

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (01/16): BUTTER: Grade AA closed at \$1.4000. The weekly average for Grade AA is \$1.3967 (+.0042).

CHEESE: Barrels closed at \$1.2550 and blocks at \$1.3050. The weekly average for barrels is \$1.2550 (+.0040) and blocks, \$1.3050 (+.0020).

BUTTER: The cash butter price at the CME held basically steady in recent trading sessions adjusting lower and higher within a narrow range. Many producers and handlers remain quite surprised at the strength of the cash butter market. The current cash price of \$1.4000, compares to \$1.0700 last year at this time and \$1.3825 for mid January 2002. Churning activity across the country remains seasonally active, although lighter than recent weeks. Surplus cream supplies have tightened and, in most instances, are more expensive than during the holidays. Although production is lighter, current churning activity is outpacing demand thus surplus butter stocks are clearing to inventory. Some producers and handlers are questioning if they should be storing butter at current higher than desired cash levels. Overall, demand for butter is typical for a post-holiday period. Retailers are getting back into the market now that pre-holiday inventories have cleared. Food service orders have slowed. Many buyers remain hopeful that prices will weaken, thus they are also limiting their current order volumes.

CHEESE: The cheese market is steady. Cheese interest remains best for natural varieties and mostly fair on process. Some concern continues over how BSE may affect process cheese demand. Generally good January Class I demand is reducing the milk volume available for cheese production. However, stocks produced during the year-end holiday period still need to work through the system. Cheese yields are good.

FLUID MILK: Milk production is generally steady throughout the nation. Movement continues to be hampered in the northern sections of the nation as storms and severely cold temperatures reach the East Coast. Bottling demand is good due in part to higher consumer demand that typically precedes inclement weather. Fluid milk volumes into Florida resumed for the current week. Milk intakes into Florida ceased in late November. Heavier milk flows into Class I are reducing milk intakes at balancing plants. Condensed skim volumes are increasing for the light interest. Fluid cream supplies are tight. Multiples are mixed, depending on class usage and basing point. Due to the higher CME AA butter average, cream prices are generally higher with competitive interest from Class II and IV users.

DRY PRODUCTS: Dry products markets are generally trending steady to weak. NDM supplies are heavier, encouraging offers to the CCC from all 3 regions of the country. Production is reduced in response to increased bottling demand. Buttermilk production is steady to higher with stocks most readily available in the West. Demand is light with some spot prices reported higher in the Central region due to limited availability. Whey markets are weak. Block loads of whey are being offered at a discount for the light domestic and export interest. Whey and WPC buyers are generally waiting for prices to settle before

making additional purchases. WPC prices are lower and stocks are increasing. The lactose market is unchanged. Supplies are often short of interest with most movement occurring on a contractual basis.

CCC: During the week of January 12 -16, non-fortified NDM CCC purchases included 23,464,042 pounds from the West, 1,756,058 pounds from the Central and 2,299,268 pounds from the East for a net total of 27,519,368 pounds. This is the largest weekly purchase of NDM since the summer of 1985.

WORLD DAIRY SITUATION AND OUTLOOK (FAS): Economic recovery in Asia, reduced Australian exports and a lower U.S. Dollar value against major currencies are expected to encourage higher global prices in 2004. Cheese exports from Oceania in 2004 are expected to be reduced due to the lower relative returns of cheese and lackluster milk output in Australia. EU cheese exports are forecast to expand by only 1% compared to an annual average growth rate of 6.6% from 1999 through 2003. Russian cheese imports are expected to grow 3% in 2004 whereas butter imports are anticipated slightly lower compared to 2003. Oceania exports of butterfat are expected 5% and 2.3% higher from Australia and New Zealand in 2004 respectively. New Zealand's NDM exports for 2004 are expected to jump by 11% whereas Australian exports are anticipated to languish in response to poor fluid milk production. The EU NDM export figure for 2003 has been sharply revised-up by nearly 40% to 240,000 tons. The forecast for next year calls for continued expansion. World imports of NDM are expected to rise 8% in 2004 with the fastest paced growth anticipated in Asian countries such as China and Thailand. The resumption of delivery contracts to Iraq and the exceptional expansion of the Chinese market are encouraging WMP trade with imports to these regions anticipated to grow by 36%. New Zealand has been the main beneficiary of the expanding world market for WMP since the EU is constrained by the Uruguay Round limits on subsidized exports and Australian production struggles to overcome the effects of a severe drought.

JANUARY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production forecasts for 2003/04 are lowered 400 million pounds from last month as forecasts of both cow numbers and milk per cow are reduced. Forecast commercial use is lowered slightly from last month but continues to reflect improved demand from 2002/2003. As a result, forecast milkfat-basis CCC net removals are lowered from last month. Milk price forecasts are raised with the Class III price range expected at \$11.20-\$11.70 and the Class IV price at \$10.00-\$10.70. The higher Class IV price reflects expectations of continued strength in butter prices. The all milk price is narrowed to \$12.40-\$12.90.

OCTOBER MAILBOX MILK PRICES (DAIRY PROGRAMS): In October 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.88, \$.60 more than the figure for the previous month. The component tests of producer milk in October 2003 were: butterfat, 3.71%; protein, 3.10%; and other solids, 5.67%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$17.73 in Florida to \$13.03 in the Northwest States. In October 2002, the Federal milk order all-area average mailbox price was \$11.99, \$2.89 lower.

****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 12	TUESDAY JANUARY 13	WEDNESDAY JANUARY 14	THURSDAY JANUARY 15	FRIDAY JANUARY 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2550 (N.C.)	\$1.2550 (N.C.)	\$1.2550 (N.C.)	\$1.2550 (N.C.)	\$1.2550 (N.C.)	(N.C.)	\$1.2550 (+.0040)
40# BLOCKS	\$1.3050 (+.0050)	\$1.3050 (N.C.)	\$1.3050 (N.C.)	\$1.3050 (N.C.)	\$1.3050 (N.C.)	(+.0050)	\$1.3050 (+.0020)
BUTTER GRADE AA	\$1.3900 (-.0025)	----	\$1.4000 (+.0100)	----	\$1.4000 (N.C.)	(+.0075)	\$1.3967 (+.0042)

*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 12, 2004

CHEESE — SALES: 10 CARS 40# BLOCKS: 7 @ \$1.3000, 1 @ \$1.3025, 2 @ \$1.3000; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.3050, 2 @ \$1.3025; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550

BUTTER — SALES: 10 CARS: 1 @ \$1.3875, 7 @ \$1.3900, 1 @ \$1.3850, 1 @ \$1.3900; BIDS UNFILLED: 8 CARS: 4 @ \$1.3900, 2 @ \$1.3875, 1 @ \$1.3850, 1 @ \$1.3800; OFFERS UNCOVERED: 2 CARS @ \$1.4025

