

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (8/30):**

**BUTTER:** Grade AA closed at \$1.4375. The weekly average for Grade AA is \$1.4215 (+.0520).

**CHEESE:** Barrels closed at \$1.7700 and 40# blocks at \$1.7825. The weekly average for barrels is \$1.7355 (+.0625) and blocks, \$1.7370 (+.0470).

**BUTTER HIGHLIGHTS:** The butter market tone has changed as sales increased at the CME Group this week and the market began to move higher. Many buyers now appear ready to increase inventories ahead of the fall season. Cream supplies are seeing increased cream cheese demand competing with butter churns. Retail demand has substantially improved for print butter accounts with churns in the West and parts of the Northeast region operating busy schedules to fill orders. Export demand has also improved with some Eastern butter makers focusing on 82% production to fill export orders. Butter stocks remain heavy, but increased demand is helping move some product out of cold storage. Friday's trading on the CME Group saw the butter close at \$1.4375 with the market up \$0.0425 for the week.

**CHEESE HIGHLIGHTS:** Cheese prices continued to see saw up and down with prices firming this week in spot trading. The market has been within a mostly 10 cent spread for the bulk of the summer. Most participants are content to stay the course at current prices. Cheese production levels are above year ago with adequate inventory in cold storage. Hot weather across much of the country this week reduced milk intakes in addition to seasonally lower production. Demand is reported to be good with buyers looking for price breaks to purchase above immediate needs. Export demand is good with prices competitive into the international market. Additional assistance from the CWT program is helping to make international sales.

**FLUID MILK:** Milk production is declining in most regions of the nation with the exception of California and the Northeast, which are seeing mostly steady production from week to week. Hot, humid weather conditions have accelerated milk production declines in Florida, Arizona and the Midwest. Manufacturing milk supplies have declined across most of the nation; due to milk production declines and Class I demand increases. Cream prices are gyrating ahead of the holiday. More offerings are being noted over the weekend with cream cheese manufacturers showing the greatest demand for cream.

**DRY PRODUCTS:** Nonfat dry milk prices continue to move higher in a firm market. Lower milk volumes and lower milk components have reduced manufactured volumes of nonfat dry milk. Demand is mixed with substantial volumes of NDM and SMP moving through export, while

domestic interest is light. Dry buttermilk prices moved slightly higher as supplies remain tight and held in firm hands. Production levels are uneven with expectations of increased production through the holiday period. Demand is fair to good for current offerings. Dry whole milk prices are steady. Some manufacturers are looking to increase production, prompted by improved international demand. Dry whey prices are uneven. The market has remained in a sideways range for a few weeks with only slight movements up or down. Production is trending lower with current supplies sufficient to cover demand. Whey protein concentrate 34% prices are steady to higher this week. Production has declined as less fluid volumes are making their way into the whey stream. Supplies are fairly tight with some manufacturers sold out till the end of the year. Lactose prices are higher. Production is declining along the seasonal trend and supplies are tightening.

**INTERNATIONAL MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW:** Milk production trends are mostly favorable across a wide range of countries in Western Europe. While official numbers are not out for July, reports are that milk production is higher than last year in Germany, the Netherlands, France and England. Current weather conditions are conducive to milk gains. Higher milk prices and lower feed costs are also contributing factors. Most countries have seen milk intakes grow and those that had been well below year ago levels, have now seen milk grow closer to the mark of a year ago. The gains have allowed processors to catch up on production of products that have been delayed and for others to better maximize returns. Dairy product prices are mostly steady to higher. Demand is fair to good for current offerings and buyers are looking to secure current and future needs. The higher Euro values versus other currencies continue to make EU sourced dairy products more expensive. The relative prices are making exporting more challenging. There is a strong demand for cream as manufacturers make additional products. PSA butter clearances for the program year ending August 15 were 89,321 MT, down 33% from the 133,306 MT in 2012, and down 15% from the 105,705 MT in 2011. **EASTERN OVERVIEW:** Eastern European milk production trends are lower on a seasonal basis, yet several countries are now recording volumes above a year ago. In July, milk production in Poland was 2.8% more than July 2012. Additionally, output of cheese and butter are above a year ago. Processing plants are able to handle the current milk supplies. Demand for dairy products remains fair to good with clearances to both local and export channels.

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## \*\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*\*

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DAIRY GRAPHS (G1)CME GROUP CASH TRADING

COMMODITY	MONDAY AUG 26	TUESDAY AUG 27	WEDNESDAY AUG 28	THURSDAY AUG 29	FRIDAY AUG 30	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.7050 (+.0625)	\$1.7050 (N.C.)	\$1.7400 (+.0350)	\$1.7575 (+.0175)	\$1.7700 (+.0125)	:: (+.1275)	:: \$1.7355 (+.0625)
40# BLOCKS	\$1.6950 (+.0250)	\$1.7300 (+.0350)	\$1.7500 (+.0200)	\$1.7275 (-.0225)	\$1.7825 (+.0550)	:: (+.1125)	:: \$1.7370 (+.0470)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	\$1.7800 (N.C.)	:: (N.C.)	:: \$1.7800 (+.0180)
GRADE A	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	:: (N.C.)	:: \$1.8000 (+.0010)
<b>BUTTER</b>							
GRADE AA	\$1.3950 (N.C.)	\$1.4100 (+.0150)	\$1.4300 (+.0200)	\$1.4350 (+.0050)	\$1.4375 (+.0025)	:: (+.0425)	:: \$1.4215 (+.0520)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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**OCEANIA OVERVIEW:** **AUSTRALIAN** milk production is steady to slightly higher on a week-to-week basis. There are more cows being added to the milking strings and the pasture growth situation is good for the time being. Rains and above normal temperatures are resulting in good feed values for pastures. There are concerns in some areas of Queensland and New South Wales about conditions being too wet and pastures being affected by herd traffic. Milk price step-ups are being noted by additional processors. The higher milk prices are a result of better export returns. Advantageous commodity product prices and the relatively weaker value of the Australian currency are favorable to exporters. Dairy farmers see the potential for a more favorable year with their financials. According to Dairy Australia, July milk production in Australia is 3.5% lower than July 2012. The state changes from a year earlier are: New South Wales, -5.3%; Victoria, -3.3%; Queensland -3.0%; South Australia -9.4%; Western Australia +0.8%; and Tasmania +3.8%. **NEW ZEALAND** milk production in June was recorded by DCANZ at 122,000 Tons, down 6.9% from June 2012 and 3.9% below two years ago. June is typically the lowest output month of the season with production only 3 - 5% of the volumes at the peak month, normally seen in October. Current milk production at the end of August is noted to be building with plant intakes increasing. Conditions are favorable for early season pasture growth and cows are in good condition entering the start of the season. Milk price gains are being announced with some payouts, if realized, being at or near record high levels. Dairy product prices are generally steady to slightly higher. Demand is fair to good for offerings. Export interest is rated best with buyers seeking coverage for needs.

**JULY CONSUMER PRICE INDEX (BLS):** The July 2013 CPI for all food is 237.0, up 1.4% from July 2012. The dairy products index is 215.9, up 0.7% from a year ago. The following are the July to July changes for selected products: fresh whole milk is +3.4%; cheese, +1.2%; and butter, +3.1%.

