

## Pacific Northwest & Arizona-Las Vegas Marketing Areas



1930 – 220<sup>th</sup> Street SE, Suite 102  
 Bothell, Washington 98021-8471  
 Phone (425) 487-6009  
 Fax (425) 487-2775  
 Homepage: fmmaseattle.com  
 E-mail: fmmaseattle@fmmaseattle.com



10050 N 25<sup>th</sup> Avenue, Suite 302  
 Phoenix, Arizona 85021-1664  
 Phone (602) 547-2909  
 Fax (602) 547-2906  
 E-mail: ma@fmma.net

**James R. Daugherty**  
 Market Administrator

**June 2004**

### MARKET SUMMARIES FOR MAY 2004

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

#### Pacific Northwest

Producers delivered a total of 439.5 million pounds of milk to the market during May. Comparisons to previous month are affected by eligible milk not pooled in April and May 2004. Daily deliveries averaged 14.2 million pounds, up 2.7 percent from April. An estimated 692 producers delivered milk to the market during the month. Daily deliveries per producer averaged 20,489 pounds, up 2.7 percent from April.

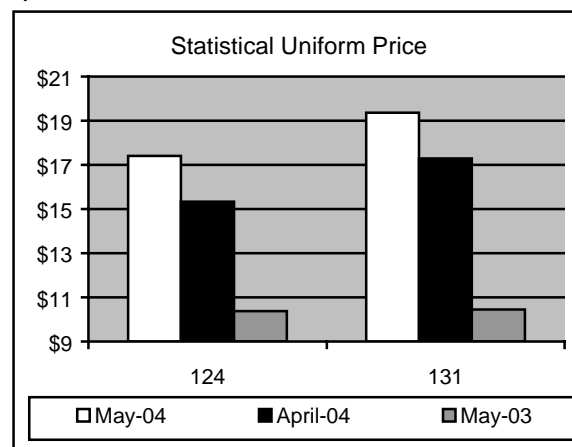
Class I producer milk during May totaled 168.8 million pounds, 38.4 percent of total producer receipts. Daily usage averaged 5.4 million pounds, down 8.8 percent from April.

#### Arizona-Las Vegas

Producers delivered a total of 248.0 million pounds of milk to the market during

May. Daily deliveries averaged 8.0 million pounds, down 5.3 percent from April. An estimated 98 producers delivered milk to the market during the month. Daily deliveries per producer averaged 81,628 pounds, down 5.3 percent from April.

Class I producer milk during May totaled 72.7 million pounds, 29.3 percent of total producer receipts. Daily usage averaged 2.3 million pounds, down 15.0 percent from April. ♦



### Federal Order Producer Prices and Component Levels: May 2004

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	17.40	19.36	Butterfat	3.572	3.522
Butterfat 2/	2.4282	2.4363	Protein	3.007	N/A
Protein 2/	3.7639	N/A	Other Solids	5.700	N/A
Other Solids 2/	0.1444	N/A	Nonfat Solids	8.707	N/A
PPD 1/*	(3.18)	N/A			
Skim 1/	N/A	11.23			

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

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**MAY 2004 CLASS PRICES**

May 2004 non-advanced Class Prices were calculated using NASS commodity price surveys from May 1, 8, 15, 22, and 29, 2004. Component prices for the month are \$3.7639 per pound of protein, \$2.4282 per pound of butterfat, \$0.1444 per pound of other solids, and \$0.6913 per pound of nonfat solids.

May 2004 Class III and IV prices at 3.5% butterfat are \$20.58 and \$14.50 per hundredweight, respectively. The May Class III price compared to April is up \$0.92. The Class III price is \$10.87 higher than May 2003. The Class III price at 3.67% butterfat is \$11.07 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$2.4352 per pound. Class I skim and butterfat and Class II skim prices for May 2004 were announced on April 23, 2004. The Class II price at 3.5% butterfat is \$15.03 for May 2004 .

**FINAL: NASS COMMODITY PRICES**

	<u>April</u>	<u>May</u>	<u>Change</u>
Cheese*	\$2.0520	\$2.1266	\$0.0746
Butter	\$2.1994	\$2.1385	-\$0.0609
Nonfat Dry Milk	\$0.8171	\$0.8383	\$0.0212
Whey	\$0.2602	\$0.2992	\$0.0390

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

**Current Commodity Prices** -- The NASS survey of cheddar cheese prices showed a decrease in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a decrease of 29.96 cents between the May 15 and the June 12 surveys, to \$1.8642 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 32.75 cents to \$1.8010 per pound.

The NASS butter price showed a decrease of 27.04 cents between the weeks ending May 15 and June 12 from \$2.1563 per pound to \$1.8859 per pound.

The NASS nonfat dry milk showed a net increase of 1.18 cents since mid-May to \$0.8516 per pound. The average price for NASS whey showed a net decrease of .54 cents since mid-May to \$0.2936 per pound. ♦

**JULY'S CLASS I PRICE ANNOUNCEMENT**

On June 18, the July 2004 Class I price was announced at \$19.85 for the Pacific Northwest Order, and \$20.30 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of June 5 and 12.

The July Class III and IV advance skim prices are \$10.95 and \$6.33 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 34.92 cents from \$2.4580 to \$2.1088 per pound.

The July 2004 Class II skim and nonfat solids prices were also announced on June 18. The skim price is \$7.03 per hundredweight, and the nonfat solids price is \$0.7811 per pound for all Federal orders. ♦

**ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS**

	<u>June</u>	<u>July</u>	<u>Change</u>
Cheese*	\$2.1838	\$1.8683	-\$0.3155
Butter	\$2.1633	\$1.8723	-\$0.2910
Nonfat Dry Milk	\$0.8372	\$0.8500	\$0.0128
Whey	\$0.2975	\$0.2942	-\$0.0033

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

**ANALYSIS OF HAULING CHARGES AND PRODUCER MILK BY LOCATION AND SIZE-RANGE OF PRODUCTION - MAY 2003**

The following is the abstract for the *Analysis of Hauling Charges and Producer Milk by Location And Size-Range Of Production - May 2003*. The complete study is available on the internet at the Market Administrator's website at <http://www.fmmaseattle.com>.

Hauling charges and milk production were examined for over 1,700 producers in May 2003. The milk represented in this study was producer milk (Grade A) pooled on the Pacific Northwest and Western Orders. Hauling charges, stop charges, and milk production were obtained from producer payrolls submitted by handlers to the Market Administrator's office. The terms "milk production" and "producer milk" in this study are synonymous. Hauling charges in this paper are given on a per hundredweight basis. The reference to a particular year refers to May of that year. Some comparisons to previous years are reported, but due to changes

in Federal order boundaries and order provisions beginning January 2000, these comparisons may be biased.

Major findings of this study include:

1. In May 2003, the weighted average hauling charges on the Pacific Northwest and Western Orders were 42.76 and 31.19 cents per hundredweight, respectively.
2. By state, Idaho had the lowest weighted average hauling charge, followed by California, Oregon, Utah, Washington, and Colorado.
3. In general, hauling charges in the Northwest appear to be determined by the density of farms in a region; the size of dairy farms; and their proximity to metropolitan areas or areas of intense milk processing. In addition, hauling charges were generally lower for the large-volume producers, especially in the Western Order milk shed.
4. Based on producer milk pooled on the respective orders, the average monthly deliveries per producer for the Pacific Northwest Order were 711.1 thousand pounds and for the Western Order were 736.1 thousand pounds. ♦

## DAIRY SITUATION AND OUTLOOK

The following are selected portions of dairy outlook and situation from the Economic Research Service, USDA, *Livestock, Dairy and Poultry Outlook*. The complete article is available on the internet at: <http://usda.mannlib.cornell.edu/reports/erssor/livestock/ldp-mbb/2004/>.

