

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (10/14)**

BUTTER: Grade AA closed at \$1.7850. The weekly average for Grade AA is \$1.7960 (-.0605).

CHEESE: Barrels closed at \$1.4600 and 40# blocks at \$1.5500. The weekly average for barrels is \$1.4650 (-.0160) and blocks, \$1.5280 (-.0080).

NONFAT DRY MILK: Grade A closed at \$.8700. The weekly average for Grade A is \$.8770 (-.0490).

BUTTER HIGHLIGHTS: Cream availability for churning continues increasing throughout the country. As a consequence, butter production schedules are very active in most processing plants. Bulk butter inventories are heavy and some manufacturers continue clearing stocks after microfixing. Spot prices remain low, enhancing the interest of several buyers/end users. Print orders from retailers are strong and building for yearend/holiday needs. Bulk butter prices reported throughout the country are ranging from 2 cents under to 8 cents over the market, based on the CME Group with various periods and averages used. Grade AA butter price at the CME Group on Friday closed at \$1.7850, down \$.0650 from a week ago.

CHEESE HIGHLIGHTS: Cheese production is steady in the Northeast with a few manufacturers near capacity. Orders are good for mozzarella, but slow to steady for cheddar. The market undertone is mixed. In the West production is steady at or nearly full, inventories are a bit long, but domestic retail demand remains solid. Midwest production is below full capacity. Manufacturers are hesitant to purchase extra milk unless priced favorably. Demand for natural cheese entering cut and wrap facilities is strong. Agriculture Secretary Tom Vilsack announced this week that the U.S. Department of Agriculture (USDA) is offering to purchase \$20 million of cheddar cheese to reduce a private cheese surplus that has reached record levels, while assisting food banks and other food assistance recipients. A solicitation will be issued shortly, and cheese deliveries to food banks and other food assistance recipients are expected to occur beginning in March 2017. In CME Group trading Friday, barrels closed at \$1.4600, down \$.0500 from last Friday. Blocks closed at \$1.5500, even with last Friday.

FLUID MILK: In the Southeast, some bottlers have cut back on orders in the aftermath of Hurricane Matthew. Milk handlers note it could take a week for milk distribution and milk sales to get back to levels seen before the storm. Industry contacts expect milk production to climb slowly in the Southeast over the next few weeks. Milk intakes are gradually climbing across the southern tier of states from the South Central area, west into California. In the Northeast, milk production is seasonally strong, and is generally steady across the Mid-Atlantic and North Central areas. In the Pacific Northwest and the mountain states, farm milk production is near the bottom of the annual cycle, following typical seasonal trends. Industry contacts expect the slow downward trend to stabilize and start to reverse in early November. Bottling demand is generally solid and steady across most of the country; however, fall breaks in some areas

have suppressed fluid milk sales somewhat. Demand for condensed skim milk is solid in the East and West as good volumes clear into Class II manufacturers, cheese makers and dryers. In the Midwest, Class II demands for condensed skim milk are at seasonally low volumes. Cream is readily available nationwide. Cream cheese and butter processors are pulling strong volumes, while ice cream makers are demanding less. Cream from the West region continues to flow into the Midwest, satisfying some of the butterfat demand there. Cream multiples range from 1.19-1.30 in the East, 1.19-1.28 in the Midwest, and 1.05-1.22 in the West.

DRY PRODUCTS: Low/medium heat nonfat dry milk prices are trending lower. Buyers have seemingly hit the pause button, taking a wait and see attitude. Although manufacturers maintain the NDM market is in balance and prices should increase in Q4, end users/buyers anticipate prices to soften over the next few weeks. Prices for high heat nonfat dry milk are mixed. Inventories are mostly light, but adequate to meet customer needs. Dry buttermilk prices are steady to lower. Production is up as butter churns are active. Prices for dry whole milk are unchanged, with most sales based on contracts. Dry whey prices are higher. Many manufacturers' inventories are comfortable to tight. Prices for whey protein concentrate 34% are mostly higher. Resellers are active and say they could sell more if more WPC34% was available. Inventories are generally tight and highly committed. Lactose prices are higher. Demand is steady and some buyers are asking for extended fixed pricing into the first half of 2017. Some dry product exporters are experiencing shipping disruptions due to the bankruptcy of a major shipping line six weeks ago. Rennet casein prices are up slightly at the bottom of the price range, but held steady at the top. Acid casein prices are unchanged.

INTERNATIONAL DAIRY MARKET NEWS (DMN): WESTERN AND EASTERN EUROPE: WESTERN OVERVIEW: Western European dairy processors and manufacturers report that for early October, there is less milk being received from farms than last year at this time. Among primary dairy nations, this is noted for the United Kingdom, France, Germany, and to a lesser extent, the Netherlands. A factor in the decline is believed to have been recent lower milk prices, which has motivated a number of dairy producers to sell older cows as well as feed less. While Western European dairy commodity prices have begun to notch up, there is uncertainty as to the magnitude and extent of this trend. There is also uncertainty as to how quickly this will move through to farm gate milk prices. EU average raw milk prices trended downward from January, reaching a low of 25.6 Euros/100 kg in July, but then started moving up in August to 26.4 Euros/100 kg, according to the European Commission.

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CME GROUP CASH TRADING

COMMODITY	MONDAY OCT 10	TUESDAY OCT 11	WEDNESDAY OCT 12	THURSDAY OCT 13	FRIDAY OCT 14	:: WEEKLY CHANGE*	:: WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4900 (-.0200)	\$1.4700 (-.0200)	\$1.4575 (-.0125)	\$1.4475 (-.0100)	\$1.4600 (+.0125)	:: (-.0500)	:: \$1.4650 (-.0160)
40# BLOCKS	\$1.5375 (-.0125)	\$1.5175 (-.0200)	\$1.5175 (N.C.)	\$1.5175 (N.C.)	\$1.5500 (+.0325)	:: (N.C.)	:: \$1.5280 (-.0080)
NONFAT DRY MILK							
GRADE A	\$.8900 (-.0250)	\$.8850 (-.0050)	\$.8700 (-.0150)	\$.8700 (N.C.)	\$.8700 (N.C.)	:: (-.0450)	:: \$.8770 (-.0490)
BUTTER							
GRADE AA	\$1.8225 (-.0275)	\$1.8125 (-.0100)	\$1.7900 (-.0225)	\$1.7700 (-.0200)	\$1.7850 (+.0150)	:: (-.0650)	:: \$1.7960 (-.0605)

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 international purposes. This data is available on the Internet at WWW.AMS.USDAGOV/DAIRY

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

EASTERN OVERVIEW: Milk production in Ukraine is down from year ago levels in September for the 8th month of 2016. September production was 5.4% below September 2015 milk production. Production January-September this year is 2.78% lower than in 2015.

OCEANIA OVERVIEW: In **Australia**, weather conditions for early stages of the new dairy season have been favorable overall. There has been good spring rainfall across much of southeastern Australia, but heavier than ideal in some areas. Water levels have favorably responded, lowering some irrigation water prices. Pasture growth has responded favorably which is expected to ease feed prices. However, rainfall has been a bit heavy in parts of northern Victoria, New South Wales, Tasmania and South Australia. Wet conditions in those areas are adversely affecting milk quality and fodder. There has also been some damage from flooding. **New Zealand.** Recently announced plans to build a new infant formula plant focused on the export market will provide an additional outlet to New Zealand milk producers. This is an example of continuing efforts by processors to move milk into higher return dairy sectors to increase pay prices for dairy producers. At the October 4 GDT event #173, average prices ranged from 9.7% lower to 9.3% higher from the prior event across categories. The all contracts price averages (US\$ per MT) and percent changes from the previous averages are: anhydrous milk fat, \$4,954 -1.0%; butter, \$3,891 -0.3%; buttermilk powder, \$2,408 +9.3%; cheddar cheese, \$3,430 -2.3%; lactose, \$744 -9.7%; rennet casein, \$6,574 -3.7%; skim milk powder, \$2,209 -3.9%; and whole milk powder, \$2,681 -3.8%. While these results are disappointing compared to a number of recent events with strengthening prices, observers note that this may be the market taking a breather from the recent upward price trend. Expectations of markets bouncing around are being expressed, with anticipation of stronger prices over future months. A number of observers have commented that there is no point in getting too excited about one GDT result when the view ahead is considered to lead to firmer prices. **SOUTH AMERICA OVERVIEW:** Dairy operators in **Argentina** continue recovering from the devastation caused by the heavy thunderstorms during last fall. Currently, rainy conditions are present in the main dairy basins, Santa Fe, Cordova and Buenos Aires. However, milk yields are marginally affected. At this point, farm milk supply is shifting up as the spring flush approaches. Nevertheless, milk output is still below last year's levels. According to several industry participants, there are enough milk supplies to process fluid milk, including UHT, as well as cheese and dry ingredients. Sales into various retail channels and food services are fair this week. Meal programs in public schools continue pulling bottled milk supplies. According to the Ministry of Agriculture, Livestock and Fisheries (MAGyP), during August, Argentina farm milk production was 863.6 million liters, 9% above the previous month, but 12% below a year ago. From this production, 19.6% was destined into bottling processing. From January to August 2016, milk output totaled 6,403 million liters, down 11% from the same period of 2015. Milk prices paid to Argentine dairy operations (tambos) during August were \$4.27 Argentine pesos (ARS) per liter, up 2% from last month and 51% above the previous year. The August price paid to producers is equal to \$0.28 USD/liter or around \$12.32/cwt. Farm milk output is marginally up in **Uruguay** and **Paraguay**, following seasonal trends. Although production is below the previous year's levels, there are sufficient milk supplies moving into processing, especially into dryers. In **Brazil**, milk production is uneven. The high feed costs are negatively affecting dairy operators' revenues. In general, there is a milk supply shortfall for meeting the high demands from dairy processors. Consequently, prices paid to producers continue high, above the previous year's levels. Some industry participants think this situation will improve somewhat during the spring season, when milk yields are typically higher. Sales of milk spot loads are less active this week. According to Center for Studies in Applied Economics (CEPEA), nominal milk prices paid to dairy farmers in Brazil during September were \$1.64 Brazilian reals (\$R) per liter, which is down 3.3% from the previous month, but 53.5% above a year ago. This amount is equal to \$0.50 USD/liter or around \$22.14/cwt.

NATIONAL RETAIL REPORT (DMN): Total conventional dairy advertisements declined 2% and organic dairy ads declined 39%. The national average price for 1 pound conventional butter is \$3.29. Total conventional butter ads declined 29%. Organic butter ads were absent from weekly advertisements of most major retail supermarket outlets. Ads for conventional ice cream in 48-64 ounce containers increased 33% and the national weighted average advertised price is \$3.17, up 20 cents from last week. Conventional yogurt ads declined 16% this week and organic yogurt ads declined 44%. The average price for 4-6 ounce conventional Greek yogurt was \$0.96, while 4-6 ounce organic Greek yogurt averaged \$1.10, an organic price premium of \$.16. Conventional Greek yogurt in 4-6 ounce packaging reported the highest ad volume, ahead of yogurt in 4-6 ounce packaging. The U.S. advertised price for 8 ounce conventional cheese blocks averaged \$2.45, up 19 cents from last week. Ads for conventional 8 ounce shred cheese averaged \$2.30, up 5 cents from last week. The collective number of conventional cheese ads declined 5%. Organic cheese ads were absent from weekly advertisements of most major retail supermarket outlets. This week, the difference between the average weighted price for organic half gallon milk, \$4.03, and the average weighted price for conventional half gallon milk, \$2.33, resulted in an organic price premium of \$1.70, down 92 cents from last week. Organic milk advertisements declined 29%, and ads for conventional milk declined 13%.

AUGUST MILK SALES (FMMO and CDFA): During August 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.1 percent higher than August 2015. Estimated sales of total conventional fluid milk products increased 1.6 percent from August 2015 and estimated sales of total organic fluid milk products increased 13.6 percent from a year earlier.

OCTOBER SUPPLY AND DEMAND ESTIMATES (FMMO): The milk production forecasts for 2016 and 2017 are raised from last month as the cow inventory has grown more rapidly than previously expected. The higher cow inventories appear to reflect growth in herds supplying expanding dairy product facilities. Import forecasts for 2016 and 2017 are raised on higher expected imports of butter and several other dairy products. Exports are forecast higher as increases in Oceania prices and relatively low U.S. prices are expected to make the United States more competitive in world markets. Ending stocks are reduced as lower prices encourage increased demand from both export and domestic markets. Cheese and butter price forecasts for 2016 and 2017 have been lowered due to higher expected milk supplies. However, nonfat dry milk (NDM) and whey will likely benefit from increased competitiveness in export markets, and stronger exports will help support prices of those products. Thus, price forecasts for NDM and whey are raised from last month. Class III and Class IV prices are lowered from last month as lower cheese prices more than offset the higher whey price in the Class III calculation and the lower butter price outweighs the NDM price increase in the calculation of the Class IV price. All milk prices are forecast lower at \$15.80 to \$15.90 per cwt for 2016 and \$15.55 to \$16.45 per cwt for 2017.

