

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (06/01):
BUTTER: Grade AA closed at \$1.9100. The weekly average for Grade AA is \$1.9075 (-.0025).
CHEESE: Barrels closed at \$1.6150 and blocks at \$1.6450. The weekly average for barrels is \$1.6063 (+.0358) and blocks, \$1.6363 (+.0238).
NONFAT DRY MILK: Extra Grade closed at \$1.0300 and Grade A closed at \$1.0400. The weekly average for Extra Grade is \$1.0300 (N.C.) and Grade A, \$1.0400 (N.C.).

BUTTER: The butter market remains firm. The big news this week is USDA's announced change to the support purchase price for butter. Effective May 31, 2001, CCC will pay \$0.8548 per pound for bulk butter, an increase of 19.99 cents. At current CME prices, this increase will have little impact on the market. Churning activity was a little heavier during the Memorial Day weekend and continues to hold at moderate to heavy levels. Demand for bulk is just fair now that more is available. Print sales are improved in some resort areas where the "summer season" is getting under way.

CHEESE: The cheese market is steady. The USDA support price adjustment announcement on May 31 did not change the purchase prices for cheese, though will likely affect the fat and/or skim values for milk used in cheese production. Current movement was often lighter as buyers work off inventories purchased previously. Process demand is generally stronger than natural. Spot availability of most varieties has not increased appreciably. Volumes of extra milk available for manufacturing are increasing as schools close for the summer.

FLUID MILK: Manufacturing schedules were noticeably heavier than pre-holiday weekends, often because other manufacturing plants (ice cream makers as well as bottlers) closed for the long holiday weekend. However, the extra volumes were handled with a minimal difficulty and production schedules returned to normal by midweek. Class I demand was often lighter after the holiday, in part due to more schools closing for the summer. Hot weather in Florida and the Southwest is impacting milk receipts along with reducing fat and protein levels. In the Southeast, milk receipts are slipping as the annual peak is past. In the Northeast and Midwest, diversions to manufacturing are increasing as milk intakes increase seasonally. In the Northwest, some extra holiday surplus was noted but plant capacity was adequate.

DRY PRODUCTS: Manufacturing schedules were heavier over the Memorial Day weekend, providing additional product for most manufacturers. Many processors still had some additional capacity available if needed. The NDM market is steady, spot interest is steady at light levels. Sellers continue to balance NDM inventories with clearances to CCC. The buttermilk market is steady with offerings still limited despite the extra holiday drying. Demand is fair at best. The whey market remains firm with prices mostly higher. Producers' stocks remain limited and the extra holiday production cleared easily. Whey exports are being affected by competition from other countries at current price levels. Feed whey users are limiting whey purchases to just as needed. The WPC market is steady. Feed buyers continue to anticipate the possible sellback of older CCC NDM stocks, so are purchasing more on a hand to mouth basis.

CCC: During the holiday-abbreviated week of May 28 - June 1, CCC net purchases totaled 7,964,989 pounds of Western nonfortified NDM.

ANNOUNCED ADJUSTMENT IN 2001 PURCHASE PRICE FOR MILK AND MILK PRODUCTS (FSA): The U.S. Department of Agriculture announced on May 31 that its Commodity Credit Corporation will increase the price it pays for butter by 19.99 cents to \$0.8548 per pound, and decrease the price of nonfat dry milk by 10.32 cents to \$0.9000 per pound. The purchase prices for block cheddar and barrel cheese remain unchanged at \$1.1314 and \$1.1014 per pound, respectively. The 2001 Appropriations Bill extended the price support program through calendar year 2001 at the 2000 support price of \$9.90 per hundredweight of milk with an annual average milk fat content of 3.67%. The changes are effective May 31. Correction: the effective date on the price support adjustment on the table headings located on page 13 should be 5/31/01 instead of as printed.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the May 2001 prices under the Federal Milk Order pricing system: Class II \$15.72 (+\$0.62), Class III \$13.83 (+\$1.77); and Class IV \$15.04 (+\$0.63). Product price averages used in computing Class prices are: butter \$1.8527, NDM \$1.0180, cheese \$1.5129, and dry whey \$.2590. The Class II butterfat price is \$2.1261 and the Class III/IV butterfat price is \$2.1191. Further information may be found at: www.ams.usda.gov/dairy/mib/classprcncnmt.pdf

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first 3 months OF 2001 totals 40.58 billion pounds, up 3.1% from the first quarter in 2000. Comparing disappearance with year earlier levels: butter is down 3.2%; American cheese, up 6.7%, other cheese, increased 6.5%; NDM, up 32.2%; and fluid milk product, an increase of 0.3%

CONSUMER PRICE INDEX (BLS): The April CPI for all food is 171.9, up 3.2% from April 2000. The dairy products index, at 163.4, is up 1.7% from a year ago. The following are the April to April changes for selected products: fresh whole milk up 4.6%, cheese down 0.7, and butter up 18.1%.

DAIRY SITUATION AND OUTLOOK (ERS): The economic and natural factors that caused the sizable winter declines in milk production are likely to have continuing effects on milk output during much of the rest of 2001. Meanwhile, demand for cheese, butter, and some other dairy products remains strong. Farm milk prices are now projected to match or exceed all but those of 1998. Milk cow numbers fell below a year earlier during the winter. The collapse in milk per cow was much more startling. Milk per cow in the 20 States went from more than 2% above a year earlier last summer to 2% below by March. Milk output is projected to recover by the end of the year. But, declines probably will continue through summer, and any autumn increase is expected to be small. The 2001 decrease from a year earlier is expected to be about 1%, the first decrease since 1996 and possibly the largest since 1984. Demand for key dairy products has stayed good, although not quite matching that of the 3 previous years. Prices are projected to stay firm through yearend, although earlier erosion is possible if milk production recovers more strongly than expected.

****SPECIALS THIS ISSUE****

MAY MONTHLY AVERAGES AND SUMMARY (PAGES 7 - 9)

MAY 2001 DEIP BID ACCEPTANCES (PAGE 10)

APRIL CONSUMER PRICE INDEX (PAGE 11)

COMMERCIAL DISAPPEARANCE (PAGE 11)

DAIRY SITUATION AND OUTLOOK (PAGE 12)

ANNOUNCED ADJUSTMENT IN 2001 PURCHASE PRICES FOR MILK AND

MILK PRODUCTS (PAGE 13)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MAY 28	TUESDAY MAY 29	WEDNESDAY MAY 30	THURSDAY MAY 31	FRIDAY JUNE 1	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE	N						
BARRELS	O	\$1.5925 (+.0100)	\$1.6025 (+.0100)	\$1.6150 (+.0125)	\$1.6150 (N.C.)	(+.0325)	\$1.6063 (+.0358)
40# BLOCKS	T R A	\$1.6275 (+.0100)	\$1.6275 (N.C.)	\$1.6450 (+.0175)	\$1.6450 (N.C.)	(+.0275)	\$1.6363 (+.0238)
BUTTER GRADE AA	D I N G	----	\$1.9050 (-.0050)	----	\$1.9100 (+.0050)	(N.C.)	\$1.9075 (-.0025)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are no longer reported here. Extra Grade and Grade A prices are \$1.0300. They last changed 9/1999. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 28

HOLIDAY

TUESDAY, MAY 29, 2001

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.6275; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5925; 4 CARS 40# BLOCKS: 1 @ \$1.6225, 1 @ \$1.6200, 2 @ \$1.6175; OFFERS UNCOVERED: NONE

WEDNESDAY, MAY 30, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.6025; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.9000, 1 @ \$1.9100; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.5000; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.9050, 1 @ \$1.9100

THURSDAY, MAY 31, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.6150; 1 CAR 40# BLOCKS @ \$1.6450; OFFERS UNCOVERED: NONE

FRIDAY, JUNE 1, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 12 CARS GRADE AA: 1 @ \$1.8900, 1 @ \$1.9000, 1 @ \$1.9025, 2 @ \$1.9000, 2 @ \$1.9025, 1 @ \$1.9000, 1 @ \$1.9050, 1 @ \$1.9025, 1 @ \$1.9050, 1 @ \$1.9100; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

Dairy Market News will report CME nonfat dry milk activity only on the sessions when trading occurs.

BUTTER MARKETS

NORTHEAST

The market tone remains firm, but the CME price for AA butter did not change last week. In each of last week's trading sessions, butter was offered and sold at prices below the current \$1.91 before closing unchanged. Churning activity was up slightly during the Memorial Day week, but most Eastern producers were not pressed to clear milk. More excess cream was available and moderate to heavy volumes did clear to Midwestern plants. Butter stocks are growing, but only fully adequate in the East. Western butter, particularly bulk, is being offered to buyers across the country. Some Eastern suppliers are purchasing Western bulk to supplement anticipated late-summer tightness. Demand for bulk, from Eastern producers is about steady. Retail sales of print or packaged butter are fair. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

The market tone remains firm, although the cash price weakened fractionally at mid-week. Churning activity over the past holiday weekend was slightly higher, although surplus cream was not as available as anticipated. Often additional cream offerings become available from Eastern sources, but this year, these volumes were absorbed within that region. Stocks of butter continue to lag levels of last year at this time. When possible, many producers and handlers are taking advantage of additional butter offerings that are coming their way.

Overall butter demand is fair at best. Many producers and handlers indicate that buyers are assessing inventory levels following the holiday weekend before placing new orders. Retail sales are somewhat slower as some retailers are indicating that consumer price resistance seems to be developing. Food service orders are also fair as restaurants and food outlets assess weekend clearances. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing bases.

WEST

Bulk butter continues to move out of the region, but some prices are being reduced to keep the offerings clearing. Print orders into retail channels are only fair for this time of year. Food service accounts have been and are good as operations gear up for the summer holiday season. Cream sales out of California are expected to slow by the end of the week as prices ratchet higher for the next two-month period. Surplus milk and cream related to the past holiday weekend were not a problem for most plants in the region. Recent hot temperatures are impacting the milk supply and are also reducing fat and protein tests on incoming milk supplies. CME weekly butter stocks grew by 2.43 million pounds this past week. They have increased 15.25 million pounds in the past six weeks compared to 10.93 last year. Current prices for bulk butter nominally range from 3 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
MAY 26	1.5613 6,794,517	1.5643 7,582,442	1.0189 20,903,749	1.8787 3,034,410	0.2657 10,129,282

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 fractionally higher on process and natural styles, unchanged on Swiss. The market tone remains firm. The holiday weekend did not supply much surplus milk to regional cheese plants and cheese output is about steady. Cheese supplies are more than adequate for current needs. Mozzarella supplies are in closer balance than some other types, but as colleges and other schools close for the summer, there is usually a "dip" in pizza consumption. Cheese distributors are more active this week as most were closed for Memorial Day and are trying to catch up. Food service demand up and down the Eastern Shore is improving as the summer season is under way. Retail sales are slow to fair, possibly a result of the increasing prices.

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

Cheddar 10# Prints	:	1.6575-2.1275
Cheddar Single Daisies	:	1.6150-2.0750
Cheddar 40# Block	:	1.7525-1.9350
Process 5# Loaf	:	1.7825-1.9425
Process 5# Sliced	:	1.8025-2.0575
Muenster	:	1.8175-2.0250
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady. Concerns continue to be expressed about milk and cheese availability during late summer and fall as well as likely price scenarios. Deliveries of previously ordered product were heavy right after the holidays as buyers resume deliveries and more truckers "return to the road". Most, if not all, processors/packagers were able to take an extra day over the Memorial Day weekend as planned. Overall demand is generally better for process, which is normally the case in early summer. Many buyers were waiting for the results of the holiday weekend movement before reordering, particularly from seasonal tourist areas. Current cheese supplies have not loosened appreciably from recent weeks, though a few producers have an occasional spare load or two for sale. Mozzarella sales have slowed for at least a few producers while others have been unaffected. Processing solids interest remains good though supplies are often picked over already. Cheese production was a little heavier over the long holiday weekend, but many plants had additional capacity. Cheese yields are drifting low as are fat and protein levels on incoming milk supplies.

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

Process American 5# Loaf	:	1.7900-1.9500
Brick And/Or Muenster 5#	:	1.9100-2.2075
Cheddar 40# Block	:	1.9100-2.1150
Monterey Jack 10#	:	2.1400-2.2350
Blue 5#	:	2.3525-2.5400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9200-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.1450-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	MAY 28 - JUNE 1, 2001
BARRELS*	:	\$1.5800 - 1.6025 (NOMINAL)
	:	(\$.0125) (.0175)
40# BLOCKS	:	\$1.6125 - 1.6425 (NOMINAL)
	:	(\$.0050) (.0050)

() Change from previous week. * If steel, barrel returned.

WEST

Prices increased fractionally for natural and process cheese for the eleventh consecutive week. Swiss prices also rose in response to higher milk prices. Some additional surplus milk was available over the holiday weekend, but it was generally spotty. Some report that more was available than expected, but all of it was handled. Some cheese buyers that had been on the sideline waiting for some price relief are reentering the market looking for additional supplies of current cheese. Other firms continue to work off existing inventories believing that cheese prices might soften, or at least stabilize, in the near term. Sellers feel comfortable with their current offering prices. Some additional under grade cheese is on the market and it is not finding a lot of buyer interest. Sales of aged cheese are generally slow for this time of year. Mozzarella demand is good and orders are often delayed for short periods of time. Swiss sales are good for this season and stocks are balanced.

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

Process 5# Loaf	:	1.7225-1.9825
Cheddar 40# Block	:	1.7350-1.8975
Cheddar 10# Cuts	:	1.9150-2.1350
Monterey Jack 10#	:	1.9250-2.0850
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.5400

FOREIGN

Prices are unchanged to higher and the market tone has slipped into typical summer patterns with regard to table cheese. Also, the increasing prices of domestically made types are not helping sales. Last week, USDA announced that it was removing the March 13, 2001 import restriction placed on certain EU countries. This followed the completion of a scientific risk assessment preformed by USDA, APHIS. Restrictions will remain in effect for the United Kingdom, France, Ireland, the Netherlands, and Greece where there have been confirmed cases of FMD in recent months.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.9600-3.4550*
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.5275*
Parmesan (Italy)	: TFEWR	: 3.3750-3.4000*
Romano (Italy)	: 2.1000-2.9900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.9675-2.1875*
Romano (Cows Milk)	: -0-	: 3.1500-5.3300*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.5900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-2.6800	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

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

	BUTTER	: CHEESE
05/28/01	30,764	: 119,731
05/01/01	25,175	: 122,899
CHANGE	5,589	: -3,168
% CHANGE	22	: -3

FLUID MILK AND CREAM

E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	160	0	194	0	116
SOUTHEAST STATES	0	0	0	0	0	0

Milk volumes during the Memorial Day weekend were only slightly heavier than recent non-holiday weekends in the Northeast. In the Southeast, weekend surplus milk supplies were heavy, but they have been heavy for the past month or two. Throughout the weekend, the milk was cleared/processed without any reported major mechanical problems. Most Northeastern plants had capacity to process more if it had been available. Milk production is steady to higher in the Northeast where the milk flow is at or very near its seasonal peak. Some much needed rain fell on most of the Northeast, which should really "bring on" alfalfa and pasture growth. In most of the Southeast, milk output is on the downside of the cycle. However, the declines are not as heavy as some contacts expect for this time of year. With milk output not falling as rapidly as anticipated, Florida handlers are still shipping quite a bit of milk out of state for processing. Temperatures are rising in Florida and other Gulf Coast states and they are taking their toll on the cows. There are many brush fires in Florida and there are reports that some of the larger ones in the north are threatening some dairy farm operations. Bottled milk sales are slowing. More schools in the Southeast are closing for the summer and the school lunch programs are down accordingly. In the Northeast, schools are still in session, but overall Class I demand is slow. The slow sales of bottled milk are adding to the surplus milk volumes that manufacturing plants are having to process. The condensed skim market is not as aggressive as it has been. Contracted volumes are clearing satisfactorily, but spot demand is slowing. Some distressed loads are still clearing to the Midwest. Some suppliers did "crank up" their dryers rather than sell their condensed skim at a loss. Most other butter/powder plants in the East did increase their drying schedules to accommodate the increased milk supply. The fluid cream market is about steady and prices are mixed. The CME butter average increased two-cents last week, but multiples were often lower. Holiday weekend cream supplies were heavy, but manageable. Quite a bit of excess cream did clear to butter makers within the region. Not too much moved to the Midwest. Spot demand is steady to improved. Some ice cream producers are back on line after many were down for an additional day during the holiday weekend. Soft serve mix sales are improving, but the cooler than normal weather has not helped sales. Cream cheese output is steady, but expected to increase in the near future, if it hasn't started already. Bottled cream sales are improving. Churning activity is moderate to heavy in those plants that are making butter.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT		
F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.3875-2.5976
DELIVERED EQUIVALENT ATLANTA	-	2.3684-2.5785 M 2.4066-2.4448
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4257-2.5785
PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS		
F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.0900-1.1500
NORTHEAST- CLASS III - SPOT PRICES	-	.8000- .9600

M I D W E S T

The Memorial Day holiday weekend generated extra volumes of surplus milk. Most reportedly came from within the region and was handled with minimal difficulty and at much smaller discounts than normal for this holiday weekend. Spot premiums were lower for the holiday weekend but rebounded nicely by midweek. Premiums for some supplies were noted as low as 50 cents over class for the holiday weekend with most in the net \$0.75 to \$1.00 over area. By midweek, prices rebounded back around the \$1.50 over area. A large plant breakdown in the region prior to the holiday weekend did force some extra loads to get hauled further distance than planned, but otherwise few sizeable problems in handling the extra milk was noted. Many manufacturing plants were full on Monday but by midweek, most were again current. At least one source thought that perhaps the coming weekend could provide more surplus

milk due to slower Class I sales than the holiday weekend. Class I demand was generally slower between the holiday and the closing of additional schools for the summer. Some promotional activity on fluid products stimulated sales in selected markets. Cottage cheese and ice cream use remains seasonally active. Ice cream operations resumed production after the holiday weekend with cream prices rebounding from holiday weekend lows. Cream prices are higher, reflecting the increase in the Chicago Mercantile Exchange cash butter average. Condensed skim prices remain steady. Plant milk intakes are steady to slightly higher than recent weeks in the upper tier of states with Michigan showing more significant gains than most other states in the region. Wet fields continue to stymie farmers in planting and/or harvesting first cutting, particularly in parts of Michigan. In dryer locations, good progress was made this week with first cutting and other fieldwork such as planting and/or spraying crops.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 24 - 30	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 48.00	\$ 38.00- 43.50
REPLACEMENT HEIFER CALVES	\$370.00-480.00	\$300.00-380.00

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

	MAY 24 - 30	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.00- 53.00	\$ 37.00- 47.00

W E S T

April pool receipts of milk in California total 2.780 billion pounds, 4.1% higher than last year. Cumulative pool output through April 2001 totaled 10.815 billion pounds, up 2.9% unadjusted from 2000. The April blend price, at a fat test of 3.66%, is \$13.89, \$1.21 higher than March and \$2.78 higher than April 2000. The percentage of receipts used in Class 1 products is 19.11%. Milk production levels range from steady to slightly lower across the Southwest. The effects of high temperatures are chipping away at milk production per cow. The holiday weekend did provide some problems handling milk. This was more due to the cumulative effect of smaller plants taking extended downtime, thereby causing milk to back up at other facilities. As the week progressed, the milk situation returned to pre holiday levels. The cream market in California is unsettled this week as buyers try to assess what buying patterns will do June 1, when higher fat prices become effective for Class 3 products. There is some speculation that more cream will stay local to be made into butter. Record high temperature readings remain the big story in Arizona. The effects are being tempered by cooler nighttime temperatures. Milk levels are declining from the seasonal peak volumes. Total production in the state remains below a year ago. Less fat and solids are present in incoming milk and product yields are being lowered. Milder temperatures are allowing milk output to level off in New Mexico. Milk handling over the weekend went mostly well with few problems. Haying continues across the state and conditions of the crop are mostly good. Cream demand is light to fair this week. Western cream multiples continue to range from 111 to 128 FOB. Manufacturing plants in the Pacific Northwest handled more surplus milk than anticipated over the holiday weekend. The extra milk did not cause any operational problems. A few milk producers noted that the last hot spell did take the top end off milk output and it has been slow to rebound. The heat and adequate rainfall have really been pushing the corn crop. More hay cutting is taking place and early quality estimates look very good. Yields are often not up to expectations. Hay prices continue to firm. May 1 US hay stocks are down 27% from last year at 21.1 million tons. The nine Western states surveyed are down 35% at 1.59 million tons. Looking at selected Western states compared to last year indicates that Arizona is +22%, California is -53%, Colorado is -59%, Idaho is +3%, Nevada is -61%, New Mexico is -59%, Oregon is +88%, Utah is -38%, and Washington is +18%. Enough milk was available over the holiday weekend in the northern Mountain States to allow a number of plants to operate at capacity levels. Most operations were happy to get the milk. Some additional cheese production did result from the added surplus milk. Some herd expansions are planned in the region for this summer. Heifer availability and prices are proving to be limiting factors in the expansion. Some excellent quality close up heifers are selling for as much as \$2300. Average numbers for good portions of sales in the region are in the \$1700-1900 range. The first cutting of hay is progressing through the region. Demand is excellent and prices range from \$15-25 above last year.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 05/31/01 and represent FOB Central and Western production areas. Prices represent CL/TL 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

Prices are unchanged on a generally steady market. Production is increasing as plants adjust to the influx of milk over the Memorial Day holiday. Excess volumes are adequately handled at local plants as milk volumes are less than typically expected at this time of year. Buyers are bidding lower and meeting resistance from sellers. Interest is good from cheese, blending and brokerage facilities. High heat demand is good and supplies remain limited with most movement occurring on contracts. Standard grade product is available for the light to fair demand.

Includes EXTRA GRADE and GRADE A, low and medium heat
 NONFAT DRY MILK: 1.0250 - 1.0650 MOSTLY: 1.0250 - 1.0500

DRY BUTTERMILK - CENTRAL

Prices are unchanged on a generally steady market. Trading is very light. Manufacturer supplies are limited while reseller supplies appear plentiful. Reseller offers are 1 - 7 cents below the average on product of varying ages. Some manufacturers are willing to sell product at a slight discount below the average in order to clear supplies. Demand is mostly fair, best on contractual commitments. Production is steady to higher due to an increase in milk supplies over the holiday. Producers anticipate that current supply increases will dissipate as summer temperatures encourage lower milk supplies and more milk and condensed buttermilk movement into ice cream.

BUTTERMILK: 1.0550 - 1.1300

DRY WHEY - CENTRAL

Prices are higher on a firm market. While increases in the milk supply over the holiday did encourage greater cheese and whey production, the impact was less than seasonally anticipated. Most manufacturer supplies are tight or sold out with trading very light. Because current prices are too high for export markets, trade is generally domestic and best into food facilities. Feed buyers are taking supplies on an as needed basis. Buyers that want to delay loads are asked to incur storage cost. Some orders are being canceled, freeing up loads for placement elsewhere at premium prices. Price resistance is being noted from traders. EU supplies are reportedly competitive on a delivered basis into some export markets. Condensed supplies are in balance with some heavier supplies noted over the holiday weekend.

NONHYGROSCOPIC: .2750 - .2925 MOSTLY: .2775 - .2825

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher on a firm market. Milk replacer supplies are in better balance than the week prior. Prices close to the Extra Grade average are being met with resistance yet sales are being reported. Roller ground production is steady to lower as production problems persist at some locations. Demand is fair with most product clearing on an as needed basis or into contractual commitments. Delactose supplies remain tight for the good demand. Buyers will readily take additional loads when available. April veal production totaled 15 million pounds, 9% below a year ago which was the previous record low of 17 million pounds. April pork production totaled 1.53 billion pounds, up 10% from the previous year. The April 2001 U.S. pig crop at 8.52 million head, was 1% more than the previous year. Sows farrowing during this period totaled 953 thousand head, slightly below last year.

MILK REPLACER: .2300 - .2725
 ROLLER GROUND: .2575 - .2875
 DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Trading is light to fair. Production is mostly steady and supplies are in balance to instances tight. Higher prices are encouraging more inquiries as lactose remains a less expensive substitute to whey. However, because of higher prices, permeate is becoming more of an attractive substitute to lactose, especially into feed accounts. Permeate is reportedly trading below and above the Extra Grade lactose average depending upon the quality. Movement is good into export and domestic markets. Higher prices are expected into 3rd quarter. However, export demand is anticipated to wane with a continued firm market. Feed grade supplies are limited for the good demand.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
 EDIBLE: .1675 - .2150 MOSTLY: .1900 - .2000

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady market. Supplies are mixed with totes trading at a discount while bagged product moves at a premium. Much anticipation remains with respect to a potential CCC sell back. Feed buyers are purchasing on an as needed basis or via contractual arrangements. Movement into food accounts and exports is steady. Imported 80% offers are less available than the week prior. Production of WPC is mostly steady with most plants operating at capacity. Condensed supplies are heavier than the week prior with some loads being offered to food, feed and drying facilities. Off grade demand is good for the limited supplies.

EXTRA GRADE 34% PROTEIN: .7900 - .8250 MOSTLY: .7900 - .8000

NONFAT DRY MILK - WEST

Nonfat dry milk prices are unchanged for the low/medium price series in this holiday-shortened week. Buying interest remains rather subdued with spot activity continuing on the light side. Production levels were higher in the region as milk backed up into balancing plants. Processing capacity was ample to handle surplus milk, but there were locations that had problems with milk intakes. The situation returned to manageable and then normal as the week progressed. The high heat price series is lower on the top end of the range. The market tone is termed as balanced. Production and demand are keeping in line. During the week of May 21 - 25, CCC net purchases totaled 6.5 million pounds of nonfortified and 0.4 million pounds of fortified NDM from the West.

Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .9975 - 1.0325 MOSTLY: 1.0025 - 1.0200
 HIGH HEAT: 1.0400 - 1.0800

DRY BUTTERMILK - WEST

Very few changes are noted in prices and market tone for dry buttermilk. Production was occasionally higher over the holiday weekend to help process extra milk and cream that were available. Demand is on the light side, attributed to some resistance to higher prices and buyers substituting other products. Spot offerings remain on the light side and resale activity is also slow. Producers' stocks are limited.

BUTTERMILK: 1.0200 - 1.0800 MOSTLY: 1.0400 - 1.0700

DRY WHEY - WEST

Western whey prices range from steady to fractionally higher. The market continues to have a firm undertone. Some additional production was noted over the long holiday weekend and offerings cleared easily. Inventories are tight across the country and buyers from other regions continue to search for powder in the West. Some contacts are noting some problems in export sales at this time as prices continue to increase. They state that more buyers are looking at European sourced whey as an alternative.

NONHYGROSCOPIC: .2500 - .2775 MOSTLY: .2625 - .2675

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
May 25	\$1.0105	12,973,348
May 18	\$1.0098	15,092,830

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. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

MONTHLY SUMMARY AND AVERAGES FOR MAY 2001 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 18	REPORT NUMBER 19	REPORT NUMBER 20	REPORT NUMBER 21	REPORT NUMBER 22	2001	2000
	Average					Average	Average
	MAY 01 - 04	MAY 07 - 11	MAY 14 - 18	MAY 21 - 25	MAY 28 - 31	or Total	or Total

CHEESE

MIDWEST COMMODITY CHEDDAR

-- Cheddar Barrels	:: 1.4850 - 1.5700	:: 1.5575 - 1.6425	:: 1.5675 - 1.6525	:: 1.5675 - 1.5850	:: 1.5800 - 1.6025	:: 1.5825	:: 1.0924
-- Cheddar 40# Blocks	:: 1.4900 - 1.5625	:: 1.5650 - 1.6375	:: 1.5950 - 1.6675	:: 1.6075 - 1.6375	:: 1.6125 - 1.6425	:: 1.6028	:: 1.1062

WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	:: 1.6800 - 1.8200	:: 1.6800 - 1.8200	:: 1.7775 - 1.9000	:: 1.7850 - 1.9000	:: 1.7900 - 1.9500	:: 1.8076	:: 1.3603
-- Brick And/Or Muenster 5#	:: 1.7500 - 2.0850	:: 1.7500 - 2.1600	:: 1.8600 - 2.1900	:: 1.8600 - 2.2025	:: 1.9100 - 2.2075	:: 1.9956	:: 1.5377
-- Cheddar 40# Block	:: 1.7500 - 2.1150	:: 1.7500 - 2.1150	:: 1.8600 - 2.1150	:: 1.8600 - 2.1150	:: 1.9100 - 2.1150	:: 1.9684	:: 1.7570
-- Monterey Jack 10#	:: 1.9800 - 2.1150	:: 1.9800 - 2.1875	:: 2.0900 - 2.2175	:: 2.0900 - 2.2300	:: 2.1400 - 2.2350	:: 2.1245	:: 1.8480
-- Blue 5#	:: 2.2300 - 2.3800	:: 2.3050 - 2.3800	:: 2.3350 - 2.4900	:: 2.3475 - 2.4900	:: 2.3525 - 2.5400	:: 2.3831	:: 1.8947
-- Mozzarella 5 - 6#	:: 1.7600 - 2.2150	:: 1.7600 - 2.2150	:: 1.8700 - 2.2150	:: 1.8700 - 2.2150	:: 1.9200 - 2.2150	:: 2.0234	:: 1.8370
-- Grade A Swiss Cuts 6 - 9#	:: 2.0450 - 2.6850	:: 2.1450 - 2.6850	:: 2.1450 - 2.6850	:: 2.1450 - 2.6850	:: 2.1450 - 2.6850	:: 2.4059	:: 2.3425

NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 10# Prints	:: 1.5350 - 2.0050	:: 1.6100 - 2.0800	:: 1.6400 - 2.1100	:: 1.6525 - 2.1225	:: 1.6575 - 2.1275	:: 1.8543	:: 1.3598
-- Cheddar Single Daisies	:: 1.4925 - 1.9525	:: 1.5675 - 2.0275	:: 1.5975 - 2.0575	:: 1.6100 - 2.0700	:: 1.6150 - 2.0750	:: 1.8068	:: 1.3213
-- Cheddar 40# Block	:: 1.6300 - 1.8125	:: 1.7050 - 1.8875	:: 1.7350 - 1.9175	:: 1.7475 - 1.9300	:: 1.7525 - 1.9350	:: 1.8056	:: 1.3250
-- Process 5# Loaf	:: 1.6850 - 1.8575	:: 1.7575 - 1.9175	:: 1.7675 - 1.9275	:: 1.7750 - 1.9350	:: 1.7825 - 1.9425	:: 1.8351	:: 1.3782
-- Process 5# Sliced	:: 1.7050 - 1.9600	:: 1.7775 - 2.0325	:: 1.7875 - 2.0425	:: 1.7950 - 2.0500	:: 1.8025 - 2.0575	:: 1.9015	:: 1.4543
-- Muenster	:: 1.6950 - 1.9025	:: 1.7700 - 1.9775	:: 1.8000 - 2.0075	:: 1.8125 - 2.0200	:: 1.8175 - 2.0250	:: 1.8831	:: 1.4450
-- Grade A Swiss Cuts 10 - 14#	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.4500	:: 2.4500

WEST COAST (WSP, Delivered, LTL)

-- Process 5# Loaf	:: 1.6250 - 1.8850	:: 1.6975 - 1.9575	:: 1.7075 - 1.9675	:: 1.7150 - 1.9750	:: 1.7225 - 1.9825	:: 1.8240	:: 1.3731
-- Cheddar 40# Block	:: 1.6125 - 1.7550	:: 1.6875 - 1.8500	:: 1.7175 - 1.8800	:: 1.7300 - 1.8925	:: 1.7350 - 1.8975	:: 1.7763	:: 1.2885
-- Cheddar 10# Cuts	:: 1.7925 - 2.0125	:: 1.8675 - 2.0875	:: 1.8975 - 2.1175	:: 1.9100 - 2.1300	:: 1.9150 - 2.1350	:: 1.9868	:: 1.5085
-- Monterey Jack 10#	:: 1.8025 - 1.9625	:: 1.8775 - 2.0375	:: 1.9075 - 2.0675	:: 1.9200 - 2.0800	:: 1.9250 - 2.0850	:: 1.9668	:: 1.4885
-- Grade A Swiss Cuts 6 - 9#	:: 2.3000 - 2.5100	:: 2.3500 - 2.5100	:: 2.3500 - 2.5100	:: 2.3500 - 2.5100	:: 2.3500 - 2.5400	:: 2.4275	:: 2.2909

FLUID AND DRY PRODUCTS

SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

-- Northeast - f.o.b	:: 2.4934 - 2.6701	:: 2.3402 - 2.4865	:: 2.3619 - 2.5217	:: 2.4003 - 2.5893	:: 2.3875 - 2.5976	:: 2.4797	:: 1.5961
-- Atlanta - dlvd. equiv.	:: 2.4934 - 2.7486	:: 2.3219 - 2.5231	:: 2.3734 - 2.5588	:: 2.3814 - 2.5893	:: 2.3684 - 2.5785	:: 2.4897	:: 1.5792
-- Upper Midwest - f.o.b	:: 2.5130 - 2.6505	:: 2.3768 - 2.4134	:: 2.4290 - 2.5032	:: 2.4003 - 2.5515	:: 2.4257 - 2.5785	:: 2.4781	:: 1.5823

PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.

-- Class II	:: 1.0900 - 1.1500	:: 1.0900 - 1.1500	:: 1.0900 - 1.1500	:: 1.0900 - 1.1500	:: 1.0900 - 1.1500	:: 1.1200	:: 1.0475
-- Class III	:: 0.8500 - 0.9600	:: 0.8500 - 0.9600	:: 0.8200 - 0.9600	:: 0.8000 - 0.9600	:: 0.8000 - 0.9600	:: 0.8925	:: 0.8943

NATIONAL EVAPORATED MILK (\$ per Case)

(Case - 48 - 12 fluid oz cans)

-- Delivered Major U.S. Cities	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 27.5000	:: 26.9545
--------------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	------------	------------

MONTHLY SUMMARY AND AVERAGES FOR MAY 2001 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:REPORT NUMBER 18	:REPORT NUMBER 19	:REPORT NUMBER 20	:REPORT NUMBER 21	:REPORT NUMBER 22	: 2001	: 2000
	:-----:-----:-----:-----:-----:					Average	Average
	: MAY 01 - 04	: MAY 07 - 11	: MAY 14 - 18	: MAY 21 - 25	: MAY 28 - 31	: or Total	: or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central (f.o.b.)							
-- Low/Medium Heat	:: 1.0250 - 1.0650	:: 1.0025 - 1.0650	:: 1.0025 - 1.0650	:: 1.0250 - 1.0650	:: 1.0250 - 1.0650	:: 1.0399	: 1.0008
-- Mostly	:: 1.0250 - 1.0500	:: 1.0250 - 1.0500	:: 1.0250 - 1.0500	:: 1.0250 - 1.0500	:: 1.0250 - 1.0500	:: 1.0375	: 1.0050
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.9950 - 1.0300	:: 0.9950 - 1.0300	:: 0.9950 - 1.0300	:: 0.9975 - 1.0325	:: 0.9975 - 1.0325	:: 1.0134	: 1.0022
-- Mostly	:: 1.0050 - 1.0200	:: 1.0050 - 1.0200	:: 1.0025 - 1.0200	:: 1.0025 - 1.0200	:: 1.0025 - 1.0200	:: 1.0118	: 1.0050
-- High Heat	:: 1.0300 - 1.0800	:: 1.0400 - 1.0700	:: 1.0400 - 1.0700	:: 1.0400 - 1.1050	:: 1.0400 - 1.0800	:: 1.0597	: 1.0355
-- Northeast (f.o.b.)							
-- Low/Medium Heat	:: 1.0300 - 1.0825	:: 1.0300 - 1.0850	:: 1.0300 - 1.0850	:: 1.0300 - 1.0850	:: 1.0300 - 1.0850	:: 1.0573	: 1.0155
-- Mostly	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0450	: 1.0141
-- High Heat	:: 1.0575 - 1.1100	:: 1.0575 - 1.1100	:: 1.0575 - 1.1100	:: 1.0575 - 1.1100	:: 1.0575 - 1.1100	:: 1.0838	: 1.0611
-- Mostly	:: 1.0600 - 1.1000	:: 1.0600 - 1.1000	:: 1.0600 - 1.1000	:: 1.0600 - 1.1000	:: 1.0600 - 1.1000	:: 1.0800	: 1.0539
-- Southeast (Delvd)							
-- Extra & Grade A	:: 1.0550 - 1.1500	:: 1.0550 - 1.1500	:: 1.0550 - 1.1500	:: 1.0550 - 1.1500	:: 1.0550 - 1.1500	:: 1.1025	: 1.0700
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2525 - 0.2675	:: 0.2525 - 0.2675	:: 0.2600 - 0.2750	:: 0.2675 - 0.2825	:: 0.2750 - 0.2925	:: 0.2684	: 0.1755
-- Mostly	:: 0.2525 - 0.2625	:: 0.2575 - 0.2625	:: 0.2650 - 0.2700	:: 0.2700 - 0.2775	:: 0.2775 - 0.2825	:: 0.2671	: 0.1752
-- West (f.o.b.)	:: 0.2200 - 0.2650	:: 0.2250 - 0.2750	:: 0.2400 - 0.2750	:: 0.2500 - 0.2750	:: 0.2500 - 0.2775	:: 0.2551	: 0.1758
-- Mostly	:: 0.2500 - 0.2600	:: 0.2550 - 0.2625	:: 0.2575 - 0.2650	:: 0.2600 - 0.2675	:: 0.2625 - 0.2675	:: 0.2606	: 0.1714
-- Northeast Extra Grade(f.o.b.)	:: 0.2575 - 0.2650	:: 0.2625 - 0.2675	:: 0.2650 - 0.2700	:: 0.2675 - 0.2775	:: 0.2725 - 0.2850	:: 0.2685	: 0.1805
-- Northeast Usph Grd A (f.o.b.)	:: 0.2675 - 0.2700	:: 0.2675 - 0.2725	:: 0.2675 - 0.2750	:: 0.2725 - 0.2825	:: 0.2775 - 0.2900	:: 0.2736	: 0.1864
-- Southeast Extra Grade (Delvd)	:: 0.2825 - 0.2975	:: 0.2875 - 0.2975	:: 0.2875 - 0.2975	:: 0.2875 - 0.2975	:: 0.2925 - 0.3250	:: 0.2943	: 0.2091
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.7900 - 0.8250	:: 0.7900 - 0.8250	:: 0.7900 - 0.8250	:: 0.7900 - 0.8250	:: 0.7900 - 0.8250	:: 0.8075	: 0.6724
-- Mostly	:: 0.7900 - 0.8000	:: 0.7900 - 0.8000	:: 0.7900 - 0.8000	:: 0.7900 - 0.8000	:: 0.7900 - 0.8000	:: 0.7950	: 0.6700
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.2100 - 0.2300	:: 0.2150 - 0.2475	:: 0.2250 - 0.2575	:: 0.2000 - 0.2675	:: 0.2300 - 0.2725	:: 0.2348	: 0.1450
-- Roller Ground	:: 0.2425 - 0.2725	:: 0.2425 - 0.2725	:: 0.2425 - 0.2725	:: 0.2525 - 0.2800	:: 0.2575 - 0.2875	:: 0.2615	: 0.1700
-- Delactose	:: 0.4150 - 0.4300	:: 0.4150 - 0.4300	:: 0.4150 - 0.4300	:: 0.4150 - 0.4300	:: 0.4150 - 0.4300	:: 0.4225	: 0.3355
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 1.0850 - 1.1300	:: 1.0850 - 1.1300	:: 1.0550 - 1.1300	:: 1.0550 - 1.1300	:: 1.0550 - 1.1300	:: 1.0986	: 0.8319
-- West (f.o.b.)	:: 0.9800 - 1.0800	:: 0.9800 - 1.0800	:: 1.0000 - 1.0800	:: 1.0200 - 1.0800	:: 1.0200 - 1.0800	:: 1.0395	: 0.7702
-- Mostly	:: 1.0200 - 1.0600	:: 1.0200 - 1.0600	:: 1.0300 - 1.0700	:: 1.0400 - 1.0700	:: 1.0400 - 1.0700	:: 1.0477	: 0.7518
-- Northeast (f.o.b.)	:: 1.0300 - 1.0400	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0300 - 1.0600	:: 1.0432	: 0.8236
-- Southeast (Delvd)	:: 1.0500 - 1.1550	:: 1.0550 - 1.1550	:: 1.0550 - 1.1550	:: 1.0550 - 1.1550	:: 1.0550 - 1.1550	:: 1.1045	: 0.8148
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.3200 - 1.6000	:: 1.3925 - 1.5000	:: 1.3925 - 1.5400	:: 1.3925 - 1.5400	:: 1.3925 - 1.5400	:: 1.4606	: 1.2183
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1675 - 0.2150	:: 0.1675 - 0.2150	:: 0.1675 - 0.2150	:: 0.1675 - 0.2150	:: 0.1675 - 0.2150	:: 0.1913	: 0.2175
-- Mostly	:: 0.1750 - 0.1875	:: 0.1750 - 0.1875	:: 0.1775 - 0.1875	:: 0.1825 - 0.1925	:: 0.1900 - 0.2000	:: 0.1848	: 0.2000
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	: 2.1136
-- Nonrestricted - Acid	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	: 2.1305

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

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR MAY 2001

COMMODITY	REPORT NUMBER 18	REPORT NUMBER 19	REPORT NUMBER 20	REPORT NUMBER 21	REPORT NUMBER 22	2001 *	2000 *
	MAY 1 - 4	MAY 7 - 11	MAY 14 - 18	MAY 21 - 25	MAY 29 - 31	Average	Average
BUTTER*							
--GRADE AA							
--Monday		1.8500	1.8800	1.9100	#		
--Tuesday							
--Wednesday	1.7875	1.8625	1.8800	1.9100	1.9050		
--Thursday							
--Friday	1.8000	1.8500	1.9100	1.9100		1.8713	1.2450
--Weekly Average**	1.8283	1.8542	1.8900	1.9100			
CHEESE*							
--BARRELS							
--Monday		1.5550	1.5600	1.5600	#		
--Tuesday	1.5450	1.5575	1.5600	1.5600	1.5925		
--Wednesday	1.5450	1.5500	1.5675	1.5700	1.6025		
--Thursday	1.5525	1.5600	1.5600	1.5800	1.6150		
--Friday	1.5600	1.5600	1.5675	1.5825		1.5665	1.0860
--Weekly Average**	1.5465	1.5565	1.5630	1.5705			
--40# BLOCKS							
--Monday		1.5850	1.6075	1.6075	#		
--Tuesday	1.5625	1.5850	1.6075	1.6075	1.6275		
--Wednesday	1.5625	1.6000	1.6075	1.6125	1.6275		
--Thursday	1.5725	1.6000	1.6075	1.6175	1.6450		
--Friday	1.5800	1.6025	1.6075	1.6175		1.6023	1.0950
--Weekly Average**	1.5655	1.5945	1.6075	1.6125			
NONFAT DRY MILK*							
--EXTRA GRADE							
--Monday		1.0300	1.0300	1.0300	#		
--Tuesday	1.0300	1.0300	1.0300	1.0300	1.0300		
--Wednesday	1.0300	1.0300	1.0300	1.0300	1.0300		
--Thursday	1.0300	1.0300	1.0300	1.0300	1.0300		
--Friday	1.0300	1.0300	1.0300	1.0300		1.0300	1.0300
--Weekly Average**	1.0300	1.0300	1.0300	1.0300			
--GRADE A							
--Monday		1.0400	1.0400	1.0400	#		
--Tuesday	1.0400	1.0400	1.0400	1.0400	1.0400		
--Wednesday	1.0400	1.0400	1.0400	1.0400	1.0400		
--Thursday	1.0400	1.0400	1.0400	1.0400	1.0400		
--Friday	1.0400	1.0400	1.0400	1.0400		1.0400	1.0300
--Weekly Average**	1.0400	1.0400	1.0400	1.0400			

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported. # Memorial Day, the CME was closed.

M A Y 2001 DEIP BID ACCEPTANCES

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
JULY 2000 – APRIL 2001	NONFAT DRY MILK	68,201		
04/02/01				
MAY 1 – 31, 2001		0		
JULY 2000 – APRIL 2001	CHEESE	3,030*		
MAY 1 – 31, 2001		0		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ-MONTEREY JACK, V-VARIETAL				
JULY 2000 – APRIL 2001	BUTTERFAT	0		
MAY 1 – 31, 2001		0		
A-ANHYDROUS MILKFAT, B-BUTTER				
TOTAL MT				PROGRAM TO DATE
TOTAL BONUS VALUE				71,231
				\$12,419,000

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

Conversion: 1 metric ton (MT) = 2,204.6 pounds. **SOURCE: FOREIGN AGRICULTURAL SERVICE**

* Program year allocations are filled

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/
FEB 2000	171.3	3.0	163.6	1.7	163.5	5.6	163.7	-0.7	154.9	22.3	159.5	5.4
MAR 2001	171.7	3.1	163.2	2.6	159.8	4.4	164.0	1.0	152.3	13.5	160.1	5.1
APR 2001	171.9	3.2	163.4	1.7	162.3	4.6	162.4	-0.7	154.7	18.1	160.7	5.1
U.S. City Average Retail Prices												
Month	Whole Milk 4/		Lowfat Milk 4/		Butter 5/		Process Cheese 6/		Natural Cheese 7/		Ice Cream 8/	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Dollars												
FEBRUARY	2.847	2.777	2.672	2.693	2.979	2.293	3.693	3.731	3.862	3.821	3.609	3.340
MARCH	2.760	2.748	2.677	2.681	2.970	2.408	3.723	3.845	3.846	3.810	3.660	3.275
APRIL	2.845	2.773	2.652	2.711	3.009	2.300	3.738	3.747	3.883	3.790	3.651	3.338

NA = Not available. 1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS-JANUARY-MARCH 2000-01 AND YEAR-TO-DATE 1999-2000 1/

Item	Jan.-Mar. 2000	Percent change 4/	Jan.-Mar. 2001	Percent change 4/	Jan.-Dec. 1999	Percent change 4/	Jan.-Dec. 2000	Percent change 4/
	Million Pounds							
MILK								
Production	42,630	5.3	41,324	-2.0	162,716	3.4	167,658	2.7
Marketings	42,304	5.3	41,010	-2.0	161,388	3.5	166,346	2.8
Beginning Commercial Stocks 2/	6,143	16.5	6,839	11.3	5,274	7.9	6,143	16.5
Imports 2/	952	-16.2	1,124	18.1	4,772	4.0	4,446	-6.8
Total Supply 3/	49,399	6.1	48,973	0.1	171,434	3.6	176,935	2.9
Ending Commercial Stocks 2/	9,337	14.4	8,325	-10.8	6,143	16.5	6,871	11.9
Net Removals 2/	273	259.2	68	-75.1	343	-6.3	841	145.2
Commercial Disappearance 3/	39,789	3.8	40,580	3.1	164,948	3.2	169,223	2.3
SELECTED PRODUCTS 5/								
Butter	298.4	-1.0	285.5	-3.2	1,310.9	7.2	1,298.2	-1.2
American Cheese	859.3	3.0	906.3	6.7	3,542.5	6.1	3,587.7	1.0
Other Cheese	1,135.7	8.0	1,196.0	6.5	4,672.1	4.9	4,963.5	6.0
Nonfat Dry Milk	167.5	-18.6	219.4	32.2	737.1	-15.0	770.8	4.4
Fluid Milk Products 6/	14,115.2	-0.2	14,007.9	0.3	55,712.2	0.7	55,496.2	-0.7

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ Milk-equivalent, milkfat basis. Calculated using slightly different factors than previously. Further changes may be made as technical parameters become available. 3/ Totals may not add because of rounding. 4/ From year earlier on a daily average basis. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. SOURCE: Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA. This information is now available through ERS AutoFAX. To request a document, dial (202) 694-5700 and enter document number 11521 when prompted.

THE DAIRY SITUATION AND OUTLOOK

Dairy Prices Firm. Wholesale prices of butter and cheese have held fairly steady after rising briskly in February-April. The economic and natural factors that caused the sizable winter declines in milk production are likely to have continuing effects on milk output during much of the rest of 2001. Meanwhile, demand for cheese, butter, and some other dairy products remains strong. Farm milk prices are now projected to match or exceed all but those of 1998.

Milk cow numbers fell below a year earlier during the winter. The low 2000 returns served to slow expansion by some dairy farms, while encouraging the exit of others. The collapse in milk per cow was much more startling. Milk per cow in the 20 States went from more than 2 percent above a year earlier last summer to 2 percent below by March. Recent milk price increases should strengthen milk per cow, lifting milk-feed price ratios from modestly favorable to quite favorable and reversing any slippage in the use of bovine somatotropin. On the other hand, the damage to cows done by winter weather will persist, and nothing can be done about poor forage quality until new-crop hay is available.

Milk output is projected to recover by the end of the year. But, declines probably will continue through summer, and any autumn increase is expected to be small. The 2001 decrease from a year earlier is expected to be about 1 percent, the first decrease since 1996 and possibly the largest since 1984.

Demand for key dairy products has stayed good, although not quite matching that of the 3 previous years. Brisk movement and drops in output forestalled normal seasonal increases in commercial stocks. Commercial stocks of butter, cheese, and (probably) nonfat dry milk were well below a year earlier on May 1.

Wholesale cheese prices are expected to be fairly steady through summer and may not change much until the end of the year. Supplies generally will be lower, but production is projected to recover and demand probably will not grow as much as in recent years. Butter prices have more latent volatility. Domestic milkfat supplies will be tight, and it is very much uncertain how much milkfat will be imported beyond the tariff-rate quotas (TRQ). If the international butter market is as soft as it appears, enough should be imported to moderate current prices. However, over-TRQ imports are always risky, and domestic butter prices could be quite variable during the remainder of 2001.

Farmers are expected to receive an average price for milk almost \$3 per cwt above 2000 and only slightly below the 1998 record. Prices are projected to stay firm through yearend, although earlier erosion is possible if milk production recovers more strongly than expected.

Editor's Note: This situation review and outlook was conducted prior to the Dairy Price Support Program purchase price changes announced on May 31, 2001.

SOURCE: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-83, May 31, 2001, Economic Research Service, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184.

USDA ANNOUNCES ADJUSTMENTS IN 2001 PURCHASE PRICES FOR MILK AND MILK PRODUCTS

The U.S. Department of Agriculture announced on May 31 that its Commodity Credit Corporation will increase the price it pays for butter by 19.99 cents to \$0.8548 per pound, and decrease the price of nonfat dry milk by 10.32 cents to \$0.9000 per pound. The purchase prices for block Cheddar and barrel cheese remain unchanged at \$1.1314 and \$1.1014 per pound, respectively. The 2001 Appropriations Bill extended the price support program through calendar year 2001 at the 2000 support price of \$9.90 per hundredweight of milk with an annual average milk fat content of 3.67 percent. The changes are effective May 31.

The decision to change the butter and nonfat dry milk prices was based on an accumulation of nonfat dry milk stocks in quantities well above USDA's ability to use the product, the level of expenditures to USDA, and significant market distortions. The Agricultural Market Transition Act permits the USDA to adjust the balance between the purchase prices of butter and nonfat dry milk twice each calendar year under the Milk Price Support Program.

Further terms and conditions for purchases of dairy products will be announced later.

PURCHASE PRICES FOR SURPLUS DAIRY PRODUCTS

(Dollars per Pound)

PRODUCTS	Produced before		Produced on or	
	5/30/01 and offered by 6/13/01		after 5/30/01, or offered on or after 6/13/01*	
BUTTER				
U.S. Grade A or Higher 25-kg blocks, salted	0.6549		0.8548	
NONFAT DRY MILK (Spray)				
U.S. Extra Grade (but not more than 3.5% moisture):				
Nonfortified (25-kg bags) 1/	1.0032		0.9000	
Fortified (Vitamins A & D) (25-kg bags)	1.0132		0.9100	
CHEESE				
Standard Moisture Basis 2/ 40-lb. Block Cheddar U.S. Grade A or higher (but not more than 38.5% moisture)	1.1314		1.1314	
500-lb, Barrel Cheese U.S. Extra Grade (but not more than 36.5% moisture)	1.1014		1.1014	

1/ Nonfat dry milk in bags which are classified as "Type X" will be accepted at a discount of 0.50 cent (1/2 cent) per pound.

2/ Standard Moisture Basis (37.8 - 39.0 percent moisture).The prices per pound for bulk cheese which contains less than 37.8 percent moisture can be calculated using the following formula: 100% - % moisture x base price divided by 61%; the result is rounded to the nearest fourth digit to the right of decimal. Fifth digit of 5 or more is rounded up, 4 or less is rounded down.

*Product older than a certain age may be rejected.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 28 - JUNE 1			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/00	SAME PERIOD LAST YEAR	WEEK ENDING 05/25/01	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	3,050,083	1,206,947	-0-	-0-
Barrel	-0-	-0-	-0-	4,025,276	-0-	-0-	-0-
Process	-0-	-0-	-0-	3,999,600	5,583,600	-0-	-0-
TOTAL	-0-	-0-	-0-	11,074,959	6,790,547	-0-	-0-
NONFAT DRY MILK							
Nonfortified	7,964,989	-0-	7,964,989	309,539,307	331,681,528	541,856,000	-0-
Fortified	-0-	-0-	-0-	28,051,923	5,313,347	38,128,000	-0-
TOTAL	7,964,989	-0-	7,964,989	337,591,230	336,994,875	579,984,000	-0-

#Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support.

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

	MILKFAT*	SKIM**	MILKFAT*	SKIM**
	BASIS	SOLIDS	BASIS	SOLIDS
WEEK OF MAY 28 - JUNE 1, 2001 =	1.8	92.7	5.7	182.1
CUMULATIVE SINCE OCTOBER 1, 2000 =	176.5	4,039.2	136.8	3,989.9
CUMULATIVE JANUARY 1 - JUNE 1, 2001 =	60.0	2,556.6	125.6	3,396.7
			COMPARABLE WEEK IN 2000 =	
			CUMULATIVE SAME PERIOD LAST YEAR =	
			COMPARABLE CALENDAR YEAR 2000 =	

* 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 MAY 28 - JUNE 1, 2001 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED	
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
WEST	-0-	-0-	-0-	-0-	-0-	-0-	7,964,989	-0-	
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

CCC ADJUSTED PURCHASES SINCE 10/1/00 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00
MIDWEST	-0-	-0-	5,995,440	6,710,019	3,502,074	40,162,729	31.8	51.7
WEST	-0-	-0-	5,039,919	80,528	334,089,156	293,468,477	68.0	47.7
EAST	-0-	-0-	39,600	-0-	-0-	3,363,669	0.2	0.6
TOTAL	-0-	-0-	11,074,959	6,790,547	337,591,230	336,994,875	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 30, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/12/01 & Comparable Week 2000

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1			
2001-Dairy	0.2	0.7	5.1	4.9	19.6	2.3	1.4	0.8	10.0	2.2	47.2	1,020.4	44.4	48.7
2000-Dairy	0.2	0.8	5.5	4.6	19.4	2.1	0.6	0.8	9.8	2.9	46.8	987.3	45.4	50.2
2001-All cows	0.2	0.8	6.9	15.6	28.2	13.1	17.8	4.9	13.0	5.9	106.4	2,096.1		
2000-All cows	0.3	1.1	7.4	14.2	28.5	16.0	13.9	4.1	12.3	5.5	103.1	1,965.6		

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

CLASS III (2000) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37

FEDERAL MILK ORDER CLASS PRICES FOR 2001 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.99	11.94	12.65	13.44	14.21	14.99						
II	12.82	13.43	14.17	15.10								
III	9.99	10.27	11.42	12.06								
IV	12.13	12.70	13.46	14.41								

1/ Specific order differentials to be added to this base price are located at: www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm