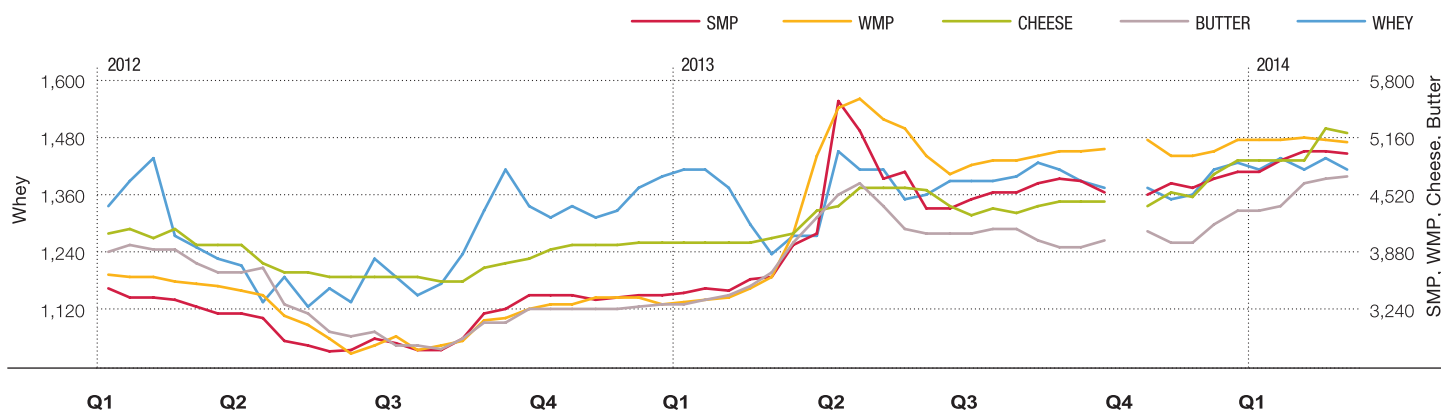


# Market Outlook

## 2012-14 PRICE TREND - SMP, WMP, CHEESE, BUTTER, WHEY\*

(\$/MT)



\*Mid-point of range. Milk powder, cheese and butterfat are Oceania; whey is Western Europe.

Source: USDA's Dairy Market News.

## Markets absorbing growing production

By Alan Levitt, Marc Beck and Brad Gehrke

The global dairy markets still have strong support, at levels roughly 30-40% higher than a year ago. Prices have eased somewhat in the face of rising milk production in Europe and New Zealand. European offering prices have come down in the last 4-6 weeks, making EU suppliers more competitive on the world market. But uncommitted inventory out of Oceania is scarce for the balance of the season and buyers are still eager to complete coverage for Q2.

As widely reported, China buying has absorbed the increase in global milk supply since last summer. China's imports of milk powder, cheese, butterfat and whey in the September-January period were up a staggering 66% from the prior year. Purchases aren't likely to be as heavy in the months ahead; China typically buys 15-20% less in the second and third quarters compared with the fourth and first quarters.

Prices are expected to continue to ease lower in the second quarter with China less a factor. In addition, growing production is giving buyers a little more confidence.

We don't expect prices to fall too drastically. For nearly a year, buyers have been reluctant to procure too far ahead, waiting for price declines that haven't materialized. They still need to rebuild pipeline holdings, and they're poised to purchase on dips in the market. Of course, historically high commodity prices that have held for almost a year have priced some buyers out of the market and encouraged substitution in some applications and that could curb demand later in the year.

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### CURRENT PRICES

\$/MT, FOB SHIP\*

	EUROPE	OCEANIA
SMP	4325-4700 (-38)	4850-5050 (+150)
WMP	4900-5300 (-50)	4700-5050 (-225)
Cheddar cheese	4725-5150 (-13)	4850-5200 (+275)
Butter	4800-5200 (-150)	4550-4800 (+188)
Butteroil	5500-5900 (-100)	5000-5400 (NC)
Dry whey	1250-1450 (-50)	1450-1650 (-50)
WPC-34%	NA	3800-4200 (NC)
Lactose	NA	1500-1800 (-75)

\*with change from early February

Source: USDEC.



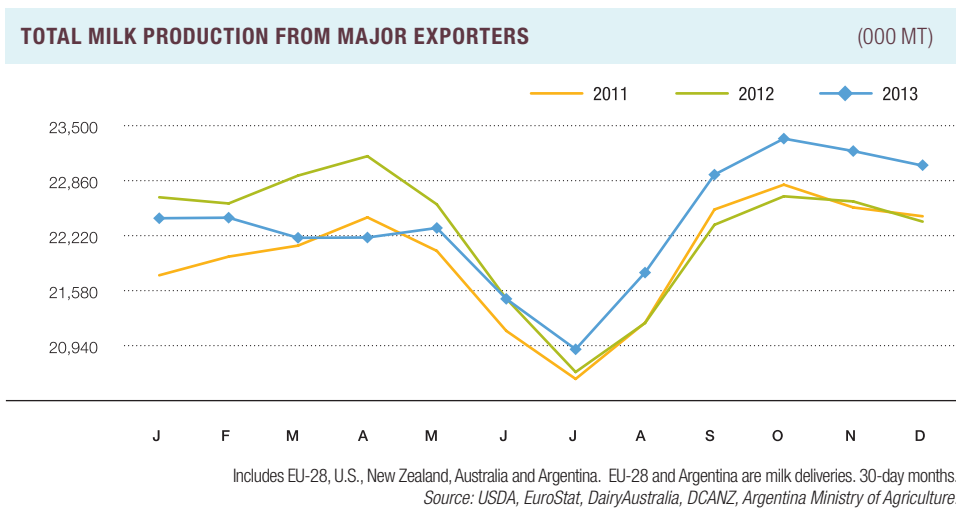
U.S. Dairy  
Export Council

Ingredients | Products | Global Markets

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# Other key factors

- » From August-February, milk production in the EU-28 and New Zealand was up approximately 4% from the prior year – an additional 530,000 tons of milk per month. Record milk prices have created a strong incentive to push volume, and weather has been favorable for cow comfort.
- » Among the five major suppliers, milk production in the November-January period was up about 2.5%.
- » On Feb. 27, Fonterra increased its 2013/14 payout to NZ\$8.65/kg MS, up 48% from the prior year. New Zealand milk production for the current season is on track to finish 7-8% ahead of a year ago, despite scattered dry areas around the country. Australia production is now slightly ahead of the depressed levels of a year ago, but will likely finish the year down about 1%. (*See Global Milk Production, p. 7*)
- » In December, EU-28 exports of milk powder, cheese, butterfat and whey were up 25% from the prior year, with a 49% jump in milk powder sales. EU-28 production of SMP in the second half of 2013 was up 8% from the prior year.
- » China purchased record volumes of WMP in January: 124,938 tons, up 62% from the prior year. This product was purchased at \$5170/ton, according to Chinese customs data. The remarkably heavy purchases reflect the desire to buy under the preferential tariff rate that resets at the beginning of each year.



- » All told, China probably accounted for around 25% of the world's trade in WMP, SMP, cheese, butterfat and whey in January (and about 20% in December).
- » China milk production, down an estimated 6% in 2013, is not expected to rebound quickly or significantly in 2014, necessitating continued heavy imports.
- » While China's milk powder imports soared in 2013 (+49%), other buyers were pushed to the sidelines. Algeria (-13%), Mexico (-15%), Venezuela (-19%), Brazil (-25%) and Sri Lanka (-16%) all bought less. (*See World Dairy Imports, p. 5*)
- » Russia imports of cheese and butter were up 13% in 2013.
- » Prices pulled back at the March 4 Global Dairy Trade auction. The average winning price of \$4794/ton was the lowest since late June. The WMP price fell about \$300/ton from the previous auction. Volume available on GDT has increased as Fonterra attempts to clear production before the end of the season.
- » In 2013, U.S. share of world trade of milk powder, cheese, butterfat and whey increased 2.5 points to 17.2%, while the EU-28, New Zealand and Australia lost 3.6 points combined. With increasing supply from the EU-28 and New Zealand in 2014, their shares are expected to rebound.