## CME GROUP

MONDAY, AUGUST 26, 2013

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$1.6800, 1 @ \$1.6900, 1 @ \$1.7050, 1 @ \$1.6950; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.7050; 1 CAR 40# BLOCKS @ \$1.6950; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.3950; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4050

TUESDAY, AUGUST 27, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7050; 1 CAR 40# BLOCKS @ \$1.7300; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 25 CARS GRADE AA: 3 @ \$1.3925, 5 @ \$1.3950, 1 @ \$1.3975, 3 @ \$1.4000, 1 @ \$1.4025, 1 @ \$1.4050, 1 @ \$1.4075, 3 @ \$1.4100, 1 @ \$1.4050, 2 @ \$1.4100, 1 @ \$1.4050, 3 @ \$1.4100; LAST BID UNFILLED: 5 CARS GRADE AA @ \$1.4050; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4125

WEDNESDAY, AUGUST 28, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.7400; 1 CAR 40# BLOCKS @ \$1.7500; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$1.4200, 1 @ \$1.4225, 1 @ \$1.4250, 1 @ \$1.4300; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4300

THURSDAY, AUGUST 29, 2013

CHEESE -- SALES: 1 CAR BARRELS @ \$1.7550; 1 CAR 40# BLOCKS @ \$1.7600; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7575; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7275  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.4300, 2 @ \$1.4350; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.4200; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4375

FRIDAY, AUGUST 30, 2013

CHEESE -- SALES: 6 CARS 40# BLOCKS: 1 @ \$1.7375, 1 @ \$1.7475, 1 @ \$1.7575, 1 @ \$1.7800, 2 @ \$1.7825; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7700; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.4350, 1 @ \$1.4450, 1 @ \$1.4375; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4300; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.4450

## BUTTER MARKETS

## NORTHEAST

The CME Group butter price increased \$0.0150 in active trading Tuesday and closed at \$1.4100. Butter prices have advanced in 4 of the last 5 trading sessions with a net gain of 5 cents. Tighter cream supplies this week, due to increased Class II demand, are keeping some volumes from going to churns. Production of 82% unsalted butter for export is very active as supplies are tight and demand is good with European butter prices considerably above the US price. Domestic demand is improving as relatively low butter prices are prompting some retailers to build inventories for the fall season. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 493,284 pounds (224 metric tons) of butter. The product will be delivered August through February 2014. During 2013, CWT has assisted member cooperatives in making export sales of butter totaling 65.440 million pounds. Current bulk butter prices for domestic sales are reported 2-4 cents over the market on the CME Group with various time frames and averages used. Bulk butter prices for export are considerably above the domestic market. According to the latest NASS Cold Storage report, butter in storage on July 31, totaled 295.8 million pounds, 23.1 million pounds less (-7%) than the prior month stocks, but 61.5 million pounds more (+26%) than July 2012 stocks.

## CENTRAL

Trading on the CME Group has been very active this week. Buyers seemed anxious to purchase loads at current pricing ahead of the fall season. Cream supplies are tight this week as the current heat wave over the Midwest has prompted ice cream manufacturers to increase production ahead of the holiday. Butter production declined this week as numerous butter makers were not inclined to compete for cream loads, knowing increased volumes of standardized cream await them past the Labor Day holiday. Domestic demand for butter has seen some increased interest as retailers have begun to expand their inventories. Export interest has also improved. CME

Group trading through Wednesday has seen butter increase two of the three trading sessions for a net gain of \$0.0350. Bulk butter prices range from 4 cents under, to flat market, depending on brand and other quality/quantity factors. The latest NASS Cold Storage report shows butter stocks were reduced 23.1 million pounds in July, compared to June storage totals. Compared to a year ago totals, July stocks remain heavy at 295.8 million pounds, up 26% compared to July 2012.

## WEST

Western wholesale butter prices based off of the CME Group weekly average were lower again this week. The market tone has changed though as recent sales at the CME Group increased and the market began to move higher. Many buyers that had taken a wait and see attitude towards building their inventories appear ready to make some of those commitments. Cream supplies are finding increased cream cheese demand to compete with butter churns. Retail demand is very good for print butter accounts and churns are running busy schedules to fill that demand. Bulk butter sales are also improved. Butter stocks remain heavy, but increased demand is helping to move some of the inventory out of cold storage. Export demand is also helping to move some butter supplies into the international market. According to the NASS *Cold Storage* report, stocks of butter as of July 31, 2013, total 295.8 million pounds, +26% or 61.5 million pounds more than the close of July last year. Stocks were 7% lower or 23.1 million pounds less than end of June 2013. Butter prices at the CME Group exchange on Wednesday were \$.0200 higher, closing at \$1.4300. Trading at the exchange on Tuesday was hectic as 25 loads were purchased. Buyers and sellers were both active participants as the price firmed 1.5 cents on Tuesday. As of midweek, there have been 29 loads sold at the exchange. Prices for bulk butter range from 3 cents under to 5 cents under the market, based on the CME with various time frames and averages used.

## NATIONAL DAIRY PRODUCTS SALES REPORT

## U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
August 24, 2013	1.3577 4,888,458	1.7769 10,669,480	1.7972 9,293,397	0.5829 8,260,268	1.7741 13,088,851

## CHEESE MARKETS

## NORTHEAST

Cheese prices on the CME Group were mixed Tuesday with barrels unchanged and closing at \$1.7050, while blocks increased \$0.0350 to close at \$1.7300. Following last week's declines of \$0.1225 for barrels and \$0.1075 for blocks, trading through Tuesday this week has recovered \$0.0625 on barrels and \$0.0600 on blocks. Weekly average cheese prices on the CME Group declined significantly last week, lowering wholesale prices for cheddar 40# blocks and Muenster by \$0.0825 and process cheese by \$0.0925. Most cheese plants are receiving adequate milk supplies for their 6-7 day production schedules, but lower milk component levels are reducing yields. Some plants are actively seeking additional loads of condensed skim milk to improve yields and increase production. Cheese production geared for aging programs remains strong. Demand for cheese is good coming from food service and pizza makers ahead of the upcoming school year. Export demand continues to show improved interest. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of July 31, 2013 totaled 1,152.1 million pounds, statistically unchanged compared to one month ago, but 5% higher compared to one year ago. A majority of the holdings are in the form of American cheese (61.2%) totaling 704.5 million pounds, down 1% from one month ago, but 5% higher than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.0%) totaling 414.7 million pounds, 2% more than one month ago and 6% more compared to one year ago. Swiss cheese accounts for 2.8% of holdings at 32.8 million pounds, up 5% from one month ago and 7% more than one year ago. A closer look at the cold storage report showed Eastern stocks of American type cheese totaled 104.0 million pounds, 1.6% more than last month and 18.0% more than July, 2012. Eastern stocks of Other cheese, which is primarily Italian type cheeses, totaled 32.5 million pounds, 1.4% more than last month and 28.8% more than July 2012.

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

Cheddar 40# Block	: 2.0875-2.3725
Process 5# Sliced	: 1.8950-2.3750
Muenster	: 2.1075-2.4675
Grade A Swiss Cuts 10 - 14#	: 3.5150-3.8375

## MIDWEST

Cheese production in the Midwest is mixed as some plants continue production schedules at near capacity levels, while others have had to reduce schedules due to lower milk intakes, caused by the current hot humid weather covering the region. Increases in Class I demand have also limited milk supplies to cheese plants in some areas. Seasonal demand for cheese is increasing with buyers having no problems sourcing what they need, which is an indication that supplies are more than adequate to fill existing orders. Mozzarella sales remain strong with good demand coming from fresh and frozen pizza manufacturers. The good demand from frozen pizza makers is a bit out of the norm for the summer season. Retail cheese sales remain sluggish. Export demand has shown some improved interest. Cheese prices, through Wednesday's trade, have partially rebounded from last week's steep declines with blocks up \$.0800 and barrels \$.0975. NASS reports that in the East North Central Region (Wisconsin, Illinois, Indiana, Ohio and Michigan), American cheese stocks in refrigerated warehouses on July 31, 302.3 million pounds, were unchanged from June but up 1% from July 31 last year. The region holds nearly 43% of the nations'

cold storage stocks of American cheese. National stocks (704.5 million pounds), were down 1% from June but up 5% from one year ago. Other cheese in the East North Central Region as of July 31, 287.1 million pounds, was up 1% from June but even with one year earlier. The region holds over 69% of the nations' cold storage stocks of Other cheese. National stocks (414.7 million pounds), were up 2% from June and up 6% from one year earlier.

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

Process American 5# Loaf	: 1.8725-2.5775
Brick And/Or Muenster 5#	: 2.0725-2.5200
Cheddar 40# Block	: 2.0725-2.9450
Monterey Jack 10#	: 2.0425-2.9500
Blue 5#	: 2.3350-3.3225
Mozzarella 5 - 6# (Low Moisture, Part Skim)	: 1.9150-3.0500
Grade A Swiss Cuts 6 - 9#	: 3.0350-3.1525

## WEST

Wholesale cheese prices based off of the CME Group weekly average moved lower this week. The lower prices brought increased interest in building stocks at these prices. Cheese production is reduced by seasonally tightening milk supplies and increased demand for Class I usage. Although cheese stocks are above year ago levels, buyers are looking to secure product for fall needs in case of supplies becoming tighter. Export demand remains good as prices are competitive in international markets. The CWT program assisted with sales of 3.3 million pounds this week. According to NASS, *Cold Storage* stocks of cheese (total) at the end of July 2013 are 1,152.1 million pounds, 5% higher or 59.4 million pounds more than July 31, 2012. American stocks were 5% higher, and Other Natural stocks were 6% higher than last year. Swiss stocks at the end of July total 32.8 million pounds, up 7% or 2.2 million pounds more than July 31, 2012. July Swiss stocks in storage are 5% above or 1.4 million pounds more than the previous month. Cheese prices at the CME Group on Wednesday closed higher. Barrels on Wednesday were \$.0350 higher to settle at \$1.7400. Blocks were \$.0200 higher and closed at \$1.7500. The market has seesawed up and down over the last few weeks. This week's activity has moved the market back to the mid \$1.7000's. Sales at the CME Group exchange are light with mostly bids moving the price higher. There were 4 loads of blocks sold on Monday with no more sales to midweek.

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

Process 5# Loaf	: 1.8025-2.0600
Cheddar 40# Block	: 1.8075-2.1600
Cheddar 10# Cuts	: 1.9875-2.2075
Monterey Jack 10#	: 1.9975-2.1575
Grade A Swiss Cuts 6 - 9#	: 3.0925-3.5225

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## CHEESE MARKETS

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## FOREIGN

The weekly average block price on the CME Group declined substantially, lowering domestic wholesale foreign type cheese prices by \$0.0825. Imported cheese varieties and Swiss prices were unchanged. Importers should note that August 31, is the last day to enter dairy products into U.S. Customs territory that may be used to qualify and establish eligibility for a calendar year 2014 license. The latest NASS Cold Storage report shows stocks of Other Natural Cheese, which is primarily Italian type cheeses, totaling 414.7 million pounds, 2% more than one month ago and 6% more compared to one year ago. Swiss cheese holdings totaled 32.8 million pounds, up 5% from one month ago and 7% more than one year ago.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.2275-3.7150*
Gorgonzola	: 3.4900-6.4700	: 2.7300-3.1850*
Parmesan (Italy)	: -0-	: 3.6175-5.7075*
Provolone (Italy)	: -0-	: 2.2700-2.4275*
Romano (Cows Milk)	: -0-	: 3.4175-5.5675*
Sardo Romano (Argentine)	: 2.8500-3.6900	: -0-
Reggianito (Argentine)	: 3.2900-4.4600	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.6125-3.9350
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

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

BUTTER : CHEESE

	:	
08/26/13	16,286	: 109,135
08/01/13	18,114	: 112,441
CHANGE	-1,828	: -3,306
% CHANGE	-10	: -3

## FLUID MILK AND CREAM

## EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	190		212	0	78	0
SOUTHEAST STATES	0	0	0	0	5	0

Manufacturing milk supplies in the Northeast and Mid-Atlantic regions are declining, due to strong pulls from bottling plants. Milk production remains about level with last week and above year ago levels. Good weather in both regions prompted increased hay harvest activities and the beginning of the corn silage harvest in New England. Milk production in Florida continues to follow the downward trend and is not expected to bottom out until mid-September. Class I demand remains strong, prompting 190 spot loads to be imported this week. Rainy weather patterns over the past few weeks have caused hay harvest delays and lower quality. Milk supplies are nearly in balance with need in the Southeast region with only a few extra loads, above contract minimums, going to manufacturing plants. Class I demand has leveled off this week as pipelines have been replenished with recent school startups. Milk production continues to decline along the seasonal trend. Demand for cream has improved this week and tightened supplies with ice cream and cream cheese manufacturers having strong pulls and increased production schedules ahead of the holiday. Class I bottling plants are adding to cream supplies with increased volumes of standardized cream. **Cream multiples for all Classes** were in a wide range this week, 1.25-1.43, with pricing dependent on location and date of purchase. **Condensed skim** milk supplies have tightened, due to increased Class I demand. Supplies are held in firm hands as most balancing plants would rather dry their available volumes, given the current nonfat dry milk market. Most supplies are moving through contracts with light spot sale activity.

## 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 -	1.7804-1.9584
F.O.B. producing plants: Upper Midwest -	1.7119-1.8899

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.81 - 1.86
Northeast - Class III - spot prices -	1.53 - 1.59

## MIDWEST

Milk handlers in the Central region were tested this week as a combination of conditions had milk moving around to fill needs. One contact said it was a triple combination of increased fluid demand from retailers for Labor Day specials, Class I demand for schools returning after the holiday, and hot, humid weather reducing available milk supplies as the week progressed. Milk from the Midwest was being transported to the Southeast in increasing amounts to fill immediate demand. Manufacturing milk supplies in the Midwest for spot needs were tight and bringing a premium to secure volume. Class III plants were seeing premiums of \$2.00-2.50 over class for spot milk with some paying the freight in addition. Class IV plants were experiencing many of the same premiums. Class II demand is lighter as many of the ice cream plants are shuttered for the long holiday weekend. Class II demand is expected to rebound after the holiday as cream cheese manufacturers begin their fall production. Cream prices and demand are mixed

with the holiday weekend. **The Class II cream multiple range is steady at 1.25-1.38 for the week.** The week began with the higher multiples, but saw weakness as the weekend moved closer. Butter churns were showing increased interest in cream supplies as the price moved lower. Hot, humid weather across much of the Central region was difficult on dairy cows and reductions in milk volumes and solids were common. Dry weather is becoming more of a concern as rains have been scarce for the month. Crops are showing some stress as corn and soybeans are at crucial stages for producing optimum yields. The dry weather is also limiting third crop alfalfa production in some areas.

## WEST

CALIFORNIA milk production is mostly steady from week to week. The holiday weekend is not expected to create any abnormal impacts in processing milk in the state. Milk will be moved around as some smaller plants take extra days off. Some construction and maintenance projects are still taking place. Class I needs are uneven ahead of the holiday weekend. Most schools and colleges will be in session after Labor Day. July 2013 POOL RECEIPTS of milk in CALIFORNIA total 3.23 billion pounds, 4.8% lower than last year, according to CDFA. Year-to-date through July 2013 receipts are 4.2% lower, unadjusted, from the comparable months in 2012. The July blend price, at a fat test of 3.61%, is \$17.49, \$0.29 lower than June but \$2.42 more than July 2012. The percentage of receipts used in Class 1 products is 13.7%. The July quota price is \$18.55 and the over quota price is \$16.85. These prices are \$0.23 lower than June but \$2.41 higher than a year ago. ARIZONA milk output levels are trending lower. Hot and humid weather conditions are widespread and causing stress on the milking herds. Some dust storms caused power outages and processing issues. Class I orders are good with schools being in session and for holiday needs. Handlers are pulling additional milk volumes. CREAM prices are gyrating ahead of the holiday weekend. More offerings are being noted for cream over the weekend. Buying interest is uneven. Cream is available and pricing is under pressure. Many plants are taking some additional downtime around the holiday. Cream needs are being filled. Butter printing is ramping up to meet end of year needs. At the CME Group, the Grade AA butter price closed at \$1.4300 on Wednesday, August 28, up 5.75 cents from a week earlier. Cream multiples are lower and range from 1.15 to 1.29, and vary depending on class usage and basing points. Milk production in the PACIFIC NORTHWEST remains in a typical seasonal slowdown. Cooler temperatures at night have helped to reduce stress on dairy cows as daytime temperatures are still in the 90's. Processors are seeing some reduced volumes as more milk begins to fill the school pipeline with most schools back after the Labor Day holiday. Processors are taking the available time to complete maintenance projects. There have been no reported interruptions in milk handling as milk is moved to plants with the greatest returns where possible. Dairies are finishing second crop harvest of alfalfa with many into third crop. Crops are late developing this season due to the cold spring, but are not considered to be troublesome. UTAH and IDAHO milk production is also in seasonal decline. Manufacturing plants are running below capacity. Temperatures in Idaho ranged from normal to nearly 10 degrees above normal for the week, continuing the hot trend. Cooler nights have helped to mitigate stress. Crops are in good shape overall, despite a late start. Irrigation supplies are tight and may affect late production of alfalfa. Dairies are taking stock of anticipated feed supplies and preparing strategies for the upcoming year.

## 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:** Central nonfat dry milk prices are higher. The firm market undertone continued this week as manufacturing volumes are having a hard time keeping up with demand. Lower milk volumes and lower components in available milk have tightened manufactured volumes of NDM. Very good demand from international buyers for Q4 is adding to tight supplies. The Labor Day holiday weekend should help to steer some additional milk to butter/powder plants as various manufacturers close for the long weekend. Central supplies of NDM are sufficient for contract fulfillment with some plants able to offer spot loads to the market. Manufacturing of high heat NDM is increasing at some plants to fill contract needs and to take advantage of favorable prices.

