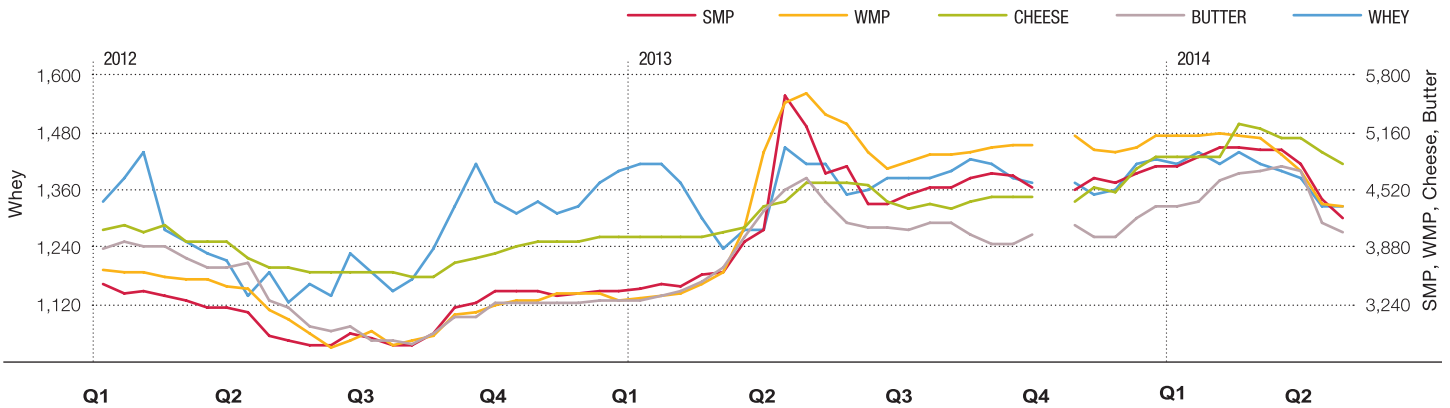


Market Outlook

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

(\$/MT)



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

Source: USDA's Dairy Market News.

China's appetite satisfied for now

By Alan Levitt, Marc Beck and Brad Gehrke

The world dairy markets have turned in the last 8-10 weeks, with Oceania milk powder and butter prices down around 15% and European prices down 5-10% compared with their mid-February peak. Oceania whole milk powder prices are the lowest in more than a year.

Supply shortages have eased – a combination of very strong production out of Oceania and Europe, and a break in China's ravenous appetite. Since last August, milk production in the EU-28 and New Zealand is up almost 5% from the prior year – an additional 620,000 tons of milk per month.

In the first quarter of the year, China imported 564,000 tons of milk powder, cheese, butterfat and whey, up 58% from the prior year. This massive volume of imports absorbed the growing world supply. But they've pushed themselves away from the table in April.

In China and elsewhere, buyers have short-term needs covered. With prices falling, many are willing and able to wait until the market stabilizes before extending coverage.

We believe recent declines represent a market correction, rather than a shift into a bear-market cycle. We look for prices to find support in the next month or two. After a year of purchasing hand-to-mouth, buyers' pipeline holdings are still relatively low and they can't hold out for long. We also expect the recent price correction to bring more buyers back into the market who were driven out by record prices. Meanwhile, Oceania is heading into its off season, leaving a hole in world supply. U.S. production, too, is sluggish.

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CURRENT PRICES	\$/MT, FOB SHIP*	
	EUROPE	OCEANIA
SMP	3900-4325 (-400)	4100-4500 (-650)
WMP	4500-4925 (-388)	4100-4475 (-588)
Cheddar cheese	4400-4800 (-338)	4500-4900 (-325)
Butter	4725-5150 (-63)	3800-4200 (-675)
Butteroil	5300-5700 (-200)	4200-4600 (-800)
Dry whey	1150-1325 (-113)	1450-1650 (NC)
WPC-34%	NA	3400-3800 (-400)
Lactose	NA	1350-1650 (-150)

*with change from early March

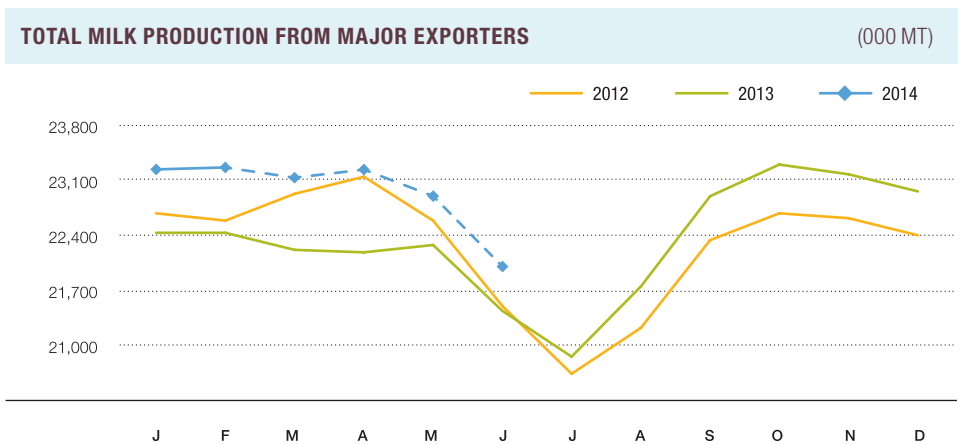
Source: USDEC.



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Other key factors

- » Among the five major suppliers, milk production in the December-February period was up about 3.2%. Record farmgate milk prices have created a strong incentive to push volume, and weather has been favorable for cows. In Europe, the final year of milk quota is underway.
- » New Zealand milk production for the current season is on track to finish about 9% ahead of a year ago, despite dryness on the north island. March output was up about 21% vs. last year, when widespread drought led to an early end to the season. Australia production is now slightly ahead of the depressed levels of a year ago, but will likely finish the year down about 1%. (See Global Milk Production, p. 7)
- » In December-February, EU-28 exports of milk powder, cheese, butterfat and whey were up 18% from the prior year, with a 41% jump in milk powder sales. In January, EU production of SMP was up 10% and WMP was up 11% vs. the year before. In January, EU SMP exports topped 50,000 tons for the first time since May 2012.
- » China probably accounted for close to 25% of world dairy trade in the first quarter. Purchases of milk powder, whey products, butterfat and cheese were 564,000 tons.
- » A new Algerian milk powder tender – for about 45,000 tons -- is reported to be in the works, with delivery prior to Ramadan (June 28). This should provide market support.



Includes EU-28, U.S., New Zealand, Australia and Argentina. EU-28 and Argentina are milk deliveries. 30-day months. March-June are USDEC estimates. Source: USDA, EuroStat, DairyAustralia, DCANZ, Argentina Ministry of Agriculture.

- » Flooding in Argentina has knocked milk deliveries below the already-depressed levels of a year ago, limiting exportable supplies. Uruguay, too, is suffering from flooding.
- » Russia has banned cheese from six of Ukraine's leading exporters, causing inventories to build and manufacturers to direct milk supplies to butter and powder. About 85% of Ukraine's cheese exports last year – 4,100 tons per month – went to Russia.
- » Russia imports of butterfat were up 25% in the November-February period. Russian milk production was down 4% last year and is tracking 1-2% lower in early 2014.
- » In the first two months of the year, Japan imports of milk powder, cheese, butterfat and whey were down 8% from the year before. Mexico imports in January were off 11%.
- » Prices have plunged at the last five Global Dairy Trade auctions. The average winning price at the April 15 event (\$4047/ton) was down 20% since early February. The WMP price has lost more than \$1000/ton. Volume available on GDT has increased as Fonterra attempts to clear production before the end of the season.

ABOUT THIS ISSUE

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

This issue of Global Dairy Market Outlook covers conditions at mid-April 2014.

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

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

World Dairy Exports

SMP Exports

↑57%

EU % Change, February 2014

↓22%

NZ % Change, Year-to-date

LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	47,142	27,782	43,552	+57
U.S. ▶	39,797	35,152	36,168	+3
NZ ▶	31,892	36,848	29,028	-21
India* ▶	17	12,309	13,000	+6
Australia ▶	11,087	12,544	17,136	+37
TOTAL OF 5	82,793	96,853	95,332	-2

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	89,088	63,040	93,930	+49
U.S. ▶	78,502	66,823	74,930	+12
NZ ▶	70,848	83,305	65,044	-22
India* ▶	20	20,966	29,553	+41
Australia ▶	22,636	24,740	32,637	+32
TOTAL OF 5	172,006	195,834	202,164	+3

WMP Exports

↑30%

EU % Change, February 2014

↑11%

NZ % Change, Year-to-date

LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
NZ ▶	91,347	144,553	143,891	-0
EU-28 ▶	28,668	28,180	36,696	+30
Argentina ▶	15,897	15,372	12,195	-21
Australia ▶	10,398	9,443	8,116	-14
U.S. ▶	1,420	1,873	5,441	+191
TOTAL OF 5	147,730	199,421	206,339	+3

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
NZ ▶	221,559	267,478	297,674	+11
EU-28 ▶	58,309	54,406	70,286	+29
Argentina ▶	34,328	28,913	24,898	-14
Australia ▶	22,097	14,790	20,597	+39
U.S. ▶	3,018	2,976	10,008	+236
TOTAL OF 5	339,311	368,563	423,463	+15

Cheese Exports

↑44%

U.S. % Change, February 2014

↓17%

Australia % Change, Year-to-date

LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	57,146	61,121	63,909	+5
U.S. ▶	20,603	21,638	31,264	+44
NZ ▶	22,202	27,399	22,907	-16
Australia ▶	11,375	15,889	12,468	-22
Argentina ▶	4,909	3,604	5,541	+54
TOTAL OF 5	116,235	129,651	136,089	+5

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	107,896	123,669	123,633	-0
U.S. ▶	39,996	43,598	63,382	+45
NZ ▶	47,568	55,779	48,128	-14
Australia ▶	21,791	26,657	22,126	-17
Argentina ▶	10,940	9,463	10,900	+15
TOTAL OF 5	228,191	259,166	268,169	+3

Butterfat Exports

↑102%

U.S. % Change, February 2014

↑125%

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

LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
NZ ▶	38,447	46,484	48,788	+5
EU-28 ▶	8,247	9,397	11,490	+22
U.S. ▶	3,678	4,426	8,944	+102
Australia ▶	2,542	5,060	5,989	+18
Argentina ▶	1,458	1,493	1,214	-19
TOTAL OF 5	54,372	66,860	76,425	+14

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
NZ ▶	90,936	92,508	102,991	+11
EU-28 ▶	16,821	19,155	22,212	+16
U.S. ▶	6,595	8,478	19,072	+125
Australia ▶	6,155	9,484	9,254	-2
Argentina ▶	3,824	2,477	2,706	+9
TOTAL OF 5	124,331	132,102	156,235	+18

* India 2014 is USDEC estimate.

Source: GTIS and USDA.

World Dairy Exports

Whey Products Exports

↑14%

EU % Change, February 2014

↑39%

Switzerland % Change, Year-to-date

LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	44,056	37,682	43,093	+14
U.S. ▶	30,979	35,325	39,339	+11
Switzerland ▶	5,118	4,841	7,204	+49
Argentina ▶	4,627	6,578	6,176	-6
Australia ▶	3,988	3,663	2,611	-29
NZ ▶	2,349	1,964	1,915	-2
TOTAL OF 6	91,117	90,053	100,338	+11

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
EU-28 ▶	87,590	80,322	86,288	+7
U.S. ▶	67,638	74,147	76,164	+3
Switzerland ▶	10,187	10,373	14,448	+39
Argentina ▶	10,338	12,926	11,277	-13
Australia ▶	8,089	6,654	5,255	-21
NZ ▶	4,794	4,621	3,813	-17
TOTAL OF 6	188,636	189,043	197,245	+4

Lactose Exports

↑30%

EU % Change, February 2014

↑13%

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

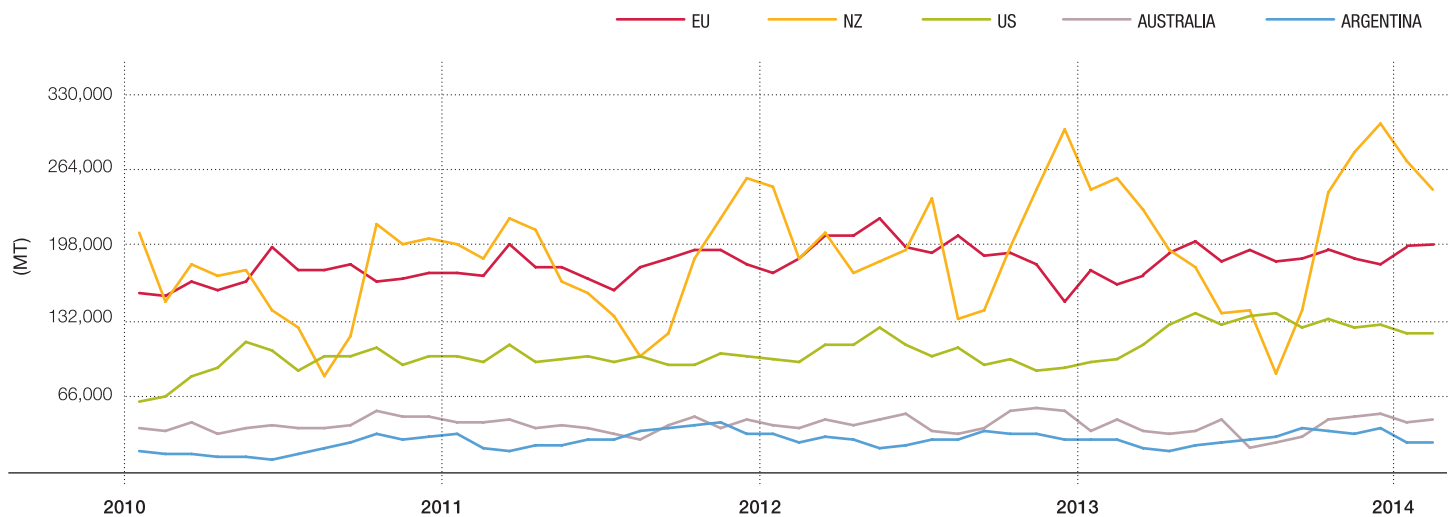
LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
U.S. ▶	24,397	28,057	27,234	-3
EU-28 ▶	12,349	10,209	13,248	+30
NZ ▶	1,154	2,000	1,840	-8
TOTAL OF 3	37,900	40,266	42,322	+5

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
U.S. ▶	49,025	49,916	56,432	+13
EU-28 ▶	22,993	25,186	23,422	-7
NZ ▶	3,375	2,572	3,421	+33
TOTAL OF 3	75,393	77,674	83,275	+7

* Source: GTIS and USDA.

AGGREGATE EXPORT VOLUME - MAJOR SUPPLIERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



World Dairy Imports

SMP Imports

~217%

China % Change,
December 2013

~16%

Mexico % Change,
Year-to-date

	LATEST MONTH	DECEMBER (VOLUME, MT)			
		2011	2012	2013	% CHG
China ▶		16,061	11,055	35,096	+217
Mexico ▶		14,704	15,804	18,052	+14
Indonesia ▶		8,963	13,874	13,184	-5
Algeria ▶		13,349	9,452	6,389	-32
Philippines ▶		5,244	8,577	7,749	-10
TOTAL OF 5		58,321	58,762	80,470	+37

	YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
		2011	2012	2013	% CHG
China ▶		129,867	167,552	235,019	+40
Mexico ▶		193,996	235,541	197,757	-16
Indonesia ▶		127,770	136,235	154,608	+13
Algeria ▶		129,017	112,015	119,723	+7
Philippines ▶		111,248	105,911	112,907	+7
TOTAL OF 5		691,898	757,254	820,014	+8

WMP Imports

~94%

China % Change,
December 2013

~24%

Algeria % Change,
Year-to-date

	LATEST MONTH	DECEMBER (VOLUME, MT)			
		2011	2012	2013	% CHG
China ▶		20,123	43,320	84,142	+94
Venezuela* ▶		8,070	6,513	8,000	+23
Algeria ▶		12,540	10,812	10,812	+0
Singapore ▶		7,982	5,534	9,818	+77
Hong Kong ▶		3,175	6,029	6,995	+16
TOTAL OF 5		51,890	72,208	119,767	+66

	YEAR-TO-DATE	JANUARY-DECEMBER (VOLUME, MT)			
		2011	2012	2013	% CHG
China ▶		319,724	405,557	619,397	+53
Venezuela* ▶		106,161	216,245	160,253	-26
Algeria ▶		203,997	187,722	141,936	-24
Singapore ▶		81,034	74,480	89,705	+20
Hong Kong ▶		51,112	63,639	74,143	+17
TOTAL OF 5		762,028	947,643	1,085,434	+15

Cheese Imports

~14%

Russia % Change,
February 2014

~10%

Japan % Change,
Year-to-date

	LATEST MONTH	FEBRUARY (VOLUME, MT)			
		2012	2013	2014	% CHG
Russia ▶		22,880	24,309	27,669	+14
Japan ▶		20,841	18,266	16,352	-10
U.S. ▶		21,735	13,301	9,680	-27
Mexico* ▶		8,980	9,976	8,200	-18
So. Korea ▶		8,676	7,741	7,328	-5
TOTAL OF 5		83,112	73,593	69,229	-6

	YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
		2012	2013	2014	% CHG
Russia ▶		40,467	45,411	46,277	+2
Japan ▶		36,478	36,946	33,173	-10
U.S. ▶		20,938	21,234	20,183	-5
Mexico* ▶		12,868	15,730	16,821	+7
So. Korea ▶		9,828	13,997	14,801	+6
TOTAL OF 5		120,579	133,318	131,255	-2

Butterfat Imports

~85%

China % Change,
January 2014

~69%

Mexico % Change,
Year-to-date

	LATEST MONTH	JANUARY (VOLUME, MT)			
		2012	2013	2014	% CHG
Russia ▶		4,700	8,862	9,807	+11
China ▶		5,261	6,765	12,514	+85
Iran ▶		2,881	5,413	3,713	-31
Mexico ▶		2,778	5,361	1,685	-69
Morocco* ▶		604	1,591	2,000	+26
TOTAL OF 5		16,225	27,992	29,719	+6

	YEAR-TO-DATE	JANUARY (VOLUME, MT)			
		2012	2013	2014	% CHG
Russia ▶		4,700	8,862	9,807	+11
China ▶		5,261	6,765	12,514	+85
Iran ▶		2,881	5,413	3,713	-31
Mexico ▶		2,778	5,361	1,685	-69
Morocco* ▶		604	1,591	2,000	+26
TOTAL OF 5		16,225	27,992	29,719	+6

* Venezuela 2013, Mexico 2014 and Morocco 2014 are USDEC estimates.

Source: GTIS and USDA.

World Dairy Imports

Whey Products Imports

↑35%

Mexico % Change, January 2014

↓11%

China % Change, Year-to-date

LATEST MONTH	JANUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
China ▶	31,017	38,597	34,359	-11
Indonesia* ▶	6,591	6,836	6,500	-5
Mexico ▶	3,087	4,108	5,531	+35
Japan ▶	4,476	4,327	4,599	+6
Thailand ▶	4,638	6,120	4,875	-20
TOTAL OF 5	49,808	59,988	55,864	-7

YEAR-TO-DATE	JANUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
China ▶	31,017	38,597	34,359	-11
Indonesia* ▶	6,591	6,836	6,500	-5
Mexico ▶	3,087	4,108	5,531	+35
Japan ▶	4,476	4,327	4,599	+6
Thailand ▶	4,638	6,120	4,875	-20
TOTAL OF 5	49,808	59,988	55,864	-7

Lactose Imports

↑62%

China % Change, February 2014

↑28%

NZ % Change, Year-to-date

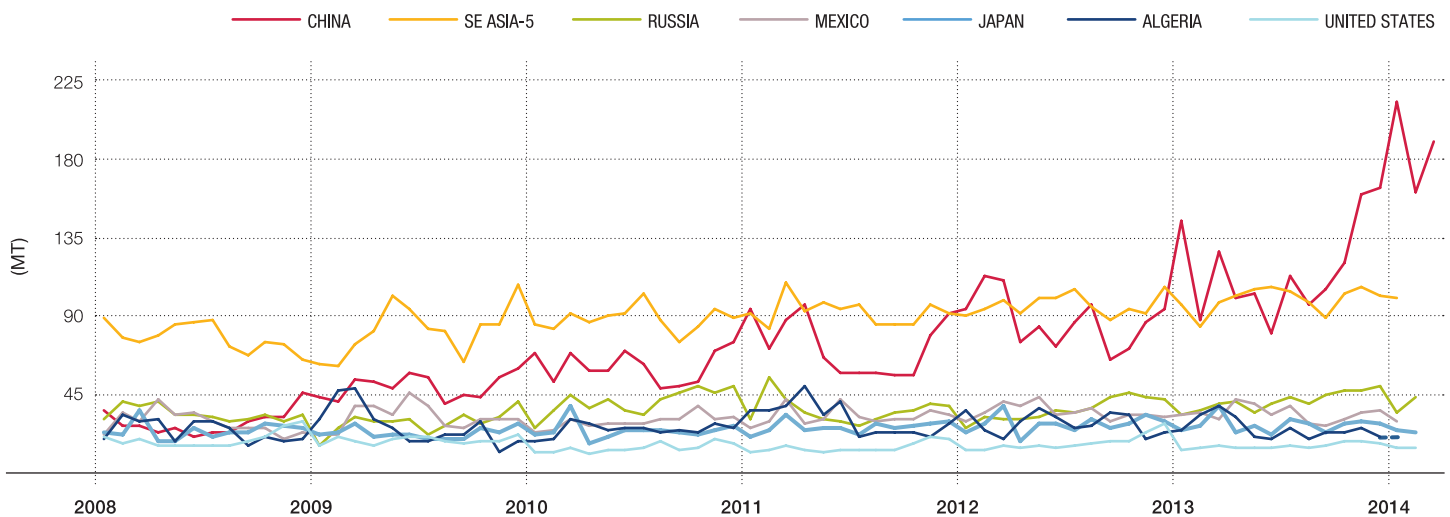
LATEST MONTH	FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
China ▶	4,727	3,714	6,005	+62
Japan ▶	5,104	6,035	4,707	-22
NZ ▶	5,109	4,968	5,572	+12
TOTAL OF 3	14,940	14,717	16,284	+11

YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG
China ▶	8,382	11,356	14,171	+25
Japan ▶	10,626	12,932	10,911	-16
NZ ▶	11,999	9,638	12,379	+28
TOTAL OF 3	31,007	33,926	37,461	+10

* Indonesia 2014 is USDEC estimate.

AGGREGATE IMPORT VOLUME - MAJOR BUYERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



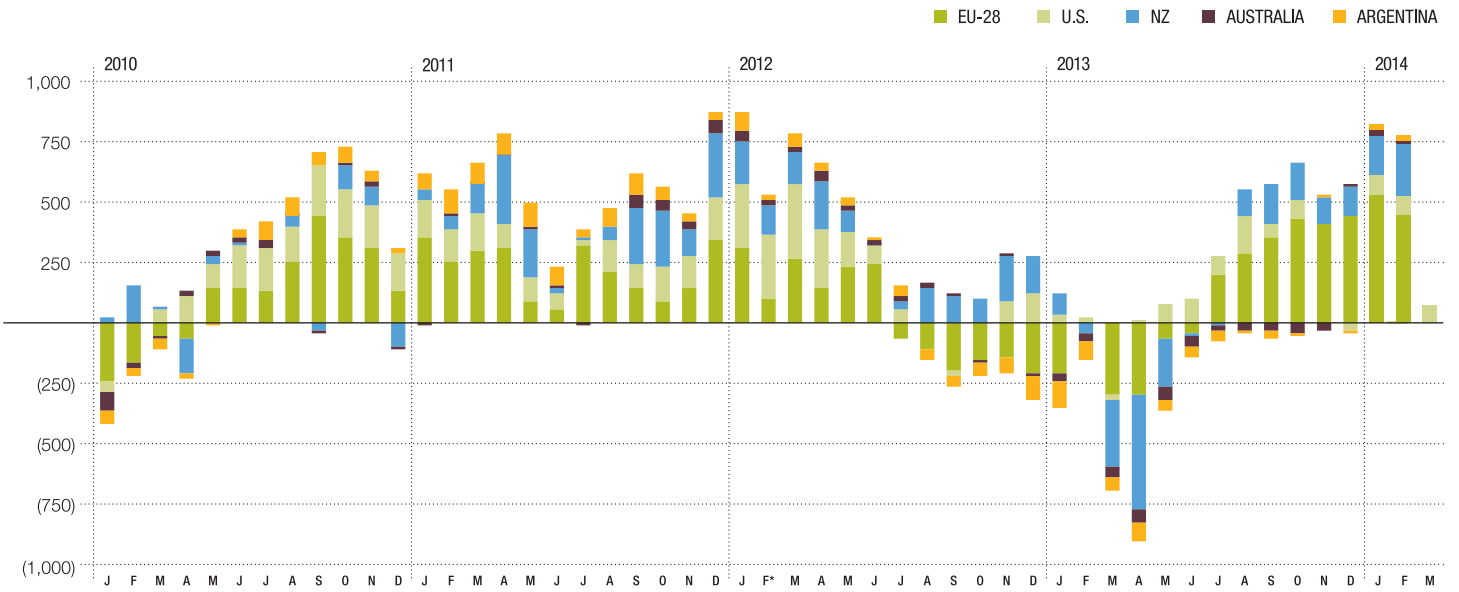
SE Asia-5 includes Indonesia, Malaysia, Philippines, Singapore and Thailand.

Source: GTIS and USDA.

Global Milk Production

MILK PRODUCTION - CHANGE FROM PRIOR YEAR

(000 MT)

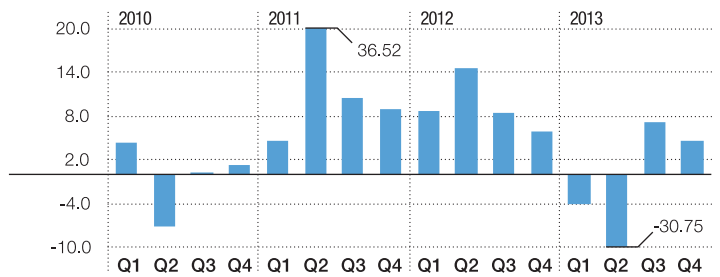


*Feb 2012 adjusted for leap day

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



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



AUSTRALIA MILK PRODUCTION (% CHG VS. PRIOR YEAR)



ARGENTINA MILK DELIVERIES (% CHG VS. PRIOR YEAR)



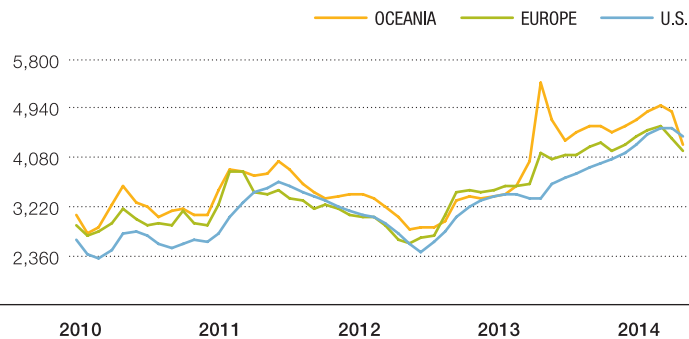
Q1-2012 adjusted for leap day.

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

World Prices

SMP PRICES

(\$/MT)

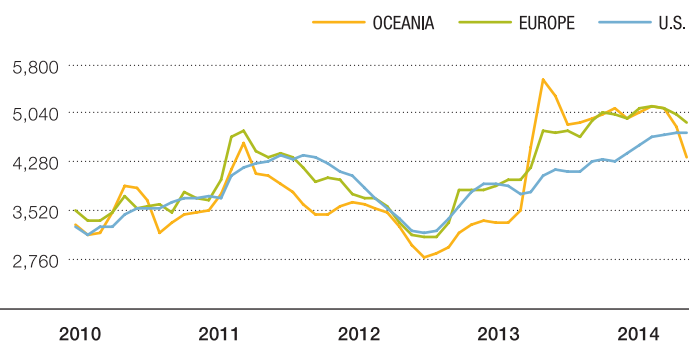


Prices vs. a year ago

	Oceania	Europe	U.S.
SMP	▼ 20%	▲ 1%	▲ 32%
WMP	▼ 22%	▲ 3%	▲ 17%
Cheddar	▲ 8%		▲ 36%
Butter	▼ 11%	▼ 5%	▲ 17%
Whey	▶	▼ 7%	▲ 18%

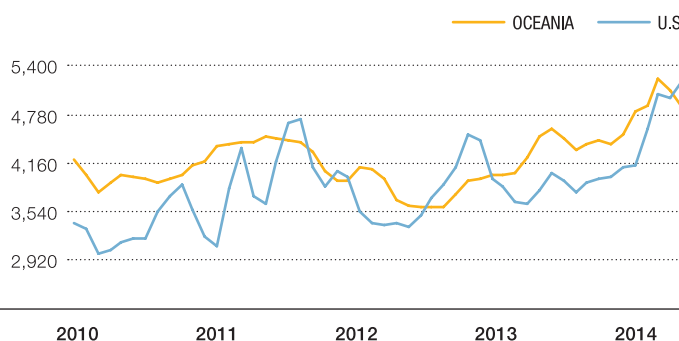
WMP PRICES

(\$/MT)



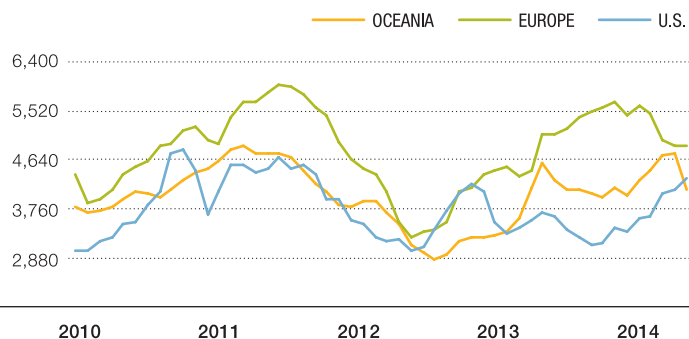
CHEDDAR PRICES

(\$/MT)



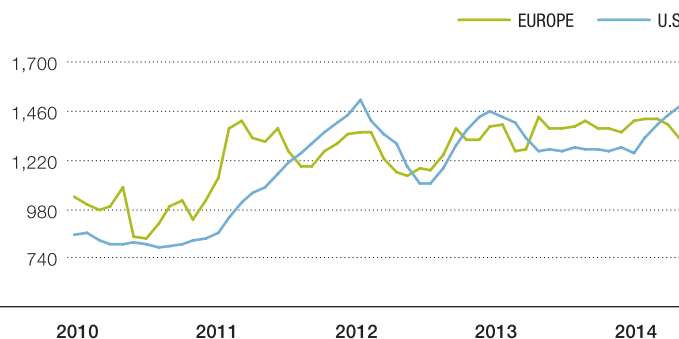
BUTTER PRICES

(\$/MT)



DRY WHEY PRICES

(\$/MT)

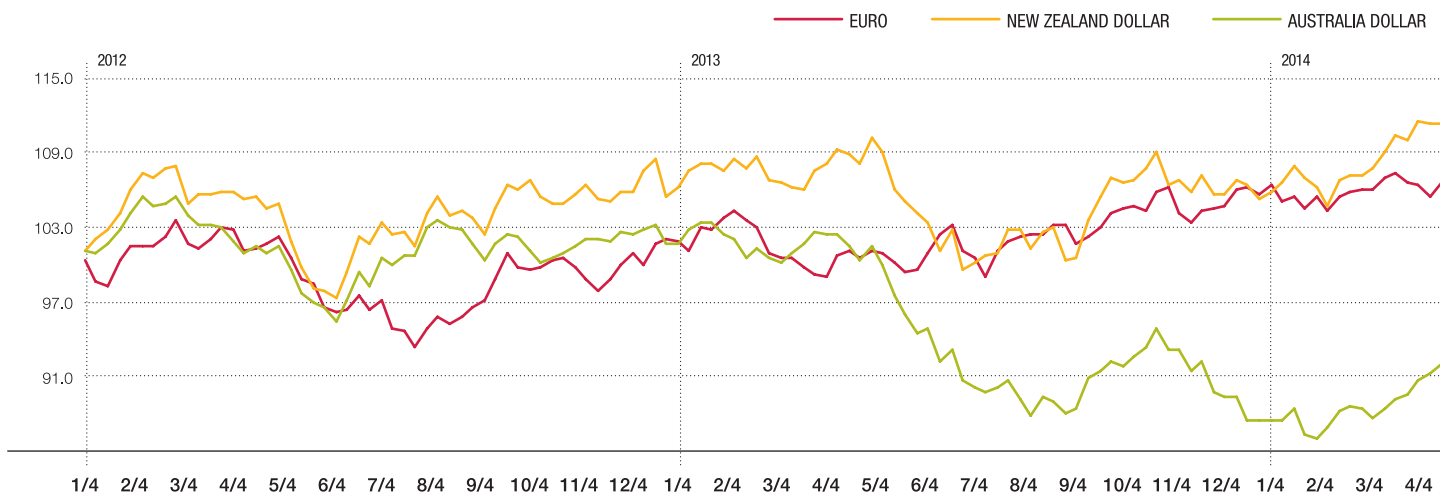


Source: USDA's Dairy Market News.

Currency Exchange Rates

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

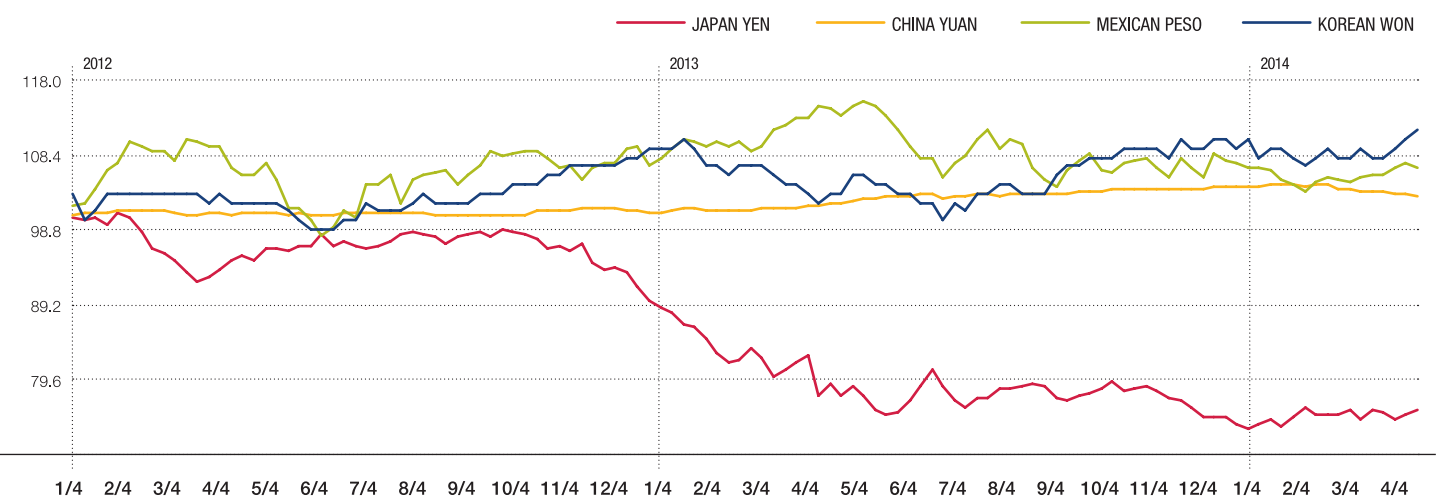
INDEXED TO JANUARY 1, 2012



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

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

INDEXED TO JANUARY 1, 2012



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

Source: Oanda.com.

U.S. Exports

U.S. exports continue record run

U.S. export volumes in February were the highest in six months (on a daily-average basis), led by strong sales of cheese, whey proteins and butterfat. U.S. suppliers shipped 160,510 tons of milk powders, cheese, butterfat, whey and lactose in February, up 19% from last year. Total value of all exports was \$585.2 million, up 37% from a year ago. On a daily-average basis, this is the highest figure ever.

Cheese exports in February were 31,264 tons, up 44% from a year ago and the most ever on a daily-average basis. Shipments to Mexico were up 46% vs. prior year, while Japan (+58%) and South Korea (+43%) posted large gains. In addition, exports to Saudi Arabia nearly tripled.

Total whey exports topped 39,000 tons in February, the most in six months. Export vol-

umes were 18% more than January (daily average) and 11% more than a year ago. Exports of dry whey, whey protein concentrate and whey protein isolate were all above prior-year and prior-month levels. China remains the major customer for U.S. whey products, with February purchases up 47% from a year earlier.

U.S. exporters also continue to expand shipments of butterfat (+102% vs. last February), whole milk powder (+191%) and milk protein concentrate (+58%). In the last eight months, butterfat exports averaged 9,700 tons per month, with the majority going to the Middle East/North Africa region. Major customers for WMP are Algeria, China and Vietnam. Top buyers for MPC are New Zealand and Morocco.

Meanwhile, exports of nonfat dry milk/

skim milk powder (NDM/SMP) have slowed considerably from the volumes shipped from April-October last year. During that seven-month stretch, U.S. exports averaged 51,268 tons per month. In February, exports were just 36,168 tons. As a result, NDM/SMP exports represented only 45% of U.S. powder production for the month. In the first two months of the year, NDM/SMP shipments to Southeast Asia were up 38% from the prior year, but sales to Mexico were down 22%.

Lactose exports in the first two months of 2014 were about the same as the first two months of 2013.

U.S. exports (on a total milk solids basis) were equivalent to 15.5% of U.S. milk solids production in February. Imports were equivalent to 2.9% of production.

U.S. Exports

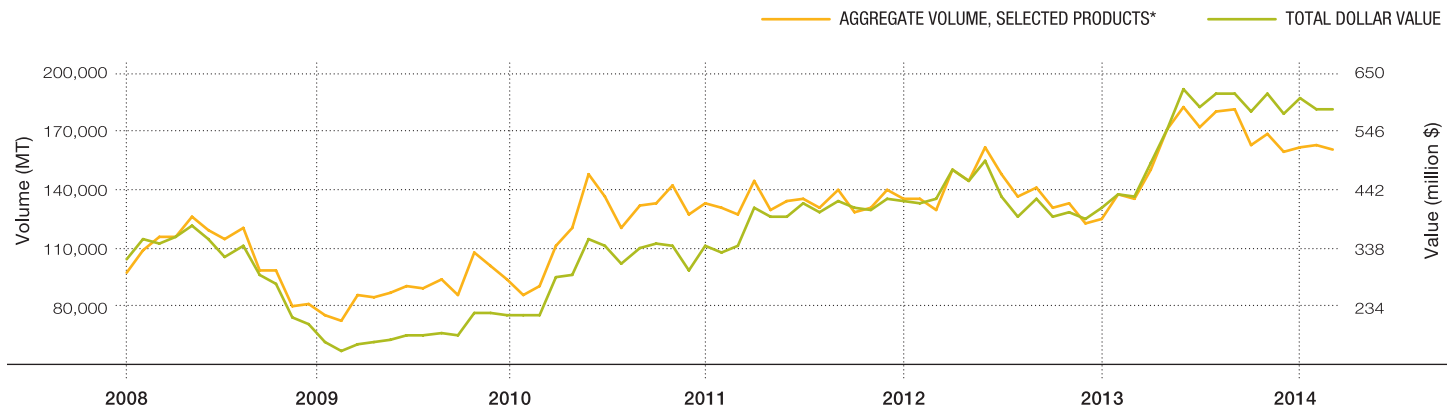
LATEST MONTH	FEBRUARY (VOLUME, MT)				YEAR-TO-DATE	JANUARY-FEBRUARY (VOLUME, MT)			
	2012	2013	2014	% CHG		2012	2013	2014	% CHG
NDM/SMP ▶	39,797	35,152	36,168	+3	NDM/SMP ▶	78,502	66,823	74,930	+12
WMP ▶	1,420	1,873	5,441	+191	WMP ▶	3,018	2,976	10,008	+236
Cheese ▶	20,603	21,638	31,264	+44	Cheese ▶	39,996	43,598	63,382	+45
Butterfat ▶	3,678	4,426	8,944	+102	Butterfat ▶	6,595	8,478	19,072	+125
Total Whey ▶	30,979	35,325	39,339	+11	Total Whey ▶	67,638	74,147	76,164	+3
Dry Whey ▶	16,815	16,392	19,200	+17	Dry Whey ▶	38,786	35,098	37,708	+7
WPC ▶	12,668	17,393	18,322	+5	WPC ▶	25,916	36,046	34,789	-3
WPI ▶	1,496	1,539	1,817	+18	WPI ▶	2,935	3,002	3,668	+22
Lactose ▶	24,397	28,057	27,234	-3	Lactose ▶	49,916	56,432	56,793	+1
MPC ▶	2,511	3,358	5,321	+58	MPC ▶	5,721	5,598	10,029	+79
Food preps (blends) ▶	5,843	5,244	6,799	+30	Food preps (blends) ▶	13,066	14,207	13,132	-8
Aggregate volume* ▶	129,227	135,073	160,510	+19	Aggregate volume* ▶	264,452	272,259	323,510	+19
Fluid milk/cream (000 liters) ▶	5,362	6,791	7,446	+10	Fluid milk/cream (000 liters) ▶	10,212	14,491	15,702	+8
TOTAL VALUE (MILLIONS)*	\$427.7	\$428.2	\$585.2	+37	TOTAL VALUE (MILLIONS)*	\$846.8	\$861.5	\$1,168.9	+36

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

Source: USDA, USDEC.

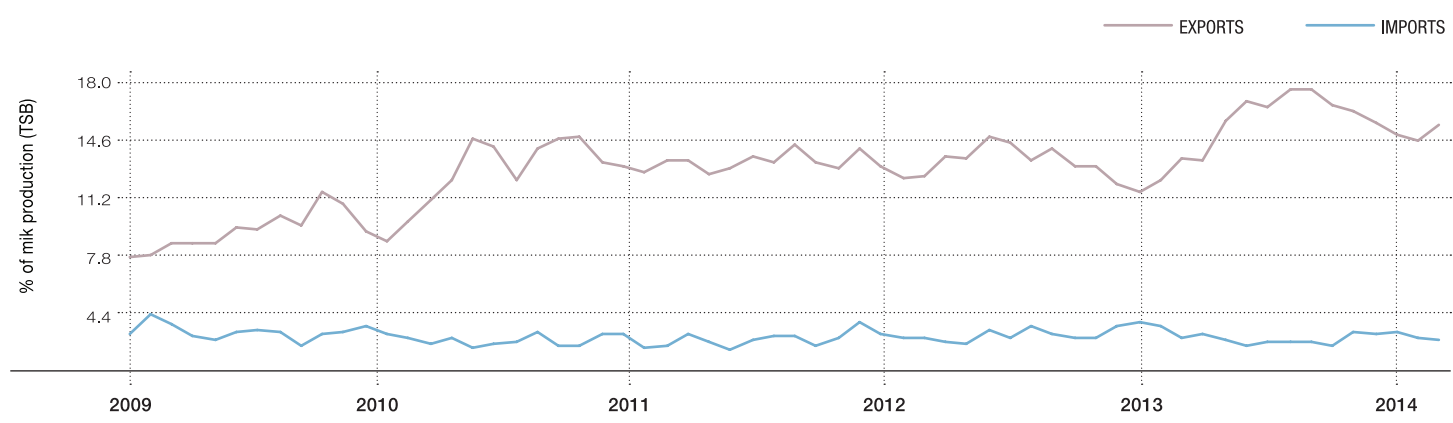
U.S. Exports

U.S. EXPORTS VOLUME AND VALUE



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

U.S. EXPORTS AND IMPORTS AS % OF PRODUCTION



U.S. DAIRY EXPORTS, TOP 10 MARKETS

	JAN -FEB 14	VS. YR AGO
Mexico ▶	\$250.8	+21%
Southeast Asia ▶	226.2	+55%
Middle East/North Africa ▶	148.4	+90%
China ▶	106.3	+84%
Canada ▶	99.3	+13%
Japan ▶	63.8	+11%
Oceania ▶	57.2	+27%
South Korea ▶	53.1	+29%
South America ▶	36.3	-16%
Caribbean ▶	29.9	+10%

U.S. EXPORTS AS % OF PRODUCTION

	FEBRUARY	YR AGO	JAN-FEB 14	YR AGO
NDM/SMP ▶	45%	43%	44%	40%
Total cheese ▶	8.1%	5.6%	7.7%	5.4%
Butterfat ▶	11.9%	5.6%	12.1%	5.2%
Dry sweet whey ▶	65%	47%	61%	46%
Lactose ▶	66%	79%	67%	75%
Total milk solids ▶	15.5%	13.5%	15.0%	12.9%

Source: USDA, USDEC, National Milk Producers Federation.

U.S. Exports: Monthly Volume

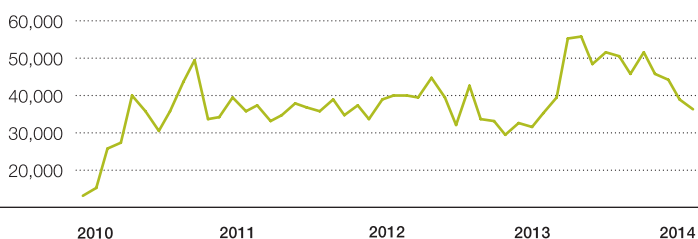
TOP CUSTOMERS, FEBRUARY 2014 (MT)

Southeast Asia	Mexico	Saudi Arabia
15,044	6,731	2,136
NDM/SMP	Cheese	Butterfat

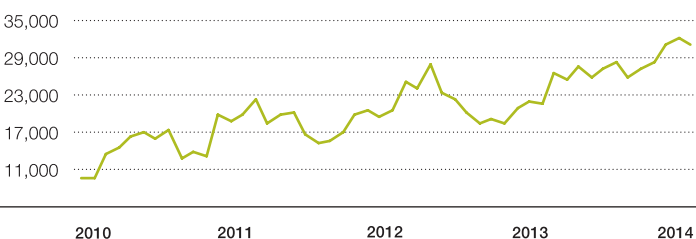
NOTABLE GAINS, FEBRUARY 2014 (% VS. PREVIOUS YEAR)

China	Japan	China
^609%	^58%	^78%
NDM/SMP	Cheese	Dry Whey

U.S. NDM/SMP EXPORTS (MT)



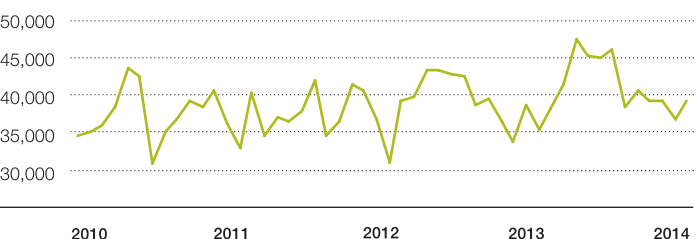
U.S. CHEESE EXPORTS (MT)



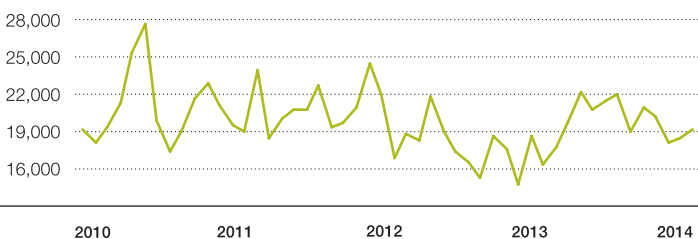
U.S. BUTTERFAT EXPORTS (MT)



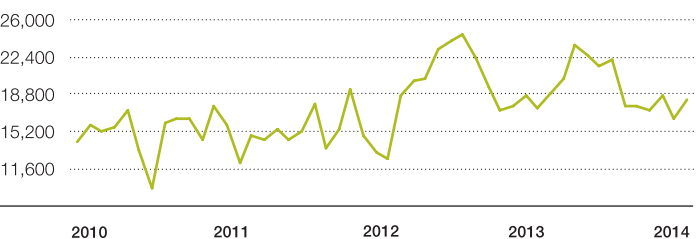
U.S. TOTAL WHEY EXPORTS (MT)



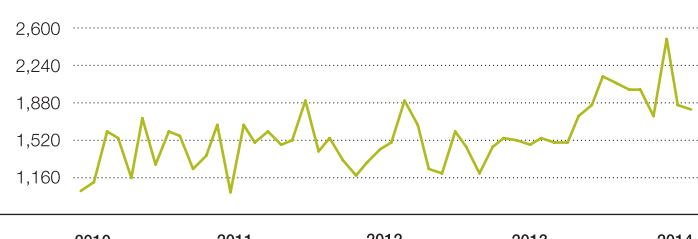
U.S. DRY WHEY EXPORTS (MT)



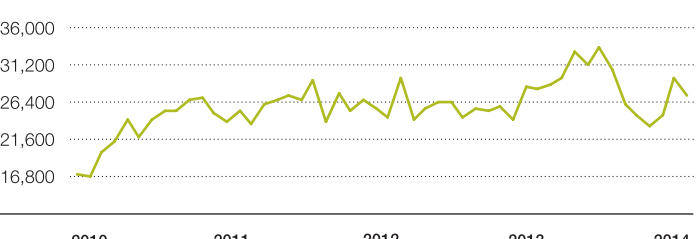
U.S. WPC EXPORTS (MT)



U.S. WPI EXPORTS (MT)



U.S. LACTOSE EXPORTS (MT)



Source: USDA, USDEC.

U.S. Market Situation

Markets under pressure, but low stocks still a factor

The U.S. dairy markets are mixed: cheese is unsettled, while butter and milk powder are weaker. Prices have come down from the levels achieved a month ago. In the whey complex, dry whey is firm while whey protein concentrate (WPC) is softer.

On April 21, at the CME, benchmark block cheddar cheese settled at \$4960/ton, down about \$400/ton from the price peak realized in late March. Butter closed at \$4167/ton, down \$265 from the first of the month. Grade A NDM settled at \$4095/ton, down \$424 from a month earlier.

Dry whey has firmed steadily since October. Current pricing is \$1400-\$1500/ton, up about \$220 in the last six months.

U.S. milk production is moving toward the seasonal peak, slightly ahead of last year's pace. U.S. milk production in March was 8.09 million tons, up 0.9% from the prior year. California has already hit its top and output is now trending lower. Producers nationwide have been reluctant to add cows, despite first-quarter milk prices that ran 26% above last year while feed costs were 27% lower. Dairywomen are, however, hanging onto cows longer; slaughter rates are down 8-10% this year compared with last year.

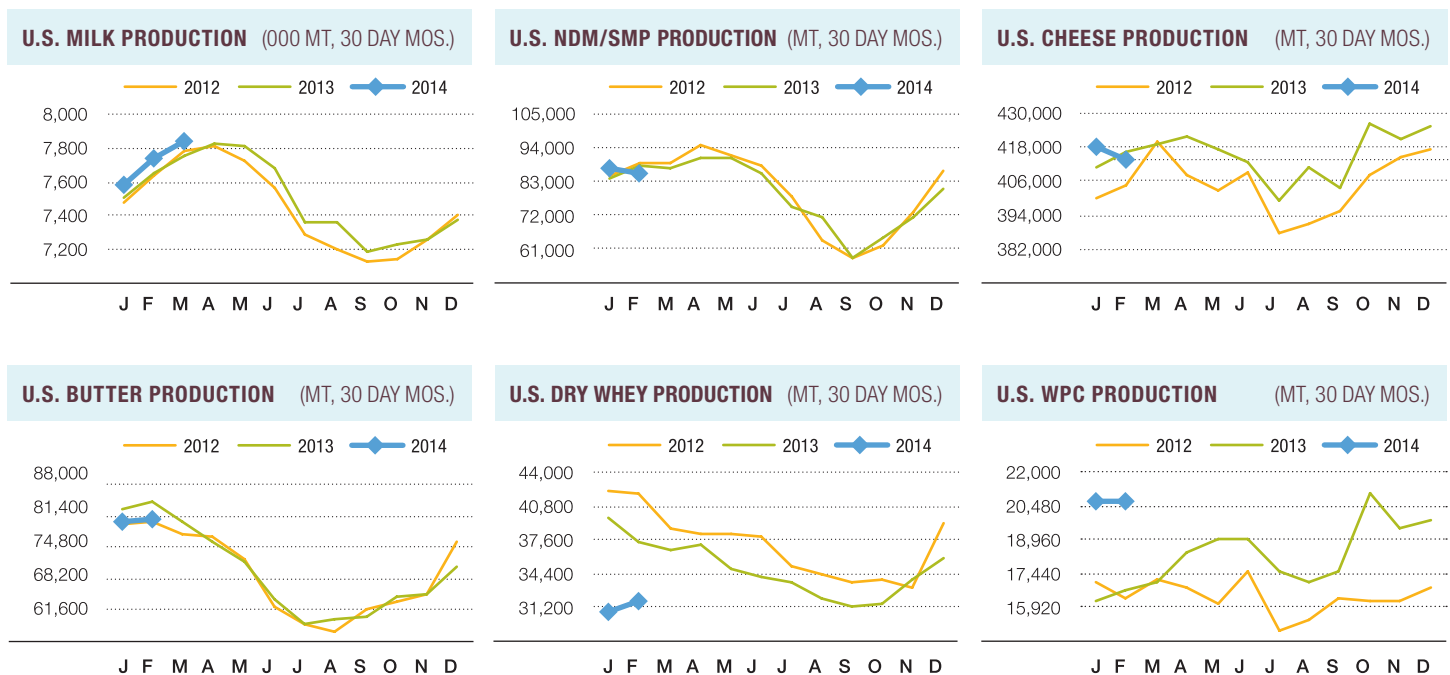
Cheddar cheese production has lagged since last fall, leaving inventories at their lowest level relative to sales since 2009. As a result, when cheese prices pulled back in the first half of April, buyers couldn't stay away for long, arresting the price decline.

After increasing more than 19% in the last three years, butter production also is below a year ago. In December, January and February, output was down 5% vs. the prior year. At the end of March, stocks represented just 34 days of use, about 11 days less than normal for this time of year. However, with Easter sales complete, manufacturers should have an opportunity to build holdings over the next few months.

Powder production has been flat for the last six months, but with a marked shift in production of nonfat dry milk (NDM) vs. skim milk powder (SMP) in February, reflecting a slowdown in exports. In February, 80% of the powder produced was NDM, while just 20% was SMP, the lowest proportion of SMP since December 2012.

With less product going overseas, NDM inventories are starting to build. Though still below the levels of the last two years, NDM stocks increased 59% from end of November to end of February.

U.S. Production



Source: USDA, USDEC.