## ABOUT THIS ISSUE

Global Dairy Market Outlook is written and distributed monthly by the U.S. Dairy Export Council (USDEC), 2101 Wilson Blvd., Suite 400, Arlington, VA 22201, USA, (703) 528-3049, FAX (703) 528-3705, website [www.usdec.org](http://www.usdec.org). Data is compiled and analyzed by Alan Levitt, vice president of communications and market analysis; Marc Beck, executive vice president of strategy and insights; and Brad Gehrke, director of global trade analysis. Analysis is supported by USDEC's network of nine international offices.

This issue of Global Dairy Market Outlook covers conditions at early March 2014.

USDEC uses sources believed to be reliable but cannot warrant the accuracy of the information herein. Global Dairy Market Outlook is solely for information purposes and is not to be construed as commercial trading advice.

The U.S. Dairy Export Council, primarily funded by Dairy Management Inc. through the producer checkoff, works closely with its member processors, trading companies and others to build global demand for U.S. dairy products.

# World Dairy Exports

## SMP Exports

**^67%**

EU % Change,  
December 2013

**^249%**

India % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
U.S. ▶	33,475	32,463	44,236	+36
EU-28 ▶	43,329	22,899	38,150	+67
NZ ▶	41,478	55,685	41,160	-26
India ▶	3	8,669	15,859	+83
Australia ▶	13,855	18,279	13,775	-25
<b>TOTAL OF 5</b>	<b>132,140</b>	<b>137,995</b>	<b>153,180</b>	<b>+11</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
U.S. ▶	434,781	444,707	554,752	+25
EU-28 ▶	515,492	520,436	409,932	-21
NZ ▶	361,626	389,623	391,969	+1
India ▶	2,922	37,132	129,712	+249
Australia ▶	139,898	167,636	119,310	-29
<b>TOTAL OF 5</b>	<b>1,454,719</b>	<b>1,559,534</b>	<b>1,605,675</b>	<b>+3</b>

## WMP Exports

**^17%**

NZ % Change,  
December 2013

**^12%**

Australia % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
NZ ▶	136,764	149,651	175,199	+17
EU-28 ▶	25,283	22,281	29,274	+31
Argentina ▶	17,561	15,461	22,297	+44
Australia ▶	10,430	9,621	12,511	+30
U.S. ▶	3,174	1,574	3,776	+140
<b>TOTAL OF 5</b>	<b>193,212</b>	<b>198,588</b>	<b>243,057</b>	<b>+22</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
NZ ▶	1,109,636	1,261,279	1,291,460	+2
EU-28 ▶	388,093	385,995	374,387	-3
Argentina ▶	200,632	200,739	182,487	-9
Australia ▶	116,149	109,097	96,101	-12
U.S. ▶	21,555	20,933	39,145	+87
<b>TOTAL OF 5</b>	<b>1,836,065</b>	<b>1,978,043</b>	<b>1,983,580</b>	<b>+0</b>

## Cheese Exports

**^49%**

U.S. % Change,  
December 2013

**^9%**

NZ % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
EU-28 ▶	56,768	61,153	61,430	+0
U.S. ▶	20,436	20,877	31,091	+49
NZ ▶	24,268	35,300	26,465	-25
Australia ▶	15,085	16,092	14,865	-8
Argentina ▶	5,040	3,716	4,465	+20
<b>TOTAL OF 5</b>	<b>121,597</b>	<b>137,138</b>	<b>138,316</b>	<b>+1</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
EU-28 ▶	673,001	767,612	787,439	+3
U.S. ▶	224,554	259,852	316,558	+22
NZ ▶	252,858	305,646	276,885	-9
Australia ▶	167,607	163,016	163,385	+0
Argentina ▶	60,104	54,090	51,174	-5
<b>TOTAL OF 5</b>	<b>1,378,124</b>	<b>1,550,216</b>	<b>1,595,441</b>	<b>+3</b>

## Butterfat Exports

**^10%**

NZ % Change,  
December 2013

**^97%**

U.S. % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
NZ ▶	50,694	54,312	59,689	+10
EU-28 ▶	9,250	6,527	7,396	+13
U.S. ▶	3,224	3,355	10,183	+204
Australia ▶	4,701	6,922	6,751	-2
Argentina ▶	1,695	1,523	1,605	+5
<b>TOTAL OF 5</b>	<b>69,564</b>	<b>72,639</b>	<b>85,624</b>	<b>+18</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
NZ ▶	410,335	460,165	458,751	-0
EU-28 ▶	116,197	116,301	117,207	+1
U.S. ▶	62,648	46,115	90,734	+97
Australia ▶	38,560	51,064	48,052	-6
Argentina ▶	26,572	20,509	17,692	-14
<b>TOTAL OF 5</b>	<b>654,312</b>	<b>694,154</b>	<b>732,436</b>	<b>+6</b>

Source: GTIS and USDA.

# World Dairy Exports

## Whey Products Exports

**↑39%**

EU % Change, December 2013

**↑18%**

Argentina % Change, Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
EU-28 ▶	47,711	36,088	50,036	+39
U.S. ▶	40,656	33,761	39,231	+16
Argentina ▶	7,135	5,970	5,356	-10
Switzerland ▶	3,797	4,391	5,488	+25
Australia ▶	3,596	4,301	3,770	-12
NZ ▶	2,174	3,091	1,676	-46
<b>TOTAL OF 6</b>	<b>105,069</b>	<b>87,602</b>	<b>105,557</b>	<b>+20</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
EU-28 ▶	472,444	508,842	533,766	+5
U.S. ▶	450,358	467,855	495,130	+6
Argentina ▶	69,019	64,549	76,322	+18
Switzerland ▶	59,795	66,133	68,844	+4
Australia ▶	33,192	46,369	37,459	-19
NZ ▶	29,995	33,788	24,004	-29
<b>TOTAL OF 6</b>	<b>1,114,803</b>	<b>1,187,536</b>	<b>1,235,525</b>	<b>+4</b>