CME GROUP

MONDAY, OCTOBER 10, 2016

CHEESE – SALES: 1 CAR BARRELS @ \$1.5000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4900; 1 CAR 40# BLOCKS @ \$1.5375
 NONFAT DRY MILK – SALES: 1 CAR GRADE A @ \$0.8900; LAST BID UNFILLED: 2 CARS GRADE A @ \$0.8800; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.9100
 BUTTER – SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8100; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8225

TUESDAY, OCTOBER 11, 2016

CHEESE – SALES: 5 CARS BARRELS: 3 @ \$1.4875, 1 @ \$1.4850, 1 @ \$1.4750; 3 CARS 40# BLOCKS: 1 @ \$1.5200, 2 @ \$1.5175; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4700
 NONFAT DRY MILK – SALES: 2 CARS GRADE A: 1 @ \$0.8975, 1 @ \$0.8925; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8800; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.8850
 BUTTER – SALES: 1 CAR GRADE AA @ \$1.8175; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.7900; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8125

WEDNESDAY, OCTOBER 12, 2016

CHEESE – SALES: 2 CARS BARRELS @ \$1.4575; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4600
 NONFAT DRY MILK – SALES: 1 CAR GRADE A @ \$0.8700; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8600; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.8850
 BUTTER – SALES: 3 CARS GRADE AA: 1 @ \$1.8100, 1 @ \$1.8000, 1 @ \$1.7900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.7975

THURSDAY, OCTOBER 13, 2016

CHEESE – SALES: 9 CARS BARRELS: 1 @ \$1.4650, 2 @ \$1.4575, 2 @ \$1.4550, 2 @ \$1.4500, 1 @ \$1.4450, 1 @ \$1.4475; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.4400; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.4500
 NONFAT DRY MILK – SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE A @ \$0.8700; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$0.8800
 BUTTER – SALES: 3 CARS GRADE AA: 1 @ \$1.7800, 1 @ \$1.7750, 1 @ \$1.7700; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.7500; LAST OFFER UNCOVERED: NONE

FRIDAY, OCTOBER 14, 2016

CHEESE – SALES: 2 CARS BARRELS: 1 @ \$1.4550, 1 @ \$1.4575; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.4600; 1 CAR 40# BLOCKS @ \$1.5500; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK – SALES: 1 CAR GRADE A @ \$0.8700; LAST BID UNFILLED: 1 CAR GRADE A @ \$0.8625; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$0.8700
 BUTTER – SALES: 1 CAR GRADE AA @ \$1.7850; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.7800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8200

BUTTER MARKETS

NORTHEAST

With cream supplies in a readily available phase, some butter manufacturers are increasing churning rates as surplus cream moves into production. Print operations are micro-fixing bulk supplies while rotating current production into inventory. Print retail orders are good and building for yearend/holiday needs, as those orders ship. Bulk butter prices range 5-8 over the market of the CME Group, with various time frames and averages used. The butter market's undertone is steady. Tuesday's CME Group cash trading saw Grade AA butter close at \$1.8125, down 5 cents from the previous week. The Foreign Agricultural Service (FAS) reports August 2016 U.S. butter and milkfat exports totaled 2.2 million pounds, down 59% from a year ago. According to the DMN *National Retail Report -Dairy*, for October 7-13, 2016, the national advertised weighted average price for 1-pound butter was \$3.23, down 15 cents from last week, but up 14 cents from a year ago. The Northeast regional price was \$3.32, 40 cents below the previous week's average price. In the Southeast, the butter price averages \$2.90, a 6 cents drop from last week's average price.

DAIRY PRODUCTS: According to NASS, U.S. butter production for August 2016, totals 129.0 million pounds, up 0.7% from last year, but down 10.4% from a month ago. Cumulative 2016 butter production through August totals 1.3 billion pounds, 5.1% above the same period for 2015. August production in the Atlantic region totaled 8.1 million pounds, down 8.6% from last year and down 28.7% from a month ago.

CENTRAL

Cream supplies continue increasing in the Central region. Therefore, cream is readily available for butter churning purposes. Butter production is ongoing as many processors are gearing up operational schedules in order to meet the upcoming year-end holiday needs. Some manufacturers continue microfixing. Bulk butter inventories are heavy. According to some processors, butter stocks were building with anticipation of being short in Q4. Consequently, spot prices remain low, boosting the interest of

several buyer/end users. Retail demand for print butter is seasonally strong. Bulk butter prices reported ranged from one cent under market to 5 cents over the market, with various periods and averages used. The DMN *National Retail Report-Dairy* for October 7-13 noted the national weighted average advertised price for a 1 pound package of butter is \$3.23, 15 cents below one week ago, but 14 cents higher than one year ago. The regional weighted average prices in the Midwest and South Central are \$3.30 and \$3.35, respectively. Wednesday at the CME Group, Grade AA butter closed at \$1.7900, down 6 cents from last Wednesday.

WEST

Western butter makers report strong retail demand in advance of the Q4 holiday season. Cream is readily available and some butter makers are actively churning to stay ahead of buyer requests. A few other manufacturers are microfixing small amounts of butter to meet the seasonal increase in demand. Industry contacts say lower butter prices are generating buyer interest. The USDA Foreign Agricultural Service reported the Japanese government will offer a tender for an additional 4,000 MT of butter this month. American butter processors hope the narrowed gap between U.S. butter prices and world market prices will make U.S. butter more attractive in this and other export markets. The DMN *National Retail Report-Dairy* for the week of October 7-13 found that the U.S. weighted average advertised price of 1 pound butter is \$3.23, down \$.15 from last week. The U.S. weighted average price was \$3.09 one year ago. In the Southwest, the weighted average advertised price of 1 pound butter is \$3.69, with a price range of \$2.50-\$3.99. In the Northwest, the weighted average advertised price of 1 pound butter is \$3.99. Bulk butter pricing in the West this week is 2 cent under market to 2 cents above, based on the CME Group with various time frames and averages used. The Grade AA butter price at the CME Group on Wednesday closed at \$1.7900, down \$.0600 from a week ago.

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
October 8, 2016	1.9477 3,442,870	1.6190 12,597,688	1.5424 10,557,601	.3083 5,871,470	.9335 14,144,674

Further data and revisions may be found on the internet at: <http://www.ams.usda.gov/rules-regulations/mmr/dmr>

CHEESE MARKETS

NORTHEAST

Cheese production remains steady. Some processing plants would like to produce more cheese but are not receptive to increasing supplies, with a premium price attached to the additional milk. Meanwhile, current orders are being filled as a few processors operate near capacity. Mozzarella orders are good, with reports of inventories sold out for the year. Orders for cheddar are slow to steady. The market undertone is mixed. Wholesale cheese prices in the Northeast for 40#cheddar blocks and Muenster are unchanged. In addition, Process 5# sliced prices are steady. The Grade A Swiss price rose \$0.2250, following the release of the Announcement of Class and Component Prices. Tuesday's CME Group daily cash prices saw barrel cheese close at \$1.4700, down \$0.0075 from a week ago, and blocks closed at \$1.5175, down \$0.0150 from a week ago. The Foreign Agricultural Service (FAS) reports that August 2016 U.S. cheese and curd exports totaled 50.1 million lbs., steady from a year ago. The DMN *National Retail Report-Dairy*, for October 7-13, 2016, noted the Northeast weighted average advertised price for 8 oz. cheese blocks was \$2.26, equal to the national average, but 5 cents less than last week. The Southeast 8 oz. block cheese price was \$2.39, down 11 cents from last week's average. The Northeast advertised price for 8 oz. cheese shreds was \$2.28, 3 cents above the national average price, and up 7 cents from the previous week. In the Southeast, the average price for 8 oz. shred cheese was \$2.39 down 15 cents from last week. Nationwide, cheese retail advertisements increased compared to a week ago. The heaviest advertised category is 8 oz. shreds.

DAIRY PRODUCTS: According to NASS, U.S. total cheese production in August 2016 was 990.0 million pounds, 1.2% higher than a year ago but 2.2% below the previous month. In the Atlantic region, total cheese production was 121.6 million pounds, 5.3% below a year ago, but 2.2% above the previous month. Total cheese production and percentage changes from one year ago for specific Eastern states are, New Jersey 4.9 million pounds, -0.2%; New York 65.1 million pounds, -8.3%; Pennsylvania 33.4, -2.2%; and Vermont 11.4, +1.0%.

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

Cheddar 40# Block	:	1.9350-2.2200
Process 5# Sliced	:	1.6800-2.1600
Muenster	:	1.9200-2.2700
Grade A Swiss Cuts 10 - 14#	:	3.1425-3.4650

MIDWEST

Midwest cheese makers report milk is readily available. Some say it has hit the low point for the year and is starting to come back up. Components are also increasing. Cheese production is below full capacity. A number of processors say they could run more milk through the vats, but are hesitant to buy the extra loads of milk unless priced favorably. Demand for natural cheese entering retail cut and wrap facilities has remained strong. However, due to the seasonal slowdown of grilling and lagging impacts of market prices, demand for process cheese is currently a little soft. Cheese inventories are long, but do not seem to be of major concern to industry contacts. For the most part, the stocks are well balanced by age and variety. And cheese industry contacts expect the inventories to be drawn down through domestic Q4 holiday demand and through an improvement of export market opportunities. The DMN *National Retail Report-Dairy* shows that October 7-13 Mid-

west ads for 8 ounce shred cheese have a weighted average advertised price of \$2.09, 16 cents lower than the national average. Midwest prices range from \$1.66-\$3.00. One year ago, the national price was \$2.47. For 8 ounce blocks, the Midwest average price is \$1.94, 32 cents below the national average price. Midwest ads are priced from \$1.66-\$2.50. Last year, the national price was \$2.37. Midwestern wholesale prices are up \$.2250 for Swiss cuts, unchanged for process and for all other types. This week, a cooperative export assistance program accepted 6 requests for 1.2 million pounds (542 metric tons) of cheese. So far this year, the program has assisted member cooperatives who have contracts to sell 40.4 million pounds of cheese in export markets. *Dairy Products* (NASS) reports total 2016 U.S. cheese production, year to date through August, is 7.97 billion pounds, 1.9 percent above January through August 2015. August 2016 total U.S. cheese production, 990.0 million pounds, is 2.2 percent below last month. Central total cheese production for August was 446.4 million pounds, 1.7 percent less than last month. For total cheese production and various types of cheese, August 2016 U.S. and Central cheese production compared to August 2015 were as follows:

	U.S.	Central
Total	+ 1.2%	+ 1.4%
American	- 1.4%	- 2.9%
Cheddar	...	- 5.1%
Total Italian	+ 5.0%	+ 6.0%
Mozzarella	+ 4.4%	+ 2.9%

In CME Group trading Wednesday, barrels closed at \$1.4575, up \$.0075 from last Wednesday and blocks closed at \$1.5175, down \$.0150.

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

Process American 5# Loaf	:	1.5725-1.9325
Brick And/Or Muenster 5#	:	1.9050-2.3300
Cheddar 40# Block	:	1.6325-2.0275
Monterey Jack 10#	:	1.8800-2.0850
Blue 5#	:	2.1725-3.1600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7050-2.6450
Grade A Swiss Cuts 6 - 9#	:	2.6600-2.7775

WEST

Western cheese production is steady. With ample supplies of milk and the holiday season ahead, manufacturers report being at or near full production. Inventories are a bit long, but processors expect the seasonal demand to help draw down stocks. Industry contacts suggest domestic retail demand is solid, and lower prices are prompting buyer interest. Swiss cheese sales, however, are slightly lower due to the lag in wholesale prices relative to Class III prices. A few manufacturers are shifting production runs to other natural cheeses, like muenster, Monterey Jack and cheddars. The DMN *National Retail Report-Dairy* for the week of October 7-13 shows the U.S. weighted average advertised retail price for an 8 ounce pack of natural shredded cheese is \$2.25, down \$.06 from last week, and down \$.22 from a year ago. Packs average \$2.34 in the Southwest and \$1.59 in the Northwest. For 8 ounce blocks, the U.S. price is \$2.26, down \$.01 from last week, and down \$.11 from a year ago. Blocks average \$2.30 in the Southwest and \$2.17

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CHEESE MARKETS

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in the Northwest this week. In the West, wholesale prices are unchanged for process, and for cheddar block, cuts, and Monterey Jack. Swiss cut wholesale prices are up \$.2250. This week, a cooperative export assistance program accepted 6 requests for 1.2 million pounds (542 metric tons) of cheese. So far this year, the program has assisted member cooperatives who have contracts to sell 40.4 million pounds of cheese in export markets. In CME Group trading Wednesday, barrels closed at \$1.4575, up \$.0075 from a week ago and blocks closed at \$1.5175, down \$.0150.

