

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (07/20):**

**BUTTER:** Grade AA closed at \$1.8650. The weekly average for Grade AA is \$1.8442 (+.0242).

**CHEESE:** Barrels closed at \$1.6325 and blocks at \$1.6700. The weekly average for barrels is \$1.6325 (+.0015) and blocks, \$1.6695 (-.0005).

**NONFAT DRY MILK:** Extra Grade closed at \$.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$.9900 (-.0400) and Grade A, \$1.0000 (-.0160).

**BUTTER:** Butter markets are unsettled, although the undertone is firm. Producers and handlers indicate that the majority of recent offerings on the CME cash market have been stocks of butter that were delivered on July futures versus surplus butter. Contacts feel that a large portion of the July deliveries have now cleared and the cash price is rebounding. Churning schedules across the country are fair, with cream supplies seasonally lighter as milk production, butterfat tests, and cream offerings are all lower. Butter demand is typical for this time of the year. Retail orders are lighter as buyer price resistance is being reported.

**CHEESE:** The cheese market is steady with prices in a narrow trading range. Most current cheese offerings are adequate for needs. Most buyers continue to purchase for short term needs at slow to fair levels. Cheese production continues to decline as milk intakes fall seasonally and shipments to the Southeast reduce the pool of manufacturing milk available. Cheese plant operators seeking supplemental loads of milk are often going unsatisfied due to limited supplies. Cheese yields are also seasonally low.

**FLUID MILK:** Milk production across the country is now starting to decline along seasonal patterns as hot, summer temperatures and high humidity take their toll on the milking herd. Florida handlers have started to import milk and volumes are expected to grow. Milk in the Northeast and Upper Midwest is expected to tighten as the need for milk in the Southeast increases through late fall. Milk production in New Mexico and Arizona is lower as summer conditions prevail. In California, somewhat lower temperatures are being reported which are contributing to steady milk production patterns. In most instances, California supplies are in balance and processors are able to get milk for their needs. Bottled milk sales are sluggish and typical for summer, although some year-round schools are resuming classes, thus increasing school milk needs. Cream demand is mixed. Declines in the cash butter price provided cream buyers with an unexpected financial reprieve, although very recent firmness in the butter price is quickly narrowing those savings. Ice cream production is seasonally active. Continued warm weather is keeping consumption of hard and soft serve ice cream high. Churning is light to moderate.

**DRY PRODUCTS:** Nonfat dry milk markets are unsettled with prices steady to lower across the country. Powder production is expected to edge lower as milk production declines and demand for available milk for other dairy products remains strong. Stocks are reported to be sufficient, although delivered prices from one region to another are, in instances, more favorable than local production. Most CCC offerings are out of the West, although some Midwest offerings are being reported. Many in the trade are assessing the possible impact of an announced proposal between a large U.S. cooperative marketing agency and a foreign dairy board to handle the agency's export sales. Specific details are limited, but many exporters are indicating that this proposal could alter international opportunities and sales

activity. Current international sales out of the United States are slow as exporters await the announcement by USDA of the new DEIP allocations. Contacts report that some sales are occurring outside of DEIP assistance. They markets are mixed with prices slightly higher and lower. For the most part, stocks are limited and some buyers are paying higher prices to secure needs, while others are just getting by. Often, producer deliveries are delayed 2-3 weeks, with others fully committed through the end of the year. Buttermilk powder markets are unsettled. Lower demand and declining NDM prices are beginning to pressure the dry buttermilk market. Ice cream production remains strong, absorbing good volumes of condensed buttermilk, thus limiting drying schedules.

**CCC:** During the week of July 16 - 20, CCC adjusted purchases totaled 6,243,726 pounds of Western nonfortified NDM.

**JUNE MILK PRODUCTION:** Milk production in the 20 major states during June totaled 12.0 billion pounds, down 0.5% from June 2000. May revised production, at 12.6 billion pounds, was down 0.9% from May 2000. Production per cow averaged 1,552 pounds, 5 pounds above June 2000. The number of cows on farms was 7.75 million head, 61,000 head less than June 2000, but 2,000 head more than May 2001. The April-June quarterly production of milk for the U.S. was 42.6 billion pounds, 1.3% below the same period last year. The average number of milk cows in the U.S. during the April-June quarter was 9.12 million head, 89,000 head less than a year ago.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for August 2001 is \$15.40. This price is derived from the advanced Class III skim milk pricing factor of \$7.90 and the advanced butterfat pricing factor of \$2.2212 per pound. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for August is \$8.20 and the Class II nonfat solids price is \$0.9111 per pound. The following are the two-week product price averages: butter \$1.9364, nonfat dry milk \$0.9730, cheese \$1.6521, and dry whey \$0.2874.

**MAY FLUID MILK SALES (AMS, CDFA):** During May, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order marketing areas and California. This was 1.1% lower than May 2000. On an individual product basis, sales of low fat (1%) milk increased from May 2000, while sales of whole milk, reduced fat (2%) milk, fat-free (skim) milk and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

**JUNE FEDERAL MILK ORDER PRICE & POOL SUMMARY (DAIRY PROGRAMS):** During June, about 10.3 billion pounds of milk were received from producers. This volume of milk is 7.7% higher than the June 2000 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.4%.) About 3.6 billion pounds of producer milk were used in Class I products, 1.3% lower than the previous year. Calendar composition likely had a slight negative impact on milk used in Class I in 2001 as compared to 2000. The all-market average Class utilizations were: Class I = 35%, Class II = 10%, Class III = 46%, and Class IV = 9%. The weighted average statistical uniform price was \$16.36 per cwt., \$.81 higher than last month, and \$4.17 higher than last year.

\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

BUTTER, NDM, CLASS III AND IV FUTURES (PAGE 7)  
INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)  
MAY FLUID MILK SALES (PAGE 9)

JUNE AND SECOND QUARTER MILK PRODUCTION (PAGE 10)  
JUNE FEDERAL MILK ORDER PRICE & POOL SUMMARY (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

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

PRODUCT	MONDAY JULY 16	TUESDAY JULY 17	WEDNESDAY JULY 18	THURSDAY JULY 19	FRIDAY JULY 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.6325 (N.C.)	\$1.6325 (N.C.)	\$1.6325 (N.C.)	\$1.6325 (N.C.)	\$1.6325 (N.C.)	N.C.	\$1.6325 (+.0015)
40# BLOCKS	\$1.6675 (-.0025)	\$1.6700 (+.0025)	\$1.6700 (N.C.)	\$1.6700 (N.C.)	\$1.6700 (N.C.)	N.C.	\$1.6695 (-.0005)
NONFAT DRY MILK							
EXTRA GRADE	\$.9900 (-.0400)	\$.9900 (N.C.)	\$.9900 (N.C.)	\$.9900 (N.C.)	\$.9900 (N.C.)	-.0400	\$.9900 (-.0400)
GRADE A	\$1.0000 (N.C.)	\$1.0000 (N.C.)	\$1.0000 (N.C.)	\$1.0000 (N.C.)	\$1.0000 (N.C.)	N.C.	\$1.0000 (-.0160)
BUTTER							
GRADE AA	\$1.8025 (+.0425)	----	\$1.8650 (+.0625)	----	\$1.8650 (N.C.)	+.1050	\$1.8442 (+.0242)

