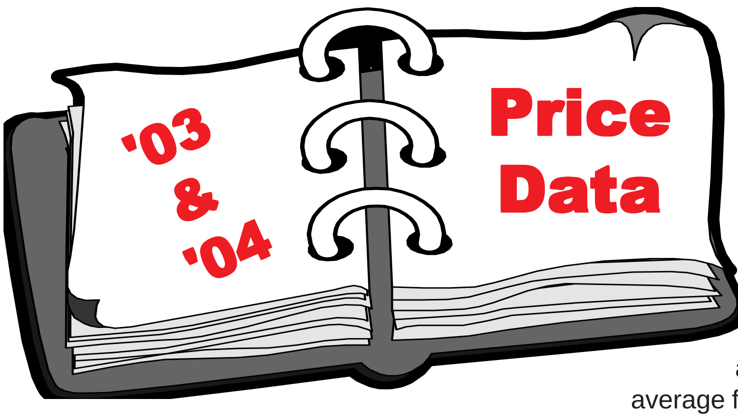
Marketing Service Bulletin

NOVEMBER 2004

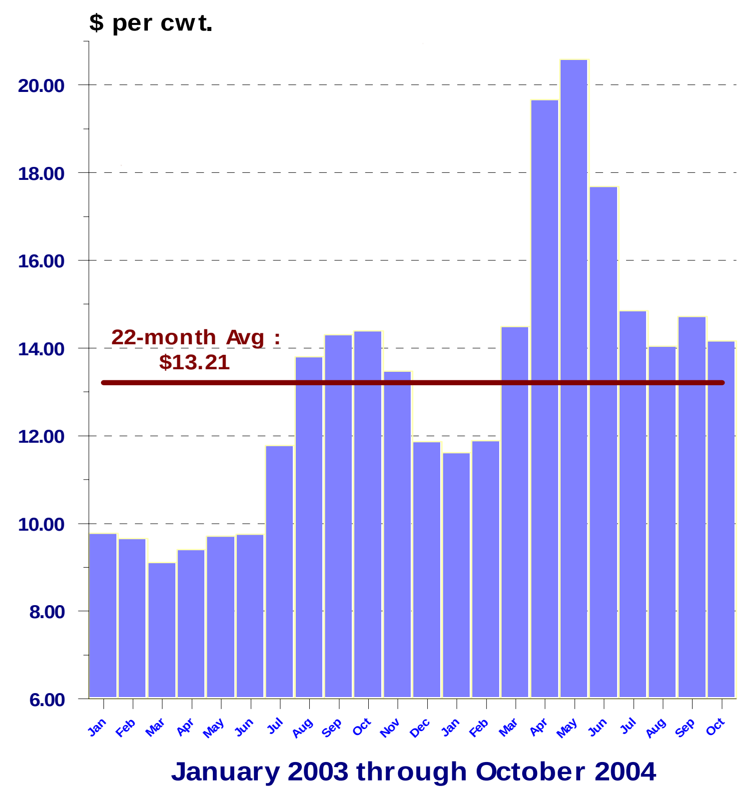


Dairy industry prices for the year-to-date bear little resemblance to 2003 in either their average levels or their within-year trends. Compared with 2003 averages, 2004 year-to-date prices are higher for all of the commodity and Federal Milk Order (FMO) prices depicted in this bulletin. Monthly trends for all of these prices are also markedly different comparing the past two years.

The graph on this page depicts FMO Class III prices for the past 22 months. While the 2003 average Class III price was $11.42, the year-to-date average for 2004 is 34.6% higher at $15.37. The within-year trends in this price series are also quite dissimilar. The Class III price began 2003 at extremely low levels through the first six months before rapidly increasing to peak at $14.39 in October. Conversely, 2004 prices escalated rapidly during the first six months, increasing from a low of $11.61 in January to a high of $20.58 in May. Although Class III prices have declined substantially since May, recent wholesale cheese prices indicate a second peak could occur during the last two months of this year.

The graphs on pages 2 and 3 depict selected commodity prices for the past 22 months for butter, cheese, nonfat dry milk, and whey along with FMO prices for butterfat, protein, and other solids. Predictably, the trends for block and barrel cheese prices tract closely with FMO protein and Class III prices. Chicago Mercantile Exchange (CME) barrel and block prices for the first 10 months of 2004 are both up by more than 25% compared with their respective 2003 averages. Likewise, year-to-date FMO Class III and protein prices are up significantly. The Class III price is up by more than 34%, while the protein price is over 9% higher than the 2003 average.

The Federal Milk Order Class III Price



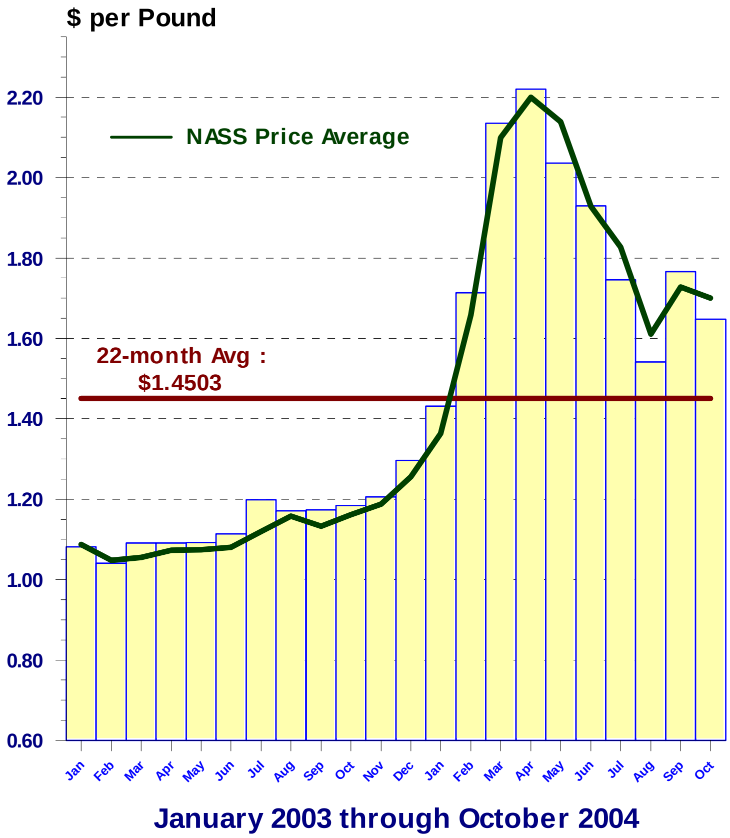
The FMO butterfat price levels and trends depicted on page 3 mirror the prices for butter, which are displayed in the first graph on page 2. Year-to-date butter prices for 2004 are up by 58.7% compared with the 2003 average; similarly, the corresponding FMO butterfat price is up by 69.6%.

Although the magnitude of changes in the FMO other solids price and whey prices that are depicted on page 3 are different, the direction of the changes in these prices are quite similar.

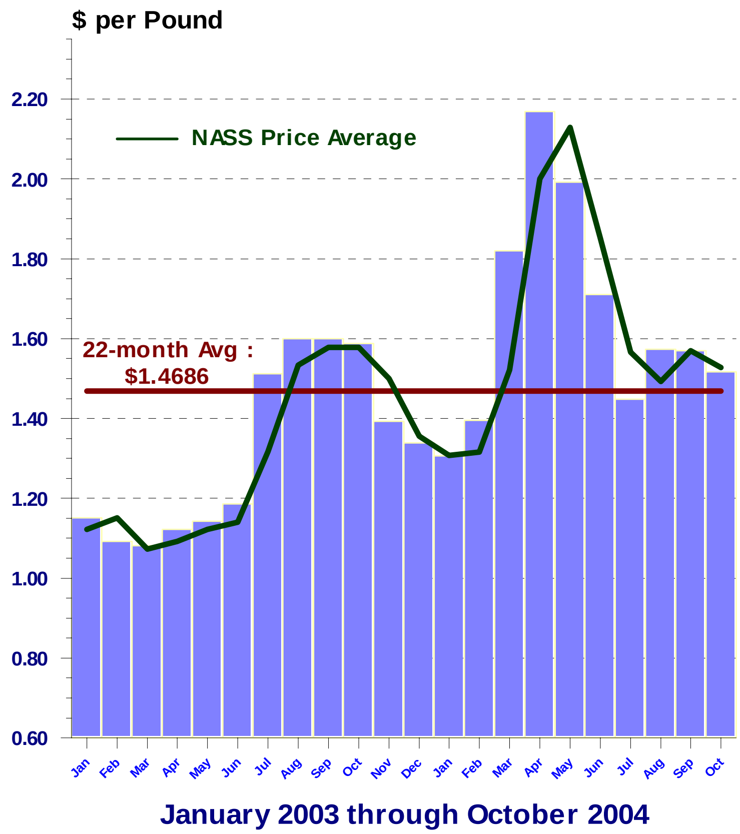
Nonfat solids prices are displayed in the lower right graph on page two. These prices exhibit the least amount of variation of all the prices depicted in this bulletin.

Issued by Donald R. Nicholson, Market Administrator, for the Information of Producers Who Are Not Members of a Cooperative Association.

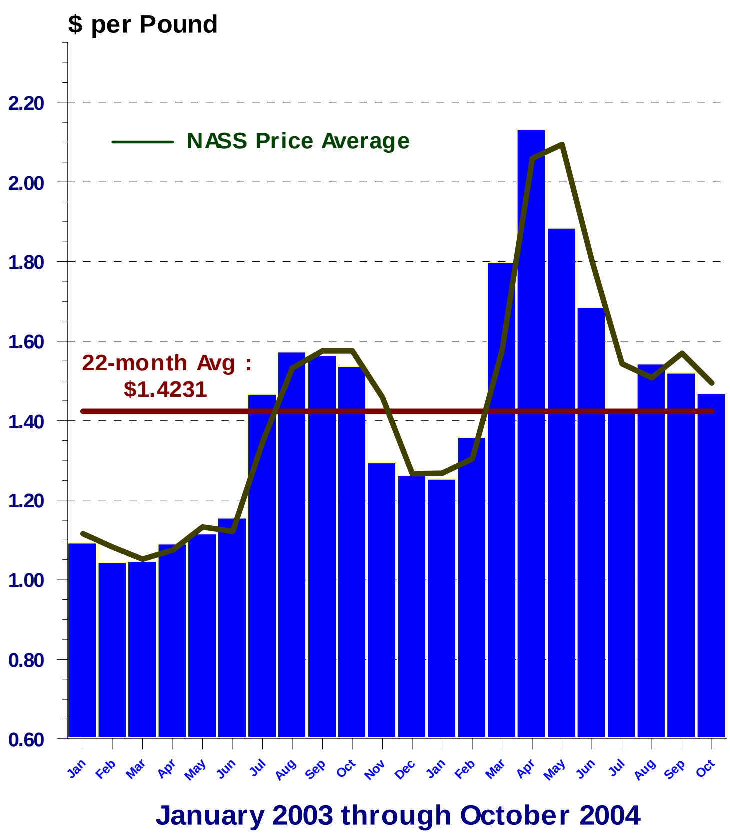
The Chicago Mercantile
Grade AA Butter Price



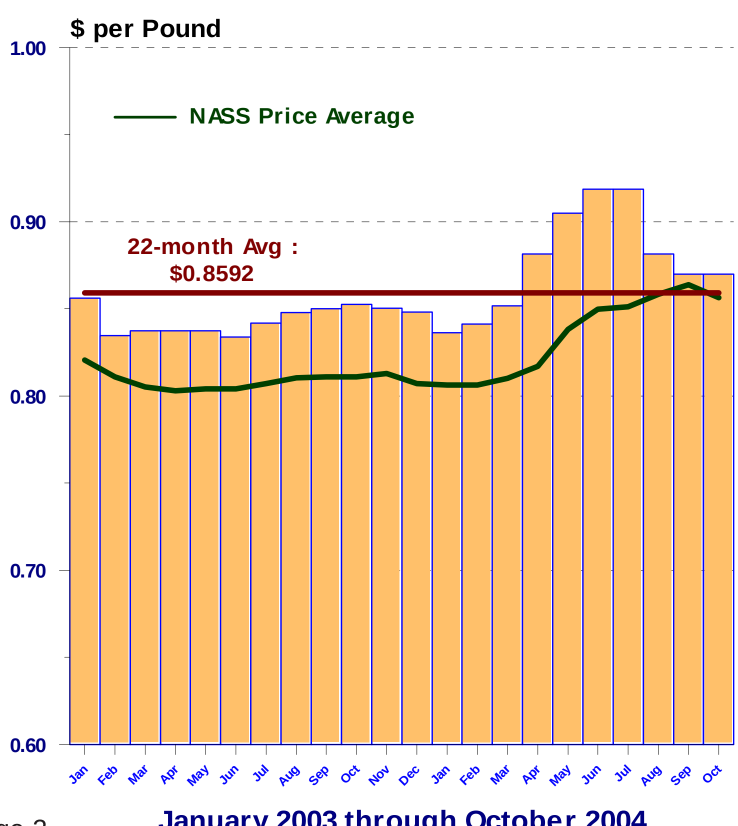
The Chicago Mercantile
40-pound Block Price



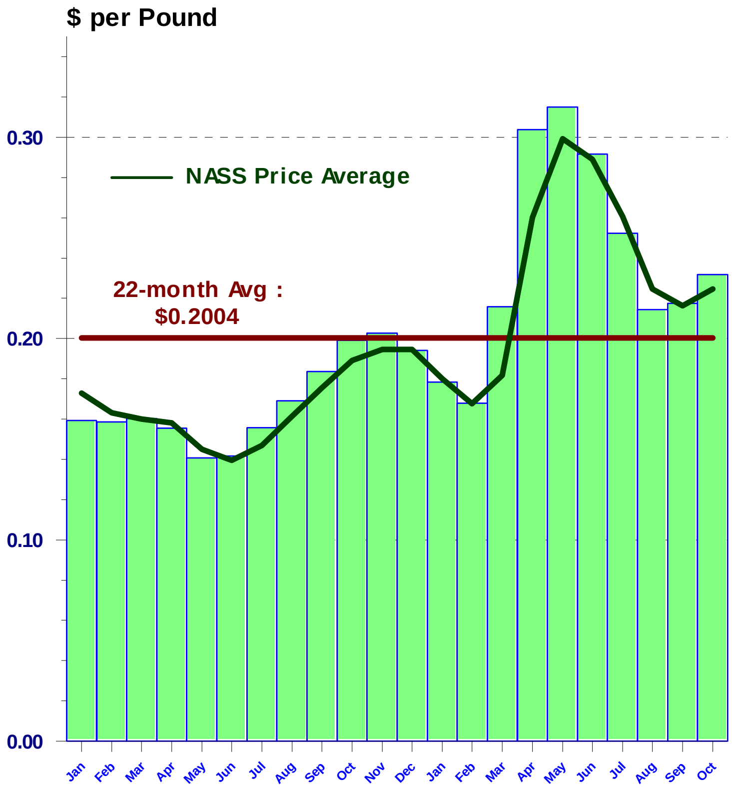
The Chicago Mercantile
500-pound Barrel Price



The Central and East
Low/Medium NFDM Price

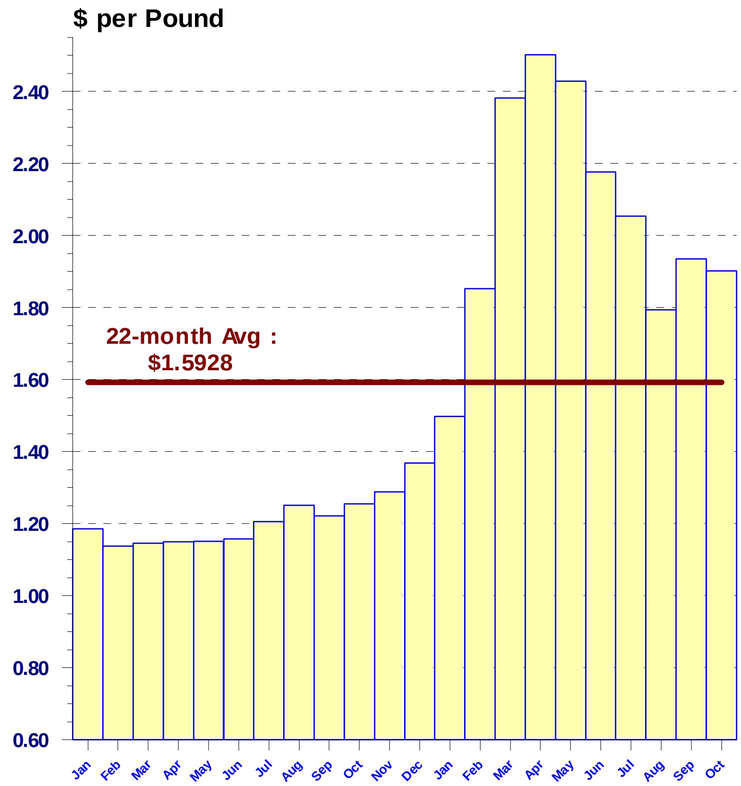


The Central States
Whey Price



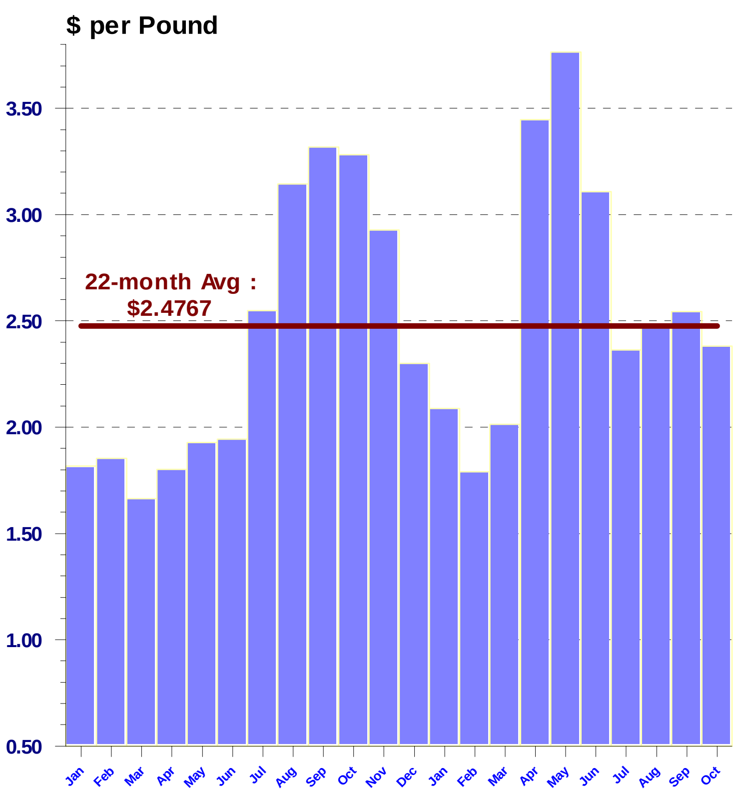
January 2003 through October 2004

The Federal Milk Order
Butterfat Price



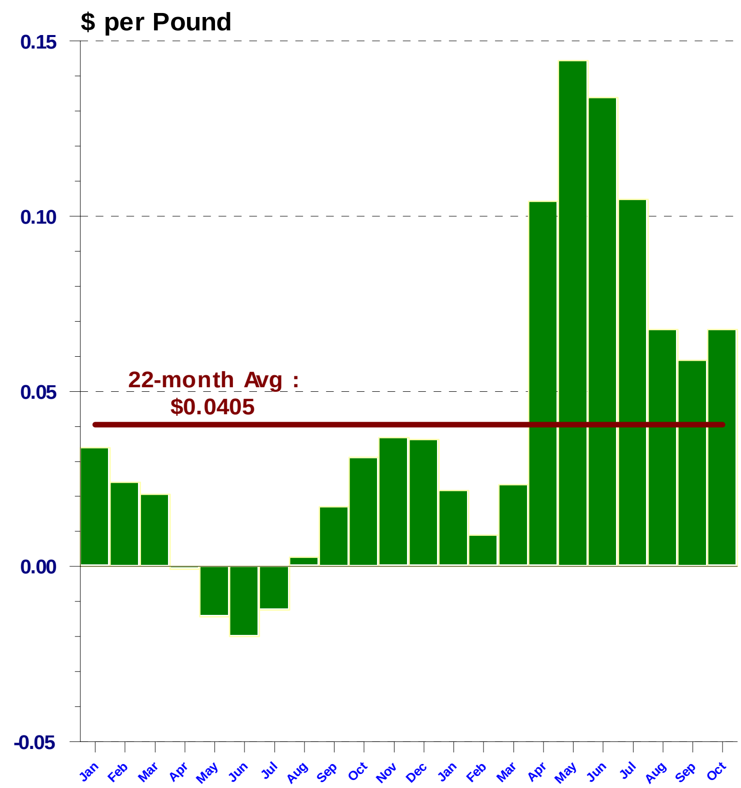
January 2003 through October 2004

The Federal Milk Order
Protein Price



January 2003 through October 2004

The Federal Milk Order
Other Solids Price



January 2000 through June 2004

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	10/2004	9/2004	10/2004	9/2004	10/2004	9/2004
Pacific Northwest	14.40	14.44	0.24	-0.28	29.95	37.90
Arizona-Las Vegas	15.01	15.18	-----	-----	35.04	37.83
Central	**14.70**	**14.93**	**0.54**	**0.21**	**30.69**	**48.63**
Southwest	15.68	15.75	1.52	1.03	45.32	47.88
Upper Midwest	14.47	14.85	0.31	0.13	18.93	29.08
Southeast	16.78	16.43	-----	-----	68.95	70.36
Mideast	14.89	15.06	0.73	0.34	35.83	41.61
Appalachian	16.69	16.52	-----	-----	67.69	73.81
Northeast	16.07	16.06	1.91	1.34	50.81	51.14
Florida	18.19	17.69	-----	-----	87.51	88.86

(continued from page 2) . . .regions were Indiana and Michigan with increases of +13.2 and +11.8%, respectively.

The graphics on page 5 depict the states with the largest percentage increases and decreases comparing the first six months of 2003 with 1998. The graph on page 6 ranks the top five milk producing states in total milk production, production per cow, and production per capita during the first six months of 2003.

USDA United States Department of Agriculture

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