

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/18):**

**BUTTER:** Grade AA closed at \$1.2025. The weekly average for Grade AA is \$1.2142 (+.0475).

**CHEESE:** Barrels closed at \$1.4250 and blocks at \$1.5000. The weekly average for barrels is \$1.4340 (-.0420) and blocks, \$1.5005 (-.0115).

**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 has broken out of its narrow trading range. Demand for cream remains very strong from coast to coast with limited volumes available for churning at many locations. Some butter producers are finding that it is financially more advantageous to sell their cream supply versus churn at this time. Supplies of fresh butter remain lighter than demand is requesting, thus orders are being supplemented with inventoried stocks. Retail butter orders remain fair at best with foodservice orders fairly good.

**CHEESE:** The cheese market is unsettled on blocks and unsettled to weak on barrels. Prices have slipped back after the recent sharp increases. Buyers are wary of accumulating additional inventory at current prices. Cheese demand is irregular as many buyers have received deliveries in recent weeks. Cheese production is lower seasonally due to declines in milk receipts and yields. The week ending July 18 is the first week since early January that CCC has not made any cheese purchases under the price support program.

**FLUID MILK:** Hot weather conditions in many areas of the country are impacting milk output. Extremely hot temperatures are widespread in the Southwest. Arizona milk production is trending lower as nighttime lows are setting record highs and the cows are not responding well. California production is moving lower despite efforts to abate the heat at the farm level. Record setting heat is common over Utah and Idaho and the duration of the spell is causing milk to drop off. In the Northwest, the milk flow is seasonal with cheese plants willing to take extra milk. Midwestern production is trending lower, along with fat and protein levels. Manufacturing milk supplies remain tight to short. Spot milk prices are \$1.50 to \$2.00 over class. In the Southeast, milk output is declining as a result of heat and humidity. Seasonal weather in the Northeast is not impacting the basically steady milk flow. Fluid milk sales are noted to be lower where weather is the hottest. Cream demand is good and orders are moving cream from west to east.

**DRY PRODUCTS:** Nonfat dry milk prices are holding mostly steady with higher prices noted in the East. Production levels are trending lower as milk and condensed are moving to cheese and less milk is available. Less NDM is moving to the CCC under the support program. Dry buttermilk prices are firming in all regions. Demand has improved and some producers have cleared their stocks in recent weeks. Current production has slowed as cream moves out of the churn. Whey prices are trending higher. Demand has improved from domestic and export accounts. Stock levels are improving. WPC market prices are higher with exports helping the 34% market with some in the trade perplexed at the speed of the market tightening. Certain brands are commanding

additional premiums. Lactose prices are unchanged, but the tone is firm. Demand remains good for current orders and into late third quarter. Supplies are available in the West.

**CCC:** During the week of July 14 - 18, CCC purchased 4,231,007 pounds of NDM with 259,391 pounds from the Central region, 3,764,384 pounds from the West, and 207,232 pounds of fortified from the East.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for August 2003 is \$10.97, up \$1.20 from July. This price is derived from the advanced Class III skim milk pricing factor of \$7.07 and the advanced butterfat pricing factor of \$1.1854 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 August is \$6.64 and the Class II nonfat solids price is \$0.7378 per pound. The following are the two-week product price averages: butter \$1.1028, nonfat dry milk \$0.8062, cheese \$1.2685, and dry whey \$0.1452.

**JULY MILK SUPPLY AND DEMAND ESTIMATES (WASDE):** Dairy production forecasts for 2002/03 and 2003/04 are lowered from last month as milk-per-cow forecasts are reduced. Cheese prices have risen sharply and are expected to remain above spring levels through the fall. As a result, the 2002/03 Class III price forecast is raised to \$10.15-\$10.25. However, due to continued large stocks of butter and surpluses of NDM, the Class IV price is not expected to respond much to higher cheese prices. The Class IV price is forecast at \$9.95-\$10.15. The average all milk price forecast is raised to \$11.60-\$11.70. Price forecasts for 2003/04 are little changed from last month.

**JUNE FEDERAL MILK ORDER PRICE AND POOL SUMMARY (AMS):** During June, about 10.5 billion pounds of milk were received from producers. This volume of milk is 1.1% lower than the June 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -0.5%.) About 3.5 billion pounds of producer milk were used in Class I products, 2.0% higher 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 = 33%, Class II = 11%, Class III = 46%, and Class IV = 10%. The weighted average statistical uniform price was \$10.93, \$0.01 higher than last month, and \$0.70 lower than last year.

**JUNE MILK PRODUCTION (NASS):** Milk production in the 20 major states during June totaled 12.3 billion pounds, down 0.1% from June 2002. May revised production, at 13.0 billion pounds, was down 0.4% from May 2002. The May revision represented a decrease of 9 million pounds from last month's preliminary production estimate. Production per cow averaged 1,587 pounds for June, unchanged from June 2002. The number of cows on farms was 7.77 million head, 10,000 head less than June 2002, and 11,000 head less than May 2003. The April-June quarterly production of milk for the U.S. was 43.9 billion pounds, 0.3% below the April-June period last year. The average number of milk cows in the U.S. during the April-June quarter was 9.11 million head, 35,000 head less (-0.4%) than the same period 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 JULY 14	TUESDAY JULY 15	WEDNESDAY JULY 16	THURSDAY JULY 17	FRIDAY JULY 18	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4600 (-.0200)	\$1.4300 (-.0300)	\$1.4300 (N.C.)	\$1.4250 (-.0050)	\$1.4250 (N.C.)	(-.0550)	\$1.4340 (-.0420)
40# BLOCKS	\$1.5025 (-.0175)	\$1.5000 (-.0025)	\$1.5000 (N.C.)	\$1.5000 (N.C.)	\$1.5000 (N.C.)	(-.0200)	\$1.5005 (-.0115)
BUTTER							
GRADE AA	\$1.2200 (+.0250)	----	\$1.2200 (N.C.)	----	\$1.2025 (-.0175)	(+.0075)	\$1.2142 (+.0475)

\*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 14, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4600; 1 CAR 40# BLOCKS @ \$1.5025  
 BUTTER — SALES: 3 CARS GRADE AA @ \$1.2200; BIDS UNFILLED: 19 CARS GRADE AA: 1 @ \$1.2175, 4 @ \$1.2125, 2 @ \$1.2100, 2 @ \$1.2075, 3 @ \$1.2050, 2 @ \$1.2025, 2 @ \$1.2000, 3 @ \$1.1950; OFFERS UNCOVERED: NONE

TUESDAY, JULY 15, 2003

CHEESE — SALES: 22 CARS 40# BLOCKS @ \$1.5000; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4300

WEDNESDAY, JULY 16, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS @ \$1.3800; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4300  
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.2200, 1 @ \$1.2225, 2 @ \$1.2200; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.2200, 1 @ \$1.2000; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.2300, 1 @ \$1.2350, 1 @ \$1.2400

