

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/5):

BUTTER: Grade AA closed at \$1.1375. The weekly average for Grade AA is \$1.1363 (-.0004).

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

BUTTER: The butter market is steady. The holiday shortened week saw the CME price for AA butter up fractionally. Churning activity across the country is lighter, but some California producers are stepping up output to meet expected fall/winter needs. Cream supplies are tight in the East and Midwest and excess volumes being offered to butter makers are down significantly from early-summer levels. Most producers are filling a growing portion of their print butter orders via microfixing. Fresh butter supplies are tight, but inventoried stocks are more than ample to cover needs.

CHEESE: The cheese market is fully steady. Current cheese demand is fairly steady on natural. Process interest is generally lighter. Tight supplies and strong demand from other milk users are limiting current cheese production. During the week ending September 5, CCC received cancellations for 40,492 pounds of previously offered Western barrel cheese. Cumulative January – July cheddar cheese production totals 1.642 billion pounds, down 79 million pounds (-4.3%) from the same period in 2002. Total cheese output during the same period in 2003 totals 4.997 billion pounds, up about 1 million pounds from the same period last year.

FLUID MILK: The holiday weekend did not generate any distressed or excess milk volumes. Heavy shipments of fluid milk continue into the Southeast with limited supplies of trucks and tankers hampering movement in areas. Florida intakes for the week are reported at twice the level reported last year. Movement of milk into bottling facilities remains strong as most schools resume session across the nation. Consequently, fluid milk movement into Class II and III facilities is lighter. Cream supplies are tight with supplies most available in the West. Cream multiples are trending steady to higher. Ice cream demand for fluid cream is seasonally slowing. Churn activity is light but anticipated to increase in response to seasonal butter orders.

DRY PRODUCTS: Dry dairy products markets are trending steady to firm. Reduced milk supplies are decreasing production of

dry products and encouraging higher prices. Resale of NDM from the pudding or cheese exchange programs is increasing, reducing product deficiencies in all three regions. Sales of CCC owned product direct to an end-user are also reported for the current week. Churn activity is light, reducing condensed buttermilk supplies and deterring production of dry buttermilk. Inventories of buttermilk are generally committed and limited for the spot trade interest. Whey prices are higher with most movement occurring on a contractual basis. Some price resistance is noted on whey and sales are reportedly lighter than the week prior. WPC prices also moved higher. Continued WPC price increases may be limited by the lack of manufacturer spot trading. The lactose market remains firm with some plants negotiating contracts for fourth quarter earlier than expected.

CCC: During the week of August 1 – September 5, CCC net adjusted purchases total 6,266,055 pounds of Western nonfortified NDM and the cancellation of 40,492 pounds of previously offered Western barrel cheese.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS (NASS):

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2003 was unchanged at 127. Compared with August 2002, the index was up 3 points (2.4%). The index of prices received by farmers for dairy products advanced 8 points during the month of August 2003 to 100. Compared with August 2002, the index was up 13 points (14.9%). Prices received by farmers in August with changes from July were: for All Milk, \$13.00, up \$1.00; Fluid Grade Milk, \$13.00, up \$1.00; and for Manufacturing Grade Milk, \$12.60, up \$1.10. The milk feed ratio at 2.86 is 0.28 higher than July, 0.59 higher than last year and the highest ratio recorded since May 2002.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the August 2003 prices under the Federal Milk Order pricing system compared to the month prior: Class II \$10.81 (+\$0.18), Class III \$13.80 (+\$2.02); and Class IV \$10.14 (+\$0.19). Product price averages used in computing Class prices are: butter \$1.1578, NDM \$0.8105, cheese \$1.5496, and dry whey \$0.1615. The Class II butterfat price is \$1.2584 and the Class III/IV butterfat price is \$1.2514. Further information may be found at:

<http://www.ams.usda.gov/dyfmoms/mib/classprcacnmt.pdf>

****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 SEPTEMBER 1	TUESDAY SEPTEMBER 2	WEDNESDAY SEPTEMBER 3	THURSDAY SEPTEMBER 4	FRIDAY SEPTEMBER 5	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS		\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	(N.C.)	\$1.5675 (N.C.)
	C						
	L						
40# BLOCKS	O	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	\$1.6000 (N.C.)	(N.C.)	\$1.6000 (N.C.)
	S						
BUTTER GRADE AA	E D	-----	\$1.1350 (N.C.)	-----	\$1.1375 (+.0025)	(+.0025)	\$1.1363 (-.0004)

*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 \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 1, 2003

HOLIDAY - NO TRADING

TUESDAY, SEPTEMBER 2, 2003

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

WEDNESDAY, SEPTEMBER 3, 2003

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

BUTTER — SALES: 4 CARS: 2 @ \$1.1350, 1 @ \$1.1375, 1 @ \$1.1350; BIDS UNFILLED: 16 CARS: 5 @ \$1.1350, 2 @ \$1.1325, 5 @ \$1.1300, 2 @ \$1.1250, 2 @ \$1.1200; OFFERS UNCOVERED: NONE

THURSDAY, SEPTEMBER 4, 2003

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

FRIDAY, SEPTEMBER 5, 2003

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

BUTTER — SALES: 3 CARS @ \$1.1375; BIDS UNFILLED: 14 CARS: 4 @ \$1.1375, 5 @ \$1.1350, 2 @ \$1.1325, 2 @ \$1.1300, 1 @ \$1.1150; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone is cautiously steady. The CME cash price (through 8/29) closed at \$1.1350, down another half cent from the previous week. Some contacts wonder why butter continues to struggle along at these prices while cheese is holding as high as it is. The heavy inventory and sales offer by CCC are usually cited as reasons for butter's "poor showing." On the other side of the argument, the current cream and milk supply is very tight and there is limited churning activity, which to some, could push prices higher. Last week, Eastern churning activity was limited. Some producers only ran their churns a few days and had to microfix to meet packaged butter orders. Demand for packaged butter is just fair, but there is a growing interest in bulk for microfixing purposes. Shopping habits are getting back to more typical school-year levels and butter sales may benefit. However, the continued high retail price does have a dampening effect on sales. 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 CME cash prices of butter (through 9/3) has held for three consecutive sessions. Contacts feel that the price at the CME is lower than they had expected, but probably in line with supply levels. Churning activity remains light due to the tight volumes of surplus milk and cream in most parts of the country. Most producers are operating well below normal levels. Some packagers are microfixing a greater percentage of the orders now that churning

is so light. Demand for packaged butter is just fair, but producers are already starting to think about holiday needs. Food service orders are slowing in the resort areas now that the summer, vacation season is over. Supplies of frozen butter are ample, but fresh butter is tight and harder to find. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis. Butter imports, subject to licensing, during the first seven months of 2003 total 3.624 million kilograms, 2.6% more than the same period last year. Imports of high-tier butter during that same period total 51,602 kilograms, 87% less than the same period last year.

WEST

Butter prices at the cash CME market continue to decline slowly. Current production of butter remains light due to milk heading to the bottle and the continued good call for cream from ice cream accounts. Bulk butter sales are beginning to pick up for fall needs. Print orders into food service accounts are slower now that the summer vacation season is past. Prints at retail are moving into the normal fall buying patterns. Contacts remain concerned about inventory levels and the downward pressure they continue to exert on the market. Imports of High-Tier butter and butter substitutes are minimal this year through July compare to last year. Volumes trail last year by 92%. Imports of butter under license are 2.6% ahead of last year through seven months. 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	U.S. AVERAGES AND TOTAL POUNDS			DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE	NDM	BUTTER	
AUGUST 30	1.5772	1.5872	0.8115	1.1006	0.1673
	6,818,742	8,273,822	23,643,518	5,116,729	14,326,297

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

CHEESE MARKETS

NORTHEAST

Prices and the market tone are unchanged. However, most distributors are quite active following the long holiday weekend. Orders from Shore-area restaurants and outlets are slower now that summer is unofficially over. Businesses along the Shore will continue to be busy on weekends, but mid-week sales are getting back into school-year patterns. Urban area stores are picking up orders as shopping habits get back to more typical levels. Cheese stocks are adequate to meet current needs. Prices have been relatively steady for more than a month and distributors' orders have returned to more normal levels. In the East, cheese output is down as milk supplies are tighter and some operations want to pare back their cheese inventories.

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	:	1.7775-1.9800
Process 5# Sliced	:	1.7975-2.0475
Muenster	:	1.8375-2.0300
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady. The cash cheddar block price at the Chicago Mercantile Exchange has been unchanged at \$1.60 for over a month. Many buyers seem to be analyzing holiday weekend movement and/or inventory positions before reordering after the long holiday weekend. Current cheese supplies generally remain tight. Many producers are still having trouble filling orders, especially for specialty varieties. A few producers are seeing cutbacks in committed orders as buyers try to balance supplies with movement. Natural interest remains strongest with some buyers still reaching to the West for supplemental supplies. Process interest continues to soften seasonally, especially from summer vacation areas. Milk supplies are tight to short and current cheese production remains seasonally light. Strong Class I interest in late August minimized spot milk supplies during the holiday weekend.

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

Process American 5# Loaf	:	1.7475-1.9100
Brick And/Or Muenster 5#	:	1.9000-2.2625
Cheddar 40# Block	:	1.7900-2.1150
Monterey Jack 10#	:	2.0900-2.2200
Blue 5#	:	2.3550-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8300-2.2150
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
		:	
09/01/03	90,186	:	132,287
08/01/03	97,354	:	137,239
CHANGE	-7,168	:	-4,952
% CHANGE	-7	:	-4

WEST

Prices for Western cheese have held in a narrow range for a number of weeks. The block price at the cash CME market held for the entire month of August and continues at that level. Cheese stocks in the Western region range from tight to almost adequate. Offerings remain light, but some operations indicate that they are getting closer to current on their order deliveries. Cheese production remains seasonally light. Buyers continue to complain about the price level, but also continue to take regular volumes of cheese. Some buyers are making purchases to cover much of their fall needs. Under grade offerings of cheese have cleaned up quite well. Inventories of 3-6 month old cheddar are very light and closely held. Swiss sales are good going into the fall buying season. Mozzarella sales are on the slow side for early September. Imports of High-Tier cheese for the first seven months of the year trail a year ago by 29.7%. Imports of cheese under license trail a year ago by 5.6%.

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

Process 5# Loaf	:	1.7175-1.9775
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. However, shopping habits are getting back to more normal, school-year patterns and imported and/or domestically made cheese sales may start to improve. Price, as well as, quality will be the determining factors in sales. Imports of cheese subject to licensing during the first seven months of 2003 totaled 63.397 million Kilograms, 5.6% less than the same period last year. Imports of high-tier cheese during the same period totaled 11.007 million Kilograms, 29.7% less than the same period last year. For the high-tier cheeses, the largest gains were seen on Italian types and Blue-Mold and the largest decreases were seen on American type and Other cheese NSPF.

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 (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	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

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	235	0	236	0	123	0
SOUTHEAST STATES	40	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.

Milk production continues to decrease in most of the region. Contacts state that the heat and humidity in the Southeast continue to take their toll on milk output. In the Carolinas, route truck weights are dropping daily and this is at a time when the milk flow in this area normally starts increasing. In the Middle Atlantic area, milk production is about steady. Recent rains and cooler weather have helped milk output rebound slightly in scattered areas. Farther north, milk production is mostly steady at low levels. Milk supplies remain tight throughout the region. Florida handlers continue to import heavy volumes and handlers in other Southeastern states are also buying some outside milk. Florida's imports are nearly the same as last week, but contacts report that bottlers' plants are nearly full and expect needs for next week to be lighter. Last week suppliers in the other Southeastern states were really strapped to find enough milk to meet needs and had to reach greater distances to find loads. Typically, after a week of over-ordering by bottlers, cancellations are rather common this week. These cancellations are not offsetting the current tight supply, but they are helping ease the need for "distant milk." However, some milk was purchased to supplement normal supply shortages. Schools in the Northeast are reopening this week and bottlers are busy filling these orders. Many bottlers have eased back on their schedules after operating as heavy as they could last week. Surplus milk volumes are light and most manufacturing operations are adjusting schedules accordingly. A few reports note that cheese plants stepped up output, but most are not operating on full schedules. Butter/powder plant receipts are very light and the good call for skim milk and Class II condensed skim is keeping dryers inactive. The condensed skim market is slow to fair. There is little interest for Class III wet solids, but Class II condensed is moving quite well. Prices are little changed from the past few weeks. The fluid cream market remains strong and availability remains tight. Some extra cream is available from standardizing facilities (bottlers), but less is available from manufacturing plants. Some Western cream continues to be shipped across the country to supplement local shortages. Spot prices are mixed, but generally higher. The one-cent drop in last week's CME butter average was often offset by higher multiples. Demand from ice cream producers is easing along seasonal patterns, but the decline is slow. Ice cream producers who add shifts during the summer when demand and help warrant, are getting back to fall/winter patterns. Cream cheese output is about steady. Bottled cream production and sales are slowing seasonally. Churning activity is light.

continue to operate on light seasonal schedules, with some plants closing for an extra day or two to balance milk supplies. Very few spot loads were available over the holiday weekend and most orders went unfilled. Cream demand and prices were also affected by the holiday with prices lower over the weekend as some operations closed for an extra day or two. Cream prices have recovered to pre-holiday levels after the holiday. Some ice cream accounts are again reducing overall production schedules to help reduce inventory. Condensed skim interest is fairly good from Class II accounts and no spot interest for Class III. Current milk intakes have stabilized in areas where temperatures have moderated into fall-like levels though any recovery has thus far been limited. Rain hit some areas of Kansas into Indiana hard with localized flooding problems. Other states remain in drought. More fields of corn are being chopped early to reduce any additional drought related losses. Cornfields are turning brown early; particularly hillsides and sandy areas and soybeans are dropping leaves in stressed areas. The dry conditions have also reduced late cutting hay/haylage yields.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 28 - SEP 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 51.50	\$ 34.00- 39.00
REPLACEMENT HEIFER CALVES	\$375.00-500.00	\$375.00-475.00

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

	AUG 28 - SEP 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 55.00	\$ 33.00- 41.75

W E S T

The August 4a price (butter/powder) in CALIFORNIA is \$9.95, down \$0.01 from July and unchanged from last year. The August 4b price (cheese) is \$14.03, up \$1.44 from July and \$4.34 higher than last year. CALIFORNIA weather conditions have returned to unfavorable for milk cows and production, while component levels are declining. Class 1 needs are increasing as most schools and colleges are starting. Volumes are being adjusted as orders are being matched to needs. The increases in Class 1 prices in September are being passed on to consumers at retail. In the Central Valley, heat and humidity have combined to drop milk levels that had seen increases. The effects of freshening cows are being offset by the stressful conditions. Milk output is showing slight seasonal increases in NEW MEXICO with total production being higher than last year due in large part to additional cows. The weather conditions are becoming more favorable for cow comfort with cooler nighttime temperatures developing. Milk handlers in the state continue to ship large volumes of milk towards the Southeast. Transportation issues involving the lack of trucks and tankers are problems. Haying is into the fourth and fifth cuttings across the state. Western CREAM prices are generally steady with only slight changes in multiples noted. The CME butter price was \$1.1350 on 9/3, unchanged from a week earlier. Cream offerings are lower as milk production and fat tests declined in many areas. Also, butter makers are holding onto cream to gear up for future butter orders. Western cream multiples range from 116 to 132, FOB, depending on class usage and basing point. Conditions remain warm and dry in the PACIFIC NORTHWEST with much more fire activity noted. Milk production is mixed. Some contacts report that production is coming back seasonally while others indicate that output is less than anticipated for this time of year. Plant production schedules are adjusting to match these varying levels of receipts. Manufacturing plant labor problems are causing some milk to be diverted to other operations to find processing capacity. Since milk is near the bottom of the production cycle, this is not causing as many problems as at some times of the year. Some reports of declining milk output due to poor quality forage are surfacing. Contacts hope that fourth cutting alfalfa will improve in quality and feed value. Concern is also noted related to feed concentrate availability and prices. Demand for replacement heifers is picking up. Some are stating that the strength is related to higher milk prices. More moderate conditions are noted in UTAH and IDAHO. Some plant managers are finding that tests on their incoming milk receipts are improving slowly. They are thankful for this because it has been a problem through most of the summer and it has reduced plant profitability. Fourth cutting hay is looking surprisingly good for the growing season this summer. Some believe that it will compare to second cutting in quality. The volume also looks excellent. The only concern is to get it dry in a timely fashion as days get shorter.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5914-1.8756
DELIVERED EQUIVALENT ATLANTA	-	1.6141-1.8983 M 1.7278-1.8415
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.4436-1.7278

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

M I D W E S T

Handlers were force to short some bottler and manufacturing milk orders in late August, though milk supplies loosened by a few loads over the holiday weekend. The large price change between August and September Class I prices as well as the bottling for the anticipated lunch needs of remaining schools opening after Labor Day caused a late month surge in orders. Milk supplies remain tight in September for Class I and manufacturing needs. Handlers are receiving calls from buyers that haven't been heard from in years. Reported manufacturing milk prices, on a very limited test range from \$1.50 to 3.50 over class, mostly \$2.50 and higher, the \$1.50 premium not including a longer haul. Manufacturing plant schedules

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 mostly unchanged on a steady market. Product availability remains limited in the Central region. While some increased production was noted over the holiday weekend, stocks are generally in balance for the contractual interest. Spot availability of NDM is not anticipated to increase until mid-October when milk production rebounds and the impact of NDM from the cheese or pudding exchange is more clearly realized. Buyers are purchasing additional loads from the West or from resellers holding supplies of NDM from the cheese or pudding exchange. Condensed skim interest is good from Class II users with most movement occurring on a contractual basis.

