

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (6/20):
BUTTER: Grade AA closed at \$1.1250. The weekly average for Grade AA is \$1.1200 (+.0117).

CHEESE: Barrels closed at \$1.2075 and blocks at \$1.2350. The weekly average for barrels is \$1.1610 (+.0550) and blocks, \$1.1895 (+.0445).

NONFAT DRY MILK: Extra Grade closed at \$0.8400 and Grade A at \$0.8400. The weekly average for Extra Grade is \$0.8400 (N.C.) and Grade A, \$0.8400 (N.C.).

BUTTER: The CME cash butter price continues to adjust and is the highest it has been since January 6. The current cash price of \$1.1250 compares to \$1.0150 last year at this time. Producers and handlers have mixed opinions on a market tone. Some indicate that the market is firm due to the time of the year and lower production, while others feel the market is steady although prices are increasing. Favorably priced cream supplies are less available to butter operations in many parts of the country, thus churning schedules are often lower. Inventories of butter at CME approved warehouses are running 31% heavier than last year at this time. In the past couple of weeks, these inventory reports stated that stock levels are edging lower, thus indicating that fresh butter production is not keeping pace with demand. Overall butter demand is fair. Buyers have mixed opinions on purchasing patterns at this time. Some are concerned about continued price strength while others are fairly comfortable with firming prices if they remain in a range of current levels. Many buyers are not overly concerned about supply availability during the coming months and indicate that they will not be placing heavier orders and building inventories.

CHEESE: The cheese market is firm. The CME cash cheese weekly averages are the highest for barrels since May 2002 and since October for blocks. The bullish, May milk production estimate, down 47 million pounds (-0.4%) from May 2002, surprised many in the industry and changed opinions on the supply/demand situation. Buyers are trying to build inventory, expecting prices could escalate further while sellers try to hold back on spot sales. CCC continues to purchase process cheese that has been in the pipeline for a while. Cheese production is generally trending lower seasonally.

FLUID MILK: Milk production is declining in most parts of the country. Triple digit temperatures in parts of California and most of Arizona are taking their toll on milk output. More seasonal temperatures are being noted in other Southern states and the milk flow is easing steadily lower. In the Northern tier of states, seasonally cool temperatures are helping to maintain milk output. However, continued rainy weather in the Northeast and Middle Atlantic areas is hampering haying and pasturing. In parts of the West, the lack of rain and water reserves are impacting alfalfa growth and harvesting. Bottled milk sales are slowing and entering their normal patterns as schools across the country are on or nearly on summer recess. Surplus milk supplies are not as heavy as they have been. The fluid cream market is firm. Supplies tightened very quickly during the past two weeks. Western cream is shipping to Eastern buyers and prices are increasing. Some contacts feel that as the supply tightens further, only contracted loads will move cross-country.

DRY PRODUCTS: The NDM market is mostly steady. Production levels are little changed from prior weeks, but surplus milk supplies are declining in

many parts of the country. Output is clearing and few reports of inventory accumulation are noted. Commercial sales are steady and mostly for immediate needs as spot buyers see no reason to purchase too far ahead. Offerings to CCC remain heavy. The dry buttermilk market is showing signs of improvement. Demand is still slow, but some additional sales were reported this week. Producer stocks are in better balance, which is typical for this time of year. The dry whey market is firming as recent prices spurred a flurry of buying interest. A recent whey tender to the Far East has some in the industry still looking for information. The WPC market remains weak, but prices are mixed. Some plants are in good shape supply-wise, but others have heavy inventories and are discounting prices to stimulate interest. The lactose market is unchanged and firm.

CCC: For the week of June 16 - 20, CCC purchased 792,000 pounds of process cheese from the Central region and 9,453,266 pounds of NDM from all regions. The following are the NDM regional purchases: 255,430 pounds from the Central region, 7,888,392 from the West, and 1,309,444 pounds from the East. CCC also received cancellations of 253,842 pounds of bulk butter.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for July 2003 is \$9.77, up three cents from June. This price is derived from the advanced Class IV skim milk pricing factor of \$5.92 and the advanced butterfat pricing factor of \$1.1590 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for July is \$6.62 and the Class II nonfat solids price is \$0.7356 per pound. The following are the two-week product price averages: butter \$1.0808, nonfat dry milk \$0.8040, cheese \$1.1387, and dry whey \$0.1372.

MAY MILK PRODUCTION (NASS): Milk production in the 20 major states during May totaled 13.0 billion pounds, down 0.4% from May 2002. April revised production, at 12.6 billion pounds, was up 0.6% from April 2002. The April revision represented a decrease of 0.2% or 30 million pounds from last month's preliminary production estimate. Production per cow averaged 1,669 pounds for May, 9 pounds (0.5%) below May 2002. The number of cows on farms was 7.79 million head, 17,000 head (0.2%) more than May 2002, but 12,000 head less than April 2003.

MAY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During May, about 11.1 billion pounds of milk were received from producers. This volume of milk is 1.2% lower than the May 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -0.9%.) About 3.9 billion pounds of producer milk were used in Class I products, 0.4% lower than the previous year. Calendar composition, likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilizations were; Class I = 35%, Class II = 10%, Class III = 44%, and Class IV = 11%. The weighted average statistical uniform price was \$10.92, \$0.16 higher than last month, and \$1.10 lower than last year.

****SPECIAL THIS ISSUE****

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CHICAGO MERCANTILE EXCHANGE
 CASH TRADING

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY JUNE 16	TUESDAY JUNE 17	WEDNESDAY JUNE 18	THURSDAY JUNE 19	FRIDAY JUNE 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1175 (+.0075)	\$1.1225 (+.0050)	\$1.1675 (+.0450)	\$1.1900 (+.0225)	\$1.2075 (+.0175)	(+.0975)	\$1.1610 (+.0550)
40# BLOCKS	\$1.1450 (N.C.)	\$1.1500 (+.0050)	\$1.1975 (+.0475)	\$1.2200 (+.0225)	\$1.2350 (+.0150)	(+.0900)	\$1.1895 (+.0445)
BUTTER							
GRADE AA	\$1.1100 (-.0050)	----	\$1.1250 (+.0150)	----	\$1.1250 (N.C.)	(+.0100)	\$1.1200 (+.0117)

*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 (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, JUNE 16, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.1175, 1 @ \$1.1125, 1 @ \$1.1100, 1 @ \$1.1050; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 6 CARS GRADE AA: 3 @ \$1.1200, 3 @ \$1.1100; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.1000; OFFERS UNCOVERED: NONE

TUESDAY, JUNE 17, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 2 @ \$1.1225, 1 @ \$1.1175, 1 @ \$1.1150; 1 CAR 40# BLOCKS @ \$1.1500; OFFERS UNCOVERED: NONE

WEDNESDAY, JUNE 18, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.1675, 1 @ \$1.1525, 1 @ \$1.1175; 2 CARS 40# BLOCKS: 1 @ \$1.1975, 1 @ \$1.1950; OFFERS UNCOVERED: NONE

BUTTER — SALES: 22 CARS GRADE AA: 10 @ \$1.1200, 7 @ \$1.1225, 5 @ \$1.1250; BIDS UNFILLED: 31 CARS GRADE AA: 5 @ \$1.1250, 10 @ \$1.1225, 4 @ \$1.1200, 2 @ \$1.1175, 3 @ \$1.1150, 5 @ \$1.1125, 2 @ \$1.1100; OFFERS UNCOVERED: NONE

THURSDAY, JUNE 19, 2003

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.2150; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.1900, 1 @ \$1.1700, 1 @ \$1.1675; 2 CARS 40# BLOCKS: 1 @ \$1.2200, 1 @ \$1.2150; OFFERS UNCOVERED: NONE

CHEESE — SALES: 1 CAR BARRELS @ \$1.2075; 5 CARS 40# BLOCKS: 2 @ \$1.2200, 1 @ \$1.2300, 1 @ \$1.2350, 1 @ \$1.2400; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.2350

BUTTER — SALES: 9 CARS GRADE AA: 1 @ \$1.1250, 1 @ \$1.1275, 2 @ \$1.1250, 1 @ \$1.1275, 1 @ \$1.1250, 1 @ \$1.1275, 2 @ \$1.1250; BIDS UNFILLED: 9 CARS GRADE AA: 4 @ \$1.1250, 2 @ \$1.1225, 3 @ \$1.1200; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The butter market tone is mixed. Some firmness in the market was noted, but the price decline at the CME on Monday (6/16) did surprise some contacts. The cream market did firm up rather quickly in the past two weeks, which does tend to affect the butter market. However, the more than ample stocks of butter may be keeping prices from jumping too quickly. Churning activity in the Northeast has eased, but some plants are still operating on moderate schedules. Demand for packaged butter remains fair. Interest in bulk is relatively unaggressive. Food service orders continue to improve in resort areas. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

