

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (1/18):**

BUTTER: Grade AA closed at \$1.5050. The weekly average for Grade AA is \$1.4885 (+0.0310).

CHEESE: Barrels closed at \$1.6375 and 40# blocks at \$1.6875. The weekly average for barrels is \$1.6595 (-.0260) and blocks, \$1.7035 (-.0245).

BUTTER HIGHLIGHTS: Cream supplies are readily available this week leading to all varieties of butter, 80%, 82%, salted and unsalted, being produced in various parts of the country. In all regions, manufacturers are responding by churning more butter than current orders require. Many manufacturers are content to inventory the additional butter which exceeds current needs, rather than offering to spot markets. Within this dynamic, some brokers are working to increase butter purchases to expand inventories for future domestic and export sales opportunities. There is some degree of confidence among many manufacturers and brokers that butter at current prices will be profitable to hold for later in the year. This has led to some spot buyers who are looking to purchase for future needs, encountering varied degrees of disinterest from producers. As these dynamics play out, last week's CME negatives turned to positives this week, with the weekly average closing up, with a number of unfilled bids occurring through the week. Bulk butter prices ranged from 4-13 cents over market in the Northeast, 3-7 cents over in the Midwest, and 3-5 cents under in the West. The CWT program assisted with sales of 3.7 million pounds of butter this week to eligible producers. According to the Foreign Agricultural Service, exports of butter and milkfat for January - November 2012 total 99.5 million pounds, down 25% from the same period a year ago. The butter and milkfat exports account for 5.9% of butter production in the U.S. for the year.

CHEESE HIGHLIGHTS: Spot cheese prices continued to show weakness. Increased production from the holidays and slowly building milk volumes across the country combined to keep buyers from purchasing ahead of contracted volumes. Cheese plants are busy with increasing supplies of milk with some plants adding to work schedules to take advantage of lower priced spot loads. Spot cheese supplies are available with barrels felt to be in a long position. Processors continue to take advantage of price breaks to purchase new inventory. Lower cheese prices have increased buying interest for export cheese. The CWT program announced it is assisting with 1.9 million pounds of cheese for eligible manufacturers this week. The Foreign Ag Service reported

export sales for Jan. - Nov. of 2012 totaled 527.2 million pounds, up 17% from the same period a year ago. Exports accounted for 5.3% of total cheese production over the period. Trading at the CME Group this week was mostly lower with moderate sales activity. Barrels closed the week at \$1.6375, down \$.0350 from the previous week. Blocks closed Friday at \$1.6875, down \$.0325 from last week's close.

FLUID MILK: Milk production is steady despite colder and wetter conditions in the Southwest. Arizona milk supplies are heavy. In the Northwest, milk supplies are slowly increasing. Output trends in Utah and Idaho are about steady. Farm milk pickups are on the rise in the Midwest at higher than expected levels. More loads of spot milk are appearing at pricing \$1-3 below Class, down from flat pricing a week ago. Processors are shipping milk longer distances to find a home. Milk production is increasing and above year ago levels in both the Northeast and Mid-Atlantic regions. Milk is increasing in the Southeast, but heat in Florida is limiting milk output. Class I demand across the country has regained traction as most schools and colleges are in session. Cream supplies remain heavy and are under pricing pressure. Annual dairy cow slaughter reached 3.1 million head in 2012, the highest level since 1986. In 1986, USDA began differentiating dairy cow slaughter from total cow slaughter. The 2012 slaughter rate was more than 6% higher than 2011. A review of regional culling indicates that rates were heavier in the Southwest and Northwest, while being lighter in the Upper Midwest compared to last year. This year proved to be a difficult year for alfalfa hay production in the United States. According to NASS' 2012 Crop Production Summary, alfalfa and alfalfa mixture production was at the lowest level since 1953. U.S. production was estimated at 52.0 million tons, down 20% from 2011. Both harvested area and average yields were dramatically lower due mostly to widespread drought conditions. Harvested acres were the smallest area since 1948. Average yields were sharply lower from last year at 3.01 tons per acre, down 0.39 from 2011. Poor yields across the central and northern Great Plains, Midwest, and Northern Tier were responsible for the greatest losses. Production in Western areas were typically lower, but not to such a severe degree due to heavier irrigation usage. Hay stocks stored on farms as of December 1, 2012 totaled 76.5 million tons, down 16% from a year ago. This is the lowest Dec. 1 stocks since 1957. Various contacts expressed that these factors will combine to keep forage prices strong into 2013.

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CME GROUP CASH TRADING

COMMODITY	MONDAY JAN 14	TUESDAY JAN 15	WEDNESDAY JAN 16	THURSDAY JAN 17	FRIDAY JAN 18	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.6725 (N.C.)	\$1.6725 (N.C.)	\$1.6650 (-.0075)	\$1.6500 (-.0150)	\$1.6375 (-.0125)	:-.0350	:\$1.6595 (-.0260)
40# BLOCKS	\$1.7200 (N.C.)	\$1.7100 (-.0100)	\$1.7000 (-.0100)	\$1.7000 (N.C.)	\$1.6875 (-.0125)	:-.0325	:\$1.7035 (-.0245)
NONFAT DRY MILK							
EXTRA GRADE	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	\$1.5600 (N.C.)	:(N.C.)	:\$1.5600 (N.C.)
GRADE A	\$1.5350 (N.C.)	\$1.5350 (N.C.)	\$1.5350 (N.C.)	\$1.5350 (N.C.)	\$1.5300 (-.0050)	:-.0050	:\$1.5340 (-.0125)
BUTTER							
GRADE AA	\$1.4600 (+.0050)	\$1.4875 (+.0275)	\$1.4900 (+.0025)	\$1.5000 (+.0100)	\$1.5050 (+.0050)	:+.0500	:\$1.4885 (+.0310)

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

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

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

DRY PRODUCTS: Nonfat dry milk prices are mixed. Indices are down and up this week; whereas spot sales were at instances lower as processors moved holdings. Drying schedules are trending lower and resuming normal levels. The dry buttermilk markets are weaker as processors discount prices to move stocks. The dry whey market is unsettled. Spot pricing is moving lower with sales to domestic and international buyers. Whey output is heavy and stocks are heavier than desired. WPC 34% prices are unchanged with a mixed market tone. Inventories are steady to higher. Demand is at moderate levels. Lactose prices are lower. Spot loads are available from the manufacturers in the Central and West regions. Demand is variable across the various product specifications.

INTERNATIONAL DAIRY MARKET NEWS (DMN): **WESTERN EUROPEAN** milk production is steady to increasing seasonally. Current conditions have been generally neutral. Cooler temperatures in Germany are noted. Milk intakes have been on the lower side of expectations and processors did not see a big boost in milk intakes that some had projected. Milk output in Germany is mostly steady with year ago volumes. Milk production in France is below last year, but the gap is narrowing. Milk prices are steady to trending higher across many countries where adjustments are being built into the prices. Feed costs are constraining supplemental feeding. EU dairy product markets are firm with prices stable to higher. The higher value of the Euro against other currencies is making European dairy product offerings more expensive into export channels. The current pricing for butter and whole milk powder are high compared to other supplying countries and thus limiting export potential. Dry whey and skim milk powder prices remain competitive. **EASTERN EUROPEAN** milk production trends are steady to lower. Some areas are affected by winter weather conditions that are impacting output. Some deliveries are lower for quota reasons. Milk deliveries are lower in Poland. Dairy product shipments are building as the month progresses. **NEW ZEALAND** weather conditions have been adverse over the recent weeks with cooler conditions and rainfall present. Initial indications are showing limited, overall effects on milk production. Areas of the South Island were noting flooding conditions that were impacting milk collections and tankers were rerouted. Processing plants are running at projected levels to fill orders on the books and current demand. **AUSTRALIAN** milk output is trending slightly lower and full year projections are expected to be adjusted downwards as the milk season progresses. The impact of hot weather conditions and fires is being seen on a limited basis. Locally and individually, there are specific areas that fires did touch. The overall extent of the heat and fires is slower to affect milk because of the location and because the temperatures are cycling and some heat abatement measures are in place. Water is available for irrigation of crops and pastures. Some farmers are feeding supplement grains or forages to maintain milk output. The fat and protein content of incoming milk supplies is noted to be down slightly, yet mainly along seasonal trends. Dairy product prices are steady to trending higher. Butter market demand is fair to good with product moving to established accounts. Skim milk powder interest is maintaining a good pace and clearing into international channels. Whole milk powder market price trends are steady to firm. **g/DT UPDATE:** Average prices at the latest g/DT auction on January 16 and changes from the previous event are: anhydrous milk fat \$3,253, +2.4%; buttermilk powder \$3,405, -6.5%; cheddar \$3,496, +0.9%; milk protein concentrate \$5,995, -2.0%; rennet casein \$8,479, +0.8%; skim milk powder \$3,552, -0.3%; and whole milk powder \$3,288, +2.8%. The next event will be held on Tuesday, February 5th.

JANUARY MILK SUPPLY AND DEMAND ESTIMATES

(WAOB): The milk production forecast for 2012 is increased based on a slower decline in cow numbers and greater output per cow in the fourth quarter. Milk production for 2013 is raised as the decline in cow numbers is dampened from last month. Fat-basis imports for 2012 and -1A-

2013 are raised on higher butterfat and cheese imports, but skim-solids imports for 2012 are reduced on lower casein imports. Fat-basis exports are unchanged for 2012, but the forecast for 2013 is raised on greater expected cheese and whey sales. The estimate for 2012 skim-solids exports is reduced on lower nonfat dry milk (NDM) exports but the forecast for 2013 is raised. Butter and cheese prices for 2013 are lowered based on current price weakness and weaker expected demand. NDM and whey prices for 2013 are forecast higher on current price strength. The Class III price forecast is reduced as lower forecast cheese prices more than offset the higher whey price. The Class IV price is lowered as the forecast decline in butter prices more than offsets higher NDM prices. The all milk price forecast is lowered to \$18.85 to \$19.65. Product and milk prices for 2012 are adjusted to reflect reported December estimates.

NOVEMBER FMMO MARKETING AND UTILIZATION

SUMMARY (DAIRY PROGRAMS): During December 2012, more than 11.0 billion pounds of milk were received from producers. This volume of milk is 9.5% higher than the December 2011 volume. In December 2011 and December 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.6 billion pounds of producer milk were used in Class I products, 5.3% lower than the previous year. The all-market average Class utilization percentages were: Class I = 33%, Class II = 11%, Class III = 42% and Class IV = 14%. The weighted average statistical uniform price was \$20.11, \$1.04 lower than last month and \$0.98 higher than last year.

FEBRUARY FEDERAL MILK ORDER ADVANCE PRICES

(FMMO): Under the Federal milk order pricing system, the base Class I price for February 2013 is \$18.21 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$12.91 and the advanced butterfat pricing factor of \$1.6427. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. Compared to January 2013, the base Class I price decreased \$0.76 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$0.74 per cwt., -\$0.064 per gallon; reduced fat milk (2%), -\$0.61 per cwt., -\$0.053 per gallon; fat-free (skim milk), -\$0.47 per cwt., -\$0.041 per gallon. The advanced Class IV skim milk pricing factor is \$12.41. Thus, the Class II skim milk price for February is \$13.11 per cwt., and the Class II nonfat solids price is \$1.4567. The two-week product price averages for February are: butter \$1.5280, nonfat dry milk \$1.5603, cheese \$1.7535, and dry whey \$0.6536.

NOVEMBER FLUID MILK SALES (AMS & FMMO): During November, 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5% lower than November 2011. After adjusting for calendar composition, sales in October 2012 were 1.7% lower than November 2011. Estimated sales of total conventional fluid milk products decreased 0.9% from November 2011 and estimated sales of total organic fluid milk products increased 9.0% from a year earlier.

CME GROUP

MONDAY, JANUARY 14, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4550; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.4600; LAST OFFER UNCOVERED: NONE

TUESDAY, JANUARY 15, 2013

CHEESE -- SALES: 4 CARS BARRELS @ \$1.6675; 4 CARS 40# BLOCKS: 3 @ \$1.7000, 1 @ \$1.7100; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6725; 1 CAR 40# BLOCKS @ \$1.7100; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7200
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$1.4650, 2 @ \$1.4800, 1 @ \$1.4825; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4875; LAST OFFER UNCOVERED: NONE

WEDNESDAY, JANUARY 16, 2013

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.6700, 1 @ \$1.6650; 1 CAR 40# BLOCKS @ \$1.7000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6700
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.5300; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4900; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 17, 2013

CHEESE -- SALES: 4 CARS BARRELS: 3 @ \$1.6500, 1 @ \$1.6550; 3 CARS 40# BLOCKS: 2 @ \$1.6900, 1 @ \$1.7000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6500
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5000; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.5000; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 18, 2013

CHEESE -- SALES: 8 CARS BARRELS: 1 @ \$1.6475, 2 @ \$1.6450, 1 @ \$1.6425, 3 @ \$1.6400, 1 @ \$1.6375; 1 CAR 40# BLOCKS @ \$1.6875; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6350; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 2 CARS GRADE A @ \$1.5300; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.5250; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5350
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 5 CARS GRADE AA @ \$1.5050; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The butter price on the CME Group increased \$0.0275 Tuesday and closed at \$1.4875. The butter price has increased in each of the last 3 sessions, resulting in a net increase of 4 cents. Trading activity has been fairly active with 8 loads traded over the last 3 sessions. Cream supplies continue to be ample in the Northeast with good volumes going to churns. All varieties of butter, 80%, 82%, salted and unsalted, are being produced as manufacturers fill orders and expand inventories. The butter market has seen an increase in domestic and export demand. Some brokers have increased purchases, expanding their butter inventories for future domestic and export sales opportunities. Bulk butter purchases have been brisk as buyers see the butter price as being at a level that offers the opportunity to expand inventories at minimal risk. Current bulk butter prices have increased and range from 4-13 cents over the market based on the CME Group with various time frames and averages used. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 3.657 million pounds (1,659 metric tons) of butter. The product will be delivered January through June 2013.

CENTRAL

Butter production in the Central region is active at most churning facilities. At this time, butter makers indicate cream multiples have improved somewhat but are not offering significant incentives to clear cream on the spot market. Class II contract cream sales are steady, but lower than during the pre-holiday period of December. Early this week, Cooperatives Working Together (CWT) accepted assistance requests for 3.7 million pounds of butter destined for Asia, the Middle East, North Africa, Central America and South America. Domestic bulk butter demand is active as end users and resellers recognize the current bulk butter price allows some

margin for covering on storage and transportation costs. Retail butter demand is lower than in December as consumers return to non-holiday shopping and eating patterns. Retail butter features are intermittent on store brands, with just 3,900 stores featuring ads last week compared to over 13,300 stores featuring butter in advertisements during the end of December. Grade AA butter prices at the CME Group gained 3.5 cents through Wednesday. Bulk butter prices range from 3 to 7 cents over market.

WEST

Western spot butter prices are firmer this week. After four weeks of lower weekly average prices at the CME Group, buyers were showing increased interest in owning the product. Retail and club sales were active with some increased orders at the lower prices. Manufacturers continue to handle increased offerings of cream and churns are busy with bulk butter production. Most manufacturers are content to inventory the bulk production rather than offering to the spot market. Futures options are available to cover current production storage. Spot buyers looking to purchase for future needs are meeting some reluctance by producers. The CWT program assisted with sales of 3.7 million pounds of butter this week to eligible producers. According to the Foreign Agricultural Service, exports of butter and milkfat for January - November 2012 total 99.5 million pounds, down 25% from the same period a year ago. Saudi Arabia, at 33.2 million pounds for the year, is the largest importer with a 27% increase above last year's amount. The butter and milkfat exports account for 5.9% of butter production in the U.S. for the year. Wednesday's close on the CME Group exchange for butter is up \$.0025 to close at \$1.4900. This marks higher prices each day this week. Combined with last Friday's increase, butter is a total of four and a quarter cents higher over the last four trading sessions. Sales activity this week is moderate with five sales reported. 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
January 12, 2013	1.5229 3,738,779	1.7542 10,851,702	1.7384 12,160,598	0.6566 8,161,620	1.5482 17,265,637

CME GROUP

2012 U.S. Butter and Milkfat Exports, (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago
Nov. Total	6.3	- 28
Total, Jan - Nov.	99.5	- 25
1 Saudi Arabia	33.2	+ 27
2 Iran	13.8	+ 165
3 Morocco	7.4	- 9
4 Egypt	6.8	- 14
5 Mexico	5.9	- 59

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group were mixed Tuesday with barrels unchanged, closing at \$1.6725, while blocks declined 1 cent to close at \$1.7100. Over the past couple of weeks, cheese trading activity and price trends on the CME Group have been initiated by barrels and then followed, a session or two later, with block activity and pricing. The CME weekly average prices for blocks and barrels declined, lowering wholesale prices for Process 5# cheese by \$0.0375, while Cheddar 40# Blocks and Muenster declined by \$0.0325. Swiss cut prices were unchanged. Milk production off the farm is increasing, keeping milk volumes going to cheese plants at increased levels. One plant was down for a period this week for scheduled maintenance, but most other plants are running production 7 days a week. Current orders, for the most part, are less than desired with expanding inventories, but cheese makers are hoping promotions ahead of the Super Bowl will increase sales. Entering the New Year, export interest has increased as a number of market analysts believe the cheese market is close to finding a price floor. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 1.864 million pounds (846 metric tons) of Cheddar, Gouda and Swiss cheese. The product will be delivered January through June 2013.

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

Cheddar 40# Block	:	2.1275-2.4125
Process 5# Sliced	:	1.9025-2.3825
Muenster	:	2.1475-2.5075
Grade A Swiss Cuts 10 - 14#	:	3.8375-4.1600

MIDWEST

Cheese manufacturers in the upper Midwest generally agree that 2013 has opened with "slow" retail orders and "slightly heavy" milk supplies. A cheesemaker with contracted milk suppliers, reports being "on pins and needles to get the milk (volume) manufactured". While cheese manufacturers are attuned to projections of a national decline in milk production during the first two quarters, industry discussion increasingly focuses on regional differences in production, with the Midwest so far, continuing to have enough milk to "occasionally" generate spot sales priced "slightly" under class. While not widespread nor universally available in all areas, these spot sales occasionally occur. Manufacturers lament that retail cheese purchases have not been as strong as hoped for. Varied reasons are mentioned. Recent CME price declines have caused retail orders to slow, as professional buyers hold back to allow lower averages to factor into pricing. All price movement through midweek has been down, with Barrels down \$.0075 for the week through Wednesday to \$1.6650 and Blocks down \$.0200 to \$1.7000. This follows last week's decline in the weekly average for each. Looking at the weekly movement of CME weekly averages for the first weeks of recent years, shows no decisive trend of up or down. Some manufacturers also observe that retail "in-store promotions" for cheese in recent weeks seem to them to be "more sizzle than substance", meaning using colorful shelf tags offering "2 for" or "3 for", but with the final single unit price not being particularly compelling for consumers. Weaker retail sales are believed to result, in the view of a number of manufacturers. Some manufacturers have discounted bulk cheese to move it out of inventory. Cooperatives Working Together (CWT) has accepted

requests for export assistance to sell 1.864 million pounds (846 metric tons) of Cheddar, Gouda and Swiss cheese to customers in Asia, the Middle East, North Africa, Central and South America. The product will be delivered January through June 2013.

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

Process American 5# Loaf	:	1.8750-2.5800
Brick And/Or Muenster 5#	:	2.1150-2.6750
Cheddar 40# Block	:	2.1150-2.9875
Monterey Jack 10#	:	2.0850-2.9875
Blue 5#	:	2.3800-3.3650
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9600-3.0875
Grade A Swiss Cuts 6 - 9#	:	3.3575-3.4750

WEST

Western spot cheese markets were weaker as traders at the CME Group reversed trends. After two weeks of higher weekly average pricing, the market moved lower this week. The market tone has softened as buyers feel there is more cheese available. Spot market activity is light as some buyers increased contract amounts for the first quarter in favor of the open market. Sales into retail are good and along expected lines. Eligible manufacturers are taking advantage of CWT assistance to improve export sales. The CWT program accepted requests for 1.9 million pounds of cheese this week. Offerings to the spot market are limited, with buyers looking for price breaks to purchase product. According to FAS, exports of cheese and curd for January - November 2012 total 527.2 million pounds, up 17% from the same period a year ago. The exports account for 5.3% of total cheese production in the U.S. for January - November 2012. Mexico is the largest importer of cheese with 129.9 million pounds for the year or 24.6% of U.S. cheese exports. Cheese prices at the CME Group were lower on Wednesday. Barrels closed down \$.0075 at \$1.6650 and blocks were down \$.0100 at \$1.7000. Sales at the exchange were moderate with six loads of barrels trading and five loads of blocks by midweek.

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

Process 5# Loaf	:	1.8100-2.0675
Cheddar 40# Block	:	1.8475-2.2000
Cheddar 10# Cuts	:	2.0275-2.2475
Monterey Jack 10#	:	2.0375-2.1975
Grade A Swiss Cuts 6 - 9#	:	3.4150-3.8450

2012 U.S. Cheese and Curd Exports, (USDA-FAS)

	(Million Lb.)	% Change From 1 Year Ago
Nov. Total	40.6	- 8
Total Jan.-NOV.	527.2	+ 17
1 Mexico	129.9	+ 37
2 South Korea	81.4	+ 10
3 Japan	53.8	+ 21
4 Canada	28.1	+ 29
5 Saudi Arabia	23.3	+ 8

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CHEESE MARKETS

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FOREIGN

The weekly average CME Group block price declined, erasing the gains made over the past 2 weeks and lowered domestic wholesale foreign type cheese prices by \$0.0325. Swiss cuts and imported cheese varieties were unchanged. Importers remain wary of a possible Longshoreman's strike, though contract negotiations have been extended. A strike deadline of February 6 looms ahead, which makes scheduling imports beyond the strike deadline problematic. Domestic Swiss cheese makers are faced with increasing milk volumes, cheese production and inventories and as a result some Swiss cheese makers are attempting to limit production until their inventories are in better balance. Sales are lackluster, but there is hope for improved sales prior to the Super Bowl.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.2675-3.7550*
Gorgonzola	: 3.6900-6.1900	: 2.7700-3.2250*
Parmesan (Italy)	: -0-	: 3.6575-5.7475*
Provolone (Italy)	: 3.4400-5.5800	: 2.3100-2.4675*
Romano (Cows Milk)	: -0-	: 3.4575-5.6075*
Sardo Romano (Argentine)	: 2.8500-3.9800	: -0-
Reggianito (Argentine)	: 3.2900-4.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-5.2900	: -0-
Swiss Cuts Switzerland	: -0-	: 3.9350-4.2575
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

		:	
01/14/13	7,347	:	116,587
01/01/13	5,499	:	115,643
CHANGE	1,848	:	944
% CHANGE	34	:	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	0	55	0	57	0	70
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is increasing and above year ago levels in the Northeast and Mid-Atlantic regions, keeping manufacturing milk supplies fairly heavy. Class I demand is good, but has leveled off as pipelines are now full and schools are back in session. USDA's crop report, released Friday, revealed December 2012 hay stocks are at their lowest since 1957 at 76.55 million tons, down 15.6% from December 2011. Most states in the East showed declines in hay production compared to last year, except for a couple of states in New England. Warm weather with daytime highs in the mid-80's continues in Florida, lowering cow comfort levels and limiting milk production. Class I demand is about steady. Winter grazing crops are doing fairly well due to the warm temperatures, but could use more rain. Class I demand continues strong in the Southeast with some bottling plants adding a number of loads. Milk production in the region is increasing with supplies nearly in balance with need. Only a few loads being diverted to auxiliary manufacturing plants. Heavy rains over the past few days have caused some minor flooding and slowed transports in some instances. Cream volumes remain heavy as cream coming from yogurt production, standardized cream from bottling plants and high butterfat levels from increasing milk supplies, are all contributing to the overall supply. Demand is steady to weak as supplies quickly out pace demand, causing a majority of the cream to be channeled to churns. A few loads over the weekend had to move to the Midwest in order to find a home. Some ice cream and cream based dip manufacturers have increased production and their need for cream, but cream cheese makers have slowed production, typical for this time of year. Multiples ranged from 105-120. Condensed skim supplies also remain fairly heavy, following the increases in milk production. Class II demand is weak as most manufacturers are matching production with contracted supplies and holding off additional load purchases, expecting prices to decline following the Advance Price release Wednesday afternoon. A majority of the condensed skim supplies are being channeled to Class IV production.

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 -	1.5304-1.7490
F.O.B. producing plants: Upper Midwest -	1.6470-1.7199

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.54 - 1.61
Northeast - Class III - spot prices -	1.55 - 1.63

MIDWEST

Milk handlers in the Central region continue to report farm milk pickups are on the rise, surpassing expectations of many handlers. Handlers attribute the strong uptick in volumes to the mild winter conditions prevailing across the Central region. Temperature dips into the single digits have generally been short in duration, so the usual complications associated with long bouts of severe cold

weather have been avoided so far. Independent milk marketers and several cooperative representatives indicate that beyond the fluid milk supply disruption caused by the sudden closure of a Wisconsin bottling plant, fluid demand is stagnant. The combination of light fluid demand and increasing farm milk intakes is resulting in plentiful spot loads of milk. Prices on milk spot loads retreated this week from flat Class, falling to \$1 - \$3 under Class. Spot milk loads are also traveling long distances to find processing room. A few cheese plant operators indicated cheese production is up simply because bottling plants were not calling for their usual milk supply, and other cheese plants were not interested in increasing cheese production. Cream demand is light to moderate into Class II accounts, and multiples gained just a few points compared to last week on the high side of that range. Competition among processors for high milk volume dairy farm accounts is reportedly on the rise in the Central region. Hay transportation was very noticeable in areas throughout the north Central region this week, spurred by reevaluation of feed stuffs on hand. NASS's *Crop Production* report indicates of the 16 states in the Dairy Market News Central region, only Louisiana, Oklahoma, and Texas showed increases in yield per acre for all hay areas harvested in 2012 compared to 2011. Hay yield losses in the remaining Central states ranged from 14% in Illinois to 47% in North Dakota.

WEST

Weather conditions in the SOUTHWEST have put some added stress into farming activities because of the current cold snap that will last five days. Few records were set, but highs were 15-19 degrees below normal and lows were 6-14 degrees below normal. The Grapevine section of I-5 in CALIFORNIA was closed late last week due to heavy snow which impacted dairy product movement around the state. Direct weather impacts on dairies were generally limited to some frozen water lines. The financial stress on dairies continues with stronger grain prices noted since last Friday's crop report. Hay prices remain high and quality offerings are declining in volume from some areas. Plants are generally operating well on less milk than last year. CREAM markets continue to show signs of weakness. Cream is not quite as long as was the case at the end of the year holiday period, but offerings are much heavier than anticipated. Continued high fat tests are one of the reasons. Surplus loads are heading into Minnesota and Wisconsin. The cold weather in the West is not helping to sell high fat dairy products at this time. Butter prices for Grade AA at the CME Group closed at \$1.49 on Wednesday, January 16, up 4 cents from a week earlier. Cream multiples continue to struggle at a 95 to 122 range, and vary depending on basing points and averages used. Milk supplies are being called heavy in ARIZONA. Plants are scrambling in the region to handle the milk efficiently. Temperatures are cold, but causing no real problems on the farm or in plants. NEW MEXICO contacts indicate they are also experiencing colder temperatures. The milk flow remains a bit above expectations in some areas and fat and protein tests remain good. Temperatures in the PACIFIC NORTHWEST were below normal, but not considered as extreme as some areas further south. Milk supplies are increasing slowly, but are being handled within the region. Component levels are reported to be very good. Class I usage has returned to normal levels with most schools back in session. Feed prices for dairy farmers continue to be a source of concern as winter progresses.

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

UTAH and IDAHO milk production was mostly unaffected by colder weather in the area. The lower temperatures are influencing feeding rates and increasing usage of current supplies. Manufacturers in the region are able to handle current milk volumes with no difficulties. Milk pooled on the Pacific Northwest Order 124 totaled 690.9 million pounds in December 2012; approximately 611 producers delivered milk to the market. The average daily delivery per producer was 36,475 pounds. Class I utilization was 179.0 million pounds and accounted for 25.9 percent of producer milk. The producer price differential (PPD) for the Pacific Northwest Order was \$0.51 per cwt., resulting in a statistical uniform price of \$19.17 per cwt. The statistical uniform price for the Pacific Northwest Order was \$0.81 below last month, and \$1.12 above the same month last year, an increase of 6.2%. Changes in plants regulated under the Pacific Northwest Order for December 2012 involved Northwest Dairy Association electing to reinstate its cooperative pool manufacturing plant in Sunnyside, Washington, and Tillamook County Creamery Association electing to reinstate its cooperative pool manufacturing plants in Tillamook and Boardman, Oregon. December 2012's producer milk butterfat average of 4.011% was the first time that the market average exceeded four percent. HAY STOCKS are surveyed twice a year in May and December by NASS. The results indicate that U.S. stocks on Dec. 1 total 76.5 million tons, down 14.2 million tons or -18.5% from last year. Stocks and the change from last year for selected Western states are as follows: Arizona 240,000, -10,000 tons; California 1,900,000, +260,000; Colorado 1,600,000, -200,000; Idaho 2,100,000, +100,000; Nevada 650,000, -180,000; New Mexico 600,000, +25,000; Oregon 1,700,000, -500,000; Utah 900,000, -520,000; and Washington 1,200,000, -260,000. Current hay stocks on farms are at the lowest level since 1957.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are mostly steady. Contract pricing based on some indices did increase, but market participants indicate most sales activity is through the spot market. Current F.O.B spot pricing is reportedly attractive to end users as well as resellers interested in taking a position on nonfat dry milk. Production dates, brand and packaging contribute to buyer interest. Nonfat dry milk production is strong throughout the Central region. Milk handlers indicate the upward trend of farm milk production and stagnant fluid sales are translating into higher volumes of farm milk heading into Class IV processing. Some reports indicate farm milk loads are crossing state lines within the Central region to find cheese vats or dryers with room to spare. Manufacturers' nonfat dry milk inventories are building and price adjustments are designed to moderate stocks in the near term.

Foreign Agricultural Service reports that cumulative exports of nonfat dry milk through November 2012 under Schedule B code 0402100000 total 908.9 million pounds, a 3% increase compared to the same time span of 2011. Total exports for 2012, and percent change in amounts exported compared to 2011 are: Mexico, 403.7 million pounds (+14%), Philippines, 91.0 million pounds (-14%) and Indonesia, 63.4 million pounds (-32%). These countries are the top three destinations for nonfat dry milk thus far in 2012, accounting for 61.4% of the total 2012 nonfat dry milk exports.

EAST: Prices for low heat nonfat dry milk were unchanged to higher with high heat NDM prices moving higher. The overall market is mixed with contradicting trend factors making potential buyers uneasy about current market conditions. Contractual prices based on various price indices over the past couple of weeks have moved up and down, providing a less than clear trend and at times contradicting the general buyer sentiment of building inventories pressuring prices. The unclear pricing trends have slowed spot market activity with numerous buyers holding off purchases, waiting for market conditions to solidify and be more obvious and certain and less problematic. Production of nonfat dry milk continues to be at increased levels in the East with low heat NDM being manufactured for a majority of the week with high heat manufacturing relegated to those times when milk volumes lighten, usually at midweek. Current production is moving through contracts and adding to inventories with some manufacturers offering spot loads at prices on the lower end of the range. Demand has weakened as numerous buyers are holding off purchases for a clearer picture of the market.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.5000 - 1.6650 MOSTLY: 1.5200 - 1.6100
 HIGH HEAT: 1.6300 - 1.7150

NONFAT DRY MILK - WEST

Some index prices bounced higher after the end of the year holidays for NDM due to unsettledness in the market, but some spot sales took place at lower prices to reduce inventory pressure at a few plants. NDM production levels for low/medium heat powder have slowed from the end of the year heavy push. Dryers in the region are running efficiently to handle the skim. Many contacts note that trading activity is slower than anticipated for mid-January. Buyers indicate they are in no hurry to add to their stocks at this time. NDM exports in November total 65.0 million pounds, down 21% compared to last year. Cumulative exports for the first eleven months of the year total 908.9 million pounds, up 3% compared to the same period in 2011. The recent wet weather in the Northwest has turned colder yielding some snow and ice, but not causing any real problems for dairies. Likewise, in the Southwest, the cold is not affecting dairies all that much. Demand for high heat powder is good for this time of year. Some plants are increasing production as they now have some dryer time to take care of some additional demand going into the spring.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.5000 - 1.6150 MOSTLY: 1.5200 - 1.5700
 HIGH HEAT: 1.5800 - 1.6750

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are mostly lower on a weaker market. Churning is active throughout the region. Demand for condensed buttermilk is light at most ice cream and ice cream mix facilities as marked increases in production at those facilities usually hits in March. Dryers are actively clearing condensed buttermilk into inventory. Sales of dry buttermilk into bakery and dry mix accounts are at seasonal levels. A few market participants indicate the uptick in bakery interest for the spring holidays is still a few weeks away. Manufacturers' dry buttermilk inventories are building steadily.

EAST: Prices for dry buttermilk moved lower on both ends of the range. Churns continue to operate at accelerated schedules as cream volumes remain heavy in the East. The resulting and significant production of dry buttermilk is moving through contracts and adding to inventories. Spot sales activity is very light as numerous buyers are taking a wait and see attitude believing expanding supplies will pressure prices lower. The unclear market situation in the nonfat dry milk market cast a shadow on the dry buttermilk market adding to the already weak undertone.

F.O.B. CENTRAL/EAST: 1.4000 - 1.6300

U.S. NDM Exports, H.S. Code 0402100000(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	65.0	- 21
TOTAL, JAN - NOV	908.9	+ 3
1 Mexico	403.7	+ 14
2 Philippines	91.0	- 14
3 Indonesia	63.4	- 32
4 Vietnam	46.1	- 46
5 China	32.1	N.C.

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

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

CONTINUED FROM PAGE 5**DRY BUTTERMILK - WEST**

The pressure from additional buttermilk powder production over the end of the year holiday period is more prominent. Prices are lower as many producers attempt to clear some heavier than desired stocks. They are having some success, but stocks are still heavy at many locations. Current production levels have backed off from the holiday period, but they are somewhat heavier than anticipated due to continued heavy cream offerings in the region going to the churns. Contacts believe this scenario will continue for some time. The market is weak.

F.O.B. WEST: 1.4000 - 1.5100 MOSTLY: 1.4300 - 1.5000

DRY WHOLE MILK - NATIONAL

National dry whole milk prices are unchanged to lower as formula based prices factor in changes in nonfat solids and butterfat solids values. Sales activity is mostly centered on contract agreements. Some dry whole milk powder from Oceania is reportedly available at prices within and above the current domestic range. Manufacturers' inventories are mostly steady.

F.O.B. PRODUCING PLANT: 1.6900 - 1.8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 11	\$1.5362	8,377,860	0
January 4	\$1.5435	3,872,417	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 lower on the top of the range and mostly price series. The market tone is weakening. Decreased demand for fluid milk is keeping cheese plant milk intakes near capacity, and keeping dryers active clearing condensed whey into inventories. In keeping with active dry whey production, steady to higher availability of spot loads from manufacturers continues this week, with some sellers now requesting bids from potential buyers to discern levels of purchasing interest. End users are also receiving offers from resellers for various brands of dry whey. A few resellers are finding lower priced western F.O.B. dry whey loads, and bringing those loads into the Central region. The lower F.O.B. western prices are providing competition to Central dry whey manufacturers, especially when cost plus transportation charges still keeps the final price below Central dry whey offers. Dry whey inventories are building steadily at several manufacturers' locations. ANIMAL FEED DRY WHEY prices retreated in step with various pricing indices. End users indicate feed grade whey loads are readily available in the marketplace from manufacturers and resellers. With there being no question on availability, price is the determining factor for most buyers. Feed blenders indicated sales are steady into dairy replacement and dairy beef accounts. They note demand from veal accounts is generally lower. Foreign Agricultural Service reports that cumulative 2012 exports of dried whey through November, under Schedule B code 0404104000, totaled 446.4 million pounds, a 10% decrease compared to the same time span of 2011. The following are the three largest 2012 U.S. export markets for dried whey, total exports for the year, and percent change in amounts exported compared to the same 2011 timeframe: China, 108.0 million pounds (+4%); Mexico, 51.5 million pounds (-22%); and Canada, 41.2 million pounds (-14%).

F.O.B. CENTRAL: .5500 - .6950 MOSTLY: .6000 - .6500
 F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4400 - .6325

DRY WHEY - NORTHEAST

Dry whey prices moved lower this week as sales based on various price indices lowered the upper end of the range and spot sales for export significantly lowered the low end of the range. Heavy milk supplies have cheese makers in the Northeast running production schedules 7 days a week at most facilities. The resulting increases in dry whey production are moving through contracts and adding to inventories. Spot sales activity for domestic destinations is light with many buyers taking a wait and see attitude. As one buyer stated "Nobody wants to catch a falling knife", implying that the current buying sentiment sees building inventories pressuring prices lower, so why purchase product now, if not for immediate needs. Some whey manufacturers are willing to discount spot sales and block loads to varying degrees in order to better manage their inventories. The weak demand has prompted some significant discounts in resale activity with prices reported in the high \$0.50's. Export interests with their capability to purchase numerous loads are in a position to secure significant discounts for multiple load purchases. The market undertone, given the current dry whey production schedules, is weak.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .5200 - .7025

DRY WHEY - WEST

Western dry whey prices are lower this week. Both the range and the mostly price series were lower. Contract pricing indices were lower and there was significant spot activity for the week. Export prices have been at a discount to domestic prices for a few weeks and this is beginning to influence overall pricing. Increased offerings to the spot market are pressuring sellers to compete with off shore prices to move any excess supplies. Whey production is below year ago levels, but demand from international buyers is mostly below that of a year ago also. High prices and alternate whey protein products have tempered demand. According to the Foreign Agricultural Service, exports of dried whey for January - November 2012 total 446.4 million pounds, down 10% from the same period a year ago. The exports account for 48.6% of the total dry whey production in the U.S. for the year. China remains the leader in U.S. export destination for whey. The top five importing countries accounted for 264.4 million pounds or 59.2% of the exports for the year.

NONHYGROSCOPIC: .5100 - .6675 MOSTLY: .5600 - .6450

U.S. Dry Whey Exports. H.S. Code 0404104000(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	39.0	- 16
TOTAL, JAN - NOV	446.4	- 10
1 China	108.0	+ 4
2 Mexico	51.5	- 22
3 Canada	41.2	- 14
4 Japan	34.9	- 10
5 Indonesia	28.8	- 24

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are unchanged, but the market tone is mixed. Inventories at some locations are steady to building incrementally as contract sales into some accounts have been lagging. A few manufacturers indicate their inventories are above desired levels and they are offering spot loads of WPC 34% from time to time. Buyer interest is moderate. Other manufacturers are slightly behind on production of contract loads and not offering spot loads. With ample farm milk intakes and light fluid demand, several WPC 34% manufacturers indicate production is strong. Foreign Agricultural Service reports that cumulative 2012 exports of whey protein concentrate through November 2012 under Schedule B code 0404100500 totaled 249.0 million pounds, a 15% increase compared to the same time span in 2011. The following are the three largest 2012 U.S. export markets for whey protein concentrate whey, total exports for the year, and percent change in amounts exported compared to the same 2011 timeframe: China (94.6 million pounds, -5%), Mexico (36.5 million pounds, +41%) and Canada (31.4 million pounds, no change).

F.O.B. EXTRA GRADE 34% PROTEIN: 1.2300 - 1.3300 MOSTLY: 1.2450 - 1.2800

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.

CONTINUED FROM PAGE 6**U.S. WPC ≤ 80% Exports, H.S. Code 0404100500(FAS)**

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	19.9	- 22
TOTAL, JAN - NOV	249.0	+ 15
1 China	94.6	- 5
2 Mexico	36.5	+ 41
3 Canada	31.4	N.C.
4 Vietnam	13.7	+ 159
5 Japan	13.4	- 6

LACTOSE - CENTRAL AND WEST

Prices for lactose are lower on the bottom of the range and mostly price series. Market participants indicate spot loads of lactose are readily available from a variety of lactose manufacturers in the Central and West. Demand depends on packaging, mesh size, and other product characteristics. Several manufacturers indicate contract sales into some confectionary accounts decreased in Q1 due to formulation and switching to sugar use. Lactose production is steady to higher in the Central region as farm milk supplies are increasing steadily. Light fluid demand is also keeping more milk volumes in Class III use. Foreign Agricultural Service reports that cumulative 2012 lactose exports through November 2012 under Schedule B code 1702110000, anhydrous, >99% solids, totaled 344.2 million pounds. This is a decrease in exports of 12% compared to the same time span in 2011. The following are the three largest 2012 U.S. export markets for lactose, total exports for the year, and percent change in amounts exported compared to the same 2011 timeframe: China, 76.6 million pounds (+17%); New Zealand, 58.9 million pounds (-24%); and Mexico, 48.0 million pounds (-6%).

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL.5900 - .9200 MOSTLY: .6600 - .8000

U.S. Lactose Exports, H.S. Code 1702110000(FAS)

	2012 Exports (Million Lb.)	% Change From 1 Year Ago
November Total	33.2	+ 4
TOTAL, JAN - NOV	344.2	- 12
1 China	76.6	+ 17
2 New Zealand	58.9	- 24
3 Mexico	48.0	- 6
4 Japan	28.5	- 9
5 Brazil	19.7	+ 11

CASEIN - NATIONAL

Acid and rennet casein prices are unchanged. Market activity is light and resuming as the first quarter progresses. Offerings are limited beyond contractual commitments. Stocks in the U.S. are positioned to service ordering. Production levels in Europe are indicated to be uneven and generally below expectations as milk is moved to other commodities for needs and better projected returns.

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: 3.9000 - 4.4000
ACID: 4.5000 - 4.7500

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 2011

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
12/29/2012	43.1	3,092.0	51.5	2,965.4

WEBSITE: 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)

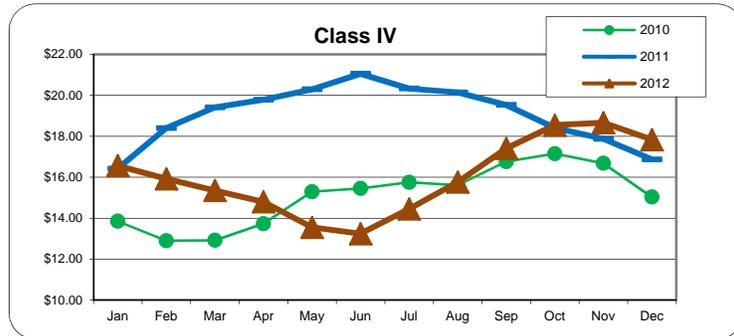
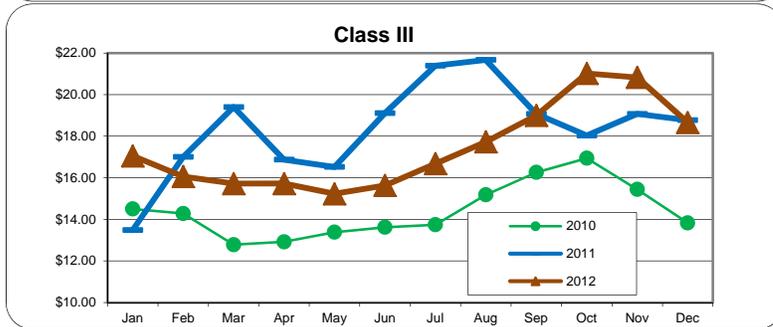
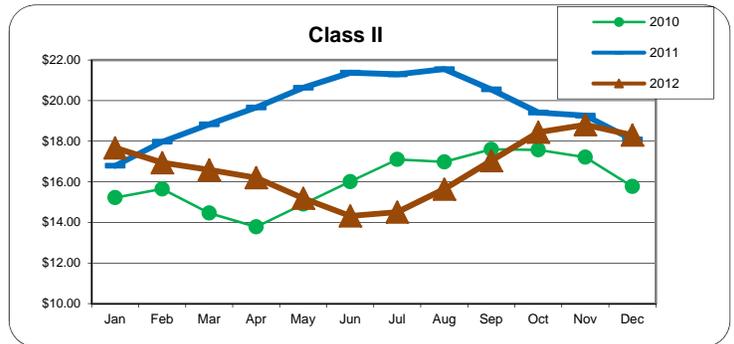
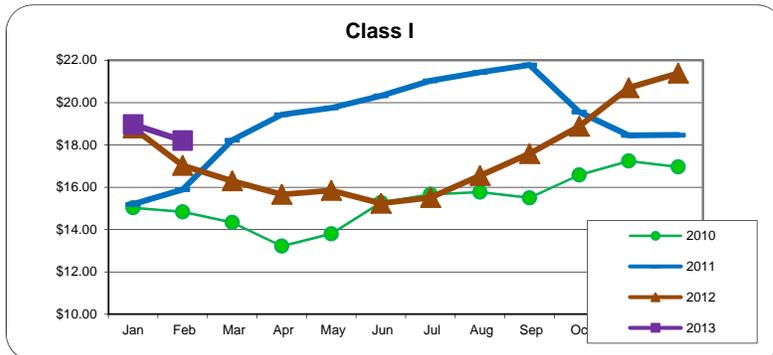
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	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										
II												
III												
IV												

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 7 - 18, 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: Western European milk production is steady to increasing seasonally. Current conditions have been generally neutral. Cooler temperatures in Germany are noted. Milk intakes have been on the lower side of expectations and processors did not see a big boost in milk intakes that some had projected. Milk output in Germany is mostly steady with year ago volumes. Milk production in France is below last year, but the gap is narrowing. Milk prices are steady to trending higher across many countries where adjustments are being built into the prices. Feed costs are constraining supplemental feeding. EU dairy product markets are firm with prices stable to higher. The higher value of the Euro against other currencies is making European dairy product offerings more expensive into export channels. The current pricing for butter and whole milk powder are high compared to other supplying countries and thus limiting export potential. Dry whey and skim milk powder prices remain competitive.

BUTTER/BUTTEROIL: Butter prices are steady to higher. Offering prices are trending slightly upwards and the effective prices are higher with the strength in the Euro against the U.S. dollar. Demand is light for industrial applications. Sales of packaged butter are slow at mid-month. Export markets are mainly to regular accounts or established business. Pricing continues higher than from other exporting countries. PSA butter stocks are indicated to continue to drop and are coming out in an orderly and planned fashion. The butteroil market and pricing are steady to slightly firm. Production remains light. The market is thinly traded with current exports limited due to the pricing levels compared to other international suppliers. AMF pricing on the gDT auction in Oceania was at \$3,505 for nearby month.

82% BUTTERFAT: 4,400 - 4,675
99% BUTTERFAT: 5,000 - 5,500

SKIM MILK POWDER (SMP): European skim milk powder prices are trending higher with the market tone being steady to slightly firm. World demand is light, yet trending higher as January progresses and buying patterns return. An export tender for SMP/WMP is expected to be announced in the near future and trading partners are poised to bid. The current strength in the Euro continues to make exporting values more expensive for export buyers. Current drying trends are steady to lower. Inventory positions are in balance when weighed against current needs and future sales. European SMP offered at the January 16 g/DT trading event traded at \$3,505-3,595 per MT for March shipment.

1.25% BUTTERFAT: 3,500 - 3,675

SWEET WHEY POWDER: Dry whole whey prices are unchanged and the market tone is mostly steady. The stronger Euro is making European whey more expensive to move into international channels. Export interest is fair to good with business continuing to regular accounts. Whey production is mostly steady and matching current cheese output trends. Movement of feed whey and corresponding pricing levels have shown some declines. Whey stocks are well positioned for traders/handlers.

NONHYGROSCOPIC: 1,325 - 1,500

WHOLE MILK POWDER (WMP): European WMP prices are steady to slightly higher. The market tone is mostly stable to firm. Pricing is also being affected by the firmer Euro versus the U.S. dollar. Current prices are above Oceania and South American sourced product. Exporting to new business is more challenging. Drying of whole milk powder is lighter as sales and returns are favoring other products. Holdings of WMP are at light, manageable levels.

26% BUTTERFAT: 3,900 - 4,150

EASTERN OVERVIEW: Eastern European milk production trends are steady to lower. Some areas are affected by winter weather conditions that are impacting output. Some deliveries are lower for quota reasons. Milk deliveries are lower in Poland. Dairy product shipments are building as the month progresses.

**Exchange rates for selected foreign currencies
January 14, 2013**

1.0165 Canadian Dollar	.0184 Indian Rupee
.2020 Argentina Peso	.8431 New Zealand Dollar
.0794 Mexican Peso	1.0567 Australian Dollar
.3261 Polish Zloty	.0112 Japanese Yen
	1.3382 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0794)=12.5945$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 7 - 18, 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: NEW ZEALAND weather conditions have been adverse over the recent weeks with cooler conditions and rainfall present. Initial indications are showing limited, overall effects on milk production. Areas of the South Island were noting flooding conditions that were impacting milk collections and tankers were rerouted. Processing plants are running at projected levels to fill orders on the books and current demand. **AUSTRALIAN** milk output is trending slightly lower and full year projections are expected to be adjusted downwards as the milk season progresses. The impact of hot weather conditions and fires is being seen on a limited basis. Locally and individually, there are specific areas that fires did touch. The overall extent of the heat and fires is slower to affect milk because of the location and because the temperatures are cycling and some heat abatement measures are in place. Water is available for irrigation of crops and pastures. Some farmers are feeding supplement grains or forages to maintain milk output. The fat and protein content of incoming milk supplies are noted to be down slightly, yet mainly along seasonal trends. Dairy product prices are steady to trending higher. Butter market demand is fair to good with product moving to established accounts. Skim milk powder interest is maintaining a good pace and clearing into international channels. Whole milk powder market price trends are steady to firm. **g/DT Update:** Average prices at the latest g/DT auction on January 16 and changes from the previous event are: anhydrous milk fat \$3,253, +2.4%; buttermilk powder \$3,405, -6.5%; cheddar \$3,496, +0.9%; milk protein concentrate \$5,995, -2.0%; rennet casein \$8,479, +0.8%; skim milk powder \$3,552, -0.3%; and whole milk powder \$3,288, +2.8%. The next event will be held on Tuesday, February 5th.

BUTTER: The butter market tone is trending mostly steady to slightly firmer over recent weeks. Production has been steady to slightly lower and reflective of seasonal declines in milk output across the region. Hotter temperatures and time in milk are affecting the milkfat contents in some locations. Greater effects are noted where supplemental feeding is taking place. Cream utilization in other products is stable. Export sales are fair to good and generally along budget. Domestic interest is stable in Australia. Butter holdings are generally at projected levels. Pricing levels in the U.S., at \$3275/MT, are becoming more competitive, especially when aided by programs. At the January 16th, gDT auction, AMF prices averaged \$3193/MT for the nearby February trading month, +1.9% from the prior event.

82% BUTTERFAT: 3,100 - 3,600

SKIM MILK POWDER (SMP): Skim milk powder prices are steady to slightly firm. The market undertone is stable. Supplies and buying interest are in good balance. Drying schedules are steady to trending lower. Milk intakes are often lower with declines noted in the milk supply. Processing plants are working well despite hot weather across the region. There are no issues noted with utilities at the plant level. Export demand remains fair to good for offerings. Many current shipments are filling previous orders. Holdings are not an issue or a concern to producers. SMP pricing at the January 16 g/DT event for all contracting periods averaged \$3,552 per MT, down 0.3% from the previous average. For the nearby trading in Contract period 2, (March 2013), prices ranged from \$3,590 to \$3,665 for NZ sourced product.

1.25% BUTTERFAT: 3,250 - 3,700

CHEDDAR CHEESE: Oceania cheddar pricing is mostly steady with recent reporting weeks. Cheese output is in line with plans. Production is active with plants open to process the milk supplies. Global cheese demand is flat and traders/handlers are resuming negotiations for future orders. Domestic demand is uneven after the holidays, yet nothing out of the ordinary is noted. Cheese volumes in storage are in a balanced position to meet current and upcoming shipments.

39% MAXIMUM MOISTURE: 3,800 - 4,200

WHOLE MILK POWDER (WMP): Oceania whole milk powder prices are steady to slightly higher. The market tone is steady to firm with negotiating active for future sales. Processing of WMP remains active and is being utilized to fill contractual obligations. Demand from the Far East is good and consistent along plans. Additional tenders are expected in coming weeks and traders/handlers are waiting to see where these sales will come from. Recent gDT auction results have firmed and this has translated into higher prices on other sales. Region pricing is lower than other world markets are gaining the majority of sales. Localized drying plans are holding steady to lower where milk supplies are down. Holdings are generally light to moderate and being staged for future needs. At the January 16 gDT event, all contracting periods up 2.8% at \$3,288 per MT. Contract 2 (March 2013) pricing averaged \$3,261 per MT, up 2.4%.

26% BUTTERFAT: 3,200 - 3,500

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered January 7 - 18, 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.

US\$/MT	Global/Dairy Trading (g/DT) Event 84 Recap - January 16, 2013													
	Contract 1 Feb-13		Contract 2 Mar-13		Contract 3 Apr-13		Contract 4 May-13		Contract 5 Jun-13		Contract 6 Jul-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$3,193	1.9%	\$3,311	5.7%	\$3,236	0.2%	\$3,324	1.5%	\$3,438	3.2%	\$3,253	2.4%	
Buttermilk Powder	n.a.	\$3,405	-6.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,405	-6.5%	
Cheddar	n.a.	\$3,465	-0.1%	\$3,532	2.1%	\$3,527	1.1%	n.a.	n.a.	n.a.	n.a.	\$3,496	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.	\$5,970	-2.8%	\$6,075	0.3%	\$5,970	-2.9%	n.a.	n.a.	n.a.	n.a.	\$5,995	-2.0%	
Rennet Casein	n.a.	\$8,498	1.3%	\$8,470	0.9%	\$8,452	-0.3%	n.a.	n.a.	n.a.	n.a.	\$8,479	0.8%	
Skim Milk Powder	\$3,490	-2.9%	\$3,550	0.0%	\$3,603	0.1%	\$3,578	-0.5%	\$3,563	0.2%	\$3,519	0.1%	\$3,552	-0.3%
Whole Milk Powder	n.a.	\$3,261	2.4%	\$3,310	3.3%	\$3,317	2.9%	\$3,333	2.9%	\$3,365	4.8%	\$3,288	2.8%	

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

US\$/Pound	Global/Dairy Trading (g/DT) Event 84 Recap - January 16, 2013													
	Contract 1 Feb-13		Contract 2 Mar-13		Contract 3 Apr-13		Contract 4 May-13		Contract 5 Jun-13		Contract 6 Jul-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$1.4483	1.9%	\$1.5019	5.7%	\$1.4678	0.2%	\$1.5078	1.5%	\$1.5595	3.2%	\$1.4756	2.4%	
Buttermilk Powder	n.a.	\$1.5445	-6.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1.5445	-6.5%	
Cheddar	n.a.	\$1.5717	-0.1%	\$1.6021	2.1%	\$1.5998	1.1%	n.a.	n.a.	n.a.	n.a.	\$1.5858	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.	\$2.7080	-2.8%	\$2.7556	0.3%	\$2.7080	-2.9%	n.a.	n.a.	n.a.	n.a.	\$2.7193	-2.0%	
Rennet Casein	n.a.	\$3.8547	1.3%	\$3.8420	0.9%	\$3.8338	-0.3%	n.a.	n.a.	n.a.	n.a.	\$3.8460	0.8%	
Skim Milk Powder	\$1.5831	-2.9%	\$1.6103	0.0%	\$1.6343	0.1%	\$1.6230	-0.5%	\$1.6162	0.2%	\$1.5962	0.1%	\$1.6112	-0.3%
Whole Milk Powder	n.a.	\$1.4792	2.4%	\$1.5014	3.3%	\$1.5046	2.9%	\$1.5118	2.9%	\$1.5264	4.8%	\$1.4914	2.8%	

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/03	01/04	01/07	01/08	01/09	01/10	01/11	01/14	01/15	01/16
CME - CLASS III MILK FUTURES (Pit-Traded)										
DEC 12	18.66 (3920) 0									
JAN 13	18.06 (3212) 36	18.03 (3185) 45	17.97 (3196) 0	18.00 (3148) 0	18.00 (3142) 0	18.07 (3161) 0	18.06 (3148) 0	18.12 (3139) 0	18.11 (3120) 0	18.07 (3089) 0
FEB 13	18.58 (2743) 0	18.40 (2783) 0	18.04 (2899) 0	17.83 (2938) 0	17.70 (3022) 0	17.75 (3000) 0	17.61 (3099) 5	17.58 (3186) 0	17.65 (3203) 1	17.49 (3228) 3
MAR 13	18.53 (2215) 0	18.41 (2203) 45	18.35 (2289) 0	18.16 (2354) 0	17.94 (2402) 0	17.91 (2414) 0	17.70 (2574) 5	17.66 (2609) 0	17.71 (2674) 1	17.50 (2746) 5
APR 13	18.54 (1579) 0	18.45 (1590) 0	18.31 (1597) 0	18.23 (1630) 0	18.13 (1653) 0	18.07 (1687) 8	18.00 (1711) 5	17.99 (1757) 0	18.03 (1778) 1	17.90 (1799) 5
MAY 13	18.55 (1443) 12	18.46 (1465) 0	18.39 (1475) 0	18.38 (1473) 0	18.30 (1508) 0	18.26 (1557) 8	18.27 (1578) 5	18.32 (1581) 0	18.34 (1599) 1	18.33 (1595) 5
JUN 13	18.69 (1294) 0	18.62 (1303) 0	18.56 (1309) 0	18.53 (1303) 0	18.54 (1305) 0	18.48 (1362) 8	18.50 (1370) 5	18.58 (1388) 0	18.60 (1404) 1	18.60 (1410) 5
JUL 13	18.70 (1015) 0	18.70 (1025) 0	18.67 (1025) 0	18.63 (1022) 0	18.65 (1029) 0	18.61 (1031) 0	18.65 (1044) 5	18.72 (1056) 0	18.74 (1061) 1	18.69 (1074) 5
AUG 13	18.70 (967) 0	18.66 (990) 0	18.65 (992) 0	18.64 (1003) 0	18.65 (1018) 0	18.65 (1021) 0	18.64 (1025) 5	18.73 (1037) 0	18.73 (1036) 1	18.72 (1039) 5
SEP 13	18.60 (794) 0	18.53 (796) 0	18.53 (806) 0	18.52 (809) 0	18.50 (821) 0	18.45 (827) 0	18.46 (838) 5	18.57 (841) 0	18.56 (870) 1	18.58 (888) 5
CME - CLASS IV MILK FUTURES (Pit-Traded)										
DEC 12	17.83 (152) 0									
JAN 13	17.75 (154) 0	17.60 (154) 6	17.60 (154) 0	17.50 (154) 0	17.50 (155) 5	17.50 (155) 0	17.50 (155) 0	17.50 (155) 0	17.50 (155) 0	17.50 (155) 0
FEB 13	17.75 (196) 0	17.70 (196) 12	17.70 (196) 0	17.68 (196) 0	17.60 (180) 5	17.60 (180) 0	17.60 (180) 0	17.60 (180) 0	17.60 (180) 0	17.72 (180) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
DEC 12	159.81 (783) 0									
JAN 13	150.20 (389) 3	151.98 (390) 1	151.70 (391) 3	151.00 (391) 1	151.00 (391) 0	150.30 (391) 6	150.35 (391) 0	150.35 (391) 0	150.35 (391) 0	150.35 (391) 0
FEB 13	155.00 (392) 5	156.00 (384) 21	157.00 (387) 5	153.60 (384) 15	153.70 (386) 8	155.00 (400) 21	155.00 (400) 0	156.00 (399) 5	157.00 (402) 7	157.00 (407) 12
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
DEC 12	153.84 (198) 0									
JAN 13	155.25 (85) 0	154.50 (82) 3	154.50 (82) 0	154.50 (82) 0	154.50 (78) 0	154.50 (78) 0	154.50 (78) 0	154.50 (78) 0	154.50 (78) 0	154.50 (78) 0
FEB 13	155.53 (87) 0	155.53 (82) 5	155.53 (82) 0	154.75 (81) 0	154.75 (76) 0	154.75 (76) 0	154.75 (76) 0	154.75 (76) 0	154.75 (76) 0	154.80 (84) 0
CME - WHEY (Electronic-Traded)										
DEC 12	66.10 (259) 0									
JAN 13	63.78 (224) 14	62.90 (229) 6	63.23 (228) 2	63.35 (228) 6	63.35 (225) 10	62.75 (213) 18	63.10 (217) 6	63.10 (218) 2	64.18 (224) 9	63.45 (204) 47
FEB 13	60.75 (216) 12	59.50 (218) 3	59.50 (221) 3	59.25 (225) 7	58.00 (228) 13	57.28 (230) 7	57.28 (239) 14	58.25 (237) 5	59.75 (244) 15	59.03 (237) 25
CME - CHEESE CSC (Electronic-Traded)										
DEC 12	1.79 (1236) 0									
JAN 13	1.75 (979) 4	1.75 (979) 8	1.75 (979) 1	1.74 (980) 5	1.74 (967) 30	1.75 (932) 45	1.75 (932) 3	1.76 (932) 2	1.76 (932) 0	1.76 (932) 0
FEB 13	1.81 (693) 10	1.81 (701) 12	1.77 (704) 9	1.75 (723) 22	1.74 (730) 25	1.75 (737) 28	1.73 (752) 22	1.73 (762) 12	1.73 (764) 11	1.72 (764) 1
MAR 13	1.82 (606) 6	1.82 (602) 11	1.81 (608) 8	1.80 (615) 18	1.79 (625) 13	1.78 (649) 29	1.77 (698) 82	1.76 (749) 77	1.76 (769) 24	1.74 (807) 45
APR 13	1.82 (271) 0	1.83 (271) 7	1.83 (278) 15	1.82 (279) 10	1.82 (291) 13	1.81 (320) 30	1.80 (351) 43	1.80 (354) 6	1.80 (361) 8	1.79 (361) 5
MAY 13	1.84 (236) 39	1.83 (236) 22	1.83 (249) 24	1.83 (250) 18	1.83 (250) 5	1.83 (249) 1	1.82 (251) 2	1.82 (251) 0	1.82 (269) 35	1.82 (270) 5

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.)

JANUARY MILK SUPPLY AND DEMAND ESTIMATES

The milk production forecast for 2012 is increased based on a slower decline in cow numbers and greater output per cow in the fourth quarter. Milk production for 2013 is raised as the decline in cow numbers is dampened from last month. Fat-basis imports for 2012 and 2013 are raised on higher butterfat and cheese imports, but skim-solids imports for 2012 are reduced on lower casein imports. Fat-basis exports are unchanged for 2012, but the forecast for 2013 is raised on greater expected cheese and whey sales. The estimate for 2012 skim-solids exports is reduced on lower nonfat dry milk (NDM) exports but the forecast for 2013 is raised. Butter and cheese prices for 2013 are lowered based on current price weakness and weaker expected demand. NDM and whey prices for 2013 are forecast higher on current price strength. The Class III price forecast is reduced as lower forecast cheese prices more than offset the higher whey price. The Class IV price is lowered as the forecast decline in butter prices more than offsets higher NDM prices. The all milk price forecast is lowered to \$18.85 to \$19.65 per cwt. Product and milk prices for 2012 are adjusted to reflect reported December estimates.

U.S. MILK SUPPLY AND USE					
Commodity	2011	2012 Estimated		2013 Projected	
		December	January	December	January
BILLION POUNDS					
MILK					
PRODUCTION	196.2	199.7	200.0	199.7	199.9
FARM USE	1.0	1.0	1.0	1.0	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	10.8	10.9	10.9	10.8	10.8
MARKETINGS	195.3	198.7	199.0	198.8	198.9
IMPORTS	3.5	3.9	4.0	3.8	4.0
TOTAL COMMERCIAL SUPPLY	209.6	213.5	214.0	213.4	213.7
FAT BASIS USE					
COMMERCIAL EXPORTS	9.4	8.9	8.9	8.9	9.0
ENDING COMMERCIAL STOCKS	10.9	10.8	10.8	10.7	11.3
CCC NET REMOVALS ^{1/}	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE ^{2/}	189.2	193.8	194.3	193.8	193.4
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	12.2	11.8	11.8	11.1	11.1
MARKETINGS	195.3	198.7	199.0	198.8	198.9
IMPORTS	5.3	5.8	5.7	5.4	5.4
TOTAL COMMERCIAL SUPPLY	212.7	216.3	216.6	215.2	215.4
SKIM-SOLIDS BASIS USE					
COMMERCIAL EXPORTS	32.5	33.8	33.7	33.2	33.6
ENDING COMMERCIAL STOCKS	11.8	11.1	11.1	11.2	11.7
CCC NET REMOVALS ^{1/}	0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE ^{2/}	168.3	171.4	171.7	170.9	170.1
MILLION POUNDS					
CCC PRODUCT NET REMOVALS ^{1/}					
BUTTER	0	0	0	0	0
CHEESE	0	0	0	0	0
NONFAT DRY MILK	0	0	0	0	0
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding.

^{1/} Includes products exported under the Dairy Export Incentive Program.

^{2/} Domestic commercial use only.

Continued on page 11

JANUARY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2011	2012 Projected		2013 Projected	
		December	January	December	January
DOLLARS PER POUND					
PRODUCT PRICES ¹					
CHEESE	1.8246	1.700-1.710	1.7076	1.750-1.830	1.710-1.790
BUTTER	1.9498	1.585-1.615	1.5943	1.595-1.705	1.535-1.645
NONFAT DRY MILK	1.5058	1.320-1.340	1.3279	1.440-1.500	1.455-1.515
DRY WHEY	0.5325	0.590-0.600	0.5935	0.600-0.630	0.610-0.640
DOLLARS PER CWT					
MILK PRICES ^{2/}					
CLASS III	18.37	17.40-17.50	17.44	18.00-18.80	17.65-18.45
CLASS IV	19.04	15.95-16.15	16.01	17.00-17.90	16.90-17.80
ALL MILK ^{3/}	20.14	18.50-18.60	18.53	19.15-19.95	18.85-19.65
QUARTERLY					
	2012 IV	2013 I ^{4/}	2013 II ^{4/}	2013 III ^{4/}	2013 IV ^{4/}
BILLION POUNDS					
MILK PRODUCTION	48.8	49.7	51.3	49.5	49.4
DOLLARS PER CWT.					
ALL MILK PRICE ^{2/3/}	21.53	19.30-19.70	18.75-19.45	18.60-19.60	18.90-19.90
CLASS III PRICE ^{2/}	20.17	17.90-18.30	17.70-18.40	17.60-18.60	17.45-18.45
CLASS IV PRICE ^{2/}	18.34	17.05-17.55	17.10-17.90	16.85-17.95	16.65-17.75

^{1/} Simple average of monthly prices calculated from AMS (formerly NASS) weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/DairyMarketStatistics>; then select "Prices;" then select "Description." ^{2/} 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. ^{3/} Does not reflect any deductions from producers as authorized by legislation. ^{4/} Projection.

Source: U.S. Department of Agriculture. World Agricultural Outlook Board. *World Agricultural Supply and Demand Estimates, WASDE-514, January 11, 2013*. Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA].

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, DECEMBER 2012

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During December 2012, more than 11.0 billion pounds of milk were received from producers. This volume of milk is 9.5 percent higher than the December 2011 volume. In December 2011 and December 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. More than 3.6 billion pounds of producer milk were used in Class I products, 5.3 percent lower than the previous year. The all-market average Class utilization percentages were: Class I = 33%, Class II = 11%, Class III = 42% and Class IV = 14%. The weighted average statistical uniform price was \$20.11 per cwt., \$1.04 lower than last month and \$0.98 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2012										
FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/ \$ PER CWT.
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			
Northeast (Boston)	001	2,157.0	6.9	834.2	-5.4	39	23	25	13	20.65
Appalachian (Charlotte)	005	498.4	-7.0	321.5	-11.3	64	12	6	18	22.28
Florida (Tampa)	006	252.5	1.9	206.7	-4.1	82	8	4	6	24.90
Southeast (Atlanta)	007	572.4	-2.8	361.9	-7.1	63	9	19	9	22.72
Upper Midwest (Chicago)	030 3/	2,782.0	10.5	321.4	-13.0	12	5	78	5	18.98
Central (Kansas City)	032 3/	1,085.4	7.1	412.1	4.4	38	10	34	18	19.56
Mideast (Cleveland)	033	1,443.8	5.7	540.3	-2.0	37	15	29	19	19.72
Pacific Northwest (Seattle)	124	690.9	18.9	179.0	-6.1	26	5	43	26	19.17
Southwest (Dallas)	126	1,177.3	41.8	353.4	-6.1	30	8	50	12	20.22
Arizona (Phoenix)	131 3/	383.5	-0.7	115.3	-2.9	30	7	22	41	19.67
ALL MARKET AVERAGE OR TOTAL	3/	11,043.1	9.5	3,646.0	-5.3	33	11	42	14	20.11

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 495.8 million pounds of milk that normally would have been associated with these markets. In December 2011, the estimated not pooled volume of milk was 1.158 billion pounds, occurring in order numbers 030, 032, 033, 124, and 126. After adjusting for non pooled milk, the year-to-year percent change is -2.6%.

Report Contact: Randal Stoker, randal.stoker@usda.gov or 202-690-1932.

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

Base Class I Price. Under the Federal milk order pricing system, the base Class I price for February 2013 is \$18.21 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$12.91 and the advanced butterfat pricing factor of \$1.6427. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to January 2013, the base Class I price decreased \$0.76 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), -\$0.74 per cwt., -\$0.064 per gallon; reduced fat milk (2%), -\$0.61 per cwt., -\$0.053 per gallon; fat-free (skim milk), -\$0.47 per cwt., -\$0.041 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$12.41. Thus, the Class II skim milk price for February is \$13.11 per cwt., and the Class II nonfat solids price is \$1.4567. **Product Price Averages.** The two-week product price averages for February are: butter \$1.5280, nonfat dry milk \$1.5603, cheese \$1.7535, and dry whey \$0.6536.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/2/}				
Federal Milk Order Marketing Area ^{3/}	Order Number	February 2013		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	21.46	16.16	1.6752
Appalachian (Charlotte) ^{5/ 6/}	005	21.61	16.31	1.6767
Southeast (Atlanta) ^{6/ 7/}	007	22.01	16.71	1.6807
Florida (Tampa) ^{6/ 8/}	006	23.61	18.31	1.6967
Midwest (Cleveland) ^{9/}	033	20.21	14.91	1.6627
Upper Midwest (Chicago) ^{10/}	030	20.01	14.71	1.6607
Central (Kansas City) ^{11/}	032	20.21	14.91	1.6627
Southwest (Dallas) ^{12/}	126	21.21	15.91	1.6727
Arizona (Phoenix)	131	20.56	15.26	1.6662
Pacific Northwest (Seattle) ^{13/}	124	20.11	14.81	1.6617
All-Market Average		21.10	15.80	1.6716

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63 - the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25.

^{5/} Class I prices at other cities are: Knoxville, minus \$0.20 and Louisville, minus \$1.10. ^{6/} Effective May 1, 2008, the Class I price surface in these orders were temporarily adjusted. ^{7/} Class I prices at other cities are: New Orleans, same; Memphis, minus \$0.90;

Nashville, minus \$0.90; and Springfield, MO, minus \$1.40. ^{8/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.60; and Jacksonville, minus \$0.40. ^{9/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and

Detroit, minus \$0.20. ^{10/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. ^{11/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

^{12/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

NOVEMBER MILK SALES

During November, 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5 percent lower than November 2011. After adjusting for calendar composition, sales in October 2012 were 1.7 percent lower than November 2011. Estimated sales of total conventional fluid milk products decreased 0.9 percent from November 2011 and estimated sales of total organic fluid milk products increased 9.0 percent from a year earlier.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYeartoDate>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
NOVEMBER 2012, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	November	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,140	12,290	-0.1	-1.6
Flavored Whole Milk	50	477	9.4	-0.2
Reduced Fat Milk (2%)	1,513	16,387	0.2	-1.4
Low Fat Milk (1%)	605	6,585	-0.6	1.4
Fat-Free Milk (Skim)	594	6,672	-5.9	-5.7
Flavored Fat-Reduced Milk	345	3,475	-1.1	-0.5
Buttermilk	46	438	3.8	1.0
Total Conventional Milk Products 5/	4,342	46,427	-0.9	-1.5
Organic Whole Milk	49	502	16.0	10.6
Organic Reduced Fat Milk	55	580	4.6	7.0
Organic Low Fat Milk	41	423	9.2	9.3
Organic Fat-Free Milk (Skim)	37	403	2.0	-3.9
Organic Flavored Milk	6	66	-4.1	-22.0
Organic Fat-Reduced Milk 3/	142	1,481	6.8	1.4
Total Organic Milk Products	191	1,983	9.0	3.6
Total Fluid Milk Products 4/	4,533	48,410	-0.5	-1.3
Total Fluid Milk Products Adjusted 4/ 5/	4,478	48,401	-1.7	-1.5

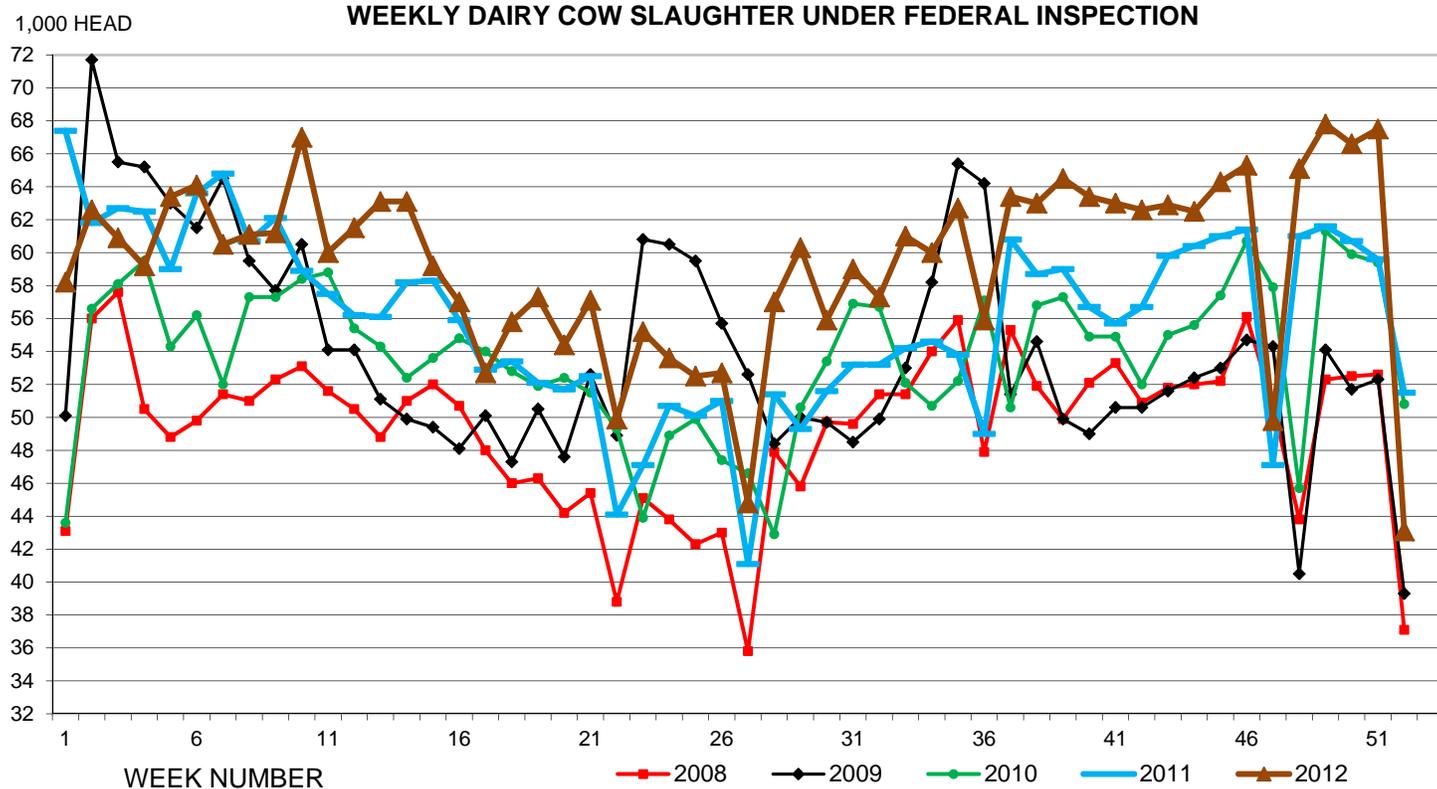
1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which account for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis. 3/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous organic milk products combined. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272> Report contact: Daniel Manzoni, Daniel.manzoni@ams.usda.gov or 202-720-2352

**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, NOVEMBER 2012, WITH COMPARISONS 1/**

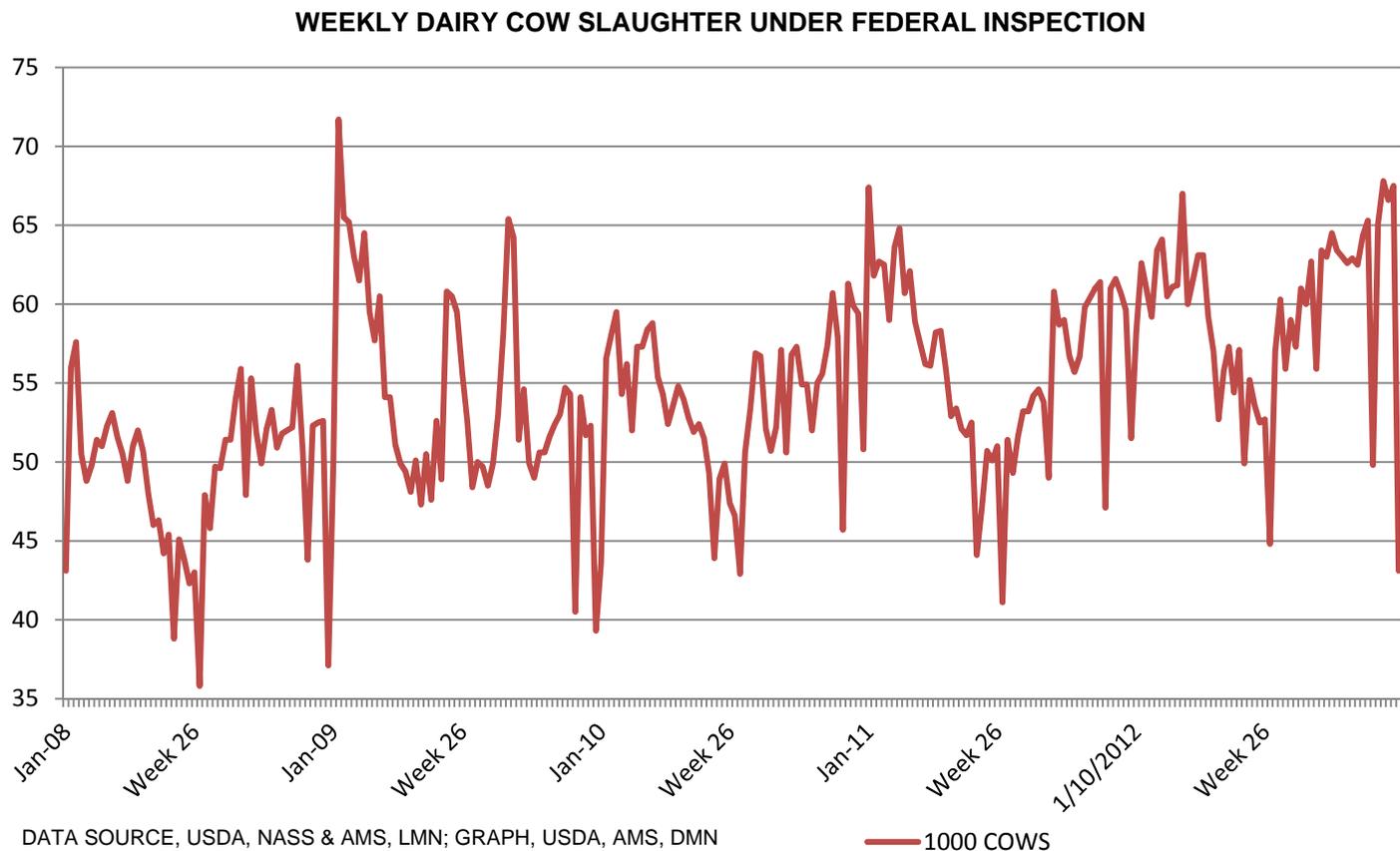
Marketing Area	Order Number	Sales		Change from: 2/	
		November	Year to Date	Previous Year	Year to Date
		Million Pounds		Percent	
Northeast	001	785	8,256	1.5	-0.7
Appalachian	005	300	3,212	-1.4	-1.9
Florida	006	243	2,616	0.4	-1.3
Southeast	007	406	4,375	-1.8	-2.4
Upper Midwest	030	353	3,769	-0.9	-2.3
Central	032	393	4,151	0.5	0.1
Mideast	033	504	5,369	-1.0	-1.7
Pacific Northwest	124	186	1,998	-2.3	-1.2
Southwest	126	384	4,075	0.3	-0.3
Arizona	131	98	1,057	-4.5	-2.1
California	---	518	5,658	-1.5	-2.0

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

Source: U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin*, November 2012.



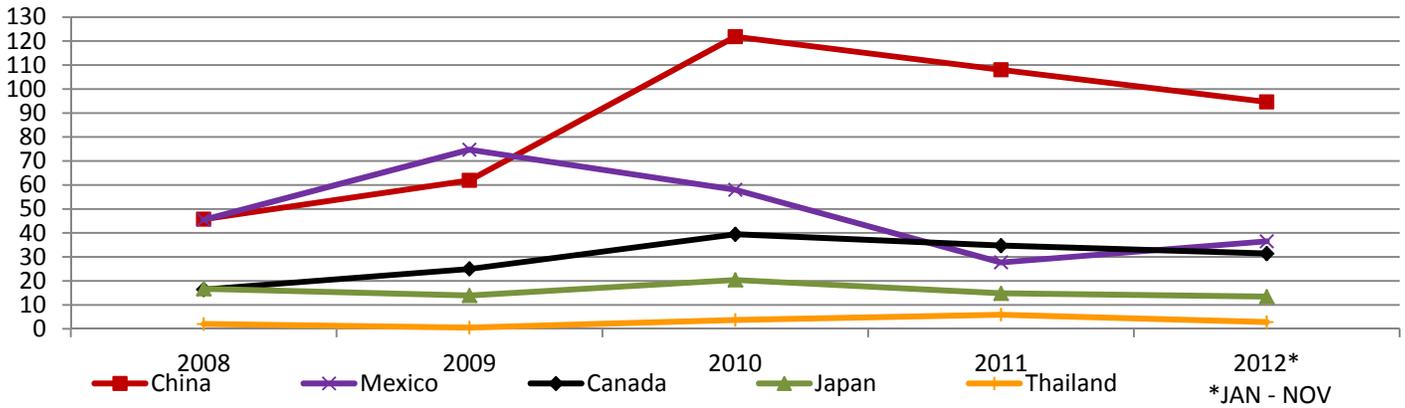
DATA SOURCE, USDA, NASS & AMS, LMN; GRAPH, USDA, AMS, DMN



DATA SOURCE, USDA, NASS & AMS, LMN; GRAPH, USDA, AMS, DMN

2008 - 2011 ANNUAL & 2012 YEAR-TO-DATE WPC EXPORT QUANTITIES OF HS CODE 0404100500 TO TOP TRADING PARTNERS

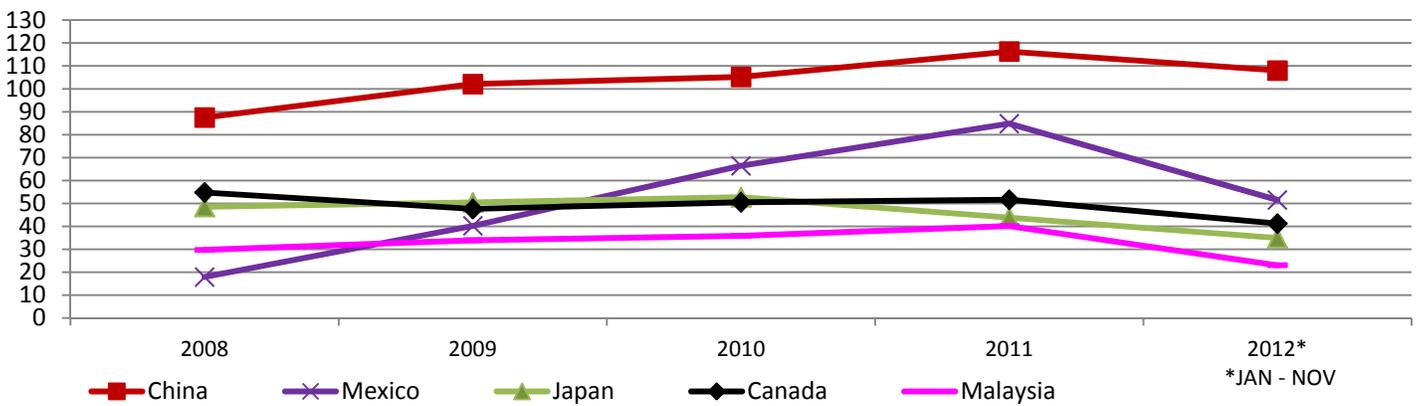
MILLION POUNDS



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

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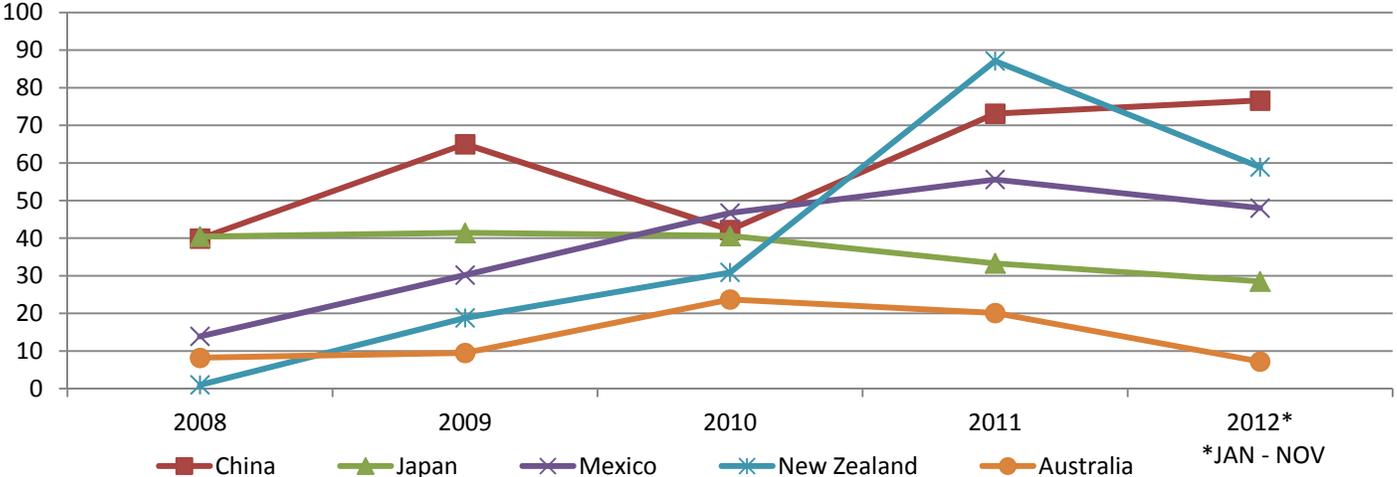
MILLION POUNDS



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

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MILLION POUNDS



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

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