

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (4/16):**  
**BUTTER:** Grade AA closed at \$2.3450. The weekly average for Grade AA is \$2.3425 (+.2062).

**CHEESE:** Barrels closed at \$2.1550 and blocks at \$2.2000. The weekly average for barrels is \$2.1400 (+.0462) and blocks, \$2.1800 (+.0581).

**NONFAT DRY MILK:** Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for Extra Grade is \$0.9140 (+.0452) and Grade A \$0.9140 (+.0477).

**BUTTER:** Butter markets are firm. Churning activity is seasonal, but often lighter than desired for this time of the season. Stocks are in close balance to short of full needs. In instances, orders are being shorted or delayed due to tight supplies. Some reports indicate that milk supplies are being moved out of butter/powder operations into cheese plants because of better returns. Butter handlers continue to consider import volumes to help supplement shortages, although some are stating that these volumes are not readily available. Butter orders this week vary as buyers assess inventories following the Easter/Passover holiday. Retailers indicate that butter sales during the Lenten season were mixed. Strong sales were reported when featured, but overall butter sales were not at levels of previous years. Many retailers attribute lighter sales patterns to higher than usual prices for the spring of the year. Food service orders are getting back to normal, but the next big holiday for restaurants, Mother's Day, is only four weeks away.

**CHEESE:** The cheese market remains firm. New record high cash cheese prices are being set at the Chicago Mercantile Exchange with each increase. Interest is steady to occasionally lighter where customers have reacted to current high prices. Production is steady to occasionally heavier where increases in milk volumes are noted. The April 16 milk production report is expected to be used to assess market direction next week. CCC announced Invitation 076 to Announcement PCD4, seeking 22.3 - 63.8 million pounds of process and blended cheese for delivery July 1, 2004 - June 30, 2005. Offers are due April 19 with public release scheduled for one business day following acceptance or rejection. Last year, CCC contracted to purchase 20.6 - 65.0 million pounds of process and blended cheese. Included at USDA's option, up to 9,691,006 pounds of CCC-owned cheese will be furnished for processing into process cheese. CCC announced contracts were awarded for mozzarella totaling between 29.5 and 55.6 million pounds.

**FLUID MILK:** Milk production patterns are consistent with recent weeks around the country. There is much discussion on the impact that Class price inversions, negative differentials, and depooling will have on milk pricing in the coming months. Output is steady to slightly higher in the Northeast. The Southeast milk flow is unchanged and signs are that a seasonal peak may have been reached in some locations. Class 1 usage in the region is lower, sending more milk to manufacturing. Retailers are working down Easter orders and many schools are on break. In the Midwest, milk receipts are variable with more milk available in southern states. Local Class 1 accounts are seeing demand as

uneven. The Northwest milk flow is steady overall. In California and New Mexico, milk volumes are moving higher. There are reports of producers taking measures to increase milk output due to higher milk prices such as changing to 3 times per day milking. Demand for cream remains strong in all regions. Prices continue to move higher. Condensed skim orders are often lighter because prices are high compared to nonfat dry milk.

**DRY PRODUCTS:** Market prices are firm across the dry dairy product sector. Nonfat dry milk prices are higher, reflecting a building firmness to the tone. Supplies have tightened because of improved demand from cheese producers, filling of DEIP and export contracts, and the CCC discontinuing sellbacks. Dry buttermilk prices are steady to slightly higher. Current drying is very limited and producers have little powder for spot sales. Dry whey prices continue to trend higher at a slower pace than over the past weeks. Buyers are more cautious now that prices have topped the 30 cent mark in the Midwest. Plant offerings are limited and buyers are often looking to resellers for needs. Whey protein concentrate prices are higher in a firmer market. Production and inventories are in better balance. New demand is developing from users. The lactose market is firm. Spot trading remains light with most activity centered on contracts. Buyers and sellers have divergent opinions on the direction and scope of pricing in the next quarter.

**CCC:** During the week of April 12 - 16, CCC purchased 5,886,214 pounds and received cancellations for 242,506 pounds of NDM. (The purchase was for Export Donation Programs under Invitation 080 to announcement FMP1.) During the week of April 5 - 9, CCC sold back 10,153,765 pounds of NDM to the trade, 8,476,527 pounds in the Central/East at \$0.8388 and 1,677,238 pounds in the West at \$0.8150. The cumulative total volume of NDM sold back in 2004 is 72,593,470 pounds. On April 13, CCC announced that sellbacks of NDM would be discontinued immediately.

**APRIL MILK SUPPLY AND DEMAND ESTIMATES (WAOB):** Forecast 2003/04 milk production is reduced slightly to 169.9 billion pounds as slower growth in milk output per cow more than offsets a slightly slower rate of decline in cow numbers. Milk prices are forecast higher as product prices are higher than expected. Given a lower milk production forecast and expectations of recovering demand, prices are expected to remain at levels higher than previously forecast. Class III prices are forecast at \$14.90-\$15.20 and the Class IV price is forecast at \$12.05-\$12.55. The all milk is forecast at \$15.55-\$15.85. CCC net removals of nonfat dry milk are reduced to 335 million pounds.

**2003 MAILBOX MILK PRICES (DAIRY PROGRAMS & CDF):** For 2003, mailbox prices for selected reporting areas in Federal milk orders averaged \$12.28, \$37 higher than the all-area average reported for 2002. Florida had the highest average price in 2003, \$14.97; Utah had the lowest average, \$11.02. Monthly all-area averages ranged from \$10.73 in March to \$14.88 in October.

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

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY APRIL 12	TUESDAY APRIL 13	WEDNESDAY APRIL 14	THURSDAY APRIL 15	FRIDAY APRIL 16	WEEKLY CHANGE*	WEEKLY AVERAGE
CHEESE BARRELS	\$2.1200 (+.0200)	\$2.1350 (+.0150)	\$2.1350 (N.C.)	\$2.1550 (+.0200)	\$2.1550 (N.C.)	(+.0550)	\$2.1400 (+.0462)
40# BLOCKS	\$2.1500 (+.0225)	\$2.1500 (N.C.)	\$2.2000 (+.0500)	\$2.2000 (N.C.)	\$2.2000 (N.C.)	(+.0725)	\$2.1800 (+.0581)
NONFAT DRY MILK EXTRA GRADE	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9200 (+.0150)	\$.9200 (N.C.)	\$.9200 (N.C.)	(+.0150)	\$.9140 (+.0452)
GRADE A	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9200 (+.0150)	\$.9200 (N.C.)	\$.9200 (N.C.)	(+.0150)	\$.9140 (+.0477)
BUTTER GRADE AA	\$2.3175 (+.0850)	---	\$2.3650 (+.0475)	---	\$2.3450 (-.0200)	(+.1125)	\$2.3425 (+.2062)