## Lactose Exports

**↑51%**

EU % Change, December 2013

**↑11%**

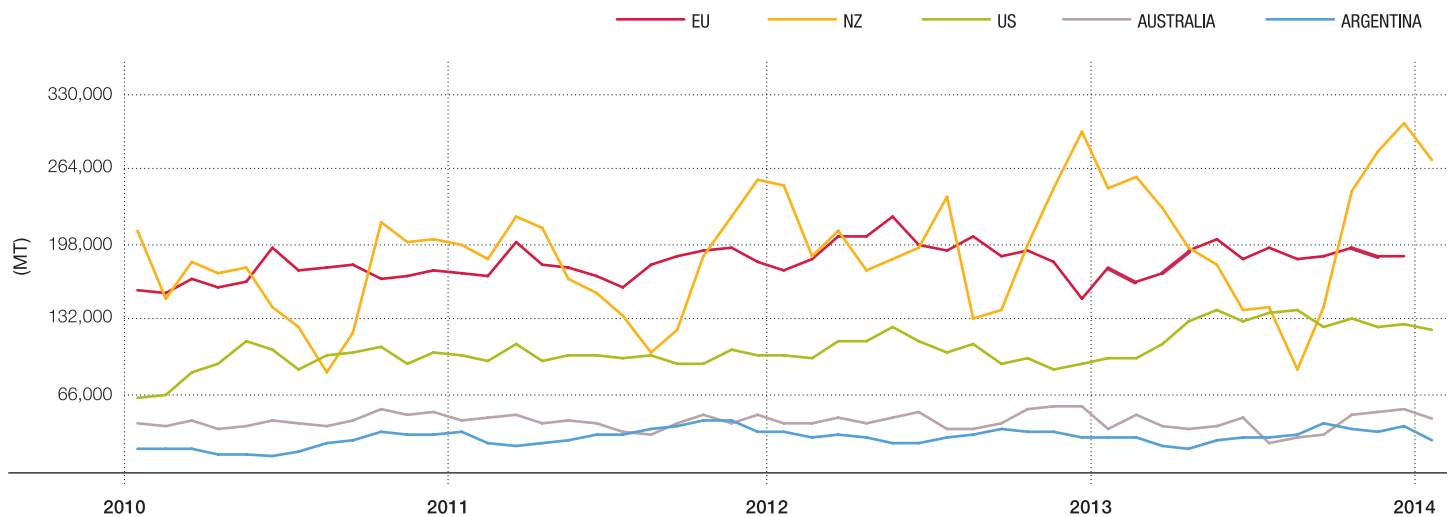
U.S. % Change, Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
U.S. ▶	26,631	24,050	24,645	+2
EU-28 ▶	12,853	10,719	16,216	+51
NZ ▶	1,337	1,895	2,877	+52
<b>TOTAL OF 3</b>	<b>40,821</b>	<b>36,664</b>	<b>43,738</b>	<b>+19</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
U.S. ▶	311,845	306,984	341,748	+11
EU-28 ▶	144,433	151,978	151,861	-0
NZ ▶	19,161	20,553	26,604	+29
<b>TOTAL OF 3</b>	<b>475,439</b>	<b>479,515</b>	<b>520,213</b>	<b>+8</b>

## AGGREGATE EXPORT VOLUME - MAJOR SUPPLIERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



# World Dairy Imports

## SMP Imports

**+217%**

China % Change,  
December 2013

**+16%**

Mexico % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	16,061	11,055	35,096	+217
Mexico ▶	14,704	15,804	18,052	+14
Indonesia* ▶	8,963	13,874	12,500	-10
Algeria ▶	13,349	9,452	6,389	-32
Philippines ▶	5,244	8,577	7,749	-10
<b>TOTAL OF 5</b>	<b>58,321</b>	<b>58,762</b>	<b>79,786</b>	<b>+36</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	129,867	167,552	235,019	+40
Mexico ▶	193,996	235,541	197,757	-16
Indonesia* ▶	127,770	136,235	153,924	+13
Algeria ▶	129,017	112,015	119,723	+7
Philippines ▶	111,248	105,911	112,907	+7
<b>TOTAL OF 5</b>	<b>691,898</b>	<b>757,254</b>	<b>819,330</b>	<b>+8</b>

## WMP Imports

**+94%**

China % Change,  
December 2013

**+24%**

Algeria % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	20,123	43,320	84,142	+94
Venezuela* ▶	8,070	6,513	10,000	+54
Algeria ▶	12,540	10,812	10,812	+0
Singapore ▶	7,982	5,534	9,818	+77
Hong Kong ▶	3,175	6,029	6,995	+16
<b>TOTAL OF 5</b>	<b>51,890</b>	<b>72,208</b>	<b>121,767</b>	<b>+69</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	319,724	405,557	619,397	+53
Venezuela* ▶	106,161	216,245	170,990	-21
Algeria ▶	203,997	187,722	141,936	-24
Singapore ▶	81,034	74,480	89,705	+20
Hong Kong ▶	51,112	63,639	74,143	+17
<b>TOTAL OF 5</b>	<b>762,028</b>	<b>947,643</b>	<b>1,096,171</b>	<b>+16</b>

## Cheese Imports

**+39%**

U.S. % Change,  
December 2013

**+16%**

Mexico % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
Russia ▶	29,757	30,257	31,047	+3
Japan ▶	22,046	20,841	18,266	-12
U.S. ▶	13,448	21,735	13,301	-39
Mexico ▶	7,712	8,980	9,976	+11
So. Korea ▶	7,358	8,676	7,741	-11
<b>TOTAL OF 5</b>	<b>80,321</b>	<b>90,489</b>	<b>80,331</b>	<b>-11</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
Russia ▶	295,733	315,987	326,770	+3
Japan ▶	215,262	234,615	236,193	+1
U.S. ▶	142,166	153,939	147,142	-4
Mexico ▶	78,054	89,316	103,395	+16
So. Korea ▶	76,222	77,506	85,089	+10
<b>TOTAL OF 5</b>	<b>807,436</b>	<b>871,363</b>	<b>898,589</b>	<b>+3</b>

## Butterfat Imports

**+197%**

Iran % Change,  
December 2013

**+32%**

Russia % Change,  
Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
Russia ▶	5,167	7,693	10,207	+33
China ▶	3,430	2,816	6,749	+140
Iran ▶	2,453	3,645	10,811	+197
Mexico ▶	2,450	3,056	2,009	-34
Morocco* ▶	1,536	970	2,000	+106
<b>TOTAL OF 5</b>	<b>15,036</b>	<b>18,180</b>	<b>31,776</b>	<b>+75</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
Russia ▶	73,443	67,995	89,844	+32
China ▶	35,655	48,324	52,299	+8
Iran ▶	52,412	45,028	51,606	+15
Mexico ▶	29,077	29,668	40,175	+35
Morocco* ▶	27,031	23,572	23,859	+1
<b>TOTAL OF 5</b>	<b>217,619</b>	<b>214,587</b>	<b>257,783</b>	<b>+20</b>

\* Indonesia, Venezuela and Morocco 2013 are USDEC estimates.

Source: GTIS and USDA.

# World Dairy Imports

## Whey Products Imports

↑28%

Mexico % Change, December 2013

↑15%

China % Change, Year-to-date

LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	49,259	32,979	33,216	+1
Indonesia* ▶	4,952	9,131	9,000	-1
Mexico ▶	5,493	4,097	5,258	+28
Japan ▶	5,229	5,604	4,982	-11
Thailand ▶	4,049	3,646	3,637	-0
<b>TOTAL OF 5</b>	<b>68,982</b>	<b>55,457</b>	<b>56,093</b>	<b>+1</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	356,069	387,545	446,706	+15
Indonesia* ▶	88,204	96,888	107,005	+10
Mexico ▶	60,386	57,722	58,195	+1
Japan ▶	57,912	58,483	57,426	-2
Thailand ▶	57,366	55,185	54,972	-0
<b>TOTAL OF 5</b>	<b>619,938</b>	<b>655,823</b>	<b>724,304</b>	<b>+10</b>

