head) under Federal Inspection**

WEEK ENDING	2016 WEEKLY DAIRY COWS	2016 CUMULATIVE DAIRY COWS	2015 WEEKLY DAIRY COWS	2015 CUMULATIVE DAIRY COWS
08/27/2016	55.0	1,916.6	53.9	1,944.3

WEBSITE: [http://www.ams.usda.gov/mnreports/sj\\_ls714.txt](http://www.ams.usda.gov/mnreports/sj_ls714.txt)

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2014	21.15	23.35	23.33	24.31	22.57	21.36	21.60	22.25	24.60	23.82	21.94	17.82
2015	16.18	15.46	15.56	15.81	16.19	16.72	16.33	16.27	15.82	15.46	15.30	14.44

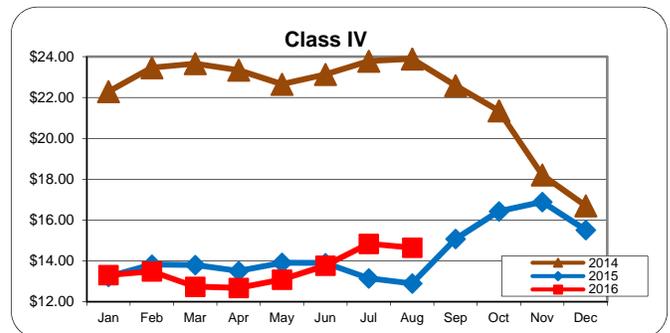
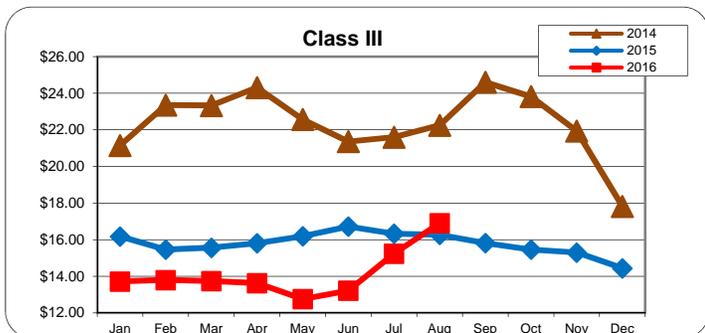
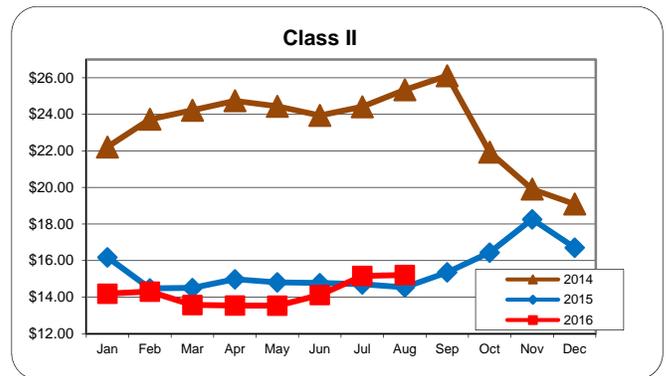
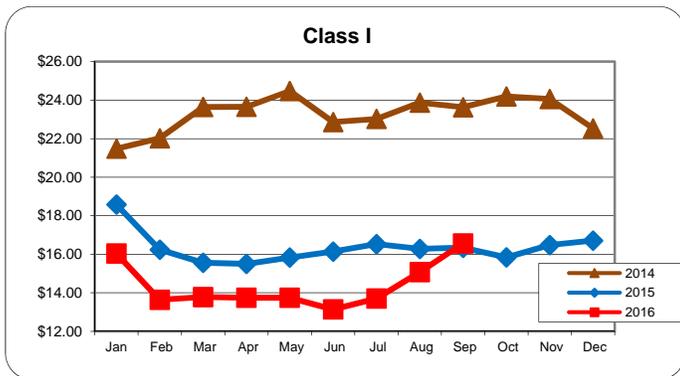
**CLASS IV MILK PRICES (3.5%)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2014	22.29	23.46	23.66	23.34	22.65	23.13	23.78	23.89	22.58	21.35	18.21	16.70
2015	13.23	13.82	13.80	13.51	13.91	13.90	13.15	12.90	15.08	16.43	16.89	15.52

**FEDERAL MILK ORDER CLASS PRICES FOR 2016 (3.5%)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.04	13.64	13.78	13.74	13.70	13.14	13.70	15.07	16.56			
II	14.19	14.30	13.57	13.54	13.53	14.12	15.16	15.21				
III	13.72	13.80	13.74	13.63	12.76	13.22	15.24	16.91				
IV	13.31	13.49	12.74	12.68	13.09	13.77	14.84	14.65				

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 September 5 - 16, 2016

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:** Late August to early September milk deliveries to dairy processors in Germany are reported to be a bit lower than expected. Hotter late summer weather is cited. In France, milk deliveries for the period are about where expected. Last week, final regulations were published in Europe specifying details for reducing the milk supply, extending skim milk powder intervention, and extending private storage aid. Total funds assigned to the milk production reduction program are 150 million Euros. Producers seeking funds for the three month period from October to December 2016 must apply by noon Brussels time on September 21. The goal is reducing milk production by 1.1 million MT. Aid will be fixed at 14 Euros per 100 kg of milk production which a producer does not produce, using a defined process comparing past production. The minimum volume of cow milk delivery reduction that can be covered by an aid application is 1500 kg. The maximum volume which can be covered is 50% of the reference volume for the chosen three month period (e.g. 50% of the milk produced by a farmer between October and December 2015). As for the 350 million Euro exceptional adjustment program targeting dairy and beef producers through programs designed by EU member states, each member state wishing to participate has until November 30 to submit to the European Commission, outline plans for using the funding. Successful member states may top up the funding received by up to 100% from the finances of each state. The published regulation also extends SMP intervention from September 30 until December 31. In 2017, intervention will run from January 1 through September 30.

**SWEET WHEY POWDER:** Whey prices in Europe slightly firmed at each end of the price range, continuing recent price strength. There is buying interest for feed as well as for food grade whey. Feed grade interest is primarily within the EU while food grade also has some export market activity. EU whey exports January-June 2016 increased 2.3% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: China, 29.1%; Indonesia, 15.1%; and Malaysia, 9.7%.

NONHYGROSCOPIC:

850 - 925

**WHOLE MILK POWDER (WMP):** Prices for whole milk powder in Western Europe firmed at each end of the price range. There is good buying from the European food industry, which is supporting price strength. Contracts for first quarter 2017 are being developed. Export interest is also helping to support prices. Some buyers are shopping around in hopes of finding slightly better price offers than initial quotes from some manufacturers. EU WMP exports January-June 2016 increased 2.7% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Oman, 16.0%; Algeria, 6.5%; and Cuba, 4.7%.

26% BUTTERFAT:

2,750 - 2,900

**BUTTER/BUTTEROIL:** Butter prices in Western Europe firmed at each end of the price range. Butteroil slightly declined. Stocks of fresh butter are lower than desired levels and retail demand is increasing. With cream prices firming, upward pressure on packaged butter pricing is expected to continue. Some sales of older packaged butter at prices below fresh butter have filled a bit of current demand. Bulk butter interest has somewhat weakened. EU butter exports January-June 2016 increased 37.2% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Saudi Arabia, 12.4%; Egypt, 10.3%; and U.S.A., 8.9%.

82% BUTTERFAT: 4,100 - 4,300

99% BUTTERFAT: 3,975 - 4,450

**SKIM MILK POWDER (SMP):** Skim milk powder prices in Western Europe increased at each end of the price range. There is a declining supply available to buyers following shrinking milk supplies and SMP production. Manufacturers are increasingly cautious about sales terms due to uncertainty as to what production volumes will be possible moving forward. EU SMP exports January-June 2016 decreased 13.7% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Algeria, 14.6%; China, 8.4%; and Egypt, 8.3%.

1.25% BUTTERFAT: 2,150 - 2,250

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 5 - 16, 2016

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.

