

## NATIONAL DAIRY MARKET AT A GLANCE

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/25):**

**BUTTER:** Grade AA closed at \$1.2100. The weekly average for Grade AA is \$1.2217 (+.0075).

**CHEESE:** Barrels closed at \$1.5000 and blocks at \$1.5300. The weekly average for barrels is \$1.4680 (+.0340) and blocks, \$1.5060 (+.0055).

**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:** Butter markets remain firm, although prices are mixed. Demand for cream continues to limit churning. Often, butter producers are finding that it is financially advantageous to sell their cream versus churn. In many instances, fresh butter supplies are short of needs, thus orders are being supplemented with inventoried stocks. Butter imports into the U.S. this year, in comparison to last year, continue to run comparable with quota volumes, but are sharply lighter for high tier (above quota) volumes. For the first six months of 2003, quota volumes total slightly more than 6.8 million pounds compared to slightly less than 6.8 million pounds for the same period in 2002. High tier volumes for the January - June 2003 period total 93,802 pounds compared to 849,095 pounds for the same six months last year. Overall butter demand is seasonally fair. During the week, 748,857 pounds of butter previously offered to CCC was cancelled.

**CHEESE:** The cheese market is firm. Current cheddar and most American varieties are tight and order lead times have increased at many plants. Most buyers are seeking to build inventory for current and expected fall needs. Barrel interest is steady to improved, aided by orders for more price competitive non-standard process items. Intense summer heat in some areas is reducing milk intakes as well as cheese yields. During the week ending July 25, CCC purchased 39,600 pounds of previously packaged process cheese under the price support program.

**FLUID MILK:** Elevated summer temperatures are impacting cow comfort and resulting in lower milk receipts, especially through the West and South. Seasonal milk intake declines continue in the Central and East, but were not as dramatic as the other areas. Manufacturing milk supplies are lighter and most plant schedules are correspondingly shorter. Heat induced reduction in the fat content of incoming milk supplies is also helping to keep cream supplies tight and lowering manufactured product yields. Many plant operators are unable to secure additional milk volumes to operate plants at desired schedules. Bottling is generally on light summer schedules. Some schools, mainly in the South, are getting set to reopen for the new year in the next few weeks and the school milk pipeline will need to gear up to bring in supplemental supplies.

**DRY PRODUCTS:** The NDM market is mostly steady. Current drying schedules are generally lighter, reflecting declines in milk supplies. Demand for condensed and/or NDM from cheese accounts is good as operators try to extend cheese yields. Some NDM continues to clear to CCC. Buttermilk is firm and prices are higher. Drying schedules are lighter with at least a few plants closed until cream supplies become available. Dry and condensed buttermilk interest remains seasonally good from most ice cream accounts. Current inventory levels are declining. The whey markets are firm and prices are higher.

Inventory levels are in better balance and some plants are requiring additional lead time on spot orders. Export interest into the Far East is improving though European prices are more competitive. Prices are higher on WPC and the market is firm. Production is steady to lower. Inventories are in balance to tight.

**CCC:** During the week of July 21 - 25, CCC purchased 8,387,467 net pounds of NDM. A total of 1,833,490 pounds came from the Central region, 7,451,194 pounds from the West, and 897,217 pounds were cancelled from the East. CCC also purchased 39,600 pounds of Central process cheese. CCC also received cancellations for 338,457 pounds of Western bulk and 410,857 pounds of Western print butter.

**COLD STORAGE (NASS):** During June, U.S. cold storage holdings of butter totaled 290.5 million pounds, virtually unchanged from a month ago and 20% more than last June. Natural American cheese holdings total 555.0 million pounds, 1% more than a month ago, and 3% more than a year ago. Swiss holdings this June total 26.1 million pounds, 2% below May but 76% more than a year ago.

**DAIRY SITUATION AND OUTLOOK (ERS):** After trading in a fairly narrow range since early April, cash prices of cheese on the Chicago Mercantile Exchange began to rise in mid-June and increased sharply in late June-early July. Even after easing a bit, mid-July prices were about 35 cents per pound above those of early June. Prices were reacting to a tightening caused by declines in production and, possibly, a bit of strengthening in sales. Although butter prices attempted to follow cheese prices, initial butter price rises were met with fairly strong resistance, and mid-July prices were up only about 12 cents per pound from early June. Supplies of milk for manufacturing went from fractionally larger than a year earlier in January to more than 2% smaller in May. With these relatively tight milk supplies, total cheese production has generally been slightly smaller this year. The reported decline in May milk production reinforced the likelihood of continued declines in supplies of milk for manufacturing. June 1 commercial stocks of cheese were very close to those of a year earlier. However, butter stocks remain huge, facilitating the shift of milk into cheese production and lessening the need for cheese stocks. Commercial disappearance of cheese presents a rather confusing picture. Movement of both American and other varieties were up fractionally in the first quarter but have diverged since then. Commercial use of other cheese rose almost 3% from a year earlier in April-May, led by Mozzarella sales. Meanwhile, commercial use of American varieties slipped fractionally. At current Exchange prices, milk is worth about \$3.50 per cwt more in cheese than in butter-powder. The current very wide spread between cheese and butter-powder values is unlikely to continue. Cheese prices will remain near current levels only if tightness in cheese markets can pull butter prices substantially higher. Unless milk production declines become precipitous or unexpected sales strength develops for other dairy products, cheese prices probably will trend downward once the current cycle of pipeline stock building runs its course. Only temporary relief from low farm milk prices is seen this summer and early autumn.

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

JUNE COLD STORAGE (PAGES 7 - 8)  
DAIRY SITUATION AND OUTLOOK (PAGE 9)

AUGUST FEDERAL ORDER ADVANCE PRICES (PAGE 10)  
AUGUST ANNOUNCED COOPERATIVE CLASS I PRICES (PAGE 11)

CHICAGO MERCANTILE EXCHANGE  
CASH TRADING

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

PRODUCT	MONDAY JULY 21	TUESDAY JULY 22	WEDNESDAY JULY 23	THURSDAY JULY 24	FRIDAY JULY 25	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4500 (+.0250)	\$1.4500 (N.C.)	\$1.4600 (+.0100)	\$1.4800 (+.0200)	\$1.5000 (+.0200)	+.0750	\$1.4680 (+.0340)
40# BLOCKS	\$1.5000 (N.C.)	\$1.5000 (N.C.)	\$1.5000 (N.C.)	\$1.5000 (N.C.)	\$1.5300 (+.0300)	+.0300	\$1.5060 (+.0055)
BUTTER							
GRADE AA	\$1.2050 (+.0025)	-----	\$1.2500 (+.0450)	-----	\$1.2100 (-.0400)	+.0075	\$1.2217 (+.0075)

