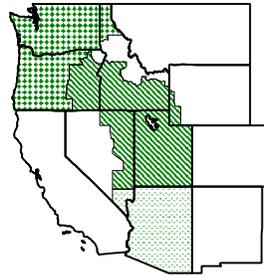


Pacific Northwest, Arizona-Las Vegas, & Western Marketing Areas



1930 – 220th Street S.E., Suite 102
Bothell, WA 98021-8471
Phone (425) 487-6009
Fax (425) 487-2775
Homepage: fmmaseattle.com
E-mail: fmmaseattle@fmmaseattle.com



11225 N. 28th Drive, D-120
Phoenix, AZ 85029
Phone (602) 547-2909
Fax (602) 547-2906
E-mail: ma@fmma.net

James R. Daugherty
Market Administrator

OCTOBER 2000

MARKET SUMMARIES FOR SEPTEMBER

Pacific Northwest

Producers delivered a total of 598.4 million pounds of milk to the market during September. Daily deliveries averaged 19.9 million pounds, up 0.5 percent from August.

An estimated 1,041 producers delivered milk to the market during the month. Daily deliveries per producer averaged 19,160 pounds, up 0.3 percent from August.

Class I producer milk during September totaled 180.8 million pounds, 30.2 percent of total producer receipts. Daily usage averaged 6.0 million pounds, up 6.6 percent from August.

Producers will receive \$2.0137 per pound of protein, \$1.2707 per pound of butterfat, and \$0.0502 per pound of other solids. Producers will also receive the market's producer price differential of \$1.35 per hundredweight, subject to applicable location adjustments. The market average component tests for the month were: 3.62% butterfat, 3.05% protein, 5.71% other solids, and 8.76% nonfat solids.

Western

Producers delivered a total of 290.9 million pounds of milk to the market during September. Comparisons to the previous month are biased due to eligible milk not pooled in August and September 2000. Fewer than three handlers did not pool milk; the amount of eligible milk not pooled is restricted. Daily deliveries averaged 9.7

million pounds, down 2.5 percent from August. An estimated 763 producers delivered milk to the market during the month. Daily deliveries per producer averaged 12,710 pounds, down 3.4 percent from August.

Class I producer milk during September totaled 85.5 million pounds, 29.4 percent of total producer receipts. Daily usage averaged 2.8 million pounds, up 3.3 percent from August.

Producers will receive \$2.0137 per pound of protein, \$1.2707 per pound of butterfat, and \$0.0502 per pound of other solids. Producers will also receive the market's producer price differential of \$1.18 per hundredweight, subject to applicable location adjustments. The market average component tests for the month were: 3.57% butterfat, 3.07% protein, 5.75% other solids, and 8.82% nonfat solids.

(Continued On Page 2)

Statistical Uniform Price (@ 3.5% BF) September 2000

Federal Order	Per Cwt.
Pacific Northwest	\$12.11
Western	\$11.94
Arizona-Las Vegas	\$12.32

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202)720-2600 (voice and TDD). To file a complaint of discrimination, write the USDA, Director, Office of Civil Rights, Room 326W, Jamie L. Whitten Building, 14th and Independence Avenue, SW., Washington, D.C. 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an Equal Opportunity provider and employer.

(Continued From Page 1)

Arizona-Las Vegas

Producers delivered a total of 229.4 million pounds of milk to the market during September. Daily deliveries averaged 7.6 million pounds, down 0.8 percent from August. An estimated 128 producers delivered milk to the market during the month. Daily deliveries per producer averaged 59,740 pounds, up fractionally from August.

Class I producer milk during September totaled 79.6 million pounds, 34.7 percent of total producer receipts. Daily usage averaged 2.7 million pounds, down 2.7 percent from August.

Producers will receive \$1.2738 per pound of butterfat and \$8.15 per hundredweight of skim, subject to applicable location adjustments. The market average butterfat test for the month was 3.56%. ♦

SEPTEMBER'S CLASS PRICES

September's non-advanced Class Prices were calculated using NASS commodity price surveys from September 2, 9, 16, and 23. Component prices for the month are \$2.0137 per pound of protein, \$1.2707 per pound of butterfat, \$0.0502 per pound of other solids, and \$0.8624 per pound of nonfat solids.

September's Class III and IV prices at 3.5% butterfat are \$10.76 and \$11.94 per hundredweight, respectively. Class II butterfat was also announced at \$1.2777 per pound. Class I skim and butterfat and Class II skim prices for September were announced on August 18, 2000. The Class II price at 3.5% butterfat is \$12.58 for September.

The September Class III price compared to August is up \$0.63. The Class III price is \$5.50 lower than September 1999 and \$0.96 above the support price.

NASS COMMODITY PRICES			
	August	September	Change
Cheese*	\$1.1660	\$1.2315	\$0.0655
Butter	\$1.1520	\$1.1560	\$0.0040
Nonfat Dry Milk	\$1.0108	\$1.0166	\$0.0058
Whey	\$0.1929	\$0.1856	-\$0.0073

* The weighted average of barrels plus 3 cents and blocks

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a net decrease

in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 8.84 cents between the September 16 and the October 14 surveys, to \$1.1988 per pound. The survey of 500-pound barrels (adjusted to 39% moisture) showed a net decrease of 10.51 cents to \$1.0964 per pound.

The NASS butter price showed a net decrease of 1.66 cents between the weeks ending September 16 and October 14 from \$1.1387 per pound to \$1.1221 per pound.

The NASS nonfat dry milk showed a net increase of 0.12 cents since mid-September to \$1.0138 per pound. The average price for NASS whey showed a net decrease of 0.46 cents since mid-September to \$0.1824 per pound. ♦

NOVEMBER'S CLASS I PRICE ANNOUNCEMENT

On October 20, the November 2000 Class I price was announced at \$13.72 for the Pacific Northwest and Western Orders, and \$14.17 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of October 7 and 14.

The November Class III and IV advance skim prices are \$6.30 and \$7.74 per hundredweight, respectively. The Class IV skim price has set the skim price for Class I milk for the first eleven months of the year 2000. The butterfat portion of the Class I mover decreased 1.31 cents from \$1.2566 to \$1.2435 per pound.

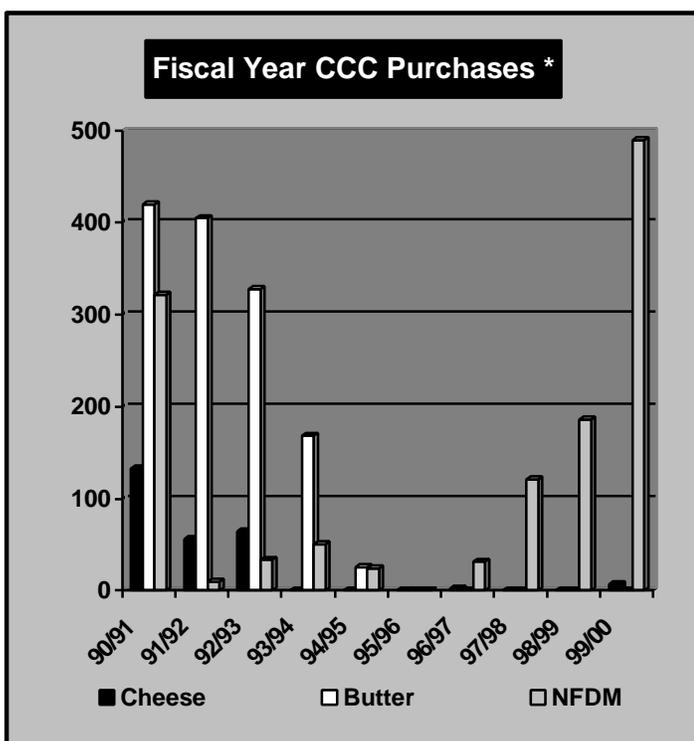
The November 2000 Class II skim and nonfat solids were also announced on October 20. The skim price is \$8.44 per hundredweight, and the nonfat solids price is \$0.9378 per pound for all Federal Orders. ♦

NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS			
	October	November	Change
Cheese*	\$1.2380	\$1.2012	(0.0368)
Butter	\$1.1444	\$1.1337	(0.0107)
Nonfat Dry Milk	\$1.0168	\$1.0143	(0.0025)
Whey	\$0.1856	\$0.1820	(0.0036)

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

CCC PURCHASES, FISCAL YEAR 2000

During the fiscal year October 1, 1999-September 30, 2000, the Commodity Credit Corporation (CCC) purchased 490.0 million pounds of nonfat dry milk and 6.9 million pounds of cheese, but purchased no butter under the dairy price support program. Nonfat dry milk purchases increased 303.9 million pounds from the previous fiscal year. The 99/00 purchases compared to no butter, no cheese, and 186.1 million pounds of nonfat dry milk during 98/99 fiscal year. ♦



* Includes purchases for Food Nutrition Services 33.2 million pounds cheese in 90/91; 56.3 million pounds cheese in 91/92; 60.0 million pounds cheese and 15.6 million pounds NFD in 92/93.