TUESDAY, JANUARY 13, 2004

CHEESE — SALES: 10 CARS 40# BLOCKS: 8 @ \$1.3050, 1 @ \$1.3000, 1 @ \$1.3050; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550; 1 CAR 40# BLOCKS @ \$1.3075

WEDNESDAY, JANUARY 14, 2004

CHEESE — SALES: 11 CARS 40# BLOCKS: 5 @ \$1.3050, 1 @ \$1.3025, 1 @ \$1.3050, 3 @ \$1.3000, 1 @ \$1.3050; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550

BUTTER — SALES: 2 CARS @ \$1.4000; BIDS UNFILLED: 13 CARS: 2 @ \$1.3950, 5 @ \$1.3925, 4 @ \$1.3900, 1 @ \$1.3850, 1 @ \$1.3800; OFFERS UNCOVERED: NONE

THURSDAY, JANUARY 15, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.3050; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550; 2 CARS 40# BLOCKS: 1 @ \$1.3050, 1 @ \$1.3150

FRIDAY, JANUARY 16, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.2550; 1 CAR 40# BLOCKS @ \$1.3050

BUTTER — SALES: 24 CARS: 1 @ \$1.4100, 1 @ \$1.4075, 1 @ \$1.4050, 1 @ \$1.4025, 2 @ \$1.4000, 1 @ \$1.3950, 2 @ \$1.4000, 1 @ \$1.3975, 3 @ \$1.4000, 1 @ \$1.3925, 1 @ \$1.4000, 4 @ \$1.3950, 2 @ \$1.3975, 1 @ \$1.3950, 1 @ \$1.4000, 1 @ \$1.3950; BIDS UNFILLED: 12 CARS: 1 @ \$1.4000, 1 @ \$1.3975, 4 @ \$1.3950, 2 @ \$1.3925, 2 @ \$1.3900, 2 @ \$1.3800; OFFERS UNCOVERED: 1 CAR @ \$1.4100

BUTTER MARKETS

NORTHEAST

The market tone is a little more settled now that the CME cash price for butter has held at or near the \$1.39 level for four sessions (through 1/12). This high price seems to have been quickly passed on at retail, which is expected to slow consumption. Overall, demand is typical for a post-holiday period. Retailers are getting back into the market now that pre-holiday inventories are clearing. Food service orders are steady to lighter. Churning activity is still quite heavy in those plants that are churning, but most balancing plants that made butter over the holidays have idled their churns. 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 price at the CME held basically steady in recent trading sessions, adjusting higher and lower within narrow range. Many producers and handlers remain quite surprised at the strength of the cash butter market. At mid-week, the cash price of \$1.4000 compares to \$1.0800 last year at this time, but comparable to mid January 2002. Cream supplies are less available this week, especially from sources outside of local suppliers. Churning activity is basically limited to local or nearby cream supplies. In most instances, current churning schedules are surpassing immediate need, thus butter is clearing to inventory. Many producers question if they should be building inventories at current cash values. Most are aware of projections for 2004 that indicate milk/cream

supplies will be tighter, butter stocks will be less available, and butter prices will be firmer than 2003. Current demand remains fair at best. Some buyers are now returning to the market to secure near or short term needs. Many buyers remain hopeful that prices will weaken, thus also limiting their order volumes. Bulk butter for spot sale is available and is being reported in the flat - 2 cents per pound range over various pricing basis.

WEST

Cash CME butter prices have held about steady since the major increase noted on January 5. Some selling at the market is taking place, but prices are holding steady. Producers report decent sales activity for this time of year. Very few retail features are noted at this time. Food service restaurant orders are slower than before the holidays. Cream supplies are available, but not as readily as two weeks ago. Contacts are wondering what impact this sort of a price level in January will have on storage strategies for butter needs later in the year. The generally cold weather in the West is improving the fat tests on milk receipts. CME weekly warehouse stocks increased by 7.3 million pounds this past week. They now stand at 68.3 million pounds, a decrease of almost 35 million pounds from last year. Stock levels have grown by 12.4 million pounds over the last three weeks compared to 16.8 million pounds last year. 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 10	1.3097	1.2736	0.8075	1.3445	0.1846
	6,500,037	11,231,619	16,098,186	3,088,614	9,664,995

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 generally higher on both natural and process items, but Swiss is unchanged. The market tone is a little less unsettled now that the cash, CME price for blocks and barrels has held relatively stable since Christmas Eve. Cheese output in the East is settling into normal patterns. Last week, some plants ran heavy and took a lot of milk, but others are running on steady to lower schedules. Demand for cheese is fair to good, mostly fair. Retail sales are slowing, but food service orders are holding up nicely.

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

Cheddar 10# Prints	:	1.3700-1.8750
Cheddar Single Daisies	:	1.3275-1.7925
Cheddar 40# Block	:	1.4425-1.6925
Process 5# Loaf	:	1.4600-1.6600
Process 5# Sliced	:	1.4800-1.7150
Muenster	:	1.5425-1.7350
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is about steady. While plant inventories grew because of the additional cheese production at year-end, generally strong January Class I sales have reduced cheese output in 2004. Current cheddar demand is steady to slightly improved where buyers are rebuilding aging programs and for packaging needs. Mozzarella is often being discounted further to stimulate sales. Process movement is about steady. A few processors have added trim and undergrades to their raw product inventory for later use. Buyers were fairly active searching through the limited supplies of aged cheddar to help fill orders. Late 2003 cold pack sales and production were often stronger than expected. Cheese yields remain good seasonally.

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

Process American 5# Loaf	:	1.4300-1.7600
Brick And/Or Muenster 5#	:	1.7700-1.9575
Cheddar 40# Block	:	1.6550-2.1150
Monterey Jack 10#	:	1.8400-2.1150
Blue 5#	:	2.0525-2.4800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6000-2.2150
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
		:	
01/12/04	36,963	:	132,886
01/01/04	36,157	:	128,833
CHANGE	806	:	4,053
% CHANGE	2	:	3

WEST

After trading last week at the CME cash cheese market, process cheese prices increased while natural and Swiss prices held steady. Contacts have some different opinions about how well cheese demand is doing at the start of the new year. Some note that buyer interest is slower than anticipated and stock levels are somewhat heavier. Others see the market as stronger with buyers purchasing somewhat ahead. Most contacts don't see much chance of the market weakening substantially in the near future and are making purchase decisions with that in mind. Warehouse stocks did build over the holidays and that cheese will need to be worked through over the coming weeks. Production patterns are seasonally normal. With current price relationships between cheese and butter/powder, milk and constituent products are going to traditional facilities for processing. Comments are noted that the process cheese side of the market is doing better than anticipated after the December BSE announcement. Many had assumed that hamburger sales would go in the tank and not recover for quite a while, but that is not the case. Swiss producers indicate that they had a very good holiday season.

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

Process 5# Loaf	:	1.3975-1.6575
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 are mostly steady, but some fractional increases are noted on domestic styles. The market tone is typical for this time of year. The weaker Dollar against the Euro continues to cause some buying issues for importers. Stocks of foreign type 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	1.6650-3.1550*
Gorgonzola	:	3.6900-5.9400	2.1825-2.4900*
Parmesan (Italy)	:	TFEWR	3.0750-3.1650*
Romano (Italy)	:	2.1000-3.1500	-0-
Provolone (Italy)	:	3.4400-5.5000	1.6725-1.9000*
Romano (Cows Milk)	:	-0-	2.8625-5.0350*
Sardo Romano (Argentine)	:	2.8500-3.2900	-0-
Reggianito (Argentine)	:	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	12	0	0	63	15	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.

Regional Milk Market Administrators announced the following, December 2003 uniform prices: Northeast \$14.39, Mideast \$13.26, Southeast \$15.33, Florida \$17.16, and Western New York (a state order) \$14.40 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production is holding relatively steady throughout the region. This week's severely cold weather and snow are hampering milking operations and transportation schedules in New York, Pennsylvania, and New England. Snow and cold are expected to reach well into the Southeast. Demand for milk is better than many contacts expected. There were reports of users/buyers adding loads to their regular orders. This is a continuation of the same pattern seen last week. The cold and snow are creating some panic buying at retail and bottlers are busy keeping the milk on the shelves. Florida's need for milk is up and their in-state milk production is level. This caused handlers to import milk this week, the first time since late November. In the other Southeastern states, milk was brought in from other regions, but this milk was all intra-company shipments. Most manufacturing plants are operating on reduced levels because of all the milk clearing to Class I operations and steady milk production levels. Southeastern plants that were operating during the holidays are now down until more milk is again available. The condensed skim market is little changed. Offerings are heavy and spot demand is lackluster. Few spot sales are noted for either Class II or III. The fluid cream market appears to be in better balance, but offerings are still long. Spot prices are sharply higher due to last week's 11.75 cent jump in the CME butter price. For the most part, multiples have held steady. Demand is mostly contractual, but some spot sales are noted and generally near the lower part of the ranges. Some cream is clearing to Midwest butter makers, but the larger percentage of the local cream is staying in the East. Ice cream production is not back up to pre-holiday levels and most producers are just taking contract loads. Cream cheese makers also seem to be sticking with contact volumes now that spot prices are so high. Churning is lighter, but still moderate to heavy, mostly 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	-	1.6014-1.8799
DELIVERED EQUIVALENT ATLANTA	-	1.6710-1.8938 M 1.7267-1.7824
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6710-1.9495

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	- .9200-1.0400

M I D W E S T

Class I demand is strong. During the past week, bottlers continued to fill the pipelines for school and retail needs. At this point, most schedules are back to where they were prior to the yearend holidays. Milk volumes are often short of full needs. Milk production is holding steady to up slightly, but strong demand from bottlers and manufacturers is limiting spot availability. Manufacturers that were active over the yearend holiday period have cut their production schedules due to lighter milk volumes. In many instances, manufacturers are actively looking for additional milk volumes. Reported spot manufacturing milk premiums range from \$1.00 - 1.50 over class delivered, although little milk was available for sale. Cream markets are firm. Pricing multiples were mixed, both higher and lower, with the base price sharply higher,

thus overall cream prices are higher. Demand for cream is quite competitive. Many butter operations are trying to acquire additional cream volumes to generate butter stocks for future use, although cream prices are often hindering sales negotiations. In instances, some butter producers are selling their cream volumes in hopes of lower prices during upcoming weeks. Many butter producers and handlers feel that milk and cream supplies will be tighter this year, thus most are trying to accumulate additional butter stocks at this time. Ice cream production is gaining momentum now that the holidays are over. Ice cream producers are also commenting on the future of milk and cream volumes and are also trying to guard against possible higher prices and limited supplies as the spring approaches.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 08 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 51.25	\$ 34.50- 41.00
REPLACEMENT HEIFER CALVES	\$300.00-380.00	\$270.00-380.00
SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)		
	JAN 08 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 53.00	\$ 33.00- 42.25

W E S T

The February 2004 Class 1 prices in CALIFORNIA range from \$13.34 in the north to \$13.62 in the south. The statewide average Class 1 price based on production is \$13.39. The average is \$0.54 lower than January 2004 but \$1.34 higher than February 2003. Milk production patterns are holding mostly steady to slightly higher across CALIFORNIA. There is a very good call for bottled milk across the state which is pulling milk out of manufacturing. Several contacts were very surprised at the levels of orders. Schools and colleges have mostly restarted sessions and retail movements are fairly good too. Very warm temperatures are reported in the south and milk output is beginning to respond. Processing plants have returned to more normal schedules and several would like more milk. Milk production is steady to trending higher in the Central Valley. Some processors are seeing milk as steady to higher when compared to a year ago. Arizona milk production is fluctuating, but is trending slightly higher. Fat and protein levels are noted to be lower in incoming milk. Conditions have been warmer and generally favorable for milk cows. Bottlers in the state are also noting increased demand for Class I milk. CREAM markets in the West are mixed. The price of butter at the CME continues to hold at a higher than expected mark of \$1.4000 at midweek. The expectation that the price would fall and producers could buy low cost cream to make and inventory low cost butter have not been realized. Cream is moving to ice cream plants in California as buyer orders increase ahead of an expected jump in Class prices for February/March. Multiples are mostly steady to lower on the top of the range and trade from 112 to 125, FOB, depending on class usage and basing point. Hay stocks as surveyed by USDA for December 1 for the U.S. are 110.8 million tons, +6.8% from a year earlier. Stocks for selected Western states compared to last year are as follows: Arizona 280,000 tons, +37.9%; California 2,048,000 tons, -8.4%; Colorado 1,841,000 tons, +18.0%; Idaho 2,772,000 tons, -6.7%; New Mexico 525,000 tons, -15.3%; Oregon 2,395,000 tons, -6.1%; Utah 1,495,000 tons, +24.6%; and Washington 1,620,000 tons, no change. Milk production in the PACIFIC NORTHWEST ranges from steady to lighter than anticipated. Conditions are returning to normal after last week's storms. Some milk was lost at the farm level and some was moved long distances to different manufacturing plants to find an accessible home during the storms. Finished product shipments were often delayed because of impassible roads. Some areas experienced the worst conditions they have seen in more than 40 years. Milk intake managers indicate that tests on incoming milk receipts are good and often improving. The continued run up in feed prices has some producers concerned about profitability in the upcoming months. Heifer prices are holding about steady and steady culling rates continue to be noted. Cold conditions are prevalent in UTAH and IDAHO. Some valley areas are experiencing inversions with fog and icing common. Delivery and pick up schedules are sometimes hard to maintain. Little impact has been noted on milk production. Hay movements in portions of the region are being hampered by cold and deep snow. Little new hay sales activity is noted.

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 on a mostly steady market. Production is mixed. Some plants are moving more milk into Class I facilities, decreasing milk intakes into NDM dryers. At other locations, milk supply is seasonally higher, encouraging NDM production and supply movement into the CCC. Condensed skim movement into Class II facilities is steady. Excess condensed skim supplies are being shipped to custom dryers at some locations with spot trades occurring at a discount. Resale supplies of NDM from the CCC exchange programs are readily available at or below the bottom of the range. High heat trade is mostly contractual.

EAST: Prices are steady to occasionally lower within the range. The market tone is steady to weaker. Continued offerings to CCC from Eastern producers are a sign of too much powder for current needs. However, contacts state that the offerings to CCC are more often for economic/accounting purposes rather than supply/demand factors. The Northeast has been short of NDM for several months and suppliers had to bring powder in from the West or buy back from CCC to meet needs. Now, in just a matter of a month or so, Eastern producers are offering NDM to CCC. Surplus milk volumes are significantly lighter this week as orders for Class I milk have stayed heavier than expected. Producer stocks are heavier than pre-holiday levels, but still not very heavy by historical standards. Now that milk supplies have eased, some producers expect to make a little more high heat NDM to have on hand. The severe cold weather continues in the Northeast and some plants continue to have their natural gas supply interrupted to meet residential needs. Demand for NDM is mostly steady.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8700 MOSTLY: .8150 - .8550
 HIGHHEAT: .8500 - .9450

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices range from steady to lower. The mostly series is lower and reflects reduced sales prices as producers manage stocks. Spot sales are moving to the Midwest. Production levels are trending lower following heavy volumes dried over the holidays. Also, a good call for bottling milk this week is keeping milk out of balancing plants. Last week's DEIP announcement to export 100.1 million pounds of NDM through September did not impact the market perception. Trade statements are that the DEIP shipments will only reduce CCC offerings over the shipping period. During the period of January 5-9, CCC net purchases totaled 16.2 million pounds from the West. High heat nonfat dry milk prices are slightly lower on the bottom end of the range. The market tone is mostly steady. Many high heat sales continue on an as-ordered basis with producers reluctant to make high heat to inventory.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .7950 - .8100
 HIGHHEAT: .8325 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 9	\$.8028	12,993,068	7,785,789
January 2	\$.8044	12,089,227	6,406,283

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 mixed market. Churn activity at some locations is light, limiting supplies of dry buttermilk and encouraging producers to trade at higher prices. At other locations, producers are less aggressive, especially as buyer interest is reduced compared to the pre-holiday season demand. Production is generally higher but less than anticipated for this time of year. Movement of condensed buttermilk into ice cream is higher than seasonally expected. Some traders are miffed by higher central prices when supplies could be shipped from the West and delivered at prices below the Central market.

F.O.B. CENTRAL: .9500 - 1.0125

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher as some producers have adjusted their pricing structure. The Northeastern prices remain nominal. The market tone is steady. Production continues to ease as churning activity slows in the Northeast. Spot trading activity remains limited. Demand is slow to fair at best. Most spot sales are LTL volumes.

F.O.B. NORTHEAST: .8450 - .8600
 DELVDSOUTHEAST: .8800 - .9000

DRY BUTTERMILK - WEST

Dry buttermilk prices in the West are holding mostly steady in trading that is trending slightly higher from recent weeks. More buttermilk is being dried, while buying interest is only fair, which combine for more buttermilk on the market than in recent months. Contract orders are moving steadily. Stocks at the producer level are building modestly at typical patterns for this season.

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

DRY WHOLE MILK - NATIONAL

Prices are unchanged to higher and remain nominal. The market tone is little changed. Production levels are moderate. Producer stocks are closely balanced, but reports of competitively priced, imported dry whole milk continue to be noted. Demand is steady.

F.O.B. PRODUCING PLANT: 1.0925 - 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)

NOTE: Jan. 12, 2004 – Foreign Agricultural Service program announcements for the purchase of mozzarella and Monterey Jack cheese for the Caribbean, Central and South America issued Jan. 7, 2004, have been withdrawn. The global DEIP balance for cheese is 3,030 MT, which will be available for bidding on Jan. 15, 2004. For further information, call (202) 720-3224. 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 to lower on a weak market. Trade activity remains light yet improved compared to the week prior. Offerings to resellers are increasing. End users are generally opting to wait and see where prices settle before making additional purchases. Dry whey production is higher and inventories are building. Heavier supplies of permeate are also noted and offered as a substitute to whey into some markets. Some resellers are selling at a discount to the current market. Condensed whey is available for the light to fair interest.

F.O.B. CENTRAL: .1700 - .1900 MOSTLY: .1775 - .1875

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to lower within the range. The Northeastern prices remain nominal. The market tone is steady to weaker. Most Eastern producers have loads to offer for immediate sale. Some are offering incentives (lower prices) for block or multi-load sales. Buying interest is slow to fair. Buyers appear to be waiting to see if there will be any further decline in prices before making any large purchases. Most are buying enough to meet immediate needs. Cheese production is down again this week as surplus milk volumes remain tight in the East.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1875 - .2100
DELVD SOUTHEAST: .2000 - .2225

DRY WHEY - WEST

The market continues to weaken for Western whey powder. Prices range from steady to as much as one cent lower. New export sales activity is often slow to develop, partially due to the upcoming Chinese New Year issues. Some buyers are also using the BSE issue as a bargaining chip. Some domestic buyers have become more interested in whey purchases as prices have continued to decline over the past few weeks. Others are waiting for signals that a bottom has been established. A number of contacts, both buyers and sellers, believe that the market is a ways off the low point yet. Production has declined from holiday levels, but it remains heavy seasonally.

NONHYGROSCOPIC: .1500 - .2100 MOSTLY: .1650 - .1750

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower on a weak market. Milk replacer supplies are light yet prices are trending lower in response to changes in the Extra Grade market. Spot interest is mostly for immediate needs as buyers tend to wait and see where prices settle before making additional purchases. Veal prices are holding steady while early weaned pig prices are unchanged to higher.

F.O.B. CENTRAL:
MILK REPLACER: .1650 - .1700

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Trade activity remains light with interest predominantly noted into domestic feed and edible export accounts. Increased offerings are noted into some brokerage firms. Most end users are opting to wait and see where the market settles before making additional purchases. While supplies of WPC 80% appear to be in better balance, some stocks remain competitive with WPC 34%. Production is steady. Inventories are in balance to higher. Brand specific and Grade A supplies are garnering a premium at some locations. Off grade supplies are available for the light feed interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5500 MOSTLY: .5350 - .5450

LACTOSE - CENTRAL AND WEST

Lactose prices remain unchanged on a firm market. Production is mostly steady. Inventories are in balance to sometimes short of buyer interest. Inquiries are noted from domestic and Asian buyers. Some contractual users are requesting additional loads. Producers are generally unable to satisfy requests for additional loads in the short-term. Spot load activity is very light. Although a firm undertone persists, producers are hesitant to push prices much higher in an effort to retain current buyers. Official statements regarding the US BSE status continue to be requested by some importers. Off grade supplies are limited with permeate supplies available as a substitute into some feed operations.

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 prices and markets remain firm. The supply situation has not changed much during recent weeks with most suppliers indicating stocks to be in close balance to tight. For the most part, domestic buyers are getting their contracted volumes, but have difficulty in sourcing additional or spot needs. Both buyers and sellers feel that this situation will probably not improve much in the short term. Many are hopeful for a good European production season which is soon to begin. Oceania output is occurring, but winding down seasonally and may not be as strong as hoped. Under Invitation #013, the Commodity Credit Corporation invites competitive offers to purchase an undetermined quantity of CCC owned nonfat dry milk for the production of casein/caseinates. Bids are due January 26 with the results publicly announced January 29. Since June 2002, nearly 8 million pounds of government powder have been sold for this purpose with recent awards priced at \$0.2200 per pound.

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. Production levels are easing slightly as surplus milk volumes are decreasing. Class I milk need are good in all section of the country and surplus milk volumes have tightened in many regions. Demand is slow to fair and typical for this time of year. The market remains highly competitive. Many buyers/retailers are now in the process of taking bids for this year's contracts.

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.

WORLD DAIRY SITUATION AND OUTLOOK

Summary - The situation for world dairy markets brightened considerably in the second half of 2003 as international dairy prices resumed their upward swing in response to three main factors. First, the economic recovery in the United States gathered momentum and rippled-out to the Asian economies thus improving prospects for higher import demand. Second, although Australian milk production for the current season has recovered modestly from last year's (2002/03 July-June) drought impacted shortfall, production continues to lag well below 2001/02 levels. This has lowered Australian export volumes and reduced the inventory of exportable dairy products available to world markets. Lastly, the U.S. Dollar value against major currencies, particularly the Euro, has tumbled significantly accelerating the increase in global prices.

The dairy outlook for 2004 is positive as the stream of economic news continues to paint a picture of economic gains in the United States and in such critical regional markets as Asia. For 2004 and 2005, the OECD projects a likely scenario of "sustained growth in the United States and progressive recovery in Europe and Japan" with member real GDP forecast to grow by 3 percent and 3.1 percent in 2004 and 2005, respectively. For Asia, the U.S. economic recovery has led to an upturn in exports, and economic growth in the region for 2004 is forecast to hit 6.3 percent – up from 5.6 percent in 2003. Against this positive economic backdrop, demand for dairy products is likely to strengthen and world dairy prices seem set to remain at their present relatively high levels. This is particularly true for nonfat dry milk (NDM) since the United States, with its vast stocks of NDM, remains poised to supply world markets should prices climb much further above the internal CCC NDM support price (\$1,764/MT). In fact, USDA's Agricultural Marketing Service reports that U.S. NDM is already being exported without any subsidies.

Dairy Trade - Cheese exports from Oceania are expected to be reduced due to the lower relative returns of cheese and lackluster milk output in Australia. If the present strength of cheese prices persists, then production in the 2004/05 season will likely grow. EU cheese exports are forecast to expand by only 1 percent since this would represent a slowdown from an annual average growth rate of 6.6 percent from 1999 through 2003. Although the EU is limited by Uruguay Round limits to subsidizing exports of only 321,300 tons of cheese, there is a growing portion of premium-quality cheeses exported without any aid.

On the cheese import side there are no significant changes among major importing countries. Import demand remains fairly strong in such key markets as Japan and Russia. Russian imports of cheese have expanded at an impressive pace since 2000 and are often cited as one of the factors for the current strength of international cheese prices. Russian milk production is anticipated to rebound weakly by only 1 percent in 2004 following a 3 percent decline in 2003. This factor coupled with the growth in disposable income is likely to fuel more imports of cheese in 2004 currently slated to grow by 3 percent.

In terms of butterfat markets among selected importers, Russian imports continue to set the pace as one of the top butter markets in the world. Although Russian imports of butter are forecast to fall in 2004 relative to 2003, imports are still expected to exceed levels attained in 2002. Continuing its steady growth, New Zealand exports of butter are expected to increase by 2.3 percent to reach 395,000 tons.

Since 2000 through 2003, exports of butterfat from New Zealand have been climbing at an average rate of nearly 5 percent/annually. Australian exports of butterfat are also anticipated to increase by close to 5 percent. However, in contrast to New Zealand, Australian butterfat exports have exhibited virtually no growth since 2000 when export levels hit 139,000 tons.

NDM exports among major suppliers has been growing consistently since 2001 and is forecast to expand by a further 5 percent in 2004. The most notable change has been the EU NDM export figure for 2003 that has been sharply revised-up by nearly 40 percent to 240,000 tons. The forecast for next year calls for continued expansion although since NDM exports are for the most part subsidized they are subject to the Uruguay Round limitation of 272,500 tons. In Oceania, Australian exports of NDM for 2004 continue to languish as a result of poor fluid milk production prospects constraining supply. In contrast, New Zealand's NDM exports for the current season are expected to jump by 11 percent. For next season, if high cheese prices continue to persist, it is likely that domestic production and thus exports will be re-balanced to favor increased cheese exports.

Continued on page 8

World imports of NDM are expected to rise in 2004 with the fastest paced growth anticipated in Asian countries where NDM imports in some of the key markets are set to increase by 8 percent to 468,000 tons. Although the levels are well below the Indonesian and Philippine markets, the growth of the NDM market in China and Thailand are forecast to post impressive gains of 30 percent and 15 percent, respectively. The continuing economic recovery currently underway in Asia and the accelerated economic expansion predicted for next year will play a pivotal role in fulfilling the forecast expectations.

Confounding trade expectations, particularly since Iraq is a key importer, whole milk powder (WMP) trade has been exceptionally strong this year. This is due to the resumption of delivery contracts to Iraq and the exceptional expansion of the Chinese market. Chinese imports of WMP have leapt by nearly 70,000 tons in two years to reach an estimated 110,000 tons in 2003. For 2004, these fast paced gains are expected to continue with imports anticipated to grow by 36 percent. In Iraq, although there are no forecast statistics, imports of WMP are likely to remain substantial. In terms of other major markets, Algeria is forecast to reach 120,000 tons in 2004 while Brazilian import demand is contracting as the reliance on domestic supplies grows. Venezuela is estimated to have reduced import volumes during 2003 due to a severe economic slump, the imposition of currency controls, and the difficulty by importers in obtaining import licenses. Although imports may recover in 2004, the situation remains unstable.

New Zealand has been the main beneficiary of the expanding world market for WMP since the EU is constrained by the Uruguay Round limits on subsidized exports and Australian production struggles to overcome the effects of a severe drought. Argentina, which at one point was a growing contender in the WMP market, has experienced a sharp fall in the availability of domestic fluid supplies. It is estimated that between 1999 and 2003, some 25-30 percent of dairy operations were closed and the Argentinean dairy herd dropped by 15-20 percent. Although dairying has become profitable and milk production is forecast to rise in 2004, it is competing for resources with the increasingly profitable production of soybeans.

