

NATIONAL DAIRY MARKET AT A GLANCE

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/11):**  
**BUTTER:** Grade AA closed at \$1.1950. The weekly average for Grade AA is \$1.1667 (+.0329).

**CHEESE:** Barrels closed at \$1.4800 and blocks at \$1.5200. The weekly average for barrels is \$1.4760 (+.0866) and blocks, \$1.5120 (+.0914).

**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 cash butter price at the CME continues to show strength. Many producers and handlers anticipate that this price will remain firm and continue to inch higher. Churning schedules across the country are lighter as cream supplies tighten. Some producers and handlers indicate that fresh production is often not sufficient to meet all demand thus inventoried stocks are being used to supplement orders. Demand for butter is seasonally fair. In instances, buyers indicate that they will continue to place orders on an as needed basis, knowing that prices will probably continue to edge higher, but are basically comfortable with the increases versus carrying an inventory for future use. During the period of July 3 - 11, no butter was offered to CCC under the dairy support program, but 761,570 pounds of previously offered butter were cancelled.

**CHEESE:** The cheese market is steady to firm. Many in the industry continue to react to the sharp price increases in recent weeks. Prices on the Chicago Mercantile Exchange are currently the highest since early October 2001. Some buyers and producers are having difficulty in getting orders filled. Current supplies are tight to adequate and held with confidence. Cheese production is steady to often lower, reflecting summer weather affect on milk output. Cumulative January - May 2003 U.S. cheddar production totals 1.18 billion pounds, down 55.8 million pounds (-4.5%) from the same period in 2002. Total cheese production for 2003 currently totals 3.57 billion pounds, down 27.5 million pounds (-0.8%) from a year ago. CCC continues to purchase and cancel process cheese packaged earlier.

**FLUID MILK:** Milk production is trending lower throughout the nation in response to seasonal hot and humid weather. However, milk exports from Florida persist and some milk shipments in the Midwest were rerouted due to strong storms in the area. Class I demand is lighter after the holiday weekend. Milk movement into Class III facilities is strong, especially in response to the higher block and barrel cheese prices reported at the CME. The condensed skim market is unsettled. As cheese prices increase, the price of Class III condensed skim also increases, encouraging Class III users to examine NDM as a cost effective alternative. The fluid cream market is firm. Ample supplies of cream are being shipped from the West to other parts of the nation to supplant regional deficiencies. Cream prices are trending higher due to increases in the weekly average AA CME butter price and higher reported multiples. Demand for cream is seasonally strong for ice cream and reduced for churns.

**DRY PRODUCTS:** Dry product prices are trending unchanged to higher with the exception of Western NDM. NDM production is declining in response

to lower milk supplies. Demand is mostly contractual with some renewed spot interest anticipated as Class III condensed skim users divert their interest to NDM. Buttermilk prices are trending higher in response to reduced supplies and increased demand from ice cream producers. Improved export sales activity is reducing whey and WPC stocks and encouraging higher prices. Demand for WPC is primarily from edible markets. Lactose supplies are generally in balance on a firm market.

**CCC:** During the period of July 3 - 11, 2003, CCC purchased 13,682,523 pounds of nonfortified NDM with 1,167,296 originating from the Central region, 12,654,088 pounds from the West, and 138,861 pounds canceled in the East. Cancellations of 761,570 pounds of Western bulk butter and 39,000 pounds of Central process cheese were also recorded for the period.

**MAY DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 114.6 million pounds in May, 8.7% below May 2002 and 6.6% below April 2003. American type cheese production totaled 319.1 million pounds, 3.3% below May 2002 but 3.4% above April 2003. Total cheese output (excluding cottage cheese) was 740.0 million pounds, 1.1% below May 2002 but 2.6% above April 2003. Nonfat dry milk production, for human food, totaled 154.3 million pounds, 5.5% below May 2002 but 2.6% above April 2003. Dry whey production, for human food, was 95.2 million pounds, 2.7% above May 2002 and 5.6% above April 2003. Ice cream (hard) production totaled 78.7 million gallons, 1.4% above May 2002 but 0.9% below April 2003.

**MAY FLUID MILK SALES (AMS & CDF):** During May, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.1% higher than May 2002. After adjusting for calendar composition, sales in May 2003 were 0.5% lower than May 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk, reduced fat (2%) milk, and flavored fat-reduced milk, increased from May 2002, while sales of whole milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. After adjusting for calendar composition, sales YTD were 0.5% higher than the same time period last year. On an individual product basis, after adjusting for calendar composition, sales YTD of flavored whole milk, reduced fat (2%) milk, low fat (1%) milk and flavored fat-reduced milk increased while sales of whole milk, fat-free (skim) milk, and buttermilk decreased from the same time period last year.

**MARCH MAILBOX PRICES (AMS & CDF):** In April 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$10.79, \$0.06 more than the revised figure for the previous month. This month-to-month increase results from generally higher Federal milk order minimum producer milk component prices. The component tests of producer milk in April 2003 were: butterfat, 3.66%; protein, 3.00%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in 10 reporting areas and increased in 7 reporting areas, and ranged from \$13.21 in Florida to \$9.54 in Utah. In April 2002, the Federal milk order all-area average mailbox price was \$12.16, \$1.37 higher.

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

MAY DAIRY PRODUCTS HIGHLIGHTS (PAGE 7)  
 JUNE FEDERAL MILK ORDER CLASS AND COMPONENT  
 PRICES (PAGE 8)

MAY FLUID MILK SALES (PAGE 9)  
 APRIL MAILBOX PRICES (PAGE 10)  
 DAIRY GRAPHS (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE  
 CASH TRADING**

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

PRODUCT	MONDAY JULY 7	TUESDAY JULY 8	WEDNESDAY JULY 9	THURSDAY JULY 10	FRIDAY JULY 11	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4600 (+.0100)	\$1.4800 (+.0200)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	(+.0300)	\$1.4760 (+.0866)
40# BLOCKS	\$1.5000 (N.C.)	\$1.5100 (+.0100)	\$1.5100 (N.C.)	\$1.5200 (+.0100)	\$1.5200 (N.C.)	(+.0200)	\$1.5120 (+.0914)
BUTTER							
GRADE AA	\$1.1475 (+.0075)	----	\$1.1575 (+.0100)	----	\$1.1950 (+.0375)	(+.0550)	\$1.1667 (+.0329)

\*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, JULY 7, 2003

CHEESE — SALES: 5 CARS 40# BLOCKS @ \$1.5000; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4600, 1 @ \$1.4500; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 36 CARS: 2 @ \$1.1475, 2 @ \$1.1450, 2 @ \$1.1500, 8 @ \$1.1475, 4 @ \$1.1450, 3 @ \$1.1500, 3 @ \$1.1450, 1 @ \$1.1500, 2 @ \$1.1475, 2 @ \$1.1450, 1 @ \$1.1475, 1 @ \$1.1500, 1 @ \$1.1475, 2 @ \$1.1500, 2 @ \$1.1475; BIDS UNFILLED: 16 CARS: 2 @ \$1.1475, 3 @ \$1.1450, 2 @ \$1.1425, 7 @ \$1.1400, 2 @ \$1.1375; OFFERS UNCOVERED: 1 CAR @ \$1.1550