THURSDAY, JULY 17, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4250

FRIDAY, JULY 18, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 32 CARS GRADE AA: 2 @ \$1.2200, 1 @ \$1.2150, 2 @ \$1.2125, 1 @ \$1.2175, 2 @ \$1.2100, 2 @ \$1.2000, 1 @ \$1.2150, 1 @ \$1.2175, 1 @ \$1.2125, 1 @ \$1.2150, 2 @ \$1.2175, 1 @ \$1.2150, 1 @ \$1.2175, 1 @ \$1.2100, 1 @ \$1.2200, 1 @ \$1.2175, 1 @ \$1.2100, 1 @ \$1.2000, 1 @ \$1.2125, 1 @ \$1.2150, 2 @ \$1.2175, 1 @ \$1.2100, 1 @ \$1.2000, 1 @ \$1.2100, 1 @ \$1.2050, 1 @ \$1.2025; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.2000, 6 @ \$1.1900; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.2175, 1 @ \$1.2200, 2 @ \$1.2300, 2 @ \$1.2400

**BUTTER MARKETS**

**NORTHEAST**

The market tone is firm. The CME cash price for butter has moved higher with more enthusiasm in the past few sessions. Through July 14, the price of butter at the CME cash market has increased 8 cents in the last four sessions. This was not totally unexpected, given what cheese prices have been doing since mid-June. Some contacts expect additional price increases and buyers are looking for additional volumes before prices move any higher. Trading activity at the CME was very heavy last week, but only three sales were made during the 7/14 session. Cream supplies remain tight in the East and some local butter makers are selling their cream rather than make butter. Butter orders are often being filled from inventories. This isn't too difficult since most print orders are seasonally light. Retail orders for packaged butter remain light and food service orders are fairly good. 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 at the CME continues to show strength, although the trading level held steady at \$1.22 at midweek. This is the highest cash price since April 5, 2002. Many producers and handlers are not surprised at the strength of the past few weeks, but question how high will the value go. Many have speculated a \$1.25 – 1.30 high for the cash price this year. Cream supplies are limited for most butter producer needs. Some butter producers are finding that it is financially more advantageous to sell their cream supplies versus churn at this time, especially if they have to compete and pay high prices for additional cream volumes to maintain steady production schedules. Surplus cream supplies are limited and if available are

quite pricey. Stocks of butter are readily available for customer needs, but often, fresh butter stocks are not sufficient to meet needs, thus inventoried stocks are being used to supplement orders. Overall buying interest remains fair. Many orders are being placed for near term use, while some buyers are looking ahead and placing heavier orders. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Cash butter prices at the CME have broken out of their narrow trading range around \$1.10 and reached \$1.22 this week. Contacts generally feel that the price increases are realistic with the much lower production figures noted currently. Some wonder how much of the increase is in sympathy with the strength in cheese markets. Demand for cream remains very strong with only limited volumes available for churning at many locations. Much of the cream is leaving the region and heading east for ice cream production. Supplies of current fresh butter remain tight, but frozen stocks are readily available. For some buyers those two options are not equal and they will pay what amounts to a premium for the fresh. Milk production and cold storage numbers available later in the week may give a clue where this market is headed over the next few weeks. CME weekly warehouse stocks increased by 4.3 million pounds last week. Normally stocks don't increase by that large an amount this late in the year. Last year's peak inventory level was 150.6 million pounds. Weekly stocks now stand at 197.9 million pounds, the highest on record. Current prices for bulk butter range from 3 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 12	1.2846	1.3190	0.8060	1.1250	0.1463
	8,819,499	8,551,271	31,195,656	4,423,434	11,484,504

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 again this week, but the week-to-week change is not as high as last week's jump. The market tone is firm, but during the July 14 trading at the CME, cash prices for both barrels and blocks decreased for the first time in more than a month. Contacts are waiting to see what will happen later this week. Many wonder how long this price run-up will last or will prices hold at or near current levels for a while. In the Northeast, cheese output is steady to lighter, reflecting current milk supplies. Demand for cheese has been quite good as buyers try to get in ahead of the price increases. This is always good for short term business, but once buyers' warehouses fill up, orders settle back into normal or less-than-normal patterns until the cheese gets used or sold. Food service orders are fairly brisk as outlets in the vacation or resort areas are seeing more business. Retail sales are just fair.

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

Cheddar 10# Prints	:	1.5775-2.0725
Cheddar Single Daisies	:	1.5350-2.0000
Cheddar 40# Block	:	1.6525-1.9000
Process 5# Loaf	:	1.6875-1.8875
Process 5# Sliced	:	1.7075-1.9550
Muenster	:	1.7400-1.9450
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is unsettled. Prices at the Chicago Mercantile Exchange dipped slightly after the large series of price increases. More buyers are taking a wait and see attitude toward prices and orders. Some buyers of bulk items, including cheddar, have reduced orders, at least temporarily. Distributors have been passing on sizeable increases in bulk and finished product prices in recent weeks. A few processors are finding slower process sales, at least in one segment. The wider than average spread between barrels and blocks is shifting production toward blocks and 640's. Mozzarella sales are irregular, though aided by better orders from frozen pizza accounts. Milk intakes continue to show seasonal declines. The fat and protein test averages for 2003 are slightly lower than in the comparable recent year periods in at least a couple of Central region Federal Orders. Spot manufacturing milk supplies are also limited for many plant operators. Despite recent weakness in cheese prices, the tilt remains strongly toward cheese over butter/powder. Plant operators are looking to depool as much milk under the Federal Orders as possible this month because of the anticipated inverse price relationship.

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

Process American 5# Loaf	:	1.6550-1.8100
Brick And/Or Muenster 5#	:	1.8600-2.1750
Cheddar 40# Block	:	1.7500-2.1150
Monterey Jack 10#	:	2.0500-2.1325
Blue 5#	:	2.2675-2.5200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0500-2.6850

**WEST**

Natural and process prices continue to move sharply higher. Cash prices this week at the CME are trending lower and this could impact wholesale prices next week. Buyers have been more active in trying to acquire more supplies as a hedge against rising prices and just as an insurance policy against the possibility of tighter supplies. Offerings of cheese are generally less available in the face of this increasing demand. Milk is going away at a much faster pace as more areas report temperatures in the triple digit range for longer periods of time. Temperatures as high as 116 degrees are noted in the Southwest and over 110 degrees in the Intermountain region are also common. The fact that cheese prices are quite a ways ahead of butter prices doesn't seem to make a lot of difference in much of the region as to where the milk will be directed.

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

Process 5# Loaf	:	1.6250-1.8850
Cheddar 40# Block	:	1.6425-1.9925
Cheddar 10# Cuts	:	1.8225-2.0425
Monterey Jack 10#	:	1.8325-1.9925
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Prices range from steady on imported styles to sharply higher on domestic types. With CME cash cheese prices jumping so quickly, domestically made cheeses are increasing. The market tone is steady. Demand for table cheese is slow to fair which is typical for this time of year. Also, increasing prices are having a negative impact on retail sales/consumption of some cheeses.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.7200	: 1.8725-3.3625*
Gorgonzola	: 3.6900-5.9400	: 2.3900-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2825-3.3725*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.8800-2.1075*
Romano (Cows Milk)	: -0-	: 3.0700-5.2425*
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.