EAST: Eastern prices are unchanged to higher as the September base price for the national marketing agency did increase a half cent. The market tone remains firm. Milk supplies remain extremely tight this week. That, combined with good sales of Class II condensed skim, is keeping drying schedules very light. Buyers are even having difficulty finding Western NDM to ship across country. However, the so called pudding powder and cheese exchange powder are in the marketplace and easing the need for current output. There is relatively little information surfacing about these government exchange powders. Reports have prices delivered at or slightly below current prices. Also, an Eastern buyer did purchase CCC-owned NDM last week to supplement the current tight, commercial supply. Demand for NDM is fair to good as more cheese makers use it to fortify their vats now that Class III condensed skim prices are well above a dollar per pound solids.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8300 - .8700 MOSTLY: .8425 - .8600
 HIGHHEAT: .8650 - .9450

NONFAT DRY MILK - WEST

The low/medium range is slightly higher on the bottom end but the mostly series in the West is unchanged. There were some price changes higher within the range, but these were already reflected by price increases several weeks ago. There seems to be a general unsettledness to the market. Although there are some firmer trends noted in prices, the appearance of "pudding powder" and "cheese powder" in the marketplace is more evident. Resale selling prices of this powder are noted in the mid 70's, FOB. Due to the current tight supplies of NDM due to lower milk supplies, DEIP sales, and government program sales, current producers' holdings of NDM are balanced. But producers are concerned what this powder will do to future sales. During the week of August 25 - 29, CCC net purchases totaled 7.4 million pounds of NDM from the West. Western high heat NDM prices are lower on the top end of the range. Supplies and demand are in balance. Producers' patterns of making high heat only to order remain the general rule.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8875 MOSTLY: .8000 - .8150
 HIGHHEAT: .8300 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 29	\$.8022	12,079,060	2,460,027
August 22	\$.8035	11,836,308	2,211,141

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

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady to firm market. Cream supplies remain tight, limiting production of butter and buttermilk. Supplies of condensed buttermilk are readily clearing into ice cream operations. Condensed buttermilk moving into dryers is very light, allowing inventories to remain depleted. Demand is starting to wane at the higher prices as resellers report that aged product is difficult to clear, suggesting that the market may have peaked.

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

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are higher and the market tone remains firm. Eastern prices are nominal. Churning activity is light for most Eastern producers. Some operations are only making butter 3-4 days a week and not running all shifts on those days. Therefore, buttermilk supplies are often short of needs. Most producers report that drying is limited and sales of condensed clear nearly all the buttermilk. Powder stocks are very tight. More LTL volumes and resale loads are reported. Demand is steady at good levels.

F.O.B. NORTHEAST: .7800 - .8100
 DELVDSOUTHEAST: .8200 - .8600

DRY BUTTERMILK - WEST

Western dry buttermilk prices are unchanged in very limited spot trading. Producer offerings remain light. Production continues to be low across the region. Seasonal increases in butter production may create more opportunities for dry buttermilk to appear on the market. Inventory levels range from sold out to light with product held for later commitments.

F.O.B. WEST: .8000 - .8500 MOSTLY: .8150 - .8500

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and nominal. Production levels are generally limited to meeting orders, but the tight milk supply all over the country is another limiting factor in output. Plant stocks are light and demand ranges from fair to occasionally improved.

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

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 THROUGH AUGUST 29, 2003
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

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 are:
 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. Increased production was noted at some locations as milk intakes increased during the holiday weekend. Consequently, some plants have additional loads to clear yet supplies remain mostly in balance. Demand is lighter than in weeks prior with brokers and resellers expressing the most interest. Resellers are still gaining a premium to the market. Inquiries are noted from bakery and feed facilities with movement into these facilities reported as mostly contractual.

F.O.B. CENTRAL: .1725 - .1825 MOSTLY: .1725 - .1775

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to climb and the market tone is firm. Tighter milk supplies continue to impact cheese output in the region. Most cheese makers did have to adjust operating schedules lower, but a few plants did step up output an extra day. Even these plants were only running 4-5 days a week. Producer supplies are light. Most are sold out for the rest of the year, but scattered reports did indicate that a few spot sales were made. These were often for future delivery as few plants have enough powder on hand to ship immediately, unless there were some cancellations. Most spot needs are being filled in the resale market.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1775 - .1925
DELVD SOUTHEAST: .1975 - .2125

DRY WHEY - WEST

Prices for Western whey powder are generally steady with some fractional increases noted. The Western market appears to be in relatively close balance between supply and demand. Domestic buyers are continuing to look for powder. Export sales are steady though some price resistance is noted. Importers are stating that they are looking for lower prices from other sources. A tender for the Far East is due in next week with quite a bit of uncertainty where it might be sourced.

NONHYGROSCOPIC: .1650 - .2000 MOSTLY: .1725 - .1850

ANIMAL FEED WHEY - CENTRAL

Prices are higher on a firm market. Supplies of milk replacer are limited for the good interest. Some buyers are taking interest in the Extra Grade market to replace deficient milk replacer supplies. The U.S. inventory of sows and gilts on August 1, 2003, was 5.75 million head, down 3% from August 1, 2002. U.S. sows and gilts bred during July totaled 1.12 million head, down 2% from the previous year. Early weaned pig and veal markets are both trending firm.

F.O.B. CENTRAL:
MILK REPLACER: .1625 - .1675

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies remain tight. Production is generally lower due to decreased milk intakes as more milk is diverted into Class I facilities. Manufacturers are asking significant premiums for spot and less than trucklot loads. Light trading direct from the manufacturer may inhibit price movement in the short-term. Product is most readily available from resellers. Supplies of WPC 34% from May and June are being resold into some feed facilities at the current market. Resale trades into the edible market are being sold at a premium. High protein WPC from domestic and foreign sources is available as a substitute to WPC 34% into some feed facilities. Off grade supplies of WPC are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .4550 - .5100 MOSTLY: .4600 - .4700

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies remain tight, especially for the higher mesh sizes. Most producers are actively involved in contract negotiations for fourth quarter. This is reportedly the earliest contract negotiations have commenced compared to prior years. Some contracts were finalized to include the current month, encouraging prices higher. Although increased production was noted over the holiday weekend, production is generally lower as more milk is diverted into Class I facilities as schools resume sessions. Inventories are reportedly committed to contracts with contract buyers asking for additional loads. Off grade lactose supplies are light with trades reported within the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1925 - .2050

CASEIN - NATIONAL

Prices for both casein types are unchanged. There is little new news in the casein market. Supplies are adequate in the United States and from supplying countries. New production year supplies are expected in the near future from Oceania, where the milk season is beginning. Contractual orders are being filled on a timely basis. Information will be announced on Friday, September 5th on whether bids were received and/or accepted for producers to purchase NDM to convert into casein or caseinate.

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 and the market tone are unchanged. Production levels continue to be light. Milk supplies are tighter in most parts of the country. Also, higher milk prices are a limiting factor in some plant's decision to make evaporated milk. Due to milk pricing program differences between California and the rest of the U.S., California evaporated milk producers currently enjoy a competitive milk price advantage. Orders are fair to good as retailers prepare for the upcoming holiday season. With many producers trying to increase prices to offset the rising costs of milk, buyers are trying to take as much as they can before increases go into effect.

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 SUMMARY AND AVERAGES FOR AUGUST 2003 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 31	REPORT NUMBER 32	REPORT NUMBER 33	REPORT NUMBER 34	REPORT NUMBER 35	2003	2002
	AUG 01	AUG 04 - 08	AUG 11 - 15	AUG 18 - 22	AUG 25 - 29	or Total	or Total

CHEESE

WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	:: 1.6475 - 1.8100	:: 1.7200 - 1.8100	:: 1.7600 - 1.8200	:: 1.7575 - 1.9100	:: 1.7475 - 1.9100	:: 1.8008	:: 1.4158
-- Brick And/Or Muenster 5#	:: 1.8600 - 2.1675	:: 1.8600 - 2.2450	:: 1.8600 - 2.2625	:: 1.9600 - 2.2625	:: 1.9600 - 2.2625	:: 2.0807	:: 1.6107
-- Cheddar 40# Block	:: 1.7500 - 2.1150	:: 1.7500 - 2.1150	:: 1.7500 - 2.1150	:: 1.8500 - 2.1150	:: 1.8500 - 2.1150	:: 1.9563	:: 1.7794
-- Monterey Jack 10#	:: 2.0500 - 2.1250	:: 2.0500 - 2.2025	:: 2.0500 - 2.2200	:: 2.1150 - 2.2200	:: 2.1150 - 2.2200	:: 2.1461	:: 1.9023
-- Blue 5#	:: 2.2600 - 2.5200	:: 2.3375 - 2.5200	:: 2.3550 - 2.5200	:: 2.3550 - 2.6500	:: 2.3550 - 2.6500	:: 2.4641	:: 2.0524
-- Mozzarella 5 - 6#	:: 1.7900 - 2.2150	:: 1.7900 - 2.2150	:: 1.7900 - 2.2150	:: 1.8900 - 2.2150	:: 1.8900 - 2.2150	:: 2.0263	:: 1.8357
-- Grade A Swiss Cuts 6 - 9#	:: 2.0500 - 2.6850	:: 2.2200 - 2.6850	:: 2.2200 - 2.6850	:: 2.2500 - 2.6850	:: 2.2500 - 2.6850	:: 2.4556	:: 2.2425

NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 10# Prints	:: 1.5700 - 2.0650	:: 1.6475 - 2.1425	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.9038	:: 1.4615
-- Cheddar Single Daisies	:: 1.5275 - 1.9925	:: 1.6050 - 2.0700	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.8463	:: 1.4015
-- Cheddar 40# Block	:: 1.6450 - 1.8925	:: 1.7225 - 1.9700	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.8551	:: 1.4002
-- Process 5# Loaf	:: 1.6775 - 1.8800	:: 1.7500 - 1.9525	:: 1.7900 - 1.9925	:: 1.7875 - 1.9900	:: 1.7775 - 1.9800	:: 1.8728	:: 1.4178
-- Process 5# Sliced	:: 1.6975 - 1.9475	:: 1.7700 - 2.0200	:: 1.8100 - 2.0600	:: 1.8075 - 2.0575	:: 1.7975 - 2.0475	:: 1.9165	:: 1.4830
-- Muenster	:: 1.7325 - 1.9375	:: 1.8200 - 2.0125	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.9249	:: 1.4786
-- Grade A Swiss Cuts 10 - 14#	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.4500	:: 2.4500

WEST COAST (WSP, Delivered, LTL)

-- Process 5# Loaf	:: 1.6175 - 1.8775	:: 1.6900 - 1.9500	:: 1.7300 - 1.9900	:: 1.7300 - 1.9900	:: 1.7175 - 1.9775	:: 1.8421	:: 1.3992
-- Cheddar 40# Block	:: 1.6350 - 1.9850	:: 1.7125 - 2.0625	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.8963	:: 1.3409
-- Cheddar 10# Cuts	:: 1.8150 - 2.0350	:: 1.8925 - 2.1125	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 2.0113	:: 1.5609
-- Monterey Jack 10#	:: 1.8250 - 1.9850	:: 1.9025 - 2.0625	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 1.9913	:: 1.5434
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.3550	:: 2.3350

FLUID PRODUCTS

SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

-- Northeast - f.o.b	:: 1.6371 - 1.8936	:: 1.6836 - 1.8910	:: 1.6721 - 1.9145	:: 1.6146 - 1.8135	:: 1.6054 - 1.8577	:: 1.7570	:: 1.3962
-- Atlanta - divd. equiv.	:: 1.6493 - 1.8814	:: 1.6836 - 1.9032	:: 1.6964 - 1.9145	:: 1.6380 - 1.8252	:: 1.6273 - 1.8691	:: 1.7695	:: 1.4062
-- Upper Midwest - f.o.b	:: 1.7104 - 1.8570	:: 1.6958 - 1.8300	:: 1.6358 - 1.8418	:: 1.5912 - 1.7550	:: 1.5824 - 1.7430	:: 1.7129	:: 1.3841

PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.

-- Class II	:: 0.8500 - 0.9300	:: 0.8500 - 0.9300	:: 0.8500 - 0.9300	:: 0.8500 - 0.9300	:: 0.8500 - 0.9300	:: 0.8900	:: 0.9903
-- Class III	:: 1.0000 - 1.0500	:: 1.0300 - 1.1500	:: 1.0300 - 1.1500	:: 1.0300 - 1.1500	:: 1.0300 - 1.1500	:: 1.0869	:: 0.8855

NATIONAL EVAPORATED MILK (\$ per Case)

(Case - 48 - 12 fluid oz cans)

-- Delivered Major U.S. Cities	:: 19.0000 - 30.0000	:: 19.0000 - 30.0000	:: 19.0000 - 30.0000	:: 19.0000 - 30.0000	:: 19.0000 - 30.0000	:: 24.5000	:: 24.2386
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MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2003 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 31	::REPORT NUMBER 32	::REPORT NUMBER 33	::REPORT NUMBER 34	::REPORT NUMBER 35	:: 2003	:: 2002
	::-----	::-----	::-----	::-----	::-----	:: Average	:: Average
	:: AUG 01	:: AUG 04 - 08	:: AUG 11 - 15	:: AUG 18 - 22	:: AUG 25 - 29	:: or Total	:: or Total
DRY PRODUCTS							
NONFAT DRY MILK							
— Central And East (f.o.b.)							
— Low/Medium Heat	:: 0.8250 - 0.8900	:: 0.8000 - 0.8900	:: 0.8000 - 0.8900	:: 0.8200 - 0.8900	:: 0.8200 - 0.8700	:: 0.8480	:: 0.9323
— Mostly	:: 0.8250 - 0.8600	:: 0.8250 - 0.8600	:: 0.8250 - 0.8600	:: 0.8250 - 0.8600	:: 0.8250 - 0.8600	:: 0.8425	:: 0.9311
— High Heat	:: 0.8625 - 0.9450	:: 0.8625 - 0.9450	:: 0.8625 - 0.9450	:: 0.8625 - 0.9450	:: 0.8625 - 0.9450	:: 0.9038	:: 0.9838
— West (f.o.b.)							
— Low/Medium Heat	:: 0.7900 - 0.8875	:: 0.7975 - 0.8875	:: 0.7950 - 0.8875	:: 0.7950 - 0.8875	:: 0.7950 - 0.8875	:: 0.8414	:: 0.9210
— Mostly	:: 0.7950 - 0.8100	:: 0.8000 - 0.8200	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8079	:: 0.9025
— High Heat	:: 0.8225 - 0.8500	:: 0.8225 - 0.8600	:: 0.8300 - 0.8600	:: 0.8300 - 0.8600	:: 0.8300 - 0.8600	:: 0.8437	:: 0.9365
WHEY POWDER (Nonhygroscopic)							
— Central (f.o.b.)							
— Mostly	:: 0.1575 - 0.1675	:: 0.1600 - 0.1675	:: 0.1600 - 0.1750	:: 0.1625 - 0.1800	:: 0.1700 - 0.1800	:: 0.1690	:: 0.1673
— West (f.o.b.)							
— Mostly	:: 0.1500 - 0.1750	:: 0.1500 - 0.1825	:: 0.1600 - 0.1950	:: 0.1625 - 0.2000	:: 0.1650 - 0.2000	:: 0.1762	:: 0.1546
— Northeast (f.o.b.)	:: 0.1600 - 0.1650	:: 0.1625 - 0.1700	:: 0.1650 - 0.1750	:: 0.1700 - 0.1800	:: 0.1700 - 0.1850	:: 0.1717	:: 0.1481
— Southeast (Delvd)	:: 0.1625 - 0.1750	:: 0.1650 - 0.1800	:: 0.1675 - 0.1825	:: 0.1725 - 0.1850	:: 0.1750 - 0.1900	:: 0.1768	:: N.A.
WHEY PROTEIN CONCENTRATE							
— Central And West (f.o.b.)							
— Extra Grade 34% Protein	:: 0.4100 - 0.5000	:: 0.4100 - 0.5000	:: 0.4350 - 0.5000	:: 0.4425 - 0.5100	:: 0.4500 - 0.5100	:: 0.4690	:: 0.4240
— Mostly	:: 0.4200 - 0.4400	:: 0.4300 - 0.4400	:: 0.4350 - 0.4500	:: 0.4425 - 0.4625	:: 0.4575 - 0.4625	:: 0.4467	:: 0.4252
ANIMAL FEED - WHEY							
— Central (f.o.b.)							
— Milk Replacer	:: 0.1400 - 0.1525	:: 0.1400 - 0.1525	:: 0.1450 - 0.1525	:: 0.1525 - 0.1625	:: 0.1550 - 0.1650	:: 0.1528	:: 0.1518
BUTTERMILK (Min. 30% protein)							
— Central (f.o.b.)							
— West (f.o.b.)							
— Mostly	:: 0.8000 - 0.8500	:: 0.8250 - 0.8750	:: 0.8500 - 0.8750	:: 0.8500 - 0.9000	:: 0.8500 - 0.9000	:: 0.8637	:: 0.7982
— Northeast (f.o.b.)	:: 0.7200 - 0.8200	:: 0.7200 - 0.8500	:: 0.7600 - 0.8500	:: 0.7800 - 0.8500	:: 0.8000 - 0.8500	:: 0.8057	:: 0.7466
— Southeast (Delvd)	:: 0.7500 - 0.7800	:: 0.7750 - 0.8000	:: 0.7800 - 0.8300	:: 0.8150 - 0.8500	:: 0.8150 - 0.8500	:: 0.8120	:: 0.7341
WHOLE MILK POWDER							
— National (f.o.b.)	:: 1.0325 - 1.1800	:: 1.0500 - 1.1800	:: 1.0500 - 1.1800	:: 1.0500 - 1.1800	:: 1.0500 - 1.1800	:: 1.1146	:: 1.1518
LACTOSE							
— Central And West (f.o.b.)							
— Mostly	:: 0.1800 - 0.2500	:: 0.1800 - 0.2500	:: 0.1800 - 0.2500	:: 0.1800 - 0.2500	:: 0.1800 - 0.2500	:: 0.2150	:: 0.1823
CASEIN - Edible - National (f.o.b.)							
— Nonrestricted - Remet	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0750	:: 2.0636
— Nonrestricted - Acid	:: 2.0000 - 2.1000	:: 2.0000 - 2.1000	:: 2.0000 - 2.1000	:: 2.0000 - 2.1000	:: 2.0000 - 2.1000	:: 2.0500	:: 1.8886

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR AUGUST 2003

COMMODITY	REPORT NUMBER 31	REPORT NUMBER 32	REPORT NUMBER 33	REPORT NUMBER 34	REPORT NUMBER 35	2003 *	2002 *
	AUG 1	AUG 4 - 8	AUG 11 - 15	AUG 18 - 22	AUG 25 - 29	Monthly	Monthly
						Average	Average
BUTTER*							
-- GRADE AA							
--Monday	::	:: 1.2250	:: 1.1825	:: 1.1500	:: 1.1400	::	:
--Tuesday	::	::	::	::	::	::	:
--Wednesday	::	:: 1.2200	:: 1.1675	:: 1.1500	:: 1.1350	::	:
--Thursday	::	::	::	::	::	::	:
--Friday	:: 1.2250	:: 1.1900	:: 1.1600	:: 1.1400	:: 1.1350	:: 1.1708	: 0.9752
--Weekly Average**	:: 1.2200	:: 1.2117	:: 1.1700	:: 1.1467	:: 1.1367	::	:
CHEESE*							
-- BARRELS							
--Monday	::	:: 1.5800	:: 1.5800	:: 1.5675	:: 1.5675	::	:
--Tuesday	::	:: 1.5800	:: 1.5850	:: 1.5675	:: 1.5675	::	:
--Wednesday	::	:: 1.5800	:: 1.5750	:: 1.5675	:: 1.5675	::	:
--Thursday	::	:: 1.5800	:: 1.5750	:: 1.5675	:: 1.5675	::	:
--Friday	:: 1.5800	:: 1.5800	:: 1.5750	:: 1.5675	:: 1.5675	:: 1.5736	: 1.1252
--Weekly Average**	:: 1.5400	:: 1.5800	:: 1.5780	:: 1.5675	:: 1.5675	::	:
-- 40# BLOCKS							
--Monday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
--Tuesday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
--Wednesday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
--Thursday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
--Friday	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	: 1.1575
--Weekly Average**	:: 1.5825	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Tuesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Wednesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Thursday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Friday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	: 0.9050
--Weekly Average**	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
-- GRADE A							
--Monday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Tuesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Wednesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Thursday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Friday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	: 0.9200
--Weekly Average**	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

AUGUST 2003 DEIP BID ACCEPTANCES

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
NONFAT DRY MILK				
JULY 2003				
08/19/03	CARIBBEAN, CENT & S. AM	6,950	AUG – MAY	\$128.42
08/19/03	ASIA & FSU	2,050	AUG – MAY	\$110.00
08/20/03	CARIBBEAN, CENT & S. AM	8,160	AUG – MAY	\$121.70
08/20/03	ASIA & FSU	3,000	AUG – MAY	\$114.00
08/21/03	CARIBBEAN, CENT & S. AM	2,573	AUG – MAY	\$115.25
AUGUST 1 – 31, 2003		<u>22,733</u>		
JULY 2003 – AUGUST 2003		<u>22,733</u>		
CHEESE				
JULY 2003				
AUGUST 1 – 31, 2003		<u>0</u>		
JULY 2003 – AUGUST 2003		<u>0</u>		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ-MONTEREY JACK, V-VARIETAL				
BUTTERFAT				
JULY 2003				
AUGUST 1 – 31, 2003		<u>0</u>		
JULY 2003 – AUGUST 2003		<u>0</u>		
A-ANHYDROUS MILKFAT, B-BUTTER				
				PROGRAM TO DATE
TOTAL MT				22,733
TOTAL BONUS VALUE				\$2,749,629

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture’s Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds. **SOURCE: FOREIGN AGRICULTURAL SERVICE**

Allocations for the DEIP year beginning July 1, 2003: Nonfat Dry Milk – 68,201 MT; Cheese – 3, 030 MT; Butterfat – 21, 097 MT

Allocations are again being announced in stages. Stage one volumes are: 22,733 MT of Nonfat Dry Milk, 7,032 MT of Butter, and 1,010 MT of Cheese.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2003 was unchanged at 127. Compared with August 2002, the index was up 3 points (2.4 percent). The index of prices received by farmers for dairy products advanced 8 points during the month of August 2003 to 100. Compared with August 2002, the index was up 13 points (14.9 percent).

Prices received by farmers in August with changes from July were: for All Milk, \$13.00 per hundredweight (cwt.), up \$1.00; Fluid Grade Milk, \$13.00 per cwt., up \$1.00; and for Manufacturing Grade Milk, \$12.60 per cwt., up \$1.10.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., AUGUST 2003 WITH COMPARISONS

STATE	All-milk price ^{1/} ^{3/}				Milk cows ^{5/}		Cows ^{6/}		All hay baled ^{7/}	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JULY		AUGUST		AUGUST		AUGUST		AUGUST	
	2003 ^{2/}	2002 ^{2/}	2003 ^{4/}	2002 ^{2/}	2003	2002	2003 ^{7/}	2002 ^{8/}	2003	2002
CA	11.21	10.07	12.30	10.34			45.00	35.00	84.00	90.00
ID	11.90	10.30	12.80	10.50			41.70	33.80	86.00	98.00
MI	12.00	11.10	13.00	11.50		PRICES	45.00	39.50	90.00	85.00
MN	12.80	10.70	14.00	11.10		PUBLISHED	50.50	38.70	68.00	68.00
NM	11.20	11.00	12.00	11.20		JANUARY,	46.00	38.20	138.00	140.00
NY	12.30	11.80	13.20	11.90		APRIL,	---	---	126.00	101.00
PA	13.00	12.80	13.80	13.10		JULY AND	43.00	37.60	132.00	114.00
TX	12.40	12.10	13.10	12.40		OCTOBER	40.40	35.70	77.00	79.00
WA	11.40	11.30	12.20	11.40			---	---	102.00	109.00
WI	12.50	10.80	13.60	11.10			46.50	38.90	71.00	61.00
U.S.	12.00	11.10	13.00	11.30			44.80	36.40	85.30	93.70

^{1/} Prices are shown at reported butterfat test. ^{2/} Partially revised. ^{3/} Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. ^{4/} Preliminary. ^{5/} Animals sold for dairy herd replacement only. ^{6/} Beef cows and cull dairy cows sold for slaughter. ^{7/} Mid-month price. ^{8/} Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., AUGUST 2003 WITH COMPARISON

ITEM	AUGUST 2002	JULY 2003 ^{1/}	AUGUST 2003 ^{2/}
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	11.30	12.00	13.00
Fluid grade milk	11.30	12.00	13.00
Manufacturing grade milk	9.90	11.50	12.60
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	100	105	108
Prices received by farmers for dairy products	87	92	100
Prices paid by farmers for commodities and services, interest taxes, and wage rates	124	127	127
Prices paid by farmers for production items	120	123	123
Prices paid by farmers for feed	116	113	113
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk ^{3/}	2.27	2.58	2.86

^{1/} Partially revised. ^{2/} Preliminary. ^{3/} For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (8/03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 1 - 5, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 08/29/03	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	2,672,521	-0-	-0-
Barrel	-0-	40,492	-40,492	5,447,123	2,011,953	-0-	-0-
Process	-0-	-0-	-0-	31,838,400	2,138,400	-0-	-0-
TOTAL	-0-	40,492	-40,492	41,125,629	6,822,874	-0-	-0-
NONFAT DRY MILK							
Nonfortified	6,630,259	364,204	6,266,055	604,819,151	638,394,118	1,215,469,000	1,168,059,000
Fortified	-0-	-0-	-0-	596,814	-0-	46,391,000	46,391,000
TOTAL	6,630,259	364,204	6,266,055	605,415,965	638,394,118	1,261,860,000	1,214,450,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 1 - 5, 2003 =	1.0	72.5	COMPARABLE PERIOD IN 2002 =	4.7	49.8
CUMULATIVE SINCE OCTOBER 1, 2002 =	762.3	7,455.6	CUMULATIVE SAME PERIOD LAST YEAR =	203.4	7,498.5
CUMULATIVE JANUARY 1 - SEPTEMBER 5, 2003 =	688.2	6,190.0	COMPARABLE CALENDAR YEAR 2002 =	186.5	6,602.6

* 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 1 - 5, 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-	-40,492	-0-	6,266,055	-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	2,138,400	24,411,395	35,590,570	39.5	13.6
WEST	11,446,631	-0-	9,075,657	4,684,474	543,434,774	565,683,357	59.4	82.4
EAST	-0-	-0-	-0-	-0-	37,569,796	37,120,191	1.1	4.0
TOTAL	11,446,631	-0-	41,125,629	6,822,874	605,415,965	638,394,118	100.0	100.0

NDM SELBACK TO THE TRADE	CENTRAL/EAST	WEST	TOTAL	PRICE
AUGUST 25 - 29, 2003	132,056	-0-	132,056	\$.8425

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 08/16/03 & 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	7.2	4.9	20.5	3.1	0.4	1.1	13.0	2.4	53.5	1,772.3	45.1	47.8
2002-Dairy	0.2	0.8	6.2	5.2	18.3	2.1	0.4	0.8	12.3	2.5	48.7	1,584.5	45.8	45.9
2003-All cows	0.2	0.9	9.6	14.6	34.4	17.7	16.6	3.1	15.8	5.8	118.7	3,710.5		
2002-All cows	0.2	0.9	8.4	13.9	28.3	13.9	16.3	3.3	14.9	6.2	106.4	3,448.8		

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 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	13.71			
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81				
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80				
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14				

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