The Market Administrator's Report

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

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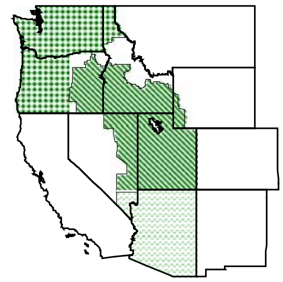

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November 2003

MARKET SUMMARIES FOR OCTOBER 2003

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

Pacific Northwest

Producers delivered a total of 376.9 million pounds of milk to the market during October. Comparisons to the previous month are affected by eligible milk not pooled in September and October 2003. Fewer than three handlers did not pool milk; the amount of eligible milk not pooled is restricted. Daily deliveries averaged 12.2 million pounds, down 1.9 percent from September. An estimated 693 producers delivered milk to the market during the month. Daily deliveries per producer averaged 17,545 pounds, down 2.0 percent from September.

Class I producer milk during October totaled 187.8 million pounds, 49.8 percent of total producer receipts. Daily usage averaged 6.1 million pounds, up 4.8 percent from September.

Arizona-Las Vegas

Producers delivered a total of 234.6 million pounds of milk to the market during October. Daily deliveries averaged 7.6 million pounds, up 2.3 percent from September. An estimated 106 producers delivered milk to the market during the month. Daily deliveries per producer averaged 71,385 pounds, up 2.3 percent from September.

Class I producer milk during October totaled 86.0 million pounds, 36.7 percent of total producer receipts. Daily usage averaged 2.8 million pounds, up 4.6 percent from September.

Western

Producers delivered a total of 174.7 million pounds of milk to the market during October. Comparisons to the previous month are affected by eligible milk not pooled in September and October 2003. Approximately, 200 million pounds were not

(Continued on Page 2)

Federal Order Producer Prices and Component Levels: October 2003

Producer Prices	FO124	FO131	FO135	Component Levels (%)	FO124	FO131	FO135
Uniform Price 1/*	13.05	14.31	13.76	Butterfat	3.662	3.606	3.605
Butterfat 2/	1.2553	1.2503	1.2553	Protein	3.094	N/A	3.099
Protein 2/	3.2815	N/A	3.2815	Other Solids	5.658	N/A	5.692
Other Solids 2/	0.0311	N/A	0.0311	Nonfat Solids	8.751	N/A	8.791
PPD 1/*	(1.34)	N/A	(0.63)				
Skim 1/	N/A	10.29	N/A				

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

(Continued From Page 1)
pooled in October 2003. Daily deliveries averaged 5.6 million pounds, up 0.6 percent from September. An estimated 527 producers delivered milk to the market during the month. Daily deliveries per producer averaged 10,695 pounds, up 0.6 percent from September.

Class I producer milk during October totaled 100.5 million pounds, 57.5 percent of total producer receipts. Daily usage averaged 3.2 million pounds, up 2.75 percent from September. ♦

OCTOBER 2003 CLASS PRICES

October 2003 non-advanced Class Prices were calculated using NASS commodity price surveys from October 4, 11, 18 and 25, 2003. Component prices for the month are $3.2815 per pound of protein, $1.2553 per pound of butterfat, $0.0311 per pound of other solids, and $0.6642 per pound of nonfat solids.

October 2003 Class III and IV prices at 3.5% butterfat are $14.39 and $10.16 per hundredweight, respectively. The October Class III price compared to September is up $0.09. The Class III price is $3.67 higher than October 2002. The Class III price at 3.67% butterfat is $4.69 above the support price of $9.90 at 3.67% butterfat.

Class II butterfat was announced at $1.2623 per pound. Class I skim and butterfat and Class II skim prices for October 2003 were announced on September 19, 2003. The Class II price at 3.5% butterfat is $10.84 for October 2003 .

FINAL: NASS COMMODITY PRICES

	September	October	Change
Cheese*	$1.5940	$1.5936	-$0.0004
Butter	$1.1332	$1.1611	$0.0279
Nonfat Dry Milk	$0.8111	$0.8109	-$0.0002
Whey	$0.1755	$0.1892	$0.0137

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed an decrease in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a decrease of 5.54 cents between the October 18 and the November 15 surveys, to $1.5204 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 10.10 cents to $1.4701 per pound.

The NASS butter price showed a net increase of 4.28 cents between the weeks ending October 18 and November 15 from $1.1501 per pound to $1.1929 per pound.

The NASS nonfat dry milk showed a net increase of 0.90 cents since mid-October to $0.8192 per pound. The average price for NASS whey showed an increase of 0.46 cents since mid-October to $0.1937 per pound. ♦

DECEMBER'S CLASS I PRICE ANNOUNCEMENT

On November 21, the December 2003 Class I price was announced at $15.74 for the Pacific Northwest and Western Orders, and $16.19 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of November 8 and 15.

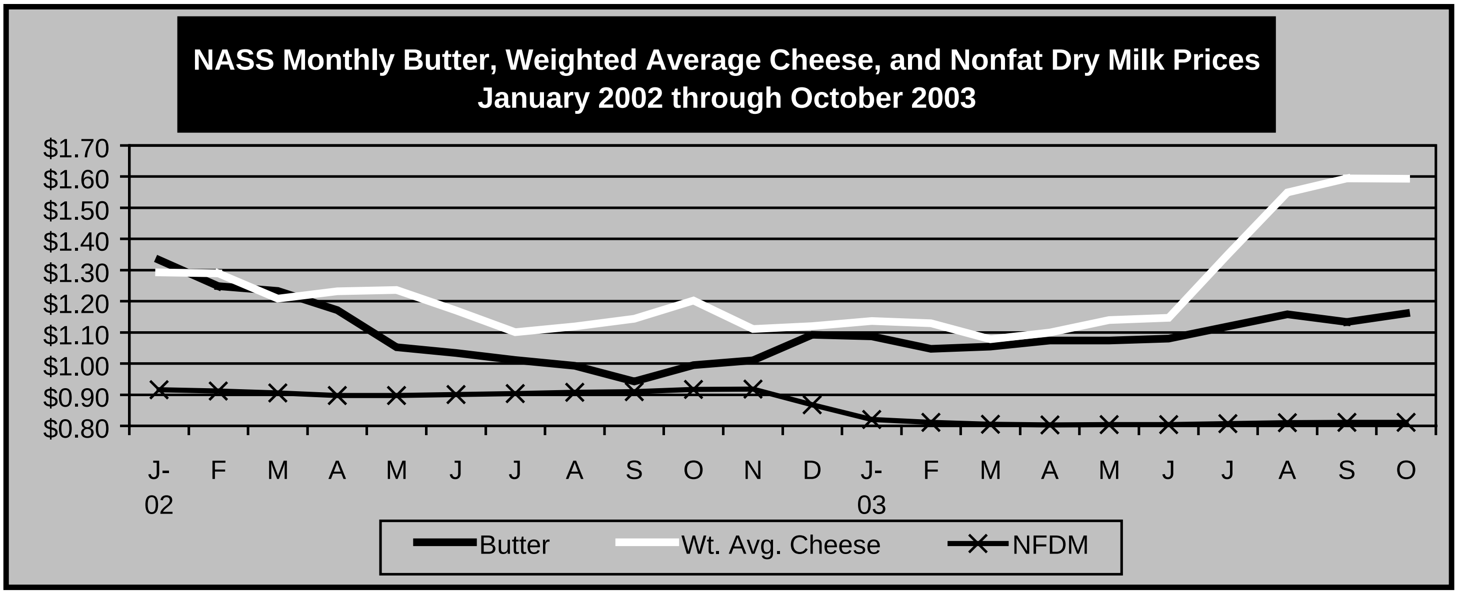
The December Class III and IV advance skim prices are $9.70 and $6.02 per hundredweight, respectively. The butterfat portion of the Class I mover increased 2.43 cents from $1.2563 to $1.2806 per pound.

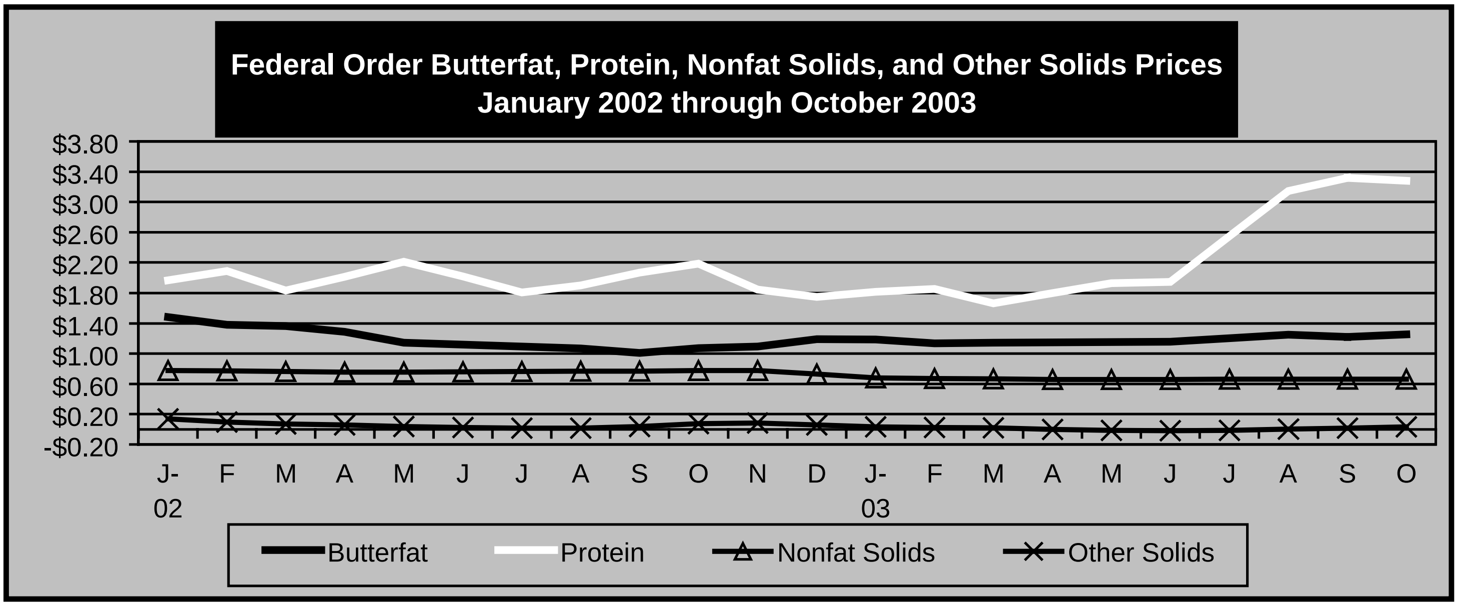
The December 2003 Class II skim and nonfat solids prices were also announced on November 21. The skim price is $6.72 per hundredweight, and the nonfat solids price is $0.7467 per pound for all Federal orders. ♦

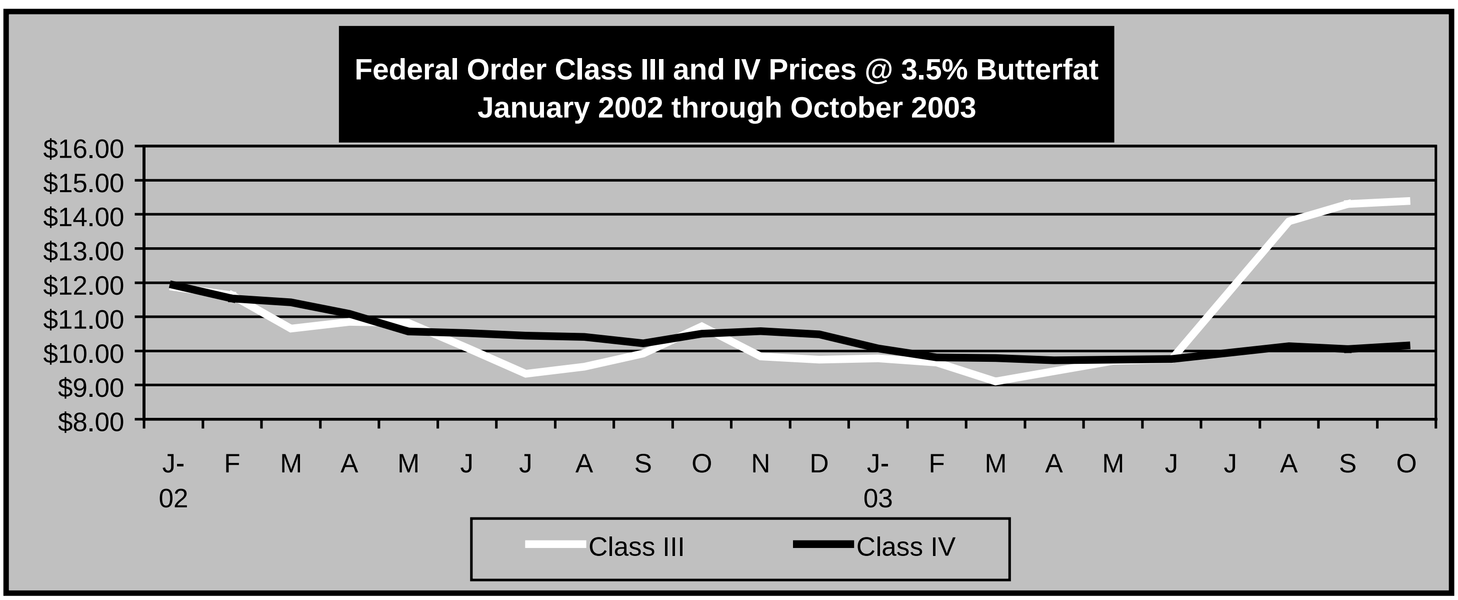
ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	November	December	Change
Cheese*	$1.5921	$1.5331	-$0.0590
Butter	$1.1619	$1.1822	$0.0203
Nonfat Dry Milk	$0.8117	$0.8153	$0.0036
Whey	$0.1877	$0.1947	$0.0070

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


NASS Monthly Butter, Weighted Average Cheese, and Nonfat Dry Milk Prices
January 2002 through October 2003
$1.70
$1.60
$1.50
$1.40
$1.30
$1.20
$1.10
$1.00
$0.90
$0.80
J-02 F M A M J J A S O N D J-03 F M A M J J A S O
Butter
Wt. Avg. Cheese
NFDM


Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2002 through October 2003
$3.80
$3.40
$3.00
$2.60
$2.20
$1.80
$1.40
$1.00
$0.60
$0.20
-$0.20
J-02 F M A M J J A S O N D J-03 F M A M J J A S O
Butterfat
Protein
Nonfat Solids
Other Solids


Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2002 through October 2003
$16.00
$15.00
$14.00
$13.00
$12.00
$11.00
$10.00
$9.00
$8.00
J-02 F M A M J J A S O N D J-03 F M A M J J A S O
Class III
Class IV

USDA ISSUES REFERENDUM ORDER AND EXTENDS COMMENT DEADLINE FOR WESTERN MILK MARKETING ORDER

On October 31, 2003, the U.S. Department of Agriculture announced that a referendum will be conducted for the purpose of determining producer approval of the Western Milk Marketing Order, as amended in the August 8 Tentative Final Decision. Additionally, USDA is extending the deadline for filing comments to that decision as it pertains to the Western Order to April 1, 2004.

The August 8, 2003, Tentative Final Decision amended pooling provisions of the Western Order. Determination of producer approval of the order, by a polling of cooperatives, could not be ascertained so a referendum must be held.

James R. Daugherty has been designated the referendum agent. The referendum order and extension of the comment period appears in the October 31st Federal Register. The referendum shall be completed on or before December 1, 2003. For additional information about the decision and the conduct of this referendum contact: James R. Daugherty, Pacific Northwest, Arizona-Las Vegas, and Western Market Administrator; USDA/AMS/Dairy Programs: 1930 - 220th Street, S.E., Suite 102, Bothell, Washington 98021-8471; Tel. (425) 487-6009; email fmmaseattle@fmmaseattle.com. ♦

USDA SEEKS NOMINATIONS FOR NATIONAL FLUID MILK BOARD

The U.S. Department of Agriculture is asking dairy processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint seven individuals from those nominated to succeed members whose terms expire June 30, 2004. Newly appointed or reappointed members will serve 3-year terms from July 1, 2004, through June 30, 2007.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and 5 are at-large members. The at-large members must include at least three fluid milk processors and at least one member of the general public. Currently, there are two members of the general public serving on the board.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market more than 3,000,000 pounds of fluid milk products per month in the contiguous 48 States and the District of Columbia, excluding those fluid milk products delivered to the residence of a consumer.

USDA will accept nominations for board representation in five geographic regions and for two at-large positions. Nominees must be active owners or employees of a fluid milk processor for all regional positions and at least one at-large position. The other at-large position may be filled by a member of the general public. The geographic regions are: Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont); Region 4 (Georgia, North Carolina, and South Carolina); Region 7 (Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin); Region 10 (Texas); and Region 13 (Idaho, Montana, Oregon, Washington, and Wyoming). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

To nominate an individual, please submit completed nomination and background forms for each nominee by December 5, 2003. Forms should be sent to: Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at http://www.ams.usda.gov/dairy/dairyrp.htm. ♦

DAIRY SITUATION AND OUTLOOK

Update: Since the publication of this outlook cheese prices have declined. See Current Commodity Prices on page 2.

Milk Supply Not Enough to Erode Cheese Prices

Moderately strong cheese sales and tight supplies of milk for manufacturing have allowed cheese prices to hold, despite a major diversion of milk from butter-powder production into cheese. Wholesale Cheddar cheese prices have been largely unchanged since late July. Cheese prices may remain near current levels until milk production picks up seasonally in a few weeks. However, an early seasonal price peak still seems likely unless sales accelerate.

August milk per cow failed to sustain the apparent recovery of June and July. In the 20 major States, output per cow fell from a July increase of 0.8 percent from a year earlier to an August drop of 0.4 percent. However, year-to-year changes were very misleading because of last year's erratic growth in milk per cow. August 2002 was marked by the near-complete absence of normal summer heat stress. Compared with the 5-year average milk per cow, this year's output grew at an annual rate of about 1.2 percent in June, July, and August. Even so, milk per cow remained relatively weak, and a solid recovery is not yet apparent.

The weak milk per cow, slipping milk cow numbers, and larger apparent use of milk in other foods left supplies of milk for manufacturing substantially below a year earlier, particularly in August. Butter and nonfat dry milk production fell sharply in July-August as a much larger share of the smaller milk supplies moved into cheese. Even so, July-August output of American cheese varieties was about 1 percent below a year earlier while production of other kinds rose only slightly. With cheese sales rising 3 percent from a year earlier and stocks moderate, this cheese production was insufficient to ease tight cheese markets. Market conditions in September may well have been similar.

Milk production this autumn is expected to grow slightly from a year earlier as well as impending seasonal rises. With cheese claiming the lion's share of available milk supplies, Cheddar cheese production is projected to move above year-earlier levels—putting considerable pressure on cheese prices.

In early October, manufacturers' stocks of nonfat dry milk were revised for all of 2002 and the first 7 months of 2003. The revisions showed a fairly consistent 20 to 35 million pounds less in stocks than originally published. As well as significantly altering the levels of the powder and milk equivalent, skim solids basis stocks data, the revisions may help explain some unusual patterns that had first appeared in the second half of 1999. However, the impact on the outlook for the rest of 2003 and 2004 is minor. The major implication of the data correction is that prices might be expected to respond more quickly to tighter-than-expected conditions than would have seemed likely before the revisions. ♦

Source: Livestock, Dairy, & Poultry Outlook/LDP-M-112/ October 17,2003.

Milk Production
October 2002 - 2003

	2002	2003 1/	% Change
	- - million pounds -		
Arizona	**263**	**269**	**2.3%**
California	2,929	2,910	-0.6%
Florida	163	151	-7.4%
Idaho	**688**	**752**	**9.3%**
Illinois	164	157	-4.3%
Indiana	211	215	1.9%
Iowa	308	301	-2.3%
Kentucky	123	113	-8.1%
Michigan	495	502	1.4%
Minnesota	667	663	-0.6%
Missouri	152	151	-0.7%
New Mexico	534	555	3.9%
New York	1,004	968	-3.6%
Ohio	369	368	-0.3%
Oregon 2/	**N/A**	**N/A**	**N/A**
Pennsylvania	884	818	-7.5%
Texas	419	451	7.6%
Utah 2/	**N/A**	**N/A**	**N/A**
Vermont	218	213	-2.3%
Virginia	150	135	-10.0%
Washington	**462**	**460**	**-0.4%**
Wisconsin	1,788	1,813	1.4%
20 States 3/	11,991	11,965	-0.2%
U.S.	13,866	13,783	-0.6%

1/ October 2003 is preliminary. 2/ Data for Oregon and Utah is published quarterly. 3/ 20 States do not include Oregon and Utah. N/A = not available. Source: National Agricultural Statistics Service.

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS		
Minimum Class Prices (3.5% B.F.)	Oct 2003	Sep 2003	Oct 2002	Oct 2003	Sep 2003	Oct 2002	Oct 2003	Sep 2003	Oct 2002
Class I Milk ($/cwt.)	$16.17	$15.61	$12.05	$16.17	$15.61	$12.05	$16.62	$16.06	$12.50
Class II Milk ($/cwt.)	10.84	10.76	11.12	10.84	10.76	11.12	10.84	10.76	11.12
Class III Milk ($/cwt.)	14.39	14.30	10.72	14.39	14.30	10.72	14.39	14.30	10.72
Class IV Milk ($/cwt.)	10.16	10.05	10.50	10.16	10.05	10.50	10.16	10.05	10.50
Producer Prices									
Producer Price Differential ($/cwt.)	$(1.34)	$(1.76)	$ 0.22	$(0.63)	$(0.90)	$ 0.29	+	+	+
Butterfat ($/pound)	1.2553	1.2218	1.0726	1.2553	1.2218	1.0726	+	+	+
Protein ($/pound)	3.2815	3.3180	2.1839	3.2815	3.3180	2.1839	+	+	+
Other Solids ($/pound)	0.0311	0.0170	0.0755	0.0311	0.0170	0.0755	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	+	+	10.29	9.98	7.94
Uniform Butterfat Price ($/pound)	+	+	+	+	+	+	1.2503	1.2431	1.0626
Statistical Uniform Price ($/cwt.)	$13.05	$12.54	$10.94	$13.76	$13.40	$11.01	$14.31	$13.98	$11.38
Producer Data									
Number of Producers	693 *	692	983	527 *	527	795	106 *	106	109
Avg. Daily Production (lbs.)	17,545 *	17,904	21,599	10,695 *	10,630	19,077	71,385 *	69,816	71,117
Number of Handlers									
Pool Handlers	26	26	26	17	17	16	6	6	6
Producer-Handlers	8 *	8	9	5 *	5	7	2 *	2	2
Other Plants w/ Class I Use	18 *	18	18	20 *	20	20	33 *	33	29
Producer Milk Ratios									
Class I	49.84%	46.67%	28.68%	57.54%	56.33%	20.09%	36.67%	35.82%	35.73%
Class II	8.25%	8.55%	5.01%	17.63%	14.99%	6.58%	8.24%	10.16%	4.66%
Class III	0.92%	0.79%	36.57%	2.19%	2.43%	48.44%	39.53%	40.79%	38.91%
Class IV	40.99%	43.99%	29.74%	22.64%	26.25%	24.89%	15.56%	13.23%	20.70%

\+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Sep 2003	Aug 2003	Sep 2002	Sep 2003	Aug 2003	Sep 2002	Sep 2003	Aug 2003	Sep 2002
Production	23,460,789	23,501,745	23,550,178	2,280,864	2,367,570	2,587,659	R	R	R
Class I Use	20,668,249	17,938,642	18,325,705	1,662,640	1,417,161	1,816,528	R	R	R
% Class I Use	88.10%	76.33%	77.82%	72.90%	59.86%	70.20%	R	R	R
Class I Route Disposition In Area									
By Pool Plants	152,167,356	154,626,293	158,636,202	68,865,422	68,016,795	68,726,155	76,392,727	74,969,209	73,437,561
By Producer-Handlers	20,193,661	17,966,567	18,139,990	1,640,390	1,447,751	1,805,063	1/	1/	1/
By Other Plants	5,442,966 *	2,578,675	2,114,040	3,793,867 *	3,802,352	3,584,614	31,501,355 *	33,730,610	29,012,132
Total	177,803,983	175,171,535	178,890,232	74,299,679	73,266,898	74,115,832	107,894,082	108,699,819	102,449,693

* 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		
	Oct 2003	Sep 2003	Oct 2002	Oct 2003	Sep 2003	Oct 2002	Oct 2003	Sep 2003	Oct 2002
TOTAL PRODUCER MILK	376,914,747	371,686,360	658,188,972	174,721,753	168,058,351	470,152,671	234,571,925	222,014,931	240,305,521
RECEIPTS FROM OTHER SOURCES	33,869,538	32,948,291	8,884,152	8,916,700	10,782,525	6,167,605	2,505,209	4,977,948	7,566,932
OPENING INVENTORY	27,564,740	31,330,665	27,468,324	15,001,699	16,974,072	14,596,735	13,801,339	12,463,767	11,745,863
TOTAL TO BE ACCOUNTED FOR	438,349,025	435,965,316	694,541,448	198,640,152	195,814,948	490,917,011	250,878,473	239,456,646	259,618,316
UTILIZATION OF RECEIPTS									
Whole milk	30,749,553	27,415,263	29,984,841	13,076,394	**12,280,080** *	12,721,466	23,576,200	22,596,389	23,052,793
Flavored milk & milk drinks	12,778,716	11,494,867	14,045,049	6,868,026	**6,568,170** *	6,723,138	6,495,564	6,682,805	6,093,640
2% milk	71,679,193	65,710,377	72,634,879	29,632,426	**27,881,102** *	30,347,862	29,327,672	27,711,174	29,219,751
1% milk	24,955,130	21,342,103	26,120,827	13,883,189	**13,321,686** *	14,680,910	9,668,496	9,382,191	9,460,411
Skim milk	26,785,101	24,780,957	28,791,056	8,667,520	**8,249,718** *	8,932,188	9,987,996	9,501,780	10,446,621
Buttermilk	1,424,539	1,423,789	1,446,930	602,667	**564,666** *	605,751	567,847	518,388	564,014
CLASS I ROUTE DISP. IN AREA. .	168,372,232	152,167,356	173,023,582	72,730,222	**68,865,422** *	74,011,315	79,623,775	76,392,727	78,837,230
Class I dispositions out of area . . .	14,140,776	13,351,050	15,112,561	24,354,894	**26,257,869** *	19,767,377	4,832,880	4,201,525	4,476,956
Other Class I usage	23,343,360	23,175,460	18,895,211	16,653,827	14,551,259	12,673,222	8,393,645	6,748,418	9,546,799
TOTAL CLASS I USE.	205,856,368	188,693,866	207,031,354	113,738,943	109,674,550	106,451,914	92,850,300	87,342,670	92,860,985
TOTAL CLASS II USE	44,478,868	40,701,749	37,834,530	36,347,692	32,035,551	33,793,352	19,872,916	23,154,013	12,866,707
TOTAL CLASS III USE	3,591,103	3,327,315	240,819,350	4,425,051	4,386,761	227,814,057	92,943,906	91,280,261	93,785,342
TOTAL CLASS IV USE	184,422,686	203,242,386	208,856,214	44,128,466	49,718,086	122,857,688	45,211,351	37,679,702	60,105,282
TOTAL ACCOUNTED FOR	438,349,025	435,965,316	694,541,448	198,640,152	195,814,948	490,917,011	250,878,473	239,456,646	259,618,316
CLASSIFICATION OF RECEIPTS									
Producer milk: Class I . .	187,837,226	173,467,553	188,771,044	100,515,913	94,669,764	94,470,652	86,004,175	79,544,907	85,862,489
Class II .	31,088,918	31,790,774	33,001,359	30,811,780	25,187,554	30,933,999	19,332,876	22,549,233	11,197,949
Class III .	3,478,233	2,926,315	240,703,224	3,832,643	4,086,848	227,724,855	92,737,499	90,557,808	93,491,340
Class IV .	154,510,370	163,501,718	195,713,345	39,561,417	44,114,185	117,023,165	36,497,375	29,362,983	49,753,743
Other receipts: Class I .	18,019,142	15,226,313	18,260,310	13,223,030	15,004,786	11,981,262	16,306,548	17,441,715	19,312,795
Class II .	13,389,950	8,910,975	4,833,171	5,535,912	6,847,997	2,859,353	1/	1/	1/
Class III .	112,870	401,000	116,126	592,408	299,913	89,202	1/	1/	1/
Class IV .	29,912,316	39,740,668	13,142,869	4,567,049	5,603,901	5,834,523	1/	1/	1/
Avg. daily producer receipts	12,158,540	12,389,545	21,231,902	5,636,186	5,601,945	15,166,215	7,566,836	7,400,498	7,751,791
Change From Previous Year . .	-42.73%	-42.31%	16.41%	-62.84%	-68.88%	58.64%	-2.39%	2.95%	0.86%
Avg. daily Class I use	6,640,528	6,289,796	6,678,431	3,668,998	3,655,818	3,433,933	2,995,171	2,911,422	2,995,516
Change From Previous Year . .	-0.57%	-1.07%	2.22%	6.85%	5.56%	5.81%	-0.01%	3.29%	3.96%

1/ Restricted - Included with Class I. * **Bold = Revised.**

HIGHLIGHTS THIS ISSUE:

- **Market Summaries for October 2003**
- **October 2003 Class Prices and Commodity Prices**
- **Class I Prices for December 2003**
- **USDA Issues Referendum Order and Extends Comment Deadline for Western Milk Marketing Order**
- **USDA Seeks Nominations for National Fluid Milk Board**
- **Dairy Situation and Outlook**
- **U.S. Milk Production Down 0.6% in October**
- **USDA Reconvenes Hearing to Consider Amending the Pacific Northwest and Arizona-Las Vegas Orders**

USDA RECONVENES HEARING TO CONSIDER AMENDING THE PACIFIC NORTHWEST AND ARIZONA-LAS VEGAS ORDERS

The U.S. Department of Agriculture reconvened a public hearing on proposals that could amend certain producer-handler provisions in the Pacific Northwest and Arizona-Las Vegas Federal milk orders on November 17, 2003.

The initial hearing in this proceeding was held in Tempe, Arizona, September 23-25, 2003. Due to the number of witnesses seeking to present testimony on the proposals contained in the hearing notice issued in July, the hearing must be reconvened. Proposals being considered could end the regulatory exemption from the pricing and pooling provisions of the Pacific Northwest and the Arizona-Las Vegas milk marketing orders for producer-handlers whose Class I route disposition exceeds three million pounds per month in either market. Another proposal is being considered that would eliminate the ability to simultaneously pool the same milk on the Arizona-Las Vegas milk order and on a State-operated order that provides for marketwide pooling. ♦