**EAST:** Nonfat dry milk prices continued to firm this week as spot sales and sales based on various price indices increased. Nonfat dry milk production has declined in the East as increases in Class I demand are pulling milk volumes away from balancing plants and dryers. Reduced drying schedules are allowing some manufacturers to focus on high heat production. Domestic demand has shown some signs of coming out of the summer doldrums as brokers have received increased inquiries from prospective buyers. Current domestic purchases are covering immediate needs with little inventory expansion. Export demand is improving with increased interest coming from Asia and Mexico. Current nonfat dry milk inventories are held in firm hands. The combination of limited production and improved demand maintains the firm market undertone.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.7700 - 1.8600 MOSTLY: 1.7800 - 1.8200  
 HIGH HEAT: 1.8900 - 1.9200

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM pricing and the market tone are firm. Higher priced NDM is also being traded above the top of the range as producers pass along special testing charges for exporting. Demand remains mixed. Interest into international channels for NDM and SMP is good and clearing substantial volumes. Domestic interest is light. Some U.S. cheese makers are pushing back contract volumes and others are selling excess NDM holdings. The simple monetary reason is that making \$1.60 cheese from \$1.80 NDM through standardizing/fortifying does not pencil. Index based pricing is moderating for national and state indices. Part of the reason is that both reflect NDM sales and do not include SMP. Indications are that resale NDM is also moving into export channels. Production schedules are expected to be slightly higher over the holiday weekend. Producers' holdings of NDM are light to moderate and held with confidence. Western high heat prices continue to move higher. Buyer interest is uneven. Activity centered on contracts is moving, whereas the spot trade is light. Pricing is being affected by changes in low heat and index pricing. High heat stocks are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.7600 - 1.8300 MOSTLY: 1.8000 - 1.8200  
 HIGH HEAT: 1.8200 - 1.9200

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Central dry buttermilk prices are marginally higher as supplies continue to be tight. Buttermilk prices are following the NDM market and spot loads of buttermilk continue to be difficult to find. Most manufacturers report keeping up with contract demand, but have a difficult time building inventories. Some increased butter churning over the holiday weekend could help to alleviate the tight supply. Demand from ice cream plants is winding down seasonally. Some increased sales of condensed buttermilk are being reported as dryers are tied up with NDM production.

**EAST:** Dry buttermilk prices increased as spot sales and sales based on price indices move both ends of the range higher. Dry buttermilk production has increased, somewhat, in the East as some churns are running on increased schedules to meet increasing domestic and export demand for butter. Current dry buttermilk production is moving through contracts with some additions to inventories. Supplies are tight and held in firm hands. Demand for dry buttermilk has declined going into the holiday, but is expected to increase thereafter. Price increases in nonfat dry milk continue to support the firm undertone in the dry buttermilk market.

F.O.B. CENTRAL/EAST: 1.6400 - 1.7025

**DRY BUTTERMILK - WEST**

Dry buttermilk range prices are mixed in light trading in the West. The mostly price series is slightly higher. The market undertone remains firm. Demand is fair to good for current offerings. Buyer interest is light ahead of the holiday. Production levels are uneven, but generally trending lower. Inventory levels are light to moderate and in good shape.

F.O.B. WEST: 1.6500 - 1.7400 MOSTLY: 1.6900 - 1.7100

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are steady this week. Milk volumes were reduced this week as school milk demand kicked into full swing. Hot weather in much of the country also played a factor in reducing available milk supplies. Increased international demand has a number of processors looking to move into new production or increasing current volumes to accommodate some of that demand. Current production is fulfilling contract needs with little additional product for spot needs.

F.O.B. PRODUCING PLANT: 1.9500 - 2.0500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 23	\$1.7585	4,568,958	0
August 16	\$1.7564	6,389,435	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

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

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

**DRY WHEY - CENTRAL**

Central dry whey prices are steady to weak on the full range of prices. The mostly price series is steady. There has been little movement of prices in whey markets over the past few weeks. Whey is available from both manufacturers and brokers. Sales of whey are lackluster as buyers are bargain shopping to make any large purchases. Whey production is lower as cheese plants are finding less milk to process. Competition from higher concentrated whey stream products is also tightening whey production. ANIMAL FEED DRY WHEY prices are steady. Active purchasing through the summer resulted in feed manufacturers reporting good inventory levels of whey. Feed sales for both veal and replacement accounts are reported to be very good.

F.O.B. CENTRAL: .4700 - .6275 MOSTLY: .5200 - .5600  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4050 - .5400

**DRY WHEY - NORTHEAST**

Dry whey prices moved marginally higher as spot sales increased the low end of the range. Cheese and dry whey production have seen modest declines as lower milk component levels and milk supplies have reduced yields. Domestic demand continues to be lackluster, ahead of the holiday, as most end users are making do with their contracted loads or purchasing spot loads only to cover their immediate needs. Export interest is fairly active, but below expectations. Some manufacturers are reducing their inventories by offering price discounts for multiple load orders. The market undertone is steady to weak.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5400 - .6250

**DRY WHEY - WEST**

Western dry whey prices are uneven. The full range was higher due to prices tied to various contract indices, while the mostly range was lower. The market has remained in a sideways range for a few weeks with only slight movements up or down. Whey production is trending lower following seasonal milk volumes. Demand for whey is moderate with some increased interest as end users begin to prepare for fall needs. Current supplies are sufficient for present demand. Export buyers are showing some increased interest also.

NONHYGROSCOPIC: .5400 - .6250 MOSTLY: .5500 - .6050

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices for whey protein concentrate 34% were steady to higher this week. The upper end of both the full price and mostly series moved higher. Contract pricing indices were responsible for the upward movement. Spot prices for WPC 34% are harder to access. Some manufacturers report they are sold out or committed till the end of the year. The combination of less milk for cheese manufacturing and available whey stream solids being sent to WPC 80% production has tightened supplies. Production difficulties have put some manufacturers behind in deliveries with catching up as their main focus. Producers in many cases report demand outweighing supply.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.3000 - 1.5175 MOSTLY: 1.3450 - 1.4075

**LACTOSE - CENTRAL AND WEST**

Lactose prices are higher on the full range as a previous spot bulk sale was completed. The mostly series was unchanged as contract prices for Q4 are beginning to be negotiated. Numerous manufacturers report that they are sold out of spot inventories and are concentrating on filling contract needs. International demand is increasing with Southern Hemisphere customers looking to increase deliveries for their new season. Best demand remains for the higher mesh products. Lactose production is following expected seasonal declines in milk production.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .5200 - .7200 MOSTLY: .5900 - .6900

**CASEIN - NATIONAL**

Both acid and rennet casein pricing series are unchanged with a firm market tone noted. U.S. supplies of casein are light to adequate for trade needs. Milk production trends are higher in European casein producing countries. Returns would favor SMP production over casein in the short term. The milk production season is just starting in Oceania. Early season milk will move to whole milk with casein output coming into play during the upcoming peak.

