

Pacific Northwest & Arizona-Las Vegas Marketing Areas



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MARKET SUMMARIES FOR APRIL 2004

Comparisons to a year ago can be found in the tables on pages 6 and 7.

Pacific Northwest

Producers delivered a total of 414.4 million pounds of milk to the market during April. Comparisons to previous month are affected by 208.0 million pounds of eligible milk not pooled in April 2004. Daily deliveries averaged 13.8 million pounds, down 28.74 percent from March. An estimated 692 producers delivered milk to the market during the month. Daily deliveries per producer averaged 19,960 pounds, down 11.2 percent from March.

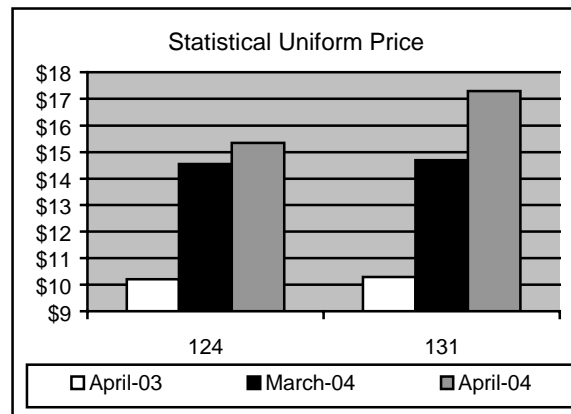
Class I producer milk during April totaled 179.2 million pounds, 43.2 percent of total producer receipts. Daily usage averaged 6.0 million pounds, down 2.5 percent from March.

Arizona-Las Vegas

Producers delivered a total of 253.3 million pounds of milk to the market during

April. Daily deliveries averaged 8.4 million pounds, down 1.7 percent from March. An estimated 100 producers delivered milk to the market during the month. Daily deliveries per producer averaged 84,446 pounds, down 1.7 percent from March.

Class I producer milk during April totaled 82.8 million pounds, 32.7 percent of total producer receipts. Daily usage averaged 2.8 million pounds, down 0.7 percent from March. ♦



Federal Order Producer Prices and Component Levels: April 2004

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	15.34	17.29	Butterfat	3.628	3.511
Butterfat 2/	2.5013	2.4614	Protein	3.018	N/A
Protein 2/	3.4465	N/A	Other Solids	5.683	N/A
Other Solids 2/	0.1042	N/A	Nonfat Solids	8.700	N/A
PPD 1/*	(4.32)	N/A			
Skim 1/	N/A	8.99			

N/A = not applicable. * Subject to applicable location adjustments. 1/ \$ per cwt. 2/ \$ per pound.

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APRIL 2004 CLASS PRICES

April 2004 non-advanced Class Prices were calculated using NASS commodity price surveys from April 3, 10, 17, and 24, 2004. Component prices for the month are \$3.4465 per pound of protein, \$2.5013 per pound of butterfat, \$0.1042 per pound of other solids, and \$0.6703 per pound of nonfat solids.

April 2004 Class III and IV prices at 3.5% butterfat are \$19.66 and \$14.57 per hundredweight, respectively. The April Class III price compared to March is up \$5.17. The Class III price is \$10.25 higher than April 2003. The Class III price at 3.67% butterfat is \$10.17 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$2.5083 per pound. Class I skim and butterfat and Class II skim prices for April 2004 were announced on March 19, 2004. The Class II price at 3.5% butterfat is \$15.21 for April 2004 .

FINAL: NASS COMMODITY PRICES

	<u>March</u>	<u>April</u>	<u>Change</u>
Cheese*	\$1.5680	\$2.0520	\$0.4840
Butter	\$2.0994	\$2.1994	\$0.1000
Nonfat Dry Milk	\$0.8101	\$0.8171	\$0.0070
Whey	\$0.1817	\$0.2602	\$0.0785

* The weighted average of barrels plus 3 cents and blocks.

Current Commodity Prices -- The NASS survey of cheddar cheese prices showed an increase in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net increase of 13.88 cents between the April 17 and the May 15 surveys, to \$2.1638 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net increase of 4.71 cents to \$2.1285 per pound.

The NASS butter price showed a net decrease of 4.04 cents between the weeks ending April 17 and May 15 from \$2.1967 per pound to \$2.1563 per pound.

The NASS nonfat dry milk showed a net increase of 1.80 cents since mid-April to \$0.8397 per pound. The average price for NASS whey showed an increase of 3.23 cents since mid-April to \$0.2990 per pound. ♦

JUNE'S CLASS I PRICE ANNOUNCEMENT

On May 21, the June 2004 Class I price was announced at \$23.03 for the Pacific Northwest Order, and \$23.48 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of May 8 and 15.

The June Class III and IV advance skim prices are \$12.98 and \$6.21 per hundredweight, respectively. The butterfat portion of the Class I mover increased 1.43 cents from \$2.4437 to \$2.4580 per pound.

The June 2004 Class II skim and nonfat solids prices were also announced on May 21. The skim price is \$6.91 per hundredweight, and the nonfat solids price is \$0.7678 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	<u>May</u>	<u>June</u>	<u>Change</u>
Cheese*	\$2.0530	\$2.1838	\$0.1308
Butter	\$2.1514	\$2.1633	\$0.0119
Nonfat Dry Milk	\$0.8179	\$0.8372	\$0.0193
Whey	\$0.2611	\$0.2975	\$0.0364

* The weighted average of barrels plus 3 cents and blocks.

USDA ANNOUNCES INTERIM ORDER TO AMEND ALL FEDERAL MILK ORDERS

On April 23, 2004, the U. S. Department of Agriculture issued an interim order amending the current classification of milk provisions of all Federal milk marketing orders. USDA determined dairy farmers' approval by polling cooperative associations in eight of the marketing areas and by conducting referenda in the Northeast and Mideast marketing areas.

This interim order reclassifies milk used to produce evaporated milk in consumer-type packages or sweetened condensed milk in consumer-type packages from Class III to Class IV.

These interim amendments to the orders became effective on May 1, 2004. Public comments on the Tentative Final Decision published in the *Federal Register* February 27, 2004, were due May 3, 2004.

The interim order rule and additional background information can be accessed on the web at <http://www.ams.usda.gov/dairy>. Copies of this interim order and additional information also

may be obtained by contacting a market administrator office. ♦

USDA SEEKS NOMINEES FOR NATIONAL DAIRY BOARD

The U.S. Department of Agriculture is asking dairy producer and farm organizations to nominate candidates to serve on the National Dairy Promotion and Research Board. Nominations should be submitted by May 31.

The Secretary of Agriculture will appoint 12 dairy farmers from those nominated to succeed members whose terms expire Oct. 31, 2004. The 12 new members will serve 3-year terms beginning Nov. 1, 2004, and ending Oct. 31, 2007.

Appointments will be made from nominations with one per region except for Region 2 (California) with four appointments: Region 1 (Oregon and Washington); Region 2 (California - 4 positions); Region 3 (Arizona, Colorado, Idaho, Montana, Nevada, Utah, and Wyoming); Region 4 (Arkansas, Kansas, New Mexico, Oklahoma, and Texas); Region 6 (Wisconsin); Region 9 (Indiana, Michigan, Ohio, and West Virginia); Region 10 (Florida, Georgia, North Carolina, South Carolina, and Virginia); Region 11 (Delaware, Maryland, New Jersey, and Pennsylvania); and Region 12 (New York).

The National Dairy Promotion and Research Board was established under the Dairy Production Stabilization Act of 1983 to develop and administer a coordinated program of promotion, research, and nutrition education. The 36-member board is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets. The national program is financed by a mandatory 15-cent per hundredweight assessment on all milk marketed commercially by dairy producers.

USDA welcomes membership on industry boards that reflects the diversity of the individuals served by the programs. USDA encourages all eligible women, minorities, and persons with disabilities to seek nomination for a seat on the board.

For nominating forms and information, contact David R. Jamison, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Room 2958-S, Stop 0233, 1400 Independence Ave., SW, Washington, D.C. 20250-0233; telephone (202) 720-6909; fax (202) 720-0285; or E-mail at

david.jamison2@usda.gov or <http://www.ams.usda.gov/dairy/dairypr.htm>. ♦

NEW FEDERAL ORDER STATISTICS ON WEB

SOURCE OF MILK FOR FEDERAL ORDER MARKETS BY STATE AND COUNTY

The USDA/Agricultural Marketing Service/Dairy Programs/Market Information Branch has released the report, "Sources of Milk for Federal Order Markets by State and County" for May 2003. The report can be found on the Milk Marketing Order Statistics web page, <http://www.ams.usda.gov/dairy>, in the Special Reports section. This is the first issue of this report under Federal milk order reform; the report was last issued in February 1998 and contained data for May 1997. The URL is http://www.ams.usda.gov/dyfmoms/mib/sources_2003.pdf.

VALUE PROVIDED BY THE PORTIONS OF THE UNIFORM MILK PRICE AT TEST

The USDA/Agricultural Marketing Service/Dairy Programs/Market Information Branch has added new uniform price tables to its Milk Marketing Order Statistics web site. The new tables present monthly and annual information on the relative contributions of the portions that make up the uniform price. The new section is titled "Value Provided by the Portions of the Uniform Milk Price at Test" and can be found at http://www.ams.usda.gov/dyfmoms/mib/cl1_unfrm_prc.htm.

For those orders that use the component pricing system for paying producers, the uniform milk price at test is the sum of the values of the butterfat, protein, and other solids components and the producer price differential. Orders 30, 32, 33, and 126 also include an adjustment for the somatic cell count in producer milk. For those orders that use the skim milk/butterfat pricing system for paying producers, the uniform milk price at test is the sum of the values of butterfat and skim milk. ♦

COMMERCIAL DISAPPEARANCE OF DAIRY PRODUCTS FOR 2003

Commercial disappearance of U.S. milk for 2003 was up 2.2% over the same period of 2002. Commercial disappearance is used as an indicator of consumption of U.S. milk marketings and is a

residual figure. This measure of consumption includes civilian and military purchases of milk and dairy products for domestic and foreign use (exports), but excludes farm household use and USDA donations of dairy products. The table below shows commercial disappearance by commodity and their milk-equivalent on a fat solids basis.

For 2003, disappearance of Butter and Other Cheese increased from 2003. Nonfat Dry Milk, American Cheese, and Fluid Milk Products showed decreases during 2003. ♦

Commercial Disappearance			
	January-December		% Change 1/
	2002	2003	
Selected Products	- - Million Pounds - -		
Butter	1,288.1	1,306.3	1.4%
American Cheese	3,730.3	3,712.5	-0.5%
Other Cheese	5,252.3	5,365.5	2.2%
Nonfat Dry Milk	792.6	770.8	-2.8%
Fluid Milk Products	55,266.2	54,980.7	-0.5%
Total *	170,851	174,661	2.2%

* Commercial Disappearance, milk-equivalent, milk fat basis. Source: Dairy Market News, Volume 71, No. 8. 1/ From a year earlier on a daily average.

UNITED STATES MILK PRODUCTION DOWN 1.2 PERCENT IN APRIL 2004

Milk production for April 2004 was down 1.2 percent for the United States compared with April 2003. United States milk production for April 2004 equaled 14,465 million pounds, 169 million pounds less than last April. The table to the right shows data for April 2004 for selected states with comparisons to year-ago levels.

Milk production in the 20 major states during April 2004 totaled 12,584 million pounds, down 0.9 percent from production in these same states in April 2003.

