

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (03/12): BUTTER:** Grade AA closed at \$2.0825. The weekly average for Grade AA is \$2.1217 (+.1209).

**CHEESE:** Barrels closed at \$1.8100 and blocks at \$1.8100. The weekly average for barrels is \$1.6365 (+.1495) and blocks, 1.6485 (+.1365).

**BUTTER:** Butter markets are mixed as the cash price continues to adjust higher and lower. The cash price has increased slightly more than 80 cents since the first of the year and is at record setting levels for this time of the year. Most butter producers and handlers continue to question milk and cream availability during upcoming months and feel that volumes will be lighter than desired. At this point, many butter producers continue to look for additional volumes of cream, but are finding offerings to be limited. In instances, when spot cream is located, pricing multiples are often higher than desired, thus some buyers continue to go without. Churning schedules are seasonally active and current production is keeping pace with demand, although inventories are not building at a pace that is comfortable with most producers. Importers continue to pursue additional butter stocks from international sources, but are finding stocks limited from previous suppliers. Some domestic butter users/buyers are being offered Eastern European butter at \$2.10 delivered. The EU Management Committee announced on Thursday that the export refund for butter was reduced by 100 Euros which will increase the base price for EU sourced butter. Domestic food service butter orders are fair, but retail demand is often categorized as slow. Feature activity at retail during the current Lenten season is receiving mixed reviews. Some continue to plan for this sales activity while others are cutting back, and in instances, totally eliminating the promotion.

**CHEESE:** The cheese market is firm and prices are higher. Current daily cash cheese prices are the highest since late 1999 and are records for March. Traders continue to raise prices in the hope of securing cheese. Some in the industry wonder how high prices need to get to slow demand. Demand exceeds the available offerings. Many plant operators report being fully committed on expected production for extended periods. Some orders have also been delayed due to lower than expected milk receipts. Most buyers are receiving their committed volumes but no more. Plant operators continue to seek supplemental milk supplies to purchase, also with limited success. Most plants continue to operate on lighter than desired schedules due to the milk limitation.

**FLUID MILK:** Milk production patterns continue to seasonally increase in most areas of the country, although often, milk producers are not seeing the usual increase in production patterns of past years. Among the reasons for the slower than normal gains are: replacement cow availability and cost, higher grain and concentrate prices, fewer farms, and a reduction in the availability of BST. Fluid milk supplies are reported as tight. Bottlers are taking regular volumes, but surplus volumes are quite a bit lighter than typical mid-March levels. Manufacturing milk demand far exceeds the available supply. Cream markets are firm as the cash price at the CME continues to increase sharply. Cream continues to be a sought after commodity from coast to coast. Often producers and traders are getting more calls from cream buyers who can't get desired volumes from their regular sources. Ice cream production is mostly steady. Some operations are stepping up production, but others are slower to increase output because of the high cost of cream. Churning activity is seasonally active, although lighter than desired by many butter producers.

**DRY PRODUCTS:** Nonfat dry milk markets are steady with prices generally unchanged. Production is lower due to reduced milk intakes across the country. Some balancing plants that typically take in excess supplies of milk for NDM production at this time of the year are not operating due to the limited milk supply availability. Sales of powder continue to CCC, although volumes are declining. As the trade watches dairy commodities' price increases, there are questions as to whether NDM prices will show strength to move off the support price this year. Dry buttermilk prices are steady to firm. In most parts of the country, buttermilk production is reduced due to the limited supply of cream into churns and condensed buttermilk to dryers. Seasonal interest is developing, but there may not be the product to fill all needs. Whey powder markets are firm with more price strength being reported across the country. Buyers are more aggressively looking for powder. Many feel that a bottom has been reached in the market and things will continue to increase further. Often whey handlers are commenting on the lack of milk moving through their cheese plants. Most dry whey makers state that they have very little, if any at all uncommitted product on hand and most are sold out for the near future.

**CCC:** During the week of March 8 - 12, CCC net NDM purchases total 4,700,265 pounds: 740,746 pounds from the Central part of the country and 3,959,519 pounds from Western sources.

**DECEMBER MAILBOX MILK PRICES (DAIRY PROGRAMS):** In December 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$13.81 per cwt., \$.69 less than the figure for the previous month. The component tests of producer milk in December 2003 were: butterfat, 3.78%; protein, 3.11%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, and ranged from \$17.41 in Florida to \$12.52 in New Mexico. In December 2002, the Federal milk order all-area average mailbox price was \$11.69, \$2.12 lower.

**LICENSED DAIRY OPERATIONS (NASS):** During 2003, the total number of licensed dairy operations in the U.S. was 70,410, down from 74,110 in 2002, a decrease of 5%. Total operations include both Grade A and Grade B dairies. Grade A dairies accounted for 63,385 of the total operations in 2003, down 2,835 from last year, while Grade B operations averaged 7,025 compared to 7,890 in 2002.

**MARCH MILK SUPPLY AND DEMAND ESTIMATES (WAOB):** The milk production forecast for 2003/04 is raised from last month to 170.1 billion pounds because 2002 and 2003 milk production estimates are revised upward by the National Agricultural Statistics Service. Milk prices are forecast higher than last month as recovering demand and 2003/04 milk production that is fractionally below the previous year are expected to support product prices at higher levels. Class III prices are forecast at \$12.95-\$13.35 and the Class IV price at \$11.75-\$12.35. The all milk price is forecast at \$14.10-\$14.50.