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

Process 5# Loaf	:	1.5875-1.8450
Cheddar 40# Block	:	1.6375-2.0825
Cheddar 10# Cuts	:	1.8175-2.0375
Monterey Jack 10#	:	1.8275-1.9875
Grade A Swiss Cuts 6 - 9#	:	2.7200-3.1500

2016 U.S. Cheese and Curd Exports (USDA-FAS)

	2016 Exports (Million Lb.)	% Change From 1 Year Ago
August Total	50.1	...
TOTAL, JAN - AUG	411.4	- 17
1 Mexico	129.8	- 5
2 South Korea	58.7	- 40
3 Japan	41.4	- 25
4 Australia	22.0	- 23
5 Canada	17.6	- 4

FOREIGN TYPE

Cheese stocks in Western Europe remain tight, limited by lower milk production. This is quite similar to recent weeks. Few voices are heard expecting much of a change in the near term. The bulk of cheese currently manufactured is committed prior to production. In the U.S., wholesale Swiss cuts Switzerland prices increased \$.2250. The remaining prices are unchanged.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2300	: 2.1000-3.5875
Gorgonzola	: 3.6900-5.7400	: 2.6075-3.3250
Parmesan (Italy)	: -0-	: 3.4900-5.5800
Romano (Cows Milk)	: -0-	: 3.2900-5.4400
Sardo Romano (Argentine)	: 2.8500-4.7800	: -0-
Reggianito (Argentine)	: 3.2900-4.7800	: -0-
Jarlsberg-(Brand)	: 2.9500-6.4500	: -0-
Swiss Cuts Switzerland	: -0-	: 3.1800-3.5025*

* = Price change.

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

BUTTER : CHEESE

	:	
10/10/16	21,200	: 84,908
10/01/16	23,462	: 87,250
CHANGE	-2,262	: -2,342
% CHANGE	-10	: -3

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	110	0	110	0	230	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Northeast is seasonally strong. Year over year output remains higher. Pulls from Class I are steady, with adequate remaining supplies into manufacturing. Markets expect stronger pulls from each Class of milk over the next few weeks. Farm milk production in the Mid-Atlantic is flat. Manufacturers' fluid milk supplies are normally in balance with contract needs. Class I demand continues to be at levels expected for this time of year. In the aftermath of Hurricane Matthew, some bottlers in Florida are cutting orders, as others add to loads. Milk handlers note, it could take a week for milk distribution to get back on track. In general, sales are down this week and expected to level off. An upturn in milk production, with a slow increase, should occur over the next few weeks. Import shipments total 110 f.o.b. loads this week. Cream supplies continue to be readily available, with an uptick in demand, as some cream cheese makers have expanded production. **Cream multiples** ranged from **1.19-1.30**, with moderate quantities of cream supplies channeled to butter churns. At the CME Group, Grade AA butter closed Wednesday at \$1.7900, down \$0.0600 from a week ago. Demand continues to be good for **condensed skim** from Class II manufacturers and cheese makers. Supplies mostly move through contracts. Manufacturing surplus supplies are rolling over to assist with the following week's condensed skim demands, as few loads exchange in spot markets. Condensed skim dryers are active. According to the *DMN National Retail Report-Dairy*, October 7-13 2016, the U.S. weighted average advertised price for a gallon of milk was \$2.38, down \$1.10 compared to last week and down 18 cents from the previous year. The Southeast weighted average price for a gallon of milk was \$2.67, a decline of 98 cents from last week.

DAIRY PRODUCTS: According to NASS, August 2016 production of hard ice cream in the Atlantic region totaled 16.2 million gallons, 3.7% more than last month, but 0.5% less than a year ago. Cumulative 2016 production through August totaled 547.9 million gallons, 2.0% higher than the previous year's totals through August. U.S. Yogurt production (plain and flavored) for August totaled 416.3 million pounds, up 15.0% from last month and up 3.6% from the previous year.

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 - 2.2092-2.4135

F.O.B. producing plants: Upper Midwest - 2.2092-2.3763

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS, F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices - .79-.97

Northeast - Class III - spot prices - .85-.96

MIDWEST

Milk production is inching higher in the South Central area as the season advances. A few processors in the Southwest noted Central milk loads were offered into that area, but prices kept both sides apart. North Central farm milk production is generally steady. Sales into bottling were tepid early in the week as plant managers adjust for

mid-semester breaks within area school districts, however, orders for the end of the week are stronger into a few bottling facilities. The pushback on loads from Class I accounts has freed up some milk volumes to clear into Class III/IV plants. However, a few cheese plant managers have already decreased orders for the week due to component levels rebounding, thus decreasing the need for additional milk loads. At this point, all milk volumes are finding processing room. Class II demands for milk and condensed skim are at seasonally lower volumes. Some holiday related items are queuing up for shipment to retailers. Class II cream multiples firmed after an abundance of cream over the holiday weekend, now ranging from 1.19-1.28. Cream from the West region continues to satisfy some of the butterfat demand in the Central region. Many sellers and buyers are finalizing cream contracts for Q1 of 2017. Some buyers indicate larger cream volumes were offered up for contracting and multiples are generally steady to somewhat lower. This was surprising for some as there are expectations that cream may tighten in the Central region as new churns come online in late 2016/early 2017. On the seller side of the equation, finding a regular home for cream volumes throughout the course of a season at an acceptable multiple is often preferable to canvassing buyers on a weekly basis for spot interest at variable multiples. The *DMN National Retail Report-Dairy* for October 7-13 noted the national weighted average advertised price for one gallon of milk was \$2.38, down \$1.10 from a week ago, and down \$0.18 from a year ago. The weighted average regional prices in the Midwest and South Central and changes from the previous week are \$2.01(-\$0.78) and \$2.13(-\$0.86), respectively. In the North Central area, rain is curtailing fieldwork. Operators are able to get onto high ground fields for corn or soy harvesting, but lowlands are holding moisture and keeping activity to a minimum. In the South Central area, recent rains also slowed harvesting activity in some areas. Recent reports indicate the cotton crop quality may be affected by the rain, but it is unknown at this time how near term cotton seed availability for feed use may be impacted. Winter wheat and oats planting is ongoing.

WEST

In California, milk output is seasonally higher. Dairy cows are feeling less stressed as temperatures continue dropping in the Central Valley. Class 1 processors are looking forward to November to begin processing for holiday-related fluid products, such as eggnog. Bottled milk sales are even this week. Heavy manufacturing milk volumes are moving into processing facilities in order to meet the high Q4 needs. Dairy operators' demand for high quality alfalfa hay is moderate. Since supplies are tight in California, some operators continue importing supreme/premium alfalfa from nearby states. The November 2016 Class 1 prices in California are \$16.13 in the north and \$16.40 in the south. The statewide average Class 1 price based on production is \$16.15. This price is \$1.64 lower than the previous month and \$1.54 lower than November 2015. In Arizona, milk production is trending up. Temperatures are getting cooler, which is increasing cows' comfort. Bottled milk requests from educational institutions are lower as most schools are on fall break this week. Orders from supermarkets and restaurants are steady. Alfalfa harvesting is active throughout the state. In New Mexico, the favorable climate conditions are supporting dairy herds' comfort. Milk volumes are in good balance with manufacturing needs. However, a few balancing plants are curtailing milk processing due to maintenance work. Sales into Class I and Class II are lower this week.

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Higher manufacturing milk volumes are clearing into Class III as many cheese processors are gearing up production in order to meet the high demand during Q4 holidays. New Mexico is between the fifth and sixth cutting of alfalfa hay. According to the *DMN National Retail Report-Dairy* for the week of October 7-13, the national weighted average advertised price for one gallon of milk is \$2.38. The weighted average regional prices in the Southwest and Northwest are \$2.26 and \$1.99, respectively. Pacific Northwest milk production is near the bottom of the annual cycle and following typical seasonal patterns. Variations in weather conditions and cow comfort are bumping production up and down somewhat. However, overall milk production is in a downward trend that usually stabilizes in November. Bottling demand remains solid. Some industry contacts in the mountain states of Colorado, Utah and Idaho report milk production is still in the typical seasonal decline. However, contacts also note that milk intakes are increasing, possibly due to additions to the milking herd. A few manufacturers say school milk pipelines are filled and, between fall breaks and modest price increases, bottling demand has backed off a bit. Processors are having no trouble getting enough milk for most processing needs. Moderate condensed skim volumes continue clearing into NDM processing. Meanwhile, requests from ice cream makers are decreasing. Cream supplies continue growing in the West region. Cream cheese and butter processors are taking most of the cream volumes, while ice cream makers are demanding less. Cream usage into sour cream processing is active. This week, **multiples** for all classes are mixed, ranging from **1.05 to 1.22**.

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: Prices for low/medium nonfat (NDM) dry milk saw declines in the mostly series. As the CME Group's NDM prices trend lower, the market is generating some additional buyer interest. Overall, sales are fairly sluggish with light trading as some users are holding off on holiday orders, waiting for a clearer market picture. Regionally, low/medium heat (NDM) production is steady depending on the plant, with production minimal in some facilities due to higher returns in other markets. Nonetheless, stocks are building nominally, but comfortable for manufacturers in the region. Some reselling was noted, as a few brokers exchanged aged inventoried product. The market undertone is unsettled. F.O.B. spot prices for high heat NDM are steady to lower. Most sales are based on contracts. Production is slightly higher. Inventories are mixed. The market tone is steady to lower.

EAST: Eastern low/medium nonfat dry milk (NDM) prices adjusted lower at the bottom of the mostly series in response to weekly f.o.b. spot market trading. Low/medium heat nonfat dry milk (NDM) production is steady as some plants maintain 5-6 day production runs. Sources note, NDM spot interest is improving as processors' offerings of low/medium NDM increase, accompanied with lowered pricing. Buyers, however, are responding to offers with temperate demand, as some see a weakening NDM market. Supplies of low/medium NDM are adequate for near term contractual obligations. High heat NDM prices shifted fractionally lower at the bottom of the range. Processors have flexibility for scheduled runs as production picks up in the region. Stocks are light, but meet the needs of regular customer accounts. Wednesday at the CME Group, Grade A NDM closed at \$0.8700, down \$0.0600 from last week.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8700 - 1.0200 MOSTLY: .9100 - .9500
 HIGH HEAT: 1.0450 - 1.1000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk (NDM) prices are lower. Trading activity outside contracts is light. The market undertone is mixed. On one end, buyers/end users think the market is slowly softening. Therefore, they are taking a wait and see approach, holding off their purchases, anticipating lower prices in the next few weeks. At the other end, manufacturers maintain the NDM market is well balanced and prices will improve during Q4. Demand from bakers is active. Requests from Mexico are lower this week. Low/medium heat NDM production is steady at most processing facilities. Inventories are steady to slightly higher. High heat nonfat dry milk prices are mixed. Manufacturers are scheduling high heat NDM production sporadically to stay ahead of contract fulfillment needs. Spot trading is light as inventories continue tight.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8150 - 1.0100 MOSTLY: .9100 - .9550
 HIGH HEAT: .9900 - 1.1050

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES
October 7	\$.9229	6,201,386
September 30	\$.8924	11,535,112

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. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: In the Central region, dry buttermilk prices held steady on light f.o.b. spot trading. Dry buttermilk production is up as butter churns are active. Stocks are mostly moderate. Domestic interest is light. Buyers in general are delaying purchasing of dry buttermilk as market developments cause some uncertainty, due partly to the NDM price decline. Dry buttermilk has a steady market undertone.

EAST: The price of dry buttermilk in the East is unchanged in a steady market. Output is improving with the volume of available cream moving into butter facilities. Reductions in condensed buttermilk clearing to ice cream/mix also elevates production. Demand is light. Many buyers are in a wait-and-see purchasing approach. Inventories are adequate for customer needs.

F.O.B. CENTRAL/EAST: .8400 - .9000

DRY BUTTERMILK - WEST

Western dry buttermilk f.o.b. spot prices are steady to lower on the range, but unchanged on the mostly series. Sales activity in the spot market has been light throughout the week. Drying schedules are active as butter churning is ongoing in the West region. Condensed buttermilk availability continues increasing as ice cream makers are requesting lower volumes. Dry buttermilk inventories are slightly higher.

