

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (08/09):**

**BUTTER:** Grade AA closed at \$0.9800. The weekly average for Grade AA is \$0.9892 (-.0750).

**CHEESE:** Barrels closed at \$1.1350 and blocks at \$1.1675. The weekly average for barrels is \$1.1305 (+.0130) and blocks, \$1.1675 (+.0055).

**NONFAT DRY MILK:** Extra Grade closed at \$0.9050 and Grade A at \$0.9200. The weekly average for Extra Grade is \$0.9050 (N.C.) and Grade A, \$0.9200 (N.C.).

**BUTTER:** Butter markets are weak as the cash price dipped under \$1.00 at midweek. Cream supplies have tightened for churning needs as milk production declines, butterfat tests on incoming milk decline, and demand for cream for other cream based products remains strong. Ice cream production is in full swing, but not as active as many cream sources expected. Butter stocks continue to run heavier than last year at this time, although current production is often not able to keep pace with demand, thus inventoried stocks are being used to fill needs. Overall butter demand is fair. Many buyers are hesitant to make commitments with prices being so volatile. Food service orders are mixed. In many parts of the U.S., the summer vacation season remains active, although some areas are reporting that students are returning to classes, thus resort and vacation areas are winding down and at home eating patterns are resuming.

**CHEESE:** The cheese market is firmer, though with an unsettled undertone. Commercial demand is not fully clearing current offerings. Some buyers have increased orders due to recent price increases and the potential for further tightening in milk and cheese supplies as schools reopen. Cheese production is easing lower seasonally. Cumulative U.S. cheddar cheese output during the first 6 months of 2002 totals 1.465 billion pounds, up 70.9 million pounds (5.1%) from the same period in 2001. Total cheese output during the first half of 2002 totals 4.173 billion pounds, up 98.4 million pounds (2.4%) from last year.

**FLUID MILK:** Milk production and manufacturing schedules are steady to lighter in the Midwest, East, and Southeast. The reopening of schools in parts of Florida and the Southeast has increased the volume of milk being imported into the region, especially late in the week. As additional schools reopen in upcoming weeks, manufacturing supplies will decline further as bottlers use larger volumes. In Arizona and New Mexico, milk intakes are steady to slightly lower. In New Mexico, several plants are down, so increased milk volumes were moved out of state for processing. Favorable weather conditions in California have allowed cows and milk receipts to recover from recent stressed levels. Milk receipts in the Mountain States and Pacific Northwest are often slightly lower due to the recent hot weather.

**DRY PRODUCTS:** Overall dry product production is trending lower in the Central and East where increased Class I use and tighter milk volumes reduce manufacturing milk supplies. However, production has rebounded in parts of the West. Dryer efficiencies improved to more normal levels where cooler, less humid, weather prevailed. The NDM

market is generally steady. Production is lower east of the Rockies and heavier in the West. Some Central producers are concentrating on high heat production and other operators may be slightly overcommitted on sales. Clearances to CCC continue. The buttermilk market is steady to weak as demand remains lackluster and stocks are often heavier than desired. The whey markets are firmer and prices are steady to fractionally higher. Production is lower in the Central and East. Plant stocks have tightened for producers with more orders delayed. Interest is improved from both domestic and export accounts. Prices of WPC are unchanged to lower and demand is mostly fair. Some producers are discounting to move product while others report being sold out. Lactose prices are steady to higher. Domestic interest is fair to good with increased export demand. Production is lighter due to reduced milk volumes and lower milk solid content.

**CCC:** During the week of August 5 - 9, CCC net purchases totaled 4,541,397 pounds of NDM. A total of 9,936,929 pounds was purchased from the West. Net cancellations of NDM totaled 350,177 pounds from the Midwest and 5,045,355 pounds from the East. Purchases also include 277,200 pounds of process cheese from the Midwest and 80,721 pounds of barrel cheese from the West.

**JUNE 2002 DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 97.9 million pounds in June, 12.8% above June 2001 but 22.6% below May 2002. American type cheese production totaled 309.5 million pounds, 1.6% above last June but 5.1% below last month. Total cheese output (excluding cottage cheese) was 685.6 million pounds, 1.0% above last year but 5.3% below May.

**WORLD DAIRY SITUATION AND OUTLOOK (FAS):** The major feature affecting international dairy trade at the current time is the continuing weakness in international prices, particularly for NDM. Butter and whole milk powder prices are also generally very weak. Current international cheese prices are well below the average of recent years, but have not fallen as much as NDM. Using revised data for the EU, aggregate cow milk production in selected countries for 2002 is estimated near 390 million tons, 1% above 2001. The US and Oceania account for most of the increase in the year-to-year total. Bureau of the Census export data for the first 5 months of 2002 show that the pace of U.S. dairy product exports is running behind that of 2001. For January-May 2002, the total value of dairy exports was \$386 million compared to \$426 million in the same period of 2001. Data on dairy imports, also from the Bureau of the Census, show the pace of imports during the first 5 months of 2002 running ahead of that of 2001 — \$638 million this year compared with \$602 million last year.

**DAIRY PROGRAM SIGNUP BEGINS AUGUST 13 (FSA):** On August 5, Agriculture Secretary Ann Veneman announced that signup for the Milk Loss Contract program will begin August 13. This program, authorized by the 2002 Farm Bill, financially compensates dairy producers when domestic prices fall below a specified level. For more information and requirements, or to sign up for the program, dairy producers should visit their local USDA Farm Service Agency office.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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WORLD DAIRY SITUATION AND OUTLOOK (PAGE 9)

**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY AUGUST 5	TUESDAY AUGUST 6	WEDNESDAY AUGUST 7	THURSDAY AUGUST 8	FRIDAY AUGUST 9	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1275 (N.C.)	\$1.1275 (N.C.)	\$1.1275 (N.C.)	\$1.1350 (+.0075)	\$1.1350 (N.C.)	(+.0075)	\$1.1305 (+.0130)
40# BLOCKS	\$1.1600 (N.C.)	\$1.1700 (+.0100)	\$1.1700 (N.C.)	\$1.1700 (N.C.)	\$1.1675 (-.0025)	(+.0075)	\$1.1675 (+.0055)
NONFAT DRY MILK EXTRA GRADE	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	(N.C.)	\$.9050 (N.C.)
GRADE A	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
BUTTER GRADE AA	\$1.0225 (-.0400)	----	\$.9650 (-.0575)	----	\$.9800 (+.0150)	(-.0825)	\$.9892 (-.0750)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 5, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.0400, 1 @ \$1.0225, 1 @ \$1.0350; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 17 CARS GRADE AA: 2 @ \$1.0225, 1 @ \$1.0350, 1 @ \$1.0500, 1 @ \$1.0525, 1 @ \$1.0550, 1 @ \$1.0575, 2 @ \$1.0600, 7 @ \$1.0625, 1 @ \$1.0700