In rank order of contribution, New York, Pennsylvania, Minnesota, Iowa, and Washington, were the primary sources of decreases in milk production that more than offset the increases in the other states. In a similar method of ranking, California, Texas, Idaho, Florida, Ohio, and Arizona showed increases in milk production from year-ago levels. ♦

Milk Production April 2003 - 2004			
	2003	2004 1/	% Change
	- - million pounds - -		
Arizona	317	319	0.63%
California	3,033	3,068	1.15%
Florida	204	208	1.96%
Idaho	715	729	1.96%
Iowa	327	307	-6.12%
Minnesota	713	688	-3.51%
New York	1,022	974	-4.70%
Ohio	389	392	0.77%
Oregon 2/	N/A	N/A	N/A
Pennsylvania	917	870	-5.13%
Texas	512	540	5.47%
Utah 2/	N/A	N/A	N/A
Vermont	224	215	-4.02%
Washington	470	457	-2.77%
Wisconsin	1,865	1,865	0.00%
20 States 3/	12,693	12,584	-0.86%
U.S.	14,634	14,465	-1.15%

1/ April 2004 is preliminary. 2/ Data for Oregon and Utah is published quarterly. 3/ 20 States do not include Oregon and Utah. N/A = not available. Source: National Agricultural Statistics Service.

(Continued Form Page 8)

availability of bovine somatotropin (BST) should quickly be seen in milk per cow gains. Also, concentrate feed prices are projected to be somewhat lower than this year, leaving milk-feed price ratios no worse than slightly unfavorable. Milk production is projected to rise 1 to 2 percent from 2004 on a daily average basis.

Even though there may be some negative carryover from 2004's soaring prices, demand in 2005 is expected to be fairly strong. Economic prospects are generally favorable, and consumer spending seems to be shifting back to stronger food expenditures. In addition, some commercial exports of nonfat dry milk are possible, at least in the first half.

Farm milk prices are expected to average \$13-\$14 per cwt in 2005, down sharply from this year but considerably higher than the low prices of 2002 and 2003. If this year's jump in cheese demand proves larger than now seen, the decrease in 2005 farm milk prices could easily be considerably smaller.

Source: Exerts from USDA/ERS/Livestock, Dairy, and Poultry: LDP-M-119, May 18, 2004.

UNDERSTANDING A NEGATIVE PRODUCER PRICE DIFFERENTIAL

On May 14, 2004, the Statistical Uniform Price of the Pacific Northwest Order (FO 124) was announced at \$15.34 per cwt. for the April 2004 delivery period. The price reflects an increase of \$0.79 from March (\$14.55). The Producer Price Differential (PPD), however, decreased from a positive \$0.06 to a negative \$4.32 per cwt. The following article is written to provide an understanding of the negative PPD to dairy farmers who are paid on Federal order prices.

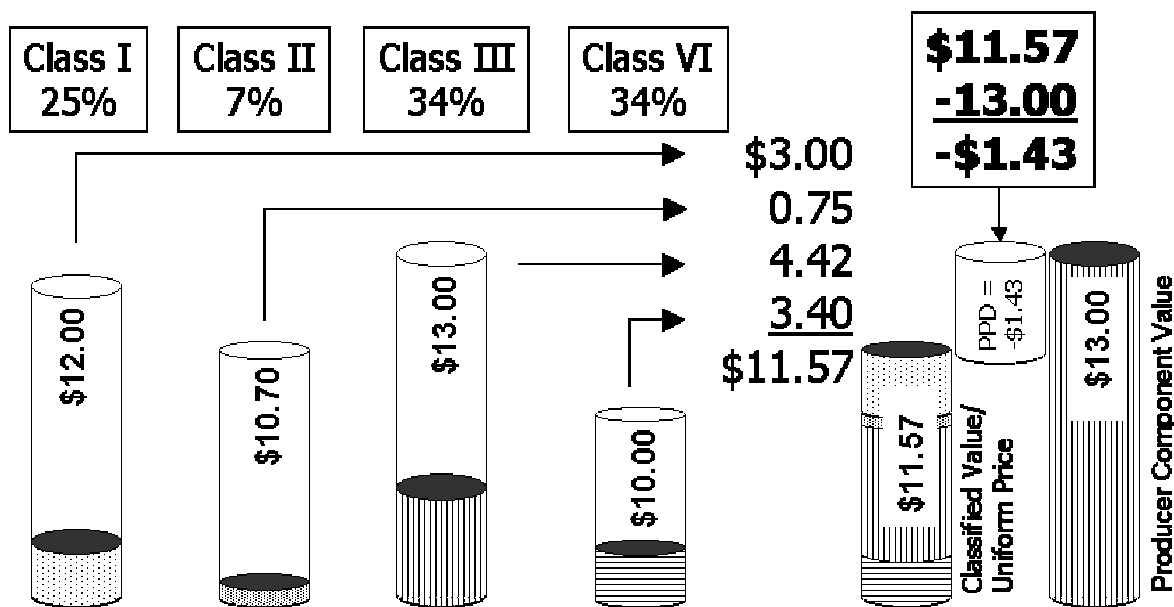
Uniform Price and The Pool

The Uniform price is the result of a process commonly referred to as the Federal order pool. The pooling process generates the uniform price that represents the classified (weighted average) value of all milk pooled on the Federal order based on how it was used by handlers. If the milk is used for packaging fluid milk products it is valued at the Class I price; if the milk is used in soft products like cottage cheese, ice cream, sour cream, etc., it is valued at the Class II price; if the milk is used in cheese or butter/nonfat dry milk it is valued at the Class III and IV prices, respectively. Handlers report how much milk they receive and how they use the milk. The pool is the summation of all the values of each handler's uses of milk. The uniform price is roughly the summation of the values divided by the total pounds of milk. The uniform price therefore represents the entire value of the pool on a hundredweight basis.

The Federal order states that dairy farmers should be paid for their milk on the basis of its component content (pounds) of butterfat, protein and other solids. The components are those that price milk in Class III, or cheese production. Components have value in the market place so it follows that the dairy farmers who produce the components should be compensated for their value.

The Federal order makes sure nonmembers and cooperatives receive at least the minimum order value for their milk. The minimum order value producers receive is represented by the value of the components and the Producer Price Differential (PPD). When the classified value is higher than the producer component value of milk, the difference, i.e., the PPD, is positive. A positive PPD is the result of what can be called "normal" price relationships. However, when dairy commodity prices rise quickly, component prices rise, too, and this causes the producer component value of milk to be higher than the classified value, i.e., price relationships become "abnormal". Since the classified value is the maximum value available to be paid to dairy farmers, the PPD must be negative when the producer value of components (Class III) is greater than the classified value.

The graphic below shows a very simplified example of how the classified value of all milk relates to: 1) the contribution of each class; 2) the Uniform price; 3) the producer component value; and 4) the resulting PPD.



MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003	
Minimum Class Prices (3.5% B.F.)										
Class I Milk (\$/cwt.)	\$15.54	\$13.84	\$11.54	No data available. FO 135 was terminated effective April 1, 2004.	\$13.84	\$11.54	\$15.99	\$14.29	\$11.99	
Class II Milk (\$/cwt.)	15.21	14.79	10.44		14.79	10.44	15.21	14.79	10.44	
Class III Milk (\$/cwt.)	19.66	14.49	9.41		14.49	9.41	19.66	14.49	9.41	
Class IV Milk (\$/cwt.)	14.57	14.10	9.73		14.10	9.73	14.57	14.10	9.73	
Producer Prices										
Producer Price Differential (\$/cwt.)	\$(4.32)	\$ 0.06	\$ 0.80		\$ 0.20	\$ 0.54	+	+	+	
Butterfat (\$/pound)	2.5013	2.3813	1.1503		2.3813	1.1503	+	+	+	
Protein (\$/pound)	3.4465	2.0133	1.8006		2.0133	1.8006	+	+	+	
Other Solids (\$/pound)	0.1042	0.0234	(0.0008)		0.0234	(0.0008)	+	+	+	
Uniform Skim Price (\$/cwt.)	+	+	+		+	+	8.99	6.96	6.54	
Uniform Butterfat Price (\$/pound)	+	+	+	+	+	2.4614	2.2768	1.1508		
Statistical Uniform Price (\$/cwt.)	\$15.34	\$14.55	\$10.21	\$14.69	\$9.95	\$17.29	\$14.69	\$10.34		
Producer Data										
Number of Producers	692 *	862	909	450	879	100 *	100	107		
Avg. Daily Production (lbs.)	19,960 *	22,485	22,946	11,840	21,383	84,446 *	85,894	87,252		
Number of Handlers										
Pool Handlers	26	28	31	18	17	6	6	6		
Producer-Handlers	7 *	7	9	5	6	2 *	2	2		
Other Plants w/ Class I Use	21 *	21	18	22	20	35 *	35	32		
Producer Milk Ratios										
Class I	43.24%	31.61%	28.05%	60.03%	16.27%	32.67%	32.35%	29.15%		
Class II	8.35%	6.95%	6.21%	17.61%	5.46%	7.46%	8.23%	5.72%		
Class III	2.87%	31.20%	33.95%	5.17%	76.62%	41.16%	39.69%	34.70%		
Class IV	45.54%	30.24%	31.79%	17.19%	1.65%	18.71%	19.73%	30.43%		

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	Mar 2004	Feb 2004	Mar 2003	Mar 2004	Feb 2004	Mar 2003	Mar 2004	Feb 2004	Mar 2003
Producer-Handler Data									
Production	21,412,941	19,656,753	24,819,155	1,968,094	1,828,122	2,471,017	R	R	R
Class I Use	18,092,494	16,113,944	17,869,798	1,606,765	1,430,610	1,724,745	R	R	R
% Class I Use	84.49%	81.98%	72.00%	81.64%	78.26%	69.80%	R	R	R
Class I Route Disposition In Area									
By Pool Plants	165,686,961	149,558,763	166,346,788	70,052,589	69,546,309	69,121,452	80,231,680	77,433,795	78,029,813
By Producer-Handlers	17,250,272	15,049,594	17,854,015	1,619,828	1,434,555	1,727,809	1/	1/	1/
By Other Plants	4,084,816 *	2,848,774	2,036,212	3,806,618 *	3,515,253	3,341,771	34,084,368 *	31,290,442	31,483,607
Total	187,022,049	167,457,131	186,237,015	75,479,035	74,496,117	74,191,032	114,316,048	108,724,237	109,513,420

* Preliminary.

R = Restricted. Not included.

1/ Restricted. Included with other plants.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003	
TOTAL PRODUCER MILK	414,368,058	600,834,267	625,726,509	No data available. FO 135 was terminated April 1, 2004.	165,170,026	563,860,776	253,339,255	266,271,086	280,078,233	
RECEIPTS FROM OTHER SOURCES	16,396,174	32,010,302	10,830,894		10,648,056	10,466,626	11,393,394	8,315,099	23,105,065	
OPENING INVENTORY	31,656,755	34,488,549	32,153,864		16,948,152	15,515,124	15,446,349	15,186,077	14,462,113	
TOTAL TO BE ACCOUNTED FOR	462,420,987	667,333,118	668,711,267		192,766,234	589,842,526	280,178,998	289,772,262	317,645,411	
UTILIZATION OF RECEIPTS										
Whole milk	29,306,151	30,366,528	28,656,345		12,648,074	12,148,566	22,102,790	23,258,932	23,299,599	
Flavored milk & milk drinks	11,271,774	11,792,204	11,159,140		6,369,257	5,682,443	6,229,974	6,025,846	5,927,956	
2% milk	66,158,137	70,786,219	68,202,085		28,247,110	27,503,697	28,408,762	29,247,469	28,885,675	
1% milk	24,053,702	24,678,790	24,602,013		13,553,199	13,163,154	9,644,716	9,967,231	9,719,632	
Skim milk	26,058,930	26,669,574	27,552,081		8,619,793	8,334,581	10,304,342	11,126,224	10,305,198	
Buttermilk	1,328,444	1,393,646	1,381,470	615,156	556,439	597,833	605,978	582,414		
CLASS I ROUTE DISP. IN AREA	158,177,138	165,686,961	161,553,134	70,052,589	67,388,880	77,288,417	80,231,680	78,720,474		
Class I dispositions out of area	13,944,145	13,215,834	10,258,398	26,812,219	22,154,586	3,967,070	3,948,099	4,542,186		
Other Class I usage	25,847,568	26,705,616	19,310,513	16,352,445	16,348,986	11,230,660	9,465,111	6,884,064		
TOTAL CLASS I USE	197,968,851	205,608,411	191,122,045	113,217,253	105,892,452	92,486,147	93,644,890	90,146,724		
TOTAL CLASS II USE	43,683,218	53,260,828	44,507,152	36,219,979	36,432,702	19,757,110	22,670,637	16,726,825		
TOTAL CLASS III USE	12,340,574	203,976,249	213,267,418	8,608,232	432,774,804	105,244,193	106,004,631	97,319,130		