F.O.B. WEST: .8000 - .9000 MOSTLY: .8400 - .8700

DRY WHOLE MILK - NATIONAL

F.O.B. spot prices for dry whole milk are unchanged on light trading. The market undertone is mixed throughout the country. Demands from the bakery and confectionary sectors are slightly improving as the Q4 holiday season approach. However, sales are mostly based on contracts. Production is steady. Inventories vary from plant to plant.

F.O.B. PRODUCING PLANT: 1.2900 - 1.4500

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 whey prices moved higher this week, however a few contacts suggest the whey market may be flattening out. Some manufacturers are finding buyers will push back at prices above the mostly price series. Export demand is there for sellers that seek it out. Dry whey is moving well through contracted agreements. Inventories are mostly comfortable. A few processors say their stocks are a little heavier than a few weeks ago. Dry whey production is active and stable. Animal feed whey prices are unchanged. Some feed manufacturers report the demand for animal feed whey is lighter because the finishing price of veal/beef is soft.

F.O.B. CENTRAL: .2900 - .4100 MOSTLY: .3100 - .3500
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2100 - .2950

DRY WHEY - NORTHEAST

F.O.B. spot prices are higher for Eastern dry whey in an uneven market. This week, prices advanced at the top of the range while holding steady at the bottom. Production is steady to higher with seasonal increases. However, supplies are currently tight, with users of dry whey seeking additional loads in other regions. The demand for fall baking needs adds to overall demand. International markets remain active. The market undertone is strengthening.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3200 - .3850

DRY WHEY - WEST

Western whey prices moved higher. Industry contacts report inventories with many manufacturers are tight. In some cases, dry whey stocks are fully committed. Demand is steady. Some contacts suggest the market is more subdued than what it was a few weeks ago. Secondary markets remain active. Some manufacturers are opting to produce higher whey concentrations instead of dry whey.

NONHYGROSCOPIC: .3100 - .4100 MOSTLY: .3300 - .3800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate 34% prices are higher. Although a few spot sales are still occurring at the bottom of the price range, prices for WPC34% used in both infant formula applications and other uses continue to see gains. Resellers are active and say they could sell more WPC34% if it was available. Inventories are generally tight and highly committed. WPC34% production is lower than previous years', while demand is steady. Some manufacturers report getting inquiries from buyers outside their usual contacts, and their current buyers are asking to increase their order volumes for next year. Many industry contacts suggest the market tone for WPC34% is bullish.

F.O.B. EXTRA GRADE 34% PROTEIN: .6150 - .8750 MOSTLY: .7400 - .8200

LACTOSE - CENTRAL AND WEST

Prices for lactose moved higher this week. Demand is solid and some buyers are asking manufacturers for fixed pricing into 2017. Inventories at many processors are committed and tight. Lactose production is steady, however a few manufacturers have scheduled maintenance in the next few weeks. Lactose exporters are experiencing disruptions to shipping logistics caused by the bankruptcy of a major shipping line six weeks ago. Some companies have lactose stuck on the bankrupt line's boats, while port terminals struggle to work through the clutter of the bankrupt line's containers and trucks. Other exporters have had to make alternative arrangements, but are finding available shipping containers are in short supply.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .2800 - .4800 MOSTLY: .3200 - .3700

CASEIN - NATIONAL

Rennet casein prices adjusted up very slightly at the bottom of the price range, but remained stable at the top. Acid casein prices are unchanged. Many buyers report tight supplies when seeking casein contract commitments looking forward, which is primarily what buyers are focused on. Little current spot market activity is occurring. Even with tight supplies, recent price increases have buyers wary of getting too far ahead of higher price levels until there is greater assurance that prices will hold. This has been a week of a number of market participants stepping back to evaluate the markets.

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: 3.1200 - 3.1325
ACID: 3.1300 - 3.1500

U.S. Dairy Cow Slaughter (1000 head) under Federal Inspection

<u>WEEK ENDING</u>	<u>2016 WEEKLY DAIRY COWS</u>	<u>2016 CUMULATIVE DAIRY COWS</u>	<u>2015 WEEKLY DAIRY COWS</u>	<u>2015 CUMULATIVE DAIRY COWS</u>
09/24/2016	58.2	2,137.9	58.8	2,171.8

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
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
2013	18.14	17.25	16.93	17.59	18.52	18.02	17.38	17.91	18.14	18.22	18.83	18.95
2014	21.15	23.35	23.33	24.31	22.57	21.36	21.60	22.25	24.60	23.82	21.94	17.82
2015	16.18	15.46	15.56	15.81	16.19	16.72	16.33	16.27	15.82	15.46	15.30	14.44

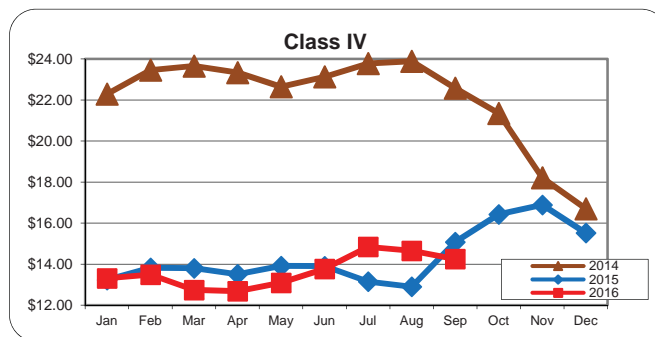
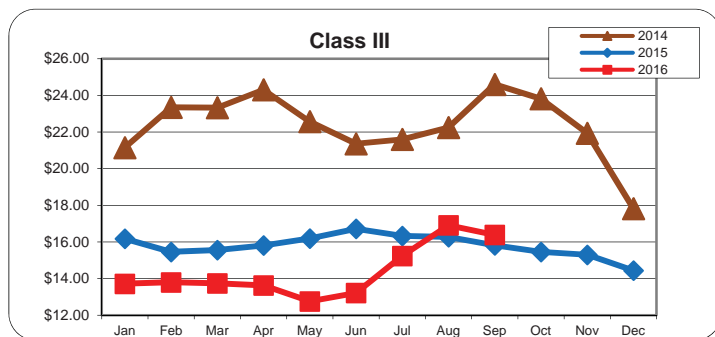
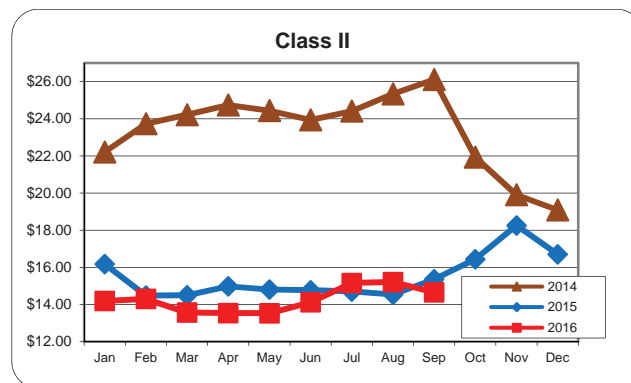
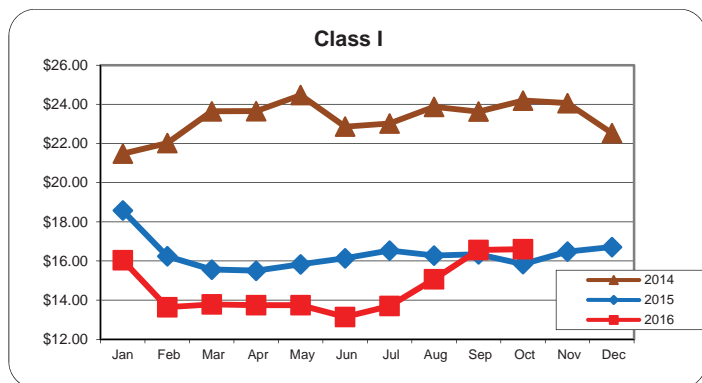
CLASS IV MILK PRICES (3.5%)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2013	17.63	17.75	17.75	18.10	18.89	18.88	18.90	19.07	19.43	20.17	20.52	21.54
2014	22.29	23.46	23.66	23.34	22.65	23.13	23.78	23.89	22.58	21.35	18.21	16.70
2015	13.23	13.82	13.80	13.51	13.91	13.90	13.15	12.90	15.08	16.43	16.89	15.52

FEDERAL MILK ORDER CLASS PRICES FOR 2016 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I I/	16.04	13.64	13.78	13.74	13.70	13.14	13.70	15.07	16.56	16.60		
II	14.19	14.30	13.57	13.54	13.53	14.12	15.16	15.21	14.66			
III	13.72	13.80	13.74	13.63	12.76	13.22	15.24	16.91	16.39			
IV	13.31	13.49	12.74	12.68	13.09	13.77	14.84	14.65	14.25			

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 October 3 - 14, 2016

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 dairy processors and manufacturers report that for early October, there is less milk being received from farms than last year at this time. Among primary dairy nations, this is noted for the United Kingdom, France, Germany, and to a lesser extent, the Netherlands. A factor in the decline is believed to have been recent lower milk prices, which has motivated a number of dairy producers to sell older cows as well as feed less. While Western European dairy commodity prices have begun to notch up, there is uncertainty as to the magnitude and extent of this trend. There is also uncertainty as to how quickly this will move through to farm gate milk prices. EU average raw milk prices trended downward from January, reaching a low of 25.6 Euros/100 kg in July, but then started moving up in August to 26.4 Euros/100 kg, according to the European Commission.

BUTTER/BUTTEROIL: In Western Europe butter prices strengthened. This continues a recent trend of stronger butter prices. Orders for packaged butter are increasing following these stronger prices, because buyers are stocking before yet even higher expected prices materialize. Some buyers are not able to obtain desired quantities. The market is seller dominated. The strength of orders being filled is causing some delivery bottlenecks. Butter is being withdrawn from private storage to help fill orders. Industrial cream is less available in the current climate. The Dairy Market News September 2016 monthly average for Western European butter, \$4,301/metric ton, is 49.3% above September 2015. EU production of butter January-July 2016 is up 8.7% from the same period of 2015, according to Eurostat. The top three export destinations and present change in export volumes to the destinations are: Saudi Arabia, +37%; Egypt, +24%; and U.S.A., +14%.

82% BUTTERFAT: 4,450 - 4,650
99% BUTTERFAT: 4,000 - 4,700

SKIM MILK POWDER (SMP): Skim milk powder prices in Europe are steady and current market activity is mostly quiet. Buyers are more focused on contracts for future delivery and are in no hurry to finalize commitments. Few export contracts are actively being worked on. There are some concerns with volumes of SMP currently held in public and private stocks, with European Commission estimates being up to one third of EU SMP production. However, publicly held intervention stocks are required to be disposed of in a way to avoid disturbing markets. The Dairy Market News September 2016 monthly average for Western European SMP, \$2,236/metric ton, is 22.1% above September 2015. EU production of SMP January-July 2016 is up 11.3% from the same period of 2015, according to Eurostat. The top three export destinations and present change in export volumes to the destinations are: Algeria, -20%; China, -9%; and Egypt, -28%.

1.25% BUTTERFAT: 2,200 - 2,400

SWEET WHEY POWDER: Whey powder prices in Europe are steady, remaining at the highest level of 2016 for a second week. Demand for food grade whey is not as active as feed grade but buyers are not in a rush to finalize transactions of either. The Dairy Market News September 2016 monthly average for Western European whey powder, \$935/metric ton, is 40.0% above September 2015.

NONHYGROSCOPIC: 900 - 1,100

WHOLE MILK POWDER (WMP): Whole milk powder prices in Europe are steady to slightly lower at the upper end of the price range. Current WMP market activity is quiet. Ample supplies are available, leading to little active buyer interest at this time because the food industry is well supplied. Export potential is challenged by current price factors available from competitors, particularly in Oceania. The Dairy Market News September 2016 monthly average for Western European WMP, \$2,873/metric ton, is 33.2% above September 2015. EU production of WMP January-July 2016 is up 5.6% from the same period of 2015, according to Eurostat. The top three export destinations and present change in export volumes to the destinations are: Oman, -5%; Algeria, -20%; and China, +15%.

26% BUTTERFAT: 2,875 - 3,000

EASTERN OVERVIEW: Milk production in Ukraine is down from year ago levels in September for the 8th month of 2016. September production was 5.4% below September 2015 milk production. Production January-September this year is 2.78% lower than in 2015.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 3 - 14, 2016

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.

