

NATIONAL DAIRY MARKET AT A GLANCE

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/8):**  
**BUTTER:** Grade AA closed at \$1.1900. The weekly average for Grade AA is \$1.2117 (-.0083).

**CHEESE:** Barrels closed at \$1.5800 and blocks at \$1.6000. The weekly average for barrels is \$1.5800 (+.0400) and blocks, \$1.6000 (+.0175).

**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 are steady at lower prices. Churning activity is lighter from coast to coast as cream supplies tighten. In many instances, butter producers are reducing production schedules by a whole day versus hours. Often, fresh butter stocks are not sufficient to meet needs thus inventoried stocks are being used to supplement orders. During the week, CCC announced that over the next several months, they will offer for sale a limited quantity of Grade A or higher salted butter for unrestricted use. CCC will issue monthly invitations and the butter will be offered at competitive bid prices. Overall, commercial butter demand is fair with most orders being placed for near term needs.

**CHEESE:** The cheese market remains firm. Current American type varieties are tight to short though barrels are adequate. Many buyers are ordering on a hand to mouth basis and are watching inventory levels closely. Others are still trying to acquire product for expected fall needs. Cheese production is trending lower due to heat reduced milk intakes and because bottlers are starting to refill the school milk pipeline. Cumulative January - June 2003 cheddar cheese output is estimated to total 1.418 billion pounds, down 64.5 million pounds (-4.3%) from the same period in 2002. Total cheese output during the first half of 2003 totals 4.284 billion pounds, off 19.6 million pounds (-0.5%) from last year.

**FLUID MILK:** Milk production continues to ease lower in the Eastern third of the country, while holding steady to occasionally rebounding in the Western two-thirds. Temperatures in the West have moderated from the very high levels seen during much of July. During that time, milk production fell rapidly and is expected to rebound slowly as the stress on the cows continues to be felt. Class I milk sales are starting to show some improvement where schools are getting back in session. This is taking milk from manufacturing channels, particularly in the Southeast and parts of the West. Some operations have had to cut back on production schedules because of the lack of milk. The fluid cream market remains very strong. Supplies are tight and demand is good. Class II condensed skim sales have all but stopped due to price. Most users are switching or have switched to NDM as a less expensive alternative to wet solids. Class II condensed skim

sales are mostly steady.

**DRY PRODUCTS:** The NDM market is steady to firm in most areas of the country. With Class III condensed skim prices as high as they are, sales are greatly reduced and buyers are looking for NDM as a replacement for the expensive wet solids. Some plants that had been moving most of the solids as condensed, now find themselves with skim to dry. However, the increased demand is often for fill in needs as buyers are waiting for the "NDM for cheese" to hit the market. During the week ending August 1, CCC did release NDM as partial payment for cheese contracts. This is the first release and it is not yet known if any of the powder has been picked up and/or delivered to buyers. The dry whey market is firm and prices continue to increase at a steady rate. Spot offerings at the producer level are tight. Demand is steady at good levels. The dry buttermilk market is firming and prices are increasing. Production levels are seasonally light and producer stocks are tight. The lactose market is firm and prices are unchanged. Most sales are contractual and spot loads are difficult to find. The WPC market is firm and prices are unchanged to higher.

**CCC:** During the week of August 4 - 8, CCC net purchases total 6,934,856 pounds of nonfortified NDM; 5,326,985 pounds from the West and 1,607,871 pounds from the Central region. Also, CCC sold under KC-DS-2 1,111,051 pounds of nonfortified NDM, for unrestricted use at \$0.8025.

**JULY AGRICULTURAL PRICES HIGHLIGHTS (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2003 declined 1 point to 127. Compared with July 2002, the index was up 4 points (3.3%). The index of prices received by farmers for dairy products advanced 5 points during the month of July 2003 to 90. Compared with July 2002, the index was up 5 points (5.9%). Prices received by farmers in July with changes from June were: for all milk, \$11.80, up \$.70; for fluid grade milk, \$11.80, up \$.70; and for manufacturing grade milk, \$11.40, up \$1.20.

**JUNE 2003 DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 89.9 million pounds in June, 6.2% below June 2002 and 21.6% below May 2003. American type cheese production totaled 309.4 million pounds, 1.5% below June 2002 and 3.4% below May 2003. Total cheese output (excluding cottage cheese) was 714.0 million pounds, 0.8% above June 2002 but 3.8% below May 2003. Nonfat dry milk production, for human food, totaled 131.4 million pounds, 14.1% below June 2002 and 14.7% below May 2003. Dry whey production, for human food, was 88.7 million pounds, 0.2% above June 2002 but 6.2% below May 2003.

\*\*\*\*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 AUGUST 4	TUESDAY AUGUST 5	WEDNESDAY AUGUST 6	THURSDAY AUGUST 7	FRIDAY AUGUST 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	(N.C.)	\$1.5800 (+.0400)
40 # BLOCKS	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	(N.C.)	\$1.6000 (+.0175)
BUTTER							
GRADE AA	\$1.2250 (N.C.)	----	\$1.2200 (-.0050)	----	\$1.1900 (-.0300)	(-.0350)	\$1.2117 (-.0083)

\*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, AUGUST 4, 2003

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: NONE; BIDS UNFILLED: 6 CARS GRADE AA: 1 @ \$1.2075, 1 @ \$1.2050, 2 @ \$1.2025, 2 @ \$1.2000; OFFERS UNCOVERED: 3 CARS GRADE AA @ \$1.2300

TUESDAY, AUGUST 5, 2003

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6000

WEDNESDAY, AUGUST 6, 2003

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.2200; BIDS UNFILLED: 9 CARS GRADE AA: 2 @ \$1.1950, 2 @ \$1.1925, 1 @ \$1.1900, 1 @ \$1.1800, 1 @ \$1.1700, 1 @ \$1.1600, 1 @ \$1.1500; OFFERS UNCOVERED: 5 CARS GRADE AA: 2 @ \$1.2200, 3 @ \$1.2250

THURSDAY, AUGUST 7, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 8, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.6500  
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.2000, 1 @ \$1.1900; BIDS UNFILLED: 4 CARS GRADE AA: 3 @ \$1.1850, 1 @ \$1.1750; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.2000, 3 @ \$1.2050, 2 @ \$1.2100

BUTTER MARKETS

JUNE BUTTER PRODUCTION

During June, 2003, butter production in the United States totaled 89.9 million pounds, 6.2% less than June 2002 and 21.6% less than May 2003. The following are June to June changes for various states: CA -2.6%, NY +5.6%, PA -12.1%, and WI -5.1%.