Hay prices in **Australia** have been elevated, with low stocks and inconsistent demand. While recent rainfall has been average, heavy rains during recent months have helped replenish reservoir levels, easing water prices paid by producers using irrigation. Pricing for cull cows remains strong, as does interest by cash strapped dairy producers in reducing herd size as a way to raise cash and reduce ongoing costs. Predictions looking ahead are for a warm and wet spring in much of Australia. Many dairy producers have been unsuccessful in efforts to associate with another processor following recent adjustments by some processors leaving more debt with contracted producers. The situation is that most other major processors in Australia are already at their capacity of supply and are unable to handle additional milk volume. The government's previously announced multi hundred million U.S. dollar equivalent loan package for farmers has yet to reach many dairy producers. Funds are provided to Australian state governments to hand out, and the administrators working with state governments vary in efficiency and resourcing. Many dairy farmers in Victoria, South Australia and Tasmania are waiting on support packages. At the September 6 GDT event #171 in **New Zealand**, average prices ranged from 2.0% to 15.4% higher from the prior event across categories where contracts were executed. The all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$4,769 +15.4%; butter, \$3,764 +14.9%; buttermilk powder, \$2,070 +6.8%; cheddar cheese, \$3,436 +9.0%; lactose, \$787 +2.0%; rennet casein, \$6,720 +6.7%; skim milk powder, \$2,224 +10.0%; and whole milk powder, \$2,793 +3.7%. This continues a significant upward price correction over the past few GDT sessions that has been faster and more significant than many market observers had expected. The magnitude of recent price increases of a significant magnitude has some manufacturers expecting more moderation in the near term, as markets take stock of the overall dairy situation in New Zealand and globally.

**BUTTER:** Butter prices increased significantly at each end of the price range. Several factors are mentioned by dairy market participants. Expectations of slightly less milk being available to make butter in Oceania, a growing domestic consumer market in Australia, plus a market adjustment moving prices closer to EU prices are all cited as contributors. Butter production in Australia during July was down 6.0% from July 2015, the first month of the new production season, according to Dairy Australia. Australia butter exports January-July 2016 decreased 6.5% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Singapore, 13.6%; UAE, 12.2%; and China, 10.9%. GDT event 171 on September 6 yielded butter prices for the October 2016 contract up 22.6% and for all contracts up 14.9%.

82% BUTTERFAT: 3,850 – 4,000

**SKIM MILK POWDER (SMP):** Skim milk powder prices increased at each end of the price range. The perception of recent lower production in Oceania and reduced SMP production in the EU as declining milk production there shifts into cheese to redress low inventories, is motivating buyers to step forward and secure SMP and future commitments. SMP production in Australia during July was down

24.1% from July 2015, the first month of the new production season, according to Dairy Australia. Australia SMP exports January-July 2016 decreased 17.9% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Indonesia, 21.8%; China, 11.9%; and Malaysia, 9.9%. GDT event 171 on September 6 yielded SMP prices for the October 2016 contract up 12.7% and for all contracts up 10.0%.

1.25% BUTTERFAT: 2,275 - 2,300

**CHEDDAR CHEESE:** Cheddar prices increased at each end of the price range. Reduced early season milk availability for making cheddar left lower cheese production while exports increased. Cheese production in Australia during July was down 9.5% from July 2015, the first month of the new production season, according to Dairy Australia. Australia cheese exports January-July 2016 increased 1.7% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: Japan, 48.9%; China, 12.9%; and Malaysia, 5.1%. GDT event 171 on September 6 yielded cheese prices for the October 2016 contract up 13.3% and for all contracts up 9.0%.

39% MAXIMUM MOISTURE: 3,400 - 3,625

**WHOLE MILK POWDER (WMP):** Whole milk powder prices strengthened at each end of the price range but more at the lower end. WMP prices are now at the highest level of 2016. Some market participants believe the recent string of price increases in recent weeks leading to this point may be a market leading fundamentals, but the market has been trending up nevertheless. WMP is perhaps the most important single dairy product exported from the region. WMP also significantly influences the farmgate milk pay price of a large dairy processor in New Zealand. Thus, recent price strength for WMP is especially welcome, not only for the per se impact on WMP processing, but the formulaic impact on future milk pay prices. WMP production in Australia during July was down 59.9% from July 2015, the first month of the new production season, according to Dairy Australia. Australia WMP exports January-July 2016 decreased 5.4% from the same period of 2015 according to Eucolait. The top three export destinations and percentage of total exports are: China, 22.7%; Sri Lanka, 17.5%; and Singapore, 12.7%. GDT event 171 on September 6 yielded WMP prices for the October 2016 contract up 4.4% and for all contracts up 3.7%.

26% BUTTERFAT: 2,750 - 2,950

**Exchange rates for selected foreign currencies:  
September 12, 2016**

.0670 Argentina Peso	.0098 Japan Yen
.7567 Australian Dollar	.0531 Mexican Peso
.7668 Canadian Dollar	.7352 New Zealand Dollar
1.1237 Euro	.2583 Poland Zloty
.0150 India Rupee	

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0531) = 18.8324 Mexican Pesos. Source: "Wall Street Journal"

## INTERNATIONAL DAIRY MARKET NEWS

US\$/MT	Global/Dairy Trading (gDT) Event 171 Recap - September 6, 2016							
	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6	All Contracts	
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17		
Anhydrous Milk Fat	\$4,797 4.3%	\$4,728 16.8%	\$4,781 18.0%	\$4,776 14.9%	\$4,837 16.8%	\$4,780 13.8%	\$4,769	15.4%
Butter	\$4,035 22.6%	\$3,765 17.1%	\$3,710 11.6%	\$3,705 10.9%	\$3,745 15.6%	\$3,735 14.0%	\$3,764	14.9%
Buttermilk Powder	n.a.	\$2,039 8.1%	\$2,155 4.9%	\$2,060 3.8%	n.a.	n.a.	\$2,070	6.8%
Cheddar	\$3,880 13.3%	\$3,320 7.5%	\$3,467 13.0%	\$3,440 6.5%	\$3,551 6.4%	n.a.	\$3,436	9.0%
Lactose	n.a.	\$787 2.0%	n.a.	n.a.	n.a.	n.a.	\$787	2.0%
Rennet Casein	\$6,670 7.6%	\$6,709 7.8%	\$6,802 8.2%	\$6,660 1.8%	n.a.	n.a.	\$6,720	6.7%
Skim Milk Powder	\$2,278 12.7%	\$2,216 10.5%	\$2,236 10.8%	\$2,227 8.6%	\$2,208 8.8%	\$2,237 6.2%	\$2,224	10.0%
Sweet Whey Powder	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Whole Milk Powder	\$2,834 4.4%	\$2,808 6.8%	\$2,794 4.1%	\$2,758 -0.2%	\$2,764 1.8%	\$2,982 7.4%	\$2,793	3.7%

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

US\$/Pound	Global/Dairy Trading (gDT) Event 171 Recap - September 6, 2016							
	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6	All Contracts	
	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17		
Anhydrous Milk Fat	\$2.1759 4.3%	\$2.1446 16.8%	\$2.1686 18.0%	\$2.1664 14.9%	\$2.1940 16.8%	\$2.1682 13.8%	\$2.1632	15.4%
Butter	\$1.8303 22.6%	\$1.7078 17.1%	\$1.6828 11.6%	\$1.6806 10.9%	\$1.6987 15.6%	\$1.6942 14.0%	\$1.7073	14.9%
Buttermilk Powder	n.a.	\$0.9249 8.1%	\$0.9775 4.9%	\$0.9344 3.8%	n.a.	n.a.	\$0.9389	6.8%
Cheddar	\$1.7600 13.3%	\$1.5059 7.5%	\$1.5726 13.0%	\$1.5604 6.5%	\$1.6107 6.4%	n.a.	\$1.5586	9.0%
Lactose	n.a.	\$0.3570 2.0%	n.a.	n.a.	n.a.	n.a.	\$0.3570	2.0%
Rennet Casein	\$3.0255 7.6%	\$3.0432 7.8%	\$3.0854 8.2%	\$3.0210 1.8%	n.a.	n.a.	\$3.0482	6.7%
Skim Milk Powder	\$1.0333 12.7%	\$1.0052 10.5%	\$1.0142 10.8%	\$1.0102 8.6%	\$1.0015 8.8%	\$1.0147 6.2%	\$1.0088	10.0%
Sweet Whey Powder	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Whole Milk Powder	\$1.2855 4.4%	\$1.2737 6.8%	\$1.2674 4.1%	\$1.2510 -0.2%	\$1.2537 1.8%	\$1.3526 7.4%	\$1.2669	3.7%

