

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (6/25):
BUTTER: Grade AA closed at \$1.8275. The weekly average for Grade AA is \$1.8925 (-0.1608).

CHEESE: Barrels closed at \$1.4650 and blocks at \$1.4500. The weekly average for barrels is \$1.6270 (-.1430) and blocks, \$1.6520 (-.1480).

NONFAT DRY MILK: 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 butter market tone is weak. Butter prices have dropped quickly in recent cash trading sessions while prices steadily increased prior to the recent weakness. Churning activity remains mixed across the country. Cream supplies are available to butter operations, although Class II cream demand for summer based product production is seasonally strong. Although butter stocks are often not at desired levels for this time of the season, some butter producers are finding that selling their cream is financially advantageous at this time. During the period of January – May 2004, quota butter imports totaled slightly more than 9 million pounds, compared to 5.5 million pounds for the comparable period in 2003. More than one half of the quota imports came from New Zealand. Thus far in 2004, non quota or high tier imports have been substantially higher. For the first 5 months of the year, nearly 10.6 million pounds of butter were imported compared to 74,000 pounds during the same time period last year. Butter demand is fair at best. For the most part, suppliers have fully sufficient volumes of butter for current needs, although some producers are having difficulty filling fresh butter orders.

CHEESE: The cheese market is unsettled to weak. Sharp price declines have most buyers waiting for price stability or for possible further declines. Cash cheese prices are the lowest since February. Current cheese offerings remain ample and plant inventories have been building. Prior to the declines, movement had been slow to fair. Order volume for many processors and packagers were inadequate to maintain a regular 40 hour schedule. Summer weather has been only minimally stressful on cows in most major milk producing areas. This has helped to keep milk intakes and cheese production near peak annual levels.

FLUID MILK: Milk production is declining from the seasonal peak in nearly all sections of the country. The rates of decline vary from rapid in the Southeast to barely noticeable in Northeast and Upper Midwest. Fluid milk supplies are more than ample for overall needs. Bottled milk sales are fair. More contacts indicate that the high retail prices are having a negative

impact on retail milk sales. Surplus milk volumes remain very heavy in parts of the Southwest; moderate to heavy elsewhere. Florida's shipments of surplus milk out of state, though quite heavy, are down significantly from past weeks. The midweek drop in cheese prices at the CME did tend to lessen the demand for milk headed into Class III plants, a trend not dissimilar to late May when cheese prices fell twenty cents and Class III milk prices were near record highs. Butter/powder plants continue on steady to heavier schedules. The fluid cream market is firming as demand is increasing. Short term prices are expected to move lower in concert with the CME butter price and this generally improves spot demand. Ice cream production is improving seasonally and sales of bottled cream are also increasing.

DRY PRODUCTS: In what can best be described as a quiet week, spot market activity on most products was slow. Production of NDM is moderate to heavy. Coupled with the generally slow demand, NDM inventories are increasing at more producing plants. Current production is meeting stiff competition from all the NDM that came back into the market from CCC programs. The dry whey market continues to weaken. Offerings at the producer level are heavier in the West and Central regions. Eastern producers continue to struggle to meet contract shipping schedules. There are ample offerings in the resale side of the market and discounted prices are common. Demand is lackluster as spot buyers wait to see where prices will settle out before getting back into the market. The WPC market is steady with trading activity reported as "flat." Demand is little changed and supplies range from light to balanced. Competition from NDM and imported products is evident. The lactose market is mixed and prices are unchanged. Producers are trying to finalize third quarter export contracts, but progress is reportedly slow.

CCC: For the week of June 21 - 25, CCC purchased 4,996,386 net pounds of nonfortified NDM for the Export Donation Program under Invitation 080 to Announcement FMP1.

COLD STORAGE (NASS): During May, U.S. cold storage holdings of butter totaled 180.7 million pounds, 16.1% more than a month ago but 39.3% less than last May. Natural American cheese holdings total 558.8 million pounds, 5.7% above a month ago and 3.8% more than a year ago. Nonfat dry milk holdings at the end of April totaled 829 million pounds, 12 million pounds (1.4%) less than last month and 479 million pounds (36.6) below last May. The government holds 87.2% of the total nonfat holdings.

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

BUTTER AND CLASS III & IV FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 MAY COLD STORAGE HOLDINGS (PAGES 9-10)
 JULY FEDERAL ORDER ADVANCE PRICES (PAGE 11)
 DAIRY SITUATION AND OUTLOOK (PAGES 12-14)
 JULY ANNOUNCED COOPERATIVE CLASS I PRICES (PAGE 15)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JUNE 21	TUESDAY JUNE 22	WEDNESDAY JUNE 23	THURSDAY JUNE 24	FRIDAY JUNE 25	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.5750 (-.1950)	\$1.5550 (-.0200)	\$1.4650 (-.0900)	(-.3050)	\$1.6270 (-.1430)
40# BLOCKS	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.6050 (-.1950)	\$1.6050 (N.C.)	\$1.4500 (-.1550)	(-.3500)	\$1.6520 (-.1480)
NONFAT DRY MILK EXTRA GRADE	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
GRADE A	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
BUTTER GRADE AA	\$1.9950 (-.0300)	-----	\$1.8550 (-.1400)	-----	\$1.8275 (-.0275)	(-.1975)	\$1.8925 (-.1608)

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 21, 2004

CHEESE — SALES: 13 CARS 40# BLOCKS: 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; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.7700
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 11 CARS GRADE AA: 3 @ \$2.0250, 1 @ \$2.0225, 1 @ \$2.0200, 1 @ \$1.9900, 1 @ \$1.9950, 2 @ \$1.9925, 2 @ \$1.9950; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 9 CARS GRADE AA: 2 @ \$1.9950, 1 @ \$2.0075, 1 @ \$2.0150, 1 @ \$2.0175, 3 @ \$2.0225, 1 @ \$2.0250

TUESDAY, JUNE 22, 2004

CHEESE — SALES: 8 CARS BARRELS: 1 @ \$1.7600, 1 @ \$1.7700, 1 @ \$1.7650, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700; 1 CAR 40# BLOCKS @ \$1.7975; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.8000; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JUNE 23, 2004

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.7000, 2 @ \$1.6050; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.5750, 2 @ \$1.7700; 7 CARS 40# BLOCKS: 1 @ \$1.6050, 1 @ \$1.7800, 5 @ \$1.8000
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 34 CARS GRADE AA: 1 @ \$1.8525, 5 @ \$1.8550, 5 @ \$1.8500, 1 @ \$1.8400, 3 @ \$1.8300, 1 @ \$1.8400, 5 @ \$1.8450, 1 @ \$1.8350, 1 @ \$1.8500, 1 @ \$1.8450, 3 @ \$1.8475, 1 @ \$1.8500, 1 @ \$1.8525, 1 @ \$1.8700, 1 @ \$1.8600, 1 @ \$1.8750, 1 @ \$1.8575, 1 @ \$1.8550; BIDS UNFILLED: 17 CARS GRADE AA: 1 @ \$1.8425, 3 @ \$1.8400, 1 @ \$1.8375, 2 @ \$1.8300, 10 @ \$1.8000; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.9000

THURSDAY, JUNE 24, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5550
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JUNE 25, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4650; 2 CARS 40# BLOCKS: 1 @ \$1.4500, 1 @ \$1.5900
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 41 CARS GRADE AA: 1 @ \$1.7900, 2 @ \$1.8000, 4 @ \$1.8025, 2 @ \$1.8050, 2 @ \$1.8025, 9 @ \$1.8050, 1 @ \$1.8100, 1 @ \$1.8125, 1 @ \$1.8175, 2 @ \$1.8200, 1 @ \$1.8250, 2 @ \$1.8300, 1 @ \$1.8325, 1 @ \$1.8350, 1 @ \$1.8425, 2 @ \$1.8325, 1 @ \$1.8225, 1 @ \$1.8300, 1 @ \$1.8350, 1 @ \$1.8375, 1 @ \$1.8275, 1 @ \$1.8300, 1 @ \$1.8275; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.8150; OFFERS UNCOVERED: NONE

BUTTER MARKETS

MAY COLD STORAGE

According to NASS, May month-ending cold storage figures for butter total 180.7 million pounds, 39.3% less than last May but 16.1% more than April's holdings.