## Lactose Imports

↑65%

NZ % Change, December 2013

↑11%

Japan % Change, Year-to-date

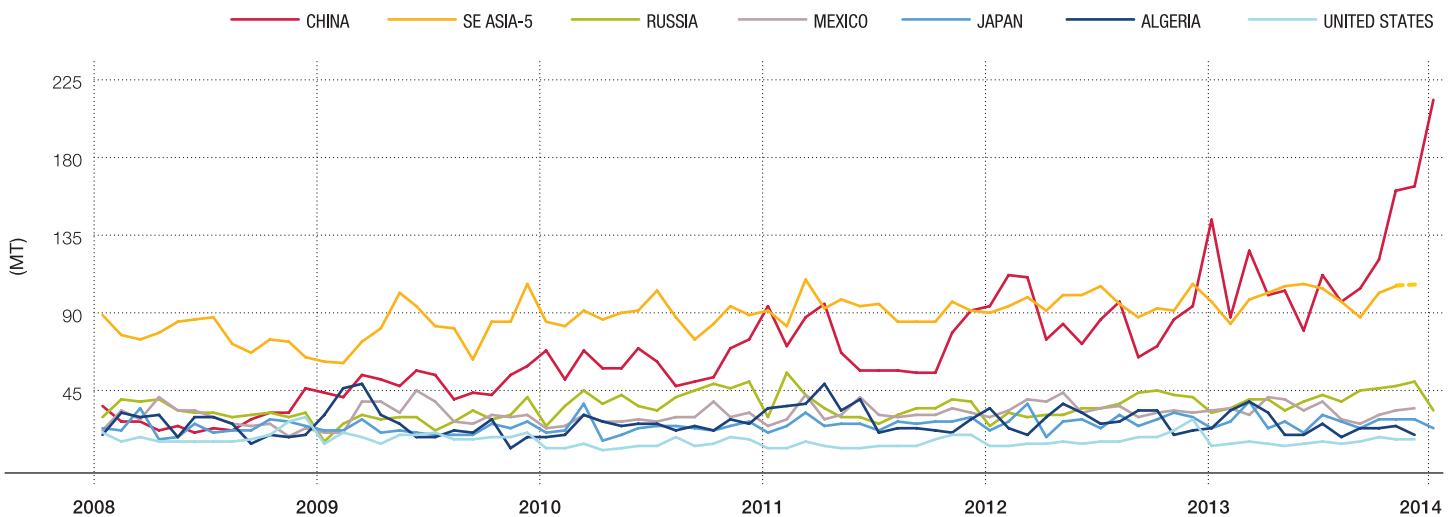
LATEST MONTH	DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	5,314	7,850	4,271	-46
Japan ▶	4,652	6,083	5,521	-9
NZ ▶	4,687	2,937	4,844	+65
<b>TOTAL OF 3</b>	<b>14,653</b>	<b>16,870</b>	<b>14,636</b>	<b>-13</b>

YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
	2011	2012	2013	% CHG
China ▶	55,142	79,811	83,539	+5
Japan ▶	68,771	63,191	70,412	+11
NZ ▶	58,368	56,250	49,205	-13
<b>TOTAL OF 3</b>	<b>182,280</b>	<b>199,253</b>	<b>203,156</b>	<b>+2</b>

\* Indonesia 2013 is USDEC estimate.

## AGGREGATE IMPORT VOLUME - MAJOR BUYERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



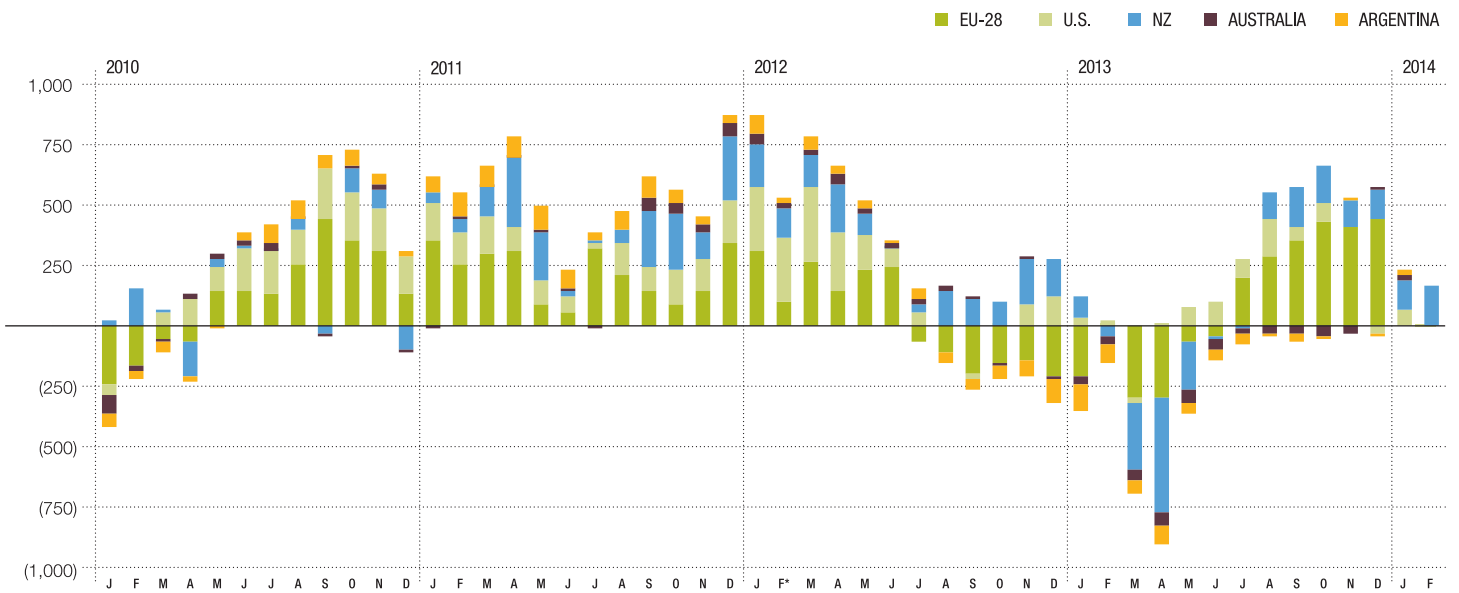
SE Asia-5 includes Indonesia, Malaysia, Philippines, Singapore and Thailand.

Source: GTIS and USDA.

# Global Milk Production

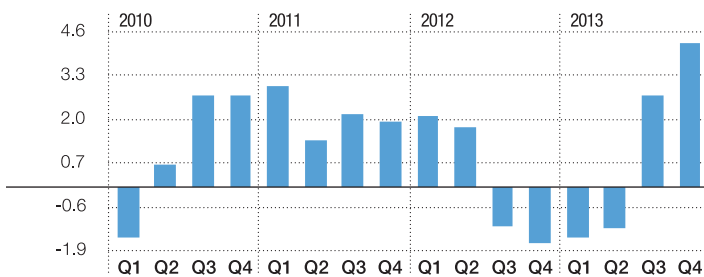
MILK PRODUCTION - CHANGE FROM PRIOR YEAR

(000 MT)

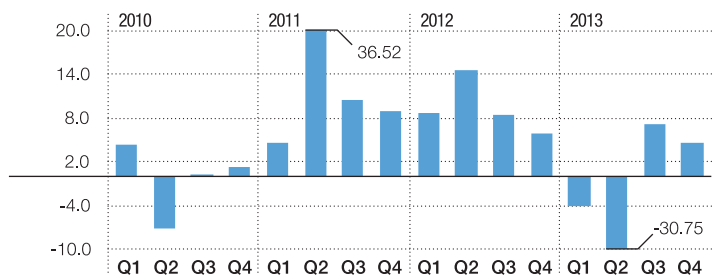


\*Feb 2012 adjusted for leap day

EUROPEAN UNION MILK DELIVERIES (% CHG VS. PRIOR YEAR)



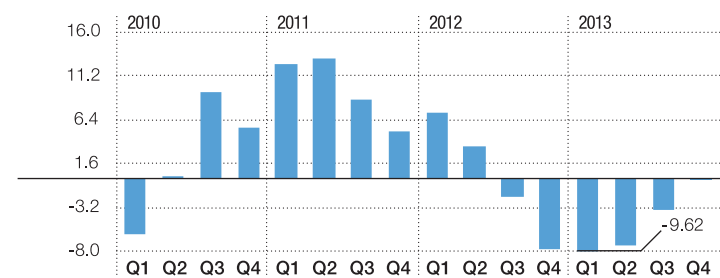
NEW ZEALAND MILK PRODUCTION (% CHG VS. PRIOR YEAR)



AUSTRALIA MILK PRODUCTION (% CHG VS. PRIOR YEAR)



ARGENTINA MILK DELIVERIES (% CHG VS. PRIOR YEAR)



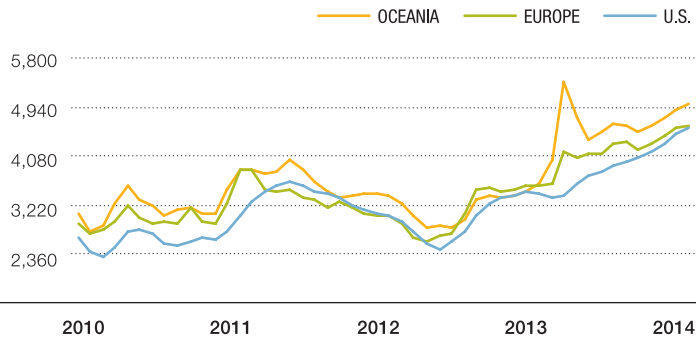
Q1-2012 adjusted for leap day.

