

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/09):

BUTTER: Grade AA closed at \$1.3925. The weekly average for Grade AA is \$1.3925 (+.1175).

CHEESE: Barrels closed at \$1.2550 and blocks at \$1.3000. The weekly average for barrels is \$1.2510 (+.0160) and blocks, \$1.3030 (+.0013).

BUTTER: The cash butter price firmed sharply early in the week, much to the surprise of many producers and handlers. Butter production over the two holiday weeks was very active and cream was readily available from coast to coast. In most instances, churning activity surpassed demand thus surplus holiday production entered warehouses. Churning activity this week is lighter. Overall demand is fair at best as many buyers continue to assess their holiday carry over inventory before re-entering the market. Orders that are being placed, are for short term or immediate needs. Some buyers are delaying placing orders in hopes of lower prices. Late last week, the Kansas City Commodity office announced the sale of 6,171,478 pounds of government owned butter at \$1.3000 per pound.

CHEESE: The cheese market is unsettled to weak. Contracts for the full DEIP cheese export volume of 3,030 metric tons (MT) (6,679,000 pounds) were filled on January 7. For the first time under the C.W.T. (farmer financed) export program, a contract to export 18MT (40,000 pounds) of cheddar, of the 30 million pound goal was announced. Demand is uneven, good for some natural packagers though just fair for others. Extra cheese produced during the holiday period is available. Early January production is lighter. Cumulative January - November 2003 U.S. cheddar cheese production totals 2.527 billion pounds, down 73.4 million pounds (-2.8%) from the same period in 2002. Total cheese output during 2003 totals 7.883 billion pounds, up 30.9 million pounds (0.4%) from the same period in 2002.

FLUID MILK: Milk production patterns across the country are basically following trends of recent weeks. In the Southeast, milk output is showing signs of increases, but is holding steady in the Northeast. In the Central part of the country, mild temperatures late last weeks were dispelled quickly early this week as temperatures fell below zero in many northern parts of the region. In many areas, the first measurable snowfall occurred over the past week. At this point, the milking herd appears to not be adversely affected and milk volumes are increasing slightly. In the Southwest, milk volumes are holding steady at seasonal levels. In the Northwest, adverse weather conditions are impacting milk production and transportation logistics. In the Pacific Northwest, moisture continues to fall with temperatures being the deciding factor on how bad things are. In Idaho and Utah, snow and cold temperatures are very common, with producers and handlers attributing slight declines in output to the cold temperatures. Milk volumes over the recent holiday period were heavy, thus diversions to manufacturing across the country were heavy. Last week end, bottlers from coast to coast resumed school bottling schedules thus greatly reducing the volume of milk looking for manufacturing capacity. Cream markets are returning to more normal buying patterns following the year end. Churning activity is lower, although many producers indicate that surplus cream offerings continue.

DRY PRODUCTS: In many manufacturing plants across the country, plant managers continue to make production adjustments following the holidays of the past two weeks. Milk volumes to manufacturing were heavy, but now are easing as school bottling and Class II product production resumes. During the holidays, nonfat dry milk production was very active with many driers operating at near capacity levels. Heavy stocks were

generated which did not clear commercial markets thus powder was offered to CCC from Eastern and Western producers. This was the first Eastern offering since July 2003. Buttermilk powder markets are generally steady. Production of condensed buttermilk is higher due to increased churning activity at some locations. Whey powder markets are steady to weak with prices unchanged to slightly lower. Trade activity is light as buyers and sellers adjust to market and inventory conditions after the holidays. Whey protein markets are weak with prices unchanged to lower. Trade activity is light, although more active than recent weeks. Offerings are noted from both Central and Western suppliers.

CCC: During the period of January 1 - 9, the CCC net purchases total 16,495,347 pounds of nonfortified NDM. Western offerings totaled 16,233,016 pounds while Eastern producers offered 262,331 pounds.

DECEMBER DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 88.1 million pounds during November, 15.2% less than November 2002 and 9.2% below October 2003. American type cheese production totaled 293.6 million pounds, 0.3% below last November and 3.6% lower than October 2003. Total cheese output (excluding cottage cheese) was 718.2 million pounds, 1.0% below November 2002 and 3.1% below last month. Current monthly dry dairy product output and the comparison to November 2002 are as follows: Human food NDM, 102.4 million pounds, up 3.3%; dry whole milk 4.8 million pounds, 40.7% higher; dry buttermilk 3.3 million pounds, down 7.3%; and human food quality dry whey 76.9 million pounds, down 10.5%.

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2003 was unchanged at 130. Compared with December 2002, the index was up 5 points (4.0%). The index of prices received by farmers for dairy products declined 6 point during the month of December 2003 to 105. Compared with December 2002, the index was up 14 points (15.4%). Prices received by farmers in December with changes from November were: for All Milk, \$13.70, down \$.80; Fluid Grade Milk, \$13.70, down \$.80; and for Manufacturing Grade Milk, \$12.70, down \$1.10.

NOVEMBER FLUID MILK SALES (DAIRY PROGRAMS): During November, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 5.1% lower than November 2002. After adjusting for calendar composition, sales in November 2003 were 1.6% lower than November 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from November 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

DEIP INVITATIONS ISSUED AND FILLED (FAS): On Monday January 5, FAS issued invitations for 45,468 MT (100,238,752 pounds) of nonfat dry milk and 3,030 MT (6,679,938 pounds) of cheese. By January 7, invitations for both products were filled. For the nonfat milk, bonuses ranged \$38.21 - \$40.00 per MT with destinations being Caribbean, Central and South America and Asia and Former Soviet Union. The cheese bonus was \$395.00 per MT with product destined for Caribbean, Central and South America. The stage two powder and cheese allocations fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

****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 JANUARY 5	TUESDAY JANUARY 6	WEDNESDAY JANUARY 7	THURSDAY JANUARY 8	FRIDAY JANUARY 9	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2350 (N.C.)	\$1.2550 (+.0200)	\$1.2550 (N.C.)	\$1.2550 (N.C.)	\$1.2550 (N.C.)	(+.0200)	\$1.2510 (+.0160)
40# BLOCKS	\$1.3050 (N.C.)	\$1.3050 (N.C.)	\$1.3025 (-.0025)	\$1.3025 (N.C.)	\$1.3000 (-.0025)	(-.0050)	\$1.3030 (+.0013)
BUTTER GRADE AA	\$1.3900 (+.1150)	-----	\$1.3950 (+.0050)	-----	\$1.3925 (-.0025)	(+.1175)	\$1.3925 (+.1175)

*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.) The CME will be closed on Monday, January 19th, in observance of Martin Luther King, Jr. Day.

