

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS:
BUTTER (6/9): Grade AA closed at \$1.9800. The weekly average for Grade AA is \$1.9350 (+0.0850).

CHEESE (6/10): Barrels closed at \$1.7700 and blocks at \$1.8000. The weekly average for barrels is \$1.7700 (N.C.) and blocks, \$1.8000 (N.C.).
NONFAT DRY MILK (6/10): Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for both Extra Grade and Grade A is \$0.9200 (N.C.).

BUTTER: The market tone remains firm as the cash price at the CME continues to increase. Due to the National Day of Mourning for President Reagan on Friday, the CME closed the cash butter week on Wednesday at \$1.9800 per pound which was 15.5 cents higher than last week at midweek and 88 cents higher than the same time last year. Cream supplies for churning have tightened across the country as ice cream production increases and less cream is available from standardization now that school bottling schedules are winding down for the summer. Stocks of butter remain lighter than desired, although readily available for buyer needs. Retail sales are slower as higher prices are passed along to consumers. Food service orders are rated as fair to good.

CHEESE: The cheese market is unsettled, though with a weak short term undertone. Current spot cheese interest remains light and generally for immediate needs. Some extra milk available is being put into cheddar production for possible clearance on the Chicago Mercantile Exchange cash cheese market. Block sales on the Chicago Mercantile Exchange remain heavy. Plant inventories remain heavy. Cumulative January – April 2004 cheddar production, adjusted to comparable number of days, totals 943.4 million pounds, up 5.1 million pounds (0.53%) from the comparable period in 2003. Cumulative adjusted total cheese output totals 2,950.2 million pounds, up 137.6 million pounds (4.9%) from last year.

FLUID MILK: Milk production in the Northeastern U.S. is beginning to decline off the seasonal peak, especially in areas where hotter conditions are prevalent. In the Southeast, milk supplies are long and plants are running full. Florida's Class 1 needs are declining and outbound milk shipments have increased. Midwestern production levels are lower and are thought to be slightly off the peak. Fat and protein test are trending lower. Northwestern milk supplies are steady with new hay coming available. In the Southwest, milk production is thought to be coming off the seasonal peak. Conditions are most favorable in California. Milk supplies are long and affected by some cheese producers cutting back on orders.

DRY PRODUCTS: Prices for most dry products are holding steady. Nonfat dry milk markets are unchanged in all regions with product more available than in recent weeks from producers and resellers. Drying

schedules have been active to process milk supplies in most regions. Buttermilk prices are mostly steady. Offerings remain short of all buyer needs. Whey prices are beginning to move lower from recent high prices. The market tone is weaker as buyers are more cautious and less enthusiastic. Resale loads are being offered at lower prices. WPC prices are unchanged, but the market tone is showing initial signs of unsettledness with the weakening whey market and more CCC restricted NDM available. Lactose prices are steady as the market conditions are balanced.

CCC: For the week of June 7 - 11, CCC purchased 8,359,832 net pounds of non-fortified NDM through the Export Donation Program under Invitation 080 to Announcement FMP1. The estimated cumulative total under Invitation 080 is 53,994,353 pounds.

APRIL DAIRY PRODUCTS (NASS): Butter production was 97.1 million pounds in April, 21.0% below April 2003 but slightly above March 2004. American type cheese production totaled 320.2 million pounds, 4.3% above April 2003 but 1.2% below March 2004. Total cheese output (excluding cottage cheese) was 754.8 million pounds, 5.0% above April 2003 but 3.2% below March 2004. Nonfat dry milk production, for human food, totaled 134.0 million pounds, 16.2% below April 2003 but 13.6% above March 2004. Dry whey production, for human food, was 84.4 million pounds, 1.5% below April 2003 but 1.0% above March 2004. Ice cream (hard) production totaled 77.1 million gallons, 8.6% below April 2003 and 2.0% below March 2004.

MARCH MAILBOX MILK PRICES (AMS, CDFA): In March 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.28 per cwt., \$1.74 more than the figure for the previous month. The component tests of producer milk in March 2004 were: butterfat, 3.68%; protein, 3.05%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$16.82 in Florida to \$13.46 in New Mexico. In March 2003, the Federal milk order all-area average mailbox price was \$10.73, \$4.55 lower.

APRIL FLUID MILK SALES (AMS): During April, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.4% lower than April 2003. After adjusting for calendar composition, sales in April 2004 were 2.4% lower than April 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from April 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year had no impact on the change in sales from April 2004 compared to April 2003.

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

BUTTER AND CLASS III & IV FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 APRIL DAIRY PRODUCTS HIGHLIGHTS (PAGE 9)

MAY FEDERAL MILK ORDER CLASS AND COMPONENT PRICES (PAGE 10)

MARCH MAILBOX MILK PRICES (PAGE 11)
 DAIRY GRAPHS (PAGE 12)
 APRIL FLUID MILK SALES (PAGE 13)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

| PRODUCT | MONDAY JUNE 7 | TUESDAY JUNE 8 | WEDNESDAY JUNE 9 | THURSDAY JUNE 10 | FRIDAY JUNE 11 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|-----------------|----------------------|--------------------|----------------------|---------------------|-------------------|-------------------|----------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.7700 (N.C.) | \$1.7700 (N.C.) | \$1.7700 (N.C.) | \$1.7700 (N.C.) | CME | (N.C.) | \$1.7700 (N.C.) |
| 40# BLOCKS | \$1.8000 (N.C.) | \$1.8000 (N.C.) | \$1.8000 (N.C.) | \$1.8000 (N.C.) | CLOSED | (N.C.) | \$1.8000 (N.C.) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | \$.9200 (N.C.) | \$.9200 (N.C.) | \$.9200 (N.C.) | \$.9200 (N.C.) | NO | (N.C.) | \$.9200 (N.C.) |
| GRADE A | \$.9200 (N.C.) | \$.9200 (N.C.) | \$.9200 (N.C.) | \$.9200 (N.C.) | TRADING | (N.C.) | \$.9200 (N.C.) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.8900 (+.0150) | ----- | \$1.9800 (+.0900) | ----- | | (+.1050) | \$1.9350 (+.0850) |

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *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, JUNE 7, 2004

CHEESE -- SALES: 2 CARS BARRELS @ \$1.7700; 28 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.8875, 1 @ \$1.8900; BIDS UNFILLED: 9 CARS GRADE AA: 3 @ \$1.8900, 2 @ \$1.8850, 2 @ \$1.8750, 2 @ \$1.8500; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.9000

TUESDAY, JUNE 8, 2004

CHEESE -- SALES: 2 CARS BARRELS @ \$1.7600; 21 CARS 40# BLOCKS: 4 @ \$1.7975, 1 @ \$1.8000, 6 @ \$1.7975, 1 @ \$1.8000, 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.7700; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JUNE 9, 2004

CHEESE -- SALES: 11 CARS 40# BLOCKS: 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.7700; 1 CAR 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 9 CARS GRADE AA: 1 @ \$1.9675, 2 @ \$1.9700, 1 @ \$1.9725, 3 @ \$1.9750, 1 @ \$1.9775, 1 @ \$1.9800; BIDS UNFILLED: 22 CARS GRADE AA: 2 @ \$1.9800, 2 @ \$1.9750, 1 @ \$1.9700, 4 @ \$1.9675, 2 @ \$1.9650, 2 @ \$1.9625, 2 @ \$1.9600, 5 @ \$1.9500, 2 @ \$1.9200; OFFERS UNCOVERED: 4 CARS GRADE AA @ \$2.0000

THURSDAY, JUNE 10, 2004

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.7675, 1 @ \$1.7700; 7 CARS 40# BLOCKS: 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JUNE 11, 2004 -- NO TRADING, CME CLOSED FOR NATIONAL DAY OF MOURNING.

BUTTER MARKETS

APRIL BUTTER PRODUCTION

During April 2004, butter production in the United States totaled 97.1 million pounds, 21.0% less than April 2003 but 0.4% more than March 2004. The following are April to April changes for various states: CA-10.2%, NY +2.3%, PA -16.7%, and WI -39.0%.

