The Market Administrator's Report

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

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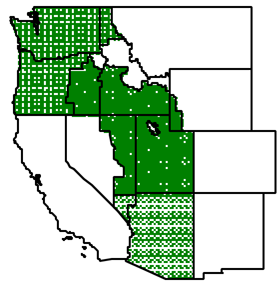

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JULY 2001

MARKET SUMMARIES FOR JUNE

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

Pacific Northwest

Producers delivered a total of 622.7 million pounds of milk to the market during June. Daily deliveries averaged 20.8 million pounds, up 2.0 percent from May. An estimated 1,213 producers delivered milk to the market during the month. Daily deliveries per producer averaged 17,113 pounds, up 2.0 percent from May.

Class I producer milk during June totaled 165.8 million pounds, 26.6 percent of total producer receipts. Daily usage averaged 5.5 million pounds, down 2.1 percent from May.

Arizona-Las Vegas

Producers delivered a total of 250.6 million pounds of milk to the market during June. Daily deliveries averaged 8.4 million pounds, down 3.7 percent from May. An estimated 114 producers delivered milk to the market during the month. Daily deliveries per producer averaged 73,268 pounds, down 3.7 percent from May.

Class I producer milk during June totaled 72.8 million pounds, 29.1 percent of total producer receipts. Daily usage averaged 2.4 million pounds, down 2.1 percent from May.

Western

Producers delivered a total of 459.5 million pounds of milk to the market during June. Comparisons to the previous month are biased due to eligible milk not pooled in May 2001. Fewer than three handlers did not pool milk; the amount of eligible milk not pooled is restricted. Daily deliveries averaged 15.3 million pounds, up 20.4 percent from May. An estimated 828 producers delivered milk to the market during the month. Daily deliveries per producer averaged 18,497 pounds, up 20.4 percent from May.

(Continued On Page 2)

Federal Order Producer Prices and Component Levels: June 2001

Producer Prices	FO124	FO131	FO135	Component Levels (%)	FO124	FO131	FO135
Uniform Price 1/*	15.78	15.88	15.67	Butterfat	3.553	3.536	3.510
Butterfat 2/	2.2089	2.1961	2.2089	Protein	2.994	N/A	2.996
Protein 2/	2.1670	N/A	2.1670	Other Solids	5.695	N/A	5.713
Other Solids 2/	0.1409	N/A	0.1409	Nonfat Solids	8.689	N/A	8.709
PPD 1/*	0.76	N/A	0.65				
Skim 1/	N/A	8.49	N/A				

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

(Continued From Page 1)

Class I producer milk during June totaled 79.6 million pounds, 17.3 percent of total producer receipts. Daily usage averaged 2.7 million pounds, down 6.6 percent from May. ♦

JUNE'S CLASS PRICES

June's non-advanced Class Prices were calculated using NASS commodity price surveys from June 2, 9, 16, and 23. Component prices for the month are $2.1670 per pound of protein, $2.2089 per pound of butterfat, $0.1409 per pound of other solids, and $0.8748 per pound of nonfat solids.

June's Class III and IV prices at 3.5% butterfat are $15.02 and $15.33 per hundredweight, respectively. Class II butterfat was also announced at $2.2159 per pound. Class I skim and butterfat and Class II skim prices for June were announced on May 18, 2001. The Class II price at 3.5% butterfat is $16.05 for June.

The June Class III price compared to May is up $1.19. The Class III price is $5.56 higher than June 2000 and $5.22 above the support price.

FINAL: NASS COMMODITY PRICES

	May	June	Change
Cheese*	$1.5129	$1.6211	$0.1082
Butter	$1.8527	$1.9263	$0.0736
Nonfat Dry Milk	$1.0180	$1.0148	-$0.0032
Whey	$0.2590	$0.2764	$0.0174

* The weighted average of barrels plus 3 cents and blocks. Beginning January 2001, barrels changed from 39% to 38% moisture cheese.

