

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (09/13):**

BUTTER: Grade AA closed at \$0.9400. The weekly average for Grade AA is \$0.9333 (-.0055).

CHEESE: Barrels closed at \$1.0725 and blocks at \$1.1300. The weekly average for barrels is \$1.0765 (-.0223) and blocks, \$1.1235 (-.0184).

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 remains basically steady under \$1.00 per pound. Producers and handlers are reporting that their stock levels continue to run heavy in comparison to last year at this time. Most feel that current inventories and projected production will be fully sufficient to meet year end needs. Demand at retail is fair with food service orders getting back into normal school-year patterns. Producers and handlers are indicating that more retail accounts are looking toward the year end holidays and preparing promotions and orders for that time period.

CHEESE: The cheese market remains mixed. Overall cheese demand ranges from slow to improved. Most improvement is noted on mozzarella and specialty items. Contacts note that cheese sales aren't picking up as anticipated for early fall. Cheese output is light east of the Rockies where milk supplies are tight. In the West, milk is more abundant and some cheese makers report output as heavier than expected for September. At this point, cheese output is outpacing commercial demand and, although light, clearances to CCC continue.

FLUID MILK: Milk production patterns are trending seasonally lower across most areas of the United States. Fluid milk sales have leveled off now that school lunch milk and home usage buying patterns have been reestablished. Weather patterns of heat, humidity and rain have influenced milk output lower in the Southwest. California production is declining slightly but levels are above a year ago over most of the state. Processing plants are running on extended schedules to handle local supplies. Production is holding steady in New Mexico and Arizona and may be at or near the low point in the yearly cycle. Output is holding mostly steady in the Midwest with fat and protein levels increasing slightly. Surplus milk volumes are tight and premium levels are inching higher. Eastern milk production is mostly steady with recent weeks. In the Southeast, milk is steady to occasionally higher. Florida is importing less fluid milk to supplement local needs than last year. Cream markets are mixed. Multiples are higher, but offset by lower butter prices/averages. Demand is sometimes improved as producers take

advantage of lower priced cream. Increases in production of ice cream, cream cheese and other cream based items are noted.

DRY PRODUCTS: Nonfat dry milk prices are holding mostly steady with some adjustments noted. There continues to be weekly offerings to the support program to clear stocks. NDM demand is increasing from cheese makers to bring up solids' levels of incoming receipts. Dry buttermilk prices show no changes in a very lightly traded market. Buyers' needs are able to be met with stocks and current production. Whey prices are showing the most strength in the Central and Eastern regions. Supplies are tightening and several producers have no whey for the spot market. Interest has increased from the animal feed sector and from buyers trying to beat price increases. Resale interest is also bullish at premiums to the spot market. Whey protein concentrate prices are also trending higher. Offerings are available in the West, tighter elsewhere. Lactose prices are steady. Negotiations are beginning for the fourth quarter and interest is higher.

CCC: During the week of September 9 - 13, CCC net purchases totaled 8,103,564 pounds of NDM. A total of 7,314,219 net pounds was purchased from the West and 789,345 pounds were purchased from the Midwest. Net cheese purchases during the week totaled 126,650 pounds of blocks and 207,164 pounds of barrels from the West, along with an additional 158,400 pounds of process cheese from the Midwest. On September 11, the Kansas City Commodity office announced that the bid of \$0.26 per pound for the purchase of government owned NDM for the production of casein/caseinate was rejected due to price.

MAILBOX MILK PRICES (AMS & CDFA): In June 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.33, \$0.50 less than the figure for the previous month. On an individual reporting area basis, mailbox prices decreased in all areas except one, and ranged from \$14.68 in Florida to \$10.13 in Utah. In June 2001, the Federal milk order all-area average mailbox price was \$15.92, \$4.59 higher.

JULY FLUID MILK SALES (AMS & CDFA): During July, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.0% higher than July 2001. After adjusting for calendar composition, sales in July 2002 were 0.9% higher than July 2001. On an individual product basis, sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from July 2001, while sales of buttermilk decreased from a year earlier.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY SEPTEMBER 9	TUESDAY SEPTEMBER 10	WEDNESDAY SEPTEMBER 11	THURSDAY SEPTEMBER 12	FRIDAY SEPTEMBER 13	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.0800 (N.C.)	\$1.0800 (N.C.)	\$1.0800 (N.C.)	\$1.0700 (-.0100)	\$1.0725 (+.0025)	-.0075	\$1.0765 (-.0223)
40# BLOCKS	\$1.1200 (-.0100)	\$1.1200 (N.C.)	\$1.1250 (+.0050)	\$1.1225 (-.0025)	\$1.1300 (+.0075)	N.C.	\$1.1235 (-.0184)
BUTTER							
GRADE AA	\$.9300 (+.0050)	----	\$.9300 (N.C.)	----	\$.9400 (+.0100)	+.0150	\$.9333 (-.0055)

*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 (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$0.9050 and Grade A price is \$0.9200. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 9, 2002

CHEESE -- SALES: 11 CARS 40# BLOCKS: 1 @ \$1.1300, 2 @ \$1.1400, 1 @ \$1.1350, 1 @ \$1.1400, 1 @ \$1.1150, 1 @ \$1.1275, 1 @ \$1.1300, 1 @ \$1.1150, 1 @ \$1.1300, 1 @ \$1.1200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 13 CARS 40# BLOCKS: 2 @ \$1.1300, 3 @ \$1.1325, 2 @ \$1.1350, 3 @ \$1.1400, 3 @ \$1.1500
 BUTTER -- SALES: 5 CARS: 1 @ \$0.9150, 1 @ \$0.9050, 1 @ \$0.9200, 1 @ \$0.9225, 1 @ \$0.9200; BIDS UNFILLED: 8 CARS: 1 @ \$0.9300, 1 @ \$0.9150, 1 @ \$0.9075, 2 @ \$0.9050, 1 @ \$0.9025, 2 @ \$0.9000; OFFERS UNCOVERED: 2 CARS: 1 @ \$0.9475, 1 @ \$0.9500

TUESDAY, SEPTEMBER 10, 2002

CHEESE -- SALES: 2 CARS BARRELS @ \$1.0800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1400

WEDNESDAY, SEPTEMBER 11, 2002

CHEESE -- SALES: 2 CARS BARRELS @ \$1.0800; 5 CARS 40# BLOCKS: 4 @ \$1.1200, 1 @ \$1.1250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS @ \$1.1300
 BUTTER -- SALES: 20 CARS: 1 @ \$0.9250, 1 @ \$0.9275, 2 @ \$0.9300, 1 @ \$0.9250, 1 @ \$0.9300, 1 @ \$0.9250, 1 @ \$0.9200, 1 @ \$0.9225, 1 @ \$0.9250, 2 @ \$0.9200, 1 @ \$0.9225, 1 @ \$0.9175, 1 @ \$0.9175, 1 @ \$0.9200, 1 @ \$0.9250, 1 @ \$0.9300, 1 @ \$0.9275, 1 @ \$0.9300; BIDS UNFILLED: 8 CARS: 1 @ \$0.9275, 1 @ \$0.9175, 1 @ \$0.9150, 1 @ \$0.9100, 1 @ \$0.9075, 3 @ \$0.9000; OFFERS UNCOVERED: 3 CARS: 1 @ \$0.9550, 1 @ \$0.9600, 1 @ \$1.0000

THURSDAY, SEPTEMBER 12, 2002

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.0800, 1 @ \$1.0700; 11 CARS 40# BLOCKS: 1 @ \$1.1175, 1 @ \$1.1200, 1 @ \$1.1150, 1 @ \$1.1050, 1 @ \$1.1150, 1 @ \$1.1125, 2 @ \$1.1150, 2 @ \$1.1200, 1 @ \$1.1225; BIDS UNFILLED: 1 CAR BARRELS @ \$1.0700; OFFERS UNCOVERED: 3 CARS BARRELS: 2 @ \$1.0800, 1 @ \$1.0900; 2 CARS 40# BLOCKS: 1 @ \$1.1300, 1 @ \$1.1400

FRIDAY, SEPTEMBER 13, 2002

CHEESE -- SALES: 6 CARS BARRELS: 2 @ \$1.0700, 2 @ \$1.0750, 1 @ \$1.0775, 1 @ \$1.0725; 1 CAR 40# BLOCKS @ \$1.1300; BIDS UNFILLED: 1 CAR BARRELS @ \$1.0725; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1500; 2 CARS 40# BLOCKS: 1 @ \$1.1375, 1 @ \$1.1800
 BUTTER -- SALES: 33 CARS: 1 @ \$0.9300, 1 @ \$0.9200, 1 @ \$0.9275, 1 @ \$0.9225, 1 @ \$0.9275, 1 @ \$0.9300, 1 @ \$0.9325, 2 @ \$0.9350, 5 @ \$0.9375, 1 @ \$0.9350, 3 @ \$0.9325, 8 @ \$0.9350, 1 @ \$0.9375, 2 @ \$0.9400; BIDS UNFILLED: 25 CARS: 1 @ \$0.9400, 2 @ \$0.9375, 3 @ \$0.9350, 2 @ \$0.9325, 3 @ \$0.9300, 3 @ \$0.9275, 2 @ \$0.9250, 3 @ \$0.9225, 2 @ \$0.9200, 1 @ \$0.9175, 1 @ \$0.9150, 1 @ \$0.9125, 1 @ \$0.9000; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone is unsettled. The CME cash price, in very heavy trading (40 cars sold), dropped to \$.9250 on Friday (9/6), but recovered fractionally in Monday's (9/9) trading. There is growing concern surrounding the large number of loads of butter (reportedly 147) intended to be delivered on September futures. In all likelihood, some of these loads will show up at the exchange during the coming weeks and could have a negative impact on prices. Demand at retail is steady at best and food service orders are getting back into normal school-year patterns. Churning activity is light in the East and fresh butter is occasionally tight. Frozen butter is abundant and any orders for bulk or packaged butter are easily filled. 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

The cash butter price continues to hold under the \$1.00 level. Producers report that churning activity remains seasonally quite active. Stocks of both bulk and print butter are heavier than last year at this time. Often, churning is not able to keep up with current demand, thus inventoried stocks are being used to fill orders. Retail orders are fair at best. Most orders continue to be placed for short term or immediate needs. Some scattered retail feature activity is being reported in the Central part of the country which is clearing good volumes of print butter. In some instances, retail outlets are reducing their price in relationship to the cash price weakness, but on the other hand, many are very slow in lowering their prices. Producers and handlers are indicating that more retail accounts are looking toward

the year end holidays and preparing promotions and orders for that time period. Food service orders are just fair. Many buyers still have not returned to the market following the Labor Day holiday. Producers and handler anticipate that carryover stocks were heavier, thus buyers are withholding new orders until buyer inventories are in better balance. Bulk butter for spot sales is selling in a range of flat - 2 cents per pound over various pricing basis.

WEST

Western butter producers continue to scale back estimates on fall price levels based on heavy national production and stocks. Localized firms indicate that they are balanced with current production and demand. Some are indicating that they are cutting back on bulk production to maintain print supplies. Cream supplies are readily available at more manufacturing plants than expected for this time of the year. Most contacts indicate that they would be surprised with any price strength in September due to butter futures settlements continuing to clear into the cash market at the CME. CME cash prices have been below a dollar for more than a month now (since August 7) compared to well over \$2 a pound last year. Retail store prices remain high enough to limit consumer interest in butter. Weekly CME butter stocks declined by 2.13 million pounds this past week. Inventories stand at almost 135 million pounds compare to a little over 50 million pounds last year. Current prices for bulk butter range from 5 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
SEP 7	1.1423 6,731,173	1.1186 11,535,199	0.9038 21,633,324	0.9431 2,849,818	0.1690 9,926,652	1.2838 2,363,387	1.2519 4,925,536

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

CHEESE MARKETS

NORTHEAST

Prices are generally lower and the market tone is mostly steady, but still looking for a direction. At the CME, prices have moved higher and lower within a relatively narrow range since late July. Current prices at the CME are generally 50-60 cents lower than a year ago. Although good for the wholesale market, these low prices are causing very low milk prices and milk producers are feeling the financial pressure. Cheese output in the Northeast is light to moderate, mostly light as surplus milk supplies remain tight. Cheddar supplies are quite well balanced and most is being put into aging programs. Mozzarella sales are improving seasonally and supplies are in better balance. Retail sales are slowly improving now that school-year shopping patterns are getting back to normal. Food service orders are mostly steady.

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

Cheddar 10# Prints	:	1.2050-1.7000
Cheddar Single Daisies	:	1.1625-1.6225
Cheddar 40# Block	:	1.2825-1.5025
Process 5# Loaf	:	1.3150-1.4925
Process 5# Sliced	:	1.3350-1.6025
Muenster	:	1.3675-1.5725
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady. Tight milk supplies within the region are limiting current cheese production and availability. Supplemental supplies of cheddar are available from Western sources. Best interest remains on specialty items. Mozzarella interest, for many producers, has improved seasonally. Process movement is about steady. Some improvement is noted in orders for natural cuts and shreds and cold pack items but sales often remain slower than normal for this time of year. Many plant operators and producers have problems understanding that if milk and current cheese production is limited, why prices are not higher. Current milk prices have caused more producers to consider selling the cows.