TUESDAY, JULY 8, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4800; 3 CARS 40# BLOCKS: 1 @ \$1.5100, 2 @ \$1.5000; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 9, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 13 CARS: 9 @ \$1.1550, 1 @ \$1.1575, 1 @ \$1.1600, 2 @ \$1.1575; BIDS UNFILLED: 20 CARS: 5 @ \$1.1575, 4 @ \$1.1550, 2 @ \$1.1525, 3 @ \$1.1500, 6 @ \$1.1475; OFFERS UNCOVERED: 1 CAR @ \$1.1700

THURSDAY, JULY 10, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.5200; OFFERS UNCOVERED: NONE

FRIDAY, JULY 11, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.4900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4800  
 BUTTER — SALES: 21 CARS: 6 @ \$1.1675, 2 @ \$1.1700, 4 @ \$1.1750, 2 @ \$1.1800, 2 @ \$1.1850, 5 @ \$1.1900; BIDS UNFILLED: 69 CARS: 2 @ \$1.1950, 5 @ \$1.1925, 6 @ \$1.1900, 2 @ \$1.1875, 4 @ \$1.1850, 2 @ \$1.1825, 5 @ \$1.1800, 1 @ \$1.1775, 5 @ \$1.1750, 4 @ \$1.1725, 6 @ \$1.1700, 10 @ \$1.1675, 8 @ \$1.1650, 3 @ \$1.1625, 2 @ \$1.1600, 4 @ \$1.1575; OFFERS UNCOVERED: NONE

**BUTTER MARKETS**

**MAY BUTTER PRODUCTION**

During May 2003, butter production in the United States totaled 114.6 million pounds, 8.7% less than May 2002 and 6.6% less than April 2003. The following are May to May changes for various states: CA -6.4%, NY -26.5%, PA -10.7%, and WI -13.7%.

**NORTHEAST**

The market tone remains firm. The CME cash price for butter is moving slowly higher, which, in light of recent run-up of the cash price for cheese, is a little surprising to some contacts. Some felt that the butter price would move at little faster to “catch up” with the gains posted for cheese. Others, however, acknowledging the tight cream supply, simply point to inventory levels. Fresh butter may be a little harder to find, but there is no shortage of bulk butter, should it be needed. Commercial demand for bulk butter is fair. During Monday’s (7/7) trading at the CME, 36 loads of butter were sold. Some contacts feel that a good portion of the purchases during that trading session were speculative. Retail orders for packaged butter are mostly steady. Food service orders are improving seasonally. 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**

The cash butter prices continues to adjust higher in exchange trading. Many producers and handlers anticipate that this price will continue to inch higher for the near term. Many feel that supply/demand is not influencing the firmness, but rather the time of year and cream shortages for churning are the main factors. Cream supplies remain very competitive between Class II and IV users. Ice cream production is seasonally very strong, absorbing most spot cream available. Butter

production is lower with most producers working with cream supplies from regular sources. In instances, butter producers are selling some of their cream supply versus churning at this time. Some producers and handlers indicate that current production is often not sufficient to meet all demand thus inventoried stocks are being used to supplement orders. Many buyers indicate that they will continue to place orders basically on an as needed basis, knowing that prices will probably continue to edge higher, but are basically comfortable with the increases versus carrying an inventory for future use. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Butter markets are slowly strengthening with a firm market undertone. Part of the increase may be related to the sharply higher cheese markets noted over the last three weeks. Cream available for churning remains tight as ice cream plants remain aggressive in searching for additional supplies. Not quite as much pressure was noted because of the holiday weekend, but warm temperatures across much of the country are expected to continue to stimulate interest. Demand for butter is good seasonally with fresh butter supplies becoming less available. May U.S. butter production totals 114.6 million pounds, down 8.7% from last year. Butter output has trailed a year ago for the last three months. Production for the first five months of the year totals 633.5 million pounds, down 2.4% (15.6 million pounds) from the same period in 2002. Output in the Western region is down 4.5% from May 2002. Weekly CME butter stocks declined by 1.3 million pounds this past week. Stocks have declined three of the last five weeks. Current prices for bulk butter range from 3 1/2 cents under to 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			
JULY 5	1.1959	1.2043	0.8064	1.0941	0.1442
	7,615,462	8,465,173	27,100,198	12,892,053	12,012,331

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 on most items. Through Monday (7/7) the CME trading levels of both blocks and barrels increased 35 and 33.25 cents, respectively, since June 17 (the day that the May *Milk Production* report was released). Last week's gains were just under 18.25 cents on blocks and 16.25 cents on barrels. Most cheese is sold on the weekly average and this, in all likelihood, would increase, significantly, prices on next week's orders. Consequently, many buyers are ordering heavy this week. However, producers/suppliers not wanting to be "picked off" are allowing only normal volume orders. Cheese output in the Northeast is steady to slightly lower now that milk supplies are declining. Retail sales of natural and process cheese are mostly steady, unless featured. Food service orders are improving as it is now "vacation season" and people are frequenting the Shore and other resort areas.

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

Cheddar 10# Prints	:	1.4850-1.9800
Cheddar Single Daisies	:	1.4425-1.9075
Cheddar 40# Block	:	1.5600-1.8075
Process 5# Loaf	:	1.6000-1.8000
Process 5# Sliced	:	1.6200-1.8675
Muenster	:	1.6475-1.8525
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is steady to firm, though more cautious after the recent sizeable price increases. Many in the industry, mainly buyers, have been shocked by recent price increases and are questioning the need for such a large jump in prices over just the past few weeks. Others just try to build inventory, particularly those buying under price protection policies. The price spread between the "brands" and store brands (generics) may narrow at food service and retail accounts due to recent increases. Barrels remain tight to short of needs as process interest is seasonally good. The higher prices also make non-standardized process products using MPC more attractive compared to standardized products. Demand for other American varieties remains strong. Mozzarella interest is also improved by buyers trying to beat the next potential price increase. Many plants are still running way behind on orders. Some operations are not making spot sales, limiting deliveries to committed accounts. Cheese production continues to decline as milk intakes decline seasonally. Very limited spot milk supplies available to purchase are also limiting cheese production.

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

Process American 5# Loaf	:	1.5600-1.6275
Brick And/Or Muenster 5#	:	1.6100-2.0825
Cheddar 40# Block	:	1.5000-2.1150
Monterey Jack 10#	:	1.8000-2.1150
Blue 5#	:	2.1750-2.3000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5400-2.2150
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
07/07/03	100,268	:	138,251
07/01/03	100,658	:	138,209
CHANGE	-390	:	42
% CHANGE	N.C.	:	N.C.

**WEST**

All reported styles and varieties of cheese are sharply higher in price. Some Western contacts are certainly surprised at the amount of price strength noted in such a short period of time. Most had thought the market would firm as they were seeing a tightening in available supplies. The quickness of the price escalation caught most of them by surprise. They do believe that market fundamentals are in place to support the current situation. Offerings of under grade cheese are clearing much more easily. Production is declining more rapidly as less surplus milk is available. Some are wondering if the current market price relationship will tend to pull milk out of butter in favor of cheese. U.S. cheddar cheese production in May totaled 240.1 million pounds, down 7.1% from last year. This is the lowest May output noted since 1997. Western cheddar production in May is down 5.1% from a year earlier. U.S. Swiss production in May totaled 22.3 million pounds, up 3.8% from May 2002.

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

Process 5# Loaf	:	1.5375-1.7975
Cheddar 40# Block	:	1.5500-1.6900
Cheddar 10# Cuts	:	1.7300-1.9500
Monterey Jack 10#	:	1.7400-1.9000
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Domestic prices jumped significantly as the block cheese price (the basis for most cheeses sold) at the CME has increased dramatically since mid-June. There is some scrambling by distributors to purchase domestic varieties before prices increase further. Retail and food service orders are just fair.

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	: 1.7800-3.2700*
Gorgonzola	:	3.6900-5.9400	: 2.2975-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.1900-3.2800*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.7875-2.0150*
Romano (Cows Milk)	:	-0-	: 2.9775-5.1500*
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	60	0	52	0	45
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.

The following are the June 2003 Class and component prices under the Federal Milk Order pricing system: Class II \$10.46 (up \$0.03 from May), Class III \$9.75 (up \$0.04); and Class IV \$9.76 (up \$0.02). The following are the product price averages used in computing Class prices: butter \$1.0797, NDM \$0.8040, cheese \$1.1464, and dry whey \$0.1396. The Class II butterfat price is \$1.1646 and the Class III/IV butterfat price is \$1.1576. Many contacts were at or on their way to a large, industry outing at mid-week and unavailable for comment. However, there were still a lot of conversations regarding the recently enacted self-help program proposed and promoted by a large national organization. Although the goals are nearly identical, the final version of the plan has producer costs and resulting benefits sharply lower than the original plan's. Nearly all current market indicators point to higher milk prices and lower cow numbers in coming months, which are major goals of the organization's plan. Milk production is moving lower in most sections of the region. Hot, humid weather prevails over the East. Florida's milk output is declining, but at slower than expected rates. Milk exports from Florida actually increased slightly this week. Milk production in other Southeastern states is dropping rather rapidly as the heat is taking its toll on the cows. In the Middle Atlantic and Northeast, the milk flow is easing from peak levels. Throughout the region, fat and solids tests are at low, seasonal levels. Bottled milk sales are slower. Bottlers note that sales seem to have really slowed since the Fourth of July. Surplus milk volumes are mostly steady. The slower Class I demand and lower milk output, are combining to keep surplus milk volumes relatively steady. The condensed skim market is unsettled, particularly for Class III. Recent increases in cheese prices at the CME are expected to greatly impact next month's Class III condensed skim prices. If cheese prices hold through the month, contacts expect August Class III wet solids to be priced over a dollar per pound solids. Reportedly, users are already looking at NDM as a less costly substitute. (Particularly in light of CCC's "powder-for-cheese" program, which may find the exchanged NDM on the market later this month.) There is also concern about Class II condensed skim prices for August. The fluid cream market remains very firm and prices are increasing. Demand is back to normal levels after a slight lull during the holiday weekend. Multiples are increasing and the CME butter average did jump more than a penny last week. Locally, supplies are often short of needs and suppliers continue to bring in more loads from Midwest and Western producers. Production of ice cream, soft serve mix, and frozen novelties are all at seasonal peaks. The hot weather has given a boost to soft serve and novelty sales. Cream cheese output is steady. Some producers continue to look for more cream, but prices are becoming prohibitive. Bottled cream sales are holding fairly steady. Churning activity is easing as cream supplies tighten.

milk was discounted due to weather problems at \$1.00 over class during the weekend. Strong cream demand has returned after the holiday weekend. Volumes continue to move some distance to fill orders, often from West to the East. Condensed skim interest is irregular, some accounts with good interest and others not. Reported Class III condensed prices range from \$.95 - \$1.05. Sharply higher prices reportedly have some cheese plant operators reconstituting NDM as a cheaper alternative. Recent increases in the cheese market have caused some additional milk supplies to move out of butter/powder into cheese production due to the better returns. Milk handlers are also concerned with the expected July Class Federal Order Class I base price is likely to be below the Class III price and will affect pooling and the PPD (producer price differential). While some parts within the region remain dry, others have flooded fields due to several inches of rain and or several smaller showers. The harvest of second cutting has also been hampered by the frequent showers. The recent heat and humidity have combined to reduce milk receipts fairly noticeably at some locations as well as spur corn and other crop growth.

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

	JULY 3 - 9	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 49.00	\$ 37.50- 43.50
REPLACEMENT HEIFER CALVES	\$300.00-450.00	\$500.00-640.00

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

	JULY 3 - 9	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.00- 49.50	\$ 36.00- 43.00

**WEST**

Hot weather conditions across the majority of CALIFORNIA continue to impact milk cows. Milk intakes and solids' contents are trending lower as a direct result. The cumulative effect of the hot weather is expected to further decrease output in the near future. Manufacturing plants are generally having only limited concerns with the weather conditions with the only note of a few plants having down days for scheduled maintenance. Generally, more milk is wanted in cheese plants. Additional condensed and NDM are moving into cheese. Fluid milk sales are said to be nothing special with the hot weather doing little to stimulate demand. Hay supplies are available, but reports indicate dairies are not willing to overpay. There are more stocks of fair to good alfalfa because of harvesting conditions. ARIZONA daytime temperatures remain hot and the impact on milk production continues. The weather and trend are not expected to break soon. Plants are coping with the condition and able to handle local milk. NEW MEXICO milk production is steady to lower seasonally after many weeks of hot temperatures have run their course on the milk cows. Milk is being handled normally with some additional contractual loads of fluid milk being shipped to the Southeast. Hay conditions are fair with the south starting the third cutting and the north starting the second cutting. Heavy shipments of cream from the West continue to move to other regions of the country, especially into ice cream plants. The good call for cream has pulled significant amounts of cream out of butter production over the past month. The CME Grade AA butter price increased to \$1.1575 on Wednesday (7/9) and has continued higher in recent weeks. Western cream multiples are firmer and range from 123 to 139, FOB, depending on class usage. There were no problems handling or moving cream over the holiday weekend. Conditions are warm and dry in the PACIFIC NORTHWEST. The stress is not bad enough to impact the milk flow very much. Output is generally declining along normal seasonal patterns. Manufacturing plants are discussing the possibility of moving more milk into cheese production because of the very strong run up in cheese prices over the past three weeks, but it remains to be seen if much milk will actually move. Hay supplies are good in the region with strong carry over stocks and good current production. The only concern is that there is not as much top quality dairy hay available as some years. This is not a concern for all producers since many are trying to save money by dropping lower on the quality scale when making purchases anyway. Weather patterns are very warm and dry in UTAH and IDAHO. Temperatures above 100 degrees will be common over much of the region by the end of the week. The heat stress is bringing down output at a faster rate. The tests on incoming milk receipts are beginning to drop below year ago levels. Much of the region is harvesting second cutting alfalfa at this time. There is no chance of disrupting the harvest by rain. Hay quality is falling into summer time levels because of the additional heat stress. Corn for silage is also beginning to show stress as growers can't get enough water on the fields fast enough to counter the extreme heat. It will be a race to get the crop mature before the water runs out this year. Also, a number of irrigation districts will be pulling their reservoirs down to empty. Even last year with the dry conditions they did not bring them down that much.

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

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.4966-1.7007
DELIVERED EQUIVALENT ATLANTA	-	1.5193-1.7234 M 1.6327-1.7120
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5873-1.6780

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**

Weather adversely impacted parts of the region during the past week. Strong storms caused power outages and disrupted production at plants in Michigan, Minnesota, Illinois, and Indiana. Some milk needed to be rerouted to other facilities. Milk supplies have tightened further in the region. Class I interest was generally lighter after the holiday weekend. Class I interest late last week was often stronger than expected in some markets, reducing manufacturing milk offerings. Spot milk demand remains strong for the limited supplies with some orders still going unfilled. Reported spot prices range from to \$1.25 - \$1.75 over class, some

**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 market. Production is mostly steady. Some locations are drying a little less NDM as more fluid milk is diverted to the more price attractive Class III facilities. Others are drying a little more NDM in response to the higher condensed skim prices which are deterring cheese maker buying interest and encouraging some loads of condensed skim to be diverted into dryers. Spot loads of low heat are typically purchased from the West. High heat movement is mostly contractual with spot interest considered to be very good into bakery accounts. Any impact from the CCC NDM/cheese exchange is reportedly not expected until late August or September.

**EAST:** Eastern prices and the market tone are unchanged. Drying activity is slowing at most plants. Surplus milk supplies are declining as the heat and humidity in the East takes its toll on the cows. Producer stocks are lighter and fewer offerings to CCC from Eastern producers have been noted in the past week or two. Demand for NDM is about steady, but with the tighter supply in the East, some producers did bring in Western powder to supplement local supplies. Many producers are commenting that demand for NDM may increase next month. If the Class III skim milk price jumps as expected, the Class III wet solids price formulas result in prices above a dollar. Such an occurrence could trigger condensed skim users to switch to NDM and save money. There is still talk of the "NDM-for-cheese" situation and that offers of the yet-to-be released powder are commonplace in the market. Rumors state that exporting may be an issue for this powder and some buyers, for various reasons, don't want to buy this powder.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during May 2003 totaled 154.3 million pounds, down 5.5% from May 2002 but 2.6% above April 2003. Month ending stocks, at 153.9 million pounds, are 9.3% below a year ago and 0.2% lower than last month.

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**

Low/medium heat NDM prices are slightly lower on the bottom end of the range and reflect what has become a normal fluctuation in the market. The general tone remains weak with surplus offerings continuing to clear to the CCC. The CCC announced the award of up to 151 million pounds of medium heat and high heat NDM (both regular and fortified) before delivery by the manufacturer. The time frame is through October for one contract and the rest through the end of the calendar year 2003. NDM production is trending lower in the region. Milk intakes are lower as well as solids. There is also a good demand for condensed skim from cheese makers. During the period of June 30 - July 2, adjusted CCC support program purchases of NDM totaled 14,372,371 pounds of nonfortified and 237,866 pounds of fortified from the West. High heat prices are lower in light trading. Demand is not aggressive at this time. U.S. NDM production in May totaled 154.3 million pounds, down 5.5% from last year but 2.6% higher than April. Year through May cumulative U.S. production is 3.0% lower than last year. May production in the Western region totaled 110.0 million pounds, down 5.0% from last year. Western states' production levels with comparisons to last year are: California, 66.2 million pounds, -7.9%; and Idaho, 5.9 million pounds, -31.0%. U.S. manufacturers' stocks at the end of May were reported at 153.9 million pounds, down 9.3% from last year and down 0.2% from last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7900 - .8875 MOSTLY: .7950 - .8075  
 HIGHHEAT: .8200 - .8400

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 4	\$.8039	13,213,988	4,641,664
June 27	\$.8039	14,255,698	2,739,367

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 higher on a firm market. Churning activity is decreasing seasonally as fluid milk is diverted into Class III facilities and cream demand increases into Class II facilities. Movement of condensed buttermilk is steady into ice cream operations and mostly contractual. Production of dry buttermilk is reduced with some operations reporting that additional buttermilk production is not expected until late fall. Spot interest is good with Western suppliers most apt to satisfy Central region buyer demand. Production of dry buttermilk during May 2003 totaled 5.1 million pounds, 10.3% less than May 2002 and 12.8% below April 2003. Month ending stocks, at 10.9 million pounds, are 21.8% below a year ago and 2.8% less than April 2003.

F.O.B. CENTRAL: .7100 - .7600

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices and the market tone are unchanged. Eastern prices are nominal. Eastern producers report stocks are dwindling. Demand for condensed buttermilk is improving seasonally and churning activity is slowing. Therefore, drying schedules are lighter. Contacts state that they have little powder on hand for spot shipment. Demand for dry buttermilk is little changed, but with cream supplies tightening, interest in buttermilk may improve due to its butterfat content. Dry buttermilk production during May 2003 totaled 5.1 million pounds, down 10.3% from last May and 12.8% less than April 2003. Month ending stocks, at 10.9 million pounds, are 21.8% less than last year and 2.8% less than a month ago.

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

**DRY BUTTERMILK - WEST**

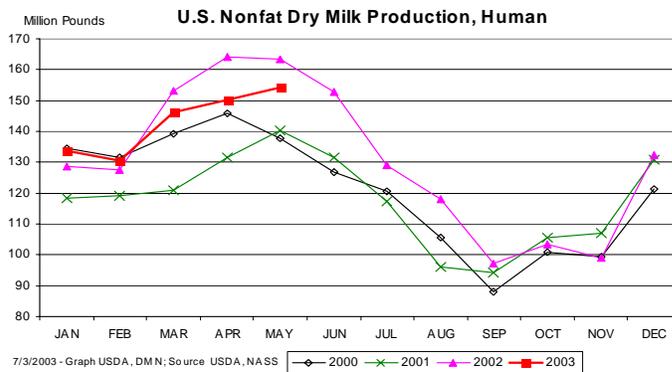
There are some price movements to the Western dry buttermilk price series this week. There has been significant activity (by buttermilk trading standards) with a block sale clearing both older and newer production at the low end and truckload sales near the top end of the range reflecting higher sales. The market tone is firmer. Less buttermilk is being made as a direct result of lower butter churning. Inventory levels are trending lower and becoming more in balance across the region. U.S. dry buttermilk production in May totaled 5.1 million pounds, down 10.3% from last year and 12.8% lower than April. Stocks at the end of May were reported at 10.9 million pounds, 21.8% less than last year.