\*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, JULY 16, 2001

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.6675; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6700  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$0.9900  
 BUTTER -- SALES: 4 CARS: 1 @ \$1.7900, 1 @ \$1.7925, 1 @ \$1.7950, 1 @ \$1.7925; BIDS UNFILLED: 4 CARS: 1 @ \$1.8025, 1 @ \$1.7950, 2 @ \$1.6500;  
 OFFERS UNCOVERED: 1 CAR @ \$1.8500

TUESDAY, JULY 17, 2001

CHEESE -- SALES: 3 CARS 40# BLOCKS: 1 @ \$1.6700, 1 @ \$1.6675, 1 @ \$1.6700; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6675; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 18, 2001

CHEESE -- SALES: 3 CARS 40# BLOCKS @ \$1.6700; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6675; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.6700  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER -- SALES: 21 CARS: 1 @ \$1.8025, 1 @ \$1.8075, 1 @ \$1.8150, 1 @ \$1.8100, 10 @ \$1.7000, 5 @ \$1.7200, 1 @ \$1.7500, 1 @ \$1.8025; BIDS UNFILLED: 16 CARS: 1 @ \$1.8650, 1 @ \$1.8500, 1 @ \$1.8175, 1 @ \$1.7800, 1 @ \$1.7500, 3 @ \$1.7400, 1 @ \$1.7350, 2 @ \$1.7000, 5 @ \$1.6500; OFFERS UNCOVERED: NONE

THURSDAY, JULY 19, 2001

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$1.6700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JULY 20, 2001

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.6675; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER -- SALES: 8 CARS: 1 @ \$1.8600, 1 @ \$1.8625, 2 @ \$1.8650, 2 @ \$1.8675, 1 @ \$1.8700, 1 @ \$1.8725; BIDS UNFILLED: 1 CAR @ \$1.7400; OFFERS UNCOVERED: 5 CARS: 1 @ \$1.8650, 1 @ \$1.8700, 1 @ \$1.8725, 1 @ \$1.8750, 1 @ \$1.9500

**BUTTER MARKETS**

**NORTHEAST**

The market tone is weaker. However, the butter price during the CME trading on 7/16 did rebound moderately. This followed a span of six sessions of price declines. Contacts reported that butter that was delivered on July futures was being offered at the exchange and forced prices lower last week. With prices rebounding, some contacts feel that the offeror(s) may have cleared desired volumes. Where the price will go from here is still a big question. In the East, churning activity remains light. Butter makers continue to fill packaged butter orders by microfixing. Retail demand for print butter is seldom better than slow. Food service orders are steady. 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**

Butter markets remain unsettled, although many butter producers and handlers feel that the recent weak trend in cash prices is over and the market will continue to firm. Where the cash price will go is unclear, but many feel that the price level may return to pre-weakness levels. Many feel that recent offerings on the CME cash market were stocks of butter that were generated from deliveries of July butter futures rather than surplus butter. In light of this, opinions remain mixed as to butter inventory levels. Most producers and handlers are stating that stocks are lower than last year at this time. Overall butter sales activity is fair at best.

Retail prices remain higher than some shoppers are willing to pay, thus sales are not as brisk. Food service orders are the most stable as the summer vacation season continues. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing bases, although most producers and handlers continue to hold stocks with confidence.

**WEST**

Western butter producers continue to monitor cash trading on the CME butter markets and reflect those adjustments. Many questioned the weakening trend over the past few week and now question market strength. Most are aware of the recent significant sales activity and realize what impact CME butter futures deliveries are having on the cash market. Current churning in the West continues to be seasonally active, although some producers are more willing to sell their cream versus churn at this time. Cream continues to clear to buyers within and outside of the region. Ice cream production continues to absorb a significant volume of cream. Recent cooler temperatures are encouraging people to move about more, thus ice cream sales are also stronger. Butter stocks continue to lag last year at this time, although weekly butter inventories at CME approved warehouses increased nearly 400,000 pounds from last week. This has been the most significant increase in a month. 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	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
JULY 14	1.6590 6,837,469	1.6159 8,188,469	0.9702 22,789,864	1.8993 2,425,561	0.2877 11,136,138	2.5102 2,671,246	2.4925 5,761,830

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 steady to fractionally higher for process items. The market tone is generally steady. Cheese output is easing lower as milk supplies dwindle seasonally. Many cheese makers have had to cut back production schedules a day or two a week to accommodate the volumes of surplus milk currently being received at their plants. Stocks of cheddar are adequate to cover needs and aging programs are well stocked for fall/winter needs. Mozzarella sales are slower and plant stocks are fully adequate to cover any spot needs that may occur. Retail demand is slow to fair and food service orders are good.

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

Cheddar 10# Prints	:	1.7150-2.1850
Cheddar Single Daisies	:	1.6725-2.1325
Cheddar 40# Block	:	1.8100-1.9925
Process 5# Loaf	:	1.8400-2.0025
Process 5# Sliced	:	1.8600-2.1200
Muenster	:	1.8750-2.0825
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is about steady. The cash cheese market just seems to be "treading water" at current prices. Some traders are attributing movement as slowed by the economy and current prices. Cheese offerings are slightly more than adequate for current demand. Cheese demand is slow to fair with a number of plants forced to build inventory. Most sellers will try to rotate stocks in order to keep product age down. Most cutter/packagers are operating on reduced schedules due to order size. A few fast food promotions are stimulating extra process movement. Plant operating schedules are well below year ago levels due to lower milk volumes. Most traders expect cheese supplies to tighten as milk production declines seasonally and supplemental milk volumes move to Southern users. Cheese yields reflect low, summer fat and protein levels.

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

Process American 5# Loaf	:	1.8500-2.0200
Brick And/Or Muenster 5#	:	1.9900-2.2650
Cheddar 40# Block	:	1.9800-2.1150
Monterey Jack 10#	:	2.1400-2.2925
Blue 5#	:	2.4100-2.6100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0000-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.4000-2.6850

**MIDWEST COMMODITY CHEDDAR**

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

CHEDDAR STYLES	:	JULY 16 - 20, 2001
BARRELS*	:	\$1.6300 - 1.6475 (NOMINAL)
	:	(\$ .0025) (.0050)
40# BLOCKS	:	\$1.6700 - 1.7000 (NOMINAL)
	:	

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

**WEST**

Process and natural cheese prices held basically unchanged. Slightly higher and lower fluctuations in the cash cheese market are having little impact on current prices. Overall cheese sales are seasonally steady. Mozzarella production and sales are reported to be stronger as many producers and handlers ready themselves for upcoming needs along with meeting current demand. Good quality blocks continue to move well with barrels in a tighter position. Swiss sales are steady to slightly slower with production steady to somewhat lower. Milk production in the Western part of the country continues to be impacted by summer temperatures and humidity, although cheese producers indicate that overall milk volumes to cheese plants are seasonally steady. Producers continue to question inventory management at this time. Most are hesitant to build too large of inventories at current prices.