### ***Dairy Prices Adjust***

Wholesale prices of cheese and butter in mid-June were down almost 20 percent from their April peaks. The April peaks represented an overreaction to the large February-March declines in milk production and the sharp March-April surge in wholesale cheese movement. The flow of milk and milk solids into cheese production, the easing of declines in milk production, and the subsiding fears of buyers triggered a price adjustment that probably will persist (at a rather gradual rate) through most of the rest of 2004.

Dairy markets are expected to stay fairly tight through most of 2004, even though prices probably will slip from spring levels. Production will be weak, and demand is projected to stay reasonably good. Unless pipeline stocks have been built to very large

levels, further sharp price breaks do not seem likely. In fact, prices may stay somewhat volatile and temporary reversals of the general downtrend are certainly possible. For all of 2004, farm milk prices are projected to easily surpass 1998's record.

### ***Milk Production Declines Ease***

In the 20 major dairy States, April milk production was less than 1 percent below a year earlier, a considerably smaller decrease than during February-March. However, the changes represented the start of weakening production a year ago more than any real recovery this year. Milk production is likely to continue to be weakened by several key forces, but the largest year-to-year drops probably are past.

Milk per cow stayed very weak. Output per cow in the 20 States was slightly above a year earlier in April after slipping below in February-March. Compared with the 5-year moving average, milk per cow since February has represented an annual growth rate of well under 1 percent, only about a third of the long-run trend.

Reduced availability of bovine somatotropin (BST) obviously was a major contributor to weak milk per cow. However, other factors clearly were at play because milk per cow was fairly weak even before the BST allocations were announced. Milk-feed price ratios this winter wound up moderately favorable, as they had been during the second half of 2003. However, farmers may have been more quickly aware of last winter's rising concentrate feed prices than they were of rises in milk prices. In addition, irregular forage quality undoubtedly played a role.

### ***Farmer Response to Record Prices Muted***

Milk cow numbers in the 20 States have been about steady since the start of 2004. Year-to-year decreases slipped from 1.2 percent in January to 1.0 percent in April. The stronger-than-expected milk prices undoubtedly were the main factor stemming decreases in cow numbers by allowing weaker producers to continue milking.

Dairy farm exits are expected to become slightly more common if milk prices slip during the second half as projected. However, declines in cow numbers from early 2004 probably will be small. Returns should still be fairly strong through yearend, and recent record milk prices have provided a considerable cushion for the rest of the year. However, the presumed return to normal availability of BST, more ample heifer supplies, lower expected returns, and the scheduled 2005

end to the Milk Income Loss Contracts should lead to increased exits by late-2004 and 2005.

Record milk prices provided strong incentive to keep facilities at maximum capacity. However, they probably will provide considerably less stimulus for new expansions than normal. Farmers are apt to view these strong prices as based on temporary factors that will dissipate by next winter. Also, the relatively few expansions begun in late 2003 and the tight supplies of replacement heifers meant that few new facilities were positioned to be rushed into production.

Tight supplies of replacement heifers and high milk prices have caused replacement prices to jump. In April, replacements were up almost \$200 from January and almost \$300 from a year earlier. Even so, the price increase seemed mostly to reflect reduced heifer supplies rather than strong demand from expanding producers. The difference between replacement price and slaughter value was only moderately higher than during 2003 and well below the levels of late 2001-2002. Based on the data for January 1, 2004, supplies of springer heifers should ease somewhat by late this year. However, resumption of imports of Canadian heifers remains uncertain.

#### ***Cheese Grabs Lion's Share of Smaller Milk Supply***

Lower milk production reduced supplies of milk for manufacturing during February-April by more than 3 percent (on a daily average basis) from a year earlier. Strong cheese movement pulled increased amounts of milk away from butter-powder and into cheese production, even before the March increases in cheese price gave cheese plants a commanding advantage in competing for milk. During February-April, cheese production rose about 6 percent, while butter output fell 16 percent, and nonfat dry milk a similar amount. Part of the additional cheese probably was made from nonfat dry milk and cream.

Manufacturing milk supplies are expected to stay tight during most of the rest of 2004. With sluggish milk production, output of manufactured products probably will stay below a year earlier until autumn. However, a slight easing is possible this summer as ice cream makers and others start to dip into their stocks of milkfat. Cheese production is projected to continue to pull milk away from output of butter and nonfat dry milk.

#### ***Cheese Disappearance Booms***

Cheese buyers seemed insatiable in March-April. Commercial disappearance of American

varieties jumped more than 6 percent from a year earlier, and movement of other varieties almost 9 percent, as prices shot up to records by late April. These increases in cheese disappearance (equivalent to about 1 billion pounds of milk) caused dramatic changes throughout dairy markets.

Commercial disappearance of all dairy products (milk equivalent, skim solids basis) astoundingly rose almost 9 percent from a year earlier during March-April. The boom in cheese movement turned a persistent large surplus of skim solids into a drawdown of Government powder stocks. On a milkfat basis, the increase in disappearance was much less impressive because a 9-percent decline in butter movement offset a sizable share of the increase due to cheese.

#### ***Powder Surplus Dissolves for a While***

Purchases of nonfat dry milk under the price support program have been modest since February, particularly since a significant share of recent purchases has been fortified powder for food aid use covered by earlier contracts. Net removals during March-May were actually negative as unrestricted sales (including that swapped for process cheese and pudding) exceeded purchases. Most of this drop in surplus was caused by the extraordinary cheese movement and the resulting hunger of cheesemakers for milk solids.

#### ***International Markets Firm***

International dairy markets have remained firm. Demand for milk powders has been fairly good from the growing Asian economies and other importers. Until recently, users of nonfat dry milk had no incentive to buy more than their current needs because of the availability of U.S. powder at little or no premium. That may have changed somewhat now that U.S. Government holdings of young powder have been virtually exhausted.

Butter demand also has improved. Russian imports have been relatively strong, and higher oil prices have helped Middle Eastern demand. Meanwhile, the trend shift from skim milk powder to whole milk powder is removing milkfat from international markets.

Export supplies are limited. The European Union (EU) has had lower milk production, with sales into intervention considerably below a year earlier. Although the accession of the 10 new members makes the EU situation more uncertain than normal, export supplies are expected to trail last year's levels. Between reduced export supplies

and the strength of the euro, the EU may be rather conservative about setting their export subsidies.

#### **Wholesale Prices Drop**

April peaks in wholesale prices of butter and cheese proved unsustainable once buyers became aware that their collective "prudence" represented an over-reaction to tight market fundamentals. By May, declines in milk production were beginning to ease, and consumer response to the high prices was beginning to be felt. Cheddar cheese prices on the Chicago Mercantile Exchange fell 40 cents per pound from their peak and remain under considerable pressure. With the value of milk being considerably higher in cheese than in butter-powder and the general profitability of using nonfat dry milk and cream to make cheese, extra loads of cheese are now commonly available. Meanwhile, buyers have become more comfortable not buying every load offered.

The flow of milk solids into cheese and the likely rebuilt pipeline holdings probably will continue to push down cheese prices this summer, particularly if milk production moves back towards year-earlier levels as expected. However, sales are expected to stay strong enough to keep markets fairly tight. Any weather stress or other production problem or a surge in cheese movement could cause prices to plateau or even recover temporarily.

#### **Milk Prices To Slip but Still Set Record**

Farm milk prices during the rest of 2004 are projected to retreat from their May record of more than \$20 per cwt but will stay well above a year earlier. Markets are expected to stay fairly tight. The steepness of the price decrease will be very sensitive to production and sales developments, as well as pipeline and warehouse stocks. Also, prices could still be somewhat volatile even if the general trend is downward.

The value of milk in cheese is expected to remain considerably higher than butter-powder values during the remainder of 2004. Cheese sales probably will require the lion's share of the milk supply. However, the price gap is unlikely to be as wide as during spring. Continued manufacture of cheese from nonfat dry milk may not be needed and might cease to be profitable, particularly if exports buttress powder prices.