**JANUARY FLUID MILK SALES (DAIRY PROGRAMS):** During January, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.0% lower than January 2003. After adjusting for calendar composition, sales in January 2004 were 1.7% lower than January 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk and flavored fat-reduced milk increased from January 2003, while sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

\*\*\*\*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 8	TUESDAY MARCH 9	WEDNESDAY MARCH 10	THURSDAY MARCH 11	FRIDAY MARCH 12	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5250 (+.0100)	\$1.5750 (+.0500)	\$1.6300 (+.0550)	\$1.6425 (+.0125)	\$1.8100 (+.1675)	(+.2950)	\$1.6365 (+.1495)
40# BLOCKS	\$1.5500 (+.0100)	\$1.6000 (+.0500)	\$1.6325 (+.0325)	\$1.6500 (+.0175)	\$1.8100 (+.1600)	(+.2700)	\$1.6485 (+.1365)
BUTTER							
GRADE AA	\$2.1100 (N.C.)	----	\$2.1725 (+.0625)	----	\$2.0825 (-.0900)	(-.0275)	\$2.1217 (+.1209)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 8, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5500; BIDS UNFILLED: 2 CARSBARRELS: 1 @ \$1.5250, 1 @ \$1.5225; 3 CARS 40# BLOCKS: 1 @ \$1.5500, 1 @ \$1.5425, 1 @ \$1.5400; OFFERS UNCOVERED: NONE

BUTTER — SALES: 20 CARS GRADE AA: 1 @ \$2.1200, 1 @ \$2.1175, 1 @ \$2.1150, 1 @ \$2.1175, 1 @ \$2.1200, 4 @ \$2.1100, 7 @ \$2.1000, 1 @ \$2.1050, 3 @ \$2.1100; BIDS UNFILLED: 5 CARS GRADE AA: 2 @ \$2.1050, 1 @ \$2.1025, 2 @ \$2.1100; OFFERS UNCOVERED: NONE

TUESDAY, MARCH 9, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.5750; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.5750, 1 @ \$1.5325, 1 @ \$1.5250; 3 CARS 40# BLOCKS: 1 @ \$1.6000, 1 @ \$1.5600, 1 @ \$1.5500; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 10, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.6300, 1 @ \$1.5875, 2 @ \$1.5850; 6 CARS 40# BLOCKS: 1 @ \$1.6325, 1 @ \$1.6300, 1 @ \$1.6225, 1 @ \$1.6175, 2 @ \$1.6100; OFFERS UNCOVERED: NONE

BUTTER — SALES: 39 CARS GRADE AA: 1 @ \$2.1425, 2 @ \$2.1750, 4 @ \$2.1800, 2 @ \$2.1825, 10 @ \$2.1850, 2 @ \$2.1825, 4 @ \$2.1800, 2 @ \$2.1775, 2 @ \$2.1750, 1 @ \$2.1700, 1 @ \$2.1800, 1 @ \$2.1550, 2 @ \$2.1500, 1 @ \$2.1700, 1 @ \$2.1650, 1 @ \$2.1625, 1 @ \$2.1700, 1 @ \$2.1725; BIDS UNFILLED: 17 CARS GRADE AA: 1 @ \$2.1450, 2 @ \$2.1425, 2 @ \$2.1275, 1 @ \$2.1250, 2 @ \$2.1200, 2 @ \$2.1175, 1 @ \$2.1150, 2 @ \$2.1125, 2 @ \$2.1100, 2 @ \$2.1000; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$2.2000

THURSDAY, MARCH 11, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 7 CARS BARRELS: 1 @ \$1.6425, 2 @ \$1.6400, 4 @ \$1.6300; 5 CARS 40# BLOCKS: 1 @ \$1.6500, 1 @ \$1.6400, 3 @ \$1.6325; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 12, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 16 CARS BARRELS: 1 @ \$1.8100, 2 @ \$1.8000, 1 @ \$1.7900, 1 @ \$1.7325, 2 @ \$1.6925, 1 @ \$1.6900, 1 @ \$1.6875, 1 @ \$1.6800, 1 @ \$1.6700, 1 @ \$1.6575, 1 @ \$1.6525, 1 @ \$1.6475, 2 @ \$1.6425; 22 CARS 40# BLOCKS: 1 @ \$1.8100, 3 @ \$1.8000, 1 @ \$1.7900, 1 @ \$1.7200, 1 @ \$1.7150, 1 @ \$1.7050, 2 @ \$1.7000, 2 @ \$1.6950, 1 @ \$1.6925, 1 @ \$1.6900, 1 @ \$1.6875, 1 @ \$1.6850, 1 @ \$1.6800, 1 @ \$1.6750, 1 @ \$1.6700, 3 @ \$1.6500; OFFERS UNCOVERED: NONE

BUTTER — SALES: 46 CARS GRADE AA: 8 @ \$2.1725, 7 @ \$2.1700, 1 @ \$2.1650, 1 @ \$2.1675, 1 @ \$2.1600, 2 @ \$2.1550, 2 @ \$2.1500, 1 @ \$2.1400, 4 @ \$2.1300, 2 @ \$2.1100, 2 @ \$2.1000, 1 @ \$2.0800, 1 @ \$2.0775, 2 @ \$2.0800, 1 @ \$2.0825, 2 @ \$2.0850, 1 @ \$2.0900, 1 @ \$2.0925, 1 @ \$2.0850, 4 @ \$2.0800, 1 @ \$2.0825; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER MARKETS

JANUARY BUTTER PRODUCTION

During January 2004, butter production in the United States totaled 131.9 million pounds, 6.8% less than January 2003 but 15.3% more than December 2003. The following are January to January changes for various states: CA-3.6%, NY -8.5%, PA +49.8%, and WI -10.0%.

NORTHEAST

The market tone remains firm. After a week that saw the CME cash butter price increase 25.75 cents, the price held at \$2.11 during Monday's (3/8) trading. Twenty cars did change hands and all sales were bid-based. Churning activity in the East is mostly light. Few butter makers are getting desired volumes of cream and some are actively out looking for additional loads. Their search is going largely unsatisfied. Demand for butter is holding at generally good levels. Producers, printers, and speculators are all trying to find some butter to "put away" for later needs. Western butter continues to be shipped across the country, but new buyers are often unable to acquire loads. Packaged butter needs remain light. Retail sales are slow to fair as prices continue to increase. 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

The cash butter price continues to adjust sharply higher. At mid-week the cash price of \$2.1725 is the highest ever cash price for this time of the season. Most butter producers and handlers continue to question milk and cream availability during upcoming months and feel that volumes will be lighter than desired. At this point, many butter producers continue to look for additional volumes of cream, but are finding offerings to be limited. In instances, when spot cream is located, pricing multiples are often higher than desired, thus some buyers continue to go without. Churning schedules are seasonally active and current production is keeping pace with demand, although inventories are not building at a pace that is comfortable with most producers. Butter demand is mixed. Some buyers continue to purchase for near term needs, while others are placing heavier orders. Feature

activity at retail during the Lenten/Easter/Passover holiday period is receiving mixed reviews. Some continue to plan for this sales activity while others are cutting back, and in instances, totally eliminating the promotion. Food service orders are seasonally steady with most restaurants maintaining unchanged purchasing patterns at this time. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Western contacts continue to be amazed at cash CME prices for this time of the year. Prices have increased almost 90 cents (\$2.1725) since the first of the year and are at record setting prices for this season of the year. They agree that butter is leaving manufacturers' warehouses very quickly and stocks are minimal at best. The concern with future availability of butter seems to be driving most of the current buying interest. Buyers want to have some butter on hand going into the summer. Offerings of cream to churns have been more variable for the past few weeks. The speculation is that prices are getting too high too fast so that ice cream plants are sometimes backing off normal purchases of cream. Other churning operations report that cream offerings are declining rapidly and they don't expect a recovery any time soon. Some ice cream plants are worried that this decision may come back to haunt them later this summer. Food service butter orders are fair, but retail demand is often categorized as slow. Little feature activity is noted for Easter due to the extreme speed of the current price increases (+25.75 cents last week alone). January U.S. butter production totals 131.9 million pounds, a decline of 6.8% (9.6 million pounds) from last year. California butter output was 3.6% less than last year and the Western region was down 3.3%. CME weekly butter stocks have declined for the second consecutive week. This has never happened at this time of year. Stocks increased 40.3 million pounds for the first ten weeks of 2004, compared to 65.3 million pounds for the same period last year. Stocks now trail year ago levels by 58.1 million 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			
MARCH 6	1,4086	1,4235	0,8084	1,8888	0,1681
	8,925,845	11,005,962	23,944,396	3,962,949	12,802,713

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

CHEESE MARKETS

NORTHEAST

Prices continue to increase on most items. The market is firm. Eastern cheese makers continue to report that milk supplies are tighter than expected for this time of year. Cheddar stocks are closely balanced for the fair to good demand. Mozzarella supplies range from snug to adequate. Cheese distributors are able to get what they want, but it may take longer to get than it did earlier in the year. Retail and food service sales are mostly steady. However, the increasing prices do have most distributors and users trying to buy ahead of rising prices. Producers are doing their best not to get "picked off." With prices rising as fast as they are, some buyers would rather buy on date of order rather than on the weekly average, but most producers are sticking to their pricing guidelines. Some are working with their customers to help take the "sting" out of the rising prices.

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

Cheddar 10# Prints	:	1.5800-2.0850
Cheddar Single Daisies	:	1.5375-2.0025
Cheddar 40# Block	:	1.6525-1.9025
Process 5# Loaf	:	1.6975-1.8975
Process 5# Sliced	:	1.7175-1.9550
Muenster	:	1.7525-1.9450
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market remains firm with prices trending higher. The daily cash block price of \$1.60 at the CME on March 9 is the highest since late October 2003. Cheese demand simply exceeds the current supply. Many in the industry are wondering how high cheese prices need to go to stifle demand. The concern includes comments on the time lag then needed for consumer prices to decline sufficiently for demand to bounce back. Most buyers simply are unable to secure short term supplies of cheese within the region. Most buyers are receiving contracted volumes and no extra while some are receiving cutbacks or delays. Process interest is steady to slightly stronger. Natural interest remains best at generally good levels. Order lead times remain extended. The very limited spot milk supplies and lower than expected milk receipts are impacting the cheese volume produced.

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

Process American 5# Loaf	:	1.6675-1.8600
Brick And/Or Muenster 5#	:	1.8700-2.1675
Cheddar 40# Block	:	1.7700-2.1150
Monterey Jack 10#	:	1.9400-2.1225
Blue 5#	:	2.2625-2.5700
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
03/08/04	46,379	:	135,842
03/01/04	46,022	:	135,178
CHANGE	357	:	664
% CHANGE	1	:	N.C.

WEST

Cash cheese prices at the CME continued to increase about 5 cents last week and are up another 8-11 cents this week. Barrels have increased 39 1/2 cents since the first of the year and blocks are up 32 3/4 cents. Supplies of cheese available for current buying interest are tight and inquiries are often going unfilled on a timely basis. Buyers are often short in covering current needs for cheese and most want to have some additional cheese on hand, just to have it and to try and beat future possible price increases. Retail demand for cheese remains good and food service orders are reported to be fair to good. Most contacts believe that market fundamentals indicate that cheese prices should be on the firm side and the strength for butter further points towards a firmer cheese situation. U.S. cheddar cheese production in January was 1.6% less than last year while total Italian production was up 4.4% from January 2003. In the West, California mozzarella production was up 29.1% from last year, an increase of 17 million pounds. January U.S. Swiss cheese production totals 23.2 million pounds, up slightly from a year ago but down slightly from last month.

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

Process 5# Loaf	:	1.6350-1.8950
Cheddar 40# Block	:	1.6425-2.0325
Cheddar 10# Cuts	:	1.8225-2.0425
Monterey Jack 10#	:	1.8325-1.9925
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices on domestic cheeses continue to rise, while imported cheese prices have, reportedly, changed little. The U.S. dollar is still weak against the Euro, but the exchange rate did narrow last week. As the U.S. cheese prices advance, there may be some growing interest for importing cheeses, particularly cheeses for further processing. Much of that theory is historic, but with EU prices and current exchange rates, U.S. prices may have to climb some more. According to recent reports, U.S. cheese output in the EU-15 during the first eleven months of 2003 totaled an estimated 6.044 million tons, up 0.7% from same period in 2002.