TUESDAY, AUGUST 6, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1700; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1275  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 7, 2002

CHEESE — SALES: 4 CARS BARRELS @ \$1.1275; 2 CARS 40# BLOCKS: 1 @ \$1.1900, 1 @ \$1.1800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1275; 5 CARS 40# BLOCKS: 1 @ \$1.1700, 1 @ \$1.1800, 3 @ \$1.1900  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 12 CARS GRADE AA: 1 @ \$0.9875, 6 @ \$0.9825, 5 @ \$0.9650; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$0.9600, 2 @ \$0.9500; OFFERS UNCOVERED: 22 CARS GRADE AA: 5 @ \$0.9750, 1 @ \$0.9775, 3 @ \$0.9975, 4 @ \$1.0025, 2 @ \$1.0175, 3 @ \$1.0200, 4 @ \$1.0225

THURSDAY, AUGUST 8, 2002

CHEESE — SALES: 5 CARS BARRELS @ \$1.1375; 9 CARS 40# BLOCKS: 3 @ \$1.1900, 1 @ \$1.1800, 1 @ \$1.1700, 1 @ \$1.1725, 1 @ \$1.1850, 1 @ \$1.1700, 1 @ \$1.1725; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1350; 9 CARS 40# BLOCKS: 1 @ \$1.1700, 4 @ \$1.1800, 4 @ \$1.1900  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 9, 2002

CHEESE — SALES: 3 CARS BARRELS @ \$1.1350; 4 CARS 40# BLOCKS: 3 @ \$1.1850, 1 @ \$1.1800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1350; 1 CAR 40# BLOCKS @ \$1.1675  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 28 CARS GRADE AA: 1 @ \$0.9650, 2 @ \$0.9675, 1 @ \$0.9700, 1 @ \$0.9675, 1 @ \$0.9700, 1 @ \$0.9675, 2 @ \$0.9725, 3 @ \$0.9750, 1 @ \$0.9775, 2 @ \$0.9850, 2 @ \$0.9900, 1 @ \$0.9875, 1 @ \$0.9850, 1 @ \$0.9825, 2 @ \$0.9800, 1 @ \$0.9775, 1 @ \$0.9800, 1 @ \$0.9775, 3 @ \$0.9800; BIDS UNFILLED: 13 CARS GRADE AA: 4 @ \$0.9750, 3 @ \$0.9725, 1 @ \$0.9700, 1 @ \$0.9200, 2 @ \$0.9100, 2 @ \$0.9000; OFFERS UNCOVERED: 4 CARS GRADE AA: 2 @ \$1.0000, 2 @ \$1.0200

BUTTER MARKETS

JUNE BUTTER PRODUCTION

During June 2002, butter production in the United States totaled 97.9 million pounds, 12.8% more than June 2001, but 22.6% lower than May 2002. The following are June to June changes for various states: CA +23.3%, NY -23.1%, PA +19.8%, WA +7.3%, and WI -1.1%.

NORTHEAST

The market tone is unsettled. After a brief price run-up late in July, the CME cash price has (through 8/5) fallen during the last two trading sessions. Production has been declining and giving firmer signals, but stocks continue to have a dampening effect on the overall market tone. Buyers do not seem too eager to purchase beyond replacement or current needs and any new spot interest is easily covered by existing stocks. Retail sales are slow, mostly due to price. Food service orders are steady, but we are fast approaching the end of the summer/vacation season. Churning activity is light at most Eastern plants. Some are not doing any churning while others are just making enough to fill contracts. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average. During June, butter production in the North Atlantic region totaled 11.73 million pounds, 17.6% more than June 2001 but 25.7% less than May 2002.

CENTRAL

Butter prices are weak. Through midweek, the cash price has declined over 10 cents to \$.9650. This is the lowest cash price since late February 2000 and is comparable to \$2.00 last year at this time. Most producers and handlers are scratching their heads and questioning what is going on. Cream supplies are tighter. Contacts question why is the cash price weakening when one looks at declining milk production, lower butterfat tests on incoming milk, and steady to improved demand for cream from other cream based products. Stocks of butter continue to run heavier than last year at this time, although often current production is not keeping pace with demand, thus inventoried volumes are being tapped to fill needs. Most

butter producers and handlers are comfortable with their supply/demand situation this year versus last year at this time. Last year, butter stocks were substantially lower than current levels and both quota and non quota imported butter was being secured to enhance domestic production. This year, imports continue to enter the country but for the most part, these volumes are within quota levels. For the 2001 calendar year, about 45 million pounds of butter was imported. This year, handlers anticipate that butter imports will be basically limited to the 15 million pounds of quota butter. Overall butter demand is fair at best. Most buyers are placing orders for short term needs, with minimal concerns on their part that prices will firm substantially during the fall and supplies will become tight. Bulk butter for spot sales is selling in a range of flat – 2 cents per pound over various pricing basis, although butter is being held with more confidence by more producers.

WEST

The butter market in the West remains on the weak side. The price fluctuations of recent weeks at the CME continue and prices dropped again below \$1.00 and closed at \$.9650 at midweek (8/7). Buying interest for bulk butter is light and offerings are available from most suppliers in the region. Buyers remain reluctant to make commitments with prices being so volatile despite little changes in supply/demand factors. Cream supplies are ample to long in the region and surpluses are clearing to the churns. Retail butter movements are seasonally slow and seeing only limited stimulus from any lower retail prices. Food service orders are good, especially at resort and tourist areas. Weekly CME warehouse stocks declined 1.74 million pounds last week and stand at 146.7 million. This compares to 69.7 million pounds during the comparable week last year. With 20 weeks to go in the calendar year, the stocks drawdown would have to average over 6.3 million pounds per week to end the year at the same inventory level as 2001 (19.8 million pounds). The last five years' drawdown averages 2.6 million per week during this 20-week period. Current prices for bulk butter range from 5 cents under to flat market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES  
 U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
AUG 3	1,0583 8,189,645	1,0694 10,633,854	0,9038 32,165,388	1,0261 2,906,704	0,1541 10,797,122

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

**CHEESE MARKETS**

**NORTHEAST**

Prices are sharply higher after the cheese prices at the CME increased significantly late in July. The weekly averages were up 7.65 cents for barrels and 10.4 cents on 40# blocks. The market tone is firmer. Buyers are assessing their positions, but most want to buy ahead of any additional price increases, should they occur. Many are uncertain about how much higher prices will be and how long it will be before they reach those levels. Production levels remain relatively light in the Northeast where surplus milk supplies have tightened. Consumption levels are little changed, but some mozzarella makers are eagerly waiting for colleges and schools to reopen. Cheddar sales are steady. During June, total cheese production in the North Atlantic region was 102.04 million pounds, 0.3% less than June 2001 and 7.0% less than May. In the Atlantic region (as defined by NASS), Cheddar output fell 19.7% from a year ago, American was down 19.6% and mozzarella dropped 12.0%.

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

Cheddar 10# Prints	:	1.2275-1.7225
Cheddar 40# Block	:	1.3025-1.5250
Process 5# Loaf	:	1.3275-1.5075
Process 5# Sliced	:	1.3475-1.6175
Muenster	:	1.3875-1.5950
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is firmer. Some buyers made larger purchases in order to beat the recent price increase, but others seem comfortable at current levels. Although current cheese supplies have tightened seasonally, at least within the region, demand has yet to show much improvement. Best natural variety demand centers on specialty items rather than the more commodity types. Mozzarella interest has improved for some producers as buyers start to prepare for the reopening of schools and filling government contracts. Commercial process interest is about steady but cold pack and gift packs are showing strength. Additional loads of process cheese have cleared to CCC from the Midwest again this week. Demand for milk from bottlers is reducing milk supplies available for manufacturing in some areas. Cheese yields are at low summer levels.

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

Process American 5# Loaf	:	1.2975-1.5400
Brick And/Or Muenster 5#	:	1.5100-1.7250
Cheddar 40# Block	:	1.4600-2.1150
Monterey Jack 10#	:	1.6900-2.1150
Blue 5#	:	1.9175-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4700-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.8000-2.6850

**MIDWEST COMMODITY CHEDDAR**

Dollars per pound, standard moisture basis (37.8-39.0%),  
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	AUGUST 5 - 9, 2002
BARRELS*	:	\$1.1275 - 1.1375 (NOMINAL)
	:	(\$.0775) (.0025)
40# BLOCKS	:	\$1.1600 - 1.1925 (NOMINAL)
	:	(\$.0725) (.0225)

( ) Change from previous week. \* If steel, barrel returned.

**WEST**

Prices for natural and process cheese items increased, reflecting higher pricing trends and averages at the CME. The market tone remains unsettled and is seeking a level. Buying interest for cheddar items is often higher as buyers seek price protection from recent increases. There were again offerings of barrel cheese to the support program from the West. Production is mixed and higher where the rebound of milk from improved weather conditions is occurring. Sales of mozzarella are noted to be slower than desired. Swiss prices are holding steady. Demand is fair to good with supplies mostly balanced. June U.S. Swiss production totaled 20.7 million pounds 0.1% more than last year. American production totaled 309.5 million pounds, 1.6% more than June 2001. Output for selected Western states compared to last year is as follows: CA, -0.1%; ID, -0.9%; OR, +57.2%; and WA, +0.9%.

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

Process 5# Loaf	:	1.2700-1.5300
Cheddar 40# Block	:	1.2850-1.4250
Cheddar 10# Cuts	:	1.4650-1.6850
Monterey Jack 10#	:	1.4750-1.6400
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

**FOREIGN**

Prices are unchanged to higher on domestic styles. Those increases were in the 10.5 cent range as the CME weekly average for blocks increased by nearly (10.4) that amount. The market tone is slow, but as we near "school-year time," consumption typically improves and retailers and trades are preparing as best they can. Supplies are generally adequate to meet the current slow to fair demand.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
	:		
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.1400	1.5250-3.0150*
Gorgonzola	:	3.2400-5.9400	2.0450-2.4900*
Parmesan (Italy)	:	TFEWR	2.9450-3.0250*
Romano (Italy)	:	2.1000-3.1900	-0-
Provolone (Italy)	:	3.4400-5.5000	1.5325-1.7575*
Romano (Cows Milk)	:	-0-	2.7225-4.9025*
Sardo Romano (Argentine)	:	2.8500-3.2900	-0-
Reggiano (Argentine)	:	2.6900-3.2900	-0-
Jarlsberg-(Brand)	:	2.7500-3.6900	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.6000-2.8500	-0-
Swiss Cuts Austrian	:	TFEWR	-0-
Edam	:		
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-2.8900	-0-
Gouda, Large	:	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:		
10 Ounce	:	27.8000-31.7000	-0-

\* = Price change.

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

BUTTER : CHEESE

	:	
08/05/02	:	71,384 : 142,865
08/01/02	:	71,854 : 141,769
CHANGE	:	-470 : 1,096
% CHANGE	:	-1 : 1

**FLUID MILK AND CREAM**

**E A S T**

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	52	0	49	0	4	0
SOUTHEAST STATES	0	0	0	0	140	0