At mid-week, the CME cash butter price of \$1.1250 is the highest it has been since January 6. Cream supplies have tightened and pricing multiples have increased. Butter producers indicate that cream supplies have tightened from regular sources and especially from outside sources. In instances, some butter operations are finding that selling their cream is more advantageous versus churning for their own needs. In many instances, current production continues to outpace demand, thus surplus butter is clearing to inventory. Butter sales are fair with most orders being placed for near term needs. Some buyers are now

questioning what they should do with a firm market and tone. Many feel that prices will continue to firm, but also feel that significant strength will not occur, or at least be short lived. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

The butter market seems to be trending somewhat higher over the past few weeks, but it is certainly not a straight line. Demand for cream has increased sharply in the last two weeks from users outside of the butter churning market. They are bidding higher for available supplies of cream and hauling it longer distances. This seems to indicate that the ice cream season is taking off. The interest appears to be more pronounced than was the case last year. Churning activity is being adversely impacted in the short run. This will lead to some tightness of supplies of current butter, but there still remains a heavy inventory of frozen butter. Weekly butter inventories at CME approved warehouses have fallen for the last two weeks. The total decline is 880,000 pounds. Stock levels stand at 194.4 million pounds, 31% more than last year at this time. Current prices for bulk butter range from 4 cents under to 2 1/2 cents under the market based on the CME with various time frames and averages (includes CCC sales when applicable).

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
JUNE 14	1.1408 8,750,421	1.1155 11,660,998	0.8032 28,737,871	1.0761 3,963,728	0.1363 12,852,483

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 mixed and the market tone is steady. Cheese production in the Northeast is steady to a little heavier as schools are now recessing for the summer, which will temporarily push more milk into manufacturing channels. Some producers continue to limit their milk intakes as a way to manage inventories. Cheese stocks are more than adequate to meet the current slow to fair demand. Retail promotions are in effect and helping sales, but June Dairy Month promotions do not seem to have the impact on consumption that they once did. Food service orders are improving in resort areas as the vacation season gets under way.

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

Cheddar 10# Prints	:	1.2075-1.7025
Cheddar Single Daisies	:	1.1650-1.6300
Cheddar 40# Block	:	1.2875-1.5300
Process 5# Loaf	:	1.3150-1.5175
Process 5# Sliced	:	1.3350-1.5825
Muenster	:	1.3700-1.5750
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is firming. Some cheese plants seem to have more difficulty in filling orders, building their working inventory, or are committed out for various periods. American styles produced in many Wisconsin plants are tight to in balance. More buyers are also trying to build inventory, depending on variety, not always successfully. A few varieties, such as mozzarella, are readily available. Process movement is steady to somewhat improved. Growth is noted on sliced naturals as some customers may have switched from process and/or natural chunks. Milk intakes are generally declining though the recent warmup to more seasonal temperatures may start to impact receipts further. Some plant operators are also having problems acquiring extra milk to fill orders, unusual this soon after schools closed for the summer and/or peak intakes. The May milk production estimates for the 20 major milk producing states being down 47 million pounds, (-0.6%) from last May is also considered bullish.

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

Process American 5# Loaf	:	1.2850-1.4600
Brick And/Or Muenster 5#	:	1.5100-1.8050
Cheddar 40# Block	:	1.4000-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.8975-2.2000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4400-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

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

	BUTTER	:	CHEESE
		:	
06/16/03	101,625	:	138,439
06/01/03	99,421	:	135,729
CHANGE	2,204	:	2,710
% CHANGE	2	:	2

WEST

Process cheese prices declined fractionally while natural and Swiss prices held steady. The market seems to have a mixed tone. Some contacts report that demand has improved, but others indicate that the slower economy has dampened overall interest. Demand remains centered on purchases for immediate needs and is sometimes sluggish. Buyers continue to struggle with cash flow problems even though they believe there is little downside price risk. Some producers are behind on shipments, but others are putting additional loads into storage. Swiss stocks are generally larger than desired for this time of year. Current mozzarella sales are improving, but frozen is finding less buyer interest. Production levels are declining seasonally at most manufacturing operations. Some operations have milk to sell and others are looking for additional supplies.

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

Process 5# Loaf	:	1.2550-1.5150
Cheddar 40# Block	:	1.2725-1.4125
Cheddar 10# Cuts	:	1.4525-1.6725
Monterey Jack 10#	:	1.4625-1.6225
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.3700

FOREIGN

Prices are unchanged to fractionally lower on domestic styles. The market tone is seasonally slow to fair. As summer gets underway and people go on vacations, imported/foreign-type cheese consumption eases. Supplies of most types of cheese range from light to fully adequate for the current slow to fair demand. The Euro continues to be very strong against the Dollar.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
	:		:
Roquefort	:	TFEWR	: -0-
Blue	:	2.6400-3.7200	: 1.5025-2.9925*
Gorgonzola	:	3.6900-5.9400	: 2.0200-2.4900*
Parmesan (Italy)	:	TFEWR	: 2.9125-3.0025*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.5100-1.7375*
Romano (Cows Milk)	:	-0-	: 2.7000-4.8725*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	2.7500-3.7900	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:		:
2 Pound	:	TFEWR	: -0-
4 Pound	:	2.1900-2.9900	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:		:
10 Ounce	:	27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

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	0	131	0	153	0	32
SOUTHEAST STATES	0	0	0	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

Regional Milk Market Administrators announced the following, May 2003 uniform prices: Northeast \$11.60, Mideast \$10.63, Southeast \$11.99, Florida \$13.10, and Western New York (a state order) \$11.22 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During May, milk production in the 20 major states totaled 12.99 billion pounds, down 0.4% from May 2002. The following are the May-to-May changes for selected states: Texas +5.8%, New York -1.8%, Pennsylvania -3.0%, Vermont -3.7%, Florida -5.9%, Virginia -7.0%, and Kentucky -9.3%. For the above-mentioned states, the combined milk cow numbers are down 12,000 head from last May. Milk cows in the twenty major states total 7,786,000 head, up 17,000 from a year earlier. Milk production is easing lower in most sections of the region. Declines are more noticeable in the Deep South where temperatures are increasing and taking its toll on the cows. It continues to rain in the Middle Atlantic and New England areas. This is hampering first cutting alfalfa harvests and feeding of green chop. Contacts continue to report a real drop in the levels of butterfat and protein in the milk. Fluid milk supplies are lighter in most of the East, but a few northern states still have schools in session this week and manufacturing plant receipts may "bounce" a little next week when all schools will be done for the year. Some bottlers do comment that there will be some summer school programs that take milk, but volumes are not very large. Commercial sales of bottled milk are fairly steady, but some wide spread features in the Southeast are keeping bottlers relatively busy. Manufacturing plants are less active. Some seasonal balancing plants in the Southeast are either down or operating just on weekends. In the Northeast, surplus milk volumes are easing and plant operating schedules are lighter. The condensed skim market is little changed. Prices and spot demand are steady. Occasionally, contacts report a few additional loads moving, but most sales are contractual. The fluid cream market remains firm. Local cream supplies are tight and more Western (California) cream is being shipped across the country to supplement local supplies. Prices are higher as both the multiples and the CME average increased. Delivered price multiples are getting into the mid-to-high 140's, with f.o.b. prices generally in the mid 130's to low 140's. Demand has held up surprisingly well during the past few weeks. Buyers are having a difficult time finding desired volumes from regular sources. Contacts also report that the internet-based marketing program has few, if any offers to sell being posted. Ice cream and ice cream mix production is starting to pick up, but the weather along the shore is doing little to boost consumption of soft serve or hard ice cream. Cream cheese production is about steady. Even with cream prices jumping relatively quickly, cream cheese makers are calling suppliers, looking for cream. Bottled cream sales are improving seasonally. Churning is lighter as some butter makers sell their cream.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.4408-1.5738
DELIVERED EQUIVALENT ATLANTA	-	1.4630-1.5960 M 1.4851-1.5516
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.4297-1.5516

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8500-.9300
NORTHEAST- CLASS III - SPOT PRICES	- .7400-.8200

MIDWEST

Class I needs overall are lighter after the last schools closed for summer. Retail features are still clearing some extra amounts. The extra milk volumes backed into manufacturing channels from bottlers' school accounts are being readily absorbed. Manufacturing plant operators looking for extra milk are finding that it is not readily available. Some operators are trying to make extra milk

commitments for various lengths of time with mixed results. Reported spot manufacturing milk prices range from \$0.75 to \$1.50 over class. Cream supplies continue to tighten and volumes are moving some distance in order to fill needs. Ice cream and whipped cream interest remains good seasonally. Dip producers are also increasing schedules for expected holiday needs. Condensed skim interest is good from Class III accounts at \$0.83. Warmer, though around seasonal temperatures, elevated humidity, and plenty of insects are combining to reduce current milk intakes slightly. Fat tests are declining further. The estimated May milk production in selected Midwestern states compared with May 2002 is: Wisconsin 1.929 billion pounds, down 11 million pounds (-0.6%); Minnesota 734 million pounds, off 21 million pounds (-2.8%); Michigan 533 million pounds, up 13 million pounds (2.5%), and Iowa 333 million pounds, down 8 million pounds (-2.3%). Of these states, only Michigan reported more cows than a year ago though all showed small increases in production per cow. Dry weather provided farmers with the opportunity to harvest a lot of hay/haylage though corn cultivation is hampered by the sluggish growth caused by the cool earlier weather. Also, "silo corn" and soybeans are getting planted after first cutting.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUNE 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 41.00- 46.00	\$ 39.00- 46.00
REPLACEMENT HEIFER CALVES	\$300.00-450.00	\$350.00-560.00

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

	JUNE 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 38.00- 48.50	\$ 36.00- 43.50

WEST

the May Milk Production report indicates that only six of the 20 surveyed states either held steady or increased production and four of the six are in the Western region. Output, overall, for the 20 states was down in May by 0.4%. This is the first time since October 2001 that year on year milk output was negative. Cow numbers were up 0.2% from last year, but production per cow was down 0.5%. Cow numbers in the Western states generally continued to increase, but at a much slower rate. For the past two months as part of this survey, cow numbers declined 25,000 head. Production per cow was negative at all the Western states except for Idaho. For May, output in Arizona was exactly even with a year ago, California output was up 0.3%, Idaho +5.7%, New Mexico +5.3%, and Washington down 2.2%. CALIFORNIA milk output was adversely impacted by the hot weather of a few weeks ago and they were hit again this week by triple digit temperatures. The quality of the hay available is also a factor in reducing the milk output per cow. Milk supplies are adequate at most plants, but cream supplies are short at a number of operations, especially in the south. Cream is moving out of the region this week to eastern areas of the country. That may come to an end next week as Western suppliers may not have enough supplies available to meet more than local needs. Plant operators are somewhat surprised at how fast things have tightened up. Western cream multiplies increased again and now range from 120-133, FOB, depending on class usage. Milk production continues to fall off seasonally in ARIZONA. Daytime temperatures are bad enough, often ranging from 108-110 degrees, but the real problem is that it is now not cooling off at night to give the cows much relief. Recent night time temperatures are holding in the low 80's. Plant operating schedules are being reduced and heavy volumes of cream are moving east. Conditions for milk production are not nearly as stressful in NEW MEXICO as in the rest of the Southwest. Temperatures are in the high 90's and they are cooling off at night. Many hay growers are cutting their second crop of hay and the quality looks quite good. Cooler temperatures and some moisture are leading to a partial rebound in milk production in the PACIFIC NORTHWEST. The trend, however, remains lower seasonally. More concern is being expressed about how the hay quality versus price issue may impact production per cow for the near term. Culling rates seem to be holding up quite well. Temperatures continue to be averaging about 8 degrees above normal for both UTAH and IDAHO. This is putting additional stress on already short water supplies. For most water districts, river water surface supplies will be running out shortly. That will leave only stored water to rely on. Estimates are that those supplies may last until mid-August. This means hay growers need to strategize about the timing of their cutting and how many cuttings they will try for. Corn silage growers are concerned about the possible early shut down of the canals. Milk receipts are past the peak over much of the region. Tests are declining due to the increasing hot temperatures.

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 mostly steady market. Milk supplies are decreasing in response to warmer temperatures. Concomitantly, condensed skim sales are increasing into cheese and Class II facilities, reducing dryer schedules and NDM output. Inventories are generally in balance. Spot sales are light. Most movement is occurring steadily on a contractual basis. Traders are purchasing additional loads from the West at the lower end of the range, FOB. While tighter supplies suggest firmer prices, the impact of the CCC NDM/cheese exchange is expected to hold the market steady into July. Off grade product is available and difficult to clear into feed markets.

EAST: Eastern prices and the market tone are unchanged. Production levels are often lighter as surplus milk volumes decline from seasonal peaks. However, some schools do not recess until next week and resulting lower need for bottled milk will push a little more surplus milk to manufacturing plants. Drying schedules are moderate to heavy. Condensed skim sales continue to be reported in the slow to fair range and some plants are having to dry a little more than they would like. Demand isn't overly aggressive, just steady. Fortunately, demand is sufficient to clear current production with little or no additional inventory build up. Continued clearances of Eastern NDM to CCC are balancing stocks at some plants. There is still conversations and speculation surrounding the NDM that CCC is or will be putting on the market as partial payment for cheese and/or pudding purchases.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8700 MOSTLY: .8000 - .8400
 HIGHHEAT: .8600 - .9250

NONFAT DRY MILK - WEST

No price changes are noted for Western low/medium heat powder. Sales activity is centered on purchases to replace ongoing orders. Buyers are not looking to make additional purchases at this time because they see no chance of supplies tightening up. Heavy clearances to the CCC price support program continue with 10.1 million pounds clearing this past week. Some discussion of the upcoming powder for cheese program that will make additional supplies of powder available on the commercial market in July is taking place. Sales of condensed skim are improving. Milk receipts are declining at some plants in the Southwest because of the stress caused by the different bouts of temperatures above 100 degrees. Prices for high heat powder are holding steady. Most manufacturing plants are making this type of powder to order.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7900 - .8875 MOSTLY: .7950 - .8075
 HIGHHEAT: .8200 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 13	\$.8033	12,762,959	3,371,900
June 6	\$.8011	15,440,791	6,729,454

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 market. While some plants are selling buttermilk at higher prices, other locations are taking advantage of the increased demand by clearing heavy stocks at lower prices. As milk supplies tighten, cream is less available, reducing churn activity and subsequent production of buttermilk. Some plants have ceased dry production and are not anticipating drying again until sometime this fall. Condensed buttermilk is clearing steadily into ice cream plants. Dry buttermilk is being traded dominantly into brokerage and blending operations. Export opportunities for buttermilk are also reportedly available.

F.O.B. CENTRAL: .6500 - .7100

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices to lower and the market tone are unchanged. Eastern prices are nominal. The glut of producer stocks seen earlier in the year is being or has been worked down. More Eastern producers commented that their dry buttermilk stocks are now in close balance. The combination of slower production, slow-but-steady demand, and low prices has combined to clear the stocks. Current demand is lackluster, but steady. The seasonality of the dry buttermilk market is becoming more evident. Drying schedules are lighter as churning activity eases and condensed buttermilk sales are improving seasonally.

F.O.B. NORTHEAST: .6800 - .7000
 DELVDSOUTHEAST: .7000 - .7300

DRY BUTTERMILK - WEST

Buttermilk powder sales are the most active they have been in months. Multi-load sales are noted from a number of plants and single load sales are noted from other operations. Most of the increased sales activity is related to the ice cream trade. This is following closely the increased demand for cream, also into ice cream operations. Most manufacturers still have stocks on hand, but they are happy to see some movement. Production is trending lower as churning activity slows seasonally and more condensed sales occur.

F.O.B. WEST: .6500 - .7200 MOSTLY: .6700 - .6800

DRY WHOLE MILK - NATIONAL

Prices and the market tone are steady. Prices remain nominal due to the limited number of reported spot sales. Production levels range from steady to slower. Surplus milk supplies are decreasing from the seasonal peak in most parts of the country. For some producers, there is less skim to be dried and if they want or need to, they can make dry whole milk. Plant stocks are balanced.

F.O.B. PRODUCING PLANT: 1.0325 - 1.1500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2002 THROUGH JUNE 13, 2003
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-	68,201	MT (150,355,592 LBS)
CHEESE	-	3,029	MT (6,677,733 LBS)
BUTTERFAT	-	10,000	MT (22,046,000 LBS)
CHANGE	-	3,125	MT (6,889,375 LBS)

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. This program-year's allocations have been announced in stages. The third stage was announced on February 25, 2003, and makes available 25,575 MT of NDM, 1,136 MT of cheese, and 5,000 MT of butterfat. This announcement fills the NDM and cheese allocations for this DEIP-year. On May 19, 2003, USDA issued invitation for another 5,000 MT of butterfat.

