

Daily Dairy

Vol. 2, No. 209 / January 31, 2014

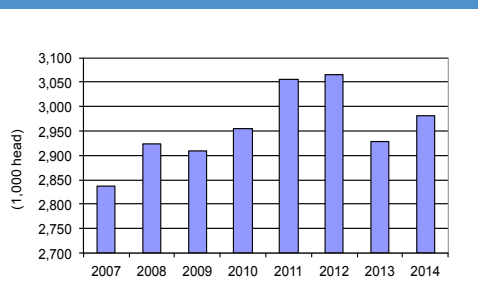
REPORT

Dairy Heifer Supply Adequate to Maintain Herd

Despite reports that dairy heifers are in short supply, USDA reports that as of Jan. 1, 2014, the number of heifers over 500 lbs. expected to calve in 2014 total 2.981 million head, up 52,300 head or 2% vs. last year, according to USDA's Cattle report released this afternoon. Nevertheless, this year's expected heifer tally is still several thousand head shy of the more than 3.05 million head that were projected to enter the dairy herd in 2011 and 2012. In light of record-high milk prices in 2014, it is understandable that increased demand is contributing to rising heifer prices. USDA's estimate would indicate that the number of heifers expected to calve has increased vs. last year, but they are being held in strong hands.

The U.S. dairy herd is starting the year with 9,300 fewer milk cows than last year at 9.209 million head. The number of milk cow replacements over 500 lbs. total 4.539 million head, down 11,500 head from last year. But only 2.981 million of these are expected to calve in 2014. These

Heifers Expected to Calve in 2014



heifers represent 32% of the entire herd and are adequate to maintain the dairy herd at current levels based on historical replacement rates.

The total U.S. cattle and calves inventory stood at 87.7 million head, down 2% from last year, and represents the lowest Jan. 1 inventory of all cattle since the 92.1 million head on hand in 1951. Cattle on feed at 12.695 million head are 5% lower than last year. The scarcity of supply has resulted in the closure of the National Beef plant in

Barlow, California. The number of heifers over 500 lbs. for beef cow replacement increased 90,000 head, up 2% vs. last year. And the number of those expected to calve in 2014 is also 1% higher than a year ago. Beef producers are retaining more heifers to grow the herd. In the long run this translates into a larger cattle supply. But for now, it means fewer cows and heifers going to slaughter, lower beef supplies, and supported beef prices.

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CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$1.8800	-1.25	5
Cheddar Block	\$2.3600	+0.50	4
Cheddar Barrel	\$2.3200	NC	0
NDM Grade A	\$2.0400	-1.50	8
Corn Futures (MAR)	\$4.3400	+0.50	0
Soybean Futures (MAR)	\$12.8275	+7.75	NA
Soybean Meal Futures (MAR)	\$426.100	+0.90	NA
Live Cattle Futures (FEB)	\$141.675	-47.50	NA

January 31 Trading Activity

	Class III Futures	chg. ¢	Class III Call Options	chg. ¢	Class III Put Options	chg. ¢	Class IV Futures	chg. ¢	Butter Futures	chg. ¢	NDM Futures	chg. ¢	Cheese Futures	chg. ¢	Whey Futures	chg. ¢
JAN 14	21.12	+1	21.25 @ 0.01	NC	21.00 @ CAB	NC	22.23	NC	163.500	NC	202.600	-0.325	208.000	NC	59.775	NC
FEB	23.11	-18	23.25 @ 0.22	-8	23.00 @ 0.22	+6	23.26	-4	186.000	-1.750	203.000	-0.200	227.100	-1.400	62.725	-0.025
MAR	21.47	-6	21.50 @ 0.67	-3	21.25 @ 0.58	+2	23.11	-5	183.000	-0.500	203.750	-0.725	210.100	+0.400	61.500	-1.775
APR	20.04	-2	20.25 @ 0.69	NC	20.00 @ 0.77	+3	22.58	-1	180.000	-2.000	196.850	-1.150	195.600	+1.500	62.500	-0.500
MAY	19.20	NC	19.25 @ 0.87	+2	19.00 @ 0.80	+2	21.62	-14	178.000	-0.500	189.500	-1.375	187.500	NC	60.750	-1.250
JUN	18.88	+1	19.00 @ 0.89	+3	18.75 @ 0.89	+3	21.25	NC	176.500	NC	185.100	-0.400	185.000	+0.500	61.000	-0.250
JUL	18.73	-2	18.75 @ 0.93	-1	18.50 @ 0.84	+1	20.79	-4	176.425	-0.575	180.750	-0.725	183.600	+0.100	59.550	+0.050
AUG	18.64	+5	18.75 @ 0.92	+2	18.50 @ 0.90	-2	20.35	NC	177.500	-0.500	173.000	-1.100	183.000	+1.000	59.000	NC
SEP	18.46	+6	18.50 @ 0.97	+3	18.25 @ 0.88	-3	20.15	NC	177.450	-0.050	170.500	-1.750	181.200	+0.600	58.000	NC
OCT	18.17	+4	18.25 @ 0.94	+2	18.00 @ 0.89	-2	19.73	-1	175.500	NC	166.525	-0.975	179.600	+1.300	57.000	NC
NOV	17.94	-1	18.00 @ 0.95	NC	17.75 @ 0.87	-1	19.38	NC	174.000	NC	164.000	NC	177.300	NC	57.000	-0.250
DEC	17.70	NC	17.75 @ 0.95	NC	17.50 @ 0.87	NC	19.09	-6	174.000	NC	161.000	-0.500	175.300	+0.800	56.800	-0.325

Dec. Milk Prices (with chg. vs. prior month): Class III \$18.95 (+\$0.12); Class IV \$21.54 (+\$1.02); California 4a \$21.16 (+\$0.53); 4b \$18.03 (+\$0.73)

The Daily Dairy Report is written by Mary Ledman, Sara Dorland, Sarina Sharp and Karen Endres. To subscribe visit www.dailydairyreport.com.

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Weekly Feature

Rate of World Consumption of Dairy Slowing

Rabobank's Global Dairy Strategist Tim Hunt cautioned attendees at the International Dairy Foods Association's annual Dairy Forum, held this week in Palm Springs, Calif., that global dairy product consumption is stagnant. Rabobank pegs year-over-year U.S. and European 2013 dairy consumption down 0.5% and 0.4%, respectively. Russia's dairy intake is estimated to be 2% lower than the previous year. Developing dairy markets in China, India, and Brazil are still growing, albeit at about half the rate of recent years, according to Hunt. Lower global milk production and rising prices are key factors contributing to the slowdown in consumption growth.

Rabobank estimates that China's 2013 milk production contracted 6% (or more than 4 billion pounds) and that the surge in China dairy imports during the year was largely driven by lower domestic production. Hunt cautioned that recent media

reports of a large percentage change in the Chinese dairy herd would not result in a one-for-one decrease in Chinese milk production. Rising costs of production, high slaughter-cow values, and implicit higher wages for non-agricultural jobs are causing small dairy farmers to seek better alternatives. China's combined imports of skim milk powder and whole milk powder increased 50% in 2013 to 1.9 billion pounds. The year-over-year increase is equal to more than 3.1 billion pounds milk equivalent.

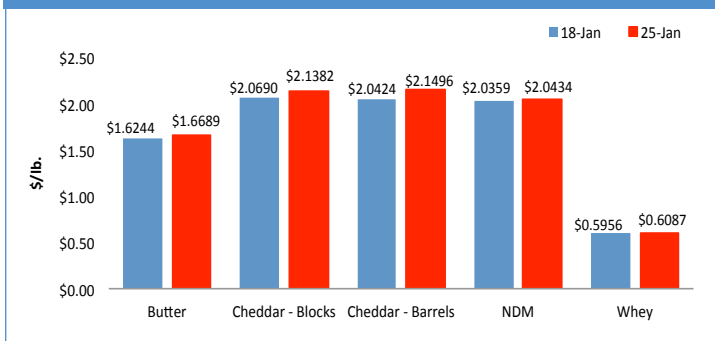
Market Recap:

Four loads of Cheddar block cheese trading at the CME Group spot cheese market for the first time since the week of Dec. 20, 2013. The block market closed 0.5¢ higher at \$2.36 with an unfilled bid remaining on the board. FEB thru APR Class III Futures settled lower on the day.

CME Group Spot Dairy Product Prices (\$/lb.)

	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly Average	Change vs. Prior Week	Weekly Volume
Butter	\$1.9000	\$1.9000	\$1.8950	\$1.8925	\$1.8800	\$1.8935	-\$0.0065	10
Cheddar Blocks	\$2.3100	\$2.3200	\$2.3400	\$2.3550	\$2.3600	\$2.3370	\$0.0576	4
Cheddar Barrels	\$2.2750	\$2.2800	\$2.3000	\$2.3200	\$2.3200	\$2.2990	\$0.0515	3
NDM Grade A	\$2.0500	\$2.0750	\$2.0525	\$2.0550	\$2.0400	\$2.0545	-\$0.0224	23

AMS Weekly NDPSR Prices (\$/lb.)



Futures and Options

Futures	Weekly Volume	Open Interest	Options	Weekly Volume	Open Interest
Class III	5,236	29,345	Class III	4,061	70,718
Class IV	796	11,128	Class IV	495	14,507
Butter	682	5,831	Butter	19	4,879
Cheese	365	9,278	Cheese	35	10,183
Dry Whey	51	2,442	Dry Whey	3	1,690
NDM	620	4,567	NDM	320	3,267

Mon. - Thurs. Trading Volume. Open Interest as of 01/30/2014

USDA Dairy Market News Prices (\$/lb.) Week ending January 24

	Range	Mostly Range	Mostly Average	Change vs. Prior Week	Market Comments
Buttermilk Central	\$1.8800 to \$1.9650	NA	NA	\$0.0113	Market is higher
Buttermilk West	\$1.8800 to \$1.9350	\$1.8900 to \$1.9200	\$1.9050	\$0.0100	Market is higher
Dry Whey Central	\$0.5500 to \$0.6400	\$0.5650 to \$0.6050	\$0.5850	\$0.0075	Market is higher
Dry Whey West	\$0.5900 to \$0.6375	\$0.5900 to \$0.6300	\$0.6100	\$0.0038	Market is higher
Whey Protein Conc.	\$1.6000 to \$1.9725	\$1.7000 to \$1.8450	\$1.7725	\$0.0075	Market is higher
Lactose	\$0.4000 to \$0.7200	\$0.5400 to \$0.6500	\$0.5950	NC	Market is steady
NDM Central/East	\$2.0300 to \$2.1400	\$2.0500 to \$2.1200	\$2.0850	NC	Market is steady
NDM West	\$2.0000 to \$2.1250	\$2.0500 to \$2.1000	\$2.0750	NC	Market is steady
Whole Milk Powder	\$2.0750 to \$2.1700	NA	NA	\$0.0100	Market is higher