NORTHEAST

The market tone remains firm. At the CME, the butter price moved slowly, but steadily higher last week. During Monday's (8/4) trading, the price held at \$1.2250 with no sales taking place. Churning activity in the East is lighter as surplus milk and excess cream supplies remain tight. Some butter makers who normally operate 6 days week are now running only 4-5 days. Any shortfall in fresh butter to fill packaged butter needs is being met by microfixing bulk from inventories. Demand for packaged butter is just fair at retail; fair to good for food service. Demand for bulk is about steady, but some producers and printers are showing a little more interest in buying Western butter. 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 adjusted slightly lower to \$1.2200. Many butter producers feel that the cash price will continue to adjust higher and lower within a range of the current price. Cream supplies remain limited for churning activity. Cream volumes are seasonally lower as milk production declines and ice cream production continues strong. High prices for cream are limiting buyer interest from most butter producers when available.

Often butter production is limited to regular supplies of cream with some producers considering selling this cream versus churning at this time. Often fresh butter production is not keeping pace with demand thus inventoried stocks are being used to supplement orders. Overall buying interest is fair. Retail orders are fair at best with food service orders fairly active. Many resort and vacation area food service buyers are looking at the calendar and starting to evaluate their butter needs for the next three to four weeks which will basically complete the summer vacation season. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

Butter prices are firming slowly at the cash CME market. Some contacts think that the increases are more in sympathy with the cheese market than due to real strength in butter. Demand appears to be relatively steady for this time of year. The main story continues to be the tightening cream supply. The extended hot spell brought milk production down more rapidly and further hurt the fat tests on milk receipts. Demand for any cream available is strong and the churns are only getting what is left. U.S. butter production in June totals 89.9 million pounds, down 6.2% from last year and down 21.6% from May (24.8 million pounds). The West is currently producing over 46% of U.S. butter production and output there is down 2.2% from June of last year. Weekly butter stocks in CME warehouses have declined by an average of 4.6 million pounds for the last three weeks and now stand at 196.3 million pounds. Last year this week stocks totaled 148.4 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

WEEK ENDING	U.S. AVERAGES AND TOTAL POUNDS				
	CHEESE 40# BLOCKS	BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
AUGUST 2	1.4705 7,191,047	1.4608 10,605,606	0.8076 32,127,301	1.1736 9,640,706	0.1542 11,625,929

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 (7+ cents) for both natural and process cheeses. However, Swiss is unchanged. The market tone is firm. Cheese output in the Northeast is lighter as surplus milk supplies tighten seasonally. However, with the recent increase in cheese prices at the CME, more milk is moving into cheese plants for the better financial return. Current cheddar supplies are light, but most Northeastern cheddar cheese winds up in aging programs and demand for this type of cheese is often filled by producers in other parts of the country. Mozzarella sales remain slow to fair, with schools opening in less than a month, orders are beginning to improve. Distributors are somewhat cautious in their ordering strategies. They would like to buy ahead of additional/possible price increases, but they do not want too much on hand should the market take a down turn. Retail movement is slow to fair and food service orders are holding up nicely.

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

Cheddar 10# Prints	:	1.6475-2.1425
Cheddar Single Daisies	:	1.6050-2.0700
Cheddar 40# Block	:	1.7225-1.9700
Process 5# Loaf	:	1.7500-1.9525
Process 5# Sliced	:	1.7700-2.0200
Muenster	:	1.8200-2.0125
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market remains firm. A lot of traders are speculating on how long prices may stay at current or possibly even higher prices. Many buyers are reacting to current "high" prices by making more "hand to mouth" type purchases. Natural demand ranges from fair to very good, depending on variety. Cutters are having some difficulty in acquiring desired quantities of colby/jack and pepper jack, products that are normally just made to order. Supplies of most current varieties are tight. Top grades of Swiss are tight, though supplies of lower grades are more available. Barrel supplies are at least adequate with a few processors occasionally backing off on a load or two. Milk intakes are trending lower seasonally. Fluid supplies remain tight and plant operators continue to have difficulty in acquiring extra to help fill orders. June 2003 total cheese production in selected Midwestern states compared to June a year ago is: Wisconsin 186.7 million pounds, up 3.7 million pounds (2.0%); Minnesota 51.6 million pounds, up 200,000 pounds (0.4%); and Iowa 20.1 million pounds, down 3.5 million pounds, (-14.7%).

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

Process American 5# Loaf	:	1.7200-1.8100
Brick And/Or Muenster 5#	:	1.8600-2.2450
Cheddar 40# Block	:	1.7500-2.1150
Monterey Jack 10#	:	2.0500-2.2025
Blue 5#	:	2.3375-2.5200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.2200-2.6850

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

	BUTTER	:	CHEESE
08/04/03	96,596	:	137,208
08/01/03	97,354	:	137,239
CHANGE	-758	:	-31
% CHANGE	-1	:	N.C.

**WEST**

Process and natural prices continue to firm following the higher CME cash market. Some buyers are aggressively looking for cheese to cover some fall needs. Other buyers continue to buy only as they need to. Production is trending lower because of the heat stress of the last three weeks. Most parts of the West are seeing some relief this week, but contacts are unsure how much rebound there will be because of the magnitude of the stress. Most feel that there is a cumulative impact. It is noted that firms are fortifying the vat with powder, condensed and cream to get more production out. Sales of mozzarella remain slower than anticipated. Swiss sales are about average for this time of year. U.S. Swiss production in June totaled 22.1 million pounds, 5.7% higher than last year. Total cheese production for the U.S. in June reached 714.0 million pounds, an increase of 0.8% from last year but down 3.8% (28.1 million pounds) from May. California output was up 9.9% from a year ago, Idaho was down 0.1%, and Utah was up 9.9%. For the Western region in total, output increased 4.4% from a year ago or 12.0 million pounds.

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

Process 5# Loaf	:	1.6900-1.9500
Cheddar 40# Block	:	1.7125-2.0625
Cheddar 10# Cuts	:	1.8925-2.1125
Monterey Jack 10#	:	1.9025-2.0625
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Prices are steady on imported cheeses, sharply higher on domestic styles. Domestic cheese prices have run up significantly since late June and demand has, in many cases, been slowed by these price increases. Stocks are generally adequate to meet the typically slow, summer demand for imported cheeses. Domestic styles are also moving a little slower, due mostly to price considerations. There is growing concern and/or attention being given to the push by the EU for expansion of geographical indications (GIs). This is far from resolved, but could have a big impact on some cheese producers down the road. GIs indicate the regional origin of products (in this case cheese), and the quality, taste, etc., that consumers have come to expect from products made in a particular region.

