The Market Administrator's Report

Facilitating the Efficient Marketing of Milk

Pacific Northwest and Arizona Marketing Areas

William A. Wise, Market Administrator

Volume 39, No. 12 | December 2013 | Data for November 2013

MARKET SUMMARIES FOR NOVEMBER

Pacific Northwest (FO 124)

Producers delivered a total of 671.4 million pounds of milk to the market during November. Daily deliveries averaged 22.4 million pounds, up 11.1 percent from October. An estimated 596 producers delivered milk to the market during the month. Daily deliveries per producer averaged 37,553 pounds, down 8.3 percent from October.

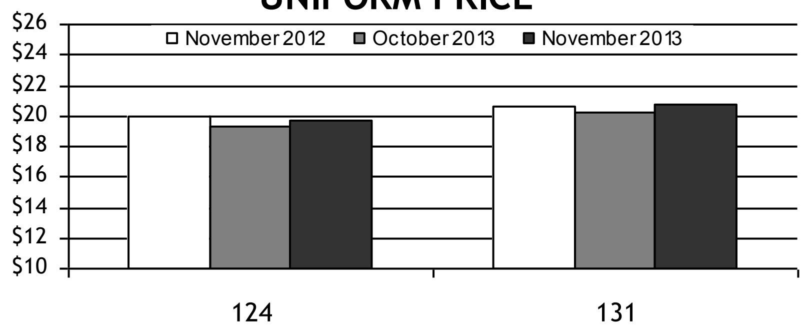
Class I producer milk during November totaled 178.2 million pounds, 26.6 percent of total producer receipts. Daily usage averaged 5.9 million pounds, down 1.3 percent from October.

Arizona (FO 131)

Producers delivered a total of 364.9 million pounds of milk to the market during November. Daily deliveries averaged 12.2 million pounds, up 2.5 percent from October. An estimated 90 producers delivered milk to the market during the month. Daily deliveries per producer averaged 135,143 pounds, up 2.5 percent from October.

Class I producer milk during November totaled 115.7 million pounds, 31.7 percent of total producer receipts. Daily usage averaged 3.9 million pounds, up 1.9 percent from October.

UNIFORM PRICE



Pool Quick Stats

Producer Prices & Component Levels	FO 124 Oct	FO 124 Nov	FO 131 Oct	FO 131 Nov
Uniform Price (at 3.5%)	$19.28	$19.77	$20.24	$20.70
Uniform Price (at test)	*$21.24*	*$21.94*	*$20.36*	*$20.81*
PPD	$1.06	$0.94	n/a	
Butterfat*	$1.6638	$1.6336		
Protein*	$3.4107	$3.6316		
Other Solids*	$0.3852	$0.3955		
Uniform Skim	n/a		$15.04	$15.48
Uniform Butterfat			$1.6364	$1.6471
Butterfat	3.979%	4.026%	3.581%	3.575%
Protein	3.332%	3.351%	n/a	
Other Solids	5.707%	5.689%		

* For October: Equivalent Prices, computed pursuant to 7 CFR, Section 1000.54.

HIGHLIGHTS THIS ISSUE

- ✓ Component Test Rise in Pacific Northwest Region
- ✓ October Dairy Highlights
- ✓ ERS Dairy Outlook

Federal Order Price Summaries

FINAL CLASS PRICES

The November 2013 Final Class Prices were calculated using AMS commodity price surveys from November 2, 9, 16, 23, and 30, 2013. October prices (except Class I) were Equivalent Prices, computed pursuant to 7 CFR, Section 1000.54. Current and archived Final Class Price announcements are available at www.fmmaseattle.com/finalprice.htm.

FINAL	Class I (FO124)	Class I (FO131)	Class II	Class III	Class IV	Butterfat	Protein	Other Solids	Nonfat Solids
Oct 2013	$21.10	$21.55	$20.56	$18.22	$20.17	$1.6638	$3.4107	$0.3852	$1.6521
Nov 2013	$22.10	$22.55	$20.76	$18.83	$20.52	$1.6336	$3.6316	$0.3955	$1.7042
Change	$1.00	$1.00	$0.20	$0.61	$0.35	($0.0302)	$0.2209	$0.0103	$0.0521

ADVANCED CLASS I PRICE

The January 2014 Advanced Price was calculated using AMS commodity price surveys from December 7 and 14, 2013. Current and archived Advanced Price announcements are available at www.fmmaseattle.com/advanceprice.htm.

ADVANCED	Butterfat	Class III Skim	Class IV Skim	Base Skim	Base Class I	Class I (FO124)	Class I (FO131)	Class II Skim	Class II Non-fat Solids
Dec 2013	$1.5986	$13.82	$15.31	$15.31	$20.37	$22.27	$22.72	$16.01	$1.7789
Jan 2014	$1.7791	$12.99	$15.81	$15.81	$21.48	$23.38	$23.83	$16.51	$1.8344
Change	$0.1805	($0.83)	$0.50	$0.50	$1.11	$1.11	$1.11	$0.50	$0.0555

Commodity Price Summaries

AMS COMMODITY PRICES* FOR FINAL CLASS PRICES CALCULATION

	October	November	Change
Cheese	$1.8025	$1.8612	$0.0587
Butter	$1.5454	$1.5205	($0.0249)
Nonfat Dry Milk	$1.8366	$1.8892	$0.0526
Whey	$0.5731	$0.5831	$0.0100

* For October: Equivalent Prices, computed pursuant to 7 CFR, §1000.54.

AMS COMMODITY PRICES FOR ADVANCED CLASS PRICES CALCULATION

	December	January	Change
Cheese	$1.8774	$1.8583	($0.0191)
Butter	$1.4916	$1.6406	$0.1490
Nonfat Dry Milk	$1.8856	$1.9423	$0.0567
Whey	$0.5749	$0.5669	($0.0080)

CURRENT COMMODITY PRICES

The AMS survey of cheddar cheese prices showed a net decrease in prices received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 0.38 cents between the November 16 and the December 14 surveys, to $1.8728 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 1.27 cents to $1.8521 per pound.

The AMS butter price showed a net increase of 12.99 cents between the weeks ending November 16 and December 14 from $1.5019 per pound to $1.6318 per pound. The AMS nonfat dry milk showed an increase of 5.53 cents since mid-November to $1.9472 per pound. The average price for AMS whey showed a net decrease of 0.37 cents since mid-November to $0.5742 per pound.

A current summary of various commodity prices is available at www.fmmaseattle.com/prices.htm.

Market Administrator News

COMPONENT TESTS RISE IN PACIFIC NORTHWEST REGION

The Market Administrator's Office recently released a study analyzing how component tests of milk associated with the Pacific Northwest Order have changed between 2000 and 2012. The study showed that butterfat tests increased by 0.186 percentage point, true protein tests increased by 0.169 percentage points, and other solids tests increased by 0.030 percentage points across the 13 year period. The study is entitled Analysis of Changes in Component Tests in Individual Herd Milk at the Farm Level: 2000-2012 and examines changes in milk component tests using a form of contribution analysis to determine how tests have changed. Specifically, changes in market level component tests and the ratio of butterfat to protein are traced to changes in seasonal component tests, the size of a farm in terms of annual average daily deliveries, the variability of monthly average daily deliveries across the year, and the location of farms.

The study found that increases in component tests between 2000 and 2012 in the Pacific Northwest are associated with:

- the Fall and Winter months more than the Spring and Summer months;
- producers with daily deliveries of more than 60,000 pounds on average;
- producers who have generally less variable production;
- producers in Central/Eastern Oregon, Central Washington, Eastern Washington, Western Oregon, and Western Washington, in rank order of contribution;
- a decline and a partial recovery in the ratio of butterfat to protein; and
- a shift to a lower average change per year in production per cow.

Additionally, the ratio of butterfat to protein tests decreased 0.54 percentage points between 2000 and 2012 with what appears to be a low trough in 2009-11. By 2012, the ratio of butterfat to protein recovered somewhat. An analysis of the ratio using the previously mentioned categories suggests that the 0.54 percentage point decline in the ratio is associated with milk produced in January through July, with the largest producers (≥160,000 pounds), generally with producers with less variable production, and producers who are located east of the Cascades.

The study can be found on the Market Administrator's website at: http://www.fmmaseattle.com/historicaldata.htm or http://www.fmmaseattle.com/statistics/LongTermComponentAnalysis2013.pdf.

Questions regarding the study should be directed to John Mykrantz, Agricultural Economist, at 425-487-5612, or jmykrantz@fmmaseattle.com.

The Market Administrator's staff would like to wish you and your family a happy holiday season and best wishes for the new year!

USDA News

FUEL UP TO PLAY 60 CELEBRATES FIVE YEARS

Five years ago America's Dairy Farmers, USDA, and the NFL teamed up to make schools a healthier place.

Since then Fuel Up to Play 60 has reached 38 million kids in 73,000 schools, encouraging them to choose good foods and get 60 minutes of play a day.

So happy 5th anniversary Fuel Up to Play 60! Here's to many more years of giving kids and schools the resources they need to make positive changes.

Source: AMS Dairy Programs

OCTOBER DAIRY HIGHLIGHTS

Total cheese output (excluding cottage cheese) was 950 million pounds, 2.1 percent above October 2012 and 6.7 percent above September 2013.

Italian type cheese production totaled 411 million pounds, 5.7 percent above October 2012 and 6.9 percent above September 2013.

American type cheese production totaled 368 million pounds for October 2013, a decrease of 0.6 percent from year ago levels, but an increase of 6.9 percent from the previous month.

Butter production was 146 million pounds, 1.2 percent above October 2012 and 10.2 percent above September 2013.

Nonfat dry milk was 85.5 million pounds, down 10.1 percent from October 2012.

Dry whey decreased 5.7 percent from October 2012, totaling 72.7 million pounds. Lactose production (for both human and animal consumption) totaled 88.8 million pounds, an increase of 8.0 percent from October 2012. Production of whey protein concentrate was also higher in October 2013 compared to year ago levels at 44.7 million pounds.

Production for regular, hard ice cream in October 2013 totaled 64.7 million gallons down 0.9 percent from October 2012. Lowfat ice cream was down 21.1 percent from year ago levels, totaling 28.2 million gallons.

Source: USDA. National Agricultural Statistics Service. "Dairy Products", December 3, 2013. Available at www.nass.usda.gov.

NASS ANNOUNCES OFFICIAL SCHEDULE FOR THE 2014 AGRICULTURAL STATISTICS BOARD REPORT RELEASES

On December 6, 2013, the National Agricultural Statistics Service (NASS) made available the official schedule for the 2014 Agricultural Statistics Board report releases, including county estimates.

The 2014 report release calendar is available at www.nass.usda.gov/Publications. The county estimates data release schedule is posted at www.nass.usda.gov/Data_and_Statistics.

USDA News

ERS DAIRY OUTLOOK

The December Dairy Outlook Changed Little from November, but the All-Milk Price Is Forecast Higher

The following is an excerpt from the most recent Dairy Outlook

Based on the most recent World Agricultural Supply and Demand Estimates (WASDE) report, the 2013/14 domestic use and exports of corn were raised this month, tightening stocks. However, the corn season-average price is forecast at $4.05-$4.75 a bushel, a price reduction based on lower year-to-date reported prices. Soybean production was unchanged in this month's WASDE; however, soybean meal prices were raised to $400-$440 per ton. The price boost is based on stronger demand from both the European Union (EU), and Southeast Asian countries, which more than offsets an expected decline in domestic use. According to the November Agricultural Prices report, the preliminary November alfalfa price this year slipped below the October price to $188 a ton and is well below last year's November price. On balance, dairy producers will likely face even lower feed prices next year compared with 2013.

The current year's projected dairy herd size is reduced slightly to 9.220 million cows based on a smaller expected fourth-quarter cow population. Production per cow is unchanged from last month at 21,865 pounds per cow. 2013 production was reduced fractionally to 201.6 billion pounds. It is likely that the 2013 herd reduction has reached its nadir. The projected 2014 U.S. dairy herd size is increased slightly from last month to 9.250 million cows. The 2014 forecast yield per cow is also increased this month to 22,190 pounds per cow. Production is raised from November to 205.3 billion pounds. The slightly higher cow numbers and yields are based on an improved profit outlook for producers, a result of continued firm milk prices and declining feed costs.

Commercial ending stocks for 2013 are lowered from November on both a fats and skims-solids basis. The fats basis stocks are predicated on lower expected supplies of cheese and butter. The lowered skims-solids basis stocks are a result of lower cheese stocks and a nearly 25-percent reported decline in October from September for NDM stocks. Fats basis commercial ending stocks for 2014 were unchanged from November. Strong demand for cheese and butter could tighten stocks early in 2014. However, increased milk production in 2014 and prices that favor butter/powder production could boost butter stocks later in the year. Skims-solids basis ending stocks were tightened based on continued robust demand for milk powder.

Dairy product prices are generally higher both in 2013 and 2014. However, current-year cheese prices were lowered from last month to $1.760-$1.770 per pound, based on year-to-date reported prices. Cheese prices for 2014 were raised this month from November to $1.690-$1.770 per pound. Butter prices are raised for both 2013 and 2014 from November to $1.530-$1.560 per pound and $1.500-$1.610 per pound, respectively. Similarly, NDM prices are raised to $1.695-$1.715 per pound in 2013 and $1.715-$1.775 per pound next year. Whey prices are boosted to 58.5-59.5 cents per pound in 2013 and to 55.0-58.0 cents per pound in 2014, although this represents a year-over-year decline in whey prices. Strong demand both internationally and domestically for dry products supports the higher December forecast prices.

Source: USDA. Economic Research Service. "Livestock, Dairy, and Poultry Outlook", LDP-M-234, December 16, 2013. Available at www.ers.usda.gov.

Monthly Selected Statistics

PRICE & POOL DATA	PACIFIC NORTHWEST Nov 2013	Oct 2013	Nov 2012	Oct 2012	ARIZONA Nov 2013	Oct 2013	Nov 2012	Oct 2012
Minimum Class Prices (3.5% B.F.)								
Class I Milk ($/cwt)	*$22.10*	$21.10	$22.60	$20.78	*$22.55*	$21.55	$23.05	$21.23
Class II Milk ($/cwt)	*20.76*	*20.56*	18.81	18.44	*20.76*	*20.56*	18.81	18.44
Class III Milk ($/cwt)	18.83	*18.22*	20.83	21.02	18.83	*18.22*	20.83	21.02
Class IV Milk ($/cwt)	20.52	*20.17*	18.66	18.54	20.52	*20.17*	18.66	18.54
Producer Prices								
Producer Price Differential ($/cwt)	$0.94	$1.06	($0.85)	($1.84)	+	+	+	+
Butterfat ($/pound)	1.6336	*1.6638*	2.0218	2.1136	+	+	+	+
Protein ($/pound)	3.6316	*3.4107*	3.7172	3.7278	+	+	+	+
Other Solids ($/pound)	0.3955	*0.3852*	0.4624	0.4340	+	+	+	+
Uniform Skim Price ($/cwt)	+	+	+	+	$15.48	$15.04	$14.00	$13.35
Uniform Butterfat Price ($/pound)	+	+	+	+	1.6471	1.6364	2.0451	2.0987
Statistical Uniform Price ($/cwt)	$19.77	$19.28	$19.98	$19.18	$20.70	$20.24	$20.67	$20.23
Producer Data								
Number of Producers	***596***	492	450	450	***90***	90	96	98
Avg. Daily Production (pounds)	***37,553***	40,942	30,739	30,219	***135,143***	131,826	121,621	112,864
Producer Milk Ratios								
Class I	26.55%	29.89%	45.10%	45.64%	31.71%	31.91%	34.21%	35.90%
Class II	6.21%	6.05%	7.86%	11.46%	9.84%	9.38%	8.96%	10.31%
Class III	41.92%	48.28%	10.90%	8.94%	28.64%	28.54%	24.98%	25.67%
Class IV	25.32%	15.78%	36.14%	33.96%	29.81%	30.17%	31.85%	28.12%

+ Not Applicable. Preliminary data indicated in **bold** . Equivalent Prices, computed pursuant to 7 CFR, Section 1000.54, noted in *italics* .

Monthly Supplemental Statistics

SUPPLEMENTAL DATA	PACIFIC NORTHWEST Oct 2013	Sep 2013	Oct 2012	Sep 2012	ARIZONA Oct 2013	Sep 2013	Oct 2012	Sep 2012
Number of Handlers								
Pool Handlers	*23*	*23*	*22*	*22*	*7*	*7*	*7*	*7*
Distributing Plants	*13*	*13*	*14*	*14*	*5*	*5*	*5*	*5*
Supply Plants 1/	*5*	*5*	*3*	*3*	*1*	*1*	*1*	*1*
Cooperatives	*5*	*5*	*5*	*5*	*1*	*1*	*1*	*1*
Producer-Handlers	*5*	*5*	*5*	*5*	*0*	*0*	*0*	*0*
Other Plants w/ Class I Use	*18*	*17*	*16*	*16*	*21*	*20*	*23*	*22*
Class I Route Disposition In Area								
By Pool Plants	168,319,058	158,530,587	175,014,942	160,787,917	89,840,142	84,630,635	93,861,163	88,125,229
By Producer-Handlers	7,480,275	7,209,483	7,236,506	7,054,000	0	0	0	0
By Other Plants	***10,620,296***	10,254,978	10,635,334	8,717,848	***7,828,124***	7,147,443	6,621,586	5,251,090
Total	186,419,629	175,995,048	192,886,782	176,559,765	97,668,266	91,778,078	100,482,749	93,376,319
Producer-Handler Data								
% Class I Use	64.62%	69.43%	73.33%	68.03%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	4.01%	4.10%	3.75%	4.00%	0.00%	0.00%	0.00%	0.00%

Preliminary data indicated in **bold** . 1/ Includes Cooperative Pool Manufacturing Plants.

Monthly Statistical Summary

RECEIPTS & UTILIZATION	PACIFIC NORTHWEST Nov 2013	Oct 2013	Nov 2012	Oct 2012	ARIZONA Nov 2013	Oct 2013	Nov 2012	Oct 2012
Receipts of Milk								
Total Producer Milk	671,439,912	624,445,671	414,972,725	421,555,101	364,885,048	367,794,339	350,267,427	342,881,545
Receipts From Other Sources	8,949,633	11,425,694	14,592,480	10,519,494	5,319,559	6,137,828	3,797,663	2,487,054
Opening Inventory	37,162,416	31,904,511	28,471,851	32,309,600	23,104,773	24,654,918	22,212,170	23,106,856
Total To Be Accounted For	**717,551,961**	**667,775,876**	**458,037,056**	**464,384,195**	**393,309,380**	**398,587,085**	**376,277,260**	**368,475,455**
Utilization of Receipts								
Whole milk	33,003,139	34,330,180	32,770,610	33,273,614	24,313,073	24,734,083	23,840,753	24,709,598
Flavored milk & drinks	14,948,197	16,220,420	16,201,589	16,727,795	6,887,884	6,031,232	6,683,544	6,116,750
2% milk	65,821,007	67,994,804	68,176,335	70,491,545	32,733,976	32,822,120	33,345,803	34,175,276
1% milk	24,303,752	26,095,684	26,186,811	27,968,709	15,279,172	15,694,414	15,894,168	16,762,329
Skim milk	21,355,219	22,226,162	24,153,667	25,131,639	10,213,102	10,138,698	11,324,130	11,703,696
Buttermilk	1,431,220	1,451,808	1,456,425	1,421,640	444,899	419,595	435,597	393,514
Class I dispostions in area	160,862,534	168,319,058	168,945,437	175,014,942	89,872,106	89,840,142	91,523,995	93,861,163
Class I dispositions out of area	15,796,500	15,788,002	16,058,801	14,566,859	26,057,488	26,858,517	23,966,617	26,068,160
Other Class I usage	19,720,600	17,956,817	21,545,479	18,551,752	13,822,502	14,659,432	17,514,277	17,550,639
Utilization by Class								
Total Class I Use	196,379,634	202,063,877	206,549,717	208,133,553	129,752,096	131,358,091	133,004,889	137,479,962
Total Class II Use	45,647,209	43,842,042	40,816,611	55,123,091	36,633,753	35,191,048	32,241,655	36,336,056
Total Class III Use	286,796,900	304,284,125	45,236,727	38,228,521	106,262,991	106,343,054	87,498,221	89,322,158
Total Class IV Use	188,728,218	117,585,832	165,434,001	162,899,030	120,660,540	125,694,892	123,532,495	105,337,279
Total Accounted For	**717,551,961**	**667,775,876**	**458,037,056**	**464,384,195**	**393,309,380**	**398,587,085**	**376,277,260**	**368,475,455**

CLASSIFICATION OF RECEIPTS	PACIFIC NORTHWEST Nov 2013	Oct 2013	Nov 2012	Oct 2012	ARIZONA Nov 2013	Oct 2013	Nov 2012	Oct 2012
Producer milk								
Class I	178,234,548	186,639,206	187,166,727	192,398,161	115,691,722	117,375,345	119,834,575	123,077,903
Class II	41,677,912	37,792,517	32,610,582	48,329,885	35,892,191	34,515,241	31,395,760	35,341,886
Class III	281,466,296	301,453,107	45,236,727	37,705,908	104,499,952	104,974,818	87,498,221	88,027,778
Class IV	170,061,156	98,560,841	149,958,689	143,121,147	108,801,183	110,928,935	111,538,871	96,433,978
Other receipts								
Class I	18,145,086	15,424,671	19,382,990	15,735,392	14,060,374	13,982,746	13,170,314	14,402,059
Class II	3,969,297	6,049,525	8,206,029	6,793,206	1/	1/	1/	1/
Class III	5,330,604	2,831,018	0	522,613	1/	1/	1/	1/
Class IV	18,667,062	19,024,991	15,475,312	19,777,883	14,363,958	16,810,000	12,839,519	11,191,851
Avg. daily producer receipts	22,381,330	20,143,409	13,832,424	13,598,552	12,162,835	11,864,334	11,675,581	11,060,695
Change From Previous Year	61.80%	48.13%	-37.20%	-39.81%	4.17%	7.27%	-2.67%	-6.47%
Avg. daily Class I use	6,545,988	6,518,190	6,884,991	6,713,986	4,325,070	4,237,358	4,433,496	4,434,837
Change From Previous Year	-4.92%	-2.92%	-1.35%	-0.45%	-2.45%	-4.45%	-0.51%	4.54%

1/ Restricted - Included with Class IV.

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www.fmmaseattle.com

FEDERAL ORDER STATISTICS FOR NOVEMBER

Federal Order Name (Number)	Producer Deliveries	Class I Receipts	Class I Utilization	Class I Price	Uniform Price
	- million pounds -			*- per cwt (at location) -*	
Northeast (FO 1)	1,996.4	818.7	41.01%	$23.45	$21.28
Appalachian (FO 5)	452.8	326.0	72.01%	$23.60	$22.72
Florida (FO 6)	237.8	207.8	87.38%	$25.60	$24.92
Southeast (FO 7)	442.8	341.5	77.13%	$24.00	$23.36
Upper Midwest (FO 30)	2,742.9	314.6	11.47%	$22.00	$19.16
Central (FO 32)	1,241.2	422.2	34.02%	$22.20	$19.68
Mideast (FO 33)	1,305.9	556.1	42.58%	$22.20	$20.12
Pacific Northwest (FO 124)	671.4	178.2	26.55%	$22.10	$19.77
Southwest (FO 126)	1,018.7	372.8	36.60%	$23.20	$20.50
Arizona (FO 131)	364.9	115.7	31.71%	$22.55	$20.70

For links to Market Administrator's webpages, see www.fmmaseattle.com/dairyreferences.htm.