World Dairy Prices - Dairy prices for major dairy commodities have been climbing since mid-2002 due primarily to the accelerating weakness of the U.S. Dollar, the Australian drought, and a rebound of major economies. The initial stages in this price recovery were precipitated by the emerging weakness of the U.S. Dollar versus the Euro that in early 2002 had been trading in the range of \$0.95/€ - \$1.00/€. By year-end 2002, however, the U.S. Dollar had nearly reached \$1.05/€ and more importantly expectations of further dollar weakness were building. Early in 2003, prices got a further boost as the impact of the Australian drought began to be felt as Australian exporters facing fluid milk shortfalls, rapidly depleted stocks to cover export sales. The outlook for the U.S. Dollar remained dismal as rates surpassed the \$1.10/€ mark placing upward pressure on the benchmark EU export prices. In late 2003, not only were the weak U.S. Dollar and prospects for a relatively flat rebound in Australian milk production conspiring to keep dairy prices firm, but positive economic data was now providing evidence of a recovery of GDP growth, and hence dairy product demand, in major economies.

The price outlook for the next six months points to continued strength although further price increases will probably be subdued particularly for milk powder. Global demand is improving and exportable supplies are limited as Oceania milk production for this season is winding-down. In the EU, reports indicate that the pace of subsidized export pre-fixations for all dairy products are exceeding the monthly profile for the July 2003 through November 2003 period. In effect, if this rate of pre-fixations continues then the EU will be required to scale back exports as it approaches its Uruguay Round limits (based on a July/June year). In fact, despite the sharp rise in global prices the EU has shown no inclination to increase export subsidy rates for any of the major dairy products.

The recent price surges, however, have been principally due to exchange rate factors rather than supply/demand imbalances. Consequently, it appears likely that there will be some price resistance particularly for such products as cheese and butterfat should prices continue to firm solely as a result of a weakening U.S. Dollar. In the case of NDM, prices have exceeded \$1,800/MT FOB N. Europe; a level that is very nearly the break-even point at which U.S. supplies of NDM become commercially competitive without the aid of subsidies. This is particularly true for such destinations as Mexico and to a lesser extent Asian countries. Consequently, prices for NDM are unlikely to rise much further above \$1,850/MT. This may also serve to restrain the price of WMP. Further, as the 2004 spring flush approaches, the EU may step-up export subsidy rates in order to avoid surplus accumulation of butter and NDM.

SOURCE: "Dairy: World Markets and Trade", Circular Series, FD 1-03, December 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.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, ANNUAL AVERAGES, 2000-2003 1/

City	2000			2001			2002			2003		
	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference
	Dollars per Hundredweight											
Atlanta, GA	16.11	14.65	1.46	18.31	17.37	0.94	15.86	14.11	1.75	16.36	14.49	1.87
Baltimore, MD	16.01	14.55	1.46	18.92	17.27	1.65	15.76	14.01	1.75	16.16	14.39	1.77
Boise, ID 2/	---	---	---	---	---	---	---	---	---	13.29	12.99	0.30
Boston, MA 3/	15.28	14.80	0.48	18.53	17.52	1.01	15.78	14.26	1.52	16.19	14.64	1.55
Carbondale, IL 4/	15.47	13.75	1.72	18.18	16.47	1.71	---	---	---	---	---	---
Charlotte, NC	16.11	14.65	1.46	18.31	17.37	0.94	15.86	14.11	1.75	16.36	14.49	1.87
Chicago, IL	15.18	13.35	1.83	17.85	16.07	1.78	14.80	12.81	1.99	15.30	13.19	2.11
Cincinnati, OH	15.56	13.75	1.81	18.24	16.47	1.77	14.81	13.21	1.60	15.34	13.59	1.75
Cleveland, OH	15.25	13.55	1.70	18.04	16.27	1.77	14.61	13.01	1.60	15.14	13.39	1.75
Dallas, TX	15.50	14.55	0.95	17.61	17.27	0.34	15.34	14.01	1.33	15.54	14.39	1.15
Denver, CO	14.76	14.10	0.66	17.53	16.82	0.71	14.41	13.56	0.85	14.79	13.94	0.85
Des Moines, IA	14.55	13.35	1.20	17.26	16.07	1.19	14.11	12.81	1.30	14.57	13.19	1.38
Detroit, MI	14.54	13.35	1.19	17.11	16.07	1.04	14.05	12.81	1.24	14.62	13.19	1.43
Hartford, CT 3/	15.18	14.70	0.48	18.43	17.42	1.01	15.68	14.16	1.52	16.09	14.54	1.55
Houston, TX	16.10	15.15	0.95	18.21	17.87	0.34	15.94	14.61	1.33	16.14	14.99	1.15
Indianapolis, IN	15.35	13.55	1.80	18.04	16.27	1.77	14.61	13.01	1.60	15.14	13.39	1.75
Kansas City, MO	14.89	13.55	1.34	17.33	16.27	1.06	14.62	13.01	1.61	15.00	13.39	1.61
Little Rock, AR	14.94	13.75	1.19	17.49	16.47	1.02	14.28	13.21	1.07	15.11	13.59	1.52
Louisville, KY	15.50	14.35	1.15	17.76	17.07	0.69	15.36	13.81	1.55	15.86	14.19	1.67
Miami, FL	18.62	15.85	2.77	20.81	18.57	2.24	18.36	15.31	3.05	18.58	15.69	2.89
Milwaukee, WI	15.13	13.30	1.83	17.95	16.02	1.93	14.90	12.76	2.14	15.40	13.14	2.26
Minneapolis, MN	14.43	13.25	1.18	17.30	15.97	1.33	14.32	12.71	1.61	14.75	13.09	1.66
New Orleans, LA	16.26	15.15	1.11	18.44	17.87	0.57	16.01	14.61	1.40	16.51	14.99	1.52
Oklahoma City, OK	15.33	14.15	1.18	17.71	16.87	0.84	15.11	13.61	1.50	15.39	13.99	1.40
Omaha, NE	14.57	13.40	1.17	17.31	16.12	1.19	14.16	12.86	1.30	14.62	13.24	1.38
Philadelphia, PA	16.15	14.60	1.55	19.09	17.32	1.77	15.93	14.06	1.87	16.22	14.44	1.78
Phoenix, AZ	14.32	13.90	0.42	16.77	16.62	0.15	13.51	13.36	0.15	13.89	13.74	0.15
Pittsburgh, PA	15.10	13.65	1.45	18.47	16.37	2.10	15.10	13.11	1.99	15.39	13.49	1.90
St. Louis, MO	15.26	13.55	1.71	17.98	16.27	1.71	14.26	13.01	1.25	14.64	13.39	1.25
Salt Lake City, UT	13.70	13.45	0.25	16.43	16.17	0.26	13.21	12.91	0.30	13.59	13.29	0.30
Seattle, WA	14.54	13.45	1.09	16.61	16.17	0.44	13.43	12.91	0.52	13.71	13.29	0.42
Spokane, WA 4/	14.54	13.45	1.09	16.61	16.17	0.44	13.43	12.91	0.52	---	---	---
Springfield, MO	14.95	13.75	1.20	17.29	16.47	0.82	14.67	13.21	1.46	14.99	13.59	1.40
Washington, DC	16.01	14.55	1.46	18.92	17.27	1.65	15.76	14.01	1.75	16.16	14.39	1.77
Simple Average	15.31	14.03	1.28	17.90	16.75	1.15	14.94	13.50	1.44	15.34	13.87	1.47

1/ These figures are simple averages of the monthly prices. The cooperative prices are over-order Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and may not apply to all the Class I sales in these markets. These data are common market knowledge in the sense that the information are obtained from the basic Class I price announcements sent by the cooperative to all handlers who buy milk from them. These announced over-order prices include charges for various services performed by the cooperative. Announced prices may not include handling or service charges applicable to milk from supply plants. In some instances, the announced over-order prices are not uniform in that competitive credits may be allowed. These prices have not been verified as having been actually paid by handlers. 2/ The price series for this city started in Jan. 2003. 3/ Data do not include the impact of the Northeast Dairy Compact which ceased operation on 9/30/01. 4/ The price series for this city has been discontinued.

JANUARY MILK SUPPLY AND DEMAND ESTIMATES*

Milk production forecasts for 2003/04 are lowered 400 million pounds from last month as forecasts of both cow numbers and milk per cow are reduced. Forecast commercial use is lowered slightly from last month but continues to reflect improved demand from 2002/2003. As a result, forecast milkfat-basis CCC net removals are lowered from last month. Milk price forecasts are raised with the Class III price range expected at \$11.20-\$11.70 per cwt. and the Class IV price at \$10.00-\$10.70 per cwt. The higher Class IV price reflects expectations of continued strength in butter prices. The all milk price is narrowed to \$12.40-\$12.90 per cwt.

Item	2001/02 <u>1/</u>	2002/03 Estimated <u>1/</u>		2003/04 Projection <u>1/</u>		
		December	January	December	January	
BILLION POUNDS						
SUPPLY						
BEGINNING COMMERCIAL STOCKS <u>2/</u>	8.8	11.2	11.2	11.0	11.0	
PRODUCTION	169.2	169.9	169.9	171.0	170.6	
FARM USE	1.2	1.1	1.1	1.0	1.0	
MARKETINGS	168.0	168.8	168.8	170.0	169.6	
IMPORTS <u>2/</u>	5.2	4.9	4.9	4.9	5.0	
TOTAL COMMERCIAL SUPPLY <u>2/</u>	182.0	185.0	185.0	185.9	185.6	
USE						
COMMERCIAL USE <u>2/ 3/</u>	170.5	172.7	172.7	176.7	176.6	
ENDING COMMERCIAL STOCKS <u>2/</u>	11.2	11.0	11.0	8.8	8.8	
CCC NET REMOVALS:						
MILKFAT BASIS <u>4/</u>	0.3	1.2	1.2	0.4	0.2	
SKIM SOLIDS BASIS <u>4/</u>	9.6	9.2	9.2	5.9	6.2	
DOLLARS PER CWT.						
MILK PRICES <u>5/</u>						
CLASS III <u>6/</u>	11.03	10.63	10.63	11.10-11.70	11.20-11.70	
CLASS IV <u>6/</u>	11.22	10.05	10.05	9.80-10.60	10.00-10.70	
ALL MILK <u>7/</u>	12.74	11.90	11.90	12.35-12.95	12.40-12.90	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS <u>4/</u>						
BUTTER	0	29	29	10	1	
CHEESE	9	47	47	10	10	
NONFAT DRY MILK	817	751	751	500	525	
DRY WHOLE MILK	0	0	0	0	0	
		QUARTERLY <u>8/</u>			ANNUAL <u>8/</u>	
		2004 I	2004 II	2004 III	2003	2004
BILLION POUNDS						
MILK PRODUCTION	43.2	44.1	41.9	169.8	171.2	
DOLLARS PER CWT.						
ALL MILK PRICE <u>5/ 7/</u>	12.40-12.80	11.15-11.85	11.50-12.50	12.51	11.95-12.75	
CLASS III PRICE <u>5/ 6/</u>	10.75-11.15	10.15-10.85	10.60-11.60	11.42	10.65-11.45	
CLASS IV PRICE <u>5/ 6/</u>	10.10-10.60	9.75-10.55	9.95-11.15	10.00	9.95-10.95	

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-406, World Agricultural Outlook Board, USDA, January 12, 2004.

2003 MONTHLY AVERAGES

AREA and PRODUCT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVERAGE*
DRY PRODUCTS													
NONFAT DRY MILK													
CENTRAL/EAST - LOW/MEDIUM HEAT	0.8562	0.8347	0.8375	0.8375	0.8375	0.8338	0.8419	0.8480	0.8500	0.8523	0.8500	0.8477	0.8439
-- MOSTILY	0.8557	0.8258	0.8304	0.8247	0.8225	0.8200	0.8292	0.8425	0.8513	0.8513	0.8513	0.8477	0.8377
CENTRAL/EAST - HIGH HEAT	0.9133	0.8895	0.8875	0.8875	0.8875	0.8913	0.8945	0.9038	0.9050	0.9050	0.9050	0.9061	0.8980
WEST - LOW/MEDIUM HEAT	0.8532	0.8444	0.8380	0.8377	0.8388	0.8395	0.8391	0.8414	0.8423	0.8413	0.8400	0.8388	0.8412
-- MOSTILY	0.8148	0.8068	0.8037	0.8023	0.8013	0.8013	0.8015	0.8079	0.8075	0.8075	0.8075	0.8088	0.8059
WEST - HIGH HEAT	0.8692	0.8399	0.8348	0.8333	0.8307	0.8350	0.8341	0.8437	0.8408	0.8425	0.8425	0.8438	0.8409
DRY BUTTERMILK													
CENTRAL	0.7260	0.7026	0.6957	0.6891	0.6869	0.6854	0.7728	0.8637	0.8750	0.8750	0.9657	0.9738	0.7926
WEST	0.7387	0.7263	0.7250	0.7173	0.6943	0.6905	0.7281	0.8057	0.8324	0.8518	0.8650	0.8650	0.7700
-- MOSTILY	0.7429	0.7300	0.7298	0.7150	0.6948	0.6783	0.7248	0.8120	0.8386	0.8486	0.8550	0.8577	0.7690
NORTHEAST	0.7551	0.7196	0.7132	0.7088	0.7011	0.6900	0.7073	0.7573	0.8030	0.8185	0.8407	0.8450	0.7550
SOUTHEAST	0.7908	0.7538	0.7496	0.7370	0.7275	0.7210	0.7289	0.7904	0.8521	0.8573	0.8817	0.8900	0.7900
WHEY POWDER													
CENTRAL -	0.1594	0.1587	0.1602	0.1555	0.1407	0.1416	0.1558	0.1690	0.1836	0.1989	0.2026	0.1942	0.1684
-- MOSTILY	0.1595	0.1575	0.1575	0.1542	0.1420	0.1404	0.1538	0.1677	0.1838	0.1952	0.1999	0.1945	0.1672
NORTHEAST - EXTRA AND GRADE A	0.1765	0.1688	0.1688	0.1654	0.1579	0.1549	0.1631	0.1768	0.1926	0.2072	0.2125	0.2100	0.1795
SOUTHEAST - EXTRA GRADE	0.1899	0.1869	0.1875	0.1830	0.1739	0.1721	0.1830	0.1977	0.2120	0.2258	0.2358	0.2287	0.1980
WEST -	0.1870	0.1648	0.1574	0.1495	0.1418	0.1400	0.1535	0.1762	0.1845	0.1902	0.1931	0.1891	0.1689
-- MOSTILY	0.1816	0.1586	0.1525	0.1431	0.1355	0.1380	0.1515	0.1717	0.1836	0.1931	0.1947	0.1818	0.1655
ANIMAL FEED													
CENTRAL - MILK REPLACER	0.1475	0.1443	0.1442	0.1392	0.1289	0.1287	0.1426	0.1528	0.1699	0.1797	0.1869	0.1813	0.1538
CENTRAL - ROLLER GROUND	0.1703	0.1650	0.1650	0.1650	#								
LACTOSE													
CENTRAL AND WEST	0.1950	0.1950	0.1951	0.1975	0.1975	0.1980	0.2141	0.2150	0.2157	0.2287	0.2300	0.2314	0.2094
-- MOSTILY	0.1675	0.1700	0.1701	0.1766	0.1786	0.1805	0.1905	0.1949	0.2010	0.2125	0.2125	0.2142	0.1891
WHEY PROTEIN CONCENTRATE													
CENTRAL AND WEST	0.5220	0.5163	0.5231	0.5033	0.4521	0.4055	0.4347	0.4690	0.4954	0.5347	0.5531	0.5521	0.4968
-- MOSTILY	0.5125	0.5125	0.5086	0.4884	0.4530	0.4027	0.4127	0.4467	0.4827	0.5216	0.5522	0.5568	0.4875
DRY WHOLE MILK													
NATIONAL	1.1350	1.1250	1.1267	1.1023	1.0904	1.0913	1.0940	1.1146	1.1211	1.1311	1.1375	1.1464	1.1180
CASEIN REVIEW													
ACID	1.8750	1.8816	1.9226	2.0000	2.0000	2.0000	2.0432	2.0500	2.0583	2.1091	2.1500	2.1500	2.0200
RENNET	2.0083	2.0000	2.0012	2.0284	2.0500	2.0500	2.0716	2.0750	2.0833	2.1227	2.1500	2.1500	2.0659

* Yearly average is a simple average of the twelve monthly averages. # Price series was discontinued.

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

In October 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$14.88 per cwt., \$.60 more than the figure for the previous month. The component tests of producer milk in October 2003 were: butterfat, 3.71%; protein, 3.10%; and other solids, 5.67%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$17.73 in Florida to \$13.03 in the Northwest States. In October 2002, the Federal milk order all-area average mailbox price was \$11.99, \$2.89 lower.

Note: The mailbox price data series includes producer milk marketings that were not pooled under the Federal milk order system due to disadvantageous price relationships.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	October 2002	September 2003	October 2003
	Dollars per hundredweight		
Northeast Federal Milk Order	11.74	14.49	15.23
Appalachian States <u>3/</u>	12.42	14.67	15.22
Southeast States <u>4/</u>	13.24	15.51	15.97
Southern Missouri <u>5/</u>	11.92	14.22	14.71
Florida	15.50	17.25	17.73
Ohio	11.86	14.13	15.05
Michigan	11.68	13.90	14.60
Wisconsin	12.38	14.95	15.57
Minnesota	12.18	15.10	15.59
Iowa	12.13	14.68	15.31
Illinois	12.15	14.54	15.35
Corn Belt States <u>6/</u>	11.81*	13.45	13.75
Western Texas <u>7/</u>	12.14	13.95	14.36
New Mexico	11.10	13.13	13.39
Idaho	10.97	13.47	13.83
Utah	10.87	13.17	13.70
Northwest States <u>8/</u>	11.56	12.36	13.03
All Federal Order Areas <u>9/</u>	11.99	14.28	14.88
California <u>10/</u>	10.94	13.24	NA

*= Revised.

NA= Not available.

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 12 - 16, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 01/09/04	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-	337,555	-0-	-0-
Process	-0-	-0-	-0-	-0-	5,623,200	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	6,304,469	-0-	-0-
NONFAT DRY MILK							
Nonfort	28,116,943	597,575	27,519,368	160,049,199	138,194,019	861,234,000	1,020,675,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
TOTAL	28,116,943	597,575	27,519,368	159,930,151	138,194,019	907,625,000	1,067,066,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 12 - 16, 2004 =	6.1	320.3	COMPARABLE PERIOD IN 2003 =	9.9	163.2
CUMULATIVE SINCE OCTOBER 1, 2003 =	35.2	1,861.6	CUMULATIVE SAME PERIOD LAST YEAR =	88.6	1,671.0
CUMULATIVE JANUARY 1 - 16, 2004 =	9.7	502.2	COMPARABLE CALENDAR YEAR 2003 =	14.5	405.4

* 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 JANUARY 12 - 16, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	1,756,058	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	23,464,042	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	2,299,268	-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-	5,623,200	2,606,034	2,749,365	1.7	59.3
WEST	-0-	-0-	-0-	681,269	154,762,518	135,444,654	96.6	40.7
EAST	-0-	-0-	-0-	-0-	2,561,599	-0-	1.7	0.0
TOTAL	-0-	-0-	-0-	6,304,469	159,930,151	138,194,019	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 12/27/03 & Comparable Week 2002

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.6	5.1	3.0	13.8	1.4	0.3	0.7	10.9	1.7	37.5	2,849.9	46.9	47.8
2002-Dairy	0.1	0.6	4.4	2.7	16.2	1.4	0.3	0.7	11.2	1.4	38.9	2,593.2	46.5	46.0
2003-All cows	0.2	0.7	6.7	7.8	21.9	10.6	13.2	3.0	12.1	3.7	80.0	5,961.9		
2002-All cows	0.1	0.7	5.9	8.1	25.3	10.9	11.2	3.3	12.4	5.7	83.6	5,631.9		

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