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	:	1.9425-3.4325*
Gorgonzola	:	3.6900-5.9400	:	2.4600-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.3525-3.4425*
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.5000	:	1.9500-2.1775*
Romano (Cows Milk)	:	-0-	:	3.1400-5.3125*
Sardo Romano (Argentina)	:	2.8500-3.2900	:	-0-
Reggiano (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	61	0	38	0	52	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.

The following are the July 2003 Class and component prices under the Federal Milk Order pricing system: Class II \$10.63 (up \$0.17 from June), Class III \$11.78 (up \$2.03); and Class IV \$9.95 (up \$0.19). The following are the product price averages used in computing Class prices: butter \$1.1196, NDM \$0.8072, cheese \$1.3497, and dry whey \$0.1470. The Class II butterfat price is \$1.2125 and the Class III/IV butterfat price is \$1.2055. Milk production continues to decline in the Southeast and, to a lesser degree, the Northeast. Heavy rains have plagued large areas of the Southeast and up the East Coast. The rains generally brought lower temperatures, but the resulting muggy weather is stressing the cows, further reducing milk output. The Northeast is also seeing more rain this week, but the impact on the milk flow is not yet known. Fat and protein tests on incoming milk remain low. Demand for bottled milk is mostly steady in the Northeast, but improving in the Southeast where some schools opened this week. Many schools in the Southeast will reopen next week and bottlers are preparing to fill the pipelines. Florida handlers are importing more milk this week and contacts expect volumes to increase during the coming weeks. Surplus milk volumes are generally light and easily cleared. Some producers of condensed skim comment that with Class III wet solids prices so high, they have to step up drying schedules to clear the skim. The August Class III skim milk price is estimated to be well over \$9.00, up sharply from July's \$7.83, up \$1.93 from June. Producers often base their condensed skim prices on estimates and then make adjustments after the price is official. Class II condensed skim sales are about steady, but mostly contractual. As one contact put it, "you can't sell a pound of Class III at current prices." The Fluid cream market remains firm. Supplies are tight and local suppliers are reaching to out-of-region producers to find loads and prices are often higher. Also, with more milk being shipped into the Florida and other Southeastern states, tanker availability is an issue. Conversely, with California cream as tight as it is, tankers on this route are readily available. Demand is good, but buyers do balk at the current high multiples for spot loads. Multiples in the 150's are not uncommon. Ice cream production is seasonally heavy. However, as the summer draws to an end, ice cream producers are planning on easing schedules back to school year levels. Cream cheese output is about steady. Churning activity 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	-	1.6836-1.8910
DELIVERED EQUIVALENT ATLANTA	-	1.6836-1.9032 M 1.7324-1.8544
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6958-1.8300

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	- 1.0300-1.1500

MIDWEST

The start of August brought a slight increase in retail fluid sales. Some schools within the region are close to reopening for the new season and Class I needs are expected to build to fill the pipeline over the next few weeks. A number of loads of milk are being sent into the Southeast from the upper Midwest to supplement local supplies. Overall, milk supplies are tight to short of needs. Manufacturing plant operators are unable to secure additional supplies in many areas of the region and some, depending on federal order, have to ship milk to meet pool/superpool requirements in August. On a very limited test, spot manufacturing milk premiums range from \$2.25 to \$3.00 over class. Condensed skim interest is mixed and prices vary widely depending on the class. Reported prices range from \$0.87 for Class IV up to \$1.30 on Class III. Class III condensed demand is generally lighter as some firms use NDM as a

cheaper alternative. Cream demand is steady to occasionally lighter as producers concentrate on producing more fill-in products and operate with less overtime. Manufacturing schedules are generally lighter, reflecting milk availability. Milk intakes have declined even though much of the upper Midwest has been relatively cool (not too many really hot days) for summer, especially compared to other areas of the country. Fat and protein tests are also steady to lower with some loads coming in to plants under 3.5% fat. Localized showers have, in instances, flooded some areas and others had spotty hail damage with nearby areas just dry. Others receive just enough precipitation to make hay drying difficult and are just "limping along" to the next shower.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUL 31 - AUG 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 51.50	\$ 34.00- 39.00
REPLACEMENT HEIFER CALVES	\$350.00-550.00	\$350.00-480.00

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

	JUL 31 - AUG 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 55.00	\$ 35.00- 44.50

WEST

The July 4a price (butter/powder) in CALIFORNIA is \$9.96, up \$0.32 from June but \$0.09 lower than last year. This compares to the Federal Order Class IV price for July at \$9.95. The July 4b price (cheese) is \$12.59, up \$3.09 from June and \$3.69 higher than last year. This compares to the Federal Order Class III price for July at \$11.78. Milk cow prices for herd replacement are down about 20% from last July. Prices for selected Western states compared to last year are as follows: California \$1230 down \$570, Idaho \$1400 down \$350, New Mexico \$1380 down \$370, and Washington \$1350 down \$360. Hay prices in the U.S. are down about 14% from last year in July. Prices for selected Western states compared to last year are as follows: California \$86 per ton down \$25, Idaho \$84 down \$41, New Mexico \$140 up \$18, and Washington \$107 down \$8. Weather conditions in CALIFORNIA are much less stressful for the milking herd. Some rebound in milk output is occurring, but very little more is expected because of the intense stress of the last few weeks. Some operations reported receipts down as much as 16% in just a few days. A number of plants are searching for additional milk supplies with little success. Plant operating schedules are being adversely impacted. Fat and protein tests on milk receipts are down substantially. Cream is also short of full trade needs. Plants are searching for cream and not finding it. Very little cream is leaving the region because all internal needs are not being met. Temperatures have declined from the peak levels of last week in ARIZONA and NEW MEXICO, but the stress levels remain. In addition, the call for Class I milk for school milk programs is beginning to gear for fall needs. This demand from the Southeast will further limit the milk available for processing in the region. Milk production conditions have improved in the PACIFIC NORTHWEST. The heat stress is less and some recovery is noted. Pastures have stopped growing and there is not much feed value available at this time. Additional supplemental feeding is required. Hay prices have moved another \$5-10 lower as inventories of hay supplies increase and more of it is either low end dairy quality or high end feeder hay. More producers are booking additional supplies of corn and soybean meal for fall and winter needs. They are judging that prices are reasonable and booking makes sense. They are also looking at booking some fall milk production prices on the futures market as some Class III prices are above \$14. The extreme heat of the last few weeks has also limited the volumes of cattle shipped around the region because of the fear of losing animals. Heifer sales volumes are down substantially. Crops in UTAH and IDAHO look relatively good if they still have water available. Some systems have been shut down. Most water companies will have zero water reserves left at the end of this growing season which means winter moisture is imperative if there is too much of a crop production season next year. Third cutting is being harvested now and it looks quite good. The corn crop seems to be under more stress and water timing is a real concern. Growers are hoping to be able to get it to maturity before they lose all of their water. Plant production schedules are being reduced to better reflect declining milk receipts. Heifer prices in the region have dropped back into the \$1350 region after having increased about \$100 for a few 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 to lower. The market tone is steady to firm. Although stocks of NDM are reportedly tight in the Central region, sales to the CCC occurred at the 80 cent level. Most NDM movement is on a contractual basis. Production of low heat NDM is lower in response to seasonal decreases in the milk supply and milk diversions into Class I and predominantly Class III facilities. High heat NDM production is increasing as dryers are able to accommodate the more time consuming process. Released NDM from the CCC NDM/cheese exchange is not affecting current movement. Totes are in good demand and difficult to locate. Some spot buyers are seeking additional loads from the West. Interest is also increasing in purchasing CCC stocks directly.