FIRST THREE QUARTERS OF MILK PRODUCTION

Milk production for the first three quarters of 2000 was up 3.93% for the U.S. and 4.11% for the top 20 states compared with the same period in 1999. The U.S. total for the first nine months of 2000 equaled 127,112 million pounds, 4,807 million pounds more than last year. The tables in the right column show data for January through September, 2000, and the third quarter of 2000 for

the selected states with comparisons to year-ago levels.

Milk Production in the U.S. totaled 41,348 million pounds for the third quarter of 2000, up 3.97% from the same period in 1999. The top 20 dairy states totaled 35,713 million pounds for the third quarter of 2000, up 3.99% from 1999. ♦

Milk Production, January–September, 1999-2000 1/

	1999	2000	% Change
-- million pounds --			
Arizona	2,214	2,335	+5.47%
California	22,684	24,264	+ 6.97%
Idaho	4,755	5,393	+ 13.42%
Minnesota	7,156	7,217	+ 0.85%
Oregon 3/	1,251	1,280	+ 2.32%
Pennsylvania	8,242	8,469	+ 2.75%
New York	9,100	9,097	- 0.03%
Utah 3/	1,208	1,286	+6.46%
Washington	4,167	4,237	+ 1.68%
Wisconsin	17,429	17,612	+ 1.05%
20 States 2/	105,237	109,564	+ 4.11%
U.S.	122,305	127,112	+ 3.93%

See footnotes following "Milk Production, Third Quarter, 1999-2000" below.

Milk Production, Third Quarter, 1999-2000 1/

	1999	2000	% Change
-- million pounds --			
Arizona	641	674	-5.15%
California	7,645	8,063	+ 5.47%
Idaho	1,696	1,893	+ 11.62%
Minnesota	2,270	2,270	+ 0.00%
Oregon 3/	423	428	+ 1.18%
Pennsylvania	2,670	2,727	+ 2.13%
New York	3,012	3,001	- 0.37%
Utah 3/	412	448	+8.74%
Washington	1,414	1,421	+ 0.50%
Wisconsin	5,724	5,845	+ 2.11%
20 States 2/	34,344	35,713	+ 3.99%
U.S.	39,771	41,348	+ 3.97%

1/ Data for September, 2000, is preliminary. 2/ 20 States do not include Oregon and Utah. 3/ Data for Oregon and Utah is published quarterly. N/A Not available. Source: National Agricultural Statistics Service.

(Continued From Page 8)

(Dairy Situation and Outlook)

Summer conditions for milk per cow were good, but not wonderful. Milk-feed price ratios have encouraged heavy concentrate feeding, even if they failed to match the very high ratios of 1998 and 1999. For most of the country, summer

weather has been relatively free of stressful heat. Forage quality has been mixed, but supplies of adequate quality fodder were generally large in dairy areas. Late 2000 and 2001 growth in milk per cow is expected to be fairly strong, as recent patterns are likely to continue. Milk per cow is projected to rise at trend or slightly above-trend rates relative to longer term averages. However, increases might appear somewhat modest in some quarters when compared with particularly strong performance a year earlier.

Current returns probably will lead to a resumption of declining milk cow numbers. However, the timing of such decreases is still rather uncertain. The delayed effects of late-nineties returns on structural changes in dairy farming clearly have been unusually sizable and protracted. Milk cow numbers are projected to remain above a year earlier until at least early 2001. Milk cows are expected to average about 1 percent above a year earlier in 2000 and could decline about that much in 2001, if the turning point is reached by next winter.

Milk production is projected to rise about 3 percent this year, almost matching the 1999 gain. Output has grown as much during the last 2 years as during the preceding 7 years. Milk production in 2001 is projected to be about the same as in 2000, although further expansion certainly is possible.

Most of the expansion in milk production during April-July wound up in cheese production, even though butter-powder operations had a nominal advantage in competing for milk. Cheese output rose almost 6 percent from a year earlier, while butter production was about unchanged and nonfat dry milk output increased 10 percent. A number of factors were important. Milk supplies were very large, and almost all of the new plant capacity added in recent years has been for cheese. Many producers probably had contract commitments for increased cheese sales. Lastly, the surplus conditions for nonfat dry milk and uncertainty surrounding the Dairy Export Incentive Program (DEIP) and possible commercial exports made the powder-marketing situation particularly murky.

The April-July milk equivalent (milkfat basis) of all manufactured dairy products was less than 3 percent larger than a year earlier, considerably less than that implied by the rise in milk production and weak fluid product sales. The gap would be less if measured on a skim solids basis but still would be significant. In any case, supplies of

manufactured dairy products are expected to stay large during the rest of 2000.

Stocks Heavy as Demand Cannot Keep Pace

September 1 stocks of butter and cheese were very large and above a year earlier, although holdings had eased a bit from recent months. Larger stocks were in part a response to the price volatility of recent years and the inadequacy of previous stock levels to maintain smooth product movement. However, summer warehouse stocks probably were larger than desired, particularly since pipeline holdings apparently were also large. Summer manufacturers' stocks of nonfat dry milk were larger than needed. Heavy production, limited opportunities for DEIP exports, and very unaggressive domestic demand caused powder to back up in stocks, despite fairly heavy sales to the Government. Total commercial dairy stocks on August 1 considerably exceeded the equivalent of 10 billion pounds of milk on either a milkfat or skim solids basis.

The support purchase program is scheduled to expire at the end of 2000. If so, 2001 removals will be small, consisting only of the quite limited amounts allowed under DEIP. If legislative extension of the purchase program is enacted, purchases of nonfat dry milk would be expected, with the amounts heavily influenced by developments in international powder markets and possible realignment of butter and nonfat dry milk support purchase prices.

Demand for dairy products was fairly strong in late spring-early summer, supported by continued economic growth. Commercial use was generally stronger than a year earlier, although the very erratic product movement in 1999 makes comparisons problematic. Even so, commercial use appeared just slightly sluggish in light of continued low prices. For products sold at retail, sales probably were dampened by the stickiness of retail price declines, while wholesale users may be reducing use in delayed response to the generally high 1998-99 prices.

June-July commercial use of all dairy products rose about 1 percent on a milkfat basis. Sales of skim solids were a little stronger, but sales of neither fat nor skim solids kept up with the increase in supplies. Part of the apparent weakness may have resulted from excessive early summer pipeline stocks. Butter and American cheese use was down somewhat from a year earlier, even though at fairly strong levels. Sales of

other cheese varieties continued sizable gains. Commercial use of nonfat dry milk rose sharply from last year's very low levels. Fluid milk sales slipped fractionally.

Dairy demand is expected to stay fundamentally solid. However, growth in demand is not likely to reduce commercial stocks sufficiently to generate significant price recovery as long as milk production increases remain so large. Commercial use is projected to increase about 3 percent for all of 2000. In 2001, sales are projected to rise briskly on a skim basis but may be about unchanged on a milkfat basis.

International Powder Markets Tight

International markets for milk powders have tightened considerably from earlier in the year. Asian economic recovery has sparked increased demand, even though large buyers such as Mexico and Algeria tried hard to prevent their purchases from generating price increases. European Union (EU) supplies are quite limited because of slightly lower milk production, strong internal cheese demand, and solid demand from calf feeders. Although Oceania milk production is rising substantially again in their new season, supplies from the old season were committed long ago, and uncommitted new season supplies will be quite limited until late 2000. On the other hand, international butter prices have remained weak, although demand has picked up a little.

International prices for nonfat dry milk have settled just below the level where U.S. exports are competitive in most markets. Whether prices rise enough further this autumn and winter to bring out the large U.S. supplies will hinge mostly on the strength of Asian demand, the size of Mexican and Algerian purchases, and milk production in Oceania. Prices are projected to stay below those that would result in large U.S. commercial exports, but substantial uncertainty exists.

Dairy Prices Unsteady

Wholesale cheese and butter prices rose and fell a number of times during spring and summer. The dominant story was one of very large supplies outweighing demand growth and forestalling substantial price recovery. However, erratic growth in milk output, very large and variable warehouse stocks, and uncertainty about how much of the current product was moving to consumers and how much into pipeline stocks contributed to market confusion. Although conditions normally become clearer as the yearend

holidays approach, wholesale prices this year may remain relatively unsettled.

Butter prices were far below a year earlier during most of the summer, the casualty of very heavy stocks overwhelming the peak seasonal tightness. With the September boost in supplies of cream from the fluid industry and drop in ice cream demand, butter prices dropped to the lowest levels since April. However, recent strengthening may have been the start of modest seasonal rises for the autumn holidays.

Prices of nonfat dry milk have remained near the support purchase price as sizable Government purchases continue. The increase in international prices to just below U.S. prices may suggest a potential for commercial exports using up our surplus and raising domestic prices. But, international markets are not expected to be able to fully absorb these quantities, even if international prices continue to increase and the United States starts to export significant amounts. However, the picture could change quickly if milk output in Oceania falters.

Cheese prices collapsed yet again in late September. Demand probably will be enough to bring recovery in autumn prices. However, the large production and stocks likely will not allow prices much higher than those of early September, and significant recovery is not assured.

Farmers are projected to receive an autumn manufacturing value somewhat higher than a year earlier, but average milk prices will still be below 1999. For the year, milk prices will average almost \$2 per cwt below 1999 and \$3 less than the 1998 record.

In 2001, farm milk prices are projected to average about the same or slightly higher than this year. However, the strongest 2001 prices are expected during the second half. If milk production increases stay significant, this seasonal rise may not develop. On the other hand, continuation of the support purchase program or stronger-than-expected international prices would generate higher prices than currently projected for the first half of 2001.

* Source: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-75, September 28, 2000, ERS, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184.

MONTHLY SELECTED STATISTICS

NASS Commodity Prices (\$/pound)	Sep_2000	Aug_2000
Butter	\$1.1560	\$1.1520
Cheese, Weighted Average Blocks & Barrels	1.2315	1.1660
Nonfat Dry Milk	1.0166	1.0108
Whey	0.1856	0.1929

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST		WESTERN		ARIZONA-LAS VEGAS	
	Sep_2000	Aug_2000	Sep_2000	Aug_2000	Sep_2000	Aug_2000
Class I Milk (\$/cwt.)	\$13.74	\$13.85	\$13.74	\$13.85	\$14.19	\$14.30
Class II Milk (\$/cwt.)	12.58	12.56	12.58	12.56	12.58	12.56
Class III Milk (\$/cwt.)	10.76	10.13	10.76	10.13	10.76	10.13
Class IV Milk (\$/cwt.)	11.94	11.87	11.94	11.87	11.94	11.87
Producer Prices						
Producer Price Differential (\$/cwt.)	\$ 1.35	\$ 1.81	\$ 1.18	\$ 1.40	+	+
Butterfat (\$/pound)	1.2707	1.2659	1.2707	1.2659	+	+
Protein (\$/pound)	2.0137	1.7952	2.0137	1.7952	+	+
Other Solids (\$/pound)	0.0502	0.0577	0.0502	0.0577	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	8.15	8.01
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.2738	1.2763
Statistical Uniform Price (\$/cwt.)	\$12.11	\$11.94	11.94	11.53	12.32	12.20
Producer Data						
Number of Producers	1,041 *	1,041	763 *	763	128 *	129
Avg. Daily Production (lbs.)	19,160 *	19,067	12,710 *	13,041	59,740 *	59,737
Number of Handlers						
Pool Handlers	26	26	17	19	6	6
Producer-Handlers	11	11	7	7	1	1
Other Plants w/ Class I Use	5	5	10	10	3	3
Producer Milk Ratios						
Class I	30.21%	28.49%	29.37%	27.70%	34.69%	35.39%
Class II	5.71%	7.50%	10.55%	8.29%	6.80%	7.20%
Class III	35.60%	33.32%	58.49%	62.21%	43.48%	36.22%
Class IV	28.48%	30.69%	1.59%	1.80%	15.03%	21.19%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data (Thousand lbs.)	Aug_2000	Jul_2000	Aug_2000	Jul_2000	Aug_2000	Jul_2000
Production	24,327,358	24,582,037	2,565,132	2,653,642	R	R
Class I Use	19,836,172	18,064,173	1,839,607	1,699,698	R	R
% Class I Use	81.54%	73.49%	71.72%	64.05%	R	R
Class I Route Disposition In Area (Thousand lbs.)						
By Pool Plants	160,361,960	154,287,584	73,200,450	66,027,562	77,860,362	70,457,938
By Producer-Handlers	19,970,883	18,086,852	1,864,297	1,702,051	R	R
By Other Plants	<u>824,372 *</u>	<u>813,304</u>	<u>1,094,726 *</u>	<u>1,002,755</u>	<u>15,211,882 *</u>	<u>13,960,195</u>
Total **	181,157,215	173,187,740	76,159,473	68,732,368	R	R

* Preliminary.

** May not add due to rounding.

R = Restricted.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST		WESTERN		ARIZONA-LAS VEGAS		
	Sep 2000	Aug 2000	Sep 2000	Aug 2000	Sep 2000	Aug 2000	
TOTAL PRODUCER MILK	598,367,378	615,317,025	290,936,625	308,452,042	229,400,576	238,889,435	
RECEIPTS FROM OTHER SOURCES	9,448,754	12,557,973	3,289,538	29,611,419	10,652,643	1,219,564	
OPENING INVENTORY	21,671,247	21,349,975	10,871,829	14,333,214	12,699,224	11,064,379	
TOTAL TO BE ACCOUNTED FOR	629,487,379	649,224,973	305,097,992	352,396,675	252,752,443	251,173,378	
UTILIZATION OF RECEIPTS							
Whole milk	27,149,015	27,053,864	11,715,061	12,009,780	19,409,426	20,361,949	
Flavored milk & milk drinks	11,102,172	6,423,410	6,208,080	4,497,478	4,674,817	3,995,284	
2% milk	72,122,467	74,060,185	30,828,418	31,448,530	31,920,564	32,303,426	
1% milk	25,314,499	25,631,363	14,813,806	15,196,911	9,140,673	9,344,756	
Skim milk	28,337,120	25,540,218	9,385,731	9,379,413	10,892,232	11,354,772	
Buttermilk	1,583,243	1,652,920	594,541	668,338	439,144	500,175	
CLASS I ROUTE DISP. IN AREA.	165,608,516	160,361,960	73,545,637	73,200,450	76,476,856	77,860,362	
Class I dispositions out of area	10,272,044	10,822,179	11,404,573	12,132,694	4,636,163	4,789,442	
Other Class I usage	18,661,044	17,130,089	8,438,609	9,126,327	5,707,477	6,867,707	
TOTAL CLASS I USE.	194,541,604	188,314,228	93,388,819	94,459,471	86,820,496	89,517,511	
TOTAL CLASS II USE	40,600,639	53,049,459	33,536,368	43,007,257	16,348,307	17,830,004	
TOTAL CLASS III USE	213,925,564	206,364,191	170,497,854	202,461,971	100,178,694	86,524,720	
TOTAL CLASS IV USE	180,419,572	201,497,095	7,674,951	12,467,976	49,404,946	57,301,143	
TOTAL ACCOUNTED FOR	629,487,379	649,224,973	305,097,992	352,396,675	252,752,443	251,173,378	
CLASSIFICATION OF RECEIPTS							
Producer milk:	Class I	180,778,592	175,285,362	85,454,730	85,445,455	79,581,137	84,557,892
	Class II	34,164,014	46,148,087	30,683,161	25,575,586	15,592,997	17,192,862
	Class III	212,999,546	205,016,457	170,177,548	191,880,742	99,738,987	86,524,720
	Class IV	170,425,226	188,867,119	4,621,186	5,550,259	34,487,455	50,613,961
Other receipts:	Class I	13,763,012	13,028,866	7,934,089	9,014,016	23,351,867	12,283,943
	Class II	6,436,625	6,901,372	2,853,207	17,431,671	1/	1/
	Class III	926,018	1,347,734	320,306	10,581,229	1/	1/
	Class IV	9,994,346	12,629,976	3,053,765	6,917,717	1/	1/
Avg. daily producer receipts		19,945,579	19,848,936	9,697,888	9,950,066	7,646,686	7,706,111
Avg. daily Class I use		6,484,720	6,074,653	3,112,961	3,047,080	2,894,017	2,887,662

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for September 2000
- September 2000 Class Prices and Commodity Prices
- Class I Prices for November 2000
- CCC Purchases, Fiscal Year 2000
- First Three Quarters of 2000 Milk Production Up 3.9 Percent in the U.S.
- Dairy Situation and Outlook

DAIRY SITUATION AND OUTLOOK***Milk Output Refuses To Ease**

Milk production continued to boom this summer, as recent low milk prices have yet to offset the delayed effects of strong 1998-99 milk prices, and favorable feed and weather conditions boosted milk per cow. August milk output in the 20 major States rose 4 percent from a year ago, following an even larger July rise. Milk production is expected to post large increases during the rest of 2000.

Milk cow numbers in the 20 States have risen from the previous month every month since October 1999 and have moved generally upward since late 1998. Stronger farmers have expanded at a brisk rate, while exit of producers under income stress has not accelerated much. In addition, high prices of replacement animals, relative to slaughter prices, probably have sent an unusually large share of the cows from exiting farms into other herds.

(Continued on Page 3)

(See: Dairy Situation and Outlook)