Current Commodity Prices -- The NASS survey of cheddar cheese prices showed an increase in prices received for 40-pound blocks but a net decrease in prices received for 500-pound barrels. The survey of 40-pound blocks showed an increase of 4.94 cents between the June 16 and the July 14 surveys, to $1.6590 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 0.42 cents to $1.6159 per pound.

The NASS butter price showed a net decrease of 4.67 cents between the weeks ending June 16 and July 14 from $1.9460 per pound to $1.8993 per pound.

The NASS nonfat dry milk showed a net decrease of 4.42 cents since mid-June to $0.9702 per pound. The average price for NASS whey showed a net increase of 1.00 cent since mid-June to $0.2877 per pound. ♦

AUGUST'S CLASS I PRICE ANNOUNCEMENT

On July 20, the August 2001 Class I price was announced at $17.30 for the Pacific Northwest and Western Orders, and $17.75 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of July 7 and 14.

The August Class III and IV advance skim prices are $7.90 and $7.50 per hundredweight, respectively. The Class III skim price set the Class I skim price for the first time since December 1999. The butterfat portion of the Class I mover increased 1.08 cents from $2.2104 to $2.2212 per pound.

The August 2001 Class II skim and nonfat solids prices were also announced on July 20. The skim price is $8.20 per hundredweight, and the nonfat solids price is $0.9111 per pound for all Federal Orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	July	August	Change
Cheese*	$1.6232	$1.6521	$0.0289
Butter	$1.9275	$1.9364	$0.0089
Nonfat Dry Milk	$1.0158	$0.9730	-$0.0428
Whey	$0.2753	$0.2874	$0.0121

* The weighted average of barrels plus 3 cents and blocks. Beginning January 2001, barrel cheese prices changed from 39% to 38% moisture cheese.

THE DAIRY SITUATION AND OUTLOOK

Milk Output May Be Recovering -- The 1-percent dip in May milk production hinted at some recovery after declines of more than 2 percent from a year earlier in March and April. However, weakness in milk per cow has not dissipated quickly, and full recovery probably will be lengthy. Meanwhile, exit of farms from dairying remains more pronounced, and stronger farms face some obstacles to further expansion. Milk per cow evidently was damaged significantly by winter weather stress and very tight supplies of good forage. The early cuttings of the 2001 alfalfa crop were generally disappointing in quality, and sometimes in quantity, and the May 1 stocks of all hay were down sharply. These indicators imply only gradual recovery in milk per cow, even though milk-feed ratios are projected to be relatively high. Milk cow numbers have slipped thus far in 2001, in contrast to the rising numbers of a year ago. Returns over concentrate costs in 2001 are projected to rise about a third and to match the 1998 record. These returns should apply the brakes to declines in milk cow numbers, although producer caution about over-reacting to a single year's returns probably will result in small continued declines during the second half. For the year, cow numbers are expected to average about 1 percent below 2000. Milk production is projected to move above a year earlier this autumn. However, 2001's total is expected to be about 1 percent below a year earlier, the first decline since 1996 and only the second decrease of that size since 1984. The size and widespread nature of the milk production weakness meant that most manufactured products would share in the contraction. Supplies of milk for manufacturing are expected to recover as autumn nears. However, competition for these supplies probably will stay brisk.

Dairy Demand Holds -- Dairy demand stays strong, despite a number of recent economic uncertainties. However, lower milk production forestalled any increases in commercial use of milkfat, even if seasonal increases in commercial stocks were held to minimal levels. The demand strength was shown in the rapid increases in prices instead of the amount sold. Milk production declines were far less limiting to skim solids sales than to milkfat sales because of the continuing surplus of skim solids. May 1 commercial dairy stocks were much smaller than a year earlier and up relatively very little from January 1. Rebuilding these lean stocks will help to absorb the early portion of the expected recovery in milk production.

Support Purchase Prices Changed -- On May 31, 2001, the support purchase price of nonfat dry milk was reduced more than 10 cents per pound to 90 cents. The support purchase price for butter was raised 20 cents per pound, to 85.48 cents, to compensate for the drop in powder price. The shift of value from nonfat dry milk to butter was prompted by the continuing large surplus of skim solids while milkfat markets have been quite tight. Support purchases continued large this spring until it was no longer possible to sell at the old support purchase price. Prospects for additional removals during 2001 are unclear. Large purchases might not resume until almost yearend. Small amounts of domestic surplus might be absorbed by commercial exports without much effect on international prices. Under such circumstances, interest in the new DEIP allocations that become available on July 1 might be rather muted as well.

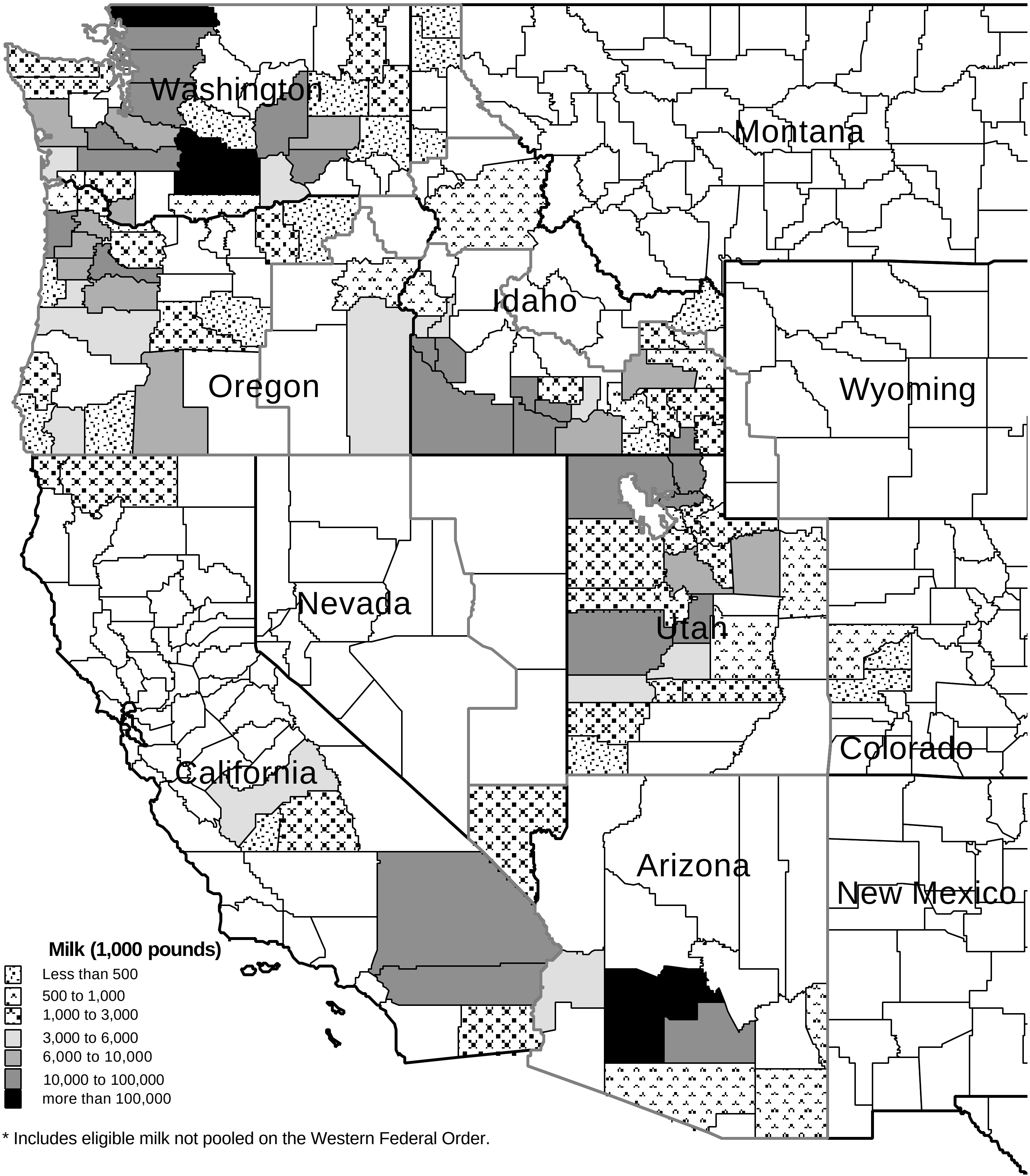
Dairy Prices Robust -- Wholesale butter and cheese prices are expected to hold fairly steady during the rest of the year, possibly weakening somewhat as milk production starts to expand towards yearend. Prices of nonfat dry milk are in a most interesting position and ultimately may be the key to dairy prices during the rest of the year. Second-half production will almost certainly exceed normal second-half domestic needs. However, the low commercial stocks, new DEIP allocations beginning in July, and the apparent firmness in international powder markets suggest that any price declines might be limited, at least until well into autumn. Much will hinge on whether international markets can absorb the U.S. excess without a significant effect on international prices. Spring milk prices will average more than $3 per cwt. above those of a year earlier and second-half prices are projected to rise a similar amount. The annual average is projected to be up almost $3 and to be near the 1998 average. Faster-than-expected expansion in milk production could cause prices to crumble sooner than projected, but second-half prices should be relatively strong in any case. Retail dairy prices have risen briskly in recent months. Even so, retail dairy prices have not kept pace with farm prices. Retail prices are projected to rise an average of about 5 percent in 2001. ♦

SOURCE: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-84, June 27, 2001, Economic Research Service, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184. Also, please note that this summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

Number of Producers and Pounds of Milk: By Order, State, and County, May 2001

State/ Order(s)	County	Producers	Milk (1,000)
Arizona			
131	Cochise, Greenlee, La Paz, & Pima	5	5,347
131	Maricopa	100	241,019
131	Pinal	6	13,015
	Arizona Total	**111**	**259,380**
California			
124	Del Norte & Siskiyou	6	4,582
135	Fresno & Kings	5	5,025
131/135	Imperial & Riverside	21	43,604
135	San Bernardino & Tulare	24	36,240
	California Total	**56**	**89,451**
Idaho			
124/135	Ada	60	26,911
124/135	Bannock, Oneida, & Power	11	2,062
124/135	Bear Lake	31	1,387
124/135	Bingham	38	8,873
124	Bonner	5	494
124/135	Bonneville	8	532
124	Boundary	3	386
124/135	Canyon	53	19,220
124/135	Caribou	18	1,300
124/135	Cassia	17	7,893
124/135	Franklin	99	20,152
124/135	Fremont & Madison	10	775
124/135	Gem & Washington	21	2,812
124/135	Gooding	45	54,768
124	Idaho & Latah	7	907
124/135	Jefferson	10	1,106
124/135	Jerome	37	31,232
124/135	Lincoln	9	1,118
124/135	Minidoka	10	3,913
135	Owyhee	15	6,316
124/135	Payette	17	4,360
124/135	Twin Falls	25	25,230
	Idaho Total	**549**	**221,745**
Oregon			
135	Baker	4	41
124	Benton & Lincoln	7	4,386
124	Clackamas, Multnomah, & Umatilla	15	3,050
124	Clatsop & Columbia	7	1,985
124	Coos & Curry	9	1,252
124	Crook & Deschutes	8	1,337
124	Jackson	3	349
124	Josephine	7	3,714
124	Klamath	10	8,279
124	Lane	6	4,547
124	Linn	13	6,371
124/135	Malheur	32	3,436
124	Marion	35	30,068
124	Polk	4	8,043
124	Tillamook & Morrow	146	45,094
124	Washington	22	7,273
124	Yamhill	11	8,493
	Oregon Total	**339**	**137,719**
Utah			
135	Beaver	16	4,564
124/135	Box Elder & Tooele	72	18,497
124/135	Cache	173	28,330
124/135	Davis	3	224
135	Duchesne	21	6,157
135	Emery & Wayne	5	2,085
135	Iron, Washington, (& Clark, Nevada)	4	2,936
124/135	Millard & Juab	24	21,211
135	Morgan	6	1,137
135	Piute	8	2,716
135	Salt Lake	4	2,012
135	Sanpete	15	11,185
124/135	Sevier	11	5,047
135	Summit	10	1,495
135	Uintah	3	728
135	Utah	25	6,227
135	Wasatch	6	1,197
124/135	Weber	39	11,247
	Utah Total	**445**	**126,994**
Washington			
124	Adams & Whitman	8	8,875
124	Benton	3	3,068
124	Clallam	5	1,604
124	Clark	16	7,980
124	Cowlitz	3	1,239
124	Franklin	13	18,921
124	Grant & Kittitas	28	23,577
124	Grays Harbor	16	9,066
124	Island	4	2,553
124	Jefferson	5	1,013
124	King	39	20,702
124	Klickitat	3	940
124	Lewis	41	17,003
124	Lincoln & Spokane	18	3,178
124	Pacific	12	3,443
124	Pierce	13	7,628
124	Skagit	54	31,918
124	Snohomish	54	29,603
124	Stevens	18	2,676
124	Thurston	16	13,678
124	Wahkiakum	4	787
124	Whatcom	205	119,433
124	Yakima	72	128,827
	Washington Total	**650**	**457,714**
Colorado			
135	Delta, Mesa, & Montrose	4	640
	Colorado Total	**4**	**640**
124	Pacific Northwest Order	1,213	630,592
131	Arizona-Las Vegas Order	114	268,776
135	Western Order	827	394,275
	Total	**2,154**	**1,293,643**

Pounds of Producer Milk by County, May 2001*



* Includes eligible milk not pooled on the Western Federal Order.

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS		
Minimum Class Prices (3.5% B.	Jun 2001	May 2001	Jun 2000	Jun 2001	May 2001	Jun 2000	Jun 2001	May 2001	Jun 2000
Class I Milk ($/cwt.)	$16.89	$16.11	$13.60	$16.89	$16.11	$13.60	$17.34	$16.56	$14.05
Class II Milk ($/cwt.)	16.05	15.72	13.08	16.05	15.72	13.08	16.05	15.72	13.08
Class III Milk ($/cwt.)	15.02	13.83	9.46	15.02	13.83	9.46	15.02	13.83	9.46
Class IV Milk ($/cwt.)	15.33	15.04	12.38	15.33	15.04	12.38	15.33	15.04	12.38
Producer Prices									
Producer Price Differential ($/cwt.	$ 0.76	$ 1.29	$ 2.45	$ 0.65	$ 0.91	$ 1.55	+	+	+
Butterfat ($/pound)	2.2089	2.1191	1.4128	2.2089	2.1191	1.4128	+	+	+
Protein ($/pound)	2.1670	1.9108	1.4278	2.1670	1.9108	1.4278	+	+	+
Other Solids ($/pound)	0.1409	0.1229	0.0438	0.1409	0.1229	0.0438	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	+	+	8.49	8.09	7.51
Uniform Butterfat Price ($/pound)	+	+	+	+	+	+	2.1961	2.0873	1.3860
Statistical Uniform Price ($/cw	$15.78	$15.12	$11.91	$15.67	$14.74	$11.01	$15.88	$15.11	$12.10
Producer Data									
Number of Producers	1,213 *	1,213	848	828 *	827	760	114 *	114	129
Avg. Daily Production (lbs.)	17,113 *	16,771	18,850	18,497 *	15,383	16,751	73,268 *	76,054	67,457
Number of Handlers									
Pool Handlers	26	26	26	18	18	19	6	6	6
Producer-Handlers	10	10	12	6	6	7	1	1	1
Other Plants w/ Class I Use	5	5	5	10	10	10	1	1	3
Producer Milk Ratios									
Class I	26.62%	27.74%	34.99%	17.32%	22.32%	21.47%	29.04%	28.58%	29.46%
Class II	6.83%	5.83%	9.26%	7.16%	9.09%	9.29%	3.94%	4.62%	5.11%
Class III	34.29%	33.99%	39.37%	54.27%	67.47%	65.05%	42.34%	42.08%	32.42%
Class IV	32.26%	32.44%	16.38%	21.25%	1.12%	4.19%	24.68%	24.72%	33.01%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	May 2001	Apr 2001	May 2000	May 2001	Apr 2001	May 2000	May 2001	Apr 2001	May 2000
Production	25,981,136	24,186,079	24,692,819	2,394,711	2,276,448	2,586,874	R	R	R
Class I Use	19,965,288	18,745,132	19,854,706	1,829,417	1,680,894	1,861,203	R	R	R
% Class I Use	76.85%	77.50%	80.41%	76.39%	73.84%	71.95%	R	R	R
Class I Route Disposition In Area									
By Pool Plants	161,137,485	155,955,124	164,940,585	71,820,604	67,674,536	72,086,257	72,401,660	73,766,055	75,793,540
By Producer-Handlers	19,830,183	18,750,974	19,954,508	1,843,000	1,680,625	1,866,350	1/	1/	R
By Other Plants	1,541,278 *	1,818,813	714,047	4,390,560 *	1,217,725	1,112,733	25,341,232 *	26,479,039	13,821,642
Total	182,508,946	176,524,911	185,609,140	78,054,164	70,572,886	75,065,340	97,742,892	100,245,094	R

* 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 Jun 2001	PACIFIC NORTHWEST May 2001	PACIFIC NORTHWEST Jun 2000	WESTERN Jun 2001	WESTERN May 2001	WESTERN Jun 2000	ARIZONA-LAS VEGAS Jun 2001	ARIZONA-LAS VEGAS May 2001	ARIZONA-LAS VEGAS Jun 2000
TOTAL PRODUCER MILK	622,741,814	630,634,512	479,535,967	459,467,224	394,382,475	381,926,373	250,577,454	268,776,263	261,060,412
RECEIPTS FROM OTHER SOURCES	11,762,543	11,750,020	12,819,922	4,323,324	6,486,732	5,236,387	17,265,847	8,418,778	2,250,091
OPENING INVENTORY	24,558,149	25,724,885	22,101,423	12,329,718	12,485,522	14,342,877	10,150,258	10,359,619	13,320,680
TOTAL TO BE ACCOUNTED FOR	659,062,506	668,109,417	514,457,312	476,120,266	413,354,729	401,505,637	277,993,559	287,554,660	276,631,183
UTILIZATION OF RECEIPTS									
Whole milk	26,073,867	25,845,602	25,219,077	11,463,311	11,840,897	11,252,870	19,529,715	19,122,957	19,269,609
Flavored milk & milk drinks	8,078,011	11,220,006	7,828,557	3,652,158	5,344,983	3,553,937	2,510,103	4,088,525	2,878,673
2% milk	69,358,211	70,394,813	68,299,980	27,966,292	29,446,312	30,060,035	28,630,970	29,717,707	30,776,593
1% milk	23,020,319	24,987,256	22,190,663	13,863,223	15,404,321	13,707,095	7,814,017	8,556,878	8,014,188
Skim milk	26,671,785	27,101,534	27,526,867	8,878,629	9,160,116	8,917,756	10,153,252	10,450,743	10,596,712
Buttermilk	1,587,332	1,588,274	1,582,521	568,287	623,975	627,029	485,241	464,850	428,523
CLASS I ROUTE DISP. IN AREA . .	154,789,525	161,137,485	152,647,665	66,391,900	71,820,604	68,118,722	69,123,298	72,401,660	71,964,298
Class I dispositions out of area . .	9,525,658	10,538,886	9,825,920	12,087,217	12,464,034	11,027,426	4,637,911	4,604,104	4,816,649
Other Class I usage	18,388,832	19,756,959	19,733,606	10,065,556	11,928,841	10,704,646	4,349,412	4,975,992	6,866,676
TOTAL CLASS I USE	182,704,015	191,433,330	182,207,191	88,544,673	96,213,479	89,850,794	78,110,621	81,981,756	83,647,623
TOTAL CLASS II USE	50,318,368	44,270,162	51,233,250	36,151,866	41,315,539	38,325,582	10,673,331	13,423,029	14,097,076
TOTAL CLASS III USE	215,030,895	216,603,151	191,739,077	249,818,653	266,958,886	252,966,689	106,151,432	114,806,341	84,965,303
TOTAL CLASS IV USE	211,009,228	215,802,774	89,277,794	101,605,074	8,866,825	20,362,572	83,058,175	77,343,534	93,921,181
TOTAL ACCOUNTED FOR	659,062,506	668,109,417	514,457,312	476,120,266	413,354,729	401,505,637	277,993,559	287,554,660	276,631,183
CLASSIFICATION OF RECEIPTS									
Producer milk: Class I . .	165,812,686	174,939,228	167,806,681	79,587,290	88,050,099	81,999,722	72,786,992	76,830,653	76,917,977
Class II . .	42,516,855	36,794,313	44,406,258	32,915,657	35,834,079	35,484,504	9,861,030	12,413,984	13,338,351
Class III . .	213,546,543	214,336,060	188,796,536	249,347,949	266,085,486	248,456,796	106,090,616	113,096,157	84,630,685
Class IV . .	200,865,730	204,564,911	78,526,492	97,616,328	4,412,811	15,985,351	61,838,816	66,435,469	86,173,399
Other receipts: Class I . .	16,891,329	16,494,102	14,400,510	8,957,383	8,163,380	7,851,072	27,416,105	18,778,397	15,570,771
Class II . .	7,801,513	7,475,849	6,826,992	3,236,209	5,481,460	2,841,078	1/	1/	1/
Class III . .	1,484,352	2,267,091	2,942,541	470,704	873,400	4,509,893	1/	1/	1/
Class IV . .	10,143,498	11,237,863	10,751,302	3,988,746	4,454,014	4,377,221	1/	1/	1/
Avg. daily producer receipts	20,758,060	20,343,049	15,984,532	15,315,574	12,722,015	12,730,879	8,352,582	8,670,202	8,702,014
Change From Previous Year . .	29.86%	27.61%		20.30%	1.62%		-4.02%	-7.96%	
Avg. daily Class I use	6,090,134	6,175,269	6,073,573	2,951,489	3,103,661	2,995,026	2,603,687	2,644,573	2,788,254
Change From Previous Year . .	0.27%	-0.48%		-1.45%	1.41%		-6.62%	-5.85%	

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for June 2001
- June 2001 Class Prices and Commodity Prices
- Class I Prices for August 2001
- Dairy Situation and Outlook
- Producers and Producer Milk By Order, State, and County, May 2001

UPPER MIDWEST ORDER HEARING

On June 26th and 27th USDA held a hearing on the Upper Midwest Order's pooling standards. Additional information on the hearing is available at: http://www.ams.usda.gov/dairy/upper_midwest_pooling_standards.htm. ♦

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY, MAY 2001

During the month of May 2001, a total of 2,154 producers, on a combined basis, were associated with the Pacific Northwest, Western, and Arizona-Las Vegas Orders. These producers delivered a total of 1,293.6 million pounds of milk to the markets during the month. In May 2001, eligible producers and producer milk were not pooled on the Western Order. Eligible milk not pooled represents fewer than three handlers; the amount of eligible milk not pooled is restricted. The table on page 4 contains the number of producers and milk pooled on the three orders. Counties and states with fewer than three producers were combined with adjacent counties. The map on page 5 includes eligible milk not pooled on the Western Order, and counties with fewer than three producers are not combined with adjacent counties. ♦

(See table on page 4 and map on page 5.)