In **Australia**, weather conditions for early stages of the new dairy season have been favorable overall. There has been good spring rainfall across much of southeastern Australia, but heavier than ideal in some areas. Water levels have favorably responded, lowering some irrigation water prices. Pasture growth has responded favorably which is expected to ease feed prices. However, rainfall has been a bit heavy in parts of northern Victoria, New South Wales, Tasmania and South Australia. Wet conditions in those areas are adversely affecting milk quality and fodder. There has also been some damage from flooding. **New Zealand**. Recently announced plans to build a new infant formula plant focused on the export market will provide an additional outlet to New Zealand milk producers. This is an example of continuing efforts by processors to move milk into higher return dairy sectors to increase pay prices for dairy producers. At the October 4 GDT event #173, average prices ranged from 9.7% lower to 9.3% higher from the prior event across categories. The all contracts price averages (US\$ per MT) and percent changes from the previous averages are: anhydrous milk fat, \$4,954 -1.0%; butter, \$3,891 -0.3%; buttermilk powder, \$2,408 +9.3%; cheddar cheese, \$3,430 -2.3%; lactose, \$744 -9.7%; rennet casein, \$6,574 -3.7%; skim milk powder, \$2,209 -3.9%; and whole milk powder, \$2,681 -3.8%. While these results are disappointing compared to a number of recent events with strengthening prices, observers note that this may be the market taking a breather from the recent upward price trend. Expectations of markets bouncing around are being expressed, with anticipation of stronger prices over future months. A number of observers have commented that there is no point in getting too excited about one GDT result when the view ahead is considered to lead to firmer prices.

BUTTER: Butter prices in Oceania firmed this week, climbing to the highest level of 2016. This follows GDT event 173 on October 4, which yielded butter prices for the November 2016 contract up 7.2%, and for all contracts down 0.3%. Many buyers are motivated to secure supplies now due to perceived potential for further price firming. The Dairy Market News September 2016 monthly average for Oceania butter, \$3,860/metric ton, is 29.5% above September 2015. Australian butter exports July-August 2016 decreased 6.7% in volume from the same period of 2015. The value of those exports this year are 14.9% below last year, according to Dairy Australia. New Zealand butter exports January-August this year are up 4.2% over the same period last year. Primary destinations and percent of total butter exports are: China, 17%; Iran, 12.0%; and Egypt, 10.0%, according to Euclait.

82% BUTTERFAT: 3,900 - 4,025

WHOLE MILK POWDER (WMP): Oceania whole milk powder prices weakened at each end of the price range. Current buyer interest is not as strong as recent weeks, with ample stocks to meet demand. GDT event 173 on October 4 yielded WMP prices for the November 2016 contract down 7.5% and for all contracts down 3.8%. The Dairy Market News September 2016 monthly average for Oceania WMP, \$2,858/metric ton, is 20.7% above September 2015. New Zealand WMP ex-

ports January-August this year are 4.3% below the same period last year. Primary destinations and percent of total WMP exports are: China, 24.3%; Algeria, 9.6%; and UAE, 7.9%, according to Euclait. Australian WMP exports July-August 2016 increased 113.0% in volume from the same period of 2015. The value of those exports this year are 124.7% above last year, according to Dairy Australia.

26% BUTTERFAT: 2,700 - 2,900

SKIM MILK POWDER (SMP): Oceania skim milk powder prices are unchanged at the bottom of the price range, and weaker at the top. Pressure from European pricing and stocks is weighing on participants in global export markets. GDT event 173 on October 4 yielded SMP prices for the November 2016 contract down 2.2% and for all contracts, down 3.9%. The Dairy Market News September 2016 monthly average for Oceania SMP, \$2,344/metric ton, is 20.1% above September 2015. Australian SMP exports July-August 2016 decreased 32.7% in volume from the same period of 2015. The value of those exports this year are 44.5% below last year, according to Dairy Australia. New Zealand SMP exports January-August this year are up 12.1% over the same period last year. Primary destinations and percent of total SMP exports are: China, 23.7%; Malaysia, 9.5%; and Philippines, 9.2%, according to Euclait.

1.25% BUTTERFAT: 2,300 - 2,500

CHEDDAR CHEESE: Cheddar cheese prices in Oceania are unchanged. The market is in a good position in terms of stocks and current demand. GDT event 173 on October 4 yielded cheddar prices for the November 2016 contract up 3.5% and for all contracts down 2.3%. The Dairy Market News September 2016 monthly average for Oceania cheddar, \$3,560/metric ton, is 17.3% above September 2015. Australian cheddar exports July-August 2016 decreased 19.5% in volume from the same period of 2015. The value of those exports this year are 23.7% below last year, according to Dairy Australia. Exports of other cheese July-August 2016 decreased 6.7% in volume from the same period of 2015. The value of those exports this year are 9.7% below last year. New Zealand cheese exports January-August this year are up 10.0% over the same period last year. Primary destinations and percent of total cheese exports are: Japan, 18.0%; Australia, 17.4%; and China, 13.1%, according to Euclait.

39% MAXIMUM MOISTURE: 3,500 - 3,800

CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 3 - 14, 2016

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.

CONTINUED FROM PAGE 8A**Exchange rates for selected foreign currencies:****October 10, 2016**

.0658 Argentina Peso	.0097 Japan Yen
.7606 Australian Dollar	.0528 Mexican Peso
.7589 Canadian Dollar	.7135 New Zealand Dollar
1.1140 Euro	.2612 Poland Zloty
.0150 India Rupee	

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0528) = 18.9394$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS

US\$/MT	Global/Dairy Trading (gDT) Event 173 Recap - October 4, 2016													
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts	
	Nov-16		Dec-16		Jan-17		Feb-17		Mar-17		Apr-17			
Anhydrous Milk Fat	\$5,012	-3.0%	\$5,020	0.2%	\$4,905	-1.2%	\$4,884	-1.3%	\$4,908	-2.4%	\$4,974	-1.1%	\$4,954	-1.0%
Butter	\$4,220	7.2%	\$3,990	5.7%	\$3,808	-4.3%	\$3,774	-3.8%	\$3,693	-7.0%	\$3,870	-3.0%	\$3,891	-0.3%
Buttermilk Powder	n.a.		\$2,339	7.8%	\$2,560	13.5%	\$2,495	8.5%	n.a.		n.a.		\$2,408	9.3%
Cheddar	\$3,975	3.5%	\$3,359	-7.6%	\$3,420	-0.8%	\$3,403	0.8%	\$3,588	-1.7%	n.a.		\$3,430	-2.3%
Lactose	n.a.		\$744	-9.7%	n.a		n.a.		n.a.		n.a.		\$744	-9.7%
Rennet Casein	\$6,890	0.7%	\$6,521	-4.1%	\$6,570	-3.9%	\$6,613	-3.8%	n.a.		n.a.		\$6,574	-3.7%
Skim Milk Powder	\$2,217	-2.2%	\$2,219	-2.6%	\$2,192	-5.9%	\$2,208	-4.0%	\$2,184	-5.7%	\$2,268	-5.1%	\$2,209	-3.9%
Sweet Whey Powder	n.a.		n.a.		n.a		n.a.		n.a.		n.a.		n.a.	
Whole Milk Powder	\$2,727	-7.5%	\$2,768	0.3%	\$2,619	-8.9%	\$2,644	-2.6%	\$2,596	-3.8%	\$2,633	-7.2%	\$2,681	-3.8%

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

US\$/Pound	Global/Dairy Trading (gDT) Event 173 Recap - October 4, 2016													
	Contract 1		Contract 2		Contract 3		Contract 4		Contract 5		Contract 6		All Contracts	
	Nov-16		Dec-16		Jan-17		Feb-17		Mar-17		Apr-17			
Anhydrous Milk Fat	\$2.2734	-3.0%	\$2.2771	0.2%	\$2.2249	-1.2%	\$2.2154	-1.3%	\$2.2263	-2.4%	\$2.2562	-1.1%	\$2.2471	-1.0%
Butter	\$1.9142	7.2%	\$1.8099	5.7%	\$1.7273	-4.3%	\$1.7119	-3.8%	\$1.6751	-7.0%	\$1.7554	-3.0%	\$1.7649	-0.3%
Buttermilk Powder		n.a.	\$1.0610	7.8%	\$1.1612	13.5%	\$1.1317	8.5%		n.a.		n.a.	\$1.0923	9.3%
Cheddar	\$1.8030	3.5%	\$1.5236	-7.6%	\$1.5513	-0.8%	\$1.5436	0.8%	\$1.6275	-1.7%		n.a.	\$1.5558	-2.3%
Lactose		n.a.	\$0.3375	-9.7%		n.a.		n.a.		n.a.		n.a.	\$0.3375	-9.7%
Rennet Casein	\$3.1253	0.7%	\$2.9579	-4.1%	\$2.9801	-3.9%	\$2.9996	-3.8%		n.a.		n.a.	\$2.9819	-3.7%
Skim Milk Powder	\$1.0056	-2.2%	\$1.0065	-2.6%	\$0.9943	-5.9%	\$1.0015	-4.0%	\$0.9907	-5.7%	\$1.0288	-5.1%	\$1.0020	-3.9%
Sweet Whey Powder		n.a.		n.a.		n.a.		n.a.		n.a.		n.a.		n.a.
Whole Milk Powder	\$1.2370	-7.5%	\$1.2556	0.3%	\$1.1880	-8.9%	\$1.1993	-2.6%	\$1.1775	-3.8%	\$1.1943	-7.2%	\$1.2161	-3.8%

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

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

Information gathered October 3 - 14, 2016

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.

SOUTH AMERICA OVERVIEW: Dairy operators in **Argentina** continue recovering from the devastation caused by the heavy thunderstorms during last fall. Currently, rainy conditions are present in the main dairy basins, Santa Fe, Cordova and Buenos Aires. However, milk yields are marginally affected. At this point, farm milk supply is shifting up as the spring flush approaches. Nevertheless, milk output is still below last year's levels. According to several industry participants, there are enough milk supplies to process fluid milk, including UHT, as well as cheese and dry ingredients. Sales into various retail channels and food services are fair this week. Meal programs in public schools continue pulling bottled milk supplies. According to the Ministry of Agriculture, Livestock and Fisheries (MAGyP), during August, Argentina farm milk production was 863.6 million liters, 9% above the previous month, but 12% below a year ago. From this production, 19.6% was destined into bottling processing. From January to August 2016, milk output totaled 6,403 million liters, down 11% from the same period of 2015. Milk prices paid to Argentine dairy operations (tambos) during August were \$4.27 Argentine pesos (ARS) per liter, up 2% from last month and 51% above the previous year. The August price paid to producers is equal to \$0.28 USD/liter or around \$12.32/cwt. Farm milk output is marginally up in **Uruguay** and **Paraguay**, following seasonal trends. Although production is below the previous year's levels, there are sufficient milk supplies moving into processing, especially into dryers. In **Brazil**, milk production is uneven. The high feed costs are negatively affecting dairy operators' revenues. In general, there is a milk supply shortfall for meeting the high demands from dairy processors. Consequently, prices paid to producers continue high, above the previous year's levels. Some industry participants think this situation will improve somewhat during the spring season, when milk yields are typically higher. Sales of milk spot loads are less active this week. According to Center for Studies in Applied Economics (CEPEA), nominal milk prices paid to dairy farmers in Brazil during September were \$1.64 Brazilian reals (\$R) per liter, which is down 3.3% from the previous month, but 53.5% above a year ago. This amount is equal to \$0.50 USD/liter or around \$22.14/cwt.

WHOLE MILK POWDER (WMP): In South America, whole milk powder pricing is shifting down, in line with the recent downward trend at the GDT. WMP is one of the main dry ingredients produced, exported and consumed in South America. The demand in Brazil is very strong. Most WMP exports in the Southern Cone are moving to Brazil. Production is active as there is enough milk available to dry in Argentina and Uruguay. In addition, Paraguay is starting to increase WMP manufacturing in order to export. Inventories are mixed throughout the continent. The Southern Common Market or Mercosur is an economic and commercial bloc of countries in South America composed by Argentina, Brazil, Paraguay, Uruguay and Venezuela. Chile, Bolivia, Colombia, Ecuador and Peru are associate countries. The main purpose of Mercosur is to promote free trading within the bloc. During 2015, Mercosur decided to extend the Common External Tariff (CET) to 28% for some dairy products, including whole milk powder. The increase of the CET will remain until December 31, 2023. This tariff applies to WMP imports coming from countries outside Mercosur. According to the Ministry of Industry, Trade and Services (MDIC), Brazil WMP imports from January to September 2016 totaled 97,882 MT, up 143% from the same period in 2015. From this total, imports from Uruguay and Argentina represented 69% and 26%, respectively.

26% BUTTERFAT:

2,750 - 3,050

CME GROUP, INC FUTURES

Selected settling prices

Month	09/30	10/03	10/04	10/05	10/06	10/07	10/10	10/11	10/12	10/13
CLASS III MILK FUTURES (Pit-Traded) (\$/cwt)										
SEP 16	16.39	16.39	16.39	16.39						
OCT 16	15.21	15.16	14.98	14.91	15.04	14.99	14.82	14.70	14.74	14.73
NOV 16	15.63	15.44	15.23	15.18	15.48	15.47	15.25	14.95	15.19	15.10
DEC 16	15.50	15.37	15.24	15.15	15.41	15.44	15.22	14.91	15.22	15.15
JAN 17	15.38	15.30	15.23	15.20	15.39	15.40	15.30	15.10	15.29	15.34
FEB 17	15.50	15.46	15.40	15.40	15.57	15.57	15.46	15.30	15.47	15.54
MAR 17	15.64	15.61	15.55	15.56	15.67	15.69	15.60	15.50	15.62	15.65
APR 17	15.70	15.68	15.59	15.62	15.75	15.77	15.70	15.60	15.69	15.75
MAY 17	15.88	15.90	15.83	15.84	15.97	15.97	15.95	15.84	15.84	15.93
JUN 17	16.14	16.15	16.10	16.10	16.20	16.22	16.20	16.10	16.10	16.12
CLASS IV MILK FUTURES (Pit-Traded) (\$/cwt)										
SEP 16	14.25	14.24	14.20	14.25						
OCT 16	14.35	14.32	14.19	14.15	14.02	14.02	13.95	13.95	13.95	13.95
NOV 16	14.65	14.62	14.37	14.31	14.14	14.14	14.14	13.98	13.89	13.76
DEC 16	14.79	14.79	14.61	14.43	14.33	14.32	14.25	14.21	14.07	13.99
CASH SETTLED BUTTER FUTURES (Electronic-Traded) (¢/lb)										
SEP 16	206.33	206.33	206.33	207.75						
OCT 16	194.03	193.70	192.00	191.25	191.25	193.00	193.00	192.25	191.00	191.00
NOV 16	196.75	196.00	192.45	192.03	190.25	193.00	193.00	189.73	187.85	184.00
DEC 16	195.00	195.50	191.08	190.50	188.55	191.75	191.38	187.95	184.50	181.25
NONFAT DRY MILK FUTURES (Pit-Traded) (¢/lb)										
SEP 16	88.65	88.58	88.58	88.47						
OCT 16	95.75	95.95	95.43	95.35	94.03	94.08	93.05	93.18	93.15	93.15
NOV 16	97.65	97.73	96.50	96.30	95.25	95.00	93.55	94.28	93.95	94.50
DEC 16	100.85	100.40	98.93	98.75	98.00	97.10	96.50	97.50	97.10	97.75
WHEY (Electronic-Traded) (¢/lb)										
SEP 16	30.70	30.70	30.70	30.55						
OCT 16	33.28	33.70	33.15	32.70	32.70	32.50	32.50	32.30	32.33	32.58
NOV 16	34.50	34.75	34.55	34.60	35.15	34.75	34.75	34.75	34.60	35.00
DEC 16	34.83	35.00	34.78	34.75	35.15	35.48	35.48	34.95	34.35	35.25
CHEESE CSC (Electronic-Traded) (\$/lb)										
SEP 16	1.75	1.75	1.75	1.75						
OCT 16	1.62	1.61	1.59	1.59	1.61	1.60	1.59	1.57	1.58	1.58
NOV 16	1.65	1.64	1.61	1.61	1.64	1.63	1.61	1.58	1.61	1.60
DEC 16	1.64	1.63	1.62	1.61	1.63	1.63	1.61	1.58	1.61	1.61
JAN 17	1.63	1.62	1.62	1.61	1.62	1.63	1.61	1.60	1.62	1.62

Source: <http://www.cmegroup.com/market-data/daily-bulletin.html>

August Milk Sales

During August 4.1 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 2.1 percent higher than August 2015. Estimated sales of total conventional fluid milk products increased 1.6 percent from August 2015 and estimated sales of total organic fluid milk products increased 13.6 percent from a year earlier.

Estimated Total U.S. Sales of Fluid Milk Products, August 2016, with Comparisons ^{1,4}				
Product Name	Sales		Change from: ²	
	August	Year to Date	Previous Year	Year to Date
	<i>(million pounds)</i>		<i>(percent)</i>	
Conventional Production Practice				
Whole Milk	1,241	9,507	7.5	4.9
Flavored Whole Milk	54	398	12.8	7.6
Reduced Fat Milk (2%)	1,335	10,332	0.2	-2.0
Low Fat Milk (1%)	558	4,501	-3.2	-4.8
Fat-Free Milk (Skim)	387	3,154	-9.7	-11.0
Flavored Fat-Reduced Milk	288	2,384	7.4	3.5
Buttermilk	44	336	7.9	-0.3
Other Fluid Milk Products	5	36	48.7	25.4
Total Fat-Reduced Milk ³	2,567	20,370	-1.4	-3.6
Total Conventional Milk Products	3,912	30,648	1.6	-0.9
Organic Production Practice				
Whole Milk	83	618	28.7	16.5
Reduced Fat Milk (2%)	68	523	13.9	9.8
Low Fat Milk (1%)	35	290	-2.9	-3.1
Fat-Free Milk (Skim)	25	213	-6.3	-9.4
Flavored Fat-Reduced Milk	7	57	40.1	-20.3
Other Fluid Milk Products	0	1	-----	-----
Total Fat-Reduced Milk ³	135	1,082	6.0	0.1
Total Organic Milk Products	218	1,702	13.6	5.5
Total Fluid Milk Products	4,130	32,350	2.1	-0.6

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 Both conventional and organic fat-reduced milk categories are total of reduced fat, lowfat, skim and flavored fat-reduced milk. ⁴ The California Department of Food and Agriculture (CDFA) clarified reporting instructions starting in July 2015, for packaged product moving plant to plant prior to ultimate distribution. This improved the accuracy of current numbers, but makes current year to prior year comparisons less accurate, and will overstate any year over year decrease in sales. 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, August 2016, with Comparisons ¹					
Marketing Area	Order Number	Sales		Change from: ²	
		August	Year to Date	Previous Year	Year to Date
		(million pounds)		(percent)	
Northeast	001	669	5,476	-0.1	-1.6
Appalachian	005	278	2,139	3.7	-0.1
Florida	006	231	1,833	1.2	1.5
Southeast	007	400	2,974	2.7	-0.3
Upper Midwest	030	308	2,477	3.6	0.0
Central	032	358	2,738	5.0	0.5
Mideast	033	455	3,571	1.2	-0.5
Pacific Northwest	124	163	1,309	1.1	-0.3
Southwest	126	383	2,940	6.5	1.0
Arizona	131	90	700	-1.4	-1.7
California ³	---	463	3,605	0.3	-2.8
All Orders (Total)		3,337	26,157	2.4	-0.3
All Areas (Total)		3,800	29,762	2.1	-0.6

¹ These figures are representative of the consumption of total fluid milk products in the respective area; see footnote ³ above for the products included. ² Percent changes, as well as sales volumes, are shown on an unadjusted basis. ³ See footnote ⁴ in the above table regarding California sales.

Source: U.S. Department of Agriculture. California Department of Food and Agriculture.

October Supply and Demand Estimates

The milk production forecasts for 2016 and 2017 are raised from last month as the cow inventory has grown more rapidly than previously expected. The higher cow inventories appear to reflect growth in herds supplying expanding dairy product facilities. Import forecasts for 2016 and 2017 are raised on higher expected imports of butter and several other dairy products. Exports are forecast higher as increases in Oceania prices and relatively low U.S. prices are expected to make the United States more competitive in world markets. Ending stocks are reduced as lower prices encourage increased demand from both export and domestic markets. Cheese and butter price forecasts for 2016 and 2017 have been lowered due to higher expected milk supplies. However, nonfat dry milk (NDM) and whey will likely benefit from increased competitiveness in export markets, and stronger exports will help support prices of those products. Thus, price forecasts for NDM and whey are raised from last month. Class III and Class IV prices are lowered from last month as lower cheese prices more than offset the higher whey price in the Class III calculation and the lower butter price outweighs the NDM price increase in the calculation of the Class IV price. All milk prices are forecast lower at \$15.80 to \$15.90 per cwt for 2016 and \$15.55 to \$16.45 per cwt for 2017.

U.S. Milk Supply and Use					
Commodity	2015	2016 Projected		2017 Projected	
		Sep	Oct	Sep	Oct
Milk	(billion pounds)				
Production	208.6	212.2	212.7	216.1	217.3
Farm Use	1.0	1.0	1.0	1.0	1.0
Fat Basis Supply					
Beginning Commercial Stocks	11.2	13.3	13.3	13.9	13.5
Marketings	207.7	211.3	211.7	215.1	216.4
Imports	5.7	7.0	7.2	6.9	7.1
Total Commercial Supply	224.6	231.6	232.2	235.9	236.9
Fat Basis Use					
Commercial Exports	8.8	8.7	9.0	8.9	9.1
Ending Commercial Stocks	13.3	13.9	13.5	13.1	12.8
CCC Donations	0.0	0.0	0.0	0.0	0.0
Domestic Commercial Use	202.5	209.0	209.7	213.9	215.0
Skim-Solid Basis Supply					
Beginning Commercial Stocks	13.1	13.9	13.9	13.8	13.5
Marketings	207.7	211.3	211.7	215.1	216.4
Imports	6.0	6.6	6.7	6.3	6.4
Total Commercial Supply	226.7	231.7	232.2	235.2	236.2
Skim-Solids Basis Use					
Commercial Exports	37.3	37.6	38.5	38.1	39.7
Ending Commercial Stocks	13.9	13.8	13.5	13.3	13.2
CCC Donations	0.0	0.0	0.0	0.0	0.0
Domestic Commercial Use	175.5	180.3	180.2	183.8	183.3

NOTE: Totals may not add due to rounding.