\*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

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, APRIL 12, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$2.1200, 1 @ \$2.1100; 1 CAR 40# BLOCKS @ \$2.1500; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 34 CARS: 3 @ \$2.3075, 4 @ \$2.3050, 2 @ \$2.3025, 3 @ \$2.3000, 2 @ \$2.3050, 2 @ \$2.3025, 6 @ \$2.3000, 3 @ \$2.3050, 2 @ \$2.3075, 1 @ \$2.3100, 1 @ \$2.3125, 1 @ \$2.3150, 1 @ \$2.3050, 1 @ \$2.3100, 1 @ \$2.3150, 1 @ \$2.3175; BIDS UNFILLED: 22 CARS: 3 @ \$2.3050, 4 @ \$2.3025, 5 @ \$2.3000, 5 @ \$2.2900, 5 @ \$2.2325; OFFERS UNCOVERED: NONE

TUESDAY, APRIL 13, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 2 @ \$2.1350, 1 @ \$2.1250, 1 @ \$2.1200; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, APRIL 14, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$2.2000; BIDS UNFILLED: 2 CARS BARRELS @ \$2.1350; 1 CAR 40# BLOCKS @ \$2.1500; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$2.3000  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: 2 CARS EXTRA GRADE: 1 @ \$0.9200, 1 @ \$0.9150; 3 CARS GRADE A: 1 @ \$0.9200, 2 @ \$0.9150; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 34 CARS GRADE AA: 2 @ \$2.3325, 2 @ \$2.3350, 6 @ \$2.3425, 3 @ \$2.3400, 2 @ \$2.3425, 3 @ \$2.3450, 2 @ \$2.3500, 7 @ \$2.3525, 1 @ \$2.3550, 1 @ \$2.3575, 1 @ \$2.3600, 1 @ \$2.3625, 1 @ \$2.3650, 1 @ \$2.3675, 1 @ \$2.3650; BIDS UNFILLED: 10 CARS GRADE AA: 4 @ \$2.3525, 4 @ \$2.3500, 1 @ \$2.3450, 1 @ \$2.3300; OFFERS UNCOVERED: NONE

THURSDAY, APRIL 15, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$2.1550, 1 @ \$2.1450; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$2.3000  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, APRIL 16, 2004

CHEESE — SALES: 2 CARS BARRELS @ \$2.1550; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$2.2200, 1 @ \$2.3000  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 7 CARS: 1 @ \$2.3650, 1 @ \$2.3500, 2 @ \$2.3550, 1 @ \$2.3450, 1 @ \$2.3500, 1 @ \$2.3450; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

**BUTTER MARKETS**

**NORTHEAST**

The market tone remains very firm. After the April 5 release of USDA's Dairy Products report, the cash butter price at the CME moved sharply higher (27.75 cents) in the next two sessions. The report indicated significantly lower than expected butter output during February 2004. Eastern churning activity was steady to slightly higher last week as a little more cream was available in the region. Eastern producers, expecting cream supplies to be tight all summer and fall, continue to purchase butter to have on hand for summer needs. Demand for butter is good, but retail sales are often slower due to price increases and the typical post-holiday lull. Food service orders are getting back to normal, but the next big holiday for restaurants, Mothers' Day, is only four weeks away. 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 are firm as the midweek CME cash price set a new record high of \$2.3650 for this time of the year. Most producers and handlers continue to voice their concern about having sufficient butter supplies for future use. Churning schedules are fair at best with cream supplies limited, although more available than in recent weeks. Some handlers indicate that they are having difficulty in locating butter stocks commercially and are reaching to the CME for supplies. In the three most recent cash trading sessions, 82 cars of butter have been sold and the price has increased 32 1/2 cents. Overall buying interest this week is slow. Handlers and traders feel that buyers are assessing their supply situation following the Easter/Passover holiday before re-entering the market. Suppliers do not know how buyers will view the current strength in the market. Will buyers place heavier orders to avoid further

potential price strength or will they place smaller, near term orders, in hopes of weaker markets? Retail buyers indicate that butter sales during the past Lenten season were mixed. Strong sales were reported when featured, but overall butter sales were not at levels of previous Lenten seasons. Many retailers attribute the slow down in sales to higher than usual prices for this time of the season. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

Demand for butter remains strong even with CME cash prices approaching the seasonal high recorded a few weeks ago. Some contacts thought that butter demand would soften after the good Easter demand was covered and the market might even weaken. That doesn't seem to be the case. Exchange activity indicates that buyers want butter and they are willing to pay higher prices. Western manufacturers report that shipments remain strong with little inventory on hand. Some report having to short or delay shipments of some orders because of tight supplies. Some contacts indicate that they are moving milk supplies out of butter/powder operations into cheese plants because of better returns. This, of course, further reduces current butter supplies. Demand for cream by ice cream plants is called variable because of the very high prices for this time of year. Weekly CME butter stocks declined for the seventh consecutive week and now stand at 87.4 million pounds. Stock levels now trail the last two years by a wide margin. Stocks in an average year don't begin to decline until sometime in early June. Current prices for bulk butter range from flat market to 4 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES**

**U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
APRIL 10	1,9745	2,0468	0,8135	2,1134	0,2549
	8,236,538	11,068,935	22,748,939	2,922,023	10,763,125

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 spiral upward as cheddar prices at the CME cash market set new record highs weekly. The market tone is unchanged and firm. Production levels in the Northeast remain lighter than normal and most operations continue to operate on less than full schedules. In fact, one plant is scheduled to be closed in late May and its production taken over by its sister plant. Cheese supplies are generally adequate to cover contract sales, but spot availability is limited. With the holiday weekend behind us, demand for some cheese has slowed, particularly in the food service channels. However, with prices continuing to increase, most wholesalers or distributors are ordering a little heavier than normal to keep ahead of the advancing prices. Retail demand is slow to fair, a typical pattern for a post-holiday week.

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

Cheddar 10# Prints	:	2.1900-2.6950
Cheddar Single Daisies	:	2.1475-2.6125
Cheddar 40# Block	:	2.2600-2.5125
Process 5# Loaf	:	2.3050-2.5075
Process 5# Sliced	:	2.3250-2.5650
Muenster	:	2.3625-2.5650
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market remains firm and new record highs are set with every increase at the Chicago Mercantile Exchange cash market. Since the start of 2004 through April 13, the cash barrel price has increased by \$0.9000 and blocks by \$0.8450. The price increases seem to have started to slow demand though order assessment after the holiday and price protection 'buy in' programs can skew results. At current prices, many industry sources feel buyers will operate on even lighter working inventories or only purchase just as needed. Overall cheese offerings remain short of needs. While interest has slowed from some customers, any extra cheese in the pipeline is not sufficient for prices to weaken. Cheese supplies remain tightest on barrels as process interest is improving seasonally, especially for the generally more attractively priced non-standardized products. A couple buyers were trying to reduce their cheddar block commitments to better balance inventory with sales. Food service mozzarella orders are lighter for some suppliers. For pizzerias and chains, a hot topic remains whether to raise pizza prices, and how much. Some traders are wondering how successful CCC will be in commitments to acquire the cheese they seek for various programs, including school lunch. The announcement on April 13 that CCC would discontinue NDM sellback may affect cheese production, especially mozzarella operations. Cheese production was steady to slightly heavier over the holiday weekend. Cheese yields are about steady to lower, especially where cows are out on fresh grass.

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

Process American 5# Loaf	:	2.2750-2.4600
Brick And/Or Muenster 5#	:	2.4400-2.7775
Cheddar 40# Block	:	2.2650-2.4750
Monterey Jack 10#	:	2.2650-2.7175
Blue 5#	:	2.8725-3.1500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.3400-2.4200
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8300

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

	BUTTER	:	CHEESE
04/12/04	43,089	:	133,459
04/01/04	44,617	:	135,961
CHANGE	-1,528	:	-2,502
% CHANGE	-3	:	-2

**WEST**

The price averages for barrels and blocks at the cash CME market continue to increase. Prices this week are also higher based on bids with no sales taking place. Western producers report that supplies remain tight with very few spot offers available. Contacts continue to express concern about what impact the increasing prices at the retail level will have on demand in the near term and out into the summer. Most continue to report that order levels range from normal to down as retail sales slow for some. Reports indicate that some milk is leaving butter/powder operations and heading to cheese plants. Even with this occurring, some manufacturers report that production levels are behind estimates. Milk supplies are generally on the light side and the normal spring flush of milk is not making much difference. Aged cheese is in tight supply as some operations are selling stocks that had been put away earlier to garner some of these high prices. Under grade cheese is cleaning up reasonably well due to the overall price strength and good demand. Swiss prices are beginning to increase at a faster rate, but in comparison they are very reasonable since a lot of the current increases have not been passed through yet. In fact, some deli shops are pushing Swiss on sandwiches to save money in the short run.

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

Process 5# Loaf	:	2.2425-2.5025
Cheddar 40# Block	:	2.2450-2.6350
Cheddar 10# Cuts	:	2.4250-2.6450
Monterey Jack 10#	:	2.4350-2.5950
Grade A Swiss Cuts 6 - 9#	:	2.3700-2.7500

**FOREIGN**

Prices are unchanged on imported styles, higher on domestic types. The market tone is steady and starting to settle into typical patterns for late spring and early summer. Increasing prices are doing little to help sales. Stocks are mostly adequate for current needs. With the EU expanding (adding 10 new members) on May 1, 2004, U.S. importers and EU producers are a little unsure how cheese availability and prices will be affected. This is causing some temporary unsettledness in the market during this time of transition.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
	:	:	:
Roquefort	:	TFEWR	: -0-
Blue	:	2.6400-4.1900	: 2.4850-3.9750*
Gorgonzola	:	3.6900-5.9400	: 2.4900-3.0075*
Parmesan (Italy)	:	TFEWR	: 3.8950-3.9850*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 2.4950-2.7200*
Romano (Cows Milk)	:	-0-	: 3.6825-5.8550*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	2.7500-3.8900	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:	:	:
2 Pound	:	TFEWR	: -0-
4 Pound	:	2.1900-3.4500	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	: -0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	187	0	187	0	168
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, March 2004 uniform prices: Northeast \$15.56, Mideast \$14.68, Southeast \$15.61, Florida \$16.48, and Western New York (a state order) \$15.82 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Due to milk price inversions (Class III higher than Class I), contacts feel that producers in most Federal orders will experience negative producer price differentials (PPD's) in their milk checks for April milk, which would likely offset part of their expected price increase in April. Milk production is steady to slightly higher in the Northeast; mostly steady in the Southeast where most contacts feel that the peak has been reached in scattered areas. Fluid milk supplies are steady, but Class I usage was down this week and manufacturers reported an increase in surplus milk receipts. With the large price inversions for the various classes of milk in the coming months, there have been more conversations regarding depooling Class III milk. Depooling in the East is rare, but conditions are right for this to be a financially sound option in the coming months. Bottled milk sales were a little sluggish this week as retailers worked pre-Easter inventories down before reordering and many schools are on spring break. The condensed skim market is little changed. Most sales are Class II contracts. With Class III wet solids priced near a \$1.30, no spot sales are taking place. The fluid cream market is fairly well balanced, but with the Easter weekend over, demand has eased and more surplus milk was sent through separators late last week and early this week. Offerings, though long early this week, did clear without too much difficulty. Demand for cream is holding quite well and spot prices are often higher. Last week's CME average butter price jumped 6.3 cents, which generally pushed cream prices higher. Multiples were both higher and lower. Ice cream producers are getting into their spring/summer production runs, but the high price of butterfat is having an impact on what products to make. Typically, when cream prices are as high as they are, more ices, sherbets, ice milks and low-fat ice cream are made. Bottled cream production is steady, but strawberry season is starting in some areas and this generally gives whipping cream sales a boost. Cream cheese output is mostly steady. Churning activity is often a little heavier this week as more excess cream was offered. Most offers were cleared locally as no shipments to the Midwest were reported.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.6917-2.9695
DELIVERED EQUIVALENT ATLANTA	-	2.7345-2.9908 M 2.7772-2.8840
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.8840-2.9908

## PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700-.9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.2400-1.3000

## M I D W E S T

Class I demand is uneven, still affected in some locations by the number of schools out on spring break. Class I interest picked up around midweek, in part due to refilling school milk needs for next week and/or feature activity. Class II production is often lower, depending on the product, as bottlers try to fill Class I milk needs first and because of slower orders after Lent. With a large negative PPD projected for April, attempts continue to keep as much milk from being pooled as possible. It has been causing spot Class I premiums to increase to try to offset the large negative PPD. Manufacturing milk demand is steady to softer as cheese customers are showing increased resistance to current prices. Reported spot manufacturing premiums ranged from \$2.00 - 2.75 net over class, though under pressure. There were unconfirmed reports of even lower priced milk sales over the holiday period to clear backups. Most plants are again operating on seasonally light schedules after the weekend. Ice cream production is steady to heavier though some operations are making up for a holiday shortened week. Most

ice cream operations are on 5 or 6 day schedules, with some lines projected for 7 days. Current milk intakes are uneven, with operations in more southern states more apt to show an increase in receipts. Intakes further north still seem little changed, depending as usual, on producer sellouts. Fieldwork is accelerating though soil temperatures are still too low for corn germination in northern states. Planting in more southern states is well underway. Grass and lawn growth is still slow due to cool temperatures though expected to accelerate with warmer temperatures. Dry conditions persist in many areas, especially the western end.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	APRIL 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 55.50	\$ 39.00- 44.00
REPLACEMENT HEIFER CALVES	\$390.00-650.00	\$200.00-330.00

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

	APRIL 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 55.00	\$ 38.00- 47.75

## W E S T

The May 2004 Class 1 prices in CALIFORNIA range from \$21.26 in the north to \$21.53 in the south. The statewide average Class 1 price based on production is \$21.31. The average is \$5.48 higher than April 2004 and \$9.54 higher than May 2003. CALIFORNIA milk production continues to trend higher across most of the state. Higher milk prices are being seen and welcomed at the farm level. Conditions have been good in the north where cows have been on pastures. Processing plants there still could use additional milk. Central Valley milk intakes are increasing and plants are running closer to capacity. Hay harvesting is in full swing and dairies are buying. Weather conditions have been very good in the south and cows are making more milk. Plants have some additional capacity. Statewide, bottled milk orders are often slower than anticipated. Media reports are noting higher milk and dairy product prices. Milk output in ARIZONA is relatively stable with recent weeks. Temperatures have been ideal for milk production. There is some debate as to whether the seasonal peak has been reached. Current volumes are running less than a year ago. Processors are assessing between product needs versus selling milk and components to maximize returns. NEW MEXICO milk production continues to move seasonally higher at levels above a year ago. Weather conditions have been better following some recent rains. There are reports of producers responding to higher milk prices by increasing milking frequency and increasing rations. Milk is moving at a slower pace out of the region as other areas are longer on milk. Most local plants are able to take some additional milk. CREAM prices continue to be firm as buyers look to secure cream for both current and future needs. The CME butter price increased to \$2.3650 on Wednesday, April 14. Demand remains good from ice cream producers who are making product to have available and to beat anticipated higher prices. Butter churning is active as suppliers need to have butter for commitments. Cream multiples are slightly higher in the 115 to 132 range, FOB, and vary depending on class usage and basing point. Conditions are cooler in the PACIFIC NORTHWEST and some much needed rainfall has occurred in the past few days. Milk output is generally being called steady with movements both higher and lower noted. BST management issues seem to have stabilized. With the higher milk prices and not much expansion possible at this time, some producers are considering going to 3X milking to increase output. Culling rates are being called normal to light. Heifers are very hard to find and expensive. Many producers are hoping to be able to wait for new crop hay in the region before making additional purchases. Growers estimate that Pasco will begin cutting around April 19, depending on local weather conditions and that Moses Lake will start about a week later. Some handling and curing time needs to be added to these start dates. Conditions in UTAH and IDAHO are cooling off at the end of the week with a slight chance of showers noted. Conditions remain very dry. Water available in the Bear Lake region on the border of Utah and Idaho is anticipated to be only at 34% of last year. Growers are debating to take some land out of production or make cropping decision changes. The rest of the West is also dry, but not quite this bad. Tests on incoming milk receipts range from fair to good. Any spring flush milk is hard to spot at this time. Most are calling the milk flow about steady. Heifer prices at a major market in Idaho have declined over the past two weeks by about \$200. Time will tell if this is just a local market situation or if it portends things to come for the rest of the market.

**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**

NOTICE TO THE DAIRY INDUSTRY: In an April 13, 2004, notice to the Dairy Industry, the Kansas City Commodity Office announced that "Effective immediately, the Commodity Credit Corporation hereby discontinues the sale of Nonfat Dry Milk under Announcement KC-DS-2 until further notice."

CENTRAL: Prices are unchanged to higher on a firm market. Spot sales are light with most movement occurring on a contractual basis. Most producers are satisfying current contractual commitments. However, some producers are forewarning buyers that shipments may be shorted during the summer months. Since government stocks of NDM are no longer available for sale to producers, end-users or resellers, NDM supplies are further limited. Low heat NDM is most readily available from resellers. Resale prices are reported at and above the high side of the range. Supplies of low and high heat direct from the manufacturer are limited due to reduced milk intakes at most locations. High heat NDM is difficult to locate, even in resale markets, for the good demand.

EAST: Following the April 13, 2004 CCC notice (see above), contacts with purchases pending are wondering what the status of those offers to purchase may be. There is growing concern in the marketplace that NDM stocks will remain tight all summer and, once all the previously sold CCC-owned is used up, prices may spiral higher. Currently, drying schedules in the East are up slightly from last week. Most contacts report slightly heavier volumes of surplus milk this week. More drying is taking place and some plants are sticking to high heat output. Demand is good and most, if not all, of the current output is already committed. Prices are steady to higher as plants push prices higher in response to demand and higher milk prices. Prices for resale NDM are still reported in the low 90's.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8175 - .9200 MOSTLY: .8375 - .8700  
 HIGHHEAT: .8525 - 1.0000

**NONFAT DRY MILK - WEST**

Western nonfat dry milk prices are trending higher and the market tone continues to firm. The market prices are beginning to reflect the tightening of supplies in the region. Current production levels are increasing, but most of the NDM is committed to prior contracted sales, DEIP, and government export programs. Sales to cheese plants are very good and tightening the tote market. Some buyers are being shorted and/or delayed on contracts. Higher offering prices are noted in the resale market. Resale offering are lighter with less powder trading from "pudding" and "cheese" programs. The CCC announced this week that sellbacks of CCC stocks were ceasing. No reason was given, but the trade believes the likely scenario is that uncommitted CCC stocks are over a certain age. Last week, sellbacks totaled 10.2 million pounds at price from \$0.8150 in Western warehouses to \$0.8388 in Eastern/Central warehouses. Over 72.6 million pounds of NDM have been sold back to the trade from CCC stocks over the last four weeks. During the week of April 5 - 9, CCC made no purchases and 661,380 pounds of previously offered NDM were cancelled. Stocks of NDM are in working balance. High heat prices are increasing as producers adjust prices to be better reflective of low heat changes. Offerings are generally limited with a majority of product being made to order. Demand is fair to good with limited seasonal patterns noted. Stocks are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8100 - .8850 MOSTLY: .8100 - .8300  
 HIGHHEAT: .8400 - .8800

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
April 9	\$.8083	13,877,128	55
April 2	\$.8070	16,119,076	237,890

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 firm market. Trade activity is very light. Producers report limited inquiry as buyers tend to realize that supplies are not available. Most movement is occurring on a contractual basis without delay. Production is mixed due to varied receipts of cream into some plants. In general, dry buttermilk output is steady yet reduced compared to the year prior. Producers are most concerned about having adequate supplies in late summer for contractual obligations. Spot activity during the next few months is anticipated to remain nominal.

F.O.B. CENTRAL: 1.0050 - 1.1500

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

The dry buttermilk prices are mostly unchanged on a light test of the spot market. Northeastern prices remain nominal. Production levels are steady to a little heavier as churning schedules did increase slightly this week. Producer stocks range from tight to closely balanced. Most producers are still clearing their buttermilk as a liquid and are only drying a small percentage. Demand is fairly brisk, but most of the current output is going to satisfy contracts.

F.O.B. NORTHEAST: .8800 - 1.0100  
 DELVDSOUTHEAST: .9100 - 1.0000

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to move slightly higher on a weekly basis. The market tone remains firm. Spot trading is very limited and nearing nominal levels. Resale offerings are likewise very limited. Demand is light to moderate with many buyers resigned to the fact that supplies will be tight at least into the near future. Production is very light as butter output is down and condensed buttermilk sales are seasonally active. Producers' stocks are light.

F.O.B. WEST: .9100 - .9750 MOSTLY: .9400 - .9600

**DRY WHOLE MILK - NATIONAL**

Prices are steady to higher and nominal. As the CME cash butter price rebounds back into the mid-\$2.30's, some producers are again adjusting their dry whole milk prices to reflect the increased value of the butterfat in their product. The market tone is firm. Demand is good and mostly contractual. Stocks remain limited.

F.O.B. PRODUCING PLANT: 1.3950 - 1.6000

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 - YTD  
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.  
 Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

**WHEY, CASEIN & EVAPORATED MILK**

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

**DRY WHEY - CENTRAL**

Prices are unchanged to higher on a firm market. Trade activity is light compared to the week prior. Buyer anxieties of reduced milk and dry whey availability during the summer months are beginning to wane. Buyers are either sufficiently supplied or expressing unease regarding current market trends and indicating that the market likely will not persist at these levels. Producers are not expecting any changes in supply or price in the short-term. Production is reported as generally steady with most movement occurring on a contractual basis. Inquiries are most noted from traders. Some feed users are selling excess stocks acquired back to the trade. Feed buyers are also diverting their interest to the more price attractive lactose and permeate markets. Resellers are offering supplies at prices near the high side of the range for the fair interest.

F.O.B. CENTRAL: .2850 - .3200 MOSTLY: .2850 - .3050

**DRY WHEY - NORTHEAST AND SOUTHEAST**

The dry whey market remains very firm and prices are higher. The Northeast price range is nominal and includes resale prices. The prices in the resale market appear to be holding in the \$.3050-.3300 range. Contacts comment that there has been little change, price-wise, in the past few weeks. That being said, some traders are a little more reluctant to part with inventoried loads for fear that they will not be able to replace those loads. They feel that they may need their inventory to keep their regular customers supplied later in the year. Production levels are lighter than expected for April and most Eastern producers have no loads for immediate, spot sale. Any load that may become available is going to contract buyers who may already have been shorted loads. There are reports that Eastern veal growers find themselves in a position to offer some of their inventoried dry whey and are doing so at current, resale prices. Overall demand is good as buyers look to cover long term needs while dry is still available. Most trade contacts feel that this market will get "exciting" later this summer.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2900 - .3300  
DELVD SOUTHEAST: .3100 - .3400

**DRY WHEY - WEST**

Prices continue to increase for Western whey powder. The market undertone remains firm, but trading activity is lighter. Offerings of powder are coming from only a limited number of sources. Some producers have pulled back on offers to concentrate on filling previously made sales that they were behind on. This strategy tends to further tighten the market. Production at most plants is below expectations. Milk is not coming up as fast as anticipated. Some export sales are slowing as prices move higher. Some domestic buyers are looking for less expensive alternatives without much success. Most all dairy based protein products are in tight supply.

NONHYGROSCOPIC: .1900 - .2575 MOSTLY: .2200 - .2350

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged on a firm market. Supplies are tight for the good interest. Despite reduced inquiries compared to the week prior, some traders are holding limited stocks with confidence. Off grade permeate and lactose supplies are light for the good interest as a milk replacer substitute. Veal markets are mixed as buyers and sellers differentiate between hormone implanted and non-implanted product. Early weaned pig prices are trending higher.

F.O.B. CENTRAL:  
MILK REPLACER: .2500 - .2800

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Spot sales activity is light compared to the week prior with most movement occurring on a contractual basis. Production is steady and inventories are generally in balance. However, some plants are expressing concerns over available supplies during third and fourth quarters. Inquiries are noted by feed-users and traders. Renewed interest from ice cream-users is anticipated as temperatures increase. Increased interest and price in WPC 80%, a substitute to WPC 34%, may encourage firmer WPC 34% markets. Some off grade supplies are trading at prices within the range.

F.O.B. EXTRA GRADE 34% PROTEIN: .5375 - .5650 MOSTLY: .5375 - .5475

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a steady to firm market. Spot trade activity is light with most movement occurring on a contractual basis. Inquiries are noted from Asian markets. Some Asian buyers are speculating that market prices will eventually trend lower. However, with whey prices reported higher than lactose prices and permeate prices trending upward with whey, producers report that the prospect of lower lactose prices in the short-term is unlikely. Production is steady to slightly higher at some locations. Excess supplies of lactose are readily consumed by current contractual customers or marketed to some feed users as a substitute to whey. Off grade supplies of lactose are light yet competitive with permeate prices.

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

F.O.B. EDIBLE: .2200 - .2700 MOSTLY: .2300 - .2450

**CASEIN - NATIONAL**

Casein markets remain firm. Stocks are in close balance to tight, although most suppliers feel that they will be able to fulfill their contractual commitments. It is the spot or additional demand that is very difficult to acknowledge. At this time, basically no spot buyer interest is being filled. Oceania suppliers continue to fill orders from inventoried stocks while European sources are using carry over stocks and new production. Domestic buyers continue to voice their concern about supply availability and price. Some buyers are questioning at what point do they look to other protein sources for their needs.

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: 2.3500 - 2.5500  
ACID: 2.3500 - 2.4800

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production levels are very light in plants regulated under Federal orders as the Class III milk price is too high to produce competitively priced evaporated milk. Producer stocks are lighter than expected for this time of year. Typically, producers are actively replenishing inventories with seasonally inexpensive milk; not this year. Demand is slow to fair.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 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	03/31	04/01	04/02	04/05	04/06	04/07	04/08	04/09	04/12	04/13
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
MAR 04	14.40 (2908) 2	14.40 (2736) 0	14.49							
APR 04	18.78 (6168) 239	18.91 (6281) 181	19.04 (6295) 189	19.04 (6348) 200	19.26 (6422) 221	19.39 (6442) 365	19.36 (6406) 444	NO TRADING	19.54 (6418) 186	19.53 (6465) 182
MAY 04	18.55 (5746) 399	18.88 (5838) 343	18.97 (5927) 294	18.95 (6052) 414	19.07 (6102) 408	19.45 (6163) 278	19.44 (6204) 173		19.68 (6228) 680	19.99 (6359) 924
JUN 04	17.65 (4440) 233	17.81 (4525) 211	17.80 (4546) 149	17.60 (4612) 283	17.67 (4656) 218	17.90 (4709) 335	17.95 (4750) 141		18.20 (4778) 418	18.66 (4799) 515
JUL 04	16.79 (3285) 273	17.02 (3293) 219	16.95 (3309) 164	16.70 (3362) 199	16.51 (3407) 145	16.84 (3516) 206	16.94 (3532) 121		17.13 (3526) 371	17.40 (3531) 232
AUG 04	16.75 (3201) 296	16.96 (3247) 205	16.91 (3275) 152	16.75 (3328) 197	16.57 (3357) 129	16.81 (3406) 119	17.00 (3416) 103		17.06 (3447) 141	17.15 (3473) 185
SEP 04	16.60 (3455) 280	16.80 (3447) 186	16.66 (3404) 128	16.48 (3411) 142	16.29 (3436) 116	16.49 (3440) 157	16.60 (3452) 81		16.64 (3453) 122	16.64 (3489) 165
OCT 04	15.30 (2618) 193	15.35 (2642) 112	15.22 (2688) 120	15.10 (2733) 163	15.09 (2733) 100	15.34 (2743) 90	15.35 (2766) 85		15.39 (2760) 73	15.35 (2788) 119
NOV 04	13.90 (1833) 61	13.94 (1861) 49	13.85 (1861) 43	13.65 (1888) 188	13.80 (1890) 34	13.82 (1901) 22	13.90 (1920) 74		14.00 (1918) 18	13.98 (1934) 87
DEC 04	12.83 (1421) 47	13.23 (1434) 29	13.15 (1440) 39	12.85 (1517) 131	12.90 (1534) 47	13.00 (1560) 52	13.10 (1594) 62		13.21 (1602) 33	13.21 (1636) 46
JAN 05	12.41 (351) 13	12.40 (359) 11	12.28 (368) 22	12.15 (386) 20	12.10 (389) 3	12.16 (402) 32	12.25 (413) 22		12.43 (419) 14	12.38 (419) 3
FEB 05	12.30 (308) 15	12.35 (312) 4	12.34 (327) 20	12.35 (342) 17	12.35 (347) 5	12.27 (355) 10	12.29 (357) 2		12.20 (362) 13	12.20 (367) 6
MAR 05	12.25 (172) 7	12.35 (172) 3	12.16 (196) 32	12.15 (201) 13	12.05 (202) 4	12.10 (206) 7	12.06 (207) 7		12.05 (223) 20	12.20 (223) 1
APR 05	12.59 (81) 18	12.62 (83) 2	12.61 (83) 3	12.42 (83) 8	12.35 (84) 4	12.35 (84) 1	12.20 (84) 1		12.20 (84) 1	12.25 (84) 2
MAY 05	12.71 (53) 5	12.70 (53) 1	12.69 (53) 4	12.50 (54) 1	12.40 (54) 3	12.45 (56) 2	12.35 (56) 1		12.36 (56) 1	12.37 (56) 0
JUN 05	12.65 (23) 0	12.70 (28) 5	12.80 (28) 6	12.56 (30) 2	12.50 (30) 3	12.60 (30) 1	12.45 (31) 1		12.41 (31) 0	12.41 (31) 0
JUL 05	12.65 (8) 0	12.71 (9) 5	12.80 (9) 0	12.80 (10) 1	12.70 (11) 1	12.75 (10) 5	12.75 (10) 0		12.75 (10) 0	12.75 (10) 0
AUG 05	12.80 (6) 4	12.90 (6) 2	12.90 (6) 0	12.90 (6) 0	12.80 (7) 3	12.90 (10) 3	12.90 (10) 0		12.90 (10) 0	12.90 (10) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
JUL 04	14.40 (72) 12	14.52 (72) 0	14.60 (82) 10	14.60 (82) 0	14.60 (82) 0	14.61 (82) 0	14.75 (82) 0	NO TRADING	15.03 (82) 0	15.03 (82) 0
AUG 04	14.50 (72) 24	14.45 (72) 0	14.45 (72) 0	14.45 (72) 0	14.45 (72) 0	14.60 (72) 0	14.80 (72) 0		15.03 (72) 0	15.03 (72) 0
SEP 04	14.40 (62) 29	14.50 (62) 0	14.50 (62) 0	14.50 (62) 0	14.50 (77) 15	14.70 (77) 0	14.85 (77) 0		15.03 (77) 0	15.03 (77) 0
OCT 04	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0		14.40 (14) 0	14.40 (14) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAY 04	213.00 (269) 15	213.00 (271) 6	208.00 (266) 6	208.00 (267) 50	213.00 (265) 6	223.00 (261) 4	228.00 (249) 25	NO TRADING	233.50 (244) 7	235.00 (243) 8
JUL 04	212.00 (246) 4	214.00 (246) 3	210.00 (251) 8	211.00 (294) 52	216.00 (299) 5	226.00 (295) 3	231.00 (296) 8		237.00 (294) 5	237.00 (294) 3
SEP 04	220.00 (102) 1	215.00 (101) 1	210.00 (101) 2	210.00 (94) 10	215.00 (95) 1	225.00 (95) 1	230.00 (97) 10		235.00 (97) 9	237.00 (97) 1
OCT 04	210.00 (71) 2	210.00 (71) 1	205.00 (71) 0	207.00 (71) 0	212.00 (72) 3	222.00 (75) 4	227.00 (75) 2		235.00 (75) 2	235.00 (75) 0
DEC 04	195.00 (58) 0	195.00 (58) 0	195.00 (58) 0	195.00 (61) 3	200.00 (65) 4	205.00 (65) 0	205.00 (65) 0		205.00 (65) 0	205.00 (65) 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 April 5 - 16, 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 in Europe continues to build seasonally, although reports indicate that the growth is lagging last year at this time. A recent report stated that March's output in the EU was down 2.4% from last March. Once March 31 arrived and the milk quota year ended, many milk handlers anticipated receipts in April to increase quite rapidly, but this was not the case this year. Cooler temperatures have limited pasture growth, thus grazing of the dairy herd will be postponed for a while longer, slowing milk production growth. Most traders and handlers of manufactured dairy products in Europe state that business is very quiet. Stocks of manufactured dairy products are available with pricing basically nominal and unchanged from recent weeks due to the very light sales activity at this time. With the addition of 10 new countries (Poland, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia, and Slovenia) to the EU on May 1 and the uncertain export refund situation, traders in the EU are indicating difficulty in negotiating potential sales contracts. There is active buyer interest for post May 1 deliveries but the uncertainty about export refunds is limiting these negotiations. The first round of tendering for skim milk powder, butter, and butteroil under the new system closed on April 14. The EU Dairy Commission met on April 15 and acted on many dairy issues. The Commission reduced the REFUND LEVELS for most dairy products quite sharply. They reduced skim milk powder by 21.8% to 400 Euros per ton, butter by 10% to 1,500, butteroil by 9.5% to 1,900, and cheese by 6.5%. Under the TENDERING SYSTEM, bids for a large volume of product were submitted with the commission awarding refunds for a much smaller quantity. For skim milk powder, 37,000 MT of powder were bid with the Commission awarding refunds for 3,000 MT at 46.9 Euros per 100 kg. For butter, 6,752 MT were submitted with 300 MT accepted at 157.9 Euros per 100 KG and 5,486 MT of butteroil were submitted with 300 MT accepted at 197.4 per 100 KG. The next round of tenders will close on April 28 with the Commission meeting the following day. Now that a first round of export refund values have been established, most traders and handlers feel that they will be able to better negotiate potential sales and submit bids. Much of this buyer interest is for June/July shipment. INTERVENTION clearances for butter and skim powder continue, although the offerings have been light.

**BUTTER/BUTTEROIL:** Please refer to the Western and Eastern European overviews for commentary.

82% BUTTERFAT:	1,700 - 1,750
99% BUTTERFAT:	1,800 - 2,000

**SKIM MILK POWDER (SMP):** Please refer to the Western and Eastern European overviews for commentary.

1.25% BUTTERFAT:	1,850 - 1,900
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**WHOLE MILK POWDER (WMP):** Please refer to the Western and Eastern European overviews for commentary.

26% BUTTERFAT:	1,900 - 2,000
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**SWEET WHEY POWDER:** Please refer to Western and Eastern European overviews for commentary.

NONHYGROSCOPIC:	450 - 500
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**OVERVIEW: EASTERN EUROPE:** Milk production continues to increase seasonally, although cooler temperatures are slowing overall growth. The main topic of discussion in this region of Europe is the addition of many of these countries to the EU on May 1. Shipments are being finalized from many of these countries under current programs, for after May 1, the rules change for those countries that will be joining the existing EU 15. With the addition of the 10 new countries to the EU, a transition period of three years will be in place for those countries to bring their dairy plants and products into line with EU hygiene rules. For those plants that met the guidelines, their products will be able to immediately become available and qualify for export refunds under the tendering system, for those plants and products not meeting the standards, those products will be limited to sales within their countries or local markets. Many traders and handlers anticipate that during this transition time, there will potentially be a split market price wise, for products within these countries.

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in Australia and New Zealand continues to decline seasonally, although the declines at this time are slower. Milk handlers are optimistic that the late season milk production strength will help alleviate some of the tight manufactured dairy product supply situation. Most manufacturers are stating that they do not foresee the strength to be significant, but at least the additional milk volumes may ease the tightness. In Australia, a recent report indicated that projected rainfall over the next three months in the major dairy areas of the country could be below average. If this does occur in Victoria and Southern areas of New South Wales, milk handlers indicate that this would not help an already lighter than desired milk production season and would not help the start-up of the new production season in August/September. The current dairy product supply situation in Oceania is little changed from most of the year. Prices are basically steady, although the market tone remains firm. Limited supplies continue to be reported, but most traders and handlers feel that they will be able to fulfill their contracted commitments with little available for spot buyer interest. Manufacturers are hopeful that milk production strength at the end of the season will continue with much of this additional milk being directed toward milk powder production. Some Oceania traders continue to report spot buyer interest for butter from U.S. importers with basically all of this buyer interest going unfilled. With the current supply situation as it is, many handlers and traders do not see much spot availability once the new milk production season resumes in their spring.

**BUTTER:** Oceania butter markets remain firm although prices are unchanged. Stocks of butter remain in close balance and, for the most part, are fully committed. Oceania producers and handlers indicate that some U.S. importers continue to look to Australia and New Zealand for spot butter availability. In most instances, this buyer inquiry is going unfilled. At this time, many Oceania manufacturers indicate that they do not foresee any significant volumes of butter becoming available at the end of the season even with the late season strength in milk production patterns.

82% BUTTERFAT:	1,600 - 1,750
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**CHEDDAR CHEESE:** Cheese markets are firm with prices unchanged to higher. Producers and handlers indicate that demand remains strong from regular and ongoing customers. Stocks of cheese are in close balance with suppliers and traders indicating that stocks should be sufficient for known needs. Many suppliers also state that they will probably have minimal cheese stocks to carry over into the new milk production season.

39% MAXIMUM MOISTURE:	2,400 - 2,600
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**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady, but firm. Stocks of powder are in close balance and, for the most part, are fully committed. Manufacturers and handlers are optimistic that they will have sufficient stocks to fill contracted volumes and indicate that they will have little, if any, available for spot buyer interest. Late season strength in milk production is providing some additional milk volumes to clear through dryers which will help alleviate some of the tightness.

1.25% BUTTERFAT:	1,800 - 1,900
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**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets and prices remain firm. Stocks are little changed from recent weeks and are in close balance. Producers and handlers indicate that supplies should be sufficient to fill known needs. Producers are pleased with the additional milk volumes that are available this late in the production season and are hopeful that these volumes will ease the supply pressure somewhat.

26% BUTTERFAT:	1,800 - 1,950
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Exchange rates for selected foreign currencies: APRIL 12, 2004

.7485 Canadian Dollar	.0229 Indian Rupee
.3559 Argentina Peso	.6630 New Zealand Dollar
.0890 Mexican Peso	.7670 Australian Dollar
.2554 Polish Zloty	.0095 Japanese Yen
	1.2071 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0890)= 11.2260. That is 1 US Dollar equals 11.2260 Mexican Pesos.

Source: "Wall Street Journal"

APRIL MILK SUPPLY AND DEMAND ESTIMATES\*

Forecast 2003/04 milk production is reduced slightly to 169.9 billion pounds as slower growth in milk output per cow more than offsets a slightly slower rate of decline in cow numbers. Milk prices are forecast higher as product prices are higher than expected. Given a lower milk production forecast and expectations of recovering demand, prices are expected to remain at levels higher than previously forecast. Class III prices are forecast at \$14.90-\$15.20 per cwt. and the Class IV price is forecast at \$12.05-\$12.55 per cwt. The all milk is forecast is at \$15.55-\$15.85 per cwt. CCC net removals of nonfat dry milk are reduced to 335 million pounds.

Item	2001/02 1/	2002/03 Estimate 1/		2003/04 Projection 1/		
		March	April	March	April	
<b>SUPPLY</b>		<b>BILLION POUNDS</b>				
BEGINNING COMMERCIAL STOCKS 2/	8.8	11.2	11.2	11.0	11.0	
PRODUCTION	169.4	170.4	170.4	170.1	169.9	
FARM USE	1.2	1.1	1.1	1.0	1.0	
MARKETINGS	168.2	169.3	169.3	169.0	168.9	
IMPORTS 2/	5.2	5.0	5.0	5.2	5.2	
TOTAL COMMERCIAL SUPPLY 2/	182.2	185.5	185.5	185.2	185.1	
<b>USE</b>						
COMMERCIAL USE 2/ 3/	170.7	173.3	173.3	176.5	176.4	
ENDING COMMERCIAL STOCKS 2/	11.2	11.0	11.0	8.7	8.7	
CCC NET REMOVALS:						
MILKFAT BASIS 4/	0.3	1.2	1.2	0.1	0.0	
SKIM SOLIDS BASIS 4/	9.6	9.2	9.2	6.2	4.0	
		<b>DOLLARS PER CWT.</b>				
<b>MILK PRICES 5/</b>						
CLASS III 6/	11.03	10.63	10.63	12.95-13.35	14.90-15.20	
CLASS IV 6/	11.22	10.05	10.05	11.75-12.35	12.05-12.55	
ALL MILK 7/	12.74	11.90	11.90	14.10-14.50	15.55-15.85	
		<b>MILLION POUNDS</b>				
<b>CCC PRODUCT NET REMOVALS 4/</b>						
BUTTER	0	29	29	-5	-5	
CHEESE	9	47	47	6	6	
NONFAT DRY MILK	817	751	751	530	335	
DRY WHOLE MILK	0	0	0	0	0	
		<b>QUARTERLY 8/</b>			<b>ANNUAL 8/</b>	
		2004 I	2004 II	2004 III	2003	2004
<b>MILK PRODUCTION</b>		<b>BILLION POUNDS</b>				
	42.9	43.8	41.6	170.3	170.1	
		<b>DOLLARS PER CWT.</b>				
ALL MILK PRICE 5/ 7/	13.83	17.90-18.30	16.15-16.85	12.51	15.70-16.20	
CLASS III PRICE 5/ 6/	12.66	18.45-18.85	15.30-16.00	10.42	14.95-15.45	
CLASS IV PRICE 5/ 6/	12.43	13.50-14.00	12.15-13.05	10.81	12.35-13.05	

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. Beginning in April 2003, the price forecasts use the new class price formulas. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-409, World Agricultural Outlook Board, USDA, April 8, 2004.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, 2003 ANNUAL AVERAGES, WITH COMPARISONS**

For 2003, mailbox prices for selected reporting areas in Federal milk orders averaged \$12.28 per cwt., \$.37 higher than the all-area average reported for 2002. On an individual reporting area basis, mailbox prices averaged higher in 2003 than in 2002 in all areas except three. Florida had the highest average price in 2003, \$14.97; Utah had the lowest average, \$11.02. During the year, mailbox prices generally decreased from January through June, then increased through October, and then decreased slightly through the end of the year, ending the year substantially higher. Monthly all-area averages ranged from \$10.73 in March to \$14.88 in October.

Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/ 3/</u>		
	2002	2003	Change 2003 from 2002
	Dollars per cwt.		
Northeast Federal Milk Order	11.89	12.48	+0.59
Appalachian States <u>4/</u>	12.62	12.77	+0.15
Southeast States <u>5/</u>	13.19	13.36	+0.17
Southern Missouri <u>6/</u>	11.99	12.20	+0.21
Florida	15.22	14.97	-0.25
Ohio	11.91	12.29	+0.38
Michigan	11.69	12.07	+0.38
Wisconsin	12.02	12.56	+0.54
Minnesota	11.85	12.62	+0.77
Iowa	11.87	12.48	+0.61
Illinois	11.94	12.42	+0.48
Corn Belt States <u>7/</u>	11.57	11.81	+0.24
Western Texas <u>8/</u>	12.02	11.99	-0.03
New Mexico	11.05	11.13	+0.08
Idaho	10.88	11.54	+0.66
Utah	10.68	11.02	+0.34
Northwest States <u>9/</u>	11.54	11.33	-0.21
All Federal Order Areas <u>10/</u>	11.91	12.28	+0.37
California <u>11/</u>	10.99	11.48	+0.49

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/ All figures are weighted annual averages using the applicable monthly prices and producer milk receipts for the respective area or group of areas for which the price is reported. 4/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 5/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 6/ The counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 7/ Note; figure for 2002 has been revised per 2003 area definition. Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 6/. 8/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 9/ Includes Oregon and Washington. 11/ Weighted average of the information for all selected reporting areas in Federal milk orders. 12/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin." Annual average is the simple average of monthly prices.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JANUARY 2004**

As the information for all reporting areas was not available at press time, the all-area average was not calculated. The component tests of producer milk in January 2004 were: butterfat, 3.77%; protein, 3.09%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all reporting areas. In January 2003, the Federal milk order all-area average mailbox price was \$11.61.

Note: Beginning with this report, a new reporting area--Indiana--is being shown.

Reporting Area	Mailbox Milk Price <sup>2/</sup>		
	January 2003	December 2003	January 2004
	Dollars per hundredweight		
Northeast Federal Milk Order	11.62	14.39	13.50
Appalachian States <sup>3/</sup>	12.45	14.75	13.81
Southeast States <sup>4/</sup>	13.07	15.46	NA
Southern Missouri <sup>5/</sup>	11.83	14.14	NA
Florida	14.72	17.41	NA
Ohio	11.77	14.09	13.29
Indiana	---	---	13.30
Michigan	11.42	13.62	13.04
Wisconsin	11.59	13.77	13.33
Minnesota	11.52	13.47	13.11
Iowa	11.58	13.79	13.17
Illinois	11.89	13.82	13.17
Corn Belt States <sup>6/</sup>	11.46	13.20	12.53
Western Texas <sup>7/</sup>	11.90	13.53	12.72
New Mexico	10.93	12.52	11.74
Idaho	10.38	12.64	12.14
Utah	10.25	12.62	12.11
Northwest States <sup>8/</sup>	10.91	12.81	12.39
All Federal Order Areas <sup>9/</sup>	11.61	13.81	NA
California <sup>10/</sup>	10.64	12.54	12.11

NA= Not available.

<sup>1/</sup> 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. <sup>2/</sup> 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. <sup>3/</sup> Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. <sup>4/</sup> Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. <sup>5/</sup> The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. <sup>6/</sup> Includes Kansas, Nebraska and the Missouri counties to the north of those listed in <sup>5/</sup>. <sup>7/</sup> All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. <sup>8/</sup> Includes Oregon and Washington. <sup>9/</sup> Weighted average of the information for all selected reporting areas in Federal milk orders. <sup>10/</sup> Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

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

	OR THE WEEK OF APRIL 12 - 16, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 04/09/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	6,685,257	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	328,320	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	7,013,577	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	3,675,215	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,304,226	-0-	-0-
Process	-0-	-0-	-0-	-0-	15,523,200	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	24,502,641	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	5,886,214#	242,506	5,643,708	247,663,819#	363,966,336	672,556,000	1,198,711,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	5,886,214#	242,506	5,643,708	247,544,771#	363,966,336	718,947,000	1,245,102,000

#Export Donation Program under Invitation 080 to announcement FMP1. The cumulative under Invitation 080 is 5,886,214.  
 \$Includes export donation deliveries under Invitation 070.

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF APRIL 12 - 16, 2004 =	1.2	65.7	COMPARABLE PERIOD IN 2003 =	46.9	239.9
CUMULATIVE SINCE OCTOBER 1, 2003 =	53.5	2,881.4	CUMULATIVE SAME PERIOD LAST YEAR =	459.1	4,480.0
CUMULATIVE JANUARY 1 - APRIL 16, 2004 =	28.0	1,532.2	COMPARABLE CALENDAR YEAR 2003 =	385.0	3,214.4

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

**CCC ADJUSTED PURCHASES FOR THE WEEK OF APRIL 12 - 16, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,643,708	-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-	15,564,800	7,646,276	13,417,153	3.1	31.9
WEST	-42,309	7,013,577	-0-	8,937,841	235,614,721	335,363,649	95.1	67.4
EAST	-0-	-0-	-0-	-0-	4,283,774	15,185,534	1.8	0.7
<b>TOTAL</b>	-42,309	7,013,577	-0-	24,502,641	247,544,771	363,966,336	100.0	100.0

<b>NDM SELLBACK TO THE TRADE</b>	<b>CENTRAL/EAST</b>	<b>WEST</b>	<b>TOTAL</b>	<b>PRICE</b>	<b>CUMULATIVE SINCE 1/1/04</b>
APRIL 5 - 9, 2004	8,476,527	1,677,238	10,153,765	\$.8150-.8388	72,593,470

**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 03/27/04 & 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	0.7	7.4	4.6	16.7	2.3	0.7	1.1	10.8	3.0	47.2	645.0	48.9	50.0
2003-Dairy	0.2	0.8	7.0	4.6	20.6	2.8	0.3	1.0	13.7	3.1	54.1	754.5	49.8	49.9
2004-All cows	0.0	0.8	9.4	9.6	27.8	12.6	15.8	2.7	12.1	5.6	96.6	1,289.9		
2003-All cows	0.2	1.0	9.4	13.1	31.9	14.0	14.3	3.3	15.1	6.2	108.6	1,513.1		

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
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	13.64								
II	11.67	12.90	14.79									
III	11.61	11.89	14.49									
IV	10.97	12.21	14.10									

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)