TOTAL CLASS IV USE	208,428,344	204,487,630	219,814,652	34,720,770	14,742,568	62,691,548	67,452,104	113,452,732		
TOTAL ACCOUNTED FOR	462,420,987	667,333,118	668,711,267	192,766,234	589,842,526	280,178,998	289,772,262	317,645,411		
CLASSIFICATION OF RECEIPTS										
Producer milk: Class I	179,162,560	189,930,320	175,527,527	99,146,702	91,715,897	82,785,252	86,148,705	81,640,047		
Class II	34,583,442	41,762,725	38,867,981	29,089,414	30,784,405	18,886,905	21,920,427	16,009,792		
Class III	11,906,144	187,476,930	212,437,520	8,538,287	432,042,184	104,269,228	105,678,189	97,199,360		
Class IV	188,715,912	181,664,292	198,893,481	28,395,623	9,318,290	47,397,870	52,523,765	85,229,034		
Other receipts: Class I	18,806,291	15,678,091	15,594,518	14,070,551	14,176,555	26,839,743	23,501,176	37,567,178		
Class II	9,099,776	11,498,103	5,639,171	7,130,565	5,648,297	1/	1/	1/		
Class III	434,430	16,499,319	829,898	69,945	732,620	1/	1/	1/		
Class IV	19,712,432	22,823,338	20,921,171	6,325,147	5,424,278	1/	1/	1/		
Avg. daily producer receipts	13,812,269	19,381,751	20,857,550	5,328,065	18,795,359	8,444,642	8,589,390	9,335,941		
Change From Previous Year	-33.78%	-6.71%	-4.92%	-62.68%	13.81%	-9.55%	-4.69%	0.22%		
Avg. daily Class I use	6,598,962	6,632,529	6,370,735	3,652,169	3,529,748	3,082,872	3,020,803	3,004,891		
Change From Previous Year	3.58%	6.06%	1.49%	8.95%	12.23%	2.60%	3.21%	5.78%		

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for April 2004
- April 2004 Class Prices
- Class I Price for June 2004
- USDA Announces Interim Order to Amend All Federal Milk Orders
- USDA Seeks Nominees for National Dairy Board
- New Federal Order Statistics on Web
- Understanding a Negative Producer Price Differential
- Commercial Disappearance of Dairy Products Increases 2.2 Percent in 2003
- April Milk Production Down 1.2 Percent
- USDA's First Dairy Projections for 2005

USDA'S FIRST DAIRY PROJECTIONS FOR 2005

Dairy markets in 2005 will be greatly affected by how long 2004 prices remain at record levels. After low milk prices in both 2002 and 2003 and the peculiar set of circumstances leading to this year's price recovery, farmers likely will be reluctant to start planning expansions. Similarly, weaker producers may see any significant price decrease as a sign to leave dairying, particularly given the scheduled end of the Milk Income Loss Contracts at the end of September 2005. A few months of high prices in 2004 probably would not alter the pattern of milk cow numbers much, particularly when dairy replacement supplies are tight. On the other hand, an extended period of strong prices would tend to be viewed as a harbinger of more lasting price recovery. Milk cow numbers are expected to continue to decline in 2005 but at a slower rate than in 2004.

Milk per cow should post a relatively large increase in 2005. The presumed return of normal

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