F.O.B. WEST: .6600 - .7300 MOSTLY: .7000 - .7100

**DRY WHOLE MILK - NATIONAL**

Prices and the market tone are steady. Prices remain nominal. Production levels are light and geared to orders in hand. Plant stocks are closely balanced. Spot demand is seasonal. Dry whole milk production during May 2003 totaled 1.9 million pounds, down 51.0% from May 2002 and 39.8% less than April 2003. Month ending stocks are not reported for this product.

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



7/3/2003 - Graph USDA, DMN; Source USDA, NASS

**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 firm market. Milk intakes at most cheese operations are strong, encouraging steady output of condensed whey. Interest in condensed whey is no better than fair and in some cases difficult to clear where dryers are not readily available. Dry whey production is steady to lower in response to equipment problems at a few locations. Consequently, supplies of dry whey are in balance to short of buyer interest. Spot interest is good, especially into bakery and confectionary operations. Some feed buyers are making inquiries on Extra Grade due to the limited availability of off grade product. Resellers are reportedly offering aged stocks of Extra Grade from nearly 1 year ago. Production of human food, dry whey during May 2003 totaled 95.2 million pounds, 2.7% more than May 2002 and 5.6% above April 2003. Month ending stocks, at 44.9 million pounds, are 26.3% above a year ago but 2.7% less than April 2003.

F.O.B. CENTRAL: .1475 - .1575 MOSTLY: .1475 - .1525

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are steady to fractionally higher again this week. The market tone is firmer. Most Eastern producers report being in a comfortable supply situation. They note that they are committed through this month and some are not entertaining new spot inquiries. Most have contracts to fill, which are taking there current output. Production levels are easing as milk supplies tighten seasonally. The recent hot, humid weather has had an effect on drying efficiencies at some plants. Traders comment on the continued lack of "spark" in demand. Although stocks are tighter, demand doesn't seem to be able to push pricing premiums much past their current levels. Production of human food, dry whey during May 2003 totaled 95.2 million pounds, 2.7% more than May 2002 and 5.6% more than April 2003. Month ending stocks, at 44.9 million pounds, are 26.3% above last year but 2.7% less than a month ago. Production of animal feed, dry whey during May totaled 4.8 million pounds, 15.7% less than a year ago and 1.3% below April 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1525 - .1675  
DELVD SOUTHEAST: .1725 - .1875

**DRY WHEY - WEST**

Western whey prices continue to firm. Both the range and mostly are showing price strength. More producers are reporting that they are much more closely balanced with their current stock levels. Domestic buyers are taking heavier volumes of powder. Export sales activity is improving. Much of this improvement is related to the improving situation related the SARS epidemic. Production is trending seasonally lower. Some are wondering if this trend may reverse itself for a while because of the sharp run up in cheese prices in relation to the butter/powder side of the market. May U.S. edible whey production was 95.2 million pounds, up 2.7% from a year earlier. The Western region was down in production by 3.6% for the same time period. Stocks at the end of May (almost six weeks ago) were 26.3% above a year earlier at that time.

NONHYGROSCOPIC: .1300 - .1700 MOSTLY: .1425 - .1500

**ANIMAL FEED WHEY - CENTRAL**

Prices are higher on a steady to firm market. Supplies are surprisingly short of buyer interest. Traders expected an increase in milk replacer supplies due to the recent hot and humid weather. Veal prices continue to trend firm while early weaned pig prices are trending lower. Production of animal feed dry whey during May 2003 totaled 4.8 million pounds, 15.7% lower than a year ago and 1.3% less than April 2003. Month ending stocks, at 2.5 million pounds, are 61.3% above a year ago and 57.3% higher than last month.

F.O.B. CENTRAL:  
MILK REPLACER: .1375 - .1450

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a steady to firm market. Good export demand into Asia and Mexico alleviated heavy stocks at some locations, encouraging manufacturer offering prices higher. Some plants are reportedly "sold out" for the remainder of the year. Buyers and sellers generally agree that the market has bottomed yet where prices will eventually settle is not certain. Since heavy supplies of WPC 80% and off grade product remain readily available, the current upswing in WPC 34% is not thought to be dependent on feed accounts that have driven the market in the past. Increased interest from ice cream, bakery and nutraceutical accounts is noted. Production of HUMAN FOOD WPC during May 2003 totaled 28.0 million pounds, up 7.1% from May 2002 but 0.3% below April 2003. Manufacturers' end-of-month stocks totaled 31.0 million pounds, 1.3% higher than a year ago and 8.7% above last month. Production of ANIMAL FEED WPC during May 2003 totaled 3.3 million pounds, up 0.8% from May 2002 and 9.9% above April 2003. Manufacturers' end-of-month stocks totaled 1.6 million pounds, 1.6% above last year but 5.5% lower than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .3800 - .4850 MOSTLY: .3900 - .4150

**LACTOSE - CENTRAL AND WEST**

Prices are higher on a firm market. Some contracts were finalized higher in the range but most negotiations settled last week. Production is steady with plants generally operating at capacity. Supplies are reportedly more available than the week prior yet spot trading is light. Inquiries are noted from domestic and export markets. Infant formula and pharmaceutical firms are often seeking additional loads to their regular contracts. Producers speculate that the market could move higher within the quarter yet concern is also expressed with regard to losing demand at the higher price levels. Lactose production during May 2003 totaled 53.4 million pounds, up 11.8% from May 2002 but 0.7% lower than April 2003. Month ending stocks, at 42.2 million pounds, are 6.8% lower than a year ago but 1.9% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.  
F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1850 - .1950

**CASEIN - NATIONAL**

Casein markets remain firm as prices are steady to higher. Most producers, handlers, and domestic buyers anticipated that new quarter prices would be firmer. As far as further firmness, most feel that the supply situation will dictate what will happen to future prices. At this time, supplies appear to be adequate for buyer needs with some spot availability being reported. Opinions on European supplies are mixed. Some suppliers state that current season production is lighter than anticipated, while other suppliers are comfortable with their production and supply situation. The new production season in Oceania is still a few months away and current shipments are being filled from inventoried stocks.

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: 2.0000 - 2.1000

**EVAPORATED MILK - NATIONAL**

Prices are steady to slightly higher and the market tone is unchanged. With milk prices expected to jump in the coming months, some producers have announced price increases and normal buy-ins at the old price. The market remains highly competitive. That, coupled with buyer resistance, may force some rethinking about increases or the amount of the increase. Canned evaporated milk production during May totaled 61.4 million pounds, 14.0% more than May 2002 and 8.0% more than April 2003. Month ending stocks, at 63.8 million pounds, are 15.1% more than a year ago and 7.3% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00  
Excluding promotional and other sales allowances. Included new price announcements.

