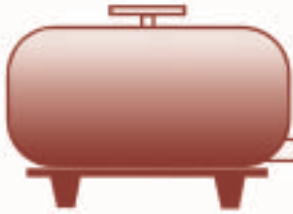


MARKETING SERVICE

BULLETIN



2003 - A Year Of Ups & Downs

2003

ended with dairy producers wondering . . . What happened? During the spring the federal order Class I price mover hit at a 25-year low of \$9.64 per hundredweight in April. The previous low had occurred when the Class I mover for September 1978 was 9.33. Dairy producer component prices were anything but stable and predictable.

Protein prices (as measured since FO reform) reached record highs topping off at \$3.3180 per pound. At the same time, the Central order Producer Price Differential was negative during July through October and bottomed at a minus \$1.28 per hundredweight. If this wasn't confusing enough, the Central federal order statistical blend (uniform) price averaged \$11.40 per hundredweight -- higher than the 2000 and 2002 averages. The PPD, along with component prices for butterfat, protein, and other solids, all contribute to a producer's total revenue. The average FMO producer component prices, PPD, and statistical blend prices per pound during the past four years are detailed here:



The wide fluctuations in producer component prices and corresponding swings in federal order class prices resulted in cooperatives not pooling large quantities of producer milk. Also, the decline in producer milk

pooled can be attributed to an amendment to the Central federal order (and other orders) which increased the performance for handlers and also eliminated the ability to pool milk on more than one market wide pool (federal and state). This fluctuation in the volume of producer milk further compounded the effects of volatile milk prices. Producer milk normally utilized in Class III was not pooled as the Class III price increased during the last half of the year. Producer milk pooled in the lower priced Class IV products remained pooled. In total, producer receipts on ALL federal milk orders were down 1.2 billion pounds per month or 11.9% from 2002.

	2000	2001	2002	2003	Chg '02-'03
Butterfat	\$1.2522	\$1.8480	\$1.1928	\$1.2099	+1.43%
Protein	1.6938	1.9613	1.9735	2.3770	+20.45%
Other Solids	0.0509	0.1343	0.0593	0.0129	-78.25%
PPD	1.54	1.05	0.84	0.51	-39.29%
Stat. Blend (cwt)	\$11.28	\$14.21	\$11.24	\$11.40	+1.42%



Producer milk marketings on the Central order totaled 14.411 billion pounds during 2003 -- down 22.9% from 2002. This compares to 18.700, 17.836, and 16.036 billion pounds during 2002, 2001, and 2000, respectively. The amount of milk utilized as Class I has been relatively constant over the four years. There were 4.724 billion pounds of Class I milk in 2003 compared with 4.866, 4.881, and 4.875 billion pounds in 2002, 2001, and 2000 respectively. However, the Class I utilization percentage had decreased each year from 30.40% in 2000, to 27.37% in 2001, to 26.02% in 2002, before increasing to 32.78% in 2003. The 2003 percentage increase can be attributed to the decline in the volume of milk pooled.

The Central FMO recorded the 4th highest total producer milk marketings of all orders during 2003, trailing the Northeast, Upper Midwest, and Mideast orders. Class III utilization on the Central order was the 3rd highest among all FMOs at 49.3%, exceeded by the Upper Midwest's 62.6% and the Western's 56.1% utilization. Class I utilization for the Central order was 32.8% which ranked it 8th among the eleven FMOs. The 2003 Central order's average statistical uniform price was 8th among all FMOs.

The graphics on page two pertain to the Central order's producer milk marketings, utilization by class, and prices including component prices and the average monthly somatic cell count. Page three illustrates

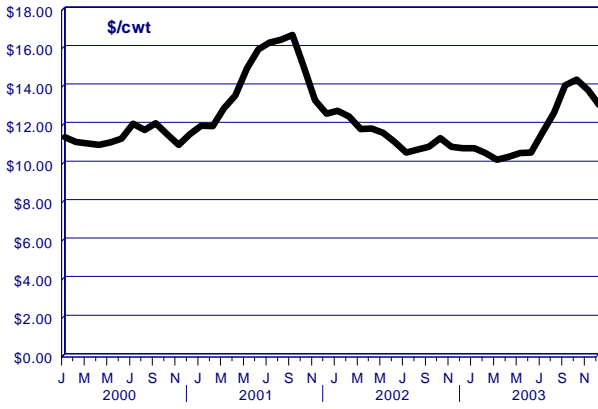
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JANUARY 2004

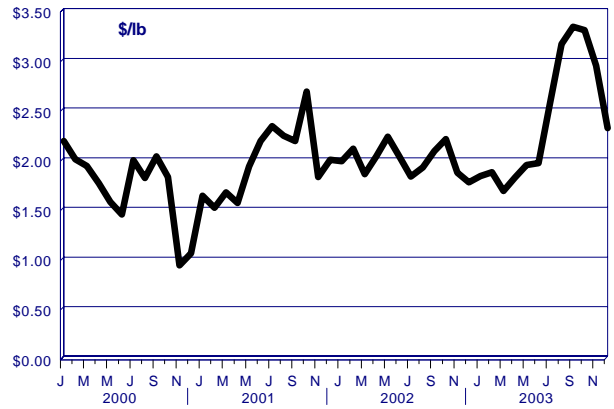


Central Order

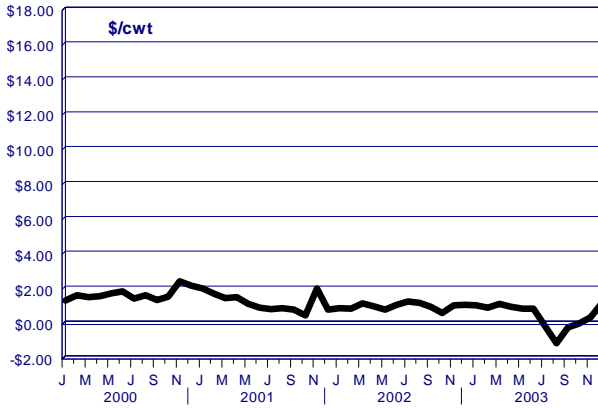
Statistical Uniform Price



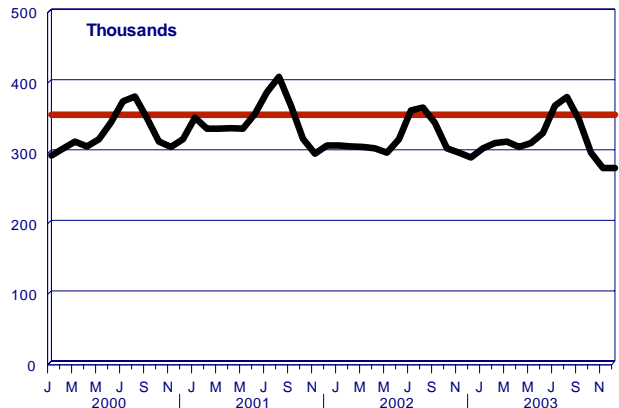
Producer Protein Price



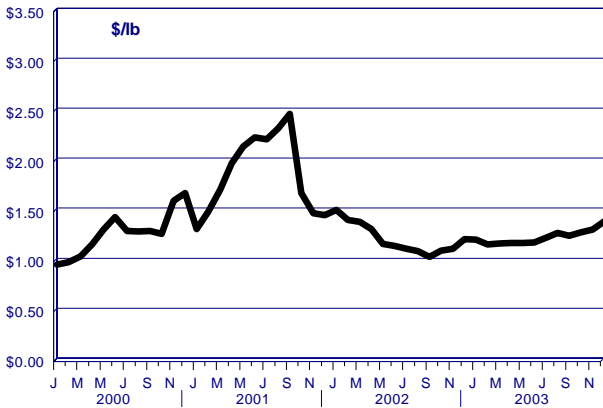
Producer Price Differential



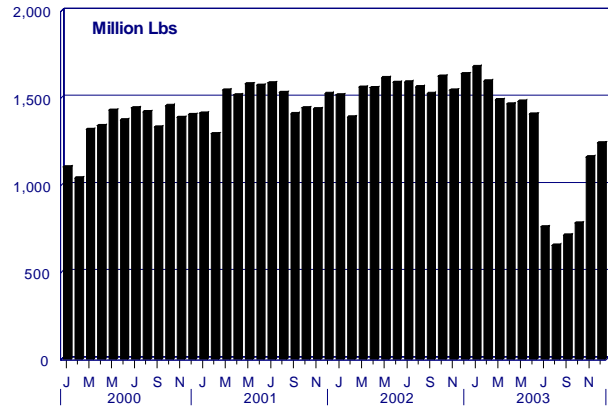
Avg. Somatic Cell Count In Producer Milk



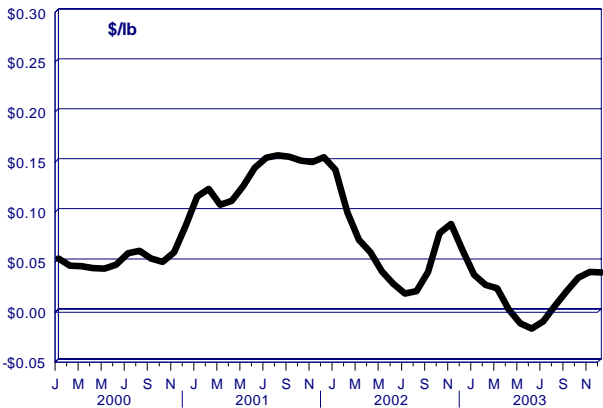
Producer Butterfat Price



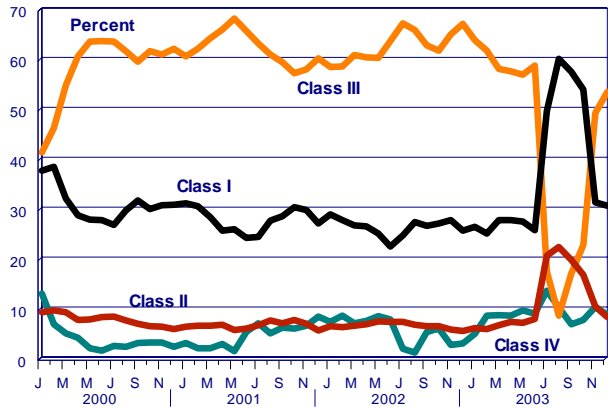
Total Producer Milk Pooled



Producer Other Solids Price

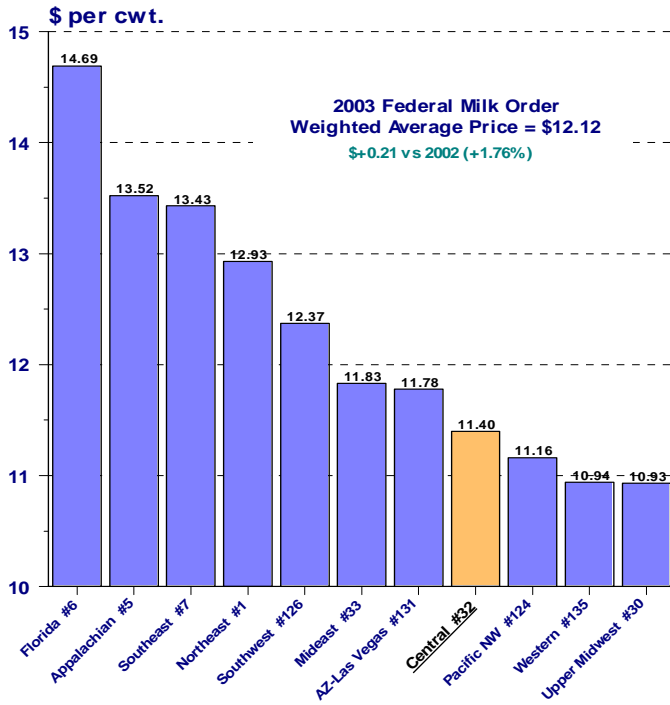


Utilization Of Producer Milk By Class



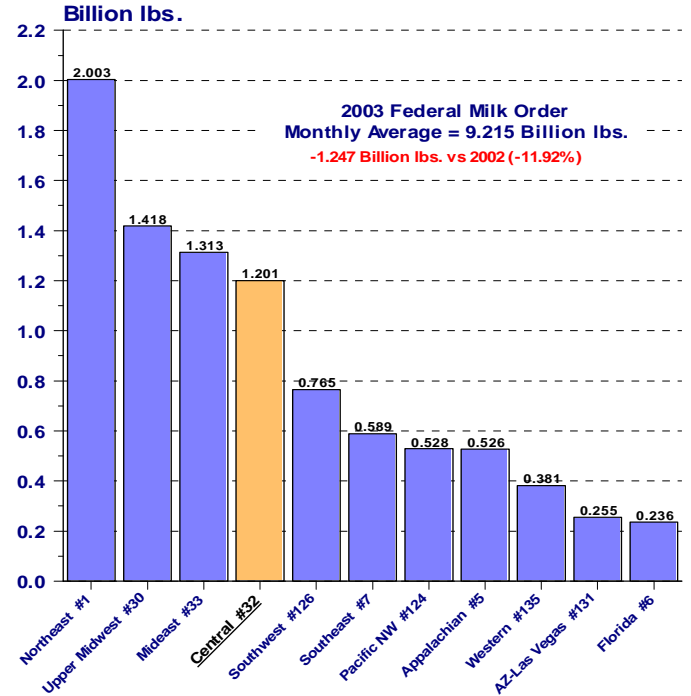
2003 Statistical Uniform Prices

Weighted Average Prices By Federal Milk Order



2003 Producer Receipts

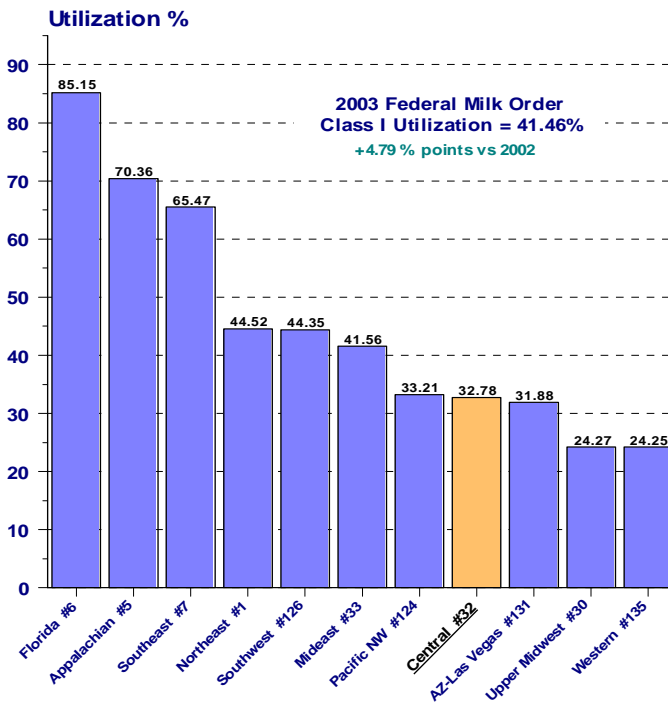
Monthly Average By Federal Milk Order



Federal Order Base Pricing Points: Northeast - Boston, MA; Appalachian - Charlotte, NC; Florida - Tampa, FL; Southeast - Atlanta, GA; Upper Midwest - Chicago, IL; Central - Kansas City, MO; Mideast - Cleveland, OH; Pacific Northwest - Seattle, WA; Southwest - Dallas, TX; Arizona-Las Vegas - Phoenix, AZ and Western - Salt Lake City, UT.

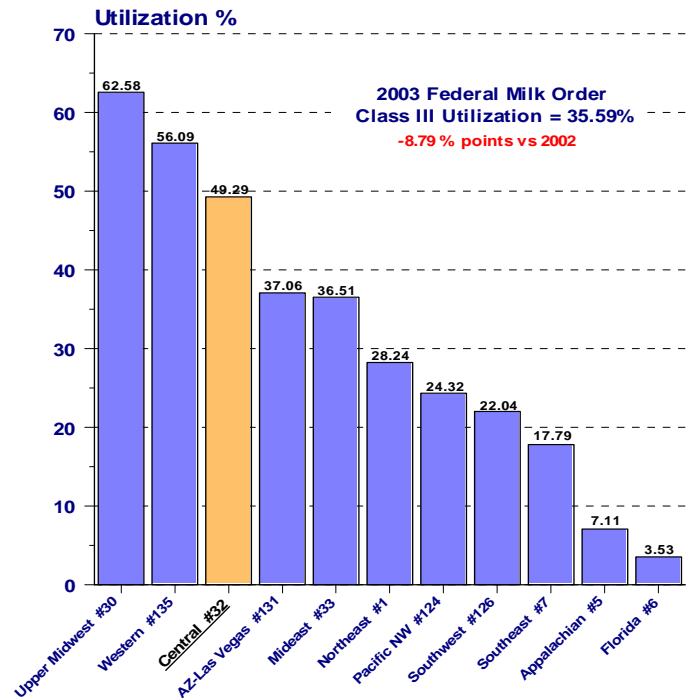
2003 Class I Utilizations

By Federal Milk Order



2003 Class III Utilizations

By Federal Milk Order



	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	'03 Wtd Avg	12/2003	'03 Wtd Avg	12/2003	'03 Wtd Avg	12/2003
Pacific Northwest	11.16	12.47	0.12	0.60	33.21	29.66
Western	10.94	12.65	0.35	0.78	24.25	22.12
Arizona-Las Vegas	11.78	12.98	-----	-----	31.88	32.96
Central	11.40	12.91	0.51	1.04	32.78	30.37
Southwest	12.37	13.86	1.32	1.99	44.35	41.68
Upper Midwest	10.93	12.41	0.22	0.54	24.27	18.11
Southeast	13.43	15.33	-----	-----	65.46	64.66
Mideast	11.83	13.26	0.65	1.39	41.56	38.58
Appalachian	13.52	15.48	-----	-----	70.36	69.19
Northeast	12.93	14.39	1.59	2.52	44.56	46.59
Florida	14.69	17.16	-----	-----	85.15	86.78

the Central order's relation to the other ten orders regarding the statistical uniform price, producer receipts, and Class I and Class III percentage utilizations. The Central order data is highlighted on each graphic. A detailed statistical summary for the Central federal milk order is available upon request. The summary contains monthly data relating to prices, marketings, utilization by product, and dispositions for 2000 through 2003. Numerous graphics and maps are also included. The summary is available at no charge by contacting this office at 913-495-9326, or via e-mail at: donald.nicholson@fmmcentral.com.

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