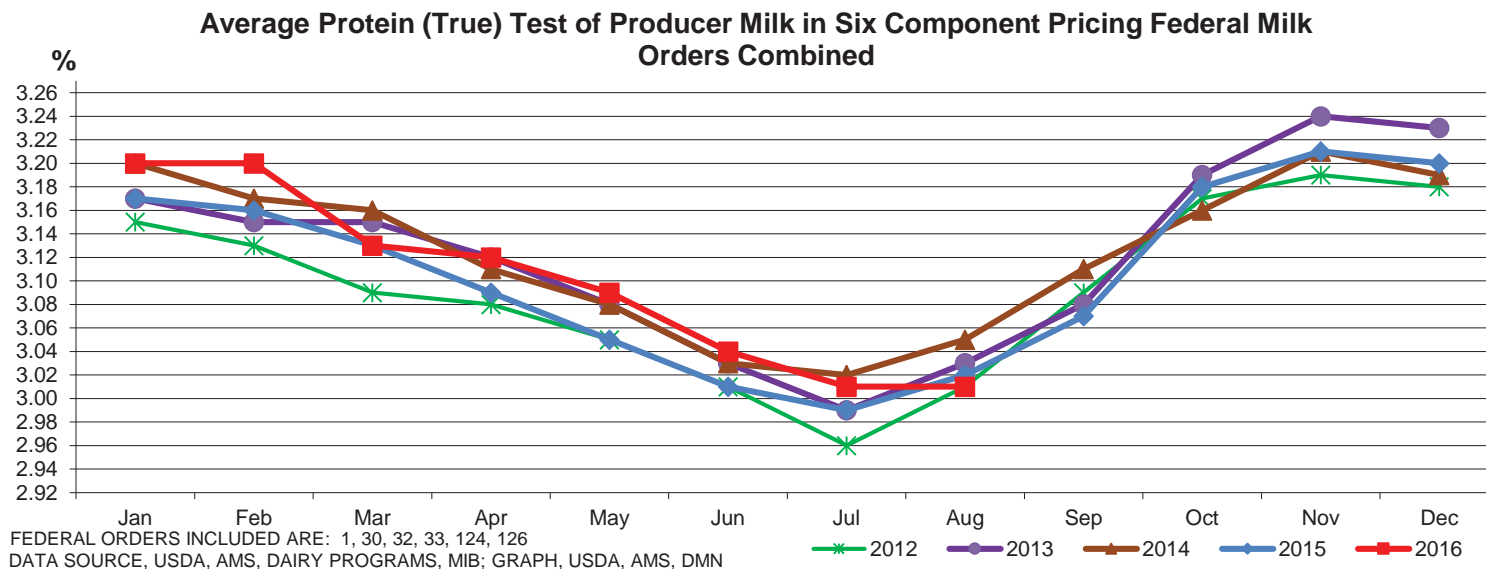
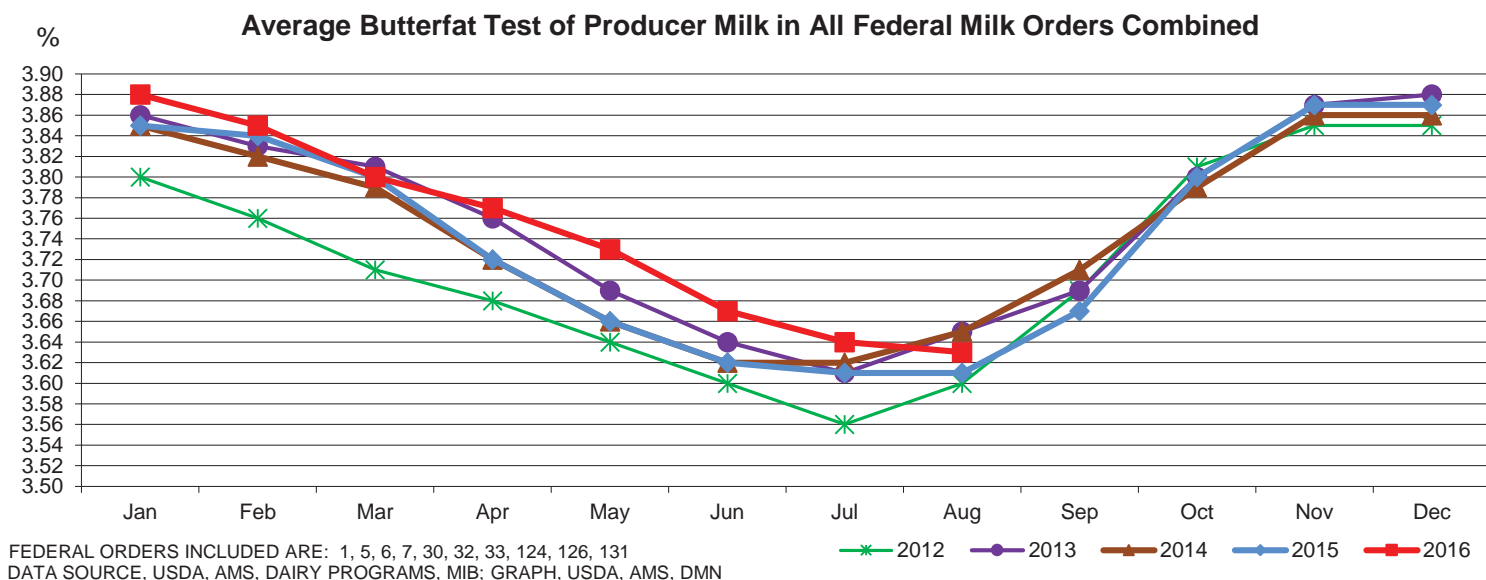
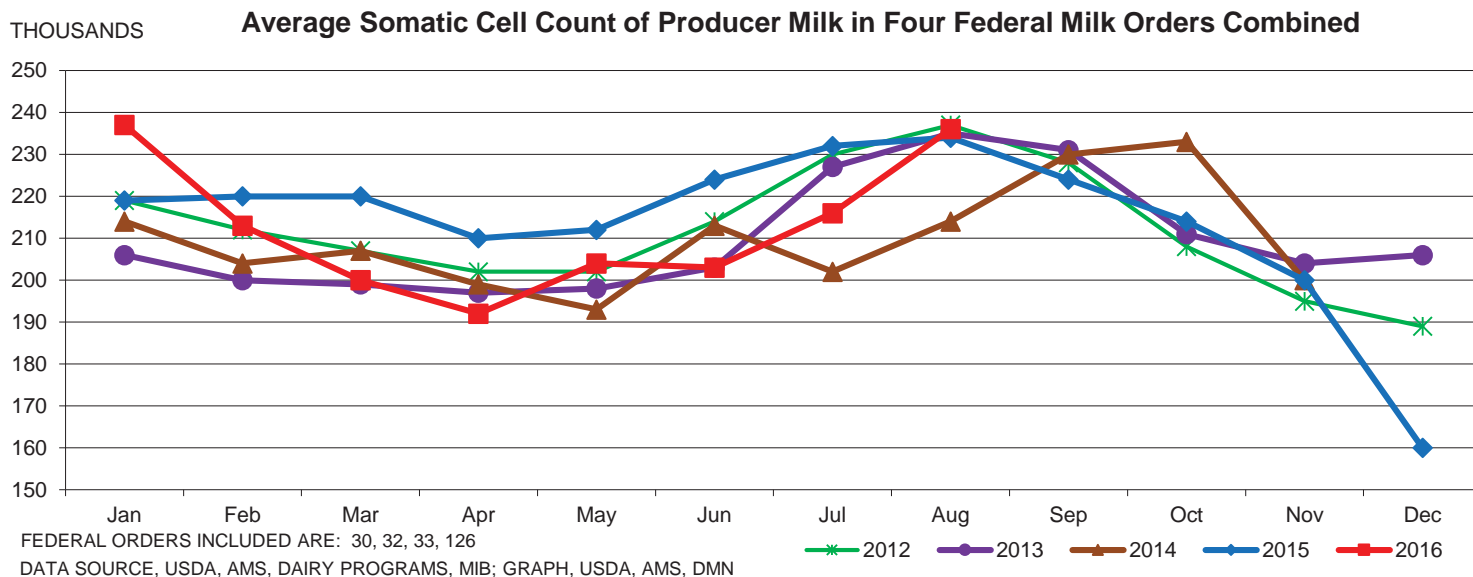
Continued on page 12

October Milk Supply and Demand Estimates-cont'd

U.S. Dairy Prices						
Commodity	2015	2016 Projected		2017 Projected		
		Sep	Oct	Sep	Oct	
Product Prices ¹	(dollars per pound)					
	Cheese	1.6454	1.600-1.620	1.550-1.560	1.605-1.705	1.510-1.600
	Butter	2.0670	2.080-2.120	2.040-2.070	1.955-2.085	1.855-1.975
	Nonfat Dry Milk	0.9016	0.810-0.830	0.825-0.845	0.890-0.960	0.925-0.995
	Dry Whey	0.3804	0.260-0.280	0.270-0.280	0.295-0.325	0.330-0.360
	(dollars per cwt)					
	Milk Prices ²					
	Class III	15.80	14.75-14.95	14.30-14.40	14.95-15.95	14.20-15.10
	Class IV	14.35	13.65-13.95	13.60-13.80	13.80-14.90	13.70-14.70
	All Milk ³	17.12	16.10-16.30	15.80-15.90	16.15-17.15	15.55-16.45
Milk Production	Quarterly					
	2016 III	2016 IV ⁴	2017 I ⁴	2017 II ⁴	2017 III ⁴	
	(billion pounds)					
	52.7	52.6	53.8	55.7	53.9	
	(dollars per cwt)					
All Milk Price ^{2,3}	16.80-16.90	15.85-16.25	15.35-16.05	15.05-16.05	15.70-16.70	
Class III Price ²	16.15-16.25	13.95-14.35	13.70-14.40	13.85-14.85	14.75-15.75	
Class IV Price ²	14.50-14.70	13.60-14.10	13.55-14.35	13.70-14.80	13.80-14.90	

¹ Simple average of monthly prices calculated from AMS weekly average dairy product prices for class price computations. Details may be found by going to <http://www.ams.usda.gov/rules-regulations/mmr/dmr>; scroll down to Publications, National Dairy Products Sales Reports, and select Current Release & Archives.” 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-558, October 12, 2016*. Approved by the Interagency Commodity Estimates Committee [members for Dairy are: Shayle Shagam, Chairperson, WAOB; Roger Cryan, AMS; Paul Kiendl, FAS; Jerry Cessna, ERS; and Milton Madison, FSA].





Dairy Market News Branch

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National Retail Report-Dairy

Websites: <http://www.marketnews.usda.gov/mnp/da-home> and <http://www.ams.usda.gov/mnreports/dybretil.pdf>

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Advertised Prices for Dairy Products at Major Retail Supermarket Outlets ending during the period of 10/14/2016 to 10/20/2016

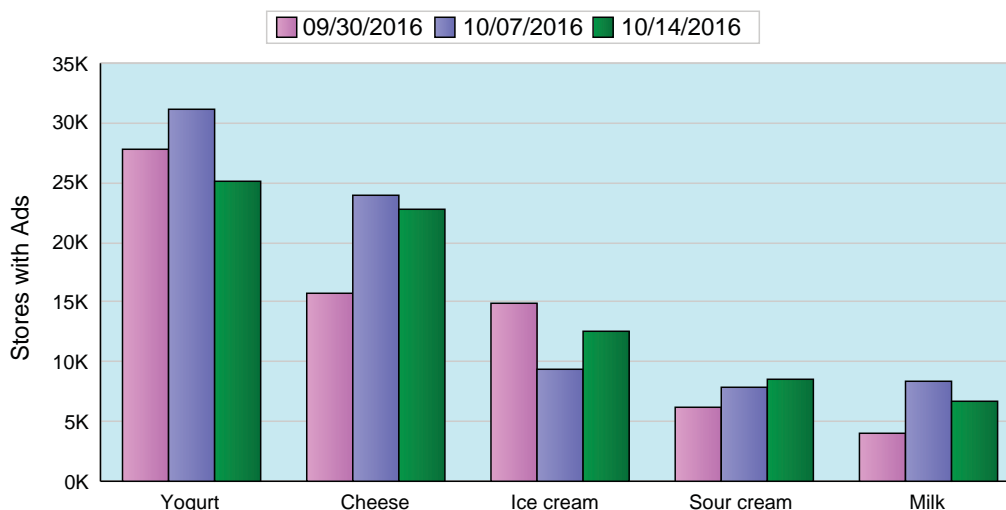
Total conventional dairy advertisements declined 2% and organic dairy ads declined 39%. The national average price for 1 pound conventional butter is \$3.29. Total conventional butter ads declined 29%. Organic butter ads were absent from weekly advertisements of most major retail supermarket outlets. Ads for conventional ice cream in 48-64 ounce containers increased 33% and the national weighted average advertised price is \$3.17, up 20 cents from last week.

Conventional yogurt ads declined 16% this week and organic yogurt ads declined 44%. The average price for 4-6 ounce conventional Greek yogurt was \$0.96, while 4-6 ounce organic Greek yogurt averaged \$1.10, an organic price premium of \$.16. Conventional Greek yogurt in 4-6 ounce packaging reported the highest ad volume, ahead of yogurt in 4-6 ounce packaging.

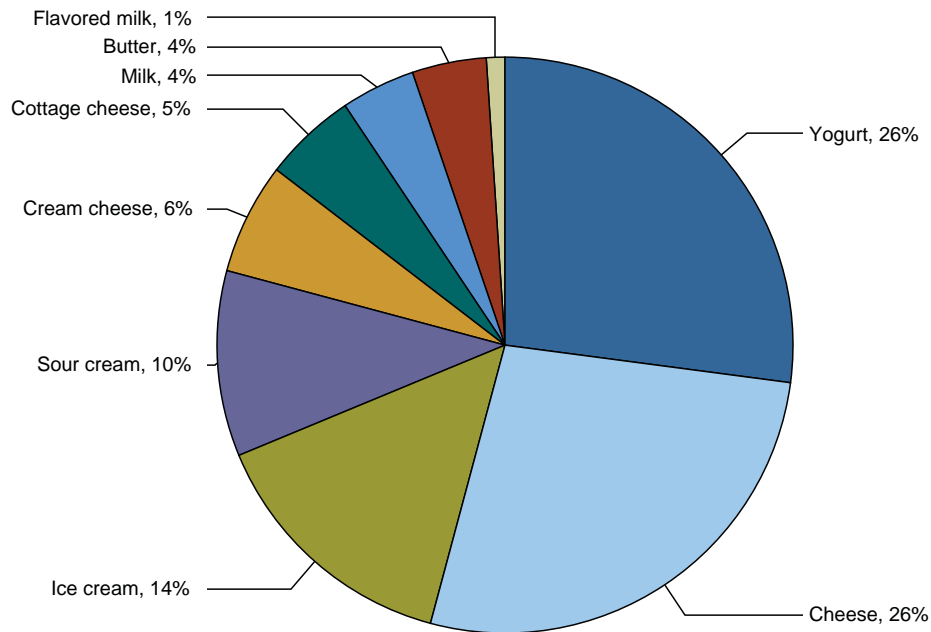
The U.S. advertised price for 8 ounce conventional cheese blocks averaged \$2.45, up 19 cents from last week. Ads for conventional 8 ounce shred cheese averaged \$2.30, up 5 cents from last week. The collective number of conventional cheese ads declined 5%. Organic cheese ads were absent from weekly advertisements of most major retail supermarket outlets.