The average price of all milk in 2004 is projected to be more than \$16 per cwt, up more than a fourth from 2003 and easily a record. Next year's larger expected milk production, in combination with some likely carryover effects of

this year's high prices on use, probably will drop 2005 milk prices. Milk prices are projected to average almost \$3 below 2004. ♦

#### **Retail Prices Try To Catch Up**

Retail prices of dairy products jumped to 185.9 (1982-84=100) in May, up more than 12 percent from a year earlier and almost 7 percent from April. Prices were higher for almost all dairy products, although the largest April to May rises were for fluid milk. Fluid milk prices had been relatively moderate since mid-2003 before shooting up 14 percent between April and May. Although dairy prices rose considerably more than average food prices and received much media attention, sharply higher prices for many other foods cushioned the demand impact somewhat.

Even these May retail prices did not fully reflect increases in farm and wholesale prices. The farm-to-retail price spread this spring dropped from a year earlier. The spread has been considerably below a year earlier since mid-2003 but is expected to start widening during the second half of 2004.

(Article on Page 8)

<b>Commercial Disappearance</b>			
	January-March		%
	2004	2003	Change #
<u>Selected Products</u>	-- Million Pounds --		
Butter *	287.3	309.9	-8.4%
American Cheese *	927.4	895.1	2.5%
Other Cheese *	1,345.4	1,248.5	6.6%
Nonfat Dry Milk *	322.5	161.9	97.2%
Fluid Milk Products	13984.0	13,977.9	-1.1%
<b>Total *</b>	<b>41,966</b>	<b>41,437</b>	<b>0.1%</b>

\* Commercial Disappearance, milk-equivalent, milk fat basis. Source: Dairy Market News, Volume 71, Report 21. # Percent change on a daily average basis.

# MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	May 2004	Apr 2004	May 2003	May 2004	Apr 2004	May 2003	May 2004	Apr 2004	May 2003	
<b>Minimum Class Prices (3.5% B.F.)</b>										
Class I Milk (\$/cwt.)	\$21.55	\$15.54	\$11.61	No data available. FO 135 was terminated effective April 1, 2004.		\$11.61	\$22.00	\$15.99	\$12.06	
Class II Milk (\$/cwt.)	15.03	15.21	10.43			10.43	15.03	15.21	10.43	
Class III Milk (\$/cwt.)	20.58	19.66	9.71			9.71	20.58	19.66	9.71	
Class IV Milk (\$/cwt.)	14.50	14.57	9.74			9.74	14.50	14.57	9.74	
<b>Producer Prices</b>										
Producer Price Differential (\$/cwt.)	\$(3.18)	\$(4.32)	\$ 0.67			\$ 0.48	+	+	+	
Butterfat (\$/pound)	2.4282	2.5013	1.1512			1.1512	+	+	+	
Protein (\$/pound)	3.7639	3.4465	1.9275			1.9275	+	+	+	
Other Solids (\$/pound)	0.1444	0.1042	(0.0144)			(0.0144)	+	+	+	
Uniform Skim Price (\$/cwt.)	+	+	+			+	11.23	8.99	6.64	
Uniform Butterfat Price (\$/pound)	+	+	+		+	2.4363	2.4614	1.1561		
Statistical Uniform Price (\$/cwt.)	\$17.40	\$15.34	\$10.38		\$10.19	\$19.36	\$17.29	\$10.45		
<b>Producer Data</b>										
Number of Producers	692 *	692	903		864	98 *	98	106		
Avg. Daily Production (lbs.)	20,489 *	19,960	22,941		23,889	81,628 *	86,170	86,132		
<b>Number of Handlers</b>										
Pool Handlers	27	26	30		16	5	6	6		
Producer-Handlers	7 *	7	9		6	2 *	2	2		
Other Plants w/ Class I Use	20 *	20	19		21	31 *	31	33		
<b>Producer Milk Ratios</b>										
Class I	38.40%	43.24%	28.07%		14.69%	29.32%	32.67%	28.89%		
Class II	8.78%	8.35%	6.04%		4.76%	7.09%	7.46%	6.65%		
Class III	2.78%	2.87%	33.74%		70.68%	43.10%	41.16%	35.77%		
Class IV	50.04%	45.54%	32.15%		9.87%	20.49%	18.71%	28.69%		

+ Not Applicable. \* Preliminary.