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

**CME GROUP, INC FUTURES**  
Selected settling prices

Month	09/02	09/05	09/06	09/07	09/08	09/09	09/12	09/13	09/14	09/15
<b>CLASS III MILK FUTURES (Pit-Traded) (\$/cwt)</b>										
SEP 16	16.87	NO TRADING	16.99	16.81	16.58	16.51	16.43	16.47	16.45	16.41
OCT 16	16.98		17.32	17.17	16.81	16.70	16.43	16.50	16.47	16.33
NOV 16	16.70		17.07	17.02	16.69	16.59	16.35	16.45	16.42	16.40
DEC 16	16.28		16.58	16.56	16.25	16.20	16.05	16.11	16.13	16.12
JAN 17	15.96		16.19	16.21	15.99	15.96	15.90	15.87	15.92	15.92
FEB 17	15.96		16.20	16.17	16.07	16.01	15.95	15.93	15.95	15.99
MAR 17	16.04		16.20	16.20	16.10	16.04	16.03	15.99	16.07	16.13
APR 17	16.13		16.26	16.26	16.16	16.12	16.12	16.11	16.11	16.13
MAY 17	16.30		16.41	16.40	16.32	16.26	16.24	16.23	16.25	16.25
JUN 17	16.46		16.55	16.55	16.47	16.43	16.42	16.46	16.46	16.46
<b>CLASS IV MILK FUTURES (Pit-Traded) (\$/cwt)</b>										
SEP 16	14.53	NO TRADING	14.53	14.41	14.31	14.31	14.26	14.26	14.24	14.24
OCT 16	15.28		15.30	15.21	14.99	14.96	14.96	14.96	14.93	14.72
NOV 16	15.70		15.88	15.70	15.43	15.44	15.44	15.38	15.37	15.22
DEC 16	15.56		15.69	15.58	15.52	15.47	15.45	15.45	15.44	15.33
<b>CASH SETTLED BUTTER FUTURES (Electronic-Traded) (¢/lb)</b>										
SEP 16	211.28	NO TRADING	209.53	208.98	207.60	208.30	208.00	207.85	207.00	206.75
OCT 16	215.20		215.05	214.25	211.00	211.58	211.08	211.50	210.00	206.00
NOV 16	214.85		214.13	213.50	210.28	211.25	210.60	211.60	209.78	206.75
DEC 16	207.50		206.55	206.58	204.78	205.13	205.28	206.45	204.00	202.35
<b>NONFAT DRY MILK FUTURES (Pit-Traded) (¢/lb)</b>										
SEP 16	89.65	NO TRADING	90.03	89.18	88.50	88.25	88.25	88.48	88.50	88.43
OCT 16	96.05		97.40	95.83	95.00	94.50	94.60	94.80	94.50	94.25
NOV 16	102.45		103.70	102.18	101.00	100.40	99.90	100.00	100.25	100.50
DEC 16	105.00		106.58	104.70	104.15	103.00	103.00	103.50	103.35	103.50
<b>WHEY (Electronic-Traded) (¢/lb)</b>										
SEP 16	30.90	NO TRADING	30.90	30.60	30.60	30.25	30.25	30.35	30.35	30.35
OCT 16	35.50		35.18	35.18	35.08	35.00	35.00	35.00	35.00	34.50
NOV 16	36.30		36.50	37.03	36.08	36.08	36.00	36.00	35.80	35.80
DEC 16	37.25		37.60	37.75	37.50	37.00	37.00	37.00	36.70	36.70
<b>CHEESE CSC (Electronic-Traded) (\$/lb)</b>										
SEP 16	1.80	NO TRADING	1.81	1.79	1.77	1.77	1.76	1.76	1.76	1.76
OCT 16	1.78		1.81	1.80	1.76	1.76	1.73	1.74	1.73	1.73
NOV 16	1.75		1.78	1.78	1.75	1.74	1.71	1.72	1.72	1.72
DEC 16	1.70		1.73	1.73	1.70	1.70	1.68	1.68	1.68	1.69
JAN 17	1.66		1.69	1.69	1.67	1.67	1.66	1.67	1.67	1.67

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

## Mailbox Milk Prices for Selected Reporting Areas in Federal Milk Orders and California, June 2016, With Comparisons

In June 2016, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.43 per cwt, up \$0.06 per cwt from the May 2016 average but down \$2.19 per cwt from the June 2015 average. The component tests of producer milk in June 2016 were: butterfat, 3.67%; protein, 3.04%; and other solids, 5.81%. When compared to the previous month, the June Mailbox prices decreased in 6, increased in 10, and stayed the same in 3 of the 19 Federal milk order reporting areas. The greatest increase of \$0.44 per cwt occurred in the Florida area while the greatest decrease of \$0.13 per cwt occurred in the Western Texas area. Averaged over all Federal milk order reporting areas, the June 2016 Mailbox price increased an average of \$0.05 per cwt. Mailbox prices in June 2016 ranged from \$15.99 in the New England States to \$12.80 in New Mexico.

Reporting Area <sup>1</sup>	Mailbox Milk Price <sup>2</sup>		
	June 2015	May 2016	June 2016
	<i>(dollars per hundredweight)</i>		
New England States <sup>3</sup>	18.18	15.97	15.99
New York	16.74	14.77	14.69
Eastern Pennsylvania <sup>4</sup>	16.49	14.80	14.70
Appalachian States <sup>5</sup>	17.02	15.06	15.07
Southeast States <sup>6</sup>	17.28	14.48	14.62
Southern Missouri <sup>7</sup>	16.59	14.19	14.19
Florida	18.21	15.30	15.74
Western Pennsylvania <sup>8</sup>	16.67	14.56	14.62
Ohio	16.78	14.81	14.86
Indiana	15.87	14.68	14.66
Michigan	15.47	12.90	12.90
Wisconsin	17.82	14.71	14.78
Minnesota	17.61	14.71	14.96
Iowa	16.97	14.42	14.51
Illinois	16.90	14.62	14.57
Corn Belt States <sup>9</sup>	15.86	13.62	13.62
Western Texas <sup>10</sup>	15.70	13.63	13.50
New Mexico	14.62	12.88	12.80
Northwest States <sup>11</sup>	15.83	14.14	14.47
All Federal Order Areas <sup>12</sup>	16.62	14.37	14.43
California <sup>13</sup>	15.05	12.58	13.54

<sup>1</sup> Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders.

<sup>2</sup> Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices include, for the most part, the assessment under the Cooperatives Working Together (CWT) program.

<sup>3</sup> Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

<sup>4</sup> Includes all counties to the east of those listed in <sup>8</sup>.

<sup>5</sup> Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia.

<sup>6</sup> Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi.

<sup>7</sup> Includes the counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these.

<sup>8</sup> The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these.

<sup>9</sup> Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in <sup>7</sup>.

<sup>10</sup> Includes all counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby.

<sup>11</sup> Includes Oregon and Washington.

<sup>12</sup> Weighted average of prices for all selected reporting areas.

<sup>13</sup> Calculated by California Department of Food and Agriculture, and published at:

<https://www.cdffa.ca.gov/dairy/uploader/postings/mailboxmap/Default.aspx>

Report Contact: Randal Stoker, [randal.stoker@usda.gov](mailto:randal.stoker@usda.gov) or 202-690-1932

## July Milk Sales

During July 3.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 4.0 percent lower than July 2015. Estimated sales of total conventional fluid milk products decreased 4.1 percent from July 2015 and estimated sales of total organic fluid milk products decreased 2.8 percent from a year earlier.

