

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (03/05):**  
**BUTTER:** Grade AA closed at \$2.1100. The weekly average for Grade AA is \$2.0008 (+.1825).

**CHEESE:** Barrels closed at \$1.5150 and blocks at \$1.5400. The weekly average for barrels is \$1.4870 (+.0435) and blocks, 1.5120 (+.0395).

**BUTTER:** Butter markets remain firm as the cash price jumped sharply during the week. Churning activity across the country is often lighter than desired for this time of the year. In most instances, churning schedules are being dictated by available cream offerings to the churn. Although butter production is lower, current churning activity is keeping pace with demand and additional production is clearing to inventory. Current cash butter prices are now causing importers to look at imports of quota and non quota butter. During January, 634,700 pounds of quota butter entered the States compared to 361,200 pound during January 2003. Non quota (high tier) imports totaled about 8,000 pounds. Importers are finding that Oceania supplies are very limited and they basically have none available at this time. In Europe, the fluctuating Euro and other marketing conditions continue to impact negotiations, although stocks are available. Butter demand remains basically steady. Buyers have mixed opinions on purchasing strategies. Some continue to place short term need orders while others are placing larger orders to offset possible further price increases.

**CHEESE:** The cheese market is firm and prices continue to increase. Current interest is steady at moderate to good on natural and improving seasonally on process. Milk and cheese availability, both short and long term, has become a greater concern for buyers and producers. A number of these plants are committed on expected production for more extended periods than normal, particularly March. Buyers are typically unsuccessful in finding spot loads of milk and cheese. Manufacturing schedules are well below anticipated early March volumes at many plants.

**FLUID MILK:** Milk production is holding mostly steady in the Southwest, following a period of wet weather conditions. The rains are holding down expected seasonal growth. The end to the grocery clerk strike in Southern California is slowly shifting fluid milk orders back to bottlers for the affected stores. In the Pacific Northwest, milk output is trending higher seasonally but at a slower than expected pace. Incoming milk receipts are lower than expected at plants in Utah and Idaho. Midwestern milk supplies are tight for processor needs and prices for additional milk are being pushed higher. The milk flow is steady to slightly higher in the Northeast and Middle Atlantic regions. Surplus milk supplies are light. Milk is up slightly along the Gulf Coast, but Florida output is down. Cream demand is good for all classes of products and orders are often hard to fill. Condensed skim interest is higher where prices declined.

**DRY PRODUCTS:** Nonfat dry milk prices are holding mostly steady in all regions. The CCC announcement this week seeking a minimum of 86 million pounds of fortified NDM for export donation programs generated some optimism that the market supplies could tighten this summer. The NDM markets have been mired around the support price of 80 cents and have not

seen price changes like butter and cheese. Dry buttermilk markets remain tight with little spot trading occurring. Sales of condensed buttermilk are active. Whey markets are steady to higher and several producers are trying to reestablish premiums. Recent domestic and export sales have cleared up stocks. Production is often lower than projections. Whey protein concentrate prices moved lower with a weak market tone. There is debate whether the WPC prices will stabilize along with whey. Demand is light and not clearing offerings. The lactose market is steady with no price changes. Supplies are mixed. Lower mesh size product is more available and competing with dry whey and permeates.

**CCC:** During the week of March 1 - 5, CCC net NDM purchases total 3,989,888 from Western sources.

**FEBRUARY AGRICULTURAL PRICES HIGHLIGHTS (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in February 2004 was unchanged at 130. Compared with February 2003, the index was up 2 points (1.6%). The index of prices received by farmers for dairy products advanced 1 point during the month of February 2004 to 102. Compared with February 2003, the index was up 15 points (17.2%). Prices received by farmers in February with changes from January were: for All Milk, \$13.30 per cwt., up \$.10; Fluid Grade Milk, \$13.30, up \$.10; and for Manufacturing Grade Milk, \$12.60, up \$.30.

**JANUARY DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 131.9 million pounds in January, 6.8% below January 2003 but 15.3% above December 2003. American type cheese production totaled 320.3 million pounds, 0.2% above January 2003 and 0.3% above December 2003. Total cheese output (excluding cottage cheese) was 735.2 million pounds, 2.4% above January 2003 but 2.5% below December 2003. Nonfat dry milk production, for human food, totaled 120.1 million pounds, 10.2% below January 2003 and 9.2% below December 2003. Dry whey production, for human food, was 82.9 million pounds, 9.6% below January 2003 but 2.0% above December 2003. Ice cream (hard) production totaled 59.5 million gallons, 11.6% below January 2003 but 9.4% above December 2003.

**CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):** The following are the February 2004 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$12.90 (+\$1.23), Class III \$11.89 (+\$0.28); and Class IV \$12.21 (+\$1.24). Product price averages used in computing Class prices are: butter \$1.6582, NDM \$0.8064, cheese \$1.3260, and dry whey \$0.1677. The Class II butterfat price is \$1.8588 and the Class III/IV butterfat price is \$1.8518. Further information may be found at: <http://www.ams.usda.gov/dyfmso/mib/classprcacnmt.pdf>

**DAIRY PROGRAMS REPORT:** The Market Information Branch has released the report "Sources of Milk for Federal Order Markets by State and County" for May 2003. This is the first issue of this report under Federal milk order reform; the report was last issued in February 1998 and contained data for May 1997. This report has been formatted using Adobe 6.0 and can be found at: [www.ams.usda.gov/dyfmso/mib/sources\\_2003.pdf](http://www.ams.usda.gov/dyfmso/mib/sources_2003.pdf)

\*\*\*\*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 MARCH 1	TUESDAY MARCH 2	WEDNESDAY MARCH 3	THURSDAY MARCH 4	FRIDAY MARCH 5	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4650 (N.C.)	\$1.4750 (+.0100)	\$1.4850 (+.0100)	\$1.4950 (+.0100)	\$1.5150 (+.0200)	(+.0500)	\$1.4870 (+.0435)
40# BLOCKS	\$1.4900 (N.C.)	\$1.5000 (+.0100)	\$1.5100 (+.0100)	\$1.5200 (+.0100)	\$1.5400 (+.0200)	(+.0500)	\$1.5120 (+.0395)
BUTTER							
GRADE AA	\$1.9100 (+.0575)	----	\$1.9825 (+.0725)	----	\$2.1100 (+.1275)	(+.2575)	\$2.0008 (+.1825)

\*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, MARCH 1, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 3 CARS: 1 @ \$1.9050, 2 @ \$1.9100; BIDS UNFILLED: 15 CARS: 2 @ \$1.9100, 2 @ \$1.9075, 1 @ \$1.9050, 2 @ \$1.8975, 1 @ \$1.8950, 1 @ \$1.8825, 1 @ \$1.8800, 3 @ \$1.8750, 2 @ \$1.8500; OFFERS UNCOVERED: NONE

TUESDAY, MARCH 2, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4750, 1 @ \$1.4650; 2 CARS 40# BLOCKS: 1 @ \$1.5000, 1 @ \$1.4925; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 3, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.4850, 2 @ \$1.4750; 2 CARS 40# BLOCKS: 1 @ \$1.5100, 1 @ \$1.5000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 6 CARS: 2 @ \$1.9325, 1 @ \$1.9650, 1 @ \$1.9725, 1 @ \$1.9800, 1 @ \$1.9825; BIDS UNFILLED: 33 CARS: 1 @ \$1.9800, 5 @ \$1.9750, 2 @ \$1.9725, 1 @ \$1.9700, 7 @ \$1.9675, 2 @ \$1.9650, 2 @ \$1.9625, 5 @ \$1.9575, 3 @ \$1.9550, 2 @ \$1.9500, 1 @ \$1.9350, 1 @ \$1.9250, 1 @ \$1.9200; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 4, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.4950, 1 @ \$1.4900; 2 CARS 40# BLOCKS @ \$1.5200; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 5, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.5150, 1 @ \$1.5050; 3 CARS 40# BLOCKS: 1 @ \$1.5400, 1 @ \$1.5225, 1 @ \$1.5200; OFFERS UNCOVERED: NONE

BUTTER — SALES: 18 CARS: 4 @ \$2.0650, 2 @ \$2.0950, 2 @ \$2.1000, 3 @ \$2.1125, 1 @ \$2.1100, 1 @ \$2.1075, 1 @ \$2.1000, 1 @ \$2.1100, 1 @ \$2.1000, 1 @ \$2.0900, 1 @ \$2.1100; BIDS UNFILLED: 24 CARS: 1 @ \$2.0900, 2 @ \$2.0800, 2 @ \$2.0625, 2 @ \$2.0575, 2 @ \$2.0550, 4 @ \$2.0500, 2 @ \$2.0450, 2 @ \$2.0300, 1 @ \$2.0250, 4 @ \$2.0200, 2 @ \$2.0150; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone remains firm. After pausing in its recent climb, the CME cash butter price has gained more than ten-cents in the past two CME trading sessions (2/27-3/1). Contacts wonder how long it will be before we reach the \$2.00 level. Now that we are in March, the CME requires that any butter traded must be produced after December 1, 2003. Although sufficient stocks do exist, this does limit the volumes eligible to be traded at the CME. Contacts speculate that "current" butter stocks are light enough to push prices higher. Butter production in the East is light to moderate and some butter makers are reportedly out looking for more cream. Their searches are not always met with success. Cream supplies are tight and held with more confidence. Demand for butter is fair to good. Printers, thinking that butter may be in tight supply this coming summer, are trying to line up as much bulk as they can. Packaged butter needs remain light. Some retail features are in place, but others may be cancelled due to the sharp increase in prices. 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 as the cash price nears \$2.00 per pound. At mid week, the cash price of \$1.9825 compares to \$1.0850 in 2003, \$1.2700 in 2002, and \$1.5050 in 2001 for the comparable date. In 2001, the cash price reached \$2.2250 in late August. In that year, supplies were also limited and imports into the country were heavy. Quota volumes totaling nearly 15.4 million pounds entered the U.S. with slightly more than 26 million pounds of high tier (non quota) also entered the States. This year, importers and handlers anticipate quota volumes of 15.4 million pounds to enter the States as usual and anticipate much of this arriving sooner than later. For those importers looking beyond licensed volumes or for those not holding licenses, high tier or non quota imports are being considered. Often limited supplies and international offering prices higher than importers are willing to pay are

