

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (02/27):**

**BUTTER:** Grade AA closed at \$1.8525. The weekly average for Grade AA is \$1.8183 (+.0083).

**CHEESE:** Barrels closed at \$1.4650 and blocks at \$1.4900. The weekly average for barrels is \$1.4435 (+.0522) and blocks, 1.4725 (+.0450).

**BUTTER:** Butter markets remain firm. Churning activity across the country is seasonally fair and depends on cream availability. Milk and cream supplies are tighter in many areas of the country causing some butter producers to look for additional cream volumes. Firm prices and lighter than desired spot supplies are limiting production in many areas. Current churning activity is keeping pace with demand and in instances of heavier output, stocks are clearing to inventory for future use. Weekly CME warehouse stocks grew by 2.09 million pounds last week and stand at 96.5 million pounds, 48.0 million pounds below last year, but 27.6 million pounds higher than the comparable week in 2002. Butter demand is basically steady with varied purchasing patterns. Some buyers continue to place orders for near term needs while others are placing heavier orders. Firm prices, as the Easter/Passover holiday nears, have some retail buyers reevaluating upcoming feature activity. Some are going through with their features, while others are cutting back or totally eliminating the promotion.

**CHEESE:** The cheese market is firm and prices continue to increase counter-seasonally. Buyers continue to have problems acquiring cheese for current and later use. Supplies are held with confidence as prices continue to rise. Many producers are reluctant to make additional spot sales. A few producers have fallen behind on orders. Movement of consumer sized packages is fair to good seasonally. Most cheese plants are operating on lighter than desired schedules due to the reduced milk supply through much of the country. With the March Class III milk price expected to increase sharply, plant operators were trying to acquire as much February milk as possible.

**FLUID MILK:** Milk intakes are increasing in the Southeast and in New Mexico. Receipts are mostly steady in the Northeast and California. However, receipts are irregularly higher and lower in the Central, Pacific Northwest, and Mountain States regions. Milk supplies remain much tighter than a year ago and manufacturing schedules are lighter, particularly in the Central and Eastern sections of the country.

**DRY PRODUCTS:** The whey market is fully steady, although some prices are higher. Spot activity has increased as production is steady to lower. Some traders feel that prices may have reached the bottom and are starting to rebound. The buttermilk market is also fully steady with prices

unchanged to higher. Demand is increasing seasonally with stocks light. Condensed buttermilk interest remains strong and limits the volume dried. Inventory is being built for later needs. The NDM market is mostly steady. Drying levels remain active in the West, though lighter in the Central and East. CCC continues to purchase powder from the West and Central regions. Resale loads are available at attractive prices. Lactose prices and the market tone are steady. Production is little changed with inventory positions mixed. The WPC market is weak and prices are lower. Some buyers are trying to hold off purchases while prices continue to decline. Supplies remain long but are in better balance than a week ago.

**CCC:** During the week of February 23 - 27, CCC net NDM purchases total 9,775,560 pounds. The total includes 903,372 pounds of Central and 8,872,188 pounds of Western NDM.

**COLD STORAGE (NASS):** During January 2004, U.S. cold storage holdings of butter totaled 144.6 million pounds, 45% more than December 2003 but 29% less than last January. Natural American cheese holdings total 510.7 million pounds, 4% more than a month ago, but 1% less than a year ago. Nonfat dry milk holdings at the end of 2003 total 977 million pounds, 85 million pounds less than last November.

**2003 MILK PRODUCTION (NASS):** U.S. milk production totaled 170.3 billion pounds during 2003, up 249 million pounds (0.1%) from 2002. The dairy herd totaled 9,084,000 head, down 55,000 cows, (-0.6%). Production per cow averaged 18,749 pounds in 2003, up 141 pounds (0.8%) from 2002.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during 2003 totaled 174.7 billion pounds, up 3.8 billion pounds (2.2%) from 2002. Comparing disappearance levels with 2002 levels: butter is +1.4%; American cheese, -0.5%; Other cheese, +2.2%; NDM, -2.8%; and fluid milk products, -0.5%

**CONSUMER PRICE INDEX (BLS):** The January 2004 CPI for all food is 183.8, up 3.5% from January 2003. The dairy products index at 172.4 is up 3.6% from a year ago. The following are the January to January changes for selected products: fresh whole milk +6.1%, cheese +3.8%, and butter +6.4%.

**MILK PROTEIN PRODUCTS REPORT:** USDA-AMS Dairy Programs has released a report entitled *Milk Protein Products and Related Government Policy Issues* by Jerry Cessna, Agricultural Economist. The paper describes current government policy issues related to milk protein concentrates, wet ultra-filtered milk products, casein, and caseinates. It is available at <http://www.ams.usda.gov/dairy/mktgecom.htm>.

\*\*\*\*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 23	TUESDAY FEBRUARY 24	WEDNESDAY FEBRUARY 25	THURSDAY FEBRUARY 26	FRIDAY FEBRUARY 27	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4325 (N.C.)	\$1.4275 (-.0050)	\$1.4300 (+.0025)	\$1.4625 (+.0325)	\$1.4650 (+.0025)	(+.0325)	\$1.4435 (+.0522)
40# BLOCKS	\$1.4625 (N.C.)	\$1.4600 (-.0025)	\$1.4600 (N.C.)	\$1.4900 (+.0300)	\$1.4900 (N.C.)	(+.0275)	\$1.4725 (+.0450)
BUTTER GRADE AA	\$1.8000 (-.0050)	----	\$1.8025 (+.0025)	----	\$1.8525 (+.0500)	(+.0475)	\$1.8183 (+.0083)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$1.8400 and Grade A price is \$1.8400. NDM information remains available at the above internet address.)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, FEBRUARY 23, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4625; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4625; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4325  
 BUTTER — SALES: 12 CARS GRADE AA: 1 @ \$1.8050, 1 @ \$1.8000, 2 @ \$1.8050, 1 @ \$1.8025, 3 @ \$1.8050, 1 @ \$1.8000, 1 @ \$1.8025, 2 @ \$1.8000;  
 BIDS UNFILLED: 1 CAR GRADE AA @ \$1.7900; OFFERS UNCOVERED: NONE

TUESDAY, FEBRUARY 24, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.4600; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4575; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4275

WEDNESDAY, FEBRUARY 25, 2004

CHEESE — SALES: 2 CARS BARRELS @ \$1.4300; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4300, 1 @ \$1.4275; 1 CAR 40# BLOCKS @ \$1.4600; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 22 CARS GRADE AA: 7 @ \$1.8025, 2 @ \$1.8000, 13 @ \$1.8025; BIDS UNFILLED: 4 CARS GRADE AA @ \$1.8000; OFFERS UNCOVERED: NONE

THURSDAY, FEBRUARY 26, 2004

CHEESE — SALES: 1 CAR BARRELS @ \$1.4625; 2 CARS 40# BLOCKS: 1 @ \$1.4800, 1 @ \$1.4825; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4300; 3 CARS 40# BLOCKS: 1 @ \$1.4900, 1 @ \$1.4850, 1 @ \$1.4650; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 27, 2004

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.4625, 1 @ \$1.4650; 2 CARS 40# BLOCKS @ \$1.4900; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4650, 1 @ \$1.4625; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 21 CARS GRADE AA: 1 @ \$1.8100, 2 @ \$1.8350, 4 @ \$1.8400, 2 @ \$1.8425, 2 @ \$1.8625, 1 @ \$1.8600, 2 @ \$1.8500, 1 @ \$1.8525, 1 @ \$1.8550, 1 @ \$1.8500, 1 @ \$1.8600, 1 @ \$1.8500, 1 @ \$1.8550, 1 @ \$1.8525; BIDS UNFILLED: 11 CARS GRADE AA: 3 @ \$1.8500, 2 @ \$1.8425, 3 @ \$1.8325, 3 @ \$1.8300; OFFERS UNCOVERED: NONE

**BUTTER MARKETS**

**JANUARY COLD STORAGE**

According to NASS, January month-ending cold storage figures for butter total 144.6 million pounds, 29.4% less than last January but 45.2% more than December 2003 holdings.

**NORTHEAST**

The market tone remains firm. However, after steadily increasing since mid-January, the CME cash price for butter has declined for two straight (2/20&23) sessions. The price, for many, seems unreasonably high for this time of year. There are anticipated shortages of production and supply for the summer months and the futures market prices pushed sharply higher during recent trading. It appeared that the cash market quickly reacted to those higher prices, at least until Friday's (2/20) trading. Butter production in the Northeast is light to moderate, mostly light. Demand for bulk is fairly good as users try to acquire stocks for future needs. Packaged butter needs are light, but producers are building inventories for spring and early summer-needs. Retail prices are moving higher, which should slow demand. Food service orders are about steady. 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**

Butter markets remain firm, although the cash price has fluctuated within a narrow range during trading sessions this past week. Cream supplies have tightened and are basically limited to regular sources. Some cream is available on a spot basis, but these offerings are not as heavy as in past weeks. Churning activity is keeping pace with demand and any surplus production is clearing to inventory. Producers that are building inventories, are holding it with confidence for later use. Butter demand is basically steady with varied purchasing patterns. Some buyers continue to place near term orders while others are placing heavier orders. The firm price, as the

Easter/Passover holiday nears, has some retail buyers reevaluating upcoming anticipated feature activity. Some are going through with their features, while others are cutting back or totally eliminating the promotions. Food service orders are seasonally steady. Some food service buyers report that sales at restaurants and eating establishments have been quite strong in recent weeks. They attribute the good traffic to favorable weather patterns for this time of the year. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

Western butter markets prices continue to firm and reflect sharply higher butter prices last week at the Chicago Mercantile Exchange. The CME butter price did slip a combined 1.5 cents during trading on Friday and Monday before increasing 1/4 cent on Wednesday. The decline did seem to make buyers cautious about over extending their positions. Several comments were noted that the market needed to rest. There are concerns that higher prices will hurt butter demand in the food service, retail, and ingredient markets. Imports above tariffs are potentially able to work at these pricing levels if there is butter available on the world market. Current production schedules in the region are steady with recent weeks at active levels. Cream volumes are entering local churns to fill current and future needs. Cream continues to move out of region to ice cream and butter accounts. U.S. Cold Storage holdings of butter at the end of January total 144.6 million pounds, down 29% or more than 60 million pounds from the same period last year. Stocks did grow by 45 million pounds during the month of January. This amount of growth in the January inventory from December is exactly at the five year average for that period. Weekly CME warehouse stocks grew by 2.09 million pounds last week and stand at 96.5 million pounds, 48.0 million below last year but 27.6 million pounds higher than the comparable week in 2002. Current prices for bulk butter range from flat market to 4 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 21	1,3283	1,3167	0,8081	1,7925	0,1646
	8,575,779	11,178,927	27,233,741	4,708,359	12,887,387

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

**CHEESE MARKETS**

**NORTHEAST**

Prices are sharply higher following last week's price run-up at the CME cash cheese market. The market tone is firm. Cheese production remains light in the Northeast as surplus milk supplies are tight. However, a few, scattered school vacations this week are giving some plants a little extra milk to process. Demand for cheese varies with variety, but is generally good. Most contacts perceive milk and cheese tightness this coming summer and are trying to build some inventory. Buyers/distributors, thinking that prices will continue to spiral, are trying to buy as much as they can before prices move higher. Demand for some specialty cheeses is improved as we enter Lent. Retail sales are slow to fair and food service orders are mostly steady.

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

Cheddar 10# Prints	:	1.4950-2.0000
Cheddar Single Daisies	:	1.4525-1.9175
Cheddar 40# Block	:	1.5675-1.8175
Process 5# Loaf	:	1.6025-1.8025
Process 5# Sliced	:	1.6225-1.8600
Muenster	:	1.6675-1.8600
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market remains firm. However, prices dipped slightly on the CME cash cheese exchange this week. Many buyers are still trying to build inventory even though prices are higher than expected for late February. Current cheese supplies remain tight to short due to limited milk supplies and the prospect of even higher cheese prices. A few producers are behind on cheese orders placed previously and have delayed deliveries and/or restricted new orders. Processor interest in barrels and undergrades remains strong though current process movement is generally moderate. Aged cheddar is short of needs. Price reluctance for any load put away last summer and fall at the higher prices at that time has disappeared along with the supply. With a sharp increase expected between February and March Class III prices, some plant operators are more aggressively searching for extra February milk.

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

Process American 5# Loaf	:	1.5725-1.7500
Brick And/Or Muenster 5#	:	1.7400-2.0825
Cheddar 40# Block	:	1.6400-2.1150
Monterey Jack 10#	:	1.8100-2.1150
Blue 5#	:	2.1775-2.4500
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
		:	
02/23/04	45,294	:	135,711
02/01/04	41,294	:	134,423
CHANGE	4,000	:	1,288
% CHANGE	10	:	1

**WEST**

Natural and process cheese prices moved higher. Cheese demand is steady at moderate to good level. Natural items are in good demand. Some buyers are trying to buy extra cheese ahead of expected higher basing points. Mozzarella demand is fair to good for current and advance orders. Cheese production in the West is holding mostly steady and reflects milk availability. Some cheese makers are seeking additional milk supplies. Swiss sales are higher this week. Production levels are about steady. U.S. Cold Storage holdings of total cheese at the end of January stand at 751.3 million pounds, a decrease of 1% or about 10 million pounds. Stocks during the month of January did grow by almost 30 million pounds or about 4%. Swiss stocks stand at 25.5 million pounds, up 2% from last year but down 3% from last month.

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

Process 5# Loaf	:	1.5400-1.8000
Cheddar 40# Block	:	1.5575-1.9075
Cheddar 10# Cuts	:	1.7375-1.9575
Monterey Jack 10#	:	1.7475-1.9075
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Prices are unchanged for most imported styles, sharply higher on domestic cheeses. The market tone is mostly steady, but increasing prices are doing little to help retail sales. The still-weak U.S. Dollar against the Euro and other currencies continues to impact cheese purchases in the EU. The cheese market in Europe is reported to be unchanged from recent weeks.

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	: 1.7900-3.2800*
Gorgonzola	:	3.6900-5.9400	: 2.3075-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.2000-3.2900*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.8000-2.0250*
Romano (Cows Milk)	:	-0-	: 2.9875-5.1600*
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

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	76	0	96	0	16
SOUTHEAST STATES	0	0	0	0	0	0

**EDITOR'S NOTE:** Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

The base price for Class I milk for March 2004 is \$11.94, up \$.35 from February. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for March is \$6.66, up \$0.03 from February. The big story this week is that the U.S. operations of the financially troubled Italian food/dairy conglomerate filed for protection under Chapter 11 bankruptcy. Contacts report that most of the current payments due to farmers, suppliers, and others have been met. They also state that the plants involved, though operating, are up for sale. Milk production is mostly steady in much of the Northeast, while some small gains were noted in the Southeast. Fluid milk supplies remain tight, particularly for manufacturing needs. Bottled milk sales range from lighter to steady. In Florida, Class I sales are reported as surprisingly strong. In the Northeast, a few schools are on vacation, but those that were out last week are back and bottlers are getting back to normal operating levels. Surplus milk volumes are little changed. Some weekend milk is reported, but plant receipts at midweek are light. The condensed skim market is mostly steady, but Class III buyers are getting back into the market now that prices are getting back to "reasonable" levels. The fluid cream market remains firm. Offerings are tight early in the week; in balance later. Demand is fair to good, but contacts feel that ice cream production has not really picked up as anticipated. They feel the high cost of cream is a major factor for the slow up-turn in ice cream output. Cream cheese production is mostly steady. Spot prices continue to increase as the CME cash price for butter jumped nearly fifteen cents last week. Production of bottled cream, sour cream, dips, etc is about steady. Churning activity is light to moderate and any excess Eastern cream is staying within the region.

for the production and/or availability for milk later this year are a common topic of conversation. Most, if not all, expect sharply higher prices for most dairy products by summer/fall with tight supplies. Cream demand remains good. Average cash butter prices at the Chicago Mercantile Exchange have increased sharply, raising concerns over how much higher prices will go. Ice cream production is picking up seasonally at some operations. Current plant milk intakes are irregular, mostly lower to steady, though a few notice increases. Warmer temperatures are melting the snow cover throughout the region. Soft fields are hampering outdoor activities.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 50.50	\$ 37.00- 42.00
REPLACEMENT HEIFER CALVES	\$350.00-550.00	\$300.00-400.00

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

	FEB 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 52.00	\$ 35.00- 44.75

WEST

The U.S average milk production per cow during calendar year 2003 was 18,749 pounds, an increase of 141 pounds (+0.8%) from 2002. National rankings for Western states based on average milk production per cow for 2003 are: WA 1st at 22,780 pounds; AZ 2nd at 22,284 pounds; CO 3rd at 21,770 pounds; ID 4th at 21,718; NM 6th at 21,208; CA 7th at 20,993; MT 9th at 19,222; NV 14th at 18,654 pounds; OR 16th at 18,294 pounds; UT 20th at 17,747 pounds; and WY 43rd at 14,211 pounds. Milk production across the state of California is mostly steady. Some concerns are being noted because of high winds and heavy rains affecting milk cows in the state. The effects will be more evident on cows that are in the open. The rains are affecting some plants' operations. There are reports that the 20 week old supermarket strike could be coming to an end. This would create turmoil in the fluid milk markets as suppliers readjust to changing orders. There would also be changing orders for other dairy products in affected stores. Milk production in NEW MEXICO is steady to higher. Wet conditions this week are expected to temper milk output. Milk continues to be shipped to the Southeast and other states to fill in local shortages. Plants within the state have ample supplies. Cream prices continue to increase as the CME butter price moves higher. The Grade AA butter price closed at \$1.8025 on Wednesday, February 25th. The increase in basing points and the slowdown in butter prices has not affect multiples or overages. There is a good demand from ice cream producers and from churners both locally and out of region. Western multiples range from 115 to 130, FOB, depending on class usage and basing point. Milk is slow to move higher seasonally in the PACIFIC NORTHWEST. Some plants are receiving less milk than a year ago. Rains and high wind reached into the region and were causing only minimal effects at the farm level. Any moisture is welcomed for the coming growing season. Hay prices are holding steady. Demand is mostly on an as-need basis. Bottlers report declining orders this week. Milk production in UTAH and IDAHO runs a wide range from lower to higher. There are early reports of lower farm production due to the decline in BST usage. Producers in the region are pleased with the direction that milk futures are heading. There is debate about whether to lock in prices or to wait for possible higher prices. Cheese producers would like to have more milk to process.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2082-2.5340
DELIVERED EQUIVALENT ATLANTA	-	2.2625-2.5340 M 2.3530-2.4616
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.3530-2.4435

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

MIDWEST

Class I demand was steady to lighter, though most forecast a rebound next week to start the new month. Milk supplies throughout the upper Midwest remain tight to short due to surprisingly good bottler demand and reduced receipts. Extra loads are readily absorbed with most manufacturing milk buyers still wanting more. Reported spot manufacturing milk prices range from \$1.50 to \$2.25 net over class. For the comparable week in 2003, spot premiums ranged from -\$0.50 to +\$0.50 with a lower Class III price. Manufacturing schedules are seasonally much lighter than desired or expected. Various forecasts

**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 and the market tone remains mostly steady. Supplies are mixed. Grade A 50# bags are limited in supply, encouraging some producers to increase their premiums. NDM in 25 kg bags or totes is readily available at steady prices. Traders are perplexed by some buyers that refuse to purchase or adapt to using 25 kg bags. Production is steady to lower in response to reduced supplies of milk in some areas. Western manufacture stocks and resale CCC supplies are being traded in the Central region at delivered prices near the lower end of the range. Resale CCC NDM is also available in the Central region at 75 cents or higher. High heat movement is mostly contractual with some renewed interest noted as the Easter/Passover holiday nears.

EAST: Prices and the market tone are unchanged. Production levels remain light. Producers had less milk this week because few schools were on vacation. Also, the improving call for condensed skim is reducing the need to dry at some locations. Those plants that did make powder often made high heat. Plant stocks range from light to adequate. Some producers did move most of their inventory in the past week or two. There is concern that NDM stocks will be tight this coming summer. Most Eastern contacts feel the fluid milk supplies will be much tighter this summer, which will greatly impact the NDM market. Eastern users speculate that they will probably rely heavily on Western NDM or powder from Government programs for their summer/fall needs. On that topic, traders continue to report that a large percentage of their current NDM business is powder acquired from government exchange and/or donation programs. Current demand is little changed from past weeks. There were no offers of Eastern NDM to CCC.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .8900 MOSTLY: .8100 - .8550  
 HIGHHEAT: .8500 - .9550

**NONFAT DRY MILK - WEST**

Low/medium heat NDM prices have changed little in recent weeks. Buying and selling patterns are becoming established. Production levels remain active and surplus powder is clearing to CCC support programs. Donation program powder continues to be offered at prices below the current market. Some buyers are cautious of this powder but attracted to the price. There are also more offerings of program NDM. Cheese makers are buying more condensed skim and NDM to extend yields. Medium heat NDM production is active to fill DEIP orders. During the week of February 16 - 20, CCC purchased 8.4 million pounds of NDM from the West. High heat prices are holding and market interest is light. Seasonal, contract accounts are taking more 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 20	\$.8015	15,809,250	7,492,067
February 13	\$.8023	10,810,197	5,322,907

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 continue unchanged and nominal on a steady market. Spot trades are generally noted at the average. Sales remain light. Supplies are more readily available from the West with delivered prices noted below the range. Central producers are unfettered by the price disparity between regions as most dry buttermilk production is moving into contracts and additional supplies stored will likely satisfy production deficiencies expected this summer. Dry buttermilk production is unchanged to lower due to the decreased availability of fluid cream. Condensed buttermilk movement and production is generally unchanged.

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

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are mostly steady and nominal. There is little change in the market tone. Churning activity in the East is moderate and well below levels noted a year ago. Dry buttermilk output is light. Producer stocks are closely balanced. Spot demand is mostly steady, but some improved interest has been noted.

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

**DRY BUTTERMILK - WEST**

Prices are steady for the Western dry buttermilk range but are trending higher within the range. The market tone is firming. Part of the firmness to the market is the increase in the fat value in buttermilk, seasonal increase in demand, and the speculation that powder will be tight this year. Sales of condensed buttermilk are good to ice cream accounts. Dry buttermilk production is variable but often steady with recent weeks. Stocks are light to moderate.

F.O.B. WEST: .8500 - .9150 MOSTLY: .8800 - .9000

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to sharply higher and nominal. The higher prices are often a direct result of the cash butter price at the CME. The market tone is firming as supplies are often reported as tight. Buyers are commenting that they are finding it difficult to locate spot loads. Apparently, producers are making just enough to meet contracts. In some cases, surplus milk volumes are dictating production levels, but most producers are currently separating their milk and selling the cream and making NDM. Demand ranges from fair to improved. The improved demand can often be attributed to the increasing value of the butterfat in dry whole milk. Traders also comment that imported whole milk powder is in tighter supply.

F.O.B. PRODUCING PLANT: 1.1250 - 1.3700

**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 higher on a mostly steady market. Producers are reporting that their stocks are in better balance. Some operations are also stating that shipments may be delayed during March. Spot sale activity is improved with movement reported into domestic and export markets. Some traders are still able to garner multiple loads at a discount to the market. Single loads to end-users are generally reported at the average to higher with some plants seeking traditional premiums on prices. Inquiries are increasing as buyers note that the market has bottomed and aim to secure loads at current price levels. Permeate continues to be reported as an available substitute to whey in some areas.

F.O.B. CENTRAL: .1650 - .1725 MOSTLY: .1675 - .1725

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are mostly steady with the Northeastern prices still nominal. The market tone, though mostly unchanged, is starting to show a little firmness. More buyers are "out shopping" and production levels are lighter than expected for this time of year. Some producers have had to reduce the number of days of operation because of the milk supply. A few plants have loads to offer, but others have had to push deliveries back a week or two because of the lower output. The Eastern market appears to be in a relatively firm supply situation and fewer price discounts are noted. Demand remains relatively lackluster, but as prices start to level off, buyers are beginning to show more interest.

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

**DRY WHEY - WEST**

Western whey prices are trading in a tighter range as defined by the range but the market is mostly holding steady. This reflects most sales this week at similar prices with last week. Buyers have become more active as they sense a bottom being put in. Export interest, especially to the Far East, has increased. Domestic buyers are less aggressive, but those buyers also want to take positions. Block offerings of whey have diminished. Drying is holding mostly steady. Several cheese producers would like more milk. Plant level stocks have become tighter in the last week.

NONHYGROSCOPIC: .1500 - .1900 MOSTLY: .1550 - .1650

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a steady market. Trade activity is light. Supplies of milk replacer whey are available yet limited in quantity. Some resellers are trading within the range and expect the market to rebound within the next month. Veal prices are trending steady to higher while early weaned pig prices are steady to weak.

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

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Demand continues to improve as producer prices are reduced. Feed and export buyers are working with producers on multiple load shipment deals for delivery throughout the year. Bulk loads of WPC are more readily available than bagged product at some locations. Buyers are generally opting to wait until the market bottoms before making multiple load purchases. WPC 80% is a competitive substitute to WPC 34% at some locations. Resale offers of government donated NDM are also reported at competitive prices. Production is mostly steady. Inventories remain somewhat long yet stocks are reportedly in better balance than the week prior.

F.O.B. EXTRA GRADE 34% PROTEIN: .4300 - .4800 MOSTLY: .4400 - .4700

**LACTOSE - CENTRAL AND WEST**

Lactose prices continue unchanged on a mostly steady market. Production is steady. Inventories are mixed with producers reporting stocks as balanced or tight while traders state that supplies are readily available. Spot sale activity is light. Inquiries are noted from infant formula, pharmaceutical and candy operations. Contractual requests for second quarter are also noted, predominantly from Asian buyers. Traders expect the market to continue steady into the second quarter yet some producers are offering at higher prices. Although New Zealand is reportedly expected to reduce US purchases of lactose and instead utilize internal supplies, reduced US movement is expected to be offset by increased interest from former New Zealand buyers and EU consumers that view EU prices as unattractive due to currency rates. Off grade lactose is limited in supply with permeate noted as an attractive substitute.

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. Stocks remain in close balance and often referred as tight. For the most part, domestic buyers are getting their contracted volumes, although spot needs are very difficult to locate. Oceania's production season has now ended with European output just resuming. Most involved with the casein market anticipate limited supplies and firm prices for 2004. The Commodity Credit Corporation (CCC) issued invitation #014 for competitive offers to purchase from the government an undetermined quantity of CCC owned nonfat dry milk for the production of Casein/Caseinate. Since June 2002, nearly 10.4 million pounds of government owned powder has been sold back for this purpose. For recent sales, prices ranged \$0.2200 - 0.2500 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: 2.2500 - 2.4000  
ACID: 2.2500 - 2.4500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Surplus milk volumes continue to tighten and a growing concern to producers. Current production levels are lighter than normal for this time of year. The higher prices for milk and short supply have some producers more concerned about output throughout the year. Demand for canned evaporated milk is seasonally slow. Typically, this is a time of year when producers replenish inventories.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00  
Excluding promotional and other sales allowances. Included new price announcements.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

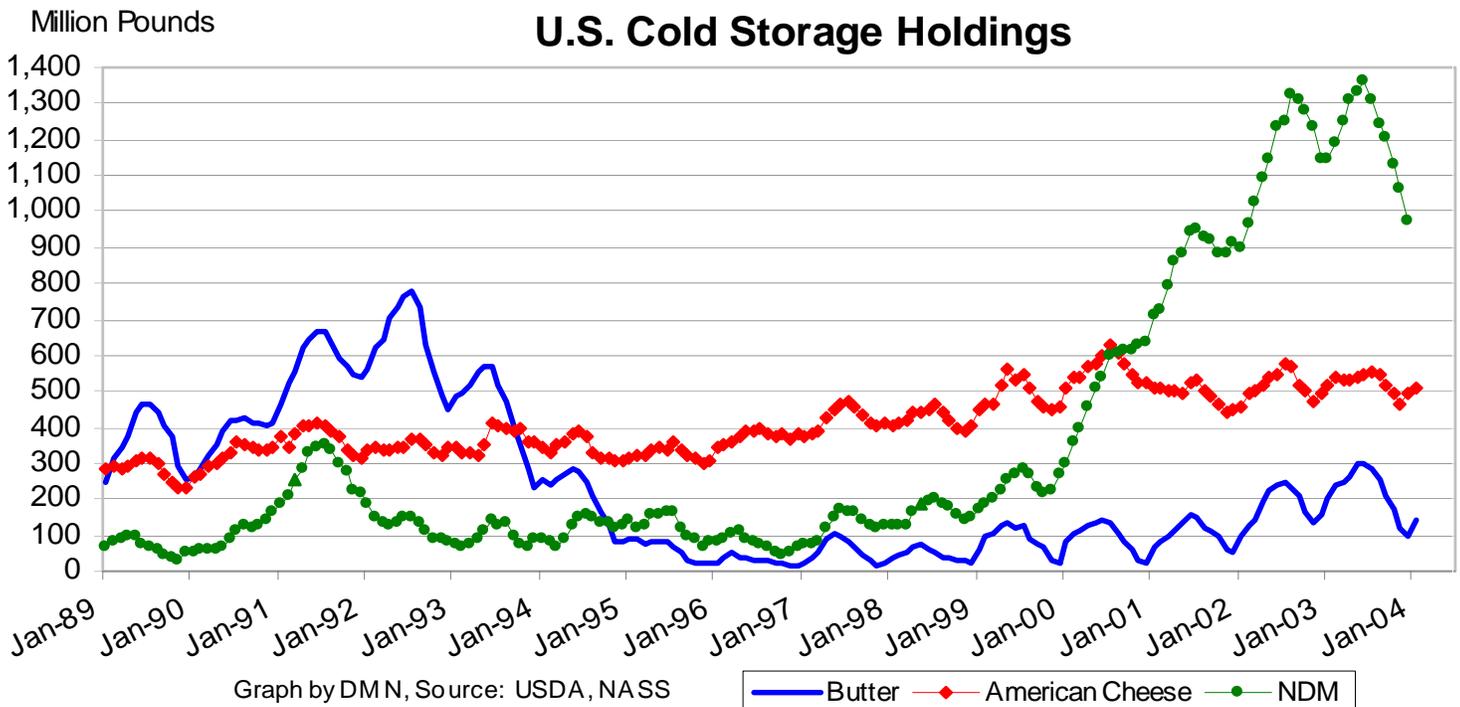
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under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

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	DEC 31, 2001	DEC 31, 2002	REVISED DEC 31, 2003	JAN 31, 2002	JAN 31, 2003	JAN 31, 2004
Butter	55,915	157,820	99,613	99,200	204,828	144,616
Cheese, Natural American	449,105	493,262	491,419	459,707	514,914	510,741
Cheese, Swiss	12,051	21,784	26,237	12,388	25,060	25,467
Cheese, Other Natural	198,885	215,015	206,730	221,541	221,241	215,118
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	436	555	6,172	260	349	4,161
Natural American Cheese	817	197	9,614	794	280	2,377

JANUARY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
New England	19,615	19,157	22,176	---	---	---	573	247	322
Middle Atlantic	59,493	57,436	49,684	---	---	---	37,705	32,423	15,247
East North Central	173,150	210,620	195,843	---	---	---	103,241	117,243	124,885
West North Central	102,790	120,179	117,053	---	---	---	67,154	53,918	54,165
South Atlantic	169	367	4,943	---	---	---	185	2,486	1,927
East South Central	42	538	225	---	---	---	172	216	2,274
West South Central	2,772	1,428	1,785	---	---	---	223	205	65
Mountain	8,803	11,635	21,531	---	---	---	2,838	839	4,260
Pacific	92,873	93,554	97,501	---	---	---	9,450	13,664	11,973
TOTAL	459,707	514,914	510,741	99,200	204,828	144,616	221,541	221,241	215,118

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2003 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Million Pounds						Million Pounds						Million Pounds					
January	145	205	140	204	4	<u>3/</u>	511	515	508	515	2	<u>3/</u>	1,147		112		1,036	
February		238		237		1		538		538		<u>3/</u>	1,187		116		1,071	
March		249		248		1		530		528		2	1,247		137		1,111	
April		266		266		1		531		528		3	1,308		154		1,154	
May		290		289		1		539		536		3	1,336		159		1,177	
June		292		291		1		550		546		4	1,365		152		1,212	
July		284		273		11		552		546		6	1,308		90		1,219	
August		254		244		10		547		538		9	1,245		75		1,170	
September		207		197		10		517		508		9	1,207		69		1,138	
October		170		159		11		491		482		9	1,128		69		1,059	
November		123		114		9		467		460		7	1,062		87		975	
December		100		93		6		491		482		10	977		107		870	

NA = Not available.

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

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Dec 31, 2001	Dec 31, 2002	Dec 31, 2003	Jan 31, 2002	Jan 31, 2003	Jan 31, 2004
	Thousand Pounds					
Butter	55,479	157,265	93,441	98,940	204,479	140,455
Natural American Cheese	448,288	493,065	481,805	458,913	514,634	508,364

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

SOURCE: "Cold Storage," Co St 1 (2-04) and "Dairy Products," Da 2-6 (2-04), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## ANNUAL MILK COWS AND MILK PRODUCTION, 2002 AND 2003

STATE	MILK COWS <sup>1/</sup>		MILK PER COW <sup>2/</sup>		MILK PRODUCTION <sup>2/</sup>		
	2002	2003	2002	2003	2002	2003	CHANGE FROM 2002
	1,000 HEAD		POUNDS		MILLION POUNDS		PERCENT
AL	20	18	13,850	14,000	277	252	-9.0
AK	1.3	1.3	13,600	12,846	17.68	16.70	-5.5
AZ	147	155	23,333	22,284	3,430	3,454	0.7
AR	32	29	12,281	12,138	393	352	-10.4
CA	1,648	1,688	21,277	20,993	35,065	35,437	1.1
CO	100	100	21,590	21,770	2,159	2,177	0.8
CT	24	22	18,625	18,773	447	413	-7.6
DE	9.0	8.3	16,667	16,386	150	136	-9.3
FL	150	142	15,387	15,218	2,308	2,161	-6.4
GA	85	85	17,294	16,988	1,470	1,444	-1.8
HI	6.6	6.5	14,667	14,154	96.8	92.0	-5.0
ID	388	404	21,018	21,718	8,155	8,774	7.6
IL	115	111	17,835	18,441	2,051	2,047	-0.2
IN	151	149	17,603	19,758	2,658	2,944	10.8
IA	209	201	18,201	18,806	3,804	3,780	-0.6
KS	107	111	18,972	19,054	2,030	2,115	4.2
KY	122	116	13,230	12,621	1,614	1,464	-9.3
LA	48	43	12,063	12,070	579	519	-10.4
ME	37	35	17,730	17,829	656	624	-4.9
MD	81	78	16,062	15,795	1,301	1,232	-5.3
MA	21	19	17,190	17,474	361	332	-8.0
MI	301	302	20,332	21,060	6,120	6,360	3.9
MN	487	473	17,368	17,459	8,458	8,258	-2.4
MS	34	31	14,059	13,645	478	423	-11.5
MO	137	129	14,204	14,620	1,946	1,886	-3.1
MT	18	18	18,944	19,222	341	346	1.5
NE	67	64	17,418	17,641	1,167	1,129	-3.3
NV	25	26	20,040	18,654	501	485	-3.2
NH	18	16	18,222	19,063	328	305	-7.0
NJ	13	13	18,154	16,615	236	216	-8.5
NM	301	317	20,983	21,028	6,316	6,666	5.5
NY	675	671	18,101	17,812	12,218	11,952	-2.2
NC	64	61	17,766	17,115	1,137	1,044	-8.2
ND	40	36	14,825	15,389	593	554	-6.6
OH	262	260	17,080	17,269	4,475	4,490	0.3
OK	84	82	15,560	16,000	1,307	1,312	0.4
OR	114	119	18,360	18,294	2,093	2,177	4.0
PA	585	575	18,419	17,979	10,775	10,338	-4.1
RI	1.4	1.3	16,357	16,923	22.9	22.0	-3.9
SC	20	19	18,200	16,737	364	318	-12.6
SD	86	82	14,988	16,159	1,289	1,325	2.8
TN	88	79	14,943	15,253	1,315	1,205	-8.4
TX	317	319	16,719	17,649	5,300	5,630	6.2
UT	93	91	17,914	17,747	1,666	1,615	-3.1
VT	154	149	17,552	17,698	2,703	2,637	-2.4
VA	119	113	15,891	15,319	1,891	1,731	-8.5
WA	247	245	22,753	22,780	5,620	5,581	-0.7
WV	16	15	15,188	14,800	243	222	-8.6
WI	1,271	1,256	17,367	17,728	22,074	22,266	0.9
WY	4.4	3.8	14,409	14,211	63.4	54.0	-14.8
U.S. <sup>3/</sup>	9,139	9,084	18,608	18,749	170,063	170,312	0.1

<sup>1/</sup> Average number during year, excluding heifers not yet fresh. <sup>2/</sup> Excludes milk sucked by calves. <sup>3/</sup> Will not add due to rounding.

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

**SUMMARY OF PACKAGED SALES OF FLUID MILK PRODUCTS IN FEDERAL MILK ORDER MARKETING AREAS AND CALIFORNIA, BY MONTHS, 2003 <sup>1/</sup>**

Month	Fluid milk sales by marketing area												
	Northeast	Appalachian	Southeast	Florida	Mideast	Upper Midwest	Central	Southwest	Arizona-Las Vegas	Western	Pacific Northwest	California	Total <sup>2/</sup>
Million pounds													
Jan	841	314	440	260	574	388	414	378	117	78	190	553	4,887
Feb	778	268	390	234	509	348	373	330	105	70	169	509	4,389
Mar	820	285	412	256	542	376	394	350	110	74	186	567	4,702
Apr	788	278	401	242	519	360	390	348	109	72	181	533	4,540
May	826	290	408	240	541	373	391	355	110	76	186	561	4,684
Jun	750	264	366	220	478	328	350	318	99	66	166	522	4,224
Jul	754	282	375	227	497	343	364	335	105	72	173	522	4,354
Aug	768	299	400	239	518	349	387	350	109	73	175	528	4,510
Sep	801	300	400	234	525	370	394	353	108	74	178	547	4,606
Oct	834	307	414	245	543	385	411	374	113	81	189	567	4,800
Nov	791	266	391	237	522	366	386	340	107	76	180	526	4,502
Dec	855	299	412	254	549	378	405	356	114	81	185	560	4,783
Total <sup>2/</sup>	9,606	3,452	4,809	2,888	6,317	4,364	4,660	4,187	1,303	893	2,159	6,494	54,981

<sup>1/</sup> These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California. Fluid milk products include: plain and flavored whole milk, plain, solids added, and flavored fat-reduced milk, buttermilk, and miscellaneous fluid milk products. <sup>2/</sup> May not add due to rounding.

## FEDERAL MILK ORDER ADVANCE PRICES, MARCH

**Class I Base Price** - Under the Federal milk order pricing system, the Class I base price for March 2004 is \$11.94 per cwt. This price is derived from the advanced Class IV skim milk pricing factor of \$5.96 and the advanced butterfat pricing factor is \$1.7675. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$5.96. Thus, the Class II skim milk price for March is \$6.66 per cwt., and the Class II nonfat solids price is \$0.7400. **Product Price Averages** - The two-week product price averages for March are: butter \$1.5879, nonfat dry milk \$0.8085, cheese \$1.3054, and dry whey \$0.1691.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/</sup> <sub>2/</sub>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	March 2004		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	15.19	9.21	1.8000
Appalachian (Charlotte) <sup>5/</sup>	005	15.04	9.06	1.7985
Southeast (Atlanta) <sup>6/</sup>	007	15.04	9.06	1.7985
Florida (Tampa) <sup>7/</sup>	006	15.94	9.96	1.8075
Midwest (Cleveland) <sup>8/</sup>	033	13.94	7.96	1.7875
Upper Midwest (Chicago) <sup>9/</sup>	030	13.74	7.76	1.7855
Central (Kansas City) <sup>10/</sup>	032	13.94	7.96	1.7875
Southwest (Dallas) <sup>11/</sup>	126	14.94	8.96	1.7975
Arizona-Las Vegas (Phoenix) <sup>12/</sup>	131	14.29	8.31	1.7910
Western (Salt Lake City) <sup>13/</sup>	135	13.84	7.86	1.7865
Pacific Northwest (Seattle) <sup>14/</sup>	124	13.84	7.86	1.7865
All-Market Average		14.52	8.54	1.7933

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

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
NOV 2003	182.4	3.2	171.2	2.5	171.4	6.7	172.1	2.1	143.6	3.0	179.3	10.6
DEC 2003	183.6	3.6	173.0	3.4	171.3	6.9	172.2	2.3	145.1	2.9	181.1	11.5
JAN 2004	183.8	3.5	172.4	3.6	169.4	6.1	172.5	3.8	154.0	6.4	179.9	11.3
U.S. City Average Retail Prices												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002		
Dollars												
NOVEMBER	2.937	2.719	2.766	2.608	3.905	3.941	4.085	4.140	3.858	3.816		
DECEMBER	2.947	2.682	2.804	2.842	3.843	3.842	4.067	4.107	3.898	3.757		
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003		
JANUARY	2.879	2.686	2.847	2.944	3.813	3.713	4.046	4.101	3.692	3.752		

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—OCTOBER-DECEMBER AND YEAR-TO-DATE 2002-03 <sup>1/</sup>

Item	Oct.-Dec. 2002	Percent change <sup>2/</sup>	Oct.-Dec. 2003	Percent change <sup>2/</sup>	Jan.-Dec. 2002	Percent change <sup>2/</sup>	Jan.-Dec. 2003	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	41,643	1.7	41,532	-0.3	170,063	2.8	170,312	0.1
Marketings	41,355	1.9	41,261	-0.2	168,922	2.8	169,237	0.2
Beginning Commercial Stocks <sup>3/</sup>	11,240	28.4	11,001	-2.1	7,041	3.0	9,889	40.4
Imports <sup>3/</sup>	1,329	-7.2	1,416	6.5	5,104	-10.7	5,040	-1.3
Total Supply <sup>4/</sup>	53,924	6.1	53,678	-0.5	181,067	2.4	184,166	1.7
Ending Commercial Stocks <sup>3/</sup>	9,889	40.4	8,332	-15.7	9,889	40.4	8,332	-15.7
Net Removals <sup>3/</sup>	88	340.0	28	-68.2	327	125.5	1,173	258.7
Commercial Disappearance <sup>4/</sup>	43,947	0.4	45,318	3.1	170,851	0.7	174,661	2.2
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	393.4	-0.8	411.4	4.6	1,288.1	1.0	1,306.3	1.4
American Cheese	937.5	-2.5	953.9	1.7	3,730.3	1.3	3,712.5	-0.5
Other Cheese	1,413.2	5.8	1,429.6	1.2	5,252.3	3.8	5,365.5	2.2
Nonfat Dry Milk	199.0	-7.1	223.1	12.1	792.6	-16.3	770.8	-2.8
Fluid Milk Products <sup>6/</sup>	14,276.8	0.3	14,085.2	-1.3	55,266.2	0.3	54,980.7	-0.5

NA=Not applicable.

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds.

<sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, MARCH 2004, WITH COMPARISONS <sup>1/</sup>												
CITY	March 2002			March 2003			February 2004			March 2004		
	Announced Coop.	Federal Order	Differ- ence									
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	16.25	14.72	1.53	15.17	12.91	2.26	16.63	14.69	1.94	16.63	15.04	1.59
Baltimore, MD	16.37	14.62	1.75	14.41	12.81	1.60	16.44	14.59	1.85	16.79	14.94	1.85
Boise, ID	13.52	13.22	0.30	11.71	11.41	0.30	13.49	13.19	0.30	13.84	13.54	0.30
Boston, MA	16.47	14.87	1.60	14.46	13.06	1.40	16.54	14.84	1.70	16.89	15.19	1.70
Charlotte, NC	16.25	14.72	1.53	15.17	12.91	2.26	16.63	14.69	1.94	16.63	15.04	1.59
Chicago, IL *	15.25	13.42	1.83	13.62	11.61	2.01	15.34	13.39	1.95	15.54	13.74	1.80
Cincinnati, OH	15.42	13.82	1.60	13.91	12.01	1.90	15.46	13.79	1.67	15.81	14.14	1.67
Cleveland, OH	15.22	13.62	1.60	13.71	11.81	1.90	15.26	13.59	1.67	15.61	13.94	1.67
Dallas, TX	15.90	14.62	1.28	14.21	12.81	1.40	16.00	14.59	1.41	16.00	14.94	1.06
Denver, CO	15.02	14.17	0.85	13.21	12.36	0.85	14.99	14.14	0.85	15.34	14.49	0.85
Des Moines, IA	14.57	13.42	1.15	13.00	11.61	1.39	14.78	13.39	1.39	15.13	13.74	1.39
Detroit, MI*	14.67	13.42	1.25	13.10	11.61	1.49	15.16	13.39	1.77	15.51	13.74	1.77
Hartford, CT	16.37	14.77	1.60	14.36	12.96	1.40	16.44	14.74	1.70	16.79	15.09	1.70
Houston, TX	16.50	15.22	1.28	14.81	13.41	1.40	16.60	15.19	1.41	16.60	15.54	1.06
Indianapolis, IN	15.22	13.62	1.60	13.71	11.81	1.90	15.26	13.59	1.67	15.61	13.94	1.67
Kansas City, MO	15.00	13.62	1.38	13.59	11.81	1.78	15.08	13.59	1.49	15.08	13.94	1.14
Louisville, KY	14.82	13.82	1.00	13.44	12.01	1.43	15.31	13.79	1.52	15.72	14.14	1.58
Memphis, TN	15.75	14.42	1.33	14.67	12.61	2.06	16.13	14.39	1.74	16.13	14.74	1.39
Miami, FL	18.76	15.92	2.84	17.33	14.11	3.22	18.90	15.89	3.01	18.90	16.24	2.66
Milwaukee, WI	15.35	13.37	1.98	13.72	11.56	2.16	15.29	13.34	1.95	15.49	13.69	1.80
Minneapolis, MN	14.86	13.32	1.54	13.07	11.51	1.56	14.99	13.29	1.70	15.19	13.64	1.55
New Orleans, LA	16.40	15.22	1.18	15.32	13.41	1.91	16.78	15.19	1.59	16.78	15.54	1.24
Oklahoma City, OK	15.50	14.22	1.28	14.06	12.41	1.65	15.65	14.19	1.46	15.65	14.54	1.11
Omaha, NE	14.62	13.47	1.15	13.05	11.66	1.39	14.83	13.44	1.39	15.18	13.79	1.39
Philadelphia, PA	16.54	14.67	1.87	14.46	12.86	1.60	16.49	14.64	1.85	16.84	14.99	1.85
Phoenix, AZ	14.12	13.97	0.15	12.31	12.16	0.15	14.09	13.94	0.15	14.44	14.29	0.15
Pittsburgh, PA	15.72	13.72	2.00	13.66	11.91	1.75	15.69	13.69	2.00	16.04	14.04	2.00
St. Louis, MO	14.87	13.62	1.25	13.06	11.81	1.25	14.84	13.59	1.25	15.19	13.94	1.25
Salt Lake City, UT	13.82	13.52	0.30	12.01	11.71	0.30	13.79	13.49	0.30	14.14	13.84	0.30
Seattle, WA	13.94	13.52	0.42	12.13	11.71	0.42	13.91	13.49	0.42	14.26	13.84	0.42
Springfield, MO	15.10	13.82	1.28	13.66	12.01	1.65	15.25	13.79	1.46	15.25	14.14	1.11
Washington, DC	16.37	14.62	1.75	14.41	12.81	1.60	16.44	14.59	1.85	16.79	14.94	1.85
Simple Average *	15.45	14.10	1.35	13.83	12.29	1.54	15.58	14.07	1.51	15.81	14.42	1.39

\* Announced cooperative price for February 2004 has been revised. For Detroit, the announced cooperative price for Jan. 2004 has been revised to \$15.42.

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

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

	FOR THE WEEK OF FEBRUARY 23 - 27, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 02/20/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	1,776,977	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	1,776,977	-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-	8,197,200	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	8,921,996	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	10,861,657	1,086,097	9,775,560	237,140,126	242,536,309	839,716,000	1,039,379,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	10,861,657	1,086,097	9,775,560	237,021,078	242,536,309	886,107,000	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 23 - 27, 2004 =	2.2	113.8	COMPARABLE PERIOD IN 2003 =	17.1	218.9
CUMULATIVE SINCE OCTOBER 1, 2003 =	51.2	2,758.9	CUMULATIVE SAME PERIOD LAST YEAR =	174.4	2,911.7
CUMULATIVE JANUARY 1 - FEBRUARY 27, 2004 =	25.7	1,409.7	COMPARABLE CALENDAR YEAR 2003 =	100.3	1,646.1

\* 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 23 - 27, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	903,372	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	8,872,188	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-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-	8,197,200	6,643,183	5,707,792	2.9	44.1
WEST	-42,309	1,776,977	-0-	724,796	226,094,121	231,163,278	95.3	55.2
EAST	-0-	-0-	-0-	-0-	4,283,774	5,665,239	1.8	0.7
<b>TOTAL</b>	-42,309	1,776,977	-0-	8,921,996	237,021,078	242,536,309	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 02/07/04 & 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	0.0	0.8	7.3	5.1	16.1	2.6	0.5	1.0	13.1	3.6	50.1	296.7	52.3	48.8
2003-Dairy	0.2	0.8	8.2	5.3	23.1	2.9	0.4	0.9	14.1	2.6	58.4	348.3	49.1	48.9
2004-All cows	0.1	0.8	9.0	10.4	28.2	12.3	12.8	2.6	13.9	5.8	95.8	607.8		
2003-All cows	0.2	1.0	11.0	14.3	36.6	15.3	14.7	3.4	15.7	6.7	118.9	712.8		

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
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

**FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94									
II	11.67											
III	11.61											
IV	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)