NORTHEAST

The butter price at the CME has (through 6/7) increased four straight sessions and the market tone appears firm. However, butter production has been heavy the past few weeks and is expected to remain so through much of June. Warmer weather has helped Class II cream use, but butter/powder plants continue to receive heavy volumes of surplus milk. Demand for butter is less aggressive, but some stockpiling of bulk continues as most contacts expect the typical late-summer supply tightness and want to have some "inexpensive" butter on hand. Retail sales remain slow as prices continue to be a deterrent to some consumers. Food service sales are mostly steady, but the summer, tourist season does usually mean increased butter consumption in resort area restaurants, particularly along Coastal areas. 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 market tone remains firm as the cash price at the CME continues to increase. At midweek, the \$1.9800 per pound price is 15.5 cents higher than last week at midweek and 88 cents higher than the same time last year. Churning activity was relatively active last week, but has slowed this week as cream offerings have tightened quickly. Cream offerings, especially from out of area sources, have virtually ceased. Butter producers are basically limited to local supplies. Ice cream

production resumed following the Memorial Day holiday which is also pulling heavy volumes of cream into those plants. Stocks of butter remain lighter than desired, although overall sales activity is fair at best. Retail orders are lighter as consumers appear to be resisting higher shelf prices. Food service orders are seasonally fair and are basically following summertime purchasing patterns. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Churning activity is lighter at some locations as less cream is available than a week ago. Offerings of butter continue to clear in an orderly fashion. Stocks of butter at manufacturing plants are minimal and held with confidence. Butter prices at the cash CME market have increased 21 cents in the last five trading sessions. Retail sales are slower as higher prices are passed along to consumers. Food service orders are rated as fair to good. Vacation areas are ordering good volumes of butter and higher gas prices don't seem to be slowing sales at this point. April U.S. butter production totals 97.1 million pounds, up slightly from last month but down 21% (26 million pounds) from a year earlier. Cumulative output for the first four months of the year is 431.5 million pounds, down 16.9% (87.8 million pounds) from the same period in 2003. This decline figures out to 726,000 pounds less butter produced each day through April this year compared to last year. Output in the Western region for April was down 15% from a year ago. This region produces 44% of U.S. butter production. CME weekly inventory levels increased by 2.1 million pounds last week to stand at 104.4 million pounds. Stocks have increased 18 million pounds over the last eight weeks compared to 30 million pounds for the same period last year. Current prices for bulk butter range from flat market to 5 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 | | | |
| JUNE 5 | 1,9408 | 1,8258 | 0,8418 | 1,8606 | 0,2960 |
| | 7,833,115 | 9,094,197 | 19,425,712 | 3,474,865 | 9,008,429 |

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

CHEESE MARKETS

NORTHEAST

Prices and the market tone are steady. However, the recent (past two weeks), heavy trading activity at the CME indicates that current cheddar cheese is readily available and some buyer(s) are heavily purchasing in what appears to be support for the market at current levels. Since June 1, 135 cars of blocks have traded at the CME. In the Northeast, cheese output is mostly steady. Producers continue to produce enough cheese to fill orders, but they are not making too much extra. Most cheese makers are predicting June's Class III milk price to be more inline with current cheese prices and they are showing more of an inclination to make more cheese. However, if cheese prices do decline further, production decisions may change. Cheese stocks are more than adequate for the current slow to fair demand. Retail and wholesale prices are major factors in current sales. Distributors do not want too much cheese on hand should prices erode and the high retail prices continue to impact consumption. June Dairy Month promotions are in effect, but expected to have little impact on demand.

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

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.8675-2.3825 |
| Cheddar Single Daisies | : | 1.8250-2.3000 |
| Cheddar 40# Block | : | 1.9400-2.2000 |
| Process 5# Loaf | : | 1.9800-2.1850 |
| Process 5# Sliced | : | 2.0000-2.2425 |
| Muenster | : | 2.0400-2.2425 |
| Grade A Swiss Cuts 10 - 14# | : | 2.4500-2.6500 |

MIDWEST

The cheese market is unsettled, though with a weak undertone. Current spot cheese demand remains light. Buyers continue to watch the Chicago Mercantile Exchange cheese trading to see if the "spring/early summer price low" is in before ordering for more than just immediate needs. Many buyers are still working off stocks purchased at higher prices. Promotional activity is limited. Current demand is mostly fair at best. Many processors and cutters are still having difficulty filling a regular 40 hour operating schedule. Plant inventories remain heavy. Extra milk volumes continue to be put into cheddar production for possible clearance on the Chicago Mercantile Exchange. The frequently wet weather pattern through much of the upper Midwest has done little to stimulate outdoor activities such as grilling. Except for a sharp increase in the insect population and wet fields and pastures, the brief spell of hot and humid weather this week may not have been enough to reduce milk intakes.

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

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.9500-2.4000 |
| Brick And/Or Muenster 5# | : | 2.3800-2.4550 |
| Cheddar 40# Block | : | 2.1525-2.2800 |
| Monterey Jack 10# | : | 2.2650-2.4500 |
| Blue 5# | : | 2.5500-3.0900 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 2.0975-2.3650 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3475-2.8300 |

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

| | | | |
|----------|--------|---|---------|
| | BUTTER | : | CHEESE |
| | | : | |
| 06/07/04 | 46,099 | : | 146,589 |
| 06/01/04 | 43,311 | : | 146,433 |
| CHANGE | 2,788 | : | 156 |
| % CHANGE | 6 | : | N.C. |

WEST

Prices are unchanged in the Western region following steady trading at the cash CME market last week. More cheese has been offered at the Exchange in the past few weeks than earlier in the year. Since May 24, any offers of blocks on the Exchange have been covered and prices have held steady. Buyers are not aggressively looking for additional loads of natural cheese at this time. Demand is centered on cheese for replacement needs. Many buyers believe, after reviewing the trading activity at the CME cash cheese market, that prices are likely to decline further in the near future so they are in no hurry to make additional purchases. Offerings of commodity cheese are increasing and discounts are more common. Under grade cheese stocks are growing and sellers are more aggressive in trying to clear these growing inventories. Demand for mozzarella is slowing as schools recess for the summer. Swiss sales are slowing somewhat as price increases are passed along. U.S. total cheese production in April reached 754.8 million pounds, down 3.2% or 24.8 million pounds from last month. Production was up 5.0% from last year or 36.0 million pounds. Cumulative output for total cheese for the year is 2.97 billion pounds, up 5.8% from the same period in 2003. This works out to an extra 1.3 million pounds of cheese produced every day through April compared to last year. For April in the Western region, output was up 9.2% for total cheese. No other region came close to this type of increase. The Western region produced 41% of the total cheese production in the U.S. in April. Swiss output in April for the U.S. is 24.3 million pounds, basically unchanged from a month ago but 15.5% heavier than last year.

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

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.9200-2.1800 |
| Cheddar 40# Block | : | 1.9225-2.2750 |
| Cheddar 10# Cuts | : | 2.1025-2.3225 |
| Monterey Jack 10# | : | 2.1125-2.2725 |
| Grade A Swiss Cuts 6 - 9# | : | 2.4500-2.8700 |

FOREIGN

Prices are mostly unchanged, but some adjustments to imported styles were reported. The market tone is unchanged. Demand is slow to fair for table cheese, slower for processing types. Supplies are mostly adequate to meet current needs.

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

| | | |
|--------------------------|---|--------------------------------|
| | : | NEW YORK |
| VARIETY | : | IMPORTED : DOMESTIC |
| Roquefort | : | TFEWR : -0- |
| Blue | : | 2.6400-4.2500* : 2.1625-3.6525 |
| Gorgonzola | : | 3.6900-5.9400 : 2.4900-2.6750 |
| Parmesan (Italy) | : | TFEWR : 3.5725-3.6825 |
| Romano (Italy) | : | 2.1000-3.1500 : -0- |
| Provolone (Italy) | : | 3.4400-5.5500* : 2.1725-2.3975 |
| Romano (Cows Milk) | : | -0- : 3.3600-5.5325 |
| Sardo Romano (Argentina) | : | 2.8500-3.2900 : -0- |
| Reggianito (Argentina) | : | 2.6900-3.2900 : -0- |
| Jarlsberg-(Brand) | : | 2.9500-4.0900* : -0- |
| Swiss Cuts Switzerland | : | -0- : 2.4500-2.6500 |
| 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 | 207 | 0 | 162 | 0 | 211 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

The following are the May 2004 Class and component prices under the Federal Milk Order pricing system: Class II \$15.03 (down \$0.18 from April), Class III \$20.58 (up \$0.92); and Class IV \$14.50 (down \$0.07). The Class III price is a record high. The following are the product price averages used in computing Class prices: butter \$2.1385, NDM \$0.8383, cheese \$2.1266, and dry whey \$0.2992. The Class II butterfat price is \$2.4352 and the Class III/IV butterfat price is \$2.4282. Milk production is easing lower, from peak levels in nearly all parts of the East. Production declines have been "slow and orderly" for the most part. Hot weather is starting to impact the milk flow, but continued cool nights are adding to the comfort of the cows. Contacts in the far North report that the milk flow is slightly lower. Fluid milk supplies are still long and most manufacturing plants are operating at or near capacity. This is particularly evident in the Southeast where handlers are taking in intra-company milk shipments from the Southwest. Bottled milk sales are slow to fair, at best. Most schools in the Southeast are now on summer break while many schools in the Northeast still have one or two weeks before recess. Florida's Class I milk needs have slowed faster than their milk production declines and shipments out of state jumped this week. The condensed skim market is little changed. Prices for wet solids are mostly steady. Demand for condensed skim is fair to occasionally good for Class II and few spot sales of Class III are reported. The fluid cream market is reported as tight this week. Supplies have tightened slightly, but demand has improved significantly since mid-May. Suppliers report that ice cream plants are taking more spot loads as the recent hot weather has helped sales. Also, the price of butter being in the \$1.80's has helped reduce cream prices from early May when the CME butter price was over \$2.10. Cream suppliers did have to reach farther to find loads and some California cream continues to be available in the market at competitive prices. Spot prices are generally higher as multiples have moved higher as supplies tighten. Late-week sales are seeing multiples in the high 130's, f.o.b. Cream cheese output is about steady as producers also see that cream prices are rising. Bottled cream sales are improving along seasonal patterns. The warmer weather in much of the East has given a big boost to soft serve mix sales, particularly along the Eastern Shore. Churning activity is lighter as the demand from Class II users improves.

further following the holiday weekend. Reported spot manufacturing milk prices range from around -\$1.50 to +\$1.65 from class/multiple component price. Reduced cream volumes and warmer and often humid weather have combined to boost cream demand. The closing of schools is also generating less standardized cream. Ice cream production is active with schedules from 5 days on up. Ice cream inventories are also reportedly showing declines. Cream multiples are increasing as well as the average butter price at the Chicago Mercantile Exchange. Cottage cheese production remains active. Wet fields continue to hamper fieldwork, including planting and replanting flooded fields. Ruts in hayfields and brown windrows are also noticeable. Instances of several inches of rain in a day caused flooded streams and high lake levels. Swarms of hungry mosquitoes as well as a few black flies have become more plentiful.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | JUNE 3 - JUNE 9 | PREVIOUS YEAR |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 52.50- 59.00 | \$ 46.50- 50.50 |
| REPLACEMENT HEIFER CALVES | \$300.00-600.00 | \$300.00-490.00 |

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

| | JUNE 3 - JUNE 9 | PREVIOUS YEAR |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 52.00- 62.50 | \$ 45.00- 52.00 |

WEST

Weather conditions have been nearly ideal for this time of year for much of CALIFORNIA. Milk production has been steady to slightly higher than year ago levels. Current trends are often off what may have been a seasonal peak. At the farm level, cows are in milk longer than normal due to the high farm milk prices. Butter/powder plants in the state are running full. Cheese producers are cutting back on schedules to help balance inventories. Some cheese producers are actually paying penalties not to take all contracted milk volumes. Churning remains active because of the high costs needed for cream to ship out of state. That is changing as the butter price increases. Several contacts noted that Class 1 interest was higher this week from retail accounts. ARIZONA milk output is rolling lower off the seasonal peak. The additional stress of recent heat into the lower 100 degrees continues to impact the milking cows despite cooling measures. Processing plants in the state are taking more milk to help balance nearby states. NEW MEXICO milk production levels are trending slightly lower. Milk shipments continue to move irregularly because of processors not wanting milk. Cheese plants are pushing loads back and canceling some contracted loads and milk needs are not at expected levels in the Southeast. Milk is being discounted to move to processors. CREAM prices are beginning to move higher and reflect the higher butter price at the CME. The butter price closed at \$1.9800 on Wednesday, June 9, an increase of 15.5 cents from just a week earlier. At this level, California spot cream will begin to move out of state. Supplies of cream are adequate for all needs with surpluses ending up in the butter churns. Multiples range from 112 to 126, FOB, and vary depending on class usage and basing point. Milk production in the PACIFIC NORTHWEST is holding near the seasonable peak. Weather conditions are very moderate and new crop hay is finally becoming more available. Hay quality is quite variable this year. Much of the first cutting got rained on and is of lower quality. That portion that got put up dry is of excellent quality. Some growers are beginning to harvest the second cutting and the rain has started again. Corn prices remain firm, but bean prices have come off some. Heifer prices at a monthly Washington sale came off by about \$200 for June and range between \$2200-2500. Comments noted at the sale referred to future lower milk prices as one of the reasons for some weakness. Conditions have cooled off quite a bit in UTAH and IDAHO. Temperatures are actually below normal at this time. A lot of hay is cut and ready to bale with a very good chance of rain at mid-week. Growers are very concerned about the quality. Prices are firm in the region for top quality dairy hay. Heifer prices continue to show signs of weakness.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

| | | | |
|---|---|---------------|-----------------|
| SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT | | | |
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 2.4050-2.5715 | |
| DELIVERED EQUIVALENT ATLANTA | - | 2.3310-2.5900 | M 2.4050-2.5530 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 2.4420-2.5160 | |
| PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS | | | |
| F.O.B. PRODUCING PLANTS: | | | |
| NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES | - | .9200- .9500 | |
| NORTHEAST- CLASS III - SPOT PRICES | - | 1.2800-1.3700 | |

MIDWEST

Class I demand slowed even further as more schools close for the summer. Very few schools will still be in session next week. High retail fluid prices are also slowing sales. The general feeling is that the majority of plants have likely received their peak annual milk intakes. The question is whether or not the heat and humidity early in the week occurred long enough for intakes to decline appreciably. Fat and protein test are also generally lower. The wet and often humid conditions are also helping to cause somatic cell counts to rise. Manufacturing milk interest has improved as the volume available declined

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 steady and the market tone is showing some signs of weakness. Production levels are up at most facilities and some producers are adding more NDM to their stocks than they had predicted. Most producers would like to move their extra loads, but they do feel that those loads will easily clear later in the summer. Current demand is just fair and mostly contractual. There is no shortage of powder once owned by CCC in the marketplace. Contacts are waiting word on the latest round of CCC sales for both unrestricted and restricted use.

EAST: Eastern prices are unchanged and the market tone appears to be less firm. The recent increase in drying activity has some plants with a little more NDM on hand. Current, spot demand for fresh output is just fair, so producers are actually building a little inventory. Some would like to move this powder now while others expect output to drop off sharply later in the summer and are holding current, uncommitted output for later needs. Surplus milk volumes are mostly heavy, but there were reports of lower milk intakes at some plants. Demand for NDM ranges from slower to steady. With all the CCC exchange program and sellback powder currently on the market, some producers are finding that their higher priced offers are not selling. These are often the same people who expect to hold some of their current output for late-summer needs. They feel that fresh powder will always have a market

DAIRY PRODUCTS: Nonfat dry milk production during April totaled 134.0 million pounds, down 16.2% from April 2003 but 13.6% higher than March 2004. Month ending stocks, at 106.1 million pounds, are 18.0% less than last year but 32.7% more than a month ago.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8975 - .9100
 HIGHHEAT: .8900 - 1.2000

NONFAT DRY MILK - WEST

Western prices are mostly steady for low/medium heat NDM. The market undertone is unsettled in the short term. Milk intakes are higher than projected at powder plants. In addition, buyers are not aggressively pursuing loads of current production because of the abundance of offerings of NDM on the market. Cheese producers are assessing needs for NDM and condensed skim as they are taking less milk into operations. Current NDM inventory levels have grown over the last few weeks, but producers are confident that these will be needed once summer heat shrinks the milk supply. High heat NDM prices are steady. Trading activity is on the light side. Production has been limited because of the push to process milk supplies in recent weeks. Buying interest is light. Stocks are at minimal levels. U.S. NDM production in April totaled 134.0 million pounds, down 16.2% from last year but 13.6% higher than March. For the first four months of 2004, NDM production is running 17.8% lower (-105.6 million pounds) than 2003. April production in the Western region totaled 101.2 million pounds, down 14.9% from last year. California produced 66.1 million pounds, down 4.8% from April 2003. U.S. manufacturers' stocks at the end of April were reported at 106.1 million pounds, down 18.0% from last year but 32.7% more than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8275 - .8900 MOSTLY: .8400 - .8600
 HIGHHEAT: .8575 - 1.1200

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|---------|-------------|--------------|
| June 4 | \$.8318 | 12,011,303 | 0 |
| May 28 | \$.8287 | 18,381,144 | 0 |

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 remain unchanged and nominal on a mostly steady market. Buttermilk production is moderate, but eased slightly this week. Churning activity slowed this week as Class II cream demand increased. Plant stocks range from adequate to fully adequate and some producers do have powder available for spot sale. Condensed buttermilk movement into ice cream is improving now that temperatures are reaching into the 90's across much of the region. Dry buttermilk production during April 2004 totaled 5.0 million pounds, down 10.9% from last April but 18.4% more than March 2004. Month ending stocks, at 4.8 million pounds, are 49.9% less than last year and 0.9% less than a month ago.

F.O.B. CENTRAL: 1.0775 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. The Northeastern price range is still nominal and includes resale prices. Production levels were often lighter this week and fluid cream supplies tightened under improved demand. Cream suppliers were often short a load or two and reported no spot sales to butter makers. Producer stocks are adequate to meet the steady demand. Dry buttermilk production during April 2004 totaled 5.0 million pounds, down 10.9% from last April but 18.4% more than March 2004. Month ending stocks, at 4.8 million pounds, are 49.9% less than last year and 0.9% less than a month ago

F.O.B. NORTHEAST: 1.0000 - 1.1900
 DELVDSOUTHEAST: .9800 - 1.2000

DRY BUTTERMILK - WEST

Dry buttermilk prices are higher on the top end of the range and the market tone is steady to firm. The additional churning of recent weeks has created more condensed buttermilk but drying has been limited because of the heavy production schedules of NDM. Demand for dry buttermilk has been steady with priority being given to past due orders. Stocks are generally light. U.S. dry buttermilk production in April totaled 5.0 million pounds, down 10.9% from last year but 18.4% higher than March. Stocks at the end of April were reported at 4.8 million pounds, 49.9% less than last year and 0.9% lower than last month.

F.O.B. WEST: 1.0000 - 1.0650 MOSTLY: 1.0200 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are generally lower. Some prices increased due to the up-tick in Class IV milk prices, but most of the pricing is being influenced by the previous lower butter price. This may change, as the CME cash butter price has increased twenty cents since May 26. Demand remains mostly contractual. Dry whole milk production during April 2004 totaled 5.3 million pounds, up 70.3% from last April and 49.2% more than March 2004.

F.O.B. PRODUCING PLANT: 1.3800 - 1.5000

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 mostly lower and in a narrow range. The market tone remains relatively weak. Spot market activity is light. Contacts at all levels of the market report a slow week. Traders had few inquiries and some end users, particularly on the feed side of the market, are offering Extra Grade whey from their inventories. Some of these resales are occurring below the market average and meeting indifferent enthusiasm. Many buyers/users feel that prices will continue to dip in coming weeks and they are working down their inventories before making additional purchases. Production levels are mostly steady. Production of human food, dry whey during April 2004 totaled 84.4 million pounds, 1.5% less than April 2003 but 1.0% more than March 2004. Month ending stocks, at 32.5 million pounds, are 28.7% below last year but 6.2% more than a month ago.

F.O.B. CENTRAL: .2950 - .3050 MOSTLY: .2950 - .3050

DRY WHEY - NORTHEAST AND SOUTHEAST

The dry whey market tone is showing more signs of weakness, particularly in other regions of the country. Eastern producers continue to report a sold out position as they try to catch up with contract shipping schedules. However, traders and buyers report increased offerings from Midwestern producers as well as some end users. Resale product is readily available at prices often below current market averages. Demand is lackluster at best. At all levels, market activity is limited. Buyers are waiting for lower prices, but some contacts wonder at what level will they decide to re-enter the market. Production levels are steady. Producers have little inventory, but traders do have stocks to offer. Production of human food, dry whey during April 2004 totaled 84.4 million pounds, 1.5% less than April 2003 but 1.0% more than March 2004. Month ending stocks, at 32.5 million pounds, are 28.7% below last year but 6.2% more than a month ago. Production of animal feed, dry whey during April totaled 7.6 million pounds, 6.4% more than a year ago but 25.8% below March 2004.

F.O.B. NORTHEAST: EXTRA GRADE & GRADE A: .3100 - .3325
DELVDSOUTHEAST: .3250 - .3400

DRY WHEY - WEST

Prices are somewhat mixed for whey powder in the Western region. Some sellers continue to plus the market and product continues to move very well. Other producers are seeing stocks build and they are reducing prices to spur sales activity. Export activity seems to be slower than domestic. Production is seasonally heavy. April U.S. production of edible whey was 84.4 million pounds, down 1.5% from a year earlier. Stocks at the end of April total 32.5 million pounds, down 28.7% (13.1 million pounds) from April 2003.

NONHYGROSCOPIC: .2400 - .3200 MOSTLY: .2600 - .2850

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and nominal. Like the Extra Grade market, trading activity was limited. Few spot sales were reported. Demand is lackluster. Production of animal feed, dry whey during April totaled 7.6 million pounds, 6.4% more than a year ago but 25.8% below March 2004. Month ending stocks, at 3.9 million pounds, are 168.0% above last year but 11.9% less than a month ago.

F.O.B. CENTRAL:
MILK REPLACER: .2500 - .2850

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged and the market tone, though still firm, is starting to show some signs of easing. The WPC market is starting to reflect current market conditions for dry whey. Offering prices are little changed this week as users are able to purchase NDM from CCC at competitive prices. Demand is about steady. Production of human food WPC during April 2004 totaled 25.6 million pounds, 5.1% less than April 2003 and 0.1% less than March 2004. Month ending stocks, at 17.3 million pounds, are 38.8% below last year and 18.8% less than a month ago.

F.O.B. EXTRA GRADE 34% PROTEIN: .6450 - .6750 MOSTLY: .6450 - .6650

LACTOSE - CENTRAL AND WEST

Lactose prices remain unchanged on a steady market. Production is mostly steady as surplus milk volumes are seasonally heavy in much of the country and cheese plants seem to taking a little more milk. Stocks range from balanced to long. Spot sales are light with best interest on the higher mesh sizes. Production of lactose during April 2004 totaled 54.4 million pounds, 10.0% more than April 2003 but 3.2% less than March 2004. Month ending stocks, at 54.6 million pounds, are 29.5% above last year and 1.9% more than a month ago.

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 and prices remain firm. Most suppliers continue to indicate that stocks are in close balance to tight. Oceania orders are being filled from inventoried stocks while European orders are being filled with basically current production. Some European producers are concerned about available milk volumes. Milk production is trailing last season by 2 - 3% and, for the most part, is at or past peak levels. Potential casein producers in the states are very curious about the result of invitation #019 to buy from the government skim milk powder for the production of casein/caseinates. Public notice will be by midnight June 11. Under invitation #018, powder was sold for \$.38 per pound, which to many potential producers basically put them out of the running for future purchases.

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 - 2.6000
ACID: 2.3500 - 2.6500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. However, with the Class IV milk price still way above year-ago levels (\$14.50 compared to \$9.74 for May 2003), most producers expect to announce another round of price increases in the coming weeks. Production levels are mostly steady, but some operations are finding less milk is being offered to them or their milk suppliers now have other outlets for the milk. Producer stocks are light for this time of year. Canned evaporated milk production during April totaled 40.5 million pounds, 28.8% less than April 2003 and 15.9% less than March 2004. Month ending stocks, at 54.8 million pounds, are 3.6% less than a year ago but 10.8% above last month.

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 | 05/26 | 05/27 | 05/28 | 05/31 | 06/01 | 06/02 | 06/03 | 06/04 | 06/07 | 06/08 |
|--|------------------|------------------|------------------|------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| CME - (CLASS III) MILK FUTURES -- Dollars per cwt | | | | | | | | | | |
| MAY 04 | 20.54 (8153) 7 | 20.55 (8132) 56 | 20.55 (8139) 19 | NO TRADING | 20.56 (8144) 29 | 20.58 (8141) 2 | 20.60 (7846) 0 | 20.58 | | |
| JUN 04 | 16.40 (5951) 290 | 16.32 (5768) 406 | 16.77 (5686) 330 | | 16.90 (5473) 684 | 17.06 (5553) 600 | 17.06 (5537) 832 | 17.20 (5556) 736 | 17.27 (6480) 1590 | 17.39 (6569) 315 |
| JUL 04 | 14.35 (4812) 345 | 14.40 (4778) 334 | 14.60 (4796) 152 | | 14.64 (4692) 390 | 14.74 (4809) 320 | 14.72 (4929) 241 | 14.98 (4862) 312 | 15.55 (4762) 504 | 16.30 (4550) 927 |
| AUG 04 | 14.34 (4648) 237 | 14.25 (4655) 104 | 14.46 (4694) 105 | | 14.59 (4681) 114 | 14.66 (4762) 157 | 14.45 (4768) 50 | 14.70 (4797) 345 | 15.15 (4764) 310 | 15.90 (4497) 849 |
| SEP 04 | 14.11 (4165) 405 | 14.27 (4330) 290 | 14.33 (4424) 182 | | 14.33 (4484) 160 | 14.43 (4554) 88 | 14.37 (4584) 45 | 14.54 (4569) 314 | 14.81 (4476) 401 | 15.56 (4251) 503 |
| OCT 04 | 13.70 (3124) 56 | 13.80 (3125) 15 | 13.80 (3118) 61 | | 13.80 (3117) 6 | 13.75 (3119) 6 | 13.70 (3119) 1 | 13.75 (3122) 37 | 14.13 (3133) 107 | 14.49 (3143) 129 |
| NOV 04 | 12.80 (1982) 8 | 12.80 (1983) 52 | 13.02 (1983) 0 | | 13.00 (1975) 4 | 13.00 (1975) 0 | 13.00 (1974) 1 | 13.00 (1970) 14 | 13.00 (1960) 32 | 13.30 (1955) 13 |
| DEC 04 | 11.95 (1758) 24 | 12.05 (1771) 53 | 12.10 (1771) 1 | | 12.10 (1765) 12 | 12.10 (1769) 13 | 12.10 (1770) 0 | 12.10 (1780) 14 | 12.10 (1786) 8 | 12.10 (1793) 39 |
| JAN 05 | 11.95 (459) 5 | 11.95 (478) 50 | 12.20 (478) 8 | | 12.20 (478) 0 | 12.20 (478) 0 | 12.20 (478) 0 | 12.20 (473) 12 | 12.20 (473) 2 | 12.25 (467) 6 |
| FEB 05 | 12.03 (427) 2 | 12.03 (433) 38 | 12.10 (433) 2 | | 12.10 (434) 1 | 12.10 (434) 0 | 12.10 (434) 0 | 12.10 (436) 10 | 12.10 (436) 0 | 12.15 (430) 6 |
| MAR 05 | 12.00 (301) 0 | 11.98 (323) 33 | 12.00 (323) 7 | | 12.00 (323) 0 | 12.00 (323) 0 | 12.00 (323) 0 | 12.00 (333) 10 | 12.00 (333) 0 | 12.00 (333) 6 |
| APR 05 | 11.95 (166) 5 | 12.00 (187) 22 | 12.15 (187) 0 | | 12.15 (187) 0 | 12.15 (187) 0 | 12.15 (187) 0 | 12.15 (192) 5 | 12.15 (192) 0 | 12.15 (192) 6 |
| MAY 05 | 12.00 (110) 3 | 12.00 (125) 22 | 12.35 (125) 0 | | 12.35 (125) 0 | 12.35 (125) 0 | 12.35 (125) 0 | 12.35 (130) 6 | 12.25 (130) 0 | 12.25 (130) 6 |
| JUN 05 | 12.00 (64) 0 | 12.00 (74) 18 | 12.40 (75) 1 | | 12.40 (75) 0 | 12.40 (75) 0 | 12.40 (75) 0 | 12.40 (75) 5 | 12.40 (75) 0 | 12.40 (75) 0 |
| JUL 05 | 12.50 (18) 0 | 12.50 (18) 0 | 12.50 (18) 0 | | 12.50 (18) 0 | 12.50 (18) 0 | 12.50 (18) 0 | 12.50 (24) 7 | 12.50 (24) 0 | 12.50 (24) 0 |
| AUG 05 | 12.60 (9) 0 | 12.60 (9) 0 | 12.60 (9) 0 | | 12.60 (9) 0 | 12.60 (9) 0 | 12.60 (9) 0 | 12.60 (14) 5 | 12.60 (14) 0 | 12.60 (14) 0 |
| SEP 05 | 12.75 (31) 0 | 12.75 (31) 0 | 12.75 (31) 0 | | 12.75 (31) 0 | 12.75 (31) 0 | 12.75 (31) 0 | 12.75 (38) 8 | 12.75 (38) 0 | 12.75 (38) 0 |