Source: USDA, EuroStat, DairyAustralia, DCANZ, Argentina Ministry of Agriculture.

# World Prices

## SMP PRICES

(\$/MT)

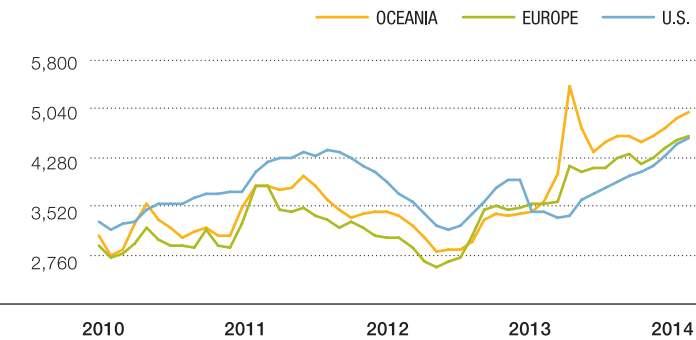


## Prices vs. a year ago

	Oceania	Europe	U.S.
SMP	▲ 39%	▲ 30%	▲ 34%
WMP	▲ 45%	▲ 28%	▲ 24%
Cheddar	▲ 30%		▲ 37%
Butter	▲ 32%	▲ 14%	▲ 19%
Whey		▲ 12%	▼ 1%

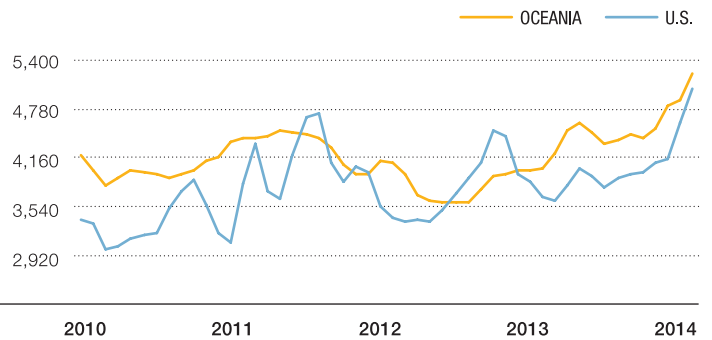
## WMP PRICES

(\$/MT)



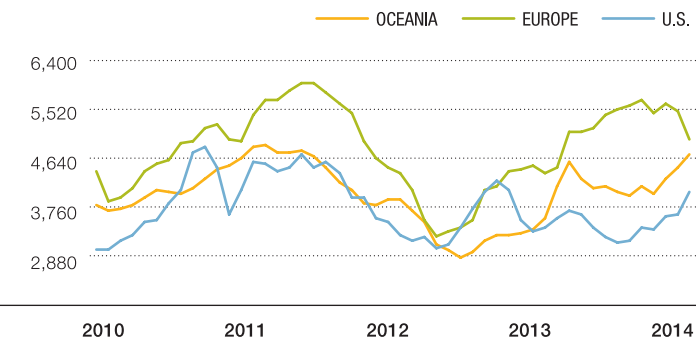
## CHEDDAR PRICES

(\$/MT)



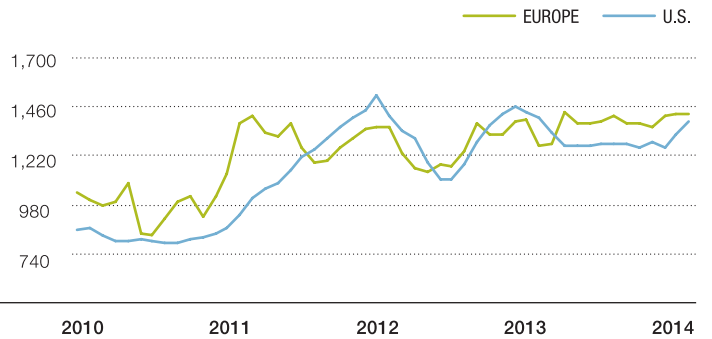
## BUTTER PRICES

(\$/MT)



## DRY WHEY PRICES

(\$/MT)



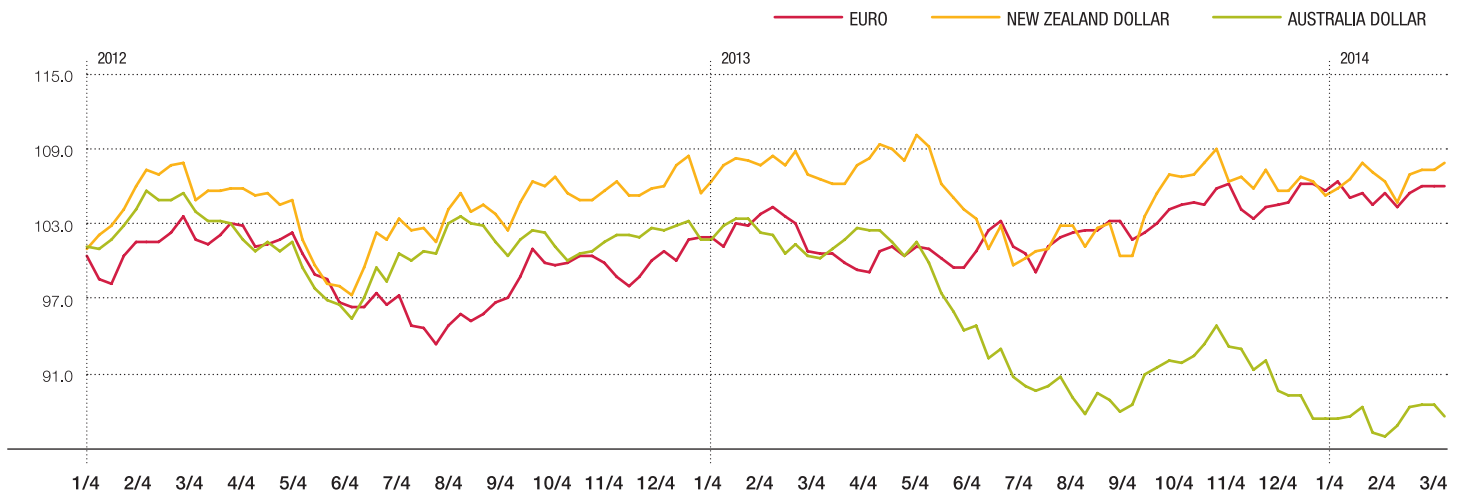
Source: USDA's Dairy Market News.



# Currency Exchange Rates

## EXCHANGE RATES RELATIVE TO U.S. DOLLAR, EXPORTING COUNTRIES

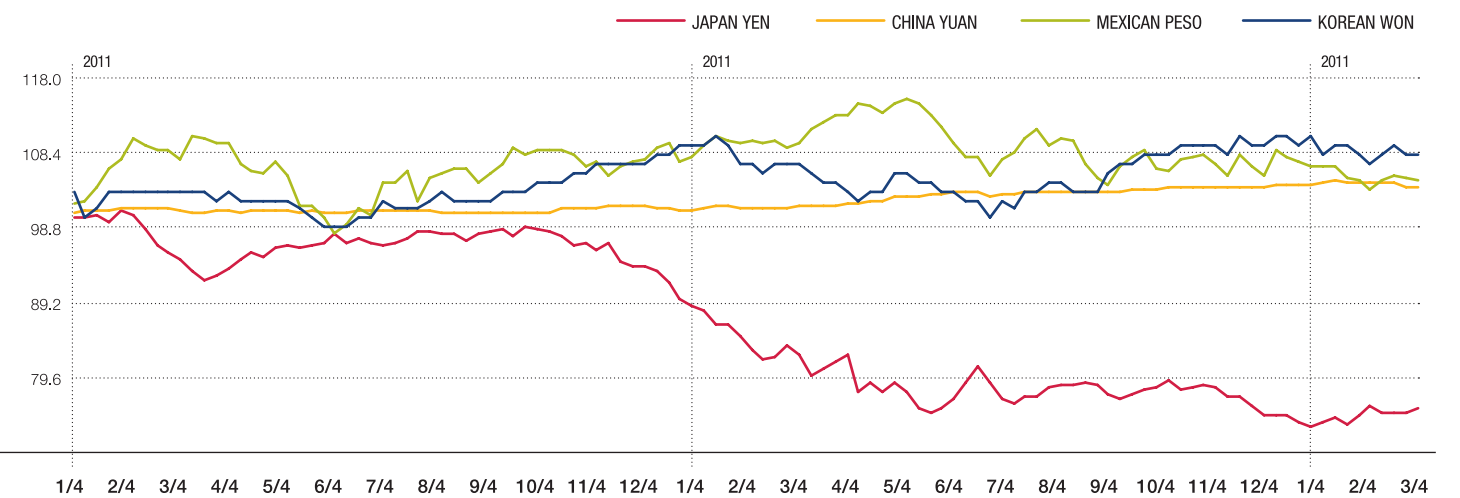
INDEXED TO JANUARY 1, 2012



**Top chart:** If line is trending up, currency is strengthening vs. U.S. dollar (U.S. dollar is weakening). This is favorable for U.S. competitiveness. If line is trending down, currency is weakening vs. U.S. dollar (U.S. dollar is strengthening). This is unfavorable for U.S. competitiveness.

## EXCHANGE RATES RELATIVE TO U.S. DOLLAR, IMPORTING COUNTRIES

INDEXED TO JANUARY 1, 2012



**Bottom chart:** If line is trending up, currency is strengthening vs. U.S. dollar (U.S. dollar is weakening). This is favorable for exports, because it increases import purchasing power. If line is trending down, currency is weakening vs. U.S. dollar (U.S. dollar is strengthening). This is unfavorable for exports, because it decreases import purchasing power.

Source: Oanda.com.

## U.S. Exports

### U.S. exports start strong in 2014

U.S. exports picked up in 2014 where they left off in 2013. U.S. suppliers shipped 162,999 tons of milk powder, cheese, butterfat, whey and lactose in January, up 19% from last year, and about the same volume as the last four months of 2013. Total value of all exports was \$583.7 million, up 35% from a year ago.

Cheese exports reached a record high 32,118 tons in January, up 46% from a year earlier. Shipments to Mexico were up 38% vs. prior year, while South Korea (+36%), Canada (+38%), Australia (+142%) and China (+100%) also posted double-digit gains.

U.S. exporters also ramped up shipments of butterfat (+150% vs. last January), whole milk powder (+314%) and milk protein concentrate (+110%). Butterfat exports in the June-January period averaged 9,519 tons per

month, more than triple what was shipped in the same period the year before. Almost 59% of the January volume went to the Middle East/North Africa region, led by Saudi Arabia, Morocco and Egypt.

Exports of nonfat dry milk/skim milk powder (NDM/SMP) – 38,761 tons – were higher than the diminished levels of last January, but well below the levels registered in the last nine months of 2013 (which averaged 49,849 tons/month). In addition, NDM/SMP exports in January represented just 43% of U.S. powder production for the month, leading to a greater-than-average build-up of inventory.

The slowdown in NDM/SMP exports is attributed to greater competition, particularly from the EU-28, which saw a milk production increase of 4.3% in the fourth quarter 2013.

EU-28 SMP production was up 8% in the second half of 2013.

Meanwhile, exports of dry whey and whey protein concentrate (WPC) continued to decline compared with last summer. In January, dry whey shipments of 18,508 tons were 3,100 tons less than the May-August 2013 average. January WPC exports of 16,467 tons were the lowest since February 2012, and almost 6,000 tons less than the May-August 2013 average.

Lactose exports improved in January with a big jump in sales to Southeast Asia. Total shipments were the highest since August.

U.S. exports (on a total milk solids basis) were equivalent to 14.5% of U.S. milk solids production in January. Imports were equivalent to 3.0% of production.

#### U.S. Exports

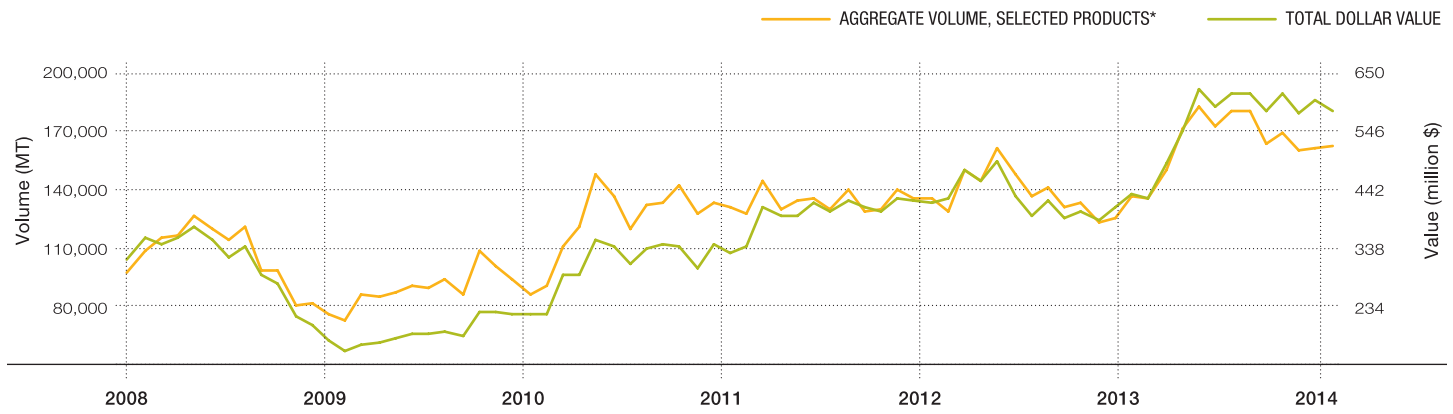
LATEST MONTH	JANUARY (VOLUME, MT)				YEAR-TO-DATE	JANUARY (VOLUME, MT)			
	2012	2013	2014	% CHG		2012	2013	2014	% CHG
NDM/SMP ▶	38,706	31,671	38,761	+22	NDM/SMP ▶	38,706	31,671	38,761	+22
WMP ▶	1,598	1,104	4,567	+314	WMP ▶	1,598	1,104	4,567	+314
Cheese ▶	19,393	21,960	32,118	+46	Cheese ▶	19,393	21,960	32,118	+46
Butterfat ▶	2,917	4,051	10,128	+150	Butterfat ▶	2,917	4,051	10,128	+150
Total Whey ▶	36,659	38,822	36,825	-5	Total Whey ▶	36,659	38,822	36,825	-5
Dry Whey ▶	21,972	18,706	18,508	-1	Dry Whey ▶	21,972	18,706	18,508	-1
WPC ▶	13,248	18,653	16,467	-12	WPC ▶	13,248	18,653	16,467	-12
WPI ▶	1,440	1,464	1,850	+26	WPI ▶	1,440	1,464	1,850	+26
Lactose ▶	25,520	28,374	29,558	+4	Lactose ▶	25,520	28,374	29,558	+4
MPC ▶	3,210	2,240	4,708	+110	MPC ▶	3,210	2,240	4,708	+110
Food preps (blends) ▶	7,223	8,963	6,333	-29	Food preps (blends) ▶	7,223	8,963	6,333	-29
<b>Aggregate volume*</b> ▶	<b>135,225</b>	<b>137,186</b>	<b>162,999</b>	<b>+19</b>	<b>Aggregate volume*</b> ▶	<b>135,225</b>	<b>137,186</b>	<b>162,999</b>	<b>+19</b>
Fluid milk/cream (000 liters) ▶	4,850	7,700	8,256	+7	Fluid milk/cream (000 liters) ▶	4,850	7,700	8,256	+7
<b>TOTAL VALUE (MILLIONS)*</b>	<b>\$419.1</b>	<b>\$433.3</b>	<b>\$583.7</b>	<b>+35</b>	<b>TOTAL VALUE (MILLIONS)*</b>	<b>\$419.1</b>	<b>\$433.3</b>	<b>\$583.7</b>	<b>+35</b>

\* Aggregate volume includes the products listed above, except fluid milk. Total value includes other products in addition to the ones listed here.

Source: USDA, USDEC.

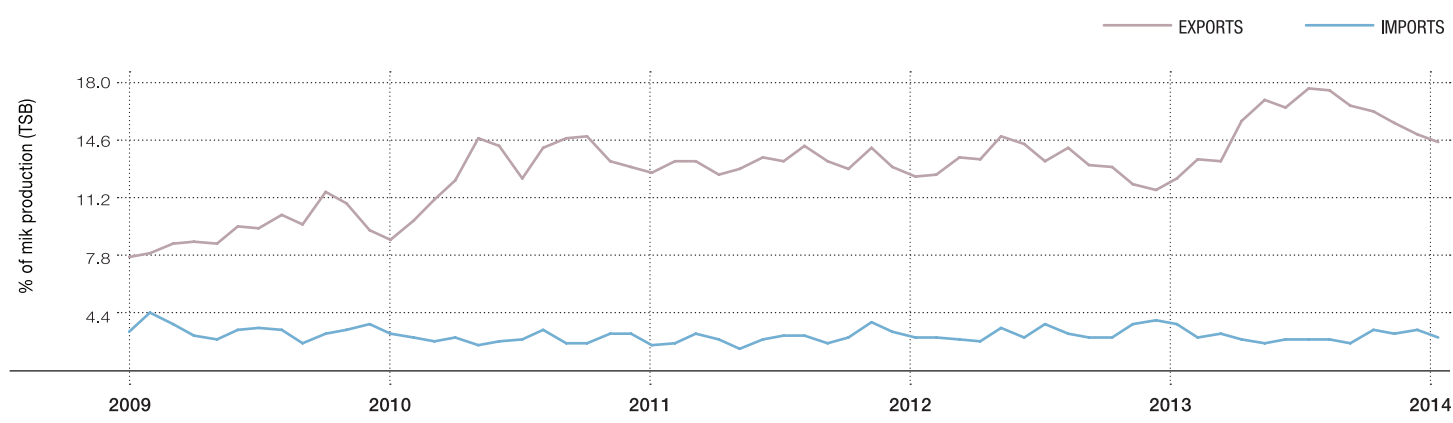
# U.S. Exports

## U.S. EXPORTS VOLUME AND VALUE



\* Volume includes SMP, WMP, food preps, MPC, whey, cheese, butterfat and lactose.

## U.S. EXPORTS AND IMPORTS AS % OF PRODUCTION



### U.S. DAIRY EXPORTS, TOP 10 MARKETS

	JAN 14	VS. YR AGO
Mexico ▶	\$130.6	+28%
Southeast Asia ▶	122.4	+78%
Middle East/North Africa ▶	72.5	+91%
China ▶	48.3	+55%
Canada ▶	47.0	+4%
Oceania ▶	29.9	+29%
South Korea ▶	27.2	+30%
Japan ▶	25.0	-21%
South America ▶	17.2	-19%
Caribbean ▶	14.0	+8%

### U.S. EXPORTS AS % OF PRODUCTION

	JANUARY	YR AGO	JAN-DEC 13	YR AGO
NDM/SMP ▶	43%	37%	58%	46%
Total cheese ▶	7.4%	5.2%	6.3%	5.3%
Butterfat ▶	12.2%	4.8%	10.7%	5.5%
Dry sweet whey ▶	58%	45%	56%	48%
Lactose ▶	68%	71%	72%	66%
Total milk solids ▶	14.5%	12.3%	15.6%	13.2%

Source: USDA, USDEC, National Milk Producers Federation.

# U.S. Exports: Monthly Volume

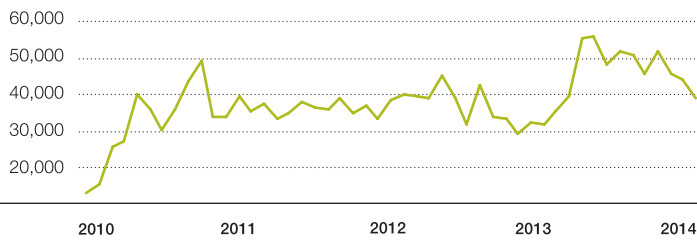
## TOP CUSTOMERS, JANUARY 2014 (MT)

Southeast Asia	Mexico	Saudi Arabia
16,757	7,425	1,996
NDM/SMP	Cheese	Butterfat

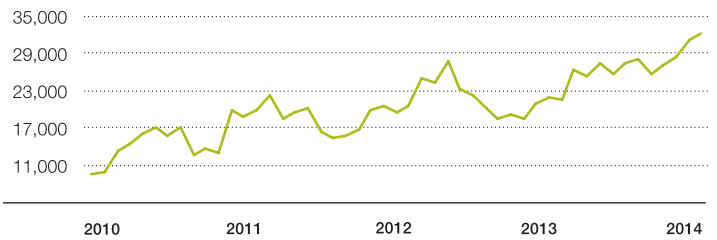
## NOTABLE GAINS, JANUARY 2014 (% VS. PREVIOUS YEAR)

China	Middle East/North Africa	Mexico
^667%	^88%	^267%
NDM/SMP	Cheese	Dry Whey

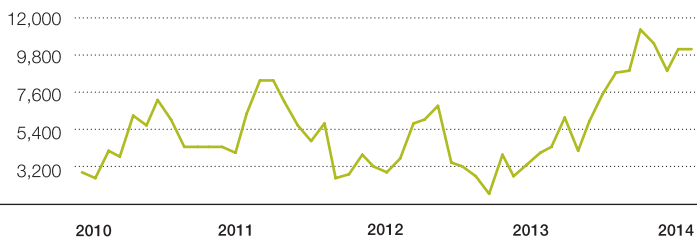
## U.S. NDM/SMP EXPORTS (MT)



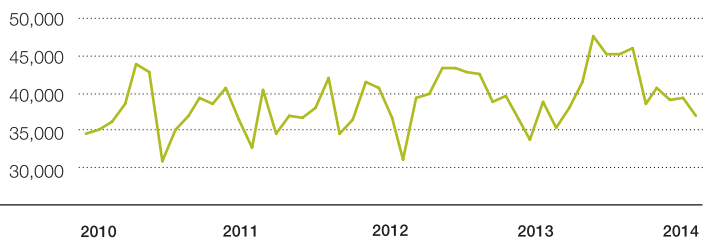
## U.S. CHEESE EXPORTS (MT)