The following are the July 2002 Class and component prices under the Federal Milk Order pricing system: Class II \$11.14 (down \$0.05 from June), Class III \$9.33 (down \$0.76); and Class IV \$10.45 (down \$0.07). The following are product price averages used in computing Class prices: butter \$1.0112, NDM \$0.9033, cheese \$1.1004, and dry whey \$0.1545. The Class II butterfat price is \$1.0999 and the Class III/IV butterfat price is \$1.0909. Cooler temperatures have returned to much of the region, but milk output has not shown too many signs of rebounding. Milk output in New England is steady at low, seasonal levels. Combine low milk output with the low prices producers are receiving and contacts wonder if the number of farmers leaving the business will start to increase as we move into fall. As one contact stated tongue-in-cheek that the "bigger truck" theory of doing business can last only so long. There is growing concern about what impact the supply of good quality hay in the Northeast and a poor corn crop will have on milk output during the winter. Yields on the incoming milk are low. Fluid milk supplies are reported as tight from New England to Florida. With schools starting to open in Florida and other Southern states, school lunch pipelines are beginning to be filled. This impact on Class I demand will be greater next week when more schools are on a full-week schedule. In the Northeast, milk is tight and a combination of early-month sales and the need for milk in other areas is keeping surplus milk volumes quite light. Manufacturing plants are shipping milk to meet Class I needs which means less milk to process. Some operations have cut back to only a few days a week. In the Southeast, some seasonal manufacturing plants have been idled and others are just running on weekends. However, reports indicate that some Southwest milk is being shipped intra-company for processing in the Southeast. The condensed skim market is about steady. Some price changes were noted, but most producers are holding at last month's prices and Class II formula prices are little changed. The fluid cream market is strong and supplies are tight. Some producers report no spot sales this week and many were barely able to meet their contract sales. In some instances, supplemental loads had to be purchased to cover commitments. Spot prices are often higher as both the CME average and multiples increased this week. Multiples in the low 140's f.o.b. are more common. Ice cream production is seasonally heavy. Soft serve and frozen novelty sales have been particularly good during the recent heat wave. Cream cheese output is about steady and some suppliers have been getting more calls from buyers looking for cream. Churning activity is light and generally limited to a few Eastern operations that have contracts to fill.

more schools reopen for the new year. Many plant operators are loath to give up any loads of milk, even those needed for federal order qualifying. Manufacturing milk interest, especially from makers of specialty products, is improving as local receipts decline. On a light test, spot manufacturing milk prices range from \$1.65 – 2.00 over class. Cream demand is good seasonally though multiples are steady to higher to ice cream accounts. Some ice cream manufacturers continue to limit production in order to work down inventory before the end of the summer sales season. With sharply lower butter prices this year compared to recent years, steady to slightly higher cream multiples bring less grumbling about the price from buyers. When schools reopen, more standardized cream will become available to users. Condensed skim interest is improved with prices ranging from \$.92 – 1.00. Crop conditions vary by location where those with rain look good but others, lacking moisture, may have feed problems. Recent showers in some of the dry sections have helped green up lawns and pastures. Signup starts August 13 for the new government program, the Milk Income Loss Contract, to help milk producers with low milk prices.

**WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)**

	AUGUST 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 39.00	\$ 43.00- 48.00
REPLACEMENT HEIFER CALVES	\$350.00-480.00	\$360.00-535.00

**SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)**

	AUGUST 1 - 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 44.50	\$ 44.00- 50.00

**W E S T**

The July 4a price (butter/powder) in CALIFORNIA is \$10.05, down \$0.08 from June and \$4.33 lower than last year. This compares to the Federal Order Class IV price for July at \$10.45. The July 4b price (cheese) is \$8.90, down \$0.69 from June and \$6.06 lower than last year. This compares to the Federal Order Class III price for July at \$9.33. June 2002 pool receipts of milk in California total 2.975 billion pounds, 7.3% higher than a year prior. The June blend price, at a fat test of 3.57%, is \$10.47, \$0.54 lower than May and \$4.91 lower than June 2001. The percentage of receipts used in Class 1 products is 16.99%. The June quota price is \$11.60 and the over quota price is \$9.90. These prices are \$0.46 below March and \$4.86 lower than a year earlier. Cumulative 2002 pool receipts through June are 6.2% higher than a year ago. California milk production is trending higher following the declines of several weeks ago. Weather conditions have been highly favorable to allow cows to recover from the hot conditions of several weeks ago. Plant receipts are heavy and many plants and balancing facilities are running full. Fluid milk accounts switching suppliers has caused some problems in milk movements. ARIZONA milk is steady to slightly lower but milk from other states is available for processing. Conditions have been fairly good for the summer season lately and milk volumes have not been affected as much as expected. NEW MEXICO milk is holding steady to lower, but several plants in the state are down, so more milk has to be moved out of state for processing. Milk production in the PACIFIC NORTHWEST continues to trend slightly lower seasonally. The effects of recent hot weather are still being felt. Some producers saw several pounds drop from cows' averages with these conditions. There are more concerns being expressed about the lower milk prices at the farm levels and the ability to cash flow. The replacement heifer and cow markets are seeing declines from higher prices noted recently. In the MOUNTAIN STATES, milk volumes are down, on a limited basis, to steady. Some areas are feeling the impact of recent hot weather. Plants are able to handle milk in the region. CREAM supplies are generally adequate in the region to handle the current demand. The lowering of the fat price in Class 2 and 3 products in California has made selling cream more favorable within and out of the state. However, even with summertime weather common, the demand for cream from the ice cream trade remains less than expected. Surplus cream is ending up at the churns and butter production is active. Multiples are slightly higher at 115 to 130, FOB. The CME butter price dropped to \$.9650 at midweek (8/7), the lowest level in over 2 1/2 years.

**FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES**

<b>SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT</b>	
F.O.B. PRODUCING PLANTS: NORTHEAST	- 1.4260-1.5112
DELIVERED EQUIVALENT ATLANTA	- 1.4260-1.5431 M 1.4473-1.4899
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	- 1.4047-1.5218
<b>PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS</b>	
F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9200-1.0300
NORTHEAST- CLASS III - SPOT PRICES	- .8000- .9300

**M I D W E S T**

A few days of cooler, less humid weather covered parts of the region. Milk receipts varied from still trending lower to just slightly higher where cooler weather prevailed. The rebound in milk receipts in part of the region is much like bouncing a ball, the bounce is just not as high as the starting point. Milk supplies have tightened further. Class I interest locally is steady to slightly improved. Some handlers have received inquiries about shipping milk to other regions while others have not. Some loads of upper Midwestern milk are being shipped South for fluid use with heavier volumes noted later in the week as

**NDM, 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 are unchanged on a steady to firm market. Demand is slow and mostly contractual. Production of low heat is steady to lower due to decreases in milk volumes and scheduling delays during plant maintenance. High heat production is mostly steady to slightly higher as some locations allocate greater processing time for high production. Inventories are generally in balance with some plants slightly over-contracted. Imports remain competitive with the domestic market. Off grade product is difficult to clear, especially in light of the last CCC NDM sell back.