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 5, 2004

CHEESE — SALES: 1 CAR BARRELS @ \$1.2350; 3 CARS 40# BLOCKS @ \$1.3050; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 28 CARS GRADE AA: 1 @ \$1.2850, 1 @ \$1.2825, 2 @ \$1.2875, 2 @ \$1.3750, 2 @ \$1.3850, 1 @ \$1.3875, 1 @ \$1.3900, 2 @ \$1.3950, 3 @ \$1.4000, 1 @ \$1.3775, 1 @ \$1.3800, 1 @ \$1.3850, 1 @ \$1.3850, 1 @ \$1.3950, 1 @ \$1.3850, 1 @ \$1.3750, 1 @ \$1.3850, 1 @ \$1.3900, 1 @ \$1.3800, 1 @ \$1.3900, 1 @ \$1.3700, 1 @ \$1.3800, 1 @ \$1.3900; BIDS UNFILLED: 15 CARS GRADE AA: 2 @ \$1.3500, 2 @ \$1.3175, 2 @ \$1.2900, 5 @ \$1.2850, 1 @ \$1.2825, 1 @ \$1.2800, 1 @ \$1.2775, 1 @ \$1.2750; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3900

TUESDAY, JANUARY 6, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.3050; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2550; OFFERS UNCOVERED: 3 CARS 40# BLOCKS @ \$1.3050

WEDNESDAY, JANUARY 7, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.3025, 2 @ \$1.3050
 BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.3850, 2 @ \$1.3900, 1 @ \$1.3925, 1 @ \$1.3900, 1 @ \$1.3925, 1 @ \$1.3950; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.4000

THURSDAY, JANUARY 8, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2550, 1 @ \$1.2600; 3 CARS 40# BLOCKS @ \$1.3025

FRIDAY, JANUARY 9, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.3000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550; 3 CARS 40# BLOCKS @ \$1.3025
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 8 CARS GRADE AA: 1 @ \$1.3925, 2 @ \$1.3950, 2 @ \$1.4000, 3 @ \$1.4050

BUTTER MARKETS

NOVEMBER BUTTER PRODUCTION

During November 2003, butter production in the United States totaled 88.1 million pounds, 15.2% less than November 2002 and 9.2% less than October 2003. The following are November to November changes for various states: CA+6.2%, NY -5.5%, PA -35.4%, and WI -26.6%.

NORTHEAST

The market tone is unsettled. After the Christmas week when prices at the CME fell and the sharply heavier production last week, the cash price for butter jumped 11.5 cents during the first trading session of 2004. To say the least, many were surprised by this sudden up-turn in the price. Churning activity has eased from last week's level, but cream volumes are still long. Demand for butter appears to be following typical seasonal patterns. Users and retail outlets are clearing their stocks before re-entering the market. Food service orders are also slower. However, during the January 5 trading, nearly two-thirds of the 28 sales were based on bids. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 7.5 cents over the CME price/average.

CENTRAL

The butter market is firm price wise, although many producers and handlers question the firmness. Churning activity over the past holiday period was reported as heavy as volumes of surplus cream became available from local and out of area sources. In most instances, butter producers welcomed the additional cream offerings with butter stocks not needed for immediate demand entering warehouses. Overall butter supplies are readily available for current, fair at best,

buyer interest. Butter demand during this first week of the year is not overly aggressive. Most buyers were still reviewing their carryover inventories before re-entering the market. Some buyers are also delaying placing new orders in hopes of lower prices. Retail orders are basically for fill-in or short term needs. Food service orders are fair at best. Bulk butter for spot sale is available and is being reported in the flat - 2 cents per pound range over various pricing basis.

WEST

Contacts are surprised and some are upset with the major price move (+11.5 cents) noted on January 5. They felt the price move that occurred before Christmas was justified based on the market situation, but they don't see any reason for this move. Butter production over the two holiday weeks was very heavy and cream was readily available. Churning has slowed this week, but so has demand. CME weekly storage stocks increased by 4.9 million pounds, which is a faster rate than noted last year. Stocks now stand at 61.0 million pounds, 32.9 million pounds less than last year. U.S. butter production in November totaled 88.1 million pounds, down 15.2% from last year and down 9.2% from last month. Cumulative output for the first 11 months of the year totals 1.13 billion pounds, down 8.3% or 102.2 million pounds from last year. That averages out to 2.1 million pounds less butter produced every week this year compared to last year. November output in the Western region was 42.0 million pounds, up 0.5% from a year earlier. The West produced 48% of U.S. butter in November. Current prices for bulk butter range from flat market to 3 1/2 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
JANUARY 3	1,3244	1,2798	0,8073	1,2867	0,1852
	7,984,677	9,301,563	20,582,640	2,527,165	7,960,825

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 lower for process and most natural items. The market tone is weak, Cheese production is lighter in the East as Class I facilities take more milk and surplus milk volumes are lighter. During the holidays, producers did step up output to clear all the milk that was available in the East. Cheese offerings are more than adequate for current needs. Retail sales are slowing after the holidays and many stores are working off their stocks before re-entering the market. Food service orders are holding up fairly well.

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

Cheddar 10# Prints	:	1.3675-1.8725
Cheddar Single Daisies	:	1.3250-1.7900
Cheddar 40# Block	:	1.4425-1.6900
Process 5# Loaf	:	1.4450-1.6450
Process 5# Sliced	:	1.4650-1.7000
Muenster	:	1.5400-1.7225
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is unsettled. Concern continues to be expressed over BSE and its possible affect on overall cheese (dairy) demand and beef (cheeseburger) sales. Demand is uneven early in 2004. Buyers that held back orders until January are making fill-in purchases. Process demand is steady to just slightly improved. Some improvement is noted for processing solids for some sellers, though still sluggish for others. Natural demand is spotty, packaged movement ranges from fair to good, best where promotional activities are in the works for January or Super Bowl events. Mozzarella interest is steady to lighter. Buyer comments continue that plant operators are not willing to speculate by making cheese without a committed order. Cheese production was heavier during the year-end holiday period and extra volumes of cheese are available from some plants. Plant schedules have returned to near pre-holiday levels as schools reopen in the New Year.

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

Process American 5# Loaf	:	1.4150-1.7600
Brick And/Or Muenster 5#	:	1.7700-1.9600
Cheddar 40# Block	:	1.6575-2.1150
Monterey Jack 10#	:	1.8400-2.1150
Blue 5#	:	2.0550-2.4800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6025-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0000-2.6850

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

	BUTTER	:	CHEESE
		:	
01/05/04	36,397	:	131,140
12/01/03	41,424	:	123,592
CHANGE	-5,027	:	7,548
% CHANGE	-12	:	6

WEST

Weekly average prices for both barrels and blocks fell last week at the CME. The market seems to be more stable with even some additional support noted. Good orders are noted this first full week in the new year. Buyers are interested in natural cheese as well as many types of processing solids if the prices are right. Firms are lining up the cheese that they need to cover Super Bowl orders and to replace cheese that cleared out over the end of the year holidays. Cheese production was heavier these past two weeks as was expected to be the case. Generally, it was not heavy enough to cause inventory concerns. November U.S. American type cheese production was slightly below last year and Italian type cheese output was 2.0% less than in 2002. Total cheese output was 718.2 million pounds, down 1.0% from last year. Cumulative total cheese output for the first eleven months of the year was 7.88 billion pounds, up 0.4% from the same period last year. That is an increase of 30.9 million pounds. Output in the Western region in November totals 292.9 million pounds up 5.4% from a year earlier. The Western region produced 41% of total U.S. cheese in November. U.S. Swiss output was 22.3 million pounds in November, up 2.6% from November 2002.

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

Process 5# Loaf	:	1.3825-1.6425
Cheddar 40# Block	:	1.4325-1.7825
Cheddar 10# Cuts	:	1.6125-1.8325
Monterey Jack 10#	:	1.6225-1.7825
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices range from steady to fractionally lower. The market tone is mostly steady. However, with the U.S. Dollar continuing to weaken against the Euro, importers are, in essence, losing buying power and prices for imported cheeses may increase. Stocks of most types of cheese are adequate for the slow to fair demand.

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	: 1.6625-3.1525*
Gorgonzola	:	3.6900-5.9400	: 2.1800-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.0725-3.1625*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.6700-1.8975*
Romano (Cows Milk)	:	-0-	: 2.8600-5.0325*
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	:	2.1900-3.2500	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	63	0	0	0	27
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 December 2003 Class and component prices under the Federal Milk Order pricing system: Class II \$11.30 (up \$0.31 from November), Class III \$11.87 (down \$1.60); and Class IV \$10.52 (up \$0.22). The following are the product price averages used in computing Class prices: butter \$1.2557, NDM \$0.8070, cheese \$1.3260, and dry whey \$0.1941. The Class II butterfat price is \$1.3758 and the Class III/IV butterfat price is \$1.3688. Milk production is showing definite signs of increasing in the Southeast, but it is holding fairly steady in the Northeast. Contacts in the Southeast report that some farm-milk haulers are adding trucks to their routes to handle the increasing volumes. The Northeast's extremely cold temperatures this week are causing some problems, but handled easily. Fluid milk supplies remain long, but they are getting back to more typical levels now that schools are back in session. Milk suppliers report typical patterns of bottlers adding loads to their orders while they refill the pipelines with these "add on" loads. Bottlers don't want to take too much milk. However, they don't want to be caught short. So, every time schools reopen, bottlers place a wave of heavy orders followed shortly by a large number of cancellations. Florida's need for milk is bouncing back, but handlers still shipped surplus milk out of state for manufacturing. Surplus milk volumes are easing from the holiday period. Most manufacturing plants were caught up with their holiday milk early this week and production schedules are being adjusted accordingly. The condensed skim market is mostly steady and prices are unchanged to lower. Demand is fair and offerings have decreased now that the holiday period is past. The fluid cream market is not as weak, but has only partially recovered to pre-holiday levels. Offerings are lighter now that many Class II users are back on line, but supplies are still long. Although fewer loads are reported, cream is still moving to butter producers in the East and Midwest. The spot cream prices are mixed. The CME butter average did lose 2 cents last week, but multiples are being "bumped" up now that demand is rebounding. Some buyers, particularly butter makers, are buying with the price based on the CME price, date-of-shipment or date-of-delivery. However, with the CME's January 5, butter price jumping 11.5 cents, some cream buyers are rethinking these particular methods. More ice cream plants are back on line this week and their intakes of cream and condensed skim are welcomed by suppliers. The aforementioned jump in the butter price may impact ice cream producers' spot cream purchases until that market settles down. Churning activity is lighter at most plants, but several operations continue to run their churns daily.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5045-1.7213
DELIVERED EQUIVALENT ATLANTA	-	1.5428-1.7595 M 1.6320-1.7085
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6320-1.8765

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- .9500-1.0400

M I D W E S T

Class I demand rebounded from holiday reduced levels the first few days of 2004 with bottlers pulling heavy from suppliers in preparation for the reopening of schools. Some difficulty was reported by a couple suppliers trying to find last minute trucks/truckers for weekend deliveries. Retail feature activity was also stimulating fluid movement in some areas. Also, an early week winter storm stimulated retail sales as consumers stocked up on food staples such as milk. Manufacturing schedules were heavy during the holidays and returned to near pre-holiday levels early in the week. Some plant manufacturing problems, including the boiler explosion at one Wisconsin plant, seemed to cause schedules to go awry

more than usual and cause problems for some milk handlers in disposing of holiday surplus volumes. Reported holiday manufacturing milk prices range from \$10.50 or \$1.50 net under class over the holiday period to \$0.75 to \$1.00 over class after the holiday weekend. Cream demand has improved with ice cream operations starting up in 2004. A few sellers bumped prices by using the daily cash market butter close at the Chicago Mercantile Exchange rather than using the weekly average. Condensed skim interest has also improved in January. Loads of surplus cream and condensed skim were shipped greater distances than usual over the year-end holiday season including several loads of condensed from the western side of the region shipped to Idaho for processing. Milk intakes are steady to just slightly higher seasonally. Temperatures varied from in the 50's late last week to below zero at midweek.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 30 - JAN 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 42.00- 49.00	N.A.
REPLACEMENT HEIFER CALVES	\$270.00-500.00	N.A.

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

	DEC 30 - JAN 7	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 51.00	\$ 35.00- 41.00

W E S T

The December 4a price (butter/powder) in CALIFORNIA is \$10.45, up \$0.37 from both November 2003 and December 2002. This compares to the Federal Order Class IV price for December at \$10.52. The December 4b price (cheese) is \$11.61, down \$0.89 from November but \$2.18 higher than last year. This compares to the Federal Order Class III price for December at \$11.87. CALIFORNIA processing plants were mostly full last week as milk supplies backed up. The extended holiday "4 day" weekends, smaller plants taking down days, and lower bottled milk needs, pushed more milk on processors in the state. Generally, plants were running well throughout the state. At least one plant was down unexpectedly for a while. The return of bottling milk orders as school needs and home buying pattern resumed is helping milk handling return to normal. Milk production is holding mostly steady at the farm level across most of the state. Production per cow is said to be lagging a year ago. Northern milk producing areas are seeing milk volumes lower than a year ago and continue to be below projections. The recent winter storms have made some local areas wet and muddy. Volumes are steady to slightly higher in the Central Valley with solids increasing. Milk is steady in the South. ARIZONA milk supplies are holding mostly steady. Weather conditions are cooler and not affecting milk production. Processing was declining this week as bottling increased and milk that was being handled for others declined. Western CREAM markets were returning to more normal buying patterns following the year end. Contacts noted that cream was never distress priced over the holidays. Butter churning was heavy to process cream. The CME butter market pushed unexpectedly higher this week and stood at \$1.3950. Multiples and overages returned to pre holiday levels and traded around the range of 112 to 128, FOB, depending on class usage and basing point. Continued storms over the PACIFIC NORTHWEST are having an impact on milk production at the farm level and transportation issues. Moisture continues to fall with temperatures being the deciding factor on how bad things are. Some added stress is noted on the milking herd and that is bringing down output slightly. Trucks are having problems because of ice and closed passes due to snow. Probably no milk has been lost, but milk has to take longer routes or go to different processing facilities. The milk flow at processing plants has declined from the holiday period. The December hay price survey indicates that prices for the U.S. are down about \$12/ton from last year and stand at \$87.90. The majority of Western States surveyed report prices as being lower, sometimes by as much as almost \$30. Demand for hay is picking up as winter conditions worsen, but stocks available should be sufficient to last until new crop hay is available. In UTAH and IDAHO the problems are snow and cold temperatures. Some contacts are reporting that patron milk is off somewhat due to the cold temperatures. Some milk procurement problems have been noted, but they have generally had a minimal impact. Milk supplies seem to be in relatively close balance for this time of the year. Heifer and cattle sales in the region in January are a little softer than noted in December, but not by that much considering the uncertainty caused by the BSE cow in Washington state.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a mostly steady market. Spot trade activity is light as buyers and sellers familiarize themselves with current inventories after the holiday season. Most movement is occurring on a contractual basis without delay. Demand for instantized NDM is reportedly good. Production is seasonally higher but less than anticipated. As school sessions resume during the course of the next few weeks, NDM production is expected to decrease. However, increased supplies of NDM from CCC cheese and pudding exchanges are anticipated to encourage steady NDM prices. Condensed skim production is steady to higher for the good interest.

