

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (02/20):**  
**BUTTER:** Grade AA closed at \$1.8050. The weekly average for Grade AA is \$1.8100 (+.1492).

**CHEESE:** Barrels closed at \$1.4325 and blocks at \$1.4625. The weekly average for barrels is \$1.3913 (+.0743) and blocks, \$1.4275 (+.0730).

**BUTTER:** Butter markets are firm with prices sharply higher. Producers, handlers, traders, and buyers continue to question, where is this market headed? Recent strength in the butter futures market is often causing those associated with the cash butter market to anticipate further strength. Churning activity across the country is seasonally steady. Domestic butter stocks are adequate to cover current needs, but most interest is for bulk for needs later in the year. There have been more conversations among butter handlers and traders that butter imports may become a factor in the not-to-distant future. Depending on ocean freight and currency exchange rates, the current CME price is at or above high tier imported butter rates. Price strength in recent days is causing more buyers to reevaluate their buying patterns. Some buyers continue to place orders for short term needs, while others are switching gears and placing larger orders in hopes of beating further price gains.

**CHEESE:** The cheese market remains firm. Many traders expect prices may continue to increase. Current demand exceeds the available supply. Cash cheese prices at the Chicago Mercantile Exchange are the highest since early November. Typically, prices are steady to trending lower in February. Some buyers continue to try to increase inventory for later use. Some manufacturing plants are receiving smaller milk volumes and, with yields declining in some areas, less cheese is being produced.

**FLUID MILK:** Milk production is mostly steady throughout the nation. Surplus supplies of milk were available during the week due to the recent President's Day holiday. Florida's milk supply remains heavy and handlers continue to ship surplus milk out of state for processing. Reduced interest from Class I facilities was readily compensated by manufacturing demands. Despite increased milk intakes into manufacturing plants, milk supplies are reported as tight with most facilities operating at less than capacity. Condensed skim movement is steady. Class III condensed skim prices are lower and more in line with the price levels of NDM. The Class II condensed skim prices are generally changed. The fluid cream market is firm. Supplies are adequate to somewhat short of buyer's needs. Western supplies of fluid cream are fulfilling some supply deficiencies in the Central region. Cream prices are higher in response to increased multiples and butter prices with some buyers showing resistance to the unusually high prices. The undertone on cream supplies into the summer months is uncertain.

**DRY PRODUCTS:** Dry product markets are generally steady to weak. NDM supplies are heavier due to increased production over the holiday weekend and reduced interest as resale supplies from CCC programs displace current production. Buttermilk trade is light. Supplies are limited with production reported as unchanged to higher. Whey markets are steady to weak.

Demand is improving and supplies are in better balance yet movement is generally light. WPC prices are lower on a weak market. Lactose prices are unchanged with supply availability increasing at some locations.

**CCC:** During the week of February 16 – 20, CCC purchased 8,255,567 pounds of NDM including 8,350,675 pounds from the West and 651,701 pounds from the Central. Cancellations included 746,809 pounds from the East.

**DAIRY FORWARD PRICING PROGRAM DATA (DAIRY PROGRAMS):** USDA-AMS Dairy Programs has provided an additional table, "Table 6. Program Participating Producers by State," to "Information for the Period from September 2000 through June 2003." The report is available from the website: [http://www.ams.usda.gov/dairy/for\\_contr\\_pilot.htm](http://www.ams.usda.gov/dairy/for_contr_pilot.htm)

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for March 2004 is \$11.94, up \$0.35 from last month and \$2.13 higher than last year. This price is derived from the advanced Class IV skim milk pricing factor of \$5.96 and the advanced butterfat pricing factor of \$1.7675 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for March is \$6.66 and the Class II nonfat solids price is \$0.7400 per pound. The following are the two-week product price averages: butter \$1.5879, nonfat dry milk \$0.8085, cheese \$1.3054, and dry whey \$0.1691.

**DAIRY SITUATION AND OUTLOOK (ERS):** Milk production in 2004 is expected to be generally unchanged from 2003 due in part to the limited supplies of heifers and bovine somatotropin (BST). On January 1, 2004, there were 4,020,000 dairy replacement heifers (500 pounds and over) on farms, down more than 2% from a year earlier. At 44.7 heifers per 100 milk cows, the replacement herd was still large by historic standards—although possibly not large in light of the elevated culling of recent years. Heifers expected to enter the milking herd during the coming year were down 4% from a year earlier. The absence of imported Canadian heifers and cows will add extra tightness to replacement supplies. Live animals can no longer be brought in from Canada because of BSE-related restrictions. In recent years, imports of female dairy breeding stock from Canada have been equivalent to 1 to 2% of the U.S. heifer herd. It is uncertain when these restrictions will be relaxed.

**JANUARY MILK PRODUCTION (NASS):** Milk production in the 20 major States during January totaled 12.5 billion pounds, down 0.9% from January 2003. December revised production, at 12.3 billion pounds, was down 0.2% from December 2002. The December revision represented an increase of 0.5% or 62 million pounds from last month's preliminary production estimate. Production per cow averaged 1,620 pounds for January, 5 pounds above January 2003. The number of cows on farms was 7.72 million head, 92,000 head (0.1%) less than January 2003, but 5,000 head more than December 2003.

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

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

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

PRODUCT	MONDAY FEBRUARY 16	TUESDAY FEBRUARY 17	WEDNESDAY FEBRUARY 18	THURSDAY FEBRUARY 19	FRIDAY FEBRUARY 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	NO	\$1.3350 (+.0100)	\$1.3675 (+.0325)	\$1.4300 (+.0625)	\$1.4325 (+.0025)	+.1075	\$1.3913 (+.0743)
40# BLOCKS	TRADING	\$1.3775 (+.0025)	\$1.4100 (+.0325)	\$1.4600 (+.0500)	\$1.4625 (+.0025)	+.0875	\$1.4275 (+.0730)
BUTTER GRADE AA	HOLIDAY	----	\$1.8150 (+.1275)	----	\$1.8050 (-.0100)	+.1175	\$1.8100 (+.1492)

\*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](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, FEBRUARY 16, 2004 -- NO TRADING

TUESDAY, FEBRUARY 17, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.3350, 1 @ \$1.3250; 1 CAR 40# BLOCKS @ \$1.3775; OFFERS UNCOVERED: NONE

WEDNESDAY, FEBRUARY 18, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.3900; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.3675, 1 @ \$1.3450, 1 @ \$1.3350; 3 CARS 40# BLOCKS: 2 @ \$1.4100, 1 @ \$1.3825; OFFERS UNCOVERED: NONE

BUTTER — SALES: 17 CARS GRADE AA: 1 @ \$1.7875, 1 @ \$1.8000, 5 @ \$1.8125, 1 @ \$1.8200, 1 @ \$1.8175, 2 @ \$1.8200, 1 @ \$1.8175, 1 @ \$1.8100, 1 @ \$1.8200, 2 @ \$1.8100, 1 @ \$1.8150; BIDS UNFILLED: 39 CARS GRADE AA: 2 @ \$1.8100, 1 @ \$1.8000, 1 @ \$1.7950, 2 @ \$1.7925, 1 @ \$1.7875, 1 @ \$1.7850, 1 @ \$1.7750, 2 @ \$1.7700, 2 @ \$1.7650, 2 @ \$1.7600, 2 @ \$1.7550, 2 @ \$1.7400, 2 @ \$1.7325, 2 @ \$1.7300, 2 @ \$1.7275, 2 @ \$1.7225, 2 @ \$1.7200, 2 @ \$1.7150, 1 @ \$1.7100, 2 @ \$1.7050, 1 @ \$1.7000, 1 @ \$1.6950, 1 @ \$1.6900, 2 @ \$1.6875; OFFERS UNCOVERED: NONE

THURSDAY, FEBRUARY 19, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.4300, 1 @ \$1.3850, 1 @ \$1.3775; 3 CARS 40# BLOCKS: 1 @ \$1.4600, 1 @ \$1.4175, 1 @ \$1.4150; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 20, 2004

CHEESE — SALES: 1 CAR BARRELS @ \$1.4325; 1 CAR 40# BLOCKS @ \$1.4625; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4625; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA @ \$1.8150; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.8050

**BUTTER MARKETS**

**NORTHEAST**

The market tone remains firm. The CME cash price for butter continues to increase and is at levels never before seen in February. Contacts are concerned where prices may go this year, if they are approaching \$1.70 at mid-February. Churning activity is lighter in the Northeast where milk and cream supplies are lighter than they have been. There have been more conversations, among production contacts, that butter/butterfat imports may become a factor in the not-too-distant future. Depending on ocean freight and currency exchange rates, the current CME price is at or above imported butter costs. Domestic butter stocks are adequate to cover current needs, but most interest is for bulk for late-year needs. Packaged butter demand is lackluster. Retail sales are slowing now that prices are increasing. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

**CENTRAL**

The butter market tone remains firm. At midweek, the cash price jumped to \$1.8150, the highest cash price since late September 2001. The cash price is at a level that is causing more domestic buyers to consider importing non quota butter. Then next question is, from where? Oceania butter supplies are tight and limited to contractual commitments and Europe is just starting their new milk production season. More producers, handlers, and buyers are questioning if prices are at this point in February, where will they be by late summer? Current production is basically keeping pace with demand, although everyone from the producers to buyers are concerned about having sufficient supplies for future needs. This is typically the time of year when surplus butter is put

away for future needs, but this year inventories are not building at desired levels. The price strength in recent weeks is causing more buyers to reevaluate their buying strategies. Some buyers continue to place orders for short term needs, while others are switching gears and placing larger orders in hopes of beating further price gains. Retail store accounts are looking at the upcoming Easter/Passover holiday and preparing accordingly. Some retail feature activity is being planned, but others are considering not going through with promotions for this year. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

Western butter prices are trending sharply higher. Prices at the Chicago Mercantile Exchange trended upwards with a 12.75 cent spike to \$1.8150 on 2/18. The record high February price is causing both Western buyers and producers of butter more anxiety as future scenarios are played out. There are balanced comments on the direction of future butter pricing. The impact of imported butter could become more of a reality as those options become financially viable. Currently, volumes available on the world market are stated to be limited. Demand in the West remains good for both current commitments and future needs. Butter production is active in the region as cream remains available to the churns. Retail butter prices are moving higher to reflect increases in wholesale prices. Food service orders are holding steady. CME weekly butter stocks information was not available at release time of this report. Current prices for bulk butter range from flat market to 3 cents under 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	BARRELS 38% MOISTURE			
FEBRUARY 14	1,3048	1,2916	0,8091	1,6375	0,1695
	10,282,008	10,787,771	22,456,625	3,175,150	12,919,016

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

**CHEESE MARKETS**

**NORTHEAST**

Prices continue to increase and the market tone firms. The cash price for cheese at the CME has increased steadily since the last week of January. Talk of tighter milk supplies and lower cheese output during the last three-quarters of the year has many contacts trying to cover their needs as best they can. Cheese output in the Northeast is up slightly in some areas, steady in most others. School vacations in some states are providing a little more surplus milk this week. Producers of mozzarella are often increasing output now and freezing some. Cheddar producers are putting up cheese in aging programs. Current retail sales are seldom better than fair, unless featured. Food service orders are steady.

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

Cheddar 10# Prints	:	1.4225-1.9275
Cheddar Single Daisies	:	1.3800-1.8450
Cheddar 40# Block	:	1.4750-1.7450
Process 5# Loaf	:	1.5275-1.7275
Process 5# Sliced	:	1.5475-1.7850
Muenster	:	1.5950-1.7875
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is firm and prices continue to increase. Some traders expect additional price increases to occur, perhaps until peak spring milk intakes and/or schools begin to close for summer. Buyers are still trying to build inventory, often for later use. With cheese prices already rising for about a month, most plant operators are not in a hurry to make spot sales. Overall, current spot cheese offerings remain tight to short of needs. Would-be buyers are searching for aged cheddar, but most still are passing on the more expensive loads from 6 - 8 months ago. Barrel demand is very strong with supplies tight to short of needs. Process interest continues to improve and seems stronger than usual this early. Natural interest remains moderate to good but perhaps not quite as frantic as a few weeks ago. Mozzarella supplies are surprisingly tight for many producers. Yields seem to be declining seasonally though some plants were able to acquire more milk where schools closed for a brief February holiday.

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

Process American 5# Loaf	:	1.4975-1.6900
Brick And/Or Muenster 5#	:	1.7400-2.0100
Cheddar 40# Block	:	1.6400-2.1150
Monterey Jack 10#	:	1.8100-2.1150
Blue 5#	:	2.1050-2.4500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6400-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0500-2.6850

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

	BUTTER	:	CHEESE
		:	
02/16/04	44,121	:	132,479
02/01/04	41,294	:	134,423
CHANGE	2,827	:	-1,944
% CHANGE	7	:	-1

**WEST**

Buying interest for both natural and process cheese varieties is good. Prices have moved higher and reflect increases in cheese prices at the CME. Cheese production in the region is steady and mainly depends on milk volumes available. Some processors continue to skim and sell fat, which lowers yields. Other cheese makers are securing additional milk and condensed skim to increase output. Demand for cheddar cheese is good and clearing current offerings. Mozzarella sales activity runs from lower for several producers to steady for others. Swiss prices are unchanged with mixed reviews noted on product movement. Some sales areas are not moving as well as expected, while other areas are increasing.

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

Process 5# Loaf	:	1.4650-1.7250
Cheddar 40# Block	:	1.4850-1.8350
Cheddar 10# Cuts	:	1.6650-1.8850
Monterey Jack 10#	:	1.6750-1.8350
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Prices are unchanged to higher and the market tone is steady. Stocks of most types of cheese are adequate for current needs. However, imports are often more costly due to the continued strong Euro. Retail demand for foreign type cheese is fair to good and typical for this time of year.

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

			NEW YORK	
VARIETY	:	IMPORTED	:	DOMESTIC
	:		:	
Roquefort	:	TFEWR	:	-0-
Blue	:	2.6400-4.0500	:	1.7175-3.2075*
Gorgonzola	:	3.6900-5.9400	:	2.2350-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.1275-3.2175*
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.5000	:	1.7250-1.9525*
Romano (Cows Milk)	:	-0-	:	2.9150-5.0875*
Sardo Romano (Argentina)	:	2.8500-3.2900	:	-0-
Reggianito (Argentina)	:	2.6900-3.2900	:	-0-
Jarlsberg-(Brand)	:	2.7500-3.8900	:	-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	:	2.1900-3.4500	:	-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	96	0	74	0	52
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, January 2004 uniform prices: Northeast \$13.51, Mideast \$12.51, Southeast \$14.02, Florida \$15.54, and Western New York (a state order) \$13.32 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During January, milk production in the 20 major states totaled 12.5 billion pounds, down 0.9% from January 2003. The following are the January-to-January changes for selected states: Texas +9.1%, Florida -2.5%, Vermont -2.6%, New York -3.8%, Pennsylvania -7.0%, Virginia -8.2%, and Kentucky -9.0%. In another NASS report, the number of licensed dairy operations continues to fall. For the aforementioned states combined, they have 745 fewer dairy operations than 2002. The 2003 U.S. total, at 70,410 operations, is 3,700 (5.0%) fewer than 2002. This week, milk production is mostly steady throughout the East. Some small gains and decreases were noted, but most contacts reported little change in the milk flow. Fluid milk supplies were not as tight late last week and into this week. Many schools were closed on Friday and Monday for Presidents' Day and some Northeast states' schools were off all week. Florida's milk supply remains heavy and handlers continue to ship surplus milk out of state for processing. With the "Daytona Race Week" over, bottlers cancelled some loads this week. It was estimated that nearly a quarter of a million people attended the race and the week-long events leading up to it. Elsewhere, the need for bottled milk lessened this week, which created some very-welcomed surplus milk. The demand for this extra milk is good and it cleared quickly. Manufacturing plant schedules did increase, but most operations are still not running too many days a week. The condensed skim market is steady. However, in response to lower estimated Class III skim prices for February, prices for Class III wet solids did move and are approaching the price levels of NDM. The Class II condensed skim prices are little changed. The fluid cream market is firm. Supplies are not short of needs, but neither are they long. Demand is steady, but buyers are showing some resistance to the unusually high prices. The CME cash butter price is at record levels for February and this easily translated into cream prices above \$2.10 per pound of butterfat. Multiples are mostly steady, but a few reports of lower overages were noted. Ice cream producers are taking regular volumes, but they also know the spring is not too far away and production levels may be increasing in the near future. Buyers and sellers all expect high ingredient prices and tight supplies this year. Some wonder if cream prices are this high now, what will they be like in the summer? Cream cheese production is mostly steady. This is a little surprising to some contacts who expect output to dip slightly after January. They feel it may be a case of make the product now before fat and milk prices move any higher. Churning activity is steady at light to moderate levels.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9930-2.2919
DELIVERED EQUIVALENT ATLANTA	-	2.0760-2.3251 M 2.1590-2.2421
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0760-2.1923

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	- .8300-.9000

## M I D W E S T

Class I demand was steady to occasionally lighter, despite the closing of many schools for a day or two during the past week for a short, February holiday. For one bottler, the slower schedule just put them back to a normal level from

the above average volumes so far this year. Manufacturing milk demand remains strong though a few short term plant problems caused more milk to head to other manufacturing plants. Reported spot manufacturing milk prices ranged from \$1.50 - \$2.00, net over class. Handlers continue to have difficulty in filling all orders due to tight supplies. Tight butter supplies and higher prices have buyers beating the bushes for additional supplies. Some California cream is being shipped into the region. Current plant milk receipts are uneven and range the gamut from lower to up slightly on a week to week basis. Many in the industry are concerned with the prospect for significantly tighter milk supplies later this year. Fat tests are declining seasonally in incoming milk. The January 2004 initial estimated milk production in selected Midwestern states compared with January 2003 is: Wisconsin 1.88 billion pounds, down 18 million pounds (-0.9%); Minnesota 704 million pounds, off 26 million pounds (-3.6%); Michigan 536 million pounds, up 3 million pounds (0.6%); and Iowa 314 million pounds, down 16 million pounds (-4.8%). The January cow number was below last year in each of these states with only Minnesota also showing a decline in the average milk production per cow.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 51.00	\$ 37.00- 42.00
REPLACEMENT HEIFER CALVES	\$310.00-410.00	\$300.00-430.00

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

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 52.90	\$ 37.00- 44.00

## W E S T

January milk production in the 20 surveyed states totaled 12.5 billion pounds, 0.9% lower than December 2003. December 2003 production totals were revised higher to 0.2% lower than a year earlier. Milk cows in the 20 states totaled 7.718 million head, down 92,000 head (-1.2%) from January 2003. January 2004 output for selected Western states compared to last year is as follows: Arizona +2.3%, California -0.2%, Idaho +5.1%, New Mexico +5.9% and Washington -3.0%. National rankings for Western states based on total milk production for calendar year 2003 are: CA 1st; ID 5th; NM 7th; WA 10th; AZ 13th; CO 16th; OR 17th; UT 23rd; NV 35th, MT 39th; and WY 48th. Milk production in CALIFORNIA is steady to trending slightly higher. Warmer weather conditions into the early part of this week were helpful for milk growth in the south and Central Valley regions. However, rains this week are expected to temper growth for a period. Several plants were down for scheduled maintenance for parts of days, which disrupted movements of milk. Milk output is stagnant in the northern portions of the state and slow to come off seasonal low levels. Haying is beginning in the Imperial Valley. Fluid demand is mostly steady across the state with orders from retail, food service, and institutions, following recent patterns. Milk production in ARIZONA is mostly steady with some milk sheds moving higher seasonally. Plants in the state are operating on normal schedules. Output in NEW MEXICO is steady at levels above a year ago. Cows and facilities are being added in the state and total output is moving higher versus a year ago. Milk continues to move to the Southeast under contract. Plants in the state are taking normal volumes of milk. The Western CREAM market remains firm. Butter prices at the CME closed at \$1.8150 on Wednesday, February 18. The high and increasing price has also pushed up the basing point for cream prices. However, multiples are little changed in the 115 to 130 range. Demand for cream is still good from local and out of region buyers. Cream is moving to a variety of classes and products. There is a great deal of concern and speculation about current and future pricing of butter and cream. Rains and winter weather conditions are negatively affecting milk production in the PACIFIC NORTHWEST. Plants are receiving less milk than desired. Hay is available in the region at lower prices than recent weeks. Lack of exporting is leaving more hay on the market. Dairy producers are pleased with higher prices for milk futures but concerned over higher feed costs. Cold conditions and snow in the MOUNTAIN STATES are impacting the milking herds. Milk production is lower than expected and plants have capacity and willingness to manufacture more dairy products. This is especially true as commodity prices for butter and cheese increase.

**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 higher on a mostly steady market. Movement is mostly contractual. Interest in high heat NDM is good with some producer's increasing their premiums. Plenty of resale CCC NDM is available at prices generally below the bottom of the range. CCC purchases from the Central region are noted for the current week. Some cheese plants continue to secure loads for the summer months in light of possible decreases in the milk supply. Production is steady with inventories reported in good balance.

EAST: Prices are mostly steady and the market tone is unchanged. Production levels remain light. However, this week brought a little more surplus milk to some operations. Many schools were closed on Presidents' Day and some states were on recess this whole week. This did provide additional and welcomed volumes of surplus milk to butter/powder plants. Demand for condensed skim remains fairly good. Drying runs were often for high or medium heat NDM for contract customers. Current demand is mostly steady. There were no offers of Eastern NDM to CCC. Producer stocks are balanced. Some produces have a little on hand while others have sold all they had and have most of their February output already committed. The Government exchange programs continue to get a lot of discussion. Some traders state that this type of power is getting the majority of the "play" in the market. It is all a matter of price. There are reports of NDM from a government donation program being offered on the market.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .8800 MOSTLY: .8100 - .8550  
 HIGHHEAT: .8500 - .9550

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices are unchanged and the market tone is steady to slightly weak. There remains excess NDM on the market that has to be cleared to the CCC to balance stocks. The influence of program NDM continues. Buyers are looking for the best price on powder and often finding better deals on program powder. There are several reports of offerings being made from a donation program at below current market prices. Demand for NDM and condensed skim from cheese producers is improving. During the week of February 9 - 13, CCC purchased 20.7 million pounds of NDM from the West. High heat NDM prices are slightly higher and reflect changes to formula pricing. Demand is slightly improved this week and more interest and movement noted. Seasonal interest is evident. High heat stocks are light.

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
February 13	\$.8023	10,810,197	5,322,907
February 6	\$.8020	14,949,642	7,892,662

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 and nominal on a steady market. Spot sales remain light and within the range. Most movement continues to occur on a contractual basis. Buyers are most able to secure supplies from the West. Production is unchanged to higher with most producers retaining supplies to guarantee delivery on contracts. Inquiries are light as most buyers are aware of the limited supply availability in the Central region. Perspectives remain mixed on supplies during the summer months, especially as ice cream production seasonally increases.

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

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are mostly steady. However, some producers, in light of lower production and light stocks, are contemplating price increases in the near future. The Northeast prices are nominal. Spot trading activity is light. Churning activity ranges from light to moderate in the East. Producer stocks are closely balanced. Demand is most often from regular accounts and LTL buyers.

F.O.B. NORTHEAST: .8600 - .8800  
 DELVDSOUTHEAST: .9000 - .9200

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are mixed in light spot trading. The market tone is generally steady to even slightly stronger. Offerings of buttermilk are slightly higher on a limited basis. Drying schedules are active and some producers are having more liquid buttermilk available. Others are still catching up on orders and some are storing for later needs. Demand is light to fair. The increase in fat values is expected to help demand for buttermilk in the near term. Stock levels are light to moderate.

F.O.B. WEST: .8500 - .9150 MOSTLY: .8700 - .8900

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged and nominal. However, as the butter price at the CME continues to climb, more producers are expected to adjust their dry whole milk prices to reflect the value of the butterfat. The market tone is unchanged. Spot buying interest is light to fair. Production levels are generally light and limited to meeting contracts. Plant stocks are closely balanced.

F.O.B. PRODUCING PLANT: 1.1250 - 1.2800

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 - YTD  
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 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 to lower on a generally steady market. Offering prices are mostly reported at the average with some producers attempting trade at standard premiums for the light to fair interest. Export demand is improving compared to the week prior. Some renewed interest from the feed sector is also noted. Production is seasonally steady. Stocks are reported as in balance yet most operations are able to offer additional loads upon request. Permeate is noted as a competitive substitute to whey.

F.O.B. CENTRAL: .1600 - .1725 MOSTLY: .1625 - .1725

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are mostly steady and the market tone is unchanged. Northeastern prices are nominal. Cheese and dry whey production in the Northeast is lighter than expected for mid-February. Surplus milk supplies are tight. Dry whey supplies range from temporarily sold out to adequate. This tighter producer supply isn't having too much of an impact on the market because demand remains lackluster. Buyers seem to be doing more shopping as they feel that prices are nearing the bottom of this cycle. Some producers and traders are holding/storing uncommitted stocks amid predictions of tight milk supplies and lower whey output later this year. Due to scattered school closings, there was a little more milk available to some cheese makers this week, but volumes are expected to return to regular levels as bottling resumes late this week.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1700 - .1950  
DELVD SOUTHEAST: .1925 - .2075

**DRY WHEY - WEST**

Dry whey prices in the West continue to trend slightly lower as the market tone remains weak. Several producers are discounting stocks in attempts to keep product moving. Offering prices from others are trying to be held and some producers are trying to reestablish premiums. The overall availability of powder is creating opportunities to export, but some channels remain slow as those buyers don't yet want to buy. Production schedules are active in the region and reflect cheese production. Stocks levels vary from in balance to long.

NONHYGROSCOPIC: .1475 - .1950 MOSTLY: .1550 - .1650

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a steady to weak market. Offering prices are being met with resistance at some locations, especially since some Extra Grade prices are trading near the high end of the range. Supplies are not burdensome as producers are generally not aggressive in pursuit of sales. Early weaned pig prices are trending lower while veal prices are steady to higher.

F.O.B. CENTRAL:  
MILK REPLACER: .1500 - .1600

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Demand is improved compared to the week prior. Movement is noted into domestic feed accounts and the Asian market for edible use. Many buyers continue to wait for the market to bottom before making additional purchases. Some are also bidding prices as low as 40 cents on block shipments and meeting resistance from producers. Supplies of WPC 80% vary with some stocks competitive with the 34% market. WPC 34% supplies are reported as in balance for brand specific product and heavy on Extra Grade supplies. Production is mostly steady.

F.O.B. EXTRA GRADE 34% PROTEIN: .4400 - .5000 MOSTLY: .4600 - .4800

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a mostly steady market. Most trading is occurring on a contractual basis with some spot sales reported at the lower end of the range. Supplies are more available than in the previous month yet stocks are not heavy and production is generally unchanged. Traders believe the market will need to adjust lower due to available lower priced substitutes such as whey and permeate in addition to variant export demand. Producers report that demand is steady on domestic and export markets and indicate a relatively stable market into second quarter. Feed grade supplies are available for the light interest.

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

F.O.B. EDIBLE: .2000 - .2700 MOSTLY: .2200 - .2300

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Domestic buyers are basically getting their contracted volumes, although additional or spot needs are difficult to locate. In most instances, regular suppliers are just making ends meet with no additional casein available for spot needs, even to ongoing or regular customers. The production season has now ended in the Oceania with Europe's just getting underway. Some international suppliers are looking to other sources to locate additional volumes to fully fill their contract commitments.

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: 2.2500 - 2.4000  
ACID: 2.2500 - 2.4500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Surplus milk volumes continue to be a concern to producers. Surplus milk is much tighter than a year ago and there are no indications that supplies will be anything but tight for most of this year. Evaporated milk producers who were, a year ago, buying low-priced milk at discounts are finding that this year's milk prices are not only higher, often command premiums over the class price. Consequently, current inventory build up isn't as aggressive as it was a year ago. Demand is slow. The Kansas City Commodity office announced the issuance of EVD-1, invitation 790 inviting competitive offers to sell to CCC 4,149,360 pounds of evaporated milk for delivery March - May 2004. Offers are due by 9:00 a.m. CDT, February 23, 2004.

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 <sup>1/</sup>

Month	02/04	02/05	02/06	02/09	02/10	02/11	02/12	02/13	02/16	02/17
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
FEB 04	11.75 (2503) 68	11.77 (2256) 392	11.77 (2258) 8	11.75 (2247) 13	11.77 (2218) 108	11.79 (2217) 24	11.78 (2223) 12	11.78 (2225) 55	NO TRADING	11.80 (2223) 9
MAR 04	12.20 (2481) 96	12.20 (2516) 57	12.26 (2502) 45	12.27 (2479) 46	12.31 (2481) 41	12.41 (2452) 82	12.48 (2456) 97	12.65 (2456) 153		12.85 (2474) 94
APR 04	12.73 (2035) 102	12.66 (2104) 131	12.65 (2123) 137	12.66 (2075) 104	12.72 (2090) 28	12.80 (2047) 134	12.85 (2074) 179	13.09 (2103) 118		13.26 (2125) 264
MAY 04	12.95 (2009) 146	12.92 (2067) 151	12.89 (2147) 185	12.93 (2127) 111	12.98 (2187) 127	13.04 (2137) 154	13.08 (2200) 217	13.27 (2195) 137		13.44 (2272) 274
JUN 04	13.26 (1790) 107	13.22 (1820) 104	13.20 (1810) 49	13.24 (1787) 89	13.31 (1836) 81	13.35 (1847) 128	13.36 (1879) 132	13.52 (1913) 146		13.72 (2000) 231
JUL 04	13.86 (1751) 68	13.79 (1754) 66	13.73 (1765) 37	13.69 (1756) 52	13.73 (1794) 85	13.79 (1774) 72	13.77 (1790) 107	13.88 (1844) 143		14.05 (1919) 182
AUG 04	14.20 (1786) 67	14.10 (1775) 67	14.02 (1846) 125	13.98 (1853) 60	14.05 (1879) 151	14.10 (1871) 82	14.12 (1878) 50	14.20 (1923) 98		14.35 (1989) 127
SEP 04	14.65 (1987) 52	14.59 (1998) 110	14.57 (2008) 46	14.52 (2046) 70	14.55 (2027) 97	14.57 (2047) 65	14.57 (2071) 57	14.70 (2121) 102		14.82 (2220) 393
OCT 04	14.05 (1558) 83	14.00 (1563) 65	13.96 (1579) 48	13.89 (1594) 29	13.92 (1614) 78	13.94 (1630) 35	13.93 (1643) 18	14.00 (1705) 107		14.18 (1738) 118
NOV 04	13.20 (1202) 41	13.19 (1208) 76	13.15 (1232) 60	13.15 (1268) 57	13.14 (1278) 54	13.10 (1279) 20	13.10 (1282) 31	13.14 (1293) 56		13.14 (1340) 112
DEC 04	12.45 (829) 16	12.45 (836) 56	12.40 (853) 41	12.35 (855) 10	12.35 (859) 26	12.30 (859) 19	12.26 (865) 16	12.35 (875) 49		12.40 (895) 56
JAN 05	12.03 (83) 0	12.02 (83) 0	12.00 (85) 11	12.05 (88) 3	12.03 (88) 2	12.07 (89) 2	12.05 (89) 4	12.07 (90) 3		12.10 (89) 6
FEB 05	11.80 (23) 0	11.79 (19) 4	11.79 (18) 4	11.80 (18) 1	11.90 (18) 0	11.90 (19) 1	11.90 (19) 2	11.90 (19) 0		11.90 (19) 0
MAR 05	11.90 (33) 1	11.88 (33) 0	11.80 (31) 2	11.80 (32) 1	11.70 (32) 0	11.71 (33) 1	11.71 (33) 0	11.71 (33) 0		11.71 (33) 0
APR 05	11.60 (21) 0	11.60 (21) 0	11.60 (19) 2	11.60 (19) 0	11.60 (19) 0	11.60 (20) 1	11.60 (20) 0	11.60 (20) 0		11.60 (20) 0
MAY 05	11.60 (21) 0	11.60 (21) 0	11.60 (19) 2	11.60 (19) 0	11.60 (19) 0	11.60 (20) 1	11.60 (20) 0	11.60 (20) 0		11.60 (20) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
FEB 04	11.55 (5) 0	11.55 (5) 0	11.55 (5) 0	11.55 (5) 0	11.55 (5) 0	11.55 (5) 0	11.55 (5) 0	11.70 (5) 0	NO TRADING	11.70 (5) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAR 04	164.00 (123) 54	167.10 (117) 11	168.00 (114) 16	171.00 (113) 2	171.25 (108) 5	171.25 (102) 6	171.75 (107) 13	174.00 (111) 5	NO TRADING	179.00 (111) 0
MAY 04	167.75 (182) 46	169.25 (183) 1	171.00 (185) 2	176.00 (186) 2	173.00 (184) 9	176.00 (182) 4	176.00 (181) 1	176.00 (183) 3		181.00 (183) 0
JUL 04	169.00 (169) 11	171.25 (179) 10	172.50 (187) 11	177.00 (187) 1	177.00 (191) 11	178.00 (193) 6	178.00 (193) 2	178.00 (195) 3		183.00 (195) 0
SEP 04	169.00 (16) 1	174.00 (16) 0	174.00 (16) 0	177.00 (16) 0	177.00 (21) 5	180.00 (21) 0	180.00 (21) 0	180.00 (24) 3		185.00 (24) 0
OCT 04	169.50 (15) 0	169.50 (15) 0	169.50 (15) 0	174.00 (17) 2	175.00 (19) 2	180.00 (19) 0	180.00 (19) 0	180.00 (22) 4		185.00 (22) 0
DEC 04	171.00 (25) 2	172.50 (34) 18	174.00 (47) 13	178.00 (47) 0	177.00 (49) 4	177.00 (49) 0	177.00 (51) 5	177.00 (54) 13		182.00 (54) 0

<sup>1/</sup> 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 February 9 - 20, 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 ANDEASTERNEUROPE

**OVERVIEW: WESTERN EUROPE:** Several factors are affecting the European dairy market. Producers in countries such as Germany, the United Kingdom, Denmark, and the Netherlands are trying to reduce their milk marketing to minimize their over quota volume and penalty for the quota year that ends March 31. Otherwise milk production seems to be increasing seasonally though the pattern does not yet seem to be quite as pronounced as usual. Internal EU producer milk and dairy product prices are steady to mostly lower seasonally. Export prices, expressed in dollars, fluctuate considerably day to day. However, when priced in Euros, internal prices are frequently lower. With the EU set to expand by adding countries in May and reducing internal dairy product prices in July, producers and exporters are cautious and somewhat confused about inventory positioning and price forecasts. The EU commission is only putting out export refunds on dairy products through April 30 shipment, which affects exporters trying to make the long term deals that some buyers prefer. The strong Euro compared to the U.S. dollar and the limits of export refunds on butter sales to the U.S. may delay, at least short term, butter(fat) sales to the U.S. Butter is moving into intervention in Germany, Ireland, Italy, and Spain with current expectations of large volumes being offered. A new intervention scheme for butter starts March 1.

**BUTTER/BUTTEROIL:** The butter market is weak and extra butter is moving into intervention from several countries. At least a few forecasts have sizeable volumes being offered into intervention. The EU expansion in May and reduction in internal prices in July has increased the uncertainty for traders. Producers in some countries are trying to limit milk sales to minimize the over quota penalty for the year ending in March.

82% BUTTERFAT: 1,540 - 1,600  
99% BUTTERFAT: 1,700 - 2,000

**SKIM MILK POWDER (SMP):** The skim powder market is weak. Prices expressed in Euros are unchanged to generally lower though those adjusted into U.S. dollars may be higher. Fairly good international activity is noted for short term deals for shipment through April 30. Traders are reluctant to make commitments for shipment in May or later due to the uncertainty over export refunds.

1.25% BUTTERFAT: 1,745 - 1,840

**WHOLE MILK POWDER (WMP):** The whole milk market is steady to lower, depending on currency exchange rates. Internal EU prices are steady to lower. Current activity centers on shipments that are made before May 1. Current production is light with inventory stocks available for purchase.

26% BUTTERFAT: 1,855 - 1,950

**SWEET WHEY POWDER:** The whey market is steady to weak. Current production remains light though increasing as milk intakes start to increase seasonally. Internal demand is steady. European prices are often higher than some other international sources.

NONHYGROSCOPIC: 510 - 550

**EASTERN EUROPE:** Current export activity is quiet due to supply. Limited feed availability is affecting milk receipts in some Baltic countries. Supplies of dairy products are currently limited. Milk production seems to be increasing seasonally. Supplies available for export are minimal.

Exchange rates for selected foreign currencies: FEBRUARY 17, 2004

.7631 Canadian Dollar .0221 Indian Rupee  
.3416 Argentina Peso .7096 New Zealand Dollar  
.0917 Mexican Peso .7984 Australian Dollar  
.2634 Polish Zloty .0095 Japanese Yen  
1.2836 Euro

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in Australia and New Zealand continues to seasonally decline. In Australia, hot temperatures in Northern Victoria are taking a toll on pastures. In recent days, temperatures around 45 Celsius (104 Fahrenheit) were recorded in the region. Although milk production is declining, milk producers and handlers are hopeful that farmers have enough water to irrigate their properties as the season winds down. Milk production figures have not been released recently, although most producers and handlers continue to feel that output is running well behind last year. With recent hot temperatures, many feel that a strong finish to the season will probably not occur this year. In New Zealand, heavy rains have occurred in the major dairying areas of the North Island. This rainfall is having both a positive and negative impact on production trends for the country. Moisture at this time of the season is good for sustained pasture growth, although wet conditions are often more difficult on the milking herd. Stocks of manufactured dairy products remain in close balance. In most instances, handlers and traders are focusing on meeting their contractual commitments. Most handlers still feel that they will not have any or very limited amounts of surplus product to offer as the production season winds down. Prices are steady to firm with cheese in the firmest position. Oceania traders indicate that they have been receiving some inquiries from U.S. buyers looking for butter. At this point, Oceania suppliers are not committing to these inquiries, but are leaving the door open in the event that stocks are available after their commitments are filled. In the U.S., cash butter prices through February 18 now at levels that may trigger imports of non quota butter. U.S. buyers are in the international market looking for additional butter supplies as many feel that domestic production will not keep pace with demand, thus additional stocks will be needed for later in the year.

**BUTTER:** Oceania butter markets and prices are basically unchanged. The milk production season is declining, thus is butter output. Stocks of butter are in close balance. Most handlers and traders are filling contractual commitments before acknowledging spot buyer inquiries at this time. Some traders indicate that U.S. buyers are inquiring about butter for their needs. U.S. butter prices are now at levels that may trigger imports of butter above quota levels.

82% BUTTERFAT: 1,500 - 1,700

**CHEDDAR CHEESE:** Oceania cheese markets are firm. Milk production in Oceania is declining seasonally, thus, when possible, milk is being directed toward cheese production. For the most part, stocks of cheese are adequate to maintain timely shipping schedules with limited stocks for spot buyer interest.

39% MAXIMUM MOISTURE: 2,300 - 2,550

**SKIM MILK POWDER (SMP):** Skim milk powder prices are unchanged, although the market tone is firm. Powder production in Oceania, following milk production trends, is declining seasonally. In most instances, powder stocks are tight and basically limited to contractual needs. Most handlers and traders indicate that they have no additional powder supplies for spot needs and are hopeful that they will have sufficient stocks for known needs.

1.25% BUTTERFAT: 1,800 - 1,900

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets are firm, although prices are unchanged. Stocks of powder are in close balance and basically limited to contractual needs. Most handlers and traders indicate that they are not acknowledging spot buyer interest at this time, but are aware of potential buyers should surplus volumes appear later in the season.

26% BUTTERFAT: 1,800 - 1,900

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0917)= 10.9051. That is 1 US Dollar equals 10.9051 Mexican Pesos.

Source: *Wall Street Journal*

## THE DAIRY OUTLOOK

### 2004 Milk Production Now Seen Steady

Recent information led to lower projected 2004 milk production, now expected to be about unchanged from 2003. The January 1 cattle inventory indicated that supplies of dairy replacements will be significantly smaller than a year earlier. More importantly, availability of bovine somatotropin (BST) will be quite limited because the maker has imposed allocations that are expected to extend until the end of 2004.

On January 1, 2004, there were 4,020,000 dairy replacement heifers (500 pounds and over) on farms, down more than 2 percent from a year earlier. At 44.7 heifers per 100 milk cows, the replacement herd was still large by historic standards—although possibly not large in light of the elevated culling of recent years. The largest decline from a year ago was for older heifers. Heifers expected to enter the milking herd during the coming year were down 4 percent from a year earlier. At the start of 2003, a relatively large share of the replacement herd was due to start milking that year.

The absence of imported Canadian heifers and cows will add extra tightness to replacement supplies. Live animals can no longer be brought in from Canada because of BSE-related restrictions. In recent years, imports of female dairy breeding stock from Canada have been equivalent to 1 to 2 percent of the U.S. heifer herd. It is uncertain when these restrictions will be relaxed.

Tighter replacement supplies had already been anticipated, and January replacement prices were similar to those of 2003. Demand for replacements has been considerably weakened by low milk prices and higher feed prices and probably has offset the effects of smaller supplies. In addition, the increase in farms leaving dairying has provided an alternative source of replacement cows.

**BST Availability Limited**--Monsanto, the maker of recombinant BST, has announced that current users of BST can buy only half their normal amount and no new customers will be accepted. The allocations are expected to run through the end of 2004 and replace the much more modest and shorter-lived allocations announced in December.

According to the National Animal Health Monitoring System of the Animal and Plant Health Inspection Service, about 22 percent of the milk cows in 2002 received BST during their current lactation. This implies that about 2 percent of the milk supply can be attributed to the use of BST.

The impact of the allocations is expected to be less than 1 percent for a number of reasons. Low milk prices and higher feed prices in 2004 likely would have discouraged BST use in any case. In addition, farmers probably had BST inventories on hand at the time the allocations were announced. Lastly, farmers selectively will eliminate those injections that they believe have the lowest odds of a profitable response, resulting in a less-than-proportional reduction in BST-induced milk.

### DAIRY FORECASTS (Calendar year basis)

	2003		2004				
	IV	ANNUAL	I	II	III	IV	ANNUAL
Milk cows (thous.)	9,007	9,085	8,965	8,930	8,900	8,870	8,915
Milk per cow (pounds)	4,588	18,674	4,805	4,905	4,665	4,675	19,050
<b>Milk production (bil. pounds)</b>	41.3	169.7	43.1	43.8	41.5	41.5	169.9
<b>Commercial use (bil. pounds)</b>							
milkfat basis	45.1	174.0	42.2	43.7	45.0	44.9	175.8
skim solids basis	41.7	164.8	41.0	42.0	43.1	42.8	168.8
<b>Net removals (bil. Pounds)</b>							
milkfat basis	0.0	1.2	-0.1	0.1	0.1	0.0	0.1
skim solids basis	0.9	8.7	2.1	2.1	1.1	0.3	5.6

**Source:** "Livestock, Dairy, and Poultry Outlook," LDP-M-116, February 17, 2004, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2001 TO 2003**  
(THOUSAND HEAD)

2001			2002			2003		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 6	108.1	55.3	Jan 5	101.2	47.4	Jan 4	97.6	48.1
13	134.0	65.6	12	129.3	59.5	11	131.5	63.7
20	117.2	57.7	19	120.6	56.1	18	130.8	63.8
27	115.4	57.8	26	107.3	51.2	25	119.7	59.3
Feb 3	112.5	57.0	Feb 2	103.0	50.4	Feb 1	114.3	55.0
10	110.1	55.1	9	102.3	49.7	8	116.4	55.9
17	110.7	54.5	16	104.9	51.4	15	112.8	57.8
24	111.4	54.2	23	104.8	49.3	22	109.6	53.5
Mar 3	110.3	55.7	Mar 2	97.2	48.0	Mar 1	108.7	56.9
10	111.5	55.7	9	98.1	49.7	8	117.4	59.9
17	110.8	55.3	16	107.5	48.4	15	121.3	61.1
24	109.7	54.6	23	104.2	48.6	22	121.9	62.9
31	109.6	52.8	30	100.7	46.4	29	108.6	54.1
Apr 7	102.2	50.8	Apr 6	99.2	47.8	Apr 5	111.4	56.4
14	94.9	47.0	13	104.6	48.0	12	109.1	53.8
21	102.6	47.7	20	103.7	48.1	19	113.1	54.0
28	110.7	49.3	27	101.7	46.1	26	112.3	53.8
May 5	107.9	47.1	May 4	98.4	46.3	May 3	111.9	53.4
12	106.5	47.2	11	98.9	44.4	10	112.8	52.7
19	105.8	44.8	18	103.9	44.4	17	112.3	51.7
26	109.6	46.3	25	108.7	47.2	24	112.6	50.3
Jun 2	95.1	41.3	Jun 1	91.6	39.2	31	101.5	44.1
9	107.1	46.1	8	108.1	46.1	Jun 7	123.0	54.5
16	97.4	41.7	15	104.4	46.2	14	112.4	50.8
23	99.0	41.8	22	109.7	46.6	21	105.1	47.0
30	109.7	45.8	29	110.6	48.1	28	103.7	46.7
Jul 7	88.6	37.5	Jul 6	87.9	39.1	Jul 5	87.2	41.3
14	104.1	47.4	13	107.5	49.7	12	110.1	52.3
21	105.6	45.6	20	109.2	49.6	19	111.3	49.9
28	100.3	41.8	27	105.7	47.6	26	109.4	50.5
Aug 4	101.2	42.4	Aug 3	105.7	48.4	Aug 2	109.6	50.9
11	98.2	43.4	10	101.8	46.9	9	112.5	52.7
18	106.4	46.7	17	106.4	48.7	16	118.7	53.5
25	110.6	48.9	24	110.6	50.2	23	119.3	52.5
Sep 1	107.4	47.4	31	113.8	53.9	30	114.5	53.3
8	91.5	43.3	Sep 7	99.8	47.8	Sep 6	100.4	49.9
15	105.4	47.4	14	110.3	51.8	13	117.6	55.8
22	108.0	47.3	21	112.2	53.7	20	121.1	58.6
29	112.4	50.3	28	115.1	54.6	27	124.5	61.9
Oct 6	111.7	49.3	Oct 5	114.6	52.5	Oct 4	119.7	59.5
13	112.1	48.8	12	115.3	53.3	11	113.5	57.1
20	116.8	50.3	19	116.7	51.8	18	121.6	61.2
27	125.7	52.5	26	123.3	54.1	25	133.4	64.4
Nov 3	125.3	51.2	Nov 2	125.7	56.2	Nov 1	130.6	60.2
10	126.5	53.7	9	121.7	57.1	8	125.3	59.3
17	124.3	53.7	16	124.3	55.7	15	127.4	59.7
24	96.9	42.0	23	125.4	56.0	22	131.7	62.0
Dec 1	120.0	54.9	30	101.1	46.4	29	96.2	45.3
8	122.9	55.8	Dec 7	122.2	58.3	Dec 6	126.7	61.1
15	116.3	53.6	14	124.4	58.4	13	126.7	59.8
22	116.7	52.9	21	123.1	58.0	20	121.2	58.4
29	82.0	37.9	28	83.6	38.9	27	80.0	37.5

**SOURCE:** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service and the National Agricultural Statistics Service, all of USDA.

## JANUARY MILK PRODUCTION

Milk production in the 20 major States during January totaled 12.5 billion pounds, down 0.9 percent from January 2003. December revised production, at 12.3 billion pounds, was down 0.2 percent from December 2002. The December revision represented an increase of 0.5 percent or 62 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,620 pounds for January, 5 pounds above January 2003.

The number of cows on farms in the 20 major States was 7.72 million head, 92,000 head less than January 2003, but 5,000 head more than December 2003.

## JANUARY 2004 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2003	2004	2003	2004	2003	2003	% CHANGE FROM 2003
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	155	1,970	2,015	305	312	2.3
CA	1,672	1,702	1,790	1,755	2,993	2,987	-0.2
FL	147	140	1,360	1,395	200	195	-2.5
ID	392	412	1,800	1,800	706	742	5.1
IL	114	108	1,580	1,610	180	174	-3.3
IN	146	145	1,710	1,715	250	249	-0.4
IA	207	196	1,595	1,600	330	314	-4.8
KY	120	112	1,115	1,090	134	122	-9.0
MI	302	301	1,765	1,780	533	536	0.6
MN	480	465	1,520	1,515	730	704	-3.6
MO	134	125	1,240	1,265	166	158	-4.8
NM	314	325	1,720	1,760	540	572	5.9
NY	675	658	1,515	1,495	1,023	984	-3.8
OH	260	258	1,445	1,450	376	374	-0.5
PA	590	563	1,540	1,500	909	845	-7.0
TX	320	317	1,505	1,660	482	526	9.1
VT	153	146	1,495	1,530	229	223	-2.6
VA	116	105	1,365	1,380	158	145	-8.2
WA	248	240	1,910	1,915	474	460	-3.0
WI	1,265	1,245	1,500	1,510	1,898	1,880	-0.9
20 STATE TOTAL	7,810	7,718	1,615	1,620	12,616	12,502	-0.9

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

**SOURCE:** "Milk Production," Da 1-1 (2-04), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JANUARY

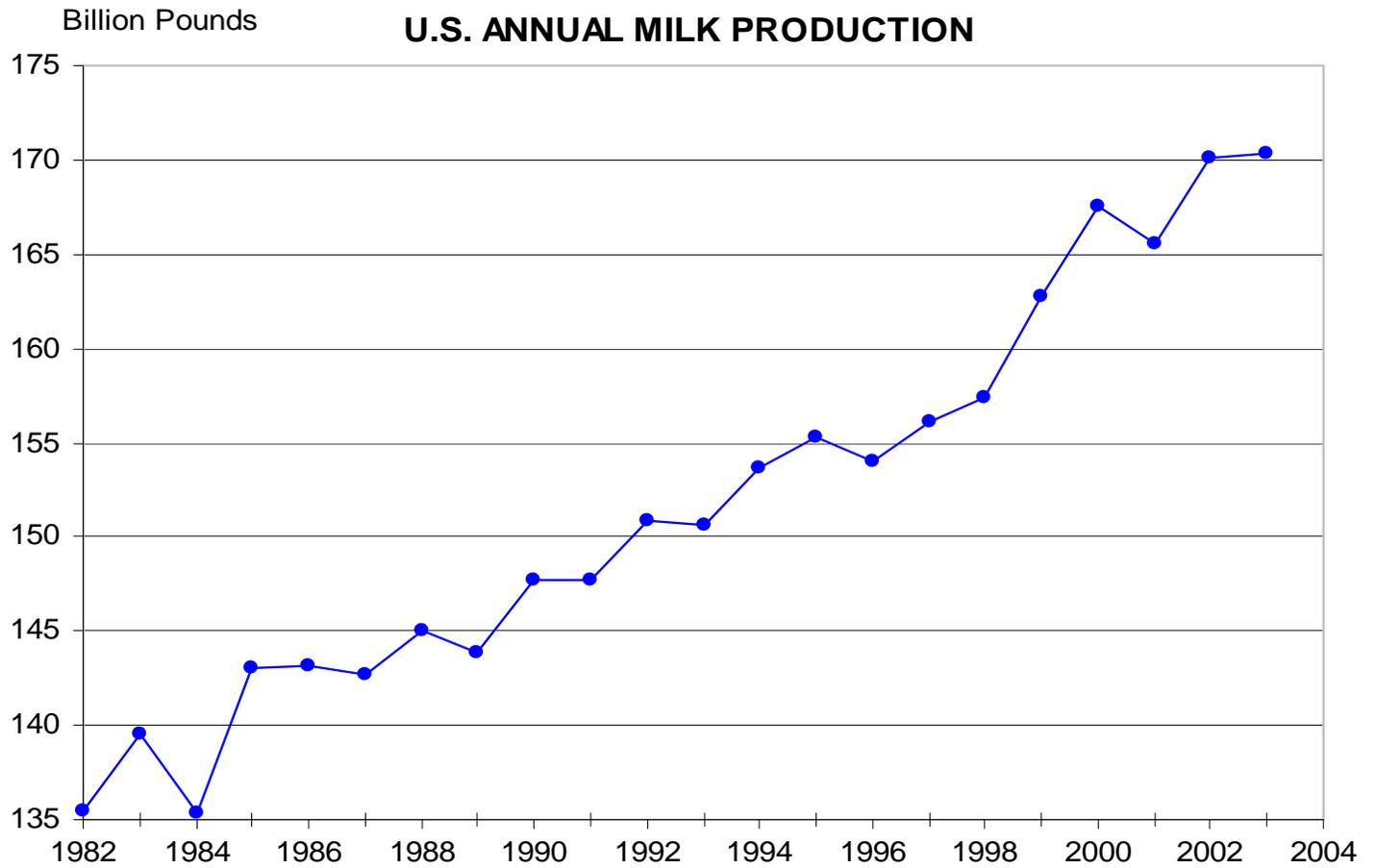
**HIGHLIGHTS:** Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During January, about 10.6 billion pounds of milk were received from producers. This volume of milk is 1.4 percent lower than the January 2003 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -3.1 percent.) About 4.1 billion pounds of producer milk were used in Class I products, 1.7 percent lower than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were; Class I = 38%, Class II = 11%, Class III = 41%, and Class IV = 10%. The weighted average statistical uniform price was \$12.85 per cwt., \$0.72 lower than last month, and \$1.46 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JANUARY 2004										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,992.7	-3.2	944.4	1.3	47	18	27	8	13.58
Appalachian (Charlotte)	005	569.2	-1.6	393.2	-4.8	69	13	8	10	14.25
Southeast (Atlanta)	007	655.7	-1.2	412.3	-3.4	63	10	16	11	14.02
Florida (Tampa)	006	262.3	2.4	227.2	-0.2	87	7	3	3	15.54
Midwest (Cleveland)	033 <u>3/</u>	1,513.1	3.4	584.1	-2.1	38	15	43	4	12.51
Upper Midwest (Chicago)	030 <u>3/</u>	2,209.2	19.7	392.4	8.3	18	5	69	8	11.98
Central (Kansas City)	032 <u>3/</u>	1,274.9	-24.0	386.9	-11.5	31	9	51	9	12.30
Southwest (Dallas)	126 <u>3/</u>	798.5	-4.8	361.6	-2.7	45	12	28	15	13.29
Arizona-Las Vegas (Phoenix)	131	263.5	-3.2	84.8	-3.7	32	7	37	24	12.39
Western (Salt Lake City)	135 <u>3/</u>	476.5	-6.2	98.7	3.7	21	6	63	10	12.13
Pacific Northwest (Seattle)	124 <u>3/</u>	614.2	-1.0	185.1	-2.0	30	6	34	30	12.07
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>3/</u>	10,629.8	-1.4	4,070.7	-1.7	38	11	41	10	12.85

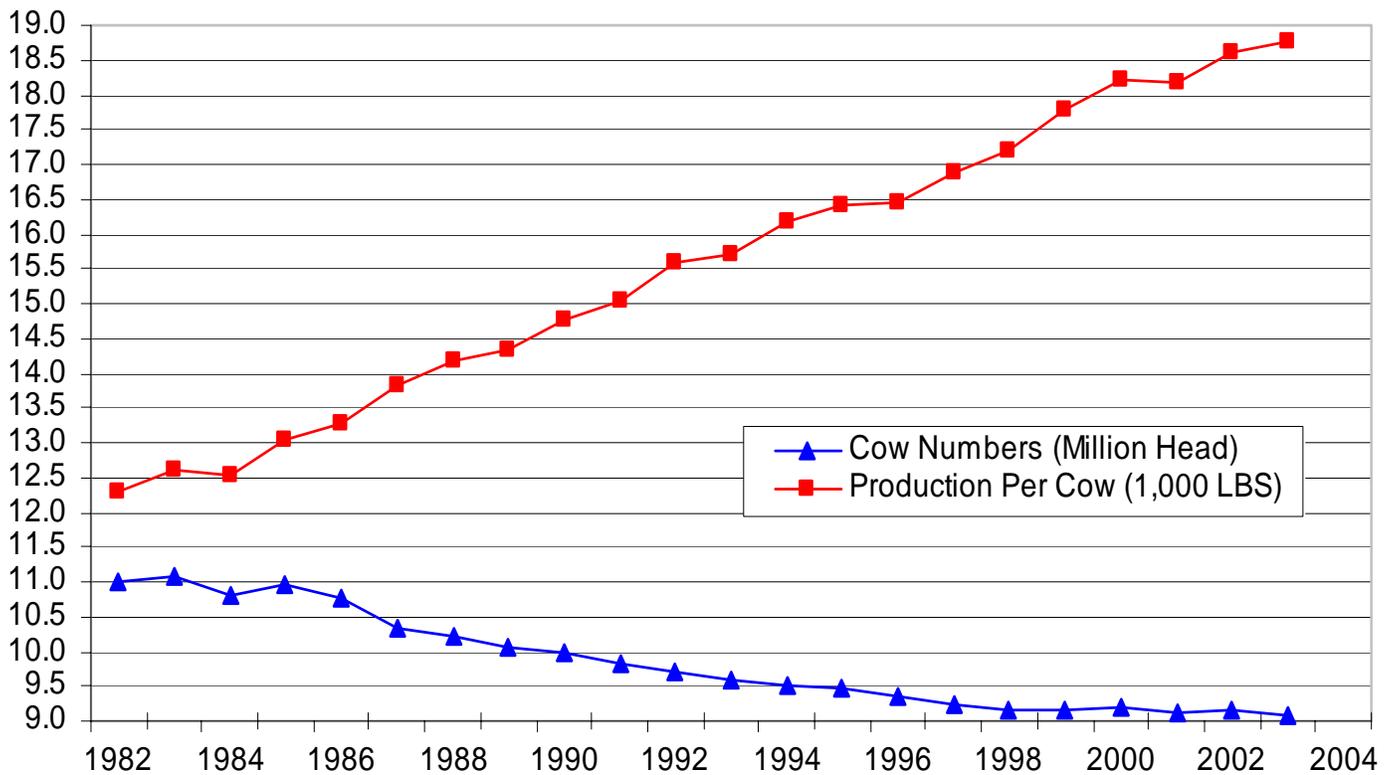
1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an administratively confidential volume of milk that normally would have been associated with these markets. In January 2003, the estimated not-pooled volume of milk was 190 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -3.1.



### U.S. Annual Milk Cows and Production Per Cow



Source: NASS - Graph: DMN

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

	FOR THE WEEK OF FEBRUARY 16 - 20, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 02/13/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	1,396,235	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	1,396,235	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	381,082	-0-	-0-
Process	-0-	-0-	-0-	-0-	7,682,400	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	8,407,196	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	9,704,241	1,448,674	8,255,567	227,364,566	224,174,558	846,014,000	1,039,379,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	9,704,241	1,448,674	8,255,567	227,245,518	224,174,558	892,405,000	1,085,770,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 16 - 20, 2004 =	1.8	96.1	COMPARABLE PERIOD IN 2003 =	15.5	190.1
CUMULATIVE SINCE OCTOBER 1, 2003 =	49.1	2,645.1	CUMULATIVE SAME PERIOD LAST YEAR =	157.4	2,692.8
CUMULATIVE JANUARY 1 - FEBRUARY 20, 2004 =	23.6	1,295.9	COMPARABLE CALENDAR YEAR 2003 =	83.2	1,427.2

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

**CCC ADJUSTED PURCHASES FOR THE WEEK OF FEBRUARY 16 - 20, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	651,701	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	8,350,675	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-746,809	-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-	7,682,400	5,739,811	4,985,012	2.6	45.7
WEST	-42,309	1,396,235	-0-	724,796	217,221,933	214,493,375	95.5	53.6
EAST	-0-	-0-	-0-	-0-	4,283,774	4,696,171	1.9	0.7
<b>TOTAL</b>	-42,309	1,396,235	-0-	8,407,196	227,245,518	224,174,558	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 01/31/04 & Comparable Week 2003**

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		
2004-Dairy	0.1	0.8	7.0	3.6	16.5	2.6	0.5	0.8	15.2	3.1	50.3	246.6	51.9	48.2
2003-Dairy	0.2	0.8	7.2	4.8	21.1	2.9	0.5	0.8	14.1	2.8	55.0	289.9	48.1	48.8
2004-All cows	0.1	0.8	8.7	7.8	27.3	15.1	12.3	2.7	16.3	5.7	96.9	512.0		
2003-All cows	0.2	1.0	9.6	13.7	33.2	15.4	15.0	3.3	15.8	7.1	114.3	593.9		

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	FEB 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	11.59
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	11.67	
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	11.61	
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	10.97	

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)