\*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 21, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.4500, 1 @ \$1.4475, 1 @ \$1.4400; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: NONE; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.2050, 2 @ \$1.1925, 2 @ \$1.1900; OFFERS UNCOVERED: 3 CARS GRADE AA @ \$1.2500

TUESDAY, JULY 22, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 23, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS @ \$1.4600; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 30 CARS GRADE AA: 1 @ \$1.2100, 1 @ \$1.2125, 1 @ \$1.2175, 1 @ \$1.2250, 1 @ \$1.2275, 2 @ \$1.2300, 2 @ \$1.2350, 1 @ \$1.2375, 1 @ \$1.2400, 1 @ \$1.2450, 1 @ \$1.2475, 4 @ \$1.2500, 1 @ \$1.2400, 1 @ \$1.2500, 1 @ \$1.2350, 2 @ \$1.2500, 1 @ \$1.2475, 1 @ \$1.2450, 1 @ \$1.2500, 1 @ \$1.2475, 1 @ \$1.2350, 1 @ \$1.2450, 1 @ \$1.2350, 1 @ \$1.2500; BIDS UNFILLED: 11 CARS GRADE AA: 1 @ \$1.2250, 1 @ \$1.2225, 2 @ \$1.2200, 1 @ \$1.2150, 1 @ \$1.2125, 3 @ \$1.2100, 2 @ \$1.2075; OFFERS UNCOVERED: NONE

THURSDAY, JULY 24, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 2 @ \$1.4800, 1 @ \$1.4700; OFFERS UNCOVERED: NONE

FRIDAY, JULY 25, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 2 @ \$1.5000, 1 @ \$1.4900; 11 CARS 40# BLOCKS: 1 @ \$1.5300, 1 @ \$1.5275, 1 @ \$1.5250, 1 @ \$1.5225, 1 @ \$1.5200, 1 @ \$1.5175, 1 @ \$1.5150, 1 @ \$1.5125, 1 @ \$1.5100, 1 @ \$1.5050, 1 @ \$1.5000; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 53 CARS GRADE AA: 4 @ \$1.2500, 1 @ \$1.2525, 2 @ \$1.2475, 1 @ \$1.2450, 1 @ \$1.2475, 1 @ \$1.2350, 1 @ \$1.2300, 1 @ \$1.2400, 1 @ \$1.2350, 2 @ \$1.2400, 1 @ \$1.2500, 1 @ \$1.2450, 1 @ \$1.2400, 1 @ \$1.2300, 1 @ \$1.2275, 1 @ \$1.2400, 1 @ \$1.2375, 1 @ \$1.2300, 1 @ \$1.2400, 1 @ \$1.2300, 1 @ \$1.2350, 1 @ \$1.2400, 1 @ \$1.2500, 1 @ \$1.2400, 1 @ \$1.2300, 1 @ \$1.2275, 1 @ \$1.2375, 1 @ \$1.2275, 1 @ \$1.2475, 1 @ \$1.2500, 1 @ \$1.2400, 1 @ \$1.2300, 1 @ \$1.2275, 1 @ \$1.2400, 1 @ \$1.2250, 1 @ \$1.2275, 1 @ \$1.2250, 1 @ \$1.2225, 1 @ \$1.2200, 1 @ \$1.2150, 1 @ \$1.2250, 1 @ \$1.2250, 1 @ \$1.2200, 1 @ \$1.2100, 1 @ \$1.2000, 1 @ \$1.1900, 1 @ \$1.2100; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.2475, 2 @ \$1.2500, 1 @ \$1.2550

**BUTTER MARKETS**

**JUNE COLD STORAGE**

According to NASS, June month-ending cold storage figures for butter total 290.5 million pounds, 19.5% more than last June and very slightly higher than May 2003 holdings.

**NORTHEAST**

The market tone is firm. At the CME, the butter price increased or held steady during every trading session until July 18, when the price, in heavy trading, slipped 1.75 cents. The thirty-two sales during Friday's (7/18) session point to the availability of bulk butter for prompt shipment. However, Monday's (7/21) trading had no sales as the price was bid fractionally higher. Though butter production is seasonally low, demand is easily filled from inventories. Many Eastern butter makers are selling their cream and filling orders from inventories. Some producers are talking about bringing in Western butter to supplement their output, which is not uncommon for this time of year. Retail orders for packaged butter are 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**

At midweek, the cash butter price at the CME increased to \$1.2500 per pound which is the highest the cash price has been since March 15, 2002. Although there was a decline in the price late last week, producers and handlers continue to anticipate a firm market for the balance of the summer and into the fall. Butter production is often lighter than desired by many Central producers. Lighter cream offerings and higher cream prices are two factors limiting churning activity at this time. Fresh butter supplies are often short of full needs, thus inventoried stocks are being used to fill orders. Overall, butter stocks are readily available for current needs. Cold storage figures for June indicate that butter stocks are nearly 20% heavier than last June, but are basically steady with last month. Butter imports into the U.S.

this year, in comparison to last year, continue to run comparable with quota volumes, but are sharply lighter for high tier (above quota) volumes. For the first six months of 2003, quota volumes total slightly more than 6.8 million pounds compared to slightly less than 6.8 million pounds for the same period in 2002. High tier volumes for the January – June 2003 period total 93,802 pounds compared to 849,095 pounds for the same six months last year. Butter demand is seasonally fair. Most orders continue to be placed for near term needs. In some instances, buyers are pre-buying for upcoming fall needs. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Butter prices at the cash CME market continue to increase and are up about 12-15 cents over the past three weeks. Most Western contacts feel that prices will not increase much further in the short run because of the stocks available to come on the market if needed. Demand for cream is continuing to limit churning activity. The theory that milk should be shifting out of butter/powder production into cheese because of \$3-4.00 per cwt. better returns is hard to verify in the West. Most butter manufacturers need to keep making butter to fill contracts that are on the books and don't have all that much flexibility. Little change has been noted in the product mix up to this time. The record setting heat over the entire region is bringing down the overall level of milk production at a much faster rate and tests on milk receipts are below seasonal levels. U.S. Cold Storage holdings of butter grew very little in June, but they are 20% or 47 million pounds ahead of last year at this time. No butter has been offered to the CCC support program since early June and offerings for the year total 12.2 million pounds. Current prices for bulk butter range from flat market to 3 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 19	1.3691 7,416,332	1.4074 11,468,963	0.8047 37,936,944	1.1689 2,034,420	0.1457 11,957,655

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

**CHEESE MARKETS**

**NORTHEAST**

After nearly a month of rising prices, cheese prices at the CME eased lower early last week. The market tone seems steady at current price levels. Blocks have held at \$1.50 for five consecutive sessions (through 7/21). However, barrels seem to be looking for a price at which to settle. Cheese output in the Northeast remains light to moderate. Surplus milk supplies are tightening seasonally and some producers are cutting back on schedules because of milk availability. Demand for cheese ranges from fair to fairly good. Retail demand for cheese is just fair. Food service orders are seasonally good.