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

	BUTTER	:	CHEESE
07/14/03	100,143	:	138,754
07/01/03	100,658	:	138,209
CHANGE	-515	:	545
% CHANGE	-1	:	N.C.

## FLUID MILK AND CREAM

## E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	51	0	60	0	2
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, June 2003 uniform prices: Northeast \$11.66, Mideast \$10.63, Southeast \$11.98, Florida \$13.02, and Western New York (a state order) \$11.21 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production continues to show declines in most sections of the region. The most noticeable changes are occurring in the Southeast where temperatures and humidity have been high. The weather in the Northeast is more seasonable and production isn't moving too much. However, contacts report that milk is very tight in this part of the East. Fat and protein tests remain relatively low. Bottled milk sales are mixed. Sales in much of the Southeast are holding up surprisingly well. However, bottled milk orders in the Northeast range from sluggish to fair depending on locale. Surplus milk supplies are tighter. Most plant contacts report little manufacturing in the Southeast and only moderate schedules further north. The condensed skim market is firm. Class II prices are steady, but producers and buyers are anxiously waiting Friday's (7/18) announcement of August's Class II skim milk price (the basis for most Class II condensed skim sales). Prices for Class III wet solids jumped sharply this week. The gains reflect the projected Class III skim milk prices for July. Demand is about steady, but Class III users are looking at NDM as a less costly alternative. The fluid cream market remains firm. Offerings are tight and Western cream continues to be "imported" to supplement local supplies. Cream is being pulled from Midwestern and Southeastern states with more regularity. Spot prices are often higher as multiples and the CME butter average are higher this week. Demand for cream is holding up surprisingly well, but some spot buyers are resisting the high-priced loads. Ice cream and ice cream mix producers are running at near capacity levels as demand is in normal "summer mode." Cream cheese makers are operating at near normal levels, but most are showing some signs of price resistance when making spot purchases. Bottled cream orders have eased in some areas and producers have eased back on operating schedules. Churning is light to moderate.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5867-1.7851
DELIVERED EQUIVALENT ATLANTA	-	1.5750-1.8084 M 1.6567-1.7617
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5750-1.7267

## 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	- 1.0000-1.0500

## M I D W E S T

Class I interest remains at typical light summer levels except when featured. Manufacturing milk supplies remain tight to short. Spot supplies are limited with some interest going unsatisfied. Reported spot milk prices range from \$1.50 to \$2.00 over class on a light test. Some bottler inquiries for extra loads are also hard to fill due to the expected inverse relationship with the July Class III price. Cheese plant operators are trying to depool the milk due to the expected inverse price relationship under the Federal Milk Orders. Manufacturing plant schedules at most plants continue to decline, either by reducing the number of hours/vats per day or the number of days per week to reflect current milk receipts. Fat and protein levels on incoming milk supplies

continue to drift lower. The average fat and protein tests so far in 2003, in at least a couple Central region Federal Milk Orders, are slightly below the past couple of years, perhaps due to the extended period of low milk prices causing producer cutbacks in the supplemental rations fed to cows. Cream remains tight and some long distance sources continue to be tapped for supplemental volumes. Condensed skim prices are about steady. Some Class III condensed skim users have switched to refortifying with NDM. Crops continue to progress, but often seem to be lagging in maturity in the upper tier of states.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 49.00	\$ 35.50- 40.00
REPLACEMENT HEIFER CALVES	\$310.00-450.00	\$450.00-590.00

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

	JULY 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 54.00	\$ 32.00- 42.50

## W E S T

The August 2003 Class 1 prices in CALIFORNIA range from \$14.46 in the north to \$14.73 in the south. The statewide average Class 1 price based on production is \$14.51. The average is \$2.70 higher than July 2003 and \$2.13 above August 2002. CALIFORNIA weather conditions are hot and are providing a challenge to dairy managers to keep the cows milking. Heat abatement measures are in place, but milk is dropping as the adverse conditions extend for days and now over a week. Solids in the incoming milk are noted to be lower. Plants are running well and are dealing with the weather conditions. Bottled milk sales are reported to be lower with the heat from both convenience and retail outlets. The higher Class 1 price is expected to increase the cost of a gallon of milk by 25 cents. Cheese plants are looking for and taking extra milk and condensed skim. High temperatures in ARIZONA have reached nearly 120 degrees with several areas reporting record high low temperatures of nearly 100 degrees. The lack of cooler nighttime temperatures is a big factor in daily milk output declines. Processors have capacity to handle local milk and have additional space because less outside milk is available. NEW MEXICO is seeing hot temperatures in the milk producing areas and the result is often declining output. Plants are generally running well in the state. Milk is being handled normally. Southern areas are starting the fourth cuttings of alfalfa. Cream continues to be sold to meet the good demand and to maximize returns. Less cream is entering local churns. Cream is moving east and finding homes in ice cream and cheese plants. The CME Grade AA butter price increased to \$1.2200 on Wednesday (7/16) and has increases 8 cents in 2 weeks. The higher price has not affected cream sales, although some multiples have been adjusted lower. Western cream multiples range from 118 to 139, FOB, depending on class usage. Conditions are warm and dry in the PACIFIC NORTHWEST. Milk supplies are seasonal in the region. Cheese plants would like a little additional milk, but they are often unable to acquire added supplies at reasonable prices. Butter/powder operations are looking to sell some milk, but the freight has to be right. More milk producers are booking feed supplies for the fall as they see milk prices improve and grain prices fall. Hay supplies are readily available and prices are holding steady to occasionally lower. Some producers note that the real top end hay is in short supply, but that is not unusual. Slaughter cow prices remain firm in the region, but culling rates are only moderate. Heifer interest is fair at best with prices edging about \$50 higher. Record setting heat is common over much of UTAH and IDAHO. Temperatures in the triple digits are common over most of the region for extended periods of time. Some readings above 110 degrees are noted. Humidity levels remain low and the nights remain relatively cool. Nevertheless, it has been hot enough long enough to impact milk output. Many plants are noting that tests on incoming milk receipts are lower than last year. Many hay growers are finished with the second cutting of hay. Quality is only fair because of the hot conditions. Also, more stress is noted on the corn crop. Growers can not get enough water on it fast enough. Heifer prices have firmed \$50-75 over the last three weeks.

**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. While supplies are tight in the North, producers are not increasing their list prices. Supplies remain plentiful in the South with NDM movement into the CCC. Production is steady to lower as milk prices are more attractive into cheese than NDM. High heat demand is strong with most buyers seeking additional supplies from the coastal areas. Despite higher condensed skim prices, condensed skim intakes into cheese and Class II facilities are generally good. EAST: Eastern prices are often higher within the range. The market tone is firming. With Class III condensed skim prices jumping as quickly as they have, many users are looking to NDM as a lower cost replacement. This additional demand comes at a time when drying schedules are declining seasonally. Production levels are light to moderate and typical for this time of year. Producers report tight supplies in the East. Occasionally, Western powder is being used to supplement local stocks. There were no offers of Eastern nonfortified NDM to CCC this week. However, some fortified powder was offered. Commercial prices have moved 2-3 cents higher, particularly those prices at the lower portion of the range. The trade continues to talk about the "NDM for cheese" issues and when it might "hit the market." Also, unconfirmed reports indicate that USDA has re-awarded contracts for pudding purchases which also exchanges government owned NDM as partial payment.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .8700 MOSTLY: .8000 - .8500  
 HIGHHEAT: .8600 - .9250

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices are holding mostly steady in regular trading. The market tone has changed little in recent months and is characterized as steady, albeit weak considering the need to clear NDM to the support program. Current production levels are often trending slightly lower due to lower milk intakes and milk and condensed moving to cheese plants. Offerings of slightly off-spec and resale NDM are also prevalent. During the period of July 3 - 11, adjusted CCC support program purchases of NDM totaled 12,654,088 pounds of nonfortified from the West. Prices for high heat powder are higher on the top end. The market tone is mostly steady with high heat generally being made to order. Price changes have been minimal and fluctuations are a result of sales occurring during a particular week. Plants have room to make high heat. Stocks are in balance.

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
July 11	\$.8017	19,092,651	3,598,126
July 4	\$.8039	13,213,988	4,641,664

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. Drying schedules have ceased at some operations as the bulk of buttermilk is readily cleared in the condensed form. Some plants are holding onto their current stocks in order to capture higher prices as the market continues to firm. Traders are securing supplies from the West at delivered prices comparable to the Central region. Spot trades from the Central region are light with inquiries noted from ice cream, salad dressing and blending operations.

F.O.B. CENTRAL: .7600 - .7900

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices range from steady to higher and the market tone is firming along seasonal patterns. Eastern prices are nominal. Stocks of dry buttermilk are tight in the East. Producers have moved nearly all the inventory they had. Current output is light and demand is improving. Producers who left their prices alone this week did comment that prices would be moving higher in the near future. Churning activity has taken a down-turn as cream supplies tighten and demand improves. Those traders and users that need a spot load or two are reaching greater distances to find powder.

F.O.B. NORTHEAST: .6800 - .7300  
 DELVDSOUTHEAST: .7000 - .7500

**DRY BUTTERMILK - WEST**

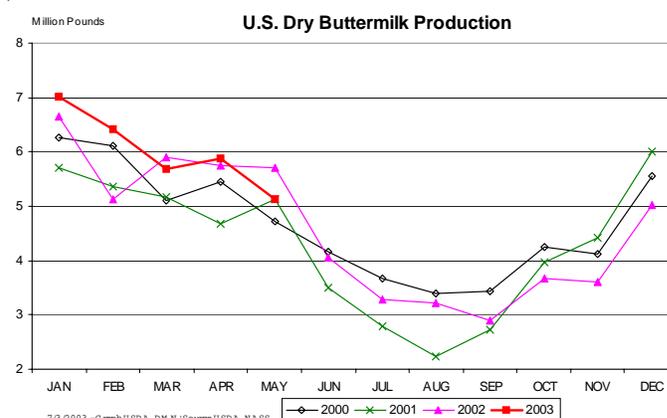
Dry buttermilk prices are higher in the West. The market tone remains firm. Offering prices have increased and there were no sales reported below 70 cents this week after some producers cleared product at lower levels last week. Drying schedules remain limited with good sales of cream and lighter butter production. Stocks are becoming more in balanced with some volumes shifting to brokers and resellers. Several contacts noted they felt now is a good time to take a position.

F.O.B. WEST: .7000 - .7500 MOSTLY: .7100 - .7200

**DRY WHOLE MILK - NATIONAL**

Prices are steady to higher within the range. Some Western producers are adjusting prices to the higher butter prices. The market tone is steady. Prices remain nominal. Production levels are light, but a few reports note that output is up at a few plants. Plant stocks are closely balanced.

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



7/3/2003 - 9:08am U.S. DAIRY MARKET NEWS - 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. Production is steady to higher in response to higher milk intakes at some operations. Some concern is noted over the higher natural gas costs expected this fall in relation to operating costs. As a result, greater interest is noted in diversifying, upgrading or closing facilities. Inventories are generally in balance. Some firms continue to report equipment problems that impede output and cause product shortages on contractual commitments. Domestic demand is reported as fair with inquiries noted from candy producers for fall holidays. Export interest is good. Traders seeking product for shipment to Asia are not readily able to find adequate whey supplies. Condensed supplies are readily available at some locations for the light interest. The early weaned pig market is weak.

F.O.B. CENTRAL: .1500 - .1600 MOSTLY: .1500 - .1550

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are generally higher this week. The market tone remains firm. Cheese output in the Northeast is steady to slower, which impacts dry whey availability. Most producers report that their stocks range from sold out to closely balanced. Some continue to concentrate on filling contracts and not accept new spot orders. Others are asking for slightly higher premiums for any new spot sales. Despite the relatively tight supply at the producer level, traders often have inventory to fill any spot orders that may arise. Demand, however, is not overly aggressive, which is keeping price increases rather moderate.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1550 - .1700  
DELVD SOUTHEAST: .1750 - .1900

**DRY WHEY - WEST**

Prices continue to slowly firm up for Western whey powder. Contacts seem to feel that the slow, orderly increase in the market is justified. Export sales activity is continuing to improve, especially in those areas that had been impacted by the SARS issue. The value of the dollar in relation to other countries is helping export sales to be more competitive. Domestic buyers are more active searching for whey at this time. Whey is generally available, but buyers are noting that shipment times are beginning to stretch out a bit. Production of powder is declining seasonally, especially in those areas facing day after day of triple digit temperatures. 118 degrees seems to be the highest temperatures noted, but the real problem is that some areas are only cooling to 98 degrees overnight. The stress on the cows and the milk supplies is starting to add up.

NONHYGROSCOPIC: .1350 - .1700 MOSTLY: .1450 - .1550

**ANIMAL FEED WHEY - CENTRAL**

Prices are higher on a firm market. Supplies remain short, encouraging feed buyers to seek additional supplies in the Extra Grade market. However, as Extra Grade prices increase, more aged supplies are appearing. Resellers are reluctant to sell aged stocks at a discount, especially as the product was originally acquired at higher prices than currently reported. Veal prices continue firm as the ban on Canadian imports remains. As a result, some forward contracting on custom fed veal for fourth quarter is noted and milk replacer operations expect higher demand during this period. However, the veal ban is currently anticipated to be lifted near the end of the year and the amount of frozen veal in Canadian storage is of concern.

F.O.B. CENTRAL:  
MILK REPLACER: .1400 - .1475

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged to higher on a steady to firm market. Producers state that export trade was the primary impetus for excess 34% WPC market clearance. Buyers are perplexed that the market could clear and tighten so quickly. Production is mostly steady. Inventories are in balance to tight as some manufacturers remain sold out. Resellers are readily re-entering the market with aged stocks for the good interest. Stocks of high protein and off grade product remain readily available for the light feed interest. Reports of NDM for drought being offered into non-drought states at 38-39 cents are noted with buyers generally leery in engaging in such trade. Brand specific and Grade A product continues to gain substantial premiums with limited supplies trading at the higher end of the range.

F.O.B. EXTRA GRADE 34% PROTEIN: .3800 - .4850 MOSTLY: .4025 - .4225

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Production is steady to higher as milk intakes at some locations increase. Inventories are in balance to sometimes short of buyer needs. Some buyers are sold out through September. Buyers are making inquiries of product availability late in the third quarter or into fourth quarter. Producers are listing prices above 20 cents for the fourth quarter and meeting buyer contract resistance. Some traders report that the market is not as firm as in prior weeks as supplies are more readily available on the West coast. Off grade supplies are limited for the good interest.

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 with prices unchanged. Stocks of rennet are reported to be in balance with needs while acid volumes are less available. Rennet buyers were more active in the market in recent weeks due to the sharp increase in natural cheese prices. European stock availability varies depending on the source. Some producers indicate that production schedules and stocks are in line with projections while others indicate the production is sharply lower than anticipated. At this point, overall milk production in Europe is dropping quite rapidly as hot and dry weather conditions prevail. This has some casein producers concerned as available milk supplies are very competitive.

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 and the market tone are unchanged. Production levels are often lighter as volumes of surplus milk are decreasing in most parts of the country. Those operations with their own milk supply have milk to process if they wish to, but producers who have to buy milk are finding that prices and premiums are increasing. Demand for evaporated milk is just fair and mostly for replacement needs. Some improved interest may be noted where producers have recently increased prices and buyers are taking extra volumes ahead of those increases. The market does remain highly competitive.

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.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	07/02	07/03	07/04	07/07	07/08	07/09	07/10	07/11	07/14	07/15
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
JUN 03	9.73 (2954) 0	9.71	NO TRADING							
JUL 03	12.08 (4217)136	12.13 (4357) 281		12.05 (4479) 165	11.92 (4407) 149	11.77 (4405) 70	11.70 (4381) 189	11.85 (4282) 170	11.90 (4269) 94	11.80 (4252) 72
AUG 03	12.92 (4704) 314	13.25 (4771) 403		13.36 (4902) 426	13.36 (4868) 191	13.20 (4912) 172	13.30 (4938) 170	13.30 (4950) 132	13.30 (4539) 636	13.13 (4545) 226
SEP 03	13.35 (4307) 283	13.61 (4364) 201		13.56 (4468) 360	13.56 (4514) 175	13.43 (4624) 215	13.57 (4669) 116	13.59 (4682) 159	13.64 (4703) 52	13.35 (4698) 223
OCT 03	13.35 (3771) 234	13.60 (3861) 179		13.55 (4055) 299	13.50 (4088) 52	13.40 (4118) 103	13.42 (4138) 138	13.33 (4149) 74	13.40 (4153) 53	13.15 (4175) 148
NOV 03	12.59 (3195) 100	12.75 (3227) 234		12.76 (3271) 228	12.79 (3289) 28	12.70 (3297) 50	12.69 (3298) 27	12.67 (3311) 54	12.60 (3254) 103	12.40 (3257) 95
DEC 03	12.15 (2362) 68	12.26 (2401) 220		12.25 (2448) 156	12.21 (2472) 37	12.19 (2476) 22	12.16 (2464) 54	12.12 (2475) 49	12.12 (2471) 25	12.00 (2494) 93
JAN 04	11.95 (698) 4	11.95 (727) 68		11.95 (745) 19	11.95 (766) 27	11.85 (768) 2	11.85 (775) 7	11.75 (775) 1	11.76 (776) 3	11.60 (754) 35
FEB 04	11.77 (583) 17	11.77 (583) 38		11.80 (581) 30	11.70 (609) 30	11.60 (605) 17	11.50 (606) 7	11.50 (607) 2	11.50 (610) 10	11.35 (613) 10
MAR 04	11.80 (416) 3	11.80 (416) 43		11.75 (419) 11	11.65 (441) 29	11.60 (441) 0	11.60 (447) 7	11.50 (447) 0	11.50 (453) 7	11.40 (455) 4
APR 04	11.60 (235) 1	11.60 (236) 29		11.65 (238) 6	11.60 (265) 19	11.55 (266) 1	11.50 (267) 2	11.50 (267) 0	11.50 (268) 6	11.40 (269) 1
MAY 04	11.60 (151) 1	11.60 (152) 1		11.55 (159) 7	11.50 (161) 14	11.40 (162) 1	11.40 (163) 1	11.40 (163) 0	11.40 (165) 6	11.35 (166) 4
JUN 04	11.80 (158) 1	11.80 (159) 11		11.80 (163) 6	11.70 (165) 15	11.70 (165) 0	11.70 (167) 2	11.60 (167) 0	11.60 (169) 3	11.60 (172) 3
JUL 04	12.15 (173) 1	12.15 (173) 0		12.15 (179) 5	12.15 (183) 22	12.10 (183) 0	12.10 (184) 1	12.10 (184) 0	12.10 (184) 1	12.10 (184) 2
AUG 04	12.30 (170) 1	12.30 (204) 35		12.45 (205) 1	12.45 (207) 15	12.40 (207) 6	12.40 (208) 1	12.40 (208) 0	12.40 (208) 0	12.40 (209) 2
SEP 04	12.60 (196) 8	12.50 (201) 5		12.65 (201) 0	12.65 (208) 24	12.55 (208) 6	12.55 (209) 1	12.55 (209) 0	12.55 (209) 0	12.55 (210) 2
OCT 04	12.21 (83) 2	12.21 (84) 1		12.21 (84) 0	12.21 (86) 14	12.22 (86) 6	12.22 (87) 1	12.22 (87) 0	12.22 (87) 7	12.20 (87) 1
NOV 04	11.80 (42) 0	11.80 (42) 0		11.80 (42) 1	11.80 (54) 15	11.80 (60) 6	11.80 (60) 0	11.80 (60) 0	11.80 (60) 0	11.80 (61) 2

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

JUN 03	10.10 (5) 0	9.74	NO TRADING							
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
AUG 03	10.10 (26) 0	10.10 (26) 0		10.10 (26) 0	10.20 (26) 0	10.20 (26) 1	10.20 (26) 0	10.30 (26) 0	10.40 (26) 0	10.40 (26) 0
SEP 03	10.35 (20) 0	10.35 (20) 0		10.35 (20) 0	10.35 (20) 0	10.35 (20) 1	10.35 (20) 0	10.50 (20) 0	10.60 (20) 0	10.60 (20) 0
OCT 03	10.15 (2) 0	10.15 (2) 0		10.15 (2) 0	10.15 (2) 0	10.15 (3) 1	10.15 (3) 0	10.15 (3) 0	10.35 (3) 0	10.36 (3) 0

CME - BUTTER FUTURES -- Cents per pound

JUL 03	114.00 (213) 9	114.50 (213) 0	NO TRADING	115.50 (139) 13	115.50 (66) 1	117.00 (66) 4	119.00 (77) 22	119.75 (69) 3	122.00 (63) 8	123.00 (61) 4
SEP 03	117.00 (659) 2	118.00 (654) 6		119.00 (655) 3	120.00 (653) 6	121.00 (662) 12	122.75 (663) 2	123.50 (665) 17	125.50 (664) 11	126.50 (663) 6
OCT 03	119.00 (384) 4	119.25 (384) 0		120.00 (384) 0	121.25 (384) 4	122.50 (384) 1	123.50 (384) 1	125.00 (384) 6	127.00 (384) 5	127.50 (384) 0
DEC 03	119.50 (379) 0	119.50 (378) 1		122.00 (378) 10	122.00 (378) 0	122.00 (378) 0	123.50 (391) 20	125.50 (392) 4	128.50 (391) 1	128.50 (391) 0
MAR 04	129.75 (66) 0	129.75 (66) 0		130.00 (66) 0	130.00 (66) 0	130.00 (66) 0	130.25 (66) 0	130.25 (66) 0	131.00 (66) 0	131.50 (66) 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 July 7 - 18, 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 AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** Milk production patterns across much of Europe are declining very quickly. Much of the decline is being attributed to hot/dry weather conditions. In recent weeks, temperatures have been hot and rainfall has been very localized and spotty. Rainfall that has occurred is minimal in comparison to what is needed to maintain summer pasture conditions. Often, dairy producers are supplementing grazing with stocks of feed that they have on hand or inventoried for upcoming winter needs. Lack of moisture is also concerning farmers with their corn crops and the impact this may have on quantity and quality of their silage harvest. As milk production declines, competition for the milk is very active. As temperatures heat up, demand for liquid milk is higher, thus further limiting volumes available for manufacturing. At this point, many manufacturing facilities are working with greatly reduced volumes. International buying interest remains slow and unaggressive, although traders and handlers do report some sales activity. The Euro exchange rate continues to edge lower against the U.S. dollar, although traders feel that European product prices remain too high for potential buyer interest at this time. The EU Management Committee is holding the line on additional export subsidy adjustments even though they continue to be lobbied by traders and handlers for additional adjustments. In light of lower milk production and reduced manufacturing schedules, many producers and handlers are not overly concerned with this situation. Stocks of manufactured dairy products are reported to be adequate with these less than desirable production conditions. Continental offerings of skim milk powder to intervention are greatly reduced, while UK and Irish offerings continue. As of July 6, intervention offerings total 92,746 MT, which is considerably higher than many anticipated for the entire open season. With six weeks to go before the close of intervention, more producers and handlers are now indicating that the 109,000 MT maximum level might be attained.

**BUTTER/BUTTEROIL:** European butter markets are steady to firm with prices generally higher for both butter and butteroil. European milk production is declining quite rapidly, thus milk volumes for butter/powder production are tightening. Solids content on incoming milk are also lower, further limiting cream volumes. Stocks of butter are tightening because of domestic and international buyer interest. Butteroil supplies are quite limited and supply is hard to locate.

82% BUTTERFAT: 1,400 - 1,500  
99% BUTTERFAT: 1,650 - 1,700

**SKIM MILK POWDER (SMP):** Skim milk powder markets are generally steady with prices unchanged to slightly lower on the lower end of the reported range. Traders and handlers continue to lobby the EU Management Committee for additional adjustments on export subsidies, although the Committee is holding the line at this time. The Euro continues to weaken against the U.S. dollar which will hopefully encourage resumed international sales activity. At this point, many traders speculate that buyers remain out of the market due to the firm Euro. Intervention offerings are much lighter from Continental producers, but are more active from UK and Irish producers.

1.25% BUTTERFAT: 1,650 - 1,750

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady at unchanged prices. Recent sales activity has reduced European stocks, although many producers, handlers and traders do not foresee any problem with filling additional buyer interest. Milk production is declining seasonally in both Eastern and Western Europe, but at a faster pace than desired, which is causing concern for some producers not knowing if they will have sufficient milk to meet orders.

26% BUTTERFAT: 1,625 - 1,750

**SWEET WHEY POWDER:** Whey powder markets and prices are generally steady, although the undertone remains weak. Cheese production is seasonally active as milk volumes decline. Stocks of whey are available for both domestic and international sales. A firm Euro, although weakening against the dollars, continues to limit international buyer interest.

NONHYGROSCOPIC: 325 - 400

**OVERVIEW: EASTERN EUROPE:** Hot and dry weather conditions are also being reported in Eastern Europe, thus milk production is declining more

## OCEANIA

**OCEANIA OVERVIEW:** During the past few weeks in many dairy production areas of Oceania, low winter temperatures are being reported. Milk handlers and producers indicated that this is the first time this year that temperatures have been this low. Snowfall on the South Island of New Zealand is occurring at lower elevations and dustings of snow are reported on the North Island. In both New Zealand and Australia, low winter production continues to occur with the new milk production season still 6 - 8 weeks away. Milk handlers in both countries continue to project new season output to be around 1 - 2% over last season. Stocks of manufactured dairy products remain in balance with known needs. Most handlers and exporters indicate that it is still too early to project what volume of inventory might be available, if any at all, for spot buyer interest prior to the start of the new production season. Although most feel that they will have sufficient volumes to meet known needs, some are indicating that stocks will be pretty well cleaned out on some items prior to the new production season. Most market activity continues to center around shipments of previously placed orders. International sales activity is slow. No new buyer interest is being reported, although negotiations are occurring for new season production. Often these conversations are occurring with regular and ongoing customers.

**BUTTER:** Oceania butter markets are generally steady, although prices have firmed slightly. Most of the firmness is being attributed to firmer prices in other international markets. Stocks of butter are reported to be sufficient for needs. Most handlers indicate that they are still unsure as to the volume of butter they might have available for spot sale, if any at all, prior to the start of the new production season. At this point, most are very comfortable with their supply/demand situation.

82% BUTTERFAT: 1,250 - 1,350

**CHEDDAR CHEESE:** Oceania cheese markets are steady to firm with prices unchanged to higher. Late winter orders continue to be filled from inventoried stocks to regular and ongoing customers. No new cheese sales are being reported at this time, although negotiations are occurring for the upcoming production season.

39% MAXIMUM MOISTURE: 1,750 - 2,000

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are generally steady. Stocks are adequate for needs. Most handlers and traders indicate that they have sufficient inventoried stocks to carry them through the balance of the winter months. Sales activity is reported to be slow, although producers and handlers are negotiating future needs with potential customers with the new milk production season resuming in 6 - 8 weeks.

1.25% BUTTERFAT: 1,650 - 1,750

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are unsettled, with prices unchanged to lower. Most handlers and traders report that stocks are sufficient to maintain timely shipment schedules. Most producers and handlers feel that they will have adequate volumes of whole milk powder to carry them through the balance of the winter months, although many are still hesitant to acknowledge if they will have any stocks available for spot sale prior to the new production season.

26% BUTTERFAT: 1,650 - 1,750

Exchange rates for selected foreign currencies: July 14, 2003

.7274 Canadian Dollar	.0217 Indian Rupee
.3613 Argentina Peso	.5892 New Zealand Dollar
.0961 Mexican Peso	.6592 Australian Dollar
.2546 Polish Zloty	.0084 Japanese Yen
	1.1277 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0961)= 10.4058.  
That is 1 US Dollar equals 10.4058 Mexican Pesos.

Source: "Wall Street Journal"

**OVERVIEW: EASTERN EUROPE CONTINUED:** rapidly. The declining milk production trend in Poland is meeting with mixed opinions, but for producers and handlers in countries such as Russia, Ukraine, and Baltic states, the concern is intensified by already lower milk production volumes than last year. International sales are being reported out of Eastern Europe, with most of this sales activity classified as minimal volumes for near term shipment.

**JULY MILK SUPPLY AND DEMAND ESTIMATES\***

Dairy production forecasts for 2002/03 and 2003/04 are lowered from last month as milk-per-cow forecasts are reduced. Cheese prices have risen sharply and are expected to remain above spring levels through the fall. As a result, the 2002/03 Class III price forecast is raised to \$10.15-\$10.25. However, due to continued large stocks of butter and surpluses of nonfat dry milk, the Class IV price is not expected to respond much to higher cheese prices. The Class IV price is forecast at \$9.95-\$10.15 per cwt. The average all milk price forecast is raised to \$11.60-\$11.70 per cwt. Price forecasts for 2003/04 are little changed from last month.

Item	2001/02 1/	2002/03 Projection 1/		2003/04 Projection 1/	
		June	July	June	July
<b>SUPPLY</b>	<b>BILLION POUNDS</b>				
BEGINNING COMMERCIAL STOCKS 2/	8.8	11.2	11.2	11.9	11.7
PRODUCTION	169.2	170.6	170.0	172.6	172.4
FARM USE	1.2	1.1	1.1	1.0	1.0
MARKETINGS	168.0	169.5	169.0	171.5	171.4
IMPORTS 2/	5.2	5.2	5.2	5.0	5.1
TOTAL COMMERCIAL SUPPLY 2/	182.0	186.0	185.4	188.4	188.1
<b>USE</b>					
COMMERCIAL USE 2/ 3/	170.4	172.6	172.4	177.3	177.3
ENDING COMMERCIAL STOCKS 2/	11.2	11.9	11.7	9.9	9.8
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.3	1.5	1.3	1.3	1.0
SKIM SOLIDS BASIS 4/	9.6	8.8	8.7	5.9	6.1
<b>DOLLARS PER CWT.</b>					
<b>MILK PRICES 5/</b>					
CLASS III 6/	11.03	9.75-9.95	10.15-10.25	9.70-10.70	9.75-10.65
CLASS IV 6/	11.22	9.90-10.20	9.95-10.15	9.50-10.70	9.55-10.65
ALL MILK 7/	12.74	11.25-11.45	11.60-11.70	11.05-12.05	11.15-12.05
<b>MILLION POUNDS</b>					
<b>CCC PRODUCT NET REMOVALS 4/</b>					
BUTTER	0	40	30	40	30
CHEESE	9	50	50	30	30
NONFAT DRY MILK	817	715	705	480	500
DRY WHOLE MILK	0	0	0	0	0
	QUARTERLY 8/			ANNUAL 8/	
	2003 III	2003 IV	2004 I	2003	2004
<b>MILK PRODUCTION</b>	<b>BILLION POUNDS</b>				
	41.7	41.9	43.7	170.4	172.8
<b>DOLLARS PER CWT.</b>					
ALL MILK PRICE 5/ 7/	11.90-12.30	12.05-12.75	11.10-12.10	11.60-11.90	11.15-12.15
CLASS III PRICE 5/ 6/	11.35-11.65	10.45-10.95	9.40-10.40	10.20-10.50	9.80-10.80
CLASS IV PRICE 5/ 6/	9.90-10.30	10.00-10.60	9.40-10.60	9.80-10.20	9.55-10.75

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. Beginning in April 2003, the price forecasts use the new class price formulas. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-400, World Agricultural Outlook Board, USDA, July 11, 2003.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JUNE

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for June have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During June, about 10.5 billion pounds of milk were received from producers. This volume of milk is 1.1 percent lower than the June 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -0.5 percent.) About 3.5 billion pounds of producer milk were used in Class I products, 2.0 percent higher 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 = 33%, Class II = 11%, Class III = 46%, and Class IV = 10%. The weighted average statistical uniform price was \$10.93 per cwt., \$.01 higher than last month, and \$0.70 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 2003										
FEDERAL MILK ORDER MARKETING AREA <sup>1/</sup>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <sup>2/</sup>
		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	2,002.4	-6.2	827.0	1.7	41	20	31	8	11.66
Appalachian (Charlotte)	005	546.3	-4.9	340.5	3.5	63	16	12	9	12.04
Southeast (Atlanta)	007	566.5	-13.0	348.8	-0.9	62	12	22	4	11.98
Florida (Tampa)	006	241.2	11.8	186.3	0.2	77	7	8	8	13.02
Mideast (Cleveland)	033 <sup>3/</sup>	1,430.0	-12.2	485.4	1.9	34	16	45	5	10.63
Upper Midwest (Chicago)	030 <sup>3/</sup>	1,933.2	25.1	302.6	2.8	16	3	77	4	10.13
Central (Kansas City)	032 <sup>3/</sup>	1,405.9	-11.4	356.9	1.6	25	8	58	9	10.44
Southwest (Dallas)	126	884.6	5.4	308.4	2.1	35	14	29	22	11.33
Arizona-Las Vegas (Phoenix)	131	262.3	2.3	72.4	0.8	28	8	39	25	10.47
Western (Salt Lake City)	135	605.3	18.7	86.8	6.6	14	6	71	9	10.24
Pacific Northwest (Seattle)	124 <sup>3/</sup>	620.2	-7.2	160.4	7.3	26	7	34	33	10.37
<b>ALL MARKET AVERAGE OR TOTAL</b>	<b><sup>3/</sup></b>	10,497.9	-1.1	3,475.5	2.0	33	11	46	10	10.93

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

<sup>2/</sup> 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.

<sup>3/</sup> 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 180 million pounds of milk that normally would have been associated with these markets. In June 2002, the estimated not-pooled volume of milk was 120 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -0.5.

## JUNE MILK PRODUCTION

Milk production in the 20 major states during June totaled 12.3 billion pounds, down 0.1 percent from June 2002. May revised production, at 13.0 billion pounds, was down 0.4 percent from May 2002. The May revision represented a decrease of 9 million pounds from last month's preliminary production estimate. Production per cow in the 20 major states averaged 1,587 pounds for June, unchanged from June 2002. The number of cows on farms in the 20 major states was 7.77 million head, 10,000 head less than June 2002, and 11,000 head less than May 2003. The April-June quarterly production of milk for the U.S. was 43.9 billion pounds, 0.3 percent below the April-June period last year. The average number of milk cows in the U.S. during the April-June quarter was 9.11 million head, 35,000 head less than the same period last year.

STATE	MILK COWS <sup>1/ 2/</sup>				MILK PRODUCTION <sup>1/ 3/</sup>			
	JUNE		APRIL-JUNE		JUNE		APRIL-JUNE	
	2002	2003	2002	2003	2003	% CHANGE FROM 2002	2003	% CHANGE FROM 2002
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	20	18	--	--	69	-9.2
AK	--	--	1.2	1.3	--	--	4.49	3.0
AZ	145	150	145	150	295	2.4	931	0.9
AR	--	--	33	30	--	--	100	-9.9
CA	1,645	1,691	1,640	1,692	2,968	0.2	9,061	1.0
CO	--	--	102	100	--	--	547	-0.2
CT	--	--	24	22	--	--	106	-9.4
DE	--	--	9.5	9.0	--	--	39.0	-4.9
FL	150	142	151	143	185	-8.0	597	-6.9
GA	--	--	85	85	--	--	407	1.5
HI	--	--	6.7	6.5	--	--	24.4	-5.1
ID	391	401	387	399	734	6.1	2,197	6.6
IL	115	110	115	110	168	-0.6	529	-2.2
IN	151	143	152	144	215	-0.9	665	-1.8
IA	210	201	209	202	312	-1.6	972	-1.7
KS	--	--	104	103	--	--	540	4.9
KY	123	118	123	119	120	-9.8	391	-10.5
LA	--	--	51	47	--	--	143	-10.6
ME	--	--	38	35	--	--	161	-5.8
MD	--	--	81	79	--	--	331	-3.5
MA	--	--	21	20	--	--	89	-5.3
MI	300	299	298	300	511	2.2	1,553	2.4
MN	490	475	490	475	691	-2.4	2,136	-3.0
MS	--	--	34	32	--	--	118	-11.3
MO	137	130	137	130	159	-0.6	506	-3.3
MT	--	--	18	18	--	--	84	-2.3
NE	--	--	67	65	--	--	293	-1.7
NV	--	--	25	26	--	--	133	8.1
NH	--	--	18	16	--	--	79	-7.1
NJ	--	--	13	13	--	--	57	-6.6
NM	298	315	296	315	565	4.8	1,730	5.6
NY	682	681	681	682	1,015	-2.7	3,102	-2.1
NC	--	--	65	61	--	--	272	-9.9
ND	--	--	40	36	--	--	143	-5.9
OH	264	261	263	261	381	1.3	1,177	0.7
OK	--	--	88	87	--	--	337	0.9
OR	--	--	115	120	--	--	561	4.3
PA	582	578	581	580	855	-4.3	2,700	-2.9
RI	--	--	1.4	1.3	--	--	5.8	-4.9
SC	--	--	20	19	--	--	86	-13.1
SD	--	--	97	91	--	--	366	0.3
TN	--	--	90	79	--	--	320	-11.1
TX	307	312	308	312	471	7.3	1,496	5.8
UT	--	--	92	92	--	--	414	-2.1
VT	154	148	154	149	222	-3.9	679	-3.4
VA	120	117	120	117	146	-6.4	461	-7.1
WA	248	244	247	245	467	-2.1	1,418	-1.8
WV	--	--	16	15	--	--	58	-9.4
WI	1,270	1,256	1,272	1,258	1,853	0.3	5,660	-0.2
WY	--	--	4.6	3.8	--	--	13.3	-21.8
20 STATE TOTAL	7,782	7,772	--	--	12,333	-0.1	--	--
U.S. <sup>5/ 6/</sup>	--	--	9,149	9,114	--	--	43,862	-0.3

<sup>1/</sup> Preliminary. <sup>2/</sup> Includes dry cows, excludes heifers not yet fresh. <sup>3/</sup> Excludes milk sucked by calves. <sup>5/</sup> Includes states for which individual monthly estimates are not available. <sup>6/</sup> Milk cows will not add due to rounding. SOURCE: "Milk Production," Da 1-1 (7-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

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

	FOR THE WEEK OF JULY 14 - 18, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 07/11/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	10,471,808	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,723,680	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	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	-0-	-0-	-0-	31,798,800	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	41,184,612	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	4,023,775	-0-	4,023,775	548,566,864	582,272,724	1,269,714,000	1,156,158,000
Fortified	207,232	-0-	207,232	702,598	-0-	46,391,000	46,391,000
<b>TOTAL</b>	4,231,007	-0-	4,231,007	549,269,462	582,272,724	1,316,105,000	1,202,549,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 14 - 18, 2003 =	0.9	49.2	COMPARABLE PERIOD IN 2002 =	4.8	253.5
CUMULATIVE SINCE OCTOBER 1, 2002 =	766.8	6,802.7	CUMULATIVE SAME PERIOD LAST YEAR =	128.1	6,777.7
CUMULATIVE JANUARY 1 - JULY 18, 2003 =	692.7	5,537.1	COMPARABLE CALENDAR YEAR 2002 =	111.2	5,881.8

\* 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 JULY 14 - 18, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	259,391	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	3,764,384	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	207,232

**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-	22,181,077	33,440,242	39.2	5.7
WEST	12,195,488	-0-	9,174,240	-0-	488,497,914	506,799,216	59.7	87.1
EAST	-0-	-0-	-0-	-0-	38,590,471	42,033,266	1.1	7.2
<b>TOTAL</b>	12,195,488	-0-	41,184,612	-0-	549,269,462	582,272,724	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 06/28/03 & 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	0.6	6.7	4.3	16.9	2.3	0.2	0.8	12.3	2.4	46.7	1,421.2	45.0	48.1
2002-Dairy	0.2	0.8	6.0	4.9	19.5	2.0	0.4	0.6	11.3	2.5	48.1	1,254.6	43.5	46.0
2003-All cows	0.2	0.9	8.9	13.2	28.3	14.4	12.9	3.4	15.2	6.3	103.7	2,951.7		
2002-All cows	0.2	0.9	8.2	14.1	29.9	16.8	15.7	3.5	14.7	6.7	110.6	2,724.6		

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	10.97				
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)