MAY 2003 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 114.6 million pounds in May, 8.7 percent below May 2002 and 6.6 percent below April 2003. **AMERICAN TYPE CHEESE** production totaled 319.1 million pounds, 3.3 percent below May 2002 but 3.4 percent above April 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 740.0 million pounds, 1.1 percent below May 2002 but 2.6 percent above April 2003. **NONFAT DRY MILK** production, for human food, totaled 154.3 million pounds, 5.5 percent below May 2002 but 2.6 percent above April 2003. **DRY WHEY** production, for human food, was 95.2 million pounds, 2.7 percent above May 2002 and 5.6 percent above April 2003. **ICE CREAM** (hard) production totaled 78.7 million gallons, 1.4 percent above May 2002 but 0.9 percent below April 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	MAY 2003	PERCENT CHANGE FROM:			PRODUCT	MAY 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	MAY 2002	APR 2003	YEAR TO DATE 1/		1,000 LBS.	MAY 2002	APR 2003	YEAR TO DATE 1/
BUTTER	114,629	-8.7	-6.6	-2.4	SOUR CREAM	76,852	---	-2.1	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	182,127	-2.4	-0.7	---
AMERICAN TYPES 2/	319,146	-3.3	3.4	-2.0	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	240,099	-7.1	2.3	-4.5	SWEET-TYPE, HUMAN FOOD	10,155	4.3	8.2	---
SWISS	22,257	3.8	12.0	---	SWEET-TYPE, ANIMAL FEED 7/				---
BRICK & MÜNSTER	8,077	2.4	8.3	---	DRY WHEY PRODUCTS				
CREAM & NEUFCHÂTEL	55,967	2.6	2.4	---	DRY WHEY, HUMAN FOOD	95,240	2.7	5.6	---
HISPANIC	10,399	0.5	-5.5	---	DRY WHEY, ANIMAL FEED	4,800	-15.7	-1.3	---
MOZZARELLA	251,253	1.5	3.4	0.2	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	55,626	-3.1	-8.0	0.9	HUMAN FOOD	3,092	-67.6	3.1	---
TOTAL ITALIAN TYPES	306,879	0.6	1.2	0.3	ANIMAL FEED	3,585	-4.0	2.5	---
ALL OTHER TYPES	17,289	-9.3	5.1	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	53,374	11.8	-0.7	---
TOTAL	740,014	-1.1	2.6	-0.8	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	37,632	-4.9	-4.5	---	HUMAN FOOD	27,962	7.1	-0.3	---
COTTAGE CHEESE, CREAM 4/	32,798	-0.5	-3.4	2.7	ANIMAL FEED	3,274	0.8	9.9	---
COTTAGE CHEESE, LOWFAT 5/	33,280	-4.0	0.1	1.3					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS			PERCENT CHANGE FROM:
WHOLE MILK	61,428	14.0	8.0	---	ICE CREAM (HARD)	78,716	1.4	-0.9	-0.8
DRY WHOLE MILK	1,864	-51.0	-39.8	---	ICE CREAM, LOWFAT (HARD)	9,895	-11.9	-3.4	---
NONFAT DRY MILK, HUMAN FOOD	154,324	-5.5	2.6	-3.0	ICE CREAM, LOWFAT (SOFT)	30,467	14.4	11.5	---
DRY SKIM MILK, ANIMAL FEED	471	-38.4	-0.4	---	ICE CREAM, LOWFAT (TOTAL)	40,362	6.6	7.5	8.3
DRY BUTTERMILK	5,128	-10.3	-12.8	---	SHERBET (HARD)	5,312	1.2	-2.3	6.7
					YOGURT (TOTAL)	6,501	-6.2	2.1	-8.1

MANUFACTURERS' STOCKS, END OF MONTH 8/								
PRODUCT	MAY 2003	PERCENT OF:		PRODUCT	MAY 2003	PERCENT OF:		
	1,000 LBS.	MAY 2002	APR 2003		1,000 LBS.	MAY 2002	APR 2003	
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE				
DRY WHEY, HUMAN FOOD	44,945	26.3	-2.7	HUMAN FOOD	30,968	1.3	8.7	
DRY WHEY, ANIMAL FEED	2,546	61.3	57.3	ANIMAL FEED	1,618	1.6	-5.5	
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	10,082	2.1	0.9	CANNED EVAPORATED & CONDENSED WHOLE MILK	63,754	15.1	7.3	
LACTOSE, HUMAN FOOD & ANIMAL FEED	42,223	-6.8	1.9	NONFAT DRY MILK FOR HUMAN FOOD	153,911	-9.3	-0.2	
DRY BUTTERMILK, TOTAL	10,942	-21.8	-2.8					

1/ 2003 cumulative as percent change of 2002 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/ Not shown when fewer than three plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JUNE

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for June 2003 is \$1.1576 per pound. Thus, the Class II butterfat price is \$1.1646. The protein and other solids prices for June are \$1.9434 and \$-0.0200 per pound, respectively. These component prices set the Class III skim milk price at \$5.91 per cwt. The June Class IV skim milk price is \$5.92 which is derived from the nonfat solids price of 0.6574 per pound. **Product Price Averages:** The product price averages for June are; butter \$1.0797, nonfat dry milk \$0.8040, cheese \$1.1464, and dry whey \$0.1396.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/</u> <u>2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	JUNE 2003				JULY 2003
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	12.99	10.46	9.75	9.76	13.02
Appalachian (Charlotte) <u>5/</u>	005	12.84	10.46	9.75	9.76	12.87
Southeast (Atlanta) <u>6/</u>	007	12.84	10.46	9.75	9.76	12.87
Florida (Tampa) <u>7/</u>	006	13.74	10.46	9.75	9.76	13.77
Midwest (Cleveland) <u>8/</u>	033	11.74	10.46	9.75	9.76	11.77
Upper Midwest (Chicago) <u>9/</u>	030	11.54	10.46	9.75	9.76	11.57
Central (Kansas City) <u>10/</u>	032	11.74	10.46	9.75	9.76	11.77
Southwest (Dallas) <u>11/</u>	126	12.74	10.46	9.75	9.76	12.77
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	12.09	10.46	9.75	9.76	12.12
Western (Salt Lake City) <u>13/</u>	135	11.64	10.46	9.75	9.76	11.67
Pacific Northwest (Seattle) <u>14/</u>	124	11.64	10.46	9.75	9.76	11.67
All-Market Average	---	12.32	10.46	9.75	9.76	12.35

1/ 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.  
2/ 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.  
3/ Names in parentheses are the major city in the principal pricing point of the market.  
4/ 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.  
5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.  
6/ 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.  
7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.  
8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.  
9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.  
10/ 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.  
11/ 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.  
12/ Class I price at Las Vegas is minus \$0.35.  
13/ Class I price at Boise is minus \$0.30.  
14/ Class I prices at other cities are: Portland, same; and Spokane, same.

