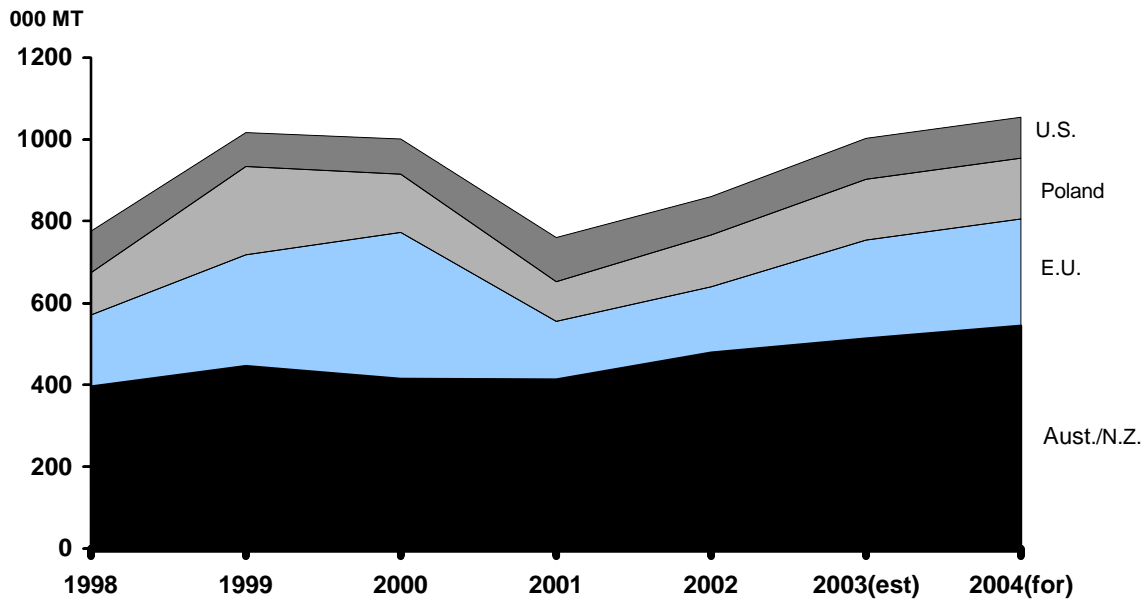


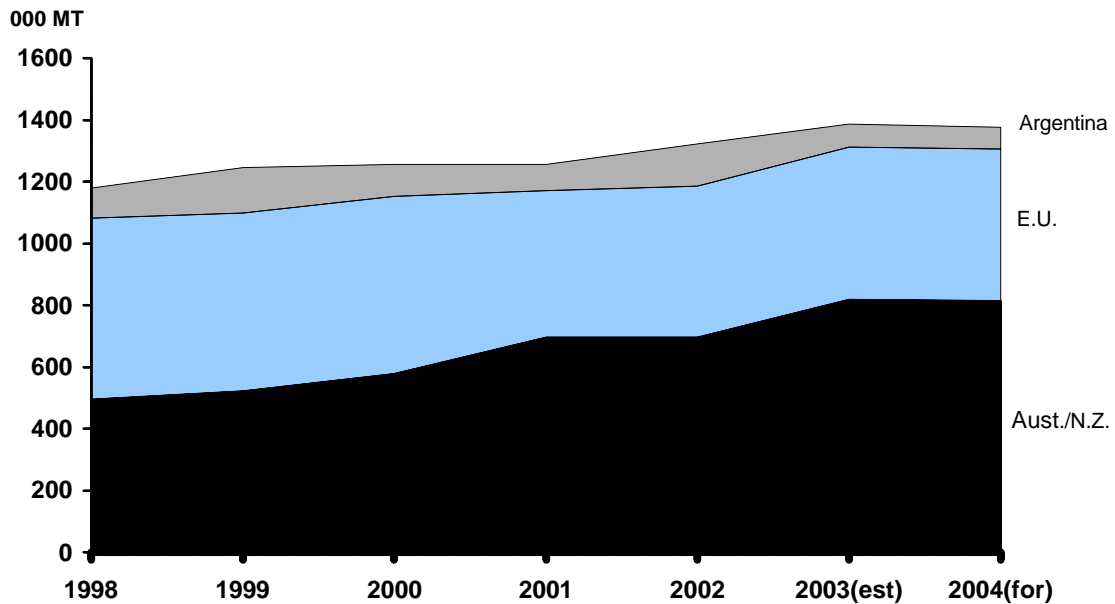


Dairy: World Markets and Trade

NDM Exports for Selected Countries



WMP Exports for Selected Countries



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This edition of the *Dairy: World Markets and Trade* circular is based on post reports submitted since August 2003 and on available secondary information. U.S. information is from USDA sources. Reflecting the greater availability of information electronically, production and trade data for some countries is only shown in aggregate. Scheduled reports were received from the following countries:

Algeria	AG3004	Korea (Rep.)	KS3064
Argentina	AR3043	Malaysia	MY3053
Australia	AS3046	Mexico	MX3140
Brazil	BR3615	New Zealand	NZ3019
Canada	CA3071	Peru	PE3019
Chile	CI3027	Philippines	RP3061
China, P. Rep	CH3127	Poland	PL3042
Colombia	CO3014	Romania	RO3016
EU-15	E23198	Russian F.	RS3038
Egypt	EG3022	Taiwan	TW3040
India	IN3101	Thailand	TH3123
Indonesia	ID3026	Ukraine	UP3008
Japan	JA3075	Venezuela	VE3013

Detailed data for both listed and non-listed countries can be found on the following website:

<http://www.fas.usda.gov/psd/>

The individual country reports can be obtained from the following website:

<http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

Situation and outlook information on the U.S. dairy industry can be obtained from:

<http://www.ers.usda.gov/publications/so/view.asp?f=livestock/ldp-mbb/>

Dairy Production and Trade Developments

Summary

The situation for world dairy markets brightened considerably in the second half of 2003 as international dairy prices resumed their upward swing in response to three main factors. First, the economic recovery in the United States gathered momentum and rippled-out to the Asian economies thus improving prospects for higher import demand. Second, although Australian milk production for the current season has recovered modestly from last year's (2002/03 July-June) drought impacted shortfall, production continues to lag well below 2001/02 levels. This has lowered Australian export volumes and reduced the inventory of exportable dairy products available to world markets. Lastly, the dollar value against major currencies, particularly the Euro, has tumbled significantly accelerating the increase in global prices.

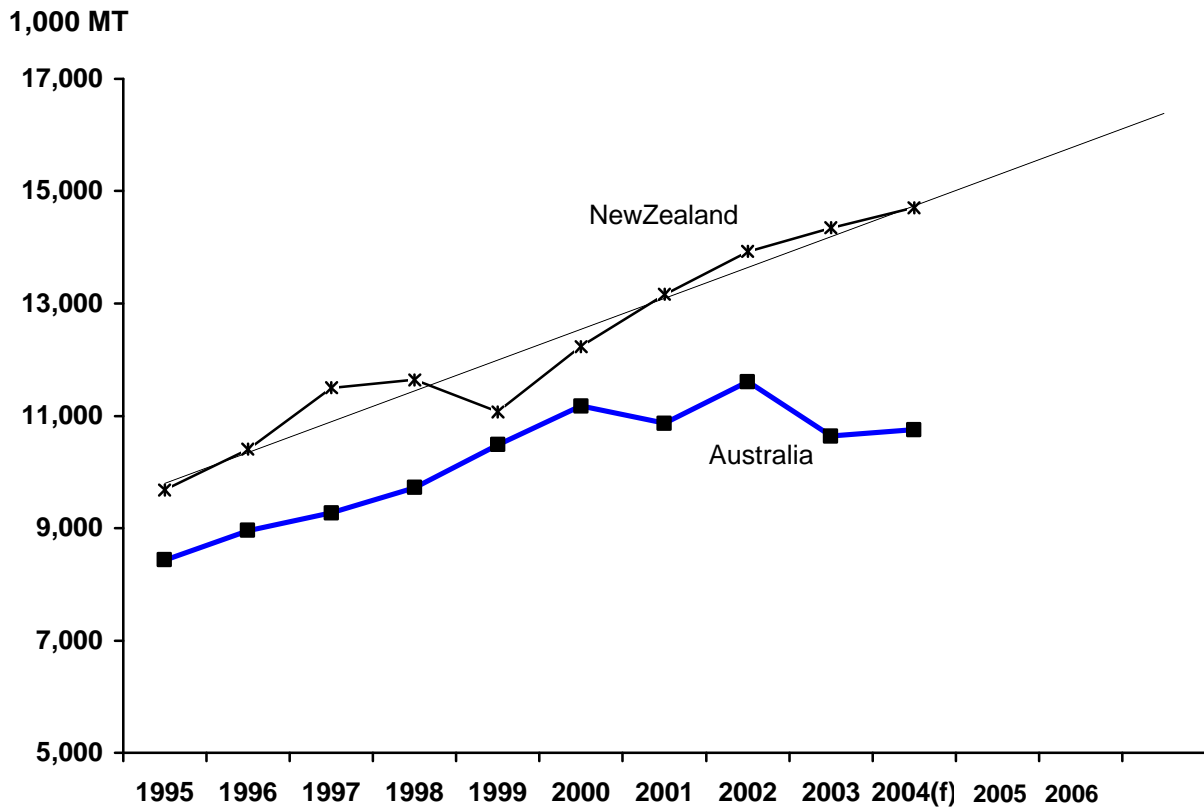
The dairy outlook for 2004 is positive as the stream of economic news continues to paint a picture of economic gains in the United States and in such critical regional markets as Asia. For 2004 and 2005, the OECD projects a likely scenario of "sustained growth in the United States and progressive recovery in Europe and Japan" with member real GDP forecast to grow by 3 percent and 3.1 percent in 2004 and 2005, respectively. For Asia, the U.S. economic recovery has led to an upturn in exports, and economic growth in the region for 2004 is forecast to hit 6.3 percent – up from 5.6 percent in 2003. Against this positive economic backdrop, demand for dairy products is likely to strengthen and world dairy prices seem set to remain at their present relatively high levels. This is particularly true for nonfat dry milk (NDM) since the United States, with its vast stocks of NDM, remains poised to supply world markets should prices climb much further above the internal CCC NDM support price (\$1,764/MT). In fact, USDA's Agricultural Marketing Service reports that U.S. NDM is already being exported without any subsidies.

Milk Production

Among major dairy producing countries, milk production for 2004 is forecast to register modest increases. In terms of trade, however, the lingering effects of a severe drought on Australian milk production during the 2002/03 (July/June) season continue to have a significant impact. For 2003/04, Australian milk production is forecast to recover by only 1.1 percent – this is 7.4 percent below the pre-drought level attained in 2001/02. Given that the shortage of Australian exportable products has already been a factor in the rise of international dairy prices, it is likely that for 2004 the continued absence of any substantial increase in global dairy supplies will keep prices relatively strong. In addition, the growing pace of economic activity is likely to stimulate import demand that will provide a firm undertone for world prices of major dairy commodities.

In contrast to Australia, New Zealand milk production has relentlessly registered annual gains of around 4-5 percent in recent years, although low returns to dairy farmers during the current production season (2003/04) are expected to limit milk output to 2.5 percent. Nevertheless, New Zealand milk production continues to pull-ahead as Australian milk production stagnates. In fact, during the period 1999/00 (June/May) through 2002/03, New Zealand milk production surged on average 5.5 percent annually. Given that Fonterra's forecast (final) payout to the majority of New Zealand dairy farmers has been raised to NZ\$4.15/kg (US\$1.22/lb) milk solids – in comparison to NZ\$3.63/kg (US\$.91/lb) last season – there is every reason to expect current growth trends to continue for the next 2-3 years.

Cow Milk Production In Oceania



In the EU, milk production remains fairly static although there were fears that the hot dry summer conditions would reduce deliveries significantly during the 2003 season. Since milk production in the EU is largely governed by quotas, little change is expected in 2004. Following the Mid-Term Review concluded in July 2003, the quota regime has been extended until 2014/15. Most member states will benefit from three annual quota

increases of 0.5 percent each starting in 2006 through 2008. This means that the milk reference quantities will rise from 118.9 million tons in 2003/04 to 120.5 million tons in 2008/09.

U.S. milk production remained largely flat in 2003 as dairy farmers adjusted to sharply lower milk prices. For 2004, milk output is tentatively forecast to increase by nearly 1 percent, although the current weak milk/feed ratios remain a concern.

Dairy Product Production

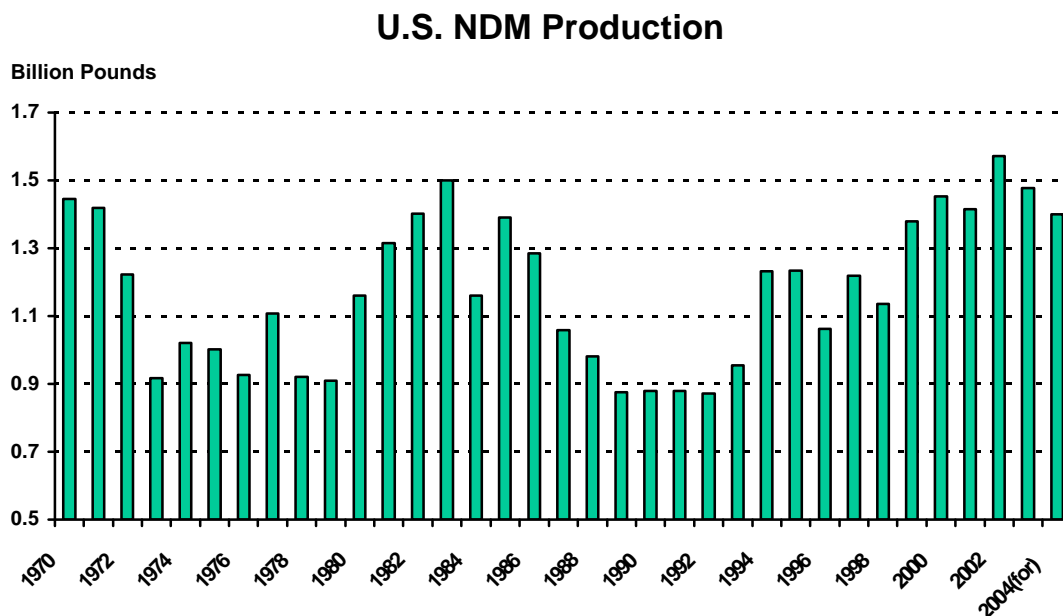
In the EU, since fluid milk output is controlled by quotas, the trend for the near future is that of continued growth in cheese production absorbing some of the surplus milk supplies thus reducing the production of NDM and butter. The forecast for 2004 reflects this trend, as cheese production is expected to rise by 0.5 percent underpinned by the steady growth in domestic consumption experienced during the past few years. In contrast, butter and NDM output are forecast to drop by 1.6 percent and 2.7 percent, respectively. Whole milk powder (WMP) production is expected to remain steady since close to 60 percent of the milk powder is exported via export subsidy programs which are restricted by Uruguay Round (UR) limits. Domestic consumption of WMP has been flat for the past several years.

In contrast to the EU and the United States, cheese production in Oceania for 2003 is expected to fall sharply by nearly 10 percent. This in part reflects the drought-impacted season experienced in Australia and the relatively lower export revenues earned from cheese exports. In 2003, world dairy prices for the major dairy commodities resulted in returns that were relatively higher for exports of milk powder and butterfat compared to cheese. As a result, milk powder production (WMP and NDM) in New Zealand is set to reach 975,000 tons this year (2003/04) – an increase of 358,000 tons since 2000. Cheese production in New Zealand, however, is expected to remain stable while Australian cheese production is forecast to decline. It will not be surprising if cheese production and exports rebound in the next 2004/05 season since current international prices for cheese have gathered momentum and are strong relative to other major dairy products.

In the United States, cheese production grew by less than 1 percent in 2003 but is expected to expand by 2 percent in 2004 as the economic recovery stimulates cheese consumption. While surplus stocks of NDM remain a burden one positive aspect is that the production of NDM is forecast to fall for the second year in a row. In 2004, NDM production is expected to decline by 5.2 percent following a near 6 percent drop in 2003. Further, food aid shipments, exports under the Dairy Export Incentive Program, and internal use is expected to reduce ending stocks (CCC stocks) by nearly a quarter.

Dairy Trade

Cheese exports from Oceania are expected to be reduced due to the lower relative returns of cheese and lackluster milk output in Australia. As noted previously, if the present strength of cheese prices persists, then production in the 2004/05 season will likely grow. EU cheese exports are forecast to expand by only 1 percent since this would represent a slowdown from an annual average growth rate of 6.6 percent from 1999 through 2003. Although the EU is limited by Uruguay Round limits to subsidizing exports of only 321,300 tons of cheese, there is a growing portion of premium-quality cheeses exported without any aid.



On the cheese import side there are no significant changes among major importing countries. Import demand remains fairly strong in such key markets as Japan and Russia. Russian imports of cheese have expanded at an impressive pace since 2000 and are often cited as one of the factors for the current strength of international cheese prices. Russian milk production is anticipated to rebound weakly by only 1 percent in 2004 following a 3 percent decline in 2003. This factor coupled with the growth in disposable income is likely to fuel more imports of cheese in 2004 currently slated to grow by 3 percent.

In terms of butterfat markets among selected importers, Russian imports continue to set the pace as one of the top butter markets in the world. Although Russian imports of butter are forecast to fall in 2004 relative to 2003, imports are still expected to exceed levels attained in 2002. Continuing its steady growth, New Zealand exports of butter are expected to increase by 2.3 percent to reach 395,000 tons. Since 2000 through 2003, exports of butterfat from New Zealand have been climbing at an average rate of nearly 5 percent/annually. Australian exports of butterfat are also anticipated to increase by close

to 5 percent. However, in contrast to New Zealand, Australian butterfat exports have exhibited virtually no growth since 2000 when export levels hit 139,000 tons.

NDM exports among major suppliers has been growing consistently since 2001 and is forecast to expand by a further 5 percent in 2004. The most notable change has been the EU NDM export figure for 2003 that has been sharply revised-up by nearly 40 percent to 240,000 tons. The forecast for next year calls for continued expansion although since NDM exports are for the most part subsidized they are subject to the Uruguay Round limitation of 272,500 tons. In Oceania, Australian exports of NDM for 2004 continue to languish as a result of poor fluid milk production prospects constraining supply. In contrast, New Zealand's NDM exports for the current season are expected to jump by 11 percent. For next season, if high cheese prices continue to persist, it is likely that domestic production and thus exports will be re-balanced to favor increased cheese exports.

World imports of NDM are expected to rise in 2004 with the fastest paced growth anticipated in Asian countries where NDM imports in some of the key markets are set to increase by 8 percent to 468,000 tons. Although the levels are well below the Indonesian and Philippine markets, the growth of the NDM market in China and Thailand are forecast to post impressive gains of 30 percent and 15 percent, respectively. The continuing economic recovery currently underway in Asia and the accelerated economic expansion predicted for next year will play a pivotal role in fulfilling the forecast expectations.

**Imports of NDM Among Major Asian Countries
(1,000 Metric Tons)**

	2001	2002	2003 (est.)	2004 (for.)	03-04 Growth
China	18	35	50	65	30%
Indonesia	98	110	117	120	3%
Japan	53	44	40	40	0%
Malaysia	57	53	56	58	4%
Philippines	89	100	105	110	5%
Thailand	59	76	65	75	15%
TOTAL	374	418	433	468	8%

Confounding trade expectations, particularly since Iraq is a key importer, WMP trade has been exceptionally strong this year. This is due to the resumption of delivery contracts to Iraq and the exceptional expansion of the Chinese market. Chinese imports of WMP have leapt by nearly 70,000 tons in two years to reach an estimated 110,000 tons in 2003. For 2004, these fast paced gains are expected to continue with imports anticipated to grow by 36 percent. In Iraq, although there are no forecast statistics, imports of WMP are likely to remain substantial. In terms of other major markets, Algeria is forecast to

reach 120,000 tons in 2004 while Brazilian import demand is contracting as the reliance on domestic supplies grows. Venezuela is estimated to have reduced import volumes during 2003 due to a severe economic slump, the imposition of currency controls, and the difficulty by importers in obtaining import licenses. Although imports may recover in 2004, the situation remains unstable.

New Zealand has been the main beneficiary of the expanding world market for WMP since the EU is constrained by the Uruguay Round limits on subsidized exports and Australian production struggles to overcome the effects of a severe drought. Argentina, which at one point was a growing contender in the WMP market, has experienced a sharp fall in the availability of domestic fluid supplies. It is estimated that between 1999 and 2003, some 25-30 percent of dairy operations were closed and the Argentinian dairy herd dropped by 15-20 percent. Although dairying has become profitable and milk production is forecast to rise in 2004, it is competing for resources with the increasingly profitable production of soybeans.

World Dairy Prices

Dairy prices for major dairy commodities have been climbing since mid-2002 due primarily to the accelerating weakness of the U.S. dollar, the Australian drought, and a rebound of major economies. The initial stages in this price recovery were precipitated by the emerging weakness of the dollar versus the Euro that in early 2002 had been trading in the range of \$0.95/€-\$1.00/€. By year-end 2002, however, the dollar had nearly reached \$1.05/€ and more importantly expectations of further dollar weakness were building. Early in 2003, prices got a further boost as the impact of the Australian drought began to be felt as Australian exporters facing fluid milk shortfalls, rapidly depleted stocks to cover export sales. The outlook for the dollar remained dismal as rates surpassed the \$1.10/€ mark placing upward pressure on the benchmark EU export prices. In late 2003, not only were the weak dollar and prospects for a relatively flat rebound in Australian milk production conspiring to keep dairy prices firm, but positive economic data was now providing evidence of a recovery of GDP growth, and hence dairy product demand, in major economies.

The price outlook for the next six months points to continued strength although further price increases will probably be subdued particularly for milk powder. Global demand is improving and exportable supplies are limited as Oceania milk production for this season is winding-down. In the EU, reports indicate that the pace of subsidized export pre-fixations for all dairy products are exceeding the monthly profile for the July 2003 through November 2003 period. In effect, if this rate of pre-fixations continues then the EU will be required to scale back exports as it approaches its Uruguay Round limits (based on a July/June year). In fact, despite the sharp rise in global prices the EU has shown no inclination to increase export subsidy rates for any of the major dairy products.

The recent price surges, however, have been principally due to exchange rate factors rather than supply/demand imbalances. Consequently, it appears likely that there will be

some price resistance particularly for such products as cheese and butterfat should prices continue to firm solely as a result of a weakening dollar. In the case of NDM, prices have exceeded \$1,800/MT FOB N. Europe; a level that is very nearly the break-even point at which U.S. supplies of NDM become commercially competitive without the aid of subsidies. This is particularly true for such destinations as Mexico and to a lesser extent Asian countries. Consequently, prices for NDM are unlikely to rise much further above \$1,850/MT. This may also serve to restrain the price of WMP. Further, as the 2004 spring flush approaches, the EU may step-up export subsidy rates in order to avoid surplus accumulation of butter and NDM.

COWS MILK: SUMMARY FOR SELECTED COUNTRIES

1,000 Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Production						
European Union-15 1/	115,218	114,900	114,856	115,600	115,450	115,500
New Zealand 2/	11,070	12,235	13,162	13,925	14,346	14,705
Australia 3/	10,483	11,172	10,864	11,608	10,636	10,753
Poland	12,068	11,800	11,894	11,850	11,966	12,170
Argentina	10,300	9,800	9,500	8,500	7,900	8,100
Canada	8,164	8,161	8,106	7,964	7,880	7,770
Russian Federation	32,000	31,900	33,000	33,500	32,500	32,700
Mexico	8,877	9,305	9,501	9,560	9,870	10,140
India	36,000	36,250	36,400	36,200	36,500	37,500
Others	60,130	60,879	63,862	67,752	69,996	71,434
Total Foreign	304,310	306,402	311,145	316,459	317,044	320,772
United States	73,807	76,004	75,069	77,002	77,075	77,760
Total World	378,117	382,406	386,214	393,461	394,119	398,532

Fluid Milk Consumption						
European Union-15	32,209	32,324	32,237	30,432	30,450	30,500
New Zealand 2/	400	346	355	355	360	360
Australia 3/	1,989	1,992	1,920	1,966	1,982	1,981
Poland	5,400	5,050	5,000	4,912	4,950	4,750
Argentina	2,300	2,300	2,350	1,990	2,000	2,100
Canada	2,837	2,913	2,909	2,885	2,850	2,800
Russian Federation	14,500	14,156	14,140	14,350	13,300	13,500
Mexico	3,672	3,915	4,075	4,080	4,380	4,550
India	33,000	33,000	33,300	33,500	34,000	34,500
Others	28,121	29,407	29,894	31,135	32,627	34,447
Total Foreign	124,428	125,403	126,180	125,605	126,899	129,488
United States	26,978	26,890	26,850	27,003	26,950	26,950
Total World	151,406	152,293	153,030	152,608	153,849	156,438

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

- (p) Preliminary.
- (f) Forecast.
- (1) Deliveries
- (2) Year ending May 31 of the year shown.
- (3) Year ending June 30 of the year shown.

COWS MILK: SUMMARY FOR SELECTED COUNTRIES

1,000 Head and Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Milk Cow Numbers						
European Union-15	20,930	20,610	20,480	20,068	19,750	19,400
New Zealand 2/	3,285	3,337	3,557	3,749	3,842	3,900
Australia 3/	2,154	2,171	2,281	2,369	2,298	2,311
Poland	3,471	3,296	3,130	2,991	2,967	2,950
Argentina	2,500	2,450	2,450	2,150	2,000	2,000
Canada	1,180	1,141	1,091	1,084	1,065	1,050
Russian Federation	13,500	12,900	12,500	12,200	11,700	11,500
Mexico	6,700	6,800	6,800	6,800	6,800	6,850
India	35,500	35,750	35,900	36,000	36,500	37,000
Others	28,829	28,276	28,191	28,162	27,901	26,912
Total Foreign	118,049	116,731	116,380	115,573	114,823	113,873
United States	9,156	9,206	9,114	9,141	9,090	8,935
Total World	127,205	125,937	125,494	124,714	123,913	122,808

Production per Cow						
European Union-15 1/	5.50	5.57	5.61	5.76	5.85	5.95
New Zealand 2/	3.37	3.67	3.70	3.71	3.73	3.77
Australia 3/	4.87	5.15	4.76	4.90	4.63	4.65
Poland	3.48	3.58	3.80	3.96	4.03	4.13
Argentina	4.12	4.00	3.88	3.95	3.95	4.05
Canada	6.92	7.15	7.43	7.35	7.40	7.40
Russian Federation	2.37	2.47	2.64	2.75	2.78	2.84
Mexico	1.32	1.37	1.40	1.41	1.45	1.48
India	1.01	1.01	1.01	1.01	1.00	1.01
Others	2.09	2.15	2.27	2.41	2.51	2.65
Total Foreign	2.58	2.62	2.67	2.74	2.76	2.82
United States	8.06	8.26	8.24	8.42	8.48	8.70
Total World	2.97	3.04	3.08	3.15	3.18	3.25

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

- (p) Preliminary.
- (f) Forecast.
- (1) Based on deliveries
- (2) Year ending May 31 of the year shown.
- (3) Year ending June 30 of the year shown.

CHEESE: SUMMARY FOR SELECTED COUNTRIES

1,000 Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Production						
European Union -15	5,290	5,437	5,420	5,520	5,550	5,580
New Zealand (1)	245	297	281	312	285	285
Australia (2)	320	373	374	413	368	360
Poland	155	148	161	183	187	193
Canada	329	328	329	350	340	335
Brazil	434	445	460	470	460	470
Mexico	126	134	140	138	145	150
Japan	35	34	34	36	35	35
Russian Federation	185	220	260	340	330	330
Others	990	999	1,050	1,022	1,069	1,101
Total Foreign	8,109	8,415	8,509	8,784	8,769	8,839
United States	3,581	3,746	3,747	3,900	3,930	4,010
Total World	11,690	12,161	12,256	12,684	12,699	12,849
Consumption						
European Union -15	5,060	5,154	5,146	5,195	5,221	5,245
New Zealand (1)	33	23	23	28	28	28
Australia (2)	192	200	205	225	237	235
Poland	149	144	151	163	163	166
Canada	331	335	334	359	357	355
Brazil	454	459	466	479	463	472
Mexico	170	188	206	209	218	225
Japan	222	239	236	240	231	235
Russian Federation	243	275	394	465	488	505
Others	1,013	1,030	1,049	1,037	1,057	1,085
Total Foreign	7,867	8,047	8,210	8,400	8,463	8,551
United States	3,691	3,845	3,913	4,029	4,090	4,173
Total World	11,558	11,892	12,123	12,429	12,553	12,724
Ending Stocks						
European Union -15	126	117	116	121	125	125
New Zealand (1)	13	34	43	51	20	2
Australia (2)	77	65	58	73	47	38
Poland	6	8	0	0	0	0
Canada	42	46	49	52	50	50
Brazil	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Japan	15	15	15	15	15	15
Russian Federation	7	7	8	8	10	0
Others	38	34	44	41	38	32
Total Foreign	324	326	333	361	305	262
United States	282	322	301	332	330	325
Total World	606	648	634	693	635	587

CHEESE: SUMMARY FOR SELECTED COUNTRIES

(Continued)

	1999	2000	2001	2002	(p) 2003	(f) 2004
Imports						
European Union -15	142	144	170	146	160	155
New Zealand (1)	0	0	2	1	2	5
Australia (2)	33	38	43	45	51	50
Poland	2	6	3	2	2	3
Canada	25	29	27	28	26	30
Brazil	20	16	8	11	6	6
Mexico	44	54	66	71	73	75
Japan	187	205	202	204	196	200
Russian Federation	60	60	140	130	170	175
Others	40	64	61	80	75	73
Total Foreign	553	616	722	718	761	772
United States	195	186	198	214	210	210
Total World	748	802	920	932	971	982
Exports						
European Union -15	376	436	445	466	485	490
New Zealand (1)	240	253	251	277	290	280
Australia (2)	172	223	219	218	208	184
Poland	12	8	21	22	26	30
Canada	25	18	19	16	11	10
Brazil	0	2	2	2	3	4
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	3	5	5	5	10	10
Others	26	37	52	68	90	95
Total Foreign	854	982	1,014	1,074	1,123	1,103
United States	38	47	53	54	52	52
Total World	892	1,029	1,067	1,128	1,175	1,155

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

(p) Preliminary.

(f) Forecast.

(1) Year ending May 31 of the year shown.

(2) Year ending June 30 of the year shown.

(3) Venezuela is no longer included in the database.

FAS/CMP/DLP

Dec. 2003

BUTTER: SUMMARY FOR SELECTED COUNTRIES

1,000 Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Production						
European Union - 15	1,731	1,700	1,710	1,905	1,890	1,860
New Zealand (1)	316	344	352	370	390	405
Australia (2)	176	180	160	164	155	161
Poland	168	169	181	184	180	180
Canada	89	77	84	77	75	70
Brazil	70	72	78	70	72	70
Mexico	70	70	70	78	78	80
Japan	86	88	80	83	77	75
Russian Federation	260	265	270	280	270	275
Others	1,929	2,153	2,471	2,600	2,638	2,733
Total Foreign	4,895	5,118	5,456	5,811	5,825	5,909
United States	579	570	559	615	570	560
Total World	5,474	5,688	6,015	6,426	6,395	6,469

Consumption						
European Union - 15	1,616	1,618	1,632	1,705	1,712	1,720
New Zealand (1)	30	27	27	26	26	26
Australia (2)	60	58	57	50	50	50
Poland	178	166	170	181	177	176
Canada	79	81	89	86	81	80
Brazil	81	82	77	78	76	72
Mexico	104	104	105	115	118	120
Japan	82	84	92	88	88	88
Russian Federation	317	332	380	400	405	400
Others	1,965	2,178	2,461	2,647	2,697	2,799
Total Foreign	4,512	4,730	5,090	5,376	5,430	5,531
United States	596	581	579	584	587	595
Total World	5,108	5,311	5,669	5,960	6,017	6,126

Ending Stocks						
European Union - 15	111	121	141	242	300	320
New Zealand (1)	93	72	50	51	29	13
Australia (2)	21	14	6	2	2	2
Poland	4	15	10	6	4	2
Canada	14	15	20	13	13	13
Brazil	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Japan	29	33	21	20	25	22
Russian Federation	40	30	27	22	17	17
Others	17	14	17	25	15	6
Total Foreign	329	314	292	381	405	395
United States	11	11	25	72	60	30
Total World	340	325	317	453	465	425

BUTTER: SUMMARY FOR SELECTED COUNTRIES

(Continued)

	1999	2000	2001	2002	(p) 2003	(f) 2004
Imports						
European Union - 15	105	104	114	115	120	120
New Zealand (1)	0	0	0	0	0	0
Australia (2)	6	10	12	7	7	7
Poland	8	11	3	5	5	4
Canada	6	15	26	19	18	25
Brazil	11	10	2	8	4	2
Mexico	34	34	35	37	40	40
Japan	0	0	0	4	16	10
Russian Federation	55	60	110	120	135	130
Others	51	61	50	77	73	74
Total Foreign	276	305	352	392	418	412
United States	18	15	34	16	15	15
Total World	294	320	386	408	433	427
Exports						
European Union - 15	161	176	172	214	240	240
New Zealand (1)	279	338	347	343	386	395
Australia (2)	117	139	123	125	112	118
Poland	3	3	19	12	10	10
Canada	11	10	16	17	12	15
Brazil	0	0	3	0	0	0
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	3	3	3	5	5	5
Others	17	39	57	22	24	15
Total Foreign	591	708	740	738	789	798
United States	2	4	0	0	10	10
Total World	593	712	740	738	799	808

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

(p) Preliminary.

(f) Forecast.

(1) Year ending May 31 of the year shown.

(2) Year ending June 30 of the year shown.

FAS/CMP/DLP

Dec. 2003

NONFAT DRY MILK: SUMMARY FOR SELECTED COUNTRIES

1,000 Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Production						
European Union -15	1,108	1,079	953	1,107	1,090	1,060
New Zealand (1)	203	197	227	255	325	345
Australia (2)	265	264	265	261	215	223
Poland	109	139	151	151	152	150
Canada	78	75	90	83	80	78
Brazil	60	62	103	107	108	100
Mexico	140	151	143	145	150	160
Japan	192	194	175	183	170	165
Russian Federation	130	125	130	140	130	135
Others	278	350	413	404	410	444
Total Foreign	2,563	2,636	2,650	2,836	2,830	2,860
United States	617	659	641	712	670	635
Total World	3,180	3,295	3,291	3,548	3,500	3,495

Consumption						
European Union -15	931	980	867	875	900	905
New Zealand (1)	11	5	5	5	5	5
Australia (2)	35	32	33	35	30	30
Poland	26	50	55	61	60	60
Canada	44	34	45	47	38	43
Brazil	105	98	114	123	119	114
Mexico	256	285	286	313	325	325
Japan	258	235	207	223	215	210
Russian Federation	220	128	165	170	165	165
Others	673	743	812	879	921	966
Total Foreign	2,559	2,590	2,589	2,731	2,778	2,823
United States	361	345	428	479	596	600
Total World	2,920	2,935	3,017	3,210	3,374	3,423

Ending Stocks						
European Union -15	181	0	0	140	180	165
New Zealand (1)	54	71	98	100	106	96
Australia (2)	19	2	18	16	6	13
Poland	20	39	37	40	36	28
Canada	6	17	19	7	7	7
Brazil	6	0	0	0	0	0
Mexico	49	44	42	37	27	27
Japan	34	45	66	70	65	60
Russian Federation	0	0	0	0	0	0
Others	84	115	108	98	77	76
Total Foreign	453	333	388	508	504	472
United States	113	288	408	521	450	340
Total World	566	621	796	1,029	954	812

NONFAT DRY MILK: SUMMARY FOR SELECTED COUNTRIES

(Continued)

	1999	2000	2001	2002	(p) 2003	(f) 2004
Imports						
European Union -15	73	78	57	69	90	90
New Zealand (1)	0	0	0	0	0	0
Australia (2)	0	4	2	3	4	4
Poland	5	16	10	7	4	2
Canada	1	2	3	1	3	5
Brazil	46	30	11	19	12	16
Mexico	123	129	141	163	165	165
Japan	57	52	53	44	40	40
Russian Federation	90	51	50	50	60	55
Others	448	525	495	558	558	603
Total Foreign	843	887	822	914	936	980
United States	5	3	3	6	5	5
Total World	848	890	825	920	941	985
Exports						
European Union -15	272	358	143	161	240	260
New Zealand (1)	205	175	195	248	314	350
Australia (2)	240	253	218	231	199	190
Poland	83	86	108	94	100	100
Canada	41	32	46	49	45	40
Brazil	0	0	0	3	1	2
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	0	48	15	20	25	25
Others	61	108	113	102	77	82
Total Foreign	902	1,060	838	908	1,001	1,049
United States	217	142	96	126	150	150
Total World	1,119	1,202	934	1,034	1,151	1,199

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

(p) Preliminary.

(f) Forecast.

(1) Year ending May 31 of the year shown.

(2) Year ending June 30 of the year shown.

WHOLE MILK POWDER: SUMMARY FOR SELECTED COUNTRIES

1,000 Metric Tons

	1999	2000	2001	2002	(p) 2003	(f) 2004
Production						
European Union - 15	1,005	951	840	800	800	800
New Zealand (1)	382	420	480	540	615	630
Australia (2)	145	187	205	239	188	190
Poland	32	30	34	27	30	30
Canada	4	4	0	0	0	0
Brazil	244	256	345	355	390	400
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	55	75	110	120	110	110
Others	889	934	1,026	1,018	997	1,036
Total Foreign	2,756	2,857	3,040	3,099	3,130	3,196
United States	54	50	19	21	17	16
Total World	2,810	2,907	3,059	3,120	3,147	3,212
Consumption						
European Union - 15	436	383	381	325	325	325
New Zealand (1)	14	1	1	1	1	1
Australia (2)	21	20	25	24	22	20
Poland	29	30	22	19	19	22
Canada	0	0	0	0	0	0
Brazil	357	380	420	426	410	417
Mexico	35	34	55	45	45	45
Japan	0	0	0	0	0	0
Russian Federation	87	95	119	130	124	129
Others	1,183	1,240	1,375	1,340	1,408	1,476
Total Foreign	2,162	2,183	2,398	2,310	2,354	2,435
United States	52	39	24	25	19	18
Total World	2,214	2,222	2,422	2,335	2,373	2,453
Ending Stocks						
European Union - 15	0	0	0	0	0	0
New Zealand (1)	40	52	20	78	57	36
Australia (2)	3	6	10	15	3	5
Poland	1	1	0	0	0	0
Canada	1	1	0	0	0	0
Brazil	80	64	31	31	31	31
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	0	0	0	0	0	0
Others	91	109	117	92	88	87
Total Foreign	216	233	178	216	179	159
United States	3	2	1	1	1	1
Total World	219	235	179	217	180	160

WHOLE MILK POWDER: SUMMARY FOR SELECTED COUNTRIES

(Continued)

	1999	2000	2001	2002	(p) 2003	(f) 2004
Imports						
European Union - 15	8	8	19	18	20	20
New Zealand (1)	0	0	0	0	0	0
Australia (2)	0	5	7	3	4	4
Poland	2	1	3	5	2	2
Canada	3	3	0	0	0	0
Brazil	147	108	43	95	47	47
Mexico	35	34	55	45	45	45
Japan	0	0	0	0	0	0
Russian Federation	35	25	15	16	20	25
Others	453	462	541	537	563	593
Total Foreign	683	646	683	719	701	736
United States	3	3	4	4	2	2
Total World	686	649	687	723	703	738
Exports						
European Union - 15	577	576	478	493	495	495
New Zealand (1)	382	407	511	481	635	650
Australia (2)	139	169	183	213	182	172
Poland	5	1	16	13	13	10
Canada	8	7	0	0	0	0
Brazil	0	0	1	24	27	30
Mexico	0	0	0	0	0	0
Japan	0	0	0	0	0	0
Russian Federation	3	5	6	6	6	6
Others	171	138	184	240	156	154
Total Foreign	1,285	1,303	1,379	1,470	1,514	1,517
United States	4	15	0	0	0	0
Total World	1,289	1,318	1,379	1,470	1,514	1,517

Source: Counselor and attache reports, official statistics, and results of office research.

Notes:

(p) Preliminary.

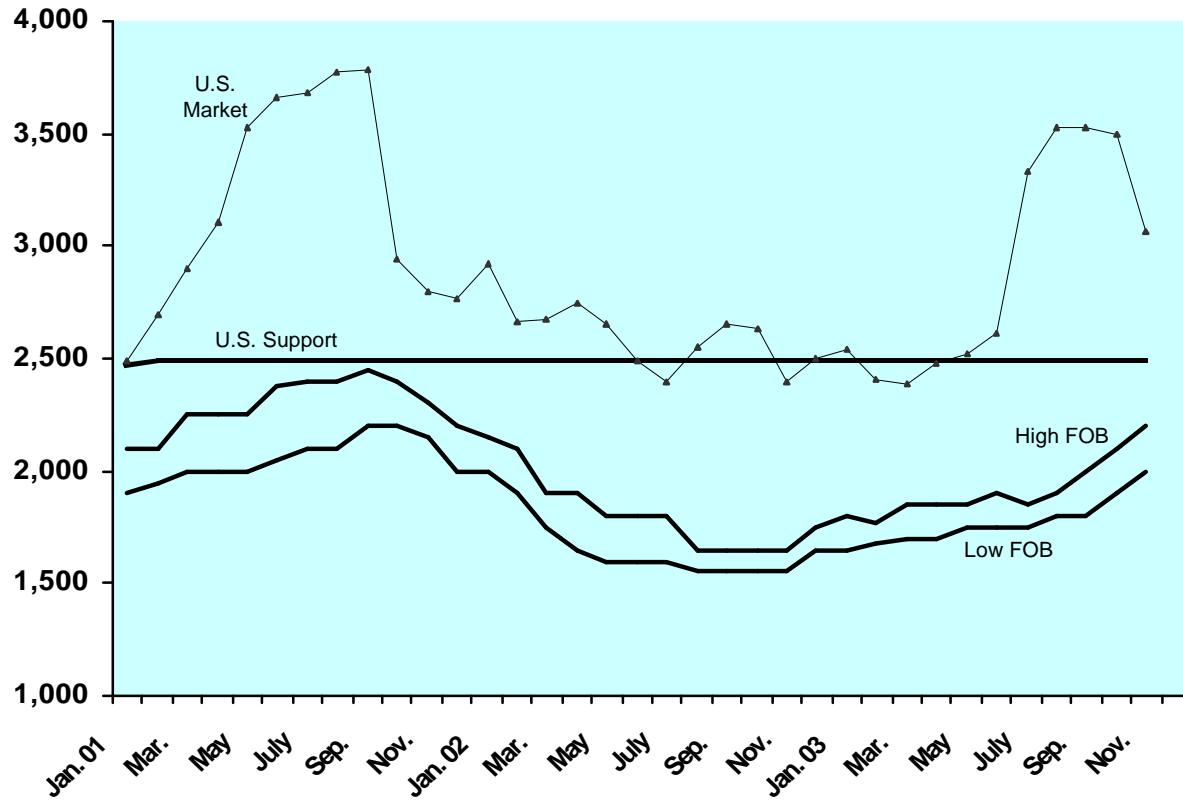
(f) Forecast.

(1) Year ending May 31 of the year shown.

(2) Year ending June 30 of the year shown.

\$/Metric Ton

WORLD CHEDDAR CHEESE PRICES

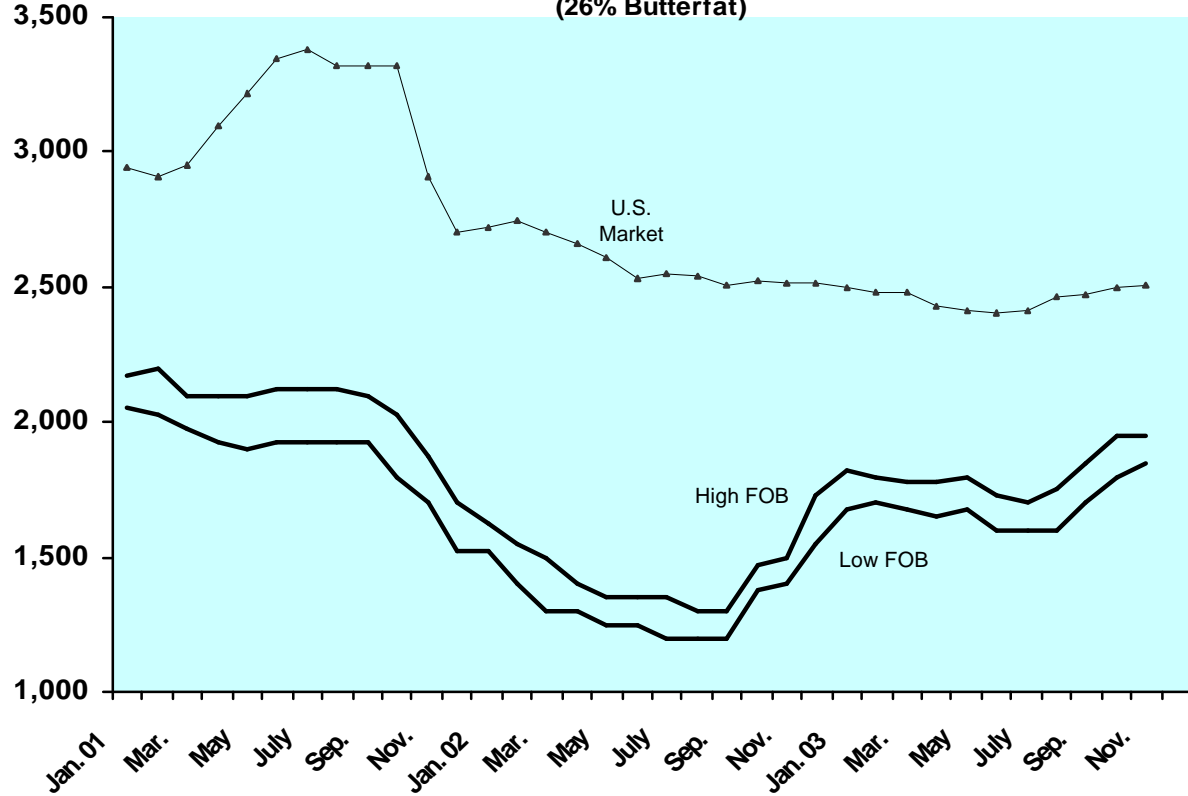


	N. Europe High FOB	N. Europe Low FOB	U.S. Market (CME #40 Block)	U.S. Support
Jan.02	2,150	2,000	2,920	2,494
Feb.	2,100	1,900	2,660	2,494
Mar.	1,900	1,750	2,675	2,494
Apr.	1,900	1,650	2,745	2,494
May	1,800	1,600	2,650	2,494
June	1,800	1,600	2,491	2,494
July	1,800	1,600	2,400	2,494
Aug.	1,650	1,550	2,551	2,494
Sep.	1,650	1,550	2,655	2,494
Oct.	1,650	1,550	2,635	2,494
Nov.	1,650	1,550	2,400	2,494
Dec.	1,750	1,650	2,495	2,494
Jan.03	1,800	1,650	2,537	2,494
Feb.	1,775	1,675	2,407	2,494
Mar.	1,850	1,700	2,385	2,494
Apr.	1,850	1,700	2,475	2,494
May	1,850	1,750	2,518	2,494
June	1,900	1,750	2,615	2,494
July	1,850	1,750	3,334	2,494
Aug.	1,900	1,800	3,527	2,494
Sep.	2,000	1,800	3,527	2,494
Oct.	2,100	1,900	3,500	2,494
Nov.	2,200	2,000	3,070	2,494

\$/Metric Ton

WORLD WORLD WHOLE MILK PRICES

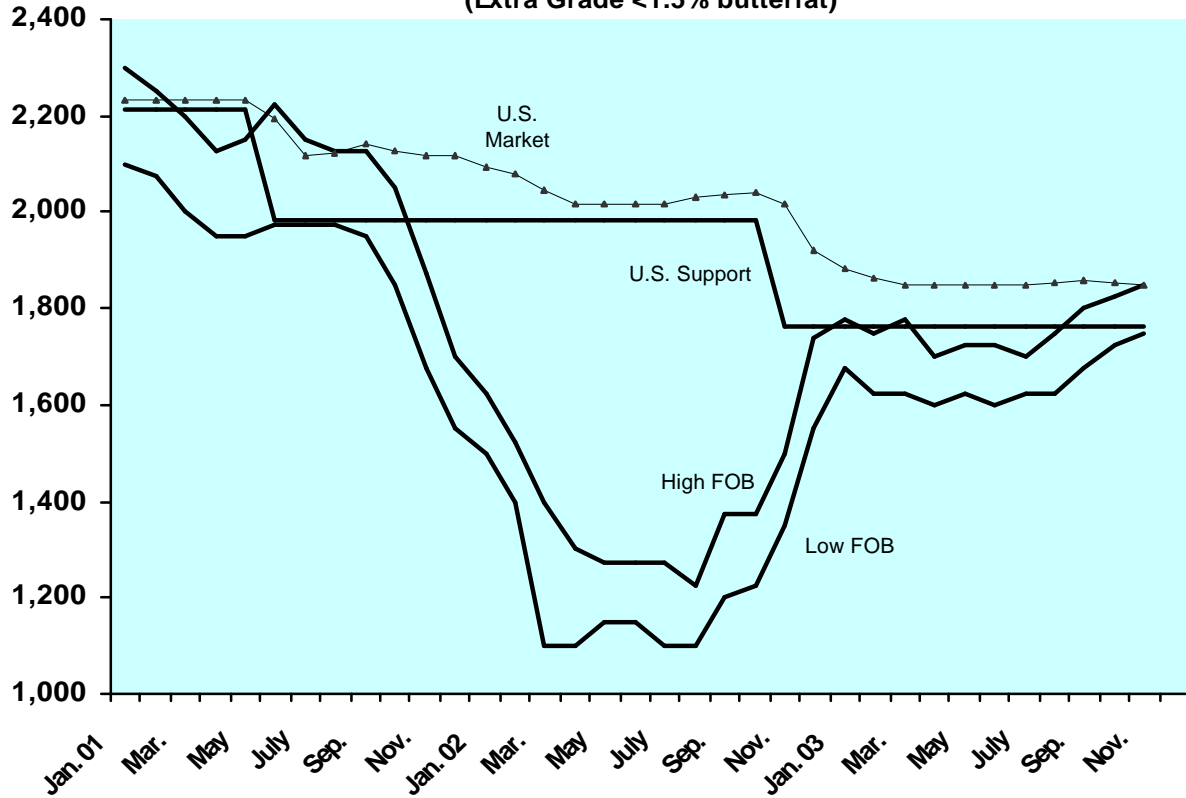
(26% Butterfat)



	N. Europe High FOB	N. Europe Low FOB	U.S. Market
Jan.02	1,625	1,525	2,725
Feb.	1,550	1,400	2,750
Mar.	1,500	1,300	2,700
Apr.	1,400	1,300	2,660
May	1,350	1,250	2,610
June	1,350	1,250	2,535
July	1,350	1,200	2,550
Aug.	1,300	1,200	2,540
Sep.	1,300	1,200	2,510
Oct.	1,475	1,375	2,520
Nov.	1,500	1,400	2,515
Dec.	1,725	1,550	2,515
Jan.03	1,825	1,675	2,500
Feb.	1,800	1,700	2,480
Mar.	1,775	1,675	2,485
Apr.	1,775	1,650	2,430
May	1,800	1,675	2,410
June	1,725	1,600	2,405
July	1,700	1,600	2,410
Aug.	1,750	1,600	2,460
Sep.	1,850	1,700	2,470
Oct.	1,950	1,800	2,495
Nov.	1,950	1,850	2,510

\$/Metric Ton

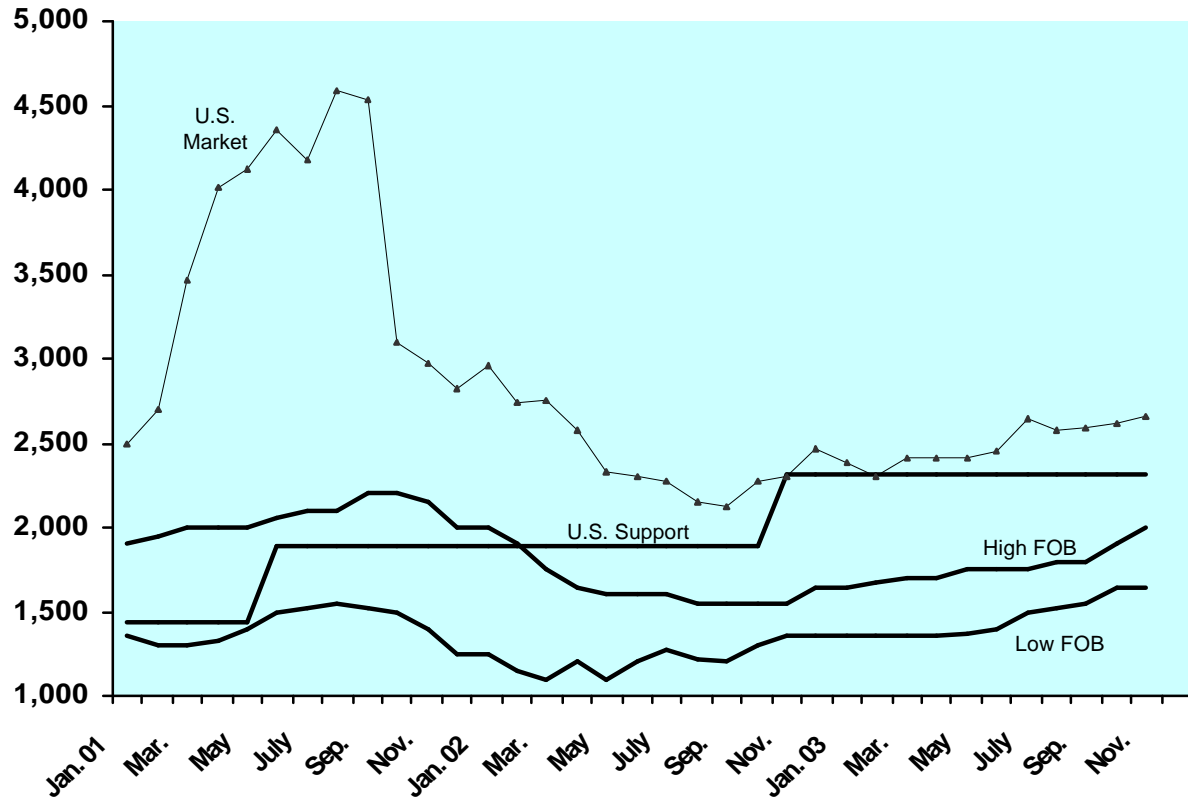
WORLD NONFAT DRY MILK PRICES (Extra Grade <1.5% butterfat)



	N. Europe High FOB	N. Europe Low FOB	U.S. Market West	U.S. Support
Jan.02	1,625	1,500	2,095	1,984
Feb.	1,525	1,400	2,080	1,984
Mar.	1,400	1,100	2,045	1,984
Apr.	1,300	1,100	2,015	1,984
May	1,275	1,150	2,015	1,984
June	1,275	1,150	2,015	1,984
July	1,275	1,100	2,015	1,984
Aug.	1,225	1,100	2,030	1,984
Sep.	1,375	1,200	2,035	1,984
Oct.	1,375	1,225	2,040	1,984
Nov.	1,500	1,350	2,015	1,764
Dec.	1,740	1,550	1,920	1,764
Jan.03	1,775	1,675	1,880	1,764
Feb.	1,750	1,625	1,861	1,764
Mar.	1,775	1,625	1,847	1,764
Apr.	1,700	1,600	1,847	1,764
May	1,725	1,625	1,850	1,764
June	1,725	1,600	1,850	1,764
July	1,700	1,625	1,850	1,764
Aug.	1,750	1,625	1,855	1,764
Sep.	1,800	1,675	1,860	1,764
Oct.	1,825	1,725	1,855	1,764
Nov.	1,850	1,750	1,850	1,764

\$/Metric Ton

WORLD BUTTER PRICES



	N. Europe High FOB 82%	N. Europe Low FOB 82%	U.S. Market (80%-Salted CME)	U.S. Support
Jan.02	1,250	1,100	2,965	1,885
Feb.	1,150	1,050	2,740	1,885
Mar.	1,100	1,000	2,750	1,885
Apr.	1,200	1,000	2,580	1,885
May	1,100	1,000	2,335	1,885
June	1,200	1,050	2,298	1,885
July	1,275	1,050	2,271	1,885
Aug.	1,225	1,025	2,150	1,885
Sep.	1,200	1,100	2,125	1,885
Oct.	1,300	1,150	2,275	1,885
Nov.	1,350	1,200	2,300	2,315
Dec.	1,350	1,200	2,470	2,315
Jan.03	1,350	1,200	2,385	2,315
Feb.	1,350	1,250	2,295	2,315
Mar.	1,350	1,250	2,405	2,315
Apr.	1,350	1,225	2,405	2,315
May	1,375	1,250	2,405	2,315
June	1,400	1,275	2,455	2,315
July	1,500	1,350	2,642	2,315
Aug.	1,525	1,375	2,581	2,315
Sep.	1,550	1,375	2,585	2,315
Oct.	1,650	1,500	2,610	2,315
Nov.	1,650	1,525	2,660	2,315

U.S. EXPORTS OF DAIRY PRODUCTS

Commodity	Unit	<---Quantity--->				<---Value (\$ Million)--->			
		2001	2002	Jan-Sep. 2003	% Change 03' over 02' Jan-Sep.	2001	2002	Jan-Sep. 2003	% Change 03' over 02' Jan-Sep.
Milk Powder									
Non-Fat Dry Milk		96,081	74,375	81,827	81%	189.3	115.1	129.0	88%
Dry Whole Milk & Cream		46,070	37,826	16,169	43%	38.7	31.4	28.4	37%
Total Milk Powder	1,000 MT	142,151	112,201	97,996	68%	228.0	146.5	157.4	76%
Condensed & Evap. Milk									
	1,000 MT	10,672	11,823	12,511	73%	9.8	11.8	14.4	115%
Fluid Milk & Cream									
	Mil. Liter	25,767	22,970	19,583	18%	21.7	20.4	17.0	13%
Yogrt & Other Ferm. Milk									
	Mixed	2,403	1,971	1,565	3%	10.3	12.3	7.0	-33%
Butter & Milkfat									
	1,000 MT	3,816	3,866	6,716	27%	5.3	5.8	9.5	121%
Ice Cream									
	1,000 MT	40,004	36,855	24,552	-21%	83.3	74.0	45.8	-26%
Cheese & Curd									
Cheese , All Kinds		21,038	23,882	11,721	-38%	62.8	69.3	35.8	-35%
Cheese, Inc. Mixt.		14,072	12,220	9,879	8%	44.4	37.1	28.9	3%
Cheese Processed		8,770	9,896	6,392	-10%	27.4	31.1	18.9	-15%
Other (Frsh,Cbby,Chdr, etc)		8,486	7,911	9,219	61%	27.0	22.9	21.8	31%
Total Cheese	1,000 MT	52,366	53,909	37,211	-9%	161.6	160.4	105.4	-14%
Casein									
	1,000 MT	3,339	2,419	1,970	10%	19.1	10.1	9.0	17%
Whey									
Whey Protein Conc.	1,000 MT	21,721	22,951	15,422	-17%	38.5	40.6	29.1	-10%
Dried Whey	1,000 MT	142,979	150,676	105,373	-12%	91.4	84.2	62.4	-8%
Other	Mixed	--	--	--	--	14.7	13.4	5.0	2%
Total Whey	Mixed	--	--	--	--	144.6	138.2	102.6	-7%
Other Dairy Products									
Lactose	1,000 MT	126,835	118,224	106,871	19%	73.9	69.5	60.6	13%
Infant Formula	1,000 MT	27,199	26,981	20,465	-3%	99.7	87.8	69.6	0%
Food Preps.	1,000 MT	53,111	50,198	37,245	8%	108.0	84.0	59.1	-5%
Other (Rnt,Drnks,Fd Rel.,etc)	Mixed	--	--	--	--	103.1	111.2	74.1	-8%
Total Other Dairy Prods.						384.7	352.5	263.4	-1%
TOTAL						\$1,086.8	\$945.5	\$731.6	5%

Fiscal Year 2003 Dairy Exports

\$982 Million

Fiscal Year 2004 Dairy Exports (Nov.) Forecast

\$1,000 Million