

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/22):**

BUTTER: Grade AA closed at \$1.1400. The weekly average for Grade AA is \$1.1467 (-.0233).

CHEESE: Barrels closed at \$1.5675 and blocks at \$1.6000. The weekly average for barrels is \$1.5675 (-.0105) and blocks, \$1.6000 (N.C.).

BUTTER: The market tone is unchanged, despite the decline in price at the CME this week. Churning activity ranges from steady to lighter as a few plants, taking advantage of the tight milk and cream supply, were down for maintenance this week. Cream volumes remain light in the Eastern half of the country, but are more available in California. The lack of trucks to move cream east has some California plants making more butter. Demand for bulk butter is fair to good, particularly for butter that has not been in storage for more than a few months. Packaged butter sales are steady.

CHEESE: The cheese market is fully steady. Current cheese supplies are tight to short and held with confidence. The reopening of schools, refilling dairy products in areas affected by power outages, and declining milk receipts are factors limiting volumes of milk available for cheese production. NASS estimated that total cheese inventories for July 2003 at 809.1 million pounds are 24.5 million pounds (3%) below last July.

FLUID MILK: The effects of last week's widespread blackout in the Midwest and Northeast continue to be assessed this week. The power outage caused farm pick-up, hauling, unloading, processing, retailing, and consumer storage problems. Yet undetermined milk supplies in the various stages of the marketing channels were lost. Most conditions have returned to normal. Florida's milk needs increased substantially this week in advance of school openings in the state. Processor took in 194 loads of milk to supplement shortages. Milk is being pulled from longer distances to fill shortages in the Southeast. There is an apparent lack of tankers to move all the milk and find backhauls to make more economic usage. Midwestern milk production is receding due to some substantial heat and humidity in the upper tier of states. California and Arizona processors are seeing increases in milk intakes as the weather conditions moderate. There is a good call from bottlers to fill school lunch milk orders and renewed retail orders.

DRY PRODUCTS: Nonfat dry milk price are holding mostly steady in more limited spot trading. Current production schedules have declined seasonally and there have been good sales. Actual support program sales to the CCC have declined, but movements of contracted medium heat and fortified NDM continue to be registered. The renewal of the DEIP program for 2003/04 was announced and within a week all 22,733 MT for the first stage (of the 68,201 MT program year total) were committed. Dry buttermilk prices continue to move higher. The market tone is firmer, but the market is not fully tested due to the limited supplies. Dry whey prices moved higher in all regions. Producer offerings are generally in good balance with the exception of some volume offerings in the Midwest. The lactose market remains firm while prices

are unchanged. Production is seasonally steady. Whey protein concentrate prices are higher in a firm market as supplies from producers are limited. Demand has improved from domestic and export accounts.

CCC: During the week of August 18 - 22, CCC adjusted purchases total 7,335,222 pounds of nonfortified NDM, all from the West.

SEPTEMBER FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):

Under the Federal milk order pricing system, the base price for Class I milk for September 2003 is \$13.71, up \$2.74 from August. This price is derived from the advanced Class III skim milk pricing factor of \$9.51 and the advanced butterfat pricing factor of \$1.2944 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for September is \$6.69 and the Class II nonfat solids price is \$0.7433 per pound. The following are the two-week product price averages: butter \$1.1937, nonfat dry milk \$0.8118, cheese \$1.5396, and dry whey \$0.1599.

JULY COLD STORAGE (NASS): On July 31, U.S. cold storage holdings of butter totaled 275.3 million pounds, 12.2% more than a month ago but 5.7% less than last July. Natural American cheese holdings total 550.4 million pounds, 4.0% less than a month ago, but 0.1% more than a year ago.

JULY MILK PRODUCTION (NASS): Milk production in the 20 major states during July totaled 12.4 billion pounds, up 0.6% from July 2002. June revised production, at 12.4 billion pounds, was up 0.1% from June 2002. The June revision represented an increase of 0.3% or 33 million pounds from last month's preliminary production estimate. Production per cow averaged 1,590 pounds for July, 12 pounds (+0.8%) above July 2002. The number of cows on farms was 7.77 million head, 15,000 head less than July 2002, and 9,000 head less than June 2003.

DAIRY SITUATION AND OUTLOOK (ERS): Wholesale cheese prices continued to rise through July, ending the month more than 45 cents per pound above those of early June. Early August prices have mostly held steady. Thus far, tightness in cheese markets has been able to withstand a very large gap between values of milk used in cheese and that used for butter and nonfat dry milk. Even so, heavy supplies of butter and nonfat dry milk likely will remain a major threat to cheese prices. Cheese production was fairly weak through June, although price increases may have bolstered it in July. The large premiums that could be paid for cheese milk should have caused some shifting of milk supplies and use of nonfat dry milk to produce cheese. However, any increases in cheese output probably were small. Supplies of milk for manufacturing likely stayed tight relative to the preceding 18 months. Also, contractual obligations for butter reportedly inhibited butter-powder operations from releasing milk to cheese production. Cheese prices are projected to hit an early seasonal peak as the pressure from ample supplies of butter and powder is more fully felt in cheese markets.

****SPECIAL THIS ISSUE****

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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 AUGUST 18	TUESDAY AUGUST 19	WEDNESDAY AUGUST 20	THURSDAY AUGUST 21	FRIDAY AUGUST 22	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARREL	\$1.5675 (-.0075)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	(-.0075)	\$1.5675 (-.0105)
40# BLOCK	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	(N.C.)	\$1.6000 (N.C.)
BUTTER							
GRADE AA	\$1.1500 (-.0100)	----	\$1.1500 (N.C.)	----	\$1.1400 (-.0100)	(-.0200)	\$1.1467 (-.0233)

*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 \$8.400 and Grade A price is \$8.400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 18, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.5675; 6 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 10 CARS 40# BLOCKS: 4 @ \$1.6000, 5 @ \$1.5975, 1 @ \$1.5900; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.1500; BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.1500, 2 @ \$1.1450, 3 @ \$1.1400, 2 @ \$1.1300; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1600

TUESDAY, AUGUST 19, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 20, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.1500; BIDS UNFILLED: 8 CARS GRADE AA: 2 @ \$1.1450, 2 @ \$1.1400, 2 @ \$1.1350, 2 @ \$1.1300; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 21, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 22, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.1425, 1 @ \$1.1450, 2 @ \$1.1400; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.1400, 1 @ \$1.1350, 1 @ \$1.1300; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1500

BUTTER MARKETS

NORTHEAST

The market tone is unsettled. The CME cash price (through 8/18) has moved lower for six consecutive sessions, losing 7.5 cents. Some contacts feel that the heavy stocks and slow demand are the cause. Others feel that CCC's offering of government-owned butter, albeit a small volume, for sale to the trade did have some impact on the market. Churning activity in the East is lighter as some plants are down this week for maintenance. Most butter makers continue to see less cream coming into their operations. Demand for packaged butter remains just fair. Food service accounts are starting to reflect the switch from summer to "school-year" patterns. Orders from accounts along The Shore are still good, but Labor Day is fast approaching and needs after that date typically slow rather quickly. 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

At the CME, Wednesday's unchanged price (\$1.1500) marked the end of six consecutive sessions that the price declined. The market tone is mostly steady despite the recent price trend. Churning activity is lighter as both surplus milk and cream supplies are tighter this week. It has been reported that some butter makers are taking some "down time" for maintenance while cream supplies are as tight as they are. Demand for butter is fair to good on bulk; just fair on

packaged. Fall needs are being anticipated, but orders for current sales are easing now that summer is drawing to a close. The offering of CCC-owned bulk butter seems to be having an impact on the market. The first offering has been announced, but the volume amounts to roughly one day's production. Retail sales are steady as few features are being noted. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

Butter prices have moved lower at the cash CME market for six consecutive sessions. Stock levels and offerings of CCC owned butter back to the trade are being given as reasons by Western contacts. Some Western churns are reporting that they have a little extra butter on hand, but they indicate that it will be needed shortly to fill improving fall demand. Cream going into the churns remains on the light side for August. Demand from other users remains strong. Some additional supplies should become available when more milk entering school lunch pipelines needs to be standardized down in fat. Current butter demand is being called fair at best. CME weekly butter stocks have declined by 5 million pounds this past week to stand at 186 million pounds. Stocks have declined more than 23 million pounds over the past five weeks. This is a much faster rate of decline than is normal for this time of year. Current prices for bulk butter range from 1 to 4 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
AUGUST 16	1.5428	1.5359	0.8112	1.1817	0.1609
	9,090,540	10,654,403	24,899,664	2,461,640	13,693,744

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

CHEESE MARKETS

NORTHEAST

Prices ranged from mostly unchanged to fractionally higher. The market tone is steady. Cheese output in the East is lighter as milk supplies tighten. Also, some producers are cutting back on production as a means of inventory control. Demand for cheese is generally steady. Improved food service interest in urban areas for post-Labor Day deliveries are being offset by lighter orders in resort areas. Colleges are starting fall semesters and mozzarella (pizza) sales do tend to increase at this time, in those locales. Retail sales are mostly steady as price does seem to be an issue, unless features are in place.

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

Cheddar 10# Prints	:	1.6650-2.1600
Cheddar Single Daisies	:	1.6225-2.0875
Cheddar 40# Block	:	1.7400-1.9875
Process 5# Loaf	:	1.7875-1.9900
Process 5# Sliced	:	1.8075-2.0575
Muenster	:	1.8375-2.0300
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is fully steady. Current natural cheese supplies remain tight to short, particularly current natural American varieties. Process product interest is often slower, reflective of the usual late summer demand switch toward natural varieties. The milk production report of 8/15 surprised many in the industry by the magnitude more so than the direction of the milk supply in upper Midwestern states. Another bout of increased temperatures and humidity (90+ temperatures) has caused current milk receipts to decline. Milk supplies available for cheese production remain tight especially as schools start to open within the region. The power outage affected fluid supplies in the Eastern part of the region. Strong demand was expected from bottlers replacing fluid products lost by the lack of refrigeration.

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

Process American 5# Loaf	:	1.7575-1.9100
Brick And/Or Muenster 5#	:	1.9600-2.2625
Cheddar 40# Block	:	1.8500-2.1150
Monterey Jack 10#	:	2.1150-2.2200
Blue 5#	:	2.3550-2.6500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8900-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.6850

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

	BUTTER	:	CHEESE
		:	
08/18/03	93,431	:	133,472
08/01/03	97,354	:	137,239
CHANGE	-3,923	:	-3,767
% CHANGE	-4	:	-3

WEST

Prices held steady for natural, process, and Swiss cheese as the CME cash market has been stable for the past few trading sessions. Market participants seem satisfied with the market at this level for the time being. More under grade cheese is being offered on the market and it is finding improved buying interest. Offerings of cheese for the process cheese side of the market are lighter. Current blocks are clearing very easily. Demand, overall, seems to be somewhat mixed. Some buyers are concerned about future availability and want to cover needs. Others feel that the current price situation is only a short run issue and they are only making normal purchases. Production is lighter in the region as milk supplies decline seasonally and due to some added weather stress. Western contacts don't seem to have a real feel if these cheese prices will hold into the fall.

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

Process 5# Loaf	:	1.7300-1.9900
Cheddar 40# Block	:	1.7300-2.0800
Cheddar 10# Cuts	:	1.9100-2.1300
Monterey Jack 10#	:	1.9200-2.0800
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

FOREIGN

Prices and the market tone are unchanged. Demand at retail is mostly slow, but with schools soon reopening, shopping habits will return to more normal levels and demand for foreign type cheese may improve. However, retail prices are a determining factor in consumption. Cheese availability in the EU is about steady, but the heat and drought in many countries are affecting milk and cheese output. After being so low for much of the summer, EU cheese prices are starting to increase.

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

	:	NEW YORK	:	
VARIETY	:	IMPORTED	:	DOMESTIC
	:		:	
Roquefort	:	TFEWR	:	-0-
Blue	:	2.6400-3.7200	:	1.9600-3.4500
Gorgonzola	:	3.6900-5.9400	:	2.4775-2.4900
Parmesan (Italy)	:	TFEWR	:	3.3700-3.4600
Romano (Italy)	:	2.1000-3.1500	:	-0-
Provolone (Italy)	:	3.4400-5.5000	:	1.9675-2.1950
Romano (Cows Milk)	:	-0-	:	3.1575-5.3300
Sardo Romano (Argentine)	:	2.8500-3.2900	:	-0-
Reggianito (Argentine)	:	2.6900-3.2900	:	-0-
Jarlsberg-(Brand)	:	2.7500-3.7900	:	-0-
Swiss Cuts Switzerland	:	-0-	:	2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	:	-0-
Swiss Cuts Austrian	:	TFEWR	:	-0-
Edam	:		:	
2 Pound	:	TFEWR	:	-0-
4 Pound	:	2.1900-2.9900	:	-0-
Gouda, Large	:	TFEWR	:	-0-
Gouda, Baby (\$/Dozen)	:		:	
10 Ounce	:	27.8000-31.7000	:	-0-

* = Price change.

FLUID MILK AND CREAM

EAST

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	194	0	75	0	94	0
SOUTHEAST STATES	10	0	0	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

During July, milk production in the 20 major states totaled 12.35 billion pounds, up 0.6% from July 2002. The following are the July-to-July changes for selected states: Texas +7.2%, Vermont -2.2%, New York -2.4%, Pennsylvania -3.4%, Florida -7.5%, Kentucky -8.7% and Virginia -9.2%. With the record high temperatures in most of the West during much of July, many contacts were surprised to see milk output grow instead of shrink. All reporting Eastern states saw milk output decline along seasonal patterns. Currently, milk output continues to decline in the Southeast where high temperatures and humidity are taking their toll on cows. Contacts state that off-farm milk haulers' continue to come to plants with lighter loads. This is at a time when the demand for milk is increasing. Southeastern (other than Florida) handlers have had to bring milk in from outside sources for the first time in more than a year. Florida handlers' needs jumped significantly and suppliers report difficulty finding enough trucks. The need for milk is up because of school openings and contacts state that it is a very hectic time for milk procurers. In the Northeast, hot weather continued into this week and plant receipts are often lower. Last week's power outage had both immediate and longer term impacts on the market. The power outage caused farm pick-up, over-the-road hauling, processing, and retailing problems. Bottlers had milk returned, processors couldn't operate, which forced them to turn milk back to supplying plants that also had no power, and trucks couldn't get fueled. Fortunately, the outage was relatively short lived and bottlers and processors were back on line the next day. Some plants did have generators and continued to operate throughout the ordeal. Retailers lost both bottled inventories as well as frozen dairy products. The demand for milk is very good as school lunch pipelines get filled in the Southeast. Florida's needs jumped quite a bit and some milk was purchased and imported into other Southeastern states. Because of the widespread drought and heat, this year's filling of the pipeline is much more hectic than it was a year ago when milk was in heavier supply. The condensed skim markets are little changed. The fluid cream market remains firm. Offerings are tight and demand is holding at very good levels. Despite the firm market, spot prices are often lower due to the four-plus cent drop in last week's CME butter average. The power outage had a big impact on the fluid cream market in that shipping temperatures were not always as low as some would like and there was always power to load or unload trucks that were available. Ice cream production is about steady, but the loss of product at retail stores is causing producers to rush to restock retail freezers. Churning activity is lighter this week.

increased runs over the weekend to help clear supplies generated because of the power outage. Elevated temperatures, many over 90 degrees, and humidity have helped to reduce plant milk intakes further. Dry conditions continue to prevail over much of the region, with scattered locations receiving badly needed rain. Corn continues to show stress and the hay crop is often short. The initial July 2003 estimated milk production in selected Midwestern states compared with July 2002 is: Wisconsin 1.895 billion pounds, up 54 million pounds (2.9%); Minnesota 691 million pounds, up 5 million pounds (0.7%); Michigan 523 million pounds, up 22 million pounds (4.4%); and Iowa 312 million pounds, down 2 million pounds (-0.6%). Cow numbers were lower from last year in all 4 states though offset by higher production per cow.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 48.50	\$ 35.00- 40.50
REPLACEMENT HEIFER CALVES	\$300.00-525.00	\$350.00-520.00

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

	AUGUST 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 52.00	\$ 35.00- 44.00

WEST

Milk production for the 20 surveyed states in July was 12.4 billion pounds, up 0.6% from July 2002. Output for selected Western states compared to last year is as follows: Arizona down 1.1%, California down 0.6%, Idaho up 8.0%, New Mexico up 3.5%, and Washington down 1.6%. Cow numbers continued to increase in all the Western states except Washington. Production per cow changes were either unchanged or negative in all Western states besides Idaho which continues to grow dramatically in production per cow. Outside of the West, total output grew in Minnesota for the first time in 35 months (0.7%) and Wisconsin output was up 2.9%. The September 2003 Class 1 prices in CALIFORNIA range from \$16.14 in the north to \$16.41 in the south. The statewide average Class 1 price based on production is \$16.19. The average is \$1.68 higher than August 2003 and \$3.81 above September 2002. Some areas of CALIFORNIA are seeing milk intakes increase and return to levels close to where they were before they tanked several weeks ago. Plants are running on reduced schedules across the state. Balancing plants are not active and often only receiving enough milk to cover any orders. Temperatures have been milder, but there are forecasts for hotter weather. Demand for fluid milk has increased for school lunch programs with further increases planned over the next few weeks as more and bigger school districts start sessions. In addition, home buying patterns are redeveloping to include more bottled milk and dairy products. The attitudes of producers are better now that higher prices are being reflected in their milk checks. Producers are planning for future feed and input needs, but seem cautious. Hay buying is slower than expected, even with more affordable prices than last year. ARIZONA milk production patterns are generally following those of recent weeks. Milk is moving to other states to fill bottling milk shortages. Local plant capacity is available due to the light call for balancing. NEW MEXICO milk output is holding steady to slightly lower. Handlers are sending milk towards the Southeast under contract and could send more if there were tankers available. Fluid milk orders are good and being filled for schools and retail. Manufacturing plants are running on reduced schedules with some plants taking down days for maintenance. Hay prices are holding steady in the state. Northern areas are harvesting third crop, while southern areas are finishing fourth crop. CREAM prices are lower, reflecting weakness in the butter market, softer demand, and increased offerings. The CME butter price was \$1.1500 on 8/20, a decline of 1.75 cents since last week. School milk processing has increased the amount of standardizing cream on the market. Cream demand from the ice cream trade is softer. Western cream multiples range from 115 to 132, FOB, depending on class usage and basing point. Conditions remain dry in the PACIFIC NORTHWEST and milk production continues to decline seasonally. Plants are operating well in the region. Pasture and range conditions are deteriorating. Hay supplies are adequate, but top quality hay is in limited supply. Some producers had locked in feed supplies for the fall, but others had not and they are concerned about the recent higher feed prices. The extreme heat of the past few weeks has moderated somewhat in UTAH and IDAHO. Daytime temperatures remain hot, but nights are finally cooling off quite well. This does more than anything to reduce cow stress. Tests on milk receipts remain lower than normal at many plant locations. Comments along the lines of "it would be nice to haul something besides just water" are noted coming from intake plant managers. Some plants are reporting that milk is rebounding slightly from the heat stress of the past few weeks. Heifer prices at two major sales in the region are \$100-150 higher on average than in recent weeks. The main reason being given is the current higher milk prices as well as the belief that they will continue moving higher into the fall. Prices have not been this high since last winter. Hay stocks in the region are adequate for dairy needs.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6146-1.8135
DELIVERED EQUIVALENT ATLANTA	-	1.6380-1.8252 M 1.7082-1.8135
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5912-1.7550

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8500- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.0300-1.1500

MIDWEST

The electrical blackout in the eastern side of the region interrupted normal milk movement in affected areas. The problem caused extra volumes to be shifted to plants with power and/or water through Monday or Tuesday when normal patterns returned. Bottling was interrupted and, fortunately for most, many schools were not yet open in affected areas. In non-affected areas, Class I interest continues to increase as additional schools reopen. Supplemental milk shipments to the Southeast were generally heavier. Manufacturing milk interest remains strong and some demand continues to go unsatisfied. Reported spot prices range from \$2.00 to around \$2.75 net over class. Cream demand is steady to slower. Cream multiples in some instances were affected temporarily by the power outage as some distribution patterns were changed. Also as schools reopen, additional volumes of standardized cream are generated. Condensed skim demand remains light from Class III though about steady from other users not affected by the electrical problems. Manufacturing schedules are generally lighter though some plants had

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 to higher. The market tone is steady to firm. Supplies are limited for the good interest. Sales to the CCC have ceased, increasing the lower end of the range. Production of low heat is higher than anticipated. Some plants received extra milk that was redirected during the blackout. More spot loads of NDM are expected to be available yet plants may consider reserving stocks for internal end-product production or contracts in light of the tight market. Offers of Western low heat NDM are available for the fair interest. High heat movement is mostly contractual.

EAST: Eastern prices are little changed and the market tone remains firm. Milk output continues to decline in most sections of the East. That, coupled with the sharply higher demand for Class I milk in the Southeast, is keeping surplus milk volumes away from butter/powder plants. Also, the power outage last week disrupted plant receipts and processing. Most Eastern producers have little powder on hand for immediate sale. Repots indicate that the so-called cheese NDM and pudding NDM are in the market place and being traded. Prices are thought to be near current support levels, but there have been no substantiated prices to date. Some traders are using this powder to deliver against contracts. Demand is quite good. On August 15, FAS announced the 2003/04 DEIP. Allocations for NDM are unchanged at 68,201 MT. Again, they are announcing invitations in stages with 22,733 MT of NDM currently able to be exported. Through August 20, bids totaling 20,160 MT of the above stage-one allocation have been accepted.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8200 - .8900 MOSTLY: .8250 - .8600
 HIGHHEAT: .8625 - .9450

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are steady this week, following two weeks of changes up, and then back down. The market tone is steady. Currently, there are limited spot offerings of fresh NDM available. This is a result of recent and past events that have committed production. Totes are especially tight. The WPN (whey protein nitrogen) tests on current NDM are seasonally low. Milk volumes in the region are rebounding in several milksheds. Plants are filling past orders for DEIP, contracts to CCC for medium heat and fortified, and normal contracts. Spot offerings are generally limited. Buyers are looking for bargains, but they are finding "pudding powder" and "cheese powder" hard to come by. On August 15th, the USDA announced DEIP allocation of 68,201 MT for the July-June 2003/04 year. The program will be administered in stages with one third (22,733 MT) opened initially. Already this week, 20,160 MT of the allocations have accepted bids. During the week of August 1 - 15, CCC purchased 9.9 million pounds of NDM from the West. Western high heat prices are unchanged. Spot trading remains light and seasonal buying interest under contract is often only slightly better. Production levels are light and only made to order.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8875 MOSTLY: .8000 - .8150
 HIGHHEAT: .8300 - .8600

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 15	\$.8012	14,963,758	3,101,923
August 8	\$.8006	11,591,474	3,011,256

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 to higher on a firm market. Churn activity remains light as cream moves steadily into Class II facilities. Significant increases in production of dry buttermilk are not anticipated for at least another month, especially as flows of condensed buttermilk into ice cream remain strong. Stocks of dry buttermilk are tight with a few producers and traders releasing loads at both the high and low ends of the range. Prices for Report 34 in 2002 were .7500 - .7900.

F.O.B. CENTRAL: .8500 - .9000

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are often higher and the market tone is firm. Eastern prices remain nominal. Producers report lighter churning and, therefore, lighter volumes of buttermilk to process. Plant stocks are very light and some makers are moving LTL volumes to partially satisfy as many customers as they can. Demand is good and some buyers have look to resellers to find powder.

F.O.B. NORTHEAST: .7475 - .7800
 DELVDSOUTHEAST: .7700 - .8100

DRY BUTTERMILK - WEST

Western dry buttermilk prices are again higher in generally limited spot trading as the market tone remains firm. Some increases in local churning have not resulted in increased drying or availability of dry buttermilk. Producers are limited on offerings and often the light demand is not filled directly, but resale loads and alternatives are available. Contract orders are said to be filled on time. Stock levels are light and often held for commitments.

F.O.B. WEST: .7800 - .8500 MOSTLY: .8150 - .8500

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and nominal. Some increases within the range were noted. Production levels remain light. Plant stocks are closely balanced and demand is fair and most contractual. Imported powder is available at competitive prices.

F.O.B. PRODUCING PLANT: 1.0500 - 1.1800

DEIP BID ACCEPTANCE SUMMARY

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations area:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

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 steady to firm market. While most plants are pushing prices higher, a few are selling multiple loads to traders at a discount. Demand is good. Feed buyers that purchased heavy supplies of 80% WPC are actively seeking additional loads of whey. Edible interest is increasing seasonally into bakery and blending operations. Export movement is light. Production is steady to higher in response to strong milk flows into Class III facilities. Some resellers are taking a position and buying extra loads of whey for resale. Supplies of condensed whey are in balance with demand. Mostly prices for Report 34 in 2002 were .1625 - .1725.

F.O.B. CENTRAL: .1625 - .1800 MOSTLY: .1675 - .1725

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to climb and the market tone remains firm. Some producers in the Northeast were affected by last week's blackout. Production levels were halted in midstream. Cheese and dry whey output at a few plants were disrupted for at least one, possibly two shifts and clean up took quite a while. At the producer level, dry whey stocks are tight and most producers are not entertaining any new spot inquiries. Those that do are often for volumes to be delivered in the fourth quarter. Traders note that inquiries are increasing as buyers assess fall needs, tightening stocks, and increasing prices. With regard to resale premiums, it appears that the "fractions of a cent," seen the past few weeks have been "bumped up" to closer to a penny this week.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1725 - .1850
 DELVD SOUTHEAST: .1925 - .2075

DRY WHEY - WEST

The Western whey market continues to show strength and prices are increasing. Producer stocks are generally in close balance at most plants. In fact, some operations are holding onto stocks with confidence, assuming that prices will continue to increase. Domestic buyers are taking regular volumes of whey powder with some starting to buy ahead because of expected lighter future production. Export sales are somewhat mixed with some contacts stating that Asian demand is up. There is some interest surfacing for firm price contracts for the fourth quarter, but noting much has been put together yet. Production levels are somewhat variable because of the impact that current weather patterns are having on different localities.

NONHYGROSCOPIC: .1625 - .2000 MOSTLY: .1700 - .1800

ANIMAL FEED WHEY - CENTRAL

Prices are higher and nominal on a firm market. Supplies of milk replacer product are short of buyer interest, encouraging feed buyers to purchase Extra Grade whey supplies. Resellers of aged product continue to await prices that exceed their purchase price before releasing supplies. Production of milk replacer product is less than anticipated, especially in light of the recent hot and humid weather. Early weaned pig trade is steady while veal markets continue to trend firm. Milk replacer prices for Report 34 in 2002 were .1500 - .1550.

F.O.B. CENTRAL:
 MILKREPLACER: .1525 - .1625

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies direct from the manufacturer are limited. WPC 34% production is not anticipated to increase significantly until late September. WPC is more readily available from resellers or in high protein variants. Demand is reported as good into domestic and export markets. Some contracts for fourth quarter are reportedly being negotiated at prices above the range. Movement is best on contracts. Off grade supplies are light for the good interest. Mostly prices for Report 34 in 2002 were .4225 - .4325.

F.O.B. EXTRA GRADE 34% PROTEIN: .4425 - .5100 MOSTLY: .4425 - .4625

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Supplies are tight, especially on mesh sizes 80-100 and 200. Traders are attempting to secure fourth quarter contracts. Most producers continue to resist fourth quarter negotiations as prices are expected to increase during the course of the next month. Production is steady. Export inquiries persist with most movement into these markets noted as contractual. Off grade lactose is competitive with the permeate market for the fair to good feed interest. Mostly prices for Report 34 in 2002 were .1450 - .1700.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
 F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1925 - .1975

CASEIN - NATIONAL

Prices for both casein types are unchanged. Supplies remain available with rennet often tighter. There may be a better call developing for analog and imitation cheese if the natural cheese prices remain high. A report indicates that EU casein production is 4% lower this year through June versus a year ago. With current production often rising versus last year, export supplies will likely be minimally affected.

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: 2.0000 - 2.1500
 ACID: 2.0000 - 2.1000

EVAPORATED MILK - NATIONAL

Prices are steady the market tone is unchanged. Production levels are often lighter as surplus milk supplies tighten in all areas of the country. Demand is steady, but the market remains highly competitive. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 770 for delivery October - December 2003. The award is for 5,985,360 pounds at prices ranging \$0.3766-\$0.4657 per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED
 MAJOR U.S. CITIES \$19.00 - 30.00
 Excluding promotional and other sales allowances. Included new price announcements.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

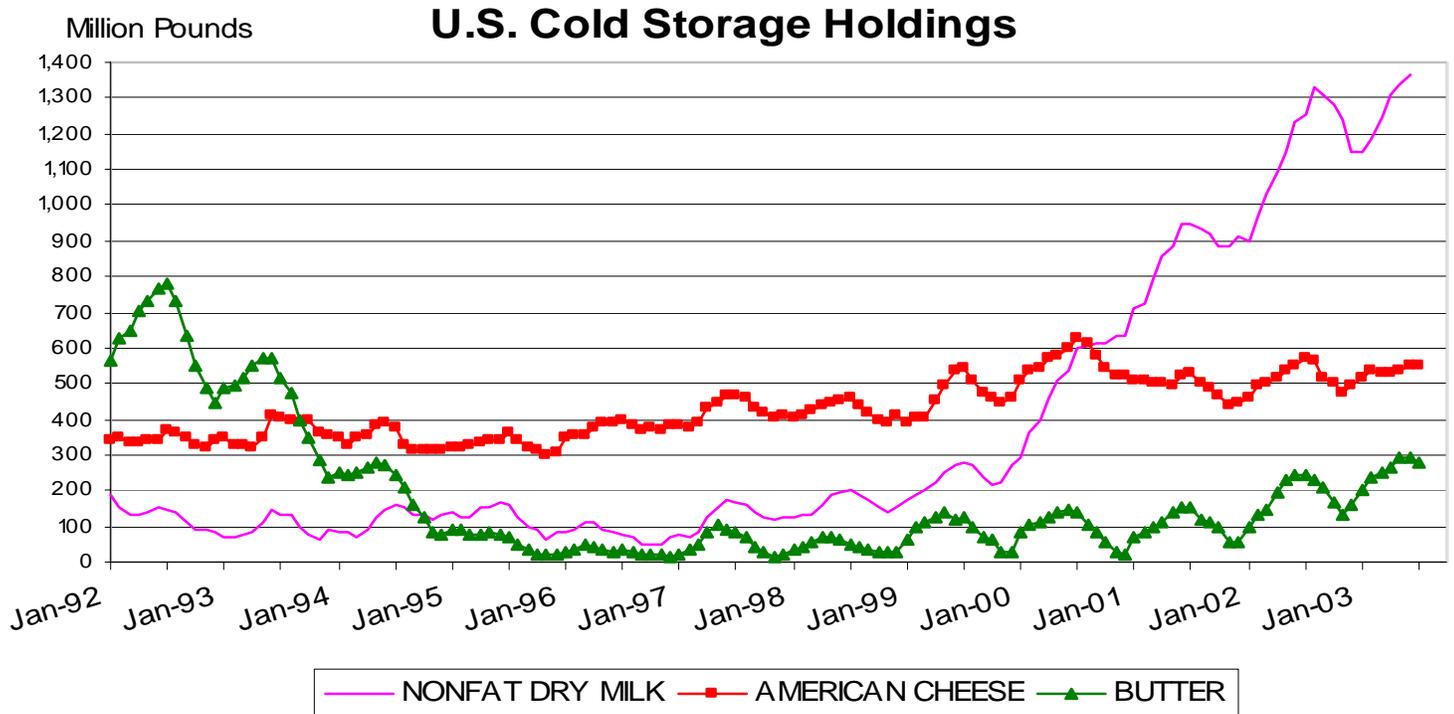
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JUNE 30, 2001	JUNE 30, 2002	REVISED JUNE 30, 2003	JULY 31, 2001	JULY 31, 2002	JULY 31, 2003
Butter	153,486	242,999	292,023	151,123	245,298	275,335
Cheese, Natural American	521,543	548,675	549,756	527,916	573,368	550,411
Cheese, Swiss	11,990	14,782	26,042	11,479	15,721	29,563
Cheese, Other Natural	205,619	234,099	223,938	213,169	244,489	229,111
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	829	2,026	1,377	815	1,991	1,072
Natural American Cheese	1,734	786	3,757	1,600	572	2,323

JULY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
New England	24,231	20,826	22,324	---	---	---	416	343	328
Middle Atlantic	58,899	67,636	54,530	---	---	---	28,447	41,024	17,999
East North Central	233,117	229,008	218,534	---	---	---	102,427	117,009	131,992
West North Central	101,461	138,297	138,333	---	---	---	58,395	68,858	59,224
South Atlantic	5,025	198	130	---	---	---	201	2,101	2,300
East South Central	0	231	161	---	---	---	169	196	1,860
West South Central	505	3,133	3,252	---	---	---	466	203	138
Mountain	14,325	13,897	18,161	---	---	---	6,620	1,240	1,921
Pacific	90,353	100,142	94,986	---	---	---	16,028	13,515	13,349
TOTAL	527,916	573,368	550,411	151,123	245,298	275,335	213,169	244,489	229,111

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2002 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Million Pounds						Million Pounds						Million Pounds					
January	203	99	202	99	<u>3/</u>	<u>3/</u>	512	460	512	459	<u>3/</u>	1	1,147	900	112	120	1,036	780
February	238	130	237	129	1	1	538	491	538	490	<u>3/</u>	1	1,187	966	116	142	1,071	823
March	249	145	248	144	1	1	530	498	528	498	2	1	1,247	1,028	137	158	1,111	871
April	266	197	266	195	1	2	531	514	528	513	3	1	1,308	1,093	154	161	1,154	933
May	290	227	289	225	1	2	539	536	536	535	3	1	1,336	1,146	159	166	1,177	981
June	292	243	291	241	1	2	550	549	546	548	4	1	1,368	1,235	156	174	1,212	1,062
July	275	245	274	243	1	2	550	573	548	573	2	1		1,254		138		1,116
August		229		227		2		565		565		<u>3/</u>		1,327		109		1,218
September		209		207		2		513		512		1		1,308		85		1,223
October		165		163		2		501		500		1		1,279		79		1,200
November		136		135		1		474		474		<u>3/</u>		1,238		87		1,151
December		158		157		1		493		493		<u>3/</u>		1,148		101		1,047

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jun 30, 2001	Jun 30, 2002	Jun 30, 2003	Jul 31, 2001	Jul 31, 2002	Jul 31, 2003
	Thousand Pounds					
Butter	152,657	240,973	290,646	150,308	243,307	274,263
Natural American Cheese	519,809	547,889	545,999	526,316	572,796	548,088

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

SOURCE: "Cold Storage," Co St 1 (8-03) and "Dairy Products," Da 2-6 (8-03), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

JULY MILK PRODUCTION

Milk production in the 20 major States during July totaled 12.4 billion pounds, up 0.6 percent from July 2002. June revised production, at 12.4 billion pounds, was up 0.1 percent from June 2002. The June revision represented an increase of 0.3 percent or 33 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,590 pounds for July, 12 pounds above July 2002.

The number of cows on farms in the 20 major States was 7.77 million head, 15,000 head less than July 2002, and 9,000 head less than June 2003.

JULY 2003 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2002	2003	2002	2003	2002	2003	% CHANGE FROM 2002
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	148	150	1,850	1,805	274	271	-1.1
CA	1,647	1,693	1,810	1,750	2,981	2,963	-0.6
FL	149	141	1,250	1,220	186	172	-7.5
ID	392	408	1,810	1,880	710	767	8.0
IL	115	109	1,420	1,490	163	162	-0.6
IN	150	143	1,410	1,505	212	215	1.4
IA	210	200	1,495	1,560	314	312	-0.6
KY	123	115	1,035	1,005	127	116	-8.7
MI	301	299	1,665	1,750	501	523	4.4
MN	485	475	1,415	1,455	686	691	0.7
MO	137	129	1,120	1,170	153	151	-1.3
NM	303	316	1,810	1,795	548	567	3.5
NY	680	679	1,535	1,500	1,044	1,019	-2.4
OH	263	261	1,390	1,450	366	378	3.3
PA	584	574	1,525	1,500	891	861	-3.4
TX	307	312	1,355	1,430	416	446	7.2
VT	154	148	1,480	1,505	228	223	-2.2
VA	120	115	1,275	1,210	153	139	-9.2
WA	248	244	1,965	1,965	487	479	-1.6
WI	1,265	1,255	1,455	1,510	1,841	1,895	2.9
20 STATE TOTAL	7,781	7,766	1,578	1,590	12,281	12,350	0.6

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (8-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

USDA ANNOUNCES DEIP ALLOCATIONS FOR 2003/04

WASHINGTON, Aug. 15, 2003 - The U.S. Department of Agriculture today announced the initial allocation under the Dairy Export Incentive Program (DEIP) for the July-June 2003/04 year.

The total WTO limits for this year's DEIP are 68,201 metric tons of nonfat dry milk, 21,097 metric tons of butterfat and 3,030 metric tons of various cheeses. Last year, in order to better manage the program, USDA announced these quantity limits in tranches (stages) and will do so again this year.

Today's initial DEIP allocation will make available 22,733 metric tons of nonfat dry milk, 7,032 tons of butterfat and 1,010 tons of various cheeses. Due to current strong market prices for both butterfat and cheese, invitations for offers will be issued only for the tranche of nonfat dry milk.

USDA will continue to monitor market conditions closely to determine when future allocations and awards are necessary. The remaining tonnage will be announced in additional tranches prior to June 30, 2004.

Export sales of these products will be facilitated through the payment of bonuses by USDA's Commodity Credit Corporation. Sales of nonfat dry milk, butterfat and eligible cheeses will be made through normal commercial channels at competitive world prices.

Individual product/country allocations will be specified in the Invitations for Offers. Country/region quantities may be limited by the applicable invitation.

Information about the DEIP, including Invitations for Offers when issued, is available on the Internet at <http://www.fas.usda.gov/excredits/deip.html> or by calling the Operations Division, Export Credits, FAS, at (202) 720-3224 or (202) 720-6211.

NOTICE TO DEIP PROGRAM PARTICIPANTS

WASHINGTON, Aug. 15, 2003 - The Commodity Credit Corporation is advising that invitation 511A-55 for Nonfat Dry Milk has been changed from previous invitations as follows:
The following statement was added under Section B. Eligible Commodities.

- The nonfat dry milk must be no more than 90 days old at time of shipment as evidenced by the Dry Milk Grading Certificate and bills of lading.

The following phrase "not more than 180 days" was deleted in this statement under I. Official Inspection Certificate.

- The certificate must indicate that the grading and sampling was performed by the Agricultural Marketing Service prior to the date of export for nonfat dry milk.

Information regarding EEP and DEIP is available on the Internet at <http://www.fas.usda.gov/export.html> or by calling the Operations Division, Export Credits, Foreign Agricultural Service, at (202) 720-3224 or (202) 720-6211.

FAS news releases are available on the Internet at <http://www.fas.usda.gov>. For additional information about Web access, contact FAS Public Affairs Division at (202) 720-7115.

THE DAIRY SITUATION AND OUTLOOK

Cheese Prices Hanging On

Wholesale cheese prices continued to rise through July, ending the month more than 45 cents per pound above those of early June. Early August prices have mostly held steady. Thus far, tightness in cheese markets has been able to withstand a very large gap between values of milk used in cheese and that used for butter and nonfat dry milk. Even so, heavy supplies of butter and nonfat dry milk likely will remain a major threat to cheese prices.

Cheese production was fairly weak through June, although price increases may have bolstered it in July. The large premiums that could be paid for cheese milk should have caused some shifting of milk supplies and use of nonfat dry milk to produce cheese. However, any increases in cheese output probably were small. Supplies of milk for manufacturing likely stayed tight relative to the preceding 18 months. Also, contractual obligations for butter reportedly inhibited butter-powder operations from releasing milk to cheese production.

Buyers have become much more aggressive in seeking current cheese and second-half supply commitments. However, it is not yet clear whether these actions imply more than just a typical precautionary response to rising prices. The size and duration of price increases, supported by recent production data and signs of demand recovery, suggest some market tightness in coming months. But, the expected ample supplies of butter and nonfat dry milk may re-emerge as major factors in cheese prices, once cheese pipelines are rebuilt. This view is supported by the relatively modest response of butter prices to the sharp increases in cheese prices. Butter prices were up only about 7 cents from early June.

Cheese prices are projected to hit an early seasonal peak as the pressure from ample supplies of butter and powder is more fully felt in cheese markets. Even so, farm milk prices during the second half of 2003 should average higher than a year earlier because of the recent increases in cheese prices. For all of 2003, the milk price is expected to average near the 2002 price.

DAIRY FORECASTS

	2002	2003					2004		
	ANNUAL	I	II	III	IV	ANNUAL	I	II	ANNUAL
Milk cows (thous.)	9,141	9,154	9,114	9,080	9,050	9,100	9,000	8,960	8,950
Milk per cow (pounds)	18,573	4,691	4,813	4,580	4,620	18,704	4,840	4,950	19,235
Milk production (bil. pounds)	169.8	42.9	43.9	41.6	41.8	170.2	43.6	44.4	172.1
Commercial use (bil. pounds)									
milkfat basis	170.5	41.2	43.1	44.3	44.8	173.4	42.5	44.4	177.5
skim solids basis	163.4	40.2	41.1	42.8	42.1	166.1	41.5	42.4	171.4
Net removals (bil. pounds)									
milkfat basis	0.3	0.4	0.6	0.2	0.1	1.3	0.2	0.4	1.1
skim solids basis	9.8	3.1	3.1	1.1	1.1	8.3	1.9	2.3	5.4

Source: "Livestock, Dairy, and Poultry Outlook", LDP-M-110, August 18, 2003, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JULY

HIGHLIGHTS -- Handler reports of receipts and utilization under the Federal milk order system for July have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During July, about 7.1 billion pounds of milk were received from producers. This volume of milk is 30.4 percent lower than the July 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -1.7 percent.) About 3.7 billion pounds of producer milk were used in Class I products, 0.7 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilization percentages were; Class I = 51%, Class II = 18%, Class III = 17%, and Class IV = 14%. The weighted average statistical uniform price was \$12.00 per cwt., \$1.07 higher than last month, and \$0.75 higher than last year.

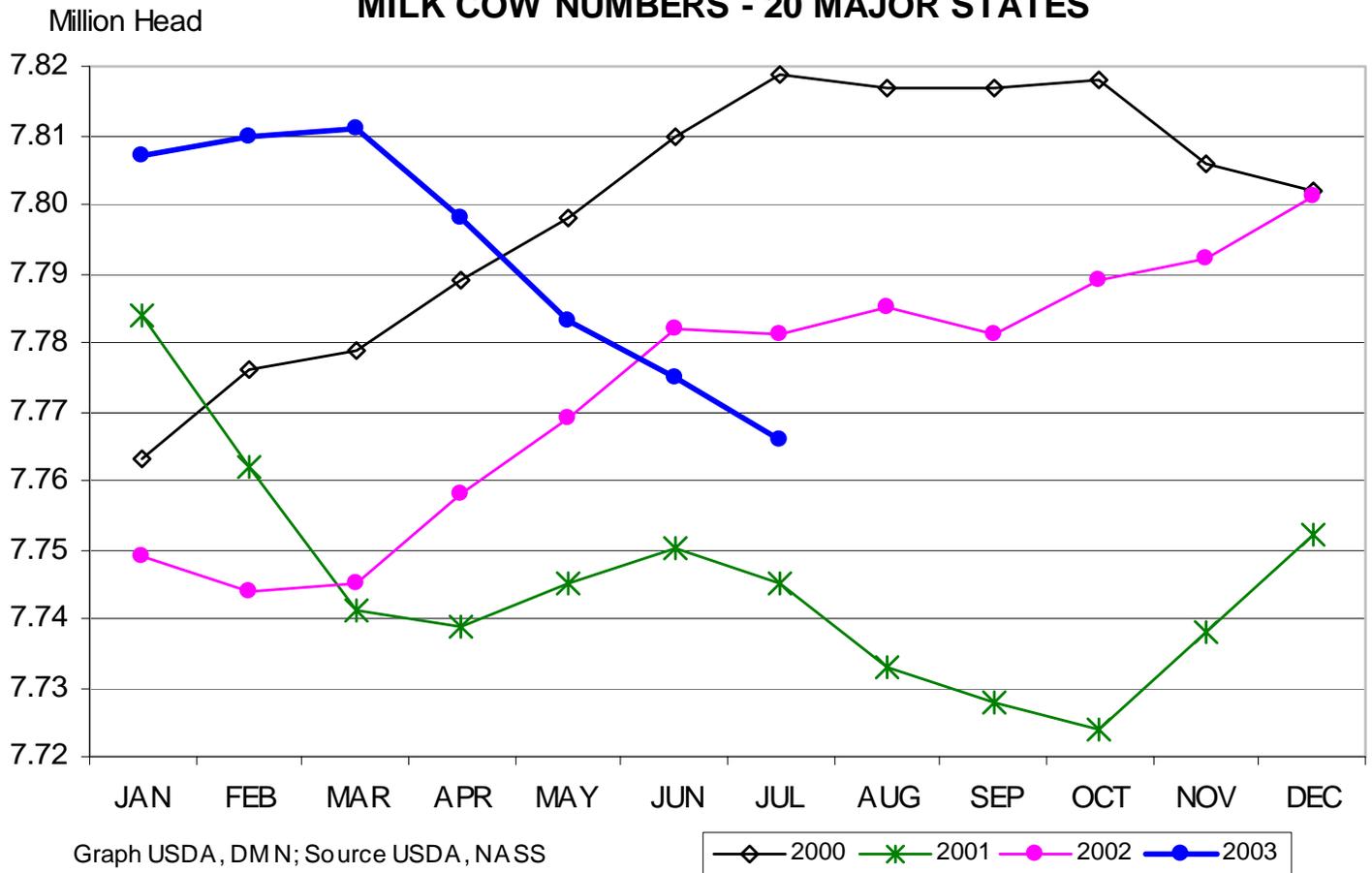
PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JULY 2003										
FEDERAL MILK ORDER MARKETING AREA ^{1/}	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE ^{2/}
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,016.8	-7.8	845.7	-1.9	42	20	30	8	12.46
Appalachian (Charlotte)	005	480.6	-9.2	370.3	0.6	77	16	2	5	12.49
Southeast (Atlanta)	007	551.3	-9.2	365.7	-3.8	66	13	16	5	12.47
Florida (Tampa)	006	226.4	4.9	196.2	0.9	87	8	3	2	13.46
Mideast (Cleveland)	033 ^{3/}	1,018.3	-28.8	521.9	-0.2	51	25	18	6	11.68
Upper Midwest (Chicago)	030 ^{3/}	660.0	-56.4	327.8	2.0	50	16	11	23	11.37
Central (Kansas City)	032 ^{3/}	759.8	-52.2	374.0	-3.4	49	21	17	13	11.49
Southwest (Dallas)	126 ^{3/}	595.4	-28.1	325.1	0	54	17	2	27	12.01
Arizona-Las Vegas (Phoenix)	131	243.9	1.6	82.9	6.5	34	7	42	17	11.53
Western (Salt Lake City)	135 ^{3/}	176.1	-59.6	92.6	3.3	53	15	3	29	11.44
Pacific Northwest (Seattle)	124 ^{3/}	411.5	-39.3	172.5	-0.4	42	10	0	48	10.93
ALL MARKET AVERAGE OR TOTAL	^{3/}	7,140.1	-30.4	3,674.8	-0.7	51	18	17	14	12.00

^{1/} Names in parentheses are the major city in the principal pricing point of the market.

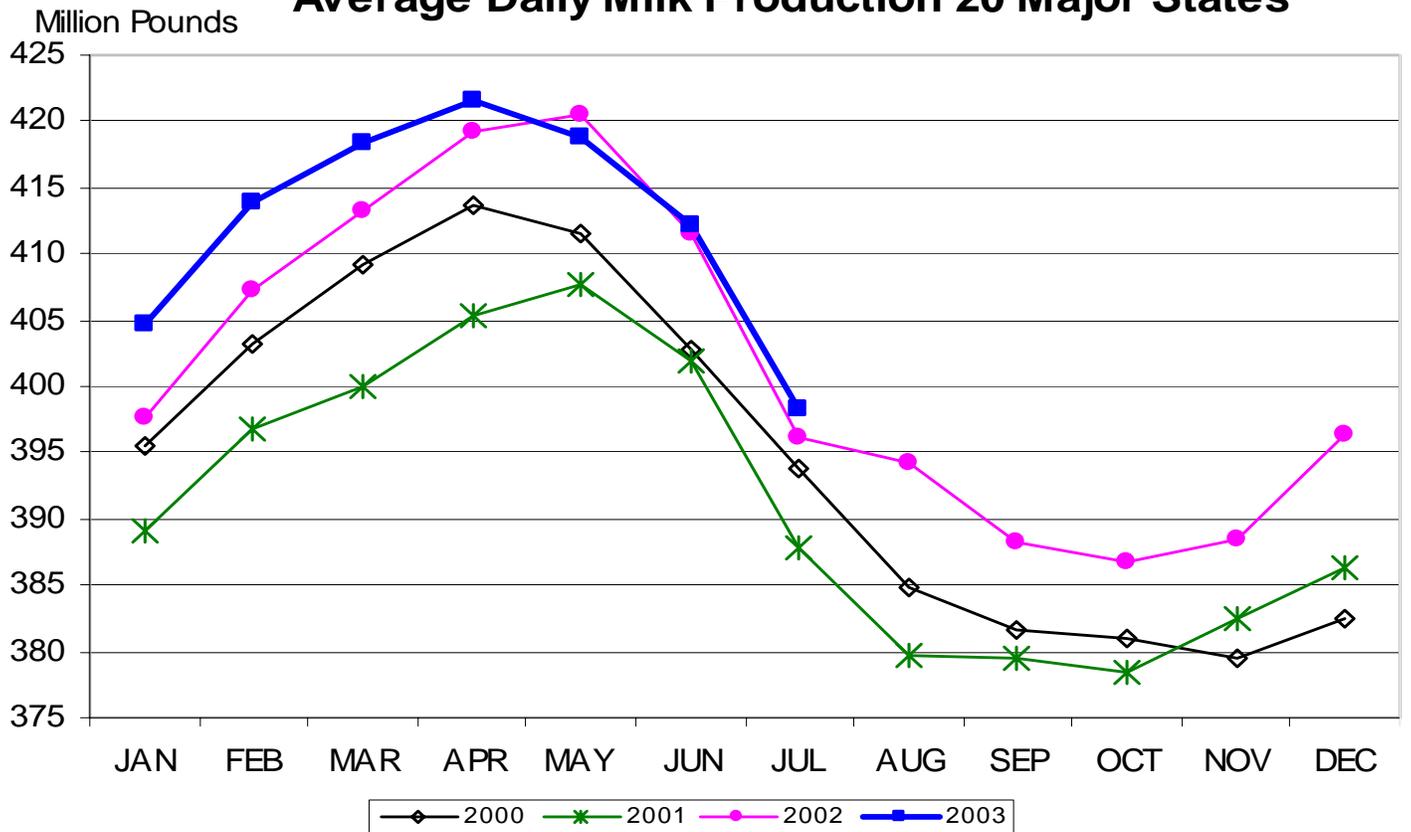
^{2/} Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

^{3/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 3.4 billion pounds of milk that normally would have been associated with these markets. In July 2002, the estimated not-pooled volume of milk was 470 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -1.7.

MILK COW NUMBERS - 20 MAJOR STATES



Average Daily Milk Production 20 Major States



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 18 - 22, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 08/15/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	10,133,351	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	1,313,280	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	11,446,631	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	3,840,106	2,465,662	-0-	-0-
Barrel	-0-	-0-	-0-	5,545,706	1,100,984	-0-	-0-
Process	-0-	-0-	-0-	31,838,400	1,980,000	-0-	-0-
TOTAL	-0-	-0-	-0-	41,224,212	5,546,646	-0-	-0-
NONFAT DRY MILK							
Nonfortified	7,996,602	661,380	7,335,222	591,153,074	624,825,434	1,218,461,000	1,155,193,000
Fortified	-0-	-0-	-0-	596,814	-0-	46,391,000	46,391,000
TOTAL	7,996,602	661,380	7,335,222	591,749,888	624,825,434	1,264,852,000	1,201,584,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 18 - 22, 2003 =	1.6	85.4	COMPARABLE PERIOD IN 2002 =	11.0	53.0
CUMULATIVE SINCE OCTOBER 1, 2002 =	760.2	7,297.5	CUMULATIVE SAME PERIOD LAST YEAR =	188.7	7,327.9
CUMULATIVE JANUARY 1 - AUGUST 22, 2003 =	686.1	6,031.9	COMPARABLE CALENDAR YEAR 2002 =	171.7	6,432.0

* 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 18 - 22, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	7,335,222	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/02 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	32,049,972	1,980,000	24,411,395	35,105,558	39.6	13.8
WEST	11,446,631	-0-	9,174,240	3,566,646	529,768,697	552,357,475	59.3	81.9
EAST	-0-	-0-	-0-	-0-	37,569,796	37,362,401	1.1	4.3
TOTAL	11,446,631	-0-	41,224,212	5,546,646	591,749,888	624,825,434	100.0	100.0

NDM SELBACK TO THE TRADE#

	CENTRAL/EAST	WEST	TOTAL
AUGUST 4 - 8, 2003	-0-	1,115,051	1,115,051

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

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

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/02/03 & Comparable Week 2002

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1			
2003-Dairy	0.2	0.7	7.0	4.6	19.2	2.4	0.3	1.0	12.8	2.6	50.9	1,666.1	46.4	47.9
2002-Dairy	0.2	0.8	6.2	4.6	19.1	2.1	0.4	0.7	12.1	2.2	48.4	1,489.0	45.8	45.9
2003-All cows	0.2	1.0	9.3	14.4	29.8	15.1	15.6	3.1	15.3	5.8	109.6	3,479.3		
2002-All cows	0.2	1.0	8.4	11.7	29.2	13.8	15.5	3.4	15.5	6.9	105.7	3,240.6		

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 MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97				
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63					
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78					
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95					

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