## MONTHLY SUPPLEMENTAL STATISTICS

	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003	Apr 2004	Mar 2004	Apr 2003
<b>Producer-Handler Data</b>									
Production	20,786,094	21,412,941	24,254,423	No data available. FO 135 was terminated effective April 1, 2004.	1,968,094	2,390,779	R	R	R
Class I Use	17,335,040	18,092,494	17,749,934			1,606,765	1,672,413	R	R
% Class I Use	83.40%	84.49%	73.18%			81.64%	69.95%	R	R
<b>Class I Route Disposition In Area</b>									
By Pool Plants	158,177,138	165,686,961	161,553,134		70,052,589	67,388,880	77,288,417	80,231,680	78,720,474
By Producer-Handlers	16,274,652	17,250,272	17,872,380		1,619,828	1,682,601	1/	1/	1/
By Other Plants	4,265,080 *	4,084,816	1,632,145		3,806,618	3,309,407	33,968,068 *	34,084,368	30,451,031
Total	178,716,870	187,022,049	181,057,659		75,479,035	72,380,888	111,256,485	114,316,048	109,171,505

\* 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			WESTERN			ARIZONA-LAS VEGAS			
	May 2004	Apr 2004	May 2003	May 2004	Apr 2004	May 2003	May 2004	Apr 2004	May 2003	
TOTAL PRODUCER MILK	439,531,111	414,368,058	642,190,976	No data available. FO 135 was terminated April 1, 2004.	639,841,403	247,986,147	253,339,255	283,030,596		
RECEIPTS FROM OTHER SOURCES	19,058,052	16,396,174	14,346,658		8,198,279	34,743,802	11,393,394	38,571,862		
OPENING INVENTORY . . . . .	31,190,547	31,656,755	31,786,082		16,640,370	13,638,830	15,446,349	12,867,491		
<b>TOTAL TO BE ACCOUNTED FOR</b>	<b>489,779,710</b>	<b>462,420,987</b>	<b>688,323,716</b>		<b>664,680,052</b>	<b>296,368,779</b>	<b>280,178,998</b>	<b>334,469,949</b>		
<b>UTILIZATION OF RECEIPTS</b>										
Whole milk . . . . .	28,359,249	29,306,151	29,544,994		12,750,280	20,222,470	22,102,790	23,502,635		
Flavored milk & milk drinks . . . . .	10,646,422	11,271,774	12,203,605		5,643,152	4,949,538	6,229,974	5,548,733		
2% milk . . . . .	65,629,679	66,158,137	69,409,610		28,832,905	26,593,805	28,408,762	28,942,698		
1% milk . . . . .	23,180,635	24,053,702	25,080,816		13,826,503	8,871,810	9,644,716	9,276,651		
Skim milk . . . . .	25,361,516	26,058,930	27,624,806		8,681,921	9,328,487	10,304,342	9,892,474		
Buttermilk . . . . .	1,336,896	1,328,444	1,423,551		554,052	536,760	597,833	546,977		
CLASS I ROUTE DISP. IN AREA . . . . .	154,514,397	158,177,138	165,287,382		70,288,813	70,502,870	77,288,417	77,710,168		
Class I dispositions out of area . . . . .	12,179,338	13,944,145	12,020,841		22,228,371	3,452,577	3,967,070	4,523,794		
Other Class I usage . . . . .	25,277,178	25,847,568	18,266,751		13,488,798	8,202,597	11,230,660	6,551,351		
<b>TOTAL CLASS I USE . . . . .</b>	<b>191,970,913</b>	<b>197,968,851</b>	<b>195,574,974</b>		<b>106,005,982</b>	<b>82,158,044</b>	<b>92,486,147</b>	<b>88,785,313</b>		
TOTAL CLASS II USE . . . . .	46,675,212	43,683,218	45,213,495		38,433,039	18,517,815	19,757,110	19,713,173		
TOTAL CLASS III USE . . . . .	12,204,173	12,340,574	219,726,745		453,418,785	108,173,084	105,244,193	101,952,796		
TOTAL CLASS IV USE . . . . .	238,929,412	208,428,344	227,808,502		66,822,246	87,519,836	62,691,548	124,018,667		
<b>TOTAL ACCOUNTED FOR . . . . .</b>	<b>489,779,710</b>	<b>462,420,987</b>	<b>688,323,716</b>		<b>664,680,052</b>	<b>296,368,779</b>	<b>280,178,998</b>	<b>334,469,949</b>		
<b>CLASSIFICATION OF RECEIPTS</b>										
Producer milk: Class I . . . . .	168,811,252	179,162,560	180,277,109		93,954,726	72,713,904	82,785,252	81,765,615		
Class II . . . . .	38,582,661	34,583,442	38,796,905		30,477,571	17,586,850	18,886,905	18,826,616		
Class III . . . . .	12,204,173	11,906,144	216,653,702		452,237,340	106,878,111	104,269,228	101,226,595		
Class IV . . . . .	219,933,025	188,715,912	206,463,260		63,171,766	50,807,282	47,397,870	81,211,770		
Other receipts: Class I . . . . .	23,159,661	18,806,291	15,297,865		12,051,256	48,382,632	26,839,743	51,439,353		
Class II . . . . .	8,092,551	9,099,776	6,416,590		7,955,468	1/	1/	1/		
Class III . . . . .	0	434,430	3,073,043	1,181,445	1/	1/	1/			
Class IV . . . . .	18,996,387	19,712,432	21,345,242	3,650,480	1/	1/	1/			
Avg. daily producer receipts . . . . .	14,178,423	13,812,269	20,715,838	20,640,045	7,999,553	8,444,642	9,130,019			
Change From Previous Year . . . . .	-31.56%	-33.78%	-6.98%	31.69%	-12.38%	-9.55%	-0.08%			
Avg. daily Class I use . . . . .	6,192,610	6,598,962	6,308,870	3,419,548	2,650,259	3,082,872	2,864,042			
Change From Previous Year . . . . .	-1.84%	3.58%	-2.97%	8.82%	-7.46%	2.60%	-3.65%			

1/ Restricted - Included with Class I.

**HIGHLIGHTS THIS ISSUE:**

- Market Summaries for May 2004
- May 2004 Class Prices
- Class I Price for July 2004
- Analysis of Hauling Charges And Producer Milk By Location And Size-Range of Production - May 2003
- Dairy Situation and Outlook
- Commercial Disappearance of Dairy Products Up 0.1% for First Quarter 2004

**COMMERCIAL DISAPPEARANCE OF DAIRY PRODUCTS UP 0.1% FOR FIRST QUARTER OF 2004**

Commercial disappearance of U.S. milk for the first quarter of 2004 was up 0.1 percent over the same period of 2003. Commercial disappearance is used as an indicator of consumption of U.S. milk marketings and is a residual figure. This measure of consumption includes civilian and military purchases of milk and dairy products for domestic and foreign use (exports), but excludes farm household use, commercial stocks, and imports. The table on page 5 shows commercial disappearance by commodity and their milk-equivalent on a fat solids basis.

American cheese, other cheese, and nonfat dry milk disappearance showed increases from 2003. Butter and fluid milk disappearance showed decreases from 2003. Nonfat dry milk disappearance increased the most, up 97.2 percent. Butter disappearance decreased the most, down 8.4 percent. ♦

*(See Table on Page 5)*