**EAST:** The market tone continues to firm and Eastern prices are unchanged. Production levels are lighter, reflecting the tighter supply of surplus milk in the region. No Eastern NDM was offered to CCC again this week. According to producers, it is unlikely that there will too much powder packaged for sale to CCC in the coming months. Some plants have all their August and part of their September output committed. The lower volumes of surplus milk and continued decent sales of condensed skim are the major factors in the above scenario. Some producers want to make more high heat NDM to meet the steady demand, but sales of wet solids continue to limit drying schedules. As school reopen in coming weeks, surplus milk supplies are expected to become even tighter. Demand is improving, but still lacking enough aggressiveness to push prices beyond current levels.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during June 2002 totaled 148.4 million pounds, up 12.9% from June 2001 but 6.1% below May 2002. Month ending stocks, at 168.6 million pounds, are 1.1% above a year ago and 1.7% higher than May 2002.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .9200 - .9600 MOSTLY: .9200 - .9400  
 HIGH HEAT: .9575 - 1.0100

**NONFAT DRY MILK - WEST**

Prices for low/medium heat NDM are mostly steady following increases noted last week. The market tone is more settled for the spot market, but the overall tone is weak because of continued, high volumes of offerings to the support program. NDM is available from all suppliers in the region. Production is higher as milk supplies increase with nicer weather conditions. The trade remains disappointed that the DEIP program has yet to be announced. There are renewed concerns about a possible butter/powder tilt, but speculation on this has been ongoing all year. During the week of July 29 – August 2, adjusted support program purchases totaled 13,518,583 pounds of NDM with 12,645,630 pounds from the West. High heat prices are higher in light spot trading. Some producers are too full of milk to make high heat. Orders are just seasonal. U.S. NDM production in June totaled 148.4 million pounds, up 12.9% from last year but 6.1% lower than May. June production in the West region totaled 105.9 million pounds, up 10.3% from last year. California output totaled 63.5 million pounds, up 7.2% from last year. Washington output totaled 17.7 million pounds, up 0.3% from last year. U.S. manufacturers' stocks at the end of June were reported at 168.6 million pounds, up 1.1% from last year and up 1.7% from last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: .8800 - .9575 MOSTLY: .9000 - .9050  
 HIGH HEAT: .9250 - .9500

**CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 2	\$ .8999	18,339,125	9,594,098
July 26	\$ .9003	15,059,509	9,076,788

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. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are mixed on a steady to weak market. While trading activity is better than the week prior, demand remains lackluster. Ice cream interest is good on condensed buttermilk and less than expected on dry buttermilk. Inventories are heavier than desired at most locations. With production anticipated to seasonally increase in the fall, stocks on hand are a growing concern for some producers. Western buttermilk supplies are an attractive substitute to Central region prices. Dry buttermilk production during June 2002 totaled 4.0 million pounds, up 15.1% from June 2001 but 28.4% lower than May 2002. Month ending stocks, at 13.6 million pounds, are 216.4% above last year but 0.1% lower than last month.

F.O.B. CENTRAL: .8100 - .8300

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged to lower and the market tone is weak. Eastern prices remain nominal. Production levels are lighter as there is little churning taking place in the East. Producer stocks remain moderate by volume, but heavier than desired. Demand is, at best, fair. Dry buttermilk production during June 2002 totaled 4.0 million pounds, up 15.1% from June 2001 but 28.4% less than May 2002. Month ending stocks, at 13.6 million pounds, are more than triple last year but 0.1% less than a month ago.

F.O.B. NORTHEAST: .7600 - .8350  
 DELVD SOUTHEAST: .7800 - .8550

**DRY BUTTERMILK - WEST**

Prices continue to trend lower and the market tone is weaker. Production levels are still active in the region to process the mostly heavier than expected volumes of condensed buttermilk. Demand is fair for current offerings. Stock levels vary, but remain heavier than trade needs. U.S. dry buttermilk production in June totaled 4.0 million pounds, up 15.1% from last year but 28.4% lower than May. Stocks at the end of June were reported at 13.6 million pounds, over 3 times higher than a year earlier.

F.O.B. WEST: .7200 - .7700 MOSTLY: .7250 - .7400

**DRY WHOLE MILK - NATIONAL**

Prices are steady to lower and nominal. The drop in the July Class IV milk price had some impact on dry whole milk prices, but some formula prices did not move. The market tone is steady. Production levels are light and still geared to filling contracts. Producer stocks are light and spot demand is slow. Dry whole milk production during June 2002 totaled 4.6 million pounds, up 80.2% from June 2001 and 21.1% above May 2002. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.1100 - 1.2000

**WHEY, CASEIN & EVAPORATED 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.

**DRY WHEY - CENTRAL**

Prices are unchanged to higher on a steady to firm market. While many plants are reportedly sold out, product is selectively available. Resellers are re-entering the trade and gaining premiums to the market. Export demand is improving with inquiries noted from Asia. Because prices are expected higher, some contractual buyers are requesting additional loads to their regular shipments. Production and solid content are lower in response to hot temperatures reported in the recent past. Production of human food, dry whey during June 2002 totaled 89.2 million pounds, 5.4% more than June 2001 but 3.9% below May 2002. Month ending stocks, at 38.3 million pounds, are 32.3% above a year ago and 7.6% more than May 2002.

F.O.B. CENTRAL: .1550 - .1700 MOSTLY: .1550 - .1650

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are unchanged to fractionally higher and the market tone is firming. Eastern production is lighter as milk supplies are tight in the Northeast and some cheese makers are still adjusting operating schedules to meet the declining milk supply. Dry whey stocks are in closer balance with some plants sold out. Reports of contract shipments being "pushed back" are more common. The break in the heat wave this week did see dryer efficiencies bounce back to more normal levels. Spot interest is improving as buyers try to purchase before prices start to move higher. Most contacts do expect prices to increase in the near future. Production of human food, dry whey during June 2002 totaled 89.2 million pounds, 5.4% more than June 2001 but 3.9% below May 2002. Month ending stocks, at 38.3 million pounds, are 32.3% above last year and 7.6% more than a month ago. Production of animal feed, dry whey during June totaled 5.0 million pounds, 25.8% less than a year ago and 9.0% below last month.

F.O.B. NORTHEAST: EXTRA GRADE .1575 - .1650  
USPH GRADE A .1750 - .1875  
DELVD SOUTHEAST: .1800 - .1950

**DRY WHEY - WEST**

Western prices continue to trend higher in light to moderate spot trading. Buying interest of recent weeks has committed decent volumes of powder, whey production has trended lower seasonally, and producers' stocks are in better shape. These factors are helping to firm the market undertone. Human-food whey production in June totaled 89.2 million pounds, 5.4% more than June 2001. Production in the West region was 15.3% higher with California +9.7% and Washington +29.2%. U.S. stock levels at the end of June totaled 38.3 million pounds, 32.3% more than a year earlier.

NONHYGROSCOPIC: .1350 - .1650 MOSTLY: .1450 - .1500

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged on a mostly steady market. Supplies of milk replacer product are tight. Off grade lactose and permeate are competitive with milk replacer product. Spot trading on roller ground and delactose remains nominal. Roller ground and delactose production is steady to lower and stocks are in balance. Inquiries are increasing, especially in light of the firm undertone noted in the whey markets. WPC remains an attractive substitute to delactose in cases where buyers can include the protein in formulation. Production of animal feed dry whey during June 2002 totaled 5.0 million pounds, 25.8% lower than a year ago and 9.0% less than May 2002. Month ending stocks, at 2.2 million pounds, are 58.2% below a year ago but 43.5% higher than last month.

F.O.B. CENTRAL:  
MILK REPLACER: .1450 - .1500  
ROLLER GROUND: .1450 - .1850  
DELACTOSE (Min. 20% protein): .3500 - .3650

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Supplies are mixed as conflicting reports are told by both buyers and sellers. While some plants are reportedly sold out, others continue to offer at a discount. Production is steady to lower due to decreases in the milk supply and lower milk solid content. Domestic movement is fair into feed markets and light elsewhere. Export interest is generally lackluster with most movement occurring on contracts. Off grade 34% supplies are readily available and competitive with excess off grade high protein stocks. Production of HUMAN FOOD WPC during June 2002 totaled 24.4 million pounds, down 0.4% from June 2001 and 7.8% below May 2002. Manufacturers end-of-month stocks totaled 26.1 million pounds, 88.1% higher than a year ago and 10.3% above last month. Production of ANIMAL FEED WPC during June 2002 totaled 2.5 million pounds, down 39.5% from June 2001 and 22.8% below May 2002. Manufacturers end-of-month stocks totaled 2.0 million pounds, 3.0% above last year and 23.0% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .4000 - .4500 MOSTLY: .4175 - .4275

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged to higher on a steady market. Comparable to last quarter, contracts are trading higher than most spot trades. Some resellers are gaining a premium to the market. Domestic interest is fair to good into confectionary and feed facilities. Export inquiries are increasing from Asia. Production is steady to lower due to decreases in the milk supply and lower milk solid content. Inventories are in balance to occasionally long. Off grade supplies are readily available and competitive with dry permeate stocks. Lactose production during June 2002 totaled 47.5 million pounds, up 8.3% from June 2001 but 1.6% below May 2002. Month ending stocks, at 45.6 million pounds, are 62.1% higher than a year ago and 0.6% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.  
F.O.B. EDIBLE: .1400 - .2250 MOSTLY: .1450 - .1700

**CASEIN - NATIONAL**

Casein markets and prices remain weak. Many domestic buyers indicate that they are not overly concerned about supplies or prices during the balance of the calendar year. For the most part, stocks of both rennet and acid should be readily available for needs. Bids were due to USDA on August 5 for the purchase of an undetermined volume of government owned skim milk powder for the production of casein/caseinates. Those involved with domestic casein markets and potential producers have mixed opinions as to what this second round of bidding will reveal. The recent sale of government owned skim milk powder for animal feed around \$.40 per pound is in the area where, early on, some potential producers indicated that they could make conversion feasible. Bidders will be contacted with the result on August 8 with public notification on Friday, August 9.

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: 2.0000 - 2.1500  
ACID: 1.8000 - 2.0000

**EVAPORATED MILK - NATIONAL**

Prices are unchanged and the market tone is steady. Sales remain seasonally slow. Surplus milk supplies are tight in the eastern two-thirds of the country, long in California and production levels vary accordingly. Producer stocks are typical for this time. Canned evaporated milk production during June totaled 47.0 million pounds, 7.5% more than June 2001 and 26.3% more than May 2002. Month ending stocks, at 58.0 million pounds, are 22.8% less than a year ago but 4.6% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.50 - 31.00  
Excluding promotional and other sales allowances. Included new price announcements.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JULY

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for July 2002 is \$1.0929 per pound. Thus, the Class II butterfat price is \$1.0999. The protein and other solids prices for July are \$1.8095 and \$0.0150 per pound, respectively. These component prices set the Class III skim milk price at \$5.70 per cwt. The July Class IV skim milk price is \$6.87 which is derived from the nonfat solids price of \$0.7633 per pound.  
**Product Price Averages:** The product price averages for July are; butter \$1.0112, nonfat dry milk \$0.9033, cheese \$1.1004, and dry whey \$0.1545.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <sup>1/ 2/</sup>						
FEDERAL MILK ORDER MARKETING AREAS <sup>3/</sup>	ORDER NUMBER	JULY 2002				AUGUST 2002
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
DOLLARS PER 100 POUNDS						
Northeast (Boston) <sup>4/</sup>	001	13.87	11.14	9.33	10.45	13.73
Appalachian (Charlotte) <sup>5/</sup>	005	13.72	11.14	9.33	10.45	13.58
Southeast (Atlanta) <sup>6/</sup>	007	13.72	11.14	9.33	10.45	13.58
Florida (Tampa ) <sup>7/</sup>	006	14.62	11.14	9.33	10.45	14.48
Mideast (Cleveland) <sup>8/</sup>	033	12.62	11.14	9.33	10.45	12.48
Upper Midwest (Chicago) <sup>9/</sup>	030	12.42	11.14	9.33	10.45	12.28
Central (Kansas City) <sup>10/</sup>	032	12.62	11.14	9.33	10.45	12.48
Southwest (Dallas) <sup>11/</sup>	126	13.62	11.14	9.33	10.45	13.48
Arizona-Las Vegas (Phoenix) <sup>12/</sup>	131	12.97	11.14	9.33	10.45	12.83
Western (Salt Lake City) <sup>13/</sup>	135	12.52	11.14	9.33	10.45	12.38
Pacific Northwest (Seattle) <sup>14/</sup>	124	12.52	11.14	9.33	10.45	12.38
All-Market Average	---	13.20	11.14	9.33	10.45	13.06

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.  
<sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.  
<sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the market.  
<sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.  
<sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.  
<sup>6/</sup> Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.  
<sup>7/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.  
<sup>8/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.  
<sup>9/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.  
<sup>10/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.  
<sup>11/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.  
<sup>12/</sup> Class I price at Las Vegas is minus \$0.35.  
<sup>13/</sup> Class I price at Boise is minus \$0.30.  
<sup>14/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

## JUNE 2002 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 97.9 million pounds in June, 12.8 percent above June 2001 but 22.6 percent below May 2002. **AMERICAN TYPE CHEESE** production totaled 309.5 million pounds, 1.6 percent above June 2001 but 5.1 percent below May 2002. **TOTAL CHEESE** output (excluding cottage cheese) was 685.6 million pounds, 1.0 percent above June 2001 but 5.3 percent below May 2002. **NONFAT DRY MILK** production, for human food, totaled 148.4 million pounds, 12.9 percent above June 2001 but 6.1 percent below May 2002. **DRY WHEY** production, for human food, was 89.2 million pounds, 5.4 percent above June 2001 but 3.9 percent below May 2002. **ICE CREAM** (hard) production totaled 81.1 million gallons, 4.3 percent below June 2001 but 5.4 percent above May 2002.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUN 2002	PERCENT CHANGE FROM:			PRODUCT	JUN 2002	PERCENT CHANGE FROM:		
	1,000 LBS.	JUN 2001	MAY 2002	YEAR TO DATE 1/		1,000 LBS.	JUN 2001	MAY 2002	YEAR TO DATE 1/
BUTTER	97,913	12.8	-22.6	14.4	YOGURT (PLAIN AND FLAVORED)	173,285	-2.7	-5.1	---
CHEESE					CONDENSED WHEY, SOLIDS CONTENT 6/				
AMERICAN TYPES 2/	309,460	1.6	-5.1	5.7	SWEET-TYPE, HUMAN FOOD	7,588	8.9	-6.3	---
CHEDDAR	239,716	0.1	-6.4	5.1	SWEET-TYPE, ANIMAL FEED	848	-7.0	-19.9	---
SWISS	20,743	0.1	-3.7	---	DRY WHEY PRODUCTS				
BRICK & MÜNSTER	7,336	-3.2	-5.1	---	DRY WHEY, HUMAN FOOD	89,237	5.4	-3.9	---
CREAM & NEUFCHÂTEL	55,779	10.3	11.1	---	DRY WHEY, ANIMAL FEED	5,004	-25.8	-9.0	---
HISPANIC	9,067	11.8	-10.4	---	REDUCED LACTOSE AND MINERALS				
MOZZARELLA	215,482	-2.9	-7.8	-0.4	HUMAN FOOD	8,129	-1.3	-14.8	---
OTHER ITALIAN TYPES	51,237	7.5	-9.9	-0.3	ANIMAL FEED	3,409	1.2	-8.7	---
TOTAL ITALIAN TYPES	265,719	-1.5	-8.5	-0.5	LACTOSE, HUMAN FOOD & ANIMAL FEED	47,522	8.3	-1.6	---
ALL OTHER TYPES	16,537	-4.2	-7.3	---	WHEY PROTEIN CONCENTRATE				
TOTAL	685,641	1.0	-5.3	2.4	HUMAN FOOD	24,400	-0.4	-7.8	---
COTTAGE CHEESE, CURD 3/	35,808	-5.6	-10.8	---	ANIMAL FEED	2,476	-39.5	-22.8	---
COTTAGE CHEESE, CREAM 4/	30,600	-2.2	-6.0	-1.7					
COTTAGE CHEESE, LOWFAT 5/	29,546	-3.8	-14.3	-0.5					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS			
WHOLE MILK	46,966	7.5	26.3	---	ICE CREAM (HARD)	81,117	-4.3	5.4	---
DRY WHOLE MILK	4,609	80.2	21.1	---	ICE CREAM, LOWFAT (HARD)	9,353	0.7	-7.6	---
NONFAT DRY MILK, HUMAN FOOD	148,411	12.9	-6.1	12.5	ICE CREAM, LOWFAT (SOFT)	29,917	-13.6	3.7	---
DRY SKIM MILK, ANIMAL FEED	593	-18.2	-16.2	---	ICE CREAM, LOWFAT (TOTAL)	39,270	-10.5	0.8	-9.0
DRY BUTTERMILK	4,032	15.1	-28.4	---	SHERBET (HARD)	5,473	3.1	1.0	7.7
					YOGURT (TOTAL)	6,928	-10.7	-6.9	-4.7
MANUFACTURERS' STOCKS, END OF MONTH 7/									
PRODUCT	JUN 2002	PERCENT OF:		PRODUCT	JUN 2002	PERCENT OF:			
	1,000 LBS.	JUN 2001	MAY 2002		1,000 LBS.	JUN 2001	MAY 2002		
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE					
DRY WHEY, HUMAN FOOD	38,309	32.3	7.6	HUMAN FOOD	26,075	88.1	10.3		
DRY WHEY, ANIMAL FEED	2,227	-58.2	43.5	ANIMAL FEED	1,950	3.0	23.0		
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	9,870	53.4	-0.1	CANNED EVAPORATED & CONDENSED WHOLE MILK	57,967	-22.8	4.6		
LACTOSE, HUMAN FOOD & ANIMAL FEED	45,577	62.1	0.6	NONFAT DRY MILK FOR HUMAN FOOD	168,576	1.1	-0.1		
DRY BUTTERMILK, TOTAL	13,613	216.4	-0.1						

1/ 2002 cumulative as percent change of 2001 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. 9/ Information for these products was not shown in current report.

SOURCE: "Dairy Products," Da 2-6 (8-02), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## WORLD DAIRY SITUATION AND OUTLOOK

**Dairy Production and Trade Developments Summary** - The major feature affecting international dairy trade at the current time is the continuing weakness in international prices, particularly for nonfat dry milk (NDM). Butter and whole milk powder prices are also generally very weak. Current international cheese prices are well below the average of recent years, but have not fallen as much as NDM. Further confounding the outlook for future prices is movement of exchange rates since early spring when the tendency for the U.S. dollar to strengthen against other currencies suddenly reversed. Now a tendency for the U.S. dollar to weaken vis-à-vis other currencies seems to be the pattern.

Using revised data for the EU, aggregate cow milk production in selected countries for 2002 is estimated near 390 million tons, one percent above 2001. The United States and Oceania account for most of the increase in the year-to-year total. Milk cow numbers for 2002 are now estimated at 125.6 million head, slightly below 2001. Revised cow numbers in New Zealand reflecting herd expansion during the past 2 years accounts for most of the change since the December report.

Cheese production is expected to reach 13.1 million tons in 2002, approximately 2 percent higher than revised 2001. With increased milk production, the United States, Russia, and Oceania are expected to increase cheese production. Export prospects for cheese in 2002 are up approximately 5 percent mainly due to the increase from New Zealand. Prospects for most other exporters are either stable or down slightly.

Butter production in the United States and the EU is estimated to rise in 2002, mainly in response to governmental actions to support milk prices. International butter prices are expected to remain depressed as supplies in the Northern Hemisphere are well above needs as indicated by the forecast buildup in stocks.

Nonfat dry milk production in 2002 is estimated at 3.4 million tons, 5 percent above 2001. Most of the increase reflects price support activities in the United States and the EU. Aggregate exports are expected to increase in 2002 with some of the increase due to rising shipments of food aid.

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**U.S. Dairy Product Trade -- Exports** - Bureau of the Census export data for the first 5 months of 2002 show that the pace of U.S. dairy product exports is running behind that of 2001. For January–May of 2002, the total value of dairy exports was \$386 million compared to \$426 million in the same period of 2001. Nonfat dry milk, which depends on export aid from the Dairy Export Incentive Program (DEIP), accounts for most of the shortfall. Dairy based food preparations and casein were the other two significant items where exports are down from 2001.

On the positive side, cheese exports are up approximately 10 percent on both a quantity and value basis. Exports in the whey complex were up due both to increased exports of whey protein concentrate and dry whey. Most other export categories such as fluid milk, ice cream, yogurt, lactose, and infant formula, are not greatly changed from the same period of 2001.

On a regional basis, the value of shipments to Canada is running ahead of last year and, at least temporarily, has put that country in the top spot as a destination of U.S. dairy exports. The value of exports to Mexico, normally the leading destination for U.S. dairy exports, is down somewhat this year, probably due to the reduced activity under DEIP. Exports to Japan, the largest Asian markets for the United States, are largely unchanged from the export pace of 2001.

**Imports** - Data on dairy imports, also from the Bureau of the Census, show the pace of imports during the first 5 months of 2002 running ahead of that of 2001 -- \$638 million this year compared with \$602 million last year.

For cheese, the major product imported, both volume and value, are running above last year. The largest increase is for the basket category “other cheese and cheese substitutes.” The value of casein, the second leading import item, was down \$20 million (10 percent) even though the quantity imported was down only 3 percent. The quantity of imports of milk protein concentrate during the January-May period is up 30 percent compared to last year’s sharply reduced imports.

**SOURCE:** “Dairy: World Markets and Trade”, Circular Series, FD 1-02, July 2002, Foreign Agricultural Service, USDA. For more information contact Authur Coffing at (202) 720-3761.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF AUGUST 5 - 9, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 08/02/02	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	3,050,083	-0-	-0-
Barrel	80,721	-0-	80,721	527,212	4,025,276	-0-	-0-
Process	277,200	-0-	277,200	673,200	3,999,600	-0-	-0-
<b>TOTAL</b>	357,921	-0-	357,921	1,200,412	11,074,959	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	11,914,964	7,373,567	4,541,397	612,221,043	368,331,529	1,200,401,000	598,016,000
Fortified	-0-	-0-	-0-	-0-	28,151,091	46,391,000	38,227,000
<b>TOTAL</b>	11,914,964	7,373,567	4,541,397	612,221,043	396,482,620	1,246,792,000	636,243,000

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 5 - 9, 2002 =	4.3	56.4	COMPARABLE PERIOD IN 2001 =	0.2	10.8
CUMULATIVE SINCE OCTOBER 1, 2001 =	145.8	7,138.6	CUMULATIVE SAME PERIOD LAST YEAR =	189.4	4,724.7
CUMULATIVE JANUARY 1 - AUGUST 9, 2002 =	128.8	6,242.2	COMPARABLE CALENDAR YEAR 2001 =	72.9	3,242.1

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22  
 \*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 5 - 9, 2002 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	277,200	-350,177	-0-
WEST	-0-	-0-	-0-	-0-	80,721	-0-	9,936,929	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-5,045,355	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	673,200	5,995,440	34,251,551	6,677,037	9.4	30.0
WEST	-0-	-0-	527,212	5,039,919	540,607,091	389,805,583	84.9	69.8
EAST	-0-	-0-	-0-	39,600	37,362,401	-0-	5.7	0.2
<b>TOTAL</b>	-0-	-0-	1,200,412	11,074,959	612,221,043	396,482,620	100.0	100.0

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$.8548 per pound; 1# Prints \$.8848  
**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239  
**NONFAT DRY MILK** Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/20/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2002-Dairy	0.2	0.8	5.9	5.1	20.6	2.2	0.3	0.6	12.0	2.1	49.8	1,393.2	45.7	46.0
2001-Dairy	0.2	0.7	5.3	4.9	17.9	2.1	1.6	0.6	10.1	2.3	45.6	1,458.7	43.2	46.8
2002-All cows	0.2	1.0	8.1	13.4	31.3	13.9	16.1	3.1	15.2	6.7	108.9	3,029.1		
2001-All cows	0.2	0.8	7.2	13.9	25.9	15.9	17.2	4.1	14.3	6.0	105.6	3,118.1		

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 (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

**FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48				
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14					
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33					
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45					

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)