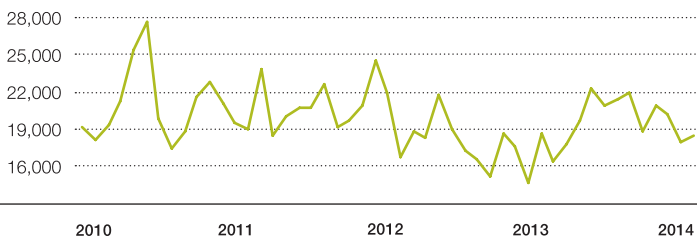
## U.S. BUTTERFAT EXPORTS (MT)



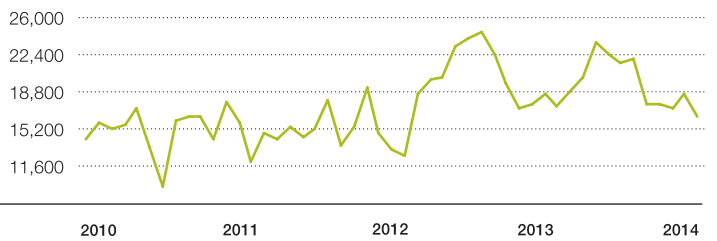
## U.S. TOTAL WHEY EXPORTS (MT)



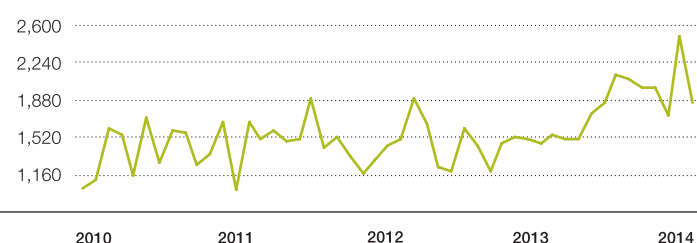
## U.S. DRY WHEY EXPORTS (MT)



## U.S. WPC EXPORTS (MT)



## U.S. WPI EXPORTS (MT)



## U.S. LACTOSE EXPORTS (MT)



Source: USDA, USDEC.

# U.S. Market Situation

## Tight supply keeps U.S. markets firm

U.S. cheese and milk powder prices remain at or near record highs, as milk production responds very slowly to improved farmgate margins and a more significant proportion of supply is earmarked for overseas markets. The U.S. All-Milk price in February was \$24.70/hundredweight (\$54.45/kg), an all-time high.

U.S. milk production in January was 7.83 million tons, up just 0.9% from the prior year, after posting a modest 0.7% gain in 2013 (adjusted for leap day). Calculated income-over-feed-costs is the highest ever, but producers have been slow to respond. Feed quality problems, lower appetite for expansion, record-high cull cow prices and poor winter weather have stunted the recovery. The tide should turn in the months ahead leading into the spring flush. Weather has improved in the Midwest and East, and culling has declined in recent weeks; year-to-date slaughter is down 9% from a year ago.

Severe drought in the west in general, and California in particular, has not had an impact on production yet. If anything, drier lots have improved cow comfort and productivity. However, higher feed costs as a result of water shortages will inhibit expansion and could stunt output throughout the year.

U.S. product stocks declined significantly in the second half of 2013. After peaking at record levels in May, inventories of NDM,

American cheese and butter dropped by one-third by the end of November. Inventories increased seasonally in December and January, but remain relatively low. Total cheese stocks-to-use at the end of January was the lowest since 2009. For NDM, January stocks-to-use was the lowest since 2008. Butter stocks-to-use was about 25% less than the historical average for this time of year.

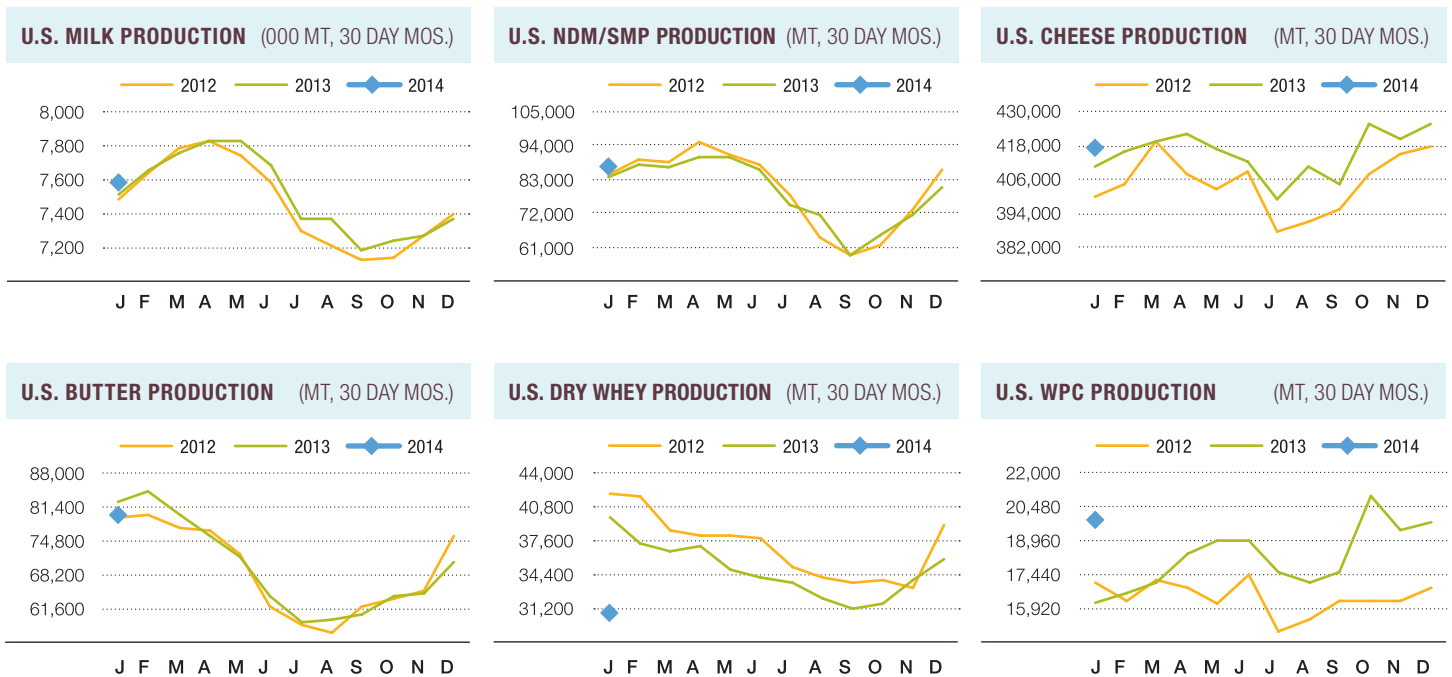
Dairy product production remains limited by sluggish milk output. In January, cheese production was up 1.6% from the prior year, butter production was down 3.0%, NDM/SMP production was up 4.0% and dry whey production was down 23%.

U.S. fluid milk consumption remains soft, making more milk available for manufacturing channels. In 2013, U.S. milk sales were down 2.1% (adjusted for leap day in 2012), the second straight year of 2% declines.

On March 10, at the CME, benchmark block cheddar cheese settled at \$5071/ton, up \$375 from a month earlier. Butter closed at \$4156/ton, up \$265. Grade A NDM settled at \$4497/ton, up \$50.

Dry whey has firmed steadily since October. Current pricing is \$1325-\$1450/ton, up about \$150 in the last five months.

### U.S. Production



Source: USDA, USDEC.