**EAST:** Eastern prices are little changed and the market tone remains firm. Drying schedules are mixed, mostly low. However, most operations have lost Class III condensed skim sales, because of price considerations, and they are now making more powder. Current output is clearing nicely and plant stocks are light. Some producers and traders comment that buyers are often filling spot needs with Midwest or Western NDM. Many buyers, looking to take advantage of the lower prices, have been waiting for CCC to release the so called "cheese NDM." When that did not occur as quickly as desired, some users found they had to make spot purchases in the commercial market. The first release of the "cheese NDM" was announced earlier this week, but it is not clear that any has been picked up and/or sold. For the week ending August 1, CCC releases 8,259,239 pounds of instore NDM as partial payment for cheese contracts.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during June 2003 totaled 131.4 million pounds, down 14.1% from June 2002 and 14.7% below May 2003. Month ending stocks, at 155.5 million pounds, are 12.5% below a year ago and 2.2% lower than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .8900 MOSTLY: .8250 - .8600  
 HIGHHEAT: .8625 - .9450

**NONFAT DRY MILK - WEST**

Prices are firming in the short run for low/medium heat NDM powder. Contacts state that some buyers had been taking only light volumes or working off previously purchased stocks with the assumption that NDM for cheese powder would have been available earlier. Some of these users are now running short and sellers are able to boost prices in the short run as supplies are comparatively tight. This is said with 11.4 million pounds of Western powder clearing to the government. A press release did come out this week indicating that 8.3 million pounds of NDM instore as partial payment for cheese contracts was released. Some industry contacts believe that when more of this powder is available, it may cause downward pressure on prices. Much of it initially is expected to be used internally by cheese plants, but eventually a portion of it will be available on the commercial market. High heat powder prices range from steady to firm with most of this type of powder being made to order. U.S. powder production in June totals 131.4 million pounds, down 14.1% from a year earlier. Western region output is 75% of this total and it is down 11.3% from last year.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7975 - .8875 MOSTLY: .8000 - .8200  
 HIGHHEAT: .8225 - .8600

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 1	\$.8007	15,906,465	4,020,677
July 25	\$.8057	15,488,555	2,565,061

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. Churn activity is very light, reducing production of condensed and dry buttermilk. Condensed movement is good and mostly contractual. Spot availability of buttermilk is light with most spot activity occurring in the resale market or in direct trade with producers or brokers in the West. End-user spot interest is predominantly from bakeries, salad dressing, and blending operations. Production of dry buttermilk during June 2003 totaled 3.0 million pounds, 26.5% less than June 2002 and 40.6% below May 2003. Month ending stocks, at 9.5 million pounds, are 27.5% below a year ago and 17.1% less than May 2003.

F.O.B. CENTRAL: .8250 - .8750

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are higher and powder is in tight supply. Eastern prices remain nominal as few spot sales are being reported. Demand is more aggressive as users are reaching farther to find powder and condensed butter milk. Tight cream supplies are keeping churning activity light to moderate in the East. Dry buttermilk production during June 2003 totaled 3.0 million pounds, down 26.5% from last June and 40.6% less than May 2003. Month ending stocks, at 9.5 million pounds, are 27.5% less than last year and 17.1% less than a month ago.

F.O.B. NORTHEAST: .7350 - .7500  
 DELVDSOUTHEAST: .7650 - .7800

**DRY BUTTERMILK - WEST**

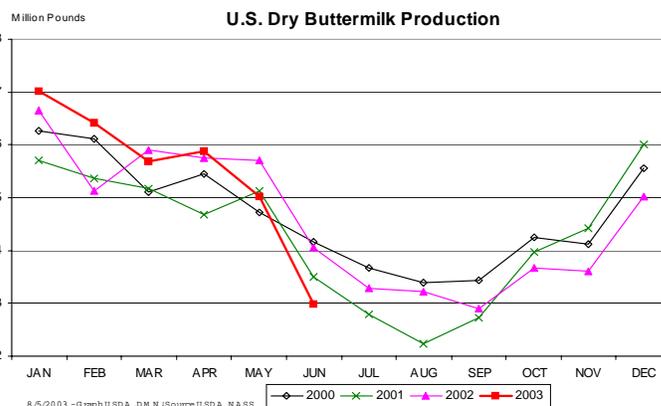
Western buttermilk prices moved sharply higher in aggressive trading. Buyers are searching for additional powder without much luck. Producer stocks of powder are light to short of needs. Condensed sales remain strong which is further limiting production. Churning activity is light because of the excellent call for cream. The market is firm and offerings are short of trade needs. June buttermilk powder production totals 3.0 million pounds, down 26.5% from a year earlier. Stocks at the end of June total 9.5 million pounds, down 27.5% from last year.

F.O.B. WEST: .7200 - .8500 MOSTLY: .7750 - .8000

**DRY WHOLE MILK - NATIONAL**

Prices are mostly steady to higher and nominal. Some price increases have been noted due to the increase in July's Class IV milk price. Production levels are light and generally limited to filling orders. Plant stocks are light and closely balanced. Dry whole milk production during June 2003 totaled 3.3 million pounds, down 28.8% from June 2002 but 74.7% more than May 2003. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.0500 - 1.1800



**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. Trading activity is very light. Most plants are reporting that supplies are in balance with no availability on a spot basis. Production is mostly steady. While some locations report that output is down seasonally with the milk supply, others are diverting milk away from NDM/butter operations and producing cheese and whey at capacity. Demand is good into domestic and export markets. Inquiries are noted from the West where supplies are more difficult to obtain. Resale product from as much as 1 year ago is trading at a premium to the current market. Condensed whey remains available at some locations for the fair interest. Production of human food, dry whey during June 2003 totaled 88.7 million pounds, 0.2% more than June 2002 but 6.2% below May 2003. Month ending stocks, at 47.8 million pounds, are 30.1% above a year ago and 2.1% more than May 2003.

F.O.B. CENTRAL: .1600 - .1675 MOSTLY: .1600 - .1650

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices continue to climb fractionally and the market tone remains firm. Contacts have commented that the market was relatively quiet this week. Producers continue to ask for, and get premiums, but these premiums have not changed significantly for several weeks. Demand, though good, is mostly steady and for replacement needs. Cheese output in the Northeast is steady to lower as surplus milk volumes continue to tighten. Most Eastern producers have little or no dry whey on hand. Many are not entertaining new inquiries or are they accepting spot sales. They feel that they will barely be able to meet their contract needs during the late summer and early fall. Production of human food, dry whey during June 2003 totaled 88.7 million pounds, 0.2% more than June 2002 but 6.2% less than May 2003. Month ending stocks, at 47.8 million pounds, are 30.1% above last year and 2.1% more than a month ago. Production of animal feed, dry whey during June totaled 6.5 million pounds, 24.4% more than a year ago and 1.5% above May 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1650 - .1800  
DELVD SOUTHEAST: .1850 - .2025

**DRY WHEY - WEST**

Western whey prices range from steady to fractionally higher. The market continues to move higher in an orderly fashion. Most contacts believe there is a firm undertone. Domestic buyers are taking good volumes of whey. Most plants have whey available, but there are sometimes delays in filling orders. Export sales into the Far East are good while shipments to Mexico are a little slower. Dry whey production for June in the edible category is unchanged from a year ago at 88.7 million pounds. Stocks of whey at the end of June totaled 47.8 million pounds which was 30.1% above a year ago. Since that time stocks have declined and prices have risen. Production in the Western region was down 8.9% from a year ago, or 2.3 million pounds.

NONHYGROSCOPIC: .1500 - .1825 MOSTLY: .1625 - .1700

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged on a firm market. Supplies are more available than the week prior due to equipment problems at some plants. Demand is good as feed buyers attempt to secure a lower cost source of whey as Extra Grade prices continue to rise. Production of animal feed dry whey during June 2003 totaled 6.5 million pounds, 24.4% higher than a year ago and 1.5% more than May 2003. Month ending stocks, at 2.0 million pounds, are 14.7% below a year ago and 13.2% lower than last month.

F.O.B. CENTRAL:  
MILK REPLACER: .1400 - .1525

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Interest is strong from domestic and export markets. Some buyers are opting to purchase additional loads before prices rise any higher. Inquiries from veal operations are growing in anticipation of greater needs as the Canadian veal import ban persists. Resellers are garnering a profit from WPC trade. High protein markets are reportedly in better balance and therefore less competitive with the 34% market. Supplies of off grade product are light for the fair interest. Production of HUMAN FOOD WPC during June 2003 totaled 24.8 million pounds, up 2.9% from June 2002 but 0.9% below May 2003. Manufacturers' end-of-month stocks totaled 29.6 million pounds, 9.1% lower than a year ago and 2.7% below last month. Production of ANIMAL FEED WPC during June 2003 totaled 3.0 million pounds, up 19.9% from June 2002 but 8.5% below May 2003. Manufacturers' end-of-month stocks totaled 1.8 million pounds, 6.4% below last year but 13.9% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .4100 - .5000 MOSTLY: .4300 - .4400

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Inquiries on fourth quarter pricing persist from export markets. Producers are generally resistant to fourth quarter negotiations. Most movement is on a contractual basis. Spot loads are reportedly difficult to find. Demand is best for the 200 mesh. Production is steady as milk intakes into most cheese facilities remains strong. At some locations, plants are running the same level of milk as they had in May. Feed grade lactose is available at prices near the bottom of the range. Lactose production during June 2003 totaled 51.0 million pounds, up 9.6% from June 2002 but 3.5% lower than May 2003. Month ending stocks, at 44.1 million pounds, are 3.6% lower than a year ago but 9.4% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1900 - .1950

**CASEIN - NATIONAL**

Casein markets and prices are generally steady, although the market undertone remains firm. Most domestic buyers are getting their needs with minimal volumes of additional casein available for spot needs. Reports of European supplies are mixed with some suppliers indicating supplies to be in close balance while other indicate stocks to be in better balance. Buyers and suppliers of Oceania sourced stocks are looking toward the upcoming production season. Many are questioning availability and price. The new milk production season is just getting underway, with casein production still a ways off.

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 as milk supplies are tightening all across the country. Also, the price of milk did jump rather sharply, which does impact production. Demand remains fair and the market remains very competitive. Canned evaporated milk production during June totaled 59.9 million pounds, 1.7% more than June 2002 but 2.4% less than May 2003. Month ending stocks, at 74.7 million pounds, are 8.7% more than a year ago and 18.0% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

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

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JULY

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for July 2003 is \$1.2055 per pound. Thus, the Class II butterfat price is \$1.2125. The protein and other solids prices for July are \$2.5480 and \$-0.0124 per pound, respectively. These component prices set the Class III skim milk price at \$7.83 per cwt. The July Class IV skim milk price is \$5.94 which is derived from the nonfat solids price of 0.6605 per pound. **Product Price Averages:** The product price averages for July are; butter \$1.1196, nonfat dry milk \$0.8072, cheese \$1.3497, and dry whey \$0.1470.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/ 2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	JULY 2003				AUGUST 2003
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	13.02	10.63	11.78	9.95	14.22
Appalachian (Charlotte) <u>5/</u>	005	12.87	10.63	11.78	9.95	14.07
Southeast (Atlanta) <u>6/</u>	007	12.87	10.63	11.78	9.95	14.07
Florida (Tampa) <u>7/</u>	006	13.77	10.63	11.78	9.95	14.97
Midwest (Cleveland) <u>8/</u>	033	11.77	10.63	11.78	9.95	12.97
Upper Midwest (Chicago) <u>9/</u>	030	11.57	10.63	11.78	9.95	12.77
Central (Kansas City) <u>10/</u>	032	11.77	10.63	11.78	9.95	12.97
Southwest (Dallas) <u>11/</u>	126	12.77	10.63	11.78	9.95	13.97
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	12.12	10.63	11.78	9.95	13.32
Western (Salt Lake City) <u>13/</u>	135	11.67	10.63	11.78	9.95	12.87
Pacific Northwest (Seattle) <u>14/</u>	124	11.67	10.63	11.78	9.95	12.87
All-Market Average	---	12.35	10.63	11.78	9.95	13.55