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	:	1.8750-3.3650*
Gorgonzola	:	3.6900-5.9400	:	2.3925-2.4900*
Parmesan (Italy)	:	TFEWR	:	3.2850-3.3750*
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.5000	:	1.8850-2.1100*
Romano (Cows Milk)	:	-0-	:	3.0725-5.2450*
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	64	0	52	0	52
SOUTHEAST STATES	0	0	0	0	0	0

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

The following are the February 2004 Class and component prices under the Federal Milk Order pricing system: Class II \$12.90 (up \$1.23 from January), Class III \$11.89 (up \$0.28); and Class IV \$12.21 (up \$1.24). The following are the product price averages used in computing Class prices: 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. Milk production continues to show small gains in most of the Southeast. Florida's output is about steady. The milk flow in the Northeast is mostly steady. For many reasons, milk production is not showing the gains contacts are accustomed to seeing at this time of year. Among the reasons for the slower than normal gains are: replacement cow availability and cost, higher grain prices, fewer farms, and a reduction in the availability of BST. Fluid milk supplies are reported as tight. Bottlers are taking regular volumes, but surplus volumes are quite a bit lighter than typical mid-March levels. Manufacturers are having to adjust their operating schedules lower because of the shrinking milk supply. Bottled milk sales are generally steady. The condensed skim market is little changed from past weeks. Supplies are occasionally tight, but most are adequate to meet needs. Demand is growing now that prices are back to more acceptable levels. The fluid cream market is firm. Contacts all report on how short offerings are and how good demand is. Producers and traders are getting more calls from cream buyers who can't get desired volumes from their regular sources. Early this week, some suppliers were already short several loads and were busy trying to cover those orders. Western cream is being shipped into the region to supplement local shortages. Multiples range from steady to higher, particularly at the lower end of the range. Spot prices are sharply higher as the CME cash butter average jumped 18.25 cents last week. It is the first time in several years that butter has averaged more than \$2.00 per pound. Because of the rising market, some sellers a now selling cream based on the date of ship, not the previous week's average. Buyers don't like this, but have little recourse. Cream cheese output is steady to heavier. Some producers are out looking for more cream and not always able to find desired volumes. Ice cream production is mostly steady. Some operations are stepping up production, but others are slower to increase output because of the high cost of cream. Churning activity is light to moderate. Some producers are running on moderate schedules because they feel they will need their butter later in the year.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT		
F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.5210-2.8011
DELIVERED EQUIVALENT ATLANTA	-	2.5610-2.8211 M 2.6411-2.7811
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.6010-2.8011
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 was steady to slightly lower due to reduced promotional activity. Sourcing supplemental milk supplies remains a big issue especially with a growing concern in the industry that things may be worse by summer. The concern with limited milk volumes is whether or not to push for new business when you could already have problems supplying existing accounts. Less profitable/more costly accounts are likely to get shorted. Due to the tight supply situation, the sales staff is generally limited to spot sales and passing on contract volume offers. Spot milk premiums are higher on a very light test. Reported spot premiums are in the \$2.00 - 2.90 net over class area. Manufacturing milk demand far exceeds the available supply. Higher butter prices, over \$2.00 per pound on the CME cash market, have users looking closer at alternative sources of fat, already including offers of imported product. Ice cream manufacturers are worried that prices may soon reach

buyer resistance levels. Milk production overall seems steady at best, frequently lower at some operations than in recent weeks. Certainly, few if any operations are seeing the usual seasonal increase pattern. Some handlers are already looking ahead at the spring break period for milk supplies to loosen temporarily. Manufacturing schedules are seasonally light. For some producers, the incentive to push cows for higher production despite the BST cutback and higher concentrate cost has not shown up in their milk check. Some sources are reporting that their milk producer interest in milk futures and/or forward contracting for price protection has increased as prices exceed \$15 for several months. Soft wet fields are still limiting outdoor activities. The low moisture level available for crops is a big concern in some areas of the region.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAR 4 - MAR 10 PREVIOUS YEAR	
SLAUGHTER COWS	\$ 44.00- 51.00	\$ 40.00- 44.00
REPLACEMENT HEIFER CALVES	\$250.00-535.00	\$300.00-450.00

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

	MAR 4 - MAR 10 PREVIOUS YEAR	
SLAUGHTER COWS	\$ 46.00- 52.00	\$ 36.00- 49.75

WEST

The April 2004 Class 1 prices in CALIFORNIA range from \$15.78 in the north to \$16.05 in the south. The statewide average Class 1 price based on production is \$15.83. The average is \$2.04 higher than March 2004 and \$4.14 higher than April 2003. CALIFORNIA milk production is steady to slightly higher in some locales, but is below projected levels. Some manufacturers in the state are not able to secure extra milk supplies to run expected plant schedules. Weather conditions have been warm and favorable for milk production across most of the state this week. The lack of milk is blamed on several factors: recent wet conditions, higher feed costs, cows' time in milk, lack of replacements, and the lack of BST. As stores that had strikes resume normal operations, bottled milk suppliers for those stores have renewed orders. There is still some unsettledness and waiting to see where customers will shop. ARIZONA milk supplies are steady on a week to week basis as production moves closer to the seasonal peak. Volumes are slightly higher than a year ago. Temperatures are topping out around 90 degrees with some rains. Orders from bottlers have backed off following some recent promotions. NEW MEXICO milk production is trending higher seasonally at levels higher than last week and last year. The growth is due to both more cows and better weather. Milk is being shipped to other regions that are short of milk. CREAM continues to be a sought after commodity from local and out of region buyers. The CME butter price continues higher at new record prices for March and closed at \$2.1725 at midweek. Multiples are still holding in the 115 to 130 range, FOB. The higher overall costs of cream are not deterring interest from any segment of buyers. Ice cream producers would like to put some more stocks away before higher California Class 3 prices take effect for April/May. Demand from churners is active for Easter/Passover orders. Most contacts state that spring has arrived in the PACIFIC NORTHWEST. Cows are responding by increasing production due to the excellent weather conditions. Cows in pasture based production systems are beginning to head out to graze. Some early green chopping is taking place. Most plants still report that the milk supplies are not at expected spring levels. Hay stocks seem to be adequate to take producers up to new crop harvesting in a couple of months. Producers are wondering if they will be giving their higher milk check money this spring directly to grain sellers as those prices continue to increase. Prices at a major heifer sale in the region last week averaged around \$1900 with the top of the market touching \$2125. Demand for heifers is very strong, but supplies are just not there. Producers seem to be deciding not to start new animals on BST as supplies tighten this spring and keep existing animals on the product. At least that seems to be the decision at this time. Snow levels are receding in the milk producing areas of UTAH and IDAHO. Many contacts note that production was impacted by the long cold spell that hit the region for the first time in many years this past winter. Improving conditions should signal the start of this year's spring flush season. Producers are uncertain how much additional milk they will see with tightening BST supplies and much higher concentrate feed costs. Hay supplies look to be adequate. Heifer markets in the region continue to show signs of firming. Average prices are between \$17-1800 with the top around \$2000. These prices are from \$150-250 higher than at the beginning of January. Demand for heifers is firm and supplies are limited.

**NDM, BUTTERMILK & WHOLE MILK**

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

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are unchanged to lower on a steady market. CCC purchases resumed in the Central region, resulting in the lower reported price of 80 cents. Production is generally lower due to reduced milk intakes. Some balancing plants that typically take in excess supplies of milk for NDM production at this time of year are not operating due to the limited milk supply availability. Most movement is occurring on a contractual basis with some plants building supplies in an attempt to secure future contractual and internal needs. Some traders are making inquiries with the CCC regarding NDM sellbacks in an effort to circumvent possible supply deficiencies during the summer months. Supplies of resale NDM from CCC exchange programs are reduced and the availability of NDM from West coast producers is reportedly limited due to competitive producer interests in the CCC Export Donation Program.

**EAST:** Prices are mostly unchanged in the East. The market tone is firming slightly as drying schedules are declining at most Eastern butter/powder plants. The lack of surplus milk coupled with the good demand for condensed skim is keeping drying to a minimum. Last week, one operation saw fluid milk orders jump so much that the scheduled late-week drying runs were cancelled. For some operations, all they are drying is either high or medium heat to fill contracts. Demand for NDM is fair to good and most spot sales are noted in the resale market and on powder that once belonged to CCC.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during January 2004 totaled 120.1 million pounds, down 10.2% from January 2003 and 9.2% below December 2003. Month ending stocks, at 101.8 million pounds, are 2.2% above a year ago but 5.5% below last month.

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**

Western low/medium heat NDM prices are steady to higher within the range. The market tone currently remains steady. Sales continue to the CCC, but weekly volumes are declining. The expectations are that these offerings will decline further. Drying schedules are lower than projections. Sales are good to domestic accounts as buyers assess future needs. As the trade watches other dairy commodities' price increases, there are questions as to whether NDM prices will show strength to move off the support price this year. During the week of March 1 - 5, CCC purchased 4.0 million pounds of NDM from the West. High heat NDM prices are steady in light trading. There is more seasonal interest noted by most suppliers in the region. Production is higher to fill needs. Because of lower overall milk supplies entering powder plants, there is time and space available to make high heat. Stocks are light and balanced. U.S. NDM production in January totaled 120.1 million pounds, down 10.2% from last year and 9.2% lower than December. January production in the Western region totaled 94.7 million pounds, down 6.0% from last year. Western states' production levels with comparisons to last year are: California, 62.5 million pounds, +1.8%; and Idaho, 4.2 million pounds, -34.5%. U.S. manufacturers' stocks at the end of January were reported at 101.8 million pounds, up 2.2% from last year but 5.5% less than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8100  
 HIGHHEAT: .8325 - .8500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 5	\$.8021	14,803,604	4,368,431
February 27	\$.8014	17,180,267	8,024,085

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged to lower on a steady market. Some locations are reducing prices to be more in line with the coastal regions. However, for immediate ship on less than trucklot loads, premium prices are noted above \$1 with some producers expecting further price increases due to the strong price of butter. Production is reduced due to the limited supply of cream into churns and condensed buttermilk into dryers. Movement of condensed buttermilk is generally good into Class II facilities. Dry buttermilk movement is mostly contractual with some contractual buyers being shorted loads. Spot loads are predominantly clearing into ingredient companies and brokerage operations. Production of dry buttermilk during January 2004 totaled 5.8 million pounds, 16.8% less than January 2003 but 4.9% above December 2003. Month ending stocks, at 3.9 million pounds, are 57.6% below a year ago but 28.8% more than December 2003.

F.O.B. CENTRAL: .9500 - .9900

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

The dry buttermilk market is little changed. Prices are unchanged and remain nominal in the Northeast. Production levels are light. Butter output is steady to slower in the East. Reportedly, there is little dry buttermilk in producer hands, but as the value of butterfat increases, more buyers are again looking to dry buttermilk as a relatively inexpensive source of butterfat. Dry buttermilk production during January 2004 totaled 5.8 million pounds, down 16.8% from last January but 4.9% more than December 2003. Month ending stocks, at 3.9 million pounds, are 57.6% less than last year but 28.8% more than a month ago.

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

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to trend higher in light spot trading. The market tone is firming. Producer level supplies are often lower than projected. There is less churning at many locations and sales of condensed buttermilk are higher. Demand for buttermilk is good for the limited supply. Seasonal interest is developing, but there may not be the product to fill all needs. Buyers also seek the fat value in buttermilk. Stock levels remain light. U.S. dry buttermilk production in January totaled 5.8 million pounds, down 16.8% from last year but 4.9% higher than December. Stocks at the end of January were reported at 3.9 million pounds, 57.6% less than last year.

F.O.B. WEST: .8800 - .9150 MOSTLY: .8900 - .9100

**DRY WHOLE MILK - NATIONAL**

Prices are often higher and nominal. Producers continue to adjust their prices to the rising value of butterfat and the increasing price of milk. The dry whole milk market tone remains firm. Production levels are light and generally to meet contract deliveries. Demand is improving in some areas where buyers are looking for other sources of butterfat. Dry whole milk production during January 2003 totaled 3.0 million pounds, up 8.9% from last January and 14.0% more than December 2003.

F.O.B. PRODUCING PLANT: 1.2425 - 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 firm market. Producers are reporting that production is reduced and supplies are in balance to instances tight. Feed buyers are hesitantly purchasing additional loads in response to the market rebound. Food buyers are purchasing additional loads at significant premiums with some resale prices noted above the range. Totes are reportedly difficult to find. Most movement is occurring steadily on a contractual basis. Production of human food, dry whey during January 2004 totaled 82.9 million pounds, 9.6% less than January 2003 but 2.0% above December 2003. Month ending stocks, at 38.9 million pounds, are 1.6% below a year ago and 4.8% less than December 2003.

F.O.B. CENTRAL: .1750 - .2100 MOSTLY: .1800 - .1900

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Dry whey prices are mostly higher and the market tone is firming. Most Eastern cheese and dry whey producers are commenting on the lack of milk moving through their plants. Most Eastern dry whey makers are reporting little or no uncommitted product on hand and most are sold out for the next month or two. Demand has been increasingly strong. Buyers are re-entering the market and trying to buy up all the dry whey they can find. Nearly all contacts feel that the dry whey market as well as the WPC markets will be strong in the second and third quarters of the year. We are apparently seeing the beginning of this as indicated by the growing number of inquiries users/buyers are reportedly placing. Northeastern prices remain nominal as there are few spot sales being reported. Most clearances are to regular accounts. Production of human food, dry whey during January 2004 totaled 82.9 million pounds, 9.6% less than January 2003 but 2.0% more than December 2003. Month ending stocks, at 38.9 million pounds, are 1.6% below last year and 4.8% less than a month ago. Production of animal feed, dry whey during January totaled 7.6 million pounds, 28.3% more than a year ago but 14.8% below December 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1775 - .2025  
DELVD SOUTHEAST: .2050 - .2200

**DRY WHEY - WEST**

More price strength is noted this week for Western whey powder. Buyers are more aggressively looking for powder. Many feel that a bottom has been reached in the market and things will begin to increase. Some exporters are sold ahead into April. A tender for exports to the Far East is due in at the end of this week. Contacts are speculating that the U.S. will probably not get much of it because of the firming trend that has started. In general, cheese plants are not getting the volumes of milk that they had planned for this spring. U.S. whey production in January for human use totaled 82.9 million pounds, down 9.6% (8.9 million pounds) from last year. Whey production in the Western region totaled 23.8 million pounds, down 5.4% from last year.

NONHYGROSCOPIC: .1600 - .1875 MOSTLY: .1600 - .1725

**ANIMAL FEED WHEY - CENTRAL**

Prices are higher and nominal on a firm market. Supplies are limited for the good interest. Prices are generally higher in response to price increases on the Extra Grade market. Production of animal, dry whey during January 2004 totaled 7.6 million pounds, 28.3% more than January 2003 but 14.8% below December 2003. Month ending stocks, at 7.0 million pounds, are 109.6% above a year ago and 28.4% more than December 2003.

F.O.B. CENTRAL: .1600 - .1750  
MILK REPLACER: .1600 - .1750

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a steady to firm market. Supplies are mixed with some producers stating that inventories are in balance whereas others reportedly have heavy stocks to clear. Producer prices are generally trending higher with buyers noting that the market may have bottomed and purchasing or contracting loads for future needs. The WPC 80% market is reportedly firming, reducing the possibility of WPC 80% substitution for WPC 34% into some end-user operations. Reduced WPC 80% imports along with increased interest in WPC 80% for Atkin's diet products/nutritional foods and as a substitute for egg whites and blood proteins are stated factors behind higher prices. Off grade 34% and 80% are available at prices that vary with quality. Production of HUMAN FOOD WPC during January 2004 totaled 25.4 million pounds, down 11.0% from January 2003 but 4.1% above December 2003. Manufacturers' end-of-month stocks totaled 26.0 million pounds, 16.8% higher than a year ago and 7.9% above last month. Production of ANIMAL FEED WPC during January 2004 totaled 3.3 million pounds, up 5.2% from January 2003 but 12.4% below December 2003. Manufacturers' end-of-month stocks totaled 3.2 million pounds, 129.5% above last year and 49.8% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .4200 - .4800 MOSTLY: .4400 - .4550

**LACTOSE - CENTRAL AND WEST**

Lactose prices remain unchanged on a steady market. Production is steady to lower due to reduced milk intakes at some locations. Supplies are mostly in balance with some producers reporting that they are behind on their commitments. Spot movement is light. With higher whey prices reported and increased export inquiry, producers are expecting to gain higher prices in the second quarter with offerings generally between 1 and 3 cents higher. Negotiations for second quarter are light with increased interest expected during the next few weeks. Lactose production during January 2004 totaled 56.1 million pounds, up 11.2% from January 2003 and 1.4% higher than December 2003. Month ending stocks, at 50.1 million pounds, are 17.5% higher than a year ago and 0.3% above last month.

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

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

**CASEIN - NATIONAL**

Casein markets and prices remain firm. Domestic buyers continue to question supply availability during future months. For the most part, suppliers indicate that they will be able to fulfill contractual commitments, although will be very limited on additional or spot supplies. Firm prices and potential product tightness are causing some domestic buyers to look into production or at least purchasing domestically produced casein. USDA will be announcing the results of the most recent round of government owned skim milk powder sales for the production of casein/caseinates on Tuesday March 16. Since June 2002, slightly more than 10.3 million pounds of government owned powder has been sold for this purpose.

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. Current production remains light as surplus milk supplies tighten further under the improving demand for fluid milk. Producer inventories are being rebuilt as best they can. Demand is slow to fair. Canned evaporated milk production during January totaled 39.2 million pounds, 0.6% less than January 2003 and 7.3% less than December 2003. Month ending stocks, at 36.3 million pounds, are 30.1% less than a year ago and 1.1% below last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, FEBRUARY

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for February 2004 is \$1.8518 per pound. Thus, the Class II butterfat price is \$1.8588. The protein and other solids prices for February are \$1.7911 and \$0.0090 per pound, respectively. These component prices set the Class III skim milk price at \$5.61 per cwt. The February Class IV skim milk price is \$5.94 which is derived from the nonfat solids price of 0.6597 per pound.  
**Product Price Averages:** The product price averages for February are; butter \$1.6582, nonfat dry milk \$0.8064, cheese \$1.3260, and dry whey \$0.1677.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	FEBRUARY 2004				MARCH 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	14.84	12.90	11.89	12.21	15.19
Appalachian (Charlotte) 5/	005	14.69	12.90	11.89	12.21	15.04
Southeast (Atlanta) 6/	007	14.69	12.90	11.89	12.21	15.04
Florida (Tampa ) 7/	006	15.59	12.90	11.89	12.21	15.94
Mideast (Cleveland) 8/	033	13.59	12.90	11.89	12.21	13.94
Upper Midwest (Chicago) 9/	030	13.39	12.90	11.89	12.21	13.74
Central (Kansas City) 10/	032	13.59	12.90	11.89	12.21	13.94
Southwest (Dallas) 11/	126	14.59	12.90	11.89	12.21	14.94
Arizona-Las Vegas (Phoenix) 12/	131	13.94	12.90	11.89	12.21	14.29
Western (Salt Lake City) 13/	135	13.49	12.90	11.89	12.21	13.84
Pacific Northwest (Seattle) 14/	124	13.49	12.90	11.89	12.21	13.84
All-Market Average	---	14.17	12.90	11.89	12.21	14.52

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

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

In December 2003, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$13.81 per cwt., \$.69 less than the figure for the previous month. The component tests of producer milk in December 2003 were: butterfat, 3.78%; protein, 3.11%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas, and ranged from \$17.41 in Florida to \$12.52 in New Mexico. In December 2002, the Federal milk order all-area average mailbox price was \$11.69, \$2.12 lower.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	December 2002	November 2003	December 2003
	Dollars per hundredweight		
Northeast Federal Milk Order	11.58	14.98	14.39
Appalachian States <u>3/</u>	12.45	14.94	14.75
Southeast States <u>4/</u>	12.93	15.58	15.46
Southern Missouri <u>5/</u>	11.72	14.31	14.14
Florida	14.92	17.46	17.41
Ohio	11.99	14.74	14.09
Michigan	11.61	14.38	13.62
Wisconsin	11.78	14.80	13.77
Minnesota	11.56	14.72	13.47
Iowa	11.61	14.54	13.79
Illinois	11.77	14.80	13.82
Corn Belt States <u>6/</u>	11.35*	13.58	13.20
Western Texas <u>7/</u>	11.95	13.93	13.53
New Mexico	11.06	13.10	12.52
Idaho	10.66	13.61	12.64
Utah	10.37	13.37	12.62
Northwest States <u>8/</u>	11.24	13.34	12.81
All Federal Order Areas <u>9/</u>	11.69	14.50	13.81
California <u>10/</u>	10.68	12.82	NA

\*= Revised.

NA= Not available.

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

MARCH MILK SUPPLY AND DEMAND ESTIMATES\*

The milk production forecast for 2003/04 is raised from last month to 170.1 billion pounds because 2002 and 2003 milk production estimates are revised upward by the National Agricultural Statistics Service. Milk prices are forecast higher than last month as recovering demand and 2003/04 milk production that is fractionally below the previous year are expected to support product prices at higher levels. Class III prices are forecast at \$12.95-\$13.35 per cwt. and the Class IV price at \$11.75-\$12.35 per cwt. The all milk price is forecast is at \$14.10-\$14.50 per cwt.

Item	2001/02 <u>1/</u>	2002/03 Estimated <u>1/</u>		2003/04 Projection <u>1/</u>		
		February	March	February	March	
<b>BILLION POUNDS</b>						
SUPPLY						
BEGINNING COMMERCIAL STOCKS <u>2/</u>	8.8	11.2	11.2	11.0	11.0	
PRODUCTION	169.4	169.9	170.4	169.7	170.1	
FARM USE	1.2	1.1	1.1	1.0	1.0	
MARKETINGS	168.2	168.8	169.3	168.7	169.0	
IMPORTS <u>2/</u>	5.2	4.9	5.0	5.0	5.2	
TOTAL COMMERCIAL SUPPLY <u>2/</u>	182.2	185.0	185.5	184.7	185.2	
USE						
COMMERCIAL USE <u>2/ 3/</u>	170.7	172.7	173.3	175.9	176.5	
ENDING COMMERCIAL STOCKS <u>2/</u>	11.2	11.0	11.0	8.7	8.7	
CCC NET REMOVALS:						
MILKFAT BASIS <u>4/</u>	0.3	1.2	1.2	0.1	0.1	
SKIM SOLIDS BASIS <u>4/</u>	9.6	9.2	9.2	6.2	6.2	
<b>DOLLARS PER CWT.</b>						
MILK PRICES <u>5/</u>						
CLASS III <u>6/</u>	11.03	10.63	10.63	11.85-12.35	12.95-13.35	
CLASS IV <u>6/</u>	11.22	10.05	10.05	10.65-11.35	11.75-12.35	
ALL MILK <u>7/</u>	12.74	11.90	11.90	13.00-13.50	14.10-14.50	
<b>MILLION POUNDS</b>						
CCC PRODUCT NET REMOVALS <u>4/</u>						
BUTTER	0	29	29	-5	-5	
CHEESE	9	47	47	6	6	
NONFAT DRY MILK	817	751	751	530	530	
DRY WHOLE MILK	0	0	0	0	0	
		<b>QUARTERLY <u>8/</u></b>			<b>ANNUAL <u>8/</u></b>	
		2004 I	2004 II	2004 III	2003	2004
<b>BILLION POUNDS</b>						
MILK PRODUCTION	43.1	43.8	41.6	170.3	170.2	
<b>DOLLARS PER CWT.</b>						
ALL MILK PRICE <u>5/ 7/</u>	13.55-13.75	14.50-15.00	13.90-14.70	12.51	14.00-14.60	
CLASS III PRICE <u>5/ 6/</u>	12.15-12.35	13.40-13.90	12.95-13.75	11.42	12.75-13.35	
CLASS IV PRICE <u>5/ 6/</u>	12.00-12.30	13.20-13.80	11.70-12.70	10.00	12.00-12.80	

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-408, World Agricultural Outlook Board, USDA, March 10, 2004.