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

Cheddar 10# Prints	:	1.5650-2.0600
Cheddar Single Daisies	:	1.5225-1.9875
Cheddar 40# Block	:	1.6400-1.8875
Process 5# Loaf	:	1.6450-1.8450
Process 5# Sliced	:	1.6650-1.9125
Muenster	:	1.7275-1.9325
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is mostly steady. Some buyers are still reacting to recent price increases and remain cautious concerning short and long term market direction. Current cheddar and other American type varieties remain tight. Concern about possibly buying steel barrels on the CME continues to limit some buyer interest there. The increased production of non-standardized process items using MPC is helping to generate additional short term barrel interest and more notably process sales for more price conscious buyers looking to replace generally more expensive standardized items. Plant barrel inventory accumulations seem to have been sold. Mozzarella interest has been better than usual for summer though some producers are concerned that users may not need as large as much as normal when schools reopen and pizza demand improves. Some low priced Western mozzarella offerings in recent weeks have impacted some sales. Cheese production is mostly lower, reflecting current milk receipts and lower summer cheese yields. Finding supplemental milk supplies is difficult for most cheese plant operators looking to fill orders.

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

Process American 5# Loaf	:	1.6150-1.8100
Brick And/Or Muenster 5#	:	1.8600-2.1625
Cheddar 40# Block	:	1.7500-2.1150
Monterey Jack 10#	:	2.0500-2.1200
Blue 5#	:	2.2550-2.5200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0500-2.6850

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

	BUTTER	:	CHEESE
		:	
07/21/03	100,045	:	139,110
07/01/03	100,658	:	138,209
CHANGE	-613	:	901
% CHANGE	-1	:	1

**WEST**

Prices for natural and process cheese did fall this week after increasing for a number of weeks. There seems to be support at the cash CME market at the \$1.50 level on blocks. Contacts feel that prices in this range are probably sustainable in the short run. Buyer interest seems to be more aggressive looking for cheese for immediate needs and to cover future demand. Availability of current blocks and barrels is limited and often hard to acquire if the buyer is not a regular participant. Under grade cheese remains available as an alternative, but offerings are lighter. Demand for mozzarella cheese is improving and some storage stocks are beginning to decline. Current sales activity for Swiss cheese is being rated as seasonally good, but producers are concerned about the stock levels that are out there. U.S. Cold Storage holdings of Swiss cheese at the end of June total 26.1 million pounds. This total is 76% ahead of a year earlier or 11.3 million pounds. American cheese stocks at the end of June total 555.0 million pounds, an increase of over 16 million pounds from May which is twice the rate of increase for June noted for the last few years. Stocks are up about 1% from a year earlier.

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

Process 5# Loaf	:	1.5825-1.8425
Cheddar 40# Block	:	1.6300-1.9800
Cheddar 10# Cuts	:	1.8100-2.0300
Monterey Jack 10#	:	1.8200-1.9800
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

After six consecutive weeks of price increases on domestic styles, prices dipped this week. The market tone for imported cheese remains seasonally weak. Demand is mostly slow to fair and for immediate or replacement needs. Reports indicate that the cheese market in the EU may be showing some weakness. Early spring cheese output was heavy and demand has been just fair. Currently, cheese output in the EU has eased along typical summer patterns. Buying interest by U.S. importers may be sparked/influenced by the slightly weaker Euro. During the first third of 2003, cheese production in the EU-15 estimated to be 2.2 million tons, 1.8% more than the same period last year.

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	:	1.8600-3.3500*
Gorgonzola	:	3.6900-5.9400	:	2.3775-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.2700-3.3600*
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.5000	:	1.8675-2.0950*
Romano (Cows Milk)	:	-0-	:	3.0575-5.2300*
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	51	0	51	48	0
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.

During June, milk production in the 20 major states totaled 12.33 billion pounds, down 0.1% from June 2002. The following are the June-to-June changes for selected states: Texas +7.3%, New York -2.7%, Vermont -3.9%, Pennsylvania -4.3%, Virginia -6.4%, Florida -8.0%, and Kentucky -9.8%. This week, milk production continues to ease in most areas of the region. Fluid milk supplies are mixed, but mostly lighter. Milk sales are occurring at a premium to Class prices, which is typical for this time of year. Bottled milk sales range from sluggish in the Northeast to fairly good in the Southeast. It doesn't seem possible, bottlers in the Southeast are already preparing for school lunch business. Some year-round schools are starting up next week and most public schools will be starting their new year the second week of August. Surplus milk volumes moving to manufacturing plant are lighter and many plants are operating on greatly reduced schedules. Some Southeastern plants have been idled until milk volumes bounce back. In the Northeast, manufacturing plants are also running on lighter schedules due to incoming volumes of milk. The condensed skim market is unchanged. Demand for Class III is slowing as prices have moved above a dollar per pound solids. Many users are switching or have switched to NDM. Powder at 84-86 cents per pounds can save Class III users a lot of money. Class II prices are mostly steady. August's advanced Class II skim milk price was up only two cents from July, which will mean that Class II condensed skim price will hold relatively steady. The fluid cream market is temporarily weaker. A butter manufacturer has their churn down this week and more cream is on the market. However, when it gets going again next week, cream will tighten back up. Some cream suppliers do have extra cream to move this week and multiples eased after being very high for early week deliveries. Some of the high multiples were based on how tight cream was last week and, as cream became available early this week, multiples eased somewhat. The higher multiples and the 4.75-cent jump in the CME average have combined to push prices sharply higher this week. Demand is mostly steady. Ice cream and ice cream mix production are seasonally heavy. Soft serve mix sales are very good and typical for this time of year. Bottled cream sales are slowing in some areas and spot cream needs in this sector of the market are off slightly. Cream cheese production is mostly steady, but increasing cream prices are a deterrent to spot sales.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6269-1.9184
DELIVERED EQUIVALENT ATLANTA	-	1.6392-1.8820 M 1.6968-1.8213
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6392-1.8213

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

MIDWEST

Class I demand is at typical summer levels though some bottlers are having some increased difficulty in acquiring needed supplies, in part due to the expected negative PPD price expected for July and likely for August caused by the expected higher Class III (cheese milk) price compared to the Class I price. Manufacturing milk interest is also strong and some demand continues to go unsatisfied due to very tight supplies. Many handlers are just trying to take care of their regular good customers. Reported spot prices range from \$1.75 to about \$2.25 net plant over class for the limited supplies. Increased interest from out of state accounts is noted but nothing yet has been reported shipped out of the area. Cream demand is steady to occasionally lighter as some ice cream accounts did not need as many loads due to a possible slowdown in sales while others remain steady. At least one other supplier is building whipped cream supplies for a large summer specialty product user. Some cream continues to move in from Western sources. Condensed skim interest is mixed. Some Class III accounts are reconstituting dry NDM at current condensed prices of over \$1.00. Better condensed interest is noted from other Classes. Cottage cheese orders are irregularly steady to improved. Current milk intakes are steady to lower with the larger declines in areas where temperatures have been higher, with many locations in Minnesota, Wisconsin, and Michigan under less heat stress. With the extended period of low producer milk prices, most producers have had to cut back

on purchased inputs and slightly lower fat and protein tests on incoming milk receipts may be the result. The cows also may not be able to handle heat stress as well as in recent years. Crop maturity in parts of the more temperate weather states seems to be lagging with corn tasseling often later than usual. Reported slaughter cow prices are well above comparable year ago levels, replacement heifer calf prices are well under. Through the week ending July 5, cumulative 2003 dairy cow slaughter figures under federal inspection total 1,462,500 head, up 168,800 (13.0%) from the same period in 2002 and 96,700 (7.1%) from 2001.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 50.00	\$ 36.50- 40.00
REPLACEMENT HEIFER CALVES	\$300.00-440.00	\$400.00-560.00

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

	JULY 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.00	\$ 33.50- 44.50

WEST

June milk production in the 20 surveyed states totaled 12.3 billion pounds, 0.1% lower than June 2002. June 2003 output for selected Western states compared to last year is as follows: Arizona +2.4%, California +0.2%, Idaho +6.1%, New Mexico +4.8%, and Washington -2.1%. Cow numbers for the 20 states have declined a total of 39,000 head over the last three months and now trail a year ago by 10,000 head. California, for the first time in more than a decade, lost 1,000 cows on the month to month comparison. They are still 46,000 head above a year ago. Production per cow is negative for the five Western surveyed states except for Idaho. With the June survey complete, quarterly data is available for all states. Comparing second quarter output for selected Western states to last year is as follows: Arizona +0.9%, California +1.0%, Colorado -0.2%, Idaho +6.6%, New Mexico +5.6%, Oregon +4.3%, Utah -2.1%, and Washington -1.8%. Output for the U.S. in the second quarter was down 0.3% compared to the second quarter in 2002. CALIFORNIA milk production is declining dramatically. Processors in the state are seeing their intakes drop by 8 to 15% lower from just a week ago. Yields of incoming milk are lower. Trades sources are saying that fluid and manufacturing plants are not getting the milk that they need to run. Several plants are having shorter runs and extended downtimes. Bottlers in the state are getting more calls for supplemental orders as retailers with out of state suppliers are not getting their full orders. The call into Class I is taking milk from other usages. Milk is being brought into the state from nearby states. Cheese plants would like to run more because of the favorable milk price versus the current cheese price. Supplemental condensed skim to extend yields is less available. Some producers are using more NDM to supplement cheese vats. The continued hot weather and more humid conditions are proving to be problems in keeping cows comfortable. At the producer level, concerns are that cows are not eating because of the conditions. Additionally, conception rates drop when conditions are poor like this. Weather conditions remain hot and humid in Arizona. Milk production continues to drop as the weather remains bad for milk cows. Processing plants are running light schedules and there is not enough milk for some bottlers to meet orders. Adverse weather conditions are also impacting milk production in NEW MEXICO. Plants are able to handle the lighter volumes of milk, even with some plants not running well. Milk is being moved under contract to fill fluid needs in the Southeast. The cream market remains firm as buyers nearby and in other regions continue the good call for cream. Local supplies of cream are lower as milk production has declined and fat levels are down. Ice cream makers continue to pull large volumes of cream and are willing to pay higher prices. These orders are limiting churning in the region. The CME Grade AA butter price increased to \$1.2500 on Wednesday (7/23). Despite the higher prices, multiples are holding steady in the range of 118 to 139, FOB, depending on class usage. Hot and dry conditions are adding to the crop stress in the PACIFIC NORTHWEST. Water is not very effective for irrigation when temperatures are too high. Milk production is off from 2-5 pounds per cow because of the added stress. Milk producers are pleased with the quality versus price relationship for hay at this time. Good quality hay is being delivered at \$110-115 per ton. More producers are booking corn and other feed needs for the fall. Prices have been declining over the past few weeks because of the potential for an excellent crop. Some producers are also booking milk sales this fall as the futures market is above \$13. The heat stress on the milking herd is very high in UTAH and IDAHO. More than a week of 100 degree plus temperatures and not the normal amount of night time cooling is bringing down the milk supply much more rapidly. In addition, some milk is leaving the region for California. The solids content of the milk receipts is below a normal seasonal level which means the product yields are declining. Plants are operating on reduced schedules. Heifer prices seem to be holding in the mid-\$1400 range after increasing for the past few weeks. Hay stocks in the region are good with prices generally in the \$70-85 range. Some canal companies shut the water off on July 15. Crops in these areas will begin to suffer greatly and probably not reach maturity or another cutting.

**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 higher with the market tone mostly steady. CCC offerings have ceased from the region. Production is trending lower. Movement is generally contractual, especially on high heat NDM. Traders searching for additional supplies of low heat are securing loads from the West. Condensed skim interest remains good into Class II and III facilities. **EAST:** Eastern prices are steady and the market tone is firming. Current drying activity is lighter at most Eastern butter/powder plants. Demand is improved and was quite brisk late last week when more Class II condensed skim users were looking for NDM as a replacement to their increasing wet solids costs. This week, inquiries for NDM are slowing, but overall interest is good. Most Eastern producers have little on hand for immediate, spot sale. Offerings to CCC have stopped and marketers do not expect to see sales of nonfortified NDM to CCC for the rest of summer and into the fall. With current production slowing and stocks tightening, the prospect of the "cheese NDM" coming on the market sometime in the near future is taking on more interest. Time will tell and most contacts are unsure of how much or when this powder will be released to the cheese suppliers.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8250 - .8700 MOSTLY: .8250 - .8500  
 HIGHHEAT: .8600 - .9250

**NONFAT DRY MILK - WEST**

The Western low/medium heat NDM market prices are holding mostly steady. The hot temperatures and precipitous drop in milk production have caused a sharp decline in drying schedules. Fluid plants are short of milk and cheese producers would like to keep full. There is a good call for NDM and condensed skim into cheese production to extend yields. Less NDM is being offered to the CCC on a weekly basis and future offerings are expected to be lighter. However, and the big however, trade buyers are being offered more "cheese powder" – the NDM that is being paid to CCC cheese contractors – at prices around the bottom end of the range and lower. The impact of the "cheese powder" is expected to prevent any firming of market prices and will likely cause sellers to lose sales of current produced NDM. During the period of July 14 - 18, adjusted CCC support program purchases of NDM totaled 3,764,384 pounds of nonfortified from the West. High heat NDM prices are unchanged in generally light trading. Orders are mostly fair with ample supplies to meet current needs. Production is as expected and drying time is available for additional orders.

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 18	\$.8013	18,221,338	6,640,040
July 11	\$.8017	19,092,651	3,598,126

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**

Dry buttermilk prices are higher in a firm market. Supplies are tight, encouraging buyers to purchase additional supplies from the West and resellers. Production schedules are seasonally lower with some operations closed until milk and cream supplies rebound. Some plants that were previously holding their stocks in an attempt to garner higher prices are selling a few loads, while others are holding tight to their often limited stocks. Demand remains good from ice cream producers.

F.O.B. CENTRAL: .7750 - .8250

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are often higher, but increases at Eastern plants do not seem to be as large as those seen in other regions in recent weeks. Producers certainly would like to move prices more rapidly, but their output is very low and/or taken by pre-priced block sales made a few weeks ago. Eastern prices are nominal. Stocks of dry buttermilk are tight in the East. Current output is light, mirroring churning activity. Demand is improving as supplies tighten.

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

**DRY BUTTERMILK - WEST**

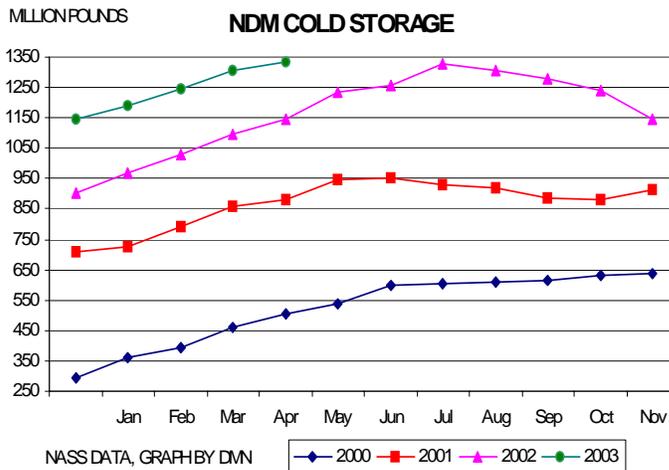
Western dry buttermilk prices are trending higher and the market tone remains firm. Buying interest has improved from both end users and resellers looking to secure a position. Production levels are waning as less cream is moving through Western churns. Also, condensed buttermilk sales are active and preclude drying. Producers' stock levels are declining. Several are now out of the spot market.

F.O.B. WEST: .7150 - .7800 MOSTLY: .7200 - .7600

**DRY WHOLE MILK - NATIONAL**

Prices are mostly steady and nominal. The market tone is little changed from past weeks. Spot demand is slow to fair at best. Production levels are most often geared to filling contracts. Plant stocks are balanced.

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



**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**

Dry whey prices are trending higher as the market tone firms. Production is steady to higher as milk intakes into Class III facilities remain strong. Equipment problems previously reported at some plants are being resolved, allowing plants to more adequately satisfy contractual commitments. Spot movement is noted to be light for export accounts and better for domestic sales. Some plants are requiring more lead time for spot loads. Inventory levels have improved and are in better balance.

F.O.B. CENTRAL: .1525 - .1650 MOSTLY: .1550 - .1600

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are fractionally higher again this week. The market tone is firm. Cheese output in the Northeast is slowing at some plants, steady at others. Producer stocks are tighter and some producers continue to limit spot sales. Premiums for any spot sales reported are little changed from past weeks. Demand is fair to good, but there is some resistance to the higher prices.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1575 - .1725  
DELVD SOUTHEAST: .1775 - .1925

**DRY WHEY - WEST**

Western whey prices continue to increase as demand is improving both domestically and from foreign buyers. Prices are up from fractionally to as much as one cent. The lower priced bargains have all but disappeared with most manufacturers reporting a balanced to sold out position. Domestically, buyers are looking to acquire some additional loads at reasonable prices. This is adding to the pressure to acquire powder to cover immediate needs. Exporters are more aggressive in the market to the Far East since the SARS problem has largely disappeared. Some contacts are noting that Europe is becoming more competitive in some markets as U.S. prices increase. The Western heat spell is having more impact on available milk supplies. Fluid plants are taking milk out of manufacturing operations. Many cheese plants would like to find additional supplies of milk, but it is not readily available. The market has a firm undertone.

NONHYGROSCOPIC: .1450 - .1725 MOSTLY: .1500 - .1600

**ANIMAL FEED WHEY - CENTRAL**

Prices are mixed, but the market tone is firming along with the edible whey market. Supplies remain short of buyer interest. Traders remain surprised that more milk replacer quality product is not available as would be typical in the hot summer months. Some buyers are seeking additional loads from the Extra Grade market. June veal production totaled 15.0 million pounds, 2% above a year ago. Pork production totaled 1.53 billion pounds, up 3% from June 2002.

F.O.B. CENTRAL:  
MILK REPLACER: .1325 - .1500

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Whey protein concentrate prices are trending higher in a firm market. Production is steady to lower in areas with lower milk supplies. Inventories are reportedly in balance although some firms are unable to satisfy spot interest. Resellers continue to offer aged stocks at a premium to the market for the fair interest. Export sales are variable, good to established accounts but poor to others. Grade A product is being offered at prices above the range. High protein and off grade supplies are readily available for the light feed interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .3900 - .4850 MOSTLY: .4100 - .4300

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged and the market tone remains firm. Production is steady in the Midwest, lower in the West. Inventories are in balance to short of buyer interest. Supplies are reportedly more available in the West than in the Central region. Most movement is occurring on a contractual basis. Spot loads are predominantly clearing within the mostly range. Demand is best from export markets for nearby and future sales. Feed grade product remains limited for the good interest. USDA/FAS recorded exports to New Zealand are significantly higher to date with 4022 MT shipped in 2003 compared to a total shipment of 2376 MT in 2002. China imported 4721 MT of US lactose last year with 2003 imports reported at 3284 MT through May. Imports to Japan are trending relatively unchanged.

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 prices remain unchanged although a firm market tone prevails. Demand for rennet casein is gaining momentum as natural cheese prices remain firm. Stocks of rennet are reported to be available for most buyer needs. Acid supplies are less available. Many suppliers continue to indicate that they do not foresee too much of a problem meeting buyer needs, although most indicate that they probably will not have much available for spot needs. Most suppliers are working from inventoried stock with European production on the down side seasonally with Oceania soon to resume a new production season. At this point, Oceania producers are optimistic about the upcoming season with production projections much the same as last season.

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 continue to ease lower seasonally. Surplus milk supplies are tightening in most sections of the country. Also, with milk prices expected to increase and premiums increasing for spot milk sold, producers may start to curtail production of evaporated milk. Demand for evaporated milk is fair and centered around replacement needs. 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.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

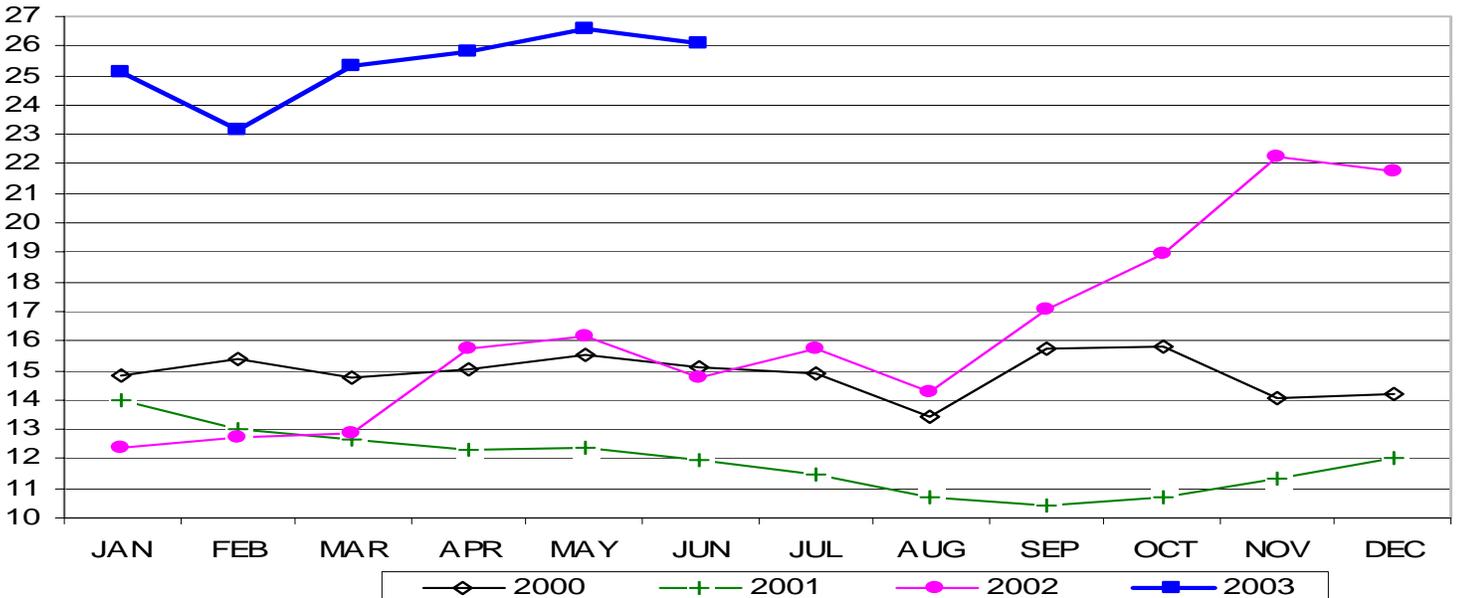
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	MAY 31, 2001	MAY 31, 2002	REVISED MAY 31, 2003	JUNE 30, 2001	JUNE 30, 2002	JUNE 30, 2003
Butter	138,022	226,849	289,843	153,486	242,999	290,492
Cheese, Natural American	497,400	536,080	538,513	521,543	548,675	554,958
Cheese, Swiss	12,404	16,122	26,596	11,990	14,782	26,065
Cheese, Other Natural	202,304	236,787	225,928	205,619	234,099	221,417
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	1,741	2,258	822	829	2,026	1,377
Natural American Cheese	653	692	2,543	1,734	786	3,772

JUNE STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
New England	24,965	20,652	22,292	---	---	---	610	390	314
Middle Atlantic	51,904	65,643	60,781	---	---	---	25,231	40,437	13,251
East North Central	232,654	215,981	222,645	---	---	---	99,100	110,836	127,556
West North Central	103,922	131,430	134,875	---	---	---	58,625	65,001	59,695
South Atlantic	3,995	191	561	---	---	---	222	2,025	2,870
East South Central	0	328	265	---	---	---	164	188	1,795
West South Central	1,185	3,010	1,763	---	---	---	253	172	184
Mountain	12,715	11,855	15,088	---	---	---	7,298	1,190	2,018
Pacific	90,203	99,585	96,688	---	---	---	14,116	13,860	13,734
<b>TOTAL</b>	<b>521,543</b>	<b>548,675</b>	<b>554,958</b>	<b>153,486</b>	<b>242,999</b>	<b>290,492</b>	<b>205,619</b>	<b>234,099</b>	<b>221,417</b>

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

U.S. SWISS CHEESE COLD STORAGE HOLDINGS

Million Pounds



Graph USDA, DMN; Source USDA, NASS

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2002 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/</u> <u>2/</u>		Commercial		Government <u>2/</u>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Million Pounds						Million Pounds						Million Pounds					
January	203	99	202	99	<u>3/</u>	<u>3/</u>	512	460	512	459	<u>3/</u>	1	1,147	900	112	120	1,036	780
February	238	130	237	129	1	1	538	491	538	490	<u>3/</u>	1	1,187	966	116	142	1,071	823
March	249	145	248	144	1	1	530	498	528	498	2	1	1,247	1,028	137	158	1,111	871
April	266	197	266	195	1	2	531	514	528	513	3	1	1,308	1,093	154	161	1,154	933
May	290	227	289	225	1	2	539	536	536	535	3	1	1,331	1,146	154	166	1,177	981
June	290	243	289	241	1	2	555	549	551	548	4	1		1,235		174		1,062
July		245		243		2		573		573		1		1,254		138		1,116
August		229		227		2		565		565		<u>3/</u>		1,327		109		1,218
September		209		207		2		513		512		1		1,308		85		1,223
October		165		163		2		501		500		1		1,279		79		1,200
November		136		135		1		474		474		<u>3/</u>		1,238		87		1,151
December		158		157		1		493		493		<u>3/</u>		1,148		101		1,047

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	May 31, 2001	May 31, 2002	May 31, 2003	Jun 30, 2001	Jun 30, 2002	Jun 30, 2003
	Thousand Pounds					
Butter	137,369	224,591	289,021	152,657	240,973	289,115
Natural American Cheese	495,659	535,388	535,970	519,809	547,889	551,186

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

SOURCE: "Cold Storage," Co St 1 (7-03) and "Dairy Products," Da 2-6 (7-03), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## THE DAIRY SITUATION AND OUTLOOK

**Cheese Prices Break Free—For Now** - After trading in a fairly narrow range since early April, prices of cheese on the Chicago Mercantile Exchange began to rise in mid-June and increased sharply in late June-early July. Even after easing a bit, mid-July prices were about 35 cents per pound above those of early June. Prices were reacting to a tightening caused by declines in production and, possibly, a bit of strengthening in sales. However, these cheese price increases will be greatly challenged in coming weeks by continued heavy supplies of other dairy products. Although butter prices attempted to follow cheese prices, initial butter price rises were met with fairly strong resistance, and mid-July prices were up only about 12 cents per pound from early June.

Supplies of milk for manufacturing went from fractionally larger than a year earlier in January to more than 2 percent smaller in May. With these relatively tight milk supplies, total cheese production has generally been slightly smaller this year. By April-May, output of other-than-American varieties was fairly consistently above a year earlier, leaving production of Cheddar down about 7 percent. These production drops left cheese markets somewhat short of current Cheddar cheese to stock for second-half needs. The reported decline in May milk production reinforced the likelihood of continued declines in supplies of milk for manufacturing.

June 1 commercial stocks of cheese were very close to those of a year earlier. By themselves, these holdings were fairly moderate, larger than stocks on that date in high-price years but smaller than in recent low-price years. However, butter stocks remain huge, facilitating the shift of milk into cheese production and lessening the need for cheese stocks.

Commercial disappearance of cheese presents a rather confusing picture. Movement of both American and other varieties were up fractionally in the first quarter but have diverged since then. Commercial use of other cheese rose almost 3 percent from a year earlier in April-May, led by Mozzarella sales. Meanwhile, commercial use of American varieties slipped fractionally. The cause of the smaller wholesale American cheese movement is unclear. Whether this slippage resulted from sluggish final use or from a lack of normal seasonal pipeline building could be a key factor in the sustainability of recent price rises.

At current Exchange prices, milk is worth about \$3.50 per cwt more in cheese than in butter-powder. With more-than-ample butter stocks and continuing surpluses of nonfat dry milk, diversion of milk into western cheese production should be substantial. In other areas, increased use of nonfat dry milk and local cream to produce cheese is likely. These responses will tend to ease cheese markets while firming other dairy markets.

The current very wide spread between cheese and butter-powder values is unlikely to continue. Cheese prices will remain near current levels only if tightness in cheese markets can pull butter prices substantially higher. Such a scenario is plausible in light of some historic surges in cheese sales and cheese's share of the milk supply. However, the odds may not be high, because increases in apparent cheese sales thus far in 2003 have been modest and irregular, slowing in milk production has been gradual, and butter stocks and the nonfat dry milk surplus have stayed stubbornly large.

Butter-powder operations are expected to be in position to allow large quantities of milk to shift into cheese. Although butter prices may move a little more, cheese prices are projected to slip more than butter prices rise. Unless milk production declines become precipitous or unexpected sales strength develops for other dairy products, cheese prices probably will trend downward once the current cycle of pipeline stock building runs its course. Only temporary relief from low farm milk prices is seen this summer and early autumn.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-109, July 17, 2003, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

## FEDERAL MILK ORDER ADVANCE PRICES, AUGUST

**Class I Base Price.** Under the Federal milk order pricing system, the Class I base price for August 2003 is \$10.97 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.07 and the advanced butterfat pricing factor is \$1.1854. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$5.94. Thus, the Class II skim milk price for August is \$6.64 per cwt., and the Class II nonfat solids price is \$0.7378. **Product Price Averages.** The two-week product price average for August are, butter \$1.1028, nonfat dry milk \$0.8062, cheese \$1.2685, and dry whey \$0.1452.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/</sup> <sup>2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	August 2003		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	14.22	10.32	1.2179
Appalachian (Charlotte) <sup>5/</sup>	005	14.07	10.17	1.2164
Southeast (Atlanta) <sup>6/</sup>	007	14.07	10.17	1.2164
Florida (Tampa) <sup>7/</sup>	006	14.97	11.07	1.2254
Midwest (Cleveland) <sup>8/</sup>	033	12.97	9.07	1.2054
Upper Midwest (Chicago) <sup>9/</sup>	030	12.77	8.87	1.2034
Central (Kansas City) <sup>10/</sup>	032	12.97	9.07	1.2054
Southwest (Dallas) <sup>11/</sup>	126	13.97	10.07	1.2154
Arizona-Las Vegas (Phoenix) <sup>12/</sup>	131	13.32	9.42	1.2089
Western (Salt Lake City) <sup>13/</sup>	135	12.87	8.97	1.2044
Pacific Northwest (Seattle) <sup>14/</sup>	124	12.87	8.97	1.2044
All-Market Average		13.55	9.65	1.2112

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

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, AUGUST 2003, WITH COMPARISONS <sup>1/</sup>												
CITY	August 2001			August 2002			July 2003			August 2003		
	Announced Coop.	Federal Order	Differ- ence									
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	19.28	18.50	0.78	15.51	13.58	1.93	15.13	12.87	2.26	16.00	14.07	1.93
Baltimore, MD	19.85	18.40	1.45	15.23	13.48	1.75	14.64	12.77	1.87	15.82	13.97	1.85
Boise, ID <sup>2/</sup>	17.00	17.00	0.00	12.38	12.08	0.30	11.67	11.37	0.30	12.87	12.57	0.30
Boston, MA	20.25	18.65	1.60	15.13	13.73	1.40	14.72	13.02	1.70	15.92	14.22	1.70
Charlotte, NC	19.28	18.50	0.78	15.51	13.58	1.93	15.13	12.87	2.26	16.00	14.07	1.93
Chicago, IL	19.01	17.20	1.81	14.37	12.28	2.09	13.64	11.57	2.07	15.04	12.77	2.27
Cincinnati, OH	19.43	17.60	1.83	14.29	12.68	1.61	13.92	11.97	1.95	14.74	13.17	1.57
Cleveland, OH	19.23	17.40	1.83	14.09	12.48	1.61	13.72	11.77	1.95	14.54	12.97	1.57
Dallas, TX	18.77	18.40	0.37	14.88	13.48	1.40	14.17	12.77	1.40	15.07	13.97	1.10
Denver, CO	18.65	17.95	0.70	13.88	13.03	0.85	13.17	12.32	0.85	14.37	13.52	0.85
Des Moines, IA	18.41	17.20	1.21	13.65	12.28	1.37	12.95	11.57	1.38	14.15	12.77	1.38
Detroit, MI	18.14	17.20	0.94	13.53	12.28	1.25	13.11	11.57	1.54	13.98	12.77	1.21
Hartford, CT	20.15	18.55	1.60	15.03	13.63	1.40	14.62	12.92	1.70	15.82	14.12	1.70
Houston, TX	19.37	19.00	0.37	15.48	14.08	1.40	14.77	13.37	1.40	15.67	14.57	1.10
Indianapolis, IN	19.23	17.40	1.83	14.09	12.48	1.61	13.72	11.77	1.95	14.54	12.97	1.57
Kansas City, MO	18.61	17.40	1.21	14.24	12.48	1.76	13.54	11.77	1.77	14.74	12.97	1.77
Louisville, KY	18.60	17.60	1.00	13.78	12.68	1.10	13.77	11.97	1.80	14.59	13.17	1.42
Memphis, TN	18.78	18.20	0.58	15.01	13.28	1.73	14.63	12.57	2.06	15.50	13.77	1.73
Miami, FL	21.79	19.70	2.09	18.02	14.78	3.24	17.29	14.07	3.22	18.27	15.27	3.00
Milwaukee, WI	19.11	17.15	1.96	14.47	12.23	2.24	13.74	11.52	2.22	15.14	12.72	2.42
Minneapolis, MN	18.47	17.10	1.37	13.82	12.18	1.64	13.09	11.47	1.62	14.49	12.67	1.82
New Orleans, LA	19.43	19.00	0.43	15.66	14.08	1.58	15.28	13.37	1.91	16.15	14.57	1.58
Oklahoma City, OK	18.80	18.00	0.80	14.73	13.08	1.65	14.02	12.37	1.65	15.22	13.57	1.65
Omaha, NE	18.46	17.25	1.21	13.70	12.33	1.37	13.00	11.62	1.38	14.20	12.82	1.38
Philadelphia, PA	20.02	18.45	1.57	15.40	13.53	1.87	14.69	12.82	1.87	15.87	14.02	1.85
Phoenix, AZ	17.90	17.75	0.15	12.98	12.83	0.15	12.27	12.12	0.15	13.47	13.32	0.15
Pittsburgh, PA	19.40	17.50	1.90	14.58	12.58	2.00	13.87	11.87	2.00	15.07	13.07	2.00
St. Louis, MO	19.11	17.40	1.71	13.73	12.48	1.25	13.02	11.77	1.25	14.22	12.97	1.25
Salt Lake City, UT	17.55	17.30	0.25	12.68	12.38	0.30	11.97	11.67	0.30	13.17	12.87	0.30
Seattle, WA	17.72	17.30	0.42	12.80	12.38	0.42	12.09	11.67	0.42	13.29	12.87	0.42
Springfield, MO	18.40	17.60	0.80	14.33	12.68	1.65	13.62	11.97	1.65	14.82	13.17	1.65
Washington, DC	19.85	18.40	1.45	15.23	13.48	1.75	14.64	12.77	1.87	15.82	13.97	1.85
Simple Average	19.00	17.88	1.12	14.44	12.96	1.48	13.86	12.25	1.61	14.96	13.45	1.51

<sup>1/</sup> This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

<sup>2/</sup> The information for this city is being reported now; the information for Spokane, WA has been discontinued.

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

	FOR THE WEEK OF JULY 21 - 25, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 07/18/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	338,457	-338,457	10,133,351	-0-	-0-	-0-
Packaged	-0-	410,400	-410,400	1,313,280	-0-	-0-	-0-
<b>TOTAL</b>	-0-	748,857	-748,857	11,446,631	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	3,840,106	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	5,545,706	121,481	-0-	-0-
Process	39,600	-0-	39,600	31,838,400	198,000	-0-	-0-
<b>TOTAL</b>	39,600	-0-	39,600	41,224,212	319,481	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	10,658,446	2,270,979	8,387,467	556,954,331	594,161,063	1,254,056,000	1,172,506,000
Fortified	-0-	-0-	-0-	702,598	-0-	46,391,000	46,391,000
<b>TOTAL</b>	10,658,446	2,270,979	8,387,467	557,656,929	594,161,063	1,300,447,000	1,218,897,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 21 - 25, 2003 =	-14.1	97.9	COMPARABLE PERIOD IN 2002 =	5.6	141.5
CUMULATIVE SINCE OCTOBER 1, 2002 =	752.7	6,900.6	CUMULATIVE SAME PERIOD LAST YEAR =	133.7	6,919.2
CUMULATIVE JANUARY 1 - JULY 25, 2003 =	678.6	5,635.0	COMPARABLE CALENDAR YEAR 2002 =	116.7	6,023.3

\* 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 21 - 25, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	39,600	1,833,490	-0-
WEST	-338,457	-410,400	-0-	-0-	-0-	-0-	7,451,194	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-897,217	-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-	32,049,972	198,000	24,014,567	33,728,775	40.0	6.9
WEST	11,446,631	-0-	9,174,240	121,481	495,949,108	518,024,532	58.9	86.1
EAST	-0-	-0-	-0-	-0-	37,693,254	42,407,756	1.1	7.0
<b>TOTAL</b>	11,446,631	-0-	41,224,212	319,481	557,656,929	594,161,063	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 07/05/03 & 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	5.7	3.4	14.8	2.2	0.2	0.7	11.6	2.0	41.3	1,462.5	47.4	48.1
2002-Dairy	0.1	0.7	5.2	4.4	15.9	1.5	0.2	0.5	8.8	1.8	39.1	1,293.7	44.5	46.0
2003-All cows	0.2	0.8	7.6	10.3	23.2	12.7	10.4	2.6	14.4	5.0	87.2	3,038.9		
2002-All cows	0.2	0.7	7.0	10.0	24.7	11.7	13.5	3.0	12.0	5.2	87.9	2,812.5		

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)