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

## JULY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2003 declined 1 point to 127. Compared with July 2002, the index was up 4 points (3.3 percent). The index of prices received by farmers for dairy products advanced 5 points during the month of July 2003 to 90. Compared with July 2002, the index was up 5 points (5.9 percent).

Prices received by farmers in July with changes from June were: for All Milk, \$11.80 per hundredweight (cwt.), up \$.70; for Fluid Grade Milk, \$11.80 per cwt., up \$.70; and for Manufacturing Grade Milk, \$11.40 per cwt., up \$1.20.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., JULY 2003 WITH COMPARISONS

STATE	All-milk price <sup>1/</sup> <sup>3/</sup>				Milk cows <sup>5/</sup>		Cows <sup>6/</sup>		All hay baled <sup>7/</sup>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JUNE		JULY		JULY		JULY		JULY	
	2003	2002 <sup>2/</sup>	2003 <sup>4/</sup>	2002 <sup>2/</sup>	2003 <sup>4/</sup>	2002 <sup>2/</sup>	2003 <sup>7/</sup>	2002 <sup>8/</sup>	2003	2002
CA	10.20	10.43	11.20	10.07	1,230	1,800	42.00	36.50	86.00	111.00
ID	10.10	10.60	11.00	10.30	1,400	1,750	42.80	34.40	84.00	125.00
MI	11.10	11.50	11.60	11.10	1,350	1,600	44.00	41.00	89.00	75.00
MN	11.10	11.30	12.10	10.70	1,300	1,580	49.00	39.60	65.00	63.00
NM	10.40	11.00	11.00	11.00	1,380	1,750	45.10	36.50	140.00	122.00
NY	11.80	12.10	12.10	11.80	1,250	1,600	---	---	122.00	130.00
PA	12.50	13.30	12.80	12.80	1,300	1,640	44.20	39.10	142.00	119.00
TX	11.40	12.10	11.80	12.10	1,380	1,650	42.50	37.00	84.00	132.00
WA	11.00	11.60	11.70	11.30	1,350	1,710	---	---	107.00	115.00
WI	11.20	11.50	12.50	10.80	1,330	1,620	45.90	40.50	56.00	50.00
U.S.	11.10	11.50	11.80	11.10	1,310	1,670	44.30	37.40	89.00	104.00

<sup>1/</sup> Prices are shown at reported butterfat test. <sup>2/</sup> Partially revised. <sup>3/</sup> Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. <sup>4/</sup> Preliminary. <sup>5/</sup> Animals sold for dairy herd replacement only. <sup>6/</sup> Beef cows and cull dairy cows sold for slaughter. <sup>7/</sup> Mid-month price. <sup>8/</sup> Entire month.

## MILK AND OTHER GENERAL PRICE MEASURES, U.S., JULY 2003 WITH COMPARISONS

ITEM	JULY 2002	JUNE 2003 <sup>2/</sup>	JULY 2003 <sup>3/</sup>
<b>PRICES RECEIVED BY FARMERS</b> , dol. per cwt., at reported butterfat test:			
All milk	11.10	11.10	11.80
Fluid grade milk	11.10	11.10	11.80
Manufacturing grade milk	9.60	10.20	11.40
<b>INDEX NUMBERS</b> (1990-92=100):			
Prices received by farmers for all farm products	99	107	104
Prices received by farmers for dairy products	85	85	90
Prices paid by farmers for commodities and services, interest taxes, and wage rates	123	128	127
Prices paid by farmers for production items	119	123	123
Prices paid by farmers for feed	114	115	113
<b>MILK FEED PRICE RATIO:</b> Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <sup>3/</sup>	2.34	2.23	2.58

<sup>1/</sup> Partially revised. <sup>2/</sup> Preliminary. <sup>3/</sup> For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and whole wheat.

**SOURCE:** "Agricultural Prices," Pr 1 (7-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## WORLD DAIRY SITUATION AND OUTLOOK

**Dairy Production and Trade Developments Summary** - Major factors affecting international dairy trade have been the depreciation of the U.S. dollar relative to the currencies of most other dairy product traders and the drought in Australia. Trade volumes as evidenced by actual and estimated exports remain relatively high, but import demand, as evidenced by international prices, remains on the weak side. Final settlement of the WTO action against Canada's method of subsidizing exports is probably the most significant policy development of concern to U.S. trade. For the first 5 months of 2003, U.S. exports of dairy products are running below the 2002 pace while the pace of dairy imports is up from that of 2002.

**Production, Trade and Prices** - Aggregate cow milk production in selected countries for 2003 is now forecast at 392 million tons, about a half percent above 2002. The largest milk production change is in Australia where the drought proved to be more severe than originally thought. Forecast production in the United States has been reduced due to lack of growth in productivity per cow, which more than offsets an up-tick in cow numbers. Cheese production is now expected to reach 12.6 million tons in 2003, essentially the same as the revised 2002 estimate. Forecast cheese exports in 2003 are slightly higher than in 2002. International cheese prices (fob N. Europe) for June were in the \$1,750 to \$1,900 per metric tons range, up more than \$100 from December. Month-to-month price increases have been fairly regular since December. Within the United States, cheese prices moved sharply higher (plus 30 percent) during late June-early July. The higher U.S. prices mainly stem from reduced monthly cheese production levels. Butter production in aggregate in 2003 is forecast to increase about one percent from 2002. Based mainly on developments in New Zealand, aggregate 2003 exports are now forecast to be higher than in 2002. June 2003 international butter prices were in the \$1,275 to \$1,400 range, up from December 2001, but still well below those of other dairy products. Significant improvements in international butter prices appear unlikely based on the forecast buildup of international stocks. Nonfat dry milk production in 2003 is now forecast at 3.5 million tons, 1 percent below revised 2002. Exports in aggregate are forecast at 1.1 million tons. International NDM prices are currently in the \$1,600 to \$1,725 per-ton-range. Though forecast end-of-year stocks are down from 2002, rather large government holdings in the United States and the EU tend to minimize the chances for a significant run-up in international prices. Production of whole milk powder (WMP) is currently forecast at 3.2 million tons, roughly 2 percent above the revised 2002 level. International prices for WMP had been slightly above those for NDM; however, in June the two series converged. Patterns of price movements for WMP have largely mirrored those of NDM. Forecast end-of-year stocks for WMP are relatively low; however, a significant price run-up is unlikely because NDM stocks are large and NDM can readily substitute for WMP.