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

Process 5# Loaf	:	1.7775-2.0375
Cheddar 40# Block	:	1.7900-1.9525
Cheddar 10# Cuts	:	1.9700-2.1900
Monterey Jack 10#	:	1.9800-2.1400
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.5400

**FOREIGN**

Prices and the market tone are unchanged. Demand for foreign or imported cheese remains slow for table cheeses and fair to good for processing types. Stocks range from light to adequate. Reports from individual countries in Europe indicate that exports of cheese during the first quarter of 2001 are up from the same period last year. Exports from The Netherlands and France both show 8% increases from the first three months of 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	:	2.6400-3.1400	2.0175-3.5125
Gorgonzola	:	3.2400-5.9400	2.4900-3.5850
Parmesan (Italy)	:	TFEWR	3.4325-3.4575
Romano (Italy)	:	2.1000-2.9900	-0-
Provolone (Italy)	:	3.4400-5.5000	2.0250-2.2450
Romano (Cows Milk)	:	-0-	3.2075-5.3850
Sardo Romano (Argentina)	:	2.6500-3.2900	-0-
Reggianito (Argentina)	:	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
07/16/01	44,544	:	129,846
07/01/01	42,110	:	133,513
CHANGE	2,434	:	-3,667
% CHANGE	6	:	-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	27	0	0	15	51	0
SOUTHEAST STATES	42	0	0	0	0	0

Regional Milk Market Administrators announced the following, June 2001 uniform prices: Northeast \$17.08, Mideast \$15.97, Southeast \$17.28, Florida \$18.89, and Western New York (a state order) \$16.53 at the base cities/counties in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During June, milk production in the 20 major states totaled 12.0 billion pounds, down 0.5% from June 2000. The following are the June to June changes for selected states: Texas -9.9%, Vermont -4.3%, Florida -3.3%, New York -1.5%, Pennsylvania -1.1%, Virginia unchanged, and Kentucky +5.3%. Milk production is still falling in most areas of the region, but rates of decent are often lighter than many contacts expected. Milk supplies, though tight, are not as tight as anticipated. In fact, some extra milk and/or condensed skim is finding its way into Northeastern cheese plants. Florida handlers have started to import milk and volumes are expected to grow from current levels. Handlers in other Southeastern states have also started bringing out-of-region milk into the region to supplement their own, local supplies. Bottled milk sales are still sluggish and typical for this time of year. In the Northeast, surplus milk volumes are often heavy this week, but most contacts feel this situation is short lived as plants that are partially down for maintenance are expected to be back on line next week. Manufacturing plants in the Southeast report a tight milk supply. The condensed skim market is weak. Offerings are growing and far exceed the generally slow demand. More price resistance is evident and users (primarily cheese makers) are thinking of switching from wet solids to dry products. This week, spot prices are nominal, but the low end of the Class III range did move higher. Class II prices are steady, but some "have to move" loads were noted below the bottom of the range. The fluid cream market is not as brisk this week. One butter maker is down for maintenance and, instead of buying cream they were trying to move their own production. Demand was decent early in the week, but late week offerings are heavy and finding a home is difficult. Multiples are in a wide range and prices are significantly lower due to the 14.5-cent drop in last week's CME butter average. Ice cream output is moderate to heavy as some cream buyers take advantage of the long supplies and lower multiples. The continuing warm weather is helping keep consumption of hard and soft serve ice cream high. Cream cheese output is also moderate to heavy. Churning activity is light.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2750-2.5116
DELIVERED EQUIVALENT ATLANTA	-	2.2932-2.4752 M 2.3296-2.4388
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4024-2.4934

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

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0500-1.1500
NORTHEAST- CLASS III - SPOT PRICES	- .9000-.9900

## M I D W E S T

Class I demand remains near summer levels, though aided in instances by retail promotional activity. Milk supplies remain unseasonably tight and some demand, mainly manufacturing, is going unsatisfied. Reported spot manufacturing milk premiums, on a limited test, range from \$1.75 - 2.25. Heat and humidity returned to the region early this week and has again been stressing cows. Plant receipts have accordingly been lower, though some locations' receipts have not been affected as much as others. Fat and protein tests on incoming fluid volumes are at low summer levels. Cream prices are lower, reflecting recent declines on the Chicago Mercantile Exchange cash market. Class II condensed prices are steady though Class III prices are steady to higher, reflecting the lower cream value of the milk. The higher Class III condensed skim prices are slowing interest. Milk shipments from the upper tier of states to Missouri are underway with the volume totaling about 20 loads. Michigan milk is being delivered further South, including Florida. Some other upper Midwestern loads to other Federal Orders for pool qualifying

is also occurring. These shipments are further reducing the pool of milk available for manufacturing. The initial June estimated milk production in selected Midwestern states compared with June 2000 is: Wisconsin 1.883 billion pounds, down 67 million pounds (-3.4%); Minnesota 755 million pounds, off 42 million pounds (-5.3%); Michigan 486 million pounds, up 1 million pounds (0.2%), and Iowa 314 million pounds, down 15 million pounds (-4.6%). The combined 20 major states was only down 59 million pounds (-0.5%) compared to the Wisconsin and Minnesota combined decline of 109 million pounds.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 40.00- 46.00	\$ 36.00- 43.50
REPLACEMENT HEIFER CALVES	\$380.00-570.00	\$250.00-395.00

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

	JULY 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 40.00- 50.00	\$ 36.00- 48.50

## W E S T

U.S. milk production in the 20 surveyed states totals 12.0 billion pounds for June, down 0.5% from June 2000. Production was lower than a year ago in 12 of the 20 states. June output for selected Western states compared to last year is as follows: Arizona -7.7%, California +3.2%, Idaho +5.7%, New Mexico +5.6%, and Washington -0.8%. Cow numbers in these five states were up 97,000 head from a year ago. Second quarter 2001 (April - June) milk production was 1.3% lower for all 50 states compared to the same period in 2000. Selected Western states' comparisons for the same period a year ago are: Arizona -9.2%, California +2.7%, Colorado +1.8%, Idaho +6.9%, Nevada +5.1%, New Mexico +4.4%, Oregon -2.6%, Utah -4.8%, and Washington -2.3%. Areas in the Central Valley of California are seeing temperatures 10 degrees lower than normal. Milk cows are responding favorable. Recent declines are being reversed and milk volumes and solids are trending higher. Milk output is also moving slightly higher in Southern California. Supplies are generally in balance and processors are able to get milk for their production needs. In the northern milk producing areas, production is mostly steady. Fluid orders are flat in the state with some increases noted where year round schools are returning to session. Most processing plants are running well and the weather is helpful. Also, the power demand is lower and not causing any disruptions at dairy facilities. New Mexico milk output is suffering slightly from hot and humid weather conditions. Despite heat abatement measures, milk cows are making less milk. Total volumes are higher because of more milk cows in the state. Producers continue to be faced with high milk cow and heifer prices. In addition, hay prices are trending higher, especially for dairy quality hay. Arizona production is steady to lower. Temperatures have been favorable, but humidity is increasing seasonally. Milk volumes are tending to be lower than year ago levels. Some areas are being affected by monsoon season weather, but most of the dairy areas have been spared. Very few spot multiples are being quoted for cream. The market is unsettled, reflecting the gyrating butter price at the CME. Cream sales are reported to be good to seasonal ice cream accounts. Many sales are under contract or are in-state sales in California. Western multiples are in the 125 to 135 range, FOB, reflecting recent declines in the butter market. Moisture of varying amounts fell in most areas of the Northwest over the past week. Although greatly appreciated, the rainfall did little to help the overall dry conditions of the region. Also, temperatures moderated somewhat from previous high levels. In the Pacific Northwest, milk production is mostly past the peak. Milk handlers report that milk volumes are ahead of last year and, in most instances, welcomed. Manufacturing schedules throughout the region depend on milk availability and are often being reduced. Tests on incoming milk are reported to be declining as temperatures and humidity levels remain high. Replacement heifer prices continue to be an active topic of conversation. Current reports indicate that prices in the range of \$1600 - 2200 for bred heifers and at \$1000 - 1200 for open heifers are common. Often these animals are leaving the area for other parts of the country. Lack of quality hay is causing some producers to adjust rations by lowering hay feeding and increasing grain and silage. Many producers are indicating that they will not have sufficient hay quality and quantity for the upcoming winter season without purchasing additional/expensive supplies, although some had the foresight to contract early on for upcoming needs.

**CENTRAL AND WEST DRY MILK PRODUCTS**

All reports, except California manufacturing plants, were released 07/19/01 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 lower and the market tone is weak. While NDM production is expected to wane as hotter temperatures deter milk output and school schedules commence, supplies are increasing and prices are decreasing. Market changes continue to reflect increased movement into the CCC. While most CCC offers are being made out of the West, some Central offers are also being reported. With government sales at 90 cents, buyers are reluctant to pay prices in excess of \$1, especially on a spot basis. Central region suppliers must also compete with Western product that is being delivered into the Central region at reported prices of .9600 - .9800. High heat interest is decreasing as low heat prices continue to move lower. However, substantial premiums are still being gained on tight supplies of high heat.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9000 - 1.0550 MOSTLY: .9600 - 1.0250

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged and nominal on a mostly steady market. Buyers continue to believe that lower NDM prices will eventually encourage lower buttermilk prices. However, producers remain firm in their prognostications of tight supplies throughout the remainder of the year, especially with good ice cream demand for fluid cream and condensed buttermilk. Resale offers are being reported below the range on a delivered basis for aged supplies. Production schedules are unchanged for the light to fair interest.

BUTTERMILK: 1.0550 - 1.1400

**DRY WHEY - CENTRAL**

Prices are unchanged to lower and nominal on an unsettled market. While some manufacturers are delaying shipments to contracted customers because of supply shortages, others are trading lower in order to clear excess product. Some manufacturers have agreed to divert a few shipments contracted to feed facilities that would otherwise opt for finance charges instead of receiving unwanted product. Spot purchases are light and nominal. Export movement is slow given that West Coast prices are lower. Buyers are anticipating price declines in response to a decrease in demand. Producers foresee firmer markets as milk tightens in response to summer heat and school openings. Resale trades are 1-2 cents over the average. Production is mostly steady to sometime lower depending on fluid milk demands. Lactose and permeate are still cost effective substitutes to whey into some feed operations.

NONHYGROSCOPIC: .2850 - .3050 MOSTLY: .2925 - .2975

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a generally steady market. Milk replacer supplies are very light and movement is slow. Some buyers are bidding lower and meeting resistance from producers. Roller ground and delactose continue to clear steadily on a contractual basis. Delactose supplies are tight with most producers unable to satisfy any spot interest. The latest NDM sell back is not anticipated to affect the delactose market. The early weaned pig market is steady to weak and North Central veal demand is generally steady.

MILK REPLACER: .2500 - .2850  
ROLLER GROUND: .2800 - .3075  
DELACTOSE (Min. 20% protein): .4150 - .4300

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Export inquiries continue, especially from Asian markets. Some suppliers are shorting contractual export loads in order to guarantee contractual domestic movement. Spot movement is fair with the best interest noted on 100 and 200 mesh sizes. Feed demand is good with some buyers willing to pay the average for supplies. Off grade movement is strong into feed facilities, especially as a substitute to whey. Permeate is competitive with lactose for feed demand at prices generally above the lactose mostly. The undertone is mixed as buyers suspect this may be a market peak while producers are hesitant to conjecture as much of the trade is based on production potentials in Oceania and the EU.

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

EDIBLE: .1750 - .2575 MOSTLY: .1950 - .2200

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged to lower on an unsettled market. Most manufacturers are reporting tight supplies and light trading activity. However, some plants cleared multiple loads to brokers in order to alleviate excess supplies of tote and bagged material. Because the feed market is resisting current prices in response to the NDM sell back, prices are adjusting lower. However, premiums continue to be reported on product clearing into edible facilities. Sell back NDM is not expected to displace contractual WPC agreements as producers state that they will not allow feed users to cancel their commitments. The next offering of CCC NDM is not expected for at least 2 weeks. WPC production is steady to lower as more condensed is diverted to high protein. Condensed supplies vary with producers reporting good movement and buyers stating that excess supplies are readily available. Off grade demand is good with some buyers attempting to negotiate lower prices in response to the sell back.

EXTRA GRADE 34% PROTEIN: .7600 - .8250 MOSTLY: .7700 - .8000

**NONFAT DRY MILK - WEST**

Spot prices moved lower towards the support price of 90 cents on the low/medium heat mostly range. Producers continue to offer powder to the support program to clear stocks they are unable to move commercially. The trade is assessing the future impact of an announced proposal between a large U.S. cooperative marketing agency and a foreign dairy board to handle the agency's export sales from the United States. Currently, there are few specific details. Drying schedules in the West are lower as milk moves to cheese production and milk production is seasonally lower. The decline in the butter market did not have an appreciable impact on NDM production. No news has yet been released on the new DEIP-year that started July 1. Stock levels vary, but are often balanced by sales to the CCC. High heat prices are lower in a lightly traded market. Buyers are anticipating that prices will move lower towards a more normal margin over low heat prices. During the week of July 9 - 13, CCC purchased 10.4 million pounds of Western nonfortified NDM.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8950 - 1.0250 MOSTLY: .9300 - .9700  
HIGH HEAT: .9800 - 1.0500

**DRY BUTTERMILK - WEST**

Prices remain steady with recent weeks, but the market is slightly unsettled. Lower demand for buttermilk and declining NDM prices are beginning to pressure the dry buttermilk market. Seasonal demand from ice cream producers is good, while other usages are not overly aggressive. Offerings are trending higher for some manufacturers, while others remain in good balance. Drying schedules are lower seasonally. Stock levels are mostly steady.

BUTTERMILK: 1.0400 - 1.1000 MOSTLY: 1.0500 - 1.0800

**DRY WHEY - WEST**

Western whey prices are steady to firm. Stocks vary, but for the most part, are in close balance to short of desired needs. Often, deliveries are 2 - 3 weeks out with some reaching to a month. Production is lower in many areas of the West. Domestic demand is fairly strong, although higher than desired prices are slowing international market activity.

NONHYGROSCOPIC: .2550 - .2950 MOSTLY: .2625 - .2775

**CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK**

WEEK ENDING	PRICE	POUNDS
July 13	\$.9529	15,400,917
July 6	\$.9571	10,122,463

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.

**NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS**

All reports represent carlot/trucklot quantities for domestic and export sales in 25 kg. or 50 lb. bags, and totes, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

**NONFAT DRY MILK - NORTHEAST AND SOUTHEAST**

The market tone remains unsettled. Eastern prices are steady to lower and nominal. Southern delivered prices are moderately lower and reflecting the lower Western and Central f.o.b. prices. Some plants, rather than build inventories have priced their powder to move. However, with Western NDM being purchased and delivered to the East at prices below a dollar, it is increasingly more difficult to sell locally produced powder at current levels. Production levels are up slightly as a little more milk was available this week. This, coupled with a slower demand for condensed skim is pushing more solids through dryers. In the Southeast, where milk supplies are much tighter, drying has slowed considerably. Milk in the Northeast and Upper Midwest is expected to tighten as the need for milk in the Southeast increases through late fall. This will have an impact on NDM output in the coming months. Currently, producer stocks are light to moderate. Some producers do not want to have powder on hand at a time when most feel that prices are on a downward trend. Buyers are taking spot loads only as needed, and some contract buyers are delaying pick-ups, because they can get Western powder at a lower price. Exporters are waiting word on the new DEIP allocations, but as of July 18, there has been no announcement from FAS. Last week, CCC announced the sale of 1.2 million pounds of NDM for restricted use at prices ranging \$ .6190 - .7210 per pound. The volume of the sale was from a total offering of 3.9 million pounds.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0150 - 1.0900 MOSTLY: 1.0350 - 1.0550  
 HIGH HEAT: 1.0575 - 1.1100 MOSTLY: 1.0625 - 1.0825

DELVD SOUTHEAST:

ALL HEATS: .9900 - 1.1100

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices remain nominal and unchanged. The market tone is steady. Production levels are lighter this week. One butter maker has their churn down this week for maintenance. Excess cream has been readily available to other butter/powder plants this week. Demand for dry buttermilk is just fair with only a moderate amount of spot interest. Producer stocks remain light as contracts do clear a large portion of the current output.

F.O.B. NORTHEAST: 1.0450 - 1.0600

DELVD SOUTHEAST: 1.0850 - 1.1550

**DRY WHOLE MILK - NATIONAL**

Prices are steady to lower within the range and nominal. Price drops were in response to the declines in the CME butter price early in the month. With butter prices moving higher this week, contacts feel that dry whole milk prices will move higher in coming weeks. Production levels are light and most often just to meet shipping schedules. Demand is slow to fair at best and plant stocks are light.

F.O.B. PRODUCING PLANT: 1.4650 - 1.6000

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are unchanged and nominal in the East. The market tone is more unsettled. There are some signs of weakness, but most contacts realize that we are entering the time of year when milk supplies tighten and cheese output shrinks. Eastern producers continue to report that dry whey is in a very tight supply position and many are sold out for much of the remainder of the year. With this in mind, there isn't much likelihood of increased availability during the third quarter. However, as one contact put it, "demand lacks enthusiasm" which helps keep prices relatively stable. Producers are clearing their output via contracts and some are working to get caught up. There have been reports that some contracts have been adjusted because of production shortfalls. Spot interest is slow to fair and buyer resistance is evident. There have been reports of lower priced product being offered by end users who want to clear some of their inventory. Production levels were up slightly this week as some cheese makers took in a few extra loads of milk. Any spot offerings that are available do clear satisfactorily and local producers are not discounting prices. Nor are they increasing premiums.

F.O.B. NORTHEAST:	EXTRA GRADE	.2950 - .3000
	USPH GRADE A	.2900 - .3100
DELVD SOUTHEAST:		.3175 - .3400

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are little changed. Production levels are mixed, but often lighter as milk supplies tighten seasonally in most parts of the country. This week, a little extra milk was available in the Northeast, but this may be short lived as handlers in the Southeast are beginning to purchase northern milk to supplement their own production. Demand for canned evaporated milk is fair. Retailers are assessing their positions and are already looking ahead to their anticipated fall/winter needs. Producer stocks are fully adequate and typical. Usually, producers put up stocks in the spring when milk is more abundant and less expensive.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 33.00

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

**CASEIN - NATIONAL**

Casein markets and prices are steady to firm. Some domestic buyers are questioning how high prices will go before they look at possible alternatives for product formulation. In instances, some are already making adjustments. For the most part, deliveries are arriving on more of a regular basis. Some European sourced acid casein, being held by U.S. customs for quite some time, has now cleared certification and is entering the U.S. market. Prior to this, acid supplies were quite limited, thus the clearance should ease the tightness somewhat. Rennet supplies are in balance, although some buyers are questioning their future needs in relationship to price and natural cheese prices.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.4500 - 2.7300
ACID:	2.5000 - 2.6500

**CHICAGO MERCANTILE EXCHANGE FUTURES**

Selected settling prices, (open interest), and volume <sup>1/</sup>

Month	07/05	07/06	07/09	07/10	07/11	07/12	07/13	07/16	07/17
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

**CME - (CLASS III) MILK FUTURES -- Dollars per cwt.**

JUL 01	14.94 (2888) 48	15.14 (2898) 32	15.22 (2880) 32	15.26 (2873) 3	15.28 (2880) 8	15.28 (2863) 13	15.30 (2870) 23	15.35 (2864) 4	15.33 (2850) 60
AUG 01	14.68 (2837) 14	14.68 (2849) 89	14.75 (2829) 69	14.80 (2830) 53	14.85 (2829) 15	14.99 (2835) 12	14.95 (2832) 14	14.85 (2836) 20	14.89 (2847) 26
SEP 01	14.70 (2816) 7	14.73 (2822) 11	14.75 (2834) 41	14.77 (2841) 21	14.83 (2840) 15	14.90 (2836) 21	14.89 (2823) 33	14.75 (2824) 17	14.84 (2834) 16
OCT 01	13.85 (2347) 42	13.85 (2348) 6	13.90 (2350) 4	13.90 (2356) 14	13.92 (2366) 19	14.02 (2368) 2	13.95 (2348) 24	13.80 (2357) 21	13.79 (2359) 11
NOV 01	12.88 (1815) 45	12.95 (1820) 3	12.95 (1820) 5	12.99 (1827) 10	13.05 (1832) 21	13.20 (1835) 13	13.10 (1826) 34	12.95 (1829) 14	12.90 (1828) 3
DEC 01	12.60 (1520) 4	12.65 (1521) 3	12.70 (1522) 4	12.80 (1525) 17	12.85 (1525) 3	12.97 (1527) 4	12.85 (1507) 52	12.74 (1509) 10	12.69 (1511) 5
JAN 02	11.70 (402) 3	11.80 (402) 2	11.80 (402) 0	11.86 (402) 4	11.90 (405) 16	12.05 (406) 3	11.95 (407) 5	11.95 (409) 12	11.97 (411) 7
FEB 02	11.46 (300) 8	11.51 (301) 8	11.55 (301) 8	11.65 (301) 2	11.80 (301) 2	11.90 (301) 8	11.90 (301) 0	11.90 (305) 22	11.80 (307) 10
MAR 02	11.50 (237) 13	11.55 (237) 0	11.55 (238) 3	11.65 (238) 2	11.75 (238) 3	11.81 (239) 4	11.80 (239) 0	11.80 (243) 22	11.75 (246) 12
APR 02	11.45 (137) 13	11.55 (139) 5	11.60 (139) 0	11.60 (143) 4	11.70 (145) 2	11.75 (145) 0	11.75 (144) 0	11.75 (151) 10	11.70 (153) 7
MAY 02	11.48 (89) 7	11.57 (89) 0	11.57 (89) 0	11.57 (89) 0	11.57 (89) 0	11.57 (89) 0	11.57 (89) 0	11.57 (92) 3	11.57 (95) 3
JUN 02	11.98 (56) 7	12.06 (57) 1	12.07 (57) 0	12.07 (57) 0	12.07 (57) 0	12.08 (57) 0	12.08 (57) 0	12.08 (63) 6	12.00 (70) 12
JUL 02	12.25 (10) 6	12.30 (10) 0	12.30 (10) 1	12.35 (10) 0	12.35 (10) 0	12.35 (11) 1	12.20 (11) 0	12.20 (14) 3	12.20 (16) 5
AUG 02	12.60 (7) 5	12.60 (7) 0	12.60 (7) 0	12.60 (7) 0	12.60 (7) 0	12.60 (7) 0	12.60 (7) 0	12.60 (7) 0	12.60 (7) 2
SEP 02	13.00 (7) 5	13.00 (7) 0	13.00 (7) 0	13.00 (7) 0	13.00 (7) 0	13.00 (8) 4	13.00 (8) 0	13.00 (8) 0	13.00 (9) 2