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 higher on a steady market. Most plant stocks are reportedly in good balance. Offering prices are trending higher. Demand is improved compared to the week prior. Inquiries are noted from bakeries, confectionary and blending plants and brokerage facilities. Whey is reportedly difficult to find with some buyers accepting higher flat prices for next week in lieu of any price discovery. Some feed buyers are not seeking any additional supplies as current stocks suffice. However, some feed operations that have purchased WPC 80% are searching for additional loads of whey to dilute WPC 80%. Export interest is light and production is mostly steady.

F.O.B. CENTRAL: .1375 - .1475 MOSTLY: .1400 - .1450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally higher and the market tone is showing more signs of firmness. Eastern dry whey producers comment that the market is turning around and stocks are not as long as they have been. The discounted sales noted during the past few weeks have most producers in a much better supply position. Last week's price increases in other regions of the country have more buyers/users/speculators back in the market looking for additional product. They apparently feel that the bottom of this price cycle has been reached and its time to buy ahead of additional increases. During the past few weeks, there have been more reports of traders taking positions and building some inventory. Demand has improved at the producer level and most are now in a position to ask for premiums rather than having to discount prices to induce a sale. The premiums are not large, but they are premiums.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1400 - .1675
DELVD SOUTHEAST: .1625 - .1800

DRY WHEY - WEST

Western whey range prices continue to hold steady with the mostly series increasing fractionally. More buyers are willing to pay higher prices to get the powder that they need in a timely fashion. This is not to say that inventories at all locations are in good shape. Some producers and brokers do have more powder on hand than they would like at this time. A few buyers are thinking that this might be a good time to take possession of some additional loads of powder. They don't see much additional downside potential and feel that price may move higher. A recent whey tender to the Far East has some in the industry still looking for information. The U.S. will probably get a portion of the volume at prices that might be near the low end of the range.

NONHYGROSCOPIC: .1250 - .1550 MOSTLY: .1325 - .1450

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher on a steady market. Although, more feed plants are opting to purchase Extra Grade whey instead the quality-reduced milk replacer product, supplies of milk replacer are limited. As a result, prices are reportedly higher. Due to the import ban on Canadian veal, US veal markets are firm. Early weaned pig prices are also trending higher.

F.O.B. CENTRAL:
MILK REPLACER: .1275 - .1300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mostly lower on a weak market. Heavy supplies of domestic and foreign WPC 80% and isolates are suggestively deterring interest in WPC 34%. As a consequence, some producers are discounting their supplies to brokers and some end-users in an attempt to alleviate heavy stocks. However, at other locations, stocks are in better balance and sales are occurring closer to the average, suggesting that the market may be near a bottom. Some producers are expressing concern about lowering prices any further as losses are already being accrued at current prices. Off grade WPC is readily available for the light interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .3700 - .4400 MOSTLY: .3900 - .4050

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Negotiations for third quarter have commenced at most plants. More contracts have also been finalized at higher prices. Increased interest from Asian nations that have switched away from demineralized whey to WPC/lactose for their infant formulas is a suggestive reason for the firm market. Good demand from New Zealand for NDM standardization may also be a factor. In addition, some plants are diverting more of their production toward 200 mesh instead of the lower 30-100 mesh sizes as demand from pharmaceutical and nutritional companies for the higher mesh size has reportedly improved. Production is steady to lower due to lower whey intakes and equipment problems at some locations. Inventories are mostly in balance with some plants unable to satisfy spot interest. Off grade supplies are limited for the fair feed interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1600 - .2350 MOSTLY: .1700 - .1900

CASEIN - NATIONAL

Casein prices are generally unchanged, although the market tone remains firm. Domestic buyers indicate that they are getting their contracted volumes as scheduled, but additional spot needs are not as easy to come by. Oceania sourced supplies are being filled from inventoried stocks with European sources also filling orders from inventory. Reports indicate that European production is much lower than last season which is giving cause for concern about availability later in the year.

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: 1.9500 - 2.1500
ACID: 1.9500 - 2.0500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are easing as milk supplies tighten in more areas of the country. Producers who purchase surplus milk for processing are finding that less is available at discounted prices. Producer stocks continue to build as is normal for this time of year. The market remains highly competitive.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	06/04	06/05	06/06	06/09	06/10	06/11	06/12	06/13	06/16	06/17
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JUN 03	9.80 (4112) 28	9.82 (4204) 124	9.77 (4272) 103	9.77 (4183) 40	9.75 (4206) 129	9.75 (4193) 120	9.75 (3993) 517	9.67 (3773) 33	9.70 (3754) 4	9.69 (3538) 377
JUL 03	10.55 (3895) 118	10.70 (3999) 145	10.64 (4008) 51	10.73 (3962) 123	10.77 (3854) 210	10.71 (3951) 139	10.73 (3999) 161	10.86 (4038) 61	10.86 (4078) 64	10.82 (4116) 132
AUG 03	11.30 (3405) 262	11.47 (3427) 137	11.56 (3437) 157	11.66 (3448) 42	11.73 (3508) 181	11.65 (3551) 73	11.71 (3566) 59	11.89 (3710) 217	12.11 (3853) 248	12.16 (3931) 221
SEP 03	12.10 (3464) 318	12.25 (3508) 172	12.21 (3512) 61	12.31 (3635) 184	12.35 (3620) 128	12.28 (3653) 87	12.33 (3657) 141	12.52 (3704) 105	12.69 (3767) 196	12.73 (3783) 143
OCT 03	12.10 (2900) 365	12.19 (2957) 137	12.20 (3000) 111	12.30 (3036) 75	12.33 (3074) 146	12.30 (3104) 78	12.34 (3123) 87	12.49 (3204) 124	12.65 (3257) 145	12.66 (3320) 125
NOV 03	12.15 (2375) 110	12.20 (2389) 34	12.18 (2460) 102	12.23 (2480) 47	12.25 (2499) 52	12.19 (2506) 57	12.22 (2565) 69	12.29 (2648) 128	12.32 (2706) 126	12.31 (2793) 122
DEC 03	11.94 (1836) 58	11.94 (1845) 17	11.94 (1854) 30	11.94 (1895) 78	12.04 (1900) 24	12.01 (1919) 47	12.02 (1948) 44	12.08 (1997) 101	12.08 (2048) 77	12.06 (2076) 79
JAN 04	11.80 (494) 42	11.79 (494) 0	11.79 (494) 0	11.79 (551) 128	11.95 (556) 14	11.90 (557) 5	11.85 (562) 10	11.90 (595) 35	11.95 (599) 15	11.95 (608) 46
FEB 04	11.75 (441) 15	11.73 (441) 1	11.70 (442) 1	11.70 (463) 92	11.75 (470) 38	11.75 (474) 12	11.75 (482) 16	11.75 (501) 23	11.75 (501) 47	11.75 (510) 30
MAR 04	11.60 (226) 15	11.60 (226) 0	11.60 (227) 1	11.60 (289) 103	11.65 (295) 7	11.65 (294) 9	11.65 (296) 4	11.65 (309) 17	11.70 (309) 7	11.68 (326) 27
APR 04	11.40 (157) 4	11.40 (157) 0	11.40 (157) 0	11.40 (174) 35	11.45 (177) 7	11.45 (177) 9	11.45 (182) 8	11.50 (182) 3	11.50 (182) 5	11.50 (182) 10
MAY 04	11.35 (145) 4	11.35 (151) 6	11.35 (151) 0	11.35 (153) 2	11.35 (155) 7	11.35 (155) 8	11.35 (156) 6	11.50 (157) 2	11.55 (155) 5	11.60 (149) 10
JUN 04	11.55 (145) 12	11.60 (145) 0	11.60 (145) 0	11.60 (147) 3	11.65 (151) 7	11.65 (151) 4	11.65 (154) 4	11.75 (154) 2	11.75 (151) 7	11.75 (150) 10
JUL 04	12.09 (152) 0	12.09 (152) 0	12.09 (152) 0	12.09 (153) 1	12.09 (158) 7	12.09 (161) 7	12.09 (163) 6	12.10 (165) 7	12.10 (163) 4	12.10 (163) 0
AUG 04	12.25 (146) 1	12.25 (146) 0	12.25 (157) 11	12.26 (158) 1	12.26 (159) 5	12.26 (161) 2	12.26 (161) 9	12.31 (163) 6	12.35 (162) 5	12.35 (162) 0
SEP 04	12.50 (154) 0	12.50 (154) 0	12.50 (157) 3	12.51 (158) 2	12.55 (159) 1	12.55 (160) 1	12.55 (164) 7	12.56 (166) 4	12.59 (169) 5	12.60 (169) 0
OCT 04	12.30 (64) 1	12.30 (64) 0	12.30 (64) 0	12.30 (65) 1	12.30 (65) 0	12.30 (69) 4	12.25 (71) 5	12.29 (74) 5	12.30 (77) 3	12.28 (77) 0
NOV 04	12.10 (2) 0	12.00 (2) 0	12.00 (2) 0	11.95 (3) 1	11.95 (6) 3	11.95 (8) 2	11.85 (11) 4	11.83 (11) 2	11.83 (16) 5	11.70 (16) 0

CME - (CLASS IV) MILK FUTURES - Dollars per cwt.