This week, the difference between the average weighted price for organic half gallon milk, \$4.03, and the average weighted price for conventional half gallon milk, \$2.33, resulted in an organic price premium of \$1.70, down 92 cents from last week. Organic milk advertisements declined 29%, and ads for conventional milk declined 13%.

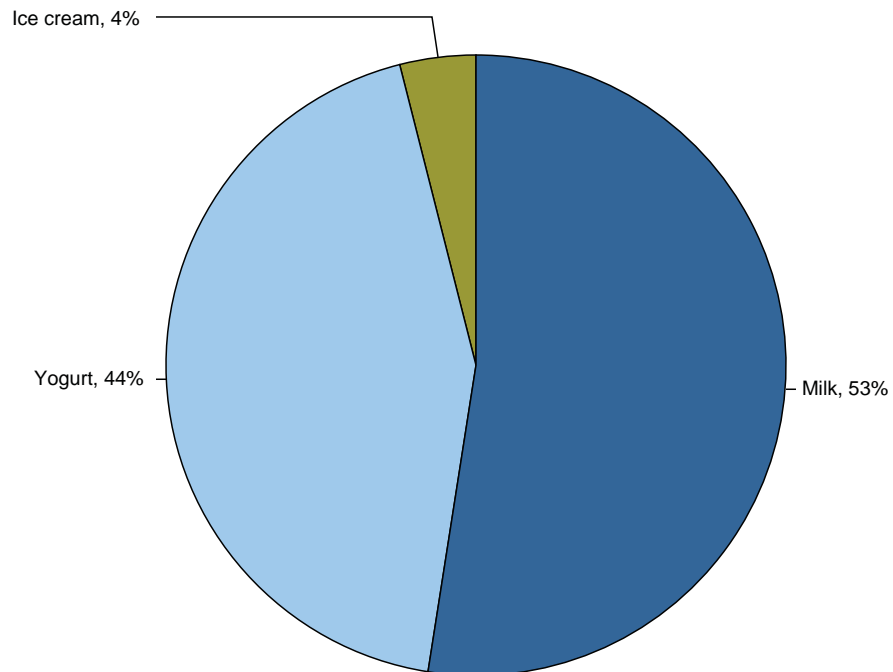
Top 5 Commodities Featured



Percentage of Total Conventional Ads by Commodity



Percentage of Total Organic Ads by Commodity





NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		LAST WEEK		LAST YEAR	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #	3748	3.29	5309	3.23	5560	3.25
Cheese	Natural Varieties	8 oz block	9347	2.45	8236	2.26	9940	2.30
Cheese	Natural Varieties	1 # block	2435	4.44	1661	3.47	1228	4.27
Cheese	Natural Varieties	2 # block	502	6.27	766	6.30	614	7.36
Cheese	Natural Varieties	8 oz shred	9672	2.30	10955	2.25	9941	2.25
Cheese	Natural Varieties	1 # shred	788	2.89	2294	4.06	2036	3.75
Cottage cheese		16 oz	4747	1.77	3037	1.86	4629	1.73
Cream cheese		8 oz	5605	1.69	4416	1.99	5230	1.96
Egg nog		quart			246	2.50		
Flavored milk	All fat tests	half gallon	304	2.53	1016	2.46	519	2.86
Flavored milk	All fat tests	gallon	668	2.50	674	2.70	323	3.06
Ice cream		48-64oz	12446	3.17	9333	2.97	9991	2.91
Milk	All fat tests	half gallon	371	2.33	875	1.65	1317	2.59
Milk	All fat tests	gallon	3489	2.55	3575	2.38	1949	2.45
Sour cream		16 oz	8616	1.68	7796	1.69	5768	1.71
Yogurt	Greek	4-6 oz	13496	.96	11874	.94	12447	.94
Yogurt	Greek	32 oz	1330	4.46	2756	4.53	1193	3.57
Yogurt	Yogurt	4-6 oz	6980	.48	10779	.49	5446	.50
Yogurt	Yogurt	32 oz	1039	2.35	1668	2.38	664	2.00

REGIONAL -- CONVENTIONAL DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	1.99-4.99	2104	3.41	3.50	214	3.50	1.99-3.50	517	2.86
Cheese	Natural Varieties	8 oz block	1.66-2.99	2674	2.25	1.66-3.99	4491	2.83	1.67-1.99	307	1.85
Cheese	Natural Varieties	1 # block	1.88-3.99	386	3.25	3.49-5.99	1147	5.85	2.47-2.99	457	2.72
Cheese	Natural Varieties	8 oz shred	1.29-3.49	2628	2.26	1.66-2.99	2930	2.45	1.67-2.99	599	2.36
Cheese	Natural Varieties	1 # shred	2.99	100	2.99	3.49	64	3.49	2.47-3.00	526	2.76
Cottage cheese		16 oz	1.50-2.99	1136	2.11	1.50-2.50	1624	1.81	1.00-1.89	616	1.47
Cream cheese		8 oz	1.49-3.00	1725	1.89	0.99-2.00	2408	1.64	1.00-2.00	663	1.65
Flavored milk	All fat tests	half gallon	3.00	161	3.00				2.00	81	2.00
Flavored milk	All fat tests	gallon							2.19-2.88	373	2.65
Ice cream		48-64oz	1.99-3.99	3383	2.82	1.99-8.00	3595	3.83	1.88-4.49	1735	3.09
Milk	All fat tests	half gallon	3.99	108	3.99				1.25	233	1.25
Milk	All fat tests	gallon	1.79-3.69	298	2.66	1.59-2.79	1293	2.62	2.19-2.88	423	2.58
Sour cream		16 oz	1.49-2.00	2325	1.74	1.50-2.50	1554	1.70	1.25-1.98	1500	1.75
Yogurt	Greek	4-6 oz	0.50-1.25	4439	1.00	0.80-1.25	2714	.92	0.79-1.25	1279	1.00
Yogurt	Greek	32 oz	3.99-4.99	541	4.84						
Yogurt	Yogurt	4-6 oz	0.25-0.60	2371	.47	0.44-0.50	1321	.50	0.39-0.88	745	.51

Wtd Avg - Simple weighted average



Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Yogurt	Yogurt	32 oz	1.99-2.59	347	2.27				2.29	180	2.29

Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	0.99-4.49	251	3.06	2.99	360	2.99	2.99-3.50	235	3.23
Cheese	Natural Varieties	8 oz block	1.50-2.50	577	2.07	1.69-2.50	1008	1.91	1.66-1.99	259	1.75
Cheese	Natural Varieties	1 # block	2.47-5.99	240	3.82	2.99	178	2.99			
Cheese	Natural Varieties	2 # block							5.99-6.99	455	6.12
Cheese	Natural Varieties	8 oz shred	1.50-2.99	1312	2.12	1.69-3.50	1913	2.31	1.66-1.99	259	1.75
Cheese	Natural Varieties	1 # shred	2.47	78	2.47						
Cottage cheese		16 oz	1.25-2.50	354	1.55	1.25-2.49	617	1.59	1.50-1.67	355	1.53
Cream cheese		8 oz	0.99-2.00	254	1.43	0.99-1.79	484	1.28	2.50	69	2.50
Flavored milk	All fat tests	half gallon	1.99	62	1.99						
Flavored milk	All fat tests	gallon	1.89-2.99	295	2.31						
Ice cream		48-64oz	2.49-4.25	1186	2.81	1.97-3.98	1834	2.81	2.49-3.50	521	2.73
Milk	All fat tests	gallon	1.89-3.69	490	2.75	1.88-2.59	981	2.28			
Sour cream		16 oz	0.97-2.00	1631	1.81	0.99-1.79	1054	1.15	1.50-2.00	460	1.64
Yogurt	Greek	4-6 oz	0.69-1.00	1457	.90	0.69-1.25	2587	.95	0.69-1.25	879	.95
Yogurt	Greek	32 oz	4.99	80	4.99	3.29-4.99	604	4.30	3.00	105	3.00
Yogurt	Yogurt	4-6 oz	0.37-0.50	461	.46	0.33-0.69	1353	.45	0.39-0.88	698	.47
Yogurt	Yogurt	32 oz				2.00-3.50	199	3.03	1.99	289	1.99

Commodity	Type	Pack Size	ALASKA U.S.			HAWAII U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Butter		1 #	3.98-4.98	33	4.86	4.29	34	4.29
Cheese	Natural Varieties	8 oz block	2.00-3.00	18	2.25	2.50-2.89	13	2.71
Cheese	Natural Varieties	1 # block				5.49	27	5.49
Cheese	Natural Varieties	2 # block	5.99-7.98	13	6.87	7.99	34	7.99
Cheese	Natural Varieties	8 oz shred	2.00-3.00	18	2.25	2.50-2.97	13	2.73
Cheese	Natural Varieties	1 # shred	5.62	8	5.62	5.62	12	5.62
Cottage cheese		16 oz	2.00	21	2.00	2.50	24	2.50
Cream cheese		8 oz	1.50	2	1.50			
Ice cream		48-64oz	3.00-6.99	65	5.35	2.50-7.99	127	4.51
Milk	All fat tests	half gallon				2.97-4.99	30	4.79
Milk	All fat tests	gallon				5.19	4	5.19
Sour cream		16 oz	2.00-2.14	29	2.04	1.99-3.08	63	2.39
Yogurt	Greek	4-6 oz	0.99-1.00	29	1.00	0.99-1.29	112	1.20
Yogurt	Yogurt	4-6 oz	0.80	28	.80	0.69	3	.69
Yogurt	Yogurt	32 oz	2.49	21	2.49	2.50	3	2.50



NATIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	THIS PERIOD		LAST WEEK		LAST YEAR	
			Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price	Stores With Ads	Wtd Avg Price
Butter		1 #			379	5.02	114	3.99
Cheese	Natural Varieties	8 oz block					63	4.75
Cheese	Natural Varieties	8 oz shred					267	3.99
Cottage cheese		16 oz					438	3.27
Ice cream		48-64oz	189	4.99				
Milk	All fat tests	half gallon	2026	4.03	2643	4.27	2421	4.14
Milk	All fat tests	gallon	121	5.99	299	5.57	221	7.36
Milk	All fat tests	8 oz UHT	617	1.00	959	1.00	774	1.06
Yogurt	Greek	4-6 oz	1438	1.10	1599	1.06	558	1.32
Yogurt	Greek	32 oz	316	3.84			153	4.59
Yogurt	Yogurt	4-6 oz	248	1.05	1955	1.11	69	1.01
Yogurt	Yogurt	32 oz	161	3.50	536	3.21	1191	2.88

REGIONAL -- ORGANIC DAIRY PRODUCTS

Commodity	Type	Pack Size	NORTHEAST U.S.			SOUTHEAST U.S.			MIDWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Milk	All fat tests	half gallon	3.99-4.99	195	4.62	3.49-4.29	334	4.00	2.99-4.78	538	3.72
Milk	All fat tests	8 oz UHT				1.00	120	1.00	1.00	137	1.00
Yogurt	Greek	4-6 oz	1.00-1.25	651	1.16	1.25	151	1.25	1.00	468	1.00
Yogurt	Greek	32 oz	4.99	72	4.99						
Yogurt	Yogurt	4-6 oz	1.25	59	1.25						
Yogurt	Yogurt	32 oz	3.50	161	3.50						

Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Ice cream		48-64oz	4.99	72	4.99	4.99	117	4.99			
Milk	All fat tests	half gallon	2.99	78	2.99	2.99-4.99	832	4.11			
Milk	All fat tests	gallon	5.99	121	5.99						
Milk	All fat tests	8 oz UHT				1.00	360	1.00			

Wtd Avg - Simple weighted average



Commodity	Type	Pack Size	SOUTH CENTRAL U.S.			SOUTHWEST U.S.			NORTHWEST U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Yogurt	Greek	4-6 oz	1.00	78	1.00	1.00	90	1.00			
Yogurt	Greek	32 oz				3.50	244	3.50			
Yogurt	Yogurt	4-6 oz	0.99	72	.99	0.99	117	.99			

Commodity	Type	Pack Size	ALASKA U.S.			HAWAII U.S.		
			Price Range	Stores with Ads	Wtd Avg Price	Price Range	Stores with Ads	Wtd Avg Price
Milk	All fat tests	half gallon	3.49-6.99	49	5.49			

REGIONAL DEFINITIONS

As used in this report, regions include the following states:

NORTHEAST U.S.	Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New jersey, New York, Pennsylvania, Rhode Island and Vermont
SOUTHEAST U.S.	Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia
MIDWEST U.S.	Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin
SOUTH CENTRAL U.S.	Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas
SOUTHWEST U.S.	Arizona, California, Nevada and Utah
NORTHWEST U.S.	Idaho, Montana, Oregon, Washington, and Wyoming
ALASKA	Alaska
HAWAII	Hawaii
NATIONAL	Continental United States



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