## MAY FLUID MILK SALES

During May, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.1 percent higher than May 2002. After adjusting for calendar composition, sales in May 2003 were 0.5 percent lower than May 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk, reduced fat (2%) milk, and flavored fat-reduced milk, increased from May 2002, while sales of whole milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
MAY 2003, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,545	7,643	-0.5	-0.2
Flavored Whole Milk	89	419	2.5	0.3
Reduced Fat Milk (2%)	1,480	7,335	0.9	0.8
Low Fat Milk (1%)	539	2,674	-0.9	0.6
Fat-Free Milk (Skim)	672	3,355	-2.6	-1.6
Flavored Fat-Reduced Milk	299	1,495	5.6	5.9
Buttermilk	47	233	-6.3	-5.1
Total Fluid Milk Products 3/	4,684	23,202	0.1	0.4
Total Fluid Milk Products Adjusted 3/ 4/	4,617	23,151	-0.5	0.5

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see [http://www.ams.usda.gov/dyfmoms/mib/clndr\\_comp\\_rpt.pdf](http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf)

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, MAY 2003, WITH COMPARISONS 1/

Area (Order Number) 2/	Sales		Change from: 3/	
	May	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	826	4,052	-1.5	-0.5
Appalachian (005)	290	1,435	0.6	0.0
Southeast (007)	408	2,052	-0.6	0.1
Florida (006)	240	1,232	0.3	1.0
Mideast (033)	541	2,685	0.4	-0.2
Upper Midwest (030)	373	1,846	-0.2	0.0
Central (032)	391	1,962	1.5	1.1
Southwest (126)	355	1,761	0.8	0.7
Arizona-Las Vegas (131)	110	550	2.5	3.3
Western (135)	76	369	-0.8	-1.1
Pacific Northwest (124)	186	912	-0.5	0.6
California (---)	561	2,723	1.1	1.8

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

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, APRIL 2003**

In April 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$10.79 per cwt., \$0.06 more than the revised figure for the previous month. This month-to-month increase results from generally higher Federal milk order minimum producer milk component prices. The component tests of producer milk in April 2003 were: butterfat, 3.66%; protein, 3.00%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices decreased in 10 reporting areas and increased in 7 reporting areas, and ranged from \$13.21 in Florida to \$9.54 in Utah. In April 2002, the Federal milk order all-area average mailbox price was \$12.16, \$1.37 higher.

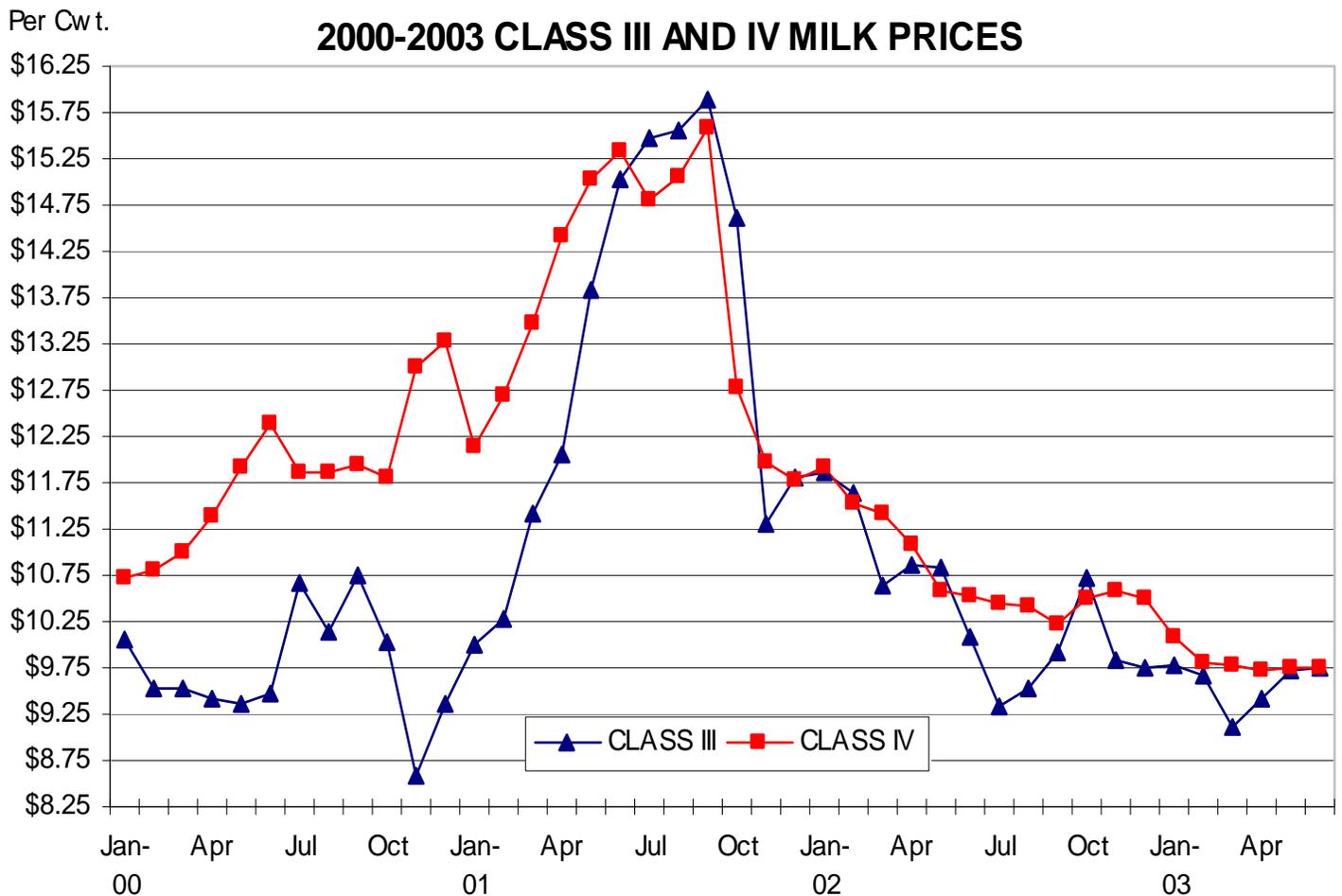
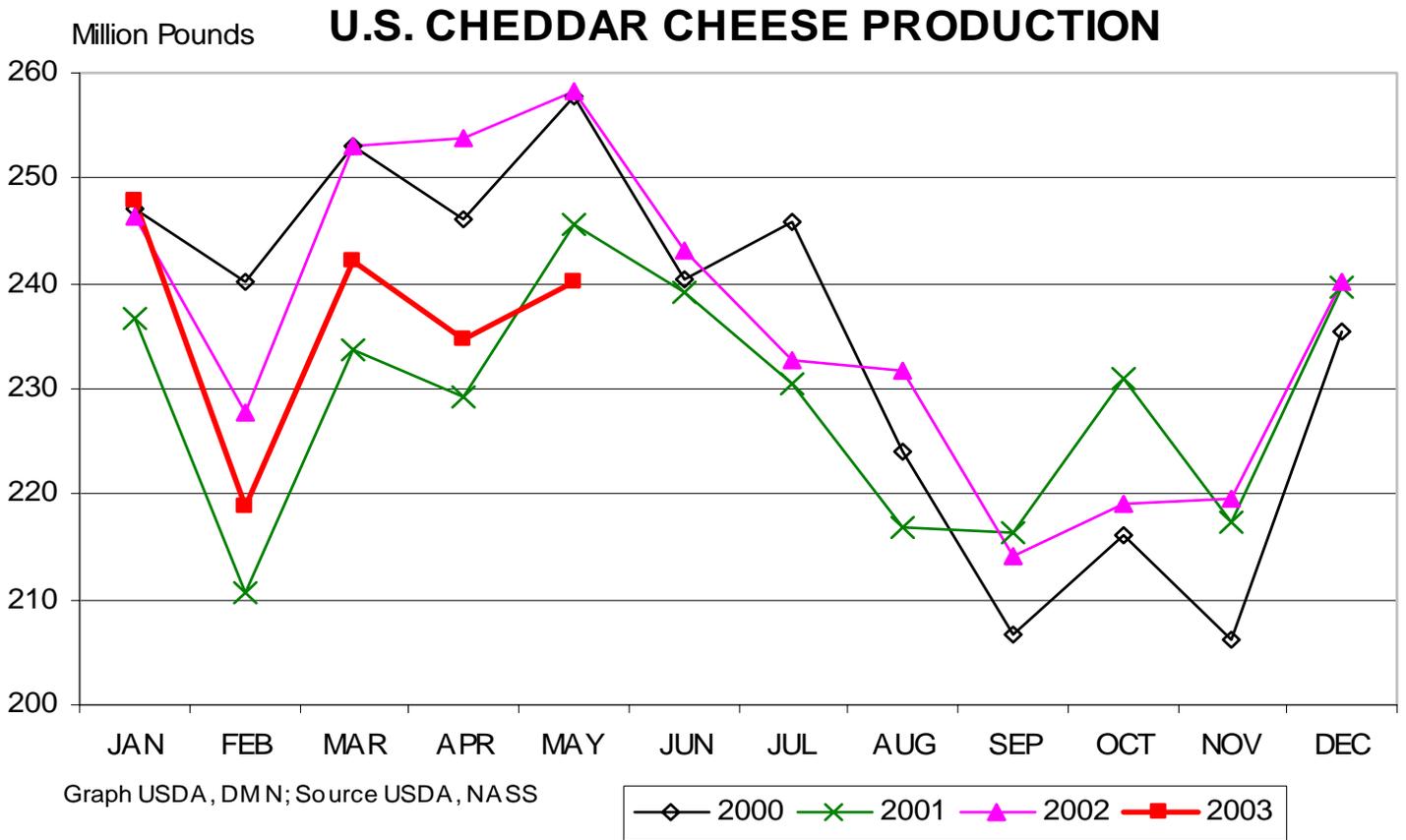
Note: Effective with the report for January 2003, the Iowa reporting area was removed from the Corn Belt States reporting area and is reported separately. The Northern Missouri reporting area was added to the Corn Belt States reporting area. The applicable prices for 2002 reflect these changes.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	April 2002	March 2003	April 2003
	Dollars per hundredweight		
Northeast Federal Milk Order	12.05	10.86	11.06
Appalachian States <u>3/</u>	12.57	11.54	11.29
Southeast States <u>4/</u>	13.05	11.93	11.63
Southern Missouri <u>5/</u>	12.06	10.82	10.61
Florida	15.09	13.56	13.21
Ohio	12.25	10.85	10.80
Michigan	12.06	10.61	10.48
Wisconsin	12.48	10.70	10.85
Minnesota	12.23	10.72	10.86
Iowa	12.28	10.68	10.73
Illinois	12.21	10.78	10.84
Corn Belt States <u>6/</u>	11.82*	10.40	10.68
Western Texas <u>7/</u>	11.98	10.71	10.62
New Mexico	11.07	9.78	9.72
Idaho	11.29	9.71*	9.87
Utah	11.08	9.55	9.54
Northwest States <u>8/</u>	11.91	10.33	10.31
All Federal Order Areas <u>9/</u>	12.16	10.73*	10.79
California <u>10/</u>	11.38	10.06	NA