NORTHEAST

After increasing seven consecutive sessions, the CME cash butter price (through 6/21) has declined eight cents during the last two sessions. Some contacts feel that the cash market is following the butter futures market, which has moved lower in recent trading. Others cite growing inventories on steady production, which indicates slower sales. Currently, butter production in the East is moderate. Cream volumes are back in better balance in most areas and the warmer weather is giving rise to improved Class II use. Some contacts feel that if butter stays below \$2.00 per pound, demand from Class II users will hold. Demand for butter appears less aggressive. Many producers and suppliers feel they may have enough on hand to meet summer needs, but there is still an underlying concern about availability for the year-end holiday season needs. Retail sales are slow to fair and food service orders are steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The market tone for butter has changed greatly since midweek last week. During the three most recent trading sessions at the CME, the cash price has declined 22 cents. Many butter producers felt that the cash price could adjust lower and then rebound later in the summer or early fall, but now question how low will it dip. Churning activity is mixed as some producers take advantage of available cream offerings, while others find it more advantageous to sell their cream supplies for other uses. Stocks of butter remain readily available for current needs, although most producers and handlers remain concerned about having sufficient volumes for use later in the year. Current demand is fair at best. Retailers continue to report

slow sales as firm prices at the retail shelf are slowing customer buying patterns. Food service orders are fairly active as restaurants and eating establishments accommodate summer vacationers and tourist. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash butter prices at the CME have fallen 22 cents over the last three trading sessions after having increased more than 30 cents over the previous seven sessions. Contacts were somewhat surprised at the magnitude of the decline at mid-week. Most felt it was somewhat in sympathy to cheese and would probably firm again later this summer. Current print butter demand is excellent with some plants stating that they are behind on orders. Additional cream offerings to churns are limited. Churning schedules are steady. Licensed imports of butter for the first five months of the year total 9.0 million pounds, substantially ahead of last year when 5.5 million pounds had been imported by this time. This result is not surprising when looking at the price of butter this spring compared to last year. High-tier imports (over quota) of butter jumped ten fold during the month of May from the total at the end of April. Imports for the first five months of the year total 10.6 million pounds compared to almost nothing last year. The total increased from less than 1 million pounds to over 10 million pounds during the month. The desire to import butter has been there, but available foreign supplies have been hard to find because of a tight world situation. U.S. Cold Storage stocks at the end of May total 180.7 million pounds, up 16% (+25.0 million pounds) from April. May of this year trails last year by 39% or 117.2 million pounds. The shortfall would mean that 771,000 pounds of butter each day for the first five months was not produced, everything else being equal. CME weekly warehouse totals increased by 714,000 pounds last week to reach 108.1 million pounds. 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

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
JUNE 19	1,8081	1,8008	0,8488	1,9699	0,2925
	8,089,480	11,101,390	23,273,559	2,413,458	9,618,393

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

CHEESE MARKETS

NORTHEAST

Prices are unchanged and the market tone is steady. The CME cash price for 40# blocks has (through 6/21) held at \$1.80 for nineteen straight sessions and barrels have held at \$1.77 for eighteen sessions. In light of recent trading at the CME, there is some nervousness about how long these prices will stay at these levels. Many users, retailers, and distributors are maintaining as low an inventory as they can in case the market does move lower. Cheese production in the Northeast is mostly steady. Most producers are also unsure of the market direction in coming weeks, but they do know that Class III milk prices will remain relatively high in the coming months. Retail demand is slow to fair as June Dairy Month promotions are reportedly having little impact on sales. Food service orders are improving for vacation/resort area outlets.

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 weak. Traders have continued to speculate how much cheese a large buyer will purchase for late summer/fall use. Most buyers and traders in the industry feel prices would be lower without the support. Current bulk cheese interest is slow to fair at best. Most cheese packagers and processors have insufficient orders to consistently fill a 40 hour workweek. Many plant and warehouse inventories continue to accumulate. Mozzarella offerings are heavier than desired. The frequent wet weather in much of the region has done little to stimulate outdoor activities such as grilling, a factor in sluggish process sales, and toppings for home grown salads. Cheese production has changed very little from recent weeks. Current milk intakes have not declined appreciably due to the lack of summer heat.

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
	:	:	:
06/21/04	46,970	:	151,789
06/01/04	43,311	:	146,433
CHANGE	3,659	:	5,356
% CHANGE	8	:	4

WEST

Cash cheese prices for blocks at the CME had held at \$1.80 for more than a month before declining 19 1/2 cents on June 23. Sales activity on the exchange is a bit lighter than in the past few weeks. Demand for cheese is not aggressive with many buyers still expecting some additional price relief in the near future. Some plants are commenting that they are beginning to see less milk seasonally. Indications are that stocks continue to grow. Licensed cheese imports for the first five months of the year are 13.4% ahead of the same period last year and stand at 113 million pounds. Imports have now reached 38% of the entire year quota for all cheese. High-tier imports (over quota) of cheese have reached 18.4 million pounds, just a bit behind the same time last year. U.S. Cold Storage stocks of American cheese stand at 558.8 million pounds at the end of May. This is an increase of 6% from last month and 4% (20.3 million pounds) from last year. The May increase of about 30 million pounds is more than double the normal increase noted in May of the past few years. Swiss stocks are 27.4 million pounds, up 3% from 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 and the market tone are unchanged. Supplies of most foreign-type cheese are adequate to meet the seasonal, slow to fair demand. Recent reports indicate that cheese imports during the first five months of 2004 are steady to higher. Imports of cheese subject to licensing during the January - May period totaled 51.38 million Kg (approximately 113.28 million pounds), 13.4% more than the same period last year. Imports of high-tier cheese during the first five months of 2004 totaled 8.36 million Kg (about 18.42 million pounds), 0.3% less than the same period last year.

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	112	0	191	0	131
SOUTHEAST STATES	0	0	0	0	0	0

The base price for Class I milk for July 2004 is \$17.95, down \$3.18 from June. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for July is \$7.03, up \$0.12 from June. During May, milk production in the 20 major states totaled 12.99 billion pounds, down 0.1% from May 2003. The following are the May-to-May changes for selected states: Texas +6.4%, Florida +4.0%, New York -2.6%, Vermont -3.4%, Pennsylvania -3.7%, Virginia -5.7%, and Kentucky -6.7%. This week, hot and mostly humid weather all across the Southeast is taking its toll on the cows and the milk flow is declining at a more rapid pace. Surplus milk volumes are lighter and milk haulers are combining routes to keep farm pick-up trucks full. The heat is also having a negative impact on the milk flow in the Middle Atlantic area and milk supplies are lighter. In the Northeast, milk production is holding fairly steady. Some small declines are being reported, but the weather has not yet warmed up to typical summer levels. Bottled milk sales are mostly steady and range from fair to good. Contacts do report that the high retail prices, plus all the publicity about them, are probably causing some lag in sales. Surplus milk volumes are moderate and easily cleared. Some plants continue to operate daily while others are often down a day or two depending on products made and milk supply. Some Southwest milk continues to be shipped into some South Central and Southeastern plants for processing. Florida's milk shipments out of state dipped significantly this week. The condensed skim market is steady. Offerings may not be as heavy, but spot sales continue to lag, particularly for Class III accounts. The fluid cream market remains fairly firm, but a little more was being offered this week. A large butter operation is down for maintenance this week and that pushed more cream onto the spot market. Demand for Class II cream is improving now that the CME butter price dipped back below \$2.00. However, many of this week's sales are based on last week's average butter price which did jump nearly twelve cents from the previous week. Multiples used to determine the cream price are also increasing as demand improves and supplies tighten. Ice cream producers are taking a few more spot loads, but many want to buy on the current butter price, not last week's average. Bottled cream orders are improving along seasonal patterns. Cream cheese output is about steady. Churning activity is steady to lighter.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT	
F.O.B. PRODUCING PLANTS: NORTHEAST	- 2.7104-2.9157
DELIVERED EQUIVALENT ATLANTA	- 2.7104-2.9362 M 2.7514-2.8746
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	- 2.7720-2.8746
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 interest is slightly improved this week, but overall demand remains slow. Severe storms including tornados and high winds affected several locations in Wisconsin on Wednesday. Milk handlers were trying to assess the impact on plants, if any, though there will likely be extra mileage caused by closed roads. The power was also off in some locations for various periods. Manufacturing milk interest may be affected by the large midweek declines in cheese and butter prices on the Chicago Mercantile Exchange cash markets.

With cheese buyers likely to wait for the weekly average cheese price to decline over the next two weeks, some cheese plant operators expect sales to remain slow while inventory levels continue to increase. Some operators may be less apt to purchase spot milk supplies, especially at prices anywhere near flat class/MCP price. Reported spot manufacturing milk prices range from around flat class to about \$0.75 over class, fob. Plant operating schedules are steady to just slightly lower, depending on location. Cream demand remains strong with good seasonal ice cream, whipped cream, sour cream, and dip demand. Supplemental cream supplies continue from the West. Plant milk intakes are generally just a little lower despite recent non-stressful weather conditions for the cows. Fat tests are also lower. Many fields were being planted and in instances, replanted. First cutting and some early second is occurring where field conditions allow. Between plant loss caused flooded fields and equipment ruts, more hay fields may get plowed under this year.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUNE 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 60.50	\$ 41.00- 46.00
REPLACEMENT HEIFER CALVES	\$300.00-575.00	\$300.00-450.00

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

	JUNE 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 55.00- 63.00	\$ 38.00- 48.50

WEST

Contacts are indicating that warmer weather in CALIFORNIA is beginning to take the top end off milk production. Declines so far are very slight because the warm days are still accompanied by cool nights. With the precipitous drop in both cheese and butter prices at mid-week, plants may be even less willing to take on outside supplies of milk. The last of the good quality dairy hay is being harvested in California before the seasonal quality declines brought on by hot weather take effect. Hay prices are firm and competition for dairy quality hay is quite aggressive. Hay continues to move in from Nevada at competitive prices. Demand for cream within California remains good with very little moving out of state. The heat noted in ARIZONA so far this summer is being called normal for the season. Daytime temperatures are averaging about 105 degrees while at night it is cooling off to about 80. These conditions have not yet meant a lot of stress on the dairy herd. Some load weights are down coming in from farms, but little route consolidation has occurred. Heat abatement measures are proving quite effective in keeping cows comfortable. Most milk producers in the PACIFIC NORTHWEST believe that they are now past the peak milk production. It is late enough and there has been enough heat to bring output down. Hay quality in the region is not very good. Either the early hay got too mature for excellent feed value or it got rained on. There is not much supreme dairy hay out there and what is available is expensive. Second cutting is just beginning in the region and the hope is that more dairy quality hay will be harvested. Prices are expected to remain firm because exporters are very competitive in the market. Some are looking for the high end hay and this is somewhat unusual for them. Most of the time they only need medium quality hay. Peak milk production levels have probably been reached in UTAH and IDAHO. Temperatures over most of the region are into the low 90's for much of the week. Some rain over the past few weeks has helped with range and pasture conditions, but water available for summer irrigation remains a major concern. Many hay growers are expecting to get one less cutting of hay because of limited water availability. Hay prices are firm and quality is fair so far this summer. Demand for dairy hay is expected to be aggressive through the summer. Heifer prices in the region have fallen off over the last four weeks from the spring high. Contacts are wondering if the decline is based on the possibility of lower milk prices for the rest of the summer.

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 generally unchanged on a steady to weak market. Trade activity is light as supplies of NDM from government programs are available as a competitive substitute to current production. Drying activity is heavier than anticipated at this time of year, encouraging stocks to build at some locations. With anticipated shortages of milk in the mid-summer months, manufacturers are not overly concerned yet also not overwhelmingly confident about accumulating supplies. Some Central buyers are receiving regular shipments of NDM from the West at competitive prices. High heat supplies are limited with movement reported as mostly contractual.

EAST: Eastern prices are unchanged. Production levels range from moderate to occasionally heavy. Producer stocks are increasing at most plants. All the previously CCC-owned powder that is in the market is attracting much of the current spot interest. Traders and buyers all comment on the growing volumes of NDM being offered to them. Producers are adding to their inventories, but most feel that the market will firm back up later this summer. Though the Eastern market is fairly well balanced, there is speculation that Western producers may once again offer NDM to CCC to get it off their books. This is certainly an indication of just how slow sales of current production have become. There is also some anticipation about the beginning of the DEIP marketing year, July 1, and how long it will be before allocations and invitations are announced.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8800 - .9100
 HIGHHEAT: .8900 - 1.2000

NONFAT DRY MILK - WEST

Range and mostly prices for Western low/medium heat powder are holding steady. The market undertone seems to be uneasy. The sharp fall in cheese and butter prices at midweek has powder producers concerned. The tightness that was noted in the powder market earlier in the spring is no longer there. Some concern is being expressed about all the different powder supplies that are now available. Contacts are also hearing talk from Midwest powder users that they may have enough powder on hand to last them quite a while under these market conditions. Some discussion was noted this week about when powder clearances to the price support program may resume. Most don't expect it until the end of the third quarter. Demand for high heat powder is very aggressive with some orders being delayed until powder is produced. Production levels are quite low as most dryers are concentrating on maximum throughput at this time of year and that does not include high heat production.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8300 - .8900 MOSTLY: .8400 - .8600
 HIGHHEAT: .8700 - 1.1200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 18	\$.8346	13,986,490	0
June 11	\$.8338	11,654,129	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. Despite additional supplies produced over the last month, trade activity remains light. Manufacturers express concern with respect to supply availability later in the year and therefore are not offering out many additional loads. Production of dry buttermilk is steady to somewhat lower compared to previous weeks. Buyer interest is light and less than expected after months of supply shortages.

F.O.B. CENTRAL: 1.0775 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the market tone is steady. The Northeastern prices remain nominal. Churning activity is lighter this week as improved cream demand did reduce the volumes cleared to the churn. Also, with the big, mid-week decline in the cash butter price at the CME, some contacts expect additional improved Class II cream demand. Producer stocks are fairly well balanced. Spot buying interest is light and overall market activity is reportedly slow.

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

DRY BUTTERMILK - WEST

The price for Western buttermilk powder ranges from steady to as much as two cents stronger. Offerings of powder remain light and are easily cleared. Some additional powder was made at the end of May, but most of that has cleared to contract accounts. Powder production is trending lower seasonally due to less churning and improving condensed sales. Contacts expect this market to be firm through the summer season.

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

DRY WHOLE MILK - NATIONAL

Prices are steady and nominal. The market tone is unchanged. Production levels range from light to moderate and generally dependent on contract shipping schedules. Spot buying interest is limited. Plant stocks are light, but adequate for current needs.

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 lower on a weak market. Resellers are supporting lower prices by undercutting manufacturer prices and discouraging buyer interest in direct manufacture sale. Discounts of one cent are being met with much resistance as prices are expected to continue to move lower. Some plants are seeing lower prices as a positive factor in encouraging export sales. Spot buyers are asked to "make a bid." Contractual buyers are delaying pick-up of their supplies in order to obtain expectedly lower prices. Manufacturer warehouse stocks are building yet plants are generally not selling at significant discounts due to mixed perceptions with respect to milk supply and whey production during the remainder of the year. Permeate supplies are reportedly plentiful and competitively priced.

F.O.B. CENTRAL: .2750 - .2875 MOSTLY: .2750 - .2850

DRY WHEY - NORTHEAST AND SOUTHEAST

The market tone continues to weaken. However, from Eastern producers' point of view, the market is firm. Their output is lower than expected and all their production is clearing via contracts as fast as it is made and tested. Due to falling production, some producers have made additional cuts to contracts. Most of these contracts are to traders or end users. From a trader's point of view, the market is weak and sales activity is limited. Buyers, seeing falling prices, are waiting for lower prices before re-entering the market. Prices are mostly lower and the Northeast price range remains nominal. Eastern cheese output was about steady, but yesterday's (6/23) 19.5-cent drop in the CME cheese prices may spur some cheese makers to reduce output in the coming weeks because of the high Class III milk price.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2900 - .3250
DELVD SOUTHEAST: .3050 - .3125

DRY WHEY - WEST

Prices range from steady to weak for Western whey powder. Some producers remain sold out and see the market as steady. Other producers face growing stocks and they are reducing prices to keep product moving out of the warehouse. This strategy is tending to work reasonably well for the time being. Most Western operations are beginning to see less milk so that whey production is declining seasonally. Competition for sales from other sources and by other commodities is quite strong.

NONHYGROSCOPIC: .2200 - .3300 MOSTLY: .2300 - .2800

ANIMAL FEED WHEY - CENTRAL

Prices remain unchanged and nominal on a weak market. Supplies are increasing as product is reportedly difficult to move, especially in light of lower Extra Grade whey prices reported. Demand is also reduced from some milk replacer operations as many built up heavy stocks of whey as prices rose earlier this spring. The early weaned pig trade is steady to lower while veal markets are firm.

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

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady market. Trade activity is very light and reported as "flat." Many supply plants report that they are sold out and unable to satisfy spot interest. Buyers are in agreement as available supplies are difficult to find. High protein from Argentina and delactose from Holland and Germany are available to some feed operations as a substitute to WPC 34%. However, supplies of imported product are limited and short of buyer interest. CCC invitations for offers on 2,000,000 pounds of NDM for restricted use are expected to alleviate protein supply shortages. Offers are due on June 28 and public release is on July 1.

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

LACTOSE - CENTRAL AND WEST

Prices remain unchanged on a mixed market. Finalized export contracts for the third quarter are slow to evolve. While some previously reported third quarter contracts were slightly higher than the current market, prices captured during the current week are trending steady to lower. Competition is strong in the Asian market. Domestic interest is light and less competitive. Production is steady. Stocks are in balance to heavier than desired. Some plants are planning equipment maintenance later in the year and/or reductions in cheese output, deterring lactose production and encouraging plants to hold current supplies with confidence.

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. Some suppliers have already adjusted their upcoming new quarter prices, while others will be adjusting their prices within the upcoming week. Higher prices are basically in store from most all suppliers. Often, domestic buyers are not getting the volumes needed to maintain production schedules due to just getting their suits. Under invitation #020, the Commodity Credit Corporation (CCC) invites competitive offers to buy from CCC approximately 2,000,000 pounds of nonfat dry milk for the production of casein/caseinates. Bids are due Monday June 28. Since the program began in June 2002, 15.3 million pounds of powder have been sold for this purpose with prices ranging \$0.22 - 0.38 per pound. The most recent award was for bids of \$.33 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.3500 - 2.6000
ACID: 2.3500 - 2.6500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady to slightly heavier as surplus milk volumes are moderate to heavy in most parts of the country. However, there are few bargains when it comes to buying milk. Plant stocks are lighter than expected for this time of year, but that stems from the overall lack of output during April. Demand is steady.

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	06/09	06/10	06/11	06/14	06/15	06/16	06/17	06/18	06/21	06/22
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JUN 04	17.55 (6578) 186	17.57 (6576) 0	17.57 (6650) 265	17.54 (6486) 107	17.54 (6476) 95	17.53 (6324) 349	17.57 (6329) 177	17.65 (6325) 14	17.63 (6337) 141	17.63 (6333) 11
JUL 04	16.46 (4479) 467	16.30 (4469) 0	16.30 (4349) 406	16.17 (4376) 314	16.00 (4338) 251	16.08 (4410) 230	16.30 (4605) 733	16.25 (5280) 864	16.13 (5324) 508	16.45 (5496) 164
AUG 04	16.49 (4475) 246	16.21 (4475) 0	16.21 (4503) 220	15.96 (4670) 533	15.63 (4647) 243	15.59 (4738) 250	15.60 (4689) 240	15.21 (4771) 623	14.86 (4775) 939	15.05 (5159) 191
SEP 04	15.79 (4293) 151	15.78 (4293) 0	15.78 (4250) 118	15.56 (4384) 279	14.95 (4398) 212	14.98 (4413) 140	15.07 (4443) 109	14.80 (4447) 285	14.51 (4398) 129	14.70 (4746) 109
OCT 04	14.60 (3156) 31	14.55 (3156) 0	14.55 (3156) 24	14.35 (3157) 83	13.98 (3149) 13	14.05 (3159) 21	14.08 (3172) 20	13.91 (3175) 17	13.68 (3153) 156	13.90 (3139) 120
NOV 04	13.25 (1952) 5	13.15 (1952) 0	13.15 (1954) 14	13.08 (1947) 26	12.97 (1932) 30	12.99 (1933) 11	12.99 (1937) 7	12.90 (1946) 40	12.69 (1967) 63	12.75 (1963) 95
DEC 04	12.20 (1796) 9	12.11 (1796) 0	12.11 (1799) 7	12.15 (1811) 21	12.16 (1811) 2	12.30 (1830) 25	12.18 (1841) 16	12.17 (1850) 11	12.18 (1859) 15	12.19 (1879) 64
JAN 05	12.25 (467) 0	12.25 (467) 0	12.25 (464) 13	12.20 (462) 2	12.20 (464) 11	12.20 (466) 2	12.25 (466) 2	12.25 (467) 12	12.15 (474) 16	12.22 (508) 13
FEB 05	12.15 (430) 0	12.15 (430) 0	12.15 (427) 13	12.13 (427) 0	12.13 (427) 11	12.13 (427) 0	12.13 (430) 3	12.15 (434) 4	12.10 (443) 21	12.17 (444) 6
MAR 05	12.00 (338) 5	12.05 (338) 0	12.05 (351) 13	12.05 (351) 0	12.05 (351) 11	12.05 (351) 22	12.18 (377) 32	12.15 (377) 2	12.10 (388) 14	12.12 (405) 2
APR 05	12.15 (192) 0	12.15 (192) 0	12.15 (195) 3	12.15 (195) 10	12.20 (205) 34	12.30 (206) 18	12.30 (206) 1	12.32 (207) 1	12.25 (216) 16	12.30 (213) 3
MAY 05	12.25 (130) 0	12.25 (130) 0	12.25 (131) 3	12.25 (141) 10	12.34 (142) 17	12.40 (142) 1	12.40 (147) 6	12.42 (148) 1	12.40 (155) 15	12.50 (185) 2
JUN 05	12.40 (75) 0	12.40 (75) 0	12.40 (78) 10	12.40 (78) 1	12.40 (87) 15	12.50 (87) 0	12.50 (87) 0	12.52 (88) 1	12.50 (99) 16	12.55 (107) 0
JUL 05	12.50 (24) 0	12.50 (24) 0	12.50 (24) 0	12.50 (24) 0	12.50 (44) 25	12.55 (44) 0	12.55 (44) 0	12.55 (44) 0	12.55 (44) 0	12.62 (50) 19
AUG 05	12.60 (14) 0	12.60 (14) 0	12.60 (14) 0	12.60 (14) 0	12.60 (40) 31	12.70 (40) 0	12.70 (40) 0	12.70 (40) 0	12.70 (40) 0	12.70 (43) 1
SEP 05	12.75 (38) 0	12.75 (38) 0	12.75 (38) 0	12.75 (38) 0	12.75 (38) 1	12.75 (38) 0	12.75 (38) 0	12.75 (38) 0	12.75 (38) 0	12.75 (40) 1
OCT 05	12.21 (8) 3	12.25 (8) 0	12.25 (8) 0	12.25 (8) 0	12.25 (8) 0	12.30 (8) 0	12.30 (8) 0	12.30 (28) 20	12.30 (28) 0	12.30 (28) 1
NOV 05	11.95 (8) 3	12.00 (8) 0	12.00 (8) 0	12.00 (8) 0	12.00 (28) 20	12.15 (28) 0	12.15 (28) 0	12.15 (28) 0	12.15 (28) 0	12.15 (28) 0
DEC 05	11.95 (8) 3	12.00 (8) 0	12.00 (8) 0	12.00 (8) 0	12.00 (8) 0	12.25 (28) 20	12.25 (28) 0	12.25 (28) 0	12.25 (28) 0	12.25 (28) 0

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

JUL 04	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0	14.00 (97) 0
AUG 04	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (77) 0	14.00 (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	13.55 (87) 1
OCT 04	13.55 (14) 0	13.55 (14) 0	13.55 (14) 0	13.55 (14) 0	13.55 (14) 1	13.55 (14) 0	13.55 (14) 0	13.55 (14) 0	13.55 (14) 0	13.55 (19) 0
NOV 04	12.70 (39) 0	12.70 (39) 0	12.70 (39) 0	12.70 (39) 0	12.70 (54) 15	12.70 (54) 0	12.70 (54) 0	12.70 (54) 0	12.70 (54) 0	12.70 (59) 0