EAST: Prices and the market tone are mostly steady. Surplus milk volumes remain relatively heavy and some dryers continue to operate on moderate to heavy schedules. However, this week's cold weather in the Northeast has caused some plants to experience natural gas supply interruptions. Demand for condensed skim is improved now that users are back on line after the holidays. Producer stocks are increasing, not much of the new production is spoken for. Demand for NDM ranges from steady to improved. For the first time since July 2003, Eastern NDM was offered to CCC. This marks a sharp departure from the tight supplies of NDM seen in the East during the later third of 2003. As of January 7, the second stage of the DEIP allocations has been filled. (See summary at bottom of page.)

DAIRY PRODUCTS: Production of human food, nonfat dry milk during November 2003 totaled 102.4 million pounds, up 3.3% from November 2002 and 3.4% above October 2003. Month ending stocks, at 74.1 million pounds, are 0.3% above a year ago and 6.9% higher than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8700 MOSTLY: .8300 - .8550
 HIGHHEAT: .8500 - .9450

NONFAT DRY MILK - WEST

Low/medium heat prices are lower in light trading. Some pricing adjustments were made at the start of the month. The market tone tends to be weak. Heavy production occurred over the year end as surplus milk was handled at balancing plants and dryers were running near capacity. Drying levels were lower this week as milk returned to normal channels. Heavy offers are clearing to the CCC to move stocks. The USDA's CCC announced on January 7 that the bids totaling 45,468 MT (100.1 million pounds) of NDM were accepted under DEIP. Delivery periods extend through September 30. These bids fill the remaining DIEP balance for NDM. During the period of December 24-31, CCC net purchases totaled 18.2 million pounds from the West. During calendar year 2003, CCC nonfat dry milk purchases totaled 635.5 million pounds from all regions. High heat NDM prices in the region are lower, reflecting some slight changes. The market tone is steady and product is moving as expected through normal channels. Demand is light to fair seasonally with accounts taking expected contracted volumes. Spot interest is limited. Stocks are mostly light. U.S. NDM production in November totaled 102.4 million pounds, up 3.3% from last year and 3.4% higher than October. Year through November cumulative U.S. production is 5.4% lower than last year. November production in the Western region totaled 84.8 million pounds, up 3.3% from last year, and represents 83% of the U.S. production. Western states' production levels with comparisons to last year are: California, 59.2 million pounds, +5.4%; and Idaho, 4.0 million pounds, -16.4%. U.S. manufacturers' stocks at the end of November were reported at 74.1 million pounds, up 0.3% from last year and 6.9% more than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8100
 HIGHHEAT: .8350 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 2	\$.8044	12,089,227	6,406,283
December 26	\$.8020	11,115,071	7,446,543

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 unchanged to lower and nominal on a steady to weak market. Spot activity is mixed. At some locations, supplies are tight and movement is limited to less than trucklot loads. At other locations, producers report building inventories and lackluster interest despite the strong demand reported prior to the holidays. Production of condensed buttermilk is higher due to increased churn activity at some locations. Some plants are drying buttermilk whereas others are selling condensed buttermilk to resellers that are drying buttermilk for possible sale later in the year. Production of dry buttermilk during November 2003 totaled 3.3 million pounds, 7.3% less than November 2002 and 7.0% below October 2003. Month ending stocks, at 2.3 million pounds, are 59.3% below a year ago but 9.5% more than October 2003.

F.O.B. CENTRAL: .9350 - .9700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the Northeastern prices remain nominal. Production has eased this week as cream volumes are not as excessive as they were during the holidays. Spot trading activity is limited as most producers are clearing their powder and liquid buttermilk under contracts. Demand is slow to fair. Dry buttermilk production during November 2003 totaled 3.3 million pounds, down 7.3% from last November and 7.0% less than October 2003. Month ending stocks, at 2.3 million pounds, are 59.3% less than last year but 9.5% more than a month ago.

F.O.B. NORTHEAST: .8400 - .8500
 DELVD SOUTHEAST: .8800 - .9000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are unchanged. The market tone is slightly unsettled as more powder is available from producers than has been for quite some time. The increased spot offerings follow heavier butter production over the last few weeks. Buttermilk production is again slowing as butter plants produce less. Buying interest is generally light and some seasonal interest has ceased. Overall, stock levels are limited. U.S. dry buttermilk production in November totaled 3.3 million pounds, down 7.3% from last year and 7.0% lower than October. Stocks at the end of November were reported at 2.3 million pounds, 59.3% less than last year.

F.O.B. WEST: .8500 - .8800 MOSTLY: .8500 - .8700

DRY WHOLE MILK - NATIONAL

Prices are mostly unchanged and nominal. The market tone is little changed from past weeks. Production levels are light to moderate. Demand is fair and mostly contractual. Producer stocks are closely balanced. Dry whole milk production during November 2003 totaled 4.8 million pounds, up 40.7% from last November and 68.7% more than October 2003. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.0750 - 1.2200

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 TO JANUARY 9, 2004
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHANGE	--	45,468	MT(100,238,752 LBS)
CHEESE	--	3,030	MT (6,679,938 LBS)
CHANGE	--	3,030	MT (6,679,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are: NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT. Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

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 unchanged on a weak market. Trade activity is light as buyers and sellers adjust to market and inventory conditions after the holidays. Offerings are generally noted at the average into feed and food facilities. Some resellers are trading at a discount to the market. Production is steady. Producer stocks are reported as in balance to somewhat long. Permeate is an attractive substitute to whey into edible and feed markets. Production of human food, dry whey during November 2003 totaled 76.9 million pounds, 10.5% less than November 2002 and 7.2% below October 2003. Month ending stocks, at 39.9 million pounds, are 8.8% above a year ago and 8.4% more than October 2003.

F.O.B. CENTRAL: .1800 - .1900 MOSTLY: .1850 - .1900

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged, but a few fractional adjustments were noted. The Northeastern prices remain nominal. The market tone is steady. Prices in the East seem to be following market trend and few discounts are being reported. Producer stocks are quite well balanced, but a few producers do have a few loads to offer on the spot market, but they are being held with some confidence. Some producers have contracted for a larger percentage of the anticipated 2004 production, while others re maintaining their contract levels at 2003 volumes. Cheese production is down this week and surplus milk volumes tight. Also, some cheese producers are cutting back on production levels to more closely match projected sales. There is a light test of the spot whey market. Demand is mostly steady. Production of human food, dry whey during November 2003 totaled 76.9 million pounds, 10.5% less than November 2002 and 7.2% less than October 2003. Month ending stocks, at 39.9 million pounds, are 8.8% above last year and 8.4% more than a month ago. Production of animal feed, dry whey during November totaled 7.2 million pounds, 27.7% more than a year ago and 22.9% above October 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1875 - .2100
DELVD SOUTHEAST: .2100 - .2225

DRY WHEY - WEST

Prices for Western whey powder range from steady to fractionally lower. Trading activity is relatively light, but it has picked up from the last two holiday weeks. Buyers are waiting for an indication that a bottom has been put in before they order heavier volumes. Most of them are working off stocks that were acquired before prices increased last fall. Producer stocks are a concern at some locations and they are reducing prices to spur sales activity. Production was heavier over the holiday weeks, but has now dropped back to more seasonal levels. November Western region whey output totals 21.6 million pounds (28% of U.S. production), down 14.9% from a year earlier. U.S. output was only down 10.5%.