limiting sales. Current production in the States is seasonally active, although basically limited to local cream supplies. Some Western cream continues to be offered to Midwestern buyers, but increasing base prices are causing many to question if they should take advantage of the offerings. Current churning activity is keeping pace with demand and additional production is clearing to inventory. Retail butter demand is seasonally fair. Some promotional butter ads are starting to appear at retail in the Central part of the country. One such ad is featuring AA butter at \$.99 per pound. This feature is expected to clear a significant volume of butter. Food service orders are holding steady. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices are again firming at the cash CME market after showing some weakness about a week ago. Butter offers continue to clear very easily at higher prices. Buyers remain very concerned about supplies for summer and fall needs. They see the situation as different from a few years ago when prices also got this high. They don't think there is as much butter available from foreign trade as at that time. Churning schedules are lighter than forecast. Buyers are continuing to make purchase for future needs, but they are concerned about whether this will turn out to be the correct strategy when all is said and done. Feature activity for the Easter/Passover holiday season is expected to be lighter than normal because of the high prices and continued trend higher. Last week, the CME weekly butter warehouse survey indicated a net decline (84,000 pounds) in weekly butter stocks for the first time ever in the first ten weeks of a new year. Stocks now stand at 96.4 million pounds compared to 150.8 million pounds for the same week last year. Quota butter imports for January total 634,700 pounds compared to 361,200 last January. High Tier butter and butter substitutes totaled only about 8,000 pounds. Current prices for bulk butter range from 1/2 cent over the 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	38% MOISTURE BARRELS			
FEBRUARY 28	1,3434	1,3858	0.8057	1,7903	0.1647
	11,091,810	10,718,412	37,572,491	3,970,163	13,723,635

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 again moderately higher and the market tone remains firm. The cash price for cheese at the CME continued to move higher last week. Contacts wonder where the prices will level off. Historically, price run-ups of this magnitude are unusual at this time of year. Most contacts feel the milk will be tight this year and the prospect of lower output and lighter availability, have some buyers looking for product. Eastern cheese output is light to moderate. Most producers, because of tight milk supplies, are operating below anticipated levels. Demand for current cheddar is fair to good. Prices are unusually high for cheddar going into aging programs, but producers have little choice. Mozzarella output is also lighter than expected. Retail demand is slow to fair and food service orders are mostly steady. Higher prices are not helping sales in either segment of the market.

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

Cheddar 10# Prints	:	1.5400-2.0450
Cheddar Single Daisies	:	1.4975-1.9625
Cheddar 40# Block	:	1.6125-1.8625
Process 5# Loaf	:	1.6550-1.8550
Process 5# Sliced	:	1.6750-1.9125
Muenster	:	1.7125-1.9050
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market remains firm with prices trending higher. Buyers are having problem finding and acquiring cheese. Lead times on orders have increased and producers are more selective on the orders accepted. At many operations, new orders accepted are being scheduled for April delivery. A few producers continue to delay shipments in order to use the higher prices expected in a week or two. Finished product customers are also trying to increase inventory ahead of additional increases though some have built inventory. Process interest is increasing seasonally. Swiss prices are uneven, from higher based on the cheese price average to lower for those based on milk prices that declined a couple months ago. Milk supplies are tight with intakes unevenly lower to higher. Yields continue to drift lower seasonally. A few plant operators in areas with larger producer bases and lower proprietary plant competition have become more selective on their producers to concentrate on more profitable ones, with good quality milk, and better cheese yields.

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

Process American 5# Loaf	:	1.6250-1.8600
Brick And/Or Muenster 5#	:	1.8700-2.1275
Cheddar 40# Block	:	1.7700-2.1150
Monterey Jack 10#	:	1.9400-2.1150
Blue 5#	:	2.2225-2.5700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7700-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0000-2.6850

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

	BUTTER	:	CHEESE
03/01/04	46,022	:	135,178
02/01/04	41,294	:	134,423
CHANGE	4,728	:	755
% CHANGE	11	:	1

**WEST**

Cheese prices generally continue to show strength. Western contacts were somewhat concerned last week when prices dipped fractionally on Tuesday. Some believed that the downturn might indicate a market correction. The market continued to strengthen late last week and into this week. Buyers are very concerned with milk supplies for the summer time period. They are making purchasing decisions based on a short milk scenario. Some believe that milk prices are now getting strong enough to lead to more output later in the year, but the counter argument is based on high feed costs, high heifer prices, and limited quality forage available. Buyers are bidding up the prices for both barrels and blocks. Under grade cheese is moving well. A lot of older, frozen mozzarella is moving out, but a fair amount may still remain in storage. Swiss sales are fair. Production levels are generally not up to expectations because the milk is not there for many operations.

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

Process 5# Loaf	:	1.5925-1.8525
Cheddar 40# Block	:	1.6025-1.9925
Cheddar 10# Cuts	:	1.7825-2.0025
Monterey Jack 10#	:	1.7925-1.9525
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

**FOREIGN**

Prices are steady to higher and the market tone is unchanged. Domestic cheese prices continue to climb. Stocks are adequate to meet the current, slow to fair demand. According to recent reports, U.S. cheese imports during January, subject to licensing, totaled 7.382 million Kg, up 17.7% from January 2003. January high-tier cheese imports total 803,220 Kg, 40% less than last January. The currency exchange rates and availability in producing countries may have played major roles in the drop in the high-tier category. Some speculate that this may change as our domestic cheese prices climb.

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	: 1.8350-3.3250*
Gorgonzola	:	3.6900-5.9400	: 2.3525-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.2450-3.3350*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.8450-2.0700*
Romano (Cows Milk)	:	-0-	: 3.0325-5.2050*
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	52	0	76	0	38
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.

Milk production is about steady in most areas of the East. Milder weather in most of the region is helping to maintain output. The milk flow is up slightly along the Gulf Coast, but contacts in Florida note that is actually off a little. There is some speculation that Florida, due to fewer replacement cows, higher feed costs, and the lack of availability of BST, may have experienced an early peak this year. If this is correct, the peak would be 3-5 weeks early. In the Middle Atlantic and Northeast areas, the milk flow is steady to slightly higher. Bottled milk sales are fairly steady. Last week's snow storm in and around the Carolinas disrupted school lunch programs and caused panic buying late in the week. Operations and sales are back to normal this week. Surplus milk volumes remain light throughout the region. Manufacturing plants continue to operate below levels generally seen at this time of year. There are growing concerns among trade contacts about milk availability this coming summer. The condensed skim market is quite firm. Now that prices are moving lower, buyers are renewing their interest in wet solids, particularly Class III. Producers are generally moving all their solids as a liquid and have little available to dry. Most movement is through contracts and there is actually a relatively light test of the spot market for condensed skim. The fluid cream market remains firm. With the CME cash butter price still climbing, prices per pound fat continue to move upward. Supplies are fairly well balanced, but tightest early in the week. Ice cream production should be picking up seasonally, but the high price of cream is slowing some producers' spot interest. Because of the high priced cream, there have been comments regarding a trend toward the increased production of lower fat ice creams, ices, and sherbets this year. This is a pattern adopted by ice cream producers in years when cream prices do get too high. Cream cheese output is about steady, but the high cost of cream is a deterrent to making spot purchases. However, most do have contracts that need to be filled and their cream needs have not abated significantly. Bottled cream production is mostly steady. Churning activity remains light in the East.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2729-2.5456
DELIVERED EQUIVALENT ATLANTA	-	2.3092-2.5638 M 2.4002-2.5093
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4002-2.4365

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- .8700

MIDWEST

Class I demand recovered for the bottlers with slower sales last week and steady for the balance. Retail promotional activity and the usually stronger first of the month demand were factors. Milk supplies remain extremely tight for early March. Milk and cream users are worried about prospects for summer and fall supplies. Many manufacturing plant operators seek additional milk, generally unsuccessfully. Already it seems that availability is more important than the price. Reported spot manufacturing prices range from \$1.75 - 2.30 over class, fob. Some delivered prices in the \$3.00 - 3.50 are also noted for manufacturing milk. Cream demand remains strong, though price complaints have increased. Ice cream makers continue to step up production in the hopes of putting away "cheaper" product for summer. Lower fat items including sherbet and flavored ice based items may be more popular as cream prices increase. At least one regular cream supplier in the region temporarily discontinued spot sales due to the lack of uncommitted volumes. Western cream continues to supplement local supplies. Milk intakes seem little changed but range from slightly lower to higher. Certainly, volumes are not following the normal pattern of slight seasonal increases. Some operations reported their fat tests on milk receipts actually increased in February from

January levels. Most manufacturing plants continue to operate on lighter than desired (efficient) schedules. The lead time on cheese orders continues to increase with many plants already out a month or more. The announcement that a large, mainly specialty cheese, operation was discontinuing direct purchases from milk producers in favor of a cooperative supplier caused some producers to consider alternative buyers. Wet and soft fields from above normal temperatures along with rain and mixed precipitation limit outdoor activities.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 26 - MAR 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 42.00- 49.00	\$ 38.00- 43.75
REPLACEMENT HEIFER CALVES	\$270.00-530.00	\$360.00-480.00