**Licensed Dairy Operations (New NASS Data Series)**

At the request of the dairy industry, the National Agricultural Statistics Service (NASS) has begun the collection and publication of a new data series on the number of licensed dairy herds in the U.S. The licensed dairy operations in this report represent the average number of dairy farms licensed to sell milk in each State. Data were compiled from information collected by State and other regulatory agencies. This new data series differs from another NASS data series on milk cow operations under which an operation is defined as any place having one or more head of milk cows, excluding cow used to nurse calves, on hand at any time of the year. These operations may not necessarily sell milk. The new data series on licensed dairy operations by definition more closely describes commercial dairy operations.

During 2003, the total number of licensed dairy operations in the U.S. was 70,410, down from 74,110 in 2002, a decrease of 5 percent. Total operations include both Grade A and Grade B dairies. Grade A dairies accounted for 63,385 of the total operations in 2003, down 2,835 from last year, while Grade B operations averaged 7,025 compared to 7,890 in 2002.

**Milk Cows: Licensed Dairy Operations by State and United States, 2002-2003**

State	2002	2003	State	2002	2003
	Number			Number	
AL	120	110	MT	120	110
AK	10	10	NE	540	500
AZ	160	160	NV	35	35
AR	320	290	NH	170	150
CA	2,030	2,060	NJ	140	130
CO	180	180	NM	160	170
CT	210	200	NY	6,930	6,700
DE	95	90	NC	420	395
FL	210	190	ND	510	440
GA	380	360	OH	4,100	3,960
HI	10	10	OK	440	440
ID	815	775	OR	350	350
IL	1,340	1,295	PA	9,240	9,130
IN	2,150	2,010	RI	20	20
IA	2,760	2,500	SC	120	120
KS	565	530	SD	860	780
KY	1,835	1,630	TN	860	820
LA	380	340	TX	890	850
ME	430	400	UT	405	365
MD	735	715	VT	1,480	1,390
MA	250	230	VA	940	910
MI	3,040	2,840	WA	660	640
MN	6,775	6,235	WV	170	160
MS	300	270	WI	17,300	16,400
MO	2,110	1,980	WY	40	35
			US	74,110	70,410

SOURCE: "Licensed Dairy Herds," Mt An 10 (2-04), National Agricultural Statistics Service, USDA.

## JANUARY FLUID MILK SALES

During January, about 4.8 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.0 percent lower than January 2003. After adjusting for calendar composition, sales in January 2004 were 1.7 percent lower than January 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk and flavored fat-reduced milk increased from January 2003, while sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/dyfmomib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
JANUARY 2004, WITH COMPARISONS <sup>1/</sup>

Product Name	Sales		Change from: <sup>2/</sup>	
	January	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,595	1,595	-1.5	-1.5
Flavored Whole Milk	88	88	8.2	8.2
Reduced Fat Milk (2%)	1,551	1,551	-0.2	-0.2
Low Fat Milk (1%)	549	549	-1.6	-1.6
Fat-Free Milk (Skim)	680	680	-4.1	-4.1
Flavored Fat-Reduced Milk	313	313	0.9	0.9
Buttermilk	46	46	-5.9	-5.9
Total Fluid Milk Products <sup>3/</sup>	4,837	4,837	-1.0	-1.0
Total Fluid Milk Products Adjusted <sup>3/ 4/</sup>	4,766	4,766	-1.7	-1.7

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

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, JANUARY 2004, WITH COMPARISONS <sup>1/</sup>

Area (Order Number)	Sales		Change from: <sup>2/</sup>	
	January	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	845	845	0.6	0.6
Appalachian (005)	309	309	-1.3	-1.3
Southeast (007)	423	423	-3.9	-3.9
Florida (006)	259	259	-0.3	-0.3
Mideast (033)	565	565	-1.6	-1.6
Upper Midwest (030)	380	380	-2.0	-2.0
Central (032)	415	415	0.3	0.3
Southwest (126)	374	374	-1.3	-1.3
Arizona-Las Vegas (131)	113	113	-2.8	-2.8
Western (135)	81	81	3.9	3.9
Pacific Northwest (124)	187	187	-1.6	-1.6
California (---)	548	548	-0.8	-0.8

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

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

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

	FOR THE WEEK OF MARCH 8 - 12, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 03/05/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	3,385,162	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	3,385,162	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	343,714	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	1,940,784	-0-	-0-
Process	-0-	-0-	-0-	-0-	10,454,400	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	12,738,898	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	7,099,613	2,399,348	4,700,265	245,830,279	271,232,962	822,200,000	1,076,132,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	7,099,613	2,399,348	4,700,265	245,711,231	271,232,962	868,591,000	1,122,523,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 8 - 12, 2004 =	1.0	54.7	COMPARABLE PERIOD IN 2003 =	46.0	193.9
CUMULATIVE SINCE OCTOBER 1, 2003 =	53.1	2,860.1	CUMULATIVE SAME PERIOD LAST YEAR =	251.0	3,283.7
CUMULATIVE JANUARY 1 - MARCH 12, 2004 =	27.6	1,510.8	COMPARABLE CALENDAR YEAR 2003 =	176.9	2,018.1

\* 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 MARCH 8 - 12, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	740,746	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	3,959,519	-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-	10,496,000	7,383,929	8,933,784	3.0	39.4
WEST	-42,309	3,385,162	-0-	2,242,898	234,043,528	255,258,536	95.2	60.0
EAST	-0-	-0-	-0-	-0-	4,283,774	7,040,642	1.8	0.6
<b>TOTAL</b>	-42,309	3,385,162	-0-	12,738,898	245,711,231	271,232,962	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 02/21/04 & 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	7.6	5.3	17.2	2.6	0.8	1.1	13.8	3.3	52.6	400.1	52.8	49.6
2003-Dairy	0.2	0.7	6.7	4.2	19.7	2.7	0.3	1.0	15.0	3.1	53.5	459.6	48.8	49.1
2004-All cows	0.0	0.8	9.6	10.5	28.9	12.5	14.4	3.0	14.5	5.3	99.6	806.7		
2003-All cows	0.2	0.8	8.8	11.9	31.9	14.5	14.6	3.1	16.7	7.1	109.6	935.2		

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)