NONHYGROSCOPIC: .1600 - .2100 MOSTLY: .1675 - .1750

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a steady to weak market. Spot trade activity continues light with most movement occurring on a contractual basis. Most feed operations are stating that the BSE discovery is not currently affecting end product demand. Veal prices are trending lower while early weaned pigs are trading higher. Production of animal, dry whey during November 2003 totaled 7.2 million pounds, 27.7% more than November 2002 and 22.9% above October 2003. Month ending stocks, at 4.6 million pounds, are 45.6% above a year ago and 48.9% more than October 2003.

F.O.B. CENTRAL:
MILK REPLACER: .1700 - .1800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Trade activity is light yet improved compared to the week prior. Lower prices are reportedly due to heavier producer supplies realized at the end of the year. Offerings are noted from both Central and Western suppliers with some feed buyers receiving calls from 2-4 different suppliers. Feed contacts are mentioning the availability of CCC drought relief NDM. Edible movement is mostly contractual with some spot export activity into Mexico. Production of HUMAN FOOD WPC during November 2003 totaled 21.3 million pounds, down 8.1% from November 2002 and 5.3% below October 2003. Manufacturers' end-of-month stocks totaled 21.9 million pounds, 0.9% lower than a year ago and 4.0% below last month. Production of ANIMAL FEED WPC during November 2003 totaled 3.7 million pounds, up 15.2% from November 2002 and 2.1% above October 2003. Manufacturers' end-of-month stocks totaled 2.6 million pounds, 85.2% above last year and 16.5% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5500 MOSTLY: .5400 - .5500

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Some producers were surprised by the price change at the commencement of the first quarter, indicating that the increase was higher than anticipated. Other suppliers noted that the change was appropriate and contend that the market will continue firm in light of increased supply requests from contract and spot users. Export inquiries are predominantly noted from Asia. Spot trade activity is light. Reseller and producer stocks are tight. Lactose production during November 2003 totaled 51.5 million pounds, up 11.5% from November 2002 but 1.8% lower than October 2003. Month ending stocks, at 43.6 million pounds, are 11.0% higher than a year ago and 2.9% above last month.

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

F.O.B. EDIBLE: .2100 - .2700 MOSTLY: .2200 - .2300

CASEIN - NATIONAL

Casein markets are firm and prices have increased. Most suppliers and handlers have been indicating that first quarter prices will be higher, thus most buyers were not surprised at the increase. Stocks remain tight from most suppliers. Casein production continues in Oceania, although milk volumes may be directed to other manufactured dairy products versus casein to maintain sufficient product mix. European deliveries continue to be filled from inventoried stocks with producers optimistic about the upcoming production 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: 2.1500 - 2.2500
ACID: 2.1500 - 2.3000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Surplus milk volumes during the holidays were not as heavy as some producers had expected. Accordingly, evaporated milk production levels were not as heavy as hoped. Some inventory replenishing was noted. There is concern about this year's milk availability and price. Contacts feel that milk prices will significantly higher than last year. Demand is slow, which is typical for the post-holiday period when most retailers still have sufficient stocks. Canned evaporated milk production during November totaled 46.7 million pounds, 5.5% more than November 2002 but 1.2% less than October 2003. Month ending stocks, at 40.7 million pounds, are 25.6% less than a year ago and 24.8% below 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.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	12/29	12/30	12/31	01/01	01/02	01/05	01/06
CME - (CLASS III) MILK FUTURES -- Dollars per cwt							
DEC 03	11.83 (3920) 462	11.83 (3905) 17	11.86 (3787) 0	NO TRADING	11.87		
JAN 04	11.52 (3344) 149	11.52 (3393) 177	11.54 (3388) 5		11.54 (3388) 128	11.62 (3371) 18	11.62 (3352) 20
FEB 04	11.40 (2099) 123	11.42 (2105) 43	11.45 (2105) 1		11.45 (2125) 66	11.50 (2116) 22	11.56 (2110) 68
MAR 04	11.42 (1867) 112	11.48 (1896) 40	11.45 (1896) 0		11.45 (1915) 45	11.54 (1932) 45	11.58 (1928) 51
APR 04	11.65 (1385) 94	11.65 (1410) 46	11.64 (1410) 0		11.64 (1415) 40	11.70 (1465) 64	11.74 (1474) 105
MAY 04	11.54 (1437) 86	11.60 (1469) 41	11.60 (1469) 5		11.60 (1484) 37	11.70 (1498) 22	11.73 (1501) 74
JUN 04	12.23 (1209) 98	12.24 (1243) 65	12.24 (1243) 0		12.24 (1303) 87	12.34 (1323) 75	12.38 (1322) 58
JUL 04	12.69 (1080) 100	12.72 (1113) 67	12.71 (1113) 0		12.71 (1172) 71	12.80 (1178) 58	12.93 (1177) 43
AUG 04	12.99 (1041) 89	13.08 (1072) 78	13.05 (1072) 0		13.05 (1128) 71	13.20 (1145) 61	13.34 (1144) 47
SEP 04	13.47 (1144) 89	13.55 (1180) 78	13.56 (1180) 2		13.56 (1234) 67	13.70 (1248) 49	13.88 (1255) 57
OCT 04	13.00 (853) 80	13.00 (893) 52	12.99 (893) 0		12.99 (948) 60	13.04 (963) 59	13.08 (978) 43
NOV 04	12.10 (685) 76	12.10 (693) 31	12.10 (693) 0		12.10 (713) 50	12.15 (724) 17	12.25 (751) 38
DEC 04	11.62 (602) 39	11.60 (611) 20	11.60 (610) 0		11.60 (630) 29	11.73 (634) 19	11.78 (639) 28
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.							
DEC 03	10.35 (1) 0	10.35 (1) 0	10.35 (1) 0	NO TRADING	10.52		
JAN 04	10.90 (5) 0	10.90 (5) 0	10.90 (5) 0		10.90 (5) 0	10.90 (5) 0	10.90 (5) 0
FEB 04	11.01 (5) 0	11.01 (5) 0	11.01 (5) 0		11.01 (5) 0	11.01 (5) 0	11.01 (5) 0
CME - BUTTER FUTURES -- Cents per pound							
MAR 04	135.00 (176) 4	135.50 (178) 2	135.50 (178) 0	NO TRADING	135.50 (178) 0	140.50 (182) 12	140.50 (187) 9
MAY 04	138.25 (104) 4	138.75 (104) 2	139.00 (104) 0		139.00 (107) 5	144.00 (108) 12	143.50 (109) 5
JUL 04	141.50 (127) 4	142.00 (128) 2	142.00 (128) 0		142.00 (127) 2	147.00 (132) 11	146.00 (132) 5
SEP 04	146.25 (8) 5	147.00 (9) 1	146.50 (9) 0		146.50 (9) 0	147.00 (9) 1	149.00 (9) 0
OCT 04	149.00 (15) 2	149.00 (15) 1	149.00 (15) 0		149.00 (15) 2	149.00 (15) 0	149.00 (15) 0
DEC 04	152.00 (8) 0	152.00 (8) 0	152.00 (8) 0		152.00 (8) 1	154.00 (10) 5	154.00 (12) 2

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 22, 2003 - January 9, 2004

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

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: At this point, trading activity out of Europe remains quiet now that the year end holidays are past. Handlers and traders indicate that the strong Euro against the U.S. dollars continues to put pressure on sales negotiations. For business that is occurring, more buyers are often switching to Euro pricing versus dollars. Traders indicate that they are seeing more negotiations occurring in Euros versus dollars since the inception of the Euro currency. Buyers state that Euro pricing is more attractive, although continued strength in the Euro continues to hamper new sales negotiations. Many traders and handlers are hoping that the EU Management Committee will make adjustments to refunds in the near future, which will help pricing and sales negotiations. European traders are stating that potential buyers are starting to look to European sources for product needs. International supplies are not as plentiful as in years past, thus it appears that more buyers are not able to source their full needs from regular suppliers. More milk production trends across Europe are starting to show seasonal gains. Often these increases are not significant, but milk handlers indicate that if they continue to increase, quota year volumes could be greatly challenged by the end of March. Milk volumes over the holiday period often ended up in the cheese vat. Cheese demand has and continues to be strong. Butter buying interest continues from Russia, although handlers and traders state that they are seeing more new buyer interest from other customers that are not able to get their full needs from regular sources. Stocks of European produced dairy products are not overly plentiful, but traders and handlers state that they will have product for future deliveries. In instances, immediate shipment inquiries are going unfilled.

BUTTER/BUTTEROIL: European butter markets are steady to firm. Strength in the Euro continues to push prices higher. Butter handlers and traders indicate that demand continues from Russian buyers, but also indicate that new buyers are entering the European market. Most of this new buyer interest is from buyers that are not able to fully source their needs from regular suppliers outside of Europe. Many traders feel that Europe will be in the drivers seat as the milk production season builds, especially if world supplies remain limited.

82% BUTTERFAT: 1,550 - 1,700
99% BUTTERFAT: 1,750 - 2,000

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm. Firm prices, due to the strength of the Euro, are not helping with sales negotiations. In many instances, traders report that they are seeing more negotiations occurring in Euros than U.S. dollars. Stocks of powder are in close balance, especially for near term shipments. Many handlers and traders feel that during upcoming months, sales activity out of Europe will be substantially more active than in recent years.

1.25% BUTTERFAT: 1,775 - 1,900

WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to firm. Stocks are reported to be available, but stocks are not significant. Most traders and handlers are negotiating sales for future deliveries with large short term or immediate shipment orders basically going unfilled. Most handlers are looking forward to the upcoming milk production season with optimism. Many feel that Europe will be the major source for powder during upcoming months.

26% BUTTERFAT: 1,900 - 2,050

SWEET WHEY POWDER: Whey powder markets are steady to firm with price strength occurring due to the firm Euro. Stock of whey powder are readily available. Cheese production over the year end holiday period was heavier, thus additional whey volumes were generated. Overall buying interest continues to center around domestic or internal needs.

NONHYGROSCOPIC: 525 - 650

OVERVIEW: EASTERN EUROPE: Milk production trends in Eastern Europe remain at low seasonal levels, although some milk producing regions are indicating slight increases. Stocks of manufactured dairy products are light. In many instances, Eastern European manufacturers and handlers indicate that they have little product available for buyer interest. Most are looking forward to the upcoming production season to once again build inventories. Many feel that Europe will be the source for many buyers during coming months due to the tight supply situation elsewhere in the world.

OCEANIA

OCEANIA OVERVIEW: Milk production in Oceania is on the down side of the season. In Australia, hot temperatures are being reported in the Victoria region of the country. Temperatures in the 35 – 40 degrees Celsius (mid 90's to over 100 degrees Fahrenheit) are common over much of the major milk producing region of the country. Milk producers and handlers state that these temperatures will not help the already lower milk production trends in comparison to last year. Through November, milk output in Australia is reported to be trailing last year by 6.8%. This is an improvement over previous months and producers remain optimistic that the season as a whole will continue to improve. In New Zealand, production trends continue to follow those of recent weeks. Milk output is declining seasonally, but is reported to be running 3 – 4% ahead of last year. Stocks of manufactured dairy products remain in close balance with demand. Some handlers in Oceania indicate that they have no additional butter or cheese available for spot or additional buyer interest. The overall tone to Oceania dairy markets is firm with prices unchanged to slightly higher. Most market activity out of Australia and New Zealand at this time is shipment of pre negotiated sales earlier in the season. No new buyer interest is being reported from the region, although most handlers indicate that they would probably not be able to acknowledge much, if any at all, new buyer interest due to their tight supply situation.

BUTTER: Oceania butter markets are generally steady at unchanged prices. Stocks of butter are reported to be in close balance for known needs, with minimal volumes available for spot interest. Most market activity continues to center around shipments of previously negotiated sales. Producers and handlers indicate that milk production is on the down side of the season, thus overall production of all manufactured dairy products is declining.

82% BUTTERFAT: 1,450 - 1,600

CHEDDAR CHEESE: Oceania cheese markets are firm. Prices are steady to firm within the reported range. Cheese production is seasonally active, although overall milk production is declining. Stocks of cheese are limited but are sufficient for regular and ongoing customer needs. Producers and handlers indicate that they have no additional inventory available for new or spot buyer interest at this time.

39% MAXIMUM MOISTURE: 2,100 - 2,250

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady at unchanged prices, although the market undertone is unsettled. Stocks of powder in Australia and New Zealand are in close balance and often referred to as tight. Many Oceania handlers and traders are closely monitoring what the results will be for the balance of USDA's DEIP allocations which were announced. A total of 45,468 metric tons of nonfat dry milk were made available on December 24. The invitations were issued the week of January 5, 2004. Many feel that the invitations will be quickly filled.

1.25% BUTTERFAT: 1,775 - 1,875

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. Oceania stocks are in close balance and often referred to as tight. Buying interest is quiet as most activity centers around shipments to regular and ongoing customers.

26% BUTTERFAT: 1,775 - 1,875

Exchange rates for selected foreign currencies: JANUARY 5, 2004

.7798 Canadian Dollar	.0219 Indian Rupee
.3475 Argentina Peso	.6704 New Zealand Dollar
.0908 Mexican Peso	.7676 Australian Dollar
.2713 Polish Zloty	.0094 Japanese Yen
	1.2657 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0908) = 11.0132$. That is 1 US Dollar equals 11.0132 Mexican Pesos.

Source: "Wall Street Journal"

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, DECEMBER

Component Price Information: Under the Federal milk order pricing system, the butterfat price for December 2003 is \$1.3688 per pound. Thus, the Class II butterfat price is \$1.3758. The protein and other solids prices for December are \$2.2997 and \$0.0362 per pound, respectively. These component prices set the Class III skim milk price at \$7.34 per cwt. The December Class IV skim milk price is \$5.94 which is derived from the nonfat solids price of 0.6603 per pound. **Product Price Averages:** The product price averages for December are; butter \$1.2557, nonfat dry milk \$0.8070, cheese \$1.3260, and dry whey \$0.1941.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	DECEMBER 2003				JANUARY 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	17.09	11.30	11.87	10.52	15.10
Appalachian (Charlotte) 5/	005	16.94	11.30	11.87	10.52	14.95
Southeast (Atlanta) 6/	007	16.94	11.30	11.87	10.52	14.95
Florida (Tampa) 7/	006	17.84	11.30	11.87	10.52	15.85
Mideast (Cleveland) 8/	033	15.84	11.30	11.87	10.52	13.85
Upper Midwest (Chicago) 9/	030	15.64	11.30	11.87	10.52	13.65
Central (Kansas City) 10/	032	15.84	11.30	11.87	10.52	13.85
Southwest (Dallas) 11/	126	16.84	11.30	11.87	10.52	14.85
Arizona-Las Vegas (Phoenix) 12/	131	16.19	11.30	11.87	10.52	14.20
Western (Salt Lake City) 13/	135	15.74	11.30	11.87	10.52	13.75
Pacific Northwest (Seattle) 14/	124	15.74	11.30	11.87	10.52	13.75
All-Market Average	---	16.42	11.30	11.87	10.52	14.43

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.

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2003 was unchanged at 130. Compared with December 2002, the index was up 5 points (4.0 percent). The index of prices received by farmers for dairy products declined 6 point during the month of December 2003 to 105. Compared with December 2002, the index was up 14 points (15.4 percent).

Prices received by farmers in December with changes from November were: for All Milk, \$13.70 per hundredweight (cwt.), down \$.80; Fluid Grade Milk, \$13.70 per cwt., down \$.80; and for Manufacturing Grade Milk, \$12.70 per cwt., down \$1.10.

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

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	NOVEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	2003 <u>2/</u>	2002 <u>2/</u>	2003 <u>4/</u>	2002 <u>2/</u>	2003	2002	2003 <u>7/</u>	2002 <u>8/</u>	2003	2002
CA	12.90	10.53	12.10	10.60			47.00	34.50	91.00	95.00
ID	13.10	11.10	12.00	11.20			47.80	33.00	91.00	94.00
MI	14.70	11.90	13.90	11.80			50.00	34.50	99.00	99.00
MN	14.90	11.80	13.60	11.80			54.50	37.10	70.00	70.00
NM	14.00	12.20	13.60	11.90			50.70	35.70	135.00	140.00
NY	15.10	12.70	14.80	12.50			---	---	109.00	110.00
PA	16.30	13.90	15.60	13.80			48.00	35.70	141.00	137.00
TX	15.10	12.80	14.80	12.80			45.90	33.80	68.00	68.00
WA	14.30	11.80	13.30	11.70			---	---	94.00	111.00
WI	15.10	12.00	14.00	11.90			52.70	34.00	97.00	74.00
U.S.	14.50	11.90	13.70	11.90			49.90	34.60	81.30	92.60

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

MILK AND OTHER GENERAL PRICE MEASURES, U.S., DECEMBER 2003 WITH COMPARISON

ITEM	DECEMBER 2002	NOVEMBER 2003 <u>1/</u>	DECEMBER 2003 <u>2/</u>
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	11.90	14.50	13.70
Fluid grade milk	11.90	14.50	13.70
Manufacturing grade milk	10.70	13.80	12.70
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	100	117	115
Prices received by farmers for dairy products	91	111	105
Prices paid by farmers for commodities and services, interest taxes, and wage rates	125	130	130
Prices paid by farmers for production items	121	127	128
Prices paid by farmers for feed	114	121	129
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>3/</u>	2.44	3.05	2.80

1/ Partially revised. 2/ Preliminary. 3/ 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 all wheat.

SOURCE: "Agricultural Prices," Pr 1 (12/03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

NOVEMBER 2003 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 88.1 million pounds in November, 15.2 percent below November 2002 and 9.2 percent below October 2003. **AMERICAN TYPE CHEESE** production totaled 293.5 million pounds, 0.3 percent below November 2002 and 3.6 percent below October 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 718.2 million pounds, 1.0 percent below November 2002 and 3.1 percent below October 2003. **NONFAT DRY MILK** production, for human food, totaled 102.4 million pounds, 3.3 percent above November 2002 and 3.4 percent above October 2003. **DRY WHEY** production, for human food, was 76.9 million pounds, 10.5 percent below November 2002 and 7.2 percent below October 2003. **ICE CREAM** (hard) production totaled 58.1 million gallons, 1.3 percent above November 2002 but 15.4 percent below October 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 2003	PERCENT CHANGE FROM:			PRODUCT	NOV 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 2002	OCT 2003	YEAR TO DATE 1/		1,000 LBS.	NOV 2002	OCT 2003	YEAR TO DATE 1/
BUTTER	88,120	-15.2	-9.2	-8.3	SOUR CREAM	87,951	---	8.9	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	175,306	16.0	-9.0	---
AMERICAN TYPES 2/	293,545	-0.3	-3.6	-1.0	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	215,304	-2.0	-2.6	-2.8	SWEET-TYPE, HUMAN FOOD	9,015	6.8	-16.6	---
SWISS	22,306	2.6	-5.5	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	7,252	-0.7	-11.8	---	DRY WHEY, HUMAN FOOD	76,910	-10.5	-7.2	---
CREAM & NEUFCHATEL	75,102	-3.9	-0.3	---	DRY WHEY, ANIMAL FEED	7,212	27.7	22.9	---
HISPANIC	9,983	0.4	-6.7	---	DRY WHEY, TOTAL	84,122	-8.2	-5.2	0.9
MOZZARELLA	232,788	-0.8	-0.4	1.1	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	58,806	-6.1	-9.4	2.9	HUMAN FOOD	3,160	-11.2	-14.2	---
TOTAL ITALIAN TYPES	291,594	-2.0	-2.3	1.5	ANIMAL FEED	3,154	-1.4	-8.5	---
ALL OTHER TYPES	18,444	11.4	-9.7	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	51,496	11.5	-1.8	---
TOTAL	718,226	-1.0	-3.1	0.4	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	35,632	9.0	-2.9	---	HUMAN FOOD	21,252	-8.1	-5.3	---
COTTAGE CHEESE, CREAM 4/	27,966	0.7	-11.9	2.2	ANIMAL FEED	3,669	15.2	2.1	---
COTTAGE CHEESE, LOWFAT 5/	28,920	6.0	-12.2	1.1	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAPORATED & CONDENSED					ICE CREAM (HARD)	58,131	1.3	-15.4	-0.2
WHOLE MILK	46,702	5.5	-1.2	---	ICE CREAM, LOWFAT (HARD)	6,299	-1.8	-19.6	---
DRY WHOLE MILK	4,831	40.7	68.7	---	ICE CREAM, LOWFAT (SOFT)	18,436	15.1	-19.0	---
NONFAT DRY MILK, HUMAN FOOD	102,352	3.3	3.4	-5.4	ICE CREAM, LOWFAT (TOTAL)	24,735	10.3	-19.1	11.1
DRY SKIM MILK, ANIMAL FEED	336	-4.8	-29.3	---	SHERBET (HARD)	3,443	17.3	-15.6	5.9
DRY BUTTERMILK	3,341	-7.3	-7.0	---	YOGURT (TOTAL)	4,287	-13.2	-12.1	-10.7

MANUFACTURERS' STOCKS, END OF MONTH 7/							
PRODUCT	NOV 2003	PERCENT OF:		PRODUCT	NOV 2003	PERCENT OF:	
	1,000 LBS.	NOV 2002	OCT 2003		1,000 LBS.	NOV 2002	OCT 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	39,861	8.8	8.4	HUMAN FOOD	21,942	-0.9	-4.0
DRY WHEY, ANIMAL FEED	4,552	45.6	48.9	ANIMAL FEED	2,646	85.2	16.5
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	7,701	-15.5	-3.2	CANNED EVAPORATED & CONDENSED WHOLE MILK	40,699	-25.6	-24.8
LACTOSE, HUMAN FOOD & ANIMAL FEED	43,602	11.0	2.9	NONFAT DRY MILK FOR HUMAN FOOD	74,127	0.3	6.9
DRY BUTTERMILK, TOTAL	2,348	-59.3	9.5				

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/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (1-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

NOVEMBER FLUID MILK SALES

During November, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 5.1 percent lower than November 2002. After adjusting for calendar composition, sales in November 2003 were 1.6 percent lower than November 2002. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from November 2002, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

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

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

Product Name	Sales		Change from: 2/	
	November	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,477	16,675	-5.0	-1.2
Flavored Whole Milk	87	944	-4.5	-0.5
Reduced Fat Milk (2%)	1,426	16,028	-4.1	-0.2
Low Fat Milk (1%)	493	5,708	-9.5	-1.9
Fat-Free Milk (Skim)	630	7,199	-6.7	-3.2
Flavored Fat-Reduced Milk	277	2,951	-1.4	5.6
Buttermilk	50	512	-5.4	-4.4
Total Fluid Milk Products 3/	4,502	50,198	-5.1	-0.8
Total Fluid Milk Products Adjusted 3/ 4/	4,603	50,256	-1.6	-0.5

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

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

Area (Order Number)	Sales		Change from: 2/	
	November	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	791	8,750	-5.5	-1.7
Appalachian (005)	266	3,153	-8.4	0.0
Southeast (007)	391	4,397	-6.2	-2.0
Florida (006)	237	2,635	-3.6	0.4
Mideast (033)	522	5,767	-5.8	-1.6
Upper Midwest (030)	366	3,986	-4.9	-0.8
Central (032)	386	4,255	-4.0	0.3
Southwest (126)	340	3,830	-4.8	-0.2
Arizona-Las Vegas (131)	107	1,189	-3.0	2.2
Western (135)	76	812	-0.1	-1.0
Pacific Northwest (124)	180	1,974	-4.9	-0.8
California (---)	526	5,934	-3.7	-0.1

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

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

U.S. EXPORTS OF DAIRY PRODUCTS

Commodity	2001	2002	Jan.-Sep. 2003		2001	2002	Jan.-Sep. 2003	
	Quantity		Quantity	% change from prev. year <u>3/</u>	Value		Value	% change from prev. year <u>3/</u>
	1,000 Metric Tons			Percent	\$ Million			Percent
Milk Powder								
Non-Fat Dry Milk	96,081	74,375	81,827	81	189.3	115.1	129.0	88
Dry Whole Milk & Cream	46,070	37,826	16,169	43	38.7	31.4	28.4	37
Total Milk Powder	142,151	112,201	97,996	68	228.0	146.5	157.4	76
Condensed & Evap. Milk	10,672	11,823	12,511	73	9.8	11.8	14.4	115
Fluid Milk & Cream <u>1/</u>	25,767	22,970	19,583	18	21.7	20.4	17.0	13
Yogurt & Other Ferm. Milk <u>2/</u>	---	---	---	---	10.3	12.3	7.0	-33
Butter & Milkfat	3,816	3,866	6,716	127	5.3	5.8	9.5	121
Ice Cream	40,004	36,855	24,552	-21	83.3	74.0	45.8	-26
Cheese & Curd								
Cheese, All Kinds	21,038	23,882	11,721	-38	62.8	69.3	35.8	-35
Cheese, Inc. Mixt.	14,072	12,220	9,879	8	44.4	37.1	28.9	3
Cheese Processed	8,770	9,896	6,392	-10	27.4	31.1	18.9	-15
Other	8,486	7,911	9,219	61	27.0	22.9	21.8	31
Total Cheese	52,366	53,909	37,211	-9	161.6	160.4	105.4	-14
Casein	3,339	2,419	1,970	10	19.1	10.1	9.0	17
Whey								
Whey Protein Conc.	21,721	22,951	15,422	-17	38.5	40.6	29.1	-10
Dried Whey	142,979	150,676	105,373	-12	91.4	84.2	62.4	-8
Other <u>2/</u>	---	---	---	---	14.7	13.4	5.0	2
Total Whey <u>2/</u>	---	---	---	---	144.6	138.2	102.6	-7
Other Dairy Products								
Lactose	126,835	118,224	106,871	19	73.9	69.5	60.6	13
Infant Formula	27,199	26,981	20,465	-3	99.7	87.8	69.6	0
Food Preps.	53,111	50,198	37,245	8	108.0	84.0	59.1	-5
Other <u>2/</u>	---	---	---	---	103.1	111.2	74.1	-8
Total Other Dairy Prods. <u>2/</u>	---	---	---	---	384.7	352.5	263.4	-1
TOTAL <u>2/</u>	---	---	---	---	\$1,086.8	\$945.5	\$731.6	5

1/ Quantity is shown in million liters. 2/ Quantity not shown as data are reported in mixed units. 3/ Change in quantity for Jan.-Sep. 2003 from quantity for Jan.-Sep. 2002.

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE PERIOD OF JANUARY 1 - 9, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 01/02/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	296,019	-0-	-0-
Process	-0-	-0-	-0-	-0-	4,910,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	5,550,133	-0-	-0-
NONFAT DRY MILK							
Nonfortified	16,733,386	238,039	16,495,347	132,529,831	124,814,613	856,250,000	1,013,971,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
TOTAL	16,733,386	238,039	16,495,347	132,410,783	124,814,613	902,641,000	1,060,362,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF JANUARY 1 - 9, 2004 =	3.6	192.0	COMPARABLE PERIOD IN 2003 =	4.6	242.2
CUMULATIVE SINCE OCTOBER 1, 2003 =	29.1	1,541.3	CUMULATIVE SAME PERIOD LAST YEAR =	78.7	1,507.8
CUMULATIVE JANUARY 1 - 9, 2004 =	3.6	192.0	COMPARABLE CALENDAR YEAR 2003 =	4.6	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 PERIOD OF JANUARY 1 - 9, 2004 (POUNDS)

REGION	BUTTER		CHEESE				NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	16,233,016	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	262,331	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	4,910,400	849,976	2,749,365	0.6	58.4
WEST	-0-	-0-	-0-	639,733	131,298,476	122,065,248	99.2	41.6
EAST	-0-	-0-	-0-	-0-	262,331	-0-	0.2	-0-
TOTAL	-0-	-0-	-0-	5,550,133	132,410,783	124,814,613	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 12/20/03 & 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	8.8	5.3	21.4	2.6	0.5	1.1	15.2	2.7	58.4	2,812.3	48.2	47.8
2002-Dairy	0.2	0.8	7.7	5.5	22.9	2.7	0.4	0.8	14.6	2.3	58.0	2,554.3	47.1	46.0
2003-All cows	0.2	0.9	11.9	12.3	33.0	17.2	18.8	3.3	16.8	6.9	121.2	5,881.9		
2002-All cows	0.2	1.0	10.5	15.4	35.2	16.9	15.5	3.9	16.8	7.7	123.1	5,548.3		

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 - 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2004
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27	14.37	13.84	11.85
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76	10.84	10.99	11.30	
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87	
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05	10.16	10.30	10.52	

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