**Exchange Rates** - During the last two years, the currencies of three major competitors of the United States have appreciated significantly relative to the U.S. dollar. Compared to June 2001, the Euro is up over 35 percent, while the New Zealand dollar was up more than 40 percent and the Australian dollar moved 28 percent higher. These changes, of course, impact the competitiveness of exports from these countries relative to those of the United States. Their system of support prices plus frequent adjustments in subsidy rates largely protect European milk producers while producers in Australia and New Zealand bear more of the brunt of such changes in their milk checks.

**Policy Developments** - Final settlement of the WTO action against Canada's method of subsidizing exports is one of the more significant policy developments of concern to U.S. dairy trade. U.S. dairy product trade with Mexico is also being affected by the removal of most tariffs and quotas on dairy products. This action, a part of final NAFTA (North America Free Trade Agreement) implementation, became effective at the beginning of 2003. Other policy developments which include a new round of world trade negotiations, various regional and bilateral negotiations, including some that do not include the United States, expansion of the EU, and reform of its policies, have important implications for world dairy trade.

**Year-to-date Trade for the United States** - Bureau of the Census export data for the first 5 months of 2003 show that the pace of U.S. dairy product exports is running slightly behind that of 2002. For January–May of 2003, the total value of dairy exports was \$366 million compared to \$387 million in the same period of 2002. Milk powders, which depend on export aid from the Dairy Export Incentive Program (DEIP) or food aid programs, are up but declines for cheese, whey products and miscellaneous dairy products more than offset those gains. On a regional basis, the value of shipments to Canada and Mexico, the two leading markets, are essentially the same as last year while Japan, the number 3 market, and most other Asian countries are down. Data on dairy imports, also from the Bureau of the Census, show the pace of imports during the first 5 months of 2003 running ahead of that of 2002 -- \$682 million this year compared with \$627 million last year. For cheese, the major dairy product imported, both volume and value are running above last year. Similarly, volume and value data for imports of both casein and milk protein concentrate are higher than the same months of 2002.

SOURCE: "Dairy: World Markets and Trade", Circular Series, FD 1-03, July 2003, Foreign Agricultural Service, USDA. For more information contact Authur Coffing at (202) 720-3761. This summary has been condensed by the Market Information Branch, Dairy Programs, AMS.

## U.S. IMPORTS AND EXPORTS OF DAIRY PRODUCTS, 2001-2002 ANNUAL, JANUARY-MAY 2003

COMMODITY SUMMARY OF U.S. IMPORTS OF DAIRY PRODUCTS 1/

Commodity	Quantity (1,000 Metric Tons)			Value (\$ Million)		
	2001	2002	Jan.-May 2003	2001	2002	Jan.-May 2003
Milk and Cream <u>2/</u>	12.9	13.9	7.3	14.9	11.0	4.4
Ice Cream	2.2	1.9	1.0	4.4	6.2	3.2
Dry Milk	8.1	11.4	3.4	17.0	18.0	7.9
Dry Whey	19.9	23.2	14.6	15.3	12.9	5.8
Cheese	201.8	215.4	83.5	745.9	787.4	326.0
Butter & Milkfat	34.6	15.1	6.4	55.2	24.3	10.3
Casein	106.8	100.1	47.6	525.0	418.2	185.7
Milk Protein Concentrate	28.5	33.6	18.6	101.1	114.6	64.6
Other Dairy Products <u>3/</u>	---	---	---	137.7	161.2	74.4
Total <u>3/</u>	---	---	---	1,616.5	1,553.8	682.3

1/ Data may differ from U.S. Customs Service data, which is used to administer dairy import quotas. Differences are due to transshipments, errors in classification, and processing lags. 2/ Quantity shown in million liters; includes yogurt. 3/ Quantity not shown as data are reported in mixed units.

## COMMODITY SUMMARY OF U.S. EXPORTS OF DAIRY PRODUCTS

Commodity	Quantity (1,000 Metric Tons)			Value (\$ Million)		
	2001	2002	Jan.-May 2003	2000	2001	Jan.-May 2003
Nonfat Dry Milk	96.1	74.1	28.1	189.3	114.5	45.7
Condensed & Evaporated Milk	10.7	11.8	7.8	9.8	11.8	9.0
Dry Whole Milk & Cream	46.1	37.8	15.3	56.0	44.8	20.7
Fluid Milk & Cream <u>1/</u>	25.8	23.0	8.4	21.7	20.4	7.3
Yogurt & Other Fermented Milk <u>2/</u>	---	---	---	10.3	12.3	3.7
Butter & Milkfat	3.8	3.8	1.6	5.3	5.8	2.8
Ice Cream	40.0	36.9	13.0	83.3	74.0	23.2
Cheese & Curd	52.4	53.9	20.9	161.6	160.4	56.7
Casein	3.3	2.4	1.1	19.1	10.2	5.1
Whey <u>2/</u>	---	---	---	144.6	138.1	56.3
Other Dairy Products <u>2/</u>	---	---	---	364.4	326.9	135.2
Total <u>2/</u>	---	---	---	1,065.4	919.2	365.7

1/ Quantity shown in million liters. 2/ Quantity not shown as data are reported in mixed units.

**SOURCE:** "Dairy: World Markets and Trade", FD 1-03, July 2003, U.S. Department of Agriculture, Foreign Agricultural Service, Washington, DC. Data provided by U.S. Bureau of the Census. For further information, contact Arthur Coffing at (202) 720-3761.