CME - BUTTER FUTURES -- Cents per pound

JUL 04	198.50 (406) 31	203.50 (398) 0	203.50 (395) 21	206.00 (391) 9	206.50 (358) 51	208.00 (340) 25	203.00 (351) 46	202.00 (341) 29	198.00 (343) 20	198.00 (348) 5
SEP 04	198.50 (234) 30	203.50 (234) 0	203.50 (246) 15	206.00 (247) 1	206.50 (282) 36	207.00 (289) 10	204.50 (294) 10	202.00 (306) 8	199.00 (306) 10	196.50 (318) 0
OCT 04	194.00 (106) 0	200.00 (106) 0	200.00 (103) 5	202.00 (104) 3	201.50 (104) 0	201.50 (105) 2	198.00 (108) 3	198.00 (108) 2	197.00 (108) 0	195.00 (108) 0
DEC 04	166.00 (74) 2	169.00 (74) 0	169.00 (74) 0	169.00 (74) 0	169.00 (74) 0	169.00 (74) 0	169.00 (75) 2	168.00 (75) 0	165.00 (75) 0	162.50 (75) 0
MAR 05	162.00 (17) 0	162.00 (17) 0	162.00 (17) 0	162.00 (17) 0	162.00 (17) 1	157.00 (17) 0	157.00 (18) 1	156.00 (18) 0	156.00 (18) 0	154.00 (19) 4
MAY 05	164.00 (10) 0	164.00 (10) 0	164.00 (10) 0	164.00 (10) 0	164.00 (10) 0	159.00 (10) 0	159.00 (11) 1	158.00 (11) 0	158.00 (11) 0	156.00 (11) 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 June 14 - 25, 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: European markets remain in transition as July 1 nears. On July 1, the internal EU price supports will be lowered and internal commodity prices are reacting to the new levels and new EU member countries. Buyers are often reluctant to make more than immediate need (small) purchases with internal EU prices scheduled to decline July 1. Also on July 1, the new GATT year begins which will allow exports of subsidized dairy products. After their meeting this week, the EU commission announced further export refund cuts that may remain in affect through October. The export refund on butter was reduced by 70 Euros to 1,340 Euros per ton, butteroil down 114 Euros to 1,786, whole milk down 70 Euros to 690, and skim milk 60 Euros to 290. Also, only some very small tenders were accepted. Prices are firm on butteroil and relatively steady on the balance, depending on currency exchange rates. Milk production is below year ago levels in the EU-15 countries, reducing the volume of surplus product produced for the export market or for putting into intervention. Plant milk intakes continue to decline from peak spring levels. After the extreme heat in many EU-15 countries last summer and, assuming no similar conditions in 2004, some experts expect milk intakes could narrow the gap with year ago levels later this year. International interest is often light, in part a reaction to current "high" market prices. However, alternative sources for many dairy products are limited in the short term. Also, buyers are considering whether or not they need the product now or whether they can wait for the Oceania milk production season to begin this fall to source product. Most demand is for smaller quantity orders.

BUTTER/BUTTEROIL: The butteroil market is firm and the butter market is steady. Part of the reduction in European milk intakes has occurred in the production of butter and butteroil. Smaller volumes have been offered into government stocks. Butteroil supplies are tight and producers have been able to get higher prices.

82% BUTTERFAT: 1,850 - 2,000
99% BUTTERFAT: 1,900 - 2,400

SKIM MILK POWDER (SMP): The skim market is about steady, depending on currency exchange rates. International interest is limited as prices are considered to be on the high side of the trading range. Buyers are deciding whether they need product now or if they can wait for the Oceania production season to resume. Also, traders are waiting for additional information from the EU Commission. A portion of the decline in EU-15 milk intakes has been taken from butter/skim production.

1.25% BUTTERFAT: 2,050 - 2,125

WHOLE MILK POWDER (WMP): The whole milk market is steady to firm. Current supplies are limited. Good international interest is noted. Whole milk production has been impacted by the reduction in milk receipts as much of the extra spring milk intakes were geared toward manufacturing export market products.

26% BUTTERFAT: 2,150 - 2,250

SWEET WHEY POWDER: The whey market is steady to firm, aided by the strong Euro. Interest is moderate. Whey production is declining seasonally. Current stocks are adequate.

NONHYGROSCOPIC: 500 - 550

OCEANIA

OCEANIA OVERVIEW: The milk production season continues to wind down in Oceania as winter begins. Current milk receipts are very light and mostly for the small, bottled milk segment. Traders are working on making deals for products manufactured during the upcoming season and are still making shipments on previous sales. Spot inventory is very limited. Winter weather has often been dry in the major milk producing areas of Australia, adding to drought and feed availability concerns. Water reserves are higher than year ago levels but are still generally less than 50% of capacity. Australia has been having a good end to the milk production season after a poor start. The current forecast for the whole season is to be down only 1 - 2% as April was up 5% from the previous year. Wet winter weather in New Zealand has generally been providing at least adequate moisture for the early season pastures. Very little manufacturing is occurring.

BUTTER: The butter market is steady and generally quiet. Some shipments are occurring from inventory against contracts made previously. Sales activity centers on making deals for butter to be produced during the upcoming milk production season. Stocks are limited.

82% BUTTERFAT: 1,700 - 1,850

CHEDDAR CHEESE: The cheese market is steady. Activity centers on making sales of new season production and shipping from inventory. Manufacturing is very limited.

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

SKIM MILK POWDER (SMP): The skim market is steady. Spot offerings are limited and sales activity centers on the new season. International buyers are making decisions on making purchases from other sources now or waiting until fall for Oceania production to resume.

1.25% BUTTERFAT: 2,000 - 2,100

WHOLE MILK POWDER (WMP): The whole milk market is fully steady. Inventory is very limited. New orders being placed are for delivery after the start of the new season.

26% BUTTERFAT: 2,000 - 2,100

Exchange rates for selected foreign currencies: JUNE 21, 2004

.7330 Canadian Dollar	.0218 Indian Rupee
.3369 Argentina Peso	.6283 New Zealand Dollar
.0884 Mexican Peso	.6907 Australian Dollar
.2640 Polish Zloty	.0092 Japanese Yen
1.2114 Euro	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0884) = 11.3122$. That is 1 US Dollar equals 11.3122 Mexican Pesos.

Source: *Wall Street Journal*

EASTERN EUROPE: Eastern European prices in "new EU" countries are firming to the levels found in EU-15 countries. Again, international interest is light at current price levels. The annual peak is usually a couple weeks later in Poland and Eastern Baltic countries and they have also passed their peak. Some countries are also adapting to the competition from product sourced in other EU countries.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

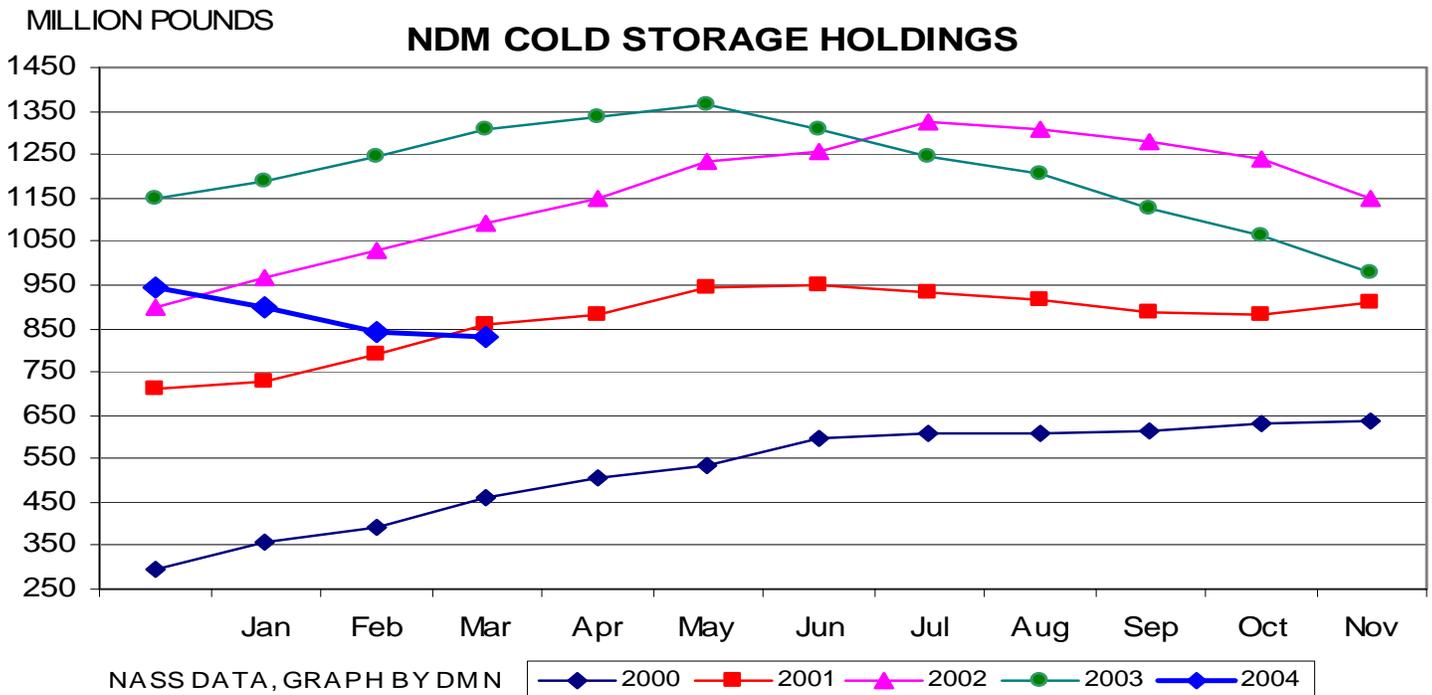
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under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

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	APR 30, 2002	APR 30, 2003	REVISED APR 30, 2004	MAY 31, 2002	MAY 31, 2003	MAY 31, 2004
Butter	196,614	263,735	155,718	226,849	297,959	180,741
Cheese, Natural American	513,576	534,718	528,510	536,080	538,513	558,832
Cheese, Swiss	15,729	25,801	26,989	16,122	26,596	27,351
Cheese, Other Natural	236,327	220,586	214,271	236,787	225,928	216,967
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	2,063	5,089	400	2,258	8,938	255
Natural American Cheese	626	2,974	9,691	692	2,543	9,858

MAY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
New England	20,646	22,271	24,752	---	---	---	405	213	447
Middle Atlantic	64,247	60,021	55,711	---	---	---	41,975	14,040	17,329
East North Central	210,960	217,011	220,664	---	---	---	111,617	132,763	124,401
West North Central	129,843	128,536	125,326	---	---	---	65,558	59,332	54,821
South Atlantic	186	546	7,583	---	---	---	1,847	2,111	198
East South Central	66	375	120	---	---	---	188	1,846	2,504
West South Central	2,938	1,731	4,647	---	---	---	278	165	116
Mountain	11,081	13,506	28,452	---	---	---	2,501	2,055	4,492
Pacific	96,113	94,516	91,577	---	---	---	12,418	13,403	12,659
TOTAL	536,080	538,513	558,832	226,849	297,959	180,741	236,787	225,928	216,967

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2003 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Million Pounds						Million Pounds						Million Pounds					
January	152	205	151	204	1	3/	518	515	508	515	10	3/	945	1,147	109	112	836	1,036
February	158	240	157	238	1	1	533	539	524	538	10	3/	896	1,187	95	116	800	1,071
March	158	245	158	242	1	3	521	531	511	529	10	2	841	1,247	80	137	761	1,111
April	156	264	155	259	3/	5	529	535	519	532	10	3	829	1,308	106	154	723	1,154
May	181	298	180	289	3/	9	559	539	549	536	10	3		1,336		159		1,177
June		301		291		11		550		546		4		1,365		152		1,212
July		284		273		11		552		546		6		1,308		90		1,219
August		254		244		10		547		538		9		1,245		75		1,170
September		207		197		10		517		508		9		1,207		69		1,138
October		170		159		11		491		482		9		1,128		69		1,059
November		123		114		9		467		460		7		1,062		87		975
December		100		93		6		491		482		10		978		108		870

NA = Not available.

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

COMMERCIALY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Apr 30, 2002	Apr 30, 2003	Apr 30, 2004	May 31, 2002	May 31, 2003	May 31, 2004
	Thousand Pounds					
Butter	194,551	258,646	155,318	224,591	289,021	180,486
Natural American Cheese	512,950	531,744	518,819	535,388	535,970	548,974

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

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

FEDERAL MILK ORDER ADVANCE PRICES, JULY

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for July 2004 is \$17.95 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$10.95 and the advanced butterfat pricing factor of \$2.1088. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.33. Thus, the Class II skim milk price for July is \$7.03 per cwt., and the Class II nonfat solids price is \$0.7811. **Product Price Averages** - The two-week product price averages for July are: butter \$1.8723, nonfat dry milk \$0.8500, cheese \$1.8683, and dry whey \$0.2942.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/} ^{2/}				
Federal Milk Order Marketing Area ^{3/}	Order Number	July 2004		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	21.20	14.20	2.1413
Appalachian (Charlotte) ^{5/}	005	21.05	14.05	2.1398
Southeast (Atlanta) ^{6/}	007	21.05	14.05	2.1398
Florida (Tampa) ^{7/}	006	21.95	14.95	2.1488
Midwest (Cleveland) ^{8/}	033	19.95	12.95	2.1288
Upper Midwest (Chicago) ^{9/}	030	19.75	12.75	2.1268
Central (Kansas City) ^{10/}	032	19.95	12.95	2.1288
Southwest (Dallas) ^{11/}	126	20.95	13.95	2.1388
Arizona-Las Vegas (Phoenix) ^{12/}	131	20.30	13.30	2.1323
Pacific Northwest (Seattle) ^{13/}	124	19.85	12.85	2.1278
All-Market Average		20.60	13.60	2.1353

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{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 markets.

^{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: Indianapolis 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 prices at Las Vegas is minus \$0.35. ^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

THE DAIRY OUTLOOK

Summary - Wholesale prices of cheese and butter in mid-June were down almost 20 percent from their April peaks. The April peaks represented an overreaction to the large February-March declines in milk production and the sharp March-April surge in wholesale cheese movement. The flow of milk and milk solids into cheese production, the easing of declines in milk production, and the subsiding fears of buyers triggered a price adjustment that probably will persist (at a rather gradual rate) through most of the rest of 2004. Dairy markets are expected to stay fairly tight through most of 2004, even though prices probably will slip from spring levels. Production will be weak, and demand is projected to stay reasonably good. Unless pipeline stocks have been built to very large levels, further sharp price breaks do not seem likely. In fact, prices may stay somewhat volatile and temporary reversals of the general downtrend are certainly possible. For all of 2004, farm milk prices are projected to easily surpass 1998's record.

Milk Production Declines Ease - In the 20 major dairy States, April milk production was less than 1 percent below a year earlier, a considerably smaller decrease than during February-March. However, the changes represented the start of weakening production a year ago more than any real recovery this year. Milk production is likely to continue to be weakened by several key forces, but the largest year-to-year drops probably are past. Milk per cow stayed very weak. Output per cow in the 20 States was slightly above a year earlier in April after slipping below in February-March. Compared with the 5-year moving average, milk per cow since February has represented an annual growth rate of well under 1 percent, only about a third of the long-run trend.

Reduced availability of bovine somatotropin (BST) obviously was a major contributor to weak milk per cow. However, other factors clearly were at play because milk per cow was fairly weak even before the BST allocations were announced. Milk-feed price ratios this winter wound up moderately favorable, as they had been during the second half of 2003. However, farmers may have been more quickly aware of last winter's rising concentrate feed prices than they were of rises in milk prices. In addition, irregular forage quality undoubtedly played a role. Concentrate feed prices have been high and volatile across almost all feeds. Both domestic and export demand has been brisk. Feed markets are projected to stay tight through 2005, although prices might slip somewhat once this year's crop becomes available. This year's average increase in feed prices is not expected to match the rises in average milk prices, leaving the most favorable milk-feed price ratios since 2001. The new forage year in most dairy areas seems to be starting much like the last two—mixed. The main exception is the West, where alfalfa hay prices jumped in May. In much of the region, tight supplies of irrigation water threaten this year's alfalfa output. Untimely rains in the Northwest aggravated problems by dropping the average quality of first cutting. Western hay conditions probably will be considerably more difficult than they have been for a couple years. Growth in milk per cow is projected to stay weak during the rest of 2004. A slight recovery is expected during the second half, but substantial improvement is not likely until normal availability of BST returns. Milk per cow is expected to rise less than 1 percent in 2004 on a daily average basis. Milk per cow is projected to rise a relatively large 3 percent in 2005. However, even this increase would not make up for ground lost in recent years.

Farmer Response to Record Prices Muted - Milk cow numbers in the 20 States have been about steady since the start of 2004. Year-to-year decreases slipped from 1.2 percent in January to 1.0 percent in April. The stronger-than-expected milk prices undoubtedly were the main factor stemming decreases in cow numbers by allowing weaker producers to continue milking. Dairy farm exits are expected to become slightly more common if milk prices slip during the second half as projected. However, declines in cow numbers from early 2004 probably will be small. Returns should still be fairly strong through yearend, and recent record milk prices have provided a considerable cushion for the rest of the year. However, the presumed return to normal availability of BST, more ample heifer supplies, lower expected returns, and the scheduled 2005 end to the Milk Income Loss Contracts should lead to increased exits by late-2004 and 2005. Record milk prices provided strong incentive to keep facilities at maximum capacity. However, they probably will provide considerably less stimulus for new expansions than normal. Farmers are apt to view these strong prices as based on temporary factors that will dissipate by next winter. Also, the relatively few expansions begun in late 2003 and the tight supplies of replacement heifers meant that few new facilities were positioned to be rushed into production. Tight supplies of replacement heifers and high milk prices have caused replacement prices to jump. In April, replacements were up almost \$200 from January and almost \$300 from a year earlier. Even so, the price increase seemed mostly to reflect reduced heifer supplies rather than strong demand from expanding producers. The difference between replacement price and slaughter value was only moderately higher than during 2003 and well below the levels of late 2001-2002. Based on the data for January 1, 2004, supplies of springer heifers should ease somewhat by late this year. However, resumption of imports of Canadian heifers remains uncertain. By 2005, stronger

Continued on page 13

producers will have a nest egg from this year's high prices and are projected to face easing feed costs and milk prices considerably higher than the stressful 2002-03 period. These farmers likely will resume more normal long-term expansion. However, their plans probably will stay conservative until they become convinced that milk prices will not return to 2002-03 levels. The main impact of these expanders may not be felt until late 2005. By the end of 2004, milk cow numbers are projected to be about 1 percent below a year earlier, considerably less than the first-half declines. Cow numbers next year are expected to be a mirror image of this year, with second-half declines larger than during the first half. Milk cows are expected to post an average decrease of more than 1 percent in both years. In 2004, milk production is expected to slip fractionally. Even if output moves above a year earlier by late in the year, these gains are unlikely to offset earlier losses. Milk production could increase in 2005 if more normal conditions return. Output is projected to rise a moderate 1 to 2 percent.

Cheese Grabs Lion's Share of Smaller Milk Supply - Lower milk production reduced supplies of milk for manufacturing during February-April by more than 3 percent (on a daily average basis) from a year earlier. Strong cheese movement pulled increased amounts of milk away from butter-powder and into cheese production, even before the March increases in cheese price gave cheese plants a commanding advantage in competing for milk. During February-April, cheese production rose about 6 percent, while butter output fell 16 percent, and nonfat dry milk a similar amount. Part of the additional cheese probably was made from nonfat dry milk and cream. Manufacturing milk supplies are expected to stay tight during most of the rest of 2004. With sluggish milk production, output of manufactured products probably will stay below a year earlier until autumn. However, a slight easing is possible this summer as ice cream makers and others start to dip into their stocks of milkfat. Cheese production is projected to continue to pull milk away from output of butter and nonfat dry milk. May 1 commercial stocks totaled just over 10 billion pounds, milk equivalent, on a milkfat basis, down more than 2 billion pounds from a year earlier and the lowest since 2001. Most of the drop was in butter holdings, although commercial stocks of cheese were somewhat smaller. May 1 manufacturers' stocks of nonfat dry milk were also below the levels of most recent years. Commercial stocks on a skim solids basis came to less than 9 billion pounds, milk equivalent, down slightly from the 2 preceding years. Dairy markets probably will be quite sensitive in coming months to warehouse inventories and perceptions of pipeline stocks. Commercial stocks are expected to stay relatively lean but not inadequate. Pipeline holdings probably will be gradually worked off this summer before being rebuilt for autumn holiday demand. Any deviations from those expected patterns could have significant price implications.

Cheese Disappearance Booms - Cheese buyers seemed insatiable in March-April. Commercial disappearance of American varieties jumped more than 6 percent from a year earlier, and movement of other varieties almost 9 percent, as prices shot up to records by late April. These increases in cheese disappearance (equivalent to about 1 billion pounds of milk) caused dramatic changes throughout dairy markets. Commercial disappearance of all dairy products (milk equivalent, skim solids basis) astoundingly rose almost 9 percent from a year earlier during March-April. The boom in cheese movement turned a persistent large surplus of skim solids into a drawdown of Government powder stocks. On a milkfat basis, the increase in disappearance was much less impressive because a 9-percent decline in butter movement offset a sizable share of the increase due to cheese. Commercial disappearance of nonfat dry milk during March-April more than doubled its 2003 level. A large share of this movement probably was used in cheese vats as cheese makers struggled to keep up with their customers' orders. Even so, most of the jump probably wound up in the stocks of users or resellers. The share of the heavy March-April movement that was actually used during those months will be crucial to dairy price prospects in coming months. Underlying dairy product demand apparently has recovered substantially since last summer, with all segments showing some strength. Even so, large quantities of dairy products almost certainly were tucked away, as price jumps encouraged users to buy a little more than they thought they probably would need. Price declines normally would cause users to start reducing these pipeline holdings by buying less than normally. However, the still high uncertainty about second-half conditions probably has muted this tendency.

Powder Surplus Dissolves for a While - Purchases of nonfat dry milk under the price support program have been modest since February, particularly since a significant share of recent purchases has been fortified powder for food aid use covered by earlier contracts. Net removals during March-May were actually negative as unrestricted sales (including that swapped for process cheese and pudding) exceeded purchases. Most of this drop in surplus was caused by the extraordinary cheese movement and the resulting hunger of cheese makers for milk solids. Use of skim solids as food ingredients may have picked up, and small commercial exports of nonfat dry milk and blends have helped boost demand for separated skim solids. However, the disappearance of surplus skim solids probably is temporary. Purchases are projected to continue through the second half of 2004, although at levels considerably below those of 2002 or 2003. For all of 2004, surplus removals on a skim

solids basis are expected to be only about one-third those of 2003 and the smallest since 1996. With expanded milk production in 2005, the skim solids surplus is projected to rise slightly but stay well below those of most recent years. The surplus of milkfat is expected to be trivial in both years.

Wholesale Prices Drop - April peaks in wholesale prices of butter and cheese proved unsustainable once buyers became aware that their collective “prudence” represented an over-reaction to tight market fundamentals. By May, declines in milk production were beginning to ease, and consumer response to the high prices was beginning to be felt. Cheddar cheese prices on the Chicago Mercantile Exchange (CME) fell 40 cents per pound from their peak and remain under considerable pressure. With the value of milk being considerably higher in cheese than in butter-powder and the general profitability of using nonfat dry milk and cream to make cheese, extra loads of cheese are now commonly available. Meanwhile, buyers have become more comfortable not buying every load offered. The flow of milk solids into cheese and the likely rebuilt pipeline holdings probably will continue to push down cheese prices this summer, particularly if milk production moves back towards year-earlier levels as expected. However, sales are expected to stay strong enough to keep markets fairly tight. Any weather stress or other production problem or a surge in cheese movement could cause prices to plateau or even recover temporarily. Butter price declines preceded those of cheese. Between mid-April and late May, CME butter prices fell 60 cents per pound. However, butter prices then recovered more than 20 cents. Sizable amounts of cream were being used in cheese, and there were indications that additional cream was siphoned off into storage or food processing before it reached the churns. Even though into-storage movement of butter became larger than a year earlier, expected butter production was not likely, at the current cheese prices, to be enough to meet second-half needs. Butter prices are projected to trend lower this summer as cheese prices ease. However, butter prices may be prone to short-run reversals and some volatility. Tightening in the skim solids markets has been enough to give even nonfat dry milk prices a boost. In early May, powder prices were about 90 cents per pound in the East and Central and even managed about 85 cents in the West. This was the first significant rise above the support purchase price in years. Commercial exports probably will be key to whether prices can stay above the support purchase price in coming months. If exports continue modest as expected, price support purchases probably will resume, as prices adjust downward. However, the domestic excess is projected to be small enough that more-vigorous-than-expected export buying could easily absorb it.

Milk Prices To Slip but Still Set Record - Farm milk prices during the rest of 2004 are projected to retreat from their May record of more than \$20 per cwt but will stay well above a year earlier. Markets are expected to stay fairly tight. The steepness of the price decrease will be very sensitive to production and sales developments, as well as pipeline and warehouse stocks. Also, prices could still be somewhat volatile even if the general trend is downward. The value of milk in cheese is expected to remain considerably higher than butter-powder values during the remainder of 2004. Cheese sales probably will require the lion's share of the milk supply. However, the price gap is unlikely to be as wide as during spring. Continued manufacture of cheese from nonfat dry milk may not be needed and might cease to be profitable, particularly if exports buttress powder prices. The average price of all milk in 2004 is projected to be more than \$16 per cwt, up more than a fourth from 2003 and easily a record. Next year's larger expected milk production, in combination with some likely carryover effects of this year's high prices on use, probably will drop 2005 milk prices. Milk prices are projected to average almost \$3 below 2004.

Retail Prices Try To Catch Up - Retail prices of dairy products jumped to 185.9 (1982-84=100) in May, up more than 12 percent from a year earlier and almost 7 percent from April. Prices were higher for almost all dairy products, although the largest April to May rises were for fluid milk. Fluid milk prices had been relatively moderate since mid-2003 before shooting up 14 percent between April and May. Although dairy prices rose considerably more than average food prices and received much media attention, sharply higher prices for many other foods cushioned the demand impact somewhat. Even these May retail prices did not fully reflect increases in farm and wholesale prices. The farm-to-retail price spread this spring dropped from a year earlier. The spread has been considerably below a year earlier since mid-2003 but is expected to start widening during the second half of 2004. Retail dairy prices are projected to continue rising through the end of the year. Recovery in the spread probably will more than offset the declining farm and wholesale prices. For the year, retail dairy prices are expected to rise 6 to 10 percent from a year earlier. In 2005, retail prices are projected to hold near the levels of late 2004. Even so, prices would average slightly higher than the 2004 average.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-120, June 17, 2004, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, JULY 2004, WITH COMPARISONS ^{1/}												
CITY	July 2002			July 2003			June 2004			July 2004		
	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence
	Dollars Per Hundredweight, 3.5% Butterfat											
Atlanta, GA	15.65	13.72	1.93	15.13	12.87	2.26	25.26	24.23	1.03	22.08	21.05	1.03
Baltimore, MD	15.37	13.62	1.75	14.64	12.77	1.87	25.98	24.13	1.85	22.55	20.95	1.60
Boise, ID ^{2/}	12.52	12.22	0.30	11.67	11.37	0.30	---	---	---	---	---	---
Boston, MA	15.47	13.87	1.60	14.72	13.02	1.70	26.08	24.38	1.70	22.90	21.20	1.70
Charlotte, NC	15.65	13.72	1.93	15.13	12.87	2.26	25.26	24.23	1.03	22.08	21.05	1.03
Chicago, IL ^{3/}	14.44	12.42	2.02	13.64	11.57	2.07	26.56	22.93	3.63	23.47	19.75	3.72
Cincinnati, OH	14.43	12.82	1.61	13.92	11.97	1.95	25.01	23.33	1.68	21.98	20.15	1.83
Cleveland, OH	14.23	12.62	1.61	13.72	11.77	1.95	24.81	23.13	1.68	21.78	19.95	1.83
Dallas, TX	15.02	13.62	1.40	14.17	12.77	1.40	24.63	24.13	0.50	21.45	20.95	0.50
Denver, CO	14.02	13.17	0.85	13.17	12.32	0.85	24.53	23.68	0.85	21.35	20.50	0.85
Des Moines, IA	13.79	12.42	1.37	12.95	11.57	1.38	24.63	22.93	1.70	21.45	19.75	1.70
Detroit, MI	13.67	12.42	1.25	13.11	11.57	1.54	24.55	22.93	1.62	21.37	19.75	1.62
Hartford, CT	15.37	13.77	1.60	14.62	12.92	1.70	25.98	24.28	1.70	22.80	21.10	1.70
Houston, TX	15.62	14.22	1.40	14.77	13.37	1.40	25.23	24.73	0.50	22.05	21.55	0.50
Indianapolis, IN	14.23	12.62	1.61	13.72	11.77	1.95	24.81	23.13	1.68	21.78	19.95	1.83
Kansas City, MO	14.38	12.62	1.76	13.54	11.77	1.77	24.32	23.13	1.19	21.14	19.95	1.19
Louisville, KY	13.92	12.82	1.10	13.77	11.97	1.80	24.91	23.33	1.58	21.83	20.15	1.68
Memphis, TN	15.15	13.42	1.73	14.63	12.57	2.06	24.76	23.93	0.83	21.58	20.75	0.83
Miami, FL	18.16	14.92	3.24	17.29	14.07	3.22	27.53	25.43	2.10	24.35	22.25	2.10
Milwaukee, WI ^{3/}	14.54	12.37	2.17	13.74	11.52	2.22	26.51	22.88	3.63	23.42	19.70	3.72
Minneapolis, MN ^{3/}	13.89	12.32	1.57	13.09	11.47	1.62	26.21	22.83	3.38	23.12	19.65	3.47
New Orleans, LA	15.80	14.22	1.58	15.28	13.37	1.91	25.56	24.73	0.83	22.38	21.55	0.83
Oklahoma City, OK	14.87	13.22	1.65	14.02	12.37	1.65	24.28	23.73	0.55	21.10	20.55	0.55
Omaha, NE	13.84	12.47	1.37	13.00	11.62	1.38	24.38	22.98	1.40	21.11	19.80	1.31
Philadelphia, PA	15.54	13.67	1.87	14.69	12.82	1.87	26.03	24.18	1.85	22.60	21.00	1.60
Phoenix, AZ	13.12	12.97	0.15	12.27	12.12	0.15	23.63	23.48	0.15	20.45	20.30	0.15
Pittsburgh, PA	14.72	12.72	2.00	13.87	11.87	2.00	25.23	23.23	2.00	21.80	20.05	1.75
St. Louis, MO	13.87	12.62	1.25	13.02	11.77	1.25	24.68	23.13	1.55	21.50	19.95	1.55
Salt Lake City, UT ^{2/}	12.82	12.52	0.30	11.97	11.67	0.30	---	---	---	---	---	---
Seattle, WA	12.94	12.52	0.42	12.09	11.67	0.42	23.45	23.03	0.42	20.27	19.85	0.42
Springfield, MO	14.47	12.82	1.65	13.62	11.97	1.65	23.88	23.33	0.55	20.70	20.15	0.55
Washington, DC	15.37	13.62	1.75	14.64	12.77	1.87	25.98	24.13	1.85	22.55	20.95	1.60
Simple Average	14.59	13.10	1.49	13.86	12.25	1.61	25.16	23.66	1.50	21.97	20.48	1.49

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

^{2/} The data series for these cities was discontinued for April 2004, as the Federal milk order in which these cities are located was terminated on April 1, 2004.

^{3/} Announced cooperative prices for June and July 2004 include a \$1.50 surcharge due to negative Producer Price Differentials experienced in prior months.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JUNE 21 - 25, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 06/18/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	11,233,378	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,723,680	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	12,957,058	-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-	31,759,200	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,145,012	-0-	-0-
NONFAT DRY MILK							
Nonfortified	5,115,434#	119,048	4,996,386	306,159,197#\$	516,726,061	NOT AVAILABLE	1,284,998,000
Fortified	-0-	-0-	-0-	-119,048	257,500	AVAILABLE	46,391,000
TOTAL	5,115,434	119,048	4,996,386	306,040,149	516,983,561		1,331,389,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 64,857,775. \$ 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 21 - 25, 2004 =	1.1	58.2	COMPARABLE PERIOD IN 2003 =	1.2	146.8
CUMULATIVE SINCE OCTOBER 1, 2003 =	66.4	3,562.3	CUMULATIVE SAME PERIOD LAST YEAR =	776.0	6,426.6
CUMULATIVE JANUARY 1 - JUNE 25, 2004 =	40.9	2,213.0	COMPARABLE CALENDAR YEAR 2003 =	701.9	5,161.0

* 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 21 - 25, 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-	4,996,386	-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-	31,970,772	7,646,276	20,645,617	2.5	38.6
WEST	-42,309	12,957,058	-0-	9,174,240	294,110,099	458,644,773	96.1	60.3
EAST	-0-	-0-	-0-	-0-	4,283,774	37,693,171	1.4	1.1
TOTAL	-42,309	12,957,058	-0-	41,145,012	306,040,149	516,983,561	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback 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 06/05/04 & 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	5.2	3.7	13.5	1.5	0.5	0.6	9.1	2.0	37.0	1,054.5	44.6	47.4
2003-Dairy	0.1	0.8	7.6	4.4	21.2	2.1	0.4	0.9	14.4	2.6	54.5	1,279.4	44.3	48.6
2004-All cows	0.1	0.7	6.3	8.2	22.7	13.2	13.2	2.3	11.6	4.6	83.0	2,223.4		
2003-All cows	0.2	0.9	10.2	13.9	33.8	19.0	16.3	3.8	17.9	6.9	123.0	2,633.3		

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	17.95					
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