

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/19):**

BUTTER: Grade AA closed at \$1.1950. The weekly average for Grade AA is \$1.1900 (+.0250).

CHEESE: Barrels closed at \$1.5675 and blocks at \$1.6000. The weekly average for barrels is \$1.5675 (+.0100) and blocks, \$1.6000 (N.C.).

BUTTER: The butter market is firm as the cash price at the CME continues to increase. Churning activity across the country is lighter as milk and cream volumes tighten. Fresh butter production is often not keeping pace with demand thus inventoried stocks are being used to fill orders. Overall, supplies are fully sufficient to meet the fair demand. On Thursday, the Kansas City Commodity Office announced that all offers to purchase 2,113,917 pounds of salted bulk butter were rejected due to price. The price rejected under invitation 007B was \$1.1500 and below for both Grade AA and A.

CHEESE: The cheese market is steady. At current prices, buyers are interested only in maintaining inventories. Process interest is fair at best. Natural orders are uneven on a week to week basis. Overall, natural interest ranges from fair to good. Processing solids demand is generally quiet. Current cheese production remains seasonally light. Depending on location, some producers are unable to secure additional volumes of milk to help fill orders.

FLUID MILK: Milk production patterns across the country are following trends for late summer. From Florida across the southern part of the country to southern California, reports indicate that milk production is rebounding slightly. Favorable weather conditions and the time of year are typical for these increases. Farther north, conditions are much the same as recent weeks with milk production holding basically steady and milk volumes tight for overall needs. This week along the East Coast, hurricane Isabel is the major topic of conversation for milk handlers and bottlers. With Isabel making landfall late this week, widespread power outages and heavy rainfall disrupted dairy operations from the farm to processing to retail. Early in the week, bottlers in the expected path were running daily (many normally schedule a down-day at midweek) to keep up with the retailers' demand for milk and bottled water. Elsewhere in the country, milk supplies are tight and manufacturing schedules are being limited by the reduced surplus volumes with many operations down one or more days per week. Fluid cream markets remain firm. Overall prices are higher due to the base price (CME AA cash price) increasing nearly three cents, although some multiples have eased. Supplies of cream are still tight, but a few firms do have more cream from their standardizing operations. Demand for cream remains strong as butter producers want to enhance inventories for future needs, ice cream demand remains fairly strong, and cheese producers want cream to extend yield with seasonally lower milkfat levels common in milk.

DRY PRODUCTS: Nonfat dry milk markets are generally steady at unchanged prices. Production of powder from coast to coast is limited by

available milk supplies. The spot market is lightly tested with few trades being reported. Demand for NDM is fair to good with some orders not able to be filled with current production. Buyers are looking to resellers, CCC sellback, and the cheese and pudding exchange program powder to fill-in shortages. Buttermilk powder markets are holding mostly steady. Demand is in balance with contracted accounts and spot sales are often limited because of lack of product. Drying schedules are light and corresponding to lighter churning activity across the country. Whey powder markets are steady to firm with prices unchanged to higher. In many parts of the country, dry whey production levels are lighter as cheese output is down due to the tight milk supply and lack of liquid whey from other producers.

CCC: During the week of September 15 - 19, CCC net purchases total 7,344,403 pounds of Western nonfortified NDM.

OCTOBER MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for October 2003 is \$14.27, up 56 cents from September. This price is derived from the advanced Class III skim milk pricing factor of \$10.43 and the advanced butterfat pricing factor of \$1.2007 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 October is \$6.66 and the Class II nonfat solids price is \$0.7400 per pound. The following are the two-week product price averages: butter \$1.1156, nonfat dry milk \$0.8094, cheese \$1.5943, and dry whey \$0.1716.

AUGUST MILK PRODUCTION (NASS): Milk production in the 20 major states during August totaled 12.1 billion pounds, down 0.8% from August 2002. July revised production, at 12.3 billion pounds, was up 0.5% from July 2002. The July revision represented a decrease of 5 million pounds from last month's preliminary production estimate. Production per cow averaged 1,563 pounds for August, 7 pounds below August 2002. The number of cows on farms was 7.76 million head, 26,000 head less than August 2002 and 6,000 head less than July 2003.

AUGUST FEDERAL MILK ORDER PRICE AND POOL SUMMARY (AMS): During August, about 6.8 billion pounds of milk were received from producers. This volume of milk is 33.3% lower than the August 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -5.1%.) About 3.8 billion pounds of producer milk were used in Class I products, 4.4% 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 utilizations were; Class I = 55%, Class II = 18%, Class III = 14%, and Class IV = 13%. The weighted average statistical uniform price was \$12.57, \$0.57 higher than last month, and \$1.23 higher than last year.

****SPECIAL THIS ISSUE****

AUGUST MILK PRODUCTION (PAGE 7)
AUGUST FEDERAL ORDER PRICE AND POOL SUMMARY (PAGE 8)
DAIRY GRAPHS (PAGE 9)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

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

PRODUCT	MONDAY SEPTEMBER 15	TUESDAY SEPTEMBER 16	WEDNESDAY SEPTEMBER 17	THURSDAY SEPTEMBER 18	FRIDAY SEPTEMBER 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	(N.C.)	\$1.5675 (+.0100)
40# BLOCKS	\$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	\$1.1825 (+.0050)	----	\$1.1925 (+.0100)	----	\$1.1950 (+.0025)	(+.0175)	\$1.1900 (+.0250)

*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 15, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 5 CARS GRADE AA @ \$1.1825; BIDS UNFILLED: 18 CARS GRADE AA: 2 @ \$1.1825, 8 @ \$1.1800, 5 @ \$1.1775, 2 @ \$1.1700, 1 @ \$1.1650; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.2000

TUESDAY, SEPTEMBER 16, 2003

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

WEDNESDAY, SEPTEMBER 17, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 15 CARS GRADE AA: 6 @ \$1.1900, 1 @ \$1.1925, 1 @ \$1.1900, 2 @ \$1.1925, 1 @ \$1.1900, 1 @ \$1.1950, 1 @ \$1.1925, 1 @ \$1.1950, 1 @ \$1.1925; BIDS UNFILLED: 21 CARS GRADE AA: 4 @ \$1.1900, 4 @ \$1.1875, 4 @ \$1.1850, 7 @ \$1.1825, 2 @ \$1.1750; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.2000

THURSDAY, SEPTEMBER 18, 2003

CHEESE — SALES: 6 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 19, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 18 CARS GRADE AA: 1 @ \$1.1975, 1 @ \$1.2000, 1 @ \$1.1975, 1 @ \$1.2000, 1 @ \$1.2025, 1 @ \$1.2000, 2 @ \$1.1975, 1 @ \$1.2000, 1 @ \$1.2025, 1 @ \$1.2000, 3 @ \$1.1975, 4 @ \$1.1950; BIDS UNFILLED: 4 CARS GRADE AA @ \$1.1925; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone is firming as prices increase and production eases. Fresh butter stocks are light, but there is no shortage of bulk for printers to fill packaged orders. The cash price at the CME (through 9/15) has increased five consecutive sessions. Churning activity remains light in the Northeast. The pending landfall of Hurricane Isabel has many distributors busy getting orders out to stores early this week. Retail movement is mostly steady and food service orders are little changed. 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 butter price continues to increase. At midweek, the cash price of \$1.1925 is the highest it has been since early August, but is still a ways off from the 2003 high of \$1.2500 recorded in late July. Some producers and handlers speculate that the cash price might again attain this level. Churning activity remains seasonally active, although cream supplies have tightened. In many instances, butter operations are only receiving cream volumes from regular sources with surplus volumes very limited. In most instances, fresh butter production is not keeping pace with demand, thus inventoried stocks are being used to supplement orders. Overall buying interest is fair. Buyers indicate that they are cautious about placing too large of orders, but on the other hand,

indicate that they do not see weakness in the market for the near term. Retail orders are fair with occasional feature activity spurring heavier orders. Food service orders are just fair as some buyers continue to work down stocks acquired prior to the Labor Day holiday. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

CME butter prices continue to trend higher each session and have increased 5.75 cents since the start of September. Western bulk and print butter demand are good for both current and upcoming holiday orders. Food service demand is still quite good, although having seasonally switched from resorts to schools and colleges. Printers are in high gear preparing orders for the next several months. Stocks of butter are tightest for current production with frozen stocks readily available. Printers continue to convert frozen bulk butter into print form. Cream demand is good from cheese and ice cream makers. Butter stocks in CME approved warehouses declined by 7.24 million pounds during the most recent week, the largest weekly decline this year. Stocks stand at 160.2 million pounds, 27.8 million pounds higher than the same week last year. Current prices for bulk butter range from flat market 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	38% MOISTURE BARRELS			
SEPTEMBER 13	1,5703	1,5780	0.8114	1.1144	0.1727
	7,809,274	10,735,721	19,872,248	3,491,370	11,146,712

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

CHEESE MARKETS

NORTHEAST

Prices are steady on natural items; lower on process. The market tone is steady despite last week's dip and recovery in the barrel price at the CME. Eastern cheese producers continue to report lower operating schedules due to tight milk supplies and as an inventory management tool. Demand for cheese is fair to good and settling into more normal school-year patterns. Distributors are able to obtain desired volumes from local and Midwestern producers. Retail movement is just fair as prices are often a deterring factor in sales. Food service orders are settling into patterns for mid to late September. The start of the NFL season typically brings about increased consumption of snack foods and cheese sales do benefit during the season.

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	:	1.7675-1.9700
Process 5# Sliced	:	1.7875-2.0375
Muenster	:	1.8375-2.0300
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady. Some traders point to the *Milk Production* report on 9/17 for possible market direction. Buyers remain cautious, working to just maintain inventory levels. Best interest remains on natural varieties though interest varies significantly from week to week. Current cheddar/natural American varieties remain tight with limited spot availability. Process interest is mostly fair at best. Barrel interest is often seasonally lighter than normal. Some discussion continues on the expectation, by some in the industry, for the likely long term widening of the block/barrel spread. This would mainly be due the increased use of MPC in many process items. Mozzarella interest is generally moderate to good. Current cheese production remains seasonally light due to milk supplies. Many milk buyers have had great difficulty in acquiring spot milk supplies when needed for orders.

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

Process American 5# Loaf	:	1.7375-1.9100
Brick And/Or Muenster 5#	:	1.9900-2.2625
Cheddar 40# Block	:	1.8900-2.1150
Monterey Jack 10#	:	2.1150-2.2200
Blue 5#	:	2.3550-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9050-2.2150
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
		:	
09/15/03	81,179	:	131,210
09/01/03	90,186	:	132,287
CHANGE	-9,007	:	-1,077
% CHANGE	-10	:	-1

WEST

Western cheese prices are unchanged for natural varieties and Swiss, but slightly higher for process. The market tone is generally steady and is consistent with the lack of price changes at the CME. There is a good call for milk, cream and nonfat dry milk into cheese plants to help maximize returns. A cheese plant in California is back on line after being down most of last week. Demand for cheese is best for cheddar blocks and rated as off to fair for mozzarella. Some mozzarella accounts are taking higher volumes than others. Food service orders are noted to be better.

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

Process 5# Loaf	:	1.7075-1.9675
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 for foreign type cheese is slightly improved and stocks are sufficient to cover needs. The Euro has regained some strength, which may influence orders. In parts of the EU, cheese prices have been moving higher, but demand seems to be holding at good levels. As we approach October 1, importers who have not used all of their licenses are considering their options. Either use them fully or surrender their unused portions to avoid a penalty (reduced licenses) the following year. The surrendered volumes may be reallocated. Reports out of Cancun indicate that the WTO trade negotiations for agriculture did not go well.

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

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	204	0	161	0	134	0
SOUTHEAST STATES	40	0	40	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.

Regional Milk Market Administrators announced the following, August 2003 uniform prices: Northeast \$13.72, Mideast \$12.60, Southeast \$13.54, Florida \$14.53, and Western New York (a state order) \$12.95 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) The Florida uniform price is the largest in 14 months. And, the increase in the Southeast's blend prices is the largest month-to-month increase since order reform went into effect. Hurricane Isabel is the major topic of conversation for milk handlers and bottlers this week. With Isabel expecting to make landfall late this week, bottlers in the expected path are running daily (many normally schedule a down-day at midweek) to keep up with the retailers' demand for milk and bottled water. Long-time contacts, however, point out that this surge in demand will soon be offset by lighter orders once the storm has hit and moved through the area. Milk production is starting to increase throughout the Southeast where gains are small but steady. In the Northeast, milk output is mostly steady. Milk supplies remains tight and Grade A milk continues to be shipped into Florida and other Southeast states. Surplus milk supplies remain light. Manufacturing plant schedules are well below normal and this week's increased bottling is pulling even more milk from manufacturing plants. A few cheese plants are taking more milk this week. The condensed skim market is little changed and prices for Class III are up again this week. Demand for wet solids is often lighter as the current price per pound solids far exceed what it costs for NDM and the additional handling costs for reconstituting the powder. The fluid cream market remains firm. Spot prices are often higher as the CME cash price for butter jumped nearly three cents last week. However, multiples did ease somewhat, particularly at the higher end of the range. Supplies of cream are still tight, but a few firms do have extra cream from their standardizing operations. Traders comment that getting cream out of the Western region is more difficult as producers there are keeping their cream to make butter. Ice cream output is about steady, but those operations near the Coast and in the projected path of Isabel are making plans to gear down should they need to. Cream cheese output is about steady, but it was noted that a relatively small producer has increased output for anticipated needs. Churning remains limited.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6077-1.8640
DELIVERED EQUIVALENT ATLANTA	-	1.6431-1.8873 M 1.7242-1.8407
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6077-1.7766

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.1500-1.3000

M I D W E S T

Class I school account business seems to be settling into a normal pattern. Retail demand is steady to stronger where featured. Milk supplies remain short in the region. Some manufacturing milk interest is still going unsatisfied. Reported spot manufacturing premiums range from \$2.00 - 3.25 over class. Manufacturing schedules remain light at most plants due to current milk intakes. Many operations are down one or more days per week or on abbreviated daily schedules. Cream demand remains strong. Some handlers are surprised how tight cream still is with schools in session. Ice cream demand

is spotty. Some plants are operating on light schedules then need a spurt to help fill orders. Condensed skim prices are steady with good interest from Class II accounts and dead slow from Class III. Current plant milk intakes are steady to slightly lower. Fat and protein levels are seasonally low. Generally good rains (often multiple inches) blanketed many drought affected areas of the region. While it has greened up lawns and pastures, little improvement is expected in spring planted crops. In one area, farmers have reported palatability problems with their early harvested corn silage. The initial August estimated milk production in selected Midwestern states compared with August 2002 is: Wisconsin 1.856 billion pounds, down 4 million pounds (-0.2%); Minnesota 686 million pounds, up 2 million pounds (0.3%); Michigan 508 million pounds, up 2 million pounds (0.4%), and Iowa 306 million pounds, off 5 million pounds (-1.6%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.50	\$ 34.50- 40.00
REPLACEMENT HEIFER CALVES	\$400.00-600.00	\$350.00-580.00

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

	SEP 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 54.25	\$ 36.00- 42.50

W E S T

August milk production in the 20 surveyed states totaled 12.1 billion pounds, 0.8% lower than August 2002. July 2003 production totals were revised lower to 0.5% higher than July 2002. Milk cows in the 20 states totaled 7.759 million head down 26,000 head (-0.3%) from August 2002. August 2003 output for selected Western states compared to last year is as follows: Arizona -6.7%, California -1.2%, Idaho +6.1%, New Mexico +3.2%, and Washington -1.8%. The five Western states account for 2.817 million head (36.3% of the 20 states total) and 5.001 billion pounds of milk (41.2% of the 20 states total) in August 2003. CALIFORNIA milk output rebounded in the hardest hit areas of the South and Central Valley as a result of cooler weather conditions prevailing. Surprisingly, some processors recouped all the milk lost last week, while others are still a few percentage points behind. The far northern milk producing areas are seeing milk hold fairly steady. Processors in the state would like more milk and this is especially true for the cheese plants. A large cheese plant that was down last week returned to production late last week, well ahead of schedule. There continues to be a good call for milk from bottlers. ARIZONA weather conditions are cooler and cows are responding with higher output levels. Plants are taking in more milk. Fluid milk demand is good from bottlers. NEW MEXICO milk output is steady to only slightly higher. Conditions are improving for the milk cows. Milk movements are mostly routine with the exception of a plant being down in the state and that milk is moving to other balancing plants. Haying in the state has progressed well into the fifth cutting in the south and nearly completed the fourth cutting in the north. The CME butter price increased 2.25 cents since last Wednesday and stands at \$1.1925 on 9/17. Cream supplies are tight in the region and being wanted by a variety of users. Butter printers want cream to make butter for upcoming orders. Ice cream makers are still having decent demand. Cheese producers want cream to extend yield with seasonally lower milkfat levels common in milk. Western cream multiples are higher and range from 118 to 133, FOB, depending on class usage and basing point. Milk production is increasing in the Northwest. Cooler and wetter conditions in WASHINGTON and OREGON are common. There are concerns about the availability of good quality forage for the coming feeding season and what affects that will have on future milk production. Plants are generally running well in the region and a contract agreement was reached this week at a cheese plant whose employees were on strike. There are several dairies in the region that are expanding barns. In UTAH and IDAHO, milk trends of last week continue to inch higher from seasonal low levels. Milk supplies are higher and welcomed at cheese plants in the region. Solids and fat tests are slow to improve and yields are being affected.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a steady market. Production of NDM is limited by available milk supplies. With demand for fluid milk in the South remaining strong, excess volumes of milk are not available to run through NDM dryers. Milk volumes that are cleared into dryers are predominantly geared toward low heat. Spot sales of low heat into brokerage and blending operations are light. Interest is best on 50# bags and totes. Resale product is available from the CCC NDM/cheese exchange with some trades occurring at the market for product that has been re-bagged into totes. Sales of high heat are nominal with contractual trades generally satisfied with inventoried supplies. Condensed skim supplies are steady with good demand noted from Class II users.

EAST: Eastern prices are unchanged, but a few increases within the range were noted. The market tone is firm. Local producers have little powder to offer and sales back from CCC inventories continue. Buyers are going on the resale market to find volumes. Most of these sales are NDM from government exchange programs (the so called cheese or pudding powders). Producers and traders report that powder in 50# bags is very tight. Production levels are light as milk receipts at area butter/powder plants remain limited. Hurricane Isabel may also have a big impact on plants' abilities to dry later in the week. Contacts anticipate that power may be lost and are making plans accordingly. Milk supplies may have to be shipped out of the storm affected area.

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

Low/medium nonfat dry milk prices are mostly steady to lower on the top end of the range. The spot market is lightly tested with few trades being reported. The market tone is holding mostly steady. Demand for NDM is fair to good with some orders not able to be filled with current production. Buyers are looking to resellers, CCC sellback, and program powder to fill in shortages. Cheese makers are using NDM to supplement the often low solids levels in the incoming milk. Many of the sales to the CCC continue to be prior contracted. During the week of September 9 - 12, CCC net purchases totaled 5.0 million pounds of NDM from the West. Western high heat prices are unchanged and the market tone is steady. Supplies of high heat are often limited to contract orders. Spot orders are light. Seasonal interest in high heat is slowly developing.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8825 MOSTLY: .8000 - .8150
 HIGHHEAT: .8300 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 12	\$.8029	12,966,397	2,686,250
September 5	\$.8040	13,566,828	1,630,767

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 market. Demand is very light for resale or direct manufacturer supplies. Resellers have less to offer than the week prior. Manufacturer stocks remain tight with most trades occurring on a contractual basis. Churn activity is light, limiting supplies of condensed buttermilk available for drying. Condensed buttermilk demand is steady into most ice cream operations.

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

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady and nominal. The market tone is firm, but trading activity is limited. Eastern producers have little on hand to offer and contract or LTL sales are clearing what they have. Down graded powder is also less available than a month ago. Drying schedules are light and corresponding to the relatively light churning activity. The spot market is lightly tested.

F.O.B. NORTHEAST: .7975 - .8100
 DELVDSOUTHEAST: .8400 - .8700

DRY BUTTERMILK - WEST

Western dry buttermilk prices are holding mostly steady. Spot trading activity in the region remains seasonally light. Demand is in balance with contracted accounts and spot sales are often limited because of lack of product. Churning is more active in the region, but has yet to create more dry buttermilk because of good demand for condensed and producers filling backorders. Stocks remain light and are mostly committed.

F.O.B. WEST: .8000 - .8600 MOSTLY: .8300 - .8500

DRY WHOLE MILK - NATIONAL

Prices are unchanged and nominal. Production remains limited in most parts of the country. California's milk supply is rebounding slightly this week, but most of the milk not going to cheese plants is going into skim and butter production. Producer stocks are limited and most output is geared to meeting contracts. Traders continue to comment on the competitively priced imported dry whole milk that is available.

F.O.B. PRODUCING PLANT: 1.0650 - 1.1800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 THROUGH SEPTEMBER 5, 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 unchanged to higher on a steady to firm market. With some manufacturers behind on their commitments, buyers and traders are seeking additional loads on the spot market. Manufacturer offering prices are generally trending higher yet resale supplies are increasingly available with some trades reported at a discount to the market. Supplies are reported as in balance to tight yet some traders are able to purchase 8 or 9 spot loads direct from the manufacturer without difficulty. Production is generally steady in response to high cheese prices that draw milk into Class III facilities. However, milk solid content is lower, encouraging purchases of outside solids at some plants where supplies are available.

F.O.B. CENTRAL: .1750 - .1900 MOSTLY: .1825 - .1875

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly higher and the market tone remains firm. Eastern producers report little or no product available for immediate, spot shipment. Some are not taking new orders while others are accepting a few orders for future delivery, these are generally from regular or long-standing accounts. Production levels are lighter as cheese output is down due to the tight milk supply and lack of liquid whey from other producers. Some producers are having difficulty meeting contract shipping schedules, but so far, delays have been minimal. Spot inquiries are often being filled in the resale market. With prices rising steadily, buyers are showing a little more interest in acquiring more dry whey before prices advance farther.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1850 - .2000
DELVD SOUTHEAST: .2050 - .2200

DRY WHEY - WEST

Whey prices in the West are holding mostly steady. The market tone is leveling may not be as firm as thought, even a week ago. The export whey tender to the Far East was announced and the U.S. will reportedly provide an estimated 0 to 50 MT of whey. Most contacts involved with the tender indicated that the U.S. prices were too high and most of the tender was sourced out of Eastern Europe. Supplies in the region are steady to trending higher. Domestic demand is flatter than anticipated. Contracted loads are moving on a timely basis.

NONHYGROSCOPIC: .1675 - .2000 MOSTLY: .1750 - .1900

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on a steady to firm market. Milk replacer supplies are limited for the good demand. Some resellers holding inventoried whey from more than 1 year ago await more attractive prices before reselling their loads. Early weaned pigs are trending steady while the veal market remains firm.

F.O.B. CENTRAL:
MILK REPLACER: .1650 - .1750

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. WPC 34% supplies are tight. Some manufacturers are delaying contractual shipments due to supply deficiencies. Spot trade is very light. Interest is most adequately satisfied in the resale market where supplies are available yet also limited. Feed buyers are more apt to purchase WPC 80% supplies that are price competitive with WPC 34%. However, since whey is used to dilute WPC 80% and whey prices are increasing, inquiries on WPC 34% by feed buyers persist in the hopes of finding a lower cost advantage. Export interest from Asia and Mexico is reported for the feed and edible markets. Production is steady to lower in response to lower milk supplies and milk solids content. Off grade supplies are predominantly available on the high protein products and limited on WPC 34%.

F.O.B. EXTRA GRADE 34% PROTEIN: .4750 - .5100 MOSTLY: .4800 - .4850

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. While a few more contracts have been settled for the fourth quarter, many manufacturers continue to await responses to their offers, especially with respect to Asian markets. Price resistance from export markets is encouraging a few lactose plants to divert their marketing efforts toward the domestic market, especially when the domestic buyer is willing to accede to price increases. Inquiries are noted from Korea, India, Japan, China, India and Mexico. Demand for 200 mesh into pharmaceutical facilities is very strong with supplies short of interest. Production is steady on 30-100 mesh sizes with most movement occurring on a contractual basis. Off grade supplies are limited for the good feed demand.

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

F.O.B. EDIBLE: .1800 - .2500 MOSTLY: .1950 - .2050

CASEIN - NATIONAL

Casein prices are basically steady, although the tone is firm. Stocks are reported to be sufficient for contract needs, but spot availability is limited. The recent sale of 1.3 million pounds of government owned skim milk powder for the production of casein/caseinates in the U.S. received mixed comments. Many domestic buyers indicate that significant casein production in the states is quite a ways off, if ever, while others are more optimistic. Most do feel that minimal production will probably continue, but this output will basically be produced for a specific purpose or company need.

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 remain relatively light as surplus milk supplies are tight. Demand is unchanged and the market remains highly competitive. Producer stocks are adequate to meet current demand, but the heavy, Thanksgiving demand has yet to be felt. However, contacts feel that between current output and inventories, the holiday demand will be met.

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.

AUGUST MILK PRODUCTION

Milk production in the 20 major states during August totaled 12.1 billion pounds, down 0.8 percent from August 2002. July revised production, at 12.3 billion pounds, was up 0.5 percent from July 2002. The July revision represented a decrease of 5 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major states averaged 1,563 pounds for August, 7 pounds below August 2002.

The number of cows on farms in the 20 major states was 7.76 million head, 26,000 head less than August 2002, and 6,000 head less than July 2003.

AUGUST 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	150	150	1,785	1,665	268	250	-6.7
CA	1,651	1,696	1,810	1,740	2,988	2,951	-1.2
FL	149	140	1,195	1,160	178	162	-9.0
ID	395	410	1,830	1,870	723	767	6.1
IL	115	108	1,395	1,450	160	157	-1.9
IN	148	143	1,410	1,470	209	210	0.5
IA	210	200	1,480	1,530	311	306	-1.6
KY	122	113	1,025	1,000	125	113	-9.6
MI	301	298	1,680	1,705	506	508	0.4
MN	485	475	1,410	1,445	684	686	0.3
MO	136	128	1,090	1,125	148	144	-2.7
NM	305	317	1,765	1,750	538	555	3.2
NY	676	678	1,505	1,480	1,017	1,003	-1.4
OH	263	260	1,390	1,420	366	369	0.8
PA	585	571	1,515	1,480	886	845	-4.6
TX	308	312	1,290	1,340	397	418	5.3
VT	154	148	1,450	1,450	223	215	-3.6
VA	119	114	1,250	1,175	149	134	-10.1
WA	248	244	1,965	1,960	487	478	-1.8
WI	1,265	1,254	1,470	1,480	1,860	1,856	-0.2
20 STATE TOTAL	7,785	7,759	1,570	1,563	12,223	12,127	-0.8

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

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (9-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, AUGUST

HIGHLIGHTS - Handler reports of receipts and utilization under the Federal milk order system for August have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During August, about 6.8 billion pounds of milk were received from producers. This volume of milk is 33.3 percent lower than the August 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -5.1 percent.) About 3.8 billion pounds of producer milk were used in Class I products, 4.4 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 = 55%, Class II = 18%, Class III = 14%, and Class IV = 13%. The weighted average statistical uniform price was \$12.57 per cwt., \$0.57 higher than last month, and \$1.23 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF AUGUST 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	1,943.4	-5.1	871.7	-1.6	45	20	28	7	12.10
Appalachian (Charlotte)	005 ^{3/}	480.9	-9.2	376.2	-2.1	78	15	1	6	13.52
Southeast (Atlanta)	007 ^{3/}	482.5	-22.2	382.0	-8.4	79	12	1	8	13.54
Florida (Tampa)	006	212.3	-2.1	186.4	-6.6	88	9	^{4/}	3	14.53
Midwest (Cleveland)	033 ^{3/}	1,008.1	-25.8	542.6	-4.1	54	24	14	8	12.60
Upper Midwest (Chicago)	030 ^{3/}	644.1	-62.8	326.2	-5.2	51	18	8	23	12.22
Central (Kansas City)	032 ^{3/}	653.5	-58.1	390.5	-7.4	60	22	8	10	12.52
Southwest (Dallas)	126 ^{3/}	558.9	-28.3	341.0	-2.8	61	20	1	18	12.93
Arizona-Las Vegas (Phoenix)	131	223.3	-0.7	77.5	-3.1	35	9	43	13	12.94
Western (Salt Lake City)	135 ^{3/}	183.7	-59.6	92.6	-5.4	50	16	2	32	12.10
Pacific Northwest (Seattle)	124 ^{3/}	415.2	-39.0	168.7	-5.8	41	10	6	43	11.66
ALL MARKET AVERAGE OR TOTAL	^{3/}	6,805.9	-33.3	3,755.3	-4.4	55	18	14	13	12.57

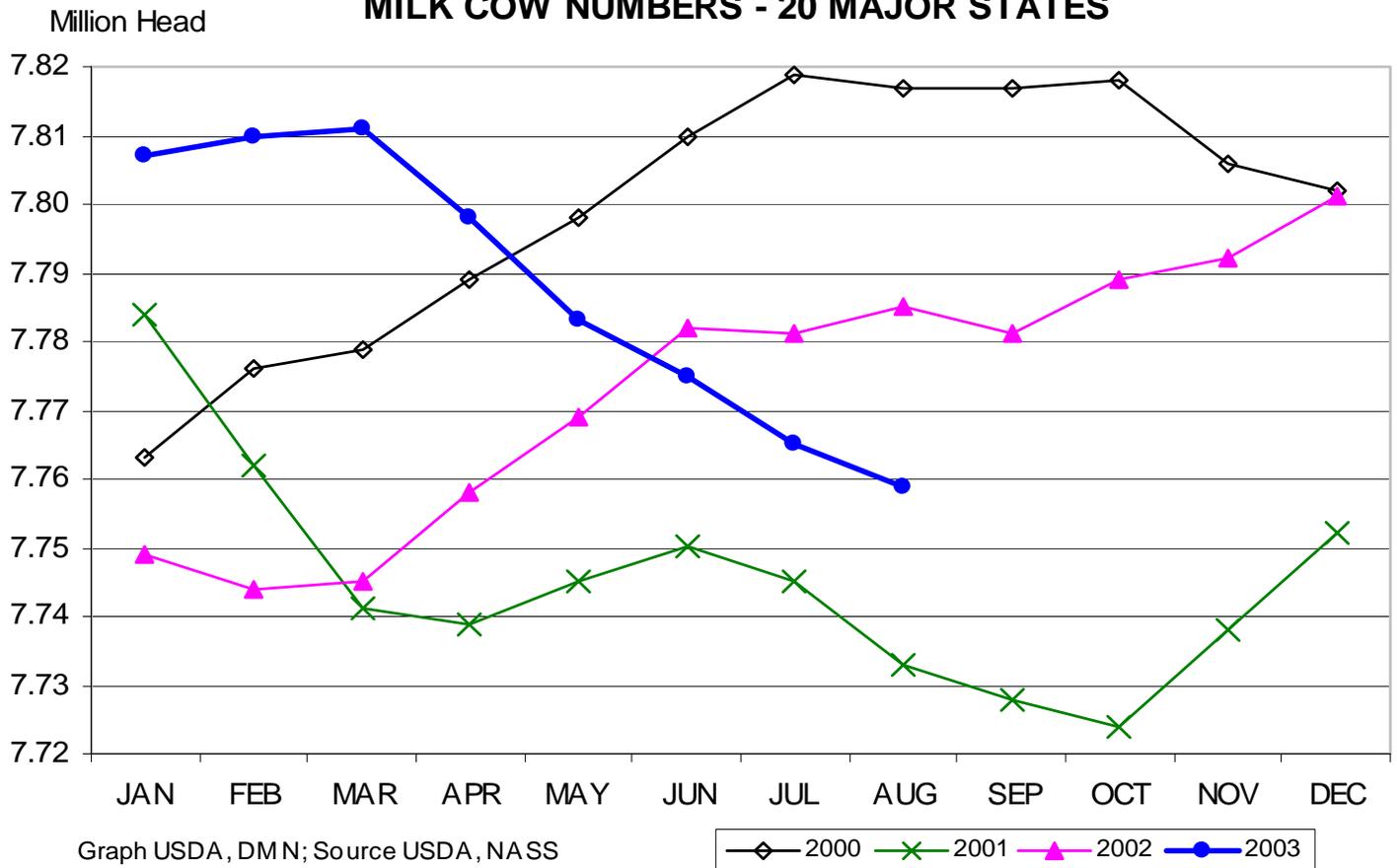
^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{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.

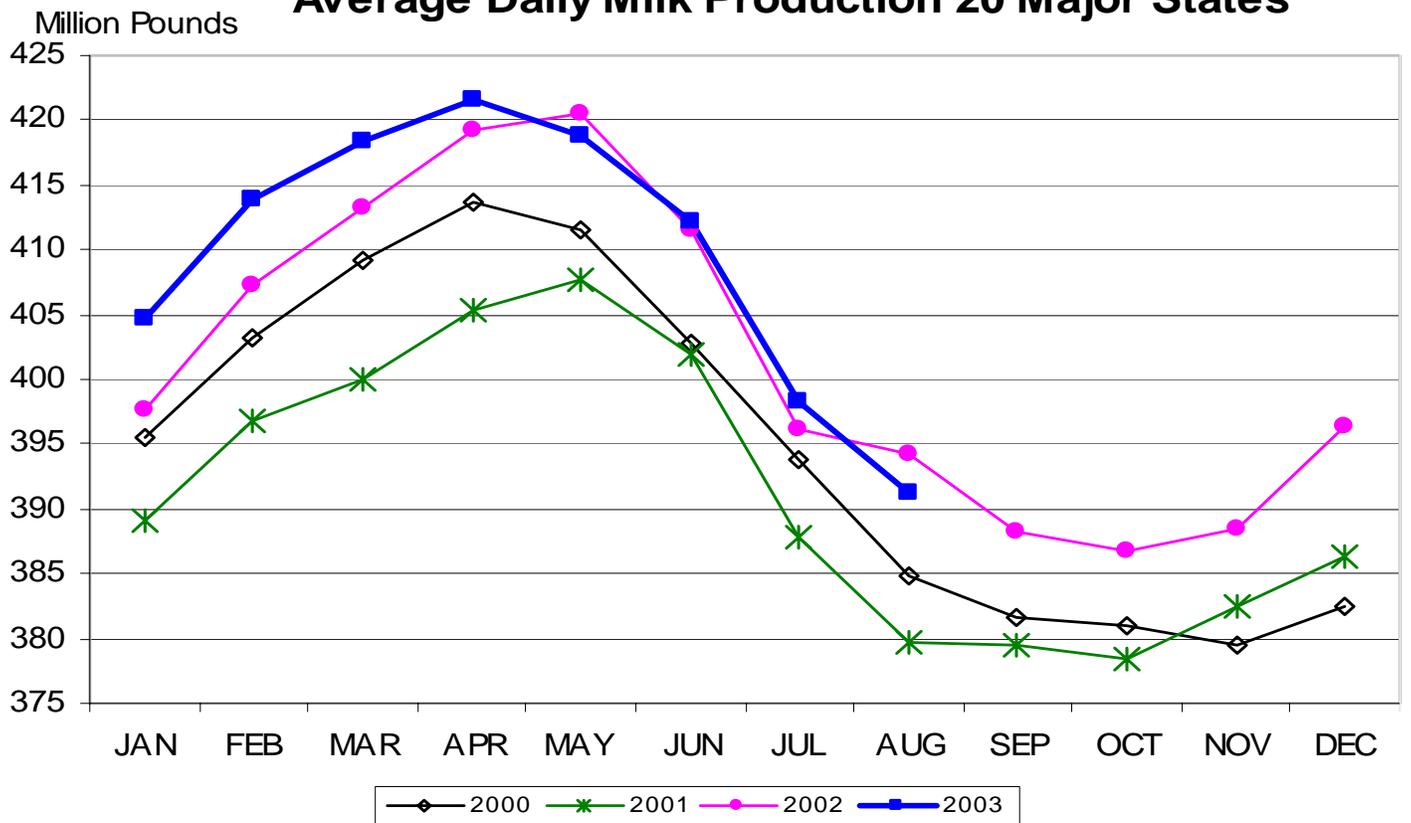
^{3/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 3.2 billion pounds of milk that normally would have been associated with these markets. In August 2002, the estimated not-pooled volume of milk was 330 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is -5.1.

^{4/} Less than 0.5 percent.

MILK COW NUMBERS - 20 MAJOR STATES



Average Daily Milk Production 20 Major States



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 15 - 19, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 09/12/03	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	2,799,171	-0-	-0-
Barrel	-0-	-0-	-0-	5,406,631	2,219,117	-0-	-0-
Process	-0-	-0-	-0-	31,838,400	2,296,800	-0-	-0-
TOTAL	-0-	-0-	-0-	41,085,137	7,315,088	-0-	-0-
NONFAT DRY MILK							
Nonfortified	8,510,086	1,165,683	7,344,403	617,182,962	648,734,893	1,165,363,000	1,142,930,000
Fortified	-0-	-0-	-0-	596,814	-0-	46,391,000	46,391,000
TOTAL	8,510,086	1,165,683	7,344,403	617,779,776	648,734,893	1,211,754,000	1,189,321,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 15 - 19, 2003 =	1.6	85.5	COMPARABLE PERIOD IN 2002 =	0.5	26.0
CUMULATIVE SINCE OCTOBER 1, 2002 =	764.7	7,599.1	CUMULATIVE SAME PERIOD LAST YEAR =	210.2	7,623.7
CUMULATIVE JAN. 1 - SEPT. 19, 2003 =	690.6	6,333.5	COMPARABLE CALENDAR YEAR 2002 =	193.3	6,727.8

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

CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 15 - 19, 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-	7,344,403	-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	2,296,800	24,411,395	35,590,570	39.4	13.8
WEST	11,446,631	-0-	9,035,165	5,018,288	555,798,585	576,024,132	59.5	82.3
EAST	-0-	-0-	-0-	-0-	37,569,796	37,120,191	1.1	3.9
TOTAL	11,446,631	-0-	41,085,137	7,315,088	617,779,776	648,734,893	100.0	100.0

NDM SELBACK TO THE TRADE	EAST/CENTRAL	TOTAL	PRICE
SEPTEMBER 8 - 12, 2003	125,662	125,662	\$0.8425

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 08/30/03 & 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	0.8	6.9	5.2	19.7	2.7	0.5	0.9	13.7	2.6	53.3	1,878.1	46.6	47.6
2002-Dairy	0.2	0.9	7.4	5.1	21.4	2.3	0.4	0.9	13.0	2.2	53.9	1,688.6	47.4	46.0
2003-All cows	0.2	1.0	9.0	13.4	31.1	17.6	16.3	3.0	16.2	6.7	114.5	3,944.3		
2002-All cows	0.2	1.1	9.9	14.3	30.6	15.1	14.2	3.5	17.0	7.8	113.8	3,673.2		

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