JUN 03	10.15 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0	10.10 (5) 0
JUL 03	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0	10.17 (11) 0
AUG 03	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0	10.15 (36) 0
SEP 03	10.05 (20) 0	10.10 (20) 0	10.10 (20) 0	10.15 (20) 0	10.15 (20) 0	10.15 (20) 0	10.15 (20) 0	10.15 (20) 0	10.15 (20) 0	10.15 (20) 0
OCT 03	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0	10.15 (2) 0

CME - BUTTER FUTURES -- Cents per pound

JUL 03	112.00 (454) 29	112.00 (440) 16	111.75 (437) 6	112.00 (427) 13	112.00 (377) 62	113.00 (381) 14	113.25 (377) 13	113.75 (375) 4	113.25 (371) 8	113.25 (360) 12
SEP 03	115.00 (627) 23	115.00 (630) 3	115.25 (633) 6	115.50 (635) 5	115.50 (675) 40	116.50 (677) 2	116.50 (677) 3	117.00 (679) 5	116.50 (681) 6	116.75 (681) 0
OCT 03	116.50 (289) 4	116.50 (289) 0	116.50 (289) 3	117.00 (289) 0	117.00 (296) 7	119.00 (299) 3	118.75 (302) 3	119.00 (320) 18	118.00 (321) 1	118.00 (321) 3
DEC 03	119.02 (114) 0	119.02 (114) 0	119.02 (167) 55	119.00 (167) 0	119.00 (167) 0	119.52 (167) 0	119.55 (167) 0	119.77 (167) 0	119.77 (167) 0	119.77 (167) 0
MAR 04	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (56) 0	129.00 (58) 2	129.00 (58) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered June 9 - 20, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN ANDEASTERNEUROPE

OVERVIEW: WESTERN EUROPE: Milk production patterns throughout most of Europe are positive, although recent warm temperatures are reducing milk volumes quickly. Milk handlers are stating that butterfat tests on incoming milk are also lower which they are attributing to the higher temperatures. Spotty rainfall is being reported throughout Europe, with milk producers in some areas desiring more than they are receiving. Pastures and summer forage conditions vary greatly, basically depending on moisture or lack thereof. Manufacturing schedules throughout Western Europe remain seasonally active. In most instances, plants are maintaining peak or near peak production schedules. International buying interest remains slow and unaggressive for European sourced dairy products. Often, European traders indicate that they are losing sales to other sources. Most attribute this situation to price. Many dairy product traders and handlers continue to lobby the EU Management Committee for further export refund increases. At the most recent Management Committee meeting of last week, export refunds were unchanged. Basically the committee indicated that little has changed since the adjustments of a few weeks ago to warrant additional changes at this time. The Euro remains strong against the U.S. dollar. Over the past 4 - 6 weeks, the Euro has fluctuated between 1.17 - 1.19 for one U.S. dollar. Lack of skim milk powder sales is encouraging heavier than anticipated offerings to intervention. As of June 8, 59,000 mt of skim milk powder have been offered since March 1. This compares to nearly 98,000 mt last year at this time. Most producers and handlers still feel that the 109,000 mt maximum level will not be reached during the current open season which closes August 31. Many feel that as milk production declines, milk volumes may be directed away from butter/powder production toward other manufactured dairy products, thus slowing future intervention offerings.

BUTTER/BUTTEROIL: European butter markets are steady to firm with prices generally higher. Stocks of butter are tightening. Churning activity has been seasonally active as milk volumes were readily available to butter/powder operations. Now that overall milk production is on the down side, some milk handlers are diverting milk away from butter/powder production and directing available milk supplies toward other manufactured dairy products. Most butter market activity is centered around internal or domestic needs with international sales slow.

82% BUTTERFAT: 1,325 - 1,400
99% BUTTERFAT: 1,600 - 1,700

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are generally steady. Stocks of powder are available for both domestic and international buyer interest. Skim milk powder continues to be offered to intervention. As of June 8, nearly 59,000 mt of powder have been offered versus nearly 98,000 mt last year at this time. Some producers and handlers are reporting that milk is being diverted away from butter/powder production and toward other dairy products. They state that if this is the case and continues, offerings to intervention should slow. Sales activity out of Europe is slow, although some small lot and near term shipments are being reported.

1.25% BUTTERFAT: 1,675 - 1,750

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are firm. Recent sales activity out of Europe is centering around whole milk powder versus other manufactured dairy products. Traders and handlers report that sales are not overly robust, but at least some trading activity is starting to occur. Many still point to price as the limiting factor to European sales activity. Many traders and handlers continue to lobby the EU Management Committee for additional export subsidy increases to further stimulate sales.

26% BUTTERFAT: 1,675 - 1,750

SWEET WHEY POWDER: Whey powder markets are steady to weak with prices unchanged to generally lower. Cheese production is increasing as milk is being diverted away from some manufactured dairy products and directed toward cheese output. If this continues to be the case, whey volumes will also become more available with handlers and traders anticipating prices to remain low. Stocks are readily available for buyer needs which at this time are centering around domestic sales.

NONHYGROSCOPIC: 325 - 400

OVERVIEW: EASTERN EUROPE: In many Eastern European countries, reports indicate that milk production has peaked and in instances, is on the down side. Temperatures are increasing and dry conditions continue to persist, which could accelerate production declines. At this point, manufacturing facilities are

OCEANIA

OCEANIA OVERVIEW: The winter milk production season is at hand and milk output is at seasonal low levels. In recent days, measurable rainfall has occurred in many dairy production areas of Australia and New Zealand which is helping depleted water levels and winter pasture conditions. Milk producers indicate that as long as temperatures remain fairly moderate, pastures will be able to replenish themselves with lighter supplemental feeding required. In Australia, and especially the Victoria region, the rainfall is greatly appreciated, but milk handlers state that considerable volumes will be needed to replenish low water table levels in that region of the country. Manufacturing facilities in both countries are basically closed with minimal operations. Overall market activity continues to center around shipments of previously placed orders from inventoried stocks. Traders and handlers continue to indicate that stocks will be sufficient to meet customer needs before the new milk production season resumes in a few months. Milk producers and handlers are looking toward the new season with great optimism. Early production estimates for 2003 - 2004 in New Zealand are about 2% above last season. This is where the 2002 - 2003 season finished in comparison to the previous year. In Australia, producers and handlers are hopeful that they will not experience another year of production declines. Coming off of a 10% decline in comparison to the 2001 - 2002 year, Australian producers and handlers are hopeful that they will be able to at least hold the line and recover some of the previous year loss.

BUTTER: Oceania butter markets and prices are unchanged. Stocks of butter are reported to be in balance. Most traders and handlers are comfortable with their supply situation in relationship to known needs as orders are being filled from inventoried stocks. Most handlers are still hesitant to acknowledge any surplus butter at this time, although most state that the new production season is not far off and spot availability before that time is possible.

82% BUTTERFAT: 1,250 - 1,275

CHEDDAR CHEESE: Oceania cheese prices and market tone are unchanged. The milk production season has ended, thus orders are being filled from inventoried stocks. Handlers and traders indicate that supplies are sufficient to maintain steady shipment schedules. No new buyer interest is being reported at this time, although producers and handlers are looking toward the new milk production season and renewed contract negotiations.

39% MAXIMUM MOISTURE: 1,700 - 1,950

SKIM MILK POWDER (SMP): Off season skim milk powder markets and prices are generally steady. Stocks are reported to be sufficient to meet needs. Often, producers and traders indicate that they will probably not have any significant volumes of powder available before the start of the new milk production season. International buyer interest is slow and unaggressive with Oceania market activity centering around shipment of previous negotiated sales.

