

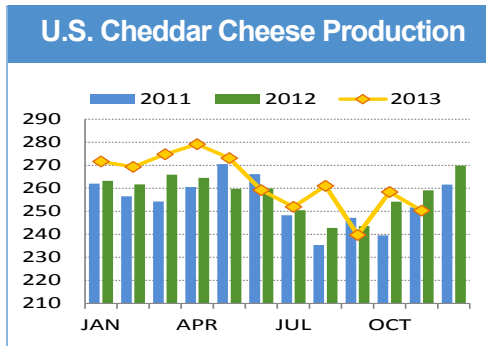
Daily Dairy

Vol. 2, No. 190 / January 3, 2014

REPORT

U.S. Cheese Production Breaks with Trend

Given the current strength of spot dairy product prices, today's USDA Dairy Products report did little to dissuade market participants or slow markets down; in fact, much of the information confirmed recent dairy price strength. U.S. cheese production was 940.7 million pounds in November, up 2.9% vs. a year ago but nearly unchanged to October, up 0.1% on a daily average basis. This is inconsistent with historic seasonal patterns at this time of year. Cheddar cheese

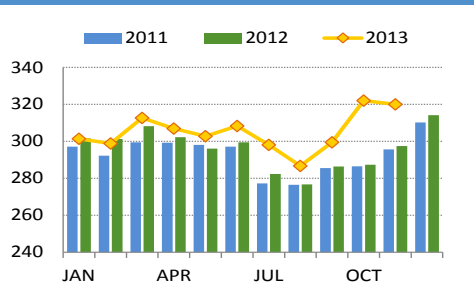


November mozzarella cheese production of 320 million pounds set a record for the month, surpassing the same period a year ago by 7.6%. That said, mozzarella production was still 0.6% less than October on a daily average basis. Based on continued strength of fresh cheese exports, cheese makers appear to be willing to divert milk to mozzarella cheese vats vs. Cheddar.

....continued on page 2

production also broke trend. With production of 250.4 million pounds, November Cheddar production dropped 3.4% below last year and was 3.1% less than October. Given strong U.S. cheese exports, and recovery of Cheddar exports in recent months, this has tightened spot cheese leading to much stronger prices at the end of 2013 and into 2014. For reported states, Idaho and Wisconsin produced far less Cheddar cheese in November 2013 vs. a year ago, down 6.5% and 6.7%, respectively.

U.S. Mozzarella Cheese Production



CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$1.5700	+3.00	0
Cheddar Block	\$2.0425	+2.75	0
Cheddar Barrel	\$1.9500	+7.00	0
NDM Grade A	\$2.0675	+0.75	4
NDM Extra Grade	\$2.0900	NC	0
Corn Futures (MAR)	\$4.2350	+3.00	NA
Soybean Meal Futures (JAN)	\$424.500	+0.70	NA
Live Cattle Futures (FEB)	\$132.350	-62.50	NA

January 3 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	20.06	+40	20.25 @ 0.10	+6	20.00 @ 0.15	-27	21.73	+9	159.500	+2.500	200.225	+1.200	198.000	+4.600	58.500	NC
FEB	19.68	+56	19.75 @ 0.42	+20	19.50 @ 0.37	-30	21.87	+7	161.000	+1.000	200.875	+1.450	193.600	+5.600	59.675	NC
MAR	19.07	+53	19.25 @ 0.52	+24	19.00 @ 0.56	-26	21.59	+5	163.250	+1.250	195.825	-0.175	186.600	+5.700	60.925	-0.050
APR	18.55	+38	18.75 @ 0.58	+20	18.50 @ 0.64	-16	20.85	+5	163.750	+0.750	187.350	+0.600	180.600	+3.700	60.750	NC
MAY	18.18	+18	18.25 @ 0.71	+13	18.00 @ 0.67	-2	20.29	+14	164.975	+1.975	180.500	+0.100	178.500	+2.000	59.250	NC
JUN	17.96	+13	18.00 @ 0.78	+11	17.75 @ 0.70	-1	19.55	+5	164.475	+2.475	173.225	+0.975	176.500	+2.400	58.750	NC
JUL	17.72	+12	17.75 @ 0.83	+11	17.50 @ 0.74	NC	19.15	NC	165.000	+1.000	167.725	NC	173.400	+0.300	57.750	NC
AUG	17.65	+9	17.75 @ 0.81	+10	17.50 @ 0.78	+1	18.99	NC	164.025	+0.025	165.850	NC	174.100	+1.100	57.500	NC
SEP	17.60	+7	17.75 @ 0.83	+9	17.50 @ 0.85	+3	18.99	NC	165.000	NC	165.050	-0.025	173.600	NC	57.000	NC
OCT	17.62	+7	17.75 @ 0.85	+7	17.50 @ 0.85	NC	18.80	+11	165.750	NC	161.950	NC	174.000	NC	56.250	NC
NOV	17.59	+6	17.75 @ 0.86	+7	17.50 @ 0.89	+1	18.75	+5	168.975	NC	162.375	-0.050	173.400	NC	57.000	NC
DEC	17.46	+4	17.50 @ 0.93	+7	17.25 @ 0.84	+3	18.37	NC	164.975	NC	160.725	-0.750	172.700	NC	56.000	NC

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.

The Daily Dairy Report is published by Daily Dairy Report, Inc. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance.

Copyright Daily Dairy Report, Inc. All rights reserved. Reproduction or distribution in any form is prohibited without consent from Editor Mary Ledman, Daily Dairy Report, Inc. 1642 Old Barn Circle, Libertyville, IL 60048. Phone (847) 680 9693. mary@dailydairyreport.com



Weekly Feature

...U.S. Cheese Breaks Trend

The largest production percentage gain came from New York, up 63% vs. a year ago which accounting for 8.9 million pounds of additional output. California, the nation's largest mozzarella producing state, also accounting for an impressive 10.3 million pound gain vs. November 2012, up 9.6%.

Seasonally nonfat dry milk (NDM) and skim milk powder (SMP) production has started to increase. November NDM and SMP production were 100.1 and 56.4 million pounds, respectively. Combined this puts milk powder production in November 9.1% higher than October, but still 2.5% less than a year ago. Year-to-date, U.S. manufacturers have produced slightly less milk powder, down 0.8%, vs. the same period last year. While NDM output leapt 20.5% in November vs. October, manufacturers stocks gained only 6.5% to 118.2 million pounds. However, NDM stocks are 6.7% less than a year

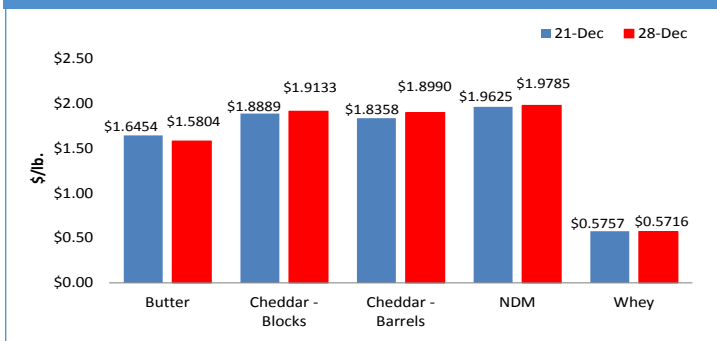
ago suggesting that product continues to move out even at historically high prices.

Class III milk futures started the day in positive territory, but surged after spot trading to close with double digit gains for the first half of 2014. FEB 2014 was the largest gainer on the day, up 56¢ vs. the prior day, followed closely by MAR at 53¢ higher on the day. Bidders came out in force today searching for dairy products during the CME spot sessions. Cheddar blocks moved 2.75¢ higher to \$2.0425/lb. on an unfilled bid. CME Cheddar barrels had the largest gain on the day, up 7¢ to settle at \$1.92. Grade A nonfat dry milk (NDM) recaptured some of this week's losses, closing at \$2.0675, up 0.75¢ after three trades. Spot butter closed up 3¢ at \$1.57 on two bids.

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

	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly Average	Change vs. Prior Week	Weekly Volume
Butter	\$1.5225	\$1.5325		\$1.5400	\$1.5700	\$1.5413	-\$0.0387	11
Cheddar Blocks	\$2.0000	\$2.0000		\$2.0150	\$2.0425	\$2.0144	\$0.0144	0
Cheddar Barrels	\$1.9100	\$1.8500		\$1.8500	\$1.9200	\$1.8825	-\$0.0850	2
NDM Grade A	\$2.0900	\$2.0600		\$2.0600	\$2.0675	\$2.0694	-\$0.0406	11
NDM Extra Grade	\$2.0900	\$2.0900		\$2.0900	\$2.0900	\$2.0900	\$0.0000	

AMS Weekly NDPSR Prices (\$/lb.)



Futures and Options

Futures	Weekly Volume	Open Interest	Options	Weekly Volume	Open Interest
Class III	4,254	23,397	Class III	3,269	54,994
Class IV	956	7,313	Class IV	364	13,545
Butter	890	4,681	Butter	305	4,422
Cheese	483	8,620	Cheese	172	9,556
Dry Whey	226	2,329	Dry Whey	166	1,499
NDM	570	3,246	NDM	233	3,038

Mon. - Thurs. Trading Volume. Open Interest as of 01/02/2014

USDA Dairy Market News Prices (\$/lb.) Week ending December 13

	Range	Mostly Range	Mostly Average	Change vs. Prior Week	Market Comments
Buttermilk Central	\$1.8200 to \$1.9300	NA	NA	\$0.0050	Market is higher
Buttermilk West	\$1.8500 to \$1.9300	\$1.8500 to \$1.8700	\$1.8600	\$0.0050	Market is higher
Dry Whey Central	\$0.5300 to \$0.6350	\$0.5450 to \$0.5800	\$0.5625	\$0.0025	Market is higher
Dry Whey West	\$0.5600 to \$0.6175	\$0.5700 to \$0.6075	\$0.5888	NC	Market is steady
Whey Protein Conc.	\$1.4250 to \$1.9200	\$1.6700 to \$1.7700	\$1.7200	NC	Market is steady
Lactose	\$0.4100 to \$0.8400	\$0.5500 to \$0.7200	\$0.6350	NC	Market is steady
NDM Central/East	\$2.0275 to \$2.1400	\$2.0300 to \$2.1000	\$2.0650	NC	Market is steady
NDM West	\$1.9825 to \$2.1000	\$2.0200 to \$2.0600	\$2.0400	\$0.0100	Market is higher
Whole Milk Powder	\$2.0000 to \$2.1500	NA	NA	NC	Market is steady