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

Process American 5# Loaf	:	1.2800-1.5300
Brick And/Or Muenster 5#	:	1.5100-1.7025
Cheddar 40# Block	:	1.4300-2.1150
Monterey Jack 10#	:	1.6900-2.1150
Blue 5#	:	1.8950-2.1900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4475-2.2150
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	:	SEPTEMBER 9 - 13, 2002
BARRELS*	:	\$1.0900 - 1.1150 (NOMINAL)
	:	(-\$0.0250) (-0.0175)
40# BLOCKS	:	\$1.1150 - 1.1475 (NOMINAL)
	:	(-\$0.0175) (-0.0450)

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

WEST

Cheese prices are unsettled with a weak undertone. Both barrel and block prices at the CME remain below the current support price. Clearances of cheese to the support program through September 6, total 6.8 million pounds. Very few contacts are stating that demand is shifting into normal fall patterns. Most feel that buying interest continues in summer patterns. A number of Western producers indicate that production levels are heavier than anticipated for early September. Heavier discounts are noted on multi-load offers of cheese that is less than 60 days old than some buyers were expecting. The discounts are allowing the cheese to clear the market. Heavier than expected offerings of under grade cheese persist in the market. Fall demand for mozzarella cheese is slow to develop even with schools back in session. Swiss cheese continues to move well for the time of the year.

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

Process 5# Loaf	:	1.2500-1.5100
Cheddar 40# Block	:	1.2650-1.4050
Cheddar 10# Cuts	:	1.4450-1.6650
Monterey Jack 10#	:	1.4550-1.6150
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Domestic prices are lower. The market tone is slightly improved. Supplies are generally adequate to meet the fair demand. Table cheese sales are getting back into the typical school-year patterns, but retail prices continue to be a major factor in sales. Imported styles range from light to fully adequate for the generally steady demand.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.5025-2.9975*
Gorgonzola	: 3.2400-5.9400	: 2.0200-2.4900*
Parmesan (Italy)	: TFEWR	: 2.9225-3.0025*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.5100-1.7375*
Romano (Cows Milk)	: -0-	: 2.7000-4.8800*
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
09/09/02	67,887	: 138,152
09/01/02	70,260	: 137,252
CHANGE	-2,373	: 900
% CHANGE	-3	: 1

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	123	0	64	0
SOUTHEAST STATES	0	0	0	0	149	0

Milk production is mostly steady and ranges from slightly lower to slightly higher across the region. It remains very dry in the Middle Atlantic and parts of Pennsylvania and New York. There is growing concern about grain and silage harvest/quality. Also, hay production has been below expectations throughout much of the Northeast. With milk prices so low and feedstuff prices expected to be high, many contacts are concerned for the business survival of dairy farmers in the region. In the Southeast, milk output is generally steady and occasionally above levels that many had anticipated. Fluid milk supplies are light, but Florida did not need as many loads as last week and this did leave some suppliers with a little more milk to process. Bottled milk sales are reported as flat and little changed from last week. School lunch programs have settled into regular patterns, but retail orders are slower. Surplus milk volumes are up slightly because of the lower need for milk in the Southeast and a few plant problems that forced more milk to find outlets. The condensed skim market is steady and prices are unchanged to higher within the ranges. Most increases are a result of the slight changes in the milk prices. Demand for wet solids is fair to good. The fluid cream market is firmer this week. Prices are mostly lower due to the drop in the CME butter average last week. Multiples are basically steady. Cream supplies have tightened in the East. There are instances where plants changed from making NDM to whole milk powder. This greatly affected the volumes of cream coming out of this plant. Also, demand has improved or, at least, appears to have improved. Suppliers and producers report getting more inquiries looking for spot loads. Ice cream makers continue to push out product as ingredient costs (i.e. fat) are considerably lower than this time last year. Demand for ice cream is about steady as retail prices are reported to be little different than they were a year ago at this time. Soft serve and frozen novelty sales are slowing seasonally. Cream cheese production is steady at moderate to heavy levels as producers take advantage of the low price of cream/fat. Most producer are making product for anticipated holiday needs. Sour cream output is also starting to show signs of improvement. Bottled cream sales and production are about steady. Churning activity is light to moderate in the East.

some had anticipated for mid-September. The fluid cream market is firm and prices are often lower due the change in last week's butter price average at the CME. Cream supplies are steady to lighter and demand is fair to good. Many users are taking advantage of the low cream/fat prices and putting up more ice cream and cream cheese. It has been many years (1995) since the Grade AA butter price was this low during August and September. The condensed skim market is generally unchanged and prices are steady. This week, Wisconsin livestock auctions were unavailable.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 05 - 11	PREVIOUS YEAR
SLAUGHTER COWS	NOT AVAILABLE	\$ 41.00- 46.00
REPLACEMENT HEIFER CALVES	NOT AVAILABLE	\$400.00-600.00
SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)		
	SEP 05 - 11	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 42.25	\$ 41.75- 47.00

W E S T

The October 2002 Class 1 prices in CALIFORNIA range from \$11.97 in the north to \$12.24 in the south. The statewide average Class 1 price based on production is \$12.02. The average is \$0.36 lower than September 2002 and \$5.77 lower than October 2001. Milk production patterns in California are trending slightly lower as a result of recent hot weather, humidity, and some rainfall. However, milk output continues to be above year ago levels in the state. Losses were more pronounced in the south. Central Valley production losses were not as great. Cows continue to be added to herds. Lower milk prices are affecting producer level decisions and are now being compounded by higher feed and supplement costs. Haying conditions were being affected by rains and the quality of later cuttings is deteriorating. Milk output in ARIZONA is holding mostly steady and contacts feel the volume may be near the low point on a seasonal basis. Current levels are above a year ago. Milk is being handled effectively with in state capacity adequate. Fluid milk orders have leveled off now that buying patterns have been established for the schools and consumers. Milk production is holding mostly steady across NEW MEXICO. There are few effects being felt from the recent rains and hot weather. Milk is being processed normally with few problems noted. Weather conditions have cooled and rains fell this week. The Western cream market continues to lack a clear direction. Buyers are able to find plenty of cream locally to fill orders. Pricing levels are slow to develop any strength that typically happens in the fall. There remains a pricing disadvantage to ship cream out of California unless the multiples are higher. Buyers do not want to pay extra and cream is ending up in local churns. The Grade AA butter price is lower at the CME and stood at \$.9300 at midweek. Western cream multiples are slightly higher in the range of 108 to 128, FOB. School lunch milk programs are now stabilized and are taking regular volumes of milk. Some manufacturing plant schedules in the PACIFIC NORTHWEST, therefore, are reduced. Other plants, with not as much fluid milk responsibilities, report having more milk than anticipated. Tests on incoming milk receipts are increasing seasonally. Some corn in the region is being cut for silage. Producers believe that the corn crop should be both good volume and good quality. With grain prices increasing rapidly, they feel that they will need all the help they can get. Hay producers in the region are working on harvesting the last cuttings of hay. As temperatures cool, quality is expected to increase. Hay prices are generally stable. Some contacts are expecting higher prices this fall. Heifer prices are weaker again. Activity reported at some monthly sales indicates price declines of \$150-200. Comments are noting the soft milk prices impacting the ability and desire to pay much for heifers. More suppliers to the dairy industry are noting increasing problems with accounts receivables. Scattered rain showers over the past weekend brought some much needed rainfall to areas of UTAH and IDAHO. Volumes received totaled as much as 2 inches. Farmers are certainly happy with the rainfall, but they are even happier that weather patterns in general may be changing. Milk production over the region is generally declining seasonally. Heifer prices have declined about \$250 over the last three weeks at one sale in Idaho. Financial stress is being suggested as the main culprit. Some manufacturing operations are buying outside milk to more efficiently run their plants.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2674-1.3613
DELIVERED EQUIVALENT ATLANTA	-	1.2768-1.3613 M 1.2955-1.3331
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2298-1.3706

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	- .8600- .9200

M I D W E S T

Milk production levels are little changed from last week. Reports from contacts in the Upper Midwest noted that August's milk receipts were either level with or slightly above July's output, which is historically atypical. Fat tests and protein levels are starting to inch higher now that temperatures have moderated. Fluid milk supplies range from light to adequate for overall needs. Bottled milk sales are leveling off now that school lunch pipelines have been filled and bottling schedules have fallen in to a rather normal pattern. However, occasional retail features are being reported. Surplus milk volumes are tight and suppliers continue to report that they receive many calls from users looking for more milk. Premiums for spot sales to manufacturing plants increased this week and are in the \$2.50 - 3.00 range, if milk can be found to meet spot sales. Milk continues to move south and east to supplement Grade A milk shortages. Milk volumes moving to Florida and other Southeastern states are lighter than

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 mixed on a steady to firm market. While some plants are moving prices higher, others are resuming shipments to the CCC at the 90 cent support level. Varied Class I interest is influencing production schedules. Some locations are producing product for contracts only while others have ceased production and are operating on current inventories. Good interest is noted on 50# bags with a lack of supply reported. Some buyers are seeking additional supplies from the West. Offerings are light. Condensed skim interest is slow into Class III and steady into Class II facilities.

EAST: The market tone remains firm with prices in the East unchanged to higher. Production levels are light as surplus milk volumes are about steady. Some plants have adequate volumes to run while others have virtually nothing coming into their plants at midweek and drying is down to 2-4 days a week. Most producers do not see much increase in drying schedules during the coming weeks. Along with all the milk moving to the Southeast (and these volumes are lighter than anticipated), the continued good sales of condensed skim further are keeping NDM output light. Producer stocks are very closely balanced and some plants' stocks are totally committed. Demand for NDM is from fair to good. Spot needs continue to be filled via the resale market or from producers in the West.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .9000 - .9700 MOSTLY: .9400 - .9500
 HIGH HEAT: .9625 - 1.0250

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are unchanged and the market tone is steady. Sales are generally centered on contracted amounts for both domestic and export movements. There are prior DEIP year contracts being filled. More NDM is moving to the cheese vats to bring up solids' levels of incoming milk. Surplus sales to the CCC are slowing, reflecting seasonally lower milk supplies in the region. During the week of September 2 - 6, adjusted support program purchases totaled 3,923,943 pounds of NDM with 4,166,153 pounds from the West (a cancellation from the East affected the total.) High heat prices are unchanged, but the market tone is unsettled. Producers are not seeing the action that they had anticipated. Drying schedules are often higher. Stocks are ample.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8900 - .9575 MOSTLY: .9000 - .9100
 HIGH HEAT: .9250 - .9525

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 6	\$.8998	11,427,266	4,431,243
August 30	\$.9020	15,037,084	6,235,177

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 on a weak market. Most trade is occurring at the lower end of the range with some firms reporting that inventories are in better balance. Condensed buttermilk movement into ice cream facilities is good, especially in the southern half of the region. At other locations, condensed buttermilk is being bought by plants to dry for regular contracts as churn activity is reduced. Production is generally lower yet stocks remain higher than expected for this time of year. West coast supplies remain competitive with central region product. Mostly prices for report 37 in 2001 were 1.0400 - 1.1000.

F.O.B. CENTRAL: .7500 - .7700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal. Production levels are light. Churning activity did slow down this week as cream supplies tightened across the region and less surplus cream was being sent to the churns. Those plants that did churn had contracts or orders to fill. Drying schedules are light. Plant inventories are longer than some producers would like but manageable. Demand is just fair and buyers are looking for the best price.

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

DRY BUTTERMILK - WEST

There are no reported price changes for dry buttermilk and the market tone lacks direction. There were some expectations a few weeks ago that the market would show firmness, but that sentiment has slowed. Offerings continue to be available from most producers and resellers in the region. Buyers have many sourcing options and higher prices in prior years caused many users to opt buttermilk out of formulations. Currently, drying schedules are trending lower and are dependent on churning activity. Stock levels vary, but are adequate to long of trade needs.

F.O.B. WEST: .7200 - .7650 MOSTLY: .7300 - .7400

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. Production levels are up slightly as some plants have switched from making NDM to dry whole milk to meet contract shipping schedules. Spot demand is limited. Contract sales make up the bulk of the market for dry whole milk. Plant stocks range from light to balanced.

F.O.B. PRODUCING PLANT: 1.0950 - 1.1725

WHEY, CASEIN & EVAPORATED 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.

DRY WHEY - CENTRAL

Prices are higher on a firm market. Supplies remain tight with some plants reporting nominal spot activity through the month of October. Plants with excess stocks are holding supplies with confidence and offering only to select customers. Production is mostly steady. Inquiries are heavy, especially from feed buyers that are seeking additional supplies in light of firmer markets. Export movement is generally slow with product clearing best on contracts. Resale activity is higher than the week prior with trades occurring at 1-2 cents over the average. Mostly prices for report 37 in 2001 were .2900 - .2975.

F.O.B. CENTRAL: .1825 - .2025 MOSTLY: .1925 - .1975

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are higher and the market tone continues to firm. Eastern prices remain nominal as few spot sales were reported at the producer level. Most Eastern producers report being sold out for various periods of time, usually through October. Some plants do not expect to have product available for spot sale until 2003. Production levels remain light and were further exacerbated by a couple Eastern plants having problems over the weekend. Because of the lower than expected cheese and whey output, there are more reports of producers "shorting" shipping volumes or cutting contracts altogether. This is forcing some of the affected buyers to look elsewhere for whey, which adds additional strength to the market. Since producers have nothing to offer on the spot market, buyers are looking to traders for their needs. Even in the resale market, stocks are not long and/or held with confidence. Premiums on resale loads are inching higher weekly and reports of three cents over the market have been noted. Buyers and/or traders who may have waited too long to buy whey, are now finding it difficult to locate needed volumes. There are instances where producers are shipping LTL quantities to partially satisfy some customers' needs.

F.O.B. NORTHEAST: EXTRA GRADE .1850 - .1950
USPH GRADE A .1925 - .2050
DELVD SOUTHEAST: .2150 - .2325

DRY WHEY - WEST

Western mostly whey prices continue to increase fractionally as the market tone is firm. A number of producers are behind on shipping orders. Some report that they have no powder for the spot market until well into October. Production levels range from steady to somewhat lighter. A whey tender for the Far East was completed last week with some of the powder likely to be sourced from the U.S. Most contacts believe that Europe did not get any of the bids with most agreeing that the U.S. and Australia got most of the action. Some contacts are surprised that a domestic firm had enough stocks or uncommitted production to bid on the tender.

NONHYGROSCOPIC: .1450 - .1800 MOSTLY: .1525 - .1650

ANIMAL FEED WHEY - CENTRAL

Prices are higher on milk replacer and roller ground and lower on delactose. Interest in milk replacer and roller ground is good as buyers seek cheaper alternatives to the higher priced Extra Grade whey market. Supplies are in balance to short of buyer needs. Trading activity on delactose is heavy with most transactions at the lower end of the range. Product is readily available at some locations with some buyers receiving additional supplies from the Netherlands. Prices for report 37 in 2001 on milk replacer, roller ground and delactose were respectively .2300 - .2700, .2750 - .3000, .4150 - .4300.

F.O.B. CENTRAL:
MILK REPLACER: .1650 - .1775
ROLLER GROUND: .1725 - .1975
DELACTOSE (Min. 20% protein): .3100 - .3400

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a steady to firm market. Supplies are tight in the Central region and available in the West. As a result, western product is being offered at a discount FOB and delivered at a premium in the Central region. While the competitive substitute of 80% WPC appears to remain available from domestic and foreign sources, interest in 34% WPC is generally good. Some feed buyers are seeking additional supplies in light of higher prices and increased feed demand. Resellers holding stocks are clearing multiple loads into some feed facilities as a consequence. However, a few firms are attempting to cancel contracts with current end-users in order to negotiate unanticipated supply shortages. Traders are hesitant to speculate on whether the firm trend will continue in the long term. Off grade supplies of 34% and high protein product are readily available for the fair interest. Mostly prices for report 37 in 2001 were .7650 - .7950.

F.O.B. EXTRA GRADE 34% PROTEIN: .4100 - .4650 MOSTLY: .4250 - .4550

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady market. Negotiations for fourth quarter contracts are commencing with a mixed undertone on pricing. With higher whey prices, some firms are seeing additional inquiries and suggesting that the market may trend higher. However, current trading is generally slow, especially into domestic edible markets. Production is steady with inventories reported as in balance to somewhat long. Spot trading is good on feed grade product. Prices on feed grade are slightly higher yet competitive with permeate and milk replacer supplies. Mostly prices for report 37 in 2001 were .1950 - .2200. Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1400 - .2250 MOSTLY: .1450 - .1700

EVAPORATED MILK - NATIONAL

Prices and the market tone are little changed. Surplus milk volumes are tighter and having an impact on evaporated milk production. Because of the low prices for milk, most producers would like to make more, but available milk supplies are the limiting factor in current output. Demand is steady.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets and prices remain weak. Domestic suppliers indicate that, for the most part, sales have been finalized for the balance of the calendar year. Stocks are reported to be sufficient for most needs with rennet more limited than acid. The third round of bidding for the purchase of government owned NDM for the production of casein/caseinate has closed. The Kansas City Commodity Office (CCC) announced that an offer was received at a price of \$.26 per pound and was rejected due to price. The most recent invitation also announced that fieldtest opportunities are again open to new potential casein producers. Interested producers must respond to the CCC by September 21.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.8500 - 2.1000
ACID: 1.6500 - 1.9500

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	08/29	08/30	09/02	09/03	09/04	09/05	09/06	09/09	09/10
CME - (CLASS III) MILK FUTURES -- Dollars per cwt									
AUG 02	9.57 (3320) 0	9.54	NO TRADING						
SEP 02	10.07 (3337) 31	9.91 (3320) 35		9.90 (3320) 20	9.94 (3332) 32	9.91 (3312) 40	9.85 (3244) 7	9.86 (3257) 20	9.88 (3257) 0
OCT 02	10.33 (3002) 30	10.05 (2998) 10		10.00 (3006) 24	9.98 (3007) 17	9.98 (3025) 80	9.86 (2930) 105	9.86 (2975) 63	9.95 (2995) 33
NOV 02	10.75 (1715) 41	10.59 (1714) 11		10.46 (1725) 23	10.30 (1733) 26	10.30 (1899) 274	10.13 (1844) 9	10.13 (1870) 146	10.25 (1879) 25
DEC 02	10.77 (1326) 44	10.61 (1330) 11		10.51 (1342) 22	10.40 (1365) 63	10.35 (1455) 143	10.10 (1420) 34	10.15 (1416) 67	10.30 (1392) 30
JAN 03	11.37 (715) 21	11.21 (735) 34		11.00 (756) 46	10.93 (796) 50	10.90 (827) 41	10.65 (830) 32	10.65 (852) 40	10.71 (853) 5
FEB 03	11.41 (626) 40	11.33 (638) 53		11.15 (643) 49	11.12 (701) 85	11.08 (723) 37	10.95 (718) 18	11.00 (732) 32	11.00 (732) 3
MAR 03	11.45 (489) 25	11.38 (525) 103		11.30 (544) 34	11.32 (587) 72	11.35 (599) 13	11.27 (616) 22	11.32 (613) 5	11.32 (613) 0
APR 03	11.55 (302) 6	11.45 (306) 12		11.40 (330) 28	11.40 (359) 71	11.43 (365) 9	11.43 (372) 17	11.44 (374) 8	11.48 (381) 15
MAY 03	11.60 (271) 9	11.51 (278) 8		11.50 (298) 24	11.53 (309) 39	11.55 (316) 9	11.55 (318) 14	11.57 (327) 21	11.60 (335) 20
JUN 03	11.85 (230) 4	11.75 (235) 16		11.65 (234) 14	11.64 (267) 44	11.65 (272) 13	11.70 (272) 8	11.74 (295) 25	11.80 (300) 10
JUL 03	12.25 (130) 0	12.20 (178) 49		12.10 (185) 12	12.13 (210) 68	12.13 (217) 26	12.20 (214) 5	12.25 (217) 6	12.30 (217) 7
AUG 03	12.42 (95) 1	12.40 (103) 20		12.35 (105) 9	12.38 (133) 53	12.38 (141) 19	12.40 (136) 14	12.46 (149) 15	12.50 (152) 11
SEP 03	12.50 (94) 9	12.50 (96) 5		12.48 (106) 18	12.50 (138) 61	12.53 (146) 16	12.55 (148) 6	12.60 (151) 9	12.65 (156) 12
OCT 03	12.22 (64) 3	12.23 (67) 10		12.25 (81) 17	12.28 (108) 50	12.31 (115) 13	12.31 (113) 3	12.35 (115) 3	12.35 (119) 5
NOV 03	12.10 (82) 5	12.10 (82) 0		12.10 (85) 6	12.15 (109) 44	12.15 (117) 11	12.16 (113) 1	12.17 (114) 2	12.17 (118) 7
DEC 03	11.95 (59) 0	11.90 (59) 5		11.90 (59) 1	11.90 (82) 44	11.93 (88) 9	11.93 (86) 4	11.95 (86) 3	11.95 (91) 5
CME - CLASS IV MILK FUTURES - Dollars per cwt.									
AUG 02	10.50 (452) 0	10.41	NO TRADING						
SEP 02	10.50 (422) 0	10.50 (418) 0		10.50 (417) 0	10.50 (417) 0	10.50 (417) 0	10.50 (417) 0	10.50 (417) 0	10.50 (417) 0
OCT 02	10.50 (376) 0	10.50 (376) 0		10.50 (374) 0	10.50 (374) 0	10.50 (374) 0	10.50 (374) 0	10.50 (370) 0	10.50 (370) 0
NOV 02	10.60 (277) 0	10.60 (277) 0		10.60 (277) 0	10.60 (277) 0	10.60 (284) 7	10.50 (284) 0	10.50 (279) 0	10.50 (279) 0
DEC 02	10.60 (130) 0	10.60 (130) 0		10.60 (130) 0	10.60 (130) 0	10.60 (138) 13	10.55 (138) 0	10.55 (138) 0	10.55 (138) 0
JAN 03	10.75 (51) 0	10.75 (51) 0		10.75 (51) 1	10.60 (51) 0	10.60 (51) 5	10.55 (51) 0	10.55 (51) 0	10.55 (51) 0
FEB 03	10.90 (38) 0	10.90 (38) 0		10.90 (38) 0	10.90 (38) 0	10.90 (38) 2	10.70 (38) 0	10.70 (38) 0	10.70 (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
APR 03	11.25 (12) 0	11.25 (12) 0		11.25 (12) 0	11.25 (12) 0	11.25 (12) 0	11.15 (12) 0	11.15 (12) 0	11.15 (12) 0
CME - BUTTER FUTURES -- Cents per pound									
SEP 02	94.75 (257) 26	94.75 (254) 3	NO TRADING	94.00 (253) 2	94.00 (247) 21	93.75 (249) 29	92.52 (254) 6	91.75 (109) 2	91.75 (107) 6
OCT 02	96.50 (325) 2	96.50 (327) 4		96.25 (329) 8	96.25 (327) 10	95.95 (322) 10	94.50 (320) 5	93.75 (305) 26	93.72 (298) 23
DEC 02	100.50 (112) 4	100.00 (119) 7		99.50 (126) 7	99.25 (129) 5	98.75 (136) 12	97.50 (136) 2	97.10 (134) 4	99.00 (135) 1
MAR 03	115.25 (92) 2	115.50 (97) 5		115.00 (101) 4	114.50 (105) 4	115.50 (107) 3	113.00 (109) 2	113.00 (112) 7	113.00 (112) 0
MAY 03	118.50 (43) 0	118.50 (43) 0		118.50 (43) 0	118.50 (49) 6	117.10 (65) 23	115.75 (72) 15	115.25 (81) 11	115.50 (81) 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 September 2 - 13, 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.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: The milk production season continues to edge lower in most all areas of Western Europe. Reports indicate that overall milk volumes are in line with last year at this time, although some countries are running ahead while others are below. Producers in those countries that are ahead of last season are looking for ways to reduce their output during the upcoming winter season to maintain quota volumes. Often, milk handlers are reporting that the solids level of the incoming milk is lower. This is causing competition for the declining volume of available milk. Often cheese producers are leading this competition to maintain steady manufacturing schedules. Outside of cheese production, milk is clearing to butter/powder facilities with whole milk powder production light, in line with slow demand. Intervention is now closed and about 153,000 metric tons of powder was offered during the open season under the regular and tendering system. This clearance relieved a significant pressure for many producers. International sales were and continue to be reported as slow and unaggressive. European producers and handlers are now realizing slightly firmer prices for available and future production. Often, powder is not readily available for immediate shipment, but producers and handlers anticipate that stocks will be available for buyer interest and shipment later in the fall when, hopefully, buyer interest improves. Traders are anticipating renewed interest in the next few months because previous buyer stocks should be low, international prices firm, Oceania supplies are questionable, and the new DEIP year program in the United States has not yet been announced.

BUTTER/BUTTEROIL: European butter markets are steady to firm. Prices are higher. Current churning activity is seasonal. Milk production is declining thus competition for available milk volumes is very active to maintain steady butter/powder production schedules. Outside of fluid and cheese production needs, butter/powder is the most active. International sales remain very light, thus current stocks are clearing to internal or domestic markets.

82% BUTTERFAT:	1,100 - 1,300
99% BUTTERFAT:	1,250 - 1,350

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm. Prices are edging slightly higher. Powder production at this time of year is dependent on milk availability, although many facilities report seasonally active production schedules. Intervention is now closed. During the open season, around 153,000 metric tons of skim milk powder entered intervention under the regular and tendering system. Due to this clearance, many European producers are more comfortable with their supply situation at this time as slow international sales activity continues, although traders are optimistic that buyers will return to the market in light of firmer prices and need.

1.25% BUTTERFAT:	1,150 - 1,300
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady, although some prices are slightly higher. International buyer interest for whole milk powder remains slow and unaggressive, although traders are hopeful that buyers will be returning to the market soon. Traders feel that with the lack of sales during the past months, firming prices, and low stocks in the buyers possession, sales should resume as the winter season nears.

26% BUTTERFAT:	1,250 - 1,300
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SWEET WHEY POWDER: Whey markets are generally steady at unchanged prices. Whey volumes are increasing as cheese production is seasonally strong. International buyer interest is active, although European sourced product is often higher priced than potential buyers are willing to pay. The recent Japanese whey tender was filled outside of Europe.

NONHYGROSCOPIC:	350 - 450
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OVERVIEW: EASTERN EUROPE: Milk production in Eastern Europe continues to decline. Various factors are impacting the speed of the decline. Some areas have experienced very wet conditions, while in Russia and the Baltic states, drought conditions are being reported. In many instances, stocks of manufactured dairy products are not readily available. A less than positive last half of the milk production season is a leading factor in this supply situation. International sales continue to be reported as slow and once buyer interest renews, Eastern European sources are questioning how involved they will be. As in other parts of the world, prices are firmer for Eastern European supplies.

OCEANIA

OVERVIEW: The Oceania milk production season continues to develop at varying rates. Producers and milk handlers in New Zealand indicate that the season started off quite strong, but now has leveled off. Cool/wet conditions in August stabilized overall growth in many areas. Although early in the season, overall output is running around 5% ahead of last year at this time. In Australia, lack of moisture in some of the major milk producing areas is causing concern as the milk production season develops. Not only are dairy producers uneasy, so are feed producers for all livestock. Northern areas of Victoria, New South Wales, and Queensland are these areas of Australia that are experiencing limited moisture. Conditions are dry in these areas, but the word drought is still a word that many are trying to stay away from using. Water allocations in Northern Victoria continue and are being expanded as the temperatures start to increase and new moisture remains absent. Although the milk production season is not getting off to an overall positive start in Australia, manufacturing facilities in both Australia and New Zealand are gearing up for the new season. Most plants are in production, although specific product production within each plant might not be as active as another. Often skim/whole milk powder and butter are first products to resume output with cheese and casein to follow as milk volumes increase. Much of the early season production is reported to be committed at this time with prices steady to higher in many instances. Many manufacturers and handlers are closely monitoring milk production developments in both countries as they have already pre-sold stocks in anticipation of positive milk production growth and patterns.

BUTTER: Oceania butter markets are steady to firm. The new milk production season is underway in both Australia and New Zealand, thus churning schedules are increasing as milk volumes build. Stocks and projected production are committed through much of the current calendar year, although additional volumes are reported to be available for spot or new buyer interest.

82% BUTTERFAT:	1,000 - 1,050
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CHEDDAR CHEESE: Oceania cheese markets are generally steady at unchanged prices. For the most part, sales and shipments continue to occur from last year's production. Although the new production season is developing, cheese production schedules are not as active. In most instances, available milk is clearing through powder and butter operations with cheese and casein production still limited. Cheese producers indicate that cheese stocks are sufficient to fill upcoming needs until the new cheese production season becomes more active.

39% MAXIMUM MOISTURE:	1,500 - 1,600
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SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm with prices unchanged to generally higher. A new milk production season is at hand, thus early volumes of milk are moving through butter/powder plants. Reports indicate that a significant portion of stocks from the first half of the production season have been committed. Some producers and handlers are now closely monitoring the situation as many of these commitments were made in anticipation of a strong milk production season. In some areas, especially in Australia, the new season is experiencing less than a positive start due to lack of moisture.

1.25% BUTTERFAT:	1,150 - 1,300
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to firm with prices unchanged to higher. Whole milk powder production schedules are seasonally quite active as milk production increases. At this point, when possible, milk is being cleared toward powder operations versus cheese and casein production. Reports indicate that a good portion of the production for the first half of the year has been committed, with minimal volumes available for spot buyer interest.

26% BUTTERFAT:	1,200 - 1,300
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Exchange rates for selected foreign currencies: September 9, 2002

.6495 Canadian Dollar	.0206 Indian Rupee
.2755 Argentina Peso	.4703 New Zealand Dollar
.1006 Mexican Peso	.5479 Australian Dollar
1.5566 British Pound	.0084 Japanese Yen
.2416 Polish Zloty	.9791 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1006) = 9.9404. That is 1 US Dollar equals 9.9404 Mexican Pesos.

Source: "Wall Street Journal"

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JUNE 2002

In June 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.33 per cwt., \$0.50 less than the figure for the previous month. On an individual reporting area basis, mailbox prices decreased in all areas except one, and ranged from \$14.68 in Florida to \$10.13 in Utah. In June 2001, the Federal milk order all-area average mailbox price was \$15.92, \$4.59 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	April 2002	May 2002	June 2002
	Dollars per hundredweight		
Northeast Federal Milk Order	12.05	11.74	11.49
Appalachian States <u>3/</u>	12.57	12.31	12.08
Southeast States <u>4/</u>	13.05	12.69	12.83
Florida	15.09	14.75	14.68
Ohio	12.25	11.85	11.19
Michigan	12.06	11.68	11.06
Wisconsin	12.48	12.16	11.42
Minnesota	12.23	11.88	11.08
Illinois	12.21	12.02	11.31
Northern Missouri <u>5/</u>	12.67	12.56	12.21
Southern Missouri <u>6/</u>	12.06	11.76	11.66
Corn Belt States <u>7/</u>	12.02	11.68	10.96
Western Texas <u>8/</u>	11.98	11.66	11.14
New Mexico	11.07	10.80	10.21
Idaho	11.29	10.88	10.30
Utah	11.08	10.72	10.13
Northwest States <u>9/</u>	11.91	11.52	11.12
All Federal Order Areas <u>10/</u>	12.16	11.83	11.33
California <u>11/</u>	11.38	10.98	NA

NA= Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ All counties to the north of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry. 6/ The counties listed in 5/ and all those to the south of these. 7/ Includes Iowa, Kansas, and Nebraska. 8/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 9/ Includes Oregon and Washington. 10/ Weighted average of the information for all selected reporting areas in Federal milk orders. 11/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

JULY FLUID MILK SALES

During July, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 3.0 percent higher than July 2001. After adjusting for calendar composition, sales in July 2002 were 0.9 percent higher than July 2001. On an individual product basis, sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, and fat-free (skim) milk increased from July 2001, while sales of buttermilk decreased from a year earlier.

Editor's Note: Some of the data also can be found at www.ams.usda.gov/dvfmoms/mib/in-arealesales.htm

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
JULY 2002, WITH COMPARISONS 1/

Product Name	Sales		Change from: 3/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk 3/	1,636	11,242	2.9	-0.3
Reduced Fat Milk (2%)	1,460	10,099	2.9	-0.2
Low Fat Milk (1%) 4/	619	5,213	4.2	1.9
Fat-Free Milk (Skim)	677	4,818	3.2	-0.4
Buttermilk	48	339	-2.4	-3.2
Total Fluid Milk Products 5/	4,446	31,750	3.0	0.0
Total Fluid Milk Products Adjusted 5/ 6/	4,404	31,742	0.9	0.2

1/ These figures are based on the consumption of fluid milk products in Federal milk order marketing areas and California, which represents approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. The procedure used for estimating U.S. fluid milk sales by the Agricultural Marketing Service is different from that used by the Economic Research Service (ERS) of USDA. Consequently, the year-to-date figures here may differ from the annual figures published by ERS. 2/ Previously, this data series showed all percent changes adjusted for calendar composition. Percent changes, as well as sales volumes, unless otherwise noted, are not shown on a calendar composition basis. See 6/. 3/ Includes flavored whole milk. 4/ Includes flavored fat-reduced milk. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition.

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, JULY 2002, WITH COMPARISONS 1/

Area (Order Number) 2/	Sales		Change from: 3/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	784	5,619	2.2	-0.3
Appalachian (005)	287	1,975	4.4	-1.1
Southeast (007)	391	2,805	0.4	-1.3
Florida (006)	230	1,667	4.8	1.6
Mideast (033)	507	3,673	2.4	0.0
Upper Midwest (030)	346	2,515	2.2	0.3
Central (032)	373	2,656	4.4	-0.2
Southwest (126)	337	2,402	4.7	0.9
Arizona-Las Vegas (131)	103	732	6.5	3.4
Western (135)	73	514	3.4	0.9
Pacific Northwest (124)	177	1,246	0.7	-1.0
California (---)	528	3,722	3.7	0.4

1/ These figures are representative of the consumption of total fluid milk products. 2/ Individual area data are for total fluid milk products. See 5/ above. 3/ Percent changes, as well as sales volumes, are no longer shown on a calendar composition basis.

SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2000 TO 2002
(THOUSAND HEAD)**

2000			2001			2002		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 1	89.9	44.3	Jan 6	108.1	55.3	Jan 5	101.2	47.4
8	115.7	57.7	13	134.0	65.6	12	129.3	59.5
15	115.5	56.8	20	117.2	57.7	19	120.6	56.1
22	111.1	52.9	27	115.4	57.8	26	107.3	51.2
29	104.6	51.2	Feb 3	112.5	57.0	Feb 2	102.9	50.3
Feb 5	102.5	51.9	10	110.1	55.1	9	102.3	49.7
12	107.2	54.0	17	110.7	54.5	16	104.9	51.4
19	103.8	51.5	24	111.4	54.2	23	104.8	49.3
26	102.8	53.7	Mar 3	110.3	55.7	Mar 2	97.2	48.0
Mar 4	101.8	55.6	10	111.5	55.7	9	98.5	50.1
11	102.2	55.1	17	110.8	55.3	16	107.5	48.4
18	99.5	53.9	24	109.7	54.6	23	104.2	48.6
25	101.7	54.6	31	109.6	52.8	30	100.7	46.4
Apr 1	100.0	52.3	Apr 7	102.2	50.8	Apr 6	99.2	47.8
8	97.5	48.8	14	94.9	47.0	13	104.6	48.0
15	99.3	48.8	21	102.6	47.7	20	103.7	48.1
22	97.9	47.8	28	110.7	49.3	27	101.7	46.1
29	98.1	46.7	May 5	107.9	47.1	May 4	98.4	46.3
May 6	101.3	47.2	12	106.5	47.2	11	98.9	44.4
13	103.1	46.8	19	105.8	44.8	18	104.0	44.5
20	104.0	46.5	26	109.6	46.3	25	108.7	47.1
27	108.3	47.7	Jun 2	95.1	41.3	Jun 1	91.8	39.4
Jun 3	90.7	41.3	9	107.1	46.1	8	108.1	46.1
10	105.0	46.4	16	97.4	41.7	15	104.3	46.1
17	101.6	45.2	23	99.0	41.8	22	109.6	46.6
24	102.8	47.3	30	109.7	45.8	29	110.5	48.0
Jul 1	104.7	47.4	Jul 7	88.6	37.5	Jul 6	87.9	39.1
8	75.4	37.0	14	104.1	47.4	13	107.4	49.4
15	103.7	48.6	21	105.6	45.6	20	108.9	49.8
22	99.1	48.1	28	100.3	41.8	27	105.7	47.6
29	92.0	45.9	Aug 4	101.2	42.4	Aug 3	105.7	48.4
Aug 5	93.8	46.1	11	98.2	43.4	10	101.8	46.8
12	92.8	45.8	18	106.4	46.7	17	106.4	48.7
19	95.3	46.2	25	110.6	48.9	24	110.6	50.2
26	103.4	50.4	Sep 1	107.4	47.4	31		
Sep 2	108.7	52.1	8	91.5	43.3	Sep 7		
9	89.6	45.4	15	105.3	47.4	14		
16	106.9	50.5	22	107.9	47.3	21		
23	107.8	51.0	29	112.3	50.2	28		
30	107.1	54.2	Oct 6	111.7	49.3	Oct 5		
Oct 7	109.5	52.1	13	112.1	48.8	12		
14	108.5	51.5	20	116.8	50.3	19		
21	116.8	55.4	27	125.7	52.5	26		
28	118.2	54.1	Nov 3	125.3	51.2	Nov 2		
Nov 4	118.6	54.9	10	126.5	53.7	9		
11	117.8	56.4	17	124.3	53.7	16		
18	120.9	57.2	24	96.9	42.0	23		
25	99.8	47.7	Dec 1	120.0	54.9	30		
Dec 2	126.9	60.6	8	122.9	55.8	Dec 7		
9	125.2	59.5	15	116.3	53.6	14		
16	108.5	52.5	22	116.7	52.9	21		
23	108.4	53.6	29	82.0	37.9	28		
30	88.6	45.1						

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.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 9 - 13, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 09/06/02	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	126,650	-0-	126,650	2,799,171	3,050,083	-0-	-0-
Barrel	207,164	-0-	207,164	2,219,117	4,025,276	-0-	-0-
Process	158,400	-0-	158,400	2,296,800	3,999,600	-0-	-0-
TOTAL	492,214	-0-	492,214	7,315,088	11,074,959	-0-	-0-
NONFAT DRY MILK							
Nonfort	10,492,694	2,389,130	8,103,564	646,497,682	371,227,779	1,142,702,000	601,480,000
Fortified	-0-	-0-	-0-	-0-	28,151,091	46,391,000	38,227,000
TOTAL	10,492,694	2,389,130	8,103,564	646,497,682	399,378,870	1,189,093,000	639,707,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 9 - 13, 2002 =	6.3	99.2	COMPARABLE PERIOD IN 2001 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2001 =	209.7	7,597.7	CUMULATIVE SAME PERIOD LAST YEAR =	190.1	4,758.4
CUMULATIVE JANUARY 1 - SEPT. 13, 2002 =	192.8	6,701.8	COMPARABLE CALENDAR YEAR 2001 =	73.5	3,275.8

* 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 SEPTEMBER 9 - 13, 2002 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	158,400	789,345	-0-
WEST	-0-	-0-	-0-	126,650	207,164	-0-	7,314,219	-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-	2,296,800	5,995,440	36,379,915	6,677,037	13.9	29.9
WEST	-0-	-0-	5,018,288	5,039,919	572,997,576	392,701,833	82.2	69.9
EAST	-0-	-0-	-0-	39,600	37,120,191	-0-	3.9	0.2
TOTAL	-0-	-0-	7,315,088	11,074,959	646,497,682	399,378,870	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 08/24/02 & 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	6.6	5.0	18.0	2.5	0.4	0.9	13.3	2.5	50.2	1,634.9	45.4	45.9
2001-Dairy	0.2	0.9	5.4	5.0	19.8	2.7	0.4	0.8	11.0	2.6	48.9	1,681.9	44.2	46.3
2002-All cows	0.2	1.0	8.9	14.2	27.5	15.2	16.1	3.8	16.1	7.7	110.6	3,559.3		
2001-All cows	0.2	0.9	7.3	15.0	29.4	16.7	15.3	4.4	13.7	7.6	110.6	3,634.8		

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	11.07				
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54				
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41				

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