CME - (CLASS IV) MILK FUTURES - Dollars per cwt.

| | | | | | | | | | | |
|--------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| JUL 04 | 14.25 (97) 0 | 14.25 (97) 0 | 14.25 (97) 0 | NO TRADING | 14.25 (97) 0 | 14.25 (97) 0 | 14.00 (97) 0 | 14.00 (97) 0 | 14.00 (97) 0 | 14.00 (97) 0 |
| AUG 04 | 14.10 (77) 0 | 14.10 (77) 0 | 14.10 (77) 0 | | 14.10 (77) 0 | 14.00 (77) 0 | 14.00 (77) 0 | 14.00 (77) 0 | 14.00 (77) 0 | 14.00 (77) 0 |
| SEP 04 | 13.55 (84) 0 | 13.55 (84) 0 | 13.55 (84) 0 | | 13.55 (84) 0 | 13.55 (84) 0 | 13.55 (84) 0 | 13.55 (84) 0 | 13.55 (84) 0 | 13.55 (84) 0 |
| OCT 04 | 13.55 (14) 0 | 13.55 (14) 0 | 13.55 (14) 0 | | 13.55 (14) 0 | 13.55 (14) 0 | 13.55 (14) 0 | 13.55 (14) 0 | 13.55 (14) 0 | 13.55 (14) 0 |
| NOV 04 | 12.70 (39) 0 | 12.70 (39) 0 | 12.70 (39) 0 | | 12.70 (39) 0 | 12.70 (39) 0 | 12.70 (39) 0 | 12.70 (39) 0 | 12.70 (39) 0 | 12.70 (39) 0 |

CME - BUTTER FUTURES -- Cents per pound

| | | | | | | | | | | |
|--------|-----------------|-----------------|-----------------|------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|
| JUL 04 | 179.50 (457) 20 | 181.00 (454) 13 | 185.00 (451) 34 | NO TRADING | 185.00 (448) 19 | 183.00 (439) 22 | 182.00 (437) 21 | 187.00 (438) 8 | 188.50 (440) 3 | 193.50 (430) 28 |
| SEP 04 | 180.00 (177) 31 | 181.25 (178) 5 | 185.00 (183) 7 | | 182.00 (188) 5 | 182.00 (190) 2 | 182.00 (205) 15 | 187.00 (207) 4 | 188.50 (208) 1 | 193.50 (208) 0 |
| OCT 04 | 176.00 (106) 14 | 180.00 (106) 0 | 180.00 (106) 0 | | 180.00 (106) 1 | 177.50 (106) 0 | 177.50 (106) 0 | 182.50 (106) 0 | 184.00 (108) 2 | 189.00 (106) 2 |
| DEC 04 | 154.00 (73) 3 | 157.00 (73) 0 | 157.00 (73) 0 | | 157.00 (74) 1 | 160.00 (74) 0 | 160.00 (74) 0 | 160.00 (74) 0 | 160.00 (74) 1 | 165.00 (74) 0 |
| MAR 05 | 154.00 (17) 1 | 155.00 (17) 0 | 156.00 (17) 0 | | 156.00 (17) 0 | 156.00 (17) 0 | 156.00 (17) 0 | 157.00 (17) 0 | 157.00 (17) 0 | 162.00 (17) 0 |
| MAY 05 | 156.00 (10) 1 | 156.00 (10) 0 | 157.10 (10) 0 | | 157.10 (10) 0 | 157.10 (10) 0 | 157.10 (10) 0 | 159.00 (10) 0 | 159.00 (10) 0 | 164.00 (10) 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 May 31 - June 11, 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

WESTERN EUROPEAN OVERVIEW: Milk production in much of Western Europe is already past the seasonal peak and is declining at varying rates. Some milk handlers indicate that volumes are significantly lighter than last year at this time. Milk production figures for May have been released and indicate that output during the month was down 2% in Germany and 4 – 5% lower in France and the UK when compared to May 2003. Many dairy product producers and handlers are voicing their concern about the lighter supply they have versus other years at this time. Often, traders and handlers indicate that international sales negotiations are being limited by supply availability versus buyer interest. Some traders indicate that there is buyer interest for July/August deliveries, but they are not able to acknowledge these inquiries due to the uncertainty of product availability and price. The EU Dairy Management Committee met on Thursday June 10 and acted on various dairy related issues. They reduced the export refund for three manufactured dairy products. They reduced the butter refund by 90 Euros to 1,410 per MT, butteroil was reduced 114 to 1,786, and whole milk powder was cut by 90 to 750. The Commission left the skim milk and cheese refunds unchanged. Many within the casein industry felt that the Commission might adjust casein aid, but this was also unchanged. Intervention clearances of butter and skim milk powder have slowed greatly. Between March 1 through June 6, 14,828 MT of skim milk powder have cleared versus approximately 59,000 MT for the same period last season and 98,000 MT two years ago. Butter offerings to intervention for this same period total 19,984 MT also lower than last year at this time. Under the tendering system, small volumes were accepted. They accepted bids for 226 MT of butter at 154.9 Euros per 100 KG, 279 MT of butteroil at 194.0, and 303 MT of skim milk powder at 36.5.

BUTTER/BUTTEROIL: European butter markets are firm, although prices are generally unchanged. Stocks of butter are reported to be in close balance. Offerings to intervention have slowed greatly. Between March 1 – June 6, 19,984 MT of butter have cleared to intervention. Butter stocks are limited to the point that some traders and handlers are hoping that the EU Dairy Commission will release some volume of intervention butter stocks back to the trade.

82% BUTTERFAT: 1,850 - 1,950
99% BUTTERFAT: 1,900 - 2,100

SKIM MILK POWDER (SMP): Skim milk powder markets are firm as prices are steady to slightly higher. European stocks of skim milk powder are lighter than desired for this time of the season. Milk production is on the down side of the season in Western regions, while basically at peak levels in Eastern Europe. Some reports indicate that overall milk production in Europe is trailing last year by 2 – 3%. Lighter available milk offerings have some European manufacturers quite concerned. Powder offerings to intervention have slowed greatly and some handlers and traders are hopeful that the EU Dairy Commission will release some intervention offerings to the trade.

1.25% BUTTERFAT: 2,100 - 2,125

WHOLE MILK POWDER (WMP): Whole milk powder markets are firm as prices held steady to slightly higher. Lighter than anticipated milk volumes have some traders and handlers concerned about sourcing stock for potential buyer interest. International sales activity is limited by lack of supply versus buyer interest. Buyers are interested in July/August shipments, but suppliers/traders are not able to acknowledge this buyer interest due to unknown supplies and price. A firm Euro is also putting pressure on sales negotiations.

26% BUTTERFAT: 2,150 - 2,200

SWEET WHEY POWDER: European whey powder markets remain firm. Stocks of powder are sufficient for the domestic/internal edible and animal feed markets. Traders and handlers are curious about the outcome of the upcoming Japanese whey tender. European suppliers or traders feel that Europe should be in a price position to get a good share of the tender in relationship to other international prices and supply situations.

NONHYGROSCOPIC: 500 - 525

EASTERN EUROPEAN OVERVIEW: Milk production is basically at peak levels in many Eastern European countries. This area of Europe usually trails Western trends by about 4 – 6 weeks. At this point, there are no official production figures for this region, although milk handlers feel that they are basically in line with previous years. For many of the countries that entered

OCEANIA

OCEANIA OVERVIEW: Milk production trends in Oceania are winding down seasonally with New Zealand's output basically done for the year while Australia's production will continue for about another month or so. In New Zealand, the milk production estimate for the season just ending is 4% above last year, while in Australia, figures for the period of July – April are trailing last season by about 3%. In Australia, the last half of the milk production season has been positive, thus milk handlers are optimistic that the final figures might not be as negative as the cumulative thus far. Now that the milk production season has basically ended, most dairy product handlers are filling orders from inventoried stocks. In most instances, these stocks are in close balance with needs. Some handlers are a little uneasy that they may not have sufficient stocks to carry them through the winter months and they specifically indicate that they will not have any stocks available for spot buyer interest. Butter/butteroil supplies appear to be in the tightest position with milk powders and cheese not as limited but still in close balance. Oceania handlers are aware of firming prices in other international markets, thus Oceania prices have also firmed. The bottom line for many Oceania dairy product handlers is that if supply/demand conditions remain unchanged, they feel that they will enter the new milk production season with minimal volumes of carry over stock.

BUTTER: Oceania butter markets are firm as prices edge higher. Stocks of butter remain in close balance with most handlers indicating that they will have no butter available for spot buyer interest. Milk production in the region will be ending soon, thus orders will be filled from inventoried stocks.

82% BUTTERFAT: 1,700 - 1,850

CHEDDAR CHEESE: Oceania cheese markets are firm with prices generally higher. Negotiations with potential customers for next season's production continue. Stocks of cheese appear to be sufficient to maintain timely shipments. In some instances, especially in Australia, late season milk production is often being directed toward cheese production when possible. Strong demand and good returns are encouraging cheese producers to take advantage of available milk volumes at this time of the season.

39% MAXIMUM MOISTURE: 2,550 - 2,750

SKIM MILK POWDER (SMP): Skim milk powder markets are firm as prices continue to increase. Production of powder is winding down seasonally as the milk production year end is near. At this point, powder stocks are in close balance and limited to regular customer needs. Many producers and handlers indicate that they will probably not have any additional stocks available for spot buyer interest.

1.25% BUTTERFAT: 2,000 - 2,100

WHOLE MILK POWDER (WMP): Whole milk powder markets are firm. The milk production season has virtually ended, thus winter shipments are being filled from inventoried stocks. For the most part, stocks are fully committed leaving very little, if any at all, available for spot buyer interest. Oceania traders indicate that international buyer interest is quiet. Most feel that slow buyer interest is due to known limited supply in Oceania versus lack of buyer interest.

26% BUTTERFAT: 2,000 - 2,100

Exchange rates for selected foreign currencies: JUNE 7, 2004

| | |
|-----------------------|--------------------------|
| .7433 Canadian Dollar | .0222 Indian Rupee |
| .3365 Argentina Peso | .6337 New Zealand Dollar |
| .0880 Mexican Peso | .7068 Australian Dollar |
| .2681 Polish Zloty | .0091 Japanese Yen |
| | 1.2315 Euro |

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0880)= 11.3636. That is 1 US Dollar equals 11.3636 Mexican Pesos.

Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: the EU on May 1, restructuring of the farming industry continues to occur to conform to EU guidelines. This process needs to be completed before manufactured dairy products from these countries can be marketed outside of the production country.

APRIL 2004 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 97.1 million pounds in April, 21.0 percent below April 2003 but slightly above March 2004. **AMERICAN TYPE CHEESE** production totaled 320.2 million pounds, 4.3 percent above April 2003 but 1.2 percent below March 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 754.8 million pounds, 5.0 percent above April 2003 but 3.2 percent below March 2004. **NONFAT DRY MILK** production, for human food, totaled 134.0 million pounds, 16.2 percent below April 2003 but 13.6 percent above March 2004. **DRY WHEY** production, for human food, was 84.4 million pounds, 1.5 percent below April 2003 but 1.0 percent above March 2004. **ICE CREAM** (hard) production totaled 77.1 million gallons, 8.6 percent below April 2003 and 2.0 percent below March 2004.

| PRODUCTION OF DAIRY PRODUCTS | | | | | | | | | |
|-------------------------------|------------|----------------------|----------|-----------------|-----------------------------------|---------------|----------------------|----------|-----------------|
| PRODUCT | APR 2004 | PERCENT CHANGE FROM: | | | PRODUCT | APR 2004 | PERCENT CHANGE FROM: | | |
| | 1,000 LBS. | APR 2003 | MAR 2004 | YEAR TO DATE 1/ | | 1,000 LBS. | APR 2003 | MAR 2004 | YEAR TO DATE 1/ |
| BUTTER | 97,082 | -21.0 | 0.4 | -16.9 | SOUR CREAM | 76,555 | -4.7 | -9.2 | |
| CHEESE | | | | | YOGURT (PLAIN AND FLAVORED) | 214,773 | 6.9 | -7.6 | --- |
| AMERICAN TYPES 2/ | 320,223 | 4.3 | -1.2 | 2.7 | CONDENSED WHEY, SOLIDS CONTENT 6/ | | | | |
| CHEDDAR | 241,178 | 4.1 | -0.3 | 1.4 | SWEET-TYPE, HUMAN FOOD | 7,193 | -23.4 | --- | --- |
| SWISS | 24,306 | 15.5 | 0.9 | --- | DRY WHEY PRODUCTS | | | | |
| BRICK & MÜNSTER | 6,416 | -14.5 | 5.0 | --- | DRY WHEY, HUMAN FOOD | 84,411 | -1.5 | 1.0 | --- |
| CREAM & NEUFCHÂTEL | 59,924 | 12.0 | 4.2 | --- | DRY WHEY, ANIMAL FEED | 7,567 | 6.4 | -25.8 | --- |
| HISPANIC | 11,472 | -0.8 | -2.4 | --- | DRY WHEY, TOTAL | 91,978 | -0.9 | -1.9 | -4.4 |
| MOZZARELLA | 249,710 | 5.7 | -5.0 | 8.8 | REDUCED LACTOSE AND MINERALS | | | | |
| OTHER ITALIAN TYPES | 60,161 | -2.0 | -14.7 | 5.8 | HUMAN FOOD | 6,095 | 103.3 | 41.9 | --- |
| TOTAL ITALIAN TYPES | 309,871 | 4.1 | -7.1 | 8.2 | ANIMAL FEED 7/ | | | | |
| ALL OTHER TYPES | 22,578 | 10.4 | 0.2 | --- | LACTOSE, HUMAN FOOD & ANIMAL FEED | 54,366 | 10.0 | -3.2 | --- |
| TOTAL | 754,790 | 5.0 | -3.2 | 5.8 | WHEY PROTEIN CONCENTRATE | | | | |
| COTTAGE CHEESE, CURD 3/ | 37,148 | -6.2 | -11.8 | --- | HUMAN FOOD | 25,586 | -5.1 | -0.1 | --- |
| COTTAGE CHEESE, CREAM 4/ | 31,247 | -7.7 | -10.6 | 1.6 | ANIMAL FEED | 3,715 | 23.2 | -4.6 | --- |
| COTTAGE CHEESE, LOWFAT 5/ | 32,529 | -1.2 | -8.8 | 3.9 | | | | | |
| CANNED EVAPORATED & CONDENSED | | | | | FROZEN PRODUCTS | 1,000 GALLONS | PERCENT CHANGE FROM: | | |
| WHOLE MILK | 40,519 | -28.8 | -15.9 | --- | ICE CREAM (HARD) | 77,120 | -8.6 | -2.0 | -6.6 |
| DRY WHOLE MILK | 5,269 | 70.3 | 49.2 | --- | ICE CREAM, LOWFAT (HARD) | 11,384 | 24.7 | 7.0 | --- |
| NONFAT DRY MILK, HUMAN FOOD | 134,027 | -16.2 | 13.6 | -17.8 | ICE CREAM, LOWFAT (SOFT) | 27,572 | 19.3 | 5.9 | --- |
| DRY SKIM MILK, ANIMAL FEED | 326 | -32.9 | 2.5 | --- | ICE CREAM, LOWFAT (TOTAL) | 38,956 | 20.8 | 6.2 | 17.1 |
| DRY BUTTERMILK | 5,039 | -10.9 | 18.4 | --- | SHERBET (HARD) | 5,178 | 3.3 | -7.7 | 3.0 |
| | | | | | YOGURT (TOTAL) | 6,038 | -14.0 | -3.3 | -9.1 |

| MANUFACTURERS' STOCKS, END OF MONTH 8/ | | | | | | | |
|--|------------|-------------|----------|--|------------|-------------|----------|
| PRODUCT | APR 2004 | PERCENT OF: | | PRODUCT | APR 2004 | PERCENT OF: | |
| | 1,000 LBS. | APR 2003 | MAR 2004 | | 1,000 LBS. | APR 2003 | MAR 2004 |
| DRY WHEY PRODUCTS | | | | WHEY PROTEIN CONCENTRATE | | | |
| DRY WHEY, HUMAN FOOD | 32,460 | -28.7 | 6.2 | HUMAN FOOD | 17,298 | -38.8 | -18.8 |
| DRY WHEY, ANIMAL FEED | 3,924 | 168.0 | -11.9 | ANIMAL FEED | 1,648 | -3.7 | -34.3 |
| REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/ | 7,023 | -29.7 | -1.3 | CANNED EVAPORATED & CONDENSED WHOLE MILK | 54,830 | -3.6 | 10.8 |
| LACTOSE, HUMAN FOOD & ANIMAL FEED | 54,591 | 29.5 | 1.9 | NONFAT DRY MILK FOR HUMAN FOOD | 106,087 | -18.0 | 32.7 |
| DRY BUTTERMILK, TOTAL | 4,807 | -49.9 | -0.9 | | | | |

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than 3 plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, MAY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for May 2004 is \$2.4282 per pound. Thus, the Class II butterfat price is \$2.4352. The protein and other solids prices for May are \$3.7639 and \$0.1444 per pound, respectively. These component prices set the Class III skim milk price at \$12.52 per cwt. The May Class IV skim milk price is \$6.22 which is derived from the nonfat solids price of 0.6913 per pound. **Product Price Averages:** The product price averages for May are; butter \$2.1385, nonfat dry milk \$0.8383, cheese \$2.1266, and dry whey \$0.2992.

| FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/ | | | | | | |
|---|-----------------|------------------------|----------|-----------|----------|-----------|
| FEDERAL MILK ORDER MARKETING AREAS 3/ | ORDER NUMBER | MAY 2004 | | | | JUNE 2004 |
| | | CLASS I | CLASS II | CLASS III | CLASS IV | CLASS I |
| | | DOLLARS PER 100 POUNDS | | | | |
| Northeast (Boston) 4/ | 001 | 22.90 | 15.03 | 20.58 | 14.50 | 24.38 |
| Appalachian (Charlotte) 5/ | 005 | 22.75 | 15.03 | 20.58 | 14.50 | 24.23 |
| Southeast (Atlanta) 6/ | 007 | 22.75 | 15.03 | 20.58 | 14.50 | 24.23 |
| Florida (Tampa) 7/ | 006 | 23.65 | 15.03 | 20.58 | 14.50 | 25.13 |
| Mideast (Cleveland) 8/ | 033 | 21.65 | 15.03 | 20.58 | 14.50 | 23.13 |
| Upper Midwest (Chicago) 9/ | 030 | 21.45 | 15.03 | 20.58 | 14.50 | 22.93 |
| Central (Kansas City) 10/ | 032 | 21.65 | 15.03 | 20.58 | 14.50 | 23.13 |
| Southwest (Dallas) 11/ | 126 | 22.65 | 15.03 | 20.58 | 14.50 | 24.13 |
| Arizona-Las Vegas (Phoenix) 12/ | 131 | 22.00 | 15.03 | 20.58 | 14.50 | 23.48 |
| Western (Salt Lake City) 13/ | 135 | --- | --- | --- | --- | --- |
| Pacific Northwest (Seattle) 14/ | 124 | 21.55 | 15.03 | 20.58 | 14.50 | 23.03 |
| All-Market Average | --- | 22.30 | 15.03 | 20.58 | 14.50 | 23.78 |

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/ Effective April 1, 2004, the Western Milk Marketing Order was terminated.
 14/ Class I prices at other cities are: Portland, same; and Spokane, same.

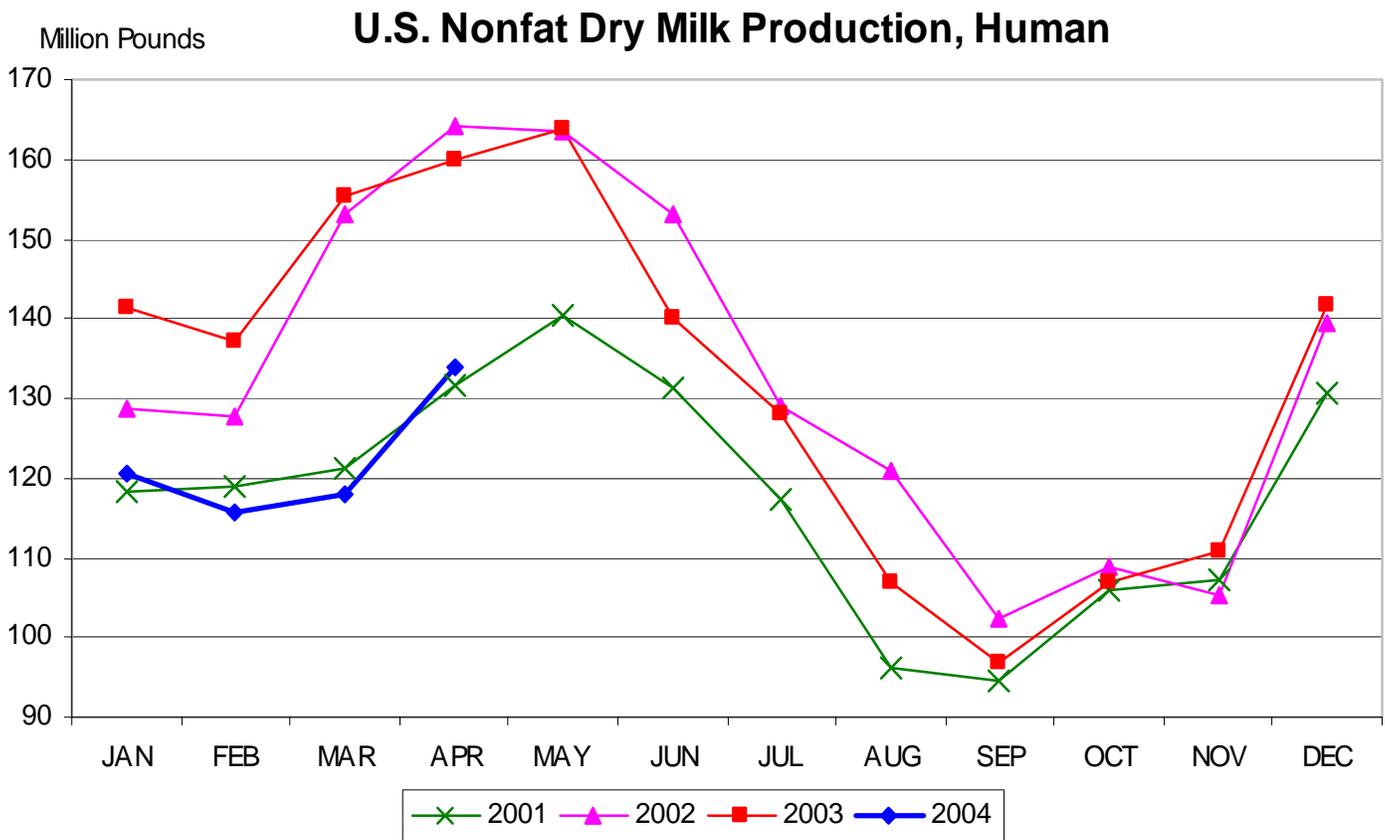
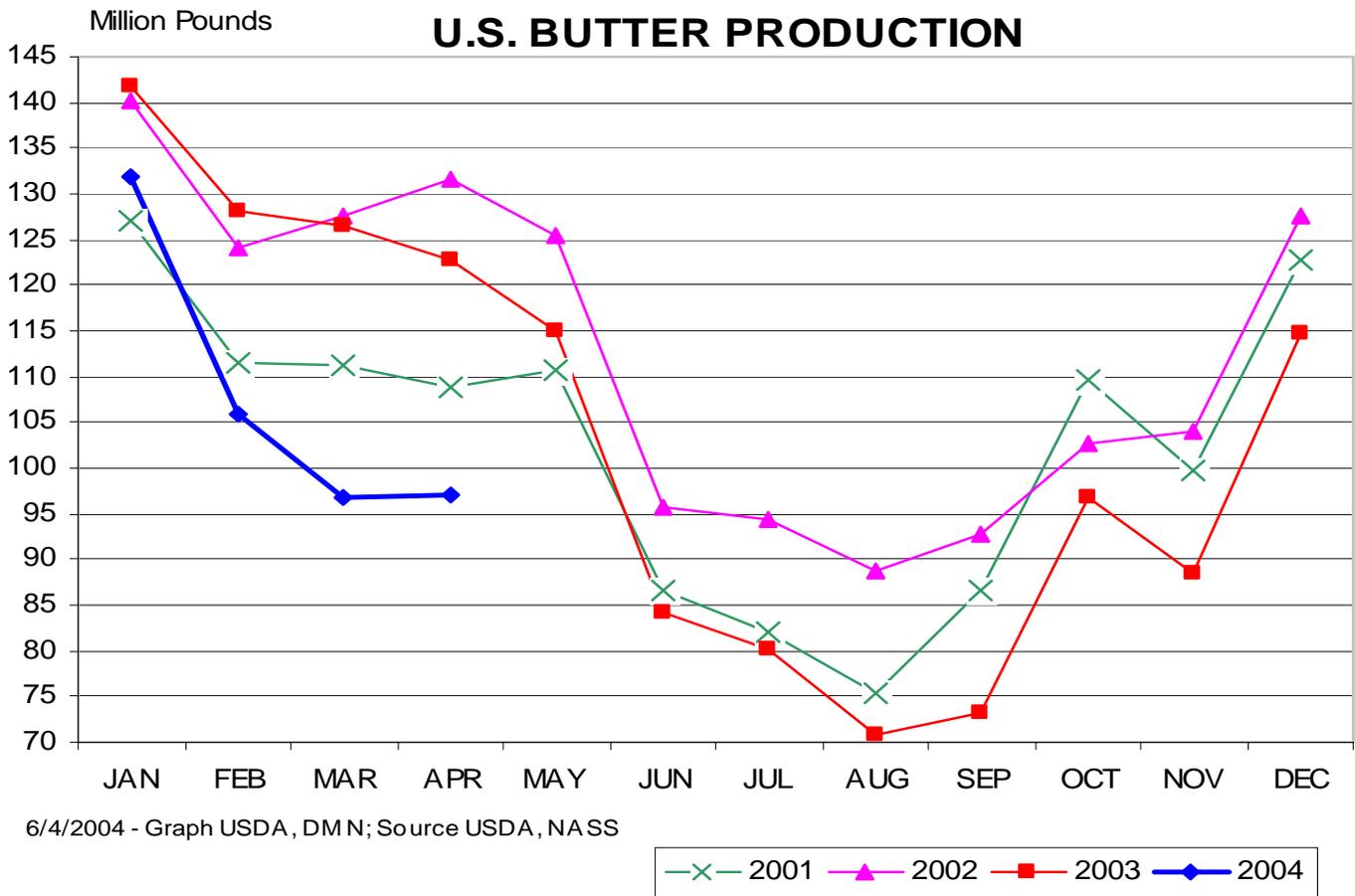
**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS
AND CALIFORNIA, MARCH 2004**

In March 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.28 per cwt., \$1.74 more than the figure for the previous month. The component tests of producer milk in March 2004 were: butterfat, 3.68%; protein, 3.05%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$16.82 in Florida to \$13.46 in New Mexico. In March 2003, the Federal milk order all-area average mailbox price was \$10.73, \$4.55 lower.

| Reporting Area | Mailbox Milk Price <u>2/</u> | | |
|-----------------------------------|------------------------------|------------------|---------------|
| | March 2003 | February 2004 | March 2004 |
| | Dollars per hundredweight | | |
| Northeast Federal Milk Order | 10.86 | 13.98 | 15.57 |
| Appalachian States <u>3/</u> | 11.54 | 14.05 | 15.06 |
| Southeast States <u>4/</u> | 11.93 | 14.61 | 15.28 |
| Southern Missouri <u>5/</u> | 10.82 | 13.37 | 14.55 |
| Florida | 13.56 | 16.00 | 16.82 |
| Ohio | 10.85 | 13.57 | 15.38 |
| Indiana | --- | 13.54 | 15.28 |
| Michigan | 10.61 | 13.34 | 14.85 |
| Wisconsin | 10.70 | 13.80 | 16.13 |
| Minnesota | 10.72 | 13.72 | 16.22 |
| Iowa | 10.68 | 13.51 | 15.55 |
| Illinois | 10.78 | 13.53 | 15.58 |
| Corn Belt States <u>6/</u> | 10.40 | 12.77 | 14.31 |
| Western Texas <u>7/</u> | 10.71 | 13.17 | 14.51 |
| New Mexico | 9.78 | 12.09 | 13.46 |
| Idaho | 9.71 | 12.53 | 14.58 |
| Utah | 9.55 | 12.32 | 14.29 |
| Northwest States <u>8/</u> | 10.33 | 12.76 | 14.34 |
| All Federal Order Areas <u>9/</u> | 10.73 | 13.54 | 15.28 |
| California <u>10/</u> | 10.06 | 12.69 | NA |

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. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 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. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 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."



APRIL FLUID MILK SALES

During April, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.4 percent lower than April 2003. After adjusting for calendar composition, sales in April 2004 were 2.4 percent lower than April 2003. On an individual product basis, after adjusting for calendar composition, sales of flavored fat-reduced milk increased from April 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The timing of the Easter holiday this year had no impact on the change in sales from April 2004 compared to April 2003.

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

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
APRIL 2004, WITH COMPARISONS ^{1/}

| Product Name | Sales | | Change from: ^{2/} | |
|---|-----------|--------------|----------------------------|--------------|
| | April | Year to Date | Previous Year | Year to Date |
| | Mil. Lbs. | | Percent | |
| Whole Milk | 1,481 | 6,040 | -1.7 | -1.2 |
| Flavored Whole Milk | 70 | 309 | -19.2 | -6.7 |
| Reduced Fat Milk (2%) | 1,443 | 5,894 | -0.4 | 0.4 |
| Low Fat Milk (1%) | 512 | 2,102 | -4.1 | -1.8 |
| Fat-Free Milk (Skim) | 642 | 2,617 | -3.0 | -2.7 |
| Flavored Fat-Reduced Milk | 320 | 1,308 | 8.4 | 9.0 |
| Buttermilk | 45 | 181 | -3.0 | -2.9 |
| Total Fluid Milk Products ^{3/} | 4,527 | 18,511 | -1.4 | -0.3 |
| Total Fluid Milk Products Adjusted ^{3/ 4/} | 4,472 | 18,303 | -2.4 | -1.5 |

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 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 8 percent of sales from the Federal milk order and California data. ^{2/} Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see ^{4/}. ^{3/} Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{4/} Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, APRIL 2004, WITH COMPARISONS ^{1/}

| Area (Order Number) | Sales | | Change from: ^{2/} | |
|-----------------------------|-----------|--------------|----------------------------|--------------|
| | April | Year to Date | Previous Year | Year to Date |
| | Mil. Lbs. | | Percent | |
| Northeast (001) | 787 | 3,223 | -0.1 | -0.1 |
| Appalachian (005) | 288 | 1,180 | 3.6 | 3.1 |
| Southeast (007) | 397 | 1,605 | -1.0 | -2.3 |
| Florida (006) | 247 | 1,009 | 2.1 | 1.7 |
| Mideast (033) | 519 | 2,137 | 0.0 | -0.3 |
| Upper Midwest (030) | 366 | 1,469 | 1.5 | -0.2 |
| Central (032) | 389 | 1,578 | -0.2 | 0.5 |
| Southwest (126) | 353 | 1,427 | 1.4 | 1.4 |
| Arizona-Las Vegas (131) | 111 | 448 | 1.9 | 1.8 |
| Western (135) ^{3/} | -- | --- | --- | --- |
| Pacific Northwest (124) | 179 | 720 | -1.3 | -0.8 |
| California (---) | 529 | 2,143 | -0.9 | -0.9 |

^{1/} These figures are representative of the consumption of total fluid milk products in the respective area; see ^{3/} above for the products included. ^{2/} Percent changes, as well as sales volumes, are shown on an unadjusted basis; see ^{4/} above.
^{3/} Effective April 1, 2004, the Western Federal milk order was terminated.

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 JUNE 7 - 11, 2004 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|-----------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/03 | SAME PERIOD LAST YEAR | WEEK ENDING 06/04/04 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -42,309 | 11,741,078 | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | 1,723,680 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -42,309 | 13,464,758 | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | 3,840,106 | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | 5,545,706 | -0- | -0- |
| Process | -0- | -0- | -0- | -0- | 30,531,600 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | 39,917,412 | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 8,478,880# | 119,048 | 8,359,832# | 295,295,775#\$ | 495,161,558 | 679,541,000 | 1,282,803,000 |
| Fortified | -0- | -0- | -0- | -119,048 | 125,332 | 46,391,000 | 46,391,000 |
| TOTAL | 8,478,880 | 119,048 | 8,359,832 | 295,176,727 | 495,286,890 | 725,932,000 | 1,329,194,000 |

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 53,994,353. \$ 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 JUNE 7 - 11, 2004 = | 1.8 | 97.3 | COMPARABLE PERIOD IN 2003 = | 19.0 | 162.1 |
| CUMULATIVE SINCE OCTOBER 1, 2003 = | 64.0 | 3,435.9 | CUMULATIVE SAME PERIOD LAST YEAR = | 770.9 | 6,161.9 |
| CUMULATIVE JANUARY 1 - JUNE 11, 2004 = | 38.5 | 2,086.6 | COMPARABLE CALENDAR YEAR 2003 = | 696.8 | 4,896.3 |

* 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 JUNE 7 - 11, 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- | 8,359,832 | -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- | 30,743,172 | 7,646,276 | 19,303,745 | 2.6 | 37.4 |
| WEST | -42,309 | 13,464,758 | -0- | 9,174,240 | 283,246,677 | 440,719,342 | 95.9 | 61.6 |
| EAST | -0- | -0- | -0- | -0- | 4,283,774 | 35,263,803 | 1.5 | 1.0 |
| TOTAL | -42,309 | 13,464,758 | -0- | 39,917,412 | 295,176,727 | 495,286,890 | 100.0 | 100.0 |

NDM SELBACK TO THE TRADE The cumulative selback total for 2004 is **66,666,155 pounds**.

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 05/22/04 & Comparable Week 2003

| Regions* (000 HEAD) | U.S. TOTAL | | | | | | | | | | % DAIRY OF ALL | | | |
|---------------------|------------|-----|-----|------|------|------|------|-----|------|-----|----------------|-------------|------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | WEEK | SINCE JAN 1 | WEEK | SINCE JAN 1 |
| 2004-Dairy | 0.1 | 0.6 | 6.4 | 1.8 | 17.3 | 1.7 | 0.6 | 0.8 | 9.7 | 1.9 | 40.9 | 974.1 | 41.9 | 47.8 |
| 2003-Dairy | 0.2 | 0.7 | 7.1 | 4.5 | 18.8 | 2.4 | 0.2 | 0.8 | 13.1 | 2.6 | 50.3 | 1,180.8 | 44.6 | 49.0 |
| 2004-All cows | 0.1 | 0.7 | 7.8 | 9.6 | 28.5 | 13.8 | 14.9 | 3.1 | 12.8 | 6.1 | 97.5 | 2,037.1 | | |
| 2003-All cows | 0.2 | 0.9 | 9.5 | 14.9 | 29.2 | 17.9 | 14.6 | 3.4 | 16.0 | 6.2 | 112.7 | 2,408.8 | | |

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

CLASS III MILK PRICES, (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 | 19.65 | 21.13 | | | | | | |
| II | 11.67 | 12.90 | 14.79 | 15.21 | 15.03 | | | | | | | |
| III | 11.61 | 11.89 | 14.49 | 19.66 | 20.58 | | | | | | | |
| IV | 10.97 | 12.21 | 14.10 | 14.57 | 14.50 | | | | | | | |

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