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: 4.7000 - 5.0000  
ACID: 4.8000 - 5.4000

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009**

BUTTER Bulk \$1.05 per pound; CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; NONFAT DRY MILK \$.80 per pound

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009

**U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2012**

WEEK ENDING	WEEKLY	2013		2012 WEEKLY	2012	
	DAIRY COWS	CUMULATIVE DAIRY COWS		DAIRY COWS	CUMULATIVE DAIRY COWS	
08/10/2013	58.8	1,911.9		57.3	1,857.7	

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

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

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

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77
2012	17.05	16.06	15.72	15.72	15.23	15.63	16.68	17.73	19.00	21.02	20.83	18.66

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

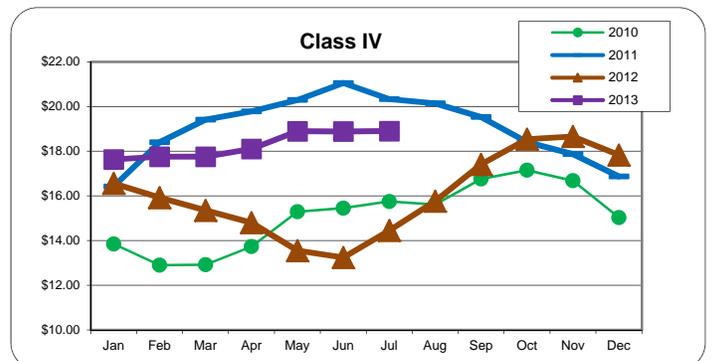
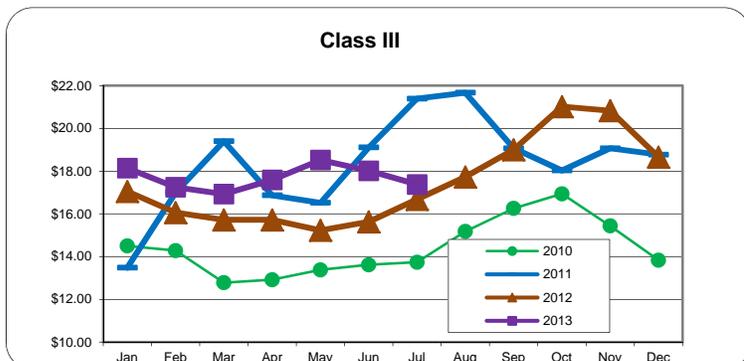
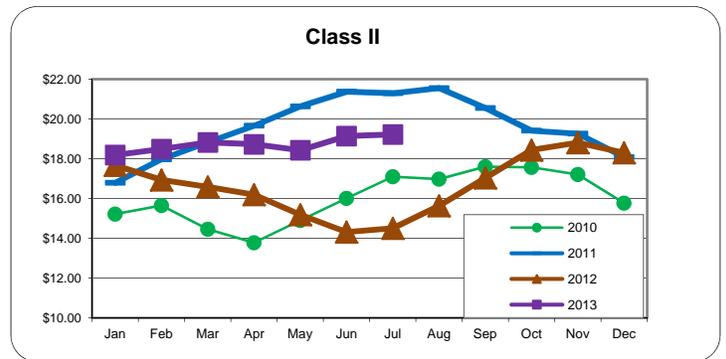
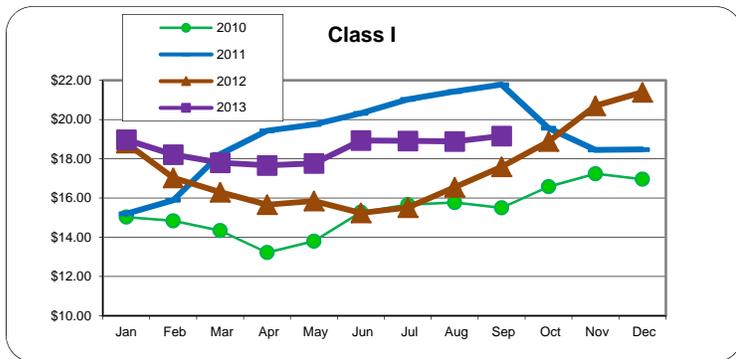
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87
2012	16.56	15.92	15.35	14.80	13.55	13.24	14.45	15.76	17.41	18.54	18.66	17.83

**FEDERAL MILK ORDER CLASS PRICES FOR 2013 (3.5%)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.97	18.21	17.80	17.66	17.76	18.93	18.91	18.88	19.16			
II	18.19	18.49	18.82	18.73	18.43	19.14	19.22					
III	18.14	17.25	16.93	17.59	18.52	18.02	17.38					
IV	17.63	17.75	17.75	18.10	18.89	18.88	18.90					

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 August 19 - 30, 2013

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

**WESTERN OVERVIEW:** Milk production trends are mostly favorable across a wide range of countries in Western Europe. While official numbers are not out for July, reports are that milk production is higher than last year in Germany, the Netherlands, France and England. Current weather conditions are conducive to milk gains. Higher milk prices and lower feed costs are also contributing factors. Most countries have seen milk intakes grow and those that had been well below year ago levels, have now seen milk grow closer to the mark of a year ago. The gains have allowed processors to catch up on production of products that have been delayed and for others to better maximize returns. Dairy product prices are mostly steady to higher. Demand is fair to good for current offerings and buyers are looking to secure current and future needs. The higher Euro values versus other currencies continue to make EU sourced dairy products more expensive. The relative prices are making exporting more challenging. There is a strong demand for cream as manufacturers make additional products. PSA butter clearances for the program year ending August 15 were 89,321 MT, down 33% from the 133,306 MT in 2012, and down 15% from the 105,705 MT in 2011.

**BUTTER/BUTTEROIL:** European butter pricing levels are moving higher, reflecting a good internal demand and higher Euro values. The pricing points remain at levels making exporting prohibitive for most bulk butter. Branded butter shipments are being made to regular accounts. Butter production is steady to lower. There is a good demand for cream for other products. Butter stocks are light. Indications are that some traders/brokers are utilizing U.S. butter. Internal packaged butter demand is higher following summer holidays. PSA butter clearances for the program year ending August 15 were 89,321 MT, down 33% from the 133,306 MT in 2012, and down 15% from the 105,705 MT in 2011. European butteroil prices are slightly higher with limited market activity. Production levels are light.

82% BUTTERFAT: 5,375 - 5,775  
99% BUTTERFAT: 6,100 - 6,750

**SKIM MILK POWDER (SMP):** Pricing levels for European SMP are higher. The market tone is firm. Buying interest is limited to fair for the current light offerings. Inquiries are increasing as buyers attempt to secure needs through the end of the year. Other buyers remain out of the market, hoping to capture better values later in the year. Lower priced options are not readily available from other suppliers. The higher Euro values are also working against exporting from Europe. Production trends are continuing to move lower. Inventory positions are light.

1.25% BUTTERFAT: 4,200 - 4,550

**WHOLE MILK POWDER (WMP):** Pricing levels continue to move higher for European WMP with the market tone remaining firm. Demand is fair to good for nearby and future quarterly needs. Interest inside of Europe is good from food industry accounts. Export interest is fair to good. Buyers also see that pricing levels are holding up well at the latest gDT auction for NZ offerings, even as volumes are increasing seasonally. European WMP production trends have been steady to trending lower. Producers' holdings of WMP are tight.

26% BUTTERFAT: 4,900 - 5,250

**SWEET WHEY POWDER:** Pricing levels for European, dry sweet whey powder are steady to just slightly lower on the top end of the range. Buying interest is off slightly and hinted to be more price sensitive. Offerings are at light to moderate levels. The trade is able to find whey to service internal and export accounts. Some export buyers are shopping around more, seeing lower prices in U.S. markets. Others are seeking coverage for short term and 4th quarter needs. Food whey stocks are moderate. Feed whey interest is more mixed with prices moving higher and lower within the past two weeks. Demand for other whey products and derivatives is fair to good.

NONHYGROSCOPIC: 1,350 - 1,475

**EASTERN OVERVIEW:** Eastern European milk production trends are lower on a seasonal basis, yet several countries are now recording volumes above a year ago. In July, milk production in Poland was 2.8% more than July 2012. Additionally, output of cheese and butter are above a year ago. Processing plants are able to handle the current milk supplies. Demand for dairy products remains fair to good with clearances to both local and export channels.

**Exchange rates for selected foreign currencies:  
August 26, 2013**

.1776 Argentina Peso	.0102 Japan Yen
.9030 Australian Dollar	.0758 Mexican Peso
.9522 Canadian Dollar	.7852 New Zealand Dollar
1.3369 Euro	.3157 Polish Zloty
.0156 India Rupee	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0758) = 13.1926 Mexican Pesos. Source: "Wall Street Journal"

Information gathered August 19 - 30, 2013

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.

**OCEANIA OVERVIEW: AUSTRALIAN** milk production is steady to slightly higher on a week-to-week basis. There are more cows being added to the milking strings and the pasture growth situation is good for the time being. Rains and above normal temperatures are resulting in good feed values for pastures. There are concerns in some areas of Queensland and New South Wales about conditions being too wet and pastures being affected by herd traffic. Milk price step-ups are being noted by additional processors. The higher milk prices are a result of better export returns. Advantageous commodity product prices and the relatively weaker value of the Australian currency are favorable to exporters. Dairy farmers see the potential for a more favorable year with their financials. According to Dairy Australia, July milk production in Australia is 3.5% lower than July 2012. The state changes from a year earlier are: New South Wales, -5.3%; Victoria, -3.3%; Queensland -3.0%; South Australia -9.4%; Western Australia +0.8%; and Tasmania +3.8%.