**CME - CLASS IV MILK FUTURES - Dollars per cwt.**

JUL 01	15.30 (351) 24	15.05 (372) 25	15.05 (372) 0	15.00 (356) 51	14.80 (356) 5	14.80 (361) 5	14.75 (361) 0	14.75 (361) 0	14.75 (361) 0
AUG 01	14.70 (325) 0	14.60 (325) 0	14.60 (325) 0	14.60 (325) 5	14.30 (325) 0	14.30 (325) 0	14.30 (325) 0	14.30 (325) 0	14.30 (325) 0
SEP 01	14.65 (277) 0	14.65 (277) 0	14.65 (277) 0	14.65 (282) 5	14.30 (282) 0	14.30 (282) 0	14.30 (282) 0	14.30 (282) 0	14.30 (282) 0
OCT 01	14.21 (353) 0	14.21 (355) 2	14.10 (355) 0	14.10 (355) 0	14.10 (355) 0	14.00 (355) 0	13.90 (355) 0	13.90 (352) 7	14.06 (352) 0
NOV 01	14.20 (246) 0	14.20 (246) 0	14.20 (246) 0	14.20 (244) 6	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0
DEC 01	13.35 (128) 6	13.25 (128) 3	13.15 (130) 2	13.10 (131) 1	13.05 (131) 0	13.05 (131) 0	13.05 (131) 0	13.05 (131) 0	13.05 (131) 0
JAN 02	12.90 (11) 1	12.90 (12) 1	12.90 (13) 2	12.90 (13) 0	12.78 (13) 0	12.78 (13) 0	12.78 (19) 6	12.80 (19) 0	12.80 (19) 0

**CME - BUTTER FUTURES -- Cents per pound**

JUL 01	193.00 (138) 7	190.00 (138) 7	186.00 (81) 0	186.00 (81) 0	186.00 (81) 0	181.00 (70) 0	174.00 (66) 0	176.00 (68) 5	181.00 (36) 6
SEP 01	194.75 (102) 1	193.00 (105) 7	188.00 (105) 0	188.00 (105) 0	185.00 (105) 0	180.02 (108) 3	176.00 (108) 0	178.00 (109) 3	183.00 (116) 7
OCT 01	195.00 (15) 0	191.00 (17) 2	186.50 (17) 0	182.00 (17) 0	178.00 (17) 2	178.00 (19) 3	175.00 (19) 0	175.00 (19) 2	180.00 (21) 2
DEC 01	168.00 (3) 0	164.00 (3) 0	159.00 (3) 0	157.00 (3) 0	156.00 (3) 0	156.00 (2) 1	154.00 (2) 0	154.00 (2) 0	154.00 (2) 0

**CME - NONFAT DRY MILK FUTURES -- Cents per pound**

JUL 01	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0	96.22 (3) 0
AUG 01	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0
SEP 01	95.70 (5) 1	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0
OCT 01	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0
NOV 01	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0
DEC 01	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0

<sup>1/</sup> 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 July 09 - 20, 2001

Prices are U.S. Dollars per 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:** The EU announced late last week reductions in the export subsidies on skim milk and whole milk (the new skim subsidy is now zero) though some exporters still have export subsidies at the higher levels yet to use. The change in export refunds is affecting prices reported, even within the range. Milk production is well past the spring peak and continuing to decline seasonally. The increase in European cheese production continues to affect butter/powder production schedules and availability. International demand is generally light. Many buyers are holding back on purchases, hoping for prices to weaken, especially on skim milk powder. Some traders are looking ahead at butter that will be needed for Ramadan orders that need to be in transit by fall. Most EU countries are expected to meet their milk quota level by the end of the year. Other traders expressed concern about the recent announcement of the DairyAmerica (U.S.) working agreement with the New Zealand Dairy Board on powder exports and the affect it may have on other traders.

**BUTTER/BUTTEROIL:** The butter market is about steady and prices are uneven. Current export interest is generally quiet although some interest in Eastern Europe butter is noted due to price. Strong competition for milk from cheese makers continue to affect butter output.

82% BUTTERFAT: 1,500 - 1,630  
 99% BUTTERFAT: 1,600 - 1,875

**SKIM MILK POWDER (SMP):** The skim market is unsettled. Most buyers are holding off on purchases although some lower priced Eastern Europe product has been made at under \$1900. The recent announcement of the reduction in EU export subsidies is affecting sales as some traders still have old, higher subsidies yet to use. Uncertainty over the U.S. market price and the potential DEIP allocations are also keeping buyers providing buyers with reason to hold back on purchases, in the hope of lower prices.

1.25% BUTTERFAT: 2,020 - 2,150

**WHOLE MILK POWDER (WMP):** The whole milk market is quiet. Last week the EU lowered the export subsidy on whole milk. Whole milk offerings are available. Reported prices vary depending on currency values as well as on export value used as some exporters still have the old, higher export rates to use and this affects the price.

26% BUTTERFAT: 1,950 - 2,000

**SWEET WHEY POWDER:** The whey market is unsettled. Prices on recent sales are unevenly higher and lower. Adequate stocks are available but prices vary considerably, depending on product quality and source. Supplies are available, aided by the good levels of cheese production. Export interest is light, in part due to the summer holiday season.

NONHYGROSCOPIC: 450 - 550

**EASTERN EUROPE:** Milk production is past the annual peak, though levels are reportedly holding up reasonably well for summer. Some export interest is noted in the Eastern European butter and skim milk as a less expensive alternative to the EU product.

OCEANIA

**OVERVIEW:** The milk production season is over and most activity centers on filling orders placed previously, out of inventory, and also readying equipment and selling product for the upcoming new season. Final production results are still being tallied, though the overall milk production trend was down over 3% from the previous year in Australia. New Zealand milk receipts were above year ago levels. Reports indicate that Australian dairy product consumption broke trend and was below year ago levels, in part due to reduced advertising. Some buyers are holding back on orders in the hope of lower prices, in part due to the lower U.S. support prices on skim milk and/or the expectation of new U.S. DEIP activity. Also, some price resistance is noted by some Asian customers on current cheese prices. The recent announcement of the working agreement between the New Zealand Dairy Board and DairyAmerica (U.S.) on skim milk has competitors expressing surprise and/or reacting to the news.

**BUTTER:** The butter market is mostly steady to firm. Current inventories are light and mostly committed. Most of the surplus butter held in storage has been exported, mainly to the U.S. market. With an earlier Ramadan, much of the early fall butter production and/or shipments are expected to be exported to traditional Arabic country customers in order to be available for the holiday.

82% BUTTERFAT: 1,300 - 1,500

**CHEDDAR CHEESE:** The cheese market is unsettled. International cheese demand is sluggish. Some buyers are holding back purchases at current price levels. Reports indicate that some Asian buyers are seeking alternative sources of lower priced cheese. Current sales are from inventory.

39% MAXIMUM MOISTURE: 2,250 - 2,300

**SKIM MILK POWDER (SMP):** The skim market is unsettled as buyers anticipate lower prices. Some product is still available from inventory. The recent announcement of the New Zealand Dairy Board's agreement with DairyAmerica (U.S.) to handle exports and the announcement in the reduction in EU export subsidies to zero are also considerations for others, including exporters. Other buyers are waiting for the U.S. DEIP announcement.

1.25% BUTTERFAT: 2,100 - 2,150

**WHOLE MILK POWDER (WMP):** The whole milk market is generally steady. Current export interest remains generally light. Inventory is expected to be adequate until the new production season. The reduction in the EU whole milk export subsidy as well as potential U.S. DEIP allocations are factors in the market.

26% BUTTERFAT: 2,050 - 2,150

Exchange rates for selected foreign currencies: JULY 16, 2001

.3878 Dutch Guilder	.4369 German Mark
.1303 French Franc	.4072 New Zealand Dollar
.1078 Mexican Peso	.5084 Australian Dollar
1.4005 British Pound	.0080 Japanese Yen
.2367 Polish Zloty	.8546 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1078)= 9.2764. That is 1 US Dollar equals 9.2764 Mexican Pesos.

Source: Wall Street Journal

## MAY FLUID MILK SALES

During May, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 1.1 percent lower than May 2000. On an individual product basis, sales of low fat (1%) milk increased from May 2000, while sales of whole milk, reduced fat (2%) milk, fat-free (skim) milk and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

Editor's Note: This data also can be found at [www.ams.usda.gov/dairy/mmos.htm](http://www.ams.usda.gov/dairy/mmos.htm).

**PACKAGED SALES OF FLUID MILK PRODUCTS IN MARKETING AREAS DEFINED BY  
FEDERAL MILK ORDERS AND CALIFORNIA, MAY 2001, WITH COMPARISONS <sup>1/</sup>**

Product Name/ Marketing Area (Order Number) <sup>2/</sup>	Sales		Change from: <sup>3/</sup>	
	May	Year to date	Previous Year	Year to Date
	Mil. lbs		Percent	
Whole Milk <sup>4/</sup>	1,494	7,519	-2.0	-1.2
Reduced Fat Milk (2%)	1,345	6,776	-0.8	0.5
Low Fat Milk (1%) <sup>5/</sup>	723	3,614	1.0	0.6
Fat-Free Milk (Skim)	649	3,255	-2.3	-2.4
Buttermilk	49	234	-1.7	-4.8
Total Fluid Milk Products <sup>2/</sup>	4,268	21,432	-1.1	-0.6
Northeast (001)	829	4,080	1.6	-0.4
Appalachian (005)	288	1,448	-3.4	-2.8
Southeast (007)	410	2,059	-0.7	-0.4
Florida (006)	225	1,200	-2.9	0.8
Mideast (033)	534	2,679	-4.9	-4.1
Upper Midwest (030)	365	1,829	-1.1	-0.3
Central (032)	375	1,947	-1.1	1.4
Southwest (126)	348	1,734	1.0	0.4
Arizona-Las Vegas (131)	97	510	-2.0	2.2
Western (135)	78	373	4.5	0
Pacific Northwest (124)	183	906	-1.2	0.5
California (---)	537	2,669	-1.0	-0.4

<sup>1/</sup> These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, and represent approximately 93 percent of total fluid milk sales in the United States. <sup>2/</sup> Sales by product are for all marketing areas combined. Individual marketing area data is for total fluid milk products. Total fluid milk products include the products listed plus miscellaneous products and eggnog. <sup>3/</sup> Percent changes have been adjusted for calendar composition. <sup>4/</sup> Includes flavored whole milk. <sup>5/</sup> Includes flavored fat-reduced milk.

**SOURCE:** Monthly summaries of *Federal Milk Order Market Statistics*, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

## JUNE MILK PRODUCTION

Milk production in the 20 major states during June totaled 12.0 billion pounds, down 0.5 percent from June 2000. May revised production, at 12.6 billion pounds, was down 0.9 percent from May 2000. The May revision represented an increase of 0.2 percent or 24 million pounds from last month's preliminary production estimate. Production per cow in the 20 major States averaged 1,552 pounds for June, 5 pounds above June 2000. The number of cows on farms in the 20 major states was 7.75 million head, 61,000 head less than June 2000, but 2,000 head more than May 2001. The April-June quarterly production of milk for the U.S. was 42.6 billion pounds, 1.3 percent below the April-June period last year. The average number of milk cows in the U.S. during the April-June quarter was 9.12 million head, 89,000 head less than the same period last year.

STATE	MILK COWS 1/ 2/				MILK PRODUCTION 1/ 3/			
	JUNE		APRIL-JUNE		JUNE		APRIL-JUNE	
	2000	2001	2000	2001	2001	% CHANGE FROM 2000	2001	% CHANGE FROM 2000
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	C	C	25	21	C	C	80	-14.9
AK	C	C	0.9	1.1	C	C	3.62	6.2
AZ	138	140	138	140	241	-7.7	760	-9.2
AR	--	--	42	40	C	C	130	-7.8
CA	1,518	1,585	1,512	1,580	2,758	3.2	8,428	2.7
CO	--	--	89	91	C	C	497	1.8
CT	--	--	26	25	C	C	120	-1.6
DE	C	C	10.5	9.0	C	--	37.4	1.1
FL	158	155	158	154	202	-3.3	655	-2.5
GA	--	--	88	86	C	C	386	0.5
HI	--	--	8.4	7.5	--	--	29.1	-9.6
ID	351	367	345	363	653	5.7	1,943	6.9
IL	120	115	120	116	170	-1.7	539	-0.4
IN	144	154	144	153	226	17.1	683	15.0
IA	215	210	215	211	314	-4.6	982	-2.8
KS	--	--	89	91	C	C	390	5.4
KY	132	130	133	129	139	5.3	445	2.1
LA	--	--	58	56	C	C	168	-10.6
ME	--	--	40	38	C	C	164	-4.7
MD	--	--	84	82	C	C	327	-5.8
MA	--	--	23	21	C	C	92	-9.8
MI	304	304	301	304	486	0.2	1,478	1.2
MN	535	510	538	513	755	-5.3	2,324	-5.6
MS	--	--	36	36	C	C	139	-3.5
MO	155	148	156	148	169	-9.1	542	-9.8
MT	--	--	18	19	C	C	87	8.8
NE	--	--	75	74	C	C	294	-6.7
NV	--	--	25	25	C	C	124	5.1
NH	--	--	18	18	C	C	81	-1.3
NJ	--	--	16	16	C	C	68	-1.4
NM	249	263	245	262	471	5.6	1,418	4.4
NY	688	673	691	672	996	-1.5	2,997	-2.8
NC	--	--	72	68	C	C	299	-1.3
ND	--	--	49	46	--	--	172	-6.0
OH	262	261	262	261	378	3.0	1,151	1.1
OK	--	--	91	90	C	C	336	1.5
OR	--	--	90	90	C	C	419	-2.6
PA	617	600	616	599	912	-1.1	2,792	-3.5
RI	-	--	1.8	1.5	C	C	6.2	-17.3
SC	--	--	23	21	C	C	97	-1.0
SD	--	--	103	99	--	--	414	0.2
TN	--	--	95	93	C	C	355	-2.7
TX	350	325	350	332	427	-9.9	1,379	-11.4
UT	--	--	96	93	C	C	413	-4.8
VT	160	152	160	152	225	-4.3	682	-4.7
VA	120	118	120	118	150	--	480	-1.4
WA	247	247	247	246	468	-0.8	1,406	-2.3
WV	-	--	17	16	--	--	64	-4.5
WI	1,345	1,290	1,347	1,292	1,883	-3.4	5,735	-3.6
WY	--	--	5.8	4.4	C	C	15.4	-24.1
20 STATE TOTAL	7,808	7,747	C	--	12,023	-0.5	--	--
U.S. 4/ 5/	--	--	9,213	9,124	C	C	42,627	-1.3

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 4/ Includes states for which individual monthly estimates are not available. 5/ Milk cows will not add due to rounding.

SOURCE: "Milk Production," Da 1-1 (7-01), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JUNE

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for June have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During June, about 10.3 billion pounds of milk were received from producers. This volume of milk is 7.7 percent higher than the June 2000 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.4 percent.) About 3.6 billion pounds of producer milk were used in Class I products, 1.3 percent lower than the previous year. Calendar composition likely had a slight negative impact on milk used in Class I in 2001 as compared to 2000. The all-market average Class utilization percentages were; Class I = 35%, Class II = 10%, Class III = 46%, and Class IV = 9%. The weighted average statistical uniform price was \$16.36 per cwt., \$0.81 higher than last month, and \$4.17 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 2001										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,066.6	6.0	840.9	2.6	41	15	34	10	17.08
Appalachian (Charlotte)	005	582.0	4.3	338.9	-2.5	58	19	14	9	17.33
Southeast (Atlanta)	007	631.0	4.4	380.3	-2.1	60	14	20	6	17.28
Florida (Tampa)	006	222.1	-2.7	202.7	0.1	91	7	2	0	18.89
Mideast (Cleveland)	033 <u>3/</u>	1,585.7	42.3	509.4	-2.3	32	11	51	6	15.97
Upper Midwest (Chicago)	030 <u>3/</u>	1,513.8	-21.7	300.0	-8.3	20	3	76	1	15.52
Central (Kansas City)	032 <u>3/</u>	1,572.1	14.6	375.7	-0.2	24	6	65	5	15.79
Southwest (Dallas)	126 <u>3/</u>	753.3	17.1	309.6	-1.4	41	10	38	11	16.85
Arizona-Las Vegas (Phoenix)	131	250.6	-4.0	72.8	-5.4	29	4	42	25	15.88
Western (Salt Lake City)	135 <u>3/</u>	459.5	20.3	79.6	-2.9	18	7	54	21	15.67
Pacific Northwest (Seattle)	124 <u>3/</u>	622.7	29.9	165.8	-1.2	27	7	34	32	15.78
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>3/</u>	10,259.3	7.7	3,575.7	-1.3	35	10	46	9	16.36

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 200 million pounds of milk that normally would have been associated with these markets. In June 2000, the estimated not-pooled volume of milk was 490 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +4.4.

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

	FOR THE WEEK OF JULY 16 - 20, 2001			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/00	SAME PERIOD LAST YEAR	WEEK ENDING 07/13/01	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	3,050,083	1,162,919	-0-	-0-
Barrel	-0-	-0-	-0-	4,025,276	-0-	-0-	-0-
Process	-0-	-0-	-0-	3,999,600	5,583,600	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	11,074,959	6,746,519	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	6,481,794	238,068	6,243,726	358,251,683	399,960,354	591,772,000	-0-
Fortified	-0-	-0-	-0-	28,151,091	6,759,960	38,227,000	-0-
<b>TOTAL</b>	6,481,794	238,068	6,243,726	386,402,774	406,720,314	629,999,000	-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* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JULY 16 - 20, 2001 =	1.4	72.7	COMPARABLE WEEK IN 2000 =	1.6	87.3
CUMULATIVE SINCE OCTOBER 1, 2000 =	187.2	4,607.4	CUMULATIVE SAME PERIOD LAST YEAR =	151.7	4,801.0
CUMULATIVE JANUARY 1 - JULY 20, 2001 =	70.7	3,124.8	COMPARABLE CALENDAR YEAR 2000 =	140.5	4,207.9

\* 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 JULY 16 - 20, 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-	6,243,726	-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	6,665,991	6,544,761	44,738,558	30.3	47.0
WEST	-0-	-0-	5,039,919	80,528	379,858,013	357,041,496	69.5	52.3
EAST	-0-	-0-	39,600	-0-	-0-	4,940,260	0.2	0.7
<b>TOTAL</b>	-0-	-0-	11,074,959	6,746,519	386,402,774	406,720,314	100.0	100.0

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 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 06/30/01 & 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	0.6	5.8	4.9	18.4	2.3	1.7	0.6	9.1	2.2	45.8	1,328.3	41.8	47.1
2000-Dairy	0.2	0.9	5.9	5.0	19.1	2.5	0.8	0.7	9.9	2.2	47.4	1,309.1	45.3	48.8
2001-All cows	0.2	0.8	7.9	15.2	27.4	15.6	18.4	4.5	12.6	7.0	109.7	2,819.9		
2000-All cows	0.2	1.1	8.1	15.6	28.0	14.6	13.6	3.8	13.4	6.2	104.7	2,682.7		

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	15.34					
II	12.82	13.43	14.17	15.10	15.72	16.05						
III	9.99	10.27	11.42	12.06	13.83	15.02						
IV	12.13	12.70	13.46	14.41	15.04	15.33						

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](http://www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm)