

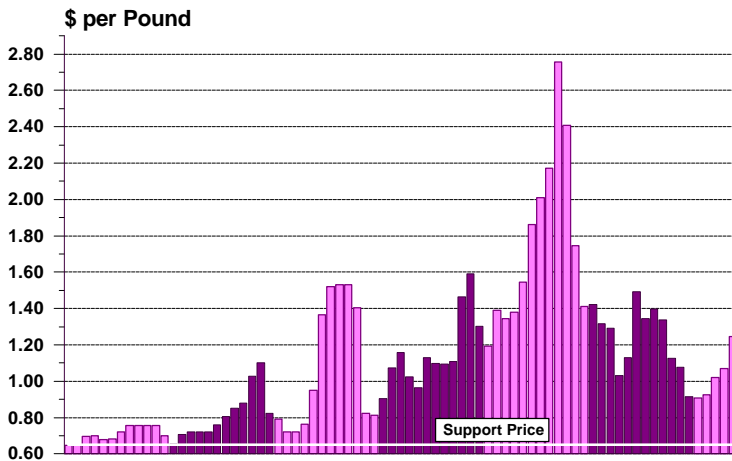
MARKETING SERVICE

BULLETIN

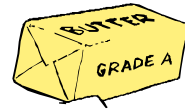
Monthly Commodity Prices and Storage Holdings

Chicago Mercantile Grade AA Butter Prices

January 1994 through May 2000

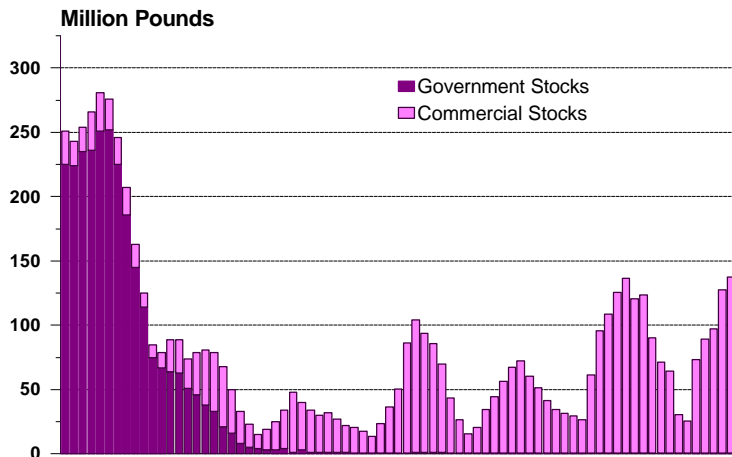


Wholesale butter prices have been extremely variable over the past few years, as indicated by the first graph on this page. This volatility has existed in conjunction with a constant support price and virtually zero government storage holdings. Government butter stocks began a rapid decline in mid 1994 and were virtually eliminated by early 1996. Significant butter price escalation began in mid 1995, with increasing volatility during subsequent years.



Butter Storage Holdings

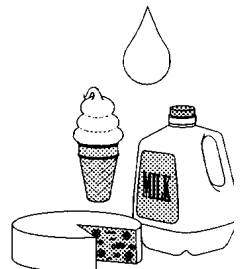
January 1994 through May 2000

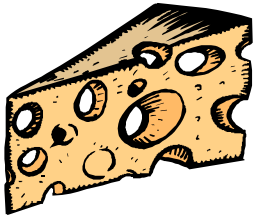


The graphs in this bulletin depict monthly prices and end-of-month storage holdings for Grade AA butter, American cheese, and nonfat dry milk. Storage holding data has been compiled for January 1994 through May of this year, and these stocks are classified as either government or commercially owned. The publication Cold Storage, issued by NASS, is the source for all storage holding data.

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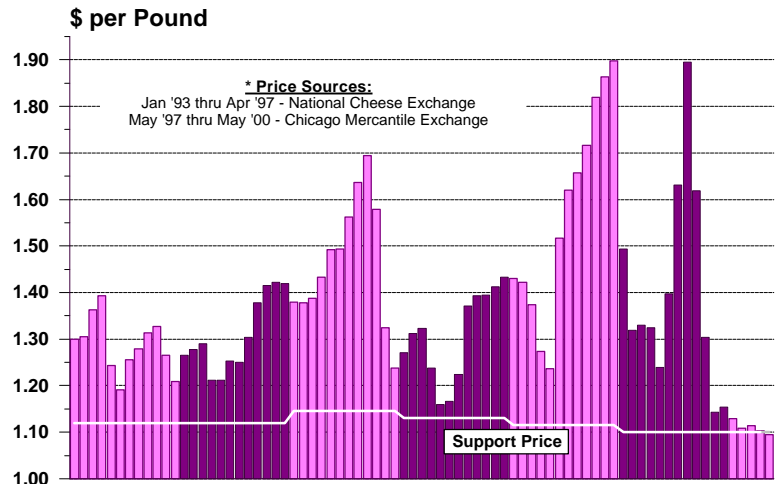
Historically wholesale cheese prices have been characterized by a degree of seasonal price fluctuation. This price variability has

increased over the past few years, as indicated by the first graph on this page. Since mid 1995 the graphical representation of the price for 40-pound blocks of American cheese has resembled the track of a amusement park rollercoaster. Prices have ranged from highs of nearly double the federal support level in certain months during 1998 and 1999, to a low of just under the \$1.10 cheese price support during May of this year.

Government-owned cheese storage holdings have been virtually nonexistent over the time frame depicted in the second graph on this page. Although the levels of commercially-owned cheese stocks have exhibited some seasonal variation during this period, the variability has been substantially less pronounced than the fluctuations in the wholesale price. The graphic for commercially-owned cheese stocks does indicate a trend toward an increasing average level for these holdings, however. The timing of this increase in storage holdings roughly coincides with the increased volatility of the wholesale cheese price. American cheese prices have been a primary mover of all wholesale milk prices; thus, prices throughout the marketing chain for fluid milk and dairy products have been variable and unpredictable during this time period.

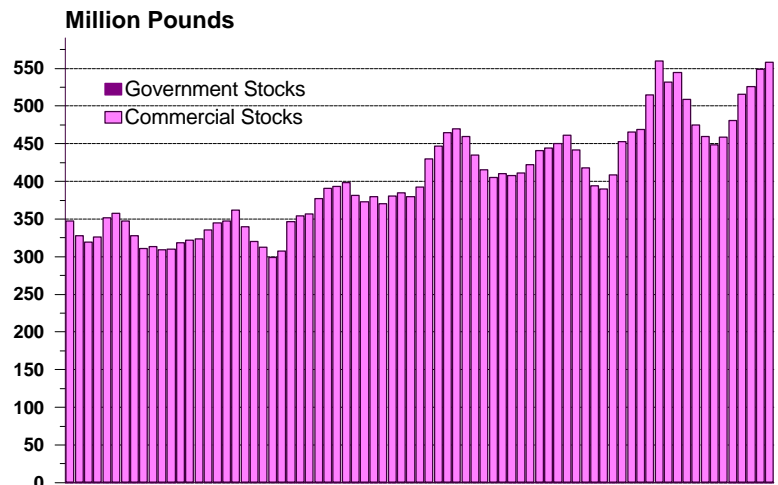
Wholesale Cheese Prices* - 40-Pound Blocks

January 1994 through May 2000



American Cheese Storage Holdings

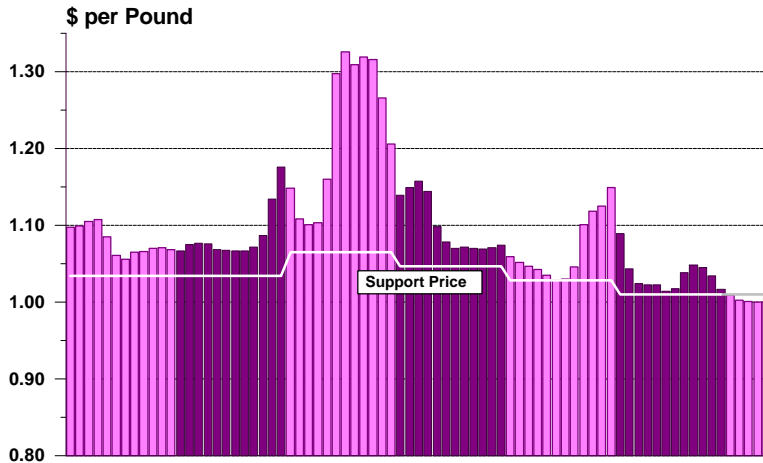
January 1994 through May 2000



	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	05/2000	04/2000	05/2000	04/2000	05/2000	04/2000
Pacific Northwest	11.70	11.31	2.33	1.90	36.36	27.76
Western	10.84	10.76	1.47	1.35	22.89	19.38
Arizona-Las Vegas	11.79	11.44	-----	-----	28.00	26.71
Central	10.96	10.84	1.59	1.43	27.49	28.44
Southwest	12.43	12.05	3.06	2.64	44.41	42.20
Upper Midwest	10.27	10.15	0.90	0.74	16.82	15.74
Southeast	13.40	12.88	-----	-----	61.33	57.09
Mideast	12.21	11.77	2.84	2.36	49.07	47.35
Appalachian	13.68	13.23	-----	-----	62.27	60.22
Northeast	12.90	12.46	3.53	3.05	41.00	39.02
Florida	15.13	14.55	-----	-----	84.34	81.76

Central States Nonfat Dry Milk Prices

January 1994 through May 2000

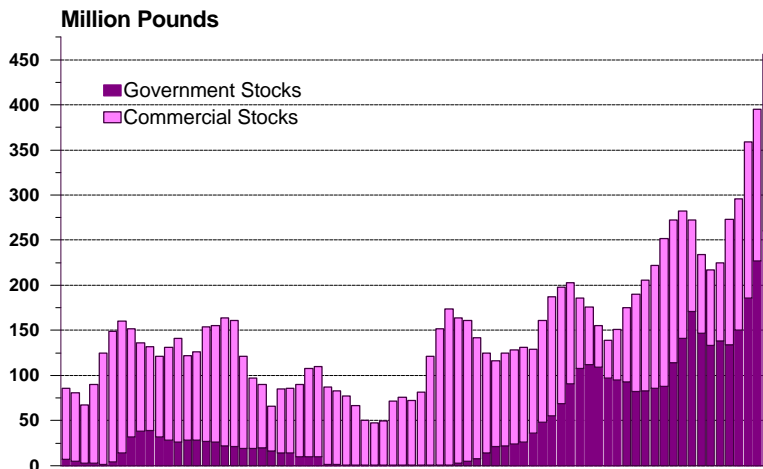


The Central States nonfat dry milk (NFD) wholesale price is depicted by the first graph on this page. NFD prices have been less variable over the past few years than butter or cheese wholesale prices. The price for NFD has trended downward during this time frame, with the exception of short-term price escalations during 1995, 1996 and 1998. During 2000 the NFD price has bottomed out at just below the support level of \$1.01 per pound.



Nonfat Dry Milk Storage Holdings

January 1994 through April 2000



Storage holdings of NFD have exhibited a pattern of seasonality during the past few years, as indicated by the second graph on this page. The level of these stocks have increased significantly since late 1996, however. Both commercial and government-owned NFD stocks have been on the increase during this time frame. Government holdings, virtually nonexistent until late 1997, have risen to 260 million pounds during April of this year. Commercially held stocks have increased from 47 million pounds during October of 1996 to the current level of nearly 200 million pounds. The timing of the increase in NFD storage holdings coincides with the decline in the wholesale price for this commodity.

A "Perfect" Cow By Design

Based on Consumption... Total domestic butterfat consumption during 1999 would have necessitated a "perfect" cow that produced milk with a butterfat test of approximately 3.72%. This indicates a domestic butterfat shortage since the butterfat produced by the national herd averaged slightly more than 3.67%. Imports of high fat products such as cheese and butter contributed to this butterfat production versus consumption imbalance.



3.72% BF

Based on CCC Purchases... The "perfect" cow based on Commodity Credit Corporation (CCC) butterfat purchases is a data series previously depicted in this bulletin. To eliminate all government butterfat purchases during 1999 would have required the "perfect" cow to produce milk with a test of slightly less than 3.67%. Purchases through the CCC in 1999 were approximately 0.15% of the total butterfat produced. The 3.67% "perfect" butterfat test for 1999 compares with 3.44% in 1990, and 3.50% in 1993. CCC purchases of total butterfat production during those two years were 5.7% and 4.5%, respectively. By 1996 government butterfat purchases were virtually nonexistent at 0.04% of the production total, resulting in a "perfect" cow with a 3.69% test.

The graphic below depicts the "perfect" cow based solely on CCC butterfat purchases for selected years since 1990. The "perfect" butterfat producing cow has changed substantially during the past decade, as indicated below. Moreover, the parameters for a "perfect" butterfat producing cow would be different if it were based solely on domestic consumption, as previously indicated.



1990

3.44% BF
CCC Buys
5.7% of BF
Produced



1993

3.50% BF
CCC Buys
4.3% of BF
Produced



1996

3.69% BF
CCC Buys
0.04% of BF
Produced



1999

3.67% BF
CCC Buys
0.15% of BF
Produced

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