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

	FEB 26 - MAR 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 50.00	\$ 35.00- 45.50

WEST

The February 4a price (butter/powder) in CALIFORNIA is \$11.94, up \$1.19 from January 2004 and \$2.63 higher than last February. The February 4b price (cheese) is \$11.74, up \$0.64 from January and \$2.38 higher than last year. JANUARY 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.99 billion pounds, unchanged from the prior year. The January blend price, at a fat test of 3.78%, is \$11.48, \$0.89 lower than December but \$0.92 higher than January 2003. The percentage of receipts used in Class I products is 18.49%. The January quota price is \$12.71 and the over quota price is \$11.01. These prices are \$0.38 lower than December but \$1.31 more than a year earlier. The heavy rains across much of the state are impacting milk production. Most increases have subsided and some processors are seeing slight declines. Southern California experienced heavy rains that affected milk cows and "greased up" open lots. This is expected to further impact milk output over the next week. The settlement of the grocery clerk strike has not impacted the fluid milk suppliers in the region to any great extent. Milk supplies are expected to change as struck stores gear up. The biggest unknown is if and how long customers will take to return to these stores. Bottlers' orders were strong this week. Milk production in the Central Valley is holding mostly steady. With many cows under cover of free stalls, rains are not a big factor. Temperatures have been warm. Plants are running well and several producers would like more milk. In the far northern producing areas, milk output is steady to occasionally slightly higher. There is good moisture available for future pasture growth. Milk production and marketing patterns are following trends of recent weeks in ARIZONA and NEW MEXICO. The effects of recent rains in the states have not impacted milk production to any great extent. CREAM demand remains very good in the region. Local and out of region buyers continue to bid for the limited cream supply. Ice cream producers in California expect a good March ahead of higher class prices in April/May. Demand is also good from other cream based item producers and from butter churners. The CME butter market is moving higher and closed at \$1.9825 on March 3rd, 18 cents higher than last week. Multiples are holding at 115 to 130, FOB, and vary depending on class usage and basing point. Milk production in the PACIFIC NORTHWEST is generally increasing seasonally, but at a slower rate than anticipated. Most operations would like to see some additional milk. Scattered shower activity is common across the region. The conditions are not bad enough to affect milk production. Producers are trying to cut down on the use of expensive grain and going with some additional forage. Hay stocks are available and the quality is generally acceptable. Normal culling rates are occurring, but they are anticipated to increase over the next two months as less rBST becomes available. Producers are searching for heifers without much success. Milk producers in UTAH and IDAHO are seeing milk receipts at lower than anticipated levels. Many are commenting that the winter weather has put more stress on the milking herd than has been noted for the last two or three years. The cold a few weeks ago and now the mud are causing production problems. Many contacts are commenting on the fact that more hay is moving around the region. Some of it was sold quite a while ago and is just now being delivered, the rest is new sales. Quality is still acceptable and prices are reasonable. Heifer prices are another story. A weekly Idaho sale notes a top end of \$2,100. Prices have been in that neighborhood before. The real news is in the average. The average on the top 100 heifers was \$1,790. Prices have not been that high for at least three years. Another test will be the monthly sale held in Washington this Friday. Demand is strong and offerings are light.

**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 steady market. CCC purchases in the Central region have ceased, increasing prices on the lower end of the range. Production is steady to lower as milk intakes at some plants are reduced due to heavy demands from Class I and III users. Most NDM movement is contractual with some plants flat pricing contractual loads into May. Supplies are limited on the 50# Grade A product. Resale supplies of CCC 25 kg bags are clearing at a discount to the market with heavier supplies expected with continued releases. Spot loads of NDM, resale or direct manufacture, are most readily available from the West. High heat NDM demand is good with holiday baking production schedules increasing. High heat supplies are tight and predominantly limited to contractual interest.

**EAST:** Prices and the market tone are unchanged. Production levels, reflecting surplus milk volumes, are often lighter. Also, the demand for Class III condensed skim is improving now that prices have slipped back into the low to mid \$.80's range. Much of the current output is for medium or high heat powder. Contacts often comment on the tight milk supply and speculate on the continued tight supply into the summer and fall. Many expect most of the late-year NDM to come from either the Western region or government programs, if not straight buy-backs. CCC has asked for bids to sell to USDA a minimum of 85.98 million pounds of fortified NDM. This powder will likely be made in the West, but certainly will impact the supply in all regions. Current demand for NDM is fair to good. Traders continue to comment that nearly all spot resale are powder from government exchange programs.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8100 - .8900 MOSTLY: .8100 - .8550  
HIGHHEAT: .8500 - .9550

**NONFAT DRY MILK - WEST**

The nonfat dry milk market in the Western region is holding mostly steady with recent weeks. The market tone is often characterized as steady to weak with heavy offering to the CCC support program needed to balance stocks. On March 1, the CCC announced they are seeking offers for a minimum of 85,979,400 pounds and up to 128,969,100 pounds of fortified NDM for export donation programs. The powder can be from CCC stocks or NDM not yet offered. Offers are due March 12 and shipments are from April to September 2004. This program, along with prior DEIP contracts, could tighten the NDM supplies in coming months. At a minimum, sales to the support program will decline. Drying schedules are lower for many producers in the region when compared to last year. Current demand is fair, but NDM is available from several sources at prices below producer offering prices. Cheese makers are using more NDM and condensed skim. During the week of February 23 - 27, CCC purchased 8.9 million pounds of NDM from the West. Western high heat NDM prices are unchanged. Some expected seasonal increases in demand are noted. Supplies are in good balance with most being made to order.

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 27	\$.8014	17,180,267	8,024,085
February 20	\$.8015	15,809,250	7,492,067

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. Most trading is occurring near the average with some less than trucklot loads reported at prices above the range. Production is steady to lower as some plants report reduced milk intakes into butter plants as demands from Class I and III are strong. Spot cream moving into churns is limited due to higher prices and competitive interest from Class II users. Condensed buttermilk movement is steady with renewed ice cream interest noted. Supplies of dry buttermilk are anticipated to remain tight into the summer months.

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

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

The dry buttermilk market is little changed. Prices are unchanged and nominal in the Northeast. Production levels are light and generally following the downward trend of churning activity. Butter output is slowing in the East. Couple this with steady demand for condensed buttermilk and there is little left to dry. Contacts "see" a tight summer ahead. Demand for dry buttermilk is steady, but more buyers are making inquires. The high cost of butterfat is making dry buttermilk more attractive to some users. However, there is little available in the East.

F.O.B. NORTHEAST: .8600 - .8800  
DELVD SOUTHEAST: .9000 - .9200

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are slightly higher on the top end of the mostly range. The market tone is steady to firm and remains lightly tested. Increased sales of condensed buttermilk under contract are depleting solids available for drying. These additional sales are tightening up an already tight market. Offerings are limited at a time of year that historically finds excess product available. Butter churning is active, but not at levels desired, which is also limiting buttermilk solids. Stocks are becoming tighter at the producer level.

F.O.B. WEST: .8500 - .9150 MOSTLY: .8800 - .9100

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to mostly higher and nominal. More producers are adjusting their prices to reflect the rising value of butterfat. The dry whole milk market tone is firming. The sharply higher value of butterfat is attracting more interest to this product. However, output has been light in most areas of the country and little is available at the producer level for spot sale. Traders report that it is increasingly difficult to find loads of either domestic or imported dry whole milk.

F.O.B. PRODUCING PLANT: 1.1250 - 1.4400

**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 steady to firm market. Trade activity is light to fair. Inquiries are heavy as buyers note that the market has bottomed and attempt to secure supplies before prices move higher. Export activity is increasing. Demand is best for Grade A product. Resellers are offering supplies of Extra Grade for late March delivery at significantly higher prices and meeting resistance. Current resale trades are reported at 1/2 to 2 cents higher. Production is steady to lower as some cheese plants report reduced milk intakes. Supplies of condensed whey are readily available for the light interest.

F.O.B. CENTRAL: .1700 - .1800 MOSTLY: .1700 - .1800

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Dry whey prices are mostly steady in the East, but the market tone is showing more signs of firming. Northeastern prices remain nominal. Cheese production levels are steady to lighter, which is impacting dry whey output. Most Eastern producers report that they are behind on delivery schedules or that stocks are nicely balanced. At this time, most producers are not discounting prices to move product. Conversely, most are now asking premiums for any spot load that they may wish to offer.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1725 - .1950  
DELVD SOUTHEAST: .1950 - .2100

**DRY WHEY - WEST**

Prices are somewhat mixed this week for Western whey powder. Range prices are fractionally lower while the mostly is fractionally higher. A number of producers are stating that they feel that the market is close to a cycle bottom. They are finding better interest from domestic and international accounts. Buyers seem to feel that these prices are very good historically and they don't want to miss out on making purchases at these price levels. Producer stocks are in better balance. Current production levels are lighter than anticipated. The market seems to be about steady with a firming undertone.

NONHYGROSCOPIC: .1500 - .1850 MOSTLY: .1550 - .1700

**ANIMAL FEED WHEY - CENTRAL**

Prices are higher on a steady to firm market. Supplies are limited for the good interest. Prices are generally trending higher with increases in the Extra Grade price. Early weaned pigs are trading lower while veal markets are firm.

F.O.B. CENTRAL:  
MILK REPLACER: .1550 - .1650

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are steady to lower on a weak market. Trade activity is very light. Producers believe the market will be rebounding like the whey market in the very short-term. Buyers are not yet convinced the market has bottomed, expressing reduced interest in WPC 34%. Renewed interest is reported on WPC 80% with agglomeration operations reporting good end-product demand. While movement of WPC 80% is reportedly better than the week prior, excess supplies, at some locations, remain competitive with WPC 34% for the light to fair feed interest. Some export interest is noted into Asia. Mexican demand is less than anticipated. Off grade supplies of WPC 80% or 34% are available for the light interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .4050 - .4800 MOSTLY: .4300 - .4550

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a steady market. Production is generally steady and inventories are reported as in balance. Some offers for second quarter are being quoted at steady prices to about 3/4 of a cent higher. Interest in second quarter negotiations is predominantly noted from export markets. Lower mesh size product in totes or bags is noted at a discount whereas higher mesh size product is trading at a premium to the market. Lower prices noted on the lower mesh sized product are reportedly in response to the competitive prices of whey and permeate.

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. Knowing that stocks are in close balance and often referred to as tight, domestic buyers continue to question their suppliers with regard to getting their contracted volumes. Most suppliers indicate that they should be able to acknowledge contracted volumes, but state that spot or additional needs will be difficult to supply. Another offering of government owned skim milk powder for casein/caseinate production is open until March 11. The most recent sale of 2.5 million pounds of powder for this purpose was priced in a range of \$0.2200 - .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. However, producers are either in the process of announcing price increases or have already sent notices to their buyers. This is in response to the anticipated higher-priced and tighter supply of milk this coming year. Current production is light to moderate and producer inventories are not being replenished as quickly as years past. Demand is fair, but buyers may start to pull more product ahead of any price increases. The USDA, AMS has issued a tentative decision on proposed amendments to the current, ten Federal milk marketing orders. This decision will reclassify milk used to produce evaporated milk or sweetened condensed milk in consumer-type packages from Class III to Class IV. Comments are due on or before May, 3, 2004. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 790 for delivery March - May 2004. The award is for 4,149,360 pounds at prices ranging \$0.4301-\$0.4961 per pound.

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

**CHICAGO MERCANTILE EXCHANGE FUTURES**

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

Month	02/18	02/19	02/20	02/23	02/24	02/25	02/26	02/27	03/01	03/02
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
FEB 04	11.82 (2220) 6	11.84 (2219) 34	11.82 (2221) 11	11.85 (2120) 105	11.86 (2096) 27	11.86 (2111) 2	11.86 (2153) 83	11.85 (2135)169	11.87 (2136) 6	11.88 (2136) 0
MAR 04	13.00 (2489) 96	13.43 (2546) 214	13.40 (2601) 76	13.30 (2563) 96	13.10 (2596) 59	13.25 (2629) 55	13.45 (2677) 82	13.47 (2739) 95	13.48 (2727) 144	13.55 (2714) 73
APR 04	13.55 (2206) 246	13.90 (2334) 386	13.90 (2325) 181	13.85 (2450) 283	13.53 (2446) 98	13.75 (2648) 391	13.88 (2680) 166	14.10 (2686) 152	14.13 (2760) 159	14.20 (2790) 307
MAY 04	13.80 (2331) 195	14.05 (2328) 346	13.93 (2366) 124	13.88 (2399) 190	13.87 (2402) 122	13.97 (2318) 468	14.18 (2373) 227	14.40 (2389) 112	14.42 (2521) 175	14.52 (2581) 244
JUN 04	14.05 (2043) 351	14.30 (2099) 212	14.15 (2172) 182	13.97 (2210) 276	13.85 (2233) 100	14.20 (2249) 151	14.32 (2237) 169	14.51 (2292) 160	14.60 (2374) 136	14.65 (2447) 232
JUL 04	14.42 (2032) 261	14.62 (2042) 133	14.45 (2092) 111	14.23 (2144) 255	14.13 (2152) 156	14.29 (2174) 187	14.45 (2199) 143	14.64 (2226) 92	14.70 (2280) 153	14.84 (2374) 198
AUG 04	14.60 (2042) 175	14.75 (2056) 132	14.56 (2105) 92	14.33 (2135) 200	14.15 (2141) 99	14.35 (2201) 134	14.65 (2229) 106	14.78 (2228) 127	14.87 (2270) 105	14.97 (2409) 293
SEP 04	15.20 (2272) 231	15.25 (2311) 129	15.05 (2371) 108	14.90 (2422) 178	14.79 (2455) 99	14.95 (2497) 182	15.10 (2535) 68	15.04 (2587) 157	15.18 (2608) 64	15.25 (2654) 140
OCT 04	14.40 (1783) 90	14.42 (1814) 106	14.26 (1876) 105	13.90 (1880) 135	13.78 (1882) 115	13.95 (1881) 34	14.04 (1898) 94	13.97 (1893) 113	14.10 (1924) 65	14.20 (1970) 104
NOV 04	13.30 (1364) 75	13.30 (1378) 63	13.17 (1412) 56	12.85 (1423) 106	12.65 (1424) 69	12.75 (1430) 46	12.80 (1433) 13	12.80 (1404) 58	12.90 (1391) 45	13.04 (1402) 91
DEC 04	12.50 (922) 46	12.57 (929) 29	12.55 (940) 42	12.30 (951) 32	12.25 (955) 43	12.23 (956) 29	12.23 (960) 10	12.18 (973) 35	12.40 (964) 53	12.50 (992) 50
JAN 05	12.10 (85) 10	12.15 (89) 10	12.10 (87) 23	11.97 (83) 5	11.80 (100) 20	11.80 (100) 6	11.80 (100) 0	11.80 (100) 0	11.83 (104) 9	11.85 (134) 35
FEB 05	11.90 (24) 7	11.90 (29) 5	11.90 (29) 0	11.90 (35) 7	11.80 (35) 1	11.80 (52) 1	11.80 (52) 0	11.80 (52) 1	11.80 (52) 1	11.80 (54) 5
MAR 05	11.71 (33) 0	11.71 (40) 7	11.80 (46) 6	11.80 (46) 0	11.70 (63) 17	11.70 (63) 0	11.70 (63) 0	11.70 (63) 0	11.70 (63) 0	11.70 (63) 1
APR 05	11.60 (20) 0	11.60 (25) 5	11.60 (29) 4	11.60 (29) 0	11.60 (46) 17	11.60 (46) 0	11.60 (46) 0	11.60 (46) 0	11.60 (46) 0	11.60 (46) 0
MAY 05	11.60 (20) 0	11.60 (25) 5	11.60 (29) 4	11.60 (29) 0	11.60 (29) 0	11.60 (29) 0	11.60 (29) 0	11.60 (29) 0	11.60 (29) 0	11.60 (29) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
FEB 04	11.70 (5) 0	11.70 (5) 0	11.70 (5) 0	11.70 (5) 0	11.70 (5) 0	11.70 (5) 0	11.70 (5) 0	12.06 (5) 0	12.06 (5) 0	12.06 (5) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAR 04	184.00 (112) 8	194.00 (112) 4	189.00 (115) 12	183.50 (115) 0	183.00 (108) 6	184.00 (130) 28	185.00 (131) 13	190.00 (131) 1	192.00 (109) 23	194.00 (117) 9
MAY 04	186.00 (187) 6	196.00 (194) 7	191.00 (199) 9	185.00 (202) 4	185.00 (214) 12	187.00 (218) 9	188.00 (219) 1	193.00 (219) 0	195.00 (222) 20	195.00 (225) 6
JUL 04	188.00 (195) 1	198.00 (197) 10	193.00 (199) 5	189.00 (201) 2	189.00 (199) 9	191.00 (198) 2	191.00 (206) 14	196.00 (206) 0	198.00 (206) 0	198.00 (211) 6
SEP 04	190.00 (32) 8	200.00 (34) 4	195.00 (39) 8	189.50 (41) 2	189.50 (45) 7	191.50 (48) 5	193.00 (55) 7	198.00 (55) 0	200.00 (55) 0	200.00 (58) 3
OCT 04	190.00 (28) 6	200.00 (34) 6	195.00 (42) 9	190.50 (44) 2	190.50 (52) 10	192.50 (56) 4	194.00 (57) 2	199.00 (57) 0	201.00 (57) 0	201.00 (59) 3
DEC 04	187.00 (57) 3	197.00 (57) 6	192.00 (58) 1	192.00 (58) 0	192.00 (58) 0	192.00 (81) 41	192.00 (81) 0	194.00 (81) 0	196.00 (81) 0	196.00 (81) 0

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

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered February 23 - March 5, 2004

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

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** Milk production throughout Europe continues to increase seasonally, but at varying rates. The milk quota year end is nearing, thus producers are closely monitoring their quota levels as March 31 nears. Reports indicate that overall milk volumes are trailing 2002 levels, although some producers are cutting back on their feeding programs to control their milk marketings and quota year volumes. Intervention for skim milk powder is now open. Milk handlers and manufacturers anticipate that offerings will probably be active early on as producers within existing EU countries clear stocks during the next two months prior to the additional of 10 new countries and their potential offerings after May 1. Butter intervention is also now open. Under a special opening of butter intervention during February, about 6,000 mt of butter was offered which will not impact the 70,000 mt ceiling for the program. Although not overly aggressive, some short or near term trading activity is occurring prior to the end of April and the discontinuance of export licenses at that time. This is greatly impacting potential sales activity, especially for those buyers that are looking toward longer term negotiation. Some buyer interest is occurring for butter from U.S. importers. Current firm prices and limited stocks in the States are causing some importers to look to international markets for additional butter supplies. At this point, European prices are firmer than buyers are willing to pay, thus much of this buyer interest is going unfilled.

**BUTTER/BUTTEROIL:** European butter markets and prices are basically holding steady. Intervention is now open for butter. Under a special intervention opening in some countries during February, about 6,000 MT of butter was offered which will not impact the 70,000 MT ceiling of the current program. Some butter producers and handlers indicated that inquiries from some U.S. importers were being received. Firm prices and lighter than desired stocks in the States are causing importers to look to international markets for supplemental supplies. At this point, European prices are too high, thus no additional export to the States is occurring at this time.

82% BUTTERFAT: 1,550 - 1,600  
99% BUTTERFAT: 1,700 - 2,000

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are holding basically steady. Intervention is now open in the EU. Some producers and handlers anticipate that offerings to intervention will be heavy for the next eight weeks, prior to the addition of 10 more countries to the EU. Milk production is increasing slowly with some producers closely monitoring their shipments as the milk quota year end nears. Butter/powder production schedules are increasing, although they remain seasonally low.

1.25% BUTTERFAT: 1,715 - 1,840

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are steady at basically unchanged prices. Stocks of powder are available and as the milk production season resumes, additional stocks are forthcoming. Buying interest is not aggressive, although some sales for near term shipment are being reported.

26% BUTTERFAT: 1,850 - 1,950

**SWEET WHEY POWDER:** European whey powder markets are basically steady. Overall demand continues to center around internal or domestic needs. Often international buyers continue to find European prices higher than they are willing to pay. Stocks are available and are anticipated to increase as the new milk production season develops, due to heavier cheese output.

NONHYGROSCOPIC: 510 - 550

**OVERVIEW: EASTERN EUROPE:** Milk production in Eastern Europe is also increasing seasonally. Reports vary as to the strength at this time, but some countries are experiencing heavier receipts for this time of the year versus previous years. Some sales activity has been reported out of Eastern Europe, although prices remain higher than some buyers are willing to pay.

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in Oceania continues to decline seasonally, although end of season declines are gradual at this time. Milk handlers are hopeful that the declines will continue to ease slowly to help offset overall shortages on the season. In Australia, year to date production continues to trail last year by about 6 - 7%, although recent production trends should hopefully narrow the gap between the years. In New Zealand, recent rainfall has helped maintain pasture growth as the season winds down, thus production continues to run 2 - 3% ahead of last year. In both countries, manufacturers are actively processing milk volumes and in most instances, are generating much needed product to meet commitments. As has been the case for most of the season thus far, stocks of manufactured dairy products are in close balance and often referred to as tight. Manufacturers and traders indicate that the additional milk volumes at this time of the year will help ease the supply tightness against known commitments. At this point, most dairy product handlers continue to indicate that they have no additional product available for spot buyer interest, although there are buyers in the market looking for product, especially butter. Firm butter prices in the United States are causing U.S. importers to look for butter internationally. In recent years, a significant volume of quota butter has come into the United States from Oceania. Much of this activity will continue, although non quota (high tier) volumes are what many importers are looking to locate. In 2001, butter prices were comparable and higher causing 26 million pounds of non quota butter to enter the States, with much of this coming from Oceania. This year, it appears that tight supplies in Oceania will limit this source for non quota volumes, or at least until closer to the end of the season.

**BUTTER:** Oceania butter markets are steady to firm with prices unchanged to slightly higher. Stocks of butter continue to run in close balance to tight. Most manufacturers and handlers indicate that they have no butter available for spot buyer interest. There are some spot buyers looking for butter to supplement butter inventories in the United States. Firm prices and projected higher prices along with lighter than desired supplies, are causing some U.S. importers to look at securing stocks from the international market. At this point, most butter from Oceania has been fully committed. Some of this commitment is in the form of quota volumes that will be entering the U.S. as usual, although importers are looking to locate additional non quota volumes at this time.

82% BUTTERFAT: 1,550 - 1,700

**CHEDDAR CHEESE:** Oceania cheese markets remain firm as prices increase slightly. Demand for cheese is strong and shipments to regular customers continue to clear current production. As cheese demand remains strong, some manufacturers are directing milk volumes away from other manufactured dairy products and toward cheese output when possible. Stocks are in close balance for known needs with additional volumes for spot buyer interest limited.

39% MAXIMUM MOISTURE: 2,350 - 2,600

**SKIM MILK POWDER (SMP):** Skim milk powder prices are generally steady, although the market tone is mixed. Powder production is declining seasonally as milk volumes also edge lower. At the present time, seasonal declines are occurring slowly with many manufacturers hoping that this will continue for awhile. Stocks of powder are reported to be in close balance and often referred to as tight. Handlers and traders indicate that they should be OK with supply/demand balance, especially if the end of the season production does not drop off quickly.

1.25% BUTTERFAT: 1,800 - 1,900

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are generally steady. Stocks of whole milk powder are tight, although most handlers feel that they will be able to meet commitments. As with most other manufactured dairy products in Oceania, handlers indicate that they will probably not have any whole milk supplies available for spot buyer interest if interest should develop.

26% BUTTERFAT: 1,800 - 1,900

Exchange rates for selected foreign currencies: MARCH 1, 2004

.7467 Canadian Dollar	.0221 Indian Rupee
.3428 Argentina Peso	.6890 New Zealand Dollar
.0912 Mexican Peso	.7714 Australian Dollar
.2549 Polish Zloty	.0092 Japanese Yen
	1.2444 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0912)= 10.9649. That is 1 US Dollar equals 10.9649 Mexican Pesos. Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:REPORT NUMBER 5 :REPORT NUMBER 6 :REPORT NUMBER 7 :REPORT NUMBER 8 :				: 2004 : 2003	
	:-----:-----:-----:-----:				: Average : Average	
	: FEB 02 - 06	: FEB 09 - 13	: FEB 16 - 20	: FEB 23 - 27	: or Total	: or Total
<b>CHEESE</b>						
WISCONSIN (WSP, Delivered, LTL)						
- Process American 5# Loaf	:: 1.4350 - 1.6900	:: 1.4700 - 1.6900	:: 1.4975 - 1.6900	:: 1.5725 - 1.7500	::	:: 1.5997 : 1.3607
- Brick And/Or Muenster 5#	:: 1.7400 - 1.9700	:: 1.7400 - 1.9900	:: 1.7400 - 2.0100	:: 1.7400 - 2.0825	::	:: 1.8766 : 1.6107
- Cheddar 40# Block	:: 1.6400 - 2.1150	:: 1.6400 - 2.1150	:: 1.6400 - 2.1150	:: 1.6400 - 2.1150	::	:: 1.8775 : 1.7789
- Monterey Jack 10#	:: 1.8100 - 2.1150	:: 1.8100 - 2.1150	:: 1.8100 - 2.1150	:: 1.8100 - 2.1150	::	:: 1.9625 : 1.9042
- Blue 5#	:: 2.0650 - 2.4500	:: 2.0850 - 2.4500	:: 2.1050 - 2.4500	:: 2.1775 - 2.4500	::	:: 2.2791 : 2.0470
- Mozzarella 5 - 6#	:: 1.6125 - 2.2150	:: 1.6325 - 2.2150	:: 1.6400 - 2.2150	:: 1.6400 - 2.2150	::	:: 1.9229 : 1.8257
- Grade A Swiss Cuts 6 - 9#	:: 2.0500 - 2.6850	:: 2.0500 - 2.6850	:: 2.0500 - 2.6850	:: 2.0500 - 2.6850	::	:: 2.3675 : 2.3175
NORTHEAST (WSP, Delivered, LTL)						
- Cheddar 10# Prints	:: 1.3825 - 1.8875	:: 1.4025 - 1.9075	:: 1.4225 - 1.9275	:: 1.4950 - 2.0000	::	:: 1.6783 : 1.4414
- Cheddar Single Daisies	:: 1.3400 - 1.8050	:: 1.3600 - 1.8250	:: 1.3800 - 1.8450	:: 1.4525 - 1.9175	::	:: 1.6158 : 1.3839
- Cheddar 40# Block	:: 1.4550 - 1.7050	:: 1.4750 - 1.7250	:: 1.4750 - 1.7450	:: 1.5675 - 1.8175	::	:: 1.6212 : 1.3927
- Process 5# Loaf	:: 1.4650 - 1.6650	:: 1.5000 - 1.7000	:: 1.5275 - 1.7275	:: 1.6025 - 1.8025	::	:: 1.6236 : 1.3614
- Process 5# Sliced	:: 1.4850 - 1.7225	:: 1.5200 - 1.7575	:: 1.5475 - 1.7850	:: 1.6225 - 1.8600	::	:: 1.6623 : 1.4051
- Muenster	:: 1.5550 - 1.7475	:: 1.5750 - 1.7675	:: 1.5950 - 1.7875	:: 1.6675 - 1.8600	::	:: 1.6945 : 1.4589
- Grade A Swiss Cuts 10 - 14#	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	::	:: 2.4500 : 2.4500
WEST COAST (WSP, Delivered, LTL)						
- Process 5# Loaf	:: 1.4025 - 1.6625	:: 1.4375 - 1.6975	:: 1.4650 - 1.7250	:: 1.5400 - 1.8000	::	:: 1.5911 : 1.3307
- Cheddar 40# Block	:: 1.4450 - 1.7950	:: 1.4650 - 1.8150	:: 1.4850 - 1.8350	:: 1.5575 - 1.9075	::	:: 1.6633 : 1.3314
- Cheddar 10# Cuts	:: 1.6250 - 1.8450	:: 1.6450 - 1.8650	:: 1.6650 - 1.8850	:: 1.7375 - 1.9575	::	:: 1.7783 : 1.5514
- Monterey Jack 10#	:: 1.6350 - 1.7950	:: 1.6550 - 1.8150	:: 1.6750 - 1.8350	:: 1.7475 - 1.9075	::	:: 1.7583 : 1.5314
- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	::	:: 2.3550 : 2.3297
<b>FLUID PRODUCTS</b>						
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)						
- Northeast - f.o.b	:: 1.7936 - 2.0976	:: 1.9788 - 2.2341	:: 1.9930 - 2.2919	:: 2.2082 - 2.5340	::	:: 2.1413 : 1.2799
- Atlanta - dlvd. equiv.	:: 1.8240 - 2.1280	:: 2.0107 - 2.2820	:: 2.0760 - 2.3251	:: 2.2625 - 2.5340	::	:: 2.1792 : 1.2932
- Upper Midwest - f.o.b	:: 1.9152 - 2.0216	:: 1.9948 - 2.0745	:: 2.0760 - 2.1923	:: 2.3530 - 2.4435	::	:: 2.1338 : 1.3607
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.						
- Class II	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	::	:: 0.9000 : 0.9453
- Class III	:: 0.9000 - 0.9700	:: 0.9000 - 0.9500	:: 0.8300 - 0.9000	:: 0.8300 - 0.9000	::	:: 0.8992 : 0.7826
NATIONAL EVAPORATED MILK (\$ per Case)						
(Case - 48 - 12 fluid oz cans)						
- Delivered Major U.S. Cities	::19.0000 -30.0000	::19.0000 -30.0000	::19.0000 -30.0000	::19.0000 -30.0000	::	:: 24.5000 : 24.0000

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 5	::REPORT NUMBER 6	::REPORT NUMBER 7	::REPORT NUMBER 8	::	:: 2004	:: 2003
	::	::	::	::	::	:: Average	:: Average
	:: FEB 02 - 06	:: FEB 09 - 13	:: FEB 16 - 20	:: FEB 23 - 27	::	:: or Total	:: or Total
<b>DRY PRODUCTS</b>							
<b>NONFAT DRY MILK</b>							
— Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8000 - 0.8800	:: 0.8000 - 0.8800	:: 0.8000 - 0.8800	:: 0.8000 - 0.8900	::	:: 0.8413	:: 0.8347
-- Mostly	:: 0.8100 - 0.8550	:: 0.8100 - 0.8550	:: 0.8100 - 0.8550	:: 0.8100 - 0.8550	::	:: 0.8325	:: 0.8258
-- High Heat	:: 0.8500 - 0.9450	:: 0.8500 - 0.9450	:: 0.8500 - 0.9550	:: 0.8500 - 0.9550	::	:: 0.8999	:: 0.8895
— West (f.o.b.)							
-- Low/Medium Heat	:: 0.7950 - 0.8825	:: 0.7950 - 0.8825	:: 0.7950 - 0.8825	:: 0.7950 - 0.8825	::	:: 0.8388	:: 0.8444
-- Mostly	:: 0.7950 - 0.8100	:: 0.7950 - 0.8100	:: 0.7950 - 0.8100	:: 0.7950 - 0.8100	::	:: 0.8025	:: 0.8068
-- High Heat	:: 0.8300 - 0.8500	:: 0.8300 - 0.8500	:: 0.8325 - 0.8500	:: 0.8325 - 0.8500	::	:: 0.8406	:: 0.8399
<b>WHEY POWDER (Nonhygroscopic)</b>							
— Central (f.o.b.)	:: 0.1550 - 0.1800	:: 0.1600 - 0.1775	:: 0.1600 - 0.1725	:: 0.1650 - 0.1725	::	:: 0.1679	:: 0.1587
-- Mostly	:: 0.1700 - 0.1750	:: 0.1625 - 0.1725	:: 0.1625 - 0.1725	:: 0.1675 - 0.1725	::	:: 0.1695	:: 0.1575
— West (f.o.b.)	:: 0.1500 - 0.1975	:: 0.1475 - 0.1950	:: 0.1475 - 0.1950	:: 0.1500 - 0.1900	::	:: 0.1716	:: 0.1648
-- Mostly	:: 0.1600 - 0.1700	:: 0.1550 - 0.1700	:: 0.1550 - 0.1650	:: 0.1550 - 0.1650	::	:: 0.1620	:: 0.1586
— Northeast (f.o.b.)	:: 0.1700 - 0.2050	:: 0.1700 - 0.2000	:: 0.1700 - 0.1950	:: 0.1700 - 0.1950	::	:: 0.1845	:: 0.1688
— Southeast (Delvd)	:: 0.1975 - 0.2100	:: 0.2000 - 0.2075	:: 0.1925 - 0.2075	:: 0.1925 - 0.2075	::	:: 0.2020	:: 0.1869
<b>WHEY PROTEIN CONCENTRATE</b>							
— Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.4675 - 0.5200	:: 0.4525 - 0.5200	:: 0.4400 - 0.5000	:: 0.4300 - 0.4800	::	:: 0.4766	:: 0.5163
-- Mostly	:: 0.4775 - 0.5075	:: 0.4625 - 0.4975	:: 0.4600 - 0.4800	:: 0.4400 - 0.4700	::	:: 0.4746	:: 0.5125
<b>ANIMAL FEED - WHEY</b>							
— Central (f.o.b.)							
-- Milk Replacer	:: 0.1550 - 0.1650	:: 0.1500 - 0.1600	:: 0.1500 - 0.1600	:: 0.1500 - 0.1600	::	:: 0.1563	:: 0.1443
<b>BUTTERMILK (Min. 30% protein)</b>							
— Central (f.o.b.)	:: 0.9500 - 1.0125	:: 0.9500 - 1.0125	:: 0.9500 - 1.0125	:: 0.9500 - 1.0125	::	:: 0.9813	:: 0.7026
— West (f.o.b.)	:: 0.8500 - 0.9100	:: 0.8600 - 0.9100	:: 0.8500 - 0.9150	:: 0.8500 - 0.9150	::	:: 0.8825	:: 0.7263
-- Mostly	:: 0.8600 - 0.8900	:: 0.8700 - 0.8900	:: 0.8700 - 0.8900	:: 0.8800 - 0.9000	::	:: 0.8813	:: 0.7300
— Northeast (f.o.b.)	:: 0.8675 - 0.8800	:: 0.8600 - 0.8800	:: 0.8600 - 0.8800	:: 0.8600 - 0.8800	::	:: 0.8710	:: 0.7196
— Southeast (Delvd)	:: 0.8900 - 0.9200	:: 0.8900 - 0.9200	:: 0.9000 - 0.9200	:: 0.9000 - 0.9200	::	:: 0.9074	:: 0.7538
<b>WHOLE MILK POWDER</b>							
— National (f.o.b.)	:: 1.0925 - 1.2800	:: 1.1250 - 1.2800	:: 1.1250 - 1.2800	:: 1.1250 - 1.3700	::	:: 1.2101	:: 1.1250
<b>LACTOSE</b>							
— Central And West (f.o.b.)	:: 0.2100 - 0.2700	:: 0.2000 - 0.2700	:: 0.2000 - 0.2700	:: 0.2000 - 0.2700	::	:: 0.2363	:: 0.1950
-- Mostly	:: 0.2200 - 0.2300	:: 0.2200 - 0.2300	:: 0.2200 - 0.2300	:: 0.2200 - 0.2300	::	:: 0.2250	:: 0.1700
<b>CASEIN - Edible - National (f.o.b.)</b>							
-- Nonrestricted - Rennet	:: 2.2500 - 2.4000	:: 2.2500 - 2.4000	:: 2.2500 - 2.4000	:: 2.2500 - 2.4000	::	:: 2.3250	:: 2.0000
-- Nonrestricted - Acid	:: 2.2500 - 2.4500	:: 2.2500 - 2.4500	:: 2.2500 - 2.4500	:: 2.2500 - 2.4500	::	:: 2.3500	:: 1.8816

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR FEBRUARY 2004

COMMODITY	REPORT NUMBER 5 FEB 2 - 6	REPORT NUMBER 6 FEB 9 - 13	REPORT NUMBER 7 FEB 17 - 20	REPORT NUMBER 8 FEB 23 - 27	2004 * Monthly Average	2003 * Monthly Average
<b>BUTTER*</b>						
-- GRADE AA						
--Monday	1.5575	1.6475	#	1.8000	:	:
--Tuesday	:	:	:	:	:	:
--Wednesday	1.5900	1.6475	1.8150	1.8025	:	:
--Thursday	:	:	:	:	:	:
--Friday	1.6400	1.6875	1.8050	1.8525	1.7132	1.0405
--Weekly Average**	1.5958	1.6608	1.8100	1.8183	:	:
<b>CHEESE*</b>						
-- BARRELS						
--Monday	1.2725	1.3050	#	1.4325	:	:
--Tuesday	1.2825	1.3150	1.3350	1.4275	:	:
--Wednesday	1.2900	1.3150	1.3675	1.4300	:	:
--Thursday	1.2950	1.3250	1.4300	1.4625	:	:
--Friday	1.3050	1.3250	1.4325	1.4650	1.3586	1.0430
--Weekly Average**	1.2890	1.3170	1.3913	1.4435	:	:
-- 40# BLOCKS						
--Monday	1.3300	1.3425	#	1.4625	:	:
--Tuesday	1.3325	1.3450	1.3775	1.4600	:	:
--Wednesday	1.3350	1.3550	1.4100	1.4600	:	:
--Thursday	1.3375	1.3550	1.4600	1.4900	:	:
--Friday	1.3400	1.3750	1.4625	1.4900	1.3958	1.0920
--Weekly Average**	1.3350	1.3545	1.4275	1.4725	:	:
<b>NONFAT DRY MILK*</b>						
-- EXTRA GRADE						
--Monday	0.8400	0.8400	#	0.8400	:	:
--Tuesday	0.8400	0.8400	0.8400	0.8400	:	:
--Wednesday	0.8400	0.8400	0.8400	0.8400	:	:
--Thursday	0.8400	0.8400	0.8400	0.8400	:	:
--Friday	0.8400	0.8400	0.8400	0.8400	0.8400	0.8900
--Weekly Average**	0.8400	0.8400	0.8400	0.8400	:	:
-- GRADE A						
--Monday	0.8400	0.8400	#	0.8400	:	:
--Tuesday	0.8400	0.8400	0.8400	0.8400	:	:
--Wednesday	0.8400	0.8400	0.8400	0.8400	:	:
--Thursday	0.8400	0.8400	0.8400	0.8400	:	:
--Friday	0.8400	0.8400	0.8400	0.8400	0.8400	0.8900
--Weekly Average**	0.8400	0.8400	0.8400	0.8400	:	:

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.  
 \*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.  
 # Presidents' Day - CME closed.