**NEW ZEALAND** milk production in June was recorded by DCANZ at 122,000 Tons, down 6.9% from June 2012 and 3.9% below two years ago. June is typically the lowest output month of the season with production only 3 - 5% of the volumes at the peak month, normally seen in October. Current milk production at the end of August is noted to be building with plant intakes increasing. Conditions are favorable for early season pasture growth and cows are in good condition entering the start of the season. Milk price gains are being announced with some payouts, if realized, being at or near record high levels. Dairy product prices are generally steady to slightly higher. Demand is fair to good for offerings. Export interest is rated best with buyers seeking coverage for needs.

At the August 20th gDT session #98, the all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$4,931 +7.1%; butter, \$3,614 +3.3%; buttermilk powder, \$4,689 -3.1%; cheddar cheese, \$4,375 +0.9%; lactose, not traded; milk protein concentrate, \$7,828 +1.5%; rennet casein, \$10,085 +1.9%; skim milk powder, \$4,426 -0.7%; and whole milk powder, \$5,124 +2.7%.

**BUTTER:** Pricing for Oceania butter narrowed, moving lower at the top end of the range, while higher off the bottom end. Market activity is light, based around the limited current offerings. New season product is being offered. The trade is still assessing and waiting on news of the recent ban on NZ butter imports for Russia. Domestic demand is steady along projections. Butter production is seasonally light. Butter holdings are limited. At the August 20 gDT event 98, butter averaged \$3,675/MT for the October contracts, +9.5%, and \$3,614/MT for all contract periods, +3.3%. AMF prices averaged \$5,011/MT for the October contracts, +6.6% from the

prior event. The AMF price average was \$4,931/MT for all contract periods, +7.1%.

82% BUTTERFAT: 3,450 - 4,400

**SKIM MILK POWDER (SMP):** Oceania market pricing is up slightly. The market tone is steady to firmer. New season SMP offerings are building slowly. Returns favors the making of WMP. SMP sales activity is improving slightly for future offerings. Demand is fair to good. There are buyers who are short on coverage, looking to secure needs. Competition with other countries offering SMP remains evident in the marketplace. Holdings are light. At the August 20 gDT event 98, SMP for all regions and contracting periods averaged \$4,426 per MT, down 0.7%. For trading in contract period 2, (October 2013), prices averaged \$4,485 for NZ sourced medium heat product. For October sales, the price gap narrowed between U.S. sourced SMP, at \$4,245, to \$240/MT.

1.25% BUTTERFAT: 4,400 - 5,000

**CHEDDAR CHEESE:** The Oceania cheese market is mostly steady. The market tone is generally untested. Buying interest is uneven across the customer base. Domestic needs are being filled. Some export buyers have retreated on needs because of economic conditions in their countries. Needs are being met with product from other countries. The market is watching U.S. pricing and offerings into international channels. Currently, production is at seasonal low levels. Stocks are adequate for trade needs.

39% MAXIMUM MOISTURE: 4,300 - 4,600

**WHOLE MILK POWDER (WMP):** Oceania WMP market are steady to slightly higher. The market tone is firm. Gains were noted at the recent gDT auction. Buyer interest is good and pricing levels are holding as more WMP is being offered. Demand is indicated to be good from China and other importing countries. Buyers are seeking coverage. Offerings are limited from other exporting countries. Oceania stock levels are light with holdings generally committed. At the August 20 gDT event, the WMP pricing index, across all contracting periods, averaged \$5,124 per MT, +2.7%. For Contract periods 2-4, October to December 2013, NZ regular WMP averaged from \$5,065 to \$5,175 per MT.

26% BUTTERFAT: 4,650 - 5,350

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

US\$/MT	Global/Dairy Trading (g/DT) Event 98 Recap - August 20, 2013													
	Contract 1 Sep-13		Contract 2 Oct-13		Contract 3 Nov-13		Contract 4 Dec-13		Contract 5 Jan-14		Contract 6 Feb-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$5,011	6.6%	\$4,990	7.7%	\$4,923	6.6%	\$4,771	6.8%	\$4,820	11.3%	\$4,931	7.1%	
Butter	\$3,515	-4.4%	\$3,675	9.5%	\$3,552	-0.8%	\$3,590	-4.5%	n.a.	n.a.	n.a.	\$3,614	3.3%	
Buttermilk Powder	n.a.	\$4,660	-4.0%	\$4,680	-4.9%	\$4,755	1.0%	n.a.	n.a.	n.a.	n.a.	\$4,689	-3.1%	
Cheddar	n.a.	\$4,535	-0.4%	\$4,380	2.0%	\$4,306	0.4%	n.a.	n.a.	n.a.	n.a.	\$4,375	0.9%	
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$8,170	0.4%	\$7,730	3.1%	\$7,735	0.5%	n.a.	n.a.	n.a.	n.a.	\$7,828	1.5%	
Rennet Casein	n.a.	\$10,126	1.9%	\$10,122	2.2%	\$9,977	1.4%	n.a.	n.a.	n.a.	n.a.	\$10,085	1.9%	
Skim Milk Powder	\$4,408	9.2%	\$4,349	-2.6%	\$4,440	0.0%	\$4,556	-2.7%	\$4,601	-0.5%	n.a.	\$4,426	-0.7%	
Whole Milk Powder	\$4,005	2.8%	\$5,188	4.4%	\$5,084	2.0%	\$5,110	1.2%	\$5,086	1.6%	\$5,073	0.9%	\$5,124	2.7%

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 98 Recap - August 20, 2013													
	Contract 1 Sep-13		Contract 2 Oct-13		Contract 3 Nov-13		Contract 4 Dec-13		Contract 5 Jan-14		Contract 6 Feb-14		All Contracts	
Anhydrous Milk Fat	n.a.	\$2.2730	6.6%	\$2.2634	7.7%	\$2.2331	6.6%	\$2.1641	6.8%	\$2.1863	11.3%	\$2.2367	7.1%	
Butter	\$1.5944	-4.4%	\$1.6670	9.5%	\$1.6112	-0.8%	\$1.6284	-4.5%	n.a.	n.a.	n.a.	\$1.6393	3.3%	
Buttermilk Powder	n.a.	\$2.1138	-4.0%	\$2.1228	-4.9%	\$2.1569	1.0%	n.a.	n.a.	n.a.	n.a.	\$2.1269	-3.1%	
Cheddar	n.a.	\$2.0571	-0.4%	\$1.9868	2.0%	\$1.9532	0.4%	n.a.	n.a.	n.a.	n.a.	\$1.9845	0.9%	
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$3.7059	0.4%	\$3.5063	3.1%	\$3.5086	0.5%	n.a.	n.a.	n.a.	n.a.	\$3.5508	1.5%	
Rennet Casein	n.a.	\$4.5931	1.9%	\$4.5913	2.2%	\$4.5255	1.4%	n.a.	n.a.	n.a.	n.a.	\$4.5745	1.9%	
Skim Milk Powder	\$1.9995	9.2%	\$1.9727	-2.6%	\$2.0140	0.0%	\$2.0666	-2.7%	\$2.0870	-0.5%	n.a.	\$2.0076	-0.7%	
Whole Milk Powder	\$1.8167	2.8%	\$2.3533	4.4%	\$2.3061	2.0%	\$2.3179	1.2%	\$2.3070	1.6%	\$2.3011	0.9%	\$2.3242	2.7%

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

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	08/15	08/16	08/19	08/20	08/21	08/22	08/23	08/26	08/27	08/28
<b>CME - CLASS III MILK FUTURES (Pit-Traded)</b>										
AUG 13	18.04 (3644) 5	18.05 (3626) 0	18.02 (3620) 0	17.99 (3587) 0	17.96 (3615) 0	17.91 (3640) 10	17.90 (3536) 0	17.89 (3509) 0	17.89 (3503) 0	17.89 (3502) 0
SEP 13	18.08 (4726) 39	18.23 (4754) 0	17.80 (4772) 2	17.56 (4755) 4	17.19 (4748) 0	17.03 (4701) 0	17.28 (4673) 0	17.59 (4632) 0	17.67 (4662) 30	17.79 (4694) 0
OCT 13	18.04 (3691) 0	18.23 (3691) 0	17.77 (3786) 2	17.55 (3831) 4	17.39 (3818) 0	17.39 (3858) 0	17.73 (3819) 5	18.14 (3806) 0	17.92 (3831) 0	18.05 (3824) 0
NOV 13	17.50 (3096) 0	17.60 (3102) 65	17.36 (3125) 2	17.23 (3216) 4	17.14 (3244) 0	17.22 (3237) 0	17.44 (3253) 5	17.69 (3271) 0	17.59 (3265) 1	17.60 (3276) 0
DEC 13	16.90 (2718) 0	16.95 (2721) 0	16.87 (2754) 2	16.81 (2799) 4	16.74 (2818) 0	16.81 (2827) 0	16.99 (2858) 5	17.19 (2865) 0	17.14 (2872) 1	17.05 (2889) 0
JAN 14	16.41 (1089) 0	16.41 (1098) 0	16.41 (1109) 0	16.40 (1119) 5	16.36 (1133) 0	16.43 (1158) 0	16.50 (1184) 0	16.65 (1214) 3	16.68 (1231) 1	16.59 (1233) 0
FEB 14	16.19 (981) 0	16.21 (1000) 0	16.18 (1007) 0	16.18 (1016) 5	16.14 (1021) 0	16.18 (1037) 0	16.23 (1065) 0	16.35 (1079) 3	16.30 (1085) 1	16.35 (1090) 0
MAR 14	16.14 (867) 0	16.19 (881) 0	16.19 (889) 0	16.12 (897) 1	16.11 (901) 0	16.17 (917) 0	16.24 (946) 0	16.28 (960) 3	16.28 (983) 0	16.28 (983) 0
APR 14	16.21 (596) 0	16.11 (599) 0	16.14 (606) 0	16.06 (618) 1	16.08 (624) 0	16.14 (653) 0	16.17 (679) 0	16.25 (697) 3	16.20 (716) 0	16.23 (720) 0
MAY 14	16.29 (616) 0	16.26 (627) 0	16.19 (632) 0	16.07 (641) 1	16.12 (651) 0	16.20 (671) 0	16.25 (700) 0	16.25 (707) 3	16.27 (760) 0	16.27 (762) 0
<b>CME - CLASS IV MILK FUTURES (Pit-Traded)</b>										
AUG 13	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (473) 0	19.15 (474) 0
SEP 13	19.25 (515) 0	19.25 (515) 0	19.20 (517) 0	19.34 (521) 4	19.34 (521) 0	19.21 (528) 0	19.22 (528) 0	19.35 (532) 0	19.35 (532) 0	19.42 (534) 0
OCT 13	19.36 (480) 0	19.35 (483) 0	19.25 (488) 0	19.39 (516) 4	19.45 (541) 0	19.28 (554) 0	19.49 (559) 10	19.50 (559) 0	19.50 (559) 0	19.55 (568) 0
<b>CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)</b>										
AUG 13	142.68 (1111) 3	142.75 (1113) 6	142.83 (1113) 0	142.83 (1119) 0	142.60 (1120) 1	142.78 (1120) 0	142.93 (1119) 9	142.93 (1119) 0	143.13 (1115) 13	143.50 (1124) 57
SEP 13	143.00 (1052) 30	142.50 (1023) 26	141.80 (1069) 17	141.00 (1090) 45	140.60 (1091) 29	140.60 (1088) 11	144.25 (1090) 13	144.75 (1087) 5	145.00 (1082) 14	146.33 (1072) 33
OCT 13	144.98 (1091) 37	144.85 (1093) 33	144.00 (1101) 27	141.55 (1100) 30	141.50 (1112) 43	143.00 (1137) 52	146.50 (1141) 20	146.75 (1135) 25	149.00 (1138) 55	150.00 (1147) 61
<b>CME - NONFAT DRY MILK FUTURES (Pit-Traded)</b>										
AUG 13	177.00 (281) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0	177.00 (285) 0
SEP 13	179.00 (238) 0	179.00 (238) 0	179.25 (243) 0	181.50 (248) 0	181.50 (248) 0	180.00 (255) 0	180.00 (255) 0	180.00 (259) 4	180.00 (259) 0	180.00 (259) 0
OCT 13	180.30 (262) 0	180.30 (263) 0	179.25 (265) 0	181.35 (275) 0	181.50 (273) 0	180.23 (273) 0	179.00 (275) 0	179.00 (279) 4	179.00 (282) 3	179.00 (282) 0
<b>CME - WHEY (Electronic-Traded)</b>										
AUG 13	58.00 (286) 8	58.00 (287) 2	58.00 (287) 1	58.00 (288) 3	58.00 (288) 19	57.53 (289) 1	57.53 (289) 0	57.53 (289) 0	57.53 (289) 0	57.53 (289) 0
SEP 13	58.50 (289) 1	58.05 (289) 1	58.00 (285) 15	58.00 (283) 6	57.00 (290) 11	57.00 (296) 9	57.00 (296) 0	57.50 (295) 7	57.50 (295) 0	58.00 (295) 4
OCT 13	58.00 (255) 3	58.00 (254) 10	56.78 (259) 7	56.30 (260) 1	56.25 (275) 17	55.50 (290) 22	55.50 (290) 0	56.00 (292) 2	56.85 (291) 5	57.30 (286) 9
<b>CME - CHEESE CSC (Electronic-Traded)</b>										
AUG 13	1.78 (939) 4	1.78 (941) 2	1.78 (942) 2	1.78 (942) 1	1.77 (942) 2	1.77 (945) 3	1.77 (945) 0	1.77 (924) 21	1.77 (924) 0	1.77 (924) 1
SEP 13	1.78 (1127) 1	1.80 (1131) 4	1.76 (1152) 42	1.74 (1160) 20	1.70 (1164) 82	1.69 (1166) 20	1.71 (1159) 12	1.74 (1152) 10	1.75 (1152) 4	1.75 (1147) 16
OCT 13	1.78 (1084) 0	1.80 (1087) 29	1.77 (1129) 42	1.75 (1135) 30	1.74 (1171) 81	1.74 (1234) 92	1.77 (1239) 16	1.80 (1233) 32	1.79 (1249) 28	1.79 (1254) 10
NOV 13	1.73 (1294) 25	1.73 (1314) 20	1.72 (1316) 7	1.70 (1335) 37	1.70 (1349) 41	1.71 (1368) 30	1.74 (1374) 13	1.75 (1395) 56	1.74 (1408) 25	1.74 (1410) 9
DEC 13	1.67 (1223) 13	1.67 (1244) 27	1.66 (1243) 16	1.66 (1269) 65	1.66 (1293) 33	1.67 (1306) 24	1.69 (1310) 24	1.70 (1328) 45	1.70 (1358) 41	1.69 (1368) 12
JAN 14	1.64 (362) 29	1.64 (365) 8	1.64 (392) 28	1.64 (428) 38	1.64 (482) 56	1.65 (511) 45	1.66 (517) 22	1.67 (527) 11	1.67 (563) 40	1.67 (565) 5

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

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
MAY 2013	236.5	1.4	216.3	0.1	210.8	0.6	222.8	1.2	202.6	4.3	233.7	1.9
JUN 2013	236.8	1.4	216.1	0.3	214.1	3.3	219.3	-0.5	200.4	4.7	235.3	2.1
JUL 2013	237.0	1.4	215.9	0.7	214.0	3.4	220.7	1.2	198.8	3.1	235.9	2.0
U.S. City Average Retail Prices												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Dollars											
MAY	3.441	3.427	N/A	N/A	4.065	4.218	5.559	5.568	4.831	5.048		
JUN	3.458	3.396	N/A	N/A	4.085	4.030	5.493	5.475	5.005	4.896		
JUL	3.449	3.428	N/A	N/A	4.092	4.052	5.434	5.457	4.840	4.929		

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS – APRIL-JUNE 2012-2013 AND YEAR-TO-DATE 2012-2013 <sup>1/</sup>

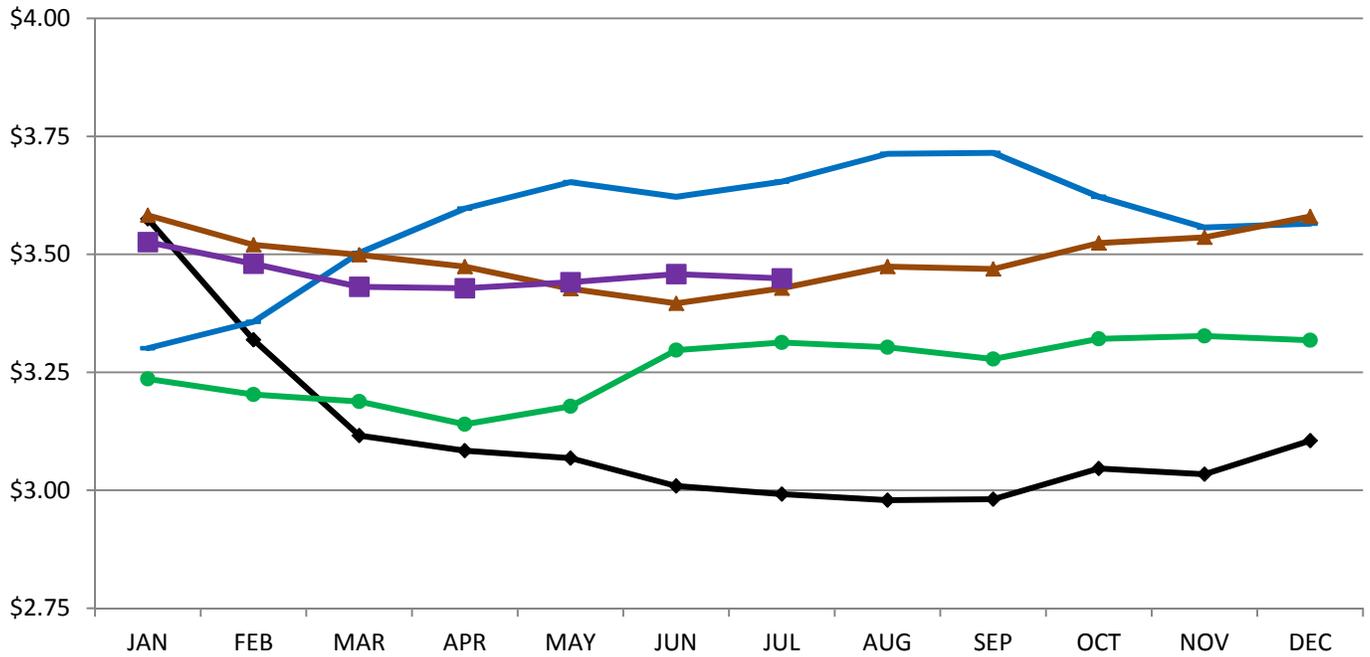
Item	Apr.-Jun. 2012	Percent change <sup>2/</sup>	Apr.-Jun. 2013	Percent change <sup>2/</sup>	Jan.-Jun. 2012	Percent change <sup>2/</sup>	Jan.-Jun. 2013	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	51,509	2.1	51,955	0.9	102,553	3.2	102,456	0.5
Marketings	51,263	2.1	51,709	0.9	102,061	3.2	101,966	0.5
Beginning Commercial Stocks <sup>3/</sup>	13,600	12.3	15,110	11.1	10,983	0.5	12,275	11.8
Imports <sup>3/</sup>	760	13.2	727	-4.3	1,535	10.7	1,538	0.8
Total Supply <sup>4/</sup>	65,622	4.2	67,546	2.9	114,579	2.6	115,779	1.9
Ending Commercial Stocks <sup>3/</sup>	14,732	10.2	16,893	14.7	14,732	10.2	16,893	14.7
Net Removals <sup>3/</sup>	0	0.0	0	0.0	0	0.0	0	0.0
Commercial Disappearance <sup>4/</sup>	50,891	2.6	50,653	-0.5	99,847	2.1	98,887	-0.4
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	444.8	7.9	413.2	-7.1	875.7	4.3	862.1	-1.0
American Cheese	1,082.3	0.0	1,106.3	2.2	2,154.3	0.2	2,170.4	1.3
Other Cheese	1,649.7	0.1	1,719.7	4.2	3,333.0	1.6	3,393.6	2.4
Nonfat Dry Milk	618.7	65.4	442.8	-28.4	1,086.7	46.5	824.5	-23.8
Fluid Milk Products <sup>6/</sup>	12,800.5	-1.8	12,550.7	-2.0	26,339.2	-1.0	25,826.6	-2.5

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports.

<sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

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

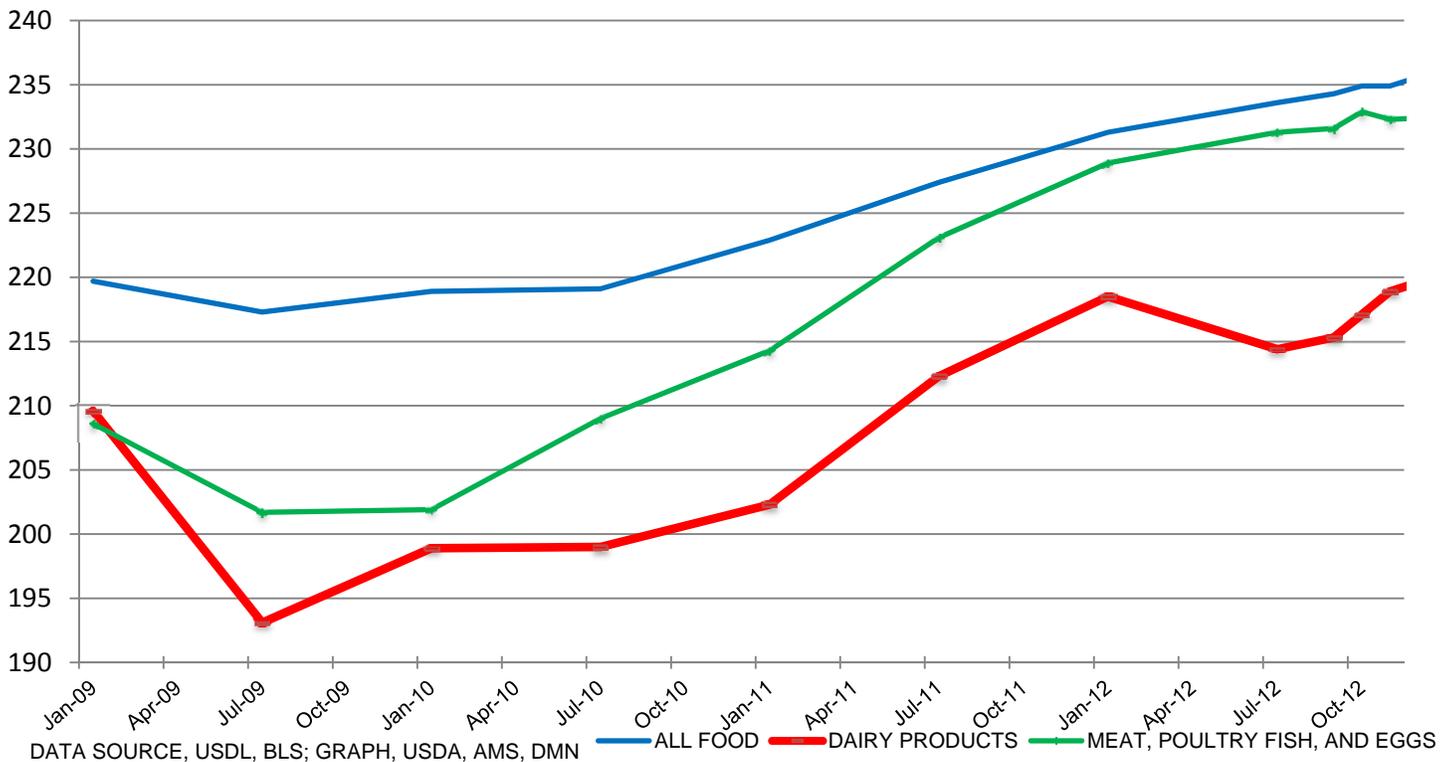
**AVERAGE U.S. MONTHLY PRICE OF WHOLE FORTIFIED MILK PER GALLON**



DATA SOURCE, BLS; GRAPH, USDA, AMS, DMN

◆ 2009    ● 2010    ■ 2011    ▲ 2012    ■ 2013

**CONSUMER PRICE INDEX**



DATA SOURCE, USDL, BLS; GRAPH, USDA, AMS, DMN

■ ALL FOOD    ■ DAIRY PRODUCTS    ■ MEAT, POULTRY FISH, AND EGGS

# DAIRY MARKET NEWS

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