

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (08/30):

BUTTER: Grade AA closed at \$0.9550. The weekly average for Grade AA is \$0.9550 (-.0042).

CHEESE: Barrels closed at \$1.0800 and blocks at \$1.1575. The weekly average for barrels is \$1.1215 (-.0035) and blocks, \$1.1565 (+.0035).

NONFAT DRY MILK: Extra Grade closed at \$0.9050 and Grade A at \$0.9200. The weekly average for Extra Grade is \$0.9050 (N.C.) and Grade A, \$0.9200 (N.C.).

BUTTER: The cash butter price continues to hold under the \$1.00 level. Churning schedules are mixed, depending on cream availability. In many instances, current production is not keeping pace with demand, thus inventoried stocks are being used to fill needs. Butter stocks continue to run well ahead of last year. Through July, cumulative 2002 quota and high-tier imports are trailing last year's total. Quota butter imports total 7.7 million pounds, versus 12.7 million pounds for the January - July period of last year. High-tier volumes are sharply lower, 871,953 pounds this year while 15,210,527 pounds during the same 7 months in 2001. Butter demand is seasonally active, although food service orders, especially to resort and vacation areas across the country, are declining as the unofficial end of the summer vacation season is here.

CHEESE: The cheese market is steady in the Midwest and East but unsettled to weak in the West. Cash cheese prices are at least 50 cents below year ago levels. The reopening of schools is reducing the cheese production due to increased school milk needs. Interest is improving in seasonal varieties such as mozzarella. Other buyers are working off inventory, especially summer vacation locations. CCC contracted for between 39,600 and 237,600 pounds of Kosher sliced process at \$1.1400 over the applicable Chicago Mercantile Exchange monthly barrel average.

FLUID MILK: Milk production across the country continues to be impacted by summer weather patterns. Along the East Coast, milder temperatures prevailed in the Northeast with much needed moisture finally arriving in the Middle Atlantic and Southeast areas. Temperatures in the Southeast remain hot. Overall milk production is edging lower seasonally, although with milder conditions in the Northeast, handlers are hopeful that a rebound will occur during the coming few weeks. In the Midwest, cooler temperatures have been reported which is contributing to steady production, and in some instances, slight rebounds in output. The Western part of the country continues to experience hot temperatures. In California, milk production is declining, but also continues to run heavier than last year. Milk processing capacity in the state is fully adequate for the increased milk supply and some processors are buying milk to keep plants at efficient levels. In the Pacific Northwest, production is rebounding after the heat of two weeks ago. Conditions remain extremely dry over most of Idaho and Utah. As the Labor Day holiday weekend approaches, various dairy processing plants will be down for an additional day or two, thus some milk volumes will be looking for processing facilities. Most handlers do not foresee any problems with handling the milk. School bottling pipelines are also continuing to be filled as most schools across the country will be back in session early next week.

DRY PRODUCTS: As milk production declines in many areas of the country and school milk bottling pipelines are filled, surplus milk volumes are less available for manufacturing purposes. At this point, processors are directing milk toward products of most need or the best efficiency in their plants. Nonfat dry milk markets are steady to slightly firmer. Lack of surplus milk east of the Mississippi is causing some producers to look further West for their needs. Clearances of skim milk powder continue to CCC from Midwestern and Western producers. Buttermilk powder markets are generally steady. Production is mixed, ranging steady to higher in Western areas, while lighter in Eastern and Midwestern states. Whey powder markets are steady to firm with prices generally higher. Supplies are tightening. Often, buyers are reporting more instances of not being able to find their normal volumes of whey from producers in a timely fashion.

CCC: During the week of August 26 - 30, CCC net purchases totaled 9,644,741 pounds of NDM. A total of 9,159,729 pounds was purchased from the West and 485,012 pounds from the Midwest. Cheese purchases during the week totaled 206,859 pound of 40# blocks and 496,518 pounds of barrel cheese from the West with 158,400 pounds of Midwestern process.

FEED ASSISTANCE PROGRAM: On August 27, Secretary of Agriculture Ann M. Veneman announced that sign up for the \$150 million feed assistance program to help cow-calf operators in Nebraska, Colorado, Wyoming and South Dakota will begin August 28 at FSA offices in those four states. The eligible states were selected for this new program because current data shows that at least 75 percent of the pasture and forage crops in these four states are rated as poor or very poor. To implement this \$150 million-program, USDA's Commodity Credit Corporation (CCC) will enter into agreements with feed mills located in the eligible areas, making available existing CCC stocks of nonfat dry milk to be used in the production of livestock feed. Currently, CCC has over 441 million pounds of nonfat dry milk that is at least two years old in storage.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first six months of 2002 totals 82.7 billion pounds, 0.2% lower than the same period in 2001. Comparing disappearance levels with year earlier levels: butter is +3.0%; American cheese, +0.3%; other cheese, +0.6%; NDM, -32.0%; and fluid milk product, -0.4%.

CONSUMER PRICE INDEX (BLS): The July CPI for all food is 176.0, up 1.4% from July 2001. The dairy products index at 167.6, is down 0.4% from a year ago. The following are the July to July changes for selected products: fresh whole milk -4.3%, cheese +0.7%, and butter -17.2%.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the August 2002 prices under the Federal Milk Order pricing system: Class II \$11.07 (-\$0.07), Class III \$9.54 (+\$0.21); and Class IV \$10.41 (-\$0.04). Product price averages used in computing Class prices are: butter \$0.9925, NDM \$0.9074, cheese \$1.1189, and dry whey \$0.1571. The Class II butterfat price is \$1.0771 and the Class III/IV butterfat price is \$1.0701. Further information may be found at: www.ams.usda.gov/dairy/mib/classpracnmt.pdf

****SPECIAL THIS ISSUE****

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)
INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
SEPTEMBER FEDERAL MILK ORDER ADVANCE MILK PRICES (PAGE 9)

JULY CONSUMER PRICE INDEX (PAGE 10)
COMMERCIAL DISAPPEARANCE (PAGE 10)
SEPTEMBER ANNOUNCED COOP CLASS I MILK PRICES (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY AUGUST 26	TUESDAY AUGUST 27	WEDNESDAY AUGUST 28	THURSDAY AUGUST 29	FRIDAY AUGUST 30	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1275 (N.C.)	\$1.1350 (+.0075)	\$1.1575 (+.0225)	\$1.1075 (-.0500)	\$1.0800 (-.0275)	(-.0475)	\$1.1215 (-.0035)
40# BLOCKS	\$1.1550 (N.C.)	\$1.1550 (N.C.)	\$1.1575 (+.0025)	\$1.1575 (N.C.)	\$1.1575 (N.C.)	(+.0025)	\$1.1565 (+.0035)
NONFAT DRY MILK							
EXTRA GRADE	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	\$.9050 (N.C.)	(N.C.)	\$.9050 (N.C.)
GRADE A	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
BUTTER							
GRADE AA	\$.9550 (-.0075)	----	\$.9550 (N.C.)	----	\$.9550 (N.C.)	(-.0075)	\$.9550 (-.0042)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 26, 2002