Estimated Total U.S. Sales of Fluid Milk Products, July 2016, with Comparisons <sup>1,4</sup>				
Product Name	Sales		Change from: <sup>2</sup>	
	July	Year to Date	Previous Year	Year to Date
	<i>(million pounds)</i>		<i>(percent)</i>	
<b>Conventional Production Practice</b>				
Whole Milk	1,195	8,266	1.9	4.5
Flavored Whole Milk	51	344	8.3	6.9
Reduced Fat Milk (2%)	1,274	8,997	-4.9	-2.4
Low Fat Milk (1%)	492	3,943	-8.7	-5.1
Fat-Free Milk (Skim)	360	2,767	-14.1	-11.2
Flavored Fat-Reduced Milk	148	2,096	-3.1	3.0
Buttermilk	41	292	-4.7	-1.4
Other Fluid Milk Products	5	31	39.8	22.3
Total Fat-Reduced Milk <sup>3</sup>	2,274	17,803	-7.2	-3.4
Total Conventional Milk Products	3,566	26,736	-4.1	-0.8
<b>Organic Production Practice</b>				
Whole Milk	73	536	6.4	14.9
Reduced Fat Milk (2%)	60	455	-0.8	9.2
Low Fat Milk (1%)	33	255	-9.3	-3.1
Fat-Free Milk (Skim)	23	187	-16.9	-9.8
Flavored Fat-Reduced Milk	6	49	-18.8	-25.2
Other Fluid Milk Products	0	1	-----	-----
Total Fat-Reduced Milk <sup>3</sup>	122	947	-7.6	-0.7
Total Organic Milk Products	196	1,484	-2.8	4.4
Total Fluid Milk Products	3,762	28,219	-4.0	-1.0

<sup>1</sup> 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. <sup>2</sup> Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis. <sup>3</sup> Both conventional and organic fat-reduced milk categories are total of reduced fat, lowfat, skim and flavored fat-reduced milk. <sup>4</sup> The California Department of Food and Agriculture (CDFA) clarified reporting instructions starting in July 2015, for packaged product moving plant to plant prior to ultimate distribution. This improved the accuracy of current numbers, but makes current year to prior year comparisons less accurate, and will overstate any year over year decrease in sales. 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, July 2016, with Comparisons <sup>1</sup>					
Marketing Area	Order Number	Sales		Change from: <sup>2</sup>	
		July	Year to Date	Previous Year	Year to Date
		<i>(million pounds)</i>		<i>(percent)</i>	
Northeast	001	644	4,807	-4.9	-1.8
Appalachian	005	252	1,861	-4.1	-0.6
Florida	006	213	1,603	-1.3	1.5
Southeast	007	346	2,573	-3.7	-0.7
Upper Midwest	030	282	2,168	-4.9	-0.5
Central	032	318	2,380	-2.1	-0.1
Mideast	033	415	3,116	-3.5	-0.8
Pacific Northwest	124	158	1,146	-1.6	-0.5
Southwest	126	332	2,558	-3.7	0.2
Arizona	131	79	610	-7.7	-1.8
California <sup>3</sup>	---	422	3,141	-5.4	-3.3
All Orders (Total)		3,039	22,821	-3.8	-0.6
All Areas (Total)		3,461	25,962	-4.0	-1.0

<sup>1</sup> These figures are representative of the consumption of total fluid milk products in the respective area; see footnote <sup>3</sup> above for the products included. <sup>2</sup> Percent changes, as well as sales volumes, are shown on an unadjusted basis. <sup>3</sup> See footnote <sup>4</sup> in the above table regarding California sales.

**Source:** U.S. Department of Agriculture. California Department of Food and Agriculture.

## September Supply and Demand Estimates

The milk production forecast for 2016 is raised from last month as the cow inventory appears to have steadied in the face of expected improvements in returns. The production forecast for 2017 is raised to reflect slightly more rapid growth in milk per cow. Fat basis exports are raised for 2016 and 2017. For 2016, cheese and cream exports have remained firm, and strength in whole milk powder (WMP) exports is expected to carry into 2017. On a skim-solids basis, the export forecasts for 2016 and 2017 are raised on higher WMP and whey sales. Both fat and skim-solids basis ending stocks for 2016 are forecast higher as butter and cheese stocks remain high; fat basis ending stocks are raised for 2017 as well. Cheese and butter prices are lowered for 2016 and 2017 as supplies remain high, but prices for nonfat dry milk (NDM) and whey are forecast higher as the global supply tightens and demand strengthens. The Class III price is lowered for 2016 and 2017 as the reduction in the cheese price more than offsets the whey price increase. The Class IV price is lowered for 2016 as the lower butter price more than offsets the higher NDM price but is raised for 2017 as higher NDM prices more than offset the lower butter price forecast. The all milk price is forecast lower at \$16.10 to \$16.30 per cwt for 2016 but is unchanged from last month at \$16.15 to \$17.15 per cwt for 2017.

U.S. Milk Supply and Use					
Commodity	2015	2016 Projected		2017 Projected	
		Aug	Sep	Aug	Sep
<i>(billion pounds)</i>					
Milk					
Production	208.6	212.1	212.2	215.8	216.1
Farm Use	1.0	1.0	1.0	1.0	1.0
Fat Basis Supply					
Beginning Commercial Stocks	11.2	13.3	13.3	13.7	13.9
Marketings	207.7	211.1	211.3	214.9	215.1
Imports	5.7	7.1	7.0	6.9	6.9
Total Commercial Supply	224.6	231.5	231.6	235.4	235.9
Fat Basis Use					
Commercial Exports	8.8	8.5	8.7	8.7	8.9
Ending Commercial Stocks	13.3	13.7	13.9	13.0	13.1
CCC Donations	0.0	0.0	0.0	0.0	0.0
Domestic Commercial Use	202.5	209.3	209.0	213.8	213.9
Skim-Solid Basis Supply					
Beginning Commercial Stocks	13.1	13.9	13.9	13.6	13.8
Marketings	207.7	211.1	211.3	214.9	215.1
Imports	6.0	6.6	6.6	6.3	6.3
Total Commercial Supply	226.7	231.6	231.7	234.7	235.2
Skim-Solids Basis Use					
Commercial Exports	37.3	37.1	37.6	37.4	38.1
Ending Commercial Stocks	13.9	13.6	13.8	13.3	13.3
CCC Donations	0.0	0.0	0.0	0.0	0.0
Domestic Commercial Use	175.5	180.9	180.3	184.0	183.8

NOTE: Totals may not add due to rounding.

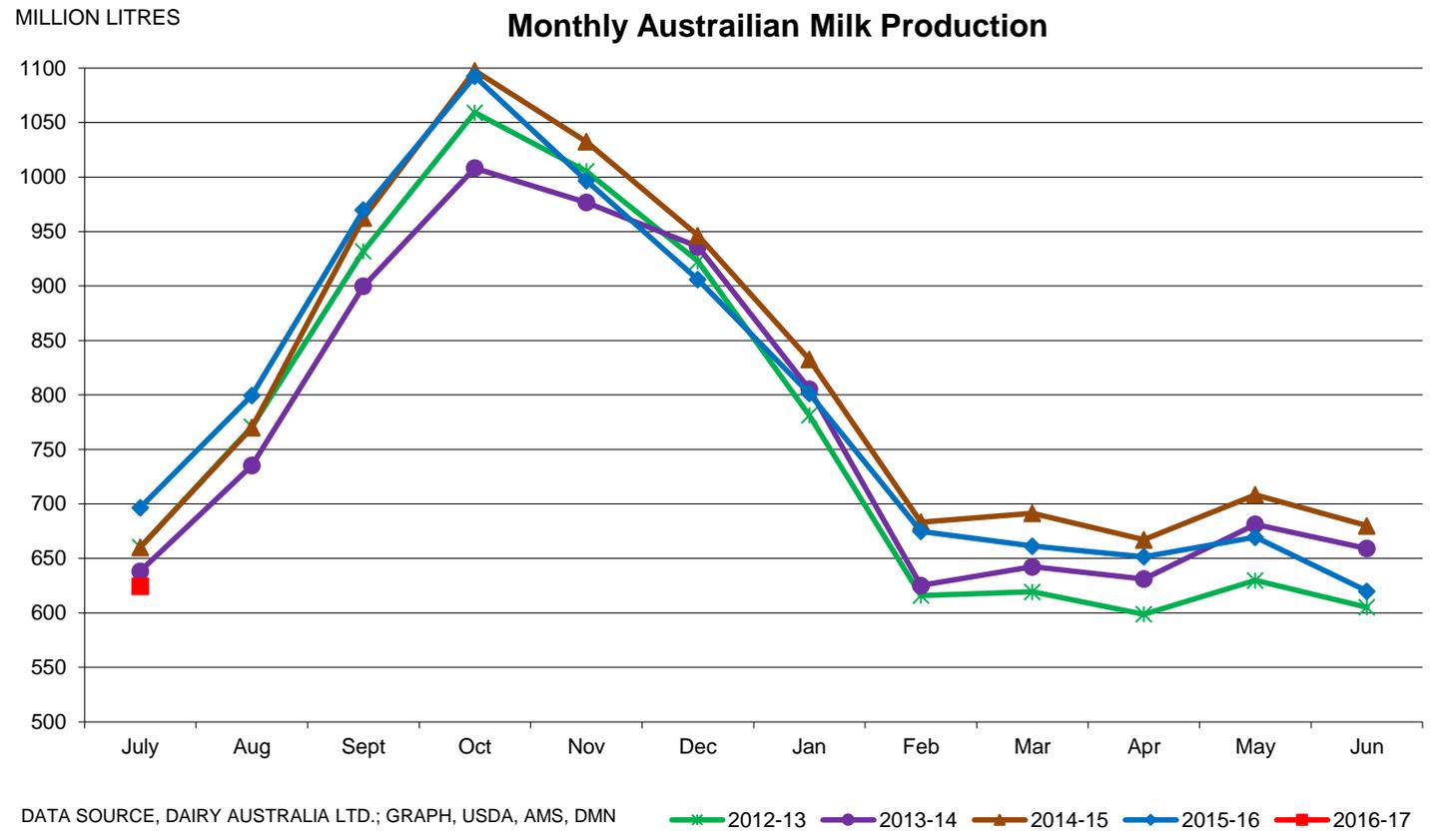
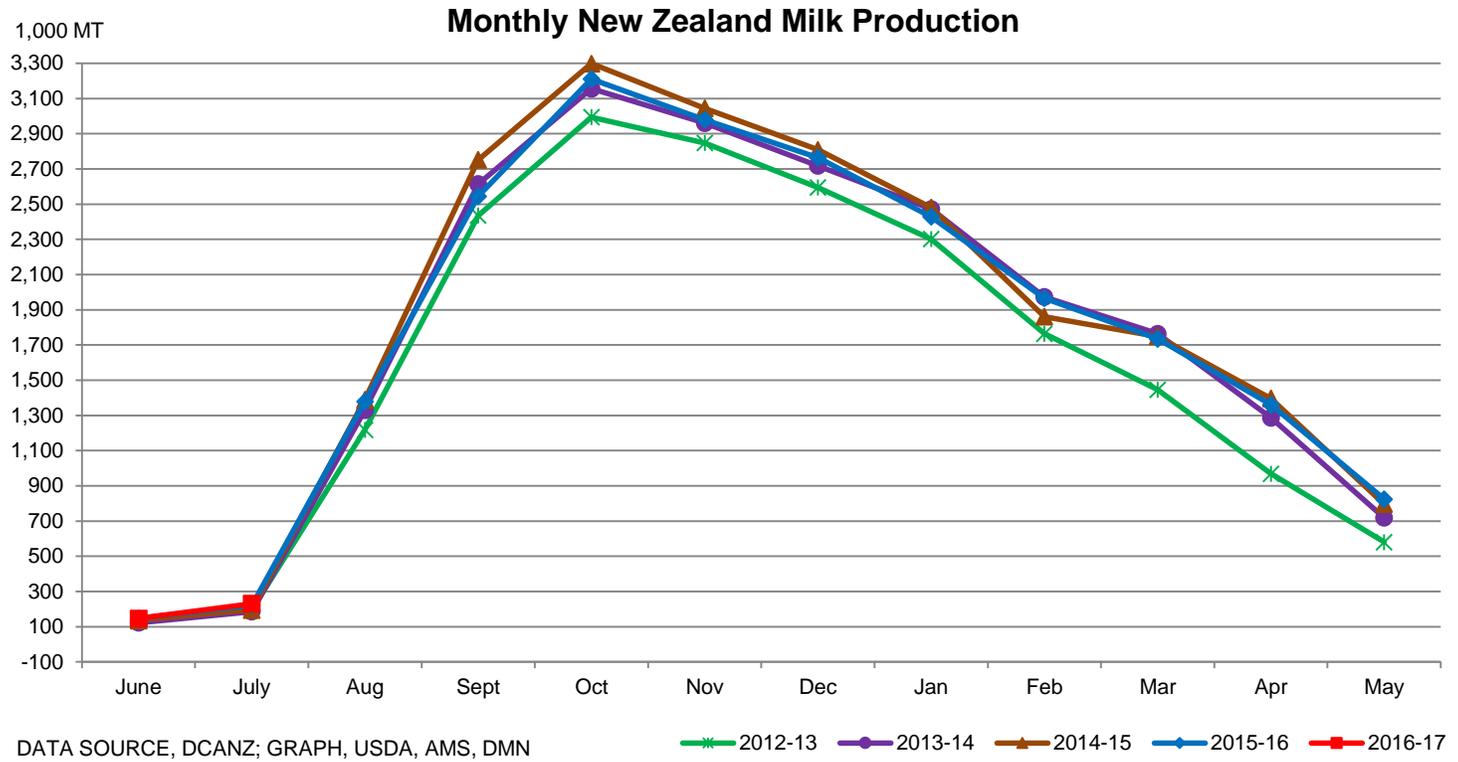
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## September Milk Supply and Demand Estimates-cont'd

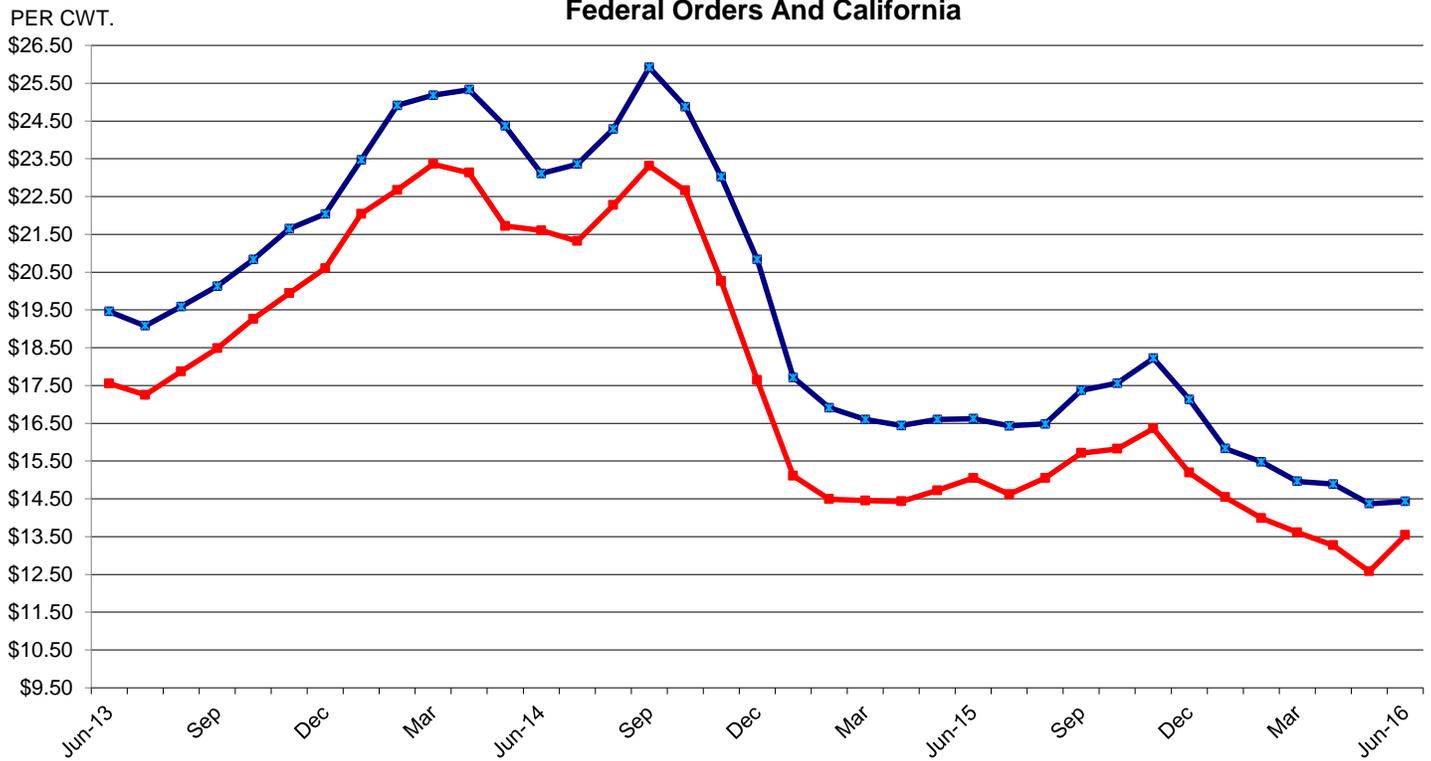
U.S. Dairy Prices					
Commodity	2015	2016 Projected		2017 Projected	
		Aug	Sep	Aug	Sep
<i>(dollars per pound)</i>					
Product Prices <sup>1</sup>					
Cheese	1.6454	1.610-1.630	1.600-1.620	1.615-1.715	1.605-1.705
Butter	2.0670	2.140-2.180	2.080-2.120	1.965-2.095	1.955-2.085
Nonfat Dry Milk	0.9016	0.795-0.815	0.810-0.830	0.865-0.935	0.890-0.960
Dry Whey	0.3804	0.255-0.275	0.260-0.280	0.285-0.315	0.295-0.325
<i>(dollars per cwt)</i>					
Milk Prices <sup>2</sup>					
Class III	15.80	14.80-15.00	14.75-14.95	15.00-16.00	14.95-15.95
Class IV	14.35	13.75-14.05	13.65-13.95	13.60-14.70	13.80-14.90
All Milk <sup>3</sup>	17.12	16.25-16.45	16.10-16.30	16.15-17.15	16.15-17.15
<b>Quarterly</b>					
	2016 II	2016 III <sup>4</sup>	2016 IV <sup>4</sup>	2017 I <sup>4</sup>	2017 II <sup>4</sup>
<i>(billion pounds)</i>					
Milk Production	54.4	52.5	52.3	53.5	55.4
<i>(dollars per cwt)</i>					
All Milk Price <sup>2,3</sup>	14.77	16.75-16.95	17.25-17.75	16.20-17.00	15.60-16.60
Class III Price <sup>2</sup>	13.20	16.20-16.40	15.80-16.30	14.70-15.50	14.60-15.60
Class IV Price <sup>2</sup>	13.18	14.35-14.65	13.95-14.55	13.50-14.40	13.65-14.75

<sup>1</sup> Simple average of monthly prices calculated from AMS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/rules-regulations/mmr/dmr>; scroll down to Publications, National Dairy Products Sales Reports, and select Current Release & Archives." <sup>2</sup> Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. <sup>3</sup> Does not reflect any deductions from producers as authorized by legislation. <sup>4</sup> Projection.

**Source:** U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-557, September 12, 2016*. Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Roger Cryan, AMS; Paul Kiendl, FAS; Jerry Cessna, ERS; and Milton Madison, FSA].



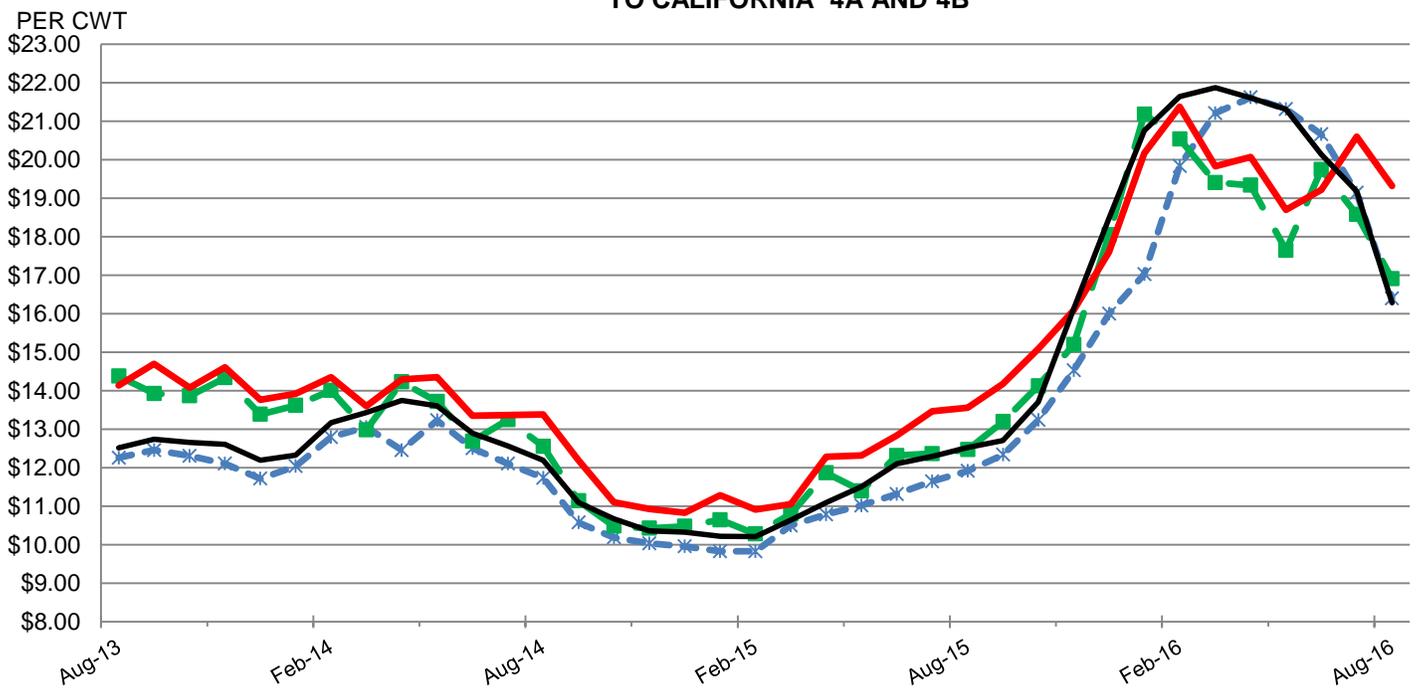
### Monthly Mailbox Price Average for Federal Orders And California



DATA SOURCE: USDA, DAIRY PROGRAMS & STATE OF CALIFORNIA, CDFA; GRAPH: USDA, DMN

FO CA

### FEDERAL ORDER CLASS III AND IV PRICES COMPARED TO CALIFORNIA 4A AND 4B



DATA SOURCE, USDA, DAIRY PROGRAMS &

CA 4A CA 4B F.O. CLASS III F.O. CLASS IV



## Dairy Market News Branch

Agricultural  
Marketing  
Service

# National Retail Report-Dairy

Websites: <http://www.marketnews.usda.gov/mnp/da-home> and <http://www.ams.usda.gov/mnreports/dybretail.pdf>

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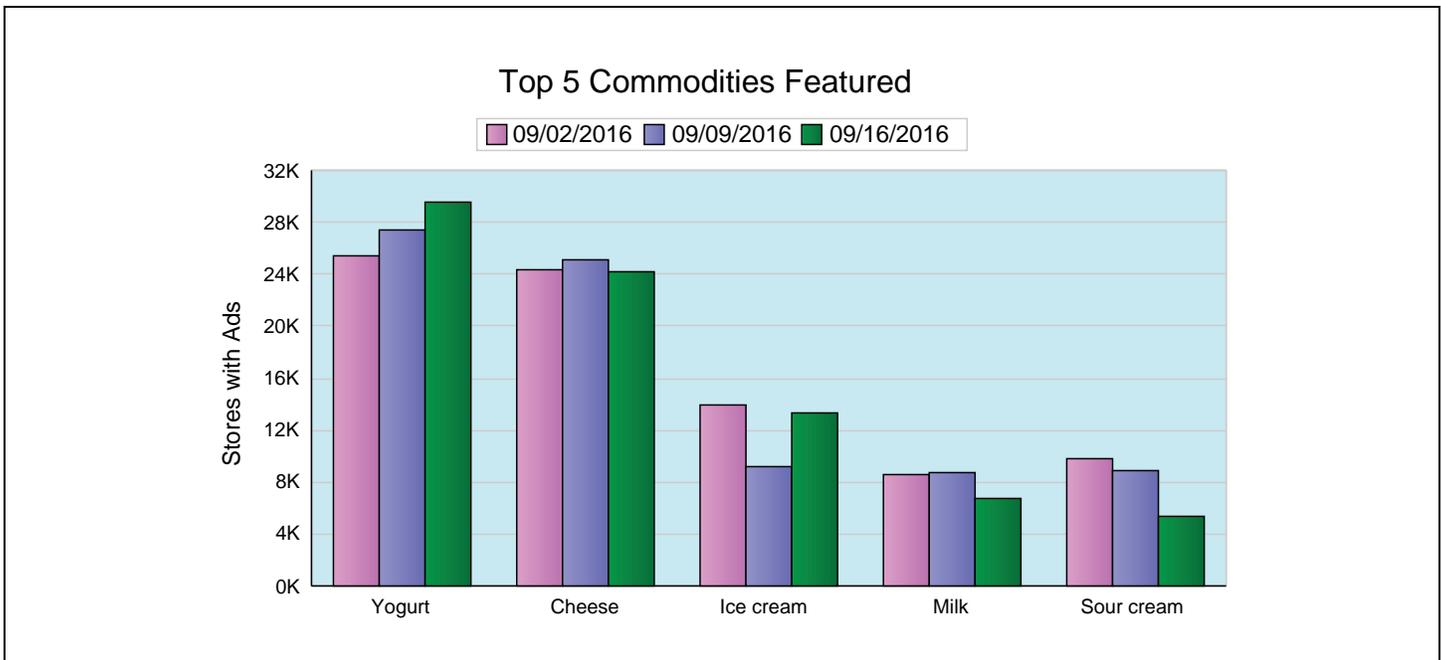
### Advertised Prices for Dairy Products at Major Retail Supermarket Outlets ending during the period of 09/16/2016 to 09/22/2016

Advertisements for conventional ice cream in 48-64 ounce containers increased 34% and the national weighted average advertised price is \$3.10. Organic ice cream averaged \$4.00, an organic price premium of \$.90. The national average price for 1 pound conventional butter is \$3.64, while 1 pound organic butter is \$5.05, an organic price premium of \$1.41. Total conventional butter ads increased 44% while total organic butter ads increased 75%.

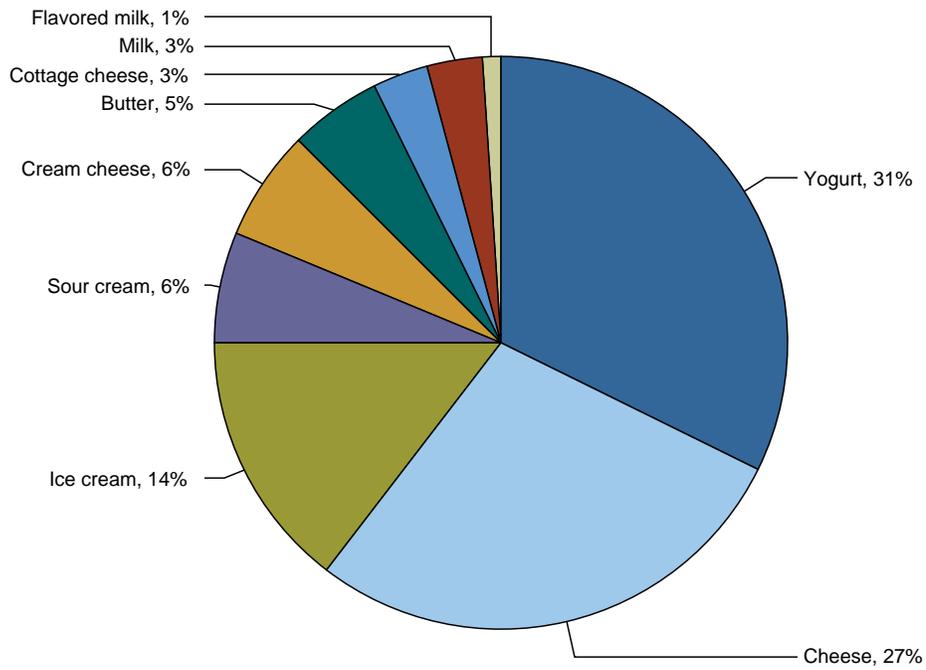
Conventional Greek yogurt in 4-6 ounce containers have an average price of \$0.95, while 4-6 ounce organic Greek yogurt averaged \$1.08, an organic price premium of \$.13. Conventional non-Greek yogurt in 4-6 ounce containers averaged \$.50 and organic yogurt averaged \$.99, an organic price premium of \$.49. Conventional yogurt ads increased by 14% this week, while organic yogurt ads decreased by 44%.

The U.S. advertised price for 8 ounce conventional cheese blocks averaged \$2.40, while 8 ounce organic block cheese averaged \$3.21, an organic price premium of \$.81. Ads for conventional 8 ounce shred cheese averaged \$2.39 while 8 ounce organic shred cheese averaged \$3.21, an organic price premium of \$.82. The number of conventional cheese ads decreased 5%, while organic cheese ads increased 46% this week.

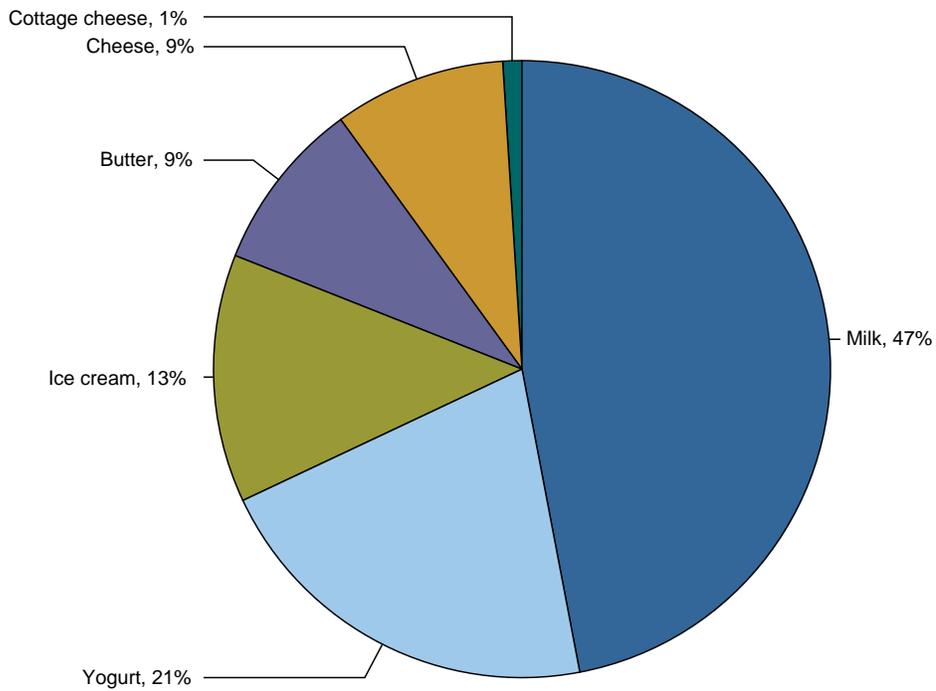
The price premium of the organic half gallon milk price over the conventional half gallon milk price is \$1.93. This represents the difference between the national weighted average price for organic, \$3.70, and conventional, \$1.77. Organic milk advertisements decreased by 23%, while ads for conventional



### Percentage of Total Conventional Ads by Commodity



### Percentage of Total Organic Ads by Commodity





## NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		LAST WEEK		LAST YEAR	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #	4325	3.64	2997	3.29	4200	3.40
Cheese	Natural Varieties	8 oz block	8641	2.40	10142	2.10	6910	2.29
Cheese	Natural Varieties	1 # block	2142	3.68	1262	3.53	2303	3.49
Cheese	Natural Varieties	2 # block	1097	6.43	931	6.01	1396	6.85
Cheese	Natural Varieties	8 oz shred	9430	2.39	11773	2.18	7326	2.38
Cheese	Natural Varieties	1 # shred	2132	3.62	571	3.51	1707	3.45
Cottage cheese		16 oz	2720	1.85	5412	1.70	3785	1.75
Cream cheese		8 oz	5343	2.04	3541	1.88	3794	2.03
Egg nog		half gallon			78	2.99		
Flavored milk	All fat tests	half gallon	900	1.91	1548	1.28	724	2.30
Flavored milk	All fat tests	gallon	404	2.82	610	2.29	321	2.77
Ice cream		48-64oz	12305	3.10	9183	3.09	12904	3.08
Milk	All fat tests	half gallon	150	1.77	1593	1.17	555	1.79
Milk	All fat tests	gallon	2473	2.71	1934	2.82	1139	2.69
Sour cream		16 oz	5368	1.70	8553	1.58	5540	1.56
Yogurt	Greek	4-6 oz	14924	.95	12113	.97	14562	.95
Yogurt	Greek	32 oz	3760	4.58	1967	4.19	2684	4.81
Yogurt	Yogurt	4-6 oz	7191	.50	9349	.48	7013	.51
Yogurt	Yogurt	32 oz	1804	2.50	761	2.35	1094	2.67

## REGIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	2.99-4.99	886	3.53	3.50-3.69	1799	3.61	2.79-3.99	389	3.08
Cheese	Natural Varieties	8 oz block	1.25-3.29	2037	2.17	1.67-3.00	3603	2.45	1.50-2.00	164	1.83
Cheese	Natural Varieties	1 # block	3.49-8.98	429	4.61	3.50	210	3.50	2.98-3.50	553	3.40
Cheese	Natural Varieties	8 oz shred	1.25-3.00	2099	2.26	1.67-3.00	2791	2.40	1.50-2.50	651	2.16
Cheese	Natural Varieties	1 # shred	3.49	100	3.49	3.50	210	3.50	2.98-3.50	553	3.40
Cottage cheese		16 oz	1.66-2.79	574	1.98	1.50-2.00	271	1.61	1.50	221	1.50
Cream cheese		8 oz	1.50-2.99	1036	1.91	1.19-2.50	2011	2.35	0.99-1.99	603	1.68
Flavored milk	All fat tests	half gallon							0.99-2.50	795	1.70
Ice cream		48-64oz	1.88-3.99	2593	2.72	2.50-3.99	4183	3.09	1.98-5.48	1855	3.20
Milk	All fat tests	half gallon							1.50-2.00	150	1.77
Milk	All fat tests	gallon	3.69	137	3.69	1.99-2.69	1203	2.62	1.88-1.99	225	1.94
Sour cream		16 oz	1.49-2.00	1026	1.68	1.50-2.00	1415	1.81	1.50-1.89	757	1.62
Yogurt	Greek	4-6 oz	0.60-1.25	4054	.95	0.85-1.00	3806	.97	0.88-1.18	1391	1.01
Yogurt	Greek	32 oz	3.99-5.88	1361	4.85	4.49-4.99	1144	4.52	3.99	180	3.99
Yogurt	Yogurt	4-6 oz	0.40-1.25	2375	.53	0.50-0.60	2146	.55	0.29-0.54	707	.41
Yogurt	Yogurt	32 oz	1.99-2.79	1051	2.58	2.79	61	2.79	1.88-1.99	188	1.95

Wtd Avg - Simple weighted average



Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	2.99-3.50	432	3.40	2.99-5.49	609	4.40	3.59-3.99	210	3.79
Cheese	Natural Varieties	8 oz block	1.48-2.99	778	2.16	1.79-3.50	1422	2.58	1.25-3.50	637	2.91
Cheese	Natural Varieties	1 # block	3.50	141	3.50	2.77-3.50	454	3.11	3.50-3.99	355	3.90
Cheese	Natural Varieties	2 # block	4.99	121	4.99	5.00-7.99	705	6.81	2.99-7.99	271	6.09
Cheese	Natural Varieties	8 oz shred	1.48-2.99	1168	2.47	1.79-3.00	1954	2.38	1.25-3.50	767	2.84
Cheese	Natural Varieties	1 # shred	3.50	219	3.50	2.77-4.99	695	3.76	3.50-3.99	355	3.90
Cottage cheese		16 oz	1.50-2.69	192	2.21	1.25-2.00	987	1.77	1.67-2.50	475	2.01
Cream cheese		8 oz	1.49-2.79	587	1.90	1.67-2.00	871	1.75	2.00-2.50	235	2.28
Flavored milk	All fat tests	half gallon							3.49	105	3.49
Flavored milk	All fat tests	gallon	1.99-3.99	226	2.69	2.99	178	2.99			
Ice cream		48-64oz	2.50-5.50	1317	3.61	2.49-4.99	1941	3.15	3.00-3.77	416	3.17
Milk	All fat tests	gallon	1.88-3.99	803	2.99				1.99	105	1.99
Sour cream		16 oz	1.50-2.00	481	1.73	1.25-2.00	925	1.68	1.50-1.99	764	1.66
Yogurt	Greek	4-6 oz	0.74-1.00	1698	.90	0.69-1.00	2813	.95	0.69-1.33	1162	.90
Yogurt	Greek	32 oz	3.99-4.99	406	4.19	3.99-4.99	600	4.69	3.00	69	3.00
Yogurt	Yogurt	4-6 oz	0.29-0.50	882	.40	0.40-0.50	907	.49	0.33-0.40	174	.37
Yogurt	Yogurt	32 oz	2.50	121	2.50	2.49-2.50	383	2.49			

Commodity	Type	Pack Size	ALASKA U.S.			HAWAII U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price

### NATIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		LAST WEEK		LAST YEAR	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #	798	5.05	455	4.69	372	3.46
Cheese	Natural Varieties	8 oz block	371	3.21	310	3.50	817	3.75
Cheese	Natural Varieties	8 oz shred	369	3.21	196	3.78	210	3.50
Cottage cheese		16 oz	105	2.99	219	2.73	283	3.28
Flavored milk	All fat tests	half gallon			1083	4.49		
Ice cream		48-64oz	1083	4.00				
Milk	All fat tests	half gallon	2678	3.70	4918	3.94	1366	3.80
Milk	All fat tests	gallon	740	5.25	214	4.99	351	5.77
Milk	All fat tests	8 oz UHT	638	1.02	105	1.00	121	1.00

Wtd Avg - Simple weighted average



Sour cream		16 oz			310	2.02		
Yogurt	Greek	4-6 oz	1480	1.08	912	1.06	400	1.21
Yogurt	Greek	32 oz	289	4.49			114	5.99
Yogurt	Yogurt	4-6 oz	59	.99	59	.99	63	.99
Yogurt	Yogurt	32 oz			2301	3.96	285	2.63

### REGIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	5.49	84	5.49						
Ice cream		48-64oz				4.00	1083	4.00			
Milk	All fat tests	half gallon	3.49-4.49	415	3.90	2.99-3.98	285	3.67	2.79-4.78	538	3.54
Milk	All fat tests	gallon	6.49	84	6.49						
Milk	All fat tests	8 oz UHT	1.00-1.25	455	1.03						
Yogurt	Greek	4-6 oz				1.00	210	1.00	0.99-1.00	354	1.00
Yogurt	Yogurt	4-6 oz	0.99	59	.99						

Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	3.99-4.99	358	4.76				4.49-5.99	356	5.23
Cheese	Natural Varieties	8 oz block	3.99	82	3.99				2.99	289	2.99
Cheese	Natural Varieties	8 oz shred	3.99	80	3.99				2.99	289	2.99
Cottage cheese		16 oz							2.99	105	2.99
Milk	All fat tests	half gallon	2.99	219	2.99	2.99-4.49	1047	3.77	3.79-4.49	174	4.21
Milk	All fat tests	gallon				5.00	246	5.00	4.99-5.49	410	5.14
Milk	All fat tests	8 oz UHT	1.00	78	1.00				1.00	105	1.00
Yogurt	Greek	4-6 oz	1.00	219	1.00	1.00-1.50	697	1.18			
Yogurt	Greek	32 oz							4.49	289	4.49

Commodity	Type	Pack Size	ALASKA U.S.			HAWAII U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price

### REGIONAL DEFINITIONS

As used in this report, regions include the following states:

NORTHEAST U.S. Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode

Wtd Avg - Simple weighted average



SOUTHEAST U.S.	Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia
MIDWEST U.S.	Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin
SOUTH CENTRAL U.S.	Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas
SOUTHWEST U.S.	Arizona, California, Nevada and Utah
NORTHWEST U.S.	Idaho, Montana, Oregon, Washington, and Wyoming
ALASKA	Alaska
HAWAII	Hawaii
NATIONAL	Continental United States



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Agricultural Marketing Service

Dairy Programs

Market Information Branch

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