1.25% BUTTERFAT: 1,650 - 1,750

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady at unchanged prices. No buyer interest or sales activity is being reported out of this region. Most all market activity is centered around previous commitments. Stocks are reported to be sufficient for known needs. Most handlers and traders feel that they will be able to cover all needs with inventoried stocks and enter the new milk production season with low carryover inventories, if any at all.

26% BUTTERFAT: 1,700 - 1,775

Exchange rates for selected foreign currencies: June 16, 2003

.7445 Canadian Dollar	.0214 Indian Rupee
.3543 Argentina Peso	.5825 New Zealand Dollar
.0954 Mexican Peso	.6687 Australian Dollar
.2686 Polish Zloty	.0085 Japanese Yen
	1.1837 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0954) = 10.4822$. That is 1 US Dollar equals 10.4822 Mexican Pesos.

Source: "Wall Street Journal"

actively generating manufactured dairy products. Stocks are reported to be available for domestic and international sales. Some sales have been reported, although lighter than desired for this time of the year.

MAY MILK PRODUCTION

Milk production in the 20 major States during May totaled 13.0 billion pounds, down 0.4 percent from May 2002. April revised production, at 12.6 billion pounds, was up 0.6 percent from April 2002. The April revision represented a decrease of 0.2 percent or 30 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,669 pounds for May, 9 pounds below May 2002.

The number of cows on farms in the 20 major States was 7.79 million head, 17,000 head more than May 2002, but 12,000 head less than April 2003.

MAY 2003 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2002	2003	2002	2003	2002	2003	% CHANGE FROM 2002
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	145	150	2,200	2,125	319	319	---
CA	1,639	1,693	1,875	1,820	3,073	3,081	0.3
FL	151	144	1,460	1,440	220	207	-5.9
ID	387	398	1,820	1,870	704	744	5.7
IL	115	110	1,630	1,650	187	182	-2.7
IN	152	144	1,545	1,580	235	228	-3.0
IA	209	203	1,630	1,640	341	333	-2.3
KY	123	120	1,230	1,145	151	137	-9.3
MI	298	300	1,745	1,775	520	533	2.5
MN	490	475	1,540	1,545	755	734	-2.8
MO	137	130	1,315	1,345	180	175	-2.8
NM	296	315	1,910	1,890	565	595	5.3
NY	682	682	1,600	1,570	1,091	1,071	-1.8
OH	263	261	1,550	1,560	408	407	-0.2
PA	580	580	1,650	1,600	957	928	-3.0
TX	309	312	1,570	1,645	485	513	5.8
VT	154	150	1,570	1,555	242	233	-3.7
VA	120	118	1,425	1,345	171	159	-7.0
WA	247	244	2,005	1,985	495	484	-2.2
WI	1,272	1,257	1,525	1,535	1,940	1,929	-0.6
20 STATE TOTAL	7,769	7,786	1,678	1,669	13,039	12,992	-0.4

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (6-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2001 TO 2003
(THOUSAND HEAD)**

2001			2002			2003		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 6	108.1	55.3	Jan 5	101.2	47.4	Jan 4	97.6	48.1
13	134.0	65.6	12	129.3	59.5	11	131.5	63.7
20	117.2	57.7	19	120.6	56.1	18	130.7	63.8
27	115.4	57.8	26	107.3	51.2	25	119.7	59.3
Feb 3	112.5	57.0	Feb 2	103.0	50.4	Feb 1	114.3	55.0
10	110.1	55.1	9	102.3	49.7	8	116.4	55.9
17	110.7	54.5	16	104.9	51.4	15	112.8	57.8
24	111.4	54.2	23	104.8	49.3	22	109.6	53.5
Mar 3	110.3	55.7	Mar 2	97.2	48.0	Mar 1	108.7	56.9
10	111.5	55.7	9	98.1	49.7	8	117.4	59.9
17	110.8	55.3	16	107.5	48.4	15	121.3	61.1
24	109.7	54.6	23	104.2	48.6	22	121.9	62.9
31	109.6	52.8	30	100.7	46.4	29	108.6	54.1
Apr 7	102.2	50.8	Apr 6	99.2	47.8	Apr 5	111.4	56.4
14	94.9	47.0	13	104.6	48.0	12	109.1	53.8
21	102.6	47.7	20	103.7	48.1	19	113.1	54.0
28	110.7	49.3	27	101.7	46.1	26	112.3	53.8
May 5	107.9	47.1	May 4	98.4	46.3	May 3	111.9	53.4
12	106.5	47.2	11	98.9	44.4	10	112.8	52.7
19	105.8	44.8	18	103.9	44.4	17	112.3	51.7
26	109.6	46.3	25	108.7	47.2	24	112.6	50.3
Jun 2	95.1	41.3	Jun 1	91.6	39.2	31	101.5	44.1
9	107.1	46.1	8	108.1	46.1	Jun 7		
16	97.4	41.7	15	104.3	46.1	14		
23	99.0	41.8	22	109.6	46.6	21		
30	109.7	45.8	29	110.5	48.0	28		
Jul 7	88.6	37.5	Jul 6	87.9	39.1	Jul 5		
14	104.1	47.4	13	107.4	49.4	12		
21	105.6	45.6	20	108.9	49.8	19		
28	100.3	41.8	27	105.7	47.6	26		
Aug 4	101.2	42.4	Aug 3	105.7	48.4	Aug 2		
11	98.2	43.4	10	101.8	46.8	9		
18	106.4	46.7	17	106.4	48.7	16		
25	110.6	48.9	24	110.6	50.2	23		
Sep 1	107.4	47.4	31	113.8	53.8	30		
8	91.5	43.3	Sep 7	99.7	47.8	Sep 6		
15	105.4	47.4	14	110.3	51.8	13		
22	108.0	47.3	21	112.2	53.7	20		
29	112.4	50.3	28	115.1	54.6	27		
Oct 6	111.7	49.3	Oct 5	114.6	52.5	Oct 4		
13	112.1	48.8	12	115.3	53.3	11		
20	116.8	50.3	19	116.7	51.8	18		
27	125.7	52.5	26	123.3	54.1	25		
Nov 3	125.3	51.2	Nov 2	125.7	56.2	Nov 1		
10	126.5	53.7	9	121.7	57.1	8		
17	124.3	53.7	16	124.2	55.7	15		
24	96.9	42.0	23	124.9	55.5	22		
Dec 1	120.0	54.9	30	101.1	46.4	29		
8	122.9	55.8	Dec 7	122.2	58.3	Dec 6		
15	116.3	53.6	14	124.4	58.4	13		
22	116.7	52.9	21	119.8	58.0	20		
29	82.0	37.9	28	83.7	38.9	27		

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.

THE DAIRY SITUATION AND OUTLOOK

Production Weakening Begins - Milk production, pounded by low milk prices, has seen growth slow considerably. April output in the 20 major States was within 1 percent of a year earlier for the first time since October 2001. However, easing in milk production owed more to very weak growth in milk per cow than to a turnaround in milk cow numbers. A likely recovery in milk per cow probably will offset some of the projected loss of milk cows in coming months.

April milk cow numbers (20 States) were below first-quarter levels and only 0.5 percent above a year earlier. Cow numbers generally rose from October 2001 through March 2003. The very low returns are beginning to slow expansions by the stronger producers and may be triggering exit of weaker farms. However, the turnaround in cow numbers shows no sign of being dramatic and might even stall for a month or two before steady declines become established. April milk cow numbers were substantially above a year earlier in California, New Mexico, and Idaho. However, increases in these typically high-growth Western States had slowed since last year. This slowing was offset by some unusual strength in some Midwestern and Northeastern States. Michigan, New York, Pennsylvania, and Ohio showed increased or about unchanged cow numbers in April, reflecting a pick-up in new or greatly expanded farms and continued slow farm exit. The addition of new capacity probably has slowed, and the recently added space probably has been mostly filled with cows. The recent and expected returns will limit interest in further expansions, and a significant share of expanders probably will buy discounted existing facilities rather than add new capacity. Much of the recent upward pressure on milk cow numbers probably has dissipated. Exit of dairy farms reportedly has begun to pick up but clearly has yet to become common. Although recent low returns have produced considerable income stress on many operations, the high returns of earlier years probably were used for early maintenance and capital replacement and may have left a cash reserve. In addition, payments under the Milk Income Loss Contracts (MILC) undoubtedly played a significant role, particularly for smaller farms. Milk cow numbers are expected to slip below a year earlier this spring, before widening to about a 1-percent gap by yearend. For the year, milk cow numbers are projected to average only slightly fewer than in 2002.

Milk per cow remains quite weak. Compared with the 5-year average, milk per cow in recent months has risen at an annual rate of only 1.2-1.3 percent, far below the long-run trend of about 2 percent. Milk-feed price ratios have been at levels normally associated with below-trend gains in milk per cow but cannot fully explain the weakness. A number of other factors and adjustments appear to have affected milk per cow. The shortage of replacement heifers disrupted normal culling practices in late 2001 and 2002. The return of more normal heifer demand this year probably has ended most of the direct effects of abnormal culling on milk per cow. Even so, the current milk cow herd probably has an unusually large share of first-calf heifers, creating a lagged weakness in average milk per cow that will persist until this bulge enters their second lactation. Greatly mixed forage quality was typical for Midwestern and Northeast dairy farmers in 2002. By this spring, these farmers probably were faced with feeding inferior forage and suffering some loss of milk per cow or searching out relatively expensive good hay. Given the low milk prices, a significant number of dairy farmers reportedly opted for the former. In addition, some farmers may have cut back on relatively expensive concentrates such as cottonseed. The low milk prices expected during the rest of 2003 will provide relatively little incentive to boost milk per cow through feeding. The emphasis likely will continue to be on cutting costs, even if milk per cow slips. The quality of forage in key dairy areas will be quite important. The season is off to a mixed start in most areas of the Midwest and Northeast. Except for areas with particularly severe winter loss, hay stands are generally in good condition. However, wet weather has delayed and reduced the quality of the first cut. Late rains in California resulted in some quality problems in their early cuttings. Milk per cow is projected to recover only slightly during the rest of 2003 and probably will stay relatively soft. Even so, increases from the weakening levels of a year earlier likely will pick up somewhat. For the year, average milk per cow is expected to rise only slightly more than 1 percent from 2002.

Increases in milk production are projected to persist through 2003 and beyond. Recovery in milk per cow is expected to mitigate the developing weakness in milk cow numbers. Total 2003 milk production is expected to rise about 1 percent, following 2002's increase of more than 2 percent.

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Milk used in manufactured dairy products (on a milkfat basis) rose less than 1 percent from a year earlier in January, was virtually unchanged in February and March, and fell about 1 percent in April. Cheese has tended to have a small advantage over butter-nonfat dry milk plants in competing for the limited milk supplies, and cheese plants appeared to have had first claim on milk supplies to a possibly even greater extent than normal. However, somewhat erratic cheese sales have been reflected in uneven cheese production. Butter and nonfat dry milk output have weakened fairly steadily, going from small gains from a year earlier in January to substantial declines by April. If fluid milk sales continue to post increases, supplies of milk for manufacturing probably will be a little tight during the rest of the year. However, supplies would need to tighten considerably more than a little to spark a significant price recovery.

Industry Stocks Heavy - Commercial stocks on May 1 remained huge, but seasonal increases have been much smaller than a year earlier. May 1 holdings were 12.7 billion pounds, milk equivalent, milkfat basis, up 1.7 billion from a year earlier. However, stocks grew only 2.8 billion pounds between January 1 and May 1, compared with a 4-billion-pound jump during the same period of 2002. Modest slowing in milk production expansion and recovery in commercial use helped keep stocks from getting worse. However, industry adjustments to low prices have yet to start eroding the earlier stock accumulations. Commercial stocks of skim solids were considerably more moderate. At 9.6 billion pounds, milk equivalent, skim solids basis, on May 1, stocks of skim solids were near the 2000-02 average for the date. Like milkfat inventories, holdings of skim solids grew considerably less during the first 4 months of 2003 than during the same months of 2002. Butter stocks remain the major problem. May 1 commercial stocks were the largest ever, up a third from a year earlier. In the absence of aggressive retail specials, butter sales have been too lackluster to have much effect on inventories. Industry stocks of cheese were large on May 1, but up only a modest seasonal amount from the start of the year. May 1 holdings were only slightly larger than a year earlier or the 2000-02 average for the date. Recent sales to the Government under the price support program have helped to trim stocks. Even so, these holdings probably were somewhat larger than necessary in light of the recent and anticipated market conditions. May 1 manufacturers' stocks of nonfat dry milk were moderate, near the levels of the 2 preceding years. Continued large price support sales have kept commercial powder stocks from growing.

Sales Improve But Demand Still Sluggish - Dairy demand remains unsettled. Economic recovery has been uneven and not particularly strong. Consumer spending has grown, but consumers have been generally more cautious and have shifted expenditures among categories. Restaurant spending stays rather weak, a key factor for some dairy products.

Commercial use appears to be responding to the lower prices, although year-to-year changes in sales have been erratic for most products. Market conditions during the first few months of the year were unsettled in both 2002 and 2003. Also, Easter was considerably later in 2003 than in 2002. For the first 4 months of 2003, total dairy product sales rose almost 3 percent on a milkfat basis. Commercial use of skim solids was not quite as strong but still managed an increase of almost 2 percent. Cheese sales rose only about 1 percent from a year earlier during January-April. The restaurant slowdown has been a major effect on cheese use, particularly reflected in the lack of any growth in American cheese sales. Pizza sales reportedly have recovered a bit but are not robust. Food processor use of cheese also appears to have stayed somewhat soft. Although retail sales may have increased, these rises have been partially offset by weakness in other sectors. Butter sales clearly were stronger this Easter than in 2002. For the first 4 months of the year, commercial disappearance rose more than 3 percent. Even so, butter demand has not recovered much in light of the very large price declines since 2001. Upscale restaurants have been particularly hurt by the downturn, and these operations use the most butter. Commercial disappearance of nonfat dry milk has been very weak. During January-April, use fell almost a fifth from the already weak levels of a year earlier. Part of the drop was related to the ample supplies of wet solids available this year. Many premium and high-value processed foods probably are suffering the same types of demand problems as some dairy products.

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Growth in commercial use is expected to continue. Prices will remain low and demand is likely to continue its slow recovery. However, much of the sales improvement may be centered on the retail sector. Restaurant and food processing use may continue to be somewhat weak. Under these conditions, a surge in product movement does not seem likely. Commercial use is projected to rise about 2 percent on both milkfat and skim solids bases.

Butter and Cheese Surpluses Return - Net removals under the price support program have included all three products thus far in 2003, hardly surprising in light of the generally large supplies and sluggish demand. During January-May, removals of butter totaled 20 million pounds, up from none a year earlier. About two-thirds of these removals were purchases. Similarly, 37 million pounds of cheese were removed for price support, up from only 1 million in the same period of 2002. The 0.9 billion pounds, milk equivalent, milkfat basis, represented a quite small surplus even if it did loom large relative to last year's negligible level. The key difference between the two years was that this year's already huge commercial butter stocks could not absorb as much milkfat as a year ago. The surplus of nonfat dry milk was actually a bit smaller in January-May, the first signs of a turnaround. Although purchases were similar to last year's, this year's differences in timing of Dairy Export Incentive Program (DEIP) contracts meant that less was exported during the first 5 months of the year. With the higher cheese removals, total removals on a milk equivalent, skim solids basis came to 5.4 billion pounds, slightly larger than a year earlier. Seasonal tightening is expected to soon dry up butter purchases, although this may hinge on how quickly butter stocks decline this summer. Removals through DEIP will continue, although new contracts after the start of the quantity commitment year might be limited by the dollar subsidy limit that applies through September. At this stage, DEIP contracts are a more attractive way of reducing commercial stocks because they can utilize older butter, particularly for butteroil contracts. Cheese removals probably will slow as well, although continued purchases of some out-of-position cheese is possible. The nonfat dry milk surplus is expected to stay large but generally less than a year earlier. For all of 2003, the surplus of milkfat is expected to total about 1 percent of total milkfat marketings, while the excess of skim solids is projected to be about 5 percent of marketings.

International Demand Soft - International dairy markets would appear to be subject to a number of price-boosting factors, but weak demand has forestalled any real increases. Supplies from Oceania are quite limited because of last season's drought, and tight winter forage supplies may affect recovery in the new season. Supplies in Europe are generally smaller than a year earlier, and the Euro's strength has required several adjustments to the export restitution rates. But, economic weakness in a number of key countries and Middle East developments have kept buyers out of the markets. Despite the weakness in the dollar, skim milk powder prices have stayed around \$1,700 per metric ton (about 77 cents per pound), with butter prices still generally below \$1,300 per ton (58 cents per pound). International prices are not expected to increase much in coming months, although new season production prospects in Oceania will be critical. Skim milk powder prices cannot rise much before they are capped by U.S. domestic prices. Export demand is not projected to be strong enough to drain the U.S. excess. Some increase in butter prices is possible, but demand is expected to stay weak.

U.S. dairy imports during January-April were about the same as a year earlier, except for American cheese. American cheese imports were larger, as shipments of Cheddar within the tariff-rate quota (TRQ) were made earlier this year than last, and imports of other American cheeses outside of the TRQ rose. The United States is probably the foremost market in the world for Cheddar and similar cheeses. Some exporters seem to have adopted a strategy in recent years of being a constant presence in the U.S. cheese market, even at the cost of occasional shipments at a short-run loss. After reaching the World Trade Organization (WTO) quantity limits on cheese and nonfat dry milk in early March, all of the recent DEIP contracts have involved butter. Bids were invited for contracts covering the equivalent of 10,000 tons of butter, and this quantity was fully utilized by early June. The WTO quantity limit would allow an additional 11,000 tons to be contracted before June 30, 2003, with a new annual limit coming in July. However, contracts through September may be affected by the separate limit on butter export subsidy expenditures. Recent bonuses have been almost \$2,000 a ton. At this rate, contracts covering only about 6,500 tons could be accepted through September 30, 2003. Despite the general lack of aggressiveness by international buyers, DEIP offerings thus far in 2003 have been taken fairly quickly, possibly because Oceanic supplies were not available. This may indicate that new allocations for nonfat dry milk and cheese will draw quick attention when available.

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Dairy Prices Stagger Along - Wholesale prices of butter and cheese generally have traded in a fairly narrow range since spring 2002. Although there have been a number of price movements, none have been sustainable. None of the changes in production or use have been very dramatic, and the very large butter stocks and the sizable surplus of nonfat dry milk have provided ample cushion to absorb variations in market conditions. Butter and cheese prices are expected to post small seasonal rises by this autumn but are not projected to really break out of recent patterns during the rest of the year. Supplies are not expected to shrink quickly enough to generate much basic price recovery given the projected modest growth in demand. However, market tightening might be enough to erode much of the excess stocks of milkfat by yearend. A sizable surplus of skim solids is projected to persist through yearend, keeping prices of nonfat dry milk close to the support purchase price. The surplus is expected to begin shrinking during the second half of 2003. But, prices of separated skim solids, and probably whey products, will stay depressed until use of these products strengthens significantly, probably because of stronger demand from food processors. Commercial exports, if they develop, could help powder prices somewhat but are not likely to make a significant difference.

Lack of significant recovery in wholesale prices will leave farm milk prices low during the rest of 2003, even though second-half prices are expected to average near a year earlier. For the year, farm milk prices are projected to average \$0.50 to \$1 per cwt lower than 2002 and about \$3.25 to \$3.75 lower than the 2001 record. Prices of milk for cheese and for butter-powder are expected to be close during the rest of the year, continuing the pattern from the first half. The payment rate under the Milk Income Loss Contracts (MILC) has remained in a fairly narrow range of about \$1.40 to \$1.80 per cwt since the summer of 2002. This rate is expected to stay in this general range during the rest of 2003 and most of 2004.

Retail dairy prices declined fairly steadily between the autumn of 2001 and early spring. Thus far in 2003, retail dairy prices have run almost 2 percent below a year earlier. Early 2003 farm milk prices were down considerably from a year earlier, and this decline was only partially offset by a modest expansion in the farm-retail price spread. The declines in retail dairy prices are expected to end soon, but any increases during the rest of 2003 are likely to be small. For the year, retail dairy prices are projected to decline fractionally, following 2002's fractional increase.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-108, June 17, 2003, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, MAY

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for May have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During May, about 11.1 billion pounds of milk were received from producers. This volume of milk is 1.0 percent lower than the May 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -0.7 percent.) About 3.9 billion pounds of producer milk were used in Class I products, 0.4 percent lower than the previous year. Calendar composition, likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilization percentages were; Class I = 35%, Class II = 10%, Class III = 44%, and Class IV = 11%. The weighted average statistical uniform price was \$10.92 per cwt., \$0.16 higher than last month, and \$1.10 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF MAY 2003										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,176.9	-4.6	917.4	1.1	42	17	28	13	11.60
Appalachian (Charlotte)	005	550.7	-9.6	365.7	-3.0	67	16	9	8	12.11
Southeast (Atlanta)	007	624.5	-15.8	389.6	-1.6	62	10	23	5	11.99
Florida (Tampa)	006	261.7	10.4	207.1	-0.1	79	6	7	8	13.10
Mideast (Cleveland)	033	1,533.5	11.6	562.5	1.0	37	15	43	5	10.63
Upper Midwest (Chicago)	030 <u>3/</u>	1,936.5	19.5	346.6	-2.6	18	2	78	2	10.11
Central (Kansas City)	032 <u>3/</u>	1,479.1	-8.3	401.1	0.5	27	7	57	9	10.41
Southwest (Dallas)	126	953.4	6.4	339.3	-0.4	36	13	29	22	11.30
Arizona-Las Vegas (Phoenix)	131	283.0	-0.1	81.8	-3.6	29	6	36	29	10.45
Western (Salt Lake City)	135 <u>3/</u>	639.8	31.7	94.0	6.5	15	5	70	10	10.19
Pacific Northwest (Seattle)	124 <u>3/</u>	642.2	-7.0	180.3	-3.0	28	6	34	32	10.38
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	11,081.4	-1.0	3,885.2	-0.4	35	10	44	11	10.92

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 190 million pounds of milk that normally would have been associated with these markets. In May 2002, the estimated not-pooled volume of milk was 150 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -0.7.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JUNE 16 - 20, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 06/13/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	253,842	-253,842	11,487,236	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,723,680	-0-	-0-	-0-
TOTAL	-0-	253,842	-253,842	13,210,916	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	3,840,106	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	5,545,706	-0-	-0-	-0-
Process	792,000	-0-	792,000	31,323,600	-0-	-0-	-0-
TOTAL	792,000	-0-	792,000	40,709,412	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	9,789,458	336,192	9,453,266	504,614,824	515,008,709	1,288,629,000	1,090,097,000
Fortified	-0-	-0-	-0-	125,332	-0-	46,391,000	46,391,000
TOTAL	9,789,458	336,192	9,453,266	504,740,156	515,008,709	1,335,020,000	1,136,488,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JUNE 16 - 20, 2003 =	3.9	117.8	COMPARABLE PERIOD IN 2002 =	3.9	206.5
CUMULATIVE SINCE OCTOBER 1, 2002 =	774.8	6,279.8	CUMULATIVE SAME PERIOD LAST YEAR =	113.3	5,994.7
CUMULATIVE JANUARY 1 - JUNE 20, 2003 =	700.7	5,014.2	COMPARABLE CALENDAR YEAR 2002 =	96.4	5,098.8

* 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 JUNE 16 - 20, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	792,000	255,430	-0-
WEST	-253,842	-0-	-0-	-0-	-0-	-0-	7,888,392	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	1,309,444	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/02 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	31,535,172	-0-	19,559,175	29,377,621	38.1	5.7
WEST	13,210,916	-0-	9,174,240	-0-	448,607,734	446,534,679	60.8	86.7
EAST	-0-	-0-	-0-	-0-	36,573,247	39,096,409	1.0	7.6
TOTAL	13,210,916	-0-	40,709,412	-0-	504,740,156	515,008,709	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

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

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850
CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289
NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/31/03 & Comparable Week 2002

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		
2003-Dairy	0.2	0.7	5.6	4.5	16.2	2.1	0.3	0.7	11.7	2.1	44.1	1,222.2	43.4	48.7
2002-Dairy	0.2	0.5	4.5	4.0	15.8	1.6	0.3	0.6	10.0	1.7	39.2	1,067.6	42.8	46.6
2003-All cows	0.2	0.9	7.5	13.6	26.0	17.6	13.2	3.2	14.0	5.4	101.5	2,507.5		
2002-All cows	0.2	0.7	6.1	11.6	24.3	14.0	13.6	3.3	13.1	4.9	91.6	2,291.8		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77					
II	11.29	10.66	10.54	10.44	10.43							
III	9.78	9.66	9.11	9.41	9.71							
IV	10.07	9.81	9.79	9.73	9.74							

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