\*= Revised.

NA= Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."



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

	FOR THE PERIOD OF JULY 3 - 11, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 07/03/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	761,570	-761,570	10,471,808	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,723,680	-0-	-0-	-0-
<b>TOTAL</b>	-0-	761,570	-761,570	12,195,488	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	3,840,106	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	5,545,706	-0-	-0-	-0-
Process	79,200	118,800	-39,600	31,798,800	-0-	-0-	-0-
<b>TOTAL</b>	79,200	118,800	-39,600	41,184,612	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	15,909,774	2,227,251	13,682,523	544,543,089	560,491,585	1,280,824,000	1,137,585,000
Fortified	-0-	-0-	-0-	495,366	-0-	46,391,000	46,391,000
<b>TOTAL</b>	15,909,774	2,227,251	13,682,523	545,038,455	560,491,585	1,327,215,000	1,183,976,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF JULY 3 - 11, 2003 =	-14.0	158.8	COMPARABLE PERIOD IN 2002 =	3.5	183.1
CUMULATIVE SINCE OCTOBER 1, 2002 =	765.9	6,753.4	CUMULATIVE SAME PERIOD LAST YEAR =	123.3	6,524.1
CUMULATIVE JANUARY 1 - JULY 11, 2003 =	691.8	5,487.8	COMPARABLE CALENDAR YEAR 2002 =	106.4	5,628.2

\* 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 PERIOD OF JULY 3 - 11, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-39,600	1,167,296	-0-
WEST	-761,570	-0-	-0-	-0-	-0-	-0-	12,654,088	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-138,861	-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-	32,010,372	-0-	21,921,686	31,521,963	39.2	5.6
WEST	12,195,488	-0-	9,174,240	-0-	484,733,530	487,884,278	59.7	87.1
EAST	-0-	-0-	-0-	-0-	38,383,239	41,085,344	1.1	7.3
<b>TOTAL</b>	12,195,488	-0-	41,184,612	-0-	545,038,455	560,491,585	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 06/21/03 & 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	6.1	4.8	16.7	2.4	0.3	0.8	13.0	2.1	47.0	1,374.5	44.7	48.3
2002-Dairy	0.2	0.7	5.8	5.0	19.0	1.7	0.3	0.6	10.9	2.3	46.6	1,206.5	42.5	46.1
2003-All cows	0.2	0.9	8.1	14.8	26.8	15.6	13.9	3.1	15.9	5.9	105.1	2,848.0		
2002-All cows	0.2	0.8	7.9	14.1	29.3	16.0	16.5	3.9	14.5	6.5	109.7	2,614.0		

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	10.46						
III	9.78	9.66	9.11	9.41	9.71	9.75						
IV	10.07	9.81	9.79	9.73	9.74	9.76						

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)