JUNE 2003 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 89.9 million pounds in June 6.2 percent below June 2002 and 21.6 percent below May 2003. **AMERICAN TYPE CHEESE** production totaled 309.4 million pounds, 1.5 percent below June 2002 and 3.4 percent below May 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 714.0 million pounds, 0.8 percent above June 2002 but 3.8 percent below May 2003. **NONFAT DRY MILK** production, for human food, totaled 131.4 million pounds, 14.1 percent below June 2002 and 14.7 percent below May 2003. **DRY WHEY** production, for human food, was 88.7 million pounds, 0.2 percent above June 2002 but 6.2 percent below May 2003. **ICE CREAM** (hard) production totaled 83.6 million gallons, 3.5 percent above June 2002 and 5.6 percent above May 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUN 2003	PERCENT CHANGE FROM:			PRODUCT	JUN 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	JUN 2002	MAY 2003	YEAR TO DATE 1/		1,000 LBS.	JUN 2002	MAY 2003	YEAR TO DATE 1/
BUTTER	89,917	-6.2	-21.6	-2.9	SOUR CREAM	78,374	---	0.7	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	189,874	7.0	4.2	---
AMERICAN TYPES 2/	309,397	-1.5	-3.4	-1.8	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	233,741	-3.9	-3.0	-4.3	SWEET-TYPE, HUMAN FOOD	8,916	-7.8	-12.2	---
SWISS	22,055	5.7	-1.0	---	SWEET-TYPE, ANIMAL FEED 7/				---
BRICK & MUENSTER	7,495	1.5	-7.2	---	DRY WHEY PRODUCTS				
CREAM & NEUFCHATEL	53,344	-10.4	-4.4	---	DRY WHEY, HUMAN FOOD	88,665	0.2	-6.2	---
HISPANIC	9,701	5.3	-8.7	---	DRY WHEY, ANIMAL FEED	6,484	24.4	1.5	---
MOZZARELLA	237,956	4.0	-5.7	0.9	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	55,845	8.2	0.6	2.0	HUMAN FOOD	3,397	-57.8	9.9	---
TOTAL ITALIAN TYPES	293,801	4.8	-4.6	1.1	ANIMAL FEED	3,257	-4.5	-9.1	---
ALL OTHER TYPES	18,243	8.0	5.6	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	51,046	9.6	-3.5	---
TOTAL	714,036	0.8	-3.8	-0.5	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	35,135	1.8	-5.9	---	HUMAN FOOD	24,778	2.9	-0.9	---
COTTAGE CHEESE, CREAM 4/	32,311	5.0	-1.4	3.0	ANIMAL FEED	3,009	19.9	-8.5	---
COTTAGE CHEESE, LOWFAT 5/	31,244	6.8	-3.6	1.7					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	59,929	1.7	-2.4	---	ICE CREAM (HARD)	83,585	3.5	5.6	-0.7
DRY WHOLE MILK	3,291	-28.8	74.7	---	ICE CREAM, LOWFAT (HARD)	9,633	-0.4	-3.3	---
NONFAT DRY MILK, HUMAN FOOD	131,436	-14.1	-14.7	-4.9	ICE CREAM, LOWFAT (SOFT)	33,446	20.8	9.7	---
DRY SKIM MILK, ANIMAL FEED	456	-29.5	-3.4	---	ICE CREAM, LOWFAT (TOTAL)	43,079	15.3	6.5	9.7
DRY BUTTERMILK	2,977	-26.5	-40.6	---	SHERBET (HARD)	5,795	10.9	8.9	7.5
					YOGURT (TOTAL)	6,309	-2.9	-2.7	-7.3

MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	JUN 2003	PERCENT OF:		PRODUCT	JUN 2003	PERCENT OF:	
	1,000 LBS.	JUN 2002	MAY 2003		1,000 LBS.	JUN 2002	MAY 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	47,790	30.1	2.1	HUMAN FOOD	29,634	-9.1	-2.7
DRY WHEY, ANIMAL FEED	2,032	-14.7	-13.2	ANIMAL FEED	1,831	-6.4	13.9
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	9,846	---	-2.9	CANNED EVAPORATED & CONDENSED WHOLE MILK	74,685	8.7	18.0
LACTOSE, HUMAN FOOD & ANIMAL FEED	44,054	-3.6	9.4	NONFAT DRY MILK FOR HUMAN FOOD	155,549	-12.5	-2.2
DRY BUTTERMILK, TOTAL	9,485	-27.5	-17.1				

1/ 2003 cumulative as percent change of 2002 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than three plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (8-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

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

	FOR THE WEEK OF AUGUST 4 - 8, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 08/01/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	10,133,351	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,313,280	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	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	527,212	-0-	-0-
Process	-0-	-0-	-0-	31,838,400	673,200	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	41,224,212	1,200,412	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	7,684,132	749,276	6,934,856	575,118,126	612,221,043	1,241,783,000	1,200,401,000
Fortified	-0-	-0-	-0-	596,814	-0-	46,391,000	46,391,000
<b>TOTAL</b>	7,684,132	749,276	6,934,856	575,714,940	612,221,043	1,288,174,000	1,246,792,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 4 - 8, 2003 =	1.5	80.7	COMPARABLE PERIOD IN 2002 =	4.3	56.4
CUMULATIVE SINCE OCTOBER 1, 2002 =	756.7	7,110.8	CUMULATIVE SAME PERIOD LAST YEAR =	145.8	7,138.6
CUMULATIVE JANUARY 1 - AUGUST 8, 2003 =	682.6	5,845.2	COMPARABLE CALENDAR YEAR 2002 =	128.8	6,242.2

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

**CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 4 - 8, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	1,607,871	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,326,985	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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	673,200	25,622,438	34,251,551	39.8	9.4
WEST	11,446,631	-0-	9,174,240	527,212	512,522,706	540,607,091	59.1	84.9
EAST	-0-	-0-	-0-	-0-	37,569,796	37,362,401	1.1	5.7
<b>TOTAL</b>	11,446,631	-0-	41,224,212	1,200,412	575,714,940	612,221,043	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 07/19/03 & Comparable Week 2002**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2003-Dairy	0.2	0.7	6.6	4.8	19.6	2.4	0.4	0.8	12.4	2.1	49.9	1,564.7	44.8	48.0
2002-Dairy	0.2	0.8	5.9	5.1	20.6	2.2	0.3	0.6	12.0	1.9	49.6	1,393.0	45.4	46.0
2003-All cows	0.2	0.9	8.7	14.0	31.7	16.5	15.3	2.9	15.2	5.9	111.3	3,260.3		
2002-All cows	0.2	1.0	8.1	13.4	31.3	13.9	16.1	3.1	15.2	7.0	109.2	3,029.2		

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	10.63					
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78					
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95					

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)