CHEESE -- SALES: 9 CARS 40# BLOCKS: 1 @ \$1.1650, 1 @ \$1.1600, 1 @ \$1.1525, 1 @ \$1.1550, 1 @ \$1.1450, 1 @ \$1.1600, 1 @ \$1.1550, 1 @ \$1.1525, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS 40# BLOCKS: 1 @ \$1.1550, 3 @ \$1.1600
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 11 CARS GRADE AA: 1 @ \$0.9550, 1 @ \$0.9575, 3 @ \$0.9475, 1 @ \$0.9525, 1 @ \$0.9550, 1 @ \$0.9500, 1 @ \$0.9425, 1 @ \$0.9525, 1 @ \$0.9550; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$0.9425, 1 @ \$0.9400, 2 @ \$0.9300; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$0.9800

TUESDAY, AUGUST 27, 2002

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1350; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1550
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 28, 2002

CHEESE -- SALES: 1 CAR BARRELS @ \$1.1575; 3 CARS 40# BLOCKS: 1 @ \$1.1575, 1 @ \$1.1550, 1 @ \$1.1575; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1575; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1625, 1 @ \$1.1650; 5 CARS 40# BLOCKS: 3 @ \$1.1575, 1 @ \$1.1775, 1 @ \$1.1825
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$0.9500, 2 @ \$0.9450, 1 @ \$0.9525; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$0.9550, 1 @ \$0.9500, 1 @ \$0.9450, 1 @ \$0.9225, 1 @ \$0.9200; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 29, 2002

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.1525, 1 @ \$1.1175, 1 @ \$1.1025, 1 @ \$1.1125, 1 @ \$1.1075; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS BARRELS: 1 @ \$1.1250, 1 @ \$1.1350, 1 @ \$1.1450, 1 @ \$1.1550, 1 @ \$1.1575, 1 @ \$1.1675; 1 CAR 40# BLOCKS @ \$1.1700
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 30, 2002

CHEESE -- SALES: 8 CARS BARRELS: 1 @ \$1.0850, 1 @ \$1.0775, 1 @ \$1.0700, 1 @ \$1.0675, 1 @ \$1.0700, 1 @ \$1.0800, 1 @ \$1.0725, 1 @ \$1.0800; BIDS UNFILLED: 2 CARS BARRELS @ \$1.0500; OFFERS UNCOVERED: 9 CARS BARRELS: 2 @ \$1.0800, 2 @ \$1.0950, 2 @ \$1.1150, 3 @ \$1.1200
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 4 CARS GRADE AA: 1 @ \$0.9575, 1 @ \$0.9525, 2 @ \$0.9550; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone seems to be more settled since the CME cash price has been fairly constant (in the \$.95-98 area) since August 7. Demand seems to be improving as more features are being reported, but this improved call is being more than offset by the burdensome supply of butter. Fresh butter is occasionally reported as tight now that milk and cream supplies are tight. Demand for packaged butter has picked up. Some retailers are taking advantage of current prices and purchasing ahead for fall needs. Producers, trying to keep their inventories down, are asking that these advance sales be picked up or shipped prior to September 1. Food service orders have been fairly good for Labor Day, but the summer is coming to a close and resort area sales are expected to drop off accordingly. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

Through mid week, the cash butter price continued to hold under \$1.00 for the tenth consecutive butter trading session. The current price of \$.9550 compares to \$.2.1750 last year at this time. Churning schedules remain quite active compared to other years at this time. Although churning is seasonally strong, current production is not keeping pace with demand thus inventoried stocks are being used to fill needs. Butter stocks continue to run well ahead of last year. Through July, cumulative butter figures indicate that 2002 quota and high-tier imports are trailing last year for the first seven months of the year. Quota butter imports total

7.7 million pounds, versus 12.7 million pounds for the comparable seven months of last year. High-tier volumes are sharply lower. Through July, 871,953 pounds were imported during 2002 while 15,210,527 pounds entered the country during the same 7 months in 2001. Overall butter demand is seasonally fair. Producers and handlers speculate that many buyers are placing orders for short term needs in light of recent inventory and cold storage reports. Retail prices are edging lower slowly, but retailers indicate that they expect sales during the final months of the year to be strong as long as prices remain competitive. Bulk butter for spot sales is selling in a range of flat - 2 cents per pound over various pricing basis.

WEST

Food service sales of butter related to vacation areas are beginning to slow seasonally. Retail sales remain spotty due to shelf prices continuing at high levels. Any feature activity is successful in moving additional loads of butter. Current bulk offerings from the West are declining, but stored butter remains plentiful. Imports of butter, both high tier and quota, have slowed dramatically because of low domestic butter prices this year. Current butter production is declining seasonally, but remains above expectations. Cream is moving around within the region and to out of area buyers. More standardized cream is showing up on the market as school pipelines begin to fill with milk. Ice cream sales are much slower than anticipated for this time of year. Weekly CME butter stocks continue to decline slowly. This last week stocks declined 1.95 million pounds ending at 141.26 million pounds. Current prices for bulk butter range from 6 cents under to flat market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
AUG 24	1.1308 6,097,647	1.1286 11,292,584	0.9080 29,712,379	0.9539 4,905,765	0.1611 10,521,257	1.2884 2,474,744	1.2831 4,429,953

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices range from steady to fractionally higher and the market tone is unchanged. Cheese output in the Northeast is steady to lighter as surplus milk supplies tighten even further now that more milk is being used in Class I channels (school lunch programs). Most cheese operations are down a day or so each week because of the milk supply situation. Demand for cheese is about steady and the switch in the summer time resort area sales to normal urban retail sales is evident. Cheese supplies are quite well balanced locally, but distributors indicate that there is no trouble finding the volumes and types they need.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2175-1.7125
Cheddar Single Daisies	:	1.1750-1.6350
Cheddar 40# Block	:	1.2925-1.5150
Process 5# Loaf	:	1.3400-1.5175
Process 5# Sliced	:	1.3600-1.6275
Muenster	:	1.3800-1.5850
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady to firm. Some traders continue to expect cheese prices to firm into fall. Just a year ago, barrels were in the \$1.60's and blocks in the \$1.70's on the Chicago Mercantile Exchange cash cheese market. Bulk cheese interest is improved for September as supplies have tightened and/or demand has improved for some products. Most cutters and processors will be taking a long holiday weekend so bulk needs are a little lighter this week. Manufacturing milk supplies are tight and few plant operators are happy to give up milk supplies to bottlers. Getting truckers to move some extended hauls is a problem ahead of the holiday weekend. Some specialty orders continue to be shorted or delayed as operators don't have the necessary milk supplies. Cheese yields seem to be increasing slightly at some plants. Midwest process cheese continues to clear to CCC.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.3025-1.5300
Brick And/Or Muenster 5#	:	1.5100-1.7150
Cheddar 40# Block	:	1.4300-2.1150
Monterey Jack 10#	:	1.6900-2.1150
Blue 5#	:	1.9075-2.1900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4600-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.8000-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	AUGUST 26 - 30, 2002
BARRELS*	:	\$1.1350 - 1.1675 (NOMINAL)
	:	(\$0.0050) (.0250)
40# BLOCKS	:	\$1.1525 - 1.1875 (NOMINAL)
	:	(\$0.0225) (.0075)

() Change from previous week. * If steel, barrel returned.

WEST

Cheese prices are generally holding steady after some up and down movement over the past several weeks. Overall, the market is mixed. Demand is generally slower than anticipated for the end of the summer season. Many buyers are commenting that they have more cheese on hand than expected and are holding off on reordering until their stocks are depleted. This attitude has sort of a cumulative impact on the market, resulting in slower sales activity. More under grade cheese is also showing up in the market and this is not helping the overall situation. Cheese production is above expectations and this is further causing some softness in the market. Most Western contacts are beginning to realize that the rest of the country is in a more balanced situation for both milk and cheese and that more of the problems are localized in the West. Inventories had been declining at many storage facilities and that trend is reversing to some extent. Contacts are surprised that interest in mozzarella cheese has not improved more than it has with schools starting up and fall fast approaching. Swiss sales activity is being called acceptable, but stock levels are a concern.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2775-1.5375
Cheddar 40# Block	:	1.2725-1.4125
Cheddar 10# Cuts	:	1.4525-1.6725
Monterey Jack 10#	:	1.4625-1.6275
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Prices are steady to fractionally higher, particularly on domestic styles. The market tone is picking up slightly now that summer is drawing to a close and shopping and consumption habits get back into the school-year patterns. Supplies of most cheeses are adequate to meet current needs. Reports indicate that imports of cheese subject to licensing during January-July 2002 totaled 67.59 million KG, 3.4% more than the same period last year. High tier cheese imports for the same period totaled 15.66 million KG, an increase of 123.7%

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	:	NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.1400	1.5150-3.0050*
Gorgonzola	:	3.2400-5.9400	2.0350-2.4900*
Parmesan (Italy)	:	TFEWR	2.9350-3.0150*
Romano (Italy)	:	2.1000-3.1900	-0-
Provolone (Italy)	:	3.4400-5.5000	1.5225-1.7475*
Romano (Cows Milk)	:	-0-	2.7125-4.8925*
Sardo Romano (Argentine)	:	2.8500-3.2900	-0-
Reggianito (Argentine)	:	2.6900-3.2900	-0-
Jarlsberg-(Brand)	:	2.7500-3.6900	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.6000-2.8500	-0-
Swiss Cuts Austrian	:	TFEWR	-0-
Edam	:	:	:
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-2.8900	-0-
Gouda, Large	:	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	-0-

* = Price change.

**WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS**

	BUTTER	:	CHEESE
08/26/02	70,310	:	137,249
08/01/02	71,854	:	141,769
CHANGE	-1,544	:	-4,520
% CHANGE	-2	:	-3

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	94	0	94	0	170	0
SOUTHEAST STATES	0	0	0	0	179	0

The base price for Class I milk for September 2002 is \$10.46 per cwt., down \$0.02 from August. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for September is \$7.62, up six cents from August. Milk production levels range from steady to lower throughout the region. Hot weather was prevalent in the Southeast over the weekend, but milder temperatures are being reported in the Northeast. Also, some much needed rain is falling on parts of the Middle Atlantic and Southeast this week. It is hoped that this relief from the hot, dry weather will allow milk output to rebound in the coming weeks. Fluid milk supplies are tighter in all areas of the region now that bottlers are filling the school lunch pipelines. Most schools will be back in session next week and bottlers' orders for milk are heavy. Along with the schools starting, bottlers are running heavy over the weekend because most will be down on Monday, Labor Day. Florida's milk needs have increased and imports are increasing. Shipments this week came from Pennsylvania and Michigan. For the other Southeast states, milk was pulled in via intra-company channels and no outside, spot loads were purchased. However, contacts are commenting on the tightness of milk in the region. Manufacturing plants are nearly idle in the Southeast and operating on reduced schedules in the Northeast. Condensed skim sales are reported as fair to good and some suppliers are selling nearly all their skim as fluid or condensed. Prices are steady, but suppliers are trying to push prices, particularly Class III, higher for September shipments. The fluid cream market is firm. Prices are little changed as the CME weekly average butter price fell less than a cent last week. Spot demand is holding up quite well, but some ice cream makers, as well as other cream users, expect to be down on Labor Day. Suppliers report tight supplies, but volumes seem to be in better balance than last week. Churning is light and often limited to only a couple plants in the region.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3045-1.3908
DELIVERED EQUIVALENT ATLANTA	-	1.3141-1.3908 M 1.3237-1.3812
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2566-1.4004

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9750-1.0200
NORTHEAST- CLASS III - SPOT PRICES	- .8700- .9200

M I D W E S T

Class I demand is stronger again this week as additional schools reopen for the new year. So far, bottlers seem to be able to acquire needed supplies with minimal difficulty. Supplemental milk volumes from Wisconsin seem to be moving more to the East into the Mideast Federal Order rather than to the South. Some other Midwestern milk is moving to the south but volumes were down last weekend, backing extra loads into manufacturing plants. Contracted volumes to the South returned to expected levels after the weekend and no changes were expected for the holiday weekend. Except for some shifting of schedules, handlers expect the holiday weekend to cause a minimal of problems with handling milk as some manufacturing milk demand is going unsatisfied. Milk supplies have tightened further and some manufacturing plant operators are delaying, shorting, and/or passing on orders due to lack of milk. A few operations were trying to sell milk in order to reduce schedules over the holiday weekend while others were looking for supplemental loads to help fill orders. Manufacturing yields are steady to slightly higher from summer heat stressed levels. Current milk intakes are little changed from recent weeks. Cream prices

are lower late in the week as some operations will be closed for a long holiday weekend. Condensed skim interest is good from Class II accounts and slower from Class III firms. Condensed skim prices range from \$.94 - \$1.02, depending on class. Soybeans are starting to turn color and corn is denting. Late hay/haylage yields are variable, depending on recent rains, lower where rain volumes were smaller. Lawns and pastures also reflect recent rains, or the lack of it.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 22-28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 39.50	\$ 41.00- 46.50
REPLACEMENT HEIFER CALVES	\$480.00-600.00	\$420.00-600.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUGUST 22-28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 44.00	\$ 39.00- 48.50

W E S T

July 2002 pool receipts of milk in CALIFORNIA total 2.987 billion pounds, 6.3% higher than a year prior. The July blend price, at a fat test of 3.55%, is \$10.11, \$0.36 lower than June and \$5.17 lower than July 2001. The percentage of receipts used in Class I products is 18.03%. The July quota price is \$11.28 and the over quota price is \$9.58. These prices are \$0.32 below June and \$5.07 lower than a year earlier. Cumulative 2002 pool receipts through July are 6.2% higher than a year ago. CALIFORNIA milk production is declining slightly, but total volumes are higher than last year. Milk processing capacity in the state is fully adequate for the increased milk supply currently and some processors are buying milk to keep plants at efficient levels. Cheese producers are more aggressive in buying extra milk than butter/powder processors. Weather conditions have been favorable for hay harvesting, but infestations of worms are limiting hay yields. Hot weather conditions are causing milk production to decline in NEW MEXICO. Temperatures are unseasonable and often over 100 degrees. Processing capacity in the state has improved and little milk has to leave the state to find a processing home. Milk production in ARIZONA continues to trend seasonally lower at levels generally 3 - 5% above a year ago. Daytime temperatures over 100 degrees are common, but the nighttime conditions are cool. Plants are running well in the state and lower milk volumes are allowing for equipment maintenance. Outside milk and condensed skim are being brought in from nearby states for processing. Pre-holiday cream markets are unsettled in the West. The extended holiday weekend is affecting multiples in the region as cream is discounted to keep moving. There is some reluctance, but cream is moving. Demand has slowed from ice cream manufacturers. The CME butter market remains weak at levels below \$1.00. Western cream multiples are lower at 107 to 124, FOB. Milk output in the PACIFIC NORTHWEST continues to rebound after the heat of two weeks ago. Some contacts state that output is now above peak spring levels at some locations. Most are surprised at the amount of milk available. Culling rates are soft as producers try for as much milk volume as possible. Even with that statement, many producers and their suppliers are facing more financial stress. Some producers are trying to economize on rations, resulting in less milk output. Hay quality continues to suffer and prices are steady to firm. Conditions remain extremely dry over most of IDAHO and UTAH. More water systems are shutting down as supplies are depleted. Growers are making decisions on how best to use the limited supplies remaining to get the maximum crop output possible. Often this means shorting hay ground and putting the water on corn. Most small grain harvesting is completed with yields very disappointing. More hay continues to leave the region for points east that are even dryer with no local forage being available. Cattle continue to come in off the range and are either going directly to sales barns or are being put on purchased hay. This is further tightening feeder hay supplies. Milk output is quite strong now that weather conditions have moderated. Days remain warm, but nights are very cool. Many producers in UTAH continue to discuss the milk deficiency payment program.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a steady to firm market. Trading activity is higher at some locations compared to the week prior. However, some plants remain sold out on low heat supplies and are not expecting spot availability until late September. Western stocks are being shipped into the Central region to satisfy supply shortages. Movement of Central region NDM into the CCC is again noted for the current week. Production is mostly steady with some locations opting to produce the more time-consuming high heat product instead of low heat NDM. Typical milk supply increases during the holiday weekend are expected to be handled without difficulty. Spot interest is best into brokerage firms. Imported NDM is less available than in recent weeks and condensed skim supplies remain tight for the good demand.

EAST: The market tone is firm and Eastern prices are unchanged to higher. Production levels continue to ease lower as surplus milk supplies tighten. With schools either open or opening next week and milk production lower than expected, butter/powder plants do not do not think much surplus milk will be available before mid September. Condensed skim sales are holding up better than expected. Some plants are not drying at all and others are drying just enough skim to meet contract commitments. Demand for NDM ranges fair to good. No Eastern NDM has been offered to CCC during the past five weeks. Spot needs are often being filled via the resale market or from producers in the West. There are no reports of spot, truckload sales directly from Eastern producers.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .9000 - .9600 MOSTLY: .9300 - .9400
 HIGHHEAT: .9575 - 1.0100

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices and the market tone are unchanged. There is little new news in the market to affect product or prices. Demand is fair with some buyers expressing concerns about rumors and the potential of a "tilt" and subsequently lower NDM prices. Production and shipments of last DEIP year medium heat NDM continues. There is still no information on the DEIP progress, despite the program year starting July 1. Drying schedules are steady to lower in the region. Milk intakes are variable and bottlers are taking more milk and condensed to fill school orders. During the week of August 19 - 23, adjusted support program purchases totaled 3,605,997 pounds of NDM with 3,014,007 pounds from the West. Uncommitted inventories in government stocks are over 1.2 billion pounds. High heat NDM prices are higher in moderate trading. Demand is fair, but not aggressive. With dryer times open, some producers are making more high heat for current and future contracted sales. Stock levels are adequate.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8900 - .9575 MOSTLY: .9000 - .9050
 HIGHHEAT: .9225 - .9525

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 23	\$.8999	19,105,355	9,345,675
August 16	\$.9009	18,477,992	8,732,124

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a weak market. Holding buttermilk stocks at this time of year is atypical for many firms. While some traders were surprised by the decrease in prices last week, producers holding stocks see the market as more representative and competitive with West coast supplies. Production is generally lower due to reduced churn activity and good condensed buttermilk clearance into Class II facilities. Imported buttermilk is reportedly available at prices below the range. Demand for dry buttermilk remains lackluster into brokerage and end-user operations.

F.O.B. CENTRAL: .7500 - .7900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal. Production levels are lighter as churning activity is even lighter than it has been. However, additional butter may be made during the holiday weekend when some Class II cream users will be down for an extra day. Producer inventories are often heavier than desired. Demand is fair.

F.O.B. NORTHEAST: .7800 - .8350
 DELVDSOUTHEAST: .7800 - .8550

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

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F.O.B. NORTHEAST: .7800 - .8350
 DELVDSOUTHEAST: .7800 - .8550

DRY BUTTERMILK - WEST

Western buttermilk prices are little changed in light spot trading. The market tone is unsettled to slightly firmer. Buying interest remains lighter than expected. Offerings are available from most, but not all, sources. Drying levels are steady to slightly higher where butter churning has increased. Stock levels vary and range from light to long.

F.O.B. WEST: .7300 - .7650 MOSTLY: .7300 - .7400

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. Production levels remain light as milk supplies tighten and producers make only enough to fill orders. Plant stocks are light by design and spot demand is limited.

F.O.B. PRODUCING PLANT: 1.1100 - 1.1700

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	08/14	08/15	08/16	08/19	08/20	08/21	08/22	08/23	08/26	08/27
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 02	9.50 (3522) 141	9.50 (3473) 90	9.50 (3470) 5	9.55 (3448) 2	9.55 (3447) 7	9.57 (3447) 3	9.57 (3446) 1	9.55 (3445) 0	9.55 (3445) 0	9.55 (3443) 2
SEP 02	10.48 (3372) 100	10.41 (3384) 44	10.15 (3384) 86	10.20 (3327) 102	10.25 (3329) 134	10.40 (3330) 20	10.20 (3312) 38	10.13 (3335) 51	10.05 (3303) 11	10.05 (3314) 20
OCT 02	11.00 (2710) 171	10.81 (2858) 259	10.50 (2867) 36	10.50 (2953) 148	10.60 (2944) 38	10.80 (2957) 90	10.67 (2987) 57	10.44 (2984) 47	10.32 (2984) 3	10.33 (2981) 12
NOV 02	11.60 (1540) 60	11.35 (1536) 104	10.85 (1570) 49	10.85 (1625) 64	10.90 (1625) 6	10.95 (1644) 44	10.97 (1663) 25	10.80 (1687) 35	10.72 (1688) 5	10.73 (1689) 31
DEC 02	11.60 (1219) 15	11.42 (1216) 82	10.97 (1236) 50	10.95 (1244) 19	10.95 (1247) 10	11.00 (1269) 42	11.00 (1299) 38	10.86 (1298) 27	10.78 (1300) 7	10.78 (1310) 26
JAN 03	11.76 (498) 62	11.68 (552) 88	11.39 (568) 30	11.35 (581) 28	11.40 (581) 5	11.47 (597) 62	11.49 (663) 84	11.50 (673) 19	11.46 (697) 28	11.44 (710) 33
FEB 03	11.75 (499) 58	11.70 (526) 67	11.42 (535) 20	11.42 (537) 5	11.45 (537) 2	11.51 (553) 30	11.50 (572) 36	11.50 (586) 18	11.48 (590) 6	11.50 (613) 35
MAR 03	11.76 (369) 45	11.75 (389) 38	11.50 (402) 18	11.47 (405) 9	11.49 (407) 9	11.52 (419) 22	11.51 (430) 26	11.50 (439) 16	11.50 (441) 2	11.50 (466) 35
APR 03	11.74 (256) 6	11.74 (267) 19	11.60 (264) 6	11.56 (272) 9	11.55 (272) 1	11.60 (271) 13	11.58 (280) 9	11.60 (281) 5	11.60 (282) 1	11.60 (290) 15
MAY 03	11.72 (208) 4	11.74 (219) 16	11.65 (216) 4	11.63 (218) 3	11.65 (220) 8	11.69 (232) 14	11.66 (248) 23	11.66 (249) 3	11.66 (249) 0	11.66 (259) 16
JUN 03	11.90 (162) 2	11.91 (174) 21	11.80 (174) 4	11.80 (177) 9	11.85 (179) 2	11.91 (193) 24	11.88 (207) 32	11.90 (212) 7	11.90 (214) 4	11.90 (215) 28
JUL 03	12.30 (89) 17	12.30 (94) 9	12.20 (96) 2	12.20 (98) 3	12.20 (100) 2	12.30 (103) 33	12.28 (106) 5	12.30 (109) 9	12.32 (110) 2	12.31 (122) 19
AUG 03	12.20 (53) 2	12.20 (58) 6	12.20 (58) 0	12.20 (59) 2	12.20 (59) 0	12.30 (72) 24	12.32 (76) 4	12.33 (77) 2	12.36 (83) 7	12.43 (87) 11
SEP 03	12.35 (42) 8	12.35 (46) 6	12.20 (46) 0	12.20 (47) 2	12.20 (47) 0	12.31 (58) 19	12.32 (62) 5	12.35 (62) 1	12.38 (74) 25	12.45 (78) 7
OCT 03	12.07 (37) 1	12.07 (41) 4	12.07 (41) 1	12.07 (42) 2	12.10 (42) 0	12.15 (52) 10	12.16 (54) 2	12.17 (54) 1	12.18 (56) 2	12.18 (56) 8
NOV 03	12.09 (54) 22	12.08 (58) 5	12.08 (58) 0	12.08 (60) 3	12.08 (60) 0	12.08 (65) 15	12.08 (70) 5	12.08 (71) 1	12.09 (74) 5	12.09 (74) 3
DEC 03	11.94 (40) 10	11.94 (45) 5	11.94 (45) 0	11.94 (46) 1	11.94 (46) 0	11.94 (53) 10	11.94 (53) 0	11.90 (54) 3	11.90 (54) 3	12.00 (53) 3

CME - CLASS IV MILK FUTURES - Dollars per cwt.

AUG 02	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0
SEP 02	10.60 (424) 0	10.60 (424) 5	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0	10.50 (422) 0
OCT 02	10.60 (374) 0	10.60 (376) 7	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0	10.50 (376) 0
NOV 02	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.70 (277) 0	10.60 (277) 0	10.60 (277) 0
DEC 02	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0	10.60 (130) 0	10.60 (130) 0
JAN 03	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0
FEB 03	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0
MAR 03	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0
APR 03	11.25 (12) 10	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.25 (12) 0

CME - BUTTER FUTURES -- Cents per pound

SEP 02	96.50 (354) 5	94.75 (354) 7	93.25 (347) 14	93.50 (342) 10	94.50 (315) 30	96.00 (313) 6	96.75 (310) 5	95.75 (312) 5	95.25 (300) 19	95.50 (289) 13
OCT 02	98.00 (326) 5	96.75 (324) 2	95.00 (327) 3	95.00 (328) 2	95.00 (326) 0	97.50 (328) 1	99.00 (330) 2	98.25 (336) 6	97.00 (336) 4	97.40 (334) 3
DEC 02	101.50 (82) 0	101.50 (83) 1	99.00 (85) 2	100.50 (85) 0	100.50 (99) 18	101.00 (98) 3	101.75 (102) 5	101.75 (102) 1	100.02 (104) 2	100.50 (104) 0
MAR 03	118.00 (60) 7	115.50 (64) 4	115.00 (67) 3	115.00 (67) 0	115.00 (74) 11	115.00 (76) 2	117.00 (78) 2	117.00 (78) 0	117.00 (82) 5	115.50 (84) 2
MAY 03	120.00 (36) 7	116.00 (36) 0	116.00 (36) 0	116.25 (36) 0	116.25 (40) 5	117.50 (40) 0	117.50 (40) 0	117.50 (40) 0	117.50 (41) 3	118.50 (41) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 19 - 30, 2002

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

OVERVIEW: WESTERN EUROPE: The milk production season is winding down in most all European countries. Some areas are experiencing adverse weather conditions which are impacting late season production patterns. In many areas, hot/humid weather conditions have prevailed during the past few weeks which are stressing the milk herd. Recently, heavy rainfall has occurred in some Western European countries which is also hindering late season milk production. Often, cows are not able to be pastured due to wet conditions, thus harvest of the fields is equally challenging. As is typical for this time of the year, solids and butterfat test are lower. Lower solids in the incoming milk are causing some problems with cheese producers. The European Management Committee met late in the week, following a holiday recess. Intervention is now closed for skim milk powder. The Committee announced that 153,000 metric tons of powder have cleared into intervention during the open season. Intervention maximum volumes of 109,000 metric tons were reached in mid June and since then an additional 44,000 metric tons of powder has cleared to intervention under a tendering system. The final tendering maximum rate was set at 95.5% of the full intervention value. Most European traders and handlers are indicating that pricing strength is starting to occur in the market place. Many felt that recovery was starting to occur a few weeks ago and now they are indicating that this is the situation. In most instances, stocks of manufactured dairy products are available for potential buyers. European traders are closely watching developments in the Oceania region as their milk production season gets underway. There are various weather related factors in the Oceania market that may negatively impact early milk production patterns in Australia and New Zealand, which could impact international dairy product availability.

BUTTER/BUTTEROIL: European butter prices are generally unchanged to slightly higher. The strength is occurring in internal or domestic markets with international sales remaining light. European butter traders continue to compete for sales against availability and considerably lower prices elsewhere in the world. Milk production is winding down, thus is butter production.

82% BUTTERFAT: 1,050 - 1,200
99% BUTTERFAT: 1,200 - 1,300

SKIM MILK POWDER (SMP): European skim milk powder markets are steady to firm. A few weeks ago, handlers and traders reported that a firming price trend was starting to develop and many indicate that this trend is continuing. Intervention is now closed and 153,000 metric tons of powder have cleared during the open season. Of this total, 44,000 metric tons cleared under the tendering system. Many European producers and handlers are closely monitoring the development of the Oceania milk production season. Some conversations are speculating that their season might not be as positive as recent years.

1.25% BUTTERFAT: 1,150 - 1,300

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are steady to firm. In recent weeks, a firm price tone for whole milk powder has been developing. The milk production season is on the decline, although whole milk powder stocks are available. Handlers and producers indicate that potential sales could be filled with late season milk volumes. At this point, new sales are limited, although handlers indicate that as the market turns around, buyers will hopefully return to the market.

26% BUTTERFAT: 1,200 - 1,300

SWEET WHEY POWDER: Whey powder markets are generally steady at unchanged prices. Powder volumes remain readily available as some international buyers continue to bypass European supplies due to price. Cheese production has been mixed, although recent production trends have improved. Animal feed demand remains slow.

NONHYGROSCOPIC: 350 - 450

OVERVIEW: EASTERN EUROPE: Eastern European milk production continues to edge lower seasonally. Recent heavy rainfall and flooding in some Eastern European areas continues to impact milk production and dairy product distribution. In most areas, pastures are too wet to graze animals, thus milk

OVERVIEW: Milk production remains light though prospects for overall intakes above last season persist. While some freshenings have occurred, the main spring peak milk production season is still a month or so away. Manufacturing schedules remain light and centered mainly on powder as well as butter production. Current activity centers on preparing for the peak production season, clearing out remaining last season inventory, and making sales for later delivery. Powder supplies are tighter and much of the inventory is already committed. The weather is a factor in some areas of the region. Worries about El Nino in Australia, mainly a cold and dry winter, have producers nervous about crops and early spring pasture conditions. Early season production forecasts for Australia for the new season are in the 2 - 3% higher area. However, a relatively cold and dry winter may hurt early season pasture conditions. Recent snow in the South Island of New Zealand may also impact pasture growth/quality and early season milk receipts. The early forecast for the new season in New Zealand is about 5% above last season though the recent weather may impact receipts temporarily. Traders remain interested in news or developments in the U.S. DEIP program and any changes in EU export subsidies.

BUTTER: The butter market is steady and prices are unchanged. Some butter in the region is still uncommitted, but current international interest continues light. Some limited quantities of butter are being produced for the EU market.

82% BUTTERFAT: 925 - 1,000

CHEDDAR CHEESE: The cheese market is quiet. Current activity centers around making sales of old and future production. Some additional milk is being diverted from cheese production due to current inventory both in Oceania and the EU. Supplies are available to buyers if international interest improves.

39% MAXIMUM MOISTURE: 1,500 - 1,600

SKIM MILK POWDER (SMP): Prices are unchanged to higher. The lack of DEIP news and steady EU subsidy rates have aided in stabilizing to slightly firming prices. Early season production remains light though increasing as milk production picks up seasonally. Current powder inventory is committed to buyers.

1.25% BUTTERFAT: 1,125 - 1,300

WHOLE MILK POWDER (WMP): The whole milk market is steady to firm. Traders are trying to work prices higher as current spot offerings are limited. Early season production remains light due to current milk intake levels. Most product in inventory from last year is committed to buyers.

26% BUTTERFAT: 1,150 - 1,300

Exchange rates for selected foreign currencies: August 26, 2002

.6430 Canadian Dollar	.0206 Indian Rupee
.2759 Argentina Peso	.4685 New Zealand Dollar
.10017 Mexican Peso	.5435 Australian Dollar
1.5220 British Pound	.0084 Japanese Yen
.2391 Polish Zloty	.9720 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1017)= 9.8328. That is 1 US Dollar equals 9.8328 Mexican Pesos.

Source: "Wall Street Journal"

production is dropping faster than usual. In light of declining milk output, some producers and handlers are questioning their supply situation as the winter season approaches and price strength appears to be returning.

FEDERAL MILK ORDER ADVANCE PRICES, SEPTEMBER

Class I Base Price -- Under the Federal milk order pricing system, the Class I base price for September 2002 is \$10.46 per cwt. This price is derived from the advanced Class IV skim milk pricing factor of \$6.92 and the advanced butterfat pricing factor of \$1.0805. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** -- The advanced Class IV skim milk pricing factor is \$6.92. Thus, the Class II skim milk price for September is \$7.62 per cwt., and the Class II nonfat solids price is \$0.8467. **Product Price Averages** -- The two-week product price averages for September are, butter \$1.0010, nonfat dry milk \$0.9091, cheese \$1.1237, and dry whey \$0.1559.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/}				
Federal Milk Order Marketing Area ^{3/}	Order Number	September 2002		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	13.71	10.17	1.1130
Appalachian (Charlotte) ^{5/}	005	13.56	10.02	1.1115
Southeast (Atlanta) ^{6/}	007	13.56	10.02	1.1115
Florida (Tampa) ^{7/}	006	14.46	10.92	1.1205
Mideast (Cleveland) ^{8/}	033	12.46	8.92	1.1005
Upper Midwest (Chicago) ^{9/}	030	12.26	8.72	1.0985
Central (Kansas City) ^{10/}	032	12.46	8.92	1.1005
Southwest (Dallas) ^{11/}	126	13.46	9.92	1.1105
Arizona-Las Vegas (Phoenix) ^{12/}	131	12.81	9.27	1.1040
Western (Salt Lake City) ^{13/}	135	12.36	8.82	1.0995
Pacific Northwest (Seattle) ^{14/}	124	12.36	8.82	1.0995
All-Market Average		13.04	9.50	1.1063

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. ^{6/} Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. ^{7/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. ^{8/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. ^{9/} Class I prices at other cities are: Milwaukee, minus 0.05; and Minneapolis, minus, \$0.10. ^{10/} Class I prices at other cities are: Des Moines, minus 0.20; Omaha, minus 0.15; Oklahoma City, plus 0.60; St. Louis, same; and Denver plus \$0.55. ^{11/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. ^{12/} Class I price at Las Vegas is minus \$0.35. ^{13/} Class I price at Boise is minus \$0.30. ^{14/} Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
MAY 2002	175.8	1.9	169.0	2.6	162.2	-1.8	172.2	4.2	164.2	-3.9	162.4	1.0
JUNE 2002	175.8	1.6	168.0	0.7	162.6	-2.6	169.6	1.7	153.7	-14.0	161.9	0.1
JULY 2002	176.0	1.4	167.6	-0.4	161.0	-4.3	169.8	0.7	154.2	-17.2	162.3	0
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Lowfat Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Dollars												
MAY	2.782	2.845	2.616	2.564	3.215	3.262	3.868	3.862	4.203	3.964	3.800	3.633
JUNE	2.769	2.893	NA	2.674	3.084	3.385	3.856	3.949	4.311	3.968	3.752	3.703
JULY	2.747	2.933	NA	2.697	3.095	3.549	3.783	3.928	4.292	4.064	3.883	3.720

NA Data not adequate for publication.

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—APRIL-JUNE AND YEAR-TO-DATE 2001-02 ^{1/}

Item	Apr.-Jun. 2001	Percent change ^{2/}	Apr.-Jun. 2002	Percent change ^{2/}	Jan.-Jun. 2001	Percent change ^{2/}	Jan.-Jun. 2002	Percent change ^{2/}
	Million Pounds							
MILK								
Production	42,681	-1.2	43,977	3.0	83,948	-1.6	86,233	2.7
Marketings	42,366	-1.2	43,672	3.1	83,321	-1.6	85,626	2.8
Beginning Commercial Stocks ^{3/}	8,407	-10.0	9,609	14.3	6,839	11.3	7,041	3.0
Imports ^{3/}	1,640	35.6	1,258	-23.3	2,764	27.9	2,445	-11.2
Total Supply ^{4/}	52,413	-1.9	54,539	4.1	92,924	-0.1	95,122	2.4
Ending Commercial Stocks ^{3/}	9,954	-6.9	12,293	23.5	9,954	-6.9	12,293	23.5
Net Removals ^{3/}	30	-88.5	75	150.0	97	-81.9	143	47.4
Commercial Disappearance ^{4/}	42,429	-0.1	42,171	-0.6	82,873	1.3	82,686	-0.2
SELECTED PRODUCTS ^{5/}								
Butter	278.4	-1.1	267.9	-3.8	567.3	-1.0	584.3	3.0
American Cheese	901.5	0.5	929.9	3.2	1,804.6	3.1	1,810.5	0.3
Other Cheese	1,234.8	-1.6	1,239.0	0.3	2,425.2	2.0	2,440.1	0.6
Nonfat Dry Milk	227.4	26.7	151.1	-33.6	424.3	22.8	288.7	-32.0
Fluid Milk Products ^{6/}	13,415.1	-0.5	13,459.4	0.3	27,425.8	-0.1	27,304.1	-0.4

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds.

^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, SEPTEMBER 2002, WITH COMPARISONS ^{1/}

CITY	SEP 2000			SEP 2001			AUG 2002			SEP 2002		
	Coop.	Federal Order	Differ-ence	Coop.	Federal Order	Differ-ence	Coop.	Federal Order	Differ-ence	Coop.	Federal Order	Differ-ence
	Dollars Per Hundredweight											
Atlanta, GA	16.27	14.94	1.33	19.44	18.66	0.78	15.51	13.58	1.93	15.49	13.56	1.93
Baltimore, MD	16.19	14.84	1.35	20.01	18.56	1.45	15.23	13.48	1.75	15.21	13.46	1.75
Boston, MA	15.57	15.09	0.48	20.41	18.81	1.60	15.13	13.73	1.40	15.11	13.71	1.40
Carbondale, IL	15.75	14.04	1.71	19.47	17.76	1.71	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
Charlotte, NC	16.27	14.94	1.33	19.44	18.66	0.78	15.51	13.58	1.93	15.49	13.56	1.93
Chicago, IL	15.37	13.64	1.73	19.33	17.36	1.97	14.37	12.28	2.09	14.35	12.26	2.09
Cincinnati, OH	15.91	14.04	1.87	19.58	17.76	1.82	14.29	12.68	1.61	14.27	12.66	1.61
Cleveland, OH	15.61	13.84	1.77	19.38	17.56	1.82	14.09	12.48	1.61	14.07	12.46	1.61
Dallas, TX	15.64	14.84	0.80	18.68	18.56	0.12	14.88	13.48	1.40	14.86	13.46	1.40
Denver, CO	15.04	14.39	0.65	18.81	18.11	0.70	13.88	13.03	0.85	13.86	13.01	0.85
Des Moines, IA	14.68	13.64	1.04	18.57	17.36	1.21	13.65	12.28	1.37	13.63	12.26	1.37
Detroit, MI	14.89	13.64	1.25	18.42	17.36	1.06	13.53	12.28	1.25	13.51	12.26	1.25
Hartford, CT	15.47	14.99	0.48	20.31	18.71	1.60	15.03	13.63	1.40	15.01	13.61	1.40
Houston, TX	16.24	15.44	0.80	19.28	19.16	0.12	15.48	14.08	1.40	15.46	14.06	1.40
Indianapolis, IN	15.71	13.84	1.87	19.38	17.56	1.82	14.09	12.48	1.61	14.07	12.46	1.61
Kansas City, MO	15.03	13.84	1.19	18.52	17.56	0.96	14.24	12.48	1.76	14.22	12.46	1.76
Louisville, KY	15.19	14.04	1.15	18.76	17.76	1.00	13.78	12.68	1.10	13.76	12.66	1.10
Memphis, TN	15.57	14.64	0.93	18.94	18.36	0.58	15.01	13.28	1.73	14.99	13.26	1.73
Miami, FL	18.78	16.14	2.64	21.95	19.86	2.09	18.02	14.78	3.24	18.00	14.76	3.24
Milwaukee, WI	15.32	13.59	1.73	19.43	17.31	2.12	14.47	12.23	2.24	14.45	12.21	2.24
Minneapolis, MN	14.53	13.54	0.99	18.79	17.26	1.53	13.82	12.18	1.64	13.80	12.16	1.64
New Orleans, LA	16.42	15.44	0.98	19.59	19.16	0.43	15.66	14.08	1.58	15.64	14.06	1.58
Oklahoma City, OK	15.49	14.44	1.05	18.96	18.16	0.80	14.73	13.08	1.65	14.71	13.06	1.65
Omaha, NE	14.73	13.69	1.04	18.62	17.41	1.21	13.70	12.33	1.37	13.68	12.31	1.37
Philadelphia, PA	16.36	14.89	1.47	20.18	18.61	1.57	15.40	13.53	1.87	15.38	13.51	1.87
Phoenix, AZ	14.34	14.19	0.15	18.06	17.91	0.15	12.98	12.83	0.15	12.96	12.81	0.15
Pittsburgh, PA	15.14	13.94	1.20	19.56	17.66	1.90	14.58	12.58	2.00	14.56	12.56	2.00
St. Louis, MO	15.55	13.84	1.71	19.27	17.56	1.71	13.73	12.48	1.25	13.71	12.46	1.25
Salt Lake City, UT	13.99	13.74	0.25	17.71	17.46	0.25	12.68	12.38	0.30	12.66	12.36	0.30
Seattle, WA	14.22	13.74	0.48	17.88	17.46	0.42	12.80	12.38	0.42	12.78	12.36	0.42
Spokane, WA	14.22	13.74	0.48	17.88	17.46	0.42	12.80	12.38	0.42	12.78	12.36	0.42
Springfield, MO	15.09	14.04	1.05	18.56	17.76	0.80	14.33	12.68	1.65	14.31	12.66	1.65
Washington, DC	16.19	14.84	1.35	20.01	18.56	1.45	15.23	13.48	1.75	15.21	13.46	1.75
Simple Average	15.48	14.32	1.16	19.19	18.04	1.15	14.46	12.97	1.49	14.44	12.95	1.49

^{1/} Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers. ^{2/} The price series for this city has been discontinued.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 26 - 30, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 08/23/02	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	206,859	-0-	206,859	2,672,521	3,050,083	-0-	-0-
Barrel	496,518	-0-	496,518	1,597,502	4,025,276	-0-	-0-
Process	158,400	-0-	158,400	2,138,400	3,999,600	-0-	-0-
TOTAL	861,777	-0-	861,777	6,408,423	11,074,959	-0-	-0-
NONFAT DRY MILK							
Nonfortified	9,644,741	-0-	9,644,741	634,470,175	371,099,913	1,158,414,000	601,528,000
Fortified	-0-	-0-	-0-	-0-	28,151,091	46,391,000	38,227,000
TOTAL	9,644,741	-0-	9,644,741	634,470,175	399,251,004	1,204,805,000	639,755,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 26 - 30, 2002 =	10.1	120.8	COMPARABLE PERIOD IN 2001 =	0.0	-1.3
CUMULATIVE SINCE OCTOBER 1, 2001 =	198.7	7,448.7	CUMULATIVE SAME PERIOD LAST YEAR =	190.1	4,756.9
CUMULATIVE JANUARY 1 - AUGUST 30, 2002 =	181.8	6,552.8	COMPARABLE CALENDAR YEAR 2001 =	73.5	3,274.3

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 26 - 30, 2002 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	158,400	485,012	-0-
WEST	-0-	-0-	-0-	206,859	496,518	-0-	9,159,729	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	2,138,400	5,995,440	35,590,570	6,677,037	13.9	29.9
WEST	-0-	-0-	4,270,023	5,039,919	561,517,204	392,573,967	82.0	69.2
EAST	-0-	-0-	-0-	39,600	37,362,401	-0-	4.1	0.2
TOTAL	-0-	-0-	6,408,423	11,074,959	634,470,175	399,251,004	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848
CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239
NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/10/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2002-Dairy	0.2	0.8	6.0	4.4	18.2	2.2	0.3	0.8	11.8	2.1	46.8	1,536.0	46.0	46.0
2001-Dairy	0.2	0.7	4.5	5.0	16.0	2.5	1.7	0.8	9.8	2.3	43.4	1,586.3	44.2	46.4
2002-All cows	0.2	1.0	8.1	12.2	28.7	13.2	14.1	3.1	14.6	6.6	101.8	3,342.3		
2001-All cows	0.2	0.9	6.1	13.7	23.7	14.2	16.5	4.5	12.7	5.6	98.2	3,417.8		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48	10.46			
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14					
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33					
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45					

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm