

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/26):**

BUTTER: Grade AA closed at \$1.1825. The weekly average for Grade AA is \$1.1858 (-.0042).

CHEESE: Barrels closed at \$1.5550 and blocks at \$1.6000. The weekly average for barrels is \$1.5650 (-.0025) and blocks, \$1.6000 (N.C.).

BUTTER: The butter market remains firm, although the cash price at the CME is weaker. Churning activity across the country is lighter as demand for cream supplies remains competitive. Often, fresh butter production is not keeping pace with demand thus inventoried stocks are being used to supplement orders. In many instances, butter inventories are declining at a more rapid rate than many producers and handlers anticipated, although most are not overly concerned about not having sufficient supplies for upcoming year-end needs. Overall, butter demand is seasonally fair. Most buyers are cautious about placing large orders at this time and do not foresee significant strength in cash prices in the near future. Some buyers are looking ahead to year-end needs and orders are starting to be placed.

CHEESE: The cheese market remains fully steady, pricewise. It has been more than forty trading sessions since the 40# block price last changed and there have been few changes in the barrel price since mid-August. Cheese output is being negatively impacted by the tight supply of surplus milk in many parts of the country. Cheese stocks are sufficient to meet the generally steady demand. With prices as steady as they are, many buyers are just making weekly replacement orders and maintaining inventories. Process interest is fair and natural orders are mixed, but in the fair to good range.

FLUID MILK: Milk production patterns in the Western United States are seeing some swings in recent weeks. The sporadic weather conditions continue to impact milk cows. The call for bottled milk is steady to higher. California production is mixed; being lower following hot weather over the weekend but rebounding as a response to cooler temperatures at midweek. Plant capacity is adequate in the state with cheese producers wanting extra milk. Production patterns in Arizona and New Mexico are trending slightly higher. In the Northwest, milk output is slow to respond to more fall-like weather, although fat and protein test are improving. Milk volumes are holding steady across the Central region. Bottlers and processing plants are seasonally active and often short of full needs. The Northeast is still feeling the impact of last week's hurricane. Processing and buying patterns are returning to normal, but some areas are still without power. Some schools remain closed and affected consumers are not buying perishables. Farm level milk losses are thought to be minimal. In the Southeast and Florida, milk needs are about steady with few changes in shipments into the area noted.

DRY PRODUCTS: Nonfat dry milk prices are holding steady in all

regions. Demand is fair to good for the currently limited offerings. Cheese manufacturers are using nonfat and cream in processing to extend yields. Dry buttermilk prices are steady to higher in limited transactions. Offerings are light on a spot basis. Despite higher butter production, little extra dry buttermilk is entering the market. Several producers are catching up on past orders. Whey markets continue to trend higher with generally tight availability. Domestic demand is fair to good and is better than export interest. Whey protein concentrate prices moved higher as supplies remain tight. Export demand is good and presently supporting the market. Lactose prices are unchanged at the end of the third quarter, but fourth quarter prices are being negotiated at higher levels. Supplies are presently tight.

CCC: During the week of September 22 - 26, CCC net purchases total 3,908,319 pounds of Western nonfortified and fortified NDM.

COLD STORAGE (NASS): On August 31, U.S. cold storage holdings of butter totaled 256.7 million pounds, 11.8% more than a month ago but 9.6% less than last August. Natural American cheese holdings total 538.3 million pounds, 4.8% less than a month ago and 2.6% less than a year ago.

DAIRY SITUATION AND OUTLOOK (ERS): Relatively weakened milk production and recovering sales led to significantly tightened late summer cheese markets while most other dairy markets stayed fairly soft. The cheese price increases are boosting milk prices. Production and market adjustments in coming months will test whether the prices can hold. The 2003 average price of all milk is projected to be similar to 2002's annual average (\$12.19) about \$2 below the 1997-2001 average. Milk prices in 2004 are expected to be near this year's levels. Market adjustments leading to stronger prices could start to make a difference by late in 2004, but at least the first half of the year is threatening to be a lot like 2003. Milk production in 2003 is expected to total just barely larger than 2002's 169.8 billion pounds. Milk output may end the year again above the weakening levels of a year earlier. The projected recovery in milk per cow in 2004 would be enough to push 2004 production about 1% higher.

CONSUMER PRICE INDEX (BLS): The August CPI for all food is 180.4, 2.5% higher from August 2002. The dairy products index at 167.5, is 0.2% higher from a year ago. The following are the August to August changes for selected products: fresh whole milk -0.3%, cheese +1.2%, and butter -3.9%.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first seven months of 2003 totals 99.0 billion pounds, 2.0% higher than the same period in 2002. Comparing disappearance levels with year earlier levels: butter is +0.5%; American cheese, -0.8%; other cheese, +2.6%; NDM, -5.1%; and fluid milk products, +0.1%.

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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 22	TUESDAY SEPTEMBER 23	WEDNESDAY SEPTEMBER 24	THURSDAY SEPTEMBER 25	FRIDAY SEPTEMBER 26	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5550 (-.0125)	-.0125	\$1.5650 (-.0025)
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	\$1.1900 (-.0050)	-----	\$1.1850 (-.0050)	-----	\$1.1825 (-.0025)	-.0125	\$1.1858 (-.0042)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (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 22, 2003

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 5 CARS GRADE AA: 1 @ \$1.1950, 2 @ \$1.1900, 1 @ \$1.1950, 1 @ \$1.1900; BIDS UNFILLED: 6 CARS GRADE AA: 2 @ \$1.1875, 2 @ \$1.1850, 2 @ \$1.1825; OFFERS UNCOVERED: NONE

TUESDAY, SEPTEMBER 23, 2003

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

WEDNESDAY, SEPTEMBER 24, 2003

CHEESE -- SALES: 4 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.1800, 1 @ \$1.1850; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1750; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.2000

THURSDAY, SEPTEMBER 25, 2003

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

FRIDAY, SEPTEMBER 26, 2003

CHEESE -- SALES: 1 CAR BARRELS @ \$1.5550; 2 CARS 40# BLOCKS @ \$1.6000; BIDS UNFILLED: 5 CARS 40# BLOCKS @ \$1.6000; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.5650, 1 @ \$1.5675
 BUTTER -- SALES: 7 CARS GRADE AA: 2 @ \$1.1800, 1 @ \$1.1775, 2 @ \$1.1800, 2 @ \$1.1825; BIDS UNFILLED: 9 CARS GRADE AA: 2 @ \$1.1800, 1 @ \$1.1775, 4 @ \$1.1750, 2 @ \$1.1600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1900

BUTTER MARKETS

AUGUST COLD STORAGE

According to NASS, August month-ending cold storage figures for butter total 256.7 million pounds, 11.8% more than last August but 9.6% less than July 2003 holdings.

NORTHEAST

The market tone remains firm, but the cash price at the CME did decline fractionally on September 22. That was the first price decrease at the CME following seven straight sessions of increases. Churning activity remains limited in the East. Contacts continue to report tight supplies of both milk and cream. Consequently, fresh butter is short of needs at most plants. Butter makers are having to get by on their own cream supply and/or microfixing bulk to fill print needs. Demand for packaged butter is fair. Retail features are scattered, but most producers are busy packaging anticipated November and December needs. 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 edge lower at midweek, to the surprise of some butter producers and handlers. Butter producers are looking at the time of year when they will be pulling heavy volumes of spring butter production from storage and are questioning if they will be able to cover storage costs at current price levels. Current churning schedules are lighter as cream supplies available to butter operations remain tight. Often fresh butter supplies are not sufficient to meet current needs and inventoried stocks are being used to

supplement shortages. Many producers and handlers indicate that there are readily available volumes of butter in inventory, but are somewhat surprised at how quickly inventories are declining. Overall, butter demand is fair. Most orders continue to be placed for short term needs. Orders are starting to be placed for upcoming holiday needs and early indications are pointing to heavy butter clearances during the final few months of the year. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

WEST

Butter production continues on the light side seasonally. Cream supplies for the churn are limited by sales to ice cream accounts and the cheese vat. Contacts are working to position themselves with print butter for the upcoming end of the year holidays. Fresh butter is short of what is needed for the fall so butter continues to come out of storage. Butter prices at the cash CME market had held steady or increased since late August until this week when they declined fractionally during two trading sessions. Contacts are uncertain as to what direction butter prices will take in the short run. Butter demand going into the fall appears to range from fair to good. Butter stocks in CME approved warehouses declined by 9.35 million pounds during the most recent week, the largest weekly decline this year. Stocks stand at 150.8 million pounds, and are now down to last year's peak level. Stocks have fallen by 59.2 million pounds over the last ten weeks. This is a very heavy draw down rate. 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. USDA Cold Storage information for the end of August indicates that stocks stand at 256.7 million pounds, still 12% higher than last year. Stocks are down 10% from last month.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
SEPTEMBER 20	1,5820	1,5709	0.8126	1,1568	0.1782
	8,897,522	9,948,790	21,181,740	2,992,765	13,313,218

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 unchanged on natural items, higher on process. The market tone is fully steady. The price of 40# blocks at the CME has held at \$1.6000 since July 31 (37 straight sessions), while barrels, after a two-day "dip" two weeks ago, have returned to their previous level. Cheese output in the Northeast is steady, but most cheese producers report that the tight milk supplies are reducing operating schedules. Cheese stocks are adequate for current needs. Hurricane Isabel did disrupt distribution schedules last week. Some areas are still without power, which is hampering retail movement in the affected areas. Food service orders are mostly steady, but Isabel also had a large impact on the restaurant business in the Middle Atlantic area.

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 remains steady. Blocks have been unchanged at \$1.60 at the Chicago Mercantile Exchange cash cheese market since July 31. During the same period, barrels have bounced in a 3-cent range. Process interest is slow to fair. Depending on variety, natural interest is fair to good. Block and 640's remain tight with barrels more often available. Milk supplies remain tight and many plant operators are unable to secure supplemental volumes. Because of the tight supply of surplus milk, many cheese plants are running on reduced schedules. Cheese yields remain seasonally low.

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#	:	1.9900-2.2625
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
		:	
09/22/03	71,004	:	130,685
09/01/03	90,186	:	132,287
CHANGE	-19,182	:	-1,602
% CHANGE	-21	:	-1

WEST

Natural cheese prices generally continued to hold steady while process prices moved higher. Cheese demand is being rated as good going into the fall season of the year. Buyers are beginning to position themselves for the improved fall demand. Offerings of cheese seem to be improving as more manufacturers catch up on orders that they have been behind on. Tests on incoming milk receipts are improving in those areas of the region that are seeing cooler fall temperatures. The rain of the past two weeks has not done anything to relieve the summer drought stress. Pasture conditions are not good and hay quality is not leading to very good output per cow. The USDA Cold Storage report for the end of August indicates that there are 538.3 million pounds of natural cheese in storage, down 5% from last year or 27.2 million pounds. Stocks also declined from last month. Swiss stocks stand at 22.3 million pounds, down more than six million pounds from last month, but still 57% higher than one year ago.

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 area unchanged. Last week's hurricane caused widespread flooding and power outages and distributors had to adjust their delivery schedules to meet those challenges. Supplies of most cheeses are adequate to cover needs. Reports indicate that the Euro is again gaining strength against the U.S. Dollar. This, combined with import license-year considerations, is affecting buyers' orders. Demand for imported and domestic foreign-type cheeses is fair.

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	204	0	204	0	168	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.

During August, milk production in the 20 major states totaled 12.13 billion pounds, down 0.8% from August 2002. The following are the August-to-August changes for selected states: Texas +5.3%, New York -1.4%, Vermont -3.6%, Pennsylvania -4.6%, Florida -9.0%, Kentucky -9.6% and Virginia -10.1%. The base price for Class I milk for October 2003 is \$14.27 per cwt., up \$.56 from September. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for October is \$6.66, down \$0.03 from September. The aftermath of Hurricane Isabel is still being felt in the Middle Atlantic area. Residents and businesses in the Carolinas, Virginia, Maryland and Pennsylvania are still without electricity. While power was lost, affected plants had to redirect their milk to other outlets and now that power is being restored or generators are available, these plants want milk back and some are rather impatient about getting it back. Milk handlers are working as best they can to find the milk and trucks to re-supply these plants. It is too early to know definitively, but early reports indicate that very little farm-milk was lost. Most farms have generators and quite often, haulers made early pick ups so that the farmers would have room in their tanks during the storm. Bottled milk demand is good as stores restock their shelves, but many schools are still closed due to loss of power. Returned milk and its handling are an issue for many bottlers. Elsewhere, milk output is showing more signs of increasing in the Southeast and steady in the Northeast. Outside of the "storm area" the milk and cream business is little changed. Florida's need for milk is steady this week. Volumes of surplus milk are tight and most manufacturing plants are operating well below capacity levels. The condensed skim market is fairly good for Class II, but slow for Class III. Most sales are contractual, but some spot interest is noted where buyers are not getting enough from regular suppliers. The fluid cream market remains firm. Offerings are tight early in the week, but adequate late in the week. Demand is good and readily clears most of the current offerings. Spot prices are higher since the CME average price of butter increased 2.5 cents last week. Isabel disrupted all levels of the market late last week and things are just getting back to some semblance of normalcy this week. Churning activity is limited.

premiums range from \$2.00-3.25 over class. Cream markets and prices remain firm. Pricing multiples remain in a range of 138-152.5 over the CME AA butter average of last week. Active demand for cream from Class II operations continues to limit volumes for butter producers. Many cream handlers and buyers are puzzled by the lack of cream this year versus past years. Usually by this time, Class II demand has eased, standardized cream volumes were plentiful, and butter producers were able to readily absorb available cream volumes for upcoming holiday needs, but not this year. Butter producers are hopeful that this situation will/should turn around soon.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 18 - 24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 40.00- 46.00	\$ 35.00- 39.00
REPLACEMENT HEIFER CALVES	\$400.00-550.00	\$450.00-600.00

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

	SEP 18 - 24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 50.50	\$ 36.50- 42.75

W E S T

Milk production in CALIFORNIA has been described as a "yo-yo" with the weather conditions being the major factor. Some major heat again returned over much of the state with several contacts again noting production declines. The extent of the declines was not as severe as earlier drops and several processors saw recovery as soon as the weather cooled. Nighttime temperatures are cooling and helping stave off further declines. Bottlers' orders are holding steady at predictable levels. Demand for fluid milk has not changed much at retail, despite higher retail pricing taking effect. Milk supplies entering plants in the state are sometime short of the needs of cheese producers who are supplementing with nonfat dry milk and cream. Solids levels of incoming milk are low. ARIZONA milk production is trying to come off the seasonal low. Hotter weather over the weekend dropped milk intakes but milk moved higher by midweek. Fat and protein levels are starting to move higher. Cooler high temperatures and short days seem to be helping more than anything else. Heat abatement measures remain in place. Fluid milk demand remains active with a good call for milk from bottlers noted. NEW MEXICO milk is trickling higher. Supplies are generally being balanced with normal accounts. The plant that had been down was on line this week. Production plants in the state are getting milk supplies they desire. Milk shipments to the Southeast continue, but at a slower pace than expected. The Grade AA butter price decline 0.75 cents since last Wednesday and was \$1.1850 on 9/24. The weakness in price did nothing to stop the demand for cream. Buyers are still actively looking for cream to fill needs. Butter churning is active and printers are running as much as possible ahead of holiday orders. Cream-based holiday item production is beginning to develop for longer shelf life products. Ice cream makers are seeing good demand for the end of September and the hot weather is one of the main reasons as consumer activity is good. Cheese makers remain strong buyers to supplement vats and extend yields. The biggest reason is that the fat is worth more in \$1.60 cheese than \$1.1850 butter. Western cream multiples are steady and range from 118 to 133, FOB, depending on class usage and basing point. More fall-like weather is common over the PACIFIC NORTHWEST. Nighttime temperatures are definitely cooler with daytime readings often still on the warm side. The rain of a week ago or so did little to help recover from the dry conditions. Corn silage harvest is continuing at a good rate and quality and volumes are above average. Hay quality remains a concern for many buyers. Some are looking at the cost/return relationship of using high end feeder hay versus what some are selling as dairy quality hay. Heifer prices are firming as producers cull low end cattle at very favorable prices and replace them with younger animals. Some producers are implementing expansion plans that they have been considering for a number of months. Scattered frost has hit much of UTAH and IDAHO. This is tending to speed the harvest of corn silage as the plants dry down rapidly. Fat and protein tests are improving as the weather cools. Overall milk production is not doing much yet, but is expected to improve shortly. Demand for heifers is good and average prices have moved into the high \$1600 range. They have not been at this level since April 2002 at this major Idaho sales market. Some cheese manufactureres continue to purchase good volumes of outside milk to keep their production schedule geared to cheese demand.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6303-1.9347
DELIVERED EQUIVALENT ATLANTA	-	1.6541-1.9040 M 1.7136-1.8564
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6422-1.8184

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

Milk production patterns across the Central part of the country are holding basically steady. Plant managers indicated that they have not seen any significant milk gains or losses from the previous week. Bottlers and manufacturing plants remain seasonally active with milk supplies sometimes lighter than desired. Bottlers indicate that they are quite surprised at how strong bottling schedules have remained throughout the month. Many felt that once school bottling pipelines were filled, milk demand would have eased, but this has not been the case. Milk continues to clear to southern buyers of the country, tightening local milk supplies. Some cheese manufacturers continue to look for additional milk volumes. Reported spot manufacturing milk

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 is steady to higher as milk rebounds in some areas of the Central region. Supplies of NDM are in balance for the contractual interest. Spot demand is good, especially for holiday baking and blending. Spot sales of low and high heat NDM are nominal. Resale trades of CCC NDM from the cheese exchange dominate trade activity at prices below and within the range. Due to increased resale trade, condensed skim demand is slightly reduced yet volumes remain manageable.

EAST: Eastern prices are unchanged, but a few increases within the range were noted again this week. The market tone remains firm. Eastern producers are making relatively little NDM as milk supplies remain tight and demand for some classes of condensed skim are quite good. Demand is fair to good, but most buyers do have enough under contract to meet their needs. Spot inquiries are often filled with resale or "government exchange" powder. Because of the light supply of milk and drying, some local producers are having difficulty keeping up with contract delivery schedules. The effects of Hurricane Isabel continue to be felt in a large portion of the Middle Atlantic area. Flooding, power outages, closed roads, and difficulty finding trucks have all had some impact on the market this week. Many businesses and households were still without power at midweek.

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

Western pricing for low/medium heat NDM continues to hold within the same range as in recent weeks. The market tone is fully steady with really no new information to move this market. There remains a good call for NDM from cheese makers who are using NDM and cream to extend cheese yields. Condensed skim into cheese is priced too high under both federal orders and state orders to use at this time. The trade is stating that it is harder to find product in totes and 50# bags. Resale offerings of NDM from CCC programs remain an alternative for buyers. Producers continue to fill contracts to the CCC for fortified and medium heat NDM. During the week of September 16 - 19, CCC net purchases totaled 7.3 million pounds of NDM from the West. High heat prices are slightly higher on the bottom end of the range. The overall tone is fairly steady. Seasonal interest in the market is developing slowly. Some producers continue to limit production to match orders and projections. Spot interest is light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8825 MOSTLY: .8000 - .8150
 HIGHHEAT: .8350 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 19	\$.8035	13,653,816	not available
September 12	\$.8029	12,966,397	2,686,250

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. Unconfirmed reports of trades above the range are reported. Resale buttermilk is reportedly available at prices near the low end of the range. Demand is good into blending operations with supplies generally short of interest. Buttermilk product is available at some locations and difficult to clear. Churn activity is light and condensed buttermilk volumes are unchanged. Movement of condensed buttermilk into ice cream is steady, limiting available volumes for drying. Production of dry buttermilk is not anticipated to increase significantly for another 3-4 weeks. Prices for Report 39 in 2002 were .7500 - .8600.

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

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to higher and nominal. The market tone remains firm. However, there continues to be a light test of the spot market. Producers have little powder on hand to offer to spot buyers. Most are having difficulty making contract shipments. Churning schedules remain light and relatively little buttermilk is finding its way to dryers. Plant stocks are occasionally short of needs.

F.O.B. NORTHEAST: .8000 - .8100
 DELVD SOUTHEAST: .8400 - .8700

DRY BUTTERMILK - WEST

Prices for dry buttermilk in the region are slightly higher on the bottom end of the range, while holding fully steady in the mostly series. Offerings in the region remain light. Although butter churning is seasonally active, several sellers of dry buttermilk have no surplus powder to offer on the spot market. Several contacts are attempting to fill prior months' contracted volumes. Current demand is often hard to measure. There are buyers that are out of the buttermilk market because they cannot find product and have used alternatives. Inventory levels remain light.

F.O.B. WEST: .8200 - .8600 MOSTLY: .8300 - .8500

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Production of dry whole milk remains light and generally just to meet orders. Demand is mostly contractual, with little spot activity being reported. There continues to be reports of imported dry whole milk in the market place at competitive prices.

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

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 THROUGH SEPTEMBER 19, 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. Trade activity is light and mostly contractual. Supplies are in balance to tight, especially as some plants have reduced output or are experiencing equipment problems at the present time. Seasonal interest from baking and feed accounts is increasing. Resale supplies from April – June are trading at a slight premium. Condensed whey is available at some locations for the light interest from WPC/lactose and feed facilities. Mostly prices for Report 39 in 2002 were .2200 – .2275.

F.O.B. CENTRAL: .1800 - .1950 MOSTLY: .1850 - .1950

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to increase fractionally and the market tone is firm. Reports indicate that users may be more willing to commit to purchasing additional loads ahead of additional price increases. Some contacts state that the buyers may see the market/prices holding "relatively high" well into next year and are now willing to take a position. Producers continue to report little or no spot availability, while traders do have product to offer on the spot market. Some report being sold out for the remainder of the year and others are accepting spot orders for delivery in mid to late October. Also, there is occasional difficulty meeting contract delivery dates. Demand is fair to good.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1900 - .2100
DELVD SOUTHEAST: .2100 - .2250

DRY WHEY - WEST

Prices increased fractionally for Western powder as the market remains closely balanced. Offerings of powder from manufacturing plants are steady with stocks in generally close balance. Domestic interest is good with more easterly areas of the country having much less product available. Export interest is more mixed. Some contacts report that export buyers are indicating that U.S. prices are too high and they are able to find powder at more competitive prices. Other sources indicate that their sales activity remains strong and that they are not experiencing any problems. Overall production patterns going into the fall season are about typical for the end of September.

NONHYGROSCOPIC: .1700 - .2025 MOSTLY: .1800 - .1950

ANIMAL FEED WHEY – CENTRAL

Prices are unchanged on a steady to firm market. Milk replacer supplies remain limited for the good interest. Some traders are surprised that more product is not available. Milk replacer prices for Report 39 in 2002 were .1850 - .2100. August veal production totaled 14.2 million pounds, a new monthly low and 15% below August a year ago. Pork production totaled 1.56 billion pounds, down 5% from the previous year. Early weaned pig prices are trading higher while the veal market is unsettled in response to the easement of the Canadian veal import ban.

F.O.B. CENTRAL:
MILK REPLACER: .1700 - .1750

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies of WPC 34% remain tight. New interest from export markets is reportedly supporting the current firm market. Spot interest domestically is noted into both feed and food accounts. While producers are having difficulty in satisfying the spot market, contractual obligations are being met without delay. Contracts for the fourth quarter are reported above the range at some locations. Production is generally steady. Resale trade is predominantly on off grade supplies for the fair feed interest. Mostly prices for Report 39 in 2002 were .4500 - .4600.

F.O.B. EXTRA GRADE 34% PROTEIN: .4800 - .5325 MOSTLY: .4925 - .4975

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Prices are expected to increase with the commencement of the fourth quarter next week. Negotiations continue at some locations, especially for export contracts. Supplies remain tight with some manufacturers running behind on their commitments. Some firms are reducing the number of contracts available in the fourth quarter in an attempt to catch up on delayed orders from third quarter. Spot interest is good, especially into export markets. Some domestic interest from candy and confectionary companies is also noted. Off grade supplies are limited for the good feed demand. Mostly prices for Report 39 in 2002 were .1500 - .1700.

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 markets remain firm as prices adjust slightly higher. Domestic buyers indicate that they are receiving their contracted volumes but spot availability is limited for both acid and rennet. Milk and casein production in Europe is seasonally winding down while Oceania is just getting underway. The Commodity Credit Corporation invites competitive offers, under invitation 010, to buy from CCC an undetermined quantity of government owned NDM for the manufacture of casein or caseinates. Bids are due October 8. Earlier in September, 1.3 million pounds of powder was sold at \$0.22 per pound.

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: 2.0500 - 2.1500
ACID: 2.0000 - 2.1500

EVAPORATED MILK - NATIONAL

Prices are steady the market tone is unchanged. The market remains highly competitive. Production levels are steady and remain relatively light. Demand is starting to pick up as buyers who are hesitantly starting to accept the recent price increases, begin to place "buy in" orders. (That is typically a normal-volume order at the old price.) Producers are expecting retailers to begin pulling for November and December needs sometime in the next few weeks. Producer stocks are adequate to meet current demand.

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.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	09/10	09/11	09/12	09/15	09/16	09/17	09/18	09/19	09/22	09/23
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
SEP 03	14.15 (6030) 45	14.20 (6043) 76	14.21 (6045) 30	14.22 (6048) 44	14.24 (5953) 136	14.24 (5954) 8	14.25 (5954) 8	14.25 (5956) 13	14.22 (5950) 11	14.25 (5930) 0
OCT 03	13.77 (5366) 61	13.92 (5372) 40	13.92 (5369) 56	13.92 (5372) 51	13.90 (5414) 70	13.90 (5467) 172	13.88 (5480) 171	13.88 (5450) 130	13.87 (5439) 101	13.82 (5473) 114
NOV 03	12.68 (4170) 113	12.82 (4105) 102	12.82 (4109) 88	12.84 (4112) 34	12.84 (4150) 142	12.83 (4174) 119	12.87 (4197) 72	12.85 (4229) 74	12.78 (4239) 26	12.70 (4251) 51
DEC 03	12.10 (3307) 80	12.20 (3275) 109	12.24 (3275) 37	12.24 (3283) 10	12.24 (3333) 133	12.29 (3362) 43	12.29 (3363) 27	12.24 (3372) 37	12.20 (3373) 30	12.10 (3384) 18
JAN 04	11.95 (1247) 12	11.99 (1252) 20	11.99 (1253) 2	11.95 (1258) 17	11.92 (1290) 55	11.86 (1282) 47	11.83 (1290) 52	11.79 (1295) 88	11.66 (1286) 85	11.56 (1294) 20
FEB 04	11.38 (958) 51	11.55 (963) 8	11.55 (973) 15	11.53 (991) 28	11.50 (1016) 62	11.50 (1021) 43	11.45 (1024) 13	11.42 (1041) 31	11.35 (1069) 51	11.25 (1086) 48
MAR 04	11.40 (908) 59	11.55 (915) 17	11.55 (918) 9	11.50 (929) 19	11.46 (933) 34	11.40 (946) 31	11.38 (949) 6	11.36 (962) 25	11.30 (967) 58	11.20 (966) 28
APR 04	11.38 (688) 40	11.48 (693) 11	11.43 (703) 12	11.43 (715) 29	11.43 (736) 37	11.40 (741) 25	11.38 (746) 6	11.38 (759) 24	11.30 (771) 24	11.23 (768) 16
MAY 04	11.35 (554) 26	11.45 (553) 3	11.40 (566) 15	11.40 (581) 21	11.40 (588) 27	11.40 (595) 20	11.35 (596) 2	11.32 (596) 11	11.25 (604) 23	11.21 (608) 17
JUN 04	11.88 (416) 62	11.91 (422) 8	11.95 (429) 12	11.95 (436) 21	11.95 (455) 34	11.95 (449) 15	11.95 (454) 5	11.90 (460) 18	11.90 (476) 18	11.82 (482) 16
JUL 04	12.20 (317) 7	12.20 (318) 2	12.20 (323) 5	12.20 (339) 31	12.25 (343) 10	12.25 (344) 1	12.25 (344) 0	12.25 (345) 1	12.25 (351) 10	12.19 (364) 21
AUG 04	12.50 (307) 13	12.50 (308) 2	12.50 (309) 4	12.55 (338) 41	12.60 (341) 10	12.60 (344) 3	12.60 (344) 0	12.60 (344) 0	12.55 (349) 11	12.49 (362) 19
SEP 04	12.99 (403) 37	12.99 (403) 3	12.95 (403) 0	12.95 (420) 39	13.00 (424) 11	13.00 (425) 1	13.00 (425) 0	13.00 (425) 1	13.00 (431) 11	12.90 (440) 18
OCT 04	12.00 (212) 5	12.10 (211) 2	12.00 (216) 10	12.05 (227) 16	12.10 (237) 15	12.10 (237) 1	12.10 (237) 0	12.10 (237) 2	12.10 (250) 15	12.10 (250) 6
NOV 04	11.80 (159) 2	11.80 (157) 2	11.79 (162) 6	11.85 (173) 16	11.90 (179) 15	11.95 (184) 6	11.95 (184) 0	11.95 (186) 3	11.95 (193) 7	11.92 (198) 6
DEC 04	11.45 (111) 0	11.45 (111) 0	11.45 (120) 9	11.55 (131) 13	11.60 (137) 6	11.60 (137) 0	11.60 (137) 0	11.60 (137) 3	11.30 (206) 75	11.45 (211) 6
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
SEP 03	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0	10.40 (20) 0
OCT 03	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0	10.36 (3) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 03	116.00 (53) 0	116.25 (49) 10	117.50 (49) 0	117.50 (49) 0	117.75 (50) 1	118.50 (52) 2	120.00 (48) 1	119.00		
OCT 03	118.50 (530) 11	118.25 (524) 13	119.00 (525) 4	119.00 (524) 8	119.25 (530) 14	120.25 (533) 10	121.25 (533) 8	121.25 (529) 9	118.75 (519) 39	118.00 (466) 66
DEC 03	120.00 (457) 4	120.00 (455) 8	121.75 (455) 0	121.75 (455) 3	120.00 (455) 1	122.25 (457) 3	123.50 (457) 0	123.50 (463) 10	121.00 (492) 38	120.50 (534) 59
MAR 04	129.25 (100) 1	129.50 (100) 3	130.00 (100) 0	131.75 (100) 1	131.75 (100) 0	131.75 (100) 0	131.75 (100) 0	131.75 (100) 0	131.75 (100) 0	131.75 (100) 0
MAY 04	131.00 (14) 0	131.00 (14) 0	131.25 (14) 0	132.50 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0
JUL 04	134.00 (17) 0	134.00 (17) 0	134.00 (17) 0	135.25 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 15 - 26, 2003

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

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: The milk production season in Europe continues to wind down. It appears that the heat of this summer did have more of an impact on milk volumes than previously anticipated, especially as the end of the season nears. Milk volumes are lighter than last year at this time, with many milk handlers attributing the lower volumes to heat stress on the milking herd. Often, milk production rebounds in the fall, although this has not happened yet this year. Some feel that the prolonged period of heat may have caused this trend to not develop this season. Additional reports continue to be released on the recent heat wave throughout Europe and the impact it had on the agriculture community. Lack of moisture and prolonged periods of record setting high temperatures did impact crop development and quality. Many dairy producers are concerned about having sufficient feed stocks for upcoming winter needs. Although a volume of feed will be available, the quality of that supply is very questionable. The Euro has gained strength against the U.S. dollar in recent days. The current exchange rate is comparable to mid August levels, but still has a ways to go to be comparable to higher levels recorded in June. European dairy product prices have firmed in recent weeks with many handlers and traders feeling that a ceiling might be at hand. European traders and handlers are looking at where U.S. prices are and also firming Oceania prices as their milk production season gets underway. Stocks of European dairy products are not overly excessive, although traders indicate that supplies are available for international needs. Russia continues to purchase butterfat from European sources for upcoming winter needs.

BUTTER/BUTTEROIL: European butter markets are firm with prices generally higher. Stocks of fresh butter are often not sufficient to meet domestic or international needs, thus inventoried stocks are used to supplement shipments. Some suppliers are having difficulty in filling orders due to time logistics with their PSA stocks. Russia continues to purchase butter for upcoming winter needs with buyer interest continuing for October - December shipments.

82% BUTTERFAT: 1,550 - 1,700
 99% BUTTERFAT: 1,750 - 2,000

SKIM MILK POWDER (SMP): Skim milk powder markets are firm as prices increase. Some European traders indicate that powder prices are at or very near ceiling levels. They are looking at the supply and price situation in the States along with firming Oceania prices and the start of their milk production season and feel that current prices need to stay at this level to remain competitive. A firm Euro against the dollar is also impacting sales potential. Stocks of powder are available, although not at levels of previous years.

1.25% BUTTERFAT: 1,750 - 1,825

WHOLE MILK POWDER (WMP): European whole milk powder markets are firm as prices increase. Milk production in Europe is seasonally declining, thus new stocks of whole milk powder are not as plentiful. International sales are not overly aggressive and European traders and handlers feel that upcoming winter sales activity out of Europe will be lighter.

26% BUTTERFAT: 1,800 - 2,000

SWEET WHEY POWDER: whey powder markets are firm as prices increase. Milk production is declining seasonally, thus so is cheese output. Stocks of whey are available, but lighter than many traders and handlers anticipated for this time of the season.

NONHYGROSCOPIC: 400 - 475

OVERVIEW: EASTERN EUROPE: The milk production season in this part of Europe continues to decline. A fall recovery in milk production is not expected to occur this year as the heat and humidity levels of the summer have basically curtailed the possibility of this trend this year. Stocks of manufactured dairy products are available but not at the level of previous years. Some international sales are being reported out of this area, but not at the levels of previous years.

OCEANIA

OCEANIA OVERVIEW: The milk production season continues to build in Oceania. In New Zealand, early season reports indicate that milk output is running around 5% ahead of last year at this time, with overall annual production estimate increases running in the 2 - 3% range. Early on, South Island production is gaining momentum quite quickly basically due to more animals than last year. In Australia, the milk production season is just getting underway and early reports indicate that growth appears to be slower than last year. In recent weeks, rainfall has been classified as average for early spring in most dairying regions of the country. As a result, improving water storage levels across northern Victoria and consequently, better prospects for allocations of irrigation water; as well as the likelihood of a larger winter grain crop gives some cause for optimism. However, the long range weather forecast for the balance of the calendar year indicates that rainfall amounts will be below average in key dairying regions of Australia. With these current and projected weather conditions, annual production estimates remain in the 1 - 2% ahead of last season range. As milk production increases in New Zealand and Australia, manufacturing plants are gearing up production schedules accordingly. In New Zealand, milk production is increasing to the point that casein production is starting to occur. Although many plants are actively generating manufactured dairy products, stocks remain limited. Early season shipments are on schedule and handlers do not foresee problems in meeting future schedules at this point. Prices for Oceania dairy products are higher. Oceania handlers and traders indicate that recent subsidy adjustments in Europe plus fresh supply tightness and better demand from some international buyers are some factors contributing to firmer prices.

BUTTER: Oceania butter markets are steady to firm as prices increase. The milk production season is just getting underway in Oceania, thus butter stocks are in close balance and limited for spot buyer interest. Producers and handlers indicate that they are generating sufficient volumes of butter to maintain shipment schedules, although very little is entering warehouses at this time. Carryover volumes from last season are very low, thus new season buyer interest will be filled with current production.

82% BUTTERFAT: 1,350 - 1,500

CHEDDAR CHEESE: Oceania cheese markets are firm as prices increase. Milk production is seasonally increasing in New Zealand and Australia, thus is cheese output. Although it is still very early in the production season, cheese manufacturing schedules are quite active, especially in New Zealand. Stocks of cheese are in close balance with demand and current production is in line with short term or immediate needs.

39% MAXIMUM MOISTURE: 1,950 - 2,100

SKIM MILK POWDER (SMP): Skim milk powder markets are firm as prices increase. Some handlers and traders indicate that recent subsidy cuts in Europe, coupled with tighter fresh supply and better buyer interest from some international buyers, are some factors contributing to firmer prices. New season production is just getting underway in the region, thus supplies are in close balance. Producers and handlers indicate that stocks are sufficient to fill current needs, although inventories are slow in building.

1.25% BUTTERFAT: 1,700 - 1,850

WHOLE MILK POWDER (WMP): Whole milk powder markets are firm. Seasonal production is just getting underway in the Oceania region. Stocks are minimal as carry over stocks from last season are low and new production is basically clearing as quickly as it is being generated. Current sales activity is centered around regular and ongoing customer needs.

26% BUTTERFAT: 1,700 - 1,800

Exchange rates for selected foreign currencies: SEPTEMBER 22, 2003

.7423 Canadian Dollar	.0219 Indian Rupee
.3445 Argentina Peso	.5945 New Zealand Dollar
.0929 Mexican Peso	.6783 Australian Dollar
.2557 Polish Zloty	.0089 Japanese Yen
	1.1474 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0929)= 10.7643. That is 1 US Dollar equals 10.7643 Mexican Pesos. Source: "Wall Street Journal"

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

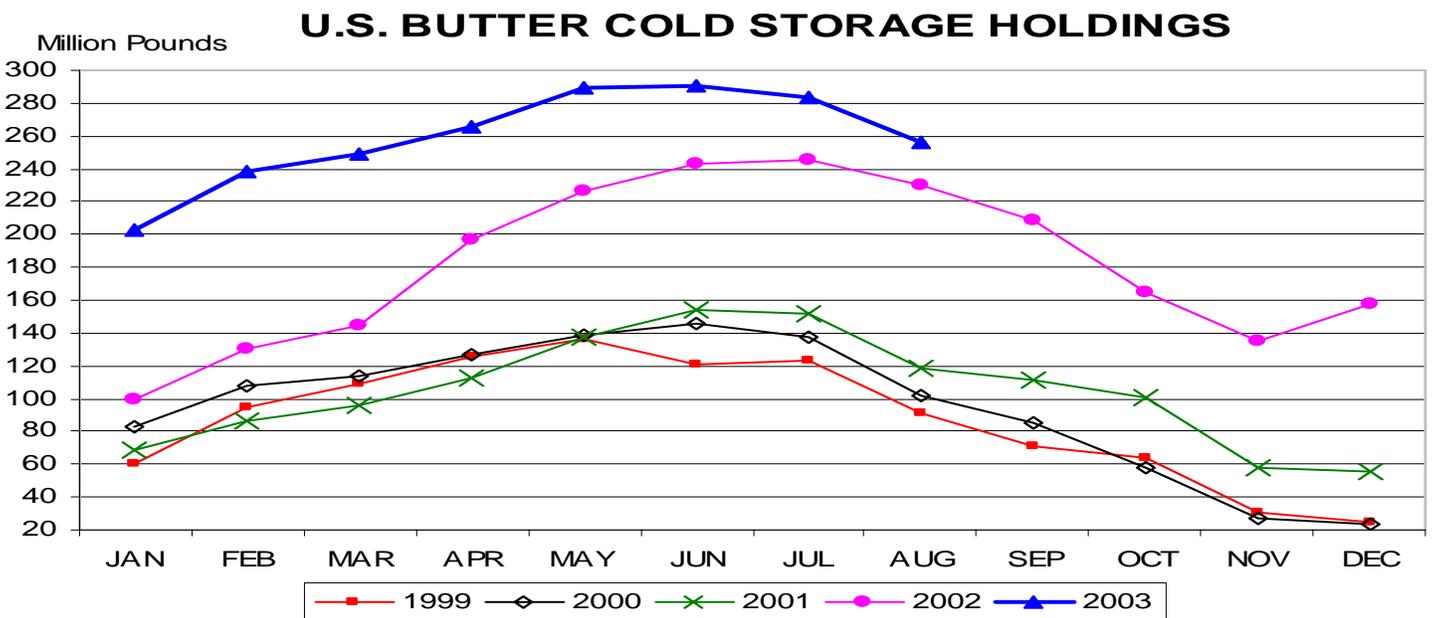
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under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

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JULY 31, 2001	JULY 31, 2002	REVISED JULY 31, 2003	AUG 31, 2001	AUG 31, 2002	AUG 31, 2003
Butter	151,123	245,298	283,879	118,049	229,471	256,662
Cheese, Natural American	527,916	573,368	552,455	499,044	565,419	538,259
Cheese, Swiss	11,479	15,721	28,896	10,668	14,250	22,323
Cheese, Other Natural	213,169	244,489	227,612	211,469	221,829	225,623
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	815	1,991	11,183	1,065	2,449	9,567
Natural American Cheese	1,600	572	6,141	1,575	420	8,681

AUGUST STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
New England	23,032	20,603	22,064	---	---	---	430	443	234
Middle Atlantic	56,606	69,202	53,684	---	---	---	34,704	36,927	18,887
East North Central	215,931	224,461	215,998	---	---	---	98,149	112,520	129,599
West North Central	96,173	142,206	125,899	---	---	---	59,891	56,006	57,381
South Atlantic	4,890	186	126	---	---	---	200	1,919	1,941
East South Central	0	271	213	---	---	---	164	178	1,903
West South Central	1,034	2,244	4,465	---	---	---	171	284	147
Mountain	12,959	9,351	20,390	---	---	---	5,626	1,226	2,991
Pacific	88,419	96,895	95,420	---	---	---	12,134	12,326	12,540
TOTAL	499,044	565,419	538,259	118,049	229,471	256,662	211,469	221,829	225,623

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



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2002 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Million Pounds						Million Pounds						Million Pounds					
January	203	99	202	99	<u>3/</u>	<u>3/</u>	512	460	512	459	<u>3/</u>	1	1,147	900	112	120	1,036	780
February	238	130	237	129	1	1	538	491	538	490	<u>3/</u>	1	1,187	966	116	142	1,071	823
March	249	145	248	144	1	1	530	498	528	498	2	1	1,247	1,028	137	158	1,111	871
April	266	197	266	195	1	2	531	514	528	513	3	1	1,308	1,093	154	161	1,154	933
May	290	227	289	225	1	2	539	536	536	535	3	1	1,336	1,146	159	166	1,177	981
June	292	243	291	241	1	2	550	549	546	548	4	1	1,365	1,235	152	174	1,212	1,062
July	284	245	273	243	11	2	552	573	546	573	6	1	1,305	1,254	86	138	1,219	1,116
August	257	229	247	227	10	2	538	565	530	565	9	<u>3/</u>		1,327		109		1,218
September		209		207		2		513		512		1		1,308		85		1,223
October		165		163		2		501		500		1		1,279		79		1,200
November		136		135		1		474		474		<u>3/</u>		1,238		87		1,151
December		158		157		1		493		493		<u>3/</u>		1,148		101		1,047

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

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jul 31, 2001	Jul 31, 2002	Jul 31, 2003	Aug 31, 2001	Aug 31, 2002	Aug 31, 2003
	Thousand Pounds					
Butter	150,308	243,307	272,696	116,984	227,022	247,095
Natural American Cheese	526,316	572,796	546,314	497,469	564,999	529,578

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (9-03) and "Dairy Products," Da 2-6 (9-03), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

FEDERAL MILK ORDER ADVANCE PRICES, OCTOBER

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for October 2003 is \$14.27 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$10.43 and the advanced butterfat pricing factor is \$1.2007. A Class I differential from each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$5.96. Thus, the Class II skim milk price for October is \$6.66 per cwt., and the Class II nonfat solids price is \$0.7400. **Product Price Averages** - The two-week product price average for October are, butter \$1.1156, nonfat dry milk \$0.8094, cheese \$1.5943, and dry whey \$0.1716.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/} _{2/}				
Federal Milk Order Marketing Area ^{3/}	Order Number	October 2003		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	17.52	13.68	1.2332
Appalachian (Charlotte) ^{5/}	005	17.37	13.53	1.2317
Southeast (Atlanta) ^{6/}	007	17.37	13.53	1.2317
Florida (Tampa) ^{7/}	006	18.27	14.43	1.2407
Midwest (Cleveland) ^{8/}	033	16.27	12.43	1.2207
Upper Midwest (Chicago) ^{9/}	030	16.07	12.23	1.2187
Central (Kansas City) ^{10/}	032	16.27	12.43	1.2207
Southwest (Dallas) ^{11/}	126	17.27	13.43	1.2307
Arizona-Las Vegas (Phoenix) ^{12/}	131	16.62	12.78	1.2242
Western (Salt Lake City) ^{13/}	135	16.17	12.33	1.2197
Pacific Northwest (Seattle) ^{14/}	124	16.17	12.33	1.2197
All-Market Average		16.85	13.01	1.2265

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

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, OCTOBER 2003, WITH COMPARISONS ^{1/}												
CITY	October 2001			October 2002			September 2003			October 2003		
	Announced Coop.	Federal Order	Difference									
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	19.81	19.03	0.78	15.18	13.25	1.93	18.24	16.81	1.43	18.53	17.37	1.16
Baltimore, MD	20.38	18.93	1.45	14.90	13.15	1.75	18.56	16.71	1.85	19.12	17.27	1.85
Boise, ID ^{2/}	17.53	17.53	0.00	12.05	11.75	0.30	15.61	15.31	0.30	16.17	15.87	0.30
Boston, MA	20.78	19.18	1.60	14.80	13.40	1.40	18.66	16.96	1.70	19.22	17.52	1.70
Charlotte, NC	19.81	19.03	0.78	15.18	13.25	1.93	18.24	16.81	1.43	18.53	17.37	1.16
Chicago, IL	19.62	17.73	1.89	14.04	11.95	2.09	17.81	15.51	2.30	18.12	16.07	2.05
Cincinnati, OH	19.96	18.13	1.83	13.91	12.35	1.56	17.48	15.91	1.57	18.04	16.47	1.57
Cleveland, OH	19.76	17.93	1.83	13.71	12.15	1.56	17.28	15.71	1.57	17.84	16.27	1.57
Dallas, TX	19.05	18.93	0.12	14.45	13.15	1.30	17.61	16.71	0.90	17.90	17.27	0.63
Denver, CO	19.18	18.48	0.70	13.55	12.70	0.85	17.11	16.26	0.85	17.67	16.82	0.85
Des Moines, IA	18.94	17.73	1.21	13.33	11.95	1.38	16.90	15.51	1.39	17.46	16.07	1.39
Detroit, MI	18.73	17.73	1.00	13.20	11.95	1.25	16.93	15.51	1.42	17.49	16.07	1.42
Hartford, CT	20.68	19.08	1.60	14.70	13.30	1.40	18.56	16.86	1.70	19.12	17.42	1.70
Houston, TX	19.65	19.53	0.12	15.05	13.75	1.30	18.21	17.31	0.90	18.50	17.87	0.63
Indianapolis, IN	19.76	17.93	1.83	13.71	12.15	1.56	17.28	15.71	1.57	17.84	16.27	1.57
Kansas City, MO	18.89	17.93	0.96	13.92	12.15	1.77	16.99	15.71	1.28	17.55	16.27	1.28
Louisville, KY	19.13	18.13	1.00	13.45	12.35	1.10	17.33	15.91	1.42	17.89	16.47	1.42
Memphis, TN	19.31	18.73	0.58	14.68	12.95	1.73	17.74	16.51	1.23	18.03	17.07	0.96
Miami, FL	22.32	20.23	2.09	17.69	14.45	3.24	20.51	18.01	2.50	20.80	18.57	2.23
Milwaukee, WI	19.72	17.68	2.04	14.14	11.90	2.24	17.91	15.46	2.45	18.22	16.02	2.20
Minneapolis, MN	19.08	17.63	1.45	13.49	11.85	1.64	17.26	15.41	1.85	17.57	15.97	1.60
New Orleans, LA	19.96	19.53	0.43	15.33	13.75	1.58	18.39	17.31	1.08	18.68	17.87	0.81
Oklahoma City, OK	19.33	18.53	0.80	14.40	12.75	1.65	17.21	16.31	0.90	17.77	16.87	0.90
Omaha, NE	18.99	17.78	1.21	13.38	12.00	1.38	16.95	15.56	1.39	17.51	16.12	1.39
Philadelphia, PA	20.55	18.98	1.57	15.07	13.20	1.87	18.61	16.76	1.85	19.17	17.32	1.85
Phoenix, AZ	18.43	18.28	0.15	12.65	12.50	0.15	16.21	16.06	0.15	16.77	16.62	0.15
Pittsburgh, PA	19.93	18.03	1.90	14.20	12.25	1.95	17.81	15.81	2.00	18.32	16.37	1.95
St. Louis, MO	19.64	17.93	1.71	13.40	12.15	1.25	16.96	15.71	1.25	17.52	16.27	1.25
Salt Lake City, UT	18.13	17.83	0.30	12.35	12.05	0.30	15.91	15.61	0.30	16.47	16.17	0.30
Seattle, WA	18.25	17.83	0.42	12.47	12.05	0.42	16.03	15.61	0.42	16.59	16.17	0.42
Springfield, MO	18.93	18.13	0.80	14.00	12.35	1.65	16.81	15.91	0.90	17.37	16.47	0.90
Washington, DC	20.38	18.93	1.45	14.90	13.15	1.75	18.56	16.71	1.85	19.12	17.27	1.85
Simple Average ^{3/}	19.52	18.41	1.11	14.10	12.63	1.47	17.55	16.19	1.36	18.03	16.75	1.28

^{1/} This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

^{2/} The information for this city is being reported now; the information for Spokane, WA has been discontinued.

^{3/} The figures for September have been revised as the data for all cities has been reported now.

THE DAIRY SITUATION AND OUTLOOK

Cheese Markets Tighten, Other Dairy Markets Remain Soft

Summary - Relatively weakened milk production and recovering sales led to significantly tightened late summer cheese markets while most other dairy markets stayed fairly soft. The cheese price increases are boosting milk prices. Production and market adjustments in coming months will test whether the prices can hold. The 2003 average price of all milk is projected to be similar to 2002's annual average (\$12.19 per cwt) about \$2 below the 1997-2001 average. Milk prices in 2004 are expected to be near this year's levels. Market adjustments leading to stronger prices could start to make a difference by late in 2004, but at least the first half of the year is threatening to be a lot like 2003. Milk production in 2003 is expected to total just barely larger than 2002's 169.8 billion pounds. Milk output may end the year again above the weakening levels of a year earlier. The projected recovery in milk per cow in 2004 would be enough to push 2004 production about 1 percent higher.

Recovery in Milk per Cow May Boost Output - Summer strength in cheese and milk prices is not expected to significantly affect developing rates of structural change. The price recovery is likely to be fairly modest and possibly short-lived. Market tightness is pretty much restricted to cheese, with supplies of other products staying ample. Longer-run prospects probably will not be perceived as changed until there are clear signs of a broadly based market tightening. Only then are farmers likely to start altering long-run plans. Relatively low returns are projected to keep milk cow numbers declining through 2004. Decreases from a year earlier are expected to exceed 1 percent by yearend, averaging about one-half percent for the year. Unless dairy product demand rises much more than now appears likely, declines in milk cow numbers could increase to almost 2 percent in 2004. The recent price strength may have more impact on milk per cow than on cow numbers. Crop conditions remain quite uncertain, but the anticipated easing of concentrate prices now seems unlikely. Even so, milk-feed price ratios are not expected to return to the very low levels of late 2002-early 2003. Projected ratios will not rise to levels associated with trend growth in milk per cow but will allow farmers to be a bit more liberal with feed and BST. Farmers probably have already begun reversing measures taken during the first half of 2003, and the effects may be apparent by this autumn. Fall is also when the large age cohort will start moving into their second lactations. Gains in milk per cow will accelerate this autumn and probably through next year. However, milk-feed price ratios are not projected to reach levels associated with trend increases in milk per cow, and forage quality probably will again be uneven. By late 2003, the increase in milk per cow from the weak level of a year earlier is projected to near 2 percent. But, the annual total likely will be only 1 percent above a year ago. Recovery in milk per cow is expected to continue in 2004. Year-to-year increases are projected to be almost 3 percent as economic incentives improve slightly, and abnormal short-run circumstances fade. However, even this relatively large rise from a year earlier would leave milk per cow still below the long-run trend line. In addition, recovery may well remain uneven, as unambiguous forces for full recovery are unlikely. Milk production in 2003 is expected to total just barely larger than 2002's 169.8 billion pounds. Milk output may end the year again above the weakening levels of a year earlier. The projected recovery in milk per cow in 2004 would be enough to push 2004 production about 1 percent higher.

Dairy Demand Creeping Back - Dairy demand continues its limping recovery. The economy has grown, although expansion has been uneven and with some nagging unemployment problems. Commercial use of dairy products generally has grown, although most of the recovery probably could be explained on the basis of low dairy prices. The restaurant sector remains in the doldrums. Commercial disappearance of milk in all products was about flat in May and June before jumping about 4 percent from a year earlier in July. Both of these patterns may have been misleading. The May-June period was one of mixed signals concerning a production slowdown on one hand and a sales pickup on the other. Buyers probably were reluctant to step up purchases even though their pipeline holdings may have been unusually low for the time of year. The July surge was almost entirely the result of brisk cheese movement as buyers scrambled to build pipelines in a rising market. Another confusing feature resulted from the very large imports of American cheese (and resulting boost in commercial use data) during June-July 2002, cheese that probably did not move into final use until much later in 2002. The

Continued on page 14

most likely patterns of dairy product movement into final use during late spring-early summer included continued recovery in cheese use. Growth probably was stronger than earlier in 2003 or 2002, but that cannot yet be determined. Sales of butter and fluid milk stayed close to a year earlier. Disappearance of nonfat dry milk increased somewhat, but only to moderate levels. It is not clear that any increase in use outside the dairy industry itself has occurred. Sales of dairy products are expected to grow at a slightly faster rate in late 2003 and 2004. Recovery in demand is expected to continue, although possibly raggedly. Prices, with the possible exception of cheese, likely will be attractive. Food processing use may pick up from last year's generally sluggish holiday season. For butter, there are some signs that autumn retail specials may be more common this year. Even so, growth in use is not projected to be extraordinary, and any price increases may quickly trim expansion.

Farm Milk Price Increases May Not Hold - The jumps in wholesale cheese prices will boost farm milk prices during the second half of 2003. Farmers are projected to receive over \$1.50 more per cwt of milk than they did a year earlier. Even so farm milk prices will stay much lower than those of the high-price years of 1998, 1999, or 2001. Because of the price strength, MILC payments will not be made on September and October milk. The MILC payment rate will rise if cheese prices start to crumble, but payments are not expected to return to high rates until well into winter. The 2003 average price of all milk is projected to be similar to 2002's \$12.19 per cwt, about \$2 below the 1997-2001 average. Although the impact has been cushioned by the MILC (particularly for small producers), these prices represent a lengthy period of real prices lower than anything seen since before World War II. Higher average milk prices in 2004 probably will require either accelerated improvement in dairy product demand or weakening in milk production, neither of which is considered likely. Recent improvement in cheese demand has been encouraging but shows no signs of being joined by strength in demand for other dairy products. Also, the economy is not expected to be robust enough to accommodate a surge in cheese sales sufficient to support significantly increased milk prices without contributions from other products. Failure of milk per cow to show any recovery potentially could have a substantial impact on 2004 milk prices. However, the long trend growth in milk per cow is based on steady management and feeding improvements that are rarely interrupted for long. Although recent gains have been erratic and forage quality and concentrate prices are expected to fall short of ideal, conditions are not projected to be so unfavorable as to override pent-up trend forces. Milk prices in 2004 are expected to be near this year's levels. Market adjustments leading to stronger prices could start to make a difference by late 2004, but at least the first half of the year is threatening to be a lot like 2003. Retail dairy prices in July were more than 1 percent below a year earlier and slightly below most of the first half. Retail prices in July had not yet had much opportunity to respond to increases in wholesale and farm milk prices. Retail dairy prices will rise in coming months, particularly for cheese. However, rapid increases are not expected as the farm-to-retail price spread is likely to slip below a year earlier during the second half. The spread posted a moderate increase during the first quarter and was about unchanged in the second. For all of 2003, retail dairy prices are projected to decline fractionally, the first decline in more than a decade. All of the decline would be due to a smaller farm-to-retail price spread as farm prices are expected to be unchanged. The spread is projected to bounce back in 2004, leading to a 2- to 4-percent increase in retail prices.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-111, September 17, 2003, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

Editor's Note: This summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

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

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
JUN 2003	179.6	2.2	163.9	-2.4	158.3	-2.6	167.7	-1.1	142.2	-7.5	167.2	3.3
JUL 2003	179.7	2.1	164.7	-1.7	158.5	-1.6	167.9	-1.1	144.5	-6.3	168.2	3.6
AUG 2003	180.4	2.5	167.5	0.2	159.2	-0.3	171.8	1.2	140.8	-3.9	169.7	4.6
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Dollars											
JUNE	2.676	2.768	2.658	3.084	3.769	3.856	3.796	4.311	3.806	3.752		
JULY	2.708	2.747	2.697	3.095	3.688	3.783	3.736	4.292	3.965	3.883		
AUGUST	2.666	2.720	2.747	2.938	3.815	3.895	3.845	4.345	3.976	3.783		

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—MAY-JULY AND YEAR-TO-DATE 2002-03 ^{1/}

Item	May-Jul. 2002	Percent change ^{2/}	May-Jul. 2003	Percent change ^{2/}	Jan.-Jul. 2002	Percent change ^{2/}	Jan.-Jul. 2003	Percent change ^{2/}
	Million Pounds							
MILK								
Production	43,632	2.7	43,497	-0.3	100,614	2.8	101,050	0.4
Marketings	43,345	2.7	43,227	-0.3	99,952	2.9	100,426	0.5
Beginning Commercial Stocks ^{3/}	11,004	25.4	12,670	15.1	7,041	3.0	9,891	40.5
Imports ^{3/}	1,373	-21.6	1,218	-11.3	2,950	-12.4	2,864	-2.9
Total Supply ^{4/}	55,722	5.7	57,115	2.5	109,943	2.4	113,181	2.9
Ending Commercial Stocks ^{3/}	12,742	27.2	13,121	3.0	12,742	27.2	13,121	3.0
Net Removals ^{3/}	69	102.9	455	559.4	155	37.2	1,048	576.1
Commercial Disappearance ^{4/}	42,911	0.6	43,539	1.5	97,046	-0.2	99,012	2.0
SELECTED PRODUCTS ^{5/}								
Butter	275.1	0.1	267.1	-2.9	672.4	1.5	675.7	0.5
American Cheese	925.2	2.4	907.0	-2.0	2,125.0	0.8	2,107.9	-0.8
Other Cheese	1,286.4	2.1	1,335.2	3.8	2,956.1	1.7	3,034.0	2.6
Nonfat Dry Milk	178.7	-27.3	188.5	5.5	382.4	-26.3	362.8	-5.1
Fluid Milk Products ^{6/}	13,326.1	0.3	13,261.3	-0.5	31,754.1	0.0	31,779.3	0.1

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

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 22 - 26, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 09/19/03	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	2,336,400	-0-	-0-
TOTAL	-0-	-0-	-0-	41,085,137	7,354,688	-0-	-0-
NONFAT DRY MILK							
Nonfort	3,930,420	132,276	3,798,144	620,981,106	651,968,255	1,153,392,000	1,145,167,000
Fortified	110,175	-0-	110,175	706,989	-0-	46,391,000	46,391,000
TOTAL	4,040,595	132,276	3,908,319	621,688,095	651,968,255	1,199,783,000	1,191,558,000

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 22 - 26, 2003 =	0.9	45.5	COMPARABLE PERIOD IN 2002 =	1.1	38.0
CUMULATIVE SINCE OCTOBER 1, 2002 =	765.5	7,644.6	CUMULATIVE SAME PERIOD LAST YEAR =	211.3	7,661.7
CUMULATIVE JAN. 1 - SEPT. 26, 2003 =	691.4	6,379.0	COMPARABLE CALENDAR YEAR 2002 =	194.4	6,765.8

* 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 22 - 26, 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-	3,798,144	110,175
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	2,336,400	24,411,395	35,590,570	39.3	13.9
WEST	11,446,631	-0-	9,035,165	5,018,288	559,706,904	579,257,494	59.6	82.2
EAST	-0-	-0-	-0-	-0-	37,569,796	37,120,191	1.1	3.9
TOTAL	11,446,631	-0-	41,085,137	7,354,688	621,688,095	651,968,255	100.0	100.0

NDM SELBACK TO THE TRADE	EAST/CENTRAL	TOTAL	PRICE
SEPTEMBER 15 - 19, 2003	-0-	-0-	N.A.

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 09/06/03 & Comparable Week 2002

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1			
2003-Dairy	0.2	0.7	7.0	4.6	19.0	2.6	0.1	1.0	11.9	2.8	49.9	1,928.0	49.7	47.7
2002-Dairy	0.2	0.8	6.3	4.3	18.0	2.3	0.5	0.8	12.7	2.0	47.8	1,736.4	47.9	46.0
2003-All cows	0.2	0.9	9.1	12.3	29.3	15.9	10.5	2.5	13.5	6.3	100.4	4,044.7		
2002-All cows	0.2	0.9	8.0	11.7	26.5	13.6	13.9	3.2	15.1	6.7	99.8	3,773.0		

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	14.27		
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