**FEBRUARY 2004 DEIP BID ACCEPTANCES**

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
JULY 2003 – JANUARY 2004	<b>NONFAT DRY MILK</b>	68,201		
FEBRUARY 1 – 29, 2004		<u>0</u>		
JULY 2003 – FEBRUARY 2004		<u>68,201</u>		
JULY 2003 – JANUARY 2004	<b>CHEESE</b>	3,030		
FEBRUARY 1 – 29, 2004		<u>0</u>		
JULY 2003 – FEBRUARY 2004		<u>3,030</u>		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ-MONTEREY JACK, V-VARIETAL				
JULY 2003 – JANUARY 2004	<b>BUTTERFAT</b>	0		
FEBRUARY 1 – 29, 2004		<u>0</u>		
JULY 2003 – FEBRUARY 2004		<u>0</u>		
A-ANHYDROUS MILKFAT, B-BUTTER				
<b>TOTAL MT</b>				71,231
<b>TOTAL BONUS VALUE</b>				\$5,433,241
<b>PROGRAM TO DATE</b>				

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture’s Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds. **SOURCE: FOREIGN AGRICULTURAL SERVICE**

Allocations for the DEIP year beginning July 1, 2003: Nonfat Dry Milk – 68,201 MT; Cheese – 3,030 MT; Butterfat – 21,097 MT

Allocations are being announced in stages. Stage one is for 22,733 MT of Nonfat Dry Milk, 7,032 MT of Butter and 1,010 MT of Cheese.

Stage 2 was for 45,468 MT of Nonfat Dry Milk and 2,020 MT of Cheese.

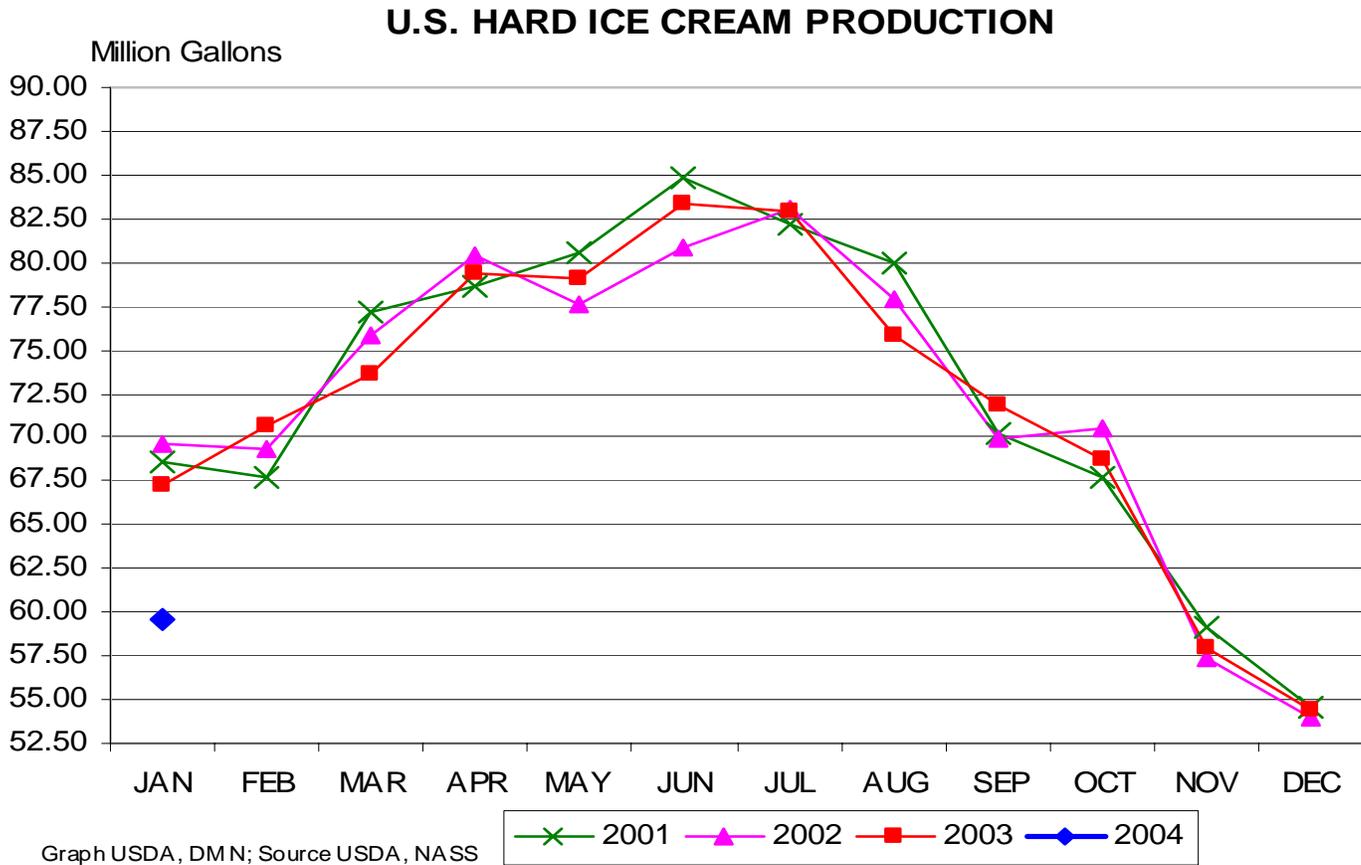
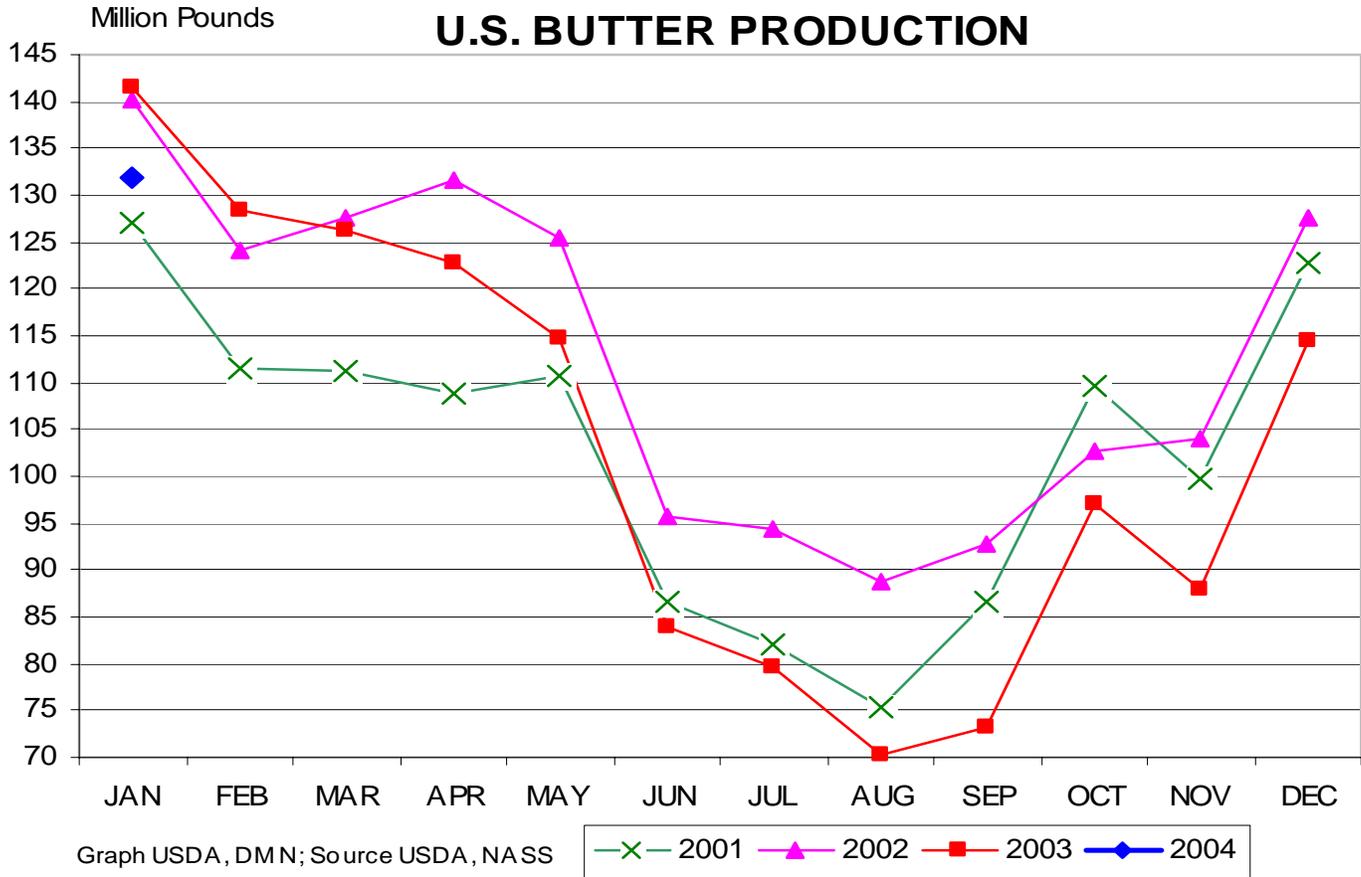
**JANUARY 2004 DAIRY PRODUCTS HIGHLIGHTS**

**BUTTER** production was 131.9 million pounds in January, 6.8 percent below January 2003 but 15.3 percent above December 2003. **AMERICAN TYPE CHEESE** production totaled 320.3 million pounds, 0.2 percent above January 2003 and 0.3 percent above December 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 735.2 million pounds, 2.4 percent above January 2003 but 2.5 percent below December 2003. **NONFAT DRY MILK** production, for human food, totaled 120.1 million pounds, 10.2 percent below January 2003 and 9.2 percent below December 2003. **DRY WHEY** production, for human food, was 82.9 million pounds, 9.6 percent below January 2003 but 2.1 percent above December 2003. **ICE CREAM** (hard) production totaled 59.5 million gallons, 11.6 percent below January 2003 but 9.4 percent above December 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JAN 2004	PERCENT CHANGE FROM:			PRODUCT	JAN 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	JAN 2003	DEC 2003	YEAR TO DATE 1/		1,000 LBS.	JAN 2003	DEC 2003	YEAR TO DATE 1/
BUTTER	131,884	-6.8	15.3	-6.8	SOUR CREAM	78,110	1.8	-15.9	
CHEESE					YOGURT (PLAIN AND FLAVORED)	214,443	26.6	19.7	---
AMERICAN TYPES 2/	320,304	0.2	0.3	0.2	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	243,907	-1.6	1.7	-1.6	SWEET-TYPE, HUMAN FOOD	8,738	-14.7	-11.2	---
SWISS	23,198	1.9	-1.7	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,842	-1.2	-5.2	---	DRY WHEY, HUMAN FOOD	82,885	-9.6	2.0	---
CREAM & NEUFCHATEL	48,271	---	-18.3	---	DRY WHEY, ANIMAL FEED	7,607	28.3	-14.8	---
HISPANIC	10,882	6.2	-4.9	---	DRY WHEY, TOTAL	90,492	-7.3	0.3	-7.3
MOZZARELLA	244,158	5.1	-1.6	5.1	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	62,091	1.8	-3.5	1.8	HUMAN FOOD	3,356	-24.7	-23.2	---
TOTAL ITALIAN TYPES	306,249	4.4	-2.0	4.4	ANIMAL FEED	3,540	-8.7	2.5	
ALL OTHER TYPES	19,429	16.3	-7.8	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	56,138	11.2	1.4	---
TOTAL	735,175	2.4	-2.5	2.4	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	37,628	5.5	9.4	---	HUMAN FOOD	25,363	-11.0	4.1	---
COTTAGE CHEESE, CREAM 4/	31,747	1.2	10.3	1.2	ANIMAL FEED	3,335	5.2	-12.4	---
COTTAGE CHEESE, LOWFAT 5/	31,313	3.0	9.3	3.0					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	39,218	-0.6	-7.3	---	ICE CREAM (HARD)	59,521	-11.6	9.4	-11.6
DRY WHOLE MILK	2,972	8.9	14.0	---	ICE CREAM, LOWFAT (HARD)	7,506	-8.2	8.4	---
NONFAT DRY MILK, HUMAN FOOD	120,112	-10.2	-9.2	-10.2	ICE CREAM, LOWFAT (SOFT)	17,850	4.4	-9.1	---
DRY SKIM MILK, ANIMAL FEED	433	-8.6	21.6	---	ICE CREAM, LOWFAT (TOTAL)	25,356	0.3	-4.5	0.3
DRY BUTTERMILK	5,832	-16.8	4.9	---	SHERBET (HARD)	3,771	-7.0	11.3	-7.0
					YOGURT (TOTAL)	4,410	-22.9	9.1	-22.9

MANUFACTURERS' STOCKS, END OF MONTH 7/							
PRODUCT	JAN 2004	PERCENT OF:		PRODUCT	JAN 2004	PERCENT OF:	
	1,000 LBS.	JAN 2003	DEC 2003		1,000 LBS.	JAN 2003	DEC 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	38,906	-1.6	-4.8	HUMAN FOOD	25,981	16.8	7.9
DRY WHEY, ANIMAL FEED	7,034	109.6	28.4	ANIMAL FEED	3,238	129.5	49.8
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	7,504	-29.2	3.1	CANNED EVAPORATED & CONDENSED WHOLE MILK	36,338	-30.1	-1.1
LACTOSE, HUMAN FOOD & ANIMAL FEED	50,127	17.5	0.3	NONFAT DRY MILK FOR HUMAN FOOD	101,824	2.2	-5.5
DRY BUTTERMILK, TOTAL	3,913	-57.6	28.8				

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.



## FEBRUARY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in February 2004 was unchanged at 130. Compared with February 2003, the index was up 2 points (1.6 percent). The index of prices received by farmers for dairy products advanced 1 point during the month of February 2004 to 102. Compared with February 2003, the index was up 15 points (17.2 percent).

Prices received by farmers in February with changes from January were: for All Milk, \$13.30 per hundredweight (cwt.), up \$.10; Fluid Grade Milk, \$13.30 per cwt., up \$.10; and for Manufacturing Grade Milk, \$12.60 per cwt., up \$.30.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., FEBRUARY 2004 WITH COMPARISONS

STATE	All-milk price 1/ 3/				Milk cows 5/		Cows 6/		All hay baled 7/	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JANUARY		FEBRUARY		FEBRUARY		FEBRUARY		FEBRUARY	
	2004 2/	2003 2/	2004 4/	2003 2/	2004	2003	2004 7/	2003 8/	2004	2003
CA	11.80	10.70	12.20	9.80			40.00	36.50	90.00	96.00
ID	12.10	10.60	12.10	10.10			40.30	38.90	83.00	84.00
MI	13.30	11.80	13.40	11.00		PRICES	47.00	37.50	103.00	98.00
MN	13.40	11.70	13.40	11.00		PUBLISHED	49.50	40.60	68.00	71.00
NM	12.60	11.70	12.80	10.60		JANUARY,	47.00	39.80	138.00	142.00
NY	13.70	12.50	13.70	11.70		APRIL,	---	---	120.00	111.00
PA	14.90	13.70	15.00	12.80		JULY AND	47.20	39.10	127.00	140.00
TX	13.80	12.80	14.00	11.70		OCTOBER	45.90	37.20	69.00	74.00
WA	13.20	11.60	13.30	11.00			---	---	90.00	106.00
WI	13.70	11.70	14.00	11.00			47.80	39.80	98.00	75.00
U.S.	13.20	11.70	13.30	11.00			46.20	38.90	79.90	91.80

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

## MILK AND OTHER GENERAL PRICE MEASURES, U.S., FEBRUARY 2004 WITH COMPARISON

ITEM	FEBRUARY 2003	JANUARY 2004 1/	FEBRUARY 2004 2/
<b>PRICES RECEIVED BY FARMERS, dol. per cwt., at reported butterfat test:</b>			
All milk	11.40	13.20	13.30
Fluid grade milk	11.40	13.20	13.30
Manufacturing grade milk	10.30	12.30	12.60
<b>INDEX NUMBERS (1990-92=100):</b>			
Prices received by farmers for all farm products	99	111	113
Prices received by farmers for dairy products	87	101	102
Prices paid by farmers for commodities and services, interest taxes, and wage rates	128	130	130
Prices paid by farmers for production items	123	127	127
Prices paid by farmers for feed	114	122	123
<b>MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk 3/</b>	2.35	2.71	2.60

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

SOURCE: "Agricultural Prices," Pr 1 (2/04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

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

	FOR THE WEEK OF MARCH 1 - 5, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 02/27/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	2,538,922	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	2,538,922	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	483,226	-0-	-0-
Process	-0-	-0-	-0-	-0-	9,266,400	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	10,093,340	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	6,676,481	2,686,593	3,989,888	241,130,014	256,832,895	838,893,000	877,462,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	6,676,481	2,686,593	3,989,888	241,010,966	256,832,895	885,284,000	923,853,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 1 - 5, 2004 =	0.9	46.4	COMPARABLE PERIOD IN 2003 =	30.6	178.1
CUMULATIVE SINCE OCTOBER 1, 2003 =	52.1	2,805.4	CUMULATIVE SAME PERIOD LAST YEAR =	205.0	3,089.8
CUMULATIVE JANUARY 1 - MARCH 5, 2004 =	26.6	1,456.1	COMPARABLE CALENDAR YEAR 2003 =	130.9	1,824.2

\* 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 MARCH 1 - 5, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	3,989,888	-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-	9,266,400	6,643,183	7,365,514	2.8	42.5
WEST	-42,309	2,538,922	-0-	826,940	230,084,009	243,337,053	95.4	56.8
EAST	-0-	-0-	-0-	-0-	4,283,774	6,130,328	1.8	0.7
<b>TOTAL</b>	-42,309	2,538,922	-0-	10,093,340	241,010,966	256,832,895	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 02/14/04 & 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	8.0	4.4	16.7	2.9	0.8	1.0	12.8	3.3	50.8	347.5	51.2	49.1
2003-Dairy	0.2	0.8	7.3	5.1	22.3	2.8	0.4	0.9	15.0	3.0	57.8	406.1	51.2	49.2
2004-All cows	0.0	0.9	10.0	10.1	29.2	12.8	14.3	2.9	13.8	5.3	99.3	707.1		
2003-All cows	0.2	0.9	9.9	13.4	35.0	12.5	14.9	3.4	16.6	5.9	112.8	825.6		

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	12.90										
III	11.61	11.89										
IV	10.97	12.21										

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)